



PGNiG

**Polskie Górnictwo Naftowe
i Gazownictwo SA**

INTERIM REPORT

**FOR THE QUARTERS ENDED
MARCH 31ST 2008 AND MARCH 31ST 2007**

POLISH FINANCIAL SUPERVISION AUTHORITY

Consolidated Quarterly Report QSr 1 / 2008

quarter / year

(pursuant to Par. 86.2 and Par. 87.1 of the Regulation of the Minister of Finance of October 19th 2005 –
Dz. U. No. 209, item 1744),
for issuers of securities in the manufacturing, construction, trade, and services sectors

for the first quarter of the 2008 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 14th 2008
(date of release)

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PGNiG Group
Q1 2008 Report
Condensed Consolidated Financial Statements
(PLN '000)

FINANCIAL HIGHLIGHTS

	First quarter of 2008 cumulatively (Jan 1 – Mar 31 2008)	First quarter of 2007 cumulatively (Jan 1 – Mar 31 2007)	First quarter of 2008 cumulatively (Jan 1 – Mar 31 2008)	First quarter of 2007 cumulatively (Jan 1 – Mar 31 2007)
	PLN '000		EUR '000	
Consolidated Financial Data				
I. Net sales revenue	5,330,438	5,048,535	1,498,408	1,292,408
II. Operating profit	987,383	919,231	277,557	235,320
III. Profit before tax	978,421	997,880	275,038	255,454
IV. Net profit	778,951	788,119	218,966	201,756
V. Net cash provided by/(used in) operating activities	1,300,769	1,633,753	365,652	418,235
VI. Net cash provided by/(used in) investing activities	(629,128)	(428,040)	(176,851)	(109,577)
VII. Net cash provided by/(used in) financing activities	17,524	(46,726)	4,926	(11,962)
VIII. Total net cash flow	689,165	1,158,987	193,727	296,697
IX. Earnings per ordinary share (PLN/EUR)	0.13	0.13	0.04	0.03
X. Diluted earnings per ordinary share (PLN/EUR)	0.13	0.13	0.04	0.03
	As at Mar 31 2008 End of Q1 2008	As at Dec 31 2007 End of previous year	As at Mar 31 2008 End of Q1 2008	As at Dec 31 2007 End of previous year
XI. Total assets	29,042,755	28,401,901	8,237,210	7,929,062
XII. Liabilities and provisions for liabilities	7,254,905	7,380,136	2,057,662	2,060,339
XIII. Non-current liabilities	3,790,401	3,879,566	1,075,047	1,083,073
XIV. Current liabilities	3,464,504	3,500,570	982,615	977,266
XV. Equity	21,787,850	21,021,765	6,179,548	5,868,723
XVI. Share capital	5,900,000	5,900,000	1,673,379	1,647,125
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)	3.69	3.56	1.05	0.99
XIX. Diluted book value per share (PLN / EUR)	3.69	3.56	1.05	0.99
XX. Dividend per share declared or paid (PLN / EUR)	-	0.17	-	0.05
	First quarter of 2008 cumulatively (Jan 1 – Mar 31 2008)	First quarter of 2007 cumulatively (Jan 1 – Mar 31 2007)	First quarter of 2008 cumulatively (Jan 1 – Mar 31 2008)	First quarter of 2007 cumulatively (Jan 1 – Mar 31 2007)
Non-Consolidated Financial Data				
I. Net sales revenue	5,518,988	3,997,215	1,551,411	1,023,274
II. Operating profit	748,380	624,212	210,373	159,796
III. Profit before tax	725,237	694,686	203,867	177,837
IV. Net profit	575,928	580,649	161,896	148,644
V. Net cash provided by/(used in) operating activities	962,976	1,371,670	270,697	351,143
VI. Net cash provided by/(used in) investing activities	(588,861)	(165,323)	(165,531)	(42,322)
VII. Net cash provided by/(used in) financing activities	9,965	(25,962)	2,801	(6,646)
VIII. Total net cash flow	384,080	1,180,385	107,966	302,175
IX. Earnings per ordinary share (PLN/EUR)	0.10	0.10	0.03	0.03
X. Diluted earnings per ordinary share (PLN/EUR)	0.10	0.10	0.03	0.03
	As at Mar 31 2008 End of Q1 2008	As at Dec 31 2007 End of previous year	As at Mar 31 2008 End of Q1 2008	As at Dec 31 2007 End of previous year
XI. Total assets	23,087,467	23,564,336	6,548,150	6,578,542
XII. Liabilities and provisions for liabilities	4,716,528	5,768,368	1,337,719	1,610,376
XIII. Non-current liabilities	1,773,327	1,858,507	502,957	518,846
XIV. Current liabilities	2,943,201	3,909,861	834,761	1,091,530
XV. Equity	18,370,939	17,795,968	5,210,431	4,968,165
XVI. Share capital	5,900,000	5,900,000	1,673,379	1,647,125
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)	3.11	3.02	0.88	0.84
XIX. Diluted book value per share (PLN / EUR)	3.11	3.02	0.88	0.84
XX. Dividend per share declared or paid (PLN / EUR)	-	0.17	-	0.05

Items I to X were translated using the average EUR exchange rate computed as the arithmetic mean of mid exchange rates quoted by the National Bank of Poland (NBP) for the last day of each calendar month in the given reporting period. Items XI to XVI and XVIII to XIX were translated using the EUR exchange rate quoted by the NBP as at the end of the given period.

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

	Mar 31 2008	Dec 31 2007	Mar 31 2007
Average exchange rate for the period	3.5574	3.7768	3.9063
Lowest exchange rate for the period	3.5204	3.5699	3.8270
Highest exchange rate for the period	3.6577	3.9385	3.9385
Exchange rate at end of the period	3.5258	3.5820	3.8695

I. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

	Note	First quarter of 2008 cumulatively (Jan 1 – Mar 31 2008)	First quarter of 2007 cumulatively (Jan 1 – Mar 31 2007)
		unaudited	unaudited
		(PLN '000)	
Sales revenue	4	5,330,438	5,048,535
Raw and other materials used	6	(2,898,722)	(2,711,547)
Employee benefits		(464,594)	(417,880)
Depreciation and amortisation		(350,449)	(328,604)
Contracted services	6	(688,476)	(661,975)
Cost of products and services for own needs		122,599	123,790
Other operating expenses, net		(63,413)	(133,088)
Total operating expenses		(4,343,055)	(4,129,304)
Operating profit		987,383	919,231
Financial income		58,037	109,257
Financial expenses		(67,065)	(30,913)
Share in profit/(loss) of undertakings valued with equity method		66	305
Pre-tax profit		978,421	997,880
Corporate income tax		(199,470)	(209,761)
Net profit		778,951	788,119
Attributable to:			
equity holders of the parent		778,807	787,869
minority interests		144	250
		778,951	788,119

Earnings per share attributable to ordinary shareholders of the parent

- weighted average number of shares	5,900,000,000	5,900,000,000
- basic earnings	0.13	0.13
- diluted earnings	0.13	0.13

CONSOLIDATED BALANCE SHEET

	Note	As at Mar 31 2008 (end of Q1 2008)	As at Dec 31 2007 (end of previous year)
		unaudited	audited
		(PLN '000)	
ASSETS			
Non-current assets			
Property, plant and equipment	7	19,576,319	18,715,509
Investment property		8,868	10,578
Intangible assets		118,509	84,636
Investments in associated undertakings valued with equity method		557,595	557,529
Financial assets available for sale		11,688	19,997
Other financial assets		1,553,982	2,292,154
Deferred tax asset	1	423,069	419,814
Other non-current assets		27,220	30,873
Total non-current assets		22,277,250	22,131,090
Current assets			
Inventories		749,796	1,215,980
Trade and other receivables		3,403,787	3,331,046
Current income tax receivable		10,819	17,499
Prepayments and accrued income		271,734	82,355
Financial assets available for sale		22,025	22,406
Derivative financial instruments		34,333	17,442
Cash and cash equivalents		2,272,702	1,583,635
Assets held for sale		309	448
Total current assets		6,765,505	6,270,811
Total assets		29,042,755	28,401,901
EQUITY AND LIABILITIES			
Equity			
Share capital		5,900,000	5,900,000
Currency-translation differences on foreign-currency undertakings		(57,394)	(44,525)
Share premium account		1,740,093	1,740,093
Other capital reserves		3,478,084	3,478,081
Retained earnings		10,718,234	9,939,427
Equity (attributable to equity holders of the parent)		21,779,017	21,013,076
Equity attributable to minority interests		8,833	8,689
Total equity		21,787,850	21,021,765
Non-current liabilities			
Loans, borrowings and debt securities		42,176	31,377
Provisions	3	1,156,905	1,153,805
Deferred income		1,131,278	1,142,366
Deferred tax liability	1	1,438,255	1,530,359
Other non-current liabilities		21,787	21,659
Total non-current liabilities		3,790,401	3,879,566
Current liabilities			
Trade and other payables		2,357,179	2,407,981
Loans, borrowings and debt securities		123,096	106,724
Liabilities under derivative financial instruments		57,068	36,185
Current tax liability		257,008	281,399
Provisions	3	189,416	181,220
Deferred income		480,737	487,061
Total current liabilities		3,464,504	3,500,570
Total liabilities		7,254,905	7,380,136
Total equity and liabilities		29,042,755	28,401,901

CONSOLIDATED CASH-FLOW STATEMENT

	First quarter of 2008 cumulatively (Jan 1 – Mar 31 2008) unaudited	First quarter of 2007 cumulatively (Jan 1 – Mar 31 2007) unaudited
	(PLN '000)	
Cash flows from operating activities		
Net profit	778,951	788,119
Adjustments:		
Share in net profit/(loss) of undertakings valued with equity method	(66)	(305)
Depreciation and amortisation	350,449	328,604
Net foreign exchange gains/(losses)	34,295	11,681
Net interest and dividend paid	(13,085)	(40,728)
Profit/(loss) on investing activities	(16,875)	(9,341)
Current income tax	199,470	209,761
Income tax paid	(313,606)	(68,023)
Other items, net	(36,597)	(27,508)
Net cash provided by/(used in) operating activities before changes in working capital	982,936	1,192,260
Change in working capital:		
Change in receivables, net	(91,800)	(129,982)
Change in inventories	466,183	620,836
Change in provisions	11,295	25,105
Change in current liabilities	153,472	171,661
Change in prepayments	(203,905)	(249,623)
Change in accruals and deferrals	(17,412)	3,496
Net cash provided by/(used in) operating activities	1,300,769	1,633,753
Cash flows from investing activities		
Sale of property, plant and equipment and intangible assets	10,317	6,535
Sale of shares in non-consolidated undertakings	-	-
Sale of short-term securities	13,975	6,852
Acquisition of property, plant and equipment and intangible assets	(715,671)	(550,853)
Acquisition of shares in non-consolidated undertakings	-	(300)
Acquisition of short-term securities	-	-
Interest received	36,561	60,190
Dividend received	-	-
Proceeds from financed lease	26,299	52,092
Other items, net	(609)	(2,556)
Net cash provided by/(used in) investing activities	(629,128)	(428,040)
Cash flows from financing activities		
Net proceeds from issue of shares, other equity instruments and additional contributions to equity	-	-
Increase in loans and borrowings	29,740	14,578
Repayment of loans and borrowings	(11,734)	(26,503)
Issue of debt securities	-	-
Redemption of debt securities	-	-
Decrease in financed lease liabilities	(8,706)	(7,728)
Inflows from forward contracts	12,009	16,080
Outflows on forward contracts	(1,372)	(16,563)
Dividend paid	-	-
Interest paid	(1,668)	(25,435)
Other items, net	(745)	(1,155)
Net cash provided by/(used in) financing activities	17,524	(46,726)
Net change in cash	689,165	1,158,987
Net foreign exchange gains/(losses)	(730)	12,158
Cash and cash equivalents at beginning of period	1,584,868	3,559,214
Cash and cash equivalents at end of period	2,274,033	4,718,201

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

	Equity (attributable to equity holders of the parent)					Equity attributable to minority interests	Total equity
	Share capital	Currency-translation differences on foreign-currency undertakings	Share premium account	Other capital reserves	Retained earnings	Total	
	(PLN '000)						
As at Jan 1 2007	5,900,000	(15,609)	1,740,093	2,890,068	10,631,137	21,145,689	21,153,360
Currency-translation differences on foreign-currency branches	-	(709)	-	-	-	(709)	(709)
Transfers	-	-	-	(1,087)	1,087	-	-
Net profit cumulatively for Q1 2007	-	-	-	-	787,869	787,869	788,119
As at Mar 31 2007 (end of Q1 2007) (unaudited)	5,900,000	(16,318)	1,740,093	2,888,981	11,420,093	21,932,849	21,940,770
As at Jan 1 2007	5,900,000	(15,609)	1,740,093	2,890,068	10,631,137	21,145,689	21,153,360
Currency-translation differences on foreign-currency branches	-	(28,916)	-	-	-	(28,916)	(28,916)
Payment of dividend by an associated undertaking consolidated with equity method	-	-	-	-	(15,729)	(15,729)	(15,729)
Other changes	-	-	-	-	-	-	(15)
Transfers	-	-	-	588,013	(588,013)	-	-
Payment of dividend to the shareholders of the parent	-	-	-	-	(1,003,000)	(1,003,000)	(1,003,000)
Net profit for 2007	-	-	-	-	915,032	915,032	916,065
As at Dec 31 2007 (end of previous year) (audited)	5,900,000	(44,525)	1,740,093	3,478,081	9,939,427	21,013,076	21,021,765
As at Jan 1 2008	5,900,000	(44,525)	1,740,093	3,478,081	9,939,427	21,013,076	21,021,765
Currency-translation differences on foreign-currency branches	-	(12,869)	-	-	-	(12,869)	(12,869)
Other changes	-	-	-	3	-	3	3
Transfers	-	-	-	-	-	-	-
Net profit cumulatively for Q1 2008	-	-	-	-	778,807	778,807	778,951
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	21,787,850

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 2008	419,814	1,530,359
a) increase	25,988	11,404
b) decrease	(22,733)	(103,508)
Deferred tax as at end of period: Mar 31 2008	423,069	1,438,255
As at beginning of period: Jan 1 2007	453,439	2,056,074
a) increase	94,478	23,526
b) decrease	(128 103)	(549,241)
Deferred tax as at end of period: Dec 31 2007	419,814	1,530,359

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 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	68,135	-	7	-	-	344	16,198	738	-	85,422
b) transfer	-	-	(948)	-	-	-	-	948	-	-
c) decrease	(32,405)	-	(181)	(68,324)	(191)	(3,274)	(7,748)	(19,560)	-	(131,683)
Valuation allowances as at end of period: Mar 31 2008	13,703,883	2,020	948	954,198	52,629	31,387	953,265	123,662	2,808	15,824,800
As at beginning of period: Jan 1 2007	12,236,438	2,035	7,421	780,537	53,326	32,034	865,205	198,820	2,808	14,178,624
a) increase	2,231,624	-	561	241,985	126	5,249	406,272	15,513	-	2,901,330
b) transfer	-	-	(4,647)	-	-	-	-	4,647	-	-
c) decrease	(799,909)	(15)	(1,265)	-	(632)	(2,966)	(326,662)	(77,444)	-	(1,208,893)
Valuation allowances as at end of period: Dec 31 2007	13,668,153	2,020	2,070	1,022,522	52,820	34,317	944,815	141,536	2,808	15,871,061

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 2008	358,872	61,199	16,000	2,707	438,778
a) increase	-	-	52	9,218	9,270
b) transfer	-	-	-	-	-
c) decrease	(2,476)	-	(446)	(1,386)	(4,308)
Provision for retirement and similar benefits as at end of period: Mar 31 2008	356,396	61,199	15,606	10,539	443,740
As at beginning of period: Jan 1 2007	337,499	82,198	14,760	7,289	441,746
a) increase	107,075	3,039	2,006	11,208	123,328
b) transfer	-	-	4,869	(4,869)	-
c) decrease	(85,702)	(24,038)	(5,635)	(10,921)	(126,296)
Provision for retirement and similar benefits as at end of period: Dec 31 2007	358,872	61,199	16,000	2,707	438,778

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 2008	706,834	2,000	84,535	22,500	7,540	72,838	896,247
a) increase	753	-	-	-	-	10,880	11,633
b) transfer	-	-	-	-	-	-	-
c) decrease	-	-	(9)	-	(780)	(4,510)	(5,299)
Other provisions as at end of period: Mar 31 2008	707,587	2,000	84,526	22,500	6,760	79,208	902,581
As at beginning of period: Jan 1 2007	740,646	4,068	85,153	-	9,740	72,294	911,901
a) increase	70,315	-	742	22,500	-	62,522	156,079
b) transfer	-	-	(481)	-	-	481	-
c) decrease	(104,127)	(2,068)	(879)	-	(2,200)	(62,459)	(171,733)
Other provisions as at end of period: Dec 31 2007	706,834	2,000	84,535	22,500	7,540	72,838	896,247

4. Sales Revenue

	First quarter of 2008 cumulatively (Jan 1 – Mar 31 2008)	First quarter of 2007 cumulatively (Jan 1 – Mar 31 2007)
Methane-rich gas	4,384,852	4,050,001
Nitrogen-rich gas	427,741	401,623
Crude oil	236,688	138,370
Helium	6,874	8,275
Propane-butane gas	13,537	10,291
Gasoline	1,285	478
LNG	5,088	4,446
Geophysical and geological services	69,749	138,913
Exploration services	104,172	106,131
Materials and goods for resale	4,556	5,234
Other sales of products and services	75,896	184,773
Total	5,330,438	5,048,535

5. Proceeds under Transmission System Lease Agreement

	First quarter of 2008 cumulatively (Jan 1 – Mar 31 2008)	First quarter of 2007 cumulatively (Jan 1 – Mar 31 2007)
Interest	34,001	56,238
Principal	26,299	49,890
Total	60,300	106,128

6. Operating Expenses

Raw and other materials used	First quarter of 2008 cumulatively (Jan 1 – Mar 31 2008)	First quarter of 2007 cumulatively (Jan 1 – Mar 31 2007)
Gas purchases	(2,769,945)	(2,577,628)
Other	(128,777)	(133,919)
Total	(2,898,722)	(2,711,547)

Contracted services	First quarter of 2008 cumulatively (Jan 1 – Mar 31 2008)	First quarter of 2007 cumulatively (Jan 1 – Mar 31 2007)
Purchases of transmission services	(416,238)	(408,678)
Other contracted services	(272,238)	(253,297)
Total	(688,476)	(661,975)

7. Property, Plant and Equipment by Categories

	As at Mar 31 2008 (end of Q1 2008)	As at Dec 31 2007 (end of previous year)
Land	85,271	83,570
Buildings and structures	13,203,495	12,542,252
Plant and equipment	2,190,625	2,129,116
Vehicles and other	848,575	860,554
Total property, plant and equipment	16,327,966	15,615,492
Tangible assets under construction	3,248,353	3,100,017
Total	19,576,319	18,715,509

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

The Company made two changes in the Q1 2007 income statement in order to ensure comparability of the data for the current reporting period and the comparable data.

The first change consisted in reclassifying outflows under forward contracts, in the amount of PLN 16,563 thousand, from "Financial expenses" to "Financial income". Consequently, inflows and outflows under forward contracts are presented on the net basis under "Financial income". The change pertains solely to financial activities and had no bearing on profit or loss.

The other change consisted in recognising additional revenue from the settlement of deferred income in the amount of PLN 1,352 thousand under "Other operating expenses, net" and recognising deferred tax of PLN (257) thousand on the said amount under "Corporate income tax". Such recognition drove the operating result up by PLN 1,352 thousand and the net result by PLN 1,095 thousand. The change resulted from a hyperinflation adjustment to the deferred income related to infrastructure received free of charge in 1995–1996.

II. CONDENSED NON-CONSOLIDATED FINANCIAL STATEMENTS

NON-CONSOLIDATED INCOME STATEMENT

	Note	First quarter of 2008 cumulatively (Jan 1 – 31 Mar 2008)	First quarter of 2007 cumulatively (Jan 1 – 31 Mar 2007)
		unaudited	unaudited
		(PLN '000)	
Sales revenue	4	5,518,988	3,997,215
Raw and other materials used	6	(2,793,279)	(2,602,139)
Employee benefits		(145,024)	(76,330)
Depreciation and amortisation		(141,833)	(122,354)
Contracted services	6	(1,712,881)	(540,952)
Cost of products and services for own needs		1,116	1,893
Other operating expenses, net		21,293	(33,121)
Total operating expenses		(4,770,608)	(3,373,003)
Operating profit		748,380	624,212
Financial income		83,063	119,896
Financial expenses		(106,206)	(49,422)
Pre-tax profit		725,237	694,686
Corporate income tax		(149,309)	(114,037)
Net profit		575,928	580,649

Earnings per share attributable to ordinary shareholders of the parent

- weighted average number of shares	5,900,000,000	5,900,000,000
- basic earnings	0.10	0.10
- diluted earnings	0.10	0.10

NON-CONSOLIDATED BALANCE SHEET

	Note	As at Mar 31 2008 (end of Q1 2008)	As at Dec 31 2007 (end of previous year)
		unaudited	audited
ASSETS			
(PLN '000)			
Non-current assets			
Property, plant and equipment	7	8,609,800	8,568,916
Investment property		4,345	4,445
Intangible assets		64,960	33,059
Financial assets available for sale		5,632,799	4,787,372
Other financial assets		2,848,472	3,340,711
Deferred tax asset	1	270,454	261,208
Other non-current assets		26,883	25,755
Total non-current assets		17,457,713	17,021,466
Current assets			
Inventories		598,563	1,061,156
Trade and other receivables		3,418,357	4,355,638
Current income tax receivable		-	-
Prepayments and accrued income		109,843	24,056
Financial assets available for sale		29,341	29,341
Derivative financial instruments		34,333	17,442
Cash and cash equivalents		1,439,081	1,055,001
Assets held for sale		5,629,518	6,542,634
Total current assets		236	236
Total assets		23,087,467	23,564,336
EQUITY AND LIABILITIES			
Equity			
Share capital		5,900,000	5,900,000
Currency-translation differences on foreign-currency undertakings		(2,466)	(1,510)
Share premium account		1,740,093	1,740,093
Other capital reserves		3,344,146	3,344,146
Retained earnings		7,389,166	6,813,239
Total equity		18,370,939	17,795,968
Non-current liabilities			
Loans, borrowings and debt securities		2,117	80
Provisions	3	901,369	901,112
Deferred income		8,436	7,645
Deferred tax liability	1	840,805	929,093
Other non-current liabilities		20,600	20,577
Total non-current liabilities		1,773,327	1,858,507
Current liabilities			
Trade and other payables		2,169,475	3,174,026
Loans, borrowings and debt securities		5,415	4,316
Derivative financial instruments		55,980	35,527
Current tax liability		202,625	187,174
Provisions	3	120,892	111,838
Deferred income		388,814	396,980
Total current liabilities		2,943,201	3,909,861
Total liabilities		4,716,528	5,768,368
Total equity and liabilities		23,087,467	23,564,336

NON-CONSOLIDATED CASH-FLOW STATEMENT

	First quarter of 2008 cumulatively (Jan 1 – Mar 31 2008)	First quarter of 2007 cumulatively (Jan 1 – Mar 31 2007)
	unaudited	unaudited
	(PLN '000)	
Cash flows from operating activities		
Net profit	575,928	580,649
Adjustments:		
Depreciation and amortisation	141,833	122,354
Net foreign exchange gains/losses	35,888	10,754
Net interest and dividend paid	(40,346)	(45,668)
Profit/(loss) on investing activities	(20,502)	(16,318)
Current income tax	149,309	114,037
Income tax paid	(231,391)	(38,401)
Other items, net	(12,787)	(17,444)
Net cash provided by/(used in) operating activities before changes in working capital	597,932	709,963
Change in working capital:		
Change in receivables, net	15,346	104,564
Change in inventories	462,593	646,284
Change in provisions	9,312	(5,650)
Change in current liabilities	(9,738)	31,079
Change in prepayments	(105,094)	(114,581)
Change in accruals and deferrals	(7,375)	11
Net cash provided by/(used in) operating activities	962,976	1,371,670
Cash flows from investing activities		
Sale of property, plant and equipment and intangible assets	558	2,003
Sale of shares in non-consolidated undertakings	-	-
Sale of short-term securities	14,343	7,345
Acquisition of property, plant and equipment and intangible assets	(365,751)	(221,536)
Acquisition of shares in non-consolidated undertakings	(30,000)	(33,300)
Acquisition of short-term securities	-	-
Decrease in loans advanced	41,696	550
Increase in loans advanced	(316,254)	(34,494)
Interest received	40,357	62,036
Dividend received	-	-
Proceeds from financed lease	26,299	52,092
Other items, net	(109)	(19)
Net cash provided by/(used in) investing activities	(588,861)	(165,323)
Cash flows from financing activities		
Net proceeds from issue of shares, other equity instruments and additional contributions to equity	-	-
Increase in loans and borrowings	-	-
Repayment of loans and borrowings	-	-
Issue of debt securities	-	-
Redemption of debt securities	-	-
Decrease in financed lease liabilities	(180)	-
Inflows from forward contracts	12,009	16,080
Outflows on forward contracts	(1,372)	(16,562)
Dividend paid	-	-
Interest paid	(10)	(23,037)
Other items, net	(482)	(2,443)
Net cash provided by/(used in) financing activities	9,965	(25,962)
Net change in cash	384,080	1,180,385
Net foreign exchange gains/(losses)	-	12,355
Cash and cash equivalents at beginning of period	1,055,252	2,993,439
Cash and cash equivalents at end of period	1,439,332	4,173,824

STATEMENT OF CHANGES IN NON-CONSOLIDATED EQUITY

	Equity (attributable to the shareholders of the parent)					
	Share capital	Currency-translation differences on foreign-currency undertakings	Share premium account	Other capital reserves	Retained earnings	Total
	(PLN '000)					
As at Jan 1 2007	5,900,000	462	1,740,093	2,797,547	6,184,588	16,622,690
Currency-translation differences on foreign-currency undertakings	-	(18)	-	-	-	(18)
Transfers	-	-	-	-	-	-
Net profit for Q1 2007, cumulatively	-	-	-	-	580,649	580,649
As at Mar 31 2007 (end of Q1 2007) (unaudited)	5,900,000	444	1,740,093	2,797,547	6,765,237	17,203,321
As at Jan 1 2007	5,900,000	462	1,740,093	2,797,547	6,184,588	16,622,690
Currency-translation differences on foreign-currency undertakings	-	(1,972)	-	-	-	(1,972)
Increases resulting from merger of undertakings	-	-	-	-	22,042	22,042
Net profit for 2007	-	-	-	-	2,154,921	2,154,921
Payment of dividend to the owner	-	-	-	-	(1,003,000)	(1,003,000)
Transfers	-	-	-	545,312	(545,312)	-
Other	-	-	-	1,287	-	1,287
As at Dec 31 2007 (end of previous year) (audited)	5,900,000	(1,510)	1,740,093	3,344,146	6,813,239	17,795,968
As at Jan 1 2008	5,900,000	(1,510)	1,740,093	3,344,146	6,813,239	17,795,968
Currency-translation differences on foreign-currency undertakings	-	(956)	-	-	-	(956)
Transfers	-	-	-	-	-	-
Net profit for Q1 2008, cumulatively	-	-	-	-	575,928	575,928
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

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 2008	261,208	929,093
a) increase	15,803	7,216
b) decrease	(6,557)	(95,504)
Deferred tax as at end of period: Mar 31 2008	270,454	840,805
As at beginning of period: Jan 1 2007	288,941	1,115,547
a) increases resulting from merger of companies	7,335	10,205
b) other increases	51,106	17,074
c) decrease	(86,174)	(213,733)
Deferred tax as at end of period: Dec 31 2007	261,208	929,093

2. Valuation allowances

Valuation allowances for assets	Property, plant and equipment and intangible assets	Investment property	Other financial assets (non-current loans and borrowings)	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 2008	3,176,211	2,020	14,720	1,467,520	23,191	902,503	143,186	79,808	5,809,159
a) increase	66,610	-	7	51,619	-	14,108	738	-	133,084
b) transfer	-	-	(1,498)	-	-	-	1,498	-	-
c) decrease	(318,603)	-	(181)	(191)	(101)	(4,398)	(20,660)	-	(344,134)
Valuation allowances for assets as at end of period: Mar 31 2008	2,924,218	2,020	13,048	1,518,947	23,090	912,214	124,763	79,808	5,598,108
As at beginning of period: Jan 1 2007	3,039,908	2,035	29,191	1,461,544	22,839	691,556	209,021	79,808	5,535,901
a) increase	562,470	-	561	6,608	352	329,176	28,928	-	928,095
b) transfer	-	-	(8,116)	-	-	-	8,116	-	-
c) decrease	(426,167)	(15)	(6,915)	(632)	-	(118,229)	(102,879)	-	(654,837)
Valuation allowances for assets as at end of period: Dec 31 2007	3,176,211	2,020	14,720	1,467,520	23,191	902,503	143,186	79,808	5,809,159

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 2008	118,138	61,199	11,555	45	190,937
a) increase	-	-	-	8,045	8,045
b) transfer	-	-	-	-	-
c) decrease	(13)	-	(10)	(19)	(42)
Provisions for retirement and similar benefits as at of period: Mar 31 2008	118,125	61,199	11,545	8,071	198,940
As at beginning of period: Jan 1 2007	82,906	82,197	9,017	4,869	178,989
a) increase	57,877	3,039	5,078	2,827	68,821
b) transfer	-	-	-	-	-
c) decrease	(22,645)	(24,037)	(2,540)	(7,651)	(56,873)
Provisions for retirement and similar benefits as at of period: Dec 31 2007	118,138	61,199	11,555	45	190,937

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 2008	706,834	2,000	44,707	22,500	7,540	38,432	822,013
a) increase	753	-	-	-	-	2,194	2,947
b) transfer	-	-	-	-	(780)	(859)	(1,639)
c) decrease	-	-	-	-	(780)	(859)	(1,639)
Other provisions as at of period: Mar 31 2008	707,587	2,000	44,707	22,500	6,760	39,767	823,321
As at beginning of period: Jan 1 2007	740,646	4,068	44,368	-	9,740	32,367	831,189
a) increase	70,315	-	339	22,500	-	47,969	141,123
b) transfer	-	-	-	-	-	-	-
c) decrease	(104,127)	(2,068)	-	-	(2,200)	(41,904)	(150,299)
Other provisions as at of period: Dec 31 2007	706,834	2,000	44,707	22,500	7,540	38,432	822,013

4. Sales Revenue

	First quarter of 2008 cumulatively (Jan 1 – Mar 31 2008)	First quarter of 2007 cumulatively (Jan 1 – Mar 31 2007)
Methane-rich gas	4,750,394	3,447,647
Nitrogen-rich gas	465,983	333,788
Crude oil	236,688	138,370
Helium	6,875	8,275
Propane-butane gas	12,893	7,982
Gasoline	1,285	478
Decompressed LNG	5,088	4,809
Geophysical and geological services	8,244	12,247
Materials and goods for resale	2,076	1,077
Other sales of products and services	29,462	42,542
Total	5,518,988	3,997,215

5. Proceeds under Transmission System Lease Agreement

	First quarter of 2008 cumulatively (Jan 1 – Mar 31 2008)	First quarter of 2007 cumulatively (Jan 1 – Mar 31 2007)
Interest	34,001	56,238
Principal	26,299	49,890
Total	60,300	106,128

6. Operating Expenses

Raw and other materials used	First quarter of 2008 cumulatively (Jan 1 – Mar 31 2008)	First quarter of 2007 cumulatively (Jan 1 – Mar 31 2007)
Gas purchases	(2,766,726)	(2,577,669)
Other	(26,553)	(24,470)
Total	(2,793,279)	(2,602,139)

Contracted services	First quarter of 2008 cumulatively (Jan 1 – Mar 31 2008)	First quarter of 2007 cumulatively (Jan 1 – Mar 31 2007)
Purchase of transmission and distribution services	(1,575,485)	(428,277)
Other contracted services	(137,396)	(112,675)
Total	(1,712,881)	(540,952)

7. Property, Plant and Equipment by Categories

	As at Mar 31 2008 (end of Q1 2008)	As at Dec 31 2007 (end of previous year)
Land	40,864	36,078
Buildings and structures	5,349,476	5,418,925
Plant and equipment	1,308,658	1,337,387
Vehicles and other	81,494	80,049
Total property, plant and equipment	6,780,492	6,872,439
Tangible assets under construction	1,829,308	1,696,477
Total	8,609,800	8,568,916

III. GENERAL INFORMATION CONCERNING FINANCIAL STATEMENTS FOR Q1 2008

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 2008 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, dated October 19th 2005 (Dz.U. No. 209, item 1749, Regulation). The financial statements present data as at March 31st 2008 and for the period January 1st – March 31st 2008, along with comparable financial data as at March 31st 2007 and for the period January 1st – March 31st 2007.

The data disclosed in these financial statements are expressed in the zloty, while all values, unless indicated otherwise, are expressed in thousands of zlotys. 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 that there is any 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.

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 consolidated financial statements for the period ended December 31st 2007. The policies are described in the consolidated financial statements of the Group for the period ended December 31st 2007, published on April 29th 2008.

In Q1 2008, the Parent Undertaking did not introduce any material changes to its accounting policies in relation to the policies applied to prepare the consolidated financial statements for the period ended March 31st 2007. These condensed financial statements were not affected by the coming into force of IFRS 7 *Financial Instruments: Disclosures* or the resultant amendments to IAS 1 *Presentation of Financial Statements*.

In the condensed non-consolidated financial statements, assets, equity and liabilities were valued using the same policies that were applied to value assets, equity and liabilities in the consolidated financial statements of the PGNiG Group, before consolidation adjustments.

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 ("IASB"), except for the following standards, which had not been adopted as at March 31st 2008:

- **IFRIC 13 *Customer Loyalty Programmes***
IFRIC 13 is to be applied for the first time to annual periods beginning on or after July 1st 2008. The interpretation provides guidance as to how the entities that grant their customers loyalty award credits (often called 'points') when buying goods or services, should account for their obligation to provide free or discounted goods or services if and when the customers redeem the points.
- **IAS 23 *Borrowing costs***
The amendments to this standard are applicable for periods beginning on or after January 1st 2009.
- **Revised IFRS 3 *Business Combinations* and amended IAS 27 *Consolidated Financial Statements and Accounting for Investments in Subsidiaries***
The revised IFRS 3 and the amended IAS 27 are applicable for periods beginning on or after July 1st 2009.
- **Amendments to IFRS 2 *Share-Based Payment: Vesting Conditions and Cancellations***
The amendments to this standard are applicable for annual periods beginning on or after January 1st 2009.

- **IAS 1 *Presentation of Financial Statements: A Revised Presentation***
The amendments to this standard are applicable for annual periods beginning on or after January 1st 2009.

According to the estimates of the Parent Undertaking's Management Board, the abovementioned standards and interpretations would not materially affect 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 Parent Undertaking's Management Board 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 these condensed financial statements if the regulations were approved for use in the EU as at the balance-sheet date.

Moreover, in preparation of these condensed financial statements, the Group did not apply the following standards, amendments to standards or interpretations which have been published and approved for use in the EU but are not yet effective:

- **IFRS 8 *Operating Segments***
IFRS 8 was issued on November 30th 2006 and replaced IAS 14 *Segment Reporting*. IFRS 8 is to be applied for the first time to annual periods beginning on or after January 1st 2009. This standard specifies how an entity should disclose data pertaining to its operating segments and requires presentation of data based on internal reports. Additionally, IFRS 8 requires disclosures on products, services, geographical areas and key customers.
- **IFRIC 11 *Group and Treasury Share Transactions***
IFRIC 11 is to be applied for the first time to annual periods beginning on or after January 1st 2009. The interpretation addresses how to apply IFRS 2 *Share-based Payment* to share-based payment arrangements involving an entity's own equity instruments or equity instruments of another entity in the same group (e.g. equity instruments of its parent). To date, no guidelines have been available as to how share-based payment arrangements, in which suppliers of goods or services of an entity are provided with equity instruments of the entity's parent, should be accounted for in the entity's financial statements.

According to the estimates of the Parent Undertaking's Management Board, the abovementioned standards and interpretations would not materially affect the consolidated financial statements if they were applied by the Group as at the balance-sheet date. The Management Board does not intend to apply those standards and interpretations before their effective dates.

4. Group Companies Included in the Q1 2008 Consolidated Financial Statements

The following undertakings are included in the consolidated financial statements for the first quarter of 2008: the Parent Undertaking, twenty three subsidiaries (including one indirect subsidiary), one jointly-controlled undertaking and one associated undertaking.

Company	Country	% of share capital held	
		Mar 31 2008	Mar 31 2007
Subsidiaries			
Geofizyka Kraków Sp. z o. o.	Poland	100.00%	100.00%
Geofizyka Toruń Sp. z o. o.	Poland	100.00%	100.00%
PNiG Jasło Sp. z o. o.	Poland	100.00%	100.00%
PNiG Kraków Sp. z o. o.	Poland	100.00%	100.00%
PNiG NAFTA Sp. z o. o.	Poland	100.00%	100.00%
Zakład Robót Górniczych Krosno Sp. z o.o.	Poland	100.00%	100.00%
PN Diament Sp. z o.o.	Poland	100.00%	100.00%
PGNiG Norway AS***	Norway	100.00%	-
Dolnośląski Operator Systemu Dystrybucyjnego Sp. z o. o.	Poland	100.00%	100.00%
Górnośląski Operator Systemu Dystrybucyjnego Sp. z o. o.	Poland	100.00%	100.00%
Karpacki Operator Systemu Dystrybucyjnego Sp. z o. o.	Poland	100.00%	100.00%
Mazowiecki Operator Systemu Dystrybucyjnego Sp. z o. o.	Poland	100.00%	100.00%
Pomorski Operator Systemu Dystrybucyjnego Sp. z o. o.	Poland	100.00%	100.00%
Wielkopolski Operator Systemu Dystrybucyjnego Sp. z o. o.	Poland	100.00%	100.00%
BUG Gazobudowa Sp. z o. o. Zabrze	Poland	100.00%	100.00%
BN Naftomontaż Sp. z o. o. Krosno	Poland	88.83%	88.83%
ZUN Naftomet Sp. z o. o. Krosno	Poland	100.00%	100.00%
BsiPG Gazoprojekt S.A.	Poland	75.00%	75.00%
Polish Oil And Gas Company – Libya B.V.****	the Netherlands	100.00%	100.00%
Geovita Sp. z o.o. Warszawa	Poland	100.00%	100.00%
INVESTGAS S.A	Poland	100.00%	100.00%
Polskie LNG Sp. z o.o.**	Poland	100.00%	-
Subsidiaries of BN Naftomontaż Krosno Sp. z o.o., a subsidiary			
Naft-Stal Sp. z o. o. Krosno	Poland	59.88%	59.88%
Jointly-controlled and associated undertakings			
SGT EUROPOL GAZ S.A.*	Poland	49.74%	49.74%
GAS-TRADING S.A.	Poland	43.41%	43.41%

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

** The company was entered into the National Court Register and on May 21st 2007 it was included in the group of subsidiaries consolidated with the full method.

*** PGNiG Norway AS of Sandnes, Norway, registered on June 9th 2007, was included in the group of subsidiaries consolidated with the full method.

**** On February 4th 2008, PGNiG Finance B.V. changed its name into Polish Oil and Gas Company – Libya B.V.

5. Seasonality or Cyclicity 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, 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.

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

In Q1 2008, no such transactions occurred at the Group.

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

Under a resolution adopted by the Management Board of PGNiG S.A. on May 6th 2008, the Management Board proposed to distribute dividend in a total amount of PLN 1,121,000 thousand from the 2007 net profit, in the following manner:

- PLN 950,000 thousand as non-cash dividend to the State Treasury; the assets to be transferred as non-cash dividend and the manner of their valuation would be specified in a General Shareholders Meeting resolution adopted under Par. 63.7 of the Company's Articles of Association, with the reservation that an additional payment in cash would be made if the value of the assets is lower than PLN 950,000;
- PLN 171,000 thousand as cash dividend to the other shareholders.

The Management Board further proposed that:

- to set the dividend record date for July 25th 2008,
- to set the dividend record date for October 1st 2008.

These proposals require approval in the form of relevant resolutions adopted by the Supervisory Board and the General Shareholders Meeting of PGNiG S.A.

8. Segmental Information

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

a) *Exploration and production.* The segment supplies gas and oil, as well as provides geophysical and exploration services. The operations within this segment comprise the entire process of gas and crude oil production: from geophysical testing undertaken prior to exploration, to extraction and preparation of the product for sale.

b) *Trading and storage.* This segment is responsible for gaseous fuel purchase, sale and storage.

c) *Distribution.* This segment deals with gaseous fuel distribution to end customers, primarily individual ones.

d) *Other operations.* This segment provides engineering services and manufactures machinery for facilities and units used in oil mining and gas engineering.

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.

8.a. Business Segments

The tables below set forth data on the revenues, expenses, profits, as well as certain assets and liabilities of the individual business segments, for the periods ended March 31st 2008 and March 31st 2007.

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Period ended Mar 31 2008	Exploration and production	Trading and storage	Distribution	Other operations	Elimination	Total
Income Statement						
Sales to external customers	554,926	4,735,471	7,867	32,174		5,330,438
Sales to other segments	369,070	410,763	1,147,214	24,103	(1,951,150)	-
Total segment revenue	923,996	5,146,234	1,155,081	56,277	(1,951,150)	5,330,438
Depreciation and amortisation	(143,816)	(32,530)	(171,504)	(2,599)		(350,449)
Other costs	(443,336)	(4,715,837)	(716,476)	(58,648)	1,941,691	(3,992,606)
Total segment costs	(587,152)	(4,748,367)	(887,980)	(61,247)	1,941,691	(4,343,055)
Operating profit/(loss)	336,844	397,867	267,101	(4,970)	(9,459)	987,383
Net financial expenses						(9,028)
Share in net profit/(loss) of undertakings valued with equity method		66				66
Pre-tax profit						978,421
Income tax						(199,470)
Net profit						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 assets						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	(268,144)	(192,224)	(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)

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Period ended Mar 31 2007	Exploration and production	Trading and storage	Distribution	Other operations	Elimination	Total
Income Statement						
Sales to external customers	514,799	1,277,965	3,239,563	16,208	-	5,048,535
Sales to other segments	277,697	2,463,555	3,128	55,117	(2,799,497)	-
Total segment revenue	792,496	3,741,520	3,242,691	71,325	(2,799,497)	5,048,535
Depreciation and amortisation	(123,232)	(30,900)	(172,036)	(2,436)	-	(328,604)
Other costs	(407,596)	(3,307,225)	(2,823,011)	(62,436)	2,799,568	(3,800,700)
Total segment costs	(530,828)	(3,338,125)	(2,995,047)	(64,872)	2,799,568	(4,129,304)
Operating profit/(loss)	261,668	403,395	247,644	6,453	71	919,231
Net financial expenses						78,344
Share in net profit/(loss) of undertakings valued with equity method		305				305
Pre-tax profit						997,880
Income tax						(209,761)
Net profit						788,119
Balance sheet						
Segment assets	7,851,475	11,436,965	11,746,760	270,151	(815,416)	30,489,935
Investments in undertakings valued with equity method		589,588				589,588
Unallocated assets						27,844
Deferred tax assets						387,223
Total assets						31,494,590
Total equity						21,940,770
Segment liabilities	1,272,968	1,609,249	2,607,211	76,499	(813,786)	4,752,141
Unallocated liabilities						2,800,851
Deferred tax liability						2,000,828
Total equity and liabilities						31,494,590
Other information						
Capital expenditure on property, plant and equipment and intangible assets	(118,913)	(149,644)	(280,979)	(1,317)		(550,853)
Valuation allowances for assets	(2,620,033)	(2,058,818)	(9,380,371)	(3,256)		(14,062,478)
Valuation allowances for unallocated assets						(56,137)

9. Material Events Subsequent to the End of the Reporting Period which Were not Disclosed in the Consolidated Financial Statements for Q1 2008

By the date of the Q1 2008 financial statements, no events had occurred which were not but should have been disclosed in the accounting records for the period.

10. 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

In Q1 2008, no such events occurred at the Group.

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

	Mar 31 2008	Mar 31 2007
1. Contingent receivables	183,806	123,032
1.1. <i>from related undertakings</i>	3,384	3,231
- guarantees and sureties received	353	202
- promissory notes received	3,031	3,029
1.2. <i>from other undertakings</i>	168,774	114,292
- guarantees and sureties received	116,331	67,688
- promissory notes received	52,443	46,604
1.3. <i>Other contingent receivables</i>	11,648	5,509
2. Contingent liabilities	7,705,796	8,263,536
2.1. <i>to related undertakings</i>	53,184	30,690
- guarantees and sureties granted	239	1,039
- promissory notes issued	-	-
- agreements, investment contracts signed	52,945	29,651
2.2. <i>to other undertakings</i>	7,651,939	8,231,657
- guarantees and sureties granted	7,307,667	7,901,110
- promissory notes issued	68,672	55,192
- agreements, investment contracts signed	275,600	275,355
2.3. <i>Other contingent liabilities</i>	673	1,189

In Q1 2008, two material bank guarantees granted by the Parent Undertaking to Gazprom-Export Ltd., for the total amount of PLN 438,300 thousand (PLN 219,150 thousand per guarantee), expired.

IV. SUPPLEMENTARY INFORMATION TO THE Q1 2008 REPORT

1. General Information on the Company and its Group

Polskie Górnictwo Naftowe i Gazownictwo 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 000059492.

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 from fields in Poland, 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.

Approval of the Financial Statements

These financial statements were signed and approved for publication by the Management Board of the Parent Undertaking on May 14th 2008.

Structure of the PGNiG Group

The PGNiG Group consists of production, trading and service companies incorporated under the commercial law.

As at March 31st 2008, the Parent Undertaking held shares in 56 commercial-law companies, including:

- 27 companies in which PGNiG S.A. held over 50% of shares or total vote,
- 15 companies in which PGNiG S.A. held between 20% and 50% of shares or total vote,
- 14 companies in which PGNiG S.A. held below 20% of total vote.

As at March 31st 2008, the total nominal value of PGNiG S.A.'s equity interests in the commercial-law companies was PLN 6,891.8m.

Based on their business profiles and importance to the Group's operations, the Group companies have been divided into the following categories:

- strategic companies
- core companies
- special-purpose vehicles
- other companies (material and non-material).

Strategic companies

The strategic companies of the PGNiG Group are the Distribution System Operators. The Distribution System Operators were established through transformation of the Gas Companies, performed to achieve compliance with the provisions of EU Directive No. 2003/54/EC and the Polish Energy Law.

Following the transformation prescribed by the aforementioned laws, the trading and distribution business were separated. The Distribution System Operators are involved in the distribution of gaseous fuel, as well as the operation, maintenance and development of the distribution system.

The strategic companies include:

- Dolnośląski Operator Systemu Dystrybucyjnego Sp. z o.o.,
- Górnośląski Operator Systemu Dystrybucyjnego Sp. z o.o.,
- Karpacki Operator Systemu Dystrybucyjnego Sp. z o.o.,
- Mazowiecki Operator Systemu Dystrybucyjnego Sp. z o.o.,
- Pomorski Operator Systemu Dystrybucyjnego Sp. z o.o.,
- Wielkopolski Operator Systemu Dystrybucyjnego Sp. z o.o.

Core companies

Core companies are the companies of major importance to the Group. Their business scopes and the functions they perform are vital for the implementation of PGNiG S.A.'s principal business objectives and facilitate expansion of the supply base and development of the gas sales market. The majority of the companies included in this category were established on the basis of former branches of PGNiG S.A. The range of the core companies' activities covers oil and gas exploration, geophysical surveying, specialist services, gaseous fuel transmission services and engineering services.

The core companies include:

- Exploration companies (PNiG Kraków Sp. z o.o., PNiG Jasło Sp. z o.o., and PNiG NAFTA Sp. z o.o.), which are of key importance for attaining the strategic goals of the PGNiG Group and play a crucial role in implementing the key task consisting in increasing production and maintaining the environmental sustainability index.
- Service companies (PN Diament Sp. z o.o. and Zakład Robót Górniczych Krosno Sp. z o.o.), which provide professional services related to exploration and production activities as well as borehole mining.
- Geophysical companies (GEOFIZYKA Kraków Sp. z o.o. and GEOFIZYKA Toruń Sp. z o.o.), which are important core companies in the exploration segment and play a key role in the implementation of the strategic objectives related to increasing production and maintaining the environmental sustainability index.
- SGT EUROPOL GAZ S.A., which operates the Transit Pipeline Network, and GAS-TRADING S.A. (also a shareholder in SGT EUROPOL GAZ S.A.), involved in trade in propane-butane, whose business was also to involve the operation of the transmission network.
SGT EUROPOL GAZ S.A. operates the transmission capacities of the first line of the Polish section of the transit pipeline network and provides services of gas transmission between the Belarus-Poland border and gas terminals.
SGT EUROPOL GAZ S.A. and GAS-TRADING S.A. are important core companies, whose operations are critical for the supply of gaseous fuel to the entire Group.
- BSIPG Gazoprojekt S.A., an engineering company, included in the group of core companies as an undertaking which supports operations of the entire Group by providing consulting and engineering services as well as expertise on gas market issues.

Special-purpose vehicles

Special-purpose vehicles are undertakings established for the purpose of pursuing long-term strategic objectives of the Group. Upon evaluation of performance (i.e. extent to which their objectives have been achieved, and revenue levels) and future prospects of a special-purpose vehicle, it is either re-classified as a core company or dissolved/disposed of if it has failed to meet its objectives.

This group of companies includes:

- Polish Oil and Gas Company – Libya B.V. (previous name: PGNiG Finance B.V.; the company changed its name on February 4th 2008) – originally incorporated for the purpose of issuing euro-denominated bonds of PGNiG S.A. Currently this vehicle is planned to be used for the exploration and production business in Libya.
- Górnictwo Naftowe Sp. z o.o., incorporated on December 22nd 2000 in order to implement the provisions of the document “Changes to the Organisational Restructuring Programme for State-Owned Public Utility Polskie Górnictwo Naftowe i Gazownictwo” approved for execution by the Polish Council of Ministers on May 23rd 2000. The company’s share capital is PLN 50,000.00. The company does not conduct any business activities.
- InterTransGas GmbH, incorporated with a view to executing the construction of an interconnector linking the Polish and European transmission networks, and providing the platform for conducting gaseous fuel transmission operations outside Poland (currently, the company is not conducting the activities defined as its core business).
- Devon Z.S.A. – the aim behind PGNiG S.A.’s acquisition of an interest in the company was to gain access to foreign reserves of natural resources and commence their production and import to Poland.
- INVESTGAS S.A., established to provide operator services to KPMG Mogilno.
- NYSAGAZ Sp. z o.o., established to upgrade (to gas-fired utilities) and operate small CHP plants and to provide energy production and supply services. Currently, the company is executing projects involving the use of natural gas as fuel for heat production.
- Polskie Elektrownie Gazowe Sp. z o.o. in liquidation, founded to implement projects involving the use of natural gas as fuel for heat and electricity generation, including operation and maintenance of cogeneration units. In June 2007, the shareholders adopted a resolution to dissolve the company and commence its liquidation.
- Polskie LNG Sp. z o.o., established to construct and operate the LNG regasification terminal.
- PGNiG Norway AS, established under Norwegian law to develop the Skarv, Snadd and Idun fields in the Norwegian Sea and produce oil and gas from those fields.

Other companies – material

Other Group companies, considered material, are those which materially support the Group’s operations.

This group includes:

- BUD-GAZ PPUH Sp. z o.o. – real estate management and provision of training services,
- BUG Gazobudowa Sp. z o.o. – design, construction and repair of pipelines, equipment and units used in oil mining and gas engineering,
- ZRUG Sp. z o.o. of Pogórska Wola – general construction services related to linear engineering structures, pipelines, power supply lines, electrified tracks and telecommunication transmission lines,
- ZUN Naftomet Sp. z o.o. – manufacture, repair and maintenance of mining, extraction and construction machinery,
- Geovita Sp. z o.o. – operator of holiday and tourist centres.

Other companies – non-material

Other Group companies, considered non-material, are those undertakings which are not directly involved in PGNiG S.A.’s core business or which do not provide significant support for the Group. This category includes companies which are engaged in the construction, maintenance and repair of pipelines, companies whose shares were acquired as a result of bank arrangement proceedings, and companies in which PGNiG S.A. does not hold significant interests or whose business profile no longer justifies their presence in PGNiG S.A.’s portfolio.

The companies in which PGNiG S.A. held 5% or more of shares as at March 31st 2008 are listed in the table below.

PGNiG S.A.'s holdings in other companies

Name	Share capital (PLN)	Shareholding of PGNiG S.A. (PLN)	% of share capital held
Strategic companies			
1. Karpacki Operator Systemu Dystrybucyjnego Sp. z o.o.	1,476,112,000.00	1,476,112,000.00	100.00%
2. Górnośląski Operator Systemu Dystrybucyjnego Sp. z o.o.*	1,197,314,000.00	1,197,314,000.00	100.00%
3. Mazowiecki Operator Systemu Dystrybucyjnego Sp. z o.o.	1,217,350,000.00	1,217,350,000.00	100.00%
4. Wielkopolski Operator Systemu Dystrybucyjnego Sp. z o.o.*	847,159,000.00	847,159,000.00	100.00%
5. Pomorski Operator Systemu Dystrybucyjnego Sp. z o.o.	596,141,000.00	596,141,000.00	100.00%
6. Dolnośląski Operator Systemu Dystrybucyjnego Sp. z o.o.*	546,448,000.00	546,448,000.00	100.00%
Core companies			
7. PNiG Jasło Sp. z o.o.	100,000,000.00	100,000,000.00	100.00%
8. PNiG Kraków Sp. z o.o.	105,231,000.00	105,231,000.00	100.00%
9. PN Diament Sp. z o.o.	62,000,000.00	62,000,000.00	100.00%
10. PNiG NAFTA Sp. z o.o.	60,000,000.00	60,000,000.00	100.00%
11. GEOFIZYKA Kraków Sp. z o.o.**	34,400,000.00	34,400,000.00	100.00%
12. GEOFIZYKA Toruń Sp. z o.o.	66,000,000.00	66,000,000.00	100.00%
13. Zakład Robót Górniczych Krosno Sp. z o.o.	26,903,000.00	26,903,000.00	100.00%
14. BSiPG Gazoprojekt S.A.	4,000,000.00	3,000,000.00	75.00%
15. SGT EUROPOL GAZ S.A.	80,000,000.00	38,400,000.00	48.00%
16. GAS - TRADING S.A.	2,975,000.00	1,291,350.00	43.41%
Special-purpose vehicles			
17. Górnictwo Naftowe Sp. z o.o.	50,000.00	50,000.00	100.00%
18. Polish Oil And Gas Company – Libya B.V.	EUR 20,000	EUR 20,000	100.00%
19. INVESTGAS S.A.	502,250.00	502,250.00	100.00%
20. Polskie LNG Sp. z o.o.	50,000,000.00	50,000,000.00	100.00%
21. PGNiG Norway AS	NOK 497,327,000	NOK 497,327,000	100.00%
22. NYSAGAZ Sp. z o.o.	3,700,000.00	1,887,000.00	51.00%
23. InterTransGas GmbH	EUR 200,000	EUR 100,000	50.00%
24. Polskie Elektrownie Gazowe Sp. z o.o. in liquidation	2,500,000.00	1,212,000.00	48.48%
25. Dewon ZSA	UAH 11,146,800	UAH 4,055,205.84	36.38%
Other companies – material			
26. Geovita Sp. z o.o.	86,139,000.00	86,139,000.00	100.00%
27. BUG Gazobudowa Sp. z o.o.	39,220,000.00	39,220,000.00	100.00%
28. ZUN Naftomet Sp. z o.o.	23,500,000.00	23,500,000.00	100.00%
29. ZRUG Sp. z o.o. (of Pogórska Wola)	4,300,000.00	4,300,000.00	100.00%
30. BUD - GAZ PPUH Sp. z o.o.	51,760.00	51,760.00	100.00%
Other companies – non-material			
31. BN Naftomontaż Sp. z o.o.	44,751,000.00	39,751,000.00	88.83%
32. PPUiH TURGAZ Sp. z o.o.	176,000.00	90,000.00	51.14%
33. Sahara Petroleum Technology Llc	OMR 150,000	OMR 73,500	49.00%
34. PI GAZOTECH Sp. z o.o.	1,203,800.00	65,000.00	69.44%
35. PFK GASKON S.A.	13,061,325.00	6,000,000.00	(46.30% of total vote)
36. GAZOMONTAŻ S.A.	1,498,850.00	677,200.00	45.94%
37. ZRUG Sp. z o.o. (of Poznań)	3,781,800.00	1,515,000.00	45.18%
38. ZWUG INTERGAZ Sp. z o.o.	4,700,000.00	1,800,000.00	40.06%
39. HS Szczakowa S.A. in bankruptcy	16,334,989.44	5,439,494.72	(41.71% of total vote)
			38.30%
			33.30%

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40.	ZRUG TORUŃ S.A.	4,150,000.00	1,300,000.00	31.33%
41.	ZRUG Zabrze Sp. z o.o.	2,750,000.00	600,000.00	21.82%
42.	TE-MA WOC Małaszewicze Terespol Sp. z o.o. in liquidation	262,300.00	55,000.00	20.97%
43.	Zakład Remontowy Urządzeń Gazowniczych Wrocław Sp. z o.o. in bankruptcy	1,700,000.00	270,000.00	15.88%
44.	Polski Serwis Płynów Wiertniczych Sp. z o.o.	250,000.00	35,000.00	14.00% (15.56% of total vote)
45.	TeNET 7 Sp. z o.o. in liquidation	50,000.00	5,000.00	10.00%
46.	Walcownia Rur JEDNOŚĆ Sp. z o.o. in bankruptcy	220,590,000.00	18,310,000.00	8.30%
47.	Polskie Konsorcjum Energetyczne Sp. z o.o.	100,000.00	9,500.00	9.50% 7.27%
48.	Agencja Rynku Energii S.A.	1,376,000.00	100,000.00	(12.70% of total vote)

* Share capital and PGNiG S.A.'s shareholding prior to the share capital increase made in 2007. As at March 31st 2008, the share capital increase had not yet been registered in the National Court Register. In the case of DOSD Sp. z o.o., the share capital increase was registered in the National Court Register on April 9th 2008.

** Equity and holdings are recognised without taking into account a share capital increase effected in Q1 2008. The share capital was increased at Geofizyka Kraków Sp. z o.o.; the increase was registered at the National Court Register on April 2nd 2008.

In Q1 2008, the following changes occurred in the structure of the PGNiG Group:

- Share capital increase at Polskie LNG Sp. z o.o. by PLN 11,000 thousand, to PLN 50,000 thousand. The increase was registered with the National Court Register on January 7th 2008.
- Share capital increase at Mazowiecki Operator Systemu Dystrybucyjnego Sp. z o.o. by PLN 286,531 thousand, to PLN 1,217,350 thousand. The increase was registered with the National Court Register on January 24th 2008.
- Share capital increase at Karpacki Operator Systemu Dystrybucyjnego Sp. z o.o. by PLN 165,363 thousand, to PLN 1,476,112 thousand. The increase was registered with the National Court Register on February 12th 2008.
- Share capital increase at Pomorski Operator Systemu Dystrybucyjnego Sp. z o.o. by PLN 93,391 thousand, to PLN 596,141 thousand. The increase was registered with the National Court Register on February 29th 2008.
- On February 4th 2008, an amendment to the Articles of Association of PGNiG Finance B.V. was registered in the Netherlands. The amended Articles of Association provide for changing the company's name to Polish Oil and Gas Company – Libya B.V. and a complete change in the company's business profile. The company's (core) business currently comprises: extraction, production, transport, refining and sale of hydrocarbons.
- On February 5th 2008, the Extraordinary General Shareholders Meeting of Polski Serwis Płynów Wiertniczych Sp. z o.o. adopted a resolution to retire 50 shares held in the company by PPIEZRI G PETROBALTIC S.A. without reducing the share capital. Under a court decision of March 10th 2008, PPIEZRI G PETROBALTIC S.A. was deleted from the National Court Register as a shareholder in Polski Serwis Płynów Wiertniczych Sp. z o.o. Accordingly, PGNiG S.A.'s share in the total vote at the General Shareholders Meeting of Polski Serwis Płynów Wiertniczych Sp. z o.o. increased to 15.56%.
- On January 23rd 2008, the court issued a decision on declaration of bankruptcy of WALCOWNIA RUR JEDNOŚĆ Sp. z o.o. The decision is not final.
- On March 31st 2008, the National Court Register deleted ZRUG Warszawa S.A. w likwidacji (in liquidation) from the register of entrepreneurs.

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

On April 10th 2008, Decision No. DTA-4212-29(21)/2007/2008/652/V/AG issued by the President of the Polish Energy Regulatory Authority ("the President of URE"), concerning Gaseous Fuel Tariff No. 1/2008, received final approval. The tariff takes effect 14 days after the publication of the decision in *Biuletyn Branżowy URE – Paliwa gazowe* and remains in force until March 31st 2009.

The table below presents the prices of gaseous fuels for the particular tariff groups of customers purchasing methane-rich gas and nitrogen-rich gas, as well as subscription charges.

Tariff group	Price for gaseous fuel PLN/m ³	Subscription charges PLN/month
For customers purchasing methane-rich gas E (GZ 50)		
E1-E4	0.8983	600.00
For customers purchasing nitrogen-rich gas (GZ 35) Ls		
Ls1-Ls4	0.5693	600.00
For customers purchasing nitrogen-rich gas (GZ 41,5) Lw		
Lw1-Lw4	0.6645	600.00

3. 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 2008.

4. 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

Shareholder	% of total vote at the General Shareholders Meeting as at publication date of the previous quarterly report	Number of shares held as at the publication date of the previous quarterly report	% change from Feb 28 2008 to May 14 2008	% of total vote at the General Shareholders Meeting as at this report's publication date	Number of shares held as at the report publication date
State Treasury	84.75%	5,000,000,000	-	84.75%	5,000,000,000
Other	15.25%	900,000,000	-	15.25%	900,000,000
Total:	100%	5,900,000,000	-	100%	5,900,000,000

5. Changes in the Number of Company Shares and Options for Company Shares Held by the Management and Supervisory Staff of the Company after the Publication of the Previous Quarterly Report

	Number of shares and options held as at publication date of the 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 Board	857	-	-	-	857	-
Supervisory Board	-	-	-	-	-	-

6. Court, Arbitration or Administrative Proceedings Concerning Liabilities or Receivables of the Company or its Subsidiaries

No court, arbitration or administrative proceedings were initiated in Q1 2008 with respect to liabilities or receivables of PGNiG S.A. or its subsidiaries where the value of liabilities or receivables would represent 10% or more of PGNiG S.A.'s equity.

7. Transactions with the Total Value in Excess of the PLN Equivalent of EUR 500,000 Concluded by the Company or its Subsidiaries with Related Parties

From January 1st to March 31st 2008, one related party transaction with the value in excess of EUR 500,000 was concluded within the PGNiG Group. The transaction is described in point 10.12 of this Section.

8. Loan Sureties and Guarantees Granted by the Company or its Subsidiaries

In Q1 2008, no guarantee with the value representing 10% or more of the Company's equity was granted within the PGNiG Group.

9. Factors which Will Affect the Performance of the Company and its Group over the Next Quarter

The key factors which may have a bearing on the Company's performance over the next quarter are primarily foreign exchange rates and interest rates affecting the cost of gas purchase and the Company's debt service cost, as well as prices of oil and oil products prevailing on the international market.

10. Brief Description of Significant Achievements or Failures of the Company in the Reporting Period, Including a List of Key Related Events

1. On January 3rd 2008, the Management Board of PGNiG S.A. decided to appoint Mr Jan Czerepok, Mr Marek Dobryniewski, and Mr Waldemar Wójcik as the Company's proxies. The power of proxy is joint, i.e. the actions undertaken by a proxy are legally effective if the proxy acts jointly with a member of the Management Board of PGNiG S.A.
2. On January 7th 2008, the District Court of Szczecin, XVII Commercial Division of the National Court Register, registered a share capital increase at Polskie LNG Sp. z o.o. ("PLNG") of Świnoujście. The share capital was increased by PLN 11,000 thousand – from PLN 39,000 thousand to PLN 50,000 thousand. The shares in the increased share capital were covered with a cash contribution by the company's sole shareholder – PGNiG S.A. Following the registration of the share capital increase, the total number of votes at PLNG is 50,000. PGNiG S.A. holds 100% of shares in PLNG, representing 100% of votes at its general shareholders meeting.
3. On January 29th 2008, Geofizyka Kraków Sp. z o.o., a wholly-owned subsidiary of PGNiG S.A., established, together with a Libyan partner, a joint venture in the form of a joint-stock company incorporated under Libyan law, under the name of Geofizyka Kraków Libia Spółka Akcyjna, registered office in Janzur, Al-Jifara District ("Geofizyka Kraków Libia Spółka Akcyjna"). The shares in Geofizyka Kraków Libia Spółka Akcyjna are held by two shareholders:
 - Geofizyka Kraków Sp. z o.o. of Kraków – 6,000 shares with a par value of LYD 100 per share and the total par value of LYD 600 thousand, representing 60% of the company's share capital and 60% of the total vote at its general shareholders meeting;
 - BARARI Co. of Tripoli, Libya – 4,000 shares with a par value of LYD 100 per share and the total par value of LYD 400 thousand, representing 40% of the company's share capital and 40% of the total vote at its general shareholders meeting.

The company's share capital amounts to LYD 1,000 thousand (equivalent of PLN 2,040 thousand, translated in accordance with Exchange Rate Table No. 4/B/NBP/2008 of January 23rd 2008) and is divided into 10,000 shares with a par value of LYD 100 per share.

Taking into account the above division of the share capital and in accordance with Libyan law, at the time of incorporation of Geofizyka Kraków Libia Spółka Akcyjna the shareholders paid LYD 300 thousand, i.e. 30% of the monetary value of the company's share capital. The balance will be paid within five years from the date of the company's registration.

The shares acquired by Geofizyka Kraków Sp. z o.o. were paid for with cash.

The core business of the new company comprises in particular:

- Geological research to identify oil and gas deposits using various geological, geophysical and geochemical means;
- Planning and execution of geophysical tests;
- Interpretation and analysis of seismic data and preparation of geological reports;
- Processing and interpretation of data and provision of services related to data information technology;
- Drilling works for the purposes of seismic testing;
- Development of technical engineering and execution of work related to exploration drilling;
- Preparation of studies and reports on soil strata;
- Provision of similar services in the area of oil engineering.

In addition to the links resulting from the acquisition of shares in Geofizyka Kraków Libia Spółka Akcyjna, as described above, certain employees of Geofizyka Kraków Sp. z o.o. have been appointed to the governing body of Geofizyka Kraków Libia Spółka Akcyjna.

4. On January 24th 2008, the District Court for the Capital City of Warsaw, XII Commercial Division of the National Court Register issued a decision on registration of a share capital increase at Mazowiecki Operator Systemu Dystrybucyjnego Sp. z o.o. ("MOSD"). The company's share capital was increased from PLN 930,819 thousand to PLN 1,217,350 thousand, i.e. by PLN 286,531 thousand, through the issue of 286,531 new, equal and indivisible shares with a par value of PLN 1,000 per share. The new

shares were acquired by PGNiG S.A., the company's sole shareholder, in exchange for a contribution of non-current assets comprising the components of a transmission or distribution networks. The value of the contributed assets as shown in the accounting books of PGNiG S.A. is PLN 286,531 thousand. Following the registration of the share capital increase, the total number of votes at MOSD is 1,217,350. PGNiG S.A. holds 100% of shares in MOSD, representing 100% of votes at its general shareholders meeting. The core business of MOSD comprises, in particular, transmission of gaseous fuels via distribution networks.

5. On January 31st 2008, the Extraordinary General Shareholders Meeting of PGNiG S.A. adopted resolutions approving the use of funds from the capital reserve "Central Restructuring Fund for 2005–2007" for one-off payments (termination benefits) to former employees of ZUN Naftomet Sp. z o.o. of Krosno, the acquisition by PGNiG S.A. of a plot with an area of 11,159 m², situated at ul. Kasprzaka 25 A, Warsaw, and the acquisition of new shares in Geofizyka Krakow Sp. z o.o.
6. As of February 7th 2008, Mr Miroslaw Szkaluba resigned from membership of the Supervisory Board of PGNiG S.A. The resignation is due to Mr Szkaluba's candidacy for the position of Member of the Management Board of PGNiG S.A. elected by the Company's employees.
7. On February 12th 2008, the District Court of Kraków, XII Commercial Division of the National Court Register, issued a decision concerning a share capital increase at Karpacki Operator Systemu Dystrybucyjnego Sp. z o.o. ("KOSD"). The share capital was increased by PLN 165,363 thousand (from PLN 1,310,749 thousand to PLN 1,476,112 thousand) through the creation of 165,363 new, equal and indivisible shares with a par value of PLN 1,000 per share. The new shares were acquired by the sole shareholder, PGNiG S.A., and covered with a non-cash contribution in the form of tangible assets comprising components of a transmission or distribution network. The carrying value of the contributed assets, as disclosed in PGNiG S.A.'s accounting books, amounts to PLN 165,363.67 thousand. Following the registration of the share capital increase at KOSD, the total number of votes at its general shareholders meeting is 1,476,112. PGNiG S.A. holds 100% of shares in KOSD, representing 100% of votes at its general shareholders meeting. KOSD's business profile includes, in particular, transport of gaseous fuel over distribution networks.
8. On February 15th 2008, the Extraordinary General Shareholders Meeting of PGNiG S.A. removed the following persons from the Supervisory Board:
 - Mr Piotr Szwarc
 - Mr Jarosław Wojtowicz
 - Mr Andrzej Rościszowski
 - Mr Wojciech Arkuszewski.

On the same date, the Extraordinary General Shareholders Meeting of S.A. appointed the following persons to the Supervisory Board of PGNiG S.A.:

 - Mr Stanisław Rychlicki
 - Mr Grzegorz Banaszek
9. On February 29th 2008, the District Court for Gdańsk-Północ in Gdańsk, VII Commercial Division of the National Court Register, issued a decision concerning a share capital increase at Pomorski Operator Systemu Dystrybucyjnego Sp. z o.o. ("POSD"). The share capital was increased by PLN 93,391 thousand (from PLN 502,750 thousand to PLN 596,141 thousand) through the creation of 93,391 new, equal and indivisible shares with a par value of PLN 1,000 per share. The new shares were acquired by the sole shareholder, PGNiG S.A., and covered with a non-cash contribution in the form of tangible assets comprising components of a transmission or distribution network. The carrying value of the contributed assets, as disclosed in PGNiG S.A.'s accounting books, amounts to PLN 93,391.88 thousand.

Following the registration of the share capital increase at POSD, the total number of votes at its general shareholders meeting is 596,141. PGNiG S.A. holds 100% of shares in POSD, representing 100% of votes at its general shareholders meeting.

POSD's business profile includes, in particular, transport of gaseous fuel over distribution networks.
10. On March 12th 2008, the Supervisory Board of PGNiG S.A. removed the following persons from the Management Board:
 - Mr Krzysztof Głogowski
 - Mr Zenon Kuchciak
 - Mr Stanisław Niedbalec
 - Mr Tadeusz Zwierzyński

On the same date, the Supervisory Board of PGNiG S.A. appointed the following persons to the Management Board of PGNiG S.A.:

- Mr Michał Szubski, as President of the Management Board of PGNiG S.A.;
- Mr Mirosław Dobrut, as Member of the Management Board of PGNiG S.A. – Vice-President for Technology and Investments;
- Mr Radosław Dudziński, as Member of the Management Board of PGNiG S.A. – Vice-President for Strategic Projects;
- Mr Sławomir Hinc, as Member of the Management Board of PGNiG S.A. – Vice-President for Economics and Finance.

11. On March 20th 2008, the Supervisory Board of PGNiG S.A. removed Mr Jan Anysz from the Management Board of PGNiG S.A. and appointed Mr Mirosław Szkałuba (elected by PGNiG S.A.'s employees) to the Management Board, as Member of the Management Board – Vice-President PGNiG S.A.
12. On March 28th 2008, the District Court for Kraków-Śródmieście in Kraków, XI Commercial Division of the National Court Register, issued a decision concerning a share capital increase at GEOFIZYKA Kraków Sp. z o.o. ("GEOFIZYKA Kraków"). The share capital was increased by PLN 30,000 thousand (from PLN 34,400 thousand to PLN 64,400 thousand) through the creation of 30,000 new, equal and indivisible shares with a par value of PLN 1,000 per share. The new shares were acquired by the sole shareholder, PGNiG S.A., in the following manner:
- 17,000 shares were covered with a cash contribution through a contractual offset of PLN 17,000 thousand payable for the shares against a claim for repayment of a loan granted to Geofizyka Kraków by PGNiG S.A. on October 26th 2006,
 - 13,000 shares were covered with a cash contribution of PLN 13,000 thousand.

Based on this decision, the Court made a relevant entry in the National Court Register on April 2nd 2008. Following the registration of the share capital increase at GEOFIZYKA Kraków, the total number of votes at the company's general shareholders meeting is 64,400. PGNiG S.A. holds 100% of shares in GEOFIZYKA Kraków, representing 100% of votes at its general shareholders meeting. GEOFIZYKA Kraków's business profile includes, in particular, planning, design, performance and documenting of geophysical research.

13. On April 9th 2008, the District Court for Wrocław-Fabryczna in Wrocław, VI Commercial Division of the National Court Register, issued a decision concerning a share capital increase at Dolnośląski Operator Systemu Dystrybucyjnego Sp. z o.o. ("DOSD"). The share capital was increased by PLN 104,697 thousand (from PLN 546,448 thousand to PLN 651,145 thousand) through the creation of 104,697 new, equal and indivisible shares with a par value of PLN 1,000 per share. The new shares were acquired by the sole shareholder, PGNiG S.A., and covered with a non-cash contribution in the form of tangible assets comprising components of a transmission or distribution network. The carrying value of the contributed assets, as disclosed in PGNiG S.A.'s accounting books, amounts to PLN 104,697 thousand. Following the registration of the share capital increase at DOSD, the total number of votes at its general shareholders meeting is 651.145. PGNiG S.A. holds 100% of shares in DOSD, representing 100% of votes at its general shareholders meeting. DOSD's business profile includes, in particular, transport of gaseous fuel over distribution networks.
14. On April 10th 2008, the President of the Polish Energy Regulatory Authority ("the President of URE") approved Decision No. DTA-4212-29(21)/2007/2008/652/V/AG concerning Gaseous Fuel Tariff No. 1/2008. The tariff will remain in force until March 31st 2009.
15. On April 25th 2008, the power of proxy held by Mr Bogusław Marzec, Executive Director of the Economic Division, was revoked.
16. On April 28th 2008, with effect as of April 29th 2008, the Extraordinary General Shareholders Meeting of PGNiG S.A. removed Mr Grzegorz Banaszek, Mr Kazimierz Chrobak, Mr Mieczysław Kaweck, Mr Marcin Moryń, Mr Mieczysław Puławski, and Mr Stanisław Rychlicki from the Supervisory Board following the expiry of their term of office.

With effect as of April 30th 2008, the Extraordinary General Shareholders Meeting of PGNiG S.A. appointed Mr Grzegorz Banaszek, Ms Agnieszka Chmielarz, Mr Mieczysław Kaweck, Mr Hubert Konarski, Mr Marcin Moryń, Mr Mieczysław Puławski, Mr Stanisław Rychlicki, Ms Jolanta Siergiej, and Ms Joanna Stuglik to the Supervisory Board of PGNiG for a joint term starting April 30th 2008.

17. On April 29th 2008, the Management Board of PGNiG S.A. decided to appoint Mr Stanisław Radecki as the Company's proxy. The power of proxy is joint, i.e. the acts in law undertaken by the proxy are effective if the proxy acts jointly with a member of the Management Board of PGNiG S.A.