Polskie Górnictwo Naftowe i Gazownictwo SA

INTERIM REPORT

FOR THE QUARTERS ENDED JUNE 30TH 2008 AND JUNE 30TH 2007

POLISH FINANCIAL SUPERVISION AUTHORITY

Consolidated Quarterly Report QSr 2 / 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 second quarter of the 2008 financial year covering the period from January 1st to June 30th 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).

August 13th 2008
(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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(NIP – Tax Identification Number)	(REGON – Industry Identification Number)

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FINANCIAL HIGHLIGHTS

Consolidated Financial Data	Q1 and Q2 2008 cumulatively (Jan 1 – Jun 30 2008)	Q1 and Q2 2007 cumulatively (Jan 1 – Jun 30 2007)	Q1 and Q2 2008 cumulatively (Jan 1 – Jun 30 2008)	Q1 and Q2 2007 cumulatively (Jan 1 – Jun 30 2007)
	PLN '000		**EUR '000**	
I. Net sales revenue	9,259,601	8,440,502	2,662,641	2,193,136
II. Operating profit	1,211,761	1,385,926	348,447	360,112
III. Profit before tax	1,370 ,838	1,405,287	394,191	365,142
IV. Net profit	1,058,747	1,114,483	304,448	289,581
V. Net cash provided by/(used in) operating activities	1,940,229	1,981,012	557,922	514,736
VI. Net cash provided by/(used in) investing activities	(1,099,663)	(666,525)	(316,213)	(173,186)
VII. Net cash provided by/(used in) financing activities	31,603	(2,383,962)	9,088	(619,436)
VIII. Total net cash flow	872,169	(1,069,475)	250,796	(277,887)
IX. Earnings per ordinary share (PLN/EUR)	0.18	0.19	0.05	0.05
X. Diluted earnings per ordinary share (PLN/ EUR)	0.18	0.19	0.05	0.05
	As at Jun 30 2008	As at Dec 31 2007	As at Jun 30 2008	As at Dec 31 2007
XI. Total assets	29,087,977	28,401,901	8,672,106	7,929,062
XII. Liabilities and provisions for liabilities	8,161,041	7,380,136	2,433,081	2,060,339
XIII. Non-current liabilities	3,848,878	3,879,566	1,147,480	1,083,073
XIV. Current liabilities	4,312,163	3,500,570	1,285,601	977,266
XV. Equity	20,926,936	21,021,765	6,239,025	5,868,723
XVI. Share capital	5,900,000	5,900,000	1,758,989	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)	3.55	3.56	1.06	0.99
XIX. Diluted book value per share (PLN / EUR)	3.55	3.56	1.06	0.99
XX. Dividend per share declared or paid (PLN / EUR)	0.19	0.17	0.06	0.05

Non-Consolidated Financial Data	Q1 and Q2 2008 cumulatively (Jan 1 – Jun 30 2008)	Q1 and Q2 2007 cumulatively (Jan 1 – Jun 30 2007)	Q1 and Q2 2008 cumulatively (Jan 1 – Jun 30 2008)	Q1 and Q2 2007 cumulatively (Jan 1 – Jun 30 2007)
I. Net sales revenue	9,290,577	6,650,485	2,671,548	1,728,027
II. Operating profit	1,022,717	1,190,993	294,087	309,461
III. Profit before tax	1,173,384	1,424,405	337,412	370,110
IV. Net profit	919,122	1,205,382	264,298	313,200
V. Net cash provided by/(used in) operating activities	1,374,686	1,144,402	395,297	297,355
VI. Net cash provided by/(used in) investing activities	(862,523)	(154,724)	(248,022)	(40,203)
VII. Net cash provided by.(used in) financing activities	37,048	(2,346,702)	10,653	(609,755)
VIII. Total net cash flow	549,211	(1,357,024)	157,928	(352,602)
IX. Earnings per ordinary share (PLN/EUR)	0.16	0.20	0.04	0.05
X. Diluted earnings per ordinary share (PLN/ EUR)	0.16	0.20	0.04	0.05
	As at Jun 30 2008	As at Dec 31 2007	As at Jun 30 2008	As at Dec 31 2007
XI. Total assets	23,014,613	23,564,336	6,861,431	6,578,542
XII. Liabilities and provisions for liabilities	5,435,313	5,768,368	1,620,450	1,610,376
XIII. Non-current liabilities	1,836,284	1,858,507	547,458	518,846
XIV. Current liabilities	3,599,029	3,909,861	1,072,992	1,091,530
XV. Equity	17,579,300	17,795,968	5,240,981	4,968,165
XVI. Share capital	5,900,000	5,900,000	1,758,989	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)	2.98	3.02	0.89	0.84
XIX. Diluted book value per share (PLN / EUR)	2.98	3.02	0.89	0.84
XX. Dividend per share declared or paid (PLN / EUR)	0.19	0.17	0.06	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.

* Dividend for 2007 was translated into EUR at the exchange rate quoted by the National Bank of Poland for June 30th 2008. The dividend record date was set for July 25th, and the dividend payment date for October 1st 2008.

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

	Jun 30 2008	Dec 31 2007	Jun 30 2007
Average exchange rate for the period	3.4776	3.7768	3.8486
Lowest exchange rate for the period	3.3542	3.5699	3.7465
Highest exchange rate for the period	3.6577	3.9385	3.9385
Exchange rate at end of the period	3.3542	3.5820	3.7658

I. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

	Q2 2008 (Apr 1 – Jun 30 2008)	Q1 and Q2 2008 cumulatively (Jan 1 – Jun 30 2008)	Q2 2007 (Apr 1 – Jun 30 2007)	Q1 and Q2 2007 cumulatively (Jan 1 – Jun 30 2007)
	unaudited	unaudited	unaudited	unaudited
		(PLN '000)		
Sales revenue	**3,929,163**	**9,259,601**	**3,391,967**	**8,440,502**
Raw and other materials used	(1,995,065)	(4,893,787)	(1,579,651)	(4,291,198)
Employee benefits	(571,812)	(1,036,406)	(555,856)	(973,736)
Depreciation and amortisation	(371,352)	(721,801)	(373,732)	(702,336)
Contracted services	(650,426)	(1,338,902)	(612,594)	(1,274,569)
Cost of products and services for own needs	185,312	307,911	155,084	278,874
Other operating expenses, net	(232,178)	(364,855)	(13,533)	(91,611)
Total operating expenses	**(3,635,521)**	**(8,047,840)**	**(2,980,282)**	**(7,054,576)**
Operating profit	**293,642**	**1,211,761**	**411,685**	**1,385,926**
Financial income	117,463	198,674	68,577	133,241
Financial expenses	(18,683)	(39,658)	(39,524)	(80,854)
Share in profit/(loss) of undertakings valued with equity method	(5)	61	(33,331)	(33,026)
Pre-tax profit	**392,417**	**1,370,838**	**407,407**	**1,405,287**
Corporate income tax	(112,621)	(312,091)	(81,043)	(290,804)
Net profit	**279,796**	**1,058,747**	**326,364**	**1,114,483**
Attributable to:				
equity holders of the parent	280,270	1,059,077	326,261	1,114,130
minority interests	(474)	(330)	103	353
	279,796	**1,058,747**	**326,364**	**1,114,483**
Earnings per share attributable to ordinary shareholders of the parent				
- weighted average number of shares	5,900,000,000	5,900,000,000	5,900,000,000	5,900,000,000
- basic earnings	0.05	0.18	0.06	0.19
- diluted earnings	0.05	0.18	0.06	0.19

CONSOLIDATED BALANCE SHEET

	As at Jun 30 2008 (end of Q2 2008) unaudited	As at Dec 31 2007 (end of previous year) audited
	(PLN '000)	
ASSETS		
Non-current assets		
Property, plant and equipment	19,677,693	18,715,509
Investment property	9,768	10,578
Intangible assets	133,821	84,636
Investments in associated undertakings valued with equity method	556,722	557,529
Financial assets available for sale	73,903	19,997
Other financial assets	1,528,411	2,292,154
Deferred tax asset	434,299	419,814
Other non-current assets	30,859	30,873
Total non-current assets	**22,445,476**	**22,131,090**
Current assets		
Inventories	1,364,684	1,215,980
Trade and other receivables	2,479,206	3,331,046
Current income tax receivable	12,057	17,499
Prepayments and accrued income	226,625	82,355
Financial assets available for sale	17,557	22,406
Derivative financial instruments	85,891	17,442
Cash and cash equivalents	2,456,123	1,583,635
Assets held for sale	358	448
Total current assets	**6,642,501**	**6,270,811**
Total assets	**29,087,977**	**28,401,901**
EQUITY AND LIABILITIES		
Equity		
Share capital	5,900,000	5,900,000
Currency-translation differences on foreign-currency undertakings	(63,652)	(44,525)
Share premium account	1,740,093	1,740,093
Other capital reserves	10,341,947	3,478,081
Retained earnings	3,000,293	9,939,427
Equity (attributable to equity holders of the parent)	**20,918,681**	**21,013,076**
Equity attributable to minority interests	8,255	8,689
Total equity	**20,926,936**	**21,021,765**
Non-current liabilities		
Loans, borrowings and debt securities	36,549	31,377
Provisions	1,231,158	1,153,805
Deferred income	1,125,538	1,142,366
Deferred tax liability	1,431,404	1,530,359
Other non-current liabilities	24,229	21,659
Total non-current liabilities	**3,848,878**	**3,879,566**
Current liabilities		
Trade and other payables	3,094,405	2,407,981
Loans, borrowings and debt securities	116,915	106,724
Liabilities under derivative financial instruments	41,233	36,185
Current tax liability	281,832	281,399
Provisions	233,163	181,220
Deferred income	544,615	487,061
Total current liabilities	**4,312,163**	**3,500,570**
Total liabilities	**8,161,041**	**7,380,136**
Total equity and liabilities	**29,087,977**	**28,401,901**

CONSOLIDATED CASH-FLOW STATEMENT

	Q1 and Q2 2008 cumulatively (Jan 1 – Jun 30 2008)	Q1 and Q2 2007 cumulatively (Jan 1 – Jun 30 2007)
	unaudited	unaudited
	(PLN '000)	
Cash flows from operating activities		
Net profit	1,058,747	1,114,483
Adjustments:		
Share in net profit/(loss) of undertakings valued with equity method	(61)	33,026
Depreciation and amortisation	721,801	702,336
Net foreign exchange gains/(losses)	98,398	(15,237)
Net interest and dividend	(68,742)	(83,387)
Profit/(loss) on investing activities	(14,237)	(54,003)
Current income tax	31, 091	290,804
Income tax paid	(416,973)	(313,948)
Other items, net	(86,383)	(113,011)
Net cash provided by/(used in) operating activities before changes in working capital	**1,604,641**	**1,561,063**
Change in working capital:		
Change in receivables, net	795,019	797,056
Change in inventories	(148,705)	187,720
Change in provisions	58,602	39,552
Change in current liabilities	(247,614)	(442,422)
Change in prepayments	(162,439)	(171,689)
Change in accruals and deferrals	40,725	9,732
Net cash provided by/(used in) operating activities	**1,940,229**	**1,981,012**
Cash flows from investing activities		
Sale of property, plant and equipment and intangible assets	11,927	12,659
Sale of shares in non-consolidated undertakings	-	-
Sale of short-term securities	33,167	22,269
Acquisition of property, plant and equipment and intangible assets	(1,193,488)	(905,092)
Acquisition of shares in non-consolidated undertakings	(78,000)	(4,687)
Acquisition of short-term securities	-	-
Interest received	74,505	120,702
Dividend received	255	63
Proceeds from financed lease	52,599	101,534
Other items, net	(628)	(13,973)
Net cash provided by/(used in) investing activities	**(1,099,663)**	**(666,525)**
Cash flows from financing activities		
Net proceeds from issue of shares, other equity instruments and additional contributions to equity	-	-
Increase in loans and borrowings	35,145	17,589
Repayment of loans and borrowings	(18,140)	(2,333,216)
Issue of debt securities	-	-
Redemption of debt securities	-	-
Decrease in financed lease liabilities	(14,990)	(18,261)
Inflows from forward contracts	41,662	-
Outflows on forward contracts	(4,169)	-
Dividend paid	-	-
Interest paid	(5,889)	(43,738)
Other items, net	(2,016)	(6,336)
Net cash provided by/(used in) financing activities	**31,603**	**(2,383,962)**
Net change in cash	**872,169**	**(1,069,475)**
Net foreign exchange gains/(losses)	(311)	22,702
Cash and cash equivalents at beginning of period	**1,584,868**	**3,559,214**
Cash and cash equivalents at end of period	**2,457,037**	**2,489,739**

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 (losses)	**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**	**7,671**	**21,080,351**
Currency-translation differences on foreign-currency undertakings	-	(4,132)	-	-	-	**(4,132)**	-	**(4,132)**
Other changes	-	-	-	-	-	**-**	-	**-**
Transfers	-	-	-	621,542	(621,542)	**-**	-	**-**
Payment of dividend to shareholders	-	-	-	-	(1,003,000)	**(1,003,000)**	(15)	**(1,003,015)**
Net profit	-	-	-	-	1,114,130	**1,114,130**	353	**1,114,483**
As at Jun 30 2007 (end of Q2 2007)	**5,900,000**	**(19,741)**	**1,740,093**	**3,511,610**	**10,120,725**	**21,252,687**	**8,009**	**21,187,687**
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**
Currency-translation differences on foreign-currency undertakings	-	(19,127)	-	-	-	**(19,127)**	-	**(19,127)**
Valuation of financial instruments	-	-	-	(12,474)	-	**(12,474)**	-	**(12,474)**
Other changes	-	-	-	-	(871)	**(871)**	2	**(869)**
Transfers	-	-	-	6,876,340	(6,876,340)	**-**	-	**-**
Payment of dividend to shareholders	-	-	-	-	(1,121,000)	**(1,121,000)**	(106)	**(1,121,106)**
Net profit	-	-	-	-	1,059,077	**1,059,077**	(330)	**1,058,747**
As at Jun 30 2008 (end of Q2 2008)	**5,900,000**	**(63,652)**	**1,740,093**	**10,341,947**	**3,000,293**	**20,918,681**	**8,255**	**20,926,936**

(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 2008	**419,814**	**1,530,359**
a) increase	44,781	30,725
b) decrease	(30,296)	(129,680)
Deferred tax as at end of period: Jun 30 2008	**434,299**	**1,431,404**
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	105,614	-	8	-	83	530	145,393	936	-	**252,564**
b) transfer	-	-	(1,849)	-	-	-	-	1,849	-	**-**
c) decrease	(37,895)	-	(229)	(58,831)	(21,462)	(4,814)	(127,556)	(32,624)	(270)	**(283,681)**
Valuation allowances as at end of period: Jun 30 2008	**13,735,872**	**2,020**	**-**	**963,691**	**31,441**	**30,033**	**962,652**	**111,697**	**2,538**	**15,839,944**
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**

(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 2008	**358,872**	**61,199**	**16,000**	**2,707**	**438,778**
a) increase	28,557	-	495	53,261	**82,313**
b) transfer	-	-	-	-	**-**
c) decrease	(6,661)	(10,921)	(536)	(13,188)	**(31,306)**
Provision for retirement and similar benefits as at end of period: Jun 30 2008	**380,768**	**50,278**	**15,959**	**42,780**	**489,785**
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	124,970	-	-	-	-	19,133	**144,103**
b) transfer	-	-	-	-	-	-	**-**
c) decrease	(47,094)	(2,000)	(5,368)	-	(780)	(10,572)	**(65,814)**
Other provisions as at end of period: Jun 30 2008	**784,710**	**-**	**79,167**	**22,500**	**6,760**	**81,399**	**974,536**
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**

(PLN '000)

4. Sales Revenue

	Q1 and Q2 2008 cumulatively (Jan 1 – Jun 30 2008)	Q1 and Q2 2007 cumulatively (Jan 1 – Jun 30 2007)
Methane-rich gas	7,481,907	6,786,500
Nitrogen-rich gas	708,725	636,871
Crude oil	447,359	333,195
Helium	13,440	15,787
Propane-butane gas	22,408	17,395
Gasoline	2,005	979
LNG	9,552	7,847
Geophysical and geological services	203,863	227,215
Exploration services	184,642	222,014
Materials and goods for resale	10,258	10,507
Other sales of products and services	175,442	182,192
Total	**9,259,601**	**8,440,502**

5. Proceeds under Transmission System Lease Agreement

	Q1 and Q2 2008 cumulatively (Jan 1 – Jun 30 2008)	Q1 and Q2 2007 cumulatively (Jan 1 – Jun 30 2007)
Interest	69,672	113,275
Principal	52,599	100,253
Total	**122,271**	**213,528**

6. Operating Expenses

Raw and other materials used	Q1 and Q2 2008 cumulatively (Jan 1 – Jun 30 2008)	Q1 and Q2 2007 cumulatively (Jan 1 – Jun 30 2007)
Gas purchases	(4,599,726)	(4,001,088)
Other	(294,061)	(290,110)
Total	**(4,893,787)**	**(4,291,198)**

Contracted services	Q1 and Q2 2008 cumulatively (Jan 1 – Jun 30 2008)	Q1 and Q2 2007 cumulatively (Jan 1 – Jun 30 2007)
Purchases of transmission services	(724,373)	(733,758)
Other contracted services	(614,529)	(540,811)
Total	**(1,338,902)**	**(1,274,569)**

7. Property, Plant and Equipment by Categories

	As at Jun 30 2008 (end of Q2 2008)	As at Dec 31 2007 (end of previous year)
Land	82,010	83,570
Buildings and structures	13,181,446	12,542,252
Plant and equipment	2,195,831	2,129,116
Vehicles and other	838,809	860,554
Total fixed assets	**16,298,096**	**15,615,492**
Tangible assets under construction	3,379,597	3,100,017
Total property, plant and equipment	**19,677,693**	**18,715,509**

(PLN '000)

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 one change in the Q2 2007 income statement in order to ensure comparability of the data for the current reporting period and the comparable data.

In connection with the final verification, made as at the end of 2007, of the amount of a hyperinflation adjustment to the deferred income related to infrastructure received free of charge in 1995–1996, there was a change in the amount of the adjustment recognised in Q2 2007. The change caused a decrease of PLN 3,605 thousand in additional revenue from the settlement of deferred income, disclosed under "Other operating expenses, net", and a decrease of PLN 685 thousand in the deferred tax on the said amount under "Corporate income tax". The recognition of the above amounts drove the operating result down by PLN 3,605 thousand and the net result by PLN 2,920 thousand.

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 Q2 2007 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 presented the changes in the operating result and net profit resulting from the aforementioned adjustments.

	Q2 2007 (Apr 1 – Jun 30 2007)	Q1 and Q2 2007 cumulatively (Jan 1 – Jun 30 2007)
Operating profit – before changes	452,516	1,371,747
Change in hyperinflation adjustment to the deferred income related to infrastructure received free of charge in 1995–1996	(3,605)	(3,605)
Reclassification of currency-translation differences on valuation and settlement of derivative instruments related to purchase of gas	(37,226)	17,784
Operating profit – after changes	411,685	1,385,926
Net profit – before changes	329,284	1,117,403
Change in hyperinflation adjustment to the deferred income related to infrastructure received free of charge in 1995–1996	(2,920)	(2,920)
Reclassification of currency-translation differences on valuation and settlement of derivative instruments related to purchase of gas	-	-
Net profit – after changes	326,364	1,114,483

In addition, the Company reclassified capital expenditure on property, plant and equipment and intangible assets in the segment report for the second quarter of 2007. The amount of expenditure incurred on tangible assets under construction related to the cost of drilling work, totalling PLN 114,226 thousand, was transferred from the Trade 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. Therefore, in the second quarter of w 2008 the Company disclosed such expenditure in the Exploration and Production segment and made a relevant adjustment to the comparable data for the second quarter of 2007.

II. CONDENSED NON-CONSOLIDATED FINANCIAL STATEMENTS

NON-CONSOLIDATED INCOME STATEMENT

	Q2 2008 (Apr 1 – Jun 30 2008)	Q1 and Q2 2008 cumulatively (Jan 1 – Jun 30 2008)	Q2 2007 (Apr 1 – Jun 30 2007)	Q1 and Q2 2007 cumulatively (Jan 1 – Jun 30 2007)
	unaudited	unaudited	unaudited	unaudited
		(PLN '000)		
Sales revenue	**3,771,588**	**9,290,577**	**2,653,270**	**6,650,485**
Raw and other materials used	(1,865,641)	(4,658,919)	(1,449,613)	(4,051,752)
Employee benefits	(189,212)	(334,237)	(127,915)	(204,244)
Depreciation and amortisation	(163,691)	(305,525)	(144,816)	(267,170)
Contracted services	(1,156,640)	(2,869,521)	(469,313)	(1,010,265)
Cost of products and services for own needs	1,724	2,840	2,264	4,156
Other operating expenses, net	(54,526)	(102,498)	47,894	69,783
Total operating expenses	**(3,427,986)**	**(8,267,860)**	**(2,141,499)**	**(5,459,492)**
Operating profit	**343,602**	**1,022,717**	**511,771**	**1,190,993**
Financial income	179,844	281,596	242,501	317,747
Financial expenses	(75,299)	(130,929)	(24,552)	(84,335)
Pre-tax profit	**448,147**	**1,173,384**	**729,720**	**1,424,405**
Corporate income tax	(104,952)	(254,262)	(104,986)	(219,023)
Net profit	**343,195**	**919,122**	**624,734**	**1,205,382**

Earnings per share attributable to ordinary shareholders of the parent.

- weighted average number of shares	5,900,000,000	5,900,000,000	5,900,000,000	5,900,000,000
- basic earnings	0.06	0.16	0.11	0.20
- diluted earnings	0.06	0.16	0.11	0.20

NON-CONSOLIDATED BALANCE SHEET

	As at Jun 30 2008 (end of Q2 2008) unaudited	As at Dec 31 2007 (end of previous year) audited
	(PLN '000)	
ASSETS		
Non-current assets		
Property, plant and equipment	8,669,155	8,568,916
Investment property	5,280	4,445
Intangible assets	66,916	33,059
Financial assets available for sale	5,727,645	4,787,372
Other financial assets	2,837,671	3,340,711
Deferred tax asset	278,474	261,208
Other non-current assets	30,561	25,755
Total non-current assets	**17,615,702**	**17,021,466**
Current assets		
Inventories	1,209,509	1,061,156
Trade and other receivables	2,404,702	4,355,638
Current income tax receivable	-	-
Prepayments and accrued income	65,205	24,056
Financial assets available for sale	29,341	29,341
Derivative financial instruments	85,891	17,442
Cash and cash equivalents	1,604,212	1,055,001
Assets held for sale	**51**	**236**
Total current assets	**5,398,911**	**6,542,870**
Total assets	**23,014,613**	**23,564,336**
EQUITY AND LIABILITIES		
Equity		
Share capital	5,900,000	5,900,000
Currency-translation differences on foreign-currency undertakings	(3,826)	(1,510)
Share premium account	1,740,093	1,740,093
Other capital reserves	8,981,586	3,344,146
Retained earnings	961,447	6,813,239
Total equity	**17,579,300**	**17,795,968**
Non-current liabilities		
Loans, borrowings and debt securities	1,827	80
Provisions	968,010	901,112
Deferred income	8,213	7,645
Deferred tax liability	835,258	929,093
Other non-current liabilities	22,976	20,577
Total non-current liabilities	**1,836,284**	**1,858,507**
Current liabilities		
Trade and other payables	2,706,228	3,174,026
Loans, borrowings and debt securities	5,415	4,316
Derivative financial instruments	41,232	35,527
Current tax liability	247,552	187,174
Provisions	155,249	111,838
Deferred income	443,353	396,980
Total current liabilities	**3,599,029**	**3,909,861**
Total liabilities	**5,435,313**	**5,768,368**
Total equity and liabilities	**23,014,613**	**23,564,336**

NON-CONSOLIDATED CASH-FLOW STATEMENT

	Q1 and Q2 2008 cumulatively (Jan 1 – Jun 30 2008) unaudited	Q1 and Q2 2007 cumulatively (Jan 1 – Jun 30 2007) unaudited
	(PLN '000)	
Cash flows from operating activities		
Net profit	919,122	1,205,382
Adjustments:		
Depreciation and amortisation	305,525	267,170
Net foreign exchange gains/losses	109,143	(14,991)
Net interest and dividend	(84,345)	(92,549)
Profit/(loss) on investing activities	(25,685)	(62,902)
Current income tax	254,262	219,023
Income tax paid	(302,059)	(233,968)
Other items, net	(68,078)	(66,368)
Net cash provided by/(used in) operating activities before changes in working capital	**1,107,885**	**1,220,797**
Change in working capital:		
Change in receivables, net	1,002,182	155,125
Change in inventories	(148,353)	233,995
Change in provisions	39,615	16,261
Change in current liabilities	(609,445)	(402,480)
Change in prepayments	(64,139)	(79,631)
Change in accruals and deferrals	46,941	335
Net cash provided by/(used in) operating activities	**1,374,686**	**1,144,402**
Cash flows from investing activities		
Sale of property, plant and equipment and intangible assets	1,641	2,290
Sale of shares in non-consolidated undertakings	-	-
Sale of short-term securities	32,873	22,616
Acquisition of property, plant and equipment and intangible assets	(623,340)	(384,031)
Acquisition of shares in related undertakings	(30,000)	(65,987)
Acquisition of short-term securities	-	-
Decrease in loans advanced	106,349	88,402
Increase in loans advanced	(408,636)	(45,008)
Interest received	84,130	125,694
Dividend received	240	-
Proceeds from financed lease	52,599	101,534
Other items, net	(78,379)	(234)
Net cash provided by/(used in) investing activities	**(862,523)**	**(154,724)**
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	-	(2,298,720)
Issue of debt securities	-	-
Redemption of debt securities	-	-
Decrease in financed lease liabilities	(470)	-
Inflows from forward contracts	41,662	-
Outflows on forward contracts	(3,075)	-
Dividend paid	-	-
Interest paid	(25)	(39,589)
Other items, net	(1,044)	(8,393)
Net cash provided by/(used in) financing activities	**37,048**	**(2,346,702)**
Net change in cash	**549,211**	**(1,357,024)**
Net foreign exchange gains/(losses)	-	22,324
Cash and cash equivalents at beginning of period	**1,055,252**	**2,993,496**
Cash and cash equivalents at end of period	**1,604,463**	**1,636,472**

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	-	(214)	-	-	-	**(214)**
Net profit	-	-	-	-	1,205,382	**1,205,382**
Payment of dividend to shareholder	-	-	-	-	(1,003,000)	**(1,003,000)**
Transfers	-	-	-	545,312	(545,312)	**-**
As at Jun 30 2007 (end of Q2 2007)	**5,900,000**	**248**	**1,740,093**	**3,342,859**	**5,841,658**	**16,824,858**
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	-	(2,316)	-	-	-	**(2,316)**
Valuation of financial instruments	-	-	-	(12,474)	-	**(12,474)**
Net profit	-	-	-	-	919,122	**919,122**
Payment of dividend to shareholder	-	-	-	-	(1,121,000)	**(1,121,000)**
Transfers	-	-	-	5,649,914	(5,649,914)	**-**
Other	-	-	-	-	-	**-**
As at Jun 30 2008 (end of Q2 2008)	**5,900,000**	**(3,826)**	**1,740,093**	**8,981,586**	**961,447**	**17,579,300**

(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 2008	**261,208**	**929,093**
a) increase	29,664	20,333
b) decrease	(12,398)	(114,168)
Deferred tax as at end of period: Jun 30 2008	**278,474**	**835,258**
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	101,966	-	7	130,536	-	139 830	936	-	**373 275**
b) transfer	-	-	(2,949)	-	-	-	2 949	-	**-**
c) decrease	(408,582)	-	(229)	(21,462)	(2 188)	(122 554)	(33 724)	(270)	**(589 008)**
Valuation allowances for assets as at end of period: Jun 30 2008	**2,869,595**	**2,020**	**11,550**	**1,576,593**	**21 003**	**919 779**	**113 347**	**79 538**	**5 593 426**
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**

(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 2008	**118,138**	**61,199**	**11,555**	**338**	**191,230**
a) increase	6,553	-	443	51,953	**58,949**
b) transfer	-	-	-	-	**-**
c) decrease	(1,608)	(10,921)	-	(12,282)	**(24,811)**
Provisions for retirement and similar benefits as at end of period: Jun 30 2008	**123,083**	**50,278**	**11,998**	**40,009**	**225,368**
As at beginning of period: Jan 1 2007	**82,906**	**82,197**	**9,017**	**5,068**	**179,188**
a) increase	57,877	3,039	5,078	27,784	**93,778**
b) transfer	-	-	-	-	**-**
c) decrease	(22,645)	(24,037)	(2,540)	(32,514)	**(81,736)**
Provisions for retirement and similar benefits as at end of period: Dec 31 2007	**118,138**	**61,199**	**11,555**	**338**	**191,230**

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**	**38,139**	**821,720**
a) increase	124,970	-	-	-	-	4,327	**129,297**
b) transfer	-	-	-	-	-	-	**-**
c) decrease	(47,094)	(2,000)	(1,492)	-	(780)	(1,759)	**(53,126)**
Other provisions as at end of period: Jun 30 2008	**784,710**	**0**	**43,215**	**22,500**	**6,760**	**40,707**	**897,891**
As at beginning of period: Jan 1 2007	**740,646**	**4,068**	**44,368**	**-**	**9,740**	**32,167**	**830,989**
a) increase	70,315	-	339	22,500	-	23,013	**116,167**
b) transfer	-	-	-	-	-	-	**-**
c) decrease	(104,127)	(2,068)	-	-	(2,200)	(17,041)	**(125,436)**
Other provisions as at of period: Dec 31 2007	**706,834**	**2,000**	**44,707**	**22,500**	**7,540**	**38,139**	**821,720**

(PLN '000)

4. Sales Revenue

	Q1 and Q2 2008 cumulatively (Jan 1 – Jun 30 2008)	Q1 and Q2 2007 cumulatively (Jan 1 – Jun 30 2007)
Methane-rich gas	7,941,526	5,629,280
Nitrogen-rich gas	756,803	537,734
Crude oil	447,359	333,194
Helium	13,440	15,788
Propane-butane gas	21,327	13,152
Gasoline	2,005	979
Decompressed LNG	9,552	8,338
Geophysical and geological services	26,228	23,014
Materials and goods for resale	4,826	1,569
Other sales of products and services	67,511	87,437
Total	**9,290,577**	**6,650,485**

5. Proceeds under Transmission System Lease Agreement

	Q1 and Q2 2008 cumulatively (Jan 1 – Jun 30 2008)	Q1 and Q2 2007 cumulatively (Jan 1 – Jun 30 2007)
Interest	69,672	113,275
Principal	52,599	100,253
Total	**122,271**	**213,528**

6. Operating Expenses

Raw and other materials used	Q1 and Q2 2008 cumulatively (Jan 1 – Jun 30 2008)	Q1 and Q2 2007 cumulatively (Jan 1 – Jun 30 2007)
Gas purchases	(4,599,650)	(4,001,398)
Other	(59,269)	(50,354)
Total	**(4,658,919)**	**(4,051,752)**

Contracted services	Q1 and Q2 2008 cumulatively (Jan 1 – Jun 30 2008)	Q1 and Q2 2007 cumulatively (Jan 1 – Jun 30 2007)
Purchase of transmission and distribution services	(2,470,340)	(773,061)
Other contracted services	(399,181)	(237,204)
Total	**(2,869,521)**	**(1,010,265)**

7. Property, Plant and Equipment by Categories

	As at Jun 30 2008 (end of Q2 2008)	As at Dec 31 2007 (end of previous year)
Land	35,796	36,078
Buildings and structures	5,381,866	5,418,925
Plant and equipment	1,316,991	1,337,387
Vehicles and other	83,503	80,049
Total fixed assets	**6,818,156**	**6,872,439**
Tangible assets under construction	1,850,999	1,696,477
Total property, plant and equipment	**8,669,155**	**8,568,916**

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 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 Q2 2007 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.

(PLN '000)

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

	Q2 2007 (Apr 1 – Jun 30 2007)	Q1 and Q2 2007 cumulatively (Jan 1 – Jun 30 2007)
Operating profit – before changes	548,998	1,173,210
Reclassification of currency-translation differences on valuation and settlement of derivative instruments related to purchase of gas	(37,227)	17,783
Operating profit – after changes	511,771	1,190,993

In addition, the Company changed the presentation in the cash-flow statement of repayment and advancement of the current portion of loans advanced, which are disclosed in the balance sheet under receivables. Such repayment and advancement was previously treated as repayment or increase, as appropriate, of receivables, and was disclosed under "Change in receivables" in the cash-flow statement. The Company decided that presentation of repayment and advancement of loans advanced under investing activities in the cash flow statement is more justified, irrespective of their maturity date and their presentation in the balance sheet. As a result, the Company changed appropriately the presentation of the cash-flow statement for by reducing the change in net receivables by PLN 85,588 thousand, increasing "Decrease in loans advanced" by PLN 87,852 thousand, disclosing an amount of PLN (45,008) thousand in "Increase in loans advanced" and reducing the value of "Other items" under investing activities by PLN 42,744 thousand. As a result, cash flows from operating activities decreased and cash flows from investing activities increased by PLN 85,588 thousand. Net change in cash and other items did not change.

III. ADDITIONAL INFORMATION CONCERNING FINANCIAL STATEMENTS FOR Q2 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 June 30th 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 1744, Regulation). The financial statements present data as at June 30th 2008 and for the period January 1st – June 30th 2008, along with comparable financial data for the relevant periods of 2007.

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 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 Q2 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 December 31st 2007.

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 June 30th 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 *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. Brief Description of Significant Achievements or Failures of the Company in the Reporting Period, Including a List of Key Related Events

1. 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.
2. On April 25th 2008, the power of proxy held by Mr Bogusław Marzec, Executive Director of the Economic Division, was revoked.
3. On April 28th 2008, with effect from April 29th 2008, the Extraordinary General Shareholders Meeting of PGNiG S.A. removed Mr Grzegorz Banaszek, Mr Kazimierz Chrobak, Mr Mieczysław Kawecki, Mr Marcin Moryń, Mr Mieczysław Puławski, and Mr Stanisław Rychlicki from the Supervisory Board following the expiry of their term of office.
4. With effect from April 30th 2008, the Extraordinary General Shareholders Meeting of PGNiG S.A. appointed Mr Grzegorz Banaszek, Ms Agnieszka Chmielarz, Mr Mieczysław Kawecki, 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.
5. 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.
6. On June 18th 2008, following allotment of Series B shares of Zakłady Azotowe w Tarnowie-Mościcach S.A. PGNiG S.A acquired 4,000,001 shares with a par value of PLN 5.00 and issue price of PLN 19.50 per share, representing 10.23% of the share capital of Zakłady Azotowe w Tarnowie-Mościcach S.A. The total value of the Company's investment was PLN 78m. The decision of the Management Board of PGNiG S.A. received a positive opinion of the Supervisory Board of PGNiG S.A. and was approved by the General Shareholders Meeting of the Company.
7. On June 20th 2008, PGNiG S.A. selected the winner of a public procurement tender for the implementation of an investment project designated as "The LMG Project – Central Facility, Borehole Zones, Pipelines and Others", involving the development of crude oil and natural gas reserves located near Lubiatów, Międzychód and Grotów, whose gross value amounts to PLN 1,704,340 thousand (net value – PLN 1,397,000 thousand). The tender was awarded to a consortium composed of PBG S.A., Technip KTI S.P.A. of Italy and Thermo Design Engineering Ltd. of Canada.
8. On June 26th 2008, the Annual General Shareholders Meeting of PGNiG S.A. was held, which adopted resolutions on approval of the Directors' Report on the Company's operations and the 2007 financial statements, and on approval of the 2007 consolidated financial statements of the PGNiG Group prepared in accordance with the International Financial Reporting Standards and the Directors' Report on the PGNiG Group's operations in 2007. The Annual General Shareholders Meeting of PGNiG S.A. also granted a discharge to the members of the Management and Supervisory Boards in respect of their duties in 2007, and resolved on the distribution of the 2007 profit (PLN 0.19 per share) and set the dividend record and dividend payment dates at July 25th 2008 and October 1st 2008, respectively.
9. On June 25th 2008, Polish State Treasury disposed of one share in PGNiG S.A. The transaction was concluded on general terms. Therefore, pursuant to Art. 38.2 of the Commercialisation and Privatisation Act, dated August 30th 1996, eligible employees will gain the right to acquire the Company shares free of charge as of October 1st 2008; the right will expire on October 1st 2009. The eligible employees have the right to acquire free of charge, on the Company registration date, up to 15% of the shares acquired by the State Treasury, i.e. up to 750,000,000 shares with a par value of PLN 1 per share (Art.36.1 of the Commercialisation and Privatisation Act). The Company shares acquired free of charge by the eligible employees cannot be traded before July 1st 2010, and the shares acquired free of charge by members of the Company's Management Board cannot be traded before July 1st 2011 (Art.36.3 of the Commercialisation and Privatisation Act).

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

In Q2 2008, the PGNiG Group's operating profit deteriorated by PLN 174.2m (12.6%) and the net profit shrank by PLN 55.7m (5%) from the corresponding period of 2007. The worse operating profit (EBIT) is an effect of lower profitability of trading in methane-rich gas, resulting from:

- a change in the structure of purchases of methane-rich gas, and
- an increase in unit purchase costs of imported gas.

In the period under review, the Company purchased more imported gas to meet the domestic demand for gaseous fuels caused by lower air temperatures in the heating season. In addition, the use of gas from underground storage facilities was less intensive year-on-year on account of optimal management of import contracts. Gas production decreased as a result of the Company's facing natural production barriers; while an increase in sales volume of nitrogen-rich gas reduced the deliveries of feedstock to denitriding plants.

An upward trend prevailed in unit purchase prices of imported gas throughout the first two quarters of 2008, driven primarily by the situation on the global oil and oil derivatives market. The continuing depreciation of the dollar/złoty exchange rate partly mitigated the rise in prices of imported gas.

(PLN '000)

Despite the approval by the President of URE of a new tariff for gaseous fuels at the end of April 2008, the price level still did not guarantee a satisfactory recovery of unit purchase costs of imported gas for the Group. The gains on gas trading generated by the PGNiG Group are attributable only to sales of methane-rich gas from own production.

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, 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 Q2 2008, no such transactions occurred at the Group.

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

By virtue of its Resolution No. 50 adopted on June 26th 2008, the Annual General Shareholders Meeting of PGNiG S.A. resolved to distribute dividend in the amount of PLN 1,121,000 thousand (or PLN 0.19 per share) 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's 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 Annual General Shareholders Meeting of PGNiG S.A. set the dividend record date for July 25th 2008 and the dividend payment date for October 1st 2008.

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

As at the date of preparation of the Q2 2008 report, no events had occurred which could have a material bearing on the Company's financial performance in the future but have not been disclosed in this report.

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

	Jun 30 2008	Dec 31 2007
1. Contingent receivables	**206,892**	**123,032**
1.1. from related undertakings	*5,619*	*3,231*
- guarantees and sureties received	2,566	202
- promissory notes received	3,053	3,029
1.2. from other undertakings	*186,197*	*114,292*
- guarantees and sureties received	133,446	67,688
- promissory notes received	52,751	46,604
1.3. Other contingent receivables	15,076	5,509
2. Contingent liabilities	**7,550,783**	**8,263,536**
2.1. to related undertakings	*42,268*	*3, 690*
- guarantees and sureties granted	239	1,039
- promissory notes issued	-	-
- agreements, investment contracts signed	42,029	29,651
2.2. to other undertakings	7,507,828	*8,231,657*
- guarantees and sureties granted	7,165,554	7,901,110
- promissory notes issued	54,674	55,192
- agreements, investment contracts signed	287,600	275,355
2.3. Other contingent liabilities	*687*	*1,189*

From the end of the previous financial year to the end of the current reporting period (Q1 and Q2), 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 each), expired.

Also, a guarantee granted by the Parent Undertaking to National Oil Corporation Libya, for the amount of PLN 26,298 thousand, expired. Concurrently, a new guarantee for PLN 228,895 thousand (or USD 108,000 thousand, translated according to the exchange rate quoted by the National Bank of Poland at the end of the reporting period) was granted to the company.

Due to appreciation of the Polish złoty, four major guarantees denominated in foreign currencies devalued substantially. The value of a guarantee granted jointly by Distribution System Operators to a bank syndicate (syndication agent: Bank Handlowy S.A. of Warsaw) declined by PLN 284,750 thousand, the value of two guarantees granted to Gazprom-Export Ltd. decreased by PLN 79,531thousand, and the value a guarantee issued to the state of Norway decreased by PLN 142,957.

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. 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 Distribution System Operators, which supply gas to households, industrial and wholesale customers. In addition, DSOs 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.a. 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 June 30th 2008 and June 30th 2007.
In Q1 and Q2 2007, natural gas trading and distribution activities were conducted by the Group's Gas Companies. After its legal separation from distribution in mid-2007, the Group's trading business was integrated into PGNiG S.A. Moreover, Gas Companies were transformed into Distribution System Operators. Accordingly, the comparable financial data of the distribution segment for the period ended June 30th 2007 includes revenues and costs related to gas sales, while the data of the distribution segment for the current period comprises revenues and costs associated solely with the distribution services, with revenues and costs related to gas sales disclosed under financial information of the trading and storage segment.

(PLN '000)

Period ended Jun 30 2008	Exploration and production	Trading and storage	Distribution	Other operations	Elimination	Total
Income Statement						
Sales to external customers	1,103,095	8,073,540	11,901	71,065	-	9,259,601
Sales to other segments	724,501	522,361	1,740,325	75,509	(3,062,696)	-
Total segment revenue	1,827,596	8,595,901	1,752,226	146,574	(3,062,696)	9,259,601
Depreciation and amortisation	(307,410)	(70,644)	(338,730)	(5,017)	-	(721,801)
Other costs	(975,297)	(8,087,649)	(1,160,119)	(143,886)	3,040,912	(7,326,039)
Total segment costs	(1,282,707)	(8,158,293)	(1,498,849)	(148,903)	3,040,912	(8,047,840)
Operating profit/(loss)	**544,889**	**437,608**	**253,377**	**(2,329)**	**(21,784)**	**1,211,761**
Net financial expenses						159,016
Share in net profit/(loss) of undertakings valued with equity method		61				61
Pre-tax profit						**1,370,838**
Income tax						(312,091)
Net profit						**1,058,747**
Balance sheet						
Segment assets	9,614,262	9,989,098	9,825,570	258,918	(1,754,556)	27,933,292
Investments in undertakings valued with equity method		556,722				556,722
Unallocated assets						163,664
Deferred tax assets						434,299
Total assets						**29,087,977**
Total equity						20,926,936
Segment liabilities	2,601,293	3,311,743	2,012,332	82,296	(1,754,556)	6,253,108
Unallocated liabilities						476,529
Deferred tax liability						1,431,404
Total equity and liabilities						**29,087,977**
Other information						
Capital expenditure on property, plant and equipment and intangible assets	(644,100)	(149,444)	(391,642)	(8,302)	-	**(1,193,488)**
Valuation allowances for assets	(2,638,154)	(2,259,716)	(10,904,502)	(3,593)	-	**(15,805,965)**
Valuation allowances for unallocated assets						(33,979)

(PLN '000)

Period ended Jun 30 2007	Exploration and production	Trading and storage	Distribution	Other operations	Elimination	Total
Income Statement						
Sales to external customers	1,026,959	2,317,252	5,037,750	58,541	-	8,440,502
Sales to other segments	587,733	3,772,931	4,900	113,461	(4,479,025)	-
Total segment revenue	1,614,692	6,090,183	5,042,650	172,002	(4,479,025)	8,440,502
Depreciation and amortisation	(273,060)	(61,959)	(362,273)	(5,044)	-	(702,336)
Other costs	(795,689)	(5,315,176)	(4,559,084)	(161,394)	4,479,103	(6,352,240)
Total segment costs	(1,068,749)	(5,377,135)	(4,921,357)	(166,438)	4,479,103	(7,054,576)
Operating profit/(loss)	**545,943**	**713,048**	**121,293**	**5,564**	**78**	**1,385,926**
Net financial expenses						52,387
Share in net profit/(loss) of undertakings valued with equity method		(33,026)				**(33,026)**
Pre-tax profit						**1,405,287**
Income tax						(290,804)
Net profit						**1,114,483**
Balance sheet						
Segment assets	8,019,610	9,070,381	11,307,624	305,527	(728,642)	27,974,500
Investments in undertakings valued with equity method		556,258				556,258
Unallocated assets						32,054
Deferred tax assets						373,014
Total assets						**28,935,826**
Total equity						21,190,607
Segment liabilities	1,354,011	2,140,534	2,625,020	80,307	(728,203)	5,471,669
Unallocated liabilities						328,373
Deferred tax liability						1,945,177
Total equity and liabilities						**28,935,826**
Other information						
Capital expenditure on property, plant and equipment and intangible assets	(403,109)	(101,805)	(397,047)	(3,131)	-	**(905,092)**
Valuation allowances for assets	(2,592,816)	(2,077,929)	(9,387,424)	(3,378)	-	**(14,061,547)**
Valuation allowances for unallocated assets						(56,003)

IV. SUPPLEMENTARY INFORMATION TO THE Q2 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 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 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.

2. Organisation of the PGNiG Group and its Consolidated Undertakings

As at June 30th 2008, the PGNiG Group comprised PGNiG S.A., as the parent undertaking, and 34 production and service companies, including:

- 27 subsidiaries of PGNiG S.A.
- 7 indirect subsidiaries of PGNiG S.A.

The following table presents a list of the Group members as at June 30th 2008:

(PLN '000)

Companies of the PGNiG Group:

	Name	Share capital (PLN)	Shareholding of PGNiG S.A. (PLN)	% of share capital held	% of the total vote held
	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.	105,231,000.00	105,231,000.00	100.00%	100.00%
3	Poszukiwania Nafty i Gazu NAFTA Sp. z o.o.	60,000,000.00	60,000,000.00	100.00%	100.00%
4	GEOFIZYKA Kraków Sp. z o.o.	64,400,000.00	64,400,000.00	100.00%	100.00%
5	GEOFIZYKA Toruń Sp. z o.o.	66,000,000.00	66,000,000.00	100.00%	100.00%
6	Poszukiwania Naftowe Diament Sp. z o.o.	62,000,000.00	62,000,000.00	100.00%	100.00%
7	Zakład Robót Górniczych Krosno Sp. z o.o.	26,903,000.00	26,903,000.00	100.00%	100.00%
8	PGNiG Norway AS (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	Polskie LNG Sp. z o.o.	50,000,000.00	50,000,000.00	100.00%	100.00%
11	INVESTGAS S.A.	502,250.00	502,250.00	100.00%	100.00%
12	Dolnośląski Operator Systemu Dystrybucyjnego Sp. z o.o.	651,145,000.00	651,145,000.00	100.00%	100.00%
13	Górnośląski Operator Systemu Dystrybucyjnego Sp. z o.o.	1,288,680,000.00	1,288,680,000.00	100.00%	100.00%
14	Karpacki Operator Systemu Dystrybucyjnego Sp. z o.o.	1,476,112,000.00	1,476,112,000.00	100.00%	100.00%
15	Mazowiecki Operator Systemu Dystrybucyjnego Sp. z o.o.	1,217,350,000.00	1,217,350,000.00	100.00%	100.00%
16	Pomorski Operator Systemu Dystrybucyjnego Sp. z o.o.	596,141,000.00	596,141,000.00	100.00%	100.00%
17	Wielkopolski Operator Systemu Dystrybucyjnego Sp. z o.o.	978,287,000.00	978,287,000.00	100.00%	100.00%
18	B.S. i P.G. Gazoprojekt S.A.	4,000,000.00	3,000,000.00	75.00%	75.00%
19	BUG Gazobudowa Sp. z o.o.	39,220,000.00	39,220,000.00	100.00%	100.00%
20	Zakład Urządzeń Naftowych Naftomet Sp. z o.o.	23,500,000.00	23,500,000.00	100.00%	100.00%
21	Geovita Sp. z o.o.	86,139,000.00	86,139,000.00	100.00%	100.00%
22	Budownictwo Naftowe Naftomontaż Sp. z o.o.	44,751,000.00	39,751,000.00	88.83%	88.83%
23	Górnictwo Naftowe Sp. z o.o.	50,000.00	50,000.00	100.00%	100.00%
24	NYSAGAZ Sp. z o.o.	3,700,000.00	1,887,000.00	51.00%	51.00%
25	ZRUG Sp. z o.o. (Pogórska Wola)	4,300,000.00	4,300,000.00	100.00%	100.00%
26	BUD-GAZ PPUH Sp. z o.o.	51,760.00	51,760.00	100.00%	100.00%
27	PPUiH TURGAZ Sp. z o.o.	176,000.00	90,000.00	51.14%	51.14%
	Subsidiaries of PGNiG S.A.'s subsidiaries				
28	GEOFIZYKA Kraków Libya JSC (LYD)1), 2)	1,000,000.00	600,000.00	60.00%	60.00%
29	GEOFIZYKA Toruń Kish Ltd (Rial)1), 3)	10,000,000.00	10,000,000.00,	100.00%	100.00%
30	Oil Tech International - F.Z.E. (USD)1)	20,000.00	20,000.00	100.00%	100.00%
31	Zakład Gospodarki Mieszkaniowej Sp. z o.o. (Piła)	1,806,500.00	1,806,500.00	100.00%	100.00%
32	GAZ Sp. z o.o. (Błonie)	300,000.00	153,000.00	51.00%	51.00%
33	GAZ MEDIA Sp. z o.o. (Wołomin)	300,000.00	153,000.00	51.00%	51.00%
34	NAFT-STAL Sp. z o.o.	667,500.00	450,000.00	67.40%	67.40%

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)

Consolidated Undertakings of the PGNiG Group as at the end of Q2 2008:

Company	Country	% of share capital held	
		Jun 30 2008	Jun 30 2007
Subsidiaries			
The GEOFIZYKA Kraków Group****	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%
The Poszukiwania Nafty i Gazu Kraków Group*****	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%
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%
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%
Polish Oil And Gas Company – Libya B.V.***	Holland	100.00%	100.00%
Geovita Sp. z o.o.	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.	Poland	59.88%	59.88%
Jointly-controlled and associated undertakings valued with equity method			
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 though GAS-TRADING S.A.

** The company has been consolidated from Q3 2007.

*** On February 4th 2008, the company changed its name from PGNiG Finance B.V. to Polish Oil And Gas Company – Libya B.V.

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

***** 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.

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 GEOFIZYKA Kraków Sp. z o.o. by PLN 30,000 thousand, to PLN 64,400 thousand; the increase was registered with the National Court Register on April 2nd 2008.
- Share capital increase at Dolnośląski Operator Systemu Dystrybucyjnego Sp. z o.o. by PLN 104,697 thousand, to PLN 651,145 thousand; the increase was registered with the National Court Register on April 9th 2008; the newly issued shares were acquired by PGNiG in exchange for a contribution of non-current assets comprising the components of a transmission or distribution network.
- Share capital increase at Wielkopolski Operator Systemu Dystrybucyjnego Sp. z o.o. by PLN 131,128 thousand, to PLN 978,287 thousand; the increase was registered with the National Court Register on May 27th 2008; the newly issued shares were acquired by PGNiG in exchange for a contribution of non-current assets comprising the components of a transmission or distribution network.
- Share capital increase at Górnośląski Operator Systemu Dystrybucyjnego Sp. z o.o. by PLN 91,366 thousand, to PLN 1,288,680 thousand; the increase was registered with the National Court Register on June 25th 2008; the newly issued shares were acquired by PGNiG in exchange for a contribution of non-current assets comprising the components of a transmission or distribution network.

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 2008.

(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 the previous quarterly report	Number of shares held as at the publication date of the previous quarterly report	% change from May 14 2008 to Aug 13 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%	5,900,000,000	0.00%	84.75%	4,999,999,999
Other	15.25%	900,000,000	0.00%	15.25%	900,000,001
Total:	100%	5,900,000,000	-	100%	5,900,000,000

6. 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, Including Changes in the Holdings of Each Individual

	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	-	-	-	-	-	-
Supervisory Board	8,272	-	-	-	-	8,272

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

In Q2 2008, 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 since the Commencement of the Financial Year) Exceeds the PLN Equivalent of EUR 500 Thousand, and the Transaction is Not a Typical or Routine Transaction Concluded at Arms' Length between Related Undertakings, and Its Nature, as Well as Its Terms and Conditions Do Not Follow from the Regular Business Activities of the Company or its Subsidiary

From January 1st to June 30th 2008, neither PGNiG S.A. nor any of its subsidiary undertakings concluded any transactions with related undertakings with a value in excess of EUR 500 thousand, which would not be typical for the regular operations.

9. Information on any Sureties for Loans or Guarantees Issued by PGNiG S.A. or Its Subsidiary Undertakings, Jointly to One Entity or Its Subsidiary, where the Total Amount of the Outstanding Sureties or Guarantees Represents 10% or More of the Company's Equity

In Q2 2008, neither PGNiG S.A. nor any of its subsidiary undertakings issued any guarantees, jointly to one entity or its subsidiary, whose value, if added to the amount of outstanding sureties or guarantees, 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, and 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 the Performance of the Company and its Group at Least over the Next Quarter

The financial performance of the PGNiG Group will be under a strong influence of the prices of crude oil and its derivatives quoted on international markets. An upward trend in crude oil prices continued on global markets in the first six months of this year. At the end of June, the oil price reached a record high of more than USD 140/bbl. The situation seen on the fuel market in H1 2008 will significantly drive the prices of imported gas in the next few months.

Under Polish law, the PGNiG Group does not pursue a fully independent pricing policy. As long as the Group is obliged to apply the tariffs approved by the President of URE, there will always be a risk that any increases in purchase prices of gas will not be fully reflected in gas prices determined in accordance with the tariffs. Consequently, the approval by the President of URE of such new tariffs as would allow PGNiG S.A. to fully recover the increased cost of purchase of imported gas will be of crucial importance for the Group's financial performance.

Profitability of crude oil production is closely linked to the level of quotations of oil derivative products. Any increase in commodity prices on global exchanges automatically improves the profitability of crude oil production, partly offsetting the losses incurred by the Company in connection with having to pay more for imported gas.

In addition, the situation on the currency markets has profound implications for the PGNiG Group's financial performance. In H1 2008, depreciation of the dollar against the złoty limited the effect of increases in prices of imported gas. In the periods ahead, the dollar exchange rate will still affect the PGNiG Group's financial standing and results.