Polskie Górnictwo Naftowe i Gazownictwo SA

INTERIM REPORT

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

POLISH FINANCIAL SUPERVISION AUTHORITY

Consolidated Quarterly Report QSr 3 / 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 third quarter of the 2008 financial year covering the period from January 1st to September 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).

November 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 – Q3 2008 cumulatively (Jan 1 – Sep 30 2008)	Q1 – Q3 2007 cumulatively (Jan 1 – Sep 30 2007)	Q1 – Q3 2008 cumulatively (Jan 1 – Sep 30 2008)	Q1 – Q3 2007 cumulatively (Jan 1 – Sep 30 2007)
	PLN '000		EUR '000	
I. Net sales revenue	12,913,123	11,575,139	3,770,585	3,021,125
II. Operating profit	1,494,432	1,771,200	436,369	462,285
III. Profit before tax	1,597,994	1,816,090	466,608	474,002
IV. Net profit	1,239,349	1,416,870	361,885	369,805
V. Net cash provided by/(used in) operating activities	1,961,391	2,138,024	572,719	558,027
VI. Net cash provided by/(used in) investing activities	(1,543,023)	(946,816)	(450,557)	(247,120)
VII. Net cash provided by/(used in) financing activities	58,214	(2,384,073)	16,998	(622,246)
VIII. Total net cash flow	476,582	(1,192,865)	139,160	(311,339)
IX. Earnings per ordinary share (PLN/EUR)	0.21	0.24	0.06	0.06
X. Diluted earnings per ordinary share (PLN/ EUR)	0.21	0.24	0.06	0.06
	As at Sep 30 2008	As at Dec 31 2007	As at Sep 30 2008	As at Dec 31 2007
XI. Total assets	29,309,198	28,401,901	8,599,360	7,929,062
XII. Liabilities and provisions for liabilities	8,211,320	7,380,136	2,409,213	2,060,339
XIII. Non-current liabilities	3,885,721	3,879,566	1,140,076	1,083,073
XIV. Current liabilities	4,325,599	3,500,570	1,269,137	977,266
XV. Equity	21,097,878	21,021,765	6,190,147	5,868,723
XVI. Share capital	5,900,000	5,900,000	1,731,068	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)	3.58	3.56	1.05	0.99
XIX. Diluted book value per share (PLN / EUR)	3.58	3.56	1.05	0.99
XX. Dividend per share declared or paid (PLN / EUR)	0.19	0.17	0.06	0.05

Non-Consolidated Financial Data	Q1 – Q3 2008 cumulatively (Jan 1 – Sep 30 2008)	Q1 – Q3 2007 cumulatively (Jan 1 – Sep 30 2007)	Q1 – Q3 2008 cumulatively (Jan 1 – Sep 30 2008)	Q1 – Q3 2007 cumulatively (Jan 1 – Sep 30 2007)
I. Net sales revenue	12,734,940	9,148,830	3,718,556	2,387,856
II. Operating profit	1,189,311	1,693,188	347,275	441,924
III. Profit before tax	1,416,842	1,982,179	413,713	517,351
IV. Net profit	1,112,922	1,660,276	324,969	433,334
V. Net cash provided by/(used in) operating activities	1,254,095	1,206,577	366,191	314,918
VI. Net cash provided by/(used in) investing activities	(979,732)	(104,954)	(286,078)	(27,393)
VII. Net cash provided by/(used in) financing activities	60,694	(2,347,075)	17,722	(612,589)
VIII. Total net cash flow	335,057	(1,245,452)	97,835	(325,064)
IX. Earnings per ordinary share (PLN/EUR)	0.19	0.28	0.06	0.07
X. Diluted earnings per ordinary share (PLN/ EUR)	0.19	0.28	0.06	0.07
	As at Sep 30 2008	As at Dec 31 2007	As at Sep 30 2008	As at Dec 31 2007
XI. Total assets	23,342,272	23,564,336	6,848,655	6,578,542
XII. Liabilities and provisions for liabilities	5,575,218	5,768,368	1,635,777	1,610,376
XIII. Non-current liabilities	1,846,031	1,858,507	541,628	518,846
XIV. Current liabilities	3,729,187	3,909,861	1,094,149	1,091,530
XV. Equity	17,767,054	17,795,968	5,212,879	4,968,165
XVI. Share capital	5,900,000	5,900,000	1,731,068	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)	3.01	3.02	0.88	0.84
XIX. Diluted book value per share (PLN / EUR)	3.01	3.02	0.88	0.84
XX. Dividend per share declared or paid (PLN / EUR)	0.19	0.17	0.06	0.05

Items of the income statement and cash-flow statement 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 of the balance sheet 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 September 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

	Sep 30 2008	Dec 31 2007	Sep 30 2007
Average exchange rate for the period	3.4247	3.7768	3.8314
Lowest exchange rate for the period	3.2026	3.5699	3.7443
Highest exchange rate for the period	3.6577	3.9385	3.9385
Exchange rate at end of the period	3.4083	3.5820	3.7775

I. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

	Q3 2008 (Jul 1 – Sep 30 2008)	Q1 – Q3 2008 cumulatively (Jan 1 – Sep 30 2008)	Q3 2007 (Jul 1 – Sep 30 2007)	Q1 – Q3 2007 cumulatively (Jan 1 – Sep 30 2007)
	unaudited	unaudited	unaudited	unaudited
	(PLN '000)			
Sales revenue	**3,653,520**	**12,913,123**	**3,134,637**	**11,575,139**
Raw and other materials used	(2,127,957)	(7,021,744)	(1,403,531)	(5,694,729)
Employee benefits	(496,012)	(1,532,418)	(413,752)	(1,387,488)
Depreciation and amortisation	(336,281)	(1,057,704)	(375,127)	(1,077,463)
Contracted services	(651,930)	(1,990,828)	(562,593)	(1,837,162)
Cost of products and services for own needs	182,777	490,687	179,072	457,946
Other operating expenses, net	(31,371)	(306,684)	(173,432)	(265,043)
Total operating expenses	**(3,460,774)**	**(11,418,691)**	**(2,749,363)**	**(9,803,939)**
Operating profit	**192,746**	**1,494,432**	**385,274**	**1,771,200**
Financial income	49,097	160,007	63,779	197,020
Financial expenses	(13,876)	(56,609)	(6,416)	(87,270)
Share in profit/(loss) of undertakings valued with equity method	103	164	(31,834)	(64,860)
Pre-tax profit	**228,070**	**1,597,994**	**410,803**	**1,816,090**
Corporate income tax	(47,992)	(358,645)	(108,416)	(399,220)
Net profit	**180,078**	**1,239,349**	**302,387**	**1,416,870**
Attributable to:				
equity holders of the parent	179,009	1,238,610	301,831	1,415,961
minority interests	1,069	739	556	,909
	180,078	**1,239,349**	**302,387**	**1,416,870**

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 (from net profit)	0.03	0.21	0.05	0.24
- diluted earnings (from net profit)	0.03	0.21	0.05	0.24

CONSOLIDATED BALANCE SHEET

	As at Sep 30 2008 (end of Q3 2008)	As at Dec 31 2007 (end of previous year)
	unaudited	Unaudited
	(PLN ‘000)	
ASSETS		
Non-current assets		
Property, plant and equipment	19,833,175	18,715,509
Investment property	7,774	10,578
Intangible assets	143,433	84,636
Investments in associated undertakings valued with equity method	556,825	557,529
Financial assets available for sale	63,308	19,997
Other financial assets	1,521,987	2,292,154
Deferred tax asset	431,808	419,814
Other non-current assets	33,687	30,873
Total non-current assets	**22,591,997**	**22,131,090**
Current assets		
Inventories	1,777,750	1,215,980
Trade and other receivables	2,512,505	3,331,046
Current income tax receivable	20,865	17,499
Prepayments and accrued income	168,752	82,355
Financial assets available for sale	8,990	22,406
Derivative financial instruments	166,350	17,442
Cash and cash equivalents	2,061,579	1,583,635
Assets held for sale	410	448
Total current assets	**6,717,201**	**6,270,811**
Total assets	**29,309,198**	**28,401,901**
EQUITY AND LIABILITIES		
Equity		
Share capital	5,900,000	5,900,000
Currency-translation differences on foreign-currency undertakings	(64,726)	(44,525)
Share premium account	1,740,093	1,740,093
Other capital reserves	10,748,752	3,478,081
Retained earnings	2,764,435	9,939,427
Equity (attributable to equity holders of the parent)	**21,088,554**	**21,013,076**
Equity attributable to minority interests	9,324	8,689
Total equity	**21,097,878**	**21,021,765**
Non-current liabilities		
Loans, borrowings and debt securities	42,160	31,377
Provisions	1,231,288	1,153,805
Deferred income	1,150,252	1,142,366
Deferred tax liability	1,438,713	1,530,359
Other non-current liabilities	23,308	21,659
Total non-current liabilities	**3,885,721**	**3,879,566**
Current liabilities		
Trade and other payables	3,203,999	2,407,981
Loans, borrowings and debt securities	129,777	106,724
Liabilities under derivative financial instruments	69	36,185
Current tax liability	239,034	281,399
Provisions	196,937	181,220
Deferred income	555,783	487,061
Total current liabilities	**4,325,599**	**3,500,570**
Total liabilities	**8,211,320**	**7,380,136**
Total equity and liabilities	**29,309,198**	**28,401,901**

CONSOLIDATED CASH-FLOW STATEMENT

	Q1–Q3 2008 cumulatively (Jan 1 – Sep 30 2008)	Q1–Q3 2007 cumulatively (Jan 1 – Sep 30 2007)
	unaudited	unaudited
	(PLN '000)	
Cash flows from operating activities		
Net profit	1,239,349	1,416,870
Adjustments:		
Share in net profit/(loss) of undertakings valued with equity method	(164)	64,860
Depreciation and amortisation	1,057,704	1,077,463
Net foreign exchange gains/(losses)	112,219	(6,201)
Net interest and dividend	(118,246)	(164,061)
Profit/(loss) on investing activities	(48,002)	(78,468)
Current income tax	358,645	399,220
Income tax paid	(505,044)	(394,014)
Other items, net	(177,757)	(50,917)
Net cash provided by/(used in) operating activities before changes in working capital	**1,918,704**	**2,264,752**
Change in working capital:		
Change in receivables, net	757,369	739,764
Change in inventories	(561,727)	(190,412)
Change in provisions	22,506	25,648
Change in current liabilities	(144,672)	(627,584)
Change in prepayments	(107,398)	(96,180)
Change in accruals and deferrals	76,609	22,036
Net cash provided by/(used in) operating activities	**1,961,391**	**2,138,024**
Cash flows from investing activities		
Sale of property, plant and equipment and intangible assets	14,273	23,583
Sale of shares in non-consolidated undertakings	-	-
Sale of short-term securities	54,329	38,322
Acquisition of property, plant and equipment and intangible assets	(1,750,053)	(1,355,345)
Acquisition of shares in non-consolidated undertakings	(78,000)	-
Acquisition of short-term securities	-	-
Interest received	113,174	183,406
Dividend received	4,770	17,639
Proceeds from financed lease	78,879	155,201
Other items, net	19,605	(9,622)
Net cash provided by/(used in) investing activities	**(1,543,023)**	**(946,816)**
Cash flows from financing activities		
Net proceeds from issue of shares, other equity instruments and additional contributions to equity	-	-
Increase in loans and borrowings	50,143	25,986
Repayment of loans and borrowings	(17,686)	(2,332,915)
Issue of debt securities	-	-
Redemption of debt securities	-	-
Decrease in financed lease liabilities	(26,177)	(27,612)
Inflows from forward contracts	69,665	301
Outflows on forward contracts	(6,743)	-
Dividend paid	-	-
Interest paid	(8,728)	(43,097)
Other items, net	(2,260)	(6,736)
Net cash provided by/(used in) financing activities	**58,214**	**(2,384,073)**
Net change in cash	**476,582**	**(1,192,865)**
Net foreign exchange gains/(losses)	1,363	23,815
Cash and cash equivalents at beginning of period	**1,584,868**	**3,559,214**
Cash and cash equivalents at end of period	**2,061,450**	**2,366,349**

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**	**21,153,360**
Currency-translation differences on foreign-currency undertakings	-	8,315	-	-	-	**8,315**	-	**8,315**
Dividend paid by associated undertaking consolidated with equity method	-	-	-	-	(15,729)	**(15,729)**	-	**(15,729)**
Other changes	-	-	-	37	-	**37**	(15)	**22**
Transfers	-	-	-	589,162	(589,162)	**-**	-	**-**
Payment of dividend to shareholders	-	-	-	-	(1,003,000)	**(1,003,000)**	-	**(1,003,000)**
Net profit	-	-	-	-	1,415,961	**1,415,961**	909	**1,416,870**
As at Sep 30 2007 (end of Q3 2007)	**5,900,000**	**(7,294)**	**1,740,093**	**3,479,267**	**10,439,207**	**21,551,273**	**8,565**	**21,559,838**
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	-	(20,201)	-	-	-	**(20,201)**	-	**(20,201)**
Valuation of financial instruments	-	-	-	(21,060)	-	**(21,060)**	-	**(21,060)**
Other changes	-	-	-	-	(871)	**(871)**	2	**(869)**
Transfers	-	-	-	7,291,731	(7,291,731)	**-**	-	**-**
Payment of dividend to shareholders	-	-	-	-	(1,121,000)	**(1,121,000)**	(106)	**(1,121,106)**
Net profit	-	-	-	-	1,238,610	**1,238,610**	739	**1,239,349**
As at Sep 30 2008 (end of Q3 2008)	**5,900,000**	**(64,726)**	**1,740,093**	**10,748,752**	**2,764,435**	**21,088,554**	**9,324**	**21,097,878**

(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	50,333	50,617
b) decrease	(38,339)	(142,263)
Deferred tax as at end of period: Sep 30 2008	**431,808**	**1,438,713**
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	102,256	-	59	-	207	1,417	40,388	18,822	751	**163,900**
b) transfer	-	-	(1,849)	-	-	-	-	1,849	-	**-**
c) decrease	(95,943)	(1)	(229)	(15,235)	(21,563)	(5,722)	(45,203)	(44,890)	(315)	**(229,101)**
Valuation allowances as at end of period: Sep 30 2008	**13,674,466**	**2,019**	**51**	**1,007,287**	**31,464**	**30,012**	**940,000**	**117,317**	**3,244**	**15,805,860**
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	29,488	-	505	59,779	**89,772**
b) transfer	-	-	-	293	**293**
c) decrease	(8,965)	(10,921)	(1,512)	(52,342)	**(73,740)**
Provision for retirement and similar benefits as at end of period: Sep 30 2008	**379,395**	**50,278**	**14,993**	**10,437**	**455,103**
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	126,259	-	742	-	-	22,947	**149,948**
b) transfer	-	-	-	-	-	(293)	**(293)**
c) decrease	(47,489)	(2,000)	(6,602)	-	(780)	(15,909)	**(72,780)**
Other provisions as at end of period: Sep 30 2008	**785,604**	**-**	**78,675**	**22,500**	**6,760**	**79,583**	**973,122**
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–Q3 2008 cumulatively (Jan 1 – Sep 30 2008)	Q1–Q3 2007 cumulatively (Jan 1 – Sep 30 2007)
Methane-rich gas	10,412,668	9,202,789
Nitrogen-rich gas	935,368	853,823
Crude oil	630,187	539,779
Helium	19,783	23,596
Propane-butane gas	30,656	27,704
Gasoline	2,439	1,203
LNG	13,837	12,209
Geophysical and geological services	287,050	296,021
Exploration services	298,359	303,440
Materials and goods for resale	15,671	26,443
Other sales of products and services	267,105	288,132
Total	**12,913,123**	**11,575,139**

5. Proceeds under Transmission System Lease Agreement

	Q1–Q3 2008 cumulatively (Jan 1 – Sep 30 2008)	Q1–Q3 2007 cumulatively (Jan 1 – Sep 30 2007)
Interest	106,056	172,683
Principal	78,879	150,584
Total	**184,935**	**323,267**

6. Operating Expenses

Raw and other materials used	Q1–Q3 2008 cumulatively (Jan 1 – sep 30 2008)	Q1–Q3 2007 cumulatively (Jan 1 – sep 30 2007)
Gas purchases	(6,574,423)	(5,256,550)
Other	(447,321)	(438,179)
Total	**(7,021,744)**	**(5,694,729)**

Contracted services	Q1–Q3 2008 cumulatively (Jan 1 – sep 30 2008)	Q1–Q3 2007 cumulatively (Jan 1 – sep 30 2007)
Purchases of transmission services	(1,022,848)	(1,039,504)
Other contracted services	(967,980)	(797,658)
Total	**(1,990,828)**	**(1,837,162)**

7. Property, Plant and Equipment by Categories

	As at Sep 30 2008 (end of Q3 2008)	As at Dec 31 2007 (end of previous year)
Land	81,317	83,570
Buildings and structures	13,103,831	12,542,252
Plant and equipment	2,184,028	2,129,116
Vehicles and other	826,322	860,554
Total fixed assets	**16,195,498**	**15,615,492**
Tangible assets under construction	3,637,677	3,100,017
Total property, plant and equipment	**19,833,175**	**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 Data Disclosed in the Previously Published Financial Statements

The Company made one change in the Q3 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 Q3 2007. The change caused a decrease of PLN 5,408 thousand in additional revenue from the settlement of deferred income, disclosed under "Other operating expenses, net", and a decrease of PLN 1,028 thousand in the deferred tax on the said amount under "Corporate income tax". The recognition of the above amounts reduced the operating result by PLN 5,408 thousand and the net result by PLN 4,380 thousand.

In the previous quarter, 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 Q3 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.
Following the analysis performed, in Q3 the Company changed the presentation of valuation and the settlement of derivative transactions used to hedge foreign assets. Previously, the valuation and settlement of these transactions were presented under financing activity and foreign exchange gains and losses relating to the hedged assets were disclosed under operating activity. As such hedging items relate to assets used in operating activities, the Company presented them under operating activities in the income statement. Consequently, the operating profit for Q2 2008 changed, while profit before tax and net profit did not change. The Company believes that the change allows it to better reflect the Group's results from operating and financing activities in the financial statements.

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

	Q1 – Q2 2008 cumulatively (Jan 1 – Jun 30 2008)	Q3 2007 (Jul 1 – Sep 30 2007)	Q1 – Q3 2007 cumulatively (Jan 1 – Sep 30 2007)
Operating profit – before changes	**1,210,326**	**386,159**	**1,757,906**
Change in hyperinflation adjustment to the deferred income related to infrastructure received free of charge in 1995–1996*	-	(1,803)	(5,408)
Reclassification of currency-translation differences and of valuation and settlement of derivative instruments related to purchase of gas**	-	918	18,702
Reclassification of valuation and settlement of derivative instruments related to foreign assets ***	91,360		
Operating profit – after changes	**1,301,686**	**385,274**	**1,771,200**
Net profit – before changes	**1,059,271**	**303,847**	**1,421,250**
Change in hyperinflation adjustment to the deferred income related to infrastructure received free of charge in 1995–1996	-	(1,460)	(4,380)
Net profit – after changes	**1,059,271**	**302,387**	**1,416,870**

* The change affects the Distribution segment.
** The change affects the Trade and Storage segment.
*** The change affects the Exploration and Production segment.

In addition, the Company reclassified capital expenditure on property, plant and equipment and intangible assets in the segment report for the third quarter of 2007. The amount of expenditure incurred on tangible assets under construction related to the cost of drilling work, totalling PLN 214,887 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 third 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 third quarter of 2007.

The Company also adjusted the presentation of overstated trading in the Exploration and Production segment in the segment report for Q3 2007. The adjustment consisted in transferring the same amount of PLN 266,539 thousand from the items "Sales to other segments" and "Other costs" to the "Eliminations" column. Consequently, the change affects neither the result of the segment, nor the other amounts disclosed in the report. The adjustment amount results from the disclosure (as expense and income) of the amount of internal eliminations totalling PLN 133,269.5 with the incorrect arithmetic sign.

II. CONDENSED NON-CONSOLIDATED FINANCIAL STATEMENTS

NON-CONSOLIDATED INCOME STATEMENT

	Q3 2008 (Jul 1 – Sep 30 2008)	Q1 – Q3 2008 cumulatively (Jan 1 – Sep 30 2008)	Q3 2007 (Jul 1 – Sep 30 2007)	Q1 – Q3 2007 cumulatively (Jan 1 – Sep 30 2007)
	unaudited	unaudited	unaudited	unaudited
	(PLN '000)			
Sales revenue	**3,444,363**	**12,734,940,**	**2,498,345**	**9,148,830**
Raw and other materials used	(2,003,500)	(6,662,420)	(1,279,176)	(5,330,928)
Employee benefits	(151,169)	(485,405)	(78,760)	(283,004)
Depreciation and amortisation	(130,114)	(435,639)	(151,653)	(418,824)
Contracted services	(1,025,843)	(3,895,364)	(461,790)	(1,472,054)
Cost of products and services for own needs	988	3,828	1,727	5,883
Other operating expenses, net	31,868	(70,629)	(26,498)	43,285
Total operating expenses	**(3,277,770)**	**(11,545,629)**	**(1,996,150)**	**(7,455,642)**
Operating profit	**166,593**	**1,189,311**	**502,195**	**1,693,188**
Financial income	100,704	382,300	65,873	383,620
Financial expenses	(23,840)	(154,769)	(10,294)	(94,629)
Pre-tax profit	**243,457**	**1,416,842**	**557,774**	**1,982,179**
Corporate income tax	(49,659)	(303,920)	(102,880)	(321,903)
Net profit	**193,798**	**1,112,922**	**454,894**	**1,660,276**

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 (from net profit)	0.03	0.19	0.08	0.28
- diluted earnings (from net profit)	0.03	0.19	0.08	0.28

NON-CONSOLIDATED BALANCE SHEET

	As at Sep 30 2008 (end of Q3 2008)	As at Dec 31 2007 (end of previous year)
	unaudited	unaudited
	(PLN '000)	
ASSETS		
Non-current assets		
Property, plant and equipment	8,748,524	8,568,916
Investment property	4,982	4,445
Intangible assets	65,324	33,059
Financial assets available for sale	5,720,647	4,787,372
Other financial assets	2,848,916	3,340,711
Deferred tax asset	274,000	261,208
Other non-current assets	33,536	25,755
Total non-current assets	**17,695,929**	**17,021,466**
Current assets		
Inventories	1,608,084	1,061,156
Trade and other receivables	2,417,226	4,355,638
Current income tax receivable	-	-
Prepayments and accrued income	35,266	24,056
Financial assets available for sale	29,341	29,341
Derivative financial instruments	166,350	17,442
Cash and cash equivalents	1,390,043	1,055,001
Assets held for sale	**33**	**236**
Total current assets	**5,646,343**	**6,542,870**
Total assets	**23,342,272**	**23,564,336**
EQUITY AND LIABILITIES		
Equity		
Share capital	5,900,000	5,900,000
Currency-translation differences on foreign-currency undertakings	(1,285)	(1,510)
Share premium account	1,740,093	1,740,093
Other capital reserves	8,973,000	3,344,146
Retained earnings	1,155,246	6,813,239
Total equity	**17,767,054**	**17,795,968**
Non-current liabilities		
Loans, borrowings and debt securities	3,057	80
Provisions	968,260	901,112
Deferred income	7,520	7,645
Deferred tax liability	846,094	929,093
Other non-current liabilities	21,100	20,577
Total non-current liabilities	**1,846,031**	**1,858,507**
Current liabilities		
Trade and other payables	3,134,709	3,174,026
Loans, borrowings and debt securities	6,207	4,316
Derivative financial instruments	69	35,527
Current tax liability	5,950	187,174
Provisions	123,055	111,838
Deferred income	459,197	396,980
Total current liabilities	**3,729,187**	**3,909,861**
Total liabilities	**5,575,218**	**5,768,368**
Total equity and liabilities	**23 342 272**	**23 564 336**

NON-CONSOLIDATED CASH-FLOW STATEMENT

	Q1 – Q3 2008 cumulatively (Jan 1 – Sep 30 2008)	Q1 – Q3 2007 cumulatively (Jan 1 – Sep 30 2007)
	unaudited	unaudited
	(PLN '000)	
Cash flows from operating activities		
Net profit	1,112,922	1,660,276
Adjustments:		
Depreciation and amortisation	435,639	418,824
Net foreign exchange gains/losses	123,114	(8,240)
Net interest and dividend	(248,050)	(376,445)
Profit/(loss) on investing activities	(64,655)	(92,380)
Current income tax	303,920	321,903
Income tax paid	(371,232)	(289,951)
Other items, net	(164,755)	(81,078)
Net cash provided by/(used in) operating activities before changes in working capital	**1,126,903**	**1,552,909**
Change in working capital:		
Change in receivables, net	1,031,281	274,609
Change in inventories	(546,928)	(119,078)
Change in provisions	,7,670	1,757
Change in current liabilities	(389,745)	(448,436)
Change in prepayments	(37,179)	(55,083)
Change in accruals and deferrals	62,093	(101)
Net cash provided by/(used in) operating activities	**1,254,095**	**1,206,577**
Cash flows from investing activities		
Sale of property, plant and equipment and intangible assets	3,176	13,865
Sale of shares in non-consolidated undertakings	-	-
Sale of short-term securities	53,600	37,751
Acquisition of property, plant and equipment and intangible assets	(885,111)	(630,627)
Acquisition of shares in related undertakings	(30,000)	(76,987)
Acquisition of short-term securities	-	-
Decrease in loans advanced	161,511	124,936
Increase in loans advanced	(460,569)	(114,008)
Interest received	127,801	191,508
Dividend received	49,837	202,665
Proceeds from financed lease	78,879	155,201
Other items, net	(78,856)	(9,258)
Net cash provided by/(used in) investing activities	**(979,732)**	**(104,954)**
Cash flows from financing activities		
Net proceeds from issue of shares, other equity instruments and additional contributions to equity	-	-
Increase in loans and borrowings	-	1
Repayment of loans and borrowings	-	,(2,298,720)
Issue of debt securities	-	-
Redemption of debt securities	-	-
Decrease in financed lease liabilities	(834)	(106)
Inflows from forward contracts	69,665	301
Outflows on forward contracts	(6,743)	-
Dividend paid	-	-
Interest paid	(49)	(39,585)
Other items, net	(1,345)	(8,966)
Net cash provided by/(used in) financing activities	**60,694**	**(2,347,075)**
Net change in cash	**335,057**	**(1,245,452)**
Net foreign exchange gains/(losses)	(15)	23,858
Cash and cash equivalents at beginning of period	**1,055,252**	**2,993,496**
Cash and cash equivalents at end of period	**1,390,309**	**1,748,044**

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	-	(760)	-	-	-	**(760)**
Net profit	-	-	-	-	1,660,276	**1,660,276**
Payment of dividend to shareholder	-	-	-	-	(1,003,000)	**(1,003,000)**
Transfers	-	-	-	545,312	(545,312)	**-**
As at Sep 30 2007 (end of Q3 2007)	**5,900,000**	**(298)**	**1,740,093**	**3,342,859**	**6,296,552**	**17,279,206**
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	-	225	-	-	-	**225**
Valuation of financial instruments	-	-	-	(21,060)	-	**(21,060)**
Net profit	-	-	-	-	1,112,922	**1,112,922**
Payment of dividend to shareholder	-	-	-	-	(1,121,000)	**(1,121,000)**
Transfers	-	-	-	5,649,914	(5,649,914)	**-**
Other	-	-	-	-	-	**-**
As at Sep 30 2008 (end of Q3 2008)	**5,900,000**	**(1,285)**	**1,740,093**	**8,973,000**	**1,155,247**	**17,767,055**

(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	32,060	39,578
b) decrease	(19,268)	(122,577)
Deferred tax as at end of period: Sep 30 2008	**274,000**	**846,094**
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	98,398	-	7	133,444	-	29,068	18,822	-	**279,740**
b) transfer	-	-	(3,499)	-	-	-	3,499	-	**-**
c) decrease	(459,094)	(1)	(229)	(21,563)	(2,270)	(37,804)	(46,540)	(270)	**(567,772)**
Valuation allowances for assets as at end of period: Sep 30 2008	**2,815,514**	**2,019**	**11,000**	**1,579,401**	**20,921**	**893,767**	**118,967**	**79,538**	**5,521,127**
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	6,554	-	,443	58,018	**65,015**
b) transfer	-	-	-	-	**-**
c) decrease	(1,609)	(10,921)	(10)	(51,029)	**(63,569)**
Provisions for retirement and similar benefits as at end of period: Sep 30 2008	**123,083**	**50,278**	**11,988**	**7,327**	**192,676**
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	126,259	-	-	-	-	4,925	**131,184**
b) transfer	-	-	-	-	-	-	**-**
c) decrease	(47,489)	(2,000)	(1,493)	-	(780)	(2,503)	**(54,265)**
Other provisions as at end of period: Sep 30 2008	**785,604**	**-**	**43,214**	**22,500**	**6,760**	**40,561**	**898,639**
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 – Q3 2008 cumulatively (Jan 1 – Sep 30 2008)	Q1 – Q3 2007 cumulatively (Jan 1 – Sep 30 2007)
Natural gas	11,880,403	8,396,188
Crude oil	630,187	539,779
Helium	19,785	23,597
Propane-butane gas	30,656	23,277
Gasoline	2,439	1,203
Decompressed LNG	13,837	12,819
Geophysical and geological services	45,575	25,230
Materials and goods for resale	7,566	2,115
Other sales of products and services	104,492	124,622
Total	**12,734,940**	**9,148,830**

5. Proceeds under Transmission System Lease Agreement

	Q1 – Q3 2008 cumulatively (Jan 1 – Sep 30 2008)	Q1 – Q3 2007 cumulatively (Jan 1 – Sep 30 2007)
Interest	106,056	172,683
Principal	78,879	150,584
Total	**184,935**	**323,267**

6. Operating Expenses

Raw and other materials used	Q1 – Q3 2008 cumulatively (Jan 1 – Sep 30 2008)	Q1 – Q3 2007 cumulatively (Jan 1 – Sep 30 2007)
Gas purchases	(6,571,715)	(5,256,920)
Other	(90,705)	(74,008)
Total	**(6,662,420)**	**(5,330,928)**

Contracted services	Q1 – Q3 2008 cumulatively (Jan 1 – Sep 30 2008)	Q1 – Q3 2007 cumulatively (Jan 1 – Sep 30 2007)
Purchase of transmission and distribution services	(3,280,907)	(1,098,959)
Other contracted services	(614,457)	(373,095)
Total	**(3,895,364)**	**(1,472,054)**

7. Property, Plant and Equipment by Categories

	As at Sep 30 2008 (end of Q3 2008)	As at Dec 31 2007 (end of previous year)
Land	35,366	36,078
Buildings and structures	5,330,511	5,418,925
Plant and equipment	1,289,926	1,337,387
Vehicles and other	88,378	80,049
Total fixed assets	**6,744,181**	**6,872,439**
Tangible assets under construction	2,004,343	1,696,477
Total property, plant and equipment	**8,748,524**	**8,568,916**

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

In the previous quarter, 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.

(PLN '000)

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 Q3 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 presents the changes in the operating result and net profit resulting from the abovementioned adjustments.

	Q3 2007 (Jul 1 – Sep 30 2007)	Q1 – Q3 2007 cumulatively (Jan 1 – Sep 30 2007)
Operating profit – before changes	**501,277**	**1,674,487**
Reclassification of currency-translation differences and of valuation and settlement of derivative instruments related to purchase of gas	918	18,701
Operating profit – after changes	**502,195**	**1,693,188**

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 the comparable period by reducing the change in net receivables by PLN 62,122 thousand, increasing "Decrease in loans advanced" by PLN 124,386 thousand, disclosing an amount of PLN (114,008) thousand in "Increase in loans advanced" and reducing the value of "Other items" under investing activities by PLN 51,744 thousand. As a result, cash flows from operating activities decreased and cash flows from investing activities increased by PLN 62,122 thousand. Net change in cash and other items did not change.

III. ADDITIONAL INFORMATION CONCERNING FINANCIAL STATEMENTS FOR Q3 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 September 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, "the Regulation"). The financial statements present data as at September 30th 2008 and for the period January 1st – September 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 a threat that the Parent Undertaking will not continue as a going concern for 12 months after the balance-sheet date due to an intended or forced discontinuance or material limitation of its activity.

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 June 30th 2008. The policies are described in the consolidated financial statements of the Group for the period ended June 30th 2008, published on September 25th 2008.

In Q3 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 recognised using the same policies that were applied to recognise 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 September 30th 2008:

- Amendments to IFRS 1 *First-Time Adoption of International Financial Reporting Standards* and IAS 27 *Consolidated and Separate Financial Statements* – published on May 22nd 2008.
  The amendments are effective 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 effective for annual periods beginning on or after January 1st 2009.
- Amendments to IFRS 2 *Share-Based Payment: Vesting Conditions and Cancellations*.
  The amendments to this standard are effective for annual 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 effective for periods beginning on or after July 1st 2009.
- IAS 23 *Borrowing costs*
  The amendments to this standard are effective for periods beginning on or after January 1st 2009.
- Revised IAS 27 *Consolidated and Separate Financial Statements*.
  The revised standard is effective for annual periods beginning on or after July 1st 2009.
- Amendments to IAS 32 *Financial Instruments: Disclosure and Presentation* and IAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation.*
  The amendments to these standards are effective for annual periods beginning on or after January 1st 2009.

- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* published on July 31st 2008.
  The amendments to this standard are effective for periods beginning on or after July 1st 2009.
- Amendments to the International Financial Reporting Standards resulting from the annual revision thereof – *Briefing Sheet – Amendments to the International Financial Reporting Standards*.
  In the majority of cases, these amendments are effective for annual periods beginning on or after January 1st 2009.
- IFRIC 12 *Service Concession Arrangements*
  IFRIC 12 is effective for annual periods beginning on or after January 1st 2008. The interpretation provides operators with guidelines to be followed in service concession arrangements between the public and private sectors regarding the accounting disclosure of such arrangements. IFRIC 12 refers to arrangements in which the concession grantor controls or regulates what services the operator must provide using specified infrastructure, and also controls any significant residual interest in the assets at the end of the term of the arrangement.
- 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.
- IFRIC 14 IAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction*
  IFRIC 14 is effective for annual periods beginning on or after January 1st 2008.
- IFRIC 15 *Agreements for the Construction of Real Estate* is effective for annual periods beginning on or after January 1st 2009.
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* is effective for annual periods beginning on or after October 1st 2008.

The Parent Undertaking evaluated the effects of the application of these interpretations of and amendments to the standards and concluded that the amendments to IAS 1 and IAS 23 might affect the presentation of the financial statements upon their first application. The Group will apply the proposed amendments in the preparation of its reports starting January 1st 2009.

The Parent Undertaking initially estimates that the interpretations issued by IFRIC would not materially affect the consolidated financial statements if they were applied 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 estimates that application of the regulations concerning hedge accounting for financial assets and liabilities in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* would have no impact on the consolidated financial statements if the regulations were approved for use in the EU as at the balance-sheet date.

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.

The Parent Undertaking assessed the effects of application of these interpretations of and amendments to the standards and concluded that the amendments to IFRS 8 might affect the presentation of the financial statements upon their first application. The Group will apply the proposed amendments in the preparation of its reports starting January 1st 2009. According to the estimates of the Parent Undertaking, the other amendments would not materially affect the consolidated financial statements if they were applied by the Group as at the balance-sheet date. The Group 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 July 31st 2008, the General Shareholders Meeting of PGNiG S.A. granted approval, under Art. 17.2 of the Commercial Companies Code, for the acquisition by PGNiG S.A. of 4,000,001 Series B shares in Zakłady Azotowe w Tarnowie – Mościcach S.A., with a par value of PLN 5.00 per share 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 78,000 thousand.
2. On August 11th 2008, the Management Board of Polskie Górnictwo Naftowe i Gazownictwo S.A. concluded an agreement for the execution of an investment project designated as "The LMG Project – Central Facility, Borehole Zones, Pipelines and Others" with a consortium composed of PBG S.A. of Poland, Technip KTI S.P.A. of Italy and Thermo Design Engineering Ltd. of Canada. The agreement concerns the development of crude oil and natural gas reserves located near Lubiatów, Międzychód and Grotów as part of the project named above. The VAT-inclusive contract value is PLN 1,704,340,000.00 (PLN 1,397,000,000.00 net of VAT).
3. On August 13th 2008, the Management Board of Polskie Górnictwo Naftowe i Gazownictwo S.A. released a new natural gas production forecast. The new forecast assumes that the natural gas production volume will reach approx. 4.2bn m^3 in 2008 and approx. 4.6bn m^3 in 2009. The decrease in natural gas production, relative to previous forecast, is primarily due to drilling in increasingly difficult geological and mining conditions. Moreover, in H1 2008 the Company reported failure of two gas compressor stations in the gas transmission system operated by OGP GAZ-SYSTEM S.A., a process stoppage in gas collection by one of the customers of the Sanok Branch, and delayed supply of field compressors.
4. On September 29th 2008, the Management Board of PGNiG S.A. signed an agreement on the purchase of "Lasów 2008" natural gas from VNG – Verbundnetz Gas Aktiengesellschaft of Leipzich, Germany. Under the Agreement, in the period from October 1st 2008 to September 30th 2011 PGNiG will purchase 5,500,000,000 kWh of natural gas annually (approx. 500 million m^3 of gas annually). The estimated value of the agreement throughout the period of supplies is approx. PLN 1.85bn.
5. On October 3rd 2008, PGNiG S.A. selected the winner of the public procurement tender for the execution of the investment project designated as "The Construction of Surface Infrastructure of the Underground Gas Storage Facility in Wierzchowice, Phase 3.5 billion nm^3, Sub-Phase 1.2 billion nm^3", related to the expansion of the capacity of the Underground Gas Storage Facility in Wierzchowice. The tender was awarded to the consortium composed of PBG S.A. Przeźmierowo, TECNIMONT S.P.A. of Italy, SOCIETE FRANCAISE D'ETUDES ET DE REALISATIONS D'EQUIPEMENTS GAZIERS SOFREGAZ of France, PLYNOSTAV PARDUBICE HOLDING A.S. of the Czech Republic and PLYNOSTAV – REGULACE PLYNU A.S. of the Czech Republic. The VAT-inclusive value of the project involving expansion of the capacity of the Wierzchowice Underground Gas Storage Facility from 0.575bn m^3 to 1.2bn m^3 amounts to PLN 1,328,580,000.00 (PLN 1,089,000,000.00 net of VAT).
6. On October 8th 2008, the Extraordinary General Shareholders Meeting of PGNiG S.A. resolved to approve a no-bid sale of 100% of shares in Polskie LNG Sp. z o.o., whose share capital amounts to PLN 50,000,000 and whose core business consists in the re-gasification of gaseous fuels, to OGP Gaz-System S.A. of Warsaw. The selling price of 100% of the shares in Polskie LNG Sp. z o.o. is subject to approval by the General Shareholders Meeting of PGNiG S.A. An Extraordinary General Shareholders Meeting was convened for November 18th 2008, which is to adopt a resolution approving the selling price of 100% of the shares in Polskie LNG Sp. z o.o. based on a valuation by an independent appraiser.
7. On October 17th 2008, by virtue of Decision No. DTA-4212-24(11)/2008/652/V/AG, President of URE (Polish Energy Regulatory Authority) approved the adjusted tariff for gaseous fuels. The new tariffs will be in force as of November 1st 2008.

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

In Q3 2008, the PGNiG Group's operating profit deteriorated by PLN 192.5m (50%) and the net profit shrank by PLN 122.3m (40%) compared with the corresponding period of 2007. The poorer financial performance of the PGNiG Group is an outcome of lower profitability of sales of methane-rich gas resulting from:

- a considerable increase in unit purchase costs of imported gas
- a 2% rise in the volume of imported gas
- a mismatch between the rates and in the tariffs for gaseous fuels and purchase costs of imported gas.

As a result of rising prices of crude oil and petroleum products in international markets, unit purchase costs of imported gas grew by 44% compared to Q3 2007. The surge in crude oil prices peaked in June and July 2008. Despite a considerable fall in crude oil prices in the subsequent months, the PGNiG Group did not experience any decline in purchase costs of imported gas. This followed from the fact that prices of imported gas are indexed based on a nine-month moving average price of petroleum products. Another driver of imported gas prices were changes on the FX markets, in particular the depreciation of the złoty against the US dollar observed since July 2008.

(PLN '000)

The gaseous fuels tariff effective in Q3 2008 did not enable the PGNiG Group to achieve revenue from gas sales sufficient to fully cover the increase in purchase costs of imported gas. This follows from the fact that real prices of crude oil and petroleum products were considerably higher than those applied to calculate the tariff prices. Due to the fact that the applied tariff was inappropriate in view of the prevailing economic climate, in Q3 2008 the PGNiG Group reported a loss on sales of methane-rich gas, relative to high profits in the corresponding period of the previous year.

The Q3 2008 operating result posted by the Group's Exploration and Production segment fell by 32% from the corresponding period of 2007 on the back of higher costs related to exploration activities and lower volumes of crude oil sales caused by a process stoppage and a technical failure at one of the customers. The slump in the segment's operating result occurred despite higher prices in non-regulated sales of natural gas and higher prices of crude oil on global markets.

In the Distribution segment, the PGNiG Group reported a PLN 153.7m decrease in the seasonal loss compared to Q3 2007. The improved profitability of the Distribution segment's activities was driven to a large extent by higher rates and charges for transmission of gaseous fuels, which rose following the approval in April 2008 of new tariffs applicable to the Distribution System Operators.

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 Q3 2008, no such transactions occurred at the Group.

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

On June 26th 2008, the Annual General Shareholders Meeting of PGNiG S.A. adopted Resolution No. 50 concerning distribution of 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, Not Disclosed in the Financial Statements but with a Potential Bearing on the Company's Financial Performance in the Future

By the date of preparation of the Q3 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

	Sep 30 2008	Dec 31 2007
1. Contingent receivables	**278,993**	**123,032**
1.1. from related undertakings	3,355	3,231
- guarantees and sureties received	302	202
- promissory notes received	3,053	3,029
1.2. from other undertakings	246,873	114,292

(PLN '000)

- guarantees and sureties received	211,146	67,688
- promissory notes received	35,727	46,604
1.3. Other contingent receivables	28,765	5,509
2. Contingent liabilities	**8,558,808**	**7,178,461**
2.1. to related undertakings	61,613	30,690
- guarantees and sureties granted	239	1,039
- promissory notes issued	-	-
- agreements, investment contracts signed	61,374	29,651
2.2. to other undertakings	8,496,497	7,146,582
- guarantees and sureties granted	6,771,720	6,816,035
- promissory notes issued	80,731	55,192
- agreements, investment contracts signed	1,644,046	275,355
2.3. Other contingent liabilities	698	1,189

Changes in liabilities under guarantees and sureties granted in the period January 1st–September 30th 2008 result from a guarantee granted to National Oil Corporation of Libya for the amount of PLN 256,046 thousand (USD 108,000 thousand translated according to the exchange rate quoted by the National Bank of Poland at the end of the reporting period) and a decrease in the value of two material guarantees due to the appreciation of the złoty against the euro. The value of a guarantee granted jointly by the Distribution System Operators to a bank syndicate (syndication agent: Bank Handlowy S.A. of Warsaw) declined by PLN 217,125 thousand, while the value of a guarantee issued to the state of Norway decreased by PLN 109,006 thousand.
A considerable increase in contingent liabilities under agreements and investment contracts signed results from the execution in Q3 2008 a material agreement on the implementation of an investment task with a consortium comprising PBG S.A. of Poland, Technip KTI S.P.A. of Italy, and Thermo Design Engineering Ltd. of Canada; the agreement's amount is PLN 1,397,000 thousand

The table above does not show bank guarantees which were issued at the request of the Parent Undertaking to beneficiaries to whom the Parent Undertaking has material liabilities under agreements on provision of goods and services. As at September 30th 2008, the value of the bank guarantees was PLN 597,442 thousand, while as at December 31st 2007 it was PLN 1,051,920 thousand. The decline was attributable to the expiry of two material bank guarantees issued at the Parent Undertaking's request to Gazprom-Export Ltd., for a total amount of PLN 438,300 thousand (each guarantee for PLN 219,150 thousand). The remaining part of the decline in the value of the guarantees was due to the appreciation of the złoty against the US dollar.

11. Segmental Performance Statistics

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

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

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

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

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

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

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

11.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 September 30th 2008 and September 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, the Gas Companies were transformed into Distribution System Operators. Accordingly, the comparable financial data of the distribution segment for the period ended September 30th 2007 includes also revenues and costs generated/incurred in Q1 and Q2 2007 and 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 Sep 30 2008	Exploration and production	Trading and storage	Distribution	Other	Eliminations	Total
Income Statement						
Sales to external customers	1,576,172	11,204,693	18,489	113,769	-	12,913,123
Sales to other segments	1,083,920	562,772	2,237,436	137,961	(4,022,089)	-
Total segment revenue	2,660,092	11,767,465	2,255,925	251,730	(4,022,089)	12,913,123
Depreciation and amortisation	(438,631)	(103,597)	(507,779)	(7,697)	-	(1,057,704)
Other costs	(1,342,999)	(11,265,536)	(1,499,358)	(236,122)	3,983,028	(10,360,987)
Total segment costs	(1,781,630)	(11,369,133)	(2,007,137)	(243,819)	3,983,028	(11,418,691)
Operating profit/(loss)	**878,462**	**398,332**	**248,788**	**7,911**	**(39,061)**	**1,494,432**
Net financial expenses						103,398
Share in net profit/(loss) of undertakings valued with equity method		164				164
Pre-tax profit						**1,597,994**
Income tax						(358,645)
Net profit						**1,239,349**
Balance sheet						
Segment assets	9,647,530	10,177,764	9,797,554	268,803	(1,804,615)	28,087,036
Investments in undertakings valued with equity method		556,825				556,825
Unallocated assets						233,529
Deferred tax assets						431,808
Total assets						**29,309,198**
Total equity						21,097,878
Segment liabilities	2,567,603	3,539,036	1,981,040	78,503	(1,804,615)	6,361,567
Unallocated liabilities						411,040
Deferred tax liability						1,438,713
Total equity and liabilities						**29,309,198**
Other information						
Capital expenditure on property, plant and equipment and intangible assets	(906,494)	(247,132)	(582,622)	(13,805)	-	**(1,750,053)**
Valuation allowances for assets	(2,636,377)	(2,235,764)	(10,895,496)	(3,515)	-	**(15,771,152)**
Valuation allowances for unallocated assets						(34,708)

(PLN '000)

Period ended Sep 30 2007	Exploration and production	Trading and storage	Distribution	Other	Eliminations	Total
Income Statement						
Sales to external customers	1,522,800	4,961,853	5,004,805	85,681		11,575,139
Sales to other segments	1,034,186	3,999,715	584,695	166,124	(5,784,720)	-
Total segment revenue	2,556,986	8,961,568	5,589,500	251,805	(5,784,720)	11,575,139
Depreciation and amortisation	(438,149)	(90,439)	(541,179)	(7,696)		(1,077,463)
Other costs	(1,216,146)	(7,931,927)	(5,085,682)	(243,120)	5,750,399	(8,726,476)
Total segment costs	(1,654,295)	(8,022,366)	(5,626,861)	(250,816)	5,750,399	(9,803,939)
Operating profit/(loss)	**902,691**	**939,202**	**(37,361)**	**989**	**(34,321)**	**1,771,200**
Net financial expenses						109,750
Share in net profit/(loss) of undertakings valued with equity method		(64,860)				(64,860)
Pre-tax profit						**1,816,090**
Income tax						(399,220)
Net profit						**1,416,870**
Balance sheet						
Segment assets	7,978,733	10,616,157	10,020,953	272,651	(752,803)	28,135,691
Investments in undertakings valued with equity method		508,695				508,695
Unallocated assets						34,723
Deferred tax assets						362,855
Total assets						**29,041,964**
Total equity						21,491,209
Segment liabilities	1,276,625	2,618,352	2,044,500	81,698	(752,803)	5,268,372
Unallocated liabilities						361,615
Deferred tax liability						1,920,768
Total equity and liabilities						**29,041,964**
Other information						
Capital expenditure on property, plant and equipment and intangible assets	(635,952)	(171,559)	(541,675)	(6,159)		**(1,355,345)**
Valuation allowances for assets	(2,537,896)	(2,260,758)	(9,211,955)	(3,318)		**(14,013,927)**
Valuation allowances for unallocated assets						(55,870)

IV. SUPPLEMENTARY INFORMATION TO THE Q3 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 September 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 PGNiG Group members as at September 30th 2008:

(PLN '000)

Companies of the PGNiG Group:

	Name	Share capital (PLN)	Value of shares held by PGNiG S.A. (PLN)	% of share capital held by PGNiG S.A.	% of votes held by PGNiG S.A.
	PGNiG S.A.'s subsidiaries				
1	Poszukiwania Nafty i Gazu Jasło Sp. z o.o.	100,000,000.00	100,000,000.00	100.00%	100.00%
2	Poszukiwania Nafty i Gazu Kraków Sp. z o.o.	105,231,000.00	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	Dolnośląska Spółka Gazownictwa Sp. z o.o. [4)]	651,145,000.00	651,145,000.00	100.00%	100.00%
13	Górnośląska Spółka Gazownictwa Sp. z o.o. [4)]	1,288,680,000.00	1,288,680,000.00	100.00%	100.00%
14	Karpacka Spółka Gazownictwa Sp. z o.o. [4)]	1,484,953,000.00	1,484,953,000.00	100.00%	100.00%
15	Mazowiecka Spółka Gazownictwa Sp. z o.o. [4)]	1,251,738,000.00	1,251,738,000.00	100.00%	100.00%
16	Pomorska Spółka Gazownictwa Sp. z o.o. [4)]	614,696,000.00	614,696,000.00	100.00%	100.00%
17	Wielkopolska Spółka Gazownictwa Sp. z o.o. [4)]	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)]	1,000,000.00[2)]	600,000.00	60.00%	60.00%
29	Geofizyka Torun Kish Ltd (Rial) [1)]	10,000,000.00	10,000,000.00[3)]	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.
[4)] By the date of this report, the change of the company names from Distribution System Operators to Gas Companies was registered.

(PLN '000)

In Q3 2008, the following undertakings were included in the consolidated financial statements of the PGNiG Group:

Company	Country	% of share capital held	
		Sep 30 2008	Sep 30 2007
Subsidiaries			
GK GEOFIZYKA Kraków Sp. z o. o. [2]	Poland	100.00%	100.00%
GEOFIZYKA Toruń Sp. z o. o.	Poland	100.00%	100.00%
Poszukiwania Nafty i Gazu Jasło Sp. z o.o.	Poland	100.00%	100.00%
GK Poszukiwania Nafty i Gazu Kraków Sp. z o.o. [3]	Poland	100.00%	100.00%
Poszukiwania Nafty i Gazu NAFTA Sp. z o.o.	Poland	100.00%	100.00%
Zakład Robót Górniczych Krosno Sp. z o.o.	Poland	100.00%	100.00%
Poszukiwania Naftowe Diament Sp. z o.o.	Poland	100.00%	100.00%
PGNiG Norway AS	Norway	100.00%	100.00%
Polish Oil And Gas Company – Libya B.V.	Netherlands	100.00%	100.00%
Dolnośląska Spółka Gazownictwa Sp. z o.o. [4]	Poland	100.00%	100.00%
Górnośląska Spółka Gazownictwa Sp. z o.o. [4]	Poland	100.00%	100.00%
Karpacka Spółka Gazownictwa Sp. z o.o. [4]	Poland	100.00%	100.00%
Mazowiecka Spółka Gazownictwa Sp. z o.o. [4]	Poland	100.00%	100.00%
Pomorska Spółka Gazownictwa Sp. z o.o. [4]	Poland	100.00%	100.00%
Wielkopolska Spółka Gazownictwa Sp. z o.o. [4]	Poland	100.00%	100.00%
BUG Gazobudowa Sp. z o. o. Zabrze	Poland	100.00%	100.00%
Budownictwo Naftowe Naftomontaż Sp. z o.o.	Poland	88.83%	88.83%
Zakład Urządzeń Naftowych Naftomet Sp. z o.o.	Poland	100.00%	100.00%
B.S. i P.G. Gazoprojekt S.A.	Poland	75.00%	75.00%
Geovita Sp. z o.o.	Poland	100.00%	100.00%
INVESTGAS S.A	Poland	100.00%	100.00%
Polskie LNG Sp. z o.o.	Poland	100.00%	100.00%
Subsidiaries of subsidiary BN Naftomontaż Krosno Sp. z o. o.			
NAFT-STAL Sp. z o.o.	Poland	59.88%	59.88%
Jointly-controlled and associated undertakings valued with equity method			
SGT EUROPOL GAZ S.A. [1]	Poland	49.74%	49.74%
GAS - TRADING S.A.	Poland	43.41%	43.41%

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

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

[3] The Poszukiwania Nafty i Gazu Kraków Group comprises Poszukiwania Nafty i Gazu Kraków Sp. z o. o. and its subsidiary – Oil Tech International - F.Z.E.

[4] By the date of this report, the change of the company names from Distribution System Operators to Gas Companies was registered.

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 Pomorski Operator Systemu Dystrybucyjnego Sp. z o.o. (currently Pomorska Spółka Gazownictwa Sp. z o.o.) by PLN 18,555 thousand, to PLN 614,696 thousand; the increase was registered with the National Court Register on August 4th 2008; the newly issued shares were acquired by PGNiG in exchange for a contribution of non-current assets comprising components of the transmission or distribution network.
- Share capital increase at Karpacki Operator Systemu Dystrybucyjnego Sp. z o.o. (currently Karpacka Spółka Gazownictwa Sp. z o.o.) by PLN 8,841 thousand, to PLN 1,484,953 thousand; the increase was registered with the National Court Register on August 22nd 2008; the newly issued shares were acquired by PGNiG in exchange for a contribution of non-current assets comprising components of the transmission or distribution network.
- Share capital increase at Mazowiecki Operator Systemu Dystrybucyjnego Sp. z o.o. (currently Mazowiecka Spółka Gazownictwa Sp. z o.o.) by PLN 34,388 thousand, to PLN 1,251,738 thousand; the increase was registered with the National Court Register on September 10th 2008; the newly issued shares were acquired by PGNiG in exchange for a contribution of non-current assets with a total book value of PLN 32,868 thousand, comprising components of the transmission or distribution network, and a cash contribution of PLN 1,520 thousand.

Other changes in PGNiG's shareholdings in other companies resulted from:

- Share capital increase at Zakłady Azotowe w Tarnowie – Mościcach S.A.; the increase was registered with the National Court Register on July 22nd 2008; the total value of the investment was PLN 78,000 thousand.

(PLN '000)

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.

5. Shareholders Holding, Directly or Indirectly through Subsidiaries, 5% or More of the Total Vote at the General Shareholders Meeting of the Company as at the Date of Publication of the Quarterly Report, Including Information on the Number of Shares Held by these Shareholders, their Interests in the Company's Share Capital, the Resulting Number of Votes at the General Shareholders Meeting and their Share in the Total Vote at the General Shareholders Meeting, and Any Changes in the Ownership Structure of Major Holdings of the Company Shares after the Publication of the Previous Quarterly Report

Shareholder	% of total vote at the General Shareholders Meeting as at publication date of previous quarterly report	Number of shares held as at publication date of previous quarterly report	% change from 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 this report's publication date
State Treasury	84.75%	4,999,999,999	0.00%	84.75%	4,999,999,999
Other	15.25%	900,000,001	0.00%	15.25%	900,000,001
Total:	100%	5,900,000,000	-	100%	5,900,000,000

6. Number of Company Shares and Options for Company Shares Held by the Management and Supervisory Staff as at this Report Date and Changes in the Number of Company Shares and Options for Company Shares Held by the Management and Supervisory Staff after Publication of the Previous Quarterly Report

	Number of shares and options held as at publication date of previous quarterly report	Acquisition	Disposal	Increase due to change of composition	Decrease due to change of composition	Number of shares and options held as at this report's publication date
Management Board	-	-	-	-	-	-
Supervisory Board	8,272	-	-	-	-	8,272

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

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

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

8. Conclusion by PGNiG S.A. or Its Subsidiary Undertakings of a Transaction or a Series of Transactions with Related Undertakings, where the Transaction Value (Total Value of All Transactions Concluded from the Beginning of the Financial Year) Exceeds the PLN Equivalent of EUR 500 Thousand, and the Transactions are Not Typical or Routine Transactions Concluded at Arms' Length between Related Undertakings, and their Nature, as well as their Terms and Conditions Do Not Follow from Ordinary Business Activities of the Company or its Subsidiary

From January 1st to September 30th 2008, neither PGNiG S.A. nor any of its subsidiary undertakings concluded any transactions with related undertakings which would be worth more than EUR 500 thousand and would not follow from ordinary business activities.

9. Loan Sureties or Guarantees Issued by PGNiG S.A. or Its Subsidiary Undertakings to One Entity or Its Subsidiary if the Total Amount of Outstanding Sureties or Guarantees Issued to such an Entity or its Subsidiary Represents 10% or More of the Company's Equity

In Q3 2008, neither PGNiG S.A. nor any of its subsidiary undertakings issued any guarantees whose value, if added to the amount of outstanding sureties or guarantees issued to one entity or its subsidiary, would represent the equivalent of 10% or more of the Company's equity.

10. Other Information which in the Opinion of PGNiG S.A. is Material for Assessing its Staffing Levels, Assets, Financial Standing and Results, or Changes in Any of the Foregoing, and Information which is Material for Assessing the Company's Ability to Fulfil its Obligations

Apart from the information disclosed in this report, the Company is not aware of any information which could be material for assessing its staffing levels, assets, financial standing and results, or changes in any of the foregoing, or information which could be material for assessing the Company's ability to fulfil its obligations.

11. Factors which in the Opinion of PGNiG S.A will Affect its Performance in the Next Quarter or Later

The financial performance of the PGNiG Group will be under a strong influence of the prices of crude oil and petroleum products quoted on international markets. An upward trend in crude oil prices continued on global markets from January to July 2008. In June and July, the oil price reached record highs. The situation observed on the commodity market so far will significantly drive the prices of imported gas in the next few months.

The financial performance of the PGNiG Group will depend first of all on the position of the President of the Polish Energy Regulatory Authority (URE) concerning the prices and rates provided for in the gaseous fuel tariff. 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 reflected in gas prices determined in accordance with the tariffs. In August 2008, PGNiG applied to the President of URE for amendment of the gaseous fuel tariff. On October 17th, the President of URE approved the changed gaseous fuel tariff, which took effect as of November 1st 2008. The gas prices went up by 11.1% on average.

Profitability of crude oil production is closely linked to the prices of petroleum products. Increases in commodity prices on global exchanges automatically enhance the profitability of crude oil production, partly offsetting the losses incurred by the Company in connection with higher prices of imported gas.

In addition, the situation on the currency markets has strong implications for the PGNiG Group's financial performance. From January to July 2008, appreciation of the złoty against the US dollar markedly weakened the effect of rising prices of imported gas. In August and September 2008, the dollar exchange rate rebounded, which has an adverse effect on the cost of methane-rich imported gas.