



PGNiG

**Polskie Górnictwo Naftowe
i Gazownictwo SA**

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER PERIODS
ENDED ON 31 DECEMBER 2006 AND 31 DECEMBER 2005**

**PREPARED IN ACCORDANCE WITH INTERNATIONAL
FINANANCIAL REPORTING STANDARDS**

SELECTED FINANCIAL DATA

	4 quarters / 2006 from 2006-01-01 to 2006-12-31	4 quarters / 2005 from 2005-01-01 to 2005-12-31	4 quarters / 2006 from 2006-01-01 to 2006-12-31	4 quarters / 2005 from 2005-01-01 to 2005-12-31
	(in PLN '000)		(in EUR '000)	
I. Net revenues from sales of products, goods and materials	15 197 143	12 559 988	3 897 603	3 121 192
II. Profit (loss) on operating activities	1 313 573	1 397 720	336 891	347 337
III. Gross profit (loss)	1 417 591	1 254 355	363 569	311 711
IV. Net profit (loss)	1 227 724	880 663	314 874	218 847
V. Net cash flows from operating activities	1 533 106	2 399 051	393 195	596 171
VI. Net cash flows from investment activities	(865 871)	(732 253)	(222 069)	(181 967)
VII. Net cash flows from financial activities	(296 640)	626 884	(76 079)	155 782
VIII. Total net cash flows	370 595	2 293 682	95 046	569 986
IX. Total assets	30 571 325	30 363 665	7 979 569	7 866 642
X. Liabilities and provisions for liabilities	9 541 582	9 596 085	2 490 494	2 486 161
XI. Long-term liabilities	6 632 600	6 624 923	1 731 207	1 716 390
XII. Short-term liabilities	2 908 982	2 971 162	759 287	769 771
XIII. Equity	21 029 743	20 767 580	5 489 075	5 380 481
XIV. Share capital	5 900 000	5 900 000	1 539 987	1 528 577
XV. Number of shares (average weighted in PLN '000)	5 900 000	5 258 904	5 900 000	5 258 904
XVI. Profit (loss) per ordinary share (in PLN/EUR)	0,21	0,17	0,05	0,04
XVII. Diluted profit (loss) per ordinary share (in PLN/EUR)	0,21	0,17	0,05	0,04
XVIII. Book value per share (in PLN/EUR)	3,56	3,52	0,93	1,02
XIX. Diluted book value per share (in PLN/EUR)	3,56	3,52	0,93	1,02
XX. Declared or paid dividend per share (in PLN/EUR)	0,15	0,10	0,04	0,03

The table items from I. to VIII., from XVI. to XVII. were translated using the average EUR exchange rate in the reporting periods. The table items from IX. to XIV. were translated using the EUR exchange rate for the last day of the presented periods.

AVERAGE EUR EXCHANGE RATE DETERMINED BY THE NBP

	31.12.2006	31.12.2005
average exchange rate in the reporting period	3,8991	4,0241
lowest exchange rate in the reporting period	3,7565	3,8223
highest exchange rate in the reporting period	4,1065	4,2756
exchange rate for the last day of the reporting period	3,8312	3,8598

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	4th quarter / 2006 from 2006-10-01 to 2006-12-31	4 quarters / 2006 from 2006-01-01 to 2006-12-31	4th quarter / 2005 from 2005-10-01 to 2005-12-31	4 quarters / 2005 from 2005-01-01 to 2005-12-31
	(in PLN '000)			
Sales revenues	4 238 903	15 197 143	4 015 344	12 559 988
Change in inventory	(63 526)	10 168	(31 190)	5 834
Manufacturing cost of benefits for internal purposes	196 986	564 971	145 035	499 100
Consumption of raw materials and materials	(2 757 956)	(8 613 167)	(2 264 921)	(6 438 991)
Employee benefits	(521 566)	(1 768 981)	(467 407)	(1 645 850)
Amortization	(355 731)	(1 330 606)	(295 379)	(1 401 855)
External services	(779 296)	(2 645 784)	(748 368)	(1 779 138)
Other operating expenses (net)*	260 257	(100 171)	20 805	(401 368)
Operating expenses in total	(4 020 832)	(13 883 570)	(3 641 425)	(11 162 268)
Profit on operating activities	218 071	1 313 573	373 919	1 397 720
Financial revenues*	68 929	518 182	106 121	645 011
Financial expenses	(112 863)	(491 617)	(130 610)	(837 980)
Share in profits/(losses) of controlled entities measured using the equity method	122 710	77 453	(8 314)	49 604
Gross profit	296 847	1 417 591	341 116	1 254 355
Income tax	68 442	(189 890)	(24 565)	(206 839)
Net profit on business activities before obligatory profit sharing	365 289	1 227 701	316 551	1 047 516
Profit sharing	-	23	(34 237)	(166 853)
Net profit on business activities	365 289	1 227 724	282 314	880 663
Abandoned activity				
Profit for the financial year on abandoned activity	-	-	-	-
Net profit for the financial year	365 289	1 227 724	282 314	880 663
Assigned to:				
Shareholders of the holding company	365 587	1 227 077	282 320	879 749
Minority shareholders	(298)	647	(6)	914
	365 289	1 227 724	282 314	880 663

* In connection with the change of presentation principles of interests from leasing of transmission assets (which according to IFRS is presented by The Company in operating activities) PGNiG S.A. made suitable reclassification of 73 431 thousand PLN in profit and loss account in the comparative period, between other net operating expenses and financial revenues. This change did not result in change of gross profit and net profit.

Profit per share assigned per ordinary shareholder of the holding company

- average weighted number of shares	5 900 000 000	5 900 000 000	5 000 000 000	5 000 000 000
- basic from profit for the financial year	0,06	0,21	0,06	0,17
- diluted from profit for the financial year	0,06	0,21	0,06	0,17

CONSOLIDATED BALANCE SHEET

	As of 2006-12-31 end of the fourth quarter / 2006	As of 2006-09-30 end of the third quarter / 2006	As of 2005-12-31 end of year / 2005
ASSETS			
	(in PLN '000)		
Non-current assets (long-term)			
Tangible fixed assets	17 671 644	17 135 171	17 524 429
Investment real property	6 765	10 161	10 553
Intangible assets	1 129 997	1 052 974	952 698
Investments in associated companies measured using the equity method	589 284	466 574	512 076
Financial assets available for sale	20 409	21 401	21 358
Other financial assets	3 199 670	3 924 619	4 107 585
Deferred tax asset	426 426	403 269	384 504
Other non-current assets	17 390	16 798	17 248
Total non-current assets (long-term)	23 061 585	23 030 967	23 530 451
Current assets (short-term)			
Inventory	1 355 530	1 398 467	815 345
Trade and other receivables	2 528 968	1 678 331	2 618 350
Receivables due to current tax	14 797	10 026	30 883
Prepayments and accruals	28 275	137 201	17 501
Financial assets held for trading	20 934	7 338	30 391
Assets due to derivative financial instruments	5 723	230 300	120 273
Cash and cash equivalents	3 555 513	4 112 324	3 200 471
Total current assets (short-term)	7 509 740	7 573 987	6 833 214
Total assets	30 571 325	30 604 954	30 363 665
EQUITY AND LIABILITIES			
Equity			
Share capital	5 900 000	5 900 000	5 900 000
Exchange differences from translation	(20 643)	2 532	(14 086)
Surplus from sale of shares above their face value	1 740 093	1 740 093	1 740 093
Other reserve capitals	2 890 068	2 890 068	2 624 841
Retained profits (losses)	10 512 382	10 146 795	10 509 489
Equity (assigned to the shareholders of the holding company)	21 021 900	20 679 488	20 760 337
Equity of minority shareholders	7 843	8 141	7 243
Total equity	21 029 743	20 687 629	20 767 580
Long-term liabilities			
Credits, loans and debt securities	2 348 200	2 437 772	2 369 082
Provisions	1 180 360	1 003 356	981 493
Deferred income	1 115 038	1 130 825	1 151 115
Provision for deferred tax	1 989 002	2 036 713	2 123 233
Total long-term liabilities	6 632 600	6 608 666	6 624 923
Short-term liabilities			
Trade and other liabilities	2 169 742	2 335 438	2 108 806
Credits, loans and debt securities	102 519	74 363	89 218
Liabilities due to derivative financial instruments	55 067	79 411	173 177
Liabilities due to current tax	166 550	214 482	75 201
Provisions	302 337	520 486	426 315
Deferred income	112 767	84 479	98 445
Total short-term liabilities	2 908 982	3 308 659	2 971 162
Total liabilities	9 541 582	9 917 325	9 596 085
Total Equity and Liabilities	30 571 325	30 604 954	30 363 665

CONSOLIDATED CASH FLOW STATEMENT

	4th quarter / 2006 from 2006-10-01 to 2006-12-31	4 quarters / 2006 from 2006-01-01 to 2006-12-31	4th quarter / 2005 from 2005-10-01 to 2005-12-31	4 quarters / 2005 from 2005-01-01 to 2005-12-31
	(in PLN '000)			
Cash flows from operating activities				
Net financial result	365 289	1 227 724	282 314	880 663
Adjusted by:				
Share in profits/(losses) of controlled entities measured using the equity method	(122 710)	(77 453)	8 314	(49 604)
Amortization	355 731	1 330 606	295 379	1 401 855
Net exchange gains (losses)	(57 157)	27 105	(109 946)	(283 991)
Net paid interest and dividends	(30 709)	(189 424)	(55 706)	87 349
Profit/loss on investment activities	(166 643)	(49 781)	187 197	283 959
Income tax for the current period	(68 442)	189 890	24 565	206 839
Paid income tax	(55 120)	(240 412)	(127 484)	(239 687)
Other net items	147 907	(33 610)	(129 595)	(198 440)
Net cash flows from operating activities before changes in working capital	368 146	2 184 645	375 038	2 088 943
Change in working capital:				
Change in net receivables	(937 087)	(11 236)	(1 043 722)	(537 231)
Change in inventory	42 851	(540 129)	237 399	(217 014)
Change in provisions	(141 847)	(74 630)	73 595	132 259
Change in short-term liabilities	503 677	(22 662)	567 990	917 875
Change in prepayments	108 333	(10 917)	(92 008)	(147 882)
Change in deferred income	25 428	8 035	201 314	162 101
Net cash flows from operating activities	(30 499)	1 533 106	319 606	2 399 051
Cash flows from investment activities				
Inflows from the sale of tangible and intangible fixed assets	1 780	16 170	12 410	19 376
Inflows from the sale of shares in entities not included in consolidation	-	100	1 948	2 570
Inflows from the sale of short-term securities	22 452	117 944	84 154	231 638
Acquisition of intangible assets and tangible fixed assets	(493 201)	(1 543 835)	(354 980)	(1 320 664)
Acquisition of shares in entities not included in consolidation	-	-	(1 698)	(1 698)
Acquisition of short-term securities	-	-	1 615	-
Received interest	60 340	285 492	90 310	165 122
Received dividends	282	1 415	216	1 506
Other net items	42 886	256 843	79 092	169 897
Net cash on investment activity	(365 461)	(865 871)	(86 933)	(732 253)
Cash flows from financial activities				
Net inflows from issuing shares and other capital instruments and surcharges for capital	-	-	(41 907)	2 640 093
Inflows from contracted credits and loans	16 100	23 939	(618 411)	2 305 445
Repayment of credits and loans	(5 571)	(17 206)	(149 470)	(1 164 818)
Inflows from issuance of debt securities	-	-	-	-
Redemption of debt securities	-	-	-	(2 799 327)
Repayment of liabilities due to financial lease	(8 506)	(30 239)	(5 304)	(50 757)
Inflows from forwards	212 343	230 350	225 166	277 504
Outflows from forwards	(135 974)	(242 434)	(151 108)	(281 289)
Paid dividends	(203 519)	(203 519)	12 992	(150 572)
Paid interest	(19 716)	(73 974)	(23 117)	(104 578)
Other net items	(543)	16 443	(25 861)	(44 817)
Net cash flows from financial activities	(145 386)	(296 640)	(777 020)	626 884
Change in the balance of net cash	(541 346)	370 595	(544 347)	2 293 682
Net exchange differences	(15 465)	(15 553)	(251)	191
Opening balance of cash and cash equivalents	4 117 030	3 205 089	3 749 436	911 407
Closing balance of cash and cash equivalents	3 575 684	3 575 684	3 205 089	3 205 089

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

	Equity (assigned to the shareholders of the holding company)						Minority equity	Total equity
	Share capital	Exchange differences from translation	Surplus from sale of shares above their face value	Other reserve capitals	Retained profits (losses)	Total		
	(in PLN '000)							
01.01.2005	5 000 000	(11 993)	-	2 393 165	10 359 289	17 740 461	6 312	17 746 773
Emission of shares	900 000	-	-	-	-	900 000	-	900 000
Sale of shares above their face value	-	-	1 740 093	-	-	1 740 093	-	1 740 093
Exchange differences from translation of foreign branches	-	(2 093)	-	-	-	(2 093)	-	(2 093)
Share of the minority shareholders in profit distribution	-	-	-	-	(1)	(1)	(63)	(64)
Reduction of shares in subsidiary company – share of minority shareholders	-	-	-	-	-	-	80	80
Rising of share capital in controlled entity by minority shareholders	-	-	-	(42)	83	41	-	41
Exclusion of subsidiary company from consolidation	-	-	-	(332)	2 593	2 261	-	2 261
Received dividend from controlled entities measured using the equity method	-	-	-	-	(174)	(174)	-	(174)
Dividend payment to the owner	-	-	-	-	(500 000)	(500 000)	-	(500 000)
Transfers	-	-	-	232 050	(232 050)	-	-	-
Net profit for the year 2005	-	-	-	-	879 749	879 749	914	880 663
31.12.2005	5 900 000	(14 086)	1 740 093	2 624 841	10 509 489	20 760 337	7 243	20 767 580
01.01.2006	5 900 000	(14 086)	1 740 093	2 624 841	10 509 489	20 760 337	7 243	20 767 580
Exchange differences from translation of foreign branches	-	(6 557)	-	-	-	(6 557)	-	(6 557)
Supplement of the called up share capital by minority shareholders	-	-	-	42	-	42	28	70
Inclusion of subsidiary company from consolidation	-	-	-	2 944	592	3 536	-	3 536
Share of the minority shareholders in profit distribution	-	-	-	-	(2)	(2)	(75)	(77)
Correction of the remeasurement of assets	-	-	-	-	(77 533)	(77 533)	-	(77 533)
Dividend payment to the owner	-	-	-	-	(885 000)	(885 000)	-	(885 000)
Transfers	-	-	-	262 241	(262 241)	-	-	-
Net profit for the year 2006	-	-	-	-	1 227 077	1 227 077	647	1 227 724
31.12.2006	5 900 000	(20 643)	1 740 093	2 890 068	10 512 382	21 021 900	7 843	21 029 743

Polskie Górnictwo Naftowe i Gazownictwo Capital Group
 Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards
 for the 12 months periods ending on 31 December 2006 and 31 December 2005
 (in thousands of zlotys)

	Equity (assigned to the shareholders of the holding company)					Total	Minority equity	Total equity
	Share capital	Exchange differences from translation	Surplus from sale of shares above their face value	Other reserve capitals	Retained profits (losses)			
	(in PLN '000)							
01.10.2006	5 900 000	2 532	1 740 093	2 890 068	10 146 795	20 679 488	8 141	20 687 629
Exchange differences from translation of foreign branches	-	(23 175)	-	-	-	(23 175)	-	(23 175)
Supplement of the called up share capital by minority shareholders	-	-	-	-	-	-	-	-
Inclusion of subsidiary company from consolidation	-	-	-	-	-	-	-	-
Share of the minority shareholders in profit distribution	-	-	-	-	-	-	-	-
Correction of the remeasurement of assets	-	-	-	-	-	-	-	-
Dividend payment to the owner	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Net profit for the fourth quarter of 2006	-	-	-	-	365 587	365 587	(298)	365 289
31.12.2006	5 900 000	(20 643)	1 740 093	2 890 068	10 512 382	21 021 900	7 843	21 029 743

1. Information on principles applied during the preparation of the consolidated report for the 4th quarter of 2006

1.1. Basis for the report and format of financial statements included in the report

The consolidated financial statements for the fourth quarter of 2006 presented in this consolidated report were prepared in accordance with the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and the provisions of the Ordinance of Council of Ministers of 19 October 2005 on current and periodic information provided by issuers of securities (Dz. U. No. 209 item 1749, "Ordinance") and cover the period from 1 January 2006 to 31 December 2006.

The consolidated financial statements are presented in PLN, and all figures, unless otherwise stated, are stated in PLN thousands.

1.2. Representation on compliance

The consolidated financial statement of the PGNiG Capital Group was prepared in accordance with the International Financial Reporting Standards which include International Accounting Standards and interpretations accepted by International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC).

1.3. General principles for preparation of financial statements covered by the report

The consolidated balance sheet, consolidated profit and loss account, consolidated cash flow statement and statement of changes in consolidated equity was prepared in accordance with the same accounting principles as those applied in the consolidated financial statements for the period ended 30 June 2006 published on 28 September 2006.

The statutory individual financial statements the Company, published as part of consolidated financial statement of the Capital Group, was prepared according to Polish Accounting Standards defined in:

- the Accounting Act of 29 September 1994 (Dz. U. No. 76 item 694, 2002)
- the Ordinance of Council of Ministers of 19 October 2005 on current and periodic information provided by issuers of securities (Dz. U. No. 209 item 1744).

1.4. Accounting principles applied

In the fourth quarter of 2006, the Company and the Capital Group did not introduce any material changes in the accounting principles as compared to the principles applied to the financial statements and consolidated financial statements for the period ended 30 June 2006. The accounting principles were presented in the consolidated financial statements for the period ended 30 June 2006 published on 28 September 2006.

1.5. General information on the Issuer and its Capital Group

Polskie Górnictwo Naftowe i Gazownictwo S.A. (hereinafter referred to as "PGNiG S.A.", "Company" or "holding company"), PGNiG Capital Group's holding company (hereinafter referred to as "PGNiG S.A. Capital Group" or the "Group") with registered office in Poland, 00-537 Warsaw, ul. Krucza 6/14. As of 23 September 2005, as a result of issue of shares, PGNiG S.A. was transformed from a company wholly owned by the State Treasury into a public company.

The holding company was created as result of the transformation of the state company Polskie Górnictwo Naftowe i Gazownictwo into a joint stock company wholly owned by the State Treasury. The transformation deed and the articles of association were signed in the form of a notarized deed of 21 October 1996.

While signing the above deed of transformation of the state enterprise, the Minister of Treasury followed the provisions of the Prime Minister's Ordinance of 30 September 1996 on transformation of the enterprise Polskie Górnictwo Naftowe i Gazownictwo with registered office in Warsaw into a joint-stock company wholly owned by the State Treasury (Dz. U. No. 116 of 1996, item 553).

On 30 October 1996 the Company was entered to the commercial register under number RHB 48382. As of the date of registration the Company acquired legal personality. On 27 December 2001 PGNiG S.A. was entered into the National Court Register (Register of Entrepreneurs) under number

KRS 0000059492. PGNiG S.A. was registered at National Economy Register under the number 012216736.

As part of the implementation of the "Program of restructuring and privatizing PGNiG S.A.", adopted by the Polish Council of Ministers on 5 October 2004, pursuant to a decision by the Polish Securities and Exchange Commission, on 24 May 2005 the PGNiG S.A. shares were admitted to public trading.

By virtue of a relevant decision of the District Court of Warsaw, an increase in the share capital of PGNiG S.A. was registered on 6 October 2005. Following the increase, the Company's share capital amounts to PLN 5,900m and is divided into 5,900,000,000 shares.

The PGNiG S.A. shares have been listed at the Warsaw Stock Exchange since 20 October 2005.

The PGNiG Capital Group is the only vertically integrated operator in the Polish gas industry, and a leader in all the segments of that industry. Polskie Górnictwo Naftowe i Gazownictwo S.A. is the holding company of the PGNiG Capital Group.

PGNiG Capital Group is engaged in the following business areas: exploration and production of natural gas and crude oil, sales of domestically produced and imported natural gas, and sales of crude oil, natural gas storage, natural gas distribution. PGNiG Capital Group is the main importer of gas from Russia, Central Asia, Norway, Germany, and produces it from own domestic sources. The exploration and production of natural gas is one of key sources ensuring PGNiG Capital Group a competitive position on the liberalized gas market. The retail sales and gas distribution represent integral business area of the PGNiG Capital Group. The gas distribution companies of PGNiG Capital Group are responsible for natural gas distribution to both industrial and retail customers in the respective regions of Poland. The distribution companies also conduct service within maintenance, repair and development of gas distribution network.

The trade and distribution of natural gas, which are the core activity of the PGNiG Capital Group next to natural gas and crude oil production, are regulated by the Polish Energy Law. Business activity in these areas requires a relevant license, and revenues are dependent on the gaseous fuel tariff approved by the President of the Energy Regulatory Authority. The exploration and production activities are regulated by the Geological and Mining Law, and are conducted by the Company based on relevant licences, as required by the provisions of the Law.

The structure of PGNiG Capital Group

As of 31 December 2006 PGNiG S.A. held shares in 56 companies incorporated under the commercial law, including:

- 26 companies in which PGNiG held over 50% of shares;
- 16 companies in which PGNiG held between 20% and 50% of shares;
- 14 companies with PGNiG's shareholding below 20%.

The inclusive nominal value of equity involvement in the companies as of 31 December 2006 accounted for PLN 6.575,4 million. On account of business scope and severity for Capital Group functioning the subsidiary entities are divided into following groups:

- key entities
- core entities
- target entities
- other entities (business-critical and not).

Key entities

The key entities in the PGNiG Capital Group are six Gas Companies. These companies conduct service and trade activities within retail sales and distribution of gas, as well as activities within the scope of exploitation, maintenance, repair and development of gas distribution network. The Gas Companies were composed in the way of contribution of assets of former branches of PGNiG S.A. – 23 gas operators – and their area of operation covers all of Poland. The Gas Companies provide gas to more than six million customers – both industrial and households. The most numerous group of customers are individual receivers (95%).

Core entities

The core companies are of significant importance to PGNiG S.A. whose activities and actually fulfilled functions ensure the performance of the core tasks of PGNiG S.A. as well as which in general make diversifying the sources of acquiring gas and markets for selling gas easier. Most of the entities classified to this group were established from the branches of PGNiG S.A. These companies operate in the field of searching for deposits, geophysical testing and production for construction and assembly purposes.

Target entities

The target companies are companies which were called up to accomplish long-term strategic goals of the PGNiG Capital Group. After the analysis of the performance they will be included to the group of core entities if the results are satisfactory or in the contrary case sold .

Other business-critical entities

Other business-critical entities within PGNiG Capital Group are companies supporting the Capital Group's processes, bringing added value with their unique services. To this group the following companies were included: "BUD-GAZ" PPUH Sp. z o.o., BUG Gazobudowa Sp. z o.o., ZRUG Sp. z o.o. in Pogórska Wola, ZUN Naftomet Sp. zo.o. and Geovita Sp. z o.o.

Other not business-critical entities

Other not business-critical entities are companies that are not connected directly with the activity of PGNiG S.A., which conduct the construction, repair and renovation of gas pipelines and companies whose shares have been assumed as a result of bank composition proceedings, as well as companies, in which PGNiG S.A. does not possess significant packages of shares or whose goals do not justify remaining in capital relations with PGNiG S.A

List of companies that comprise PGNiG Capital Group

The structure of the capital commitment of PGNiG S.A. in commercial companies, in which PGNiG S.A. possesses at least 5% of shares, as of 31 December 2006 is presented in the table below.

	Company	share capital (PLN)	The share of PGNiG S.A. in the company's share capital (PLN)	The % share of PGNiG S.A. in the company's share capital
Key entities				
1.	Carpathian Gas Company	1 570 832 000,00	1 570 832 000,00	100,00%
2.	Upper Silesian Gas Company	1 292 551 000,00	1 292 551 000,00	100,00%
3.	Mazovian Gas Company	999 634 000,00	999 634 000,00	100,00%
4.	Greater Poland Gas Company	893 019 000,00	893 019 000,00	100,00%
5.	Pomeranian Gas Company	563 031 000,00	563 031 000,00	100,00%
6.	Lower Silesian Gas Company	552 762 000,00	552 762 000,00	100,00%
Core entities				
7.	PNiG Jasło Sp. z o.o.	100 000 000,00	100 000 000,00	100,00%
8.	PNiG Kraków Sp. z o.o.	98 850 000,00	98 850 000,00	100,00%
9.	PNiG NAFTA Sp. z o.o.	60 000 000,00	60 000 000,00	100,00%
10.	GEOFIZYKA Kraków Sp. z o.o.	34 400 000,00	34 400 000,00	100,00%
11.	GEOFIZYKA Toruń Sp. z o.o.	33 000 000,00	33 000 000,00	100,00%
12.	PN "Diament" Sp. z o.o.	62 000 000,00	62 000 000,00	100,00%
13.	Zakład Robót Górniczych Krosno Sp. z o.o.	26 802 000,00	26 802 000,00	100,00%
14.	SGT „EUROPOL GAZ” S.A.	80 000 000,00	38 400 000,00	48,00%
15.	GAS - TRADING S.A.	2 975 000,00	1 291 350,00	43,41%
16.	BSiPG "Gazoprojekt" S.A.	4 000 000,00	3 000 000,00	75,00%
Target entities				
17.	PGNiG Finance B.V. [EUR]*	20 000,00	20 000,00	100,00%
18.	Górnictwo Naftowe Sp. z o.o.	50 000,00	50 000,00	100,00%
19.	InterTransGas GmbH [EUR]*	200 000,00	100 000,00	50,00%
20.	"Dewon" Z.S.A. [UAH]*	11 146 800,00	4 055 205,84	36,38%
21.	„INVESTGAS” S.A.	502 250,00	502 250,00	100,00%
22.	NYSAGAZ Sp. z o.o.	3 700 000,00	1 887 000,00	51,00%
23.	"Polskie Elektrownie Gazowe" Sp. z o.o.	2 500 000,00	1 212 000,00	48,48%
Other business-critical entities				
24.	"BUD - GAZ" PPUH Sp. z o.o.	51 760,00	51 760,00	100,00%
25.	BUG Gazobudowa Sp. z o.o.	39 220 000,00	39 220 000,00	100,00%
26.	ZRUG Sp. z o.o. (w Pogórskiej Woli)	4 300 000,00	4 300 000,00	100,00%
27.	ZUN Naftomet Sp. z o.o.	23 500 000,00	23 500 000,00	100,00%
28.	Geovita Sp. z o.o.	86 139 000,00	86 139 000,00	100,00%
Other not business-critical entities				
29.	BN Naftomontaż Sp. z o.o.	44 751 000,00	39 751 000,00	88,83%
30.	PPUiH "TURGAZ" Sp. z o.o.	176 000,00	90 000,00	51,14%
31.	PFK GASKON S.A.	13 061 325,00	6 000 000,00	45,94%
32.	ZWUG "INTERGAZ" Sp. z o.o.	4 700 000,00	1 800 000,00	38,30%
33.	"IZOSTAL" S.A.	22 488 000,00	1 360 000,00	6,05%
34.	TeNET 7 Sp. z o.o.	50 000,00	5 000,00	10,00%
35.	Agencja Rynku Energii S.A.	1 376 000,00	100 000,00	7,27%
36.	ZRUG Warszawa S.A. w likwidacji	6 000 000,00	2 940 000,00	49,00%
37.	Sahara Petroleum Technology Llc [RO]*	150 000,00	73 500,00	49,00%
38.	"GAZOMONTAŻ" S.A.	1 498 850,00	677 200,00	45,18%
39.	"ZRUG" Sp. z o.o. (w Poznaniu)	3 781 800,00	1 515 000,00	40,06%
40.	HS "Szczakowa" S.A. w upadłości	16 334 989,44	5 439 494,72	33,30%
41.	"ZRUG TORUŃ" S.A.	4 150 000,00	1 300 000,00	31,33%
42.	Przeds. Wielobranżowe "MED - FROZ" S.A. w likwidacji	151 700,00	35 000,00	23,07%
43.	ZRUG Zabrze Sp. z o.o.	2 750 000,00	600 000,00	21,82%
44.	"TE-MA" WOC Małaszewicze Terespol Sp. z o.o. w likwidacji	262 300,00	55 000,00	20,97%
45.	Zakład Remontowy Urządzeń Gazowniczych Wrocław Sp. z o.o. w upadłości	1 700 000,00	270 000,00	15,88%
46.	Polski Serwis Płynów Wiertniczych Sp. z o.o.	250 000,00	35 000,00	14,00%
47.	„Walcownia Rur JEDNOŚĆ" Sp. z o.o.	220 590 000,00	18 310 000,00	8,30%
48.	PI GAZOTECH Sp. z o.o.	1 203 800,00	65 000,00	69,44%
49.	Polskie Konsorcjum Energetyczne Sp. z o.o.	100 000,00	9 500,00	9,50%

In May 2006 PGNiG S.A. got a certificate from the National Court Register about crossing out the following entities from the Register of Entrepreneurs:

- HSW – Zakład Mechaniczny Sp. z o.o. w upadłości
- PZUO WARMA S.A. w upadłości.

On 30 June 2006 the Extraordinary General Meeting of INVESTGAS S.A. adopted a resolution concerning the acquisition by the company of 255 of its shares from Energopol - Warszawa S.A. with a view to their retirement. The 255 shares held by Energopol - Warszawa S.A. were valued at PLN 5,000,000. This price was paid by the company from the amount which may be distributed by the company pursuant to Art. 348.1 of the Commercial Companies Code.

In connection with the above, the company's Extraordinary General Meeting of INVESTGAS S.A. resolved to retire the 255 shares and at the same time reduce its share capital from PLN 500,000 to PLN 245,000. Concurrently, by way of increase in the par value of each of the 245 shares held by PGNiG S.A. to PLN 2,050, the Extraordinary General Meeting increased the value of the company's share capital to PLN 502,250. The share capital increase was effected by using the capital reserves of INVESTGAS, created from profit.

On 24 July 2006 the court registered changes in shareholder's structure and share capital. Once that occurred INVESTGAS S.A. became a wholly-owned subsidiary of PGNiG S.A.

1.6. The entities of the Capital Group included in consolidation for the fourth quarter of 2006

The following entities have been included in the consolidated financial statements for the fourth quarter of 2006: the Holding Company, twenty one subsidiaries, one co-subsiary and one associated entity.

Name of the Company	Country	Percentage share in the share capital	
		31 December 2006	31 December 2005
Subsidiaries			
Geofizyka Kraków Sp. z o. o.	Polska	100,00%	100,00%
Geofizyka Toruń Sp. z o. o.	Polska	100,00%	100,00%
PNiG Jasło Sp. z o. o.	Polska	100,00%	100,00%
PNiG Kraków Sp. z o. o.	Polska	100,00%	100,00%
PNiG Piła Sp. z o. o.	Polska	100,00%	100,00%
ZRG w Krośnie Sp. z o.o.*	Polska	100,00%	100,00%
Lower Silesian Gas Company	Polska	100,00%	100,00%
Upper Silesian Gas Company	Polska	100,00%	100,00%
Carpathian Gas Company	Polska	100,00%	100,00%
Mazovian Gas Company	Polska	100,00%	100,00%
Pomeranian Gas Company	Polska	100,00%	100,00%
Greater Poland Gas Company	Polska	100,00%	100,00%
Gazobudowa Zabrze Sp. z o. o.	Polska	100,00%	100,00%
Naftomontaż Krosno Sp. z o. o.	Polska	88,83%	88,83%
Naftomet Krosno Sp. z o. o.	Polska	100,00%	100,00%
Diament Sp. z o.o.	Polska	100,00%	100,00%
Gazoprojekt S.A.	Polska	75,00%	75,00%
PGNiG Finance B.V.	Holandia	100,00%	100,00%
Geovita Sp. z o.o. Warszawa	Polska	100,00%	100,00%
INVESTGAS S.A.**	Poland	100,00%	49,00%
Subsidiaries of Naftomontaż Krosno Sp. z o.o. – a subsidiary			
Naft-Stal Krosno Sp. z o.o.	Poland	59,88%	67,42%
Subsidiaries and Associated Entities			
EUROPOL GAZ S.A.	Poland	49,74%	49,74%
Gas Trading S.A.	Poland	43,41%	43,41%

* The Company was established as a result of transformation of OZRG Krosno (branch of PGNiG S.A.). The Company started its business activities on 1 July 2005.

** The Company on 24 July 2006 became a wholly-owned subsidiary of PGNiG S.A

1.7. Materials events that occurred after the closing period, which were not disclosed in the consolidated financial statements for the fourth quarter of 2006

By the date of preparation of the financial statements for the fourth quarter 2006, no events had occurred that should have been recognized in the accounting records of the reporting period.

1.8. Changes in the composition of the entity during the presented period, therein as a result of business combinations or sale of entities of the Capital Group, long-term investments, restructuring and discontinued operations

In the period from 1 January to 31 December 2006 no changes in composition of the PGNiG Capital Group occurred.

1.9. Explanations to the seasonal or cyclic nature of the issuer activity in the presented period

Gas sale in the PGNiG Capital Group is subject to seasonal fluctuations. Gas sales increase significantly in winter and decrease in the summer. Crude oil sales in PGNiG Capital Group is not subject to seasonal fluctuations. Gas sales in winter significantly surpass that in summer (June –July) and depend greatly on the ambient temperature. The scope of fluctuation is determined by low temperatures in winter and high temperatures in summer. The seasonal nature of gas sales concerns to a considerable extent clients from the communal-household sector which uses gas for heating purposes, and to a lesser extent clients from the industrial sector. The seasonality of sales contributes to the need to increase gas storage and transmission capacity, including distribution networks, in order to meet the peak demand of end users and ensure national gas supply safety.

1.10. Information on segments of activity

It was assumed that the main classification of lines of business is based on sector segmentation. The Capital Group operates in the following four segments:

- a) The production and output segment is the supplier of gas, crude oil, geophysical and prospecting services. This segment covers the entire gas and crude oil production process, starting from geophysical testing which is undertaken before prospecting for production purposes is commenced and preparation of output for sale.
- b) The trade and storage segment deals in the purchase and sale of gas as well as storage.
- c) The distribution segment deals in the purchase for sale, sale and supply of gas to end customers, primarily individual customers.
- d) The others segment delivers services connected with designing and manufacture of machines for gas and crude oil equipment and facilities.

A segment's assets include all operational assets used by the segment, including mainly cash, receivables, inventory, tangible fixed assets less revaluation write-downs. While a majority of assets can be directly assigned to specific segments, the value of assets used by two or more segments is allocated to particular segments based on the level, in which they are use by particular segments.

Liabilities of segments include all operational liabilities, mainly trade, payroll and tax liabilities, due as well as accrued, as well as provisions for liabilities that can be assigned a particular segment.

Neither assets nor liabilities of segment include deferred tax.

Internal transactions within segments have been eliminated.

All transactions between segments are concluded based on internally agreed prices.

1.11. Brief description of significant achievements or failures of the issuer in the period covered with the report, including the list of related events

1. On 2 October 2006 The Management Board of PGNiG S.A. at its meeting decided to revoke the power of proxy of Ms Maria Teresa Mikosz. Until 1 October 2006 Ms Maria Teresa Mikosz held the position of the Accounting Department Director at PGNiG S.A. At the same time the Management Board of PGNiG S.A. decided to appoint Ms Ewa Bernacik as the Company's proxy. The power of proxy is granted on a joint basis, that is in order for a legal action to be effective it must be performed by a proxy acting jointly with a member of the Management Board.
2. The Management Board of PGNiG S.A. reported on 10 October 2006 that owing to a delay caused by circumstances beyond PGNiG's control, that is the protest lodged by a bidder excluded from the tender procedure, and the resultant invalidation of the tender procedure by the court due to formal reasons, the launch of the crude oil and natural gas mine Lubiatów – Międzychód – Grotów will be

postponed until 2010. In connection with the above, the declared oil production volume of approx. 1.1 million tonnes annually will be achieved in 2010. Pursuant to the Management Board's decision a new tender procedure was initiated to select the General Contractor.

3. On 26 October 2006 the Extraordinary General Meeting of PGNiG S.A. appointed Mr. Jarosław Wojtowicz to the Supervisory Board of PGNiG. The Shareholders adopted the resolution on changes in the Company's Articles of Association. The fundamental purpose of the adopted changes was updating of the body of the Company's Articles of Association and rationalisation of decision making process.
4. On 3 November 2006 the District Court for the Capital City of Warsaw, XII Commercial Division of the National Court Register issued the decision concerning registration of amendments to PGNiG's Articles of Association adopted by virtue of Resolution No. 2 of the Extraordinary General Shareholders Meeting of PGNiG S.A. held on 26 October 2006.
5. On 17 November 2006, PGNiG S.A. and RosUkrEnergo AG of ZUG, Switzerland executed a gas supply agreement in Moscow, Russia. The Agreement concerns supplies of 2.5 billion m³ of natural gas (according to GOST) (2.3 billion m³ according to PN) a year, via the terminal in Drozdowicze. The supplies will be carried out from 1 January 2007 to 1 January 2010; following the end of this period, the agreement may be extended for two subsequent years. The value of the Agreement depends on the prices of oil derivatives on global commodity exchanges. Based on the current prices, the estimated average annual value of the Agreement is approximately PLN 2.0bn. All corporate approvals required for the Agreement were obtained.
6. On 17 November 2006, upon the execution of the gas sale agreement between PGNiG S.A. and RosUkrEnergo AG, PGNiG S.A. and OOO Gazprom Export of Moscow, Russia executed in Moscow an annex to the Yamal gas agreement dated 25 September 1996. Under the Annex, at the request of Gazprom Export, the formula for determining gas purchase prices based on the prices of oil derivatives on global commodity exchanges was changed. As a result, the price per 1,000 m³ of natural gas rose by 10% on average. Based on the current level of oil derivatives prices, the estimated average value of the Yamal gas supply agreement is approximately PLN 6.7bn. The remaining terms of the Yamal gas agreement did not change. All corporate approvals required for the Annex were obtained.
7. In compliance with par. 33.1.5 of the Company's Articles of Association the PGNiG's Supervisory Board, following its meeting on 28 November 2006, appointed Deloitte Audyt Sp. z o.o., based in Warsaw, to review PGNiG's financial statements for 2006. Deloitte Audyt Sp. z o.o. has reviewed PGNiG's financial statements since 2003.
8. On 7 December 2006 the decision of the President of Warsaw, concerning acquisition, as of 5 December 1990, by force of law, for the period of 99 years, by Przedsiębiorstwo Państwowe Polskie Górnictwo Naftowe i Gazownictwo of Warsaw, whose legal successor is PGNiG S.A., of perpetual usufruct rights to developed land owned by the City of Warsaw, situated at ul. Kasprzaka 25 in Warsaw, entered into the Land and Mortgage Register under No. KW WA4M/00227834/7, comprising plot No. 7 with an area of 1.3883 ha and plot No. 8 with an area of 13.6934 ha (joint area of 15.0817 ha) in geodetic district 6-04-07, and property rights to the buildings, structures and other items located on the land, became final.
9. On 16 December 2006 the Energy Regulatory Office informed of the decision of the President of the Energy Regulatory Office dated 15 December 2006 approving the change in the tariff for gaseous fuel prices. The tariff will be valid for 3 months, starting from 1 January 2007. The amended gaseous fuel prices for tariff groups of high-methane gas and nitrogenised gas customers, as well as the standing charges is presented in point 1.12 of the report.
10. On 18 December 2006 the District Court of Gliwice, X Commercial Division of the National Court Register, registered a share capital increase at Górnośląska Spółka Gazownictwa Sp. z o.o. ("GSG") of Zabrze. The share capital was increased by PLN 4,148,000.00 – from PLN 1,288,403,000.00 to PLN 1,292,551,000.00. The shares in the increased share capital were covered with a cash and non-cash contribution by the company's sole shareholder – PGNiG S.A. The book value of the assets transferred by PGNiG S.A. to GSG as a non-cash contribution stands at PLN 2,190,785.26, whereas

the value of the cash contribution is PLN 399.00. Following the registration of the share capital increase, the total number of votes in the company amounts to 1,292,551. PGNiG S.A. holds 100% of shares in GSG conferring the right to 100% of votes at its shareholders meeting. GSG's business scope includes trade and distribution of natural gas.

11. Carrying out the Resolution No. 2 of the Extraordinary General Shareholders Meeting of PGNiG S.A., concerning approval of the creation of Gas Trading Companies and the acquisition of shares in these companies, on 27 December 2006 the Management Board of PGNiG S.A. incorporated six limited-liability companies. All shares in the companies' share capitals were acquired by the sole shareholder of PGNiG S.A. The acquisition of the shares was financed with PGNiG's internally generated funds. According to the Resolution No. 5 dated 3 November 2006 the Extraordinary General Shareholders Meeting authorised the Management Board of PGNiG S.A. to take any measures necessary to effect in the future the merger of 6 limited-liability companies, mentioned above, with registered offices in Warsaw, with PGNiG S.A. as acquiring company, under Art. 492.1.1 of Commercial Companies Code (merger through acquisition) without increasing the share capital of the acquiring company.
12. On 17 January 2007 PGNiG S.A. received from the District Court in Warsaw a copy of citation submitted by PGNiG's shareholders Mr. Bolesław Potryła, Mr. Józef Rył and Mr. Julisz Wroński, regarding the repeal of the resolution no. 2 of the Extraordinary General Meeting of Shareholders of PGNiG S.A. dated 26 October 2006 regarding changes in the PGNiG's Articles of Association.
13. On 5 February 2007 the agency Standard & Poor's Rating Services raised PGNiG's credit rating from "BBB" to "BBB+" with stable perspective.

1.12. Factors and events, in particular extraordinary ones, significantly affecting financial results

On 4 October 2006 PGNiG S.A. appealed against the decision of the President of the Energy Regulatory Authority refusing to approve the change of the tariff as requested by PGNiG S.A. In PGNiG's opinion, the President's decision was issued as a result of misinterpretation of a number of provisions of both substantive and procedural law.

On 16 December 2006 the Energy Regulatory Office informed of the decision of the President of the Energy Regulatory Office dated 15 December 2006 approving the change in the tariff for gaseous fuel prices. The tariff will be valid for 3 months, starting from 1 January 2007. The table below presents the amended gaseous fuel prices for tariff groups of high-methane gas and nitrogenised gas customers, as well as the standing charges.

Tariff group	Price for gaseous fuel	Standing charge rates
	PLN/m ³	PLN/month
For high-methane gas customers GZ 50 (E)		
E1-E4	0,7788	541,00
For nitrogenized gas customers GZ 35 (Ls)		
Ls1-Ls4	0,4936	541,00
For nitrogenized gas customers GZ 41,5 (Lw)		
Lw1-Lw4	0,5761	541,00

1.13. Information on issue, redemption and repayment of debt and capital securities

In the period from 1 January to 31 December 2006 no such events took place in the Capital Group.

1.14. Information on paid (or declared) dividend, total and per share, broken down by ordinary and preference shares

On 27 June 2006 the Annual General Shareholders Meeting of PGNiG S.A. resolved to distribute the net profit of PLN 1,132,227,947.23 for the financial year of 2005 in the following manner:

1. PLN 885,000,000.00 shall to be allocated to dividend, including:
 - PLN 750,000,000.00 as non-cash dividend to the State Treasury;
 - PLN 135,000,000.00 as cash dividend to the other shareholders;
2. PLN 7,300,000.00 shall increase the Company's social benefits fund;
3. PLN 27,600,000.00 shall be allocated to employee awards;
4. PLN 8,000,000.00 shall be allocated to the employment restructuring fund;
5. PLN 204,327,947.23 shall be allocated to the Company's reserve funds.

The Annual General Shareholders Meeting of PGNiG S.A. also resolved to set the dividend record date as 27 July 2006 and set the dividend payment date as 2 October 2006

1.15. Selected financial data, with basic items of the summary financial statements (also recalculated into EUR)

Selected financial data of the PGNiG Capital Group have been presented in the herein financial report. Selected financial data of the PGNiG S.A. have been presented in the "Summary financial statements of PGNiG S.A. for the 4th quarter of 2006".

1.16. The position of the Management Board government in respect to possibility of realization of previous result forecasts for a given year, in light of results presented in the quarterly report as compared to the forecast results

PGNiG S.A. did not publish result forecast for 2006.

1.17. Identification of total number of shareholders with at least 5 percent of votes at the general meeting of the shareholder directly or indirectly through subsidiaries, as of the date of submittal of the quarterly report, including indication of the number of shares held by such entities, their percent share in the share capital, the number of related votes and their percent share in total number of votes at the general meeting as well as indication of changes in ownership structure of major share packages of the issuer since submittal of the previous quarterly report

Shareholder	Share in the number of votes at the Shareholders Meeting as of the date of submission of the previous quarterly report in %	Number of shares as of the date of submission of the previous quarterly report*	Percentage change in the period 11.08.2006 - 31.10.2006	Share in number of votes in % at the Shareholders Meeting as of the date of submission of the report	Number of shares as of the date of submission of the report**
State Treasury	100%	5 900 000 000	0	84.75%	5 000 000 000
Other	0	0	0	15.25%	900 000 000
Total:	100%	5 900 000 000		100%	5 900 000 000

1.18. Statement of changes in the number of the issuer shares or related rights (options) held by issuer managers and supervisors, based on issuer information, since the submittal of the previous quarterly report

	Number of shares, options as of the date of submission of the previous quarterly report	Acquisition	Sales	Increases, due to change in composition	Decreases, due to change of composition	Number of shares, options as of the date of submission of the report
Management Board	857	0	0	0	0	857
Supervisory Board	0	0	0	0	0	0

1.19. Information about pending court proceedings, and proceedings before the authority competent to the arbitrary proceedings or the state administration authority, including information on proceedings related to liabilities and receivables of the issuer or the issuer's subsidiary, if the total value constitutes the equivalent of at least 10 percent of the issuer's equity

In the fourth quarter of 2006 no court proceedings, and proceedings before the authority competent to the arbitrary proceedings or the state administration authority, including information on proceedings related to liabilities and receivables of the PGNiG S.A. or the PGNiG's subsidiary, if the total value constitutes the equivalent of at least 10 percent of the PGNiG's equity, were initiated.

1.20. Information on issuer's or issuer subsidiary's related party transaction or transactions, if the total value of these transactions (total value of all transactions concluded in the period from the beginning of the financial year) exceeds the equivalent of EUR 500,000

In the period from 1 January to 31 December 2006, there were no non-standard transactions in the Capital Group between related parties, where the transaction value exceeded EUR 500.0 thousand.

1.21. Information on issuer's or issuer subsidiary's granting loan collateral or guarantee to one entity or unit controlled by the entity, if the total value of the existing collaterals or guarantees constitutes the equivalent of at least 10% of the issuer's equity

In the period from 1 January to 31 December 2006, there was no such guarantee or surety granted in the Capital Group.

1.22. Other information deemed by the issuer as relevant to the evaluation of issuer's employment and financial standing as well as financial result and any relevant changes as well as other information relevant to the assessment of the issuer's standing

All information relevant to the evaluation of issuer's employment was presented in point 1.11. of the herein report.

1.23. Factors, which according to the issuer will affect the results over at least one subsequent quarter

Main factors that might affect the Company's results over the coming quarter are: exchange rates and interest rates, affecting gas purchase costs and debt servicing costs as well as crude oil and petrochemicals prices on the international market.

1.24. Changes in contingent liabilities or contingent assets, which occurred since the end of the last financial year

The major change in contingent liabilities, which occurred from the closing date of the last financial year is expiration of bank sureties granted by PGNiG S.A. securing payments to OOO Gazexport Ltd for gas supplies of total value 96.143 thousand USD. These sureties were replaced by bank sureties securing payments to OOO Gazexport Ltd for gas supplies in 2006 of total value 150.000 thousand USD.

2. Additional explanatory notes to the financial statements

2.1. Deferred tax

	Deferred tax asset	Provision for deferred income tax
Opening balance as of 1 January 2005	384 504	2 123 233
a) increases	105 396	78 757
b) decreases	(63 474)	(212 988)
Closing balance on 31 December 2006	426 426	1 989 002

2.2. Revaluation write-downs on assets

	Fixed assets	Other financial assets	Investments in associated companies measured using the equity method	Financial assets available for sale	Inventory	Short-term receivables	Due amount of long-term loans	Financial assets held for trading	Total
Opening balance as of 1 January 2005	818 131	13 040	651 448	48 444	26 377	879 153	254 057	9 612	2 700 262
a) increases	37 261	9 164	129 362	5 427	4 901	95 828	19 860	-	301 803
b) reclassification	-	(5 775)	-	-	-	51	5 724	-	-
b) decreases	25 437	(9 008)	(245)	(646)	(2 447)	(123 111)	(80 821)	(4 473)	(195 314)
Closing balance on 31 December 2006	880 829	7 421	780 565	53 225	28 831	851 921	198 820	5 139	2 806 751

2.3. Provisions

Provision for retirement and similar benefits	Provision for jubilee bonuses and retirement severance pay	Provision for pension allowances	Company's Social Benefits Fund	Provision for welfare allowances	Other provisions for retirement and similar benefits	Total
Opening balance as of 1 January 2005	297 691	102 683	76 637	25 721	5 760	508 492
a) increases	67 326	2 428	64 256	2 764	16 711	153 485
b) decreases	(27 666)	(22 913)	(64 395)	(6 531)	(5 442)	(126 947)
Closing balance on 31 December 2006	337 351	82 198	76 498	21 954	17 029	535 030

Other provisions	Provision for reclamation of wells	Fund for liquidation of a mine	Provision for penalties imposed by the Office for Competition and Consumer Protection	Provision for environment protection	Provision for leased fixed assets returns	Provisions for renegotiation of import gas prices	Other	Total
Opening balance as of 1 January 2005	572 278	25 764	60 098	35 569	81 285	50 224	74 098	899 316
a) increases	140 467	28 191	-	49 616	-	-	44 779	263 053
b) reclassification	-	-	(5 450)	-	-	-	5 450	-
c) decreases	(25 966)	-	(12 786)	(1 332)	(81 285)	(50 224)	(43 109)	(214 702)
Closing balance on 31 December 2006	686 779	53 955	41 862	83 853	-	-	81 218	947 667

2.4. Industry segments

Period ended 31 December 2006	Exploration and production	Trade and storage	Distribution	Other	Elimination	Total
Profit and loss						
External sales	1 821 165	4 167 361	9 111 542	97 075		15 197 143
Sales between lines of business	1 145 820	6 795 129	8 821	199 398	(8 149 168)	-
Total revenue	2 966 985	10 962 490	9 120 363	296 473	(8 149 168)	15 197 143
Amortization	(486 620)	(130 382)	(703 041)	(10 563)		(1 330 606)
Other costs	(1 665 027)	(10 548 415)	(8 195 602)	(284 420)	8 140 500	(12 552 964)
Total cost	(2 151 647)	(10 678 797)	(8 898 643)	(294 983)	8 140 500	(13 883 570)
Result on operating activity	815 338	283 693	221 720	1 490	(8 668)	1 313 573
Net interest and other financial expenses						26 565
Share in profits/(losses) of controlled entities measured using the equity method		77 453				77 453
Gross profit						1 417 591
Income tax						(189 890)
Result for the financial year on abandoned activity						-
Dividend						23
Net profit/loss						1 227 724
Balance sheet						
Segment assets	7 635 487	10 962 027	11 559 080	282 354	(911 005)	29 527 943
Shares in associated entities		589 284				589 284
Unassigned assets						27 672
Deferred tax asset						426 426
Total assets						30 571 325
Total equity						21 029 743
Liabilities of the line of business	1 361 304	1 739 241	2 574 092	120 988	(911 005)	4 884 620
Unassigned liabilities						2 667 960
Provision for deferred tax						1 989 002
Total Equity and Liabilities						30 571 325
Other segmental information						
Capital expenditure for tangible fixed assets	(369 892)	(411 046)	(756 028)	(6 869)		(1 543 835)
Revaluation write-downs on assets	(544 419)	(1 731 094)	(469 566)	(3 309)		(2 748 388)
Revaluation write-downs on unassigned assets						(58 363)

Period ended 31 December 2005*	Exploration and production	Trade, storage, transmission	Distribution	Other	Elimination	Total
Profit and loss						
External sales	1 630 297	3 405 000	7 432 826	91 865	-	12 559 988
Sales between lines of business	952 363	5 316 520	22 311	173 084	(6 464 278)	-
Total revenue	2 582 660	8 721 520	7 455 137	264 949	(6 464 278)	12 559 988
Amortization	(450 616)	(290 610)	(649 276)	(11 353)	-	(1 401 855)
Other costs	(1 376 171)	(7 899 807)	(6 672 670)	(258 633)	6 446 868	(9 760 413)
Total cost	(1 826 787)	(8 190 417)	(7 321 946)	(269 986)	6 446 868	(11 162 268)
Result on operating activity	755 873	531 103	133 191	(5 037)	(17 410)	1 397 720
Net interest and other financial expenses						(192 969)
Share in profits/(losses) of controlled entities measured using the equity method		49 604				49 604
Gross profit						1 254 355
Income tax						(206 839)
Result for the financial year on abandoned activity						-
Dividend						(166 853)
Net profit/loss						880 663
Balance sheet						
Segment assets	7 584 199	11 650 318	11 241 439	247 919	(1 400 088)	29 323 787
Shares in associated entities		512 076				512 076
Unassigned assets						143 298
Deferred tax asset						384 504
Total assets						30 363 665
Total equity						20 767 580
Liabilities of the line of business	1 308 303	2 254 774	2 454 086	97 210	(1 343 901)	4 770 472
Unassigned liabilities						2 702 380
Provision for deferred tax						2 123 233
Total Equity and Liabilities						30 363 665
Other segmental information						
Capital expenditure for tangible fixed assets	(220 246)	(513 296)	(580 453)	(6 669)		(1 320 664)
Revaluation write-downs on assets	(319 592)	(1 851 614)	(467 629)	(3 371)		(2 642 206)
Revaluation write-downs on unassigned assets						(58 056)

*The data corrected to ensure comparability with the financial statements for the 4th quarter of 2006.

The data presented in the table 2.4. are difficult to compare because, while complying with EU legislation, PGNiG S.A. abandoned its operations in the transmission of high pressure gas. In 2005 the segment of trade, storage and transmission concerned activity relevant to purchase and sale of gas, storage and transmission of gas by high pressure pipelines, however in 2006 the segment described as "trade and storage" include activities concerning only purchase, sale and storage of gas.

Pursuant to the government "Program of restructuring and privatizing PGNiG S.A.", the above-mentioned operations have been taken over by OGP Gaz System Sp. z o.o., currently directly controlled by the State Treasury. The isolation of transmission activity significantly influenced the structure of the financial result of PGNiG S.A. As of 8 July 2005 OGP Gaz System Sp. z o.o. took over the activities related to transmission services, whereas PGNiG S.A. began generating revenues on leasing agreements related to a portion of its transmission assets.

To sum up, due to the isolation of transmission activity PGNiG S.A. ceased to disclose the resulting margin in the sales result in the second half of 2005. This margin has been replaced by financial revenues and other operating revenues connected with leasing agreements related to transmission assets.

2.5. Revenues from sales of products, goods and materials

	31.12.2006	31.12.2005
High-methane gas	12 189 753	9 933 581
Nitrated gas	1 109 356	921 399
Crude oil	739 137	783 622
Helium	32 730	34 443
Propane-butane gas	46 503	36 885
Gasoline	6 286	13 881
LNG	13 526	9 771
Geophysical and geological services	329 184	223 184
Prospecting services	289 819	213 062
Goods and materials	19 567	20 523
Other sales of products and services	421 282	369 637
Total	15 197 143	12 559 988

2.6. Revenues from leasing payments

	31.12.2006	31.12.2005
Interest	268 617	145 082
Repayments	225 327	118 843
Total*	493 944	263 925

*The leasing contract became effective on 8th July 2005

2.7. Operating expenses

	31.12.2006	31.12.2005
Consumption of raw materials and materials		
Gas purchase	(8 068 330)	(5 917 113)
Consumption of other raw materials and materials	(544 837)	(521 878)
Total	(8 613 167)	(6 438 991)

	31.12.2006	31.12.2005
External services		
Purchase of transmission services from OGP Gaz System Sp. z o.o.	(1 531 060)	(738 131)
Other external services	(1 114 724)	(1 041 007)
Total	(2 645 784)	(1 779 138)