



PGNiG

**Polskie Górnictwo Naftowe
i Gazownictwo SA**

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER PERIODS
ENDED ON 30 JUNE 2007 AND 30 JUNE 2006**

POLISH FINANCIAL SUPERVISION AUTHORITY

Consolidated Quarterly Report QSr II quarter / 2007

quarter / year

(in accordance with § 86 section 2 and § 87 section 1 of the Minister of Finance Decree
of 19 October 2005, Official Journal No. 209, item 1744
for issuers of securities whose business activity embraces manufacture, construction, trade and
services)

for the second quarter of the reporting year 2007, that is for the period from 1 January 2007 to 30 June 2007
which includes condensed consolidated financial statements prepared in accordance with International
Financial Reporting Standards with amounts stated in the Polish functional currency (PLN) and abbreviated
financial statements prepared in accordance with International Financial Reporting Standards with amounts
stated in the Polish functional currency (PLN).

on 13 August 2007
(submission date)

POLSKIE GÓRNICTWO NAFTOWE I GAZOWNICTWO S.A.

(full name of the issuer)

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(abbreviated name of the issuer)

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SELECTED FINANCIAL DATA

	2 quarters / 2007 from 2007-01-01 to 2007-06-30	2 quarters / 2006 from 2006-01-01 to 2006-06-30	2 quarters / 2007 from 2007-01-01 to 2007-06-30	2 quarters / 2006 from 2006-01-01 to 2006-06-30
	(in PLN '000)		(in EUR '000)	
Data in respect of consolidated financial statement				
I. Net revenues from sales of products, goods and materials	8 440 485	8 184 769	2 193 131	2 098 551
II. Profit (loss) on operating activities	1 370 646	952 138	356 141	244 125
III. Gross profit (loss)	1 419 187	953 896	368 754	244 576
IV. Net profit (loss)	1 134 853	732 434	294 874	187 794
V. Net cash flows from operating activities	1 982 573	1 665 347	515 141	426 990
VI. Net cash flows from investment activities	(666 492)	(536 037)	(173 178)	(137 438)
VII. Net cash flows from financial activities	(2 383 896)	(121 213)	(619 419)	(31 079)
VIII. Total net cash flows	(1 067 815)	1 008 097	(277 455)	258 473
IX. Total assets	29 016 501	30 648 090	7 705 269	7 579 782
X. Liabilities and provisions for liabilities	7 680 684	10 102 452	2 039 589	2 498 504
XI. Long-term liabilities	4 348 467	6 692 202	1 154 726	1 655 093
XII. Short-term liabilities	3 332 217	3 410 250	884 863	843 411
XIII. Equity	21 335 817	20 545 638	5 665 680	5 081 278
XIV. Share capital	5 900 000	5 900 000	1 566 732	1 459 168
XV. Number of shares (average weighted in PLN '000)	5 900 000	5 900 000	5 900 000	5 900 000
XVI. Profit (loss) per ordinary share (in PLN/EUR)	0,19	0,12	0,05	0,03
XVII. Diluted profit (loss) per ordinary share (in PLN/EUR)	0,19	0,12	0,05	0,03
XVIII. Book value per share (in PLN/EUR)	3,62	3,48	0,96	0,86
XIX. Diluted book value per share (in PLN/EUR)	3,62	3,48	0,96	0,86
XX. Declared or paid dividend per share (in PLN/EUR)*	0,17	0,15	0,05	0,04

Data in respect of non-consolidated financial statement

I. Net revenues from sales of products, goods and materials	6 650 485	6 564 273	1 728 027	1 683 061
II. Profit (loss) on operating activities	1 212 246	576 509	314 984	147 815
III. Gross profit (loss)	1 463 442	591 983	380 253	151 783
IV. Net profit (loss)	1 250 469	454 360	324 915	116 497
V. Net cash flows from operating activities	1 229 990	915 906	319 594	234 836
VI. Net cash flows from investment activities	(240 312)	(138 060)	(62 441)	(35 398)
VII. Net cash flows from financial activities	(2 346 702)	(118 420)	(609 755)	(30 362)
VIII. Total net cash flows	(1 357 024)	659 426	(352 602)	169 075
IX. Total assets	21 249 195	23 206 360	5 642 677	5 739 318
X. Liabilities and provisions for liabilities	4 413 206	7 226 267	1 171 917	1 787 176
XI. Long-term liabilities	2 074 885	4 538 921	550 981	1 122 551
XII. Short-term liabilities	2 338 321	2 687 346	620 936	664 625
XIII. Equity	16 835 989	15 980 093	4 470 760	3 952 142
XIV. Share capital	5 900 000	5 900 000	1 566 732	1 459 168
XV. Number of shares (average weighted in PLN '000)	5 900 000	5 900 000	5 900 000	5 900 000
XVI. Profit (loss) per ordinary share (in PLN/EUR)	0,21	0,08	0,06	0,02
XVII. Diluted profit (loss) per ordinary share (in PLN/EUR)	0,21	0,08	0,06	0,02
XVIII. Book value per share (in PLN/EUR)	2,85	2,71	0,76	0,67
XIX. Diluted book value per share (in PLN/EUR)	2,85	2,71	0,76	0,67
XX. Declared or paid dividend per share (in PLN/EUR)*	0,17	0,15	0,05	0,04

* The dividend for the year 2006 was translated using the EUR exchange rate for the day 30 June 2007 settled by National Bank of Poland. The day of dividend was set at 27 July 2007 and the dividend payment date at 1 October 2007

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. and from XVIII to XIX were translated using the EUR exchange rate for the last day of the presented periods.

AVERAGE EUR EXCHANGE RATE DETERMINED BY THE NBP

	2 quarters / 2007 from 2007-01-01 to 2007-06-30	2 quarters / 2006 from 2006-01-01 to 2006-06-30
average exchange rate in the reporting period	3,8486	3,9002
lowest exchange rate in the reporting period	3,7465	3,7565
highest exchange rate in the reporting period	3,9385	4,1065
exchange rate for the last day of the reporting period	3,7658	4,0434

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	2nd quarter / 2007 from 2007-04-01 to 2007-06-30	2 quarters / 2007 from 2007-01-01 to 2007-06-30	2nd quarter / 2006 from 2006-04-01 to 2006-06-30	2 quarters / 2006 from 2006-01-01 to 2006-06-30
	(in PLN '000)			
Sales revenues	3 391 950	8 440 485	3 086 194	8 184 769
Consumption of raw materials and materials	(1 579 651)	(4 291 198)	(1 688 490)	(4 489 356)
Employee benefits	(523 879)	(941 759)	(444 513)	(820 117)
Amortization	(373 732)	(702 336)	(330 039)	(648 652)
External services	(612 088)	(1 274 063)	(565 816)	(1 330 465)
Manufacturing cost of benefits for internal purposes	155 081	278 871	137 203	232 766
Other operating expenses (net)	(4 914)	(139 354)	(44 548)	(176 807)
Operating expenses in total	(2 939 183)	(7 069 839)	(2 936 203)	(7 232 631)
Profit on operating activities	452 767	1 370 646	149 991	952 138
Financial revenues	25 201	151 021	217 694	376 937
Financial expenses	(33 378)	(80 854)	(200 684)	(345 064)
Share in profits/(losses) of controlled entities measured using the equity method	(21 931)	(21 626)	(30 374)	(30 115)
Gross profit	422 659	1 419 187	136 627	953 896
Income tax	(74 830)	(284 334)	(32 517)	(221 462)
Net profit for the financial year	347 829	1 134 853	104 110	732 434
Assigned to:				
Shareholders of the holding company	347 726	1 134 500	103 721	731 396
Minority shareholders	103	353	389	1 038
	347 829	1 134 853	104 110	732 434

* The comparative data for the second quarter of 2006 were corrected to ensure comparability with the second quarter of 2007 on elimination of assets and liabilities concerning Company's Social Benefits Fund.

Profit per share assigned per ordinary shareholder of the holding company

- average weighted number of shares
- basic from profit for the financial year
- diluted from profit for the financial year

CONSOLIDATED BALANCE SHEET

	As of 2007-06-30 end of the second quarter / 2007	As of 2006-12-31 end of year / 2006*	As of 2006-06-30 end of the second quarter / 2006*
	(in PLN '000)		
ASSETS			
Non-current assets (long-term)			
Tangible fixed assets	18 889 811	18 762 056	18 125 197
Investment real property	6 653	6 765	10 300
Intangible assets	81 008	80 807	70 629
Investments in associated companies measured using the equity method	567 658	589 284	481 961
Financial assets available for sale	27 446	18 112	19 571
Other financial assets	3 175 731	3 275 379	3 983 585
Deferred tax asset	364 945	440 596	405 737
Other non-current assets	56 605	48 672	16 219
Total non-current assets (long-term)	23 169 857	23 221 671	23 113 199
Current assets (short-term)			
Inventory	1 154 750	1 351 203	894 141
Trade and other receivables	1 972 934	2 476 148	1 755 101
Receivables due to current tax	5 889	17 187	10 290
Prepayments and accruals	195 076	33 123	213 276
Financial assets available for sale	25 040	23 265	240 573
Assets due to derivative financial instruments	738	5 723	232 211
Cash and cash equivalents	2 490 196	3 539 305	4 189 299
Total current assets (short-term)	5 844 623	7 445 954	7 534 891
Assets held for sale	2 021	-	-
Total assets	29 016 501	30 667 625	30 648 090
EQUITY AND LIABILITIES			
Equity			
Share capital	5 900 000	5 900 000	5 900 000
Exchange differences from translation	(19 741)	(15 609)	(8 827)
Surplus from sale of shares above their face value	1 740 093	1 740 093	1 740 093
Other reserve capitals	3 477 654	2 890 068	2 829 178
Retained profits (losses)	10 229 802	10 685 888	10 076 885
Equity (assigned to the shareholders of the holding company)	21 327 808	21 200 440	20 537 329
Equity of minority shareholders	8 009	7 671	8 309
Total equity	21 335 817	21 208 111	20 545 638
Long-term liabilities			
Credits, loans and debt securities	43 842	2 343 846	2 475 518
Provisions	1 270 434	1 179 882	996 649
Deferred income	1 074 366	1 082 084	1 136 661
Provision for deferred tax	1 959 825	2 056 074	2 083 374
Total long-term liabilities	4 348 467	6 661 886	6 692 202
Short-term liabilities			
Trade and other liabilities	2 780 679	2 178 444	2 473 715
Credits, loans and debt securities	81 178	113 621	97 168
Liabilities due to derivative financial instruments	41 629	55 067	75 534
Liabilities due to current tax	164 145	184 556	228 013
Provisions	128 761	173 765	445 512
Deferred income	135 825	92 175	90 308
Total short-term liabilities	3 332 217	2 797 628	3 410 250
Total liabilities	7 680 684	9 459 514	10 102 452
Total Equity and Liabilities	29 016 501	30 667 625	30 648 090

* The comparative data for the second quarter of 2006 and year 2006 were corrected to ensure comparability with the second quarter of 2007 on elimination of assets and liabilities concerning Company's Social Benefits Fund.

CONSOLIDATED CASH FLOW STATEMENT

	2nd quarter / 2007 from 2007-04-01 to 2007-06-30	2 quarters / 2007 from 2007-01-01 to 2007-06-30	2nd quarter / 2006 from 2006-04-01 to 2006-06-30	2 quarters / 2006 from 2006-01-01 to 2006-06-30
	(in PLN '000)			
Cash flows from operating activities				
Net financial result	347 829	1 134 853	104 110	732 434
Adjusted by:				
Share in profits/(losses) of controlled entities measured using the equity method	21 931	21 626	30 374	30 115
Amortization	373 732	702 336	330 039	648 652
Net exchange gains (losses)	(26 918)	(15 237)	73 052	117 311
Net paid interest and dividends	(42 659)	(83 387)	(45 161)	(108 538)
Profit/loss on investment activities	(121 753)	(131 094)	113 395	81 276
Income tax for the current period	74 830	284 334	32 517	221 462
Paid income tax	(246 021)	(314 044)	(25 285)	(91 625)
Other net items	17 012	(10 496)	(99 994)	(186 668)
Net cash flows from operating activities before changes in working capital	397 983	1 588 891	513 047	1 444 419
Change in working capital:				
Change in net receivables	928 645	801 400	1 022 900	782 774
Change in inventory	(433 116)	187 720	(550 527)	(78 790)
Change in provisions	(17 526)	7 579	(65 882)	69 685
Change in short-term liabilities	(612 815)	(444 915)	(716 303)	(351 854)
Change in prepayments	77 927	(170 899)	48 117	(194 754)
Change in deferred income	7 949	12 797	14 829	(6 133)
Net cash flows from operating activities	349 047	1 982 573	266 181	1 665 347
Cash flows from investment activities				
Inflows from the sale of tangible and intangible fixed assets	6 124	12 659	3 831	10 485
Inflows from the sale of shares in entities not included in consolidation	-	-	100	100
Inflows from the sale of short-term securities	15 417	22 269	-	-
Acquisition of intangible assets and tangible fixed assets	(354 206)	(905 059)	(293 563)	(673 868)
Acquisition of shares in entities not included in consolidation	(4 387)	(4 687)	-	-
Acquisition of short-term securities	-	-	318 785	(156 397)
Received interest	60 512	120 702	73 225	155 362
Received dividends	63	63	720	720
Inflows from financial lease	49 442	101 534	59 365	123 508
Other net items	(11 417)	(13 973)	(956)	4 053
Net cash on investment activity	(238 452)	(666 492)	161 507	(536 037)
Cash flows from financial activities				
Net inflows from issuing shares and other capital instruments and surcharges for capital	-	-	-	-
Inflows from contracted credits and loans	3 011	17 589	6 471	13 330
Repayment of credits and loans	(2 306 713)	(2 333 216)	(10 703)	(17 139)
Inflows from issuance of debt securities	-	-	-	-
Redemption of debt securities	-	-	-	-
Repayment of liabilities due to financial lease	(10 467)	(18 195)	(528)	(7 535)
Inflows from forwards	(16 080)	-	3 161	7 390
Outflows from forwards	16 563	-	(44 025)	(90 069)
Paid dividends	-	-	-	-
Paid interest	(18 303)	(43 738)	(9 109)	(27 409)
Other net items	(5 181)	(6 336)	740	219
Net cash flows from financial activities	(2 337 170)	(2 383 896)	(53 993)	(121 213)
Change in the balance of net cash	(2 226 575)	(1 067 815)	373 695	1 008 097
Net exchange differences	10 544	22 702	(2 254)	(44)
Opening balance of cash and cash equivalents	4 718 201	3 559 441	3 820 266	3 185 864
Closing balance of cash and cash equivalents	2 491 626	2 491 626	4 193 961	4 193 961

* The comparative data for the second quarter of 2006 were corrected to ensure comparability with the second quarter of 2007 on elimination of assets and liabilities concerning Company's Social Benefits Fund.

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 (in PLN '000)	Retained profits (losses)	Total		
2006-01-01	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	-	5 259	-	-	-	5 259	-	5 259
Adjustment of fixed assets revaluation	-	-	-	-	(74 705)	(74 705)	-	(74 705)
Other changes	-	-	-	42	-	42	28	70
Dividend payment to the owner	-	-	-	-	(885 000)	(885 000)	-	(885 000)
Transfers	-	-	-	204 295	(204 295)	-	-	-
Net profit for the first two quarters of 2006	-	-	-	-	731 396	731 396	1 038	732 434
2006-06-30 end of second quarter 2006*	5 900 000	(8 827)	1 740 093	2 829 178	10 076 885	20 537 329	8 309	20 545 638
2006-01-01	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	-	(1 523)	-	-	-	(1 523)	-	(1 523)
Inclusion of subsidiary company from consolidation	-	-	-	2 944	592	3 536	-	3 536
Other changes	-	-	-	42	(2)	40	(47)	(7)
Transfers	-	-	-	262 241	(262 241)	-	-	-
Dividend payment to the owner	-	-	-	-	(885 000)	(885 000)	-	(885 000)
Net profit for the year 2006	-	-	-	-	1 323 050	1 323 050	475	1 323 525
2006-12-31 end of year 2006	5 900 000	(15 609)	1 740 093	2 890 068	10 685 888	21 200 440	7 671	21 208 111
2007-01-01	5 900 000	(15 609)	1 740 093	2 890 068	10 685 888	21 200 440	7 671	21 208 111
Exchange differences from translation of foreign branches	-	(4 132)	-	-	-	(4 132)	-	(4 132)
Other changes	-	-	-	-	-	-	-	-
Transfers	-	-	-	587 586	(587 586)	-	-	-
Dividend payment to the owner	-	-	-	-	(1 003 000)	(1 003 000)	(15)	(1 003 015)
Net profit for the first two quarters of 2007	-	-	-	-	1 134 500	1 134 500	353	1 134 853
2007-06-30 end of the second quarter 2007	5 900 000	(19 741)	1 740 093	3 477 654	10 229 802	21 327 808	8 009	21 335 817

NON-CONSOLIDATED PROFIT AND LOSS ACCOUNT

	2nd quarter / 2007 from 2007-04-01 to 2007-06-30	2 quarters / 2007 from 2007-01-01 to 2007-06-30	2nd quarter / 2006 from 2006-04-01 to 2006-06-30	2 quarters / 2006 from 2006-01-01 to 2006-06-30
(in PLN '000)				
Sales revenues	2 653 270	6 650 485	2 446 474	6 564 273
Change in inventory	(38 706)	72 052	(26 086)	88 541
Manufacturing cost of benefits for internal	2 264	4 156	2 199	3 611
Consumption of raw materials and materials	(1 449 613)	(4 051 752)	(1 576 183)	(4 292 097)
Employee benefits	(93 959)	(170 288)	(124 292)	(189 933)
Amortization	(144 816)	(267 170)	(132 759)	(255 135)
External services	(469 313)	(1 010 265)	(466 794)	(1 155 299)
Other operating expenses (net)	128 907	(14 971)	9 372	(187 451)
Operating expenses in total	(2 065 235)	(5 438 238)	(2 314 544)	(5 987 765)
Profit on operating activities	588 034	1 212 246	131 929	576 509
Financial revenues	215 635	335 530	195 455	358 975
Financial expenses	(34 913)	(84 335)	(192 414)	(343 500)
Gross profit	768 756	1 463 442	134 971	591 983
Income tax	(98 937)	(212 973)	(29 117)	(137 624)
Net profit for the financial year	669 820	1 250 469	105 854	454 360

Profit per share assigned per ordinary shareholder of the holding company

- average weighted number of shares	5 900 000 000	5 900 000 000	5 900 000 000	5 900 000 000
- basic from profit for the financial year	0,11	0,21	0,02	0,08
- diluted from profit for the financial year	0,11	0,21	0,02	0,08

NON-CONSOLIDATED BALANCE SHEET

	As of 2007-06-30 end of the second quarter / 2007	As of 2006-12-31 end of year / 2006*	As of 2006-06-30 end of the second quarter / 2006*
	(in PLN '000)		
ASSETS			
Non-current assets (long-term)			
Tangible fixed assets	8 483 731	8 299 455	8 077 244
Investment real property	4 640	4 782	4 806
Intangible assets	13 588	14 966	15 406
Financial assets available for sale	5 083 362	5 017 288	5 001 170
Other financial assets	3 316 616	3 393 127	3 982 927
Deferred tax asset	241 770	288 941	320 162
Other non-current assets	42 470	36 995	4 272
Total non-current assets (long-term)	17 186 178	17 055 555	17 405 988
Current assets (short-term)			
Inventory	1 006 797	1 239 478	786 950
Trade and other receivables	1 309 572	1 509 951	1 011 815
Receivables due to current tax	-	-	-
Prepayments and accruals	79 818	6 728	117 983
Financial assets available for sale	29 341	29 341	247 620
Assets due to derivative financial instruments	738	5 723	232 211
Cash and cash equivalents	1 634 985	2 969 685	3 403 793
Total current assets (short-term)	4 061 251	5 760 906	5 800 372
Assets held for sale	1 766	-	-
Total assets	21 249 195	22 816 461	23 206 360
EQUITY AND LIABILITIES			
Equity			
Share capital	5 900 000	5 900 000	5 900 000
Exchange differences from translation	248	462	444
Surplus from sale of shares above their face value	1 740 093	1 740 093	1 740 093
Other reserve capitals	3 342 859	2 797 547	2 797 547
Retained profits (losses)	5 852 789	6 150 632	5 542 009
Total equity	16 835 989	16 588 734	15 980 093
Long-term liabilities			
Credits, loans and debt securities	-	2 298 720	2 426 040
Provisions	966 142	917 588	816 645
Deferred income	2 599	2 784	67 689
Provision for deferred tax	1 095 699	1 115 547	1 228 505
Other long-term liabilities	10 445	388	42
Total long-term liabilities	2 074 885	4 335 028	4 538 921
Short-term liabilities			
Trade and other liabilities	2 094 143	1 562 830	2 078 425
Credits, loans and debt securities	4 355	9 271	14 848
Liabilities due to derivative financial instruments	41 629	55 067	75 534
Liabilities due to current tax	89 639	137 957	152 539
Provisions	107 006	126 546	361 199
Deferred income	1 550	1 029	4 800
Total short-term liabilities	2 338 321	1 892 700	2 687 346
Total liabilities	4 413 206	6 227 727	7 226 267
Total Equity and Liabilities	21 249 195	22 816 461	23 206 360

* To the comparative data for the end of the previous year 2006 (31 December 2006), against data presented in the report for the first quarter 2007, there was introduced a change in the manner of data presentation concerning Company's Social Benefits Fund, liabilities from leasing and there was a provision for additional write-offs for special funds resulting from distribution of profit for the year 2006 captured.

NON-CONSOLIDATED CASH FLOW STATEMENT

	2nd quarter / 2007 from 2007-04-01 to 2007-06-30	2 quarters / 2007 from 2007-01-01 to 2007-06-30	2nd quarter / 2006 from 2006-04-01 to 2006-06-30	2 quarters / 2006 from 2006-01-01 to 2006-06-30
	(in PLN '000)			
Cash flows from operating activities				
Net financial result	669 820	1 250 469	105 854	454 360
Adjusted by:				
Amortization	144 816	267 170	132 759	255 135
Net exchange gains (losses)	(25 745)	(14 991)	71 605	116 675
Net paid interest and dividends	(46 881)	(92 549)	(56 581)	(123 718)
Profit/loss on investment activities	(123 675)	(139 993)	86 260	58 917
Income tax for the current period	98 937	212 973	29 117	137 624
Paid income tax	(195 567)	(233 968)	(35 446)	(85 143)
Other net items	19 637	2 193	(28 319)	(89 988)
Net cash flows from operating activities before changes in working capital	541 341	1 251 304	305 249	723 861
Change in working capital:				
Change in net receivables	137 615	242 180	610 551	627 952
Change in inventory	(412 289)	233 995	(543 663)	(64 927)
Change in provisions	(10 063)	(15 713)	(44 237)	91 146
Change in short-term liabilities	(433 559)	(402 480)	(539 096)	(342 768)
Change in prepayments	34 950	(79 631)	5 333	(113 747)
Change in deferred income	325	335	(7 833)	(5 612)
Net cash flows from operating activities	(141 680)	1 229 990	(213 697)	915 906
Cash flows from investment activities				
Inflows from the sale of tangible and intangible fixed assets	287	2 290	11 402	14 149
Inflows from the sale of shares in entities	-	-	-	-
Inflows from the sale of short-term securities	15 270	22 615	-	-
Acquisition of intangible assets and tangible fixed assets	(162 494)	(384 031)	(158 242)	(297 196)
Acquisition of shares in entities	(32 687)	(65 987)	-	-
Acquisition of short-term securities	-	-	312 178	(166 493)
Inflows from loan repayments	-	550	22 194	31 152
Received interest	63 659	125 694	73 674	156 270
Received dividends	-	-	626	626
Inflows from financial lease	49 441	101 534	59 366	123 508
Other net items	(8 465)	(42 978)	777	(76)
Net cash on investment activity	(74 990)	(240 312)	321 974	(138 060)
Cash flows from financial activities				
Net inflows from issuing shares and other capital instruments and surcharges for capital	-	-	-	-
Inflows from contracted credits and loans	-	-	-	-
Repayment of credits and loans	(2 298 720)	(2 298 720)	(8 356)	(8 356)
Inflows from issuance of debt securities	-	-	-	-
Redemption of debt securities	-	-	-	-
Repayment of liabilities due to financial lease	-	-	(84)	(340)
Inflows from forwards	(16 080)	-	3 161	7 382
Outflows from forwards	16 563	-	(44 025)	(90 011)
Paid dividends	-	-	-	-
Paid interest	(16 552)	(39 590)	(7 952)	(23 074)
Other net items	(5 950)	(8 393)	(2 349)	(4 021)
Net cash flows from financial activities	(2 320 740)	(2 346 702)	(59 605)	(118 420)
Change in the balance of net cash	(2 537 409)	(1 357 024)	48 673	659 426
Net exchange differences	9 969	22 324	(1 908)	23
Opening balance of cash and cash equivalents	4 173 881	2 993 496	3 359 093	2 748 339
Closing balance of cash and cash equivalents	1 636 472	1 636 472	3 407 765	3 407 765

STATEMENT OF CHANGES IN NON-CONSOLIDATED 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)					
2006-01-01	5 900 000	416	1 740 093	2 593 219	6 176 977	16 410 705
Exchange differences from translation of foreign branches	-	27	-	-	-	27
Net profit for the first two quarters of 2006	-	-	-	-	454 360	454 360
Dividend payment to the owner	-	-	-	-	(885 000)	(885 000)
Transfers	-	-	-	204 328	(204 328)	-
2006-06-30 end of second quarter 2006	5 900 000	444	1 740 093	2 797 547	5 542 009	15 980 093
2006-01-01	5 900 000	416	1 740 093	2 593 219	6 176 977	16 410 705
Exchange differences from translation of foreign branches	-	45	-	-	-	45
Net profit for the year 2006	-	-	-	-	1 062 983	1 062 983
Dividend payment to the owner	-	-	-	-	(885 000)	(885 000)
Transfers	-	-	-	204 328	(204 328)	-
2006-12-31 end of year 2006	5 900 000	462	1 740 093	2 797 547	6 150 632	16 588 734
2007-01-01	5 900 000	462	1 740 093	2 797 547	6 150 632	16 588 734
Exchange differences from translation of foreign branches	-	(214)	-	-	-	(214)
Net profit for the first two quarters of 2007	-	-	-	-	1 250 469	1 250 469
Dividend payment to the owner	-	-	-	-	(1 003 000)	(1 003 000)
Transfers	-	-	-	545 312	(545 312)	-
2007-06-30 end of the second quarter 2007	5 900 000	248	1 740 093	3 342 859	5 852 789	16 835 989

1. Information on principles applied during the preparation of the report for the 2nd quarter of 2007

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

The consolidated condensed financial statements as well as non-consolidated financial statement for the second quarter of 2007 presented in this report were prepared in accordance with International Accounting Standards No. 34 "Interim Financial Reporting" (IAS 34) 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"). Both financial statements cover the period from 1 January 2007 to 30 June 2007 and the corresponding period of the year 2006.

The consolidated as well as non-consolidated: balance sheet, profit and loss account, cash flow statement and statement of changes in equity were prepared in accordance with the same accounting principles as those applied in the consolidated financial statements for the period ended 31 December 2006 published on 26 April 2007.

Both financial statements are presented in PLN, and all figures, unless otherwise stated, are stated in PLN thousands. Possible differences between total quotas and the sum of its elements result from round-offs.

1.2. Accounting principles applied

The applied accounting principles were captured in the consolidated financial statement of PGNiG Capital Group for the period ended 31 December 2006 published on 26 April 2007.

In the second quarter 2007 the Issuer 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 31 December 2006. The entry into force of IFRS 7 "Financial Instruments: Disclosures" and related IAS 1 "Presentation of Financial Statements" did not affect his financial statement.

Assets, equity and liabilities in the non-consolidated financial statement were measured in the same quotas as those in consolidated financial statement of the PGNiG Capital Group, before consolidation adjustments.

1.3. 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 30 June 2007 PGNiG S.A. as a parent company held shares in 63 companies incorporated under the commercial law, including:

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

The inclusive nominal value of equity involvement in the companies as of 30 June 2007 accounted for PLN 6,646.7 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 – Distribution System Operators and Gas Trading Companies. The Distribution System Operators were created as a result of implementing the objectives of Directive 2003/55/EC of the European Parliament and the Energy Law. On 29 June 2007 the Gas Trading Companies took over from former Gas Companies assets bound with conducting service and trade activities.

The outcome of the above process is separating gas trading from distribution. The Distribution System Operators conduct activities within distribution of gas as well as activities within the scope of exploitation, maintenance, repair and development of gas distribution network, while The Gas Trading Companies conduct service and trade activities within retail sales of gas.

In accordance with the restructuring plan of the PGNiG Capital Group concerning integration of trading business at PGNiG S.A. the merger of the six gas trading companies with PGNiG S.A. will be executed.

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. 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. These companies conduct activities in the scope of:

- building and repair of pipelines, machinery and oil mining and gas devices and facilities,
- construction, repair and maintenance of mining infrastructure,
- conducting hotel and tourist services.

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 30 June 2007 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. Karpacki Operator Systemu Dystrybucyjnego Sp. z o.o.	1 310 749 000,00	1 310 749 000,00	100,00%
2. Górnśląski Operator Systemu Dystrybucyjnego Sp. z o.o.	1 197 314 000,00	1 197 314 000,00	100,00%
3. Mazowiecki Operator Systemu Dystrybucyjnego Sp. z o.o.	930 819 000,00	930 819 000,00	100,00%
4. Wielkopolski Operator Systemu Dystrybucyjnego Sp. z o.o.	847 159 000,00	847 159 000,00	100,00%
5. Pomorski Operator Systemu Dystrybucyjnego Sp. z o.o.	502 750 000,00	502 750 000,00	100,00%
6. Dolnośląski Operator Systemu Dystrybucyjnego Sp. z o.o.	546 448 000,00	546 448 000,00	100,00%
7. Karpacka Spółka Obrotu Gazem Sp. z o.o.	260 133 000,00	260 133 000,00	100,00%
8. Górnśląska Spółka Obrotu Gazem Sp. z o.o.	95 287 000,00	95 287 000,00	100,00%
9. Mazowiecka Spółka Obrotu Gazem Sp. z o.o.	68 865 000,00	68 865 000,00	100,00%
10. Wielkopolska Spółka Obrotu Gazem Sp. z o.o.	45 910 000,00	45 910 000,00	100,00%
11. Pomorska Spółka Obrotu Gazem Sp. z o.o.	60 331 000,00	60 331 000,00	100,00%
12. Dolnośląska Spółka Obrotu Gazem Sp. z o.o.	6 364 000,00	6 364 000,00	100,00%
Core entities			
13. PNiG Jasło Sp. z o.o.	100 000 000,00	100 000 000,00	100,00%
14. PNiG Kraków Sp. z o.o.	105 231 000,00	105 231 000,00	100,00%
15. PN "Diament" Sp. z o.o.	62 000 000,00	62 000 000,00	100,00%
16. PNiG NAFTA Sp. z o.o.	60 000 000,00	60 000 000,00	100,00%
17. GEOFIZYKA Kraków Sp. z o.o.	34 400 000,00	34 400 000,00	100,00%
18. GEOFIZYKA Toruń Sp. z o.o.	66 000 000,00	66 000 000,00	100,00%
19. Zakład Robót Górniczych Krosno Sp. z o.o.	26 802 000,00	26 802 000,00	100,00%
20. BSiPG "Gazoprojekt" S.A.	4 000 000,00	3 000 000,00	75,00%
21. SGT EUROPOL GAZ S.A.	80 000 000,00	38 400 000,00	48,00%
22. GAS - TRADING S.A.	2 975 000,00	1 291 350,00	43,41%
Target entities			
23. Górnictwo Naftowe Sp. z o.o.	50 000,00	50 000,00	100,00%
24. PGNiG Finance B.V. *	20 000 Euro	20 000 Euro	100,00%
25. "NYSAGAZ Sp. z o.o."	3 700 000,00	1 887 000,00	51,00%
26. InterTransGas GmbH *	200 000 Euro	100 000 Euro	50,00%
27. INVESTGAS S.A.	502 250,00	502 250,00	100,00%
28. "Polskie Elektrownie Gazowe" Sp. z o.o. w likwidacji	2 500 000,00	1 212 000,00	48,48%
29. "Dewon" ZSA *	11 146 800 Hr	4 055 205,84 Hr	36,38%
30. Polskie LNG Sp. z o.o.	28 000 000,00	28 000 000,00	100,00%

31.	PGNiG Norway AS *	10 000 000,00 NOK	10 000 000,00 NOK	100,00%
Other business-critical entities				
32.	Geovita Sp. z o.o.	86 139 000,00	86 139 000,00	100,00%
33.	BUG Gazobudowa Sp. z o.o.	39 220 000,00	39 220 000,00	100,00%
34.	ZUN Naftomet Sp. z o.o.	23 500 000,00	23 500 000,00	100,00%
35.	ZRUG Sp. z o.o. (w Pogórskiej Woli)	4 300 000,00	4 300 000,00	100,00%
36.	"BUD - GAZ" Sp. z o.o.	51 760,00	51 760,00	100,00%
Other not business-critical entities				
37.	BN Naftomontaż Sp. z o.o. w upadłości (układ z wierzycielami)	44 751 000,00	39 751 000,00	88,83%
38.	PI GAZOTECH Sp. z o.o.**	1 203 800,00	65 000,00	69,44%
39.	PPUIH "TURGAZ" Sp. z o.o.	176 000,00	90 000,00	51,14%
40.	Sahara Petroleum Technology Llc *	150 000 RO	73 500 RO	49,00%
41.	PFK GASKON S.A.	13 061 325,00	6 000 000,00	45,94%
42.	"GAZOMONTAŻ" S.A.	1 498 850,00	677 200,00	45,18%
43.	"ZRUG" Sp. z o.o. (w Poznaniu)	3 781 800,00	1 515 000,00	40,06%
44.	ZWUG "INTERGAZ" Sp. z o.o.	4 700 000,00	1 800 000,00	38,30%
45.	"ZRUG TORUN" S.A.	4 150 000,00	1 300 000,00	31,33%
46.	ZRUG Zabrze Sp. z o.o.	2 750 000,00	600 000,00	21,82%
47.	Polski Serwis Płynów Wiertniczych Sp. z o.o.	250 000,00	35 000,00	14,00%
48.	TeNET 7 Sp. z o.o.	50 000,00	5 000,00	10,00%
49.	Polskie Konsorcjum Energetyczne Sp. z o.o.	100 000,00	9 500,00	9,50%
50.	Walcownia Rur "JEDNOŚĆ" Sp. z o.o.	220 590 000,00	18 310 000,00	8,30%
51.	Agencja Rynku Energii S.A.	1 376 000,00	100 000,00	7,27%
52.	"IZOSTAL" S.A.	22 488 000,00	1 360 000,00	6,05%
53.	ZRUG Warszawa S.A. w likwidacji	6 000 000,00	2 940 000,00	49,00%
54.	"TE-MA" WOC Małaszewicze Terespol Sp. z o.o. w likwidacji	262 300,00	55 000,00	20,97%
55.	HS "Szczakowa" S.A. w upadłości (likwidacja majątku upadłego)	16 334 989,44	5 439 494,72	33,30%
56.	Zakład Remontowy Urządzeń Gazowniczych Wrocław Sp. z o.o. w upadłości (likwidacja majątku upadłego)	1 700 000,00	270 000,00	15,88%

* values in foreign currency

** on 23 April 2004 854 shares with a par value PLN 1,300 per share (total value PLN 1,110,200) were redeemed, without the decrease of the company's share capital. Therefore the nominal value of the existing shares is lower than the share capital.

In the first half of the year 2007 changes in PGNiG Capital Group included:

1. registration of six gas trading companies in the National Court Register:

- Mazowiecka Spółka Obrotu Gazem Sp. z o.o. (on 12 February 2007),
- Karpacka Spółka Obrotu Gazem Sp. z o.o. (on 31 January 2007),
- Wielkopolska Spółka Obrotu Gazem Sp. z o.o. (on 30 January 2007),
- Górnośląska Spółka Obrotu Gazem Sp. z o.o. (on 27 February 2007),
- Dolnośląska Spółka Obrotu Gazem Sp. z o.o. (21 February 2007),
- Pomorska Spółka Obrotu Gazem Sp. z o.o. (on 8 February 2007)

and the increase of share capital in gas trading companies, which was effected as a result of transfer of selected assets in form of an organized business enterprise (changes were registered on 29 June 2007);

2. registration of the decrease of share capital in gas companies and change of names to distribution system operators:

- Karpacki Operator Systemu Dystrybucyjnego Sp. z o.o. (changes registered on 26 June 2007),
- Górnośląski Operator Systemu Dystrybucyjnego Sp. z o.o. (changes registered on 18 June 2007),
- Mazowiecki Operator Systemu Dystrybucyjnego Sp. z o.o. (changes registered on 27 June 2007),
- Dolnośląski Operator Systemu Dystrybucyjnego Sp. z o.o. (changes registered on 27 June 2007),
- Pomorski Operator Systemu Dystrybucyjnego Sp. z o.o. (changes registered on 27 June 2007),
- Wielkopolski Operator Systemu Dystrybucyjnego Sp. z o.o. (changes registered on 22 June 2007);

3. registration on 21 May 2007 in National Court Register Polskie LNG limited liability company with the share capital PLN 28,000 thousand. The sole shareholder of the company is PGNiG S.A. with 28 thousand shares, with a par value of PLN 1,000 per share.

4. registration on 9 June 2007 PGNiG Norway AS with registered office in Stavanger, Norway and share capital NOK 10,000 thousand. The sole shareholder of the company is PGNiG S.A. with 10 thousand shares, with a par value of NOK 1,000 per share.

5. deleting on 16 April 2007 from the National Court Register Przedsiębiorstwo Wielobranżowe "MED-FROZ" S.A. in liquidation. PGNiG S.A. possessed 23,07% in company's share capital.

Changes in the structure of the PGNiG Capital Group were also effected by increases of capital commitment in subsidiary entities:

1. increase of the share capital of PNiG Kraków Sp. z o.o. by PLN 6,381 thousand to PLN 105,231 thousand. The change of the share capital increase was register in National Court Register on 15 June 2007.
2. increase of the share capital of GEOFIZYKA Kraków Sp. z o.o. by PLN 33,000 thousand to PLN 66,000 thousand. The change of the share capital increase was register in National Court Register on 18 April 2007.

1.4. The entities of the Capital Group included in consolidation for the second quarter of 2007

The following entities have been included in the consolidated financial statements for the second quarter of 2007: the Holding Company, twenty eight subsidiaries, one co-subsiary and one associated entity.

Name of the company	Country	Percentage share in the share capital	
		30 June 2007	30 June 2006
Subsidiaries			
Geofizyka Kraków Sp. z o. o.	Poland	100,00%	100,00%
Geofizyka Toruń Sp. z o. o.	Poland	100,00%	100,00%
PNiG Jasło Sp. z o. o.	Poland	100,00%	100,00%
PNiG Kraków Sp. z o. o.	Poland	100,00%	100,00%
PNiG Piła Sp. z o. o.	Poland	100,00%	100,00%
ZRG w Krośnie Sp. z o.o.	Poland	100,00%	100,00%
Dolnośląski Operator Systemu Dystrybucyjnego Sp. z o. o.	Poland	100,00%	100,00%
Górnośląski Operator Systemu Dystrybucyjnego Sp. z o. o.	Poland	100,00%	100,00%
Karpacki Operator Systemu Dystrybucyjnego Sp. z o. o.	Poland	100,00%	100,00%
Mazowiecki Operator Systemu Dystrybucyjnego Sp. z o. o.	Poland	100,00%	100,00%
Pomorski Operator Systemu Dystrybucyjnego Sp. z o. o.	Poland	100,00%	100,00%
Wielkopolski Operator Systemu Dystrybucyjnego Sp. z o. o.	Poland	100,00%	100,00%
Dolnośląska Spółka Obrotu Gazem Sp. z o.o.*	Poland	100,00%	-
Górnośląska Spółka Obrotu Gazem Sp. z o.o.*	Poland	100,00%	-
Karpacka Spółka Obrotu Gazem Sp. z o.o.*	Poland	100,00%	-
Mazowiecka Spółka Obrotu Gazem Sp. z o.o.*	Poland	100,00%	-
Pomorska Spółka Obrotu Gazem Sp. z o.o.*	Poland	100,00%	-
Wielkopolska Spółka Obrotu Gazem Sp. z o.o.*	Poland	100,00%	-
Gazobudowa Zabrze Sp. z o. o.	Poland	100,00%	100,00%
Naftomontaż Krosno Sp. z o. o.	Poland	88,83%	88,83%
Naftomet Krosno Sp. z o. o.	Poland	100,00%	100,00%
Diamet Sp. z o.o.	Poland	100,00%	100,00%
Gazoprojekt S.A.	Poland	75,00%	75,00%
PGNiG Finance B.V.	Netherlands	100,00%	100,00%
Geovita Sp. z o.o. Warszawa	Poland	100,00%	100,00%
INVESTGAS S.A.**	Poland	100,00%	49,00%
Polskie LNG Sp. z o.o.***	Poland	100,00%	-
Subsidiaries of Naftomontaż Krosno Sp. z o.o. – a subsidiary			
Naft-Stal Krosno Sp. z o. o.	Poland	59,88%	59,88%
Subsidiaries and Associated Entities			
EUROPOL GAZ S.A.	Poland	49,74%	49,74%
Gas-Trading S.A.	Poland	43,41%	43,41%

* The companies were registered in National Court Register and on 29 June 2007 became wholly-owned and consolidated subsidiaries of PGNiG S.A.

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

*** The company was registered in National Court Register and on 21 May 2007 became wholly-owned and consolidated subsidiaries of PGNiG S.A.

1.5. Materials events that occurred after the closing period, which were not discloser in the consolidated financial statements for the second quarter of 2007

By the date of preparation of the financial statements for the second quarter 2007, no events had occurred that should have been recognized in the accounting records of the reporting period.

1.6. 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

On 28 June 2007 the separation of gas trading companies: Dolnośląska Spółka Obrotu Gazem Sp. z o.o., Górnośląska Spółka Obrotu Gazem Sp. z o.o., Karpacka Spółka Obrotu Gazem Sp. z o.o., Mazowiecka Spółka Obrotu Gazem Sp. z o.o., Pomorska Spółka Obrotu Gazem Sp. z o.o., Wielkopolska Spółka Obrotu Gazem Sp. z o.o., was finally executed. Former gas companies changed their names to: Dolnośląski Operator Systemu Dystrybucyjnego Sp. z o.o., Górnośląski Operator Systemu Dystrybucyjnego Sp. z o.o., Karpacki Operator Systemu Dystrybucyjnego Sp. z o.o., Mazowiecki Operator Systemu Dystrybucyjnego Sp. z o.o., Pomorski Operator Systemu Dystrybucyjnego Sp. z o.o., Wielkopolski Operator Systemu Dystrybucyjnego Sp. z o.o.. Since the separation was effected by the way of transfer of selected assets in form of an organized business enterprise, this fact had no impact on the consolidated financial statement.

1.7. 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.

1.8. 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 used 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.

1.9. 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 17 April 2007 PGNiG S.A. incorporated Polskie LNG limited liability company ("PLNG") with its registered office in Świnoujście.

All shares in PLNG share capital were acquired by the sole shareholder of PGNiG S.A., specifically 28,000 shares, with a par value of PLN 1,000.00 per share, representing 100% of PLNG's share capital of PLN 28,000 thousand, and conferring the right to 100% of the total vote at the PLNG

General Shareholders Meeting. The acquired shares were paid by PGNiG S.A. in form of cash contribution.

2. On 17 April 2007 PGNiG S.A. received a letter, in which the Shareholder – the State Treasury, represented by the competent minister for the State Treasury affairs, expressed, in accordance with Article 17.2 of the Articles of Association of the Company, the consent for the acquisition of 15% interest in the license blocks PL212, PL212B and PL262 comprising Skarv and Snadd fields in the Norwegian Continental Shelf, which are the subject of the conditional sale agreement concluded on 28 February 2007 between PGNiG S.A., as the buyer, and Mobil Development Norway A/S and ExxonMobil Production Norway Inc., as the seller. The consent of the Shareholder – the State Treasury, represented by the competent minister for the State Treasury affairs, fulfils one of the conditions precedent contained in the agreement.
3. On 18 April 2007 the District Court of Toruń, VII Commercial Division of the National Court Register, registered a share capital increase at Geofizyka Toruń Sp. z o.o. of Toruń. The share capital was increased by PLN 33,000 thousand – from PLN 33,000 thousand to PLN 66,000 thousand. The shares in the increased share capital were covered with a cash contribution by the company's sole shareholder – PGNiG S.A. Following the registration of the share capital increase, the total number of votes in the company amounts to 66,000. PGNiG S.A. holds 100% of shares in Geofizyka Toruń conferring the right to 100% of votes at its shareholders meeting.

The scope of Geofizyka Toruń's business includes geological and exploration activities, geological and engineering excavation and drilling work, as well as research and development work in the area of Earth sciences, natural sciences, technical sciences and environment.

4. On 25 April 2007 the Management Board of PGNiG S.A. adopted a resolution on recommending to PGNiG's General Shareholders Meeting the distribution of the 2006 profit. On 23 May 2007 the Management Board of PGNiG S.A., revoking the provisions of the resolution of 25 April 2007, adopted a new resolution on recommending to PGNiG S.A.'s General Shareholders Meeting the distribution of the 2006 profit. The recommended distribution of the 2006 profit is presented in point 1.12 of the report.
5. On 26 April 2007 PGNiG S.A. obtained the consent of the General Shareholders Meeting for the acquisition of 15% interest in the license blocks PL212, PL212B and PL262 comprising Skarv and Snadd fields in the Norwegian Continental Shelf, which are the subject of the conditional sale agreement concluded on 28 February 2007 between PGNiG S.A., as the buyer, and Mobil Development Norway A/S and ExxonMobil Production Norway Inc., as the seller. The adoption of the resolution by the General Shareholders Meeting of PGNiG S.A. fulfils one of the conditions precedent contained in the agreement.

The General Shareholders Meeting of PGNiG S.A. expressed a consent to the formation of a dedicated company to be incorporated by PGNiG S.A. under the Norwegian law in order to carry out the above-described undertaking, and to the disposal to such company, without a bidding process, of the interests acquired by PGNiG S.A. in the license blocks in the Norwegian Continental Shelf. The company's scope of business will include, in particular, production of crude oil and natural gas and other similar activities, as well as all other related activities.

6. On 27 April 2007 PGNiG S.A. signed an annex to the syndicated loan agreement of 27 July 2005, concluded by the Company with a bank syndicate with Bank Handlowy w Warszawie S.A. as the Agent ("the Annex") and reported on in the Company's Current Report No. 53/2005 of 28 July 2005. The Annex provides for the possibility of prepaying the term loan of EUR 600,000 thousand, being part of the syndicated loan, and making available to the Company a revolving loan in the same amount. Performance of the Annex will not result in any change to the amount of funds made available to the Company under the syndicated loan or the availability period. The change concerns only the terms of advancing the funds to the Company. The term part of the credit facility will be replaced with a multi-currency (PLN, EUR, USD) revolving facility under which the Company will be able to draw funds for a selected interest period. The drawn amounts will bear interest at WIBOR, EURIBOR or LIBOR rates plus the applicable margin and, if the threshold specified in the Agreement is exceeded, a drawdown fee. Should the Company make no drawdowns, the only cost will be a commitment fee.
7. On 8 May 2007 the Management Board of PGNiG S.A. adopted Resolution No. 297/2007 on a reduction of the Company's debt through repayment of the EUR 600,000 thousand term loan facility with the Company's own funds other than proceeds from the issue of Series B Shares, after securing a revolving credit line for the same amount.

The reduction of the Company's debt is to be implemented under Management Board's Resolution No. 297/2007 of 8 May 2007, whereby the Management Board repealed its Resolution No. 461/2006 of 12 July 2006, concerning application of the share issue proceeds towards reduction of the Company's debt, in relation to the possibility of using proceeds from the issue of Series B Shares to reduce the Company's debt.

As part of the debt reduction, under the Annex to the loan agreement of 27 July 2005 (reported on by the Company in Current Report No. 27/2007 of 27 April 2007), the Company will repay the EUR 600,000 thousand term loan facility, simultaneously securing the same amount under a revolving loan.

Repayment of the Company's debt with own funds other than the share issue proceeds will have no adverse effect on the feasibility or timetable of the Company's investment projects. The solution adopted by the Company will contribute to a significant reduction of the cost of debt service by the Company, as it will eliminate the situation where the Company uses the loan and simultaneously invests the borrowed funds on the financial market, thus incurring the cost of credit spread.

The Management Board would like to emphasise that the Company intends to continue with the investment projects described in the Issue Prospectus for Series B Shares. The projects continue to be executed and financed the issue proceeds.

8. On 1 June 2007 PGNiG S.A. received a letter in which the Norwegian Ministry of Petroleum and Energy has waived its right of first refusal with respect to 15% interest in the license blocks PL212, PL212B and PL262 comprising Skarv and Snadd fields in the Norwegian Continental Shelf, which are the subject of the conditional sale agreement concluded on 28 February 2007 between PGNiG S.A., as the buyer, and Mobil Development Norway A/S and ExxonMobil Production Norway Inc., as the seller. The waiver or failure to exercise said right of first refusal by the Ministry of Petroleum and Energy constituted one of the conditions precedent to the execution of the transaction between PGNiG S.A. and ExxonMobil. The Company informed about the conclusion of the agreement in the Current Report No. 6/2007 dated 28 February 2007.
9. On 20 June 2007 PGNiG S.A. joined and acquired, free of charge, 15% interest in the Gassco Consortium, which is developing the Skanled pipeline from Karsto in Norway to Sweden and Denmark. With the acquisition of interest in the Consortium, PGNiG S.A. has the right to take part in decisions concerning all its matters, the right to decision regarding capacity booking and access to the entire project documentation.

Currently the project is in Design Phase 3, during which the Consortium plans, among other things, to obtain environmental approvals and construction permits. Upon completion of this phase, in October 2009, the final investment decision is expected. The passing on to Phase 4 will depend on individual decisions of each member of the Consortium. Depending on the overall project assessment, following review of the financial and technical documentation, the Company will take an appropriate decision.

10. The Management Board of PGNiG S.A. informed about registration of amendments in the Gas Companies' deeds:
 - a) on 22 June 2007 the District Court for Poznan, XXI Economic Department of National Court Register, registered the following amendments in Wielkopolska Spółka Gazownictwa Sp. z o.o. with its registered office in Poznan:
 - change of the former name of the company – Wielkopolska Spółka Gazownictwa Sp. z o.o. to the name of Wielkopolski Operator Systemu Dystrybucyjnego Sp. z o.o. ("WOSD");
 - change to the scope of business of Wielkopolska Spółka Gazownictwa through alignment of its scope of business as appropriate for WOSD (a regional distribution system operator); WOSD's business scope includes distribution of natural gas;
 - decrease of the share capital of WOSD. The share capital was decreased from PLN 893,019 thousand down to PLN 847,159 thousand – i.e. by the amount of PLN 45,860 thousand by redeeming 45,860 shares of nominal value of 1,000.00, held by PGNiG S.A. Upon registration of the decrease of the share capital, the number of shares in the Company totals 847,159. PGNiG S.A. holds 100% of the shares in WOSD, representing 100% of the votes at the shareholder meeting.
 - b) on 25 June 2007 the Management Board of PGNiG S.A. was informed that the District Court for Gliwice, X Economic Department of the National Court Register, registered the following amendments to the deed of Górnośląska Spółka Gazownictwa Sp. z o.o. having its registered office in Zabrze:

- change of the former name of the company – Górnioślaska Spółka Gazownictwa Sp. z o.o. to the name of Górnioślaski Operator Systemu Dystrybucyjnego Sp. z o.o. (“GOSD”);
 - change to the scope of business of Górnioślaska Spółka Gazownictwa through alignment of its scope of business as appropriate for GOSD (a regional distribution system operator); GOSD’s business scope includes distribution of natural gas;
 - decrease of the share capital of GOSD. The share capital was decreased from PLN 1,292,551 thousand down to PLN 1,197,314 thousand – i.e. by the amount of PLN 95,237 thousand by redeeming 95,237 shares of nominal value of 1,000.00, held by PGNiG S.A. Upon registration of the decrease of the share capital, the number of shares in the Company totals 1,197,314. PGNiG S.A. holds 100% of the shares in GOSD, representing 100% of the votes at the shareholder meeting.
- c) on 26 June 2007 the District Court for Krakow, XII Economic Department of the National Court Register, registered the following amendments to the deed of Karpacka Spółka Gazownictwa Sp. z o.o. having its registered office in Tarnow:
- change of the former name of the company – Karpacka Spółka Gazownictwa Sp. z o.o. to the name of Karpacki Operator Systemu Dystrybucyjnego Sp. z o.o. (“KOSD”);
 - change to the scope of business of Karpacka Spółka Gazownictwa through alignment of its scope of business as appropriate for KOSD (a regional distribution system operator); KOSD’s business scope includes distribution of natural gas;
 - decrease of the share capital of KOSD. The share capital was decreased from PLN 1,570,832 thousand down to PLN 1,310,749 thousand – i.e. by the amount of PLN 260,083 thousand by redeeming 260,083 shares of nominal value of 1,000.00, held by PGNiG S.A. Upon registration of the decrease of the share capital, the number of shares in the Company totals 1,310,749. PGNiG S.A. holds 100% of the shares in KOSD, representing 100% of the votes at the shareholder meeting.
- d) on 27 June 2007 the District Court for Wroclaw, VI Economic Department of the National Court Register, registered the following amendments to the deed of Dolnoślaska Spółka Gazownictwa Sp. z o.o. having its registered office in Wroclaw:
- change of the former name of the company – Dolnoślaska Spółka Gazownictwa Sp. z o.o. to the name of Dolnoślaski Operator Systemu Dystrybucyjnego Sp. z o.o. (“DOSD”);
 - change to the scope of business of Dolnoślaska Spółka Gazownictwa through alignment of its scope of business as appropriate for DOSD (a regional distribution system operator); DOSD’s business scope includes distribution of natural gas;
 - decrease of the share capital of DOSD. The share capital was decreased from PLN 552,762 thousand down to PLN 546,448 thousand – i.e. by the amount of PLN 6,314 thousand by redeeming 6,314 shares of nominal value of 1,000.00, held by PGNiG S.A. Upon registration of the decrease of the share capital, the number of shares in the Company totals 546,448. PGNiG S.A. holds 100% of the shares in DOSD, representing 100% of the votes at the shareholder meeting.
- e) on 27 June 2007 the District Court for Gdansk, VII Economic Department of the National Court Register, registered the following amendments to the deed of Pomorska Spółka Gazownictwa Sp. z o.o. having its registered office in Gdansk:
- change of the former name of the company – Pomorska Spółka Gazownictwa Sp. z o.o. to the name of Pomorski Operator Systemu Dystrybucyjnego Sp. z o.o. (“POSZ”);
 - change to the scope of business of Pomorska Spółka Gazownictwa through alignment of its scope of business as appropriate for POSZ (a regional distribution system operator); POSZ’s business scope includes distribution of natural gas;
 - decrease of the share capital of POSZ. The share capital was decreased from PLN 563,031 thousand down to PLN 502,750 thousand – i.e. by the amount of PLN 60,281 thousand by redeeming 60,281 shares of nominal value of 1,000.00, held by PGNiG S.A. Upon registration of the decrease of the share capital, the number of shares in the Company totals 502,750. PGNiG S.A. holds 100% of the shares in GOSD, representing 100% of the votes at the shareholder meeting.
- f) on 27 June 2007 the District Court for Warsaw, XII Economic Department of the National Court Register, registered the following amendments to the deed of Mazowiecka Spółka Gazownictwa Sp. z o.o. having its registered office in Warsaw:
- change of the former name of the company – Mazowiecka Spółka Gazownictwa Sp. z o.o. to the name of Mazowiecki Operator Systemu Dystrybucyjnego Sp. z o.o. (“MOSD”);

- change to the scope of business of Mazowiecka Spółka Gazownictwa through alignment of its scope of business as appropriate for MOSD (a regional distribution system operator); MOSD's business scope includes distribution of natural gas;
- decrease of the share capital of MOSD. The share capital was decreased from PLN 999,634 thousand down to PLN 930,819 thousand – i.e. by the amount of PLN 68,815 thousand by redeeming 68,815 shares of nominal value of 1,000.00, held by PGNiG S.A. Upon registration of the decrease of the share capital, the number of shares in the Company totals 930,819. PGNiG S.A. holds 100% of the shares in MOSD, representing 100% of the votes at the shareholder meeting.

11. The Management Board of PGNiG S.A. informed that on 29 June 2007 was advised of the following registrations:

- a) on 29 June 2007, in the District Court in Warsaw, XII Commercial Division of the National Court Register, an increase of the share capital of Dolnośląska Spółka Obrotu Gazem Sp. z o.o. ("DSOG") having its registered office in Warsaw.

The capital increase was effected as a result of the division of Dolnośląska Spółka Gazownictwa Sp. z o.o. by way of transfer of selected assets in the form of an organised business enterprise to the existing Dolnośląska Spółka Obrotu Gazem Sp. z o.o. (division through spin-off) in accordance with the procedure provided for in Article 529 § 1.4 of the Commercial Companies Code.

The share capital was increased from PLN 50 thousand to PLN 6,364 thousand, i.e. by the amount of PLN 6,314 thousand. The shares in the increased share capital were covered by cash and non-cash contributions.

According to the division balance-sheet of Dolnośląska Spółka Gazownictwa Sp. z o.o. prepared as at 1 January 2007, the book value of the assets contributed in kind is PLN 129,712,827.10, while the cash contribution amounts to PLN 5,037,138.03, and the value of liabilities and provisions stands at PLN 128,435,965.13.

Upon registration of the share capital increase, the total number of votes in the Company is 6,364. PGNiG S.A. holds 100% of the shares in DSOG, representing 100% of the votes in the general shareholders meeting.

The scope of business of DSOG encompasses, among other activities, natural gas trade.

- b) on 29 June 2007, in the District Court in Warsaw, XII Commercial Division of the National Court Register, an increase of the share capital of Górnośląska Spółka Obrotu Gazem Sp. z o.o. ("GSOG") having its registered office in Warsaw.

The capital increase was effected as a result of the division of Górnośląska Spółka Gazownictwa Sp. z o.o. by way of transfer of selected assets in the form of an organised business enterprise to the existing Górnośląska Spółka Obrotu Gazem Sp. z o.o. (division through spin-off) in accordance with the procedure provided for in Article 529 § 1.4 of the Commercial Companies Code.

The share capital was increased from PLN 50 thousand to PLN 95,287 thousand, i.e. by the amount of PLN 95,237 thousand. The shares in the increased share capital were covered by cash and non-cash contributions.

According to the division balance-sheet of Górnośląska Spółka Gazownictwa Sp. z o.o. prepared as at 1 January 2007, the book value of the assets contributed in kind is PLN 258,781,860.64, while the cash contribution amounts to PLN 4,531,128.67 and the value of liabilities and provisions stands at PLN 166,788,989.31.

Upon registration of the share capital increase, the total number of votes in the Company is 95,287. PGNiG S.A. holds 100% of the shares in GSOG, representing 100% of the votes in the general shareholders meeting.

The scope of business of GSOG encompasses, among other activities, natural gas trade.

- c) on 29 June 2007, in the District Court in Warsaw, XII Commercial Division of the National Court Register, an increase of the share capital of Karpacka Spółka Obrotu Gazem Sp. z o.o. ("KSOG") having its registered office in Warsaw.

The capital increase was effected as a result of the division of Karpacka Spółka Gazownictwa Sp. z o.o. by way of transfer of selected assets in the form of an organised business enterprise to the existing Karpacka Spółka Obrotu Gazem Sp. z o.o. (division through spin-off) in accordance with the procedure provided for in Article 529 § 1.4 of the Commercial Companies Code.

The share capital was increased from PLN 50 thousand to PLN 260,133 thousand, i.e. by the amount of PLN 260,083 thousand. The shares in the increased share capital were covered by cash and non-cash contributions.

According to the division balance-sheet of Karpacka Spółka Gazownictwa Sp. z o.o. prepared as at 1 January 2007, the book value of the assets contributed in kind is PLN 315,479,419.26, while the cash contribution amounts to PLN 178,576,207.72 and the value of liabilities and provisions stands at PLN 233,972,626.98.

Upon registration of the share capital increase, the total number of votes in the Company is 260,133. PGNiG S.A. holds 100% of the shares in KSOG, representing 100% of the votes in the general shareholders meeting.

The scope of business of KSOG encompasses, among other activities, natural gas trade.

- d) on 29 June 2007, in the District Court in Warsaw, XII Commercial Division of the National Court Register, an increase of the share capital of Mazowiecka Spółka Obrotu Gazem Sp. z o.o. ("MSOG") having its registered office in Warsaw.

The capital increase was effected as a result of the division of Mazowiecka Spółka Gazownictwa Sp. z o.o. by way of transfer of selected assets in the form of an organised business enterprise to the existing Mazowiecka Spółka Obrotu Gazem Sp. z o.o. (division through spin-off) in accordance with the procedure provided for in Article 529 § 1.4 of the Commercial Companies Code.

The share capital was increased from PLN 50 thousand to PLN 68,865 thousand, i.e. by the amount of PLN 68,815 thousand. The shares in the increased share capital were covered by cash and non-cash contributions.

According to the division balance-sheet of Mazowiecka Spółka Gazownictwa Sp. z o.o. prepared as at 1 January 2007, the book value of the assets contributed in kind is PLN 369,938,321.67, while the cash contribution amounts to PLN 4,661,586.94 and the value of liabilities and provisions stands at PLN 305,784,908.61.

Upon registration of the share capital increase, the total number of votes in the Company is 68,865. PGNiG S.A. holds 100% of the shares in MSOG, representing 100% of the votes in the general shareholders meeting.

The scope of business of MSOG encompasses, among other activities, natural gas trade.

- e) on 29 June 2007, in the District Court in Warsaw, XII Commercial Division of the National Court Register, an increase of the share capital of Pomorska Spółka Obrotu Gazem Sp. z o.o. ("PSOG") having its registered office in Warsaw.

The capital increase was effected as a result of the division of Pomorska Spółka Gazownictwa Sp. z o.o. by way of transfer of selected assets in the form of an organised business enterprise to the existing Pomorska Spółka Obrotu Gazem Sp. z o.o. (division through spin-off) in accordance with the procedure provided for in Article 529 § 1.4 of the Commercial Companies Code.

The share capital was increased from PLN 50 thousand to PLN 60,331 thousand, i.e. by the amount of PLN 60,281 thousand. The shares in the increased share capital were covered by cash and non-cash contributions.

According to the division balance-sheet of Pomorska Spółka Gazownictwa Sp. z o.o. prepared as at 1 January 2007, the book value of the assets contributed in kind is PLN 160,370,806.32, while the cash contribution amounts to PLN 3,791,864.33 and the value of liabilities and provisions stands at PLN 103,881,670.65.

Upon registration of the share capital increase, the total number of votes in the Company is 60,331. PGNiG S.A. holds 100% of the shares in PSOG, representing 100% of the votes in the general shareholders meeting.

The scope of business of PSOG encompasses, among other activities, natural gas trade.

- f) on 29 June 2007, in the District Court in Warsaw, 12th Commercial Division of the National Court Register, an increase of the share capital of Wielkopolska Spółka Obrotu Gazem Sp. z o.o. ("WSOG") having its registered office in Warsaw.

The capital increase was effected as a result of the division of Wielkopolska Spółka Gazownictwa Sp. z o.o. by way of transfer of selected assets in the form of an organised business enterprise to the existing Wielkopolska Spółka Obrotu Gazem Sp. z o.o. (division through spin-off) in accordance with the procedure provided for in Article 529 § 1.4 of the Commercial Companies Code.

The share capital was increased from PLN 50 thousand to PLN 45,910 thousand, i.e. by the amount of PLN 45,860,000.00. The shares in the increased share capital were covered by a contribution in kind.

According to the division balance-sheet of Wielkopolska Spółka Gazownictwa Sp. z o.o. prepared as at 1 January 2007, the book value of the assets contributed in kind is PLN 244,056,121.59, and the value of liabilities and provisions stands at PLN 198,196,121.59.

Upon registration of the share capital increase, the total number of votes in the Company is 45,910. PGNiG holds 100% of the shares in WSOG, representing 100% of the votes in the general shareholders meeting.

The scope of business of WSOG encompasses, among other activities, natural gas trade.

12. On 2 July 2007 an Annex to the Operating Lease Agreement of 6 July 2006 between PGNiG S.A. and the Transmission System Operator OGP GAZ SYSTEM S.A. was executed. As a result of the execution of the Annex certain distribution assets for the value of PLN 851,939,158.22 will be excluded from the subject of the lease as of 1 January 2008. The above measure is in line with the "Policy Guidelines form the Natural Gas Industry" approved by the Council of Ministers on 20 March 2007, which is aimed at improving the functionality of the transmission system and the distribution systems. The implementation of the aforementioned policy necessitates that the gas system that is currently subject to the lease be divided into the transmission and distribution parts, and subsequently, following the exclusion of the distribution assets from the lease, such assets be transferred for use to the Distribution Companies – the distribution system operators. Additionally, the parties signed an Agreement concerning the ongoing investments and maintenance of the assets to be excluded from the lease, existing agreements for connection to the gas network and service agreements, employees and existing and new customers to be connected under the current agreements for connection to the gas network.
13. On 3 July 2007 the Extraordinary General Meeting of PGNiG S.A. resolved on the merger of PGNiG S.A. with Dolnośląska Spółka Obrotu Gazem spółka z o.o., Górnośląska Spółka Obrotu Gazem spółka z o.o., Karpacka Spółka Obrotu Gazem spółka z o.o., Mazowiecka Spółka Obrotu Gazem spółka z o.o., Pomorska Spółka Obrotu Gazem spółka z o.o. Wielkopolska Spółka Obrotu Gazem spółka z o.o.
14. On 28 June 2007 the Annual General Shareholders Meeting of PGNiG S.A. passed resolutions concerning approval of the Management's Report on the Company's activity for the year 2006, financial statements of PGNiG S.A. for the year 2006, consolidated financial statements for the year 2006 prepared in accordance with the International Financial Reporting Standards and the Management's Report on the PGNiG Capital Group's activity for the year 2006. The Annual General Shareholders Meeting of PGNiG S.A. acknowledged discharge of duties in the financial year 2006 by members of the Management Board of PGNiG S.A. and the Supervisory Board of PGNiG S.A. and also resolved to distribute the net profit for the financial year 2006 (PLN 0.17 per share), set the dividend date at 27 July 2007 and set the dividend payment date at 1 October 2007.
15. On 13 July 2007 PGNiG S.A. received the registration documents of PGNiG Norway AS (AKSJESKAP, i.e. limited liability company), with registered office in Stavanger ("PGNiG Norway"). All shares in PGNiG Norway, i.e. 10,000 shares with a par value of NOK 1,000 per share, representing 100% of the company's share capital, i.e. NOK 10,000 thousand (equivalent of PLN 4,734,000.00, as translated in accordance with exchange rate table No. 135/A/NBP/2007 of July 13 2007), and 100% of votes at the general shareholders meeting, were acquired by PGNiG S.A., its sole shareholder. The shares were paid up by PGNiG S.A. with cash. The core business of PGNiG Norway comprises in particular production of crude oil and natural gas and other activities of a similar nature, as well any other activities related to the production of crude oil and natural gas. The acquisition was financed with PGNiG S.A.'s own funds.
16. On 24 July 2007 PGNiG S.A. informed that according to a revised forecast, the production of natural gas will increase from 4.3bn m3 in 2006 to approx. 4.6bn m3 in 2008, and to approx. 5.0bn m3 in 2009. The forecast for gas production increase has been revised owing to the emergence of risks that are beyond PGNiG S.A.'s control, described in the Issue Prospectus for Series B Shares, i.e. the risk related to implementation of the Company's capex programme, risk of changes in gas delivery contracts with direct customers, and risk related to changes in legal regulations. The revised forecast was prepared without taking into account newly discovered reserves, where additional production may start in 2010.
17. Acting pursuant to Par. 33.1.5 of the Company's Articles of Association, the Supervisory Board of PGNiG S.A., whose meeting was held on 26 July 2007, adopted resolution to appoint Deloitte Audyt Sp. z o.o., with registered office at ul. Piękna 18, Warsaw, as the auditor of the non-consolidated and consolidated financial statements of PGNiG S.A. for the financial years 2007, 2008 and 2009. Deloitte Audyt Sp. z o.o. is an entity entered on the list of qualified auditors of financial statements, maintained by the National Board of Chartered Auditors, under No 73. In the previous financial years, the Company's non-consolidated and consolidated financial statements were audited by Deloitte Audyt Sp. z o.o. The appointment of Deloitte Audyt Sp. z o.o. was made on the basis of Art.

134.1 of the Public Procurement Law, as amended, of January 29th 2004 (in an open-tender procedure).

18. On 30 July 2007 the power of proxy of Mr Bogusław Marzec, Executive Director for Economics, was revoked.

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

On 15 March 2007 the President of the Energy Regulatory Office extended the effective term of tariff for another 6 months. The tariff will be valid for 9 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, effective from 1 January 2007 to 30 September 2007.

Tariff group	Price for gaseous fuel PLN/m³	Standing charge rates 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

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

In the period from 1 January to 30 June 2007 no such events took place in the Capital Group.

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

On 28 June 2007 the Annual General Shareholders Meeting of PGNiG S.A. adopted a resolution No. 22 on distribution of the 2006 balance-sheet profit of PLN 1,582,268 thousand as follows:

- a) PLN 545,312 thousand to be allocated to the Company's reserve funds (the General Shareholders Meeting of PGNiG S.A. will resolve on the appropriation of this amount)
- b) PLN 1,003,000 thousand to be allocated to payment of dividend (which means dividend of PLN 0,17 per share), including:
 - PLN 850,000 thousand to be paid out as cash- or non-cash dividend to the State Treasury, the assets to be distributed as dividend and the valuation method will be defined in a resolution of the General Shareholders Meeting of PGNiG S.A.,
 - PLN 153,000 thousand to be paid out as cash dividend to the other shareholders,
- c) PLN 9,000 thousand to be contributed to the Company's Social Benefits Fund,
- d) PLN 24,956 thousand to be allocated to employee awards.

The Annual General Shareholders Meeting of PGNiG S.A. set the dividend date at 27 July 2007 and the dividend payment date at 1 October 2007.

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

Selected financial data of the PGNiG Capital Group and of the PGNiG S.A. have been presented at the beginning of this report.

1.14. 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 2007.

1.15. 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 2007-05-16 - 2007-08-13	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

1.16. 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

1.17. 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 second quarter of 2007 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.

1.18. 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 30 June 2007, there were no non-standard transactions in the Capital Group between related parties, where the transaction value exceeded EUR 500.0 thousand.

1.19. 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 30 June 2007 there was no such guarantee or surety granted in the Capital Group.

1.20. 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

The main factors, that could possibly have influence on the results accomplished in the following quarters are primarily currency rates and interest rates upon which depend costs of gas purchase and costs of debt service as well as prices of crude oil and petrochemicals on the international market.

1.21. 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 prices of crude oil and petrochemicals on the international market.

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

In the second quarter 2007 there was no significant changes in contingent liabilities. As for contingent assets, PGNiG S.A. received a declaration from Zakłady Azotowe Kędzierzyn S.A. of voluntary submission to execution under Art. 777.1.5 of Civil Procedure Rules for an amount of PLN 212 million with expiration date 31 January 2008.

2. Additional explanatory notes to the consolidated financial statement

2.1. Deferred tax

	Deferred tax asset	Provision for deferred income tax
Opening balance as of 1 January 2007	440 596	2 056 074
a) increases	25 613	15 759
b) decreases	(101 264)	(112 008)
Closing balance on 30 June 2007	364 945	1 959 825

2.2. Revaluation write-downs on assets

	Fixed assets and intangible assets	Other financial assets	Investments in associated companies measured using the equity method	Financial assets available for sale – long-term	Inventory	Short-term receivables	Due amount of long-term loans	Financial assets available for sale – short-term	Total
Opening balance as of 1 January 2007	12 238 473	7 421	780 537	53 326	32 034	865 206	198 820	2 808	14 178 625
a) increases	43 080	503	4 430	126	1 109	66 134	12 895	-	123 847
b) reclassification	-	(2 479)	-	-	-	-	2 479	-	-
b) decreases	(158 990)	(687)	-	(257)	(1 369)	(78 101)	(36 947)	-	(271 921)
Closing balance on 30 June 2007	12 122 563	4 758	784 967	53 195	31 774	853 239	177 247	2 808	14 030 551

2.3. Provisions

Provision for retirement and similar benefits	Jubilee bonuses and retirement severance pay	Provision for pension allowances	Provision for welfare allowances	Other provisions for retirement and similar benefits	Total
Opening balance as of 1 January 2007	337 499	82 198	14 760	17 030	451 487
a) increases	20 811	754	47	2 896	24 508
b) transfers	-	-	-	(9 740)	(9 740)
c) decreases	(13 312)	(11 134)	(3 662)	(252)	(28 360)
Closing balance on 30 June 2007	344 998	71 818	11 145	9 934	437 895

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	Central Restructuring Fund	Other	Total
Opening balance as of 1 January 2007	686 690	53 956	4 068	85 153	-	72 293	902 160
a) increases	54 297	14 605	-	-	-	17 252	86 154
b) reclassification	-	-	-	(481)	9 740	481	9 740
c) decreases	(9 569)	-	(2 068)	(60)	(1 730)	(23 327)	(36 754)
Closing balance on 30 June 2007	731 418	68 561	2 000	84 612	8 010	66 699	961 300

2.4. Industry segments

Period ended 30 June 2007	Exploration and production	Trade and storage	Distribution	Other	Elimination	Total
Profit and loss						
External sales	1 026 959	2 317 252	5 037 733	58 541		8 440 485
Sales between lines of business	587 733	3 772 931	4 900	113 461	(4 479 025)	-
Total revenue	1 614 692	6 090 183	5 042 633	172 002	(4 479 025)	8 440 485
Amortization	(273 060)	(61 959)	(362 273)	(5 044)		(702 336)
Other costs	(761 371)	(5 328 581)	(4 595 599)	(161 055)	4 479 103	(6 367 503)
Total cost	(1 034 431)	(5 390 540)	(4 957 872)	(166 099)	4 479 103	(7 069 839)
Result on operating activity	580 261	699 643	84 761	5 903	78	1 370 646
Net interest and other financial expenses						70 167
Share in profits/(losses) of controlled entities measured using the equity method		(21 626)				(21 626)
Gross profit						1 419 187
Income tax						(284 334)
Net profit/loss						1 134 853
Balance sheet						
Segment assets	8 096 702	9 068 914	11 309 343	305 527	(728 642)	28 051 844
Shares in associated entities		567 658				567 658
Unassigned assets						32 054
Deferred tax asset						364 945
Total assets						29 016 501
Total equity						21 335 817
Liabilities of the line of business	1 354 011	2 211 078	2 475 229	80 307	(728 205)	5 392 420
Unassigned liabilities						328 439
Provision for deferred tax						1 959 825
Total Equity and Liabilities						29 016 501
Other segmental information						
Capital expenditure for tangible fixed assets	(288 843)	(216 071)	(397 014)	(3 131)		(905 059)
Revaluation write-downs on assets	(2 515 725)	(2 068 022)	(9 387 424)	(3 377)		(13 974 548)
Revaluation write-downs on unassigned assets						(56 003)

Polskie Górnictwo Naftowe i Gazownictwo Capital Group
Consolidated Financial Statements prepared for the 6 months periods ending on 30 June 2007 and 30 June 2006
(in thousands of zlotys)

Period ended 30 June 2006*	Exploration and production	Trade, storage, transmission	Distribution	Other	Elimination	Total
Profit and loss						
External sales	872 800	2 083 618	5 180 712	47 639	-	8 184 769
Sales between lines of business	475 710	3 928 636	4 928	75 892	(4 485 166)	-
Total revenue	1 348 510	6 012 254	5 185 640	123 531	(4 485 166)	8 184 769
Amortization	(232 572)	(78 229)	(332 651)	(5 200)	-	(648 652)
Other costs	(790 990)	(5 557 271)	(4 605 324)	(114 894)	4 484 500	(6 583 979)
Total cost	(1 023 562)	(5 635 500)	(4 937 975)	(120 094)	4 484 500	(7 232 631)
Result on operating activity	324 948	376 754	247 665	3 437	(666)	952 138
Net interest and other financial expenses						31 873
Share in profits/(losses) of controlled entities measured using the equity method		(30 115)				(30 115)
Gross profit						953 896
Income tax						(221 462)
Net profit/loss						732 434
Balance sheet						
Segment assets	7 232 143	11 200 121	10 947 408	240 494	(356 008)	29 264 158
Shares in associated entities		481 961				481 961
Unassigned assets						496 234
Deferred tax asset						405 737
Total assets						30 648 090
Total equity						20 545 638
Liabilities of the line of business	981 616	2 522 159	1 919 011	76 633	(355 715)	5 143 704
Unassigned liabilities						2 875 374
Provision for deferred tax						2 083 374
Total Equity and Liabilities						30 648 090
Other segmental information						
Capital expenditure for tangible fixed assets	(141 568)	(187 816)	(340 702)	(3 782)		(673 868)
Revaluation write-downs on assets	(2 579 414)	(1 944 333)	(9 579 063)	(25 249)		(14 128 059)
Revaluation write-downs on unassigned assets						(53 537)

* The comparative data for the second quarter of 2006 were corrected to ensure comparability with the second quarter of 2007 on elimination of assets and liabilities concerning Company's Social Benefits Fund.

2.5. Revenues from sales of products, goods and materials

	2 quarters / 2007 from 2007-01-01 to 2007-06-30	2 quarters / 2006 from 2006-01-01 to 2006-06-30
High-methane gas	6 786 482	6 642 975
Nitrated gas	636 872	620 856
Crude oil	333 194	345 323
Helium	15 787	15 122
Propane-butane gas	17 395	18 837
Gasoline	979	3 831
LNG	7 847	7 357
Geophysical and geological services	227 215	164 719
Prospecting services	222 014	122 158
Goods and materials	10 507	13 415
Other sales of products and services	182 193	230 176
Total	8 440 485	8 184 769

2.6. Revenues from leasing payments

	2 quarters / 2007 from 2007-01-01 to 2007-06-30	2 quarters / 2006 from 2006-01-01 to 2006-06-30
Interest	113 275	146 158
Repayments	100 253	118 825
Total	213 528	264 983

2.7. Operating expenses

	2 quarters / 2007 from 2007-01-01 to 2007-06-30	2 quarters / 2006 from 2006-01-01 to 2006-06-30
Consumption of raw materials and materials		
Gas purchase	(4 001 088)	(4 249 790)
Consumption of other raw materials and materials	(290 110)	(239 566)
Total	(4 291 198)	(4 489 356)

	2 quarters / 2007 from 2007-01-01 to 2007-06-30	2 quarters / 2006 from 2006-01-01 to 2006-06-30
External services		
Purchase of transmission	(733 758)	(871 702)
Other external services	(540 305)	(458 763)
Total	(1 274 063)	(1 330 465)

3. Additional explanatory notes to the non-consolidated financial statement

3.1. Deferred tax

	Deferred tax asset	Provision for deferred income tax
Opening balance as of 1 January 2007	288 941	1 115 547
a) increases	11 608	1 609
b) decreases	(58 780)	(21 457)
Closing balance on 30 June 2007	241 770	1 095 699

3.2. Revaluation write-downs on assets

	Fixed assets and intangible assets	Investment real property	Other financial assets	Financial assets available for sale – long-term	Inventory	Short-term receivables	Due amount of long-term loans	Financial assets available for sale – short-term	Total
Opening balance as of 1 January 2007	3 039 908	2 035	29 191	1 461 544	22 839	691 556	209 021	79 808	5 535 901
a) increases	42 531	1	503	6 507	2	6 273	19 406	-	75 223
b) reclassification	-	-	(3 939)	-	-	-	3 939	-	-
b) decreases	(149 495)	(13)	(1 787)	(257)	-	(46 014)	(44 210)	-	(241 777)
Closing balance on 30 June 2007	2 932 944	2 023	23 967	1 467 794	22 841	651 814	188 157	79 808	5 369 348

3.3. Provisions

Provision for retirement and similar benefits	Provision for jubilee bonuses and retirement severance pay	Provision for pension allowances	Provision for welfare allowances	Other provisions for retirement and similar benefits	Total
Opening balance as of 1 January 2007	82 906	82 197	9 017	4 869	178 989
a) increases	8 424	754	-	-	9 178
b) decreases	(3 828)	(11 133)	(1 299)	-	(16 259)
Closing balance on 30 June 2007	87 503	71 818	7 718	4 869	171 907

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	Central Restructuring Fund	Provision for Employee Awards Fund and additional write-off to Social Benefits Fund	Other	Total
Opening balance as of 1 January 2007	686 690	53 956	4 068	44 368	9 740	34 156	32 167	865 145
a) increases	54 297	14 605	-	-	-	-	773	69 674
b) decreases	(9 569)	-	(2 068)	-	(1 730)	(9 000)	(11 211)	(33 578)
Closing balance on 30 June 2007	731 418	68 561	2 000	44 368	8 010	25 156	21 728	901 241

3.4. Revenues from sales of products, goods and materials

	2 quarters / 2007 from 2007-01-01 to 2007-06-30	2 quarters / 2006 from 2006-01-01 to 2006-06-30
High-methane gas	5 629 280	5 489 709
Nitrated gas	537 734	533 725
Crude oil	333 194	345 323
Helium	15 788	15 123
Propane-butane gas	13 152	14 022
Gasoline	979	3 831
LNG	8 338	6 664
Geophysical and geological services	14	31
Goods and materials	1 569	837
Other sales of products and services	110 437	155 008
Total	6 650 485	6 564 273

3.5. Revenues from leasing payments

	2 quarters / 2007 from 2007-01-01 to 2007-06-30	2 quarters / 2006 from 2006-01-01 to 2006-06-30
Interest	113 275	146 158
Repayments	100 253	118 825
Total	213 528	264 983

3.6. Operating expenses

Consumption of raw materials and materials	2 quarters / 2007 from 2007-01-01 to 2007-06-30	2 quarters / 2006 from 2006-01-01 to 2006-06-30
Gas purchase	(4 001 398)	(4 252 099)
Consumption of other raw materials and materials	(50 354)	(39 998)
Total	(4 051 752)	(4 292 097)

External services	2 quarters / 2007 from 2007-01-01 to 2007-06-30	2 quarters / 2006 from 2006-01-01 to 2006-06-30
Purchase of transmission	(733 761)	(871 702)
Other external services	(276 503)	(283 597)
Total	(1 010 265)	(1 155 299)

4. Adjustments to the consolidated financial statements prepared in accordance with Polish Accounting Standards (PAS) for comparative period

	31 December 2006	30 June 2006
Equity according to PAS	12 021 456	11 106 871
Revaluation of tangible fixed assets on 1 January 2004	5 702 751	6 060 016
Deferred tax	(1 101 517)	(1 143 101)
Payments from profit for social activity	-	-
Other	(33 956)	(43 693)
Equity according to IFRS	16 588 734	15 980 093

	31 December 2006	30 June 2006
Financial result according to PAS	1 582 268	667 701
Revaluation of tangible fixed assets on 1 January 2004	(572 044)	(214 779)
Deferred tax	81 564	39 980
Payments from profit for social activity	(42 900)	(42 900)
Other	14 095	4 358
Financial result according to IFRS	1 062 983	454 360