



# **PGNiG**

**Polskie Górnictwo Naftowe  
i Gazownictwo SA**

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE QUARTER PERIODS  
ENDED ON 30 SEPTEMBER 2006 AND 30 SEPTEMBER 2005**

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

## SELECTED FINANCIAL DATA

	3 quarters / 2006 from 2006-01-01 to 2006-09-30	3 quarters / 2005 from 2005-01-01 to 2005-09-30	3 quarters / 2006 from 2006-01-01 to 2006-09-30	3 quarters / 2005 from 2005-01-01 to 2005-09-30
	(in PLN '000)		(in EUR '000)	
I. Net revenues from sales of products, goods and materials	10 958 240	8 544 644	2 797 539	2 105 474
II. Profit (loss) on operating activities	1 095 502	1 023 801	279 672	252 273
III. Gross profit (loss)	1 120 744	913 239	286 116	225 030
IV. Net profit (loss)	862 435	598 349	220 172	147 438
V. Net cash flows from operating activities	1 563 605	2 079 445	399 174	512 393
VI. Net cash flows from investment activities	(500 410)	(645 320)	(127 750)	(159 012)
VII. Net cash flows from financial activities	(151 254)	1 403 904	(38 614)	345 934
VIII. Total net cash flows	911 941	2 838 029	232 810	699 315
IX. Total assets	30 604 954	30 435 200	7 682 931	7 770 822
X. Liabilities and provisions for liabilities	9 917 325	12 467 302	2 489 601	3 183 195
XI. Long-term liabilities	6 608 666	4 493 487	1 659 010	1 147 293
XII. Short-term liabilities	3 308 659	7 973 815	830 591	2 035 902
XIII. Equity	20 687 629	17 967 898	5 193 330	4 587 627
XIV. Share capital	5 900 000	5 000 000	1 481 110	1 276 617
XV. Number of shares (average weighted in PLN '000)	5 900 000	5 000 000	5 900 000	5 000 000
XVI. Profit (loss) per ordinary share (in PLN/EUR)	0,15	0,12	0,04	0,03
XVII. Diluted profit (loss) per ordinary share (in PLN/EUR)	0,15	0,12	0,04	0,03
XVIII. Book value per share (in PLN/EUR)	3,51	3,59	0,88	0,92
XIX. Diluted book value per share (in PLN/EUR)	3,51	3,59	0,88	0,92
XX. Declared or paid dividend per share (in PLN/EUR)*	0,15	0,10	0,04	0,03

\*The dividend for 2005 was translated into EUR using the exchange rate announced by the NBP on 30 September 2006. The dividend day is 27 July, and the payment was effected at of 2 October 2006.

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

## AVERAGE EUR EXCHANGE RATE DETERMINED BY THE NBP

	30.09.2006	30.09.2005
average exchange rate in the reporting period	3,9171	4,0583
lowest exchange rate in the reporting period	3,7565	3,8839
highest exchange rate in the reporting period	4,1065	4,2756
exchange rate for the last day of the reporting period	3,9835	3,9166

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

	3rd quarter / 2006 from 2006-06-30 to 2006-09-30	3 quarters / 2006 from 2006-01-01 to 2006-09-30	3rd quarter / 2005 from 2005-06-30 to 2005-09-30	3 quarters / 2005 from 2005-01-01 to 2005-09-30
	(in PLN '000)			
<b>Sales revenues</b>	<b>2 773 471</b>	<b>10 958 240</b>	<b>2 366 774</b>	<b>8 544 644</b>
Change in inventory	(102 477)	73 694	(54 009)	37 024
Manufacturing cost of benefits for internal purposes	135 219	367 985	160 748	354 065
Consumption of raw materials and materials	(1 365 855)	(5 855 211)	(1 119 614)	(4 174 070)
Employee benefits	(436 039)	(1 247 415)	(365 319)	(1 178 443)
Amortization	(326 223)	(974 875)	(331 004)	(1 106 476)
External services	(536 023)	(1 866 488)	(550 716)	(1 030 770)
Other operating expenses (net)*	1 291	(360 428)	469	(422 173)
<b>Operating expenses in total</b>	<b>(2 630 107)</b>	<b>(9 862 738)</b>	<b>(2 259 445)</b>	<b>(7 520 843)</b>
<b>Profit on operating activities</b>	<b>143 364</b>	<b>1 095 502</b>	<b>107 329</b>	<b>1 023 801</b>
Financial revenues*	72 316	449 253	175 655	538 890
Financial expenses	(33 690)	(378 754)	(150 947)	(707 370)
Share in profits/(losses) of controlled entities measured using the equity method	(15 142)	(45 257)	303	57 918
<b>Gross profit</b>	<b>166 848</b>	<b>1 120 744</b>	<b>132 340</b>	<b>913 239</b>
Income tax	(36 870)	(258 332)	(17 466)	(182 274)
<b>Net profit on business activities before obligatory profit sharing</b>	<b>129 978</b>	<b>862 412</b>	<b>114 874</b>	<b>730 965</b>
Profit sharing	23	23	(42 771)	(132 616)
<b>Net profit on business activities</b>	<b>130 001</b>	<b>862 435</b>	<b>72 103</b>	<b>598 349</b>
<b>Abandoned activity</b>				
Profit for the financial year on abandoned activity	-	-	-	-
<b>Net profit for the financial year</b>	<b>130 001</b>	<b>862 435</b>	<b>72 103</b>	<b>598 349</b>
Assigned to:				
Shareholders of the holding company	130 094	861 490	71 209	597 429
Minority shareholders	(93)	945	894	920

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

Profit per share assigned per ordinary shareholder of the holding company

- average weighted number of shares	5 900 000 000	5 900 000 000	5 000 000 000	5 000 000 000
- basic from profit for the financial year	0,02	0,15	0,01	0,12
- diluted from profit for the financial year	0,02	0,15	0,01	0,12

## CONSOLIDATED BALANCE SHEET

	As of 2006-09-30 end of the third quarter / 2006	As of 2006-06-30 end of the second quarter / 2006	As of 2005-12-31 end of year / 2005  (in PLN '000)	As of 2005-09-30 end of the third quarter / 2005
<b>ASSETS</b>				
<b>Non-current assets (long-term)</b>				
Tangible fixed assets	17 135 171	17 207 730	17 524 429	17 395 314
Investment real property	10 161	10 300	10 553	10 939
Intangible assets	1 052 974	988 096	952 698	906 657
Investments in associated companies measured using the equity method	466 574	481 961	512 076	520 389
Financial assets available for sale	21 401	19 571	21 358	20 647
Other financial assets	3 924 619	3 983 585	4 107 585	4 207 687
Deferred tax asset	403 269	405 737	384 504	415 340
Other non-current assets	16 798	16 219	17 248	18 855
<b>Total non-current assets (long-term)</b>	<b>23 030 967</b>	<b>23 113 199</b>	<b>23 530 451</b>	<b>23 495 828</b>
<b>Current assets (short-term)</b>				
Inventory	1 398 467	894 141	815 345	1 050 793
Trade and other receivables	1 678 331	1 810 171	2 618 350	1 646 806
Receivables due to current tax	10 026	10 290	30 883	6 337
Prepayments and accruals	137 201	224 670	17 501	64 596
Financial assets held for trading	7 338	240 573	30 391	117 217
Assets due to derivative financial instruments	230 300	232 211	120 273	308 555
Cash and cash equivalents	4 112 324	4 220 477	3 200 471	3 745 068
<b>Total current assets (short-term)</b>	<b>7 573 987</b>	<b>7 632 533</b>	<b>6 833 214</b>	<b>6 939 372</b>
<b>Total assets</b>	<b>30 604 954</b>	<b>30 745 732</b>	<b>30 363 665</b>	<b>30 435 200</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	5 900 000	5 900 000	5 900 000	5 000 000
Exchange differences from translation	2 532	(8 827)	(14 086)	(3 215)
Surplus from sale of shares above their face value	1 740 093	1 740 093	1 740 093	-
Other reserve capitals	2 890 068	2 829 178	2 624 841	2 731 929
Retained profits (losses)	10 146 795	10 076 885	10 509 489	10 232 013
<b>Equity (assigned to the shareholders of the holding company)</b>	<b>20 679 488</b>	<b>20 537 329</b>	<b>20 760 337</b>	<b>17 960 727</b>
Equity of minority shareholders	8 141	8 309	7 243	7 171
<b>Total equity</b>	<b>20 687 629</b>	<b>20 545 638</b>	<b>20 767 580</b>	<b>17 967 898</b>
<b>Long-term liabilities</b>				
Credits, loans and debt securities	2 437 772	2 475 518	2 369 082	57 232
Provisions	1 003 356	996 649	981 493	962 469
Deferred income	1 130 825	1 136 661	1 151 115	1 244 919
Provision for deferred tax	2 036 713	2 083 374	2 123 233	2 228 867
<b>Total long-term liabilities</b>	<b>6 608 666</b>	<b>6 692 202</b>	<b>6 624 923</b>	<b>4 493 487</b>
<b>Short-term liabilities</b>				
Trade and other liabilities	2 335 438	2 476 142	2 108 806	4 090 921
Credits, loans and debt securities	74 363	97 168	89 218	3 294 039
Liabilities due to derivative financial instruments	79 411	75 534	173 177	142 469
Liabilities due to current tax	214 482	228 013	75 201	78 690
Provisions	520 486	540 727	426 315	355 892
Deferred income	84 479	90 308	98 445	11 804
<b>Total short-term liabilities</b>	<b>3 308 659</b>	<b>3 507 892</b>	<b>2 971 162</b>	<b>7 973 815</b>
<b>Total liabilities</b>	<b>9 917 325</b>	<b>10 200 094</b>	<b>9 596 085</b>	<b>12 467 302</b>
<b>Total Equity and Liabilities</b>	<b>30 604 954</b>	<b>30 745 732</b>	<b>30 363 665</b>	<b>30 435 200</b>

## CONSOLIDATED CASH FLOW STATEMENT

	3rd quarter / 2006 from 2006-06-30 to 2006-09-30	3 quarters / 2006 from 2006-01-01 to 2006-09-30	3rd quarter / 2005 from 2005-06-30 to 2005-09-30	3 quarters / 2005 from 2005-01-01 to 2005-09-30
(in PLN '000)				
<b>Cash flows from operating activities</b>				
Net financial result	130 001	862 435	72 103	598 349
Adjusted by:				
Share in profits/(losses) of controlled entities measured using the equity method	15 142	45 257	(303)	(57 918)
Amortization	326 223	974 875	331 004	1 106 476
Net exchange gains (losses)	(33 049)	84 262	(108 560)	(174 045)
Net paid interest and dividends	(50 177)	(158 715)	12 224	143 055
Profit/loss on investment activities	35 586	116 862	(32 301)	96 762
Income tax for the current period	36 870	258 332	17 466	182 274
Paid income tax	(93 667)	(185 292)	(33 860)	(112 203)
Other net items	5 151	(181 517)	62 230	(68 845)
<b>Net cash flows from operating activities before changes in working capital</b>	<b>372 080</b>	<b>1 816 499</b>	<b>320 003</b>	<b>1 713 905</b>
Change in working capital:				
Change in net receivables	144 328	925 851	(212 833)	506 491
Change in inventory	(504 190)	(582 980)	(390 440)	(454 413)
Change in provisions	(21 456)	67 217	46 527	58 664
Change in short-term liabilities	(180 087)	(526 339)	101 041	349 885
Change in prepayments	86 890	(119 250)	41 637	(55 874)
Change in deferred income	(11 260)	(17 393)	(25 227)	(39 213)
<b>Net cash flows from operating activities</b>	<b>(113 695)</b>	<b>1 563 605</b>	<b>(119 292)</b>	<b>2 079 445</b>
<b>Cash flows from investment activities</b>				
Inflows from the sale of tangible and intangible fixed assets	3 905	14 390	4 059	6 966
Inflows from the sale of shares in entities not included in consolidation	-	100	600	622
Inflows from the sale of short-term securities	95 492	95 492	(46 302)	147 484
Acquisition of intangible assets and tangible fixed assets	(376 766)	(1 050 634)	(378 208)	(965 684)
Acquisition of shares in entities not included in consolidation	-	-	-	-
Acquisition of short-term securities	156 397	-	(1 615)	(1 615)
Received interest	69 790	225 152	64 301	74 812
Received dividends	413	1 133	611	1 290
Other net items	86 396	213 957	60 536	90 805
<b>Net cash on investment activity</b>	<b>35 627</b>	<b>(500 410)</b>	<b>(296 018)</b>	<b>(645 320)</b>
<b>Cash flows from financial activities</b>				
Net inflows from issuing shares and other capital instruments and surcharges for capital	-	-	2 682 000	2 682 000
Inflows from contracted credits and loans	(5 491)	7 839	488 810	2 923 856
Repayment of credits and loans	5 504	(11 635)	(765 995)	(1 015 348)
Inflows from issuance of debt securities	-	-	-	-
Redemption of debt securities	-	-	-	(2 799 327)
Repayment of liabilities due to financial lease	(14 198)	(21 733)	(38 977)	(45 453)
Inflows from forwards	10 617	18 007	11 433	52 338
Outflows from forwards	(16 391)	(106 460)	(41 704)	(130 181)
Paid dividends	-	-	(21 128)	(163 564)
Paid interest	(26 849)	(54 258)	(45 331)	(81 461)
Other net items	16 767	16 986	(786)	(18 956)
<b>Net cash flows from financial activities</b>	<b>(30 041)</b>	<b>(151 254)</b>	<b>2 268 322</b>	<b>1 403 904</b>
<b>Change in the balance of net cash</b>	<b>(108 109)</b>	<b>911 941</b>	<b>1 853 012</b>	<b>2 838 029</b>
Net exchange differences	(44)	(88)	163	442
<b>Opening balance of cash and cash equivalents</b>	<b>4 225 139</b>	<b>3 205 089</b>	<b>1 896 424</b>	<b>911 407</b>
<b>Closing balance of cash and cash equivalents</b>	<b>4 117 030</b>	<b>4 117 030</b>	<b>3 749 436</b>	<b>3 749 436</b>

## STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

	Equity (assigned to the shareholders of the holding company)						Minority equity	Total equity
	Share capital	Exchange differences from translation	Surplus from sale of shares above their face value	Other reserve capitals	Retained profits (losses)	Total		
	(in PLN '000)							
<b>01.01.2005</b>	<b>5 000 000</b>	<b>(11 993)</b>	<b>-</b>	<b>2 393 165</b>	<b>10 359 289</b>	<b>17 740 461</b>	<b>6 312</b>	<b>17 746 773</b>
Exchange differences from translation of foreign branches	-	8 778	-	-	-	8 778	-	8 778
Share of the minority shareholders in profit distribution	-	-	-	-	(1)	(1)	(61)	(62)
Reduction of shares in subsidiary company – share of minority shareholders	-	-	-	-	5 000	5 000	-	5 000
Exclusion of subsidiary company from consolidation	-	-	-	-	2 260	2 260	-	2 260
Received dividend from controlled entities measured using the equity method	-	-	-	-	(174)	(174)	-	(174)
Revenue on assets distributed as dividend	-	-	-	106 974	-	106 974	-	106 974
Dividend payment to the owner	-	-	-	-	(500 000)	(500 000)	-	(500 000)
Transfers	-	-	-	231 790	(231 790)	-	-	-
Net profit for the three quarters of 2005	-	-	-	-	597 429	597 429	920	598 349
<b>30.09.2005</b>	<b>5 000 000</b>	<b>(3 215)</b>	<b>-</b>	<b>2 731 929</b>	<b>10 232 013</b>	<b>17 960 727</b>	<b>7 171</b>	<b>17 967 898</b>
<b>01.01.2005</b>	<b>5 000 000</b>	<b>(11 993)</b>	<b>-</b>	<b>2 393 165</b>	<b>10 359 289</b>	<b>17 740 461</b>	<b>6 312</b>	<b>17 746 773</b>
Emission of shares	900 000	-	-	-	-	900 000	-	900 000
Sale of shares above their face value	-	-	1 740 093	-	-	1 740 093	-	1 740 093
Exchange differences from translation of foreign branches	-	(2 093)	-	-	-	(2 093)	-	(2 093)
Share of the minority shareholders in profit distribution	-	-	-	-	(1)	(1)	(63)	(64)
Reduction of shares in subsidiary company – share of minority shareholders	-	-	-	-	-	-	80	80
Rising of share capital in controlled entity by minority shareholders	-	-	-	(42)	83	41	-	41
Exclusion of subsidiary company from consolidation	-	-	-	(332)	2 593	2 261	-	2 261
Received dividend from controlled entities measured using the equity method	-	-	-	-	(174)	(174)	-	(174)
Dividend payment to the owner	-	-	-	-	(500 000)	(500 000)	-	(500 000)
Transfers	-	-	-	232 050	(232 050)	-	-	-
Net profit for the year 2005	-	-	-	-	879 749	879 749	914	880 663
<b>31.12.2005</b>	<b>5 900 000</b>	<b>(14 086)</b>	<b>1 740 093</b>	<b>2 624 841</b>	<b>10 509 489</b>	<b>20 760 337</b>	<b>7 243</b>	<b>20 767 580</b>

Polskie Górnictwo Naftowe i Gazownictwo Capital Group  
 Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards  
 for the 9 months periods ending on 30 September 2006 and 30 September 2005  
 (in thousands of zlotys)

	Equity (assigned to the shareholders of the holding company)						Minority equity	Total equity
	Share capital	Exchange differences from translation	Surplus from sale of shares above their face value	Other reserve capitals	Retained profits (losses)	Total		
	(in PLN '000)							
<b>01.01.2006</b>	<b>5 900 000</b>	<b>(14 086)</b>	<b>1 740 093</b>	<b>2 624 841</b>	<b>10 509 489</b>	<b>20 760 337</b>	<b>7 243</b>	<b>20 767 580</b>
Exchange differences from translation of foreign branches	-	16 618	-	-	-	16 618	-	16 618
The share capital paid up by minority shareholders in the subsidiary entity	-	-	-	42	-	42	28	70
Inclusion of subsidiary company from consolidation	-	-	-	2 944	592	3 536	-	3 536
Share of the minority shareholders in dividend paid by subsidiary entities	-	-	-	-	(2)	(2)	(75)	(77)
Correction of the remeasurement of assets	-	-	-	-	(77 533)	(77 533)	-	(77 533)
Dividend payment to the owner	-	-	-	-	(885 000)	(885 000)	-	(885 000)
Transfers	-	-	-	262 241	(262 241)	-	-	-
Net profit for the three quarters of 2006	-	-	-	-	861 490	861 490	945	862 435
<b>30.09.2006</b>	<b>5 900 000</b>	<b>2 532</b>	<b>1 740 093</b>	<b>2 890 068</b>	<b>10 146 795</b>	<b>20 679 488</b>	<b>8 141</b>	<b>20 687 629</b>
<b>01.07.2006</b>	<b>5 900 000</b>	<b>(8 827)</b>	<b>1 740 093</b>	<b>2 829 178</b>	<b>10 076 885</b>	<b>20 537 329</b>	<b>8 309</b>	<b>20 545 638</b>
Exchange differences from translation of foreign branches	-	11 359	-	-	-	11 359	-	11 359
The share capital paid up by minority shareholders in the subsidiary entity	-	-	-	-	-	-	-	-
Inclusion of subsidiary company from consolidation	-	-	-	2 944	592	3 536	-	3 536
Share of the minority shareholders in dividend paid by subsidiary entities	-	-	-	-	(2)	(2)	(75)	(77)
Correction of the remeasurement of assets	-	-	-	-	(2 828)	(2 828)	-	(2 828)
Dividend payment to the owner	-	-	-	-	-	-	-	-
Transfers	-	-	-	57 946	(57 946)	-	-	-
Net profit for the third quarter of 2006	-	-	-	-	130 094	130 094	(93)	130 001
<b>30.09.2006</b>	<b>5 900 000</b>	<b>2 532</b>	<b>1 740 093</b>	<b>2 890 068</b>	<b>10 146 795</b>	<b>20 679 488</b>	<b>8 141</b>	<b>20 687 629</b>

## **1. Information on principles applied during the preparation of the consolidated report for the 3<sup>rd</sup> quarter of 2006**

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

The consolidated financial statements for the second quarter of 2006 presented in this consolidated report were prepared in accordance with the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and the provisions of the Ordinance of Council of Ministers of 19 October 2005 on current and periodic information provided by issuers of securities (Dz. U. No. 209 item 1749, "Ordinance") and cover the period from 1 January 2006 to 30 September 2006.

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

### **1.2. Representation on compliance**

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

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

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

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

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

### **1.4. Accounting principles applied**

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

### **1.5. General information on the Issuer and its Capital Group**

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

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

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

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



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

As part of the implementation of the "Program of restructuring and privatizing PGNiG", 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 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 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 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 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 September 2006 PGNiG held shares in 56 companies incorporated under the commercial law, including:

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

The inclusive nominal value of equity involvement in the companies as of 30 September 2006 accounted for PLN 6.543,4 million. On account of business scope and severity for Capital Group functioning the subsidiary entities are divided into following groups:

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

#### Key entities

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

### Core entities

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

### Target entities

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

### Other business-critical entities

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

### Other not business-critical entities

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

### **List of companies that comprise PGNiG Capital Group**

The structure of the capital commitment of PGNiG S.A. in commercial companies, in which PGNiG S.A. possesses at least 5% of shares, as of 30 September 2006 is presented in the table below.

Polskie Górnictwo Naftowe i Gazownictwo Capital Group  
Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards  
for the 9 months periods ending on 30 September 2006 and 30 September 2005  
(in thousands of zlotys)

	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
<b>Key entities</b>				
1.	Carpathian Gas Company	1 570 832 000,00	1 570 832 000,00	100,00%
2.	Upper Silesian Gas Company	1 288 403 000,00	1 288 403 000,00	100,00%
3.	Mazovian Gas Company	999 634 000,00	999 634 000,00	100,00%
4.	Greater Poland Gas Company	864 071 000,00	864 071 000,00	100,00%
5.	Pomeranian Gas Company	563 031 000,00	563 031 000,00	100,00%
6.	Lower Silesian Gas Company	552 762 000,00	552 762 000,00	100,00%
<b>Core entities</b>				
7.	PNiG Jasło Sp. z o.o.	100 000 000,00	100 000 000,00	100,00%
8.	PNiG Kraków Sp. z o.o.	98 850 000,00	98 850 000,00	100,00%
9.	PNiG NAFTA Sp. z o.o.	60 000 000,00	60 000 000,00	100,00%
10.	GEOFIZYKA Kraków Sp. z o.o.	34 400 000,00	34 400 000,00	100,00%
11.	GEOFIZYKA Toruń Sp. z o.o.	33 000 000,00	33 000 000,00	100,00%
12.	PN "Diament" Sp. z o.o.	62 000 000,00	62 000 000,00	100,00%
13.	Zakład Robót Górniczych Krosno Sp. z o.o.	26 802 000,00	26 802 000,00	100,00%
14.	SGT „EUROPOL GAZ” S.A.	80 000 000,00	38 400 000,00	48,00%
15.	GAS - TRADING S.A.	2 975 000,00	1 291 350,00	43,41%
16.	BSiPG "Gazoprojekt" S.A.	4 000 000,00	3 000 000,00	75,00%
<b>Target entities</b>				
17.	PGNiG Finance B.V. [EUR]*	20 000,00	20 000,00	100,00%
18.	Górnictwo Naftowe Sp. z o.o.	50 000,00	50 000,00	100,00%
19.	InterTransGas GmbH [EUR]*	200 000,00	100 000,00	50,00%
20.	"Dewon" Z.S.A. [UAH]*	11 146 800,00	4 055 205,84	36,38%
21.	„INVESTGAS” S.A.	502 250,00	502 250,00	100,00%
22.	NYSAGAZ Sp. z o.o.	3 700 000,00	1 887 000,00	51,00%
23.	"Polskie Elektrownie Gazowe" Sp. z o.o.	2 500 000,00	1 212 000,00	48,48%
<b>Other business-critical entities</b>				
24.	"BUD - GAZ" PPUH Sp. z o.o.	51 760,00	51 760,00	100,00%
25.	BUG Gazobudowa Sp. z o.o.	39 220 000,00	39 220 000,00	100,00%
26.	ZRUG Sp. z o.o. (w Pogórskiej Woli)	4 300 000,00	4 300 000,00	100,00%
27.	ZUN Naftomet Sp. z o.o.	23 500 000,00	23 500 000,00	100,00%
28.	Geovita Sp. z o.o.	86 139 000,00	86 139 000,00	100,00%
<b>Other not business-critical entities</b>				
29.	BN Naftomontaż Sp. z o.o.	44 751 000,00	39 751 000,00	88,83%
30.	PPUiH "TURGAZ" Sp. z o.o.	176 000,00	90 000,00	51,14%
31.	PFK GASKON S.A.	13 061 325,00	6 000 000,00	45,94%
32.	ZWUG "INTERGAZ" Sp. z o.o.	4 700 000,00	1 800 000,00	38,30%
33.	"IZOSTAL" S.A.	22 488 000,00	1 360 000,00	6,05%
34.	TeNET 7 Sp. z o.o.	50 000,00	5 000,00	10,00%
35.	Agencja Rynku Energii S.A.	1 376 000,00	100 000,00	7,27%
36.	ZRUG Warszawa S.A. w likwidacji	6 000 000,00	2 940 000,00	49,00%
37.	Sahara Petroleum Technology Llc [RO]*	150 000,00	73 500,00	49,00%
38.	"GAZOMONTAŻ" S.A.	1 498 850,00	677 200,00	45,18%
39.	"ZRUG" Sp. z o.o. (w Poznaniu)	3 781 800,00	1 515 000,00	40,06%
40.	HS "Szczakowa" S.A. w upadłości	16 334 989,44	5 439 494,72	33,30%
41.	"ZRUG TORUŃ" S.A.	4 150 000,00	1 300 000,00	31,33%
42.	Przeds. Wielobranżowe "MED - FROZ" S.A. w likwidacji	151 700,00	35 000,00	23,07%
43.	ZRUG Zabrze Sp. z o.o.	2 750 000,00	600 000,00	21,82%
44.	"TE-MA" WOC Małaszewicze Terespol Sp. z o.o. w likwidacji	262 300,00	55 000,00	20,97%
45.	Zakład Remontowy Urządzeń Gazowniczych Wrocław Sp. z o.o. w upadłości	1 700 000,00	270 000,00	15,88%
46.	Polski Serwis Płynów Wiertniczych Sp. z o.o.	250 000,00	35 000,00	14,00%
47.	„Walcownia Rur JEDNOŚĆ" Sp. z o.o.	220 590 000,00	18 310 000,00	8,30%
48.	PI GAZOTECH Sp. z o.o.	1 203 800,00	65 000,00	69,44%
49.	Polskie Konsorcjum Energetyczne Sp. z o.o.	100 000,00	9 500,00	9,50%

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

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

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

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

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

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

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

Name of the Company	Country	Percentage share in the share capital	
		30 September 2006	30 September 2005
<b>Subsidiaries</b>			
Geofizyka Kraków Sp. z o. o.	Polska	100,00%	100,00%
Geofizyka Toruń Sp. z o. o.	Polska	100,00%	100,00%
PNiG Jasło Sp. z o. o.	Polska	100,00%	100,00%
PNiG Kraków Sp. z o. o.	Polska	100,00%	100,00%
PNiG Piła Sp. z o. o.	Polska	100,00%	100,00%
ZRG w Krośnie Sp. z o.o.**	Polska	100,00%	-
Lower Silesian Gas Company	Polska	100,00%	100,00%
Upper Silesian Gas Company	Polska	100,00%	100,00%
Carpathian Gas Company	Polska	100,00%	100,00%
Mazovian Gas Company	Polska	100,00%	100,00%
Pomeranian Gas Company	Polska	100,00%	100,00%
Greater Poland Gas Company	Polska	100,00%	100,00%
Gazobudowa Zabrze Sp. z o. o.	Polska	100,00%	100,00%
Naftomontaż Krosno Sp. z o. o.	Polska	88,83%	100,00%
Naftomet Krosno Sp. z o. o.	Polska	100,00%	100,00%
Diament Sp. z o.o.	Polska	100,00%	100,00%
Gazoprojekt S.A.	Polska	75,00%	75,00%
PGNiG Finance B.V.	Holandia	100,00%	100,00%
Geovita Sp. z o.o. Warszawa	Polska	100,00%	100,00%
INVESTGAS S.A.***	Poland	100,00%	49,00%
<b>Subsidiaries of Naftomontaż Krosno Sp. z o.o. – a subsidiary</b>			
Naft-Trans Krosno Sp. z o. o. in liquidation*	Poland	Not consolidated	99,70%
Naft-Stal Krosno Sp. z o.o.	Poland	59,88%	98,50%
<b>Subsidiaries and Associated Entities</b>			
EUROPOL GAZ S.A.	Poland	49,74%	49,74%
Gas Trading S.A.	Poland	43,41%	43,41%

\* As a result of bankruptcy and then liquidation the Company was excluded from consolidation.

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

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

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

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

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

In the period from 1 January to 30 September 2006 no changes in composition of the PGNiG occurred.

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

Gas sale in the PGNiG Capital Group is subject to seasonal fluctuations. Gas sales increase significantly in winter and decrease in the summer. 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.

Crude oil sales in PGNiG Capital Group is not subject to seasonal fluctuations.

### **1.10. Information on segments of activity**

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

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

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

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

Neither assets nor liabilities of segment include deferred tax.

Internal transactions within segments have been eliminated.

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

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

1. On 12 July 2006 the Management Board of PGNiG resolved to temporarily use the Company's funds, including proceeds from the increase in share capital performed in September 2005, towards reduction of the Company's debt by EUR 600m. The debt will be repaid after the Company has guaranteed the availability of funds of at least the same value in the form of a revolving credit facility. PGNiG will report on the opening of such credit facility in a separate current report.

The current balance of liquid cash on bank and trust accounts, as well as cash flow forecast until the end of 2006 indicate that the Company will have at its disposal own cash resources sufficient to finance day-to-day operations and current investments.

2. Mr. Bartłomiej Pawlak has resigned from his position as a Vice- President of the Management Board since 21 July 2006. Mr Bartłomiej Pawlak has acted as the Company's registered proxy since 29 November 2005 and as the Vice President of the Management Board responsible for strategic projects since 6 April 2006.
3. On 24 July 2006 the Management Board of PGNiG appointed Mr Tadeusz Zwierzyński as the Company's registered proxy. The granted proxy is a joint proxy, which means that in order for the actions effected by the proxies to be valid, one proxy needs to act jointly with a member of the Management Board of PGNiG.
4. The Supervisory Board of PGNiG, at the meeting on 27 July 2006, decided to initiate a selection procedure aimed at appointing a member of the Management Board of PGNiG - Vice-President for Strategic Projects.
5. On 28 July the General Shareholders Meeting approved the non-public issues of bonds to be placed with the companies of the PGNiG Capital Group as a part of bond issue programme. This intra-group issue will provide for a more efficient use of funds within the PGNiG Capital Group. Companies with excess liquidity will be able to invest their free cash in the bonds issued by PGNiG S.A., and companies in need of cash will have the possibility to contract loans from PGNiG S.A. The maximum par value of the outstanding bonds will not exceed PLN 500m. The Programme will continue for three years. The par value per bond will not be lower than PLN 10,000. The bonds will be issued on market terms – the Programme provides for the issue of fixed-interest and variable-interest bonds as well as for issues to be sold at a discount.
6. On 17 August 2006 PGNiG signed an agreement on the sale of natural gas (the Agreement) with Verbundnetz Gas Aktiengesellschaft of Leipzig, Germany (VNG). Under the Agreement, in the period from 1 October 2006 to 1 October 2008 PGNiG will purchase up to 500m m<sup>3</sup> of gas annually. The agreement also stipulates that for the period from 1 October 2008 to 1 October 2016 the supplies made under the existing contract with E.ON-Ruhrigas A.G. and VNG will be replaced with annual gas supplies from VNG of up to 400m m<sup>3</sup>. The estimated value of the agreement throughout the period of supplies is PLN 4.9bn.
7. On 31 August 2006 PGNiG signed two agreements with Operator Gazociągów Przesyłowych Gaz-System Sp. z o.o. ("OGP Gaz-System"). One of the agreements provides for high-methane gas transmission services, and stipulates the conditions for the supply of the gaseous fuel to the transmission system and its collection from the system. The subject of the other agreement is the provision of nitrogen-rich gas transmission services; the agreement also stipulates the conditions for the gaseous fuel supply to and collection from the system ("the Agreements"). The agreements are binding from 1 September 2006 until 30 September 2007. Their value is estimated at PLN ca. 2.16 bn.
8. At the meeting on 11 September 2006 the Supervisory Board of PGNiG appointed to PGNiG's Management Board: Mr Krzysztof Głogowski – for the post of the President of the Management Board, effective from 1 October 2006 and Mr Tadeusz Zwierzyński – for the post of the Vice-President of the Management Board responsible for strategic projects.
9. At the meeting on 12 September 2006 the Supervisory Board of PGNiG decided, on the basis of Art. 383.1 of the Commercial Companies Code and Par. 33.3.4 of the Company's Articles of Association, to extend until 23 September 2006 the term of office of Prof. Mieczysław Puławski, an independent member of PGNiG's Supervisory Board, as Acting President of PGNiG's Management Board. The decision is connected with the fact that Mr Krzysztof Głogowski will take up the position of Management Board President as of 1 October 2006.
10. On 20 September 2006 PGNiG received the decision of the President of the Energy Regulatory Authority, dated 20 September 2006, refusing to approve change of the tariff for gaseous fuels in PGNiG's Gaseous Fuel Tariff No. 4. The Company had filed an application for increasing the price of gaseous fuels by 4.9% in connection with change of the business environment for trade in gaseous fuels.
11. On 29 September 2006 the Management Board of PGNiG was notified of Mr Krzysztof Głogowski's resignation from the position of the Chairman and a member of the PGNiG Supervisory Board with

effect from midnight, 30 September 2006. The reason for the resignation is Mr Krzysztof Głogowski's taking the position of the President of the PGNiG Management Board as of 1 October 2006.

12. On 2 October 2006 The Management Board of PGNiG at its meeting decided to revoke the power of proxy of Ms Maria Teresa Mikosz. Until 1 October 2006 Ms Maria Teresa Mikosz held the position of the Accounting Department Director at PGNiG. At the same time the Management Board of PGNiG decided to appoint Ms Ewa Bernacik as the Company's proxy. The power of proxy is granted on a joint basis, that is in order for a legal action to be effective it must be performed by a proxy acting jointly with a member of the Management Board.

13. The Management Board of PGNiG reported on 10 October 2006 that owing to a delay caused by circumstances beyond PGNiG's control, that is the protest lodged by a bidder excluded from the tender procedure, and the resultant invalidation of the tender procedure by the court due to formal reasons, the launch of the crude oil and natural gas mine Lubiaków – Międzychód – Grotów will be postponed until 2010. In connection with the above, the declared oil production volume of approx. 1.1 million tonnes annually will be achieved in 2010. Pursuant to the Management Board's decision a new tender procedure was initiated to select the General Contractor.

14. On 26 October 2006 the Extraordinary General Meeting of PGNiG appointed Mr Jarosław Wojtówic to the Supervisory Board of PGNiG. The Shareholders adopted the resolution on changes in the Company's Articles of Association. The fundamental purpose of the adopted changes was updating of the body of the Company's Articles of Association and rationalisation of decision making process.

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

On 20 September 2006 PGNiG received the decision of the President of the Energy Regulatory Authority, dated 20 September 2006, refusing to approve change of the tariff for gaseous fuels in PGNiG's Gaseous Fuel Tariff No. 4. The Company had filed an application for increasing the price of gaseous fuels by 4.9% in connection with change of the business environment for trade in gaseous fuels.

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

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

In the period from 1 January to 30 September 2006 no such events took place in the Capital Group.

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

On 27 June 2006 the Annual General Shareholders Meeting resolved to allocate PLN 885.000.000,00 to dividend.

<b>Declared dividend</b>	885 000 000
<b>Average weighted number of shares *</b>	5 900 000 000
<b>Dividend per share (in PLN)</b>	0,15

\* The Company doesn't have preferred shares

The Annual General Shareholders Meeting resolved to distribute the net profit of PLN 1.132.229.947,23 for the financial year of 2005. The most of the sum - PLN 885.000.000,00 shall to be allocated to dividend, including:

- PLN 750.000.000,00 as cash or non-cash dividend to the majority shareholder - State Treasury, which determination of assets and the valuation method describes the Par. 63.7 of the Company's Articles of Association;
- PLN 135.000.000,00 as cash dividend to the other shareholders,

The rest shall be allocated primarily to the Company's reserve funds.

At the same time Annual General Shareholders Meeting of PGNiG decided to set the dividend record date at 27 July 2006 and the dividend payment date at 2 October 2006.

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

Selected financial data of the PGNiG Capital Group have been presented in the herein financial report. Selected financial data of the PGNiG S.A. have been presented in the "Summary financial statements of PGNiG S.A. for the 3<sup>rd</sup> quarter of 2006".

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

PGNiG did not publish result forecast for 2006.

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

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

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

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

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

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



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

In the period from 1 January to 30 September 2006, there were no non-standard transactions in the Capital Group between related parties, where the transaction value exceeded EUR 500.0 thousand.

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

In the period from 1 January to 30 September 2006, there was no such guarantee or surety granted in the Capital Group.

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

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

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

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

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

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

## 2. Additional explanatory notes to the financial statements

### 2.1. Deferred tax

	Deferred tax asset	Provision for deferred income tax
<b>Opening balance as of 1 January 2005</b>	<b>384 504</b>	<b>2 123 233</b>
a) increases	69 945	37 463
b) decreases	(51 180)	(123 983)
<b>Closing balance on 30 September 2006</b>	<b>403 269</b>	<b>2 036 713</b>

### 2.2. Revaluation write-downs on assets

	Fixed assets	other financial assets	Investments in associated companies measured using the equity method	Financial assets available for sale	Inventory	Short-term receivables	Due amount of long-term loans	Financial assets held for trading	Total
<b>Opening balance as of 1 January 2005</b>	<b>818 131</b>	<b>13 040</b>	<b>651 448</b>	<b>48 444</b>	<b>26 377</b>	<b>879 153</b>	<b>254 057</b>	<b>9 612</b>	<b>2 700 262</b>
a) increases	43 684	9 107	98 406	5 427	1 768	74 866	26 391	16	<b>259 665</b>
b) reclassification	-	(11 378)	-	-	-	34	11 344	-	-
b) decreases	(13 121)	(1 404)	-	(412)	(954)	(83 371)	(69 553)	(4 474)	<b>(173 289)</b>
<b>Closing balance on 30 September 2006</b>	<b>848 694</b>	<b>9 365</b>	<b>749 854</b>	<b>53 459</b>	<b>27 191</b>	<b>870 682</b>	<b>222 239</b>	<b>5 154</b>	<b>2 786 638</b>

### 2.3. Provisions

Provision for retirement and similar benefits	Provision for jubilee bonuses and retirement severance pay	Provision for pension allowances	Company's Social Benefits Fund	Provision for welfare allowances	Other provisions for retirement and similar benefits	Total
<b>Opening balance as of 1 January 2005</b>	<b>297 691</b>	<b>102 683</b>	<b>76 637</b>	<b>25 721</b>	<b>5 760</b>	<b>508 492</b>
a) increases	24 226	1 194	60 510	-	11 765	<b>97 695</b>
b) decreases	(18 373)	(11 529)	(48 797)	(2 874)	(1 977)	<b>(83 550)</b>
<b>Closing balance on 30 September 2006</b>	<b>303 544</b>	<b>92 348</b>	<b>88 350</b>	<b>22 847</b>	<b>15 548</b>	<b>522 637</b>

Other provisions	Provision for reclamation of wells	Fund for liquidation of a mine	Provision for penalties imposed by the Office for Competition and Consumer Protection	Provision for environment protection	Provision for leased fixed assets returns	Provisions for renegotiation of import gas prices	Other	Total
<b>Opening balance as of 1 January 2005</b>	<b>572 278</b>	<b>25 764</b>	<b>60 098</b>	<b>35 569</b>	<b>81 285</b>	<b>50 224</b>	<b>74 098</b>	<b>899 316</b>
a) increases	31 814	4 647	-	6 112	4 300	84 946	15 843	<b>147 662</b>
b) reclassification	-	-	(5 450)	-	-	-	5 450	-
c) decreases	(5 312)	-	(11 286)	(60)	-	-	(29 115)	<b>(45 773)</b>
<b>Closing balance on 30 September 2006</b>	<b>598 780</b>	<b>30 411</b>	<b>43 362</b>	<b>41 621</b>	<b>85 585</b>	<b>135 170</b>	<b>66 276</b>	<b>1 001 205</b>

## 2.4. Industry segments

Period ended 30 September 2006	Exploration and production	Trade and storage	Distribution	Other	Elimination	Total
<b>Profit and loss</b>						
External sales	1 324 026	2 993 580	6 564 983	75 651		10 958 240
Sales between lines of business	805 080	4 928 134	6 285	122 068	(5 861 567)	-
Total revenue	2 129 106	7 921 714	6 571 268	197 719	(5 861 567)	10 958 240
Amortization	(360 512)	(106 469)	(499 919)	(7 975)		(974 875)
Other costs	(1 198 199)	(7 362 934)	(5 994 607)	(184 952)	5 852 829	(8 887 863)
Total cost	(1 558 711)	(7 469 403)	(6 494 526)	(192 927)	5 852 829	(9 862 738)
Result on operating activity	<b>570 395</b>	<b>452 311</b>	<b>76 742</b>	<b>4 792</b>	<b>(8 738)</b>	<b>1 095 502</b>
Net interest and other financial expenses						70 499
Share in profits/(losses) of controlled entities measured using the equity method		(45 257)				(45 257)
Gross profit						<b>1 120 744</b>
Income tax						(258 332)
Result for the financial year on abandoned activity						-
Dividend						23
Net profit/loss						<b>862 435</b>
<b>Balance sheet</b>						
Segment assets	7 362 895	11 537 857	10 757 611	248 990	(425 483)	29 481 870
Shares in associated entities		466 574				466 574
Unassigned assets						253 241
Deferred tax asset						403 269
Total assets						<b>30 604 954</b>
Total equity						20 687 629
Liabilities of the line of business	1 088 277	2 368 243	1 963 958	83 531	(425 483)	5 078 526
Unassigned liabilities						2 802 086
Provision for deferred tax						2 036 713
Total Equity and Liabilities						<b>30 604 954</b>
<b>Other segmental information</b>						
Capital expenditure for tangible fixed assets	(229 250)	(303 758)	(512 682)	(4 944)		<b>(1 050 634)</b>
Revaluation write-downs on assets	(565 507)	(1 693 419)	(465 948)	(3 167)		<b>(2 728 041)</b>
Revaluation write-downs on unassigned assets						(58 597)

Period ended 30 September 2005*	Exploration and production	Trade, storage, transmission	Distribution	Other	Elimination	Total
<b>Profit and loss</b>						
External sales	1 123 056	2 353 891	5 007 106	60 591		8 544 644
Sales between lines of business	648 064	3 532 956	19 091	111 932	(4 312 043)	-
Total revenue	1 771 120	5 886 847	5 026 197	172 523	(4 312 043)	8 544 644
Amortization	(322 936)	(284 296)	(490 483)	(8 761)		(1 106 476)
Other costs	(1 030 112)	(5 050 801)	(4 470 656)	(170 824)	4 308 026	(6 414 367)
Total cost	(1 353 048)	(5 335 097)	(4 961 139)	(179 585)	4 308 026	(7 520 843)
Result on operating activity	<b>418 072</b>	<b>551 750</b>	<b>65 058</b>	<b>(7 062)</b>	<b>(4 017)</b>	<b>1 023 801</b>
Net interest and other financial expenses						(168 480)
Share in profits/(losses) of controlled entities measured using the equity method		57 918				57 918
Gross profit						<b>913 239</b>
Income tax						(182 274)
Result for the financial year on abandoned activity						-
Dividend						(132 616)
Net profit/loss						<b>598 349</b>
<b>Balance sheet</b>						
Segment assets	7 508 834	11 759 447	10 654 813	246 925	(1 000 985)	29 169 034
Shares in associated entities		520 389				520 389
Unassigned assets						330 437
Deferred tax asset						415 340
Total assets						<b>30 435 200</b>
Total equity						17 967 898
Liabilities of the line of business	1 287 907	1 764 090	1 855 643	95 980	(1 007 223)	3 996 397
Unassigned liabilities						6 242 038
Provision for deferred tax						2 228 867
Total Equity and Liabilities						<b>30 435 200</b>
<b>Other segmental information</b>						
Capital expenditure for tangible fixed assets	(430 074)	(183 369)	(348 659)	(3 582)		<b>(965 684)</b>
Revaluation write-downs on assets	(312 120)	(2 160 434)	(474 299)	(3 367)		<b>(2 950 220)</b>
Revaluation write-downs on unassigned assets						(55 892)

\*The data corrected to ensure comparability with the financial statements for the 3rd quarter of 2006.

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

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

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

## 2.5. Revenues from sales of products, goods and materials

	<b>30.09.2006</b>	<b>30.09.2005</b>
High-methane gas	8 768 096	6 807 677
Nitrated gas	792 473	615 970
Crude oil	571 525	549 830
Helium	23 422	26 372
Propane-butane gas	32 825	23 739
Gasoline	5 165	10 142
LNG	9 579	3 230
Geophysical and geological services	229 255	131 080
Prospecting services	191 562	162 908
Goods and materials	16 368	12 049
Other sales of products and services	317 970	201 647
<b>Total</b>	<b>10 958 240</b>	<b>8 544 644</b>

## 2.6. Revenues from leasing payments

	<b>30.09.2006</b>	<b>30.09.2005</b>
Interest	212 445	73 431
Repayments	176 183	59 558
<b>Total*</b>	<b>388 628</b>	<b>132 989</b>

\*The leasing contract became effective on 8th July 2005

## 2.7. Operating expenses

	<b>30.09.2006</b>	<b>30.09.2005</b>
<b>Consumption of raw materials and materials</b>		
Gas purchase	(5 505 470)	(3 840 904)
Consumption of other raw materials and materials	(349 741)	(333 166)
<b>Total</b>	<b>(5 855 211)</b>	<b>(4 174 070)</b>

	<b>30.09.2006</b>	<b>30.09.2005</b>
<b>External services</b>		
Purchase of transmission services from OGP Gaz System Sp. z o.o.	(1 156 443)	(270 617)
Other external services	(710 045)	(760 153)
<b>Total</b>	<b>(1 866 488)</b>	<b>(1 030 770)</b>