

POLSKIE GÓRNICTWO NAFTOWE I GAZOWNICTWO CAPITAL GROUP



**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 12 MONTH PERIODS ENDING
ON 31 DECEMBER 2005 AND 31 DECEMBER 2004
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS**

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	4th quarter/2005 from 2005-10-01 to 2005-12-31	4 quarters (accumulative) / 2005 from 2005- 01-01 to 2005-12- 31	4th quarter/2004 from 2004-10-01 to 2004-12-31	4 quarters (accumulative) / 2004 from 2004-01- 01 to 2004-12-31
	(in PLN '000)			
Sales revenues	4 015 344	12 559 988	3 200 716	10 908 691
Change in inventory	(31 190)	5 834	(2 714)	11 897
Manufacturing cost of benefits for internal purposes	145 035	499 100	142 349	507 180
Consumption of raw materials and materials	(2 221 318)	(6 395 388)	(1 467 032)	(5 124 842)
Employee benefits	(467 407)	(1 645 850)	(461 145)	(1 613 007)
Amortization	(298 181)	(1 404 657)	(396 882)	(1 530 771)
External services	(748 368)	(1 779 138)	(379 739)	(1 097 127)
Other operating expenses (net)	(11 152)	(506 756)	(412 168)	(736 446)
Operating expenses in total	(3 632 581)	(11 226 855)	(2 977 331)	(9 583 116)
Profit on operating activities	382 763	1 333 133	223 385	1 325 575
Financial revenues	172 752	785 073	406 049	977 780
Financial expenses	(130 610)	(837 980)	(474 887)	(1 285 954)
Share in profits/(losses) of controlled entities measured using the equity method	(8 314)	49 604	225 061	140 367
Gross profit	416 591	1 329 830	379 608	1 157 768
Income tax	(53 059)	(235 333)	(15 822)	(218 880)
Net profit on business activities before obligatory profit sharing	363 532	1 094 497	363 786	938 888
Profit sharing	(34 237)	(166 853)	(35 131)	(145 775)
Net profit on business activities	329 295	927 644	328 655	793 113
Abandoned activity				
Profit for the financial year on abandoned activity	-	-	-	-
Net profit for the financial year	329 295	927 644	328 655	793 113
Assigned to:				
Shareholders of the holding company	329 301	926 730	328 775	793 061
Minority shareholders	(6)	914	(120)	52
Profit per share assigned per ordinary shareholder of the holding company				
- average weighted number of shares	5 258 904 110	5 258 904 110	5 000 000 000	5 000 000 000
- basic from profit for the financial year	0,06	0,18	0,07	0,16
- diluted from profit for the financial year	0,06	0,18	0,07	0,16

CONSOLIDATED BALANCE SHEET

	As of 2005-12-31 end of the fourth quarter / 2005	As of 2005-09-30 end of the third quarter / 2005 (in PLN '000)	As of 2004-12-31 end of last year / 2004
ASSETS			
Non-current assets (long-term)			
Tangible fixed assets	17 625 567	17 395 314	22 649 791
Investment real property	10 550	10 939	11 279
Intangible assets	952 717	906 657	831 637
Investments in associated companies measured using the equity method	512 076	520 389	462 645
Financial assets available for sale	21 358	20 647	17 956
Other financial assets	4 107 585	4 207 687	1 371
Deferred tax asset	384 504	415 340	462 032
Other non-current assets	17 248	18 855	13 891
Total non-current assets (long-term)	23 631 605	23 495 828	24 450 602
Current assets (short-term)			
Inventory	785 220	1 050 793	602 989
Trade and other receivables	2 618 350	1 646 806	1 912 925
Receivables due to current tax	30 883	6 337	31 775
Prepayments and accruals	17 501	64 596	13 684
Financial assets held for trading	30 391	117 217	268 325
Assets due to derivative financial instruments	120 273	308 555	232 620
Cash and cash equivalents	3 200 471	3 745 068	906 598
Total current assets (short-term)	6 803 089	6 939 372	3 968 916
Total assets	30 434 694	30 435 200	28 419 518
EQUITY AND LIABILITIES			
Equity			
Share capital	5 900 000	5 000 000	5 000 000
Revaluation reserve	1 086	1 086	1 086
Exchange differences from translation	(14 086)	(3 215)	(11 993)
Retained profits (losses)	14 925 338	12 962 856	12 751 368
Equity (assigned to the shareholders of the holding company)	20 812 338	17 960 727	17 740 461
Equity of minority shareholders	7 243	7 171	6 312
Total equity	20 819 581	17 967 898	17 746 773
Long-term liabilities			
Credits, loans and debt securities	2 369 082	57 232	322 891
Provisions	981 493	962 469	937 868
Deferred income	1 142 225	1 244 919	1 205 480
Provision for deferred tax	2 151 727	2 228 867	2 304 771
Total long-term liabilities	6 644 527	4 493 487	4 771 010
Short-term liabilities			
Trade and other liabilities	2 108 806	4 090 921	1 271 265
Credits, loans and debt securities	89 218	3 294 039	4 057 003
Liabilities due to derivative financial instruments	173 177	142 469	238 193
Liabilities due to current tax	75 201	78 690	4 214
Provisions	426 315	355 892	321 828
Deferred income	97 869	11 804	9 232
Total short-term liabilities	2 970 586	7 973 815	5 901 735
Total liabilities	9 615 113	12 467 302	10 672 745
Total Equity and Liabilities	30 434 694	30 435 200	28 419 518

CONSOLIDATED CASH FLOW STATEMENT

	4th quarter/2005 from 2005-10-01 to 2005-12-31	4 quarters (accumulative) / 2005 from 2005- 01-01 to 2005-12- 31	4th quarter/2004 from 2004-10-01 to 2004-12-31	4 quarters (accumulative) / 2004 from 2004-01- 01 to 2004-12-31
	(in PLN '000)			
Cash flows from operating activities				
Net financial result	329 295	927 644	328 655	793 113
Adjusted by:				
Share in profits/(losses) of controlled entities measured using the equity method	8 314	(49 604)	(225 061)	(140 367)
Amortization	298 181	1 404 657	396 882	1 530 771
Net exchange gains (losses)	(109 946)	(283 991)	(304 863)	(566 153)
Net paid interest and dividends	(55 706)	87 349	113 104	412 134
Profit/loss on investment activities	151 611	248 373	285 951	310 642
Income tax for the current period	53 059	235 333	15 822	218 880
Paid income tax	(127 484)	(239 687)	(9 379)	(290 386)
Other net items	(129 019)	(197 864)	624 058	631 629
Net cash flows from operating activities before changes in working capital	418 305	2 132 210	1 225 169	2 900 263
Change in working capital:				
Change in net receivables	(1 043 722)	(537 231)	(607 224)	108 299
Change in inventory	267 524	(186 889)	271 074	(54 022)
Change in provisions	73 595	132 259	41 836	73 586
Change in short-term liabilities	567 990	917 875	243 799	(33 308)
Change in prepayments	(92 008)	(147 882)	(84 989)	(4 283)
Change in deferred income	201 651	162 438	95 134	(35 584)
Net cash flows from operating activities	393 335	2 472 780	1 184 799	2 954 951
Cash flows from investment activities				
Inflows from the sale of tangible and intangible fixed assets	12 410	19 376	4 225	10 046
Inflows from the sale of shares in entities not included in consolidation	1 948	2 570	1 589	1 589
Inflows from the sale of short-term securities	84 154	231 638	(218 290)	-
Acquisition of intangible assets and tangible fixed assets	(428 709)	(1 394 393)	(416 484)	(1 274 406)
Acquisition of shares in entities not included in consolidation	(1 698)	(1 698)	-	-
Acquisition of short-term securities	1 615	-	(22 077)	(22 077)
Received interest	90 310	165 122	3 209	21 545
Received dividends	216	1 506	94	1 202
Other net items	79 092	169 897	(7 239)	(18 114)
Net cash on investment activity	(160 662)	(805 982)	(654 973)	(1 280 215)
Cash flows from financial activities				
Net inflows from issuing shares and other capital instruments and surcharges for capital	(41 907)	2 640 093	-	
Inflows from contracted credits and loans	(618 411)	2 305 445	17 292	29 819
Repayment of credits and loans	(2 948 797)	(3 964 145)	(108 133)	(741 457)
Inflows from issuance of debt securities	-	-	-	-
Redemption of debt securities	2 799 327	-	-	-
Repayment of liabilities due to financial lease	(5 304)	(50 757)	(5 192)	(13 562)
Inflows from forwards	225 166	277 504	232 677	292 900
Outflows from forwards	(151 108)	(281 289)	(449 145)	(576 260)
Paid dividends	12 992	(150 572)	(73 245)	(207 533)
Paid interest	(23 117)	(104 578)	(190 821)	(247 497)
Other net items	(25 861)	(44 817)	(1 748)	(9 086)
Net cash flows from financial activities	(777 020)	626 884	(578 315)	(1 472 676)
Change in the balance of net cash	(544 347)	2 293 682	(48 489)	202 060
Net exchange differences	(251)	191	(4 840)	(4 614)
Opening balance of cash and cash equivalents	3 749 436	911 407	959 894	709 345
Closing balance of cash and cash equivalents	3 205 089	3 205 089	911 405	911 405

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

	Equity (assigned to the shareholders of the holding company)					Minority equity	Total equity
	Share capital	Revaluation reserve	Exchange differences from translation	Retained profits (losses)	Total		
	(in thousands of zlotys)						
01.01.2004	5 000 000	1 086	(1 517)	11 963 745	16 963 314	6 328	16 969 642
Exchange differences from translation of foreign branches	-	-	(10 476)	-	(10 476)	-	(10 476)
Share of the minority shareholders in profit distribution	-	-	-	(1)	(1)	(68)	(69)
Dividend payment to the owner	-	-	-	(5 437)	(5 437)	-	(5 437)
Net profit for the year 2004	-	-	-	793 061	793 061	52	793 113
31.12.2004	5 000 000	1 086	(11 993)	12 751 368	17 740 461	6 312	17 746 773
01.01.2005	5 000 000	1 086	(11 993)	12 751 368	17 740 461	6 312	17 746 773
Emission of shares	900 000	-	-	-	900 000	-	900 000
Sale of shares above their face value	-	-	-	1 740 093	1 740 093	-	1 740 093
Exchange differences from translation of foreign branches	-	-	(2 093)	-	(2 093)	-	(2 093)
Share of the minority shareholders in profit distribution	-	-	-	(1)	(1)	(63)	(64)
Reduction of shares in subsidiary company – share of minority shareholders	-	-	-	5 000	5 000	80	5 080
Rising of share capital in controlled entity by minority shareholders	-	-	-	61	61	-	61
Exclusion of subsidiary company from consolidation	-	-	-	2 261	2 261	-	2 261
Received dividend from controlled entities measured using the equity method	-	-	-	(174)	(174)	-	(174)
Result on the transferred fixed assets as dividend	-	-	-	-	-	-	-
Dividend payment to the owner	-	-	-	(500 000)	(500 000)	-	(500 000)
Net profit for the first four quarters of 2005	-	-	-	926 730	926 730	914	927 644
31.12.2005	5 900 000	1 086	(14 086)	14 925 338	20 812 338	7 243	20 819 581

	Equity (assigned to the shareholders of the holding company)					Minority equity	Total equity
	Share capital	Revaluation reserve	Exchange differences from translation	Retained profits (losses)	Total		
	(in thousands of zlotys)						
01.10.2005	5 000 000	1 086	(3 215)	12 962 856	17 960 727	7 169	17 967 896
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	-	-	(10 871)	-	(10 871)	-	(10 871)
Share of the minority shareholders in profit distribution	-	-	-	-	-	-	-
Reduction of shares in subsidiary company – share of minority shareholders	-	-	-	-	-	80	80
Rising of share capital in controlled entity by minority shareholders	-	-	-	61	61	-	61
Exclusion of subsidiary company from consolidation	-	-	-	1	1	-	1
Received dividend from controlled entities measured using the equity method	-	-	-	-	-	-	-
Result on the transferred fixed assets as dividend		-	-	(106 974)	(106 974)	-	(106 974)
Dividend payment to the owner	-	-	-	-	-	-	-
Net profit for the first four quarters of 2005	-	-	-	329 301	329 301	(6)	329 295
31.12.2005	5 900 000	1 086	(14 086)	14 925 338	20 812 338	7 243	20 819 581

• **1. Information on principles applied during the preparation of the consolidated report for the 4th quarter of 2005**

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

The consolidated financial statements for the third quarter of 2005 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 2005 to 31 December 2005.

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

1.2. Representation on compliance

In the consolidated financial statements the Capital Group applied International Financial Reporting Standards.

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

The same general principles have been applied during the preparation of the consolidated balance sheet, consolidated profit and loss account, statement of changes in consolidated equity and consolidated cash flow statement as during the preparation of the consolidated financial statements for the period ended 30 June 2005. The above principles have been recognized in the consolidated financial statements of the Capital Group for the period ended 30 June 2005, which were published on 30 September 2005.

1.4. Accounting principles applied

In the fourth quarter of 2005, 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 2005. These principles have been included in the consolidated financial statements of the Capital Group for the period ended 30 June 2005, which were published on 30 September 2005.

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.

The joint stock company is a legal successor of the state enterprise. Asset and liabilities of the state enterprise were transferred via contribution in kind to the joint stock company and disclosed in accounting records at the value from the closing balance of the state enterprise.

The Company's core business includes seeking and exploration of crude oil and gas, gas import, transfer and distribution.

PGNiG Capital Group consists of commercial companies specialized in production, trade and services. The Group's holding company is Polskie Górnictwo Naftowe i Gazownictwo S.A.

The structure of PGNiG Capital Group

As of 31 December 2005 Polskie Górnictwo Naftowe i Gazownictwo S.A. possessed shares in 58 commercial companies, including:

25 companies, in which PGNiG S.A. held over 50% of shares;
17 companies, in which PGNiG S.A. held 20% - 50% of shares;
16 companies, in case of which PGNiG S.A. had a share of less than 20% in their share capital.

As of 31 December 2005, the total face value of the capital commitment of PGNiG S.A. in commercial companies equalled PLN 6,547.5 million.

Companies in which PGNiG S.A. holds shares are divided into three groups:

- “key” companies – six Gas Companies (operating since 2003, composed of the former branches of PGNiG SA – gas operators, whose area of operation covered all of Poland) and Górnictwo Naftowe Sp. z o.o. (established on 22 December 2000 in order to execute the amendment of the “Organizational restructuring program of the state owned public utility company Polskie Górnictwo Naftowe i Gazownictwo” approved by the Council of Ministers on 23 May 2000; the company’s share capital is equal PLN 50,000.00, the company does not conduct any operating activity);
- “core” companies – 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. These entities were created as a result of the Antimonopoly Office’s decision of 1993 concerning the division of the state enterprise Polskie Górnictwo Naftowe i Gazownictwo. The group of “core” companies includes entities established in order to execute the sector’s business undertakings (including in the scope of projects concerning the use of natural gas in the energy sector), investment projects, financial activity and international treaties;
- “other” companies – entities 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. Companies, in which PGNiG S.A. possesses shares, have been qualified to particular groups according to two criteria: the relationship between a company’s scope of activity and the scope of the activity of PGNiG S.A. as well as the significance of the activity conducted by such a company to the realization of the goals of PGNiG S.A.

List of companies that comprise PGNiG Capital Group

The structure of the capital commitment of PGNiG S.A. in commercial companies, in which PGNiG S.A. possesses at least 5% of shares, as of 31 December 2005 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 companies			
1 Karpacka Spółka Gazownictwa Sp. z o.o.	1 570 832 000,00	1 570 832 000,00	100,00%
2 Górnośląska Spółka Gazownictwa Sp. z o.o.	1 288 403 000,00	1 288 403 000,00	100,00%
3 Mazowiecka Spółka Gazownictwa Sp. z o.o.	999 634 000,00	999 634 000,00	100,00%
4 Wielkopolska Spółka Gazownictwa Sp. z o.o.	864 071 000,00	864 071 000,00	100,00%
5 Pomorska Spółka Gazownictwa Sp. z o.o.	563 031 000,00	563 031 000,00	100,00%
6 Dolnośląska Spółka Gazownictwa Sp. z o.o.	552 762 000,00	552 762 000,00	100,00%
7 Górnictwo Naftowe Sp. z o.o.	50 000,00	50 000,00	100,00%
Core companies			
1 PNiG Jasło Sp. z o.o.	100 000 000,00	100 000 000,00	100,00%
2 PNiG Kraków Sp. z o.o.	98 850 000,00	98 850 000,00	100,00%
3 Geovita Sp. z o.o.	86 139 000,00	86 139 000,00	100,00%
4 PN "Diament" Sp. z o.o.	62 000 000,00	62 000 000,00	100,00%
5 PNiG NAFTA Sp. z o.o.	60 000 000,00	60 000 000,00	100,00%
6 BUG Gazobudowa Sp. z o.o.	39 220 000,00	39 220 000,00	100,00%
7 GEOFIZYKA Kraków Sp. z o.o.	34 400 000,00	34 400 000,00	100,00%
8 GEOFIZYKA Toruń Sp. z o.o.	33 000 000,00	33 000 000,00	100,00%
9 BN Naftomontaż Sp. z o.o. w upadłości	44 751 000,00	39 751 000,00	88,83%
10 Zakład Robót Górniczych Krosno Sp. z o.o.	26 802 000,00	26 802 000,00	100,00%
11 ZUN Naftomet Sp. z o.o.	23 500 000,00	23 500 000,00	100,00%
12 ZRUG Sp. z o.o. (w Pogórskiej Woli)	4 300 000,00	4 300 000,00	100,00%
13 PGNiG Finance B.V.	20 000 Euro	20 000 Euro	100,00%
14 "BUD - GAZ" Sp. z o.o.	51 760,00	51 760,00	100,00%
15 BSiPG "Gazoprojekt" S.A.	4 000 000,00	3 000 000,00	75,00%
16 PPUiH "TURGAZ" Sp. z o.o.	176 000,00	90 000,00	51,14%
17 "NYSAGAZ Sp. z o.o."	3 700 000,00	1 887 000,00	51,00%
18 InterTransGas GmbH	200 000 Euro	100 000 Euro	50,00%
19 INVESTGAS S.A.	500 000,00	245 000,00	49,00%
20 "Polskie Elektrownie Gazowe" Sp. z o.o.	2 500 000,00	1 212 000,00	48,48%
21 SGT EUROPOL GAZ S.A.	80 000 000,00	38 400 000,00	48,00%
22 PFK GASKON S.A.	13 061 325,00	6 000 000,00	45,94%
23 GAS - TRADING S.A.	2 975 000,00	1 291 350,00	43,41%
24 ZWUG "INTERGAZ" Sp. z o.o.	4 700 000,00	1 800 000,00	38,30%
25 "Dewon" ZSA	11 146 800 Hr	4 055 205,84 Hr	36,38%
26 "IZOSTAL" S.A.	22 488 000,00	1 360 000,00	6,05%
27 TENET 7 Sp. z o.o.	50 000,00	5 000,00	10,00%
28 Agencja Rynku Energii S.A.	1 376 000,00	100 000,00	7,27%

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
Other companies				
1	ZRUG Warszawa S.A. w likwidacji	6 000 000,00	2 940 000,00	49,00%
2	Sahara Petroleum Technology Llc	150 000 RO	73 500 RO	49,00%
3	"GAZOMONTAŻ" S.A.	1 498 850,00	677 200,00	45,18%
4	"ZRUG" Sp. z o.o. (w Poznaniu)	3 780 000,00	1 515 000,00	40,08%
5	HS "Szczakowa" S.A. w upadłości	16 334 989,44	5 439 494,72	33,30%
6	"ZRUG TORUŃ" S.A.	4 150 000,00	1 300 000,00	31,33%
7	Przeds. Wielobranżowe "MED - FROZ" S.A. w likwidacji	151 700,00	35 000,00	23,07%
8	ZRUG Zabrze Sp. z o.o.	2 750 000,00	600 000,00	21,82%
9	"TE-MA" WOC Małaszewicze Terespol Sp. z o.o. w likwidacji	262 300,00	55 000,00	20,97%
10	Zakład Remontowy Urządzeń Gazowniczych Wrocław Sp. z o.o. w upadłości	1 700 000,00	270 000,00	15,88%
11	Polski Serwis Płynów Wiertniczych Sp. z o.o.	250 000,00	35 000,00	14,00%
12	Walcownia Rur "JEDNOŚĆ" Sp. z o.o.	220 590 000,00	18 310 000,00	8,30%
13	PI GAZOTECH Sp. z o.o.	1 203 800,00	65 000,00	69,44%
14	Polskie Konsorcjum Energetyczne Sp. z o.o.	100 000,00	9 500,00	9,50%
15	HSW - Zakład Mechaniczny Sp. z o.o. w upadłości	83 010 300,00	4 453 600,00	5,37%
TOTAL all companies			6 542 210 520,39	

1.6. The entities of the Capital Group included in consolidation for the fourth quarter of 2005

The following entities have been included in the consolidated financial statements for the fourth quarter of 2005: the Holding Company, twenty one subsidiaries, one co-subsidiary and two associated entities.

Name of the Company	Country	Percentage share in the share capital	
		30 December 2005	30 December 2004
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%
Dolnośląska Spółka Gazownictwa Sp. z o.o.	Poland	100.00%	100.00%
Górnośląska Spółka Gazownictwa Sp. z o.o.	Poland	100.00%	100.00%
Karpacka Spółka Gazownictwa Sp. z o. o.	Poland	100.00%	100.00%
Mazowiecka Spółka Gazownictwa Sp. z o.o.	Poland	100.00%	100.00%
Pomorska Spółka Gazownictwa Sp. z o.o.	Poland	100.00%	100.00%
Wielkopolska Spółka Gazownictwa Sp. z o.o.	Poland	100.00%	100.00%
Gazobudowa Zabrze Sp. z o.o.	Poland	100.00%	100.00%
Naftomontaż Krosno Sp. z o.o.	Poland	100.00%	100.00%
Naftomet Krosno Sp. z o.o.	Poland	100.00%	100.00%
Diament Sp. z o.o.	Poland	100.00%	100.00%
Gazoprojekt S.A.	Poland	75.00%	75.00%
PGNiG Finance B.V.	Holland	100.00%	100.00%
Geovita Sp. z o.o. Warsaw	Poland	100.00%	100.00%
ZRG w Krośnie Sp. z o.o.**	Poland	100.00%	100.00%
Subsidiaries of Naftomontaż Krosno Sp. z o.o. – a subsidiary			
Naft-Trans Krosno Sp. z o. o. in liquidation*	Poland	Not consolidated	99,70%
Naft-Stal Krosno Sp. z o.o.	Poland	67,42%	98,50%
Subsidiaries and Associated Entities			
EUROPOL GAZ S.A.	Poland	49.74%	49.74%
Gas Trading S.A.	Poland	43.41%	43.41%
INVESTGAS S.A.	Poland	49.00%	49.00%

* As a result of bankruptcy and then liquidation the Company was excluded from consolidation (revenues and costs for the period from 1 January 2005 to 30 June 2005 were eliminated from the consolidated financial statements).

** 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.

1.7. Materials events that occurred after the closing period, which were not disclosed in the consolidated financial statements for the third quarter of 2005

By the date of preparation of the financial statements for the third quarter 2005, no events had occurred that should have been recognized in the accounting records of the reporting period.

1.8. 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. Such seasonal sales nature is not observed in respect to crude oil sales by PGNiG Capital Group. 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.

1.9. 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:

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.

The transmission and trade segment deals in the purchase of gas, its transmissions in the gas pipeline network of the transmission system as well as its sale.

The distribution segment deals in the purchase, sale and supply of gas to end customers, primarily individual customers.

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.

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

In the period from 1 July to 31 December 2005 no such events took place in the Capital Group.

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

On 29 April 2005, the General Meeting of Shareholders decided to allocate PLN 500,000.0 thousand for dividend payments to shareholders.

Declared dividend	500 000 000
Weighted average number of ordinary shares	5 000 000 000
Dividend per ordinary share (in PLN)	0.1

*The Company has no preference shares.

The Annual Shareholders' Meeting passed the resolution to distribute the net profit of PLN 746.7 million. The major portion of the above amount, i.e. PLN 500 million was allocated for the dividend paid to 100% shareholder – i.e. the State Treasury, whereas the remaining portion will be allocated to increase the supplementary capital. The dividend for the State Treasury will be paid in the non-pecuniary form, i.e. active elements of the transmission system, such as gas compression stations and gas stations.

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

Selected financial data have been presented in the "Interim consolidated financial statements of the PGNiG S.A. Capital Group for the 4th quarter of 2005" and in the "Summary financial statements of PGNiG S.A. for the 4th quarter of 2005".

1.13. 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 2005.

1.14. Identification of total number of shareholders with at least 5 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 15.04.2005 - 16.09.2005	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	15.25%	84.75%	5 000 000 000
Other	0	0	15.25%	15.25%	900 000 000
Total:	100%	5 900 000 000		100%	5 900 000 000

1.15. 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	158 604	0	0	0	117 062	41 542
Supervisory Board	0	0	0	0	0	0

1.16. 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 of the issuer's equity.

In the fourth quarter of 2005, except for proceedings referred to in Chapter V of the Prospectus, no other proceedings were initiated.

1.17. 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 July to 30 December 2005, there were no non-standard transactions in the Capital Group between related parties, where the transaction value exceeded EUR 500.0 thousand.

1.18. 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 prices on the international market.

1.19. 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 described in point 31.d Contingent liabilities due to granted sureties and guarantees to the consolidated financial statements of the PGNiG S.A. Capital Group drawn as of 30 June 2005, which was published on 30 September 2005. Additionally, the Company disclosed provisions for liabilities in the financial records for 2005, which so far were disclosed as contingent liabilities: contribution to the share capital of PI Gazotech and claims in respect to real estate.

2. Additional explanatory notes to the financial statements

2.1. Deferred tax

	Deferred tax asset	Provision for deferred income tax
Opening balance as of 1 January 2005	462 032	2 304 771
a) increases	46 174	50 946
b) decreases	(123 702)	(203 990)
Closing balance on 31 December 2005	384 504	2 151 727

2.2. Revaluation write-downs on assets

	Fixed assets	other financial assets	Investments in associated companies measured using the equity method	Financial assets available for sale	Inventory	Short-term receivables	Due amount of long-term loans	Financial assets held for trading	Total
Opening balance as of 1 January 2005	815 357	71	522 186	46 488	5 787	1 010 975	270 013	21 589	2 692 466
a) increases	56 623	(220)	129 262	3 041	22 904	109 845	56 560	895	378 910
b) reclassification	-	13 189	-	-	-	3 084	(13 209)	-	3 064
b) decreases	(53 992)	-	-	(1 085)	(2 349)	(244 751)	(59 307)	(12 872)	(374 356)
Closing balance on 31 December 2005	817 988	13 040	651 448	48 444	26 342	879 153	254 057	9 612	2 700 084

2.3. Provisions

Provision for retirement and similar benefits	Provision for jubilee bonuses and retirement severance pay	Provision for pension allowances	Company's Social Benefits Fund	Provision for welfare allowances	Other provisions for retirement and similar benefits	Total
Opening balance as of 1 January 2005	309 335	112 424	85 449	14 466	852	522 526
a) increases	30 306	39 404	52 969	14 274	7 788	144 741
b) decreases	(41 950)	(49 145)	(61 781)	(3 019)	(2 880)	(158 775)
Closing balance on 31 December 2005	297 691	102 683	76 637	25 721	5 760	508 492

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	Provisions for joint liabilities to subcontractors of the subsidiary	Provision for gas pitch	Provisions for return of leasing property	Provisions for renegotiation of gas prices with Gazexport	Other provisions	Total
Opening balance as of 1 January 2005	538 632	17 005	52 656	28 900	28 246	-	-	71 731	737 170
a) increases	114 018	8 759	7 450	-	8 921	81 285	50 224	29 131	299 788
b) decreases	(80 372)	-	(8)	(28 900)	(1 598)	-	-	(26 764)	(137 642)
Closing balance on 31 December 2005	572 278	25 764	60 098	-	35 569	81 285	50 224	74 098	899 316

2.4. Industry segments

Period ended 31 December 2005	Exploration and production	Transmission	Distribution	Other	Elimination	Total
Profit and loss						
External sales	1 630 297	3 405 000	7 432 826	91 865		12 559 988
Sales between lines of business	952 363	5 316 520	22 311	173 084	(6 464 278)	-
Total revenue	2 582 660	8 721 520	7 455 137	264 949	(6 464 278)	12 559 988
Amortization	(451 293)	(292 734)	(649 276)	(11 354)		(1 404 657)
Other costs	(1 414 426)	(7 923 338)	(6 672 670)	(258 632)	6 446 868	(9 822 198)
Total cost	(1 865 719)	(8 216 072)	(7 321 946)	(269 986)	6 446 868	(11 226 855)
Result on operating activity	716 941	505 448	133 191	(5 037)	(17 410)	1 333 133
Net interest and other financial expenses						(52 907)
Share in profits/(losses) of controlled entities measured using the equity method		49 604				49 604
Gross profit						1 329 830
Income tax						(235 333)
Result for the financial year on abandoned activity						-
Dividend						(166 853)
Net profit/loss						927 644
Balance sheet						
Segment assets	7 640 562	11 664 984	11 241 439	247 919	(1 400 088)	29 394 816
Shares in associated entities		512 076				512 076
Unassigned assets						143 298
Deferred tax asset						384 504
Total assets						30 434 694
Total equity						20 819 581
Liabilities of the line of business	1 315 358	2 310 306	2 456 587	97 855	(1 343 900)	4 836 206
Unassigned liabilities						2 627 180
Provision for deferred tax						2 151 727
Total Equity and Liabilities						30 434 694
Other segmental information						
Investment outlays	(293 975)	(513 296)	(580 453)	(6 669)		(1 394 393)
Revaluation write-downs on assets	(319 295)	(1 851 733)	(467 629)	(3 371)		(2 642 028)
Revaluation write-downs on unassigned assets						(58 056)

Period ended 31 December 2004	Exploration and production	Transmission	Distribution	Other	Elimination	Total
Profit and loss						
External sales	1 208 473	2 918 138	6 706 820	75 260		10 908 691
Sales between lines of business	842 152	4 658 844	38 945	159 641	(5 699 582)	-
Total revenue	2 050 625	7 576 982	6 745 765	234 901	(5 699 582)	10 908 691
Amortization	(437 402)	(441 880)	(639 881)	(11 608)		(1 530 771)
Other costs	(1 242 814)	(6 283 179)	(5 962 250)	(243 055)	5 678 953	(8 052 345)
Total cost	(1 680 216)	(6 725 059)	(6 602 131)	(254 663)	5 678 953	(9 583 116)
Result on operating activity	370 409	851 923	143 634	(19 762)	(20 629)	1 325 575
Net interest and other financial expenses						(308 174)
Share in profits/(losses) of controlled entities measured using the equity method		140 367				140 367
Gross profit						1 157 768
Income tax						(218 880)
Result for the financial year on abandoned activity						-
Dividend						(145 775)
Net profit/loss						793 113
Balance sheet						
Segment assets	7 539 543	9 673 121	10 951 268	237 489	(1 160 195)	27 241 226
Shares in associated entities		462 645				462 645
Unassigned assets						253 615
Deferred tax asset						462 032
Total assets						28 419 518
Total equity						17 746 773
Liabilities of the line of business	1 099 977	1 142 835	2 221 840	88 186	(1 160 195)	3 392 643
Unassigned liabilities						4 975 331
Provision for deferred tax						2 304 771
Total Equity and Liabilities						28 419 518
Other segmental information						
Investment outlays	(351 330)	(468 129)	(451 471)	(3 476)		(1 274 406)
Revaluation write-downs on assets	(342 018)	(1 832 285)	(446 552)	(3 534)		(2 624 389)
Revaluation write-downs on unassigned assets						(68 077)

5. Revenues from sales of products, goods and materials

	31.12.2005	31.12 2004
High-methane gas	9 933 581	8 877 671,00
Nitrated gas	921 399	787 440,00
Crude oil	783 622	596 453,00
Helium	34 443	37 069,00
Propane-butane gas	36 885	30 588,00
Gasoline	13 881	10 555,00
Decompressed gas	9 771	1 436,00
Goods and materials	20 523	24 215,00
Other sales of products and services	805 883	543 264,00
Total	12 559 988	10 908 691,00

6. Revenues from leasing payments

	31.12.2005	31.12 2004
Interest	145 082	-
Repayments	118 843	-
Total*	263 925	-

*The leasing contract became effective on 8th July 2005

7. Operating expences

	31.12.2005	31.12 2004
Consumption of raw materials and materials		
Gas purchase	-6 372 565	-5 087 523
Consumption of other raw materials and materials	-21 681	-37 319
Total	-6 394 246	-5 124 842

	31.12.2005	31.12 2004
External services		
Purchase of transmission services from OGP Gaz System Sp. z o.o.	-738 131	0
Other external services	-1 045 406	-1 097 127
Total	-1 783 537	-1 097 127

8. Adjustments to the consolidated financial statements prepared in accordance with Polish Accounting Standards (PAS)

	31.12 2004
Equity according to PAS	1 109 512
Revaluation of tangible fixed assets on 1 January 2004	(361 898)
Adjustment of actuarial gains/losses	414
Deferred tax	68 670
Payments from profit for social activity	(23 638)
Equity of minority shareholders	53
Equity according to IFRS	793 113
Financial result according to PAS	8 797 869
Revaluation of tangible fixed assets on 1 January 2004	11 043 436
Adjustment of actuarial gains/losses	(3 498)
Deferred tax	(2 097 346)
Payments from profit for social activity	-
Result of minority shareholders	6 312
Financial result according to IFRS	17 746 773