



PGNiG

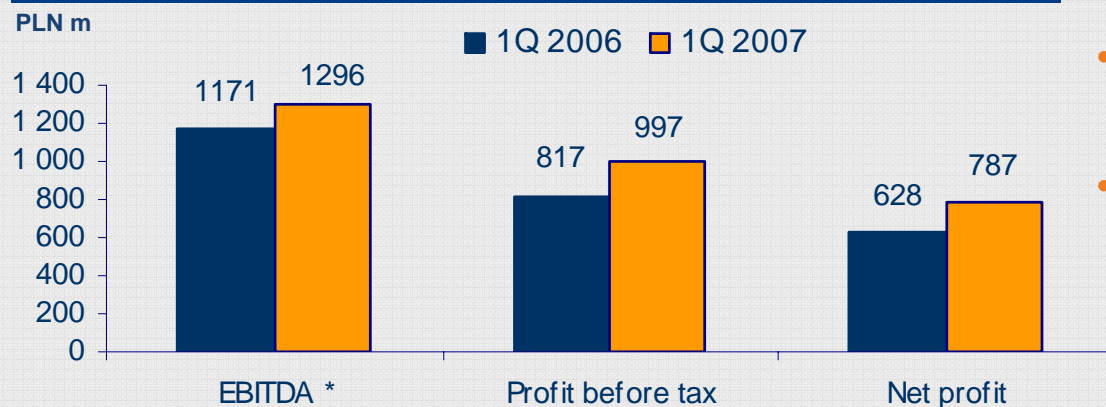
Polskie Górnictwo Naftowe
i Gazownictwo SA

Financial Results of PGNiG S.A.
1st quarter 2007

Financial Highlights

PGNiG Group - IFRS (PLN m)	1 Q 2006	1 Q 2007	Change
Sales revenue	5,099	5,049	(1%)
EBIT	802	918	14%
Profit before tax	817	997	22%
Net profit	628	787	25%
EBITDA (lease)*	1,171	1,296	11%

Results of the PGNiG Group



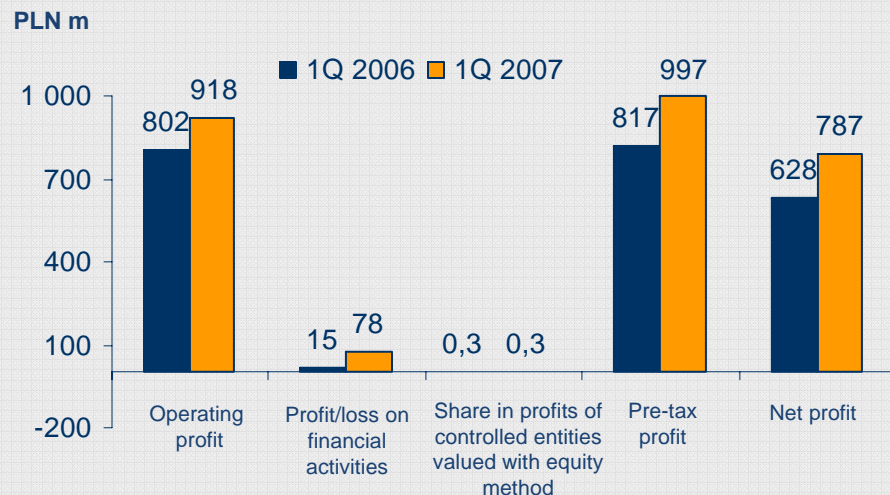
* EBITDA (lease) was calculated as EBITDA plus PGNiG S.A.'s income from a principal payment by OGP Gaz System Sp. z o.o. (disclosed under decrease in receivables in the balance sheet / repayment of interest is disclosed under „other net operating expenses“)

Company's comments

- Operating profit and net profit for 1Q 2007 exceeded the market consensus by **9%** and **14%**, respectively;
- Good financial results stem from:
 - PGNiG's business activities (e.g. financial optimization, cost discipline, business development);
 - decreasing losses on imported gas sales;
- Owing to effective financial strategy, profit generated by the Company was higher by **PLN 63 m** compared to last year;
- Consolidated net financial result in the 1st quarter 2007 **increased** by **25%** y/y and reached **PLN 787 m**;
- Net profitability of PGNiG **improved** from **12.3%** in 1Q 2006 to **15.6%** in 1Q 2007.

Analysis of PGNiG Group results

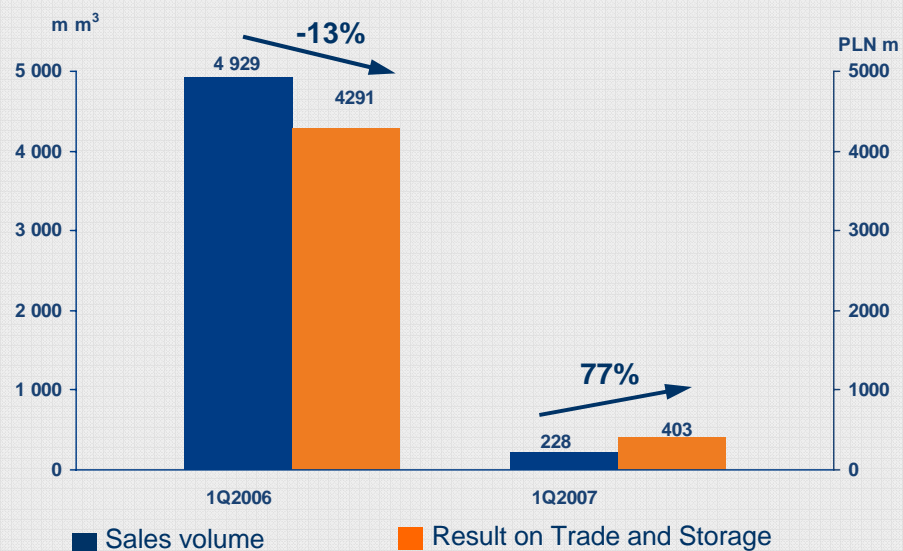
Breakdown of PGNiG Group results



- The Company's **net result** increased in the 1Q 2007 by **25%** compared to 1Q 2006, which was driven by improved operating and financial results;
- Higher **operating profit** in 1Q 2007 results from lower cost of gas imports due to a decrease in the sales volume;
- Company improved its result on **financial activity** by **PLN 63 m** against Q1 2006.

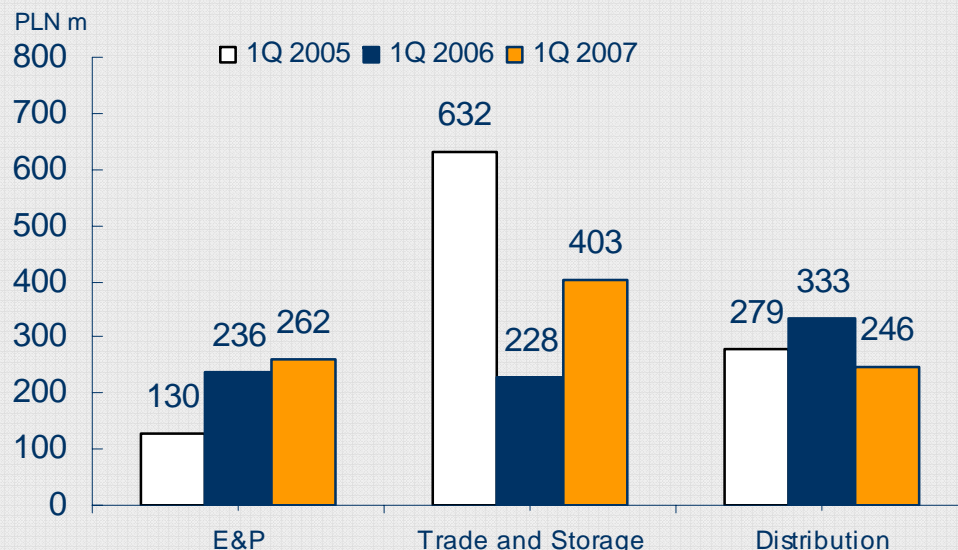
Impact of sales volume on PGNiG's results

- For the last several years the selling price of PGNiG has been lower than its imports price, whereby PGNiG suffers a loss on this activity. So far, these losses have been minimized owing to high profitability of the domestic production business;
- Since the current selling price do not cover the import cost, any decrease in imports volume leads to improvement in PGNiG's results. This was the case in 1Q 2007.



Segments of PGNiG's activity

PGNiG's operating results by segments



Exploration & Production

- Since 2005 crude oil prices increase, E&P segment generates stable revenues for PGNiG Group;
- Main growth drivers of the E&P segment are the non-regulated gas sales and profits from crude oil sales;
- Improvement in 1Q 2007 financial results was achieved thanks to increased profitability of the exploration activity.

Trading and Storage

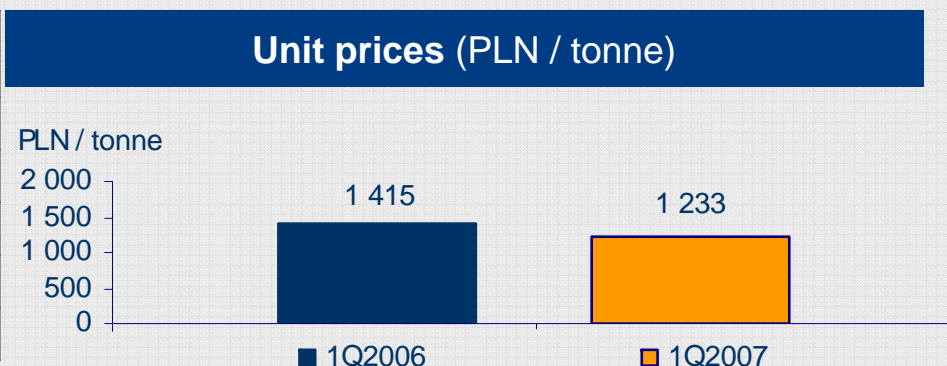
- Volatility of the Trade & Storage segment results in the last 3 years was due to changes in gas prices;
- In 2006, as a result of the loss on gas trade activity, the profitability of the Trade & Storage segment significantly deteriorated (drop by over PLN 400 m);
- Lower sales volume and new tariff were the main drivers of the sound results in 1Q 2007. However, this result is still lower than in 2005.

Distribution

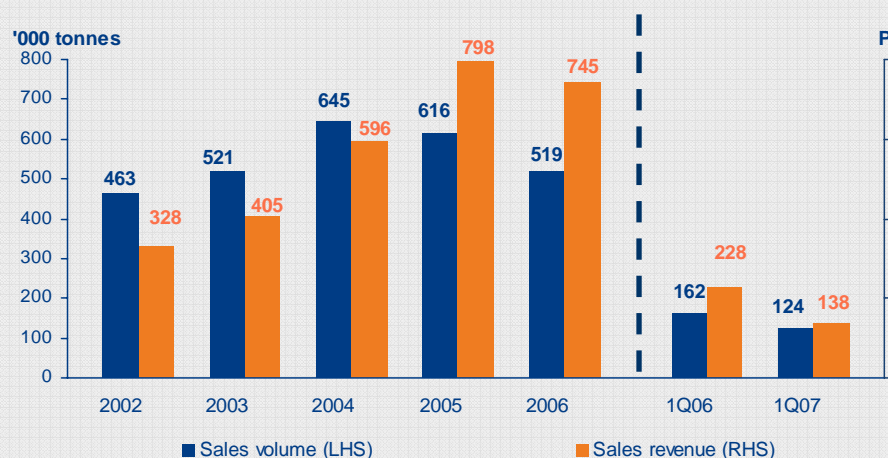
- The Distribution segment ensures stable profits for PGNiG Group;
- Low operating result of the segment in 1Q 2007, as compared to 1Q 2006, is due to lower gas sales volume by the distribution companies (reduction by 700 million cu.m., i.e. by 21%).

Crude Oil

PGNiG Group – IFRS	Q1 2006	Q1 2007	Change
Sales volume* ('000 tonnes)	162	124	(23%)
Sales revenue* (PLN m)	228	138	(39%)
Production volume* ('000 tonnes)	150	132	(12%)
Crude oil unit price (PLN/tonne)	1,415	1,233	(13%)
Crude oil unit price (USD/bbl) *	62	58	(6%)



Crude oil sales*



*Includes crude oil and condensate.

The Company's comments

- PGNiG sells crude oil on market terms. In Q1 2007, the average price of crude oil sold by PGNiG was **54 USD/bbl**;
- In the end of March 2007, PGNiG finalized negotiations and signed a supply contract with Trzebinia Refinery. The new deal will result in higher crude oil sales volumes in April and May 2007;
- Decline in crude oil revenues was not only due to lower sales volume but also to lower oil price levels (7% slump y/y) and dollar depreciation (7% y/y).

PGNiG's gas sales volume and revenues

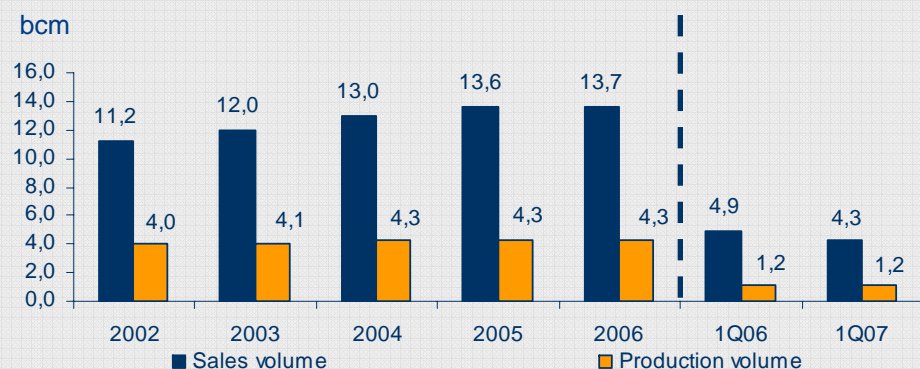
PGNiG Group – IFRS	1Q 2006	1Q 2007	Change
Sales volume of natural gas*(millions of m ³)	4,929	4,291	(13)%
Production volume (millions of m ³)*	1,181	1,189	1%

Sales revenue (PLN m)	5,099	5,049	(1)%
- Methane-rich gas (E)	4,167	4,050	(3)%
- Nitrogen-rich gas (Ls, Lw)	403	402	0%
- Other sales	529	597	13%

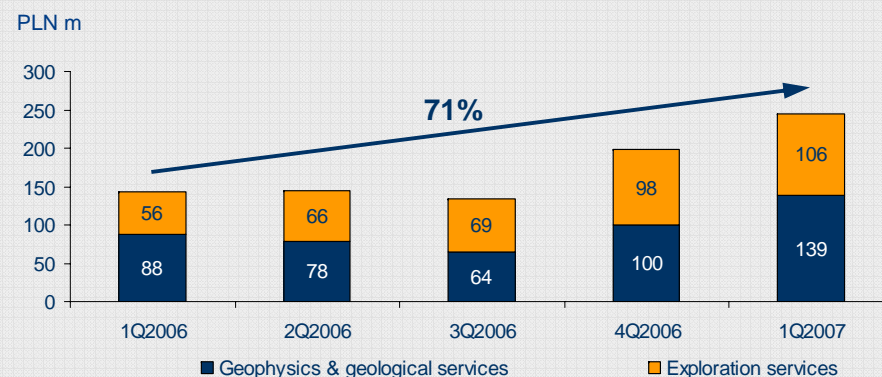
Company's comments

- Gas sales volume in 1Q 2007 decreased by 13%, which was coupled with increase in domestic production by 1% y/y;
- Supply structure has changed slightly – this was driven by increased purchases by fertilizer plants and lower demand from domestic consumers using gas for heating purposes;
- In 1Q 2007, PGNiG noted substantial increase in revenues from exploration activities.

Natural gas - sales and production volume*



Revenues from exploration services

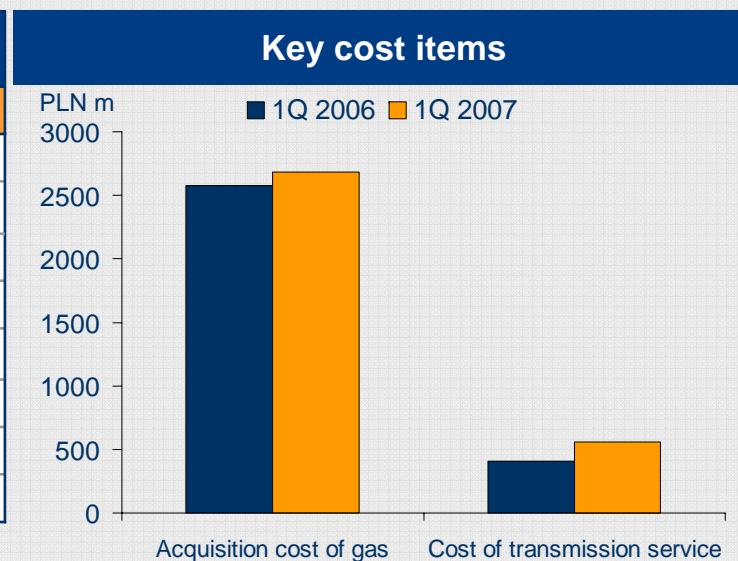


*Methane-rich gas equivalent (E).

**Data includes the production of KRIO Odolanów nitrogen removal plant

Costs of operating activity

PGNiG Group – IFRS (PLN m)	Q1 2006	Q1 2007	Change
Total operating costs	4,296	4,131	(4%)
- Acquisition cost of gas	2,681	2,578	(4%)
- Other raw materials used	120	134	12%
- Employee benefits	376	418	11%
- Depreciation and amortisation	319	329	3%
- OGP Gaz System transmission services	557	409	(27%)
- Other contracted services	208	253	22%
- Other operating expenses (net)	132	134	2%
- Cost of products and services for own needs	-96	-124	29%

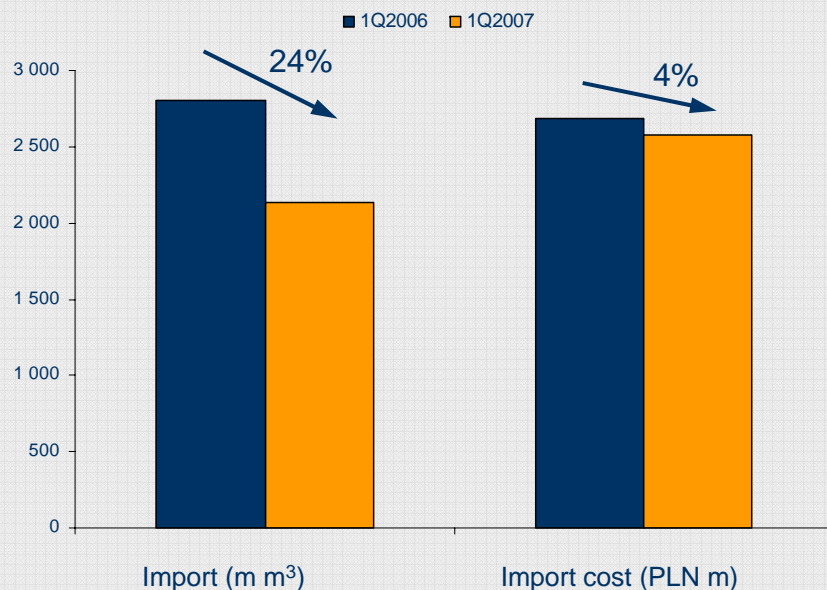


Company's comments

- 4% drop in the operating costs in 1Q 2007 results from two factors:
 - lower cost of imported gas (the largest cost item)
 - decrease in transmission services cost resulting from lower volume of gas sold;
- Increase in 'other contracted services' item stems from intensified activities of exploration companies of PGNiG Group. The revenues of these companies in 1Q 2007 increased by 101 PLN m and this was accompanied by the cost increase in the amount of PLN 70 m;
- The decrease of the operating costs in 1Q 2007 improved the operating margin to 18.2% from 15.7% in 1Q 2006.

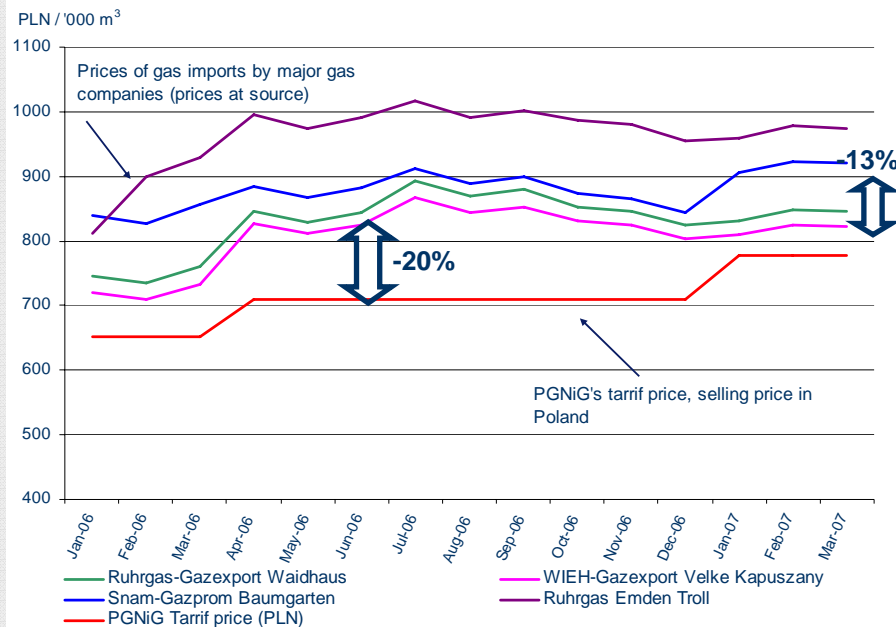
Acquisition cost of import gas

Quarterly volume and cost of imported gas



- In spite of decrease in gas imports volume by 24% in 1Q 2007 (compared to 1Q 2006), the acquisition cost of gas remained at a comparable level;
- This is due to substantial increase of imported gas price since January 1, 2007. The cost of imports in 1Q 2007 totalled PLN 2,578 m.

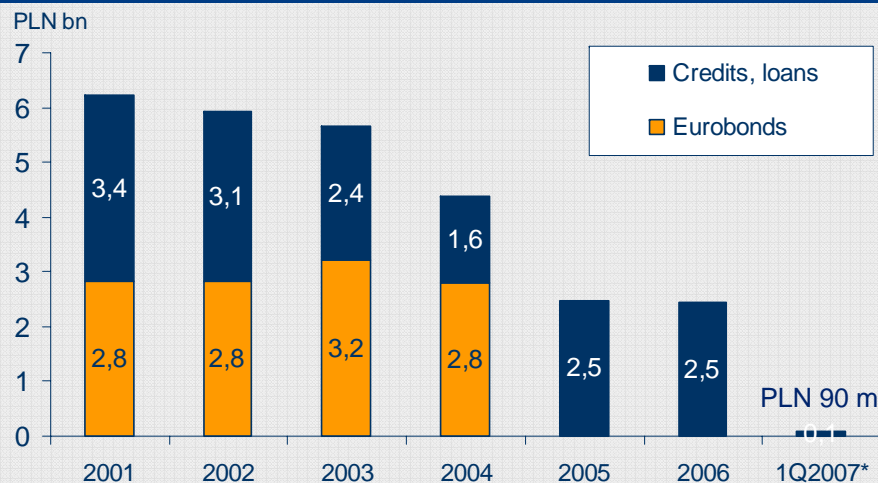
Gas import price and PGNiG's selling price



- Despite the tariff price increase, which took effect as of 01.01.2007, PGNiG's gas selling price remains below the cost of the gas imports;
- As a result of the tariff price change, the gap between the imports price in Europe and PGNiG's selling price decreased from over 20% to 13%.

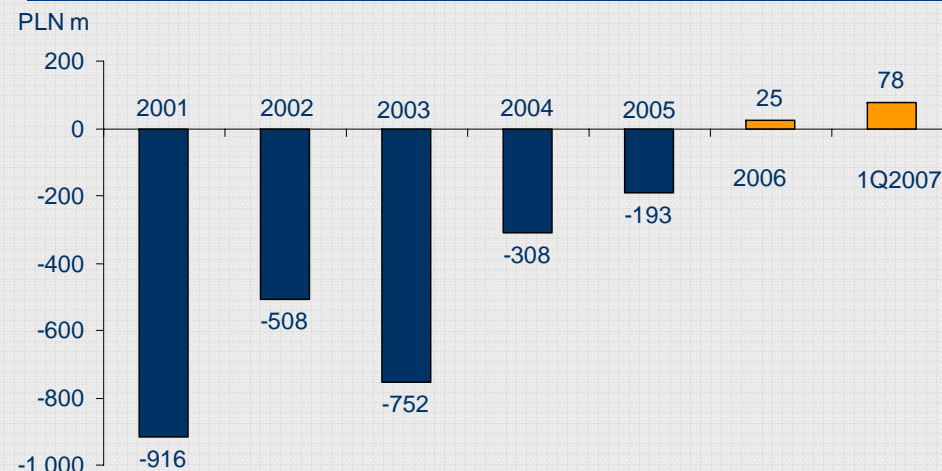
Financial activity of PGNiG

Debt restructuring of PGNiG Group**



*after repayment of term loan of 600 EUR m

Result on financial activity**



Comment

- Consistent financial strategy enabled the debt restructuring in 2005 through redemption of Eurobonds;
- PGNiG Group has substantially decreased its financial expenses thanks to debt repayment;
- Long-term target for the level of financial leverage is 30%.

Comment

- For last few years, PGNiG has been consistently improving its result on financial activity;
- Improvement in the financial situation is reflected in the high rating of PGNiG (Moody's Baa1, S&P BBB+);
- Debt repayment in the amount of EUR 600 m will enable further improvement of the result on financial activity (approx. PLN 10 m annually), with secured credit line financing for the same amount.