



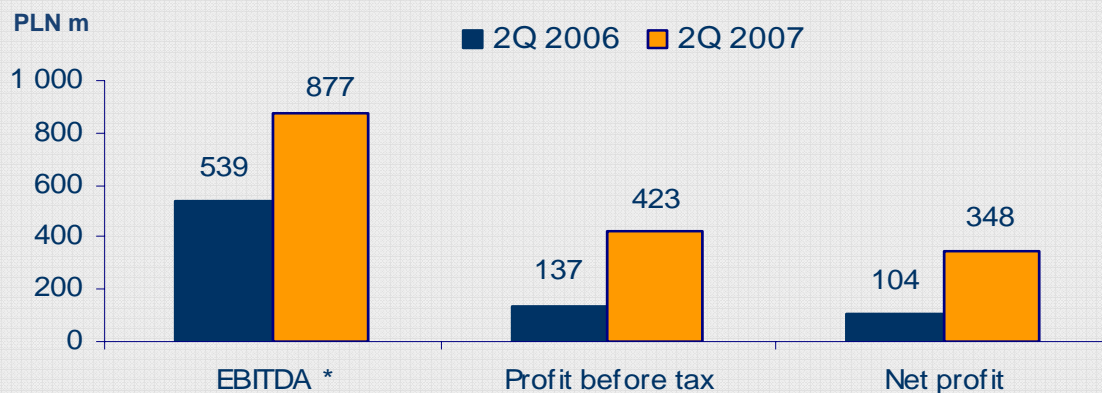
Polskie Górnictwo Naftowe
i Gazownictwo SA

Financial Results of PGNiG S.A. 2nd quarter 2007

Financial Highlights

PGNiG Group IFRS (PLN m)	2Q 2006	2Q 2007	Change
Sales revenue	3,086	3,392	10%
EBIT	150	453	202%
Profit before tax	137	423	209%
Net profit	104	348	235%
EBITDA (lease) *	539	877	63%

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“)

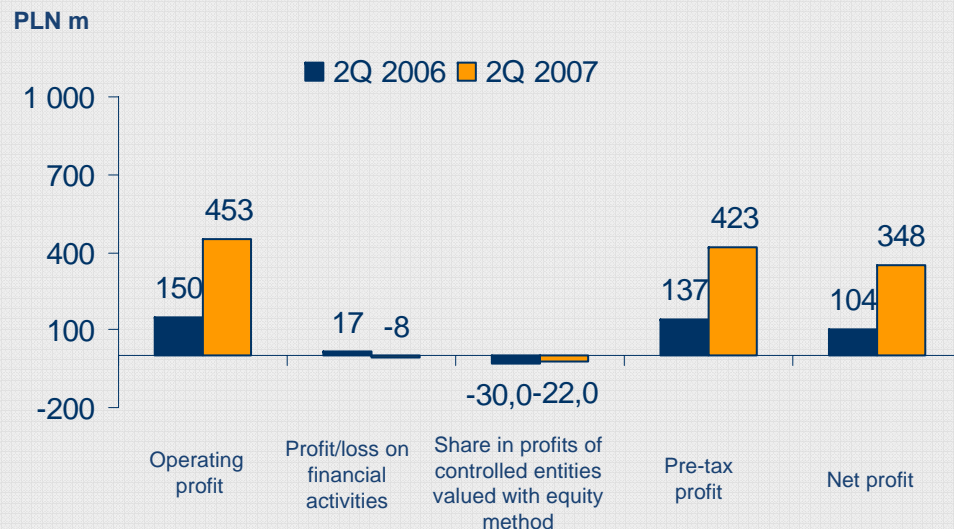
1-2Q 2006	1-2Q 2007	Change
8,185	8,440	3%
952	1,371	44%
954	1,419	49%
732	1,135	55%
1,720	2,173	26%

Company's comments

- The three-digit increase in the operating profit growth rate results from:
 - improved gas sales (positive influence of higher tariff and limiting losses on imported gas sales – result of effective sales policy);
 - Increase in crude oil sales (sales revenue higher by **65%** y/y) – traditionally PGNiG's most profitable product;
- The consolidated net profit in the 2Q 2007 **rose** by **235%** y/y and reached **PLN 348m**; after 2 quarters of 2007 the net profit reached **PLN 1,135m** (increase by **55%** y/y);
- PGNiG's net margin **improved** from **3.4%** in 2Q 2006 to **10.3%** in 2Q 2007

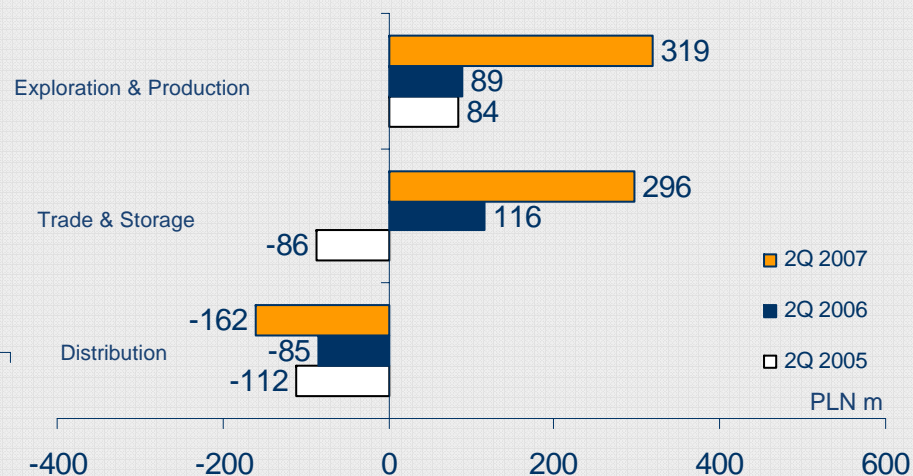
Analysis of PGNiG Group results

Breakdown of PGNiG Group results



- The Company's **net result** went up in 2Q 2007 by **235%** compared to 2Q 2006, driven by improved operating results;
- The higher **operating profit** recorded in 2Q 2007 results from lower cost of gas imports due to decreased sales volume and higher sales of crude oil;
- Given the debt restructuring, financial activity has neutral effect on the performance of the PGNiG Group.

PGNiG's operating results by segments



- The Company's operating profit of **PLN 453m** was driven by the E&P and Trade & Storage segments, which generated **PLN 319m** and **PLN 296m**, respectively;
- The **260%** EBIT increase in the **E&P** segment results from higher sales of crude oil and improved profitability of the exploration & drilling companies;
- Better performance in the **Trade & Storage** segment results from lower gas imports and higher tariff price;
- Loss in the **Distribution** segment results from lower sales volume (50% slump q/q). Moreover, employee awards for the previous year added up to costs of current period.

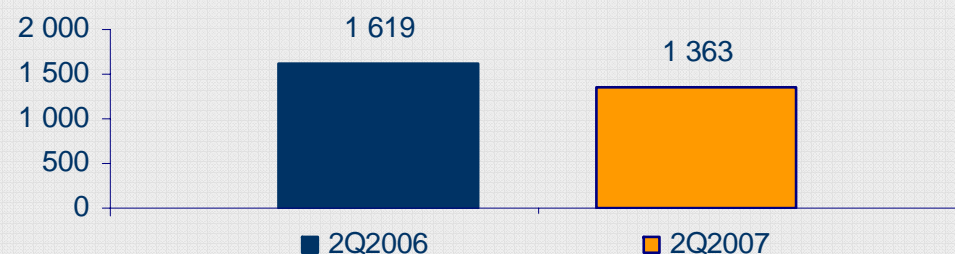
Crude Oil

PGNiG Group – IFRS	2Q 2006	2Q 2007	Change
Sales volume* ('000 tonnes)	73	133	82%
Sales revenue* (PLN m)	118	195	65%
Production volume* ('000 tonnes)	99	99	0%
Crude oil unit price (PLN/tonne)	1,619	1,363	(16%)

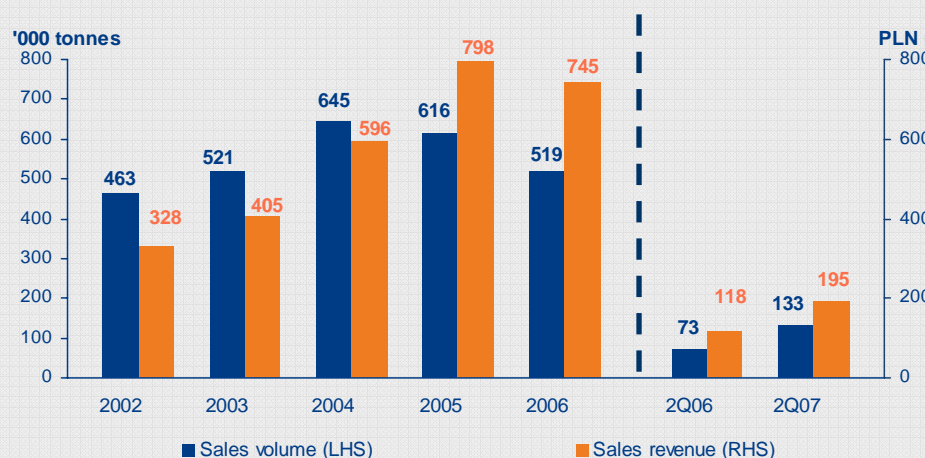
Average sales price (USD/bbl)	68	62	(9%)
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Unit prices (PLN / tonne)

PLN / tonne



Crude oil sales*



*Includes crude oil and condensate

The Company's comments

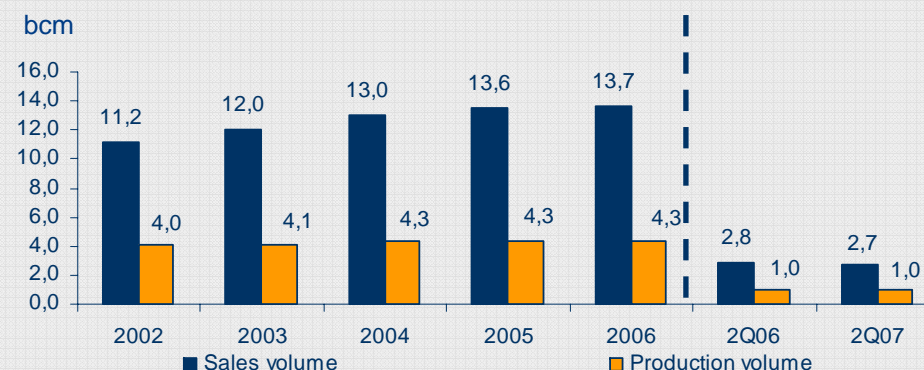
- The 80% increase in sales volume in 2Q 2007 over 2Q 2006 results from crude oil sales stored in previous periods and low sales volume in 2Q 2006, attributable to change in the activities of a significant customer;
- Higher crude oil sales volume was not reflected in revenue increase due to a 10% appreciation of the zloty against the US dollar (q/q).

PGNiG's gas sales volume and revenues

PGNiG Group – IFRS	2Q 2006	2Q 2007	Change
Sales volume of natural gas* (millions of m ³)	2,763	2,697	(2%)
Production volume (millions of m ³)*	969	1,001	3%

Sales revenue (PLN m)	3,085	3,392	10%
- Methane-rich gas (E)	2,475	2,736	11%
- Nitrogen-rich gas (Ls, Lw)	218	235	8%
- Other sales	392	420	7%

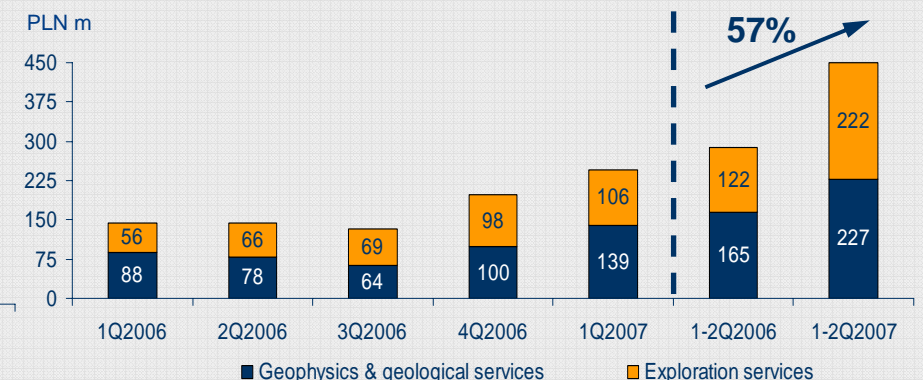
Natural gas - sales and production volume*



Company's comments

- Gas sales volume in 2Q 2007 fell by 2%, while domestic production rose by 3% y/y;
- Despite slightly lower gas sales volume in 2Q 2007, the sales revenue increased by 10% following a 10% increase in tariff rates in January 2007;
- In 2Q 2007 PGNiG, continued to record higher revenue from exploration activities, which resulted in a 57% increase in revenue in 1H 2007 compared with 1H 2006.

Revenues from exploration services



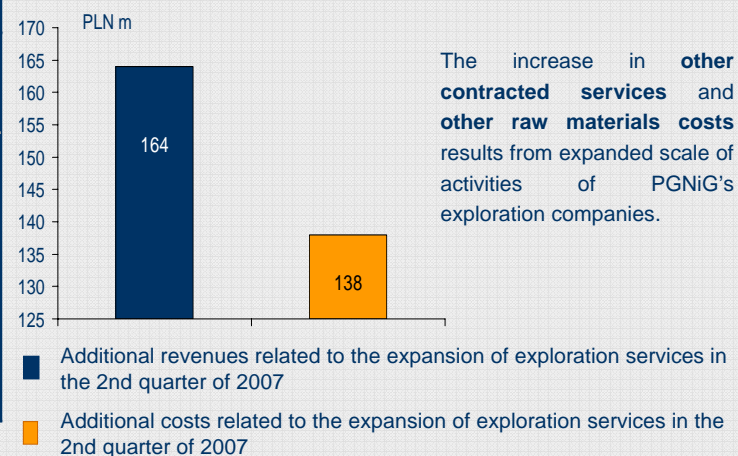
*Methane-rich gas equivalent (E).

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

Costs of operating activity

PGNiG Group – IFRS (PLN m)	2Q 2006	2Q 2007	Change
Total operating costs	2,936	2,939	0%
- Acquisition cost of gas	1,569	1,423	(9%)
- Other raw materials used	120	156	30%
- Employee benefits	445	524	18%
- Depreciation and amortisation	330	374	13%
- OGP Gaz System transmission services	315	325	3%
- Other contracted services	251	287	15%
- Other operating expenses (net)	45	5	(89%)
- Cost of products and services for own needs	137	155	13%

Activity of exploration companies

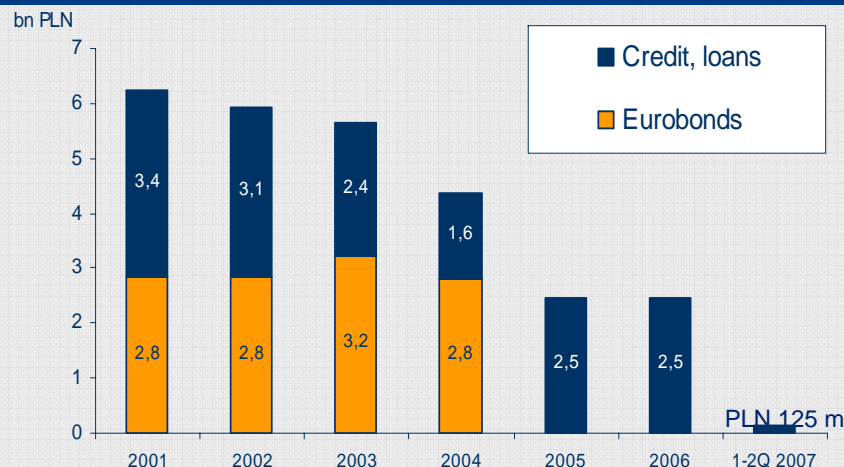


Company's comments

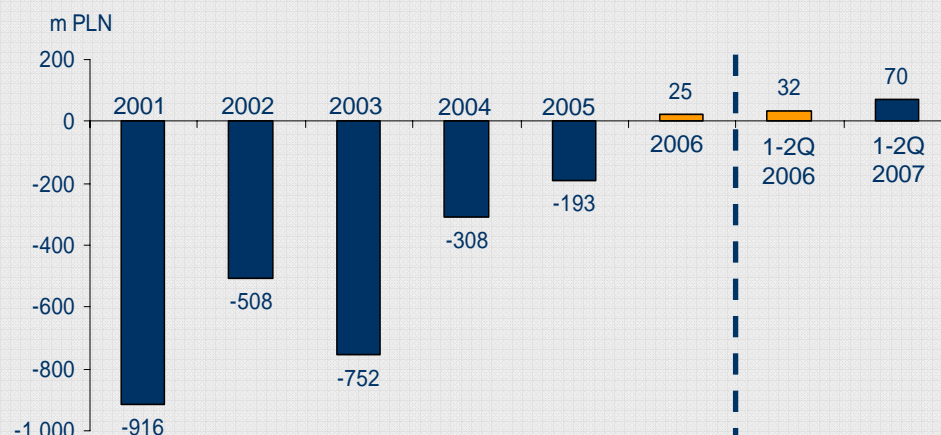
- Operating costs in 2Q 2007 remained at the same level, but their structure changed;
- The highest cost item is the cost of gas imports, which decreased compared to 2nd quarter 2006 by 9%. The decline in cost of imports results mainly from lower gas imports compared with 2Q 2006;
- The 18% increase in employee benefits is an outcome of payment of employee awards in 2Q 2007, amounting to PLN 34m, on the basis of a resolution adopted by PGNiG's AGM. This is an amount paid out by PGNiG S.A. alone, excluding its subsidiaries;
- Owing to the effective costs discipline maintained by the Company, the operating margin in the 2nd quarter 2007 increased to 25% (11% in the 2nd quarter of 2006).

Financial activity of PGNiG

Debt restructuring of PGNiG Group**



Result on financial activity**



Comment

- Consistent financial strategy enabled PGNiG to restructure its debt in 2005 through redemption of Eurobonds;
- In mid May 2007, the Company repaid its debt in the amount of EUR 600m and thus decreased its financial costs;
- The long-term target for the level of financial leverage is 30%.

Comment

- Over the 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 will help to further improve the result on financial activity (approx. PLN 10m annually), with a secured credit line for the same amount.



Thank you for your kind attention