



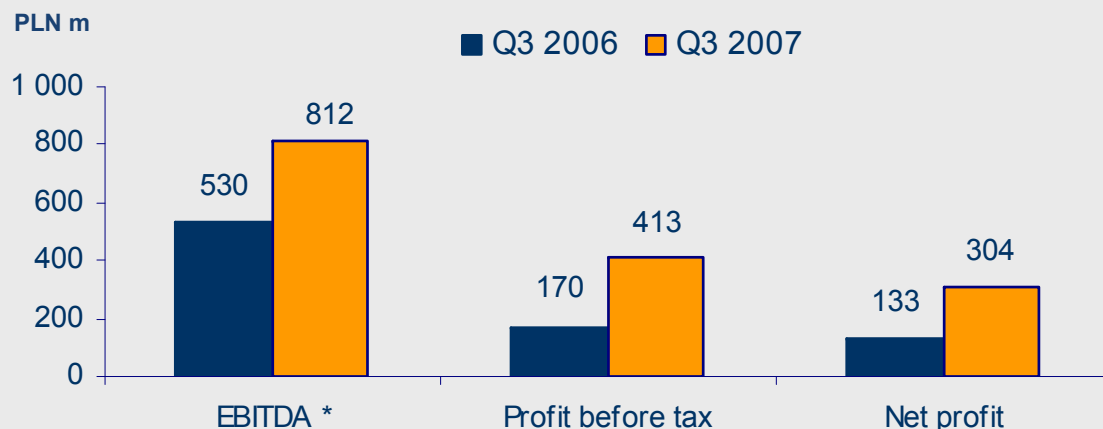
Polskie Górnictwo Naftowe  
i Gazownictwo SA

## Financial Results of PGNiG S.A. 3<sup>rd</sup> quarter 2007

# Financial Highlights

PGNiG Group IFRS (PLN m)	Q3 2006	Q3 2007	Change
Sales revenue	2,773	3,135	13%
EBIT	147	386	163%
Profit before tax	170	413	143%
Net profit	133	304	129%
EBITDA (lease) *	530	812	53%

## 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”)

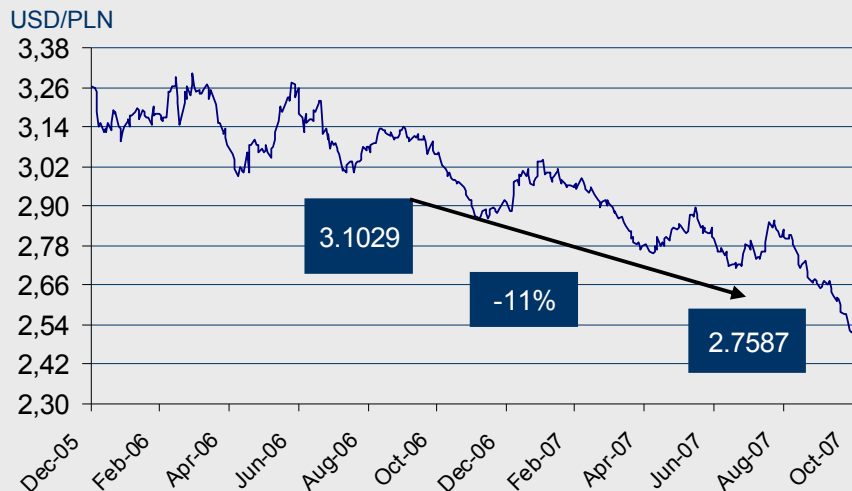
1-3Q 2006	1-3Q 2007	Change
10,958	11,575	6%
1,105	1,758	59%
1,130	1,821	61%
870	1,421	63%
2,256	2,986	32%

## Company's comments

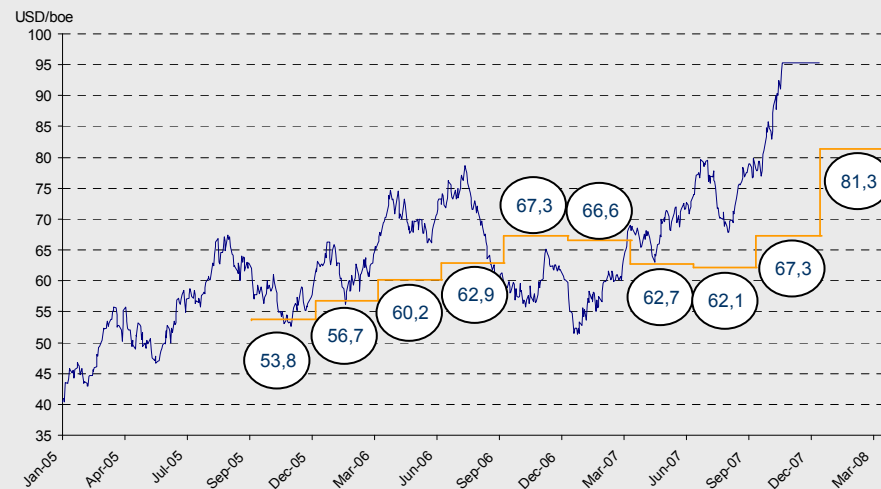
- The three-digit increase in the operating profit growth rate results from:
  - improved results on gas sales (positive influence of increased volume of gas sold and higher tariff reflecting higher costs of gas imports);
  - effective financial activity;
- The consolidated net profit in the Q3 2007 **rose** by **129%** y/y and reached **PLN 304m**, after 3 quarters of 2007 the net profit reached **PLN 1,421m** (increase by **63%** y/y);
- PGNiG's net margin **improved** from **4.8%** in 3Q2006 to **9.7%** in Q3 2007.

# Factors effecting on PGNiG Group results

## USD/PLN\*



## Crude oil spot price and 9m average



## Company's comments

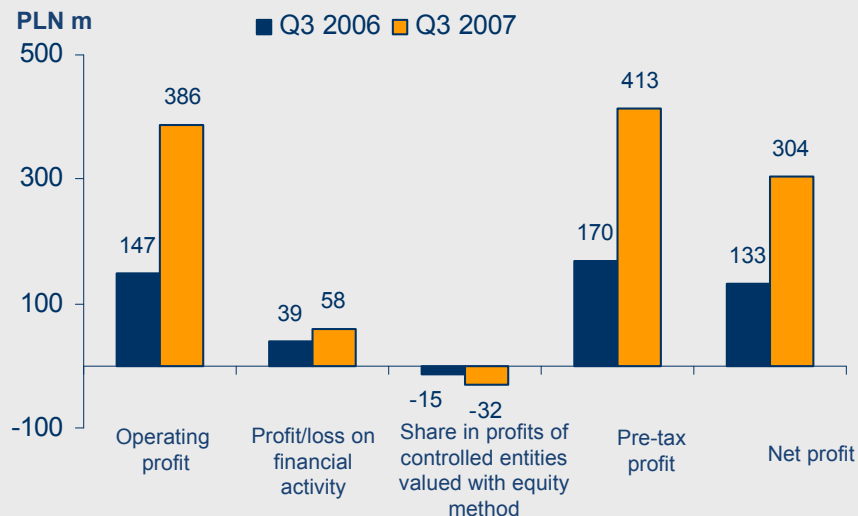
- PGNiG's import gas price is quoted in USD;
- USD/PLN average exchange rate in Q3 2007 reached PLN 2.7587 and compared to 3Q2006 decreased by 11%;
- Although the crude oil revenues are mainly quoted in USD, the appreciation of polish Zloty allows for considerable reduction in gas import costs.

## Comapny's comments

- The formula for determining gas purchase prices from import is based on 9-month moving average of crude oil derivative products, which price is almost 100% correlated with crude oil market price;
- As a result of increasing market price of crude oil, the 9-month moving average will increase by 8.3% in Q4 2007;
- Under the assumption that price of crude oil remain at level 95 USD/boe until the end of the year, 9-month average rate may increase by 20% (to 81 USD/boe).

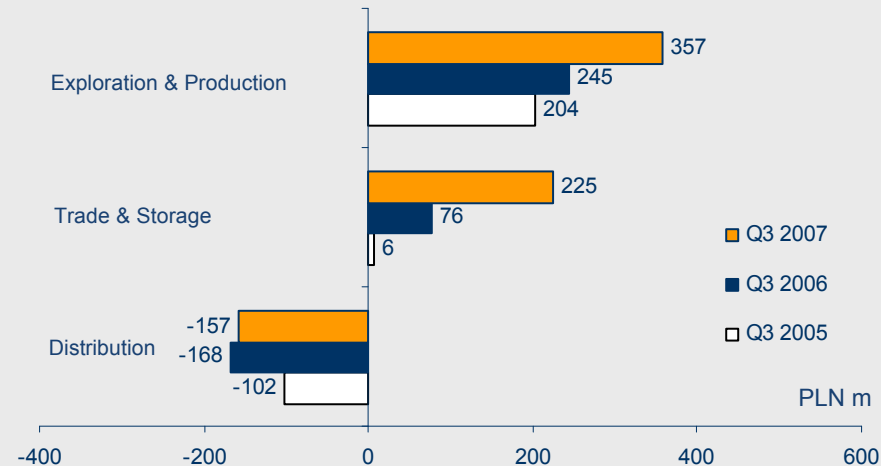
# Analysis of PGNiG Group results

## Breakdown of PGNiG Group results



- The Company's **net result** went up in Q3 2007 by **129%** compared to Q3 2006 and was driven by improved operating results and financial activity;
- Better **operating profit** in Q3 2007 resulted from increased volume of gas sold at the higher tariff rate. Appreciation of PLN against USD was an additional positive factor;
- Owing to the debt repayment in the mid Q2 2007, the Company decreased its interest expenses by approx. PLN 20m and this improved the result on financial activity by PLN 58m.

## PGNiG's operating results by segments



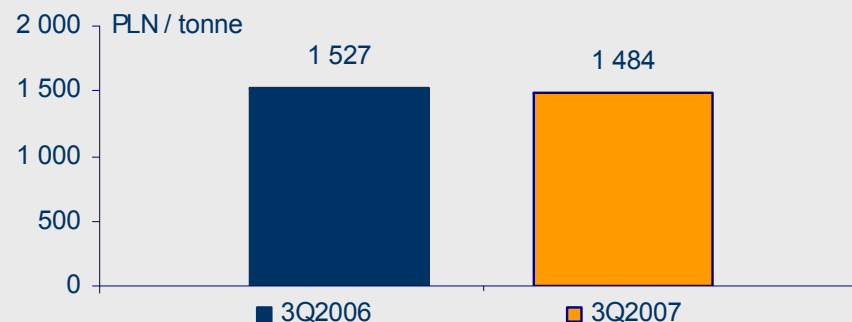
- The Company's operating profit of **PLN 386m** was driven by the E&P and Trade & Storage segments, which generated **PLN 357m** and **PLN 225m**, respectively;
- The **46%** EBIT increase in the **E&P** segment results mainly from higher volume of gas sold;
- Better performance in the **Trade & Storage** segment stems from higher volume of gas sold at higher gas tariff reflecting increased costs of gas;
- Loss in the **Distribution** segment in Q3 2007, as was the case in previous years, is the result of lower demand of households for gas in summer and autumn. Moreover, operating profit of Distribution segment has decreased by PLN 20m as a result of the unbundling of the trade from distribution.

# Crude Oil

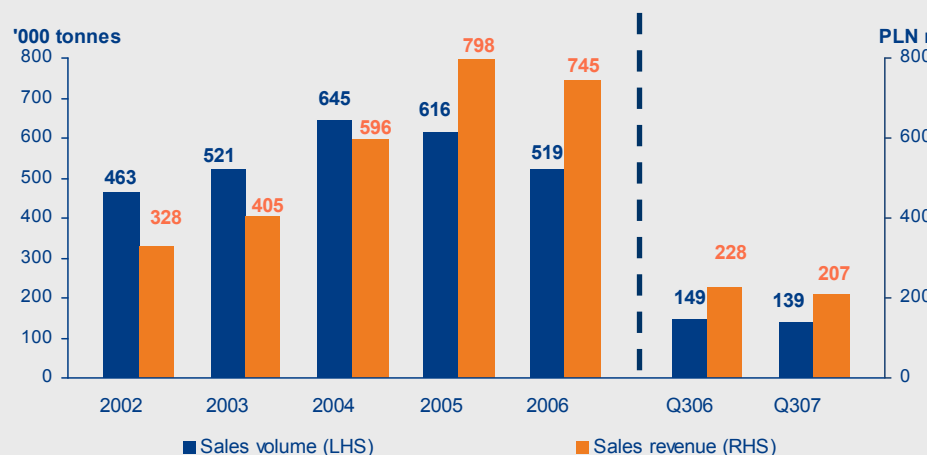
PGNiG Group – IFRS	Q3 2006	Q3 2007	Change
Sales volume* ('000 tonnes)	149	139	(7%)
Sales revenue* (PLN m)	228	207	(9%)
Production volume* ('000 tonnes)	133	139	5%
Crude oil unit price (PLN/tonne)	1,527	1,484	(3%)

Average sales price (USD/bbl)	66	70	6%
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## Unit prices (PLN / tonne)



## Crude oil sales\*



\*Includes crude oil and condensate

## Company's comments

- Sale volume decrease in Q3 2007 compared to the Q3 2006 by 7% results from the fact, that in Q3 2006 PGNiG sold some of the crude oil which was stored in previous quarters (what is reflected in the difference between sales and production volume). At present sales of crude oil is realized on current basis;
- Decline in crude oil revenues by 9% with the decrease in volume of gas sold by 7% and average sales price increase by 6% resulted from negative effect of appreciation of zloty against dollar in the Q3 2007 by 11% compared to the Q3 2006.

# PGNiG's gas sales volume and revenues

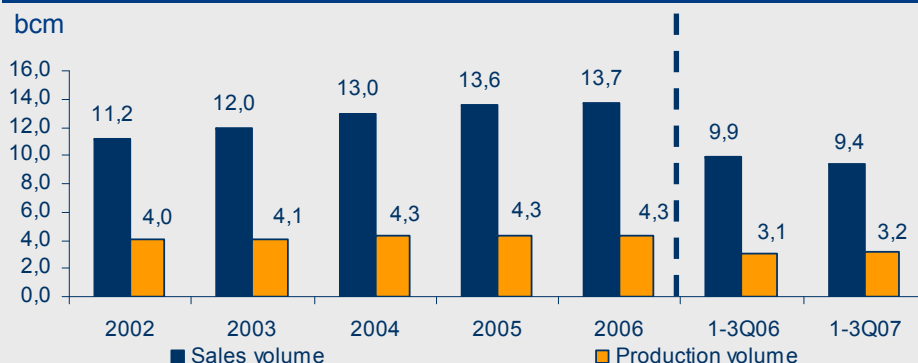
PGNiG Group – IFRS	Q3 2006	Q3 2007	Change
Sales volume of natural gas* (millions of m <sup>3</sup> )	2,285	2,451	7%
Production volume (millions of m <sup>3</sup> )**	988	967	(2%)

Sales revenue (PLN m)	2,774	3,135	13%
- High-methane gas (E)	2,125	2,416	14%
- Nitrogen-rich gas (Ls, Lw)	172	217	26%
- Other sales	477	501	5%

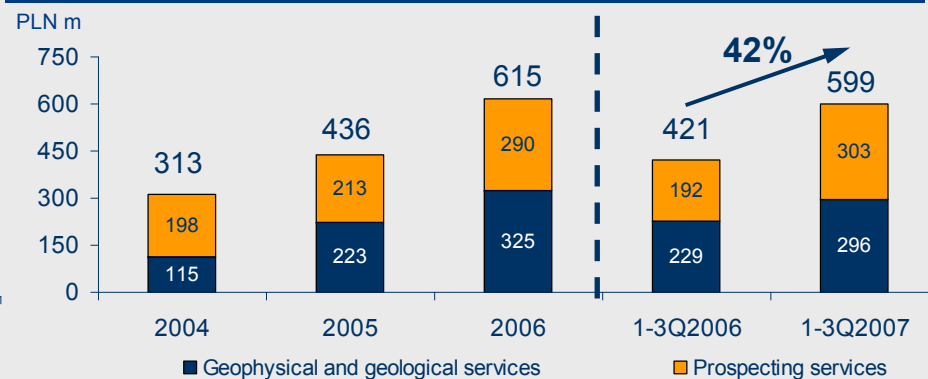
## Company's comments

- The **7% increase of gas sales** volume in Q3 2007 is the result of the higher demand of industry segment for gas fuel;
- Higher gas sales volumes accompanied by higher tariff price resulted in the sales revenue increase from high-methane gas and nitrogen-rich gas **by 15%**;
- Q3 2007 was another quarter of revenue growth from geophysical and geological services. After Q3 2007 the revenue increased **by 42%** compared to the same period of last year.

## Natural gas - sales and production volume\*



## Revenues from exploration services

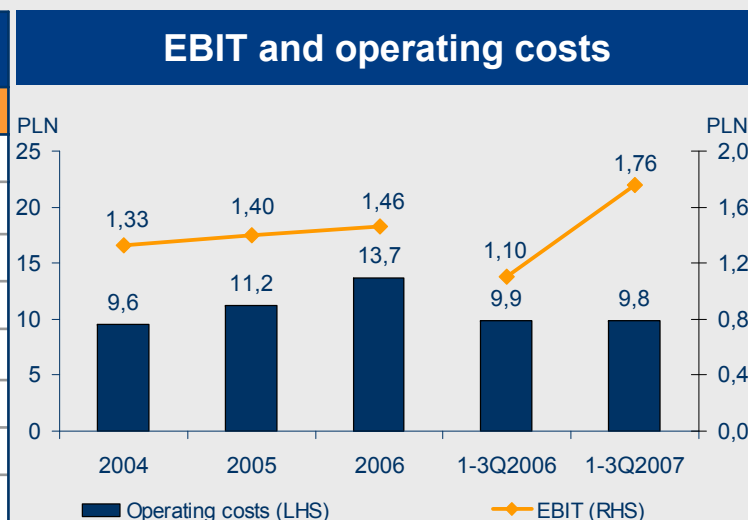


\*High-methane gas equivalent (E).

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

# Costs of operating activity

PGNiG Group – IFRS (PLN m)	Q3 2006	Q3 2007	Change
<b>Total operating costs</b>	<b>2,623</b>	<b>2,748</b>	<b>5%</b>
Acquisition cost of gas	1,255	1,255	0%
Other raw materials used	110	148	35%
Employee benefits	443	414	(7%)
Depreciation and amortisation	326	375	15%
OGP Gaz System transmission services	285	306	7%
Other contracted services	251	257	2%
Other operating expenses (net)	91	173	90%
Cost of products and services for own needs	(135)	(179)	33%

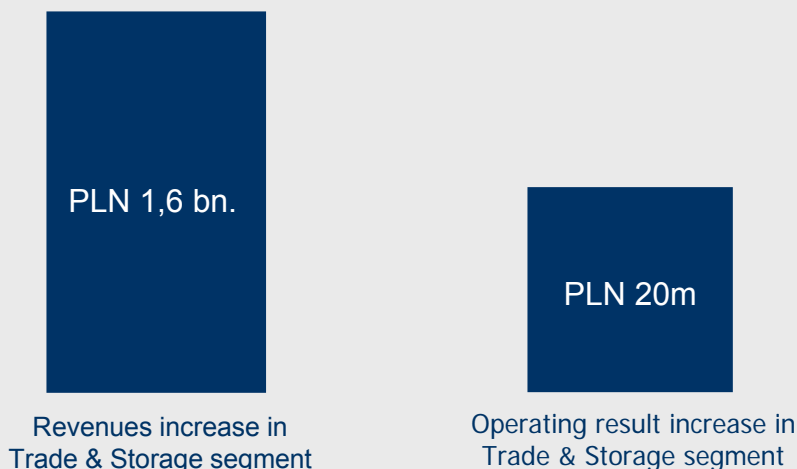


## Company's comments

- **Operating costs in Q3 2007 increased only by 5% compared to the Q3 2006, with above 150% increase of operating result;**
- The highest cost item is the cost of gas imports which remained at the same level as it was in the Q3 2006. No change in import costs, despite the significant appreciation of zloty against dollar, is a result of 10% higher gas price in main import contract;
- The increase of OGP Gaz System transmission service costs by PLN 22m resulted from 7% rise in gas sales volume compared to Q3 2006;
- The increase in Other operating costs by PLN 80m is the result of the increase in gas and crude oil explorations costs by approx. PLN 35m and the rise by PLN 35m in costs relating to the expansion of exploration and geophysical activities.

# Merger of PGNiG with Gas Trading Companies

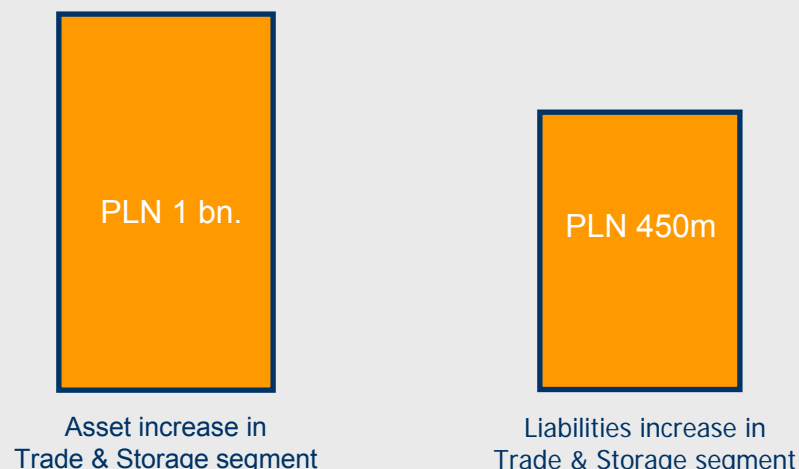
## Change in P&L of Distribution & Trade segment



### Company's comments

- The integration of the trade activity within the PGNiG SA had no effect on consolidated financial results;
- Merger of PGNiG with Trade Companies resulted in the changes in PGNiG Group segments reporting;
- The integration of the trade activity resulted in the revenues increase in the Trade & Storage segment by PLN 1.6 bn and increased operating results by PLN 20m.

## Change in segments balance sheets



### Company's comments

- The rise in the Trade & Storage segment assets reached about PLN 1 bn and the main item transferred from Distribution segment were receivables;
- The transfer of assets entailed the transfer of liabilities from Distribution segment in the amount of PLN 450m.

# Status of strategic projects

## Acquisition of licences on Norwegian Continental Shelf

- On October 30<sup>th</sup> 2007, PGNiG finalized the purchase of licenses on the Norwegian Continental Shelf from ExxonMobil and Mobil Development Norway.

Due to favourable changes of USD/PLN exchange rates, PGNiG's expenses for acquired licences **were lower by more than PLN 100m**, compared to February 2007 when PGNiG concluded an agreement, as the price of Skarv, Snadd and Idun licences was quoted in USD.

## Baltic Pipe Project

- According to the Baltic Pipe Project, PGNiG, Energinet.dk and GAZ-SYSTEM are going to sign trilateral agreement to realize the project and expand the transmission grid in Poland.

The agreement will be signed in few days and it will enable further cooperation to complete the project in accordance with the schedule.

## LNG Project

- On September 10<sup>th</sup> 2007, in the tender procedure for project documentation of LNG terminal construction, PGNiG sent out invitations to submit preliminary bids to three potential Contractors:
  - Tractebel Engineering,
  - SNC-LAVALIN SERVICES Ltd,
  - Consortium of SENER Ingenieria Y Systemas S.A. & SENER Sp. z o.o.
- Signing of the final agreement is scheduled at the end of November 2007. Planned construction start is to start in the Q3 2008.

## Developement of exploration & geophysical activities

- In the Q3 2007 PGNiG continued development of geophysical activities. In this quarter **Geofizyka Kraków** signed a contract with DONG Energy in Denmark for seismic research and also contract with Hawasina LLC Oman Branch (member of the MOL Group) for seismic data processing. Second of PGNiG's geophysical company – **Geofizyka Toruń** – signed contract with Shell for an extensive 2D seismic data acquisition program in Syria;
- As far as the exploration services are concerned, in Q3 2007 PNiG Jasło signed contract for geothermal drilling with a German company Bestec, whereas PNiG Pila signed contract for underground gas storage drilling for Hungarian company MOL.



Thank you for your kind attention