



Polskie Górnictwo Naftowe
i Gazownictwo SA

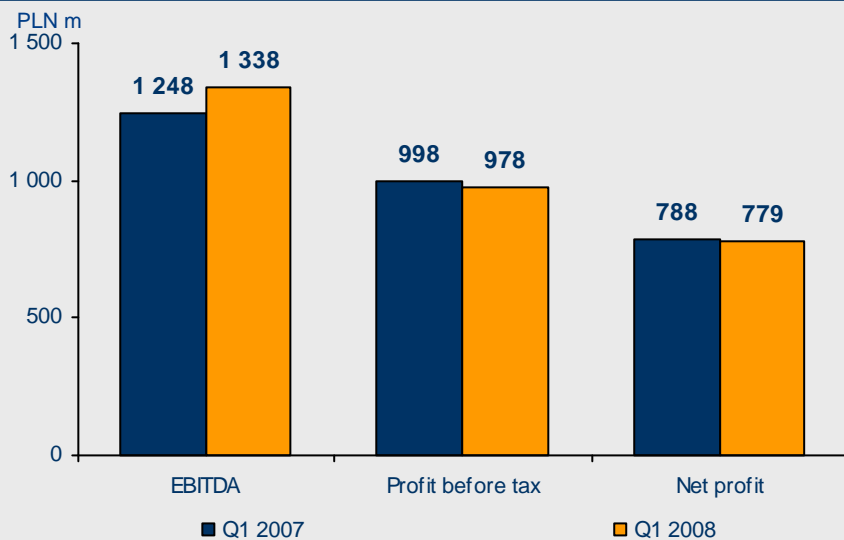
Financial Results of PGNiG SA Q1 2008

Financial highlights

PGNiG Group IFRS (PLN m)	Q1 2007	Q1 2008	change
Sales revenue	5,049	5,330	6%
EBIT	919	987	7%
EBITDA	1,248	1,338	7%
Net profit	788	779	(1%)
Net margin	15.6%	14.6%	(1.0 bps)

Market consensus *	change to consensus
5,306	1%
697	42%
1,058	27%
589	32%
11.0%	3.6 bps

Results of PGNiG Group

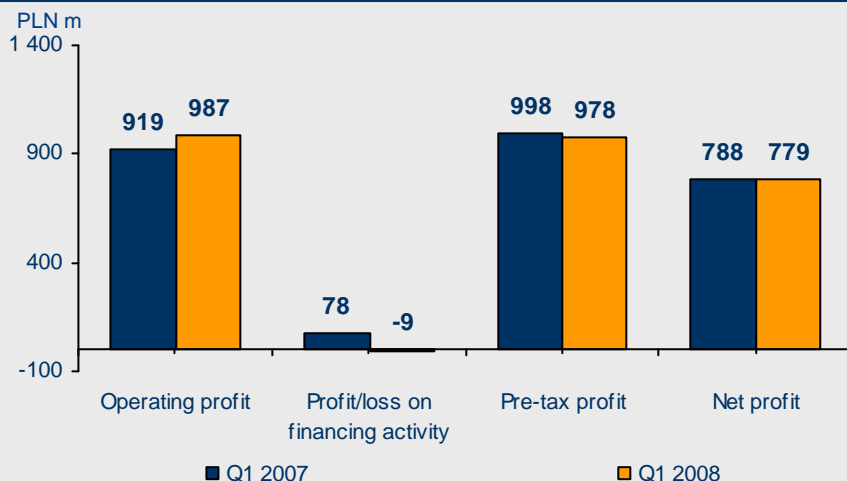


Comments

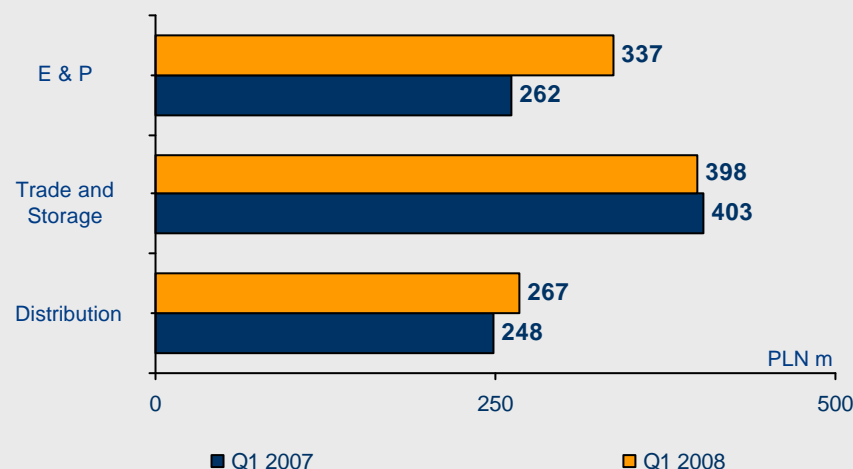
- The **6%** increase of sales revenue in Q1 2008 was a result of the value of crude oil and condensate sales rising by **71%** and the value of gas sales – by **8%**;
- Strengthening of the zloty against the dollar had a positive effect on PGNiG's Q1 2008 results;
- Net profit above the market consensus was a result of better than expected operating profit of the Distribution segment, as well as higher E&P segment profitability;
- Consolidated net profit in Q1 2008 remained unchanged year on year, and reached **PLN 779 m**;
- Net margin **fell** from **15.6%** in Q1 2007 to **14.6%** in Q1 2008.

Analysis of the results

Breakdown of PGNiG Group results



Operating profit by segments



Comments

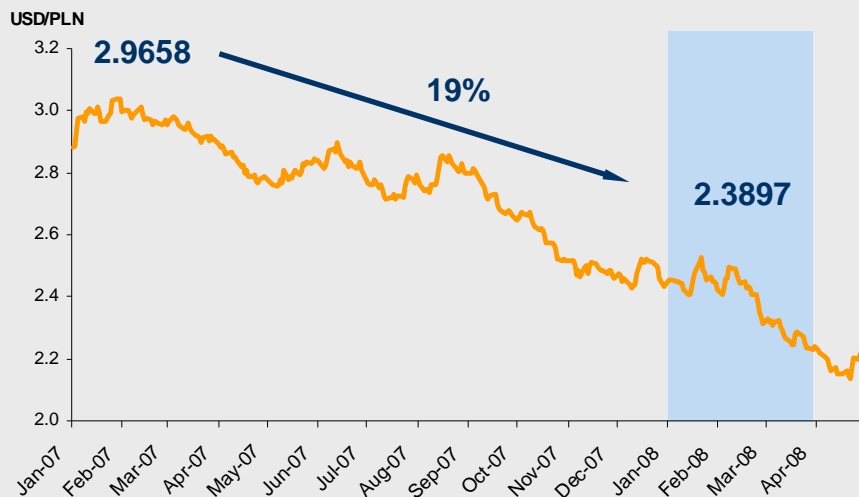
- In Q1 2008, **net profit** remained unchanged year on year as a result of a 7% increase in operating profit being offset by loss on financing activity;
- The financing loss results from negative exchange rate differences – the payment exchange rate was lower than the booking exchange rate;
- Share of **controlled entities valued with the equity method** in the financial result for Q1 2008 as well as for Q1 2007 was close to zero.

Comments

- EBIT in the **E&P** segment went up by **29%** and was driven mainly by the higher sales volume and growing prices of crude oil, which pushed sales revenue in Q1 2008 up by **71%**;
- The **Trade and Storage** segment's operating profit slightly decreased due to absence of gas tariff increase in the face of higher costs of imported gas;
- Better performance in the **Distribution** segment stems from a higher margin driven by the increased gas sales volume.

Factors with a bearing on PGNiG Group results

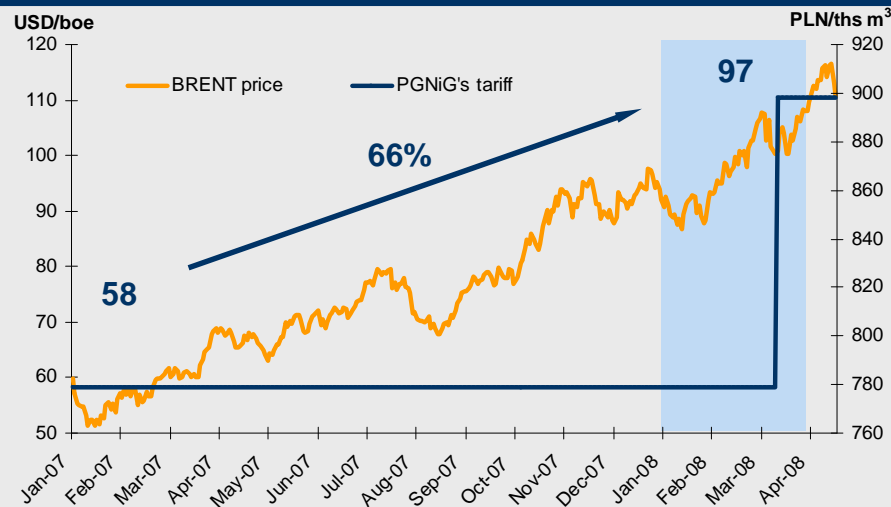
USD / PLN *



Comments

- PGNiG's import gas price is quoted in USD;
- USD/PLN average exchange rate in Q1 2008 was **PLN 2.3897**, down by 19% compared to Q1 2007, and by 5% compared to Q4 2007;
- Although the crude oil revenues are mainly quoted in USD, the appreciation of the Polish zloty allows for considerable reduction in gas import costs.

Crude oil spot price and tariff price **



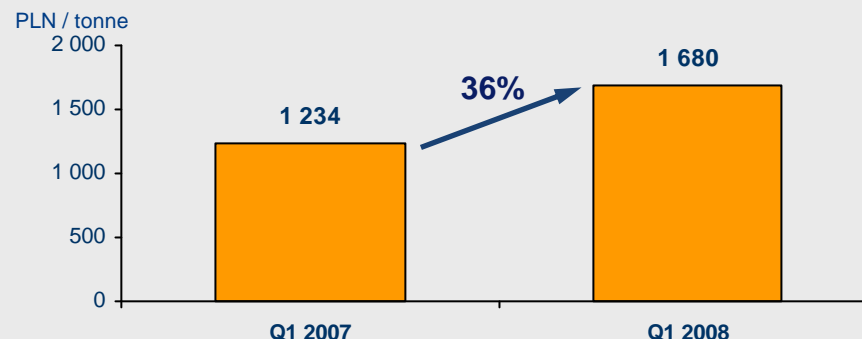
Comments

- The formula used to set imported gas purchase prices is based on 9-month moving average of crude oil derivative products, which price is almost 100% correlated with the crude oil prices;
- The current gas tariff price was introduced on **25th April 2008** and is about **15%** higher than the previous one;
- The previous tariff price was effective for almost one and a half years*** – since then, crude oil prices have risen **94%**;
- The average crude oil price in Q1 2008 was **97 USD/boe**, and was **66%** higher than a year before.

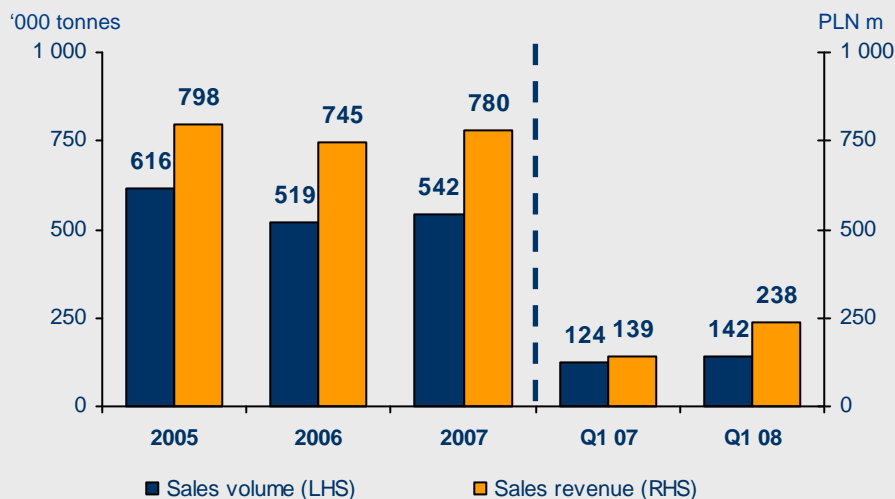
Crude oil

PGNiG Group IFRS	Q1 07	Q1 08	change
Production volume* ('000 tonnes)	135	145	8%
Sales volume* ('000 tonnes)	124	142	14%
Sales revenue* (PLN m)	139	238	71%
Crude oil unit price* (PLN/tonne)	1,234	1,680	36%
Average sales price* (USD/boe)	54	95	76%

Crude oil unit price



Crude oil - sales volume and revenue *



Comments

- Crude oil is sold on market terms. In Q1 2008, the average crude oil unit price of PGNiG increased by **76%** – from 54 USD/boe to **95 USD/boe**;
- The increase in sales revenue by **71%** y/y resulted from a 66% increase in crude oil prices in Q1 2008 compared to Q1 2007. On the other hand, the increase in revenue would be much higher if not for the effect of **appreciation of the Polish zloty against the US dollar**, which was **19%** in the analysed quarter;
- Part of Q1 2007 production of crude oil was stored and sold in subsequent quarters, which resulted in lower crude oil sales in the reported period. Consequently, in Q1 2008 the volume of crude oil sales went up by **14%** year on year.

Gas sales volume and revenue

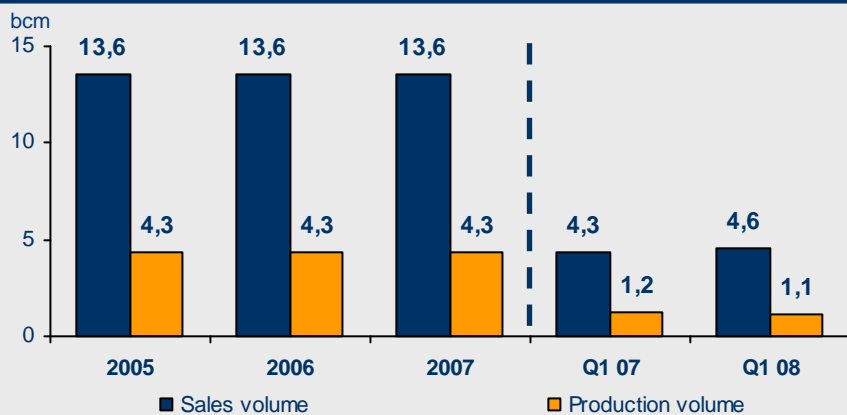
PGNiG Group IFRS	Q1 07	Q1 08	change
Production volume* (millions of m ³)	1,189	1,141	(4%)
Sales volume** (millions of m ³)	4,291	4 546	6%

Sales revenues (PLN m)	5,049	5,330	6%
High-methane gas (E)	4,050	4,385	8%
Nitrogen-rich gas (Ls, Lw)	402	428	6%
Other sales	597	518	(13%)

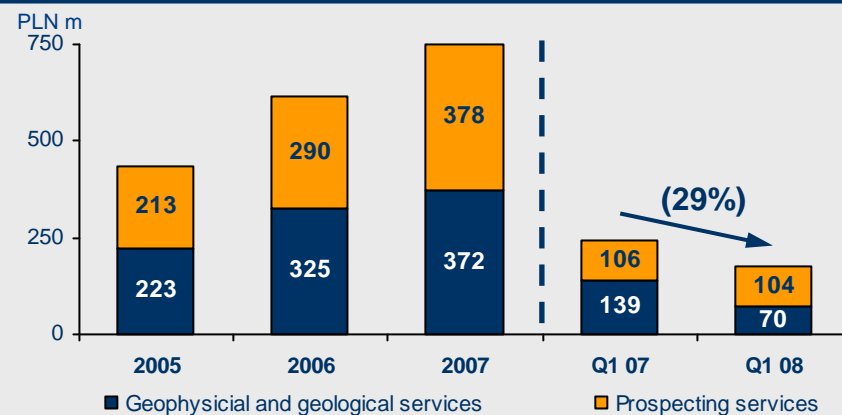
Comments

- Despite a decline in the volume of gas production by 4% in Q1 2008 compared to Q1 2007, gas **sales volume increased by 6%**;
- A small decrease in the gas production volume resulted from natural limitations of the production growth in the reported period;
- The increase in gas sales volume was a result of colder 2007/2008 winter, reflected in **higher households' demand** for gas used for heating purposes;
- Revenues from geophysical and geological services, as well as prospecting services fell **by 29%** due to the fact that some projects were finalized in Q1 2007 (instead of Q4 2006). Moreover, some projects from Q1 2008 were rescheduled to subsequent quarters of 2008.

Natural gas - sales and production volume **

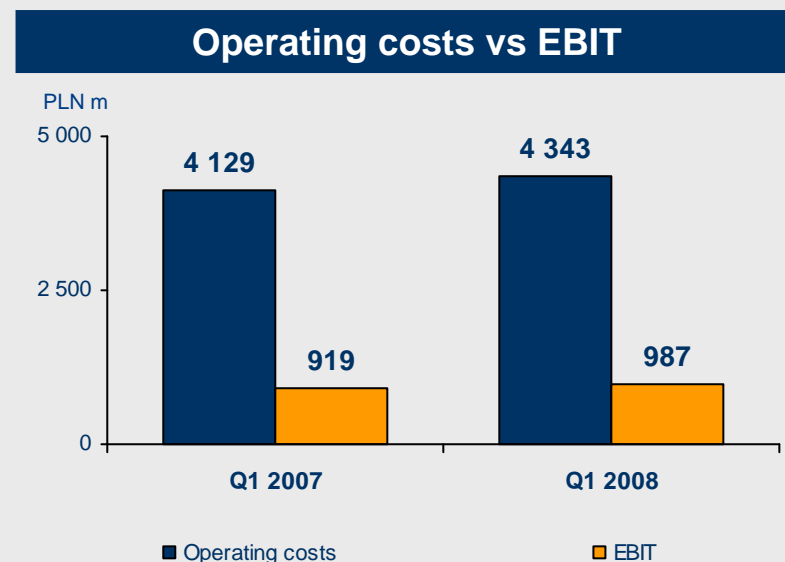


Revenues from exploration services



Operating costs

PGNiG Group IRFS (PLN m)	Q1 07	Q1 08	change
Total operating costs	4,129	4,343	5%
Acquisition cost of gas	2,578	2,770	7%
Other raw materials use	134	129	(4%)
Employee benefits	418	465	11%
Depreciation and amortisation	329	350	6%
OGP GAZ-SYSTEM transmission services	409	416	2%
Other contracted services	253	272	8%
Other operating expenses (net)	133	63	(53%)
Cost of products and services for own needs	(124)	(123)	(1%)



Comments

- The **5% increase in operating costs** in Q1 2008 compared with Q1 2007 was caused by:
 - higher cost of imported gas (the largest cost item);
 - increase in employee benefits.
- The rising gas import volumes resulted in a 7% higher gas acquisition cost a 2% increase in transmission costs in the reported period;
- Employee benefits rose by 11% on higher salaries and wages (especially in the E&P segment);
- The higher operating costs in Q1 2008 were connected with operating income rising by 6%.



Thank you for your kind attention.