

Letter from the Chairman of the Supervisory Board



Dear Ladies and Gentlemen,

The year 2008 was exceptional in terms of economic developments both in Poland and worldwide. Adverse macroeconomic phenomena and processes, occurring on a scale not seen in the recent years, hit small businesses and multinational corporations alike. Companies had to revise their plans to meet new challenges.

That was also true about Polish Gas and Oil Company. However, the financial performance of the PGNiG Group in 2008 shows that despite the unfavourable macroeconomic environment the Group was able to generate profits similar to those for 2007 (PLN 866m for 2008 vs. PLN 916m for 2007). We can therefore say that, all in all, the Group fared well in 2008.

It was also a good year in terms of new initiatives and projects undertaken by PGNiG Group. One of the most important and long-awaited projects was the publication, on November 13th 2008, of the "Strategy for the PGNiG Group until 2015". The Strategy defines the development vision for the Group and lays down the plans related to the Polish gas market and expansion into selected foreign markets – a path leading to higher company value. It is an important signal to our shareholders.

Another project, vital from the corporate governance perspective, was the appointment of the Audit Committee by the Supervisory Board, on November 27th 2008. The powers of the Committee include ongoing monitoring of the financial reporting process, the reliability of financial information presented by the company, and the effectiveness of internal control systems, internal audit and risk management.

Despite the depreciation of the złoty and the economic slowdown, PGNiG SA did not curb the investment projects which were essential to the national energy security. The year 2008 marked the launch of the development work on the Lubiatów-Międzychód-Grotów (LMG) fields, which will allow PGNiG SA to double its crude oil production and increase natural gas production as soon as in 2013. The expansion of underground gas storage facilities, including the largest one in Wierchowice, was also commenced. This project will not only help to increase the mandatory stocks specified in the Act on Reserves of Crude Oil, Petroleum Products and Natural Gas, but will primarily serve to enhance Poland's energy security.

2008 was also a time when the Group intensified its international exploration activities, chiefly on the Norwegian Continental Shelf, by purchasing further, promising exploration licences for natural gas and crude oil. In addition, the Group companies commenced or continued their activities in Denmark, Egypt, India, Libya and Pakistan. The services provided by the Group companies meet the highest international standards and the high appreciation the companies enjoy among their business partners make it easier for them to expand into foreign markets.

The Supervisory Board has been, and will be, carefully observing all aspects of PGNiG SA's operations. Due to the overall economic climate, 2009 is not likely to be an easy time. Nonetheless, the PGNiG Group stays on the value growth path, and this fact justifies an optimistic outlook on further development and profits in 2009.

What supports the above claim is the experience and commitment of the Group employees, who represent invaluable assets, especially in hard times. I believe that the effects of their work will contribute to satisfactory profits to our shareholders.

A handwritten signature in black ink, appearing to be 'S. Rychlicki', written in a cursive style.

Prof. Stanisław Rychlicki, PhD
Chairman of the Supervisory Board
PGNiG SA

Supervisory Board

Mr Stanisław Rychlicki – Chairman of the Supervisory Board

Graduate of the Faculty of Geology and Exploration at the AGH University of Science and Technology of Kraków. He has been following his carrier path with the Faculty of Drilling, Oil and Gas, where he currently serves as Head of the Chair of Oil Engineering and Deputy Dean of the Faculty of Drilling, Oil and Gas. In 1980–1986, Mr Rychlicki was a professor at the University of Science and Technology in Algiers, Algeria.

Mr Marcin Moryń – Deputy Chairman of the Supervisory Board

Legal counsel, graduate of the Law and Administration Faculty at the University of Łódź. Since May 2006, Mr Moryń has been the acting director for the monitoring of privatisation commitments at the Ministry of State Treasury. In 2001–2006, he was Head of the Legal Department of the Ministry of State Treasury.

Mr Mieczysław Kawecki – Secretary of the Supervisory Board

Graduate of the AGH University of Science and Technology of Kraków. He has worked in the oil E&P industry since 1976. Initially, he worked at the Oil and Gas Mining Plant in Sanok, and currently he serves as manager at the Underground Gas Storage Facility in Strachocina. Mr Kawecki is Grade I Mining Engineer.

Mr Grzegorz Banaszek – Member of the Supervisory Board

Graduate of the Faculty of Organisation and Management at the University of Warsaw, and of the Warsaw School of Economics. Mr Banaszek is in charge of capital-market-related aspects of the Group's operations. He has cooperated with numerous financial institutions. Currently he serves as Organisation and Management Adviser to the President of the Management Board at Totalizator Sportowy sp. z o.o.

Ms Agnieszka Chmielarz – Member of the Supervisory Board

Graduate of the Faculty of Chemistry at the Academy of Technology and Agriculture in Bydgoszcz. She has worked for PGNiG SA for many years. Currently, she works at the Trade Department of the Bydgoszcz Gas Plant.

Mr Marek Karabuła – Member of the Supervisory Board

Graduate of the Faculty of Management at the Kraków University of Economics. President of the Management Board of Nafta Polska SA since January 2008 and Deputy Chairman of the Supervisory Board of PKN ORLEN SA since February 2008. Previously, he worked for such companies as Rafineria Trzebinia SA, ORLEN Oil sp. z o.o., and Browary Polskie Brok-Strzelec SA.

Mr Mieczysław Puławski – Member of the Supervisory Board

Professor at the Warsaw School of Economics and School of Commerce and Law of Warsaw. Graduate of the Faculty of Foreign Trade at the former Central School of Planning and Statistics (now Warsaw School of Economics). In 1977–1978, he studied at the Faculty of Social and Political Sciences at the University of Basel. He also served as adviser to the President of the National Bank of Poland and the Minister of Finance.

Ms Jolanta Siergiej – Member of the Supervisory Board

Graduate of the Szczecin University of Technology. She was member of the Supervisory Boards of Geofizyka Kraków (1998–2000), and Poszukiwania Naftowe Diament (2001–2002) – both PGNiG SA's subsidiaries. Ms Siergiej is Grade III Mining Director. In 1995, she was appointed Chief Accountant of the PGNiG Branch in Zielona Góra.