



# DISTRIBUTION

45	11	787	58
			86.2
12		Report missing	
1282		3177	
		107	615
17	54	50	2
		Report missing	
200			
624		126	845
			28
142		Report missing	
21			
	03	1624	
1383		Report missing	
		264	
		120	0.9

The segment's core activity consists in the transmission of high-methane and nitrogen-rich gas, as well as small amounts of propane/butane and coke-oven gas, via the distribution network. Distribution of natural gas is handled by six Gas Companies, which supply gas to households, industrial customers and wholesalers. Additionally, they are responsible for operating, overhauling and extending the distribution network. As each of the Gas Companies operates in a separate region of Poland, the following undertakings have been set up within the PGNiG Group:

- Górnśląska Spółka Gazownictwa sp. z o.o. (GSG), with its head office in Zabrze, operating Gas Plant of Opole and Gas Plant of Zabrze;
- Karpacka Spółka Gazownictwa sp. z o.o. (KSG), with its head office in Tarnów, operating Gas Plant of Jarosław, Gas Plant of Jasło, Gas Plant of Kielce, Gas Plant of Kraków, Gas Plant of Lublin, Gas Plant of Rzeszów, Gas Plant of Sandomierz and Gas Plant of Tarnów;
- Mazowiecka Spółka Gazownictwa sp. z o.o. (MSG), with its head office in Warsaw, operating Gas Plant of Białystok, Gas Plant of Łódź, and Gas Plant of Warsaw;
- Pomorska Spółka Gazownictwa sp. z o.o. (PSG), with its head office in Gdańsk, operating Gas Plant of Bydgoszcz, Gas Plant of Gdańsk, and Gas Plant of Olsztyn;
- Wielkopolska Spółka Gazownictwa sp. z o.o. (WSG), with its head office in Poznań, operating Gas Plant of Kalisz, Gas Plant of Koszalin, Gas Plant of Poznań, and Gas Plant of Szczecin;
- Dolnośląska Spółka Gazownictwa sp. z o.o. (DSG), with its head office in Wrocław, operating Gas Plant of Wrocław, Gas Plant of Wałbrzych, and Gas Plant of Zgorzelec.

Distribution activities are conducted under licences. Based on a decision of the President of the URE, the Gas Companies have been granted the status of Distribution System Operators.

Until June 30th 2007, the distribution companies of the PGNiG Group were involved in both trade in and distribution of gas. In accordance with the requirements of the Polish Energy Law, which implemented the requirements of EU Directive No. 2003/55/EC, in 2007 PGNiG SA performed a legal separation of the distribution and trade businesses. Consequently, in mid-2007 the Distribution System Operators were spun off (they currently operate as Gas Companies with their sole owner being PGNiG SA). Since Q4 2007, the entire trade business, including retail sales and wholesale, was integrated into the Company.

In 2008, the segment posted an operating profit of PLN 419m. This good result is primarily attributable to two factors. First,



EBIT was driven up by the separation of the distribution and trade businesses, which significantly reduced the operating risk of the Distribution segment, as the entire gas sales business was transferred to the Trade and Storage segment. Moreover, in 2008 the Company transferred the costs connected with the trade business from the Distribution segment to the Trade and Storage segment, which reduced the costs of the Distribution segment and benefited the segment's performance. Second, on April 25th 2008, new distribution tariffs took effect; under the new tariffs the distribution companies gain a higher margin on natural gas distribution.

The Gas Companies are strategic companies of the PGNiG Group. The profile of each individual Company depends on the location, historical factors, urban and industrial development of the location, or even economic standing of local populations.

The Gas Companies provide their services across Poland. The aggregate length of their network approximates 114 ths. km. The Companies deliver gas to 6.6m individual and industrial customers (where the former account for over 97% of the total number of customers).

The Gas Companies are responsible for management and operation of the distribution network by way of:

- transmitting natural gas to end customers;
- connecting new customers to the transmission network;
- managing transmission network assets;
- operating, maintaining and expanding the network.

When settling transactions with customers, the Gas Companies use the tariff effective from June 1st 2009.

The table presents key data on the Gas Companies

	MSG	WSG	DSG	GSG	KSG	PSG
Number of metering systems [ths.]	1,483	896	745	1,295	1,406	738
Volume of distributed gas [mcm]	1,897	1,725	998	1,371	2,004	882
Pipeline length, excluding connections [km]	18,337	14,572	7,637	20,489	43,928	8,970

Data for 2008.