



# THE PGNIG GROUP

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As at December 31st 2008, the PGNiG Group comprised PGNiG SA (the parent undertaking) and 33 production and service companies, including:

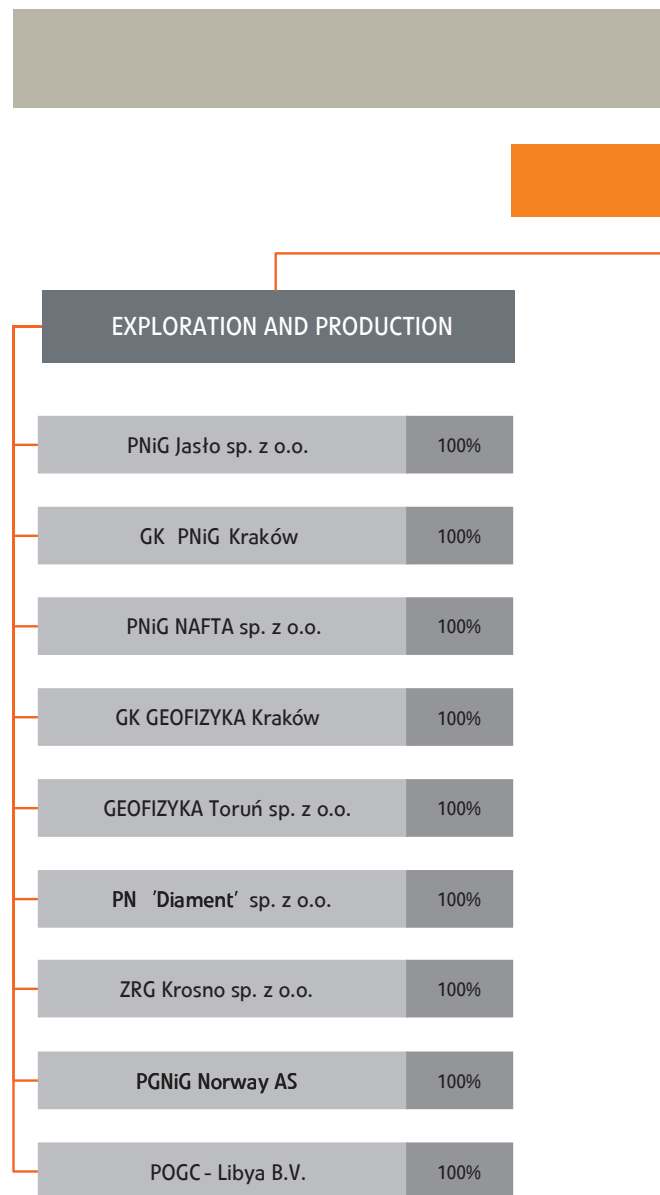
- 26 subsidiaries of PGNiG SA;
- 7 indirect subsidiaries of PGNiG SA.

## Equity Changes

In 2008, six Distribution System Operators changed its name to Gas Companies. In addition, the following changes occurred within the structure of the PGNiG Group:

- on February 4th 2008, amendments to the articles of association of PGNiG Finance B.V. were registered in the Netherlands. Under the amended articles of association, the company's name was changed (currently it is Polish Oil and Gas Company – Libya B.V.) and its business profile was redefined;
- on March 31st 2008, ZRUG Warszawa SA (in liquidation) was deleted from the Register of Entrepreneurs. Its shareholders included PGNiG SA with a 49% interest in the company's share capital and Mazowiecka Spółka Gazownictwa sp. z o.o. with a 49% interest;
- PGNiG SA and OGP GAZ-SYSTEM SA concluded a share purchase agreement providing for the sale of a 100% interest in Polskie LNG sp. z o.o. Under the agreement, PGNiG SA sold to OGP GAZ-SYSTEM SA 50,000 Polskie LNG sp. z o.o. shares, with a par value of PLN 1,000 per share, for a total price of PLN 52,000,000. The ownership title to the Polskie LNG sp. z o.o. shares was transferred to the purchaser on December 8th 2008.

Furthermore, on January 29th 2008, Geofizyka Kraków sp. z o.o. established a joint-stock company incorporated under Libyan law, under the name of Geofizyka Kraków Libya JSC. The shares in the company are held by two shareholders: Geofizyka Kraków sp. z o.o. (60% of the share capital) and BARARI Co. For Oil Services (40% of the share capital). The company's share capital amounts to LYD 1,000,000.00 and is divided into 10,000 shares with a par value of LYD 100 per share.

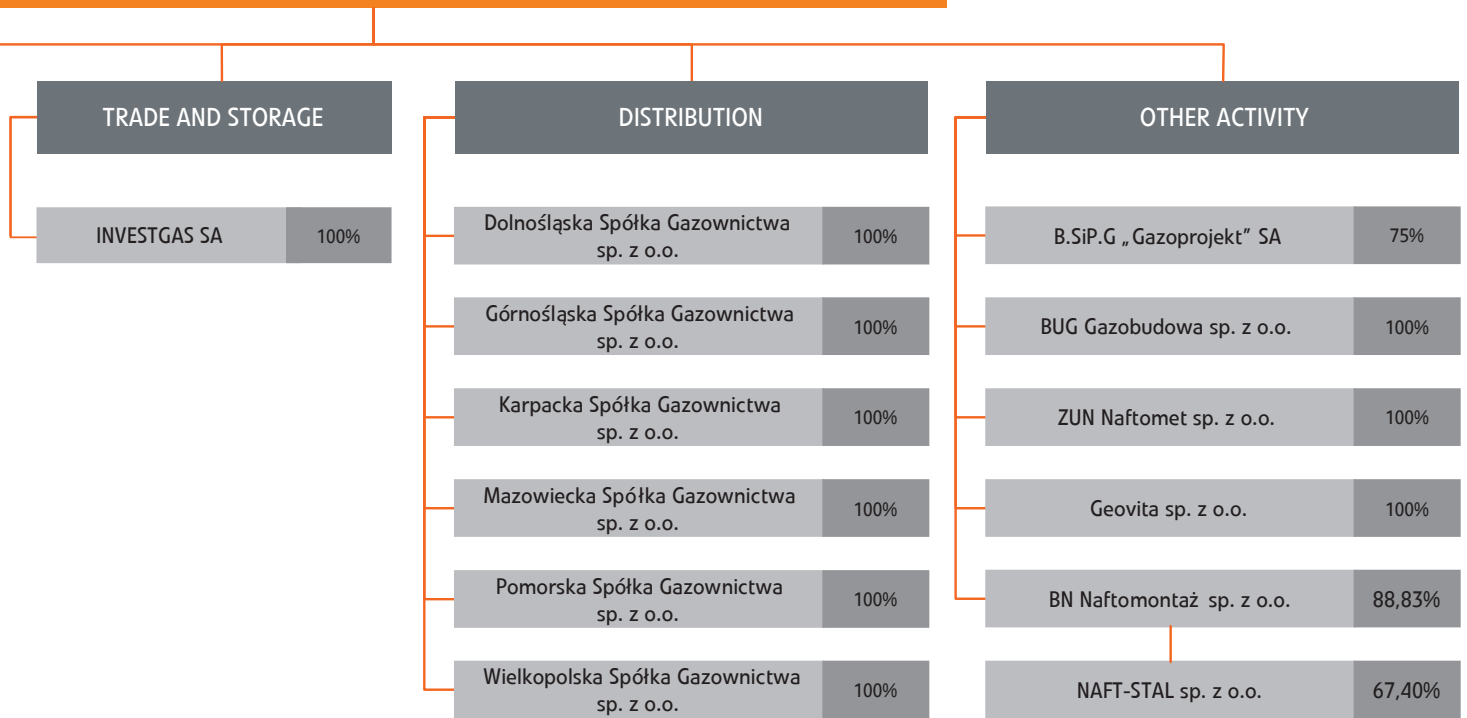


*The Capital Group of the Poszukiwania Nafty i Gazu Kraków is made up of a limited liability company Poszukiwania Nafty i Gazu Kraków sp. z o.o. and its subsidiary Oil Tech International F.Z.E.*

*The Capital Group of GEOFIZYKA Kraków is made up of a limited liability company Geofizyka Kraków sp. z o.o. and its subsidiary GEOFIZYKA Kraków Libya JSC.*

# CONSOLIDATED COMPANIES OF THE PGNiG CAPITAL GROUP

## PGNiG SA



## Exploration and Production Companies

### GEOFIZYKA Kraków Group

The GEOFIZYKA Kraków Group provides geophysical services in the area of field seismics with use of 2D and 3D sources of vibration- or dynamite-induced excitation, processing and interpretation of seismic data from geophysical surveys, performance of measurements, operations and special work in boreholes, interpretations and perforations. The group also offers drilling seismometry services.

With a view to starting operations in Libya, on January 29th 2008, GEOFIZYKA Kraków sp. z o.o. established a joint stock company under the name of GEOFIZYKA Kraków Libya JSC, however, the company did not commence business activity in that year.

In 2008, GEOFIZYKA Kraków sp. z o.o.'s sales revenue reached PLN 178.8m, with revenue from sales provided to the PGNiG Group accounting for 54%, and revenue from services provided to customers outside the PGNiG Group accounting for 46% of the total.

Abroad, the company primarily performed 2D and 3D seismics in the Czech Republic, Denmark, Libya and Pakistan, as well as geophysical drilling services in Latvia, Slovakia and Hungary. Seismic data processing and interpretation was performed for a Czech company Moravské Naftové Doly a.s. The company was also engaged by a Hungarian company MOL for the processing of data obtained during work performed under a license in Yemen. Due to unstable political situation in Pakistan, the execution of the contract concluded with ODGCL was suspended in accordance with applicable clauses of the contract. For the same reason, the company decided not to commit itself to execution of the second contract for MOL/Mari Gas.

In 2009, GEOFIZYKA Kraków sp. z o.o. entered into contracts providing for the performance of seismic work, processing and interpretation of data on the domestic market, as well as contracts for the performance of field seismics and geophysical drilling services in Slovakia, the Czech Republic and Hungary. In addition, the company won a tender for the performance of 2D and 3D seismics in Murzuq (Libya).

GEOFIZYKA Kraków Group			
	Unit	2008	2007
<b>Sales revenue</b>	PLN m	178.8	226.5
<b>Net profit/loss</b>	PLN m	0.2	2.1
<b>Equity</b>	PLN m	90.1	64.0
<b>Total assets</b>	PLN m	205.0	202.0
<b>Headcount as at December 31st</b>	persons	1,124	874

### GEOFIZYKA Toruń sp. z o.o.

GEOFIZYKA Toruń sp. z o.o. offers geophysical services in the area of seismic surveys, including design work and acquisition of data, digital processing of data and comprehensive geophysical and geological interpretations. The company also provides services in the area of geophysical surveys and operations in boreholes, including their interpretation, as well as drilling services. In addition, GEOFIZYKA Toruń sp. z o.o.'s offering includes shallow geophysical tests as part of environmental protection activities, geological and hydrogeological tests, as well as design and installation of deep groundbeds for cathodic protection.

In 2008, GEOFIZYKA Toruń sp. z o.o.'s sales revenue amounted to PLN 332.4m, 65% of which accounted for revenue from services rendered to customers other than the PGNiG Group's companies (56% of that revenue accounted for export activities).

The company's services abroad included acquisition and processing of 2D and 3D seismic data in India, Syria and Germany. In Poland, GEOFIZYKA Toruń sp. z o.o. mainly carried out work for the PGNiG Group and for FX Energy Poland sp. z o.o. in the area of design and acquisition of data, processing of data and comprehensive geophysical and geological interpretations.

In 2009, GEOFIZYKA Toruń sp. z o.o.'s objective will be to consolidate its position on the domestic market and selected foreign markets (India, Iran, Germany, Syria and Thailand) through the expansion of its service portfolio and optimal utilisation of its resources. The company also plans to launch its services in Turkey, Yemen, Egypt and Saudi Arabia.

GEOFIZYKA Toruń sp. z o.o.			
	Unit	2008	2007
<b>Sales revenue</b>	PLN m	332.4	314.6
<b>Net profit/loss</b>	PLN m	32.2	16.9
<b>Equity</b>	PLN m	168.1	140.7
<b>Total assets</b>	PLN m	252.1	219.3
<b>Headcount as at December 31st</b>	persons	1,186	1,213

### PNiG Jasło sp. z o.o.

The core business of Poszukiwania Nafty i Gazu Jasło sp. z o.o. consists in execution of exploratory and production boreholes, reconstruction and liquidation of boreholes and performance of specialist drilling services, including cementing, flushing, borehole reinforcement, as well as servicing of control and instrumentation at well surface installations.

In 2008, the company's sales revenue was PLN 281.9m, of which services provided to the PGNiG Group accounted for 73%. PNiG Jasło sp. z o.o.'s main customer in Poland was PGNiG SA. The company also executed boreholes for RWE Dea Polska sp. z o.o., drilled a geothermal borehole for the Lux Veritatis Foundation,

and provided cementing and packer services to external customers, such as PRWiG, FX Energy Poland sp. z o.o. and Petrobaltic SA. Outside Poland, the company performed drilling work in Libya and geothermal drilling work in Germany. In Lithuania, Latvia and Ukraine, PNiG Jasło sp. z o.o. performed specialist services in the area of reconstruction and drilling, and cementing, as well as Datawell services.

In 2009 and beyond, Poland will remain PNiG Jasło sp. z o.o.'s nearest strategic market where the company will perform services for PGNiG SA, with auxiliary markets being Libya, Germany and – as of recently – Russia, where the company will be providing oil and geothermal services. In 2009, the company has already started reconstruction work in Russia and commenced drilling of the second geothermal hole in Germany.

#### PNiG Jasło sp. z o.o.

	Unit	2008	2007
<b>Sales revenue</b>	PLN m	281.9	236.3
<b>Net profit/loss</b>	PLN m	18.2	9.2
<b>Equity</b>	PLN m	142.0	127.6
<b>Total assets</b>	PLN m	219.6	194.1
<b>Headcount as at December 31st</b>	persons	932	861

#### GK PNiG Kraków

The PNiG Kraków Group is composed of Poszukiwania Nafty i Gazu Kraków sp. z o.o. and Oil Tech International F.Z.E. The core business of PNiG Kraków sp. z o.o. consists in geological, exploratory and production drilling, reconstruction of boreholes and servicing related to drilling, sampling and operation of boreholes. The company also provides mine rescue services as well as hospitality, catering, rental and training services. Oil Tech International F.Z.E. provides services consisting in the provision of operator teams, materials, and plant and equipment used by PNiG Kraków sp. z o.o.

In 2008, the PNiG Kraków Group sales revenue reached PLN 360.2m, with revenue from services provided to customers from outside the PGNiG Group accounting for 65% of that figure. Foreign customers represented 62% of the revenue from services provided to external customers. The PNiG Kraków Group provided services in Kazakhstan, Mozambique, Uganda, Latvia and Ukraine. In Poland, the Group performed drilling work and provided maintenance services related to drilling, sampling and operation of boreholes under turn-key contracts, of which the majority was concluded with the PGNiG Group.

In 2009, the PNiG Kraków Group plans to continue executing contracts for drilling service concluded in 2008 in Kazakhstan, Pakistan, Uganda and Ukraine. In addition, the PNiG Kraków Group will continue work on the boreholes situated in Southern Poland, as well as perform probing and directional drilling services under contracts concluded in 2008.

#### GK PNiG Kraków

	Unit	2008	2007*
<b>Sales revenue</b>	PLN m	360.2	301.0
<b>Net profit/loss</b>	PLN m	5.6	17.3
<b>Equity</b>	PLN m	182.5	166.3
<b>Total assets</b>	PLN m	395.3	368.6
<b>Headcount as at December 31st</b>	persons	1,344	1,353

\* Data for PNiG Kraków sp. z o.o.

#### PNiG NAFTA sp. z o.o.

The core business of Poszukiwania Nafty i Gazu NAFTA sp. z o.o. comprises exploration of crude oil and natural gas reserves, primarily with respect to design, execution and documentation of research, prospecting, exploratory and production boreholes. The company also provides specialist drilling services, and deals with drilling of boreholes for underground storage of hydrocarbons, liquidation of boreholes in used-up reserves and reconstruction of developed boreholes. In addition, the company provides support services through its workshop specialising in repair of drilling equipment, and storage facilities.

In 2008, the PGNiG Group was the company's key customer in Poland. The exploration work was continued in North-West and Western Poland. The company's total sales revenue stood at PLN 284.7m, with the revenue from the services provided to the PGNiG Group accounting for 77% of that figure. The company performed exploration and prospecting drilling work for PGNiG SA and drilling work for the underground storage facility in Mogilno, as part of a project carried out by INVESTGAS SA. Outside Poland, the Company executed drilling work in Egypt, India and Hungary (the contract in India expired this year).

In Poland, PNiG NAFTA sp. z o.o. will continue drilling work at the underground storage facilities in Mogilno and Kosakowo for PGNiG SA, and drilling of an exploratory borehole for FX Energy Poland sp. z o.o. in 2009. Abroad, the company will perform drilling work in Egypt and Hungary.





**PNiG NAFTA sp. z o.o.**

	Unit	2008	2007
Sales revenue	PLN m	284.7	262.0
Net profit/loss	PLN m	34.6	36.5
Equity	PLN m	180.2	160.9
Total assets	PLN m	318.2	267.1
Headcount as at December 31st	persons	773	713

**PN 'Diament' sp. z o.o.**

The core business of Poszukiwania Naftowe Diament sp. z o.o. consists in providing specialist drilling services, which include: borehole drilling, repair work, liquidation of boreholes, production sampling of boreholes, deep measurements, production intensification and other work with the use of coiled tubing and a nitrogen unit, as well as borehole reinforcement and drillstem testing with blowout prevention equipment. The company also conducts business activity comprising general construction engineering, road construction and municipal waste dump construction, and it provides vehicle repair, transport and equipment services.

In 2008, PN Diament sp. z o.o.'s sales revenue amounted to PLN 209.2m, 58% of which accounted for sales to customers other than the PGNiG Group's companies. A consortium of PN Diament sp. z o.o. and PNiG Jasło sp. z o.o. conducted drilling work for KGHM Polska Miedź SA at 26 exploratory boreholes in areas covered with copper deposit licences. Furthermore, the company rendered general construction engineering services (mainly related to road and on-ground structures). For the PGNiG Group the company conducted boreholes drilling work, carried out repairs and liquidations of boreholes, and provided a range of specialist services, including operational borehole production intensification and repair, cementing boreholes and work related to drilling fluids.

In 2009, as part of consortium with PNiG Jasło sp. z o.o., PN Diament sp. z o.o. will continue drilling work for KGHM Polska

**PN 'Diament' sp. z o.o.**

	Unit	2008	2007
Sales revenue	PLN m	209.2	161.3
Net profit/loss	PLN m	6.8	8.8
Equity	PLN m	92.2	91.7
Total assets	PLN m	134.0	132.9
Headcount as at December 31st	persons	675	613

Miedź SA at six exploration boreholes. The company will also provide services related to general construction engineering for customers other than the PGNiG Group's companies, borehole drilling, repairs and liquidation of boreholes as well as other specialist services for the PGNiG Group.

**ZRG Krosno sp. z o.o.**

Zakład Robót Górniczych Krosno sp. z o.o. is a specialist borehole mining service company. Its business activity comprises in particular work in producing boreholes, including repair and reconstruction of oil and gas production boreholes, shallow drilling (up to approx. 1,000 meters), production borehole recompletion, and liquidation of boreholes, infrastructure and drilling pits, as well as other liquidation of other effects of borehole mining. In addition, the company provides a wide range of production intensification, measurement and laboratory services.

In 2008, ZRG Krosno sp. z o.o. posted total sales revenue of PLN 79.1m, 84% of which accounted for sales to the PGNiG Group. Other customers include domestic borehole mining companies engaged in exploration of mineral reserves and geothermal water. In Poland, ZRG Krosno sp. z o.o. provided services at producing boreholes, chiefly related to repairs, reconstruction and liquidation. ZRG Krosno sp. z o.o. also provided borehole mining services on the international markets in Kazakhstan, Mozambique (for PNiG Kraków sp. z o.o.), Ukraine, Slovakia and Latvia.

PGNiG SA will remain the company's key partner in the coming years. In addition, ZGR Krosno sp. z o.o. plans to diversify into other markets in Central and Eastern Europe. In 2009, the company will continue its work at boreholes for customers in Poland, in particular work related to repair, reconstruction and liquidation of boreholes, and will take steps aimed at enhanced gas production in Kazakhstan and Ukraine.

**ZRG Krosno sp. z o.o.**

	Unit	2008	2007
Sales revenue	PLN m	79.1	88.6
Net profit/loss	PLN m	3.9	3.9
Equity	PLN m	41.3	39.2
Total assets	PLN m	59.5	62.0
Headcount as at December 31st	persons	436	427

**PGNiG Norway AS**

PGNiG Norway AS was established to implement the project in the Norwegian Continental Shelf, which is aimed at increasing the volume of oil and gas reserves held outside of Poland. The Company holds a 15% interest in three licences PL 212, PL 212B and PL 262 covering the Skarv and Snadd fields. The remaining interests are held by British Petroleum, as the operator – (30%), StatoilHydro (30%) and E.ON Ruhrgas Norge (25%).

PGNiG Norway AS's core business comprises exploration and production of crude oil and natural gas reserves in the Norwegian Continental Shelf and participation in infrastructural projects related to crude oil and natural gas transmission activities.

Reserves are developed by British Petroleum and PGNiG Norway AS, StatoilHydro and E.ON Ruhrgas. As a result of combining the Skarv and Snadd fields with the Idun field in the Norwegian Continental Shelf, the companies' approximate shares in the exploration and production area are as follows:

- British Petroleum (the operator) 24 proc.
- StatoilHydro 36 proc.
- E.ON Ruhrgas Norge 28 proc.
- PGNiG Norway AS 12 proc.

In 2008, the Skarv project entered into the reserve development stage. Production is expected to commence in 2011. Under the development project, 16 boreholes will be drilled, including seven oil extraction boreholes, five natural gas extraction boreholes and four injectors. At a later stage of the reserve life, the injectors will be transformed into gas producers in order to fully exploit the reserve potential. Drilling equipment will be mobilised at the end of 2009.

On January 1st 2009, under an agreement with StatoilHydro Petroleum AS, PGNiG Norway AS acquired, free of charge, 30% of interest in PL 350 license in the Norwegian Continental Shelf. Once it receives an approval of the Norwegian Ministry of Petroleum and Energy and the Norwegian Ministry of Finance, PGNiG Norway AS will acquire a 25% interest in PL 419 license under an agreement with Nexen Exploration Norge AS.

PGNiG Norway AS			
	Unit	2008	2007
Sales revenue	PLN m	0	0
Net profit/loss	PLN m	- 41.8	- 7.2
Equity	PLN m	162.8	217.5
Total assets	PLN m	1,412.3	1,075.4
Headcount as at December 31st	persons	19	10

#### POGC-Libia B.V.

On February 4th 2008, PGNiG Finance B.V. was transformed into Polish Oil and Gas Company-Libya B.V. to carry out exploration under the license No. 113 located in the Murzuq petroleum basin (western Libya). The company was issued a warranty by PGNiG SA securing its performance of the licence obligations. On February 25th 2008, POGC-Libia B.V. signed the Exploration and Production Sharing Agreement (EPSA) with state-owned Libyan oil company National Oil Corporation, which was ratified on June 1st 2008. In H1 2009, the acquisition of field data commenced.

#### POGC-Libia B.V.

	Unit	2008	2007
Sales revenue	PLN m	0	0
Net profit/loss	PLN m	- 8.1	- 1.4
Equity	PLN m	- 6.3	2.8
Total assets	PLN m	56.4	2.8
Headcount as at December 31st	persons	13	-

### Trade and Storage Companies

#### IVNESTGAS SA

IVNESTGAS SA specialises in the execution of projects in the area of hydrocarbon storage and transport. It also executes specialist and general construction projects. The company provides services covering the entire investment process, from the preparation, to design, construction, technological start-up and operation of storage facilities in salt caverns and other facilities.

In 2008, the company's sales revenue totalled PLN 65.5m. Revenue from sales of services to PGNiG SA represented 92% of total sales revenue. The services performed for PGNiG SA included:

- operation and extension of the Underground Gas Storage Cavern in Mogilno;
- preparation for the construction of the Underground Gas Storage Facility in Kosakowo;
- preparation for the construction and supervision over the construction of the KGZ Kościan-KGHM Polkowice/Żukowice gas pipeline.

In addition, the company also performed other tasks, including preparatory work and supervision over the construction of the Ostrów Wielkopolski-Wrocław fuel pipeline for PKN ORLEN SA and preparatory work preceding implementation of the Baltic Pipe project.

In 2009, the Company will continue work related to the operation, construction and extension of the underground gas storage facilities, work related to the construction of the KGZ Kościan – KGHM Polkowice/Żukowice gas pipeline and preparatory work preceding execution of the next phase of the Ostrów Wielkopolski-Wrocław fuel pipeline construction for PKN ORLEN SA and supervision over the construction process. The company also



## IVNESTGAS SA

	Unit	2008	2007
Sales revenue	PLN m	65.5	33.9
Net profit/loss	PLN m	4.0	2.6
Equity	PLN m	13.1	10.5
Total assets	PLN m	30.6	24.9
Headcount as at December 31st	persons	91	86

plans to increase the value of its sales by winning new, large fuel contracts for such investors as PKN ORLEN, LOTOS and PERN.

### System Gazociągów Tranzytowych EuRoPol GAZ SA

The core business of SGT EuRoPol GAZ SA is transmission of natural gas. The company transmits gas and sells throughput capacities along the Polish section of the transit gas pipeline system (from the border between Belarus and Poland to the

## SGT EuRoPol GAZ SA

	Unit	2008	2007
Sales revenue	PLN m	1,244	1,508
Net profit/loss	PLN m	-112	418
Equity	PLN m	3,463	3,576
Total assets	PLN m	6,009	6,055
Headcount as at December 31st	persons	287	286

interconnector terminal points on the border between Poland and Germany). In 2008, the company transported 32.5 bcm of gas. PGNiG SA holds 48% of shares in SGT EuRoPol GAZ SA. The company's share capital stands at PLN 80m and is divided into 800,000 shares, with a par value of PLN 100 per share.

## Distribution Companies

### Dolnośląska Spółka Gazownictwa sp. z o.o.

Dolnośląska Spółka Gazownictwa sp. z o.o. supplies gas to customers in the Provinces of Wrocław, and Zielona-Góra, and in the Wolsztyn county (Province of Poznań). The percentage of households and businesses connected to the gas grid varies between communes, depending on geographical conditions. Areas without access to the gas supply system are usually those located at a considerable distance from the pipelines, in whose case the

relevant studies have shown that their connection to the gas grid would not be economically viable. In such areas, for instance in the area around the village of Świątoszów, the company provides customers with gas in liquefied form (LNG).

The total volume of gas transmitted by DSG sp. z o.o. via the distribution network in 2008 was 997.8 mcm, of which high-methane gas, nitrogen-rich gas (Lw) and nitrogen-rich gas (Ls) accounted, respectively, for approx. 68%, 31.7% and approx. 0.3%. The company has some 745.4 ths. customers. In 2008, DSG sp. z o.o. connected to the gas network 6.3 ths. new customers. The annual consumption of gas by the new customers is estimated at 61 mcm.

In 2008, the company continued to replace the cast-iron piping whose further operation would have posed a safety hazard and resulted in considerable gas loss. It needs to be noted that the implementation of the cast-iron piping replacement programme, as well as regular technical inspections of the network, have resulted in a drop in the share of gas loss in relation to sales. Other work carried out by DSG sp. z o.o. in 2008 included the extension and modernisation of the gas network. The major projects completed in 2008 included:

- modernisation of the leaky pipeline from Zakęcie to Nowa Sól (to improve security of gas supplies);
- extension of the gas grid in the town of Żary (to improve security of gas supplies to Żary), and construction of the first-grade station within the Kronopol station.

In the years to come, DSG sp. z o.o. is going to focus on maintaining its current market position, while aiming to further increase gas throughput by:

- reexpanding its gas infrastructure to enable connection of new customers;
- replacing cast-iron piping and upgrading medium- and low-pressure networks;
- transporting gas in liquefied form and providing customers with access to gas supply by means of LNG units.

In the area where DSG sp. z o.o. operates, a number of other gas sellers and distributors are intensifying their activities. In future, they may take over the company's existing or prospective customers (both industrial and individual ones). DSG sp. z o.o.'s

## Dolnośląska Spółka Gazownictwa sp. z o.o.

	Unit	2008	2007
Sales revenue	PLN m	339.6	711.3
Net profit/loss	PLN m	40.8	-165.9
Equity	PLN m	944.5	795.0
Total assets	PLN m	1,142.8	1,055.8
Length of network, excl. connections*	km	7,636.8	7,053.3
Headcount as at December 31st	persons	1,390	1,319

\* Company's own and third-party networks.



two key competitors are Media Odra Warta sp. z o.o. (MOW) and G.EN. GAZ ENERGIA SA.

### Górnośląska Spółka Gazownictwa sp. z o.o.

Górnośląska Spółka Gazownictwa sp. z o.o. supplies gas to customers in the Provinces of Katowice and Opole, in 44 communes of the Province of Kraków, in 5 communes of the Province of Łódź and in 3 communes of the Province of Kielce. It serves some 1.3 million customers. The total volume of gas transmitted by GSG sp. z o.o. via the distribution network in 2008 was 1,371.2 mcm.

In 2008, GSG sp. z o.o. connected to the gas network 4.4 ths. new customers. The annual consumption of gas by the new customers is expected to reach approx. 260.1 mcm. In addition, the company carried out work on the network modernisation, while continuing to connect to the gas grid households and businesses located west of Częstochowa. The major projects that were underway in 2008 included:

- preconstruction of the approx. 5 km long gas pipeline from Zdzieszowice to Blachownia;
- modernisation of the approx. 20 km long gas pipeline from Zdzieszowice to Tworzeń (including modernisation of a 15 km stretch with the use of the Compact Pipe technology);
- connection of the village of Komprachcice to the gas supply system (the project comprises construction of approx. 40km

of medium-pressure gas pipelines);

- connection of the commune of Dąbrowa to the gas supply system (the project comprises construction of approx. 23 km of medium-pressure gas pipelines);
- connection of the village of Herby and the town of Blachownia to the gas supply system (the project comprises construction of approx. 35 km of high- and medium-pressure gas pipelines).

In 2009, the company is going to continue work on the connection to the gas grid of areas located west of Częstochowa and around the city of Opole. In Upper Silesia and the Province of Opole, new sites are being designated for development projects and new road connections are being built. What this means for the company is a larger potential market for its distribution services, as new industrial plants appear which in future may become the company's institutional customers.

In the area of GSG sp. z o.o.'s operations, competitive gas distributors have been intensifying their presence. They provide integrated services by offering customers not only the construction of network connections, but also the supplies of gaseous fuel. The major ones are API Testo/KRI and CP ENERGIA SA/K&K. The strength of the competitive gas distributors lies in their ability to provide temporary supplies of liquefied gas when the gas network is still under construction. Moreover, the existing and prospective gas users have recently intensified their efforts aimed at establishing direct connections with the network of OGP GAZ-SYSTEM SA.

### Górnośląska Spółka Gazownictwa sp. z o.o.

	Unit	2008	2007
Sales revenue	PLN m	518.2	1,126.9
Net profit/loss	PLN m	19.5	19.2
Equity	PLN m	1,507.3	1,394.8
Total assets	PLN m	1,729.1	1,636.3
Length of network, excl. connections*	persons	20,488.7	19,827.4
Headcount as at December 31st	osoby	2,589	2,515

\* Company's own and third-party networks.



## Karpacka Spółka Gazownictwa sp. z o.o.

The area covered by the company's operations includes four provinces in south-eastern Poland, namely the Provinces of Kraków, Rzeszów, Kielce and Lublin. One of the main gas pipelines of the domestic transmission system runs through the company's operating area, fed with both imported and domestically-produced natural gas. The company serves some 1.4 million customers. The total volume of gas transmitted by KSG sp. z o.o. via the distribution network in 2008 was 2,003.9 mcm.

In 2008, KSG sp. z o.o. connected to the gas network 18.6 ths. new customers. The annual consumption of gas by the new customers is estimated at 201.7 mcm. In addition, the company carried out work on the network extension and modernisation. The major projects that were underway in 2008 included:

- construction of an approx. 10.3 km long high-pressure gas pipeline to Zakład Przetwórstwa Wapienniczego Truskawica (a limestone processing plant);
- construction of an approx. 8.6 km long gas transmission pipeline from Werbkowice to Zamość;
- construction of an approx. 7.9 km long medium-pressure gas grid in the town of Jędrzejów.

The company plans to expand its distribution network by constructing traditional gas pipelines, as well as by developing the

LNG market. It is planned that KSG sp. z o.o. will be responsible for liquefying and distributing the fuel. Distribution of LNG will support the initial provision of access to gas supply to those areas where the construction of traditional pipelines does not meet the necessary economic criteria. Once the local natural gas market is developed, distribution of LNG in such areas will enable the economically viable construction of traditional pipelines.

The company's other plans for the coming years include continued expansion of the distribution network in the Province of Kielce. Thanks to the flourishing minerals processing industry in the region, the company will be able to acquire new customers and achieve higher sales of distribution services.

However, it needs to be emphasised that in the area of KSG sp. z o.o.'s operations, one can observe intensified activity on the part of companies aiming to build their own distribution networks in places which are not yet connected to the gas grid, as well as on the part of distributors of gas in liquefied form.

### Karpacka Spółka Gazownictwa sp. z o.o.

	Unit	2008	2007
Sales revenue	PLN m	681.3	1,561.5
Net profit/loss	PLN m	67.3	-16.6
Equity	PLN m	2,189.2	1,947.8
Total assets	PLN m	2,577.7	2,405.9
Length of network, excl. connections*	km	43,927.7	42,820.4
Headcount as at December 31st	persons	3,306	3,265

\* Company's own and third-party networks.



## Mazowiecka Spółka Gazownictwa sp. z o.o.

Mazowiecka Spółka Gazownictwa sp. z o.o. supplies gas to customers in the Provinces of Warsaw, Łódź and Białystok, as well as in certain parts of the Provinces of Lublin, Olsztyn and Kielce (the aggregate area covered by the company's gas supply services is approx. 87 ths. km<sup>2</sup>). The total volume of gas transmitted by MSG sp. z o.o. via the distribution network in 2008 was 1,897 mcm. Gas is supplied to some 1.5 million customers via the gas network and gas stations operated by the company.

In 2008, the company conducted projects consisting in operating, extending and upgrading the gas network. MSG sp. z o.o. connected 21.7 ths. new customers to the gas network. Major projects carried out in 2008 included:

- modernisation of an approx. 6.3 km long section of the gas grid from Białobrzegi to Grójec;
- modernisation of an approx. 5 km long section of the gas grid, extending along Trakt Lubelski street in Warsaw;
- construction of a gas grid section in Radomsko; providing gas supplies to the Łódź Special Economic Zone (streets: Sucharskiego, Pasieczna, Przemysłowa, Reja, Górnickiego, Witosa, Orzeszkowa and Narutowicza);

- construction of a connecting pipeline for Nova Ceramica in Mniszków;
- construction of a connecting pipeline for Procter & Gamble in Aleksandrów Łódzki;
- construction of a connecting pipeline for Indesit in Radomsko.

In 2009, MSG sp. z o.o. intends to focus on:

- ensuring an adequate transmission capacity and securing sources of gas supply for the company's gas distribution system;
- optimising the use of network assets held by the company by connecting new customers to the existing grid (network densification);
- extending the pipeline infrastructure for new customers;
- improving the security of operating the company's network assets;
- maintaining cooperation with PGNiG SA as part of a project which involves switching propane butane gas mixing/decompression plant into high-methane gas plant in the area covered by the Białystok Gas Plant.

### Mazowiecka Spółka Gazownictwa sp. z o.o.

	Unit	2008	2007
Sales revenue	PLN m	659.2	1,413.8
Net profit/loss	PLN m	91.9	-507.2
Equity	PLN m	1,793.9	1,381.1
Total assets	PLN m	2,224.2	1,803.0
Length of network, excl. connections*	km	18,361.0	16,634.0
Headcount as at December 31st	persons	2,895	2,920

\* Company's own and third-party networks.





## Pomorska Spółka Gazownictwa sp. z o.o.

PSG sp. z o.o.'s geographical reach covers the Provinces of Gdańsk and Bydgoszcz, a part of the Province of Olsztyn, as well as two communes of the Province of Szczecin (Sławno and Postomino). When it comes to expanding the gas supply system, this area is difficult to manage due to its challenging geographical conditions (a large number of lakes and woods).

The total volume of gas transmitted by PSG sp. z o.o. via the distribution network in 2008 was 881.9 mcm. In 2008, the company provided its services to some 739.8 ths. customers and connected to the gas network approx. 6 ths. new customers. The annual consumption of gas by the new customers is estimated at 54.5 mcm.

In 2008, the Company modernised the low- and medium-pressure pipelines: it replaced a 9.5 km section of the emergency pipeline and a 3.8 km stretch of gas connections, and initiated further replacements with respect to a 2.3 km stretch of emergency pipeline and a 0.5 km segment of gas connections.

Major projects involving the extension of the gas network carried out in 2008 included:

- progress in the construction of the Bytów-Słupsk high-pressure pipeline and a first-grade pressure reduction and metering station; the primary objective of the extension is to improve security of gas supplies to Słupsk and its vicinity, as well as to enable connection of municipalities and communes located along the pipeline to the gas network; this project will ensure diversified gas supplies and connect the two gas systems supplying the Pomerania region: PSG sp. z o.o. and the WSG sp. z o.o.'s networks;
- construction of a high-pressure pipeline in Toruń, along with the first-grade pressure reduction and metering station, in order to improve security of gas supplies to the city of Toruń, industrial customers, Łysomice and Wielka Nieszawka communes and the Pomeranian Special Economic Zone;
- incorporating into the gas supply system and placing in service of the high-pressure pipeline from Szubin to Kruszyn, along with the first-grade pressure reduction and metering station (whose construction was completed in 2007);
- incorporating into the gas supply system and placing in service of the high-pressure pipeline from Nidzica to Szczytno (whose construction was completed in 2007).

On June 3rd 2008, an experimental CNG fuelling station was opened in Toruń under an agreement concluded between PSG sp. z o.o., Toruń Municipality, Toruń Municipal Transportation Company, Biogaz Inwestor sp. z o.o. and the Bydgoszcz Gas Company. The station is to ultimately distribute biogas as fuel for vehicles.

The company plans to carry on with its network-related projects by:

- constructing and modernising low- and medium-pressure pipelines in the areas which are covered by the gas supply system;
- constructing and modernising high-pressure pipelines to enable the supply of gas to areas which have not yet been covered by the gas supply system;
- connecting new customers;
- combining the pipelines into ring structures, thus improving the security of gas supplies.

The company's business – both in the areas which are covered by the gas supply system and those which have not yet been connected to the gas grid – is distinguished by a considerable growth potential, owing to the establishment of new and expansion of the existing special economic zones and industrial parks. The company evaluates the potential of individual communes by assessing whether projects involving gas system expansion are economically viable.

### Pomorska Spółka Gazownictwa sp. z o.o.

	Unit	2008	2007
<b>Sales revenue</b>	PLN m	345.9	736.7
<b>Net profit/loss</b>	PLN m	21.2	-160.7
<b>Equity</b>	PLN m	805.7	672.5
<b>Total assets</b>	PLN m	1,189.0	1,017.7
<b>Length of network, excl. connections*</b>	km	9,014.2	8,125.4
<b>Headcount as at December 31st</b>	persons	1,760	1,741

\* Company's own and third-party networks.



In the area of the company's operations, a number of new players entered the market for distribution and trade in gaseous fuels. These include G.EN. GAZ ENERGIA SA, US.EN.EKO, KRI sp. z o.o., ENERGO-EKO-INWEST sp. z o.o. and P.L. Energia SA.

### Wielkopolska Spółka Gazownictwa sp. z o.o.

WSG sp. z o.o. manages a network of distribution pipelines covering an area of approx. 68.1 km<sup>2</sup>, including the Provinces of Poznań and Szczecin, several municipalities/communes in the Provinces of Łódź, Wrocław and Zielona Góra, as well as one municipality in the Province of Gdańsk. The percentage of households and businesses connected to the gas network within the area of WSG sp. z o.o.'s operations is approximately 44.4% (it is high in urban areas and towns, medium in mixed urban and rural areas, and low in typical rural areas).

The total volume of gas transmitted by WSG sp. z o.o. via the distribution network in 2008 was 1,725.3 mcm, including 1,027.2 mcm of high-methane gas. At the end of 2008, the total number of customers served by the company was 895.8 ths. The Company connected to the gas network approx. 7 ths. new customers. The annual consumption of gas by the new customers is estimated to reach 124.5 mcm.

The major projects completed in 2008 included:

- construction of 337.54 km of high-, medium- and low-pressure pipelines, 8,342 gas connections and 89 gas stations, including one first grade reduction and metering station, of which the most significant projects were the construction of the Trzemeszno-Witkowo high-pressure pipeline and the construction of a gas network for Ostrów Wielkopolski (Zacharzew housing estate) and Radłów;
- purchase of 45.57 km of medium- and low-pressure pipelines and 348 gas connections, of which the most significant project was the purchase of the gas network in the Santok commune;
- modernisation of 21.65 km of medium- and low-pressure pipelines, 9.4 km of gas connections and six gas stations, of which the most significant projects were the modernisation of a housing community gas network in Poznań, conversion of first grade gas station and providing power supply in the Rumin commune.

In addition, in Q2 2008 Stage 1 of the process of switching the left-bank part of Poznań and the East Poznań Province from less

caloric nitrogen-rich gas to high-caloric high-methane gas was launched. This process will improve the security and capacity of the distribution network. The switching process will be completed in 2009.

To maintain its current market position and to extend its distribution network, the company undertook actions aimed at delivering gas to the communes of Witkowo, Strzałkowo, Powidz, Włoszakowice, Lipno and Przemęt. In the next few years, the company will focus on:

- rextension of the high-pressure distribution grid;
- cooperation with OGP GAZ-SYSTEM SA to determine planned projects related to the extension of distribution and transmission grids;
- cooperation with companies engaged in trade in gaseous fuels as part of projects to deliver gas to new areas.

In the company's area of operations there has been an increased activity in the business of distribution and trade in gaseous fuels by such operators as G.EN. GAZ ENERGIA SA, Media Odra Warta sp. z o.o., E.ON edis energia sp. z o.o., CP Energia SA, P.L. Energia SA.

### Wielkopolska Spółka Gazownictwa sp. z o.o.

	Unit	2008	2007
<b>Sales revenue</b>	PLN m	515.8	1,116.6
<b>Net profit/loss</b>	PLN m	39.0	-299.1
<b>Equity</b>	PLN m	1,409.0	1,184.0
<b>Total assets</b>	PLN m	1,727.0	1,520.7
<b>Network length (excluding connections)*</b>	km	14,572.1	13,431.5
<b>Headcount as at December 31st</b>	persons	1,806	1,778

\* Company's own and third-party networks.

