

## PGNiG Group



Diversity of companies from the PGNiG Group allow to benefit from the effects of synergy in every part of our business. As a result, year by year PGNiG straightens its position on gas and oil market, both in Poland and abroad.

# Structure of the PGNiG Group

## Organisational structure

The PGNiG Group consists of production, trading and service companies incorporated under the commercial law. As at December 31st 2007, PGNiG held shares in 57 commercial-law companies, including:

- » 27 companies in which PGNiG held over 50% of shares or votes;
- » 16 companies in which PGNiG held between 20% and 50% of shares or votes;
- » 14 companies with the Company's equity interest below 20% of shares or votes.
- » The total nominal value of PGNiG's equity interests in the companies was PLN 6.3bn.

## Equity changes

In 2007, the PGNiG Group added two new special purpose vehicles, namely Polskie LNG Sp. z o.o. and PGNiG Norway A/S, in which PGNiG holds 100% of shares. On the other hand, one of the non-material companies, Przedsiębiorstwo Wielobranżowe MED-FROZ SA w likwidacji (in liquidation), was deleted from the National Court Register (PGNiG had a 23.07% interest in the company's share capital).

The main objective of Polskie LNG Sp. z o.o. is the construction of the LNG regasification terminal and its subsequent operation. PGNiG Norway A/S was created to perform the agreement concluded by PGNiG concerning the purchase of interests in the deposit licence areas of the fields in the Norwegian Continental Shelf. The company's core business consists in the production of crude oil and natural gas.

In 2007, PGNiG increased its equity commitment in the following subsidiaries: GEOFIZYKA Toruń Sp. z o.o., PNiG Kraków Sp. z o.o., Zakład Robót Górniczych Krosno Sp. z o.o., Polskie LNG Sp. z o.o. and PGNiG Norway A/S. The changes did not affect the percentage equity interests held by PGNiG in the subsidiaries, as the Company is their sole shareholder.

Strategic Companies	Core Companies	Special Purpose Companies	Other Companies
<div>Mazowiecki Operator Systemu Dystrybucyjnego Sp. z o.o. 100%</div> <div>Dolnośląski Operator Systemu Dystrybucyjnego Sp. z o.o. 100%</div> <div>Karpacki Operator Systemu Dystrybucyjnego Sp. z o.o. 100%</div> <div>Pomorski Operator Systemu Dystrybucyjnego Sp. z o.o. 100%</div> <div>Wielkopolski Operator Systemu Dystrybucyjnego Sp. z o.o. 100%</div> <div>Górnośląski Operator Systemu Dystrybucyjnego Sp. z o.o. 100%</div>	<div>PNiG Jasło Sp. z o.o. 100%</div> <div>PNiG Kraków Sp. z o.o. 100%</div> <div>PNiG NAFTA Sp. z o.o. 100%</div> <div>GEOFIZYKA Kraków Sp. z o.o. 100%</div> <div>GEOFIZYKA Toruń Sp. z o.o. 100%</div> <div>Poszukiwania Naftowe „Diament” Sp. z o.o. 100%</div> <div>Zakład Robót Górniczych Krosno Sp. z o.o. 100%</div> <div>SGT EUROPOL GAZ SA 48%</div> <div>GAS-TRADING SA 43.41%</div> <div>BSiPG Gazoprojekt SA 75%</div>	<div>PGNiG Finance BV * 100%</div> <div>Górnictwo Naftowe Sp. z o.o. 100%</div> <div>InterTransGas GmbH 50%</div> <div>Dewon ZSA 36.38%</div> <div>INVESTGAS SA 100%</div> <div>NYSAGAZ Sp. z o.o. 51%</div> <div>Polskie Elektrownie Gazowe Sp. z o.o. w likwidacji 48.48%</div> <div>Polskie LNG Sp. z o.o. 100%</div> <div>PGNiG Norway A/S 100%</div> <div>Polski Serwis Płynów Wiertniczych Sp. z o.o. 14%</div> <div>Polskie Konsorcjum Energetyczne Sp. z o.o. 9.50%</div> <div>Agencja Rynku Energii SA 7.27%</div> <div>JURLAN SA w upadłości 4.24%</div> <div>Agencja Rozwoju Regionalnego „Karpaty” SA 1.96%</div> <div>HSW – Zakład Kuźnia Matrycowa Sp. z o.o. 1.49%</div>	<div>MATERIAL</div> <div>BUD-GAZ Sp. z o.o. 100%</div> <div>BUG Gazobudowa Sp. z o.o. 100%</div> <div>ZRUG Sp. z o.o. w Pogórskiej Woli 100%</div> <div>ZUN Naftomet Sp. z o.o. 100%</div> <div>Geovita Sp. z o.o. 100%</div> <div>PP-UiH TURGAZ Sp. z o.o. 51.14%</div> <div>ZRUG Warszawa SA w likwidacji 49%</div> <div>GAZOMONTAŻ SA 45.18%</div> <div>ZWUG INTERGAZ Sp. z o.o. 38.30%</div> <div>ZRUG TORUŃ SA 31.33%</div> <div>AUTOSAN SA 0.06%</div> <div>NON-MATERIAL</div> <div>PI GAZOTECH Sp. z o.o. 69.44%</div> <div>Sahara Petroleum Technology LLC 49%</div> <div>PF-K GASKON SA 45.94%</div> <div>ZRUG Sp. z o.o. w Poznaniu 40.06%</div> <div>HS Szczakowa SA w upadłości 33.30%</div> <div>ZRUG Zabrze Sp. z o.o. 21.82%</div> <div>ZRUG Wrocław Sp. z o.o. w upadłości 15.88%</div> <div>TeNET 7 Sp. z o.o. w likwidacji 10%</div> <div>Walcownia Rur „JEDNOŚĆ” Sp. z o.o. 8.30%</div> <div>IZOSTAL SA 4.61%</div> <div>Zakłady Metalowe Dezamet SA 2.49%</div> <div>Huta Stalowa Wola SA 0.85%</div> <div>Agencja Rozwoju Pomorza SA 0.64%</div> <div>WOC „TE-MA” Sp. z o.o. w likwidacji 20.97%</div> <div>BN Naftomontaż Sp. z o.o. 88.83%</div>

\*The Articles of Association of PGNiG Finance BV were amended on February 4th 2008. The company's new Articles of Association provide for, among other things, a change in its name from PGNiG Finance BV to POGC – Libya BV and change in its business profile.

## Exploration and Production

### GEOFIZYKA Kraków Sp. z o.o.

Geofizyka Kraków provides geophysical services in the area of 2D and 3D seismics and services related to the processing and interpretation of seismic data from geophysical surveys. The company also performs measurements, operations and special work in boreholes, interpretations and perforations, as well as offers drilling seismometry services.

In 2007, Geofizyka Kraków's sales revenue was PLN 226.5m, of which 64% came from exports. The PGNiG Group remained its key customer in the domestic market. The company provided field seismics services in Austria, Hungary, Denmark and Turkey. In the Czech Republic, Geofizyka Kraków performed an agreement for the acquisition and interpretation of the 2D and 3D seismics. The company signed contracts with MOL of Hungary and BRGM, a French scientific institution, for the processing of seismic data, and long-term framework agreements for the provision of services to customers in Latvia and Hungary. At the turn of 2007, Geofizyka Kraków acquired, among others, significant contracts in Pakistan and Libya and geophysical drilling contracts in Slovakia and Hungary.

In 2007, the unstable political situation in Pakistan caused a temporary suspension of work. However, the company

– due to its long-term presence in the market – is able to minimise the risk related to the unstable situation and already in the first quarter of 2008 launched work under the contract for OGDCL, a Pakistani company.

On January 29th 2008, Geofizyka Kraków Libya JSC, a joint-stock company, was established to provide geophysical services in Libya. The shareholders of the newly established company comprise: Geofizyka Kraków (60%) and BARARI Co. For Oil Services (40%).

In 2008, the company plans to strengthen its position in Libya, Pakistan, Czech Republic, Slovakia, Hungary, Denmark and Austria and in the domestic market.

		2007	2006
Sales revenue	PLN '000	226,515	196,741
Net profit (loss)	PLN '000	2,073	6,111
Equity	PLN '000	64,013	61,688
Total assets	PLN '000	201,975	214,219
Headcount as at December 31st	persons	874	1,046

PGNiG is the sole shareholder of Geofizyka Kraków.  
Financial data according to the IFRS (2006 data restated to ensure comparability).

### Poszukiwania Nafty i Gazu Jasło Sp. z o.o.

Poszukiwania Nafty i Gazu Jasło performs comprehensive drilling work and offers specialist drilling services. The company has drilled the deepest research boreholes in Poland (with the depth of 7.5 km and 7.2 km) in the complex geological formations of the Carpathian Mountains.

In 2007, the company's revenue from sales of services was PLN 236.3m, with revenue from drilling work and servicing provided to the PGNiG Group accounting for 65% of the total. Drilling work and specialist servicing was commissioned by PGNiG under 12 drilling contracts. With regard to foreign markets, the company performed drilling work in Libya (it has a branch in Tripoli), reconstruction and drilling work in Ukraine, and specialist servicing in Lithuania, Latvia and Bulgaria.

In 2008 and over the next few years, PNiG Jasło's nearest strategic market will be Poland, with auxiliary markets being Libya, Germany, Russia and Ukraine for oil and geothermal services. Over the next five years the company plans to commit from 35% to 50% of its resources to foreign operations.

		2007	2006
Sales revenue	PLN '000	236,259	200,266
Net profit (loss)	PLN '000	12,092	1,259
Equity	PLN '000	114,592	102,830
Total assets	PLN '000	181,328	161,918
Headcount as at December 31st	persons	861	832

PGNiG is the sole shareholder of Poszukiwania Nafty i Gazu Jasło.  
Financial data in accordance with the PAS.

### GEOFIZYKA Toruń Sp. z o.o.

Geofizyka Toruń is a geophysical company offering seismic services, such as 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, geology and hydrogeology, drilling, shallow geophysical tests and interpretations of the data.

In 2007, Geofizyka Toruń's revenue was PLN 314.6m. Sales to customers from outside the PGNiG Group accounted for 62% of total sales, while sales from exports of services represented 55% of total sales. Geofizyka Toruń's main markets included India and Syria. The services offered included a comprehensive range of seismic tests. The PGNiG Group was the company's most important domestic customer. Geofizyka Toruń also worked for FX Energy, a U.S. company, as well as for the open-cast mines of the Geological Institute, local government authorities and the construction sector.

In 2007, the company won 92 tenders, the most important of which included contracts for the acquisition of 2D seismics for Shell (Syria) and Reliance Industries (India) and 3D data for Oil India (India) and GeoEnergy (Germany).

In 2008, Geofizyka Toruń intends to continue strengthening its position on the domestic market and selected foreign markets (India, Syria) through the expansion of its service portfolio and optimal utilisation of its resources. The company also plans to enter into new foreign markets (Yemen, Egypt and Saudi Arabia) and invest in new technologies and projects with high growth potential and high rates of return.

		2007	2006
Sales revenue	PLN '000	314,550	301,758
Net profit (loss)	PLN '000	10,109	5,181
Equity	PLN '000	76,853	34,747
Total assets	PLN '000	144,452	131,570
Headcount as at December 31st	persons	1,213	1,187

PGNiG is the sole shareholder of Geofizyka Toruń.  
Financial data in accordance with the PAS.



## PGNiG Norway A/S

For the purposes of the Norwegian Continental Shelf project, PGNiG established PGNiG Norway A/S – a subsidiary based in Stavanger, Norway. PGNiG Norway A/S was registered in the Register of Business Enterprises on June 9th 2007. Its share capital was NOK 10,000,000; PGNiG acquired 100% shares in the company. In January 2008, the share capital of PGNiG Norway A/S was increased to NOK 497,000,000. The company’s business comprises exploration and production of crude oil and natural gas and participation in infrastructural projects related to crude oil and natural gas transmission activities at sea.

In 2007, the Company fulfilled a number of conditions arising under the Polish and Norwegian laws which determined the execution of the agreement for the purchase of interests in licences covering the areas in the Norwegian Continental Shelf. The relevant decisions and authorisations were issued by the Minister of State Treasury, the General Shareholders Meeting of PGNiG, the Norwegian Ministry of Petroleum and Energy, and the Norwegian Ministry of Finance.

PGNiG Norway A/S is currently focused on the Skarv field development project. In December 2007, following approval of the Reserve Development Plan by the Norwegian Parliament, the implementation of the Skarv project formally commenced.

The project comprises execution of 16 boreholes, including 12 production boreholes and 4 injection wells. In the course of their development, the injection wells will be transformed into gas production boreholes with a view to using up the reserve. It is expected that the drilling will start operating at full capacity in June 2009.

		2007
Sales revenue	PLN '000	0
Net profit (loss)	PLN '000	(7,230)
Equity	PLN '000	217,521
Total assets	PLN '000	1,075,353
Headcount as at December 31st	persons	10

PGNiG is the sole shareholder of PGNiG Norway.  
Financial data in accordance with the IFRS.

## Poszukiwania Nafty i Gazu Kraków Sp. z o.o.

The core business of Poszukiwania Nafty i Gazu Kraków consists in geological, exploratory and production drilling, re-construction 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.

In 2007, PNiG Kraków’s sales revenue reached PLN 301.0m, with revenue from services provided to foreign customers from outside the PGNiG Group accounting for 68%, and revenue from services provided to PGNiG accounting for 28% of the total.

The major markets in which the company provided drilling services to foreign operators included Kazakhstan, Pakistan, Mozambique and Ukraine. The PGNiG Group, for which the company performed a lot of drilling and servicing work, remained its strategic customer in the domestic market. The company also signed new drilling contracts with operators in Pakistan and Kazakhstan and won a tender for drilling work in Uganda.

The main objective of PNiG Kraków is to continue to expand its operations in the countries where crude oil and natural gas deposits are explored and developed. The most promising export markets are Kazakhstan, Pakistan, Libya and India due to their rich reserves of crude oil and natural gas and relatively low production volumes. In 2008, the company intends to continue its operations in Kazakhstan, Pakistan, Mozambique and Ukraine under the existing contracts.

		2007	2006
Sales revenue	PLN '000	300,957	252,691
Net profit (loss)	PLN '000	22,725	9,867
Equity	PLN '000	113,866	97,927
Total assets	PLN '000	307,245	263,464
Headcount as at December 31st	persons	1,353	1,319

PGNiG is the sole shareholder of Poszukiwania Nafty i Gazu Kraków.  
Financial data in accordance with the PAS.



## Poszukiwania Naftowe “Diamant” Sp. z o.o.

Poszukiwania Naftowe Diamant Sp. z o.o. provides specialist drilling services. In addition, it conducts business activity comprising general construction engineering, road construction and construction of environmental protection on-ground structures. Moreover, the company provides vehicle repair, transport and equipment services.

In 2007, PN Diamant’s sales revenue amounted to PLN 161.3m, 67% of which accounted for sales to the PGNiG Group. The sales to the PGNiG Group comprised numerous specialist services, including repairs of production boreholes, cementing boreholes and work related to drilling fluids. The remaining 33% of sales revenue was derived from the provision of services related to general construction engineering, road construction, and general environmental protection projects as well as construction services for third-party, mainly domestic customers.

In 2008, the PGNiG Group will continue to be the company’s key customer. Other customers are third-party companies with whom PN Diamant in 2007 entered into new agreements for execution of research boreholes, maintenance work, execution of waste deposition cells in the waste matter storage facility along with the infrastructure, as well as digging, road work and site grading.

		2007	2006
Sales revenue	PLN '000	161,330	121,238
Net profit (loss)	PLN '000	13,253	9,103
Equity	PLN '000	82,004	72,398
Total assets	PLN '000	122,983	101,188
Headcount as at December 31st	persons	613	568

PGNiG is the sole shareholder of Poszukiwania Naftowe Diamant.  
Financial data in accordance with the PAS.

## Poszukiwania Nafty i Gazu NAFTA Sp. z o.o.

The company's core business comprises exploration of crude oil and natural gas reserves, provision of specialist drilling servicing, drilling of boreholes for underground storage of hydrocarbons, liquidation of boreholes in used-up reserves and reconstruction of developed boreholes.

In 2007, PNiG NAFTA posted total sales revenue of PLN 256.9m, 61% of which accounted for revenue from services provided for the PGNiG Group. Moreover, last year the company commenced drilling of boreholes for the underground gas storage facility in Mogilno – the project sponsored by INVESTGAS. PNiG NAFTA continued borehole drilling under the contracts on foreign markets concluded in the previous years and also under new contracts in India, Egypt and Hungary. Exports to customers outside the PGNiG Group represented approximately 30% of the revenue.

In 2008, the company will continue to drill boreholes in India, Egypt and Hungary. PNiG NAFTA conducts advanced marketing and trading activities aimed at diversifying drilling services on the Danish and German markets, where numerous projects on geothermal drilling are being prepared. Given the planned expansion of services outside Poland, the company intends to purchase new drilling equipment.

		2007	2006
Sales revenue	PLN '000	256,904	188,380
Net profit (loss)	PLN '000	32,315	11,083
Equity	PLN '000	100,933	69,903
Total assets	PLN '000	189,234	146,437
Headcount as at December 31st	persons	713	679

PGNiG is the sole shareholder of Poszukiwania Nafty i Gazu NAFTA.  
Financial data in accordance with the PAS.

## Zakład Robót Górniczych Krosno Sp. z o.o.

Zakład Robót Górniczych Krosno is a specialist service company providing services related to borehole mining. The services comprise in particular work in producing boreholes, including repair and reconstruction of oil and gas production boreholes, shallow drilling (up to approx. 1 km), 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 drilling, measurement and laboratory services.

In 2007, ZRG Krosno posted total sales revenue of PLN 88.6m. The company's key domestic customer was the PGNiG Group (78% of total sales). Other customers include domestic borehole mining companies engaged in exploration of mineral reserves and geothermal water. ZRG Krosno also provided services on the international markets in Kazakhstan, Mozambique (for PNiG Kraków), Ukraine and Latvia.

In 2008, the company plans to purchase the drill for core drilling up to 1.5 km in depth, thanks to which ZRG Krosno will become one of the few European companies capable of providing professional and efficient core drilling services. The PGNiG Group will remain the company's key customer in the coming years; however, ZGR Krosno plans to diversify into other markets in Central and Eastern Europe.

		2007	2006
Sales revenue	PLN '000	88,560	60,104
Net profit (loss)	PLN '000	3,863	427
Equity	PLN '000	35,873	31,909
Total assets	PLN '000	57,900	47,417
Headcount as at December 31st	persons	427	411

PGNiG is the sole shareholder of Zakład Robót Górniczych Krosno.  
Financial data in accordance with the PAS.



## Trade and Storage

### Polskie LNG Sp. z o.o.

Polskie LNG (PLNG) was established on March 29th 2007. PLNG's initial capital amounted to PLN 28m. The company's main objective is to conduct regasification operations, and in particular unloading, reloading and regasification of LNG at the LNG terminal.

Currently, in the first stage of the implementation of the project, the company is responsible for a number of tasks, including the obtainment of administrative permits and approvals upon which the construction of the terminal and preparation of the front end engineering design (FEED) are conditional. Subsequently, the company will select the general contractor for the construction phase of the project.

On October 9th 2007, PLNG's share capital was increased to PLN 39m, and on January 8th 2008 – by another PLN 11m, to PLN 50m. The shares in the increased capital were covered by PGNiG with cash.

On October 17th 2007, PGNiG assigned to PLNG the lease agreement concerning real estate to be used for the

purpose of the for the LNG terminal in Świnoujście (concluded between PGNiG and Zarząd Morskich Portów Szczecin i Świnoujście SA (Port Authority). The local zoning plan for Świnoujście was also amended.

On January 10th 2008, PLNG and SNC Lavalin Services Ltd. concluded an agreement for preparation of the front end engineering design of the LNG terminal together with the obtainment of required permits and approvals.

		2007
Sales revenue	PLN '000	0
Net profit (loss)	PLN '000	(689)
Equity	PLN '000	49,311
Total assets	PLN '000	50,760
Headcount as at December 31st	persons	19

PGNiG is the sole shareholder of Polskie LNG.  
Financial data in accordance with the PAS.

### INVESTGAS SA

INVESTGAS 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 2007, the company's sales revenue totalled PLN 33.9m. Revenue from sales of services to PGNiG represented 86% of total sales revenue. The services performed for PGNiG included:

- » operation, maintenance and extension of the Underground Gas Storage Cavern in Mogilno;
- » preparation for the construction of the Underground Gas Storage facility in Kosakowo and the gas pipeline KGZ Kościan-KGHM Polkowice/Zukowice.

The company also conducted preparatory work preceding the construction of the fuel pipeline Ostrów Wielkopolski-Wrocław for PKN ORLEN SA.

INVESTGAS's objective is to maintain the dominating position on the market of construction and operation of gas and fuel gas storage facilities in Poland. The 2008 plans include continuation of the projects conducted in previous years, as well as preparatory work for commencement of the construction of the undersea Baltic Pipe. INVESTGAS's scope of business will be extended to include the provision of comprehensive solutions for execution of PGNiG's strategic projects. The company also plans to increase the value of its sales by acquiring new large fuel contracts.

		2007	2006
Sales revenue	PLN '000	33,941	22,358
Net profit (loss)	PLN '000	2,617	560
Equity	PLN '000	6,305	3,689
Total assets	PLN '000	20,483	15,589
Headcount as at December 31st	persons	86	75

PGNiG is the sole shareholder of INVESTGAS.  
Financial data in accordance with the PAS.

### System Gazociągów Tranzytowych EuRoPol GAZ SA

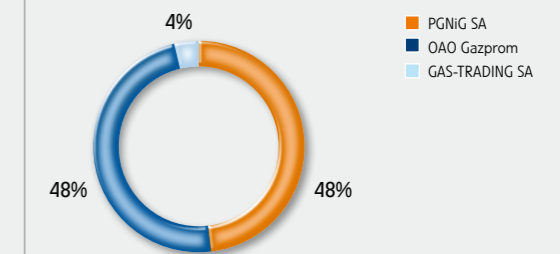
The core business of SGT EuRoPol GAZ includes transmission of natural gas. The company transmits gas and sells through-put capacities along the Polish section of the transit gas pipeline system (from the border between Belarus and Poland to the interconnector terminal points on the border between Poland and Germany). In 2007, the company transported 30.8 billion cu. m of gas.

PGNiG holds 48% of shares in SGT EuRoPol GAZ. 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.

		2007	2006
Sales revenue	PLN m	1,508	1,326
Net profit (loss)	PLN m	418	288
Equity	PLN m	3,576	3,157
Total assets	PLN m	6,055	6,409
Headcount as at December 31st	persons	286	285

Financial data in accordance with the PAS.

#### » Shareholder structure



## Distribution

### Dolnośląski Operator Systemu Dystrybucyjnego Sp. z o.o.

Dolnośląski Operator Systemu Dystrybucyjnego (DOSD) is the operating successor of Dolnośląska Spółka Gazownictwa. DOSD supplies gas to customers in the Provinces of Wrocław and Zielona Góra, as well as the Wolsztyn County of the Province of Poznań, within a total area of 12.9 thousand km<sup>2</sup>. The company's core business is distribution of gas and management of gas networks.

In 2007, DOSD pumped 910.2 million cu. m of gas into the distribution system, with high-methane gas representing 72% of the volume. Moreover, the company connected new customers to the network. The target annual consumption of gas by the new customers is 29.0 million cu. m.

In 2007, DOSD upgraded the medium and low pressure networks. Approximately 33.6 km of the most failure-prone cast-iron pipelines were replaced. This, together with regular technical inspections, helped reduce the share of losses in gas sales.

In the coming years, the company intends to focus on maintaining its current market position and increasing the volumes of transported gas through:

- » Extension of gas pipeline infrastructure to enable connection of new customers;
- » Replacement of cast-iron gas pipelines and modernisation of low- and medium-pressure networks;
- » Replacement of gas meters manufactured prior to 1992;
- » Transport of liquefied gas and its gasification at the LNG unit.

		2007	2006
Sales revenue	PLN m	711	968
Net profit (loss)	PLN m	(166)	1288
Equity	PLN m	795	1,007
Total assets	PLN m	1,056	1,334
Headcount as at December 31st	persons	1,319	1,705
Network length (excluding connections)	km	6,920	6,813

PGNiG is the sole shareholder of Dolnośląski Operator Systemu Dystrybucyjnego.  
Financial data according to the IFRS.

### Górnośląski Operator Systemu Dystrybucyjnego Sp. z o.o.

Górnośląski Operator Systemu Dystrybucyjnego (GOSD) was established as a result of the spin-off of the trade functions from Górnośląska Spółka Gazownictwa. GOSD supplies gas to 1.3 million customers in the Province of Kraków, five municipalities/communes in the Province of Łódź and three municipalities/communes in the Province of Kielce, within a total area of 25.2 thousand km<sup>2</sup>. The company's core business is distribution of gas and management of gas networks.

The economic recovery in the region and the planned construction of new roads in the Provinces of Katowice and Opole contribute to the increased demand for gas from both business and retail customers. At the same time, the growing use of energy-saving technologies and higher temperatures recorded during the heating season prevent the occurrence of a direct linear relation between these up-trends and the volumes of gas distributed.

Following completion of the the Lubliniec-Częstochowa transmission gas pipeline in 2007, GOSD started connecting new clients located west of Częstochowa to its network. The towns of Herby and Blachownia are currently being connected, while the connection of towns of Wręczyca Wielka and Kłobuck is scheduled to start in 2008.

		2007	2006
Sales revenue	PLN m	1,127	1,543
Net profit (loss)	PLN m	19	12
Equity	PLN m	1,395	1,480
Total assets	PLN m	1,636	1,752
Headcount as at December 31st	persons	2,515	3,100
Network length (excluding connections)	km	19,827	19,676

PGNiG is the sole shareholder of Górnośląski Operator Systemu Dystrybucyjnego.  
Financial data according to the IFRS.

### Karpacki Operator Systemu Dystrybucyjnego Sp. z o.o.

Karpacki Operator Systemu Dystrybucyjnego (KOSD) has been the operating successor of Karpacka Spółka Gazownictwa since June 29th 2007. The company's business includes distribution of gas and management of gas networks.

The company's operating area covers four provinces of south-eastern Poland (with a total area of 60.6 thousand km<sup>2</sup>): the Provinces of Kraków, Rzeszów, Kielce and Lublin. One of the main gas pipelines of the domestic transmission system runs through the region, fed with both imported and domestically-produced natural gas. The company also owns well-developed infrastructure in the form of transmission and distribution gas pipelines, compressor stations and gas storage facilities, as well as first- and second-degree reduction and metering stations.

KOSD plans to extend its distribution network through both the construction of traditional pipelines and development of the LNG market where KOSD will deal with liquefying and distributing the fuel. Liquefied gas distribution will support the initial extension of the company's geographical reach onto areas where the construction of traditional pipelines would not meet the necessary economic conditions. Once the local natural gas market is developed, the distribution of LNG in

such areas will enable the economically viable construction of traditional pipelines, which will optimise investment processes and improve the operating efficiency of the assets.

Another business area where the company might find favourable conditions for growth is the CNG market. KOSD's activity would consist in the construction of connections to CNG stations, regular inspections of the stations' equipment and maintenance.

In addition to its core business, KOSD also plans to continue to provide additional services to its customers, including installation and maintenance of equipment, tightness tests and energy audits.

		2007	2006
Sales revenue	PLN m	1,562	2,188
Net profit (loss)	PLN m	(17)	99
Equity	PLN m	1,948	2,336
Total assets	PLN m	2,406	2,851
Headcount as at December 31st	persons	3,265	4,003
Network length (excluding connections)	km	42,546	42,228

PGNiG is the sole shareholder of Karpacki Operator Systemu Dystrybucyjnego.  
Financial data according to the IFRS.



## Mazowiecki Operator Systemu Dystrybucyjnego Sp. z o.o.

Following the separation of the distribution and trade businesses in 2007, Mazowiecka Spółka Gazownictwa was replaced by Mazowiecki Operator Sytemu Dystrybucyjnego (MOSD). MOSD supplies gas to customers in the Provinces of Warszawa, Łódź and Białystok, as well as in certain parts of the Provinces of Lublin, Olsztyn and Kielce. The company supplies gas to 1.5 million customers within an area of 87 thousand km<sup>2</sup>.

In 2007, the company conducted projects consisting mainly in extension and upgrading of the gas network. The company signed four material connection agreements, under which the target gas consumption will be ca. 3.0 million cu. m. For 2008, MOSD plans construction of connections and pipelines for customers operating in the ceramic, metallurgy, and food

processing, as well as cosmetics and chemical industries. These projects will support the target gas consumption of approximately 70.0 million cu. m.

		2007	2006
Sales revenue	PLN m	1,414	1,965
Net profit (loss)	PLN m	(508)	39
Equity	PLN m	1,380	2,015
Total assets	PLN m	1,801	2,728
Headcount as at December 31st	persons	2,920	3,527
Network length (excluding connections)	km	16,202	15,957

PGNiG is the sole shareholder of Mazowiecki Operator Systemu Dystrybucyjnego.  
Financial data according to the IFRS.



## Pomorski Operator Systemu Dystrybucyjnego Sp. z o.o.

Pomorski Operator Systemu Dystrybucyjnego (POSD) has been the operating successor of Pomorska Spółka Gazownictwa since June 29th 2007. POSD is a gas network operator, responsible for gas distribution. The company's geographical reach (with a total area of 53 thousand km<sup>2</sup>) covers the Provinces of Gdańsk and Bydgoszcz, a part of the Province of Olsztyn, as well as two municipalities/communes of the Province of Szczecin (Sławno and Postomino).

POSD's customer service mainly includes customer connections. The company also offers transport of LNG and CNG. The liquefied gas distribution to new areas will enable POSD to generate additional revenues from gas transport and sales.

In 2007, the company commenced the construction of the Bytów-Słupsk pipeline. 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: the POSD and the WOSD networks.

For 2008, POSD plans starting the construction of the Szczytno-Rybno pipeline. Construction of the gas network is necessary to secure uninterrupted gas supplies in the area. It will also enable

large customers, as well as municipalities and communes to be connected to the gas network, including in particular towns located at the distant end of the network (Giżycko, Mikołajki, Węgorzewo and Ryn). The project will also support further development of the gas market.

Another planned project is the preparation of design documentation for the construction of the Brodnica-Nowe Miasto Lubawskie pipeline. The project's objective is to connect two separately operated systems within the area covered by POSD into a single streamlined system, which would guarantee secured and diversified gas supplies and the connection of municipalities and communes still remaining out of the reach of the gas network.

		2007	2006
Sales revenue	PLN m	737	971
Net profit (loss)	PLN m	(161)	7
Equity	PLN m	673	926
Total assets	PLN m	1,018	1,230
Headcount as at December 31st	persons	1,741	2,184
Network length (excluding connections)	km	7,936	7,626

PGNiG is the sole shareholder of Pomorski Operator Systemu Dystrybucyjnego.  
Financial data according to the IFRS.

## Wielkopolski Operator Systemu Dystrybucyjnego Sp. z o.o.

Wielkopolski Operator Systemu Dystrybucyjnego (WOSD) took over the operations of Wielkopolska Spółka Gazownictwa. WOSD currently manages a network of distribution pipelines covering an area of 59 thousand 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 WOSD's operations is 44.4% (it is high in urban areas and towns, medium in mixed urban and rural areas, and low in typical rural areas).

The volume of gas transmitted in 2007 was affected by changes in the customer mix structure. In 2007, the company executed projects providing for the construction of gas pipelines together with gas stations for companies operating in the automotive, chemical, construction, wood, paper, hospitality, agricultural and food industries. The annual

volume of gas distributed under these projects is planned at ca. 30.0 million cu. m. In 2008, the company plans to continue network extension and construction of connections for new customers operating in the construction, power, agricultural and food industries.

		2007	2006
Sales revenue	PLN m	1,117	1,501
Net profit (loss)	PLN m	(299)	(32)
Equity	PLN m	1,184	1,539
Total assets	PLN m	1,521	2,046
Headcount as at December 31st	persons	1,778	2,186
Network length (excluding connections)	km	13,432	12,963

PGNiG is the sole shareholder of Wielkopolski Operator Systemu Dystrybucyjnego.  
Financial data according to the IFRS.