

Growth of value



The guidelines set out in the **Business Directions for the PGNiG Group until 2011** adopted by the Management Board and the Supervisory Board will drive optimum use of the Group's assets and further growth of the company.

PGNiG

Group



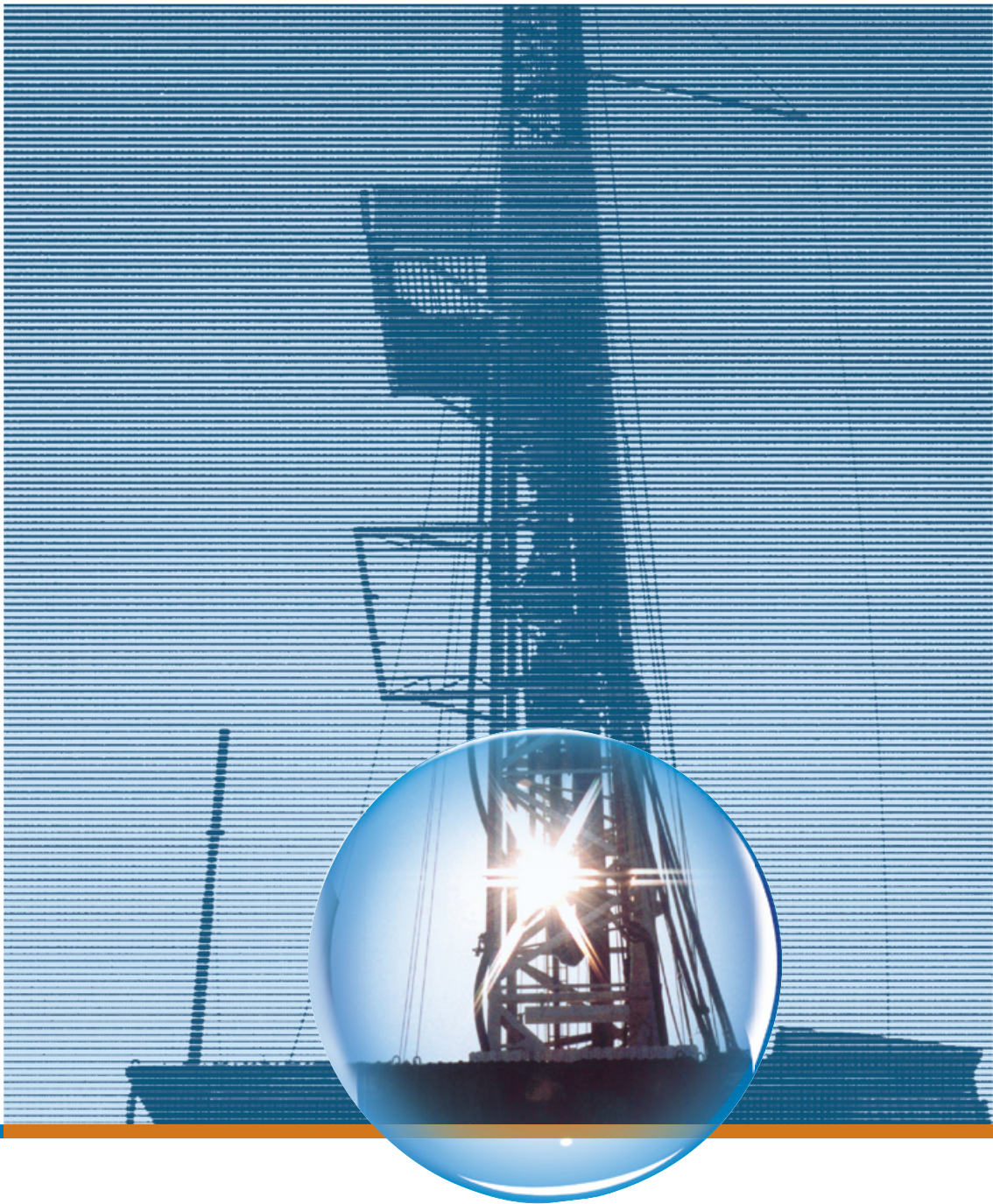
Organizational Structure of the PGNiG Group

The PGNiG Group comprises commercial law companies of production, trading and services profiles. As at 31 December 2005, PGNiG held shares in 56 commercial-law companies, including:

- 25 companies in which PGNiG held over 50% of shares or votes,
- 17 companies in which PGNiG held between 20 and 50% of shares or votes,
- 14 companies with the company's shareholding below 20% of shares or votes.

The total nominal value of PGNiG's equity interests in commercial law companies was around PLN 6.6 billion as at 31 December 2006.

Segment Exploration and Production



GEOFIZYKA Kraków Sp. z o.o.

GEOFIZYKA Kraków is the core company in the field exploration segment. It is mainly involved in programming, designing, carrying out and documenting geophysical surveys, processing and interpretation of seismic data, performing blasting and drilling works, technology engineering and performance of special works and treatments on drilling wells.

In 2006, apart from the work in Poland, the company operated in Libya (new direction of activity), the Czech Republic, Austria, Turkey, Pakistan, Hungary and Slovakia. The com-

pany has branches in Pakistan and Libya (in Tripoli) and organizational units in the Czech Republic and Slovakia.

Financials as at 31 December 2006

Revenue from sales [PLN '000]	196,741
Net profit [PLN '000]	6,281
Equity [PLN '000]	36,721
Share Capital [PLN '000]	34,400
Employment [persons]	1,046

PGNiG is the only shareholder in GEOFIZYKA Kraków.

GEOFIZYKA Toruń Sp. z o.o.

GEOFIZYKA Toruń is seen as the core company in the field exploration segment. It is involved mainly in geological and exploration activity, trenching and geological and engineering drilling work, research and development work in the field of geological, biological, environmental and technology science.

Geofizyka Toruń has a reputation of a specialist company in the application of 2D and 3D seismics with 40 years of experience. The company employs modern seismic equipment to carry out even the largest 2D/3D (3C) surveys in various terrain conditions, such as deserts, mountains, jungle, transition zones and urban areas.

The company also renders comprehensive services in processing and interpretation of 2D/3D (3C) and PPS seismic data through a network of centres abroad. It is an internationally recognized subcontractor whose extensive experience, well-trained staff and modern geophysical methods ensure meeting the ever-growing challenges of data processing and interpretation.

Geofizyka Toruń also offers professional tests of cased and uncased wells and production wells using digital technol-

ogy. The company is also involved in monitoring drilling/gas parameters and is an expert in well data processing and interpretation, in particular in the area of lithological deposit analysis, analogue data interpretation and geological analysis.

In 2006, outside of Poland, the company carried out works in India, Iran and Ukraine. The company has a branch in Dubai, United Arab Emirates, representative offices in India and holds 95% of shares in Geofizyka Kish Ltd in Iran. The remaining 5% of the company's shares is held by Geofizyka Kraków Sp. z o.o.

Financials as at 31 December 2006

Revenue from sales [PLN '000]	301,758
Net profit [PLN '000]	5,181
Equity [PLN '000]	34,747
Share Capital [PLN '000]	33,000
Employment [persons]	1,128

PGNiG is the only shareholder in GEOFIZYKA Toruń.

Poszukiwania Naftowe „Diament” Sp. z o.o.

PN „Diament” renders specialist services pertaining to exploration and production operations.

The company is mainly involved in drilling works, petroleum development, development, reclamation and exploitation of workings.

Financials as at 31 December 2006

Revenue from sales [PLN '000]	121,238
Net profit [PLN '000]	9,103
Equity [PLN '000]	72,398
Share Capital [PLN '000]	62,000
Employment [persons]	549

PGNiG is the only shareholder in PN „Diament”.

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

PNiG Jasło is one of the companies which significantly contribute to the achievement of strategic goals by the PGNiG Group in respect of the growth of domestic natural gas and oil production volumes and maintaining the reserves replacement ratio at a desired level.

The company is involved mainly in geological and exploration activity covering, among others, oil and gas well drilling, design, drilling and logging of test, exploration, appraisal and production wells, and also well workover, well drilling for the purpose of underground hydrocarbon storage facilities, special purpose wells, emergency wells and waste dumping wells, as well as reclamation of abandoned workings and wells.

PNiG Jasło is the oldest Polish drilling company. For the last 50 years, the company has been involved in a continuous exploration activity in south-eastern Poland – the region with 150 years’ tradition in exploration and production of oil and natural gas. The company, including its “NAFTGAZ” branch in Wołomin (incorporated in 2001), has performed thousands of wells and discovered over 70 oil and gas fields in the Carpathians and the Carpathian Foredeep. It has also contributed to the discovery of other minerals, such as salt or sulphur. It also drills

special construction wells (emergency, injection) for the mining industry and has drilled the deepest test wells of 7.5 and 7.2 thousand meters in complex geological structures of the Carpathians. A wide range of modern drilling equipment and specialist equipment for well treatment and auxiliary activities, use of state-of-the-art technologies, strict compliance with the applicable standards, including environmental standards, makes the company a reliable contractor and ensures professional execution of the works.

In 2006, outside of Poland, the company operated in Libya and Ukraine.

Financials as at 31 December 2006	
Revenue from sales [PLN '000]	200,266
Net profit [PLN '000]	1,259
Equity [PLN '000]	102,830
Share Capital [PLN '000]	100,000
Employment [persons]	776

PGNiG is the only shareholder in PNiG Jasło.

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

PNiG NAFTA is one of the companies which significantly contribute to the achievement of strategic goals by the PGNiG Capital Group in respect of increased natural gas and oil production volumes and maintaining the reserves replacement ratio at a desired level. The company was established in 1956. PNiG NAFTA's core business is the exploration of natural gas and oil deposits as well as deposits of other minerals, drilling wells for the purpose of underground hydrocarbon storage and waste dumping, well workover, abandonment of wells in depleted fields and land surveying. The company also carries out well drilling and workover works using its own equipment capable of drilling down to 6,000 meters. PNiG NAFTA has extensive experience in drilling in extremely complex geological conditions, drilling vertical, horizontal and directional wells, under extremely high pressures and increased hydrogen sulphide content conditions. Another speciality of the company is drilling geothermal wells. Since 1996 the company has been a member of the International Association of Drilling Contractors IADC.

In 2006, outside of Poland, the company carried out works in India, Egypt, Morocco (new area) and Hungary. It has a registered branch in Egypt.

Financials as at 31 December 2006	
Revenue from sales [PLN '000]	188,380
Net profit [PLN '000]	11,083
Equity [PLN '000]	69,903
Share Capital [PLN '000]	60,000
Employment [persons]	679

PGNiG is the only shareholder in PNiG NAFTA

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

PNiG Kraków is one of the companies which significantly contribute to the achievement of strategic goals by the PGNiG Group in respect of increased natural gas and oil production volumes and maintaining the reserves replacement ratio at a desired level.

The company is involved mainly in carrying out various kinds of drilling operations including: geological, exploration and production well drilling, drilling related to hydrocarbons and other minerals, hydrological, geothermal and special drilling works for the underground mining industry. The company has modern drilling equipment and other specialist equipment for drilling vertical, directional and even horizontal wells.

For over 50 years now, PNiG Kraków has undergone constant development while drawing upon its experience gained both domestically and abroad. New technologies and technical solutions have continuously been adopted, which, combined with organisational transformation, has given the company a dynamic edge. Apart from being able to gain invaluable experience, this period has also been used to built an internationally recognized reputation and enhance the organizational culture of the company. PNiG Kraków is a member of the International Association of Drilling Contractors and International Well Control

Forum. In the last 20 years, the company has worked for the biggest operators worldwide, such as: Amoco, Texaco, Lasmo, Apache, Occidental Petroleum, Eurogas, Geoenpro, Premier/Shell, OMV, British Gas, BP, Chevron, Cairn Energy, Fusion Oil & Gas, Lasmo, KKM, Hurricane, Kazgermunai, Orient Petroleum, JKK/PPC Poltawa, ONGC, ANK Shelf, UAB Minijos Nafta, Tethys OIL AB, Sasol Petroleum.

In 2006, outside of Poland, the company carried out works in Kazakhstan, Pakistan, Denmark, India, Lithuania and Ukraine. PNiG Kraków has branches in Pakistan and Kazakhstan and representative offices in Russia and Lithuania. It also holds 100% of shares in Oil Tech International – F.Z.E in United Arab Emirates.

Financials as at 31 December 2006	
Revenues from sales [PLN '000]	52,691
Net profit [PLN '000]	9,867
Equity [PLN '000]	97,927
Share Capital [PLN '000]	98,850
Employment [persons]	719

PGNiG is the only shareholder in PNiG Kraków.

Zakład Robót Górniczych Krosno Sp. z o.o.

ZRG Krosno renders special services pertaining to exploration and production operations.

The company's core business consists in services related to production of crude oil and natural gas, geothermal and mineral waters, including reconstruction and servicing of wells, design and execution of stimulation operations in wells, performance of works with use of coiled tubing equipment and linear technology, as well as performance and interpretation of hydrodynamic testing, and installation of ground and subsurface well equipment.

The company's history dates back to the end of 19th century, i.e. to the beginnings of the oil industry in Poland and in the World when first companies started performing treatments on oil wells. In its day-to-day activity, the company employs the latest methods and technologies, as it has specialist equipment and highly qualified and experienced staff.

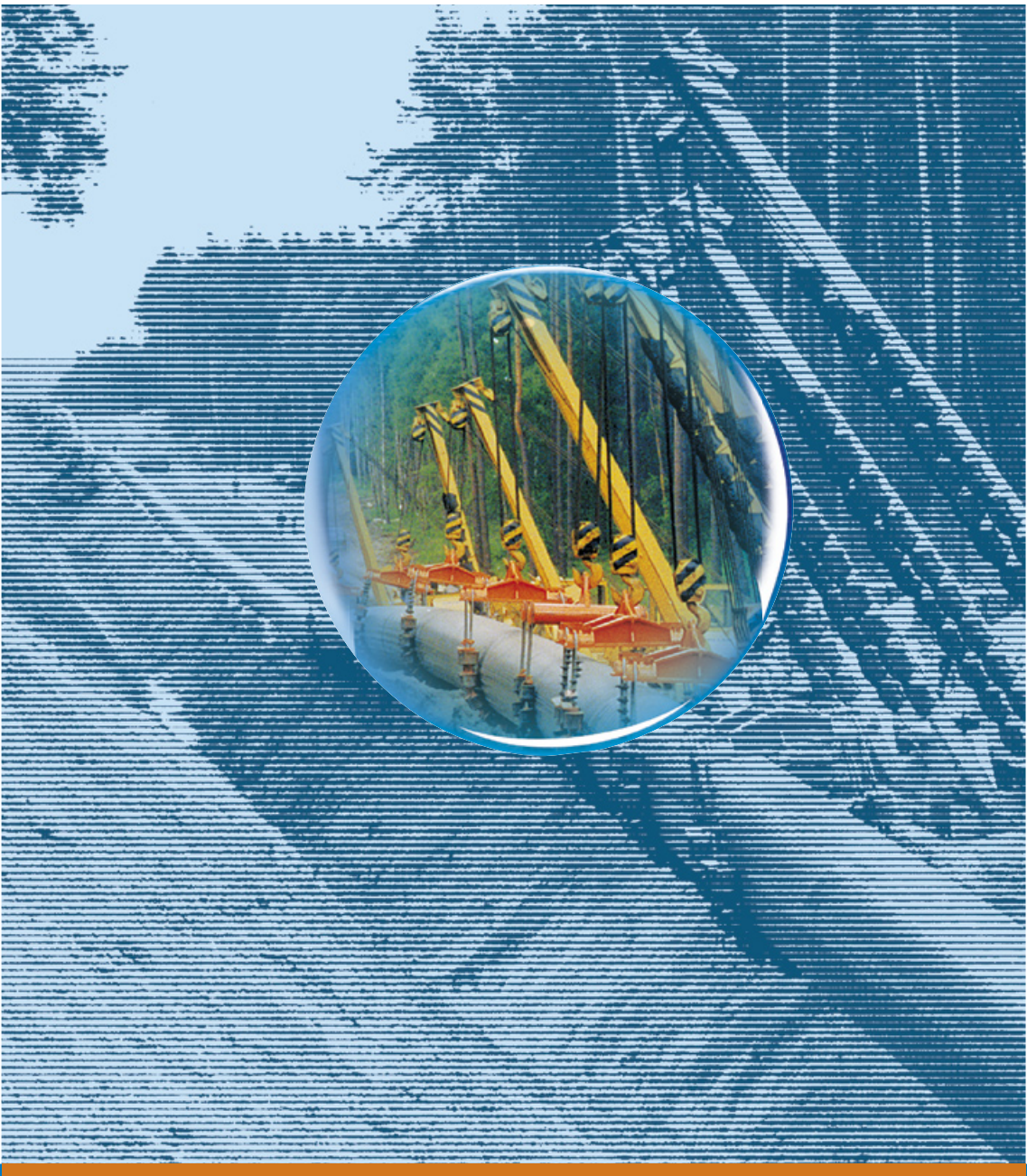
The company conducts its activity both in Poland and the neighbouring countries.

In 2006, outside of Poland, the company carried out works in Belarus.

Financials as at 31 December 2006	
Revenue from sales [PLN '000]	60,104
Net profit [PLN '000]	427
Equity [PLN '000]	31,909
Share Capital [PLN '000]	26,802
Employment [persons]	411

PGNiG is the only shareholder in ZRG Krosno.

Segment Trade and Storage



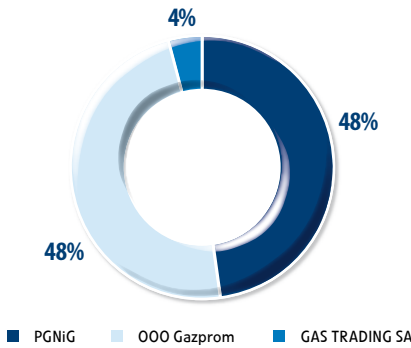
System Gazociągów Transportowych EuRoPol GAZ SA

SGT EuRoPol GAZ was established based on the Agreement between the Government of the Republic of Poland and the Government of the Russian Federation on the construction of a pipeline system for Transit of Russian Gas through the territory of Poland and Russian Gas Supplies to Poland. The co-founders of the company were PGNiG, Gazprom and Gas Trading.

The company offers transmission capacity it controls, i.e. within the Polish section of the transit gas pipeline system. It also provides gas transmission service within the available capacity from the Polish-Belarusian border to the gas

delivery and offtake points in Włocławek and Lwówek, as well as from the Polish-German border to the same points. SGT EuRoPol GAZ is also involved in gas trade (import and export) and the construction and operation of gas pipelines. It holds licence from the Energy Regulatory Office for domestic and international gas trade, and for gas transmission and distribution.

Shareholders structure as at 31 December 2006

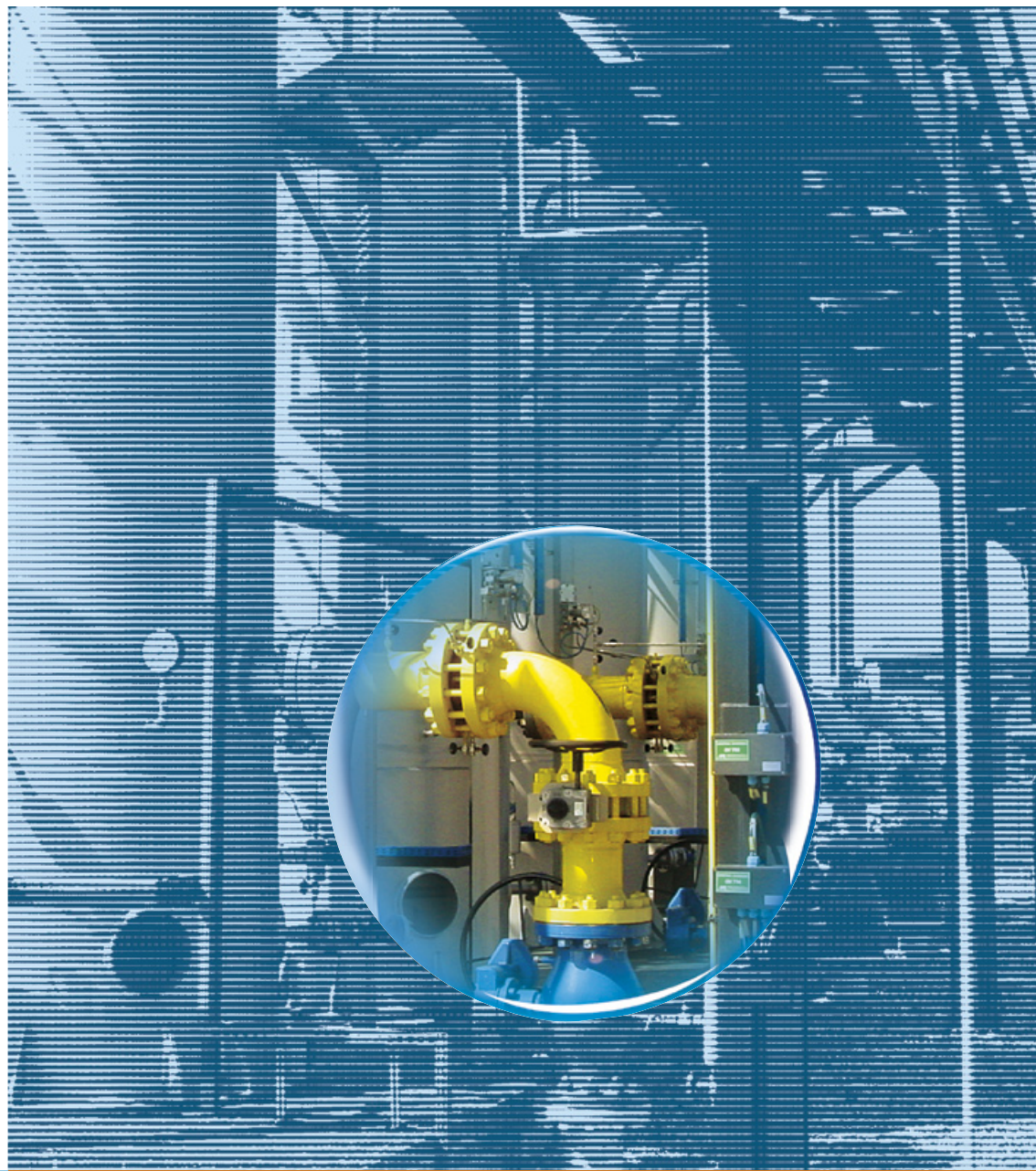


Financials as at 31 December 2006

Revenue from sales [PLN '000]	1,326,148
Net profit [PLN '000]	275,702
Equity [PLN '000]	3,261,039
Share Capital [PLN '000]	80,000
Employment [persons]	285



Segment Distribution



Dolnośląska Spółka Gazownictwa Sp. z o.o.

DSG was established on 1 January 2003 as one of the six distribution companies in Poland, formed as a result of a merger of gas plants in Wałbrzych, Wrocław and Zgorzelec.

The company's scope of activity includes retail sales and distribution of natural gas, commercial support, as well as operation, maintenance and expansion of the distribution system.

DSG operates in south-western Poland and covers the area of 12.9 sq. km, which corresponds to around 4% of the territory of Poland, with the population of 2.9 million inhabitants in Lower Silesian voivodeship. Out of 199 communes in the region, more than a half (60.3%) have access to natural gas supplied the company's network.

In 2006, domestic consumers were the main customer group and accounted for 97.6% of the all customers and 46.6% of

the total gas sales volume. Business customers represented 2.5% of the customer base and purchased 47.2% of the total gas volume sold by the company. The company also supplied 2 strategic customers who purchased 6.2% of the total gas sales volume in 2006.

Financials as at 31 December 2006

Revenue from sales [PLN '000]	967,817
Net profit [PLN '000]	33,583
Equity [PLN '000]	596,907
Share Capital [PLN '000]	552,762
Employment [persons]	1,705
Network length excluding service lines [km]	6,562

PGNiG is the only shareholder in Dolnośląska Spółka Gazownictwa.

Górnośląska Spółka Gazownictwa Sp. z o.o.

GSG was established on 1st January 2003 as a result of a merger of gas plants in Zabrze and Opole.

The company's scope of activity includes retail sales and distribution of natural gas, commercial support, as well as operation, maintenance and expansion of the distribution system.

The company operates in central and southern Poland, covering the area of 25.2 thousand square kilometres, which corresponds to about 8.1% of the territory of Poland.

In 2006, domestic consumers constituted the main customer group and accounted for 97.9% of all consumers served by the company and 51.2% of the total sales volume. Business customers represented 2.1% of the customer base and purchased 29.1% of the total gas volume sold by the company.

The company also supplied 6 strategic customers who purchased 9% of the total gas sales volume in 2006.

Financials as at 31 December 2006

Revenue from sales [PLN '000]	1,543,177
Net profit [PLN '000]	20,660
Equity [PLN '000]	1,309,698
Share Capital [PLN '000]	1,292,551
Employment [persons]	3,100
Network length excluding service lines [km]	19,555

PGNiG is the only shareholder in Górnośląska Spółka Gazownictwa.

Pomorska Spółka Gazownictwa Sp. z o.o.

PSG is a successor of the rich heritage of the Polish gas industry. It is composed of three branches in Gdańsk, Bydgoszcz and Olsztyn. The company's scope of activity includes retail sales and distribution of natural gas and commercial support, as well as operation, maintenance and expansion of the distribution system. PSG operates in north-eastern part of the country and covers the area of 53 thousand sq. km, i.e. about 17% of the territory of Poland. This area is characterized by low population density due to specific landscape features (forests, lakes and hilly areas) and agriculture as the main sector of the economy. The region has also the highest unemployment rate in Poland. In 2006, domestic consumers were the largest segment accounting for 97.6% of all customers of the company and

44.2% of the total gas sales volume. Business customers represented 2.4% of the customer base and purchased 28% of the total gas volume sold by the company. The company also supplied three strategic customers who purchased 3.6% of the total gas sales volume in 2006.

Financials as at 31 December 2006	
Revenue from sales [PLN '000]	971,128
Net profit [PLN '000]	32,325
Equity [PLN '000]	607,919
Share Capital [PLN '000]	563,031
Employment [persons]	2,184
Network length excluding service lines [km]	7,626

PGNiG is the only shareholder in Pomorska Spółka Gazownictwa.

Wielkopolska Spółka Gazownictwa Sp. z o.o.

WSG is composed of six branches including four gas plants located in Poznań, Szczecin, Koszalin and Kalisz. The company's scope of activity includes retail sales and distribution of natural gas and commercial support, as well as operation, maintenance and expansion of the distribution system. WSG operates in north-western part of Poland, covering the area of 59 thousand sq. km, i.e. about 18.8% of the territory of Poland. With two international airports, two sea harbours and 20 border crossings, this region belongs to the most economically active areas of Poland. WSG is located near to indigenous gas fields, mostly containing nitrogenised gas. In 2006, domestic consumers constituted the main customer segment and accounted for 97% of all customers of the company and 44.7% of the total gas sales volume. Business customers represented 3% of the customer based and purchased 27.4% of the aggregate gas volume sold by the company. The company also supplied gas to 42 key custom-

ers who purchased 11.9% of the total gas sales volume and 8 strategic consumers who purchased 16% of the total sales volume in 2006.

Financials as at 31 December 2006	
Revenue from sales [PLN '000]	1,500,811
Net profit [PLN '000]	18,428
Equity [PLN '000]	912,003
Share Capital [PLN '000]	893,019
Employment [persons]	2,186
Network length excluding service lines [km]	12,420

PGNiG is the only shareholder in Wielkopolska Spółka Gazownictwa.

Karpacka Spółka Gazownictwa Sp. z o.o.

The company's scope of activity includes retail sales and distribution of natural gas, commercial support, as well as operation, maintenance and expansion of the distribution system. KSG operates in the most developed gas markets in Poland (gas penetration of 65.7% against the national average of 41%). The gas penetration is measured as the number of communes with access to gas (at least 1 consumer) to the total number of communes existing in the area covered by the operations of the company. The area controlled by the company covers 60.6 thousand sq. km, which corresponds to 19% of the territory of Poland, and extends onto four voivodeships in south-eastern Poland. One of the main gas transmission pipelines runs through the company's area of operation, feed by gas supplies from foreign and domestic sources. The area has extensive infrastructure of gas facilities, including transmission and distribution pipelines, compression stations and storage facilities, as well as pressure reduction and measurement stations of the first and second degree. KSG also has a base of administration facilities and modern technical equipment. The company's business and people potential and favourable location with respect to the transmission system

supply sources ensure efficient operation of the company and offer good prospects for further growth. In 2006, domestic consumers were the primary customer segment and accounted for 96% of all consumers served by the company and 44% of the total gas sales volume. Business customers represented 4% of the customer base and purchased 28% of the total gas volume sold by the company. The company also supplied key customers (62 companies) and strategic customers (4 companies) whose respective share in the total gas sales volume in 2006 was 16.5% and 11.5%.

Financials as at 31 December 2006	
Revenue from sales [PLN '000]	2,188,047
Net profit [PLN '000]	117,796
Equity [PLN '000]	1,700,099
Share Capital [PLN '000]	1,570,832
Employment [persons]	4,003
Network length excluding service lines [km]	42,190

PGNiG is the only shareholder in Karpacka Spółka Gazownictwa.

Mazowiecka Spółka Gazownictwa Sp. z o.o.

The company's scope of activity includes retail gas trading and commercial support, as well as operation, maintenance and expansion of the distribution system. MSG operates in the north-eastern part of Poland and covers the area of 87 thousand square kilometres, which corresponds to 27.7% of the territory of Poland. There are 761 localities in this area, including 120 towns, with the agglomerations of Warsaw and Łódź among them. In 2006, domestic consumers were the main customer group and accounted for 99% of all consumers of the company and 49.5% of the total gas sales volume. Business customers constituted 1% of the customer base and purchased 50.5% of the total gas volume sold by the company. In addition, the company supplied 145 key customers who purchased

22% of the total gas sales volume in 2006. MSG sold about 71% of the total gas volume to consumers in Warsaw and vicinities, 22% - in Łódź and the surrounding area, and the remaining 7% - in Białystok and the region.

Financials as at 31 December 2006	
Revenue from sales [PLN '000]	1,964,766
Net profit [PLN '000]	73,976
Equity [PLN '000]	1,105,402
Share Capital [PLN '000]	999,634
Employment [persons]	3,527
Network length excluding service lines [km]	15,960

PGNiG is the only shareholder in Mazowiecka Spółka Gazownictwa.