

Direction of Growth



The main goal of the PGNiG Group is to strengthen its position as a leading gas company in Central Europe providing secure and competitive supply its customers.

Implementation of new strategic projects and optimized use of the existing resources are seen as the key value growth levers. The synergy of these two elements will secure the position of the company as a major independent player in the European gas market.

Diversification of supply sources, directions and routes

Catering for all customers of the PGNiG Group, for whom the security of supply – equally with the price – is the key supplier selection factor, the Management recognises the need for diversification of the sources, routes and directions of natural gas supply. By achieving this objective, the company will become a regional player cooperating with a number of gas suppliers and producers worldwide. This sort of activity will not only reinforce its position but also contribute to improved energy security of the country.

Strategic Objective

- The strategic objective of the PGNiG group is to provide oil and gas supply to its customers and to ensure the energy security of the country.

Initiatives

- As of the year 2011, new sources of gas supply will become available as a result of the construction of an LNG terminal and a pipeline connection from Norwegian fields. As the next step, the company plans to increase the technical capabilities for natural gas supply from different directions, among other things through the development of interconnections that will enable trade with the neighbouring markets. Other options under consideration include capital participation in long-term investment projects such as pipeline connections with the countries of the Caspian Sea Basin and the Middle East.

Storage capacity expansion

Apart from its commercial role, i.e. shaving the fluctuations of the natural gas demand in the summer and winter seasons, the storage infrastructure fulfils the needs related to ensuring the necessary stocks in case of potential emergencies and temporary disruptions of gas supply.

Strategic Goal

- The strategic goal is to increase the working capacity of the underground gas storage facilities by approx. 1.2 bcm, i.e. up to the total level of 2.8 bcm by the year 2012.

Initiatives

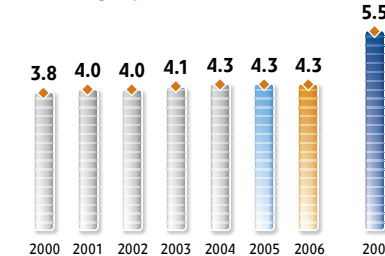
As part of this initiative, expansion of the following storage facilities is planned:

- **Wierchowice UGS** – doubling of the working capacity from 0.6 bcm to 1.2 bcm (year 2011),
- **Mogilno UGS** in salt caverns – increase of the working capacity from 0.37 bcm to 0.44 bcm (year 2012),
- **Strachocina UGS** – doubling of the working capacity from 0.15 bcm to 0.30 bcm (year 2010),
- **Kosakowo UGS** in salt caverns – initial working capacity of 0.045 bcm by year 2012, to be further increased up to 0.25 bcm (year 2015).

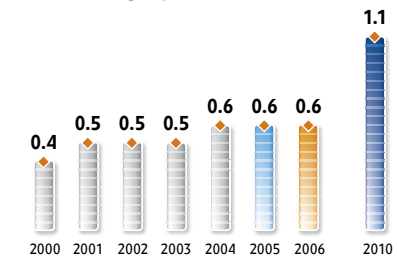
In order to improve the operating efficiency of nitrogenised gas production plants and further shave the demand fluctuations, the construction of two underground gas storage facilities for nitrogenised gas is also planned:

- **Daszewo UGS** – target working capacity of 30 million m³ (in 2009; 20 million in 2008),
- **Bonikowo UGS** – target working capacity of 200 million m³ (2009).

Natural gas production in 2000–2006 and target production level [bcm]



Crude oil production in 2000–2006 and target production level [m tons]



Development of trading activity

Another element of the strategy to strengthen the economic position of the company is focused on maintaining the mutual relations with the current customers and developing new ones. This will be made possible through broadening the product and service offering. In order to achieve this objective, certain changes to the structure of the PGNiG Group will be necessary. The most significant transformation will affect the gas distribution companies, which will become distribution system operators. As a result, the retail activities will be integrated within PGNiG. This will have a fundamental impact on the alignment of service standards and quality improvement.

At the same time, a product diversification strategy will be implemented whereby the company will gradually reduce its dependency on the results generated from regulated gas sales. The available cash flows will be invested in other profitable market segments. The strategy is aimed primarily at proactive identification of new markets and stimulation of the customer demand for new services. The PGNiG Group will also look for synergies in the energy services sector (for example multiutility businesses) and opportunities for cooperation with other network providers. The growth of this business area should be supported by the research and development organization set up within PGNiG. It is worth noting that although the initiatives will be focused primarily on the gas market, the alternative energy markets and new revenue opportunities will also be assessed (particularly in the long-term horizon).

Strategic Goals

- Retain the leadership position in the liberalized Central European gas market
- Bring the domestic gas prices to a realistic level.
- Product diversification.

Initiatives

- Change in the national regulatory policy.
- Efficiency improvement in the trade activity:
 - ensuring the security of supply,
 - improvement of the customer service,
 - tailoring the product to specific customer needs,
 - marketing and promotional support.
- Integration of trade within PGNiG.
- Broadening of the service and product range (e.g. CNG, cogeneration, tri-generation).

Development of exploration and production activities in Poland and abroad

Considering the current and projected commodity prices, the value growth of the company will be driven by the performance of the upstream business. In the coming years, PGNiG intends to achieve the optimum production rate for the level of proven reserves and to continue with the reserves replacement efforts.

The strategic goal of the PGNiG Group encompasses the exploration and production of natural gas and crude oil also outside the territory of Poland. The plans for the next two years envisage launching new business activity in four or five countries. Access to new reserves and an increase in oil and gas production will have a direct impact on the value growth of the PGNiG Group.

Strategic Goals

- Enhance independence on external sources of supply.
- Retain competitive position in the liberalized gas market.
- Ensure independence of the company's performance from the regulatory policy.

Initiatives

- Growth of crude oil production and sales volume up to 1.1 million tons (as of 2010).
- Maintaining the natural gas production capabilities from domestic sources at the level of 5.5 bcm high-methane gas per annum (as of 2008).
- Replacement of domestic recoverable reserves of natural gas and crude oil (maintaining the reserves replacement ratio at the level of 1.1 of the production volume in the years 2006-2011).
- Exploration and production operations abroad.
- Internal restructuring within the upstream segment.