

Dear Shareholders,

on behalf of Polskie Górnictwo Naftowe i Gazownictwo Spółka Akcyjna (“PGNiG SA”), as well as on my own behalf, I present the PGNiG Group’s 2009 Consolidated Annual Report, a document addressed not only to our shareholders and customers, but also to investors, research analysts and other participants of the capital market.

The year which has just ended was dominated by strong volatility, sparked by the turmoil in the financial markets. Consequently, the Management Board was forced to avert the impact of adverse macroeconomic developments, but also – from the very start of the year – had to confront another major challenge, namely non-delivery of a part of contracted gas supplies to Poland. In the first weeks of January, efforts to ensure uninterrupted gas supplies to industrial users were at the top of our agenda – we were determined to avoid the implementation of firm load shedding measures, which would result in a reduction in natural gas consumption.

Our activity in 2009 was also focused on negotiating the terms of a contract intended to increase gas supplies flowing to Poland. In mid 2009, a short-term contract was signed securing gas supplies in the summer period, which partly compensated for the 2.3 billion cubic metres shortfall resulting from non-performance of contractual obligations by one of our business partners. However, as the rate of economic growth slowed down and the problems besetting some businesses proved deeper than we had expected, some portion of the contracted volume (of 1 billion cubic metres) has remained unsold. The situation was also due to storage capacity constraints and, accordingly, storage capacity expansion has become one of the primary objectives of the PGNiG Group’s strategy. The year 2009 showed a few-year backlog of underinvestment in storage facilities, as well as in interconnections to European gas grids, as a result of which any missing volumes of natural gas can only be sourced from countries lying east of the Polish border. The key objective driving all efforts of PGNiG’s Management Board has always been – and let me strongly emphasise the point – to secure reliable and stable supplies of natural gas, both to individuals and industrial consumers.

“The PGNiG Group’s Strategy until 2015”, unveiled in November 2008, explicitly highlights our major investment objectives. Apart from the expansion of the underground storage facilities, as well as upgrade and development of the distribution network, these objectives include investment in gas and oil exploration, as well as acquisition of new licences outside of Poland. In 2009, our subsidiary PGNiG Norway acquired interests in further exploration licences, located in close proximity to the Skarv/Snadd fields (currently under development) on the Norwegian Continental Shelf. Capital expenditure on prospecting operations has also been increased. For more than a dozen months, intensive work has been under way on the development of the LMG (Lubiatów-Międzychód-Grotów) fields, which will allow us to boost annual oil production to some 1 million or so tonnes, starting from 2013. The Company is also actively engaged in the expansion of its underground storage facilities, including the site with the largest capacity located in Wierzchowice. By 2012 its capacity will have been doubled to reach 1.2 billion cubic metres.

Aiming to increase the share of natural gas in Poland’s overall energy mix, we see the need to increase gas supplies flowing to our country. Efforts which deserve notice in this context are

those undertaken by the Polish Transmission System Operator, e.g. the construction of the LNG terminal or investment in new and existing interconnections to the transmission systems of other European countries (such as the Czech Republic or Germany). In mid 2009, PGNiG signed a 20-year contract for the supply of 1 million tonnes of liquefied natural gas to the port in Świnoujście, to maintain continued operation of the LNG terminal.

Our intention to commence supply of gas to the LNG terminal and increase supplies via newly constructed gas pipelines is a response to the forecasted surge in demand for natural gas as an energy fuel. Over the next few years, we expect a significant rise of 4 billion cubic metres. Our entry into the power sector through newly established SPV PGNiG Energia, as well as negotiations with business partners (which are now far advanced), will result in an additional 2 billion cubic metres of gas in the power sector. This will allow PGNiG to gain new customers, while making us well positioned to achieve the target of at least 300 MW of our own power generation capacity.

The year 2009 also saw intensive Group-wide efforts aimed at working out a comprehensive sustainable growth and CSR strategy. We endeavour to pursue our stated business goals, while continually improving corporate relations with the outside world based on a set of ethical, social and environmental values. Representing an important step from the point of view of the PGNiG Group's future, investment in that area also provides a significant intragroup cooperation platform across all links of the value chain. We still need to address many challenges, but I trust that our efforts geared towards sustainable growth and CSR will contribute to the achievement of our business goals. The fact that in November 2009 PGNiG was included in the first CSR index to be launched in our region of Europe (the RESPECT index of the Warsaw Stock Exchange), as well as the activity surrounding CSR issues on the part of various government agencies and bodies, all go to show that we have taken the right path.

Ladies and Gentlemen,

on behalf of PGNiG's Management Board, as well as on my on behalf, I wish to extend heartfelt thanks to all those who helped us achieve so much in 2009 – our shareholders, customers, members of the Supervisory Board, and all employees of the PGNiG Group. Our growing capital expenditure on gas and oil exploration in Poland, the acquisition of gas and oil fields abroad, and the power segment's development offer grounds for hope that the Company's value will be further enhanced for PGNiG's existing and prospective shareholders.

Michał Szubski
President of the Management Board of PGNiG SA