Polskie Górnictwo Naftowe i Gazownictwo SA

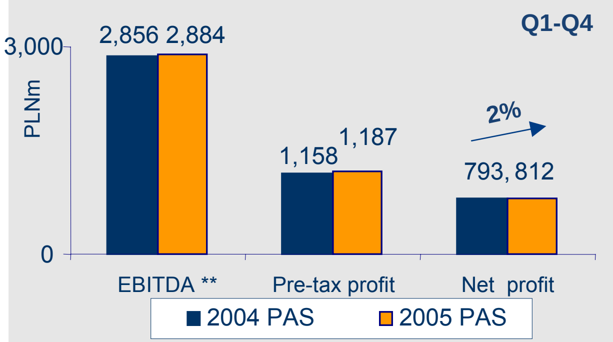
PGNiG S.A. Financial Results for the Four Quarters of 2005

Press Conference, March 2nd 2005

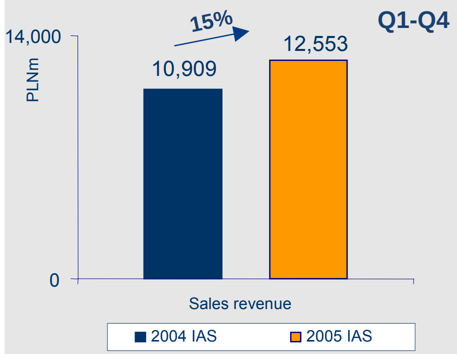
Financial Highlights

PGNiG Group – IFRS (PLNm)	Q1-Q4 2004	Q1-Q4 2005	change
Sales revenue	**10,909**	**12,553**	**15%**
Pre-tax profit	**1,158**	**1,187**	**3%**
Net profit	**793**	**812**	**2%**
EBITDA *	2,856	2,620	(8%)
EBITDA (leasing) **	2,856	2,884	1%

PGNiG Group results



Sales revenue



Discussion and analysis

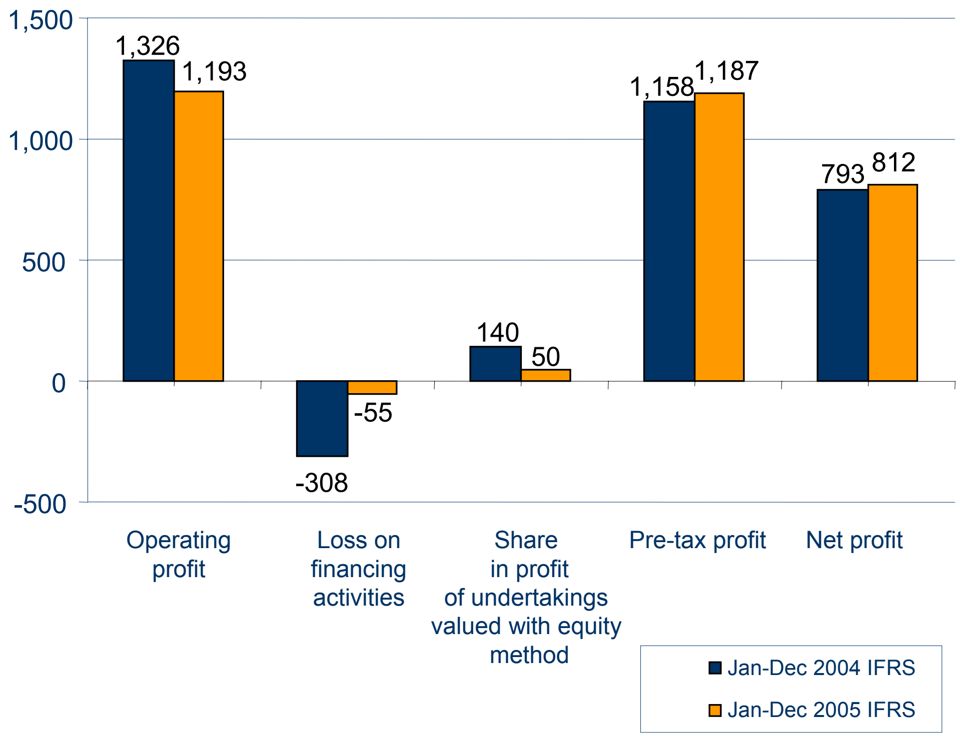
- The net profit grew by 2% on the 2004 figure, which was driven by a 15% increase in sales revenue.
- The increase in sales revenue was related to higher prices of raw materials on global markets. In 2005, the margin in the upstream segment expanded.
- There was a change in the structure of the results. PGNiG no longer generated the transmission margin, which reduced EBITDA. Instead, the Group had additional financial income under a lease agreement.
- EBITDA was adjusted to reflect lease payments so as to present a comparable view of the operations. The adjusted EBITDA was at a level similar to EBITDA for 2004.

PGNiG

* EBITDA = operating profit + depreciation and amortisation
** EBITDA (leasing) = EBITDA + proceeds from a lease payment from OGP Gaz System Sp. z o.o.

Performance Analysis

Structure of the PGNiG Group's results



Operating profit

- A segment analysis of the operating profit shows that the upstream segment is the key driver of the Group's operating profit.
- The upstream segment generates profits on sales of crude oil, direct sales of natural gas and other products, such as helium, sulphur or LPG.

Operating profit	1,193

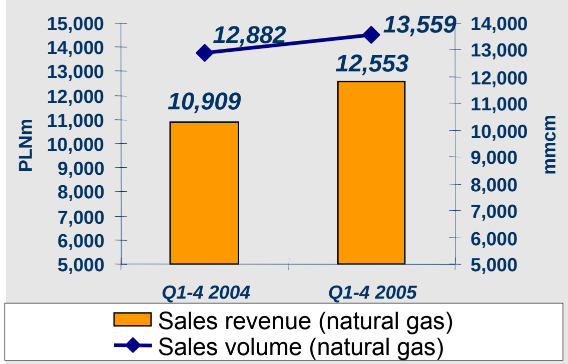
Segments:

Upstream	702
Trade, storage and transmission	365
Distribution	161
Other	-6
Eliminations	-28

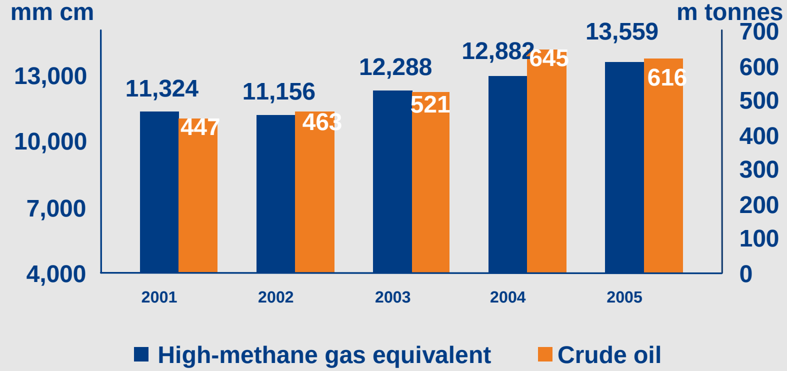
PGNiG Sales Volume and Revenue

PGNiG Group – IFRS	Q1-Q4 2004	Q1-Q4 2005	change
Sales volume of natural gas	13,072	13,559	4%
Sales revenue (PLNm)	10,909	12,553	15%
-Sales of natural gas	9,665	10,879	13%
-Sales of crude oil	596	784	32%
-Other sales	648	890	38%

Revenue growth in 2005



Sales volume by product group[1]



- Higher revenue on sales of natural gas thanks to higher sales volume and tariff rates
- Strong growth in revenue on sales of crude oil fuelled by higher global oil prices
- Higher sales volume as a result of:
  - Improvement in Poland's economic situation
  - Growing demand for natural gas
  - Higher production of crude oil in 2001-2005

PGNiG, consolidated financial statements prepared in accordance with IFRS

(1) Crude oil figures include sales of condensate

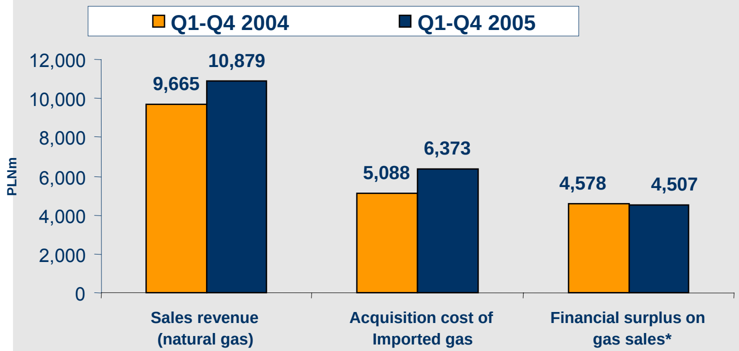
Operating Expenses

PGNiG Group – IFRS (PLNm)	Q1-Q4 2004	Q1-Q4 2005	change
Total operating expenses	9,583	11,360	19%
- raw materials and energy used	5,125	6,394	25%
- salaries and employee benefits	1,613	1,648	2%
- depreciation and amortisation	1,531	1,427	(7%)
- OGP Gaz System transmission services	0	738	-
- other contracted services	1,097	1,045	(5%)
- other net operating expenses	736	609	(17%)
- change in provisions	-12	-5	(56%)
- cost of products and services for own needs	-507	-496	(2%)

Discussion and analysis

- **Expenses rising primarily due to increased import costs**
- **Financial surplus on gas sales maintained at the same level**

Financial surplus on gas sales

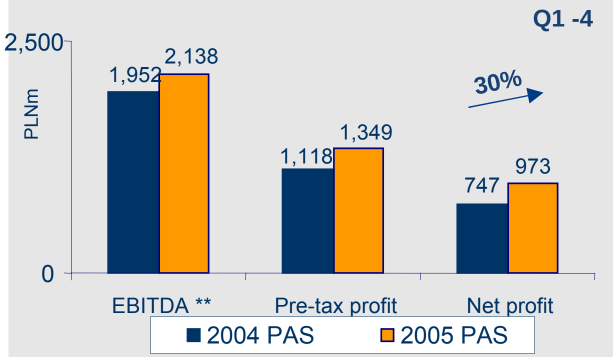


The financial surplus represents the difference between revenue on sales of natural gas (aggregate) and the acquisition cost of imported gas. The surplus is used to, e.g. cover other costs and expenses (e.g. production costs)

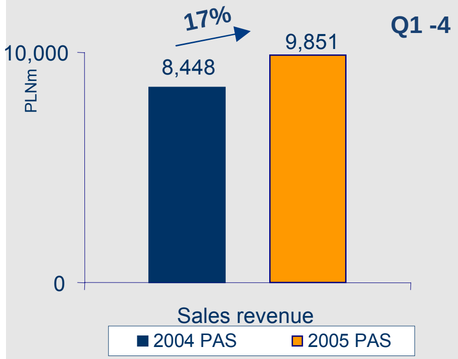
Financial Highlights

PGNiG S.A. – PAS (PLNm)*	Q1-Q4 2004	Q1-Q4 2005	change
Sales revenue	**8,448**	**9,851**	**17%**
Pre-tax profit	**1,118**	**1,349**	**21%**
Net profit	**747**	**973**	**30%**
EBITDA *	1,952	1,874	(4%)
EBITDA (leasing) **	1,952	2,138	9%

PGNiG S.A.'s results



Sales revenue



Discussion and analysis

- The non-consolidated financial statements prepared in accordance with PAS attest to a positive trend in the Company's financial performance. Net profit up by 30%.

Changes in transmission

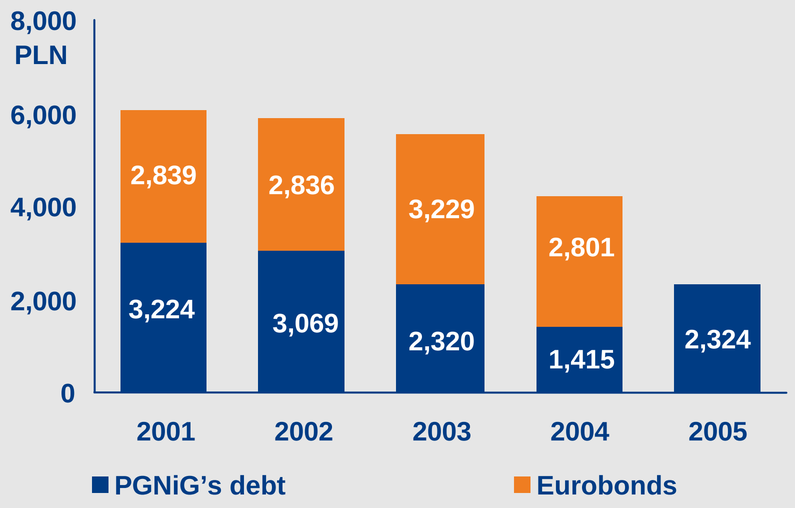
- No change in sales revenue
- Transmission costs (e.g. gas used for own needs, salaries and wages, taxes, and contracted services) excluded from operating expenses
- PGNiG purchased transmission services from OGP Gaz-System: PLN 738m in 2005
- Proceeds of PLN 264m under a lease agreement
  - PLN 154m in interest payments (disclosed under financial income)
  - PLN 118m in principal payments (disclosed as a decrease in receivables)

* The figure is based on non-consolidated financial statements of PGNiG S.A., which are the basis for payment of dividend to shareholders
* EBITDA = operating profit + depreciation and amortisation
** EBITDA (leasing) = EBITDA + proceeds from a lease payment from OGP Gaz System Sp. z o.o.

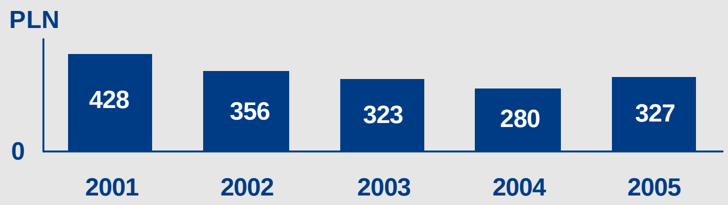
PGNiG

Stronger Financial Position

PGNiG S.A.'s debt[1]



Interest expense



Debt refinancing

- In July 2005, PGNiG refinance its debts using a syndicated loan of EUR 900m
- Loan structure:

Loan	Maturity date
EUR 600m – term loan facility	July 2010
EUR 300m – revolving loan	July 2008

- PGNiG downsized its debts and strengthened its balance sheet by:
  - Repurchase of Eurobonds
  - Repayment of all existing loans
  - Using free cash to repay debts

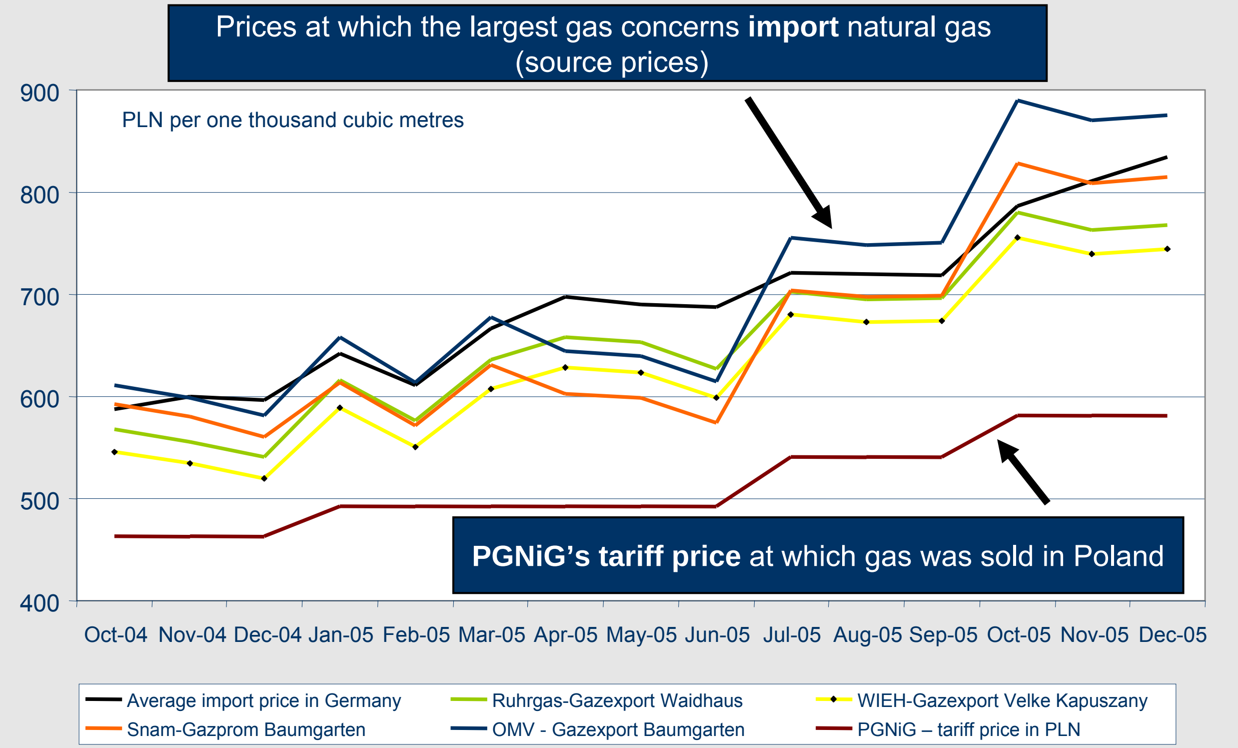
(1) Data consistent with the non-consolidated financial statements of PGNiG S.A. prepared in accordance with PAS

Financial results were driven by rising gas import prices...

Import prices

- According to the European Gas Markets data, the prices under major import contracts in Europe (for such concerns as OMV and Ruhrgas) rose considerably over the last twelve months (by48%).
- The prices of imported natural gas under major import contracts in Europe increased from USD 173 per one thousand cubic metres (October 2004) to USD 256 per one thousand cubic metres (December 2005).
- Gas concerns use the prices of imported natural gas under major contracts to set prices for end customers. Prices for end customers include also trading costs and sales margin.
- Acquisition cost of natural gas purchased from different supply sources is presented against the PGNiG S.A.'s prices for end customers (quoted in the 1/2003 Tariff)

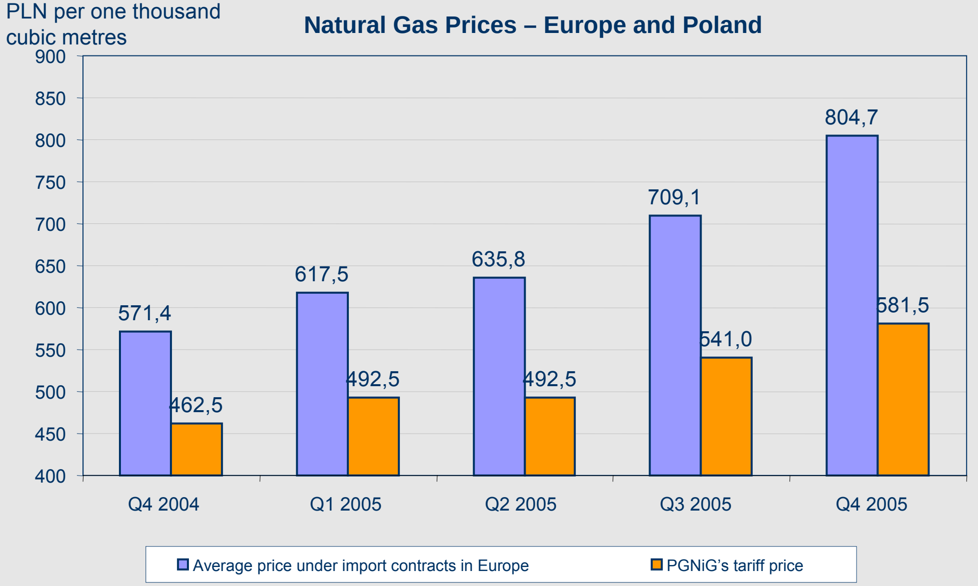
Import prices in Europe * and PGNiG's tariff price



* The prices under major import contracts are quoted after European Gas Markets.
The prices were translated into the złoty at average exchange rates quoted by the National Bank of Poland for each period.

Natural Gas Acquisition Cost

Import prices in Europe and PGNiG's tariff price



PGNiG's tariff	2004	2005			2006
Natural gas price (PLN per one cubic metre)	Jan-Dec	Jan -Jun	Jul-Sep	Oct-Dec	Jan-Mar
E	0.4625	0.4925	0.5410	0.5815	0.6513
Increase (%)		6.5%	9.8%	7.5%	12.0%

Discussion and analysis

- In Q4, the difference between the average prices under import contracts in Europe and PGNiG's tariff price grew wider.
- The widening gap may have an adverse effect on PGNiG's financial performance.

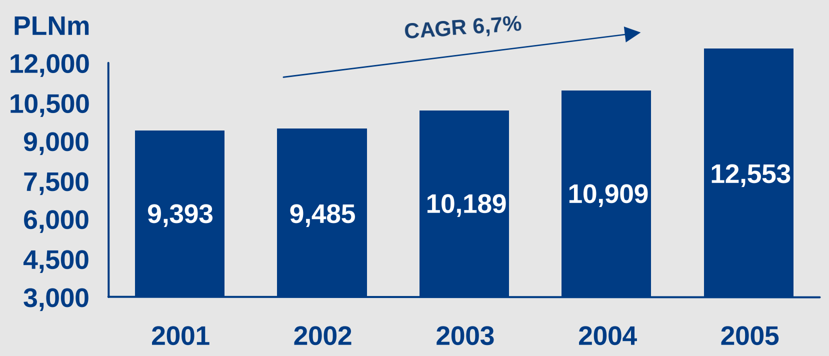
Measures taken

- Continued negotiations of gas sale contracts with 30 largest gas off-takers.
- Submission of a new tariff application, with the new tariff to come into force in Q2.
- New tariffs for Distribution Companies, reflecting the return on Regulatory Asset Value.
- Reduction of the Company's operating expenses.
- Increasing revenue from non-tariff business (including higher production of crude oil).

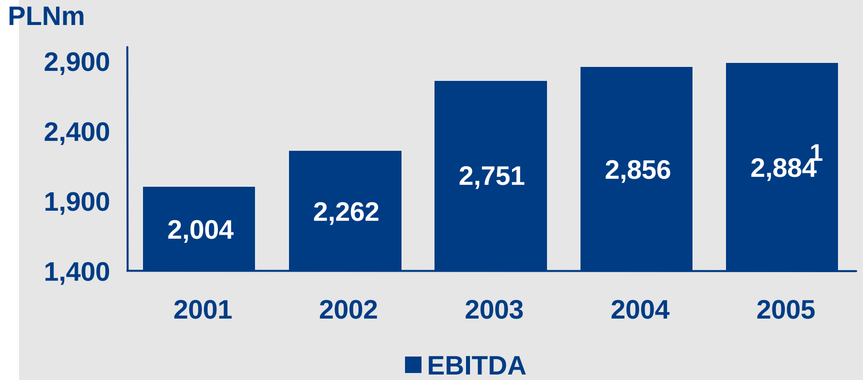
* The prices under major import contracts are quoted after European Gas Markets.
The prices were translated into the złoty at average exchange rates quoted by the National Bank of Poland for each period.

PGNiG's Growth Path

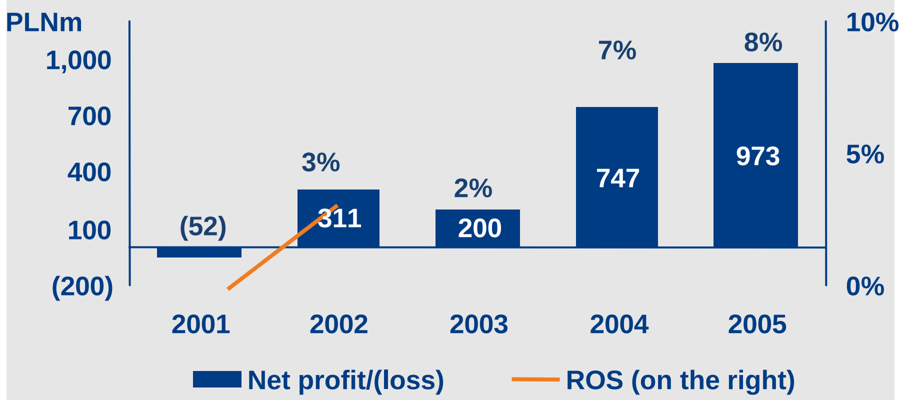
Growth of consolidated sales revenue



Consolidated EBITDA



PGNiG S.A.' net profit and net margin



- Continued growth of sales supported by increasing demand for gas
- Improved net profit thanks to stricter cost control, higher margin in the upstream segment and effective tariff policy.

PGNiG, consolidated financial statements prepared in accordance with PAS (2001-2003) and IFRS (2004-2005)
(1) EBITDA (leasing) = EBITDA plus proceeds under a lease payment received by PGNiG S.A.