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2. Overview of the Polish Gas Market
3. PGNiG Segments
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   3.2. Trade and Storage
   3.3. Distribution
4. Crude Oil and Natural Gas Sales and Production in Q3 2008
PGNiG Capital Group
PGNiG Capital Group

Poland’s leading integrated gas and oil company

- Dominant gas and growing oil producer
- Dominant gas importer to Poland and owner of gas storages
- Robust domestic gas distribution business

Well positioned for further growth in an environment of improving market fundamentals
PGNiG’s Shareholders

One of the biggest companies in Poland

- On Stock Exchange since September 2005
- The 4th biggest Polish company on the Stock Exchange
- Market Capitalization of USD 7.1 billion*
- Significant share in WIG 20 index

- PGNiG’s public offer was the biggest IPO of 2005, the third largest in the Warsaw Stock Exchange’s history;
- The shares of the Polish Oil and Gas Company were quoted on the Warsaw Stock Exchange on 23rd September 2005 at the rate exceeding the sales price by nearly 35%;
- The State Treasury in June 2008 sold a single share of PGNiG SA, clearing the way for it to distribute a 12.71% stake to the employees of the Company. The shares have two years lock-up period.

Shareholder Structure

- State Treasury - 84.5%
- Pension Funds - 2.7%
- Investment Funds - 0.9%
- Financial Institutions - 0.9%
- Insurance Companies - 0.8%
- Other - 4.0%

*Data as of 30.12.2008
PGNiG = 3.55 PLN; USD/PLN = 2.95
Overview of the Polish Gas Market
Gas Market in Poland

- Poland is consuming 14 bcm (the same level as Hungary and 3 times less than Spain);
- Gas share in Polish energy market is much lower than an average in the EU (13% against 24%);
- It is a consequence of the extensive usage of coal (hard/brown) as the source of primary energy.

EU27 natural gas sales by sector in 2007*

PGNiG natural gas sales breakdown in 3Q 2008

* Source: EuroGas.
PGNiG Segments
Overview of PGNiG Business

Business structure

- Vertically integrated business;
- Leading position in key market segments;
- Direct access to customers across the value chain;
- Proven ability to manage regulatory risk across the value chain.

Key data

- Exploration & Production – domestic production of natural gas (3.0 bcm) and crude oil (357 ths. tonnes) after 3 quarters of 2008;
- Wholesale – 9.3 bcm of imported natural gas in 2007;
- Storages – 1.66 bcm of working capacity;
- Retail – 6.5 million of end-customers.
Exploration and Production

- The leading Polish onshore E&P player
  - PGNiG is a dominant producer of gas and crude oil in Poland
- Strong resource potential
  - documented gas reserves 611 mboe (97 bcm)
  - documented oil reserves 153 mboe (21m tonnes)
- Excellent RRR and R/P ratios*
  - RRR = 0.92
  - R/P = 25.8

PGNiG gas exploration & production concessions

Annual gas and crude oil production (mboe)

* Average for years 2004 – 2007.
Gas Suppliers

Assumptions for diversification

- To increase the level of security of supplies;
- To avoid gas disruptions in gas supplies;
- To decrease the dependency on one supply direction (current level of dependency - 66%);
- To enable higher import gas volumes (current entry points are overbooked and market is growing);
- To balance the sources of gas supply.

Current and optimal sources of gas

Polish government approach to diversification

The Council of Ministers determined in the way of the Ordinance on 24th of October 2000 the minimal level of diversification of gas supplies from abroad by setting up the maximum percentage share of gas from one source. The ordinance determined the level of diversification as follows:

- 72% - in 2005 – 2009,
- 70% - in 2010 – 2014,
- 59% - in 2015 – 2018,

* Source: GTE.
Gas imported in compliance with gas import contracts
(from 4th quarter of 2007 until 3rd quarter of 2008)

<table>
<thead>
<tr>
<th>Supplier</th>
<th>Quantity: MCM (in Polish Standard)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gazprom Export</td>
<td>7 478,3</td>
</tr>
<tr>
<td>ROSUKRENERGO</td>
<td>2 330,3</td>
</tr>
<tr>
<td>NAK Naftohaz Ukrainy</td>
<td>5,4</td>
</tr>
<tr>
<td>VNG, E.ON Ruhrgas/VNG</td>
<td>308,0</td>
</tr>
<tr>
<td>VNG</td>
<td>482,0</td>
</tr>
<tr>
<td>Exchange with VNG</td>
<td>43,0</td>
</tr>
<tr>
<td>Severomoravska</td>
<td>0,02</td>
</tr>
<tr>
<td><strong>Total imported quantity</strong></td>
<td><strong>10.647,02</strong></td>
</tr>
</tbody>
</table>
Acquisition of Fields in Norway

Completed works
- Establishment of ‘PGNiG Norway’;
- Closing the purchase of 12% share in the licenses on the Norwegian Continental Shelf from ExxonMobil and Mobil Development Norway (30 X 2007);
- Approval of Plan for Development and Operation of the Skarv and Idun fields by Norwegian Authorities.

PGNiG reserves on NCS (mboe)
- Natural gas: 35.8 bcm
- Crude oil and condensate: 18.3m tonnes
- NGL (Natural Gas Liquids): 5.8m tonnes

Outlook
- Preparation of the Front End Engineering Design;
- PGNiG’s annual production from the NCS fields will be 0.5 bcm of natural gas and 0.4 million tonnes of crude oil and NGL (after 2011);
- Construction of FPSO (Floating Production, Storage and Offloading);
- Drilling additional wells.

Benefits for PGNiG
- The acquisition of the Idun/Skarv/Snadd field is the first element of the combined project that will secure a new gas transport route from the NCS to Poland;
- Diversification of gas supply sources;
- Opportunity to gain experience and know-how in offshore exploration.

Basic data
- Cost of the licences: USD 360m
- Planned CAPEX: USD 600m
- Start date of gas & oil production: 2011
- Fields operator: BP
- Share: PGNiG: 12%
- Statoil Hydro: 36%
- E.ON Ruhrgas: 28%
- BP: 24%
Skanled and Baltic Pipe Projects

**Skanled Pipeline**

- Major works already completed:
  - Establishment of Skanled Consortium, which consist of energy and industrial companies. PGNiG’s share in the project equals 15%;
  - Pipeline capacity:
    - 853-kilometre offshore pipeline with daily capacity of 24 mcm connecting Gassled System exit-point (Kårstø) with Eastern Norway, Western Sweden and Denmark;
    - Transmission capacity booked for PGNiG: 1.7 bcm of natural gas annually;

- Implementation:
  - 2013 - start of operating activities;
  - Estimated total CAPEX – less than PLN 700m.

**Baltic Pipe**

- Major works already completed:
  - Technical, organizational and economical documentation and business model;
  - Trilateral agreement between PGNiG, Energinet.dk and Transmission System Operator (2007);

- Pipeline capacity:
  - Initial capacity: 1.5 – 2.5 bcm of gas per annum, target capacity: 3 bcm of gas yearly;
  - 200-kilometre and 20-24 inch offshore pipeline with two way transmission (reverse flow) and load factor at the level of 90%;

- Implementation:
  - Construction of the pipeline will take one season;
  - Estimated total CAPEX – around EUR 430-450m.

PGNiG S.A. is currently finalizing process of transferring of Baltic Pipe Project realization to Polish TSO – OGP Gaz System.
LNG Project

**Completed and ongoing works**
- Preparation of feasibility study;
- Decision concerning location of the terminal in Świnoujście;
- Establishment of PLNG;
- Preparation of project documentations.

**Outlook**
- Construction permit for LNG terminal;
- Initial preparation of the building site;
- Construction of the LNG terminal;
- Connection of the terminal to the domestic gas pipeline network;

**Basic facts concerning LNG project**

- **Location of terminal:** Świnoujście
- **Estimated cost:** EUR 450m (for 7.5 bcm capacity)
- **Reloading capacity of terminal:**
  - Phase 1 – 2.5 bcm/annually
  - Phase 2 – 5.0 bcm/annually
  - Phase 3 – 7.5 bcm/annually
- **LNG tanks capacity:** 2 x 160,000 m³
- **Project completion:** 1Q 2014

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Polish State Treasury decided to transfer the responsibility for this project to Polish TSO- OGP Gaz-System, as a consequence on 9th of December 2008 the PLNG has been bought by OGP Gaz-System.
Exploration Works Worldwide

Pakistan
- In May 2005 PGNiG SA signed an agreement with Government of Pakistan for exploration works in the area of Kirthar block;
- PGNiG owns 70% interest in this block with the remaining 30% held by Pakistan Petroleum Ltd.;
- In the year 2008 PGNiG made complex geological and seismic data interpretation, realized of drilling project and began drilling works.

Libya
- On 9th December 2007, Polish Oil and Gas Company was awarded the tender for an exploration license in Libya;
- For the needs of Libyan project PGNiG’s subsidiary PGNiG Finance B.V. was transferred into POGC - Libya B.V.;
- In February 2008, POGC-Libya B.V. signed the Exploration and Production Sharing Agreement (EPSA) with the Libyan state-owned National Oil Corporation (NOC);
- EPSA covers the area of License 113 within the Murzuq Basin.

Egypt
- On 11th June 2007, PGNiG was awarded the tender for an exploration license Bahariya in Egypt;
- Total area of Bahariya Block amounts to 4.4 ths km²;
- For the purpose of realization of this project PGNiG will open a branch in Cairo. Works that have been done are reprocessing and 2D seismic interpretation (1,450 km);
- In 2009-2010 the Company will conduct 2D seismic research (1,350 km) and will make two exploratory drills 2,500 meters deep.

Denmark
- In the middle of 2007 PGNiG signed Memorandum of Understanding with Danish company Willumsen Exploration Consultants Aps for 40% cession of share in onshore license 1/05 in Denmark;
- In the year 2008 PGNiG conducted exploration works;
- PGNiG carries out preparatory works to open a branch which will lead this project;
- In the years 2009 and 2010 PGNiG plans to conduct 2D/3D seismic works and drilling hole.
Activities of subsidiaries of PGNiG SA

- Denmark
- Latvia
- Germany
- Poland
- Hungary
- Ukraine
- Libya
- Uganda
- Kazakhstan
- Pakistan
- India
- Yemen
- Egypt
- Mozambique

Activities: drilling, geophysics, services
## Outlook for Gas & Crude Oil Production

### Natural gas production (bcm)

<table>
<thead>
<tr>
<th>Year</th>
<th>Natural gas production (bcm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>4.3</td>
</tr>
<tr>
<td>2008</td>
<td>4.2</td>
</tr>
<tr>
<td>2015</td>
<td>6.2</td>
</tr>
</tbody>
</table>

- Maintaining the annual gas production capacity from the domestic and abroad resources at 4.6 bcm of high-methane gas as of 2009 and at 6.2 bcm of high-methane gas as of 2015;
- By 2015 PGNiG assumes that natural gas demand in Poland will increase from current 13.9 bcm to 18.4 bcm.

### Crude oil production (mboe)

<table>
<thead>
<tr>
<th>Year</th>
<th>Crude oil production (mboe)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>3.9</td>
</tr>
<tr>
<td>2008-2012</td>
<td>3.9</td>
</tr>
<tr>
<td>2015</td>
<td>13.2</td>
</tr>
</tbody>
</table>

- The key project for the crude oil production increase in Poland is the LMG (Lubiatow-Miedzychod-Grotow) project. Resources of the LMG field are estimated at 7.25m tonnes (53 mboe) of crude oil and 5.5 bcm (35 mboe) of natural gas; the estimated CAPEX for the LMG project is PLN 1.4bn net.
- The key project for the crude oil production increase abroad are operations in the Norwegian area.
Trade and Storage

- Activities of Trade and Storage segment comprise:
  - sales of natural gas both imported and domestically produced;
  - storage of gas;
- Around 30% of Polish demand is met by domestic production – the rest is covered by imports;
- The Company has strong relationships with largest European players including Yamal gas contract with Gazprom Export for natural gas deliveries up to 9 bcm per year till 2022;
- Project of construction of LNG terminal in Świnoujście realised by ‘Polskie LNG’ may secure for PGNiG annual natural gas deliveries at the level of 2.5 bcm from 2014 (7 bcm from 2020);
- PGNiG SA owns and uses 6 underground gas storage facilities (UGS);
- Five of UGS facilities were created in a partly depleted natural gas field, sixth - caverned gas storage in Mogilno - was built in a salt cavern.

Sources of gas supply in 2001-2007 (bcm)

<table>
<thead>
<tr>
<th>Year</th>
<th>Domestic production</th>
<th>Russia</th>
<th>Germany</th>
<th>Norway</th>
<th>Mid Asia</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>12.3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>11.8</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>12.7</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>13.6</td>
<td></td>
<td></td>
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<tr>
<td>2005</td>
<td>14.0</td>
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<tr>
<td>2006</td>
<td>14.3</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>13.6</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Natural gas – sales and production volume (bcm)

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales volume</th>
<th>Production volumes</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>11.3</td>
<td>4.0</td>
</tr>
<tr>
<td>2002</td>
<td>11.2</td>
<td>4.0</td>
</tr>
<tr>
<td>2003</td>
<td>12.3</td>
<td>4.1</td>
</tr>
<tr>
<td>2004</td>
<td>12.8</td>
<td>4.9</td>
</tr>
<tr>
<td>2005</td>
<td>13.9</td>
<td>4.3</td>
</tr>
<tr>
<td>2006</td>
<td>13.7</td>
<td>4.9</td>
</tr>
<tr>
<td>2007</td>
<td>13.7</td>
<td>4.9</td>
</tr>
<tr>
<td>1Q-3Q 2008</td>
<td>10.0</td>
<td>3.0</td>
</tr>
</tbody>
</table>
Storage System Operator

Duties of Storage System Operator - according to the Act on Energy Law:

- responsibility for operating a storage facility
- obligation of providing access to storage facilities on a non-discriminatory basis
- calculation of tariff for storage services that are approved by the President of URE
- detailed terms and conditions of storage services are to be defined in regulation that is still under preparation by Ministry of Economy
- PGNiG intends to unbundle storage activity and found independent Storage System Operator

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Separation of the division within the PGNiG S.A. structure</td>
<td>October 2008</td>
</tr>
<tr>
<td>Appointment of the SSO</td>
<td>November 2008</td>
</tr>
<tr>
<td>Full operating capacity of the SSO</td>
<td>2008/2009</td>
</tr>
<tr>
<td>Full compliance with EU norms</td>
<td>I Q 2009</td>
</tr>
</tbody>
</table>

Petition to the ERO for the appointment of the SSO
## Expansion of Underground Gas Storage Facilities

<table>
<thead>
<tr>
<th>Construction</th>
<th>Extension</th>
<th>Construction and extension</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2009</strong></td>
<td><strong>2011</strong></td>
<td><strong>2015</strong></td>
</tr>
<tr>
<td>Completion of construction of UGS Daszewo.</td>
<td>Completion of extension of UGS Strachocina;</td>
<td>Completion of extension of UGS Wierzchowice;</td>
</tr>
<tr>
<td></td>
<td>Completion of extension of UGS Husów;</td>
<td>Completion of extension of CUGS Mogilno;</td>
</tr>
<tr>
<td></td>
<td>Completion of construction of UGS Bonikowo.</td>
<td>Completion of construction of CUGS Kosakowo.</td>
</tr>
</tbody>
</table>

### Main goals
- Optimization of the character of seasonal gas sales;
- Protection of customers against transmission system failures;
- Financial advantages – storage of cheap gas and sale of expansive gas.

### Basic data
- **No. of storage facilities in 2015**: 9
- **Current working capacity (bcm)**: 1.7
- **Target working capacity (bcm)**: 3.8
- **Estimated CAPEX (PLN bn)**: 3.0
- **Current storage capacity meets domestic demand for**
  * Based on natural gas demand level in Poland in 2007 (13.7 bcm).
In the middle of 2007 PGNiG carried out a legal separation of gas trade and distribution. As a result gas companies were replaced by six Distribution System Operators (current name Regional Gas Companies - RGC);

RGC are responsible for supplying natural gas to households, industrial and wholesale customers, but also for operation, maintenance and development of gas pipelines.

Number of customers and volume of distributed gas by RGC in 2007

**Downstream activities**

- **Pomeranian GC**
  - 13.4 ths. km of network

- **Greater Poland GC**
  - 19.8 ths. km of network

- **Lower Silesian GC**
  - 42.5 ths. km of network

- **Upper Silesian GC**
  - 16.2 ths. km of network

- **Carpathian GC**
  - 7.9 ths. km of network

- **Mazovian GC**
  - 6.9 ths. km of network

6 RGC – 100% owned by PGNiG
Crude Oil and Natural Gas Sales and Production in Q3 2008
The main reason behind the 8% decrease in the natural gas production volume in Q3 2008 was the suspension of deliveries to one of the customers caused by technical problems of our partner and a longer production stoppage of the Dębno mine compared with the previous year.

The 3% increase in the gas sales volume was primarily the effect of higher gas sales to nitrogen plants and retail customers.

A significant increase in gas sales revenue followed from the introduction in April 2008 of new tariff prices for gaseous fuel, which are on average 14% higher, and a larger volume of gas sales.
Crude Oil

PGNiG Group, IFRS*

<table>
<thead>
<tr>
<th></th>
<th>Q3 2007</th>
<th>Q3 2008</th>
<th>change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production volume (ths tonnes)</td>
<td>142</td>
<td>106</td>
<td>(25%)</td>
</tr>
<tr>
<td>Sales volume (ths tonnes)</td>
<td>139</td>
<td>103</td>
<td>(26%)</td>
</tr>
<tr>
<td>Sale revenue (PLNm)</td>
<td>207</td>
<td>183</td>
<td>(11%)</td>
</tr>
<tr>
<td>Crude oil price (PLN/tonne)</td>
<td>1,484</td>
<td>1,782</td>
<td>20%</td>
</tr>
<tr>
<td>Medium-term prices of Dated Brent oil (USD/bbl)</td>
<td>75</td>
<td>115</td>
<td>54%</td>
</tr>
</tbody>
</table>

Crude Oil - Sales Volume and Revenue*

- Crude oil is sold on market terms as part of PGNiG’s Exploration and Production segment.
- The 25% drop in the crude oil output reported in Q3 2008 was caused by lower volumes of natural gas produced, which, in turn, resulted from a prolonged stoppage at the Dębno mine and technical difficulties experienced by one of the business partner. If not for these factors, the volume of crude oil produced in Q3 2008 would have been close to the levels recorded in Q3 2007.
- The crude production volume fell 5% relative to Q2 2008.
- The year-on-year surge in the price of crude oil (PLN/tonne) was fuelled by much higher prices of crude oil on global markets and the appreciation of the US dollar against the złoty.

* Data for crude oil and condensate.
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