Corporate Fact-Book
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of Gas Transmission Operator
GAZ-SYSTEM S.A.
We ensure safe transportation of natural gas in Poland and are actively engaged in the creation of an integrated transmission system in Europe. In our day-to-day activities we are committed to environmental stewardship and sustainable development.
Gas Transmission Operator GAZ-SYSTEM S.A. is a company of strategic importance for the Polish economy and is responsible for the transmission of natural gas and the operation of the transmission network in Poland. GAZ-SYSTEM S.A. holds a concession for natural gas transmission valid until the year 2030. The company’s activity is primarily focused on ensuring the energy security and building its significant position as an operator driving the integration of the transportation system in Europe through the following:

→ creation of conditions for the development of a competitive market in natural gas in Poland and the companies operating in this sector,
→ construction of interconnections with the transmission systems of the neighbouring countries as part of the European gas networks,
→ development of a modern gas pipeline network in Poland and offering services to enable its optimised utilization.

The Capital Group of GAZ-SYSTEM S.A. comprises Polskie LNG S.A., a company established with a view to building a re-gasification terminal to receive liquefied natural gas (LNG) in Świnoujście. Pursuant to the Act of 24 April 2009, GAZ-SYSTEM S.A. is responsible for the coordination of activities related to the construction of the LNG terminal and the external port in Świnoujście as well as the connection of the facility to the national gas network.

Share capital amounts to PLN 3,741,886,442. The State Treasury owns 100% of the shares in the company. The company has over 2,000 employees. The head office of the company is based in Warszawa.

Components of the transmission system:

→ over 9,7 thousand kilometres of transmission pipelines
→ 854 gas stations
→ 14 gas compressor stations
→ 57 network connection points
The personnel employed in GAZ-SYSTEM S.A., who take care of the reliable operation of the transportation system, are the fundamental driver of the company’s business and development. The trust and good reputation that GAZ-SYSTEM S.A. has earned with its employees brought the company the prestigious third place in the Best Employer Ranking for the year 2010 and the fifth place among employers from Central and Eastern Europe. It is the knowledge, teamwork and professional competence of over 2,000 employees that enable the organisation to pursue continuous growth, face new challenges and pro-actively shape the development of the natural gas market both in Poland and Europe.

The operating crews in the branches, working under the supervision of specialists from the Operation Division and the National Gas Dispatch Division as well as Gas Dispatch Units in the branches, continuously monitor the network to ensure appropriate maintenance of the transmission infrastructure, which enables the coordination and effective management of network flows, efficient operation of underground gas storage facilities and secure gas supply to consumers. The human capital management policies embrace the creation of opportunities for professional development, internal mobility and an extensive package of social benefits.
Good relationships with our customers, based on trust and respect for mutual interests, have been inherent to the activities of GAZ-SYSTEM S.A. since its very inception and set the standard for cooperation with the existing and future business partners alike.

The basic service provided by GAZ-SYSTEM S.A. consists in the transportation of natural gas from the entry points selected by the Shipper to the exit points of its choice. In addition, we provide other services including gas odorization as well as operation, maintenance and repairs of customer networks and facilities and interruption or restoration of gas supply to individual system points on customer request.

The daily tasks of the company include effective and well-coordinated management of network flows, ensuring non-discriminatory access to the transmission networks for interested parties and the transparency of information as well as carrying out the activity in a manner that is safe for the environment and local communities GAZ-SYSTEM S.A. operates in.

With regard to customer service, GAZ-SYSTEM S.A. holds a Quality Management System certificate which confirms that the procedures and operating manuals implemented by the company conform to the requirements of PN-EN ISO 9001:2009 standard – “The Quality Management Systems – Requirements”. The standards developed by the company ensure access to transportation services for all eligible customers on a non-discriminatory basis.
The Integrated Management System policy pursued by GAZ-SYSTEM S.A. is aimed at achieving the position of one of the best performing providers of transmission services in Europe. This strategy was highly appreciated by the Jury of the Polish Quality Award, which presented GAZ-SYSTEM S.A. with the Polish Quality Award in 2009 in the category of large service organisations.

Exchange Information System (EIS)

The Exchange Information System is a platform that enables the publication and secure exchange of technical and commercial information between GAZ-SYSTEM S.A. and its customers. The on-line access to the platform (https://swi.gaz-system.pl/swi/) ensures an instant transfer of data to customers, including, among others, information on the execution of their transmission contracts, issues related to the connection to the transmission network and settlements related to services. Information regarding the available transmission capacity, gas quality parameters, the transmission system map and the scheduled maintenance of the transmission system is posted on the company’s website: www.gaz-system.pl. The platform offers an opportunity for improving the quality of cooperation with existing and future business partners and for the implementation of superior customer service standards.

Through its investment initiatives, GAZ-SYSTEM S.A. contributes to the improvement of the energy security of Poland on the transmission dimension by providing technical capabilities for the diversification of natural gas supply. The company plays a significant role in the liberalisation of the Polish gas market, strengthening the competition and reshaping the European transmission infrastructure.

Strategic investments of GAZ-SYSTEM S.A. are focused on the following areas:
- the national transportation system
- receiving terminal for liquefied natural gas in Świnoujście
- cross-border connections
the system and open up new business prospects for the company. The Polish gas network will become an integral part of the European gas infrastructure. The investment expenditure amounts to approx. PLN 3 billion.

Receiving terminal for liquefied natural gas in Świnoujście

The receiving terminal for re-gasification of liquefied natural gas is the largest and the most important investment project of GAZ-SYSTEM S.A., which is intended to improve the energy security of Poland. The facility, which has been recognized as a strategic investment for our country by the Polish Council of Ministers, will enable deliveries of natural gas by sea from any direction in the world. It is the first project of this kind in the whole of Central and Eastern Europe and the Baltic Sea region. The Polish transmission system operator is responsible for the coordination of the project and the connection of the facility to the national transmission network. The company also participates in the financing of the project. Furthermore, GAZ-SYSTEM S.A. is responsible for building and operating the connecting pipeline at the terminal and the transmission pipeline from Świnoujście to Szczecin.

The connection of the LNG terminal with the national transmission system will be established via the gas pipeline from Świnoujście to Szczecin. The pipeline will have the length of approx. 80 kilometres and a diameter of 800 millimetres, and will run through the territories of 5 communes (Świnoujście, Międzyzdroje, Wolin, Stepnica and Goleniów) – from the LNG terminal to the vicinity of the gas compressor station in Goleniów, where it will join the national transmission system. The construction of the LNG terminal in Świnoujście is carried out by a subsidiary company – Polskie LNG S.A. Also involved in the project are the Maritime Authority in Szczecin and Zarząd Portów Morskich Szczecin i Świnoujście S.A. (the Harbour Authority) who are preparing the harbour infrastructure to receive LNG vessels with the capacity of up to 216 tcm. The completion and commissioning date has been scheduled for 30 June 2014. The investment cost totals PLN 2.6 billion, with the co-financing by the European Union of approx. PLN 220 million (EUR 55 million) from the EEPR, upon the application of Polskie LNG S.A., and PLN 456 million from the OPI&E.

National transportation system

By 2014, GAZ-SYSTEM S.A. will have built over 1,000 kilometres of new transmission pipelines. Key projects will be developed in the North-Western and Central parts of Poland. These will include the following gas pipelines: Szczecin-Lwówek, Świnoujście-Szczecin, Szczecin-Gdanśk, Włocławek-Gdynia, Rembelszczyzna-Gustorzyń and Gustorzyń-Odolanów. The gas compressor station in Goleniów, commissioned in 2011, will play an important role in the region by enabling gas supply to new customers. The network development will facilitate natural gas supply from different directions, present new opportunities for connection to

Cross-border connections

High-methane gas pipelines /E/

Low-methane gas pipelines /Lw/

Transit pipeline of EuRoPol Gaz s.a.

Investment under construction
Key advantages of LNG use:

- **flexibility of supply** – LNG is both an effective means of gas supply diversification for some countries and a source used to cover peak demand for gas.
- **efficiency** – during natural gas liquefaction, its volume is reduced about 600 times. This means that from 100 cu.m of LNG after the re-gasification, we obtain 60 tcm of natural gas.
- **environment** – natural gas is an eco-friendly fuel. During combustion, it generates much lower emissions to the atmosphere than coal, oil or other fossil fuels.
- **safety** – in case of contact with the air, LNG evaporates and is diluted in the atmosphere. Thus, it is a much less harmful and dangerous fuel than petroleum or LPG.

Cross-border connections:

**Construction of an interconnector with the Czech Republic**

The interconnection of the transmission systems of Poland and the Czech Republic will enhance the energy security of the Podbeskidzie region and will contribute to the development of an integrated gas transmission system in Europe. The interconnector, to be commissioned in 2011, will offer an annual offtake capacity of 0.5 bcm of natural gas.

In emergency situations, the gas pipeline can also be operated in a reverse flow mode using a portion of the available interconnection capacity for gas transportation in the opposite direction. The investment cost amounts to PLN 90 million; the EU co-financing from the EEPR represents approx. PLN 42 million (EUR 10.5 million).

**Expansion of the gas pipeline network in Lower Silesia and the Lasów interconnection point**

As part of its investment program, GAZ-SYSTEM S.A. is expanding the transmission infrastructure in Lasów at the Polish-German border, which will accommodate increased gas import volumes from the Western direction. The ultimate capacity will reach 1.5 bcm of natural gas per annum. The project completion is expected in 2011. The investment cost totals PLN 267 million, with co-financing by the European Union of approx. PLN 57.6 million (EUR 14.4 million) from the EEPR and PLN 90.7 million from the OPI&E.
Integration of transportation systems in Europe

GAZ-SYSTEM S.A. is actively engaged in the development of an integrated gas network in Central Europe and the shaping of the European gas sector. The proposals for expansion of the transmission infrastructure in Poland fit in with the EU plans to establish new interconnections that will enhance energy security and improve the diversification of gas supply from new sources.

Interconnection Poland-Lithuania

GAZ-SYSTEM S.A. participates in the EU initiatives aimed at the development of gas infrastructure in our part of Europe. The possibilities of integrating the energy markets of countries located in the Baltic Sea region by creating new interconnectors in accordance with the Baltic Energy Markets Interconnection Plan concept are being investigated. In cooperation with the Lithuanian transmission system operator, GAZ-SYSTEM S.A. embarked on a business analysis which will provide information concerning the gas market in Poland and the Baltic States (Lithuania, Latvia, Estonia), including the current and projected demand for natural gas in the region. The analysis will offer insights to the partners regarding the feasibility and prospects for the construction of a gas interconnection between Poland and Lithuania.

Interconnection Poland-Slovakia

The cooperation with the Slovakian transmission system operator is an element of the strategy pursued by GAZ-SYSTEM S.A. with a view to active participation of our company in the creation of an integrated gas network in Central Europe. The gas interconnection between Poland and Slovakia, which is currently under consideration, could become a component of the North-South Corridor.

Baltic Pipe

GAZ-SYSTEM S.A. is looking into the feasibility of the construction of a gas interconnection between the Polish natural gas transmission system and the Danish one (Energinet.dk), and is carrying out pre-investment phase studies for the Baltic Pipe project. The planned pipeline would be connected with the LNG terminal in Świnoujście through the Polish transmission system, which in the future would open up access to the global market for liquefied natural gas to Scandinavian countries, via the Polish gas infrastructure.
By 2014, GAZ-SYSTEM S.A. will have spent PLN 8 billion on the implementation of the investment plan. A large portion of the investment expenditure on the implementation of strategic projects is funded with the equity and loans raised from commercial banks. The company has also received co-financing from such European institutions as the European Investment Bank. GAZ-SYSTEM S.A. has become the beneficiary of the following EU projects:

- Operational Programme ‘Infrastructure and Environment’ 2007-2013 (OPI&E)
- Operating Programme ‘Innovative Economy’ (OP IE)
- European Energy Programme for Recovery (EEPR)

In total, the amount of co-financing to be received by GAZ-SYSTEM S.A. from EU funds will exceed PLN 1.7 billion.

Investment financing

North-South Corridor

The concept of the North-South Corridor assumes that the LNG terminal in Świnoujście will be connected through Southern Poland, the Czech Republic, Slovakia and Hungary, with the Adria LNG terminal in Croatia and the Nabucco pipeline possibly. When implemented, the North-South Corridor would establish a new route for gas transportation in Europe and enable efficient utilization of domestic transmission pipelines in the respective countries. First and foremost, the North-South Corridor will stimulate the development of the national transmission systems in Central Europe and their interconnection into an integrated network. Thereby, gas transmission from the north to the south or in the opposite direction, would become possible, yet without the necessity of building a separate gas pipeline. The Corridor will strengthen the integration of regional gas markets, improve the security of supply and open up access to new sources of supply (LNG, Norway) for Eastern and Central Europe. The investment will offer the opportunity for coordination of regional infrastructure projects, harmonization and alignment of market principles as well as the implementation of regional prevention and emergency procedures in case of extraordinary situations.
TOTAL INVESTMENT: PLN 8 BILLION

- co-financing from European institutions (EIB)
- co-financing from EU Funds
- commercial bank loans
- equity

Funds received: PLN 1,76 BILLION

- Polskie LNG S.A.
- GAZ-SYSTEM S.A.
GAZ-SYSTEM S.A. actively engages in corporate social responsibility initiatives where our activities are focused on four areas: the market, the workplace, local communities and the environment. The responsible business policy became an inherent part of European standards with regard to strategic, long-term decisions and projects involving community interests and environmental aspects.

In pursuit of our primary business objective of creating value, we pay attention to the way the company carries out its responsibilities set out in the articles of association. GAZ-SYSTEM S.A. implemented the Code of Ethics, which defines the rules of conduct and underlines the key role of values that drive the behaviours and decisions within the company. These values are:

- Responsibility
- Commitment
- Professionalism
- Teamwork
- Respect

The responsible operation of GAZ-SYSTEM S.A. in the market is reflected in its successful cooperation with stakeholders. Investment projects undertaken by the company with regard to the expansion of the transmission system strengthen the sense of responsibility within the company for local communities and natural resources used.

We carefully develop our relations with local communities and engage in continuous open dialogue taking into account stakeholder opinions. In those areas, where high-pressure pipelines are constructed, communication campaigns addressed to inhabitants are organized. We also make sure the projects are fully understood and accepted by the local community and present an opportunity for the region concerned.
## Financial Information

### EQUITY AND LIABILITIES

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<tbody>
<tr>
<td><strong>A</strong> EQUITY</td>
<td></td>
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</tr>
<tr>
<td>I Share capital</td>
<td>5 141.06</td>
<td>3 889.68</td>
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<tr>
<td>II Supplementary capital</td>
<td>337.87</td>
<td>314.77</td>
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<tr>
<td>III Other capital reserves</td>
<td>511.42</td>
<td>264.93</td>
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<td>IV Accumulated profit (loss)</td>
<td>651.45</td>
<td>288.50</td>
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<tr>
<td>V Net profit (loss)</td>
<td>0.00</td>
<td>0.00</td>
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<tr>
<td>VI Write-off on net profit during the financial year (negative value)</td>
<td>(101.57)</td>
<td>0.00</td>
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<tr>
<td><strong>B</strong> LIABILITIES AND PROVISIONS FOR LIABILITIES</td>
<td></td>
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</tr>
<tr>
<td>I Provisions for liabilities</td>
<td>174.10</td>
<td>136.20</td>
</tr>
<tr>
<td>II Long-term liabilities</td>
<td>35.60</td>
<td>659.41</td>
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<td>III Short-term liabilities</td>
<td>262.05</td>
<td>359.68</td>
</tr>
<tr>
<td>IV Accruals</td>
<td>130.73</td>
<td>45.12</td>
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<tr>
<td><strong>Total equity and liabilities</strong></td>
<td>5 744.35</td>
<td>5 090.10</td>
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### ASSETS

<table>
<thead>
<tr>
<th></th>
<th>Non-current assets</th>
<th>Current assets</th>
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</thead>
<tbody>
<tr>
<td>A</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I Non-current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intangible assets</td>
<td>4 484.28</td>
<td>3 704.69</td>
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<tr>
<td>Plant and equipment</td>
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<td>3 592.10</td>
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<td>Long-term receivables</td>
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<td>Long-term investments</td>
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<tr>
<td>Long-term accruals</td>
<td>43.03</td>
<td>43.62</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>5 744.35</td>
<td>5 090.10</td>
</tr>
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### In PLN million

**GAZ-SYSTEM S.A.**

-- an investor in security