broadening horizons...

2006/2007 Annual Report
The 2006/2007 financial year was for the Gas Transmission Operator GAZ-SYSTEM S.A. (joint stock company) a period in which changes effecting efficient management and functioning of the Company took place. The transformation of the Company into a joint stock company above all deserves a mention as do the changes in the organisational structure and embarking on the implementation of strategic projects for the Company. GAZ-SYSTEM S.A. obtained the Quality Management System Certifications in the field of customer services that was conferred by the Technical Commission of the Polish Centre for Testing and Certification S.A. Henceforth, the Company has streamlined cooperation with its Clients and started delivering natural gas transmission services for new undertakings.

The Supervisory Board, pursuant to its scope of competences has conducted direct supervision over the Company’s activities, analysed information on the current situation and the degree of accomplishment of the action plan and budget. The Members of the Supervisory Board have participated in the works of the teams performing tasks that were significant for the long-term functioning of the Company. They took part in the works of the Strategy Committee and the Corporate Order Committee.
Our joint action has allowed us to embark on works connected with the establishment of principles for the long-term strategy of the Gas Transmission Operator GAZ-SYSTEM S.A. which foresees the implementation of functional programmes in the Company enabling the improvement of operational effectiveness and the fulfilment of the tasks resulting from the „Policy for the Natural Gas Industry” – a government programme adopted by the Council of Ministers on 20 March 2007.

The Members of the Supervisory Board were involved in the processes of enacting legal changes in the Company, in the negotiations of contractual conditions concerning the use and administration of the transmission system, in the transfer, in the form of an in-kind contribution to GAZ-SYSTEM S.A., of the assets received by the State Treasury as a dividend in-kind from PGNiG S.A., and in analysing the source of financing of the lease payments and the principles of use of the gas pipeline network that was transferred to the Company. In the past financial year, the share capital of the Company was increased from PLN 0.5 bn to PLN 1.3 bn.

The Supervisory Board controlled the exclusion of the assets and liabilities of the leasing agreement as well as granted permits for the performance of key investments and monitored their course. In the 2006/2007 financial year a sum of approx. PLN 200 mn was allocated to investments into transmission infrastructure, modernisation and maintenance work.

It was a year full of events requiring additional effort which is why I would like to express my gratitude to the Governing Body and all the staff of GAZ-SYSTEM S.A. for their cooperation, dedication and involvement in acting for the good of the Company.

I hope that the duties that have been diligently fulfilled by GAZ-SYSTEM S.A. will ensure the efficient functioning of the national distribution system in the following financial year, will affect the safe delivery of gas and – the continually growing in significance – consumer satisfaction.

Yours faithfully

Andrzej Herman
Chairman of the Supervisory Board
Igor Wasilewski
President of the Management Board
The past financial year for the Gas Transmission Operator GAZ-SYSTEM S.A. was a period of changes and adaptations to the increasing requirements of Clients and the environment in which we operate. We have performed changes in the organisational structure and noticed the potential dwelling in integration and teamwork as well as creating the sound groundwork for further development. We have begun building the value of the Company by implementing innovative solutions, promoting teamwork, trust and professionalism. We boldly propose forthcoming challenges, looking for new possibilities of effective functioning. Like sailors, who thanks to partner cooperation sail out onto increasingly distant courses, struggling against many difficulties, GAZ-SYSTEM S.A. is continually looking for new directions of development and is constantly expanding its infrastructure enabling more Clients to benefit from transmission services.

On behalf of the Management Board, it is my pleasure to convey to you information concerning the business activities of the Gas Transmission Operator GAZ-SYSTEM S.A. in the May 2006 – April 2007 financial year.

This was the second full year of the operations of our Company as a transmission system operator on the Polish natural gas market. We have completed the tasks connected with the transmission of natural gas along the network of gas pipelines throughout the country ensuring the constant and safe supply to the distribution network and to the final Customers connected to the transmission system.

In the past financial year, apart from the basic business activity, we have also concentrated on implementing solutions enabling effective and transparent management while taking the optimal advantage of our skills and abilities acquired to date. Thanks to this, we are diligently preparing to take our place on the competitive gas market.

A significant event for all the natural gas transmission market players in Poland was marked by the approval by the President of the Energy Regulatory Office, in June 2006, of the Transmission Network Code prepared by GAZ-SYSTEM. The task of the TNC is to establish the principles ensuring the safe and reliable supply of gas to Customers and maintaining
the balance between the gas supply to and off-take from the transmission system. Furthermore, in order to eliminate the barriers limiting the development of a competitive gas market and enabling authorised undertakings the full harnessing of the transmission network, we have conducted activity connected with the expansion of the transmission system, setting uniform telemetry and IT standards, devising a market information interchange system and the implementation of solutions ensuring non-discriminatory treatment of transmission system users. We have closed the financial year rendering transmission services of natural gas to new customers whose number, we hope, will continually be on the rise.

The turning point of 2006 and 2007 was for our Company a time of change and dynamic development. On 18 September 2006, the Extraordinary Shareholder Meeting carried through a transformation in the legal form of the Company from a limited liability company to a joint stock company. This allowed us to comply with the requirements resulting from the Energy Law Act as well as to obtain the decision of the President of the Energy Regulatory Office concerning the designation of the GAZ-SYSTEM S.A. Company as the transmission system operator up to 1 July 2014. Moreover, in the past year the share capital increased by over two times.

In October 2006, the Technical Commission of the Polish Centre for Testing and Certification S.A. conferred the Quality Management System certificate compliant with the PN-EN ISO 9001:2001 standard to GAZ-SYSTEM S.A. in the field of customer services. The issuance of the certificate is a great mark of distinction for us and a confirmation of our reliability as well as posing a great challenge for the future. The continuous improvement of the customer service system and raising the effectiveness of our activities also result from the annual supervision audits performed in the Company.

The beginning of 2007 was a time of intense international contacts for us the consequence of which was the conclusion of operator agreements with OAO Bieltransgaz in Belarus and Ukrtransgaz NAK Naftogaz of the Ukraine. The Company also regulated its cooperation with the German transmission system operator ONTRAS-VNG Gastransport GmbH. GAZ-SYSTEM S.A. also took an active part in the trade organisations’ international meetings like at the Gas Infrastructure Europe (GIE), European Gas Research Group (GERG), Baltic Gas, European Association for the Streamlining of Energy Exchange (EASEE-GAS), and the International Gas Union (IGU).

The key assignments that our Company is undertaking at present have been specified in the „Policy for the Natural Gas Industry” adopted by the Council of Ministers on 20 March 2007. GAZ-SYSTEM S.A. as the Company that is jointly responsible for the energy security of Poland is obliged to develop the national
transmission system of natural gas in order to increase its capacity. We have already begun preparations to conduct the investment in northwestern Poland in order to off-take and transmit natural gas from new sources: the LNG terminal and the direct gas pipeline from Norwegian deposits. We are also preparing to purchase transmission assets belonging to PGNiG encompassed by the leasing agreement and not comprising the dividend in-kind for the years 2006 and 2007.

In the 2006/2007 financial year, we have introduced IT solutions enabling greater effectiveness at work. We have unified the structure of regional branches and we have implemented new organisational regulations which allow us to meet new management standards.

The new employment regulations and Company Labour Collective Agreement have been agreed with our Social Partners, which provides detailed regulations of the employment rights resulting from the universally binding provisions of the labour law and specifies the rights and contributions for GAZ-SYSTEM S.A. employees.

Our achievements to date allow us to have an optimistic outlook on the future. The Company is improving its financial results and is achieving good economic indicators which prove that it is effectively using the entrusted assets and is conducting a prudent financial policy. The obtained results will also allow the construction of the long-term action plan for the Gas Transmission Operator GAZ-SYSTEM S.A. and the search for new solutions facilitating the further development of the Company and increasing its value. Just like mariners successfully discover new places, so GAZ-SYSTEM S.A. will broaden its horizons and engage in new areas of business activity. I am convinced that the projects undertaken by us will have a positive effect on the development of the gas market in Poland and will enable our Clients to conduct their own business with great foresight.

I would like to express my gratitude to all our Clients and Business Partners for their trust and confidence, all the staff at GAZ-SYSTEM S.A. for their dedication and involvement in the joint effort to accomplish our goals as well as our Social Partners for their constructive dialogue.

Yours faithfully

Igor Wasilewski
President of the Management Board
The Supervisory Board

* appointed to the Supervisory Board on 14 August 2007.
Before 14 August 2007, Mariusz Roman was a member of the Supervisory Board.

Picture (left to right):

Jakub Kozera* - Member of the Supervisory Board
Andrzej Herman - Chairman of the Supervisory Board
Marzanna Kwiecień - Secretary of the Supervisory Board
Michał Kurtyka - Vice Chairman of the Supervisory Board
The Management Board

Picture (left to right):

**Krzysztof Rogala**  - Member of the Management Board for Financial Issues

**Igor Wasilewski**  - President of the Management Board

**Paweł Stańczak**  - Member of the Management Board for Technical Issues
21 June 2006
Approval of the Transmission Network Code (TNC) by the President of the Energy Regulatory Office (ERO).

25 August 2006
Approval of the „Plan for introducing restrictions on supply and off-take of gas” by the President of the Energy Regulatory Office.

29 August 2006
Signing of the operator agreement with Ukretransgaz NAK Naftogaz of the Ukraine.

31 August 2006
Signing of the agreements with the Polskie Górnictwo Naftowe i Gazownictwo SA (PGNiG) for the performance of high-methane and low-methane gas transmission services for a period of 13 months for the total approximate gross value of PLN 2.16 bn.

12 September 2006
Implementation of the multiZBYT.CL billing system.
13 September 2006
Signing of an agreement with the Mazowiecka Spółka Gazownictwa Sp. z o.o. for transmission services in respect of high-methane gas produced from the newly developed WILGA field.

18 September 2006
Adoption of the resolution by the Extraordinary Shareholder Meeting concerning transformation of the legal form of the Company: transforming The Gas Transmission Operator GAZ-SYSTEM S.A. limited liability Company into a joint stock Company.

29 September 2007
Regulation of cooperation with the German transmission system operator ONTRAS-VNG Gastransport GmbH.

23 October 2006
Conferral of the Quality Management System certificate in the field of customer services by the Polish Centre for Testing and Certification S.A., valid for a period of three years.

9 November 2006
Adoption of the resolution by the Extraordinary Shareholder Meeting regarding increasing the share capital to PLN 1.2 bn.

18 December 2006
The designation of GAZ-SYSTEM by the President of the Energy Regulatory Office as the gas transmission system operator up to 1 July 2014.

15 March 2007

22 March 2007
Conclusion of an agreement for the performance of gas transmission services with Wielkopolska Spółka Gazownicza Sp. z o.o.

26 March 2007
Conclusion of an agreement for the performance of gas transmission services with G.EN Trading Sp. z o.o.

31 March 2007
Signing of an operator agreement with OAO Bieltransgaz in Belarus.
GAZ-SYSTEM S.A. is a one shareholder joint stock company of the State Treasury entered on the list of strategic entrepreneurs for the Polish economy that is responsible for security of natural gas supplies through transmission networks.
Business Activity Profile

History

The Gas Transmission Operator GAZ-SYSTEM S.A. was established on 16 April 2004 as PGNiG – Przesył Sp. z o.o. – 100% shares of the company were taken over at the time by Polskie Górnictwo Naftowe i Gazownictwo SA (PGNiG). From that moment, GAZ-SYSTEM S.A. has taken over supervision and responsibility for the transport of natural gas through strategic gas pipelines in Poland. On 28 April 2005, PGNiG passed on all the GAZ-SYSTEM shares to the State Treasury.

The separation of activity connected with the transmission of natural gas from the PGNiG structures resulted from the provisions of the Gas Directive adopted in 2003 by the Council and the European Parliament which required gas companies to separate the technical transmission of gas from turnover and to enable other undertakings to benefit from the transmission network on equal terms (TPA - Third Party Access Principle). As a result of this process, GAZ-SYSTEM S.A. became one of the first European companies ensuring, in compliance with European Union Directives, actual independence in the field of transmission.

On 30 June 2004 – the President of the Energy Regulatory Office granted a concession to the Company for the transmission and distribution of gas for the years 2004 – 2014.

On 8 June 2005 – the Shareholder Meeting decided to change the name of the Company from PGNiG – Przesył Sp. z o.o. to the Gas Transmission Operator GAZ-SYSTEM Sp. z o.o.

On 1 July 2005 – the President of the Energy Regulatory Office issued a decision by virtue of which the Company obtained the status of gas transmission operator for a period of one year.

On 18 September 2006 – the Extraordinary Shareholder Meeting made a decision to transform the Company from a limited liability company to a joint stock company. As a result, it was possible to designate the Company as the gas transmission operator for a longer period. The President of the Energy Regulatory Office passed the relevant decision on 18 December 2006 and designated GAZ-SYSTEM S.A. as the operator of the gas transmission network until 1 July 2014.
Compressor station in Rembelszczyzna
GAZ-SYSTEM S.A. is a dynamically developing Company on the Polish natural gas market that provides, on a non-discriminatory basis, services in the field of transport of natural gas through transmission networks to over 1400 locations in Poland.

The Company belongs to the 150 biggest economic undertakings in Poland according to a ranking conducted by the „Rzeczpospolita” newspaper.

In the ranking of the 400 largest production companies devised by the editorial team of „Home&Market”, the Company was in 59th place whereas in the sub-ranking „Gross Profitability Leaders”, GAZ-SYSTEM S.A. came in second place.

Among 100 companies from the fuel and energy sector, the ranking of „Gazeta Prawna” put GAZ-SYSTEM S.A. in 13th place in terms of profitability (net profit/revenue from sales). The Company also found itself in the top twenty companies with the highest net profit in 2006.

GAZ-SYSTEM S.A. is a one-shareholder joint stock company of the State Treasury entered on the list of strategic entrepreneurs for the Polish economy that is responsible for security of natural gas supplies through transmission networks.

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**Business Activity Profile**

The key task of the Gas Transmission Operator GAZ-SYSTEM S.A. is the transport of gas via the transmission network throughout the country to supply the distribution networks and the Final Customers connected to the transmission system.

The duties of the Company include the following:

+ conducting network operations in a coordinated and effective manner in keeping with the required reliability for supply of gas and its quality,
+ ensuring equal access to the transmission network to undertakings participating in the gas market,
+ operations, maintenance and the development of the transmission network with due care and protection of the natural environment,
+ supplying every system operator: transmission, storage, distribution and the LNG system the adequate amount of information guaranteeing the possibility of conducting transport and storage of natural gas in a manner proper for the secure and safe operations of the connected systems,
+ supplying the system users with the necessary information to obtain effective access to the system,
+ implementation of other duties and obligations resulting from detailed executive provisions and from the Act of 10 September 1997 the Energy Law with subsequent amendments.
Division Directors

Picture (left to right):

**Rafał Wittmann**  - Director of Development and Investment Division
**Bożena Mikołajczyk**  - Director of Trade Division
**Adam Nowakowski**  - Director of Operation Division
**Jerzy Sobczak**  - Director of Human Resources Division
**Tadeusz Abramowski**  - Director of National Gas Dispatching Division
GAZ-SYSTEM S.A. as the operator of the gas transmission system in Poland has particular obligations in relation to current and future Clients that result from the binding provisions of the law in the field of services rendered by the Company.
Cooperation with Clients

Gas transmission

The basic service rendered by GAZ-SYSTEM S.A. is the transmission of gas from given entry points to exit points selected by the shippers on the basis of a transmission contract. In order for the contract to be concluded, a positive outcome of the application for the provision of transmission services is required as is submitting the necessary documents specified by the Transmission Network Code.

In the event of a connection deficit or an inadequate capacity of the existing transmission system exit point, the Company files an application for the specification of the connection conditions pursuant to the provisions of the Energy Law. Connecting a new point takes place on the basis of a contract concluded between GAZ-SYSTEM S.A. and the undertaking for which the connection conditions have been specified.

In the past year, GAZ-SYSTEM S.A. performed the service of natural gas transmission for Polskie Górnictwo Naftowe i Gazownictwo S.A., the Mazowiecka Spółka Gazownictwa Sp. z o.o. (from the Wilga gas deposit) and for the Wielkopolska Spółka Gazownictwa Sp. z o.o. GAZ-SYSTEM S.A. has also signed a contract for the transmission of gas with the G.EN Trading Sp. z o.o. company.

In the 2006/2007 financial year, the Company examined 5 applications for the provision of transmission services, 103 applications for the specification of connection conditions; it specified 99 connection conditions to the gas transmission network and concluded 43 connection agreements.

Quality control system

On 23 October 2006, the Technical Commission of the Polish Centre for Testing and Certification S.A. conferred the quality certificate to the Company that is valid for 3 years, thereby confirming compliance of the applicable procedures and operating instructions in GAZ-SYSTEM S.A. with the requirements of the Polish PN-EN ISO 9001:2001 Standard - „Quality Management Systems. Requirements” in the field of customer services.
The Certificate particularly encompasses the following: disclosing information to the public, issuing transmission network connection conditions, concluding network connection agreements and transmission contracts, as well as the settlement of the services rendered.

The Quality Management System guarantees all eligible Customers, on non-discriminatory terms, the performance of services consisting of the transmission of natural gas from the selected entry point by the shipper to the given exit point, as well as the provision of up-to-date information to system users and operators of other interconnected systems on the conditions of the provision of gas transmission services.

The Quality Management System as an instrument in accomplishing the concept of a responsible business stresses the reliability of the Company in all of its operations and allows the construction of lasting and transparent relations with Clients.

The issuance of the Quality Management Certificate represents a great challenge for GAZ-SYSTEM S.A. for the future as the constant streamlining of the system and the increase of Company effectiveness which will be assessed annually by way of supervision audits, is essential. The Company is aware of the responsibility resulting from the assumed Quality Policy and undertakes all action enabling the retention of current standards that have been confirmed by the Certificate which allow us to further perfect customer services, raise the quality of the services rendered and build partnership relations with our Clients.

The billing system

In the past financial year, GAZ-SYSTEM S.A. implemented a modern billing system that ensures complex customer services. Thanks to this system, the automation of the connection, transmission, settlement and vindication processes is possible. The system allows the management of Client relations by providing full information on the Client and its history, monitoring the connection and transmission service process, running records of contacts as well as building long-term and good relations with contractors. It is also an instrument that supports the decision making process, allows complex reports and statements to be prepared and enables the cohesion of the measurements and settlement systems.

Information Interchange System (IIS)

The Gas Transmission Operator GAZ-SYSTEM S.A. is preparing to implement an IT platform called the Information Interchange System (IIS). The main task of IES shall be the publication and exchange of trade and technical information between GAZ-SYSTEM S.A. as the gas Transmission System Operator (TSO) and market participants (among others, shippers, distribution system operators, billing point operators, exporters/importers and final customers).

„The Company conducts annual customer satisfaction surveys, which enable alignment of the service levels to the changing customer needs and development of relationships taking into account mutual expectations”
Easy access to information: www.gaz-system.pl

The Company facilitates access to information connected to the conducted business activity to all interested undertakings by collecting it on the following website: www.gaz-system.pl

The website contains information on all the basic and value-added services provided by the Company, a list of all the transmission system entry and exit points, as well as information concerning the available capacity. The website also provides access to the current „Gas transmission service tariff”. The interested Parties, with the help of the calculators available on the website, can calculate the fees for the ordered gas transmission services and gas odorisation services. The www.gaz-system.pl website also provides the formulae and instructions for filling in applications for the specification of connection conditions, for the provision of transmission services, as well as a draft of standard transmission contract.
The staff are one of the most important capital assets of a Company which is why GAZ-SYSTEM S.A. pays a lot of attention to conducting human resources policy that considers the expectations of employees, which creates the possibility for professional development and offers an appropriate motivation system.
Experienced and responsible workers make it possible for GAZ-SYSTEM to ensure the long-term development of the Company and at the same time of the national transmission system of natural gas.

The Gas Transmission Operator GAZ-SYSTEM S.A. team constitutes 2174 staff employed in the Head Office and the regional branches of the Company.

Professionalism and a great diversity of the competencies of GAZ-SYSTEM S.A. employees enable the Company to get to know its Clients and business partner’s needs better. The knowledge of the staff of GAZ-SYSTEM S.A. as well as their education, expertise, motivation and involvement constitute the key to success and to reinforcing the position of the Company on the natural gas market.

The Company supports a team and constructive employment culture with open dialogue and cooperation geared towards goal achieving.

GAZ-SYSTEM S.A. wants to be an attractive employer for its staff. An interesting career that requires particular responsibility and engaging tasks and challenges enable the employees of GAZ-SYSTEM S.A. to fully use their potential, knowledge and experience. The Company values the initiative, creativity, involvement and responsibility of every member of staff. Thanks to this, it can solve problems and meet new challenges creatively and more rapidly.
In the scope of human resources management, GAZ-SYSTEM S.A. accomplished the following projects:

- devising and implementing the Periodic Performance Review (PPR) system along with a complex training cycle for managerial staff and communication directed at employees,
- devising a list of model work positions and their assessment on the basis of valuing criteria that have been adapted to Company needs,
- devising a cohesive remuneration and valuation policy of work positions,
- conducting Company Labour Collective Agreement negotiations with trade union organisations and signing an agreed version of the Agreement,

- reaching an agreement with trade union organisations concerning the new Employment Regulations of the Gas Transmission Operator GAZ-SYSTEM S.A.,
- devising unified recruitment, employment, and development and training procedures.

GAZ-SYSTEM S.A. offers its staff an extensive additional benefits package that encompasses, among other things, organisation and subsidies for holiday breaks for youth and children, as well as various different types of holidays for its staff. Furthermore, GAZ-SYSTEM S.A. does not forget about financial assistance for families finding themselves in difficult financial situations and also provides loans for housing purposes. The Company also provides a wide package of medical services.
„Seven of the Greatest” Competition for the Best Employee of the Year

The year 2006 saw the inauguration of the „Seven of the Greatest” Competition for the Best Employee of the Year. Seven members of GAZ-SYSTEM S.A. staff were selected - one from the Head Office and the remainder from the six branches. As a result of a vote, the 2006 Employee of the Year was Wojciech Łuszcz from the Tarnów Branch of GAZ-SYSTEM S.A. who manages the Gas Dispatching Division and is responsible for a very important area of the Company’s business activity. By undertaking accurate and apt decisions in a professional manner, he has shown to take active responsibility for the safety of transmission system operation.
The value of the assets that constitute the property of GAZ-SYSTEM S.A. as at 30 April 2007 amounted to PLN 1.2 bn. The remaining part of the assets is used by GAZ-SYSTEM S.A. on the grounds of a long-term lease agreement with PGNiG.
Natural Gas

Transmission System

Own network and leased network including exclusion of elements of property belonging to the distribution system pursuant to the Annex of 12 July 2007 of the leasing agreement.
GAZ-SYSTEM S.A. as at 30 April 2007 managed a network of pipelines 14,000 km in length that enables the transport of natural gas to the majority of regions in Poland. There are 15 compressor stations, 60 gas network connection points and over 1250 reduction and measurement stations operating in the natural gas transmission system.

The value of assets that constitute the property of GAZ-SYSTEM S.A. as at 30 April 2007 amounted to PLN 1.2 bn. The remaining part of the assets is used by GAZ-SYSTEM S.A. on the grounds of a long-term lease agreement with PGNiG.

At present, GAZ-SYSTEM S.A. is preparing to buy out the transmission assets encompassed by the leasing agreement and that do not constitute the dividend in-kind for the years 2006 and 2007.

**Investments**

One of the fundamental obligations of GAZ-SYSTEM S.A. as a gas transmission operator is ensuring the continuity and security of gas transmission, creating new conditions for a competitive natural gas market in Poland and ensuring equal access to the network to all gas suppliers and Customers. For this to be possible, it is essential to undertake investments that will enable the adaptation of the transmission system to provide transmission and connection services for the greatest number of Customers and conducting operations and settlements with Contractors in a continual and reliable manner.

GAZ-SYSTEM S.A. accomplishes these tasks by modernising and developing elements of the transmission system, particularly the following:

- transmission gas pipelines,
- structure of the transmission system: compressor stations, network connection points, gas stations,
- measurement systems installed in entry points to the system,
- measurement systems along with the logistics system serving to control the work of the transmission system and gas balancing
- system for continuous gas quality control,
- system of collection, exchange and access to information connected with the functioning of the transmission system and the services provided.

In the years 2006/2007, GAZ-SYSTEM S.A. concentrated above all on maintaining security and reliability of gas deliveries to Customers by improving the technical conditions and streamlining the functioning of the existing elements in the transmission system.

The funds allocated for investments in the years 2006/2007 on own assets of GAZ-SYSTEM S.A. as well as on leased assets from Polskie Górnictwo Naftowe i Gazownictwo S.A. (PGNiG) amounted to a total of PLN 205 mn.
Accomplished and Undertaken significant Investments

- Gustorzyn network connection point – construction of high pressure connection pipeline and reduction and measurement station located in Broniewek.
- modernisation of Hołowczyce I and Hołowczyce II Gas Compressor Station to the transmission system.
- construction of pressure reduction and measurement station in Tulce.
- construction of gas connection pipeline and measurement station in Tomaszów Mazowiecki.
- Nowogard – Płoty gas pipeline, Karłino – Koszalin gas pipeline.
- construction of pressure reduction and measurement station in Tomaszów Mazowiecki.
- modernisation of compressor station in Jeleniów and Krzywa.
- connection CERSANIT III S.A. in Wałbrzych to the transmission system.
- connection to the transmission system of the mine in Terliczka, Gas Collection Centres in Trzebownisko and Żołynia W.
- connection to the transmission system the Communes: Morawica, Chęciny, Sitkówka, Nowiny – Skrzyczyn.
- modernisation of the Jarosław I distribution and measurement point.
Branch Directors

Picture (left to right):

**Eugeniusz Berwald** - Director of Gdańsk Branch

**Franciszek Maciejewski** - Director of Poznań Branch

**Ryszard Ryba** - Director of Tarnów Branch

**Krzysztof Kalinowski** - Director for Technical Issues of Rembelszczyzna Branch

**Andrzej Lisowski** - Director of Wrocław Branch

**Jerzy Leszczyński** - Director of Świerklany Branch
Operations

Six GAZ-SYSTEM S.A. branches are involved in operating the transmission network throughout Poland.

The safe transmission of natural gas requires reliability and integrity of the transmission system. In the 2006/2007 financial year, it allocated as sum of PLN 200 mn on transmission network investments connected with the modernisation and maintenance thereof.

An efficient system of monitoring of the gas network with the use of modern methods and qualified professional employees of GAZ-SYSTEM S.A. that assess the technical conditions of the system guarantee that the transmission of gas takes place in an uninterrupted and safe manner.

Transmission Network Operating System (TNOS)

GAZ-SYSTEM S.A. has established the principles of conduct in operating high-pressure gas pipelines – the Transmission Network Operating System (TNOS). This is a collection of interconnected documents providing detailed principles of conduct in performing operating activities for given elements of the high-pressure gas network.

TNOS was developed on the basis of legal requirements, and European and national standards. The professional experience, technical knowledge and expertise of GAZ-SYSTEM S.A. employees played a significant role in the creation of the system.

The collection of TNOS procedures and operating instructions has been divided into the following topical sections:

- control and measurement, and telemetry apparatus,
- electric facilities and wiring at high pressure gas stations,
- technological systems at high pressure gas stations,
- line section and technological systems of gas transmission pipelines,
- compressor installations,
- gas compressor station facilities and systems,
- anti-corrosion protection.

The concept of the Transmission Network Operating System is entailed in the document entitled: “Procedures and instructions – form and content” that was devised pursuant to the standard requirements concerning the Polish quality management systems, including the PN-EN ISO 9000:2001 standard.

The Transmission Network Operating System ensures the efficient, safe use of high pressure gas pipelines that is compliant with the binding provisions of the law.

Maintenance

In the 2006/2007 financial year, a sum of PLN 71.6 mn was allocated to maintenance of transmission infrastructure. The amount of outlays and the percentage share of maintenance work in the given task groups amounted to the following:

<table>
<thead>
<tr>
<th>No.</th>
<th>Task Group</th>
<th>Completed 2006/2007 (PLN mn)</th>
<th>Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Transmission pipelines</td>
<td>42.9</td>
<td>59.9</td>
</tr>
<tr>
<td>2.</td>
<td>Reduction and measurement stations</td>
<td>16.0</td>
<td>22.3</td>
</tr>
<tr>
<td>3.</td>
<td>Gas compressor stations</td>
<td>5.2</td>
<td>7.3</td>
</tr>
<tr>
<td>4.</td>
<td>Distribution and measurement point</td>
<td>4.8</td>
<td>6.7</td>
</tr>
<tr>
<td>5.</td>
<td>Technical base</td>
<td>2.7</td>
<td>3.8</td>
</tr>
</tbody>
</table>

Within maintenance of the gas pipelines, the following work has been completed:

- maintenance of the blocking and bleeding system and the bleeding fittings,
- elimination of shallow portions of the gas pipeline,
- maintenance of cathodic protection stations,
- maintenance of gas protection pipelines and anti-corrosion protection,
† maintenance of sections of the gas pipeline,
† maintenance of electrical potential measurement points on gas pipelines.

The following typical maintenance work was conducted on the reduction and measurement stations:
† maintenance of technological parts,
† maintenance of gas odorisation stations,
† maintenance of measurement system and control and measurement apparatus,
† maintenance of electrical wiring and emergency electricity supply wiring,
† maintenance of station buildings,
† maintenance of roads and internal squares,
† maintenance of gas heating systems.

The following maintenance work was undertaken on the compressor station buildings:
† maintenance of heating and sewage systems,
† maintenance of rotary pumping station of the cooling system,
† maintenance of interplant gas pipelines along with fittings,
† maintenance of direct and alternating current distribution equipment,
† maintenance of compressor installations,
† maintenance of technological buildings.

Gas Station Registration System (GSRS)
In the past financial year, GAZ-SYSTEM S.A. implemented a centrally located GSRS system enabling the collection of information on the infrastructure and facilities installed at the gas stations.

In the current version, GSRS serves to conduct a register of the gas stations for the needs of operating activities. This registration system encompasses gas stations as a whole and all their constituent elements. The facilities specified in the system is grouped in terms of topics and a hierarchical structure can be created in each of them which enable the precise description of the organisation of the facilities. Any number of specifications as well as documents and photographs can be linked to each piece of equipment.

The implementation of the GSRS system facilitates the collection of information on the condition of the network which is located in one central database (to which authorised employees have access) and it has allowed the division of responsibilities regarding the input of data into the system between given Branches or external undertakings rendering services on the grounds of concluded operational agreements. The GSRS system also enables reports and comparisons to be generated that are used in other areas of Company operations, for example as technical appendices to transmission contracts.

The most important maintenance tasks completed in the 2006/2007 financial year:
† maintenance of technological lines in Tworzeń network connection point,
† maintenance of Wrocław Zgorzelisko Union station,
† maintenance of blocking and bleeding system on Pogórska Wola - Raba river gas pipeline,
† maintenance of blocking and bleeding system on Jarosław-Putawy gas pipeline.
The National Gas Dispatching Centre is responsible for guaranteeing natural gas transmission security in the field of steering the operations of the gas network in accordance with the technical specifications of the transmission system as well as for levelling the gas balance within the performed transmission services. The lengthy experience, qualified workers and an efficient monitoring system guarantee that natural gas is transmitted to Clients in an uninterrupted and safe manner. The main objectives of the National Gas Dispatching Centre include controlling the traffic in the transmission system, monitoring the flow of gas in the transmission system and coordinating, along with dispatching services of the users of transmission services and the operators of interconnected systems, the operation of the system to ensure safe delivery of transmission services. GAZ-SYSTEM S.A. also cooperates with dispatching services of suppliers and Customers of natural gas.

In the past financial year, the dispatching services took an active part in the preparation and performance of several agreements concerning the operation of the national transmission system, and specifically agreements for gas transmission and gas flow control services provided by GAZ-SYSTEM S.A.

GAZ-SYSTEM S.A. has devised a Transmission Network Code (TNC) and conducted consultations with the users of the transmission system concerning the provisions entailed therein. This document was approved in June 2006 by the President of the Energy Regulatory Office (ERO). The Code sets out the regulations in the field of the provision and use of gas transmission services that takes into account all the legal and technical requirements entailed in regulations and provisions concerning the transmission of natural gas. The objective of the TNC is to establish principles that will ensure the safe and reliable supply of natural gas to Customers and to maintain the balance between supply and off-take of gas from the transmission system. The TNC covers the entire technical infrastructure managed by GAZ-SYSTEM S.A. and specifies the rights and obligations of undertakings participating in the process of transmitting natural gas.

GAZ-SYSTEM S.A. established a plan introducing restrictions in the off-take of gas, which has been agreed with the Customers receiving gas directly from the transmission system and with the undertakings engaged in distribution activity. The President of the Energy Regulatory Office approved the „Plans for introducing restrictions in the supply and off-take of gaseous fuels” prepared by the Gas Transmission Operator GAZ-SYSTEM S.A. which was effective from 1 September 2006 until 31 August 2007. The plans to implement restrictions are prepared in the event of an energy security threat situation arising in the country, a threat to the safety of persons or a threat entailing significant material losses. The restrictions are imposed on the basis of a Regulation of the Council of Ministers.

As a result of the cooperation of GAZ-SYSTEM S.A. with international companies in the sector, it was possible to conclude operator agreements with Ukrtransgaz NAK Naftogaz of the Ukraine and OAO Bieltransgaz in Belarus. The agreement with the Ukrainian operator concerned dispatcher cooperation in the field of control on the gas flows in the connection points of the gas systems of Poland and the Ukraine – Drozdowicze, and

**National Gas Dispatching Centre**

broadening horizons…
with the Belarusian operator in connection points in the Polish and Belarusian gas systems – Wysokoje and Tietierowka. GAZ-SYSTEM S.A. has also settled its cooperation with the German transmission system operator ONTRAS –VNG Gastransport GmbH for the Lasów, Gubin and Kamminke points.

In the financial year of 2006/2007, over 14.3 bn cubic metres of natural gas (including gas transmission to underground gas storage) was dispatched through the network of gas pipelines managed by GAZ-SYSTEM S.A.
Division Directors

Picture (left to right):

**Stawomir Hinc** - Director of Finance Division

**Anna Bednarek** - Director of Support Division

**Grzegorz Stepniak** - Director of IT Division

**Marzena Piotrowska** - Legal Advisor - Coordinator

**Andrzej Gregorczyk** - Audit, Security and HSE Division
By foreseeing changes, it’s easier to keep on course

The implementation of the functional structure of management allows the Company to quickly react to change, concentrate on tasks, fully harness the knowledge of expert staff, act flexibly and provide rapid and direct communication.
GAZ-SYSTEM S.A. applies accounting principles in a manner that ensures the reliable and clear presentation of the assets and financial situation of the Company.

| Basic financial data of GAZ-SYSTEM S.A. as at 30.04.2007 |
|---------------------------------|------------------|
| Revenue from sales              | PLN 1.48 bn.     |
| Gross profit                    | PLN 0.15 bn.     |
| Net profit                      | PLN 0.2 bn.      |
| Balance sheet footing           | PLN 5.2 bn.      |
| Own assets                      | PLN 1.5 bn.      |

GAZ-SYSTEM S.A. from the beginning of its business activities is improving its financial results at the same time enabling the transmission of gas at stable prices. The good financial indicators achieved by the Company signify that GAZ-SYSTEM S.A. is effectively using the assets entrusted to is and is conducting a rational financial policy.

**Tariff**

The Company has been providing transmission network services since 1 April 2006 on the grounds of the „Tariff for Gas Transmission Services No. 1 of the Gas Transmission Operator GAZ-SYSTEM S.A.”. This is the first independent tariff of GAZ-SYSTEM S.A. It entails innovative solutions required by the Gas Directive 2003/55/EC that are possible to implement in the Polish legal environment, including short-term contracts, services on interrupted principles and separation of odorisation fees from the rates.
The tariff of the Gas Transmission Operator GAZ-SYSTEM S.A. was drawn up pursuant to the provision of the Energy Law Act of 10 April 1997 and the Regulation of the Minister of Economic Affairs and Labour on 15 December 2004 on detailed principles of shaping and calculating tariffs and on principles of settlements in trade of gaseous fuels.

The „Tariff for Gas Transmission Services No. 1 of the Gas Transmission Operator GAZ-SYSTEM S.A.” was established in order to ensure the following:
+ coverage of justified costs within the scope specified in art. 45 of the Energy Law Act,
+ protection of the best interests of Customers against unjustified level of prices,
+ elimination of cross-subsidisation.

The transmission fee rates have been calculated on the following basis:
+ justified costs with division into fixed and variable costs,
+ contracted capacity ordered for the binding period of the tariff and planned volume of transmitted gas.

Pursuant to the „Tariff for Gas Transmission Services No. 1”, GAZ-SYSTEM S.A. charges the following fees at exit points in the gas transmission system:
+ fixed charge (depending on the contracted capacity),
+ variable charge (depending on the volume of gas transmitted),
+ subscription fee.

The subscription fee was established to cover the basic costs of the justified trade services towards the Client, particularly the following: taking the readings of measurement systems, calculating and charging amounts due for the supply of gas, issuing invoices as well as activities connected with the control of measurement systems, keeping contractual conditions and ensuring correct settlements.

**Dividend in-kind**

One of the important tasks in the past financial year was works connected with acquisition of a dividend in-kind for the year 2005 concerning establishing the scope of the property, conducting its verification and valuation, entering the property into the account books of the Company and registration of an increase in capital. GAZ-SYSTEM S.A. took over in 2006 as an in-kind contribution made by the State Treasury – the leased transmission property with a value over PLN 681 mn. Earlier, this property was conveyed to the State Treasury by PGNiG as a dividend in-kind.

In the years 2006/2007, GAZ-SYSTEM S.A. completed a project concerning the exclusion of a part of the gas pipelines from the leased property. The economic analysis of a section of the transmission system suggested for exclusion included the costs incurred by GAZ-SYSTEM S.A. connected with the running and operations of fragments of the network, the revenue obtained and the liabilities on account of leasing instalments.

**Cohesive accounting records**

GAZ-SYSTEM S.A. also accomplished the tasks connected with the introduction of cohesive and unified accounting records of the property of the transmission network for the entire Company. The respective works involved the following:
+ creating specimen lists of fixed assets that could constitute the given technological structures such as gas stations, compressor stations, network connection points, gas pipelines, dryers (Record Specimen Technological Structures),
+ conducting identification in the field of actually existing fixed assets in given technological structures according to the adopted Specimen,
An efficiently working group reaches further than a single person does

- conducting valuation (in-kind contribution) or allocation of value (leasing) consisting of establishing the value of given fixed assets,
- adopting assets in the account books that constitute technological structures according to the Specimen in the value resulting from their valuation or allocation of leasing value,
- conducting accounting identification and records of fixed assets of the transmission system according to the adopted Specimens.

Work on amending the accounting and tax classification system lasted the entire 2006/2007 financial year and led to the implementation of a unified classification of fixed assets possessed by the Company as well as leased assets.

GAZ-SYSTEM S.A. has also established the principles, procedures and specimen documents serving to perform correct identification of modernisation in accordance with accounting principles.
GAZ-SYSTEM S.A. greatly values development and the streamlining of IT systems as it is efficient and modern IT solutions that are decisive in the effective provision of services to Clients. The „Strategy and architecture of teleinformation systems in the GAZ-SYSTEM S.A. Company in the years 2006-2009” is being implemented in the field of operations, which will allow the full provision of the appropriate security of IT requirements, the implementation of innovative solutions and the streamlining of processes undertaken by GAZ-SYSTEM S.A.

In the years 2006/2007, a WAN data transmission system was launched, a new equipment platform for data transmission was implemented and the appropriate security measures of the network were undertaken. Teleinformation officers actively participated in the implementation of solutions in many areas of Company operations such as the implementation of a unified fixed asset system, the establishment of a record system of GSRS reduction and measurement stations, the billing system and customer services as well as management IT support.

In order to streamline internal communication the Company exchanged the telephone system and implemented an IP telephony system as well as a videoconferencing and remote cooperation system. A unified electronic mail system and user identity system were launched, which have established a uniform method of logging into the system.

At the turning point of 2006 and 2007, GAZ-SYSTEM S.A. was preparing to commence with the performance of IT projects of a strategic significance for the Company. This included the following projects:

- **ERP System** supporting Company management and the performance of tasks connected with the following areas: financial management, fixed asset management, accounting, human resources management as well as controlling.
- **The measurement data collection system** increasing the security and enabling the complete automation of data acquisition from measurement points for settlement purposes within a reliable process in which all data changes are registered by the system. Measurement data will be able to be obtained at any time and at any intervals without the necessity of incurring any additional expenses.
- **Passport system** serving to record elements of the gas infrastructure and to provide support to operation management. By ensuring access to data concerning the configuration of the gas infrastructure, the system is an ideal element for many other processes in the Company, for instance, for the process of operating gas infrastructure, development planning processes or investment processes.
- **The SCADA gas flow management system** supporting the work of dispatcher services. Thanks to this system, it is possible to provide immediate reaction to sudden, unforeseen situations and to conduct analysis supporting the decision making process concerning the way of managing the gas flows.
- **The IIS Information Interchange System** which has a uniform interface that enables the exchange of information with Clients. Thanks to the implementation of the system the Client will be able to file a nomination and renomination, obtain information concerning settlements and invoices, file documents concerning network connections and gas transmission agreements, obtain information on the current configuration and potential of the gas infrastructure as well as breakdown and failures. The system also allows legal obligations to be undertaken resulting from the provisions of European Union and Polish law regulations.
Functional management model

At the beginning of 2007, the Gas Transmission Operator GAZ-SYSTEM S.A. implemented a new organisational structure that was adapted to the requirements of the environment and to modern management standards. The new organisational structure of GAZ-SYSTEM S.A. is created by the Central Office and six branches throughout Poland.

The implementation of the functional structure of management allows the Company to quickly react to change, concentrate on tasks, fully harness the knowledge of expert staff, act flexibly and provide rapid and direct communication.

Thanks to the implementation of a uniform organisational structure, it was possible to implement the management by objectives (MBO) method. This model of management allows an efficient verification of the agreed objectives, effectiveness assessment and the just remuneration of employees.

Orders and purchases

The Company implemented purchase procedures by adopting the „Instruction for Order Provision in the Gas Transmission Operator GAZ-SYSTEM S.A.”. For unification purposes of order procedures, GAZ-SYSTEM S.A. has commenced cooperation with the Open Electronic Market S.A. in order to implement a complex IT tool – the Purchase Website. The application will facilitate the planning, performance and reporting of the orders provided by the Company. The Website will enable GAZ-SYSTEM S.A. to implement the best purchase practices with the use IT tools. It will also enable order planning, making applications regarding purchase requirements, the performance of proceedings, the registration and publication of tender proceedings, reporting the proceeding base, as well as knowledge management in this field. Furthermore, the implementation of the Website will enable the Company to build a supplier assessment system and to coordinate the purchase process as well as to ascertain its effectiveness.

Security and protection of information as well as transmission infrastructure

Security and the protection of information and infrastructure play an important role in GAZ-SYSTEM S.A. In the past financial year, several procedures were implemented in GAZ-SYSTEM S.A. that streamlined the flow of information and secured the managed property in the proper manner. All the actions undertaken in the Company connected with security enabled the current security system in operation to guarantee a high level of protection of the transmission infrastructure and the protection of confidential information, pursuant to national and European Union standards.

One of the main premises of effective action is constantly raising the quality of the services rendered. The Company is also achieving this goal by monitoring all the processes and actions performed that take place in the organisation by means of fixed audits in the Central Office and in all the Branches.

A significant initiative accomplished in the past year was the establishment of a Company archive where all the documents created by the Company in the years 2004-2006 were collected and archived. Thanks to this venture, correspondence and documentation with business partners from the previous years has been secured with due care and attention.
The achievements of GAZ-SYSTEM S.A. to date enable the further optimistic planning of development. The results achieved enable the construction of a long-term action strategy and the search for innovative solutions serving the development of the Company and increasing its value.
GAZ-SYSTEM S.A. as one of the few Companies on the European natural gas market is responsible for both the management of the transmission assets, the development of the transmission system as well as for the safe transmission of natural gas through high-pressure gas pipelines. This allows the Company to make long-term and comprehensive action plans connected with guaranteeing the safe transmission of gas and the development of the national transmission system.

The key tasks that GAZ-SYSTEM S.A. is currently undertaking have been specified in the „Policy Guidelines for the Natural Gas Industry” adopted by the Council of Ministers on 20 March 2007. GAZ-SYSTEM S.A. as the Company that is jointly responsible for the energy security of Poland is required to develop the national natural gas transmission system in order to increase its capacity. The Company has already begun preparations for the implementation of investments in northwestern Poland in order to off-take and transmit natural gas to new sources: LNG and direct gas pipeline from Norwegian deposits.

GAZ-SYSTEM S.A. is also preparing to buy out the transmission assets constituting the property of PGNiG that are encompassed by the leasing agreement and that do not comprise the in-kind dividend for the years 2006 and 2007.

The government programme has also specified that the State Treasury shall increase the share capital of the GAZ-SYSTEM S.A. Company by making an in-kind contribution of transmission assets received under a dividend from PGNiG profit for the years 2006 and 2007, which are currently managed by GAZ-SYSTEM S.A. on the basis of a leasing agreement.

The achievements of GAZ-SYSTEM S.A. to date enable the further optimistic planning of development. The results achieved enable the construction of a long-term action strategy and the search for innovative solutions serving the development of the Company and increasing its value. The Company is prepared to face new challenges and to engage in new areas of business activity – to broaden horizons...
Principal investments undertaken and planned
Investment plans

In the planning of investment tasks by GAZ-SYSTEM S.A., the following criteria are considered:

- **security** – maintaining the good technical condition of the transmission system,
- **functionality** – modernisation and development of the system in order to reduce its operating costs,
- **development** – increasing the capacity of the transmission network.

Gas system pipelines

The development of high-pressure transmission pipelines considers above all the investments in progress, as well as the preparation and commencement with the performance of projects encompassed by the Operational Programme Infrastructure and Environment – National Cohesion Strategy 2007-2013, priority XI – Energy security.

They constitute the following:

- **Płoty – Karlino – Koszalin – Słupsk – Wiczlino gas pipelines ("northern gas main")** – this investment is the continuation of the construction of the high-pressure gas pipeline Goleniów – Nowogard – Płoty and constitutes an element of the planned northern gas main network connecting the Gdańsk and Szczecin agglomeration. The implementation of the project will also enable the efficient transmission of gas on the Gdańsk – Szczecin section and the increase of security in supply of gas to the current Customers. The construction of the gas pipeline will enable a new direction of gas supply to the Tricity to be obtained as well as the amounts of gas supplying areas of the Coast to be increased, the provision of gas to areas that have not been connected to a gas supply to date as well as the creation of the appropriate conditions for the off-take and transmission of gas from the LNG terminal;

- **Wloclawek – Gdynia gas pipeline** – an investment comprising an element of the high-pressure transmission network which will enable to increase supply of gas to the existing Customers in the Wloclawek-Gdynia section and to connect large Customers to the transmission system;

- **Polkowice – Żary gas pipeline** – the construction of this gas pipeline is the consequence of an increase in the amount of low-methane Lw gas transmitted and is intended to guarantee the stable operation of the system in this region;

- **Szczecin – Łówek gas pipeline** – the construction of the gas transmission pipeline constitutes the modernisation of the existing Kotowo – Łówek – Police supply system. In connection with the planned off-take of gas from the northern direction in Świnoujście it will be necessary to derive the gas from a new feeding point and for it to be transmitted, among others, to underground gas storage in the southern part of Poland. In the future, this investment may constitute an element of the supply system of the European transmission system in the North - South axis.

- **Świnoujście – Szczecin gas pipeline** – the construction of the connection gas pipeline of the LNG terminal located in the Świnoujście area. This gas pipeline will enable the gas imported in the form of LNG to enter the system (after its regasification), at the same time enhancing the security of gas supply to Poland;

- **Gostynin – Płońsk gas pipeline** – strengthening the Wloclawek – Rembelszczyn gas main. Its construction will enable to improve the gas transmission security to Customers located along the route of the Wloclawek – Rembelszczyn gas pipeline (PKN ORLEN S.A., among others). This will also strengthen the supply systems in the direction of the Uniszki network connection point, which is highly significant in the winter period, while establishing the conditions for the transmission of larger flows of gaseous fuel in this region of Poland.
Cavern Underground Gas Storage Mogilno – Odolanów pipeline will enable the direct connection of the gas storage in Mogilno (peak load storage) with UGS Wierzchowice (seasonal storage) and will constitute the modernisation of the existing Odolanów – Gustorzyn – Mogilno transmission system. The construction of the gas pipeline will enable increased utilisation of the Mogilno UGS at gas off-take peaks.

The system created in this way will increase the possibility of gas transmission, particularly in the northern region of Poland thus contributing to the improvement of the energy security of Poland;

Piotrków Trybunalski – Tworóg gas pipeline – the project encompasses the construction of the gas pipeline that constitutes the modernisation of the connection between Silesia and the Warsaw agglomeration;

Jarosław – Głuchów gas pipeline – will improve the security of gas supplies for the Customers of the northern region of Poland and Silesia as well as the functionality of the transmission system in the northern part of the national transmission system.

Gas compressor stations

development of the Jeleniów compressor station is to guarantee the off-take continuity of the contracted amounts of gas from the entry point in Lasów in situations of planned compressor inspection or failures;

construction of Goleniów gas compressor station is intended to increase the possibility of gas transfer to Customers in north-western Poland;

comprehensive modernisation of the distribution and measurement point of the technological part and the Jarostaw compressor station.
System connection points

+ modernisation of the Mory, Meszcze, Tworzeń, Zarzekowice, Rozwadów and Odolanów connection points thanks to which these elements will obtain additional functionality in the field of distribution, transmission and measurement of gas flows.

Measurement systems – metering the flow and quality of gas

In planning investment tasks, GAZ-SYSTEM S.A. emphasises the performance of projects connected with measurements of both the flow and the quality of the transmitted gaseous fuel as well as with the implementation of IT tools enabling compliance with the requirements set forth by the Energy Law and the Regulation (EC) No. 1775/2005 of the European Parliament and the Council of 28 September 2005.

Transmission network connections of structures and places

Investments related to the connection of new undertakings to the transmission network from the moment that GAZ-SYSTEM S.A. embarked on its business activities, have been financed exclusively from own funds.

The largest investments planned to be undertaken in 2007/2008 are:

+ connecting the network of distribution system operators (including those in Brzozowiec, Stanowice in the Oława Commune and Cracow),
+ connecting Customers to the transmission network (Saint – Gobain Glass Polska Sp. z o.o. Company, among others),
+ connections involved with the construction and development of underground gas storage (UGS Wierzchowice, among others),
+ preparing new sources of natural gas supplies (including the LNG terminal).

The implementation of the above-mentioned investments will, most of all, enable the improvement in the level of security and reliability of gas transmission with consideration of the future needs of Customers.
GAZ-SYSTEM S.A. on the European Natural Gas Market

The Gas Transmission Operator GAZ-SYSTEM S.A. is a member of many international trade organisations amongst which GIE – Gas Infrastructure Europe, EASEE-GAS – European Association for the Streamlining of Energy Exchange, GERG – European Gas Research Group as well as BALTIC GAS, deserve a mention.

These organisations are active undertakings that emerged in order to support the economic development of EU countries through the promotion of stable, reliable and cohesive regulatory frames, the development of an advantageous investment climate as well as natural gas supply security including consultancy and training support.

The representatives of GAZ-SYSTEM S.A. take an active part in the work groups, task groups and plenary sessions of given organisations which facilitates the broadening of knowledge in the scope of new technologies, solutions and investments and ensures an exchange of experiences between transmission system operators. The acquired knowledge and its practical implementation enable the development of the Polish transmission network and the adaptation of Polish standards to those binding on the European gas market. Thanks to the ease of access to information, the Company is striving to be among the Companies that apply the most innovative technological solutions.

Within the cooperation with GERG – European Gas Research Group, the Company representatives are coordinating two large research projects – „Measurement of the particle and aerosol mist content in gas” as well as „Methane emission reduction system”.

Cooperation with international sector organisations enables GAZ-SYSTEM S.A. to solve significant problems that the Company faces by harnessing the knowledge of international experts for gas issues and benefiting from EU subsidies for certain projects. It also assists in establishing and developing contacts with foreign companies from the gas sector, devising a common policy for European transmission system operators, which makes it possible to participate in the creation of a common gas market based on security principles. It also facilitates access to information on the most innovative technical solutions in the European gas market.
The Gas Transmission Operator GAZ-SYSTEM S.A. conducts operations in accordance to the socially responsible business concept through the application of transparent principles of functioning of the Company, reliable communication and shaping effective relations with business and social partners.

The social responsibility of the business is revealed in the everyday conduct of business in two dimensions – the internal and external dimension.

The following tasks are undertaken by GAZ-SYSTEM S.A. in the internal dimension:

+ within the scope of human resources management, the employees can benefit from a wide package of trainings, free sports sessions and employment benefits;
+ in the field of work safety and hygiene, the employees are entitled to comprehensive health care facilities;
+ in the field of adaptations to changes, the Company takes into account the interests of all parties and enters into dialogue with social partners;
+ in the field of environmental protection management, GAZ-SYSTEM S.A. conducts a waste disposal programme and has begun the process of devising and implementing the Integrated Management System, i.e. the Environmental Management System on the basis of the PN-EN ISO 14001 standard and the Safety and Hygiene Management System on the grounds of the PN-N 18001 standard.

In the external dimension, the Gas Transmission Operator GAZ-SYSTEM S.A.:

+ conducts dialogue with business partners - the Company was a Partner of the XVI Economic Forum in Krynica during which it organised a panel discussion entitled: „The transmission system operator and the security of natural gas supplies”. During the discussion, the situation of operators conducting business in Germany and Holland was presented as was international cooperation of gas transport companies that enables the assurance of energy security to given states;
+ provides reputable and honest customer services providing the Clients with reliable information on the services performed. In thinking of our Clients, a quality management system has been implemented on the basis of the PN-EN ISO 9001:2001 standard – „Quality Management Systems. Requirements” and the Company received the certificate conferred by the Technical Commission of the Polish Centre for Testing and Certification S.A. in the field of customer services, particularly encompassing disclosure of information to the public, issuing transmission network connection conditions, concluding network connection agreements and transmission contracts as well as the settlement of the services rendered;
+ is a member of the following associations: Gas Infrastructure Europe (GIS), European Gas Research Group (GERG), Baltic Gas, European Association for the Streamlining of Energy Exchange (EASEE-GAS), International Gas Union (IGU), Polish Gas Chamber of Commerce (Polska Izba Gospodarcza Gazownictwa - IGG) Prolinea and the Polish Association of Sanitary Engineers and Technicians;
+ promotes competitive behaviour by rendering transmission services pursuant to the TPA principle and applies the requirements stipulated in the „Transmission System Operator Compliance Programme” that prevents the privileged treatment of Clients;
+ it annually supports the Children’s Home in Komarno by donating school materials and equipment as well as sports equipment and toys;
+ as a Company that is not indifferent to tragic events, it conveyed a financial donation to the families of the „Halemba” coal mine victims in Ruda Śląska.
INDEPENDENT AUDITORS’ REPORT
To THE FINANCIAL STATEMENTS AS AT
30 APRIL 2007

To the Shareholders and the Supervisory Board of the Gas Transmission Operator GAZ-SYSTEM S.A.

We have audited the financial statement of the Gas Transmission Operator GAZ-SYSTEM S.A. Company with its Registered Office in Warsaw, ulica Bohomolca 21, which comprise:
- Introduction to the financial statement,
- Balance sheet drawn up as at 30 April 2007 which on the side of assets and liabilities recognised the amount of PLN 5,205,799,756.06.
- Profit and loss account for the period from 29 September 2006 until 30 April 2007 recognised a net profit in the amount of PLN 149,093,212.20.
- Funds flow statement for the period from 29 September 2006 until 30 April 2007 recognised an increase in equity in the amount of PLN 822,887,330.80.
- Cash flow statement for the period from 29 September 2006 until 30 April 2007 recognised an increase in the amount of cash in the sum of PLN 131,285,860.63.
- Notes to the financial statements.

Preparation of these consolidated financial statements is the responsibility of the Management Board of the Company. Our responsibility was to audit and express an opinion on the fairness, correctness and clarity of these financial statements and the correctness of the accounting records that form the basis for their preparation.
We planned and performed our audit of the financial statements pursuant to the following provisions:

- Chapter 7 of the Act of 29 September 1994 on Accounting (Journal of Laws of 2002, No. 76, item 694 with subsequent amendments),
- Standards for the performance of the profession of a Statutory Auditor certified by the National Chamber of Statutory Auditors in Poland

in a such manner so as to obtain the rational and satisfactory grounds which we consider necessary to express a qualified opinion on whether the financial statements are free from material misstatement. The audit particularly involved verification – to a large extend on a test basis – of the documents and accounting entries relevant to the amounts and disclosures in the financial statements as well as an assessment of the accounting principles (policies) applied therein, significant estimates and judgements made by the Management Board of the Company and the overall adequacy of the presentation of information in the financial statements. We are convinced that the audit we have conducted has given us sufficient grounds to issue an opinion.

In our opinion, the audited financial statements of the Gas Transmission Operator GAZ-SYSTEM S.A. Company for the period from 29 September 2006 until 30 April 2007 have been prepared in all the significant aspects thereof:

- Properly in accordance with the requirements of the Act of 29 September 1994 on Accounting and with the Articles of Association,
- On the basis of properly kept account books, and gives a true and fair view of all the significant information necessary for assessment of the property and financial situation of the audited Company as at 30 April 2007 as well as its financial result for the period of 29 September 2006 until 30 April 2007.

Without qualifying the correctness or fairness of the audited financial statements, we would like to point out to Note No. 16 in which the Management Board described the uncertainty connected with the liabilities of the Company in relation to the State Forests and individual owners on account the rights of way to land crossed underneath by gas pipelines. Due to the uncertain scope and amounts of the claims, as well as the period that these claims could potentially concern, the Company is not capable of specifying in a fair way the possible liabilities on this account.

The Management’s Report on the Company’s activities for the period from 29 September 2006 until 30 April 2007 is complete in the meaning of art. 49, item 2 of the Accounting Act and the information presented therein is consistent with the information disclosed in the audited financial statements.

Deloitte Audyt Sp. z o.o.

Entity authorised to audit financial statements entered onto the list of undertakings entitled under record no. 73, conducted by the National Chamber of Statutory Auditors

Piotr Sokółowski
Registered Auditor
Record No. 9752/7281

Warsaw, 27 June 2007
## Financial Information

### LIABILITIES

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<tr>
<th>No.</th>
<th>Title</th>
<th>As at 30.04.2007</th>
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<th>As at 30.04.2006</th>
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<td>V</td>
<td>Revaluation reserve (fund)</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>VI</td>
<td>Other capital reserves (funds)</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>VII</td>
<td>Profits (losses) brought forward</td>
<td>5,802,876.85</td>
<td>0.00</td>
<td>3,475,702.92</td>
</tr>
<tr>
<td>VIII</td>
<td>Net profit (loss)</td>
<td>149,093,212.20</td>
<td>2,149,613.48</td>
<td>162,912,090.86</td>
</tr>
<tr>
<td>IX</td>
<td>Write-offs from net profit during the financial year (negative figure)</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

### ASSETS

<table>
<thead>
<tr>
<th>No.</th>
<th>Title</th>
<th>As at 30.04.2007</th>
<th>As at 28.09.2006</th>
<th>As at 30.04.2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>FIXED ASSETS</td>
<td>4,620,791,928.59</td>
<td>4,503,912,457.98</td>
<td>4,781,585,038.89</td>
</tr>
<tr>
<td>I</td>
<td>Fixed assets</td>
<td>4,767,279.18</td>
<td>3,862,444.60</td>
<td>3,391,315.07</td>
</tr>
<tr>
<td>II</td>
<td>Tangible assets</td>
<td>4,474,610,471.98</td>
<td>4,472,949,090.08</td>
<td>4,758,751,512.33</td>
</tr>
<tr>
<td>III</td>
<td>Long-term receivables</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>IV</td>
<td>Long-term investments</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>V</td>
<td>Long-term prepayments and accruals</td>
<td>41,214,177.43</td>
<td>27,100,903.30</td>
<td>19,442,211.49</td>
</tr>
<tr>
<td>B</td>
<td>CURRENT ASSETS</td>
<td>685,007,827.47</td>
<td>443,835,558.25</td>
<td>492,687,544.34</td>
</tr>
<tr>
<td>I</td>
<td>Stocks</td>
<td>33,573,383.52</td>
<td>24,400,087.50</td>
<td>32,406,072.76</td>
</tr>
<tr>
<td>II</td>
<td>Short-term receivables</td>
<td>112,906,552.37</td>
<td>101,812,095.39</td>
<td>169,846,619.56</td>
</tr>
<tr>
<td>III</td>
<td>Short-term investments</td>
<td>523,569,003.88</td>
<td>310,922,658.38</td>
<td>284,203,316.37</td>
</tr>
<tr>
<td>IV</td>
<td>Short-term prepayments and accruals</td>
<td>14,938,887.70</td>
<td>6,600,716.98</td>
<td>6,231,535.65</td>
</tr>
</tbody>
</table>

**TOTAL ASSETS**

| 5,205,799,769.06 | 4,947,748,016.23 | 5,274,272,583.23 |
## Profit and loss account – single-step variant

<table>
<thead>
<tr>
<th>No.</th>
<th>Title</th>
<th>For 29.09.2006 - 20.06.2007</th>
<th>For 01.05.2006 - 28.09.2006</th>
<th>For 01.05.2005 - 30.04.2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Net income from sales and equivalent income, of which:</td>
<td>549,644,012.91</td>
<td>505,463,912.91</td>
<td>1,443,510,313.58</td>
</tr>
<tr>
<td>I</td>
<td>Net income from sale of products</td>
<td>949,025,066.87</td>
<td>522,659,776.96</td>
<td>1,478,462,207.70</td>
</tr>
<tr>
<td>I</td>
<td>Change in stocks of products (increase – positive figures, decrease – negative figures)</td>
<td>280,470,36</td>
<td>2,572,584,80</td>
<td>(35,124,128.32)</td>
</tr>
<tr>
<td>I</td>
<td>Costs of work performed by the undertaking for its own purposes</td>
<td>150,020,65</td>
<td>66,916,78</td>
<td>68,152,11</td>
</tr>
<tr>
<td>IV</td>
<td>Net income from sale of goods and materials</td>
<td>187,715,03</td>
<td>165,344,37</td>
<td>104,083,07</td>
</tr>
<tr>
<td>B</td>
<td>Operating costs</td>
<td>858,496,861.30</td>
<td>394,113,145.84</td>
<td>955,419,130.47</td>
</tr>
<tr>
<td>I</td>
<td>Amortisation and depreciation</td>
<td>223,984,297.03</td>
<td>149,465,067.49</td>
<td>289,017,452.27</td>
</tr>
<tr>
<td>I</td>
<td>Consumption of materials and energy</td>
<td>70,493,010.59</td>
<td>36,869,684.30</td>
<td>92,101,239.77</td>
</tr>
<tr>
<td>I</td>
<td>Outsourcing</td>
<td>146,135,189.30</td>
<td>94,536,273.29</td>
<td>326,660,451.02</td>
</tr>
<tr>
<td>IV</td>
<td>Taxes and charges, of which:</td>
<td>80,499,768.21</td>
<td>51,007,984.29</td>
<td>107,460,949.21</td>
</tr>
<tr>
<td>V</td>
<td>Wages and salaries</td>
<td>65,934,918.78</td>
<td>44,230,225.36</td>
<td>94,249,658.39</td>
</tr>
<tr>
<td>VI</td>
<td>Social insurance and other benefits</td>
<td>25,275,916.67</td>
<td>13,827,426.14</td>
<td>35,202,902.70</td>
</tr>
<tr>
<td>VIL</td>
<td>Other costs</td>
<td>7,447,077.73</td>
<td>3,941,180.47</td>
<td>10,660,084.19</td>
</tr>
<tr>
<td>VII</td>
<td>Value of goods and materials sold</td>
<td>269,284.47</td>
<td>251,281.30</td>
<td>65,822.82</td>
</tr>
<tr>
<td>C</td>
<td>Profit (loss) on sale (A-B)</td>
<td>330,144,351.52</td>
<td>115,350,767.07</td>
<td>488,091,182.09</td>
</tr>
<tr>
<td>D</td>
<td>Other operating income</td>
<td>119,127,284.16</td>
<td>5,743,907.77</td>
<td>4,757,849.68</td>
</tr>
<tr>
<td>I</td>
<td>Profit on sale of non-financial fixed assets</td>
<td>6,046,10</td>
<td>63,560,40</td>
<td>2,332,79</td>
</tr>
<tr>
<td>I</td>
<td>Grants</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>N</td>
<td>Other operating income</td>
<td>19,131,738.06</td>
<td>5,680,457.37</td>
<td>4,755,516.89</td>
</tr>
<tr>
<td>E</td>
<td>Other operating charges</td>
<td>5,297,703.90</td>
<td>3,842,983.43</td>
<td>10,799,000.15</td>
</tr>
<tr>
<td>I</td>
<td>Loss on sale of non-financial fixed assets</td>
<td>8,910.78</td>
<td>243,953.41</td>
<td>225,634.13</td>
</tr>
<tr>
<td>I</td>
<td>Revaluation of non-financial assets</td>
<td>5,063,010.39</td>
<td>3,237,042.62</td>
<td>4,013,07</td>
</tr>
<tr>
<td>H</td>
<td>Other operating costs</td>
<td>865,762.64</td>
<td>367,987.40</td>
<td>10,539,352.95</td>
</tr>
<tr>
<td>F</td>
<td>Operating profit (loss) (C+D+E)</td>
<td>343,354,423.78</td>
<td>113,351,781.41</td>
<td>482,080,522.82</td>
</tr>
<tr>
<td>G</td>
<td>Financial income</td>
<td>9,135,140.83</td>
<td>4,498,282.58</td>
<td>3,319,788.68</td>
</tr>
<tr>
<td>I</td>
<td>Dividends and shares in profit, of which:</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>I</td>
<td>Interest received, of which:</td>
<td>9,129,259.35</td>
<td>4,490,470.23</td>
<td>3,310,914.26</td>
</tr>
<tr>
<td>I</td>
<td>Profit on sale of investments</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>I</td>
<td>Revaluation of investments</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>I</td>
<td>Other</td>
<td>5,881.48</td>
<td>8,792.35</td>
<td>17,874.42</td>
</tr>
<tr>
<td>H</td>
<td>Financial costs</td>
<td>135,482,501.91</td>
<td>110,886,721.76</td>
<td>245,855,844.23</td>
</tr>
<tr>
<td>I</td>
<td>Interest, of which:</td>
<td>451,399.63</td>
<td>22,981.12</td>
<td>589,043.62</td>
</tr>
<tr>
<td>I</td>
<td>Loss on sale of investments</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>I</td>
<td>Revaluation of investments</td>
<td>0.00</td>
<td>0.00</td>
<td>37.85</td>
</tr>
<tr>
<td>N</td>
<td>Other</td>
<td>136,031,103.28</td>
<td>110,845,840.66</td>
<td>245,036,862.76</td>
</tr>
<tr>
<td>I</td>
<td>Profit (loss) on business activities (F+G+H)</td>
<td>217,007,070.71</td>
<td>6,802,232.21</td>
<td>239,773,877.07</td>
</tr>
<tr>
<td>J</td>
<td>Result of extraordinary events (J.I. – J.II)</td>
<td>166,644.29</td>
<td>(102,170.56)</td>
<td>(138,836.88)</td>
</tr>
<tr>
<td>I</td>
<td>Extraordinary profits</td>
<td>970,708.44</td>
<td>213,792.93</td>
<td>79,498.19</td>
</tr>
<tr>
<td>I</td>
<td>Extraordinary losses</td>
<td>201,062.21</td>
<td>315,963.49</td>
<td>218,395.07</td>
</tr>
<tr>
<td>K</td>
<td>Gross profit (loss) (I-J)</td>
<td>217,173,710.94</td>
<td>6,700,151.66</td>
<td>239,655,040.19</td>
</tr>
<tr>
<td>L</td>
<td>Income tax</td>
<td>43,089,198.34</td>
<td>2,245,608.07</td>
<td>44,432,090.30</td>
</tr>
<tr>
<td>I</td>
<td>Income tax</td>
<td>50,545,008.00</td>
<td>12,310,283.00</td>
<td>51,723,412.00</td>
</tr>
<tr>
<td>I</td>
<td>Deterred tax</td>
<td>(7,458,809.66)</td>
<td>(10,064,676.39)</td>
<td>(3,291,377.70)</td>
</tr>
<tr>
<td>M</td>
<td>Other obligatory reduction of profit (increase of loss)</td>
<td>24,994,306.40</td>
<td>2,284,922.10</td>
<td>28,290,910.23</td>
</tr>
<tr>
<td>N</td>
<td>Net profit (loss) (N-D-P)</td>
<td>149,093,212.20</td>
<td>2,149,613.48</td>
<td>162,912,080.86</td>
</tr>
</tbody>
</table>
# Financial Information

## Cash flow statement (indirect method)

In PLN

<table>
<thead>
<tr>
<th>No.</th>
<th>Title</th>
<th>For 29.09.2006 - 30.04.2007</th>
<th>For 01.05.2006 - 28.09.2006</th>
<th>For 01.05.2006 - 30.04.2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Operating cash flows</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I</td>
<td>Net profit (loss)</td>
<td>149,093,212.20</td>
<td>2,149,813.48</td>
<td>182,612,090.66</td>
</tr>
<tr>
<td>II</td>
<td>Total adjustments</td>
<td>384,659,778.19</td>
<td>235,889,450.86</td>
<td>552,005,191.35</td>
</tr>
<tr>
<td>1</td>
<td>Amortization and depreciation</td>
<td>223,984,287.03</td>
<td>149,455,067.49</td>
<td>289,071,542.27</td>
</tr>
<tr>
<td>2</td>
<td>Foreign exchange gains (losses)</td>
<td>(1,979.15)</td>
<td>(1,282.74)</td>
<td>(3,223.88)</td>
</tr>
<tr>
<td>3</td>
<td>Interest and profit sharing (dividends)</td>
<td>163,378,080.87</td>
<td>113,029,750.21</td>
<td>273,787,362.11</td>
</tr>
<tr>
<td>4</td>
<td>Investment profits (losses)</td>
<td>(12,867,380.89)</td>
<td>(3,320,679.87)</td>
<td>382,121.92</td>
</tr>
<tr>
<td>5</td>
<td>Movements in reserves</td>
<td>7,344,368.10</td>
<td>(1,515,075.86)</td>
<td>45,918,308.35</td>
</tr>
<tr>
<td>6</td>
<td>Movements in stock</td>
<td>(9,173,236.02)</td>
<td>8,005,985.26</td>
<td>(25,237,405.37)</td>
</tr>
<tr>
<td>7</td>
<td>Movements in receivables</td>
<td>12,967,005.05</td>
<td>66,783,257.39</td>
<td>(157,755,064.17)</td>
</tr>
<tr>
<td>8</td>
<td>Movements in short-term liabilities with the exception of loans and credits</td>
<td>(21,665,227.91)</td>
<td>(103,367,697.17)</td>
<td>136,012,917.07</td>
</tr>
<tr>
<td>9</td>
<td>Movements in payables and accruals</td>
<td>(16,186,930.64)</td>
<td>4,169,015.24</td>
<td>(3,769,455.06)</td>
</tr>
<tr>
<td>10</td>
<td>Other adjustments</td>
<td>16,879,811.75</td>
<td>(368,999.20)</td>
<td>(152,813.89)</td>
</tr>
<tr>
<td>II</td>
<td>Net operating cash flows (II)</td>
<td>513,752,990.39</td>
<td>238,039,084.14</td>
<td>714,917,286.01</td>
</tr>
<tr>
<td>B</td>
<td>Investment cash flows</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I</td>
<td>Inflows</td>
<td>2,369.87</td>
<td>314,647.10</td>
<td>51,877.10</td>
</tr>
<tr>
<td>1</td>
<td>Sale of intangible assets and tangible fixed assets</td>
<td>2,369.87</td>
<td>314,647.10</td>
<td>51,877.10</td>
</tr>
<tr>
<td>2</td>
<td>Sale of investments in immovable property and intangible assets</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>3</td>
<td>From financial assets, of which</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>4</td>
<td>Other investment inflows</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>II</td>
<td>Outflows</td>
<td>118,659,339.86</td>
<td>241,233,208.55</td>
<td>20,648,718.40</td>
</tr>
<tr>
<td>1</td>
<td>Purchase of intangible assets and tangible fixed assets</td>
<td>43,507,023.38</td>
<td>12,498,982.00</td>
<td>20,640,906.16</td>
</tr>
<tr>
<td>2</td>
<td>Investments in immovable property and intangible assets</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>3</td>
<td>On financial assets, of which</td>
<td>75,151,515.48</td>
<td>228,513,755.83</td>
<td>0.00</td>
</tr>
<tr>
<td>4</td>
<td>Other investment outflows</td>
<td>800.00</td>
<td>220,470.62</td>
<td>7,813.74</td>
</tr>
<tr>
<td>III</td>
<td>Net cash flows from investing activities (I-II)</td>
<td>(118,659,999.99)</td>
<td>(240,918,581.45)</td>
<td>(20,598,842.95)</td>
</tr>
<tr>
<td>C</td>
<td>Financial cash flows</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I</td>
<td>Inflows</td>
<td>0.00</td>
<td>0.00</td>
<td>156,010,776.17</td>
</tr>
<tr>
<td>1</td>
<td>Net inflows from issue of shares and other instruments, and additional contributions to equity</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>2</td>
<td>Credits and loans</td>
<td>0.00</td>
<td>0.00</td>
<td>156,010,776.17</td>
</tr>
<tr>
<td>3</td>
<td>Issue of debt securities</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>4</td>
<td>Other financial inflows</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>II</td>
<td>Outflows</td>
<td>263,810,159.77</td>
<td>200,448,705.51</td>
<td>571,046,822.46</td>
</tr>
<tr>
<td>1</td>
<td>Purchase of own shares</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>2</td>
<td>Dividends and other payments to shareholders</td>
<td>30,269,481.40</td>
<td>2,384,392.10</td>
<td>36,014,650.50</td>
</tr>
<tr>
<td>3</td>
<td>Other outflows under distribution of profit from payments to shareholders</td>
<td>0.00</td>
<td>8,999,988.73</td>
<td>0.00</td>
</tr>
<tr>
<td>4</td>
<td>Repayment of credits and loans</td>
<td>0.00</td>
<td>0.00</td>
<td>156,010,778.17</td>
</tr>
<tr>
<td>5</td>
<td>Redemption of debt securities</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>6</td>
<td>Other financial</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>7</td>
<td>Payments under finance lease contracts</td>
<td>119,937,155.31</td>
<td>87,565,691.56</td>
<td>168,318,845.34</td>
</tr>
<tr>
<td>8</td>
<td>Interest</td>
<td>123,704,523.06</td>
<td>101,498,093.12</td>
<td>210,701,547.85</td>
</tr>
<tr>
<td>9</td>
<td>Other financial outflows</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>III</td>
<td>Net cash flows from financial activities (I-II)</td>
<td>(263,810,159.77)</td>
<td>(200,448,705.51)</td>
<td>(415,038,044.29)</td>
</tr>
<tr>
<td>D</td>
<td>Total net cash flows (A.III + B.III + C.III)</td>
<td>131,285,860.63</td>
<td>(203,328,202.82)</td>
<td>278,284,989.92</td>
</tr>
<tr>
<td>E</td>
<td>Balance sheet movements in cash and cash equivalents, of which:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F</td>
<td>Cash and cash equivalents at the beginning of period</td>
<td>80,871,889.87</td>
<td>284,300,092.69</td>
<td>4,615,693.77</td>
</tr>
<tr>
<td>G</td>
<td>Cash and cash equivalents at the end of period (F + D), of which:</td>
<td>212,157,750.50</td>
<td>80,871,889.87</td>
<td>284,300,092.69</td>
</tr>
</tbody>
</table>
## Contact Details

### ADDRESS OF REGISTERED OFFICE
Gas Transmission Operator GAZ-SYSTEM S.A.  
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- President of the Management Board  
  +48 22 560 18 01  
  +48 22 560 17 10
- Member of the Management Board for Technical Issues  
  +48 22 560 18 05  
  +48 22 560 17 98
- Member of the Management Board for Financial Issues  
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### DIVISION:
- Financial  
  +48 22 560 18 19  
  +48 22 560 16 94
- Commercial  
  +48 22 560 18 27  
  +48 22 560 16 38
- National Gas Dispatching Centre  
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  +48 22 532 49 42
- Operations  
  +48 22 560 16 02  
  +48 22 560 16 61
- Development and Investment  
  +48 22 560 18 22  
  +48 22 560 17 45
- Human Resources  
  +48 22 560 18 15  
  +48 22 560 17 44
- Support  
  +48 22 560 18 09  
  +48 22 560 17 70
- IT  
  +48 22 560 18 13  
  +48 22 560 17 63
- Audit, Security and HSE  
  +48 22 560 17 59  
  +48 22 560 17 16
- Press Spokesperson  
  +48 22 560 17 55  
  +48 22 560 17 44
- Legal Advisor – Coordinator  
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  sekretariat.gdansk@gaz-system.pl
- Gas Transmission Operator GAZ-SYSTEM S.A.  
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- Gas Transmission Operator GAZ-SYSTEM S.A.  
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  Świdnica Branch  
  ul. F. Jana 43, 47-061 Świdnica  
  sekretariat.swidnica@gaz-system.pl
broadening horizons…