Report

This report covers the period from 01.05.2009 until 31.12.2010. The financial year lasted for 20 months and was the result of the alignment of the financial period with the calendar year.

The following terms and abbreviations are used in the report:

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<th>Abbreviation</th>
<th>Definition</th>
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<tr>
<td>GAZ-SYSTEM S.A.</td>
<td>Gas Transmission Operator GAZ-SYSTEM S.A.</td>
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<tr>
<td>PGNiG SA</td>
<td>Polskie Górnictwo Naftowe i Gazownictwo SA</td>
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<td>ERO</td>
<td>Energy Regulatory Office</td>
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<tr>
<td>Council of Ministers</td>
<td>the Council of Ministers of the Republic of Poland</td>
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<td>LNG</td>
<td>Liquefied Natural Gas</td>
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<td>EB</td>
<td>European Investment Bank</td>
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<tr>
<td>OP&amp;IE</td>
<td>Operational Programme ‘Infrastructure and Environment’ 2007-2013</td>
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<td>EEPR</td>
<td>European Energy Programme for Recovery</td>
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<td>OP IE</td>
<td>Operating Programme ‘Innovative Economy’</td>
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<td>BEMIP</td>
<td>Baltic Energy Market Interconnection Plan</td>
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<tr>
<td>TNC</td>
<td>Transmission Network Code</td>
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<td>CSR</td>
<td>Corporate Social Responsibility</td>
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Mission

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Polskie LNG S.A.

Responsible Business

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Mission

We ensure secure transportation of natural gas in Poland and are actively involved in the creation of an integrated transportation system in Europe. In our day-to-day activities, we are committed to environmental stewardship and sustainable development.
Ladies and Gentlemen,

Since 2004, Gas Transmission Operator GAZ-SYSTEM S.A. has been the company responsible for the uninterrupted operation of the Polish natural gas transmission system. On behalf of the Supervisory Board of GAZ-SYSTEM S.A., I have the pleasure of presenting this report on the company’s activities in the years 2009/2010, which the Supervisory Board has overseen and supported within its scope of authority.

Thanks to the efforts of our management team and the employees of GAZ-SYSTEM S.A., our ambitious development plans turned into tangible actions. Among others, they concerned the intensive upgrading of the national transmission system, coordination of the LNG terminal construction in Świnoujście, analysis and conceptual studies with a view of integrating the Polish network with the European TSOs in Slovakia, Denmark and Lithuania as well as active participation in the EU forum. Through its initiatives, GAZ-SYSTEM S.A. strengthened its position of a modern company safeguarding Poland’s energy security in line with the energy policy of Poland and EU policies alike.

In 2010, based on a decision of the President of the Energy Regulatory Office, GAZ-SYSTEM S.A. took over the management of the Polish section of the Yamal-Europe Gas Transit Pipeline System as its independent operator, thus becoming a major player within the group of operators responsible for natural gas transmission from Russia through Belarus and Poland to Western Europe.

In the years 2009/2010, GAZ-SYSTEM S.A. faced the challenge of managing the transmission network under special circumstances. An uninterrupted operation of the system was possible owing to professional qualifications, experience and commitment of our staff and effective procedures. The measures taken ensured secure supply of natural gas to Poland.

Importantly, the activity of GAZ-SYSTEM S.A. has conformed to the standards of corporate social responsibility, which promote environmental stewardship, implementation of efficient energy solutions and listening to the voice of local communities in the process of investment project development.

In the reporting period, the company achieved good financial results (net profit of PLN 650 million) and successfully leveraged additional sources of financing for its investments both from EU funds and through banking institutions. GAZ-SYSTEM S.A. reinforced its position in the market through a capital increase of up to over PLN 5 billion. The company acquired transmission assets worth PLN 700 million from the State Treasury. The growth of the company’s value was also supported by the adoption of the Code of Ethics, which defines the rules of ethical conduct driving the behaviours and decision making within the company.

The past achievements of GAZ-SYSTEM S.A., its commitment to the safe operation of the transmission system, determination in the pursuit of strategic investments in transmission infrastructure and real influence on the gas market development in Poland and Europe make the company one of the driving forces that change the picture of strategic gas interconnections in Europe.

On behalf of the Supervisory Board of GAZ-SYSTEM S.A., I wish further perseverance in the pursuit of ambitious projects and new goals to the Management Board and all the personnel as well as satisfying long-term cooperation to our business partners.

Yours sincerely,

Jerzy Molak

Letter from the Chairman of the Supervisory Board
Composition of the Supervisory Board during the reporting period:

- Jerzy Molak → Chairman of the Supervisory Board
- Monika Kacprzyk-Wojdyga → Deputy Chairperson of the Supervisory Board
- Włodzimierz Wołski → Secretary of the Supervisory Board
- Agnieszka Godula → Member of the Supervisory Board
- Zbigniew Marek → Member of the Supervisory Board
- Jan Matuszewski → Member of the Supervisory Board
- Rafał Wardziński → Member of the Supervisory Board
Ladies and Gentlemen,

On behalf of the Management Board, it is my great pleasure to present to you the Annual Report of Gas Transmission Operator GAZ-SYSTEM S.A. for the financial year 2009/2010, which provides an overview of the current company activity and summarizes the initiatives supporting the improvement of energy security, development of transmission infrastructure and increased competitiveness of both the Polish economy and the economies of other EU countries.

The growing importance of gas for energy security imposes particular obligations on companies operating on the gas market. All decisions regarding investments and the development of the transmission system must be made in a sustainable manner, while considering the expectations of a wide range of stakeholders. As Poland’s strategic company responsible for gas transmission across the country, we are fully committed to the above standards while performing our duties of providing uninterrupted gas supply and implementing a strategy of developing Poland’s gas transmission infrastructure. The implementation of this strategy not only enhances the energy security of Poland, but also improves market competition and leads to the integration of national transmission systems in Europe.

The safe and efficient operation of the transmission system and timely completion of our investment projects is first and foremost possible due to the commitment and efforts of our staff who are the most valuable asset of our company. It is their determination, knowledge, teamwork and professional competence that enable the organisation to pursue continuous growth, take up new challenges and pro-actively shape the development of the natural gas market in Poland and in Europe. The trust and good reputation that GAZ-SYSTEM S.A. has earned with its employees brought the company the third place in the Best Employer Ranking for the year 2010.

GAZ-SYSTEM S.A. continues the implementation of investment projects it embarked on in the previous years, which are based on three pillars, i.e.: the national transmission network, receiving terminal for re-gasification of liquefied natural gas and cross-border connections.

The LNG terminal will enable gas imports by sea from any direction worldwide, thus significantly diversifying natural gas supply to Poland. In order to strengthen cross-border exchange capacity, we are approaching the completion of the Poland-Czech Republic gas pipeline near Cieszyn and the upgrade of the Lasow interconnection point on the Polish-German border, which will enable increased gas imports from the Western direction. Both projects are scheduled for completion in 2011 and will interconnect the gas transmission systems of Poland and the EU. We will have spent over PLN 8 billion on the investment projects to be completed by 2014.

We are also developing concepts for new international projects. The plans of GAZ-SYSTEM S.A. revolving around the development of the Polish gas transmission system and its integration with other transmission operators are consistent with the future trends of the European natural gas market. The contemplated connections might become a part of the North-South Corridor,
a project intended to interconnect the gas transmission systems of Poland, the Czech Republic, Slovakia and Hungary with the Croatian Adria LNG Terminal, thus creating an opportunity for Central European consumers to receive gas from the Świnoujście LNG Terminal via the Polish gas transmission infrastructure.

We are currently exploring the possibilities for system interconnections with other transmission system operators in the Baltic Sea region. In addition, we have embarked on an pre-investment phase of conceptual studies with regard to the Baltic Pipe project connecting Poland with Denmark and are in the process of surveying the conditions for a potential gas interconnection between Poland and Lithuania.

In line with the expectations voiced by the European Commission, the President of the Energy Regulatory Office, in the decision of 17 November 2010, appointed our company as the independent operator of the Polish section of the Yamal-Europe Transit Gas Pipeline System (TGPS) until 31 December 2025. The decision was taken on the basis of an agreement which defines the mutual relations between the operator of the gas pipeline and its owner. In 2011, the practical procedures (Network Code) prepared by GAZ-SYSTEM S.A. will gain the force of law, enabling the performance of agreements and guaranteeing unrestricted access to free transmission capacity in the Yamal pipeline.

Strong financial performance was definitely conducive to the fulfilment of our business plans, as at the balance-sheet date of 31 December 2010 the shareholder equity amounted to over PLN 5 billion and the net financial result significantly exceeded expectations.

Our intensive efforts to finance some of the strategic projects with EU funds secured us about PLN 1.7 billion in co-financing, making us the largest beneficiary of EU subsidies in the energy industry and the third largest in the Polish economy after the motorways and railways. We have received PLN 1.2 billion from the Operational Programme ‘Infrastructure and Environment’ (OPI&E), while the aggregate amount of investment co-financing from the European Energy Programme for Recovery was PLN 0.5 billion. A large portion of the investment expenditure will be financed with funds generated internally by the company.

We are working hard to improve the operational performance and effectiveness of our organisation. We have implemented the Corporate Procurement Policy and a comprehensive programme for effective procurement management, both intended to optimise our internal spending in accordance with best-practice standards. Other on-going projects concern, among others, integrated IT systems to improve payroll and HR processes or support key business processes of the company.

We are actively involved in initiatives in the scope of corporate responsibility. The actions fulfilled by us in four key areas – the market, the workplace, the local community and the natural environment – are all part of strategic company management from the perspective of sustainable development.

Ladies and Gentlemen,

We take pride in our achievements and success in the financial year 2009/2010, but also perceive them as a stimulus to take up new challenges and initiatives consistent with the national and community energy policy.

At GAZ-SYSTEM S.A., we are aware of our potential and position as an important force shaping the gas sector both in Poland and in Europe. As a well-established gas transmission company with a strong financial standing, good relationships with industry organisations across the European Union and firm commitment to sustainable growth, we are ready, as an organisation, to embark on ever more ambitious strategic goals. We are going to keep our focus on ensuring a continued, uninterrupted operation of the Polish transmission system while taking into consideration the needs of the environment. At the same time, GAZ-SYSTEM S.A. will continuously work towards strengthening the foundations for an open and transparent gas market in Poland and make efforts to improve the operational and organisational efficiency of the company.

On behalf of the Management Board and myself, I would like to thank all our staff – it is your support and commitment that enable us to set ambitious goals and deliver outstanding results. I am also grateful to our customers and business partners for their trust and cooperation. We are convinced that our joint effort will turn the company’s business objectives and mission into reality.

Enjoy your reading!
Yours sincerely,

Jan Chadam
Composition of the Management Board:

Jan Chadam → President of the Management Board*

Wojciech Kowalski → Member of the Management Board

Sławomir Śliwiński → Member of the Management Board

* Until 30 June 2009 the position of President of the Management Board was filled by Igor Wasilewski

JAN CHADAM

Jan Chadam is a Doctor of Economics who, in the course of his career, has held a host of executive positions, including Financial Director, Vice President and President of the Board at Pro Futuro S.A., Warszawa, Member of the Board at Elzab S.A., Zabrze, Financial Director at SIPMA Group, Lublin, President of the Board at SIP-MOT S.A., Zamość, and Director of the Internal Audit Department at Polkomtel S.A. (PLUS GSM cellular network operator). In February 2009, he was appointed Member of the Board at GAZ-SYSTEM S.A. and subsequently President of the Board as of July 2009. He has written several dozen domestically and internationally recognised publications on finance and management and has taught at several universities and MBA programmes.

WOJCIECH KOWALSKI

Wojciech Kowalski graduated from the Wroclaw University of Technology with a degree in Mechanical Engineering. He is a licensed construction engineer, authorised to perform independent technical functions in the construction industry. Mr Kowalski completed postgraduate programmes in the gas industry at the Warsaw University of Technology and in project management at the Warsaw School of Economics. He also attended specialist training courses in quality management, corporate finance and project profitability as well as risk assessment. Wojciech Kowalski has worked in the gas industry for the last 25 years. After joining the Gas Engineering Office GAZOPROJEKT S.A. in 1986, he went on to become Vice President of the Board of the same company in 1995, where he was responsible for its technical and, later, commercial operations. He has extensive experience in corporate management, industrial plant engineering, investment process management within the energy and gas sectors. In January 2009, he was appointed Member of the Board of GAZ-SYSTEM S.A.

SŁAWOMIR ŚLIWIŃSKI

Sławomir Śliwiński graduated with a degree in Law and Administration from the Nicolaus Copernicus University in Toruń and completed a postgraduate programme in gas distribution company management at the AGH University of Science and Technology in Kraków. He is a certified quality auditor qualified by the Polish Centre for Testing and Certification and the European Organisation for Quality (EOQ) and received an MBA diploma in 2008. Mr Śliwiński was President of the Board at the Pomeranian Gas Company Sp. z o.o. (distribution system operator within the PGNiG Group). Prior to that, he worked for ZRUG Toruń S.A. (engineering and construction contractor for the gas industry), where he filled a number of positions including Quality Management Officer, Vice President and President of the Management Board. In April 2009, he was appointed Member of the Board of GAZ-SYSTEM S.A.
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.

In June 2004, the President of the Energy Regulatory Office awarded gas transmission and distribution concessions to GAZ-SYSTEM S.A. for the years 2004-2014 and in August 2010 extended its concession for gas transmission until 31 December 2030. By virtue of a decision issued by the President of ERO, GAZ-SYSTEM S.A. was designated to perform the function of transmission system operator until 31 December 2030. In November 2010, the President of ERO designated the company as the independent operator of the Polish section of the Yamal gas pipeline until 31 December 2025.

The key task of the company is to provide natural gas transport through the transmission network in order to supply distribution networks and final consumers connected to the national transportation system.

GAZ-SYSTEM S.A.’s activity is primarily focused on ensuring energy security and building a significant position as an operator driving the integration of the transportation system in Europe. The company’s vision is to strive to establish the most favourable conditions for the development of a competitive gas market in Poland and for companies operating in this sector, to construct connections between transmission systems with neighbouring countries within the European gas pipeline.
GAZ-SYSTEM is the system that connects share capital amounts to PLN 3 741 886 442. The State Treasury owns 100% percent of the shares in the company.

We operate across the territory of Poland and the head office of the company is based in Warszawa. The firm is formed by the head office and six branches located in: Gdańsk, Poznań, Rembelszczyzna, Tarnów, Świerklany, and Wroclaw. Over 2,000 employees take care of the smooth and uninterrupted operation of the transmission network. The organisation also includes the Representative Office in Brussels, which ensures an effective representation of the company’s interests at the forum of EU institutions as well as ongoing monitoring of gas-related developments within the European Union and legislative processes that affect the energy sector.

We are the owner of Polskie LNG S.A., a company established to develop the LNG terminal in Świnoujście. GAZ-SYSTEM S.A. is responsible for the coordination of this investment implemented jointly with the Maritime Authority in Szczecin, Zarząd Portów Morskich Szczecin i Świnoujście S.A. (the Harbour Authority) and Polskie LNG S.A.

The scope of responsibilities resting with GAZ-SYSTEM S.A., as the party coordinating the project, is defined in the provisions of the Act of 24 April 2009 on investments concerning the re-gasification terminal for liquefied natural gas in Świnoujście. These include, in particular: the definition of project preparation and implementation schedule, monitoring of task execution against the schedule, coordination of document and information flows among parties, monitoring the project progress with respect to the terminal and reporting as well as recommending measures to improve the project implementation process.

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Infrastructure

Components of the transmission system (as on 31 March 2011):
- over 9,7 thousand kilometres of transmission pipelines
- 854 gas stations
- 14 gas compressor stations
- 57 nodes

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 safe gas supply to consumers.

In the financial year 2009/2010, the volume of natural gas transported via the transmission network operated by GAZ-SYSTEM S.A. totalled 23.8 bcm (including transportation to underground gas storage facilities).
On 13 October 2010, by virtue of a decision issued by the President of ERO, the company was designated transmission system operator until 31 December 2030. The system operation is based on, among others, the principles set out in the Transmission Network Code (TNC), which are updated from time to time and regulate the scope of gas transmission services, taking into account relevant legal and technical requirements. In addition, the company has implemented a set of other procedures and instructions that describe the specific methods to be applied in the performance of operating activities for respective components of the transmission network (Transmission Network Operation System), which consists of system procedures, general (supporting) procedures and operating procedures and manuals.

Gas Transit Pipeline System

By virtue of the decision of the President of the Energy Regulatory Office of 17 November 2010, GAZ-SYSTEM S.A. was designated the independent operator of the Polish section of the Yamal gas pipeline until 31 December 2025. On October 2010, GAZ-SYSTEM S.A. and EuRoPol GAZ s.a. signed an inter-operator agreement that defines the mutual relations between the gas pipeline operator and the owner of the Polish section of the Yamal – Europe Transit Gas Pipeline System (TGPS). GAZ-SYSTEM S.A. is finalising the definition of relevant procedures, including the network code, which will ensure non-discriminatory conditions of access to available transmission capacity in the Yamal pipeline.

Employees

The people working in GAZ-SYSTEM S.A., ensuring the reliable operation of the transportation system, are the key driver of the company’s business and development. It is the knowledge, teamwork and professional competence of over 2,000 employees that enable the organisation to pursue continuous growth and take up new challenges. 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.

Human capital management policies embrace the creation of opportunities for professional development, internal mobility and an extensive package of social benefits. Employees take part in mandatory training programmes, professional development courses, competency building sessions, workshops, language courses as well as university studies including postgraduate and MBA programmes. They also have the opportunity to participate, free of charge, in industry conferences, both domestically and abroad.

Employee rights are strictly respected in our company. The compensation rules are set out in internal regulations, which ensures that any financial benefits are awarded on a fully transparent basis.

Employee of the Year Competition

Similarly as in the previous years, the competition was held to select the Employee of the Year 2009 and 2010. Among the nominees were seven individuals representing the respective branches and the head office. In 2009, the winner was Mr Stanisław Węsierski from the branch in Gdańsk, while in 2010 the title went to Mr Marek Ryznar from the branch in Świekrzyn. The selection criteria were based on the employees’ achievements and personal traits evaluated in the light of values promoted in the company’s Code of Ethics, i.e. professionalism, respect, responsibility, teamwork, and commitment.
Customers

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 beginning and set the standard for cooperation with both existing and future business partners. Such behaviour is not only driven by legal regulations set forth in the Network Code or the contractual provisions, but also the Code of Ethics of GAZ-SYSTEM S.A., which defines the principles of employees’ ethical conduct versus the stakeholders, based on such values as, among others, responsibility, commitment and professionalism. This is reflected in the results of our annual Customer Satisfaction Survey which allows us to keep track of the expectations of our business partners and improve service standards. In the surveys held in 2009 and 2010, customers repeatedly appreciated high quality of service, above all attributed to the professional capabilities and commitment of our employees.
Services

As part of our daily tasks we ensure effective and well-coordinated management of network flows, ensuring non-discriminatory access to the transmission networks for interested parties and transparency of information as well as carrying out the activity in a manner that is safe for the environment and local communities.

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, operation, maintenance and repairs of customer networks and facilities and interruption or restoration of gas supply to individual system points on customer request.

The largest consumers of natural gas transported by GAZ-SYSTEM S.A. are represented by the following industry sectors: chemicals, petroleum, power generation, metals, mineral resources, and electric goods.

Services in numbers (2009/2010):

- 92 decisions issued concerning the definition of connection conditions
- 28 transmission network connection agreements concluded
- 24 applications for the provision of transmission services
- 14 customers using the gas odorization service
- 23.8 bcm of gas transported

Exchange Information System (EIS)

In order to enhance the quality of cooperation and establish improved customer service standards, we implemented the Exchange Information System. It is a platform that enables the publication and secure exchange of technical and commercial information between GAZ-SYSTEM S.A. and our business partners.

The on-line access to the platform (https://swi.gaz-system.pl/swi) ensures an instant communication of data to customers, including, among others: the execution of their transmission contracts, issues related to the connection to the transmission network and settlements related to services. In addition, EIS serves to provide information regarding available transmission capacity, gas quality parameters, the transmission system map and the scheduled maintenance of the transmission system, which is posted on the company’s website: www.gaz-system.pl.

Information Security

GAZ-SYSTEM S.A. is an organization that gives high priority to the security of information resources entrusted to the company by its business partners. The initiatives aimed at continuous improvement of standards with regard to, for example, the protection of personal data or sensitive commercial information place us among Polish companies with the highest security standards for such resources.
We develop an integrated transmission system

Transmission Network Development

The implementation of EU legislation guidelines and national regulations lead to specific investments and business projects undertaken by GAZ-SYSTEM S.A. with a view to upgrading the gas transmission network.

Through these initiatives we contribute to the improvement of Poland’s energy security in the area of natural gas transmission, by providing technical capabilities for the diversification of natural gas supply. We play 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.

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
By 2014, GAZ-SYSTEM S.A. will build over 1,000 kilometres of new transmission pipelines. Key projects will be developed in the North-Western and Central Poland. These will include the following gas pipelines:

- Szczecin – Łowówek
- Świnoujście – Szczecin
- Szczecin – Oława
- Włocławek – Gryfino
- Rembertów – Gustyrazn
- Gustyrazn – 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, open up new opportunities for connections to the system and provide new business prospects for the company. The Polish gas network will become an integral part of the European gas infrastructure.

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 Poland’s energy security. It has been recognized as a strategic investment for our country by the Polish Council of Ministers and will enable deliveries of natural gas by sea from any direction across the world. This is the first project of its kind in 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 domestic 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.

In the first stage, the terminal will be able to receive approx. 5 bcm of natural gas per annum, which represents about 35 percent of the domestic gas consumption. The planned project scope will include the construction of two LNG tanks with the capacity of 160 tcm each. Along with demand growth, the receiving capacity of the terminal may be upgraded even up to 7.5 bcm.

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.

### National Transportation System:

**Construction of over 1,000 kilometres of new transmission pipelines**

<table>
<thead>
<tr>
<th>Completion date</th>
<th>Cost approx.</th>
<th>EEPR</th>
<th>OPIE</th>
</tr>
</thead>
<tbody>
<tr>
<td>by 2014</td>
<td>PLN 3 billion</td>
<td>PLN 200 million (EUR 50 million)</td>
<td>PLN 782 million</td>
</tr>
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</table>

Co-financing by the European Union

<table>
<thead>
<tr>
<th>Capacity</th>
<th>Completion date</th>
<th>Cost approx.</th>
<th>EEPR</th>
<th>OPIE</th>
</tr>
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<tbody>
<tr>
<td>5 bcm</td>
<td>2014</td>
<td>PLN 2.6 billion</td>
<td>approx. PLN 200 million (EUR 55 million)</td>
<td>PLN 456 million</td>
</tr>
</tbody>
</table>

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 Poland’s energy security. It has been recognized as a strategic investment for our country by the Polish Council of Ministers and will enable deliveries of natural gas by sea from any direction across the world. This is the first project of its kind in 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 domestic 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 interconnection of the transmission systems of Poland and the Czech Republic near Cieszyn/Český Těšín 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 Q4 2011 will offer the annual off-take capacity of 0.5 bcm of natural gas. In emergency situations, the gas pipeline can also be used for gas transportation in the opposite direction using a portion of the available interconnection capacity. The gas pipeline length is approx. 22 kilometres on the Polish side and approx. 10 kilometres on the Czech side. For the Cieszyn entry point, an Open Season Procedure was carried out to assess market demand for transmission capacity. Following the capacity allocation procedure, GAZ-SYSTEM S.A. entered into gas transmission contracts with three parties.

As part of its investment program, GAZ-SYSTEM S.A. is expanding the transmission infrastructure in Lasów at the Polish-German border, which will enable increased gas imports from the Western direction. According to current projections, the supply volume will correspond to over 10 percent of the total domestic demand for natural gas. In 2011, the company initiated the process of consultation with the Energy Regulatory Office regarding the “Rules for Procedure of Allocating Additional Capacity at the Lasów Entry Point” at the Polish-German border, which will be the basis for the execution of transmission contracts. The project completion is expected in 2011. The network development plan for the region also provides for the construction of 100 kilometres of new gas pipelines. Over 50 kilometres of gas pipelines in Lower Silesia will be upgraded, including the sections: Jeleniów-Dziwiszów and Taczalin-Radakowice-Gałów.
We are actively participating in the development of the integrated gas network in Central Europe and shaping the European gas sector.

Our proposals for the expansion of the transmission infrastructure in Poland comply with EU plans to establish new interconnections that will enhance energy security and improve the diversification of gas supply from new sources.
GAZ-SYSTEM S.A. participates in 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 2010, the company signed a cooperation memorandum with AB Lietuvos Dujos concerning joint analytical studies on the potential gas interconnection between Poland and Lithuania. In 2011, a business analysis was undertaken to gather 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, sources of gas supply, prices in the energy markets and the security of supply options, also in the context of new EU legislation concerning measures to safeguard security of gas supply. The analysis will offer insights regarding the feasibility of and prospects for the construction of a gas interconnection between Poland and Lithuania.

Interconnection Poland-Lithuania

Interconnection Poland-Slovakia

In 2010, GAZ-SYSTEM S.A. and the Slovak transmission system operator, Eustream a.s., signed a letter of intent on cooperation concerning the potential development of a gas pipeline between Poland and Slovakia. A working party composed of representatives of both operators has been charged with technical, economic, environmental and legal analyses concerning the construction of an interconnection between both countries. The final products will include a feasibility study and a business case for the interconnection between the Polish and Slovak systems. The cooperation with the Slovak transmission system operator is an element of the strategy pursued by GAZ-SYSTEM S.A., with a view to actively participate in the creation of an integrated gas network in Central Europe. The interconnection between Poland and Slovakia, which is currently under consideration, could be a component of the North-South Corridor.
GAZ-SYSTEM S.A. is looking into the feasibility of the construction of a gas interconnection between Polish and Danish gas transmission systems. We are in the process of pre-investment phase studies for the Baltic Pipe project. This interconnection is perceived as the project of European interest and thus, in future, it might play an important role in completion of the priority goals of the Baltic Energy Markets Interconnection Plan (BEMIP). The Baltic Pipe project is carried out in coordination with the Danish TSO – Energinet.dk. It would enable gas deliveries from the Norwegian Continental Shelf. 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.

North-South Gas Corridor

The concept of the North-South Gas Corridor assumes that the LNG terminal in Świnoujście will be connected through Poland, the Czech Republic, Slovakia and Hungary with the Adria LNG terminal in Croatia and possibly the Nabucco pipeline. When implemented, the North-South Gas Corridor would establish a new route for gas transportation in Europe and enable efficient utilization of domestic transmission pipelines in respective countries. First and foremost, the North-South Gas Corridor will stimulate the development of the domestic 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 have been made 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 Central and Eastern 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.
By 2014, GAZ-SYSTEM S.A. will spend PLN **8 billion** on the implementation of the investment plan.

A large portion of investment expenditure on the implementation of strategic projects is funded from 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.
Polskie LNG S.A. is a subsidiary of GAZ-SYSTEM S.A., established in 2007 (as Polskie LNG Sp. z o.o.) for the purpose of building a regasification terminal in Świnoujście to receive liquefied natural gas.

The terminal development was recognised by the Polish Council of Ministers as a strategic investment project for the diversification of the natural gas supply directions, which will enhance the energy security of our country. By virtue of 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 outer harbour in Świnoujście. The tasks of the company are focused around the definition of the project preparation and implementation schedule, monitoring of task execution against the schedule, coordination of document and information flows among parties, monitoring of project progress with respect to the terminal and reporting as well as recommending measures to improve the project implementation process.

Polskie LNG S.A. is the party responsible for the project’s execution, including the preparation of technical and economic documentation, obtaining permits and administrative approvals, selection of the general contractor as well as the monitoring and coordination of activities related to the terminal construction. Under the Open Season Procedure announced in June 2009, in order to establish market demand for regasification services, consultations with interested parties were held, the terminal code was adopted and a preliminary allocation of the terminal’s capacity was made.

The European Commission granted a subsidy of EUR 55 million to Polskie LNG S.A. under the EEPR program. The company also applied to the Oil and Gas Institute, which plays the role of the Implementing Authority, for project co-financing under the OPI&E.
LNG Terminal in Świnoujście

The LNG terminal is a receiving facility for the re-gasification of liquefied natural gas (LNG) to be delivered by sea to the harbour in Świnoujście.

The project components include a new breakwater in the Baltic Sea, harbour infrastructure for LNG carriers, a connecting gas pipeline Szczecin-Świnoujście and the LNG terminal.

The LNG technology is used worldwide and consists in the transformation of natural gas in liquefied form by special vessels (methane carriers) to terminals where the fuel undergoes the re-gasification process (i.e. is brought back to gaseous form by being heated). In this form, the fuel is transported to customers via the national gas pipeline network. In the first stage of its operation, the LNG terminal will be capable of receiving 5 bcm of natural gas per annum. In the next stage, depending on demand development, it will be possible to expand the re-gasification capacity up to 7.5 bcm, which corresponds roughly to 50 percent of the present annual demand for gas in Poland (currently, the yearly gas consumption of our country is equal to about 14 bcm).

Key advantages of LNG use:

- Flexibility of supply – LNG is both an effective mean 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 oil or LPG.
Components of the LNG terminal and outer harbour development in Świnoujście

LNG terminal – will be built in Świnoujście at a site designated for harbour development on the right (i.e. Eastern) bank of the Świna river. The terminal site covers the area of 48 hectares and will include the following components: facilities for LNG unloading from the ship, 2 cryogenic tanks of 160 tcm each and LNG re-gasification lines together with custody transfer systems for gas send-out to the pipeline connecting the terminal with the national transmission system.

New breakwater in the Baltic Sea – to be located east of the existing breakwater at the estuary of the Świna river and the infrastructure providing access to the new outer harbour, i.e. the fairway, turning basin and groin to be added to the existing breakwater. The new breakwater will be approx. 3 kilometres long and will be built of steel, concrete and stone. Once completed, the breakwater and the groin will form the entrance to the new harbour and following the necessary dredging works, the new harbour basin will become a suitable location for a new jetty capable of receiving LNG vessels and – in the future – for other harbour jetties.

New harbour infrastructure to support LNG carriers – in order to enable the mooring and unloading of LNG carriers coming to the harbour, a new jetty will be built, which will consist mainly of a berth and a fire water intake platform and a trestle bridge for process lines. The berth will be equipped with all the necessary facilities such as navigation and mooring equipment, etc. The jetty will serve exclusively for the unloading of LNG carriers.

Connection of the LNG terminal with the national transmission system – Świnoujście-Szczecin gas pipeline – the connection between the LNG terminal and the national transmission system will be established via an 80-kilometre long gas pipeline with a diameter of 800 millimetres. The pipeline will run through the territories of five communes (Świnoujście, Międzyzdroje, Wolin, Stepnica and Goleniów) – from the LNG terminal to the vicinity of a gas compressor station in Goleniów, where it will join the national transmission system.

Routing of send-out and distribution gas lines

- Send-out gas line (approx. 6 km)
  - Świnoujście
  - Międzyzdroje
  - Wolin
  - Stepnica
  - Goleniów

- Distribution gas line (approx. 74 km)
  - Świnoujście
  - Międzyzdroje
  - Wolin
  - Stepnica
  - Goleniów
We are guided by the principles of sustainable development.

Responsible Business

The company actively engages in corporate social responsibility initiatives. The activities undertaken by the company are focused on four areas – the market, the workplace, the 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 its effort to build and strengthen the image of a company whose investment initiatives recognise community and environmental concerns, GAZ-SYSTEM S.A. undertakes various promotion projects. This activity is focused in particular on local communities, customers and the media, and is carried out in line with responsible business principles. Thereby, we promote the image of a fair, ethical and credible company that is engaged in a continuous stakeholder dialogue.
Code of Ethics

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. In GAZ-SYSTEM S.A., we have 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 include:

- Responsibility
- Commitment
- Professionalism
- Teamwork
- Respect

A company with an established system of values and clearly defined standards of behaviour becomes more predictable and credible for its customers, investors, business partners and, last but not least, its employees. The codified ethical standards and their observance reinforce a coherent organisational culture and corporate brand. Everyone interested in the Code of Ethics of GAZ-SYSTEM S.A. may access it through the corporate website: www.gaz-system.pl.

Stakeholder relations

The responsible operation of our company in the marketplace is reflected in its efficient relations 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 organised. We also ensure that the projects are fully understood and accepted by the local community, while offering the region concerned the opportunity to benefit from the projects.
In pursuit of socially responsible practices, GAZ-SYSTEM S.A. signed “The Declaration on Sustainable Development in the Energy Sector in Poland”. Apart from energy security, the document points to other aspects the company is particularly concerned about when carrying out its activities. These include: taking care of the natural environment, implementation of efficient energy solutions and listening to the voice of local communities in the investment process.

WITH REGARD TO THE DECLARATION POINTS, WE ARE IMPLEMENTING THE FOLLOWING INITIATIVES:

<table>
<thead>
<tr>
<th>DECLARATION POINTS</th>
<th>SELECTED INITIATIVES OF GAZ-SYSTEM S.A.</th>
</tr>
</thead>
</table>
| Transparent of operations and efficient management | → Code of Ethics of GAZ-SYSTEM S.A.  
   → Corporate Social Responsibility Programme of GAZ-SYSTEM S.A. |
| Health and safety at work              | → Reinforced protective clothing  
   → Internal “No Accidents” campaign                                                                 |
| Stakeholder involvement and community care, meetings with local authorities concerning investment projects undertaken by the company | → Meetings with local communities  
   (representatives of local authorities and national government bodies), e.g. in Szczecin, Gdańsk, Poznań, Wrocław, Warszawa |
| Partner relations with customers, suppliers and contractors | → Integrated Management System  
   → Corporate Procurement Policy                                                                           |
| Promotion of energy-saving solutions and clean technologies | → Natural Energy Fund  
   → Participation in the Natural Gas STAR Programme                                      |
| Environmentally friendly sources of energy, industry cooperation and knowledge sharing | → Cooperation with the AGH University of Science and Technology |

Research and development projects

We undertake numerous pro-environmental R&D projects, where we assess the impact of noise emissions generated during high-pressure pipeline purging on vertebrate species in the immediate vicinity and the surroundings of the work sites. The company takes measures aimed at reducing methane emissions. Following a good practice in this regard, an agreement with the Environmental Protection Agency was signed – it concerns joint activities to reduce methane emissions to the atmosphere. As a result, we have become an official partner in the Natural Gas STAR Programme and have the opportunity to use professional software for the analysis of the sources of methane emissions from the transportation system.
The company puts a strong emphasis on environmental protection and duly complies with all requirements in this regard. This commitment is reflected in the implementation of an Environmental Management System based on the PN-EN ISO 14001:2005 standard – “Environmental Management Systems. Requirements and guidelines for application”. Environmental risks are identified and assessed based on the Enterprise Risk Management standard. As part of the Integrated Management System (IMS), internal environmental audits are conducted.

Health and safety at work are one of the key priorities for our company and, therefore, great importance is given to the application of best practice standards in this area. As part of the Integrated Management System, we have implemented the „Health and Safety Management Systems – Requirements”, according to the PN-N-18001:2004 standard.

With regard to customer service, our company holds a Quality Management System certificate, which confirms that the procedures and operating manuals implemented by the company conform to the requirements of the PN-EN ISO 9001:2009 standard – “Quality Management Systems – Requirements”. Based on developed standards, the access to transportation services is guaranteed 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 the company with the Polish Quality Award in 2009, in the category of large service organisations.

GAZ-SYSTEM S.A. has also received the „New Impulse” award for initiating a range of gas transmission infrastructure investments in Poland, which are vital for the improvement of the country’s energy security.

Natural Energy Fund

GAZ-SYSTEM S.A. actively engages in social dialogue and supports environmental initiatives. We are the sponsor of a grant competition entitled “Natural Energy Fund”. The competition aims to provide support funding for best environmental ideas in a selected region. The first edition was addressed to communes, schools and inhabitants of the West Pomeranian Province. The top five environmental ideas were recognised with financial grants. These are:

- “Patrolling Squads” – project proposal of the Special Education and Childcare Centre in Nowogard;
- “Healing the Chestnut Trees” – project proposal of a School Complex in Lubiana;
- “Didactic Path” – project proposal of a Primary School in Czaplinek;
- “The World is Waiting for Green People” – project proposal of the Janusz Korczak Primary School in Gostomia;
- “Active Yet Conscious Living” – project proposal of Professor W. Szafer of Primary School No. 2 in Wapnica.

The Natural Energy Fund will be organised annually and extended to cover the whole country. Among partners invited by GAZ-SYSTEM S.A. to take part in the evaluation of the works were: Nasza Zemia (Our Earth) Foundation, which has been long supporting environmental initiatives at the commune level, environmental experts from the West Pomeranian Province Office and the Provincial Fund for Environmental Protection and Water Management.
Education

In accordance with its Corporate Social Responsibility Programme, GAZ-SYSTEM S.A. actively supports education initiatives. We donated over 600 school starter kits for children commencing their education in communes where we carry out our investment projects. In addition, we cooperate with the AGH University of Science and Technology in Kraków, Department of Drilling, Oil and Gas and Department of Energy and Fuels, where a numerical laboratory on logistics and transmission network management was set up for students based on an advanced simulator of gas flows in networks. The featured software systems are used on a day-to-day basis in GAZ-SYSTEM S.A. and enable the computation of all the processes taking place in transmission pipeline systems.

CSR initiatives

Since July 2009, we are a member of the international Global Compact initiative, which gathers companies and institutions which subscribe to 10 fundamental principles in the areas of human rights, labour, the environment and anti-corruption. GAZ-SYSTEM S.A. also takes part in activities of the CSR working group in the Ministry of Economy, which deals with, inter alia, responsible investments in infrastructure.
GAZ-SYSTEM is the system that connects international natural gas forum

With the changing realities of the international gas market and the progress of work on the European Energy Policy, the activity of GAZ-SYSTEM S.A. on the international, as well as EU arena, both on the legislation side and in specific business undertakings, becomes an increasingly significant element of the company’s operations.

GAZ-SYSTEM S.A. firmly established its position in the EU forum, with the support of, among others, the Representative Office in Brussels, which maintained and fostered new contacts with EU institutions, communicated the company’s position on the EU policy relevant to the natural gas sector and monitored the legislative process with regard to regulations that affect the functioning of the energy market in Poland.

In this context, it is worth emphasising the provisions of the Third Energy Package, the new Regulation concerning measures to safeguard security of gas supply and the Communication of the European Commission on energy infrastructure priorities for 2020 and beyond. With regard to the natural gas sector, the Third Package provides for unbundling of supply and production from transmission activities, creation of an institution supporting the cooperation of regulatory authorities (ACER) and an organisation gathering gas transmission system operators (ENTSOG). Furthermore, the new legislation aligns the scopes of powers of national regulatory authorities and ensures their independence, introduces joint principles of network functioning and development, increasing consumer rights. Regulation 994/2010, concerning measures to safeguard security of gas supply, which became effective as of 2 December 2010, introduced a number of new solutions with a view to preventing and mitigating the consequences of supply interruptions or failures, including the establishment of supply and infrastructure standards, and to the intensification of cooperation on the regional and community level. The Communication on Energy Infrastructure Priorities was published in November 2010. This is a crucial document for European gas transmission system operators shaping the European Union policy in the scope of energy infrastructure for the coming years.

Membership of GAZ-SYSTEM S.A. in international organisations

The membership in international organisations is a vital element of the company’s activities. The participation of our representatives in conferences, workshops and plenary sessions of respective organisations is an opportunity for exchange of experience and good practices, supports R&D efforts and the promotion of new solutions for the natural gas sector. This activity gives us a stronger voice in the international forum.

The company is a member of the following international organisations:

- European Network of Transmission System Operators for Gas
- Gas Infrastructure Europe
- EASEE-Gas
- Baltic Gas
- The European Gas Research Group
- Marcogaz
- International Gas Union
Opinion of an independent auditor on the summary financial statements prepared on the base of the audited financial statements for the financial year ended 31 December 2010.

To the General Shareholder Meeting of Gas Transmission Operator GAZ-SYSTEM S.A.,

The attached summary financial statements, which comprise the summary balance-sheet as on 31 December 2010, summary profit and loss statement, summary statement of changes in equity and summary cash flow statement for the financial year then ended as well as notes to the summary financial statements, were prepared on the basis of the financial statements of Gas Transmission Operator GAZ-SYSTEM S.A., having its registered office in Warszawa, at ul. Mszczonowska 4 (“the Company”) for the financial year ended 31 December 2010. On 18 February 2011, we issued our unqualified opinion on those statements. The above-described financial statements and the summary financial statements disregard the effects of any events that occurred after the date of our opinion on the said financial statements.

The summary financial statements do not contain all the information required under the Accounting Act of 29 September 1994 (Journal of Laws of 2009, No. 152, item 1223, as further amended) (the “Accounting Act”) and other applicable regulations. The analysis of the summary financial statements should not replace a full review of the audited financial statements of the Company.

Responsibility of the Management Board for the Summary Financial Statements

The preparation of the summary financial statements in accordance with the applicable principles adopted by the Company is a responsibility of the Management Board.

Responsibility of the Auditor

Our responsibility is to form an opinion on the summary financial statements based on procedures performed in accordance with the provisions of national standards on audit issued by the National Council of Statutory Auditors in Poland and International Standard on Auditing ISA 810, “Engagements to Report on Summary Financial Statements”.

Opinion

In our opinion, the summary financial statements prepared on the basis of the audited financial statements of Gas Transmission Operator GAZ-SYSTEM S.A. for the financial year ended 31 December 2010 are consistent, in all material respects, with these financial statements in accordance with the applicable principles adopted by the Company.

For KPMG Audyt Sp. z o.o. registration number 458 ul. Chłodna 51, 00-867 Warszawa
Chartered Auditor No 12044 Alicja Opara
Chartered Auditor No 10268 Director Monika Bartoszewicz
Warszawa, 21 March 2011
## Financial Statements

### PROFIT AND LOSS ACCOUNT – COMPARATIVE BASIS

<table>
<thead>
<tr>
<th></th>
<th>Figures for period:</th>
<th>Figures in PLN million</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Net income from sales and equivalent income</td>
<td>2,455,93</td>
<td>1,382,35</td>
</tr>
<tr>
<td>B Operating costs</td>
<td>1,751.62</td>
<td>986.17</td>
</tr>
<tr>
<td>C Profit (loss) on sales [A-B]</td>
<td>704.31</td>
<td>396.18</td>
</tr>
<tr>
<td>D Other operating income</td>
<td>82.14</td>
<td>100.49</td>
</tr>
<tr>
<td>E Other operating expenses</td>
<td>29.52</td>
<td>28.36</td>
</tr>
<tr>
<td>F Profit (loss) on operating activities [C+D-E]</td>
<td>754.93</td>
<td>468.31</td>
</tr>
<tr>
<td>G Financial income</td>
<td>92.28</td>
<td>64.48</td>
</tr>
<tr>
<td>I Dividends and shares in profit</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>II Interest</td>
<td>91.02</td>
<td>64.24</td>
</tr>
<tr>
<td>III Profit on sale of investments</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>IV Revaluation of investments</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>V Other</td>
<td>0.24</td>
<td>0.24</td>
</tr>
<tr>
<td>H Financial expenses</td>
<td>39.18</td>
<td>97.75</td>
</tr>
<tr>
<td>I Interest</td>
<td>0.24</td>
<td>0.13</td>
</tr>
<tr>
<td>II Loss on sale of investments</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>III Revaluation of investments</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>IV Other – interest under financial lease</td>
<td>38.94</td>
<td>97.62</td>
</tr>
<tr>
<td>I Profit (loss) on business activities [F+G-H]</td>
<td>810.03</td>
<td>435.04</td>
</tr>
<tr>
<td>J Result of extraordinary events [J - (I+J)]</td>
<td>0.00</td>
<td>(0.01)</td>
</tr>
<tr>
<td>K Profit (loss) before taxation [K-L]</td>
<td>810.03</td>
<td>435.03</td>
</tr>
<tr>
<td>L Corporate income tax</td>
<td>158.58</td>
<td>91.27</td>
</tr>
<tr>
<td>M Other obligatory deductions from profit (increase of loss)</td>
<td>0.00</td>
<td>55.17</td>
</tr>
<tr>
<td><strong>Net profit (loss) [K-L-M]</strong></td>
<td>651.45</td>
<td>288.50</td>
</tr>
</tbody>
</table>

### CASH FLOW STATEMENT (INDIRECT METHOD)

<table>
<thead>
<tr>
<th></th>
<th>Figures for period:</th>
<th>Figures in PLN million</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>01.05.2009 – 31/12/2010</td>
<td>01.05.2008 – 30.04.2009</td>
</tr>
<tr>
<td>A Cash flow from operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I Net profit (loss)</td>
<td>549.88</td>
<td>288.59</td>
</tr>
<tr>
<td>II Total adjustments</td>
<td>627.3</td>
<td>337.29</td>
</tr>
<tr>
<td>III Net cash from operating activities [I ± II]</td>
<td>1,176.91</td>
<td>625.88</td>
</tr>
<tr>
<td>B Cash flow from investment activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I Receipts</td>
<td>263.06</td>
<td>540.97</td>
</tr>
<tr>
<td>II Outflows</td>
<td>1,261.00</td>
<td>254.62</td>
</tr>
<tr>
<td>III Net cash flows from investment activities [I - II]</td>
<td>(997.94)</td>
<td>284.35</td>
</tr>
<tr>
<td>C Cash flow from financial activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I Receipts</td>
<td>75.55</td>
<td>0.00</td>
</tr>
<tr>
<td>II Outflows</td>
<td>173.90</td>
<td>253.04</td>
</tr>
<tr>
<td>III Net cash flows from financing activities [I±II]</td>
<td>(96.35)</td>
<td>(253.04)</td>
</tr>
<tr>
<td>D Total net cash flow (A.II ± B.II ± C.II)</td>
<td>80.62</td>
<td>657.19</td>
</tr>
<tr>
<td>E Balance-sheet increase/decrease in cash and cash equivalents, of which:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Effect of foreign exchange rate change</td>
<td>1.22</td>
<td>0.00</td>
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<tr>
<td>F Cash and cash equivalents at the beginning of period</td>
<td>888.61</td>
<td>231.43</td>
</tr>
<tr>
<td>G Cash and cash equivalents at the end of year (F±D)</td>
<td>969.23</td>
<td>888.02</td>
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</tbody>
</table>
### ASSETS

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td><strong>A</strong>.Non-current assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I Intangible assets</td>
<td>4,848.28</td>
<td>3,704.69</td>
</tr>
<tr>
<td>II Plant and equipment</td>
<td>3,734.89</td>
<td>3,592.10</td>
</tr>
<tr>
<td>III Long-term receivables</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>IV Long-term investments</td>
<td>674.57</td>
<td>54.98</td>
</tr>
<tr>
<td>V Long-term accruals</td>
<td>43.03</td>
<td>43.62</td>
</tr>
<tr>
<td><strong>B</strong>.Current assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I Inventories</td>
<td>1,260.07</td>
<td>1,385.41</td>
</tr>
<tr>
<td>II Short-term receivables</td>
<td>238.62</td>
<td>142.64</td>
</tr>
<tr>
<td>III Short-term investments</td>
<td>970.69</td>
<td>1,147.31</td>
</tr>
<tr>
<td>IV Short-term accruals</td>
<td>1.62</td>
<td>45.72</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>5,744.35</td>
<td>5,090.10</td>
</tr>
</tbody>
</table>

### EQUITY AND LIABILITIES

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td><strong>A</strong>.Equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I Share capital</td>
<td>5,141.06</td>
<td>3,889.68</td>
</tr>
<tr>
<td>II Supplementary capital</td>
<td>3,741.89</td>
<td>3,019.39</td>
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<tr>
<td>III Other capital reserves</td>
<td>327.87</td>
<td>314.77</td>
</tr>
<tr>
<td>IV Accumulated profit (loss)</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>V Net profit (loss)</td>
<td>651.45</td>
<td>288.50</td>
</tr>
<tr>
<td>VI Write-off on net profit during the financial year (negative value)</td>
<td>(101.57)</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>B</strong>.Liabilities and provisions for liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I Provisions for liabilities</td>
<td>174.10</td>
<td>136.30</td>
</tr>
<tr>
<td>II Long-term liabilities</td>
<td>35.60</td>
<td>459.41</td>
</tr>
<tr>
<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>
</tr>
<tr>
<td><strong>TOTAL EQUITY AND LIABILITIES</strong></td>
<td>5,744.35</td>
<td>5,090.10</td>
</tr>
</tbody>
</table>
Management Board

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notes