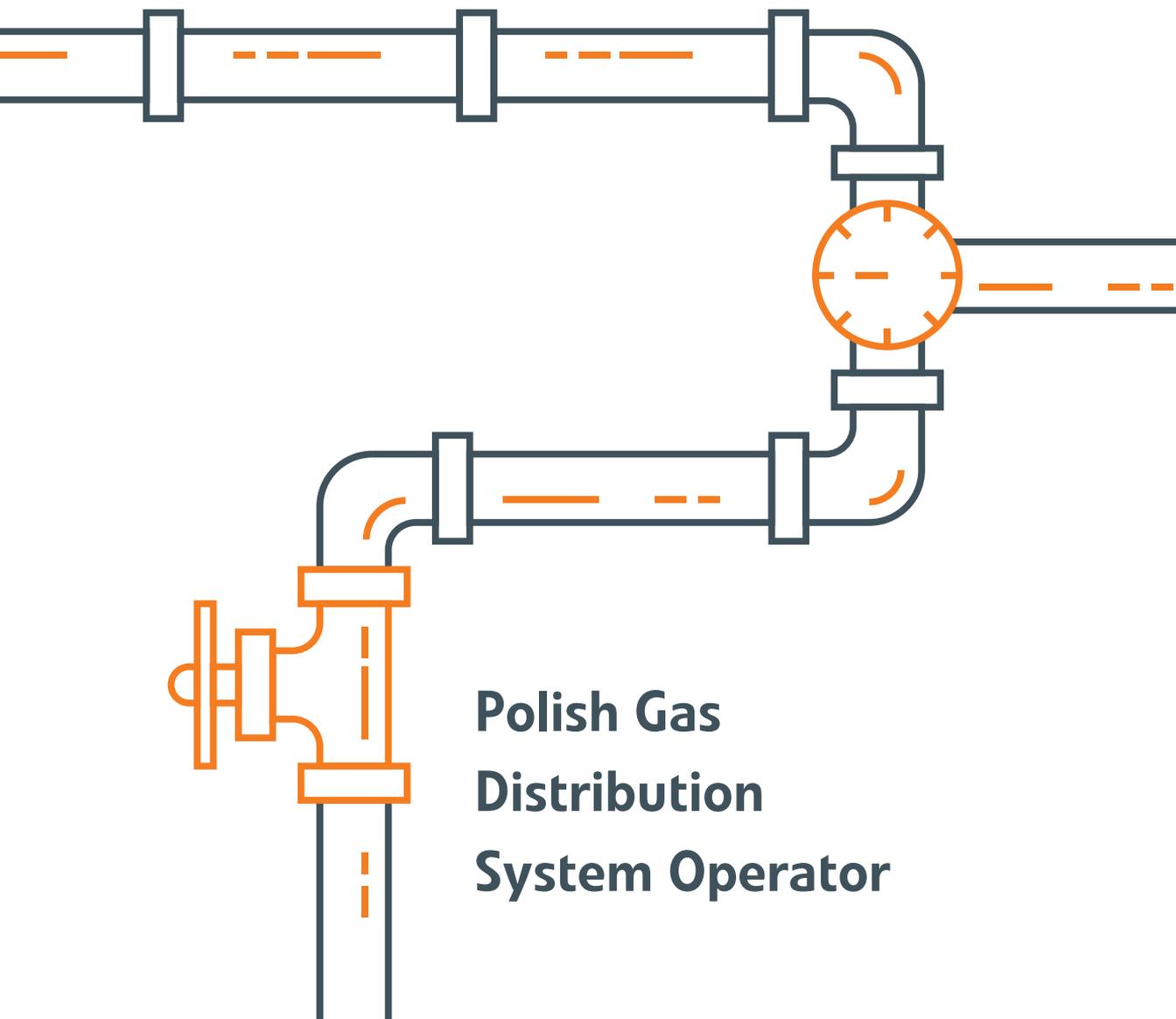




POLSKA
SPÓŁKA GAZOWNICTWA



**Polish Gas
Distribution
System Operator**

Polska Spółka Gazownictwa (PSG) is the Polish Gas Distribution System Operator and a European top gas distributor. It plays a key role in the Polish gas supply chain, ensuring Poland's energy security.



183 thousand

more than 180 thousand kilometres of gas pipelines



11,65 billion

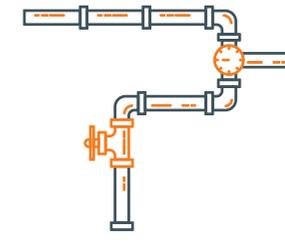
more than 11 billion cubic metres of gas distributed annually



7 million

approximately 7 million industrial and retail customers

PSG guarantees reliable and safe transport of gaseous fuel through the distribution network across the country. Natural gas is supplied **directly to end-customers** and to the networks of other local operators.



grid management



extension, maintenance, repairs of networks and equipment

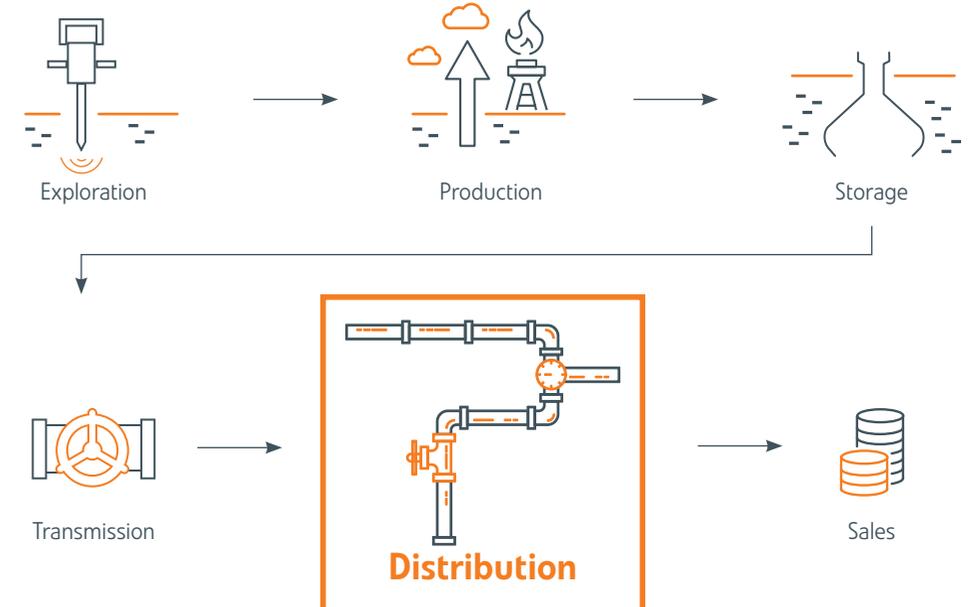


qualitative and quantitative measurements of transported gas

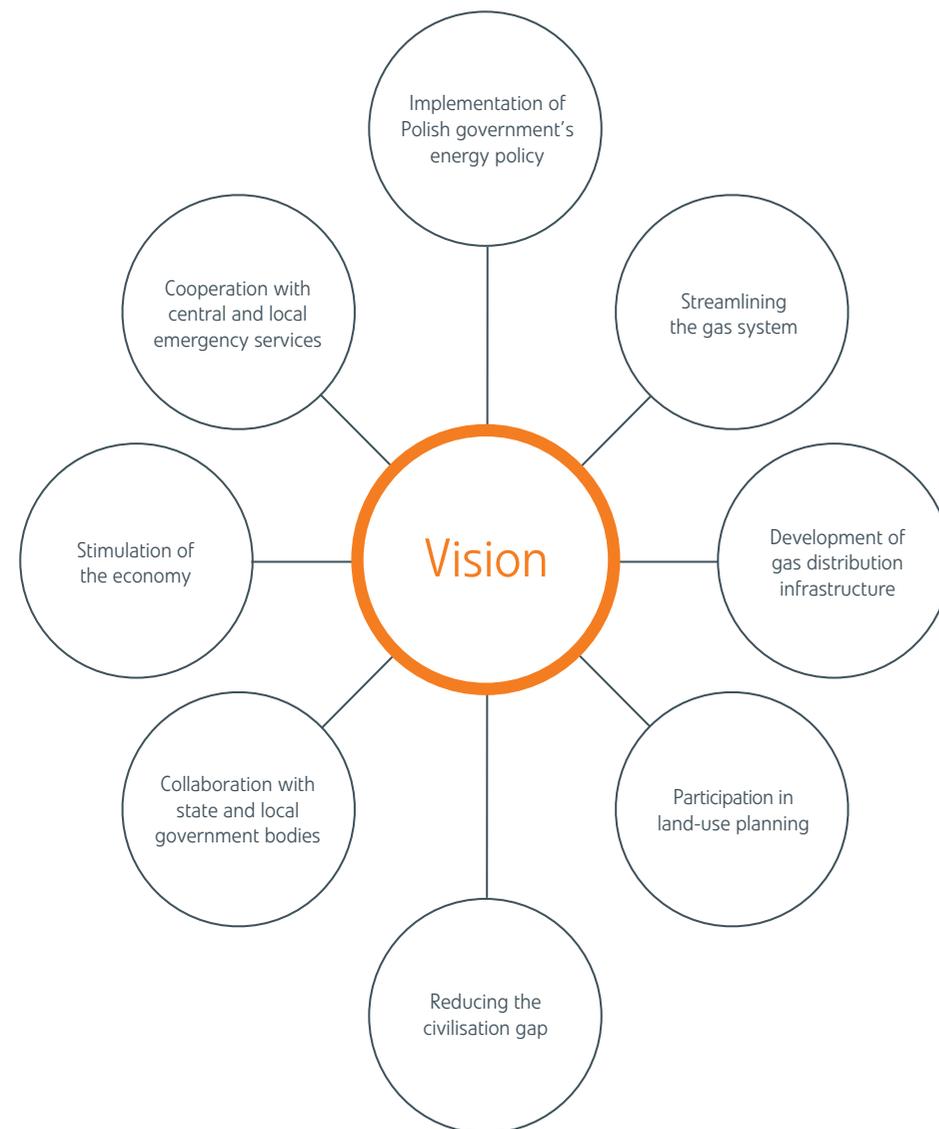
PSG's market position

Gaseous fuel **distribution** services are provided under agreements with companies whose business consists in gas sales.

The supply of natural gas to customers involves several stages: exploration, production, storage, transmission, **distribution** and sales, all of which make up the gaseous fuel supply chain.

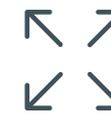


We ensure continuous and safe supply of gaseous fuel with due regard for the natural environment.



Responsibility

- Delivery of contractual obligations and commitments, liability for actions and decisions
- Transparency of operations
- Incorporation of CSR principles in business



Growth

- Building Company value
- Continuous improvement of efficiency
- Looking for and implementing innovative solutions and technologies
- Taking up new market challenges



People

- Providing safe and fair working conditions
- Ensuring that employees have the opportunity for professional advancement and fulfilment of their career ambitions
- Creating high job satisfaction
- Supporting ethical conduct fostering positive relations and mutual trust in everyday work



Customers

- Building lasting relationships with counterparties and gas customers
- Providing quality customer service



Since 1 January 2017 Polska Spółka Gazownictwa has been operating with a new organisational structure reflecting the administrative division. As PSG is a modern company with respect for tradition, it returned to its organisational structure including Gas Sales Units and Gas Distribution Branches.

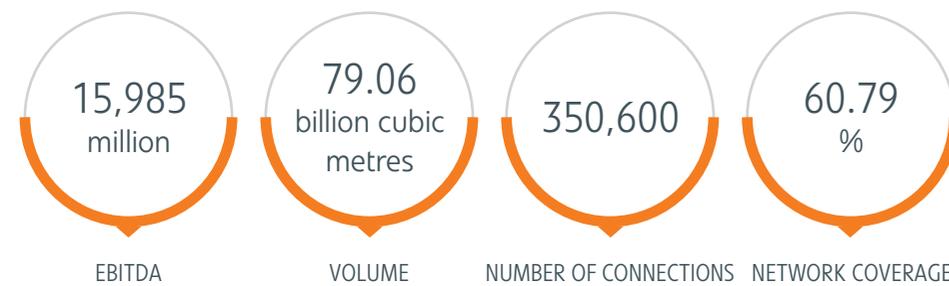
Today, PSG's business is carried out through its Support Branch (former Head Offices in Warsaw and Tarnów), 17 Gas Distribution Branches and 172 Gas Sales Units.

□ Support Branch (former Head Offices in Warsaw and Tarnów)

○ Gas Distribution Branch

The new PSG's Strategy for 2016–2022 provides for a major overhaul of the gas distribution model in Poland. PSG, a member of the PGNiG Group (Polskie Górnictwo Naftowe i Gazownictwo), is the Polish Gas Distribution System Operator, which significantly contributes to Poland's economic growth and ensures its energy security.

By the end of 2022 Polska Spółka Gazownictwa intends to achieve the following combined ratios as part of its Strategy for 2016–2022:



FINANCIAL PERFORMANCE

- Consistent and stable growth of EBITDA to PLN 2,466m annually
- Costs corresponding with executed processes
- Growth of shareholder value

CUSTOMER

- A modern customer service model
- Individual approach based on technical consultations
- Reduction of connection time by 40 days

RESOURCES

- Improved security and motivation for employees
- Self-learning organisation based on expertise and innovation
- Management systems based on state-of-the-art IT technologies



2022

PROCESSES

- Safe and continuous gaseous fuel supply
- Application of new technologies
- Improved efficiency of processes

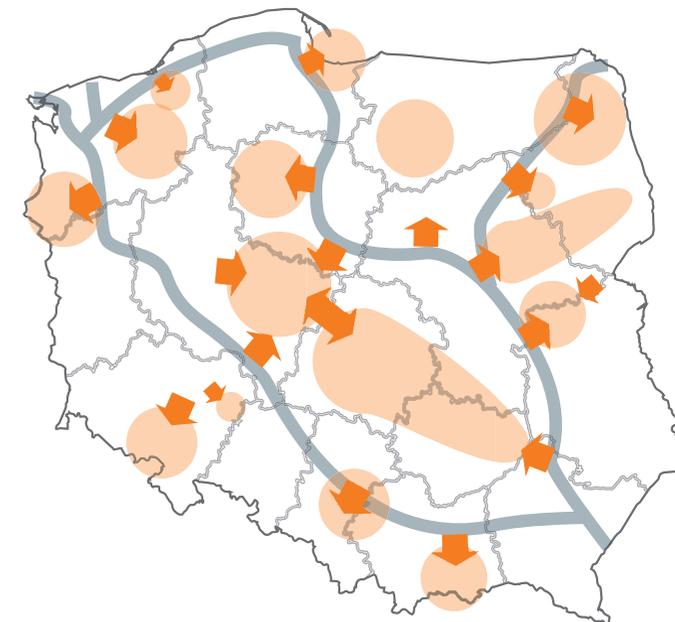
Poland's economic growth largely depends on the gas network coverage of underdeveloped areas. Access to gas supplies facilitates business growth. Natural gas is the most environment-friendly fuel that can be delivered without interruptions and irrespective of weather conditions. It is a completely safe energy source, which can help secure access to other types of energy, such as electricity generated from renewable energy sources (RES). Thanks to gas network extension PSG implements the Polish government's energy policy.

Polska Spółka Gazownictwa seeks to cooperate with local authorities and jointly implement investment projects, largely based on liquefied natural gas (LNG). By building LNG regasification plants the Company wants to eliminate white spots on the gas network coverage map of Poland. The plants will be built in areas where it is otherwise impossible or economically unjustified to supply grid gas. As a result, EU aid funds will be used more effectively. Such initiatives guarantee the implementation of government plans for Poland's sustainable economic growth and facilitate bridging the civilisation gap between individual regions of Poland.

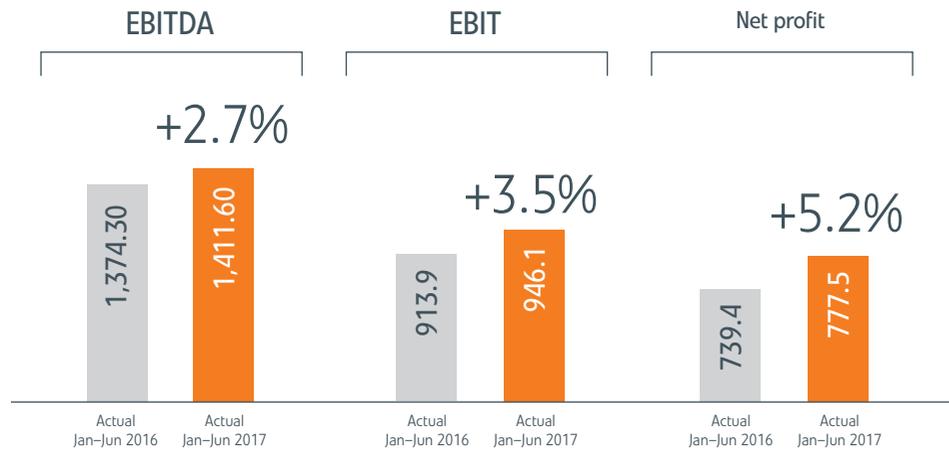
By 2022 PSG intends to roll out its gas network into 74 communes and municipalities and connect approximately 350,000 new customers.

Impact of gas network extension in communes and municipalities:

- ↔ support for regional economic growth
- 📄 greater investment project portfolio of the Company
- 📍 new jobs in communes and municipalities

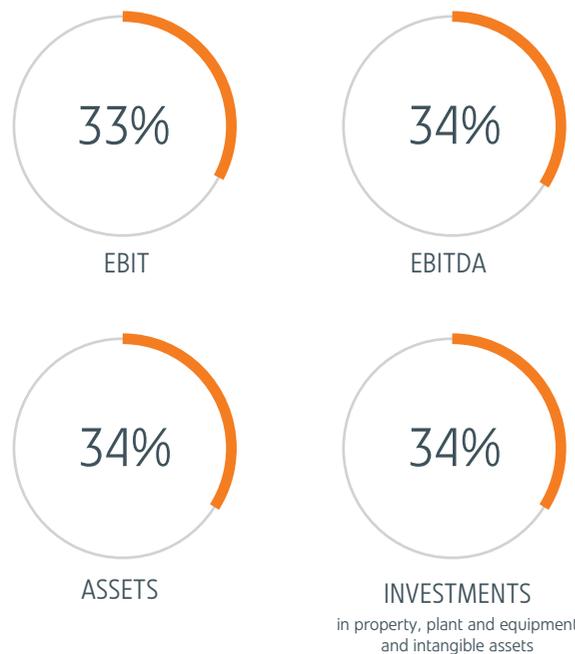


Financial performance



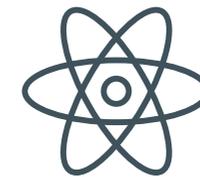
Financial performance in the first half of 2017 vs. the corresponding period in 2016.

PSG's share in the PGNiG Group's performance



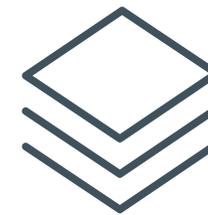
Data sourced from the Directors' Report on the Operations of PGNiG S.A. and the PGNiG Group in the first half of 2017 of 8 August 2017.

To meet market requirements, PSG invests in innovation. It cooperates with higher education institutions and research institutes across Poland. PSG is working on its own project named LEONARDO, under which any ideas and solutions may be submitted by PSG employees as well as third-party researchers and individuals.



LEONARDO

- support for the culture of innovation at PSG
- support for innovative ideas



PSG is currently implementing the following innovation-driven projects:

- zero/plus energy gas station (turboexpander)
- integrated management platform
- use of unmanned vehicles to facilitate the operation of the gas network



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