PGNiG

Polskie Górnictwo Naftowe i Gazownictwo SA

Corporate Presentation

Financial results of 2014

March 2015

Agenda

1. PGNiG Group & Polish Gas Market

2. PGNiG Segments

   2.1. Exploration and Production

   2.2. Trade and Storage

   2.3. Distribution

   2.4. Heat & Power

3.Strategy, Capex, Debt

4. Appendix – Financial Results for 2014

PGNiG Group & Polish Gas Market

PGNiG Group

PGNiG

Exploration and Production	Trade and Storage	Distribution	Heat and Power
Leader gas and oil producer in Poland	**Main gas importer to Poland and owner of gas storages**	**Robust domestic gas distribution business providing stable return**	**The largest heat producer in Poland – diversifying EBITDA stream**
▪ Total production volumes: - natural gas: 4.5 bcm - crude oil: 1.2 m tonnes (9 mboe)	▪ 9.7 bcm of imported natgas ▪ app. 3 bcm of storage capacity ▪ 6.8 m of end-customers	▪ 125 ths km of distribution network ▪ 9.7 bcm of distributed gas	▪ Heat volume 36.6 PJ ▪ Electricity volume 3.6 TWh

E&P
Heat & Power
Wholesale
Storage
Transmission
Distribution
Retail

Legal unbundling
100% State owned
Legal unbundling

Poland's no.1 integrated group in the oil and gas sector

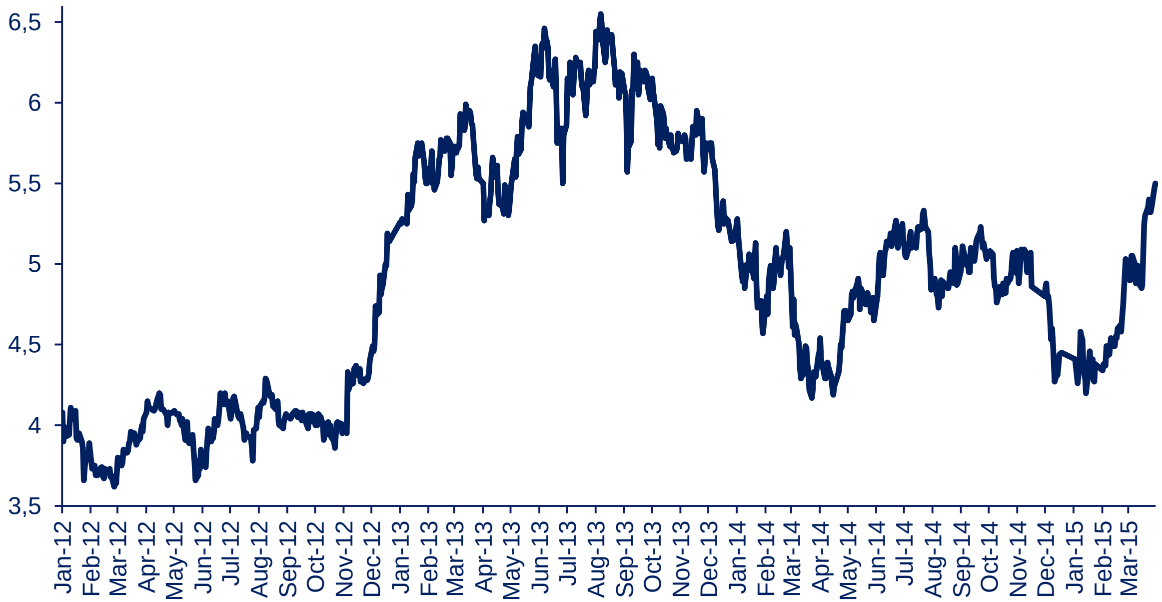
PGNiG's Shareholders

Listed on WSE
since Sep 2005

Market capitalization
of PLN 32 bn
(EUR 7.9bn / USD 8.5bn)**

Significant share in
WIG 20 index ~5%

Stock performance since January 2012



- **Shareholder Structure**
  - 72.4% – State Treasury
  - 27.6% – Free float, incl. 11% of Polish pension funds
- Average daily turnover:

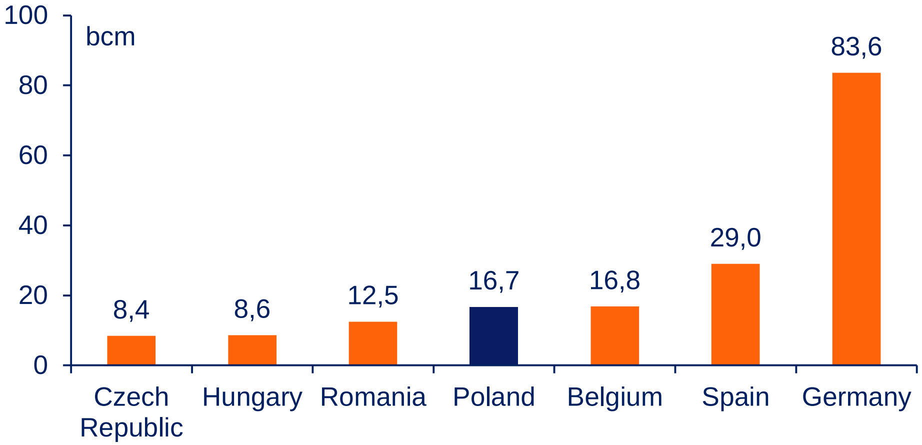
  PLN 19m (~EUR 4.6m / USD 5.0m)

The 6th largest Polish company on the Warsaw Stock Exchange*

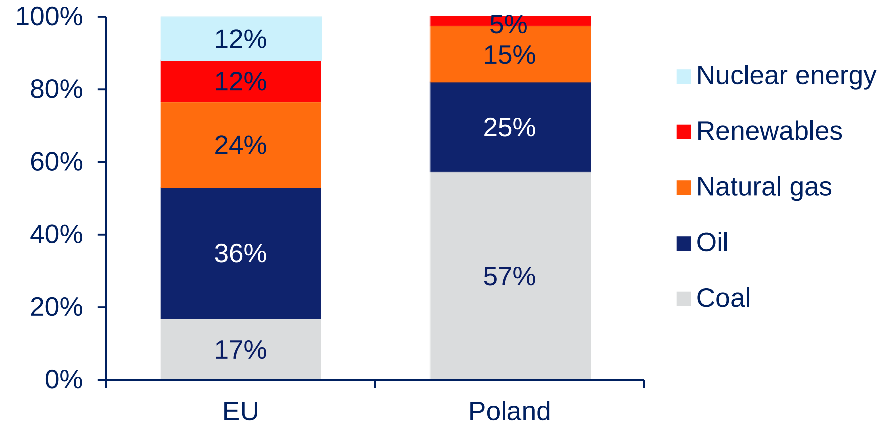
* In terms of market cap
** PGNiG = 5.5 PLN and EUR/PLN = 4.09; USD/PLN = 3.81 (as on March 31st 2015)

Gas Market in Poland

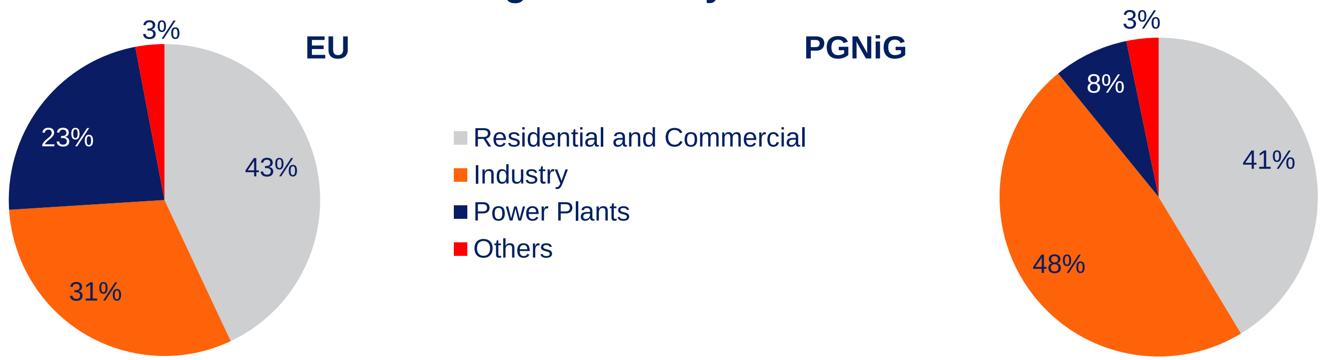
Natural gas consumption by country



Primary energy consumption by fuel



Natural gas sales by sector



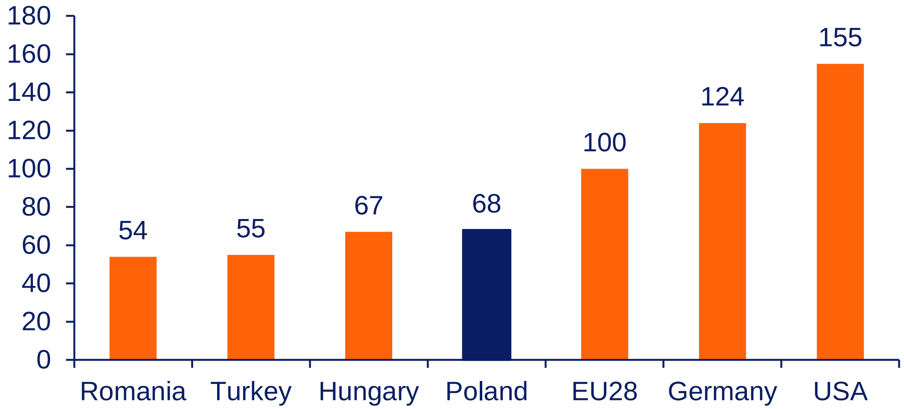
Low consumption with growth potential

Source: BP Statistical Review 2014 and EuroGas Statistical Report 2014
Gas consumption comprises sales, as well as in-house consumption and change of inventories

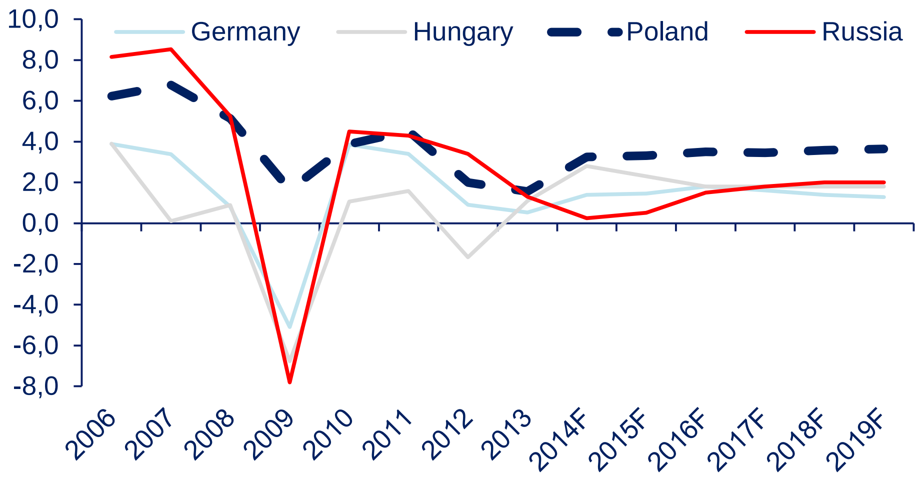
Macroeconomics of Poland

PGNiG

GDP 2013 per capita in % (EU28=100%)



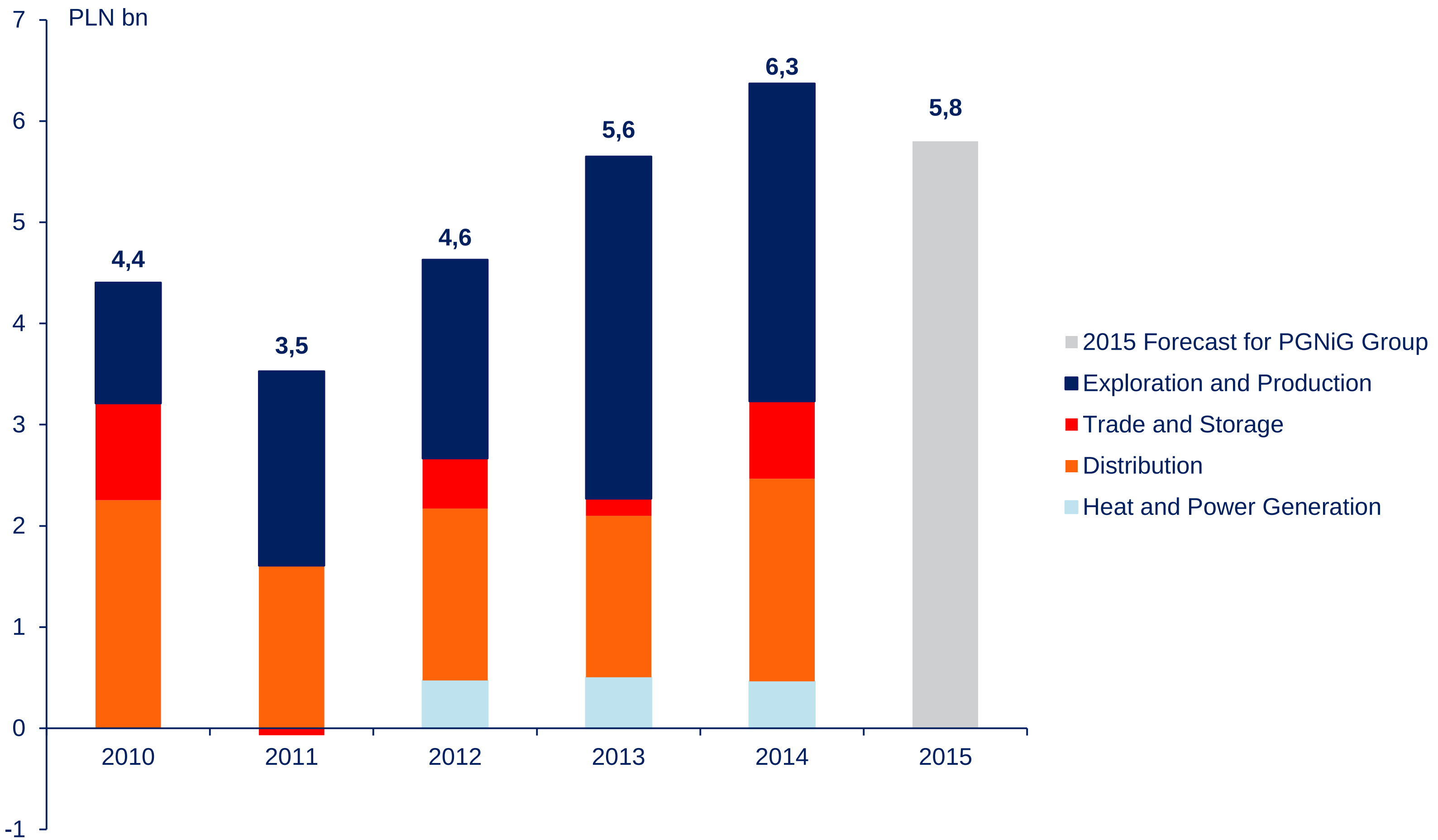
GDP annual growth (%)



- 6th largest country in EU28 in terms of population (38m)
- 8th largest economy in the EU28 in terms of gross domestic product (nominal GDP 2013)
- One of the fastest growing economies in Europe with stable and solid financial system.
- The only EU country that had a positive growth rate during the 2009 crisis.

Operating segments of PGNiG Group

EBITDA* 2010-2014



* EBITDA after intra-group eliminations and including „Other segments"

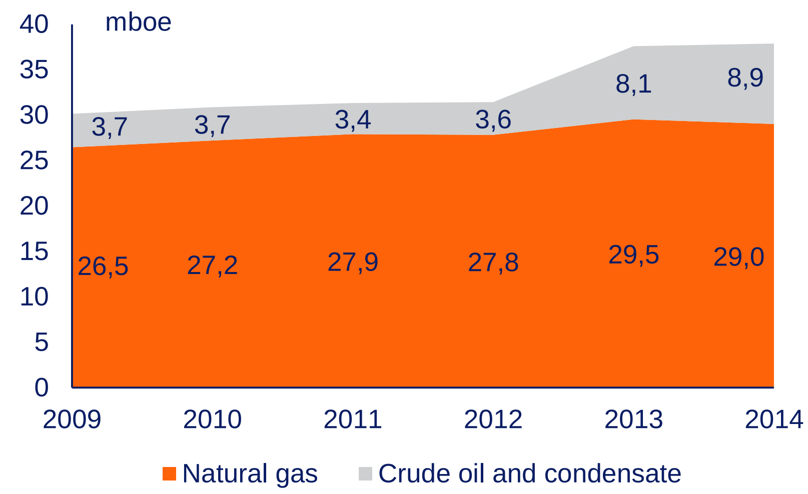
E&P Summary

- PGNiG SA is a leader in production of gas and crude oil in Poland
- Group's natural gas production*:
  - 2014 – 4.5 bcm
  - 2015 – 4.5 bcm (forecast)
- Group's crude oil production**:
  - 2014 – 1.2 m tonnes
  - 2015 – 1.3 m tonnes (forecast)

- 2 trillion cm: initial estimate of **shale gas** resources in Poland
- PGNiG owns 11 standalone exploration licences with perspectives for shale gas, out of app. 50 granted in Poland
- Acreage of shale gas concessions – 10 ths sq km
- 17 wells drilled for shale gas by PGNiG
- 3 horizontal wells planned in 2015
- Geological challenges vs american shale plays

- Strong resources base in Poland:
  - proved gas reserves 526 mboe (81.6 bcm)*
  - proved oil reserves 136 mboe (18.5 m tonnes)
- Oil & gas concessions in Poland: 77 exploration/appraisal
- 59 production facilities in Poland
- Over 2 ths producing wells

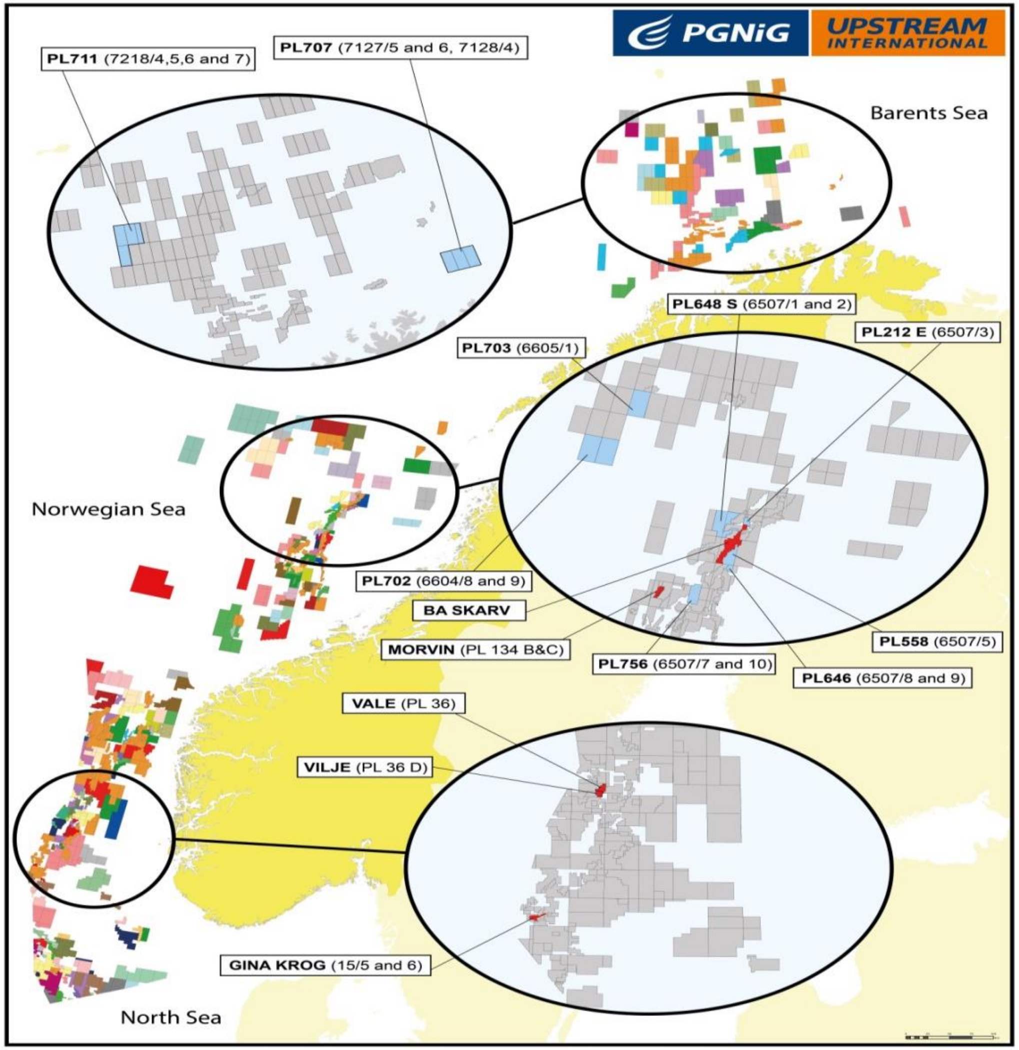
Production volumes



* At high-methane gas equivalent
** Including natural gas liquids

International E&P activities – Norway

PGNiG



PGNiG Upstream International Licence Portfolio

Licences	18
Licence cost	360 m USD (Skarv) 1,95bn NOK (Morvin, Vale, Vilje, Gina Krog)
CAPEX Skarv (PGNiG part)	ok. 800 m USD
Reserves of the licence (2P)	50 mboe (Skarv) 31 mboe (Morvin, Vale, Vilje, Gina Krog)
Skarv production in 2014	2,7 mboe (0,43 bcm) of natural gas 2,8 mboe (0,4 m tonnes) of crude oil and NGL
Production forecast for 2015 (all licences on NCS)	2,6 mboe (0,4 bcm) of natural gas 3,5 mboe (0,51 m tonnes) of crude oil and NGL

International E&P activities – Africa & Asia

Libya

agreement	Feb 2008
shares	PGNiG SA - 100%
area	5,494 km^2
location	Awbari province, Murzuq Basin
obligations	3,000 km^2 of 2D, 1,500 km^2 of 3D, 8 wells
estimated reserves	146 bcm of nat gas; 15 m tonnes of condensate

4Q2013: asset write-off at PLN 292m and a provision for PLN 137m for future license obligations; force majeure clause activated.

Pakistan

agreement	May 2005
shares	PGNiG SA 70% Pakistan Petroleum 30%
area	956 km^2
location	Province Sindh, Folded belt Kirthar
obligations	1 well, 100 km 2D (fulfilled)
estimated reserves	app. 11.6 bcm of nat gas

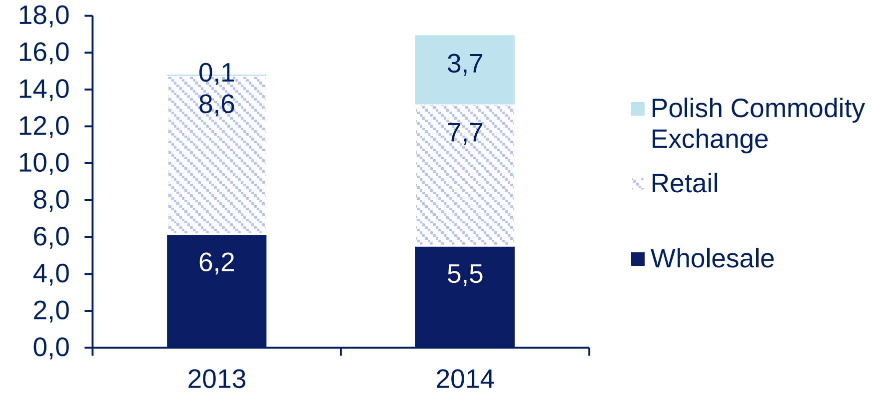
Test production started in June 2013; production at ca. 0.1 bcm annually

Assets under evaluation due to geopolitical constrains

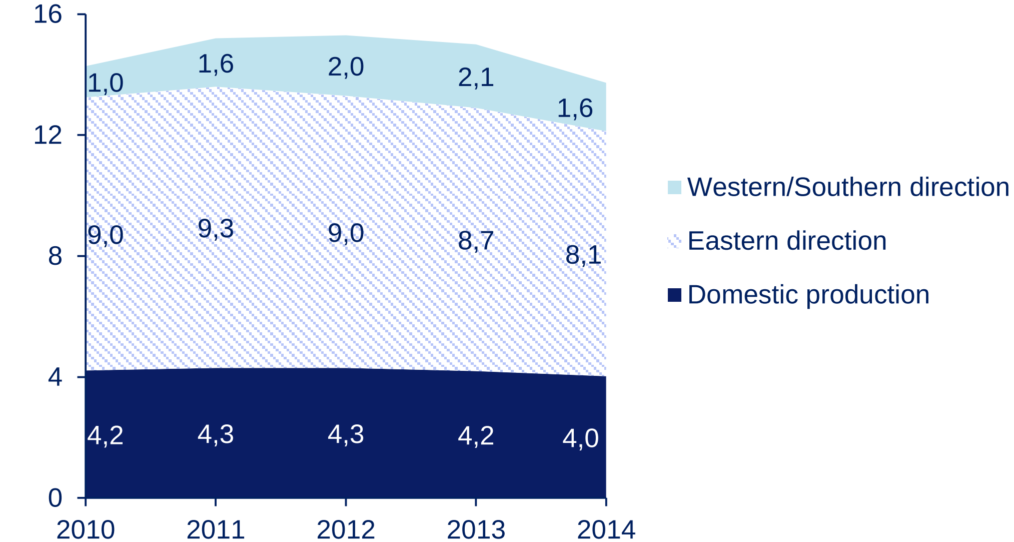
Gas supply & sales

- Trade and Storage segment comprises:
  - sales of natural gas both imported and domestic to retail and wholesale markets
  - storage of gas.
- Polish market growth: CAGR +3% in 2007-2013
- App. 30% of Polish demand is met by domestic production – the rest is covered by imports.
- Contract for natural gas deliveries with Gazprom („Yamal contract"):
  - Until 2022
  - 10.2 bcm annually
  - 85% Take-or-Pay
  - Change in price formula in 4Q2012 from 100% oil link to oil/spot mix
- Contract for LNG with Qatargas:
  - From 2014 until 2034
  - 1.3 bcm annually
  - 100% Take-or-Pay
- 1.7 bcm of gas sold by PGNiG Sales & Trading to customers outside of Poland in 2014

Sales of natural gas of PGNiG SA and PGNiG Retail (bcm)



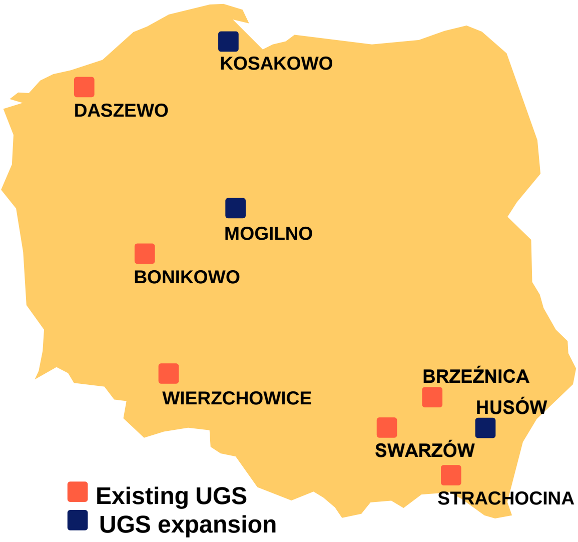
Sources of gas supply of PGNiG SA in Poland (bcm)



Development of underground gas storage facilities

2011-2014: +1.2 bcm

- Extension of UGS Strachocina (from 150 to 330 mcm) – accomplished
- I phase of extension of UGS Wierzchowice (from 0.6 to 1.2 bcm) – accomplished
- I and II phase of construction of CUGS Kosakowo (50 - 100 mcm)
- I phase of extension of CUGS Mogilno (from 378 to 535 mcm)
- Extension of UGS Husów (from 350 to 500 mcm) – accomplished



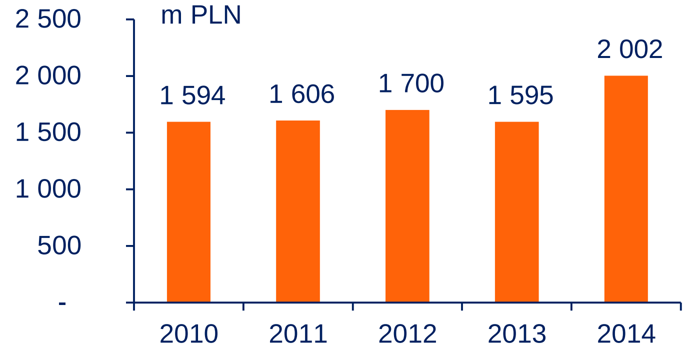
Basic data

- Current no. of storage facilities 9
  - herein in salt caverns 2
- Current capacity ca. 3 bcm
- Planned increased capacity for 2015:
  - UGS Husów – 150 mcm
  - CUGS Kosakowo – 52.5 mcm
  - CUGS Mogilno – 48 mcm
- Required strategic gas reserves: 30 days (of daily average import)

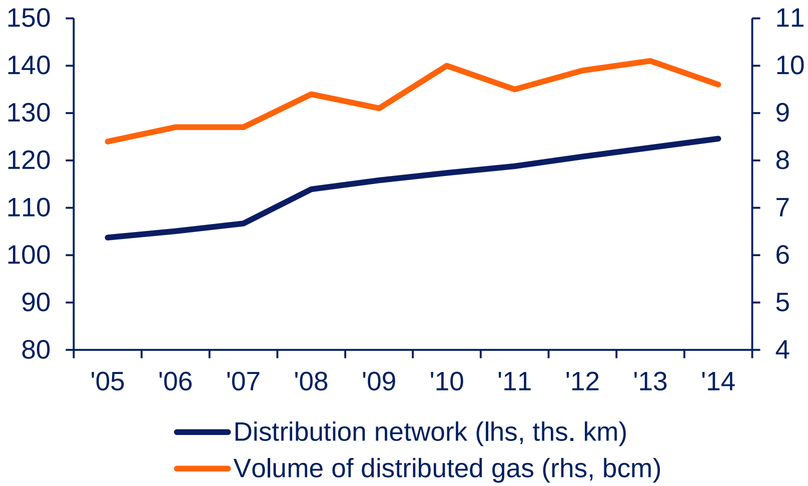
Distribution

- Gas Distibution Company supplies natural gas to households, industrial and wholesale customers, and is responsible for operation, maintenance and development of gas pipelines.
- In 2014 „Polish Gas Company" (formerly six Regional Gas Companies) distributed 9,6 bcm of natural gas to 6.8 m customers through 125 ths km of distribution network.
- Mid-2013 six Regional Gas Companies were consolidated into one.

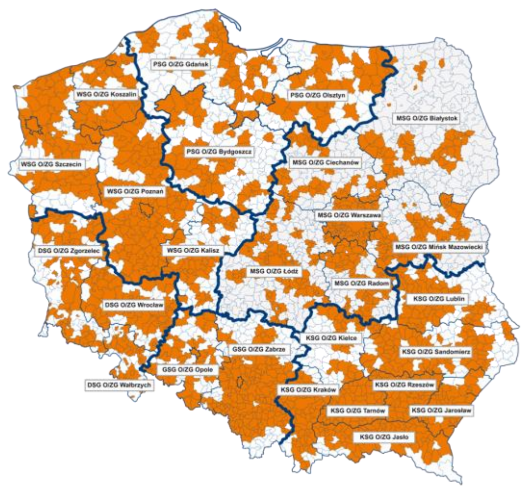
Stable EBITDA of the regulated segment



Stable network's growth and increase of distributed volumes (+1.6% CAGR 2005-2014)



Coverage of gas distribution network



Heat and Power Generation

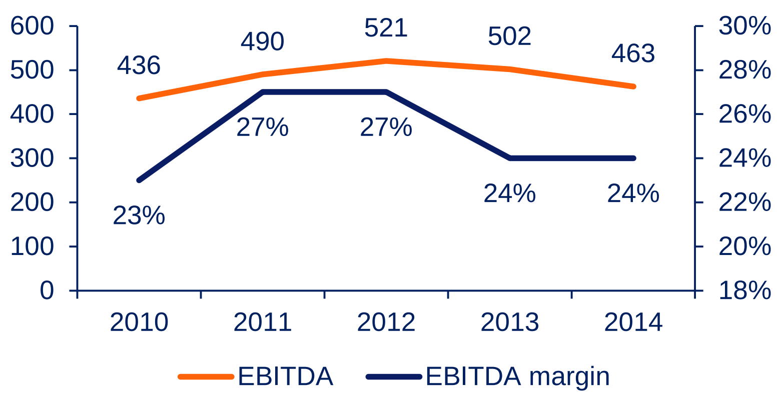
PGNiG Termika (2012)

- January 2012 – acquisition of 99.8% stake of Vattenfall Heat Poland S.A. from Vattenfall AB for PLN 3 bn in cash (PLN 3.5 bn EV)
- The largest heat producer in Poland
- Over 23% of the total heat capacities installed in Poland and covering approx. 75% of the total heat demand in Warsaw
- Heat tariffs benchmarking scheme creates significant upside for profitability as PGNiG Termika produces low-cost heat
- 400 MW_e gas-fired block is planned in Warsaw at Zeran plant (2018)
- 146 MWt biomass-fired boiler to be built in Warsaw at Siekierki plant (2015)

CHP Stalowa Wola (Q1 2016)

- 50/50 JV PGNiG & Tauron Polska Energia:
  - Total capex PLN 1.6 bn (project finance)
  - PGNiG to supply 0.5 bcm of gas for 14 years
  - Agreement for Sale of Electricity, signed for 14 years (50% to PGNiG)
  - Total power output: 400 MW_e and 240 MW_t

EBITDA of PGNiG Termika*



PGNiG Termika operating data

Installed heat power	4 782 MWt
Installed electric power	1 015 MWe
Heat sales in 2014	36.6 PJ
Produced electricity sales in 2014	3.6 TWh

* 2010-2011 according to Polish accounting standards; 2012-2013 data before intercompany eliminations.

Strategy, Capex, Debt

Strategy of PGNiG Group for 2014-2022

A Maintaining stable trading volumes (both in retail and wholesale)

1 Optimisation of natural gas portfolio management

2 Developing and implementing a new retail and wholesale model

B Maximising cash flows from infrastructure and generation areas

3 Maximising value from transmission infrastructure (gas and heat distribution)

NEW AREA OF DEVELOPMENT: ACQUISITION OF HEAT NETWORKS

4 Taking active part in creating energy market regulations

C Strengthening and transforming the exploration and production area

5 Maintaining domestic production at current levels (33 million boe)

6 Confirming the geological and economic potential of shale gas deposits in Poland

7 Expanding the upstream business outside of Poland (ca. 20 million boe)

NEW AREA OF DEVELOPMENT: ACQUISITION OF FOREIGN ASSETS

D Laying foundations for growth along the value chain (PLN 700m–800m in savings)

- **Stabilisation of EBITDA at ~PLN 7bn in 2022**
- **50% of consolidated net profit to be paid as dividend in 2015−2022** (provided that the financial situation is stable, financing sources for investment projects are secured and PGNiG SA receives dividends from subsidiaries for a given year)

Operating initiatives of the Strategy (1/4)

Segment	Initiatives	Strategic goals
A Maintaining stable value (both in retail and wholesale)	1 **Optimisation of natural gas portfolio management**	▪ Enhancing flexibility of the pricing and delivery terms in the gas procurement contracts, while ensuring the Group's ability to secure uninterrupted supplies of natural gas. ▪ Optimising portfolio management and trading policies for the liberalised natural gas market. ▪ Developing and implementing the final gas purchase portfolio after 2022. ▪ Reducing the adverse impact of long-term gas supply contracts and of the agreement with the LNG terminal operator concerning allocation of regasification capacities.
	2 **Developing and implementing a new retail and wholesale model**	▪ High customer satisfaction − qualitative change in the customer service model (building sales organisation) and implementation of a new product offer. ▪ Achieving such operating efficiency at PGNiG retail subsidiary (Spółka Obrotu Detalicznego) that would allow PGNiG to reduce customer service costs. ▪ Minimising the extent of decline of PGNiG's share in the market's total volume of gas sales. ▪ Creating conditions conducive to fulfilling the requirement to sell gas on commodity exchanges or other regulated markets. ▪ Developing and implementing an operational model for the foreign markets. ▪ Limiting the negative impact of the gas market liberalisation in Poland on the PGNiG Group's performance. ▪ Generating a positive margin on wholesale gas trading.

Operating initiatives of the Strategy (2/4)

PGNiG

Segment	Initiatives	Strategic goals
B Maximising cash flows from infrastructure and generation areas	3 **Maximising value from grid infrastructure (gas and heat distribution)**	▪ Maximising profitability at WACC approved for distribution operations by the President of Energy Regulatory Office. ▪ Increasing the volume of transported gas through development investments and new connections. ▪ Seeking incremental value growth in new segments − long-term increase in cash flows through effective implementation of new network infrastructure projects (heat distribution). ▪ Achieving synergies in network distribution areas.
	4 **Taking active part in creating energy market regulations**	▪ Preparing a detailed programme to support changes in the regulatory environment, aimed at improving the profitability of the fuel and energy industry and gas distribution sector, in particular through supporting highly-efficient gas based co-generation, storage and distribution, as well as the exploration and production segment. ▪ Proposing alternative regulatory solutions to mitigate the risks inherent in the long-term contracts and statutory obligations. ▪ Proposing regulatory changes that would support development of new segments (e.g. CNG, LNG).

Operating initiatives of the Strategy (3/4)

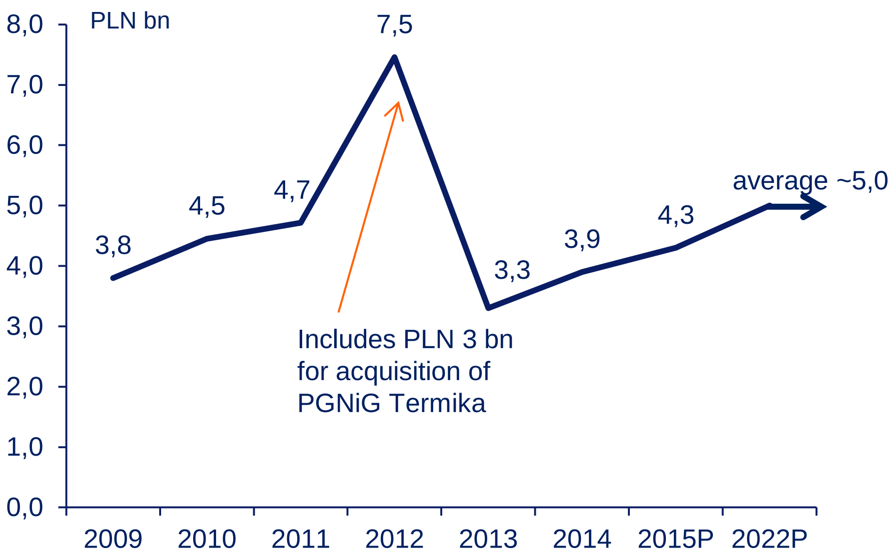
Segment	Initiatives	Strategic goals
C Strengthening and transforming the exploration and production area	5 **Maintaining the current volumes of domestic production from conventional deposits**	▪ Maintaining production level from the existing licence areas by, *inter alia,* implementing an enhanced recovery programme. ▪ Implementing best production practices using a benchmarking system. ▪ Improving the capital efficiency of reserves development. ▪ Accelerating development of hydrocarbon reserves in Poland − shortening the duration of development projects. ▪ Confirming the potential and economic viability of production from domestic conventional hydrocarbon reserves.
	6 **Confirming the geological and economic potential of shale gas deposits in Poland**	▪ Appraising shale gas reserves. ▪ Finding external partners to jointly explore for shale gas. ▪ Verifying the economic viability of production in Poland. ▪ Pursuing industrial-scale production of unconventional hydrocarbons.
	7 **Development of the upstream business outside of Poland**	▪ Developing competences to build and manage the target portfolio of foreign projects with varied characteristics (risk, completion stage) in the exploration and production segment. ▪ Building the value of exploration and production segment in line with the adopted strategic objectives by pursuing new projects abroad. ▪ Developing and implementing a model for building and managing the target portfolio of foreign projects.

Operating initiatives of the Strategy (4/4)

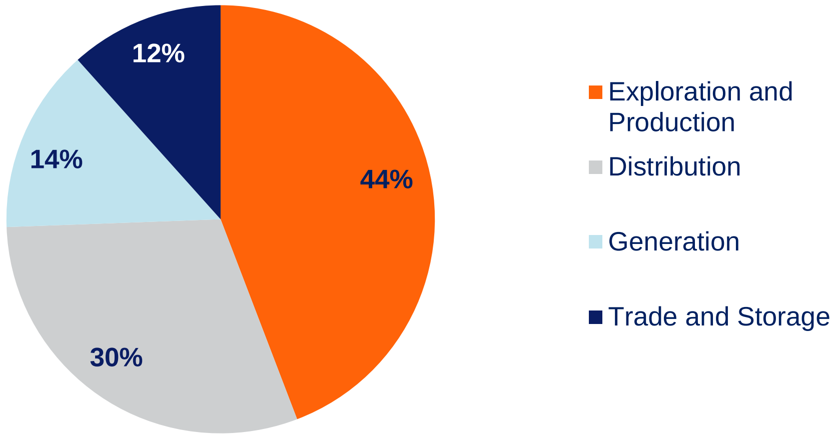
Segment	Initiatives	Strategic goals
D Laying foundations for growth along the entire value chain	8 Efficiency Improvement Programme and focus on core business	▪ Improving operational efficiency throughout the PGNiG Group. ▪ Achieving sustainable savings in operating expenses. ▪ Improving effectiveness of capital expenditure in all business areas of the PGNiG Group. ▪ Reducing the PGNiG Group's involvement in non-core capital and equity assets with rates of return below WACC.
	9 Creating an organisation based on efficient human resource management, focused on objectives and resource acquisition	▪ Building teams, organisation and culture to support implementation of the PGNiG Group's strategic objectives. ▪ Developing and implementing competency model for the key areas of the Group's business to identify and eliminate differences between competencies which are required and competencies already available at the organisation. ▪ Supporting personnel development in the areas intended to close competency gaps and implementing a talent development programme. ▪ Implementing the organisation's knowledge management system.
	10 Stepping up R&D activities and searching for innovative areas of growth	▪ Building competitive advantage and leveraging to the maximum the potential offered by the PGNiG business model by improving technological efficiency in the hydrocarbon exploration and production area. ▪ Enhancing the PGNiG Group's development potential through innovation. ▪ Creating conditions for continued development of the PGNiG Group based on implementation of promising commercial technologies in the areas closely related to the PGNiG Group's core business. ▪ Efficient acquisition of EU funds supporting innovation and R&D activities.

Capex estimate for the years 2014-2022: PLN 40-50 billion

Annual CAPEX 2009 – 2022 (plan)

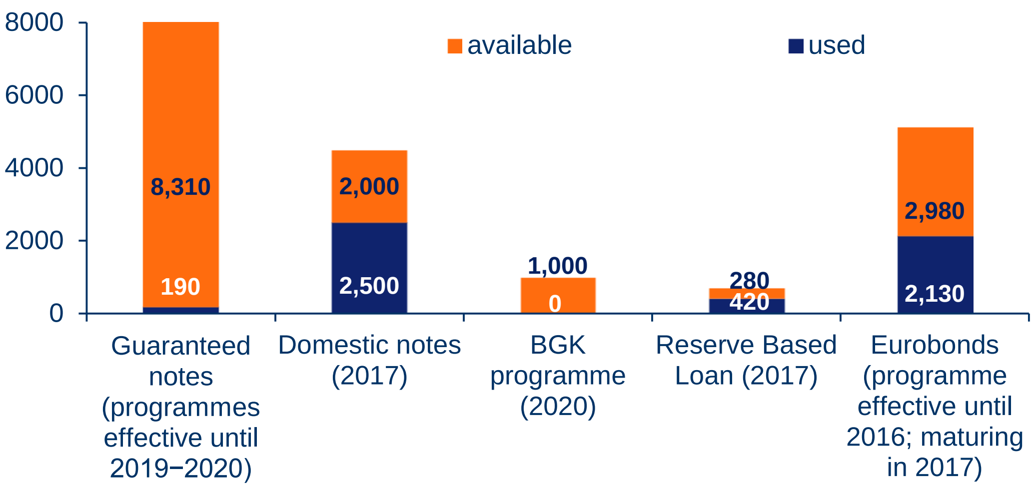


CAPEX split for 2015 (total PLN ~ 4.3 bn)



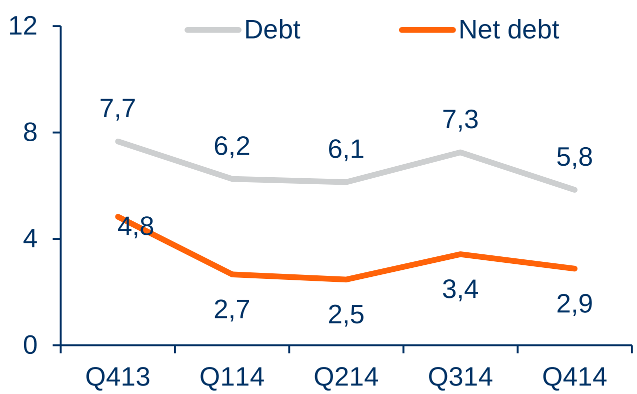
Strong financial position

Financing sources as at December 31st 2014 (PLNm)

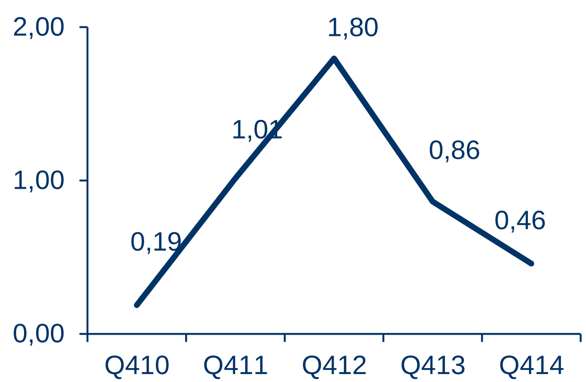


- Low debt level is a good starting point for investments under the 2014–2022 Strategy
- Available financing programmes for PLN 14.6bn, including PLN 9.6bn underwritten
- Net debt / EBITDA in 2014: 0.46

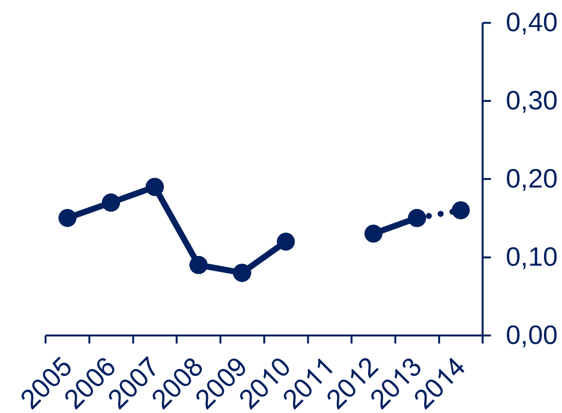
Debt (PLNbn)



Net debt / EBITDA



Dividend (PLN per share)



Additional Information

- **PGNiG SA (Polish Oil & Gas Company)**

M. Kasprzaka 25 St.
01-224 Warsaw, Poland
www.pgnig.pl

- **Investor Relations**

www.ri.pgnig.pl

Aleksandra Dobosiewicz
Financial Analyst
Desk: +48 22 589 46 71
Mobile: +48 665 004 847
Fax: +48 22 589 46 02
E-mail: aleksandra.dobosiewicz@pgnig.pl

Adam Kucza
IR Manager
Desk: +48 22 691 82 56
Mobile: +48 723 981 353
Fax: +48 22 589 46 02
E-mail: adam.kucza@pgnig.pl

- **Disclaimer**

All opinions, assessments and forecasts contained in this presentation (Presentation) are prepared by Polskie Górnictwo Naftowe i Gazownictwo S.A. (PGNiG) on the basis of publicly available information. The information contained in the Presentation may be changed without prior notice, may be incomplete or shortened and may not contain all relevant information regarding the proposed transaction. The information contained in this Presentation shall not constitute an investment offer, an investment recommendation or an offer to provide any service. The Presentation includes also information and statements that are related to the future and not past events. Any such forward looking statements are based on assumptions and expectations of PGNiG, but due to their future and uncertain character they bear the risk that the actual future facts or events may differ significantly from such forward looking statements included in the Presentation. The Presentation should not be relied upon when making any decisions or taking any actions. For more information concerning PGNiG please refer to its current and periodic reports. PGNiG shall not be liable for the accuracy, completeness or the use of the information provided in the Presentation and does not undertake to update it. The information contained in this Presentation does not constitute legal advice or other professional advice.

Appendix – Financial Results of 2014

Q4 2014 financial highlights

PGNiG

(PLNm)	Q4 2013	Q4 2014	Δ%
Revenue	9,101	**11,486**	26%
Operating expenses (excl. D&A)	(8,296)	**(10,126)**	22%
EBITDA	805	**1,359**	69%
Depreciation and amortisation	(710)	**-600%**	(15%)
EBIT	95	**759**	x8
Net finance income/(cost)	(86)	**(131)**	52%
Net profit	(162)	**686**	-

Operating profit significantly improved on lower gas procurement costs

- Revenue from natural gas sales up PLN 3bn, to PLN 9.75bn in 2014, with sales volume up 2.3 bcm, to 6.8 bcm, driven by the exchange sale requirement
- Revenue from sales of crude oil and condensate down PLN 0.6bn on a 152 thousand tonnes yoy decrease in sales volumes (planned and unplanned suspension of production in Norway) and falling crude oil prices (Q4 2014 average of USD 76/bbl vs USD 109/bbl in Q4 2013)

- PLN 2.5bn increase in gas purchase costs, to PLN 7.3bn in Q4 2014 (effect of the exchange sale requirement)
- Effect of non-cash items (impairment losses, provisions, dry wells and seismic surveys written off) − PLN 0.81bn in Q4 2014 vs PLN 0.86bn in Q4 2013
- Yoy change in actuarial provisions − PLN -60m in Q4 2014 vs PLN -251m in Q4 2013 (effect of lower interest rates)

- Lower sales of hydrocarbons in Norway resulting in PLN 89m yoy decrease in depreciation (units-of-production method)

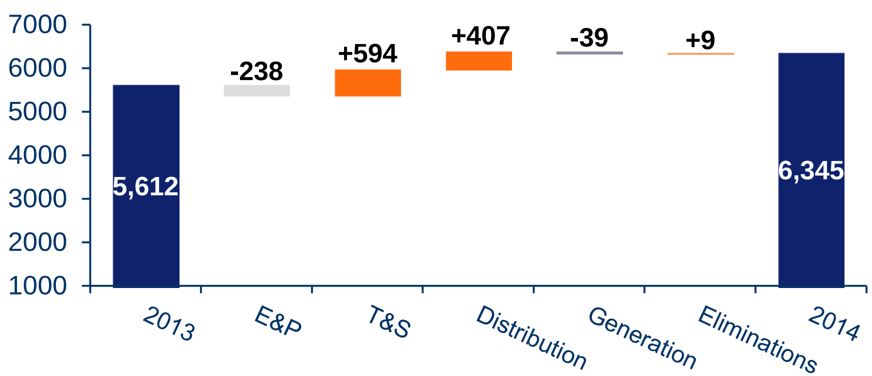
- Partial reversal of an impairment loss on shares in EuRoPol GAZ increased pre-tax profit by PLN 129m (DCF analysis based on lower interest rates and higher cash)

Business segments – EBITDA in 2014

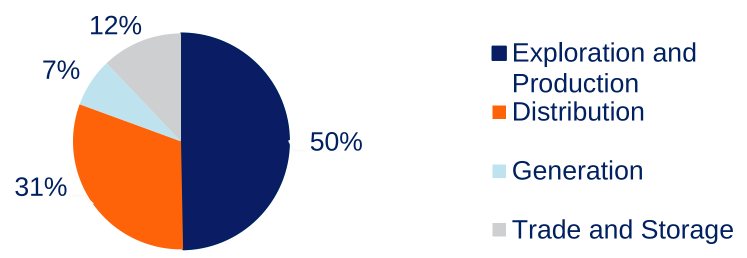
(PLNm)	2013	2014	Δ%	Contribution to Group's result
Exploration and Production	3,381	**3,143**	(7%)	**50%**
Trade and Storage	170	**764**	350%	**12%**
Distribution	1,595	**2,002**	25%	**31%**
Generation	502	**463**	(8%)	**7%**
Other, eliminations	(36)	**(28)**	(25%)	**-**
Total	5,612	**6,345**	13%	**100%**

- Slight drop in revenue from sales of crude oil (PLN 0.1bn) offset by a comparable increase in revenue from natural gas sales
- Impact of impairment losses up by PLN -166m yoy
- Lower unit gas purchase costs
- Actuarial provisions increased to PLN -141m in 2013
- PLN 123m yoy decrease in balancing costs
- Impact of average air temperatures on heat and electricity sales volumes and lower electricity prices

EBITDA growth by segment in 2014 vs 2013



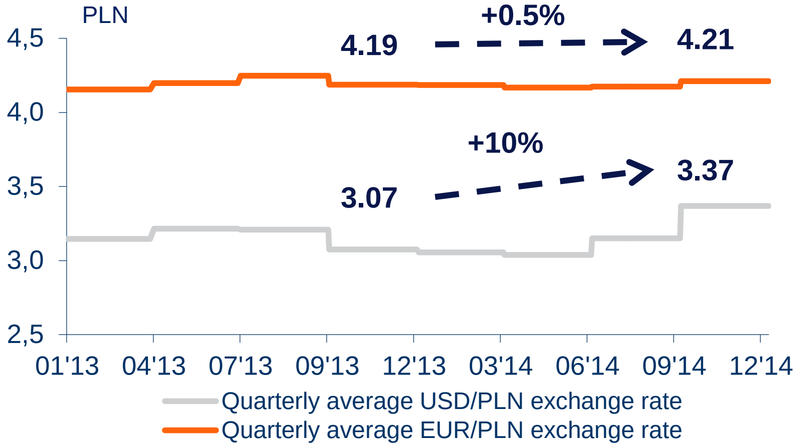
Segments' contribution to Group EBITDA



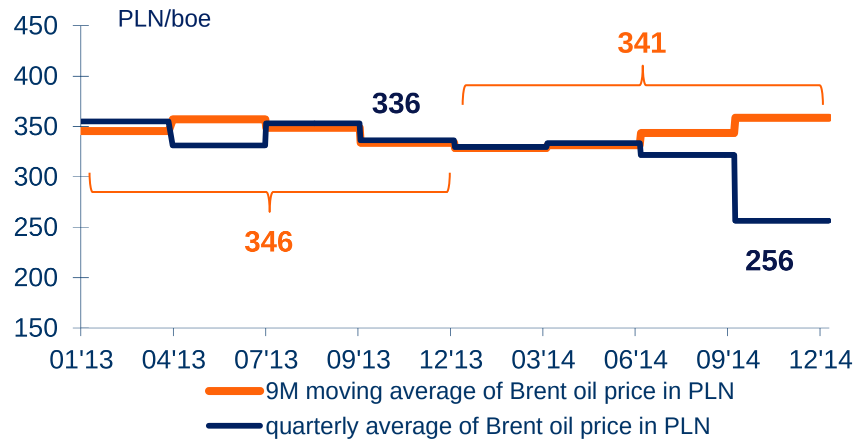
Strong improvement in EBITDA

Factors contributing to financial performance

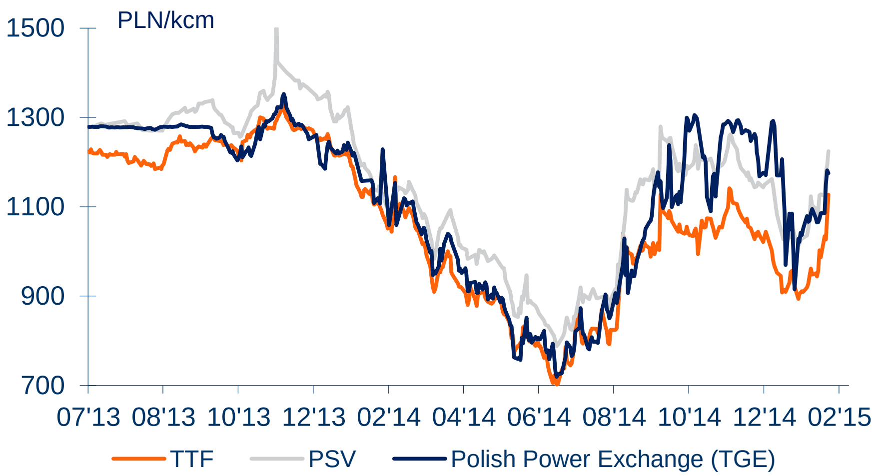
Stronger USD and stable EUR against PLN yoy



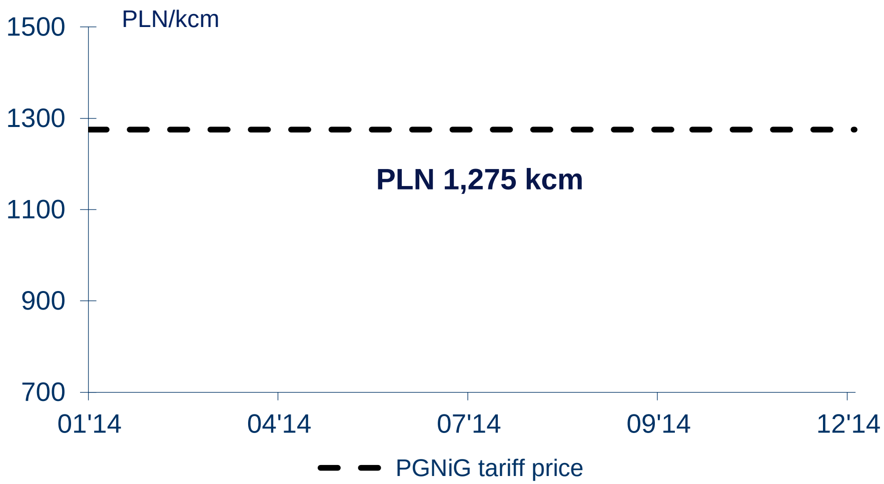
Nine-month average crude oil price in PLN flat yoy in 2014 due to lower crude prices and stronger USD



Converging gas prices on the Polish Power Exchange and the European markets (divergent transmission costs, liquidity and number of players)



PGNiG 2014 tariff price for key customers



Operating expenses – 2014

PGNiG

(PLNm)	2013	2014	Δ%
Cost of gas sold	17,568	**18,750**	7%
Electricity for trading	670	**1,093**	63%
Other raw materials and consumables used	727	**626**	(14%)
Fuels for heat and power generation	908	**760**	(16%)
Employee benefits expense	3,214	**2,827**	(12%)
Transmission services	1,114	**1,076**	(3%)
Cost of dry wells written-off	132	**282**	114%
Other services	1,562	**1,485**	(5%)
Net other income/(expenses)	1,520	**2,040**	34%
▪ *change in impairment losses and write-downs*	*491*	***863***	*76%*
▪ *Increase/(decrease) in provisions*	*211*	***319***	*51%*
Work performed by the entity and capitalised	983	**980**	0%
Operating expenses (excl. D&A)	26,432	**27,959**	6%
Depreciation and amortisation	2 463	**2,502**	2%
Total operating expenses	28,895	**30,461**	5%

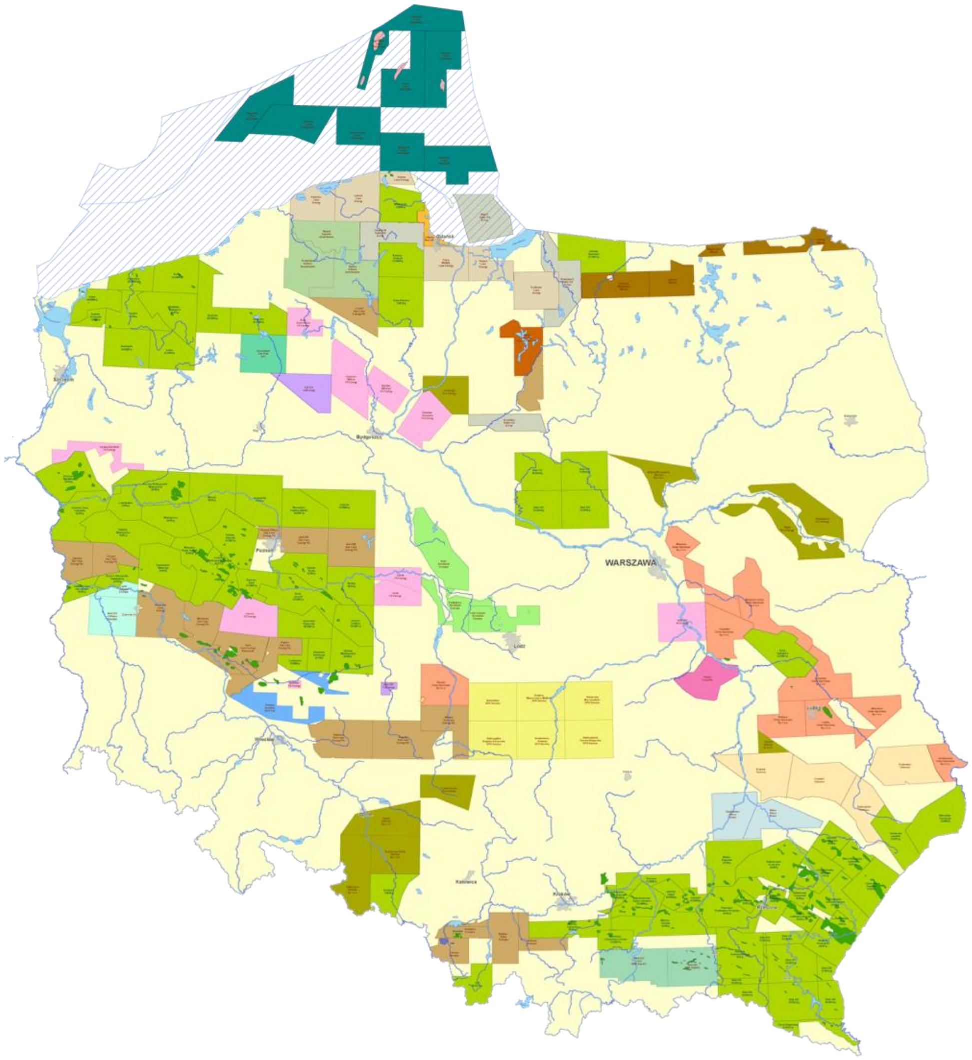
- Sales volume up 2.4 bcm yoy, to 18.6 bcm, with lower gas purchase prices
- Electricity trading volume up at PGNiG SA and PST
- Lower coal consumption and unit coal prices (including transport charges)
- Provision for length-of-service awards and retirement severance increased by PLN -251m in 2013 (2014: PLN -27m), and provisions for annual bonuses were down PLN 82m yoy
- 16 dry wells written off in 2014 (including one on the Norwegian Continental Shelf) compared with 10 dry wells in 2013; dry wells in Q4 2014: PLN 125m
- PLN -720m impairment losses on non-current assets recognised in 2014 (including PLN -428m on production assets and PLN -238m on exploration assets) vs PLN -552m in 2013
- Provision for white certificates increased by PLN 85m to PLN -219m in 2014; provision for well decommissioning increased to PLN -39m

Effect of non-cash items*: PLN -1.5bn in 2014 vs PLN -0.9bn in 2013

* Change in impairment losses and provisions under other expenses and costs of dry wells and seismic surveys written off

Appendix

Hydrocarbons licenses in Poland



For exploration

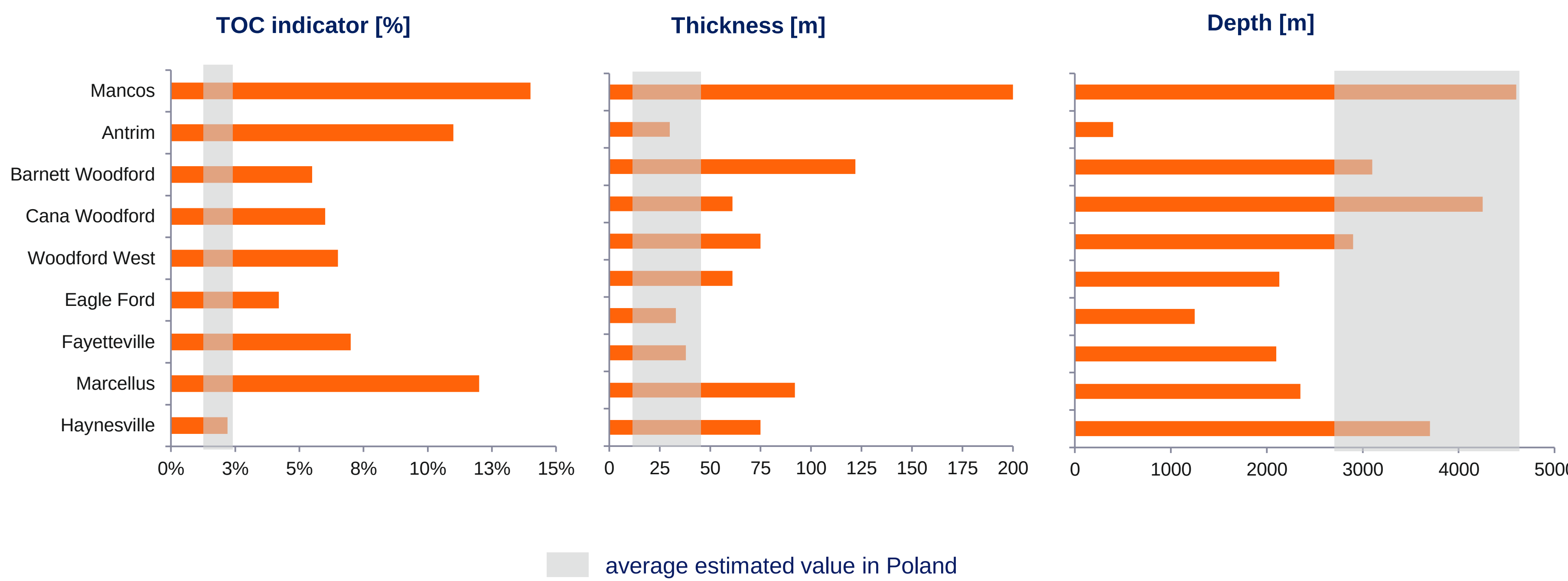
- PGNiG SA
- Aurelian Oil & Gas
- Baltic Oil & Gas (San Leon Energy Plc)
- Blue Energy
- BNK Petroleum (Saponis, Indiana Inv.)
- CalEnergy Resources Poland
- Canadian Oil International Ltd
- Celtique Energie Poland
- Chevron Polska Energy Resources
- Cuadrilla Poland
- DPV Service
- Eni Polska
- FX Energy Poland
- Gas Plus International
- Lane Energy Poland
- Liesa En., Helland Invests, Energia Gora Energy Res. (San Leon Energy Plc)
- LOTOS Petrobaltic SA
- Mac Oil
- Maryani Inv., Joyce Inv., (San Leon Energy-LNG Energy LTD)
- Merill Investment
- Orlen Upstream
- Petrolinvest S.A. (Silurian, Eco Energy)
- RWE Dea AG SA
- Sierra Bravo
- Strzelecki Energia
- Wisent Oil & Gas

For production

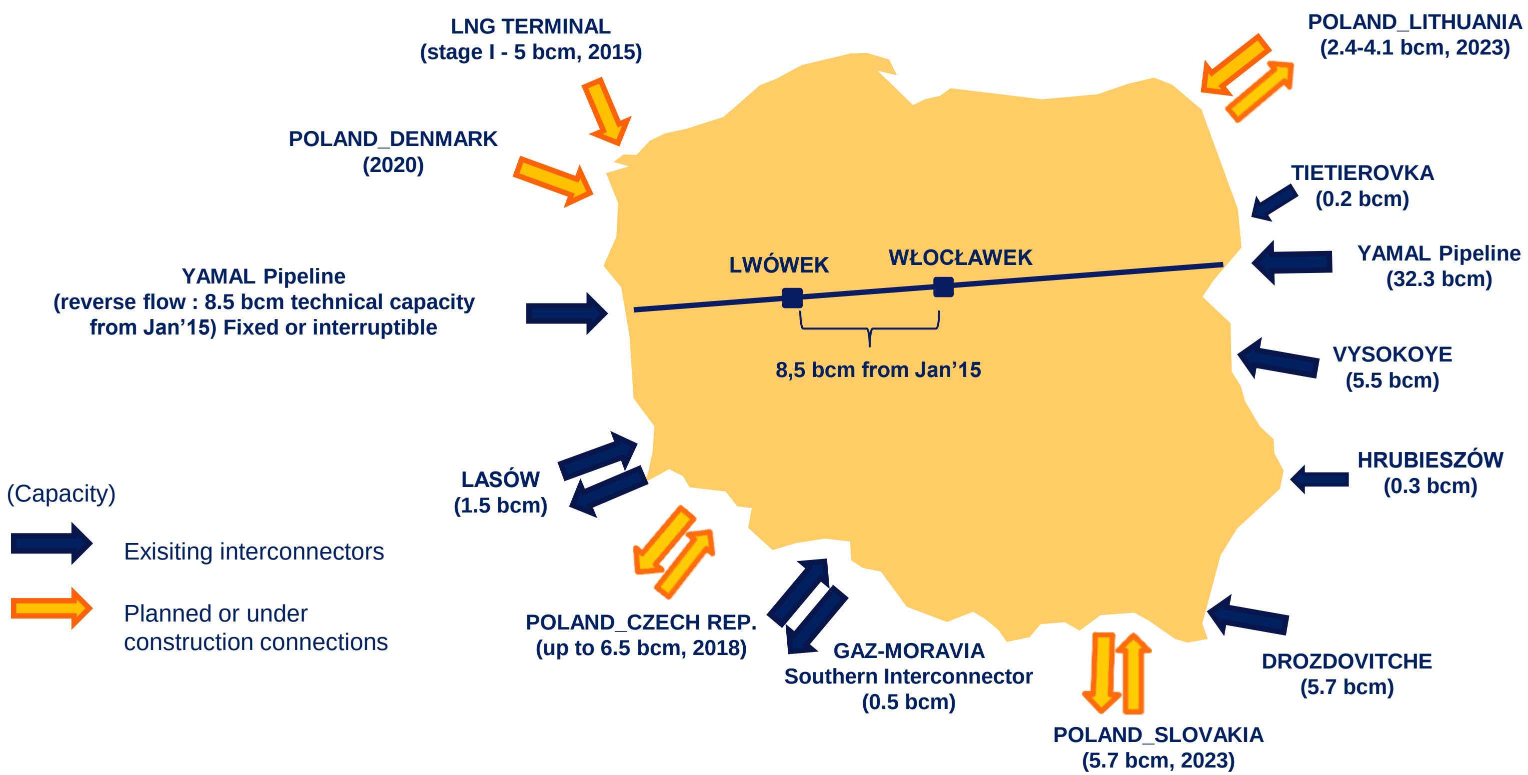
- PGNiG SA
- LOTOS Petrobaltic SA
- Zakład Odmetanowienia Kopalń
- DPV Service Sp. z o.o.

Challenges of shale gas development – Poland vs USA

- **TOC indicator (Total Organic Carbon)** – describes the amount of organic matter in the rock – indicates how much gas can be obtained from the deposit. The average TOC in Poland is app. 2-5% and in the USA 2-14%.
- **Thickness –** thickness of bedrock layer – with higher thickness the posibility of obtainnig hydrocarbons raises. The average thickness in Poland is app. 30-70 m and in the USA 20-200 m.
- **Deposit depth** – depth at which the production of deposit is possible. In Poland shale gas deposits are usually 3000-4000m and in the USA are app. 400-4600 m.
- **Mineralogical composition** – indicates the content of mineral composition in the bedrock. In Poland there is mainly mudstone and clay which are more difficult for hydraulic fracturing.



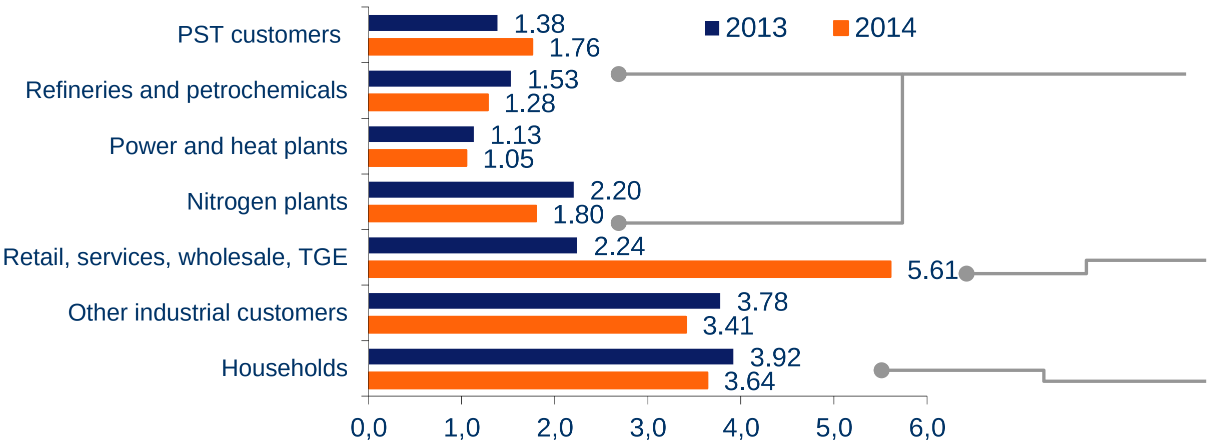
Gas transport routes



Trade and Storage

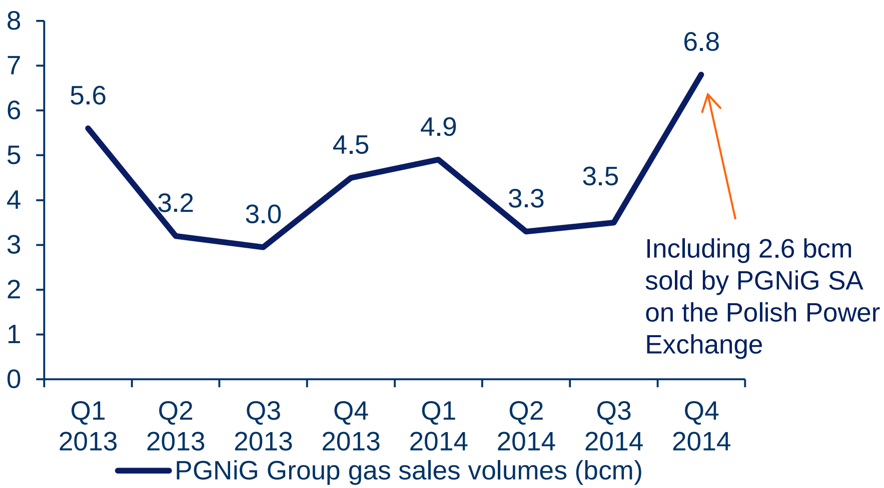
PGNiG

PGNiG Group (PGNiG SA, PGNiG Retail, PST) – gas sales volumes by customer group (bcm)



- Markedly lower sales to nitrogen plants and refineries under bilateral contracts in 2014 (down 0.4 bcm and 0.25 bcm yoy respectively), presumably due to attractive prices on the Polish Power Exchange and Western European markets
- 3.74 bcm of gas sold through the Polish Power Exchange (with physical delivery) in 2014, including 2.6 bcm in Q4 2014
- Significant impact of warmer winter on gas consumption by households and CHP plants

PGNiG Group gas sales up 2.3 bcm yoy in 2014

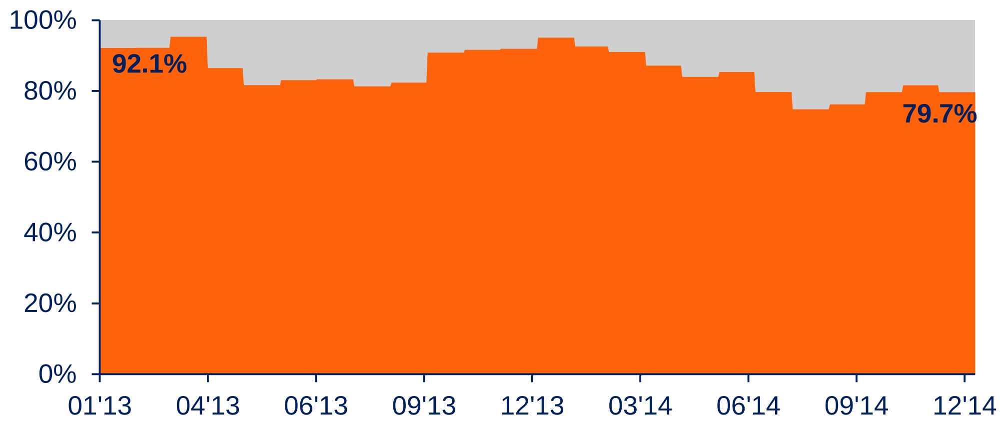


Group E gas margin at PGNiG SA and PGNiG Obrót Detaliczny (PGNiG Retail)

Gas sales volumes and changes on the gas market

Gas sales volume (cubic meters)	Q4 2013	Q4 2014	Δ%
PGNiG Group	4,467	**6,797**	52%
PGNiG SA	4,102	**3,907**	(5%)
including PGNiG SA through the TGE	38	**2,576**	-
PGNiG Obrót Detaliczny	0	**2,388**	-
PGNiG Sales & Trading	356	**488**	37%

PGNiG's monthly average share in gas imports to Poland*



- Since August 1st 2014, PGNiG Group's gas sales volumes have included both PGNiG SA's sales through the exchange and PGNiG OD's sales to end customers and on the exchange.
- PGNiG OD's sales include nitrogen-rich gas, presented in the table as Group E gas equivalent.
- From January 2013 to December 2014, PGNiG's share in gas imports to Poland fell by 12 pp to 79.7%. The figure does not reflect the Company's market share, and is attributable to growing activity of other players on the gas market undergoing deregulation, including end users. This in turn was caused by low gas prices recorded in Q3 2014 on Western markets, which are not regulated.
- The data in the chart is based on information on gas volumes transmitted through interconnectors, published by OGP Gaz-System, and illustrates PGNiG SA's share in gas flows into Poland (excluding transit volumes carried via the Yamal pipeline, but including gas imported to Poland by other entities for further export).

Gas market deregulation is affecting

PGNiG's market shares and sales structure

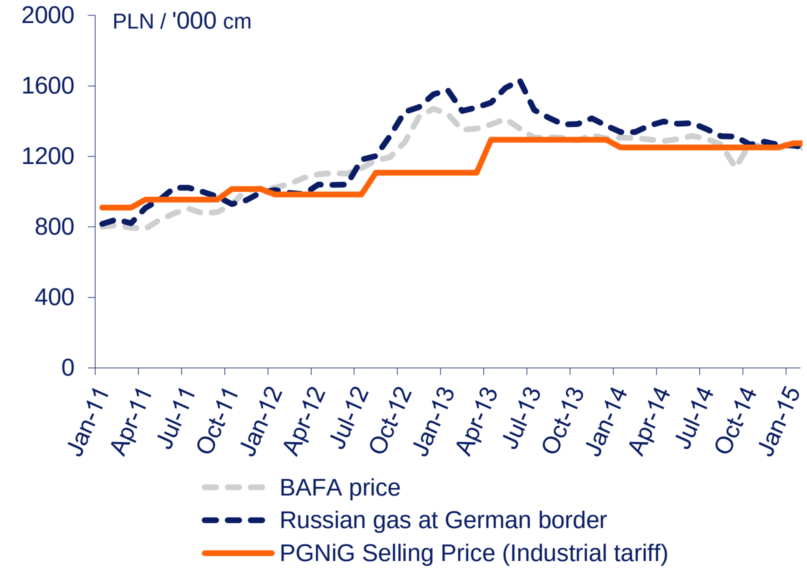
*PGNiG SA's share in gas flowing into Poland through OGP Gaz-System's entry points (excluding transit volumes via the Yamal pipeline and including volumes for export)

Tariff Model in Poland

PGNiG

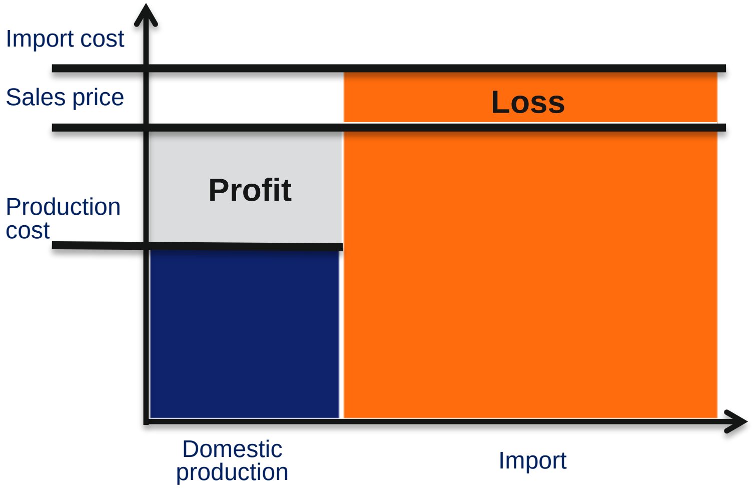
Type of activity	Regulatory mechanism
Direct sales	None
High-methane gas sales to large customers	Cost of imports + cost of production (including return on capital invested in E&P) + operating costs + margin
Storage (until Mar. 2015)	Cost + return on capital (7.4% WACC x PLN 4 bn RAB**)
Distribution (until Dec. 2015)	Cost + return on capital (7.2% WACC x PLN 11.9 bn RAB) – 150m gap

Monthly average gas prices in European import contracts and PGNiG tariff price *



Gas tariff set on blended cost of gas:

Less costly domestic production supports imports



- Liberalization of gas market in Poland is being implemented, based on obligatory trading on gas exchange in Warsaw and gradual removal of tariffs for certain segments of industrial customers.
- The obligatory volume of high-mehtane gas to be traded on power exchange in Warsaw: 30% in 2013, 40% as of July 2014, and up to 55% as of January 2015

* Source: German Federal Office of Economics and Export Control (BAFA), average border price in Germany and Bloomberg

** RAB = regulatory asset base

Production and sales volumes

PGNiG

NATURAL GAS PRODUCTION	(mcm)									
	FY 2014	Q4 2014	Q3 2014	Q2 2014	Q1 2014	FY 2013	Q4 2013	Q3 2013	Q2 2013	Q1 2013
HIGH-METHANE GAS (E)	**1 876,0**	440,4	475,2	481,9	478,5	**1 890,5**	483,1	481,2	483,5	442,7
incl. in Poland	**1 457,4**	367,6	361,4	361,6	366,8	**1 550,5**	383,8	386,8	387,2	392,7
incl. in Norway	418,6	72,8	113,8	120,3	111,7	340,0	99,3	94,4	96,3	50,0
NITROGEN-RICH GAS (Ls/Lw measured as E equiv.)	**2 627,2**	691,5	581,6	650,4	703,7	**2 691,8**	736,8	618,6	603,9	732,5
incl. in Poland	2 569,2	677,2	566,9	635,9	689,5	2 666,9	721,8	608,7	603,9	732,5
incl. in Pakistan	58,0	14,3	14,7	14,5	14,2	24,9	15,0	9,9	0,0	0,0
TOTAL (measured as E equivalent)	**4 503,1**	**1 131,8**	**1 056,8**	**1 132,3**	**1 182,2**	**4 582,3**	**1 219,9**	**1 099,8**	**1 087,4**	**1 175,2**
Total production volume in kboe/d	77,6	77,4	72,3	78,3	82,6	79,0	83,4	75,2	75,2	82,1
NATURAL GAS SALES of PGNiG Group	**(mcm)**									
	FY 2014	Q4 2014	Q3 2014	Q2 2014	Q1 2014	FY 2013	Q4 2013	Q3 2013	Q2 2013	Q1 2013
HIGH-METHANE GAS (E)	**17 260,7**	6 372,6	3 284,3	3 078,2	4 525,6	**15 005,6**	4 132,0	2 731,4	2 964,5	5 177,7
incl. sales of PST outside of PGNiG Group	**1 759,5**	488,1	362,7	444,1	464,7	**1 382,8**	356,0	306,2	271,4	449,2
NITROGEN-RICH GAS (Ls/Lw measured as E equiv.)	**1 341,8**	424,5	271,6	271,2	374,6	**1 202,4**	350,6	220,1	245,3	386,5
TOTAL (measured as E equivalent)	**18 602,5**	**6 797,0**	**3 555,9**	**3 349,4**	**4 900,2**	**16 208,1**	**4 482,6**	**2 951,5**	**3 209,8**	**5 564,2**
IMPORTS OF NATURAL GAS	**(mcm)**									
	FY 2014	Q4 2014	Q3 2014	Q2 2014	Q1 2014	FY 2013	Q4 2013	Q3 2013	Q2 2013	Q1 2013
TOTAL	**9 699,8**	2 422,8	2 142,6	2 593,9	2 540,5	**10 849,6**	2 663,6	2 245,0	2 481,0	3 460,0
herein: from the East	***8 097,1***	*1 751,4*	*1 805,0*	*2 515,2*	*2 025,5*	***8 733,7***	*1 792,7*	*1 885,0*	*2 272,0*	*2 784,0*
CRUDE OIL in GK PGNiG	**(ths tonnes)**									
	FY 2014	Q4 2014	Q3 2014	Q2 2014	Q1 2014	FY 2013	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Production of crude oil and condensate	**1 207,4**	271,3	304,3	309,8	322,0	**1 098,5**	309,4	327,3	233,1	228,7
incl. in Poland	789,1	214,5	188,2	183,7	202,7	815,2	215,3	218,1	177,8	204,0
incl. in Norway	418,4	56,9	116,1	126,1	119,3	283,3	94,1	109,2	55,3	24,7
Production volume in kbbl/d	**24,2**	21,6	24,2	25,0	26,2	**22,1**	24,7	26,1	18,8	18,6
Sales of crude oil and condensate	**1 169,3**	248,5	261,6	372,6	286,6	**1 105,5**	400,9	255,1	242,9	206,6
incl. in Poland	779,9	212,8	180,9	185,0	201,2	808,7	221,7	212,7	180,3	194,1
incl. in Norway	389,4	35,7	80,7	187,6	85,4	296,8	179,2	42,4	62,6	12,5
PGNiG TERMIKA										
	FY 2014	Q4 2014	Q3 2014	Q2 2014	Q1 2014	FY 2013	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Production HEAT net (sales) (TJ)	**36 617,0**	12 980,3	2 866,7	5 336,1	15 433,9	**40 174,5**	12 530,1	3 367,4	5 765,6	18 511,4
Production POWER net 2nd level (for sale) (GWh)	**3 555,4**	1 131,5	386,1	647,6	1 390,2	**3 772,2**	1 188,9	444,6	613,0	1 525,7