PGNiG Group results for Q1 2016

May 9th 2016

Agenda

Performance drivers

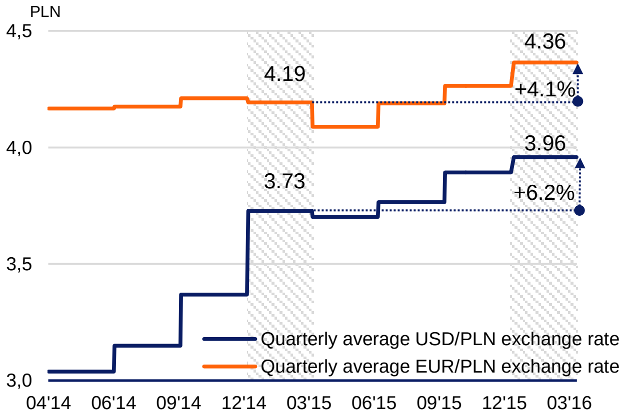
PGNiG

Noticeable impact of recent periods' tariff reductions on gas selling prices; Average regulated price down 11% year on year in Q1 2016

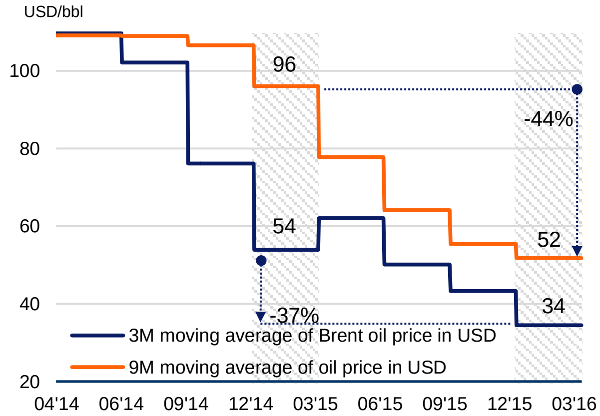
Comments:

- Price in the chart is calculated on the combined tariff-price sales of PGNiG SA and PGNiG OD to customers in Poland. It excludes transactions on the Polish Power Exchange, discounts, and gas sold directly from the fields.
- The largest volumes of gas were traded on the PPE and other gas exchanges under contracts with maturities of a quarter, season (summer/winter) and gas year, with the spot market playing a complementary role in gas trading.

Stronger USD and EUR against PLN yoy



In Q1 2016, 9-month average of crude oil prices down 44% year on year and down 6% qoq



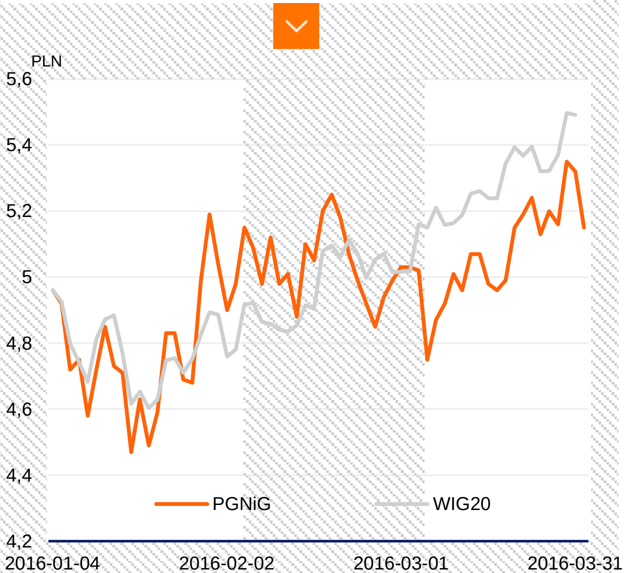
Average tariff price of gas fuel in Poland and the price of gas on the PPE

Financial highlights Q1 2016

Major impact of falling commodity prices, gas market liberalisation and the Efficiency Improvement Programme on operating performance

[PLNm]	Q1 2015	Q1 2016	Δ%
Revenue	12,495	**10,980**	(12%)
Operating expenses (excl. D&A)	(10,169)	**(8,587)**	(16%)
EBITDA	2,326	**2,393**	3%
Depreciation and amortisation expenses	(664)	**(672)**	1%
EBIT	1,662	**1,721**	4%
Net finance income/(costs)	(72)	**48**	
Net profit	1,244	**1,386**	11%

Performance of the PGNiG stock in Q1 2016



- Revenue from high-methane (E) gas sales down PLN 1.7bn year on year (PLN 8.6bn in Q1 2016), with sales volume up 0.3 bcm year on year, to 7.6 bcm.
- Revenue from crude oil and condensate sales down PLN 120m in Q1 2016, despite a 15% year-on-year rise in sales volumes, to 398 thousand tonnes, mainly on an over 40% drop in oil prices year on year.
- Cost of gas sold down 15%, or PLN 1.2bn year on year.
- Negligible impact of the net proceeds settlement of Qatari gas in Q1 2016 (two deliveries settled).
- Depreciation/amortisation charges in Norway down PLN 20m year on year on re-evaluation of Skarv reserves.
- A PLN 96m provision for VRP in Distribution recognised in Q1 2015 and reversed in Q2 2015. No provision recognised in Q1 2016.
- PLN 50m net exchange gain on the USD-denominated reserve based loan in Q1 2016 vs PLN 37m net exchange loss in Q1 2015.
- PLN 3m loss on remeasurement of collateral securing Eurobonds, compared with a loss of PLN 92m in Q1 2015, due to the euro strengthening against the złoty.

Business segments – EBITDA Q1 2016

Exploration and Production

- Revenue from sales of oil and condensate down PLN 120m or 25% year on year.

Trade and Storage

- Lower unit gas purchase costs.
- PLN +165m in partial reversal of write-downs on gas inventories in Q1 2016 (net write-downs at the end of Q1 2016 at PLN 88m).

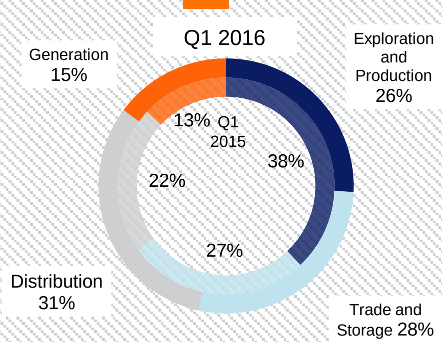
Distribution

- Volume up by 7% year on year.
- PLN 96m provision for the Voluntary Redundancy Programme recognised in Q1 2015.

Generation

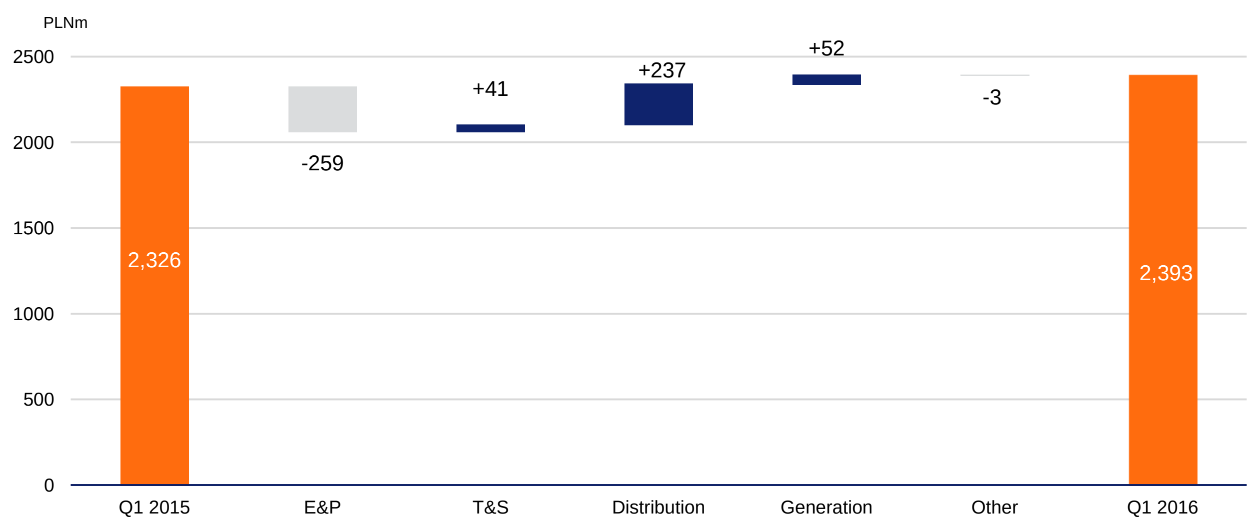
- Heat and electricity sales volumes up, with fuel costs down.

Segments' contribution to Group EBITDA



[PLNm]	Q1 2015	Q1 2016	Δ%	Contribution to Group's result
Exploration and Production	878	**619**	(30%)	26%
Trade and Storage	619	**660**	7%	28%
Distribution	521	**758**	45%	32%
Generation	310	**362**	17%	15%
Other, eliminations	(2)	**(5)**	x2,5	
Total	2,326	**2,393**	3%	

PGNiG Group's 2015 EBITDA down year on year



Segments – Exploration and Production

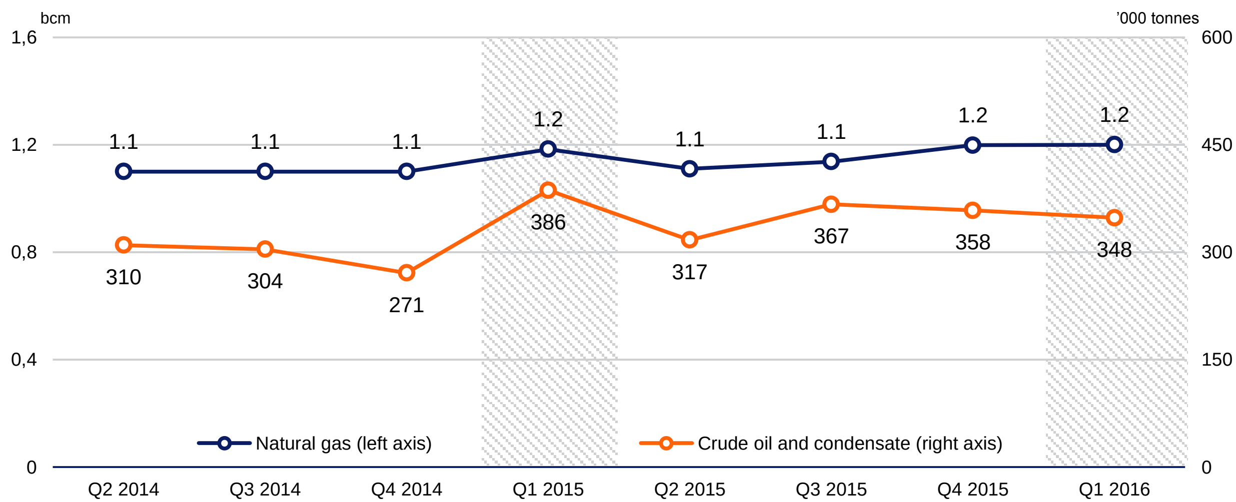
Negative impact of low oil prices partly offset by higher sales volumes

[PLNm]	Q1 2015	Q1 2016	Δ%
Revenue	1,217	**1,045**	(14%)
Operating expenses (excl. D&A)	(339)	**(426)**	25%
EBITDA	878	**619**	(30%)
Depreciation and amortisation expenses	(317)	**(286)**	(9%)
EBIT	561	**333**	(41%)

Commentary:

- Revenue from sales of crude oil and condensate down PLN 120m year on year, with oil prices in PLN down over 40% and sales volumes up 15%, to 398 thousand tonnes.
- Revenue from geophysical and drilling services slightly down, by PLN 6m to PLN 95m.
- Dry wells and seismic surveys written off: PLN -46m in Q1 2016 (three wells) compared with PLN -2m in Q1 2015.
- Depreciation/amortisation in Norway down PLN 20m year on year on re-evaluation of Skarv reserves.
- Oil and gas production forecast at 1.2 million tonnes and 4.7 bcm respectively in 2016.

Gas output stable and crude output down year on year in Q1 2016



Segments – Trade and Storage (1/2)

PGNiG

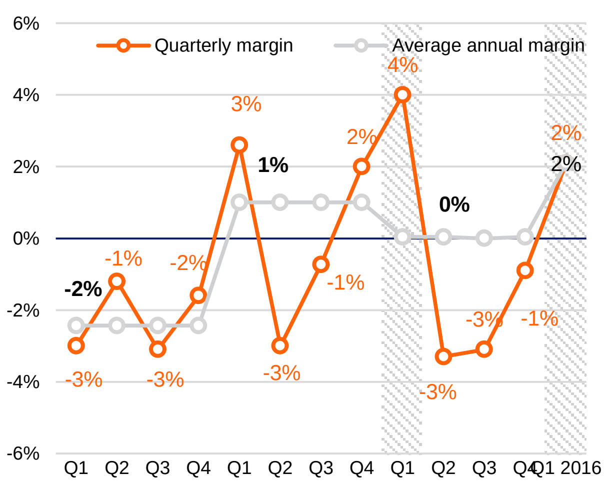
Margin on E gas fuel up 7%, with operating margin on the product up 2% in Q1 2016

[PLNm]	Q1 2015	Q1 2016	Δ%
Revenue	11,190	**9,619**	(14%)
Operating expenses (excl. D&A)	(10,571)	**(8,959)**	(15%)
EBITDA	618	**660**	7%
Depreciation and amortisation expenses	(40)	**(61)**	55%
EBIT	579	**599**	4%

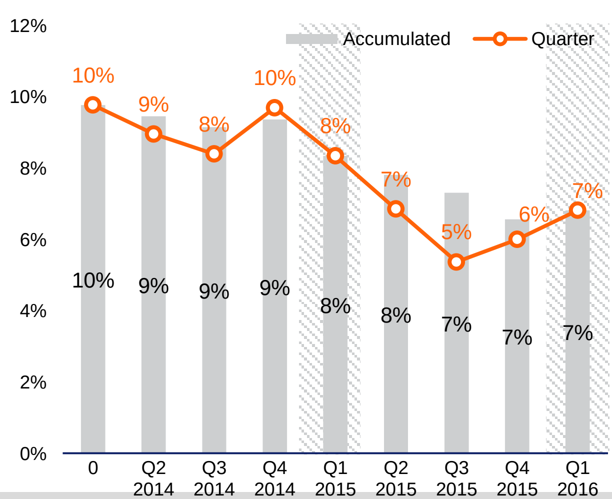
Commentary:

- Revenue from gas sales in Trade & Storage down from PLN 10.7bn to PLN 9.0bn on lower selling prices (tariff price reductions and active discount policy targeting the largest customers).
- PLN +165m in partial reversal of write-downs on gas inventories in Q1 2016 (net write-downs at the end of Q1 2016 at PLN 88m) as a result of reduced gas volumes in storage.
- PST's contribution to overall gas sales revenue: PLN 585m relative to PLN 617m Q1 2015.
- Contribution of the segment's electricity sales to revenue totalling PLN 482m, compared with PLN 447m the year before.
- Effect of hedging transactions of gas purchases entered into in 2014-2015 at higher prices totalled PLN -261m in Q1 2016 vs PLN -46m in Q1 2015.

Positive operating margin on E gas



Positive margin on E gas fuel



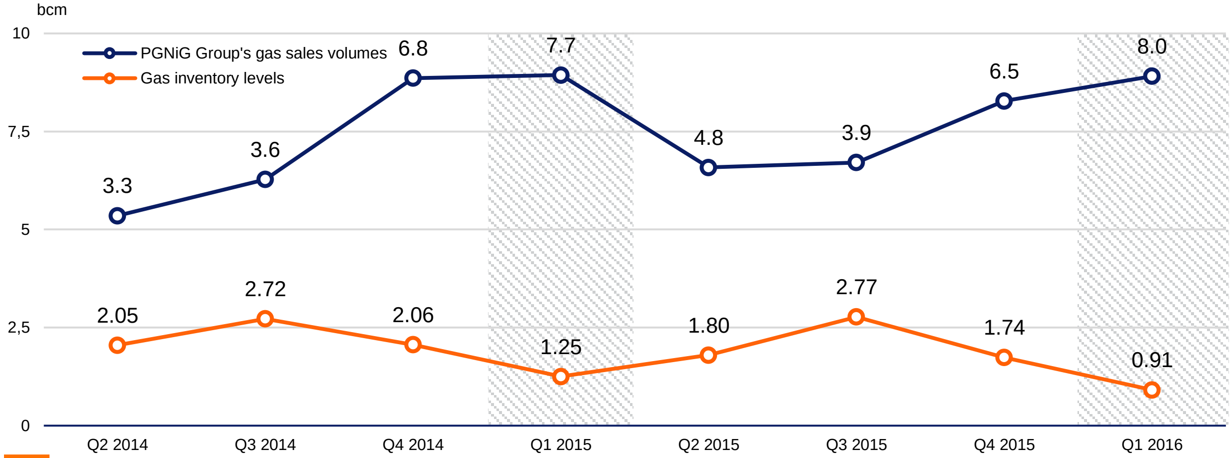
Segments – Trade and Storage (2/2)

Segment's performance driven by falling purchase and selling prices and lower average temperatures compared with last year

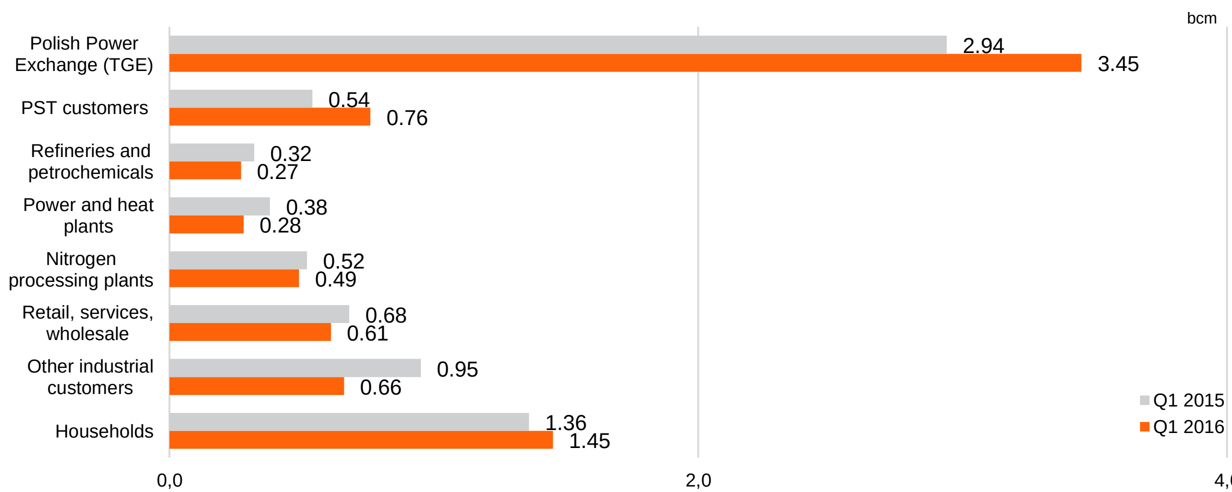
Commentary:

- Impact of colder winter on gas consumption by households, with temperatures in January much lower year on year.
- Sales to nitrogen plants, refineries, the petrochemical industry, power and heating plants down year on year.
- Supplies to other industrial customers (various sectors) and commercial customers down as a result of customers changing suppliers.
- The volume of gas imported to Poland by PGNiG SA up 5% on Q1 2015, to 2.70 bcm, with imports from east of Poland up year on year, at 2.66 bcm, and imports from west of Poland down 0.7 bcm. Q1 2015 saw reduced supplies from sources east of Poland

PGNiG Group gas sales volumes up 0.3 bcm in Q1 2016, with volumes of gas sold by PGNiG SA on the Polish Power Exchange up 0.5 bcm



PGNiG Group* – gas sales volumes by customer group



* PGNiG SA, PGNiG Obrót Detaliczny, PST

Segments – Distribution

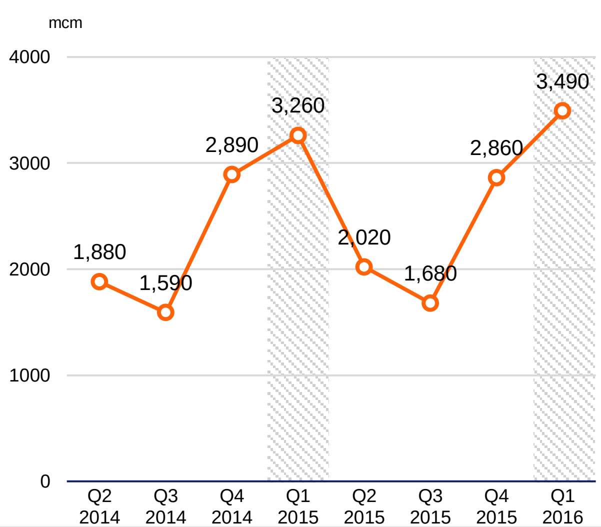
A 7% increase in distribution volumes with operating costs under control contributed to improved segment performance

[PLNm]	Q1 2015	Q1 2016	Δ%
Revenue	1,316	**1,397**	6%
Operating expenses (excl. D&A)	(795)	**(639)**	(20%)
EBITDA	521	**758**	45%
Depreciation and amortisation expenses	(219)	**(225)**	3%
EBIT	302	**533**	76%

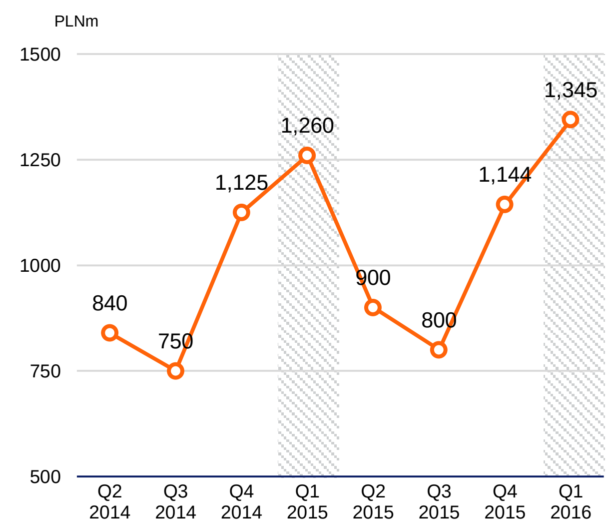
Commentary:

- Volume of distributed gas up 7% year on year, to 3.49 bcm (new connections and lower average temperatures in Q1 2016).
- Revenue from distribution services up PLN 81m (+6%) year on year.
- Net cost of system balancing at PLN -150m in Q1 2016, a level similar to the PLN -154m recorded in the same period last year. The negative effect on performance is in line with assumptions underlying the temperature-based sales forecasting method.
- PLN 96m provision for the Voluntary Redundancy Programme recognised in Q1 2015. No such provision recognised in Q1 2016.

Gas distribution volume



Revenue from distribution services



Segments – Generation

Solid operating performance supported by heat sales revenue growth

Commentary:

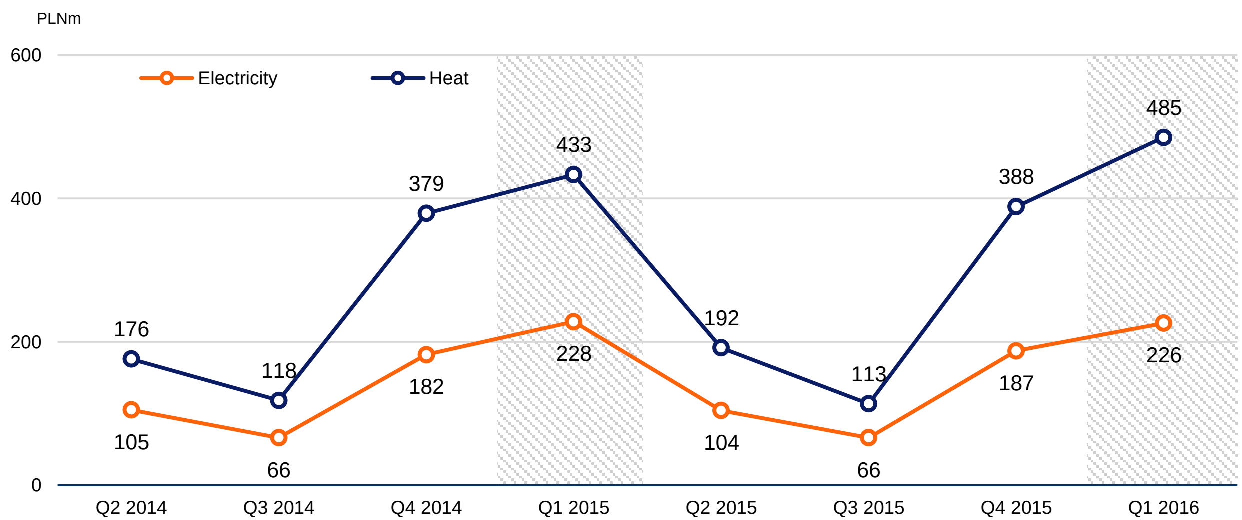
- Revenue from sales of heat up 12%, to PLN 0.49bn, with volumes up almost 7% and a higher heat tariff effective from August 15th 2015.
- Revenue from sales of electricity broadly flat year on year, with negative impact of a decline in selling prices offset by a 3% rise in sales volumes and improved availability of Siekierki CHP units.
- Change in the fuel mix consumed – biomass co-fired in K1 (Żerań CHP) – PLN 18m in Q1 2016.
- Cost of coal down 3% year on year, to PLN 260m in Q1 2016.

Sales volumes at PGNiG Termika in Q1 2016:

- Sales of heat: 16.2 PJ, up 7% year on year.
- Electricity: 1.4 TWh, up 3% year on year.

[PLNm]	Q1 2015	Q1 2016	Δ%
Revenue	688	**742**	8%
Operating expenses (excl. D&A)	(378)	**(380)**	-
EBITDA	310	**362**	17%
Depreciation and amortisation expenses	(83)	**(96)**	16%
EBIT	227	**266**	17%

PGNiG Termika's revenue from sales of heat and electricity (from own generation sources; PLNm)



Marked decrease in the cost of gas sold in Q1 2016

Cost of gas sold and other raw materials and consumables used down, driven by lower fuel prices

Commentary:

- Headcount reduced by 3,300 year on year, to 24,800 (-12%).
- PLN 96m provision for the Voluntary Redundancy Programme recognised in Q1 2015. No such provision recognised in Q1 2016.
- Three dry wells written off in Q1 2016.
- Savings on various cost items under the Efficiency Improvement Programme (gas, transport, and rental services).
- PLN +165m in partial reversal of write-downs on gas inventories in Q1 2016 (net write-downs at the end of Q1 2016 at PLN 88m) as a result of reduced gas volumes in storage.
- Cost of gas sold down on lower unit purchase cost of gas.

[PLNm]	Q1 2015	Q1 2016	Δ%
Fuels for heat and power generation	(274)	**(282)**	3%
Other raw materials and consumables used	(154)	**(113)**	(27%)
Employee benefits expense	(698)	**(545)**	(22%)
Transmission services	(247)	**(236)**	(4%)
Cost of dry wells and seismic surveys written-off	(2)	**(46)**	x22
Other services	(274)	**(236)**	(14%)
Net other income/(expenses)	(318)	**(48)**	(85%)
Change in inventory write-downs	*25*	***170***	*x6*
Work performed by the entity and capitalised	206	**163**	(21%)
Depreciation and amortisation expenses	(664)	**(672)**	1%
Operating expenses net of cost of gas sold	(2,627)	**(2,265)**	(14%)
Cost of gas sold	(8,206)	**(6,993)**	(15%)
Total operating expenses	(10,833)	**(9,258)**	(15%)

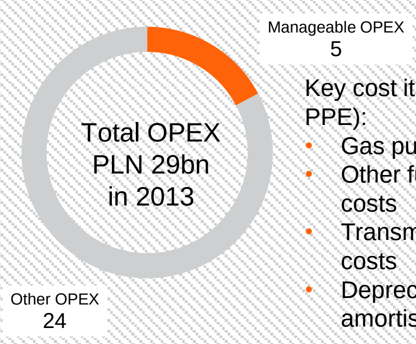
EIP- Over 35% planned gains for 2016-2018 achieved in Q1 2016

The Programme aims to permanently reduce the manageable cost base across core PGNiG Group segments

Programme objectives:

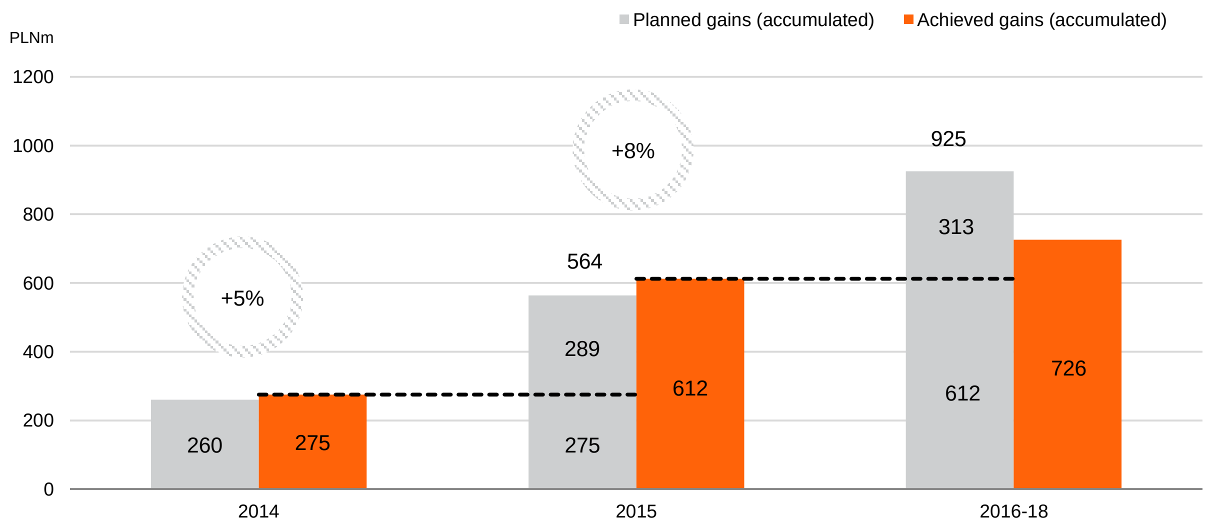
- To set efficiency improvement targets for the individual segments and entities within the PGNiG Group and to define related benefits to quality improvement.
- To define the scope of action and to assign specific tasks to individual business segments based on identified areas for improvement.
- To implement initiatives designed to improve the PGNiG Group's operating efficiency by the end of 2018.

Operating expenses covered by the EIP



Key cost items (excluding PPE):
- Gas purchase costs
- Other fuel purchase costs
- Transmission service costs
- Depreciation and amortisation expenses

PLN 114m cost savings in Q1 2016



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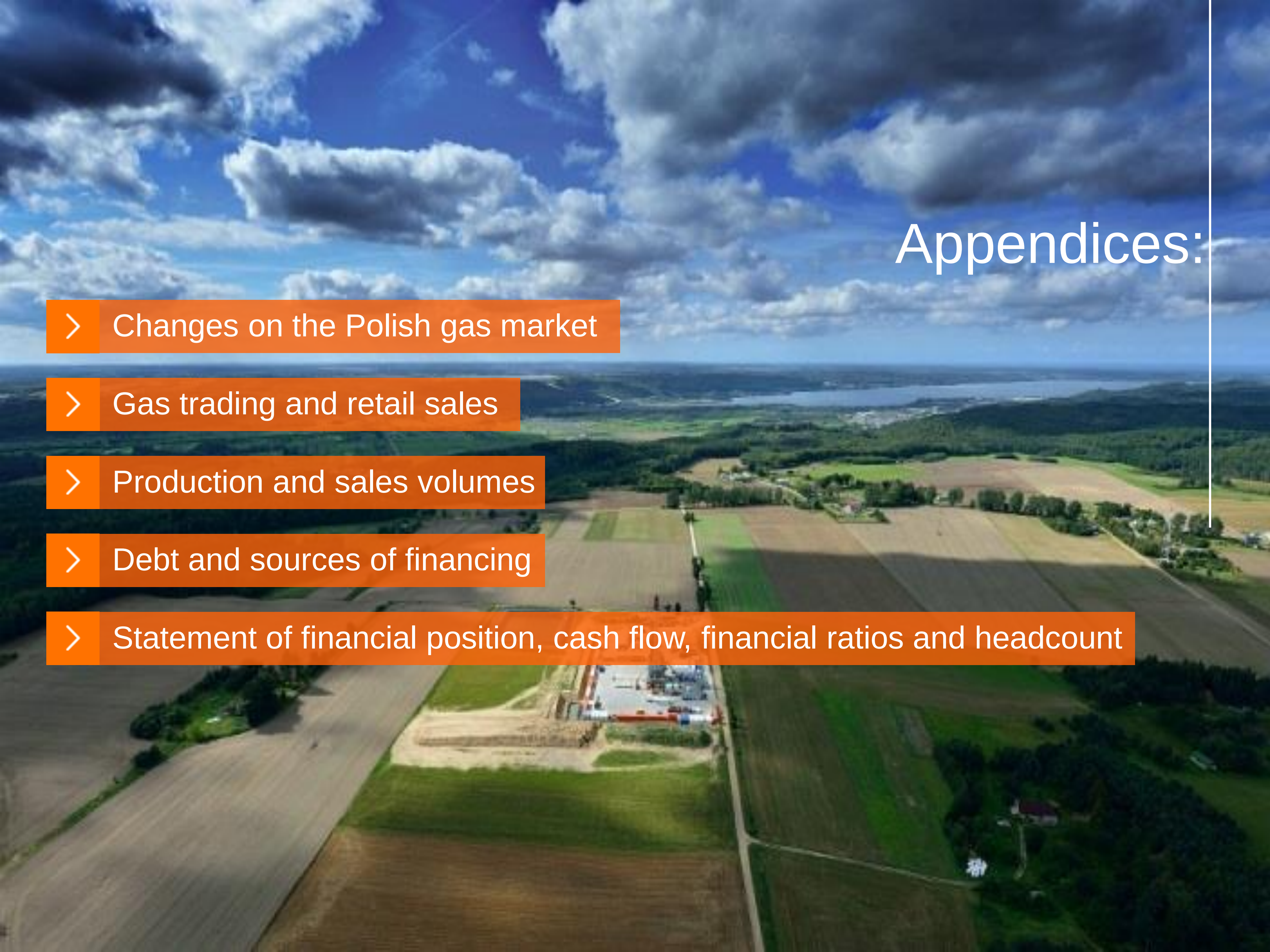
Release dates for periodic reports

12 August	9 November
H1 2016 report	Q3 2016 report
Close period: July 13th– August 12th 2016	Close period: October 27th– November 9th 2016

More information

Investor Relations website
www.ri.pgnig.pl



Appendices:

- Changes on the Polish gas market
- Gas trading and retail sales
- Production and sales volumes
- Debt and sources of financing
- Statement of financial position, cash flow, financial ratios and headcount

Changes on the Polish gas market

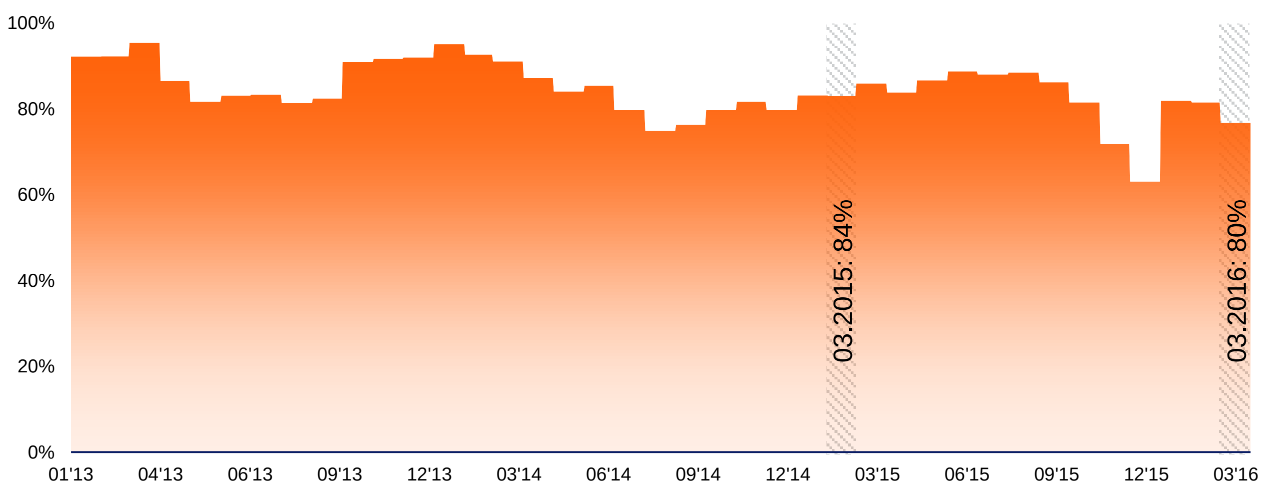
Gas market deregulation is affecting PGNiG's share in imports and sales structure

Commentary:

- Since August 1st 2014, the 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.

Gas sales volume (mcm)	Q1 2015	Q1 2016	Δ%
Total PGNiG Group	7,721	**7,986**	3%
PGNiG SA	4,342	**4,612**	6%
including PGNiG SA through PPE	2,855	**3,399**	19%
PGNiG Obrót Detaliczny	2,843	**2,597**	(9%)

PGNiG's share in gas imports to Poland*



* Notes:

- The chart presents 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), monthly data The increase of PGNiG's share in imports observed in Q1 2016 caused mainly by reduced exports to Ukraine.
- Data in the chart do not show PGNiG SA's share in the Polish gas market. They have been sourced from reports published by OGP Gaz-System on the volumes of gas flowing through interconnectors.

Gas trading and retail sales after August 1st 2014

Production

Gas purchase

PGNiG SA

Gas sold to key customers: above 25 mcm annually
4.6 bcm in 2014
4.3 bcm in 2015

Direct sales
0.93 bcm in 2014
0.72 bcm in 2015

Polish Power Exchange
3.74 bcm in 2014
8.09 bcm in 2015

Polish Power Exchange (TGE)

PGNiG Obrót Detaliczny Sp. z o.o.

6.7m customers
7.7 bcm of gas consumed in 2014, including over 3.2 bcm supplied by PGNiG OD between August and December
7.5 bcm of gas consumed in 2015

Sales made on PPE by PGNiG SA and purchases made on PPE by PGNiG Obrót Detaliczny, which commenced operations on August 1st 2014, are not subject to elimination from the consolidated financial statements, and are disclosed under the Trade and Storage segment.

Measured as high-methane gas equivalent (without intragroup eliminations).

Production and sales volumes

NATURAL GAS PRODUCTION, PGNiG Group (mcm)	Q1 2016	FY 2015	Q4 2015	Q3 2015	Q2 2015	Q1 2015	FY 2014	Q4 2014	Q3 2014	Q2 2014	Q1 2014
HIGH-METHANE GAS (E)	509	2 031	508	515	507	501	1 876	440	475	482	479
including in Poland	359	1 458	369	359	362	367	1 457	368	361	362	367
including in Norway	150	573	138	156	145	134	419	73	114	120	112
NITROGEN-RICH GAS (Ls/Lw as E equiv.)	670	2 599	691	622	602	684	2 627	692	582	650	704
including in Poland	657	2 547	677	610	589	671	2 569	677	567	636	690
including in Pakistan	13	52	13	12	13	13	58	14	15	15	14
TOTAL (measured as E equivalent)	**1,179**	**4,629**	**1,198**	**1,137**	**1,109**	**1,185**	**4,503**	**1,132**	**1,057**	**1,132**	**1,182**
Total production in kboe/d	84	81	84	80	79	83	80	79	74	80	85

NATURAL GAS SALES, PGNiG Group (mcm)	Q1 2016	FY 2015	Q4 2015	Q3 2015	Q2 2015	Q1 2015	FY 2014	Q4 2014	Q3 2014	Q2 2014	Q1 2014
HIGH-METHANE GAS (E)	7,572	21,665	6,151	3,674	4,521	7,320	17,358	6,470	3,284	3,078	4,526
including PST sales outside PGNiG Group	764	2,271	608	639	502	522	1,760	488	363	444	465
NITROGEN-RICH GAS (Ls/Lw as E equiv.)	413	1,335	390	262	282	401	1,252	334	272	271	375
TOTAL (measured as E equivalent)	**7,986**	23,000	6,541	3,936	4,803	**7,721**	18,609	6,804	3,556	3,349	4,900
including sales directly from the fields	218	764	201	176	175	212	800	205	177	180	238

GAS IMPORTS by PGNiG SA (mcm)	Q1 2016	FY 2015	Q4 2015	Q3 2015	Q2 2015	Q1 2015	FY 2014	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Total	2,704	9,330	1,863	2,398	2,495	2,574	9,700	2,423	2,143	2,594	2,541
including: sources east of Poland	*2,657*	*8,155*	*1,774*	*2,329*	*2,219*	*1,833*	*8,097*	*1,751*	*1,805*	*2,515*	*2,026*

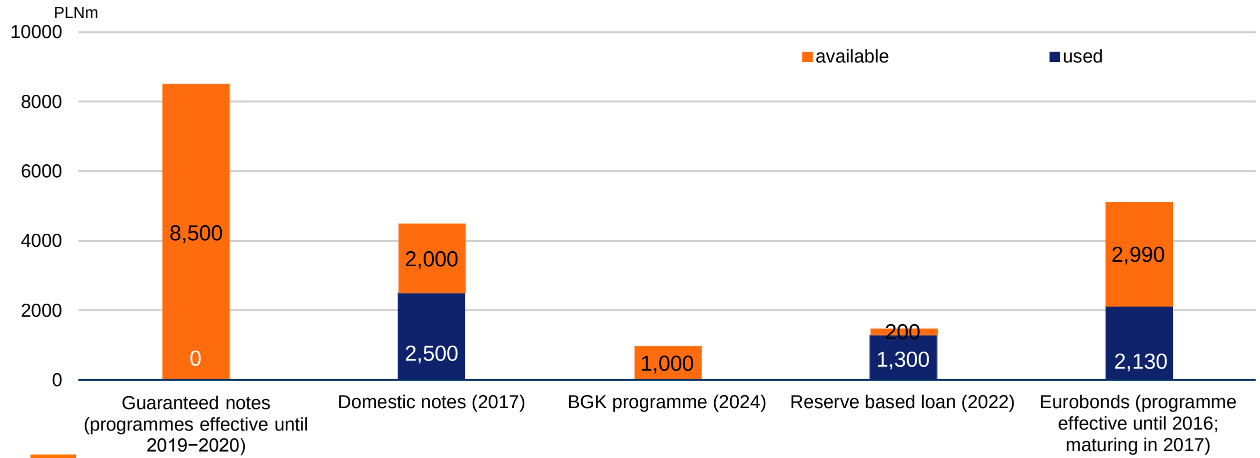
CRUDE OIL, PGNiG Group (thousand tonnes)	Q1 2016	FY 2015	Q4 2015	Q3 2015	Q2 2015	Q1 2015	FY 2014	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Production of crude oil and condensate	348	1 428	358	367	317	386	1,207	271	304	310	322
including in Poland	203	765	207	204	147	207	789	214	188	184	203
including in Norway	145	664	151	163	170	180	418	57	116	126	119
Total production in kbbl/d	28	29	29	29	26	31	24	22	24	25	26
Sales of crude oil and condensate	398	1 391	315	356	372	348	1 169	249	262	373	287
including in Poland	205	772	211	196	148	217	780	213	181	185	201
including in Norway	193	619	104	160	224	131	389	36	81	188	85

PGNiG TERMIKA	Q1 2016	FY 2015	Q4 2015	Q3 2015	Q2 2015	Q1 2015	FY 2014	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Production of heat, net (sales) (TJ)	16,152	36,209	12,643	2,701	5,810	15,055	36,617	12,980	2,867	5,336	15,434
Production of electricity, net, secondary generation (for sale) (GWh)	1,390	3,487	1,136	328	674	1,349	3,555	1,132	386	648	1,390

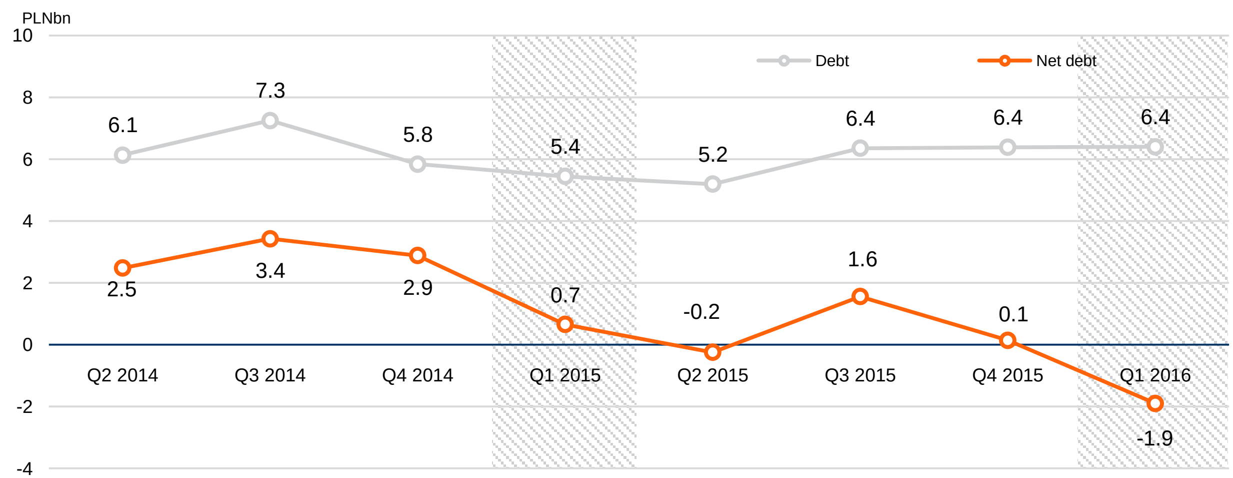
Debt and sources of financing

Strong financial position

Financing sources (as at March 31st 2016)



Debt as at end of quarter

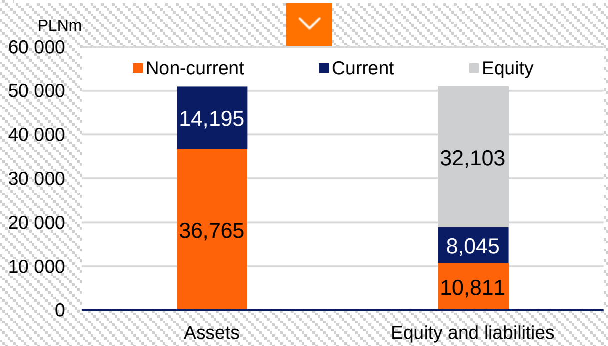


Commentary:

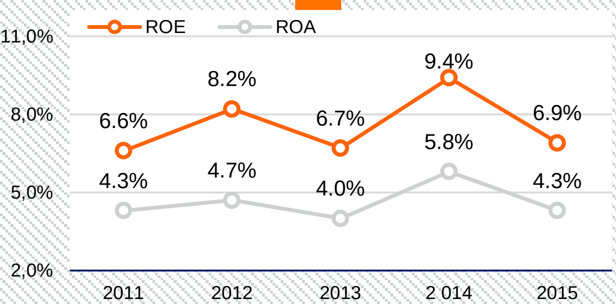
- Available financing programmes for PLN 14.7bn, including PLN 9.7bn underwritten.
- In August 2015, PGNiG Upstream International signed a new reserve based loan agreement, with loan amount raised to USD 400m. This increased the scale of self-financing of PUI and the financing capacity of the PGNiG Group. The loan is a seven-year revolving facility with a grace period of 30 months.

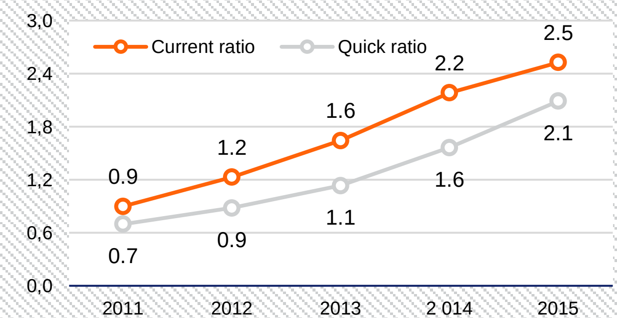
Statement of financial position, statement of cash flows, financial ratios and headcount

Group's statement of financial position (as at March 31st 2016)

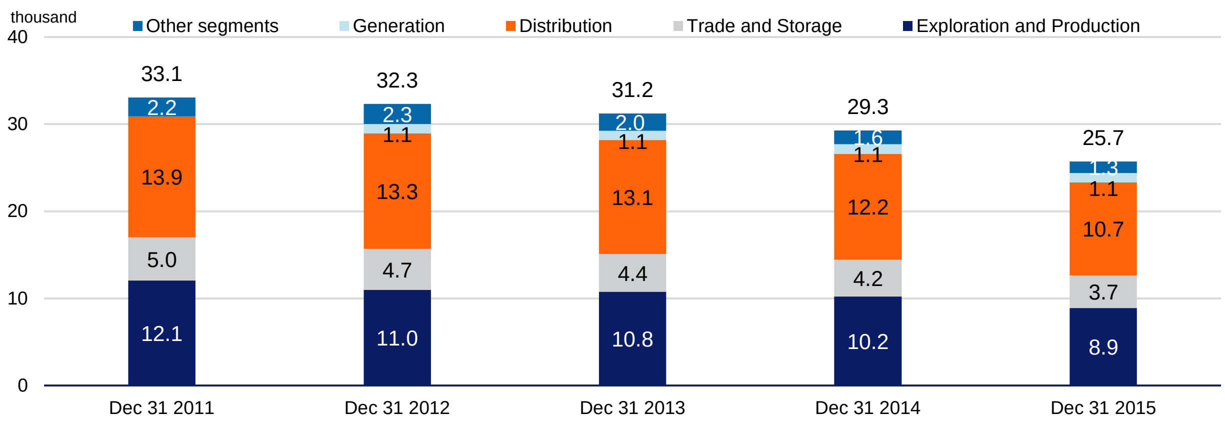


Profitability and liquidity ratios





Headcount (at year end)



Consolidated cash flows (Jan 1−Mar 31 2016)