



## **PGNiG to acquire 99.8% stake in Vattenfall Heat Poland S.A.**

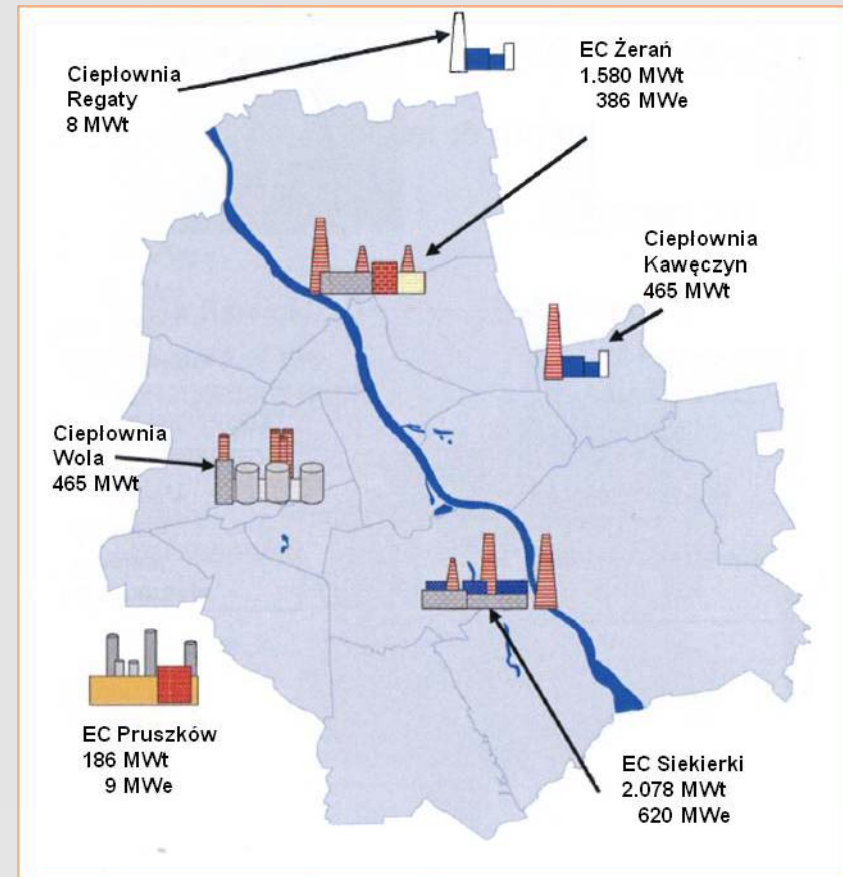
23 August 2011

## PGNiG has signed preliminary SPA to acquire 99.8% stake in Vattenfall Heat Poland S.A.

- The Management Board of Polskie Górnictwo Naftowe i Gazownictwo S.A. (**PGNiG**) hereby informs that on 23 August 2011 the board has signed the preliminary share purchase agreement to acquire 24,591,544 shares of Vattenfall Heat Poland S.A. (**VHP, Company**) from Vattenfall AB (**Agreement**). The purchase shares account for over 99.8% of VHP's share capital.
- Major terms of the Agreement signed by PGNiG include *inter alia*:
  - the purchase price accounting for over 99.8% of the Company's share capital amounts to PLN 2.96bn on the signing date, which corresponds to the enterprise value of PLN 3.5bn. The purchase price will be increased by the interest accruing until the completion date to reflect the time value of money. The final purchase price will depend on the date of the Transaction closing which will happen once the required consent of the President of the Antimonopoly Office for the Transaction is obtained.
  - PGNiG is acquiring VHP through a special purpose vehicle PGNiG SPV 1 Sp. z o.o. being a wholly owned subsidiary of PGNiG.
- Both parties anticipate the Transaction closing to occur in the fourth quarter of 2011.

# Vattenfall Heat Poland operates the largest portfolio of heat generation assets in Poland

- VHP's heat generation assets represent over 23% of the total heat capacities installed in Poland.
- VHP covers approx. 75% of the total heat demand in Warsaw as well as 98% of the heat delivered to the network of SPEC.
- VHP's heat price is one of the lowest in Poland making the Warsaw heat market least interesting for any competitor considering the development of new heat sources.
- New heat tariffs benchmarking scheme create significant upside for the Company's profitability.
- Most of the electricity generated in VHP is produced in cogeneration mode.
- VHP controls attractive locations with high potential to develop new gas-fired units and, in the long term, allowing for sizeable replacement of hard coal with gas in the fuel mix.
- VHP's management and employees demonstrate proven expertise in the power sector.



# Key information about Vattenfall Heat Poland

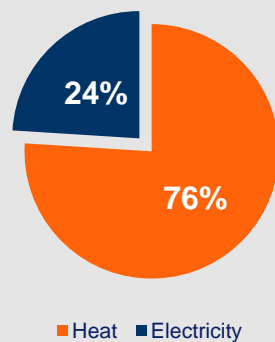
## Operating data (2010)

Installed heat power	4,762 MWt
Installed electric power	978 MWe
Heat sales	43.0 PJ
Electricity sales	3.8 TWh

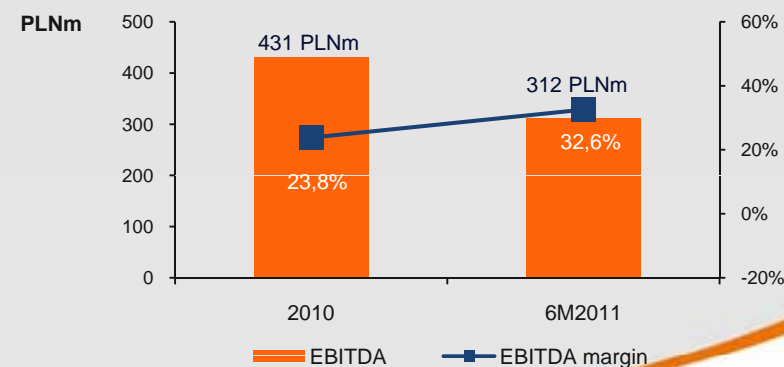
## Financials\*

Revenues (2010)	1,808 PLNm
Revenues (6M 2011)	958 PLNm
EBITDA / EBITDA margin (2010)	431 PLNm / 23.8%
EBITDA / EBITDA margin (6M 2011)	312 PLNm / 32.6%
Net income / Net income margin (2010)	278 PLNm / 15.4%
Net income / Net income margin (6M 2011)	209 PLNm / 21.8%
Fixed assets (30.6.2011)	2,028 PLNm

## 2010 Generation volumes split



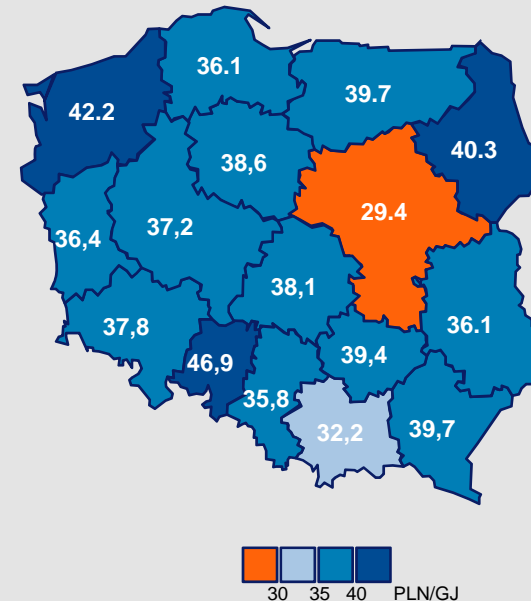
## EBITDA / EBITDA margin



# VHP is the most competitive heat generator in Poland with significant upside from new tariff regulations

- Thanks to the optimisation of the generation process and the scale of the operations, VHP is the most competitive heat generator in Poland, thus will benefit from the new benchmarking tariff scheme to the highest extent.
- VHP's average heat tariff in year 2010 was approx. 38% lower than corresponding benchmark announced by the Energy Regulatory Office (URE).
- Implementation of the new tariff scheme brought VHP the increase in the average heat price of around 5% in the end of June 2011.
- Please refer to the slide #9 for the high level description of the benchmarking tariffs regime.

Heat tariffs by regions (PLN/GJ)

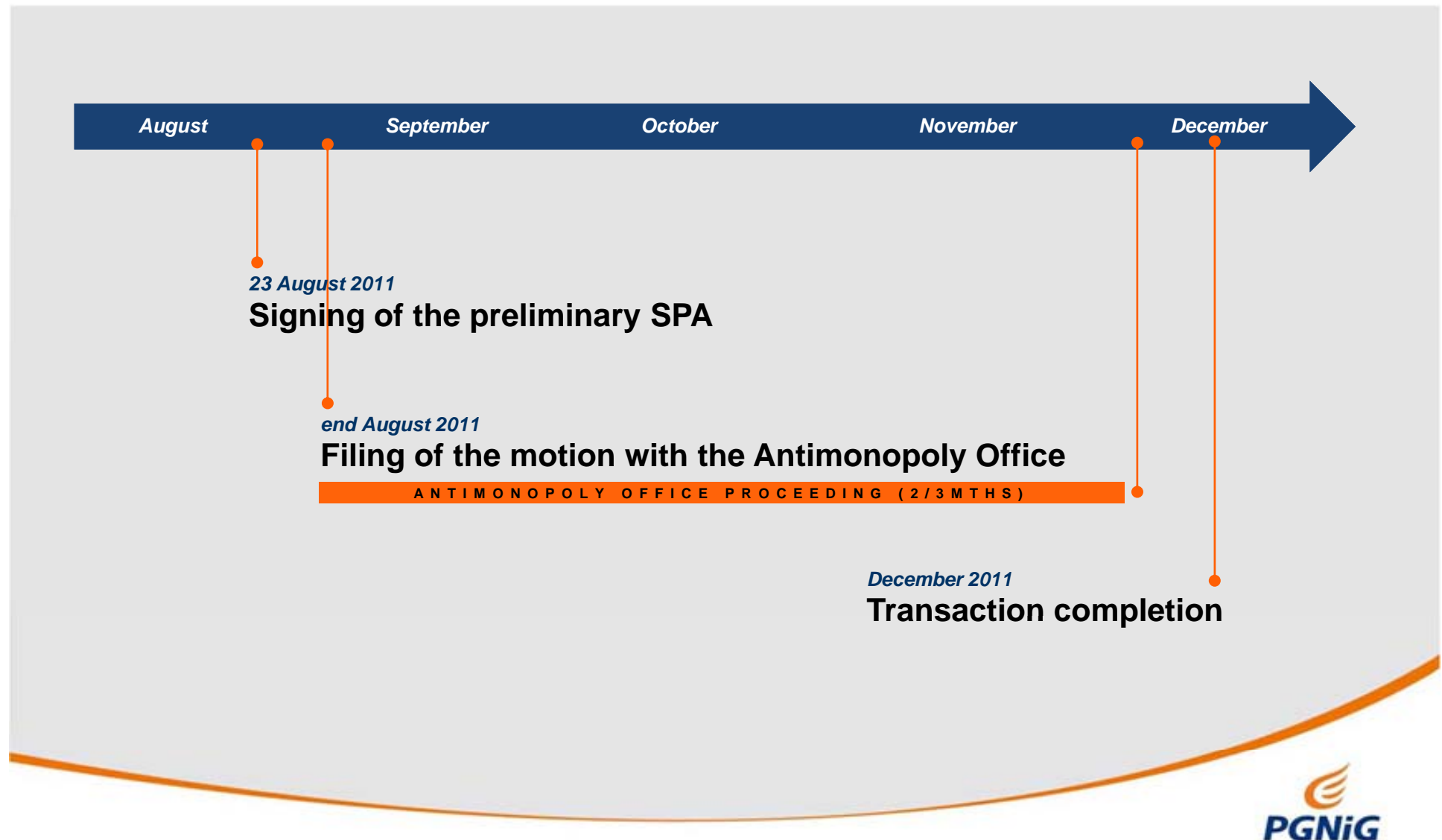


2010 VHP's  
average heat  
price:  
21.5 PLN / GJ

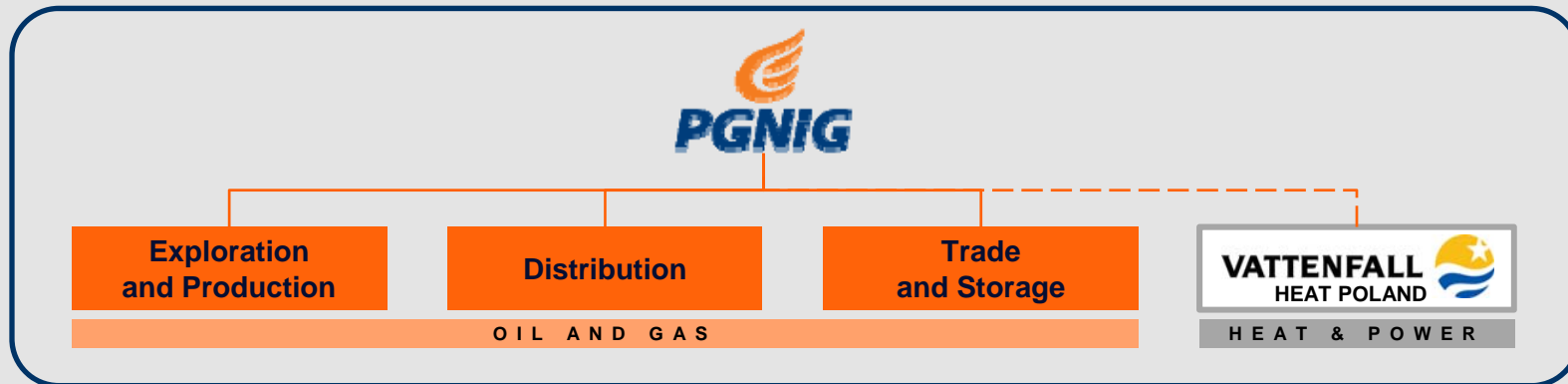


Benchmark for  
the coal-fired  
units:  
34.5 PLN / GJ

# Expected key steps in the Transaction

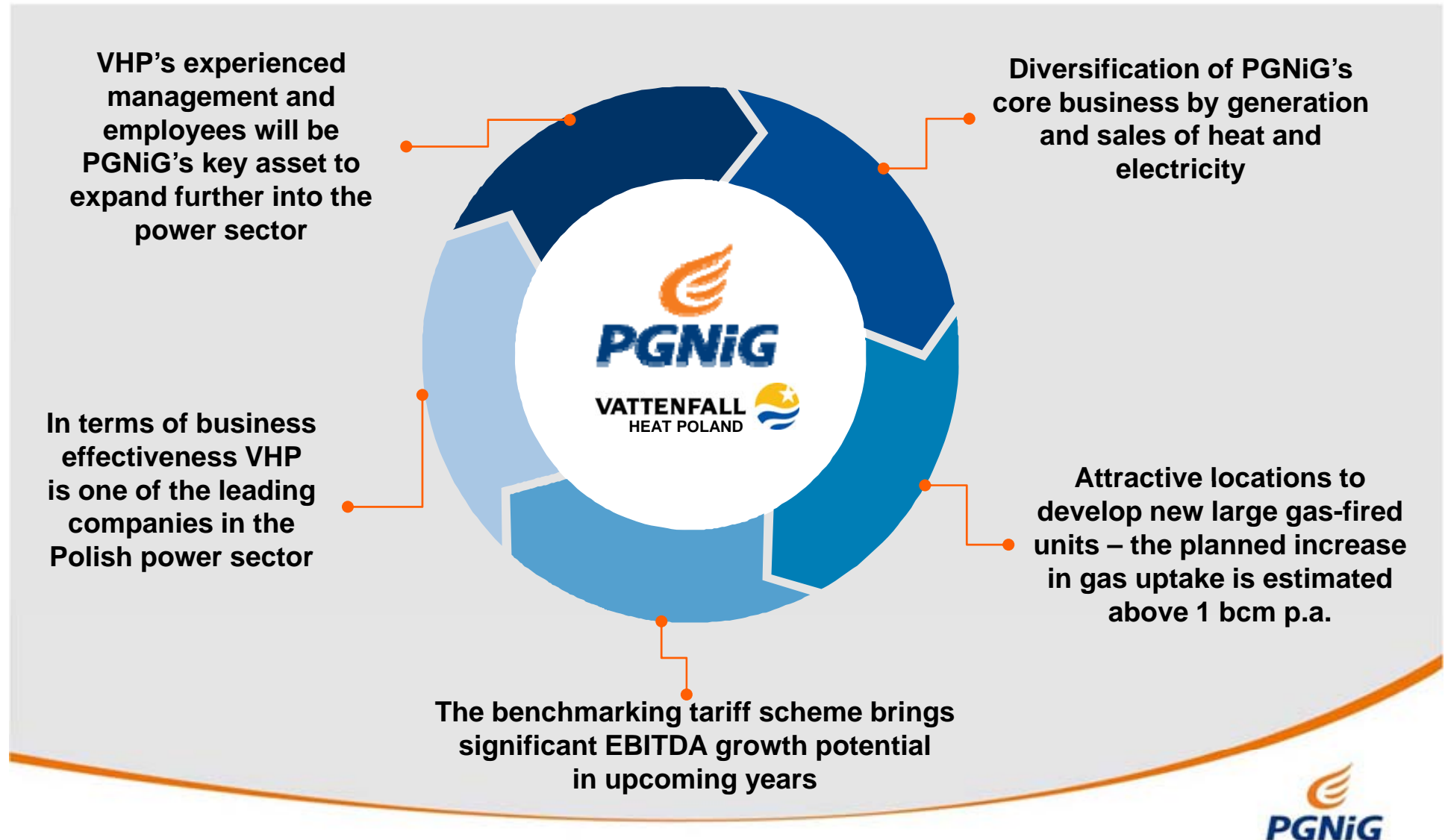


## PGNiG: the new multiutility



- Strategic expansion along the value chain of PGNiG's core business by the **acquisition of the largest heat generator in Poland.**
- The Transaction creates the **only significant Polish multiutility** producing natural gas, heat, electricity and crude oil.
- The Transaction will contribute to the **dynamic development of the natural gas market in Poland** thanks to the development of modern gas-fired units in Warsaw.

# Why Vattenfall Heat Poland?





# Benchmarking tariff scheme

- Based on the ruling of the Minister of Economy, the new heat tariff scheme based on benchmarking mechanism came into force in 2011.
- The benchmark (or the reference price) is calculated based on the country's average heat prices for respective fuel type and is announced by Energy Regulatory Office on annual basis. Current benchmark based on 2010 data for hard coal fired units amounts to 34.52 PLN/GJ and 60.46 PLN/GJ for gas fired units.
- Based on the ruling, all new generating units are eligible to receive the full benchmarking price since commissioning. For existing units, the tariff will gradually increase towards the benchmark price according to the convergence path defined by the new legislations.
- Heat generators adopting new benchmarking tariffs regulations will remain highly independent from the fluctuations of fuel prices and CO<sub>2</sub> allowances as any changes in cost base should also affect the corresponding benchmark (however with 1 year lag).
- VHP being the generator with the lowest heat tariffs in the country has at the same time the biggest potential to increase the tariff while converging to the full benchmark price.
- For more details please refer to:  
[http://www.ure.gov.pl/portal/pl/492/3774/Rozporzadzenie\\_Ministra\\_Gospodarki\\_z\\_dnia\\_17\\_wrzesnia\\_2010\\_r\\_w\\_sprawie\\_szczegolo.html](http://www.ure.gov.pl/portal/pl/492/3774/Rozporzadzenie_Ministra_Gospodarki_z_dnia_17_wrzesnia_2010_r_w_sprawie_szczegolo.html)

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