

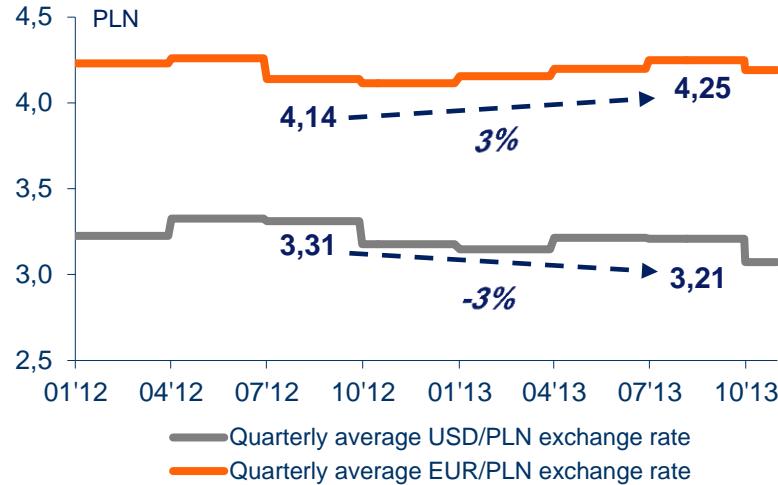


# Financial performance of PGNiG Group in 1-3Q2013

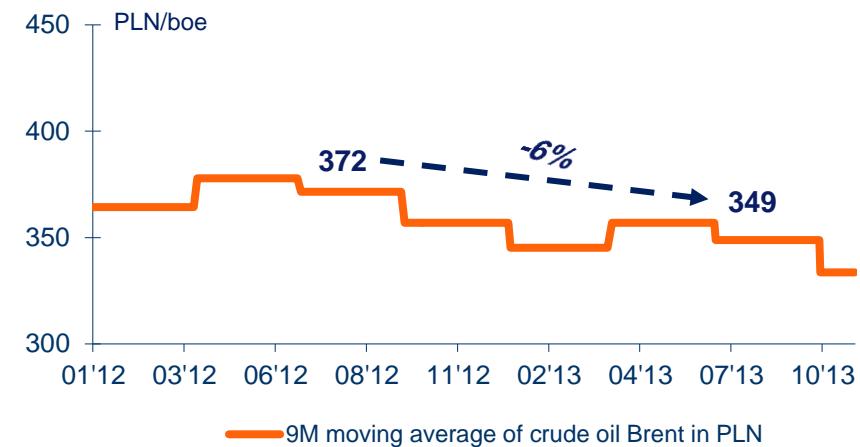
November, 14th 2013

# Factors contributing to the financial result

Average USD/PLN and EUR/PLN exchange rates



Crude oil prices



Natural gas prices – TTF vs Polish Power Exchange



Tariff price for PGNiG natural gas



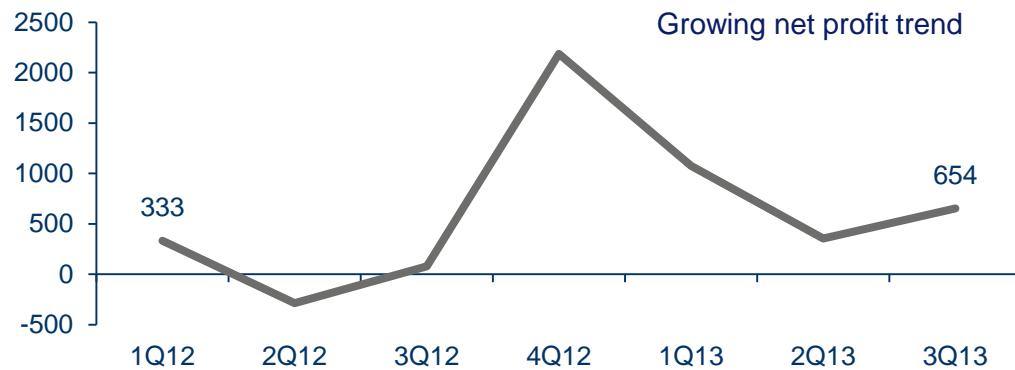
# Key financial data 1-3Q2013

(m PLN)	1-3Q2012	1-3Q2013	Δ%
Sales revenue	20 064	<b>23 003</b>	15%
Operating expenses (without D&A)	(20 043)	<b>(19 948)</b>	0%
Ebitda	1 528	<b>4 808</b>	215%
Depreciation and amortisation	(1 507)	<b>(1 753)</b>	16%
Ebit	21	<b>3 055</b>	x147
Financial result	(98)	<b>(310)</b>	217%
Net profit	122	<b>2 082</b>	x17

Growing revenue from sale of products in Q1-Q3

2013:

- High-methane gas: +PLN 1,611m
- Crude oil and condensate: +PLN 827m
- Electricity: +PLN 348m
- Heat: +PLN 96m
- Nitrogen-rich gas: +PLN 73m
- Drilling services: +PLN 42m



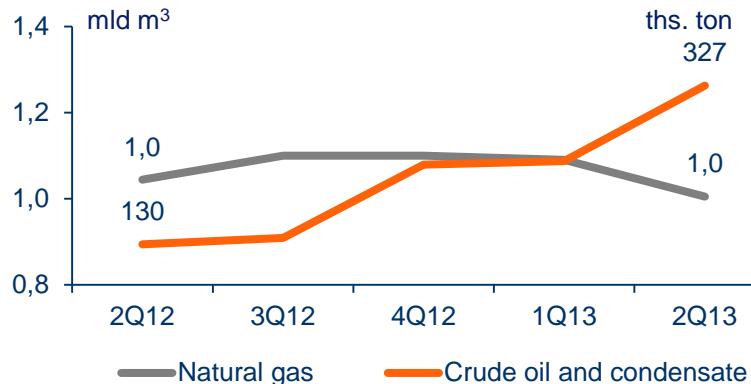
Marked improvement in performance,  
driven by a two-fold rise in crude sales

# Segments – Exploration and Production

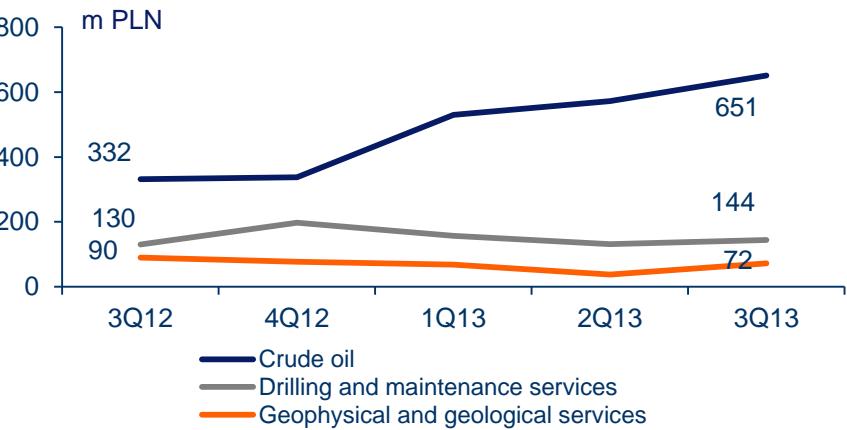
(m PLN)	1-3Q2012	1-3Q2013	Δ%
Revenue	3 118	4 317	38%
Operating expenses (without D&A)	(1 364)	(1 393)	2%
EBITDA	1 754	2 924	67%
Depreciation and amortisation	(448)	(720)	61%
EBIT	1 306	2 204	69%

- +PLN 827m revenue from sale of crude oil and condensate (+89% y/y)
- Crude sales volume up 100% (+352,000 tonnes) y/y
- Inter-segment sales of gas from the Skarv field to PGNiG Sales & Trading on the rise (241m cubic metres for 9M 2013)
- Effect of LMG: -PLN 63m and effect of Skarv: -PLN 176m for 9M 2013

Production volume



Revenue



High income as a result of increasing  
crude production

# Segments – Trade and Storage (1)

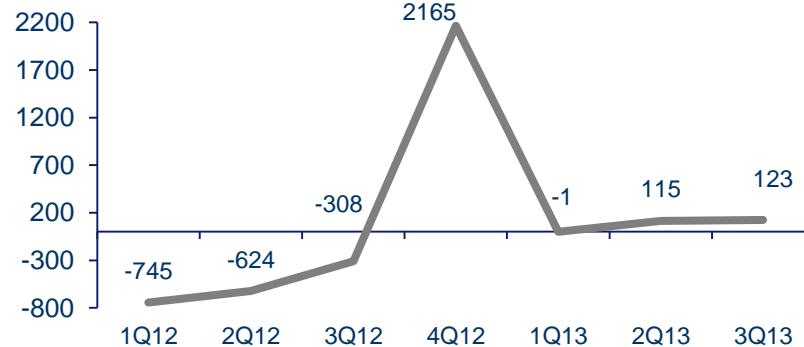
(m PLN)	1-3Q2012	1-3Q2013	Δ%
Revenue	16 552	18 672	13%
Operating expenses (without D&A)	(18 220)	(18 434)	1%
EBITDA	(1 668)	238	-
Depreciation and amortisation	(107)	(131)	22%
EBIT	(1 775)	107	-

- Tariff price does not cover costs, but Group E gas margin improved from -11% to -2% YTD and from -9% to -3% in Q3
- PST's contribution: PLN 1.3bn in gas sales revenue, compared with PLN 135m for 9M 2012
- Electricity sales at PLN 659m in Q1-Q3 2013 vs. PLN 70m in Q1-Q3 2012
- Negative effect of foreign exchange differences and net loss on derivative instruments under other expenses lower by PLN 153m

## Margin on high-methane gas (E)



## Quarterly EBITDA (m PLN)



**Group E gas margin improved,  
but still does not cover costs**

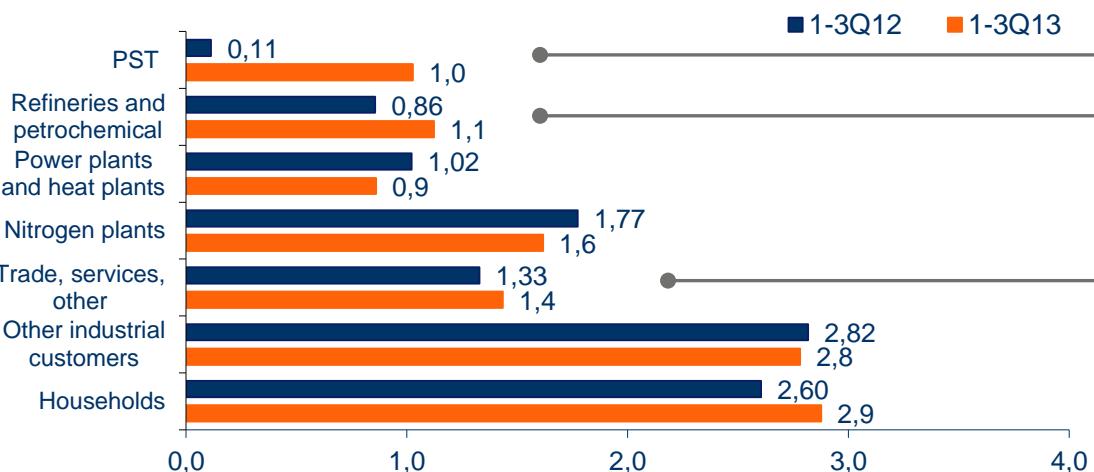
# Segments – Trade and Storage (2)

Gas inventory levels (bcm)



- Record high gas inventory levels as at the end of Q3 2013: 2.48bn cubic metres (including 0.6bn cubic metres at PMG Wierzchowice as part of a test)
- Gas imports +0.3 bcm ytd, of which 0.5 bcm in Q1 2013
- Gas imports from the east up by 0.5 bcm for 1-3Q2013, of which +0.64 bcm in Q1 2013 alone (due to low temperatures)

Gas sales volumes by customer group (bcm)



- 1 bcm of gas sold by PST in Germany in 1-3Q2013 vs 0,1 bcm in 1-3Q2012
- Refineries and petrochemicals: effect of contract with Grupa LOTOS
- Over 28m cubic metres of gas sold and delivered in 9M 2013 through gas exchange in Warsaw (out of 3.4 bcm offered)

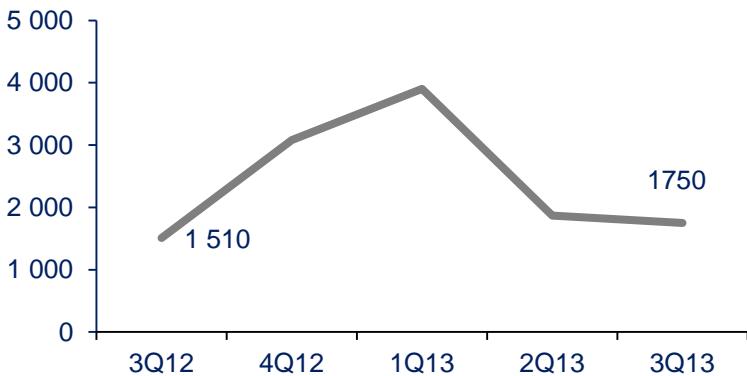
Rising gas sales  
and high inventory levels

# Segments – Distribution

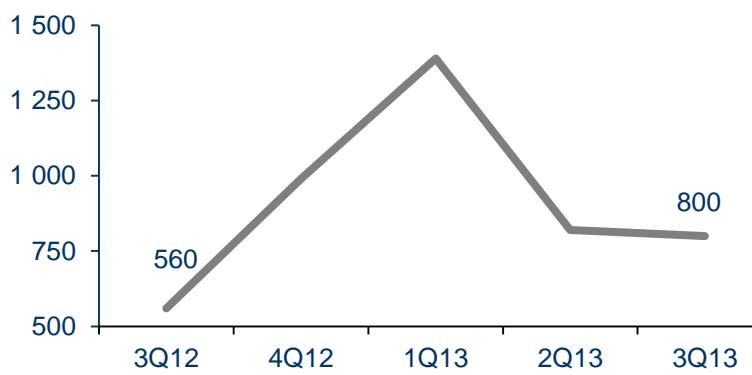
(m PLN)	1-3Q2012	1-3Q2013	Δ%
Revenue	2 546	3 136	23%
Operating expenses (without D&A)	(1 387)	(1 773)	28%
EBITDA	1 159	1 363	18%
Depreciation and amortisation	(605)	(636)	5%
EBIT	553	727	31%

- Revenue and cost increase following amendments to the Distribution and Transmission Grid Codes (neutral to operating profit/loss)
- Cost of transmission services for 9M 2013: PLN 445m (none in 2012)
- Y/Y increase in the volume of distributed gas, up 16% in Q3 2013 and 10% for 9M 2013

Distribution volume (mcm)



Revenue from distribution services (m PLN)



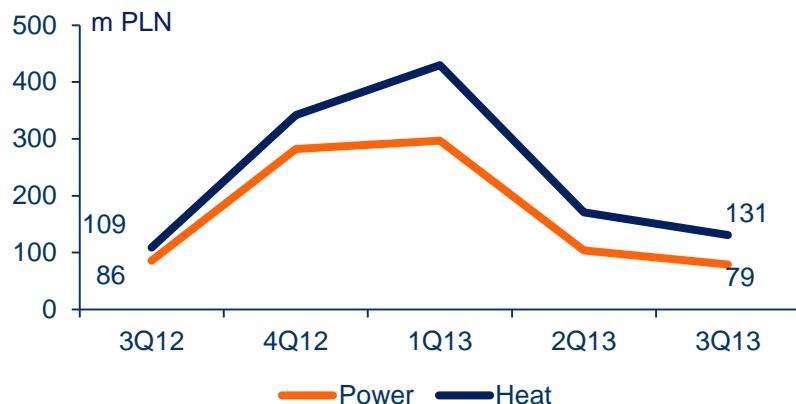
Steady & consistent  
improvement in performance

# Segments – Generation

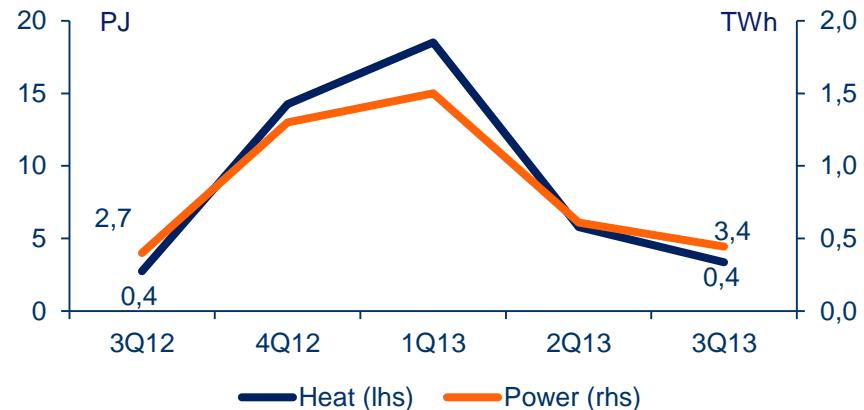
(m PLN)	1-3Q2012	1-3Q2013	Δ%
Revenue	1 354	1 445	7%
Operating expenses (without D&A)	(1 053)	(1 098)	4%
EBITDA	301	347	15%
Depreciation and amortisation	(334)	(250)	(25%)
EBIT	(33)	96	-

- 9% rise in the heat tariff as of July 2013
- Heat sales volume +23% in Q3 2013 (the coldest September in a decade)
- Drop in biomass usage and its costs (-15m PLN in 1-3Q13 vs -54m in 1-3Q12)
- In 1-3Q2012, D&A was increased by 151m PLN due to amortisation of CO2 emission allowances recognised on the acquisition of PGNiG Termika's assets

Revenue from sale of heat and electricity  
(produced by PGNiG Termika)



Sales volume of heat and electricity  
(produced by PGNiG Termika)



Good result driven by strong  
sale volumes

# Operating expenses

(m PLN)	1-3Q2012	1-3Q2013	Δ%
Cost of gas sold	(12 760)	(12 539)	(2%)
Other raw materials and consumables used	(632)	(933)	48%
Fuel for heat and power generation	(662)	(633)	(4%)
Employee benefits	(2 007)	(2 115)	5%
OGP GAZ-SYSTEM transmission services	(1 075)	(1 096)	2%
Cost of written-off dry wells	(62)	(88)	42%
Other contracted services	(1 049)	(1 041)	(1%)
Other operating expenses net	(937)	(414)	(56%)
▪ exchange differences and derivatives	(263)	(120)	(54%)
▪ taxes and surcharges	(511)	(485)	(5%)
Cost of services for own needs	647	664	3%
<b>Operating expenses (without D&amp;A)</b>	<b>(18 536)</b>	<b>(18 196)</b>	<b>(2%)</b>
Depreciation and amortisation	(1 507)	(1 753)	16%
<b>Total Operating expenses</b>	<b>(20 043)</b>	<b>(19 948)</b>	<b>0%</b>

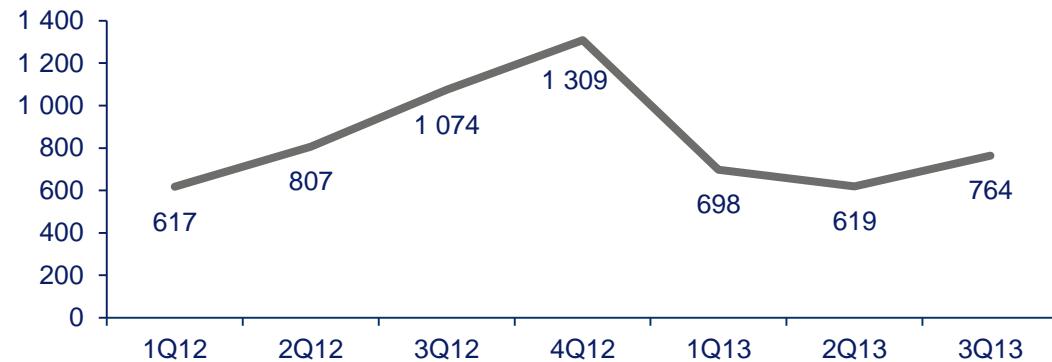
- Lower gas costs despite increased sales volume – thanks to the revised pricing formula under the Yamal contract, stable exchange rates, crude oil prices and gas spot prices
- Costs of electricity for trading at PLN 439m in Q1-Q3 2013 vs. PLN 71m in Q1-Q3 2012
- Lower biomass consumption and coal costs despite higher electricity and heat production volumes
- Effect of LMG: -PLN 63m and effect of Skarv: -PLN 176m for 9M 2013

Operating expenses under control

# Capital expenditure by business segments

(m PLN)	1-3Q2012	1-3Q2013	Δ%
Total	2 498	2 080	-17%
Exploration and Production	1 114	1 099	-1%
Trade and Storage	499	207	-59%
Distribution	686	675	-2%
Generation	170	88	-48%
Other	29	11	-62%

Quarterly capex of PGNiG Group (m PLN)



Capex at PLN 2.1bn in 1-3Q13

- PMG Wierzchowice: scheduled technical acceptance in Q4 2013, final acceptance in Q1 2014
- KPMG Kosakowo: completed construction of two of the five planned chambers and technical acceptance of the surface section
- Q1 2012: construction of desulfurization and deNox units
- Contractor for the K1 biomass boiler at the Siekierki CHP Plant selected in Q3 2013
- Q3 2013: announcement of tenders for the design of a CCGT unit (450MWe, 300MWt) and an oil-gas boiler (390MWt) for the Żerań CHP plant
- Stalowa Wola CHP Plant – status of technical work completion: 58% (work in Q3 2013 included construction of gas turbine foundations and completion of two of the four stages of work on a weir on the San river)

# Debt and sources of financing

## Financing sources as at September 30th 2013 (m PLN)

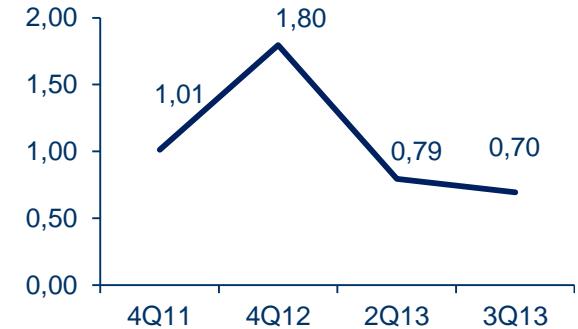


- Optimisation of financing sources
- Available financing programmes for PLN 13.3bn, including a guaranteed PLN 8.8bn
- Net debt / EBITDA <1

## Debt (m PLN)



## Net debt / trailing EBITDA



Strong financial standing following  
dividend payments (paid in 10.2013)

# Key achievements of 1-3Q2013

## Exploration and Production

- Production of crude oil and condensate:
  - Total: 789,000 tonnes (5.8 mboe), including:
    - Norway: 189,000 tonnes (1.4 mboe), of which 109,000 tonnes in Q3 2013
    - LMG: 252,000 tonnes (1.85 mboe), of which 92,000 tonnes in Q3 2013
- 14 wells drilled in 1-3Q2013, including 3 exploratory shale gas wells (annual target: to spud 34 wells, including 13 exploratory shale gas wells)

## Finance

- Revenue +15% y/y (PLN 23 bn vs 20.1 bn in 1-3Q2012)
- Net debt/EBITDA < 1
- Dividend paid: PLN 767m (October)

## Trade and Storage

- Gas sales volume 11.7 bcm (+12%) for 9M 2013 and 2.95 bcm (+17%) in Q3 2013 y/y
- Negative margin on sales of high-methane gas: -2% for 9M 2013 vs. -11% for 9M 2012
- Underground gas storage facilities fully utilised: 2.48 bcm of gas

## Business environment

- Crude prices, natural gas spot prices and exchange rates relatively stable
- Flat gas tariff since the end of December 2012, extended to Q4 2013



A close-up photograph of a large pile of industrial pipes and fittings. The pipes are made of metal and show significant signs of rust and corrosion. Some sections are painted red or orange, while others are bare metal. The fittings are flanges and valves, also showing signs of wear and rust. The lighting highlights the texture of the metal and the depth of the pile.

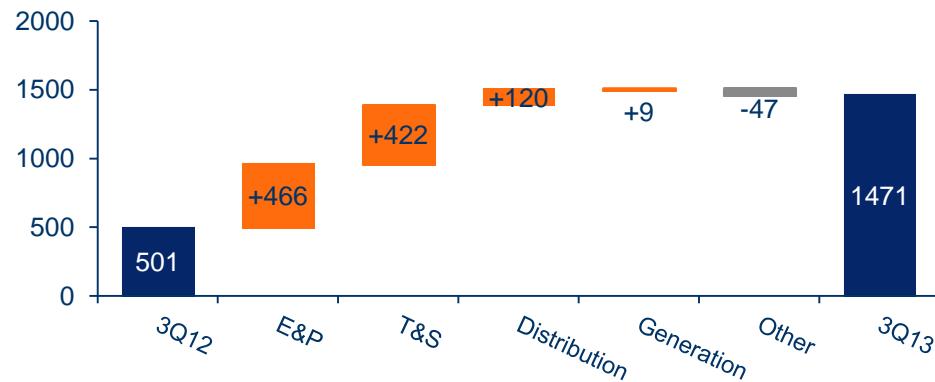
# Appendix

# Business segments – EBITDA in 3Q2013

(m PLN)	3Q2012	3Q2013	Δ%
Exploration and Production	617	1 083	76%
Trade and Storage	(299)	123	-
Distribution	185	305	65%
Heat and Power Generation	18	27	50%
Other, eliminations	(20)	(67)	235%
Total	501	1 471	194%

- Crude oil and condensate revenue up PLN 319m, driven by the LMG and Skarv projects
- Effect of renegotiation of the Yamal Contract
- Gas sales volume up 17% yoy
- Distribution volume up 16% yoy
- Cost of imbalance charges down PLN 39m
- Heat tariff raised by 9% as of July 1st 2013

## Segments contribution to EBITDA 3Q12 vs 3Q13



Commercial viability of the upstream  
projects confirmed

# Production and sales volumes

NATURAL GAS PRODUCTION (mcm)													
	Q3 2013	Q2 2013	Q1 2013	FY 2012	Q4 2012	Q3 2012	Q2 2012	Q1 2012	FY 2011	Q4 2011	Q3 2011	Q2 2011	Q1 2011
HIGH-METHANE GAS (E)	481,2	483,5	442,7	1 607,5	403,2	396,5	400,6	407,2	1 616,4	409,1	400,3	400,9	406,1
NITROGEN-RICH GAS (Ls/Lw as E equiv.)	618,6	603,9	732,5	2 709,7	706,2	647,9	625,1	730,5	2 713,1	725,4	668,7	594,6	724,4
<b>TOTAL (measured as E equivalent)</b>	<b>1 099,8</b>	<b>1 087,4</b>	<b>1 175,2</b>	<b>4 317,2</b>	<b>1 109,4</b>	<b>1 044,4</b>	<b>1 025,7</b>	<b>1 137,7</b>	<b>4 329,5</b>	<b>1 134,5</b>	<b>1 069,0</b>	<b>995,5</b>	<b>1 130,5</b>
NATURAL GAS SALES of PGNiG Group (mcm)													
	Q3 2013	Q2 2013	Q1 2013	FY 2012	Q4 2012	Q3 2012	Q2 2012	Q1 2012	FY 2011	Q4 2011	Q3 2011	Q2 2011	Q1 2011
HIGH-METHANE GAS (E)	2 731,4	2 964,5	5 177,7	13 756,4	4 070,1	2 315,2	2 698,2	4 672,9	13 166,8	3 871,4	2 320,7	2 588,5	4 386,2
NITROGEN-RICH GAS (Ls/Lw as E equiv.)	220,1	245,3	386,5	1 156,1	335,5	215,9	232,7	372,1	1 110,6	326,1	210,5	206,9	367,1
<b>TOTAL (measured as E equivalent)</b>	<b>2 951,5</b>	<b>3 209,9</b>	<b>5 564,2</b>	<b>14 912,5</b>	<b>4 405,6</b>	<b>2 531,1</b>	<b>2 930,9</b>	<b>5 045,0</b>	<b>14 277,4</b>	<b>4 197,5</b>	<b>2 531,2</b>	<b>2 795,4</b>	<b>4 753,3</b>
CRUDE OIL (th. ton)													
	Q3 2013	Q2 2013	Q1 2013	FY 2012	Q4 2012	Q3 2012	Q2 2012	Q1 2012	FY 2011	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Production of crude oil and condensate	327,3	233,1	228,7	491,6	138,5	129,7	95,7	127,7	467,6	123,5	126,7	84,4	133,0
Sales of crude oil and condensate	255,1	242,9	206,6	484,6	132,4	129,3	96,0	126,9	466,8	124,1	124,0	89,5	129,2
PGNiG TERMIKA													
	Q3 2013	Q2 2013	Q1 2013	FY 2012	Q4 2012	Q3 2012	Q2 2012	Q1 2012	FY 2011	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Production HEAT net (sales) (TJ)	3 367,4	5 765,6	18 511,4	40 213,9	14 242,0	2 747,7	5 503,2	17 721,0	38 660,2	13 317,2	2 789,3	5 199,7	17 354,0
Production POWER net (for sale) (GWh)	444,6	613,0	1 525,7	3 719,3	1 287,9	395,7	632,7	1 403,0	3 685,1	1 279,7	432,8	572,3	1 400,3