

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.Capex, Debt
- 4. Appendix Financial Results for 3Q 2014





PGNiG Group

Exploration and Production

Leader gas and oil producer in Poland

- Total production volumes:
 - natural gas: 4.6 bcm
 - crude oil: 1.1 m tonnes (8 mboe)

Trade and Storage

Main gas importer to Poland and owner of gas storages

- 10.9 bcm of imported natgas
- app. 2 bcm of storage capacity
- 6.8 m of end-customers

Distribution

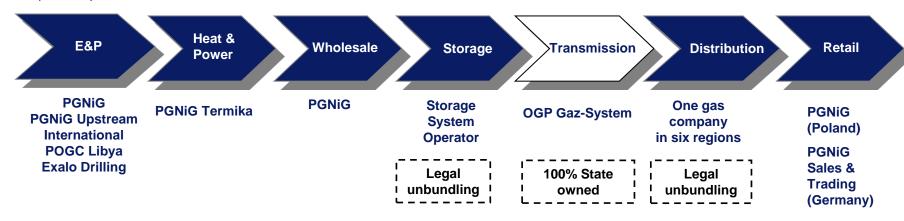
Robust domestic gas distribution business providing stable return

- 122 ths km of distribution network
- 10.1 bcm of distributed gas

Heat and Power

The largest heat producer in Poland – diversifying EBITDA stream

- Heat volume 40.2 PJ
- Electricity volume 3.8 TWh



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



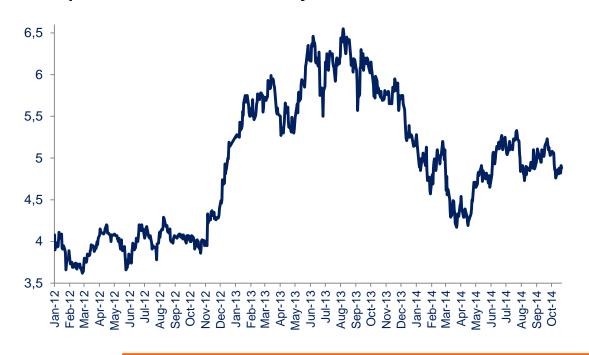
PGNiG's Shareholders

Listed on WSE since Sep 2005

Market capitalization of PLN 30 bn (EUR 7.3bn / USD 9.4bn)**

Significant share in WIG 20 and WIG30 index ~5%

Stock performance since January 2012



Shareholder Structure

- 72.4% State Treasury
- 27.6% Free float
- Average daily turnover:

PLN 21m (EUR 5.0m / USD 6.7m)

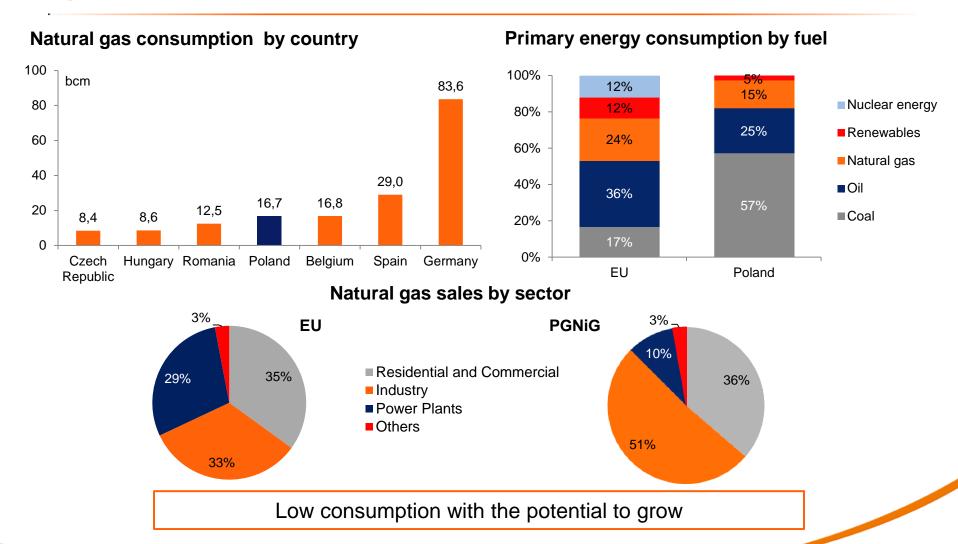
The 5th largest Polish company on the Warsaw Stock Exchange*



^{*} In terms of market cap

^{**} PGNiG = 5,16PLN and EUR/PLN = 4.19; USD/PLN = 3.25 (as on September 19th 2014)

Gas Market in Poland

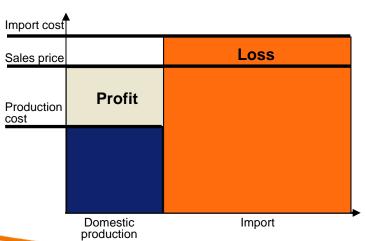




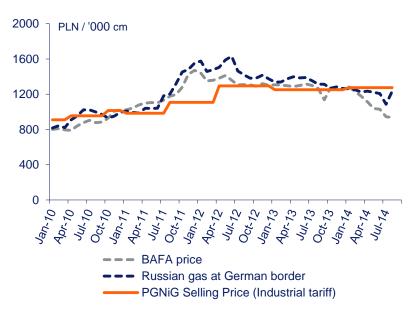
Tariff Model in Poland

Type of activity	Regulatory mechanism
Direct sales	None
Wholesale trade: high- methane gas	Cost of imports + cost of production (including return on capital invested in E&P) + operating costs + margin
Storage	Cost + return on capital (7.4% WACC × PLN 4 bn RAB**)
Distribution	Cost + return on capital (7.9% WACC × PLN 12 bn RAB) – 170m gap

Gas tariff set on blended cost of gas: Less costly domestic production supports imports



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



- 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



E&P strategic aims

Intensify production from domestic conventional fields

- Deploy cutting-edge technologies to enhance the performance of fields in Poland
- Step-up the development of hydrocarbon resources in Poland
- Strengthen cooperation with industry partners in the exploration for hydrocarbons

Optimise activities focused on unconventional deposits

- Continue to prospect for unconventional gas (shale and tight gas)
- Share experience with other companies exploring for unconventional gas in Poland, enhance transfer of know-how
- Find experienced external partners to jointly explore for unconventional gas

Expand the upstream business outside of Poland

- Acquire oil producing fields in the North Sea region
- Investigate opportunities to acquire production assets in North America
- Shift the exploration focus to low-risk countries



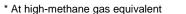
E&P Summary

- PGNiG SA is a leader in production of gas and crude oil in Poland
- Group's natural gas production*:
 - 2013 4.6 bcm
 - 2014 4.5 bcm (forecast)
- Group's crude oil production**:
 - 2013 1.1 m tonnes
 - 2014 1.2 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. 100 granted in Poland
- Acreage of shale gas concessions 10 ths sq km
- 16 wells were drilled for shale gas by PGNiG until October 2014
- PGNiG started to drill Majdan Sopocki 1 (cooperation with Chevron)

- Strong resources base in Poland:
 - proved gas reserves 534mboe (85.5 bcm)*
 - proved oil reserves 137 mboe (19.2 m tonnes)
- Oil & gas concessions in Poland: 84 exploration/appraisal and 227 for mining
- 60 production facilities in Poland
- Over 2 ths producing wells
- RRR and R/P ratios average for years 2008-2013:
 - RRR = 0.7
 - R/P = 22.5



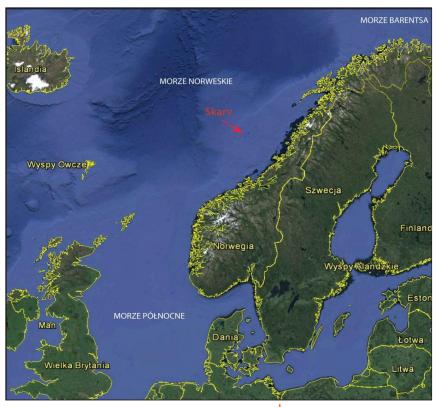


^{**} Including natural gas liquids; Poland + abroad



International E&P activities – Norway

Skarv (Norwegian Sea)



Other exploration licences on Norwegian Sea and Barents Sea	9
Shares	From 15% up to 50%

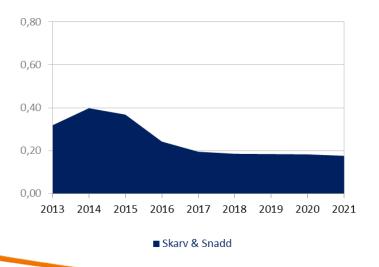
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Acquisition date	2007
Share	PGNiG 11,92%
	BP Norge AS (operator) 23,84%
	E.ON Ruhrgas Norge AS 28,08%
	Statoil Petroleum AS 36,17%
Licence cost + CAPEX (PGNiG part)	USD 360 m + 800 m
Reserves of the licence (2P)	60 mboe
Water depth	350-450 m
Production planned	until 2029
Production 2013	2,1 mboe (0,34 bcm) of natural gas
	2,0 mboe (0,28 m tonnes) of crude oil and NGL
Production forecast 2014	2,7 mboe (0,43 bcm) of natural gas
	2,8 mboe (0,4 m tonnes) of crude oil and NGL



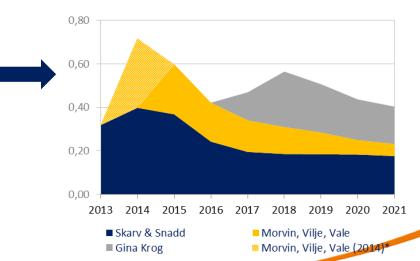
PGNiG Upstream International and Total transaction

- Three producing fields on the Norwegian Continental Shelf
- ■Documented recoverable reserves (2P) at the level of ~33 million boe (4.4 million tones of oil equivalent)
- •Production in 2014 of 320 thousand tons of oil and 90 million m³ of gas (8 thousand boe)
- Average addition of production in 2014-20 of 7 thousand boe (out of which 76% is oil)
- Financial involvement ~1.1 bill NOK
- Experienced partners (Statoil, Total, Centrica, Marathon Oil) and diversification of production
- Complementary production with the Skarv/Snadd profile

Oil production forecast from Norwegian assets - **before** transaction [mill tons/year]



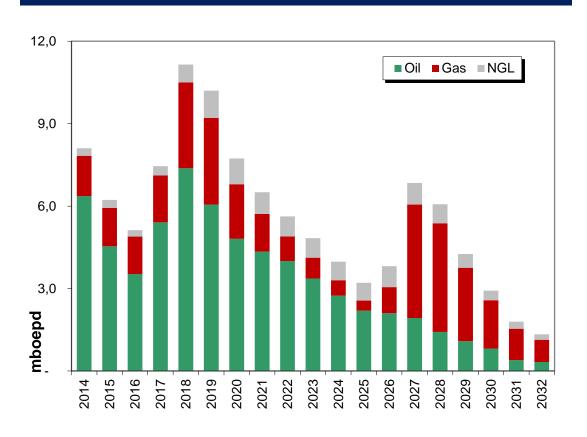
Oil production forecast from Norwegian assets – **after** transaction [mill tons/year]





PGNiG Upstream International and Total transactionexpected production profile

Production profile from the acquired assets (net to PGNiG)



- Transaction provide a long term increase of PGNiG production
- Presented profile is based on a PGNiG forecast prepared during the due diligence process
- Expected cash flows will allow to finance CAPEX and OPEX of the acquired assets
- •Increase of an oil production in the year 2017 is caused by Gina Krog project.
- Increase of a gas production after the year 2026 is caused by the end of a gas injection to Gina Krog reservoir



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

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

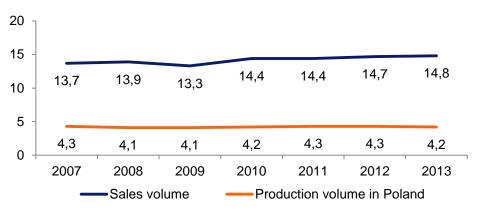
Assets under evaluation due to geopolitical constrains



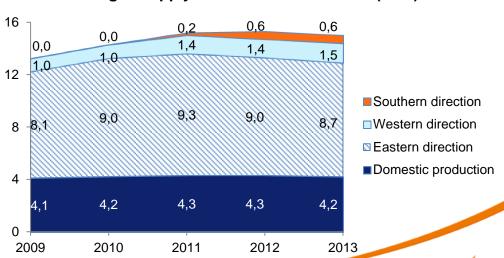
Gas supply & sales

- 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
- 1.4 bcm of gas sold by PGNiG Sales & Trading to customers outside of Poland in 2013

Domestic production has covered ~30% of sales volume in Poland (bcm)



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





Gas transport routes



Assumptions for diversification:

- To increase the level of security of supplies
- To avoid gas disruptions in gas supplies
- To decrease the dependency on one supply direction (60% of sales covered from eastern direction in 2013)
- To enable higher import gas volumes (current entry points are overbooked and market is growing)
- To balance the sources of gas supply.



Development of underground gas storage facilities

2011-2014

- Extension of UGS Strachocina (from 150 to 330 mcm) – accomplished
- I phase of extension of UGS Wierzchowice (from 0.58 to 1.2 bcm)
- 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)



Basic data

- herein in salt caverns	2
Current working capacity	ca. 2.5 bcm

2015 target working capacity

Current no. of storage facilities

- Current storage capacity meets domestic winter demand for*
 - Required strategic gas reserves: 30 days of daily average import



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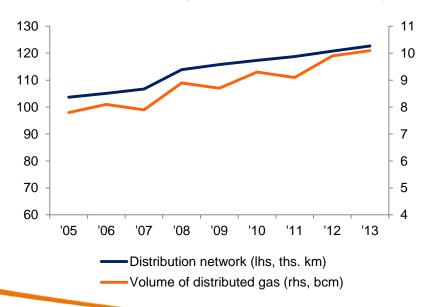
ca. 3 bcm

36 days

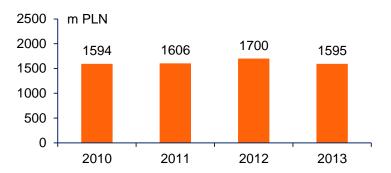
Distribution

- Gas Distibution Company supplies natural gas to households, industrial and wholesale customers, and is responsible for operation, maintenance and development of gas pipelines.
- In 2013 "Polish Gas Company" (formerly six Regional Gas Companies) distributed 10,1 bcm of natural gas to 6.8 m customers through 122 ths km of distribution network.
- Mid-2013 six Regional Gas Companies were consolidated into one.

Stable network's growth and increase of distributed volumes (+3.3% CAGR 2005-2013)



Stable EBITDA of the regulated segment



Coverage of gas distribution network





Heat and Power Generation

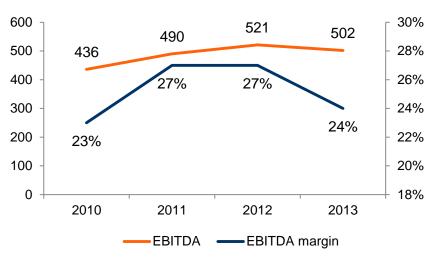
PGNiG Termika (2012)

- 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 and 7th of electricity 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 lowcost 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 (2015)

- 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 2013	40.2 PJ
Produced electricity sales in 2013	3.7 TWh

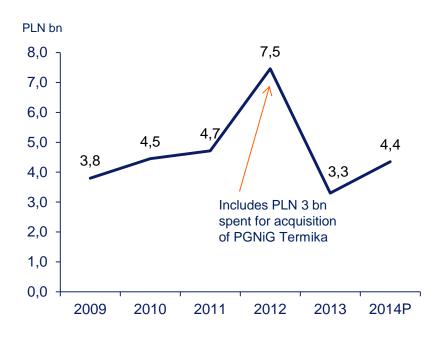


Capex, Debt

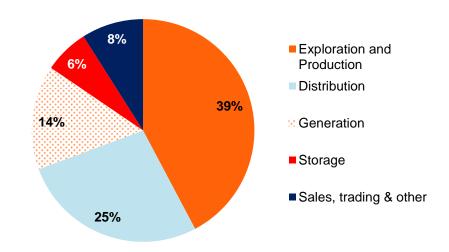


Capex estimate for the years 2011-2015: ~ PLN 27 bn

Annual CAPEX 2009 – 2014 (plan)



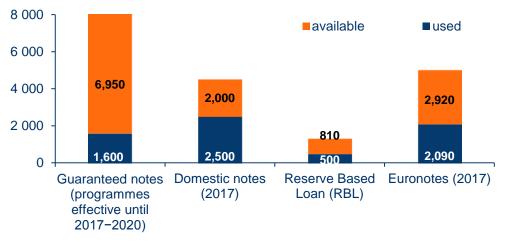
CAPEX split for 2014 (total PLN ~ 4.4 bn)





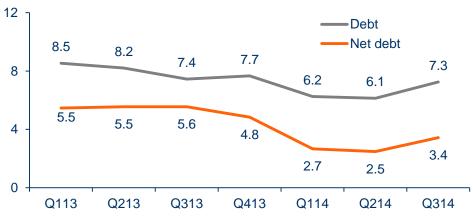
Debt and sources of financing

Financing sources as at September 30th 2014 (PLNm)

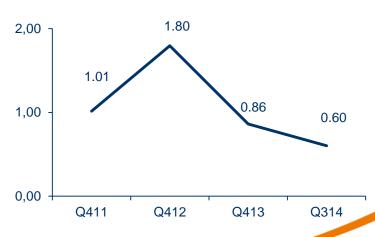


- Optimisation of financing sources.
- Available financing programmes for PLN 12.7bn, including PLN 7bn underwritten.
- Higher net debt in Q3 2014 due to seasonal build-up of gas stocks and payment of dividend for 2013.
- Net debt / EBITDA for the four quarters: 0.6.

Debt (PLNbn)



Net debt / EBITDA



Strong financial position



Additional Information

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Financial highlights Q1-Q3 2014

(PLNm)	Q1-Q3 2013	Q1-Q3 2014	Δ%
Revenue	22,943	22,819	-1%
Operating expenses (excl. D&A)	(18,135)	(17,833)	-2%
EBITDA	4,807	4,987	4%
Depreciation and amortisation	(1,753)	(1,902)	9% 🕳
EBIT	3,055	3,084	1%
Net finance income/(cost)	(310)	(215)	-30%
Net profit	2,082	2,136	3%

Growing EBITDA

in the first nine months of 2014

- Growth of crude oil and condensate sales volume to 921 thousand tonnes (Q3 2013: 705 thousand tonnes), lifting revenue by more than PLN 450m.
- Gas sales volume broadly flat year on year at 11.75 bcm, but with a changed structure of sales (mild winter in 2014 and market deregulation); revenue from gas sales down PLN 820m.
- Year-on-year improvement in trade in electricity, with revenue at PLN 1.2bn (Q1-Q3 2013: PLN 0.7bn).
- Cost of gas down PLN 1.3bn, or 10%, to PLN 11.5bn, with the decrease attributable to PGNiG Obrót Detaliczny's gas purchases on the Polish Power Exchange as well as the flexibility of contracts and pricing formulas, coupled with a concurrent drop in prices on gas exchanges.
- PLN 179m higher depreciation and amortisation expense on Norwegian assets (depreciated using units-of-production method).
- Finance costs down due to low debt and limited effect of foreign exchange differences.

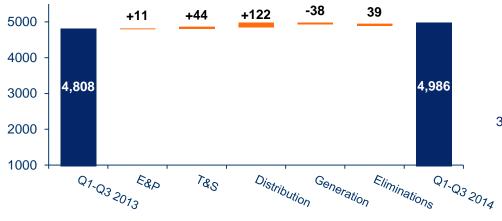


Business segments – EBITDA in Q1-Q3 2014

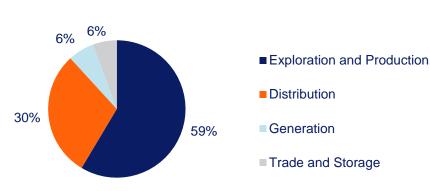
(PLNm)	Q1-Q3 2013	Q1-Q3 2014	Δ%	Contribution to Group's result
Exploration and Production	2,924	2,935	0%	59%
Trade and Storage	238	282	19%	6%
Distribution	1,363	1,485	9%	30%
Generation	347	309	-11%	6%
Other, eliminations	(64)	(25)	-61%	-1%
Total	4,808	4,986	4%	100%

- Growing crude oil sales volumes.
- Impact of non-cash items posted in Q1-Q2: recognition of impairment losses of PLN -343m in the E&P segment.
 - Annual average margin on sales of Group E gas at 0% vs -2.5% in Q1-Q3 2013.
 - Segment's strong performance despite lower distribution volumes, thanks to the positive effect of system balancing in Q3 2014.
- Impact of average air temperatures on heat and electricity sales volumes and lower electricity prices.

Segments' EBITDA Q3 2013 vs Q3 2014



Segments' contribution to Group EBITDA

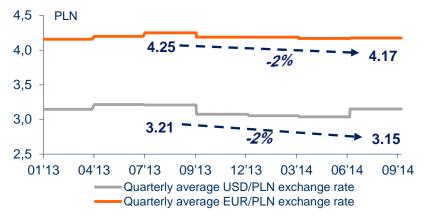


Stable performance of the E&P segment and improvement in the Trade and Storage segment

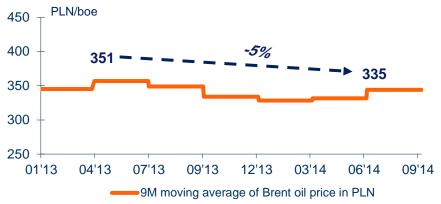


Factors contributing to financial performance

Stable average USD/PLN and EUR/PLN FX rates



Stable crude oil prices in 2014 with a yoy decline of 5%



Converging gas prices on the European markets (TTF, PSV, TGE)



High 2015 gas prices on the TGE exchange (as at November 3rd 2014)





Operating expenses – Q1-Q3 2014

(PLNm)	Q1-Q3 2013	Q1-Q3 2014	Δ%
Cost of gas sold	(12,812)	(11,495)	-10%
Electricity for trading	(439)	(830)	89%
Other raw material and consumables used	(494)	(446)	-10%
Fuels for heat and power generation	(633)	(515)	-19%
Employee benefits	(2,115)	(2,004)	-5% •—•
Transmission services	(823)	(804)	-2%
Cost of dry wells written-off	(88)	(157)	79% •
Other services	(981)	(1,064)	8% •——
Net other income/(expenses)	(414)	(1,185)	186%
change in impairment losses and write-downs	160	(351)	-318% •
exchange differences and derivatives	(120)	(194)	63%
Work performed by the entity and capitalised	664	667	1%
Operating expenses (excl. D&A)	(18,136)	(17,832)	-2%
Depreciation and amortisation	(1,753)	(1,902)	9%
Total operating expenses	(19,888)	(19,735)	-1%

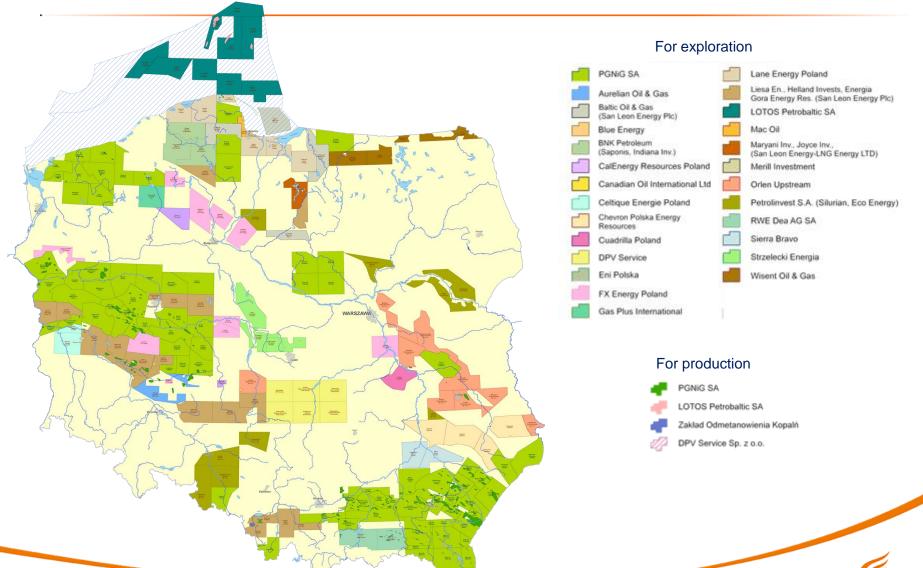
Lower operating expenses (excl. D&A) mainly due to reduced unit cost of gas

- Effect of cost of gas being partially linked to exchange prices, which went down approx.
 -20% year on year.
- Electricity trading volume up at PGNiG SA and PST.
- Lower coal consumption and unit coal prices (including transport charges).
- Time shift in recognising provisions and paying annual bonuses at the Group companies in 2013 and 2014.
 - Nine dry wells written off in Q1-Q3 2014 (including one in Norway.
 - PLN 41m of costs of seismic surveys written off in H1 2014 (Q1-Q3 2013: PLN 0m).
- Including PLN -490m recognised in Q2 2014 (chiefly impairment losses on production and exploration assets and gas inventory writedowns) and PLN +151m reversed in Q3 2014 (chiefly on gas inventories).
- PLN +179m yoy rise in depreciation expense on Skarv production assets (depreciated using unitsof-production method).





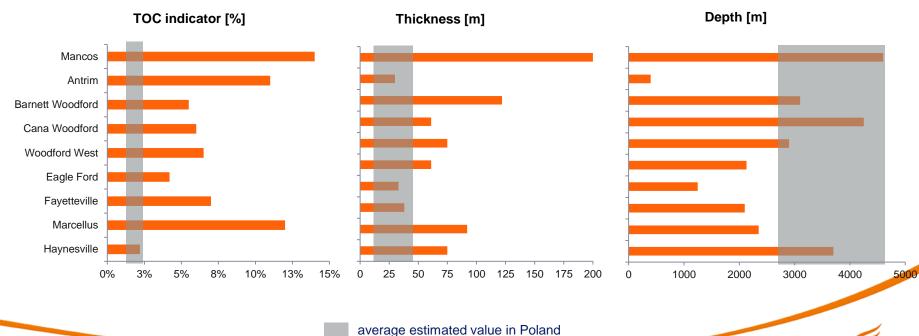
Hydrocarbons licenses in Poland





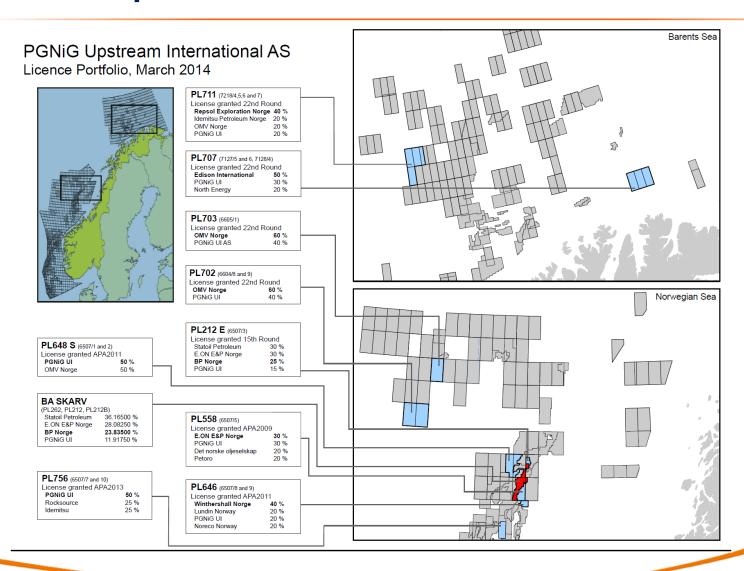
Challenges of shale gas development – Poland vs USA

- 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 obtaining 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.





PGNiG Upstream International AS – Licence Portfolio



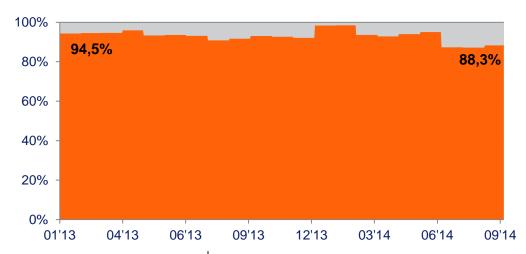


Gas sales volumes and changes on the gas market

Gas sales volume (cubic meters)	Q3 2013	Q3 2014	Δ%
PGNiG Group	2,967	3,544	19%
PGNIG SA	2,661	2,368	-11%
including PGNiG SA through the TGE	3	925	-
PGNiG Obrót Detaliczny	0	813	-
PGNiG Sales & Trading	306	363	18%

- 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 also resells nitrogen-rich gas that it procures under bilateral contracts (presented in the table as Group E gas equivalent).

PGNiG's monthly average share in gas imports to Poland



- From January to September 2014, PGNiG's share in gas imports to Poland fell by 6 pp to 88.3%, which is attributable to growing activity of other players on the gas market undergoing deregulation, including end users exempt from the obligation to diversify their gas supply sources and maintain mandatory reserves.
- The data presented in the chart is based on information on gas volumes transmitted through interconnectors, published by OGP Gaz-System, and PGNiG SA's nominations for those entry points to the Polish transmission system.

Gas market deregulation is affecting

PGNiG's market shares and sales structure



Appendix (5)

Production and sales volumes

NATURAL GAS PRODUCTION, PGNiG Group								(mcm)				
	Q2 2014	Q1 2014	FY 2013	Q4 2013	Q3 2013	Q2 2013	Q1 2013	FY 2012	Q4 2012	Q3 2012	Q2 2012	Q1 2012
HIGH-METHANE GAS (E)	482	479	1,890	483	481	484	443	1,608	403	397	401	407
including Poland	362	367	1,550	384	387	387	393	1,608	403	397	401	407
including in Norway	120	112	340	99	94	96	50	0	0	0	0	0
NITROGEN-RICH GAS (Ls/Lw as E equiv.)	650	704	2,692	737	619	604	733	2,710	706	648	625	731
including Poland	636	690	2,667	722	609	604	733	2,710	706	648	625	731
including in Pakistan	15	14	25	15	10	0	0	0	0	0	0	0
TOTAL (measured as E equivalent)	1,132	1,182	4,582	1,220	1,100	1,087	1,175	4,317	1,109	1,044	1,026	1,138
Total production in kboe/d	78	83	79	83	75	75	82	74	76	71	. 71	79
NATURAL GAS SALES, PGNiG Group								(mcm)				
	Q2 2014	Q1 2014	FY 2013	Q4 2013	Q3 2013	Q2 2013	Q1 2013	FY 2012	Q4 2012	Q3 2012	Q2 2012	Q1 2012
HIGH-METHANE GAS (E)	3,078	4,521	15,006	4,132	2,731	2,965	5,178	13,756	4,070	2,315	2,698	4,673
including PST sales outside PGNiG Group	444	465	1,383	356	306	271	449	324	211	40	24	49
NITROGEN-RICH GAS (Ls/Lw as E equiv.)	253	361	1,202	351	220	245	387	1,156	336	216	233	372
TOTAL (measured as E equivalent)	3,330	4,882	16,208	4,483	2,951	3,210	5,564	14,913	4,406	2,531	2,931	5,045
GAS IMPORTS by PGNiG S.A.								(mcm)				
						Q2 2013					Q2 2012	
Total	2,594	2,541	10,850	2,664	,		3,460	-	•	2,133	,	2,999
including: sources east of Poland	2,515	2,026	8,734	1,793	1,885	2,272	2,784	9,018		1,858	2,432	2,139
CRUDE OIL							<u> </u>	000 tonne	<u>, </u>			
						Q2 2013						
Production of crude oil and condensate	310	322	•	309			229	492				128
including Poland	184	203		215			204	492	139	130	96	128
including in Norway	126	119		94			25	0	_	0	0	0
Total production in kbbl/d	25	26		25		_	19			-	-	10
Sales of crude oil and condensate	373	287	1,106	401		_	207		_	_		127
including Poland	185	201	809	222			194					127
including in Norway	188	85	297	179	42	63	13	0	0	0	0	0
PGNIG TERMIKA												
						Q2 2013						
Production HEAT net (sales) (TJ)	5,336	15,434		12,530	•	,	18,511	- /	,	,	- /	17,721
Production ELECTRICITY (net for sale) (GWh)	648	1,390	3,772	1,189	445	613	1,526	3,719	1,288	396	633	1,403

