

PGNiG Group's Financial performance in Q1-Q3 2014

November 7th 2014

Financial highlights Q3 2014

(PLNm)	Q3 2013	Q3 2014	Δ%
Revenue	6,203	6,436	4%
Operating expenses (excl. D&A)	(4,731)	(4,917)	4%
EBITDA	1,471	1,519	3%
Depreciation and amortisation	(591)	(604)	2%
EBIT	881	915	4%
Net finance income/(cost)	(77)	(108)	41%
Net profit	654	616	-6%

- Changes on the Polish natural gas market: launch of operations by PGNiG Obrót Detaliczny (a wholly-owned subsidiary of PGNiG SA), which purchases Group E gas on the Polish Power Exchange and handles sales to customers with annual consumption under 25 mcm; the cost of gas sold which is purchased on the Polish Power Exchange by PGNiG OD is not subject to elimination.
- Revenue from sales of crude oil and condensate down PLN 51m, with the sales volume at 262 thousand tonnes in Q3 2014, down 6 thousand tonnes year on year (scheduled repairs at the LMG production facility).
- PGNiG Group's revenue from gas sales up PLN 273m to PLN 4.88bn in Q3 2014.
- Year-on-year growth of trade in purchased electricity: revenue up PLN 193m to PLN 385m.
- Gas sales volume up 0.6 bcm year on year, to 3.5 bcm in Q3 2014; with the lower unit cost of gas, the volume growth drove the cost of gas up by PLN 214m year on year.

Stable operating performance in changing market environment

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%

- 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.

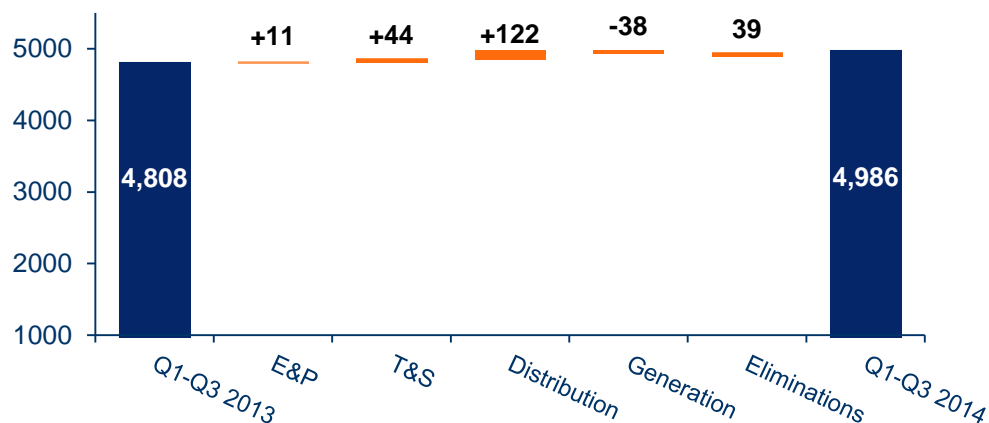
**Growing EBITDA
in the first nine months of 2014**

Business segments – EBITDA in Q1-Q3 2014

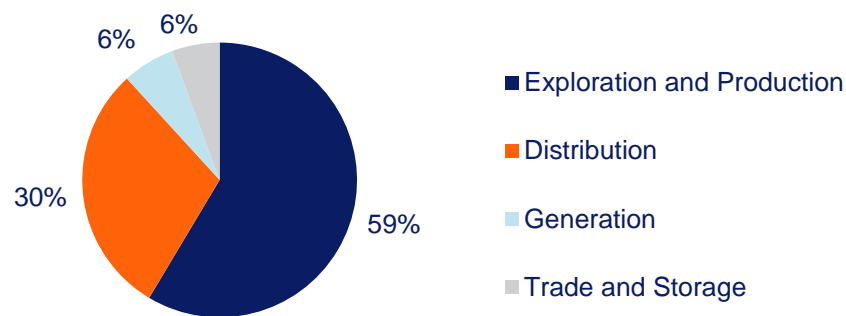
(PLNm)	Q1-Q3 2013	Q1-Q3 2014	Δ%	Contribution to Group's result
Exploration and Production	2,924	2,935	0%	59%
Trade and Storage	238	282	19%	6%
Distribution	1,363	1,485	9%	30%
Generation	347	309	-11%	6%
Other, eliminations	(64)	(25)	-61%	-1%
Total	4,808	4,986	4%	100%

- 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



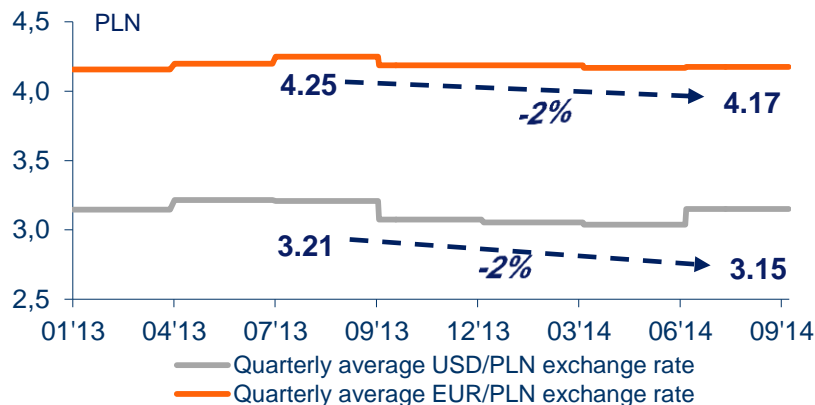
Segments' contribution to Group EBITDA



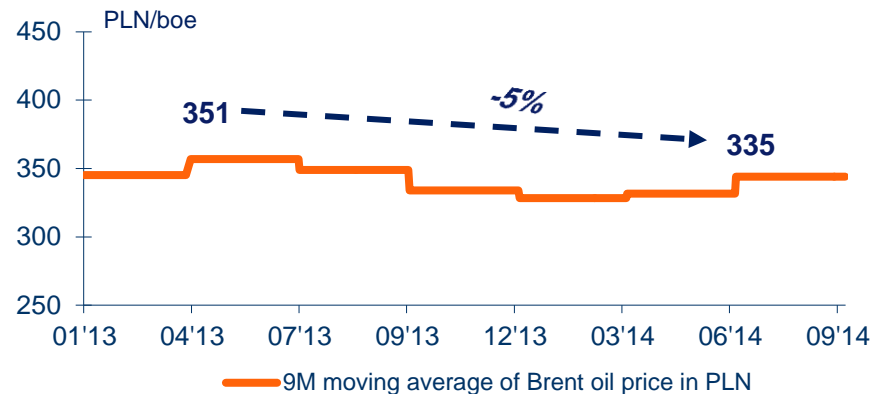
Stable performance of the E&P segment and improvement in the Trade and Storage segment

Factors contributing to financial performance

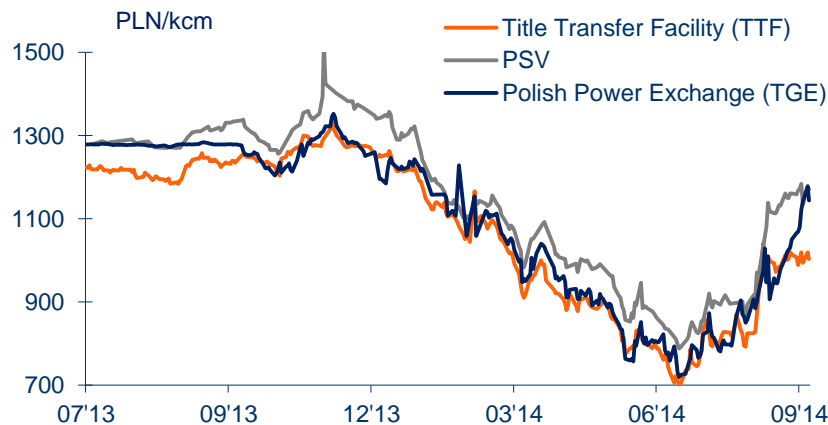
Stable average USD/PLN and EUR/PLN FX rates



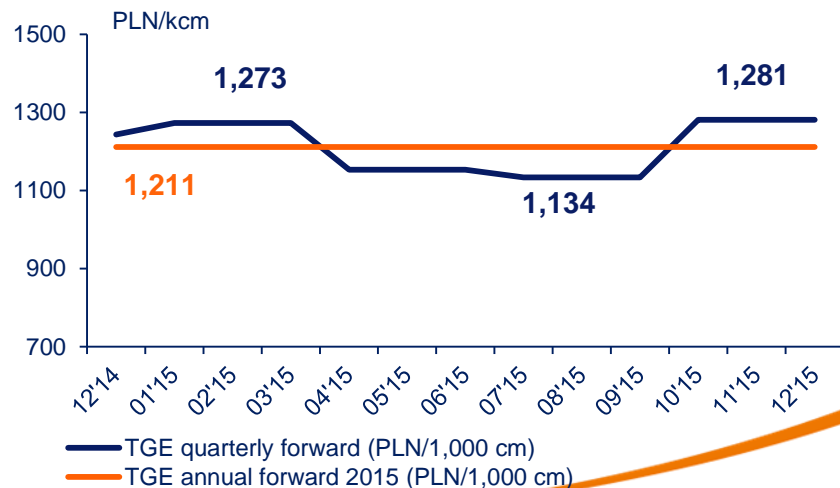
Stable crude oil prices in 2014 with a yoy decline of 5%



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



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

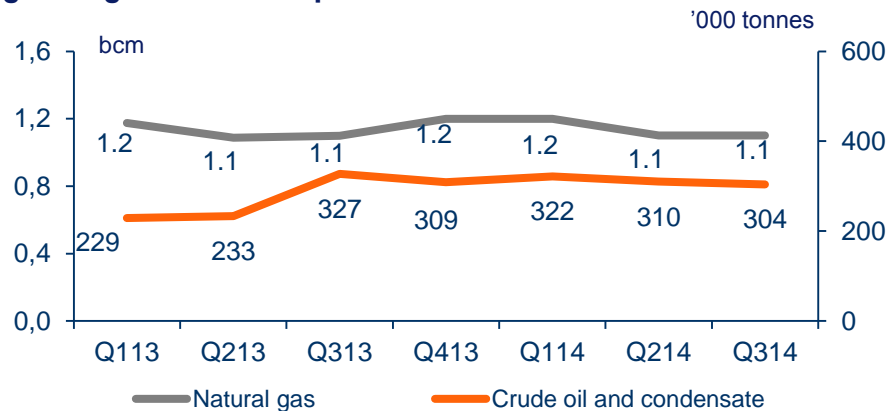


Segments – Exploration and Production

(PLNm)	Q1-Q3 2013	Q1-Q3 2014	Δ%
Revenue	4,257	4,859	14%
Operating expenses (excl. D&A)	(1,333)	(1,924)	44%
EBITDA	2,924	2,935	0%
Depreciation and amortisation	(720)	(902)	25%
EBIT	2,204	2,033	(8%)

- +PLN 453m (+26%) yoy growth in revenue from sales of crude oil and condensate, with sales volume up from 705 thousand tonnes to 921 thousand tonnes.
- Net impairment losses of PLN -325m in Q1-Q3 2014 (of which PLN -343m recognised in H1 2014) vs PLN +94m in Q1-Q3 2013.
- Dry wells and seismic surveys written off: PLN -198m in Q1-Q3 2014 vs PLN -88m a year earlier.
- PLN 179m higher depreciation and amortisation expense on Norwegian assets (depreciated using units-of-production method).

YTD basis: stable natural gas production and growing crude oil output



- Planned reduction of crude oil output in Q3 2014 related to the month-long repair work conducted on the Poland's largest crude oil production facility (LMG) (67 thousand tonnes in Q3 2014 vs 92 thousand tonnes in Q3 2013).

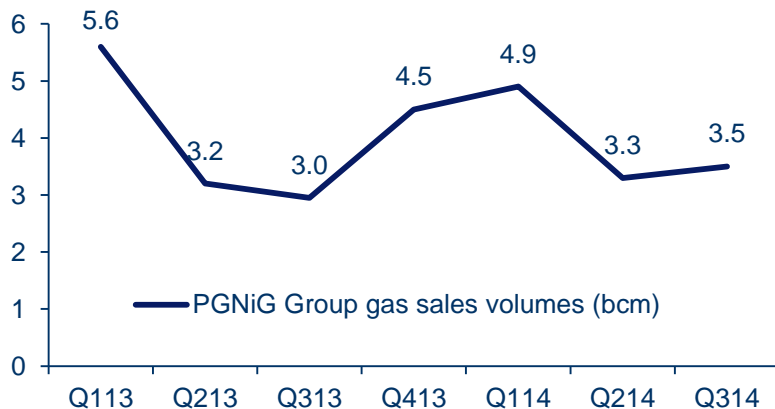
Strong operating performance constrained by non-recurring items recognised in Q2

Segments – Trade and Storage (1)

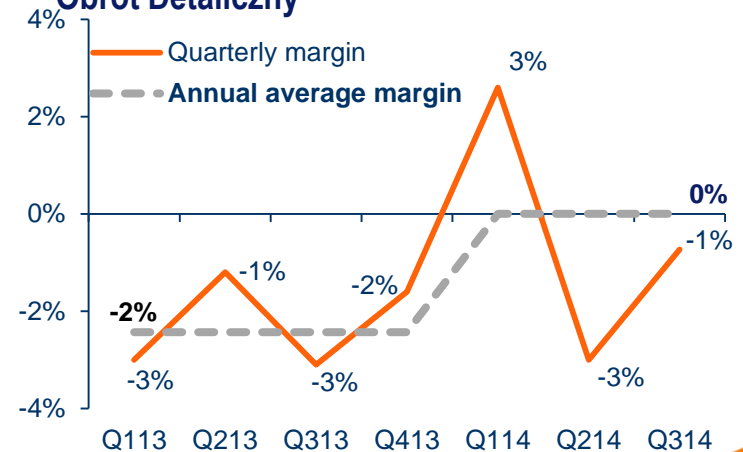
(PLNm)	Q1-Q3 2013	Q1-Q3 2014	Δ%
Revenue	18,672	18,607	0%
Operating expenses (excl. D&A)	(18,434)	(18,324)	(1%)
EBITDA	238	282	19%
Depreciation and amortisation	(131)	(116)	(11%)
EBIT	107	166	55%

- Gas sales volume broadly flat on a YTD basis (11.75 bcm), but with a change in their structure and unit selling prices, driving revenue from gas sales down by nearly PLN 0.9bn (from PLN 17.85bn in Q1-Q3 2013 to PLN 17.0bn in Q1-Q3 2014).
- PST's contribution to overall gas sales revenue remaining stable yoy at PLN 1.3bn.
- PLN 1.5bn in revenue from electricity sales in Q1-Q3 2014 vs PLN 0.7bn in Q1-Q3 2013.
- Effect of hedging transactions and FX differences on the segment's performance at PLN -455m in Q1-Q3 2014 vs PLN -179m in Q1-Q3 2013.
- PLN 141m gas inventory write-down reversed in Q3 2014.

PGNiG Group gas sales up 0.5 bcm yoy in Q3 2014



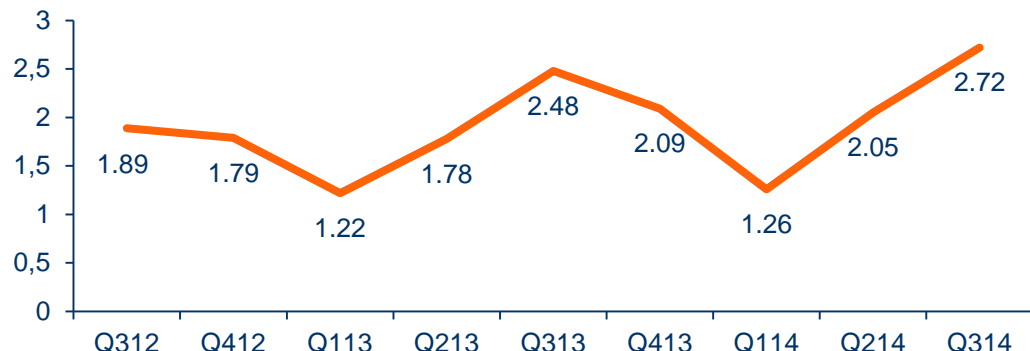
Group E gas margin at PGNiG SA and PGNiG Obrót Detaliczny



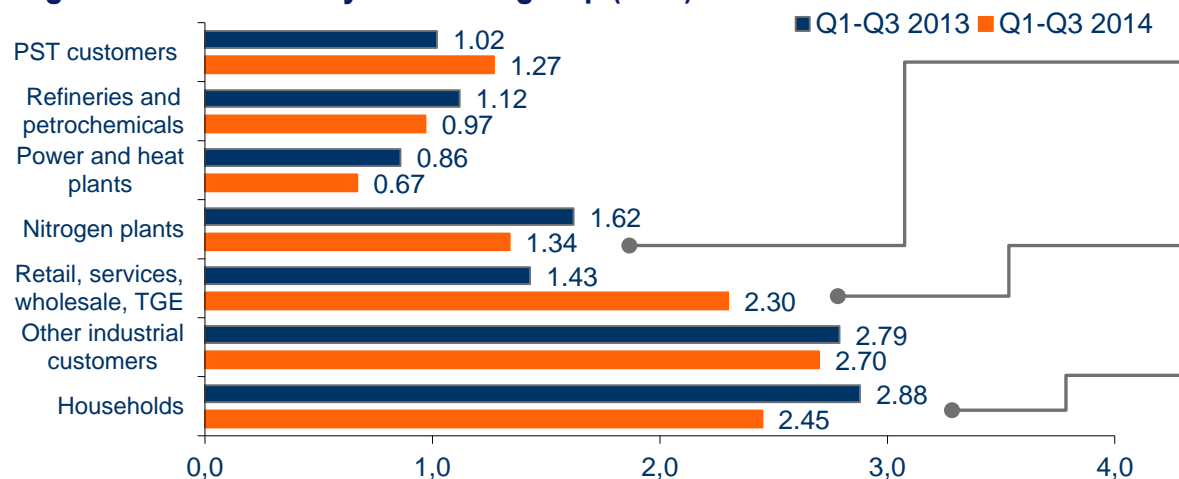
Improved annual average margin on gas sales and higher EBITDA year on year

Segments – Trade and Storage (2)

Gas inventory levels (bcm)



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



- Since August 1st 2014, supplies of natural gas to approximately 6.7m PGNiG SA's customers have been handled by PGNiG Obrót Detaliczny based on the current gas tariff, which remains in force until 2014 PGNiG SA's sales and PGNiG OD's purchases made on the Polish Power Exchange are not subject to elimination from the consolidated financial statements, and are disclosed under the Trade and Storage segment.
- At PGNiG SA, gas imports reached 7.3 bcm in Q1-Q3 2014 and were down by over 0.9 bcm year on year, including 0.6 bcm less from countries east of Poland.
- In Q3 2014 alone, gas imports were down by 0.1 bcm year on year, including 0.08 bcm less from countries east of Poland.
- Markedly lower sales to nitrogen plants under bilateral contracts in Q3 2014 (down 180 mcm yoy), presumably due to attractive prices on the Polish Power Exchange and European exchanges.
- 1.2 bcm of gas sold and delivered by PGNiG SA through the Polish Power Exchange in Q1-Q3 2014, including 0.9 bcm in Q3 2014.
- Significant impact of warmer winter and September in 2014 on sales to retail customers and CHP plants.

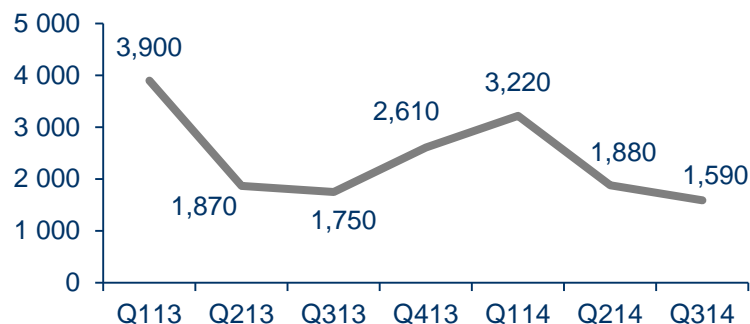
Sales volumes affected by average air temperatures
and gas market developments

Segments – Distribution

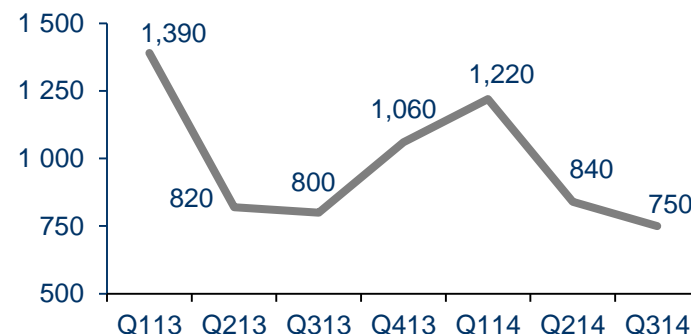
(PLNm)	Q1-Q3 2013	Q1-Q3 2014	Δ%
Revenue	3,136	3,225	3%
Operating expenses (excl. D&A)	(1,773)	(1,740)	-2%
EBITDA	1,363	1,484	9%
Depreciation and amortisation	(636)	(647)	2%
EBIT	727	838	15%

- Gas distribution volume down 11% yoy in Q1-Q3 2014 (average air temperature higher by nearly 2°C), to 6.7 bcm. In Q3 2014 alone, gas distribution volume down 9% due to the average air temperature in September higher by 3°C than a year earlier.
- Net income from system balancing at PLN +70m in Q1-Q3 2014 (including PLN +342m of revenue and PLN -272m of expenses). The impact in Q3 2014 alone was PLN -114m.

Gas distribution volume (mcm)



Revenue from distribution services (PLNm)



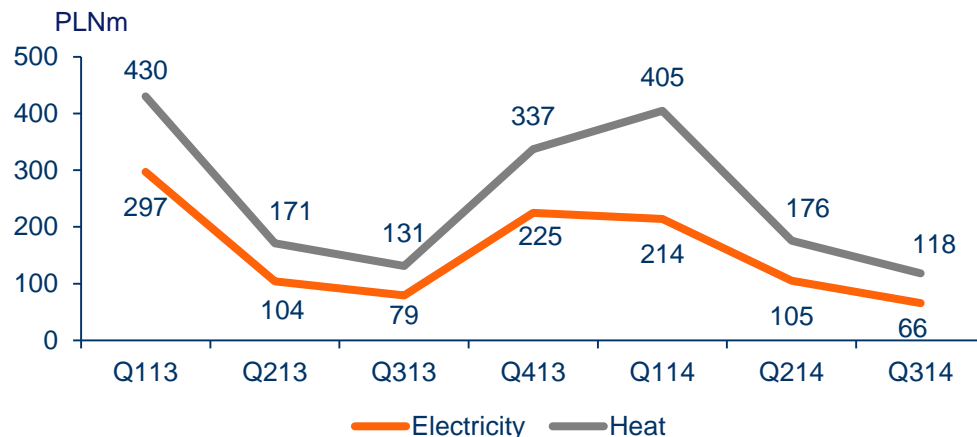
Segment's stable performance in
Q1-Q3 2014

Segments – Generation

(PLNm)	Q1-Q3 2013	Q1-Q3 2014	Δ%
Revenue	1,445	1,326	-8%
Operating expenses (excl. D&A)	(1,098)	(1,017)	-7%
EBITDA	347	309	-11%
Depreciation and amortisation	(250)	(223)	-11%
EBIT	96	86	-11%

- Revenue from heat sales down 4% to PLN 699m, with sales volumes down 14%, mitigated by a rise in heat tariff as of August 1st 2014.
- Revenue from sales of electricity down 10% to PLN 585m, with 5% lower sales volumes and lower average selling prices.
- Cost of fuels for electricity and heat generation down PLN -117m, to PLN 504m, driven by lower coal prices and smaller production volumes.

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



Sales volumes at PGNiG Termika (own generation sources):

- Heat sales at 23.6 PJ, down -14% yoy (mainly as a result of mild winter in Q1 2014).
- Sales of electricity down -6%, to 2.42 TWh.

**Segment's weaker performance
due to higher air temperatures**

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%
▪ <i>change in impairment losses and write-downs</i>	160	(351)	-318%
▪ <i>exchange differences and derivatives</i>	(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%

- 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).

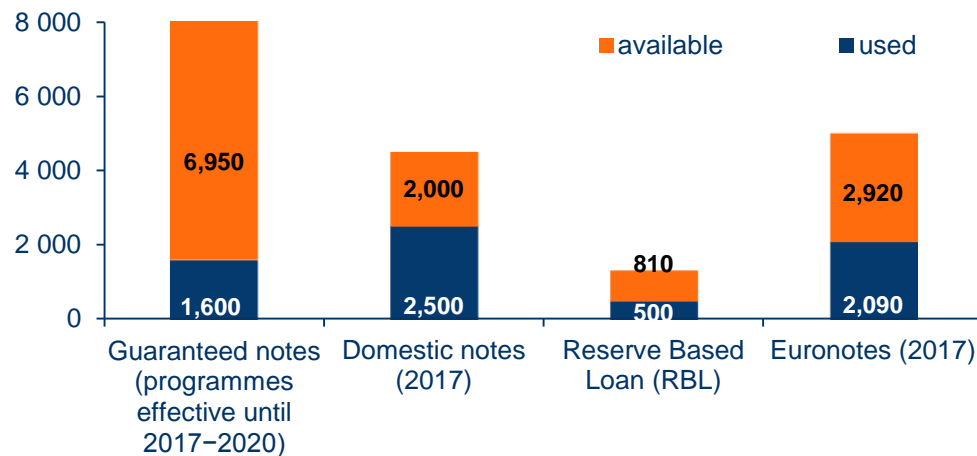
- Including PLN -490m recognised in Q2 2014 (chiefly impairment losses on production and exploration assets and gas inventory write-downs) and PLN +151m reversed in Q3 2014 (chiefly on gas inventories).

- PLN +179m yoy rise in depreciation expense on Skarv production assets (depreciated using units-of-production method).

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

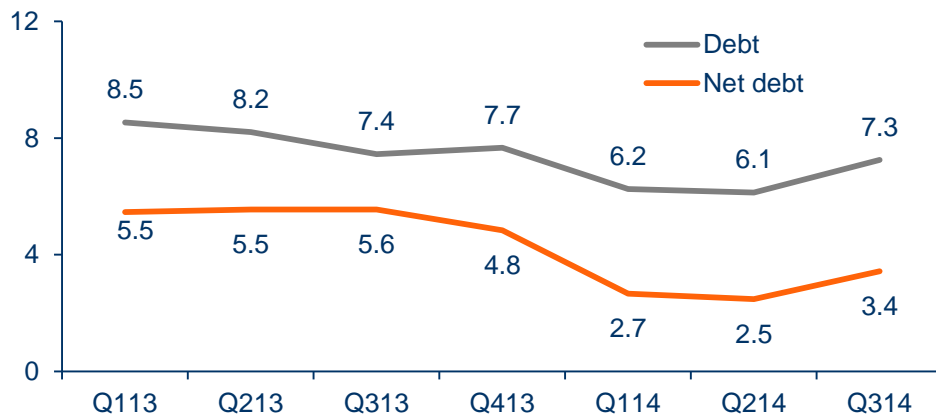
Debt and sources of financing

Financing sources as at September 30th 2014 (PLNm)

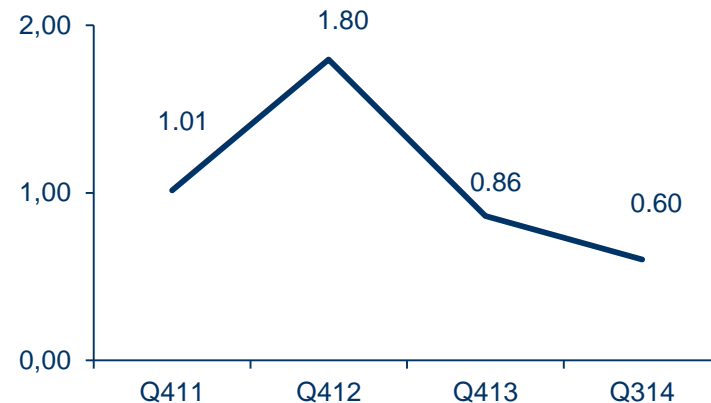


- Optimisation of financing sources.
- Available financing programmes for PLN 12.7bn, including PLN 7bn underwritten.
- Higher net debt in Q3 2014 due to seasonal build-up of gas stocks and payment of dividend for 2013.
- Net debt / EBITDA for the four quarters: 0.6.

Debt (PLNbn)



Net debt / EBITDA



Strong financial position





Appendix

Business segments – EBITDA in Q3 2014

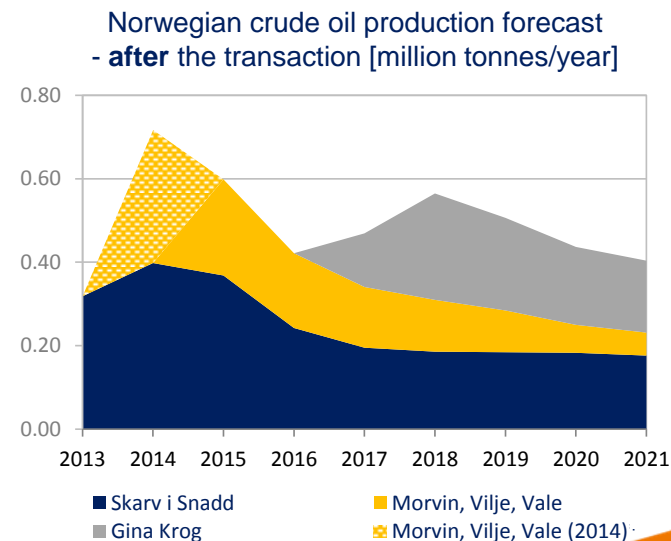
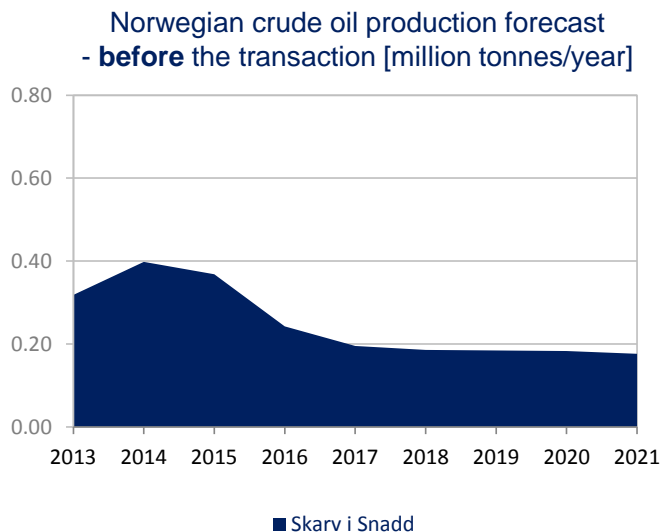
(PLNm)	Q3 2013	Q3 2014	Δ%	Contribution to Group's result
Exploration and Production	1,083	994	-8%	65%
Trade and Storage	35	125	261%	8%
Distribution	305	372	22%	24%
Generation	27	21	-22%	1%
Other, eliminations	(6)	8	-233%	1%
Total	1,471	1,519	3%	100%

- Lower inter-segment gas sales (including from Norway to PST).
- Year-on-year decline in crude oil prices and scheduled repairs at the LMG production facility performed in August 2014.
- Negative Group E gas margin at -1% in Q3 2014 vs -3% in Q3 2013.
- PLN +141m reversal of gas inventory write-downs.
- Effect of hedging transactions and FX differences on the segment's performance at PLN -205m in Q3 2014 vs PLN -111m in Q3 2013.
- Net income from system balancing of PLN +58m in Q3 2014.
- Slight decline in revenue from sales of heat (lower sales volume with a higher price yoy) and electricity (higher sales volume (combined production and trading) with reduced prices).

Stable EBITDA for the quarter

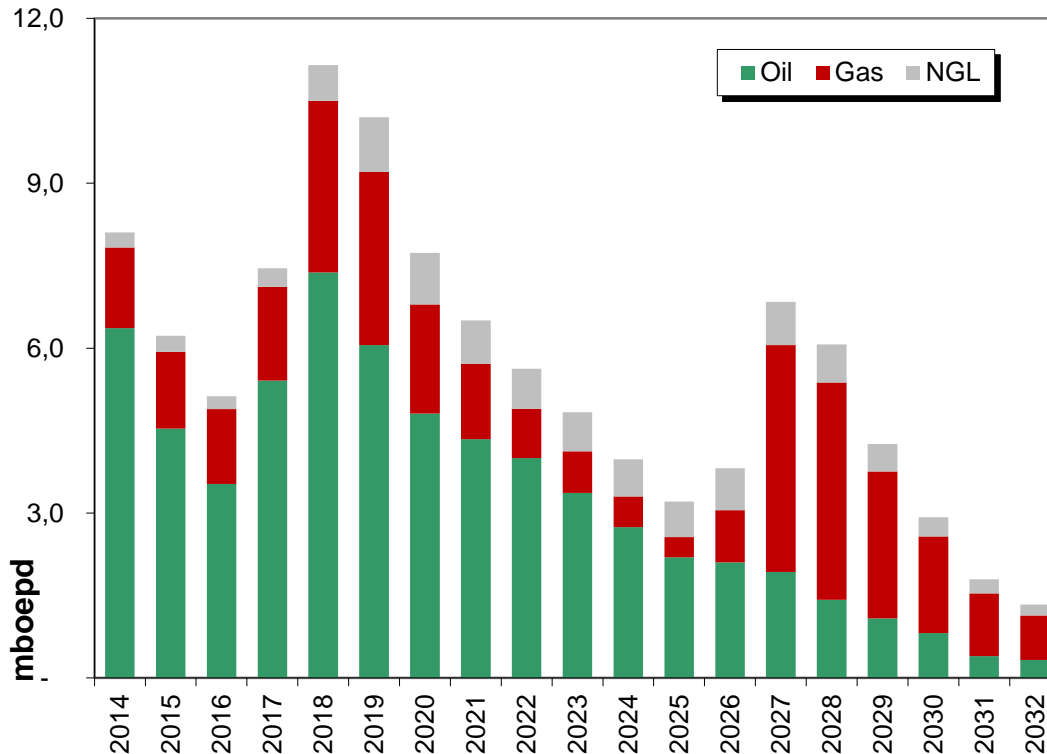
PGNiG Upstream International / Total transaction

- Interest in three producing fields and a project under development on the Norwegian Continental Shelf.
- 2P recoverable reserves of approximately 33 million boe.
- Purchase price of NOK 1.95bn (for the agreed transaction date: January 1st 2014).
- Amount to be paid to Total to be reduced by the cash flows generated on hydrocarbons produced from the fields in 2014 – approximately 45% of the price; the balance to be paid will be approximately NOK 1.1bn, or less than PLN 0.55bn.
- Production from the fields in 2014 estimated at 320 thousand tonnes of crude oil and 90 million cubic metres of natural gas (8 thousand boe per day).
- Average production growth in 2014–2020 estimated at 7 thousand boe per day (with crude oil accounting for 76% of the total).
- Remaining lifetime of 14 years on average.
- Experienced partners (Statoil, Total, Centrica, Marathon Oil) and production diversification.
- Production and tax profiles complementary to the existing projects (Skarv/Snadd).



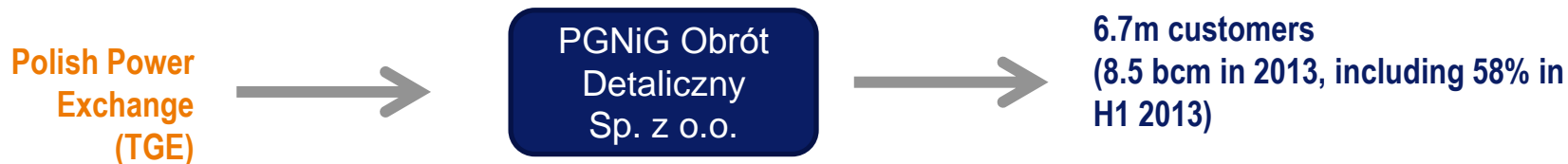
PGNiG Upstream International / Total transaction – expected production profile

Production profile of the assets to be acquired (net production for PGNiG)



- The transaction ensures increased production levels for PGNiG in the long-term.
- The profile is based on PGNiG's long-term forecast prepared in the course of the due diligence process.
- The planned cash flows will be sufficient to finance the costs and expenditure to be incurred on the acquired assets.
- Higher crude oil output as of 2017 is related to the planned launch of production from the Gina Krog field.
- Higher natural gas output after 2026 is related to the planned completion of gas injection into the Gina Krog field.

High-methane gas trading and retail sales after August 1st 2014



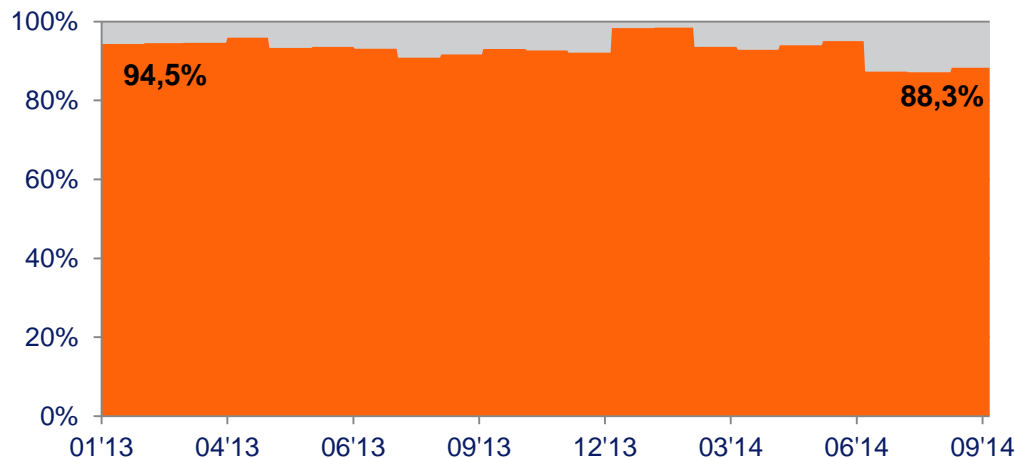
Sales made on the Polish Power Exchange by PGNiG SA and purchases made on the Polish Power Exchange by PGNiG Obrót Detaliczny, which commenced operations on August 1st 2014, **are not subject to elimination from the consolidated financial statements**, and are disclosed under the Trade and Storage segment.

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**

Production and sales volumes

NATURAL GAS PRODUCTION, PGNiG Group

	(mcm)							
	Q3 2014	Q2 2014	Q1 2014	FY 2013	Q4 2013	Q3 2013	Q2 2013	Q1 2013
HIGH-METHANE GAS (E)	475.2	481.9	478.5	1,890.5	483.1	481.2	483.5	442.7
including in Poland	361.4	361.6	366.8	1,550.5	383.8	386.8	387.2	392.7
including in Norway	113.8	120.3	111.7	340.0	99.3	94.4	96.3	50.0
NITROGEN-RICH GAS (Ls/Lw as E equiv.)	581.6	650.4	703.7	2,691.8	736.8	618.6	603.9	732.5
including in Poland	566.9	635.9	689.5	2,666.9	721.8	608.7	603.9	732.5
including in Pakistan	14.7	14.5	14.2	24.9	15.0	9.9	0.0	0.0
TOTAL (measured as E equivalent)	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 in kboe/d	72.3	78.3	82.6	79.0	83.4	75.2	75.2	82.1

NATURAL GAS SALES, PGNiG Group

	(mcm)							
	Q3 2014	Q2 2014	Q1 2014	FY 2013	Q4 2013	Q3 2013	Q2 2013	Q1 2013
HIGH-METHANE GAS (E)	3,250.6	3,077.6	4,520.6	15,005.6	4,132.0	2,731.4	2,964.5	5,177.7
including PST sales outside PGNiG Group	362.7	444.1	464.7	1,382.8	356.0	306.2	271.4	449.2
NITROGEN-RICH GAS (Ls/Lw as E equiv.)	293.0	252.7	361.3	1,202.4	350.6	220.1	245.3	386.5
TOTAL (measured as E equivalent)	3,543.6	3,330.3	4,881.9	16,208.1	4,482.6	2,951.5	3,209.8	5,564.2

GAS IMPORTS by PGNiG SA

	(mcm)							
	Q3 2014	Q2 2014	Q1 2014	FY 2013	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Total	2,142.6	2,593.9	2,540.5	10,849.6	2,663.6	2,245.0	2,481.0	3,460.0
including: sources east of Poland	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, PGNiG Group

	('000 tonnes)							
	Q3 2014	Q2 2014	Q1 2014	FY 2013	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Production of crude oil and condensate	304.3	309.8	322.0	1,098.5	309.4	327.3	233.1	228.7
including in Poland	188.2	183.7	202.7	815.2	215.3	218.1	177.8	204.0
including in Norway	116.1	126.1	119.3	283.3	94.1	109.2	55.3	24.7
Total production in kbb/d	24.2	25.0	26.2	22.1	24.7	26.1	18.8	18.6
Sales of crude oil and condensate	261.6	372.6	286.6	1,105.5	400.9	255.1	242.9	206.6
including in Poland	180.9	185.0	201.2	808.7	221.7	212.7	180.3	194.1
including in Norway	80.7	187.6	85.4	296.8	179.2	42.4	62.6	12.5

PGNiG TERMIKA

	Q3 2014	Q2 2014	Q1 2014	FY 2013	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Production of heat, net (sales) (TJ)	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 of electricity, net, secondary generation (for sale) (GWh)	386.1	647.6	1,390.2	3,772.2	1,188.9	444.6	613.0	1,525.7