Corporate Presentation

Financial Results of Q2 and H1 2015

September 2015

Agenda

1. PGNiG Group & Polish Gas Market

2.Strategy, Capex, Debt

3. PGNiG Segments

   2.1. Exploration and Production

   2.2. Trade and Storage

   2.3. Distribution

   2.4. Heat & Power

4. Appendix and Financial Results of Q2 and H1 2015


PGNiG Group
&
Polish Gas Market

PGNiG Group

PGNiG

Exploration and Production	Trade and Storage	Distribution	Heat and Power
Leader gas and oil producer in Poland	**Main gas importer to Poland and owner of gas storages**	**Robust domestic gas distribution business providing stable return**	**The largest heat producer in Poland – diversifying EBITDA stream**
▪ Total production volumes: - natural gas: 4.5 bcm - crude oil: 1.2 m tonnes (9 mboe)	▪ 9.7 bcm of imported natgas ▪ app. 3 bcm of storage capacity ▪ 6.8 m of end-customers	▪ 125 ths km of distribution network ▪ 9.7 bcm of distributed gas	▪ Heat volume 36.6 PJ ▪ Electricity volume 3.6 TWh

E&P → Heat & Power → Wholesale → Storage → Transmission → Distribution → Retail

- Storage: Legal unbundling
- Transmission: 100% State owned
- Distribution: Legal unbundling

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

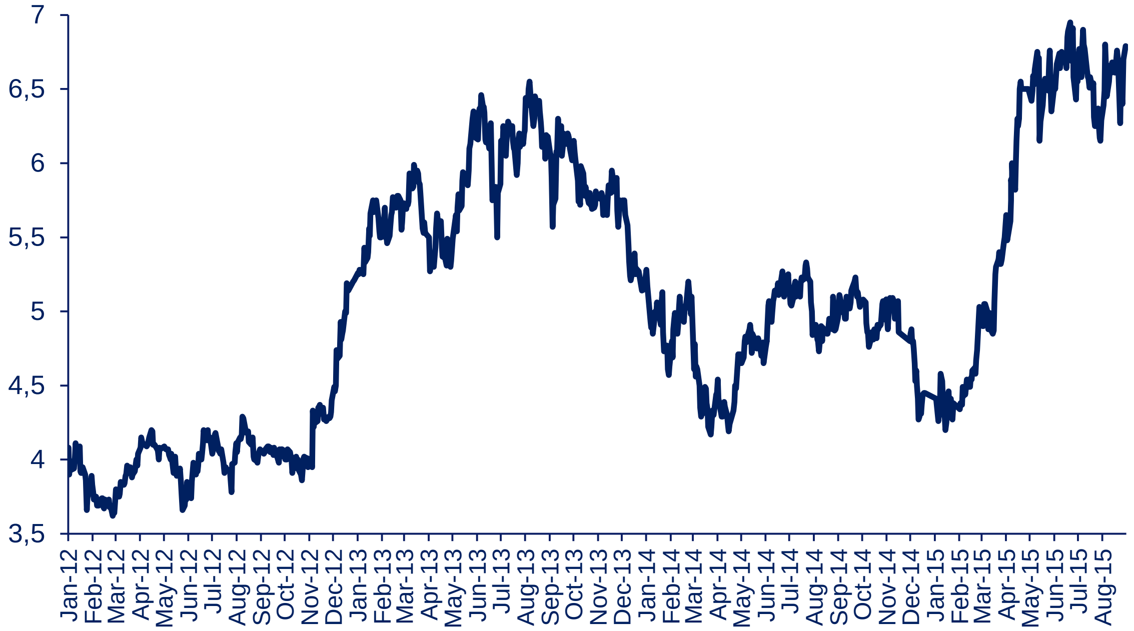
PGNiG's Shareholders

Listed on WSE since Sep 2005

Market capitalization of PLN 40 bn (EUR 9.5bn / USD 10.6bn)**

Significant share in WIG 20 index ~6%

Stock performance since January 2012



- **Shareholder Structure**
  - 72.4% – State Treasury
  - 27.6% – Free float, incl. 11% of Polish pension funds
- **Average daily turnover (1H2015):**

  PLN 27m (~EUR 6.3m / USD 7.0m)

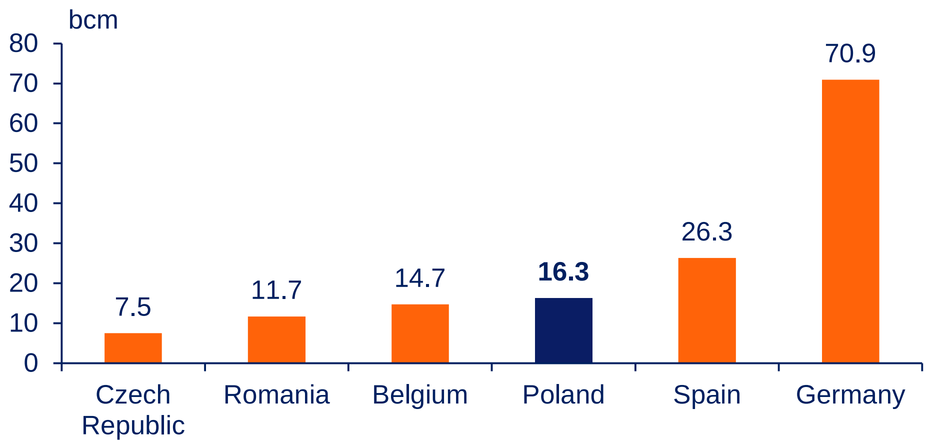
The 2nd largest Polish company on the Warsaw Stock Exchange*

* In terms of market cap

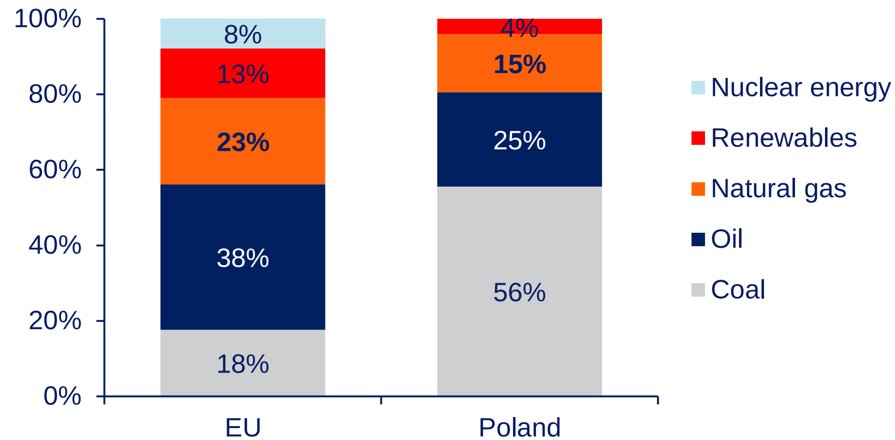
** PGNiG = 6.79 PLN and EUR/PLN = 4.23; USD/PLN = 3.78 (as on August 31st 2015)

Gas Market in Poland

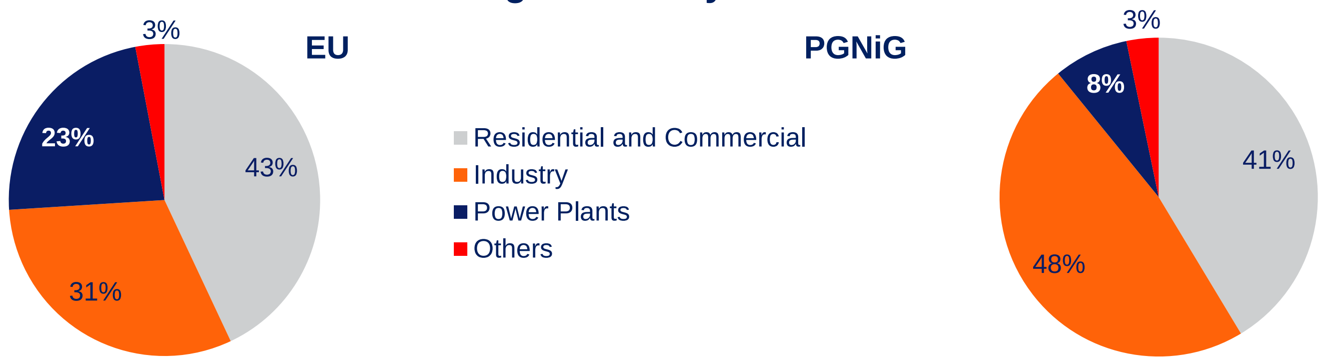
Natural gas consumption by country



Primary energy consumption by fuel



Natural gas sales by sector

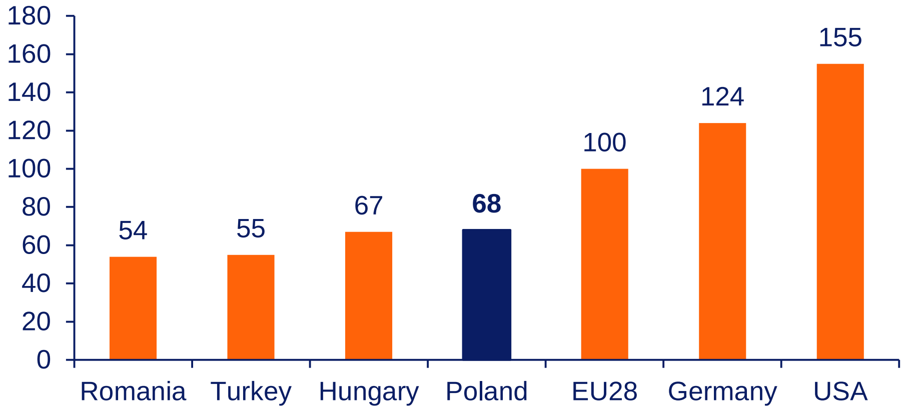


Low consumption with growth potential

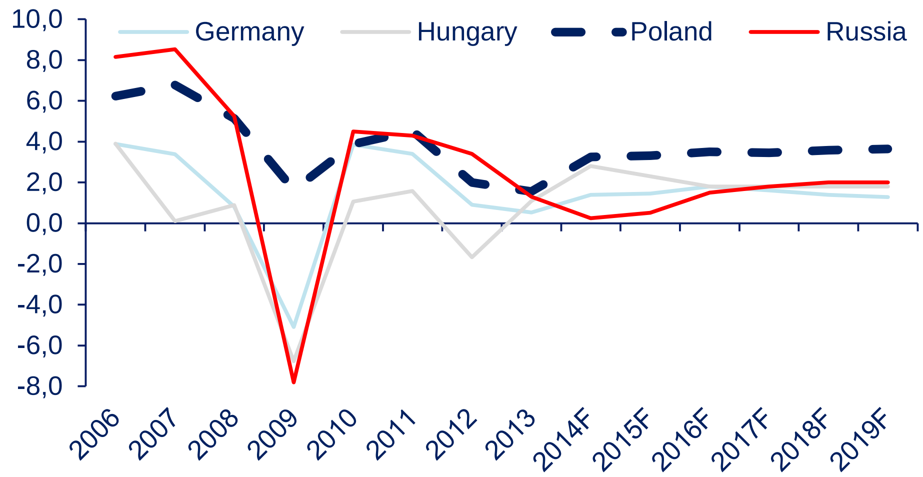
Source: BP Statistical Review 2015 and EuroGas Statistical Report 2014
Gas consumption comprises sales, as well as in-house consumption and change of inventories

Macroeconomics of Poland

GDP 2013 per capita in % (EU28=100%)



GDP annual growth (%)



- 6th largest country in EU28 in terms of population (38m)
- 8th largest economy in the EU28 in terms of gross domestic product (nominal GDP 2013)
- One of the fastest growing economies in Europe with stable and solid financial system.
- The only EU country that had a positive growth rate during the 2009 crisis.

Strategy, Capex, Debt

Strategy of PGNiG Group for 2014-2022

A **Maintaining stable trading volumes (both in retail and wholesale)**

1. Optimisation of natural gas portfolio management
2. Developing and implementing a new retail and wholesale model

B **Maximising cash flows from infrastructure and generation areas**

3. Maximising value from transmission infrastructure (gas and heat distribution)

NEW AREA OF DEVELOPMENT: ACQUISITION OF HEAT NETWORKS

4. Taking active part in creating energy market regulations

C **Strengthening and transforming the exploration and production area**

5. Maintaining domestic production at current levels (33 million boe)
6. Confirming the geological and economic potential of shale gas deposits in Poland
7. Expanding the upstream business outside of Poland (ca. 20 million boe)

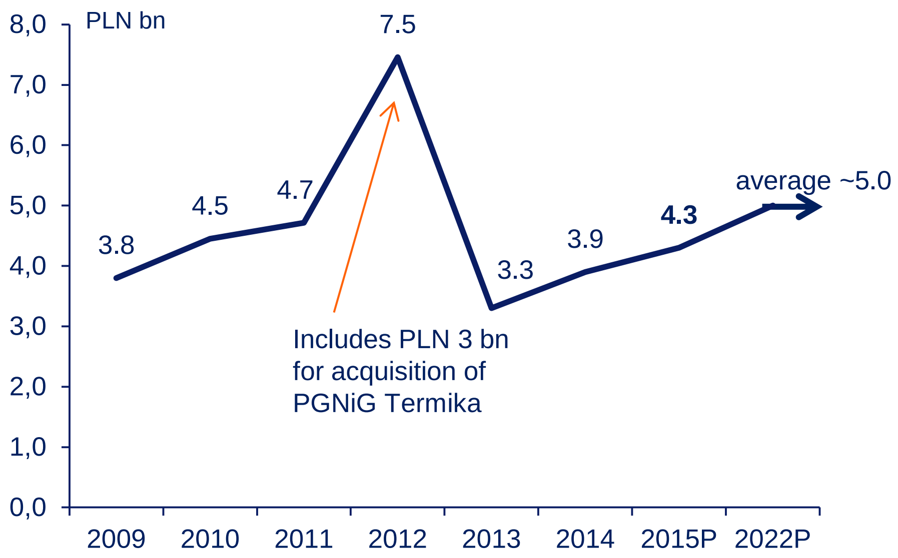
NEW AREA OF DEVELOPMENT: ACQUISITION OF FOREIGN ASSETS

D **Laying foundations for growth along the value chain (PLN 700m–800m in savings)**

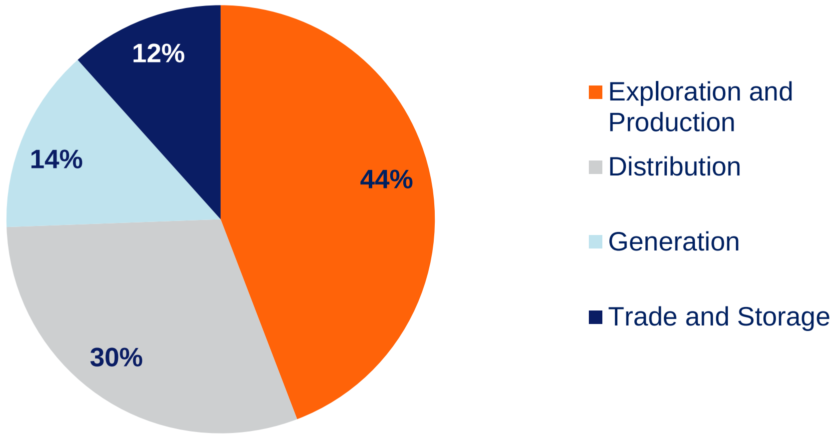
- **Stabilisation of EBITDA at ~PLN 7bn in 2022**
- **50% of consolidated net profit to be paid as dividend in 2015−2022** (provided that the financial situation is stable, financing sources for investment projects are secured and PGNiG SA receives dividends from subsidiaries for a given year)

Capex estimate for the years 2014-2022: PLN 40-50 billion

Annual CAPEX 2009 – 2022 (plan)

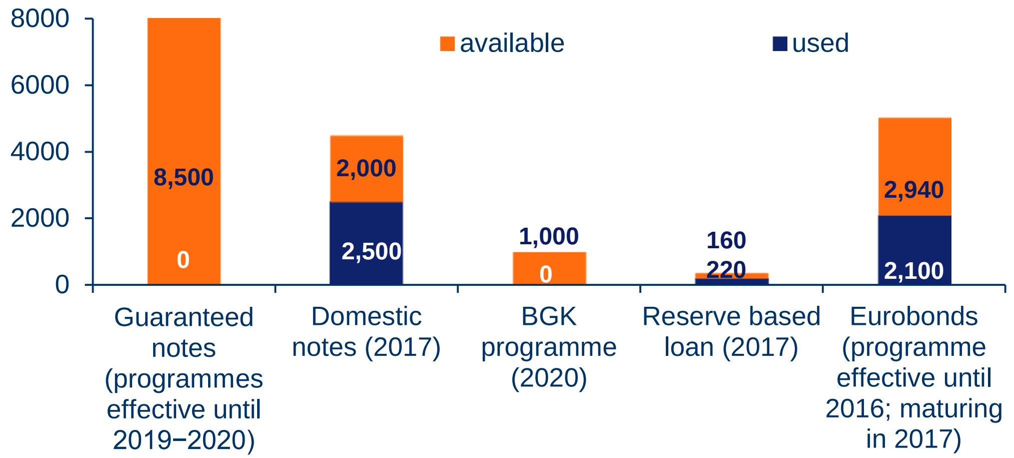


CAPEX split for 2015 (total PLN ~ 4.3 bn)



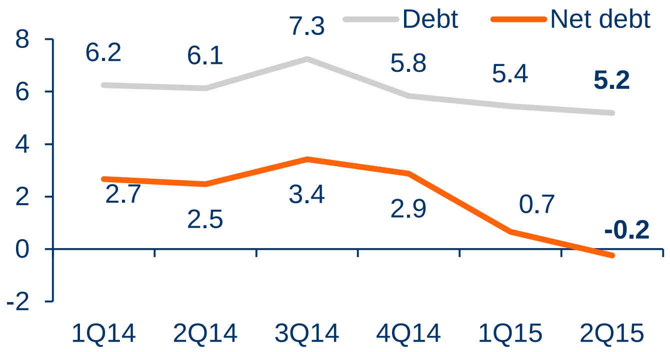
Debt and sources of financing

Financing sources as at June 30th 2015 (PLNm)

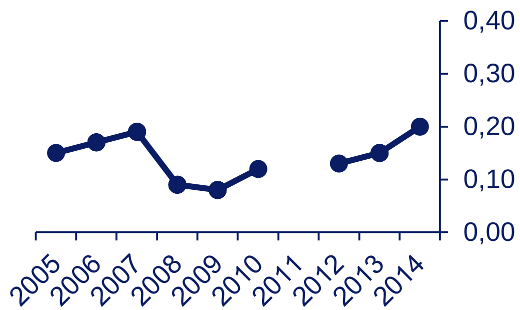


- Available financing programmes for PLN 14.6bn, including PLN 9.6bn underwritten
- Cash accumulated for distribution as dividend (paid on August 4th 2015).
- On August 13th 2015 PGNiG Upstream International has increased the scale of the Reserve Based Loan up to USD 400 mln, increasing PUI's self-financing abilities and financial capacity of PGNiG Group. The new, revolving credit facility is granted for the term of seven years with two and a half year grace period.

Debt (PLNbn)

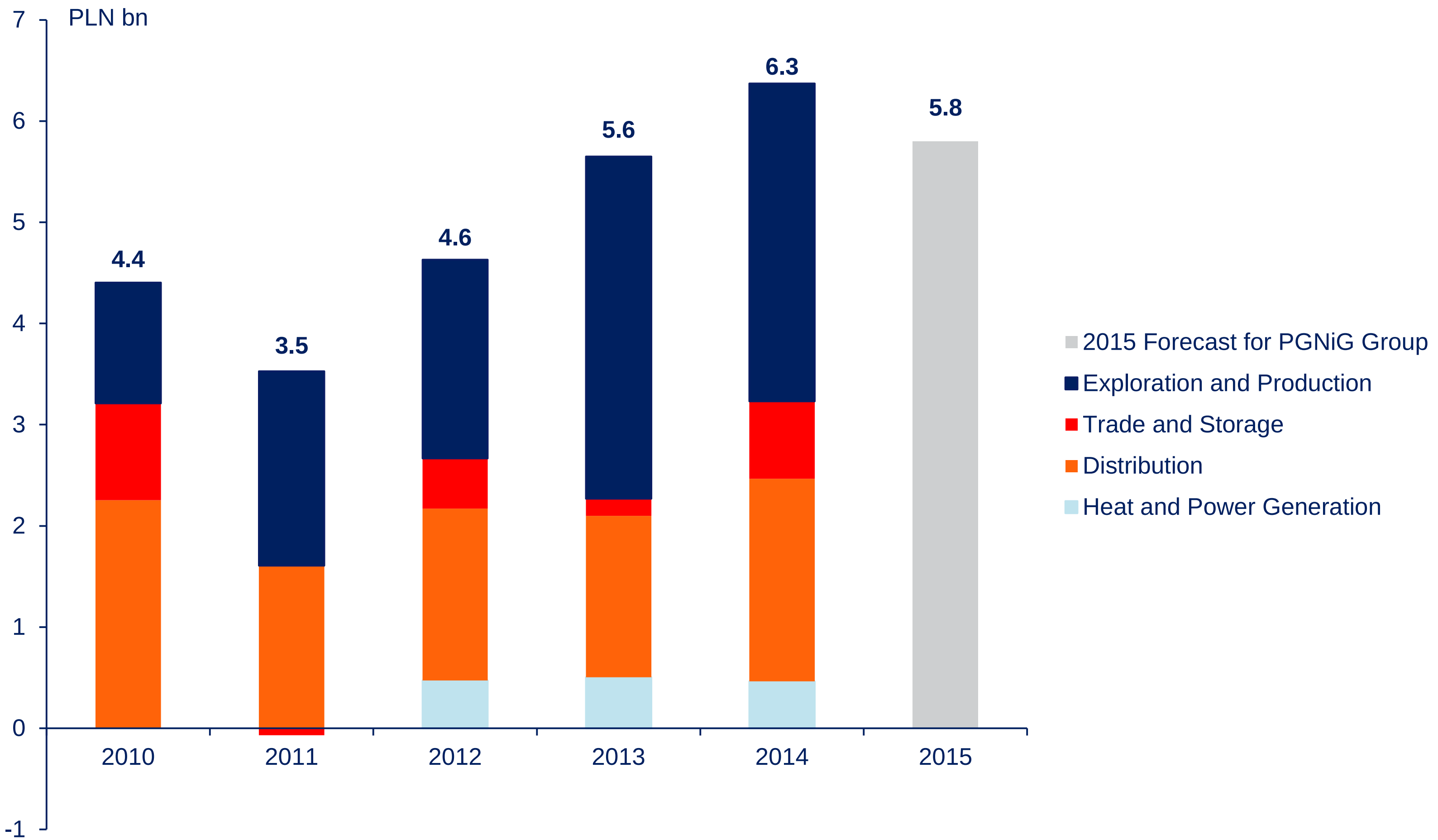


Dividend (PLN per share)



Strong financial position

EBITDA* 2010-2015



* EBITDA after intra-group eliminations and including „Other segments”

Operating segments of PGNiG Group

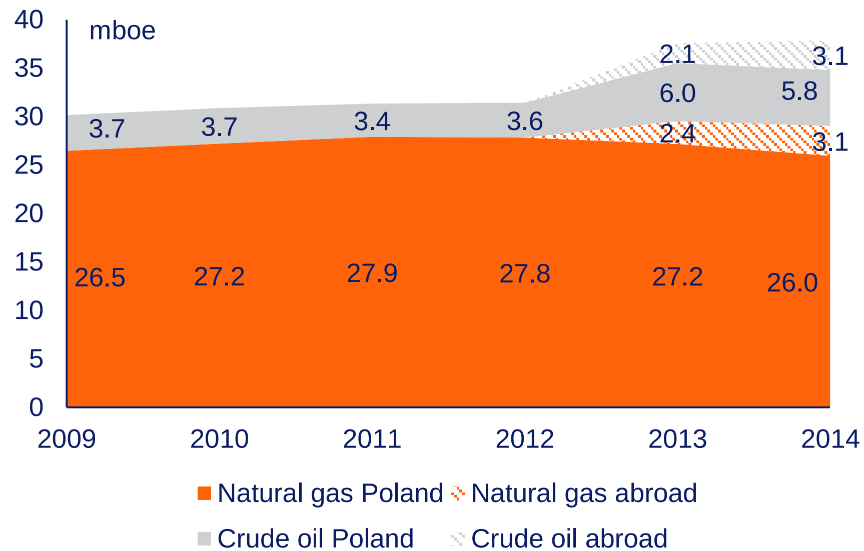
E&P Summary

- PGNiG SA is a leader in production of gas and crude oil in Poland
- Group's natural gas production*:
  - 2014 – 4.5 bcm
  - 2015 – 4.5 bcm (forecast)
- Group's crude oil production**:
  - 2014 – 1.2 m tonnes
  - 2015 – 1.3 m tonnes (forecast)

- 2 trillion cm: initial estimate of **shale gas** resources in Poland
- PGNiG owns 10 standalone exploration licences with perspectives for shale gas, out of app. 50 granted in Poland
- Acreage of shale gas concessions – 10 ths sq km
- 17 wells drilled for shale gas by PGNiG
- 3 horizontal wells planned in 2015
- Geological challenges vs american shale plays

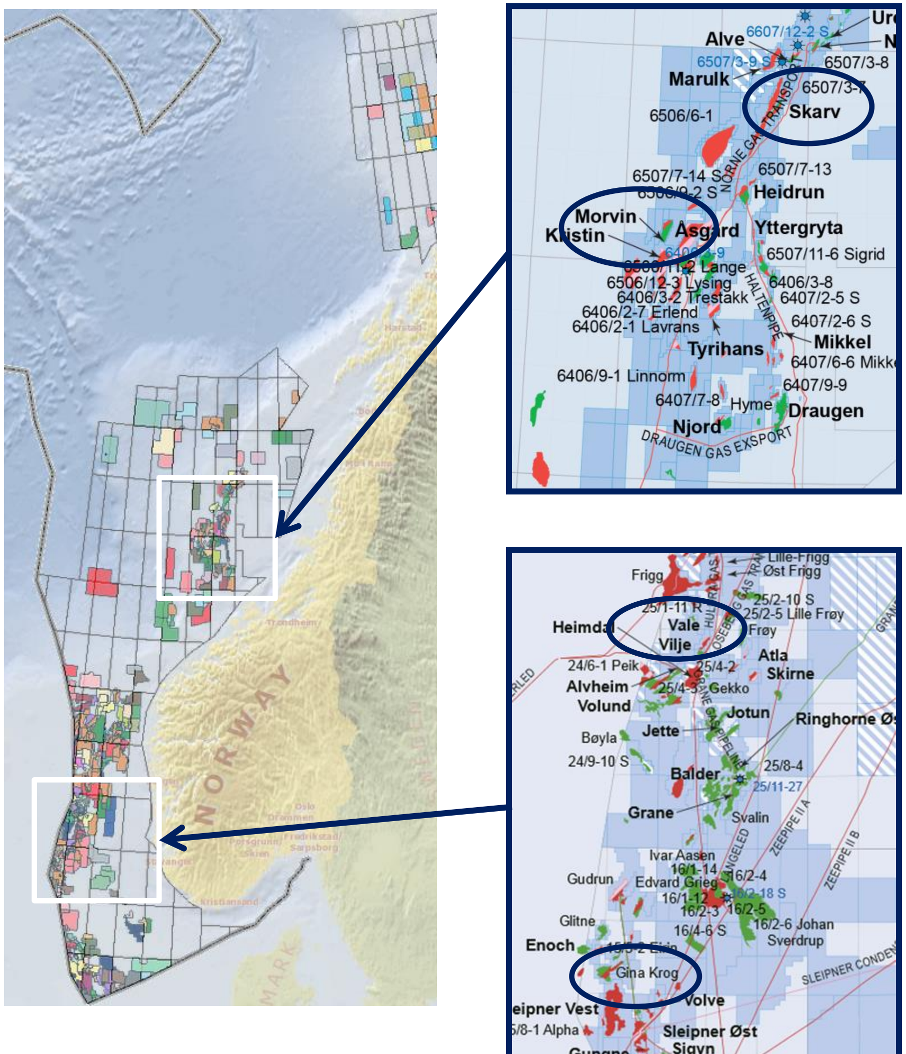
- Strong resources base in Poland:
  - proved gas reserves 526 mboe (81.6 bcm)*
  - proved oil reserves 136 mboe (18.5 m tonnes)
- Oil & gas concessions in Poland: 77 exploration/appraisal
- 59 production facilities in Poland
- Over 2 ths producing wells

Production volumes



* At high-methane gas equivalent
** Including natural gas liquids

International E&P activities – Norway



Licences	15
Licence cost	360 m USD (Skarv) 1.95bn NOK (Morvin, Vale, Vilje, Gina Krog)
CAPEX Skarv (PGNiG part)	ok. 800 m USD
Reserves of the licence (2P)	50 mboe (Skarv) 31 mboe (Morvin, Vale, Vilje, Gina Krog)
Skarv production in 2014	2.7 mboe (0.43 bcm) of natural gas 2.8 mboe (0.4 m tonnes) of crude oil and NGL
Production forecast for 2015 (all licences on NCS)	2.6 mboe (0.4 bcm) of natural gas 3.5 mboe (0.51 m tonnes) of crude oil and NGL

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; force majeure clause activated.

Pakistan

agreement	May 2005
shares	PGNiG SA 70% Pakistan Petroleum 30%
area	956 km^2
location	Province Sindh, Folded belt Kirthar
obligations	2 wells, 100 km 2D (fulfilled)
estimated reserves	11.5 bcm of nat gas 4.5 bcm of nat gas (Pab formation)

Test production started in June 2013; production at ca. 0.1 bcm annually.

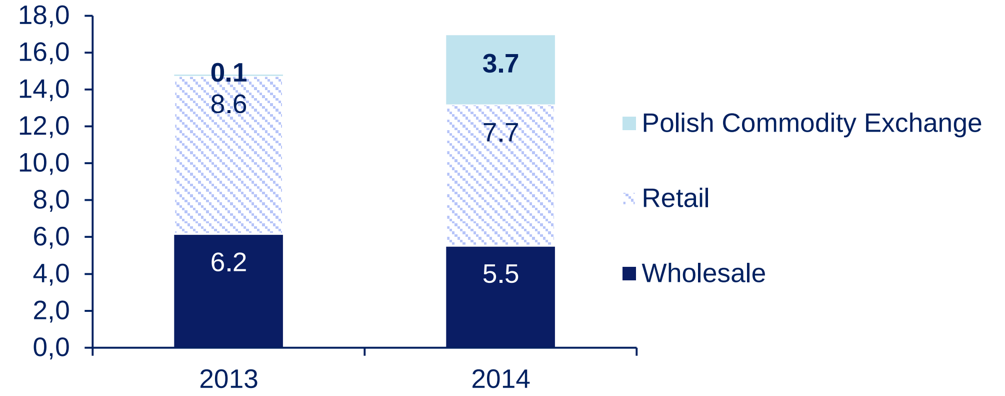
The Rizq-1 well proved the existence of a second deposit within the Kirthar licence area.

Assets under evaluation due to geopolitical constrains

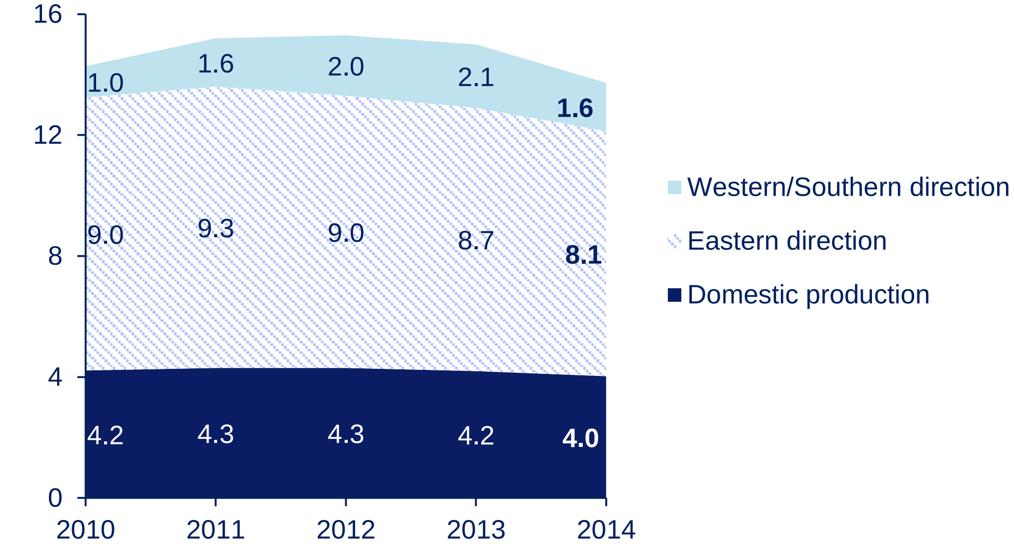
Gas supply & sales

- 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 +1.6% in 2005-2014
- 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 until 2034:
  - 1.3 bcm annually
  - 100% Take-or-Pay
- 1.7 bcm of gas sold by PGNiG Sales & Trading to customers outside of Poland in 2014

Sales of natural gas of PGNiG SA and PGNiG Retail (bcm)



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



Development of underground gas storage facilities

2005-2014: +1.2 bcm

Current capacity:

- UGS Husów – 500 mcm
- UGS Strachocina – 360 mcm
- UGS Bonikowo – 200 mcm
- UGS Swarzów – 90 mcm
- UGS Daszewo – 30 mcm
- UGS Wierzchowice – 1.2 bcm
- Construction of CUGS Kosakowo (119 mcm)
- I phase of extension of CUGS Mogilno (487 mcm)
- Extension of UGS Brzeźnica (65 mcm)

Basic data

- Current no. of storage facilities 9
  - herein in salt caverns 2
- Current capacity ca. 3 bcm
- Planned increased capacity for 2015:
  - UGS Husów – 150 mcm
  - CUGS Kosakowo – 57.8 mcm
  - CUGS Mogilno – 79.5 mcm
- Required strategic gas reserves: 30 days (of daily average import)

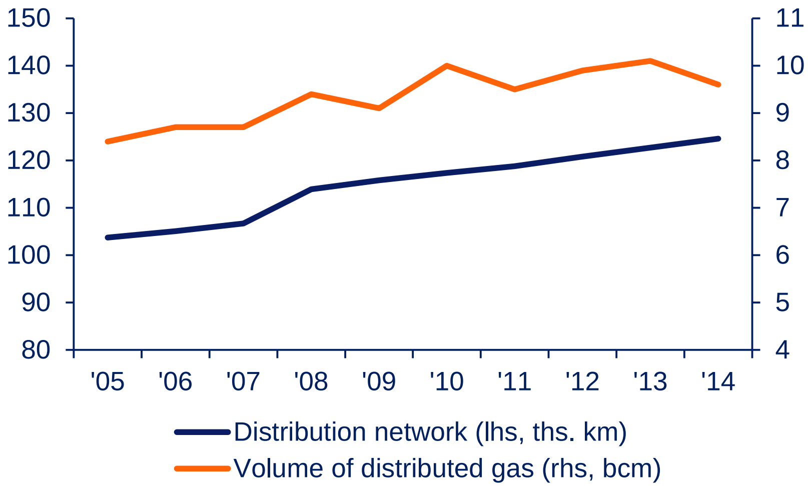
 * Data on 31.07.2015.

Distribution

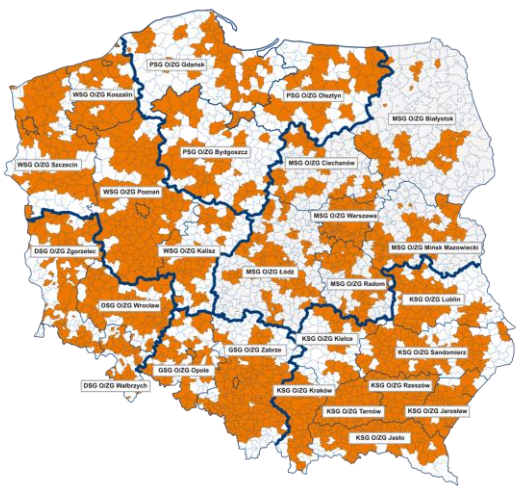
- Gas Distibution Company supplies natural gas to households, industrial and wholesale customers, and is responsible for operation, maintenance and development of gas pipelines.
- In 2014 „Polish Gas Company” (formerly six Regional Gas Companies) distributed 9.6 bcm of natural gas to 6.8 m customers through 125 ths km of distribution network.
- Mid-2013 six Regional Gas Companies were consolidated into one.

Stable EBITDA of the regulated segment

Stable network’s growth and increase of distributed volumes (+1.6% CAGR 2005-2014)



Coverage of gas distribution network



Heat and Power Generation

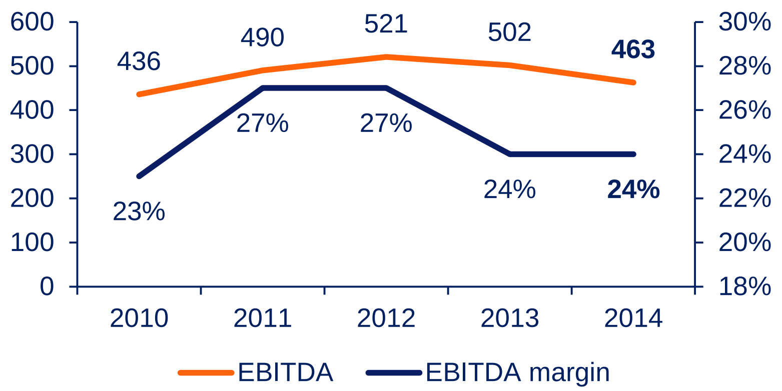
PGNiG Termika (2012)

- 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 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 low-cost heat
- 400 MW_e gas-fired block is planned in Warsaw at Zeran plant (1H 2019)
- 146 MWt biomass-fired boiler to be built in Warsaw at Siekierki plant (2015)

CHP Stalowa Wola (H1 2016)

- 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: 450 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 2014	36.6 PJ
Produced electricity sales in 2014	3.6 TWh

* 2010-2011 according to Polish accounting standards; 2012-2013 data before intercompany eliminations.

Additional Information

- **PGNiG SA (Polish Oil & Gas Company)**

M. Kasprzaka 25 St.
01-224 Warsaw, Poland
www.pgnig.pl

- **Investor Relations**

www.ri.pgnig.pl

Aleksandra Dobosiewicz
Financial Analyst
Desk: +48 22 589 46 71
Mobile: +48 665 004 847
Fax: +48 22 691 81 23
E-mail: aleksandra.dobosiewicz@pgnig.pl

Adam Kucza
IR Manager
Desk: +48 22 691 82 56
Mobile: +48 723 981 353
Fax: +48 22 691 81 23
E-mail: adam.kucza@pgnig.pl

- **Disclaimer**

Appendix – Financial Results of H1 and Q2 2015

2Q 2015 financial highlights

PGNiG

(PLNm)	Q2 2014	Q2 2015	Δ%
Revenue	6,846	**7,895**	15%
Operating expenses (excl. D&A)	(5,560)	**(6,225)**	12%
EBITDA	1,286	**1,670**	30%
Depreciation and amortisation expense	(675)	**(723)**	7%
EBIT	611	**947**	55%
Net finance income/(costs)	(75)	**14**	
Net profit	340	**621**	83%

Good operating efficiency, with lower yoy impact of one-off items

- Revenue from high-methane (E) gas sales up PLN 1.4bn, to PLN 6.1bn in Q2 2015, with sales volume up 1.4 bcm year on year, to 4.5 bcm, driven by the exchange sale requirement.
- Revenue from crude oil and condensate sales down PLN 300m in Q2 2015, with volumes stable year on year at 372 thousand tonnes, with declining oil prices as the key driver (average oil price down from USD 110/bbl (PLN 333/bbl) in Q2 2014 to USD 62/bbl (PLN 230/bbl) in Q2 2015.

- Net effect of impairment losses and write-downs recognised/reversed, provisions and dry wells/seismic surveys written off at PLN -191m in Q2 2015 vs. PLN -699m in Q2 2014 (change: PLN+508m).
- Marginal negative impact of the net proceeds settlement of Qatari gas in Q2 2015 (one delivery settled in Q2).
- PLN 51m provision for the Voluntary Redundancy Programme at PGNiG SA and PGNiG OD recognised in Q2 2015.

- Interest expense down PLN 23m year on year (from PLN 45m to PLN 22m) and a positive impact of hedging transactions and FX differences on this expense item

H1 2015 financial highlights

(PLNm)	H1 2014	H1 2015	Δ%
Revenue	16,381	**20,390**	24%
Operating expenses (excl. D&A)	(12,914)	**(16,394)**	27%
EBITDA	3,467	**3,996**	15%
Depreciation and amortisation expense	(1,298)	**(1,387)**	7%
EBIT	2,169	**2,609**	20%
Net finance income/(costs)	(106)	**(58)**	46%
Net profit	1,520	**1,865**	23%

- Revenue from E gas sales up PLN 4.6bn, to PLN 16.4bn in H1 2015, with sales volume up 4.2 bcm year on year, to 11.8 bcm, driven by the exchange sale requirement.
- Revenue from sales of crude oil and condensate down PLN 510m, despite a year-on-year increase in sales volumes by 61 thousand tonnes (consolidation of assets acquired from Total on the Norwegian Continental Shelf as of Q1 2015), with falling oil prices as the key driver.

- Cost of gas up PLN 4.4bn, to PLN 12.6bn in H1 2015 (as a result of the exchange sale requirement), with PGNiG SA's cost of gas down
- Net effect of impairment losses and write-downs recognised/reversed, provisions and dry wells/seismic surveys written off at PLN -204m in H1 2015 vs. PLN -787m in H1 2014 (change: PLN+583m).

- Depreciation/amortisation up PLN 70m year on year on step-up of Norwegian operations.

- Interest expense down PLN 46m year on year on lower debt and interest rate levels.

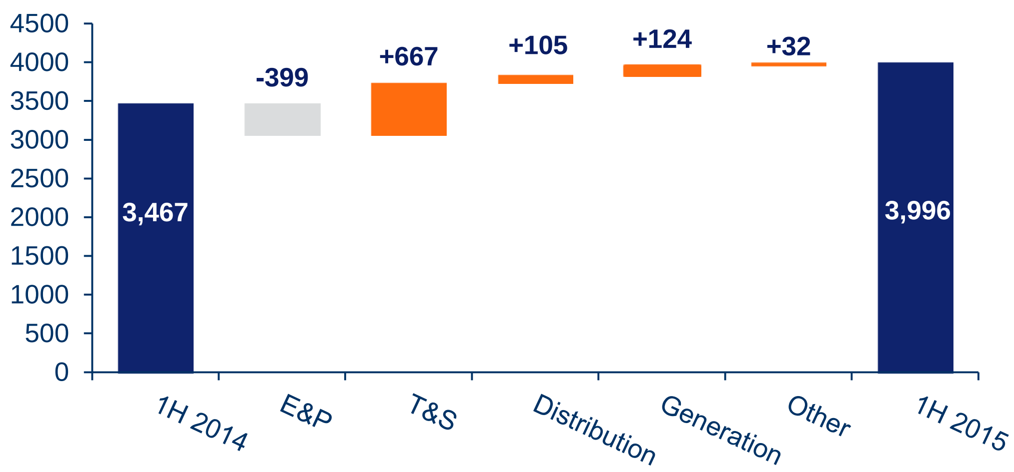
PGNiG Group's consolidated EBITDA up despite steep falls in oil prices

Business segments – EBITDA in 1H 2015

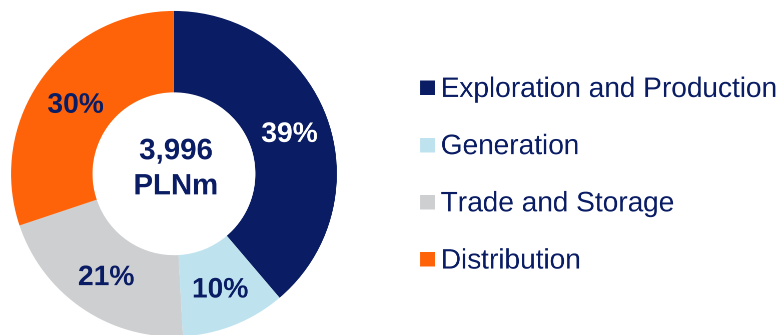
(PLNm)	H1 2014	H1 2015	Δ%	Contribution to Group's result
Exploration and Production	1,941	**1,542**	(21%)	**39%**
Trade and Storage	157	**824**	x5	**21%**
Distribution	1,113	**1,218**	9%	**30%**
Generation	288	**412**	43%	**10%**
Other, eliminations	(32)	**-**		
Total	3,467	**3,996**	**15%**	

- Revenue from sales of oil and condensate down PLN 0.5bn year on year.
- Lower unit costs of gas purchase and greater impact of one-off items in H1 2014.
- Tariff prices up, with volumes growing 3% y/y
- Negative impact of system balancing (PLN +19m) and the Voluntary Redundancy Programme (PLN -96m) on H1 2015 results.
- Heat and electricity prices up, with volumes slightly up and reduced fuel prices.

PGNiG Group EBITDA up in H1 2015 on H1 2014

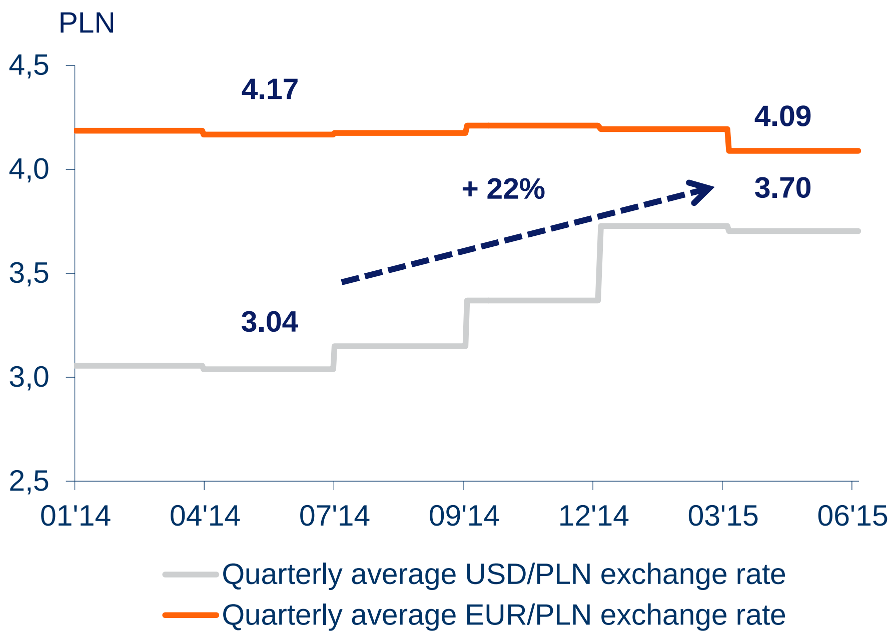


Segments' contribution to Group EBITDA

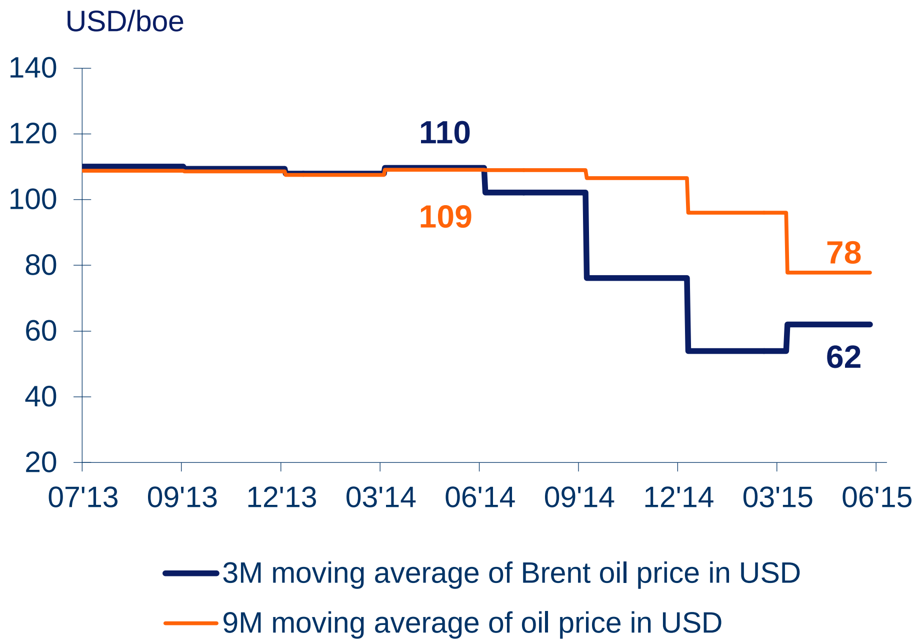


Factors contributing to financial performance

PLN down against a stronger USD and up against a weaker EUR year on year



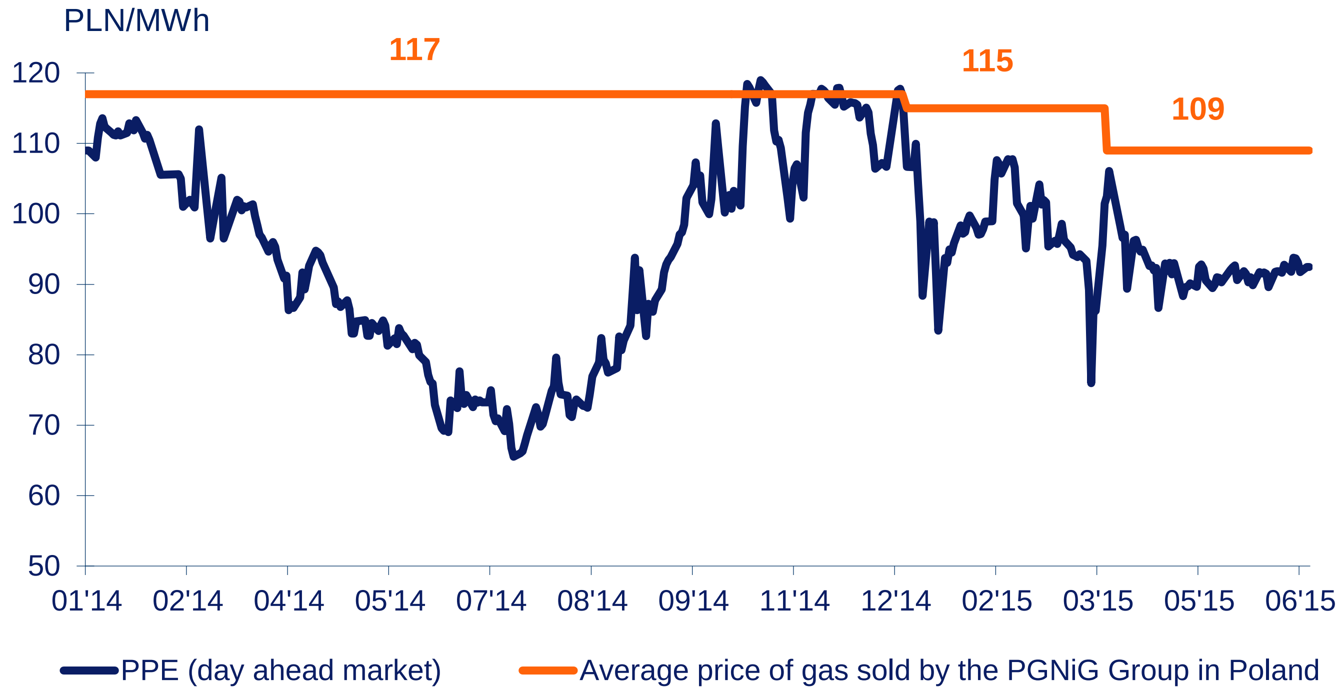
Nine-month average crude oil price in USD down 29% year on year in Q2 2015, on the back of falling oil prices



Factors contributing to financial performance

Marked tariff reductions over the past periods and impact of the discount policy in Q2 2015.

Price in the chart is calculated on the combined tariff sales of PGNiG SA and PGNiG OD to customers in Poland. PPE transactions and sales of gas directly from the fields are not taken into account.



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 calendar year, with the spot market playing a complementary role in gas trading.

Operating expenses – 2Q 2015

PGNiG

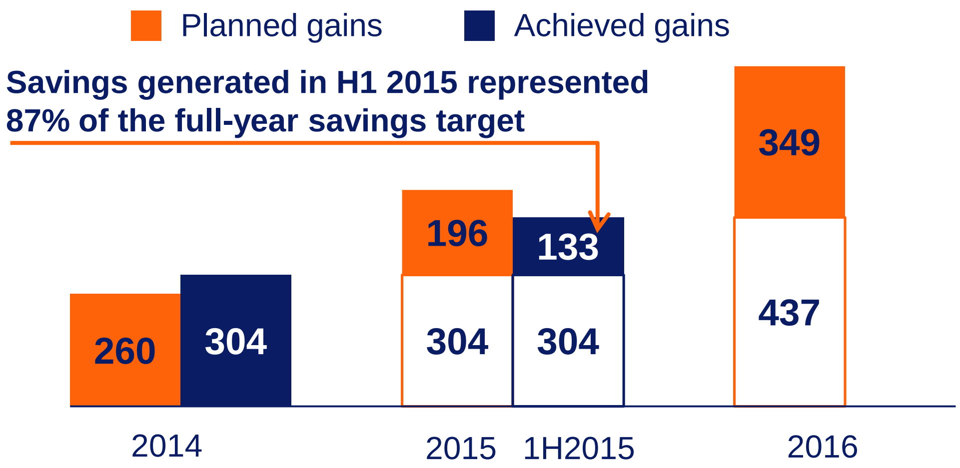
(PLNm)	Q2 2014	Q2 2015	Δ%
Cost of gas sold	(3,023)	**(4,420)**	46%
Electricity for trading	(299)	**(218)**	(28%)
Other raw materials and consumables used	(133)	**(129)**	(3%)
Fuels for heat and power generation	(119)	**(120)**	1%
Employee benefits expense	(687)	**(583)**	(15%)
Transmission services	(302)	**(277)**	(9%)
Cost of dry wells and seismic surveys written-off	(161)	**(175)**	9%
Other services	(353)	**(302)**	(14%)
Net other income/(expenses)	(669)	**(229)**	(66%)
▪ *change in impairment losses and write-downs*	*(490)*	***(160)***	*(63%)*
▪ *provision for well decommissioning costs*	*(19)*	***143***	
Work performed by the entity and capitalised	185	**229**	24%
Operating expenses (excl. D&A)	(5,560)	**(6,225)**	12%
Depreciation and amortisation expense	(675)	**(723)**	7%
Total operating expenses	(6,235)	**(6,948)**	11%

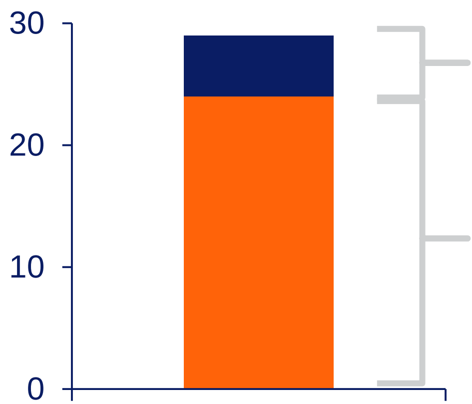
- Sales volume up 1.5 bcm yoy, to 4.8 bcm, with lower unit cost of gas.
- Reduced scale of trading in electricity purchased from other parties.
- Costs down in Group companies following a ca. 3,800 reduction in headcount year on year, to 25,900 employees, including 2,000 at PSG (of which 1,000 left under the VRP in 2015) and 900 at drilling and geophysical subsidiaries.
- Benefits paid under the VRP at PSG using the provision recognised for that purpose in Q1 2015 and no provision recognised for 2014 annual bonuses that would be paid in 2015 - negotiations with trade unions.
- Reversal of the provision for length-of-service awards due to lower employment and a higher discount rate (PLN 55m).
- Q2 2015 mainly affected by a PLN 188m impairment loss on production and exploration assets (Q2 2014: PLN 325m, and a PLN 141m write-down on gas inventories).

Total operating expenses up PLN 0.7bn, with cost of gas up PLN 1.4bn

PPE – 87% of the 2015 target achieved

PGNiG





Total OPEX: PLN 29bn in 2013

Manageable OPEX – PLN 5bn

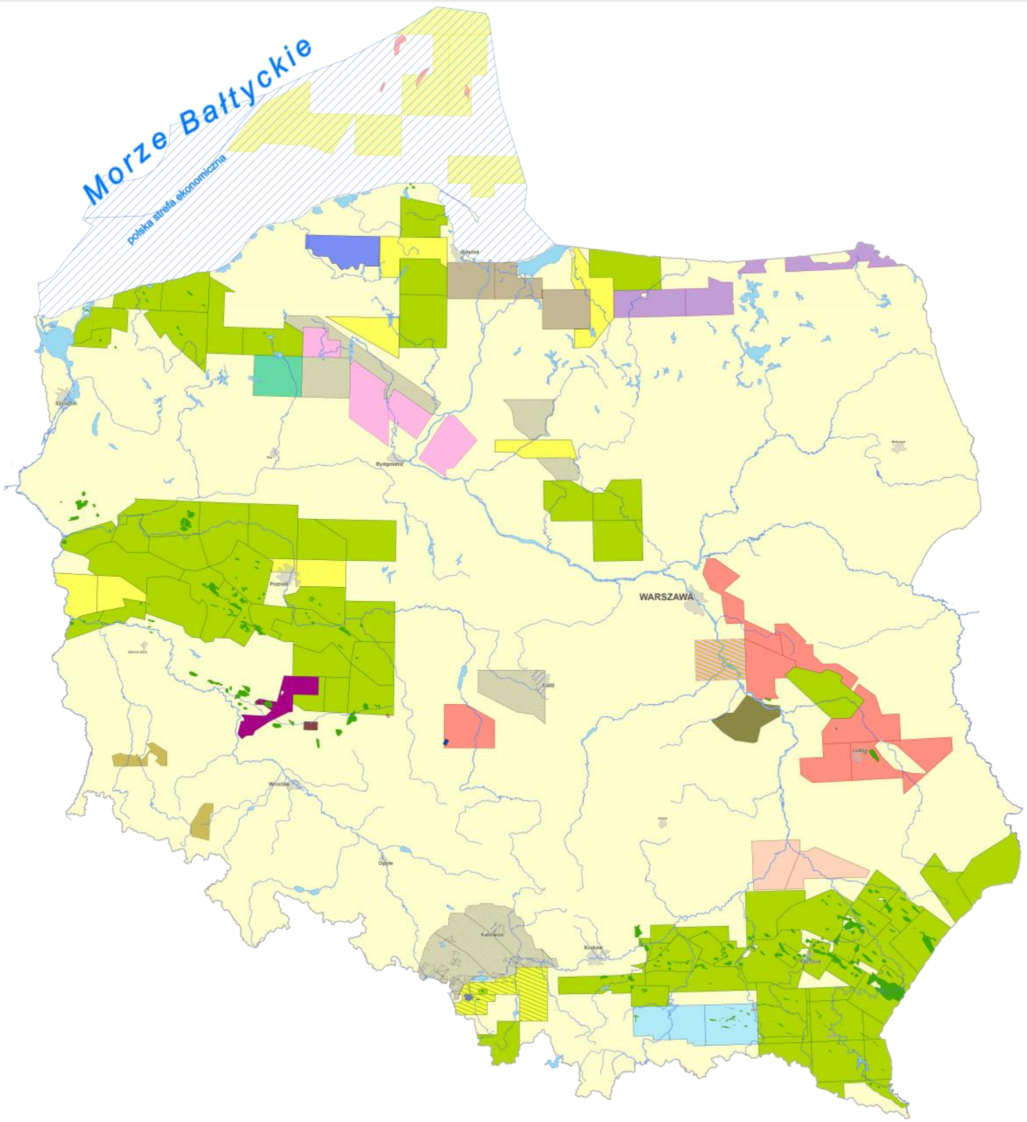
Key cost items (excluding PPE):
- Gas purchase costs
- Other fuel purchase costs
- Transmission service costs
- Depreciation and amortisation expense

- Setting efficiency improvement targets for PGNiG Group segments and companies.
- Defining the scope and timing of efficiency improvement measures.
- Delivery by the end of 2016.

The Programme aims to permanently reduce the manageable cost base across core PGNiG Group segments by approximately PLN 0.8bn.

Appendix

Hydrocarbon concessions in Poland



For exploration

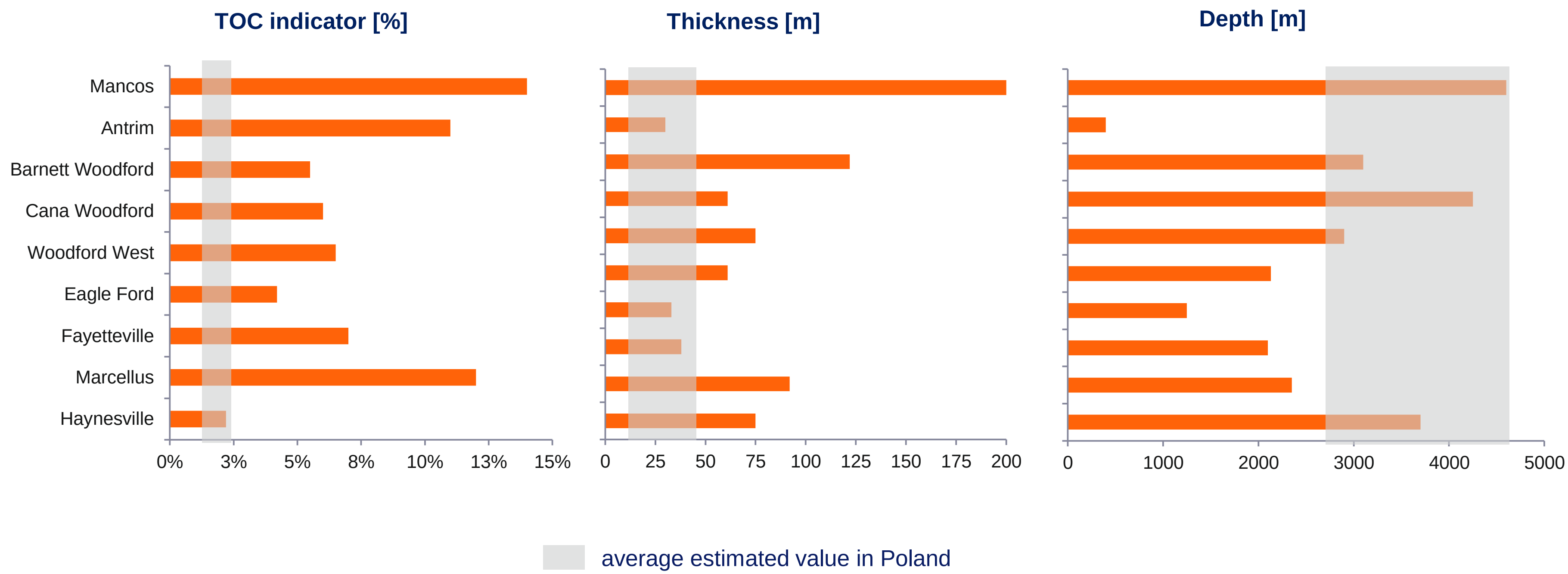
- PGNiG SA
- Baltic Oil & Gas
- Blue Gas N'R'G
- Braniewo Energy
- Cuadrilla
- Energia Cybinka
- Energia Karpaty Zachodnie
- Energia Torzym
- Energia Zachód
- FX Energy
- Gas Plus Int'l
- Orlen Upstream Sp.z o.o.
- PPI Chrobok S.A.
- Petrobaltic
- RWE Dea AG
- Rawicz Energy
- Saponis Investments
- ShaleTech Energy
- Sierra Bravo
- TRIAS
- Wisent

For production

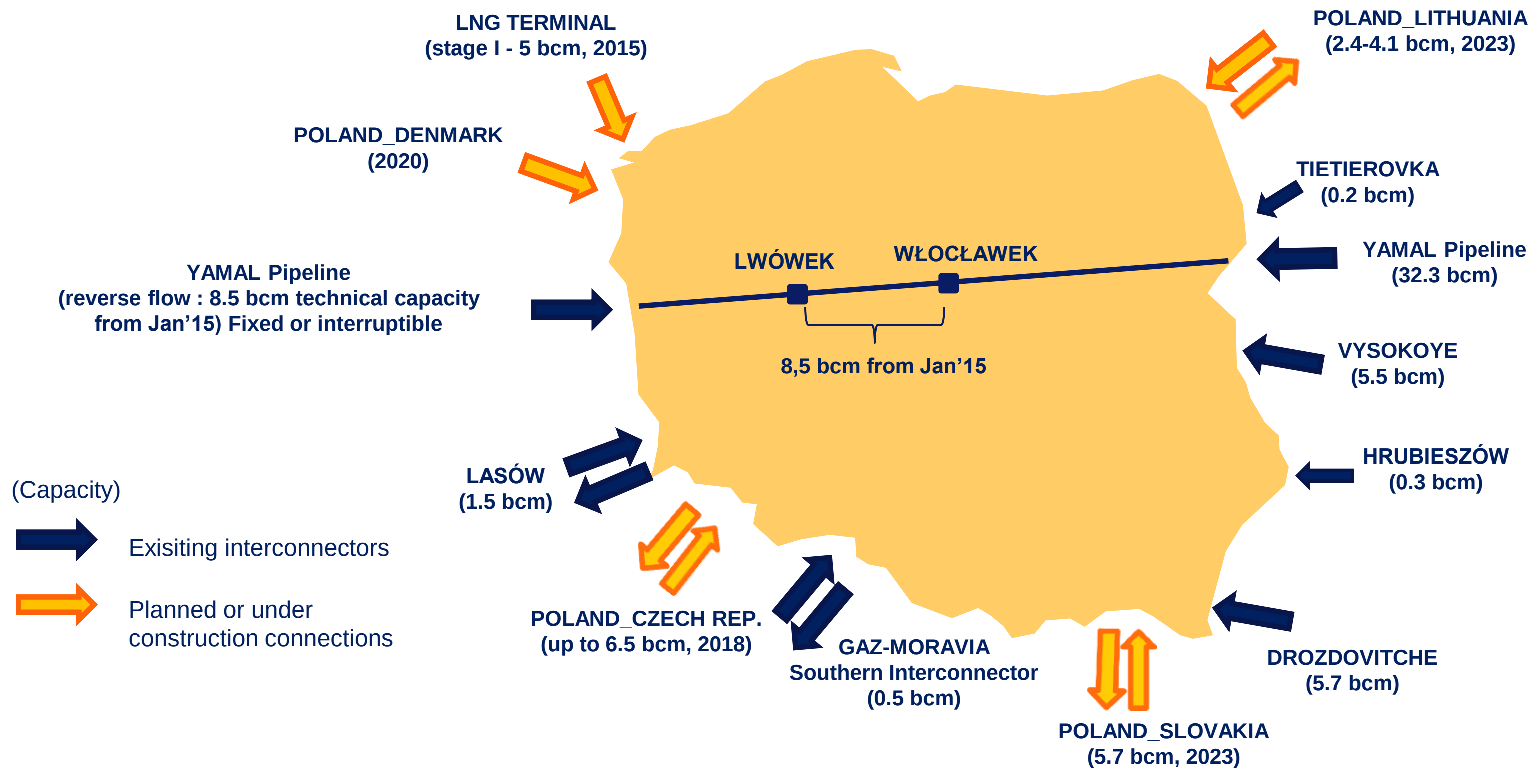
- PGNiG SA
- Petrobaltic
- Zakład Odmetanowienia Kopalń
- TRIAS

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 obtainnig 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.

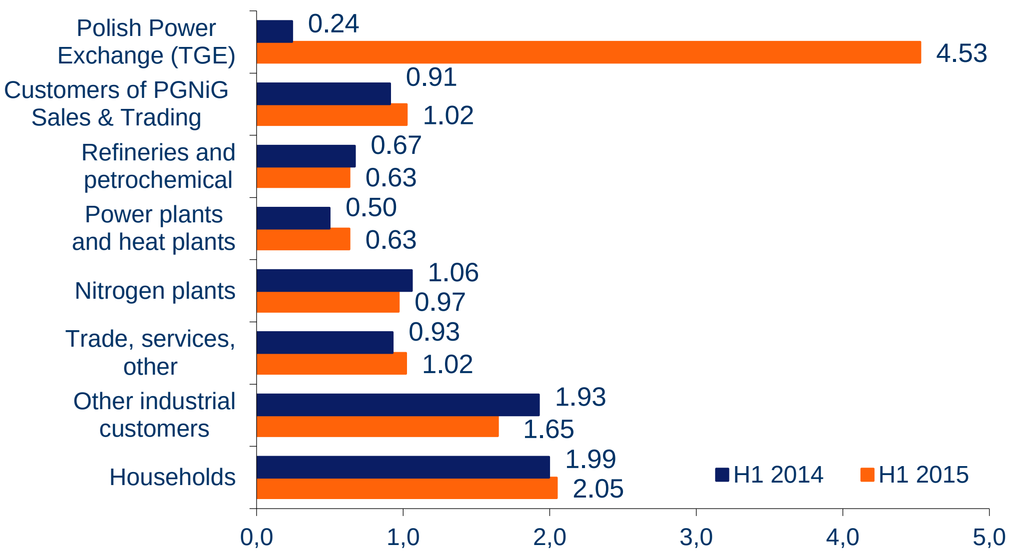


Gas transport routes

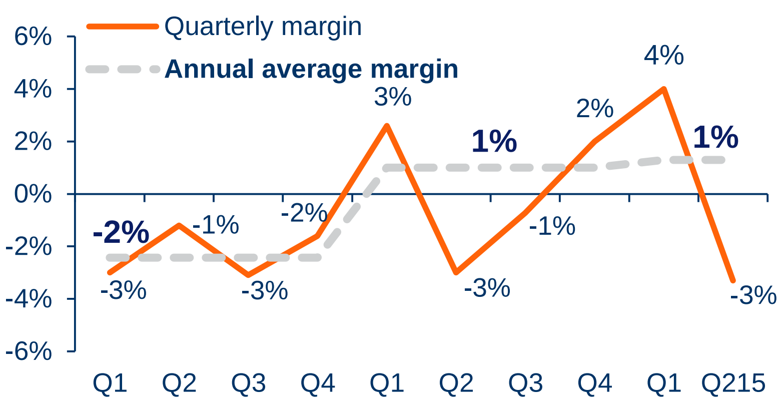


Trade and Storage

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



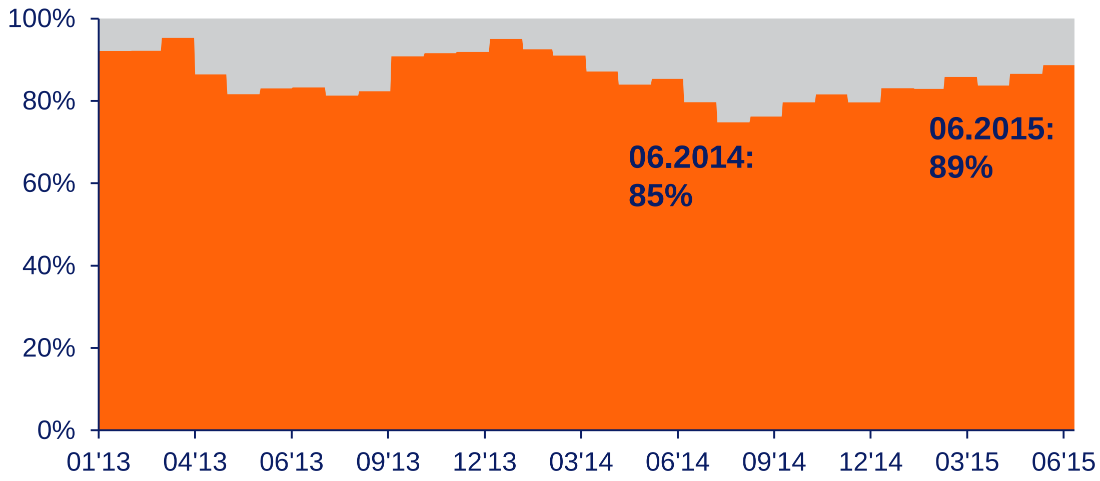
Group E gas margin at PGNiG SA and PGNiG Obrót Detaliczny



Gas sales volumes and changes on the gas market

Gas sales volume (mcm)	H1 2014	H1 2015	Δ%
Total PGNiG Group	8,250	**12,524**	52%
PGNiG SA	7,312	**7,139**	(2%)
including PGNiG SA through PPE	241	**4,406**	x18
PGNiG Obrót Detaliczny	-	**4,334**	

PGNiG's share in gas imports to Poland*



- 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.
- The cost of gas purchase on PPE by PGNiG OD stood at PLN 1.45 bn in Q2 2015 and PLN 4.9bn in H1 2015. Approximately these amounts could be deducted from both revenue and cost of the Group to achieve like-for-like comparison to respective 2014's periods.

- Data in the chart are not to indicate 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 and illustrate PGNiG SA's share in gas inflows into Poland.

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

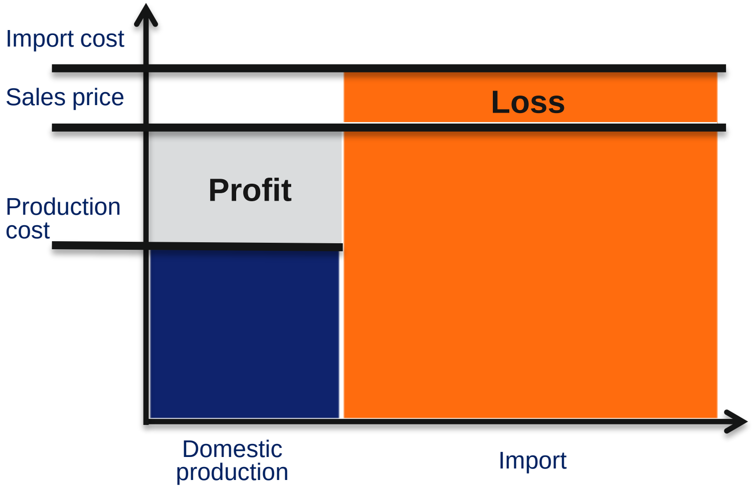
*PGNiG SA's share in gas flowing into Poland through OGP Gaz-System's entry points (excluding transit volumes via the Yamal pipeline and including volumes for export), monthly data

Tariff Model in Poland

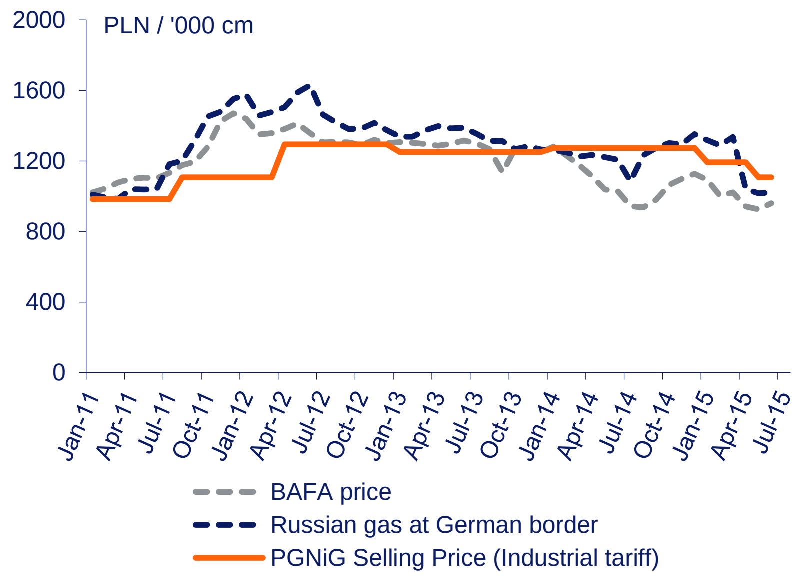
Type of activity	Regulatory mechanism
Direct sales	None
High-methane gas sales to large customers	Cost of imports + cost of production (including return on capital invested in E&P) + operating costs + margin
Storage (until Mar. 2016)	Cost + return on capital (6.4% WACC x PLN 3.6 bn RAB**)
Distribution (until Dec. 2015)	Cost + return on capital (7.2% WACC x PLN 11.9 bn RAB) – 150m 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

Operating initiatives of the Strategy (1/4)

Segment	Initiatives	Strategic goals
A Maintaining stable value (both in retail and wholesale)	1 **Optimisation of natural gas portfolio management**	▪ Enhancing flexibility of the pricing and delivery terms in the gas procurement contracts, while ensuring the Group's ability to secure uninterrupted supplies of natural gas. ▪ Optimising portfolio management and trading policies for the liberalised natural gas market. ▪ Developing and implementing the final gas purchase portfolio after 2022. ▪ Reducing the adverse impact of long-term gas supply contracts and of the agreement with the LNG terminal operator concerning allocation of regasification capacities.
	2 **Developing and implementing a new retail and wholesale model**	▪ High customer satisfaction − qualitative change in the customer service model (building sales organisation) and implementation of a new product offer. ▪ Achieving such operating efficiency at PGNiG retail subsidiary (Spółka Obrotu Detalicznego) that would allow PGNiG to reduce customer service costs. ▪ Minimising the extent of decline of PGNiG's share in the market's total volume of gas sales. ▪ Creating conditions conducive to fulfilling the requirement to sell gas on commodity exchanges or other regulated markets. ▪ Developing and implementing an operational model for the foreign markets. ▪ Limiting the negative impact of the gas market liberalisation in Poland on the PGNiG Group's performance. ▪ Generating a positive margin on wholesale gas trading.

Operating initiatives of the Strategy (2/4)

Segment	Initiatives	Strategic goals
B **Maximising cash flows from infrastructure and generation areas**	**3 Maximising value from grid infrastructure (gas and heat distribution)**	▪ Maximising profitability at WACC approved for distribution operations by the President of Energy Regulatory Office. ▪ Increasing the volume of transported gas through development investments and new connections. ▪ Seeking incremental value growth in new segments – long-term increase in cash flows through effective implementation of new network infrastructure projects (heat distribution). ▪ Achieving synergies in network distribution areas.
	4 Taking active part in creating energy market regulations	▪ Preparing a detailed programme to support changes in the regulatory environment, aimed at improving the profitability of the fuel and energy industry and gas distribution sector, in particular through supporting highly-efficient gas based co-generation, storage and distribution, as well as the exploration and production segment. ▪ Proposing alternative regulatory solutions to mitigate the risks inherent in the long-term contracts and statutory obligations. ▪ Proposing regulatory changes that would support development of new segments (e.g. CNG, LNG).

Operating initiatives of the Strategy (3/4)

PGNiG

Segment	Initiatives	Strategic goals
C Strengthening and transforming the exploration and production area	5 **Maintaining the current volumes of domestic production from conventional deposits**	▪ Maintaining production level from the existing licence areas by, *inter alia,* implementing an enhanced recovery programme. ▪ Implementing best production practices using a benchmarking system. ▪ Improving the capital efficiency of reserves development. ▪ Accelerating development of hydrocarbon reserves in Poland − shortening the duration of development projects. ▪ Confirming the potential and economic viability of production from domestic conventional hydrocarbon reserves.
	6 **Confirming the geological and economic potential of shale gas deposits in Poland**	▪ Appraising shale gas reserves. ▪ Finding external partners to jointly explore for shale gas. ▪ Verifying the economic viability of production in Poland. ▪ Pursuing industrial-scale production of unconventional hydrocarbons.
	7 **Development of the upstream business outside of Poland**	▪ Developing competences to build and manage the target portfolio of foreign projects with varied characteristics (risk, completion stage) in the exploration and production segment. ▪ Building the value of exploration and production segment in line with the adopted strategic objectives by pursuing new projects abroad. ▪ Developing and implementing a model for building and managing the target portfolio of foreign projects.

Operating initiatives of the Strategy (4/4)

PGNiG

Segment	Initiatives	Strategic goals
D Laying foundations for growth along the entire value chain	8 **Efficiency Improvement Programme and focus on core business**	▪ Improving operational efficiency throughout the PGNiG Group. ▪ Achieving sustainable savings in operating expenses. ▪ Improving effectiveness of capital expenditure in all business areas of the PGNiG Group. ▪ Reducing the PGNiG Group's involvement in non-core capital and equity assets with rates of return below WACC.
	9 **Creating an organisation based on efficient human resource management, focused on objectives and resource acquisition**	▪ Building teams, organisation and culture to support implementation of the PGNiG Group's strategic objectives. ▪ Developing and implementing competency model for the key areas of the Group's business to identify and eliminate differences between competencies which are required and competencies already available at the organisation. ▪ Supporting personnel development in the areas intended to close competency gaps and implementing a talent development programme. ▪ Implementing the organisation's knowledge management system.
	10 **Stepping up R&D activities and searching for innovative areas of growth**	▪ Building competitive advantage and leveraging to the maximum the potential offered by the PGNiG business model by improving technological efficiency in the hydrocarbon exploration and production area. ▪ Enhancing the PGNiG Group's development potential through innovation. ▪ Creating conditions for continued development of the PGNiG Group based on implementation of promising commercial technologies in the areas closely related to the PGNiG Group's core business. ▪ Efficient acquisition of EU funds supporting innovation and R&D activities.

Production and sales volumes

NATURAL GAS PRODUCTION, PGNiG Group	(mcm)											
	Q2 2015	Q1 2015	FY 2014	Q4 2014	Q3 2014	Q2 2014	Q1 2014	FY 2013	Q4 2013	Q3 2013	Q2 2013	Q1 2013
HIGH-METHANE GAS (E)	507	501	**1,876**	440	475	482	479	**1,890**	483	481	484	443
including in Poland	362	367	**1,457**	368	361	362	367	**1,550**	384	387	387	393
including in Norway	145	134	419	73	114	120	112	340	99	94	96	50
NITROGEN-RICH GAS (Ls/Lw as E equiv.)	602	684	**2,627**	692	582	650	704	**2,692**	737	619	604	733
including in Poland	589	671	2,569	677	567	636	690	2,667	722	609	604	733
including in Pakistan	13	13	58	14	15	15	14	25	15	10	0	0
TOTAL (measured as E equivalent)	**1,109**	**1,185**	**4,503**	**1,132**	**1,057**	**1,132**	**1,182**	**4,582**	**1,220**	**1,100**	**1,087**	**1,175**
Total production in kboe/d	78	83	80	79	74	80	85	81	85	77	77	84

NATURAL GAS SALES, PGNiG Group	(mcm)											
	Q2 2015	Q1 2015	FY 2014	Q4 2014	Q3 2014	Q2 2014	Q1 2014	FY 2013	Q4 2013	Q3 2013	Q2 2013	Q1 2013
HIGH-METHANE GAS (E)	4,521	7,320	**17,261**	6,373	3,284	3,078	4,526	**15,006**	4,132	2,731	2,965	5,178
including PST sales outside PGNiG Group	502	522	**1,760**	488	363	444	465	**1,383**	356	306	271	449
NITROGEN-RICH GAS (Ls/Lw as E equiv.)	282	401	**1,342**	424	272	271	375	**1,202**	351	220	245	387
TOTAL (measured as E equivalent)	**4,803**	**7,721**	**18,602**	**6,797**	**3,556**	**3,349**	**4,900**	**16,208**	**4,483**	**2,951**	**3,210**	**5,564**
including sales directly from the fields	175	212	808	212	177	180	238	749	216	164	153	216

GAS IMPORTS by PGNiG SA	(mcm)											
	Q2 2015	Q1 2015	FY 2014	Q4 2014	Q3 2014	Q2 2014	Q1 2014	FY 2013	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Total	2,495	2,574	**9,700**	2,423	2,143	2,594	2,541	**10,850**	2,664	2,245	2,481	3,460
including: sources east of Poland	*2,219*	*1,833*	***8,097***	*1,751*	*1,805*	*2,515*	*2,026*	***8,734***	*1,793*	*1,885*	*2,272*	*2,784*

CRUDE OIL, PGNiG Group	('000 tonnes)											
	Q2 2015	Q1 2015	FY 2014	Q4 2014	Q3 2014	Q2 2014	Q1 2014	FY 2013	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Production of crude oil and condensate	317	386	**1,207**	271	304	310	322	**1,099**	309	327	233	229
including in Poland	147	207	789	214	188	184	203	815	215	218	178	204
including in Norway	170	180	418	57	116	126	119	283	94	109	55	25
Total production in kbbl/d	26	31	24	22	24	25	26	22	25	26	19	19
Sales of crude oil and condensate	372	348	**1,169**	249	262	373	287	**1,106**	401	255	243	207
including in Poland	148	217	780	213	181	185	201	809	222	213	180	194
including in Norway	224	131	389	36	81	188	85	297	179	42	63	13

PGNiG TERMIKA												
	Q2 2015	Q1 2015	FY 2014	Q4 2014	Q3 2014	Q2 2014	Q1 2014	FY 2013	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Production of heat, net (sales) (TJ)	5,810	15,055	**36,617**	12,980	2,867	5,336	15,434	**40,175**	12,530	3,367	5,766	18,511
Production of electricity, net, secondary generation (for sale) (GWh)	674	1,394	**3,555**	1,132	386	648	1,390	**3,772**	1,189	445	613	1,526