



PGNiG

Polskie Górnictwo Naftowe
i Gazownictwo SA

**PGNiG Group
H1 2016 Results**

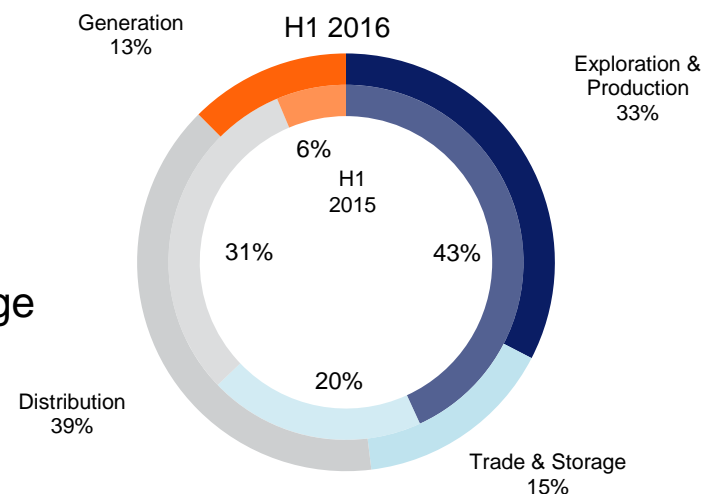
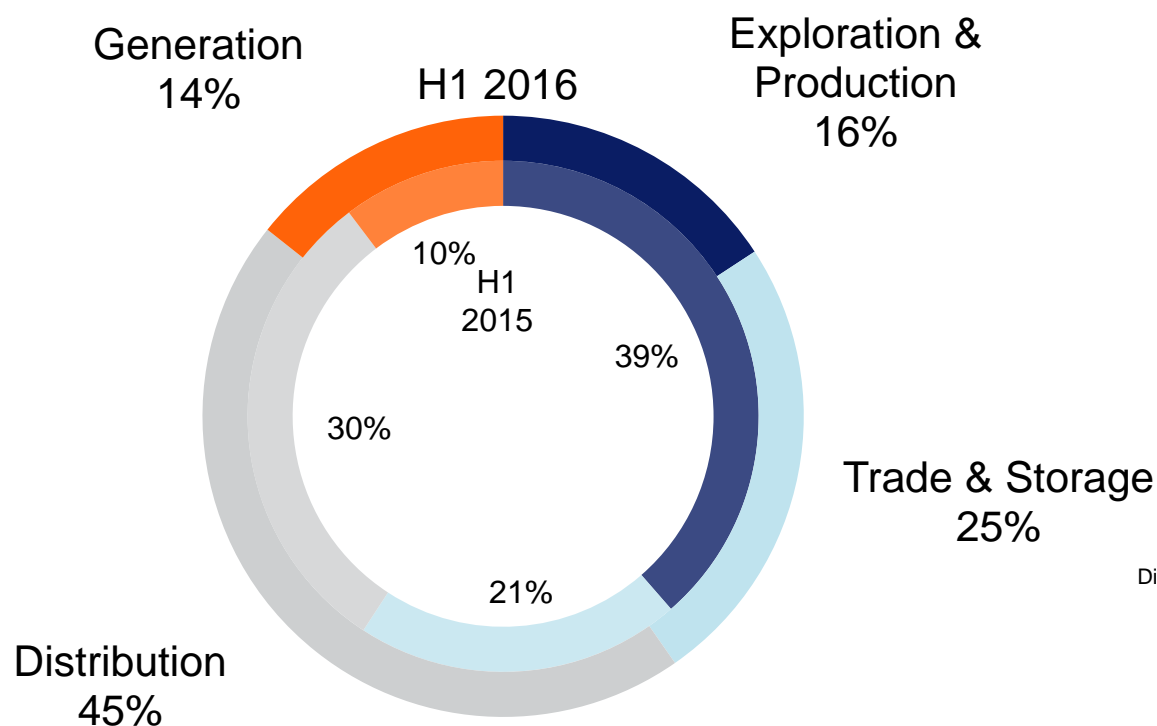
August 12th, 2016

Results of E&P and T&S under pressure of oil prices. Significant Distribution share in the EBITDA

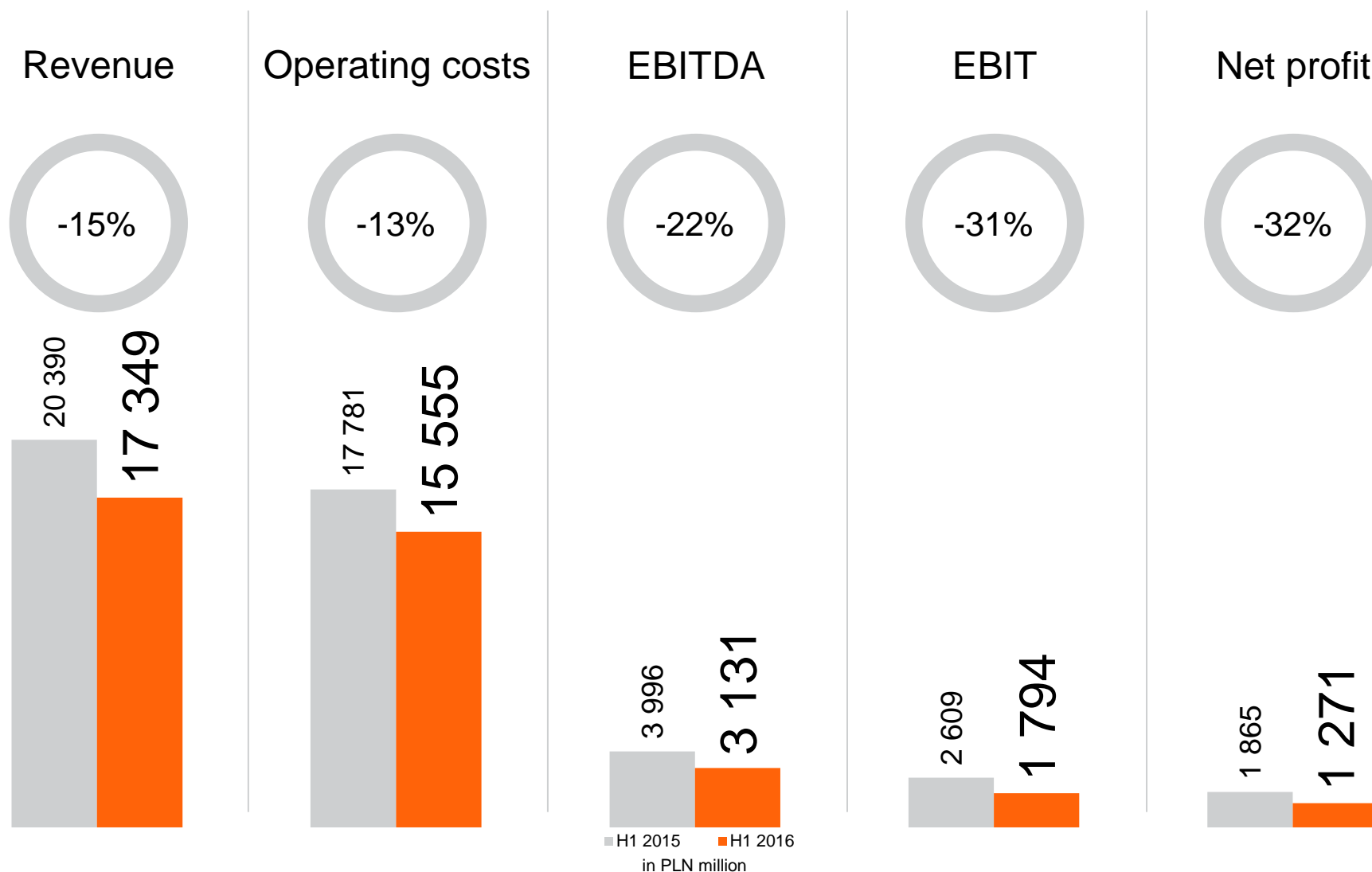


Segments' contribution to Group's EBITDA

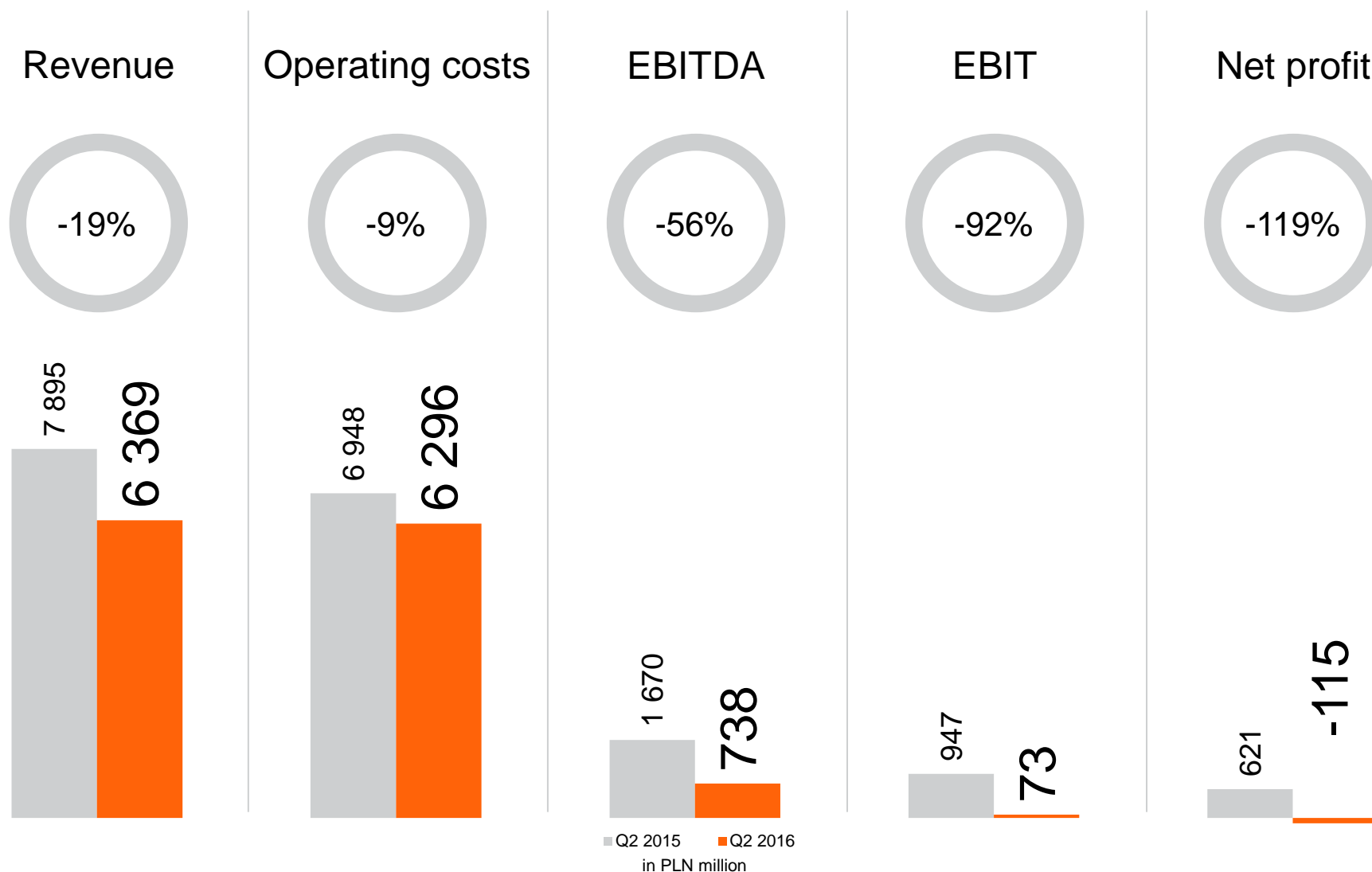
Group's EBITDA excluding impairments



A significant drop in hydrocarbon prices impacts results

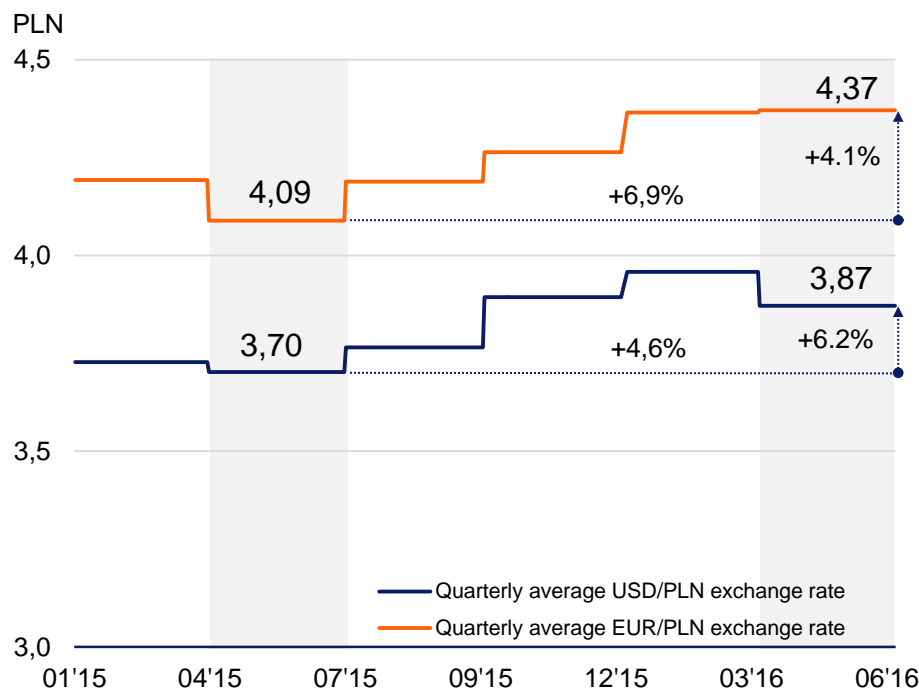


A significant drop in hydrocarbon prices impacts results

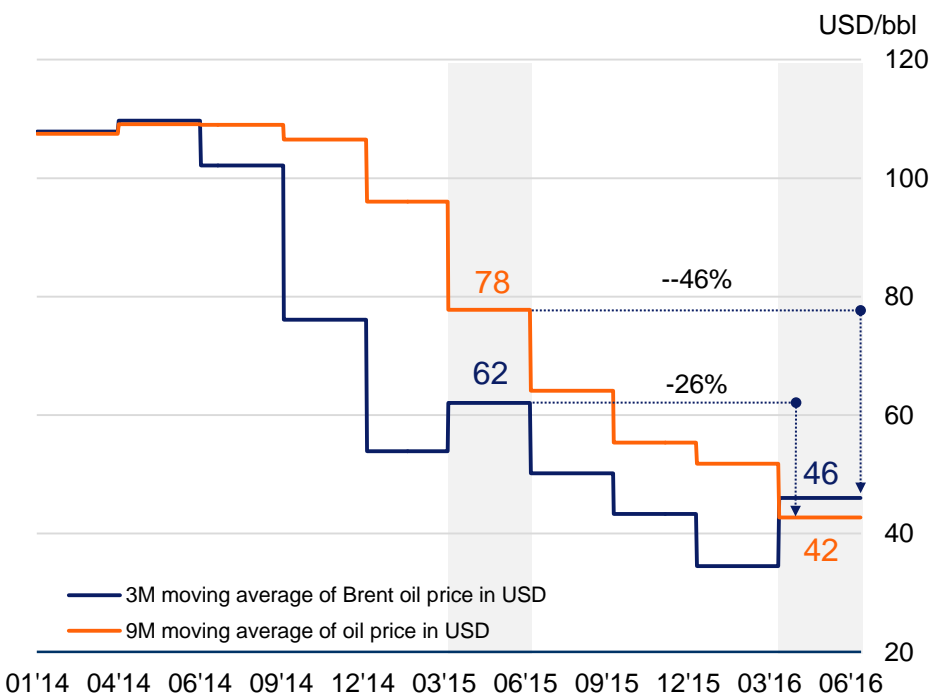


Performance drivers

Stronger USD i EUR versus PLN yoy

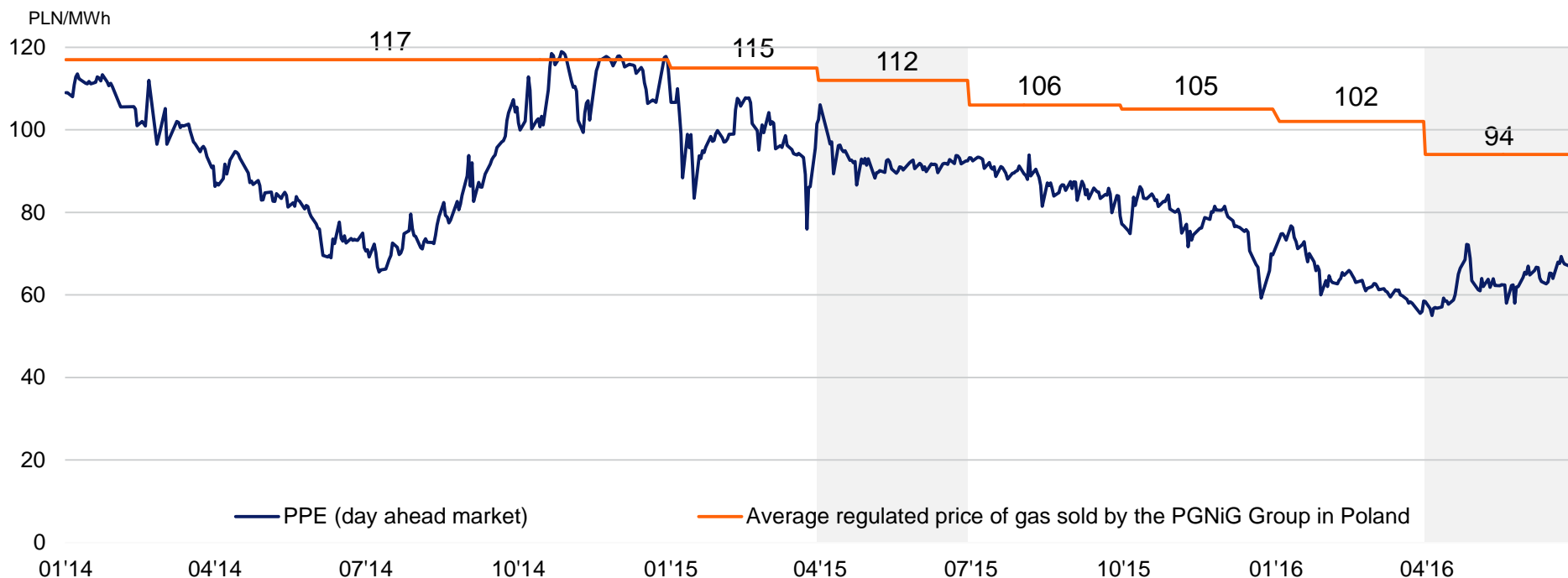


9 month average oil price down in Q2 2016 by 46% yoy and 18% qoq



Performance drivers

✓ Average tariff price of gas fuel in Poland and the price of gas on the PPE



Notice:

- Price in the chart is calculated on the combined tariff-price sales of PGNiG SA and PGNiG Retail to customers in Poland. It excludes transactions on the Polish Power Exchange, discounts, and gas sold directly from the fields.
- 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 gas year, with the spot market playing a complementary role in gas trading.

Segments' results



Exploration & Production results under pressure of low oil prices

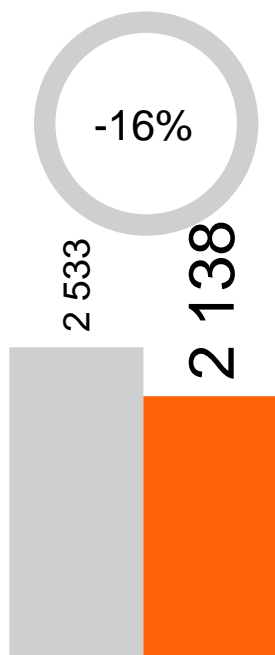
Crude oil sales yoy

720 / **734** thou. tons
+1.9%

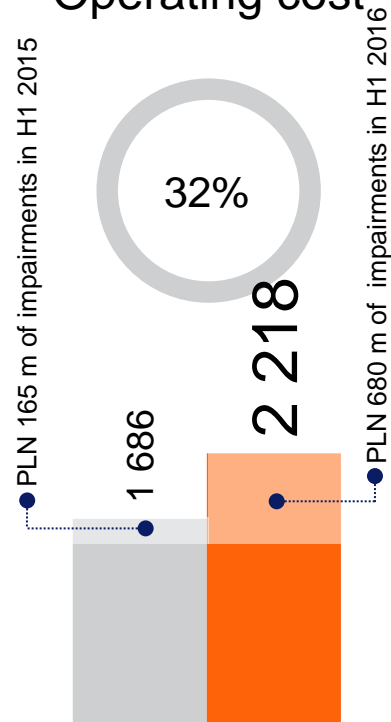
Natural gas production yoy

2.3 / **2.3** bn m³
no change

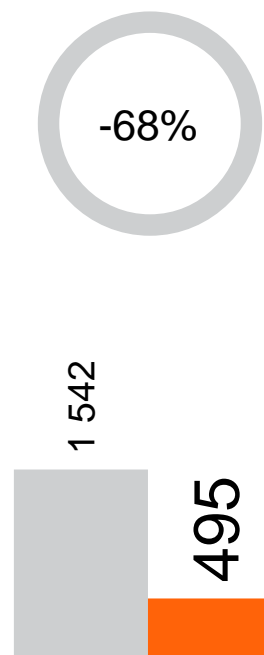
Revenue



Operating cost



EBITDA



EBIT



■ H1 2015 ■ H1 2016
in PLN million

Discount policy and lower tariffs responsible for lower revenue in Trade & Storage



Gas sales volume yoy

12.5 / **12.7** bn m³
+1.6%

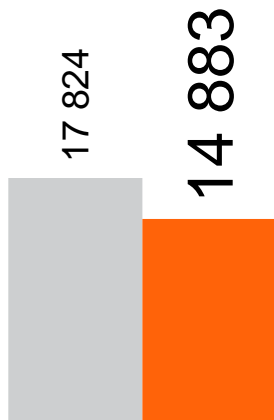
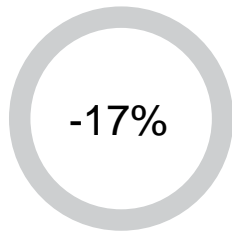
Gas inventory levels yoy

1.80 / **1.61** bn m³
-10.6%

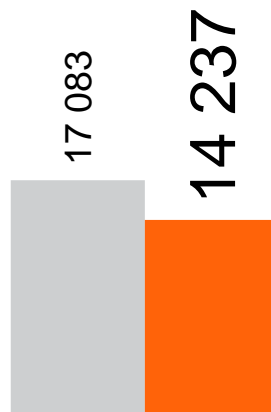
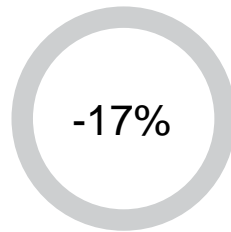
Half-year operating margin yoy

+1% / **+1%**
no change

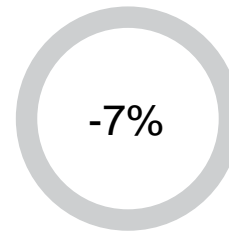
Revenue



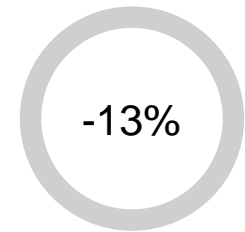
Operating cost



EBITDA



EBIT



■ H1 2015 ■ H1 2016
in PLN million

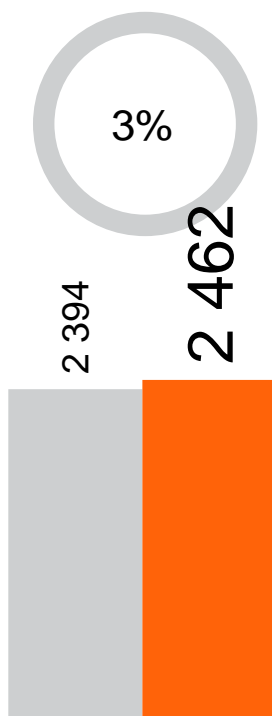
Increase of distributed gas volume improve Distribution results yoy



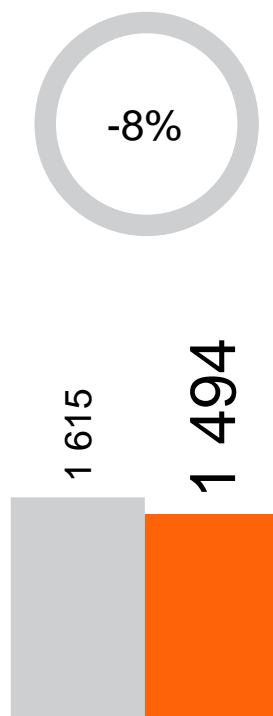
Distributed gas volume yoy

5,280 / **5,538** m m³
+4.9%

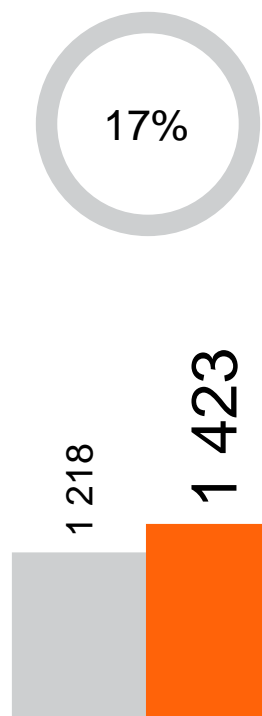
Revenue



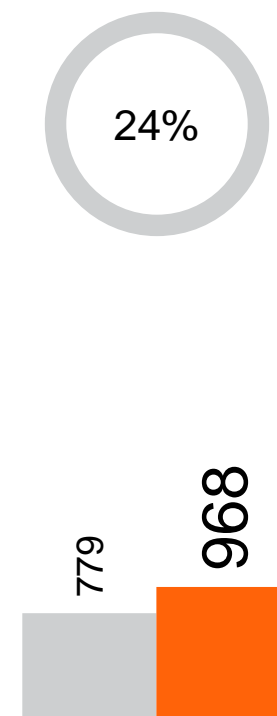
Operating cost



EBITDA



EBIT



■ H1 2015 ■ H1 2016
in PLN million

Solid operating results of Generation



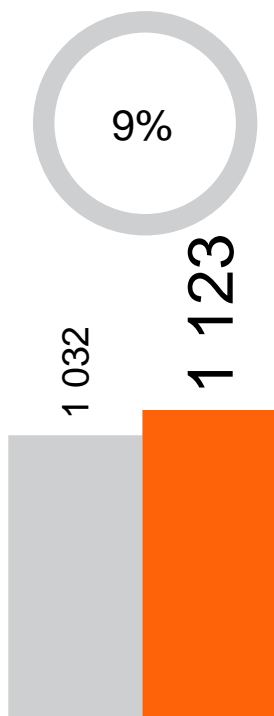
Heat sales yoy

20,864 / **21,504 TJ**
+3.1%

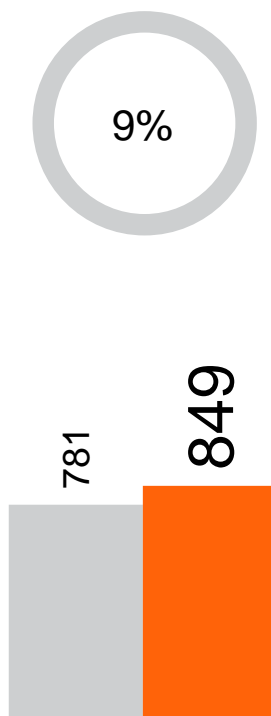
Electricity sales yoy

2,024 / **1,981 GWh**
-2.2%

Revenue



Operating cost



EBITDA

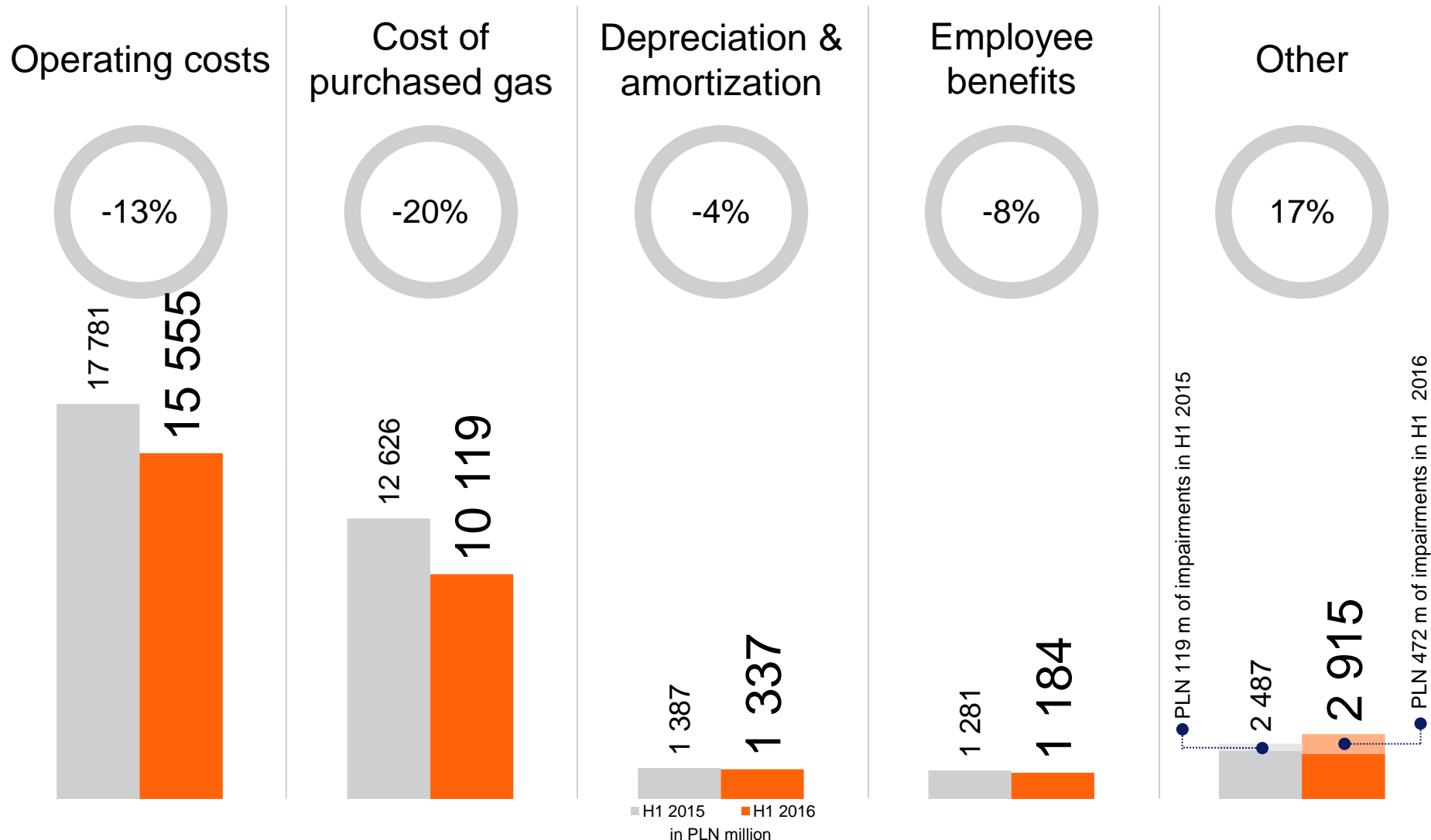


EBIT



■ H1 2015 ■ H1 2016
in PLN million

Significant impact of one-offs compensated by drop in cost of purchased gas in H1 2016



Trade

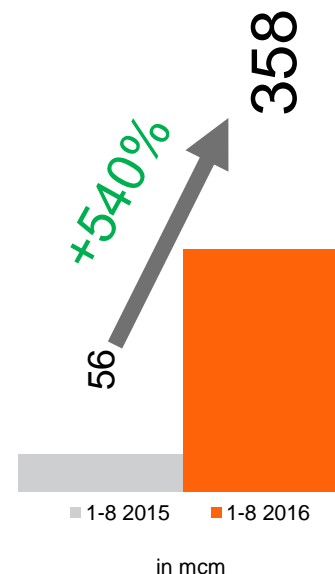


SME's – dynamic acquisition of new and returning clients

Positive market results – effect of a shift in operating on a competitive market

- Focus on a match between products/services and customer expectations
- Product portfolio development
- Improvement of sales force qualifications and motivation
- New contracts (Ceramika Paradyż, Polmlek, Huta Cynku Miasteczko Śląskie, Lerg, Leier, Nicromet, OSM Koło, Grupa Lajkonik, Porcelana Ćmielów i Chodzież, Mokate, Bielmar, institutional buying groups)

Growth in new sales volumes – new and returning clients



In 2016 (Jan-Aug) 700 new SME clients gained, which were contracted for 358 mcm of gas (3,93 TWh)*

In 2015 (Jan-Aug) 465 new SME clients gained, which were contracted for 56 mcm of gas (0,62 TWh)

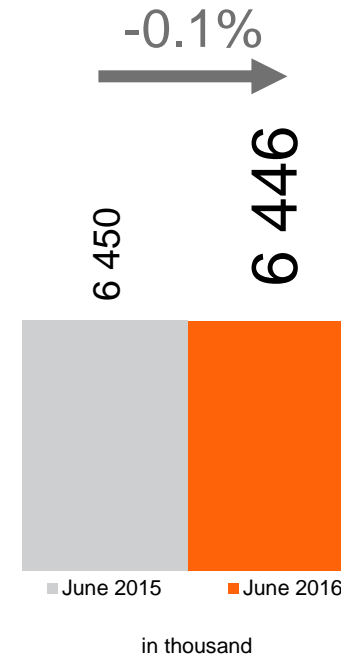
* For the entire duration of contracts

Households – stable customer base

Stable share in retail market – an effect of credibility

- Competitors focus on acquiring business accounts (given relatively high acquisition cost vs low unit margin)
- Consistent efforts to raise service quality
 - Development of e-channels: e-customer service, e-invoice
 - Improved availability of traditional service channels – Premium customer service points at popular shopping centre locations
 - Raising qualifications and motivation of customer service personnel
 - Solid business reputation; no risk related to reliability and security of gas supplies
 - New products in autumn

Stable position in retail market



Change in customer numbers:
June 2016 vs June 2015
4.1 thousand (-0.1%)

Wholesale market



PGNiG SA is an active player on the gas market at the time of its deregulation, consistently **seeking to enhance and expand its commercial offering.**

Its increasingly competitive offerings help PGNiG SA win new contracts

Grupa Azoty

| | |
|--------------|-----|
| Volume [bcm] | 4.5 |
|--------------|-----|

| | |
|--------------|------|
| Volume [TWh] | 49.5 |
|--------------|------|

| | |
|--------------------------|---------|
| Contract value* [PLN bn] | ca. 3.3 |
|--------------------------|---------|

| | |
|---------------|-----------------------------|
| Contract term | April 2016 – September 2019 |
|---------------|-----------------------------|

EDF

| | |
|--------------|-------|
| Volume [bcm] | 0.355 |
|--------------|-------|

| | |
|--------------|-----|
| Volume [TWh] | 3.9 |
|--------------|-----|

| | |
|--------------------------|----------|
| Contract value* [PLN bn] | ca. 0.33 |
|--------------------------|----------|

| | |
|---------------|---------------------------------|
| Contract term | September 2016 – September 2019 |
|---------------|---------------------------------|

* As per contract or estimated at contract date



Questions & Answers



PGNiG

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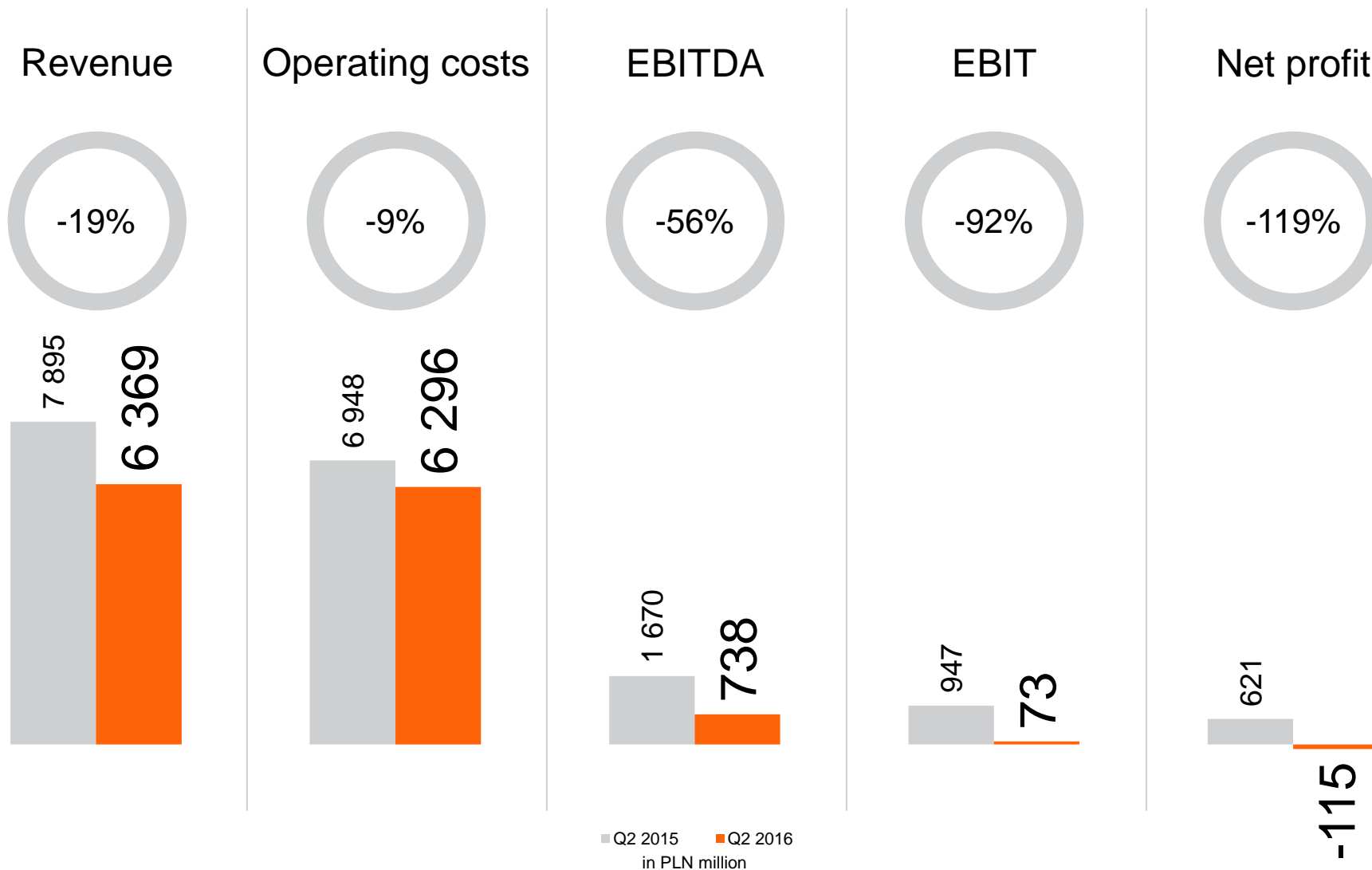
Appendices



Q2 2016 financial results



PGNiG Group's results in Q2



Exploration & Production's results for Q2



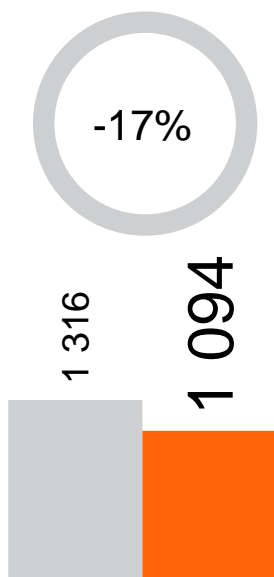
Crude oil sales yoy

372 / **336** thou. tons
-9.7%

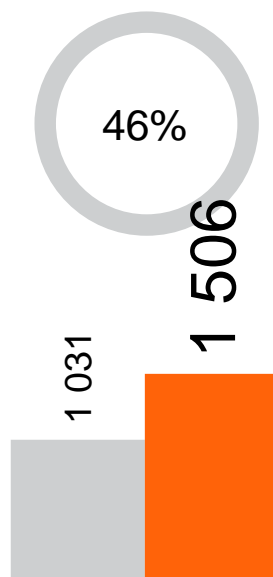
Natural gas production yoy

1.1 / **1.1** bn m³
No change

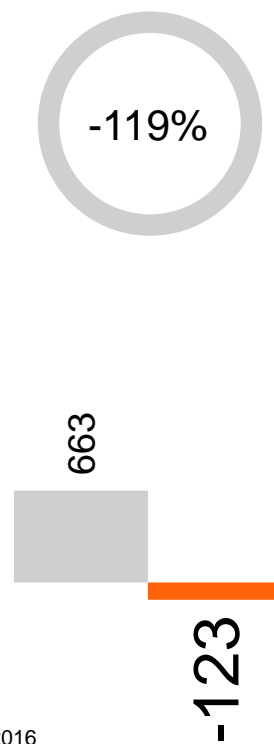
Revenue



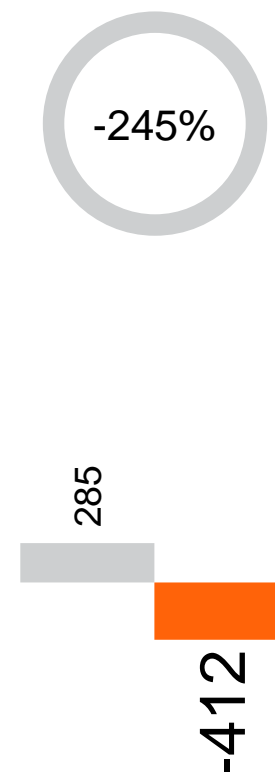
Operating cost



EBITDA



EBIT



■ Q2 2015 ■ Q2 2016
in PLN million

Trade & Storage's results for Q2



Gas sales volume yoy

4.8 / **4.7** bn m³
-2.1%

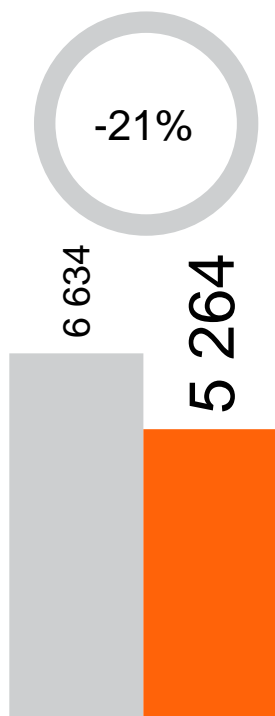
Gas inventory levels yoy

0.91 / **1.61** bn m³
+76.9%

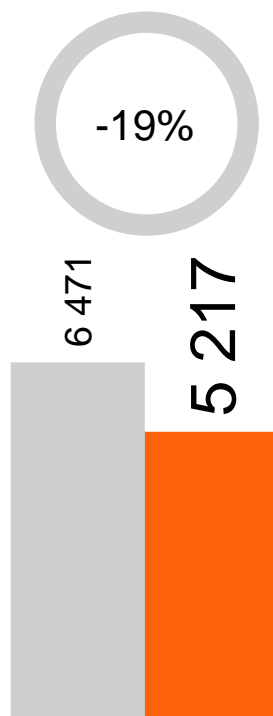
Half-year operating margin yoy

-3% / **-2%**
+1 p.p.

Revenue



Operating cost



EBITDA



EBIT



■ Q2 2015 ■ Q2 2016
in PLN million

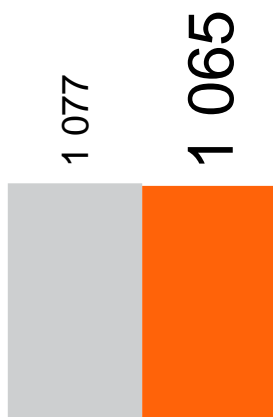
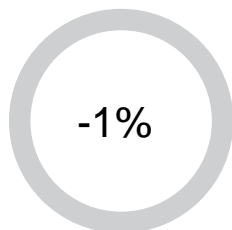
Distribution's results for Q2

Distributed gas volume yoy

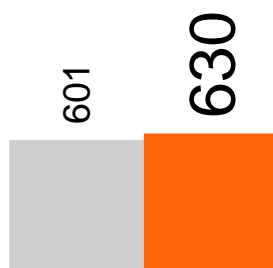
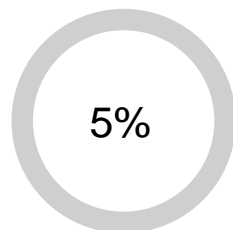
2,024 / **2,050** m m³

+1.3%

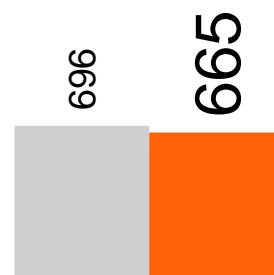
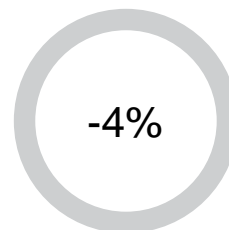
Revenue



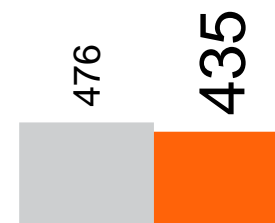
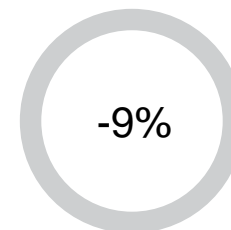
Operating cost



EBITDA



EBIT



■ Q2 2015 ■ Q2 2016
in PLN million

Generation's results for Q2



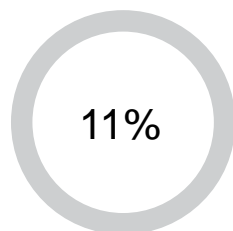
Heat sales yoy

5,810/ **5,352 TJ**
-7.9%

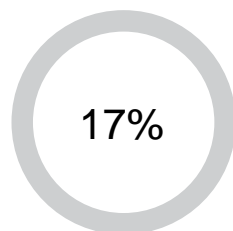
Electricity sales yoy

674/ **591 GWh**
-12.5%

Revenue



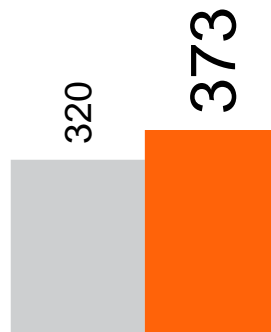
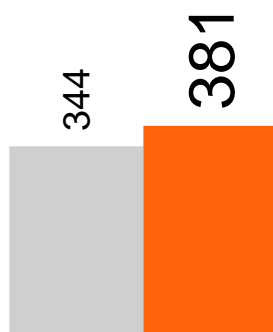
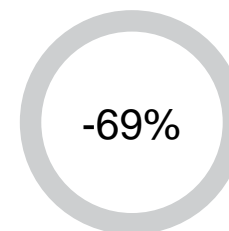
Operating cost



EBITDA



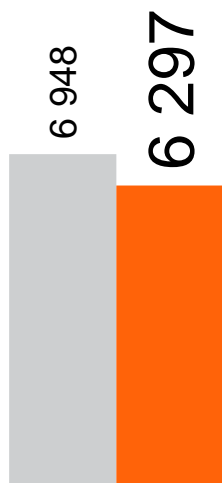
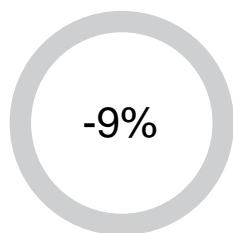
EBIT



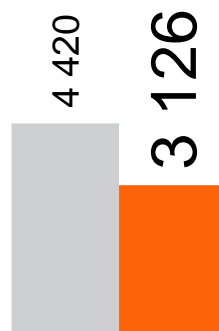
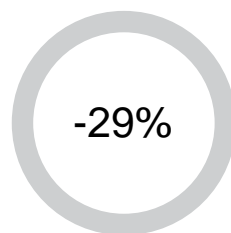
■ Q2 2015 ■ Q2 2016
in PLN million

Operating costs in Q2 2016

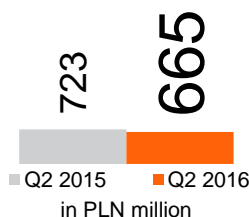
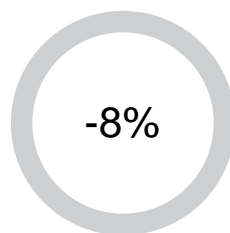
Operating costs



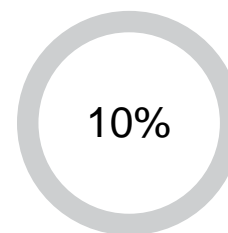
Cost of purchased gas



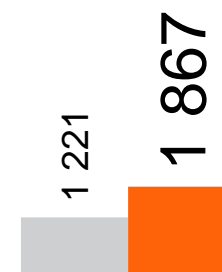
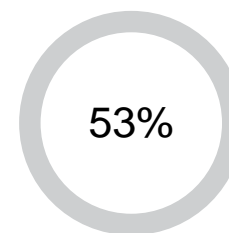
Depreciation & amortization



Employee benefits



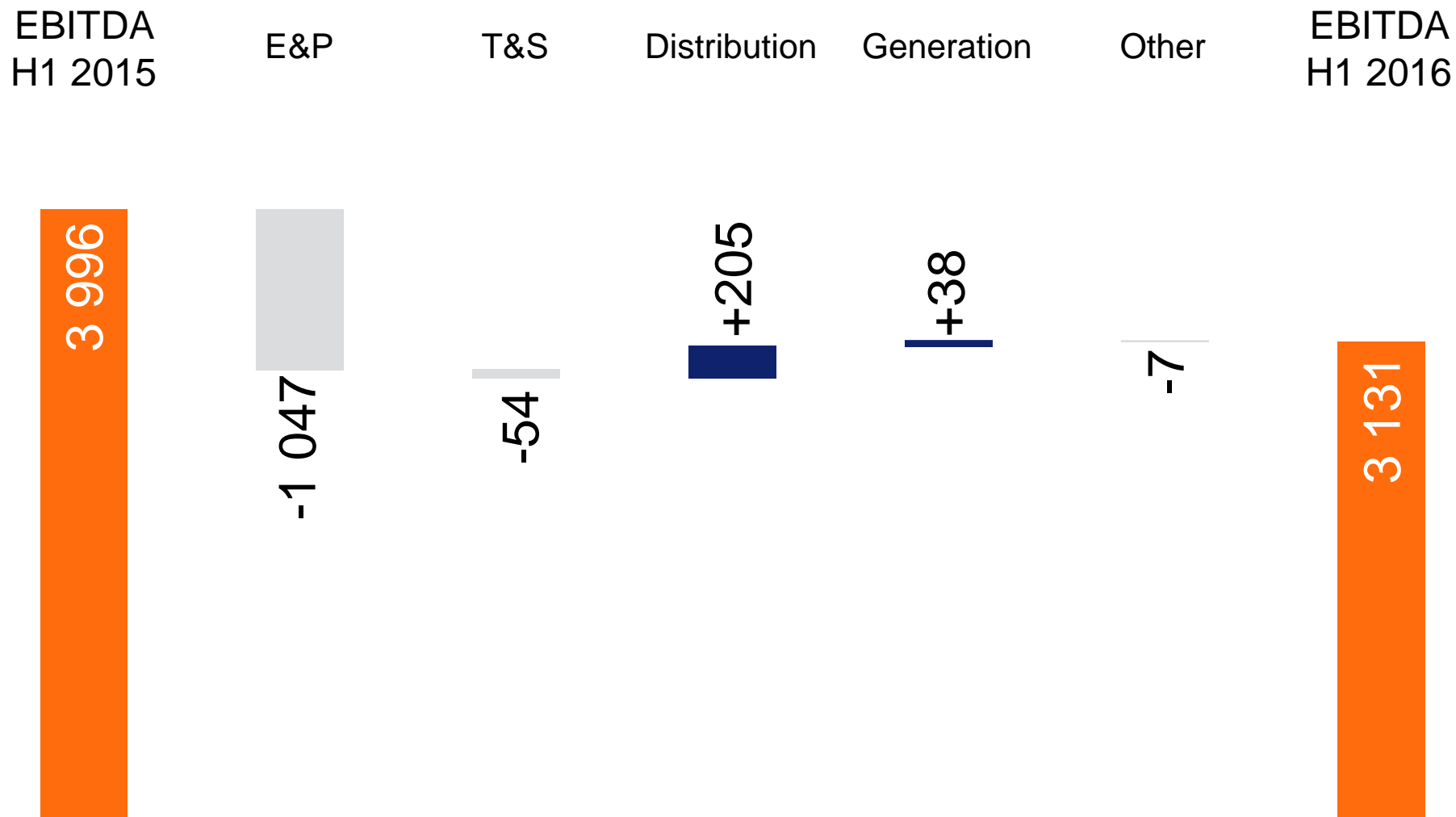
Other



Other



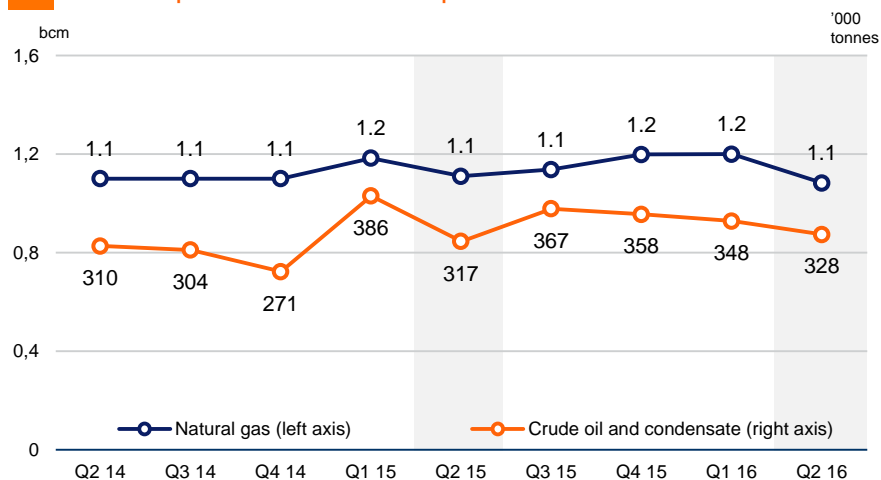
Impact of segments' operating results on PGNiG Group's EBITDA



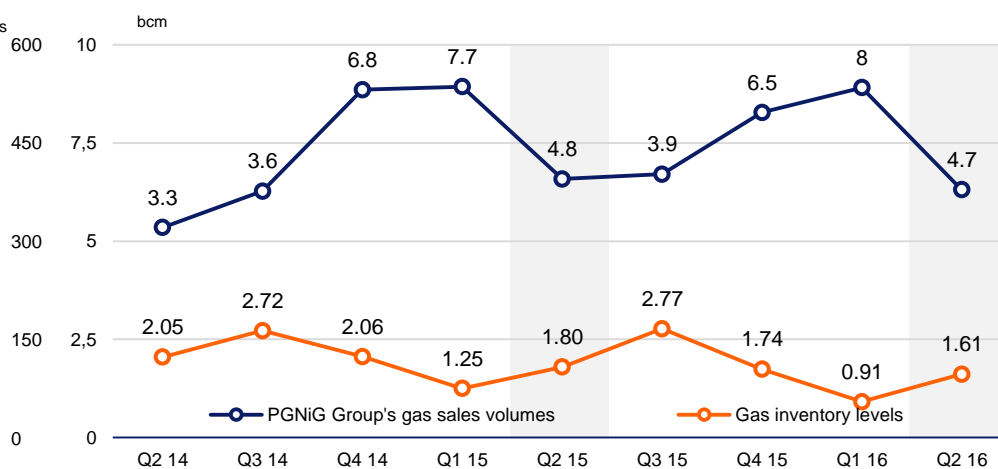
in PLN million

Operating data

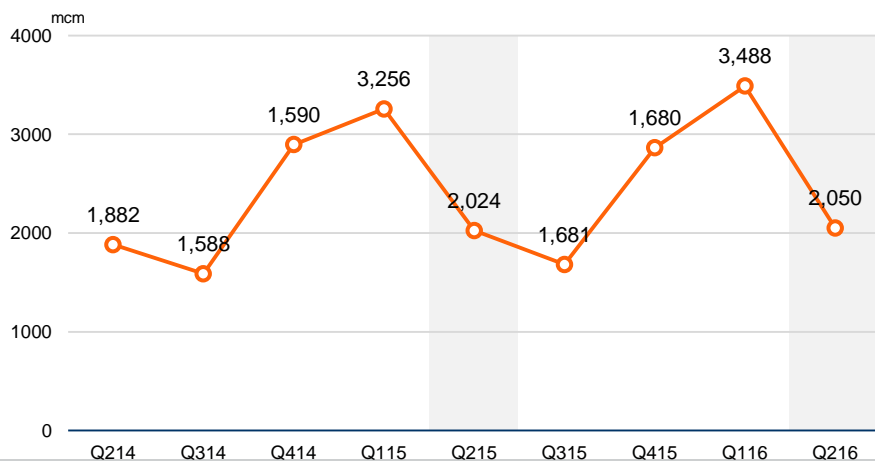
Gas output and crude oil output



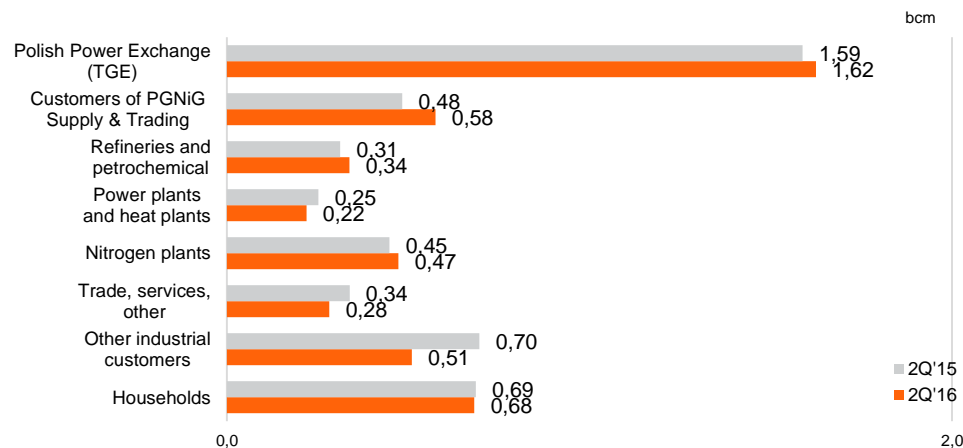
Gas sales volume and gas inventory levels



Gas distribution volume



PGNiG Group – gas sales volumes by customer group



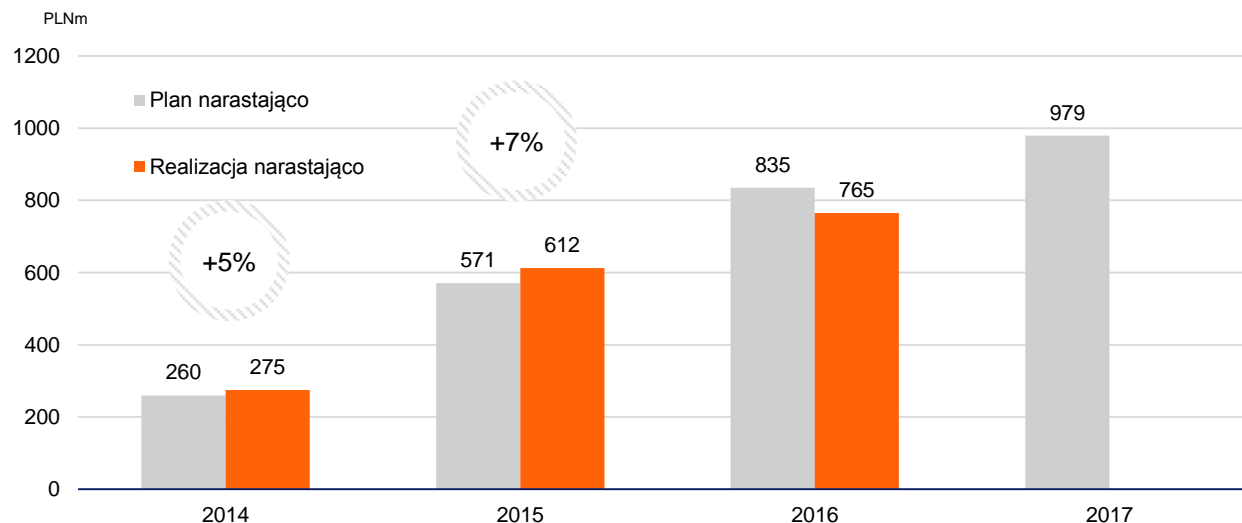
Efficiency Improvement Programme – almost PLN 1bn in savings by 2017

The Programme aims to permanently reduce the manageable cost base across core PGNiG Group segments

Programme objectives:

- To set efficiency improvement targets for the individual segments and entities within the PGNiG Group and to define related benefits to quality improvement.
- To define the scope of action and to assign specific tasks to individual business segments based on identified areas for improvement.
- To implement initiatives designed to improve the PGNiG Group's operating efficiency by the end of 2017.

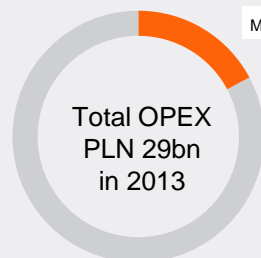
✓ PLN 153m in savings generated in H1 2016



Operating expenses covered by the EIP



Manageable OPEX 5



Key cost items (excluding PPE):

- Gas purchase costs
- Other fuel purchase costs
- Transmission service costs
- Depreciation and amortisation expense

Other OPEX 24