

Polskie Górnictwo Naftowe i Gazownictwo SA

PGNiG Group results for H1 2017

Press Conference

August 18th 2017





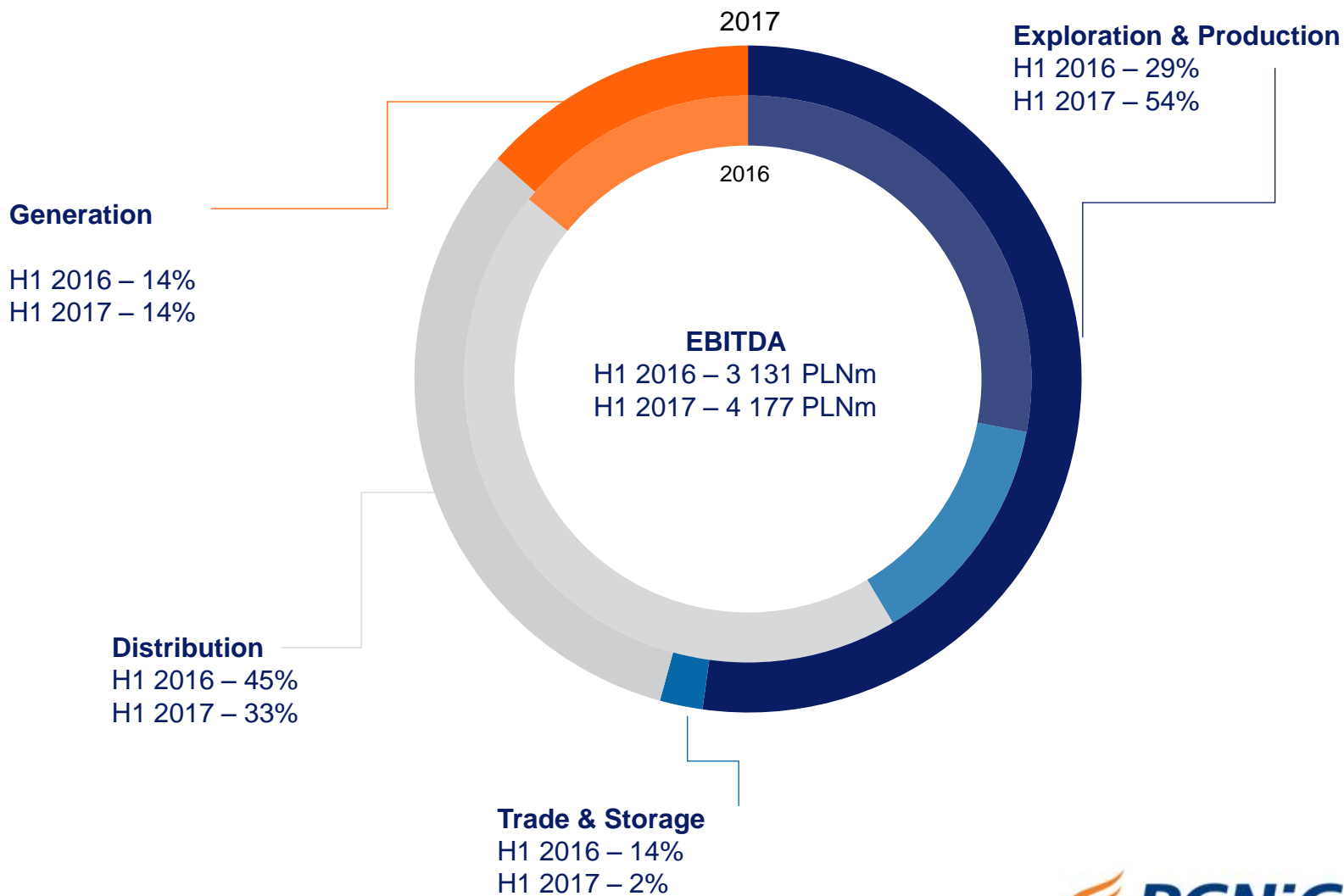
Exploration & Production

Trade & Storage

Distribution

Generation

Segments' contribution by EBITDA PGNiG Group



Contribution in „Other segments“ EBITDA: for H1 2016: -2%, for H1 2017: -3%

Exploration & Production

Half-year average of Brent oil prices yoy
40 / **52 USD/boe**

+30% ▲

Half-year average of PPX RDNg prices yoy
64 / **81 PLN/MWh**

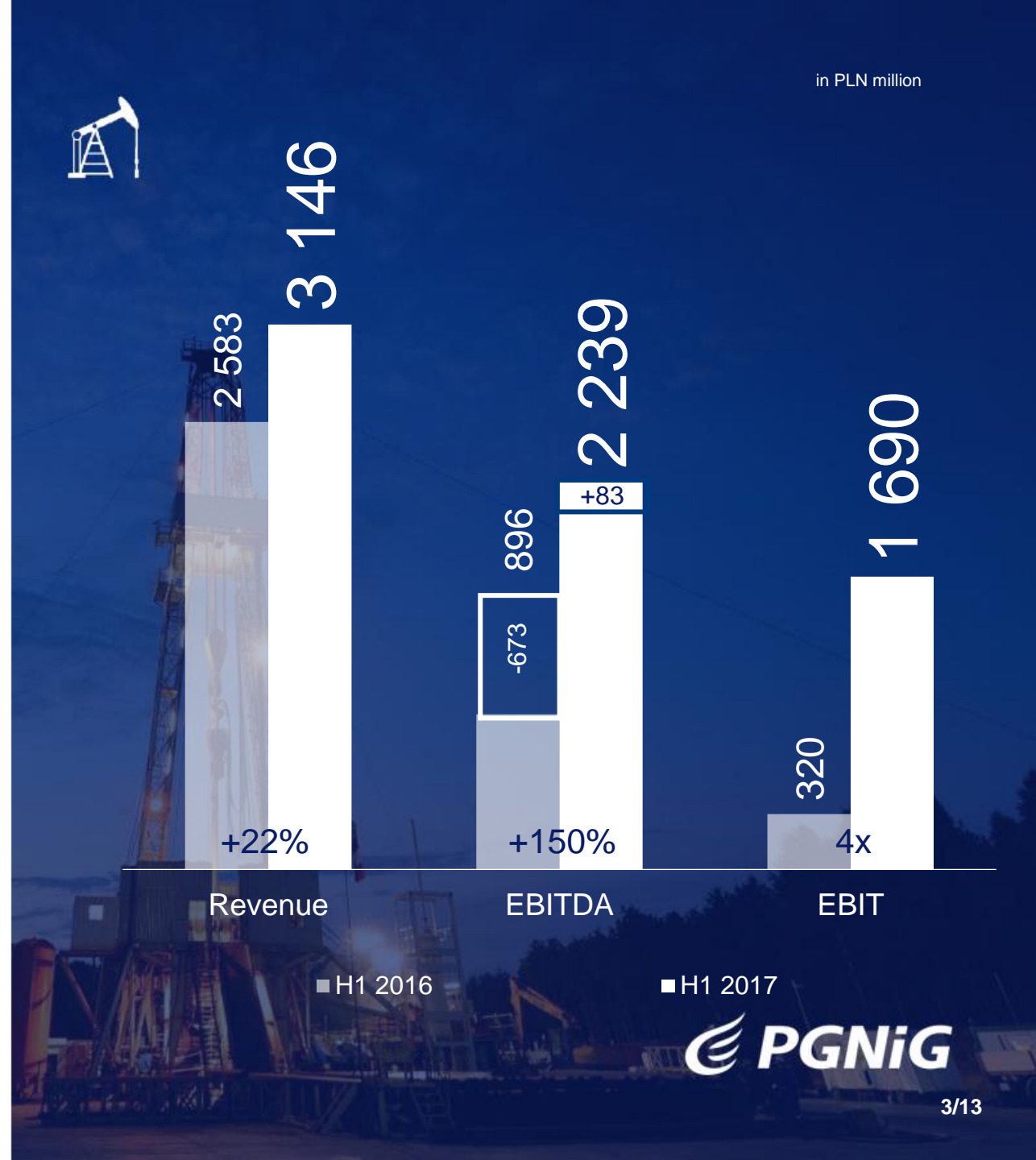
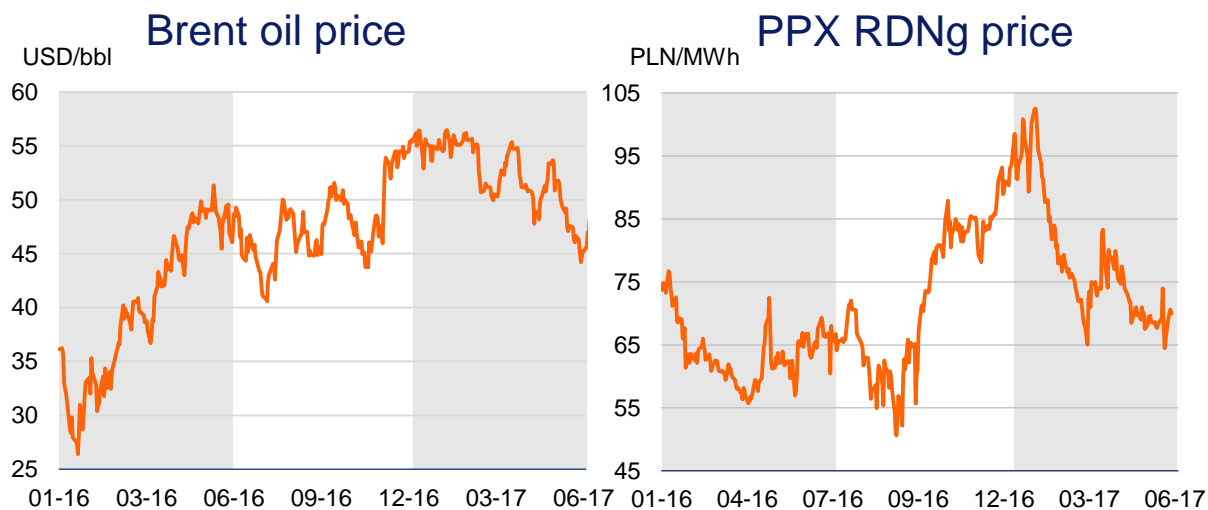
+27% ▲

Crude oil production yoy
676 / **616 ths tonnes**

-9% ▼

Natural gas production yoy
2.26/ **2.22 bcm**

-2% ▼



Trade & Storage

Half-year average of TGE (PPE) forward and spot contracts yoy

85.6 / **80.6 PLN/MWh**

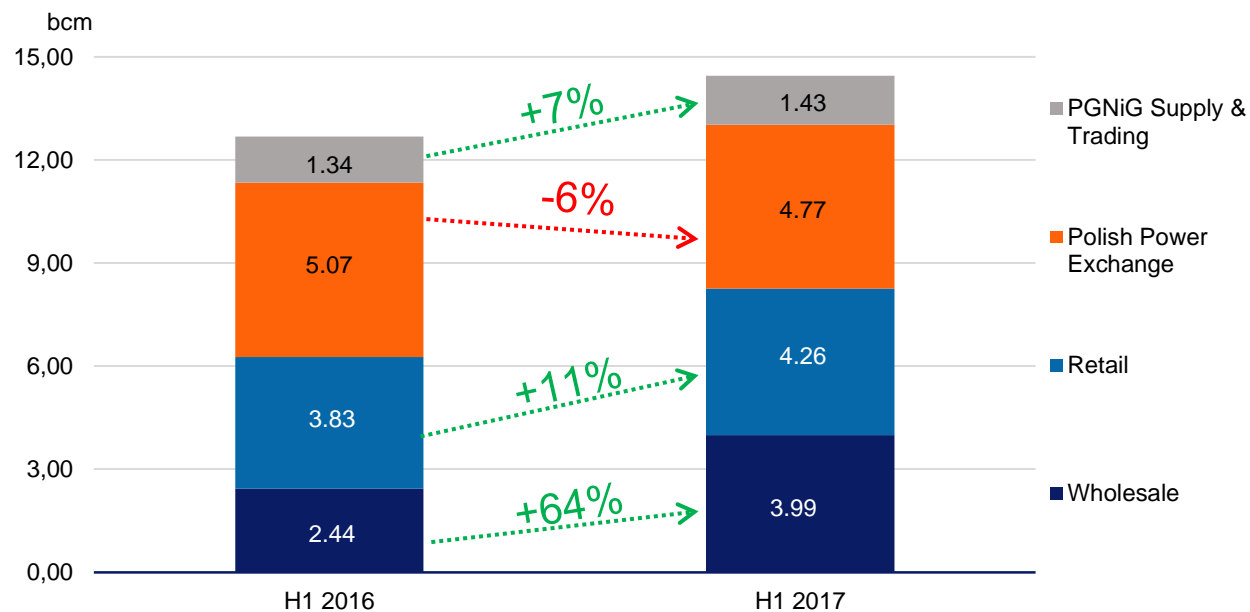
-6% ▼

Total natural gas sales outside the PGNiG Group in H1 yoy

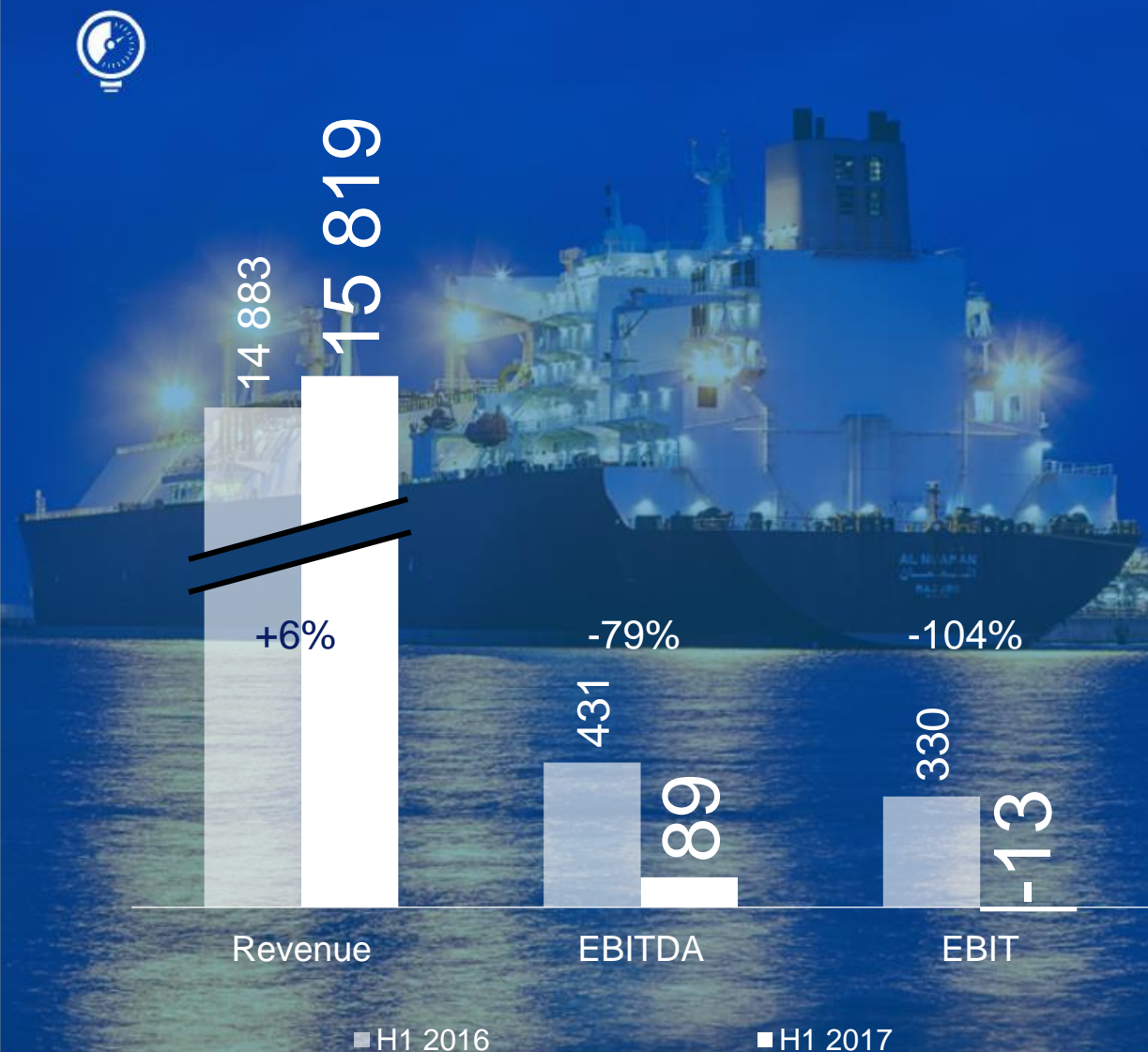
12.67 / **14.45 bcm**

+14% ▲

Total volume sales of natural gas of PGNiG Group (E&P, T&S)



in PLN million



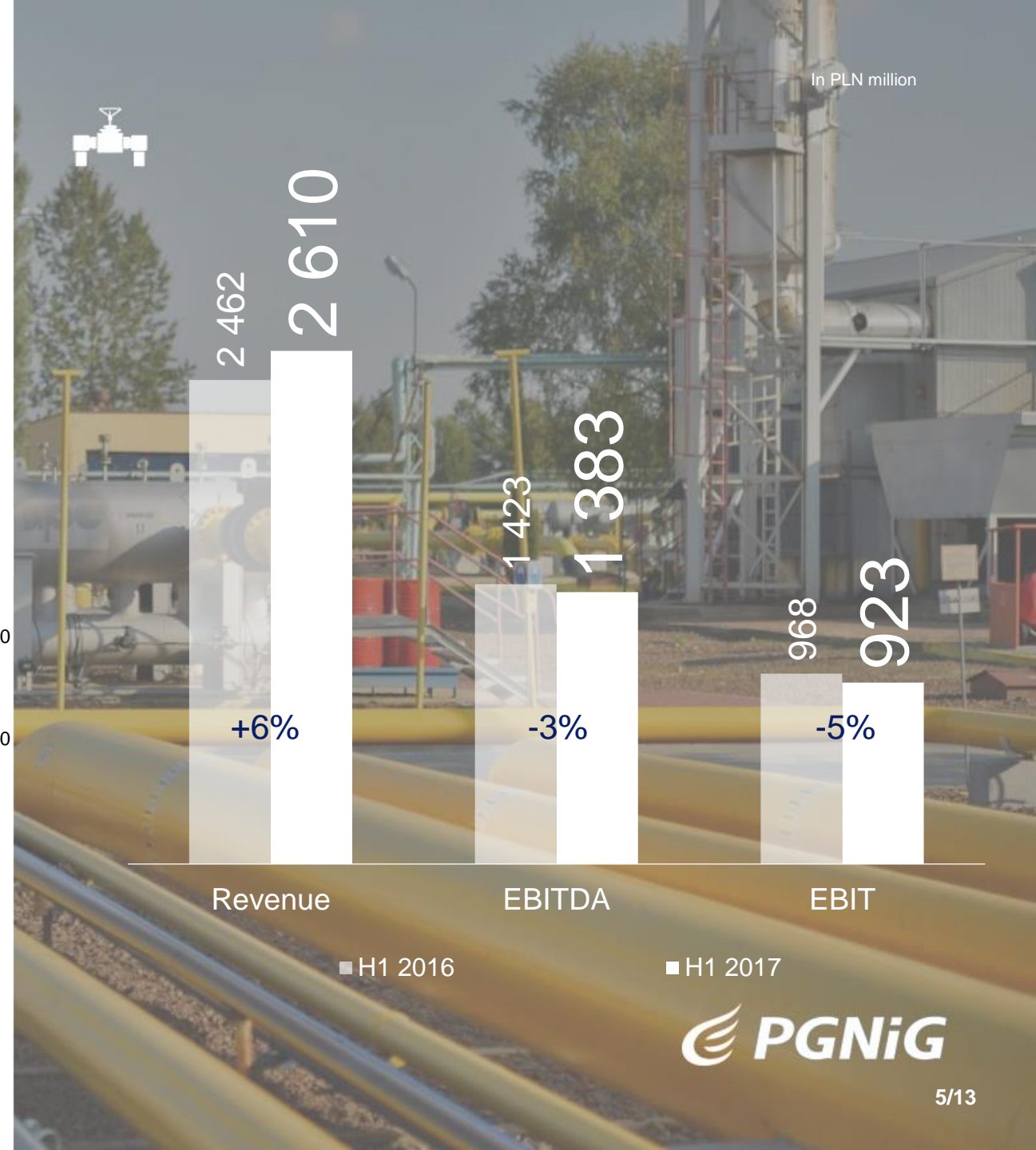
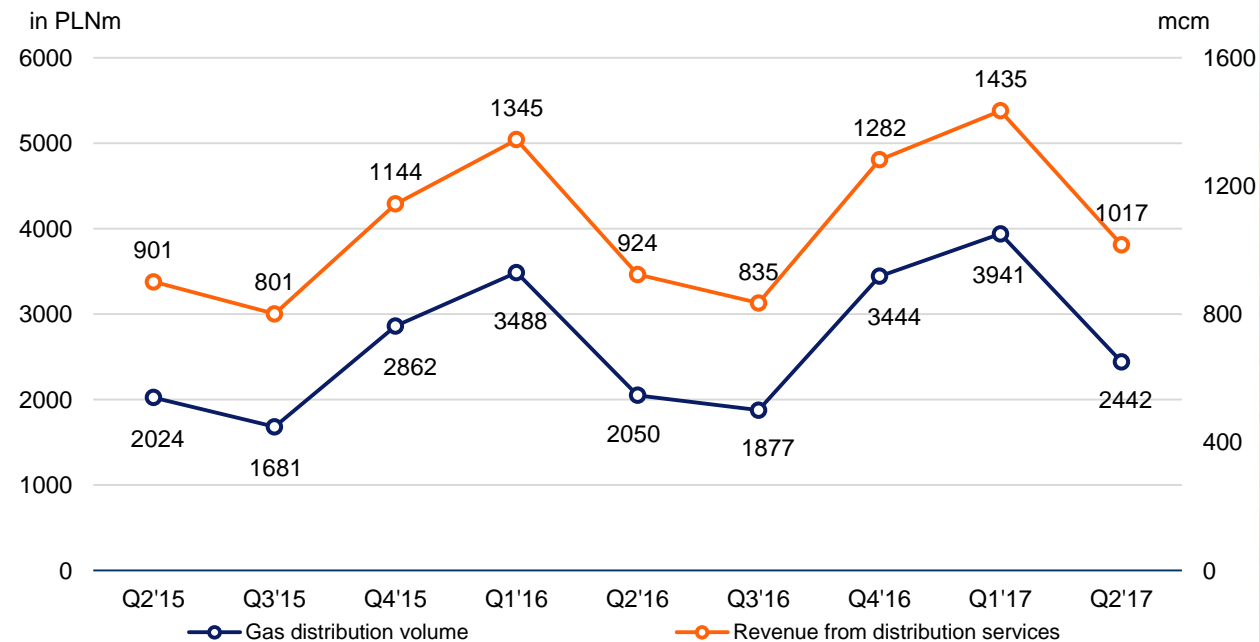
PGNiG

Distribution

Natural gas distribution yoy
5.5 / 6.4 bcm

+16% ▲

Revenue from distribution services & gas distribution volume



Generation

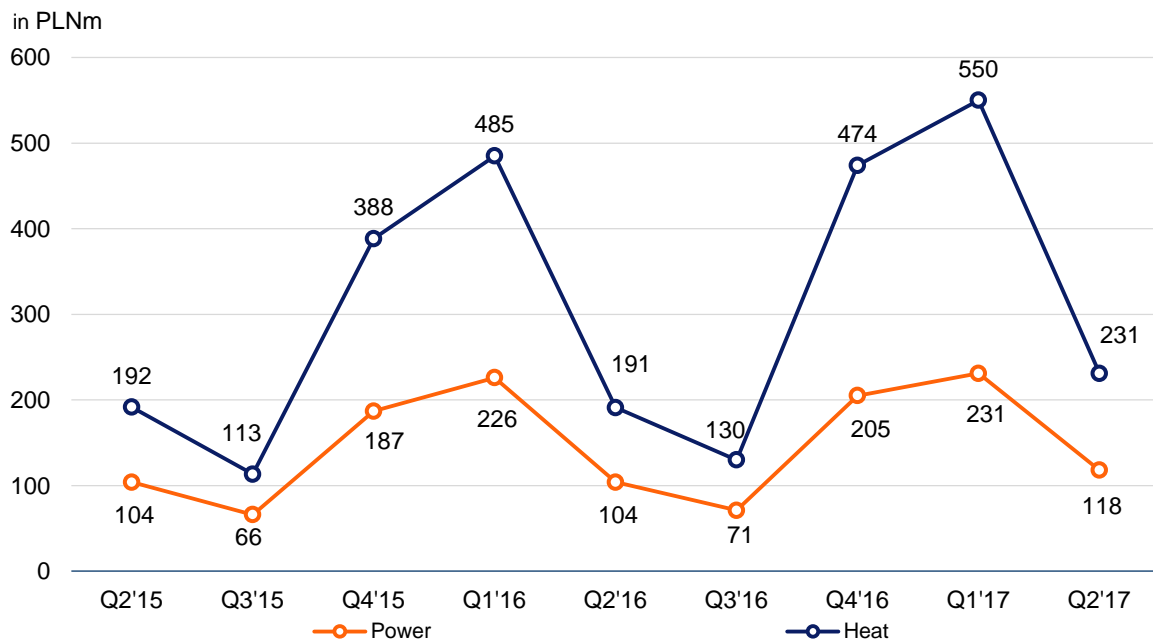
Sales of heat yoy
21.5 / **24.4 PJ**

+13% ▲

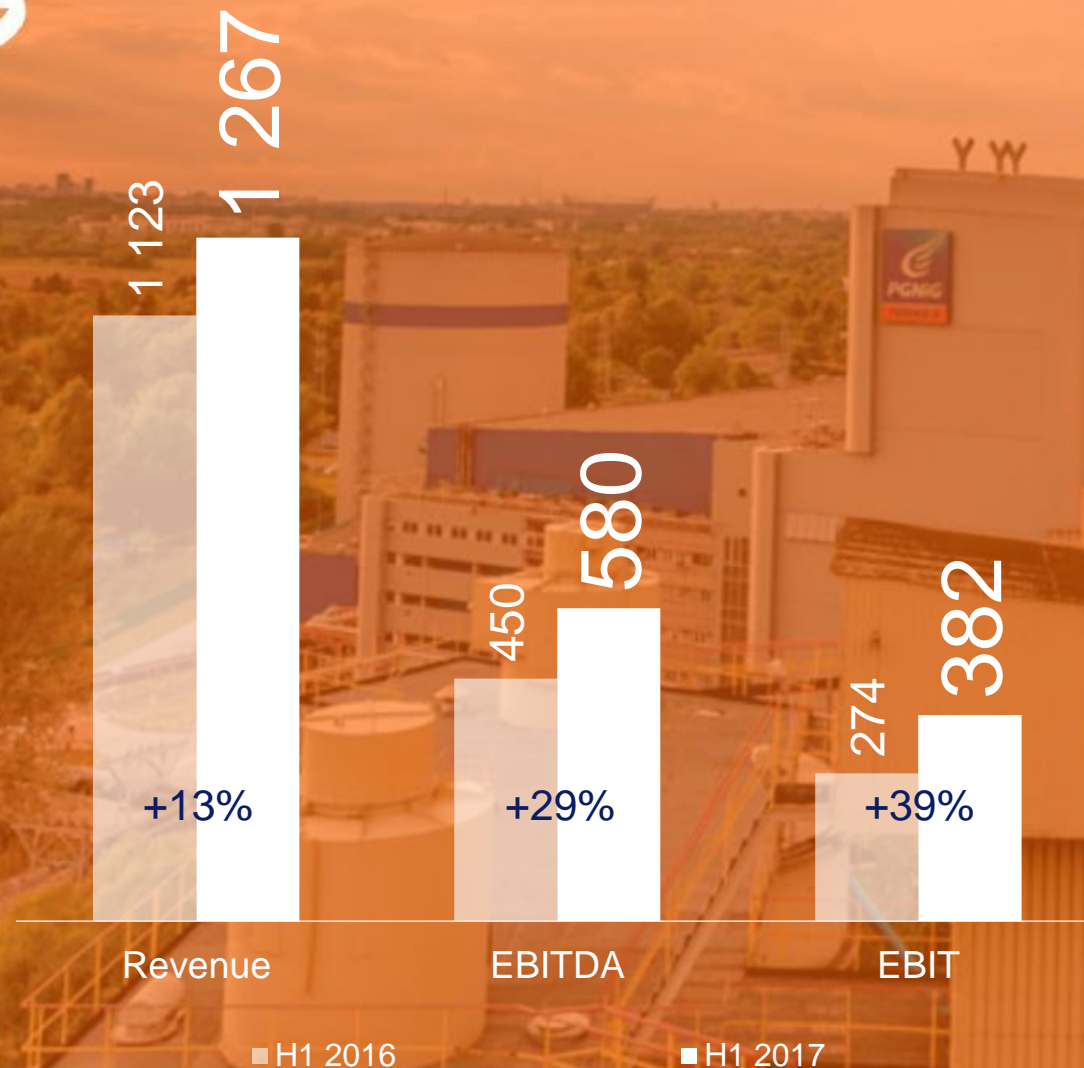
Sales of electricity yoy
2.0 / **2.2 TWh**

+10% ▲

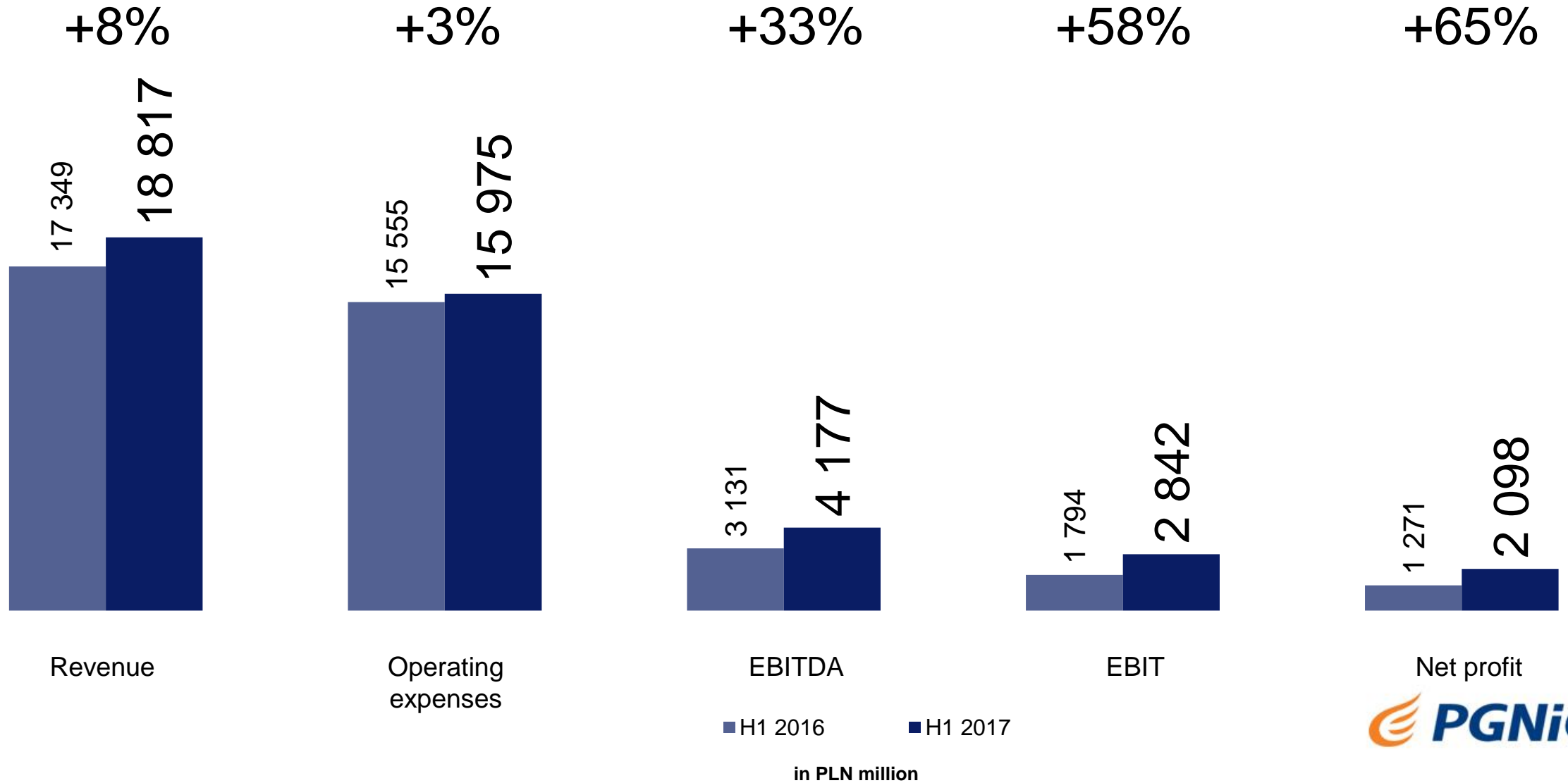
Revenue from sales of heat and electricity (from own sources)



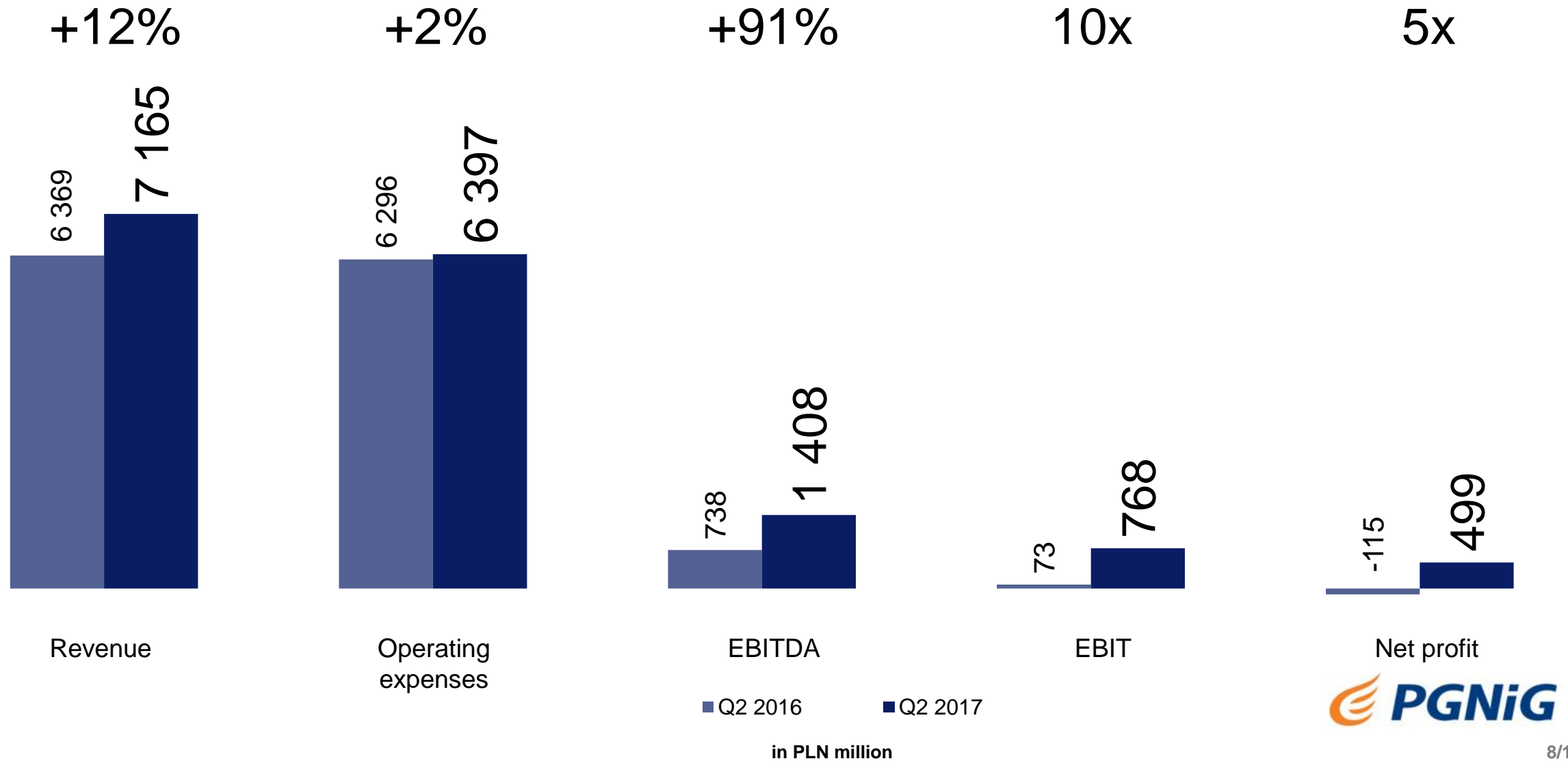
in PLN million



PGNiG Group results



PGNiG Group results





enterprise incubator opened in June

- > over **50 STARTUPS** participated in the recruitment
- > **18 IDEAS** were presented during the first Pitch Day
- > **2 STARTUPS** residing at InnVento currently

MIT Enterprise Forum Poland accelerator

- > PLN 5 900 000 financing for accelerator from ScaleUp program (PGNiG, PKO BP, KGHM, Adamed)
- > Test implementations of 3 startup projects under way
- > Another acceleration round ongoing with another 3 startups qualified



R+D+I area

Completion of works to launch the Joint Undertaking with National Centre for Research & Development (NCRD) and Gaz-System



- > The project budget amounts to PLN 400 mln, half of which is to come from a subsidy of NCRD.
- > The first competition will start in Q4 2017.

69 OFFERS gained for R+D works from 20 research institutions



- > The highest ranked offers are assigned to execution.
- > **12 AGREEMENTS** were already concluded.

The execution stage of **10 PROJECTS** financed by NCRD as part of the Blue Gas programme was completed.



- > Many projects are used in our upstream operations, e.g. hydraulic fracturing technologies.
- > We expect submitting 16 patents concerning implementation of works.

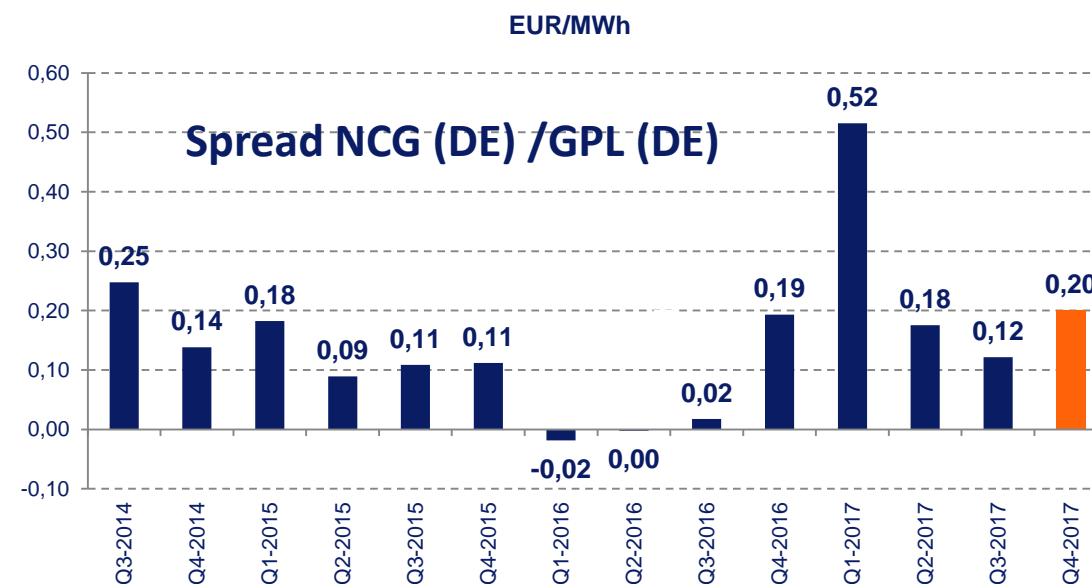
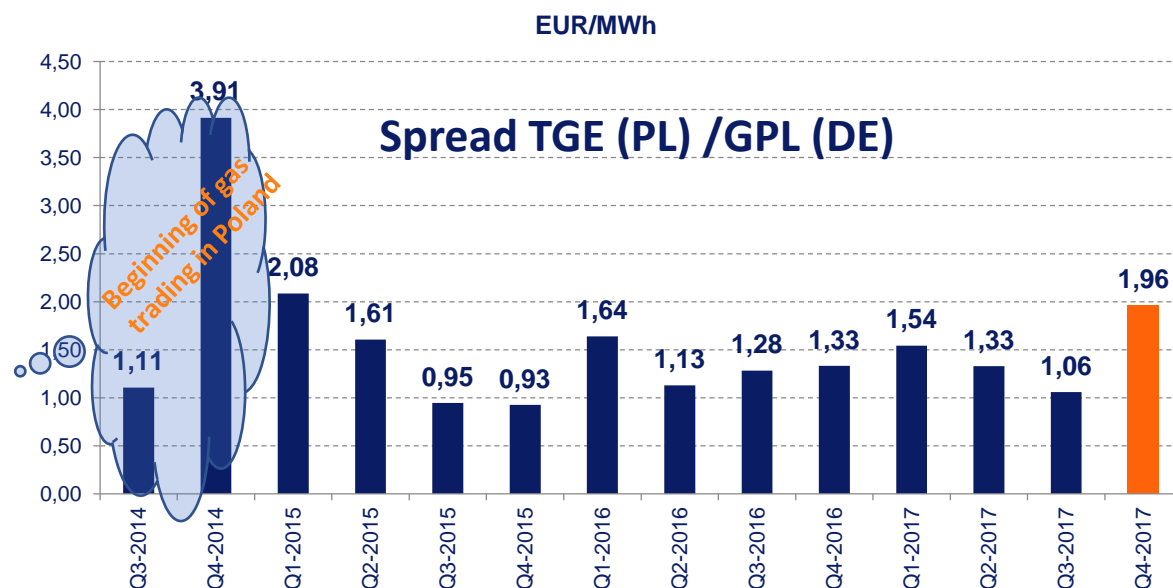
Appointment of the 2nd term of the Scientific Advisory Group



- > The Group consists of **15 EMINENT** scholars representing different fields of Polish science.

Difference in gas prices Poland – Germany (TGE-GASPOOL)

- Price difference is natural – it stems from the cost of gas importing (the cost of cross-border/transfer capacity booking).
- The differences exist since the beginning of gas trade on TGE, and in a stable range.
- The differences exist between all European markets – even between two German pricing areas (*Net Connect Germany - NCG and GASPOOL - GPL*)



1.Arithmetic mean of quarterly spreads of the day ahead market on TGE and GASPOOL.

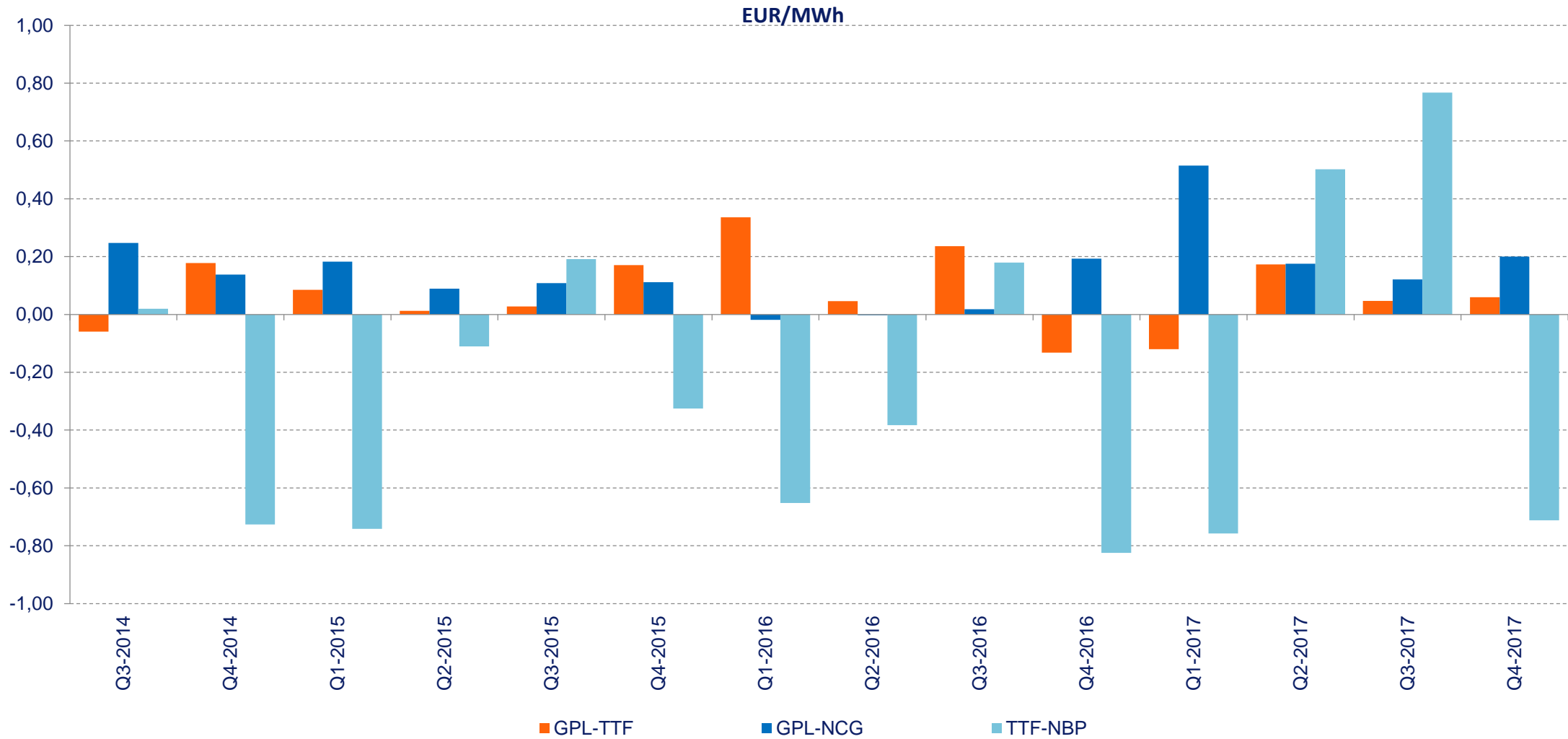
2.The price of gas in Germany was converted into Polish zlotys at the average closing rate (the so-called Mid Close Price) with the quoting date of the last day preceding the delivery date.

3.Spread marked with the orange colour comes from the forward curve (quarterly contracts) converted at the present currency exchange rate with the quoting date of 16.08.2017.

4.Data comes from the following sources:

- Price of gas on TGE - www.tge.pl; historic exchange session results; market: RDNg
- Price of gas on GASPOOL - www.eex.com; Market Data; Settlement Price
- EUR/PLN exchange rate - FOREX platform

Gas prices spread in Europe



Germany – the Netherlands Germany (North – South) the Netherlands – UK

The OPAL case

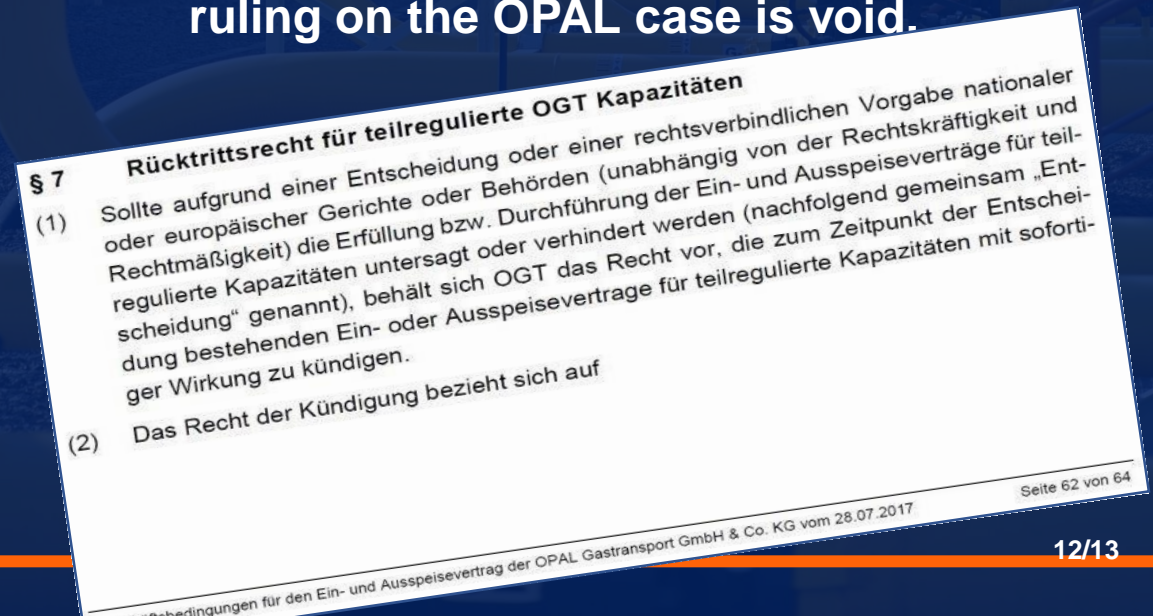
Final ruling expected in 2019.

As from July 2017, the auctions for gas transmission capacity may be cancelled

- **October 2016** – European Commission's decision to release additional privileged transmission capacity in OPAL for Gazprom
- **November 2016** – PGNiG's complaint (PST) before EU Court of Justice about the Commission's breach of the EU law
- **December 2016** – decision of the EU Court of Justice to suspend the execution of the EC's decision (temporary measure)
- **March 2017** – auctions for OPAL gas transmission capacity for a period of 15 years were not held due to the temporary measure
- **July 2017** – revoking of the temporary measure; the main case is still being proceeded before the EU Court of Justice
- **July 2017** – the new auction regulations allows for a possibility of cancelling OPAL transmission capacity that was allocated
- **2019** – expected decision of the EU Court of Justice

The condition of revoking the temporary measure:

As a result of the German government's assurances presented to the EU Court of Justice, as from July 2017, all new auctions for gas transmission capacity in the OPAL pipeline include a clause according to which granted transmission capacities will be immediately cancelled without compensation upon the Court of Justice determining that the EU Commission's ruling on the OPAL case is void.



Thank you for your attention