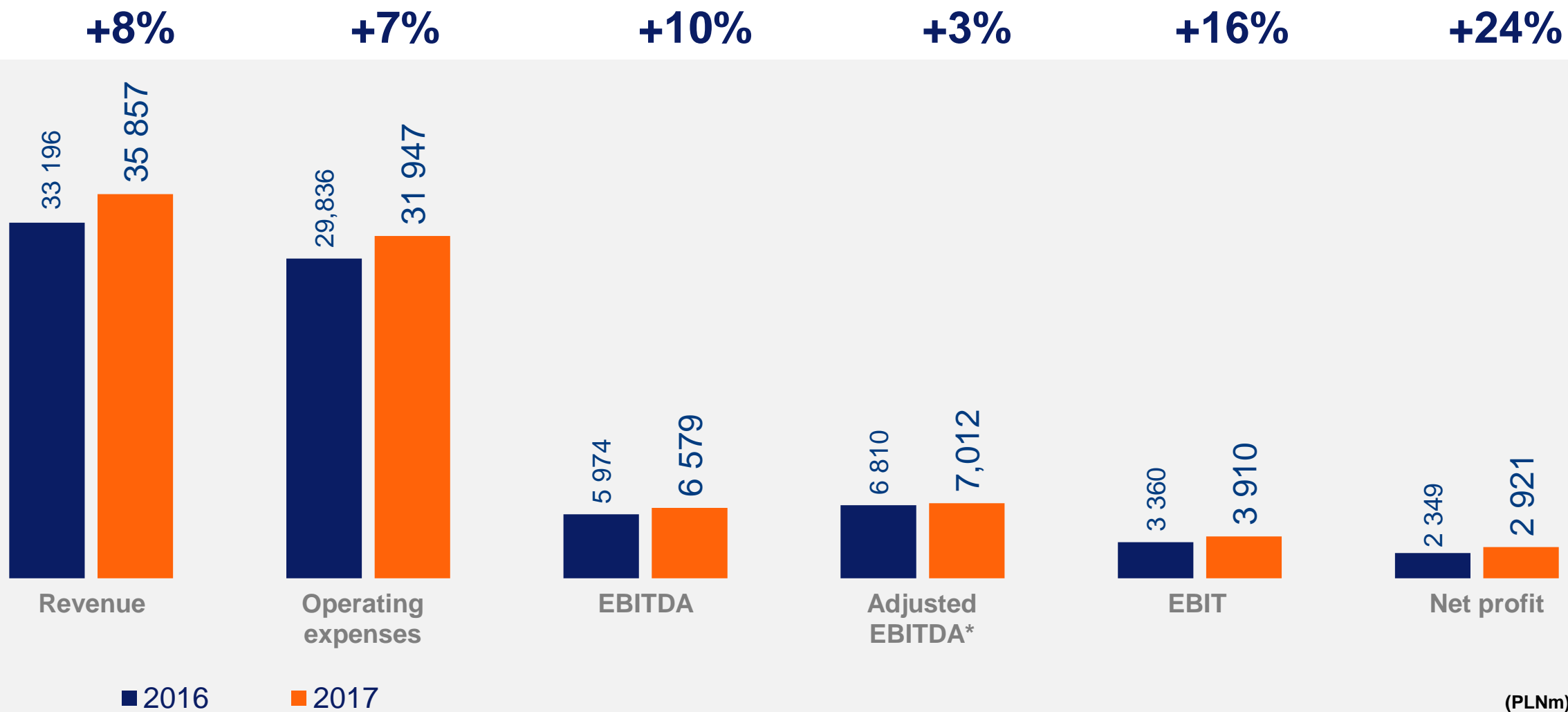


Polskie Górnictwo Naftowe i Gazownictwo SA

PGNiG Group FY and Q4 2017 Financial Results

Key financial results of the PGNiG Group in 2017



* Adjusted EBITDA – EBITDA adjusted for impairment losses on the Group's non-current assets



Exploration
and Production



Trade
and Storage



Distribution



Generation

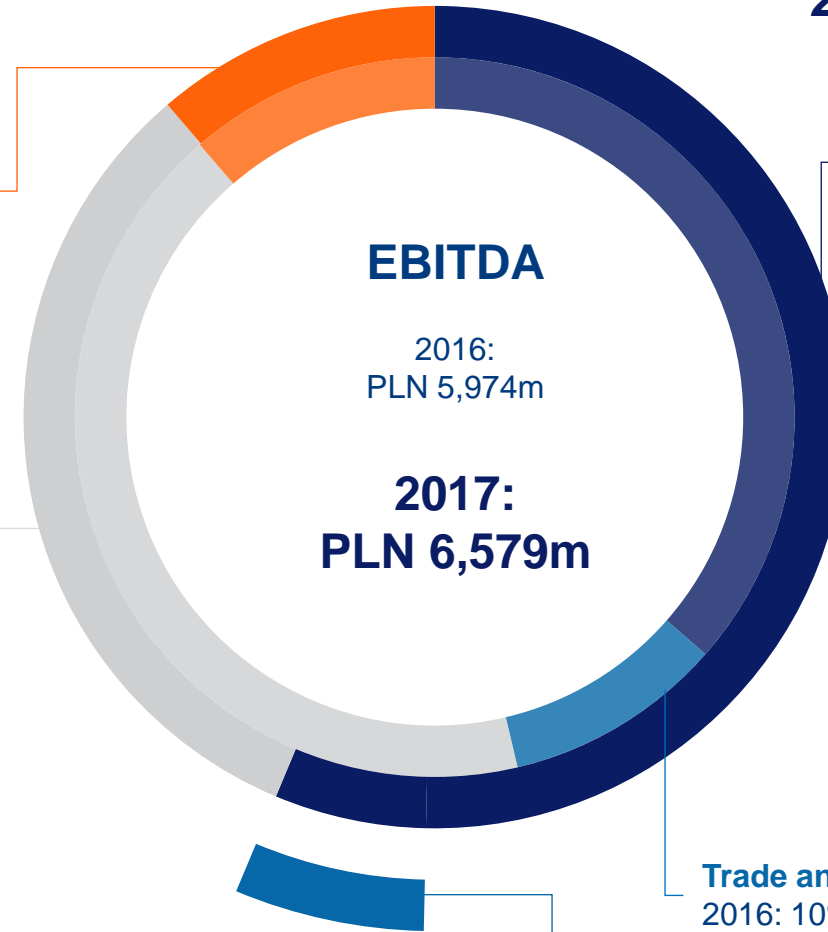
Segments' contribution to EBITDA

Generation
2016: 13%
2017: 13%

Distribution
2016: 43%
2017: 38%

Trade and Storage
2016: 10%
2017: -7%

Exploration and Production
2016: 37%
2017: 59%





(PLNm)

Exploration and Production

Average annual price of Brent crude y/y

USD 44 / **54/bbl**

+23% ▲

Average annual prices quoted on PPX Day-Ahead Market y/y

PLN 68 / **81/MWh**

+19% ▲

Crude oil production in 2017 y/y

1.32 / **1.26m tonnes**

-5% ▼

Gas production in 2017 y/y

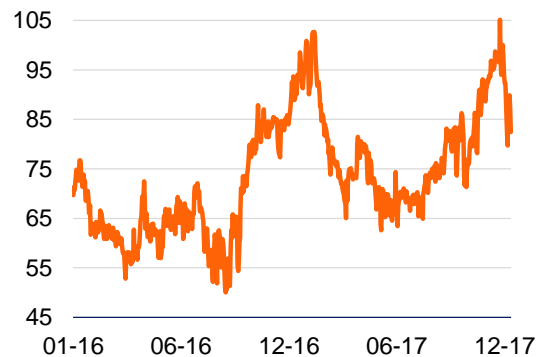
4.46 / **4.54 bcm**

+2% ▲

Brent crude oil prices



Price quoted on PPX Day-Ahead Market



Trade and Storage

Average delivery price under futures and spot contracts on PPX in 2017 y/y

PLN 83.5 / 81.0/MWh

-3% ▼

The 9-month average price of Brent crude for the last four quarters y/y

USD 44.5 / 50.2/bbl

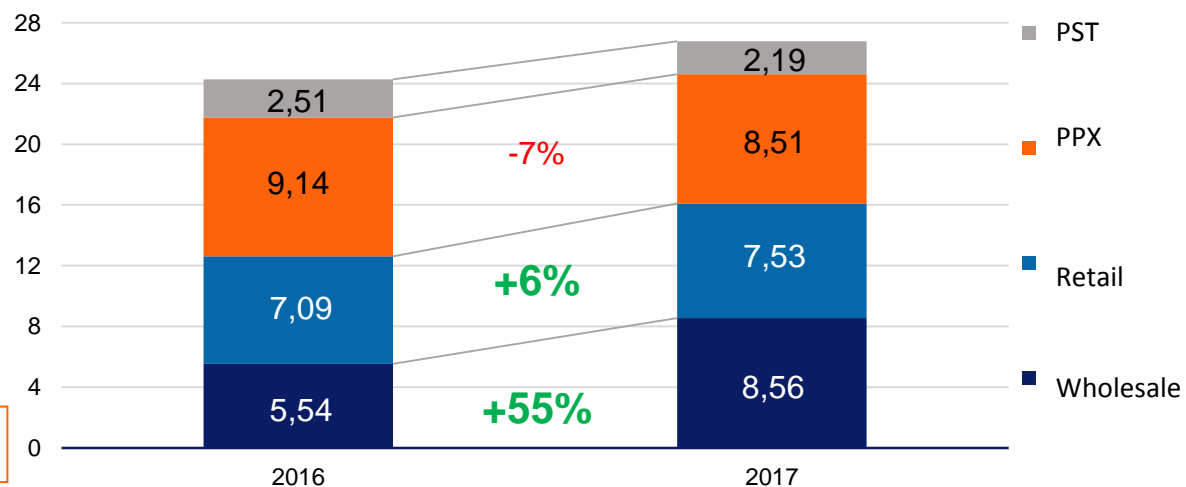
+13% ▲

Total gas sales outside the PGNiG Group in 2017 y/y

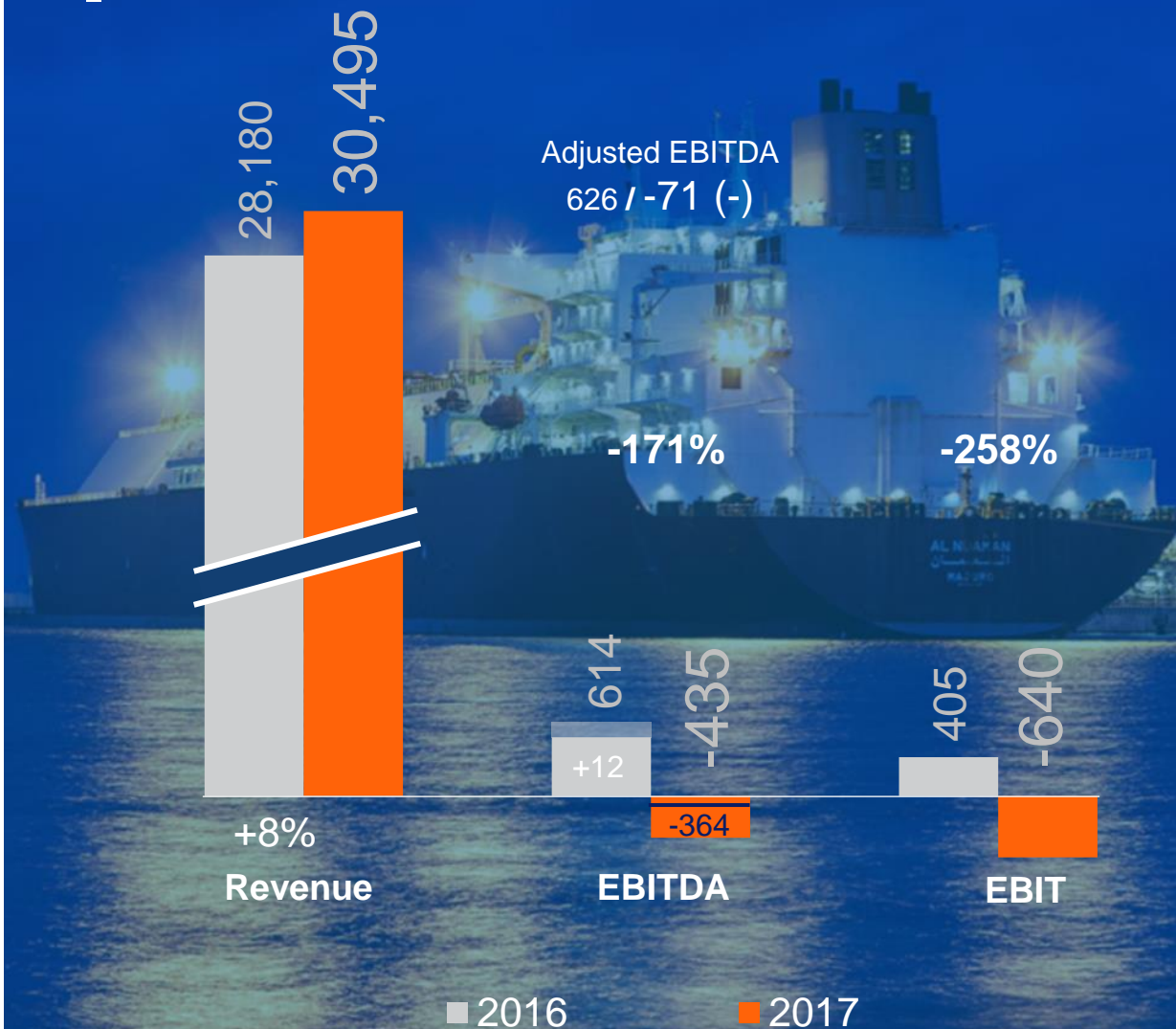
24.27 / 26.79 bcm

+10% ▲

Total volumes of gas sold by the PGNiG Group (E&P and T&S)



(PLNm)



Distribution

Gas distribution y/y

10.86 / **11.65 bcm**

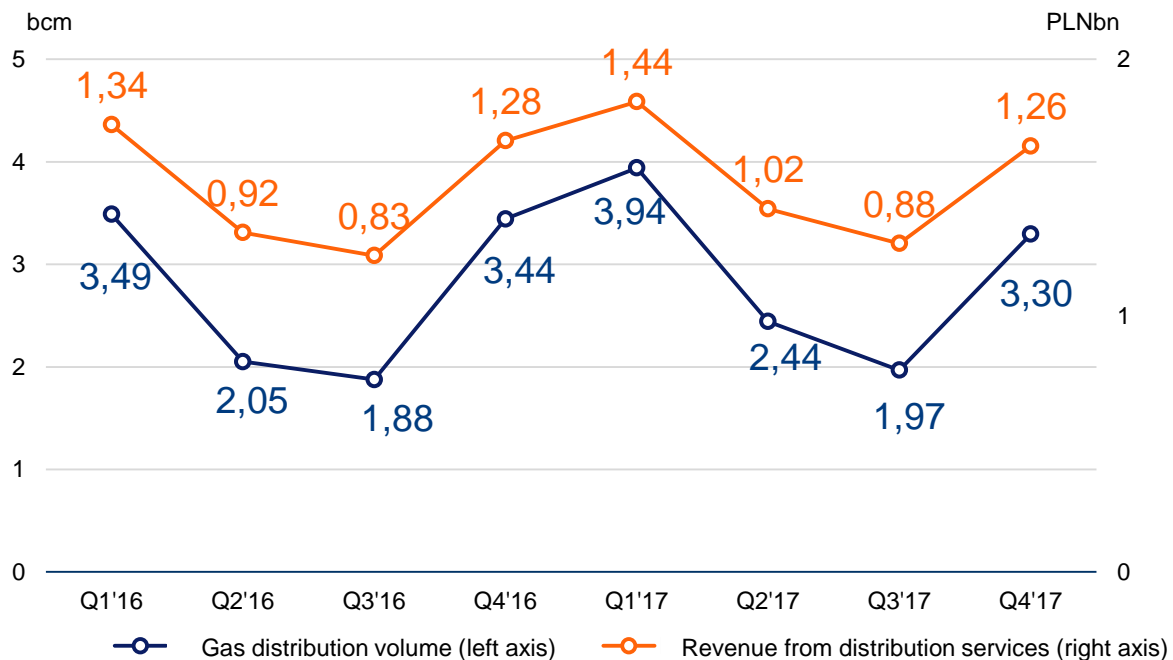
+7% ▲

Revenue from distribution services, y/y

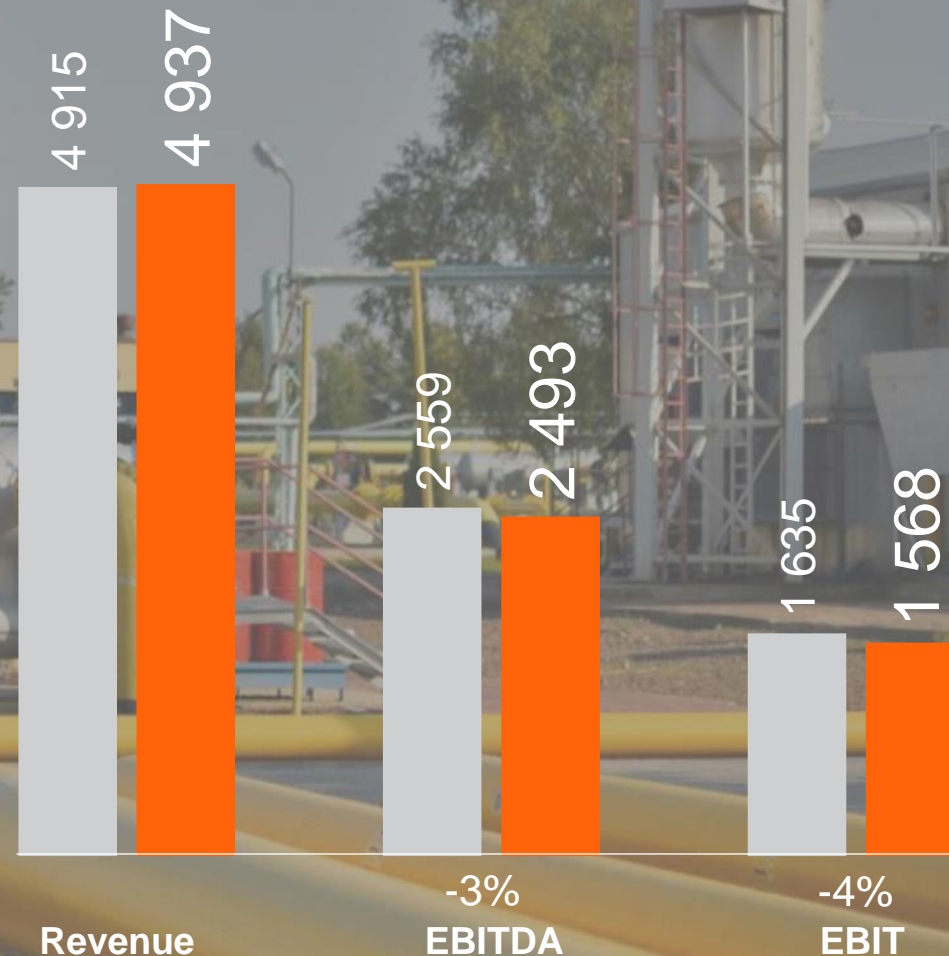
PLN 4.39bn / **4.59bn**

+5% ▲

Revenue from distribution services and gas distribution volume



(PLNm)



■ 2016 ■ 2017





Generation

Heat sales y/y

39.6 / **42.1 PJ**

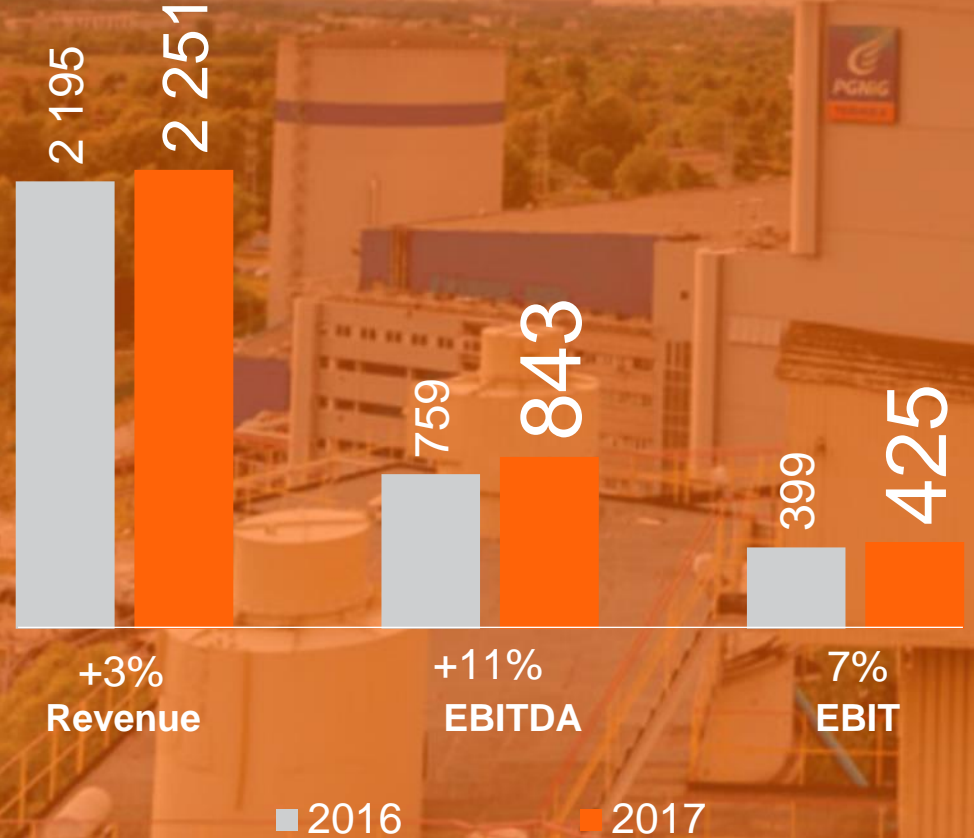
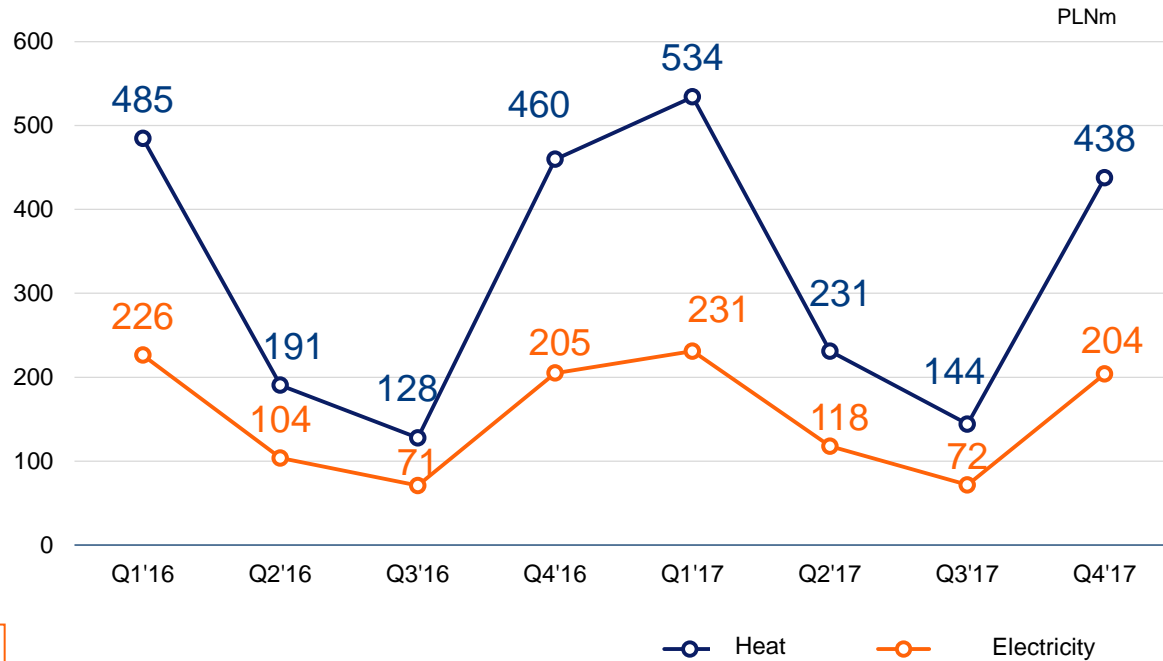
+6% ▲

Sales of electricity from own generation sources, y/y

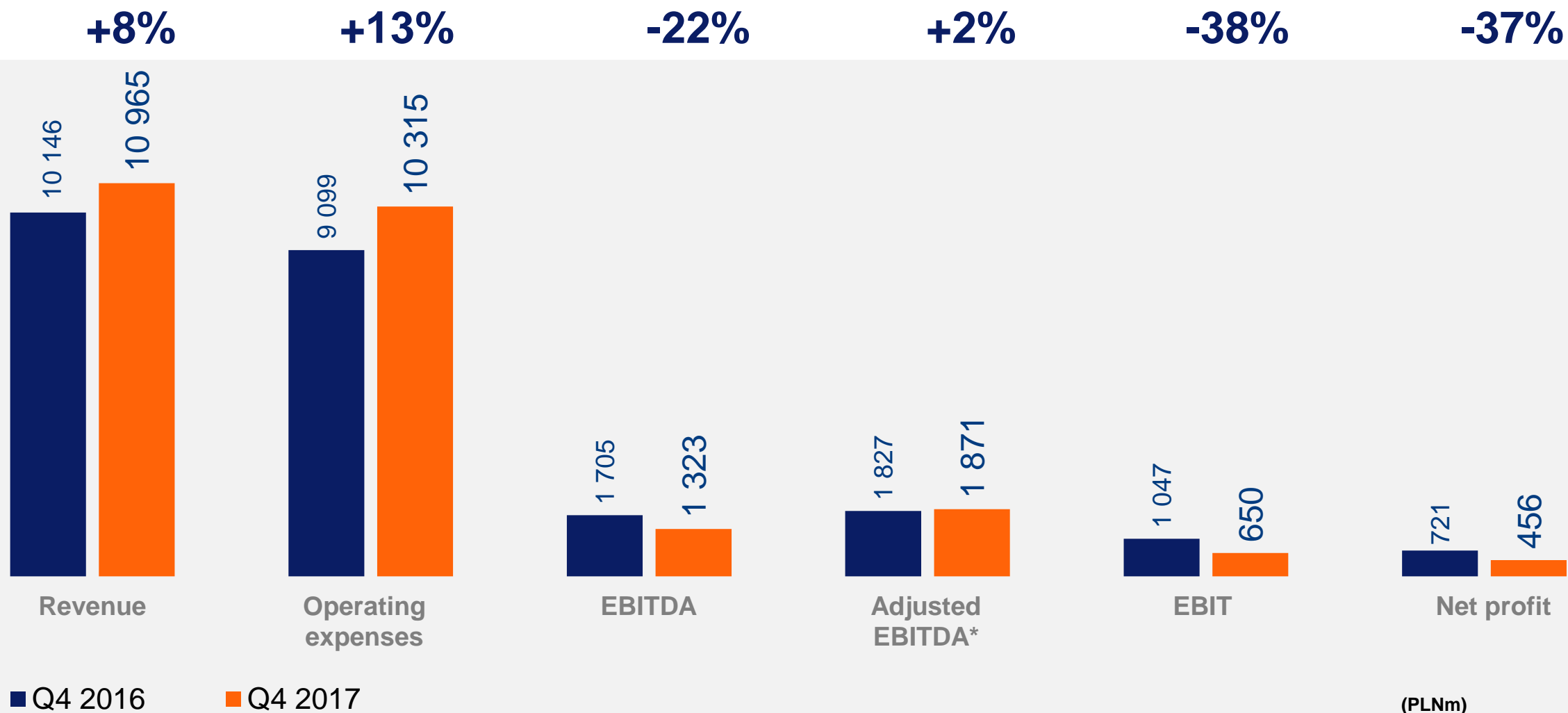
3.6 / **3.9 TWh**

+8% ▲

Revenue from sales of heat and electricity (own generation)



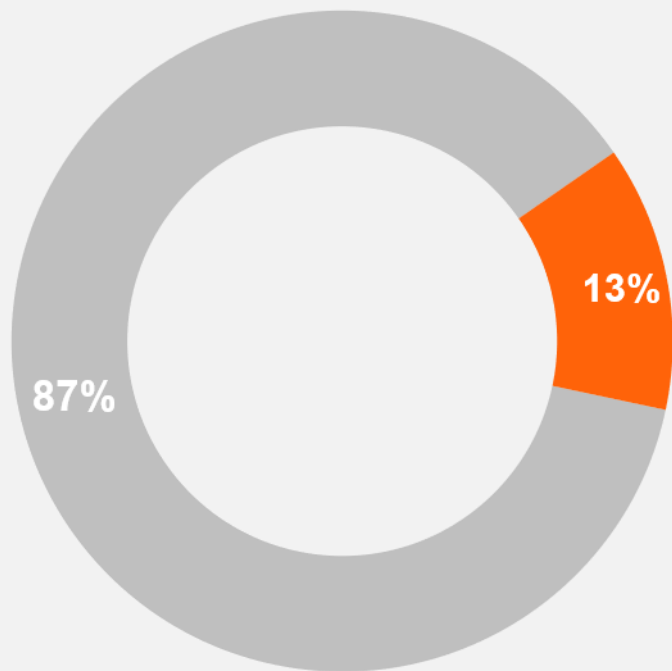
Key financial results of the PGNiG Group in Q4 2017



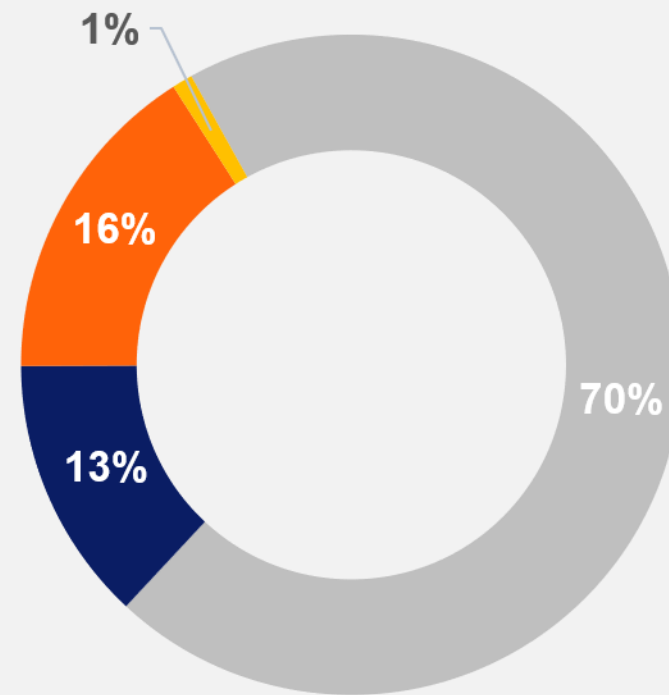
* Adjusted EBITDA – EBITDA adjusted for impairment losses on the Group's non-current assets

Increasing diversification of imports

2015



2017



- Sources east of Poland
- Sources south of Poland
- Sources west of Poland
- LNG (Qatar, Norway, US)

Diversification



Baltic Pipe Gas from Norway

Capacity reservation
for 2022–2037
Liability amount

PLN 8.1bn



LNG imports

1.7 bcm

(after regasification)
Volume of LNG supplied in

14 deliveries



Supplies from US

First

LNG delivery from US to Poland

First

contract

for regular supplies
of LNG from US to Poland

Sale



+2.5 bcm

Gas sales volume

up 10% y/y

Wholesale volume up

3 bcm

Retail sales volume up

0.5 bcm



100,000

customers who opted for promotional offers

including

45,000

customers

of the Electricity and Gas dual fuel plan



Gas exports to Ukraine

over 1 bcm

since 3Q2016

In 2018 contract with Naftogaz for urgent supplies



New contracts with strategic customers

among others
ARCELORMITTAL
EU RO GLAS
GRUPA AZOTY
KGHM
LOTOS

Total estimated volume of contracts in Poland

20,4 bcm

LNG/CNG



1522

tanker trucks

Sale of LNG delivered to
customers by tankers

2,447

tankers from June 2016



150

new CNG-fuelled buses

Contracts with public
transport service operators

RZESZÓW SANOK
TARNÓW TYCHY

7 pilot implementations:

- ❑ **Predictail** - failure detector for gas pressure reduction stations and pumps /PSG, Zielona Góra Branch/
- ❑ **FintechTrends** - organisation of start-up events /InnVento/
- ❑ **Waywer** - interactive communication with customers /InnVento/
- ❑ **Elastic Cloud** - crowdsourcing platform /PGNiG SA/
- ❑ **1000 realities** - VR and AR in employee training /PGNiG SA/
- ❑ **PPHU Janusz Ciosek WielkaReklama** - mobile application recognising objects /InnVento/
- ❑ **Tricksolutions** - online tutorials /PGNiG OD/

87 start-ups in 2017

4 Pitch Days

50 presentations

INGA Programme

INGA – Innovative Gas Industry

Budget of PLN 400m

PGNiG's largest research programme to date

Joint Enterprise:

PGNiG SA

Gaz-System SA

NCBR

Competition call:	19.01.2018
Application deadline:	19.04.2018
Results publication:	18.07.2018
Contracts signing:	Q3/Q4 2018

8 MACROAREAS

Exploration and production of hydrocarbons – **PLN 53m**

Coal bed methane – **PLN 60m**

Building and operation of gas networks – **PLN 43m**

Gas networks – **PLN 109m**

New use of LNG and CNG – **PLN 48m**

Hydrogen technologies and gas fuels – **PLN 62m**

Cooperation with clients – **PLN 19m**

Environmental protection – **PLN 6m**

Research + Development + Innovation

24 ongoing R&D contracts for a total amount of PLN
18.2m

17 new R&D contracts for a total amount of **PLN 13.5m**

96 new offers from **24** academic and research institutions, including:

- Warsaw University of Technology
- Gdańsk University of Technology
- Wrocław University of Technology
- AGH University of Science and Technology
- Polish Geological Institute – National Research Institute

**Within 5 years, about PLN 1bn
to be invested in R+D+I**

Ongoing contracts relate to:

Low capacity turboexpander - prototype of an energy management device

Mini Drill - prototype of a small diameter drilling system

Sigfox - testing the use of remote reading technology from gas meters / heat meters

Ekogłowica - prototype of a new well-head

DME - innovative technology for dimethyl ether production

Research project in Gilowice and Geo-Metan



Test results in 2017

**ca. 900 thousand cubic metres
of gas produced**

Flow level:

ca. 5 thousand cubic metres/day

Methane content in gas:

approx. 97%

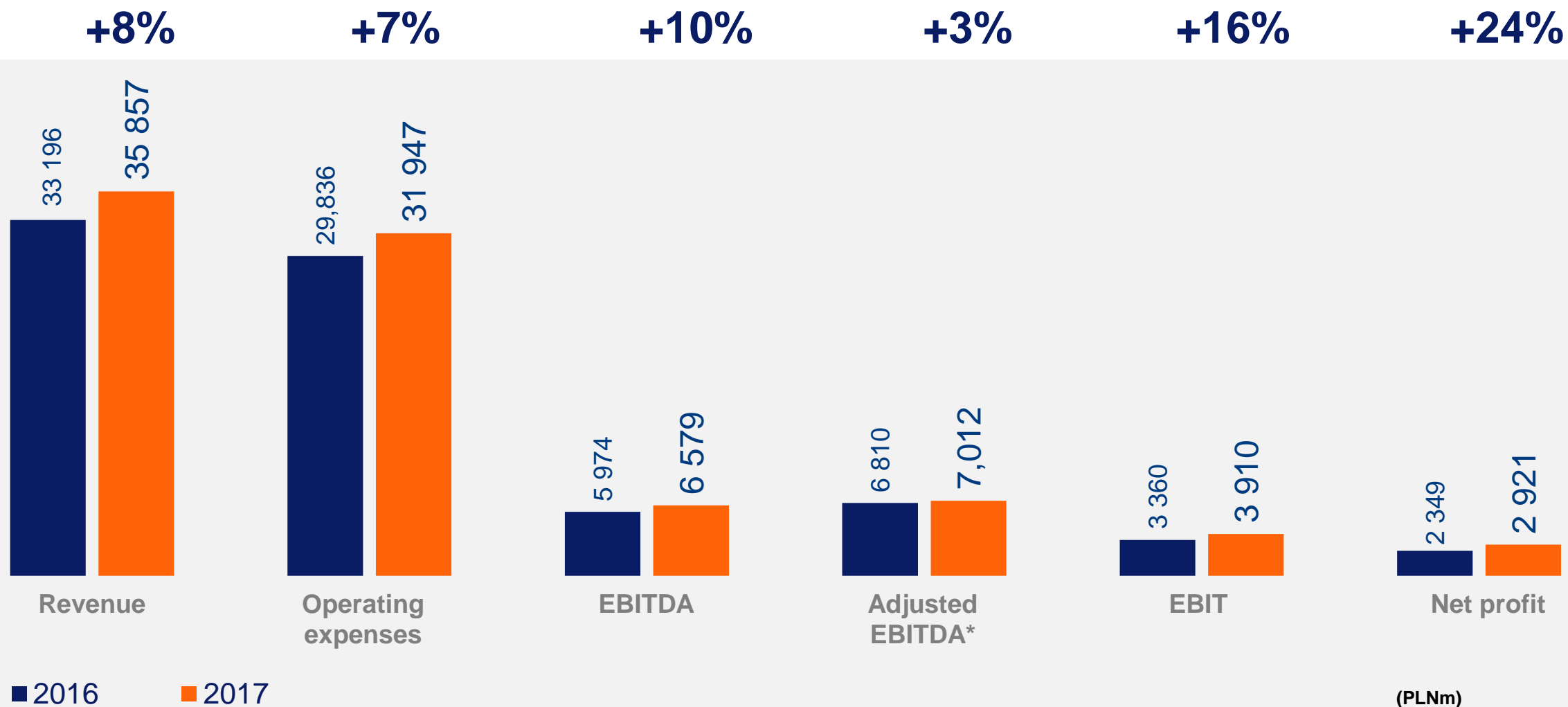
PGNiG is planning further drilling.

Geo-Metan is entering its 2nd phase.
Letters of intent:



Thank you for your attention

Key financial results of the PGNiG Group in 2017



* Adjusted EBITDA – EBITDA adjusted for impairment losses on the Group's non-current assets