

Polish Oil and Gas Company

Company Overview



March 2018





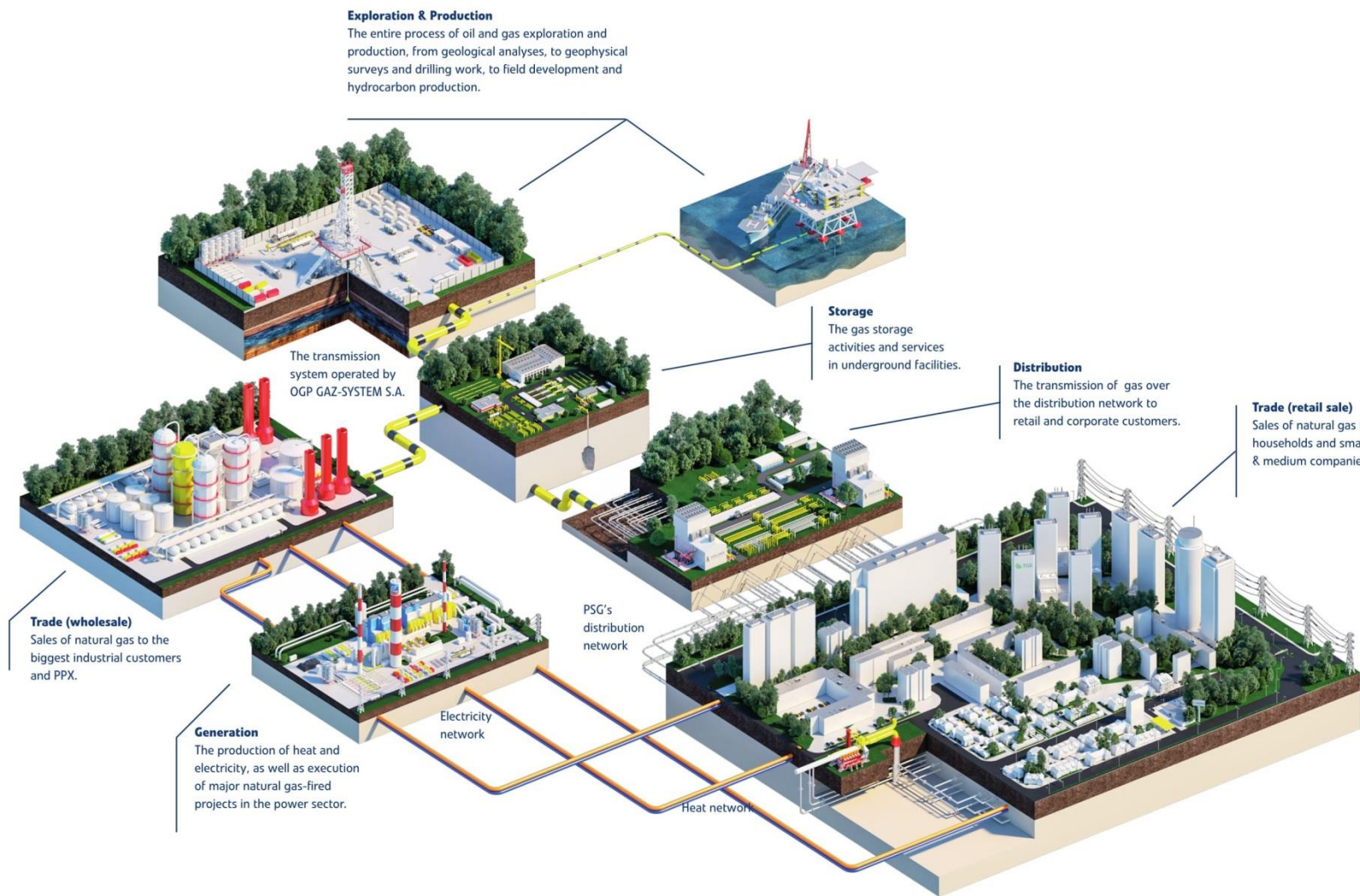
Agenda

- > 1. PGNiG Group & Polish Gas Market
- > 2. PGNiG Segments
 -  > Exploration and Production
 -  > Trade and Storage
 -  > Distribution
 -  > Generation
- > 3. Strategy, CAPEX
- > 4. Appendix – Changes in segments presentation, financial results



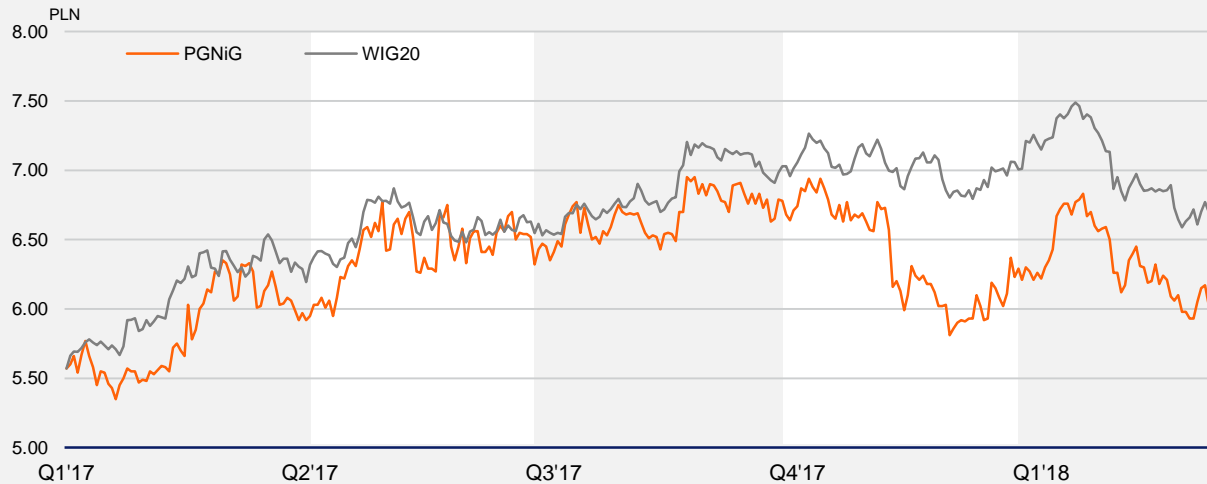
PGNiG Group and Polish Gas Market

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

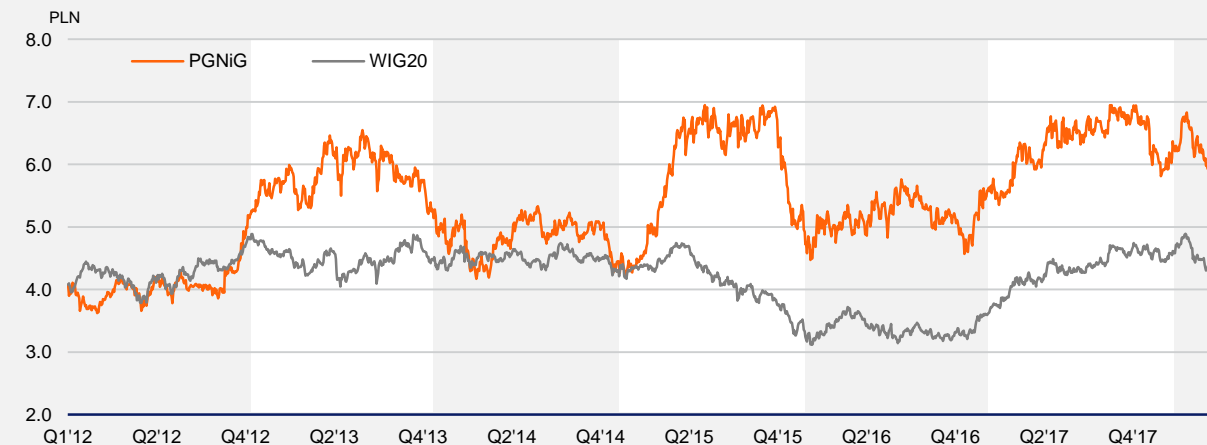


2nd biggest industrial Polish company on the Warsaw Stock Exchange**

> Stock performance since January 1st, 2017***



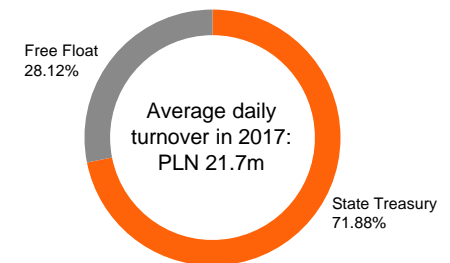
> Stock performance since January 1st, 2012***



* PGNiG = 6.20 PLN and EUR/PLN = 4.25; USD/PLN = 3.56 (as at May 8th 2018) / ** in terms of market cap. / *** WIG20 quotation chart, taking into account relative changes in percentage in relation to the PGNiG exchange rate

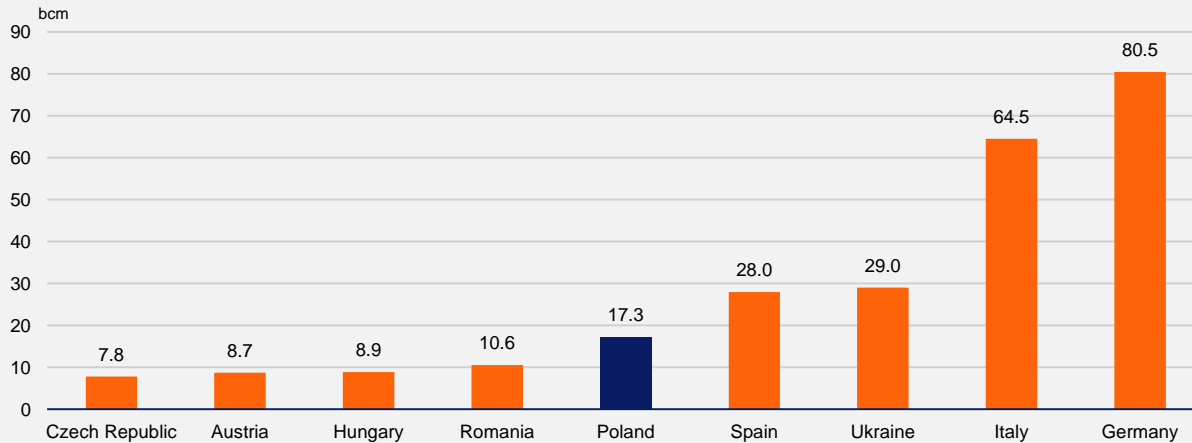
- > Listed on WSE since September 2005
- > Market cap, of PLN 35.8bn (EUR 8.4bn, USD 10.1bn)*
- > Significant share in WIG 20 based on number of shares in the index: 5%
- > Third largest company on WSE**

> Shareholders (as at December 31, 2017)

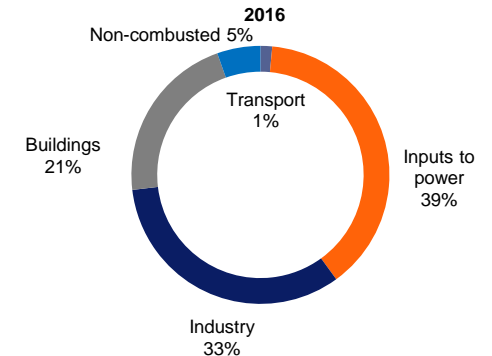


Gas market in Poland: Low consumption with growth potential

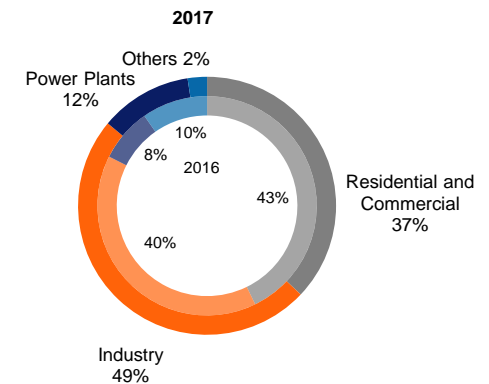
> Natural gas consumption by country in 2016



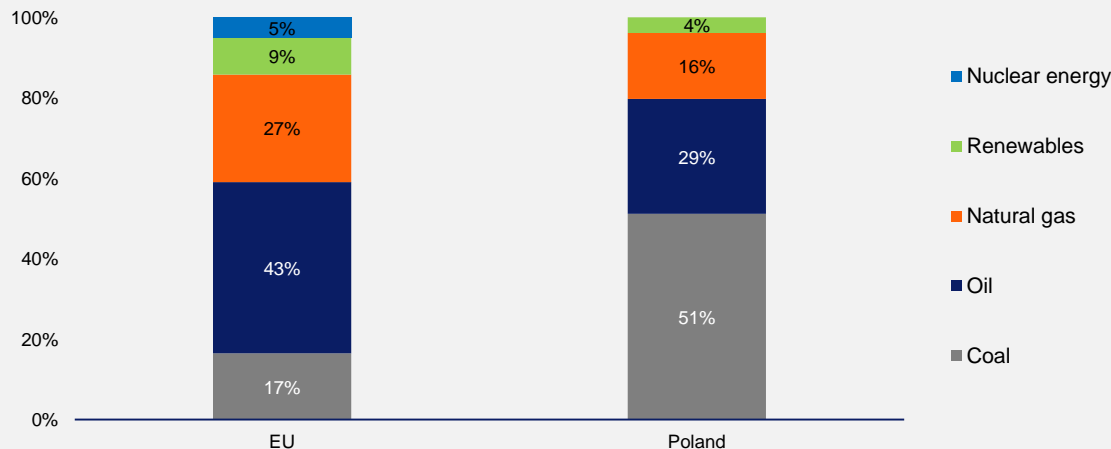
> Natural gas sales by sector in the world in 2016



> Natural gas sales by sector by PGNiG in Poland in 2017 and 2016



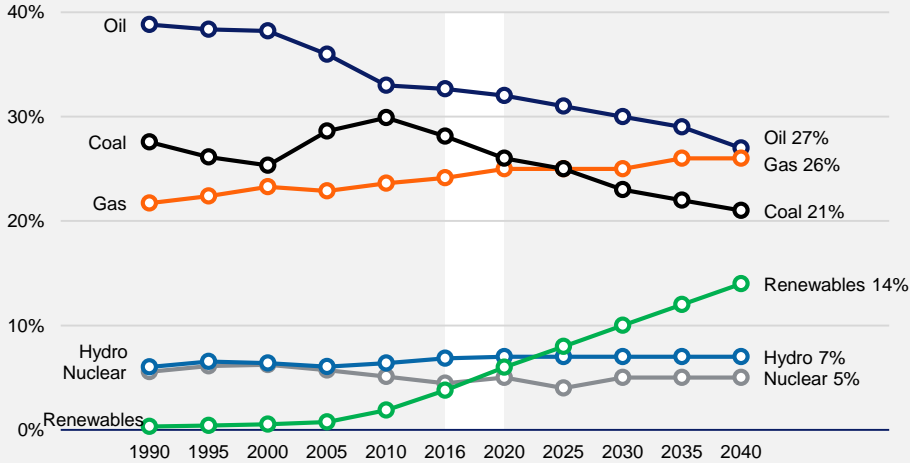
> Primary energy consumption by fuel in 2016



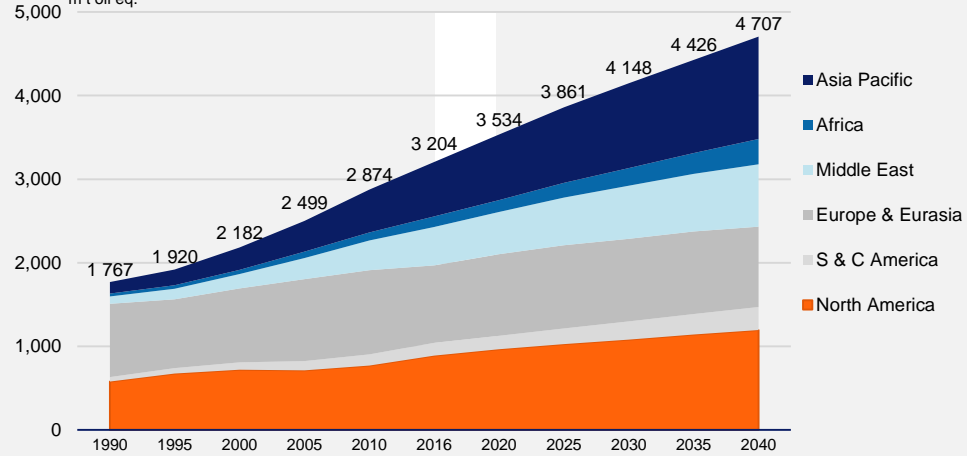
Source: BP Statistical Review 2017, BP Energy Outlook 2018 / Gas consumption comprises sales, as well as in-house consumption and change of inventories

Gas market worldwide

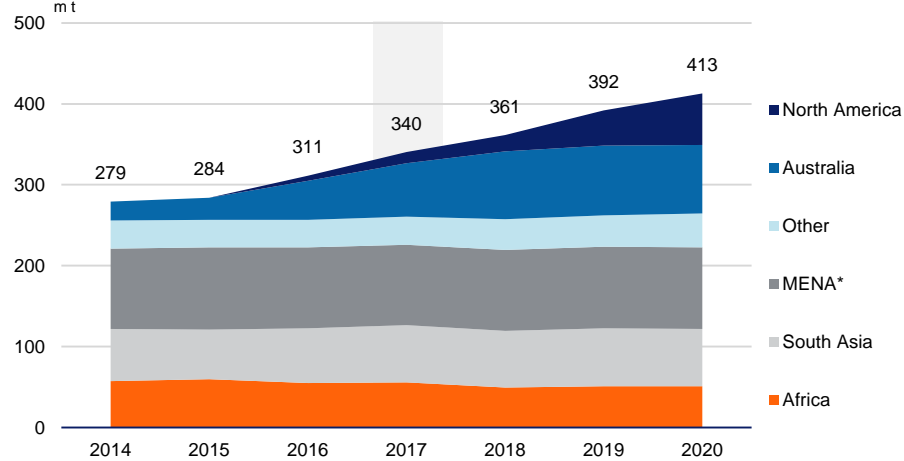
> Primary energy consumption by fuel



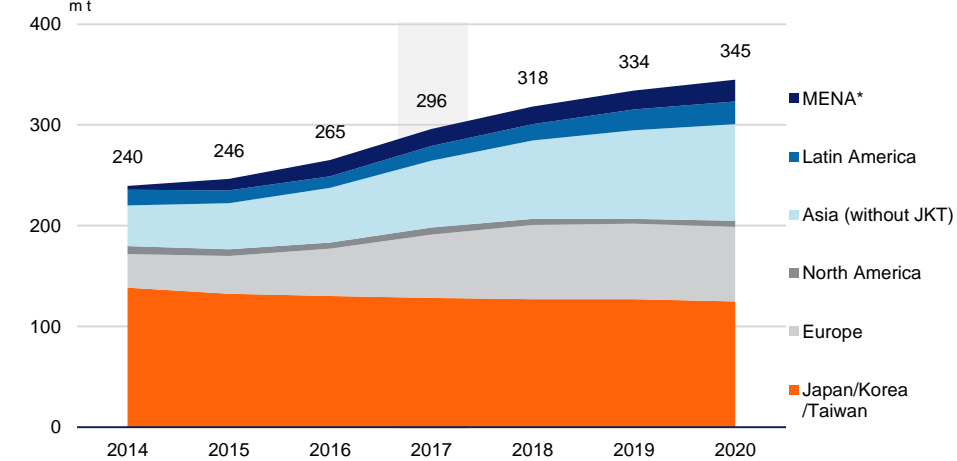
> Natural gas demand



> Annual LNG supply by region



> Annual LNG demand by region



* Middle East-North Africa / Source: IHS, BP Energy Outlook 2018

Exploration & Production



Trade & Storage



Distribution



Generation

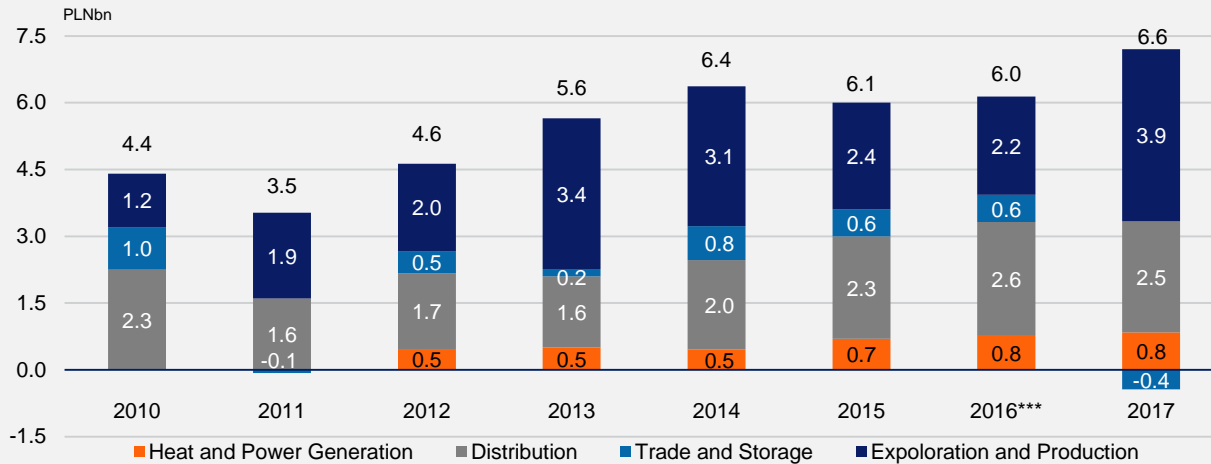


Operating segments of PGNiG Group



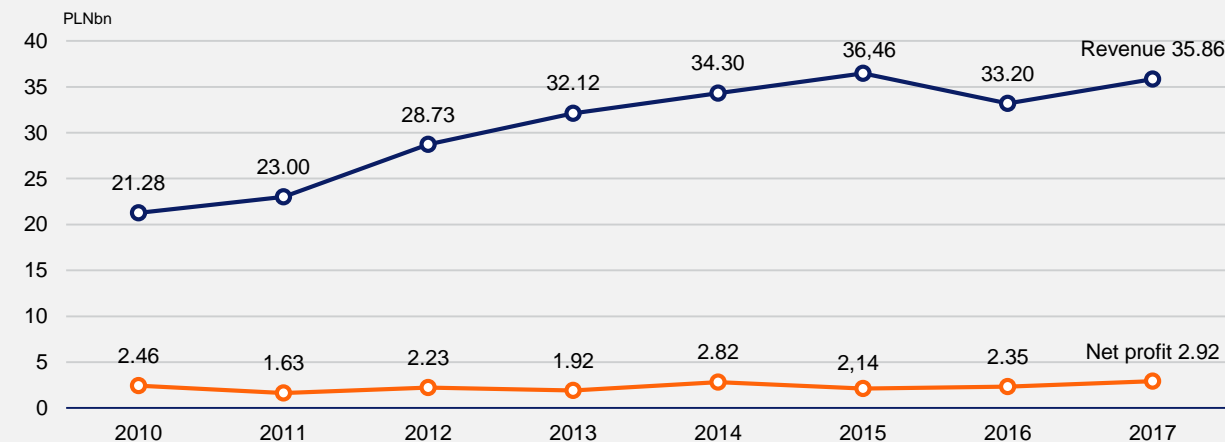
PGNiG Group's financials 2010-2017

PGNiG Group's EBITDA**

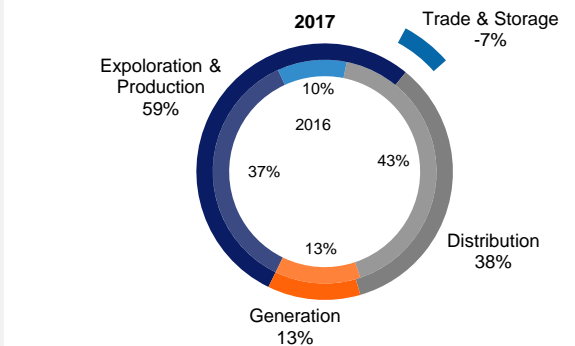


- > 8th biggest company in Central and Eastern Europe*
- > 3rd biggest oil company in the region*
- > Stable EBITDA level due to diversified inflows sources

PGNiG Group's revenue and net profit



EBITDA breakdown



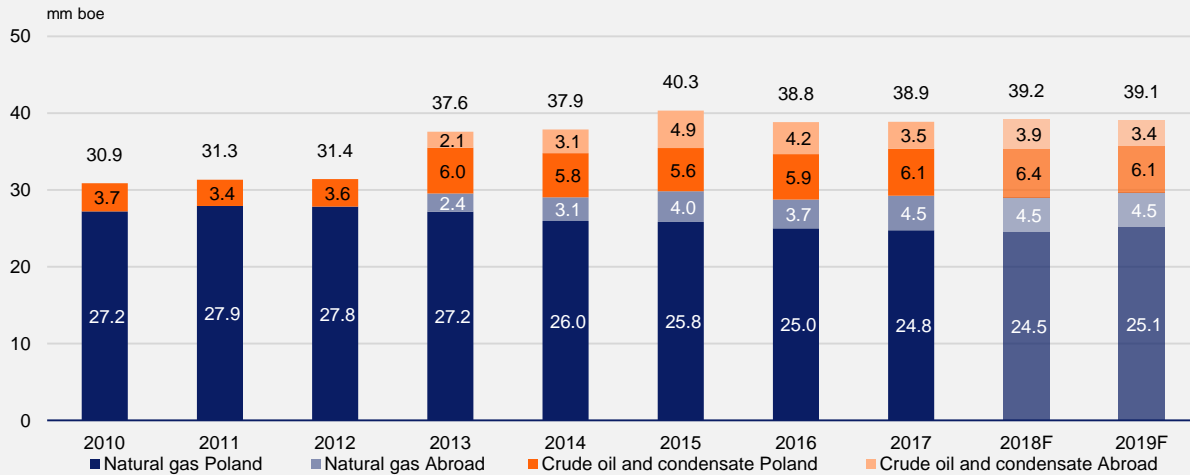
Other segments' contribution to EBITDA in 2017: -3%; in 2016: -3%



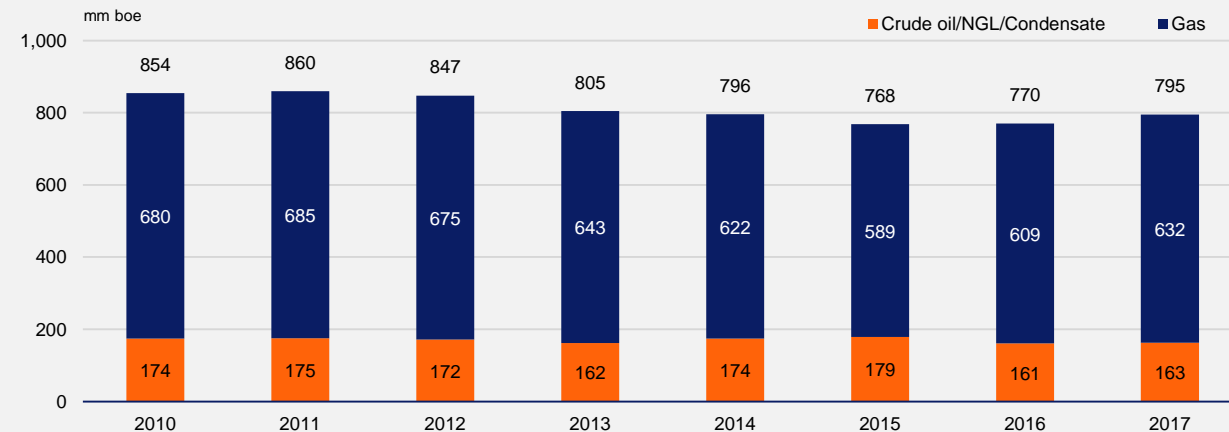
* Source: Rzeczpospolita: Europa 500 (2017 edition) / ** EBITDA 2010-2015 before intra-group eliminations and excluding „Other segments”
 *** restated, -0.2 PLNbn of other segments not presented on chart

Exploration & Production summary

> Production volumes



> Reserves of natural gas and crude oil



* High-methane gas equivalent; ** As at December 2017

> PGNiG SA is a leader in production of gas and crude oil in Poland

> Average daily production – over 105,000 boe**

> PGNiG's resource base in Poland**:

> proved gas reserves 538 mm boe (86.1 bcm)*

> proved oil reserves 124 mm boe (17.4 m tonnes)

> Oil & Gas concessions in Poland**:

> 23 exploration/appraisal

> 25 combined licences

> 213 production

> Exploration & Production activities:

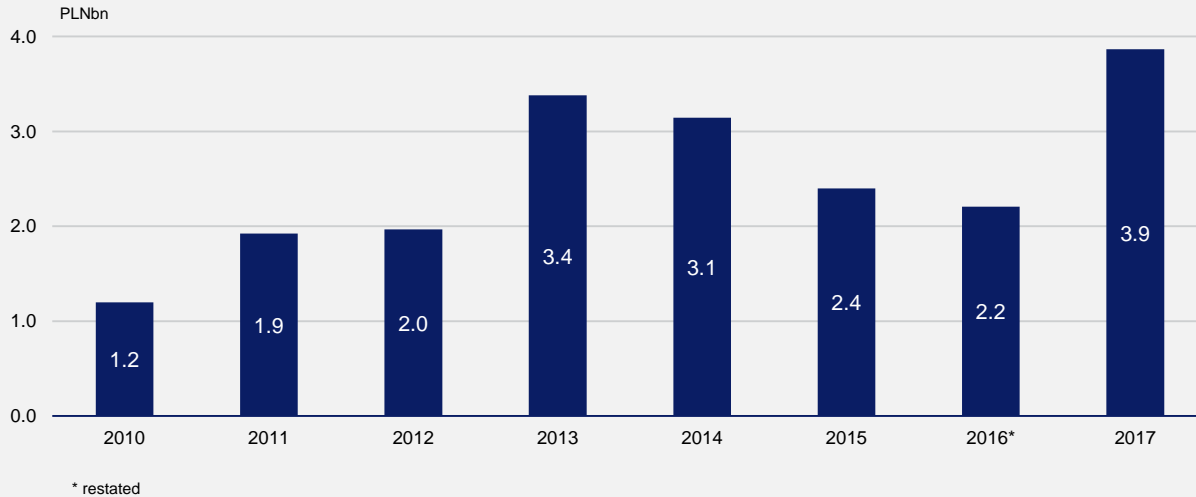
> 54 production facilities in Poland

> over 2 thousand producing wells

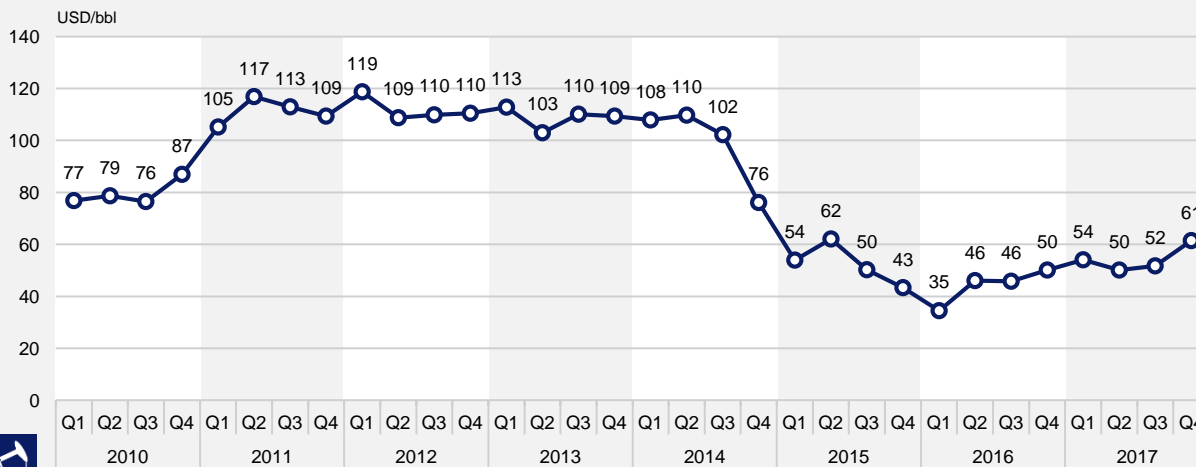


Exploration & Production financial results

Exploration and Production's EBITDA



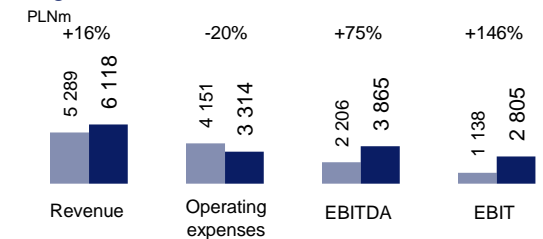
Average prices of crude oil



Average of Brent oil prices up by 18% in 2017 vs 2016

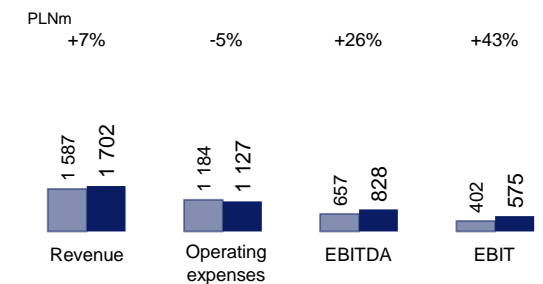
- Revenue from sales of crude oil and condensate up PLN 256m y/y despite a -6% y/y decline in sales volumes, to 1.27 million tonnes in 2017.
- PLN 589m (+20%) y/y increase in revenue from gas sales recorded by the segment.

Segment's results for FY 2017 vs FY 2016*



Segment's results for Q4 2017

In Q1-4 2017, the Group made significant changes in segment reporting. More details see p. 38



International E&P activities – Norway

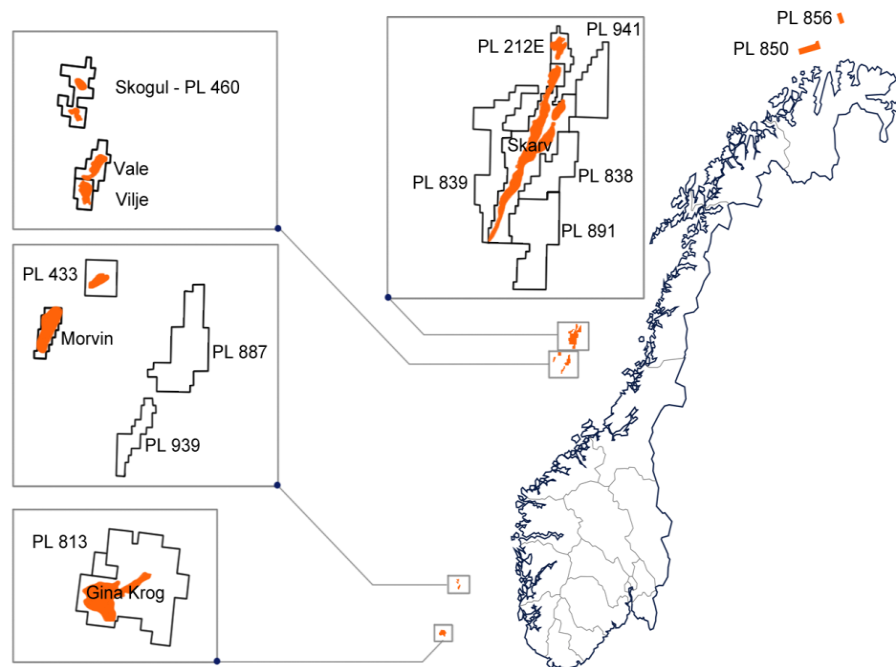
Licenses 20

USD 360m (Skarv)

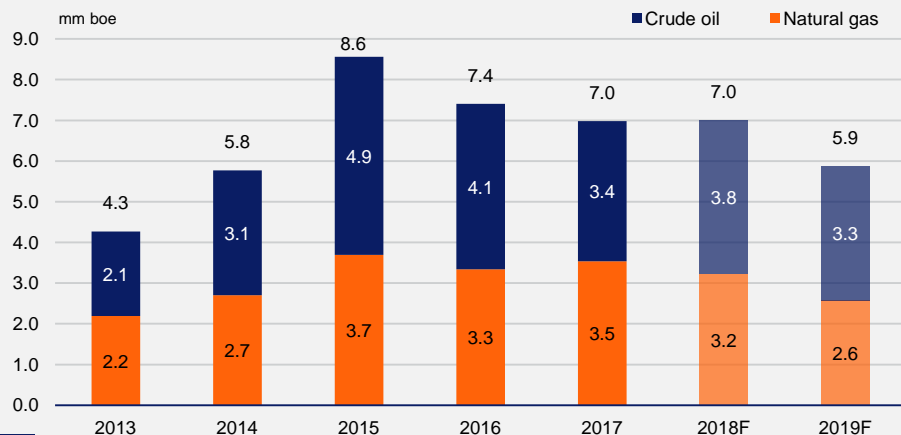
Licence cost NOK 1.95bn
(Morvin, Vale, Vilje, Gina Krog)

Skarv CAPEX (PGNiG's part) approx. USD 800m

Reserves of the licence (2P) for PGNiG
55 mmboe (Skarv, Snadd)
28 mmboe (Morvin, Vale, Vilje, Gina Krog, Ærfugl, Skogul)



> Production in Norway



International E&P activities – Pakistan and other

> Assets: Pakistan



agreement	May 18th 2005
shares	PGNiG 70%, Pakistan Petroleum 30%
area	956 sq km
location	Sindh province, folded belt Kirthar
obligations	2 wells, 100 km 2D (fulfilled)
estimated reserves	14.2 bcm of natural gas (10.5 bcm Rehman, 3.7 bcm Rizq)

In March 2017: the Rehman-3 borehole was completed, and in October the Rizq-1. In November 2017: Rehman-4 and preparatory works for Roshan-1 and Rehman-5.

> Other foreign activity in 2017

Seismic works:

- > Acquisitions of seismic data: Algeria, Austria, Croatia, Colombia, Myanmar, Tunisia, Egypt, Germany.
- > Processing and interpretation of seismic data: Algeria, Austria, Spain, Iran, Yemen, Norway, Pakistan, Switzerland and Morocco.

Drilling works:

- > Main drilling areas: Pakistan, Kazakhstan, Ukraine

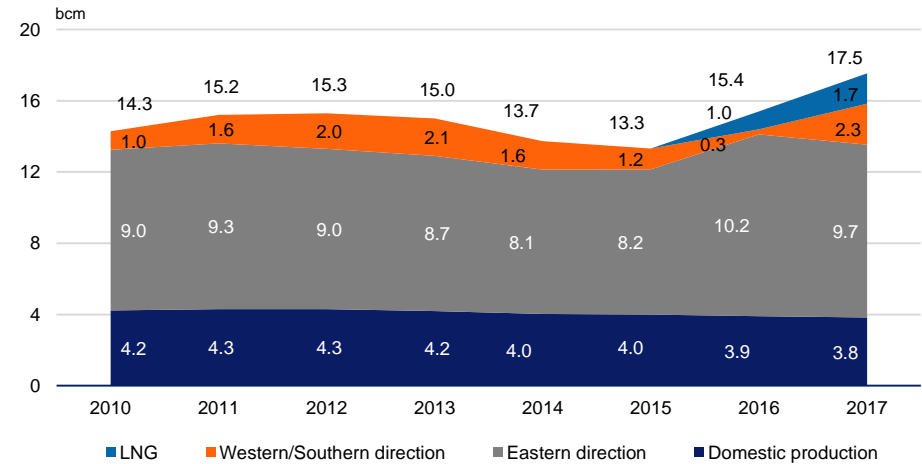
Libya

- > Since 2008, one license for mining (LC113).
- > In mid-2014, a force majeure notification.
- > In 2017, activities limiting the impact of force majeure and verification of the prospects of the license.

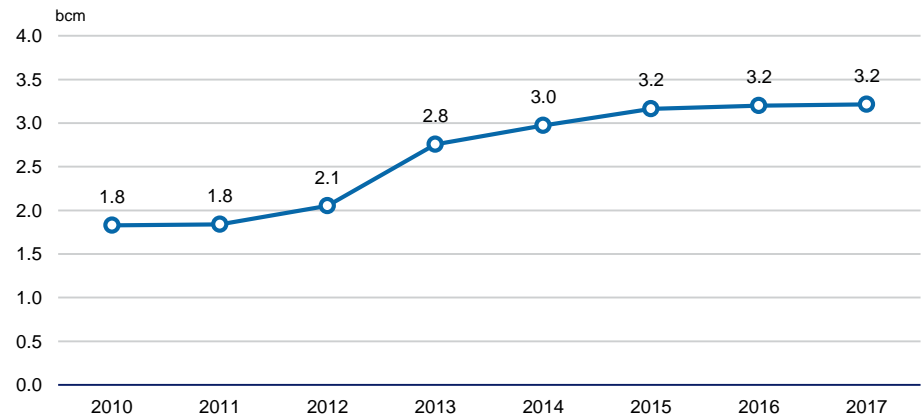
Gas supply & sales

- > Trade and Storage segment comprises:
 - > sales of natural gas (both imported and domestic) to retail and wholesale markets, sales and trading of electricity
 - > storage of gas
- > Polish market growth: CAGR +2.7% 2005-2017
- > Contract for natural gas deliveries with Gazprom („Yamal contract”) until 2022:
 - > 10.2 bcm annually, 85% Take-or-Pay
- > Contract for LNG with Qatargas until 2034:
 - > 1.3 bcm annually, 100% Take-or-Pay. Deliveries since June 2016
 - > side agreement (the total volume will increase to 2.7 bcm per annum, in 2018-2020 volume will be increased to 2.9 bcm)
- > 2.2 bcm of gas sold by PGNiG Supply & Trading to customers outside of Poland in 2017
- > Tariffs:
 - > Gas sales: Cost of gas + operating costs + margin
 - > Retail: PGNiG Retail's cost base including cost of gas on the commodity exchange
 - > Storage: Cost + return on capital (6.0% WACC x PLN 3.6bn RAB) (until March 2018)

> Sources of gas supply of PGNiG SA in Poland

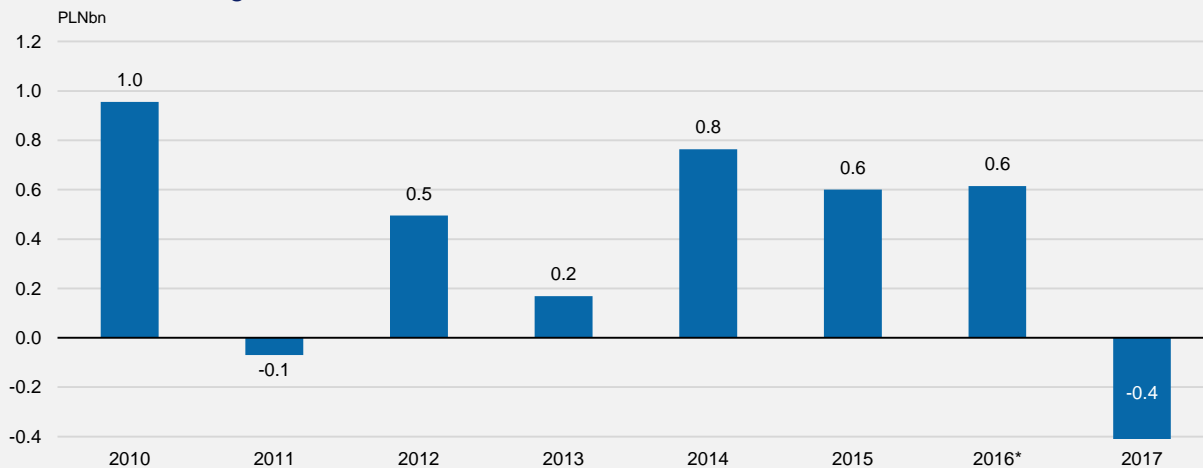


> Storage capacity (incl. storage capacity used only by E&P segment)



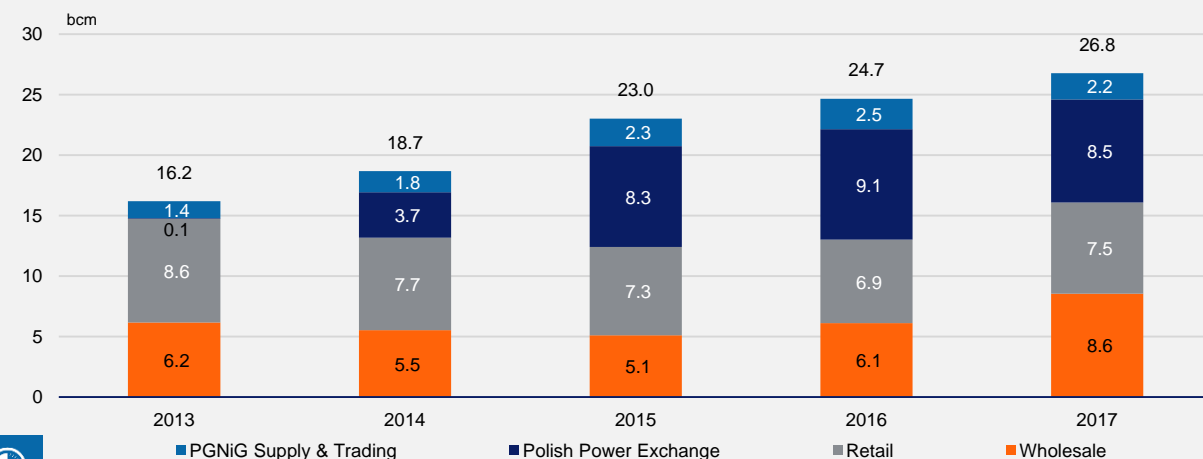
Trade & Storage's financial results

Trade and Storage's EBITDA



* restated

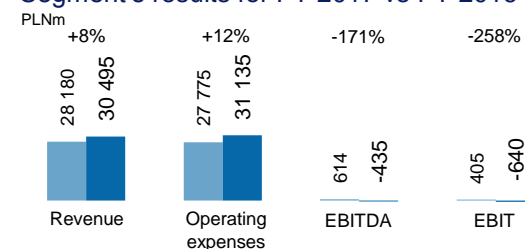
Sales of natural gas of PGNiG SA, PGNiG Retail and PST



Revenue growth driven by higher sales volumes

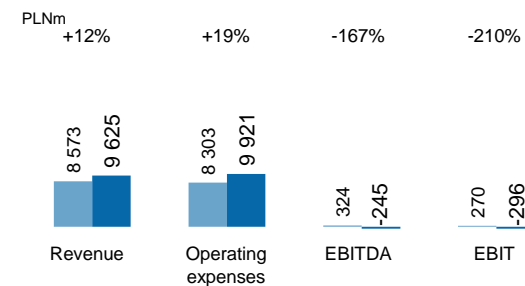
- Revenue from gas sales up 9%, led mainly by an 11% y/y rise in volumes.
- Impairment losses on property, plant and equipment: PLN -364m in 2017 vs PLN -12m in 2016.

Segment's results for FY 2017 vs FY 2016*



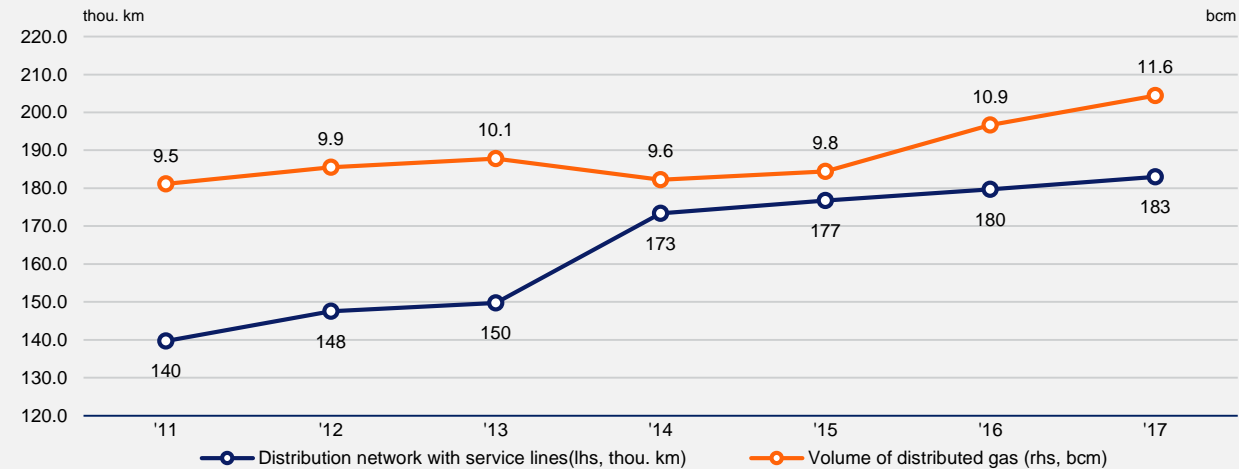
Segment's results for Q4 2017

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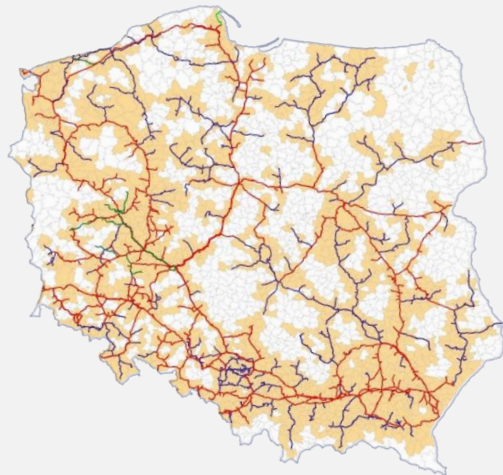


Distribution

- > Stable network's growth and increase of distributed volumes (+3.4% CAGR 2005-2017)



- > Coverage of distribution network



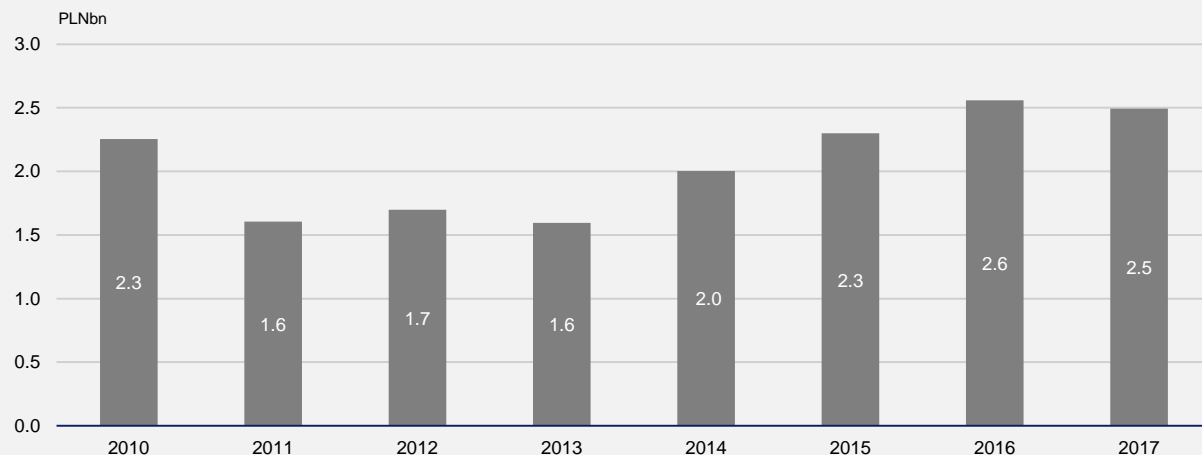
- > The owner of approximately 96% of Poland's distribution network and nearly 99% of the gas service lines
- > Transports natural gas from gas sellers to households, industrial and wholesale customers
- > Responsible for operation, maintenance and development of gas pipelines
- > Segment comprises of Polska Spółka Gazownictwa (PSG)

- > **Tariff:**

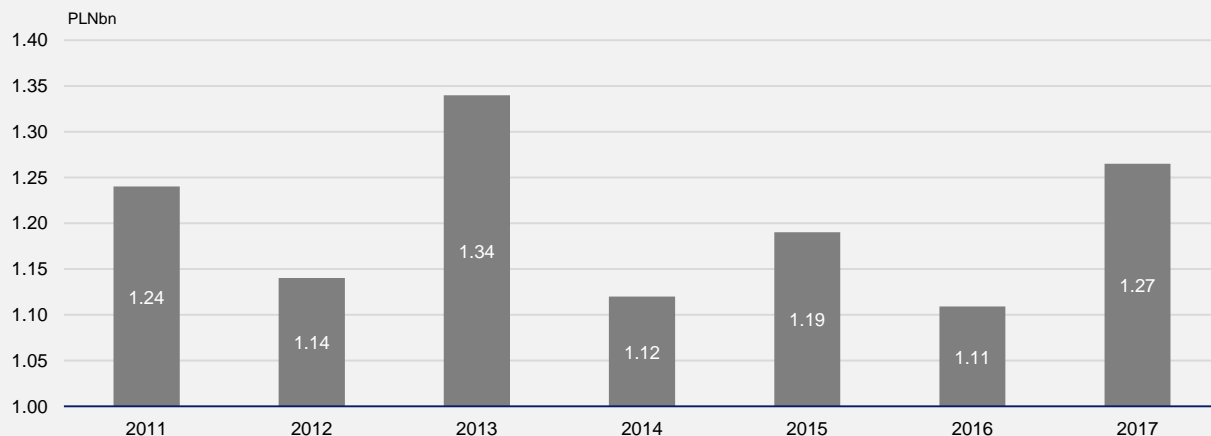
- > The new Tariff No. 6 approved by the President of the Energy Regulatory Office in January 2018 and has applied from March, 1st 2018
- > Cost + return on capital (6.2% WACC x PLN 12.1bn RAB)

Distribution's financial results

> Distribution's EBITDA

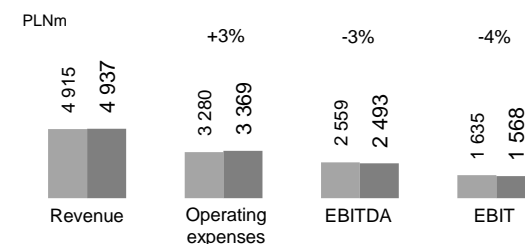


> Segment's CAPEX

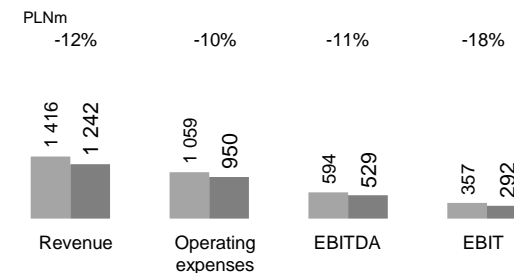


- > Volumes up by 7% in 2017 vs 2016
- > PSG's strategic goal is to generate cum. EBITDA of PLN 16bn in 2016-2022

> Segment's results for FY 2017 vs FY 2016



> Segment's results for Q4 2017



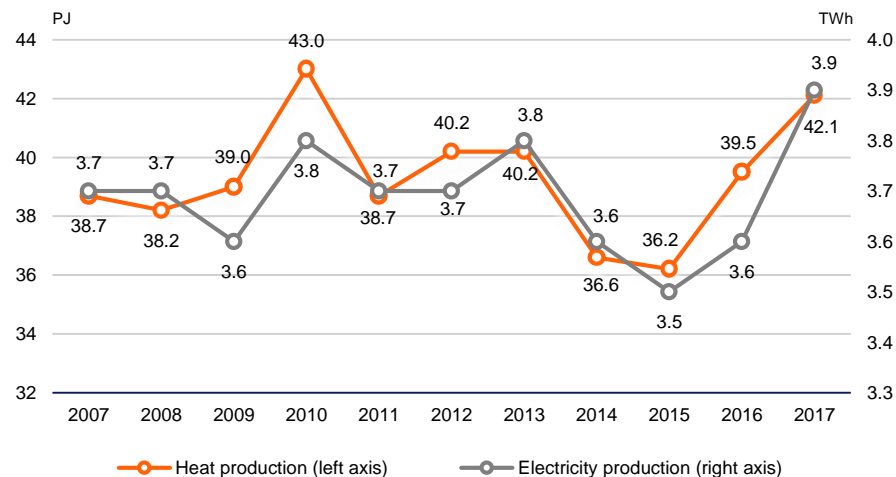
Heat and Power Generation

- > Share on the domestic market *:
 - > heat power 10%
 - > volume of heat sales 11%
- > Share on the Warsaw market:
 - > largest producer of heat and electricity in cogeneration
 - > estimated coverage of total heat demand about 70%
 - > estimated total electricity demand around 65%
 - > heat supplied to the city network about 98%.
- > Timeline:
 - > January 2012 – acquisition of 99.8% stake of Vattenfall Heat Poland S.A. from Vattenfall AB for PLN 3bn in cash (PLN 3.5bn EV)
 - > Acquisition of 20.4% of the share capital of the Polish Mining Group as a result of the investment of PLN 800m
 - > Expansion of heat and power generation and distribution:
 - > April 2016: purchase from JSW SA of Przedsiębiorstwo Energetyki Ciepłej („PEC”) for PLN 190m, including 14 local heat plants, 260 MW of total heat output
 - > August 2016: purchase from JSW SA of Spółka Energetyczna „Jastrzębie” („SEJ”) for PLN 327m, including 5 CHP, 130 MW of electricity output, 540 MW of heat output
 - > September 2017: The merger of PGNiG TERMIKA EP (formerly SEJ) and PEC
- > Tariff:
 - > Heat tariffs benchmarking scheme creates significant upside for profitability as PGNiG Termika produces low-cost heat

Generation segment operating data

Installed heat power	5.5 GWt
Installed electric power	1.2 GWe
Heat sales in 2017 (regulated)	42.1 PJ
Produced electricity sales in 2017	3.9 TWh

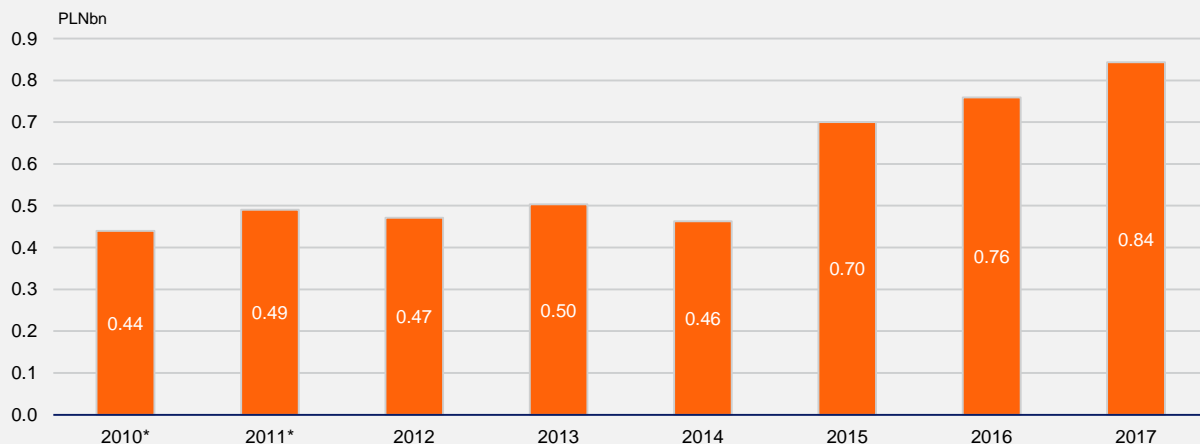
> Production of heat and own generation electricity



* Source: Thermal energy in numbers 2016

Generation's financial results

> Generation's EBITDA



> Investments

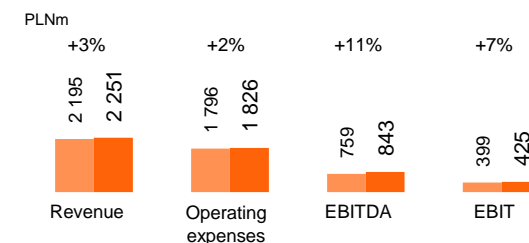
> 497 MWe gas-fired block in Warsaw at Żerań plant (2020)

> Combined Heat and Power Plant Stalowa Wola (Q4 2019)

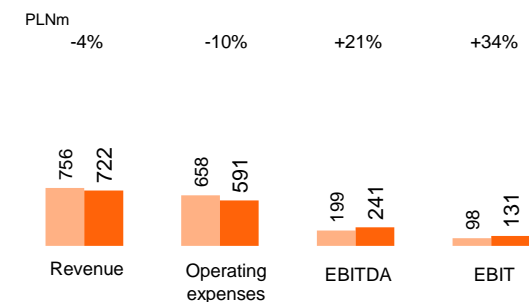
- > 50/50 JV PGNiG and Tauron Polska Energia. Total CAPEX PLN 1.6bn (project finance)
- > Agreement for Sale of Electricity. PGNiG to supply 0.5 bcm of gas for 14 years
- > Total power output: 450 MWe and 240 MWt
- > In January 2016: cancellation of the contract and imposition of penalties for general contractor related to the improper execution of the contract
- > An agreement on key preconditions for the project restructuring was signed in October 2016, aligning ECSW's existing commercial agreements to the expected start date of commercial operation and current market conditions.
- > A survey of the project's status ended in 2016. The project will be resumed by a specialised firm, responsible for supporting its coordination on an EPCM basis.
- > 900m loan agreement between ECSW with Bank Gospodarstwa Krajowego and PGNiG (PLN 450m from each lender) for the refinancing of ECSW's debt to PGNiG and Tauron Polska Energia, totalling PLN 600m, and PLN 300m to finance ECSW's further capital expenditure.

- > Revenue from heat sales recorded by the segment up 7% y/y, to 1.35 bn PLN in 2017.
- > In 2017, sales volumes of heat and electricity from own generation sources were up 6% and 8%, respectively.

> Segment's results for FY 2017 vs FY 2016



> Segment's results for Q4 2017



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



Strategy, CAPEX

PGNiG Group Strategy for 2017-2022

The new PGNiG Group Strategy for 2017–2022 (extended until 2026)

#1 Mission statement

We are a trustworthy supplier of energy for households and businesses

#2 Vision

We are a responsible and effective provider of innovative energy solutions

#3 Primary objective

Increasing the PGNiG Group's value and ensuring its financial stability

Trustworthy

The customers can depend on premium quality and reliability of our services

Energy supplier

Our customers are offered a full range of energy products (gas + electricity + heat + other/services)

Households and businesses

We care for and value all our customers: households, businesses, and institutions

Responsible

We act transparently, in line with the principles of corporate social responsibility

Effective

We have implemented process and cost optimisation measures

Innovative solutions

We are an innovation leader in the energy sector

Value growth

Our primary ambition is to create added value for our shareholders and customers

Financial stability

We seek to secure long-term financial stability and creditworthiness



The Group's key strategic objectives

Strategic objective

competitive position while supporting the development and ensuring security of the gas market in Poland

PGNiG's strong competitive position

Securing new gas supply sources to strengthen the Group's competitive position following expiry of the Yamal contract in 2022

Production projects in Norway focused on increasing annual gas output to ca. 2.5 bcm from 2022 onwards

Participation in the Norwegian Corridor project to secure direct gas imports from Norway

Developing gas and LNG trading functions to make PGNiG more competitive on gas markets in Europe and in Poland

Paramount objective

Increase the PGNiG Group's value and ensuring its financial stability

Development of gas market in Poland

More rapid expansion of distribution network in order to enable more new customer connections and gas market growth

Expanding the upstream business in Poland to replenish hydrocarbon reserves and to maintain high levels of production

Significant improvement of customer service quality through digitalisation of service channels and expansion of the product portfolio expansion



Ambitions in the key business areas



1. Exploration and production

- > Increase the base of documented hydrocarbon reserves by 35% (to 1,208 mm boe in 2022)
- > Increase annual hydrocarbon production by 41% (to 55 mm boe in 2022)



4. Storage

- > Securing access to storage capacities adjusted to actual demand
- > Improve storage efficiency



2. Wholesale

- > Diversified gas supply portfolio after 2022
- > Increasing the overall volume of natural gas sales by 7% (to 178 TWh in 2022)
- > Cumulative natural gas sales volume on wholesale markets in Poland and abroad 1000 TWh



5. Distribution

- > More than 300 thousand new service lines in 2017–2022
- > The annual growth rate in the number of service lines by 17%
- > Increase gas distribution volume by 16% (to 12.3 bcm in 2022)



7. Corporate Centre

- > Effective execution of R&D&I projects
- > Operational efficiency improvement across the PGNiG Group
- > Enhancing the PGNiG Group's image



3. Retail

- > Maximising retail margins
- > Maintaining the total volume of retail gas sales at ca. 67-69 TWh/year

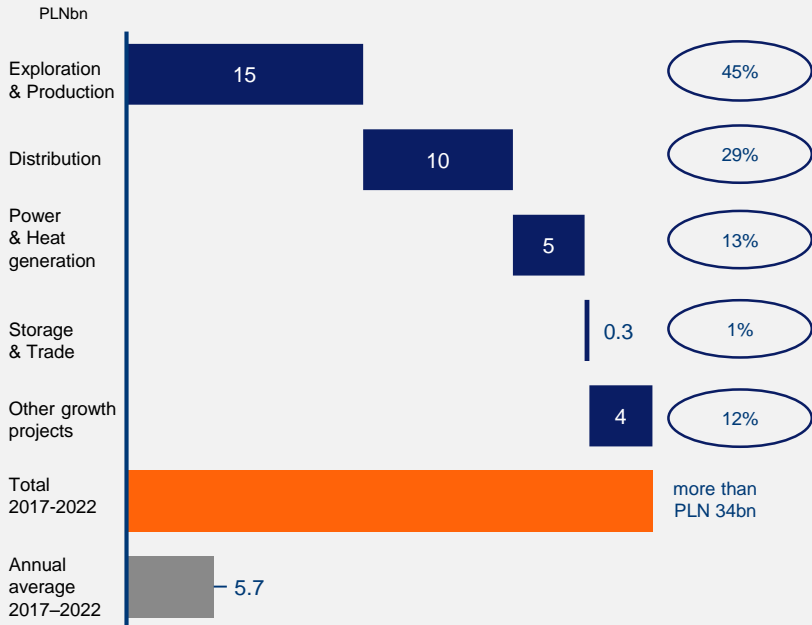


6. Power and heat generation

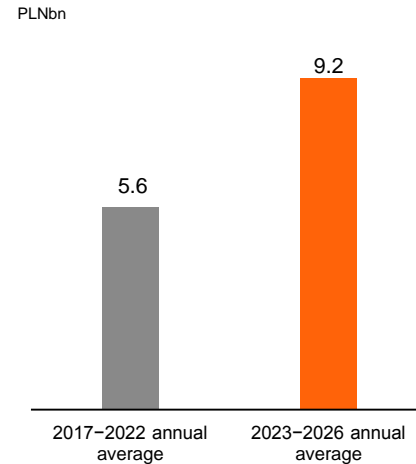
- > Increase power and heat sales volumes by 20% (to 18 TWh in 2022)

CAPEX and EBITDA for 2017-2022

CAPEX breakdown for 2017-2022

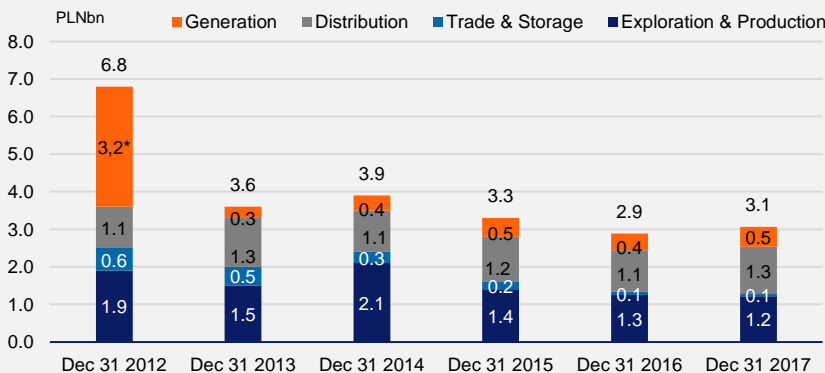


EBITDA for 2017 – 2022



- > PLN 33.7bn cumulative EBITDA
- > Ambitious investment programme: long-term growth of the Group's EBITDA, particularly in 2023-2026 (at the annual average of ca. PLN 9.2bn)
- > Keeping debt at safe levels (net debt/EBITDA below 2.0)

Annual CAPEX 2012 – 2017



* Includes PLN 3bn for acquisition of PGNiG Termika

- > Almost half of CAPEX (45%) will be spent on hydrocarbon exploration and production.
- > Average annual capital expenditure in 2017-2022 at ca. PLN 5.7bn.

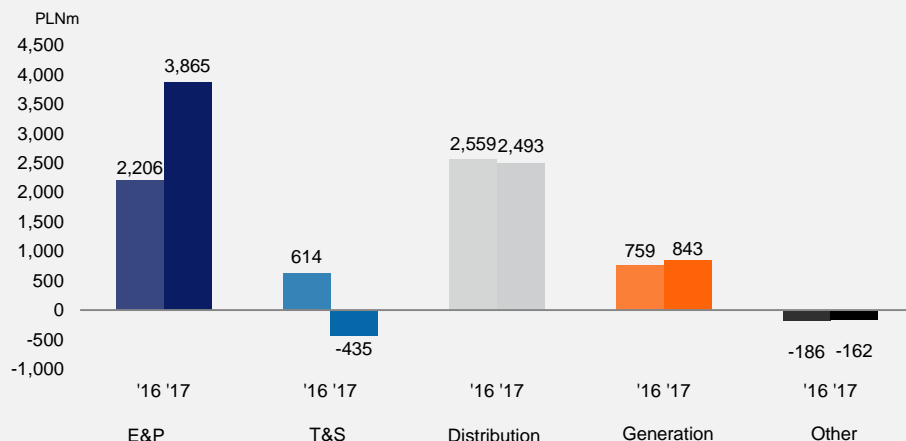




Appendix

Financial highlights FY 2017

> Group's EBITDA by segment in 2017 vs 2016



Exploration and Production

- > Revenue from gas sales up by PLN 589m y/y (+20%).
- > Impairment losses on property, plant and equipment: PLN -79m in 2017 vs PLN -771m in 2016.

Trade and Storage

- > Revenue from gas sales up 9%, led mainly by an 11% y/y rise in volumes.
- > PLN -19m gas inventory write-downs recognised in 2017. PLN +226m in reversals of gas inventory write-downs in 2016. Impairment losses on property, plant and equipment: PLN -364m in 2017 vs PLN -12m in 2016.

Distribution

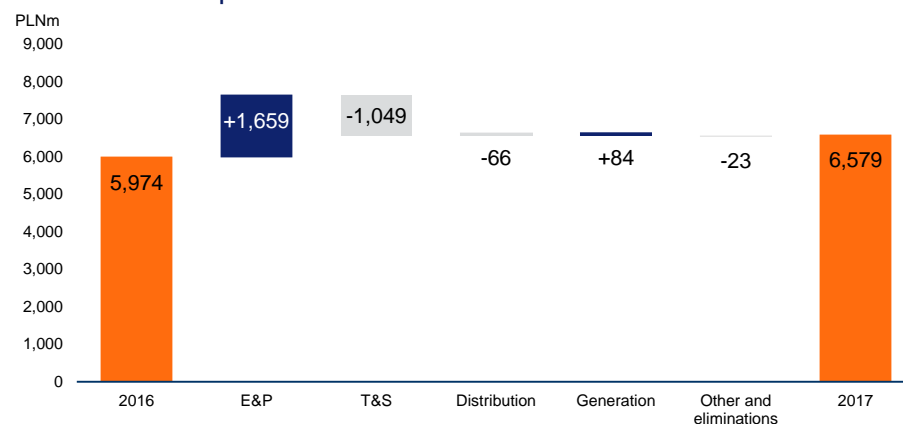
- > Gas distribution volume up 7% y/y.
- > In 2017, employee benefit expense increased (PLN 1,149m in 2017 vs PLN 995m in 2016) on higher headcount and new bonus scheme adopted by PSG in 2017.

Generation

- > In 2017, sales volumes of heat and electricity from own generation sources were up 6% and 8%, respectively.

[PLNm]	2016	2017	Δ%
Revenue	33,196	35,857	8%
Operating expenses (excl. D&A)	-27,222	-29,278	8%
EBITDA	5,974	6,579	10%
<i>EBITDA (net of impairment losses on property, plant and equipment)</i>	<i>6,810</i>	<i>7,012</i>	3%
Depreciation and amortisation	-2,614	-2,669	2%
EBIT	3,360	3,910	16%
Net finance income/(costs)	-76	-16	-79%
Net profit	2,349	2,921	24%

> PGNiG Group's EBITDA in 2016 vs 2017*

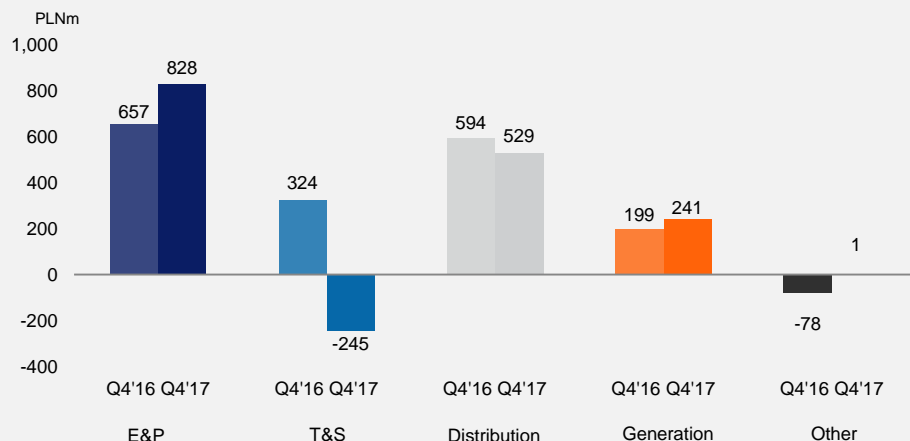


* Eliminations in 2017: PLN -25m vs PLN 22m in 2016



Financial highlights Q4 2017

> Group's EBITDA by segment in Q4 2016 vs Q4 2017



Exploration and Production

- > Revenue from gas sales up by PLN 127m y/y (+14%).
- > Impairment losses on property, plant and equipment, dry wells and seismic surveys written off in Q4 2017 at PLN -444m, compared with PLN -315m in Q4 2016.

Trade and Storage

- > Revenue from gas sales up 11%, led mainly by an 11% rise in volumes.
- > A PLN -26m gas inventory write-downs recognised in Q4 2017. PLN +32m in reversals of gas inventory write-downs recognised in Q4 2016 (mark-to-market valuation of gas at the LNG terminal). Impairment loss recognised on power generating assets at Wierzchowice PLN -364m in Q4 2017 compared with Q4 2016 (PLN -10m).

Distribution

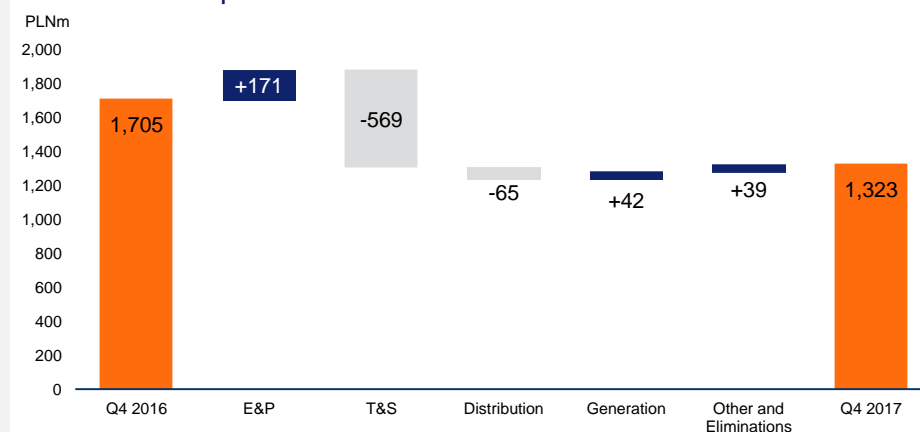
- > Gas distribution volume 4% down y/y in Q4 2017, with revenue from distribution services falling 2% y/y.

Generation

- > Sales volumes of electricity (from own sources) up 6% y/y, whereas sales volumes of heat down 6% y/y

[PLNm]	Q4 2016	Q4 2017	Δ%
Revenue	10,146	10,965	8%
Operating expenses (excl. D&A)	-8,441	-9,642	14%
EBITDA	1,705	1,323	-22%
<i>EBITDA (net of impairment losses on property, plant and equipment)</i>	1,827	1,871	2%
Depreciation and amortisation	-658	-673	2%
EBIT	1,047	650	-38%
Net finance income/(costs)	-63	-47	-25%
Net profit	721	456	-37%

> PGNiG Group's EBITDA in Q4 2016 vs Q4 2017*



* Eliminations in Q4 2017: PLN 31m, in Q4 2016: PLN -9m



Operating expenses in Q4 2017 vs Q4 2016

[PLNm]	Q4 2016	Q4 2017	Δ%
Cost of gas sold	-5,447	-6,512	20%
Fuels for heat and power generation	-259	-252	-3%
Other raw materials and consumables used	-504	-630	25%
Employee benefits expense	-778	-794	2%
Transmission services	-332	-304	-8%
Other services	-488	-551	13%
<i>LNG regasification services</i>	-83	-86	4%
Taxes and charges	-132	-123	-7%
Other net income and expenses*	-484	-64	-87%
<i>Change in inventory write-downs</i>	3	-34	-12x
<i>Change in provisions</i>	-70	19	127%
Recognition and reversal of impairment losses on property, plant and equipment and intangible assets	-359	-797	122%
<i>Cost of dry wells and seismic surveys written-off</i>	-236	-249	6%
<i>Impairment losses on property, plant and equipment</i>	-123	-548	346%
Work performed by the entity and capitalised	342	385	13%
Depreciation and amortisation	-658	-673	2%
Total operating expenses	-9,099	-10,315	13%
<i>Operating expenses net of cost of gas sold</i>	-3,652	-3,803	4%

Comments:

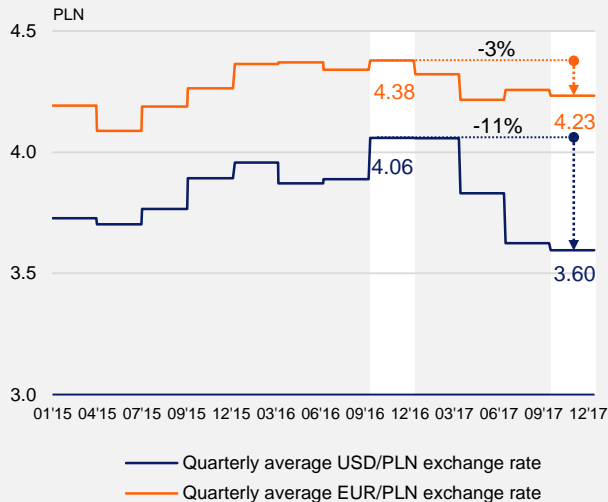
- > PLN 1.1bn (+20%) y/y increase in the cost of gas sold.
- > Higher other income and expenses y/y (Q4 2017: PLN -64m vs Q4 2016: PLN -484m), driven by factors such as higher gains on realised derivatives related to operating activities (up by PLN 120m y/y to PLN 72m in Q4 2017) and positive changes in the balance of provisions y/y by PLN 89m to the level of PLN 19m.
- > Higher other operating expenses in Q4 2016, driven by one-off items: reversal of PLN 73m gain from the bargain purchase of SEJ and reclassification of the Powiśle Park building to finance leases (impact on the cost of PLN -126m).
- > Higher other operating income in Q4 2017 as a result of market valuation of the underlift position in Norway - impact on the result of PLN +65m.
- > Cost of electricity for trading up PLN 141m (PLN 487m in Q4 2017), led by increased electricity trading volumes (up 18% y/y). Electricity sales volume at PST up by 153% to 873 GWh y/y.
- > Increase in dry wells written off by PLN 61m y/y to PLN 152m. Seven dry wells written off in Q4 2017 vs two wells written off in Q4 2016.
- > Higher impairment losses on property, plant and equipment, mainly on account of an impairment loss on power generating assets at Wierchowice (PLN -364m).
- > Cost of gas price hedging transactions at PLN -13m in Q4 2017 vs PLN -28m in Q3 2017.



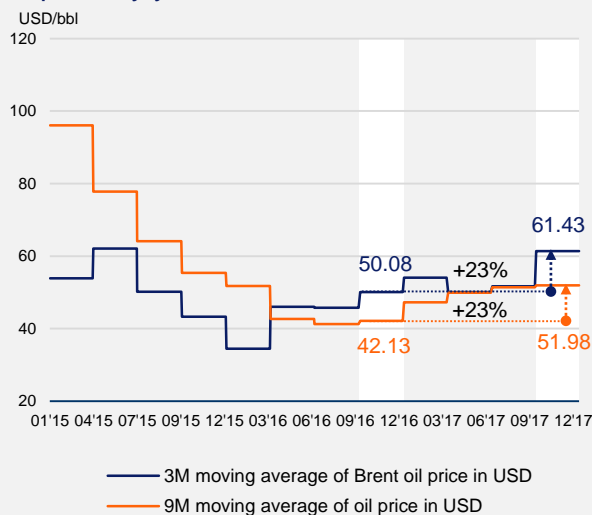
* Other expenses shown above do not include taxes and charges, or impairment losses on property, plant and equipment and intangible assets

Performance drivers

- EUR depreciating against PLN y/y, USD depreciating against PLN y/y

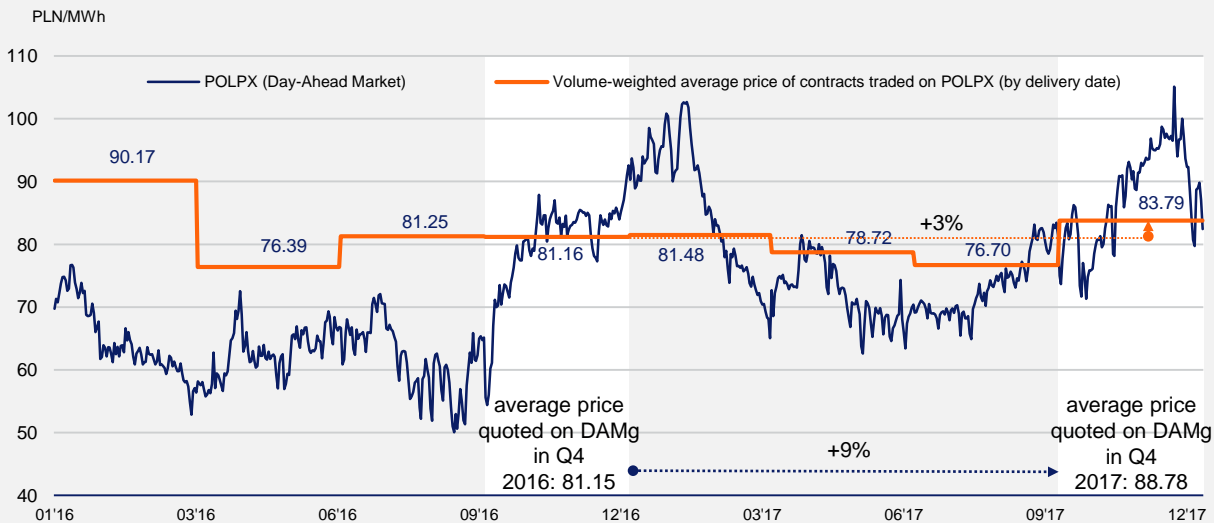


- 9-month average crude oil price up 23% y/y in Q4 2017



- Revenue up on high gas sales volumes, with unit cost of gas rising

- Gas prices quoted on the POLPX Day-Ahead Market and the average price of contracts weighted by volume



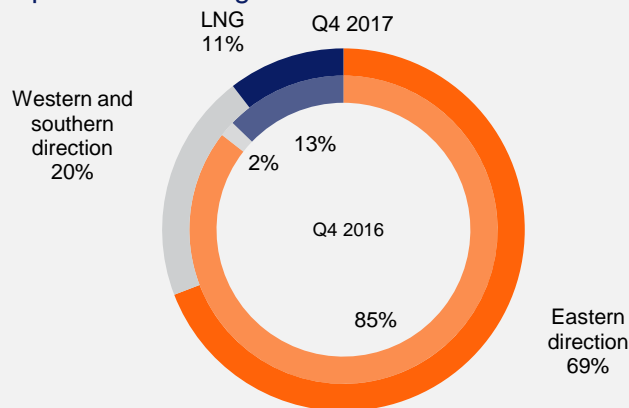
Comments:

- Selling prices at POLPX: the largest volumes of gas were traded on the POLPX and other gas exchanges under contracts with maturities of a quarter, season (summer/winter) and year. These were complemented by monthly/weekly futures and spot contracts.
- The volume-weighted average price of contracts traded on the POLPX for a given quarter is calculated based on the prices of contracts for delivery in that quarter.



Gas sales and imports structure

Imports of natural gas to Poland



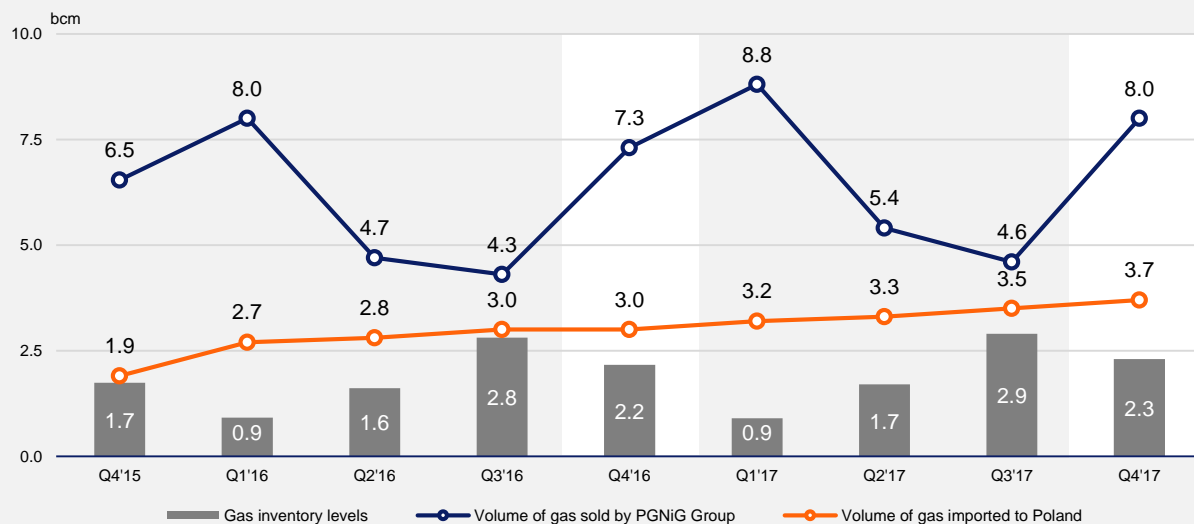
Gas sales outside the Group (by company)

[mcm]	Q4 2016	Q4 2017	Δ%
PGNiG Group:	7,338	8,022	9%
<i>PGNiG SA</i>	4,474	5,212	16%
<i>PGNiG OD</i>	2,302	2,207	-4%
<i>PST</i>	561	603	7%

> A marked increase in the share of sources west of Poland in Q4 2017 gas imports.

> PGNiG Group gas sales volumes up 0.7 bcm y/y in Q4 2017. Strong increase in sales to industrial customers, mainly: refineries and petrochemical plants, power and heat plants, and nitrogen processing plants

PGNiG Group's gas sales volumes, gas inventory levels, and gas imports



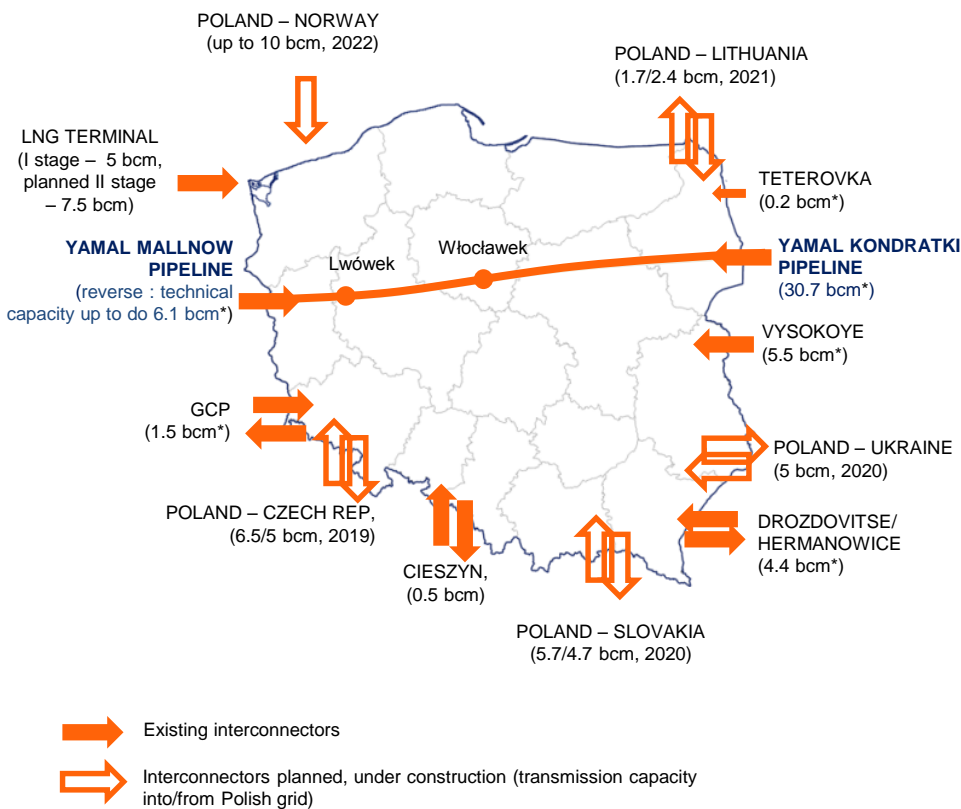
Comments:

> LNG terminal stocks: 80 mcm (as at December 31st 2017)

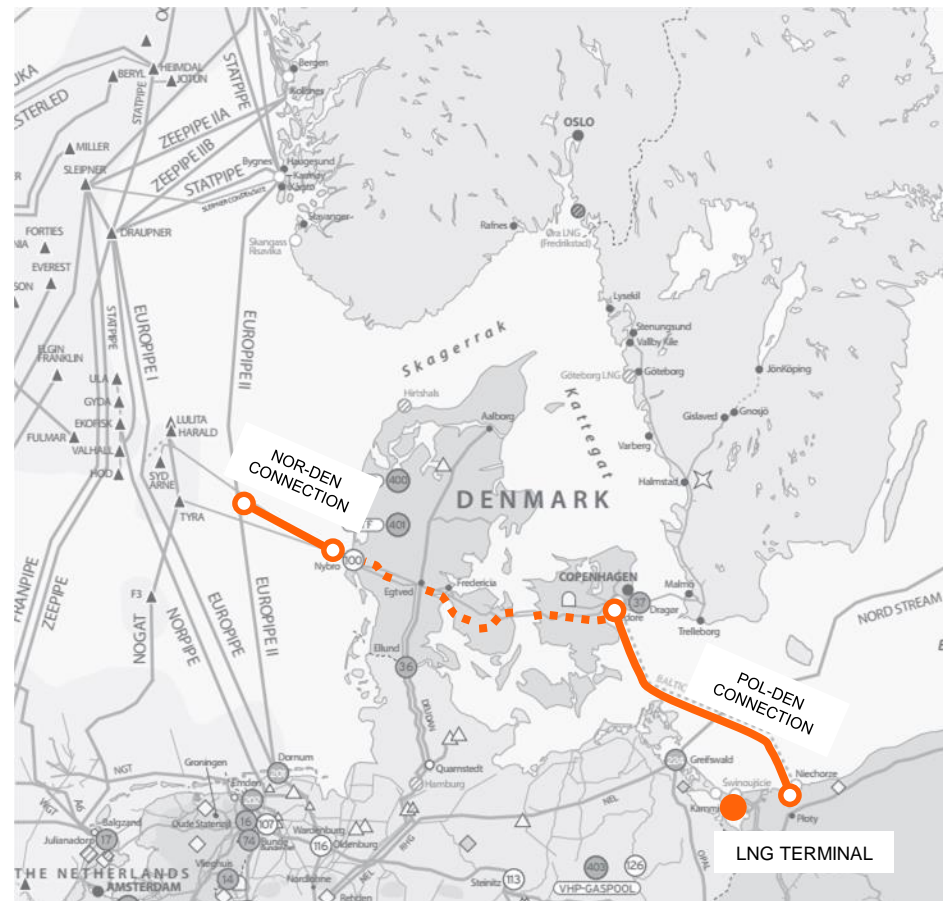


Gas transport routes

> Interconnections

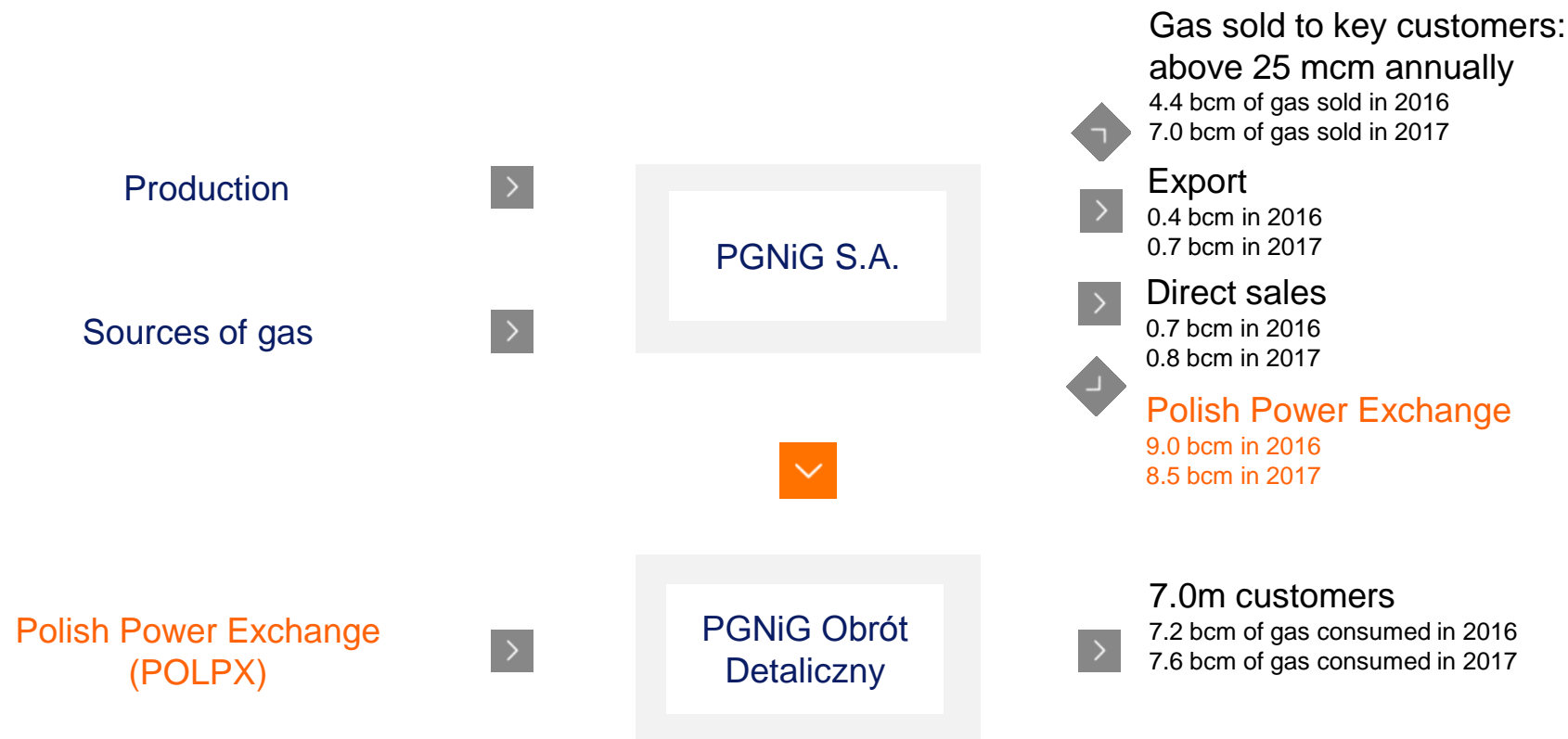


> Northern Gate Project



* Technical capacity

Gas trading and retail sales



Sales made on POLPX by PGNiG SA and purchases made on POLPX 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.

Changes on the Polish gas market

Gas sales volume (mcm)	2014	2015	2016	2017
Total PGNiG Group	18.6	23.0	24.3	26.8
PGNiG SA (without Pakistan)	13.8	13.2	14.5	16.9
<i>including PGNiG SA through PPE</i>	3.7	8.1	9.0	8.4
PGNiG Obrót Detaliczny (Retail)	3.0	7.5	7.3	7.6

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

> 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.

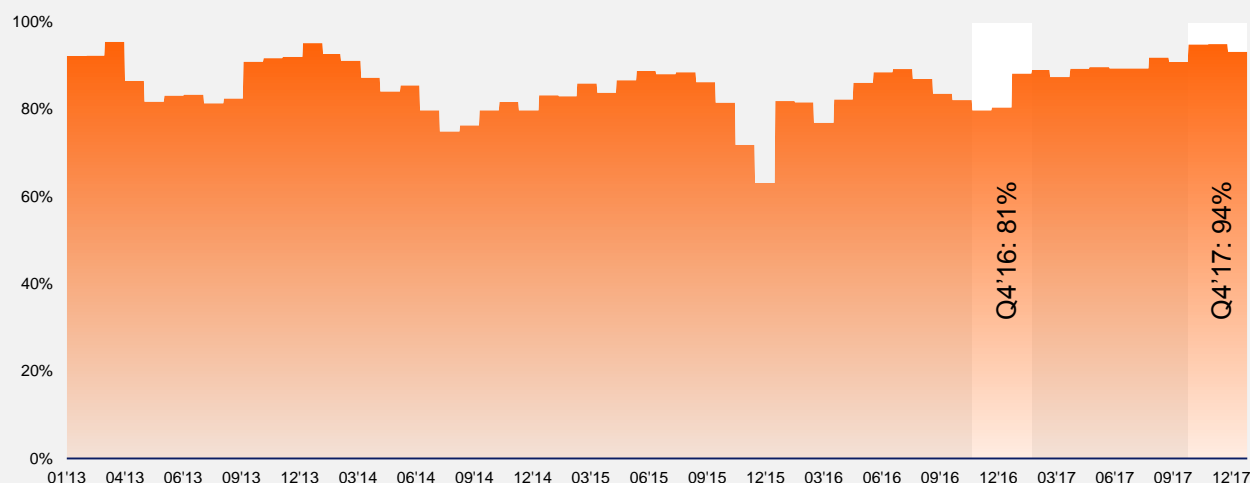
> Nitrogen-rich gas presented in the table as Group E gas equivalent.

* Notes:

> The chart presents 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. The increase of PGNiG's share in imports observed in Q1 2016 caused mainly by reduced exports to Ukraine.

> Data in the chart do not show 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.

> PGNiG's share in gas imports to Poland*



Tariff Model in Poland

Type of activity	Regulatory mechanism
Direct sales	None
Gas sales	Cost of gas + operating costs + margin
Retail	PGNiG Retail's cost base including cost of gas on PPE
Wholesale	Including cost of imports + cost of production (with return on capital invested in E&P)
Storage (until March 2018)	Cost + return on capital (6.0% WACC x PLN 3.6bn RAB)
Distribution (set in 2018)	Cost + return on capital (6.2% WACC x PLN 12.1bn RAB)

Detariffication schedule for gas market in Poland



Eliminating gas fuel trading tariffs for wholesalers and end customers purchasing gas fuel (i) at a virtual gas trading point, (ii) in the form of LNG or CNG, and (iii) under tender, auction or public procurement procedures pursuant to the provisions of the Public Procurement Law.

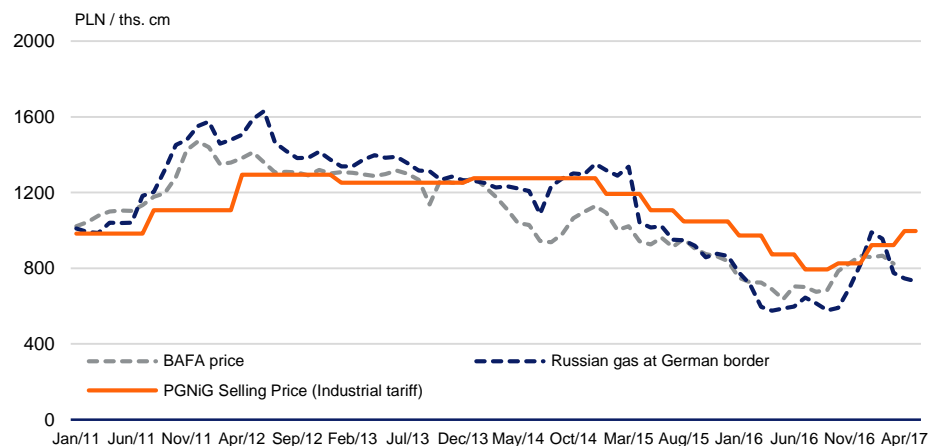


Eliminating gas fuel trading tariffs for other business customers (including both bigger industrial companies and small & medium enterprises).



Maintained the obligation of providing tariffs for households.

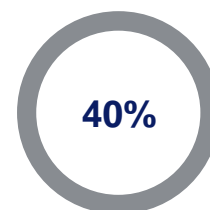
Monthly average gas prices in European import contracts and PGNiG tariff price



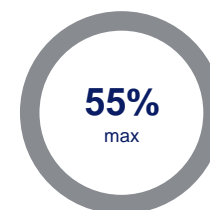
Levels of obligatory trading on Polish Power Exchange



In 2013



From January 1, 2014



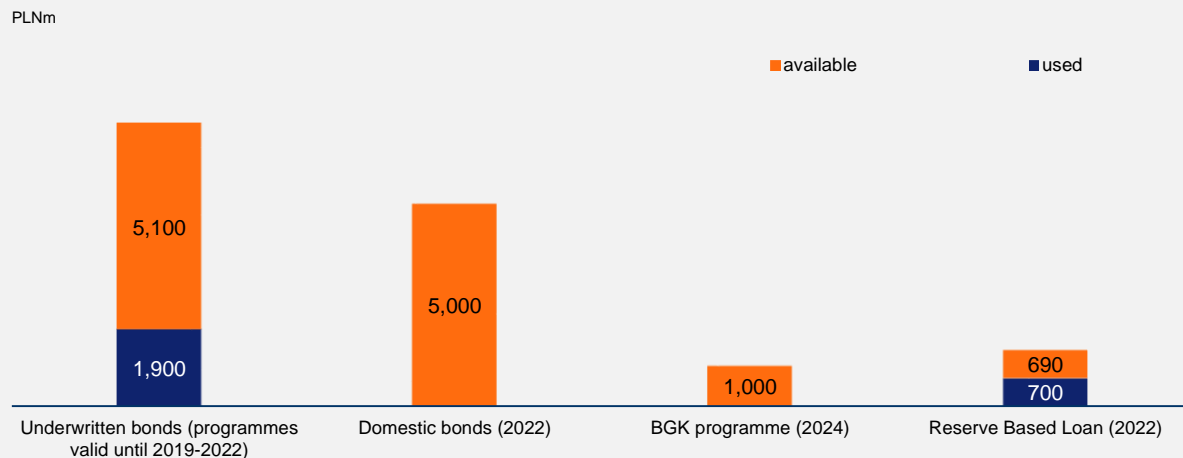
From January 1, 2015

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.

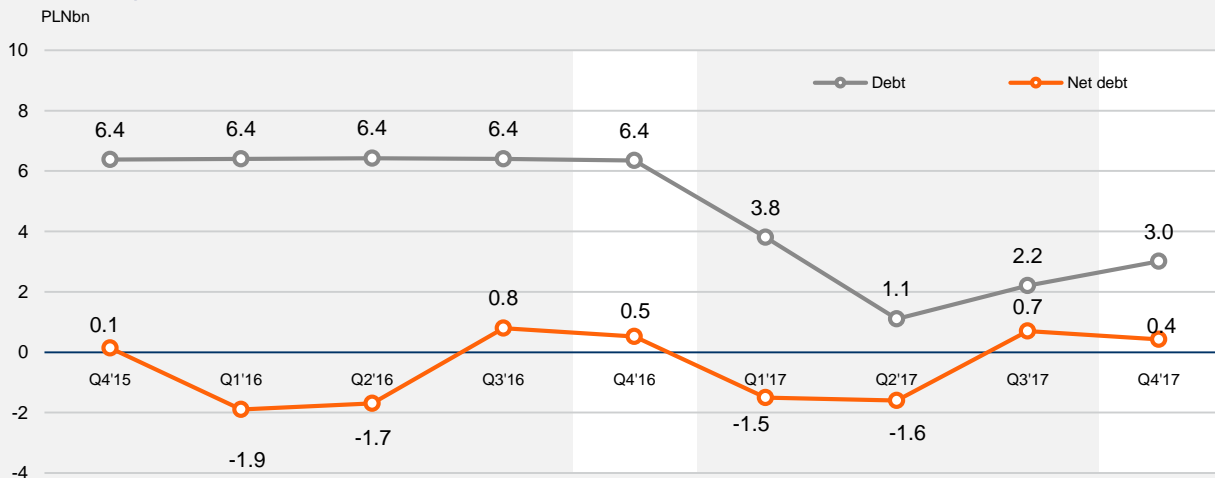


Debt and sources of funding

> Sources of funding (as at December 31st 2017)



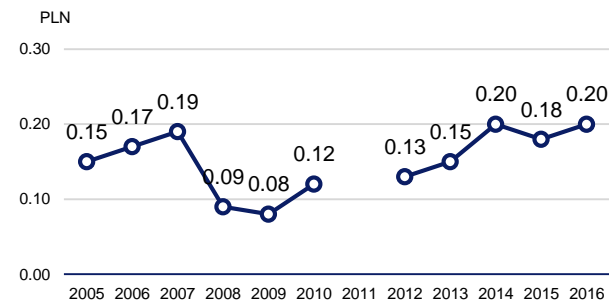
> Debt at quarter end



Comments:

- > On December 21st 2017, due to a mismatch between the investment programme and the bond programme, PGNiG TERMIKA S.A. entered into agreements terminating the PLN 1,500m bond programme established on July 4th 2012, as a result of which the total value of guaranteed bonds reached PLN 7bn.
- > On December 21st 2017, PGNiG S.A. signed a PLN 5bn bond programme agreement, with ING Bank Śląski S.A., Bank Polska Kasa Opieki S.A., Bank Handlowy w Warszawie S.A. and Bank BGŻ BNP Paribas S.A. as arrangers.

> Dividend per share

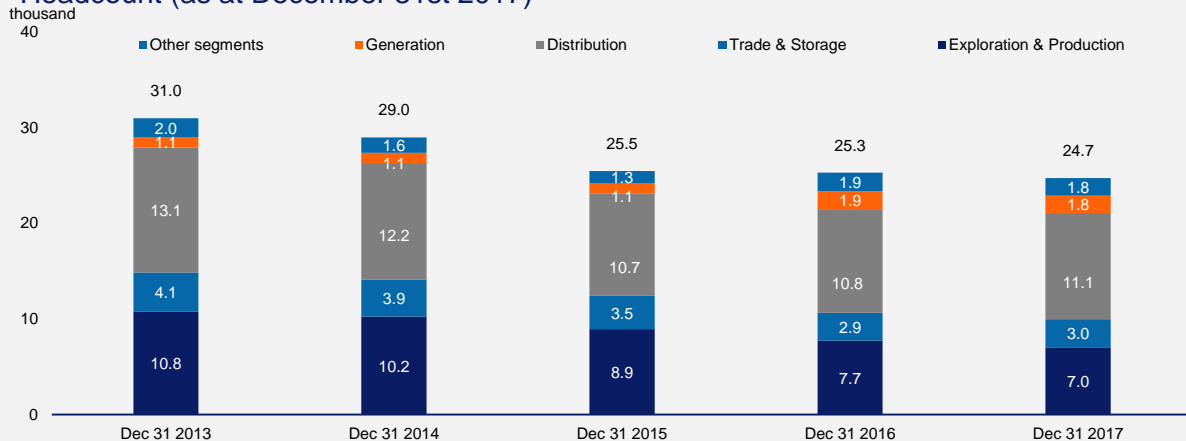


- > Strategic objective: up to 50% of consolidated net profit to be distributed as dividend in 2017-2022 (provided that the financial condition is stable and financing for investment projects is secured).

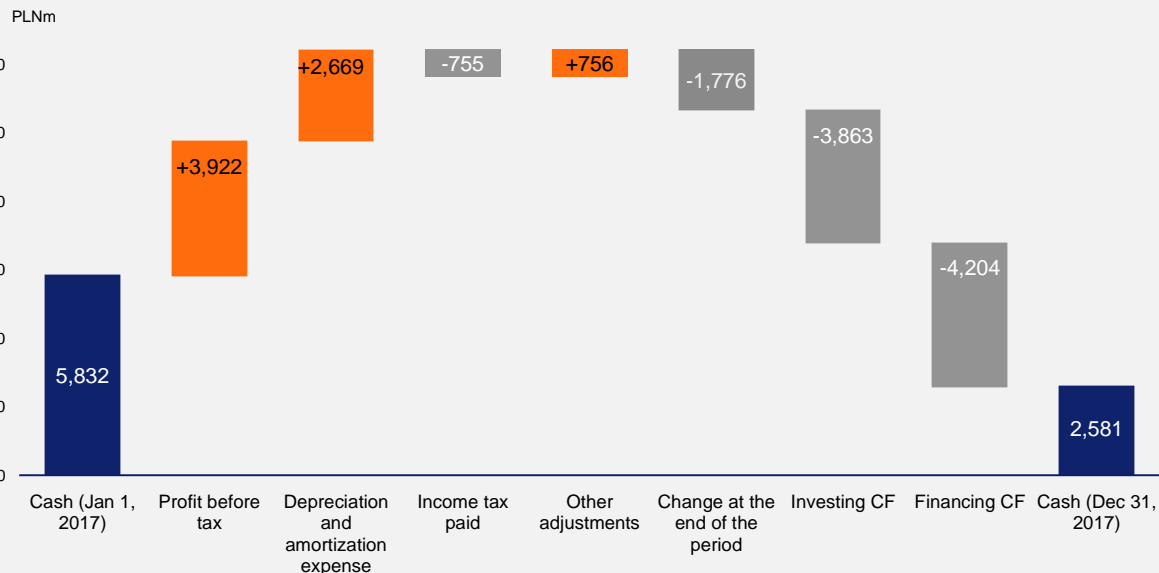


Statement of financial position, statement of cash flows, financial ratios and headcount

> Headcount (as at December 31st 2017)*

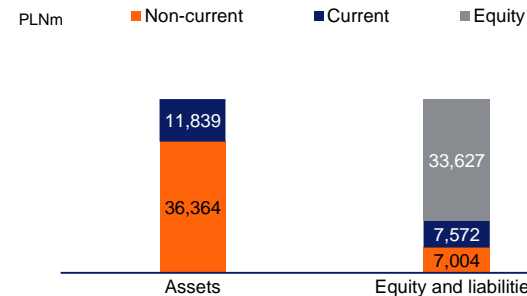


> Consolidated cash flows (Jan 1-Dec 31 2017)

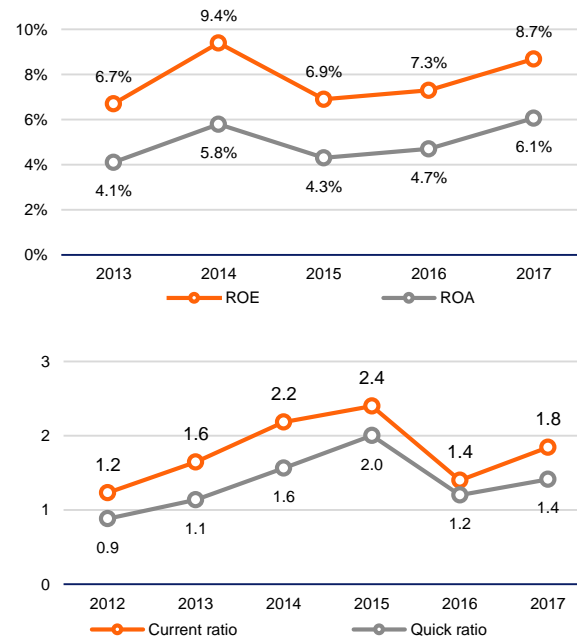


* Changes in the presentation of corporate centre's data, leading to changes in the Trade & Storage and Other segments in 2016.

> Group's statement of financial position (as at December 31st 2017)



> Profitability and liquidity ratios



Production and sales volumes

NATURAL GAS PRODUCTION BY THE PGNIG GROUP [mcm]

	FY 2017	Q4 2017	Q3 2017	Q2 2017	Q1 2017	FY 2016	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
HIGH-METHANE GAS (E)	1,863	461	459	469	474	1,919	473	449	487	509	504	515	507	501
<i>including in Poland</i>	1,315	335	325	327	328	1,401	347	346	349	359	366	359	362	367
<i>including in Norway</i>	548	126	134	142	146	518	126	103	138	150	138	156	145	134
NITROGEN-RICH GAS (Ls/Lw as E equiv.)	2,674	731	664	567	712	2,540	692	582	596	670	664	612	602	685
<i>including in Poland</i>	2,524	684	627	533	680	2,481	670	570	584	657	651	601	589	672
<i>including in Pakistan</i>	150	47	37	34	32	59	22	12	12	13	13	12	13	13
TOTAL (measured as E equivalent)	4,537	1,192	1,123	1,036	1,186	4,458	1,165	1,031	1,083	1,179	1,168	1,128	1,109	1,186

NATURAL GAS SALES at PGNiG Group [mcm]

HIGH-METHANE GAS (E)	25,291	7,603	4,298	5,079	8,311	22,895	6,921	4,004	4,410	7,560	6,184	3,662	4,497	7,311
<i>including PST sales outside PGNiG Group</i>	2,186	603	452	482	649	2,510	561	614	571	764	648	639	502	522
NITROGEN-RICH GAS (Ls/Lw as E equiv.)	1,496	419	296	312	469	1,371	417	244	298	412	355	261	285	395
TOTAL (measured as E equivalent)	26,787	8,022	4,594	5,391	8,780	24,266	7,338	4,248	4,708	7,972	6,539	3,922	4,782	7,705
<i>including sales directly from the fields</i>	796	226	182	161	227	718	209	129	172	208	184	155	161	196

NATURAL GAS IMPORTS by PGNiG SA [mcm]

Total	13,714	3,673	3,488	3,334	3,219	11,527	2,968	3,020	2,837	2,702	1,863	2,398	2,495	2,574
<i>including: sources east of Poland</i>	9,656	2,540	1,889	2,518	2,709	10,248	2,539	2,429	2,623	2,657	1,774	2,329	2,219	1,833
<i>including: LNG</i>	1,715	383	470	475	387	974	380	384	210	-	-	-	-	-

CRUDE OIL, PGNiG Group (thousand tonnes)

Production of crude oil and condensate	1,257	329	313	269	346	1,318	344	298	328	348	358	367	317	386
<i>including in Poland</i>	787	220	203	148	216	763	207	177	176	203	207	204	147	207
<i>including in Norway</i>	470	109	110	121	130	555	137	121	152	145	151	163	170	180
Sales of crude oil and condensate	1,270	313	251	316	390	1,346	325	287	336	398	315	356	372	348
<i>including in Poland</i>	791	222	190	161	218	753	198	179	171	205	211	196	148	217
<i>including in Norway</i>	479	91	61	155	172	593	127	108	165	193	104	160	224	131

GENERATION

Production of heat, net (sales) (TJ)	42,067	14,195	3,471	6,732	17,669	39,527	15,079	2,945	5,351	16,152	12,643	2,701	5,810	15,055
Production of electricity, net, secondary generation (for sale) (GWh)	3,882	1,280	407	737	1,458	3,604	1,204	418	592	1,390	1,136	328	674	1,349

Impact of the changes [2016 EBITDA in PLNm]

Previous reporting method	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Exploration and Production	619	(123)	494	295	-	-	-	-
Trade and Storage	660	110	(8)	648	-	-	-	-
Distribution	758	665	542	594	-	-	-	-
Generation	362	87	110	199	-	-	-	-
Other	(10)	(5)	(6)	(40)	-	-	-	-
Eliminations	4	2	5	11	-	-	-	-

Reclassification	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Exploration and Production	260	140	159	362	-	-	-	-
Trade and Storage	(237)	(102)	(133)	(324)	-	-	-	-
Distribution	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-
Other	(23)	(38)	(26)	(38)	-	-	-	-
Eliminations	-	-	-	-	-	-	-	-

New reporting method	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Exploration and Production	879	17	653	657	1,376	863	798	828
Trade and Storage	423	8	(141)	324	358	(268)	(279)	(245)
Distribution	758	665	542	594	692	692	581	529
Generation	362	87	110	199	409	170	22	241
Other	(33)	(43)	(32)	(78)	(66)	(54)	(43)	1
Eliminations	4	2	5	11	-	5	-	(31)

Glossary

2P	Proven reserves of fossil fuels
bbf	Barrel
BGK	Bank Gospodarstwa Krajowego
boe / mmboe	Barrel of oil equivalent / Million barrel of oil equivalent (one barrel is approx, 0,136 tonnes)
CAGR	Compound annual growth rate
CAPEX	Capital expenses
CNG	Compressed Natural Gas
cm / bcm	cubic meters / billion cubic meters
D&A	Depreciation and Amortization
DCF	Discounted cash flow
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation and amortization
JV	Joint Venture
LNG	Liquefied Natural Gas
PPE	Polish Power Exchange
PSG	Polska Spółka Gazownictwa
PST	PGNiG Supply & Trading GmbH
RAB	Regulatory Asset Base
WIG 20	Capitalization-weighted stock market index of the twenty largest companies on the Warsaw Stock Exchange
WSE	Warsaw Stock Exchange

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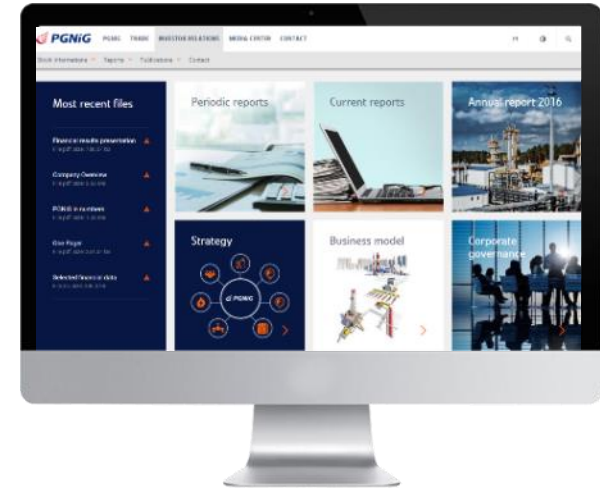
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