Polish Oil and Gas Company

Company Overview

May 2018

PGNiG

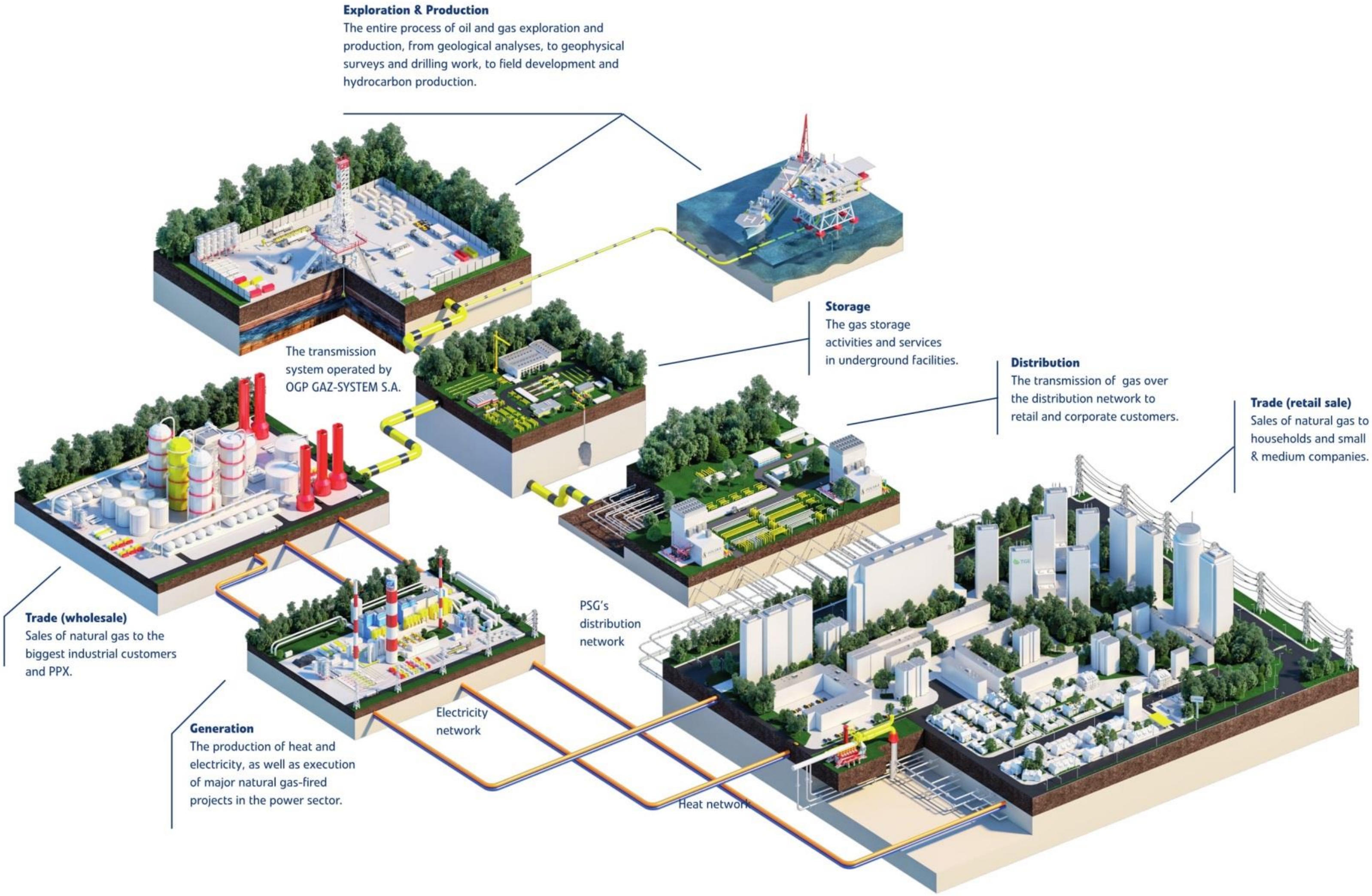
Agenda

- 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 according to IFRS 15, financial results

PGNiG

PGNiG Group and Polish Gas Market

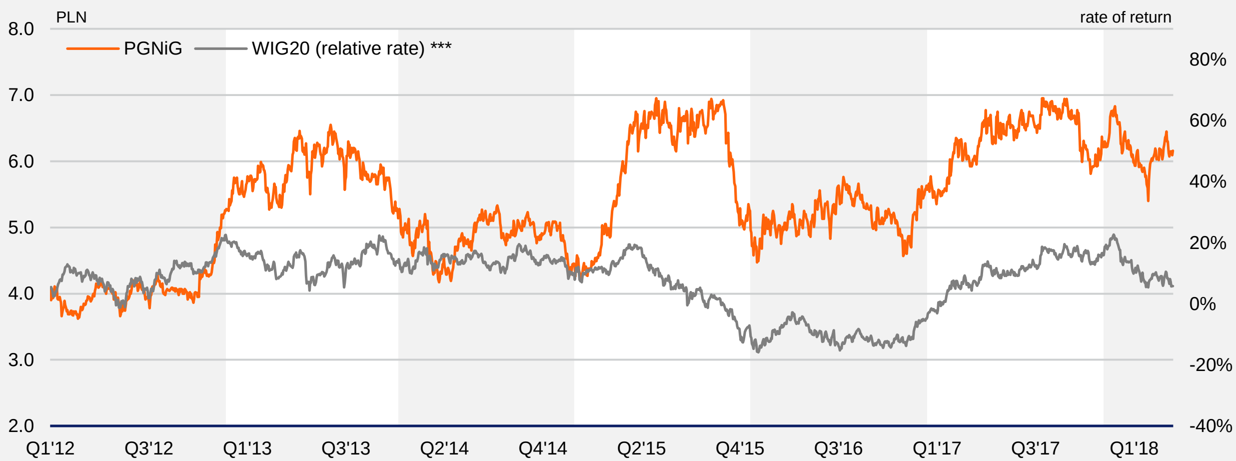
Poland's no.1 integrated group in the oil and gas sector

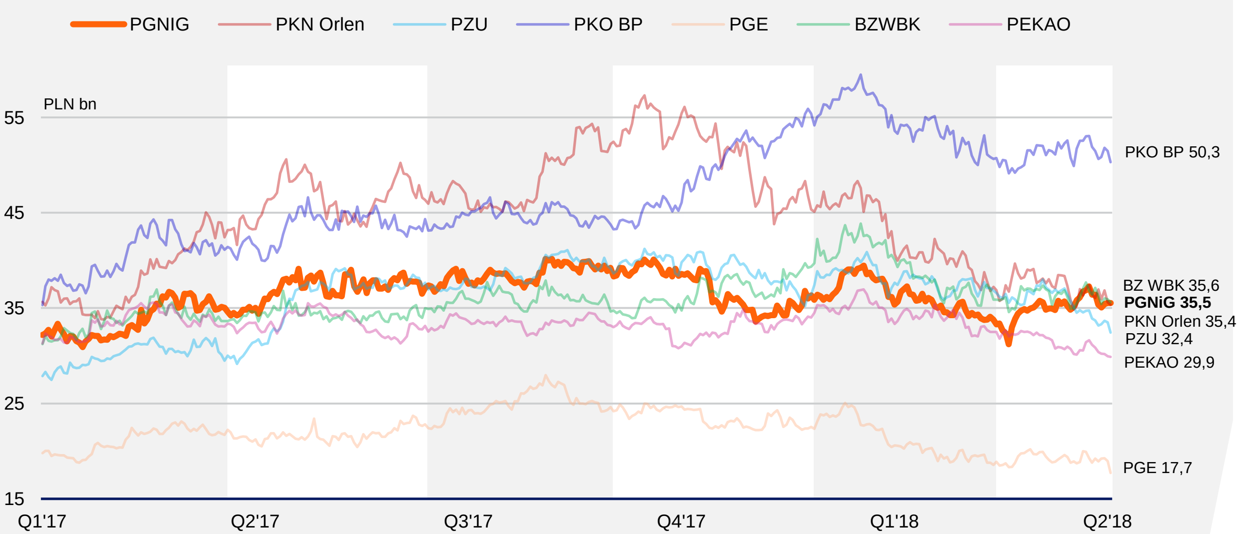


PGNiG

The biggest industrial Polish company on the Warsaw Stock Exchange**

- The share price of PGNiG and WIG20 from January 2012 together with the rate of return.

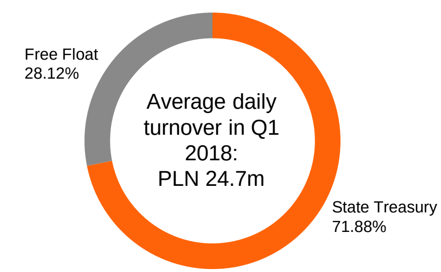




* PGNiG = 6.15 PLN and EUR/PLN = 4.30; USD/PLN = 3.67 (as at May 23rd 2018) / ** in terms of market cap as at May 23rd 2018 /*** WIG20 quotation chart, taking into account relative changes in percentage in relation to the PGNiG exchange rate

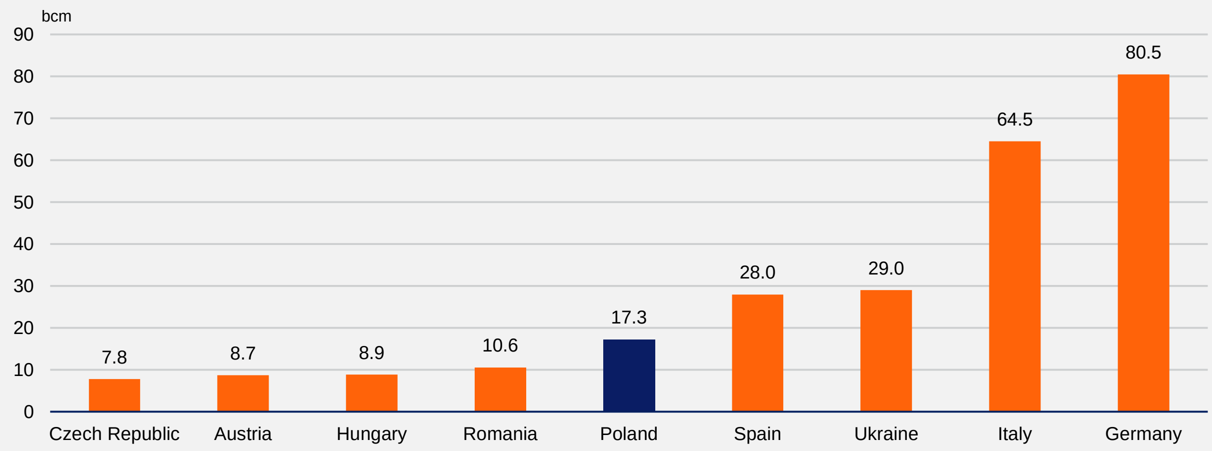
- Listed on WSE since September 2005
- Market cap, of PLN 35.5bn (EUR 8.3bn, USD 9.7bn)*
- Significant share in WIG 20 based on number of shares in the index: 5%
- Third largest company on WSE**

- Shareholders (as at March 31, 2018)

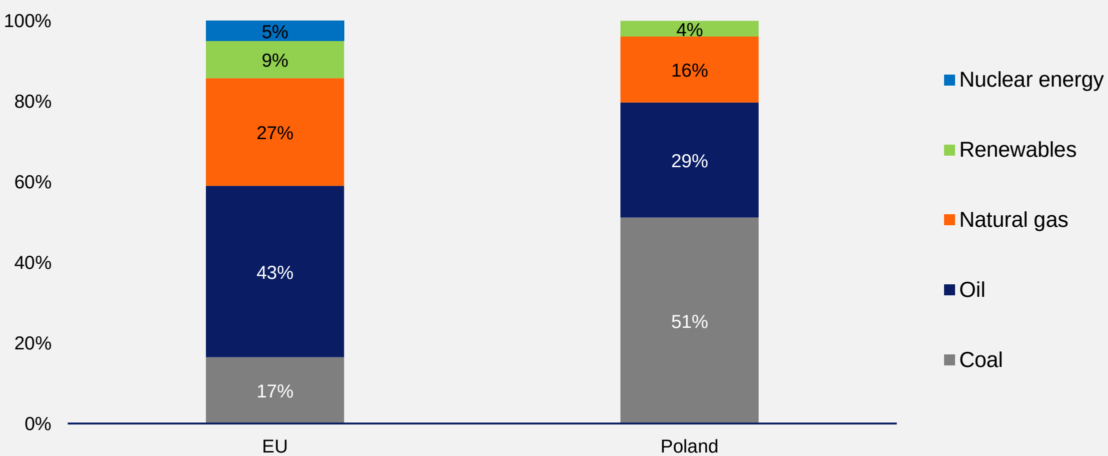


Gas market in Poland: Low consumption with growth potential

Natural gas consumption by country in 2016

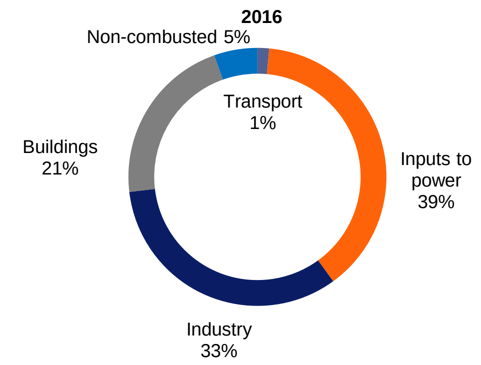


Primary energy consumption by fuel in 2016

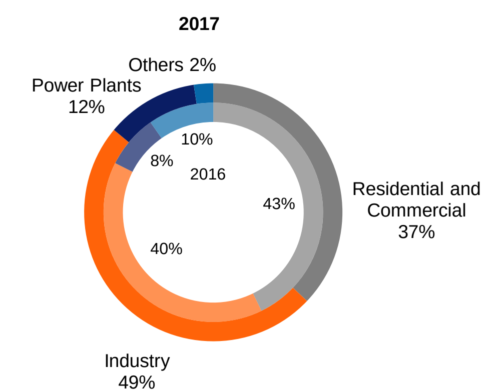


Source: BP Statistical Review 2017, BP Energy Outlook 2018 / Gas consumption comprises sales, as well as in-house consumption and change of inventories

Natural gas sales by sector in the world in 2016

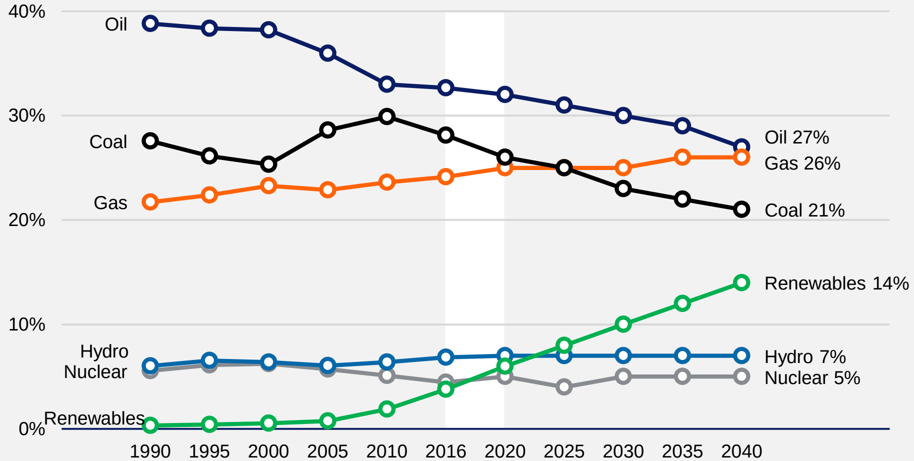


Natural gas sales by sector by PGNiG in Poland in 2017 and 2016

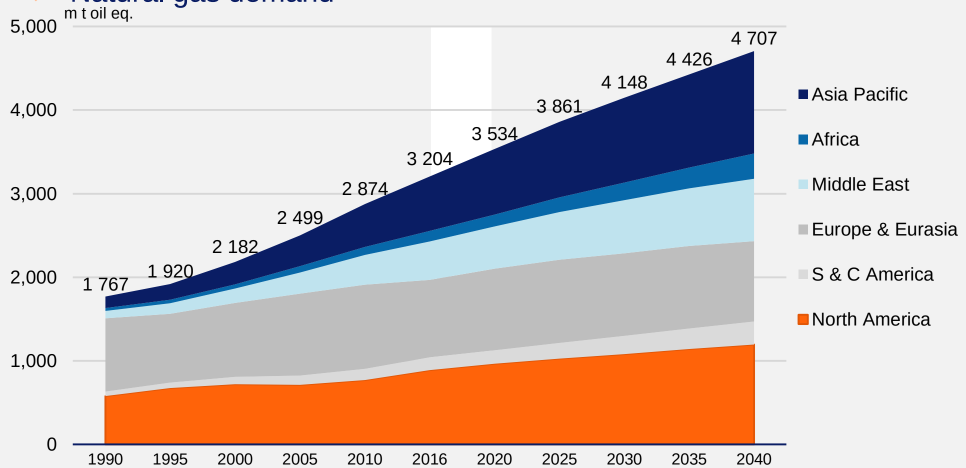


Gas market worldwide

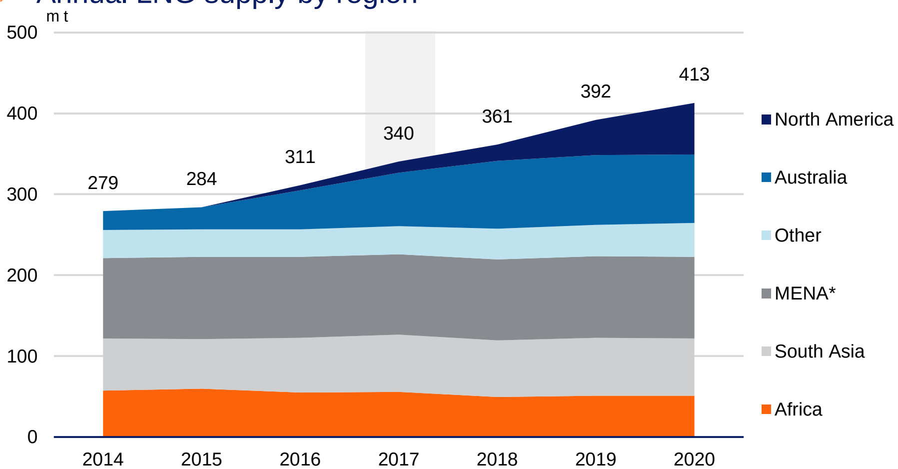
Primary energy consumption by fuel



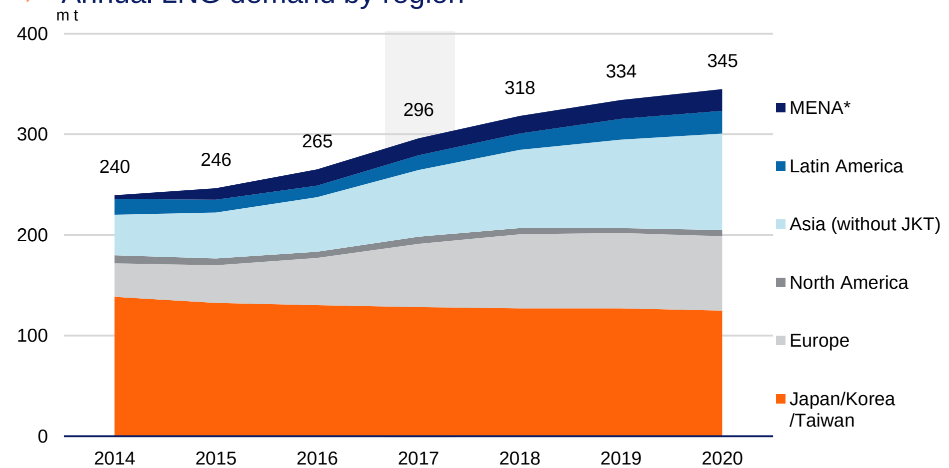
Natural gas demand



Annual LNG supply by region

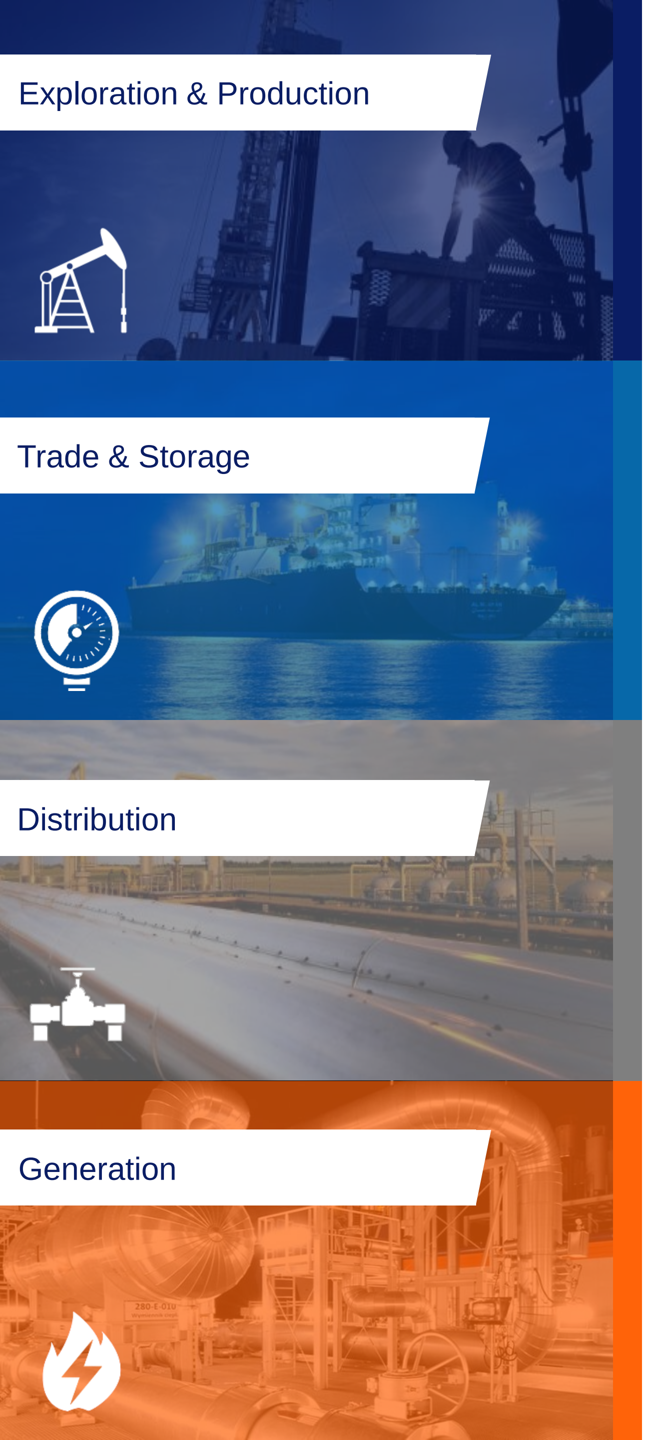


Annual LNG demand by region



PGNiG

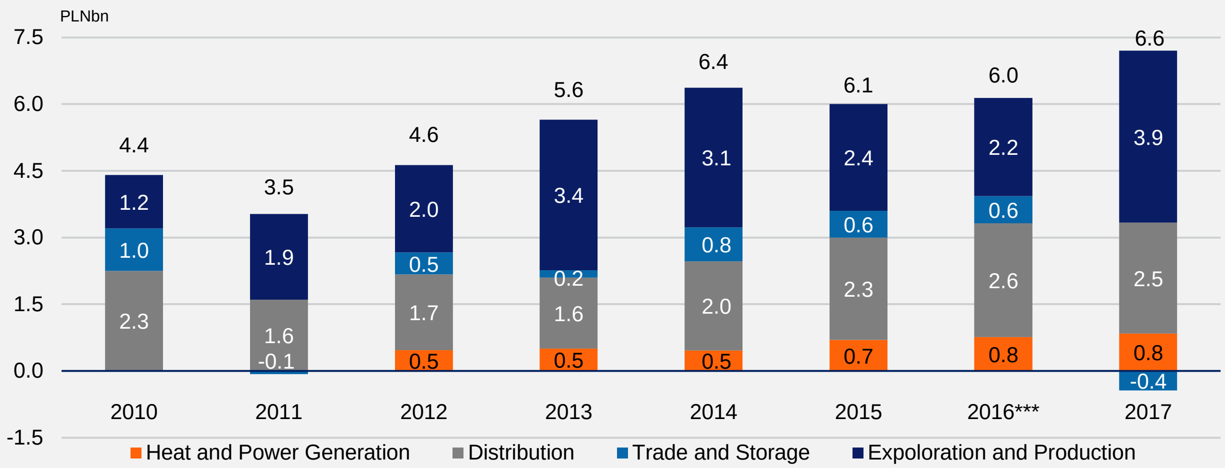
* Middle East-North Africa / Source: IHS, BP Energy Outlook 2018



Operating segments of PGNiG Group

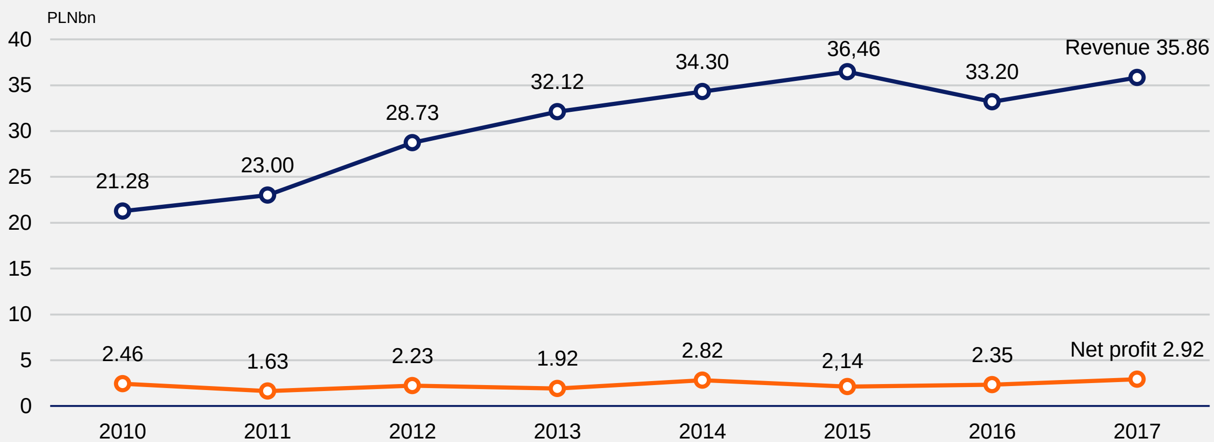
PGNiG Group's financials 2010-2017

PGNiG Group's EBITDA**

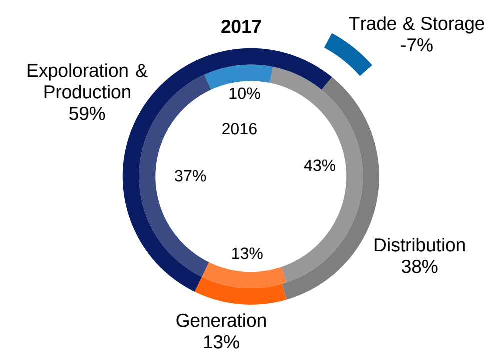


- 8th biggest company in Central and Eastern Europe*
- 3rd biggest oil company in the region*
- Stable EBITDA level due to diversified inflows sources

PGNiG Group's revenue and net profit



EBITDA breakdown

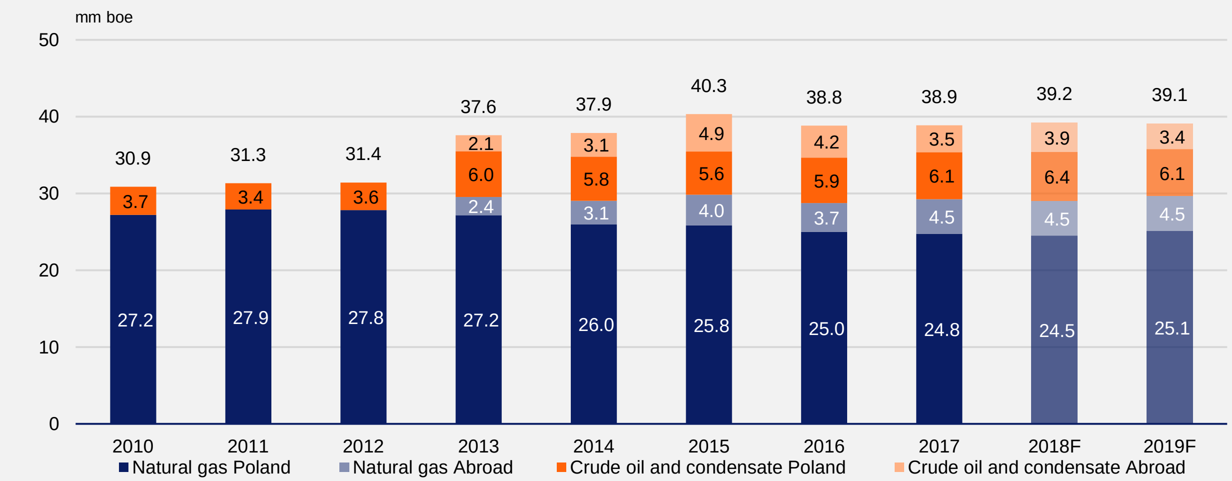


Other segments' contribution to EBITDA in 2017: -3%; in 2016: -3%

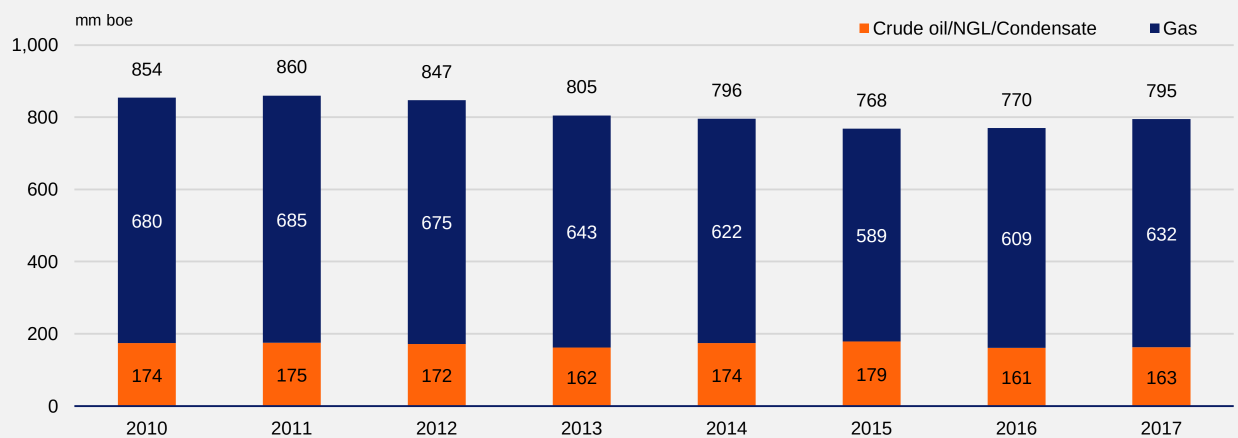
* Source: TOP 500 CEE 2017 / ** EBITDA 2010-2015 before intra-group eliminations and excluding „Other segments"
*** restated, -0.2 PLNbn of other segments not presented on chart

Exploration & Production summary

Production volumes



Reserves of natural gas and crude oil



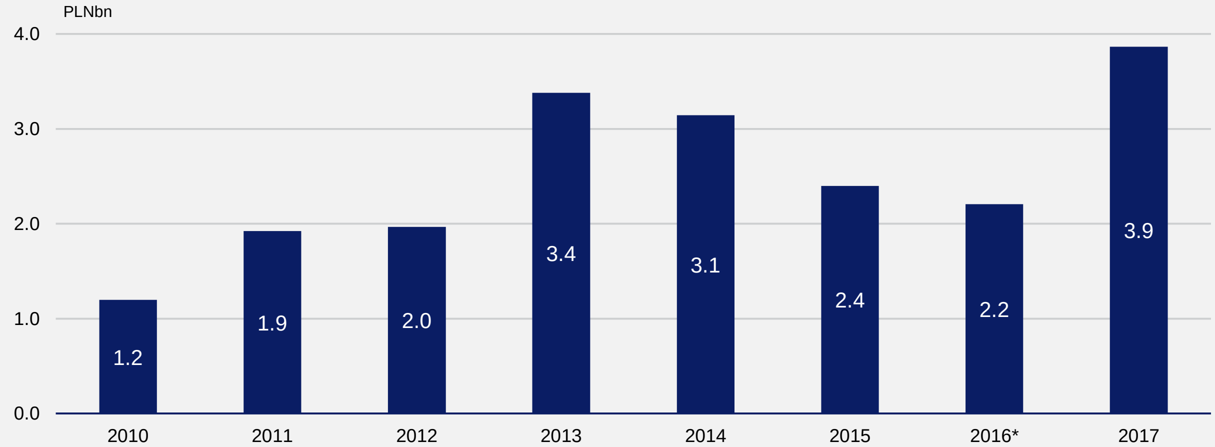
- PGNiG SA is a leader in production of gas and crude oil in Poland
- Average daily production – over 114,000 boe**
- PGNiG's resource base in Poland***:
  - proved gas reserves 538 mm boe (86.1 bcm)*
  - proved oil reserves 124 mm boe (17.4 m tonnes)
- Oil & Gas concessions in Poland***:
  - 23 exploration/appraisal
  - 25 combined licences
  - 213 production
- Exploration & Production activities:
  - 54 production facilities in Poland
  - over 2 thousand producing wells

PGNiG

* High-methane gas equivalent; ** As at March 31st 2018; *** As at December 31st 2017

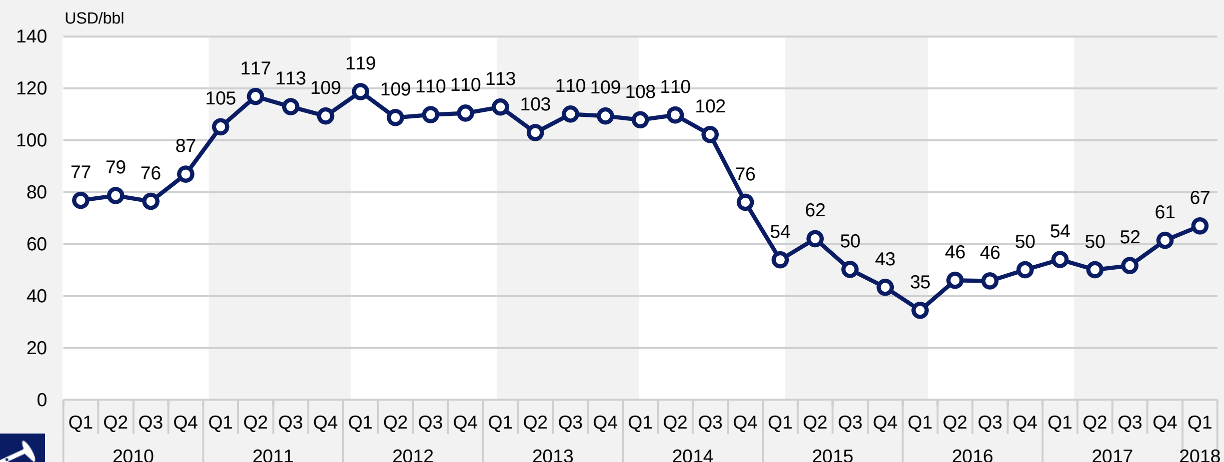
Exploration & Production financial results

Exploration and Production's EBITDA



* restated

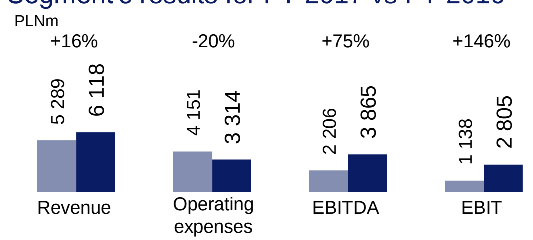
Average prices of crude oil



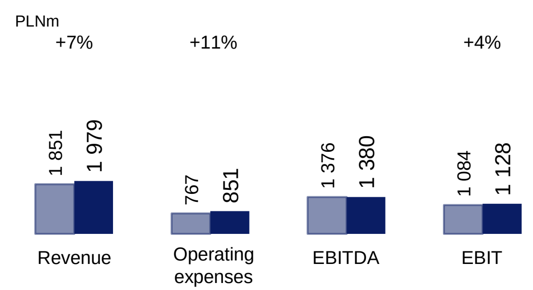
Average of Brent oil prices up by 15% in Q1 2018 vs Q1 2017

- Revenue from sales of crude oil and condensate up PLN 85m y/y with a +10% y/y increase in sales volumes, to 429 thousand tonnes in Q1 2018.
- PLN 107m (+10%) y/y increase in revenue from gas sales recorded by the segment.

Segment's results for FY 2017 vs FY 2016*



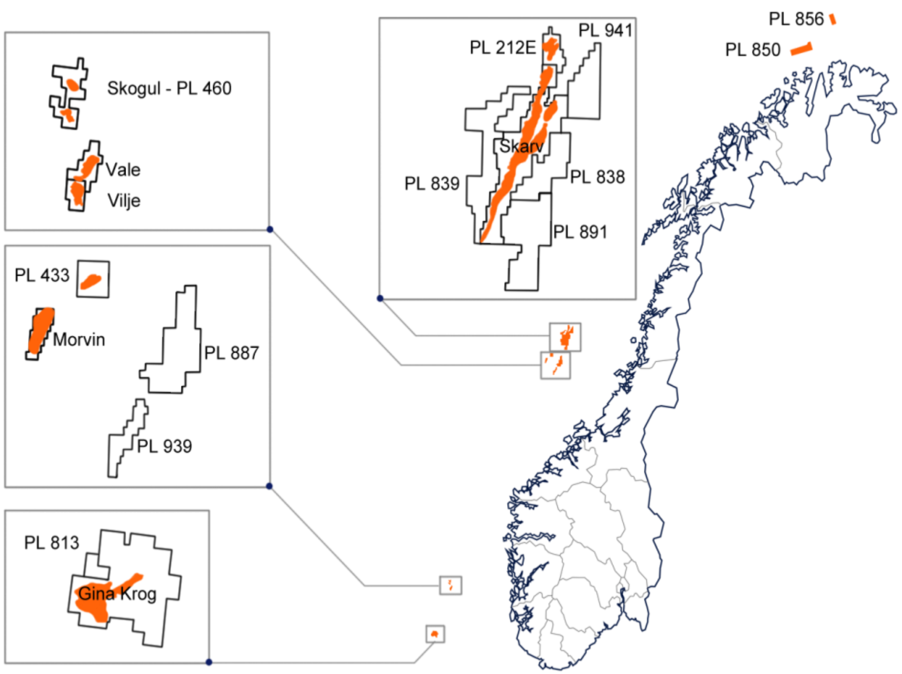
Segment's results for Q1 2018



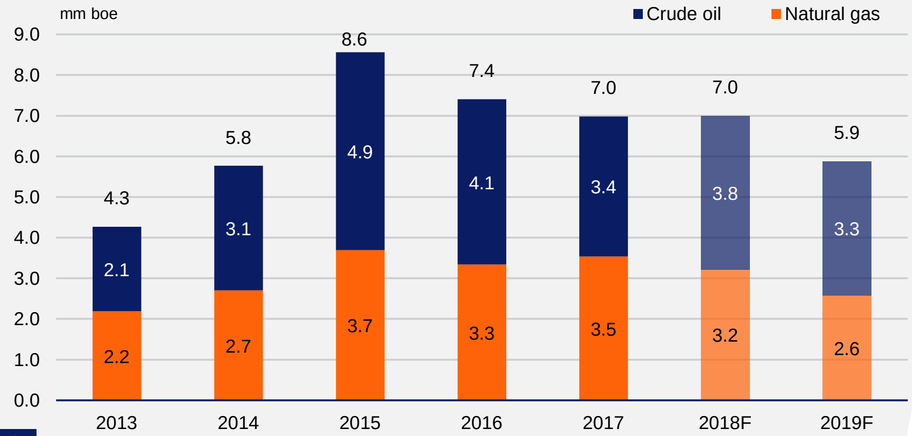
PGNiG

International E&P activities – Norway

Licenses	21
Licence cost	USD 360m (Skarv) 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

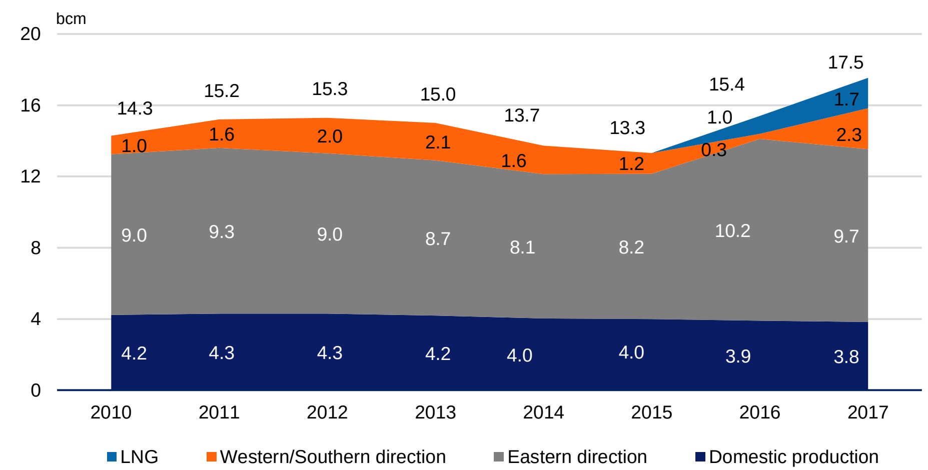
- Since 2008, one license for mining (LC113).
- In mid-2014, a force majeure notification.
- In 2017, activities limiting the impact of force majeure and verification of the prospects of the license.

PGNiG

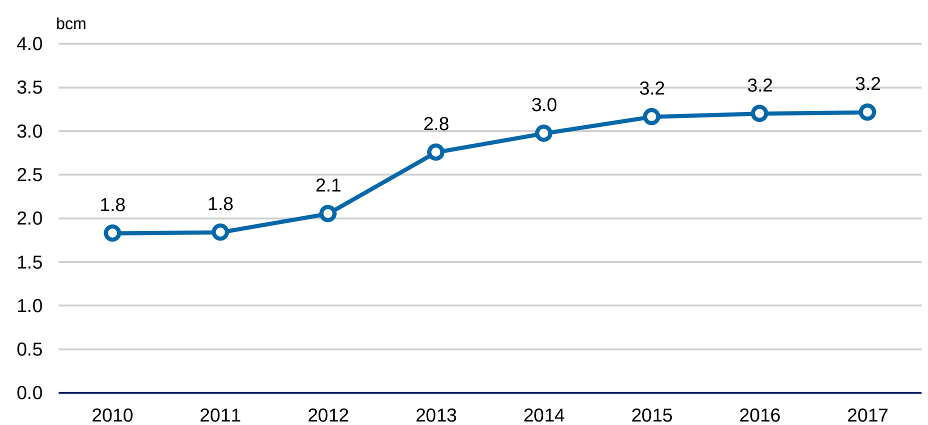
Gas supply & sales

- 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



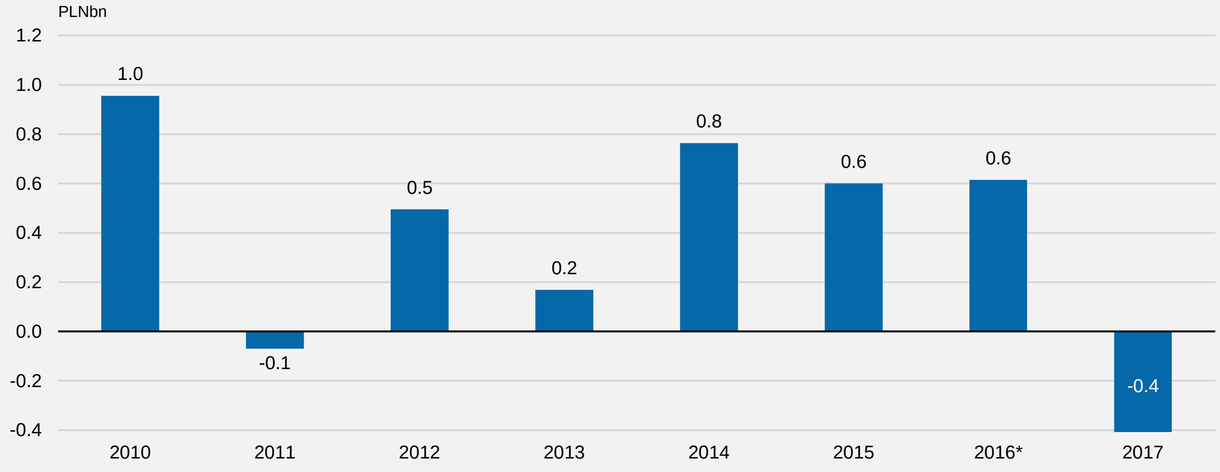
Storage capacity (incl. storage capacity used only by E&P segment)



PGNiG

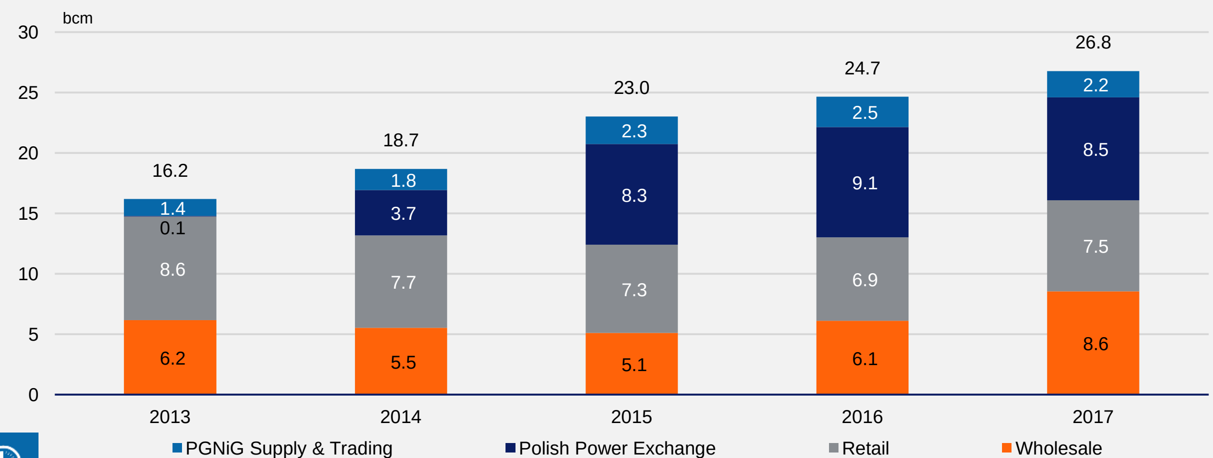
Trade & Storage's financial results

Trade and Storage's EBITDA



* restated

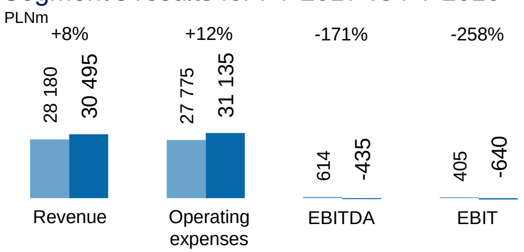
Sales of natural gas of PGNiG SA, PGNiG Retail and PST



Revenue growth driven by higher sales volumes

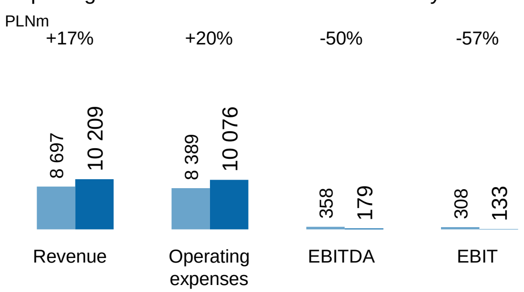
- In Q1 2018 revenue from gas sales up 16%, led mainly by an 13% y/y rise in volumes.

Segment's results for FY 2017 vs FY 2016*



Segment's results for Q1 2018

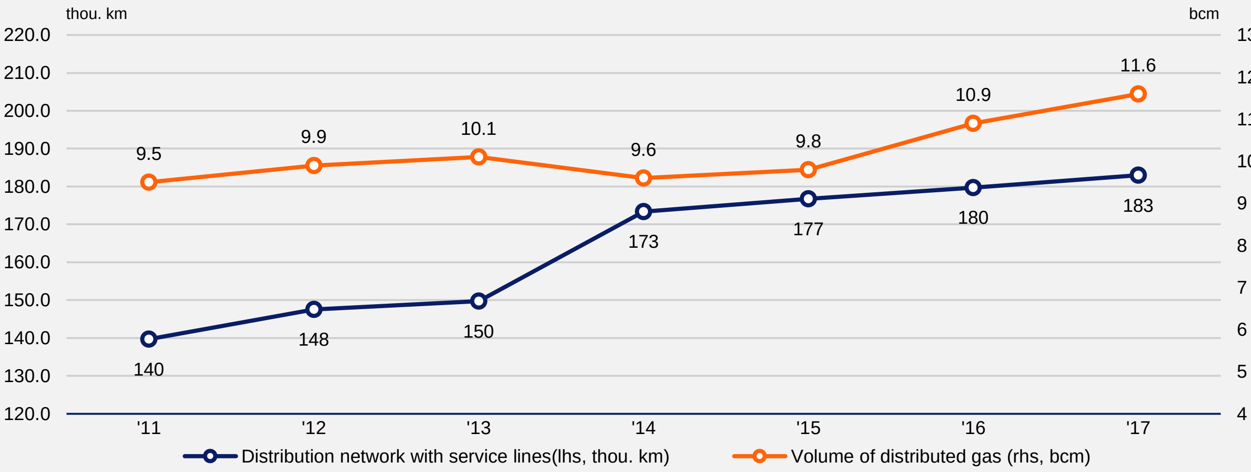
Data restated for comparability in connection with the application of the new IFRS 9 and IFRS 15 Financial Reporting Standard with effect from 1 January 2018



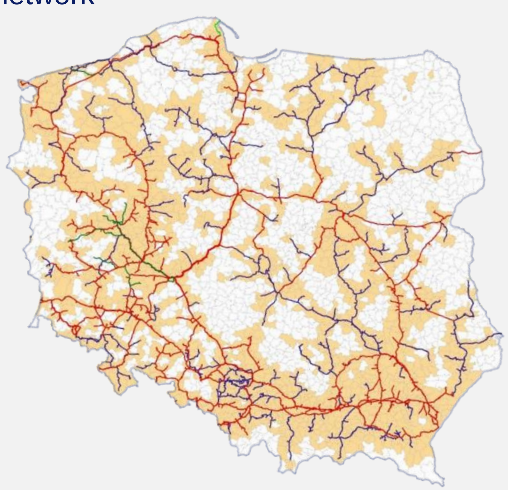
PGNiG

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)

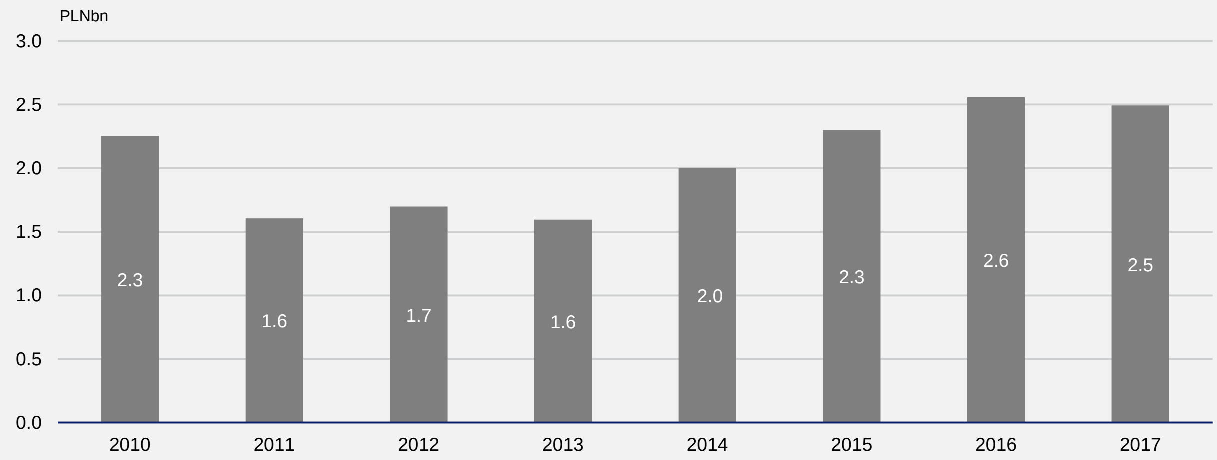
› Tariff:

- 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)

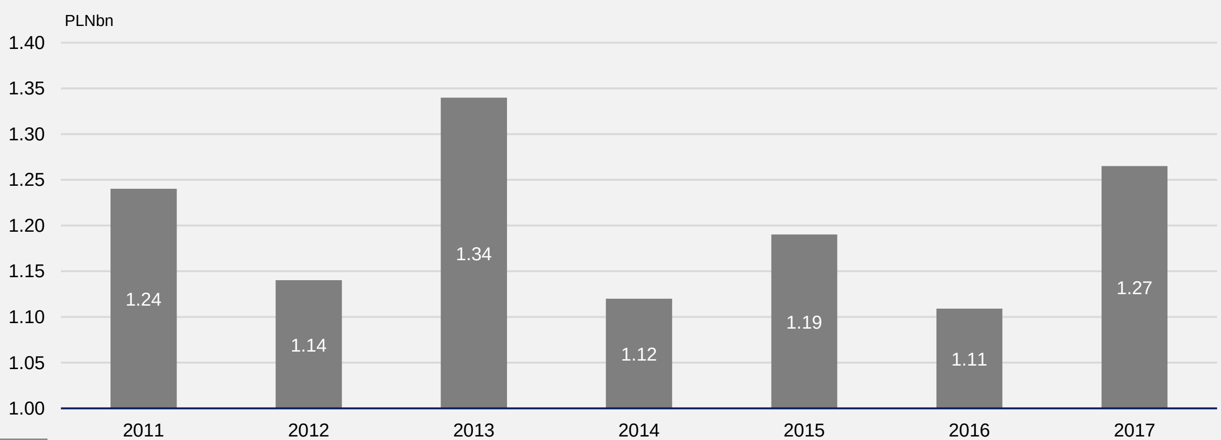
PGNiG

Distribution's financial results

Distribution's EBITDA

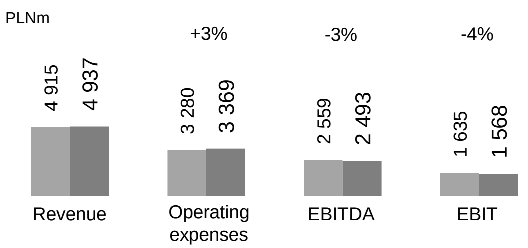


Segment's CAPEX



- Volumes up by 7% in Q1 2018 vs Q1 2017
- 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 Q1 2018

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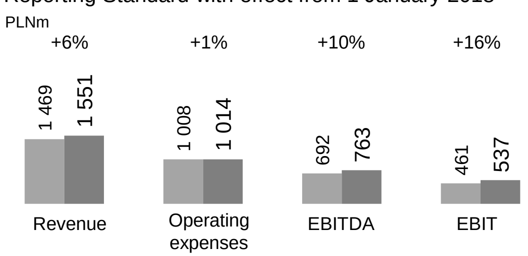


PGNiG

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 Cieplnej („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

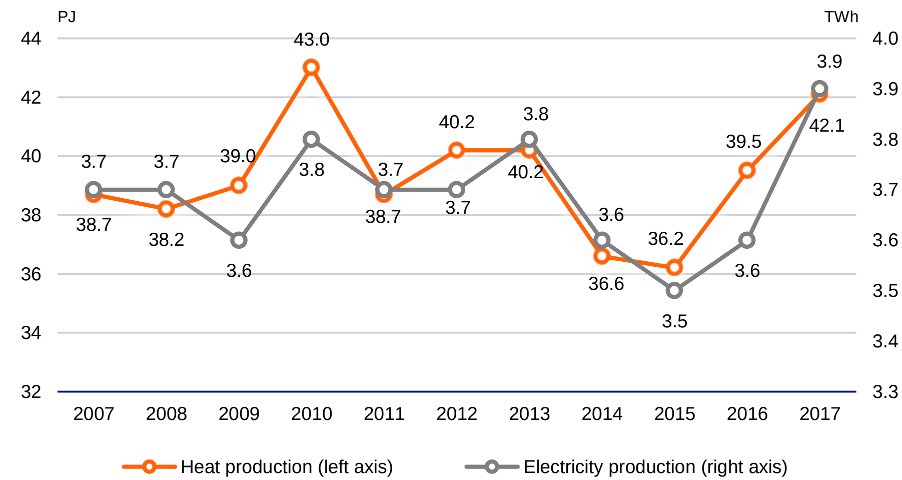
Tariff:

- 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 Q1 2018 (regulated)	19.0 PJ
Produced electricity sales in Q1 2018	1.5 TWh

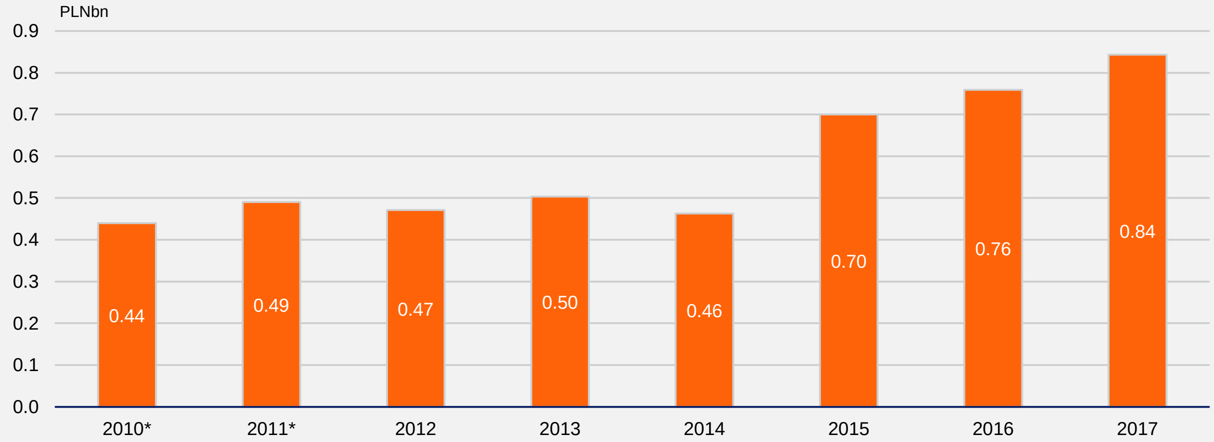
Production of heat and own generation electricity



* Source: Thermal energy in numbers 2016

Generation's financial results

Generation's EBITDA

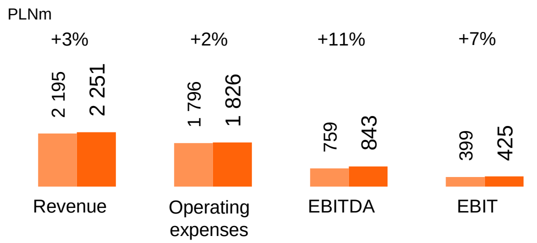


Investments

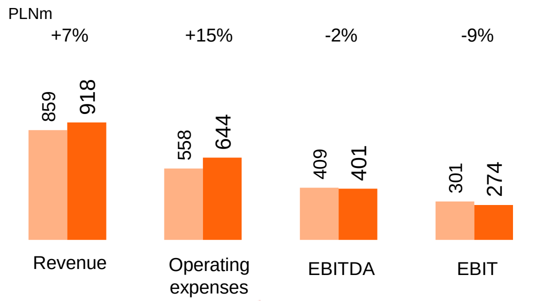
- 497 MWe gas-fired block in Warsaw at Żerań plant (2020)
- Combined Heat and Power Plant Stalowa Wola (Q4 2019)
  - 50/50 JV PGNiG and Tauron Polska Energia. Total CAPEX PLN 1.6bn (project finance)
  - Agreement for Sale of Electricity. PGNiG to supply 0.5 bcm of gas for 14 years
  - Total power output: 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 4% y/y, to 571m PLN in Q1 2018.
- In Q1 2018, growth of revenue from sales of electricity generated by the segment's own sources (up to 14% yoy), to PLN 263m, with sales volumes rising by 6% yoy.

Segment's results for FY 2017 vs FY 2016



Segment's results for Q1 2018



* 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

PGNiG

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)

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

3. Retail

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

4. Storage

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

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)

6. Power and heat generation

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

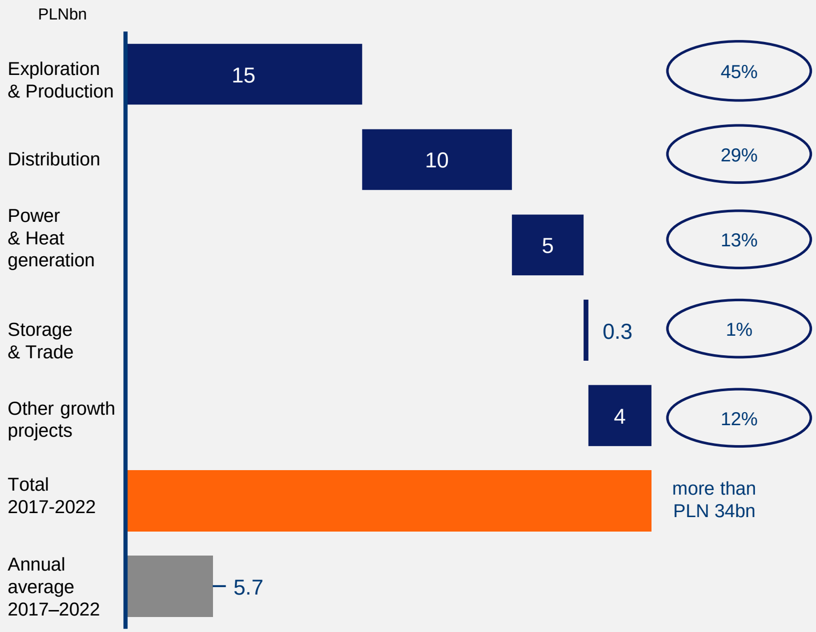
7. Corporate Centre

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

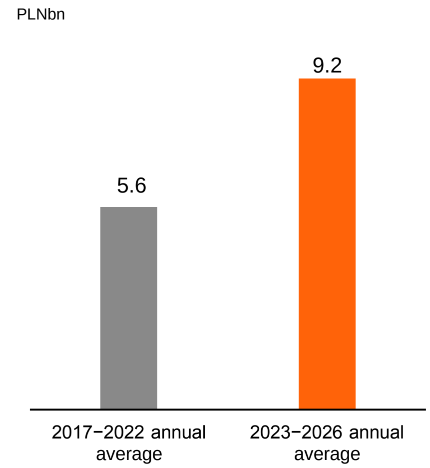
PGNiG

CAPEX and EBITDA for 2017-2022

CAPEX breakdown for 2017-2022

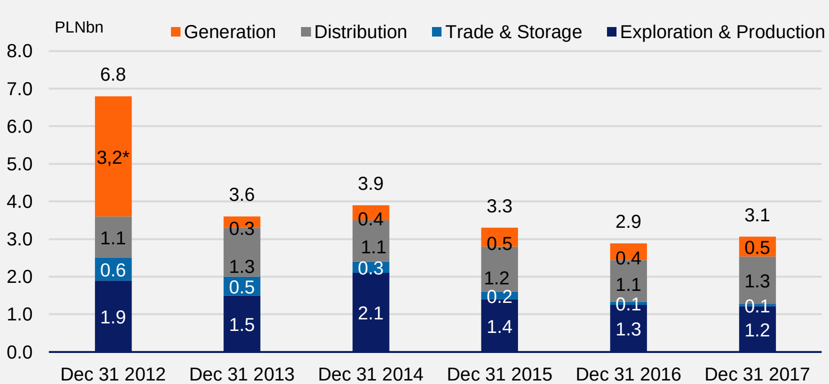


EBITDA for 2017 – 2022



- 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



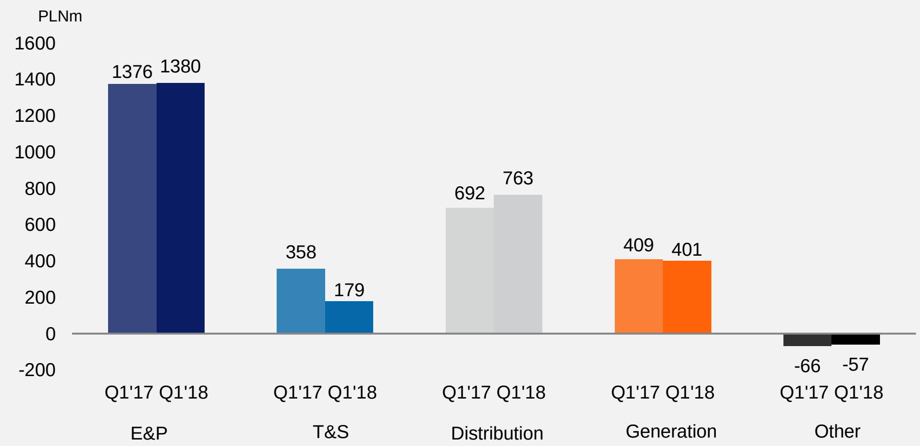
* Includes PLN 3bn for acquisition of PGNiG Termika

- 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 Q1 2018

Group's EBITDA by segment in Q1 2017 vs Q1 2018



Exploration and Production

- Revenue from gas sales up by PLN 107m yoy (+10%).
- Cost of dry wells written off in Q1 2018 at PLN -244m, compared with PLN -17m in Q1 2017.
- Reversal of impairment losses on non-current assets in Q1 2018 at PLN +241m, against PLN +5m in Q1 2017.

Trade and Storage

- Revenue from gas sales up 16%, led mainly by a 13% rise in volumes yoy.
- PLN +25m in reversals of gas inventory write-downs recognised in Q1 2018 (mark-to-market valuation of gas at the LNG terminal). In Q1 2017 gas inventory write-downs increased by PLN -35m.

Distribution

- Gas distribution volume 7% higher yoy in Q1 2018, with revenue from distribution services up 5% yoy.

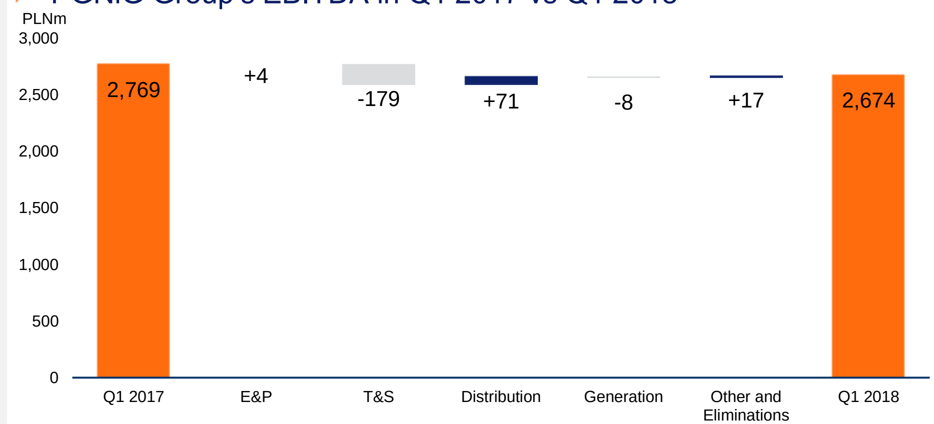
Generation

- Sales volumes of electricity (from own sources) and heat up 6% and 5% yoy, respectively.

[PLNm]	Q1 2017	Q1 2018	Δ%
Revenue	11,615*	**13,247**	14%
Operating expenses (excl. D&A)	-8,846*	**-10,573**	20%
EBITDA	2,769	**2,674**	-3%
Depreciation and amortisation	-695	**-669**	-4%
EBIT	2,074	**2,005**	-3%
Net finance income/(costs)	19	**40**	106%
Net profit	1,599	**1,566**	-2%

*Data restated to ensure comparability following the adoption of amended IFRS 15.

PGNiG Group's EBITDA in Q1 2017 vs Q1 2018**



**Eliminations in Q1 2018: PLN +8m, Q1 2017: PLN 0m

Operating expenses in Q1 2018 vs Q1 2017

[PLNm]	Q1 2017	Q1 2018	Δ%
Cost of gas sold	-6,749	**-8,215**	22%
Fuels for heat and power generation	-293	**-355**	21%
Other raw materials and consumables used	-350	**-438**	25%
Employee benefits expense	-640	**-669**	5%
Transmission services	-260*	**-269**	3%
Other services	-358*	**-392**	9%
LNG regasification services	*-87*	***-89***	*2%*
Taxes and charges	-524	**-557**	6%
Other net income and expenses**	167	**112**	-33%
Change in inventory write-downs	*-19*	***63***	*-4x*
Change in provisions	*-63*	***-92***	*-46%*
Recognition and reversal of impairment losses on property, plant and equipment and intangible assets	2	**-4**	3x
Cost of dry wells and seismic surveys written-off	*-17*	***-244***	*14x*
Impairment losses on non-current assets	*20*	***240***	*12x*
Work performed by the entity and capitalised	159	**214**	35%
Depreciation and amortisation	-695	**-669**	-4%
Total operating expenses	-9,541*	**-11,242**	18%
Operating expenses net of cost of gas sold	*-2,792**	***-3,027***	*8%*

* Data restated to ensure comparability following the adoption of amended IFRS 15.
** Other expenses shown above do not include taxes and charges, or impairment losses on property, plant and equipment and intangible assets.

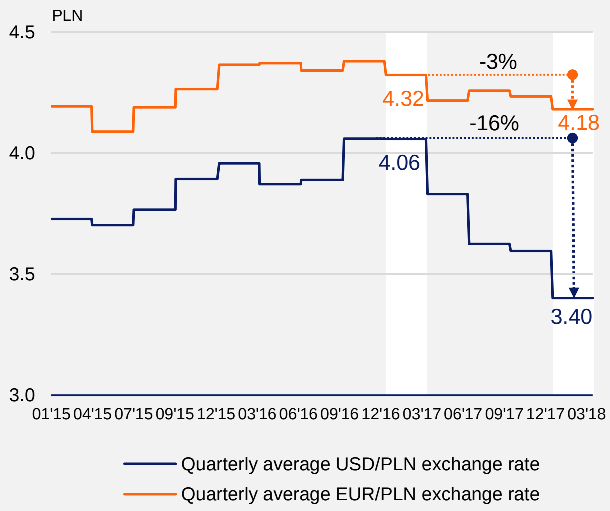
Comments:

- PLN 1.5bn (or 22%) yoy increase in the cost of gas sold, due to higher prices of oil and gas.
- Higher yoy cost of dry wells (PLN -244m). Seven dry wells written off in Q1 2018 vs three in Q1 2017 (PLN -17m).
- Reversal of impairment loss on non-current assets at PLN 240m. In Q1 2017, reversal was low at PLN 20m.
- Lower depreciation and amortisation yoy (PLN -669m in Q1 2018 vs PLN -695m in Q1 2017), mainly on account of a PLN 40m (or 29%) decrease in depreciation and amortisation charges on Norwegian assets in Q1 2018 vs Q1 2017.
- Decline of other income/expenses in Q1 2018 caused, among other factors, by a reversal of gas inventory write-downs of PLN 25m (vs an increase in write-downs of PLN 35m in Q1 2017) and lower provisions for certificates of origin (Q1 2018: PLN -43m, Q1 2017: PLN -82m).
- Net exchange differences related to operating activities: PLN +52m in Q1 2018 vs PLN -74m in Q1 2017.
- Net loss on derivative instruments charged to other expenses: PLN -43m in Q1 2018, vs net gain of PLN +53m in Q1 2017.
- Cost of transactions hedging gas prices at PLN +4m in Q1 2018 vs PLN +45m in Q1 2017.

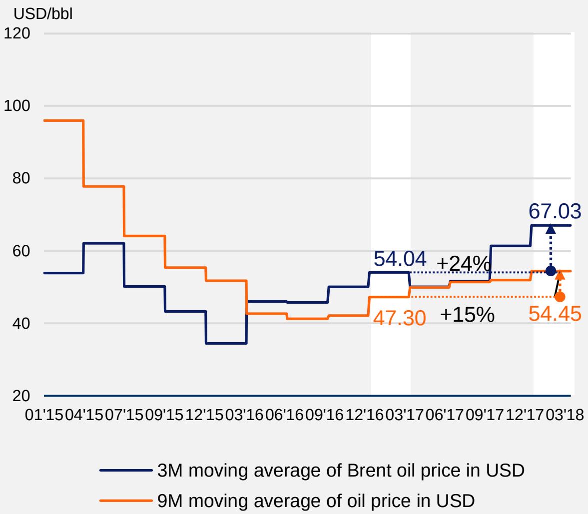
PGNiG

Performance drivers

› PLN strengthening yoy against both EUR and USD

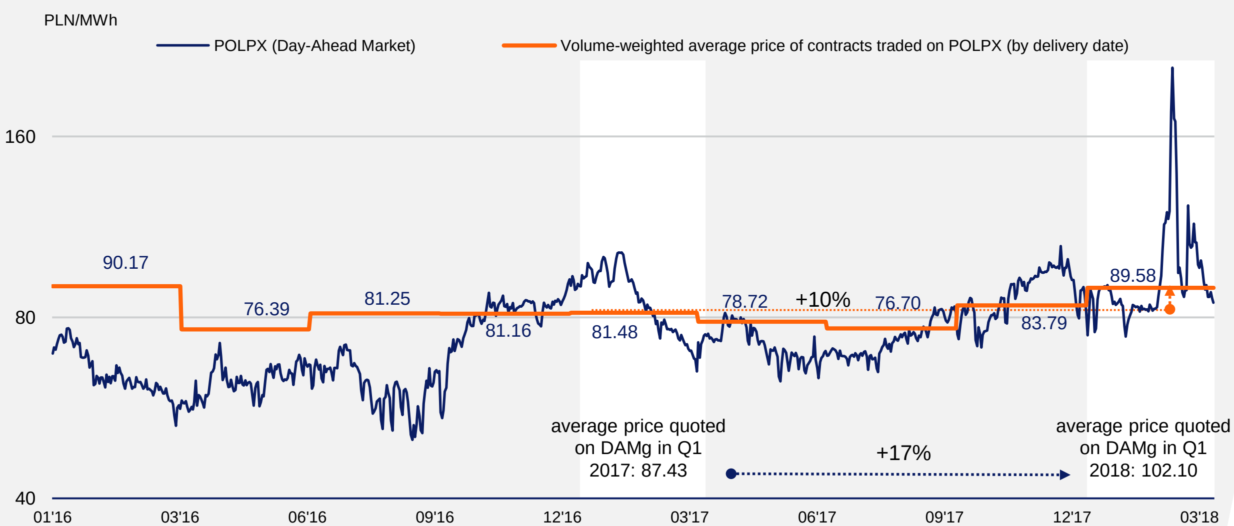


› 9-month average crude oil price up 15% yoy in Q1 2018



› 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

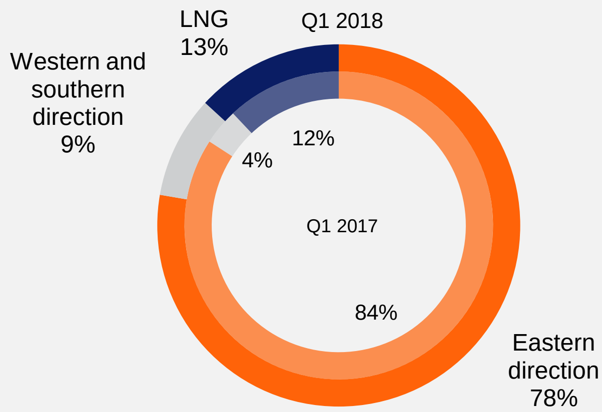


Comments:

- 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

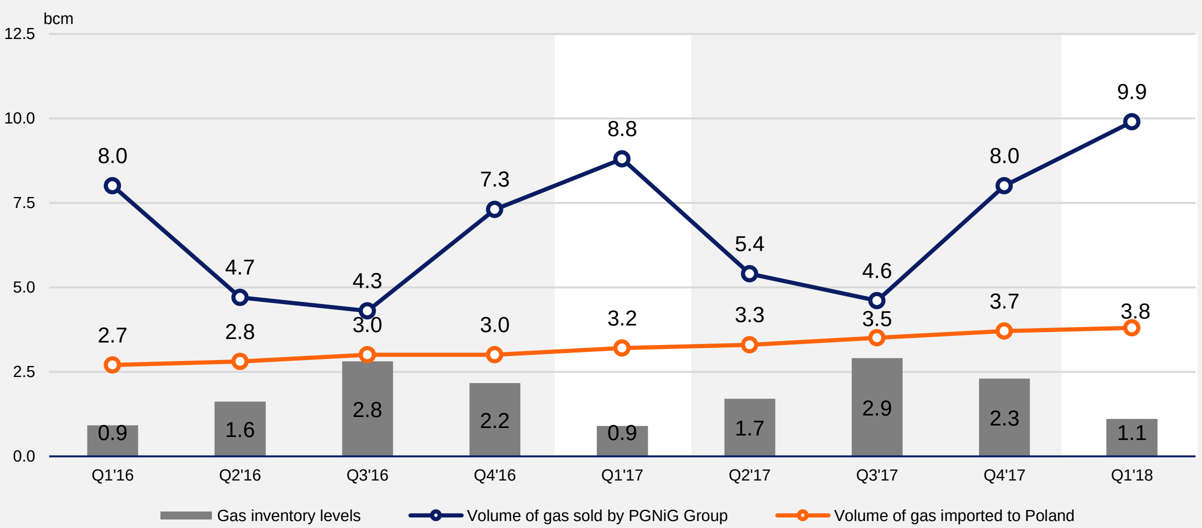
› Imports of natural gas to Poland



› Gas sales outside the PGNiG Group by company

[mcm]	Q1 2017	Q1 2018	Δ%
PGNiG Group:	8,781	**9,905**	+13%
PGNiG SA	*5,387*	***5,944***	*+10%*
PGNiG OD	*2,744*	***2,963***	*+8%*
PST	*649*	***998***	*+54%*

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



› Lower share of sources east of Poland, with an increased role of sources south and west of Poland as well as LNG, in total gas imports in Q1 2018.

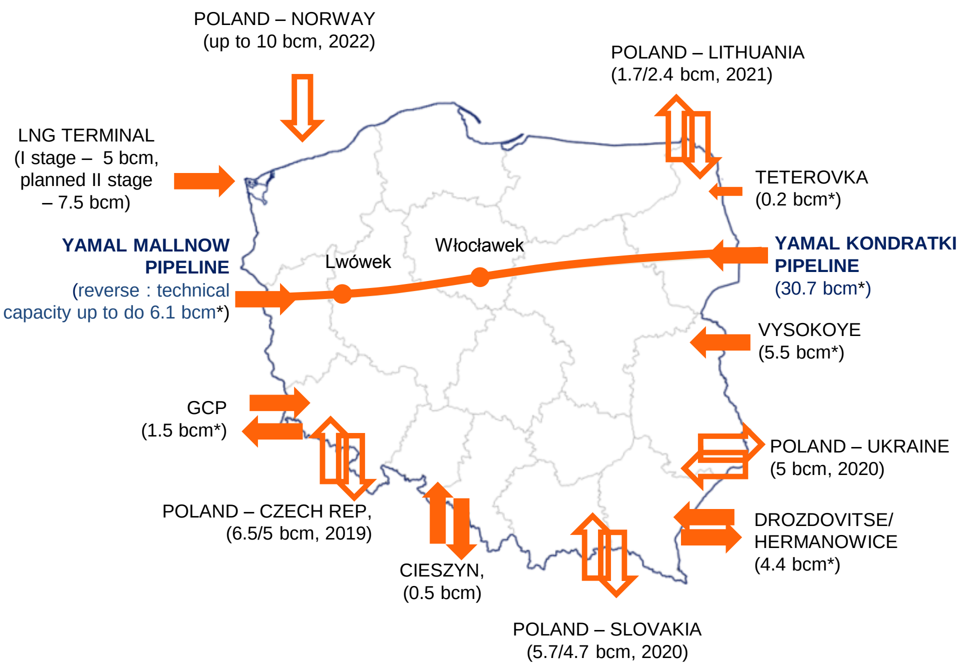
› PGNiG Group gas sales volumes up 1.1 bcm yoy in Q1 2018. Higher sales to industrial customers, mainly refineries and petrochemical plants, as well as power and heat producers.

Comments:

› LNG terminal stocks: 96 mcm after regasification (as at March 31st 2018).

Gas transport routes

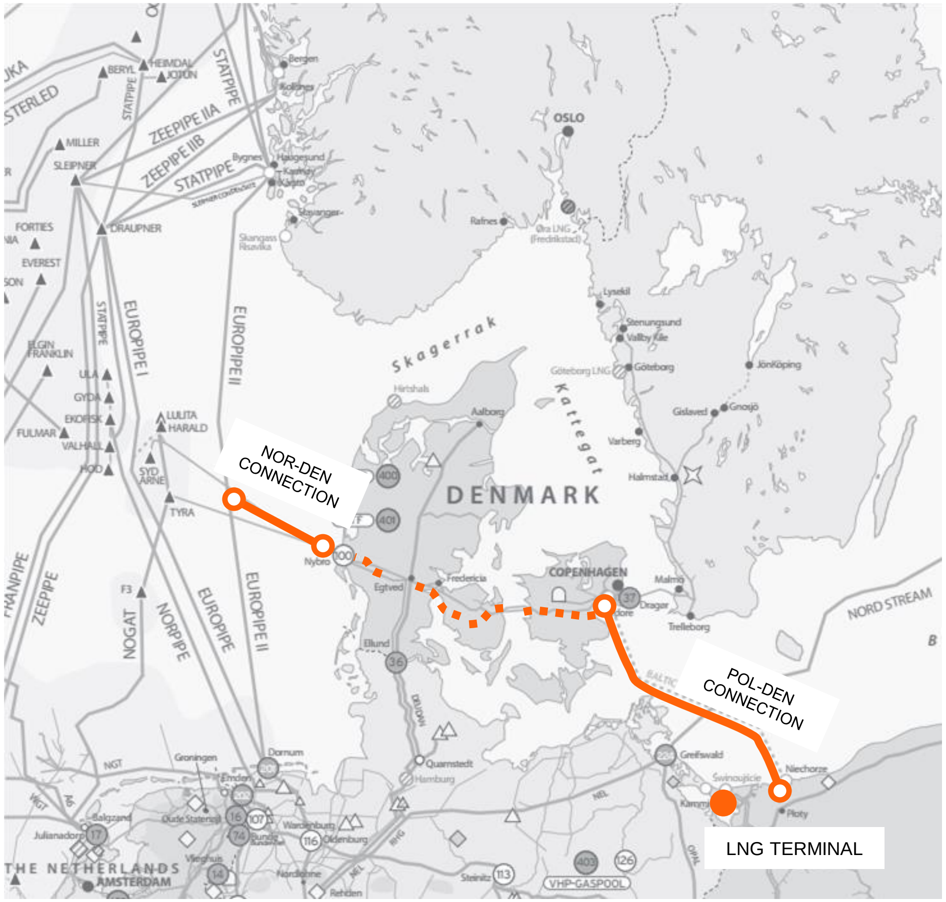
› Interconnections



Existing interconnectors

Interconnectors planned, under construction (transmission capacity into/from Polish grid)

› Northern Gate Project



* Technical capacity

Gas trading and retail sales

Production

Sources of gas

PGNiG S.A.

Gas sold to key customers: above 25 mcm annually
4.4 bcm of gas sold in 2016
7.0 bcm of gas sold in 2017

Export
0.4 bcm in 2016
0.7 bcm in 2017

Direct sales
0.7 bcm in 2016
0.8 bcm in 2017

Polish Power Exchange
9.0 bcm in 2016
8.5 bcm in 2017

Polish Power Exchange (POLPX)

PGNiG Obrót Detaliczny

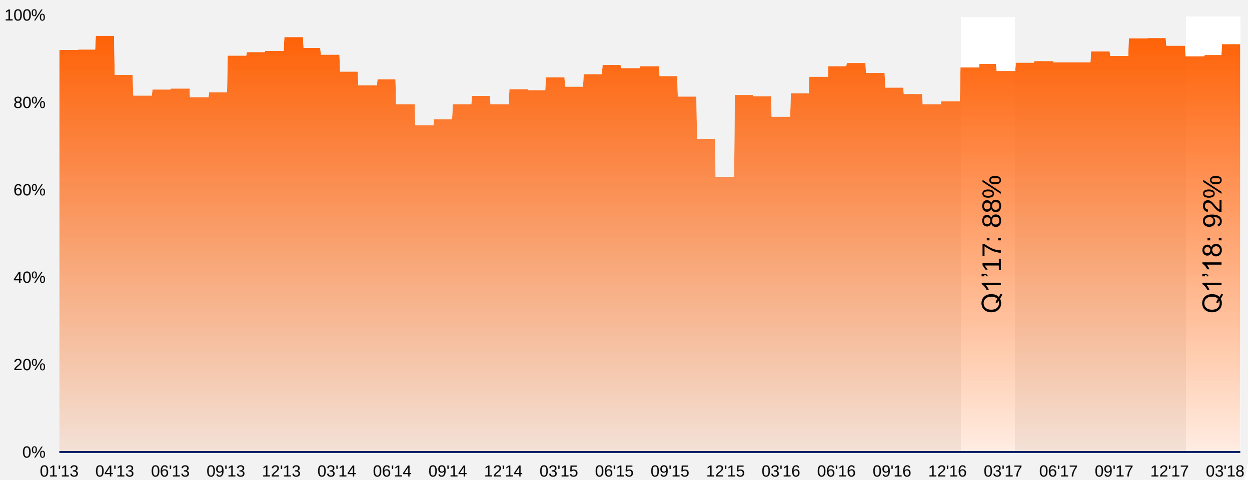
7.0m customers
7.2 bcm of gas consumed in 2016
7.6 bcm of gas consumed in 2017

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**
including PGNiG SA through PPE	*3.7*	*8.1*	*9.0*	***8.4***
PGNiG Obrót Detaliczny (Retail)	3.0	7.5	7.3	**7.6**

› PGNiG's share in gas imports to Poland*



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.

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

January 1 2017

- 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.

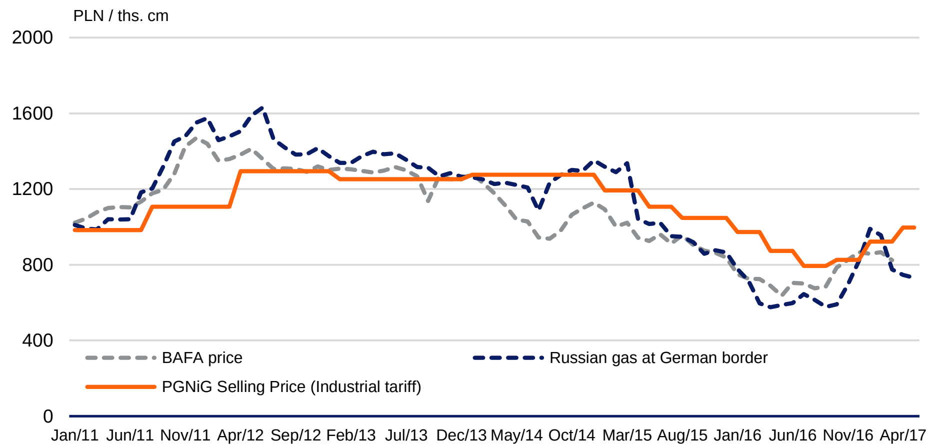
October 1 2017

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

Until the end of 2023

- 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

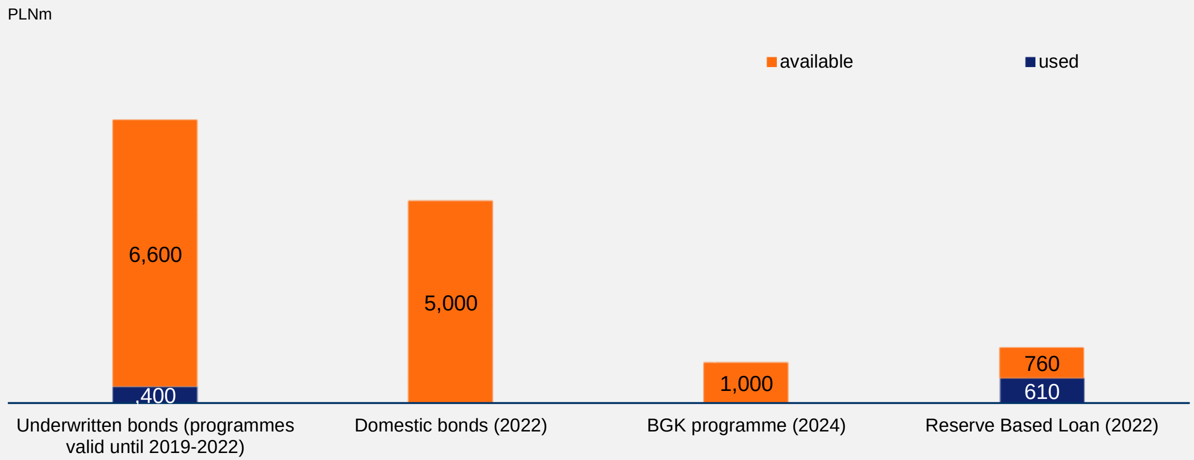
30%	40%	55% max
In 2013	From January 1, 2014	From January 1, 2015

- 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.

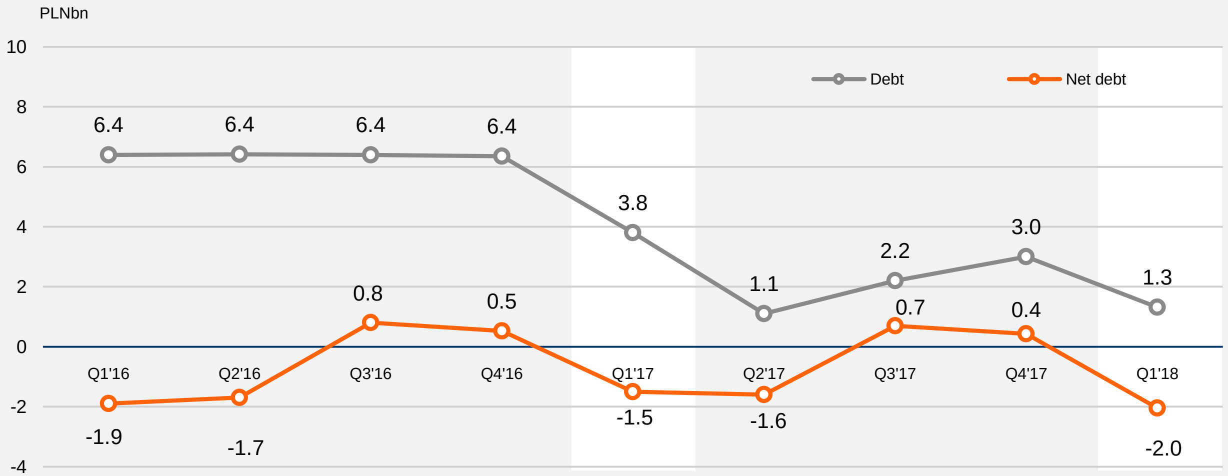
PGNiG

Debt and sources of funding

Sources of funding (as at March 31st 2018)



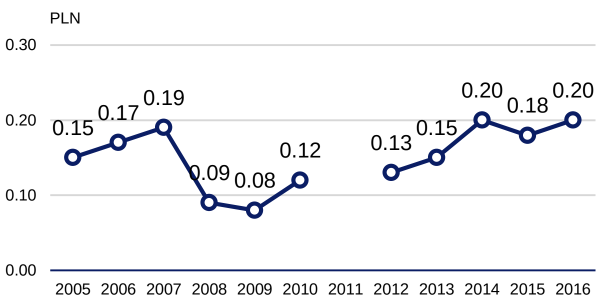
Debt at quarter end



Comments:

- On December 21st 2017, due to a mismatch between its investment programme and the PLN 1.5bn bond programme of July 4th 2012, PGNiG TERMIKA entered into agreements terminating the bond programme. As a result, the total value of guaranteed bonds reached PLN 7bn.
- On December 21st 2017, PGNiG S.A. signed a PLN 5bn bond programme agreement. The issue is organised by: ING Bank Śląski S.A., Bank Polska Kasa Opieki S.A., Bank Handlowy w Warszawie S.A., and Bank BGŻ BNP Paribas S.A.

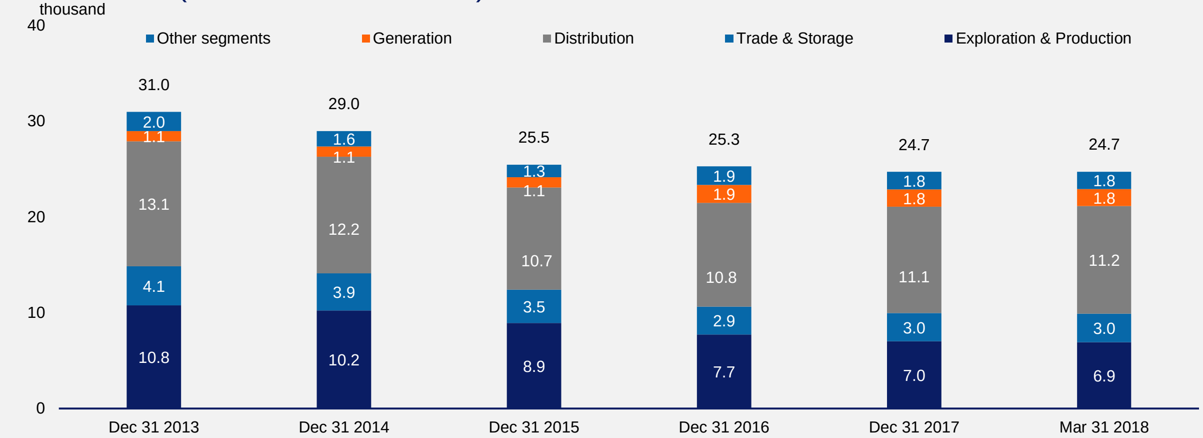
Dividend per share



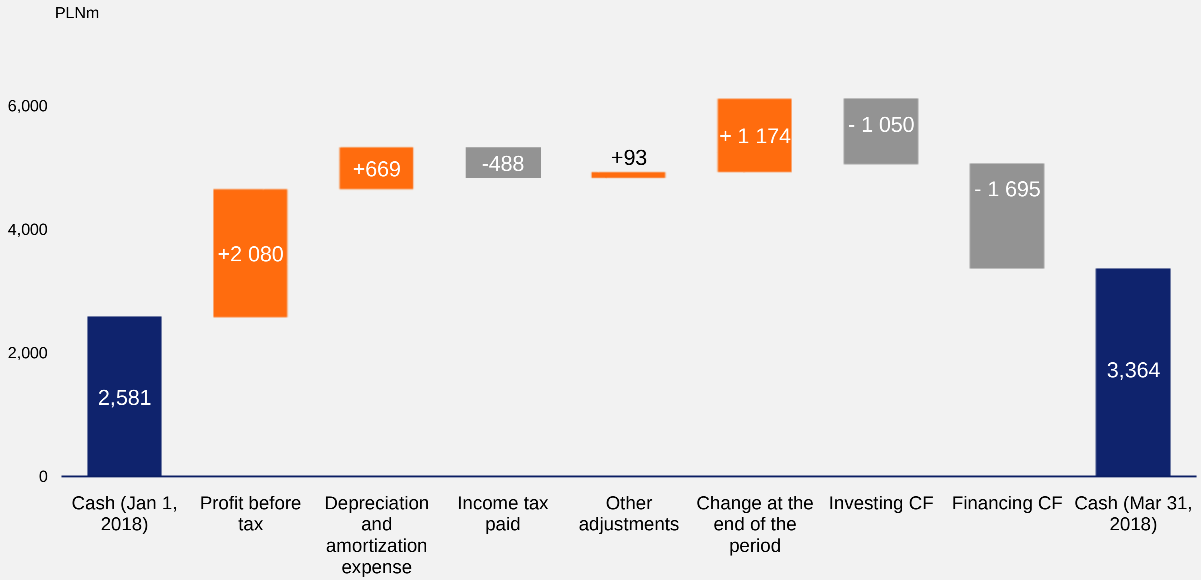
- Strategic objective: up to 50% of consolidated net profit to be distributed as dividend in 2015−2022 (provided that the financial condition is stable and financing for investment projects is secured).

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

Headcount (as at March 31st 2018)*

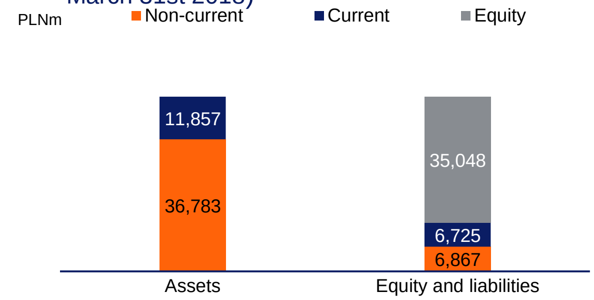


Consolidated cash flows (Jan 1−Mar 31 2018)

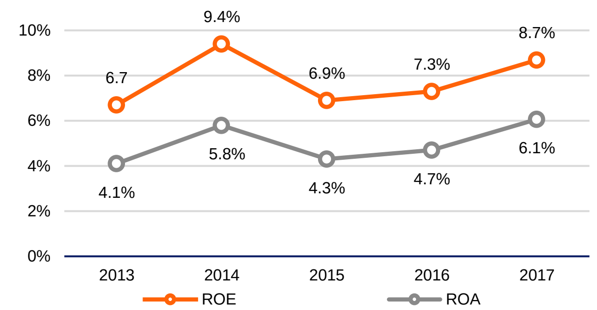


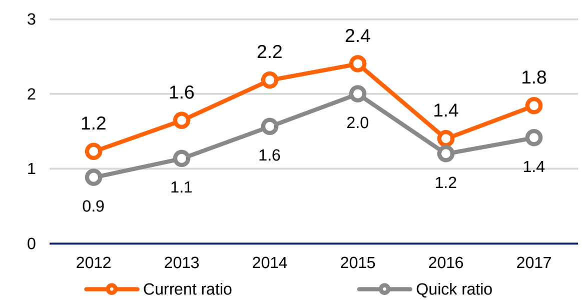
* Changes in the presentation of corporate centre data, leading to changes in the Trade & Storage and Other segments in 2016.

Group's statement of financial position (as at March 31st 2018)



Profitability and liquidity ratios





PGNiG

Production and sales volumes

NATURAL GAS PRODUCTION BY THE PGNIG GROUP [mcm]	Q1 2018	FY 2017	Q4 2017	Q3 2017	Q2 2017	Q1 2017	FY 2016	Q4 2016	Q3 2016	Q2 2016	Q1 2016
HIGH-METHANE GAS (E)	464	1,863	461	459	469	474	1,919	473	449	487	509
including in Poland	*323*	*1,315*	*335*	*325*	*327*	*328*	*1,401*	*347*	*346*	*349*	*359*
including in Norway	*141*	*548*	*126*	*134*	*142*	*146*	*518*	*126*	*103*	*138*	*150*
NITROGEN-RICH GAS (Ls/Lw as E equiv.)	719	2,674	731	664	567	712	2,540	692	582	596	670
including in Poland	*674*	*2,524*	*684*	*627*	*533*	*680*	*2,481*	*670*	*570*	*584*	*657*
including in Pakistan	*45*	*150*	*47*	*37*	*34*	*32*	*59*	*22*	*12*	*12*	*13*
TOTAL (measured as E equivalent)	**1,183**	**4,537**	**1,192**	**1,123**	**1,036**	**1,186**	**4,458**	**1,165**	**1,031**	**1,083**	**1,179**

NATURAL GAS SALES at PGNiG Group [mcm]	Q1 2018	FY 2017	Q4 2017	Q3 2017	Q2 2017	Q1 2017	FY 2016	Q4 2016	Q3 2016	Q2 2016	Q1 2016
HIGH-METHANE GAS (E)	9,414	25,291	7,603	4,298	5,079	8,311	22,895	6,921	4,004	4,410	7,560
including PST sales outside PGNiG Group	*998*	*2,186*	*603*	*452*	*482*	*649*	*2,510*	*561*	*614*	*571*	*764*
NITROGEN-RICH GAS (Ls/Lw as E equiv.)	491	1,496	419	296	312	469	1,371	417	244	298	412
TOTAL (measured as E equivalent)	**9,905**	**26,787**	**8,022**	**4,594**	**5,391**	**8,780**	**24,266**	**7,338**	**4,248**	**4,708**	**7,972**
including sales directly from the fields	*237*	*796*	*226*	*182*	*161*	*227*	*718*	*209*	*129*	*172*	*208*

NATURAL GAS IMPORTS by PGNiG SA [mcm]	Q1 2018	FY 2017	Q4 2017	Q3 2017	Q2 2017	Q1 2017	FY 2016	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Total	3,837	13,714	3,673	3,488	3,334	3,219	11,527	2,968	3,020	2,837	2,702
including: sources east of Poland	2,982	*9,656*	*2,540*	*1,889*	*2,518*	*2,709*	*10,248*	*2,539*	2,429	*2,623*	2,657
including: LNG	*505*	*1,715*	*383*	*470*	*475*	*387*	*974*	*380*	*384*	*210*	-

CRUDE OIL, PGNiG Group (thousand tonnes)	Q1 2018	FY 2017	Q4 2017	Q3 2017	Q2 2017	Q1 2017	FY 2016	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Production of crude oil and condensate	348	1,257	329	313	269	346	1,318	344	298	328	348
including in Poland	*208*	*787*	*220*	*203*	*148*	*216*	*763*	*207*	*177*	*176*	*203*
including in Norway	*140*	*470*	*109*	*110*	*121*	*130*	*555*	*137*	*121*	*152*	*145*
Sales of crude oil and condensate	429	1,270	313	251	316	390	1,346	325	287	336	398
including in Poland	*210*	*791*	*222*	*190*	*161*	*218*	*753*	*198*	*179*	*171*	*205*
including in Norway	*219*	*479*	*91*	*61*	*155*	*172*	*593*	*127*	*108*	*165*	*193*

GENERATION	Q1 2018	FY 2017	Q4 2017	Q3 2017	Q2 2017	Q1 2017	FY 2016	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Production of heat, net (sales) (TJ)	19,037	42,487	14,195	3,472	6,732	18,088	39,527	15,079	2,945	5,351	16,152
Production of electricity, net, secondary generation (for sale) (GWh)	1,539	3,882	1,280	407	737	1,458	3,604	1,204	418	592	1,390

Changes in the presentation of services under IFRS 15

Effect of the implementation of IFRS 15 on the consolidated statement of profit or loss

2017 consolidated statement of profit and loss (PLNm)	Q1 2017 before restatement	effect	Q1 2017 after restatement
Revenue, including:	11,652	-37	11,615
Revenue from sales of gas	9,468	-1,234	8,234
Other revenue	2,184	1,197	3,381
Operating expenses (excl. D&A), including:	-8,883	37	-8,846
Transmission services	-294	34	-260
Other services	-361	3	-358

2018 consolidated statement of profit and loss (PLNm)	Q1 2018 before restatement	effect	Q1 2018 after restatement
Revenue, including:	13,297	-50	13,247
Revenue from sales of gas	10,853	-1,291	9,562
Other revenue	2,444	1,241	3,685
Operating expenses (excl. D&A), including:	-10,623	50	-10,573
Transmission services	-311	42	-269
Other services	-400	8	-392

- The Group has applied the requirements of new IFRS 9 and IFRS 15 with the use of a modified retrospective approach, effective as of January 1st 2018 and, as prescribed by IFRS, did not restate the comparative period data in the interim report.
- To facilitate the interpretation of financial results, this slide provides a simplified overview of the impact of IFRS 15 on the presentation of the Q1 2017 and Q1 2018 figures.
- **The next slides compare Q1 2018 with Q1 2017 restated according to IFRS 15.**

IFRS 9 *Financial Instruments*

- changes to the rules for classification and measurement of financial assets,
- introduction of a new model for determining expected credit losses and
- changes in hedge accounting requirements.

IFRS 15 *Revenue from Contracts with Customers*

- Group companies which identified their role with respect to specific goods or services as that of an agent changed the manner of presentation of relevant revenue and expenses. Revenue is recognised in the amount of net consideration.
- In respect of gas transmission and electricity distribution services, the Group has no control over the main features or price of such services, acting solely as an agent. Revenue from sales of gas distribution services is recognised in an amount equal to the full value of such services provided to customers from outside the PGNiG Group.

Effects of presentation changes under IFRS 15 – segments

Without presentation changes under IFRS 15	Q1 2017	Q1 2018
Trade and Storage		
Revenue	9,932	11,506
Operating expenses (excl. D&A)	-9,574	-11,327
Distribution		
Revenue	1,469	1,551
Sales to external customers	260	294
Inter-segment sales	1,209	1,257
Operating expenses (excl. D&A)	-777	-788
Effect of IFRS 15		
Trade and Storage		
Revenue	-1,235	-1,297
Operating expenses (excl. D&A)	1,235	1,297
Distribution		
Revenue	0	0
Sales to external customers	1,198	1,247
Inter-segment sales	-1,198	-1,247
Operating expenses (excl. D&A)	0	0
New manner of presentation	**Q1 2017**	**Q1 2018**
Trade and Storage		
Revenue	8,697	10,209
Operating expenses (excl. D&A)	-8,339	-10,030
Distribution		
Revenue	1,469	1,551
Sales to external customers	1,458	1,541
Inter-segment sales	11	10
Operating expenses (excl. D&A)	-777	-788

- The Trade and Storage segment acts as a agent with respect to gas distribution, gas transmission and electricity distribution services. Therefore, revenue and expenses are recognised in net amounts.
- In the Distribution segment, the presentation change consists in the recognition of revenue from sales of distribution services provided to customers from outside the PGNiG Group as sales to external customers.
- The next slides compare Q1 2018 according to the new standards with Q1 2017 restated according to IFRS 15.

PGNiG

Glossary

2P	Proven reserves of fossil fuels
bbl	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

Contact details

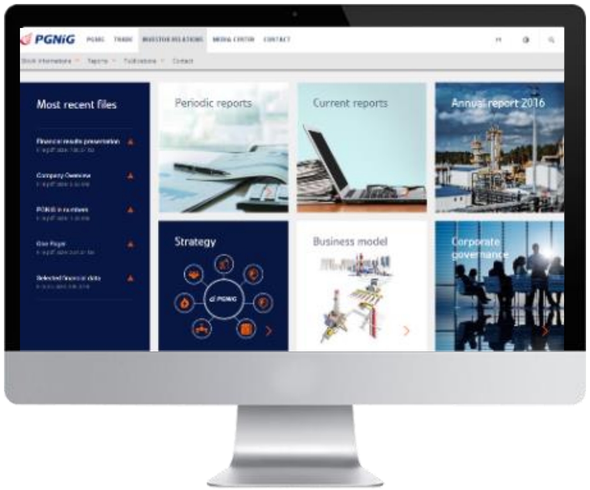
Marcin Piechota
Head of the Investor Relations Division
Phone:+48 22 589 43 22
Mobile:+48 885 889 890
Email: marcin.piechota@pgnig.pl

Piotr Gałek
Investor Relations Specialist
Phone:+48 22 589 48 46
Mobile:+48 723 235 652
Email: piotr.galek@pgnig.pl

Aleksander Kutnik
Investor Relations Specialist
Phone:+48 22 589 47 97
Mobile:+48 723 239 162
Email: aleksander.kutnik@pgnig.pl

Polskie Górnictwo Naftowe i Gazownictwo S.A.
ul. M. Kasprzaka 25
01-224 Warsaw, Poland
Fax:+48 22 691 81 23
www.en.pgnig.pl

More information



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