

Polskie Górnictwo Naftowe i Gazownictwo SA

Estimated financial results
of PGNiG Group
Q4 and full-year 2018



February 13th 2019



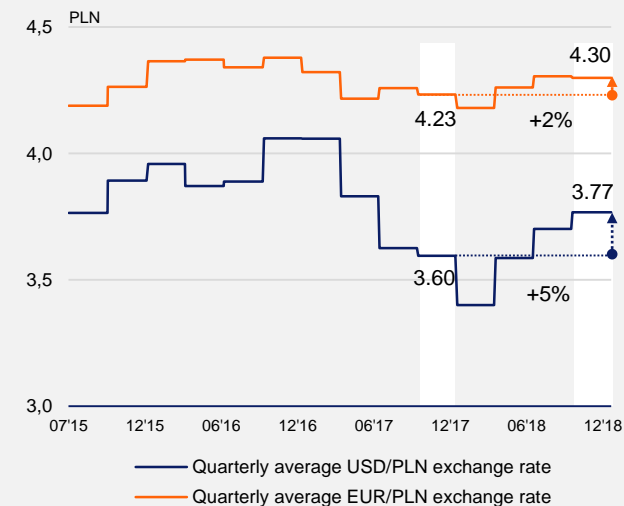
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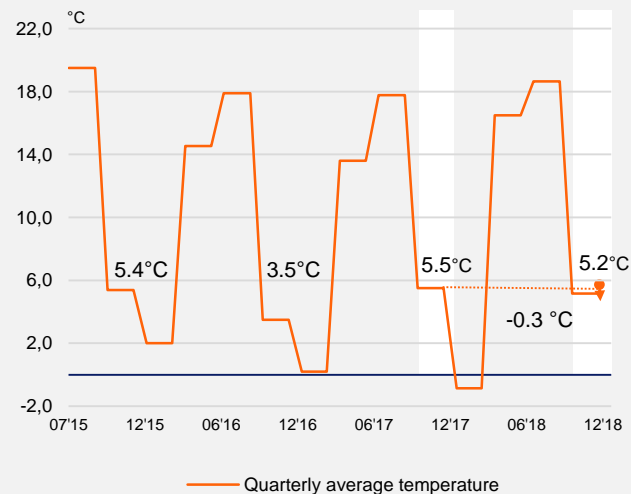
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External and market drivers

> USD/PLN and EUR/PLN exchange rate

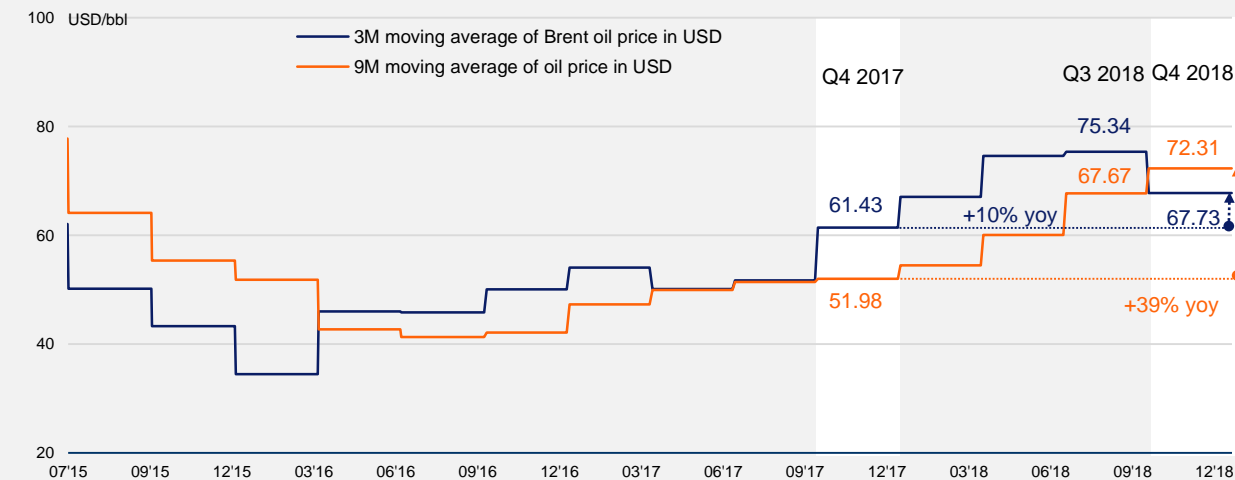


> Temperatures



- > USD/PLN exchange rate went up by 5% yoy to 3.77 PLN in Q4 2018.
- > EUR/PLN exchange rate went up by 2% yoy to 4.30 PLN in Q4 2018.
- > Average temperature in Q4 2018 went down by 0.3 °C yoy.

> 3-month i 9-month average price of crude oil

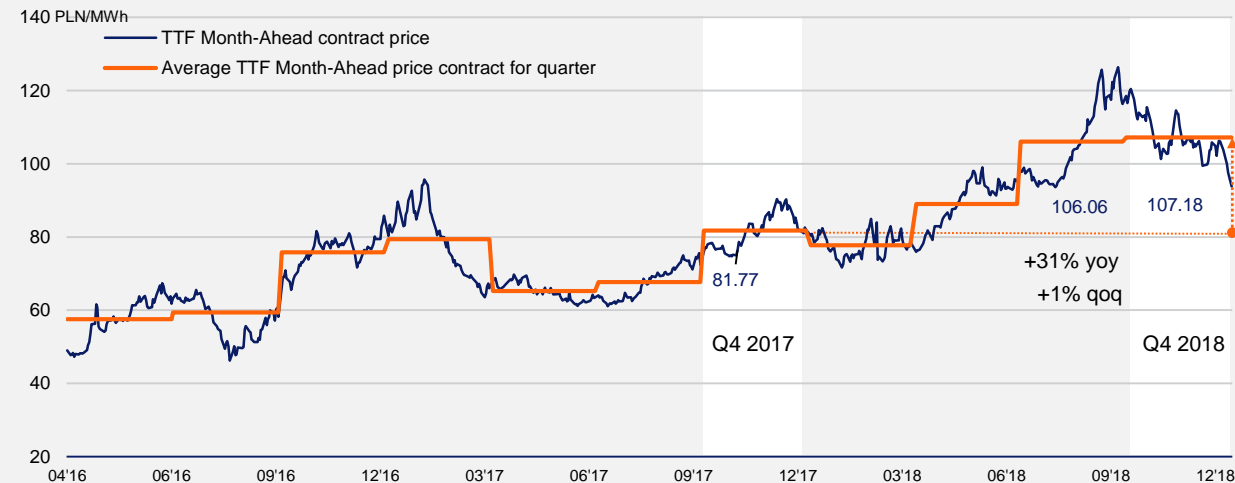


- > +10% yoy rise in the 3-month average crude oil price to 67.73 USD/bbl.
- > +39% yoy rise in the 9-month average crude oil price to 72.31 USD/bbl.

* temperature measurement in reference point in Rzeszów

Market drivers

> TTF natural gas prices (Month-Ahead contract)



> TTF gas price increase (Month-Ahead contract) in Q4 2018:

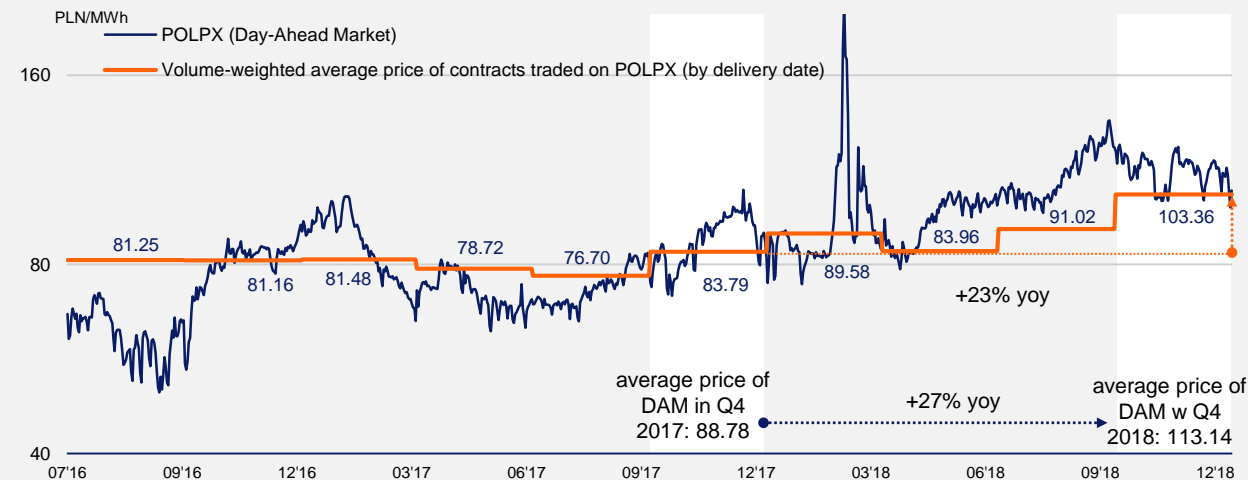
October: +46% yoy.

November: +28% yoy.

December: +16% yoy.

> Higher trading volumes (+9% yoy) on POLPX in Q4 2018 including all contracts and all expiration date.

> POLPX DAM gas prices 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.



Selected operating estimates

> Current Report No. 7/2019 January 25th 2019

	Q4 2017	Q4 2018	% Q/Q	2017	2018	% Y/Y
NATURAL GAS* in billion cubic metres						
Production volume	1.19	1.19	-	4.54	4.55	-
<i>including Poland and Pakistan</i>	1.06	1.05	-1%	3.99	4.01	1%
<i>including PGNiG Upstream Norway</i>	0.13	0.14	8%	0.55	0.54	-2%
Imports volume	3.67	2.95	-20%	13.71	13.53	-1%
<i>including imports from countries east of Poland</i>	2.54	1.10	-57%	9.66	9.04	-6%
<i>including western</i>	0.64	0.94	47%	2.33	1.42	-39%
<i>including LNG</i>	0.38	0.76	100%	1.72	2.71	58%
Sales volume outside PGNiG Group	8.02	8.60	7%	26.79	29.06	8%
<i>including PGNiG SA</i>	5.21	4.86	-7%	16.98	17.26	2%
<i>on Polish Power Exchange</i>	2.59	2.72	5%	8.42	8.49	1%
<i>exports from Poland</i>	0.30	0.11	-63%	0.73	0.45	-38%
<i>including PGNiG Obrót Detaliczny</i>	2.21	2.38	8%	7.62	7.87	3%
<i>including PGNiG Supply & Trading</i>	0.60	1.36	127%	2.19	3.93	79%
DISTRIBUTION in billion cubic metres						
Gas distribution volume**	3.29	3.44	5%	11.65	11.75	1%
CRUDE OIL *** in thousand tonnes						
Production volume	329.3	352.9	7%	1257.3	1345.3	7%
<i>including Poland</i>	219.6	218.5	-1%	786.8	818.2	4%
<i>including PGNiG Upstream Norway</i>	109.7	134.4	23%	470.5	527.1	12%
Sales volume	313.3	378.0	21%	1270.2	1410.0	11%
<i>including Poland</i>	222.0	225.4	1%	791.7	817.5	3%
<i>including PGNiG Upstream Norway</i>	91.3	152.6	67%	478.5	592.5	24%
HEAT AND ELECTRICITY****						
Heat sales volume (PJ)	14.20	14.25	0%	42.61	40.66	-5%
Electricity sales volume (TWh)	1.28	1.31	2%	3.88	3.97	2%
Gas in underground storage facilities in billion cubic metres						
Gas in underground storage facilities (high methane gas) as at December 31st	2.3	2.3	-	2.3	2.3	-

* measured as high-methane gas equivalent with a calorific value of 39.5 MJ/cm. data of PGNiG Group

** in natural units by Polska Spółka Gazownictwa

*** combined data for crude oil and condensate / natural gas liquids of PGNiG Group

**** data of PGNiG TERMIKA SA, PGNiG TERMIKA Energetyka Przemysłowa



Selected financial highlights

The financial data contained in this presentation and in the Current Report may change following an audit by a qualified auditor.

The interim report for Q4 2018 and the full-year report for 2018 will be published on March 14th 2019.

[in PLNbn]	Q4 2017	Q4 2018	% Q/Q	2017	2018	% Y/Y
Consolidated revenue*	10.91	12.79	17%	35.69	41.27	16%
Consolidated EBITDA:	1.32	1.35	2%	6.58	7.12	8%
Herein: impairment losses on property, plant and equipment of PGNiG Group	-0.55	-0.24	-56%	-0.43	+0.21	-2x
<i>EBITDA of Exploration and Production, herein:</i>	<i>0.83</i>	<i>1.06</i>	<i>28%</i>	<i>3.87</i>	<i>5.01</i>	<i>29%</i>
<i>cost of dry wells and seismic surveys</i>	<i>-0.25</i>	<i>-0.15</i>	<i>-40%</i>	<i>-0.40</i>	<i>-0.69</i>	<i>73%</i>
<i>impairment losses on property, plant and equipment</i>	<i>-0.2</i>	<i>-0.25</i>	<i>25%</i>	<i>-0.08</i>	<i>+0.19</i>	<i>-4x</i>
<i>EBITDA of Trade and Storage, herein:</i>	<i>-0.25</i>	<i>-0.33</i>	<i>-32%</i>	<i>-0.44</i>	<i>-0.83</i>	<i>-89%</i>
<i>impairment losses on property, plant and equipment</i>	<i>-0.36</i>	<i>-</i>	<i>-</i>	<i>-0.36</i>	<i>-</i>	<i>-</i>
<i>EBITDA of Distribution</i>	<i>0.53</i>	<i>0.42</i>	<i>-21%</i>	<i>2.49</i>	<i>2.39</i>	<i>-4%</i>
<i>EBITDA of Generation</i>	<i>0.24</i>	<i>0.29</i>	<i>21%</i>	<i>0.84</i>	<i>0.79</i>	<i>-7%</i>
Consolidated EBIT	0.65	0.60	-8%	3.91	4.40	13%
Consolidated net result	0.46	0.39	-15%	2.92	3.21	10%

* restated data to ensure comparability in connection with the application of new standard IFRS 15

Key drivers of the financial results

> 4Q 2018 vs 4Q 2017

Exploration and Production

- > higher volumes of sales, including mainly a 21% yoy increase in sales volumes of crude oil;
- > prices of products, including 10% yoy rise in the average crude oil price in USD/bbl for the quarter and 27% yoy increase of gas prices on Polish Power Exchange;
- > impairment losses (on non-current assets, receivables etc.), dry wells and seismic surveys written off.

Trade and Storage

- > higher costs of gas due to rising prices of products, resulting from a 10% yoy rise in the average crude oil price in USD/bbl for the quarter, 39% yoy increase in 9-month average crude oil price, higher prices of natural gas in the European markets as well as gas prices quoted on the Polish Power Exchange, which have an impact on the level of settlement price for gas from domestic production to the Trade and Storage segment;
- > the result on derivative financial instruments designated for hedge accounting (effect on the financial result): +45 mPLN in Q4 2018 vs -13 mPLN in Q4 2017.

Distribution

- > a 7.37% decline in the gas distribution tariff, which was introduced on March 1st 2018;
- > net impact from system balancing lower by 41 mPLN.

Generation

- > 31% yoy growth in revenue from sales of electricity due to higher sales volumes and higher prices of electricity;
- > higher costs of coal to production.

> FY 2018 vs FY 2017

Exploration and Production

- > higher volumes of sales, including mainly a 11% yoy increase in sales volumes of crude oil;
- > prices of products, including 31% yoy rise in the average crude oil price in USD/bbl for the quarter and 30% yoy increase of gas prices on Polish Power Exchange;
- > impairment losses (on non-current assets, receivables etc.), dry wells and seismic surveys written off.

Trade and Storage

- > higher costs of gas due to rising prices of products, resulting from a 31% yoy rise in the average crude oil price in USD/bbl for the quarter, 28% yoy increase in 9-month average crude oil price, higher prices of natural gas in the European markets as well as gas prices quoted on the Polish Power Exchange, which have an impact on the level of settlement price for gas from domestic production to the Trade and Storage segment;
- > the result on derivative financial instruments designated for hedge accounting (effect on the financial result): -362 mPLN in Q4 2018 vs -12 mPLN in FY 2017.

Distribution

- > a 7.37% decline in the gas distribution tariff, which was introduced on March 1st 2018;
- > net impact from system balancing higher by 79 mPLN.

Generation

- > 25% yoy growth in revenue from sales of electricity due to higher sales volumes and higher prices of electricity;
- > higher costs of coal to production.



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