

# Polish Oil and Gas Company

## Company Overview



March 2019





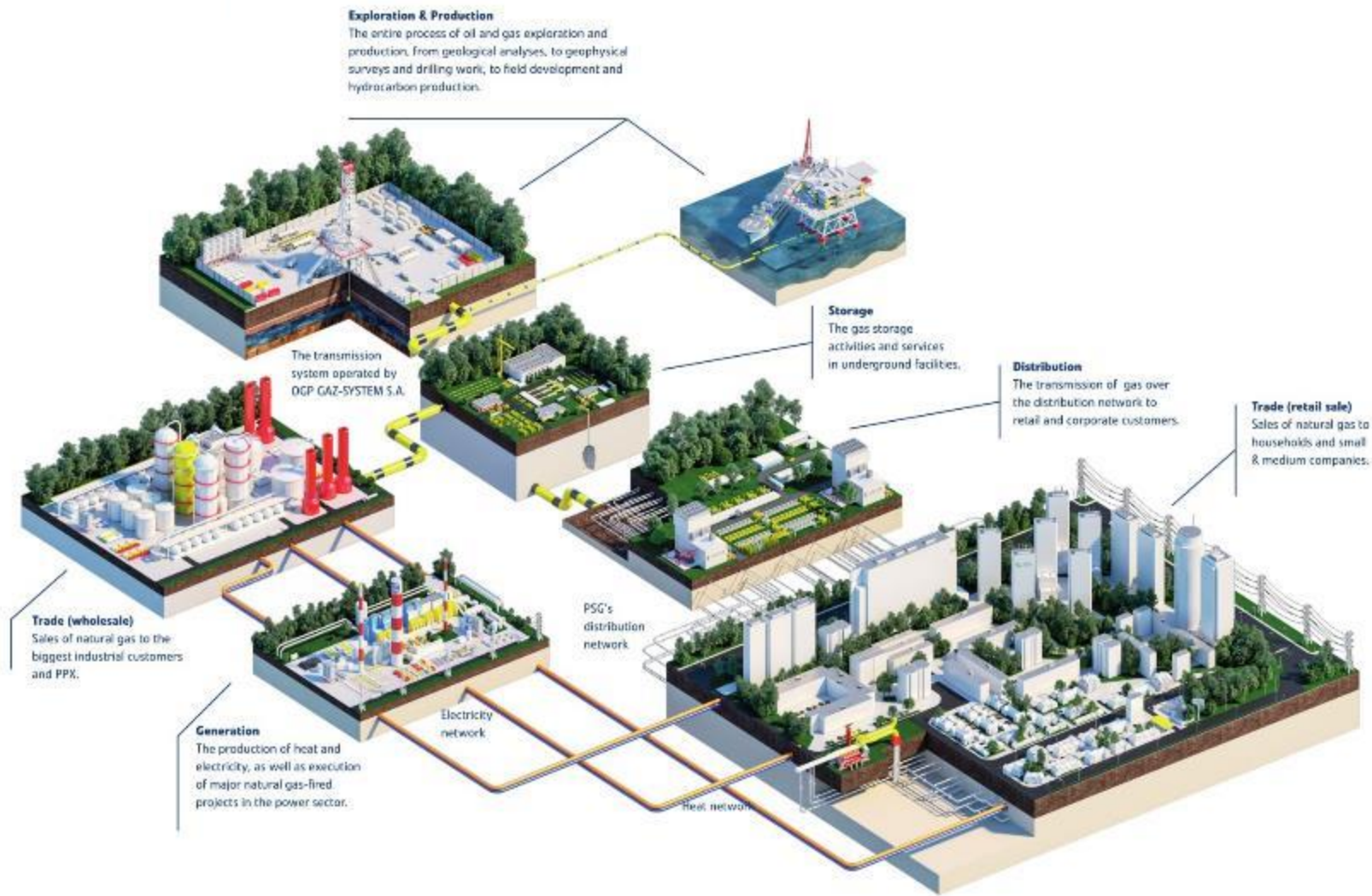
# Agenda

- > 1. PGNiG Group & Polish Gas Market
- > 2. PGNiG Segments
  -  > Exploration and Production
  -  > Trade and Storage
  -  > Distribution
  -  > Generation
- > 3. Strategy, CAPEX
- > 4. Appendix



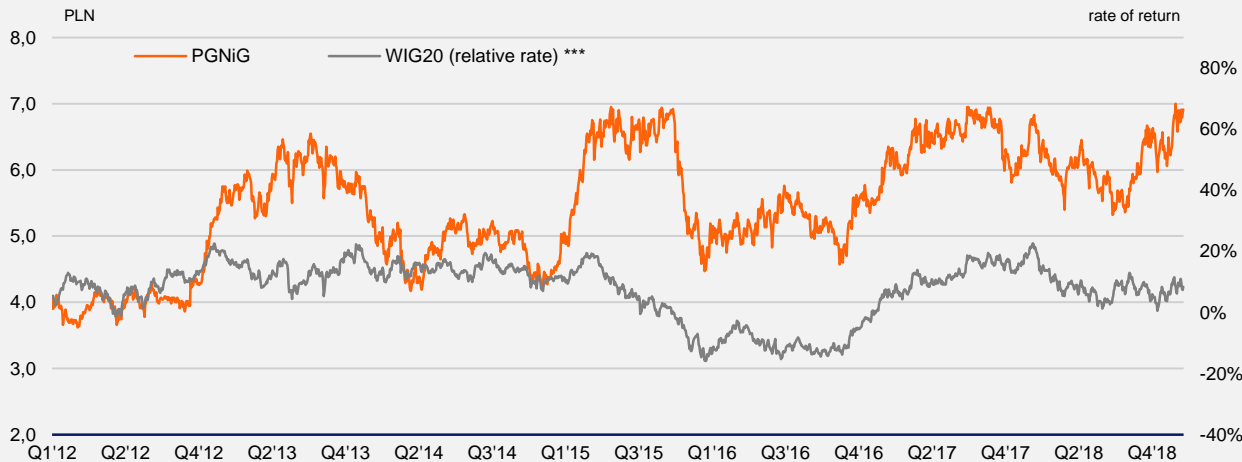
# PGNiG Group and Polish Gas Market

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

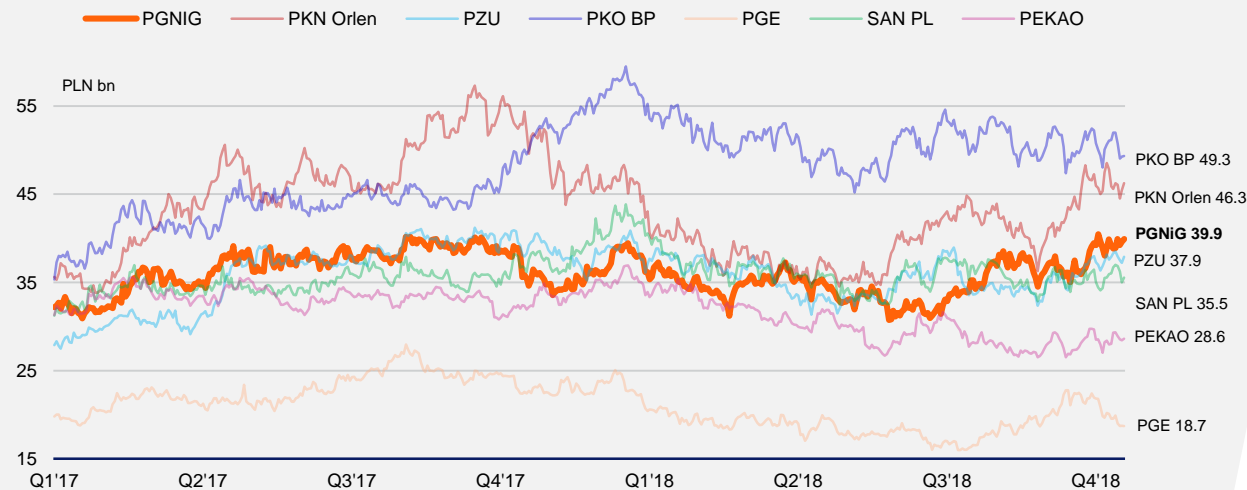


# 3rd biggest Polish company on the Warsaw Stock Exchange\*\*

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



> Market cap. of PGNiG from January 2017 together with the largest companies on the WSE

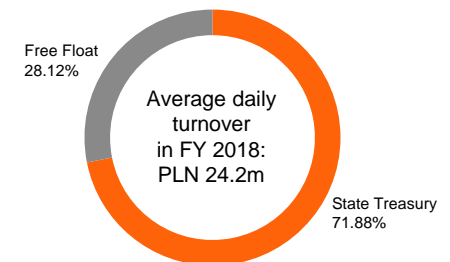


\* PGNiG = 6.91 PLN and EUR/PLN = 4.30; USD/PLN = 3.76 (as at December 28th 2018) \*\* in terms of market cap as at December 28th 2018 (without dividend)

\*\*\* WIG20 quotation chart, taking into account relative changes in percentage in relation to the PGNiG exchange rate

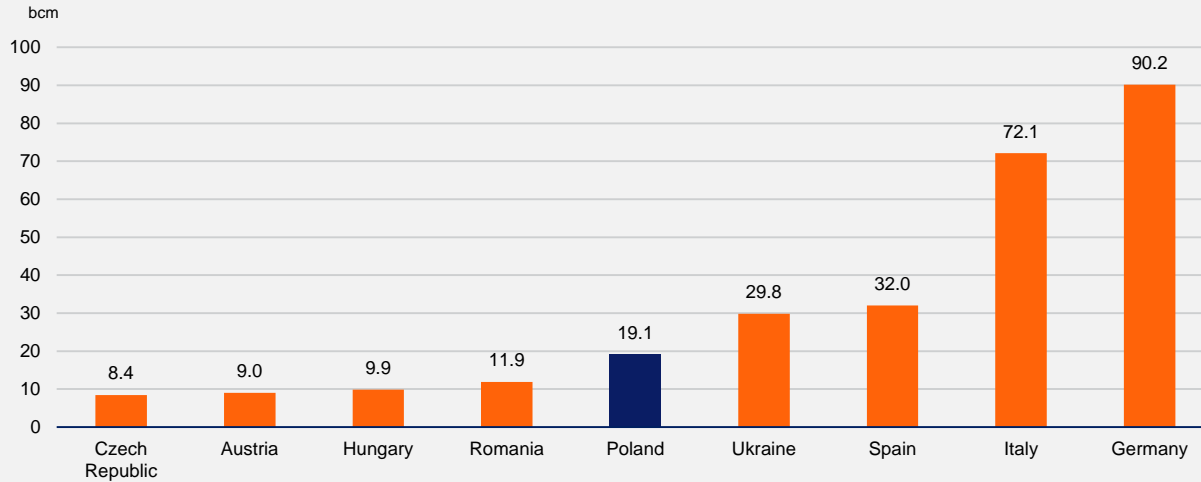
- > Listed on WSE since September 2005
- > Market cap, of PLN 40bn (EUR 9.3bn, USD 10.6bn)\*
- > Significant share in WIG 20 based on number of shares in the index: 5.36%

> Shareholders (as at December 31, 2018)

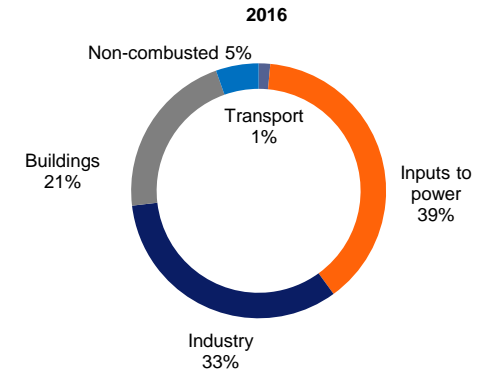


# Gas market in Poland: Low consumption with growth potential

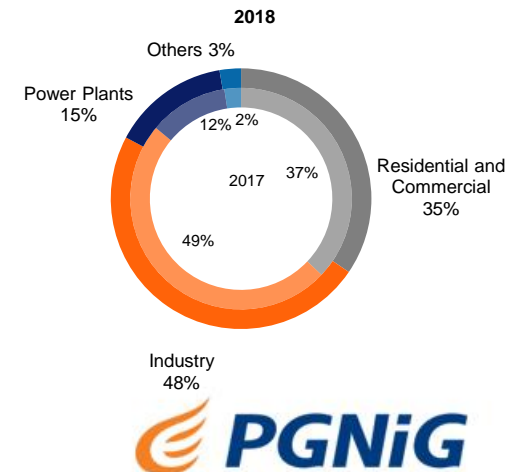
## > Natural gas consumption by country in 2017



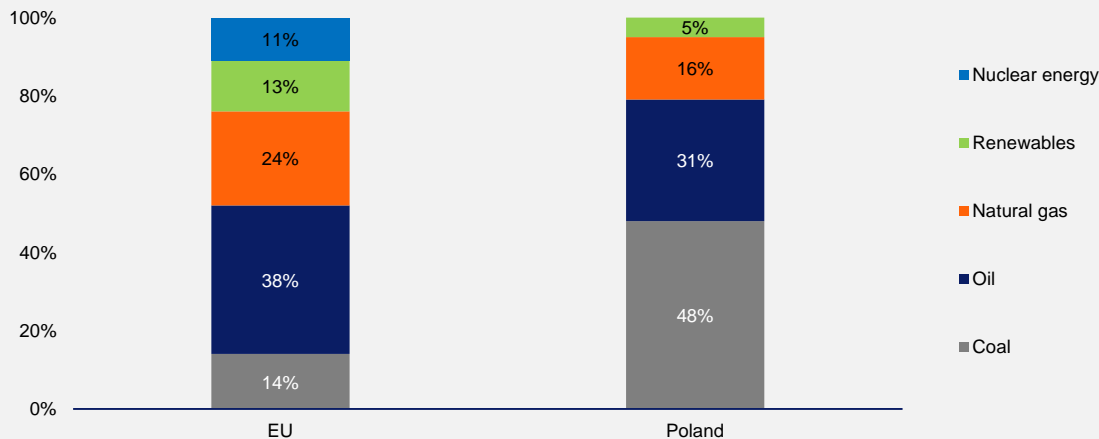
## > Natural gas sales by sector in the world in 2016



## > Natural gas sales by sector by PGNiG in Poland in 2018 and 2017



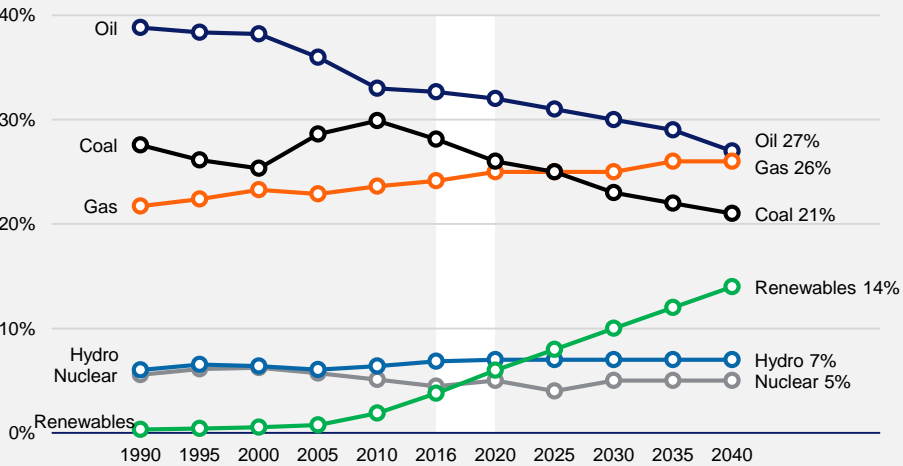
## > Primary energy consumption by fuel in 2017



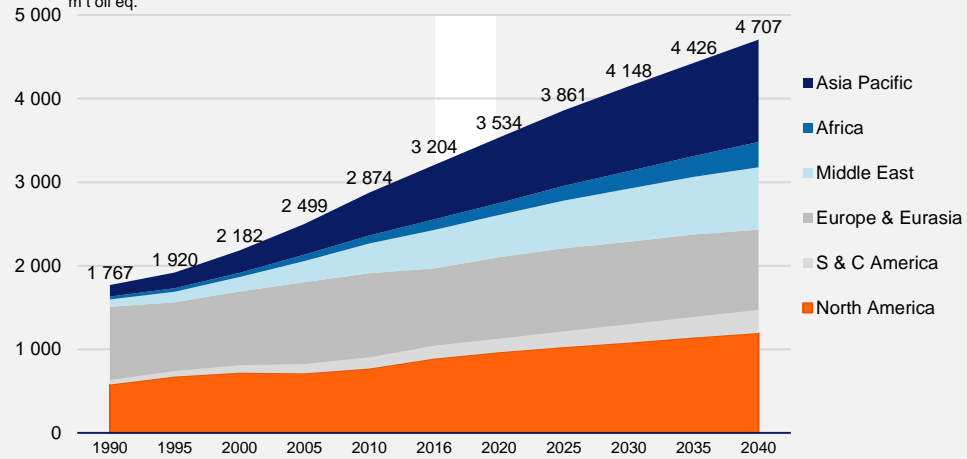
Source: BP Statistical Review 2018, BP Energy Outlook 2018 / Gas consumption comprises sales, as well as in-house consumption and change of inventories

# Gas market worldwide

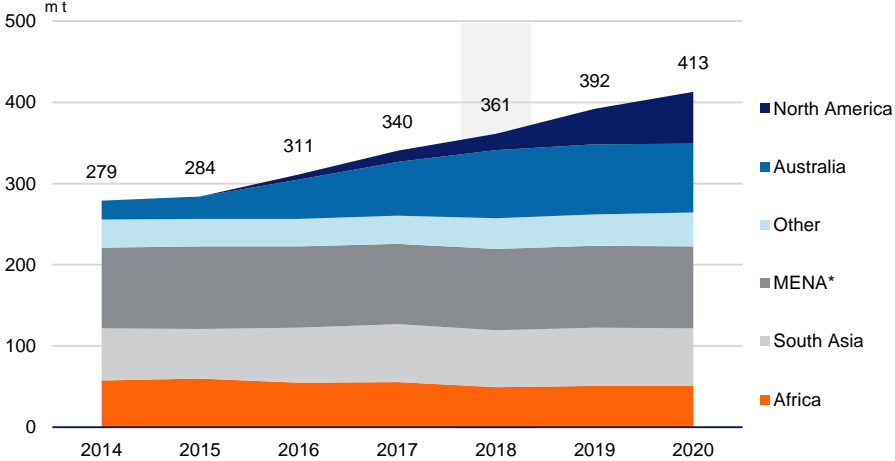
> Primary energy consumption by fuel



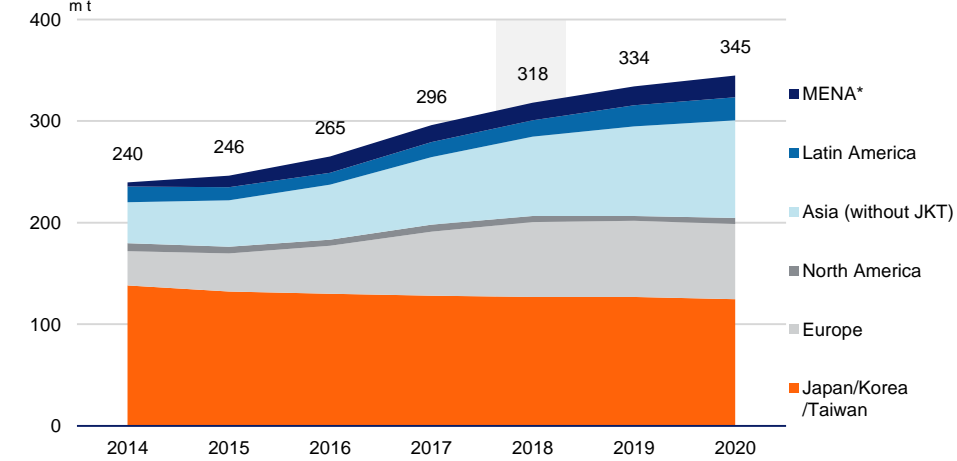
> Natural gas demand



> 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



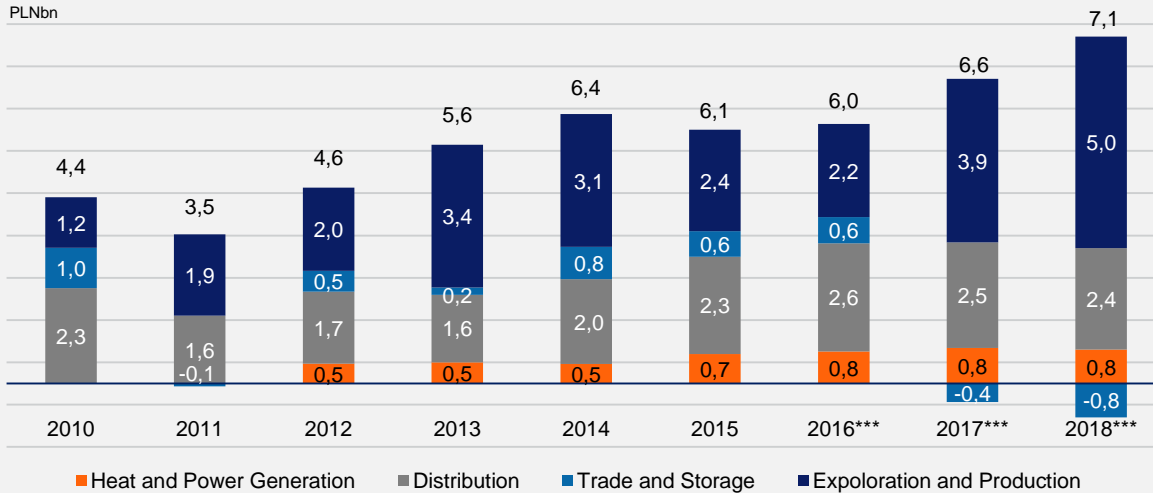
# Operating segments of PGNiG Group





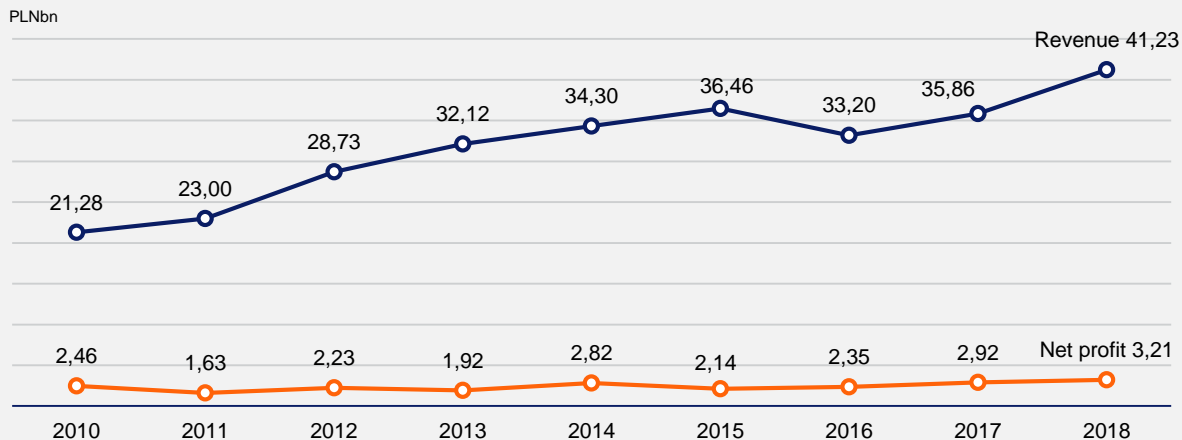
# PGNiG Group's financials 2010-2018

## PGNiG Group's EBITDA\*\*

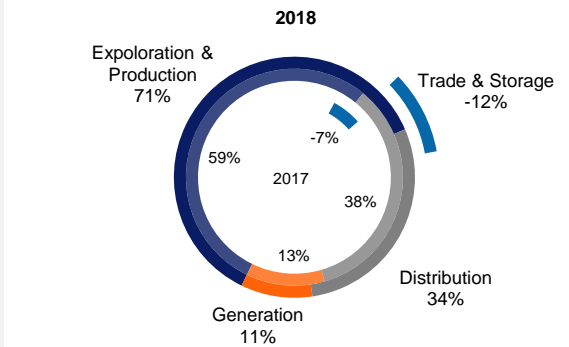


- > 5th biggest company in Central and Eastern Europe\*
- > 3rd biggest oil company in the region\*
- > Stable EBITDA level due to diversified inflows sources

## PGNiG Group's revenue and net profit



## EBITDA breakdown



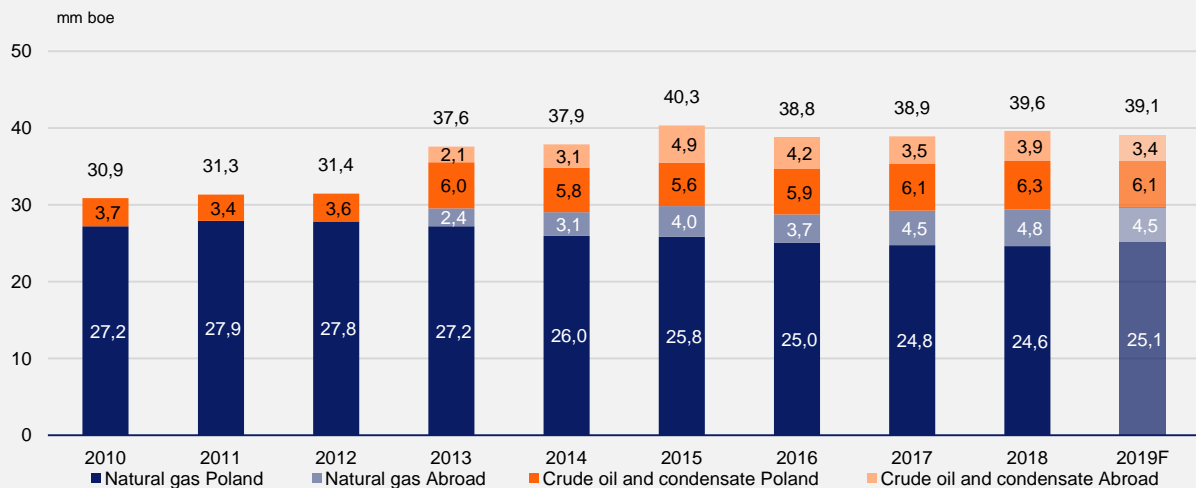
Other segments' contribution to EBITDA in 2018: -4%; in 2017: -3%



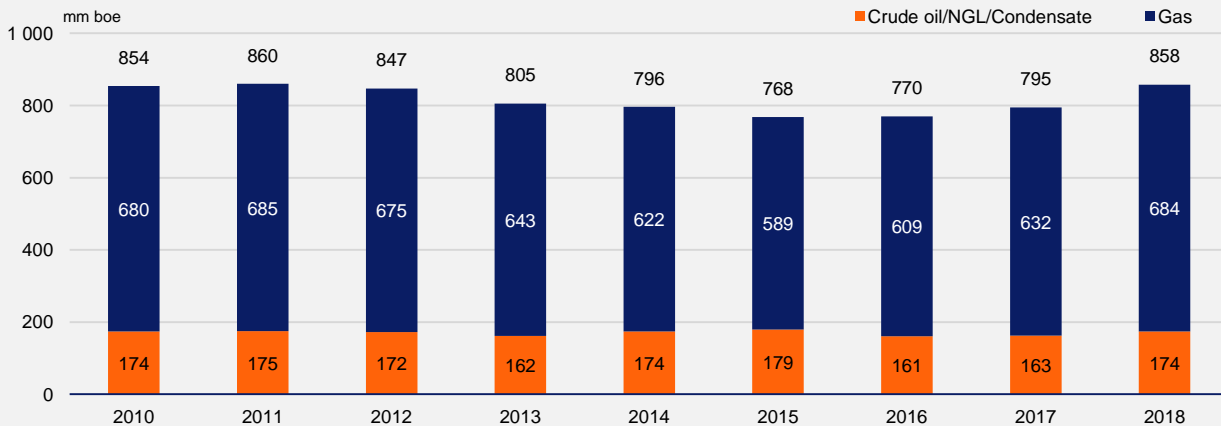
\* Source: TOP 500 CEE 2018 / \*\* EBITDA 2010-2015 before intra-group eliminations and excluding „Other segments“  
 \*\*\* restated, other segments not presented on chart

# 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

> PGNiG's resource base in Poland\*\*:

- > proved gas reserves 548 mm boe (87.7 bcm)
- > proved oil reserves 119 mm boe (15.2 m tonnes)

> Oil & Gas concessions in Poland\*\*:

- > 20 exploration/appraisal
- > 27 combined licences
- > 203 production

> Exploration & Production activities:

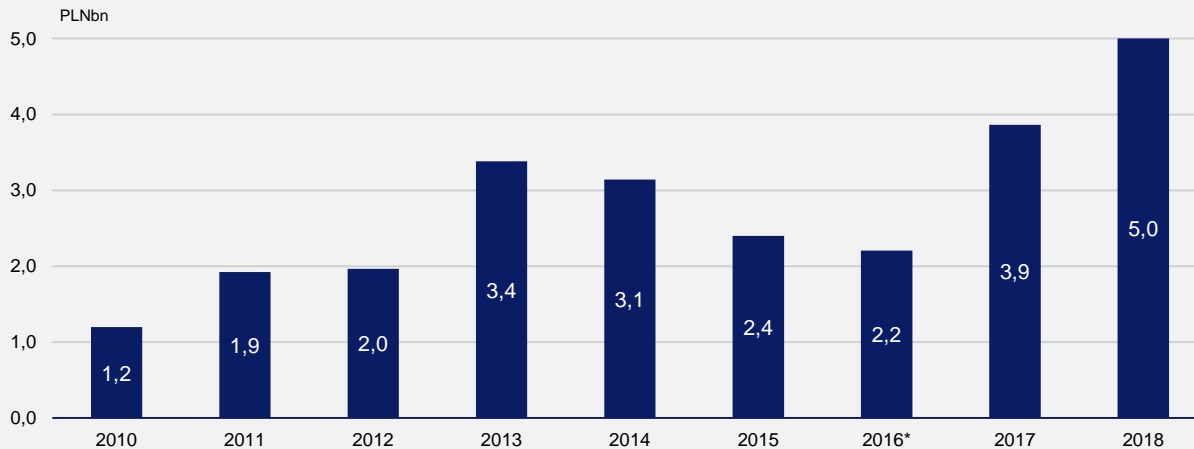
- > 54 production facilities in Poland
- > over 2 thousand producing wells



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

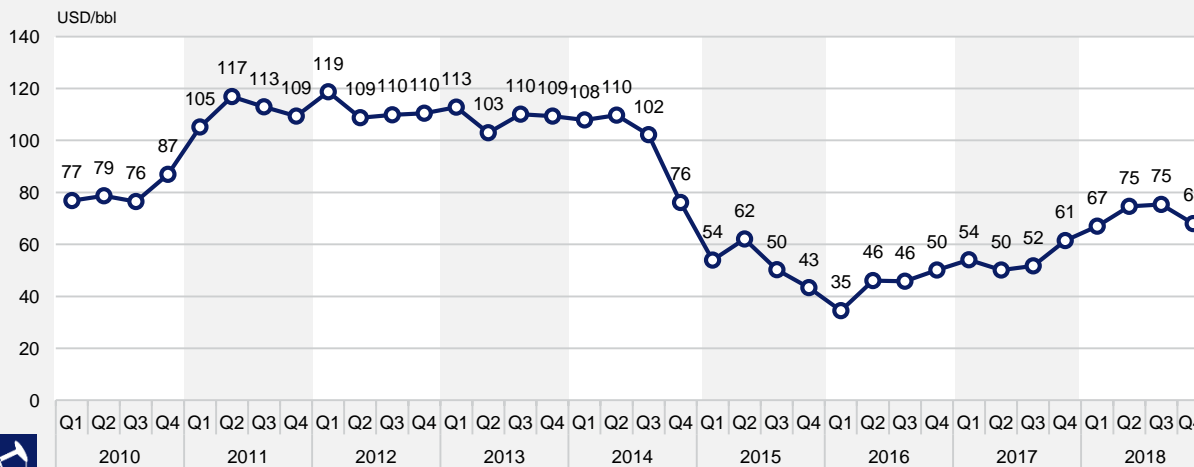
# Exploration & Production financial results

## Exploration and Production's EBITDA



\* restated

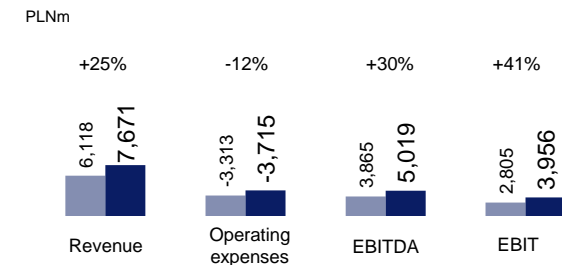
## Average prices of crude oil



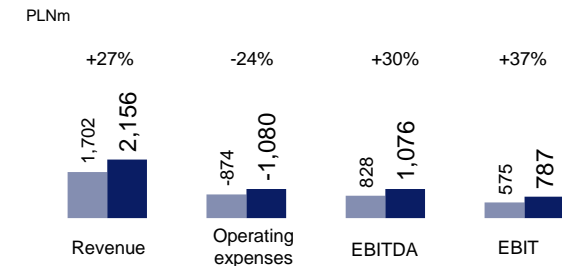
Revenue growth driven by higher prices of oil and gas and an increase in the volumes of oil sold.

- Revenue from sales of crude oil and condensate up PLN 692m yoy.
- PLN 932m yoy increase in revenue from gas sales recorded by the segment.

## Segment's results for FY 2017 vs FY 2018



## Segment's results for Q4 2017 vs Q4 2018

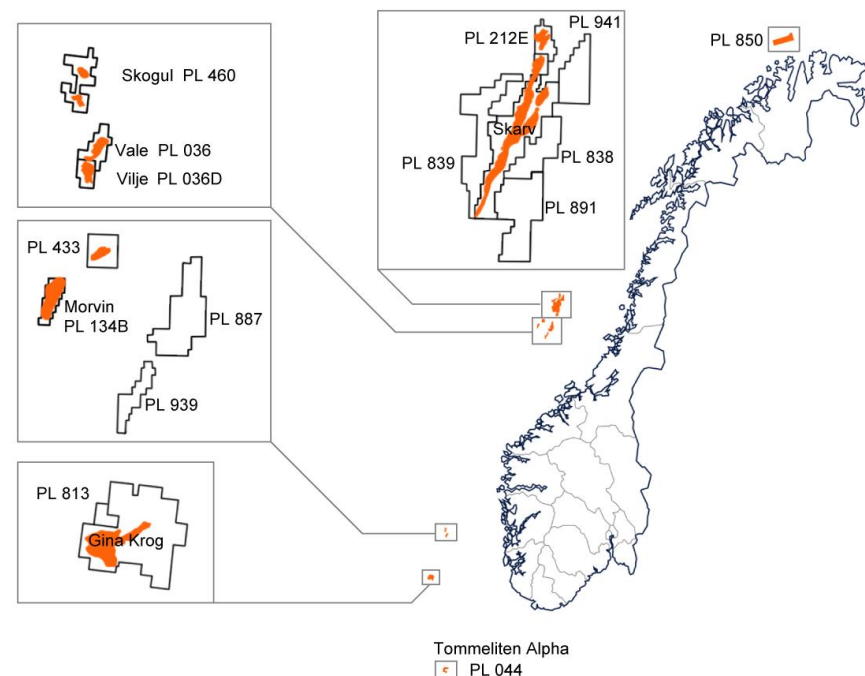
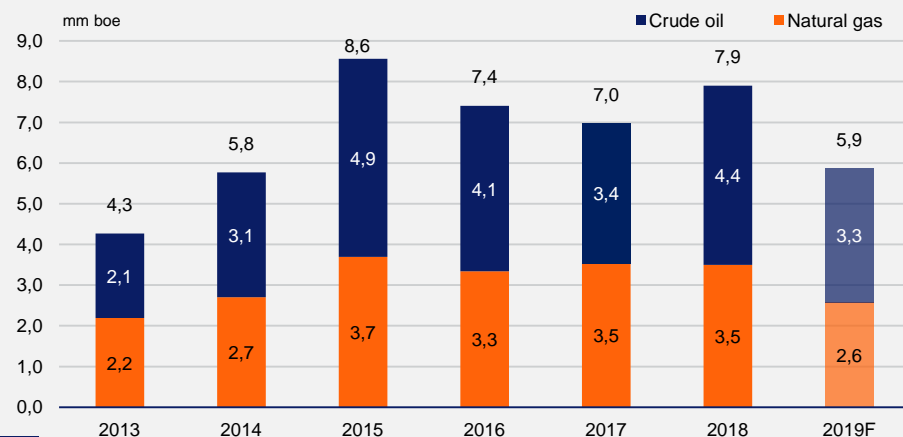


# International E&P activities – Norway

## > Reserves in Norway (as at December 31st, 2018)

	Natural Gas	Crude Oil & NGL	Total (mm boe)
Skarv	12.4	8.5	20.9
Gina Krog	6.6	8.2	14.8
Vilje		3.7	3.7
Vale	0.7	0.6	1.3
Morvin	0.4	0.8	1.2
Tommeliten Alpha	36.1	18	54.1
Aerfugl	21.4	9.1	30.5
Skogul	0.3	2.9	3.2
Fogelberg	8.8	3.4	12.2
<b>Total</b>	<b>86.7</b>	<b>55.2</b>	<b>141.9</b>

## > Production in Norway



On the Norwegian Continental Shelf, PGNiG UN, as a project partner, will continue to produce hydrocarbons from the Skarv, Morvin, Vilje, Vale, and Gina Krog fields and will proceed with the development of the Skogul and Aerfugl fields.

On October 18th 2018 PGNiG Upstream Norway AS signed agreement to purchase 30% interest in license PL044 from Equinor Energy AS what is equivalent to 42.38% interest in the Tommeliten Alpha field. The aggregate resources corresponding to the interest purchased by PUN amount to approx. 52 mboe. The purchase price of the interest is USD 220 milion.

PGNiG also prepares a development plan for the Fogelberg field.

# 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 (for PGNiG)	9.4 bcm of natural gas (7.0 bcm Rehman, 2.4 bcm Rizq)

In 2018 the Rizq-2 and Rehman-4 wells were brought on stream. PGNiG also completed drilling work on the Roshan-1 well. Currently, the drilling of the Rehman-5 well is being continued and equipment is being moved in and rigged up for the drilling of the Rehman-6 and Rizq-3 wells.

In 2019, the Rizq-3, Rehman-5 and Rehman-6 wells are scheduled to come on stream. The Pakistan Branch is also planning to complete some seismic data acquisitions commenced in 2018 - the 3D seismic survey over the W1 prospect and the 2D seismic survey over the W2 prospect.

## > Other foreign activity in 2018

### Seismic works:

- > Acquisitions of seismic data: Bulgaria, Croatia, Egipt, Colombia, Tunisia, Ukraine, Myanmar.
- > Processing and interpretation of seismic data: France, India, Pakistan, Colombia.

### 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 and 2018, activities limiting the impact of force majeure and verification of the prospects of the license.

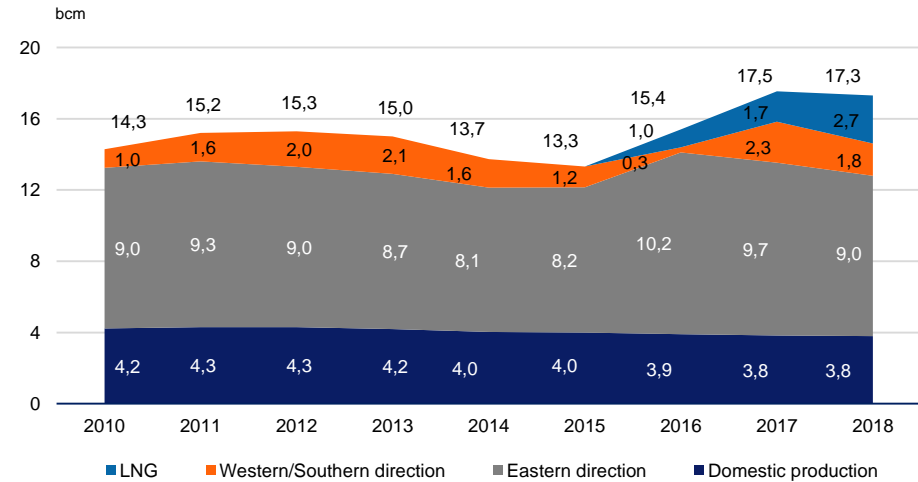
### UAE

- > In December 2018, acquisition of rights to explore for, to appraise and to produce hydrocarbons in Ras Al Khaimah Emirate.

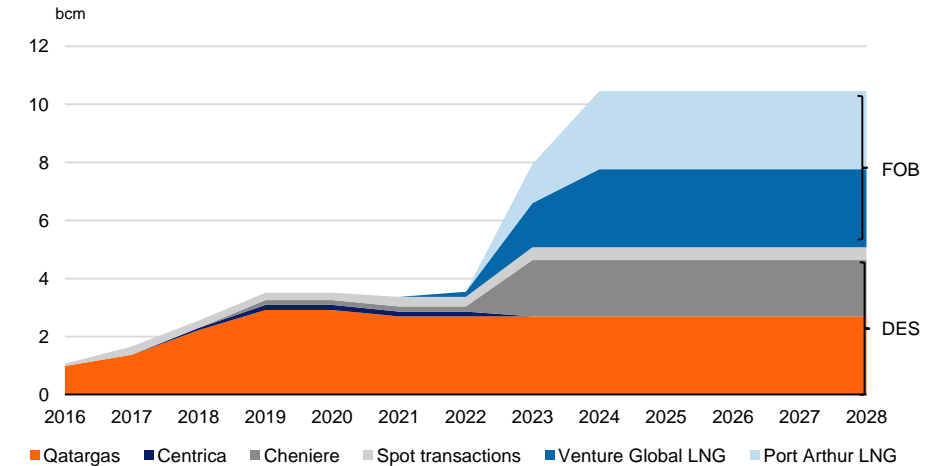
# Gas supply & sales

- > 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)
- > Contract for LNG with Cheniere until 2042:
  - > 0.73 bcm in the period of 2019-2022
  - > 1.95 bcm annually in the period of 2023-2042
- > Contracts for LNG with Venture Global and Port Arthur:
  - > 2.7 bcm annually each. Deliveries since 2022 (at the earliest) until 2043
- > 3.9 bcm of gas sold by PGNiG Supply & Trading to customers outside of Poland in 2018
- > 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 (6.1% WACC x PLN 3.5bn RAB) (since April 2019)

## > Sources of gas supply of PGNiG SA in Poland

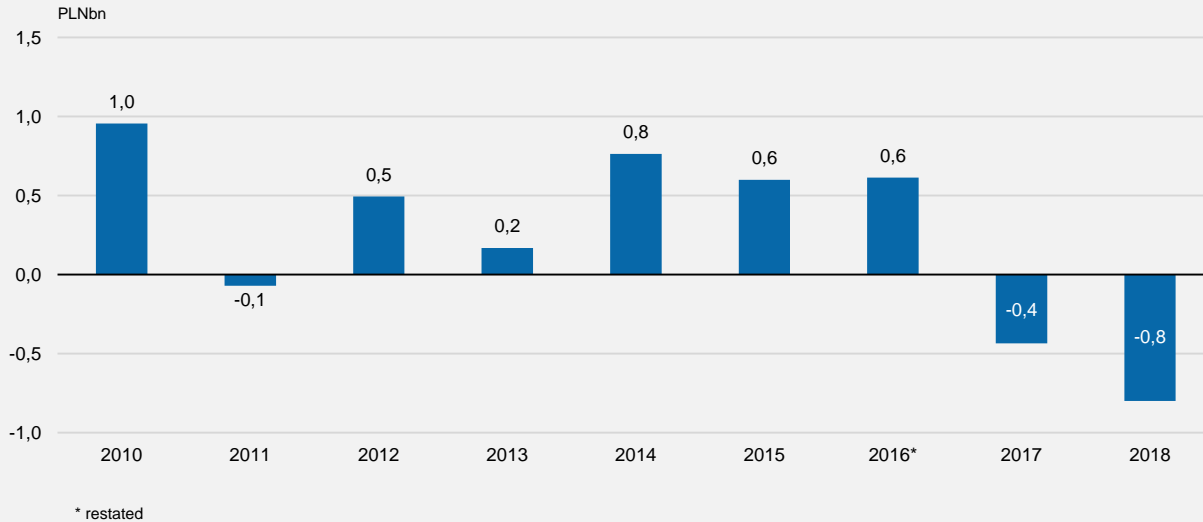


## > LNG Portfolio of PGNiG Group

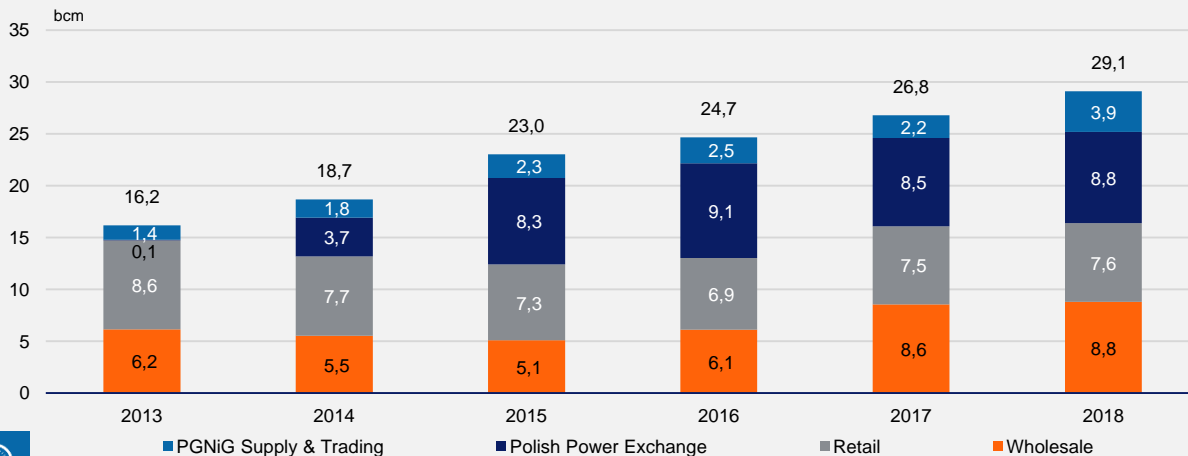


# Trade & Storage's financial results

## > Trade and Storage's EBITDA



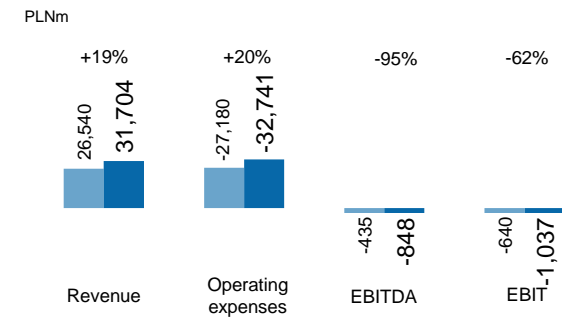
## > Sales of natural gas of PGNiG SA, PGNiG Retail and PST



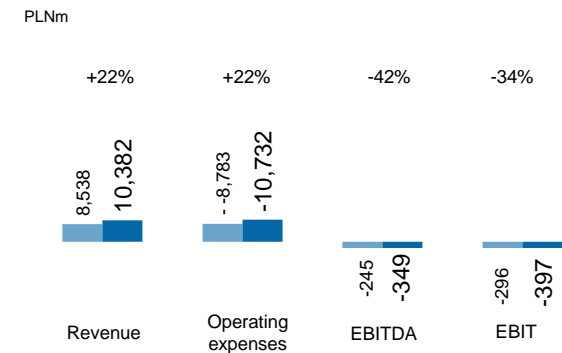
> Segment performance affected by increasing market prices of gas and crude oil.

- > Revenue from gas sales up PLN 4.9bn yoy.
- > Higher cost of gas in the segment due to rising prices of crude oil and natural gas.

## > Segment's results for FY 2017 vs FY 2018

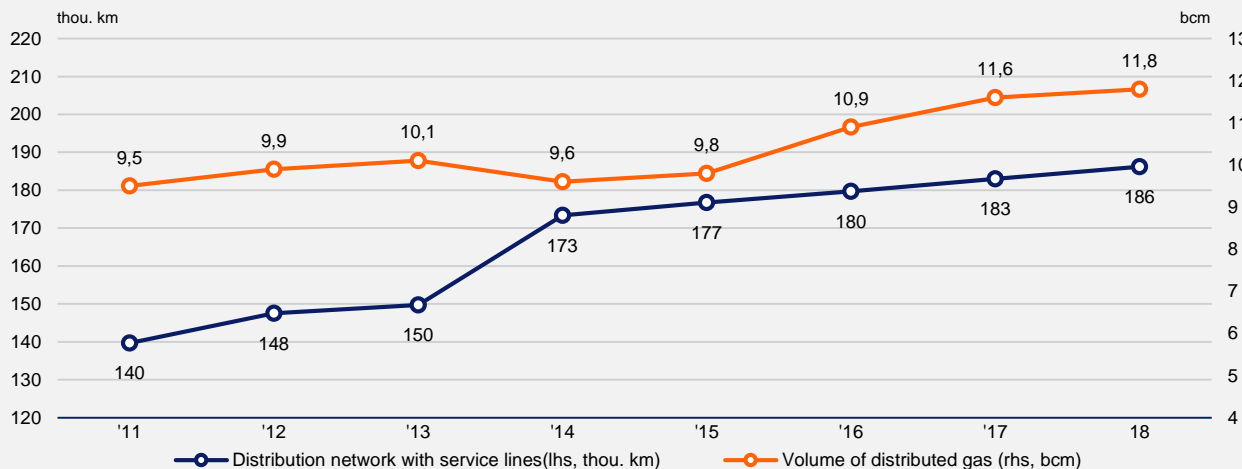


## > Segment's results for Q4 2017 vs Q4 2018



# Distribution

> Stable network's growth and increase of distributed volumes (+3.5% CAGR 2004-2018)



> Coverage of distribution network



- > The owner of approximately 97% 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. 7 approved by the President of the Energy Regulatory Office in January 2019 and has applied from February 15th 2019.
- > Cost + return on capital (6.2% WACC x PLN 12.2bn RAB)

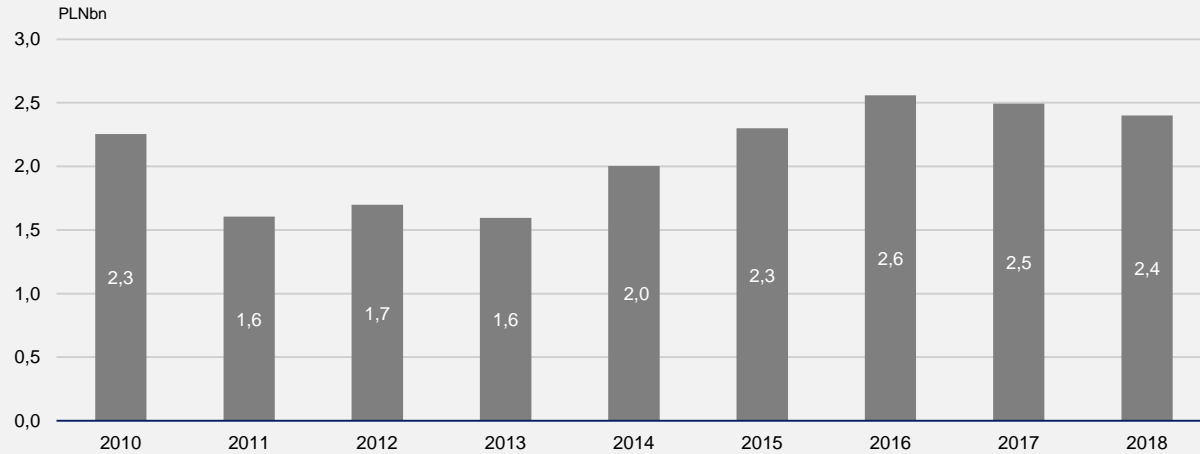


\*As at December 31st 2017

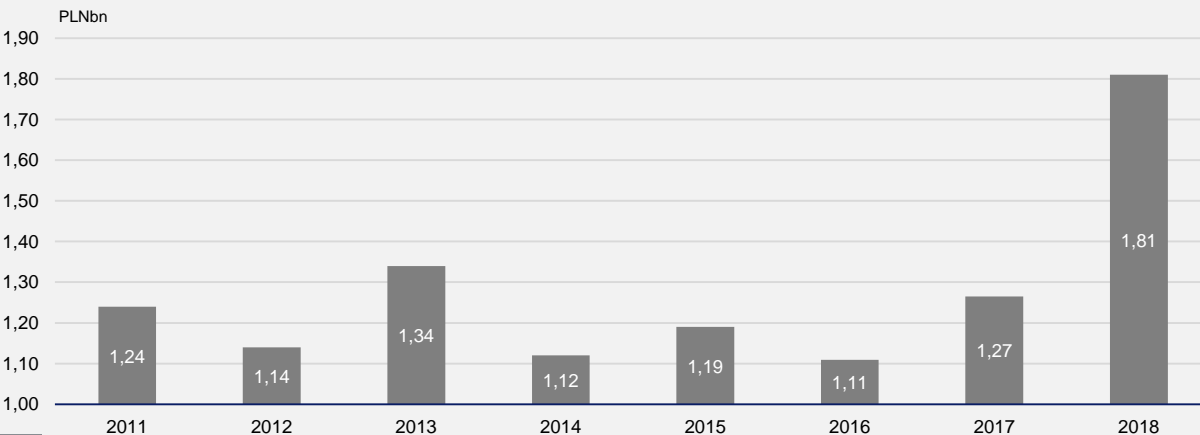


# Distribution's financial results

## > Distribution's EBITDA



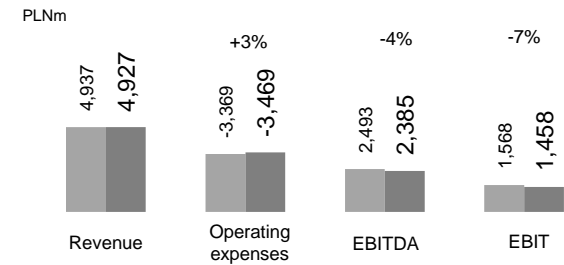
## > Segment's CAPEX



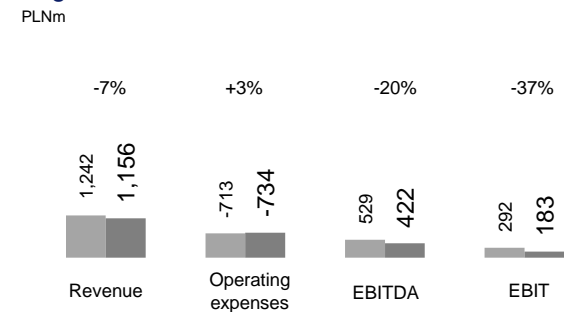
> Segment's performance affected by lower tariff and net revenue from balancing.

> PSG's strategic goal is to generate cum. EBITDA of PLN 16bn in 2016-2022.

## > Segment's results for FY 2017 vs FY 2018



## > Segment's results for Q4 2017 vs Q4 2018



# 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

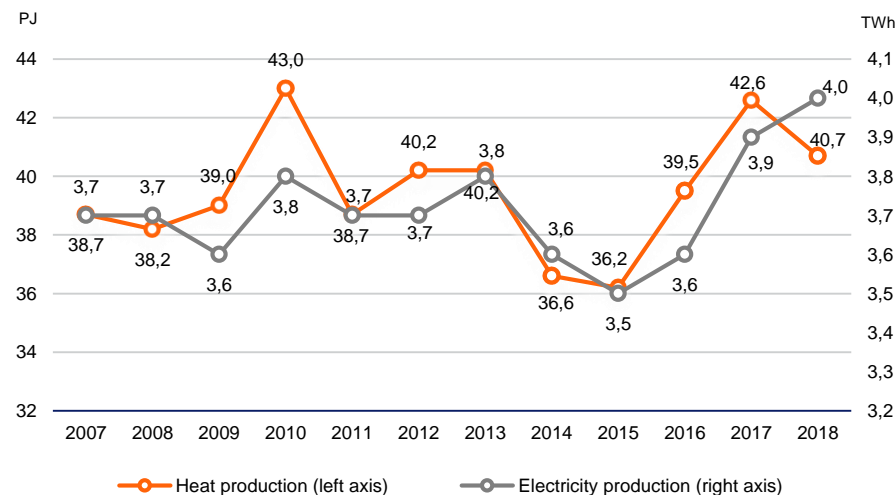
Installed heat power 5.3 GWt

Installed electric power 1.0 Gwe

Heat sales in 2018 (regulated) 40.7 PJ

Produced electricity sales in 2018 4.0 TWh

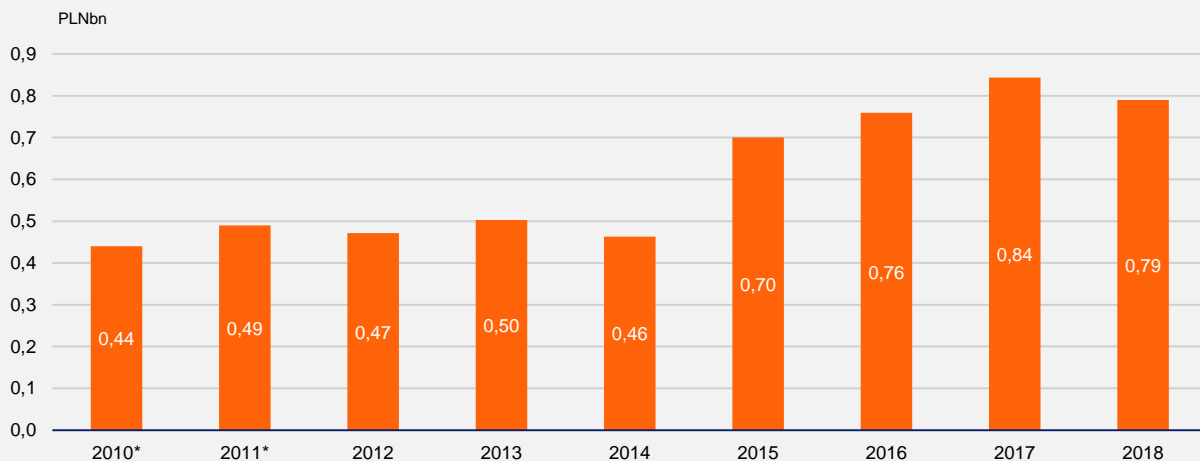
## > Production of heat and own generation electricity



\* 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)

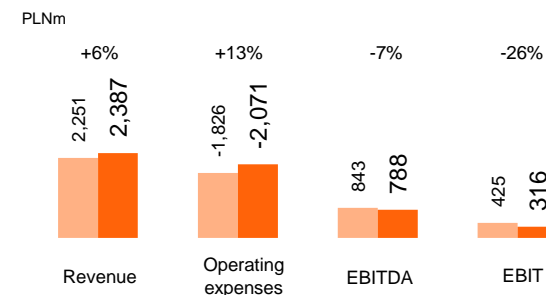
> Combined Heat and Power Plant Stalowa Wola (Q4 2019)

- > 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.

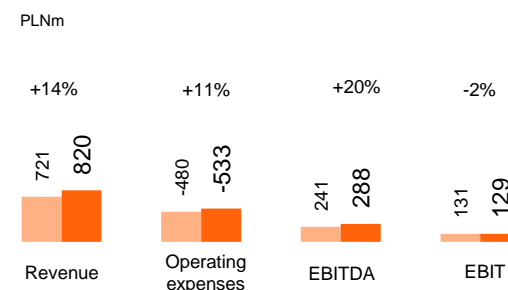
\* 2010-2011 according to Polish accounting standards; 2012-2013 data before intercompany eliminations.

> Key contributors to the segment's performance include higher electricity sales volumes, higher electricity prices and higher cost of raw materials.

## > Segment's results for FY 2017 vs FY 2018



## > Segment's results for Q4 2017 vs Q4 2018





# 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

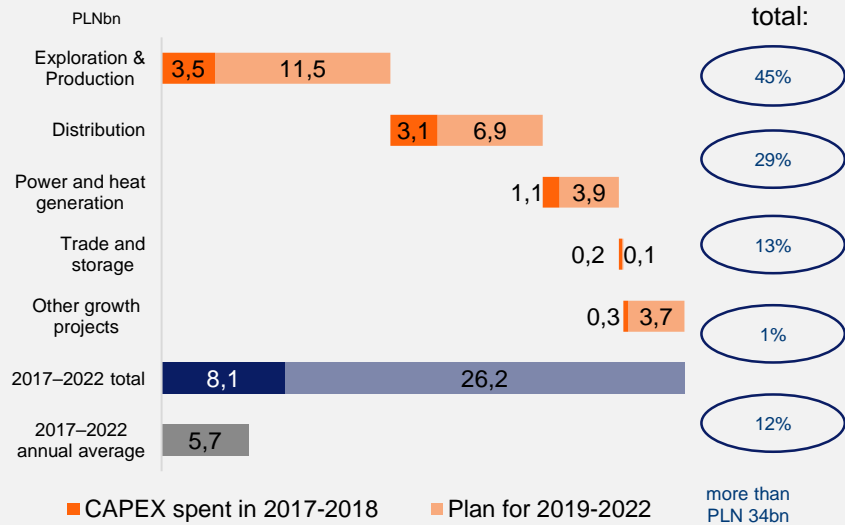


## 6. Power and heat generation

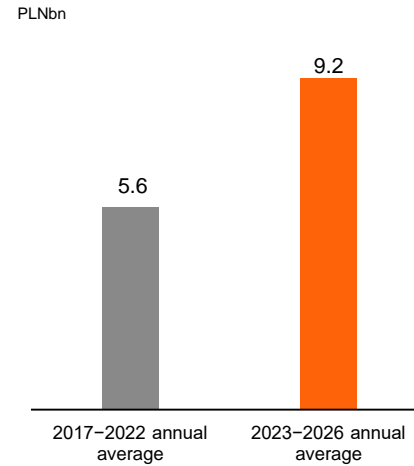
- > Increase power and heat sales volumes by 20% (to 18 TWh in 2022)

# CAPEX and EBITDA for 2017-2022

## > CAPEX breakdown for 2017-2022

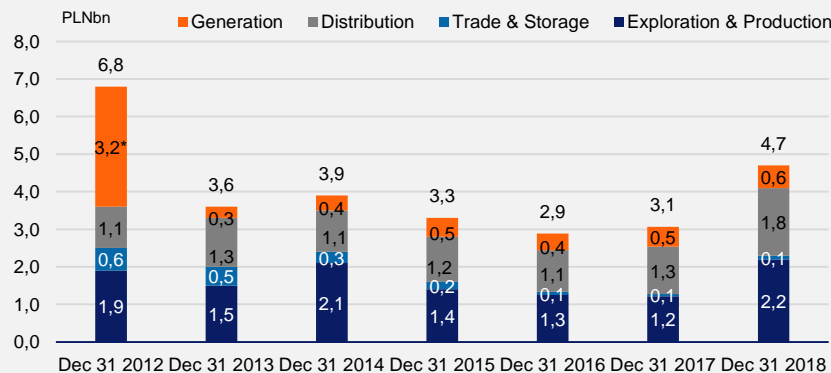


## > EBITDA for 2017 – 2022



- > 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 – 2018



\* 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.



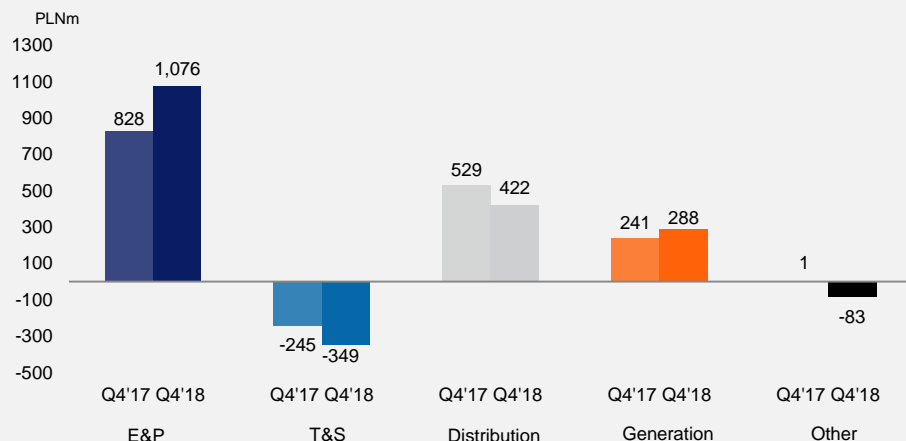




# Appendix

# Q4 2018 financial highlights

## Group's EBITDA by segment in Q4 2017 vs Q4 2018



## Exploration and Production

- Revenue from gas sales up PLN 294m yoy (+28%) and revenue from sales of crude and condensate up PLN 169m yoy (+34%).
- Cost of dry wells and seismic surveys written off: PLN -146m (Q4 2017: PLN -249m).

## Trade and Storage

- Revenue from gas sales up +24% and cost of gas up 31% yoy chiefly driven by rising oil and gas prices.
- Gain/loss realised on hedging instruments designated for hedge accounting and recognised in profit or loss: PLN +45m.
- Effect of gas inventory write-downs higher by PLN -15m. In Q4 2017 gas inventory write-downs increased by PLN -26m.

## Distribution

- Distribution volume up 4% yoy and revenue from distribution services down 4% yoy, mainly due to lower tariff since March 1st 2018.
- Net income/cost of system balancing down PLN -79m yoy.

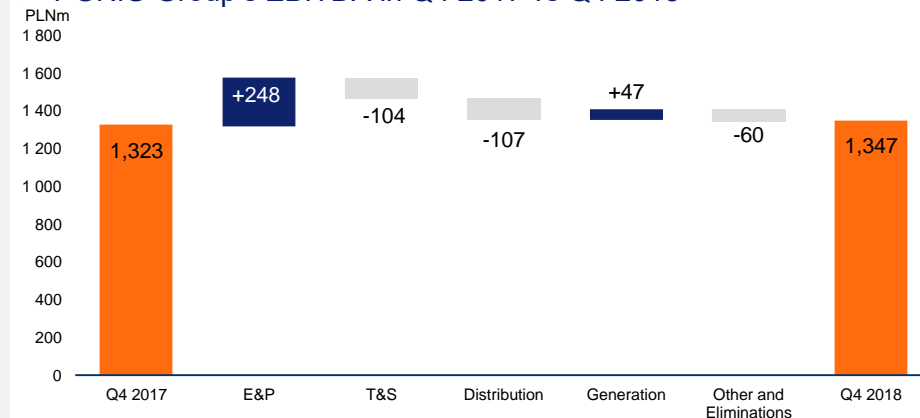
## Generation

- Revenue from electricity sales up 31% yoy, driven by higher production volumes and rising electricity prices.

[PLNm]	Q4 2017	Q4 2018	Δ%
Revenue	10,908*	<b>12,753</b>	+17%
Operating expenses (excl. D&A)	-9,585*	<b>-11,406</b>	+19%
EBITDA	1,323	<b>1,347</b>	+2%
<i>EBITDA (net of impairment losses on property, plant and equipment)</i>	1,872	<b>1,574</b>	-16%
Depreciation and amortisation expense	-673	<b>-751</b>	+12%
EBIT	651	<b>596</b>	-8%
Net finance income/(costs)	-48	<b>-14</b>	+71%
Net profit	457	<b>388</b>	-15%

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

## PGNiG Group's EBITDA in Q4 2017 vs Q4 2018\*\*



\*\*Eliminations in Q4 2018: PLN -7m vs PLN -31m in Q4 2017



# Operating expenses in Q4 2017 vs Q4 2018

[PLNm]	Q4 2017	Q4 2018	Δ%
Cost of gas sold	-6,512	<b>-8,531</b>	+31%
Fuels for heat and power generation	-252	<b>-314</b>	+25%
Other raw materials and consumables used	-630	<b>-437</b>	-31%
Employee benefits expense	-794	<b>-852</b>	+7%
Transmission services	-256*	<b>-262</b>	+2%
Other services	-542*	<b>-564</b>	+4%
<i>LNG regasification services</i>	-86	<b>-93</b>	+8%
Taxes and charges	-123	<b>-112</b>	-9%
Other income and expenses**	-64	<b>-393</b>	+6x
<i>Change in inventory write-downs</i>	-34	<b>-56</b>	+65%
<i>Change in provisions</i>	19	<b>-79</b>	-5x
Recognition and reversal of impairment losses on property, plant and equipment and intangible assets	-797	<b>-374</b>	-53%
<i>Cost of dry wells and seismic surveys written-off</i>	-249	<b>-146</b>	-41%
<i>Impairment losses on non-current assets</i>	-548	<b>-227</b>	-59%
Work performed by the entity and capitalised	385	<b>433</b>	+12%
Depreciation and amortisation expense	-673	<b>-751</b>	+12%
<b>Total operating expenses</b>	<b>-10,258</b>	<b>-12,157</b>	+19%
<i>Operating expenses net of cost of gas sold</i>	<b>-3,746</b>	<b>-3,626</b>	-3%

## Comments:

- › PLN 2,019m (+31%) yoy increase in the cost of gas sold, due to higher prices of oil and gas.
- › Lower yoy cost of dry wells and seismic surveys (PLN -146m). Eleven dry wells written off in Q4 2018 vs seven in Q4 2017 (PLN -152m).
- › Recognition of impairment loss on non-current assets of PLN -227m in Q4 2018 vs PLN -548m in Q4 2017.
- › Yoy increase in depreciation and amortisation charges: PLN -751m in Q4 2018 vs PLN -673m in Q4 2017.
- › Decline of other income/expenses in Q4 2018 yoy caused, among other factors, by an increase in gas inventory write-down in Q4 2018 by PLN -15m vs recognition of gas inventory write-down in Q4 2017 of PLN -26m. Recognition of an impairment loss on receivables of PLN -76m in Q4 2018 vs reversal of an impairment loss of PLN +19m in Q4 2017. Increase costs of other merchandise and materials to PLN -279m in Q4 2018 vs PLN -120m in Q4 2017.
- › Recognition of a provision for energy efficiency buy-out price: PLN -33m in Q4 2018 vs reversal of a provision of PLN +16m in Q4 2017.
- › Net exchange differences related to operating activities: PLN -51m in Q4 2018 vs PLN -74m in Q4 2017.
- › Net gain/loss on derivative instruments recognised in net other income/expenses (not designated for hedge accounting): PLN +183m in Q4 2018 vs PLN +72m in Q4 2017.

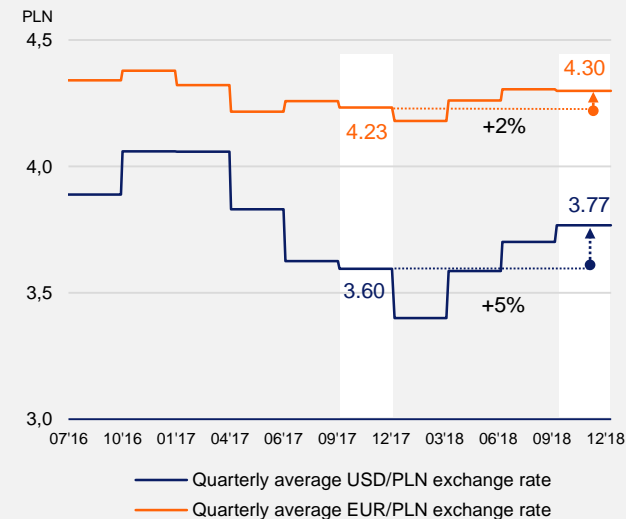


\* Data restated to ensure comparability following the adoption of amended IFRS 15.

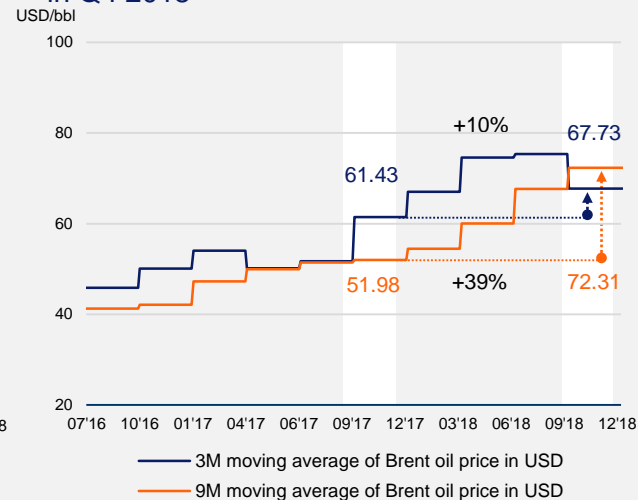
\*\* Other expenses shown above do not include taxes and charges, or impairment losses on property, plant and equipment and intangible assets.

# Performance drivers

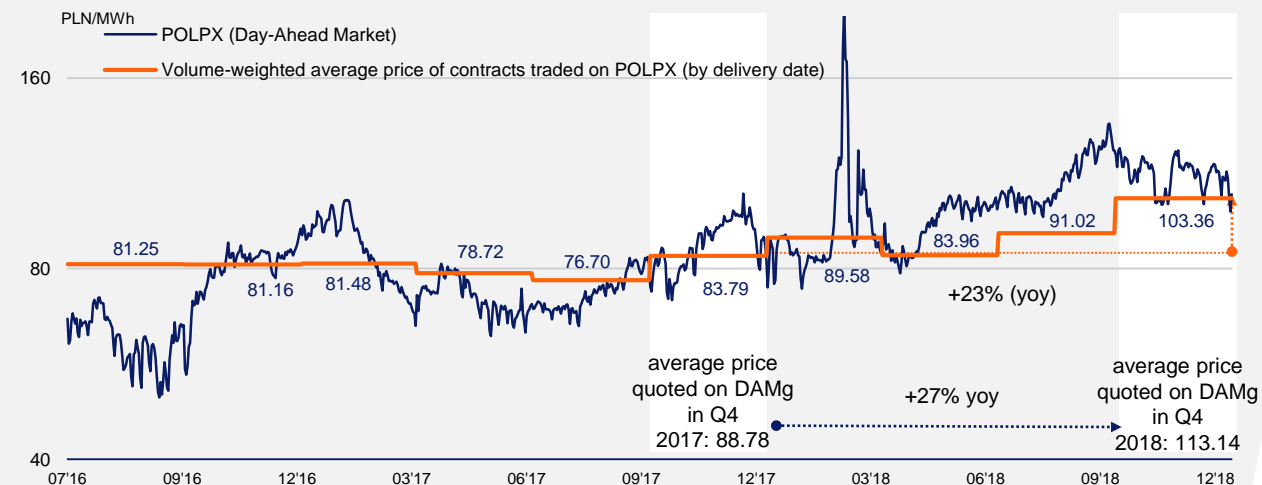
## > PLN weaker against USD and EUR, yoy



## > 9-month average crude oil price up 39% yoy in Q4 2018



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



- > Revenue up on rising hydrocarbon prices
- > Rising unit cost of gas

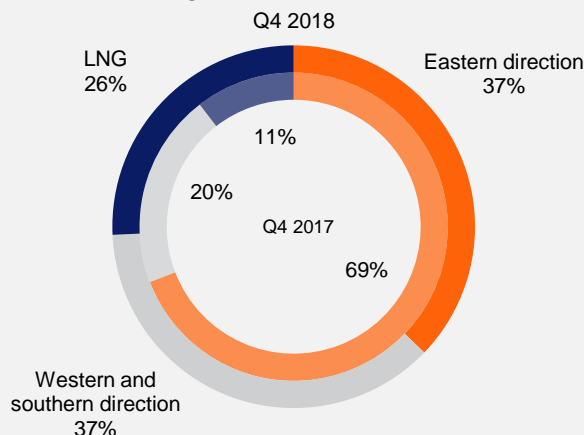
## Comments:

- > 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

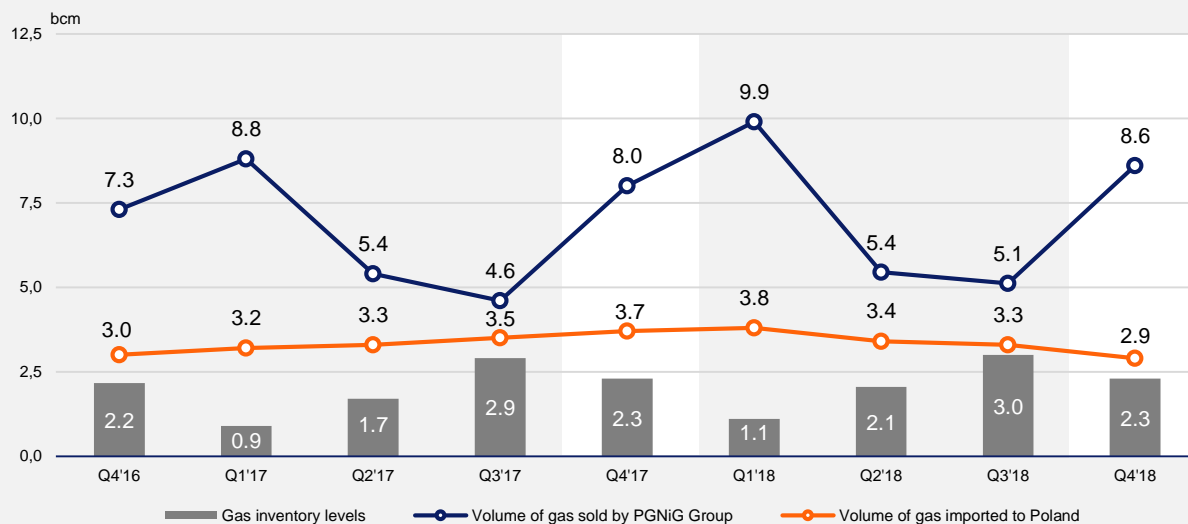


## Gas sales outside the PGNiG Group by company

[mcm]	Q4 2017	Q4 2018	Δ%
<b>PGNiG Group:</b>	8,022	<b>8,583</b>	+7%
<i>PGNiG SA</i>	5,212	<b>4,847</b>	-7%
<i>PGNiG OD</i>	2,207	<b>2,376</b>	+8%
<i>PST</i>	603	<b>1,360</b>	+126%

> Growing share of LNG in total imports, with seven gas tankers unloaded in Q4 2018, including four deliveries under the contract with Qatargas and three spot cargoes.  
 > PGNiG Group's gas sales up 7% yoy. Increase in sales by PST (foreign operations).

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



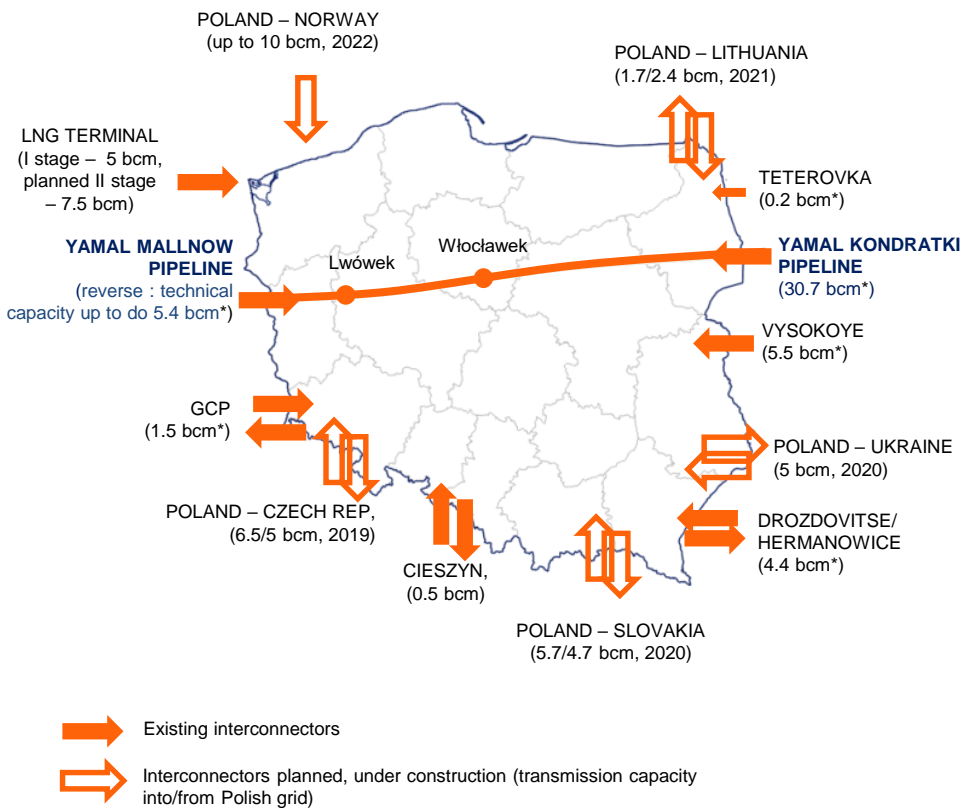
### Comments:

> LNG terminal stocks: 23 mcm after regasification (as at December 31st 2018).

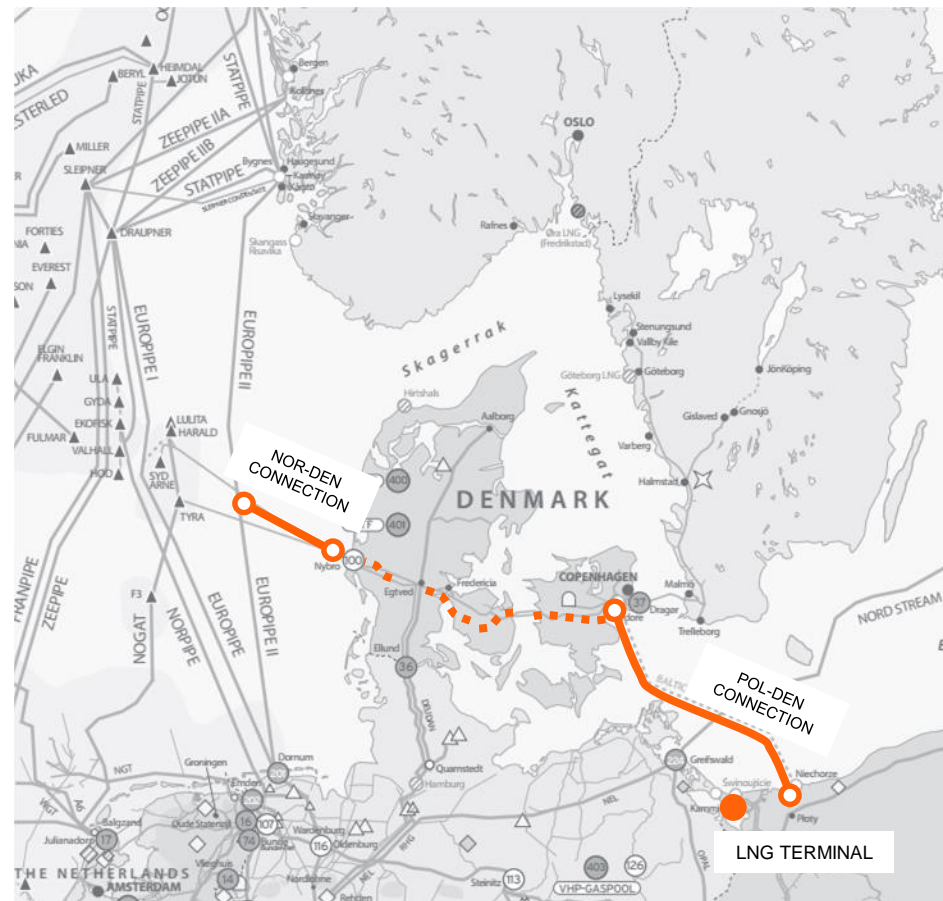


# Gas transport routes

## > Interconnections

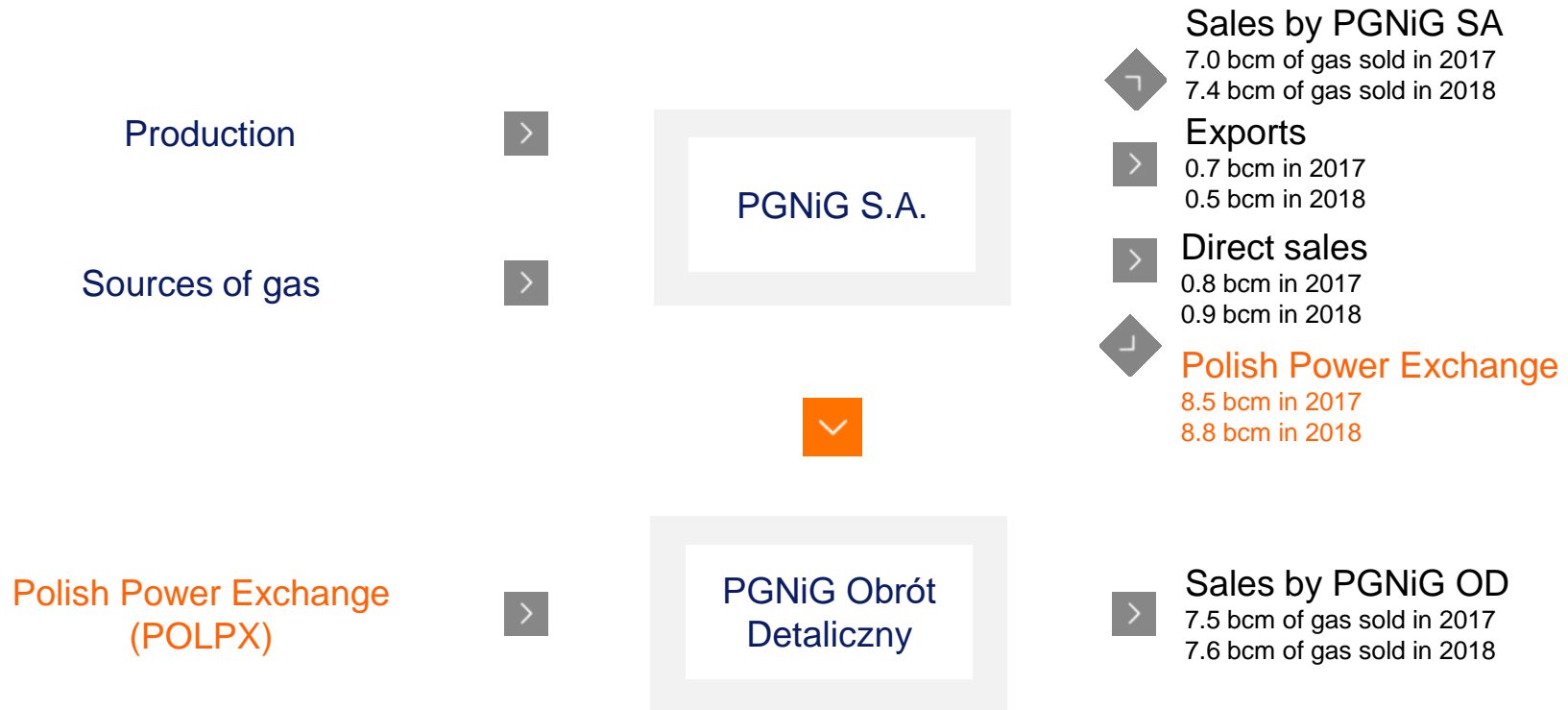


## > Northern Gate Project



\* 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	2018
Total PGNiG Group	18.6	23.0	24.3	26.8	<b>29.0</b>
PGNiG SA (with Eksport, without Pakistan)	13.8	13.2	14.5	16.8	<b>17.0</b>
<i>including PGNiG SA through PPE</i>	<i>3.7</i>	<i>8.1</i>	<i>9.0</i>	<i>8.4</i>	<b>8.5</b>
PGNiG Obrót Detaliczny	3.0	7.5	7.3	7.6	<b>7.9</b>

> 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.

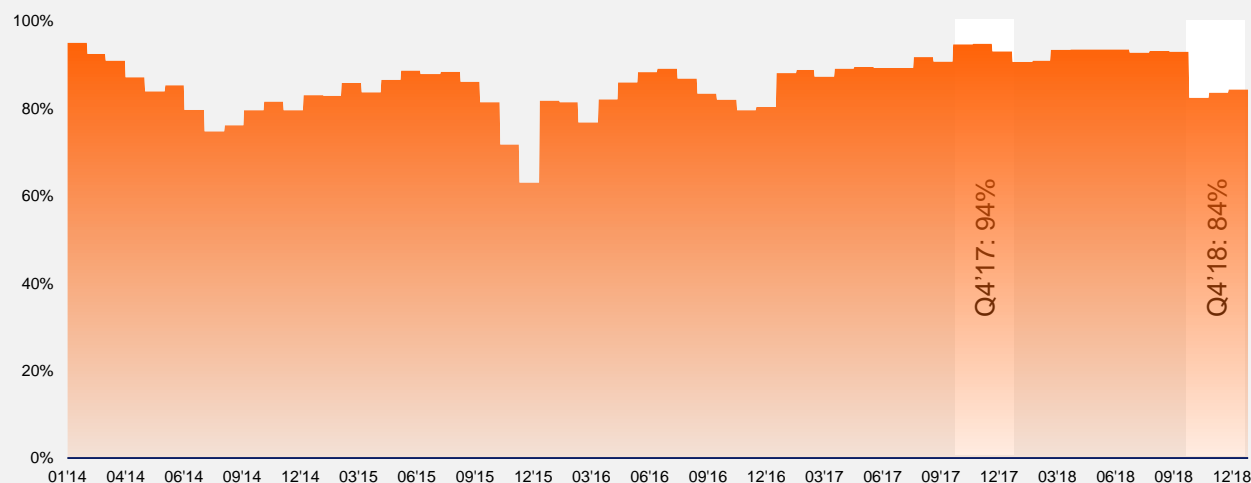
> Nitrogen-rich gas presented in the table as Group E gas equivalent.

\* 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 (since April 2019)	Cost + return on capital (6.1% WACC x PLN 3.5bn RAB)
Distribution (since February 2019)	Cost + return on capital (6.2% WACC x PLN 12.2bn 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.

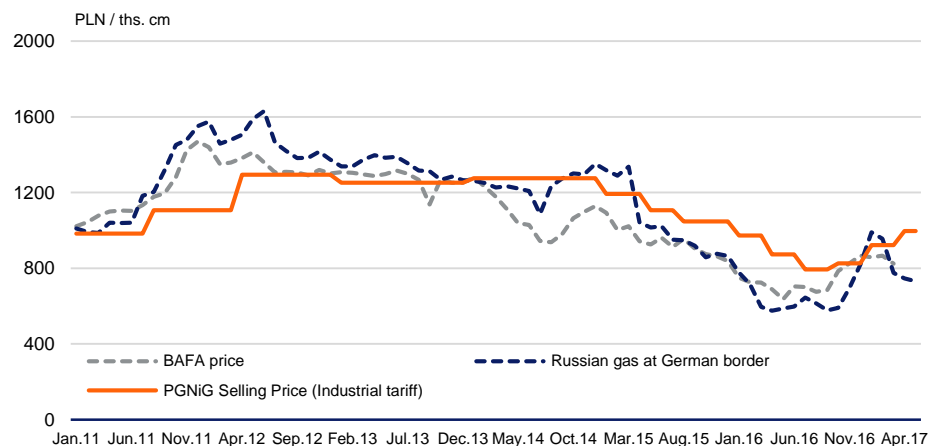


> Eliminating gas fuel trading tariffs for other business customers (including both bigger industrial companies and small & medium enterprises).

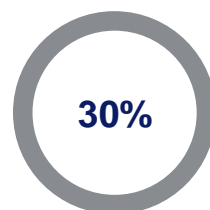


> Maintained the obligation of providing tariffs for households.

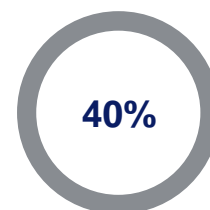
## > Monthly average gas prices in European import contracts and PGNiG tariff price



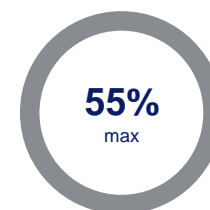
## > Levels of obligatory trading on Polish Power Exchange



In 2013



From January 1, 2014

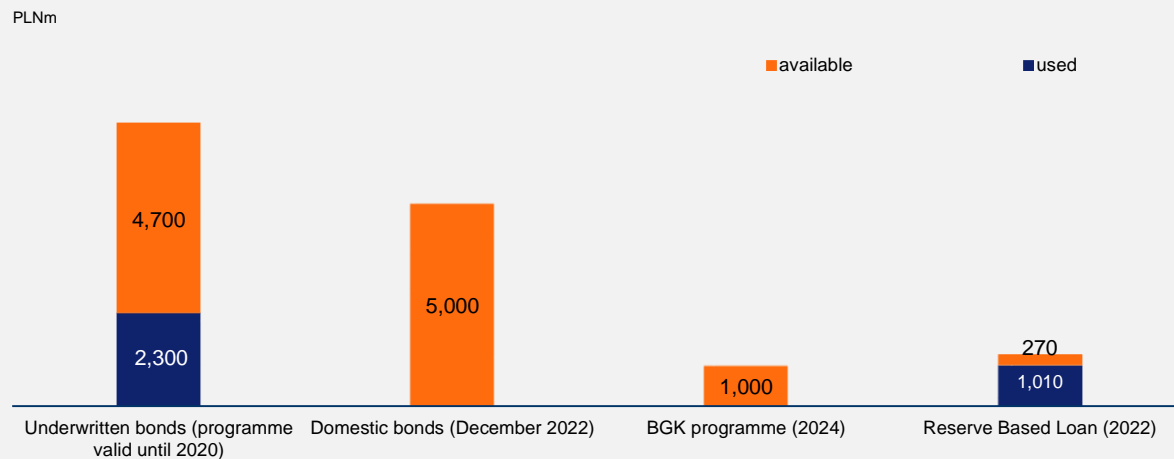


From January 1, 2015

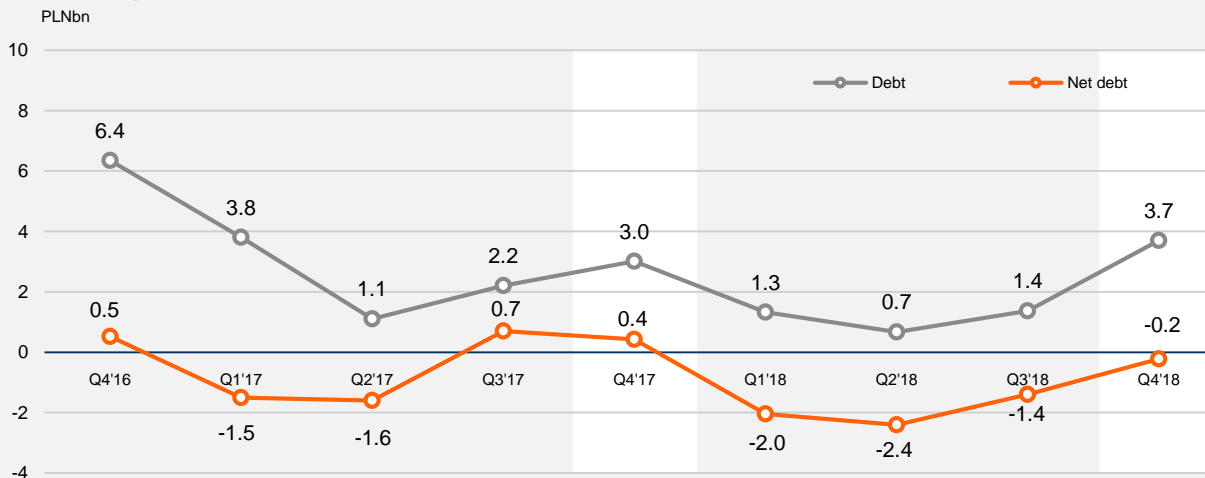
> Liberalization of gas market in Poland is being implemented, based on obligatory trading on gas exchange in Warsaw and gradual removal of tariffs for certain segments of industrial customers.

# Debt and sources of funding

## > Sources of funding (as at December 31st 2018)



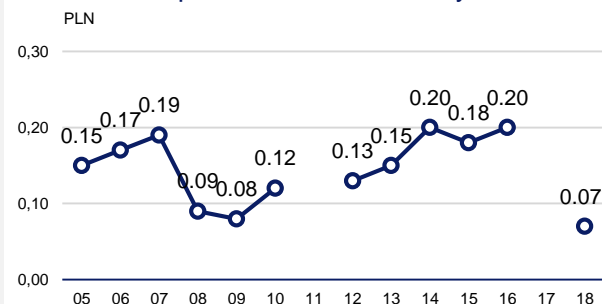
## > Debt at quarter end



## 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.

## > Dividend per share for financial year



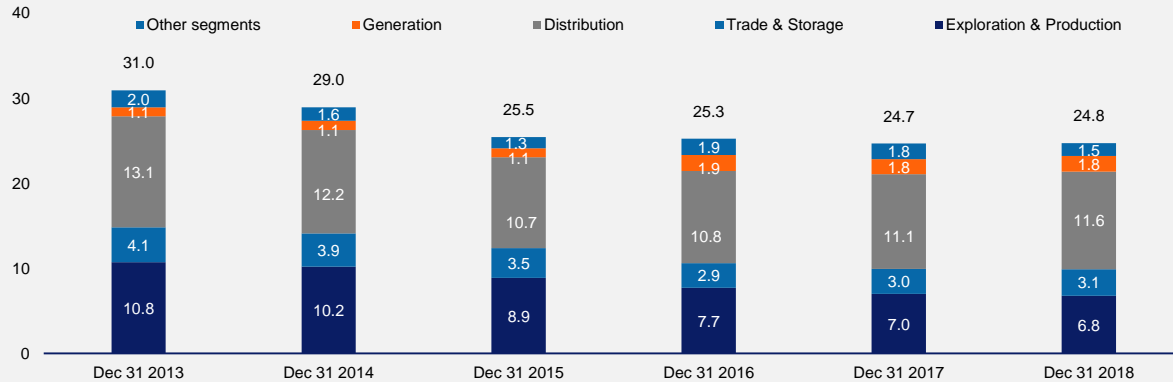
- > Strategic objective: up to 50% of consolidated net profit to be distributed as dividend in 2015–2022 (provided that the financial condition is stable and financing for investment projects is secured).

- > \*On October 29th 2018, a decision was made to pay an interim dividend of PLN 0.07 per share from the Company's 2018 profit. The dividend record day was November 26th 2018, and the dividend was paid on December 3rd 2018.

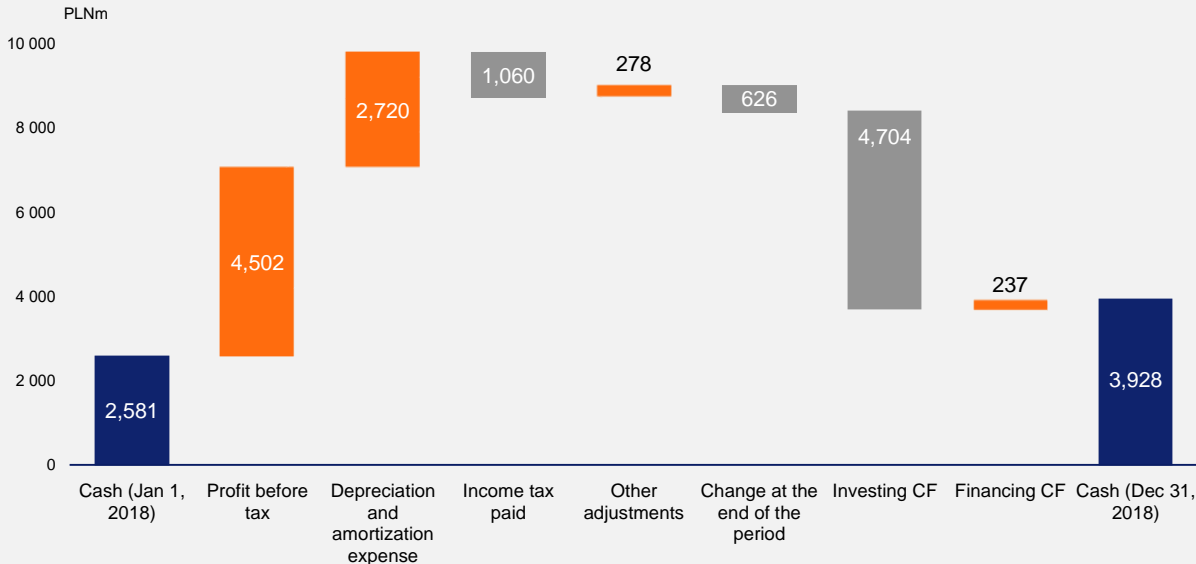


# Statement of financial position, statement of cash flows, financial ratios and workforce

## Workforce (as at December 31st 2018)\*

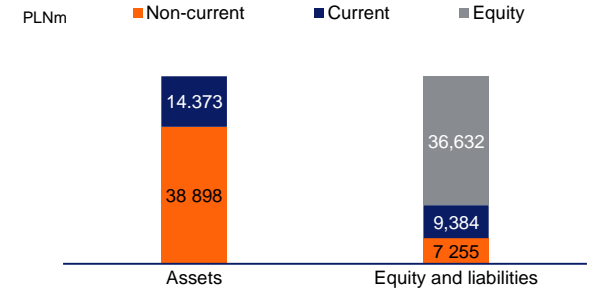


## Consolidated cash flows (Jan 1st – Dec 31st 2018)

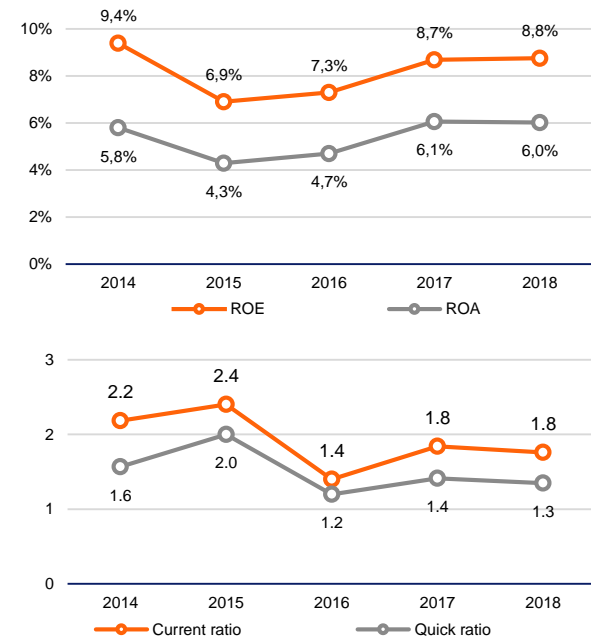


\* Changes in the presentation of corporate centre data, leading to changes in the Trade & Storage and Other segments in 2016.

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



## Profitability and liquidity ratios



# Production and sales volumes

## NATURAL GAS PRODUCTION BY THE PGNIG GROUP

[mcm]	FY 2018	Q4 2018	Q3 2018	Q2 2018	Q1 2018	FY 2017	Q4 2017	Q3 2017	Q2 2017	Q1 2017	FY 2016	Q4 2016
HIGH-METHANE GAS (E)	1,834	473	436	461	464	1,863	461	459	469	474	1,919	473
<i>including in Poland</i>	1,296	336	323	314	323	1,315	335	325	327	328	1,401	347
<i>including in Norway</i>	538	137	113	147	141	548	126	134	142	146	518	126
NITROGEN-RICH GAS (Ls/Lw as E equiv.)	2,712	722	659	612	719	2,674	731	664	567	712	2,540	692
<i>including in Poland</i>	2,512	673	606	559	674	2,524	684	627	533	680	2,481	670
<i>including in Pakistan</i>	200	49	53	53	45	150	47	37	34	32	59	22
<b>TOTAL (measured as E equivalent)</b>	<b>4,546</b>	<b>1,195</b>	<b>1,095</b>	<b>1,073</b>	<b>1,183</b>	<b>4,537</b>	<b>1,192</b>	<b>1,123</b>	<b>1,036</b>	<b>1,186</b>	<b>4,458</b>	<b>1,165</b>

## NATURAL GAS SALES BY THE PGNiG GROUP [mcm]

HIGH-METHANE GAS (E)	27,466	8,141	4,777	5,134	9,414	25,291	7,603	4,298	5,079	8,311	22,895	6,921
<i>including PST sales outside PGNiG Group</i>	3,929	1,360	855	716	998	2,186	603	452	482	649	2,510	561
NITROGEN-RICH GAS (Ls/Lw as E equiv.)	1,578	442	337	308	491	1,496	419	296	312	469	1,371	417
<b>TOTAL (measured as E equivalent)</b>	<b>29,044</b>	<b>8,583</b>	<b>5,114</b>	<b>5,442</b>	<b>9,905</b>	<b>26,787</b>	<b>8,022</b>	<b>4,594</b>	<b>5,391</b>	<b>8,780</b>	<b>24,266</b>	<b>7,338</b>
<i>including sales directly from the fields</i>	855	228	211	179	237	796	226	182	161	227	718	209

## NATURAL GAS IMPORTS BY PGNiG SA [mcm]

Total	13,530	2,949	3,324	3,419	3,837	13,714	3,673	3,488	3,334	3,219	11,527	2,968
<i>including: sources east of Poland</i>	9,038	1,097	2,357	2,602	2,982	9,656	2,540	1,889	2,518	2,709	10,248	2,539
<i>including: LNG</i>	2,713	759	635	815	505	1,715	383	470	475	387	974	380

## CRUDE OIL, PGNiG GROUP (thousand tonnes)

Production of crude oil and condensate	1,345	353	320	324	348	1,257	329	313	269	346	1,318	344
<i>including in Poland</i>	818	219	202	189	208	787	220	203	148	216	763	207
<i>including in Norway</i>	527	134	118	135	140	470	109	110	121	130	555	137
Sales of crude oil and condensate	1,410	378	309	294	429	1,270	313	251	316	390	1,346	325
<i>including in Poland</i>	817	225	194	188	210	791	222	190	161	218	753	198
<i>including in Norway</i>	593	153	115	106	219	479	91	61	155	172	593	127

## GENERATION

Production of heat, net (sales) (TJ)	40,659	14,255	2,942	4,425	19,037	42,607	14,195	3,476	6,848	18,088	39,527	15,079
Production of electricity, net, secondary generation (for sale) (GWh)	3,974	1,315	523	598	1,538	3,882	1,280	407	737	1,458	3,604	1,204

# Glossary

2P	Proven reserves of fossil fuels
bbf	Barrel
BGK	Bank Gospodarstwa Krajowego
boe / mm boe	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 22 106 43 22

Mobile:+48 885 889 890

Email: [marcin.piechota@pgnig.pl](mailto:marcin.piechota@pgnig.pl)

## Piotr Gałek

Investor Relations Specialist

Phone:+48 22 106 48 46

Mobile:+48 723 235 652

Email: [piotr.galek@pgnig.pl](mailto:piotr.galek@pgnig.pl)

## Aleksander Kutnik

Investor Relations Specialist

Phone:+48 22 106 47 97

Mobile:+48 723 239 162

Email: [aleksander.kutnik@pgnig.pl](mailto:aleksander.kutnik@pgnig.pl)

## Anna Galińska

Investor Relations Specialist

Phone:+48 22 106 41 09

Mobile:+48 723 514 086

Email: [anna.galinska@pgnig.pl](mailto:anna.galinska@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](http://www.en.pgnig.pl)

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