PGNiG | 10 YEARS ON THE WARSAW STOCK EXCHANGE

PGNiG Group results for Q4 2015

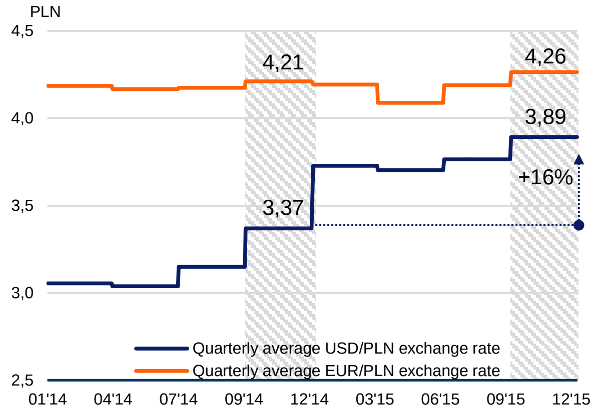
March 4th 2016

Agenda

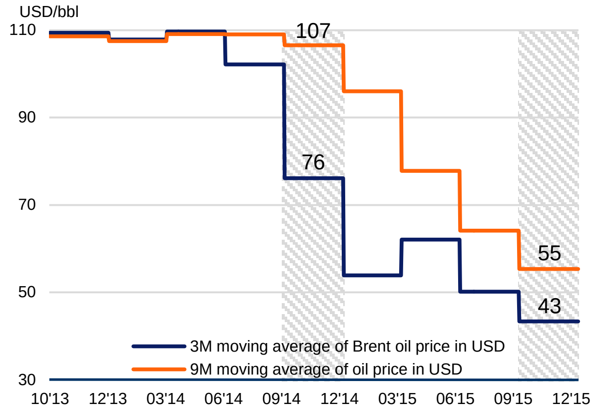
Performance drivers

Noticeable impact of recent periods' tariff reductions on gas selling prices; average regulated price down 10% year on year in Q4 2015

Stronger USD and stable EUR against PLN yoy



In Q4 2015, 9-month average of crude oil prices down 48% yoy and down 14% qoq



Average tariff price of gas fuel in Poland and the price of gas on the PPE

Comments:

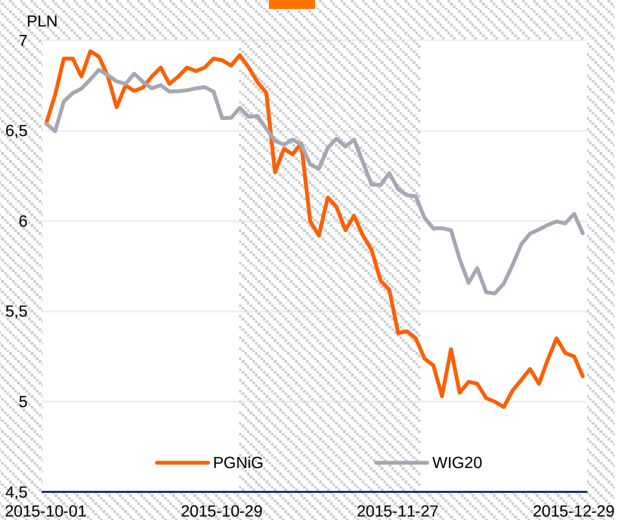
- Price in the chart is calculated on the combined tariff-price sales of PGNiG SA and PGNiG Retail to customers in Poland. It excludes transactions on the Polish Power Exchange, discounts, and gas sold directly from the fields.
- The largest volumes of gas were traded on the PPE and other gas exchanges under contracts with maturities of a quarter, season (summer/winter) and gas year, with the spot market playing a complementary role in gas trading.

Financial highlights – Q4 2015

Major impact of falling commodity prices and gas market liberalisation on Q4 2015 operating performance

[PLNm]	Q4 2014	Q4 2015	Δ%
Revenue	11,487	**9,769**	(15%)
Operating expenses (excl. D&A)	(10,130)	**(8,998)**	(11%)
EBITDA	1,357	**771**	(43%)
Depreciation and amortisation expense	(600)	**(717)**	20%
EBIT	757	**54**	(93%)
Net finance income/(costs)	(130)	**(70)**	(46%)
Net profit	686	**(21)**	

Performance of the PGNiG stock in Q4 2015



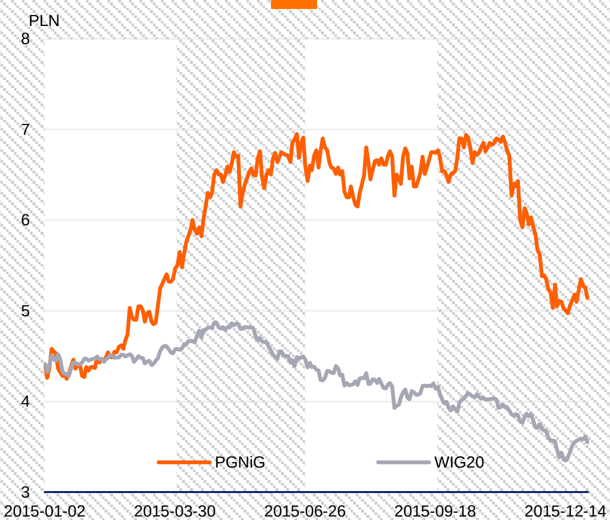
- Revenue from high-methane (E) gas sales down PLN 1.9bn year on year (PLN 7.4bn in Q4 2015), with sales volume down 0.3 bcm year on year, to 6.2 bcm.
- Revenue from crude oil and condensate sales down PLN 77m in Q4 2015, despite a 27% year-on-year rise in sales volumes, to 315 thousand tonnes, with declining oil prices as the key driver (average oil price down from USD 76/bbl (PLN 256/bbl) in Q4 2014 to USD 43/bbl (PLN 169/bbl) in Q4 2015.
- Cost of purchased gas down 17%, or PLN 1.3bn year on year.
- Negligible impact of the net proceeds settlement of Qatari gas in Q4 2015 (three deliveries settled in Q4).
- Depreciation/amortisation charge up PLN 117m year on year on higher sales volumes in Norway (units-of-production method of depreciation) and placement in service of the Wierzchowice underground storage facility.
- In Q4 2014 partial reversal of an impairment loss on shares in EuRoPol GAZ increased pre-tax profit by PLN 129m (DCF analysis based on lower interest rates and higher cash). No impact on performance in Q4 2015.

Financial highlights – 2015

EBITDA down 4%, with oil and gas prices declining

[PLNm]	2014	2015	Δ%
Revenue	34,304	**36,464**	6%
Operating expenses (excl. D&A)	(27,959)	**(30,384)**	9%
EBITDA	6,345	**6,080**	(4%)
Depreciation and amortisation expense	(2,502)	**(2,790)**	12%
EBIT	3,843	**3,290**	(14%)
Net finance income/(costs)	(346)	**(225)**	(35%)
Net profit	2,822	**2,136**	(24%)

PGNiG stock price in 2015



- Revenue from E gas sales up PLN 2.8bn, to PLN 28.5bn in 2015, with sales volume up 4.3 bcm year on year, to 21.7 bcm, driven by the exchange sale requirement.
- Revenue from sales of crude oil and condensate down PLN 709m, with sales volumes up 222 thousand tonnes year on year (consolidation of assets acquired from Total on the Norwegian Continental Shelf as of Q1 2015).
- Cost of gas sold up PLN 3.3bn, to PLN 22bn in 2015 (exchange sale requirement), with a decrease in costs reported by PGNiG SA.
- Net impairment losses, provisions and dry wells and seismics written off at PLN -1,062m in 2015, compared with PLN -1,513m in 2014 (change: +451m PLN).
- Depreciation/amortisation charge up PLN 288m year on year on higher sales volumes in Norway (units-of-production method) and placement in service of the Wierzchowice underground storage facility.
- Income tax up PLN 74m, with effective tax rate up from 22% to 29% (effect of tax settlements in Norway).
- Separate net profit of PGNiG SA in 2015: PLN 1.5bn vs PLN 1.9bn in 2014.

Business segments – EBITDA 2015

Exploration and Production

- Revenue from sales of oil and condensate down PLN 0.7bn year on year.

Trade and Storage

- Lower unit gas purchase costs coupled with pressure on selling prices.
- Q1 2015 contributed 99% to the segment's performance in 2015.

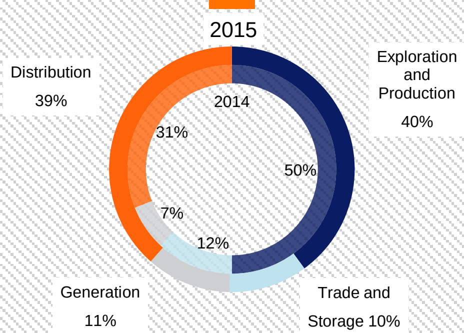
Distribution

- Tariff prices up 3% and volumes up 2% year on year.
- Net income from system balancing at PLN +64m in 2015, compared with net loss of PLN -49m the year before.

Heat and Power Generation

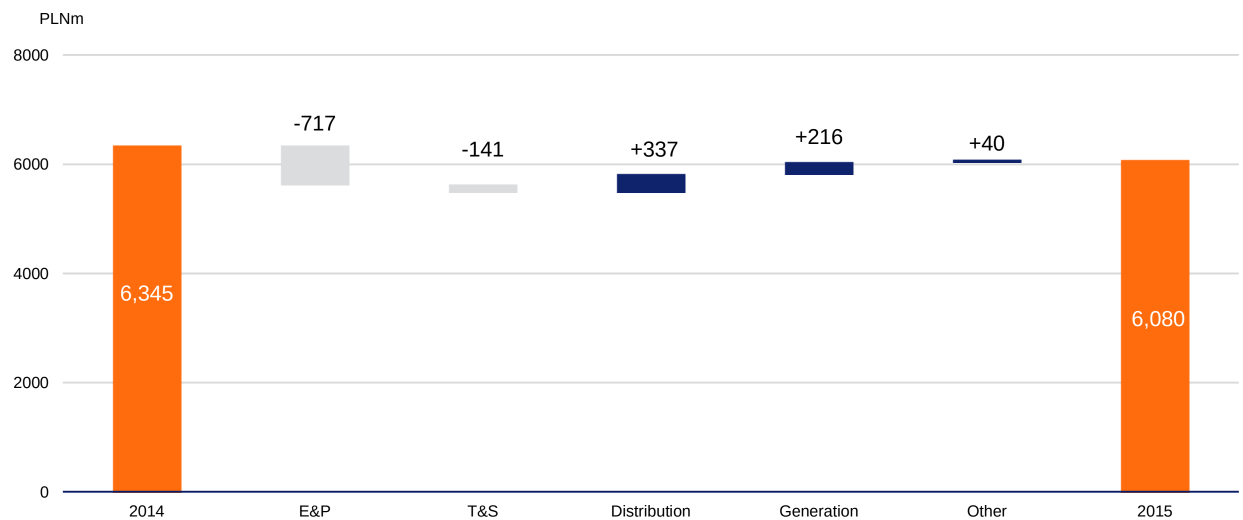
- Heat and electricity prices up, with volumes slightly down and reduced fuel prices.

Segments' contribution to Group EBITDA



[PLNm]	2014	2015	∆%	Contribution to Group's result
Exploration and Production	3,143	**2,426**	(23%)	**40%**
Trade and Storage	765	**623**	(19%)	**10%**
Distribution	2,002	**2,339**	17%	**39%**
Heat and Power Generation	463	**679**	47%	**11%**
Other, eliminations	(28)	**13**		
Total	6,345	**6,080**	(4%)	

PGNiG Group's 2015 EBITDA down year on year



Segments – Exploration and Production

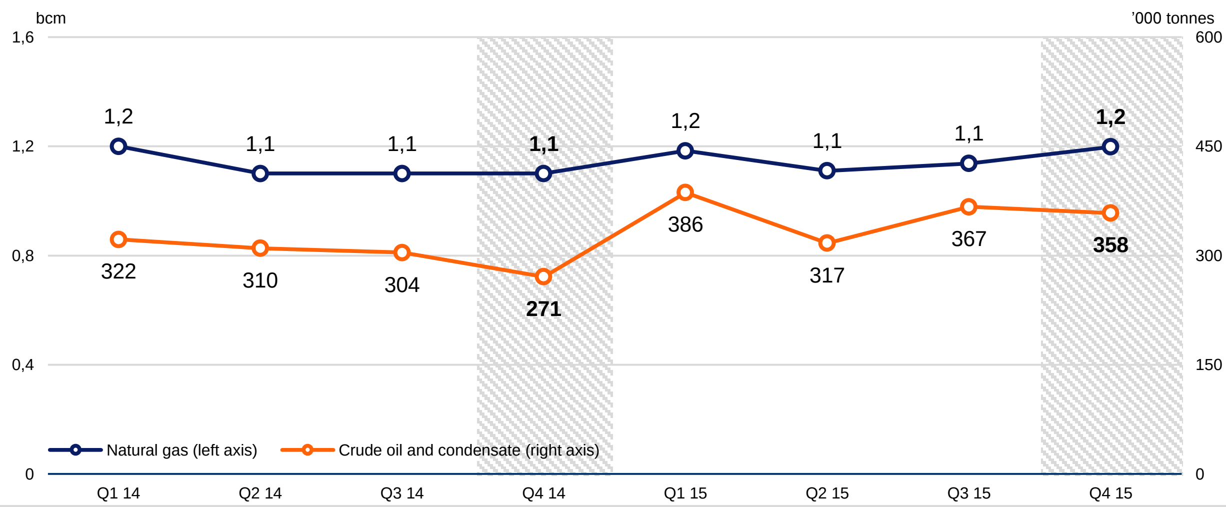
Negative impact of low oil prices partly offset by higher sales volumes

Commentary:

- Revenue from sales of crude oil and condensate down PLN 77m year on year, with oil prices in PLN down over 34% and sales volumes up 27%, to 358 thousand tonnes.
- Revenue from geophysical and drilling services down PLN 71m, to PLN 118m.
- Net impairment losses at PLN -420m in Q4 2015, compared with PLN -381m in Q4 2014.
- Dry wells and seismic surveys written off: PLN -82m in Q4 2015 and PLN -132m in Q4 2014.
- PLN 58m yoy rise in depreciation/amortisation expense in Norway on increased crude sales volumes (units-of-production method).
- Year-on-year increase in crude output following consolidation of assets acquired from Total (interests in the Morvin, Vale and Vilje fields) as of Q1 2015.
- Oil and gas production suspended due to equipment failure in Norway in Q4 2014. No unplanned production stoppages in Q4 2015.
- In 2015, the Group produced a total of 4.6 bcm of natural gas and 1.4 million tonnes of crude oil.

[PLNm]	Q4 2014	Q4 2015	Δ%
Revenue	1,212	**1,143**	(6%)
Operating expenses (excl. D&A)	(1,005)	**(1,026)**	2%
EBITDA	207	**117**	(44%)
Depreciation and amortisation expense	(234)	**(294)**	26%
EBIT	(27)	**(177)**	(x6)

Gas production stable and oil production up year on year in Q4 2015



Segments – Trade and Storage (1/2)

PGNiG

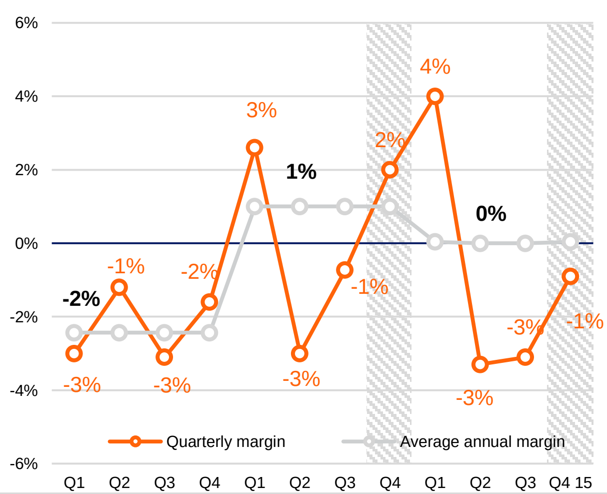
Margin on E gas fuel up 6%, with operating margin on the product down 1% in Q4 2015

Commentary:

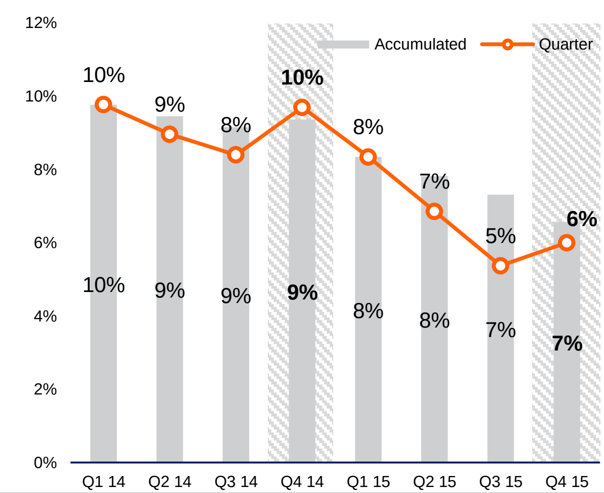
- Revenue from gas sales in Trade & Storage down from PLN 9.7bn to PLN 7.8bn on lower selling prices (tariff price reduction and active discount policy).
- In Q4 2015, less divergence between the selling price of gas and market prices compared with last year.
- Additional write-down on gas inventories of PLN -219m recognised in Q4 2015, reflecting gas price declines on the PPE under contracts for 2016 (effect on Q4 2014: PLN -69m).
- Reduced gas supplies from countries east of Poland lasting until March 2015 had a positive effect on Q4 2014 EBITDA.
- PST's contribution to gas sales revenue broadly flat year on year.
- Share of the segment's electricity sales in Q4 2015 revenue largely unchanged year on year, at PLN 0.5bn.
- Increase in depreciation/amortisation charge following recognition of accumulated depreciation on the Wierzchowice underground storage facility in Q4 2015 of PLN -72m.

[PLNm]	Q4 2014	Q4 2015	∆%
Revenue	10,219	**8,622**	(16%)
Operating expenses (excl. D&A)	(9,737)	**(8,757)**	(10%)
EBITDA	482	**(135)**	(128%)
Depreciation and amortisation expense	(65)	**(116)**	77%
EBIT	417	**(251)**	(160%)

Negative operating margin on E gas



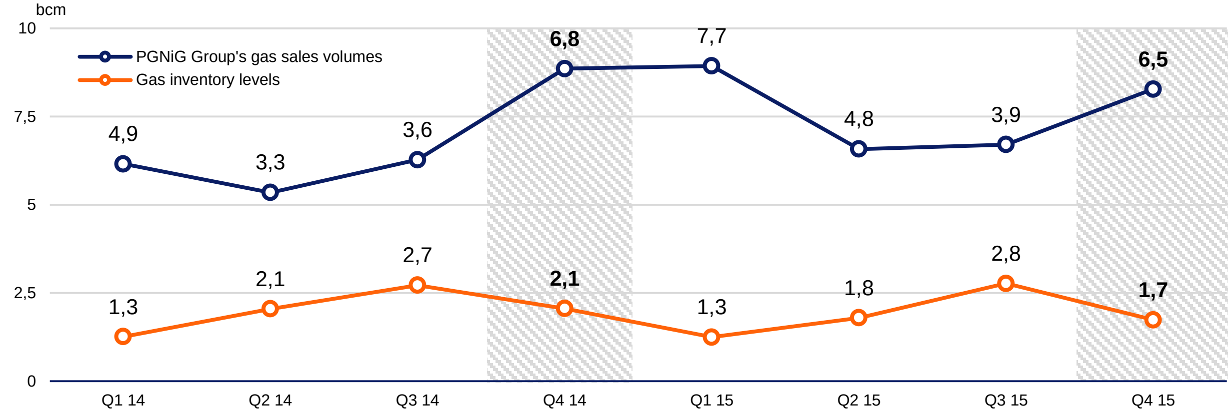
Positive margin on E gas fuel



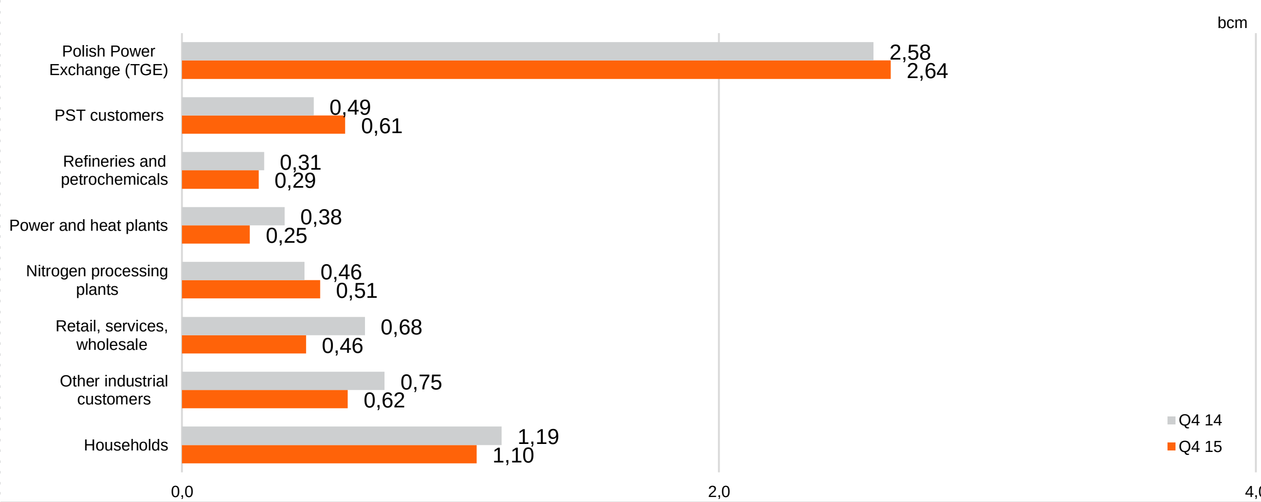
Segments – Trade and Storage (2/2)

Segment's performance driven by falling purchase and selling prices and mild weather

PGNiG Group gas sales volumes down 0.3 bcm yoy in Q4 2015, with volumes of gas sold by PGNiG SA on the Polish power Exchange broadly flat



PGNiG Group* – gas sales volumes by customer group



Commentary:

- Sales to nitrogen plants, refineries and the petrochemical industry stable year on year.
- Impact of mild winter on gas consumption by households and CHP plants. Average air temperature in December up 2°C year on year.
- Supplies to other industrial customers (various sectors) and commercial customers down as a result of weather conditions and customers changing suppliers.
- In Q4 2015, underground injection volumes down relative to 2014.
- The volume of gas imported to Poland by PGNiG SA down 23% on Q4 2014, to 1.9 bcm, with imports from east of Poland unchanged year on year, at 1.8 bcm, and imports from other directions down 0.6 bcm.

* PGNiG SA, PGNiG Retail, PST

Segments – Distribution

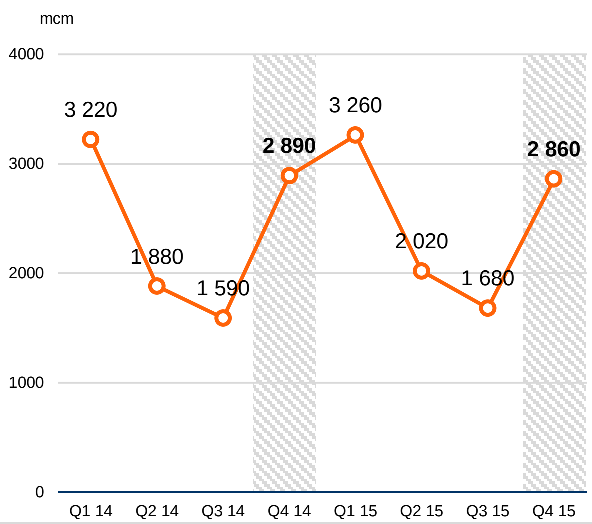
Strong, stable performance reported by the segment

[PLNm]	Q4 2014	4Q 2015	∆%
Revenue	1,180	**1,161**	(2%)
Operating expenses (excl. D&A)	(663)	**(636)**	(4%)
EBITDA	517	**525**	1%
Depreciation and amortisation expense	(217)	**(227)**	4%
EBIT	300	**298**	(1%)

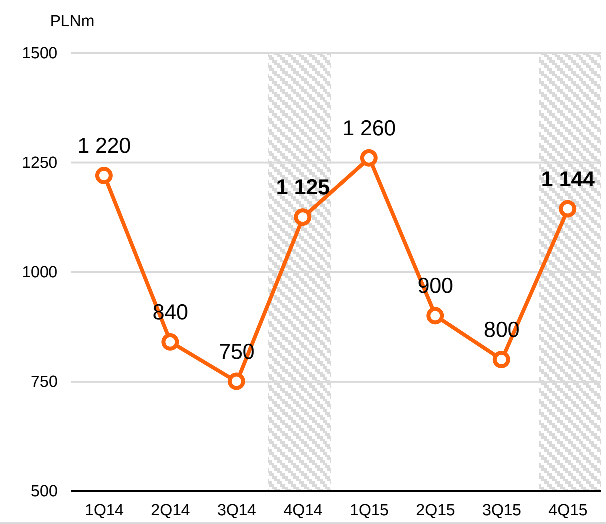
Commentary:

- Volume of distributed gas down 1% year on year, to 2.86 bcm.
- Revenue from distribution services up PLN 20m.
- Transmission service costs up PLN 39.2m (26%) year on year as a result of changed transmission tariff and shifts in the timing of invoicing between Q3 and Q4.
- Net cost of system balancing at PLN -130m in Q4 2015, compared with PLN -118m in Q4 2014. The negative effect on performance is in line with assumptions underlying the temperature-based sales forecasting method.
- Effects of the Efficiency Improvement Programme (EIP) offset by one-off payments and provisions for employee benefits arising under concluded agreements.

Gas distribution volume



Revenue from distribution services



Segments – Heat and Power Generation

Improved operating performance with stable revenue

[PLNm]	Q4 2014	Q4 2015	Δ%
Revenue	617	**617**	
Operating expenses (excl. D&A)	(463)	**(355)**	(23%)
EBITDA	154	**262**	70%
Depreciation and amortisation expense	(78)	**(77)**	(1%)
EBIT	76	**185**	144%

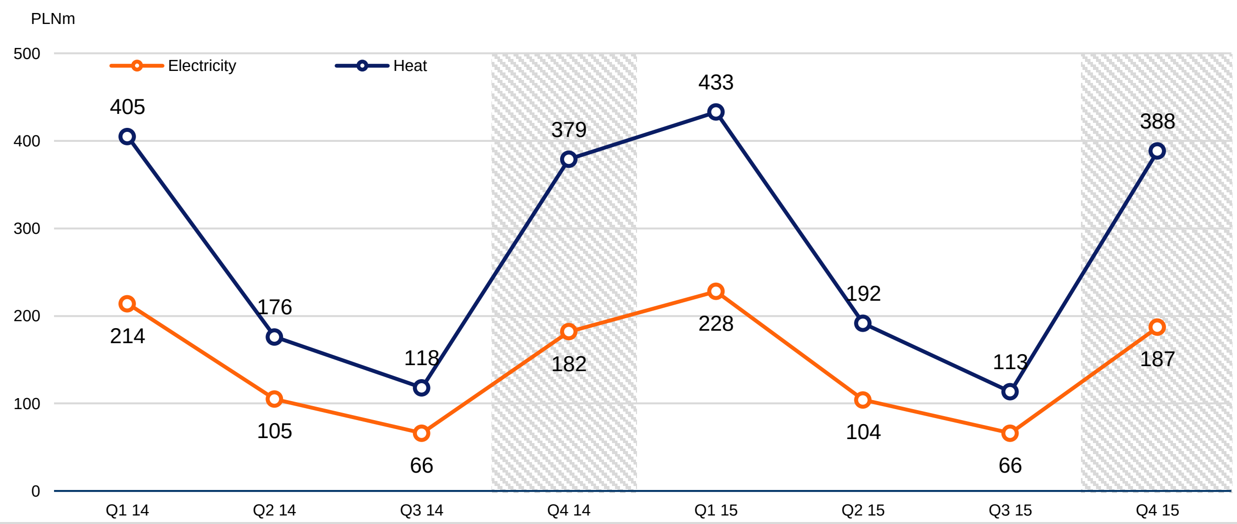
Commentary:

- Segment's revenue unchanged, with heat and power generation volumes slightly down year on year.
- Cost of raw materials and consumables used in heat and power generation down around 11%, driven by lower prices of fuels, notably coal, with coal purchase costs down 9% year on year.
- Revenue and expenses associated with trading in electricity purchased from other parties down 26% and 50%, respectively, as a result of scaling back the business.
- Employee benefit expenses up PLN 17m year on year, with most of the increase coming from compensation payments related to the renegotiation of the Collective Bargaining Agreement and actuarial revisions related to jubilee and retirement gratuity benefits.
- Other expenses down following reversal of unused provisions of approximately PLN 55m.

Sales volumes at PGNiG Termika in Q4 2015:

- Sales of heat at 12.6 PJ, down 3% year on year.
- Electricity: 1.1 TWh, down 0.4% year on year.

PGNiG Termika's revenue from sales of heat and electricity (from own generation sources)



Marked decrease in the cost of gas sold in Q4 2015

PGNiG

Cost of gas sold and other raw materials and consumables used down, driven by lower fuel prices

Commentary:

- Lower cost of fuels for electricity and heat generation, mainly coal.
- Headcount reduced by 3,600 year on year, to 25,700 (-12%).
- Increase in employee benefit expenses, reflecting additional payments to employees and new provisions for bonuses arising from concluded agreements.
- Increase in PSG's transmission service costs by 27% year on year in Q4 2015, offset in net other expenses under 'Change in products'.
- Depreciation/amortisation up: PLN -58m in the Norwegian subsidiary due to year-on-year increase in crude sales, and PLN -72m on depreciation of the Wierzchowice underground storage facility.
- Savings on various cost items under the Efficiency Improvement Programme (gas, transport, and rental services).
- Cost of gas sold down on a 0.3 bcm year-on-year drop in sales volumes, with unit gas purchase costs also down.

(PLNm)	Q4 2014	Q4 2015	Δ%
Fuels for heat and power generation	(245)	**(227)**	(7%)
Other raw materials and consumables used	(442)	**(404)**	(8%)
Employee benefits expense	(823)	**(908)**	10%
Transmission services	(273)	**(302)**	11%
Cost of dry wells and seismic surveys written-off	(132)	**(82)**	(38%)
Other services	(413)	**(429)**	4%
Net other income/(expenses)	(774)	**(868)**	12%
Change in impairment losses	*(514)*	***(632)***	*23%*
Work performed by the entity and capitalised	313	**312**	
Depreciation and amortisation expense	(600)	**(717)**	20%
Operating expenses net of cost of gas sold	(3,389)	**(3,625)**	7%
Cost of gas sold	(7,339)	**(6,090)**	(17%)
Total operating expenses	(10,728)	**(9 ,715)**	(9%)

EIP – 2016 target raised to over PLN 1bn

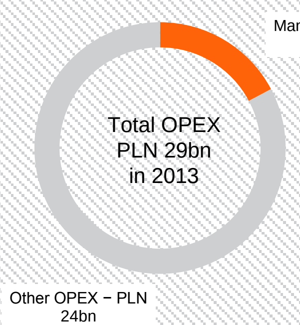
PGNiG

The Programme aims to permanently reduce the manageable cost base across core PGNiG Group segments

Programme objectives:

- To set efficiency improvement targets for the individual segments and entities within the PGNiG Group and to define related benefits to quality improvement.
- To define the scope of action and to assign specific tasks to individual business segments based on identified areas for improvement.
- To implement initiatives designed to improve PGNiG Group's operational efficiency by the end of 2016.

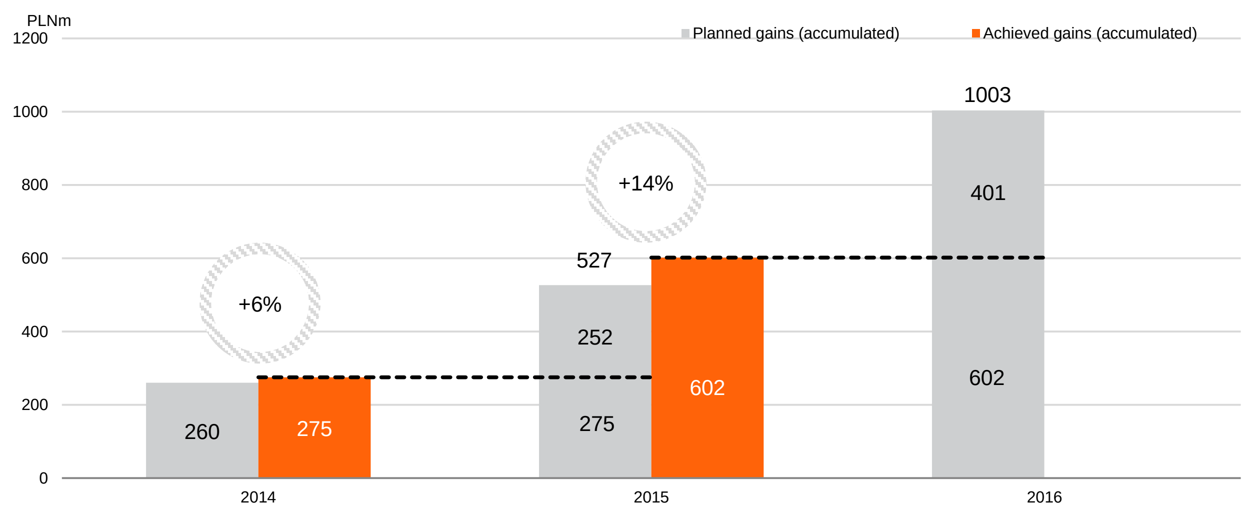
Operating expenses covered by the EIP



Key cost items (excluding PPE):

- Gas purchase costs
- Other fuel purchase costs
- Transmission service costs
- Depreciation and amortisation expense

Cost savings target exceeded by PLN 75m in 2015



EBITDA performance against forecast: 97%

Falling hydrocarbon prices as the main driver of performance against forecast

PGNiG Group	2015 forecast	2015 actual	Performance (%)
Revenue [PLNbn]	37.1*	**36.5**	98%
EBITDA [PLNbn]	6.3*	**6.1**	97%
Debt/EBITDA	<2.0	**1.0**	
Capital expenditure [PLNbn]	4.3	**3.3**	77%
Exploration and Production	1.9	**1.4**	74%
Trade and Storage	0.5	**0.2**	40%
Distribution	1.3	**1.2**	92%
Heat and Power Generation	0.6	**0.5**	83%
Crude oil production [million tonnes]	1.27	**1.43**	113%
– including from Norwegian fields	0.51	**0.66**	129%
Natural gas production [bcm]	4.5	**4.6**	102%
– including from Norwegian fields	0.4	**0.6**	150%
Gas sales volume [bcm]	22.8	**23.0**	101%

Commentary:

- Historical average CAPEX plan performance: 80%.
- Conservative production forecast for Norway at the beginning of 2015 and a strong year-end result, with production volume up approximately 2.8 million barrels in 2015 (+49%). Natural decline in oil production expected in 2016.
- 2015 gas sales volume in line with the forecast announced at the beginning of the year.

* Forecast revised on November 6th 2015, as reported in Current Report No. 81/2015

2016 outlook

PGNiG

Weaker results of Exploration and Production segment

- high global oil supply
- oversupply of natural gas during warm winter
- decline in hydrocarbon prices by strengthening of USD
- risk of further write-downs of production and other assets associated with exploration
- lower production volumes of crude oil and condensate in the PGNiG Group as a result of natural decline

The fight for customers in the Trade and Storage

- falling natural gas prices on European markets favorable for the purchase price while putting pressure on selling prices in Poland
- continuation of the discount policy
- a further decline in the cost of gas in the context of long-term contracts as a result of persistently low oil prices
- first supplies of LNG from Qatargas under the long-term contract

Stable results of Distribution

- expected new tariff for Polska Spółka Gazownictwa starting in the second half of 2016
- increase in the volume of gas distributed as a result of investment and development of new connections
- further improvement of the cost effectiveness

The increase in the profitability of Generation

- lower prices of fuels used in production of heat and electricity
- possible acquisition of heating networks

Contact details

Aleksandra Dobosiewicz
Head of IR Team
Phone: +48 22 589 46 71
Mobile: +48 665 004 847
Fax: +48 22 691 81 23
Email: aleksandra.dobosiewicz@pgnig.pl

Weronika Zając
Investor Relations Specialist
Phone: +48 22 589 46 51
Mobile: +48 885 888 870
Fax: +48 22 691 81 23
Email: weronika.zajac@pgnig.pl

Marcin Piechota
Senior Investor Relations Specialist
Phone: +48 22 589 43 22
Mobile: +48 885 889 890
Fax: +48 22 691 81 23
Email: marcin.piechota@pgnig.pl

Polskie Górnictwo Naftowe i Gazownictwo S.A.
ul. M. Kasprzaka 25
01-224 Warsaw, Poland
www.pgnig.pl

Release dates for periodic reports

9 May	12 August	9 November
Q1 2016 report	H1 2016 report	Q3 2016 report
Closed period: April 26th–May 9th 2016	Closed period: July 13th–August 12th 2016	Closed period: October 27th–November 9th 2016

More information

Investor Relations website
www.ri.pgnig.pl

Appendices:

- Changes on the Polish gas market
- Gas trading and retail sales
- Production and sales volumes
- Debt and sources of financing
- Statement of financial position, cash flow, financial ratios and headcount

Changes on the Polish gas market

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

Commentary:

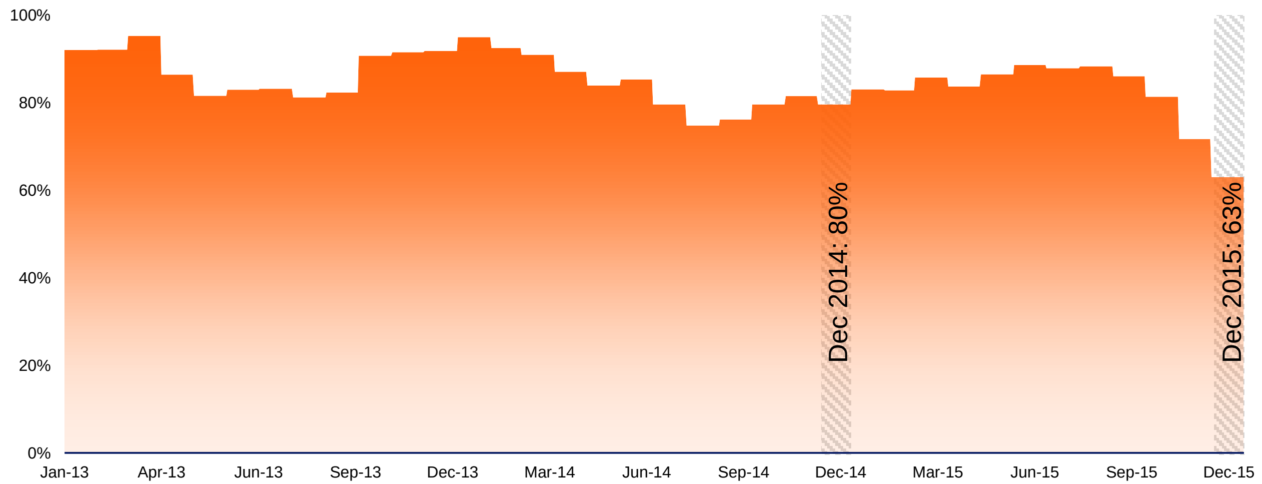
- Since August 1st 2014, the PGNiG Group's gas sales volumes have included both PGNiG SA's sales through the exchange and PGNiG Retail's sales to end customers and on the exchange.
- PGNiG Retail's sales include nitrogen-rich gas, presented in the table as Group E gas equivalent.
- To achieve year-on-year data comparability, revenue and expenses could be reduced on a pro-forma basis by the value of gas purchased by PGNiG Retail on the Polish Power Exchange in the period from January to July, which amounted to PLN 5.1bn.

*Comments:

- The chart ilustrates 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
- 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.

Gas sales volume [mcm]	2014	2015	Δ%
Total PGNiG Group	18,609	**23,000**	24%
PGNiG SA	13,751	**13,177**	(4%)
including PGNiG SA through PPE	3,742	**8,089**	x2.2
PGNiG Obrót Detaliczny	3,042	**7,502**	x2.5

PGNiG's share in gas imports to Poland*



Gas trading and retail sales after August 1st 2014

PGNiG

Production

Gas purchase

PGNiG SA

Gas sold to key customers: above 25 mcm annually
4.6 bcm in 2014
4.3 bcm in 2015

Direct sales
0.93 bcm in 2014
0.72 bcm in 2015

Polish Power Exchange
3.74 bcm in 2014
8.09 bcm in 2015

Polish Power Exchange (TGE)

PGNiG Retail

6.7m customers
7.7 bcm of gas consumed in 2014, including over 3.2 bcm supplied by PGNiG Retail between August and December
7.5 bcm of gas consumed in 2015

Sales made on PPE by PGNiG SA and purchases made on PPE by PGNiG Retail, 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.

Measured as high-methane gas equivalent (without intragroup eliminations).

Production and sales volumes

PGNiG

NATURAL GAS PRODUCTION, PGNiG Group [mcm]	FY 2015	Q4 2015	Q3 2015	Q2 2015	Q1 2015	FY 2014	Q4 2014	Q3 2014	Q2 2014	Q1 2014
HIGH-METHANE GAS (E)	**2,031**	508	515	507	501	**1,876**	440	475	482	479
including in Poland	**1,458**	369	359	362	367	**1,457**	368	361	362	367
including in Norway	**573**	138	156	145	134	**419**	73	114	120	112
NITROGEN-RICH GAS (Ls/Lw as E equiv.)	**2,599**	691	622	602	684	**2,627**	692	582	650	704
including in Poland	**2,547**	677	610	589	671	**2,569**	677	567	636	690
including in Pakistan	**52**	13	12	13	13	**58**	14	15	15	14
TOTAL (measured as E equivalent)	**4,629**	**1,198**	**1,137**	**1,109**	**1,185**	**4,503**	**1,132**	**1,057**	**1,132**	**1,182**
Total production in kboe/d	**81**	84	80	79	83	**80**	79	74	80	85

NATURAL GAS SALES, PGNiG Group [mcm]	FY 2015	Q4 2015	Q3 2015	Q2 2015	Q1 2015	FY 2014	Q4 2014	Q3 2014	Q2 2014	Q1 2014
HIGH-METHANE GAS (E)	**21,665**	6,151	3,674	4,521	7,320	**17,358**	6,470	3,284	3,078	4,526
including PST sales outside PGNiG Group	**2,271**	608	639	502	522	**1,760**	488	363	444	465
NITROGEN-RICH GAS (Ls/Lw as E equiv.)	**1,335**	390	262	282	401	**1,252**	334	272	271	375
TOTAL (measured as E equivalent)	**23,000**	**6,541**	**3,936**	**4,803**	**7,721**	**18,609**	**6,804**	**3,556**	**3,349**	**4,900**
including sales directly from the fields	764	201	176	175	212	800	205	177	180	238

GAS IMPORTS by PGNiG SA [mcm]	FY 2015	Q4 2015	Q3 2015	Q2 2015	Q1 2015	FY 2014	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Total	**9,330**	1,863	2,398	2,495	2,574	**9,700**	2,423	2,143	2,594	2,541
including: sources east of Poland	***8,155***	*1,774*	*2,329*	*2,219*	*1,833*	***8,097***	*1,751*	*1,805*	*2,515*	*2,026*

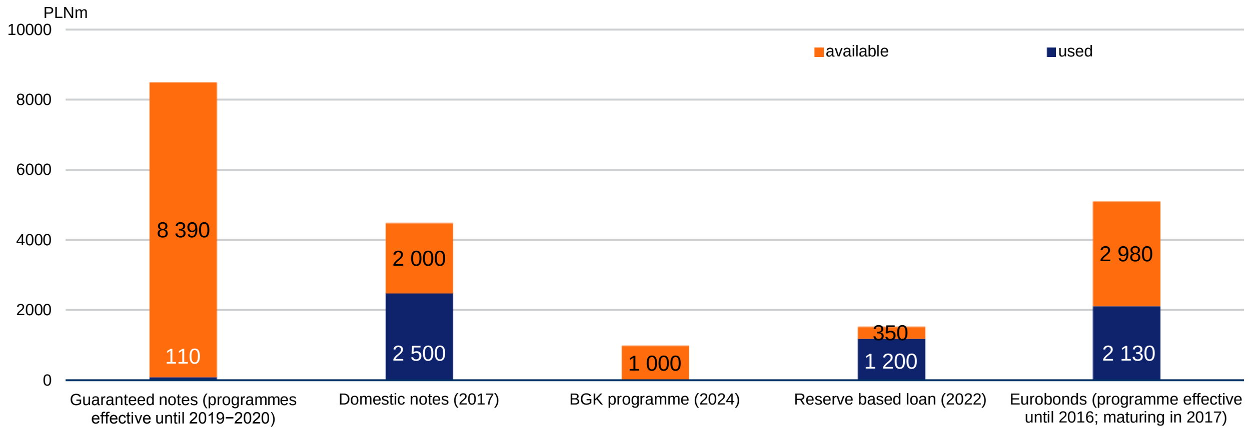
CRUDE OIL, PGNiG Group [thousand tonnes]	FY 2015	Q4 2015	Q3 2015	Q2 2015	Q1 2015	FY 2014	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Production of crude oil and condensate	**1,428**	358	367	317	386	**1,207**	271	304	310	322
including in Poland	**765**	207	204	147	207	**789**	214	188	184	203
including in Norway	**664**	151	163	170	180	**418**	57	116	126	119
Total production in kbbl/d	**29**	29	29	26	31	**24**	22	24	25	26
Sales of crude oil and condensate	**1,391**	315	356	372	348	**1,169**	249	262	373	287
including in Poland	**772**	211	196	148	217	**780**	213	181	185	201
including in Norway	**619**	104	160	224	131	**389**	36	81	188	85

PGNiG TERMIKA	FY 2015	Q4 2015	Q3 2015	Q2 2015	Q1 2015	FY 2014	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Production of heat, net (sales) [TJ]	**36,209**	12,643	2,701	5,810	15,055	**36,617**	12,980	2,867	5,336	15,434
Production of electricity, net, secondary generation (for sale) [GWh]	**3,487**	1,136	328	674	1,349	**3,555**	1,132	386	648	1,390

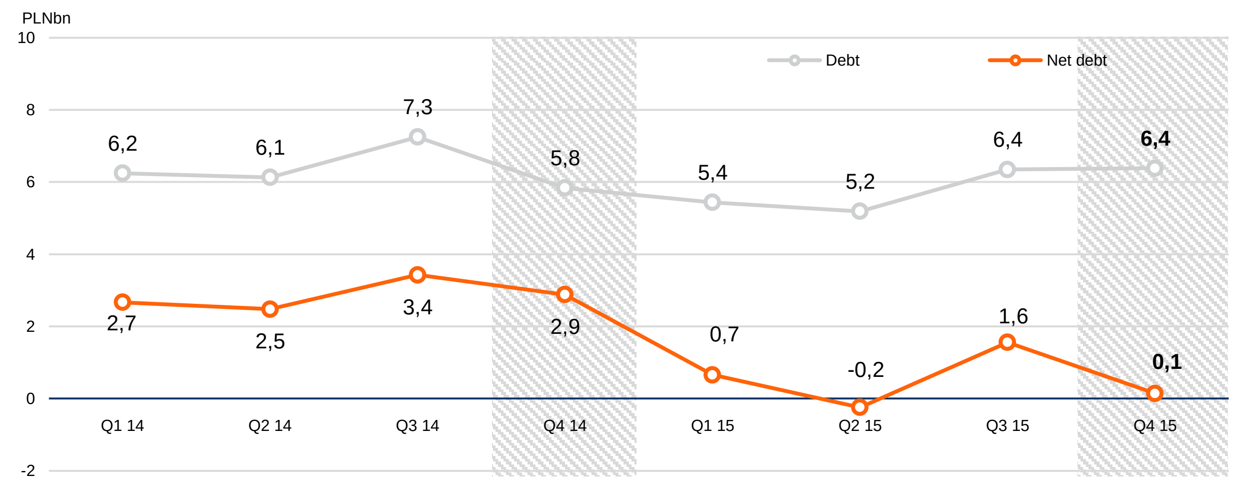
Debt and sources of financing

Strong financial position

Financing sources (as at December 31st 2015)



Debt as at end of quarter

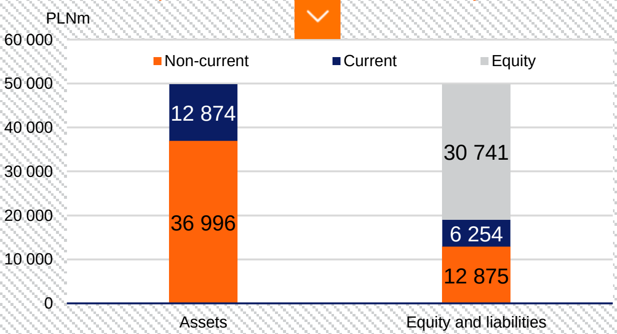


Commentary:

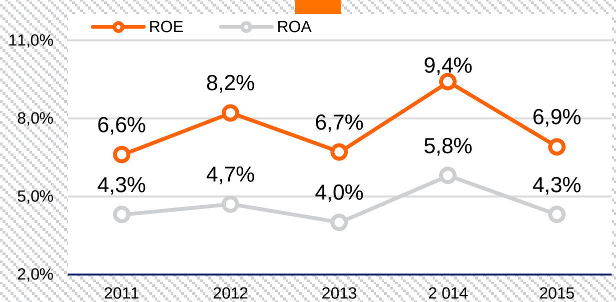
- Available financing programmes for PLN 14.7bn, including PLN 9.7bn underwritten.
- In August 2015, PGNiG Upstream International signed a new reserve based loan agreement, with loan amount raised to USD 400m. This increased the scale of self-financing of PUI and the financing capacity of the PGNiG Group. The loan is a seven-year revolving facility with a grace period of 30 months.

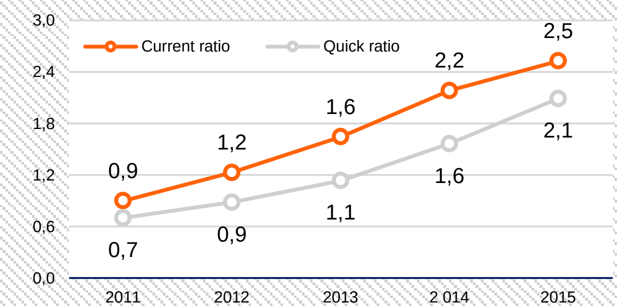
Statement of financial position, statement of cash flows, financial ratios and headcount

Group's statement of financial position (as at December 31st 2015)

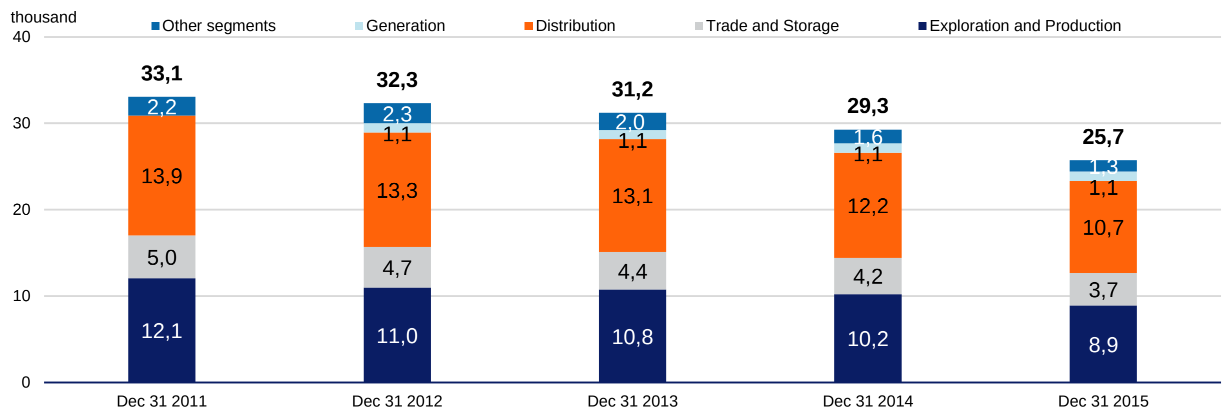


Profitability and liquidity ratios





Headcount (at year end)



Consolidated cash flows (Jan 1−Dec 31 2015)