Polskie Górnictwo Naftowe i Gazownictwo SA

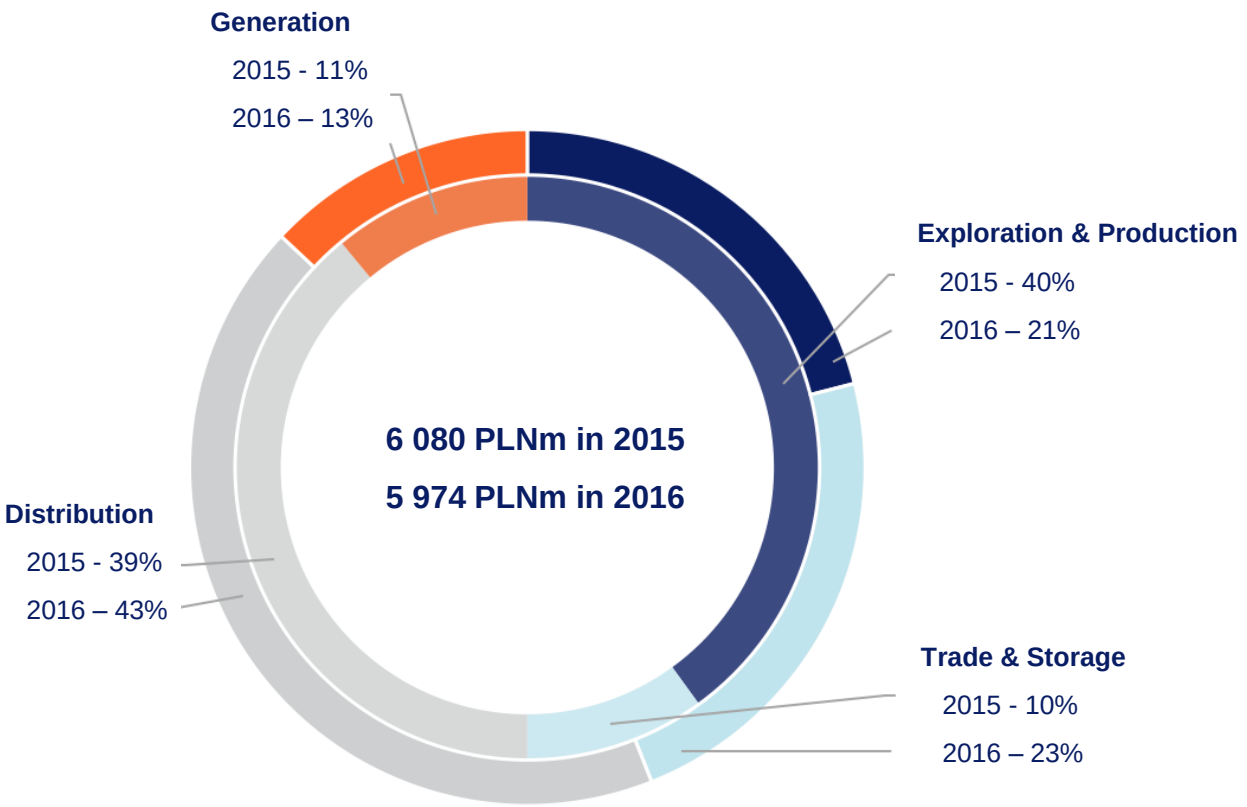
PGNiG Group results for FY 2016

Press Conference

March 8th 2017

PGNiG

Segments' contribution by EBITDA PGNiG Group



PGNiG

Exploration & Production

in PLN million

Average of Brent oil prices yoy

52 / 44 USD/boe

-15.4%

Natural gas production yoy

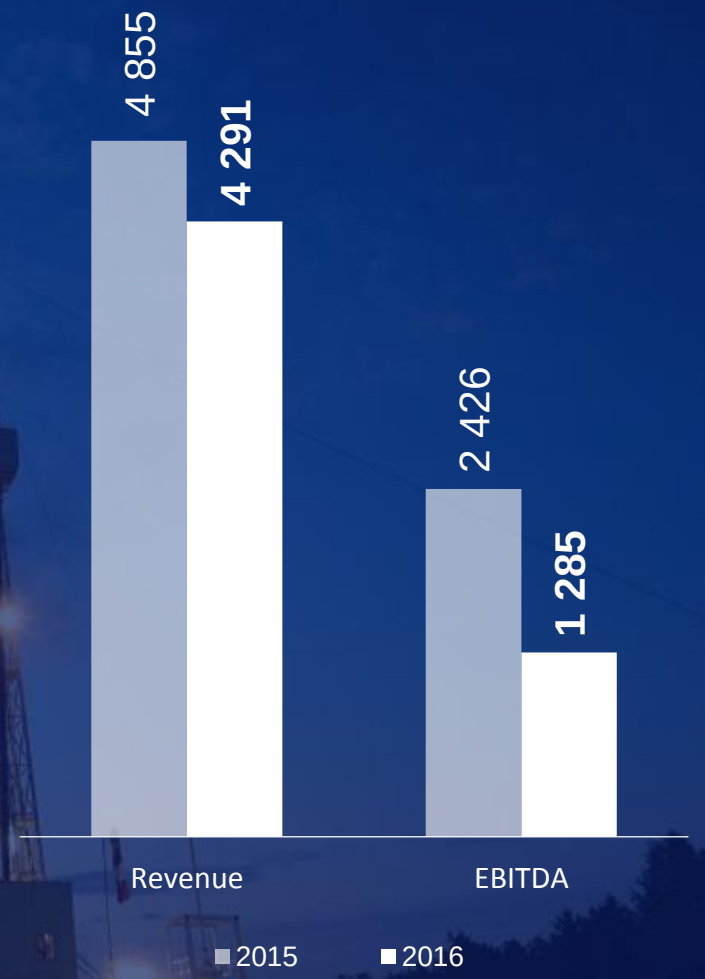
4 629 / 4 458 mcm

-3.7%

Crude oil production yoy

1 429 / 1 318 ths tonnes

-7.8%



PGNiG

Trade & Storage

in PLN million

Natural gas sales yoy

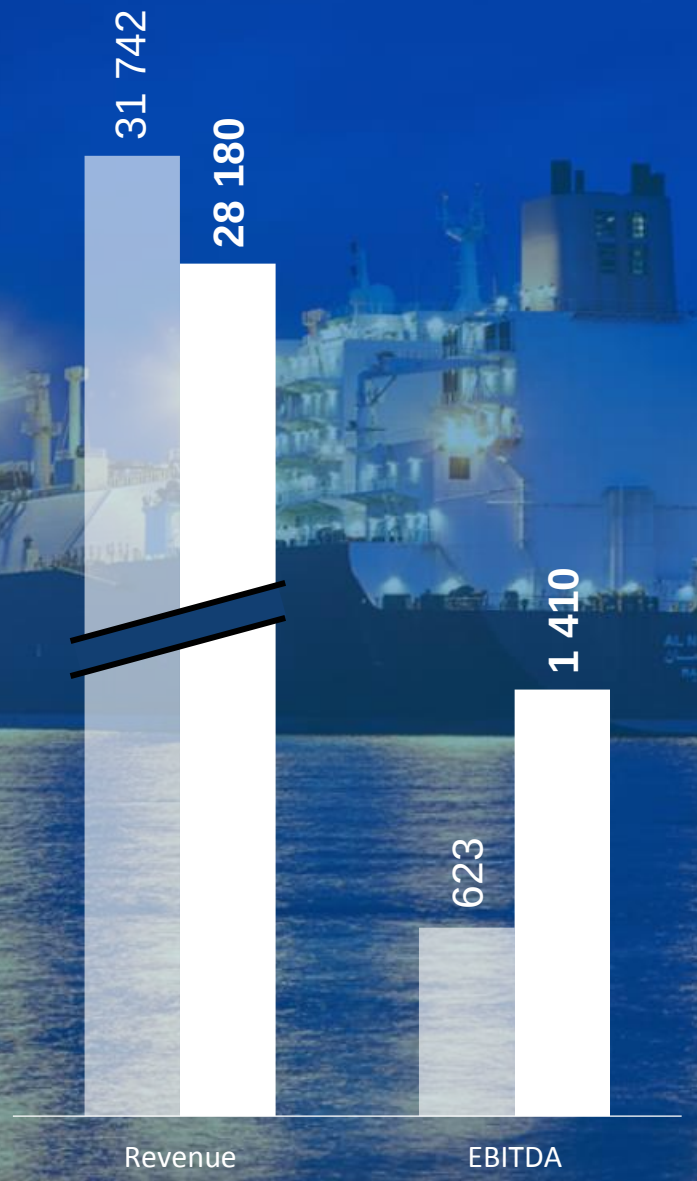
23.0 / 24.3 bcm

+5.7% ▲

Operating margin on E gas yoy

0 / 2%

+2.0% ▲



PGNiG

Distribution

in PLN million

Natural gas distribution yoy

9.8 / 10.9 bcm

+11.2% ▲

Expansion of the distribution network

126.4 / 128.5 ths km

+2 ths km ▲

PGNiG

Generation

in PLN million

Sales of heat yoy

36.2 / 40.0 PJ

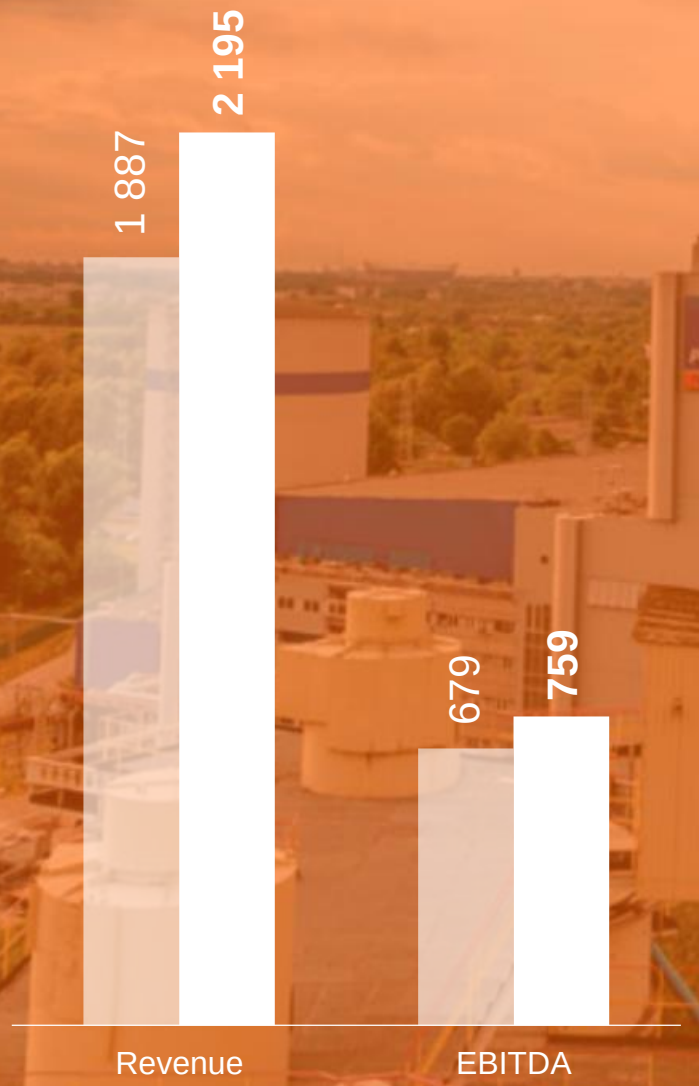
+10.5% ▲

Sales of electricity yoy

3.5 / 3.6 TWh

+2.9% ▲

The acquisition of PEC and SEJ

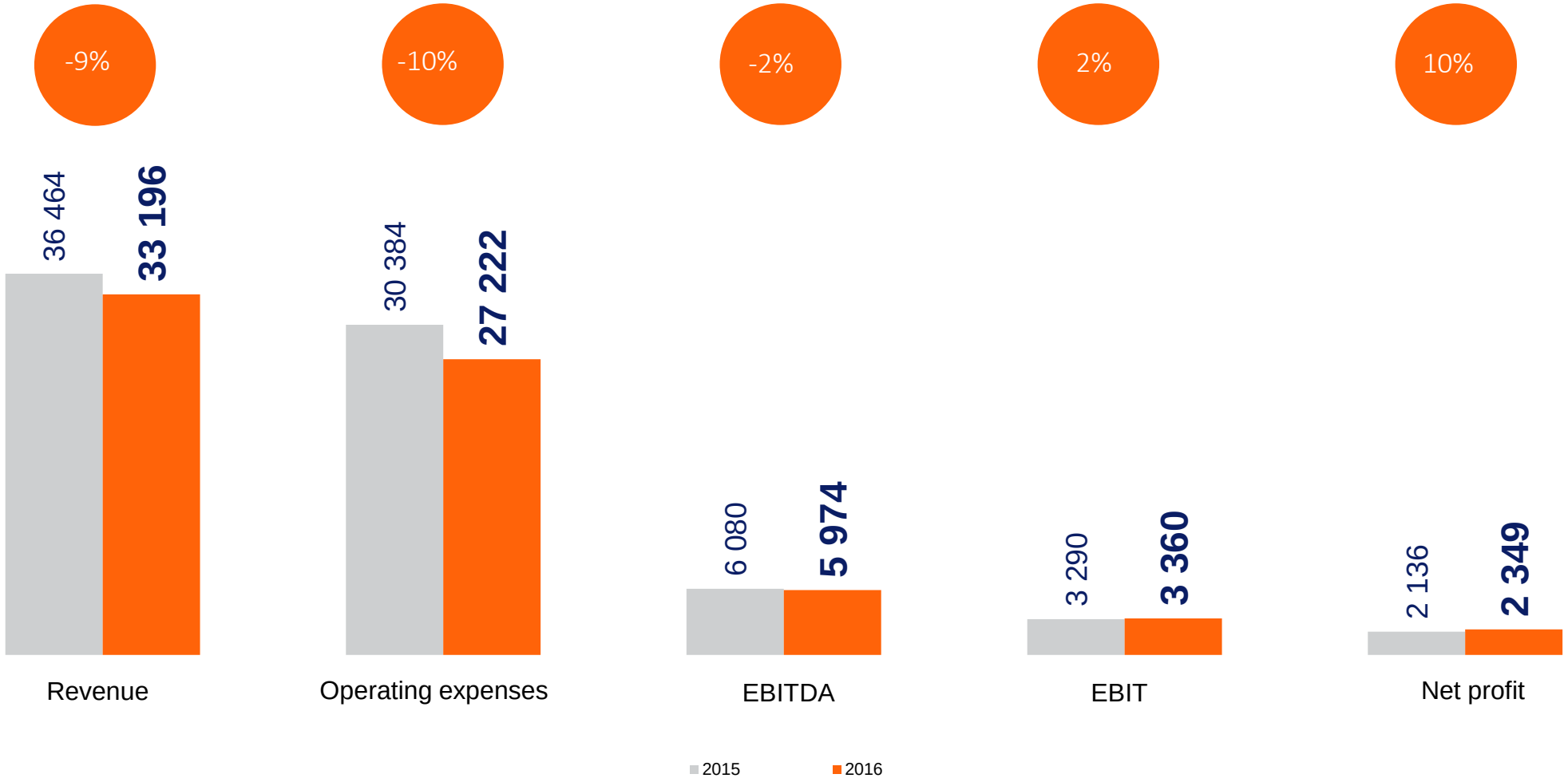


PGNiG Group results

Impact of falling oil and gas prices on operating performance

FINANCIAL RESULTS

in PLN milion

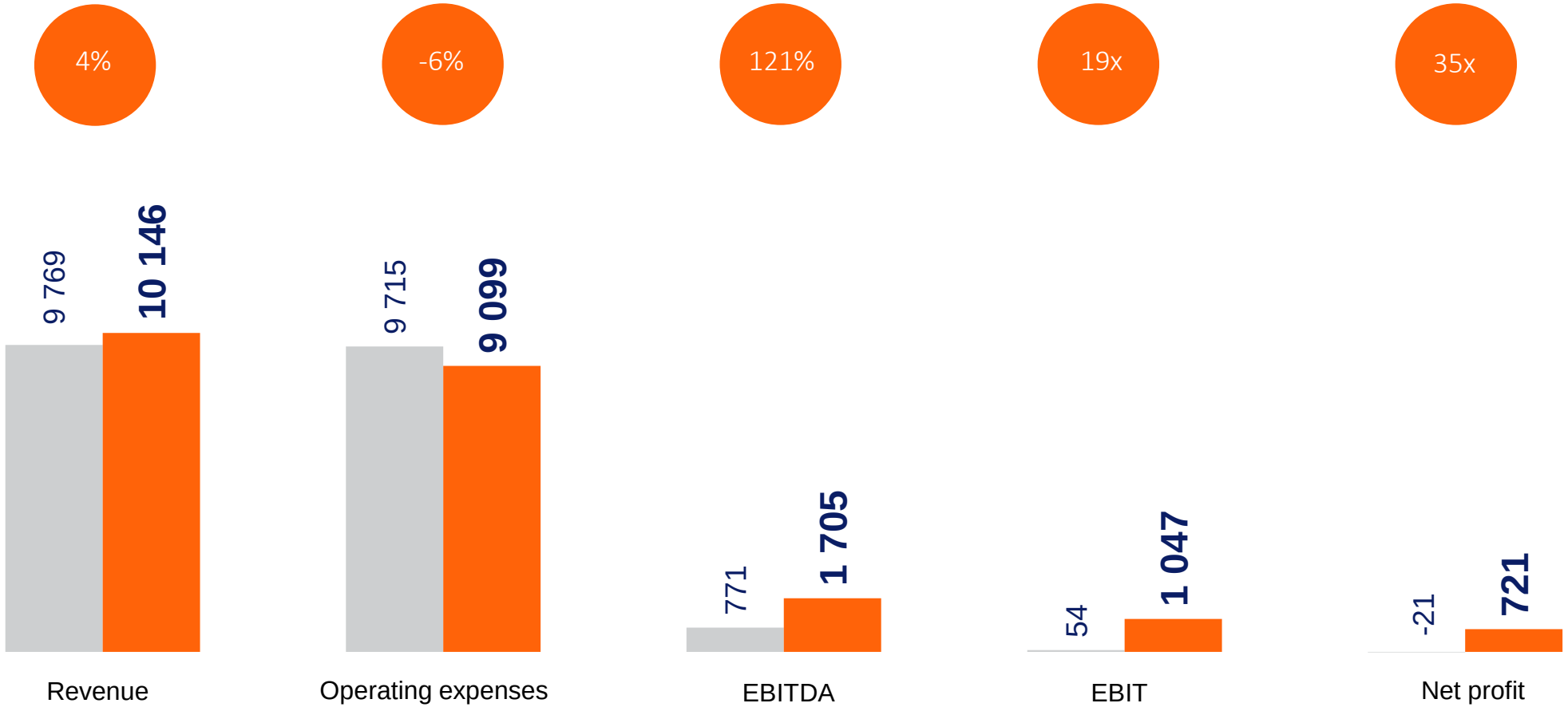


PGNiG Group results

Impact of falling oil and gas prices on operating performance

FINANCIAL RESULTS

in PLN milion



Natural gas sales

Growth in gas sales y/y	**5.7 %** ▲
Gas export to Ukraine (5 months of 2016)	**0.37 bcm** ▲
New retail customers in Poland	**74,000 recipients** ▲
New customers gained by dual fuel sale campaign	**13,000 recipients** ▲
New retail recipients in Germany	**60,000 recipients** ▲
Growth in sales at Polish Power Exchange (TGE)	**33% above obligatory level** ▲

New gas contracts – almost 13bn PLN

2017 outlook

Segment performance supported by higher oil and gas prices

- Rising oil and gas prices expected by the market and stronger US dollar
- Forecasted oil and condensate production volumes in the PGNiG Group at the level of 1,316 ths. tonnes in 2017
- Gina Krog - production launch scheduled for April 2017 (Norway)
- development and tie-in of new wells, and expansion of two facilities, in Dębno and Grodzisk (Poland)

Progressing gas market deregulation

- Since October 2017, tariffs are applied solely to gas sold to households
- Roll-out of dual fuel products
- Booking the capacity in planned Norway – Denmark – Poland connection
- Possible increase in gas procurement costs under long-term contracts due to rising oil prices
- Year-round LNG deliveries from Qatargas under long-term contract
- Final resolution on arbitration proceedings against Gazprom in Q3 2017
- LNG trading activities by London office

PGNiG

2017 outlook

Stable performance of the Distribution segment

- Increasing the volume of distributed gas through development projects and new connections
- Local gas network roll-out in north-eastern Poland using the LNG technology
- Continued efforts to socialise the costs of terminal
- Higher capital expenditure (planned capex of PLN 1.7bn in 2017)
- Working to develop a long-term regulatory model

Improved profitability of the Generation segment

- Heat and electricity production volumes up following consolidation of acquired assets
- Potentially higher prices of fuels for heat and power generation
- Commencement of the construction of a CCGT unit and a peak-load boiler house at the Żerań CHP Plant

PGNiG

You are cordially invited to the presentation

of New Strategy of the PGNiG Group

PGNiG