Polish Oil and Gas Company (PGNiG SA)
Head Office

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PGNiG Management Board's financial forecast for 2015 – update

Current Report No. 81/2015

The Management Board of PGNiG SA ("PGNiG", "the Company") has changed the financial forecast for 2015 published in Current Report No. 9/2015 of February 5th 2015 based on updated business plans of PGNiG Group companies and operating assumptions:

	Forecast of February 5th 2015	**Updated forecast**
1. PGNiG Group's consolidated revenue	PLN 40.9bn	**PLN 37.1bn**
2. PGNiG Group's consolidated EBITDA	PLN 5.8bn	**PLN 6.3bn**
3. PGNiG Group's debt ratio	no more than 2.0 x EBITDA	**no more than 2.0 x EBITDA**

The decrease in forecast revenue is due to persistently low prices of crude oil and lower gas selling prices across European and Polish commodity exchanges. As a result, the PGNiG Group's total cost of gas procurement was reduced, which led to a decrease in tariff prices and introduction of discounts for industrial customers.

The increase in forecast EBITDA was attributable to a number of factors, including primarily:
– higher than assumed hydrocarbon production volumes in Norway;
– compensation for limited deliveries from sources east of Poland and the resulting increase in imports from across the western border at lower costs seen in Q1 2015;
– progress in the implementation of the Efficiency Improvement Programme and a significant employment reduction, including under the Voluntary Redundancy Programme;
– high margin on (E) gas fuel;
– lower than expected negative effect of settlements under the Qatar contract.

Meeting the forecast's objectives depends on a number of factors, some of which are beyond the Company's control. Considerable volatility of global hydrocarbon prices and exchange rates add to the uncertainty regarding revenues and the future carrying amount of production assets, as well as the cost of gas procurement under long-term contracts with Gazprom Export and Qatargas. The progressing deregulation of the Polish gas market and the resulting diversification of supplies by PGNiG's key customers represent yet another significant challenge.