

Polskie Górnictwo Naftowe i Gazownictwo S.A.

**Consolidated report on payments  
to governments  
of the PGNiG Group  
for 2018**



## Basis of preparation

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This consolidated report on payments to governments made by the PGNiG Group in 2018 has been prepared in accordance with the requirements of the Accounting Act of September 29th 1994 (Dz. U. of 2019, item 351, as amended) (the "Act").

### Definitions

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#### Government

In accordance with the Act, government means any national or local authority as well as all undertakings supervised or controlled by that authority.

#### Project

Project means the operational activities that are governed by a contract (in particular, lease, license or concession) or similar agreement and form the basis for payment liabilities to governments of individual countries. If multiple such agreements are substantially interconnected, the operational activities carried out under such agreements should be considered a single project.

#### Types of payments

The payments include amounts actually paid/transferred, where the direct recipient is a government. In the case of operatorship agreements related to exploration and production licences, if a PGNiG Group company is not the operator, this report does not include any payments made to the operator (which is not a government), unless it is possible to identify such payment made indirectly by the operator on behalf of a PGNiG Group entity to a government.

#### Materiality threshold

As required by the Act, the Group assumed that a single payment or a sum of related payments to a government is material if it is the equivalent of at least PLN 424,700.

#### Presentation currency

The Polish zloty (PLN) is the functional currency of PGNiG S.A. and the presentation currency of this consolidated report on payments to governments of the PGNiG Group. Figures in this report are presented in millions of Polish zloty.

Items of this report which are expressed in foreign currencies have been translated at the relevant exchange rate computed as the arithmetic mean of mid rates quoted by the National Bank of Poland (NBP) for the last day of each month of the financial year.

## Information about the Group

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Polskie Górnictwo Naftowe i Gazownictwo S.A. ("PGNiG") is the parent of the PGNiG Group (the "Group"). The group of companies making up the Group was determined in accordance with the International Financial Reporting Standards ("IFRS") as endorsed by the European Union ("EU"). A detailed list of PGNiG Group companies as at the end of 2018 is presented in the Consolidated Annual Report of the PGNiG Group for 2018, published on PGNiG S.A.'s website: [www.pgnig.pl](http://www.pgnig.pl).

The PGNiG Group prepared this consolidated report on payments to governments in relation to its extraction activities, consisting in the exploration for and extraction of natural gas and crude oil. The Group chiefly engages in such activities in Poland, and abroad mainly in Norway and Pakistan. This report presents payments to governments made by the Group in those and other countries, broken down by the level of government.

For more information on extraction activities carried out by the Group's Exploration and Production segment, see Directors' Report on the operations of PGNiG SA and the PGNiG Group, which is a part of the Consolidated Annual Report, published on PGNiG SA's website: [www.pgnig.pl](http://www.pgnig.pl).

## Report on payments to governments

2018	Production entitlements*	Taxes on income, production or profits**	Dividends	Signature, discovery and production bonuses	Licence fees, rental fees, entry fees and other fees	Total payments
<b>Poland</b>						
<b>Recipients of payments to governments</b>	(155)	(940)	(291)	(90)	(23)	(1,499)
Payments to central authorities	(62)	(940)	(291)	(89)	(7)	(1,389)
Payments to local authorities	(93)	-	-	(1)	(16)	(110)
<b>Norway</b>						
<b>Recipients of payments to governments</b>	-	(118)	-	-	-	(118)
Payments to central authorities	-	(118)	-	-	-	(118)
<b>Pakistan</b>						
<b>Recipients of payments to governments</b>	(16)	(6)	-	-	(3)	(25)
Payments to central authorities	(16)	(6)	-	-	(3)	(25)
<b>Kazakhstan</b>						
<b>Recipients of payments to governments</b>	-	(1)	-	-	-	(1)
Payments to central authorities	-	(1)	-	-	-	(1)
<b>Germany</b>						
<b>Recipients of payments to governments</b>	-	(4)	-	-	-	(4)
Payments to central authorities	-	(1)	-	-	-	(1)
Payments to local authorities	-	(3)	-	-	-	(3)
<b>Total (all countries)</b>						
<b>Recipients of payments to governments</b>	(171)	(1,069)	(291)	(90)	(26)	(1,647)
Payments to central authorities	(78)	(1,066)	(291)	(89)	(10)	(1,534)
Payments to local authorities	(93)	(3)	-	(1)	(16)	(113)

\* Includes mainly payments of fees related to oil and gas production.

\*\* Includes mainly corporate income tax; this tax is not calculated separately for operations directly related to exploration and production, so the category presents corporate income tax paid by the PGNiG Group.

2017	Production entitlements*	Taxes on income, production or profits**	Dividends	Signature, discovery and production bonuses	Licence fees, rental fees, entry fees and other fees	Total payments
<b>Poland</b>						
<b>Recipients of payments to governments</b>	(142)	(746)	(831)	(39)	(31)	(1,789)
Payments to national authorities	(50)	(746)	(831)	(36)	(19)	(1,682)
Payments to local authorities	(92)	-	-	(3)	(12)	(107)
<b>Norway</b>						
<b>Recipients of payments to governments</b>	-	-	-	(3)	-	(3)
Payments to central authorities	-	-	-	(3)	-	(3)
<b>Pakistan</b>						
<b>Recipients of payments to governments</b>	(10)	(2)	-	-	(3)	(15)
Payments to central authorities	(10)	(2)	-	-	(3)	(15)
<b>Kazakhstan</b>						
<b>Recipients of payments to governments</b>	-	(3)	-	-	-	(3)
Payments to central authorities	-	(3)	-	-	-	(3)
<b>Germany</b>						
<b>Recipients of payments to governments</b>	-	(1)	-	-	-	(1)
Payments to central authorities	-	-	-	-	-	-
Payments to local authorities	-	(1)	-	-	-	(1)
<b>Total (all countries)</b>						
<b>Recipients of payments to governments</b>	(152)	(752)	(831)	(42)	(34)	(1,811)
Payments to central authorities	(60)	(751)	(831)	(39)	(22)	(1,703)
Payments to local authorities	(92)	(1)	-	(3)	(12)	(108)

\* Includes mainly payments of royalty fees related to oil and gas production.

\*\* Includes mainly corporate income tax; this tax is not calculated separately for operations directly related to exploration and production, so the category presents corporate income tax paid by the PGNiG Group.

## PGNiG S.A. Management Board:

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President of the  
Management Board

Piotr Woźniak

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Vice President of the  
Management Board

Łukasz Kroplewski

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Vice President of the  
Management Board

Michał Pietrzyk

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Vice President of the  
Management Board

Maciej Woźniak

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Vice President of the  
Management Board

Magdalena Zegarska

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Warsaw, March 13th 2019