PGNiG

CURRENT REPORT

Polish Oil and Gas Company (PGNiG SA)
Head Office

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Estimates of Q4 and FY 2019 consolidated financial highlights and results of periodic assessment of the recoverable amounts of assets in PGNiG Group

Current Report No. 6/2020

Further to Current Report No. 4/2020 of January 24th 2020, The Management Board of Polskie Górnictwo Naftowe i Gazownictwo S.A. ("PGNiG" or the "Company") announces preliminary PGNiG's consolidated financial results for Q4 and FY 2019:

in PLNbn	**Q4 2018**	**Q4 2019**	**FY 2018**	**FY 2019**
Consolidated revenue	12.75	**12.36**	41.23	**42.01**
Consolidated operating profit before depreciation and amortisation ("EBITDA"), herein:	1,35	**1.57**	7.12	**5.50**
impairment losses on property, plant and equipment of PGNiG Group	*-0.23*	***-0.23***	*+0.22*	***-0.40***
Exploration and Production's EBITDA, herein:	1.08	**0.69**	5.02	**3.36**
cost of dry wells and seismic surveys	*-0.15*	***-0.14***	*-0.69*	***-0.26***
impairment losses on property, plant and equipment	*-0.24*	***-0.21***	*+0.20*	***-0.35***
Trade and Storage's EBITDA, herein:	-0.35	**-0.01**	-0.85	**-0.47**
gas inventory write-downs	*-0.02*	***-0.34***	*-0.02*	***-0.31***
Distribution's EBITDA	0.42	**0.51**	2.38	**2.00**
Generation's EBITDA	0.29	**0.41**	0.79	**0.86**
Consolidated EBIT	0.60	**0.63**	4.40	**2.45**
Consolidated net result	0.39	**0.03**	3.21	**1.37**

The Management Board of PGNiG informs that as a result of periodic assessment of the recoverable amounts of assets in each operational segment, consolidated EBITDA of PGNiG Group in Q4 2019 has been reduced by approx. PLN 559m. The amount includes among others:

1) impairment loss recognized on production assets – PLN 226m (including Exploration & Production segment – PLN 212m);

2) impairment loss recognized on methane-rich gas inventories – PLN 339m (Trade & Storage segment).

At the same time, the Management Board of PGNiG informs that on February 14th 2020 PGNiG TERMIKA SA – the subsidiary of PGNiG – recognized an impairment loss due to revaluation of Polska Grupa Górnicza SA ("PGG") interests. The impact of the equity valuation method on interests in PGG on the PGNiG Group's consolidated net result for Q4 2019 accounted for approx. PLN -272m.

The PGNiG Group's consolidated financial results for Q4 2019 were driven mainly by:

1. In the Exploration and Production segment:
   - -11% yoy decrease in production volumes of crude oil in Norway;
   - lower prices of products, including -8% yoy decline of the average crude oil price in USD/bbl for the quarter and -41% yoy decline of Day Ahead Market gas prices on Polish Power Exchange ("PPE").
2. In the Trade and Storage segment:
   - -11% yoy decline of 9-month average Brent crude oil price in USD/bbl with higher quarterly average USD/PLN exchange rate by 3% yoy;
   - significantly lower prices of natural gas on the PPE, which has an impact on the level of settlement price for gas from domestic production to the Trade and Storage segment;
   - +2,5% average increase of gas fuel price in the new retail tariff, introduced to act on February 15th 2019;
   - gas inventory write-down in Q4 2019: PLN -339m vs PLN -15m in Q4 2018;
   - the result on exercise of derivative financial instruments designated for hedge accounting reported in EBIT: PLN +188m in Q4 2019 vs PLN +45m in Q4 2018.
3. In the Distribution segment:
   - -5% decline in the gas distribution tariff, introduced to act on February 15th 2019;
   - average temperature in Q4 2019 up by +1,9°C yoy;
   - net income/cost of system balancing: PLN -174m in Q4 2019 vs PLN -308m in Q4 2018.
4. In the Generation segment:
   - stable revenue from sales of heat (-1% decrease yoy) on higher average temperature in Q4 2019 thus lower heat sales volumes and higher heat sales tariff prices in PGNiG TERMIKA SA;
   - +15% yoy growth in revenue from sales of electricity on lower electricity sales volumes and higher prices of electricity;
   - stable costs of coal to production yoy;
   - reversal of a provision for CO_2 emission allowances of PLN +85m in Q4 2019.

The presented values are estimates and as such are subject to change. The results will undergo audit by an independent auditor. The report for Q4 and FY 2019 will be published on March 12th, 2020.

Legal basis:
Article 17 section 1 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC.