

**Dear Shareholders, Customers and Trading Partners,**



I have the pleasure to invite you to read the Annual Report of the PGNiG Group for 2019. The year 2019 was a time of consistent efforts to implement our strategy for 2017–2022 that we have reasons to be pleased with, while also marking a turning point for the Group and for Poland's energy security.

Despite challenging commodity market conditions, which had a direct impact on our financial performance, the Group delivered 2019 EBITDA of PLN 5.5bn. We reported the highest ever annual revenue, in excess of PLN 42bn. In terms of market capitalisation, as at the end of 2019 PGNiG S.A. ranked among the largest companies listed on the Warsaw Stock Exchange.

A landmark event in 2019 was a notice we sent to Gazprom in November informing them that we were not interested in renewing the Yamal contract. It was a natural continuation and key element of our strategy to consistently reduce reliance on natural gas from Russia. We cover Poland's gas demand by investing in our own production assets at home and abroad. The diversification process also includes extensive efforts in the area of LNG. We stepped up LNG imports in 2019, with 3.4bn cubic metres of liquefied natural gas brought to Poland, over a quarter more than the year before. This year we will continue the process of building PGNiG's capabilities and position as a major international player in this market.

The year 2019 brought us several major achievements in the Exploration and Production segment. We discovered oil and gas in the Shrek prospect on the Norwegian Continental Shelf, with preliminary estimates putting its reserves at approximately 19 to 38 million barrels of oil equivalent. Also, PGNiG Upstream Norway acquired new licences in Norway. Oil and gas exploration on the Norwegian Continental Shelf remains a critical pillar of our strategy to diversify gas supplies to Poland. An important event at home was confirmation that the Przemysł field holds larger reserves than previously estimated. In the coming years, we will focus on developing these and other projects designed to maximise our own production in Poland and abroad.

In the Distribution segment, we continued to install new gas network connections, with almost 150 municipalities connected by the end of 2019 under the Programme for Accelerating Investment in Poland's Gas Network implemented by Polska Spółka Gazownictwa. In addition, we launched new LNG regasification stations in order to provide access to natural gas to the broadest possible range of businesses and households. We seek to exploit our potential in this area and expand our reach into smaller communities across Poland, including through an off-grid network based on LNG.

A major event in the Generation segment was the completion of construction of a peak-load boiler house and a gas station at the Żerań CHP plant, part of a wider project to build a new CCGT unit at the plant. The project is of strategic importance to the city of Warsaw, but also to Poland and to PGNiG TERMIKA itself. It will contribute to improving the energy security and living comfort for the capital city residents by reducing pollutant emissions. In the coming years, we will explore various investment options for acquisitions in the heat and power sectors.



In 2020, we are set to further pursue our strategy of strengthening Poland's energy security by continuing to diversify our gas supply sources and expanding the oil and gas exploration and production business. A key challenge will be to take a series of initiatives designed to build the value of PGNiG S.A. in any conditions, including an unfavourable macroeconomic environment. Certainly, the award by the Stockholm arbitration institute due later this year will be a major factor. We expect it to decide in our favour, the award helping us reduce the cost of gas under the Yamal contract.

We aspire to become an active participant in the transition to a low-carbon economy in Poland. We believe that natural gas has a central role to play in the energy transition process. We want to support government actions, particularly those taken under our climate policy commitments. Advancing green energy is consistent with the strategies of many global energy companies, which embark on environmentally friendly projects with a view to reducing emissions. We are fully aware the energy transition will be a major challenge for the central government, local governments and local communities. We have recently lent our support to the Clean Air programme of subsidies for replacing old heating equipment with gas heating systems, which will contribute to reducing emissions of particulate matter and other pollutants from single-family houses and will help us acquire new household customers.

We want to develop technologies of tomorrow today in order to gain a competitive advantage in an era when sustainable economic development is gaining prominence. To that end, we explore the possibilities of engaging in biogas development projects. We closely look into hydrogen technologies, as well as photovoltaic and wind power projects.

Our list of priorities will be extended in an update to the PGNiG Group Strategy, which will be unveiled later this year. I am confident the new Strategy will drive our rapid growth and help us better harness the Group's potential for the benefit of all stakeholders.

I would like to thank all Management and Supervisory Board members and the entire Team for their hard work and successful delivery of the strategy in 2019.

Best regards,  
Jerzy Kwieciński  
President of the Management Board of PGNiG S.A.