

Polish Oil and Gas Company (PGNiG SA)
Head Office

Warsaw, May 21st 2020

Estimates of Q1 2020 consolidated financial highlights

Current Report No. 19/2020

Further to Current Reports No. 14/2020 of April 21st 2020 and 18/2020 of May 12th 2020, The Management Board of Polskie Górnictwo Naftowe i Gazownictwo S.A. ("PGNiG" or the "Company") announces preliminary PGNiG's consolidated financial results for Q1 2020:

in PLNbn	Q1 2019	Q1 2020
Consolidated revenue	14.34	13.76
Consolidated operating profit before depreciation and amortisation ("EBITDA"), herein:	2.22*	2.08
<i>impairment losses on property, plant and equipment of PGNiG Group</i>	+0.02	-0.76
Exploration and Production's EBITDA, herein:	1.30	0.07
<i>impairment losses on property, plant and equipment</i>	+0.02	-0.76
Trade and Storage's EBITDA, herein:	-0.07	0.91
<i>gas inventory write-downs</i>	+0.04	+0.25
Distribution's EBITDA	0.63*	0.77
Generation's EBITDA	0.40	0.42
Consolidated EBIT	1.43*	1.21
Consolidated net result	1.10*	0.78

* Change related to the application of IFRS 16. The Group recognised right-of-use assets and lease liabilities under the contracts as at January 1st 2019, with the adjustment also affecting financial data presented in the earlier interim reports issued in 2019.

The estimated PGNiG Group's consolidated financial results for Q1 2020 were driven mainly by:

- In the Exploration and Production segment:
 - lower prices of products, including -20% yoy decline of the average crude oil price in USD/bbl for the quarter and -40% yoy decline of Day Ahead Market gas prices on Polish Power Exchange ("PPE");
 - recognition of impairment losses on the segment's non-current assets of approximately PLN -758m;
 - increase in production volumes of crude oil in Norway.
- 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 4% 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;
 - 2.9% average decline of gas fuel price in the new retail tariff, introduced to act on January 1st 2020;

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- effect of a PLN +255 m reversal of gas inventory write-downs, compared with a write-down reversal of PLN +37m in Q1 2019;
 - the result on exercise of derivative financial instruments designated for hedge accounting reported in EBIT: PLN +819m in Q1 2020 vs PLN +179m in Q1 2019;
 - effect of payments, as of March 1st 2020, for the gas supplied under the Yamal contract in amounts resulting from the pricing formula based on the Stockholm Arbitration Tribunal's award.
3. In the Distribution segment:
- -5% decline in the gas distribution tariff, introduced to act on February 15th 2019;
 - average temperature in Q1 2020 up by +1,2°C yoy;
 - net income/cost of system balancing: PLN +16m in Q1 2020 vs PLN -131m in Q1 2019; - by a decision of the President of the Energy Regulatory Office of December 23rd 2019, a new Grid Code was approved, introducing changes to the commercial balancing regime for natural gas distribution; the new rules took effect as of January 1st 2020; the amendments introduced, among other things, an annual settlement period for the difference between settlement allocations and distribution services, taking into account the average annual gas price on PPX.
4. In the Generation segment:
- lower revenue from sales of heat (-2% decrease yoy) on higher average temperature in Q1 2020 thus lower heat sales volumes;
 - -3% yoy lower revenue from sales of electricity on lower electricity sales volumes and higher prices of electricity;
 - lower costs of coal to production yoy.

The presented values are estimates and as such are subject to change. The results will undergo audit by an independent auditor. The report for Q1 2020 will be published on June 4th, 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.