



**Consolidated report on payments
to governments of the PGNiG Group
for 2020**

2020



Basis of preparation

This consolidated report on payments to governments made by the PGNiG Group in 2020 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

Government

In accordance with the Act, the term ‘government’ means any national or local authority as well as any undertakings supervised or controlled by such authority.

Project

‘Project’ means the operational activities governed by a contract (including, without limitation, a lease, licence or concession contract), which forms the basis for payment liabilities to governments of individual countries. If two or more such agreements are substantially interconnected, the operational activities carried out under such agreements are 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

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 2020 is presented in the Consolidated Annual Report of the PGNiG Group for 2020, published on PGNiG S.A.’s website: 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 mainly in Poland, and also 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 S.A. and the PGNiG Group, which is part of the Consolidated Annual Report published on PGNiG S.A.’s website: www.pgnig.pl.

Report on payments to governments

2020	Production entitlements*	Taxes on income, production or profits**	Royalties	Dividends	Signature, discovery and production bonuses	Licence fees, rental fees, entry fees and other fees	Fees for infrastructure improvements	Total payments
Poland								
Recipients of payments to governments	(143)	(2,055)	-	(374)	(150)	(121)	-	(2,843)
Payments to central authorities	(36)	(2,055)	-	(374)	(52)	(109)	-	(2,626)
Payments to local authorities	(107)	-	-	-	(98)	(12)	-	(217)
Payments assigned to projects	-	-	-	-	-	-	-	-
Norway								
Recipients of payments to governments	-	314	-	-	-	-	-	314
Payments to central authorities***	-	314	-	-	-	-	-	314
Payments to local authorities	-	-	-	-	-	-	-	-
Payments assigned to projects	-	-	-	-	-	-	-	-
Pakistan								
Recipients of payments to governments	(30)	(10)	-	-	-	(3)	-	(43)
Payments to central authorities	(30)	(10)	-	-	-	(3)	-	(43)
Payments to local authorities	-	-	-	-	-	-	-	-
Payments assigned to projects	-	-	-	-	-	-	-	-
Germany								
Recipients of payments to governments	-	(3)	-	-	-	-	-	(3)
Payments to central authorities	-	(1)	-	-	-	-	-	(1)
Payments to local authorities	-	(2)	-	-	-	-	-	(2)
Payments assigned to projects	-	-	-	-	-	-	-	-
Other countries								
Recipients of payments to governments	-	(2)	-	-	(1)	-	-	(3)
Payments to central authorities	-	(2)	-	-	(1)	-	-	(3)
Payments to local authorities	-	-	-	-	-	-	-	-
Payments assigned to projects	-	-	-	-	-	-	-	-
Total (all countries)								
Recipients of payments to governments	(173)	(1,756)	-	(374)	(151)	(124)	-	(2,578)
Payments to central authorities	(66)	(1,754)	-	(374)	(53)	(112)	-	(2,359)
Payments to local authorities	(107)	(2)	-	-	(98)	(12)	-	(219)
Payments assigned to projects	-	-	-	-	-	-	-	-

* 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.

***The amount relates to PGNiG Upstream Norway AS and represents tax paid for 2019 (PLN 63m) and tax refund received for 2020 (PLN 377m) following changes introduced to the Norwegian tax system in 2020 (for more information on the Norwegian tax system, see the PGNiG Group's consolidated financial statements for 2020).

2019	Production entitlements*	Taxes on income, production or profits**	Royalties	Dividends	Signature, discovery and production bonuses	Licence fees, rental fees, entry fees and other fees	Fees for infrastructure improvements	Total payments
Poland								
Recipients of payments to governments	(219)	(497)	-	(457)	(128)	(21)	-	(1,322)
Payments to central authorities	(107)	(497)	-	(457)	(24)	(11)	-	(1,096)
Payments to local authorities	(112)	-	-	-	(104)	(10)	-	(226)
Payments assigned to projects	-	-	-	-	-	-	-	-
Norway								
Recipients of payments to governments	-	(352)	-	-	-	-	-	(352)
Payments to central authorities	-	(352)	-	-	-	-	-	(352)
Payments to local authorities	-	-	-	-	-	-	-	-
Payments assigned to projects	-	-	-	-	-	-	-	-
Pakistan								
Recipients of payments to governments	(16)	(1)	-	-	-	(3)	-	(20)
Payments to central authorities	(16)	(1)	-	-	-	(3)	-	(20)
Payments to local authorities	-	-	-	-	-	-	-	-
Payments assigned to projects	-	-	-	-	-	-	-	-
Germany								
Recipients of payments to governments	-	(3)	-	-	-	-	-	(3)
Payments to central authorities	-	(1)	-	-	-	-	-	(1)
Payments to local authorities	-	(2)	-	-	-	-	-	(2)
Payments assigned to projects	-	-	-	-	-	-	-	-
Other countries								
Recipients of payments to governments	-	(3)	-	-	(1)	-	-	(4)
Payments to central authorities	-	(3)	-	-	(1)	-	-	(4)
Payments to local authorities	-	-	-	-	-	-	-	-
Payments assigned to projects	-	-	-	-	-	-	-	-
Total (all countries)								
Recipients of payments to governments	(235)	(856)	-	(457)	(129)	(24)	-	(1,701)
Payments to central authorities	(123)	(854)	-	(457)	(25)	(14)	-	(1,473)
Payments to local authorities	(112)	(2)	-	-	(104)	(10)	-	(228)
Payments assigned to projects	-	-	-	-	-	-	-	-

* 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.

Management Board of PGNiG S.A.

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Magdalena Zegarska

Warsaw, March 23rd 2021

This document is an English version of the original Polish version.
In case of any discrepancies between the Polish and English version, the Polish version shall prevail.