**Polish Oil and Gas Company (PGNiG SA)**
Head Office

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## Estimates of Q3 and 9M 2020 consolidated financial highlights

Current Report No. 56/2020

The Management Board of Polskie Górnictwo Naftowe i Gazownictwo S.A. ("PGNiG") announces preliminary PGNiG's consolidated financial results for Q3 and 9M 2020:

| in PLNbn | Q3 2019 | Q3 2020 | 9M 2019 | 9M 2020 |
|---|---|---|---|---|
| Consolidated revenue | 7.03 | **6.39** | 29.65 | **27.43** |
| Consolidated EBITDA, herein: | 0.80* | **1.33** | 3.98* | **10.69** |
| *impairment losses on property, plant and equipment of PGNiG Group* | *+0.05* | *+0.05* | *-0.17* | *-0.81* |
| Exploration and Production's EBITDA, herein: | 0.68 | **0.48** | 2.67 | **0.72** |
| *Cost of dry wells and seismic surveys* | *-0.09* | *-0.05* | *-0.11* | *-0.13* |
| *Impairment losses on property, plant and equipment* | *+0.05* | *+0.05* | *-0.14* | *-0.81* |
| Trade and Storage's EBITDA | -0.22 | **0.63** | -0.45 | **8.19** |
| *Reduction costs of gas associated with retroactive settlement under yamal contract annex* | *-* | *-* | *-* | *5.69* |
| *Gas inventory write-downs* | *+0.15* | *-0.01* | *+0.03* | *+0.36* |
| Distribution's EBITDA | 0.42* | **0.36** | 1.54* | **1.54** |
| Generation's EBITDA | -0.02 | **0.04** | 0.44 | **0.57** |
| Consolidated EBIT | 0.13* | **0.59** | 1.85* | **8.24** |
| Consolidated net result | 0.01* | **0.12** | 1.35* | **6.04** |

* 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 PGNiG's consolidated financial results for Q3 2020 were driven mainly by:

1. In the Exploration and Production segment:
   - lower prices of products, including -31% yoy decline of the average crude oil price in USD/bbl for the quarter and -17% yoy decline of Day Ahead Market gas prices on Polish Power Exchange ("PPE");
   - reversal of impairment losses on non-current assets of PLN +45m;
   - increase in production volumes of crude oil in Norway by 56 thousand tons or +61% yoy.

2. In the Trade and Storage segment:
- 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 Institute's award;
- 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;
- 10.6% average decline of gas fuel price in the new retail tariff, introduced to act on July 1st 2020;
- reversal of gas inventory write-downs of PLN -5m vs PLN, vs recognition +149m in Q3 2019;
- the result on exercise of derivative financial instruments designated for hedge accounting, reflected in sales revenue in the amount of PLN +86m (PLN +103m in Q3 2019);
3. In the Distribution segment:
- 3.5% increase in the gas distribution tariff, introduced to act on April 3rd 2020;
- average temperature in Q3 2020 up by 0.5°C yoy;
- net income/cost of system balancing : PLN +1m in Q3 2020 vs PLN +94m in Q3 2019.
4. In the Generation segment:
- 3.2% higher heat generation and distribution tariff of PGNiG TERMIKA SA, introduced to act on September 1st 2020 and 9.0% higher tariff of PGNiG TERMIKA Energetyka Przemysłowa SA introduced to act on July 1st 2020;
- 13% yoy higher revenue from sales of heat on increase in the heat tariff, higher average temperature in Q3 2020 and lower heat sales volumes;
- 22% yoy higher revenue from sales of electricity on 7% yoy higher electricity sales volumes;
- lower costs of coal to production yoy.
5. The impact of the valuation of shares in the investment in the Polska Grupa Górnicza SA for the total amount of PLN -389m.

The presented values are estimates and as such are subject to change. The results will undergo audit by an independent auditor. The report for Q3 2020 will be published on November 19th, 2020.