

Polish Oil and Gas Company (PGNiG SA)
Head Office

Warsaw, February 17th 2021

Estimates of Q4 and FY 2020 consolidated financial highlights

Current Report No. 9/2021

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 2020:

in PLNbn	Q4 2019	Q4 2020	FY 2019	FY 2020
Consolidated revenue	12.37	11.77	42.02	39.20
Consolidated operating profit before depreciation and amortisation ("EBITDA"), herein:	1.58	2.32	5.50	13.01
<i>impairment losses on property, plant and equipment of PGNiG Group</i>	-0.23	-0.78	-0.40	-1.59
Exploration and Production's EBITDA, herein:	0.69	0.21	3.36	0.93
<i>cost of dry wells and seismic surveys</i>	-0.14	-0.07	-0.26	-0.20
<i>impairment losses on property, plant and equipment</i>	-0.21	-0.68	-0.35	-1.48
Trade and Storage's EBITDA, herein:	-0.02	1.39	-0.47	9.58
<i>Reduction costs of gas associated with retroactive settlement under yamal contract annex</i>	-	-	-	5.69
<i>gas inventory write-downs</i>	-0.34	-	-0.31	+0.36
Distribution's EBITDA	0.51	0.62	2.00	2.16
Generation's EBITDA	0.41	0.36	0.86	0.93
Consolidated EBIT	0.63	1.34	2.45	9.59
Consolidated net result	0.03	1.30	1.37	7.34

Further to Current Report No. 2/2021 of January 22nd, 2021, the Management Board of PGNiG informs that the amount of impairment losses for Q4 2020 was updated, which in total – including costs of dry wells and seismic written off – decreased PGNiG Group's consolidated operating profit for Q4 2020 by approximately PLN -0.85bn.

The impairment losses were higher than assumed mainly due to the presentation changes in the financial statement of PGNiG Upstream Norway AS („PUN") for 2020. In line with the new presentation approach, in Q4 2020 PUN increased the impairment losses (recognized in EBIT) and – at the same time – made a reduction in the deferred tax balance. The changes in the presentation approach do not affect the net profit achieved by PUN.

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The PGNiG's consolidated financial results for Q4 2020 were driven mainly by:

1. In the Exploration and Production segment:
 - -29% yoy decline of the average crude oil price in USD/bbl for the quarter and +14% yoy increase of Day Ahead Market gas prices on Polish Power Exchange ("PPE");
 - recognition of impairment losses on non-current assets of PLN -677m;
 - increase in production volumes of crude oil and condensate in Norway by 58 thousand tons or +48% yoy.
2. In the Trade and Storage segment:
 - effect of new pricing formula for the gas supplied under the Yamal contract based on the Stockholm Arbitration Institute's award;
 - higher prices of natural gas on energy markets in H2 2020;
 - 10.6% average decline of gas fuel price in the new retail tariff, introduced to act on July 1st, 2020;
 - recognition of gas inventory write-downs of PLN -1m in Q4 2020 vs write-downs of PLN -339m in Q4 2019;
 - the result on exercise of derivative financial instruments designated for hedge accounting: 1) reflected in sales revenue in the amount of PLN -14m (PLN +188m in Q4 2019), 2) reflected in gas inventory as a decrease of cost of gas in amount of PLN +78m (PLN -19m in Q4 2020).
3. In the Distribution segment:
 - 3.5% increase in the gas distribution tariff, introduced to act on April 3rd, 2020;
 - average temperature in Q4 2020 down by -1.5°C yoy;
 - net income/cost of system balancing: PLN +11m in Q4 2020 vs PLN -174m in Q4 2019.
4. In the Generation segment:
 - higher heat generation and distribution tariff of PGNiG TERMIKA SA from July 1st, 2020 an increase of +11.84% and from September 1st, 2020, an increase of +3.22%;
 - +9.0% higher tariff of PGNiG TERMIKA Energetyka Przemysłowa SA introduced to act on July 1st, 2020;
 - +16% yoy higher revenue from sales of heat on lower average temperature in Q4 2020 and slightly higher heat production volumes;
 - -8% yoy lower revenue from sales of electricity on -9% yoy lower electricity sales volumes;
 - -5% yoy lower costs of coal to production.

The presented values are estimates and as such are subject to change. The results will undergo audit by an independent auditor. The consolidated annual report for 2020 will be published on March 25th, 2021.

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.