CURRENT REPORT

Polish Oil and Gas Company (PGNiG SA)
Head Office

Warsaw, January 19th 2018

Current Report No. 2/2018

Tests for impairment of some PGNiG assets

Current Report No. 2/2018

The Management Board of Polskie Górnictwo Naftowe i Gazownictwo SA ("PGNiG") announces that impairment losses recognised following tests for impairment of PGNiG assets and expenses written off in the period will reduce PGNiG SA's Q4 2017 operating profit and the PGNiG Group's Q4 2017 consolidated operating profit by approximately PLN 776m.

The amount is the sum of the following items:

i) impairment loss recognised on hydrocarbon production assets at PGNiG SA: PLN -87m (Exploration and Production segment),

ii) impairment loss recognised on tangible assets under construction related to exploration for and evaluation of mineral resources: PLN -89m (Exploration and Production segment),

iii) expenses on dry wells and seismic surveys written off in the period: PLN -246m (Exploration and Production segment),

iv) impairment loss recognised on power generating assets at Wierzchowice: PLN -364m (Trade and Storage segment).

v) reversal of impairment losses on tangible assets related to other activity PLN +10m (Other segment).

Impairment losses are recognised after a periodic assessment of the recoverable amounts of assets, with:

- The impairment losses on the Exploration and Production assets are based on a future cash flow analysis. The impairment losses have been recognised primarily due to: evaluation of the prospects of exploration projects, revisions of the projected production volumes, assumed costs related to production of hydrocarbons, and current trends in product prices.

- The impairment losses on the Trade and Storage assets are a result of changes in the business model for the Wierzchowice power generating unit, which has recently begun operating more on a commercial basis than for the purposes of the segment's own underground gas storage unit, i.e. in a mode similar to that of a peak load power plant. The company's analysis of power generating unit does not include potential financial effects related to the introduced regulations applied to the capacity market.

The value presented above is an estimate, not yet audited by a qualified auditor, and therefore may still be revised. The Company's and its subsidiaries' other assets are still being tested. The final results of the impairment tests and final amount of impairment losses will be presented in the consolidated financial statements for 2017.

Legal basis:Article 17.1 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of April 16th 2014 on market abuse 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.