

# Polskie Górnictwo Naftowe i Gazownictwo SA

Estimated financial results of PGNiG Group  
in 9M and Q3 2019



October 28<sup>th</sup> 2019

# Disclaimer

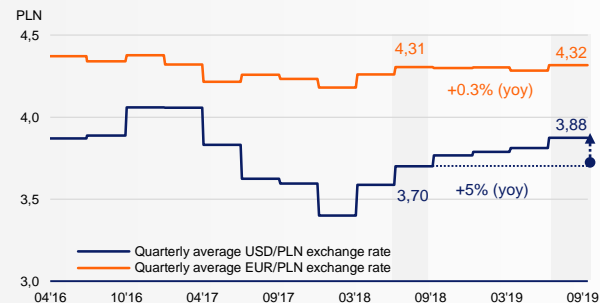
The information contained in this presentation illustrates the estimated financial results of the Polskie Górnictwo Naftowe i Gazownictwo Group (“PGNiG”, the “Company”), published by the Company in Current Report No. 54/2019 of October 28<sup>th</sup> 2019. The financial data contained in this presentation and in the Current Report may change following an audit by a qualified auditor. The interim report for Q3 and 9M 2019 will be published on November 14<sup>th</sup> 2019.

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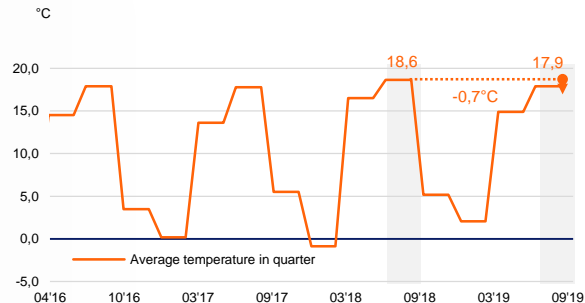
# External and market drivers

- > USD/PLN in Q3 2019 up 5% yoy, at PLN 3.88.
- > EUR/PLN in Q3 2019 up 0.3% yoy, at PLN 4.32.
- > Average temperature\* in Q3 2019 down -0.7 °C yoy.

## > USD/PLN and EUR/PLN exchange rate

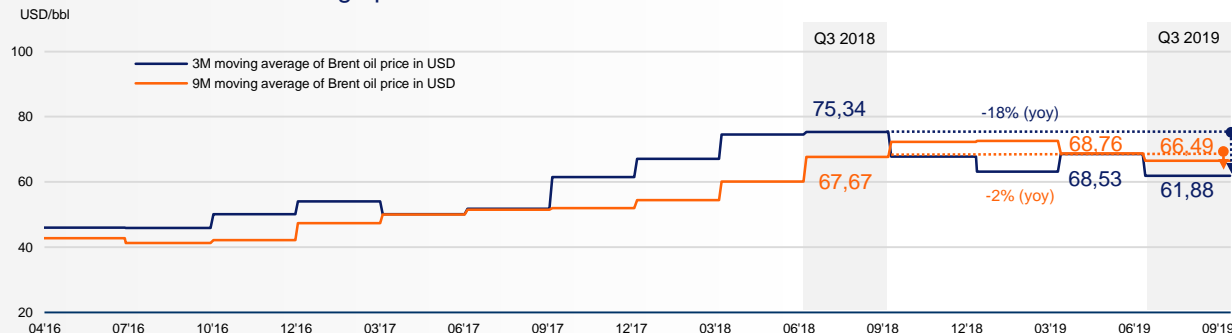


## > Temperatures\*



- > -18% yoy drop in the 3-month average crude oil price to 61.88 USD/bbl.
- > -2% yoy drop in the 9-month average crude oil price to 66.49 USD/bbl.

## > 3-month i 9-month average price of crude oil



\* Temperature measurement in reference point in Rzeszów

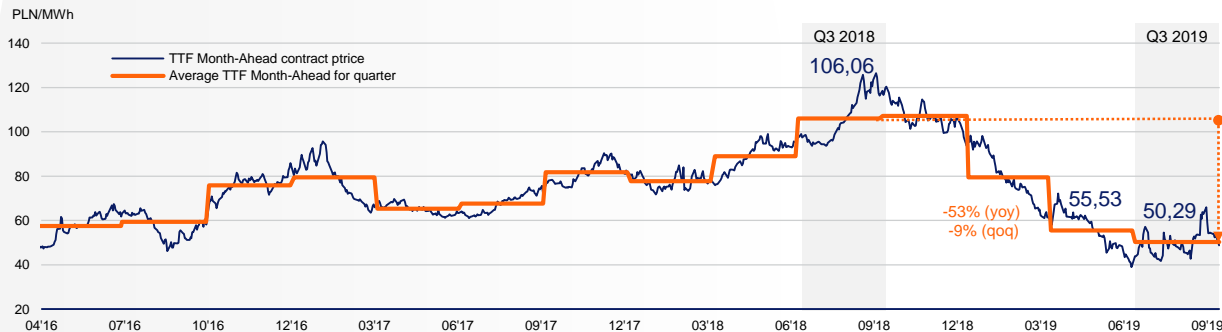
# Gas markets

> TTF gas price decrease in PLN (Month-Ahead contract) in Q3 2019:

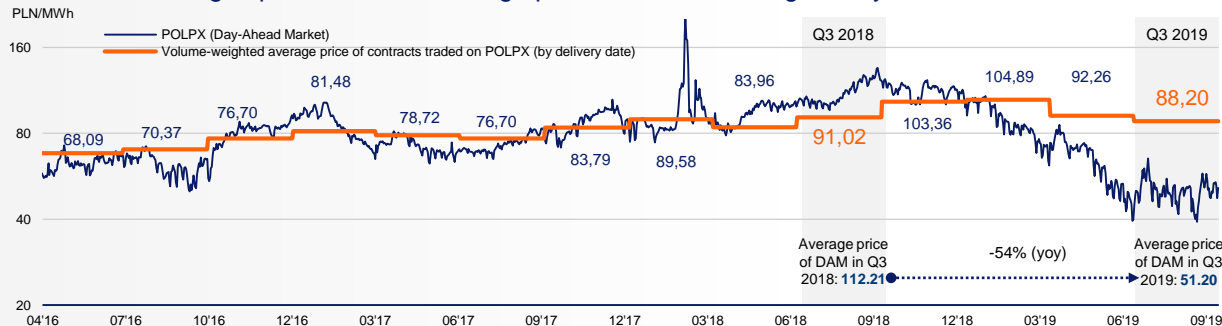
- > July: -51% yoy.
- > August: -53% yoy,
- > September: -53% yoy.

> Higher trading volumes (+12% yoy) on POLPX in Q3 2019 of all contracts by their delivery date.

> TTF natural gas prices (Month-Ahead contract)



> POLPX DAM gas prices and the average price of contracts weighted by volume



## Comments:

- > Selling prices at POLPX: the largest volumes of gas were traded on the POLPX and other gas exchanges under contracts with maturities of a quarter, season (summer/winter) and year. These were complemented by monthly/weekly futures and spot contracts.
- > The volume-weighted average price of contracts traded on the POLPX for a given quarter is calculated based on the prices of contracts for delivery in that quarter.

# Selected operating estimates

Current Report No. 53/2019 of October 18th 2019

	Q3 2018	Q3 2019	Change yoy	9M 2018	9M 2019	Change yoy
<b>NATURAL GAS* in billion cubic metres</b>						
Production volume	1.10	1.10	-	3.35	3.33	-1%
<i>including Poland and Pakistan</i>	0.99	0.99	-	2.95	2.92	-1%
<i>including PGNiG Upstream Norway</i>	0.11	0.11	-	0.40	0.38	-5%
Imports volume	3.32	3.51	+6%	10.58	10.88	+3%
<i>including imports from countries east of Poland</i>	2.36	2.32	-2%	7.94	6.29	-21%
<i>including western</i>	0.33	0.48	+45%	0.68	2.11	+210%
<i>including LNG</i>	0.63	0.71	+13%	1.96	2.48	+27%
Sales volume outside PGNiG Group	5.11	5.52	+8%	20.46	21.47	+5%
<i>including PGNiG SA</i>	3.14	3.11	-1%	12.40	12.21	-2%
<i>on Polish Power Exchange</i>	1.06	1.23	+16%	5.76	5.93	+3%
<i>exports from Poland</i>	0.12	0.02	-83%	0.34	0.33	-3%
<i>including PGNiG Obrót Detaliczny</i>	1.11	1.11	-	5.49	5.51	-
<i>including PGNiG Supply &amp; Trading</i>	0.86	1.30	+51%	2.57	3.76	+46%
<b>DISTRIBUTION in billion cubic metres</b>						
Gas distribution volume**	1.95	1.92	-2%	8.31	8.24	-1%
<b>CRUDE OIL*** in thousand tonnes</b>						
Production volume	319.5	274.8	-14%	992.2	888.6	-10%
<i>including Poland</i>	201.8	183.4	-9%	599.5	568.2	-5%
<i>including PGNiG Upstream Norway</i>	117.7	91.4	-22%	392.7	320.4	-18%
Sales volume	309.2	295.3	-4%	1032.2	849.5	-18%
<i>including Poland</i>	193.8	182.4	-6%	592.3	569.7	-4%
<i>including PGNiG Upstream Norway</i>	115.4	112.9	-2%	439.9	279.8	-36%
<b>HEAT AND ELECTRICITY****</b>						
Heat sales volume (PJ)	2.94	3.27	+11%	26.40	26.28	-
Electricity sales volume (TWh)	0.52	0.42	-19%	2.66	2.68	+1%
<b>Gas in underground storage facilities in billion cubic metres</b>						
Gas in underground storage facilities as at September 30th*****	3.28	3.95	+20%	3.28	3.95	+20%

\* measured as high-methane gas equivalent with a calorific value of 39.5 mJ/cm. data of PGNiG Group

\*\* in natural units by Polska Spółka Gazownictwa

\*\*\* combined data for crude oil and condensate / natural gas liquids of PGNiG Group

\*\*\*\* data of PGNiG TERMIKA SA, PGNiG TERMIKA Energetyka Przemysłowa

\*\*\*\*\* data include high-methane and nitrogen-rich gas stored in Poland and abroad as well as LNG terminal



# Selected financial highlights

The financial data contained in this presentation and in the Current Report may change following an audit by a qualified auditor.  
The interim report for 9M and Q3 2019 will be published on November 14th 2019.

[PLN bn]	Q3 2018	Q3 2019	Change yoy	9M 2018	9M 2019	Change yoy
Consolidated revenue	7.60	7.03	-8%	28.48	29.65	+4%
Consolidated EBITDA	1.47	0.80	-46%	5.77	3.93	-32%
Herein: impairment losses on property, plant and equipment of PGNiG Group	+0.14	+0.05	-64%	+0.45	-0.17	-46%
<i>EBITDA of Exploration and Production, herein:</i>	<i>1.38</i>	<i>0.68</i>	<i>-51%</i>	<i>3.94</i>	<i>2.67</i>	<i>-32%</i>
<i>cost of dry wells and seismic surveys</i>	<i>-0.16</i>	<i>-0.09</i>	<i>-44%</i>	<i>-0.54</i>	<i>-0.11</i>	<i>-80%</i>
<i>impairment losses on property, plant and equipment</i>	<i>+0.13</i>	<i>+0.05</i>	<i>-62%</i>	<i>0.44</i>	<i>-0.14</i>	<i>-132%</i>
<i>EBITDA of Trade and Storage</i>	<i>-0.47</i>	<i>-0.22</i>	<i>-53%</i>	<i>-0.50</i>	<i>-0.45</i>	<i>-10%</i>
<i>EBITDA of Distribution</i>	<i>0.58</i>	<i>0.42</i>	<i>-28%</i>	<i>1.96</i>	<i>1.49</i>	<i>-24%</i>
<i>EBITDA of Generation</i>	<i>0.03</i>	<i>-0.02</i>	<i>-167%</i>	<i>0.50</i>	<i>0.44</i>	<i>-12%</i>
<i>provision for CO<sub>2</sub> emission allowances</i>	<i>-</i>	<i>-0.04</i>	<i>-</i>	<i>-</i>	<i>-0.09</i>	<i>-</i>
Consolidated EBIT	0.83	0.14	-83%	3.80	1.82	-52%
Consolidated net result	0.55	0.03	-95%	2.82	1.34	-52%

# Key drivers of the segment's EBITDA

Current Report No. 54/2019 of October 28th 2019

## Q3 2019 vs Q3 2018

### Exploration and Production:

- > -22% yoy decrease in production volumes of crude oil in Norway;
- > lower prices of products, including -18% yoy of the average Brent crude oil price in USD/bbl for the quarter and -54% yoy of Day Ahead Market gas prices on Polish Power Exchange ("PPE");

### Trade and Storage:

- > stable 9-month average Brent crude oil price in USD/bbl with higher quarterly average USD/PLN exchange rate by 5% 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;
- > +2,5% average increase of gas fuel price in the new retail tariff, which was introduced to act on February 15th 2019;
- > gas inventory write-down reversal of PLN +149m compared with gas inventory write-downs of PLN -38m in Q2 2018;
- > the result on exercise of derivative financial instruments designated for hedge accounting recognized in profit and loss statement: PLN +103m in Q3 2019 vs PLN -137m in Q3 2018.

### Distribution:

- > -5% decline in the gas distribution tariff, which was introduced to act on February 15th 2019;
- > average temperature in Q3 2019 down by -0,7 °C yoy;
- > net income/cost of system balancing: PLN +94m in Q32019 vs PLN +203m in Q3 2018.

### Generation:

- > +13% yoy growth in revenue from sales of heat due to lower average temperature in Q3 2019 thus higher heat sales volumes;
- > -12% yoy decline in revenue from sales of electricity due to lower electricity sales volumes;
- > stable costs of coal to production.

## 9M 2019 vs 9M 2018

### Exploration and Production:

- > -18% yoy decrease in production volumes of crude oil in Norway;
- > lower prices of products, including -11% yoy of the average Brent crude oil price in USD/bbl for the quarter and -33% yoy of Day Ahead Market gas prices on Polish Power Exchange ("PPE");

### Trade and Storage:

- > higher cost of gas mainly due to +14% yoy increase in 9-month average Brent crude oil price in USD/bbl;
- > 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;
- > +2,5% average increase of gas fuel price in the new retail tariff, which was introduced to act on February 15th 2019;
- > gas inventory write-down reversal of PLN +19m, compared with gas inventory write-downs of PLN -32m in 9M 2018;
- > the result on exercise of derivative financial instruments designated for hedge accounting recognized in profit and loss statement: PLN +383m in 9M 2019 vs PLN -408m in 9M 2018.

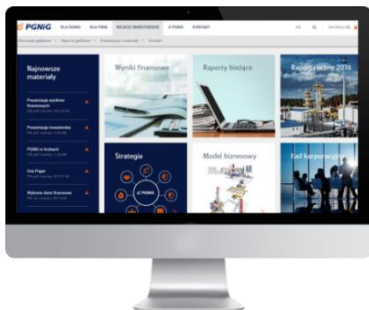
### Distribution:

- > -5% decline in the gas distribution tariff, which was introduced to act on February 15th 2019;
- > average temperature in 9M 2019 up by 0,2 °C yoy;
- > net income/cost of system balancing: PLN +144m in 9M 2019 vs PLN +251m in 9M 2018.

### Generation:

- > revenue from sales of heat up by 2% yoy in 9M 2019 on stable volumes of produced heat;
- > +30% yoy growth in revenue from sales of electricity due to higher prices of electricity;
- > -14% yoy decline in costs of coal to production.

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