

Q1 2022

PGNiG Group Q1 2022 Results

May 19th 2022

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Key events in Q1 2022

1 > January



> Execution of credit facility agreement with Societe Generale SA Polish Branch



> Polish antitrust authority's clearance of the establishment of biomethane SPV with ORLEN Południe

2 > February



> PGNiG's response to PAO Gazprom and OOO Gazprom Export's call for arbitration before Ad Hoc Arbitration Tribunal in Stockholm



> Execution of credit facility agreements with syndicate of Bank of China Limited and Bank of China (Europe) S.A. and with Deutsche Bank Polska S.A. and Credit Agricole Bank Polska

3 > March



> Compensation from Price Difference Payment Fund for PGNiG Obrót Detaliczny



> Dismissal of Gazprom's appeal for reversal of final arbitration award issued on March 30th 2020



> Conditional decision by Polish antitrust authority regarding concentration between PGNiG and PKN ORLEN



> Execution of agreement with Government Agency for Strategic Reserves

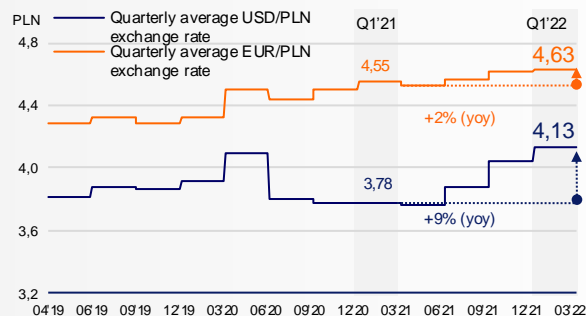


> Ordering of regasification services in FSRU Gdańsk Open Season procedure

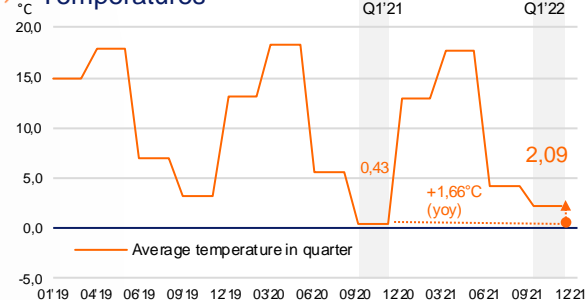
External and market factors

- > USD/PLN exchange rate up +9% yoy in Q1 2022, to PLN 4.13.
- > EUR/PLN exchange rate up +2% yoy in Q1 2022, to PLN 4.63.
- > Average temperature* down -1.7°C yoy in Q1 2022.

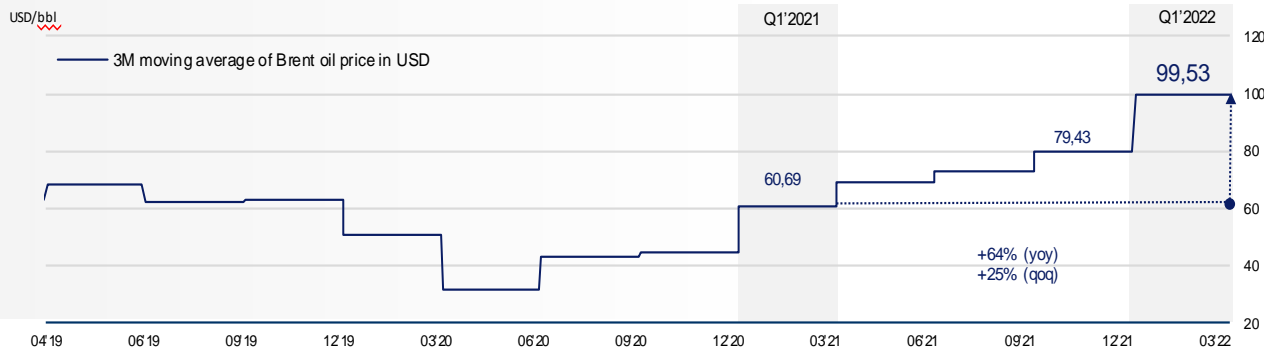
> USD/PLN and EUR/PLN exchange rates



> Temperatures*



> 3M crude oil prices

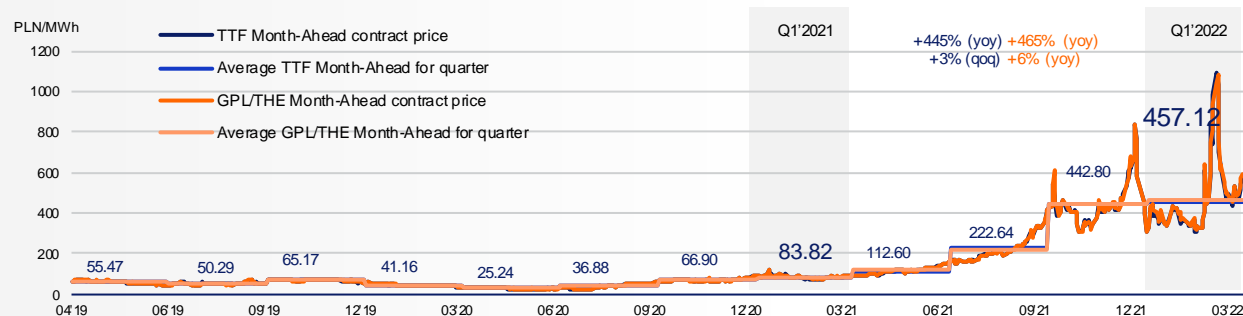


- > 3M (quarterly) average oil price up +64% yoy, to USD 99.5 per barrel.

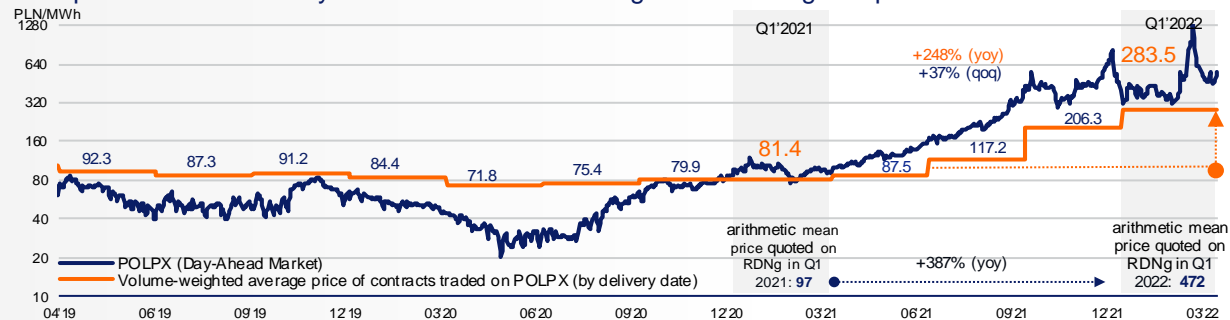
Gas markets

- > TTF and GPL/THE gas prices (Month-Ahead contract) in PLN in Q1 2022:
 - > January: +313% and +337% yoy,
 - > February: +374% and +379% yoy,
 - > March: +666% and +662% yoy.
- > Trading volumes on POLPX in Q1 2022, including all contracts and maturities, up approximately -3% yoy.

> TTF and GPL/THE gas prices (Month-Ahead contract)



> Gas prices on POLPX Day-Ahead Market and average volume-weighted price of contracts



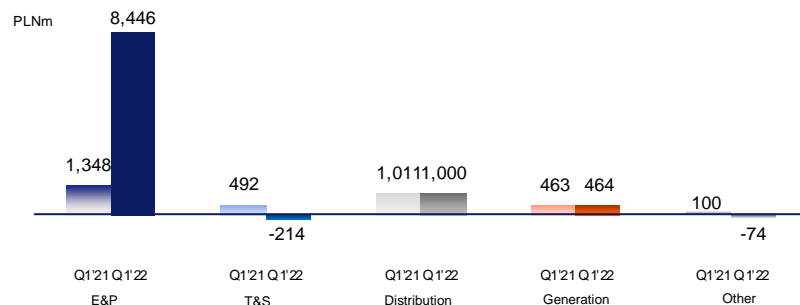
Comments:

- > Selling prices on POLPX: the largest volumes of gas were traded on POLPX and other gas exchanges under quarterly, seasonal (summer/winter) and annual contracts. Monthly and weekly futures as well as the spot market played a complementary role.
- > The volume-weighted average quarterly price of contracts traded on POLPX is calculated based on the prices of contracts for delivery in a given quarter.

Financial highlights for Q1 2022

[PLNm]	Q1 2021	Q1 2022	change %
Revenue	14,553	47,399	226%
Operating expenses (excl. D&A)	-11,160	-37,801	239%
EBITDA	3,393	9,598	183%
<i>EBITDA (excluding impairment losses on property, plant and equipment)</i>	3,117	9,543	206%
Depreciation and amortisation expense	-956	-1,588	66%
EBIT	2,437	8,010	229%
Net finance costs	-57	-290	409%
Net profit	1,747	4,093	134%

> Group's EBITDA* by segment in Q1 2022 vs Q1 2021



*Eliminations in Q1 2021: PLN -21m; Q1 2022: PLN -24m

Exploration and Production

- > Revenue from sales of gas up +560% yoy, to PLN 7,998m, with revenue from sales of crude oil and condensate up PLN +149% yoy, to PLN 1,026m.
- > Reversal of impairment losses on non-current assets of PLN +52m in Q1 2022 vs PLN +269m of impairment losses reversed in Q1 2021.

Trade and Storage

- > Revenue from sales of gas up +290% yoy, to PLN 40,731m, with a +2% yoy increase in gas volumes sold outside the Group. Gas fuel costs higher by 338% yoy.
- > Net gain/(loss) on measurement and exercise of hedging instruments recognised in operating profit/(loss) totalled PLN -449m in Q1 2022 vs PLN -80 in Q1 2021.

Distribution

- > Gas distribution volume down -7% yoy and revenue from distribution services up PLN 66m (+4% yoy).
- > Net income/cost of system balancing: PLN -34m in Q1 2022, compared with PLN -12m in Q1 2021.

Generation

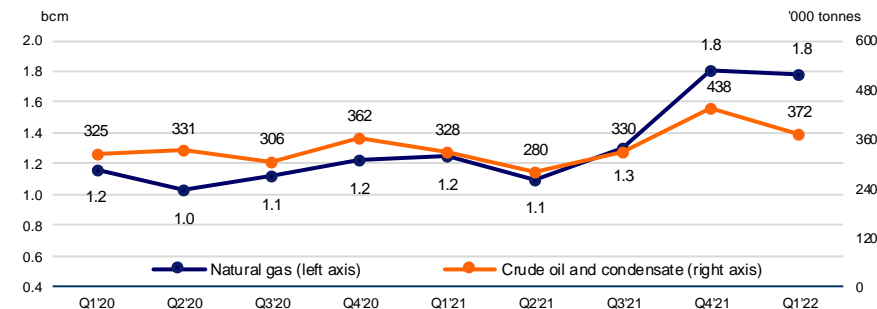
- > Revenue from sales of heat up PLN 168m (+26% yoy), with the average air temperature higher by 1.66°C in Q1 2022, heat volumes sold comparable yoy, and a yoy increase in the heat generation and transmission tariff.
- > PLN 723m rise in revenue from sales of electricity generated by own sources (up +239% yoy), with sales volumes up +41%.

Segment - Exploration and Production

Revenue and EBITDA growth, with a yoy increase in oil prices and significantly higher gas prices on POLPX (+387%) and TTF (+445%).

[PLNm]	Q1 2021	Q1 2022	change%
Revenue	1,786	9,353	424%
Operating expenses (excl. D&A)	-438	-907	107%
Cost of dry wells and seismic surveys written-off	-260	-73	-72%
Impairment of non-current assets	270	52	-81%
EBITDA	1,348	8,446	527%
Depreciation and amortisation expense	-302	-659	118%
EBIT	1,046	7,787	644%

> Year-on-year comparison of oil and gas production volumes



Comments

- > Segment's revenue from sales of gas up PLN 6,786m (+560% yoy) as a result of a yoy increase in the arithmetic mean price of gas in PLN on the POLPX Day-Ahead Market and TTF MA by +387% and +445%, respectively, with production volumes in Norway up +244% yoy, to almost 765 mcm.
- > EBITDA generated in Q1 2022 by PGNiG Upstream Norway AS at PLN 4.2bn vs PLN 0.3bn in Q1 2021.
- > Revenue from sales of crude oil and condensate up PLN +614m (+149% yoy), with sales volumes up +27% yoy and the average oil price for the quarter in USD up +64% yoy.
- > Oil production volumes in Poland down -6% yoy to 164 thousand tonnes; in Norway up +35% yoy to ca. 209 thousand tonnes.
- > Cost of dry wells and seismic surveys written-off: PLN -73m in Q1 2022 vs PLN -260m in Q1 2021.
- > Reversal of impairment losses on property, plant and equipment of PLN +52m in Q1 2022 vs impairment losses on property, plant and equipment of PLN +270m reversed in the comparative period of 2021.
- > Overlift/underlift position in Norway in Q1 2022 – effect on Q1 2022 results of PLN +220m (lower net other expenses). The effect of overlift/underlift on Q1 2021 results was PLN +143m.

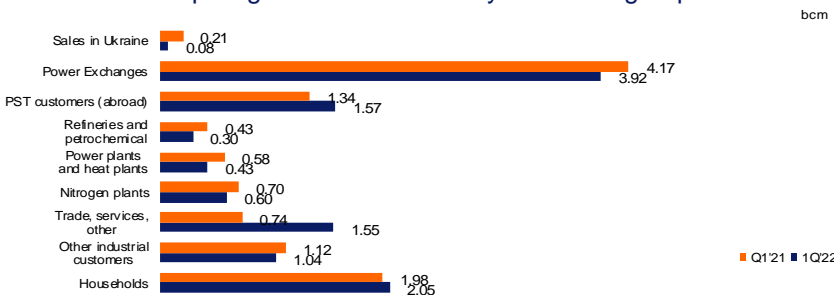


Segment - Trade and Storage

Segment's performance driven by higher gas sales volumes and higher unit gas costs.

[PLNm]	Q1 2021	Q1 2022	change%
Revenue	11,488	44,804	290%
Operating expenses (excl. D&A)	-10,996	-45,018	309%
Gas inventory write-down	9	56	522%
EBITDA	492	-214	-143%
Depreciation and amortisation expense	-54	-49	-9%
EBIT	438	-263	-160%

> PGNiG Group* – gas sales volumes by customer group



* Total volumes of gas sold by E&P and T&S segments outside the Group. PST's sales abroad outside the PGNiG Group in Q1 2022: 1.57 bcm (including 0.84 bcm sold on energy exchanges); Q1 2021: 1.34 bcm (of which 0.59 bcm sold on energy exchanges).

Comments

- > Revenue from sales of gas (including the effect of hedging transactions) up PLN 30.29bn (+290% yoy) (to PLN 40.73bn in Q1 2022), with a +2% yoy increase in the volume of gas sold outside the Group in the segment.
- > Effect of compensation from the Price Difference Payment Fund for PGNiG OD on Q1 2022 revenue of PLN +1,060m.
- > Segment's cost of gas up 338% yoy, at PLN -41.73bn.
- > Net gain/(loss) on measurement and exercise of hedging instruments recognised in operating profit/(loss) totalled PLN -449m in Q1 2022, of which: PLN -867m was recognised in revenue (Q1 2021: PLN -175m); PLN +113m was recognised in cost of gas (Q1 2021: PLN +149m), with the amount corresponding to a decrease in gas inventories for sale in the reporting period; PLN +305m was recognised in net other expenses (Q1 2021: PLN -54m).
- > As of January 1st 2022 retail tariff up by 83.7% on the previous tariff, effective from October 1st 2021 to December 31st 2021.
- > In March PGNiG sold 10.06 TWh of emergency stocks of natural gas worth PLN 5,955bn to the Government Agency for Strategic Reserves.
- > Lower yoy gas imports to Poland from eastern sources (Q1 2022: 2.15 bcm vs Q1 2021: 2.26 bcm) and from the west and south (Q1 2022: 0.82 bcm vs Q1 2021: 1.05 bcm). Higher volume of LNG imports (Q1 2022: 1.07 bcm vs Q1 2021: 0.80 bcm);
- > Total revenue from sales of electricity: PLN 1,887m, up PLN 1,023m (+118%) yoy, with cost of electricity for trading up by PLN 959m (+110% yoy), at PLN -1,828m.
- > Effect of gas inventory write-down reversal of PLN +56m in Q1 2022 vs reversal of PLN +9m in Q1 2021. Net write-down at the end of Q1 2022 was PLN -50m.
- > Effect of recognition of a provision for energy efficiency buy-out price: PLN -101m in Q1 2022 vs PLN -97m in Q1 2021.

Segment - Distribution

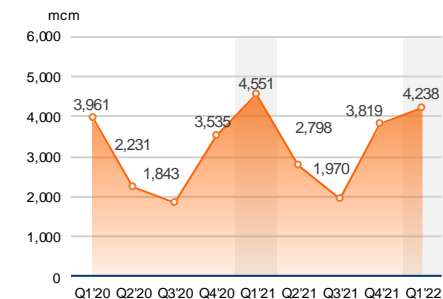
Segment's performance driven by higher temperatures, lower gas distribution volumes and a higher distribution tariff.

[PLNm]	Q1 2021	Q1 2022	change%
Revenue	1,669	1,754	5%
Operating expenses (excl. D&A)	-658	-754	15%
EBITDA	1,011	1,000	-1%
Depreciation and amortisation expense	-295	-313	6%
EBIT	716	687	-4%

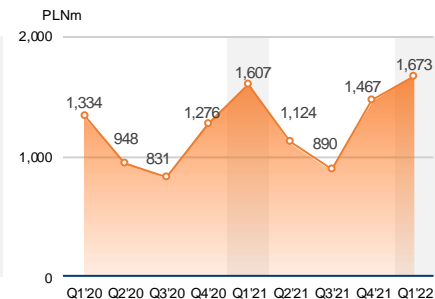
Comments

- Gas distribution volumes down 7% yoy to 4.24 bcm, with the average air temperature for the quarter up +1.7°C yoy.
- +3.6% increase in the tariff for gas distribution services, effective from January 1st 2022.
- Higher revenue from distribution services (PLN +66m, or +4% yoy).
- Net income/cost of system balancing: PLN -34m in Q1 2022, compared with PLN -12m in Q1 2021.

> Volumes of distributed gas



> Revenue from distribution services



Segment - Generation

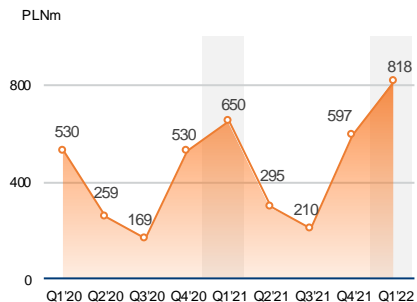
Segment's performance driven by higher sales volumes of heat generated from the segment's own sources and higher tariff for heat generation and transmission.

[PLNm]	Q1 2021	Q1 2022	change%
Revenue	1,097	2,221	102%
Operating expenses (excl. D&A)	-634	-1,757	177%
EBITDA	463	464	0%
Depreciation and amortisation expense	-289	-549	90%
EBIT	174	-85	-149%

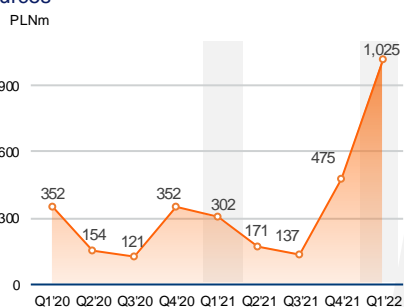
Comments

- Revenue from sales of electricity generated by the segment's own sources up +240% yoy, to PLN 1,025m, with sales volumes up +41% yoy.
- Revenue from sales of heat up +26% yoy, at PLN 818m, with a higher average air temperature in Q1 2022 (up +1.7°C yoy), stable heat sales volumes and a ca. +5% increase in the tariff for PGNiG TERMIKA Energetyka Przemysłowa S.A. from August 1st 2021. The tariff for PGNiG TERMIKA SA effective from January 1st 2022 up by 15.4% on previous tariff.
- Segment's depreciation and amortisation expense up PLN 261m (+90% yoy), with amortisation of CO₂ emission allowances up PLN 246m, to PLN -452m in Q1 2022.
- Recognition of provisions for CO₂ emission allowances at PLN -50m in Q1 2022 vs PLN -13m in Q1 2021, recognised as a component of costs of core activities and presented under other income/expenses.
- Sales volumes in Q1 2022:
 - Sales of heat outside the Group: 17.03 PJ.
 - Electricity from own sources: 1.73 TWh.

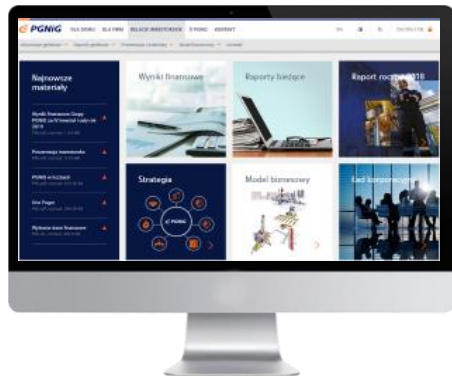
> Revenue from sales of heat



> Revenue from sales of electricity from own sources



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- > 1. Gas sales and imports structure
- > 2. Operating expenses
- > 3. Debt and sources of funding
- > 4. CAPEX, statement of financial position, statement of cash flows
- > 5. Production and sales volumes



Operating expenses in Q1 2022 vs Q1 2021

[PLNm]	Q1 2021	Q1 2022	change%
Cost of gas	-8,543	-34,266	301%
Fuels for heat and power generation	-376	-334	-11%
Other raw materials and consumables used	-714	-850	19%
Employee benefits expense	-837	-887	6%
Transmission services	-269	-359	33%
Other services	-404	-780	93%
<i>LNG regasification services</i>	-85	-94	11%
Taxes and charges	-633	-819	29%
Other income and expenses	316	319	1%
<i>Change in inventory write-downs</i>	4	55	1275%
<i>Change in provisions</i>	-150	-145	-3%
Recognition and reversal of impairment losses on property, plant and equipment and intangible assets	16	-18	-213%
<i>Cost of dry wells and seismic surveys written-off</i>	-260	-73	-72%
<i>Impairment losses on non-current assets</i>	276	55	-80%
Work performed by the entity and capitalised	284	193	-32%
Depreciation and amortisation expense	-956	-1,588	66%
Total operating expenses	-12,116	-39,389	225%
<i>Operating expenses net of cost of gas sold</i>	-3,573	-5,123	43%

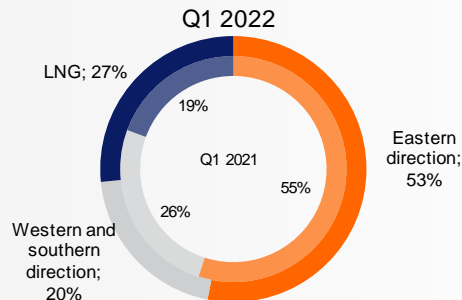
Comments:

- Cost of gas sold up +301% yoy to PLN -34,266m, with a +2% yoy increase in gas volumes sold outside the Group.
- Net exchange differences related to operating activities recognised in net other income/expenses: PLN -82m in Q1 2022 vs PLN +186m in Q1 2021.
- Increase in costs of other raw materials and consumables used, mainly due to higher costs of energy purchased for trading (up +20% yoy to PLN -709m).
- Employee benefits expense in the Group up +6% yoy.
- Lower costs of dry wells (PLN -73m in Q1 2022 vs PLN -260m in Q1 2021). Two dry wells written off in Q1 2022.
- Reversal of impairment loss on non-current assets of PLN +55m in Q1 2022. Reversal of impairment loss on non-current assets of PLN +276m in Q1 2021.
- Provisions for the energy efficiency buy-out price: PLN -101m in Q1 2022 vs PLN -97m in Q1 2021.
- Recognition of provisions for CO₂ emission allowances and the energy efficiency buy-out price: PLN -50m in Q1 2022 vs PLN -13m in Q1 2021.
- Gas inventory write-down reversal in Q1 2022: PLN +57m; Q1 2021: PLN +9m.
- Overlift/underlift position in Norway in Q1 2022: a reduction in net other expenses of PLN +220m vs PLN +143m in Q1 2021.

Gas sales and imports structure

- > Rise in LNG imports, with lower imports from eastern, western and southern sources. In Q1 2022, ten gas carriers unloaded at the Świnoujście Terminal, including: three deliveries under contracts with Qatargas and seven spot deliveries.
- > Higher gas sales by the PGNiG Group due mainly to higher sales by PST.

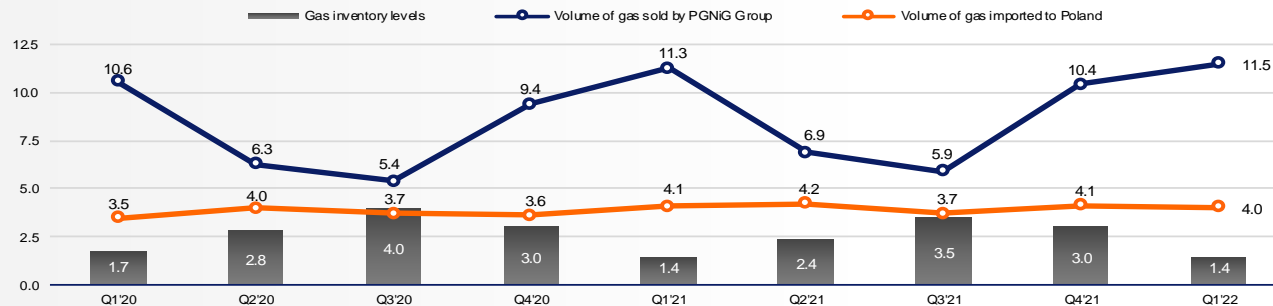
> Imports of natural gas to Poland



> Gas sales outside the PGNiG Group by company

[mcm]	Q1 2021	Q1 2022	change%
PGNiG Group:	11,277	11,538	2%
PGNiG SA	6,257	6,340	1%
PGNiG OD	3,507	3,466	-1%
PST	1,513	1,732	14%

> PGNiG Group's gas sales volumes, gas inventory levels* and gas imports



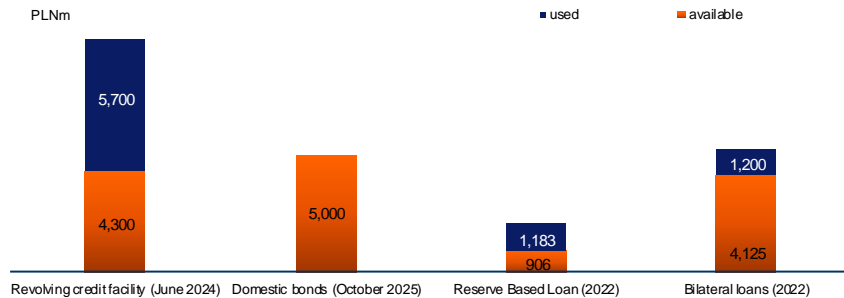
Comments:

- > LNG terminal stocks: 53 mcm after regasification (as at March 31st 2022).

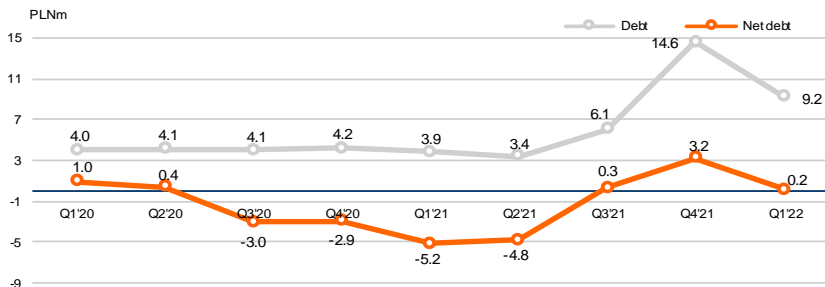
* Includes high-methane gas, nitrogen-rich gas stored in Poland and abroad, as well as LNG at the terminal. Data on gas inventory level for Q1 2022 does not include gas under the control of the Governmental Agency for Strategic Reserves

Debt and sources of funding

> Sources of funding (as at March 31st 2022)

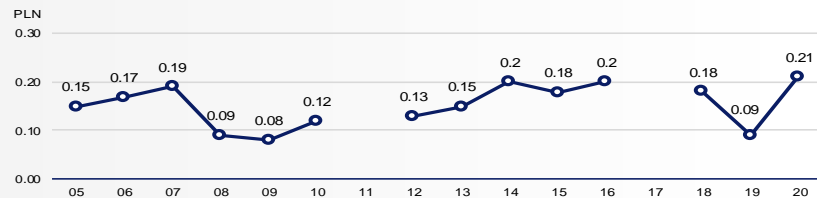


> Debt at quarter end



*The data reflects the impact of application of IFRS 16.

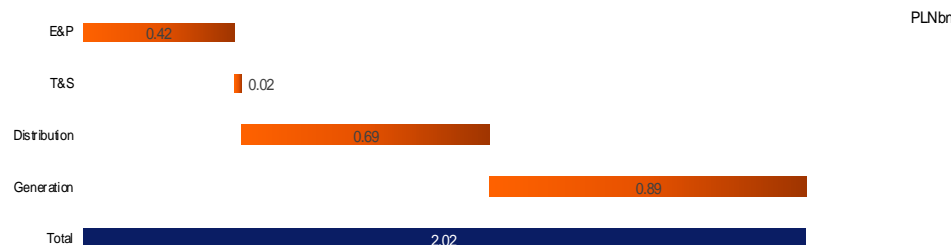
> Dividend per share for the financial year



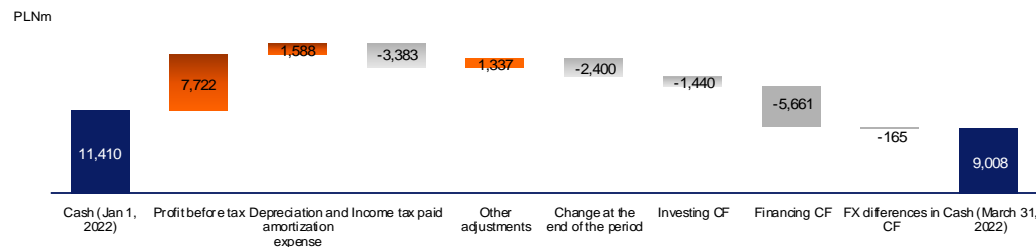
- > On May 10th, 2022, the PGNiG Management Board resolved to recommend to the PGNiG General Meeting, after prior approval by the Supervisory Board of the Company, to allocate the entire 2021 net profit of PLN 5,120,798,108.45 to increase the supplementary capital.

CAPEX, statement of financial position and statement of cash flows

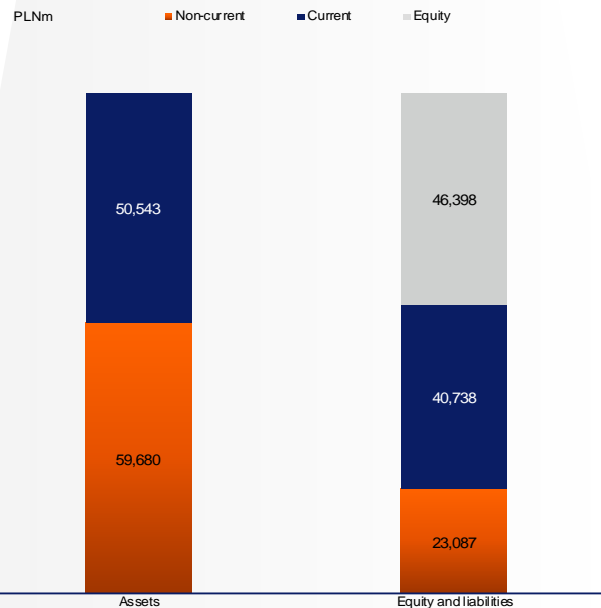
> CAPEX incurred as at March 31st 2022*



> Consolidated cash flows (January 1st–March 31st 2022)



> Group's statement of financial position (as at March 31st 2022)



*CAPEX incurred in the Other Activities segment: PLN 0.04bn as March 31st 2022

Production and sales volumes

NATURAL GAS PRODUCTION BY THE PGNiG GROUP [mcm]

	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	FY 2021	FY 2020	FY 2019	FY 2018
HIGH-METHANE GAS (E)	1,091	1,096	582	487	539	488	441	442	444	452	451	2,704	1,815	1,819	1,834
<i>including in Poland</i>	326	323	326	318	317	328	330	336	343	348	337	1,284	1,337	1,337	1,296
<i>including in Norway</i>	765	773	257	168	222	159	112	106	101	104	114	1,420	478	481	538
NITROGEN-RICH GAS (Ls/Lw as E equiv.)	689	710	669	604	706	731	673	582	719	721	645	2,690	2,705	2,671	2,712
<i>including in Poland</i>	607	632	589	522	620	642	591	526	650	668	593	2,364	2,409	2,478	2,512
<i>including in Pakistan</i>	82	78	80	82	86	88	82	56	69	53	52	326	295	193	200
TOTAL (measured as E equivalent)	1,780	1,806	1,252	1,091	1,245	1,218	1,114	1,024	1,163	1,173	1,096	5,394	4,519	4,489	4,546

NATURAL GAS SALES BY THE PGNiG GROUP [mcm]

HIGH-METHANE GAS (E)	11,040	9,938	5,539	6,495	10,745	8,866	5,022	5,955	10,119	8,735	5,175	32,717	29,962	29,057	27,466
<i>including PST sales outside PGNiG Group</i>	1,732	2,076	1,303	1,125	1,513	1,252	902	931	1,362	1,487	1,305	6,017	4,447	5,242	3,929
NITROGEN-RICH GAS (Ls/Lw as E equiv.)	498	492	330	403	532	495	357	342	482	447	350	1,758	1,676	1,597	1,578
TOTAL (measured as E equivalent)	11,538	10,429	5,870	6,899	11,277	9,361	5,379	6,297	10,601	9,182	5,525	34,476	31,638	30,654	29,044
<i>including sales directly from the fields</i>	260	259	208	224	264	273	219	192	250	235	210	955	934	844	855

NATURAL GAS IMPORTS BY PGNiG S.A. [mcm]

Total	4,048	4,138	3,716	4,170	4,102	3,618	3,697	4,012	3,462	3,965	3,508	16,127	14,789	14,851	13,530
<i>including: sources east of Poland</i>	2,150	2,595	2,487	2,566	2,256	2,370	2,510	2,194	1,923	2,654	2,316	9,904	8,997	8,946	9,038
<i>including: LNG</i>	1,074	1,018	880	1,245	796	808	755	1,213	982	948	706	3,938	3,757	3,425	2,713

CRUDE OIL, PGNiG GROUP (thousand tonnes)

Production of crude oil and condensate	372	438	330	279	328	362	306	331	325	328	275	1,376	1,324	1,216	1,345
<i>including in Poland</i>	164	174	145	151	174	184	159	167	200	208	184	643	710	776	818
<i>including in Norway</i>	209	264	185	128	154	178	148	164	125	120	91	732	615	440	527
Sales of crude oil and condensate from own production	317	401	322	366	251	361	324	369	277	361	295	1,340	1,331	1,210	1,410
<i>including in Poland</i>	169	178	145	142	178	182	161	159	210	201	182	643	712	771	817
<i>including in Norway</i>	149	223	177	224	73	179	163	210	67	160	113	697	619	439	593

GENERATION

Production of heat, net (sales) (TJ)	17,029	13,909	3,721	6,543	17,001	13,020	3,083	6,789	16,048	12,984	3,268	41,174	38,940	39,263	40,659
Production of electricity, net, secondary generation (for sale) (GWh)	1,730	1,206	436	614	1,223	1,165	454	637	1,382	1,266	425	3,480	3,638	3,948	3,974