

# Polskie Górnictwo Naftowe i Gazownictwo SA

Estimated financial results of PGNiG Group  
in Q2 2022



# 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. 43/2022 of July 29<sup>th</sup> 2022. The financial data contained in this presentation and in the Current Report may change following an audit by a qualified auditor.

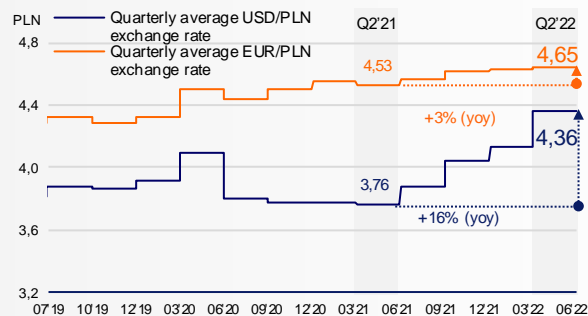
The interim report for Q2 2022 will be published on August 18<sup>th</sup> 2022.

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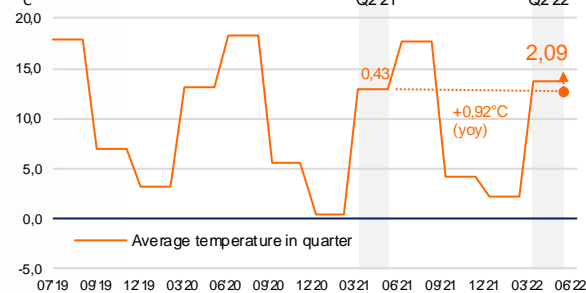
# External and market factors

- > USD/PLN exchange rate up +16% yoy in Q2 2022 to PLN 4.36.
- > EUR/PLN exchange rate up +3% yoy in Q2 2022 to PLN 4.65.
- > Average temperature\* up +0,92°C yoy in Q2 2022.

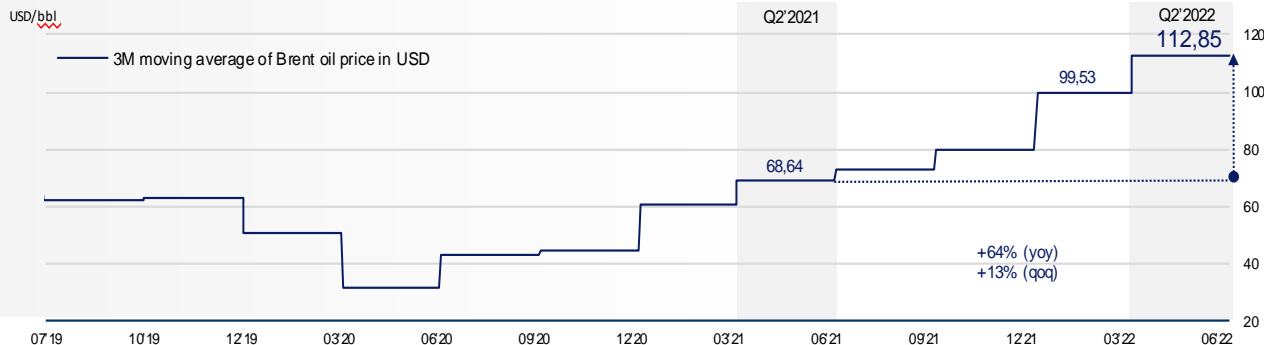
## > USD/PLN and EUR/PLN exchange rates



## > Temperatures\*



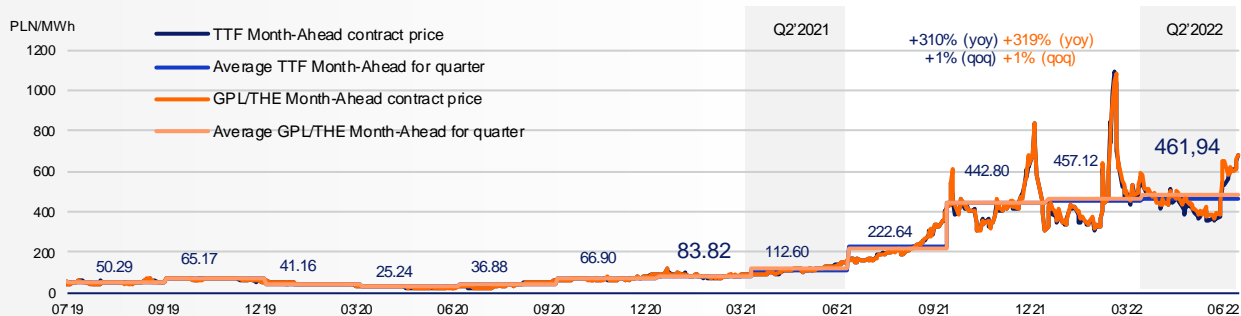
## > 3M crude oil prices



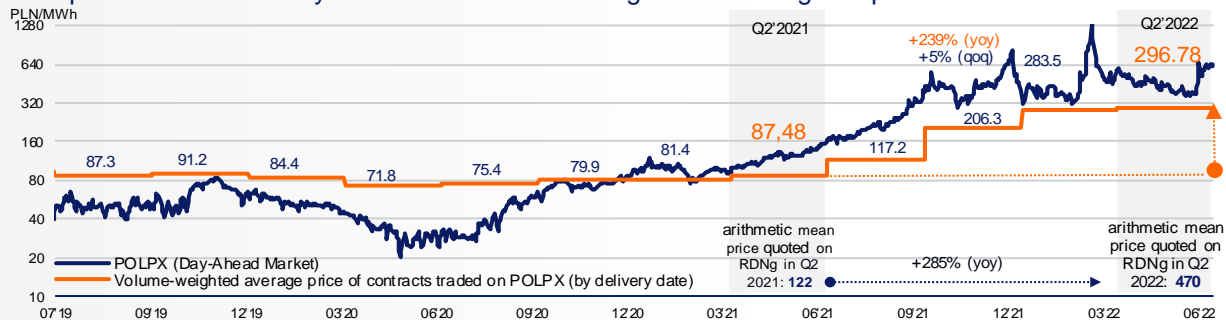
# Gas markets

- > TTF and GPL/THE gas prices (Month-Ahead contract) in PLN in Q2 2022:
  - > April: +405% and +405% yoy,
  - > May: +269% and +288% yoy,
  - > June: +279% and +292% yoy.
- > Trading volumes on POLPX in Q2 2022, including all contracts and maturities, up approximately 2% 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.

# Selected operating estimates

Current report No. 40/2022 of July 21st 2022

	Q2 2021	Q2 2022	change yoy	1H 2021	1H 2022	change yoy
<b>NATURAL GAS* in billion cubic metres</b>						
PRODUCTION VOLUME	1.09	1.70	56%	2.34	3.48	49%
<i>including Poland and Pakistan</i>	0.92	0.93	1%	1.95	1.94	(1%)
<i>including PGNiG Upstream Norway</i>	0.17	0.77	4x	0.39	1.54	4x
IMPORTS VOLUME	4.17	3.97	(5%)	8.27	8.02	(3%)
<i>including imports from countries east of Poland</i>	2.57	0.85	(67%)	4.82	3.00	(38%)
<i>including western and southern</i>	1.24	1.65	33%	2.04	2.72	33%
<i>including LNG</i>	6.90	7.08	3%	18.18	18.62	2%
SALES VOLUME OUTSIDE PGNiG GROUP	3.82	3.57	(7%)	10.08	9.91	(2%)
<i>including PGNiG SA</i>	2.00	2.11	5%	6.08	5.88	(3%)
<i>on Polish Power Exchange</i>	0.01	0.02	2x	0.22	0.11	(50%)
<i>exports from Poland</i>	1.95	1.73	(11%)	5.46	5.19	(5%)
<i>including PGNiG Obrót Detaliczny</i>	1.13	1.78	58%	2.64	3.52	33%
<b>DISTRIBUTION in billion cubic metres</b>						
GAS DISTRIBUTION VOLUME**	2.80	2.29	(18%)	7.35	6.53	(11%)
<b>CRUDE OIL ***in thousand tonnes</b>						
PRODUCTION VOLUME	279.6	366.2	31%	608.1	738.6	21%
<i>including Poland</i>	151.2	145.4	(4%)	325.1	309.0	(5%)
<i>including PGNiG Upstream Norway</i>	128.4	220.8	72%	283.0	429.6	52%
SALES VOLUME	366.3	348.7	(5%)	616.9	666.1	8%
<i>including Poland</i>	142.1	148.4	4%	320.2	316.9	(1%)
<i>including PGNiG Upstream Norway</i>	224.2	200.3	(11%)	296.7	349.2	18%
<b>HEAT AND ELECTRICITY****</b>						
HEAT SALES VOLUME (PJ)	6.54	6.89	5%	23.54	23.92	2%
ELECTRICITY SALES VOLUME (TWh)	0.61	1.03	69%	1.84	2.76	50%
<b>GAS IN UNDERGROUND STORAGE FACILITIES in bilion cubic metres</b>						
GAS IN UNDERGROUNG STORAGE FACILITIES AS AT JUNE 30 <sup>th</sup> *****	2.37	2.62	11%	2.37	2.62	11%

\* 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 terminals The data as at Q2 2022 and H1 2022 do not include the volume managed by Operator Systemu Przesyłowego

GAZ-SYSTEM SA and Government Agency for Strategic Reserves





# Selected financial highlights

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The interim report for 2022 will be published on August 18th 2022.

[PLN bn]	Q2 2021	Q2 2022	change yoy	1H 2021	1H 2022	change yoy
Consolidated revenue	10.43	29.49	183%	24.99	76.88	208%
Consolidated EBITDA	1.80	5.48	3x	5.20	15.07	190%
Herein: impairment losses on property plant and equipment of PGNiG Group	0.27	0.60	122%	0.54	0.66	22%
<i>EBITDA of Exploration and Production</i>	<i>1.41</i>	<i>8.22</i>	<i>6x</i>	<i>2.75</i>	<i>16.67</i>	<i>6x</i>
<i>cost of dry wells and seismic surveys</i>	-0.17	-0.13	(24%)	-0.43	-0.21	(51%)
<i>impairment losses on property plant and equipment</i>	0.30	0.61	2x	0.57	0.66	16%
<i>EBITDA of Trade and Storage</i>	<i>-0.22</i>	<i>-3.39</i>	<i>15x</i>	<i>0.27</i>	<i>-3.60</i>	<i>-</i>
<i>gas inventory write downs</i>	-0.01	-0.02	2x	-	0.04	-
<i>EBITDA of Distribution</i>	<i>0.54</i>	<i>0.40</i>	<i>(26%)</i>	<i>1.55</i>	<i>1.40</i>	<i>(10%)</i>
<i>EBITDA of Generation</i>	<i>0.17</i>	<i>0.23</i>	<i>35%</i>	<i>0.63</i>	<i>0.70</i>	<i>11%</i>
Consolidated EBIT	0.98	3.91	4x	3.42	11.92	249%
Consolidated net result	0.69	0.75	9%	2.43	4.85	2x
	Q1 2022	Q2 2022	change yoy	Q2 2021	Q2 2022	change yoy
DEBT DUE TO LOANS, BONDS AND LEASING*	9.2	15.7	71%	3.4	15.7	4x
NET DEBT	0.2	3.3	16x	-4.8	3.3	(169%)

\*Increased indebtedness of the PGNiG Group was caused by higher demand for working capital, resulting from gas purchases at significantly higher prices and the need to replenish deposits securing stock exchange and financial transactions related to derivative instruments



# Key drivers of the segment's EBITDA

Current report No. 43/2022 of July 29th 2022

## > Comment Q2 2022 vs Q2 2021

### Exploration and Production:

- > higher year-on-year ("yoy") product prices, including quarterly Brent crude prices in USD/bbl up 64%, 310% increase in average TTF prices denominated in polish zloty and 285% rise in average Day-Ahead Market gas prices on the Polish Power Exchange ("POLPX") compared with the second quarter of 2021;
- > reversal of impairment losses on the segment's non-current assets of ca. PLN +609m vs reversal of impairment losses of PLN +296m recognised in the second quarter of 2021;
- > higher natural gas and oil production volumes in Norway, compared with the second quarter of 2021, by 604 mcm (+359%) and 92 thousand tonnes (+72% yoy), respectively;
- > EBITDA generated by PGNiG Upstream Norway AS ("PGNiG UN") in the second quarter of 2022 of PLN 3.8bn. In the second quarter of 2021 EBITDA of PGNiG UN amounted to PLN 0.4bn.

### Trade and Storage:

- > significant rise in gas prices of all contracts on POLPX (up 239%) and Month-Ahead contracts on TTF denominated in polish zloty (up 310%), reflected in the price of domestically produced gas transferred to the Trade and Storage segment;
- > the retail tariff effective as of January 1st 2022 up 83.7% relative to the previous tariff, effective from October 1st 2021 to December 31st 2021;
- > impact of the compensation from the Price Difference Payment Fund on PGNiG OD's results in the second quarter of 2022 that amounted to PLN 1 903m;
- > effect of recognition of PLN -20m of inventory write-downs compared with PLN -8m of write-downs recognised in the second quarter of 2021;
- > the result on the valuation and realisation of hedging instruments recognized in the operating results in Q2 2022 amounted to a total of PLN +32m, including: (1) recognized in sales revenue in the amount of PLN -244m (in Q2 2021: PLN -185m); (2) included in cost of gas of PLN +474m (in Q2 2021: PLN +51m) - in the amount corresponding to the outflow of gas reserves for sale in the reporting period; (3) included in other operating expenses, net in the amount of PLN -198m (in Q2 2021: PLN +13m).

### Distribution:

- > increase in the fee for distribution services effective as of January 1st, 2022, up 3.6% compared with the previous tariff;
- > average temperature in the second quarter of 2022 0.9°C higher yoy;
- > volume of distributed gas down 18% yoy in the second quarter of 2022.

### Generation:

- > higher revenue from sales of heat by PLN 91m (+31%) yoy, with the higher average temperature recorded in the second quarter of 2022, but higher heat production volumes (longer heating season);
- > higher revenue from sales of electricity generated by own sources by PLN 695m (+408%) yoy on higher sales volumes;
- > higher costs of consumption of fuels for production.

## Comment H1 2022 vs H1 2021

### Exploration and Production:

- > higher year-on-year ("yoy") product prices, including quarterly Brent crude prices in USD/bbl up 64%, 368% increase in average TTF prices denominated in polish zloty and 330% rise in average Day-Ahead Market gas prices on the Polish Power Exchange ("POLPX") compared with the first half of 2021;
- > reversal of impairment losses on the segment's non-current assets of ca. PLN +661m due to increase in prices of hydrocarbons vs reversal of impairment losses of PLN +565m recognised in H1 2021;
- > higher natural gas and oil production volumes in Norway, compared with H1 2021, by 1 147 mcm (+294%) and 147 thousand tonnes (+52% yoy), respectively;
- > EBITDA generated by PGNiG Upstream Norway AS ("PGNiG UN") in H1 2022 of PLN 8.0bn. In H1 2021 EBITDA of PGNiG UN amounted to PLN 0.7bn.

### Trade and Storage:

- > significant rise in gas prices of all contracts on POLPX (up 330%) and Month-Ahead contracts on TTF denominated in polish zloty (up 368%), reflected in the price of domestically produced gas transferred to the Trade and Storage segment;
- > the retail tariff effective as of January 1st 2022 up 83.7% relative to the previous tariff, effective from October 1st 2021 to December 31st 2021;
- > impact of the compensation from the Price Difference Payment Fund on PGNiG OD's results in the second quarter of 2022 that amounted to PLN 2 963m;
- > effect of reversal of PLN +37m of inventory write-downs compared with reversal of PLN +0.5m of write-downs recognised in H1 2021;
- > the result on the valuation and realisation of hedging instruments recognized in the operating results in H1 2022 amounted to a total of PLN -418m, including: (1) recognized in sales revenue in the amount of PLN -1 112m (in H1 2021: PLN -360m); (2) included in cost of gas of PLN +587m (in H1 2021: PLN +200m) - in the amount corresponding to the outflow of gas reserves for sale in the reporting period; (3) included in other operating expenses, net in the amount of PLN +107m (in H1 2021: PLN -41m).

### Distribution:

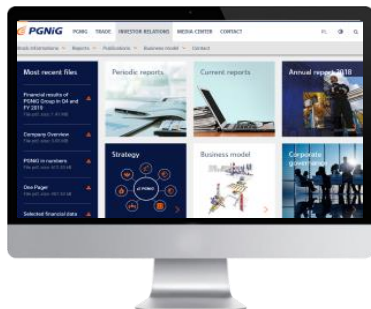
- > increase in the fee for distribution services effective as of January 1st, 2022, up 3.6% compared with the previous tariff;
- > average temperature in H1 2022 1.29°C higher yoy;
- > volume of distributed gas down 11% yoy in H1 2022.

### Generation:

- > higher revenue from sales of heat by PLN 259m (+27%) yoy, with the higher average temperature recorded in H1 2022, and slightly higher heat production volumes;
- > higher revenue from sales of electricity generated by own sources by PLN 1 419m (+301%) yoy on higher sales volumes;
- > higher costs of consumption of fuels for production.



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