

Q2 2022

PGNiG Group Q2 2022 Results

August 18th 2022

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Key events in Q2 2022

> April



> Compensation from Price Difference Payment Fund for PGNiG Obrót Detaliczny



> Final status of the judgment of the Stockholm Court of Appeals of March 9th 2022, dismissing Gazprom's petition for reversal of the Arbitration Court's final award of March 30th 2020



> PGNiG's refusal to perform its settlement obligations for natural gas supplied by Gazprom under the Yamal Contract in accordance with the Decree of the President of the Russian Federation



> Halt of natural gas supplies under the Yamal contract

> May



> PGNiG Management Board's recommendation to allocate net profit for 2021 to statutory reserve funds



> Execution of an agreement setting out the key terms of the LNG supply contract with Semptra Infrastructure Partners



> Notice of making the final investment decision for Plaquemines terminal to be built by Venture Global LNG

> June



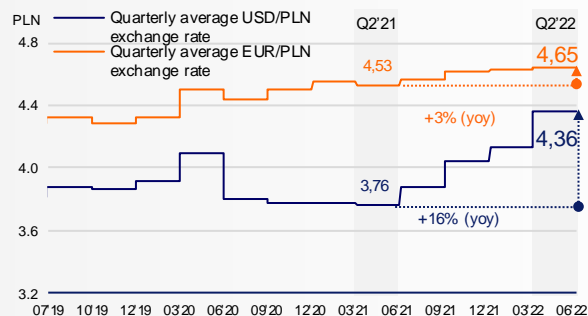
> Execution of a credit facility agreement with the Sumitomo Mitsui Banking Corporation Group

> Resolution of the PGNiG Annual General Meeting to allocate the net profit for 2021 to statutory reserve funds

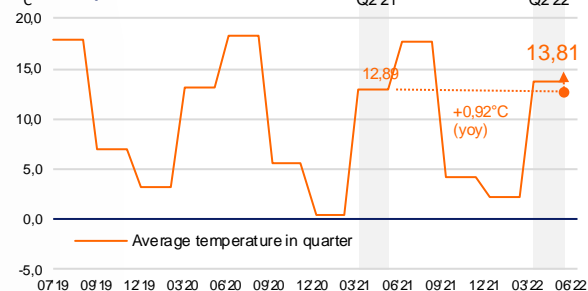
External and market factors

- > 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.
- > Increase in average temperature* in Q2 2022 by +0.92°C yoy.

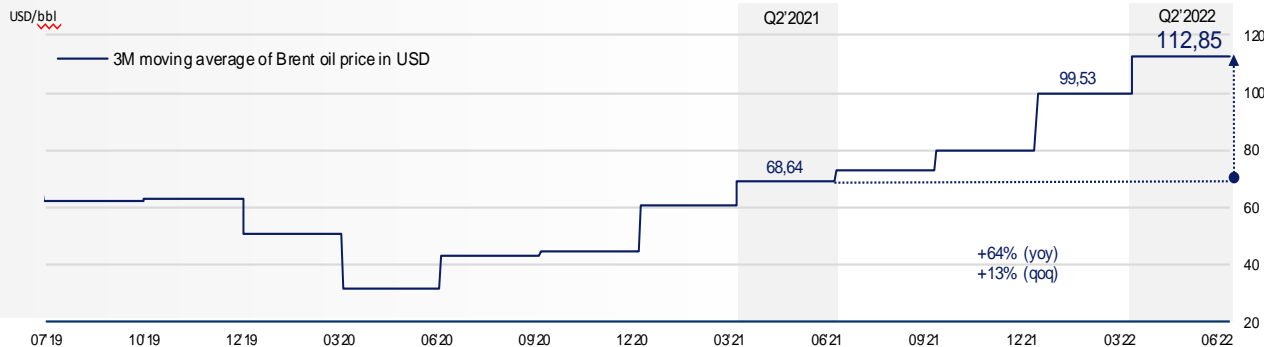
> USD/PLN and EUR/PLN exchange rates



> Temperatures*



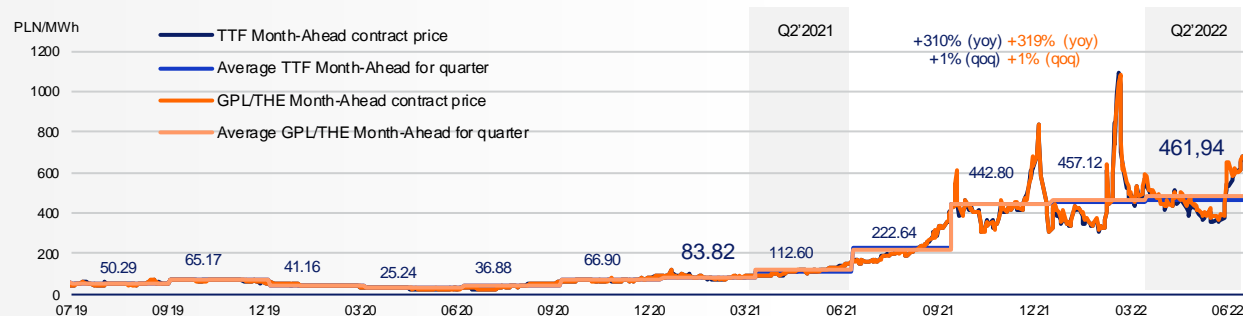
> 3M crude oil prices



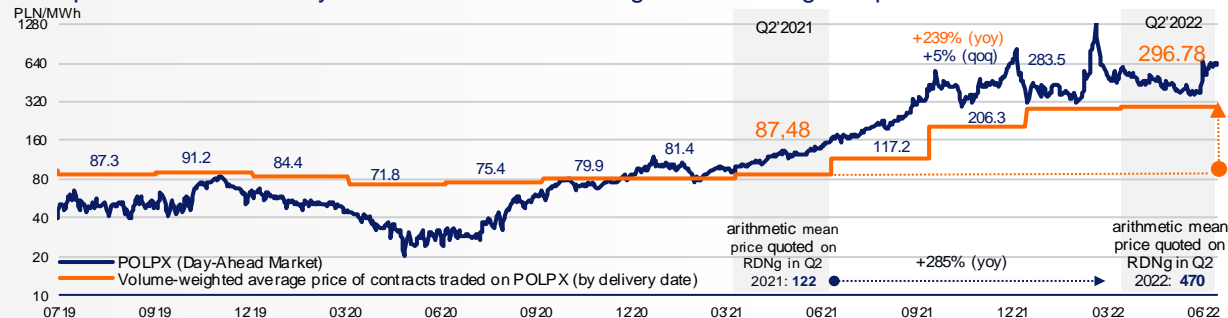
Gas markets

- > TTF and GPL 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



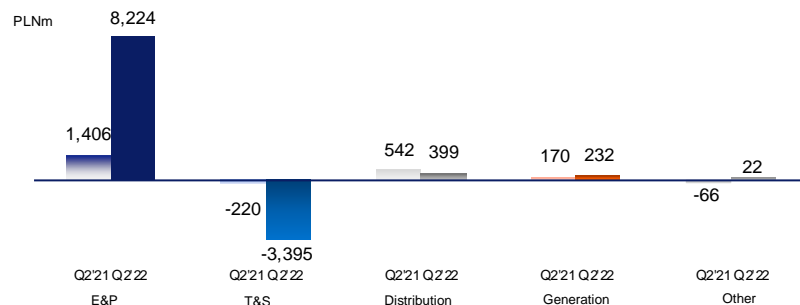
Comments:

- > 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.

Financial highlights for Q2 2022

[PLNm]	Q2 2021	Q2 2022	change %
Revenue	10,432	30,973	197%
Operating expenses (excl. D&A)	-8,630	-25,504	196%
EBITDA	1,802	5,469	203%
<i>EBITDA (excluding impairment losses on property, plant and equipment)</i>	<i>1,537</i>	<i>4,868</i>	217%
Depreciation and amortisation expense	-822	-1,562	90%
EBIT	980	3,907	299%
Net finance costs	-30	-205	583%
Net profit	687	746	9%

> Group's EBITDA* by segment in Q2 2022 vs Q2 2021



*Eliminations in Q2 2021: PLN -13m; Q2 2022: PLN -30m

Exploration and Production

- > Revenue from sales of gas up +477% yoy, to PLN 6,829m, with revenue from sales of crude oil and condensate up PLN +77% yoy, to PLN 1,189m.
- > Reversal of impairment losses on non-current assets of PLN +609m in Q2 2022 vs PLN +296m of impairment losses reversed in Q2 2021.

Trade and Storage

- > Revenue from sales of gas up +235% yoy, to PLN 23,755m, with a +3% yoy increase in gas volumes sold outside the Group. Gas fuel costs higher by 320% yoy.
- > Net gain/(loss) on measurement and exercise of hedging instruments recognised in operating profit/(loss) totalled PLN +32m in Q2 2022 vs PLN -121m in Q2 2021.

Distribution

- > Gas distribution volume down -18% yoy and revenue from distribution services down PLN 55m (-5% yoy).
- > Net income/cost of system balancing: PLN -30m in Q2 2022, compared with PLN -23m in Q2 2021.

Generation

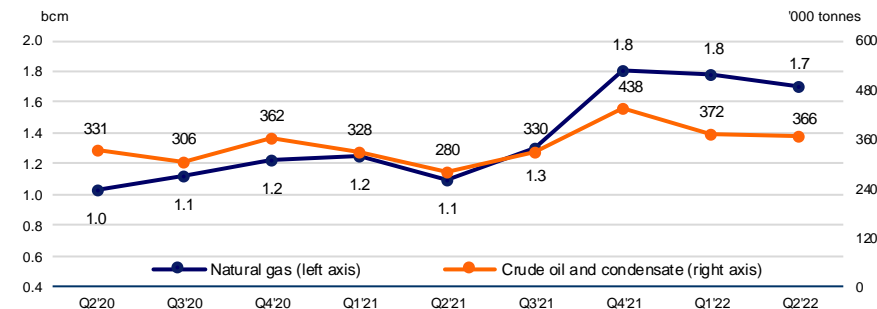
- > Revenue from sales of heat up PLN 91m (+31% yoy), with the average air temperature higher by 0.9°C in Q2 2022, heat volumes sold higher yoy, and a yoy increase in the heat generation and transmission tariff.
- > PLN 695m rise in revenue from sales of electricity generated by own sources (up +408% yoy), with sales volumes up +68%.

Segment - Exploration and Production

Revenue and EBITDA growth, with a yoy increase in oil prices and significantly higher gas prices on POLPX (+285%) and TTF (+310%).

[PLNm]	Q2 2021	Q2 2022	change%
Revenue	2,005	8,276	313%
Operating expenses (excl. D&A)	-599	-52	-91%
Cost of dry wells and seismic surveys written-off	-165	-151	-8%
Impairment of non-current assets	295	609	106%
EBITDA	1,406	8,224	485%
Depreciation and amortisation expense	-278	-717	158%
EBIT	1,128	7,507	566%

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



Comments

- > Segment's revenue from sales of gas up PLN 5,646m (+477%) 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 +285% and +310%, respectively, with production volumes in Norway up +359% yoy, to 773 mcm.
- > EBITDA generated in Q2 2022 by PGNiG Upstream Norway AS at PLN 3.8bn vs PLN 0.4bn in Q2 2021.
- > Revenue from sales of crude oil and condensate up PLN +516m (+77% yoy), with sales volumes down -5% yoy and the average oil price for the quarter in USD up +64% yoy.
- > Oil production volumes in Poland down -4% yoy, to 145 thousand tonnes; in Norway up +72% yoy, to ca. 221 thousand tonnes.
- > Cost of dry wells and seismic surveys written-off: PLN -151m in Q2 2022 vs PLN -165m in Q2 2021.
- > Reversal of impairment losses on property, plant and equipment of PLN +609m in Q2 2022 vs impairment losses on property, plant and equipment of PLN +295m reversed in the comparative period of 2021.
- > Overlift/underlift position in Norway in Q2 2022 – effect on Q2 2022 results of PLN +148m (lower net other expenses). The effect of overlift/underlift on Q2 2021 results was PLN -179m.

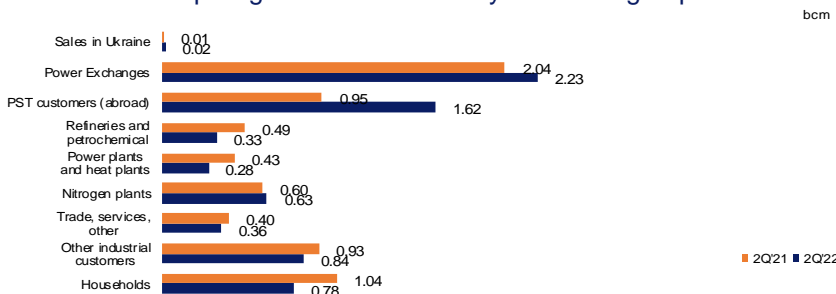


Segment - Trade and Storage

Segment's performance driven by higher volumes of gas sold to domestic buyers and higher unit gas costs

[PLNm]	Q2 2021	Q2 2022	change%
Revenue	7,971	27,763	248%
Operating expenses (excl. D&A)	-8,191	-31,158	280%
Gas inventory write-down	-9	-21	133%
EBITDA	-220	-3,395	1443%
Depreciation and amortisation expense	-56	-134	139%
EBIT	-276	-3,529	1179%

> 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 Q2 2022: 1.62 bcm (including 0.85 bcm sold on energy exchanges); Q2 2021: 0.92 bcm (of which 0.54 bcm sold on energy exchanges).

Comments

- > Revenue from sales of gas (including the effect of hedging transactions) up PLN 16.67bn (+235%) yoy (to PLN 23.76bn in Q2 2022), with a +3% yoy increase in the volume of gas sold outside the Group in the segment. PST's foreign sales up 70% yoy, to 1.62 bcm.
- > Effect of compensation from the Price Difference Payment Fund for PGNiG OD on Q2 2022 revenue of PLN +1,903m.
- > Segment's cost of gas up +320% yoy, at PLN -29.46bn.
- > Net gain/(loss) on measurement and exercise of hedging instruments recognised in operating profit/(loss) totalled PLN +32m in Q2 2022, of which: PLN -244m was recognised in revenue (Q2 2021: PLN -185m); PLN +474m was recognised in cost of gas (Q2 2021: PLN +51m), with the amount corresponding to a decrease in gas inventories for sale in the reporting period; PLN -198m was recognised in net other expenses (Q2 2021: PLN +13m).
- > As of January 1st 2022 retail tariff up by 83.7% on the previous tariff, effective from October 1st 2021 to December 31st 2021.
- > Lower yoy gas imports to Poland from eastern sources, incl. Lithuania (Q2 2022: 0.85 bcm vs Q2 2021: 2.57 bcm). Higher volume of LNG imports (Q2 2022: 1.65 bcm vs Q2 2021: 1.24 bcm) and from the west and south (Q2 2022: 1.47 bcm vs Q2 2021: 0.36 bcm).
- > Total revenue from sales of electricity: PLN 1,073m, up PLN 320m (+43%) yoy, with cost of electricity for trading up by PLN 307m (+41%) yoy, at PLN -1,051m.
- > Effect of gas inventory write-down recognition of PLN -21m in Q2 2022 vs write-down of PLN -9m recognised in Q2 2021. Net write-down at the end of Q2 2022 was PLN -70m.
- > Effect of recognition of a provision for energy efficiency buy-out price: PLN -75m in Q2 2022 vs PLN -54m in Q2 2021.

Segment - Distribution

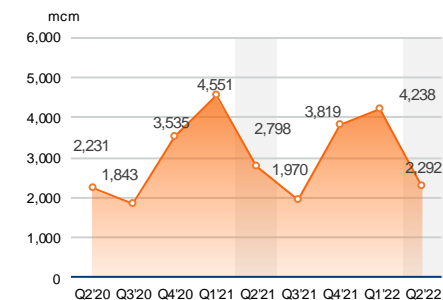
Segment's performance driven by higher temperatures, lower gas distribution volumes and a higher distribution tariff.

[PLNm]	Q2 2021	Q2 2022	change%
Revenue	1,199	1,143	-5%
Operating expenses (excl. D&A)	-657	-744	13%
EBITDA	542	399	-26%
Depreciation and amortisation expense	-300	-317	6%
EBIT	242	82	-66%

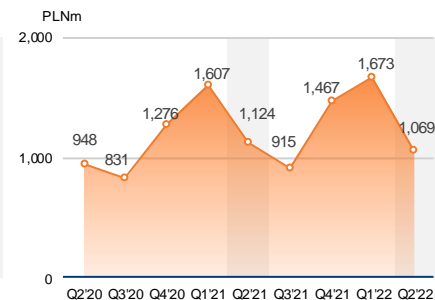
Comments

- Gas distribution volumes down -18% yoy to 2.29 bcm, with the average air temperature for the quarter up +0.9°C yoy.
- +3.6% increase in the tariff for gas distribution services, effective from January 1st 2022.
- Revenue from distribution services down PLN 55m (-5% yoy).
- Net income/cost of system balancing: PLN -30m in Q2 2022, compared with PLN -23m in Q2 2021.

> Volumes of distributed gas



> Revenue from distribution services



Segment - Generation

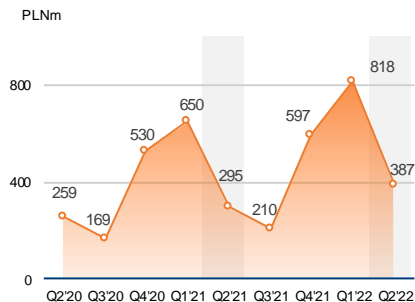
Segment's performance driven by higher sales volumes of heat generated from the segment's own sources and higher tariff for heat generation and transmission.

[PLNm]	Q2 2021	Q2 2022	change%
Revenue	589	1,451	146%
Operating expenses (excl. D&A)	-419	-1,219	191%
EBITDA	170	232	36%
Depreciation and amortisation expense	-171	-377	120%
EBIT	-1	-145	14400%

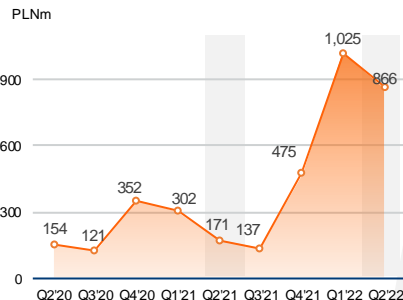
Comments

- Revenue from sales of electricity generated by the segment's own sources up +408% yoy, to PLN 866m, with sales volumes up +68% yoy.
- Revenue from sales of heat up +31% yoy, at PLN 386m, with a higher average air temperature in Q2 2022 (up +0.9°C yoy), a +5% increase in heat sales volumes following a ca. 5% increase in the heat sales tariff for PGNiG TERMIKA S.A. by ca. 15.4% as of January 1st 2022 and by ca. 13,1% as of May 17th 2022.
- Segment's depreciation and amortisation expense up PLN 205m (+119% yoy), with amortisation of CO₂ emission allowances up PLN 177m, to PLN -216m in Q2 2022.
- Recognition of provisions for CO₂ emission allowances at PLN -10m in Q2 2021, recognised as a component of costs of core activities and presented under other income/expenses.
- Sales volumes in Q2 2022:
 - Sales of heat outside the Group: 6.89 PJ.
 - Electricity from own sources: 1.03 TWh.

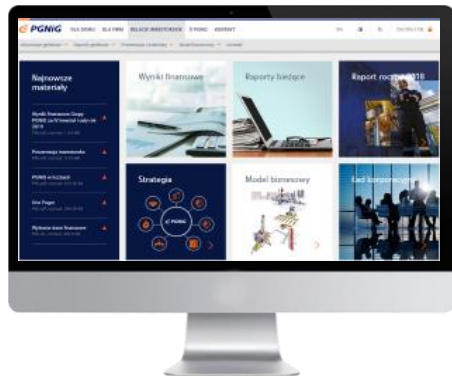
> Revenue from sales of heat



> Revenue from sales of electricity from own sources



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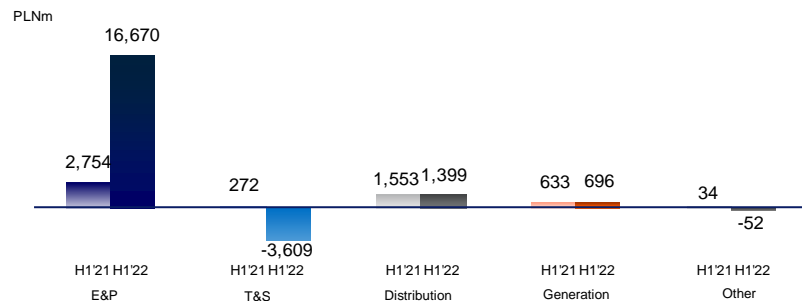
- 1. Gas sales and imports structure
- 2. Operating expenses
- 3. Debt and sources of funding
- 4. CAPEX, statement of financial position, statement of cash flows
- 5. Production and sales volumes



H1 2022 financial highlights

[PLNm]	H1 2021	H1 2022	change%
Revenue	24,985	78,372	214%
Operating expenses (excl. D&A)	-19,790	-63,305	220%
EBITDA	5,195	15,067	190%
<i>EBITDA (net of impairment losses on property, plant and equipment)</i>	<i>4,654</i>	<i>14,411</i>	210%
Depreciation and amortisation expense	-1,778	-3,150	77%
EBIT	3,417	11,917	249%
Net finance costs	-87	-495	469%
Net profit	2,434	4,839	99%

> Group's EBITDA by segment in H1 2022 vs H1 2021*



*Eliminations in H1 2022: PLN -37m vs H1 2021: PLN -51m.

Exploration and Production

- > Revenue from sales of gas up PLN 12,432m (+519%) yoy, with revenue from sales of crude oil and condensate up PLN 1,130m (+104%) yoy.
- > Reversal of impairment loss on non-current assets of PLN +661m in H1 2022 vs reversal of PLN +565m in H1 2021.

Trade and Storage

- > Revenue from sales of E and Ls/Lw gas (taking into account the adjustment to gas sales due to hedging transactions) up +268% yoy, with a +3% yoy increase in gas volumes sold outside the Group.
- > Net gain/(loss) on measurement and realisation of hedging instruments recognised in operating profit/(loss) in a total amount of PLN -418m, of which: (1) PLN -1,112m recognised in revenue (H1 2021: -360m), (2) +587m recognised in cost of gas (H1 2021: PLN +200m), (3) PLN +107m recognised in net other expenses (H1 2021: PLN -41m).
- > Effect of reversal of a gas inventory write-down of PLN +37m vs gas inventory write-down of PLN +0.5m reversed in H1 2021.

Distribution

- > 11% lower gas distribution volumes of 6.53 bcm, with average air temperatures higher by 1.3°C year on year.
- > Stable revenue of PLN 2.74bn from distribution services in Poland, with a +3.6% increase in tariff compared with the previous tariff.

Generation

- > Revenue from sales of electricity generated by own sources up +301% yoy, with market prices rising and sales volumes up +50% yoy.
- > +27% yoy increase in revenue from sales of heat, with a higher average temperature and sales volumes rising +2% yoy.

Operating expenses in Q2 2022 vs Q2 2021

[PLNm]	Q2 2021	Q2 2022	change%
Cost of gas	-6,023	-23,044	283%
Fuels for heat and power generation	-150	-162	8%
Other raw materials and consumables used	-661	-939	42%
Employee benefits expense	-814	-908	12%
Transmission services	-269	-415	54%
Other services	-495	-450	-9%
<i>LNG regasification services</i>	-90	-100	11%
Taxes and charges	-98	-197	101%
Other income and expenses	-487	-31	-94%
<i>Change in inventory write-downs</i>	-27	-14	-48%
<i>Change in provisions</i>	-10	1	-110%
Recognition and reversal of impairment losses on property, plant and equipment and intangible assets	100	450	350%
<i>Cost of dry wells and seismic surveys written-off</i>	-165	-134	-19%
<i>Impairment losses on non-current assets</i>	265	601	127%
Work performed by the entity and capitalised	267	192	-28%
Depreciation and amortisation expense	-822	-1,562	90%
Total operating expenses	-9,452	-27,066	186%
<i>Operating expenses net of cost of gas sold</i>	<i>-3,429</i>	<i>-4,022</i>	<i>17%</i>

Comments:

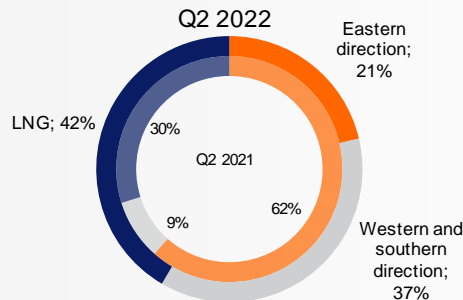
- › Cost of gas sold up +283% yoy to PLN -23,044m, with a +3% yoy increase in gas volumes sold outside the Group.
- › Net exchange differences related to operating activities recognised in net other income/expenses: PLN 111m in Q2 2022 vs PLN -124m in Q2 2021.
- › Increase in costs of other raw materials and consumables used, mainly due to higher costs of energy purchased for trading (up +40% yoy to PLN -789m).
- › Employee benefits expense in the Group up +12% yoy.
- › Lower costs of dry wells (PLN -134m in Q2 2022 vs PLN -165m in Q2 2021). Three dry wells written off in Q2 2022.
- › Reversal of impairment loss on non-current assets of PLN +601m in Q2 2022. Reversal of impairment loss on non-current assets of PLN +265m in Q2 2021.
- › Provisions for the energy efficiency buy-out price: PLN -73m in Q2 2022 vs PLN -53m in Q2 2021.
- › Recognition of provisions for CO₂ emission allowances and the energy efficiency buy-out price: PLN -28m in Q2 2022 vs PLN -10m in Q2 2021.
- › Recognition of gas inventory write-downs of PLN -20m in Q2 2022 vs inventory write-downs of PLN -8m recognised in Q2 2021.
- › Overlift/underlift position in Norway in Q2 2022: a reduction in net other expenses of PLN +148m vs PLN -179m in Q2 2021.

Gas sales and imports structure

> Rise in LNG imports and in imports from western and southern sources, with lower imports from east of Poland. In Q2 2022, 16 gas carriers unloaded at the Świnoujście Terminal, including: 4 deliveries under Qatargas contracts, 2 deliveries under the Centrica contract, one delivery under the Cheniere contract, and 9 spot deliveries.

> Higher gas sales by the PGNiG Group due mainly to higher sales by PST.

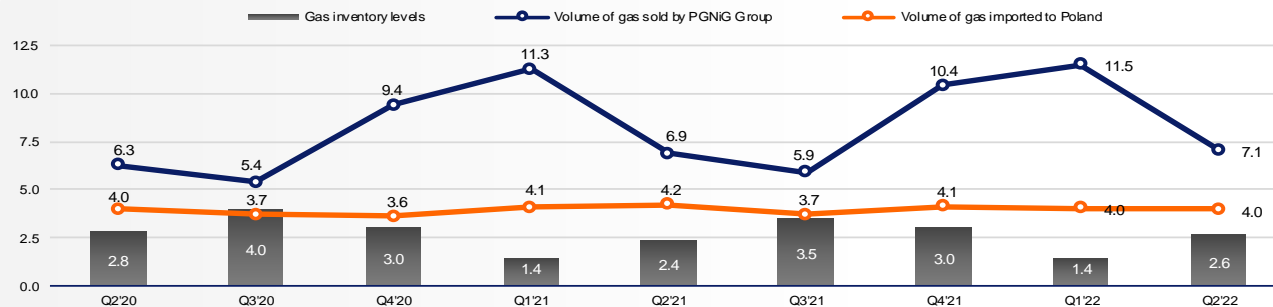
> Imports of natural gas to Poland



> Gas sales outside the PGNiG Group by company

[mcm]	Q2 2021	Q2 2022	change%
PGNiG Group:	6,899	7,084	3%
PGNiG SA	3,823	3,573	-7%
PGNiG OD	1,951	1,728	-11%
PST	1,125	1,783	59%

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



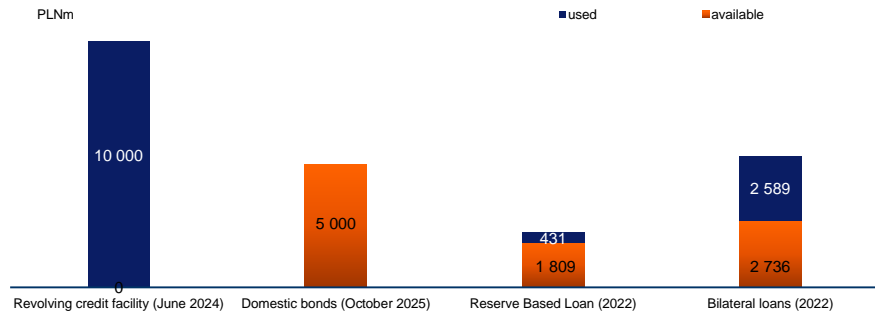
Comments:

> LNG terminal stocks: 80 mcm after regasification (as at June 30th 2022).

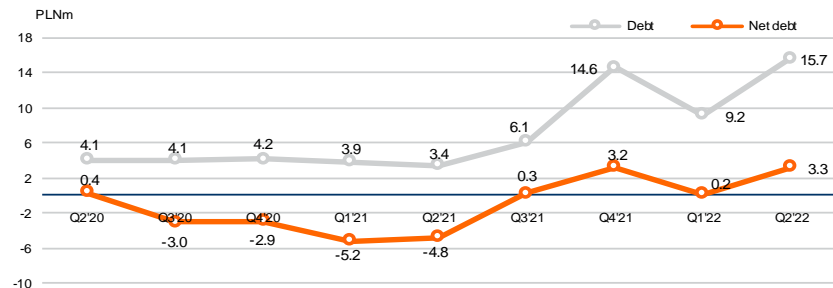
* Includes high-methane gas, nitrogen-rich gas stored in Poland and abroad, as well as LNG at the terminal. Data on gas inventory level for Q1 and Q2 2022 do not include gas under the control of the Governmental Agency for Strategic Reserves

Debt and sources of funding

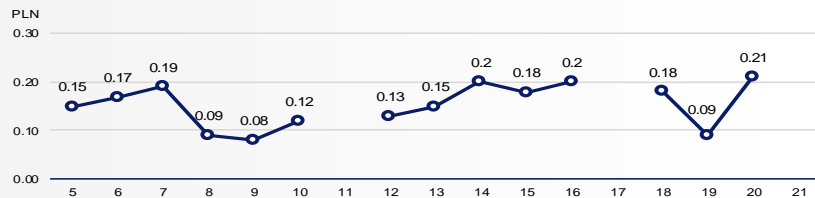
> Sources of funding (as at June 30th 2022)



> Debt at quarter end



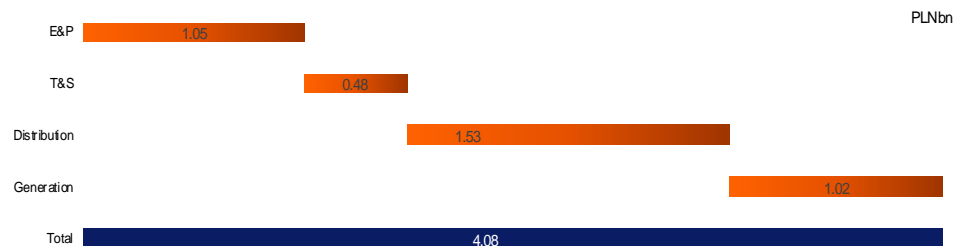
> Dividend per share for the financial year



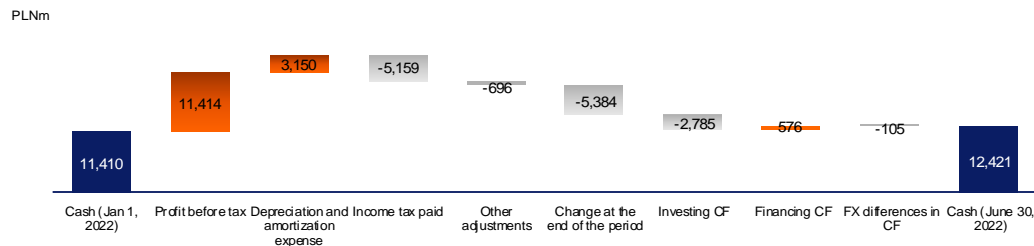
- > On May 10th 2022, the Management Board of PGNiG S.A. resolved to recommend that the General Meeting, having received a relevant assessment from the Supervisory Board, allocate the entire net profit for 2021 of PLN 5,120,798,108.45 m to increase the statutory reserve funds.
- > On June 22nd 2022, the PGNiG Annual General Meeting passed a resolution to allocate the entire net profit for 2021 of PLN 5,120,798,108.45 to the statutory reserve funds.

CAPEX, statement of financial position and statement of cash flows

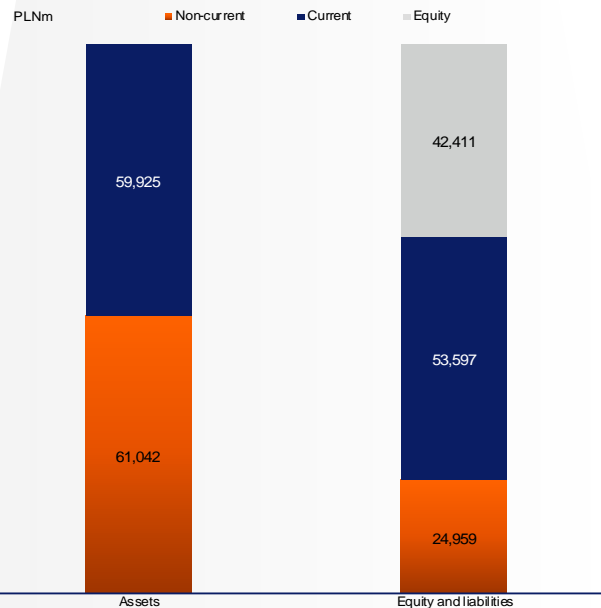
> CAPEX incurred as at June 30th 2022*



> Consolidated cash flows (January 1st–June 30th 2022)



> Group's statement of financial position (as at June 30th 2022)



*CAPEX incurred in the Other Activities segment: PLN 0.05bn as June 30th 2022

Production and sales volumes

NATURAL GAS PRODUCTION BY THE PGNiG GROUP [mcm]

	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	H1 2022	H1 2021	H1 2020	H1 2019	FY 2021	FY 2020
HIGH-METHANE GAS (E)	1,098	1,091	1,096	582	487	539	488	441	442	444	2,190	1,026	886	916	2,704	1,815
<i>including in Poland</i>	326	326	323	326	318	317	328	330	336	343	652	636	679	653	1,284	1,337
<i>including in Norway</i>	773	765	773	257	168	222	159	112	106	101	1,537	390	207	263	1,420	478
NITROGEN-RICH GAS (Ls/Lw as E equiv.)	601	689	710	669	604	706	731	673	582	719	1,291	1,310	1,301	1,305	2,690	2,705
<i>including in Poland</i>	524	607	632	589	522	620	642	591	526	650	1,131	1,142	1,175	1,217	2,364	2,409
<i>including in Pakistan</i>	77	82	78	80	82	86	88	82	56	69	160	168	125	88	326	295
TOTAL (measured as E equivalent)	1,700	1,780	1,806	1,252	1,091	1,245	1,218	1,114	1,024	1,163	3,480	2,336	2,187	2,221	5,394	4,519

NATURAL GAS SALES BY THE PGNiG GROUP [mcm]

HIGH-METHANE GAS (E)	6,754	11,040	9,938	5,539	6,495	10,745	8,866	5,022	5,955	10,119	17,794	17,241	16,074	15,146	32,717	29,962
<i>including PST sales outside PGNiG Group</i>	1,783	1,732	2,076	1,303	1,125	1,513	1,252	902	931	1,362	3,515	2,639	2,293	2,451	6,017	4,447
NITROGEN-RICH GAS (Ls/Lw as E equiv.)	330	498	492	330	403	532	495	357	342	482	828	936	824	801	1,758	1,676
TOTAL (measured as E equivalent)	7,084	11,538	10,429	5,870	6,899	11,277	9,361	5,379	6,297	10,601	18,622	18,176	16,898	15,947	34,476	31,638
<i>including sales directly from the fields</i>	194	260	259	208	224	264	273	219	192	250	455	488	449	399	955	934

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

Total	3,971	4,048	4,138	3,716	4,170	4,102	3,618	3,697	4,012	3,462	8,019	8,272	7,474	7,377	16,127	14,789
<i>including: sources east of Poland</i>	847	2,150	2,595	2,487	2,566	2,256	2,370	2,510	2,194	1,923	2,997	4,822	4,117	3,977	9,904	8,997
<i>including: LNG</i>	1,649	1,074	1,018	880	1,245	796	808	755	1,213	982	2,723	2,041	2,195	1,771	3,938	3,757

CRUDE OIL, PGNiG GROUP (thousand tonnes)

Production of crude oil and condensate	366	372	438	330	279	328	362	306	331	325	739	608	656	614	1,376	1,324
<i>including in Poland</i>	145	164	174	145	151	174	184	159	167	200	309	325	367	385	643	710
<i>including in Norway</i>	221	209	264	185	128	154	178	148	164	125	430	283	289	229	732	615
Sales of crude oil and condensate from own production	349	317	401	322	366	251	361	324	369	277	666	617	646	554	1,340	1,331
<i>including in Poland</i>	148	169	178	145	142	178	182	161	159	210	317	320	369	387	643	712
<i>including in Norway</i>	200	149	223	177	224	73	179	163	210	67	349	297	277	167	697	619

GENERATION

Production of heat, net (sales) (TJ)	6,890	17,029	13,909	3,721	6,543	17,001	13,020	3,083	6,789	16,048	23,919	23,545	22,837	23,010	41,174	38,940
Production of electricity, net, secondary generation (for sale) (GWh)	1,033	1,730	1,206	436	614	1,223	1,165	454	637	1,382	2,763	1,838	2,019	2,257	3,480	3,638