

Polskie Górnictwo Naftowe i Gazownictwo SA

Estimated financial results of PGNiG Group
in H1 and Q2 2019



July 29th 2019



Disclaimer

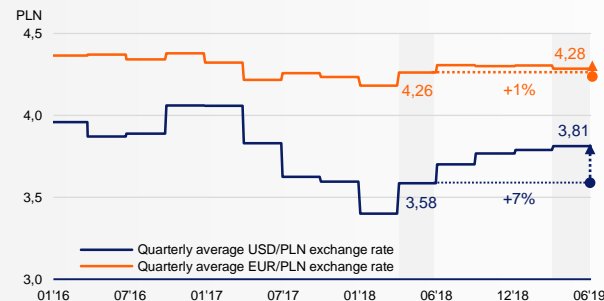
The information contained in this presentation illustrates the estimated financial results of the Polskie Górnictwo Naftowe i Gazownictwo Group ("PGNiG", the "Company"), published by the Company in Current Report No. 39/2019 of July 29th 2019. The financial data contained in this presentation and in the Current Report may change following an audit by a qualified auditor. The interim report for Q2 2019 will be published on August 22nd 2019.

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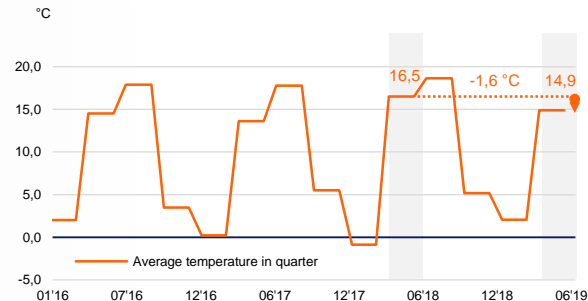
External and market drivers

- > USD/PLN in Q2 2019 up 7% yoy, at PLN 3.81.
- > EUR/PLN in Q2 2019 up 1% yoy, at PLN 4.28.
- > Average temperature* in Q2 2019 down -1.6 °C yoy.

> USD/PLN and EUR/PLN exchange rate

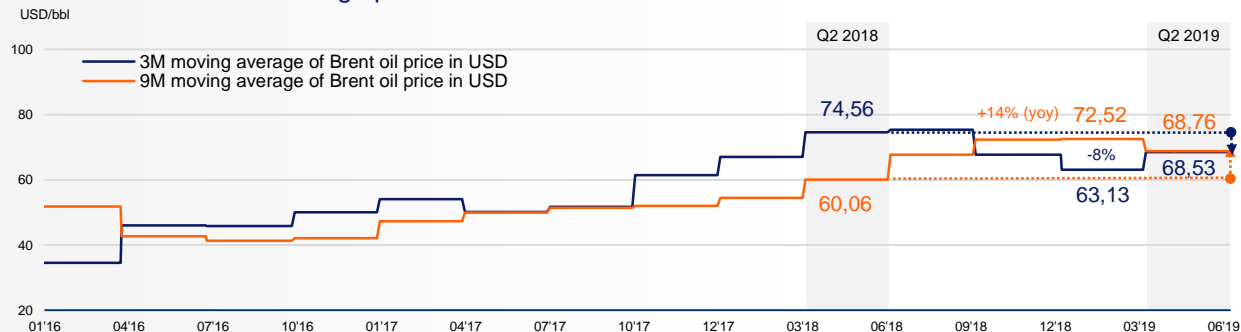


> Temperatures*



- > -8% yoy drop in the 3-month average crude oil price to 68.53 USD/bbl.
- > +14% yoy rise in the 9-month average crude oil price to 68.76 USD/bbl.

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



Gas markets

> TTF gas price increase (Month-Ahead contract) in Q2 2019:

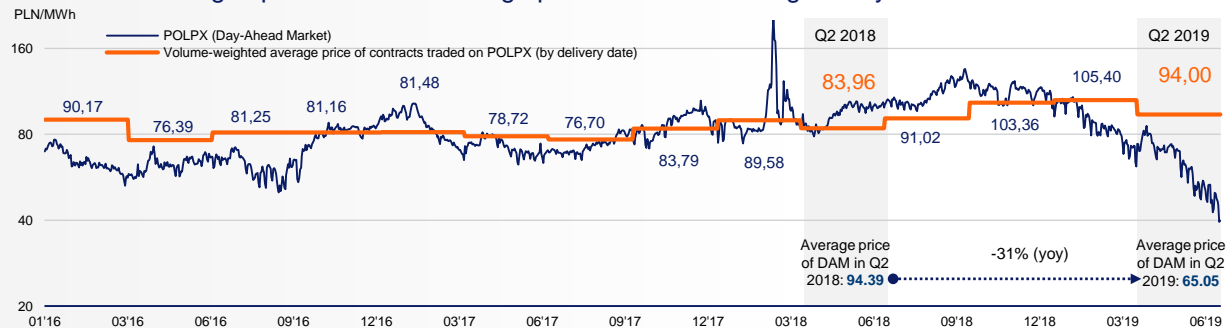
- > April: -21% yoy.
- > May: -39% R/R,
- > June: -51% R/R.

> Lower trading volumes (-7% yoy) on POLPX in Q2 2019 including all contracts and all expiration 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 are 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. 36/2019 of July 17th 2019 and No. 38/2019 of July 29th 2019

	Q2 2018	Q2 2019	Change yoy	H1 2018	H1 2019	Change yoy
NATURAL GAS* in billion cubic metres						
Production volume	1.07	1.04	-3%	2.25	2.22	-1%
<i>including Poland and Pakistan</i>	0.92	0.93	+1%	1.96	1.96	0%
<i>including PGNiG Upstream Norway</i>	0.15	0.11	-27%	0.29	0.26	-10%
Imports volume	3.42	3.71	+8%	7.26	7.38	+2%
<i>including imports from countries east of Poland</i>	2.60	2.19	-16%	5.58	3.98	-39%
<i>including western</i>	0.00	0.41	-	0.16	1.35	+744%
<i>including LNG</i>	0.82	1.04	+27%	1.32	1.77	+34%
Sales volume outside PGNiG Group	5.44	6.05	+11%	15.35	15.95	+4%
<i>including PGNiG SA</i>	3.31	3.39	+2%	9.26	9.10	-2%
<i>on Polish Power Exchange</i>	1.27	1.40	+10%	4.70	4.70	0%
<i>exports from Poland</i>	0.08	0.05	-38%	0.22	0.31	+41%
<i>including PGNiG Obrót Detaliczny</i>	1.42	1.57	+11%	4.38	4.39	0%
<i>including PGNiG Supply & Trading</i>	0.72	1.10	+53%	1.71	2.45	+43%
DISTRIBUTION in billion cubic metres						
Gas distribution volume**	2.14	2.43	+14%	6.36	6.31	-1%
CRUDE OIL*** in thousand tonnes						
Production volume	324.4	289.9	-11%	672.7	613.8	-9%
<i>including Poland</i>	189.0	177.1	-6%	397.7	384.7	-3%
<i>including PGNiG Upstream Norway</i>	135.4	112.8	-17%	275.0	229.1	-17%
Sales volume	294.0	266.2	-9%	723.0	544.3	-25%
<i>including Poland</i>	188.5	153.4	-19%	398.5	377.4	-5%
<i>including PGNiG Upstream Norway</i>	105.5	112.8	+7%	324.5	166.9	-49%
HEAT AND ELECTRICITY****						
Heat sales volume (PJ)	4.43	6.04	+36%	23.46	23.01	-2%
Electricity sales volume (TWh)	0.60	0.74	+23%	2.14	2.26	+6%
Gas in underground storage facilities in billion cubic metres						
iGas in underground storage facilities (high methane gas) as at June 30th	2.1	2.5	+19%	2.1	2.5	+19%

* 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



Selected financial highlights

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The interim report for H1 and Q2 2019 will be published on August 22nd 2019.

[PLN bn]	Q2 2018	Q2 2019	Change yoy	H1 2018	H1 2019	Change yoy
Consolidated revenue	7.64	8.28	+8%	20.89	22.62	+8%
Consolidated EBITDA:	1.63	1.00	-39%	4.30	3.17	-26%
Herein: impairment losses on property, plant and equipment of PGNiG Group	+0.07	-0.24	-	+0.31	-0.22	-
<i>EBITDA of Exploration and Production, herein:</i>	<i>1.19</i>	<i>0.69</i>	<i>-42%</i>	<i>2.57</i>	<i>1.99</i>	<i>-23%</i>
<i>cost of dry wells and seismic surveys</i>	<i>-0.13</i>	<i>-0.01</i>	<i>-92%</i>	<i>-0.38</i>	<i>-0.02</i>	<i>-95%</i>
<i>impairment losses on property, plant and equipment</i>	<i>+0.07</i>	<i>-0.21</i>	<i>-</i>	<i>+0.31</i>	<i>-0.19</i>	<i>-</i>
<i>EBITDA of Trade and Storage</i>	<i>-0.21</i>	<i>-0.16</i>	<i>-24%</i>	<i>-0.03</i>	<i>-0.23</i>	<i>+667%</i>
<i>EBITDA of Distribution</i>	<i>0.62</i>	<i>0.49</i>	<i>-21%</i>	<i>1.38</i>	<i>1.07</i>	<i>-22%</i>
<i>EBITDA of Generation</i>	<i>0.07</i>	<i>0.11</i>	<i>+57%</i>	<i>0.47</i>	<i>0.51</i>	<i>+9%</i>
Consolidated EBIT	0.97	0.29	-70%	2.97	1.67	-44%
Consolidated net result	0.70	0.25	-64%	2.27	1.31	-42%

Key drivers of the segment's EBITDA

Current Report No. 39/2019 of July 29th 2019

Q2 2019 vs Q2 2018

Exploration and Production:

- › -17% yoy decrease in production volumes of crude oil in Norway;
- › lower prices of products, including -8% yoy of the average Brent crude oil price in USD/bbl for the quarter and -31% yoy of Day Ahead Market gas prices on Polish Power Exchange ("PPE");
- › change in impairment losses on non-current assets of PLN -206 million.

Trade and Storage:

- › higher cost of gas mainly due to +14% yoy increase in 9-month average Brent crude oil price in USD/bbl;
- › 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;
- › effect of gas inventory write-downs higher by PLN -152m, gas inventory write-down reversal in Q2 2018: PLN +7m;
- › the result on exercise of derivative financial instruments designated for hedge accounting recognized in profit and loss statement: PLN +102m in Q2 2019 vs PLN -168m in Q2 2018.

Distribution:

- › -5% decline in the gas distribution tariff, which was introduced to act on February 15th 2019;
- › average temperature in Q2 2019 down by -1,6 °C yoy;
- › net income/cost of system balancing: PLN +181m in Q2 2019 vs PLN +226m in Q2 2018.

Generation:

- › +28% yoy growth in revenue from sales of heat due to lower average temperature in Q2 2019 thus higher volumes of produced heat;
- › +58% yoy growth in revenue from sales of electricity due to higher prices of electricity;
- › higher costs of coal to production.

H1 2019 vs H1 2018

Exploration and Production:

- › -17% yoy decrease in production volumes of crude oil in Norway;
- › lower prices of products, including -7% yoy of the average Brent crude oil price in USD/bbl for the quarter and -21% yoy of Day Ahead Market gas prices on Polish Power Exchange ("PPE");
- › change in impairment losses on non-current assets of PLN -189m.

Trade and Storage:

- › higher cost of gas mainly due to +23% yoy increase in 9-month average Brent crude oil price in USD/bbl;
- › 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;
- › effect of gas inventory write-downs higher by PLN -115m, gas inventory write-down reversal in H1 2018: PLN +32m;
- › the result on exercise of derivative financial instruments designated for hedge accounting recognized in profit and loss statement: PLN +280m in H1 2019 vs PLN -164m in H1 2018.

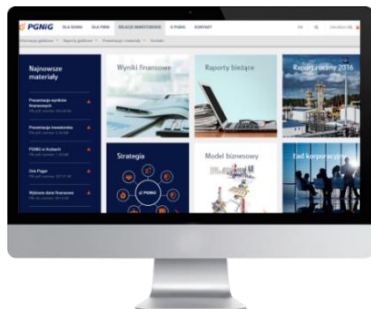
Distribution:

- › -5% decline in the gas distribution tariff, which was introduced to act on February 15th 2019;
- › average temperature in H1 2019 up by 0,7 °C yoy;
- › net income/cost of system balancing: PLN +50m in H1 2019 vs PLN +49m in H1 2018.

Generation:

- › stable revenue from sales of heat due to higher average temperature in H1 2019 thus lower volumes of produced heat;
- › +44% yoy growth in revenue from sales of electricity due to higher prices of electricity;
- › higher costs of coal to production

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