

Polskie Górnictwo Naftowe i Gazownictwo SA

Estimated financial results of PGNiG Group
in Q1 2020



May 21st 2020

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. 19/2020 of May 21st 2020. The financial data contained in this presentation and in the Current Report may change following an audit by a qualified auditor.

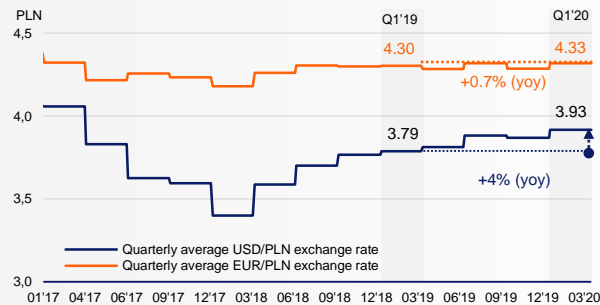
The interim report for Q1 2020 will be published on June 4th 2020.

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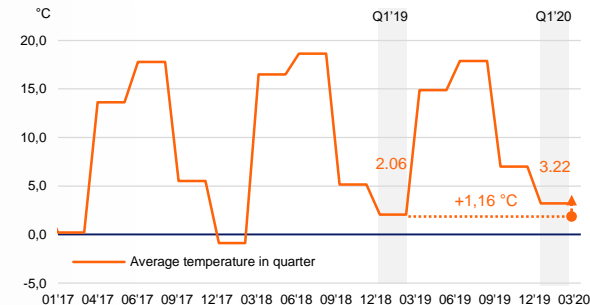
External and market drivers

- > USD/PLN in Q1 2020 up 4% yoy, at PLN 3.93.
- > EUR/PLN in Q1 2020 up +0.7% yoy, at PLN 4.33.
- > Average temperature* in Q1 2020 up 1.2 °C yoy.

> USD/PLN and EUR/PLN exchange rate

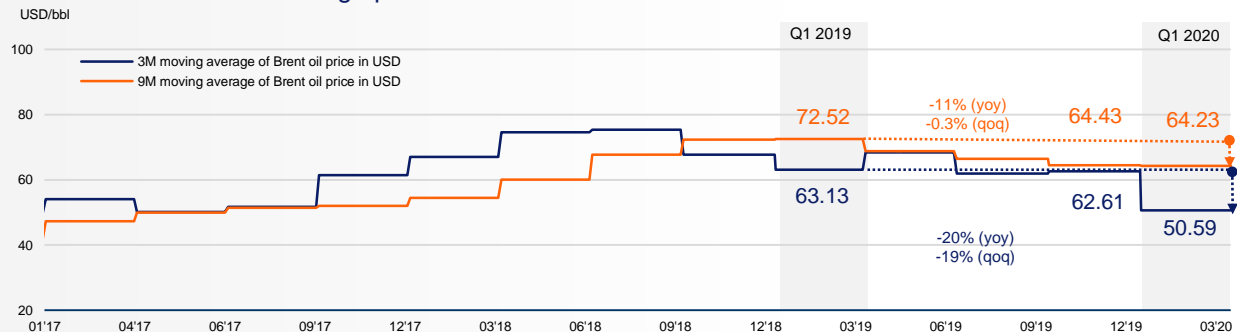


> Temperatures*



- > -20% yoy drop in the 3-month average crude oil price to 50.59 USD/bbl.
- > -11% yoy drop in the 9-month average crude oil price to 64.23 USD/bbl and 64.29 USD/bbl and 64.29 USD/bbl at the end of February 2020.

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



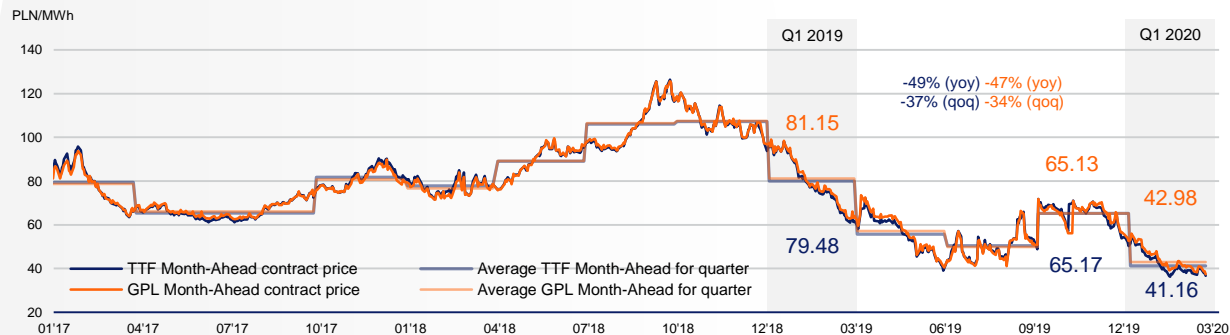
* Temperature measurement in reference point in Rzeszów

Gas markets

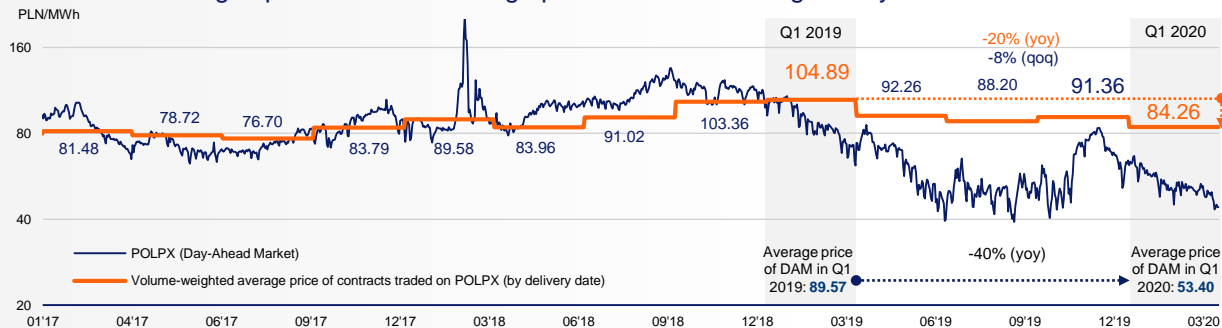
- > TTF and GPL gas price decrease in PLN (Month-Ahead contract) in Q1 2020:
 - > January: -49% yoy and .47%
 - > February: -50% yoy and -48%.
 - > March: -45% yoy and -44%.

- > Higher trading volumes (+3% yoy) on POLPX in Q1 2020 of all contracts by their delivery date.

> TTF and GPL 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. 14/2020 of April 21st 2020

	Q1 2019	Q1 2020	Change yoy
NATURAL GAS* in billion cubic metres			
Production volume	1.18	1.16	(2%)
<i>including Poland and Pakistan</i>	1.03	1.06	3%
<i>including PGNiG Upstream Norway</i>	0.15	0.10	(33%)
Imports volume	3.67	3.46	(6%)
<i>including imports from countries east of Poland</i>	1.79	1.92	7%
<i>including western</i>	1.15	0.56	(51%)
<i>including LNG</i>	0.73	0.98	34%
Sales volume outside PGNiG Group	9.90	10.60	7%
<i>including PGNiG SA</i>	5.72	6.31	10%
<i>on Polish Power Exchange</i>	3.30	3.50	6%
<i>exports from Poland</i>	0.26	0.69	165%
<i>including PGNiG Obrót Detaliczny</i>	2.83	2.93	4%
<i>including PGNiG Supply & Trading</i>	1.35	1.36	1%
DISTRIBUTION in billion cubic metres			
Gas distribution volume**	3.88	3.96	2%
CRUDE OIL*** in thousand tonnes			
Production volume	323.9	321.3	(1%)
<i>including Poland</i>	207.6	199.8	(4%)
<i>including PGNiG Upstream Norway</i>	116.3	121.5	4%
Sales volume	288.1	275.7	(4%)
<i>including Poland</i>	210.0	210.1	-
<i>including PGNiG Upstream Norway</i>	78.1	65.6	(16%)
HEAT AND ELECTRICITY****			
Heat sales volume (PJ)	16.97	16.05	(5%)
Electricity sales volume (TWh)	1.51	1.38	(9%)
Gas in underground storage facilities in billion cubic metres			
Gas in underground storage facilities as at March 31 st	1.36	1.74	28%

* 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

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[PLN bn]	Q1 2019	Q1 2020	change yoy
Consolidated revenue	14.34	13.76	(4%)
Consolidated EBITDA	2.22*	2.08	(6%)
Herein: impairment losses on property, plant and equipment of PGNiG Group	+0.02	-0.76	(39x)
Consolidated EBITDA (without impairment losses on property, plant and equipment of PGNiG Group)	2.20*	2.84	29%
<i>EBITDA of Exploration and Production</i>	<i>1.30</i>	<i>0.07</i>	<i>(95%)</i>
<i>impairment losses on property, plant and equipment</i>	<i>+0.02</i>	<i>-0.76</i>	<i>(39x)</i>
<i>EBITDA of Trade and Storage</i>	<i>-0.07</i>	<i>0.91</i>	<i>(14x)</i>
<i>gas inventory write-downs</i>	<i>+0.04</i>	<i>+0.25</i>	<i>5x</i>
<i>EBITDA of Distribution</i>	<i>0.63*</i>	<i>0.77</i>	<i>22%</i>
<i>EBITDA of Generation</i>	<i>0.40</i>	<i>0.42</i>	<i>5%</i>
Consolidated EBIT	1.43*	1.21	(15%)
Consolidated net result	1.10*	0.78	(29%)

* Change related to the application of IFRS 16. The Group recognised right-of-use assets and lease liabilities under the contracts, in the Distribution segment, as at January 1st 2019, with the adjustment also affecting financial data presented in the earlier interim reports issued in 2019.

Key drivers of the segment's EBITDA

Current Report No. 19/2020 of May 21st 2020

Exploration and Production:

- › lower prices of products, including -20% yoy decline of the average crude oil price in USD/bbl for the quarter and -40% yoy decline of Day Ahead Market gas prices on Polish Power Exchange;
- › dokonanie odpisów aktualizujących powstałych w wyniku przeprowadzonych testów na utratę wartości majątku trwałego w segmencie w kwocie około -758 mln zł
- › increase in production volumes of crude oil in Norway yoy.

Trade and Storage:

- › -11% yoy decline of 9-month average Brent crude oil price in USD/bbl with higher quarterly average USD/PLN exchange rate by 4% 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;
- › -2.9% average decline of gas fuel price in the new retail tariff, introduced to act on January 1st 2020;
- › gas inventory write-down in Q1 2020: PLN +255m vs PLN +37m in Q1 2019;
- › the result on exercise of derivative financial instruments designated for hedge accounting reported in EBIT: PLN +819m in Q1 2020 vs PLN +179m in Q1 2019;
- › effect of payments, as of March 1st 2020, for the gas supplied under the Yamal contract in amounts resulting from the pricing formula based on the Stockholm Arbitration Institute's award.

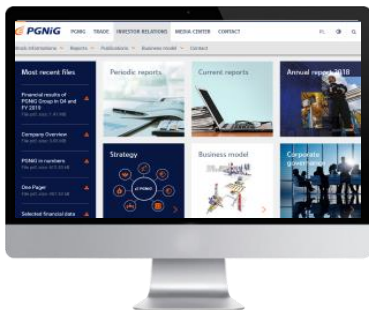
Distribution:

- › -5% decline in the gas distribution tariff, introduced to act on February 15th 2019;
- › average temperature in Q1 2020 up by +1,2°C yoy;
- › net income/cost of system balancing: PLN +16m in Q1 2020 vs PLN -131m in Q1 2019.
 - › by a decision of the President of the Energy Regulatory Office of December 23rd 2019, a new Grid Code was approved, introducing changes to the commercial balancing regime for natural gas distribution; the new rules took effect as of January 1st 2020; the amendments introduced, among other things, an annual settlement period for the difference between settlement allocations and distribution services, taking into account the average annual gas price on PPX.

Generation:

- › lower revenue from sales of heat (-2% decrease yoy) on higher average temperature in Q1 2020 thus lower heat sales volumes;
- › -3% yoy lower revenue from sales of electricity on lower electricity sales volumes and higher prices of electricity;
- › lower costs of coal to production yoy.

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