

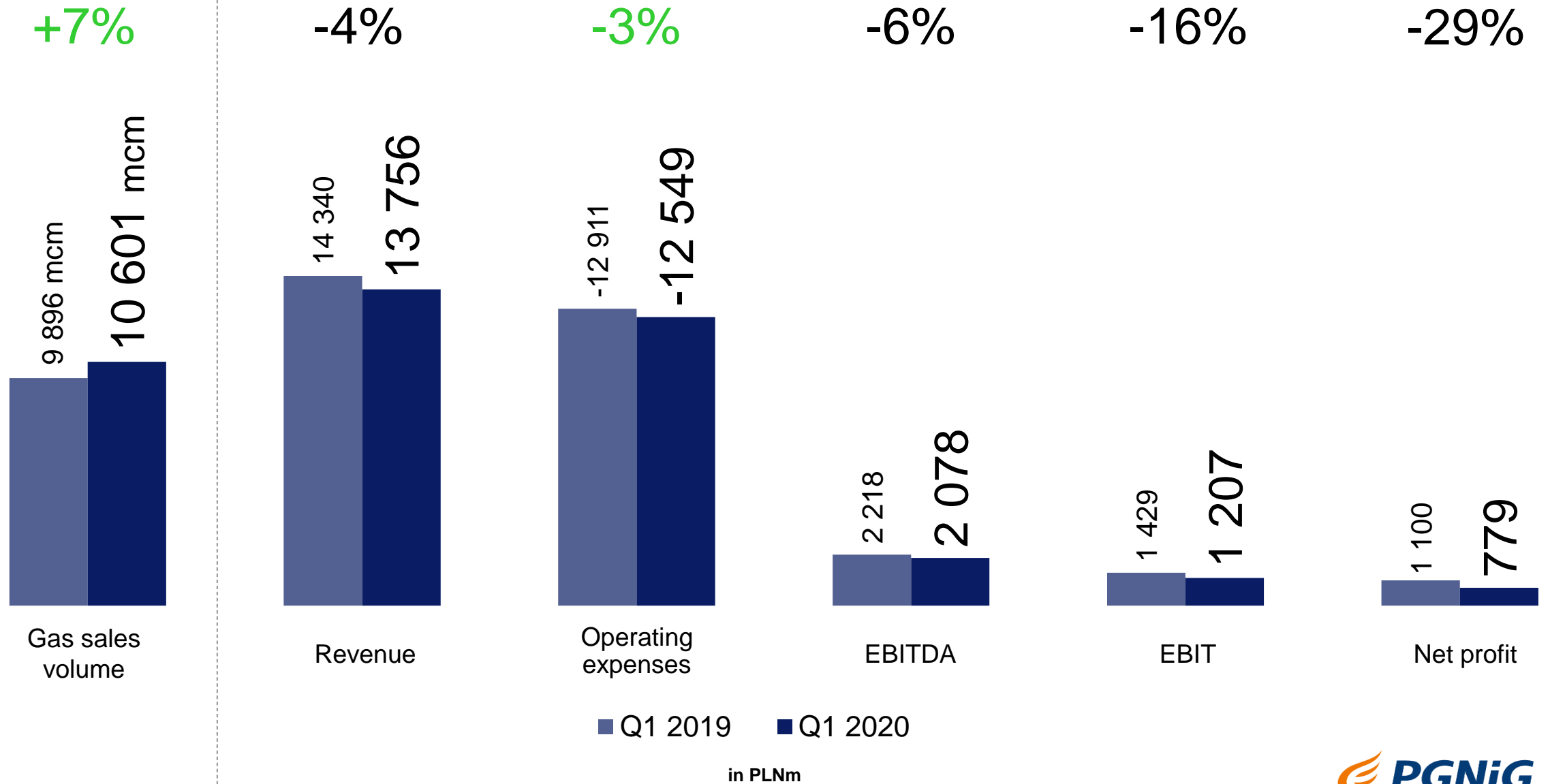
# Polskie Górnictwo Naftowe i Gazownictwo SA

PGNiG Group for Q1 2020 Results

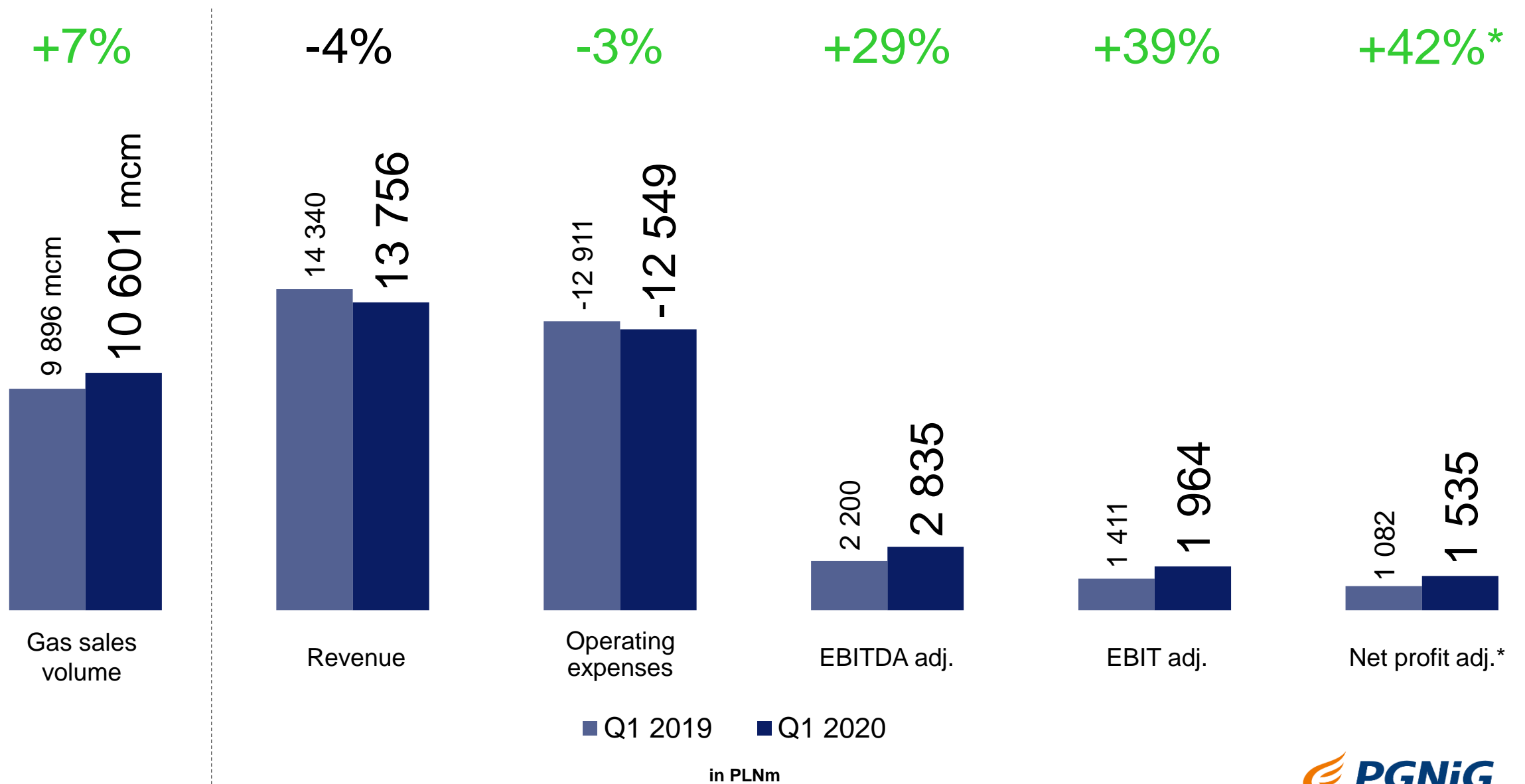
4th June 2020



# Key financial results of the PGNiG Group for Q1 2020



# Key financial results of the PGNiG Group for Q1 2020 - adjusted



\* impact on net profit excluding deferred tax

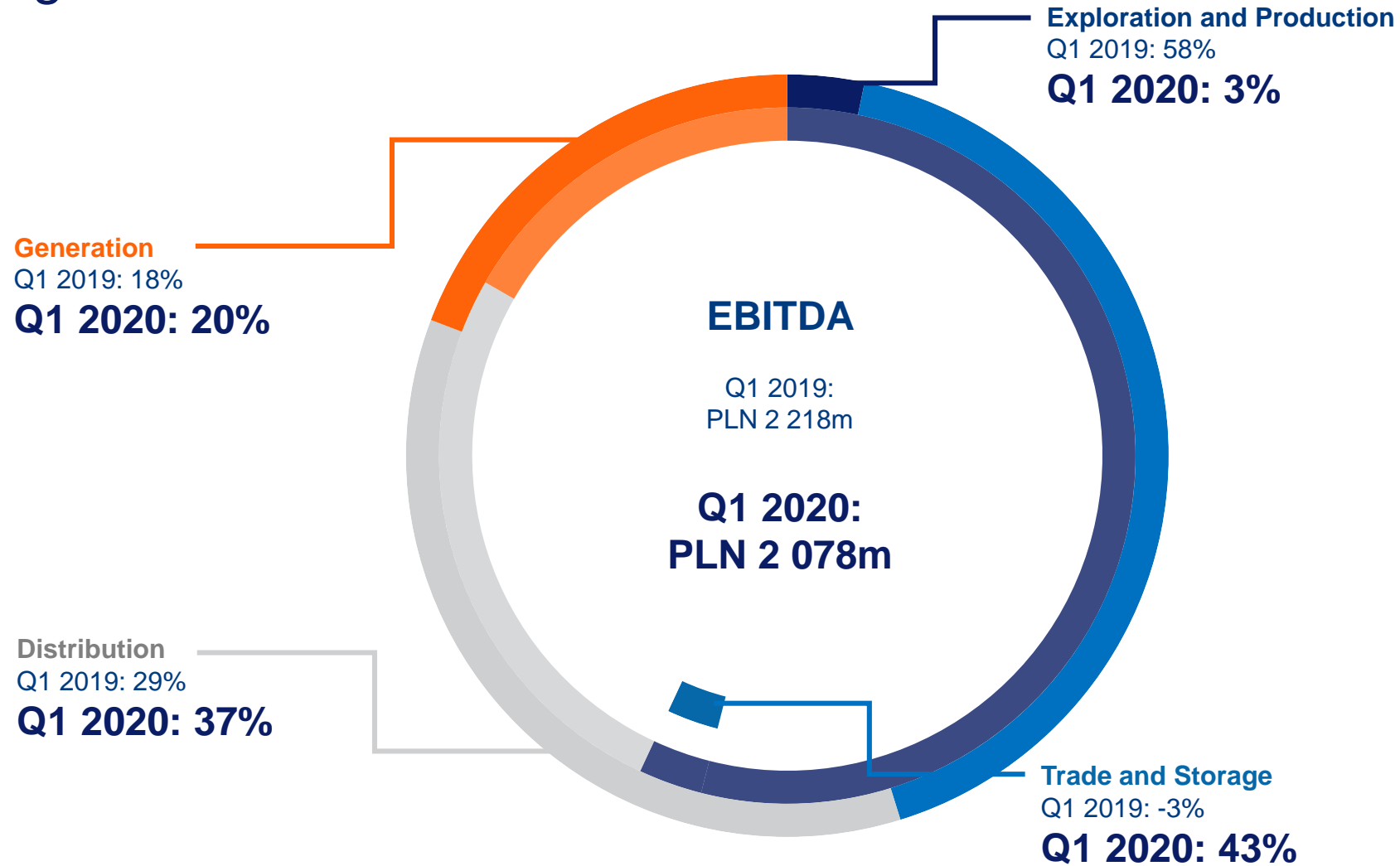
Exploration and Production

Trade and Storage

Distribution

Generation

# Segments' contribution to EBITDA



Contribution of other „segments and eliminations” to EBITDA in Q1 2020: -2%, in Q1 2019: -3%

# Exploration and Production



(PLNm)

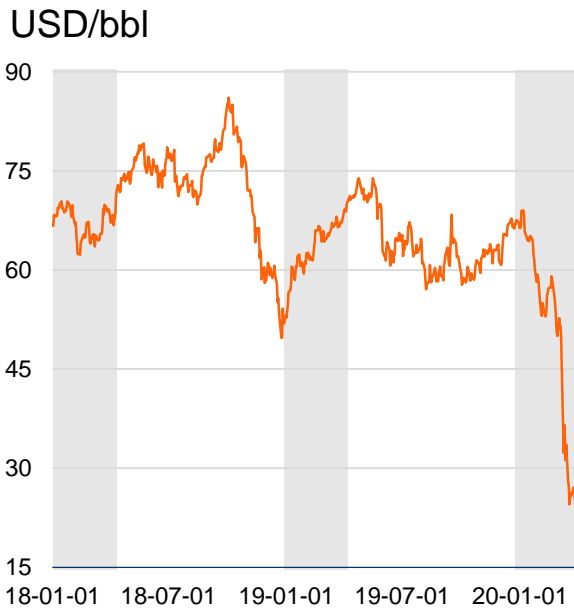
Quarterly average price of Brent crude yoy **-17%** ▼  
239 / PLN 199/bbl

Quarterly arithmetic average POLPX DAMg price yoy **-39%** ▼  
88 / PLN 54/MWh

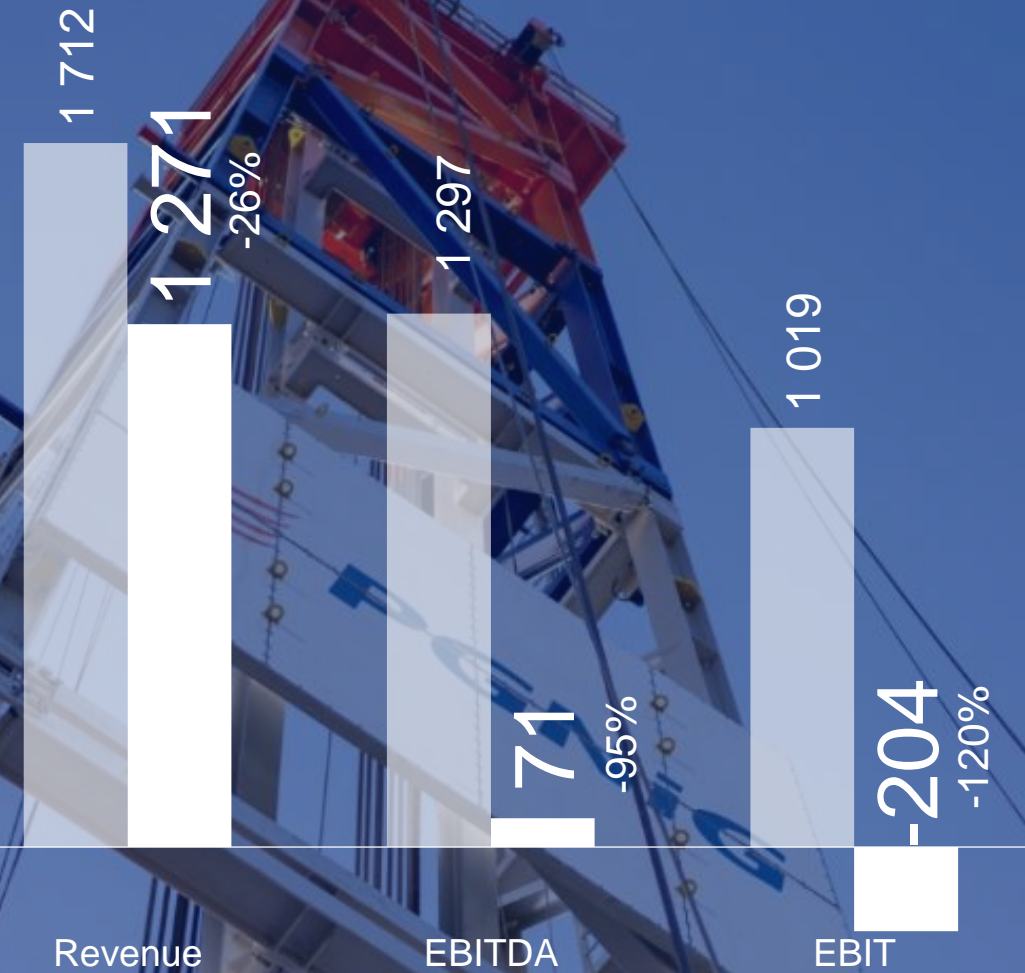
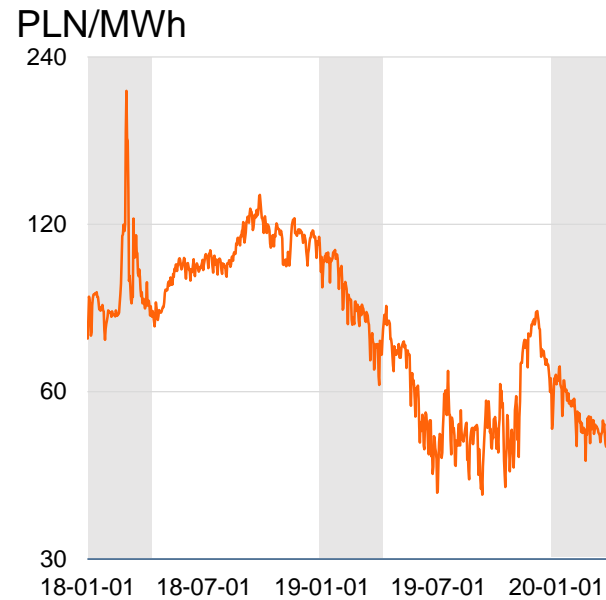
Crude oil production yoy **0,3%** ▲  
324 / 325 thousand tonnes

Natural gas production yoy **-2%** ▼  
1.18 / 1.16 bcm

### Brent crude oil price



### Price on the POLPX Day-Ahead Market



■ Q1 2019

■ Q1 2020



# Trade and Storage

Quarterly average POLPX (spot and futures) price yoy  
104.9 / PLN 84.3/MWh

-20% ▼

LNG import volumes yoy  
0.73 / 0.98 bcm

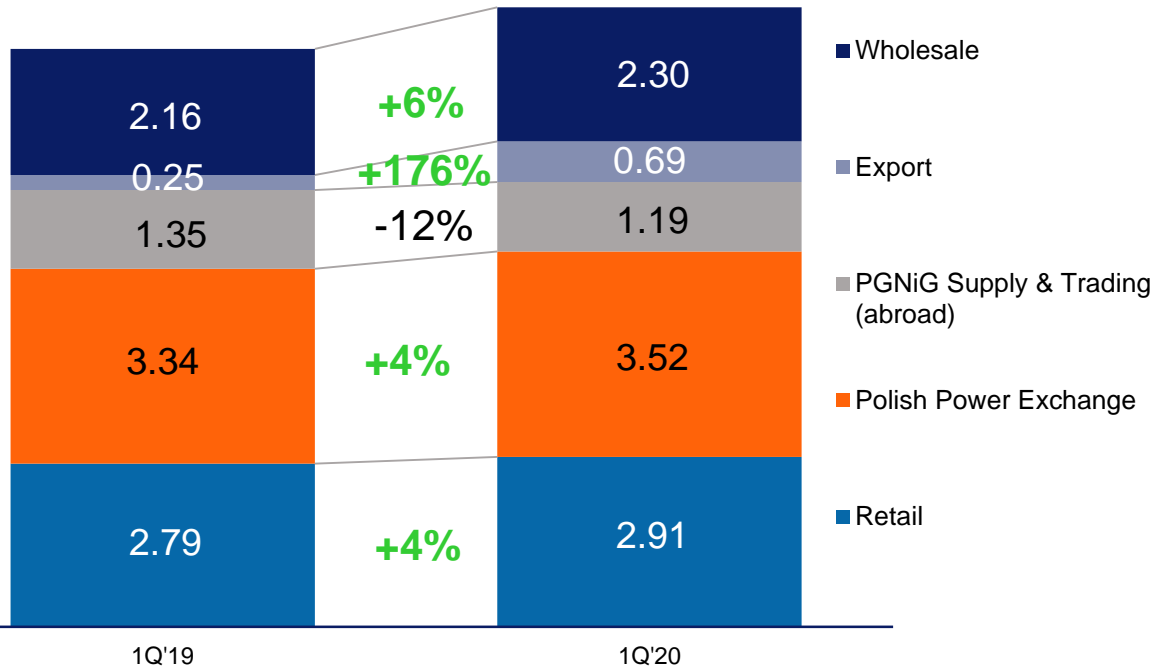
+35% ▲

Total gas sales outside the PGNiG Group yoy  
9.90 / 10.60 bcm

+7% ▲

Total volumes of gas sold by the PGNiG Group (E&P and T&S)

bcm



(PLNm)

■ Q1 2019

■ Q1 2020



# Distribution

Gas distribution yoy  
3.88 / 3.96 bcm

+2% ▲

Revenue from distribution services yoy  
1.34 / PLN 1.33bn

-1% ▼

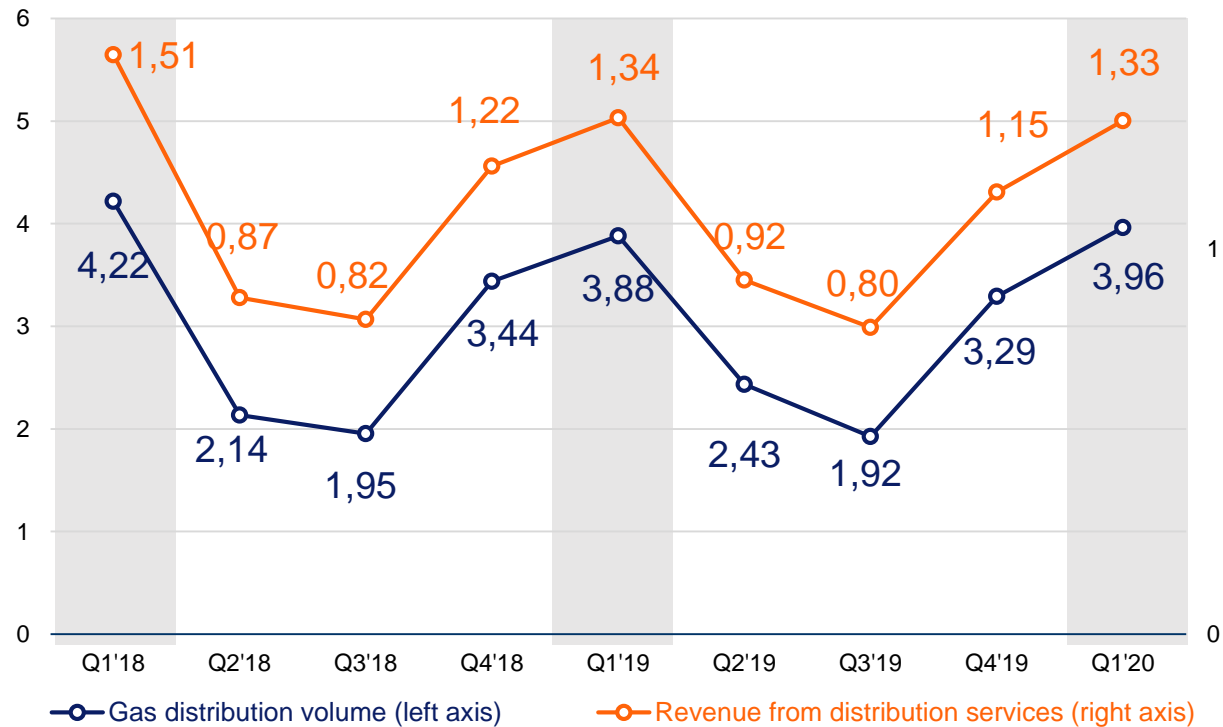
Temperature yoy  
2.06°C / 3.22°C

1.16°C ▲

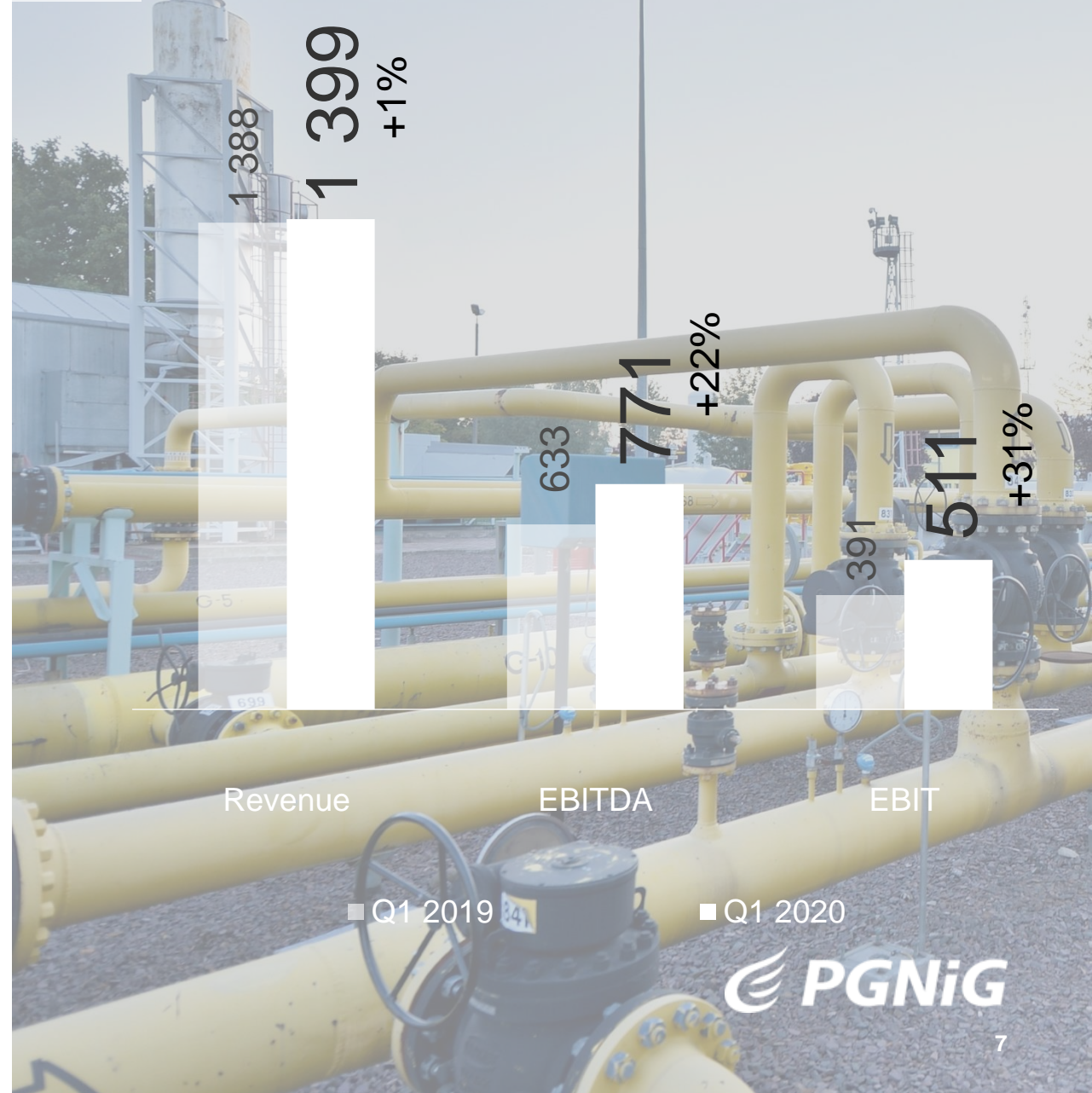
## Revenue from distribution services and gas distribution volume

bcm

PLN bn



(PLNm)



# Generation

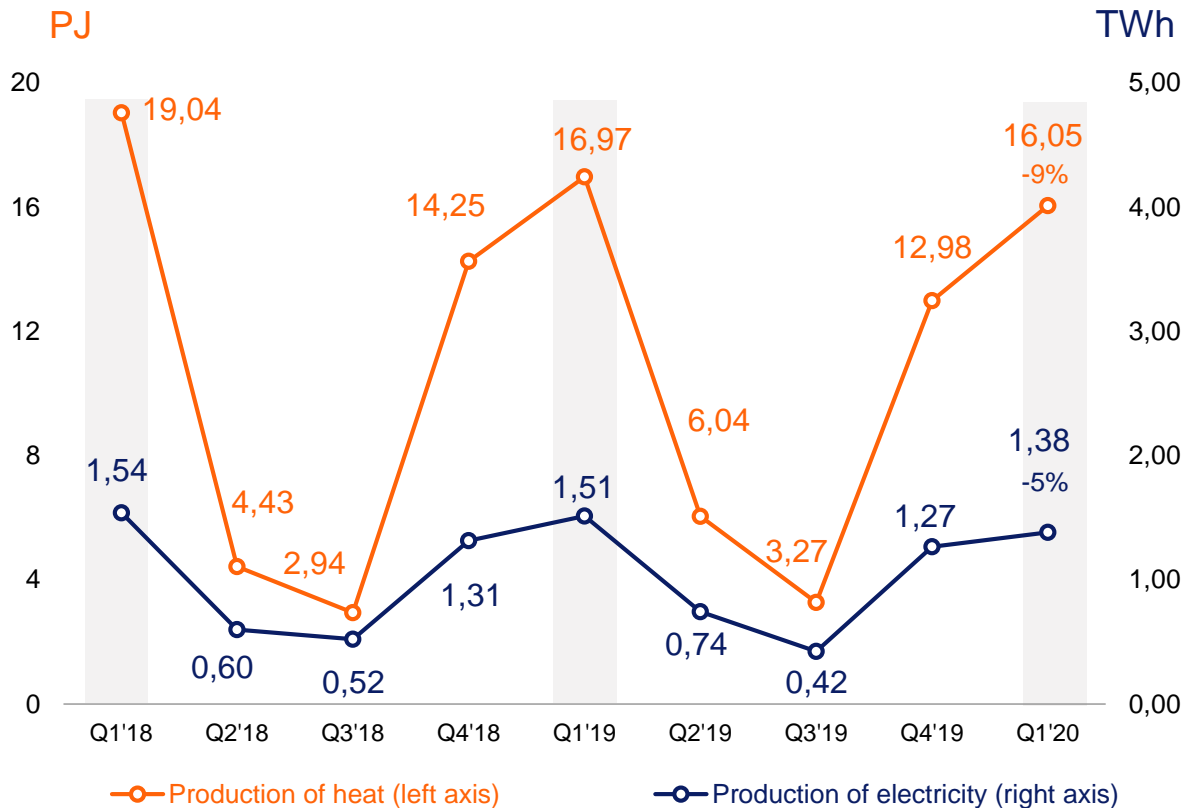
Revenue from sales of heat yoy  
521 / PLN 530m

+2% ▲

Revenue from sales of electricity (from own generation) yoy  
361 / PLN 352m

-2% ▼

## Sales of heat and electricity (from own generation)





# PGNiG's arbitration win against Gazprom



## March 30th 2020

- Arbitration Tribunal in Stockholm announces final award in favour of PGNiG
- The pricing formula adjudicated by the Tribunal significantly and directly linked to gas prices in Western Europe.
- New pricing conditions apply retroactively from November 1st 2014. PGNiG estimates Gazprom will be obliged to refund **ca. USD 1.5bn.**
- The new pricing conditions have been used for current deliveries since March 2020, the initial incorrect invoices have been corrected by Gazprom.

## June 2nd 2020

- Gazprom files petition to the Court of Appeal to set aside the final award
- Statement of PGNiG: no grounds for setting aside the final award.

# PGNiG's successful action against Nord Stream 2

## May 15th 2020

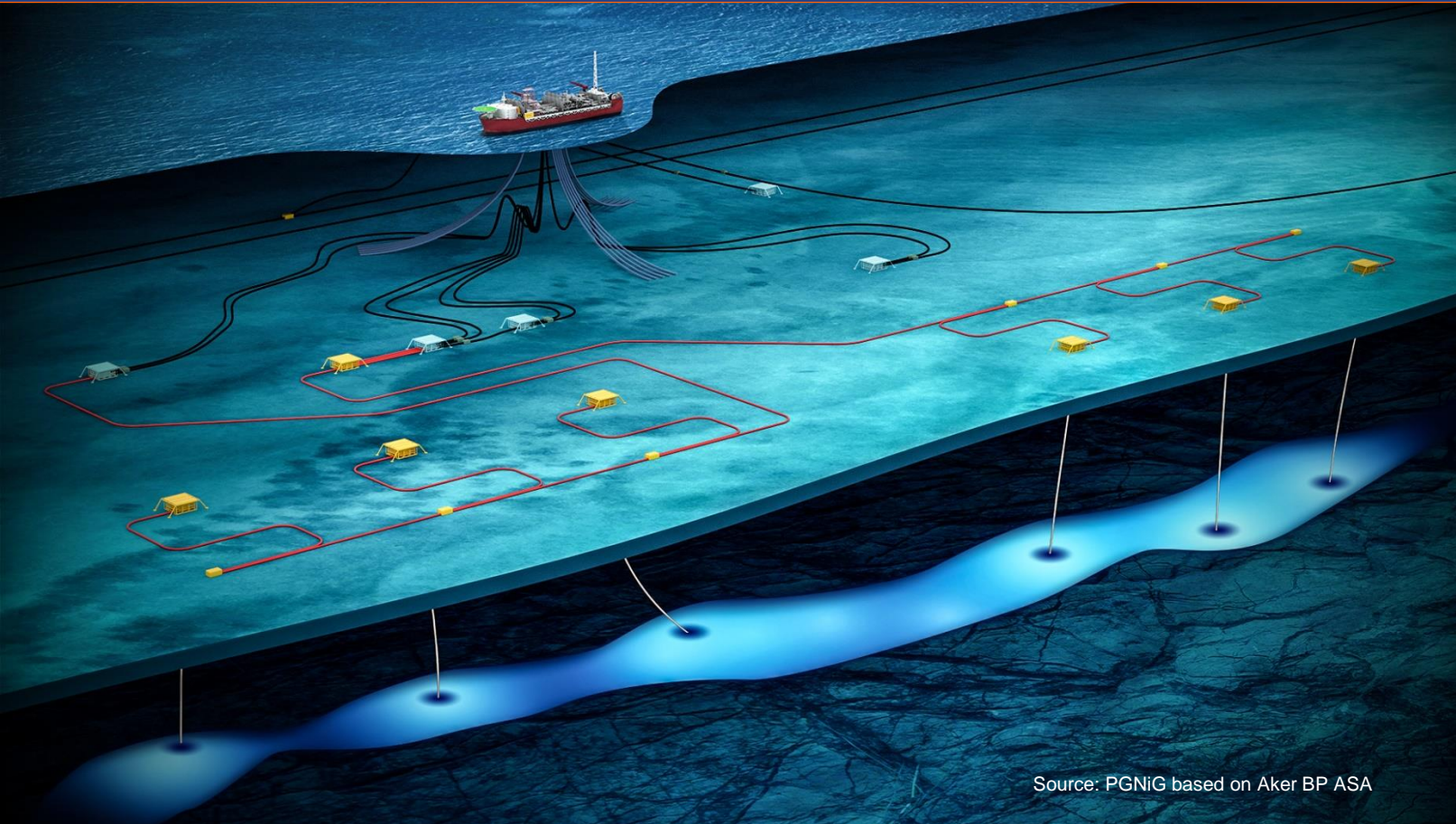
- **Bundesnetzagentur rejects Nord Stream 2 AG's motion for derogation (exemption from EU legislation)**
- PGNiG SA and PGNiG Supply & Trading GmbH are parties to the proceedings.
- The decision confirms the validity of PGNiG's arguments.

## May 20th 2020

- **The Court of Justice of the EU rejects the complaint by Nord Stream AG and Nord Stream 2 AG concerning amendment of the Gas Directive**
- The Gas Directive makes the gas pipelines subject to EU legislation.
- It is confirmed that pipelines in the EU must be operated in accordance with transparent market rules.



# ■ Exploration & Production: Norway

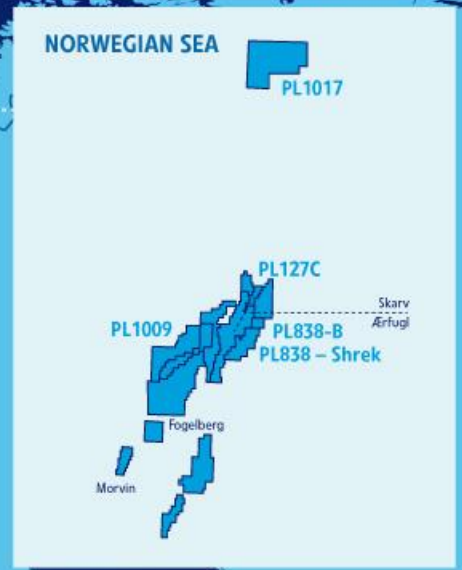
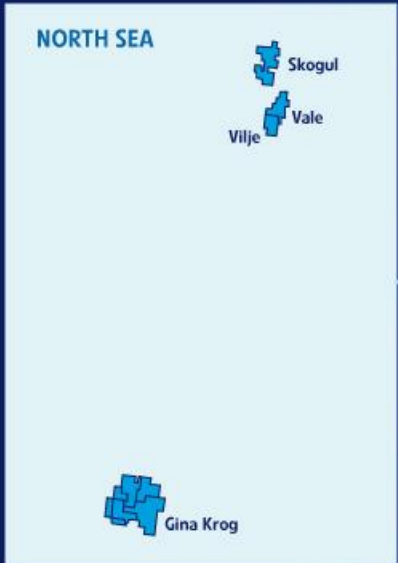


Source: PGNiG based on Aker BP ASA

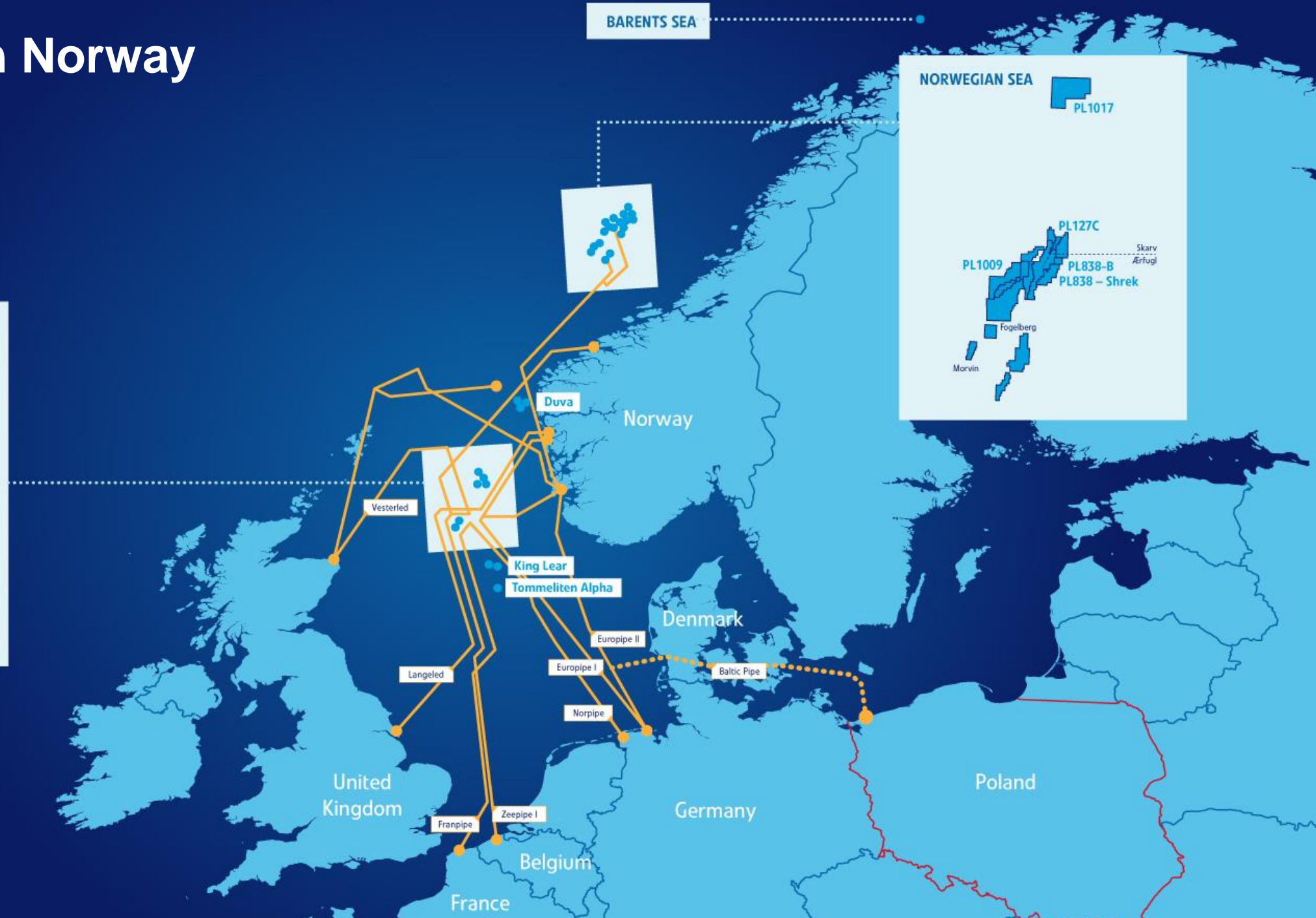
- PGNiG closes transactions to purchase interests in licences covering Duva, Gina Krog and Alve Nord fields
- **The number of licences held by PGNiG in Norway increases this year from 26 to 31**
- Start of production from the Skogul field
- Start of production from the Ærfugl field

# PGNiG in Norway

31  
licenses



- EXISTING GAS PIPELINES
- PLANNED ROUTE OF BALTIC PIPE
- PGNiG LICENSES



# ■ Exploration & Production – Pakistan and UAE



## Production in Pakistan up in Q1 2020

Q1 2019: 43.2 mcm  
Q1 2020: 69.1 mcm  **60 %**



## PGNiG's UAE Branch completes 3D seismic data acquisition on the Ras Al-Khaimah licence

- Work completed on schedule in May despite pandemic-related restrictions
- Over 650 sq km, ca. 30,000 geophones, four vibroseis vehicles



# ■ LNG imports and more import capacity booked



## LNG imports to Poland increase in Q1 2020

10 vs 7 LNG cargoes

0.98 bcm vs 0.73 bcm

 34%

Total import volumes in Q1 2020 vs Q1 2019

## Additional regas capacity booked at the President Lech Kaczyński LNG Terminal in Świnoujście

- 6.2 bcm annually in 2022–2023
- 8.3 bcm annually in 2024–2038



# Small-scale LNG: international expansion



## Reloading LNG station in Klaipėda, Lithuania, used for the first time

- **23** cargoes sold over two months of using the reloading station
- **Over 392 tonnes** of LNG sold in total so far
- The contract for using the facility runs for five years
- The first LNG delivery to station expected **on June 11th 2020 (ca. 3.5 kcm)**



# ■ Exploration & Production: Poland



- Digital Field modelling system **was applied**
- First horizontal well drilled in the Paproć field
- Paproć-66H well test completed
- Additional annual production from that well alone **estimated at 45 mcm E**
  - ❖ **Five-fold increase in productivity**
  - ❖ **Higher recovery rates**
  - ❖ **Improved economic efficiency**



# Exploration & Production: Poland



- Tests completed on another well in the Przemyśl field
- Four new wells to increase production from the field **by 13% per annum**
- Production from remaining new wells (Podkarpacie + Wielkopolska) in the first year of operation estimated at **ca. 85 mcm**
- Drilling of the Nowe Sady-1 test well commenced
- Planned well depth: **6 km**



# ■ Distribution network rollout



## Q1 2019 vs Q1 2020 comparison

New gas network connections	18,383	27,127	▲	48%
New network sections	778.60 km	1,087.51 km	▲	308.91 km
New service-line contracts	29,113	31,714	▲	9%
Service-line pre-contract documentation issued	54,408	62,481	▲	15%



**12**

Number of municipalities connected to the gas network in Q1 2020

**126/300**

Number of municipalities connected to the gas network under PI Program at the end of Q1 2020

**1,607**

Total number of municipalities connected to the gas network at the end of Q1 2020

**64.88%**

Progress in gas network rollout in Poland



## Remote customer service

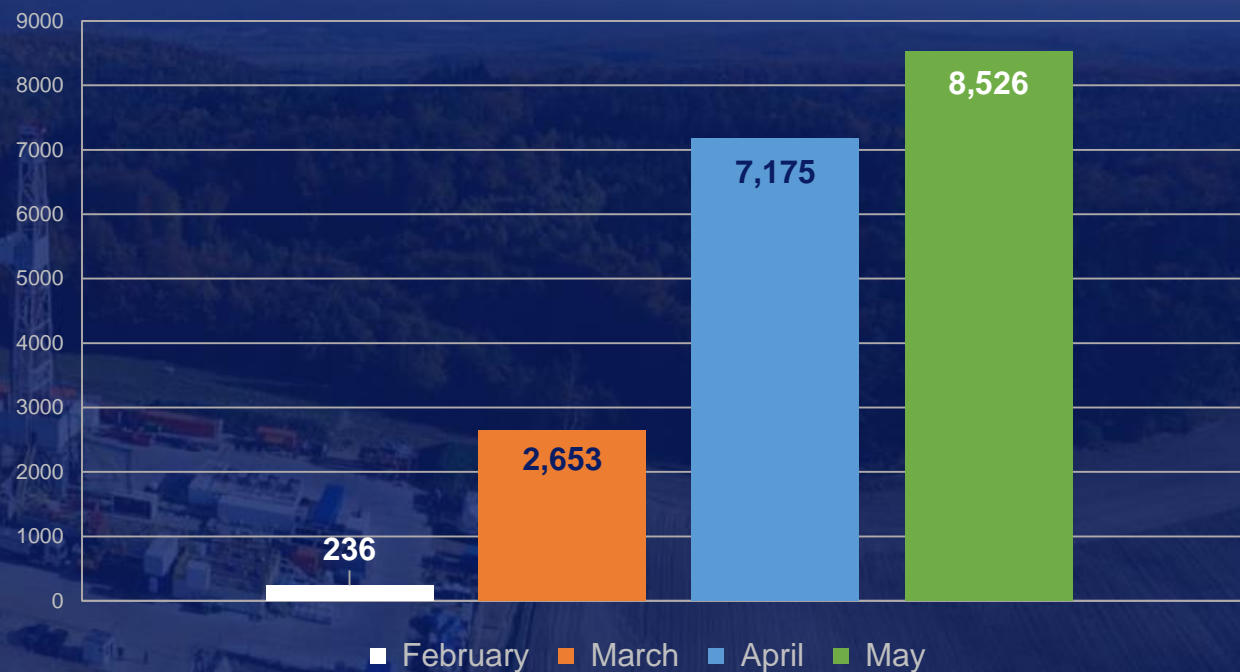
**1.7m** contracts handled via eBOK  
(+144,000 in Q1 2020)

Mobile app downloaded **1 million times**  
(+198,000 installations in Q1 2020)

**1.1m** contracts with the EKOofaktura  
option activated (+119,000 in Q1 2020)

**687,000** online payments in Q1 2020  
(+428% on Q1 2019)

## Number of online contracts





## CNG sales

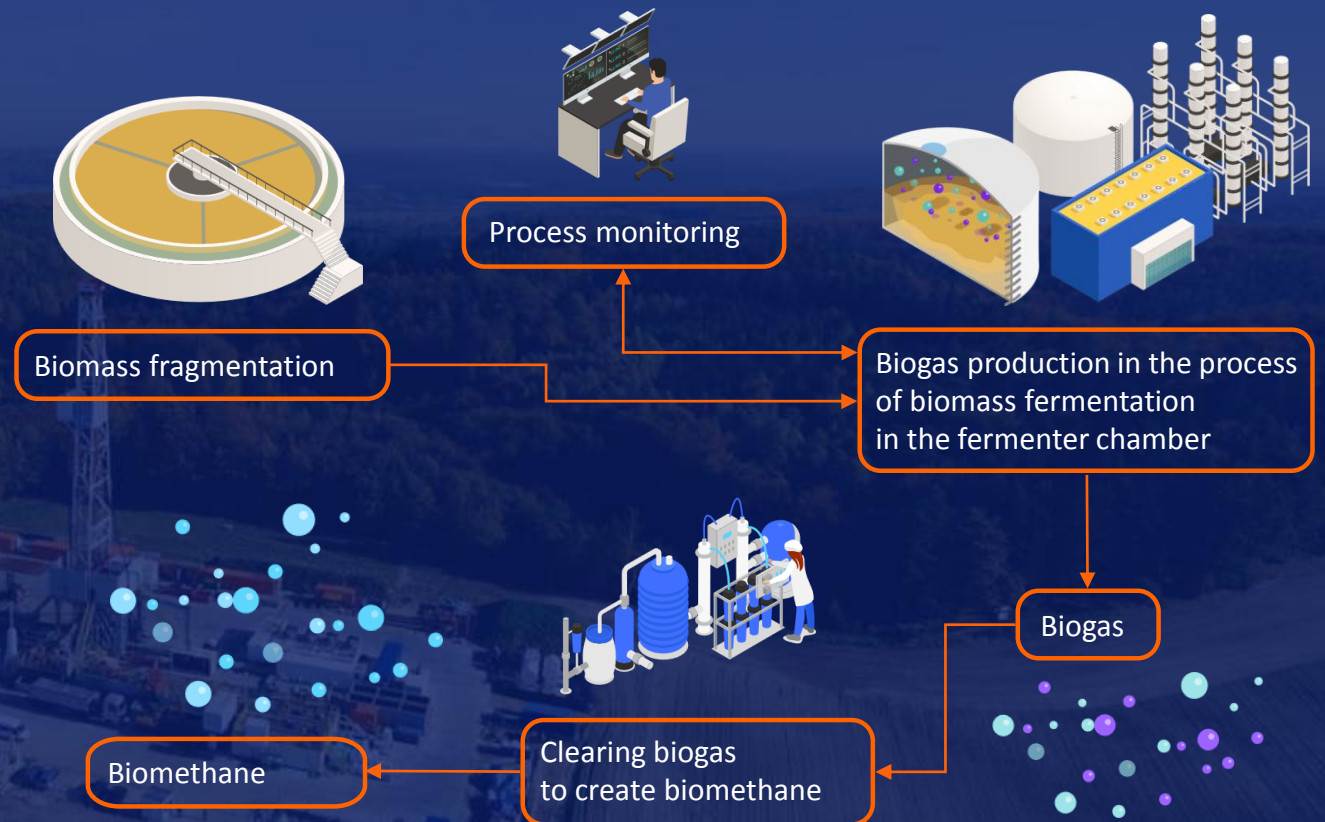


- **260 kcm** of CNG for the Kraków MPO municipal waste collection and management company
- **PLN 6m** contract for the supply of 2,200 tonnes of LNG to the Warsaw MZA municipal bus service company

# Alternative fuel development programs

## PGNiG's new bio-methane research program

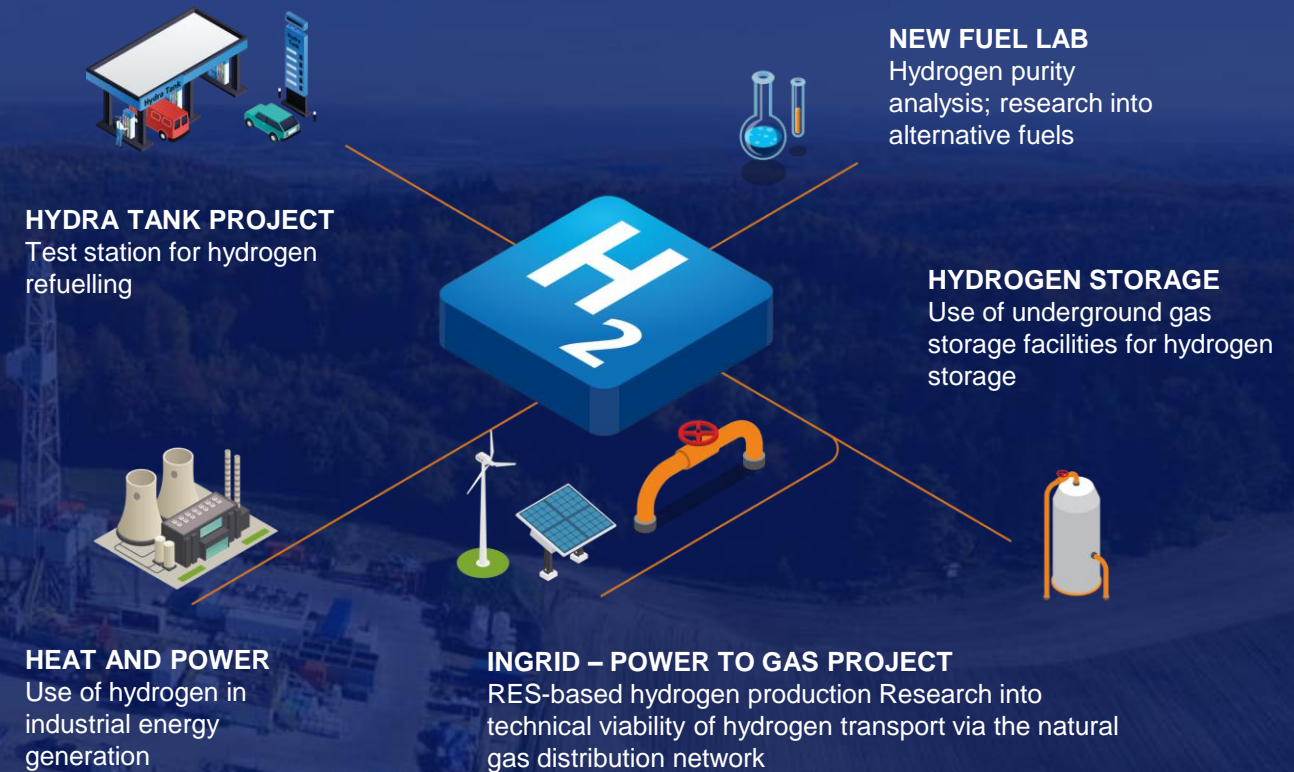
- Defining the potential for using bio-methane on the Polish market
- Developing a model for obtaining bio-methane
- Bio-methane trading and distribution (model selection)
- Seeking alternative bio-methane applications (bio-LNG, bio-CNG, bio-hydrogen)
- Gradually replacing imported gas with bio-methane



# Alternative fuel development programs

## PGNiG's new hydrogen research program

- RES-based production of 'green' hydrogen (PV)
- Construction of a test hydrogen refuelling station
- Hydrogen storage tests
- Test injections of hydrogen-natural gas mixture into the network
- Expanding lab analytical capabilities



# Research + Development + Innovation



- **Over 130** R+D projects ongoing
- Total value = **over PLN660m**
- R+D expenditures in 2020 = **PLN150m**
- **Additional PLN250m** for R+D in exploration and testing area (upstream)
- **INGA competition**, after 1st edition PGNiG selected projects for financing worth of **approx. PLN80m**



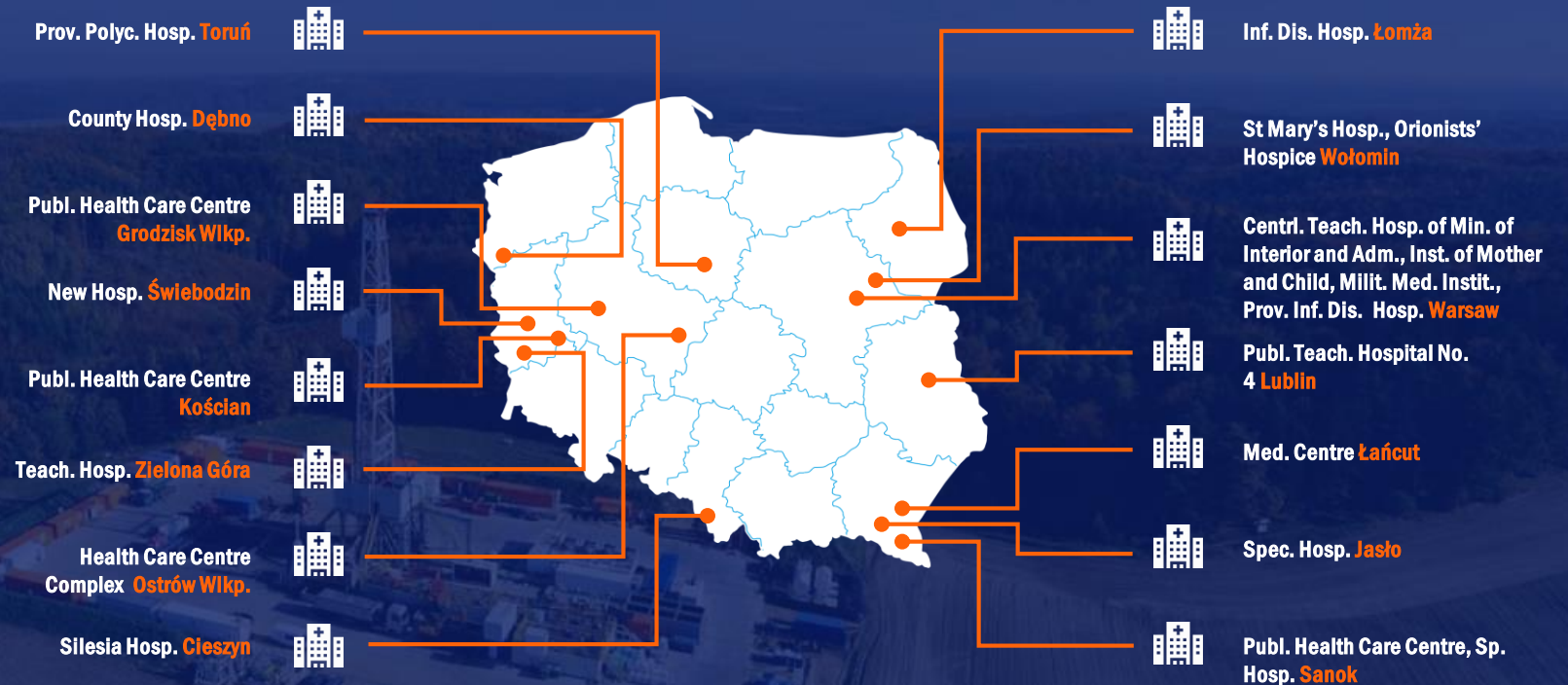
- **Corporate Venture Capital** fund
- Investing in startups
- Investment budget **PLN100m**



- **SMOK** – mobile device to measure LNG flows
- **Ekogłowica** – own design, smaller dimensions, cast elements
- **MiniDrill** – mobile set for exploration of gas and oil resources

# PGNiG joins efforts to tackle the coronavirus pandemic

- Financial and non-financial assistance provided to hospitals across Poland
- Assistance worth over **PLN 6.5m**
- Money and equipment for **20 hospitals**
- Safety measures for PGNiG staff





## ■ PGNiG amid the pandemic



- Implementation of extra safety measures
- Maintaining continuity of production and administration processes
- Ensuring security of supply
- Providing remote working options to staff
- Retaining jobs

