

Polskie Górnictwo Naftowe i Gazownictwo SA

Estimated financial results of PGNiG Group
in Q2 and H1 2020



July 31st 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. 44/2020 of July 31st 2020. The financial data contained in this presentation and in the Current Report may change following an audit by a qualified auditor.

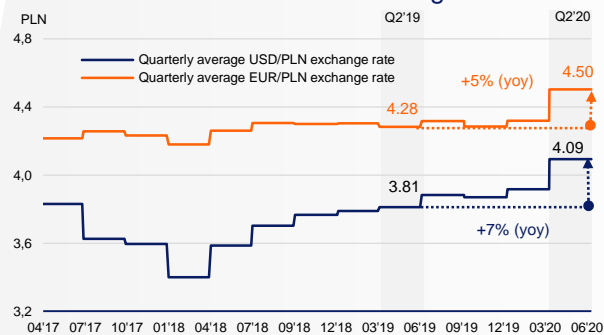
The interim report for H1 2020 will be published on August 20th 2020.

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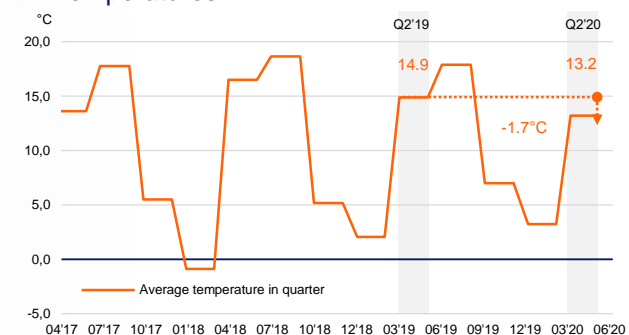
External and market drivers

- > USD/PLN in Q2 2020 up by 7.4% yoy, at PLN 4.09.
- > EUR/PLN in Q2 2020 up by 5.1% yoy, at PLN 4.50.
- > Average temperature* in Q2 2020 down 1.7°C yoy.

> USD/PLN and EUR/PLN exchange rate

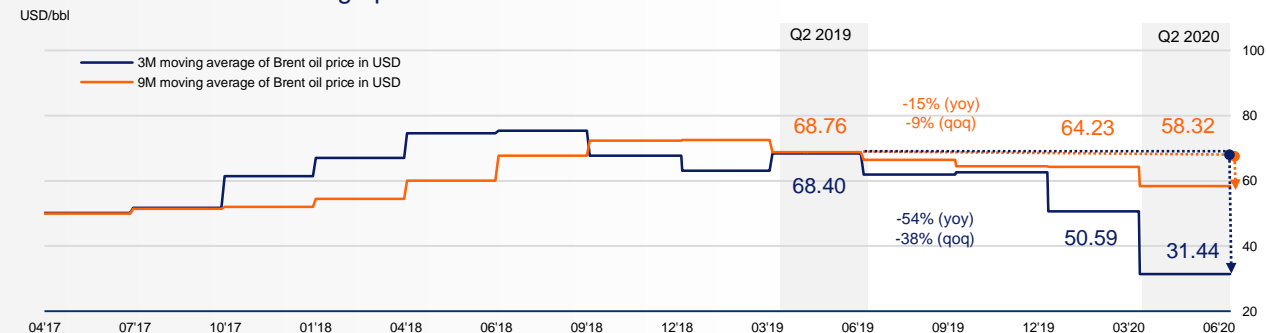


> Temperatures*



- > -54% yoy drop in the 3-month (quarter) average crude oil price to 31.44 USD/bbl.

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



- > -15% yoy drop in the 9-month average crude oil price to 58.32 USD/bbl in Q2 2020

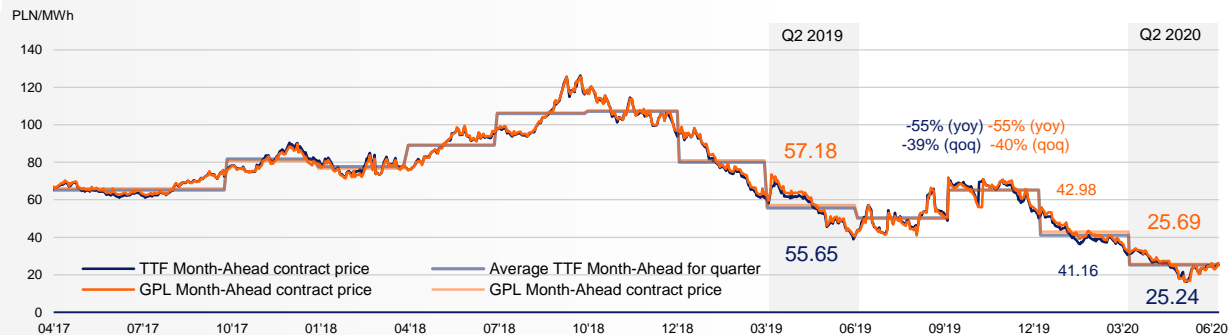
Gas markets

> TTF and GPL gas price decrease in PLN (Month-Ahead contract) in Q2 2020:

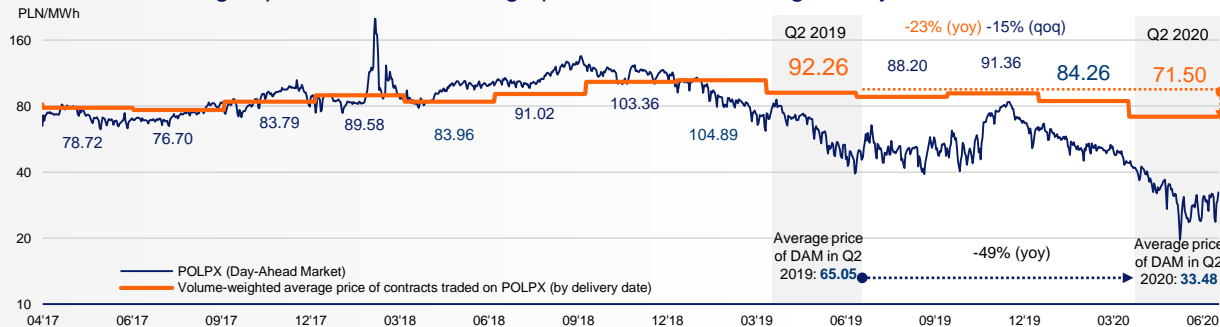
- > April: -53% and -53% yoy,
- > May: -61% and -61 yoy,
- > June: -49% and -50% yoy.

> Higher trading volumes (+6% yoy) on POLPX in Q2 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. 40/2020 of July 21st 2020

	Q2 2019	Q2 2020	Chnage yoy	H1 2019	H1 2020	Chnage yoy
NATURAL GAS* in billion cubic metres						
Production volume	1.04	1.02	(2%)	2.22	2.19	(1%)
<i>including Poland and Pakistan</i>	0.93	0.91	(2%)	1.96	1.98	1%
<i>including PGNiG Upstream Norway</i>	0.11	0.11	-	0.26	0.21	(19%)
Imports volume	3.71	4.01	8%	7.38	7.47	1%
<i>including imports from countries east of Poland</i>	2.19	2.19	-	3.98	4.12	4%
<i>including western and southern</i>	0.48	0.61	27%	1.63	1.15	(29%)
<i>including LNG</i>	1.04	1.21	16%	1.77	2.20	24%
Sales volume outside PGNiG Group	6.05	6.30	4%	15.95	16.90	6%
<i>including PGNiG SA</i>	3.39	3.80	12%	9.10	10.11	11%
<i>on Polish Power Exchange</i>	1.40	1.69	21%	4.70	5.19	10%
<i>exports from Poland</i>	0.05	0.21	3x	0.31	0.90	2x
<i>including PGNiG Obrót Detaliczny</i>	1.57	1.57	-	4.39	4.50	3%
<i>including PGNiG Supply & Trading</i>	1.10	0.93	(15%)	2.45	2.29	(7%)
DISTRIBUTION in billion cubic metres						
Gas distribution volume**	2.43	2.23	(8%)	6.31	6.19	(2%)
CRUDE OIL*** in thousand tonnes						
Production volume	289.9	331.7	14%	613.8	656.3	7%
<i>including Poland</i>	177.1	166.8	(6%)	384.7	366.7	(5%)
<i>including PGNiG Upstream Norway</i>	112.8	164.9	46%	229.1	289.6	26%
Sales volume	266.2	369.5	39%	554.3	646.4	17%
<i>including Poland</i>	177.4	159.3	(10%)	387.4	369.3	(5%)
<i>including PGNiG Upstream Norway</i>	88.8	210.2	137%	166.9	277.1	66%
HEAT AND ELECTRICITY****						
Heat sales volume (PJ)	6.04	6.79	12%	23.01	22.84	(1%)
Electricity sales volume (TWh)	0.74	0.64	(14%)	2.26	2.02	(11%)
Gas in underground storage facilities in billion cubic metres						
Gas in underground storage facilities as at June 30th *****	2.59	2.80	8%	2.59	2.80	8%

* 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



Selected financial highlights

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The interim report for H1 2020 will be published on August 20th 2020.

[PLN bn]	Q2 2019	Q2 2020	change yoy	H1 2019	H1 2020	change yoy
Consolidated revenue	8,28	7.28	(12%)	22,62	21.04	(7%)
Consolidated EBITDA	0.96*	7.27	7x	3.18*	9.35	2x
Herein: impairment losses on property, plant and equipment of PGNiG Group	-0.24	-0.10	(58%)	-0.22	-0.85	3x
<i>EBITDA of Exploration and Production</i>	<i>0.69</i>	<i>0.17</i>	<i>(75%)</i>	<i>1.99</i>	<i>0.24</i>	<i>(88%)</i>
<i>cost of dry wells and seismic surveys</i>	<i>-0.01</i>	<i>-0.06</i>	<i>5x</i>	<i>-0.02</i>	<i>-0.08</i>	<i>3x</i>
<i>impairment losses on property, plant and equipment</i>	<i>-0.21</i>	<i>-0.09</i>	<i>(57%)</i>	<i>-0.19</i>	<i>-0.85</i>	<i>3x</i>
<i>EBITDA of Trade and Storage</i>	<i>-0.16</i>	<i>6.65</i>	<i>(43x)</i>	<i>-0.23</i>	<i>7.56</i>	<i>(34x)</i>
<i>reduction costs of gas associated with retroactive settlement under yamal contract annex</i>	<i>-</i>	<i>5.69</i>	<i>-</i>	<i>-</i>	<i>5.69</i>	<i>-</i>
<i>gas inventory write-downs</i>	<i>-0.09</i>	<i>+0.11</i>	<i>(2x)</i>	<i>-0.07</i>	<i>+0.36</i>	<i>(6x)</i>
<i>EBITDA of Distribution</i>	<i>0.49*</i>	<i>0.41</i>	<i>(16%)</i>	<i>1.12*</i>	<i>1.18</i>	<i>5%</i>
<i>EBITDA of Generation</i>	<i>0.06</i>	<i>0.12</i>	<i>100%</i>	<i>0.46</i>	<i>0.53</i>	<i>15%</i>
Consolidated EBIT	0.29*	6.45	21x	1.71*	7.66	3x
Consolidated net result	0.27*	5.14	18x	1.33*	5.92	3x

* 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. 44/2020 of July 31st 2020

> Comment Q2 2020 vs Q2 2019

Exploration and Production:

- > lower prices of products, including 54% yoy decline of the average crude oil price in USD/bbl for the quarter and 49% yoy decline of Day Ahead Market gas prices on Polish Power Exchange;
- > recognition of impairment losses on non-current assets of PLN -94m;
- > increase in production volumes of crude oil in Norway by 52 thousand tons (46% yoy).

Trade and Storage:

- > impact of the settlement resulting from the conclusion of the annex to the Yamal contract - lower operating costs related to gas by PLN 5,689m and positive exchange differences arising on the measurement of mutual accounts (approx. PLN 300m);
- > 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;
- > 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;
- > recognition of gas inventory write-downs of PLN +108m vs PLN -91m in Q2 2019;
- > the result on exercise of derivative financial instruments designated for hedge accounting, reflected in sales revenue in the amount of PLN +171m (PLN +102m in Q2 2019).

Distribution:

- > 3.5% increase in the gas distribution tariff, introduced to act on April 3rd 2020;
- > average temperature in Q2 2020 down by 1.7°C yoy;
- > net income/cost of system balancing : PLN +2m in Q2 2020 vs PLN +181m in Q2 2019.

Generation:

- > 18% yoy higher revenue from sales of heat on lower average temperature in Q2 2020 and higher heat sales volumes;
- > 13% yoy lower revenue from sales of electricity on lower electricity sales volumes;
- > lower costs of coal to production yoy.

The impact of the valuation of shares in the investment in the Polska Grupa Górnicza SA for the total amount of PLN -222m as a result of recognizing the impact of the COVID-19 pandemic on the company's operations.

> Comment H1 2020 vs H1 2019

Exploration and Production:

- > lower prices of products, including 38% yoy decline of the average crude oil price in USD/bbl for the quarter and 44% yoy decline of Day Ahead Market gas prices on Polish Power Exchange;
- > recognition of impairment losses on non-current assets of PLN ca. -853m;
- > increase in production volumes of crude oil in Norway by 61 thousand tons (26% yoy).

Trade and Storage:

- > impact of the settlement resulting from the conclusion of the annex to the Yamal contract - lower operating costs related to gas by PLN 5,689m and positive exchange differences arising on the measurement of mutual accounts (approx. PLN 300m);
- > 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.
- > 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;
- > recognition of gas inventory write-downs of PLN +363m vs PLN -69m in H1 2019;
- > the result on exercise of derivative financial instruments designated for hedge accounting, reflected in sales revenue in the amount of PLN +990m (PLN +220m in H1 2019);

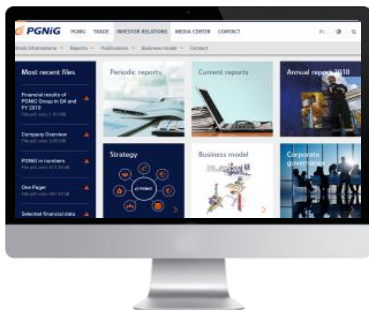
Distribution:

- > average temperature in H1 2020 down by 0,3 °C yoy;
- > net income/cost of system balancing : PLN +17m in H1 2020 vs PLN +50m in H1 2019.

Generation:

- > 7% yoy higher revenue from sales of heat on lower average temperature in H1 2020 and higher heat sales volumes;
- > 6% yoy lower revenue from sales of electricity on lower electricity sales volumes;
- > lower costs of coal to production yoy.

Contact details



Investor Relations website
www.en.ri.pgnig.pl



Marcin Piechota
Head of the Investor Relations Division
Phone: +48 22 106 43 22
Mobile: +48 885 889 890
e-mail: marcin.piechota@pgnig.pl

Piotr Gałek
Investor Relations Specialist
Phone: +48 22 106 48 46
Mobile: +48 723 235 652
e-mail: piotr.galek@pgnig.pl

Anna Galińska
Investor Relations Specialist
Phone: +48 22 106 41 09
Mobile: +48 723 514 086
e-mail: anna.galinska@pgnig.pl

Aleksander Kutnik
Investor Relations Specialist
Phone: +48 22 106 47 97
Mobile: +48 723 239 162
e-mail: aleksander.kutnik@pgnig.pl

Polskie Górnictwo Naftowe i Gazownictwo S.A.
ul. M. Kasprzaka 25
01-224 Warsaw
fax: +48 22 691 81 23
www.pgnig.pl

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