

# Polskie Górnictwo Naftowe i Gazownictwo SA

Estimated financial results of PGNiG Group  
in Q4 and FY 2020



February 17<sup>th</sup> 2021

# Disclaimer

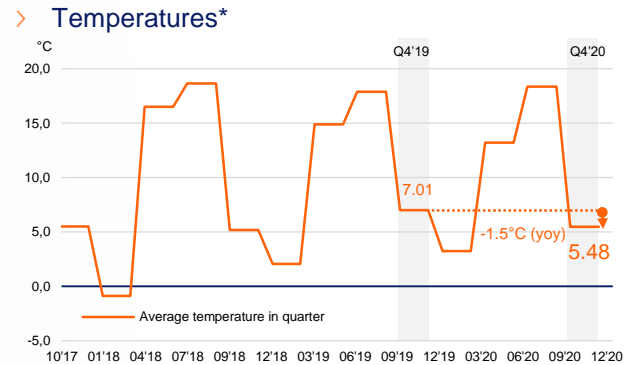
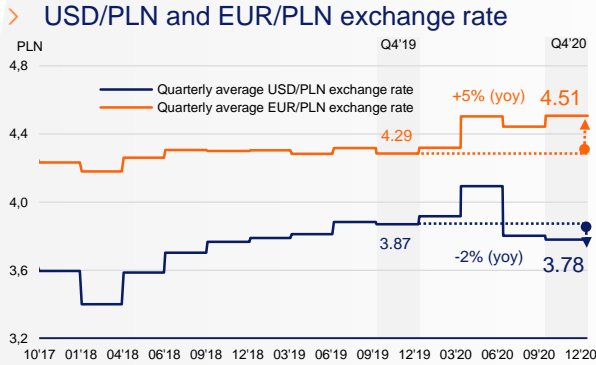
The information contained in this presentation illustrates the estimated financial results of the Polskie Górnictwo Naftowe i Gazownictwo Group (“PGNiG”, the “Company”), published by the Company in Current Report No. 9/2021 of February 17<sup>th</sup> 2021. The financial data contained in this presentation and in the Current Report may change following an audit by a qualified auditor.

The consolidated annual report for 2020 will be published on March 25<sup>th</sup> 2021.

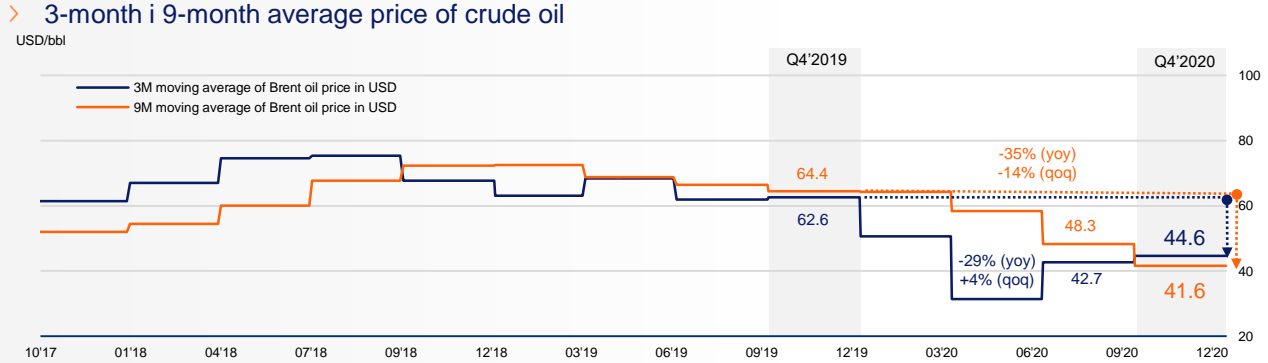
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# External and market factors

- > USD/PLN in Q4 2020 down by -2% yoy, at PLN 3.78.
- > EUR/PLN in Q4 2020 up by +5% yoy, at PLN 4.51.
- > Average temperature\* in Q4 2020 down -1.5°C yoy.



- > -29% yoy drop in the 3-month (quarter) average crude oil price to 44.6 USD/bbl.
- > -35% yoy drop in the 9-month average crude oil price to 41.6 USD/bbl in the end of Q4 2020

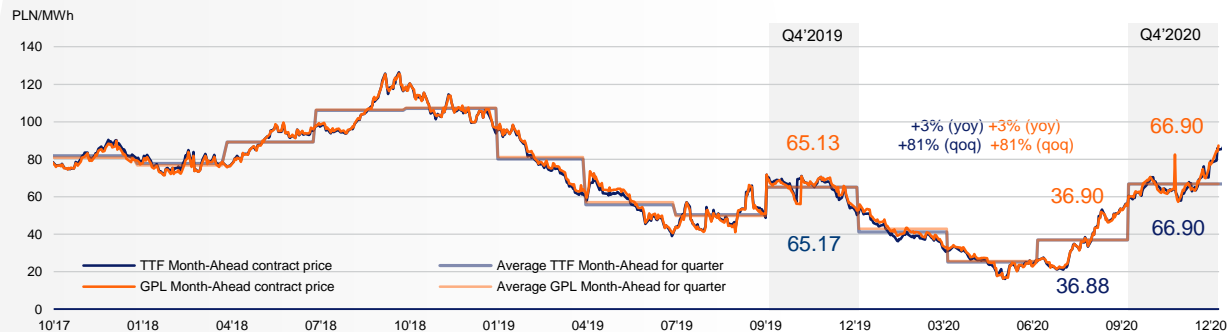


\* Reference point for temperature measurement: Rzeszów

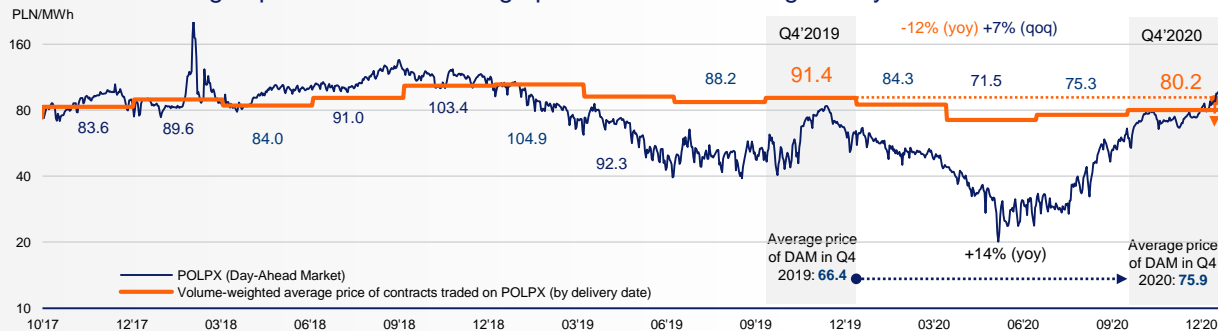
# Gas markets

- > TTF and GPL gas price in PLN (Month-Ahead contract) in Q4 2020:
  - > October: -3% and -1% yoy,
  - > November: -8% and -5% yoy,
  - > December: +21% and +15% yoy.
- > Higher trading volumes (+2% yoy) on POLPX in Q4 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. 5/2021 of January 27<sup>th</sup> 2021

	Q4 2019	Q4 2020	Change yoy	FY 2019	FY 2020	Change yoy
<b>NATURAL GAS* in billion cubic metres</b>						
PRODUCTION VOLUME	1.17	1.22	+4%	4.49	4.52	+1%
<i>including Poland and Pakistan</i>	1.07	1.06	(1%)	4.01	4.04	+1%
<i>including PGNiG Upstream Norway</i>	0.10	0.16	+60%	0.48	0.48	0%
IMPORTS VOLUME	3.97	3.62	(9%)	14.85	14.79	-
<i>including imports from countries east of Poland</i>	2.65	2.37	(11%)	8.95	9.00	+1%
<i>including western and southern</i>	0.37	0.44	+19%	2.47	2.03	(18%)
<i>including LNG</i>	0.95	0.81	(15%)	3.43	3.76	+10%
SALES VOLUME OUTSIDE PGNiG GROUP	9.18	9.37	+2%	30.65	31.64	+3%
<i>including PGNiG SA</i>	5.39	5.57	+3%	17.60	18.99	+8%
<i>on Polish Power Exchange</i>	2.98	3.15	+6%	8.91	9.65	+8%
<i>exports from Poland</i>	0.22	0.29	+32%	0.54	1.24	+130%
<i>including PGNiG Obrót Detaliczny</i>	2.31	2.55	+10%	7.81	8.20	+5%
<i>including PGNiG Supply &amp; Trading</i>	1.49	1.25	(16%)	5.24	4.45	(15%)
<b>DISTRIBUTION in billion cubic metres</b>						
GAS DISTRIBUTION VOLUME**	3.29	3.54	+8%	11.53	11.57	-
<b>CRUDE OIL ***in thousand tonnes</b>						
PRODUCTION VOLUME	327.8	361.5	+10%	1 216.5	1 324.1	+9%
<i>including Poland</i>	208.0	183.7	(12%)	776.3	709.2	(9%)
<i>including PGNiG Upstream Norway</i>	119.8	177.8	+48%	440.2	614.9	+40%
SALES VOLUME	360.7	360.7	-	1 210.3	1 331.4	+10%
<i>including Poland</i>	201.1	182.1	(9%)	770.9	712.6	(8%)
<i>including PGNiG Upstream Norway</i>	159.6	178.6	+12%	439.4	618.8	+41%
<b>HEAT AND ELECTRICITY****</b>						
HEAT SALES VOLUME (PJ)	12.99	13.02	-	39.26	38.94	(1%)
ELECTRICITY SALES VOLUME (TWh)	1.27	1.16	(9%)	3.95	3.64	-8%
<b>GAS IN UNDERGROUND STORAGE FACILITIES in bilion cubic metres</b>						
GAS IN UNDERGROUND STORAGE FACILITIES AS AT DECEMBER 31 <sup>st</sup> *****	3.7	3.0	(19%)	3.7	3.0	(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

\*\*\*\*\* data include high-methane and nitrogen-rich gas stored in Poland and abroad as well as LNG terminals





# Selected financial highlights

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 Q4 2020 and the full-year report for 2020 will be published on March 25<sup>th</sup> 2020.

[PLN bn]	Q4 2019	Q4 2020	change yoy	2019	2020	change yoy
Consolidated revenue	12.37	11.77	(5%)	42.02	39.20	(7%)
Consolidated EBITDA	1.58	2.32	+47%	5.50	13.01	+137%
Herein: impairment losses on property, plant and equipment of PGNiG Group	-0.23	-0.78	+47%	-0.40	-1.59	+47%
<i>EBITDA of Exploration and Production</i>	<i>0.69</i>	<i>0.21</i>	<i>(70%)</i>	<i>3.36</i>	<i>0.93</i>	<i>(72%)</i>
<i>cost of dry wells and seismic surveys</i>	<i>-0.14</i>	<i>-0.07</i>	<i>(50%)</i>	<i>-0.26</i>	<i>-0.20</i>	<i>(23%)</i>
<i>impairment losses on property, plant and equipment</i>	<i>-0.21</i>	<i>-0.68</i>	<i>+3x</i>	<i>-0.35</i>	<i>-1.48</i>	<i>+4x</i>
<i>EBITDA of Trade and Storage</i>	<i>-0.02</i>	<i>1.39</i>	<i>+72x</i>	<i>-0.47</i>	<i>9.58</i>	<i>+22x</i>
<i>reduction costs of gas associated with retroactive settlement under yamal contract annex</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>5.69</i>	<i>-</i>
<i>gas inventory write-downs</i>	<i>-0.34</i>	<i>-</i>	<i>-</i>	<i>-0.31</i>	<i>+0.36</i>	<i>3x</i>
<i>EBITDA of Distribution</i>	<i>0.51</i>	<i>0.62</i>	<i>+22%</i>	<i>2.00</i>	<i>2.16</i>	<i>+8%</i>
<i>EBITDA of Generation</i>	<i>0.41</i>	<i>0.36</i>	<i>(12%)</i>	<i>0.86</i>	<i>0.93</i>	<i>+8%</i>
Consolidated EBIT	0.63	1.34	+113%	2.45	9.59	+4x
Consolidated net result	0.03	1.30	+43x	1.37	7.34	+5x

Wurthur to Current Report No. 2/2021 of January 22nd, 2021, the Management Board of PGNiG informs that the amount of impairment losses for Q4 2020 was updated, which in total – including costs of dry wells and seismic written off – decreased PGNiG Group's consolidated operating profit for Q4 2020 by approximately PLN -0.85bn.

The impairment losses were higher than assumed mainly due to the presentation changes in the financial statement of PGNiG Upstream Norway AS („PUN“) for 2020. In line with the new presentation approach, in Q4 2020 PUN increased the impairment losses (recognized in EBIT) and – at the same time – made a reduction in the deferred tax balance. The changes in the presentation approach do not affect the net profit achieved by PUN.



# Key drivers of the segment's EBITDA

Current Report No. 9/2021 of February 17<sup>th</sup> 2021

## > Comment Q4 2020 vs Q4 2019

### Exploration and Production:

- > -29% yoy decline of the average crude oil price in USD/bbl for the quarter and +14% yoy increase of Day Ahead Market gas prices on Polish Power Exchange;
- > recognition of impairment losses on non-current assets of PLN -677m;
- > increase in production volumes of crude oil and condensate in Norway by 58 thousand tons (+48% yoy).

### Trade and Storage:

- > effect of new pricing formula for the gas supplied under the Yamal contract based on the Stockholm Arbitration Institute's award;
- > higher prices of natural gas on energy markets in H2 2020;
- > -10.6% average decline of gas fuel price in the new retail tariff, introduced to act on July 1<sup>st</sup> 2020;
- > recognition of gas inventory write-downs of PLN -1m in Q4 2020 vs write-downs of PLN -339m in Q4 2019;
- > the result on exercise of derivative financial instruments designated for hedge accounting: 1) reflected in sales revenue in the amount of PLN -14m (PLN +188m in Q4 2019), 2) reflected in gas inventory as a decrease of cost of gas in amount of PLN +78m (PLN -19m in Q4 2020).

### Distribution:

- > 3.5% increase in the gas distribution tariff, introduced to act on April 3<sup>rd</sup> 2020;
- > average temperature in Q4 2020 down by -1.5°C yoy;
- > net income/cost of system balancing : PLN +11m in Q4 2020 vs PLN -174m in Q4 2019.

### Generation:

- > higher heat generation and distribution tariff of PGNiG TERMIKA SA from July 1st, 2020 an increase of +11.84% and from September 1st, 2020, an increase of +3.22%;
- > +9.0% higher tariff of PGNiG TERMIKA Energetyka Przemysłowa SA introduced to act on July 1st, 2020;
- > +16% yoy higher revenue from sales of heat on higher heat tariff, lower average temperature in Q4 2020 and slightly higher heat sales volumes;
- > -8% yoy lower revenue from sales of electricity on -9% yoy lower electricity sales volumes;
- > -5% yoy lower costs of coal to production.

## > Comment FY 2020 vs FY 2019

### Exploration and Production:

- > lower prices of products, including -34% yoy decline of the average crude oil price in USD/bbl for the quarter and -25% yoy decline of Day Ahead Market gas prices on Polish Power Exchange;
- > recognition of impairment losses on non-current assets of ca. PLN -1 485m;
- > increase in production volumes of crude oil and condensate in Norway by 175 thousand tons (+40% 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 new pricing formula for the gas supplied under the Yamal contract based on the Stockholm Arbitration Institute's award;
- > 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;
- > reversal of gas inventory write-downs of PLN +358m vs recognition of gas inventory write-downs of PLN -305m in 2019;
- > the result on exercise of derivative financial instruments designated for hedge accounting, reflected in sales revenue in the amount of PLN +1 062m (PLN +571m in 2019);

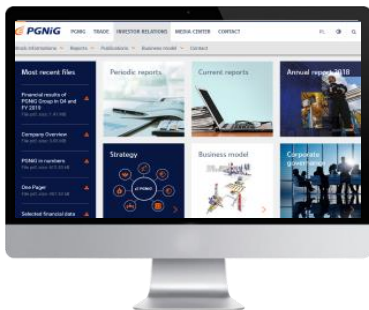
### Distribution:

- > lower average temperature in 2020 10,06 °C vs 10,46 °C in 2019;
- > net income/cost of system balancing : PLN +29m in 2020 vs PLN -30m in 2019.

### Generation:

- > higher heat generation and distribution tariff of PGNiG TERMIKA SA from July 1st, 2020 an increase of +11.84% and from September 1st, 2020, an increase of +3.22%;
- > +9.0% higher tariff of PGNiG TERMIKA Energetyka Przemysłowa SA introduced to act on July 1st, 2020;
- > +10% yoy higher revenue from sales of heat on higher heat tariff, lower average temperature in 2020 and slightly lower heat production volumes (-1% yoy);
- > -4% yoy lower revenue from sales of electricity on -8% yoy lower electricity sales volumes;
- > -7% yoy lower costs of coal to production.

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