

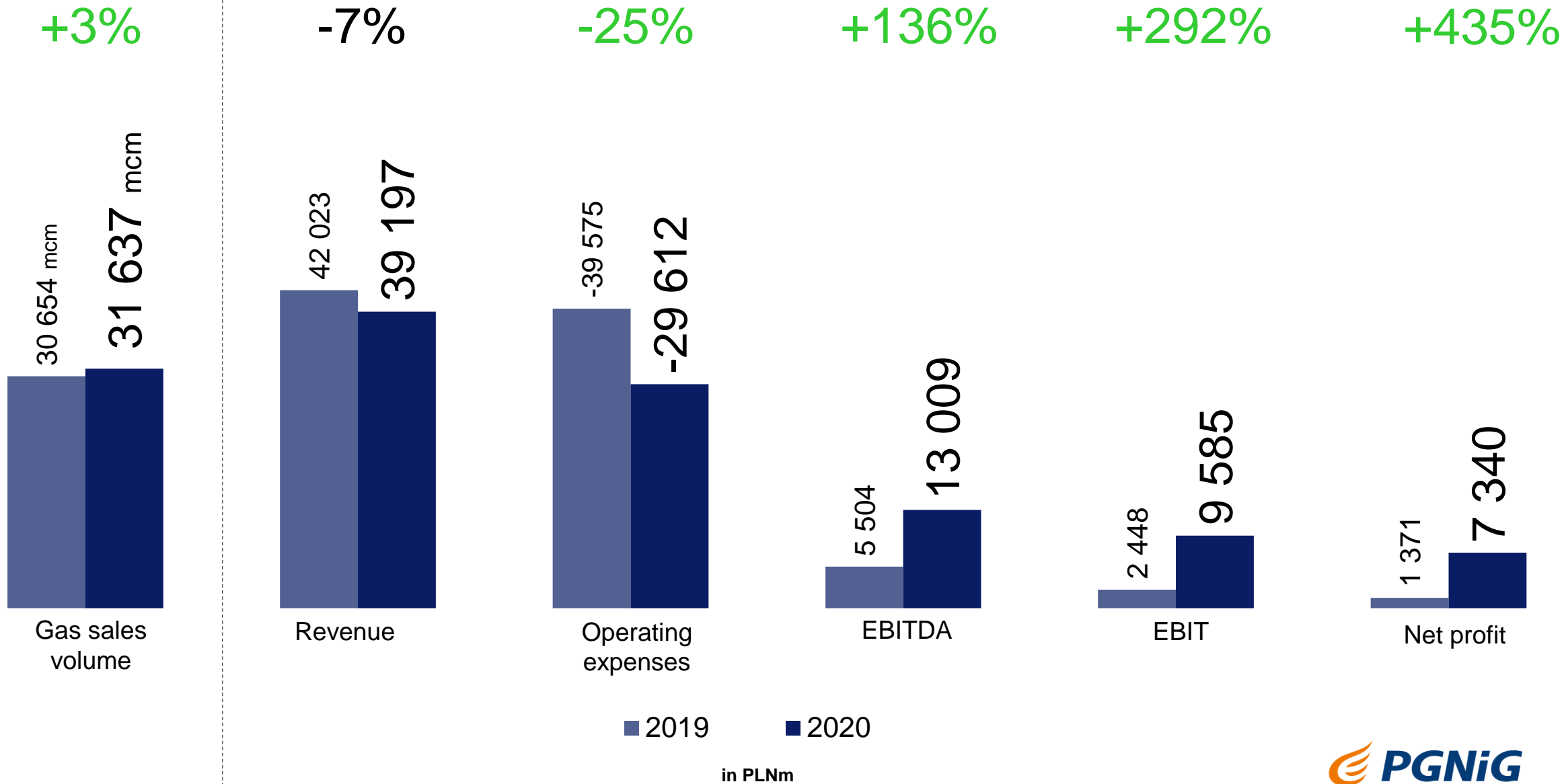
Polskie Górnictwo Naftowe i Gazownictwo SA

**PGNiG Group
2020 financial results**

March 25th 2021

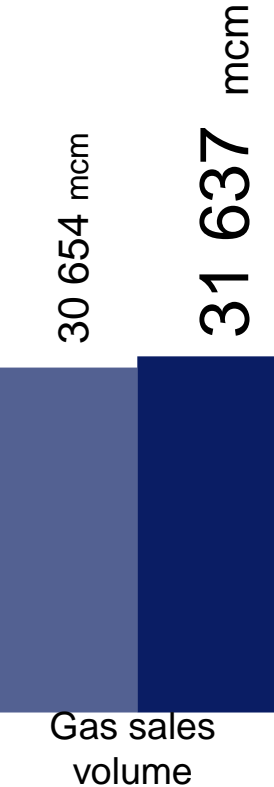


Financial results of the PGNiG Group for FY 2020

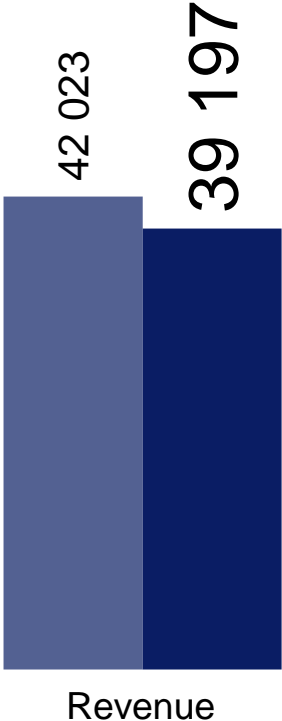


Financial results of the PGNiG Group for FY 2020 (without retroactive amount and impairment losses on property, plant and equipment)

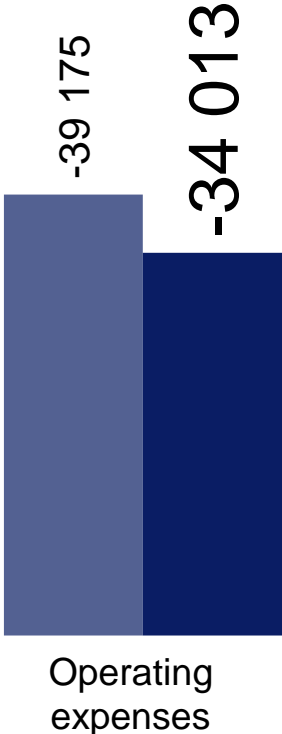
+3%



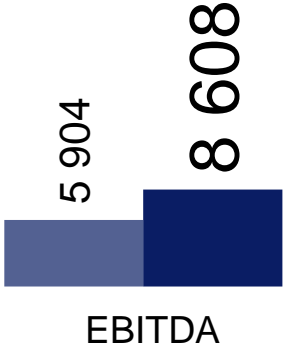
-7%



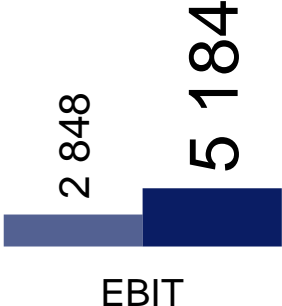
-13%



+46%



+82%



■ 2019 ■ 2020

in PLNm



Exploration and Production

Trade and Storage

Distribution

Generation

Segments' contribution to EBITDA

Generation
FY 2019: 16%
FY 2020: 7%

Exploration and Production
FY 2019: 61%
FY 2020: 7%

Distribution
FY 2019: 36%
FY 2020: 17%

EBITDA
FY 2019:
PLN 5,504m
**FY 2020:
PLN 13,009m**

Trade and Storage
FY 2019: -9%
FY 2020: 74%

Contribution of other „segments and eliminations” to EBITDA in FY 2020: -5%, in FY 2019: -4%



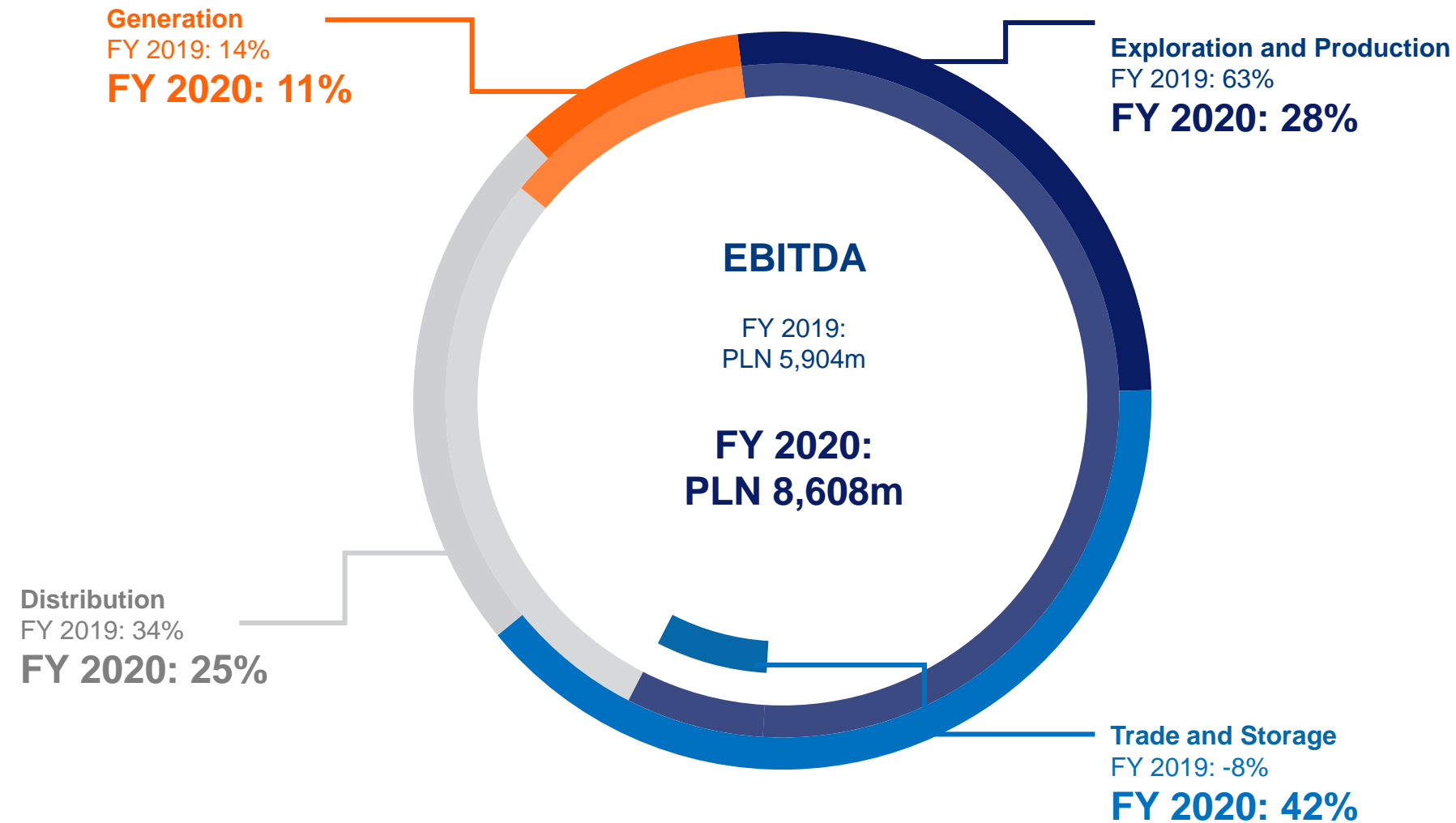
Exploration and Production

Trade and Storage

Distribution

Generation

Segments' contribution to EBITDA (without retroactive amount and impairment losses on property, plant and equipment)



Contribution of other „segments and eliminations” to EBITDA in FY 2020: -6%, in 2019: -3%

Exploration and Production



(PLNm)

Average price of Brent crude yoy
246 / 165 PLN/bbl

-33% ▼

Arithmetic average POLPX DAMg price yoy
68 / 51 PLN/MWh

-25% ▼

Crude oil production yoy
1.22 / 1.32 thousand tonnes

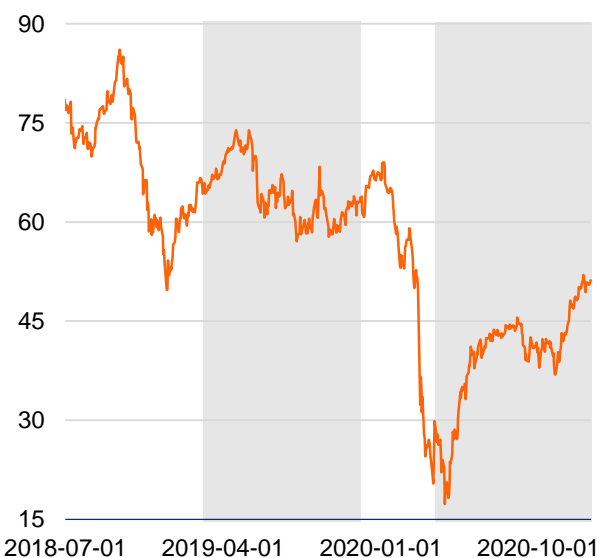
+8% ▲

Natural gas production yoy
4.49 / 4.52 bcm

+1% ▲

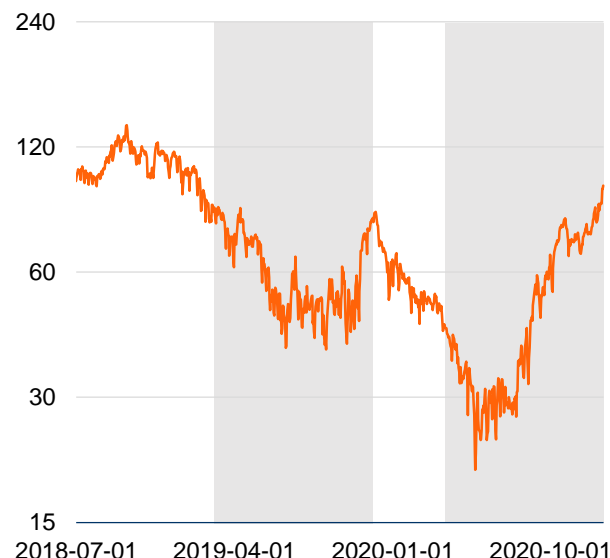
Brent crude oil price

USD/bbl



Price on the POLPX Day-Ahead Market

PLN/MWh



5 822

4 612

-21%

3 360

927

-72%

2 304

-321

-114%

Revenue

EBITDA

EBIT

■ 2019

■ 2020



Trade and Storage

Average POLPX (spot and futures) price yoy
95.44 / 79.75 PLN/MWh

-16% ▼

LNG import volumes yoy
3.43 / 3.76 bcm

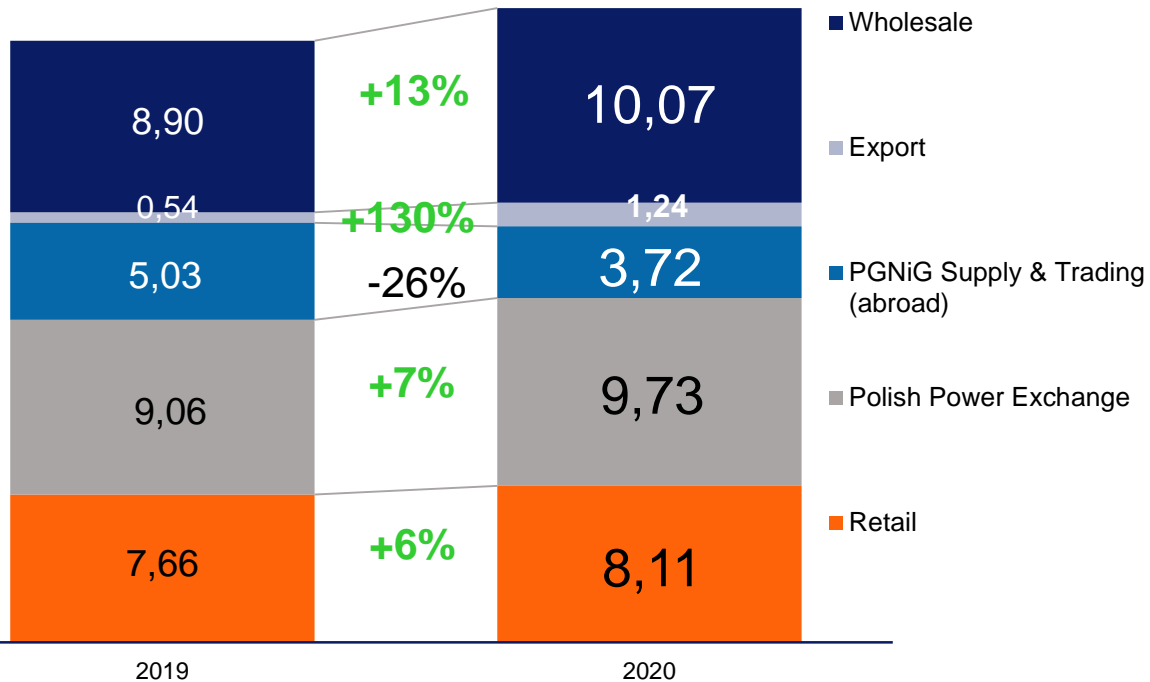
+10% ▲

Total gas sales outside the PGNiG Group yoy
30.65 / 31.64 bcm

+3% ▲

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

bcm



Trade and Storage (without retroactive amount)

Average POLPX (spot and futures) price yoy
95.44 / **79.75** PLN/MWh

-16% ▼

LNG import volumes yoy
3.43 / **3.76** bcm

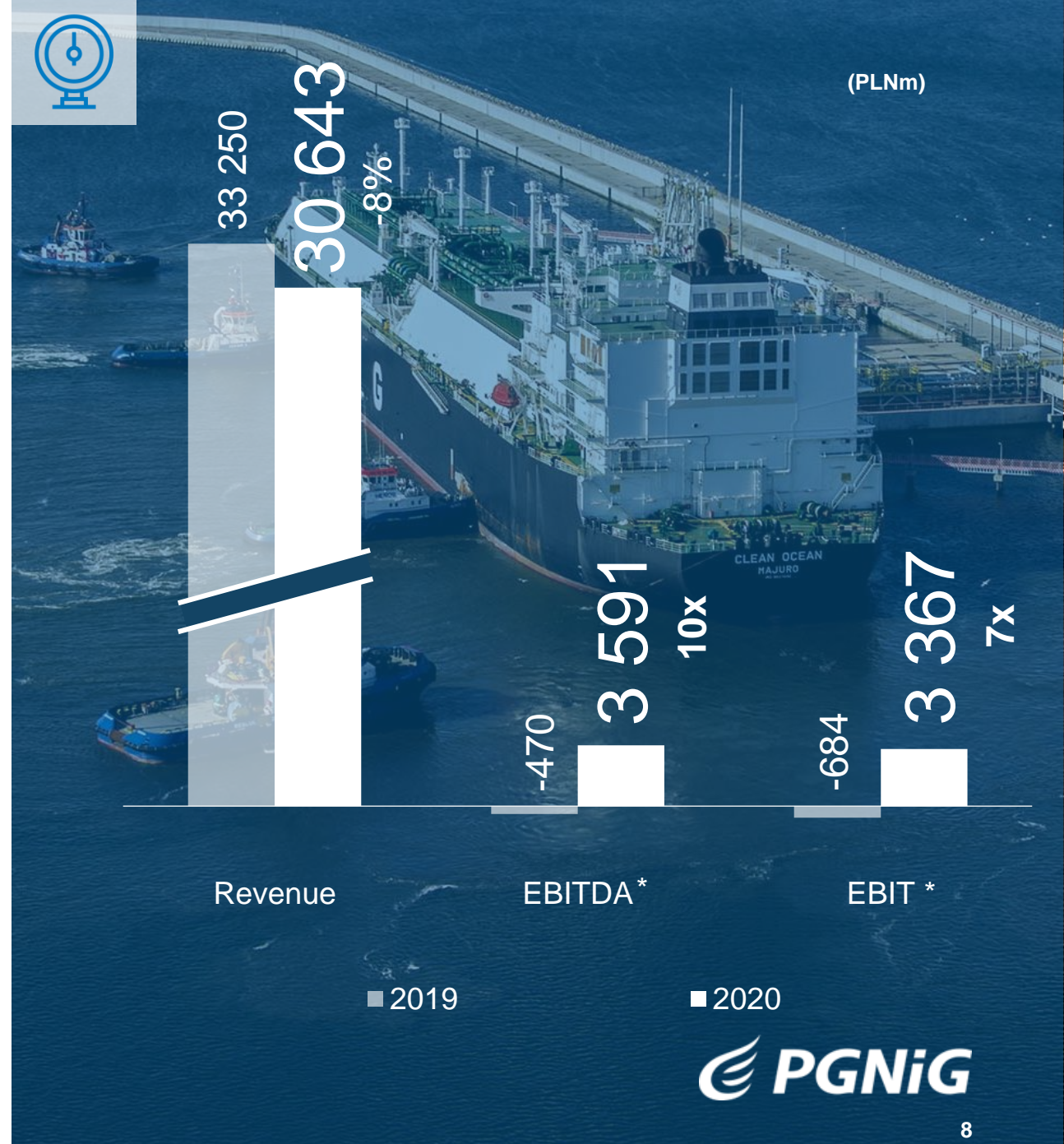
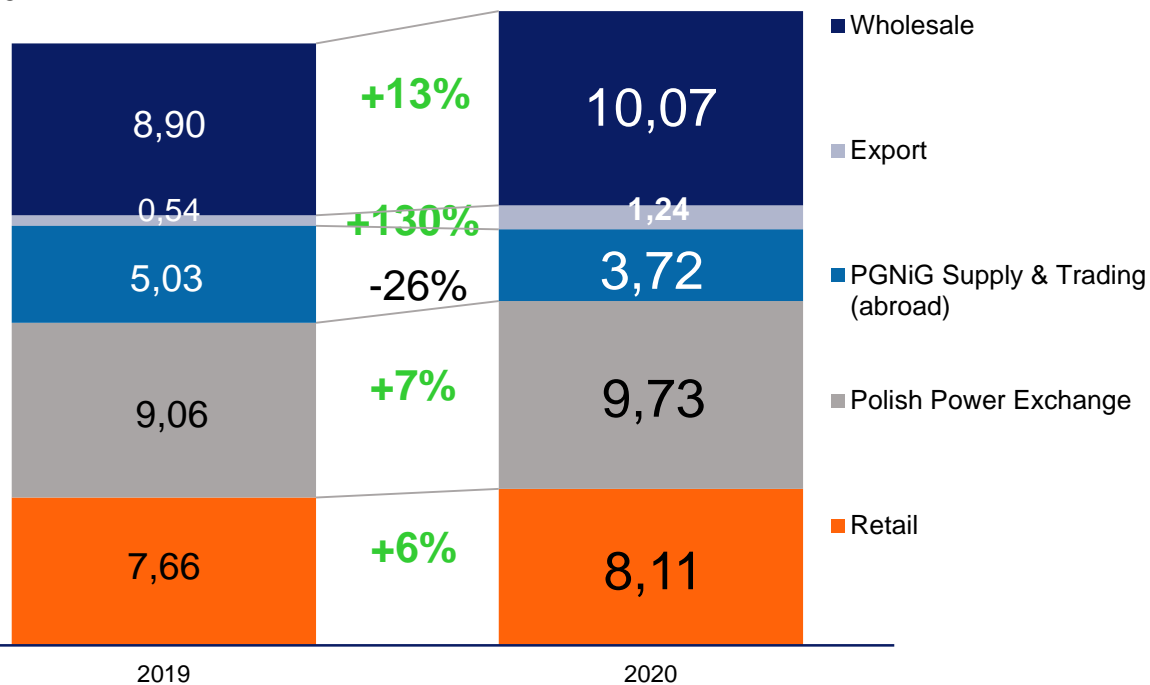
+10% ▲

Total gas sales outside the PGNiG Group yoy
30.65 / **31.64** bcm

+3% ▲

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

bcm



* taking into account the effect of exchange rate differences

Distribution

Gas distribution yoy
11.53 / 11.57 bcm

+0.3% ▲

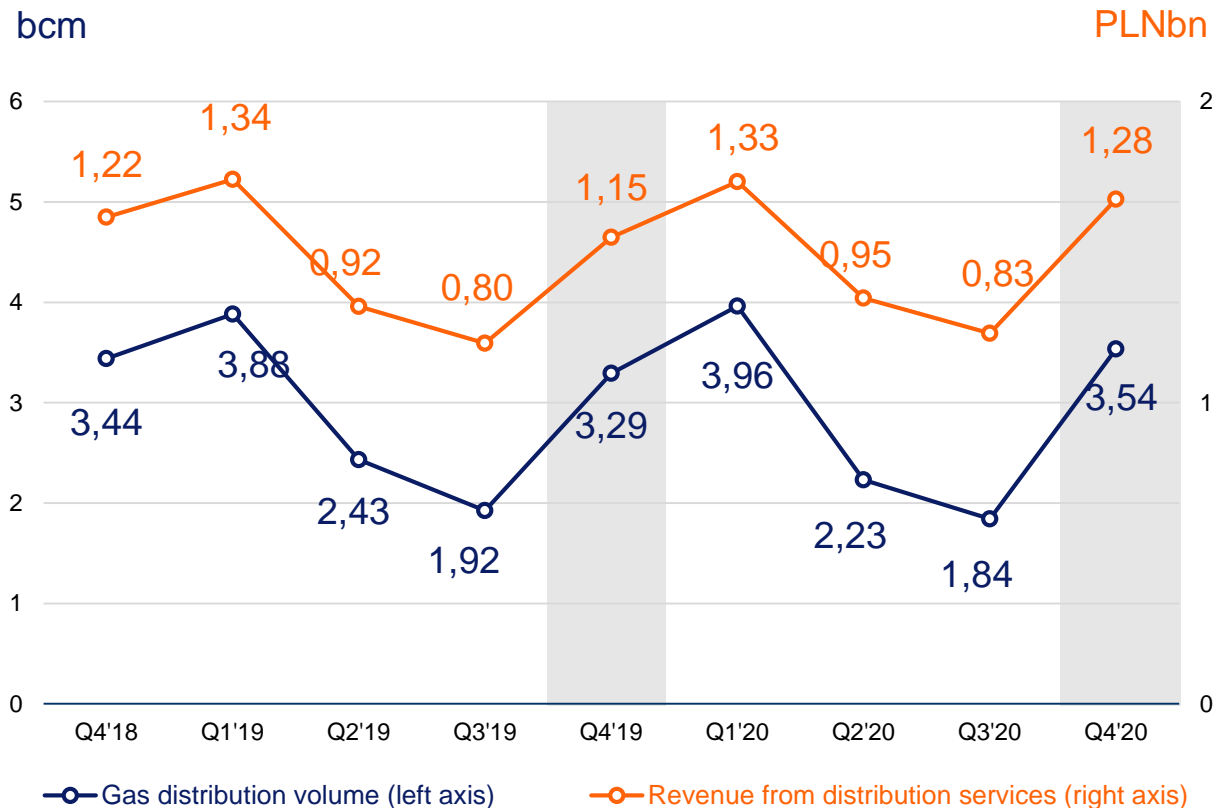
Revenue from distribution services yoy
4.21 / PLN 4.39bn

+4% ▲

Temperature yoy
10.46°C / 10.06°C

-0.4°C

Revenue from distribution services and gas distribution volume



(PLNm)



Generation

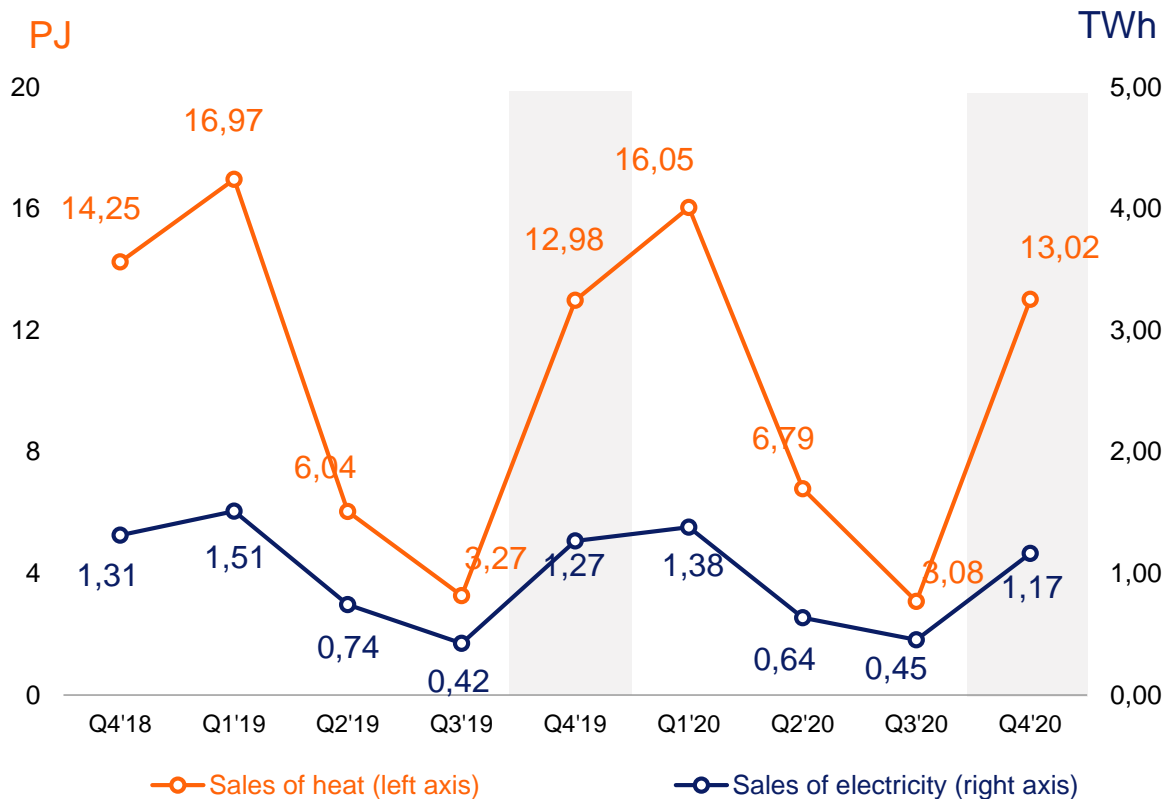
Revenue from sales of heat yoy
1 330 / PLN 1 469m

+10% ▲

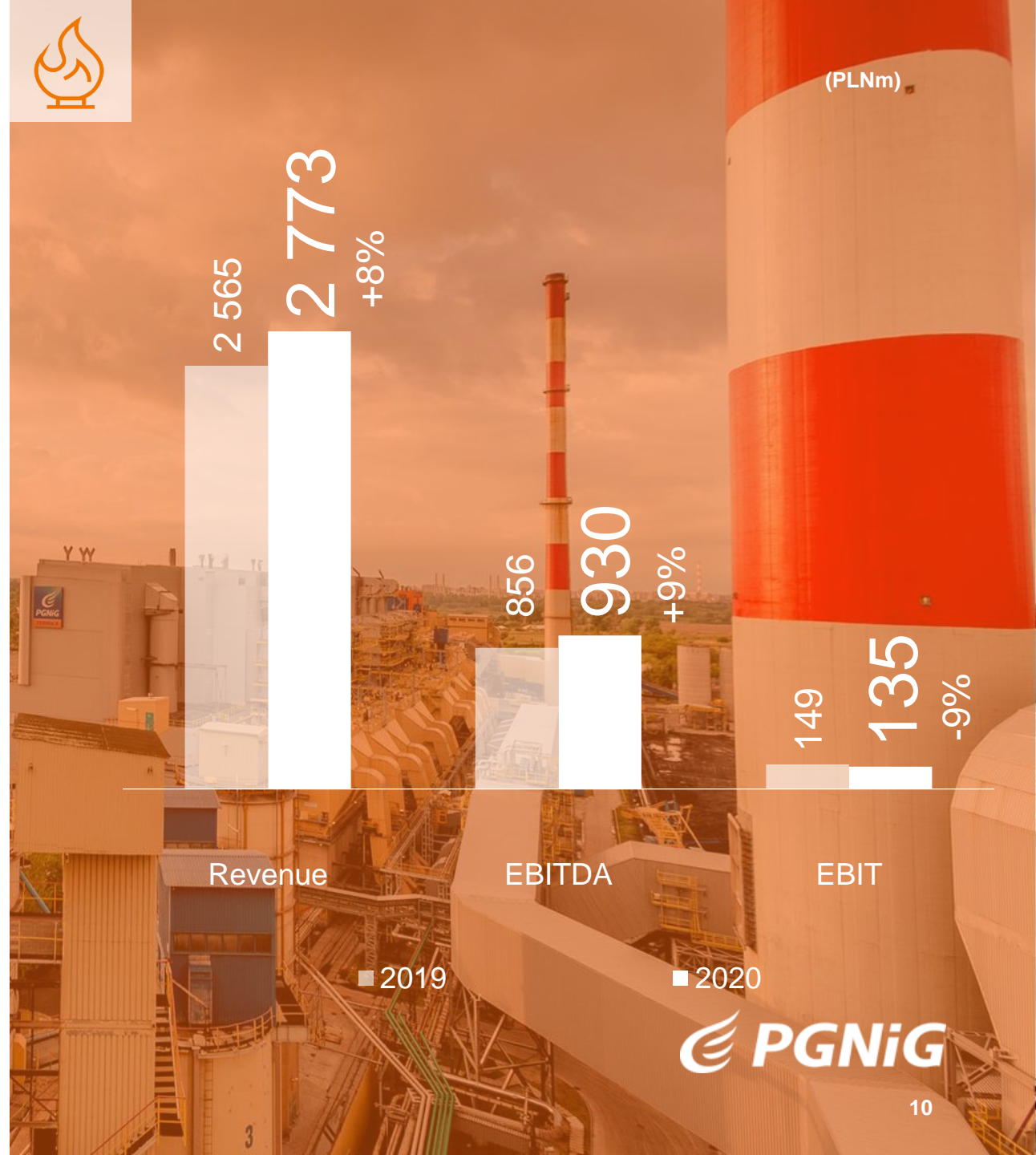
Revenue from sales of electricity (from own generation) yoy
946 / PLN 910m

-4% ▼

Sales volumes of heat and electricity (own generation)



(PLNm)



Key 2020 event: PGNiG wins arbitration against Gazprom

 **PGNiG**



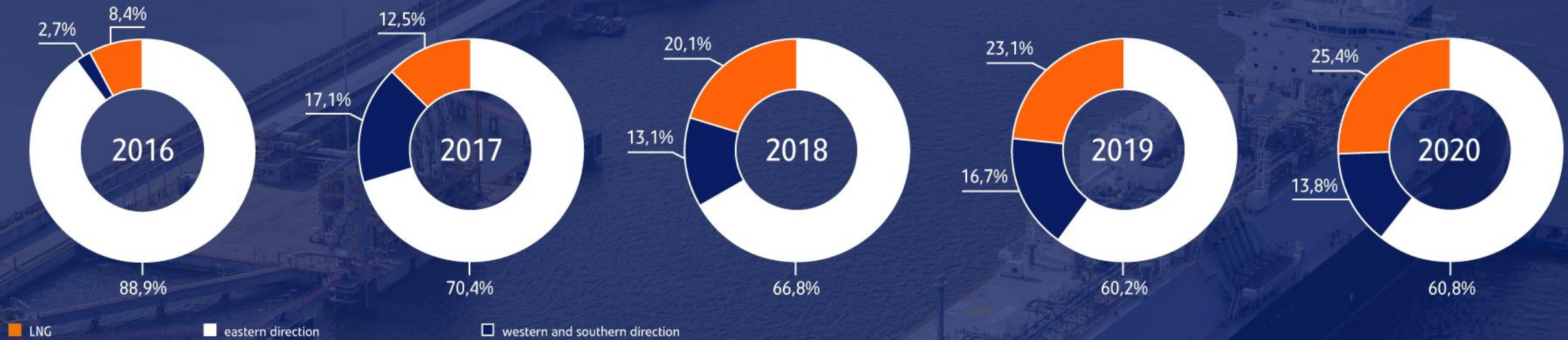
 **GAZPROM**

March 30th 2020

- **Final award in favour of PGNiG announced by the arbitration court in Stockholm**
- The pricing formula determined by the court is significantly and directly linked to gas prices in Western Europe.
- The new pricing formula will influence the cost of gas sourced from countries east of Poland and, consequently, PGNiG's financial performance in the quarters to come.
- Gazprom paid a refund to PGNiG on overpayments for 2014–2020 arising from retrospective application of the new pricing formula. The refund totalled approximately USD 1.5bn.

 **PGNiG**

Imports structure



Change in imports (in bcm)

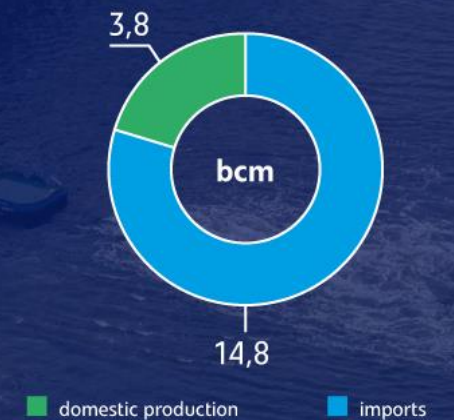


LNG imports



Change in imports in 2020 vs 2019.

Sources of gas supply



Source: PGNiG SA. Figures in charts include estimate data for 2020.

LNG sales



Trucks loaded
in Świnoujście, Odolanów
and Grodzisk Wlkp.
2019 vs 2020

Trucks loaded
in Klaipėda
(April 2020 to March 24th 2021)

TANK TRUCKS

3,564 vs 4,593

325

TONNES OF LNG

60,017 vs 79,582

5820

MWh

904,179 vs 1,202,247

88,782

tonnage



32.6%



■ Exploration & Production: Poland



- Recoverable reserves in Poland at the end of 2020: **674.33mboe (vs 670mboe at the end of 2019)**
- Work performed in 2020: **871.55km² of 3D seismic**
- Success rate for wells drilled in 2020: **76.47%**
- The most successful well was Paproć-66H **with annual production of 45mcm of gas**
- Five new discoveries **with a total annual production of approximately 80mcm**
- Continuation of the Przemyśl project: **documented increase in gas reserves by 3.3bcm**
- Revitalisation of the Mirocin field, **with gas reserves expected to increase by 1bcm**

PGNiG in Norway

36 licenses



■ Distribution network rollout



Change

2019 2020

New gas network connections	81,697	112,872	▲ 38%
New network sections	3217.4 km	5022.6 km	▲ 1805.2 km
New service-line contracts	113,517	110,772	
Service-line pre-contract documentation issued	208,520	222,353	▲ 7%



71

Number of municipalities connected to the gas network in 2020

185/300

Number of municipalities connected to the gas network under the PI Programme as at the end of 2020

1666

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

67.26%

Progress in gas network rollout in Poland

■ Electricity generation



CCGT unit at the Stalowa Wola CHP Plant placed in service

- Target power: **450 MW**
 - Heat and electricity cogeneration
 - Heat and electricity for Stalowa Wola and Nisko
 - Annual gas consumption = **approx. 0.6 bcm**
-
- Progress made on the commissioning of a gas-fired generating unit at the Żerań CHP plant
 - Construction commenced on the gas-fired Przemysł CHP Plant project

PGNiG Obrót Detaliczny



- **+8.1%** increase in B2B gas sales volumes in 2020
- **+4%** increase in B2C gas sales volumes in 2020
- **Poland's largest-ever** contract for the supply of LNG to an industrial customer (19 thousand tonnes over five years for LG Electronics)
- **LNG bunkering operations** allowed in ports managed by the Maritime Office in Szczecin (Szczecin, Świnoujście, Police) and **the first LNG bunkering of a ship** at the Szczecin Port
- In 2020 PGNiG Obrót Detaliczny supplied the market with **29% more CNG** and **over 13% more LNG**



■ New programmes in the pipeline – hydrogen, biomethane, PV, EE

- Research commenced on **hydrogen storage and distribution**
- A regulatory package prepared to enable **the development of a biomethane market** (contract templates, technical standard for the injection of biomethane into the gas network, etc.)
- **PV installations** at sites owned by the PGNiG Group
- Launch **of the Energy Efficiency Improvement Programme**
- **Collaboration with startups** – pilot implementations



■ PGNiG Group strategy update

- The **regulatory changes** implemented at the national and European levels will have fundamental ramifications for the energy sector in the medium and long term
- We expect **amendments to the** EU climate and energy policy **instruments** (amendments to the EU ETS Directive, RES Directive, revision of the III Gas Package, taxonomy).
- **Natural gas identified as a leading fuel** for the energy transition
- Our current strategy gives us operational freedom **for the next two years**
- Instead of revising the existing strategy, we have commenced work on a new strategy.
- A final **long-term strategy to be announced** by PGNiG as a separate company or as a member of a multi-utility group **in late 2022**

■ PGNiG Group strategy update

Key objectives until 2022:

- Exploration and Production – to increase hydrocarbon production volumes
- Trade and Storage – to increase gas sales volumes and expand the product mix
- Distribution – to roll out the gas network and grow the biomethane business
- Power and Heat generation – to increase the share of low- and zero-emission fuels
- RES and alternative fuels – to add new assets to the portfolio

■ BREAKING NEWS

**Latest acquisition of PGNiG Group in Norway:
taking over INEOS E&P Norge business**

PGNiG Upstream Norway to take over INEOS E&P Norge business



- 3 gas-producing fields: **Ormen Lange**, Alve, Marulk
- **Hydrocarbon resources** of approximately 117 mboe with attractive exploration potential
- 14% of shares in the Ormen Lange field - **second largest gas field on the NCS** with production horizon beyond 2045
- **Approx. 1.5 bcm** – average annual production of gas in 2021-2026 for PGNiG
- Estimated total gas volume **approx. 20 bcm**
- Gas transported by the Norwegian gas network operated by Gassco will be **available for the Baltic Pipe**

PGNiG Upstream Norway to take over INEOS E&P Norge business



Other acquired assets:

- 30% of shares in Marulk field
- 15% shares in Alve field
- 8,2% shares in Nyhamna gas terminal
- **22 licenses** on the Norwegian Continental Shelf with large potential for further discoveries, including **6 operated licenses**
- Competent staff with extensive experience from the Norwegian Continental Shelf

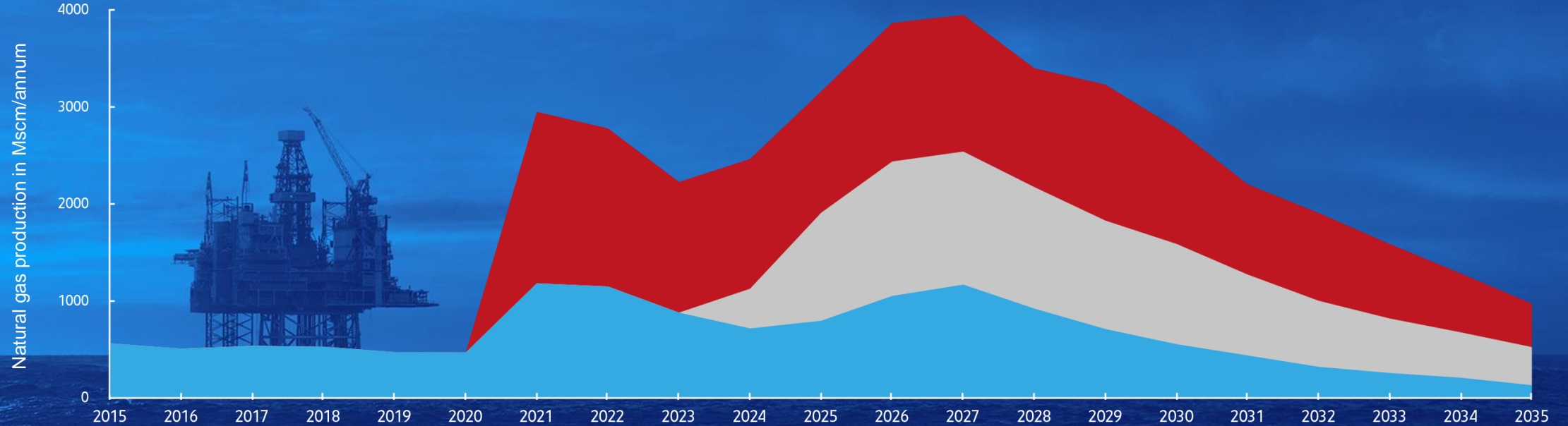
■ PGNiG Upstream Norway to take over INEOS E&P Norge business

Acquisition results:

- Increase in equity gas production on the Norwegian Continental Shelf up to over **2.5 bcm a year**
- Increase of recoverable resources from 214 mboe up to **331 mboe** (94% of acquired resources are natural gas)
- Some of the acquired fields (Marulk, Alve) and production licenses are located in the vicinity of assets owned by PGNiG (Skarv, Ærfugl, Shrek) – it allows for synergies in further operations

PGNiG gas production in Norway*

- Producing fields
- Fields in development
- INEOS E&P Norge



* Production profile from 2021 based on WoodMackenzie GEM (excluding data for INEOS E&P Norge)

■ PGNiG Upstream Norway to take over INEOS E&P Norge business

Financial impact:

- Agreed purchase price (615 million USD*) will be reduced by the cash flow generated by INEOS E&P Norge AS in 2021 r. until the completion of the transaction
- PGNiG will double production and cash flow in Norway in 2021**
- Acquired assets will generate continuous positive cash flow following the acquisition (all future expenses and investments will be covered from generated revenues)
- Positive cash flow from the acquired assets will support financing of the ongoing development projects held by PGNiG (incl. Tommeliten Alpha and King Lear)
- Targeted financial structure of the transaction assumes utilization of the reserved based loan which should cover up to half of the planned investment

* as of 1.01.2021

** Due to accounting requirements, new assets will impact financial results of the PGNiG Group from the formal completion of the transaction

PGNiG in Norway



58* licenses

- EXISTING GAS PIPELINES
- - - PLANNED ROUTE OF BALTIC PIPE
- PGNiG LICENSES
- INEOS LICENSES TO BE ACQUIRED
- ★ PENDING APPROVAL BY NORWEGIAN PETROLEUM AUTHORITIES



