

# Q1 2021

PGNiG Group Q1 2021 Results

May 20th 2021



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# Key events in Q1 2021

01 > January



> Release of natural gas and crude oil production forecast for 2021–2023



> Decision by the President of the Energy Regulatory Office regarding the Distribution Tariff of Polska Spółka Gazownictwa – increase in the prices and rates of network fees by an average of 3.6%.

03 > March



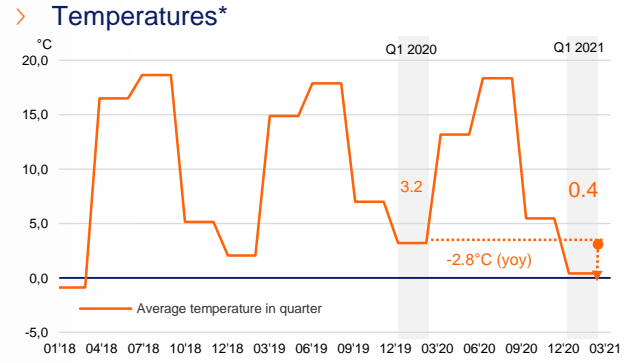
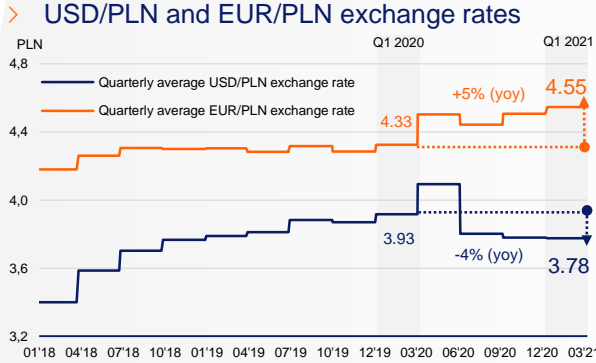
> Execution of a conditional agreement for the acquisition of INEOS E&P Norge by PGNiG Upstream Norway



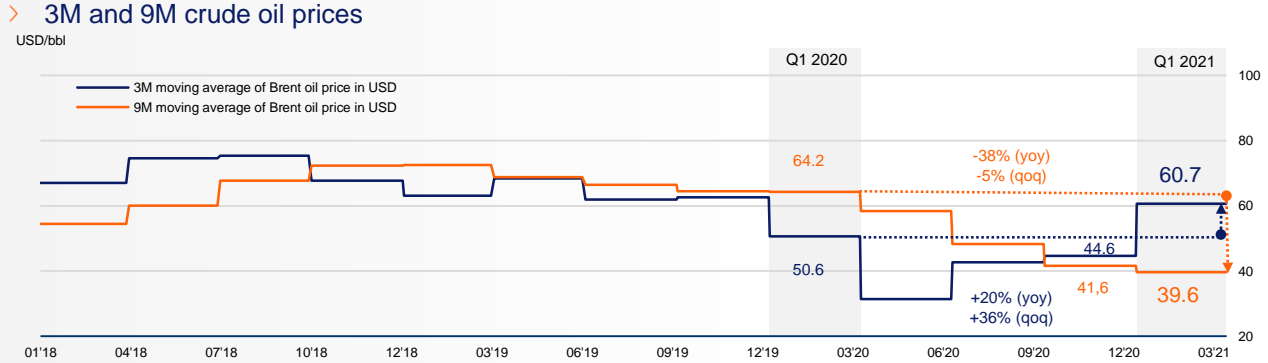
> PGNiG S.A. and the Naftogaz Group sign a letter of intent concerning cooperation in exploration for and production of Ukrainian hydrocarbon resources

## External and market factors

- > USD/PLN exchange rate down -4% yoy in Q1 2021, to PLN 3.78.
- > EUR/PLN exchange rate up +5% yoy in Q1 2021, to PLN 4.55.
- > Average temperature\* down -2.8°C yoy in Q1 2021.



- > 3M (quarterly) average oil price up 20% yoy, to USD 60.7 per barrel.
- > 9M average oil price down -38% yoy, to USD 39.6 per barrel at the end of Q1 2021.

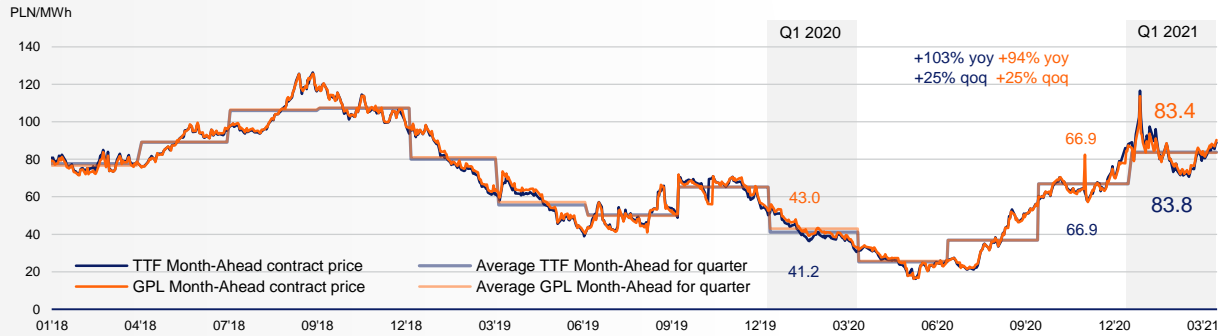


\* Reference point for temperature measurement: Rzeszów

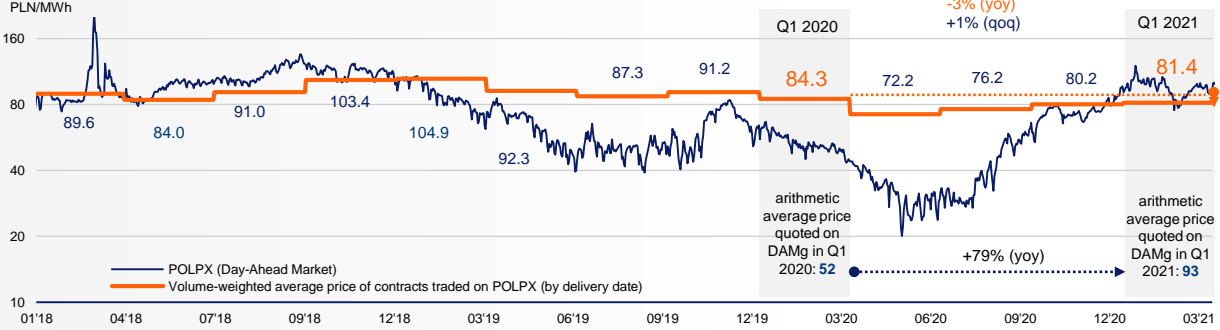
# Gas markets

- > TTF and GPL gas prices (Month-Ahead contract) in PLN in Q1 2021:
  - > January: +95% and +81% yoy,
  - > February: +100% and +91% yoy,
  - > March: +118% and +115% yoy.
- > Trading volumes on POLPX in Q1 2021, including all contracts and maturities, up approximately +23% yoy.

## > TTF and GPL gas prices (Month-Ahead contract)



## > Gas prices on POLPX Day-Ahead Market and average volume-weighted price of contracts



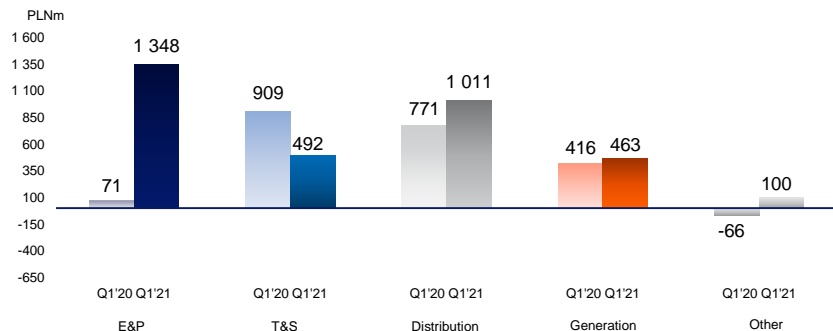
## Comments:

- > Selling prices on POLPX: the largest volumes of gas were traded on POLPX and other gas exchanges under quarterly, seasonal (summer/winter) and annual contracts. Monthly and weekly futures as well as the spot market played a complementary role.
- > The volume-weighted average quarterly price of contracts traded on POLPX is calculated based on the prices of contracts for delivery in a given quarter.

# Financial highlights for Q1 2021

[PLNm]	Q1 2020	Q1 2021	Δ%
Revenue	13,756	<b>14,553</b>	6%
Operating expenses (excl. D&A)	-11,678	<b>-11,160</b>	-4%
EBITDA	2,078	<b>3,393</b>	63%
<i>EBITDA (net of impairment losses on property, plant and equipment)</i>	2,835	<b>3,117</b>	10%
Depreciation and amortisation expense	-871	<b>-956</b>	10%
EBIT	1,207	<b>2,437</b>	102%
Net finance costs	-270	<b>-57</b>	-79%
Net profit	779	<b>1,747</b>	124%

## > Group's EBITDA by segment in Q1 2021 vs Q1 2020\*



\*Eliminations in Q1 2020: PLN -23m; Q1 2021: PLN -21m

## Exploration and Production

- > Revenue from sales of gas up PLN 506m (+71%) yoy, with revenue from sale of crude oil and condensate up PLN 37m (+10%) yoy.
- > Reversal of impairment losses on property, plant and equipment under construction of PLN +269m in Q1 2021 (vs impairment losses of PLN -758m recognised in Q1 2020).

## Trade and Storage

- > Revenue from sales of gas up +2% and cost of gas up -3% yoy, 5% yoy increase in gas volumes sold outside the Group in segment.
- > Gain/loss realised on hedging instruments designated for hedge accounting: (1) recognised in profit or loss: PLN -175m (Q1 2020: PLN +819m), (2) recognised in gas inventory reduction of procurement cost: PLN +172m (Q1 2020: PLN -215m).
- > Effect of a gas inventory write-down reversal of PLN +9m in Q1 2021 vs PLN +255m in Q1 2020.

## Distribution

- > Gas distribution volume up +15% yoy and revenue from distribution services up PLN 273m (+20% yoy).
- > Net income/cost of system balancing down PLN -28m yoy.

## Generation

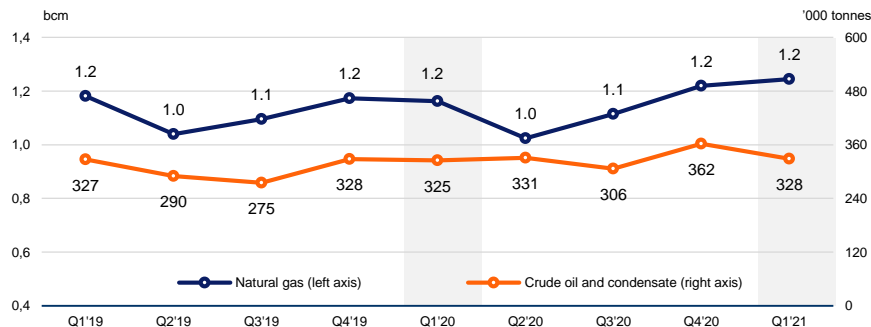
- > Revenue from sales of heat up PLN 120m (+23% yoy), with the average air temperature lower by 2.8°C in Q1 2021, a 6% yoy increase in heat volumes sold, and a yoy increase in the heat generation and transmission tariff.
- > Revenue from sales of electricity generated by own sources down PLN 51m (-14% yoy), with sales volumes down 12% yoy.

# Exploration and Production

Revenue and EBITDA up on the back of by higher yoy oil prices and significantly higher gas prices (Day-Ahead Market on POLPX)

[PLNm]	Q1 2020	Q1 2021	Δ%
Revenue	1,271	<b>1,786</b>	41%
Operating expenses (excl. D&A)	-1,200	<b>-438</b>	-64%
<i>Cost of dry wells and seismic surveys written-off</i>	-17	<b>-260</b>	1,429%
<i>Impairment gain/losses on non-current assets</i>	-758	<b>+269</b>	-135%
EBITDA	71	<b>1,348</b>	1799%
Depreciation and amortisation expense	-275	<b>-302</b>	10%
EBIT	-204	<b>1,046</b>	-613%

## Year-on-year comparison of oil and gas production volumes



## Comments:

- Segment's revenue from sales of gas up PLN 506m (+71%) yoy as a result of a +79% increase in the arithmetic average gas price on the POLPX Day-Ahead Market, with higher sales volumes: in Norway to 222 mcm (+120%) yoy and in Pakistan to nearly 84 mcm (+22%) yoy.
- Revenue from sales of crude oil and condensate up PLN 37m (+10%) yoy, with lower sale volumes (-9% yoy) and a +20% increase in the average oil price for the quarter in USD.
- Oil production volumes in Poland down 13% yoy, to 174,000 tonnes; in Norway: up 24% yoy, to approximately 154,000 tonnes.
- Cost of dry wells written off: PLN -260m in Q1 2021 vs PLN -17m in Q1 2020.
- Reversal of impairment losses on property, plant and equipment under construction of PLN +269m in Q1 2021 (impairment losses of PLN -758m in Q1 2020).
- Overlift/underlift position in Norway in Q1 2021 – effect on Q1 2021 results of PLN +143m (lower net other expenses). The effect of overlift/underlift on Q1 2020 results was PLN +72m.

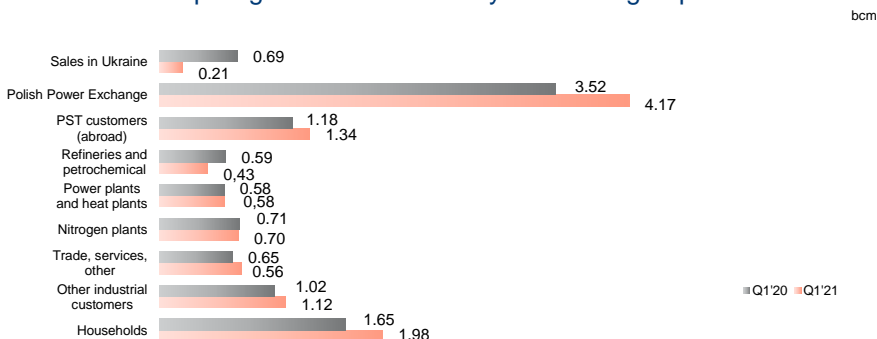


# Trade and Storage

Segment performance buoyed by growing sales volume and higher gas prices on commodity markets.

[PLNm]	Q1 2020	Q1 2021	Δ%
Revenue	11,042	<b>11,488</b>	4%
Operating expenses (excl. D&A)	-10,133	<b>-10,996</b>	9%
<i>Gas inventory write-down</i>	+255	<b>+9</b>	-96%
EBITDA	909	<b>492</b>	-46%
Depreciation and amortisation expense	-53	<b>-54</b>	2%
EBIT	856	<b>438</b>	-49%

## > PGNiG Group\* – gas sales volumes by customer group



## Comments:

- > Revenue from sales of high-methane and nitrogen-rich gas (including the effect of hedging transactions) up by PLN 0.22bn (+2%) yoy (to PLN 10.44bn in Q1 2021), with a 5% yoy increase in sales outside the Group in segment.
- > Gain/loss realised on hedging instruments designated for hedge accounting: (1) recognised in profit or loss: PLN -175m (Q1 2020: PLN +819m), (2) recognised in gas inventory reduction of procurement cost: PLN +172m (Q1 2020: PLN -215m).
- > The effect of a 4.5% retail tariff reduction introduced as of January 1st 2021, offset to some extent by higher sales volumes to households (up +20%) yoy, to 1.98 bcm.
- > Higher yoy gas imports to Poland from the east (Q1 2021: 2.26 bcm vs Q1 2020: 1.92 bcm) and from the west and south (Q1 2021: 1.05 bcm vs Q1 2020: 0.56 bcm). Lower volume of LNG imports (Q1 2021: 0.80 bcm vs Q1 2020: 0.98 bcm).
- > Total revenue from sales of electricity: PLN 864m, up by PLN 115m (+15%) yoy; cost of electricity for trading up by PLN -136m (-19%) yoy.
- > Reversal of gas inventory write-downs of PLN +9m in Q1 2021 vs PLN +255m of write-downs recognised in Q1 2020. Net write-down at the end of Q1 2021 was PLN -9m.
- > Effect of recognition of a provision for energy efficiency buy-out price: PLN -97m in Q1 2021 vs PLN -82m in Q1 2020.



\* Total volumes of gas sold by E&P and T&S segments outside the Group.

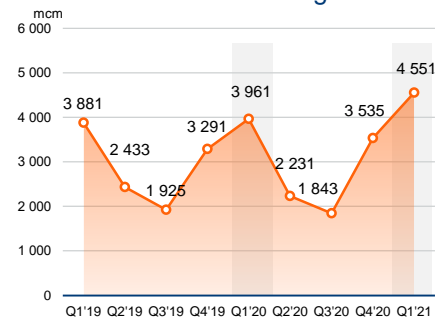


# Segments – Distribution

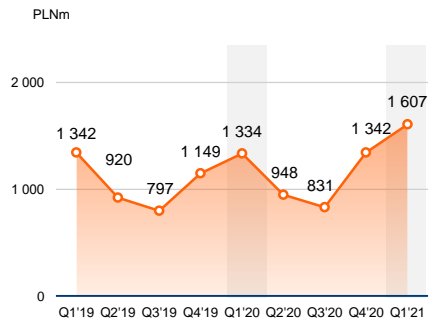
Segment's performance driven by lower temperatures, higher gas distribution volumes and a higher distribution tariff

[PLNm]	Q1 2020	Q1 2021	Δ%
Revenue	1,399	<b>1,669</b>	19%
Operating expenses (excl. D&A)	-628	<b>-658</b>	5%
EBITDA	771	<b>1,011</b>	31%
Depreciation and amortisation expense	-260	<b>-295</b>	13%
EBIT	511	<b>716</b>	40%

## > Volumes of distributed gas



## > Revenue from distribution services



### Comments:

- > Gas distribution volumes up 15% yoy to 4.55 bcm, with the average air temperature for the quarter down 2.8°C yoy.
- > A 3.6% increase in the tariff for gas distribution services, effective from February 1st 2021.
- > Higher revenue from distribution services (up PLN +273m, or +20% yoy).
- > Net income/cost of system balancing: PLN -12m in Q1 2021, compared with PLN +16m in Q1 2020.



## Segments – Generation

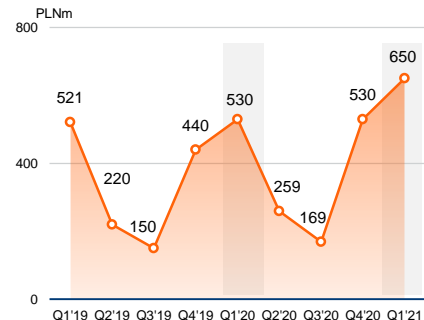
Segment's performance driven by lower temperatures, higher volumes of heat sales and growing operating expenses

[PLNm]	Q1 2020	Q1 2021	Δ%
Revenue	973	<b>1,097</b>	13%
Operating expenses (excl. D&A)	-557	<b>-634</b>	14%
EBITDA	416	<b>463</b>	11%
Depreciation and amortisation expense	-268	<b>-289</b>	8%
EBIT	148	<b>174</b>	18%

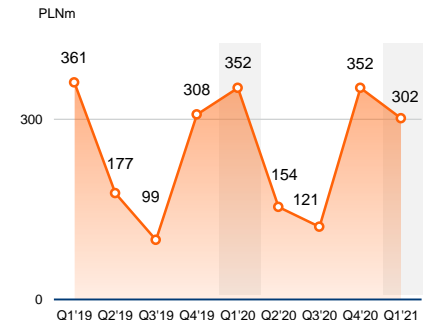
### Comments:

- > Revenue from sales of electricity generated by the segment's own sources down 14% yoy, to PLN 302m, with sales volumes down 12% yoy.
- > Revenue from sales of heat up 23% yoy, at PLN 650m, with a lower average air temperature in Q1 2021 (down 2.8°C yoy) and higher heat sales volumes (up 6% yoy), following an increase in the heat generation and transmission tariff for PGNiG TERMIKA S.A. by 12% from July 1st 2020 and 3% from September 1st 2020, and a 9% increase in the tariff for PGNiG TERMIKA Energetyka Przemysłowa S.A. from July 1st 2020.
- > Segment's depreciation and amortisation expense up PLN 21m (+8%) yoy, including PLN 206m amortisation of CO<sub>2</sub> emission allowances in Q1 2021.
- > Sales volumes in Q1 2021:
  - > Sales of heat outside the Group: 17.0 PJ.
  - > Electricity from own sources: 1.2 TWh.

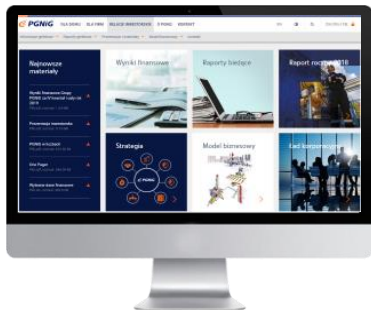
### > Revenue from sales of heat



### > Revenue from sales of electricity from own sources



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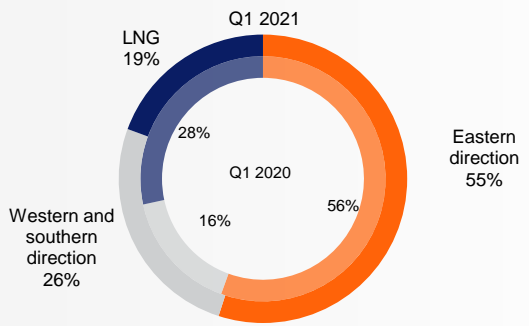
- 1. Gas sales and imports structure
- 2. Operating expenses
- 3. Debt and sources of funding
- 4. CAPEX, statement of financial position, statement of cash flows
- 5. Production and sales volumes



## Gas sales and imports structure

- > Lower gas and LNG imports from sources east of Poland and higher imports from western and southern sources. In Q1 2021, seven gas carriers unloaded at the Świnoujście Terminal, including: four deliveries under the Qatargas contract and three spot deliveries.
- > Higher gas sales by the PGNiG Group due mainly to higher sales by PGNiG OD.

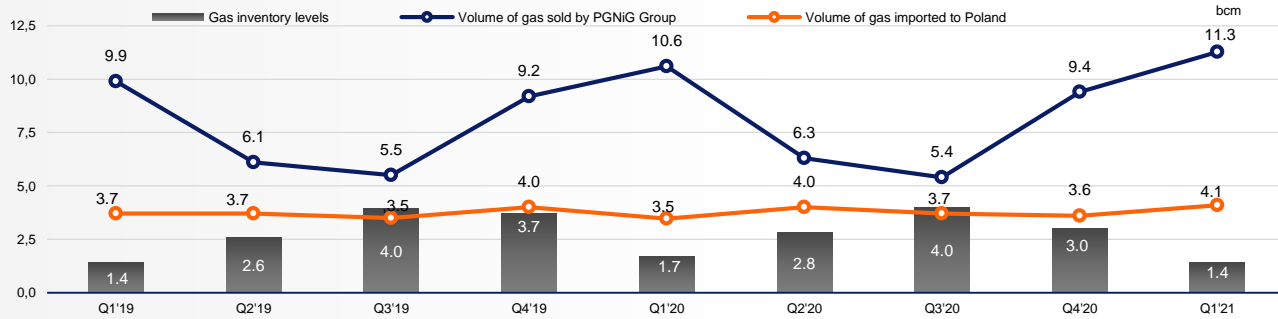
### > Imports of natural gas to Poland



### > Gas sales outside the PGNiG Group by company

[mcm]	Q1 2020	Q1 2021	Δ%
<b>PGNiG Group:</b>	10,601	<b>11,277</b>	+6%
<i>PGNiG SA</i>	6,314	<b>6,257</b>	-1%
<i>PGNiG OD</i>	2,925	<b>3,507</b>	+20%
<i>PST</i>	1,362	<b>1,513</b>	+11%

### > PGNiG Group's gas sales volumes, gas inventory levels\* and gas imports



### Comments:

- > LNG terminal stocks: 5 mcm after regasification (as at March 31st 2021).

\* Includes high-methane gas, nitrogen-rich gas stored in Poland and abroad, as well as LNG at the terminal.

# Operating expenses in Q1 2021 vs Q1 2020

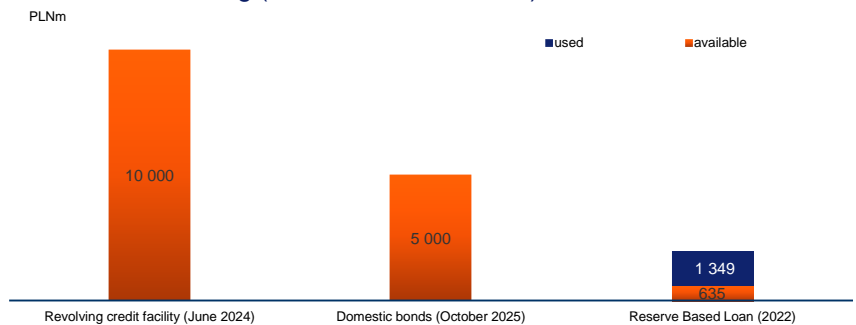
[PLNm]	Q1 2020	Q1 2021	Δ%
Cost of gas	-8,694	<b>-8,543</b>	-2%
Fuels for heat and power generation	-360	<b>-376</b>	4%
Other raw materials and consumables used	-518	<b>-714</b>	38%
Employee benefits expense	-800	<b>-837</b>	5%
Transmission services	-259	<b>-269</b>	4%
Other services	-419	<b>-404</b>	-4%
<i>LNG regasification services</i>	-98	<b>-85</b>	-13%
Taxes and charges	-574	<b>-633</b>	10%
Other income and expenses*	445	<b>316</b>	-29%
<i>Change in inventory write-downs</i>	253	<b>4</b>	-98%
<i>Change in provisions</i>	-143	<b>-150</b>	5%
Recognition and reversal of impairment losses on property, plant and equipment and intangible assets	-774	<b>16</b>	-102%
<i>Cost of dry wells and seismic surveys written-off</i>	-17	<b>-260</b>	1,429%
<i>Impairment gain/losses on non-current assets</i>	-757	<b>276</b>	-136%
Work performed by the entity and capitalised	275	<b>284</b>	3%
Depreciation and amortisation expense	-871	<b>-956</b>	10%
<b>Total operating expenses</b>	<b>-12,549</b>	<b>-12,116</b>	<b>-3%</b>
<i>Operating expenses net of cost of gas sold</i>	<b>-3,854</b>	<b>-3,573</b>	<b>-7%</b>

## Comments:

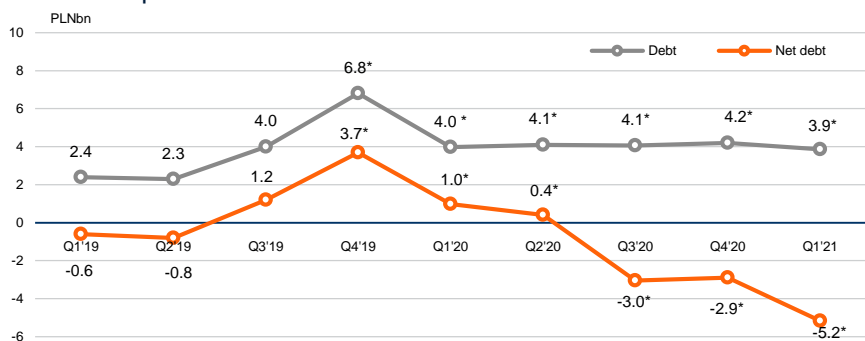
- > Increase in the cost of electricity purchased for trading (to PLN -589m, by +52% yoy), with higher average market selling prices of electricity in Q1 2021.
- > Employee benefits expense in the Group up +5% yoy.
- > Higher costs of dry wells (PLN -260m in Q1 2021 vs PLN -17m in Q1 2020). Five dry wells written off in Q1 2021 vs one well written off in Q1 2020.
- > Reversal of impairment losses on property, plant and equipment under construction of PLN +276m in Q1 2021. Recognition of an impairment loss on non-current assets of PLN -757m in Q1 2020.
- > Increase in provisions for the energy efficiency buy-out price: PLN -97m in Q1 2021 vs PLN -87m in Q1 2020.
- > Net exchange differences related to operating activities: PLN +186m in Q1 2021 vs PLN -162m in Q1 2020.
- > Net gain/loss on derivative instruments recognised in net other income/expenses (not designated for hedge accounting): PLN -167m in Q1 2021 vs PLN +206m in Q1 2020.
- > Higher depreciation and amortisation expense, mainly in the E&P segment (Norway): PLN -136m in Q1 2021 vs PLN -101m in Q1 2020, and Generation segment (amortisation of CO<sub>2</sub> emission allowances): PLN -206m in Q1 2021 vs PLN -184m in Q1 2020.

## Debt and sources of funding

### > Sources of funding (as at March 31st 2021)

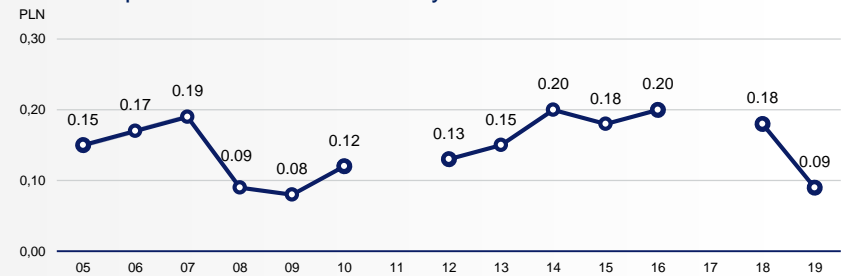


### > Debt at quarter end



\*The data reflects the impact of application of IFRS 16.

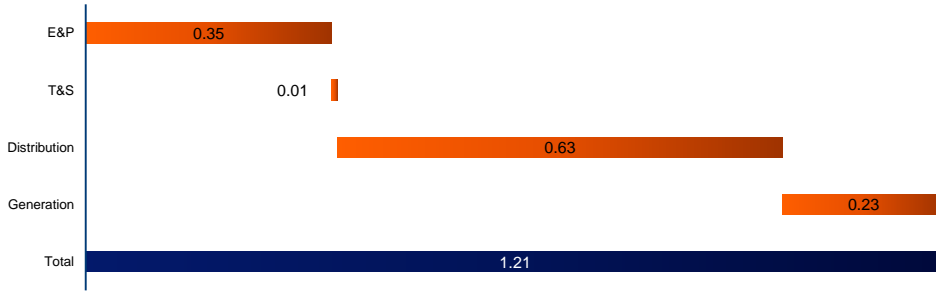
### > Dividend per share for the financial year



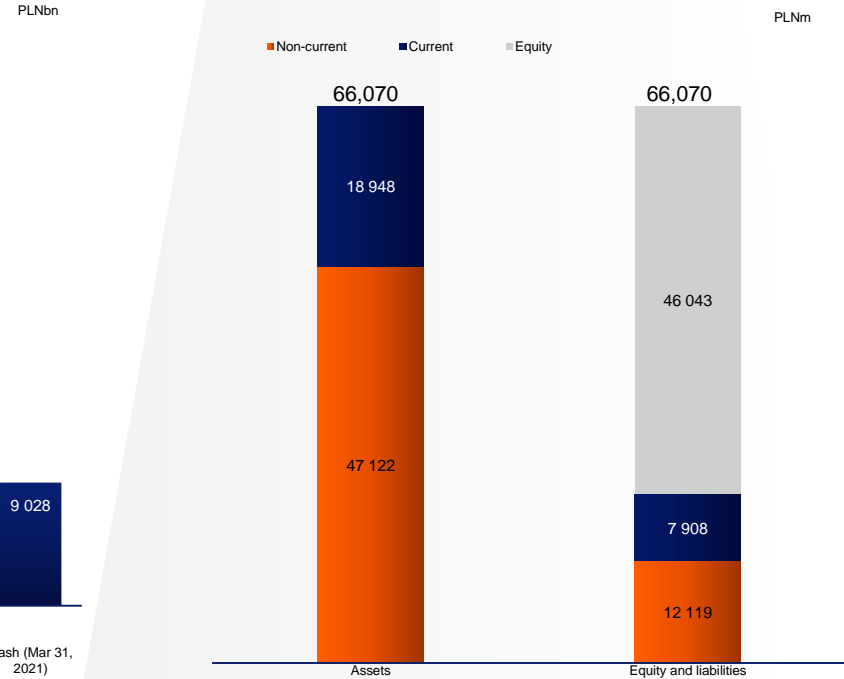
- > June 24th 2020 The PGNiG Annual General Meeting passed Resolution No. 21/2020 to allocate PLN 520,048,337.13 from the 2019 net profit to dividend payment of PLN 0.09 per share.
- > The dividend record date was July 20th 2020 and the dividend payment date was August 3rd 2020.

# CAPEX, statement of financial position and statement of cash flows

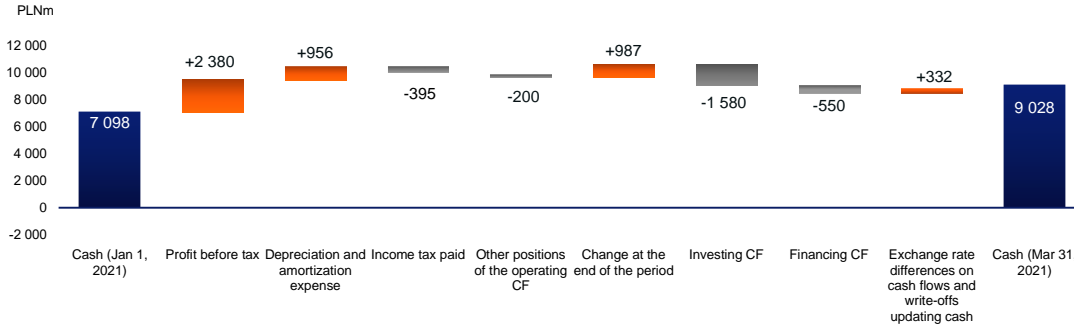
## > CAPEX incurred as at March 31st 2021\*



## > Group's statement of financial position (as at March 31st 2021)



## > Consolidated cash flows (January 1st–March 31st 2021)



\* CAPEX including expenditure on acquisition of hydrocarbon deposits. CAPEX incurred in the Other Activities segment: PLN 0.04bn



# Production and sales volumes

## NATURAL GAS PRODUCTION BY THE PGNIG GROUP [mcm]

	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	FY 2020	FY 2019	FY 2018	FY 2017
HIGH-METHANE GAS (E)	539	488	441	442	444	452	451	439	477	1,815	1,819	1,834	1,863
<i>including in Poland</i>	317	328	330	336	343	348	337	327	326	1,337	1,337	1,296	1,315
<i>including in Norway</i>	222	159	112	106	101	104	114	112	151	478	481	538	548
NITROGEN-RICH GAS (Ls/Lw as E equivalent)	706	731	673	582	719	721	645	601	704	2,705	2,671	2,712	2,674
<i>including in Poland</i>	620	642	591	526	650	668	593	556	661	2,409	2,478	2,512	2,524
<i>including in Pakistan</i>	86	88	82	56	69	53	52	45	43	295	193	200	150
<b>TOTAL (measured as E equivalent)</b>	<b>1,245</b>	<b>1,218</b>	<b>1,114</b>	<b>1,024</b>	<b>1,163</b>	<b>1,173</b>	<b>1,096</b>	<b>1,040</b>	<b>1,181</b>	<b>4,519</b>	<b>4,489</b>	<b>4,546</b>	<b>4,537</b>

## NATURAL GAS SALES BY THE PGNIG GROUP [mcm]

HIGH-METHANE GAS (E)	10,745	8,866	5,022	5,955	10,119	8,735	5,175	5,715	9,431	29,962	29,057	27,466	25,291
<i>including PST sales outside PGNiG Group</i>	1,513	1,252	902	931	1,362	1,487	1,305	1,099	1,352	4,447	5,242	3,929	2,186
NITROGEN-RICH GAS (Ls/Lw as E equivalent)	532	495	357	342	482	447	350	336	465	1,676	1,597	1,578	1,496
<b>TOTAL (measured as E equivalent)</b>	<b>11,277</b>	<b>9,361</b>	<b>5,379</b>	<b>6,297</b>	<b>10,601</b>	<b>9,182</b>	<b>5,525</b>	<b>6,051</b>	<b>9,896</b>	<b>31,638</b>	<b>30,654</b>	<b>29,044</b>	<b>26,787</b>
<i>including sales directly from the fields</i>	264	273	219	192	250	235	210	170	229	934	844	855	796

## NATURAL GAS IMPORTS BY PGNiG S.A. [mcm]

Total	4,102	3,618	3,697	4,012	3,462	3,965	3,508	3,710	3,667	14,789	14,851	13,530	13,714
<i>including: sources east of Poland</i>	2,256	2,370	2,510	2,194	1,923	2,654	2,316	2,186	1,791	8,997	8,946	9,038	9,656
<i>including: LNG</i>	796	808	755	1,213	982	948	706	1,044	727	3,757	3,425	2,713	1,715

## CRUDE OIL, PGNiG GROUP (thousand tonnes)

Production of crude oil and condensate	328	362	306	331	325	328	275	290	324	1324	1,216	1,345	1,257
<i>including in Poland</i>	174	184	159	167	200	208	184	177	208	710	776	818	787
<i>including in Norway</i>	154	178	147	164	125	120	91	113	116	615	440	527	470
Sales of crude oil and condensate from own production	251	361	324	369	277	361	295	266	288	1331	1,210	1,410	1,270
<i>including in Poland</i>	178	182	161	159	210	201	182	177	210	712	771	817	791
<i>including in Norway</i>	73	179	163	210	67	160	113	89	78	619	439	593	479

## GENERATION

Production of heat, net (sales) (TJ)	17,001	13,020	3,083	6,789	16,048	12,984	3,268	6,040	16,970	38,940	39,263	40,659	42,607
Production of electricity, net, secondary generation (for sale) (GWh)	1,223	1,165	454	637	1,382	1,266	425	744	1,513	3,638	3,948	3,974	3,882