

Polish Oil and Gas Company (PGNiG SA)
Head Office

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Estimates of Q2 and H1 2022 consolidated financial highlights

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The Management Board of Polskie Górnictwo Naftowe i Gazownictwo SA (“PGNiG”) announces preliminary estimates of the PGNiG Group’s consolidated financial results for the second quarter and first half of 2022.

in PLNbn	Q2 2021	Q2 2022	H1 2021	H1 2022
Consolidated revenue	10.43	29.49	24.99	76.88
Consolidated operating profit before interest, taxes, depreciation and amortisation (EBITDA)	1.80	5.48	5.20	15.07
<i>Including: impairment of non-current assets (total for the PGNiG Group)</i>	<i>0.27</i>	<i>0.60</i>	<i>0.54</i>	<i>0.66</i>
EBITDA of Exploration and Production, including:	1.41	8.22	2.75	16.67
<i>Dry wells and seismic surveys</i>	<i>-0.17</i>	<i>-0.13</i>	<i>-0.43</i>	<i>-0.21</i>
<i>Impairment of non-current assets</i>	<i>0.30</i>	<i>0.61</i>	<i>0.57</i>	<i>0.66</i>
EBITDA of Trade and Storage	-0.22	-3.39	0.27	-3.60
<i>Gas inventory write-down</i>	<i>-0.01</i>	<i>-0.02</i>	<i>-</i>	<i>0.04</i>
EBITDA of Distribution	0.54	0.40	1.55	1.40
EBITDA of Generation	0.17	0.23	0.63	0.70
Consolidated operating profit (EBIT)	0.98	3.91	3.42	11.92
Consolidated net profit/loss	0.69	0.75	2.43	4.85

The estimated financial results of the PGNiG Group for the second quarter of 2022 were driven by the following factors:

- In the Exploration and Production segment:
 - higher year-on-year (“yoy”) product prices, including quarterly Brent crude prices in USD/bbl up 64%, 310% increase in average TTF prices denominated in polish zloty and 285% rise in average Day-Ahead Market gas prices on the Polish Power Exchange (“POLPX”) compared with the second quarter of 2021;
 - higher natural gas and oil production volumes in Norway, compared with the second quarter of 2021, by 604 mcm (+359%) and 92 thousand tonnes (+72% yoy), respectively;
 - EBITDA generated by PGNiG Upstream Norway AS (“PGNiG UN”) in the second quarter of 2022 of PLN 3.8bn. In the second quarter of 2021 EBITDA of PGNiG UN amounted to PLN 0.4bn;
 - reversal of impairment losses on the segment’s non-current assets of ca. PLN +609m vs reversal of impairment losses of PLN +296m recognised in the second quarter of 2021;

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2. In the Trade and Storage segment:
 - significant rise in gas prices of all contracts on POLPX (up 239%) and Month-Ahead contracts on TTF denominated in polish zloty (up 310%), reflected in the price of domestically produced gas transferred to the Trade and Storage segment;
 - the retail tariff effective as of January 1st 2022 up 83.7% relative to the previous tariff, effective from October 1st 2021 to December 31st 2021;
 - impact of the compensation from the Price Difference Payment Fund on PGNiG OD's results in the second quarter of 2022 that amounted to PLN 1903m;
 - effect of recognition of PLN -20m of inventory write-downs compared with PLN -8m of write-downs recognised in the second quarter of 2021;
 - the result on the valuation and realisation of hedging instruments recognized in the operating results in Q2 2022 amounted to a total of PLN +32m, including:
 - recognized in sales revenue in the amount of PLN -244m (in Q2 2021: PLN -185m);
 - included in cost of gas of PLN +474m (in Q2 2021: PLN +51m) - in the amount corresponding to the outflow of gas reserves for sale in the reporting period;
 - included in other operating expenses, net in the amount of PLN -198m (in Q2 2021: PLN +13m).
3. In the Distribution segment:
 - increase in the fee for distribution services effective as of January 1st, 2022, up 3.6% compared with the previous tariff;
 - average temperature in the second quarter of 2022 0.9°C higher yoy;
 - volume of distributed gas down 18% yoy in the second quarter of 2022.
4. In the Generation segment:
 - higher revenue from sales of heat by PLN 91m (+31%) yoy, with the higher average temperature recorded in the second quarter of 2022, but higher heat production volumes (longer heating season);
 - higher revenue from sales of electricity generated by own sources by PLN 695m (+408%) yoy on higher sales volumes;
 - higher costs of consumption of fuels for production.

Moreover:

1. The debt due to loans, bonds and leasing at the end of second quarter 2022 amounted to PLN 15.7bn (up by PLN 6.5bn related to the first quarter of 2022 amounted to PLN 9.2bn). Increased indebtedness of the PGNiG Group was caused by higher demand for working capital, resulting from gas purchases at significantly higher prices and the need to replenish deposits securing stock exchange and financial transactions related to derivative instruments.
2. Net debt (total debt from loans, bonds and leasing less cash and cash equivalents) amounted to PLN +3.3bn at the end of second quarter 2022 (at the end of first quarter of 2022 net debt amounted to PLN +0.2bn).

The amounts presented above are estimates and may be subject to change. The results provided above will be reviewed by the auditor. The interim report for the first half of 2022 will be published on August 18th 2022.

Legal basis:

Article 17.1 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of April 16th 2014 on market abuse and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC