

Q4 2021

PGNiG Group Q4 2021 Results

March 24th 2022



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Key events in Q4 2021

> October



> President of UOKiK's application constituting a notification of intended concentration in connection with the planned acquisition of control of PGNiG by PKN ORLEN



> Launch of process to optimise PGNiG Group's operations



> Submission of a letter amending the request to renegotiate the contract price of natural gas supplied by PAO Gazprom and OOO Gazprom Export

> November



> Execution of amendment to investment agreement on rules governing cooperation in construction of gas-fired power generation unit at Ostrołęka C Power Plant

> December



> Publication of natural gas and crude oil production forecasts for 2021–2024



> Execution of credit facility agreements with Bank Gospodarstwa Krajowego, PKO BP and CaixaBank



> President of URE's decision on the Retail Tariff for PGNiG Obrót Detaliczny – gas fuel price up 84% for all tariff groups from January 1st 2022

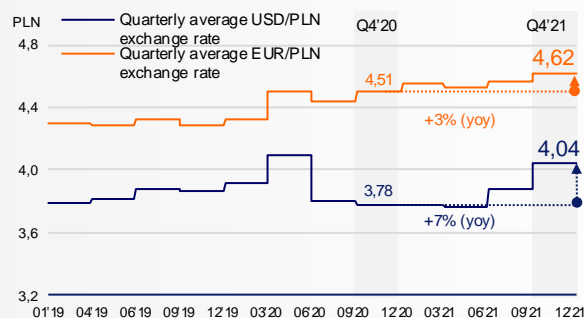


> President of URE's decision on the Distribution Tariff for PSG – an average increase of network fee rates by 3.6%

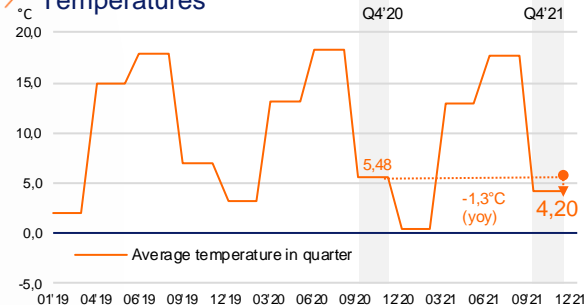
External and market factors

- > USD/PLN exchange rate up +7% yoy in Q4 2021, to PLN 4.62.
- > EUR/PLN exchange rate up +3% yoy in Q4 2021, to PLN 4.04.
- > Average temperature* down -1.3°C yoy in Q4 2021.

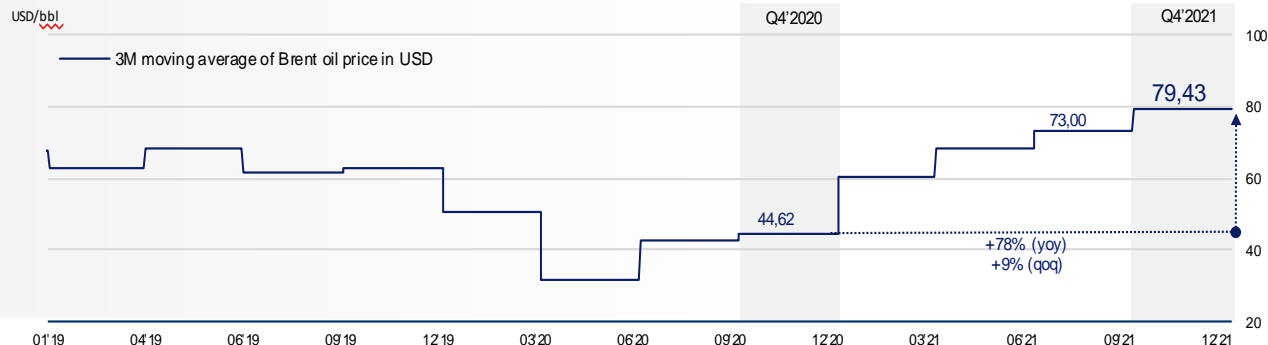
> USD/PLN and EUR/PLN exchange rates



> Temperatures*



> 3M crude oil prices



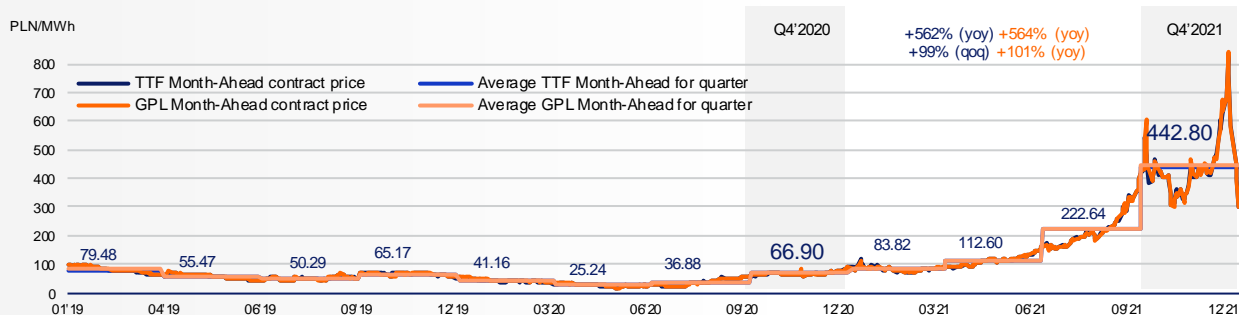
- > 3M (quarterly) average oil price up +78% yoy, to USD 79.4 per barrel.

* Reference point for temperature measurement: Rzeszów

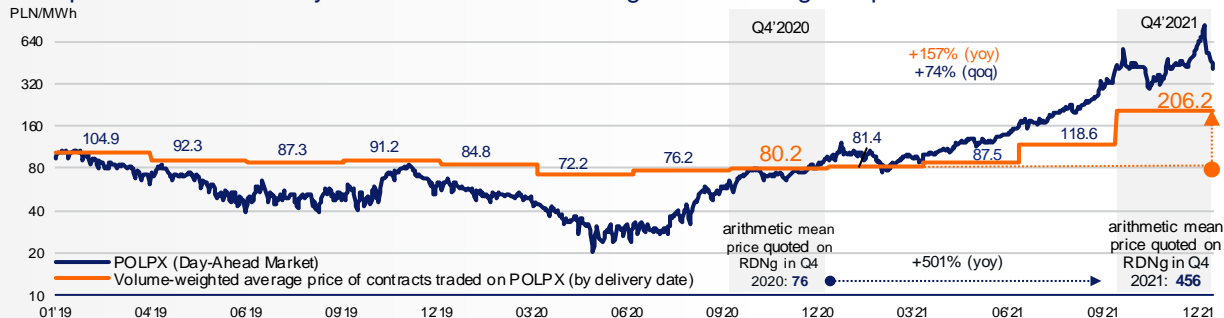
Gas markets

- > TTF and GPL gas prices (Month-Ahead contract) in PLN in Q4 2021:
 - > July: +546% and +556% yoy,
 - > August: +514% and +507% yoy,
 - > September: +617% and +631% yoy.
- > Trading volumes on POLPX in Q4 2021, including all contracts and maturities, up approximately +26% yoy.

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



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



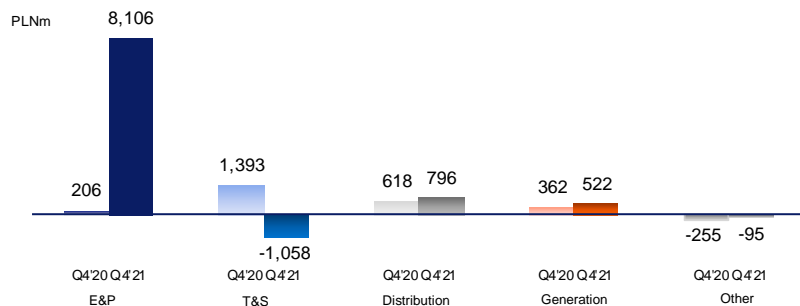
Comments:

- > 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 Q4 2021

[PLNm]	Q4 2020	Q4 2021	change %
Revenue	11,767	32,470	176%
Operating expenses (excl. D&A)	-9,443	-24,269	157%
EBITDA	2,324	8,201	253%
<i>EBITDA (excluding impairment losses on property, plant and equipment)</i>	3,104	7,763	150%
Depreciation and amortisation expense	-983	-1,454	48%
EBIT	1,341	6,747	403%
Net finance costs	144	-465	-423%
Net profit	1,304	2,915	124%

Group's EBITDA by segment in Q4 2021 vs Q4 2020



*Eliminations in Q4 2020: PLN 0m; Q4 2021: PLN -70m

Exploration and Production

- Revenue from sales of gas up +726% yoy, to PLN 7,622m, with revenue from sales of crude oil and condensate up PLN +108% yoy, to PLN 921m.
- Reversal of impairment losses on non-current assets of PLN +448m in Q4 2021 vs impairment losses of PLN -677m recognised in Q4 2020.

Trade and Storage

- Revenue from sales of gas up to PLN 27 720m (+238% yoy), with a +12% yoy increase in gas volumes sold outside the Group. Gas fuel costs higher by 348% yoy.
- Net gain/(loss) on measurement and realisation of hedging instruments recognised in operating profit/(loss) totalled PLN +2,328m in Q4 2021 vs PLN +221 in Q4 2020.

Distribution

- Gas distribution volume up +8% yoy and revenue from distribution services up PLN 191m (+15% yoy).
- Net income/cost of system balancing: PLN -53m in Q4 2021, compared with PLN +11m in Q4 2020.

Generation

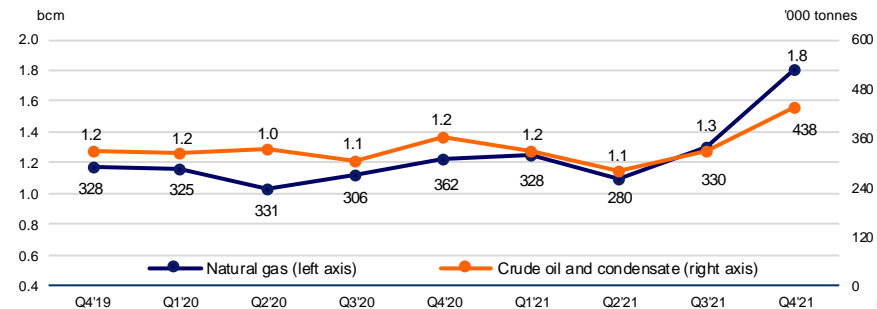
- Revenue from sales of heat up PLN 86m (+25% yoy), with the average air temperature lower by 1.28°C in Q4 2021, a +7% yoy increase in heat volumes sold, and a yoy increase in the heat generation and transmission tariff.
- PLN 193m rise in revenue from sales of electricity generated by own sources (up 68% yoy), with sales volumes up +4%.

Segment - Exploration and Production

Revenue and EBITDA growth, with a yoy increase in oil prices and significantly higher gas prices on POLPX (+501%) and TTF (+562%).

[PLNm]	Q4 2020	Q4 2021	change%
Revenue	1,532	8,858	478%
Operating expenses (excl. D&A)	-1,326	-752	-43%
Cost of dry wells and seismic surveys written-off	-70	-168	140%
Impairment of non-current assets	-677	447	-166%
EBITDA	206	8,106	3835%
Depreciation and amortisation expense	-337	-539	60%
EBIT	-131	7,567	-5876%

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



Comments

- Segment's revenue from sales of gas up PLN 6,699m (+726%) yoy as a result of a yoy increase in the arithmetic mean price of gas on the POLPX Day-Ahead Market and TTF MA by +501% and +562%, respectively, with production volumes in Norway up +385% yoy, to almost 773 mcm.
- Revenue from sales of crude oil and condensate up PLN +478m (+108% yoy), with sales volumes down -3% yoy and the average oil price for the quarter in USD up +66% yoy.
- Oil production volumes in Poland down -6% yoy to 174 thousand tonnes; in Norway up +48% yoy to ca. 264 thousand tonnes.
- Cost of dry wells and seismic surveys written-off: PLN -168m in Q4 2021 vs PLN -70m in Q4 2020.
- Reversal of impairment losses on property, plant and equipment of PLN +448m in Q4 2021 vs impairment losses of PLN -677m recognised in Q4 2020.
- Overlift/underlift position in Norway in Q4 2021 – effect on Q4 2021 results of PLN +94m (lower net other expenses). The effect of overlift/underlift on Q4 2020 results was PLN -2m.

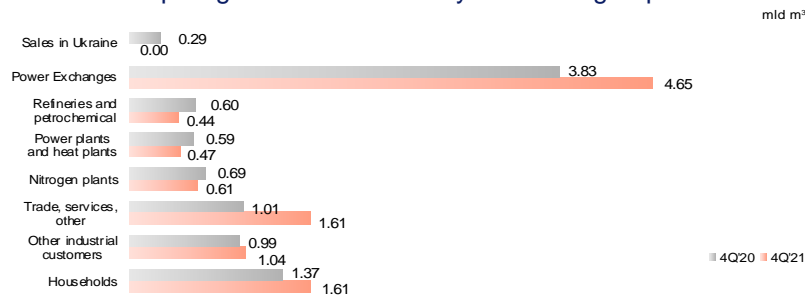


Segment - Trade and Storage

Segment's performance driven by higher gas sales volumes and higher unit gas costs.

[PLNm]	Q4 2020	Q4 2021	change%
Revenue	9,564	30,025	214%
Operating expenses (excl. D&A)	-8,171	-31,083	280%
<i>Gas inventory write-down</i>	-1	-81	8000%
EBITDA	1,393	-1,058	-176%
Depreciation and amortisation expense	-56	-51	-9%
EBIT	1,337	-1,109	-183%

> PGNiG Group* – gas sales volumes by customer group



Comments

- > Revenue from sales of gas (including the effect of hedging transactions) up PLN 19.53bn (+238%) yoy (to PLN 27.72bn in Q4 2021), with a +12% yoy increase in the volume of gas sold outside the Group in the segment.
- > Segment's cost of gas up 348% yoy, at PLN -29.18bn.
- > Net gain/(loss) on measurement and realisation of hedging instruments recognised in operating profit/(loss) totalled PLN 2,328bn in Q4 2021, of which: PLN -258m was recognised in revenue (Q4 2020: PLN -14m); PLN +1,211m was recognised in cost of gas (Q4 2020: PLN -5m), with the amount corresponding to a decrease in gas inventories for sale in the reporting period; PLN +1,375m was recognised in net other expenses (Q4 2020: PLN +240m).
- > 7.4% increase in the average price of gas fuel in the retail tariff effective from October 1st 2021 relative to the previous tariff, with sales volumes to households up +18% yoy, at 1.61 bcm in Q4 2021.
- > Higher yoy gas imports to Poland from eastern sources (Q4 2021: 2.60 bcm vs Q4 2020: 2.37 bcm) and LNG (Q4 2021: 1.02 bcm vs Q4 2020: 0.81 bcm) and higher volumes imported from the west and south (Q4 2021: 0.53 bcm vs Q4 2020: 0.44 bcm).
- > Total revenue from sales of electricity: PLN 1,367m, up PLN 560m (+70%) yoy, with cost of electricity for trading up by PLN 574m (+73%) yoy, at PLN -1,357m.
- > Effect of gas inventory write-down of PLN -81m in Q4 2021 vs write-down of PLN -1m recognised in Q4 2020. Net write-down at the end of Q4 2021 was PLN -107m.
- > Effect of recognition of a provision for energy efficiency buy-out price: PLN -97m in Q4 2021 vs PLN -70m in Q4 2020.



* Total volumes of gas sold by E&P and T&S segments outside the Group. PST Sales outside the PGNiG Group abroad in 2021: 1.88 bcm (0.88 bcm – sales in power exchanges); in 2020: 1.05 bcm (0.64 bcm – sales in power exchanges).

Segment - Distribution

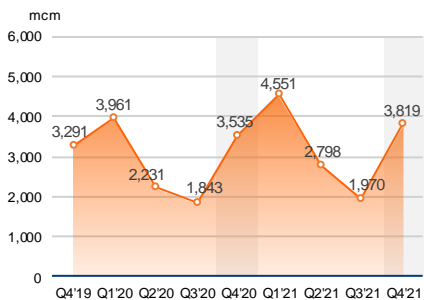
Segment's performance driven by lower temperatures, higher gas distribution volumes and a higher distribution tariff.

[PLNm]	Q4 2020	Q4 2021	change%
Revenue	1,365	1,567	15%
Operating expenses (excl. D&A)	-747	-771	3%
EBITDA	618	796	29%
Depreciation and amortisation expense	-293	-318	9%
EBIT	325	478	47%

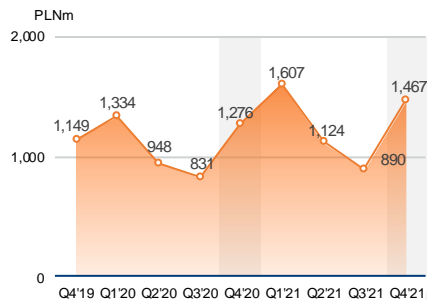
Comments

- > Gas distribution volumes up +8% yoy to 3.82 bcm, with the average air temperature for the quarter down -1.28°C yoy.
- > 3.6% increase in the tariff for gas distribution services, effective from February 1st 2021.
- > Higher revenue from distribution services (PLN +191m, or +15% yoy).
- > Net income/cost of system balancing: PLN -53m in Q4 2021, compared with PLN +11m in Q4 2020.

> Volumes of distributed gas



> Revenue from distribution services



Generation

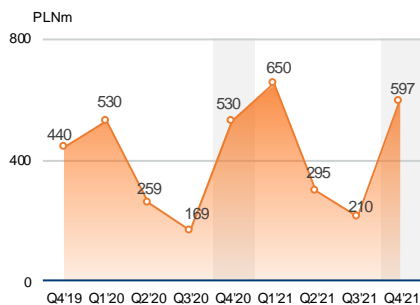
Segment's performance driven by higher heat sales volumes and higher tariff for heat generation and transmission.

[PLNm]	Q4 2020	Q4 2021	change%
Revenue	903	1,243	38%
Operating expenses (excl. D&A)	-541	-721	33%
EBITDA	362	522	44%
Depreciation and amortisation expense	-276	-526	91%
EBIT	86	-4	-105%

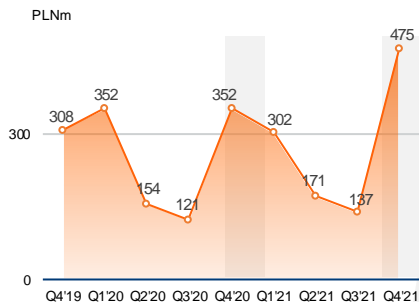
Comments

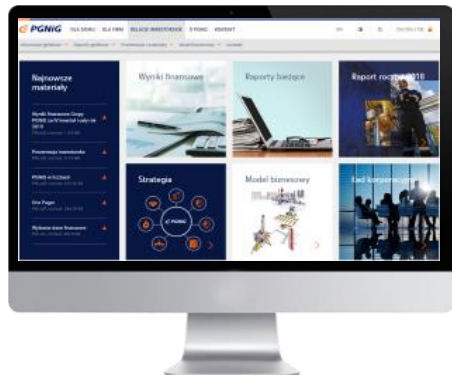
- › Revenue from sales of electricity generated by the segment's own sources up +68% yoy, to PLN 475m, with sales volumes up +4% yoy.
- › Revenue from sales of heat up +17% yoy, at PLN 597m, with a lower average heat temperature in Q4 2021 (down -1.28°C yoy), higher heat sales volumes (up +7% yoy) and a ca. 5% increase in the tariff for PGNiG TERMIKA Energetyka Przemysłowa S.A. from August 1st 2021. The tariff for PGNiG TERMIKA SA effective from October 1st 2021 was at a level similar to the previous tariff.
- › Segment's depreciation and amortisation expense up PLN -250m (+91% yoy), with amortisation of CO₂ emission allowances up PLN -321m, to PLN -590m in Q4 2021.
- › Reversal of provisions for CO₂ emission allowances at PLN +114m in Q4 2021 vs PLN +53m in Q4 2020, recognised as a component of costs of core activities and presented under other income/expenses.
- › Sales volumes in Q4 2021:
 - › Sales of heat outside the Group: 13.91 PJ.
 - › Electricity from own sources: 1.16 TWh

› Revenue from sales of heat



› Revenue from sales of electricity from own sources





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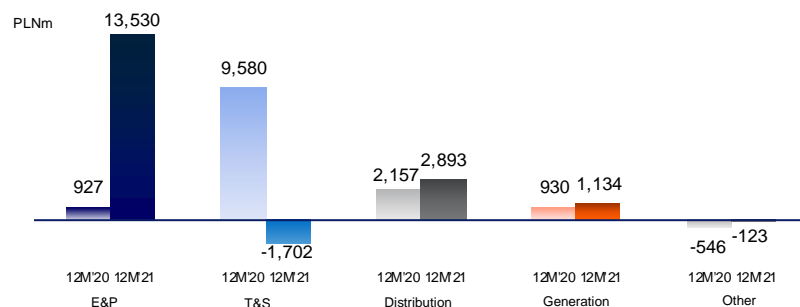
- > 1. Gas sales and imports structure
- > 2. Operating expenses
- > 3. Debt and sources of funding
- > 4. CAPEX, statement of financial position, statement of cash flows
- > 5. Production and sales volumes



2021 financial highlights

[PLNm]	FY 2020	FY 2021	change%
Revenue	39,197	69,964	78%
Operating expenses (excl. D&A)	-26,188	-54,371	108%
EBITDA	13,009	15,593	20%
<i>EBITDA (net of impairment losses on property, plant and equipment)</i>	14,597	14,576	0%
Depreciation and amortisation expense	-3,424	-4,031	18%
EBIT	9,585	11,562	21%
Net finance costs	35	-587	-1777%
Net profit	7,340	6,014	-18%

> Group's EBITDA by segment in FY2021 vs FY2020*



*Eliminations in FY2020: PLN -39m vs FY2021: PLN -139m.

Exploration and Production

- > Revenue from sales of gas up PLN 9,943m (+396%) yoy, with revenue from sales of crude oil and condensate up PLN 1,074m (+76%) yoy.
- > Reversal of impairment loss on non-current assets in 2021 at PLN +1,025m vs impairment loss on non-current assets recognised in 2020 at PLN -1,485m.

Trade and Storage

- > Revenue from sales of E and Ls/Lw gas (taking into account the adjustment to gas sales due to hedging transactions) up +103% yoy, with a +9% yoy increase in gas volumes sold outside the Group.
- > Net gain/(loss) on measurement and realisation of hedging instruments recognised in operating profit/(loss) in a total amount of PLN 1,415m, of which: (1) PLN -697m recognised in revenue (2020: +1,062m), (2) +1,590m recognised in cost of gas (2020: PLN -296m), (3) PLN +522m recognised in net other expenses (2020: PLN +233m).
- > Effect of gas inventory write-down of PLN -89m, vs gas inventory write-down of PLN +358m reversed in 2020.

Distribution

- > Gas distribution volumes at 13.14 bcm, up 14%, with the average air temperature -1.3 °C lower yoy.
- > Revenue from distribution services in Poland up PLN +699m (+16%) yoy due to a higher tariff (a ca. +3.6% increase on the previous tariff).

Generation

- > Revenue from sales of electricity generated by own sources up +19% yoy, with market prices rising and sales volumes down -4% yoy.
- > +19% yoy increase in revenue from sales of heat, with a lower average temperature and sales volumes rising +6% yoy.

Operating expenses in Q4 2021 vs Q4 2020

[PLNm]	Q4 2020	Q4 2021	change%
Cost of gas	-6,572	-21,950	234%
Fuels for heat and power generation	-294	-284	-3%
Other raw materials and consumables used	-664	-1,090	64%
Employee benefits expense	-1,050	-1,016	-3%
Transmission services	-265	-344	30%
Other services	-564	-724	28%
<i>LNG regasification services</i>	-97	-90	-7%
Taxes and charges	-145	-303	109%
Other income and expenses	-146	547	-475%
<i>Change in inventory write-downs</i>	-3	-80	2567%
<i>Change in provisions</i>	-78	117	-250%
Recognition and reversal of impairment losses on property, plant and equipment and intangible assets	-850	269	-132%
<i>Cost of dry wells and seismic surveys written-off</i>	-61	-150	146%
<i>Impairment losses on non-current assets</i>	-780	438	-156%
Work performed by the entity and capitalised	333	626	88%
Depreciation and amortisation expense	-983	-1,454	48%
Total operating expenses	-10,426	-25,723	147%
<i>Operating expenses net of cost of gas sold</i>	<i>-4,628</i>	<i>-3,773</i>	<i>-18%</i>

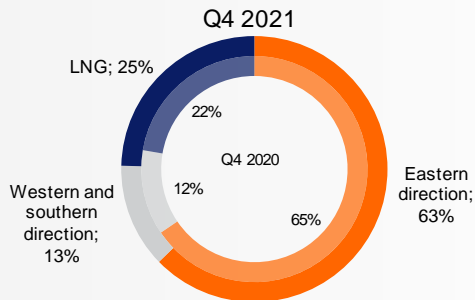
Comments:

- > Cost of gas sold up +279% yoy to PLN -21,950m, with a +9% yoy increase in gas volumes sold outside the Group.
- > Net exchange differences related to operating activities recognised in net other income/expenses: PLN -26m in Q4 2021 vs PLN +33m in Q4 2020.
- > Increase in costs of other raw materials and consumables used, mainly due to higher costs of energy purchased for trading (up +82% yoy to PLN -921m).
- > Employee benefits expense at the Group level down -3% yoy.
- > Higher costs of dry wells (PLN -149m in Q4 2021 vs PLN -60m in Q4 2020). Four dry wells written off in Q4 2021.
- > Reversal of impairment loss on non-current assets of PLN +437m in Q4 2021. Recognition of impairment loss on non-current assets of PLN -780m in Q4 2020.
- > Increase in provisions for the energy efficiency buy-out price: PLN -97m in Q4 2021 vs PLN -72m in Q4 2020.
- > Reversal of provisions for CO2 emission allowances of PLN +114m in Q4 2021 vs PLN +53m in Q4 2020.
- > Recognition of gas inventory write-downs of PLN -81m in Q4 2021 vs inventory write-downs of PLN -1m recognised in Q4 2020.
- > Overlift/underlift position in Norway in Q4 2021: a reduction in net other expenses of PLN +94m vs PLN -2m in Q4 2020.

Gas sales and imports structure

- > Higher LNG imports and higher gas imports from sources east and west of Poland, with lower gas imports from sources south of Poland. In Q4 2021, nine gas carriers unloaded at the Świnoujście Terminal, including: five deliveries under contracts with Qatargas and four spot deliveries.
- > Higher gas sales by the PGNiG Group due mainly to higher sales by PGNiG OD and PST.

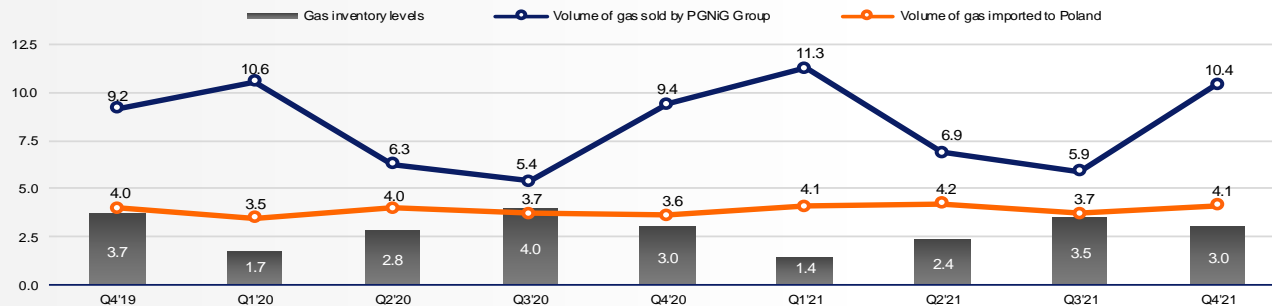
> Imports of natural gas to Poland



> Gas sales outside the PGNiG Group by company

[mcm]	Q4 2020	Q4 2021	change%
PGNiG Group:	9,361	10,429	11%
<i>PGNiG SA</i>	5,570	5,339	-4%
<i>PGNiG OD</i>	2,539	3,015	19%
<i>PST</i>	1,252	2,076	66%

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



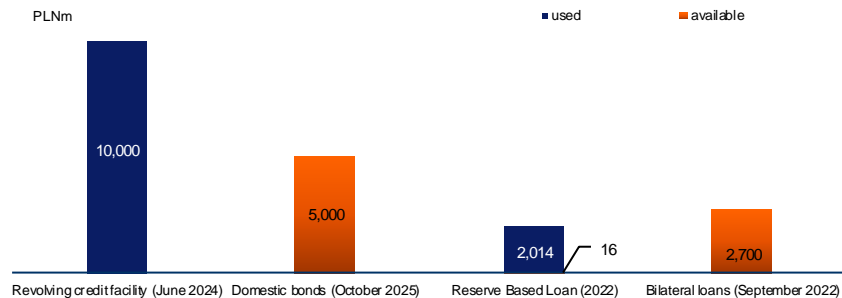
Comments:

- > LNG terminal stocks: 83 mcm after regasification (as at December 31st 2021).

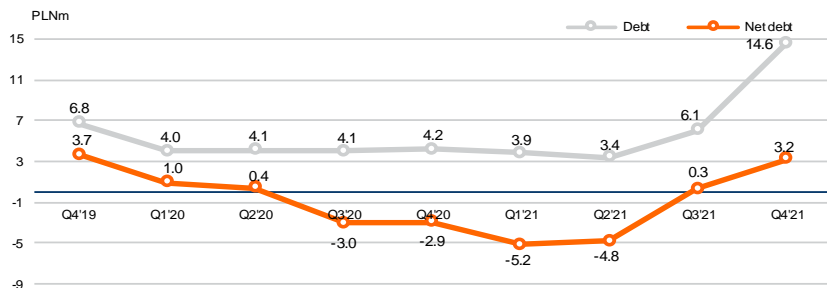
* Includes high-methane gas, nitrogen-rich gas stored in Poland and abroad, as well as LNG at the terminal.

Debt and sources of funding

> Sources of funding (as at December 31st 2021)

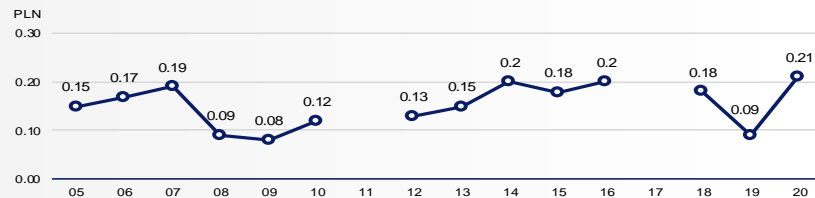


> Debt at quarter end



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

> Dividend per share for the financial year

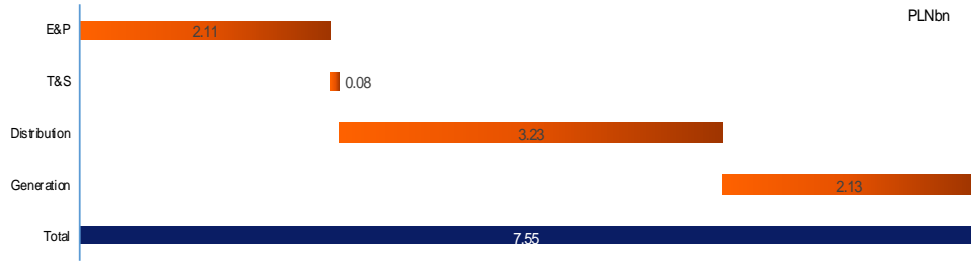


- > On July 9th 2021, the PGNiG Annual General Meeting passed Resolution No. 34/2021 to allocate PLN 1,213,446,119.97 from the 2020 net profit to dividend payment of PLN 0.21 per share.
- > The dividend record date was July 19th 2021 and the dividend payment date was August 3rd 2021.

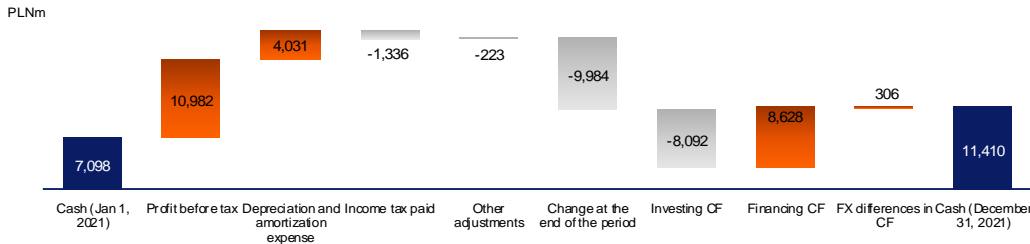
CAPEX, statement of financial position and statement of cash flows

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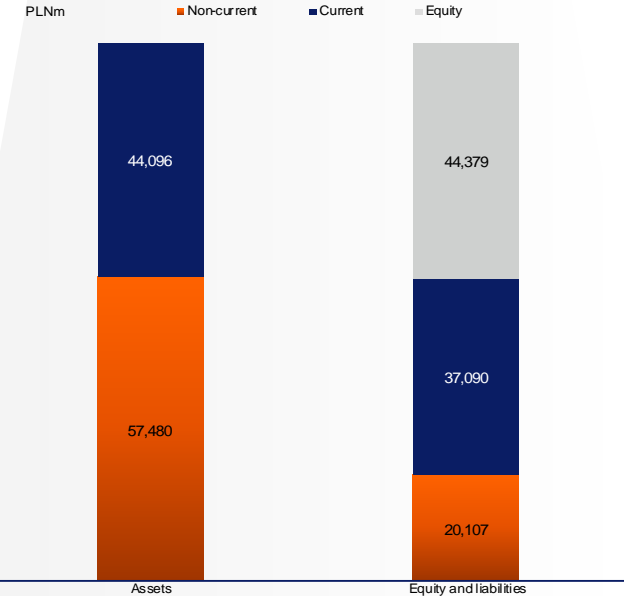
> CAPEX incurred as at December 31st 2021*



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



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



* CAPEX does not include expenditure on acquisition of hydrocarbon deposits (PLN 1.3bn as at December 31st 2021); CAPEX incurred in the Other Activities segment: PLN 0.18bn as at December 31st 2021.

Production and sales volumes

NATURAL GAS PRODUCTION BY THE PGNiG GROUP [mcm]

	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	FY 2021	FY 2020	FY 2019	FY 2018
HIGH-METHANE GAS (E)	1,096	582	487	539	488	441	442	444	452	451	2,704	1,815	1,819	1,834
<i>including in Poland</i>	323	326	318	317	328	330	336	343	348	337	1,284	1,337	1,337	1,296
<i>including in Norway</i>	773	257	168	222	159	112	106	101	104	114	1,420	478	481	538
NITROGEN-RICH GAS (Ls/Lw as E equiv.)	710	669	604	706	731	673	582	719	721	645	2,690	2,705	2,671	2,712
<i>including in Poland</i>	632	589	522	620	642	591	526	650	668	593	2,364	2,409	2,478	2,512
<i>including in Pakistan</i>	78	80	82	86	88	82	56	69	53	52	326	295	193	200
TOTAL (measured as E equivalent)	1,806	1,252	1,091	1,245	1,218	1,114	1,024	1,163	1,173	1,096	5,394	4,519	4,489	4,546

NATURAL GAS SALES BY THE PGNiG GROUP [mcm]

HIGH-METHANE GAS (E)	9,938	5,539	6,495	10,745	8,866	5,022	5,955	10,119	8,735	5,175	32,717	29,962	29,057	27,466
<i>including PST sales outside PGNiG Group</i>	2,076	1,303	1,125	1,513	1,252	902	931	1,362	1,487	1,305	6,017	4,447	5,242	3,929
NITROGEN-RICH GAS (Ls/Lw as E equiv.)	492	330	403	532	495	357	342	482	447	350	1,758	1,676	1,597	1,578
TOTAL (measured as E equivalent)	10,429	5,870	6,899	11,277	9,361	5,379	6,297	10,601	9,182	5,525	34,476	31,638	30,654	29,044
<i>including sales directly from the fields</i>	259	208	224	264	273	219	192	250	235	210	955	934	844	855

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

Total	4,138	3,716	4,170	4,102	3,618	3,697	4,012	3,462	3,965	3,508	16,127	14,789	14,851	13,530
<i>including: sources east of Poland</i>	2,595	2,487	2,566	2,256	2,370	2,510	2,194	1,923	2,654	2,316	9,904	8,997	8,946	9,038
<i>including: LNG</i>	1,018	880	1,245	796	808	755	1,213	982	948	706	3,938	3,757	3,425	2,713

CRUDE OIL, PGNiG GROUP (thousand tonnes)

Production of crude oil and condensate	438	330	279	328	362	306	331	325	328	275	1,376	1,324	1,216	1,345
<i>including in Poland</i>	174	145	151	174	184	159	167	200	208	184	643	710	776	818
<i>including in Norway</i>	264	185	128	154	178	148	164	125	120	91	732	615	440	527
Sales of crude oil and condensate from own production	401	322	366	251	361	324	369	277	361	295	1,340	1,331	1,210	1,410
<i>including in Poland</i>	178	145	142	178	182	161	159	210	201	182	643	712	771	817
<i>including in Norway</i>	223	177	224	73	179	163	210	67	160	113	697	619	439	593

GENERATION

Production of heat, net (sales) (TJ)	13,909	3,721	6,543	17,001	13,020	3,083	6,789	16,048	12,984	3,268	41,174	38,940	39,263	40,659
Production of electricity, net, secondary generation (for sale) (GWh)	1,206	436	614	1,223	1,165	454	637	1,382	1,266	425	3,480	3,638	3,948	3,974