

Polskie Górnictwo Naftowe i Gazownictwo SA

Estimated financial results of PGNiG Group
in Q4 and 2021



February 21st 2022

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. 8/2022 of February 21st 2022. The financial data contained in this presentation and in the Current Report may change following an audit by a qualified auditor.

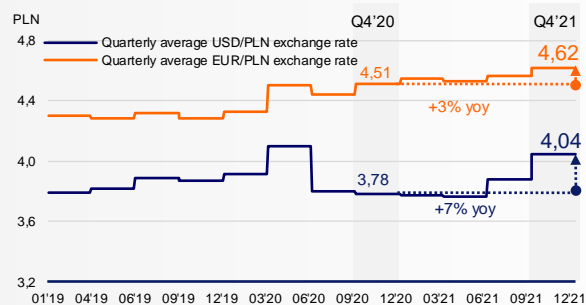
The interim report for Q4 and 2021 will be published on March 24th 2022.

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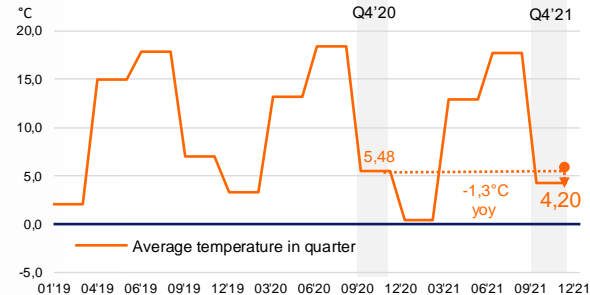
External and market drivers

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

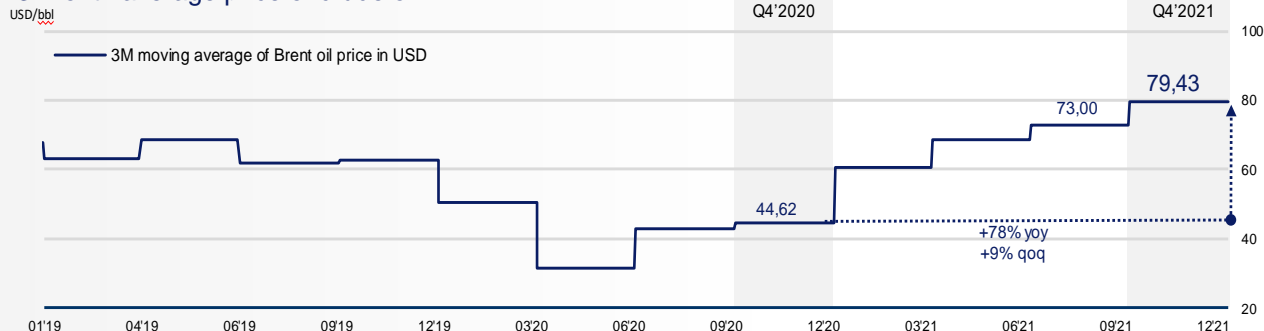
> USD/PLN and EUR/PLN exchange rate



> Temperatures*



> 3-month average price of crude oil



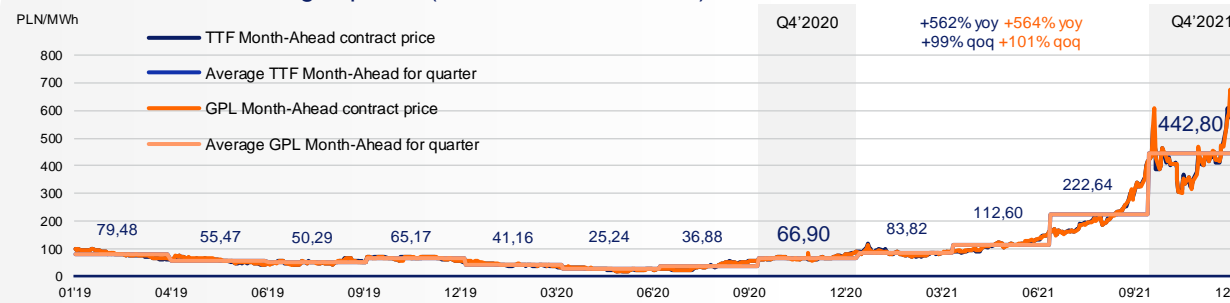
- > +78% yoy increase in the 3-month (quarter) average crude oil price to 79,4 USD/bbl.

* Temperature measurement in reference point in Rzeszów

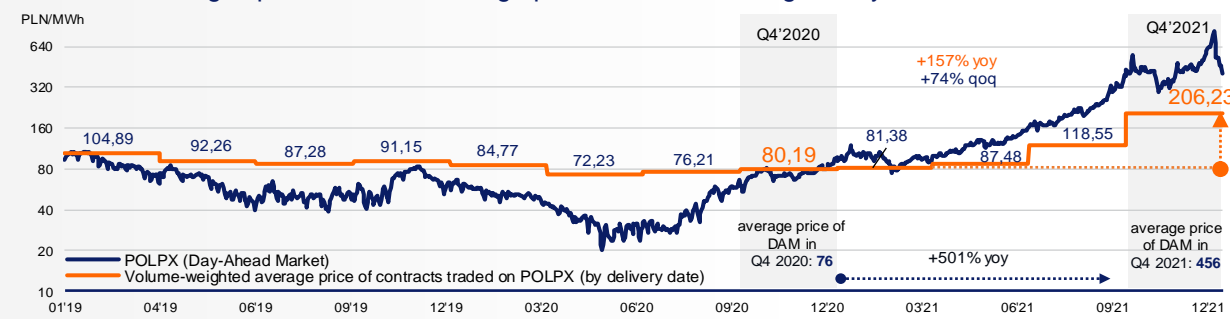
Gas markets

- > TTF and GPL gas prices (Month-Ahead contract) in Q4 2021:
 - > October: +6x and +6x yoy,
 - > November: +6x and +6x yoy,
 - > December: +7x i +7x yoy.
- > Higher trading volumes (+26% yoy) on POLPX in Q4 2021 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. 4/2022 of January 28th 2022

	Q4 2020	Q4 2021	Change yoy	2020	2021	Change yoy
NATURAL GAS* in billion cubic metres						
Production volume	1.22	1.80	48%	4.52	5.39	19%
<i>including Poland and Pakistan</i>	1.06	1.03	(3%)	4.04	3.97	(2%)
<i>including PGNiG Upstream Norway</i>	0.16	0.77	385%	0.48	1.42	197%
Imports volume	3.62	4.14	14%	14.79	16.13	9%
<i>including imports from countries east of Poland</i>	2.37	2.60	10%	9.00	9.91	10%
<i>including western and southern</i>	0.44	0.52	18%	2.04	2.28	12%
<i>including LNG</i>	0.81	1.02	26%	3.76	3.94	5%
Sales volume outside PGNiG Group	9.36	10.44	12%	31.64	34.49	9%
<i>including PGNiG SA</i>	5.57	5.34	(4)%	18.99	18.75	(1)%
<i>on Polish Power Exchange</i>	3.15	2.02	(36)%	9.65	9.65	0%
<i>exports from Poland</i>	0.29	0.00	(100%)	1.24	0.22	(82)%
<i>including PGNiG Obrót Detaliczny</i>	2.54	3.03	19%	8.20	9.72	19%
<i>including PGNiG Supply & Trading</i>	1.25	2.08	66%	4.45	6.02	35%
DISTRIBUTION in billion cubic metres						
Gas distribution volume**	3.54	3.82	8%	11.57	13.14	14%
CRUDE OIL*** in thousand tonnes						
Production volume	361.5	437.5	21%	1 324.1	1 375.5	4%
<i>including Poland</i>	183.7	173.6	(5)%	709.2	643.3	(9)%
<i>including PGNiG Upstream Norway</i>	177.8	263.9	48%	614.9	732.2	19%
Sales volume	360.8	400.9	11%	1 331.6	1 339.9	1%
<i>including Poland</i>	182.2	177.6	(3)%	712.8	643.1	(10)%
<i>including PGNiG Upstream Norway</i>	178.6	223.3	25%	618.8	696.7	13%
HEAT AND ELECTRICITY****						
Heat sales volume (PJ)	13.02	13.91	7%	38.94	41.17	6%
Electricity sales volume (TWh)	1.16	1.21	4%	3.64	3.48	(4)%
Gas in underground storage facilities in billion cubic metres						
Gas in underground storage facilities as at December 31st *****	3.0	3.0	(0)%	3.0	3.0	(0)%

* 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 – profit and loss

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[PLN bn]	Q4 2020	Q4 2021	change yoy	2020	2021	change yoy
Consolidated revenue	11.77	32.47	176%	39.20	69.96	78%
Consolidated EBITDA	2.32	8.20	3x	13.01	15.60	20%
Herein: impairment losses on property, plant and equipment of PGNiG Group	-0.78	0.44	-3x	-1.59	1.02	(93%)
<i>EBITDA of Exploration and Production</i>	<i>0.21</i>	<i>8.11</i>	<i>38x</i>	<i>0.93</i>	<i>13.53</i>	<i>14x</i>
<i>cost of dry wells and seismic surveys</i>	-0.07	-0.17	143%	-0.20	-0.63	3x
<i>impairment losses on property, plant and equipment</i>	-0.68	0.45	(166%)	-1.49	1.05	(170%)
<i>EBITDA of Trade and Storage</i>	<i>1.39</i>	<i>-1.06</i>	<i>(176%)</i>	<i>9.58</i>	<i>-1.70</i>	<i>(118%)</i>
<i>reduction costs of gas associated with retroactive settlement under yamal contract annex</i>	-	-	-	5.69	-	-
<i>gas inventory write-downs</i>	-0.01	-0.08	8x	0.36	-0.09	(125%)
<i>EBITDA of Distribution</i>	<i>0.62</i>	<i>0.80</i>	<i>29%</i>	<i>2.16</i>	<i>2.89</i>	<i>34%</i>
<i>EBITDA of Generation</i>	<i>0.36</i>	<i>0.52</i>	<i>44%</i>	<i>0.93</i>	<i>1.13</i>	<i>22%</i>
Consolidated EBIT	1.34	6.75	404%	9.59	11.57	21%
Consolidated net result*	1.30	3.09	138%	7.34	6.19	(16%)

*Some of the factors with an impact on consolidated net finance income/costs for Q4 2021 included the following: (1) PLN -0.3bn increase in impairment losses on loans provided to Elektrociepłownia Stalowa Wola S.A.; (2) PLN 0.1bn increase in the cost of debt.

Key drivers of the segment's EBITDA

Current report No. 8/2022 of February 21st 2022

Comment Q4 2021 vs Q4 2020

Exploration and Production:

- > higher prices of products, including 78% yoy increase of the average crude oil price in USD/bbl for the quarter and 501% yoy increase of Day Ahead Market gas prices on Polish Power Exchange;
- > reversal of impairment losses on the segment's non-current assets of ca. PLN +448m, reflecting rising hydrocarbon prices vs impairment losses of PLN -677m recognised in Q4 2020;
- > increase in production volumes of natural gas and crude oil in Norway by 614 mcm (385% yoy) and 86 thousand tons (48% yoy) respectively, mainly in connection with the acquisition of INEOS assets;
- > EBITDA generated by PGNiG Upstream Norway in Q4 2021 of PLN 3.8bn (PLN 0.01bn in Q4 2020).

Trade and Storage:

- > significant rise in gas prices on the POLPX (up +501%) and TTF (up +562%), reflected in the price of domestically produced gas transferred to the Trade and Storage segment;
- > EBITDA generated in Q4 2021 by PGNiG Obrót Detaliczny of PLN -1.03bn vs PLN +0.09bn in Q4 2020, with the average price of gas fuel as per the retail tariff effective as of October 1, 2021 up 7.4% relative to the previous tariff;
- > effect of recognising PLN -81m of inventory write-downs compared with PLN -1m of write-downs recognised in Q4 2020;
- > the result on the valuation and realisation of hedging instruments recognized in the operating results in Q4 2021 amounted to a total of PLN +2 328m, including: (1) recognized in sales revenue in the amount of PLN -258m (in Q4 2020: PLN -14m); (2) included in cost of gas of PLN +1 211m (in Q4 2020: PLN -5m) - in the amount corresponding to the outflow of gas reserves for sale in the reporting period; (3) included in other operating expenses, net in the amount of PLN +1 375m (in Q4 2020: PLN +240m).

Distribution:

- > 3.6% increase in the gas distribution tariff introduced to act on February 1, 2021 compared to the previous tariff;
- > average temperature in Q4 2021 down by 1.28°C yoy;
- > volume of distributed gas up 8% year on year in the Q4 2021.

Generation:

- > revenue from sales of heat up 17% year on year, with the lower average temperature recorded in Q4 2021 and increased heat production volumes;
- > revenue from sales of electricity generated by own sources up 68% yoy on higher sales volumes;

Comment 2021 vs 2020

Exploration and Production:

- > higher prices of products, including 66% yoy increase of the average crude oil price in USD/bbl for the quarter and 343% yoy increase of Day Ahead Market gas prices on Polish Power Exchange;
- > reversal of impairment losses on the segment's non-current assets of ca. PLN +1 050m, reflecting rising hydrocarbon prices vs impairment losses of PLN -1 485m recognised in 2020;
- > increase in production volumes of natural gas and crude oil in Norway by 942 mcm (197%) and 117 thousand tons (19% yoy), mainly in connection with the acquisition of INEOS assets.
- > EBITDA generated by PGNiG Upstream Norway in 2021 of PLN 5.3bn (PLN 0.2bn in 2020).

Trade and Storage:

- > significant rise in gas prices on the POLPX (up +343%) and TTF (up +406%) which has an impact on the level of settlement price for gas from domestic production to the Trade and Storage segment;
- > average price for gas fuel as per retail tariff effective as of January 1, 2021 down -4.5% relative to the previous tariff, 5.6% up as per retail tariff effective from May 1, 2021 as well as 7.4% up as per retail tariff effective as of October 1, 2021;
- > effect of recognising PLN -89m of inventory write-downs compared with PLN +358m reversal of write-downs recognised in 2020;
- > the result on the valuation and realisation of hedging instruments recognized in the operating results in 2021 amounted to a total of PLN +1 415m, including: (1) recognized in sales revenue in the amount of PLN -697m (in 2020: PLN +1 062m); (2) included in cost of gas of PLN +1 590m (in 2020: PLN -296m) - in the amount corresponding to the outflow of gas reserves for sale in the reporting period; (3) included in other operating expenses, net in the amount of PLN +522m (in 2020: PLN +233m).

Distribution:

- > 3.6% increase in the gas distribution tariff, introduced to act on February 1, 2021;
- > average temperature in 2021 down by 1.28 °C yoy;
- > volume of distributed gas up 14% year on year in 2021.

Generation:

- > 19% yoy higher revenue from sales of heat on lower average temperature in 2021 and higher heat sales volumes;
- > 19% yoy higher revenue from sales of electricity on lower electricity sales volumes;

Selected financial highlights – capex and net debt

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[PLN bn]	2020	2021
Capex, including:	6.8	9.0
<i>Exploration and Production*</i>	2.6	3.4
<i>Distribution</i>	2.9	3.2
<i>Generation**</i>	1.1	2.1

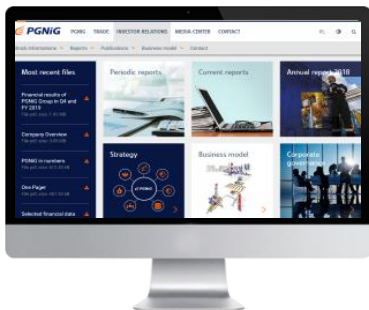
*including expenses for the acquisition of INEOS assets

**including expenses for the acquisition of CO₂ emission allowances

Net debt and indebtedness:

- > The debt due to loans, bonds and leasing at the end of 2021 amounted to PLN 14.6bn (an increase by PLN 10.5bn yoy, including an increase in the fourth quarter of 2021 by PLN 8.5bn). 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.
- > Net debt (total debt from loans, bonds and leasing less cash and cash equivalents) amounted to PLN 3.2bn (at the end of 2020, net debt amounted to PLN -2.9bn).

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Disclaimer

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