

# Polish Oil and Gas Company

## Company Overview



# Agenda

- > 1. Key events
- > 2. PGNiG Group & Polish Gas Market
- > 3. PGNiG Segments
  -  > Exploration and Production
  -  > Trade and Storage
  -  > Distribution
  -  > Generation
- > 4. Strategy, CAPEX
- > 5. Appendix



# Key events in Q1 2022

3

1

> January



> Execution of credit facility agreement with Societe Generale SA Polish Branch



> Polish antitrust authority's clearance of the establishment of biomethane SPV with ORLEN Południe

2

> February



> PGNiG's response to PAO Gazprom and OOO Gazprom Export's call for arbitration before Ad Hoc Arbitration Tribunal in Stockholm



> Execution of credit facility agreements with syndicate of Bank of China Limited and Bank of China (Europe) S.A. and with Deutsche Bank Polska S.A. and Credit Agricole Bank Polska

3

> March



> Compensation from Price Difference Payment Fund for PGNiG Obrót Detaliczny



> Dismissal of Gazprom's appeal for reversal of final arbitration award issued on March 30th 2020



> Conditional decision by Polish antitrust authority regarding concentration between PGNiG and PKN ORLEN



> Execution of agreement with Government Agency for Strategic Reserves



> Ordering of regasification services in FSRU Gdańsk Open Season procedure

# 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%

# Key events in Q3 2021

5

07 > July



> President of URE's decision on the Retail Tariff of PGNiG Obrót Detaliczny – gas fuel price up by 12.4% for all tariff groups from August 1st 2021



> Execution of agreements setting out the key terms and conditions of annexes increasing the volumes of LNG deliveries contracted from Venture Global Plaquemines LNG and Venture Global Calcasieu Pass to PGNiG



> Termination of the contract for the supply of liquefied natural gas from Port Arthur LNG

09 > September



> Satisfaction of conditions precedent and conditions for the acquisition by PGNiG Upstream Norway AS of control over INEOS E&P Norge AS under the relevant agreement



> President of URE's decision on the Retail Tariff of PGNiG Obrót Detaliczny – gas fuel price up by 7.4% for all tariff groups from October 1st 2021



> Execution of annexes to the LNG supply contracts concluded with Venture Global Plaquemines LNG and Venture Global Calcasieu Pass

# Key events in Q2 2021

01 > April



> President of URE's decision on the Retail Tariff of PGNiG Obrót Detaliczny – gas fuel price up by 5.6% for all tariff groups



> Consent of the Office of Competition and Consumer Protection to the establishment by PGNiG, PKN Orlen and Energa of the joint venture CCGT Ostrołęka to carry out the project to build a gas-fired power generating unit

03 > May



> PGNiG Management Board's recommendation to pay dividend of PLN 0.21 per share from the 2020 profit



> Cooperation agreement between PKN Orlen, Grupa LOTOS, PGNiG and the State Treasury concerning adoption of a scenario for PKN Orlen's acquisition of control over Grupa LOTOS and PGNiG

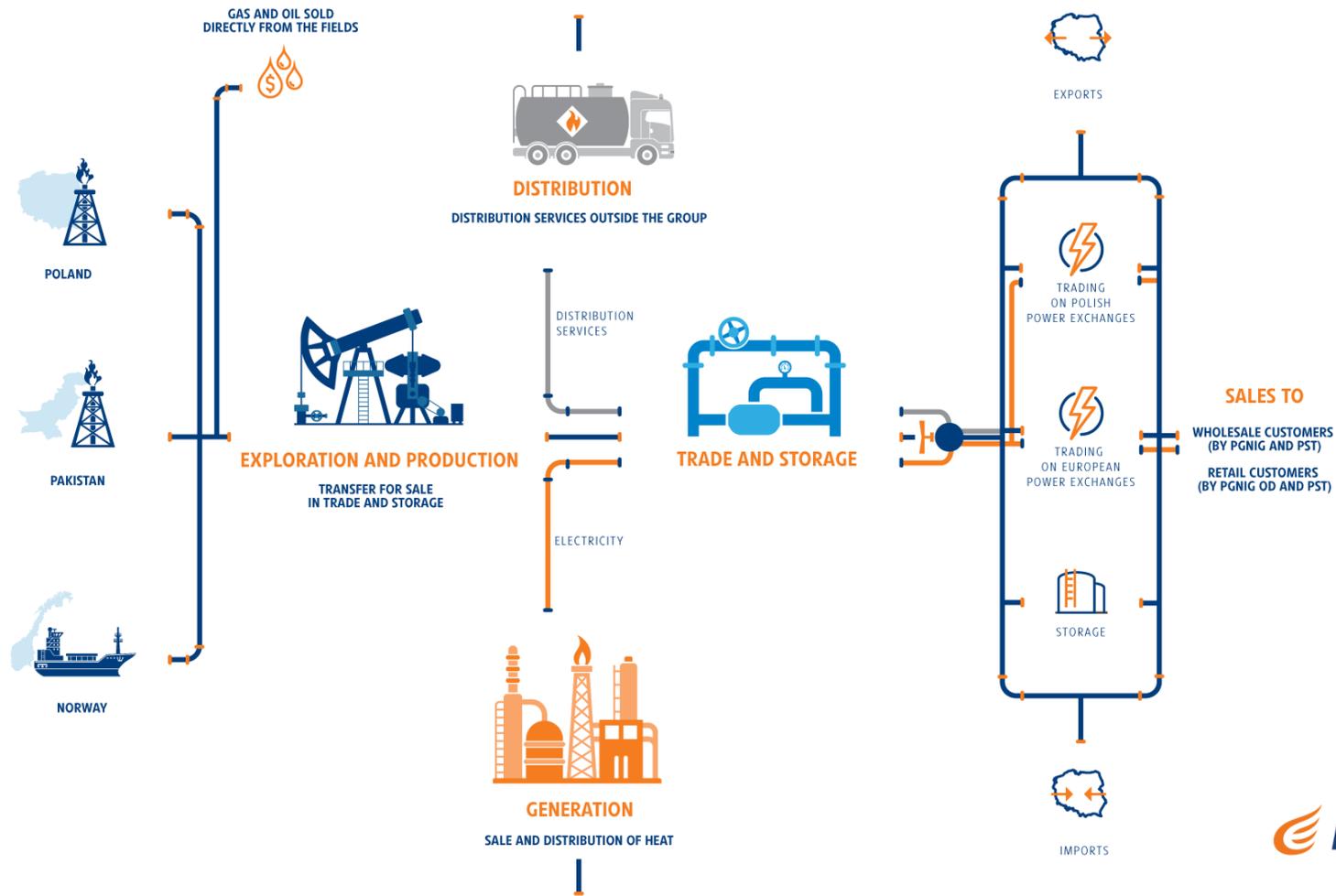


> Letter of intent signed with Orlen Południe concerning the possibility of carrying out a joint investment project to develop biomethane production



# PGNiG Group and Polish Gas Market

# Poland's no.1 integrated group in the oil and gas sector

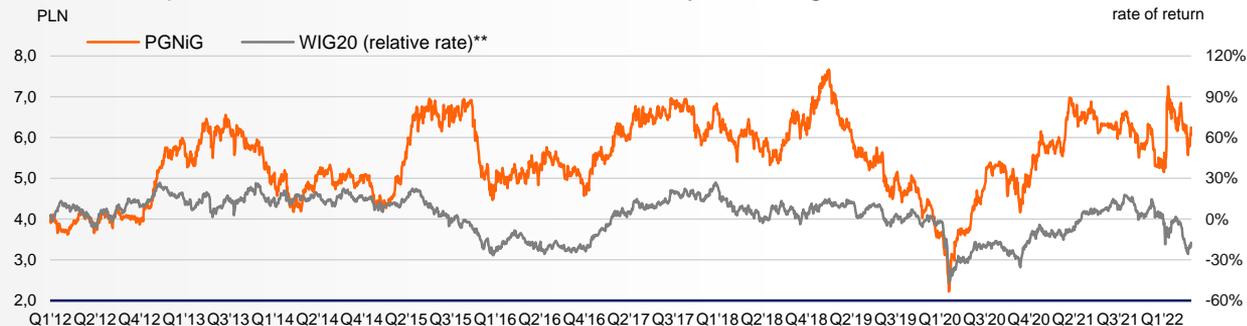


# 2nd largest Polish company on the Warsaw Stock Exchange\*

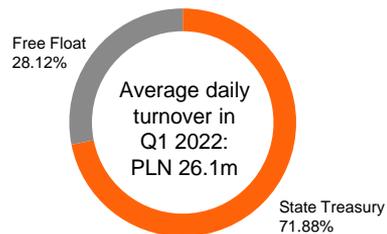


- > Listed on WSE since September 2005
- > Market cap, of PLN 36.1bn (EUR 7.8bn, USD 8.3bn)\*
- > Share in WIG20\*\*\*: 5.002%

> The share price of PGNiG and WIG20 from January 2012 together with the rate of return



> Shareholders (March 31st, 2022)



> Market cap. of PGNiG from January 2017 together with largest companies on the WSE

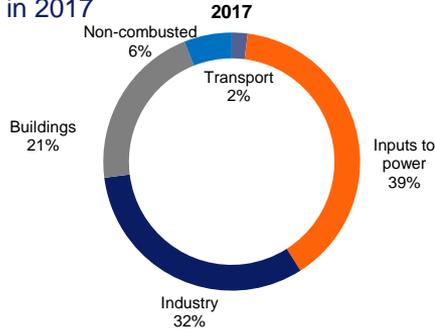


\* In terms of market cap as at 23rd May 2022 (without dividend): PGNiG = 6.246 EUR/PLN = 4.6171, USD/PLN = 4.3369.  
 \*\* WIG20 quotation chart, taking into account relative changes in percentage in relation to the PGNiG stock price (as at May 23rd 2022).  
 \*\*\* Based on the WIG20 index portfolio (end of at May 23rd 2022) published in Warsaw Stock Exchange website.

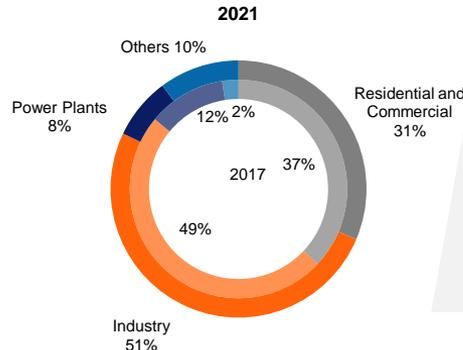


# Gas market in Poland: Increasing consumption with growth potential

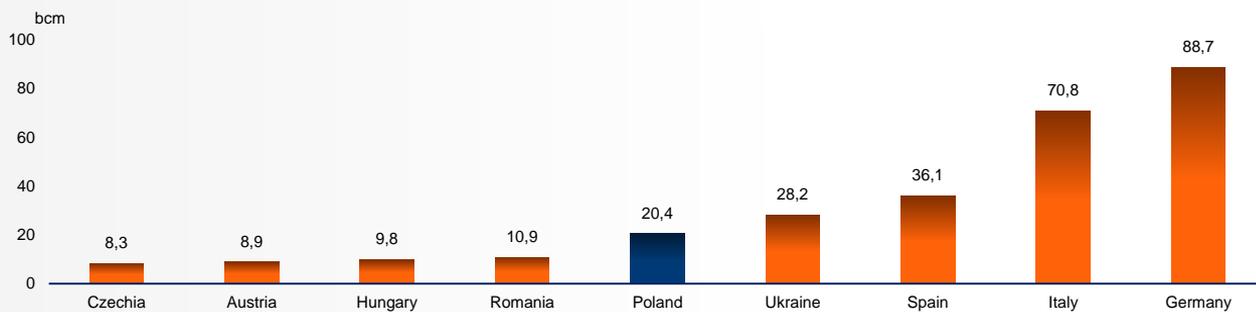
> Natural gas sales by sector in the world in 2017



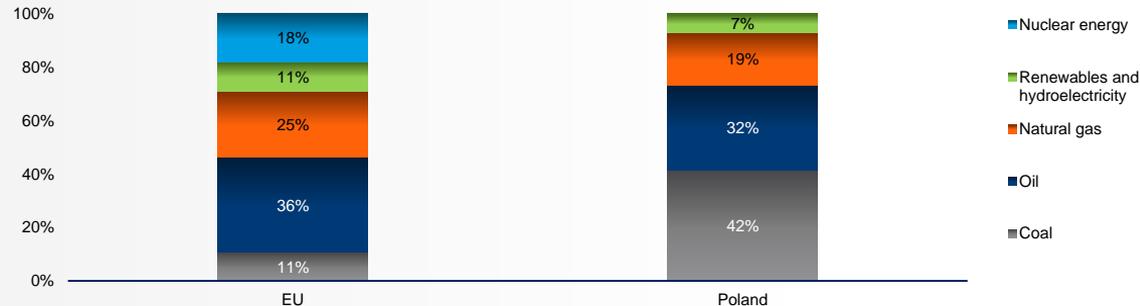
> Natural gas sales by sector by PGNiG in Poland in 2018 and 2017



> Natural gas consumption by country in 2020

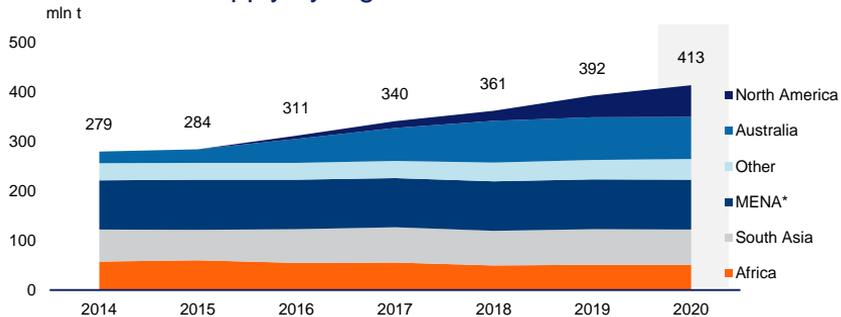


> Primary energy consumption by fuel (data for July 2021)

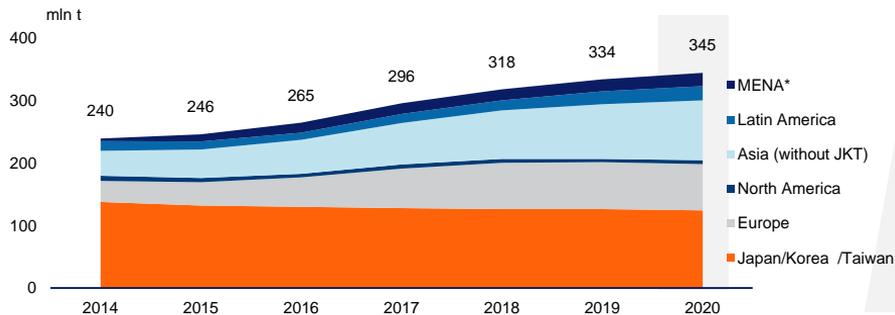


# Gas market worldwide

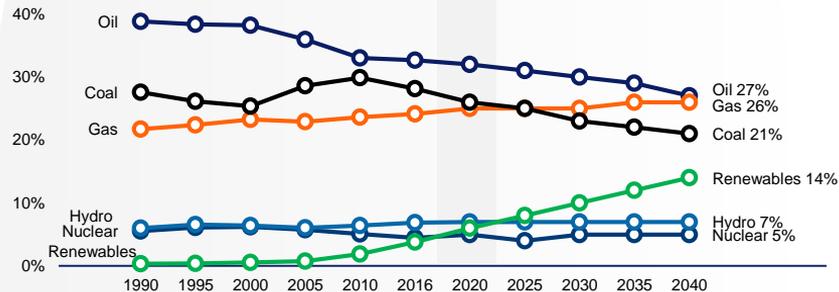
## > Annual LNG supply by region



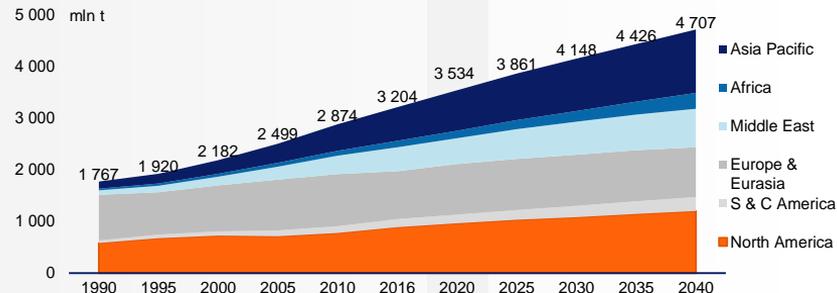
## > Annual LNG demand by region



## > Primary energy consumption by fuel



## > Natural gas demand



\* Middle East-North Africa / Source: IHS, BP Energy Outlook 2018

Exploration &  
Production



Trade & Storage



Distribution



Generation

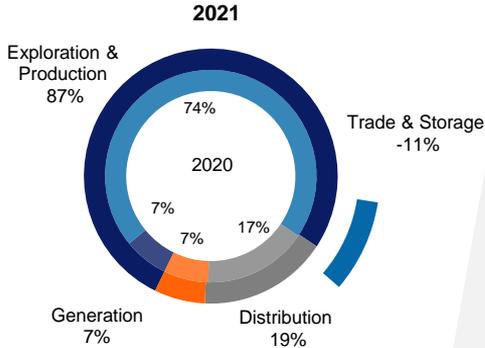


# Operating segments of PGNiG Group

## PGNiG Group's financials 2012-2021

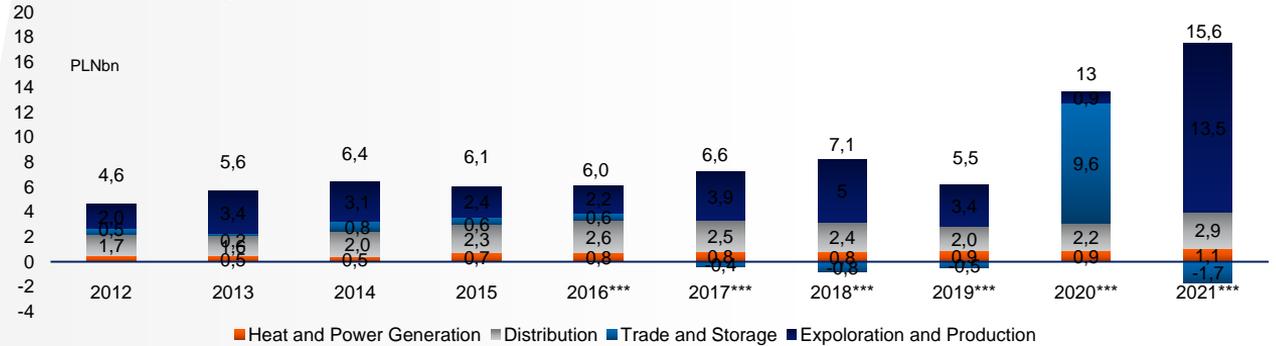
- > 7th biggest company in Central and Eastern Europe\*
- > 3rd biggest oil company in the region\*
- > Stable EBITDA level due to diversified inflows sources

### > EBITDA breakdown\*\*

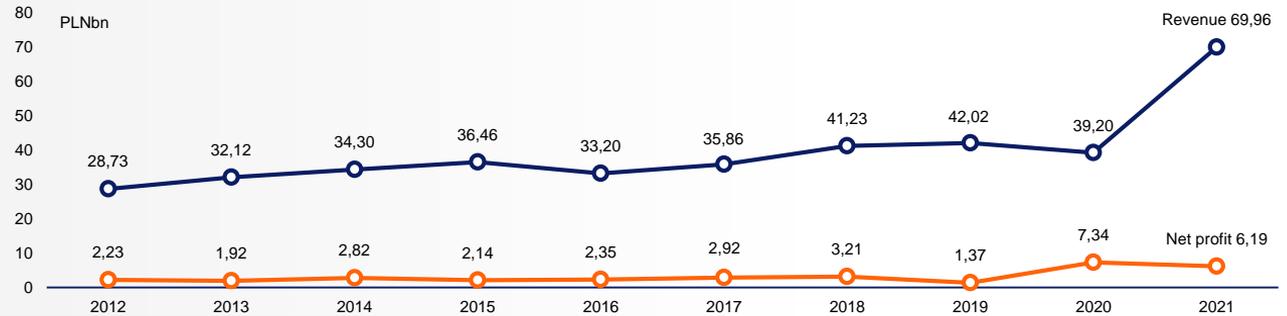


Other segments' contribution to EBITDA in 2021: -2%; in 2020: -4%

### > PGNiG Group's EBITDA\*\*



### > PGNiG Group's revenue and net profit



\*Source: TOP 500 CEE 2021

\*\* EBITDA 2012-2015 before intra-group eliminations and excluding „Other segments” / T&S segment EBITDA for 2020 includes the one-off effect of settlement under the annex to the Yamal contract of PLN 5,689m and an exchange gain arising on measurement of the settlements (PLN 300m)

\*\*\* restated, other segments not presented on chart

# Leader in production of gas and crude oil in Poland

## > PGNiG's resource base in Poland\*\*:

- > proved gas reserves: 574 mm boe (89.1 bcm)
- > proved oil reserves: 115 mm boe (15.7 m tonnes)

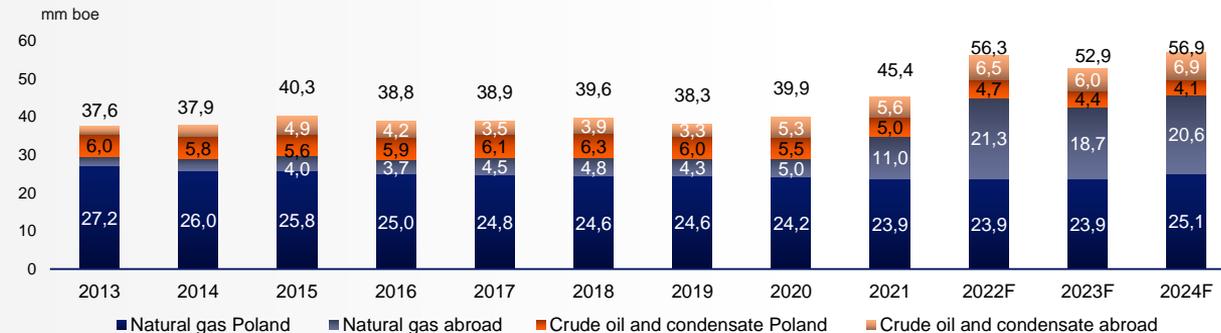
## > Oil & Gas concessions in Poland\*\*:

- > 11 exploration/appraisal
- > 36 combined licences

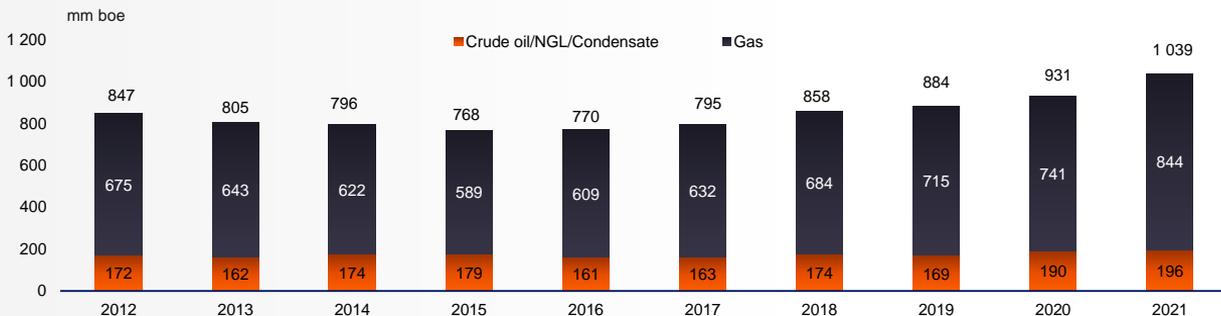
## > Exploration & Production activities:

- > 52 production facilities in Poland
- > over 2 thousand producing wells

### > Production volumes\*



### > Reserves of natural gas and crude oil

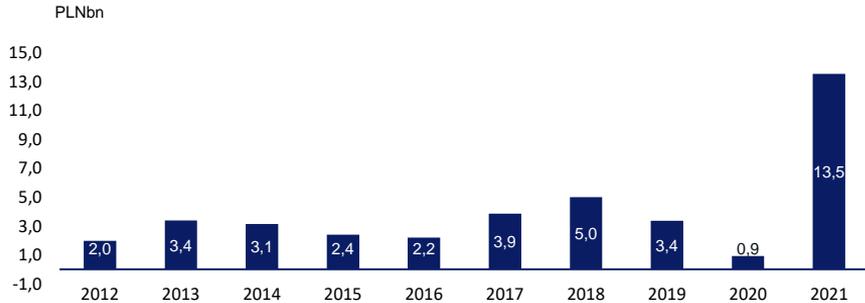


\*High-methane gas equivalent / \*\*As at December 31 st 2021

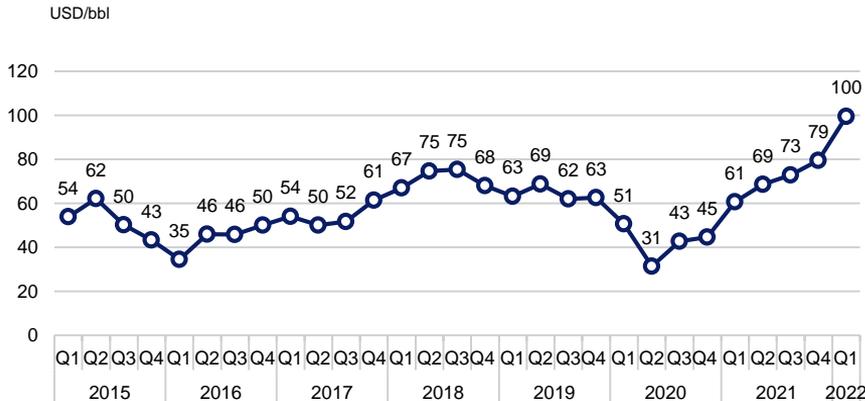


# Exploration & Production financial results

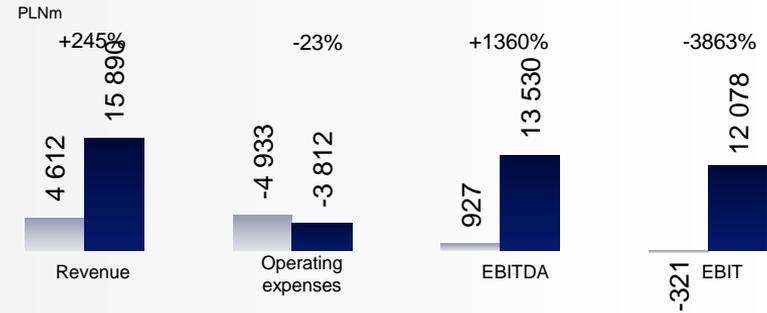
## Exploration and Production's EBITDA



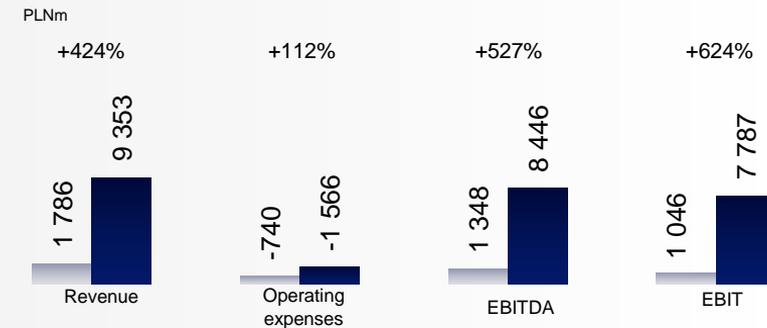
## Average prices of Brent crude oil



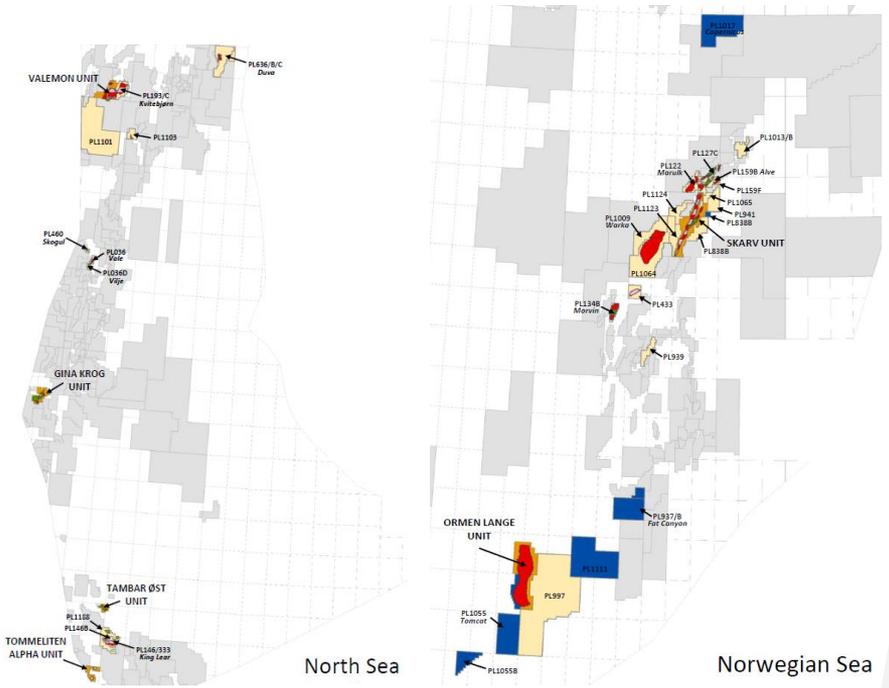
## Segment's results for FY 2020 vs FY 2021



## Segment's results for Q1 2021 vs Q1 2022



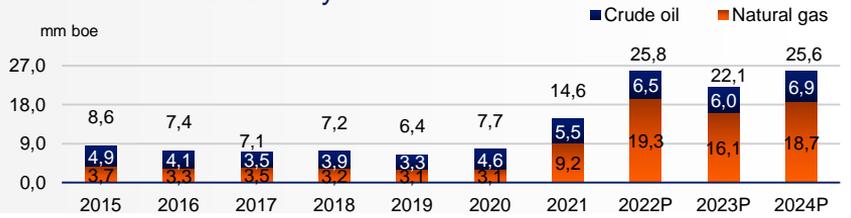
# International E&P activities – Norway



## > Reserves in Norway (as at December 31st, 2021)

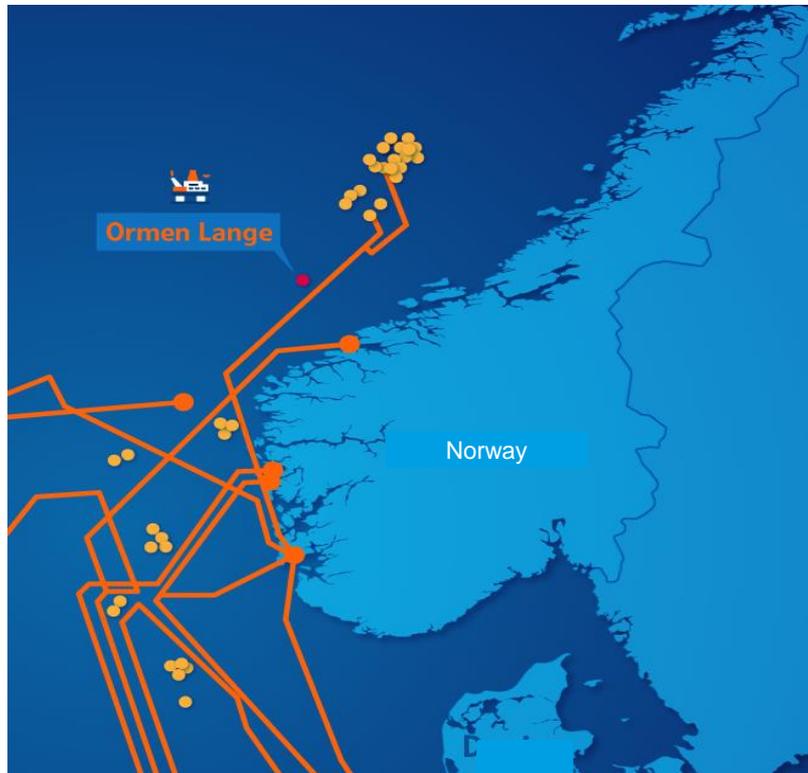
Fields (phase)	Crude oil	Natural gas	NGL	Total reserves
Skarv & AErflugl	4.99	23.57	5.33	33.88
Aerflugl Nord	0.23	2.15	0.33	2.72
Morvin	0.68	0.47	0.20	1.35
Gina Krog	3.81	8.17	1.36	13.35
Vilje	3.33	-	-	3.33
Vale	0.25	0.43	-	0.68
Skogul	1.75	0.07	-	1.82
Tommeliten Alpha	15.31	41.58	1.85	58.74
King Lear	14.80	21.44	3.48	39.72
Duva	5.83	11.81	2.73	20.37
Alve Nord	0.50	2.07	0.46	3.04
Shrek	2.96	1.94	0.43	5.32
Kvitebjorn	1.78	8.60	0.39	10.78
Valemon	0.21	1.33	0.02	1.56
Fogelberg	0.77	7.65	1.48	9.90
Ormen Lange	3.04	91.44	-	94.48
Marulk	0.15	2.37	0.42	2.94
Alve	0.39	3.53	1.08	4.99
Tambar Ost	0.02	0.00	0.00	0.03
<b>Total reserves</b>	<b>60.81</b>	<b>228.61</b>	<b>19.58</b>	<b>309.00</b>

## > Production in Norway



# Acquisition of INEOS E&P Norge AS and Ørn gas field

17



- > Acquisition of control to purchase INEOS E&P Norge by PGNiG – September 2021:
  - > 22 licences on the Norwegian Continental Shelf of which over 94% is natural gas
  - > Interests in 3 producing fields:
    - > 14% interests in Ormen Lange field – 2nd the biggest gas field on Norwegian Continental Shelf with the perspective of production beyond 2024.
    - > 30% interests in Marulk field and 15% interests in Alve field.
  - > 8.2% interests in Nyhamna gas terminal:
    - > Terminal serves, among others, the Ormen Lange and Aasta Hansteen fields.
    - > Source of stable operating cash flow that does not depend on hydrocarbon price fluctuations.
  - > Portfolio of exploration licences
- > Reserves
  - > Approximately 140 million barrels of oil equivalent
- > Production
  - > Following the transaction, PGNiG's estimated average gas output in Norway may increase by some 1.5 bcm per annum over the next 5 years
  - > Possible total gas output from Norwegian licences: 4 bcm in 2027
- > Transfer to Poland
  - > Gas from Ormen Lange is transferred by norwegian gas network Gassled, which may be connected to Baltic Pipe
- > Purchase of 40% shares in the Ørn gas field (licence PL942) from Wellesley Petroleum in the Norwegian Sea – May 2022
  - > According to the Norwegian Petroleum Directorate, the field's recoverable reserves are about 6.75 bcm of natural gas, 0.17 million tonnes of oil and 0.79 million tonnes of NGLs.
  - > The Ørn field was discovered with an exploration well in 2019. Its development is expected to start in 2023, and production is expected from 2026.
  - > According to current data from the field operator, AkerBP, the production volume attributable to PGNiG Upstream Norway is expected to average about 0.25 billion cubic meters of natural gas per year in the period 2026-2035.



## International E&P activities – Pakistan and other

### > Assets: Pakistan

agreement	May 18th 2005
shares	PGNiG 70%, Pakistan Petroleum 30%
area	956 sq km
location	Sindh province, folded belt Kirthar
obligations	10 wells, 2D and 3D seismic
estimated reserves	6.31 bcm of natural gas (4.68 bcm/30.1 mboe Rehman, 1.64 bcm/10.6 mboe Rizq)



Gas from the Rehman and Rizq fields is produced via facilities located in the Rehman field. PGNiG's share in the production from the Rehman and Rizq fields, carried out from ten wells in 2020, was approximately 326 mcm of gas (measured as high-methane gas equivalent). As part of the Rehman field development, drilling of the Rehman-8 well was launched, and preparation work for drilling the Rizq-4 well is also under way. The Rehman-7 well was plugged, as the flow of gas was non-commercial. In total, approximately 3.3 km were drilled in the Rehman-8 well in 2021.

As part of the continuing exploration work within the Kirthar licence area in 2021, the Pakistan Branch and the Geology and Hydrocarbon Production Branch completed the interpretation of a 3D seismic profile of the Rayyan prospect and 2D seismic profile of the W2 prospect.

### > Other foreign activity in 2021

#### Geophysical, geotechnical, geological, seismic surveys, drilling operations and well services:

- > Seismic data acquisition in: Poland, Croatia, Ireland, Colombia and Mozambique.
- > Processing and interpretation of seismic data for partners: Poland, Australia, Belgium, Bulgaria, the Netherlands, Colombia, Mexico, Norway, Rwanda, Ukraine and the United Arab Emirates;
- > Main drilling areas: Pakistan, Tanzania, Czech Republic, Ukraine.

#### Libya

- > Since 2008, one license for mining (CA113), but in mid-2014, a force majeure notification.
- > The Company continuously monitors political developments in Libya, particularly the security of its operations in the country. Taking advantage of the 2021 stabilisation of the political situation in Libya, PGNiG UN took preparatory steps to resume its exploration works as soon as the force majeure is revoked.

#### Ukraine

- > PGNiG and ERU Management Services signed an agreement providing for the purchase by PGNiG of a controlling 85% interest in Ukraine's Karpatgazvydobuvannya, the sole holder of the Byblivska licence located in Western Ukraine, in an area adjacent to the Polish border.



Block No. 5

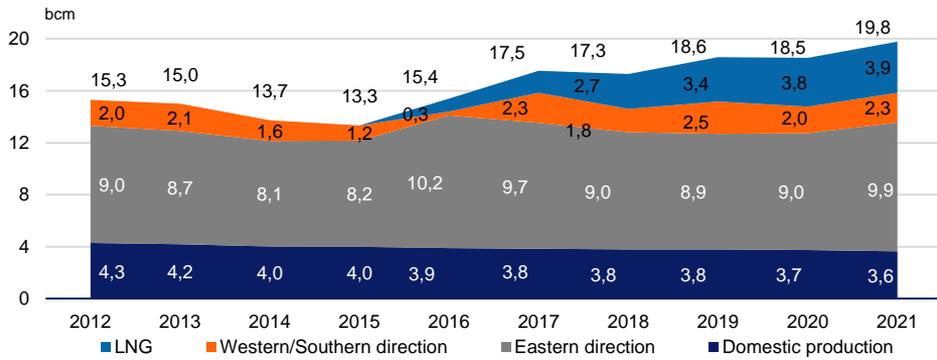
#### UAE

- > In 2021, intensive work was undertaken to process and interpret seismic data, whose acquisition in Block 5 was completed in May 2020. As a result of the analytical work, the existing geological structures and potential hydrocarbon accumulations were identified, and the location of the first exploration well was determined.
- > As part of the acquisition work, resource analysis and economic modelling of the viability of Block 7 investment in Ras Al Khaimah were carried out, as well as the possibility to commence seismic acquisition work within other blocks in the emirate of Ras al Khaimah.

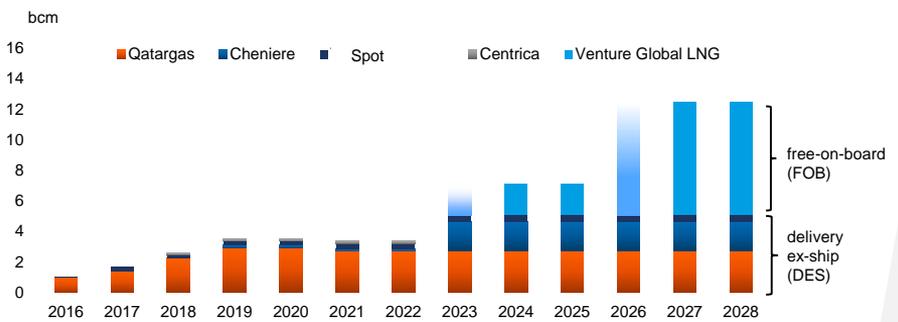


# Gas supply & sales

## > Sources of gas supply of PGNiG SA in Poland



## > LNG contracts of PGNiG Group



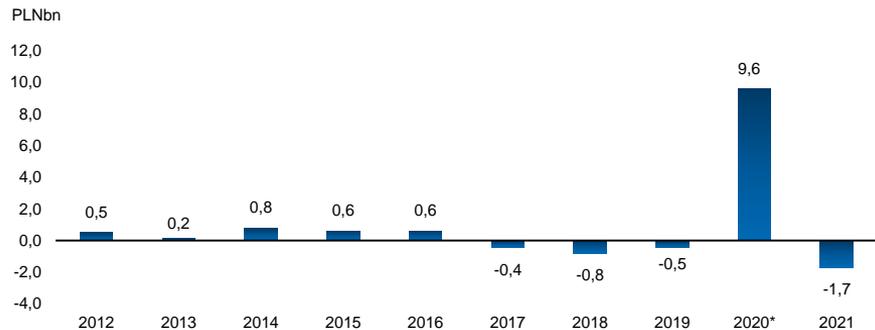
- > Contract for natural gas deliveries with Gazprom– suspension in April 2022
- > 10.2 bcm annually, 85% Take-or-Pay
- > LNG deliveries from Qatargas until 2034:
  - > side agreement, the total volume will increase to 2.7 bcm per annum
- > LNG deliveries from Cheniere until 2042:
  - > 1.95 bcm annually in the period of 2023-2042
- > LNG deliveries from Venture Global:
  - > from the Calcasieu Pass LNG terminal with the planned completion date no earlier than 2022: up to 2 bcm per year. First deliveries are expected in 2023.
  - > from Plaquemines Parish LNG terminal about the planned completion date no earlier than 2026: up to 5,4 bcm per year.
- > Heads of Agreement on LNG deliveries with Sempra Infrastructure Partners
  - > 20-year contract for the purchase of 3 million tonnes of LNG annually (approx. 4,05 bcm annually) with the first LNG deliveries expected not earlier than in 2027.
  - > potential deliveries are to be made via the LNG Terminals: Cameron in Louisiana or Port Arthur in Texas.
- > 6.0 bcm of gas sold by PGNiG Supply & Trading to customers in 2020
- > Tariffs:
  - > Gas sales: Cost of gas + operating costs + margin
    - > Retail: PGNiG Retail's cost base including cost of gas on the commodity exchange:
      - from 1st May 2021 to 31st July 2021, average gas fuel price up 5.6%
      - from 1st August 2021 to 30th September 2021, average gas fuel price up 12.4%
      - from 1st October 2021 to 31st December 2021, average gas fuel price up 7.4%
      - from 1st January 2022 to 31st December 2022, average gas fuel price up 87.4%
    - > Storage: Cost + return on capital (6.0% WACC x PLN 3.1bn RAB) (since June 2021)



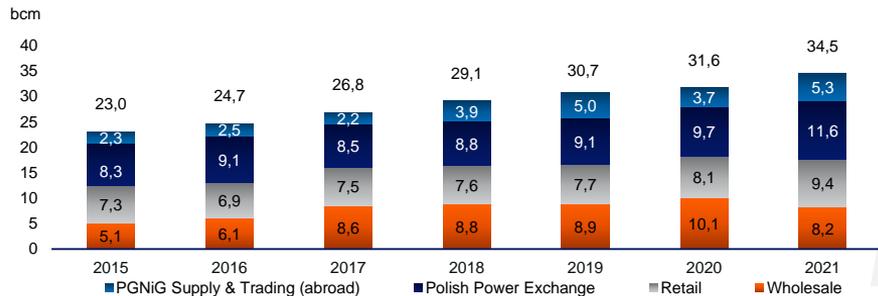
# Trade & Storage's financial results

20

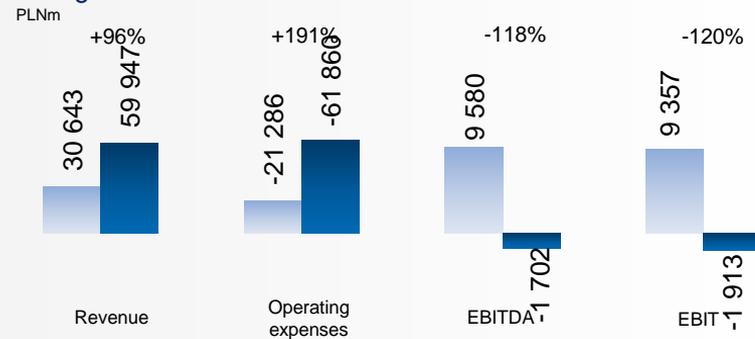
## > Trade and Storage's EBITDA



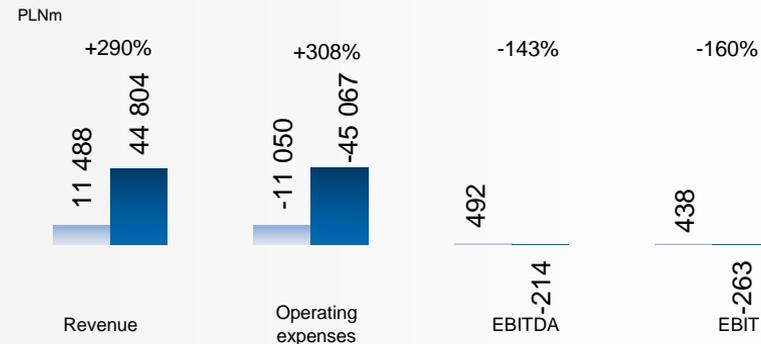
## > Sales of natural gas of PGNiG SA, PGNiG Retail and PST



## > Segment's results for FY 2020 vs FY 2021



## > Segment's results for Q1 2021 vs Q1 2022



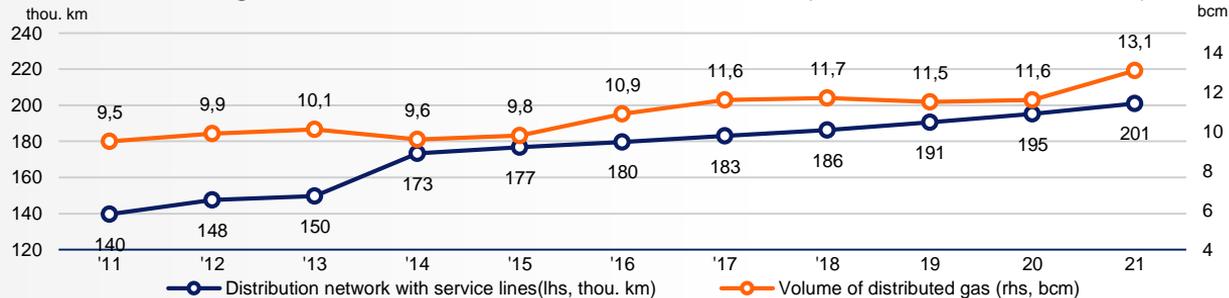
\* T&S segment EBITDA for 2020 includes the one-off effect of settlement under the annex to the Yamal contract of PLN 5,689m and an exchange gain arising on measurement of the settlements (PLN 300m)



# Distribution

- > The owner of approximately 97% of Poland's distribution network and nearly 99% of the gas service lines\*.
- > Transports natural gas from gas sellers to households, industrial and wholesale customers.
- > Responsible for operation, maintenance and development of gas pipelines.
- > Segment comprises of Polska Spółka Gazownictwa (PSG).

## > Stable network's growth and increase of distributed volumes (+2.8% CAGR 2005-2021)



## > Coverage of distribution network (ca. 68,5% of Poland)

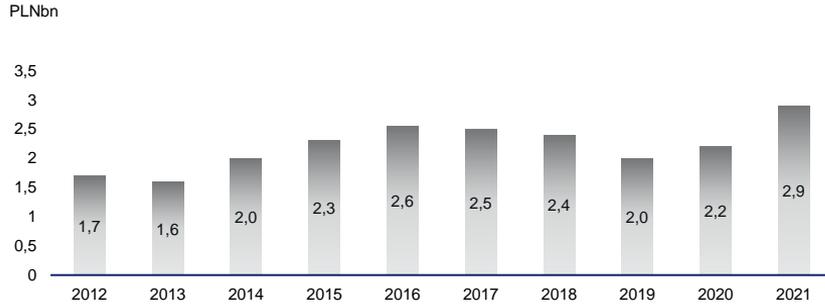


## > Tariff:

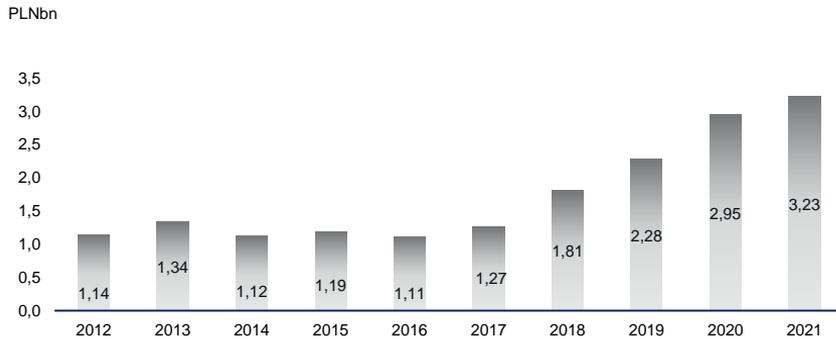
- > Tariff No. 10 approved by the President of the Energy Regulatory Office in December 2021 and has applied from January 2022.
- > Cost + return on capital (4.8% WACC x PLN 17.6bn RAB)

# Distribution's financial results

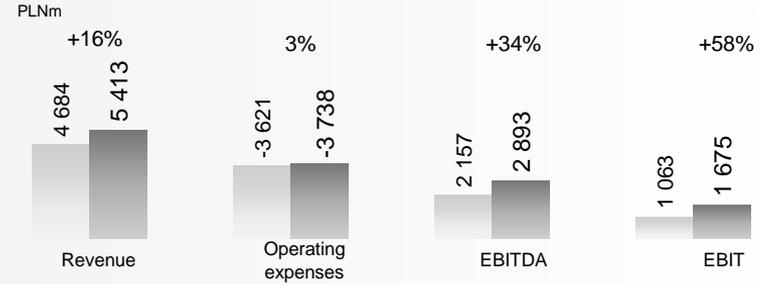
## > Distribution's EBITDA



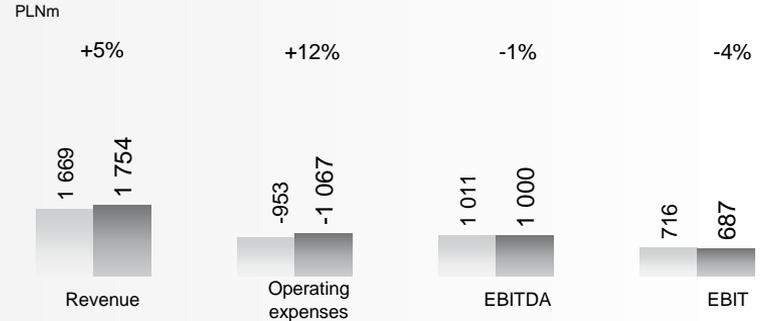
## > Segment's CAPEX



## > Segment's results for FY 2020 vs FY 2021



## > Segment's results for Q1 2022 vs Q1 2022



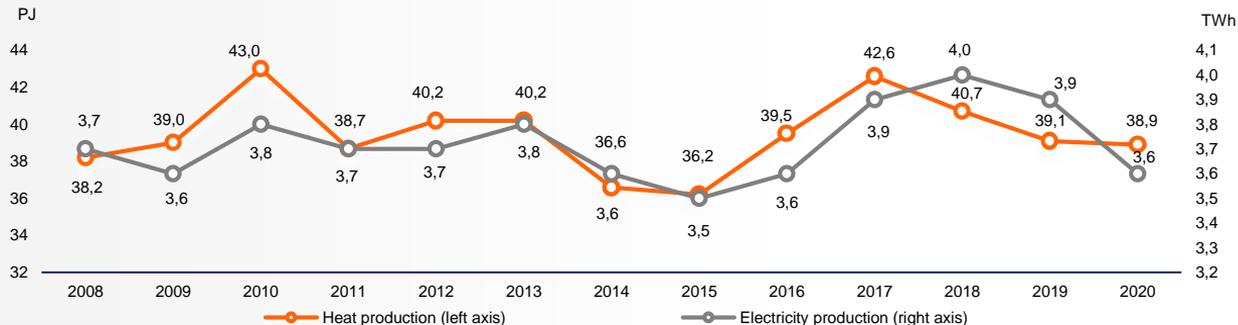
## Heat and Power Generation

- > Share on the domestic market\*:
  - > heat power 10%
  - > volume of heat sales 11%
- > Share on the Warsaw market:
  - > largest producer of heat and electricity in cogeneration
  - > estimated coverage of total heat demand about 80%
  - > estimated total electricity demand around 50%
  - > heat supplied to the city network about 98%.
- > Tariff:
  - > Heat tariffs benchmarking scheme creates significant upside for profitability as PGNiG Termika produces low-cost heat

### PGNiG Termika Group operating data

Installed heat power	6.0 GWt
Installed electric power	1.8 Gwe
Heat sales in 2021 (regulated)	41.2 PJ
Produced electricity sales in 2021	3,5 TWh

### > Production of heat and own generation electricity

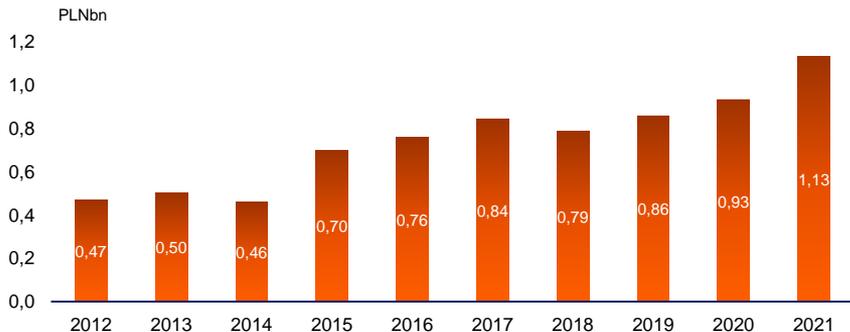


\* Source: Thermal energy in numbers 2018



# Generation's financial results

## > Generation's EBITDA\*



## > Investments

### > Combined Heat and Power Plant Stalowa Wola (Q3 2020).

- > JV PGNiG and Tauron Polska Energia. Total CAPEX PLN 1.6bn
- > Agreement for Sale of Electricity. PGNiG to supply 0.5 bcm of gas for 14 years
- > Total power output: 450 MWe and 240 MWt

### > Gas-fired generation unit at Ostrołęka CCGT.

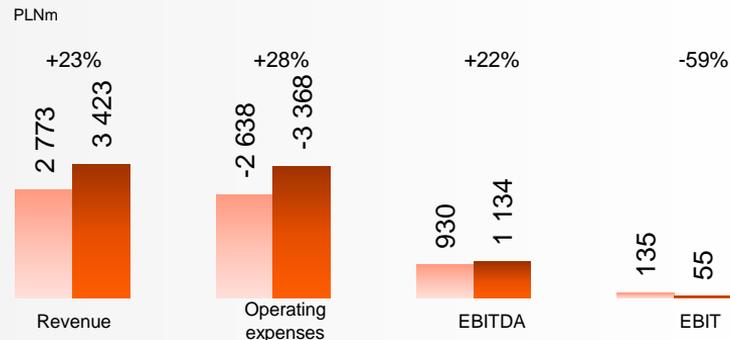
- > November 29th 2021 PGNiG, Polski Koncern Naftowy ORLEN S.A. and Energa S.A. signed an amendment to the investment agreement of December 22nd 2020 on rules governing cooperation in the construction of a gas-fired power generation unit at the Ostrołęka C Power Plant (the "Agreement").

### > 500 MWe gas-fired block in Warsaw at Żerań plant (Q4 2021).

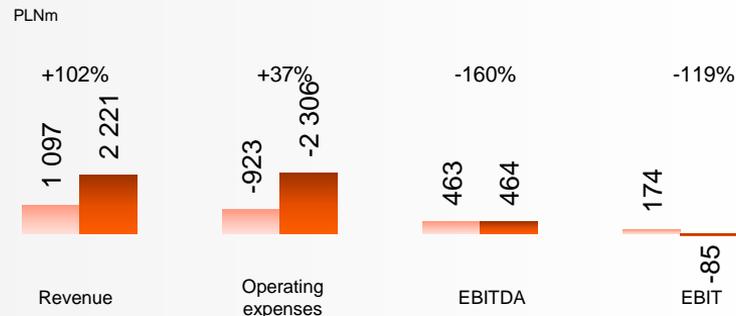
- > Total CAPEX PLN 1.5bn

\* 2012-2013 data before intercompany eliminations.

## > Segment's results for FY 2020 vs FY 2021



## > Segment's results for Q1 2021 vs Q1 2022





# Strategy, CAPEX

# PGNiG Group Strategy for 2017-2022

26

## The PGNiG Group Strategy for 2017–2022 (extended until 2026)

**#1**

### Mission statement

We are a trustworthy supplier of energy for households and businesses

#### Trustworthy

The customers can depend on premium quality and reliability of our services

#### Energy supplier

Our customers are offered a full range of energy products (gas + electricity + heat + other/services)

#### Households and businesses

We care for and value all our customers: households, businesses, and institutions

**#2**

### Vision

We are a responsible and effective provider of innovative energy solutions

#### Responsible

We act transparently, in line with the principles of corporate social responsibility

#### Effective

We have implemented process and cost optimisation measures

#### Innovative solutions

We are an innovation leader in the energy sector

**#3**

### Primary objective

Increasing the PGNiG Group's value and ensuring its financial stability

#### Value growth

Our primary ambition is to create added value for our shareholders and customers

#### Financial stability

We seek to secure long-term financial stability and creditworthiness

# The Group's key strategic objectives

## Strategic objective:

competitive position while supporting the development and ensuring security of the gas market  
in Poland

### PGNiG's strong competitive position

**Securing new gas supply sources** to strengthen the Group's competitive position following expiry of the Yamal contract in 2022

**Production projects in Norway** focused on increasing annual gas output to ca. 2.5 bcm from 2022 onwards

**Participation in the Norwegian Corridor project** to secure direct gas imports from Norway

**Developing gas and LNG trading functions** to make PGNiG more competitive on gas markets in Europe and in Poland

Increase  
the PGNiG Group's  
value and ensuring  
its financial  
stability

### Development of gas market in Poland

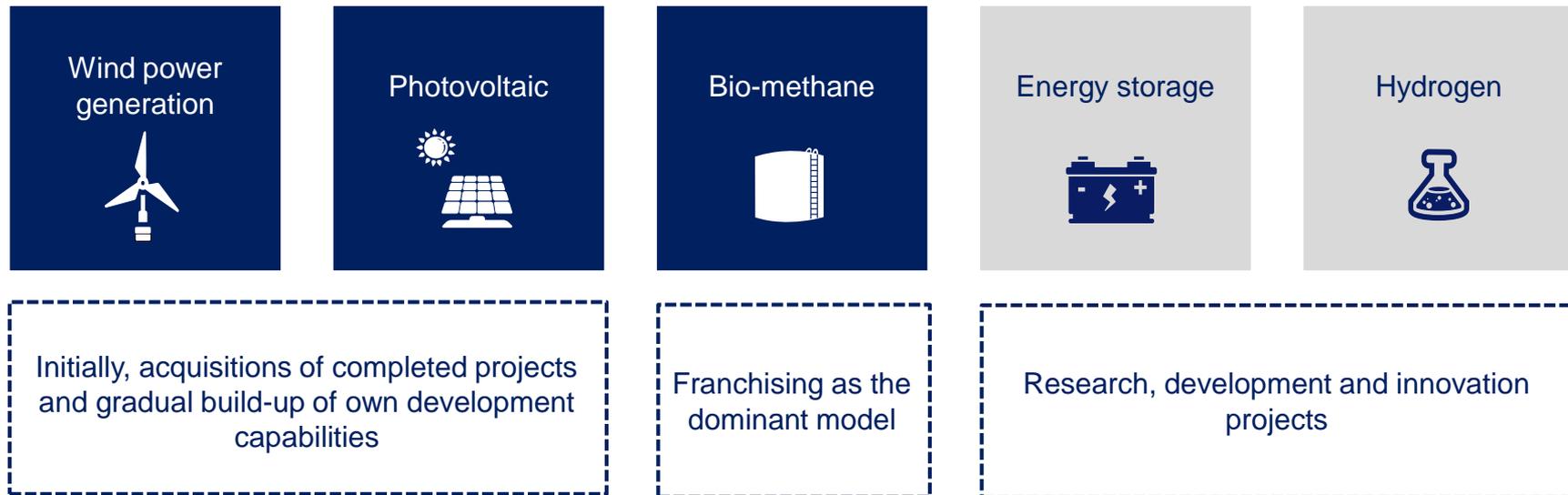
**More rapid expansion of distribution network** in order to enable more new customer connections and gas market growth

**Expanding the upstream business** in Poland to replenish hydrocarbon reserves and to maintain high levels of production

**Significant improvement of customer service quality** through digitalisation of service channels and expansion of the product portfolio expansion

# PGNiG Group's areas of interest within the RES segment

28



At the PGNiG Group, a team of seasoned RES experts and analysts are looking into other potential areas for growth.

Based on its analyses and strategic model simulations, the PGNiG Management Board decided to allocate **up to PLN 4bn** over a period beyond PGNiG's strategic 2022 time horizon to the implementation and acquisition of projects related, among other things, to RES generation. Ultimately, this will help the Group achieve generating capacity of **up to 900 MW**, making PGNiG one of the leading producers of energy from renewable sources in Poland.

# Ambitions in the key business areas



## 1. Exploration and Production

- > Increase the base of documented hydrocarbon reserves by 35% (to 1,208 mm boe in 2022)
- > Increase annual hydrocarbon production by 41% (to 55 mm boe in 2022)



## 2. Wholesale

- > Diversified gas supply portfolio after 2022
- > Increasing the overall volume of natural gas sales by 7% (to 178 TWh in 2022)
- > Cumulative natural gas sales volume on wholesale markets in Poland and abroad 1000 TWh



## 3. Retail

- > Maximising retail margins
- > Maintaining the total volume of retail gas sales at ca. 67-69 TWh/year



## 4. Storage

- > Securing access to storage capacities adjusted to actual demand
- > Improve storage efficiency



## 5. Distribution

- > More than 300 thousand new service lines in 2017–2022
- > The annual growth rate in the number of service lines by 17%
- > Increase gas distribution volume by 16% (to 12.3 bcm in 2022)



## 6. Power and Heat Generation

- > Increase power and heat sales volumes by 20% (to 18 TWh in 2022)



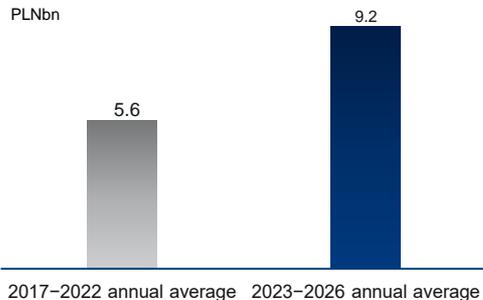
## 7. Corporate Centre

- > Effective execution of R&D&I projects
- > Operational efficiency improvement across the PGNiG Group
- > Enhancing the PGNiG Group's image

## CAPEX and EBITDA for 2017-2022

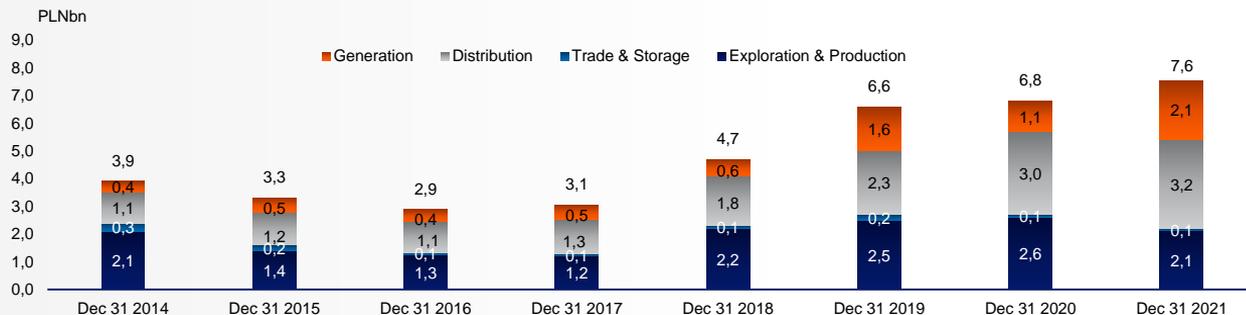
- > Average annual capital expenditure in 2017–2022 at ca. PLN 5.7bn.

### EBITDA for 2017 – 2022

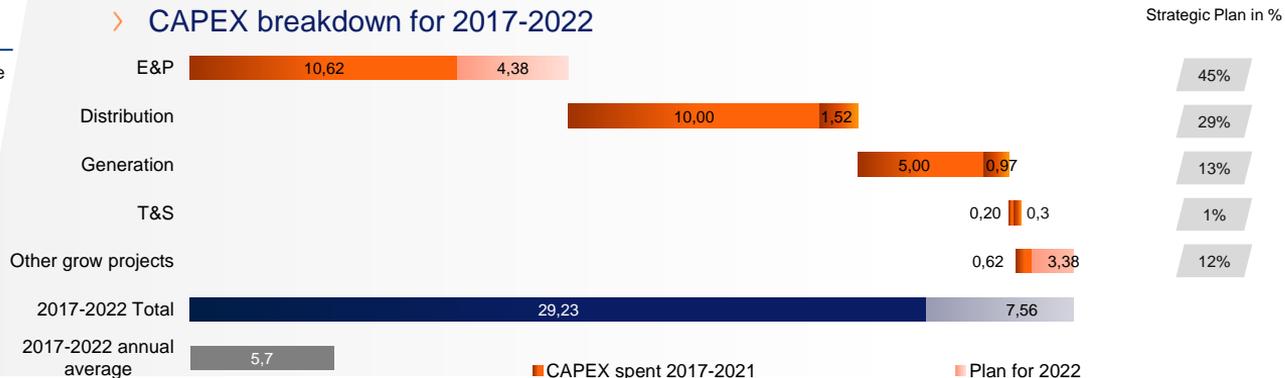


- > PLN 33.7bn cumulative EBITDA
- > Ambitious investment programme: long-term growth of the Group's EBITDA, particularly in 2023–2026 (at the annual average of ca. PLN 9.2bn)
- > Keeping debt at safe levels (net debt/EBITDA below 2.0)

### Annual CAPEX 2014 – 2021



### CAPEX breakdown for 2017-2022



PLNbn

# Appendices

- > 1. Financial highlights Q1 2022
- > 3. Operating expenses
- > 4. External factors and gas markets
- > 5. Gas sales and imports structure
- > 6. Gas transport routes
- > 7. Gas trading and retail sales
- > 8. Changes on the Polish gas market
- > 9. Debt and sources of funding
- > 10. CAPEX, statement of financial position,  
statement of cash flows
- > 11. Production and sales volumes



# Financial highlights for Q1 2022

[PLNm]	Q1 2021	Q1 2022	change %
Revenue	14,553	<b>47,399</b>	226%
Operating expenses (excl. D&A)	-11,160	<b>-37,801</b>	239%
EBITDA	3,393	<b>9,598</b>	183%
<i>EBITDA (excluding impairment losses on property, plant and equipment)</i>	3,117	<b>9,543</b>	206%
Depreciation and amortisation expense	-956	<b>-1,588</b>	66%
EBIT	2,437	<b>8,010</b>	229%
Net finance costs	-57	<b>-290</b>	409%
Net profit	1,747	<b>4,093</b>	134%

## Exploration and Production

- › Revenue from sales of gas up +560% yoy, to PLN 7,998m, with revenue from sales of crude oil and condensate up PLN +149% yoy, to PLN 1,026m.
- › Reversal of impairment losses on non-current assets of PLN +52m in Q1 2022 vs PLN +269m of impairment losses reversed in Q1 2021.

## Trade and Storage

- › Revenue from sales of gas up +290% yoy, to PLN 40,731m, with a +2% yoy increase in gas volumes sold outside the Group. Gas fuel costs higher by 338% yoy.
- › Net gain/(loss) on measurement and exercise of hedging instruments recognised in operating profit/(loss) totalled PLN -449m in Q1 2022 vs PLN -80 in Q1 2021.

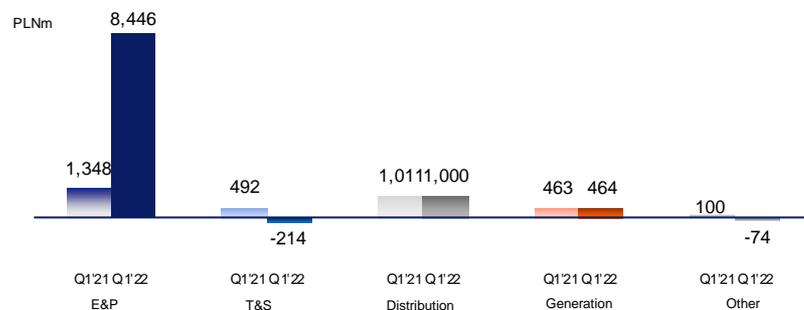
## Distribution

- › Gas distribution volume down -7% yoy and revenue from distribution services up PLN 66m (+4% yoy).
- › Net income/cost of system balancing: PLN -34m in Q1 2022, compared with PLN -12m in Q1 2021.

## Generation

- › Revenue from sales of heat up PLN 168m (+26% yoy), with the average air temperature higher by 1.66°C in Q1 2022, heat volumes sold comparable yoy, and a yoy increase in the heat generation and transmission tariff.
- › PLN 723m rise in revenue from sales of electricity generated by own sources (up +239% yoy), with sales volumes up +41%.

## › Group's EBITDA\* by segment in Q1 2022 vs Q1 2021



\*Eliminations in Q1 2021: PLN -21m; Q1 2022: PLN -24m

# Operating expenses in Q1 2022 vs Q1 2021

[PLNm]	Q1 2021	Q1 2022	change%
Cost of gas	-8,543	<b>-34,266</b>	301%
Fuels for heat and power generation	-376	<b>-334</b>	-11%
Other raw materials and consumables used	-714	<b>-850</b>	19%
Employee benefits expense	-837	<b>-887</b>	6%
Transmission services	-269	<b>-359</b>	33%
Other services	-404	<b>-780</b>	93%
<i>LNG regasification services</i>	-85	<b>-94</b>	11%
Taxes and charges	-633	<b>-819</b>	29%
Other income and expenses	316	<b>319</b>	1%
<i>Change in inventory write-downs</i>	4	<b>55</b>	1275%
<i>Change in provisions</i>	-150	<b>-145</b>	-3%
Recognition and reversal of impairment losses on property, plant and equipment and intangible assets	16	<b>-18</b>	-213%
<i>Cost of dry wells and seismic surveys written-off</i>	-260	<b>-73</b>	-72%
<i>Impairment losses on non-current assets</i>	276	<b>55</b>	-80%
Work performed by the entity and capitalised	284	<b>193</b>	-32%
Depreciation and amortisation expense	-956	<b>-1,588</b>	66%
<b>Total operating expenses</b>	<b>-12,116</b>	<b>-39,389</b>	<b>225%</b>
<i>Operating expenses net of cost of gas sold</i>	-3,573	-5,123	43%

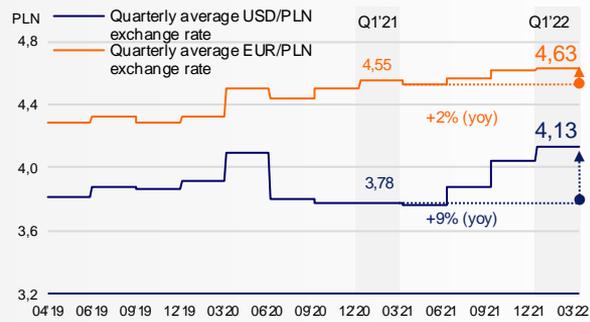
## Comments:

- > Cost of gas sold up +301% yoy to PLN -34,266m, with a +2% yoy increase in gas volumes sold outside the Group.
- > Net exchange differences related to operating activities recognised in net other income/expenses: PLN -82m in Q1 2022 vs PLN +186m in Q1 2021.
- > Increase in costs of other raw materials and consumables used, mainly due to higher costs of energy purchased for trading (up +20% yoy to PLN -709m).
- > Employee benefits expense in the Group up +6% yoy.
- > Lower costs of dry wells (PLN -73m in Q1 2022 vs PLN -260m in Q1 2021). Two dry wells written off in Q1 2022.
- > Reversal of impairment loss on non-current assets of PLN +55m in Q1 2022. Reversal of impairment loss on non-current assets of PLN +276m in Q1 2021.
- > Provisions for the energy efficiency buy-out price: PLN -101m in Q1 2022 vs PLN -97m in Q1 2021.
- > Recognition of provisions for CO<sub>2</sub> emission allowances and the energy efficiency buy-out price: PLN -50m in Q1 2022 vs PLN -13m in Q1 2021.
- > Gas inventory write-down reversal in Q1 2022: PLN +57m; Q1 2021: PLN +9m.
- > Overlift/underlift position in Norway in Q1 2022: a reduction in net other expenses of PLN +220m vs PLN +143m in Q1 2021.

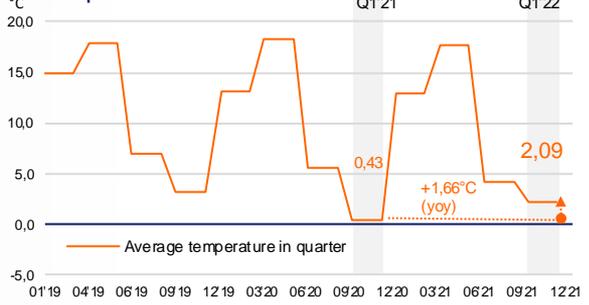
# External and market factors

- > USD/PLN exchange rate up +9% yoy in Q1 2022, to PLN 4.13.
- > EUR/PLN exchange rate up +2% yoy in Q1 2022, to PLN 4.63.
- > Average temperature\* down -1.7°C yoy in Q1 2022.

## > USD/PLN and EUR/PLN exchange rates



## > Temperatures\*



## > 3M crude oil prices



- > 3M (quarterly) average oil price up +64% yoy, to USD 99.5 per barrel.

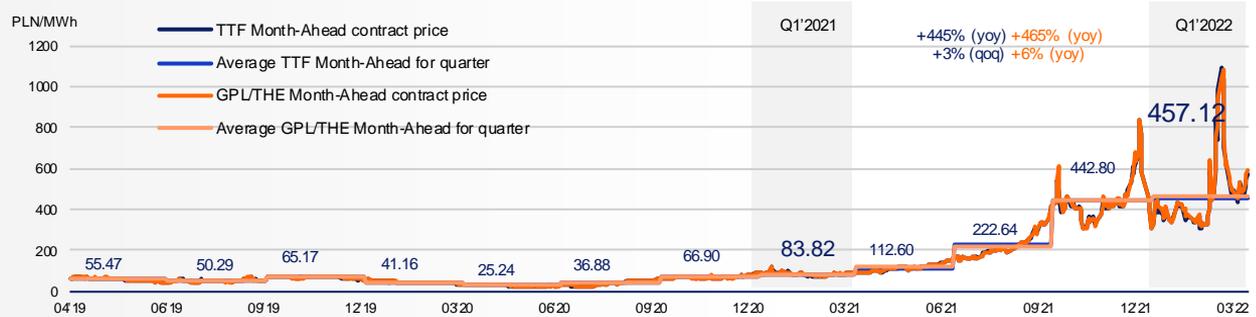
\* Reference point for temperature measurement: Rzeszów



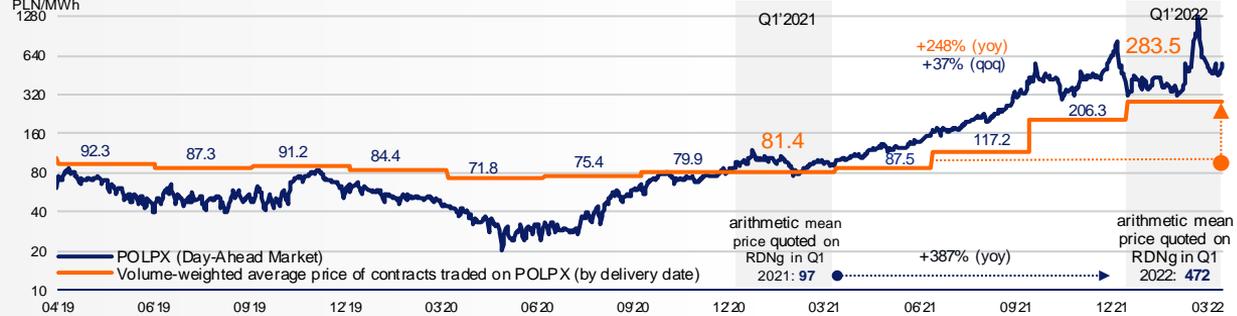
# Gas markets

- > TTF and GPL/THE gas prices (Month-Ahead contract) in PLN in Q1 2022:
  - > January: +313% and +337% yoy,
  - > February: +374% and +379% yoy,
  - > March: +666% and +662% yoy.
- > Trading volumes on POLPX in Q1 2022, including all contracts and maturities, up approximately -3% yoy.

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



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



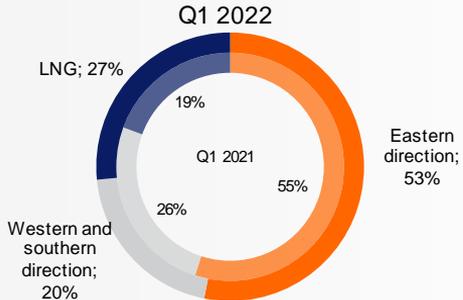
## Comments:

- > 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.

## Gas sales and imports structure

- > Rise in LNG imports, with lower imports from eastern, western and southern sources. In Q1 2022, ten gas carriers unloaded at the Świnoujście Terminal, including: three deliveries under contracts with Qatargas and seven spot deliveries.
- > Higher gas sales by the PGNiG Group due mainly to higher sales by PST.

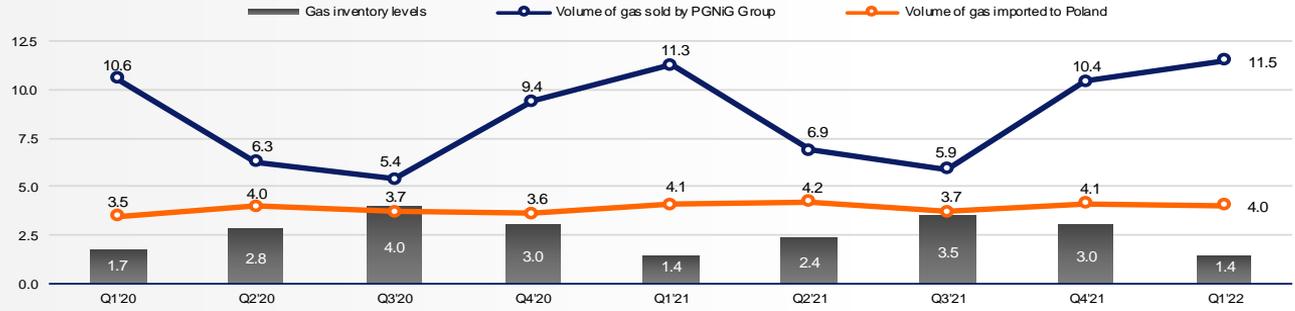
### > Imports of natural gas to Poland



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

[mcm]	Q1 2021	Q1 2022	change%
<b>PGNiG Group:</b>	11,277	<b>11,538</b>	2%
<i>PGNiG SA</i>	6,257	<b>6,340</b>	1%
<i>PGNiG OD</i>	3,507	<b>3,466</b>	-1%
<i>PST</i>	1,513	<b>1,732</b>	14%

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



### Comments:

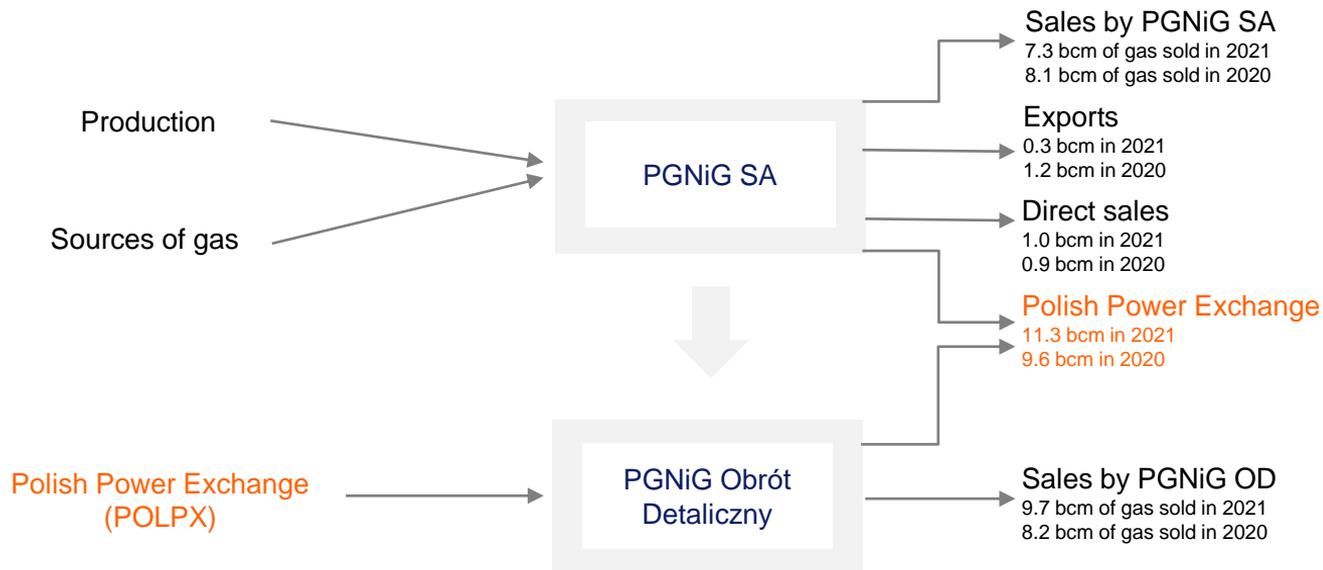
- > LNG terminal stocks: 53 mcm after regasification (as at March 31st 2022).

\* Includes high-methane gas, nitrogen-rich gas stored in Poland and abroad, as well as LNG at the terminal. Data on gas inventory level for Q1 2022 does not include gas under the control of the Governmental Agency for Strategic Reserves



# Gas trading and retail sales

38



Sales made on POLPX by PGNiG SA and purchases made on POLPX by PGNiG Obrót Detaliczny, which commenced operations on August 1st 2014, are **not subject to elimination from the consolidated financial statements**, and are disclosed under the Trade and Storage segment.

# Changes on the Polish gas market

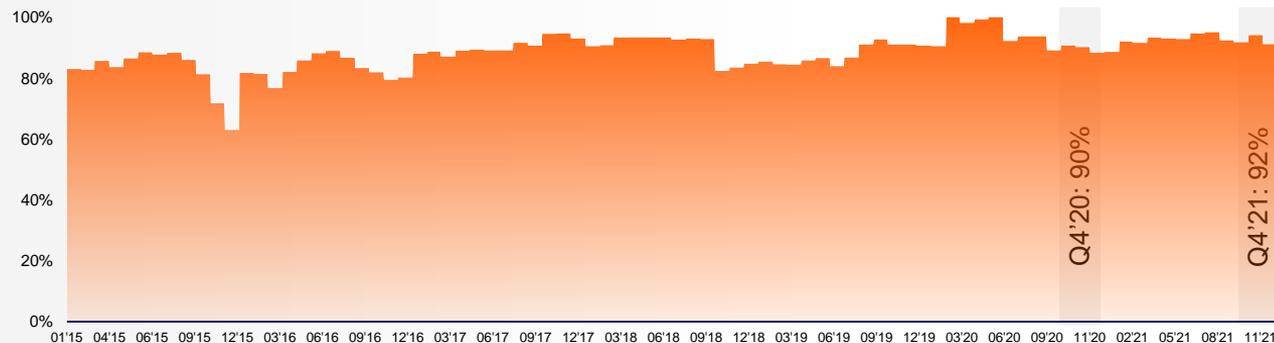
- > Since August 1st 2014, the PGNiG Group's gas sales volumes have included both PGNiG SA's sales through the exchange and PGNiG OD's sales to end customers and on the exchange.
- > Nitrogen-rich gas presented in the table as Group E gas equivalent.

## Notes\*\*:

- > The chart presents PGNiG SA's share in gas flowing into Poland through OGP Gaz-System's entry points (excluding transit volumes via the Yamal pipeline and including volumes for export), monthly data. The increase of PGNiG's share in imports observed in Q1 2016 caused mainly by reduced exports to Ukraine.
- > Data in the chart do not show PGNiG SA's share in the Polish gas market, They have been sourced from reports published by OGP Gaz-System on the volumes of gas flowing through interconnectors.

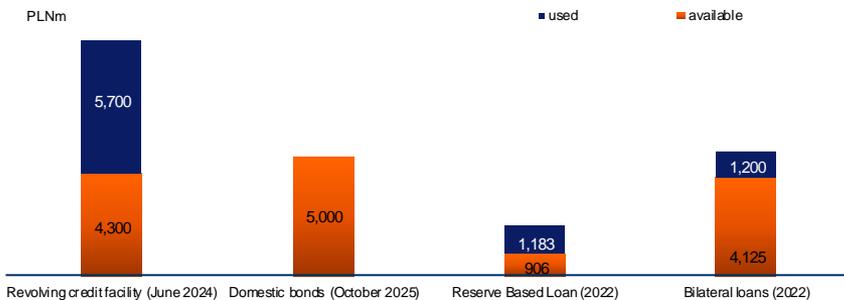
Gas sales volume (mcm)	2017	2018	2019	2020	2021
Total PGNiG Group	26.8	29.0	30.7	31.6	<b>34.5</b>
PGNiG SA	17.0	17.2	17.6	19.0	<b>18.8</b>
<i>including PGNiG SA through PPE</i>	<i>8.4</i>	<i>8.5</i>	<i>8.9</i>	<i>9.6</i>	<i><b>11.3</b></i>
PGNiG Obrót Detaliczny	7.6	7.9	7.7	8.2	<b>9.7</b>

## > PGNiG's share in gas imports to Poland\*\*

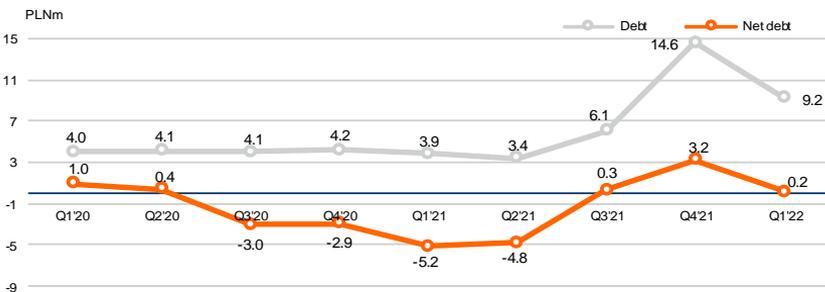


# Debt and sources of funding

## > Sources of funding (as at March 31st 2022)



## > Debt at quarter end



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

## > Dividend per share for the financial year

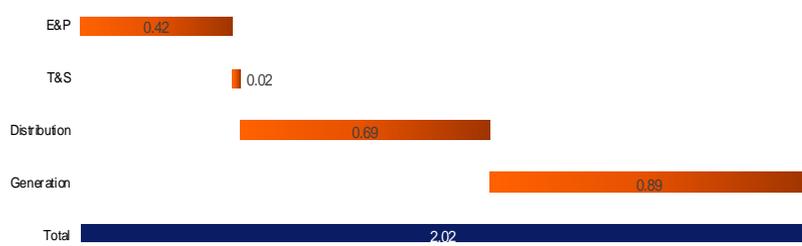


- > On May 10th, 2022, the PGNiG Management Board resolved to recommend to the PGNiG General Meeting, after prior approval by the Supervisory Board of the Company, to allocate the entire 2021 net profit of PLN 5,120,798,108.45 to increase the supplementary capital.

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

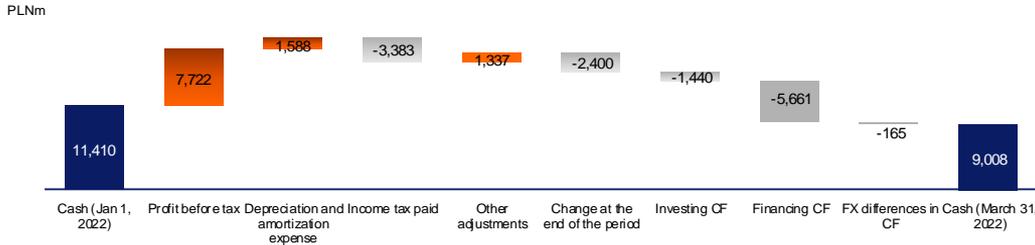
41

## > CAPEX incurred as at March 31st 2022\*



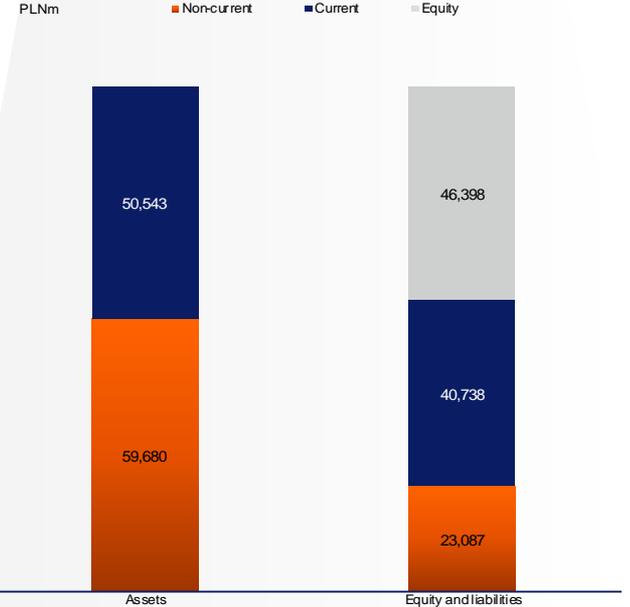
PLNbn

## > Consolidated cash flows (January 1st–March 31st 2022)



PLNm

## > Group's statement of financial position (as at March 31st 2022)



PLNm

Non-current

Current

Equity

\*CAPEX incurred in the Other Activities segment: PLN 0.04bn as March 31st 2022

# Production and sales volumes

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

	Q1 2022	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)	1,091	1,096	582	487	539	488	441	442	444	452	451	2,704	1,815	1,819	1,834
<i>including in Poland</i>	326	323	326	318	317	328	330	336	343	348	337	1,284	1,337	1,337	1,296
<i>including in Norway</i>	765	773	257	168	222	159	112	106	101	104	114	1,420	478	481	538
NITROGEN-RICH GAS (Ls/Lw as E equiv.)	689	710	669	604	706	731	673	582	719	721	645	2,690	2,705	2,671	2,712
<i>including in Poland</i>	607	632	589	522	620	642	591	526	650	668	593	2,364	2,409	2,478	2,512
<i>including in Pakistan</i>	82	78	80	82	86	88	82	56	69	53	52	326	295	193	200
<b>TOTAL (measured as Equivalent)</b>	<b>1,780</b>	<b>1,806</b>	<b>1,252</b>	<b>1,091</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>5,394</b>	<b>4,519</b>	<b>4,489</b>	<b>4,546</b>

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

HIGH-METHANE GAS (E)	11,040	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>	1,732	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.)	498	492	330	403	532	495	357	342	482	447	350	1,758	1,676	1,597	1,578
<b>TOTAL (measured as Equivalent)</b>	<b>11,538</b>	<b>10,429</b>	<b>5,870</b>	<b>6,899</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>34,476</b>	<b>31,638</b>	<b>30,654</b>	<b>29,044</b>
<i>including sales directly from the fields</i>	260	259	208	224	264	273	219	192	250	235	210	955	934	844	855

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

Total	4,048	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>	2,150	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>	1,074	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)

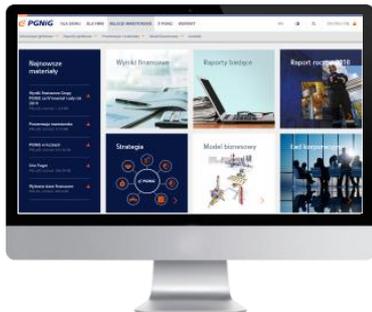
Production of crude oil and condensate	372	438	330	279	328	362	306	331	325	328	275	1,376	1,324	1,216	1,345
<i>including in Poland</i>	164	174	145	151	174	184	159	167	200	208	184	643	710	776	818
<i>including in Norway</i>	209	264	185	128	154	178	148	164	125	120	91	732	615	440	527
Sales of crude oil and condensate from own production	317	401	322	366	251	361	324	369	277	361	295	1,340	1,331	1,210	1,410
<i>including in Poland</i>	169	178	145	142	178	182	161	159	210	201	182	643	712	771	817
<i>including in Norway</i>	149	223	177	224	73	179	163	210	67	160	113	697	619	439	593

## GENERATION

Production of heat, net (sales) (TJ)	17,029	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)	1,730	1,206	436	614	1,223	1,165	454	637	1,382	1,266	425	3,480	3,638	3,948	3,974

bbbl	Barrel
boe / mm boe	Barrel of oil equivalent / Million barrel of oil equivalent (one barrel is approx, 0,136 tonnes)
CAGR	Compound annual growth rate
CAPEX	Capital expenditure
cm / bcm	cubic meters / billion cubic meters
DES	Delivery ex ship formula, LNG seller deliver gas to a buyer at an agreed port of arrival
D&A	Depreciation and Amortization
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation and amortization
FOB	Free on board formula, LNG seller will deliver gas to a tanker ship at the loading port
JV	Joint Venture
LNG	Liquefied Natural Gas
NGL	Natural Gas Liquids
PPE	Polish Power Exchange
PSG	Polska Spółka Gazownictwa
PST	PGNiG Supply & Trading GmbH
RAB	Regulatory Asset Base
WACC	Weighted average cost of capital
WIG 20	Capitalization-weighted stock market index of the twenty largest companies on the Warsaw Stock Exchange
WSE	Warsaw Stock Exchange

# Contact details



Investor Relations website  
[www.ri.pgnig.pl](http://www.ri.pgnig.pl)



## Marcin Piechota

Head of the Investor Relations Division

Phone: +48 22 106 43 22

Mobile: +48 885 889 890

Email: [marcin.piechota@pgnig.pl](mailto:marcin.piechota@pgnig.pl)

## Piotr Gałek

Senior Investor Relations Specialist

Phone: +48 22 106 48 46

Mobile: +48 723 235 652

Email: [piotr.galek@pgnig.pl](mailto:piotr.galek@pgnig.pl)

## Anna Galińska

Investor Relations Specialist

Phone: +48 22 106 41 09

Mobile: +48 723 514 086

Email: [anna.galinska@pgnig.pl](mailto:anna.galinska@pgnig.pl)

## Aleksander Kutnik

Senior Investor Relations Specialist

Phone: +48 22 106 47 97

Mobile: +48 723 239 162

Email: [aleksander.kutnik@pgnig.pl](mailto:aleksander.kutnik@pgnig.pl)

## Polskie Górnictwo Naftowe i Gazownictwo S.A.

ul. M. Kasprzaka 25

01-224 Warsaw, Poland

Fax: +48 22 691 81 23

[www.pgnig.pl](http://www.pgnig.pl)

### Disclaimer

All opinions, judgements and projections contained in this presentation ("Presentation") have been prepared by Polskie Górnictwo Naftowe i Gazownictwo (PGNiG) S.A. relying on publicly available information. The information contained herein is subject to change without notice and may be incomplete or condensed, and it may omit some important details. No information contained herein is intended as an investment offer or recommendation or as an offer to provide any services. This Presentation contains forward-looking information and statements that relate to future rather than past events. Any such forward-looking statements are based on our current assumptions, but as they relate to the future and are subject to risks and uncertainties, actual results or events may materially differ from those anticipated in those forward-looking statements. This Presentation should not be acted or relied on in making any investment decisions. More information on PGNiG can be found in its current and periodic reports. PGNiG undertakes no obligation to update, and assumes no responsibility for the accuracy, completeness or use of, information contained in this Presentation. No information contained herein is intended as legal or other professional advice.