

Polish Oil and Gas Company (PGNiG SA)
Head Office

Warsaw, February 21st, 2022

**Estimates of fourth-quarter
and full-year 2021 key consolidated financial results**

Current Report No. 8/2022

The Management Board of Polskie Górnictwo Naftowe i Gazownictwo SA (“PGNiG” or the “Company”) announces preliminary estimates of the PGNiG Group’s consolidated financial results for the fourth quarter and full year 2021.

Consolidated statement of profit or loss – selected items:

PLNbn	Q4 2020	Q4 2021	2020	2021
Consolidated revenue	11.77	32.47	39.20	69.96
Consolidated operating profit before interest, taxes, depreciation and amortisation (EBITDA)	2.32	8.20	13.01	15.60
<i>Including impairment of non-current assets (total for the PGNiG Group)</i>	-0.78	+0.44	-1.59	+1.02
EBITDA of Exploration and Production, including:	0.21	8.11	0.93	13.53
<i>Dry wells and seismic surveys</i>	-0.07	-0.17	-0.20	-0.63
<i>Impairment of non-current assets</i>	-0.68	+0.45	-1.49	+1.05
EBITDA of Trade and Storage	1.39	-1.06	9.58	-1.70
<i>Lower gas costs as a result of retroactive settlement under the annex to the Yamal contract</i>	-	-	5.69	-
<i>Gas inventory write-down</i>	-0.01	-0.08	+0.36	-0.09
EBITDA of Distribution	0.62	0.80	2.16	2.89
EBITDA of Generation	0.36	0.52	0.93	1.13
Consolidated operating profit (EBIT)	1.34	6.75	9.59	11.57
Consolidated net profit/loss	1.30	3.09	7.34	6.19

The estimated financial results of the PGNiG Group for the fourth quarter of 2021 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 78%, 562% increase in average TTF prices and 501% rise in average Day-Ahead Market gas prices on the Polish Power Exchange (“POLPX”) compared with the fourth quarter of 2020;

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- reversal of impairment losses on the segment's non-current assets of ca. PLN +448m, reflecting rising hydrocarbon prices vs impairment losses of PLN -677 recognised in the fourth quarter of 2020;
 - higher natural gas and oil production volumes in Norway, up on the fourth quarter of 2020 by 614 mcm (+385%) and 86 thousand tonnes (+48%), respectively, attributable primarily to the acquisition of INEOS assets;
 - EBITDA generated by PGNiG Upstream Norway AS ("PGNiG UN") in the fourth quarter of 2021 of PLN 3.8bn (with the full-year 2021 EBITDA at PLN 5.3bn). In the fourth quarter of 2020 EBITDA of PGNiG UN amounted to PLN 0.01bn (PLN 0.2bn in 2020).
2. In the Trade and Storage segment:
- 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 the fourth quarter 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 1st 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 the fourth quarter of 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:
 - recognized in sales revenue in the amount of PLN -258m (in Q4 2020: PLN -14m);
 - 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;
 - included in other operating expenses, net in the amount of PLN +1 375m (in Q4 2020: PLN +240m).
3. In the Distribution segment:
- increase in the fee for distribution services effective as of February 1st 2021, up 3.6% compared with the previous tariff;
 - average temperature in the fourth quarter of 2021 1.28°C lower year on year;
 - volume of distributed gas up 8% year on year in the fourth quarter of 2021.
4. In the Generation segment:
- revenue from sales of heat up 17% year on year, with the lower average temperature recorded in the fourth quarter of 2021 and increased heat production volumes;
 - revenue from sales of electricity generated by own sources up 68% year on year on higher sales volumes.
5. Some of the factors with an impact on net finance income/costs included the following:
- PLN -0.3bn increase in impairment losses on loans provided to Elektrociepłownia Stalowa Wola S.A.;
 - PLN 0.1bn increase in the cost of debt.

Moreover:

1. In 2021, capital expenditure (CAPEX) totaled PLN 9.0bn, including PLN 3.4bn in the Exploration and Production segment (including the acquisition of INEOS assets), PLN 3.2bn in the Distribution segment and PLN 2.1bn in the Generation segment (including the purchase of CO₂ emission allowances).
2. 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

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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.

3. 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).

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 fourth quarter of 2021 will be published on March 24th 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

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