

Details of the webcast from the meeting with CEO & CFO
September 29, 2021 (Wednesday), 9.30 AM CEST

Link to the webcast: <https://infostrefa.tv/pge/>
Questions for Q&A session allowed via email: ir@gkpge.pl

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Operations: Upbeat results supported by economic rebound

Financials: Record-high EBITDA on strong operating margin

- +20% y/y Q2 PGE power generation 2.6TWh increase, sharp rebound of domestic demand after Covid-19
- Decline in margins of Conventional Generation offset by capacity market revenues and higher volumes
- Strong sales of heat and higher tariffs drive the results of District Heating together with capacity market revenues
- Record-high PLN 3.0bn EBITDA and net profit to equity at PLN 1.9bn compared to PLN 1.1bn loss in Q2 2020
- Net debt declined by ca. PLN 2.8bn q/q on strong operating cash flow and payment for stake in offshore projects

Generation and distribution rise sharply while sale to end users decreases

Sharply rebounding lignite generation at 9.0TWh (+20% y/y) and hard coal generation at 5.1TWh (+25% y/y) stems from bounce of domestic demand on impressive economic recovery (GDP +10.9% y/y in Q2 2021) after Covid-19 lockdown in Q2 2020. Country's generation higher as the net import of electricity goes down (-2.6TWh y/y).

Strong growth in heat volumes (+14% y/y) reaching 9.2PJ as the average outside temperatures were lower. Volumes of electricity distributed (9.1TWh v 8.1TWh in Q2 2021) with 12% improvement follow rise in domestic demand. Sales to end-users slightly lower (-3% y/y) as a result of the reviewed commercial assumptions.

EBITDA at record levels

Record-high reported EBITDA (PLN 3.0bn, +194% y/y) supported by revenues from the capacity market, higher heat tariffs and volumes, good generation and distribution volumes increased by restoration of retail margins. Positive balance of one-offs at PLN +1.3bn y/y mainly as a result of change in the balance of reclamation provision due to the change of market interest rates. Recurring EBITDA at PLN 2.1bn (+55% y/y).

PLN 1.5bn Conventional Generation segment EBITDA significantly higher (+455% y/y) on release of reclamation provision (PLN +0.9bn). Comparable recurring results as the loss of margins on generation was covered by revenues from the capacity market and higher volumes.

District Heating EBITDA at PLN 0.2bn (+36% y/y) supported by higher volumes and tariffs.

RES EBITDA came at PLN 0.2bn (+75% y/y) mainly as result of higher electricity prices on SPOT market and revenues from capacity market.

Supply segment result jumped to PLN 0.35bn against loss in Q2 2020 as the better efficiency of electricity hedging supports margins.

Distribution EBITDA at over PLN 0.7bn (+31% y/y) as an effect of sharply higher volumes on strong economic recovery.

CAPEX: A new investment cycle is still on the horizon

Expenditures on investments (on an accrual basis) in PGE Group dropped to ca. PLN 1.4bn (-9% y/y) as in RES segment projects of new wind farms of 97MW were commenced in Q2 2020. New projects (offshore, district heating, CCGT units in Dolna Odra power plant) are ahead. Lower Distribution CAPEX at the level of PLN 0.3bn (-20% y/y) mainly as an effect of decline in distribution grid outlays.

Net debt declined on strong operating cash flow and payment for stake in offshore projects.

Net debt declined significantly to PLN 5.9bn, (PLN -2.8bn q/q) and (PLN -3.5 y/y). Strong recurring EBITDA in the quarter (PLN 2.1bn) and non-cash CO2 cost (PLN 2.0bn) were additionally supported by payment for 50% stake in offshore projects.

Net debt/LTM EBITDA stands q/q at 0.7x (1.7x as of Q2 2020).

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Key Financials

PLNm	Q2 2021	Q2 2020	y/y [%]	H1 2021	H1 2020	y/y [%]
Sales	10 008	10 185	-2%	21 908	22 776	-4%
EBITDA	3 048	1 035	194%	5 254	2 805	87%
Recurring EBITDA	2 084	1 347	55%	4 290	3 117	38%
EBIT	1 994	-502	n/a	3 158	271	1065%
Recurring EBIT	1 055	403	162%	2 263	1 207	87%
Net profit (to equity)	1 882	-1 120	n/a	2 690	-688	n/a
Net profit (to equity) ex. impairments	1 902	-158	n/a	2 746	299	818%

EBITDA by segments

PLNm	Q2 2021	Q2 2020	y/y [%]	H1 2021	H1 2020	y/y [%]
Conventional Generation	1 538	277	455%	2 049	774	165%
District heating	205	151	36%	715	493	45%
Renewables	189	108	75%	382	301	27%
Distribution	724	554	31%	1 382	1 127	23%
Supply	354	-31	n/a	706	187	278%

EBIT by segments

PLNm	Q2 2021	Q2 2020	y/y [%]	H1 2021	H1 2020	y/y [%]
Conventional Generation	1 032	-726	n/a	1 073	-667	n/a
District heating	39	-2	n/a	396	193	105%
Renewables	133	33	303%	237	152	56%
Distribution	419	241	74%	767	502	53%
Supply	347	-41	n/a	690	169	308%

Key operating data

TWh	Q2 2021	Q2 2020	y/y [%]	H1 2021	H1 2020	y/y [%]
Net Generation Volume	15.85	13.22	20%	32.94	28.58	15%
Sales to End-users	9.08	9.38	-3%	18.75	20.12	-7%
Electricity Distribution Volume	9.11	8.12	12%	18.64	17.29	8%
Sales of Heat [PJ]	9.16	8.01	14%	32.12	27.75	16%

Electricity generation by source

TWh	Q2 2021	Q2 2020	y/y [%]	H1 2021	H1 2020	y/y [%]
Lignite-fired power plants	9.00	7.47	20%	17.58	14.68	20%
Hard coal-fired power plants	4.27	3.30	29%	8.81	7.42	19%
Coal-fired CHPs	0.88	0.82	7%	2.57	2.46	4%
Gas-fired CHPs	1.01	0.97	4%	2.46	2.39	3%
Biomass-fired CHPs	0.06	0.10	-40%	0.15	0.21	-29%
Waste-to-energy CHPs	0.01	0.01	0%	0.02	0.02	0%
Pumped-storage	0.16	0.15	7%	0.36	0.37	-3%
Hydro	0.14	0.12	17%	0.28	0.25	12%
Wind	0.32	0.28	14%	0.71	0.78	-9%
TOTAL	15.85	13.22	20%	32.94	28.58	15%
incl. renewable generation	0.53	0.51	4%	1.17	1.27	-8%
incl. biomass co-combustion	0.00	0.00	n/a	0.01	0.01	0%

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Further information

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