



Details of the webcast from the meeting with CEO

April 5, 2024 (Friday), 10.00 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: lower lignite and hard coal generation, higher RES and gas generation. Declining volumes in Distribution and Supply covered up by volumes of new Energy Railway Services segment

Financials: Positive - higher electricity prices, increase in heat tariffs, higher WACC in distribution and contribution of new business line Energy Railway Services. Negative - higher CO2 costs, impact of legal regulations limiting electricity prices, rising personnel cost, provisions for regulated tariffs

- PGE electricity generation at 15.6TWh in Q4, (-12% y/y) and 56.8TWh in FY (-14% y/y) declined mainly due to curtailment of lignite generation.
- Recurring EBITDA at PLN 2.1bn (+256% y/y) in Q4 23 and at record-high of PLN 10.7bn (+51% y/y) in FY 23, jumped up y/y on strong improvement of Conventional Generation and District Heating margins. Positive effect of inclusion of new business segment Railway Energy Services and higher tariffs in Distribution. Decline in Renewables on lower SPOT prices, Supply significantly hit by provisions for regulated tariffs and lower margins.
- Reported EBITDA at PLN 1.7bn (+401% y/y) in Q4 23 and at PLN 10.0bn (+16% y/y) in FY 23, affected by one-offs including mainly reclamation provision.
- PLN 11.1bn - net debt at the end of 2023, significantly higher q/q on cash settlement of CO2. Net economic debt at PLN 22.0bn higher q/q mainly on change in working capital.

Generation volumes adjusted to changing market situation

In Q4 23 lignite (-1.9TWh, -19% y/y) and hard coal generation (-1.0TWh, -16% y/y) declined on sharply higher production on wind and gas in the National Power System. RES generation in Q4 was at 0.83TWh (+51% y/y), mainly due to higher wind generation. In FY 23 lignite (-9.8TWh, -25% y/y) generation was sharply lower on lower demand for electricity in the National Power System resulting from decline in consumption of electricity, strong increase in import of electricity and significantly higher production in wind, PV and gas power plants. Hard coal generation reported only moderate decline (-1.7TWh, -8% y/y) due to reallocation of generation from lignite power plants (production forced by network considerations). RES generation in FY 23 was at 2.73TWh (+22% y/y), supported by better performance of all technologies: wind, hydro and biomass.

Heat volumes were slightly lower in Q4 (-0.3PJ, -2% y/y) and (-1.3PJ, -4%) in FY 23 on higher external temperatures. Volumes of electricity distributed in Q4 (-0.2TWh, -2% y/y) and in FY 23 (-1.3TWh, -2% y/y) and sales of electricity to final off-takers in Q4 (-0.6TWh, -7% y/y) and in FY 23 (-1.8TWh, -5% y/y) declined on comparable basis due to lower demand for electricity.

Recurring EBITDA at record-high in 2023

Recurring EBITDA at PLN 2.1bn (+256% y/y) in Q4 and at record-high of PLN 10.7bn (+51% /y) in FY 23, ramped up y/y on strong improvement of Conventional Generation and District Heating as both segments in 2022 suffered from sharp rises in fuel costs. Positive effect of inclusion of new business segment Railway Energy Services and higher tariffs in Distribution. Decline in Renewables on lower SPOT prices, Supply significantly hit by impact of provisions for regulated tariffs and lower margins. Contributions to the Price Difference Payment Fund in segments of Conventional Generation, District Heating, Railway Energy Services and Renewables amounted in Q4 to PLN 1.8bn and PLN 6.6bn in FY 23.

Conventional Generation recurring EBITDA was up to PLN 0.4bn (vs. loss of PLN -0.4bn in Q4 22) in Q4 and up to PLN 2.1bn (+238% y/y) in FY 23. Margins were improved y/y despite lower volumes as results in 2022 were hit by sharp rise in fuel costs. Results were also positively affected by revenues from ancillary services (chiefly due to reallocation of production).

District Heating results were strong both in Q4 PLN at PLN 0.7bn (vs. loss of PLN -0.01bn in Q4 22) and FY 23 at PLN 2.1bn (vs. PLN 0.03bn in Q4 22). Profits were driven up by higher heat tariffs, higher electricity prices and increase in electricity production due to better profitability of gas generation. Strong y/y dynamics was also effect of low-base from 2022, as in 2022 sharply rising fuels and CO2 costs were only to small extend transferred in heat tariffs.

RES segment recurring EBITDA declined in Q4 down to PLN 0.3bn (-31% y/y) and to PLN 1.1bn in FY 23 (-38% y/y mainly on lower revenues from sale of electricity due to lower SPOT prices.

Supply segment posted losses both in Q4 at PLN -0.5bn (profit of PLN 0.3bn in Q4 22) and FY 23 at PLN -0.1bn (profit of PLN 2.0bn in FY 22). EBITDA was affected by the lower margin on the sale of electricity and provisions for household tariff for 2024 (PLN -0.8bn) and for the Regulation of the Minister for Climate and Environment on tariffs (PLN -0.5bn).

Distribution recurring EBITDA was slightly lower in Q4 at PLN 0.7bn (-5% y/y) on rising costs of balancing energy and significantly higher at PLN 3.9bn (+39% y/y) in FY 23 on positive effect of higher distribution tariff due to rising WACC.

CAPEX: transition investments clearly visible

Expenditures on investments (on accrual basis) in PGE Group ramped up to PLN 10.1bn (+43% y/y) in FY 23 mainly on raising outlays for investment in Distribution and RES segments. On the top of that appeared expenditures of a new segment - Railway Energy Services.

Debt increased by change in working capital

Net debt at the end of Q4 at PLN 11.1bn (vs. PLN 1.6bn at the end of Q3 2023) jumped up on cash purchases of CO₂. Value of net economic debt (adjusted by forward payments for CO₂): PLN 22.0bn (net economic debt/ recurring LTM EBITDA = 2.05x) increased q/q by PLN 3.4bn as a result of change in working capital.

Key Financials

PLNm	Q4 2023	Q4 2022	y/y [%]	12M 2023	12M 2022	y/y [%]
Sales	24 889	21 455	16%	95 964	73 435	31%
EBITDA	1 698	339	401%	10 028	8 657	16%
Recurring EBITDA	2 067	580	256%	10 722	7 120	51%
EBIT	-8 186	-760	977%	-3 431	4 299	-
Recurring EBIT	758	-483	-	5 963	2 866	108%
Net profit (to equity)	-8 041	-614	1 210%	-5 012	3 328	-

EBITDA by segments

PLNm	Q4 2023	Q4 2022	y/y [%]	12M 2023	12M 2022	y/y [%]
Conventional Generation	149	-622	-	1 472	2 065	-29%
District heating	635	-10	-	1 952	39	4 905%
Renewables	268	393	-32%	1 114	1 795	-38%
Distribution	628	710	-12%	3 880	2 850	36%
Railway Energy Services	618	-	-	1 243	-	-
Supply	-508	358	-	-4	2 043	-

EBIT by segments

PLNm	Q4 2023	Q4 2022	y/y [%]	12M 2023	12M 2022	y/y [%]
Conventional Generation	-9 223	-1 095	742%	-9 418	127	-
District heating	424	-203	-	1 168	-713	-
Renewables	178	305	-42%	753	1 440	-48%
Distribution	290	383	-24%	2 578	1 616	60%
Railway Energy Services	440	-	-	866	-	-
Supply	-517	350	-	-38	2 010	-

Key operating data

TWh	Q4 2023	Q4 2022	y/y [%]	12M 2023	12M 2022	y/y [%]
Net Generation Volume	15.65	17.79	-12%	56.77	66.13	-14%
Sales to End-users	8.75	8.56	2%	34.71	34.28	1%
Electricity Distribution Volume	10.42	9.52	9%	38.88	37.07	5%
Sales of Heat [PJ]	17.20	17.49	-2%	49.03	51.28	-4%

Electricity generation by source

TWh	Q4 2023	Q4 2022	y/y [%]	12M 2023	12M 2022	y/y [%]
Lignite-fired power plants	7.80	9.63	-19%	29.75	39.51	-25%
Hard coal-fired power plants	4.25	5.10	-17%	15.07	16.30	-8%
Coal-fired CHPs	1.16	1.34	-13%	3.83	4.34	-12%
Gas-fired CHPs	1.31	0.90	46%	4.21	2.79	51%
Biomass-fired CHPs	0.11	0.07	57%	0.44	0.25	76%
Waste-to-energy CHPs	0.00	0.00	0%	0.03	0.03	0%
Pumped-storage	0.31	0.27	15%	1.20	0.95	26%
Hydro	0.10	0.07	43%	0.44	0.39	13%
Wind	0.60	0.41	46%	1.77	1.57	13%
PV	0.01	0.00	-	0.03	0.00	-
TOTAL	15.65	17.79	-12%	56.77	66.13	-14%