



Details of the webcast from the meeting with CEO & CFO

March 23, 2022 (Wednesday), 10.00 AM CET

Link to the webcast: <https://infostrefa.tv/pge/>

Questions for Q&A session allowed via email: ir@gkpgge.pl

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Operations: Generation volume at record high levels triggered by increased domestic consumption and decrease in net import

Financials: Strong results driven up by generation & distribution volumes and higher SPOT prices

- PGE power generation at 18.2TWh (Q4 2021), +19% y/y increase and at 68.8TWh (FY2021), +18% y/y boosted by higher domestic demand and increasing export of energy from Poland.
- Positive effect of record-high volumes and revenues from capacity markets in Conventional Generation, sharply rising SPOT prices in Renewables, post-Covid volume recovery in Distribution and higher retail margins in Supply.
- Strong reported EBITDA at PLN 2.2bn (+34% y/y) in Q4 and at PLN 9.5bn (+60% y/y) in FY2021.
- Net debt declined by PLN 3.0bn y/y but increased by PLN 1.7bn q/q to PLN 4.2bn on CO₂ purchases.

Generation volume at record-high levels

Strong volumes of lignite & hard coal generation both in Q4 (+3.3 TWh, +26% y/y) and FY2021 (+11.5TWh, +23% y/y) driven by rising domestic demand for electricity on economic recovery (+1.2TWh y/y) in Q4 and (+8.9TWh y/y) in FY2021 and higher prices of electricity on foreign markets triggered by a surge in gas prices. Foreign trade balance declined by 4.4TWh in Q4 and by 12.4TWh in FY2021. RES generation was relatively unchanged at 0.7TWh in Q4 and 2.3TWh in FY2021 on mediocre wind conditions.

Heat volumes (+1.9PJ, +11% y/y) in Q4 and (+6.5PJ, +13% y/y) in FY2021 were supported by lower average external temperatures in heating season. Volumes of electricity distributed at 9.8TWh (+4% y/y) in Q4 and 37.7TWh (+6% y/y) following the rise in domestic demand for electricity due to post-Covid recovery. Sales to end-users at 9.6TWh (-11% y/y) and 37.5TWh (-9% y/y) declined in effect of reviewed commercial assumptions.

Strong recurring EBITDA both in Q4 and FY2021

Strong recurring EBITDA (PLN 2.0bn, +32% y/y) in Q4 and (PLN 8.1bn, +31% y/y) supported by revenues from the capacity market, record-high generation volumes, much higher SPOT prices, distribution volumes and retail margins. Positive impact of one-offs y/y in FY at PLN +1.6bn mainly as a result of change in the balance of reclamation provision (PLN +1.8bn) on rising interest rates. In Q4 itself the effect (PLN +1.0bn) was to some extent neutralized by rollover of the EUA contracts (PLN -0.7bn). Reported EBITDA was at PLN 2.2bn (+34% y/y) in Q4 and at PLN 9.5bn (+60% y/y) in FY2021.

Conventional Generation recurring EBITDA significantly higher at PLN 0.9bn (+174% y/y) in Q4 and PLN 2.6bn (+37% y/y) in FY2021 on positive impact of record-high generation volumes and revenues from capacity market.

District Heating recurring EBITDA at PLN 0.1bn (-81% y/y) in Q4 and PLN 0.8bn (-9% y/y) declined on lower margins on heat and electricity production despite higher volumes and tariffs. Margins were impacted by sharply higher gas prices and rising CO₂ costs. Negative effect of write-downs of receivable.

RES segment recurring EBITDA came very strong at PLN 0.4bn (+126% y/y) in Q4 and PLN 1.0bn (+70% y/y) mainly as result of sharply higher electricity prices on SPOT market, revenues from capacity market and higher trade margins of pumped-storage power plants.

Supply segment posted loss of PLN -0.1bn in Q4 as losses on some onerous contracts in retail were recognised. On the other hand FY2021 came strong at PLN 0.9bn (+42% y/y) on much higher retail margin partly due to low base effect.

Upbeat Distribution EBITDA at PLN 0.7bn (+26% y/y) in Q4 and PLN 2.7bn (+18% y/y) boosted by higher volumes and lower cost of balancing electricity.

CAPEX: A new investment cycle is still on the horizon

Expenditures on investments (on accrual basis) in PGE Group dropped to PLN 1.6bn (-8% y/y) in Q4 and to PLN 4.7bn (-15% y/y) as major projects in Conventional Generation were not fully offset by investment in CCGT Dolna Odra. Lower Distribution CAPEX in FY2021 at PLN 1.4bn (-19% y/y) mainly as an effect of decline in distribution grid outlays. New projects (offshore, gas CHP, CCGT units in Dolna Odra, grid grounding, smart metering) are ahead in 2022.

Net debt supported by strong operating cash flow

Net debt declined significantly y/y to PLN 4.2bn, (PLN -3.0bn y/y) on strong operating cash flow, but increased q/q by (PLN +1.7bn) on CO₂ purchases for approx. PLN 4.9bn (expiration of Dec. forwards and SPOT purchases). Net debt/LTM EBITDA stands at 0.4x (1.2x as at the end 2020), while majority of payments to cover 2021 emissions are still to come.

Key Financials

| PLNm | Q4 2021 | Q4 2020 | y/y [%] | 2021 | 2020 | y/y [%] |
|--|---------|---------|---------|--------|--------|---------|
| Sales | 19 880 | 12 670 | 57% | 52 730 | 45 766 | 15% |
| EBITDA | 2 171 | 1 615 | 34% | 9 535 | 5 966 | 60% |
| Recurring EBITDA | 1 969 | 1 493 | 32% | 8 129 | 6 184 | 31% |
| EBIT | 993 | 668 | 49% | 5 123 | 1 408 | 264% |
| Recurring EBIT | 875 | 436 | 101% | 3 933 | 2 574 | 53% |
| Net profit (to equity) | 721 | 525 | 37% | 3 972 | 110 | 3 511% |
| Net profit (to equity) ex. impairments | 789 | 433 | 82% | 4 147 | 934 | 344% |

EBITDA by segments

| PLNm | Q4 2021 | Q4 2020 | y/y [%] | 2021 | 2020 | y/y [%] |
|-------------------------|---------|---------|---------|-------|-------|---------|
| Conventional Generation | 1 275 | 467 | 173% | 4 078 | 1 725 | 136% |
| District heating | -62 | 339 | - | 805 | 947 | -15% |
| Renewables | 420 | 186 | 126% | 1 016 | 597 | 70% |
| Distribution | 732 | 568 | 29% | 2 779 | 2 306 | 21% |
| Supply | -195 | 126 | - | 827 | 612 | 35% |

EBIT by segments

| PLNm | Q4 2021 | Q4 2020 | y/y [%] | 2021 | 2020 | y/y [%] |
|-------------------------|---------|---------|---------|-------|-------|---------|
| Conventional Generation | 732 | -17 | - | 1 998 | -647 | - |
| District heating | -283 | 158 | - | 104 | 304 | -66% |
| Renewables | 327 | 229 | 43% | 686 | 405 | 69% |
| Distribution | 432 | 280 | 54% | 1 559 | 1 093 | 43% |
| Supply | -203 | 117 | - | 794 | 577 | 38% |

Key operating data

| TWh | Q4 2021 | Q4 2020 | y/y [%] | 2021 | 2020 | y/y [%] |
|---------------------------------|--------------|--------------|------------|--------------|--------------|------------|
| Net Generation Volume | 18.23 | 15.28 | 19% | 68.77 | 58.13 | 18% |
| Sales to End-users | 9.56 | 10.71 | -11% | 37.48 | 41.17 | -9% |
| Electricity Distribution Volume | 9.80 | 9.40 | 4% | 37.74 | 35.67 | 6% |
| Sales of Heat [PJ] | 18.91 | 17.06 | 11% | 55.07 | 48.60 | 13% |

Electricity generation by source

| TWh | Q4 2021 | Q4 2020 | y/y [%] | 2021 | 2020 | y/y [%] |
|------------------------------|--------------|--------------|------------|--------------|--------------|------------|
| Lignite-fired power plants | 9.81 | 7.27 | 35% | 37.12 | 29.72 | 25% |
| Hard coal-fired power plants | 4.97 | 3.94 | 26% | 19.87 | 16.11 | 23% |
| Coal-fired CHPs | 1.47 | 1.23 | 20% | 4.56 | 4.2 | 9% |
| Gas-fired CHPs | 1.13 | 1.43 | -21% | 4.22 | 5.05 | -16% |
| Biomass-fired CHPs | 0.10 | 0.10 | 0% | 0.37 | 0.35 | 6% |
| Waste-to-energy CHPs | 0.01 | 0.01 | 0% | 0.04 | 0.04 | 0% |
| Pumped-storage | 0.19 | 0.26 | -27% | 0.69 | 0.76 | -9% |
| Hydro | 0.08 | 0.08 | 0% | 0.45 | 0.41 | 10% |
| Wind | 0.47 | 0.44 | 7% | 1.45 | 1.49 | -3% |
| TOTAL | 18.23 | 15.28 | 19% | 68.77 | 58.13 | 18% |
| incl. renewable generation | 0.66 | 0.64 | 3% | 2.33 | 2.32 | 0% |