



Details of the webcast from the meeting with CEO & CFO

November 24, 2021 (Wednesday), 10.00 AM CET

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

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

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Operations: Generation volume at record levels triggered by export of electricity

Financials: Strong EBITDA drove up by generation volume and higher SPOT prices

- Q3 2021: PGE power generation 3.3TWh, +23% y/y increase, boosted by higher prices of electricity on foreign markets
- Positive effect of record-high volumes and revenues from capacity markets in Conventional Generation
- Sharply rising SPOT prices drove up results of Renewables
- Strong EBITDA at PLN 2.1bn in comparison to PLN 1.5bn in Q3 2020. Net profit to equity at PLN 0.6bn (+105% y/y)
- Net debt declined by ca. PLN 3.4bn q/q to PLN 2.6bn as CO₂ had been hedged with forward contracts

Generation volume at record-high levels

Sharp rebound of lignite generation at 9.7TWh (+26% y/y) and hard coal generation at 6.6TWh (+38% y/y) stems both from the economic recovery (GDP +5.1% y/y in Q3 2021) which pushed up domestic demand (+2.0TWh y/y) and the situation on European markets as foreign trade balance changed from net import of 3.7TWh in Q3'20 to net export of 1.0TWh in Q3'21. RES generation was at 0.5TWh (+22% y/y) mainly as a result of higher biomass generation (Szczecin CHP plant).

Heat volumes (+7% y/y) reaching 4.1PJ were supported by lower average external temperatures in September. Volumes of electricity distributed (9.3TWh vs. 9.0TWh in Q3 2020) with 4% improvement follow the rise in domestic demand due to post-covid recovery. Sales to end-users at 9.2TWh declined by -11% y/y in effect of reviewed commercial assumptions.

Another quarter of strong EBITDA

Strong reported EBITDA (PLN 2.1bn, +36% y/y) supported by revenues from the capacity market, record-high generation volumes, higher SPOT prices, distribution volumes and restoration of retail margins. Positive impact of one-offs y/y PLN +197m mainly as a result of change in the balance of reclamation provision (PLN -508m) and effect of rollover of the EUA contracts (PLN +641m). Recurring EBITDA at PLN 1.9bn (+23% y/y). EUA rollover effect to be neutralised in Q4 2021.

PLN 0.8bn- Conventional Generation segment EBITDA significantly higher (+56% y/y) on positive impact of record-high generation volumes and revenues from capacity market.

District Heating EBITDA at PLN 0.2bn (+32% y/y) supported by one-off (rollover of EUA contracts). Operating results impacted negatively by decline in generation volume due to higher gas prices.

RES segment EBITDA came at PLN 0.2bn (+95% y/y) mainly as result of higher electricity prices on SPOT market and revenues from capacity market that superseded payments from ancillary services in pumped-storage power plants.

Supply segment result came out slightly better (+6% y/y) PLN 0.3bn as the improvement in retail margins is almost offsetting the release of provision for onerous contracts in Q3'20.

Distribution EBITDA at PLN 0.7bn (+9% y/y) as an effect of higher volumes and lower cost of balancing electricity.

CAPEX: A new investment cycle is still on the horizon

Expenditures on investments (on an accrual basis) in PGE Group dropped to ca. PLN 0.8bn (-35% y/y) as major projects in Conventional Generation (capex at PLN 0.3bn, -51% y/y) were completed. Lower Distribution CAPEX at the level of PLN 0.3bn (-23% y/y) mainly as an effect of decline in distribution grid outlays. New projects (offshore, district heating, CCGT units in Dolna Odra power plant, grid grounding, smart metering) are ahead.

Net debt declined on upbeat operating cash flow.

Net debt declined significantly to PLN 2.6bn, (PLN -3.4bn q/q) and (PLN -5.6 y/y) on strong operating cash flow as CO₂ had been hedged with forward EUA contracts. Net debt/LTM EBITDA stands q/q at 0.3x (1.5x as of Q3 2020).

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Key Financials

PLNm	Q3 2021	Q3 2020	y/y [%]	9M 2021	9M 2020	y/y [%]
Sales	10 942	10 320	6%	32 850	33 096	-1%
EBITDA	2 110	1 546	36%	7 364	4 351	69%
Recurring EBITDA	1 941	1 574	23%	6 160	4 691	31%
EBIT	972	469	107%	4 130	740	458%
Recurring EBIT	866	620	40%	3 058	1 827	67%
Net profit (to equity)	561	273	105%	3 251	-415	n/a
Net profit (to equity) ex. impairments	612	201	204%	3 358	501	570%

EBITDA by segments

PLNm	Q3 2021	Q3 2020	y/y [%]	9M 2021	9M 2020	y/y [%]
Conventional Generation	754	484	56%	2 803	1 258	123%
District heating	152	115	32%	867	608	43%
Renewables	214	110	95%	596	411	45%
Distribution	665	611	9%	2 047	1 738	18%
Supply	316	299	6%	1 022	486	110%

EBIT by segments

PLNm	Q3 2021	Q3 2020	y/y [%]	9M 2021	9M 2020	y/y [%]
Conventional Generation	193	37	422%	1 266	-630	n/a
District heating	-9	-47	n/a	387	146	165%
Renewables	122	24	408%	359	176	104%
Distribution	360	311	16%	1 127	813	39%
Supply	307	291	5%	997	460	117%

Key operating data

TWh	Q3 2021	Q3 2020	y/y [%]	9M 2021	9M 2020	y/y [%]
Net Generation Volume	17.60	14.27	23%	50.54	42.85	18%
Sales to End-users	9.17	10.34	-11%	27.92	30.46	-8%
Electricity Distribution Volume	9.30	8.98	4%	27.94	26.27	6%
Sales of Heat [PJ]	4.05	3.79	7%	36.16	31.53	15%

Electricity generation by source

TWh	Q3 2021	Q3 2020	y/y [%]	9M 2021	9M 2020	y/y [%]
Lignite-fired power plants	9.73	7.72	26%	27.31	22.40	22%
Hard coal-fired power plants	6.09	4.28	42%	14.90	11.70	27%
Coal-fired CHPs	0.52	0.51	2%	3.09	2.97	4%
Gas-fired CHPs	0.63	1.23	-49%	3.09	3.62	-15%
Biomass-fired CHPs	0.12	0.04	200%	0.27	0.25	8%
Waste-to-energy CHPs	0.01	0.01	0%	0.03	0.03	0%
Pumped-storage	0.14	0.13	8%	0.50	0.50	0%
Hydro	0.09	0.08	13%	0.37	0.33	12%
Wind	0.27	0.27	0%	0.98	1.05	-7%
TOTAL	17.60	14.27	23%	50.54	42.85	18%
incl. renewable generation	0.50	0.41	22%	1.67	1.68	-1%
incl. biomass co-combustion	0.01	0.01	0%	0.02	0.02	0%