

Q2 & H1 2023 Financial and Operating Results

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Leading in the green transition

Lechośław Rojewski
Vice-President of the Board for Finance, CFO



H1 2023 summary

- Strategic direction of PGE
- Formation of NABE as a basis for energy transition in Poland
- Capex in H1 2023 – PLN 4bn

Investment progress in 2023 (1/2)

- Distribution

- PLN 1.8bn of capex in PGE Dystrybucja
- The medium voltage line cabling project – 442 km of lines in H1 2023, 2730 km from the start of the programme
- Investment in energy railway infrastructure – PLN 350m only in Q2 2023

- Renewables

- Contract with Siemens Gamesa for the supply of wind turbines for the Baltica 2 project and contract for other core components
- Preliminary credit decision EIB – EUR 1.4 bn
- Completion of another PV farms
- Preparation of investment process for a pumped-storage power plant project in Młoty
- Modernizations – hydro power plant Dębe, pumped-storage power plant Porąbka-Żar
- Acquisition of wind farm Zalesie (25 MW) – total wind capacity of PGE rose to ~800 MW

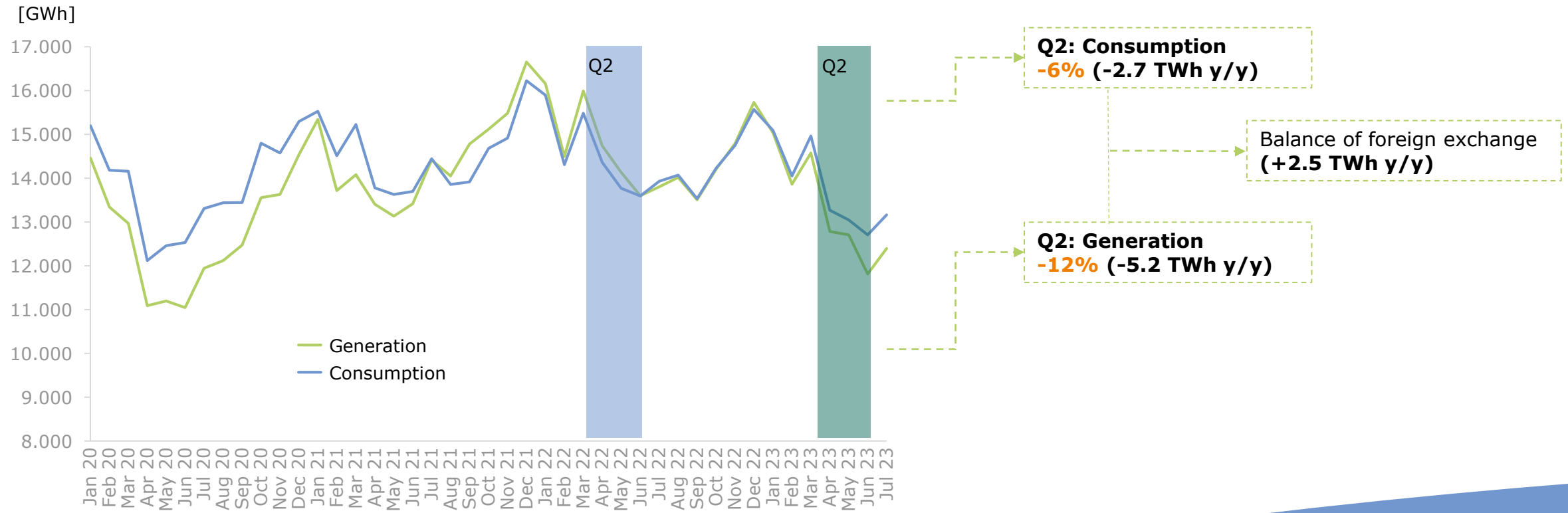
Investment progress in 2023 (2/2)

- Nuclear power
 - Application for a decision in principle submitted in August 2023
 - Preparation process for feasibility study and financing plan
 - Programme for environmental studies and location assessment
- District heating
 - Wide-ranging transformation of district heating – 9 investment projects underway
 - Start of construction of peak load boiler facility in EC Gorzów Wielkopolski
 - Commissioning of gas boilers in EC Kielce (160 MW)
 - Commissioning of gas boilers in EC Bydgoszcz (40 MW)
 - Peak load boilers at EC New Czechnica put into operation
 - EC Gdańsk – large-scale heat pumps and heat accumulator aimed at optimizing work of electrode boilers
- CCGT at Dolna Odra power plant
 - Ongoing process of cabling and preparatory work for start-up
 - Connecting gas pipeline put into operation

Electricity market - balance of energy

Continuing trend of declining demand and import of electricity

Domestic consumption and generation

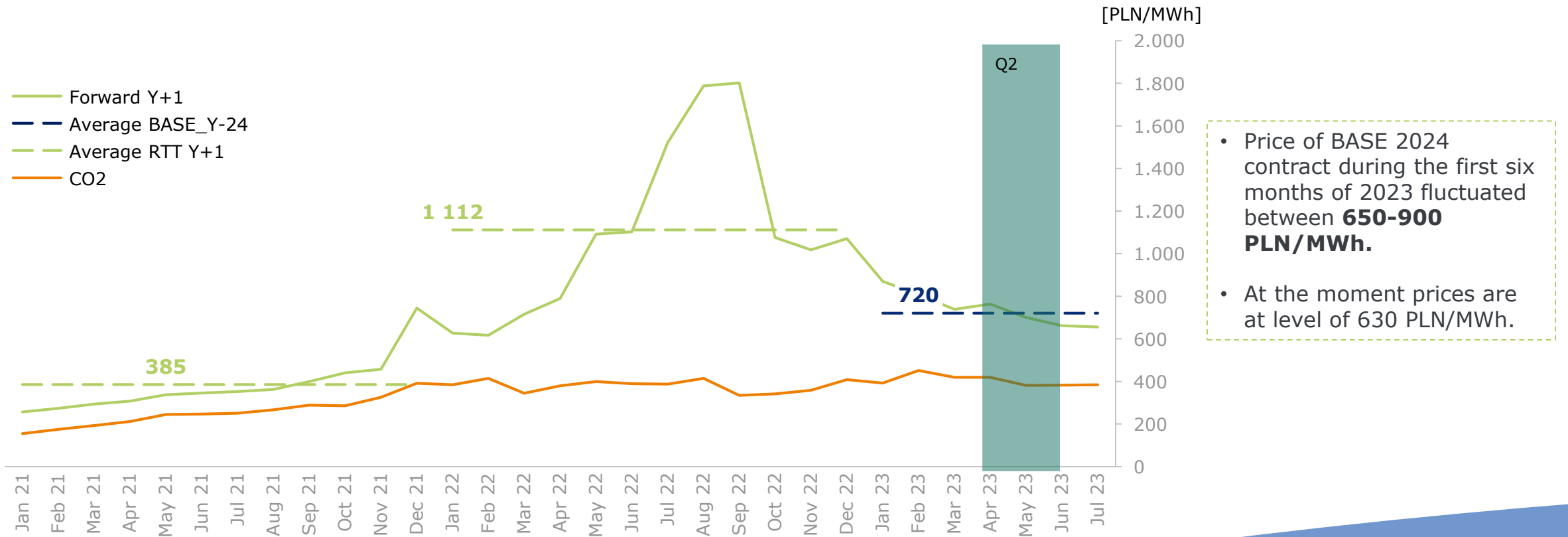


Source: PSE

Electricity market - price

Decline in fuel prices reflected in electricity prices

BASE Forward next year and CO₂ prices



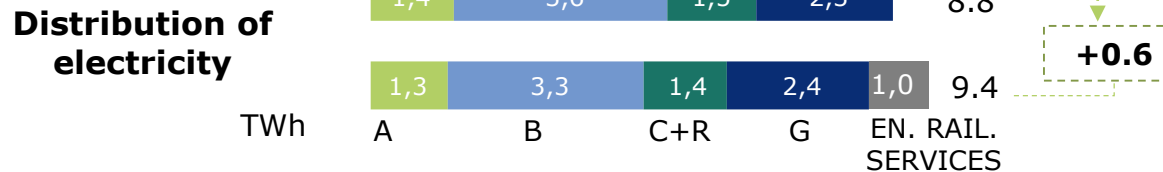
Source: TGE

Summary of Q2 2023 - operating results

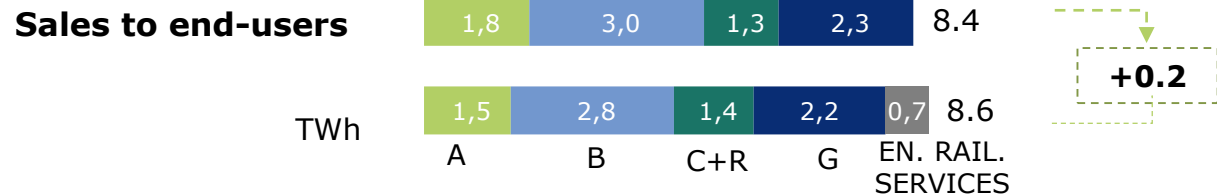


Decline in generation on lignite due to lower demand for electricity, higher import.

Higher gas generation due to lower prices of fuel.



Decrease in demand from high and medium voltages clients (large business clients). The increase in reported volume due to inclusion of Energy Railway Services segment from April 3, 2023.

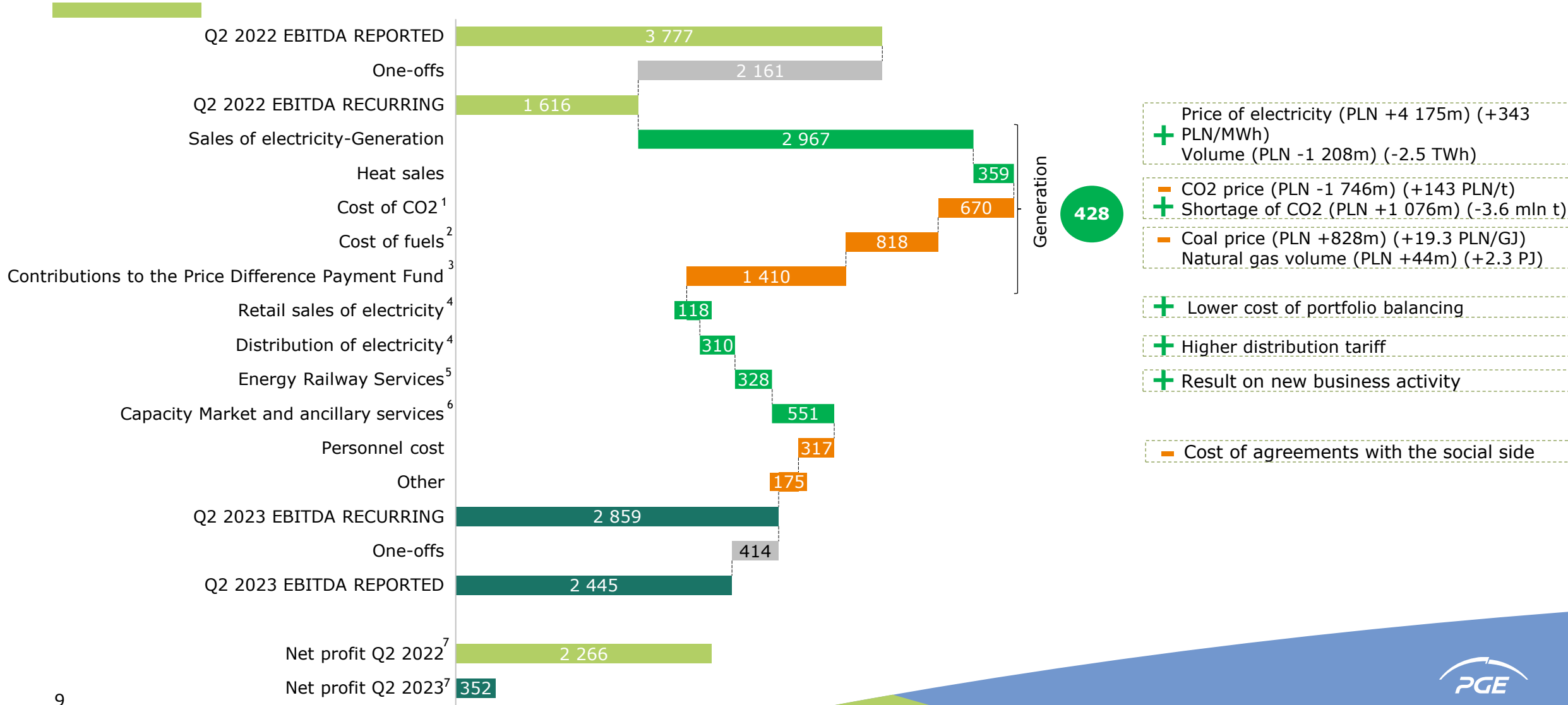


Higher sales to end users (approx. +3%) as a result of inclusion of Energy Railway Services segment. On comparable basis- decline in A and B tariffs due to higher consumption of energy from renewable sources.



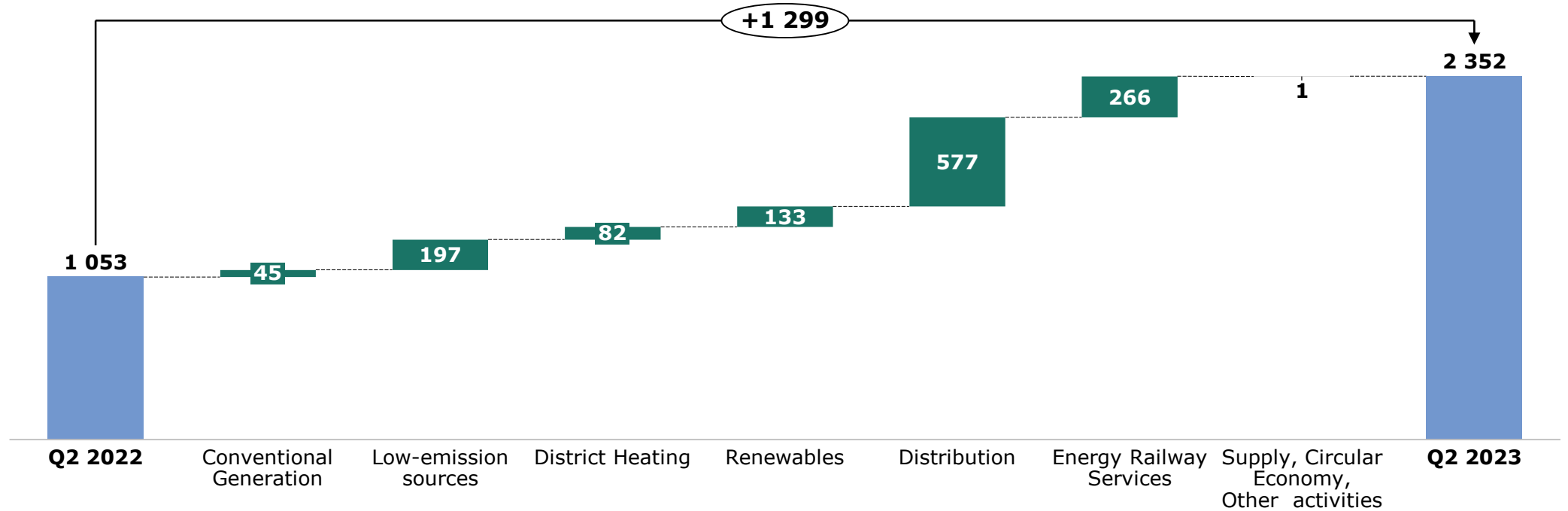
Lower demand for heat as a result of weather conditions (higher average temperature by 0.5°C).

Development of EBITDA by major value drivers (PLN m)



1) in the managerial view 2) including prod. materials and electricity for PSP 3) Payment of Price Difference 4) excluding additional estimation of balancing difference cost 5) margin on distribution and sales of electricity 6) Ancillary Services 7) net profit to equity

CAPEX Q2 2023 y/y (cash in PLN m)*



	Q2 2022	Conventional Generation	Low-emission sources	District Heating	Renewables	Distribution	Energy Railway Services	Supply, Circular Economy, Other activities	Q2 2023
Q2 2022	1 053	153	272	175	67	364	0	22	
Q2 2023		198	469	257	200	941	266	21	2 352

CCGT in PGE Gryfino 2050

New Czechnica CHPP

Construction of offshore wind farms, modernizations of Hydro PP Dębe and Pumped Storage PP Porąbka-Żar

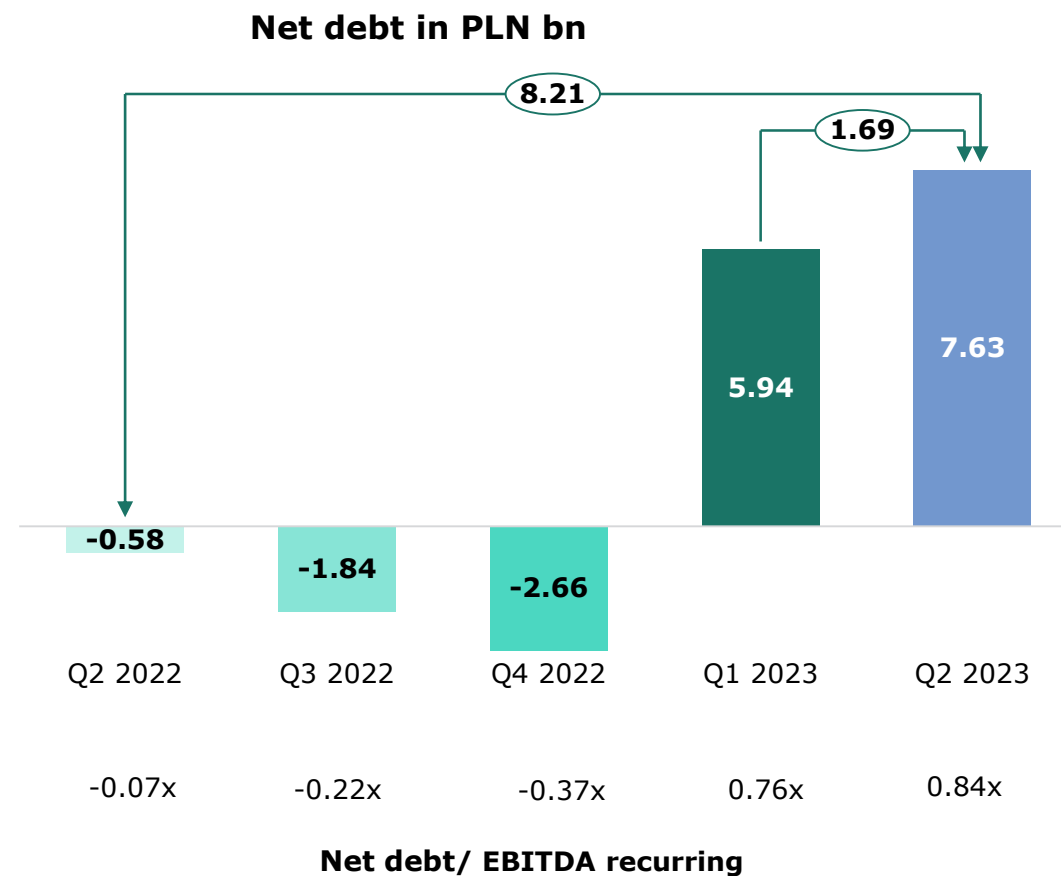
Spending on medium and low voltages grids, connections of new customers, cabling

Modernization of power supply systems and construction of traction substations

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* in the managerial view

Summary of Q2 2023 -net debt

- Main factors affecting net debt level at the end of Q2 2023:
 - Achieved recurring EBITDA **PLN 2.9 bn**
 - Cash investment spending **PLN 2.4 bn**
 - Provision on CO₂ adjusted by cash spending on purchase of CO₂ at approx. **PLN 4.1 bn**
 - Acquisition and debt assumption of PKP Energetyka **PLN 6.5 bn**
- Economic value of net debt (adjusted by forward payment and settlements of CO₂): **PLN 19.3 bn** (Net debt/ LTM EBITDA recurring = 2.11x)



Recurring EBITDA: outlook for 2023

- The results of the generating segments and Supply segment additionally affected by the impact of legal regulations on limiting electricity prices and support for certain customers in 2023.

2023 vs 2022 Perspective		Main factors
Conventional Generation	↑	<ul style="list-style-type: none"> • Segment planned to be carved out along with the finalization of transfer of the coal assets • Higher revenues from Capacity Market and ancillary services • Increase in unit cost of CO₂ by approx. 50% • Assumed higher level of unit cost of production fuels (hard coal) • Pressure on production volumes from new RES capacities, assumed higher wind and PV generation, import of energy
District Heating	↑	<ul style="list-style-type: none"> • Higher production volume of gas CHP's due to low comparison base in 2022, related to downtime of EC Lublin. • Reference prices published by ERO allow for recovering cost incurred in years 2021-2022 • Assumed higher level of unit cost of production fuels (mainly hard coal)
Renewables	↓	<ul style="list-style-type: none"> • Expected higher result of pumped storage power plants. • New PV capacities
Supply	↓	<ul style="list-style-type: none"> • Lower result on sales in tariff G (households) and tariffs ABC and R due to margin restrictions
Distribution	↑	<ul style="list-style-type: none"> • Expected higher WACC 8.48% (before tax) as result of assumed additional premium for reinvestment • Regulatory Asset Base (RAB) at PLN ~19.7bn • Pressure on volumes

Q&A session

