

Q4 & FY 2022 Financial and Operating Results

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Leading in the green transition

Wojciech Dąbrowski
President of the Board, CEO



2022 summary

Highlights for 2022:

- **Market destabilised by fluctuations in fuel and CO2 allowance prices and inflation;**
- **European-wide state interventions in market mechanisms and utilities' operations;**
- **Increase in costs of energy as a result of market mechanisms and the energy crisis;**
- **Slightly more than PLN 7 billion recurring EBITDA in 2022, down 12 per cent from 2021;**
- **PGE's high rating of BBB+ with a stable outlook from Fitch and Moody's.**

2022 summary - strategic projects

- PGE Group highlights for 2022:
 - **Signing of a social agreement paving the way for the creation of NABE;**
 - **Signing of the preliminary agreement for the purchase of PKP Energetyka;**
 - **Launch of the nuclear power plant construction project in cooperation with ZE PAK and KHNP;**
 - **Obtaining the final decision on the Contract for Difference price for the Baltica 2 and Baltica 3 offshore wind farms;**
 - **Raising funds for the investment: share issue and two agreements with the EIB;**
 - **Capacity market auction won for the investment in the gas-steam unit in Rybnik;**
 - **Launch of a feasibility study for a pumped-storage power plant project in Młoty.**

Early 2023 - strategic projects

Strategic events at the beginning of 2023:

- **Four location proceedings for further offshore wind farms settled in favour of PGE;**
- **Signing of an agreement for the construction of a power plant in Rybnik;**
- **Signing of an agreement with ZE PAK to establish a joint special purpose vehicle to implement a nuclear power plant project;**
- **Arranging finance continued: signing of an agreement with a bank consortium for PLN 2.3 billion;**
- **Works on updating the PGE Group strategy.**

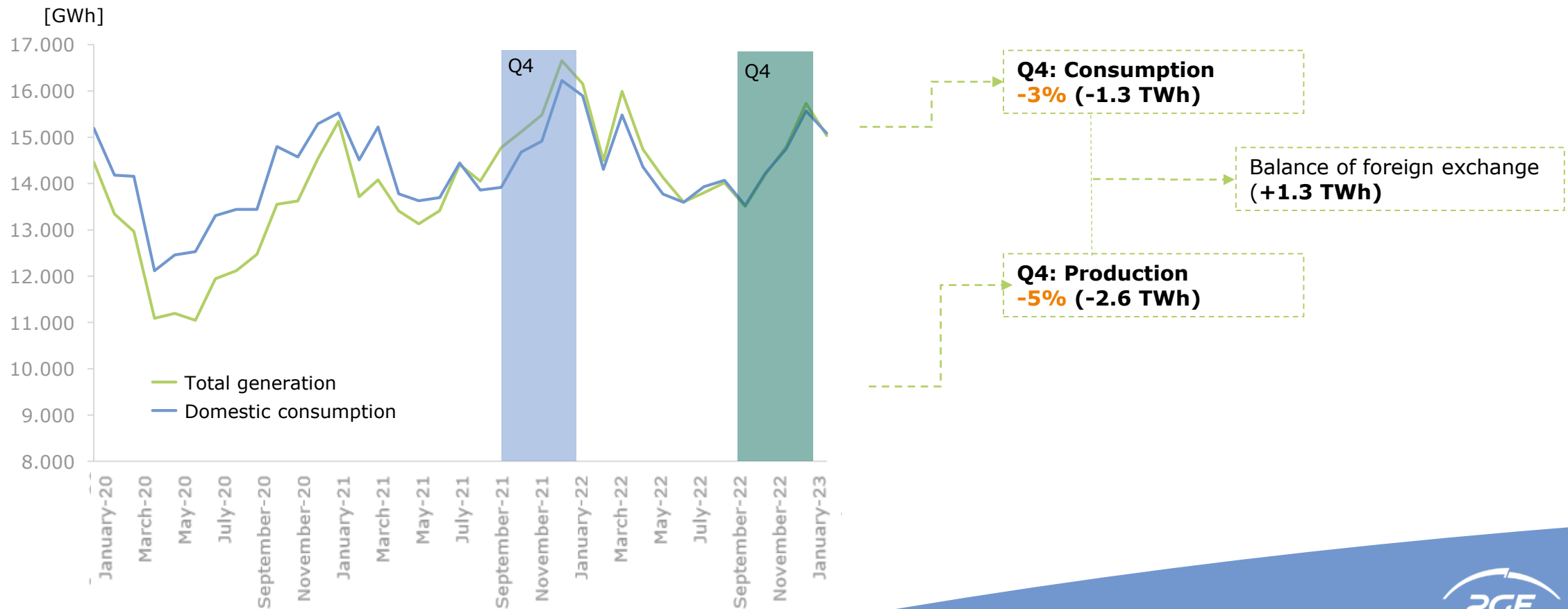
Lechośław Rojewski
Vice-President of the Board for Finance, CFO



Electricity market - balance of energy

Reversal of the upward trend in demand. Balanced foreign electricity exchange.

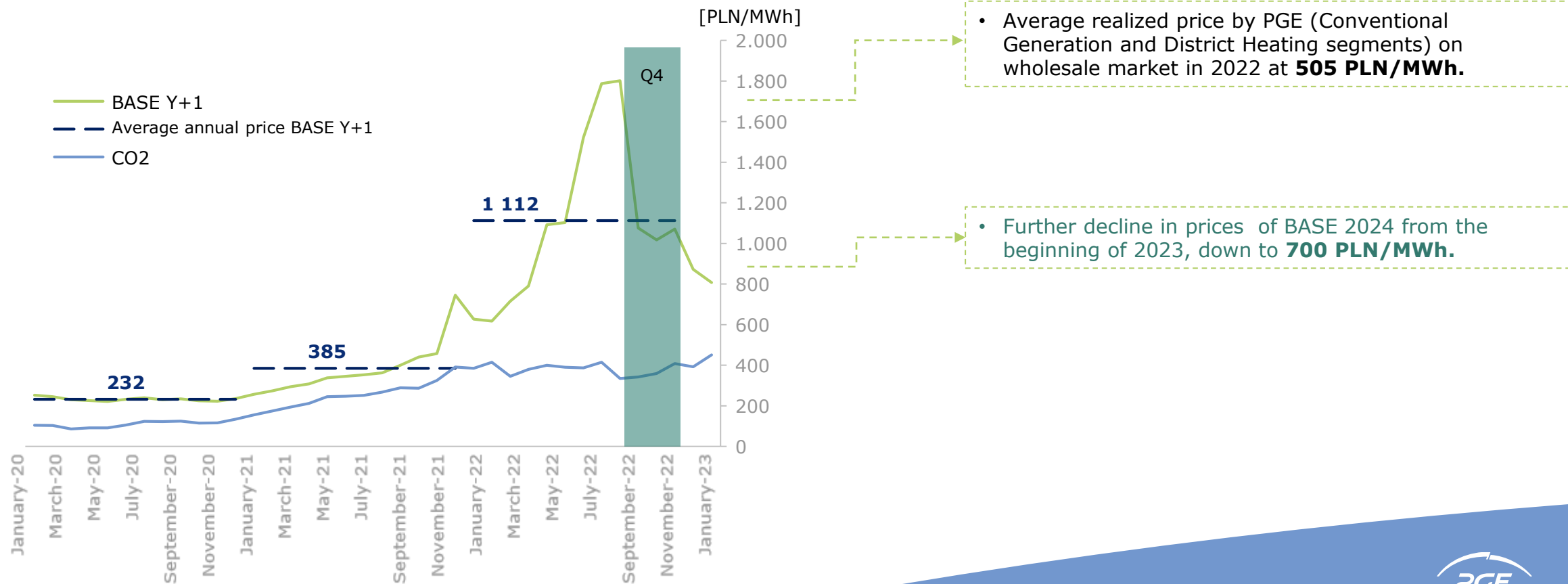
Domestic consumption and production of electricity



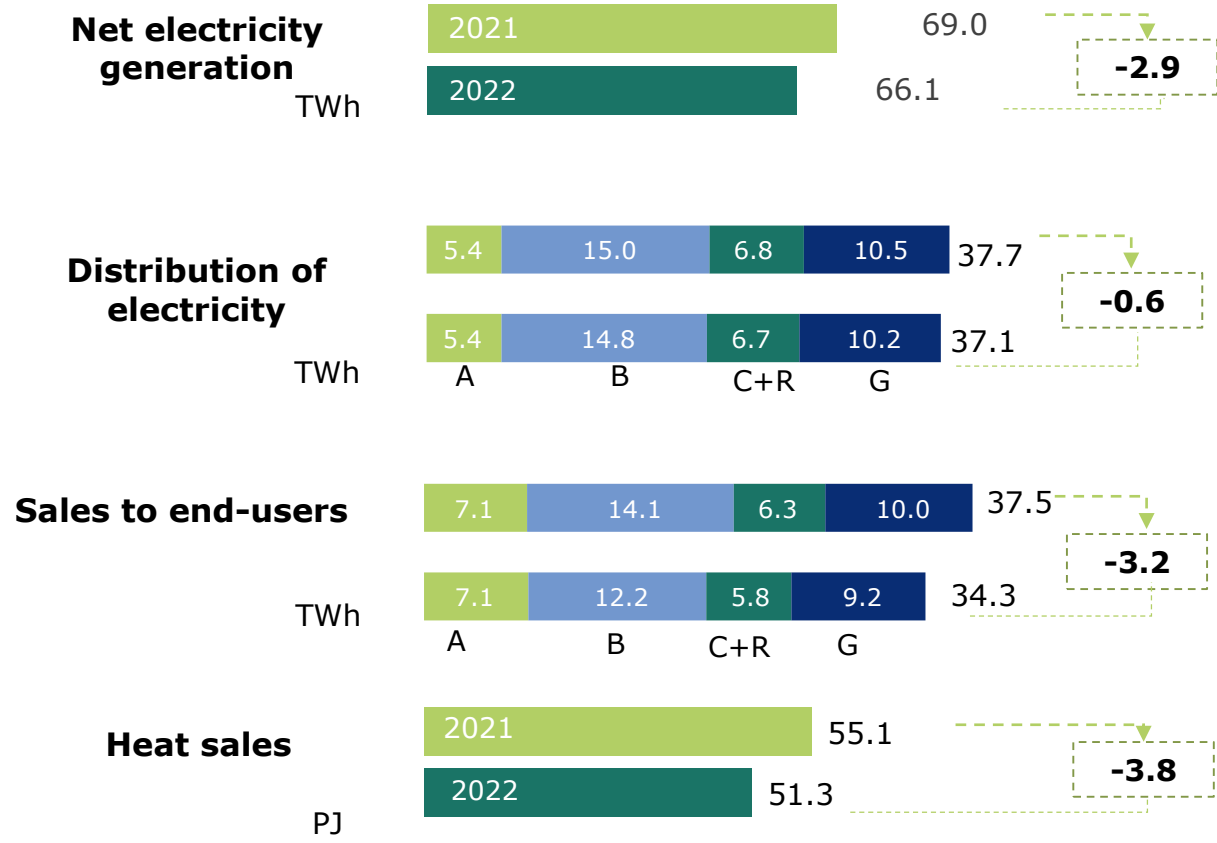
Electricity market - price

Decline in fuel prices reflected in electricity prices

BASE Forward next year and CO₂ prices



Summary of 2022 - operating results



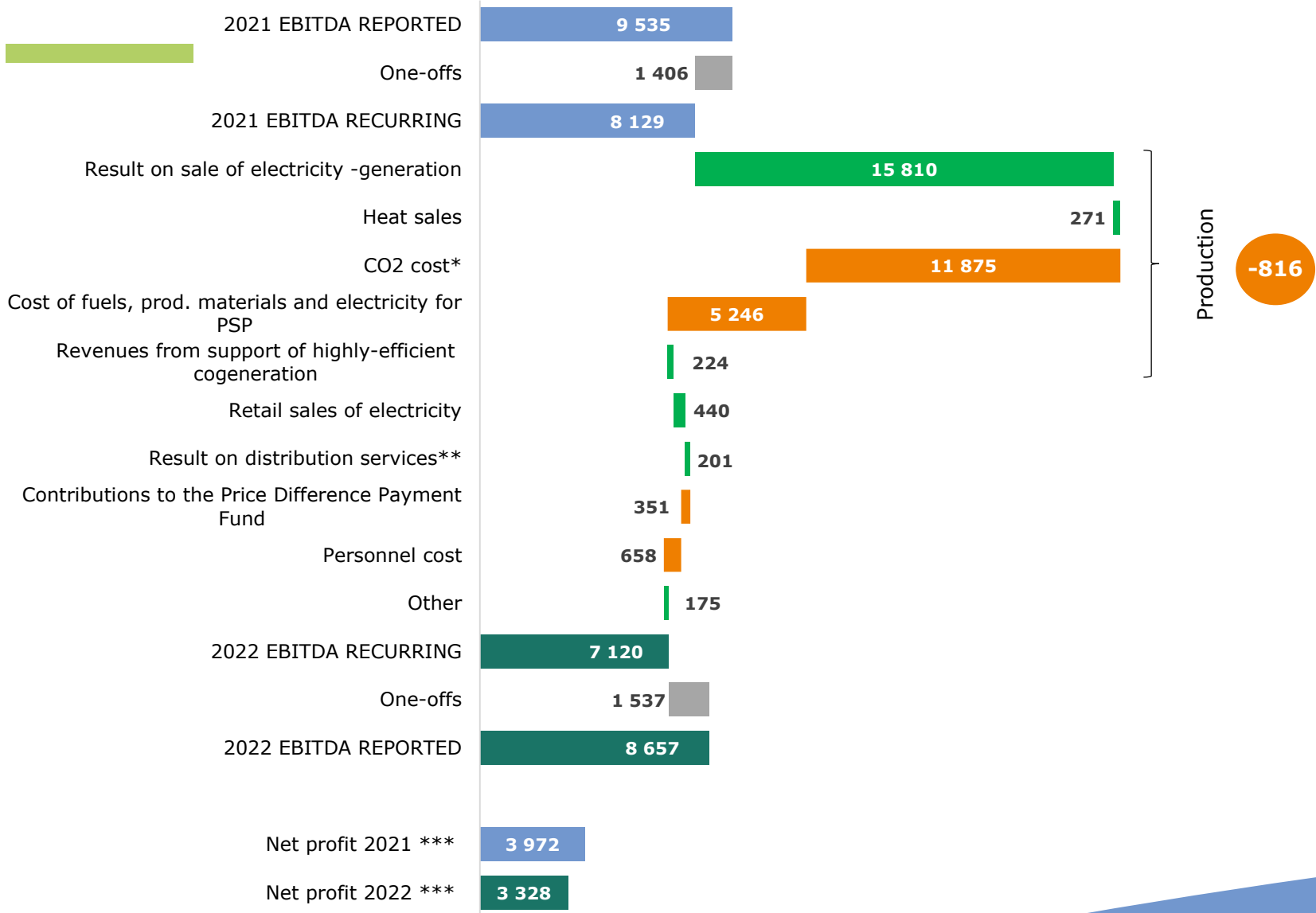
Decline in hard coal and gas generation. Higher lignite generation.

Lower demand in household tariff, decline in number of customers in SME tariff and agricultural tariff.

Lower sales to end users (approx. -9% y/y). Decline in volume in all tariff groups except A tariff.

Lower demand for heat in result of weather conditions (higher average temperature).

Development of EBITDA by major value drivers (PLN m)

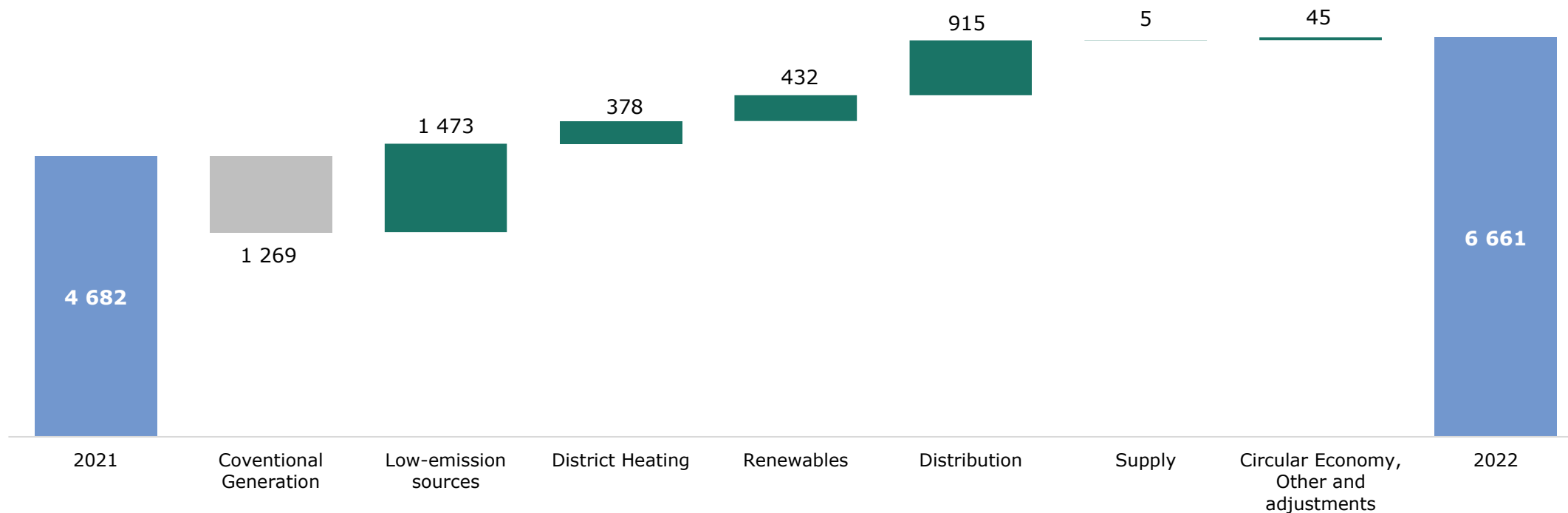


- +** Price of electricity (PLN +16 760 m) (+260 PLN/MWh)
Volume (PLN -950 m) (-3.5 TWh)
- CO₂ price (PLN -11 963 m) (+172 PLN/t)
Shortage of CO₂ rights (PLN +88m) (-0.7 mln t)
- Coal price (PLN -3 878 m) (+18.4 PLN/GJ)
Gas price (PLN -590 mln PLN) (+38.0 PLN/GJ)
- +** Higher margin on sale of electricity
- Contributions to the Price Difference Payment Fund- imposed limits of electricity prices for generating & trading
- Cost of agreement with the social side
- +** Balance of provisions in Supply segment (PLN +485 m),
Higher cost of external services (PLN -288m)

Production **-816**

* in the managerial view, **including balancing difference, ***net profit to equity

CAPEX 2022 y/y (cash in PLN m)*



2021	4 682	1 973	278	736	171	1 457	8	59	
2022		704	1 751	1 114	603	2 372	13	104	6 661

PGE Gryfino 2050
(CCGT in Dolna Odra)

New Czechnica
CHPP

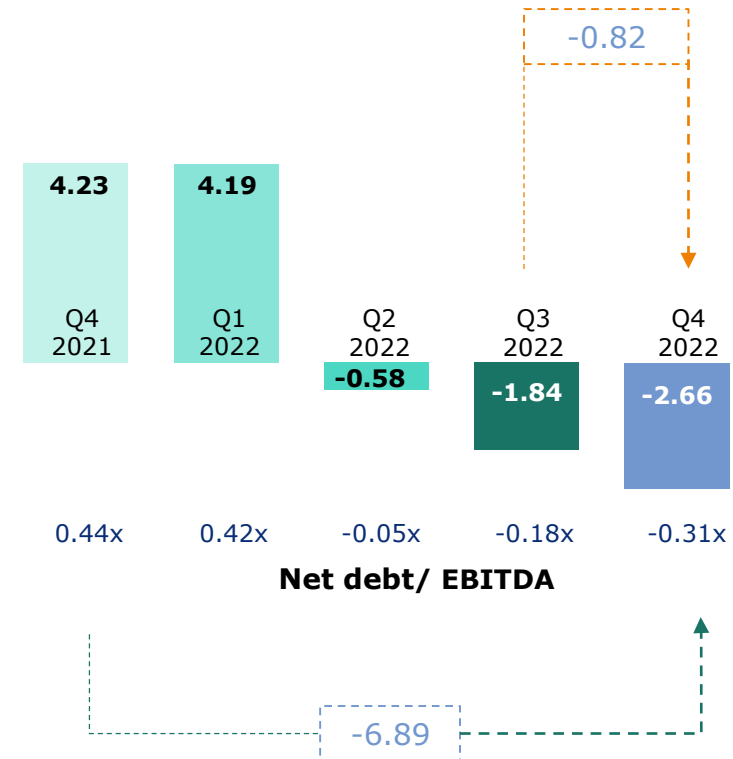
Modernizations of
Hydro PP Dębe
and Pumped-Storage
PP Porąbka-Żar

Higher spending on
low and lowest
voltages grids

Summary of 2022 -net debt

- Main factors affecting net cash level at the end of 2022:
 - Achieved recurring EBITDA **PLN 7.1bn.**
 - Cash investment spending (PLN 6.7bn) and acquisitions (PLN 0.8bn) at **PLN 7.5bn.**
 - Provision on CO₂ adjusted by cash spending on purchase of CO₂ at approx. **PLN 9.0bn.**
- Economic value of net debt (adjusted by forward payment and settlements of CO₂): **PLN 14.4bn** (Net debt/ LTM EBITDA recurring = 2.02x)

Net debt in PLN bn*



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 asset • Increase in unit cost of CO₂ by approx. 50% • Assumed similar level of unit cost of hard coal • Pressure on production volumes from new RES capacities, assumed higher wind and PV generation
District Heating	↓	<ul style="list-style-type: none"> • Increase in unit cost of CO₂ by approx. 50% • Assumed higher level of unit cost of production fuels (hard coal and gas) • The increase in heating tariffs and support for highly efficient gas cogeneration to a large extent does not cover the increase in CO₂ prices and fuel costs
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

CAPEX: outlook for 2023

	2023 vs 2022 Perspective	The main factors
Conventional Generation	→	<ul style="list-style-type: none"> • Segment planned to be carved-out along with the finalisation of transfer of the coal assets • Modernization and maintenance outlays
Low-carbon sources	→	<ul style="list-style-type: none"> • Continuation of spending on construction of CCGT units in Dolna Odra. Significant spending due to start of construction of CCGT in Rybnik.
District Heating	↑	<ul style="list-style-type: none"> • Increase in expenditures related to the construction of new low-carbon gas units, including: New Czechnica CHPP, Bydgoszcz CHPP, Zgierz CHPP, Kielce CHPP
Renewables	↑	<ul style="list-style-type: none"> • Increase in outlays for the construction of offshore wind farms • Consistent increase in outlays as part of the PV development program • Regardless of the growing expenditure on organic growth, possible acquisitions
Supply	→	<ul style="list-style-type: none"> • Implementation of ongoing development and maintenance projects
Distribution	↑	<ul style="list-style-type: none"> • Increase in planned outlays for connecting new sources • Implementation of grid grounding program and smart metering installation

Q&A session

