

**Details of the webcast from the meeting with CFO  
September 27, 2023 (Wednesday), 2.00 PM CEST**

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

Questions for Q&A session allowed via email: [ir@gkpge.pl](mailto:ir@gkpge.pl)

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**Operations:**

**Declining electricity consumption makes its mark on operational results, while effect on distribution and sales covered up by the newly acquires assets**

**Financials:**

**Positive - significantly higher electricity prices, increase in heat tariffs, higher WACC in distribution and contribution of acquisition**

**Negative - higher fuel and CO2 prices, impact of legal regulations limiting electricity prices, rising personnel cost**

- PGE power generation at 12.3TWh in Q2 2023, (-18% y/y) declined mainly due to curtailment on lignite assets
- Recurring EBITDA at PLN 2.9bn (+77% y/y) supported by results of Distribution, District Heating and Conventional Generation. Decline in results of RES and Supply.
- Reported EBITDA at PLN 2.4bn (-35% y/y) in Q2, mainly due to an effect of reclamation provisions (PLN -2.5bn net y/y)
- PLN 7.6bn net debt at the end of Q2, rising due to payment for PKP Energetyka.

**Generation volumes adjusted to changing market situation**

Lignite generation in Q2 sharply declined (-2.9TWh, -30% y/y) on lower domestic demand for energy, higher overhaul burden on lignite units and net import of electricity due to relatively higher SPOT prices in Poland. Volumes of hard coal generation have decreased to a lesser extent (-0.2TWh, -6% y/y). RES generation in Q2 was at 0.59TWh (+7% y/y), due to increased biomass CHP generation and comparable levels of other renewable technologies.

Heat volumes were lower in Q2 (-0.3PJ, -3% y/y). Higher volumes of electricity distributed at 9.35TWh (+0.5TWh, +6% y/y) in Q2 as an effect of adding new segment (Railway Energy Services) consisting of acquired PKP Energetyka Kolejowa. The same supported Sales to end-users which amounted to 8.6TWh (+3% y/y).

**Recurring EBITDA in growth**

Recurring EBITDA at PLN 2.9bn (+29% y/y) in Q2 increased by better results of Distribution, District Heating and Conventional Generation. Decline in results of RES and loss in Supply.

Result under pressure of legal regulations limiting electricity prices for producers and trading companies in Poland. Contributions to the Price Difference Payment Fund in segments of Conventional Generation, District Heating, and Renewables amounted in Q2 to PLN 1.4bn.

Conventional Generation recurring EBITDA was at PLN 0.5bn in Q2 compared to PLN -0.04bn in a base year. Negative impact of volumes generated, contributions to Price Difference Payment Fund, higher fuel prices and CO2 costs was offset by significantly higher electricity prices. However, margins were supported by higher revenues from Capacity Market and ancillary services.

District Heating was in Q2 at PLN 0.4bn compared to PLN -0.2bn in 2022. Results were improved as heat tariff started to transfer higher costs of fuels and CO2 from the period of 2021/22 and on higher support for cogeneration (support for gas cogeneration and extraordinary subsidies to tariffs to cover increase in fuels' prices until April 2023).

RES segment recurring EBITDA was lower in Q2 at PLN 0.2bn (-31% y/y). Negative impact of regulations limiting electricity prices was only partly offset by higher trade margins of pumped-storage power plants.

Supply segment recurring EBITDA declines by -41% being affected by the write-down of coal in PGE Paliwa.

Distribution recurring EBITDA was significantly higher at PLN 1.0bn (+47% y/y) in Q2 on positive effect of higher distribution tariff due rising WACC.

## CAPEX: transition investments clearly visible

Expenditures on investments (on accrual basis) in PGE Group ramped up to PLN 2.4bn (+152% y/y) in Q2 mainly on increased outlays for investment in Distribution segment but increase also on RES, gas CCGTs and District Heating. On the top of that expenditures of a new segment - Railway Energy Services.

## Debt rises on takeover

Net debt at the end of Q2 at PLN 7.6bn (vs. PLN 5.9bn at the end of Q1 2023). Real value of net debt (adjusted by forward payments for CO2): PLN 19.3bn (adjusted net debt/ recurring LTM EBITDA = 2.11x) rising q/q by PLN 5.5bn as a result of acquisition of PKP Energetyka.

## Key Financials

PLNm	Q2 2023	Q2 2022	y/y [%]
Sales	22 352	15 728	42%
EBITDA	2 445	3 777	-35%
Recurring EBITDA	2 859	1 616	77%
EBIT	1 206	2 704	-55%
Recurring EBIT	1 675	550	205%
Net profit (to equity)	352	2 266	-84%

## EBITDA by segments

PLNm	Q2 2023	Q2 2022	y/y [%]
Conventional Generation	104	2 092	-95%
District heating	312	-142	-
Renewables	243	341	-29%
Distribution	977	674	45%
Railway Energy Services	269	-	-
Supply	371	655	-43%

## EBIT by segments

PLNm	Q2 2023	Q2 2022	y/y [%]
Conventional Generation	-411	1 600	-
District heating	117	-321	-
Renewables	151	256	-41%
Distribution	656	373	76%
Railway Energy Services	172	-	-
Supply	362	647	-44%

## Key operating data

TWh	Q2 2023	Q2 2022	y/y [%]
Net Generation Volume	12.30	15.00	-18%
Sales to End-users	8.61	8.36	3%
Electricity Distribution Volume	9.35	8.83	6%
Sales of Heat [PJ]	8.16	8.42	-3%

## Electricity generation by source

TWh	Q2 2023	Q2 2022	y/y [%]
Lignite-fired power plants	6.67	9.57	-30%
Hard coal-fired power plants	3.18	3.35	-5%
Coal-fired CHPs	0.75	0.83	-10%
Gas-fired CHPs	0.83	0.49	69%
Biomass-fired CHPs	0.14	0.09	56%
Waste-to-energy CHPs	0.01	0.01	0%
Pumped-storage	0.28	0.21	33%
Hydro	0.12	0.12	0%
Wind	0.32	0.33	-3%
<b>TOTAL</b>	<b>12.30</b>	<b>15.00</b>	<b>-18%</b>