

Q4 & FY 2021 Financial and operating results

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Leading in the green transition

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War in Ukraine and PGE Group activities

- PGE is the largest energy producer in Poland, supplying over 40% of domestic electricity.
- Special significance of the PGE Group for the energy security of Poland - the PGE Group's distribution area located in the areas near the border of Ukraine and Belarus.
- Priority to ensure an uninterrupted supply of electricity and heat.
- Appointment of Crisis Teams at the central level of the PGE Group and in key companies - constant monitoring of potential threats and risks.
- Impact of the current geopolitical situation on PGE's business activities - risk identification and minimization.
- Impact of coal prices in the foreign market and the increase in inflation on coal prices on the domestic market.
- Risk of an increase in investment costs due to growth in the prices of steel and building materials.

Summary of 2021

- 2021 is the first full year of implementation of the new strategy.
- Solid financial results made possible by focusing effectiveness of operations and cost discipline.
- Key decisions in the area of offshore wind farms:
 - sale of shares in two projects to a Danish partner,,
 - award of contracts for difference,
 - commencement of the most important tenders,
 - selection of a financial advisor and market research.
- Signing a sectoral agreement on the development of offshore wind energy, as well as an agreement with Enea and Tauron for joint applications for new offshore permits.
- Submission of eight location applications for the construction of offshore wind farms in the Baltic Sea to the Ministry of Infrastructure - the basis for the implementation of the construction plan of at least 6.5 GW of capacity by 2040.
- Implementation of the next important stages of the Baltica Offshore Wind Farm investment – planned announcement of tender procedure for the construction of the onshore infrastructure necessary for power evacuation from offshore farms Baltica 2 and Baltica 3.
- Organizing workshops for potential contractors for Baltica Offshore Wind Farm.

Summary of 2021

- Continued investments in renewable energy sources.
- Winning the renewable energy auctions for nearly 50 MW and commissioning of new solar farms.
- Obtaining construction permits for approx. 170 MW among which in 2023 the Jeziórko 1 and 2 photovoltaic projects with a total capacity of 100 MW will be commissioned.
- Implementation of investments in gas and steam units in Dolna Odra - diversification of supply sources, use of natural gas imported through the Baltic Pipe and the LNG terminal in Świnoujście.
- Recognition of gas as one of elements of the energy system and focus on the development of renewable energy sources.
- Decarbonization of heating assets - analysis of various options, such as electrode boilers (Gdańsk CHP) using power-to-heat technology, or the use of local gas deposits, such as in Gorzów Wielkopolski and Zielona Góra.

Summary of 2021- ESG

- PGE is the leader of sustainable energy transformation - the activity of the PGE Group in each of the ESG areas - environmental, social and corporate governance.
- Efforts to increase the level of climate awareness - reporting the PGE Group's carbon footprint in three areas, as well as part of the Carbon Disclosure Project.
- Preparation of transformation plan for the regions associated with the Bełchatów and Turów Complex - building new development prospects for today's coal regions, employees, their families and other inhabitants of these areas.
- Ensuring organizational efficiency and transparent rules of operation - appointment of the Sustainable Development Committee and the Management Board Representative for ESG to enhance effectively development of the ESG area.

Summary of 2021- carve out of coal assets

- Works on carve out of coal assets and creation of the National Energy Security Agency.
- Local energy fuel means security and resistance to turbulences on the international gas market, and consequently greater price stability.
- Preparing PGE structures for formal carve out:
 - Transfer of the Rybnik power plant to PGE GiEK
 - Transfer of Szczecin CHP plants and district heating network in Gryfino to the structures of PGE Energia Ciepła and their integration into the District Heating segment,
 - Separation of the gas and steam power plant project at Dolna Odra power plant to a subsidiary of PGE SA.
 - Separation of areas for RES investments.
- Completion of the advisor's work - by the end of the first quarter.

Planned new issue of shares

- Searching for new sources of financing - proposal of a share issue for a minimum amount of PLN 3.2 billion.
- Decision to vote on the new issue of PGE shares postponed until April 6.
- Voting on the issue of new shares is a key decision, both for the company itself and from the point of view of its owners.
- Waiting for the finalization of the investment agreement with the State Treasury before voting on the resolution.
- Dialogue with shareholders.

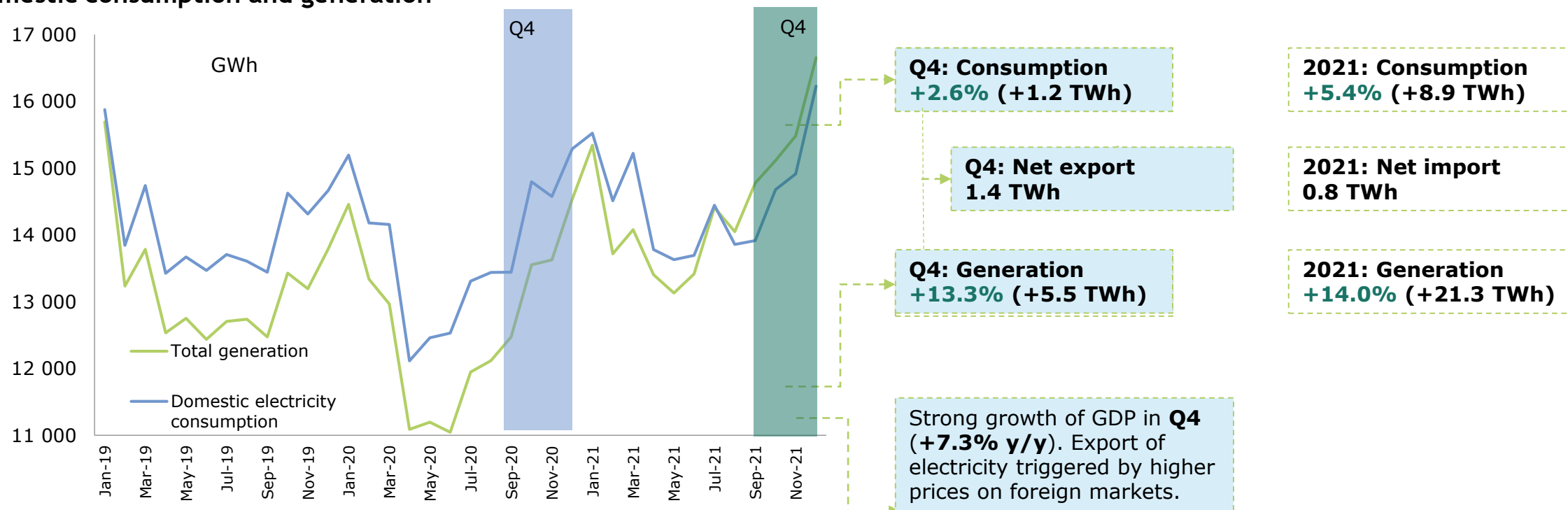
Lechosław Rojewski
Vice-President of the Board for Finance, CFO



Electricity market - balance of energy

The economy makes up for pandemic downturn. Poland as net exporter of electricity in Q4

Domestic consumption and generation

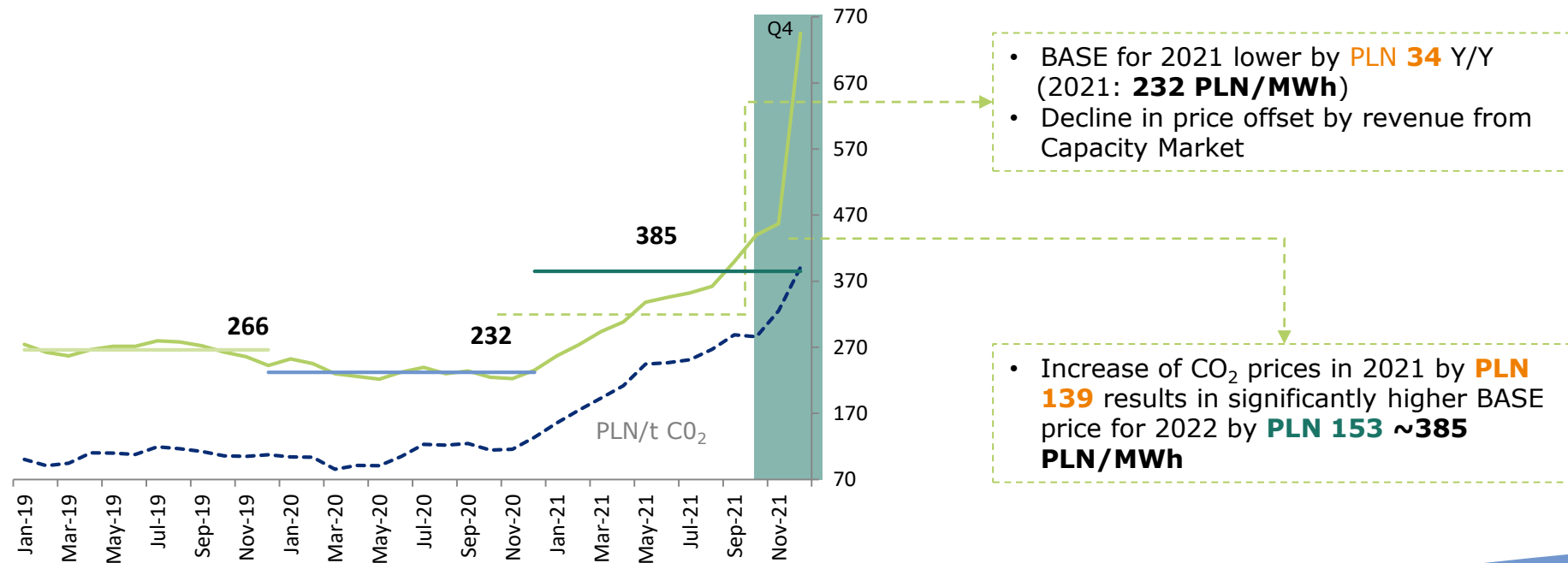


Source: PSE

Electricity market - price

Continued rises in CO₂ prices and improvement of model CDS as effect of market situation

BASE Forward next year and CO₂ prices



Source: TGE

Summary of 2021 - operating results

Net electricity generation



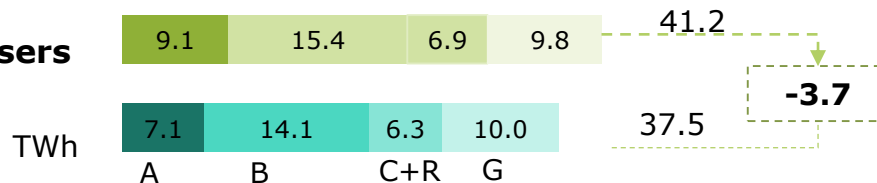
Higher lignite and hard coal generation. Comparable y/y RES generation.

Distribution of electricity



Continued growth in electricity demand as result of strong growth of GDP and industrial production in 2021.

Sales to end-users



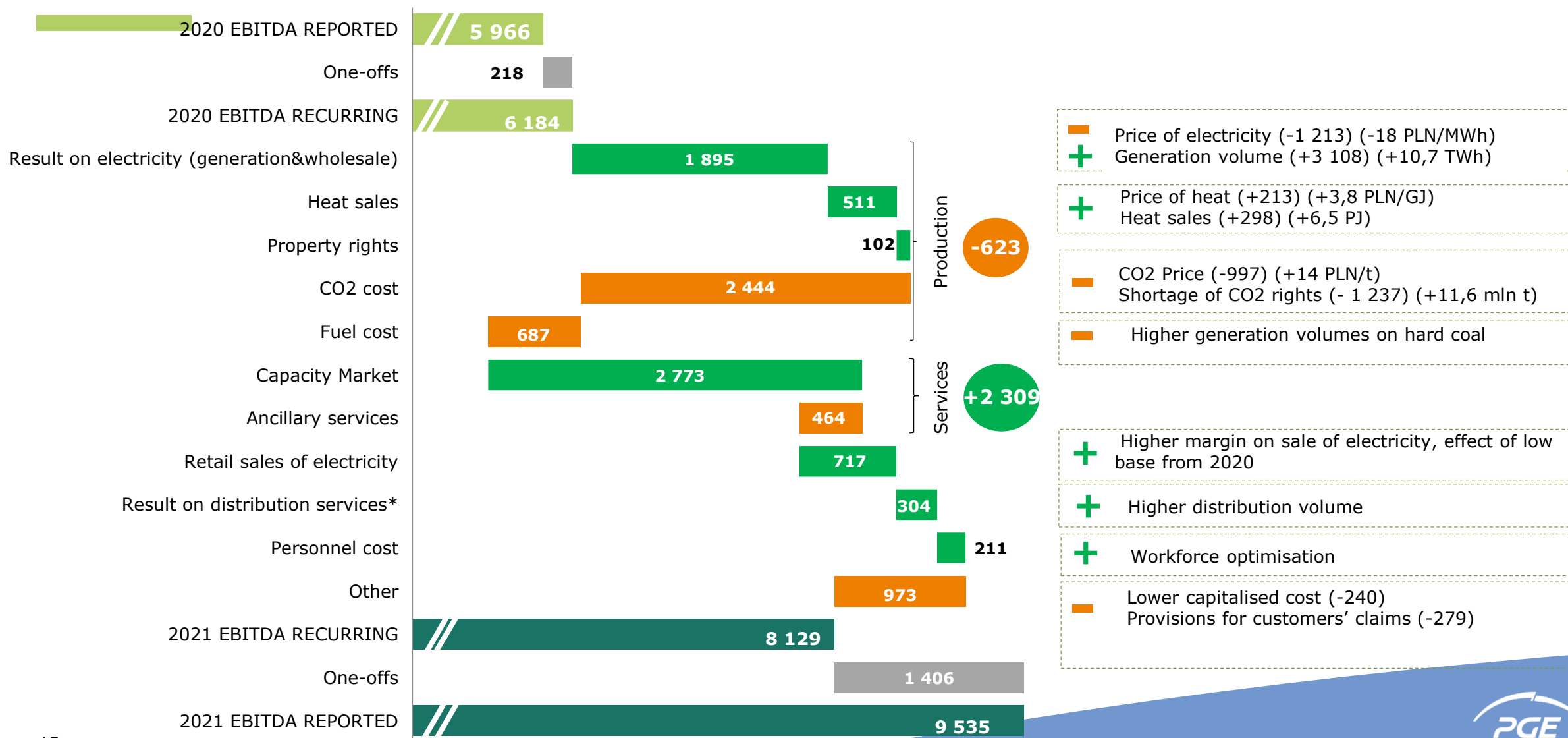
Lower sales to end users (-9% y/y) mainly as effect of decline in volumes to the largest business clients (-13% y/y). Higher volumes (+2%) in G tariff (households).

Heat sales



Higher demand for heat in result of outdoor conditions.

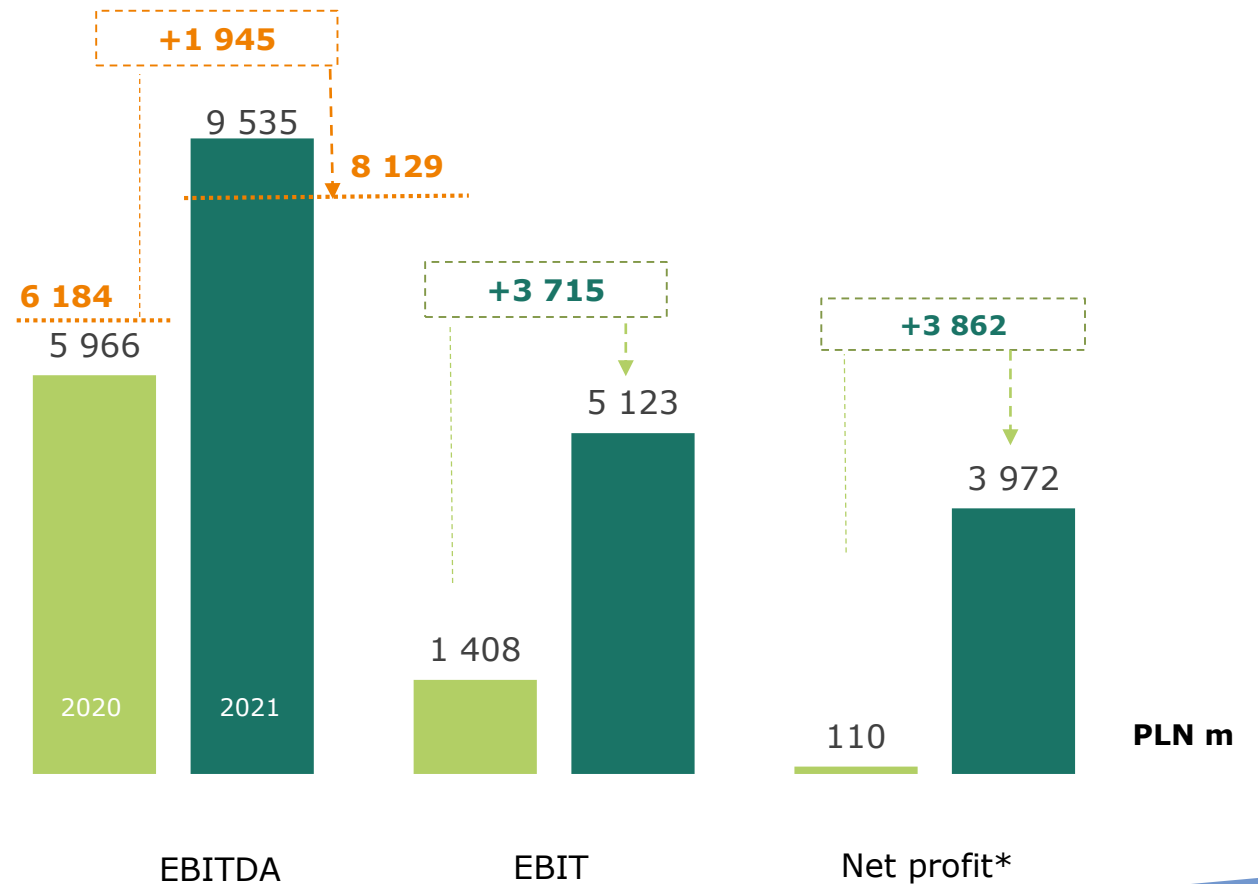
Development of EBITDA by major value drivers



Summary of 2021- financial results

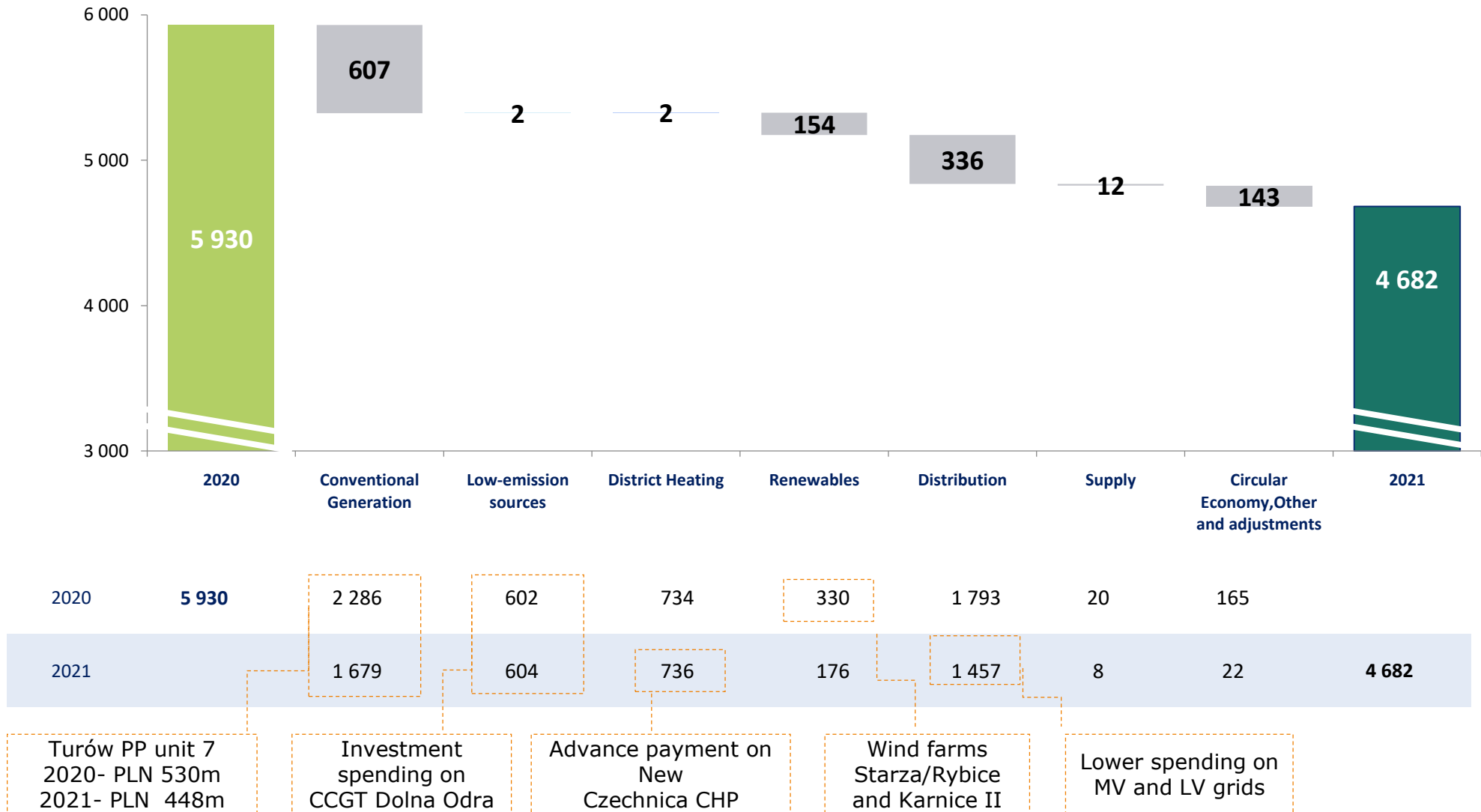
- Increase in recurring EBITDA by PLN 1 945m.
- Reported EBITDA higher by PLN 3 569m. Positive impact of one-offs:
 - reclamation provision
PLN + 1 463m
- In 2020 negative impact on EBIT of impairments of PPA in Conventional Generation segment (PLN -530m) and negative impact on net profit of share of loss of associates -PGG (PLN -552m).

Recurring EBITDA



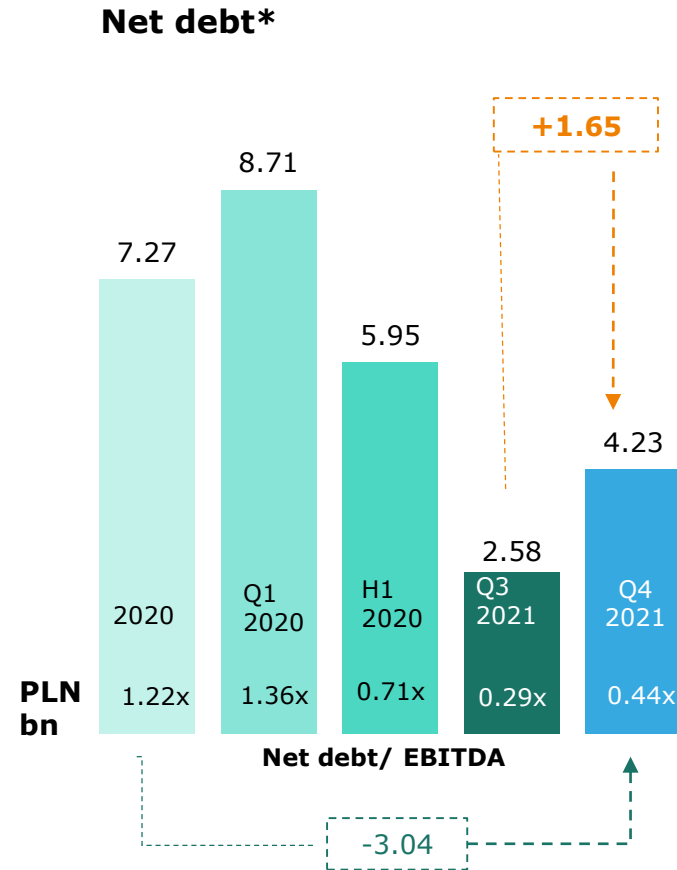
* Net profit to equity

CAPEX 2021 y/y (cash)



Summary of 2021 -net debt

- Increase in net debt q/q in Q4 2021.
 - Strong EBITDA adjusted by one-offs and CO₂ provision (approx. PLN 4.4bn). CO₂ cost on the managerial accounting basis amounted to PLN 2.4bn).
 - Cash investment spending at PLN 1.3bn.
 - Cash spending on purchase of CO₂ at approx. PLN 4.9bn.
- Real value of net debt (adjusted by forward payment for CO₂): **PLN 10.3bn** (Net debt/ LTM EBITDA 1.08x)



Recurring EBITDA: outlook for 2022

2022 vs 2021 perspective		The main factors
Conventional Generation	↓	<ul style="list-style-type: none"> • Average annual wholesale price of electricity ~480 PLN/MWh • Average annual cost of CO₂ 300-310 PLN/t • Volatile state of the markets poses risk to margin on unhedged position • Expected higher average cost of hard coal, although price of volume covered by long-term contracts is relatively stable • Pressure on production volumes from new RES capacities and assumed higher wind generation
District heating	↓	<ul style="list-style-type: none"> • A two-fold increase in cost of CO₂ • Average price of contracted natural gas increased by approx. 50% • The increase in heating tariffs to a large extent does not cover the increase in CO₂ prices and fuel costs
Renewables	↑	<ul style="list-style-type: none"> • Expected higher SPOT prices of electricity • Expected higher prices of green certificates • New PV capacities
Supply	→	<ul style="list-style-type: none"> • Pressure on margin from substantial rise in cost of electricity and prices of green certificates • Higher revenues from services of commercial management of generation capacities
Distribution	→	<ul style="list-style-type: none"> • Regulatory Asset Base (RAB) higher by ~PLN 0.7bn up to PLN ~19.6bn • Slightly higher WACC 5.8% (before tax) as result of possible additional premium for reinvestment

CAPEX: outlook for 2022

	2022 vs 2021 perspective	The main factors
Conventional Generation	↓	<ul style="list-style-type: none"> Reduction of investment spending to maintenance outlays as BAT adjustment program concludes
Low-emission sources	↑	<ul style="list-style-type: none"> Rising spending on construction of CCGT units in Dolna Odra along with the progress of the investment
District heating	↑	<ul style="list-style-type: none"> Increase in expenditures related to the construction of new low-emission 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

