Investor Release Q1 2023

May 23, 2023

Details of the webcast from the meeting with CEO & CFO

May 24, 2023 (Wednesday), 10.00 AM CEST

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

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

Investor relations contact:
Filip Osadczuk, IR & ESG Director
tel.: +48-22-340-1224
mob: +48-695-501-370
e: filip.osadczuk@gkpge.pl

Operations: Due to declining electricity consumption lower volumes on generation, distribution and sales

Financials: Positive - significantly higher electricity prices, increase in heat tariffs, higher WACC in distribution. Negative - sharply higher fuel and CO2 prices, impact of legal regulations limiting electricity prices, rising personnel cost

- PGE power generation at 15.7TWh in Q1 2023, (-9% y/y) declined mainly on lower production on lignite.
- Recurring EBITDA at PLN 3.3bn (+29% y/y) supported by results of Distribution, District Heating and Conventional Generation. Decline in results of RES and loss in Supply.
- Reported EBITDA at PLN 3.4bn (+31% y/y) in Q1, improved by one-off: correction of contribution for Price Difference Payment Fund for 2022.
- PLN 5.9bn net debt at the end of Q1, due to payment for CO2 (approx. PLN -14.8bn).

Generation volumes adjusted to changing market situation

Lignite generation in Q1 sharply declined (-2.2TWh, -21% 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 inched up (+0.1TWh,+1% y/y). RES generation in Q1 was at 0.85TWh (+8% y/y), increased in all generating technologies (wind, hydro, biomass, PV). Wind generation (0.57TWh, +4%) was higher mainly on effect on additional installed capacity (acquisition of 84 MW in June 2022)

Heat volumes were lower in Q1 (-1.1PJ, -5% y/y) on higher average external temperatures in heating season. Lower volumes of electricity distributed at 9.5TWh (-3% y/y) in Q1 on decline in Poland's energy consumption. Sales to end-users at 8.9TWh (-3% y/y) declined mainly on lower volumes to large business clients.

Recurring EBITDA higher in Q1

Recurring EBITDA at PLN 3.3bn (+29% y/y) in Q1, increased by better results of Distribution, District Heating and Conventional Generation. Decline in results of RES and loss in Supply.

Result under strong 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 to PLN 2.3bn.

Conventional Generation recurring EBITDA was at PLN 0.9bn in Q1 (+108% y/y). Negative impact of contributions to Price Difference Payment Fund (approx. PLN 2bn), sharply 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 Q1 at PLN 0.9bn (+356% y/y). 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 Q1 at PLN 0.4bn (-13% y/y). Negative impact of regulations limiting electricity prices was partly offset by higher trade margins of pumped-storage power plants.

Supply segment posted negative recurring EBITDA in Q1 at (loss) PLN -0.3bn (vs. profit of PLN 0.5bn in Q1 22). Results were affected by regulations limiting electricity prices for entitled clients (households, SME's, public interest entities) and loss on household tariff. Negative impact of non-cash item: additional estimation of balancing difference cost due to significant change in price of balancing electricity (-PLN 0.48bn y/y). The item has neutral effect on the PGE Group results.

Distribution recurring EBITDA was sharply higher at PLN 1.3bn (+60% y/y) in Q1, but the results were supported by positive non-cash item on balancing difference (as given above, here +PLN 0.48bn y/y). Positive effect of higher distribution tariff due rising WACC was partly offset by negative effects of higher cost of electricity to cover network losses.

CAPEX: new investment cycle emerges

Expenditures on investments (on accrual basis) in PGE Group jumped to PLN 1.6bn (+74% y/y) in Q1 mainly on increased outlays for investment in Distribution segment which stands for ca. half of the CAPEX. Acceleration of capex (offshore, PVs, gas CHP, grid grounding, smart metering) is also ahead in 2023.

Net debt increases by payments for CO2 while adjusted one goes down

Net debt at the end of Q1 at PLN 5.9bn (vs. net cash at PLN 2.7bn at the end of 2022) mainly as result of cash payment for CO2 in Q1 (approx. PLN 14.8bn). Real value of net debt (adjusted by forward payments for CO2): PLN 13.8bn (adjusted net debt/ recurring LTM EBITDA = 1.75x), lower by PLN 0.6bn.

Key Financials

PLNm	Q1 2023	Q1 2022	y/y [%]
Sales	27 208	16 897	61%
EBITDA	3 427	2 615	31%
Recurring EBITDA	3 346	2 596	29%
EBIT	2 343	1 550	51%
Recurring EBIT	2 287	1 537	49%
Net profit (to equity)	1 724	1 022	69%

EBITDA by segments

PLNm	Q1 2023	Q1 2022	y/y [%]
Conventional Generation	909	438	108%
District heating	916	201	356%
Renewables	436	500	-13%
Distribution	1 274	798	60%
Supply	-254	521	-

EBIT by segments

PLNm	Q1 2023	Q1 2022	y/y [%]
Conventional Generation	429	-52	-
District heating	729	28	2 504%
Renewables	348	416	-16%
Distribution	960	497	93%
Supply	-262	513	-

Key operating data

TWh	Q1 2023	Q1 2022	y/y [%]
Net Generation Volume	15.72	17.32	-9%
Sales to End-users	8.87	9.10	-3%
Electricity Distribution Volume	9.47	9.79	-3%
Sales of Heat [PJ]	20.22	21.28	-5%

Electricity generation by source

TWh	Q1 2023	Q1 2022	y/y [%]
Lignite-fired power plants	8.15	10.30	-21%
Hard coal-fired power plants	3.43	3.31	4%
Coal-fired CHPs	1.52	1.58	-4%
Gas-fired CHPs	1.48	1.12	32%
Biomass-fired CHPs	0.12	0.09	33%
Waste-to-energy CHPs	0.00	0.01	-100%
Pumped-storage	0.29	0.22	32%
Hydro	0.16	0.14	14%
Wind	0.57	0.55	4%
TOTAL	**15.72**	**17.32**	**-9%**