

Q1 2023 Financial and Operating Results

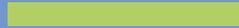
INVESTOR PRESENTATION

May 23, 2023



Leading in the green transition

Financials



Key financial data

[MSR, mln PLN]	Q1 2023	Q1 2022	y/y
Sales	27 208	16 897	61%
EBITDA	3 427	2 615	31%
Recurring EBITDA ¹	3 346	2 596	29%
EBIT	2 343	1 550	51%
Recurring EBIT ¹	2 287	1 537	49%
Net profit (loss) to equity ²	1 724	1 022	69%
Net profit (to equity) - ex. Impairments ²	1 744	1 027	70%
CAPEX (including adjustments)	1 557	895	74%
Net cash from operating activities	-6 828	1 281	-
Net cash from investing activities	-1 645	-913	-
Net cash from financing activities	5 347	-978	-
EBITDA margin	13%	15%	
Recurring EBITDA margin	12%	15%	
Net Working Capital (core "NWC") ³	11 186	5 362	109%
Net Debt	5 942	4 194	42%
Net economic financial debt ⁴	13 766	11 780	17%
Net debt/LTM EBITDA	0,63x	0,42x	
Net debt/LTM EBITDA	0,76x	0,49x	

¹ one-off items are summarised at the next page,

² Net profit attributable to the equity holders of the parent company

³ Core NWC = inventory + trading receivables – trading payables (distinguish from NWC stated as Current assets minus short term liabilities)⁴

⁴ estimated net economic financial debt (real value of net debt, adjusted by forward payment for CO2)

One-off and temporary items

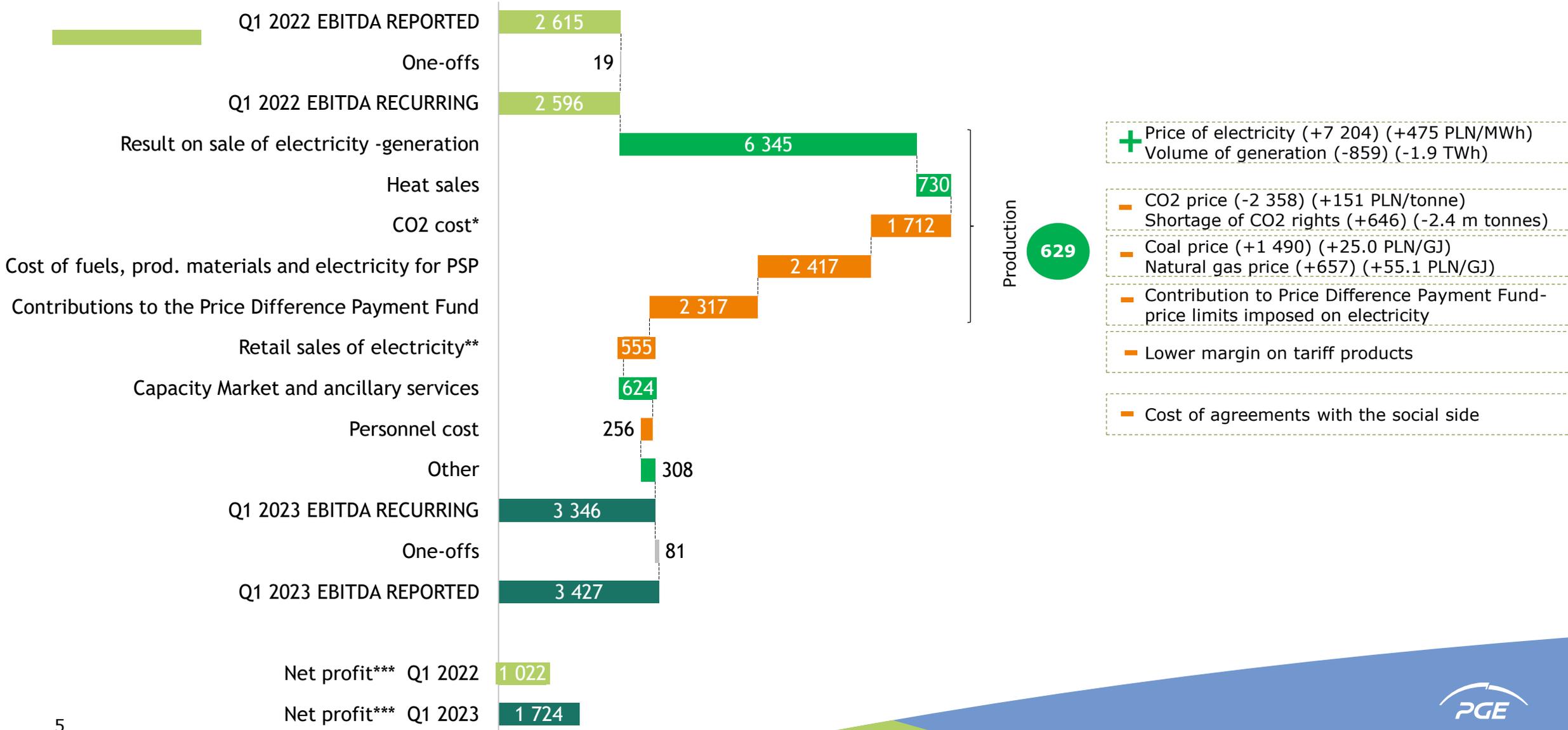
Computation of recurring EBITDA and recurring EBIT:

	Q1 2023	Q1 2022	y/y
Correction of estimated contribution to the Price Difference Payment Fund for 2022	81	0	-
Release of provision for Prosumers	0	19	-100%
One-off items – EBITDA level	81	19	326%
Impairments of TFA and IA	-25	-6	-
One-off items – EBIT level	56	13	331%

Computation of net profit ex. impairments:

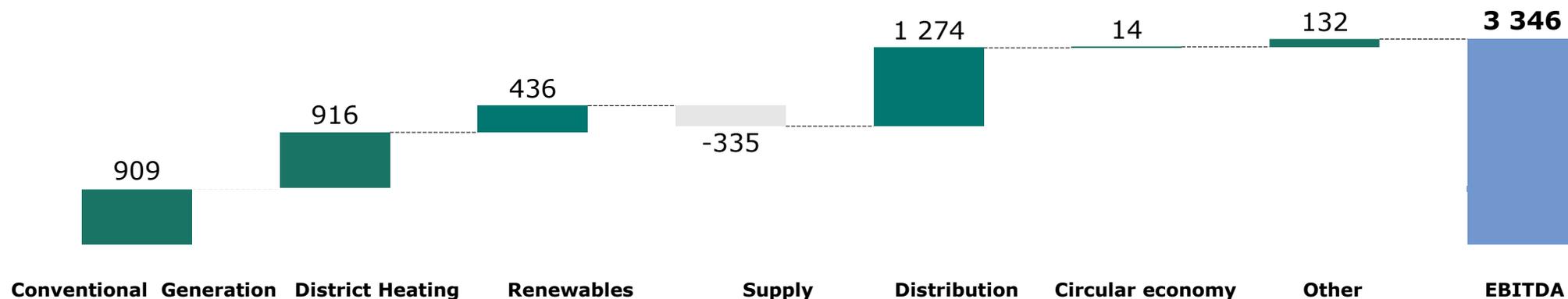
Impairments of TFA and IA (after-tax) and Investments	-20	-5	-
---	-----	----	---

Development of EBITDA by major value drivers (PLN m)



* in the managerial view, ** excluding additional estimation of balancing difference cost, ***net profit to equity

Recurring¹ EBITDA in Q1'23 - composition and development



	Conventional Generation	District Heating	Renewables	Supply	Distribution	Circular economy	Other	EBITDA
Q1 2023	909	916	436	-335	1 274	14	132	3 346
Share in Q1 2023 %	27%	27%	13%	-10%	38%	0%	5	100%
Q1 2022	438	201	500	497	798	16	146	2 596
Change (PLNm)	471	715	-64	-832	476	-2	-14	750
Change %	108%	356%	-13%	-	60%	-13%	-10%	29%

Higher margin on generation due to significant rise in electricity prices offset by contribution to Price Difference Payment Fund, increase in costs of hard coal and CO2 and lower volume. Higher revenues from Capacity Market and ancillary services.

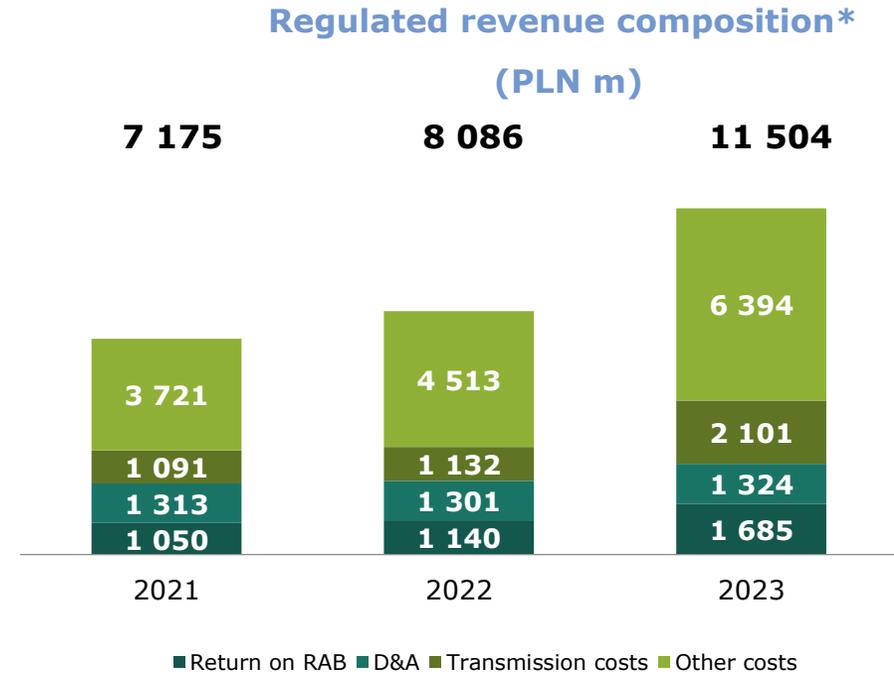
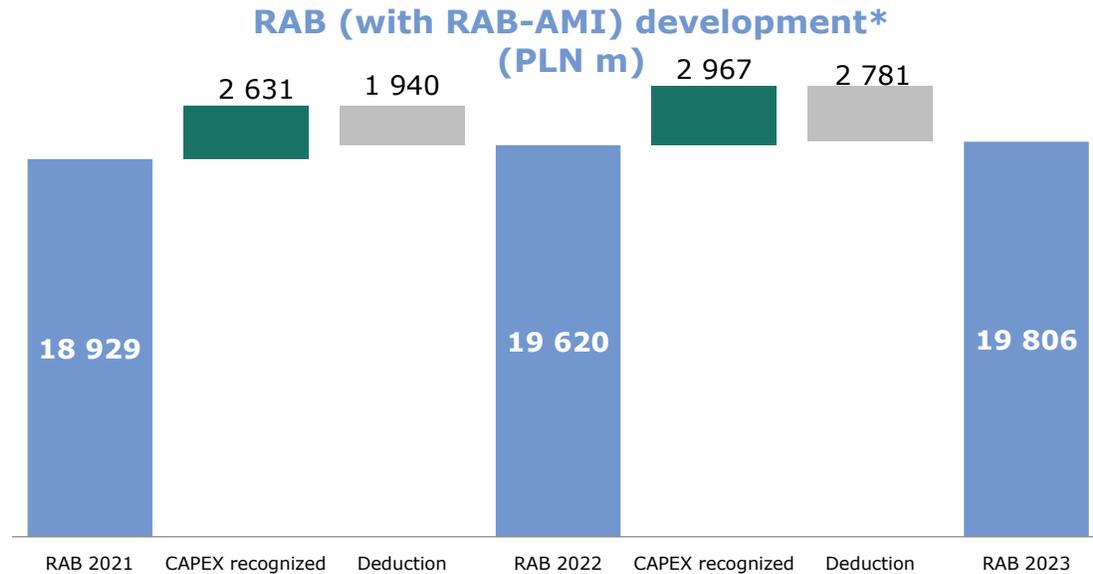
Higher sales of heat in result of rise of heat tariffs approved in H2'2022. Higher margin on generation due to significant rise in electricity prices offset by contribution to Price Difference Payment, increase in CO2 and coal price.

Negative effect of contribution to Price Difference Payment Fund limited by higher margin of pumped-storage power plants on wholesale and balancing market.

Lower result on sale of electricity, mainly due to lower margin on tariff products. Negative impact of non-cash item additional estimation of balancing difference cost due to significant change in price of balancing electricity. The item has neutral effect on the PGE Group results.

Positive effect of higher distribution tariff offset by significantly higher cost of energy for balancing difference coverage, lower volume of distributed electricity and higher personnel costs. Positive impact of non-cash item additional estimation of balancing difference cost. The item has neutral effect on the PGE Group results.

Fundamentals of the distribution business



WACC:

2021	2022	2023
5.321%	4.676%	5.781%

Actual return on RAB:**

2021	2022	2023
5.549%	5.811%	8.507%

CO₂ allowances - regulations and settlement

Accounting standard

Allowances for proprietary consumption received free of charge are recognized at its nominal value – zero. Provision for allowances required for redemption is raised respectively to its actual shortage in a given period. Cost incurred is visible in taxes and charges P&L line.

Emissions and allowances settlement

In Q1' 2023 PGE's installations emitted 15.9m tonnes of CO₂. Cost related to CO₂ emissions in this period amounted to PLN 6 635m.

PGE Group's installations are not eligible for free emission allowances for electricity generation starting from 2020. Only the free emission allowances for heat production are allocated.

EUA for own use (Cons. FS, note 15)

	EUA	
	Volume (Mg m)	Value (PLN m)
As at Dec 31, 2021	43	4 903
Purchased/Sold (spot)*	47	11 525
Free allocation	1	-
Redeemed	-71	-11 560
As at Dec 31, 2022	20	4 868
Purchased/Sold (spot)*	49	14 869
Redeemed	-	-96
As at Mar 31, 2023	69	19 641

* PGE Group hedges CO₂ also with forwards

Provision for purchase of CO₂ allowances (Cons.FS, note 20)

As at Dec 31, 2022	20 318
Redeemed	-96

Provision raised for Q1 2023	6 635
------------------------------	-------

As at Mar 31, 2023	26 857
---------------------------	---------------

Impact on P&L (PLN m) – illustrative only

	Q1 2023
Costs by kind	17 896
Taxes and charges	9 549

Financial data by segments



Revenues and costs of Conventional Generation

[PLN m]	Q1 2023	Q1 2022	y/y
Sales, including:	13 018	7 753	68%
Sale of electricity	11 719	7 110	65%
Revenues from Capacity Market and auxiliary services	1 188	569	109%
Cost by kind, including	11 774	6 877	71%
D&A	481	489	-2%
Materials	2 079	705	195%
Energy	14	10	38%
External services	593	434	37%
Taxes and charges	7 734	4 491	72%
Personnel expenses	829	702	18%
Other cost	44	47	-6%
Capitalized costs	-101	-43	135%
Cost of goods and materials sold	885	970	-9%
Net other operating income/(expenses)	-30	-2	-1782%
EBIT	429	-52	-
EBITDA	909	438	108%

Revenues and costs of District Heating

[PLN m]	Q1 2023	Q1 2022	y/y
Sale of electricity	4 863	2 460	98%
Sale of electricity	2 760	1 239	123%
Sale of heat and heat distribution services	1 675	970	73%
Sale of CO2	62	59	5%
Cost by kind, including	4 073	2 275	79%
D&A	187	173	8%
Materials	2 100	1051	100%
Energy	6	5	20%
External services	218	138	58%
Taxes and charges	1 403	766	83%
Personnel expenses	151	134	13%
Other	8	8	0%
Capitalized costs	-12	-14	-14%
Cost of goods and materials sold	99	181	-45%
Net other operating income/(expenses)	26	10	160%
EBIT	729	28	2504%
EBITDA	916	201	356%

Revenues and costs of Renewables

[PLN m]	Q1 2023	Q1 2022	y/y
Sales, including:	932	766	22%
Sale of electricity	741	627	18%
Sale of certificates of origin	113	72	57%
Capacity Market and auxiliary services	73	72	1%
Other revenues from core activities	5	-5	-
Cost by kind, including	566	360	57%
D&A	88	84	5%
Materials	2	2	0%
Energy	237	183	30%
External services	52	37	41%
Taxes and charges	139	17	718%
Personnel expenses	41	31	32%
Other cost	7	6	17%
Capitalized costs	-7	-4	75%
Cost of goods and materials sold	25	1	2 400%
Net other operating income/(expenses)	0	7	-100%
EBIT	348	416	-16%
EBITDA	436	500	-13%

Revenues and costs of Distribution

[PLN m]	Q1 2023	Q1 2022	y/y
Sales, including	2 771	1 807	53%
Revenues from distribution services	2 653	1 694	57%
Other revenues from core activities	82	80	3%
Cost by kind, including	1 893	1 355	40%
D&A	318	303	5%
Materials	20	20	0%
Energy	370	183	102%
External services	640	372	72%
Taxes and charges	149	138	8%
Personnel expenses	392	335	17%
Other cost	4	4	0%
Capitalized costs	-78	-32	144%
Cost of goods and materials sold	0	0	-
Net other operating income/(expenses)	4	13	-69%
EBIT	960	497	93%
EBITDA	1 274	798	60%

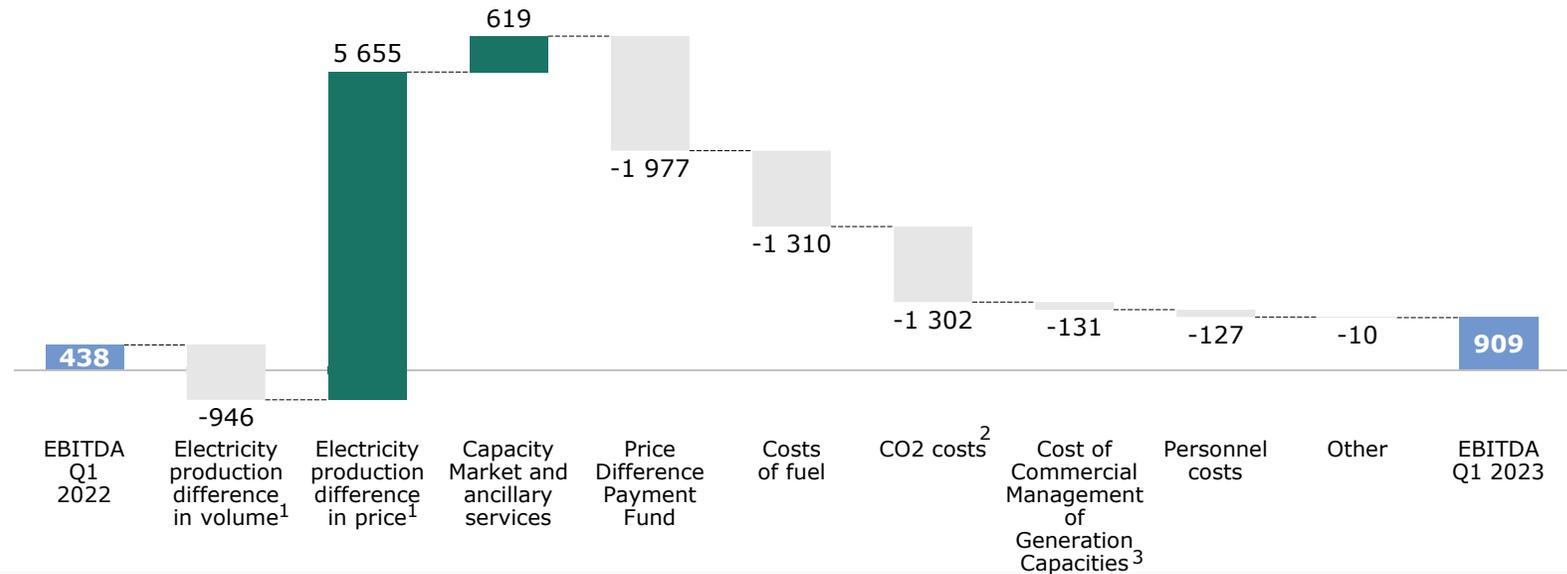
Revenues and costs of Supply

[PLN m]	Q1 2023	Q1 2022	y/y
Sales, including:	25 392	11 853	114%
Sale of electricity	7 699	5 256	46%
Sale of CO2 allowances	10 920	5 413	102%
Sale of natural gas	663	292	127%
Sale of other fuels ¹	3 755	513	632%
Cost by kind, including	538	556	-3%
D&A	8	8	0%
Materials	2	1	100%
Energy	2	1	100%
External services	179	70	156%
Taxes and charges	170	352	-52%
Personnel expenses	135	102	32%
Other cost	42	22	91%
Cost of goods and materials sold	25 130	10 789	133%
Net other operating income/(expenses)	14	4	250%
EBIT	-262	513	-
EBITDA	-254	521	-

Contributions to the Price Difference Payment Fund

[PLN m]	Q1 2023	Q1 2022	y/y
Conventional Generation	1 977	0	-
District Heating	220	0	-
Renewables	120	0	-
Contributions to the Price Difference Payment Fund	2 317	0	-

Conventional Generation - EBITDA in Q1 2023



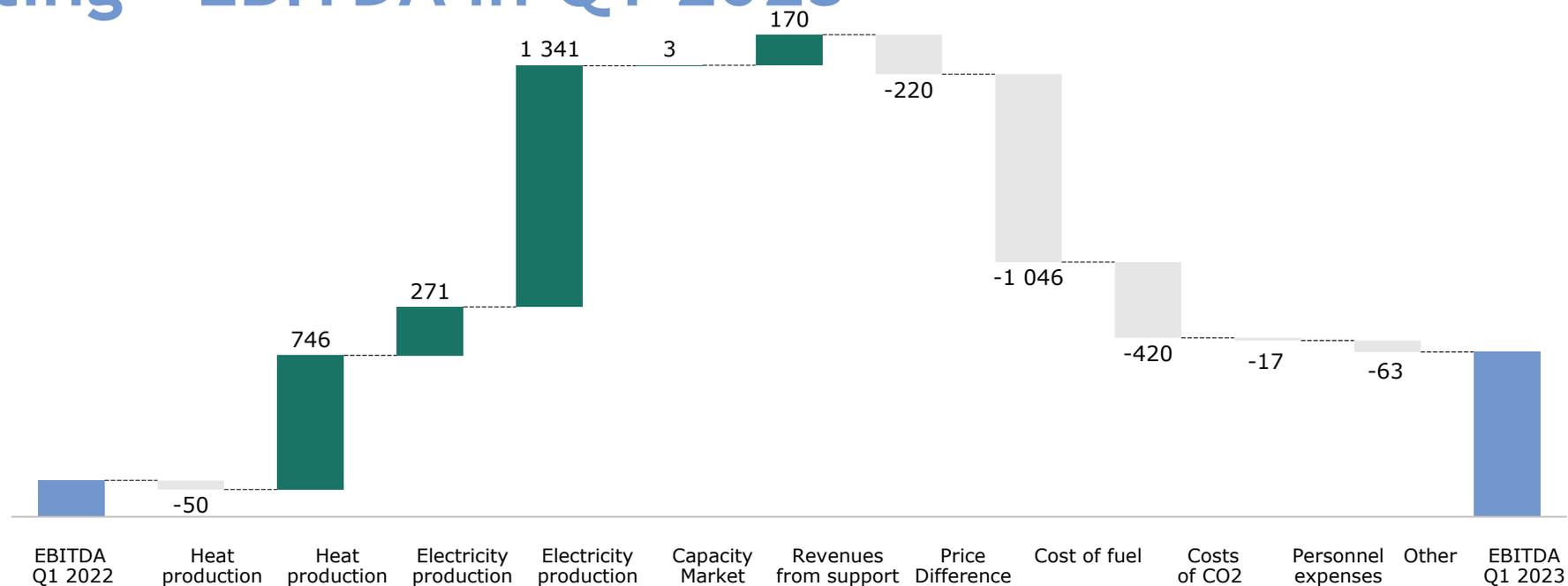
Change		-946	5 655	619	-1 977	-1 310	-1 302	-131	-127	-10	
EBITDA Q1 2022	438	6 153	569	0	537	4 264	266	702	515		
EBITDA Q1 2023		10 862	1 188	1 977	1 847	5 566	397	829	525	909	

¹Managerial view

²Costs reduced by resale of CO2, that was caused due to reductions by PSE S.A. and trading activities

³Commercial Management of Generation Capacities – intra group agreement on management of sales of electricity

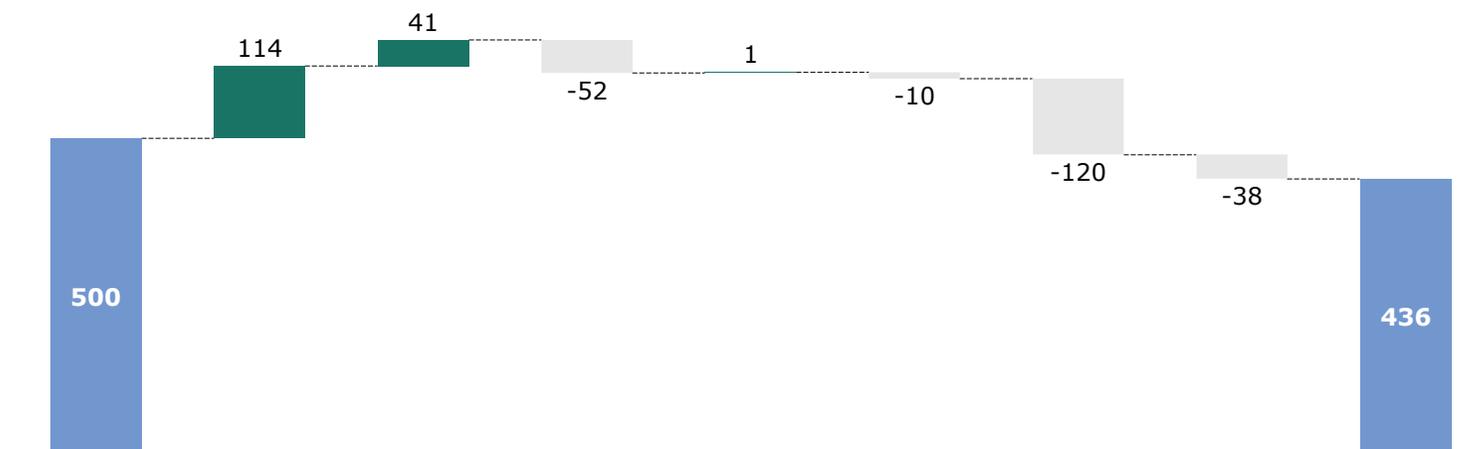
District Heating - EBITDA in Q1 2023



Change	-50	746	271	1 341	3	170	-220	-1 046	-420	-17	-63	
EBITDA Q1 2022	201	964	1 063	59	123	0	1 030	730	134	114		
EBITDA Q1 2023		1 660	2 675	62	293	220	1 150	1 150	151	177	916	

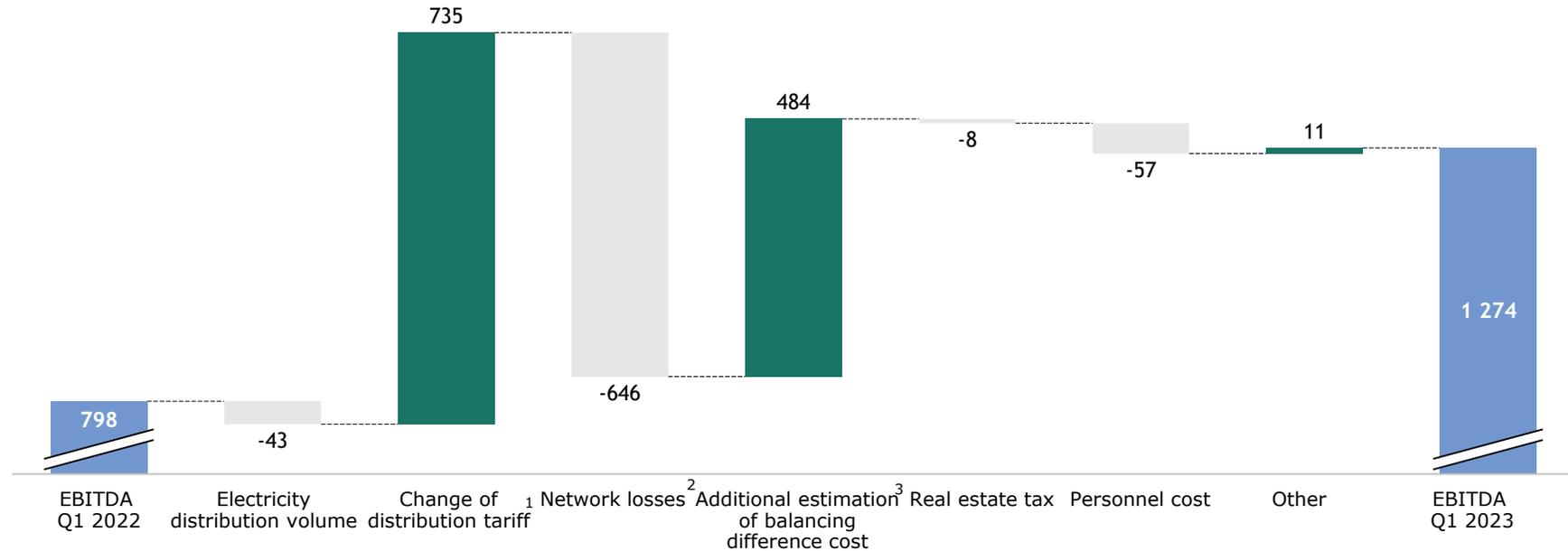
¹Value adjusted for costs of certificates redemption

Renewables - EBITDA in Q1 2023



	EBITDA Q1 2022	Revenues from electricity	Revenues from property rights	Purchase of electricity for pumped-storage PP	Capacity Market and ancillary services	Personnel costs	Price Difference Payment Fund	Other	EBITDA Q1 2023
Change		114	41	-52	1	-10	-120	-38	
EBITDA Q1 2022	500	627	72	182	72	31	0	58	
EBITDA Q1 2023		741	113	234	73	41	120	96	436

Distribution - EBITDA in Q1 2023



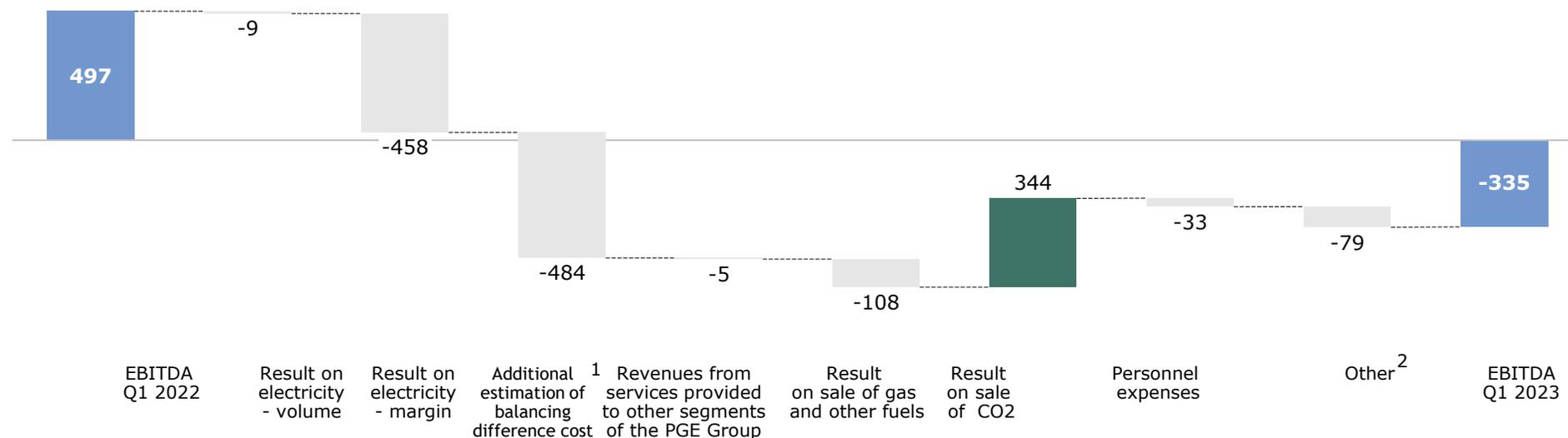
Change	-43	735	-646	484	-8	-57	11	
EBITDA Q1 2022	798	1 327	249	85	117	335	87	
EBITDA Q1 2023		2 019	895	569	125	392	98	1 274

¹ Excluding cost of transmission services from PSE S.A. and taking into account revenues from compensations

² Adjusted for revenues from the Balancing market

³ Additional estimation of balancing difference cost (no-cash item) increased results of Distribution segment and at the same time decreased results of Supply segment

Supply - EBITDA in Q1 2023



Change	-9	-458	-484	-5	-108	344	-33	-79	
EBITDA Q1 2022									521
One-offs Q1 2022									24
Recurring EBITDA Q1 2022		294	85	421	102	-28	102	105	497
Recurring EBITDA Q1 2023	-173		569	416	-6	316	135	184	-335
One-offs Q1 2023									81
EBITDA reported Q1 2023									-254

¹Additional estimation of balancing difference cost (no-cash item) decreased results of Supply segment and at the same time increased results of Distribution segment

²Without provision for prosumers and correction of estimated contribution to the Price Difference Payment Fund for 2022 (one-offs)

Cash flows and debt



Cash from operations, investments and net debt

Consolidated Cash Flows

PLN m	Q1 2023	Q1 2022	
Operating CF	-6 828	1 281	
Investing CF	-1 645	-913	
Financial CF	5 347	-978	
Change of cash and equivalents	-3 126	-610	

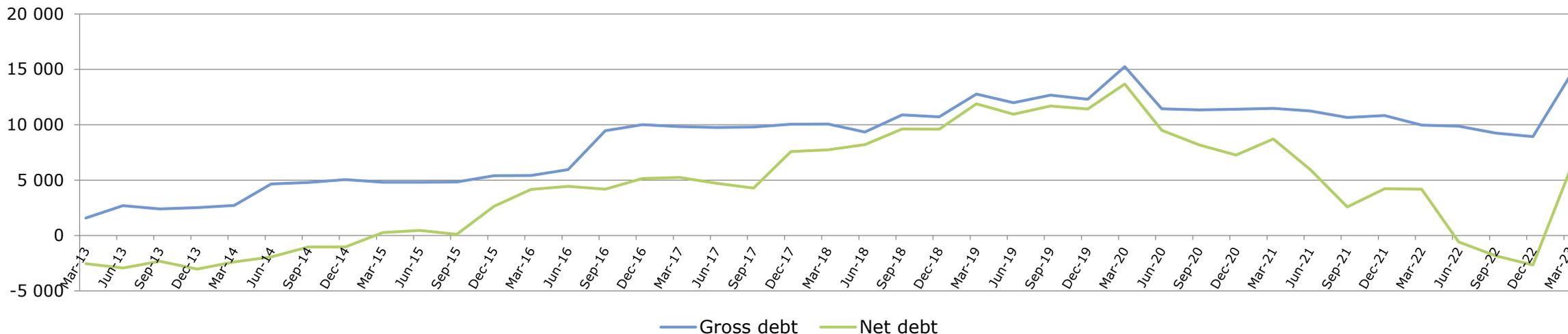
Consolidated Balance Sheet

PLN m	EOP Q1 2023	BOP Q1 2023	Δ Q1 2023
Cash and equivalents	8 761	11 887	-3 126
Loans granted	0	0	0
Restricted cash (adjustment)	-289	-295	6
Disposable cash of PGE Group	8 472	11 592	-3 120
Short term financial debt	-4 184	-2 137	-2 047
Long term financial debt	-10 230	-6 799	-3 431
Total financial debt (gross)	-14 414	-8 936	-5 478
Net debt	-5 942	2 656	-8 598
Net economic financial debt	-13 766	-14 373	607

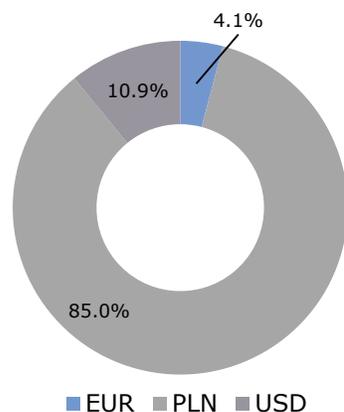
Liabilities are presented with negative sign, for the sake of consistency between balance sheet and cash flow statement

Debt development and structure (March 31, 2023)

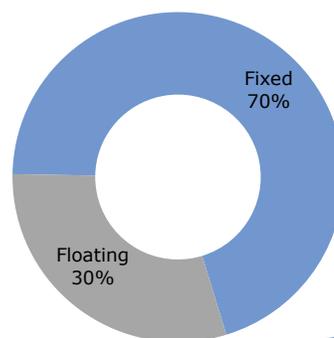
Gross debt and net debt (in PLN million)



Currency profile of drawn debt (including hedging transactions)

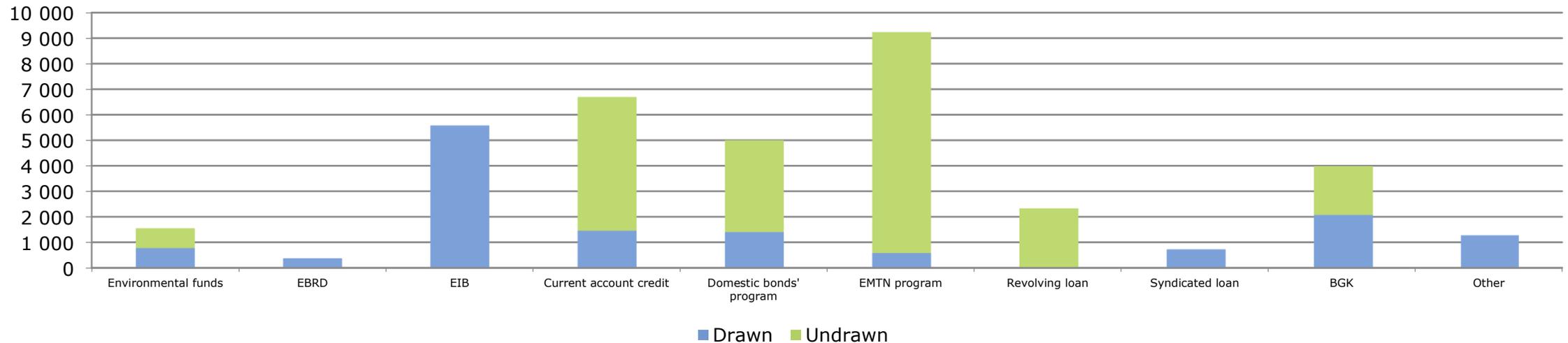


Fixed vs floating rates (drawn debt)

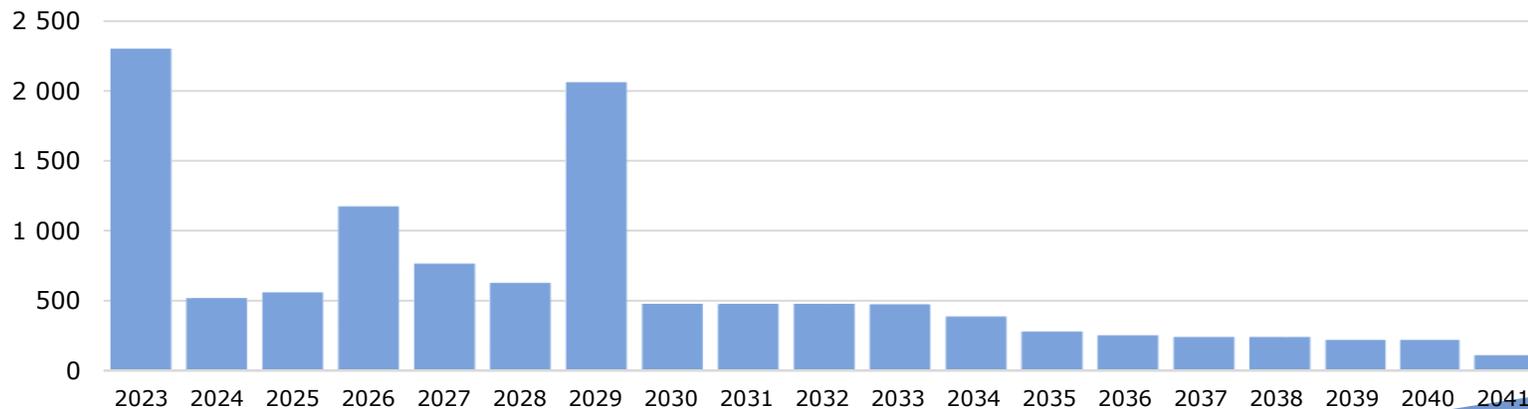


Debt maturity and available financing

Drawn debt and availability of external financing (in PLN m) as at March 31, 2023



Debt maturity profile* (PLN m) as at March 31, 2023



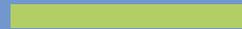
* Without multipurpose lines utilised in form of working capital facilities

PGE cash position provides...

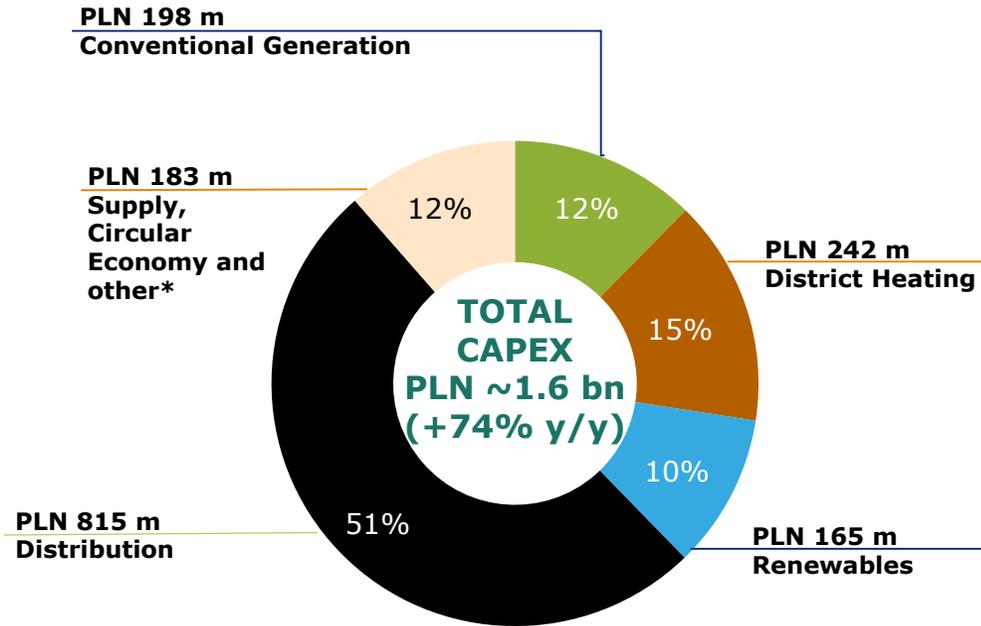
	Q1 2023	2022	
... plenty of headroom in the balance sheet	Gross Debt (PLN m)	14 414	8 936
	Net debt (PLN m)	5 942	-2 656
	Net Debt/LTM EBITDA	0.63x	-0.31x
	Net Debt/Equity	0.11x	-0.05x

	MOODY'S	FITCH	
Financial strength has been confirmed by rating agencies	Long-term company rating (IDR)	Baa1	BBB+
	Rating outlook	Stable	Stable
	Date of rating assignment	September 2, 2009	September 2, 2009
	Date of the latest rating confirmation	January 13, 2023	January 24, 2023
	Senior unsecured rating		BBB+
	Date of the latest rating change		August 4, 2011
	Date of the latest rating confirmation		January 24, 2023
	Long-term national rating		AA (pol)
	Date of rating assignment		August 10, 2012
Date of latest rating change		August 3, 2016	

Capital expenditures



Capital expenditures in Q1 2023



* Includes construction of new units at PGE Gryfino 2050 (approx. PLN 158 m)



CAPEX in Distribution and generating capacities incl. Conventional Generation, District Heating, Renewables and Other Operations

	Kluczowe projekty	CAPEX in Q1 2023
Generation	Construction of CCGT units in PGE Gryfino 2050	PLN 158 m
	Construction of New Czechnica CHP plant	PLN 117 m
Distribution	Modernisation of distribution assets	PLN 448 m
	New projects in Distribution segment	PLN 360 m

- Low-emission capacities: construction of new units in PGE Gryfino and New Czechnica CHP plant (jointly approx. PLN 275 m)
- Distribution – expenditures amounting to PLN 339 m incurred for connection of new off-takers
- District Heating – expenditures for development projects amounting to PLN 216 m

Capital expenditures

Segment (PLN m)	Q1 2023	Q1 2022	y/y
Conventional Generation	198	95	108%
District Heating	242	110	120%
Distribution, including:	815	253	222%
New clients connection	339	139	144%
Distribution grid	318	62	413%
Renewables, including:	165	53	211%
Modernisation and replacement	30	6	400%
Supply, Circular Economy and Other Operations	183	399	-54%
TOTAL	1 603	910	76%
TOTAL (incl. consolidation adjustments)	1 557	895	74%

Operations



Key operating data

Net generation of electricity by fuels, sales to final clients and distribution

[TWh]	Q1 2023	Q1 2022	y/y
Net electricity generation, by fuels:	15,72	17,32	-9%
Lignite	8,17	10,32	-21%
<i>incl. Turów 7 unit</i>	0,56	0,59	-5%
hard coal (including)	4,93	4,87	1%
Conventional Generation segment	3,43	3,31	4%
<i>incl. Opole 5/6 units</i>	1,36	1,11	23%
District Heating segment	1,50	1,56	-4%
natural gas	1,48	1,12	32%
pumped-storage plants	0,29	0,22	32%
Hydro	0,16	0,14	14%
Wind	0,57	0,55	4%
Biomass	0,12	0,09	33%
municipal waste	0,00	0,01	-100%
Sales of heat [PJ]	20,22	21,28	-5%
<i>incl. Conv. Gen. segment</i>	0,87	0,93	-6%
Sales of electricity to final off-takers	8,87	9,10	-3%
Distribution of electricity	9,47	9,79	-3%

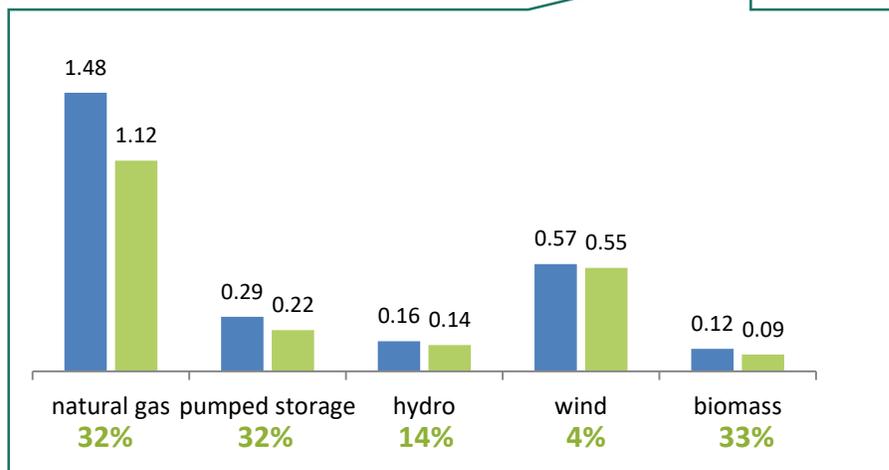
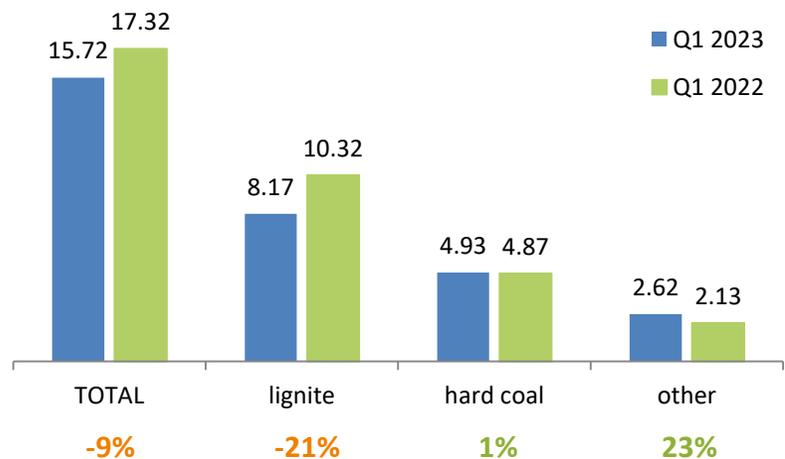
Average realized wholesale price of electricity

[PLN/MWh]	Q1 2023*	Q1 2022	y/y
Conv. Generation segment*	767,50	457,00	68%
District Heating segment*	785,83	370,19	112%
Total (Conv. Gen. & District Heating)*	771,56	443,37	74%
(Conv. Gen. & Dist. H.) Average cost of CO ₂ (PLN/t CO ₂)	430,49	278,03	55%
(Conv. Gen. & Dist. H.) Average cost of CO ₂ (PLN/MWh)	406,62	274,53	48%

* Price after contributions to the Price Difference Payment Fund

Generation volume by fuel - Q1 2023 y/y

TWh



National Power System (y/y):

↓ **Lower demand for electricity.** Domestic energy consumption lower by 1.6 TWh y/y (-3.5% y/y). Net electricity import 0.6 TWh (net export 1.0 TWh in Q1 2022) → **lower generation by 3.2 TWh y/y (-6.8% y/y).** Decline in generation on lignite and hard coal, higher generation of gas units. Increase in RES generation of PVs and hydro.

PGE:

↓ **Lignite:** Decline in production -21% y/y due to lower demand for electricity.

↑ **Hard coal:** slightly higher generation +1% y/y on improving coal availability and lower load factor of lignite units.

↑ **Natural gas:** significantly higher (+32% y/y) cogeneration volumes in CHP Lublin Wrotków and CHP Rzeszów due to lower SPOT gas prices.

↑ **Wind:** slightly weaker wind conditions, additional installed capacity.

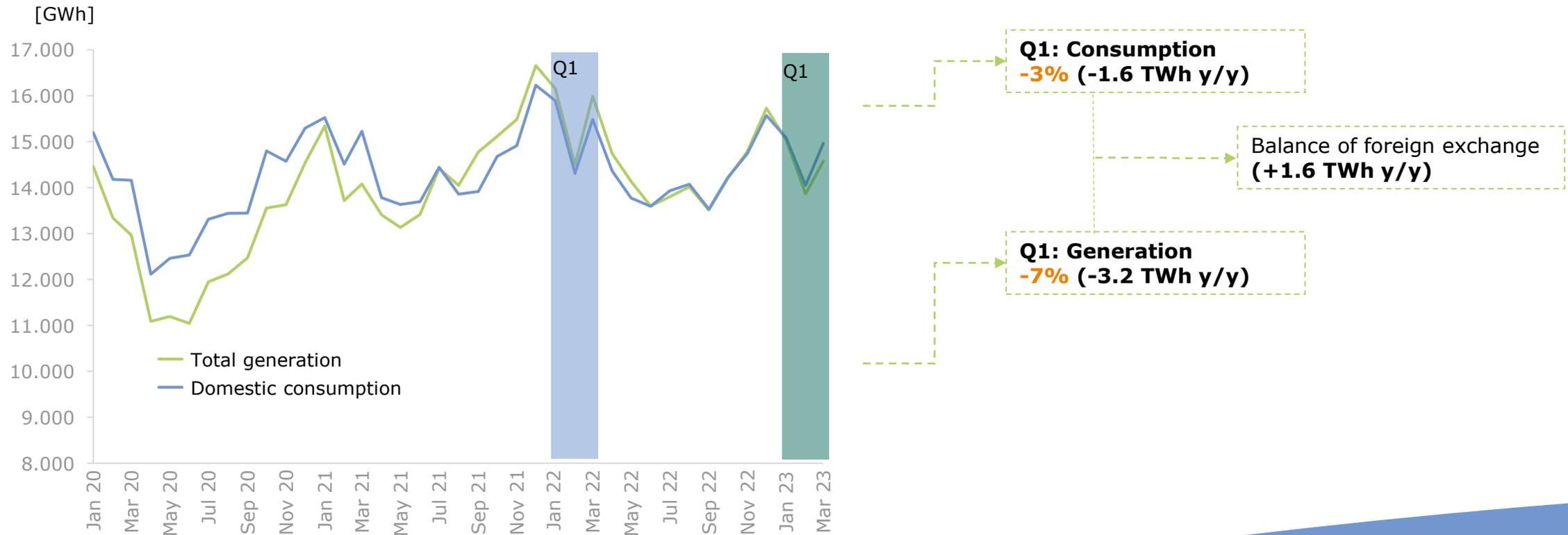
↑ **Hydro:** better hydrological conditions, modernisation of Dębe power plant.

In Q1'22 volume of 0.01 TWh was generated from municipal waste (not presented on the bar chart)

Electricity market - balance of energy

Continuing trend of declining demand and import of electricity

Domestic consumption and generation

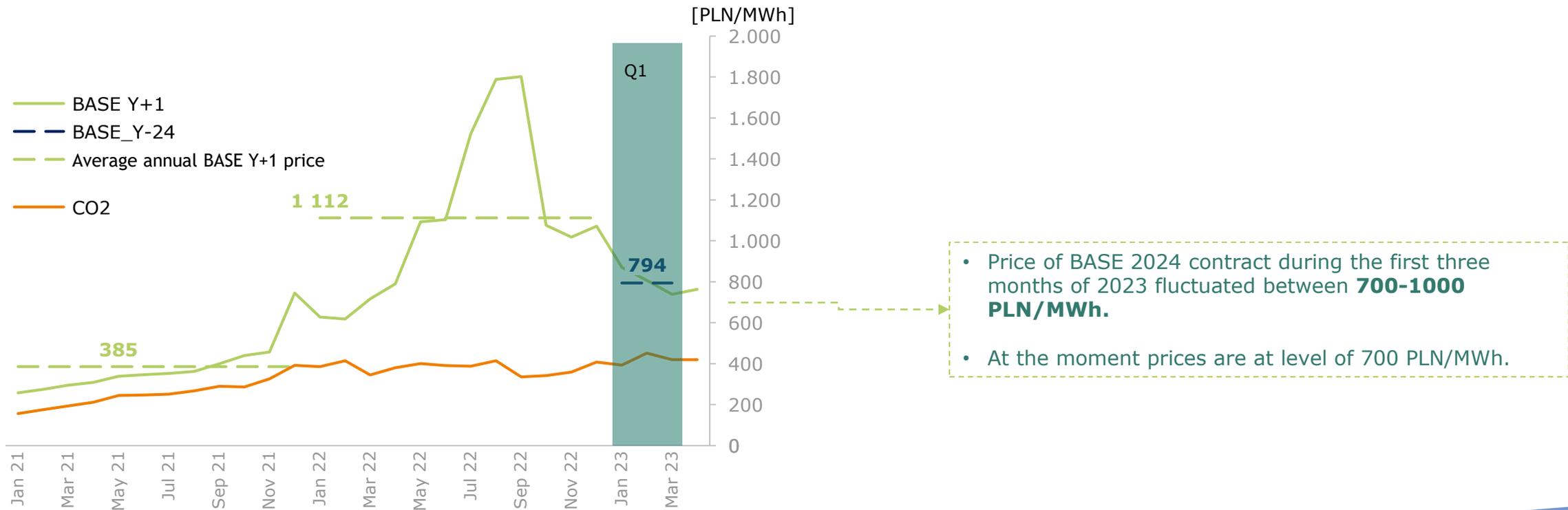


Source: PSE

Electricity market - price

Decline in fuel prices reflected in electricity prices

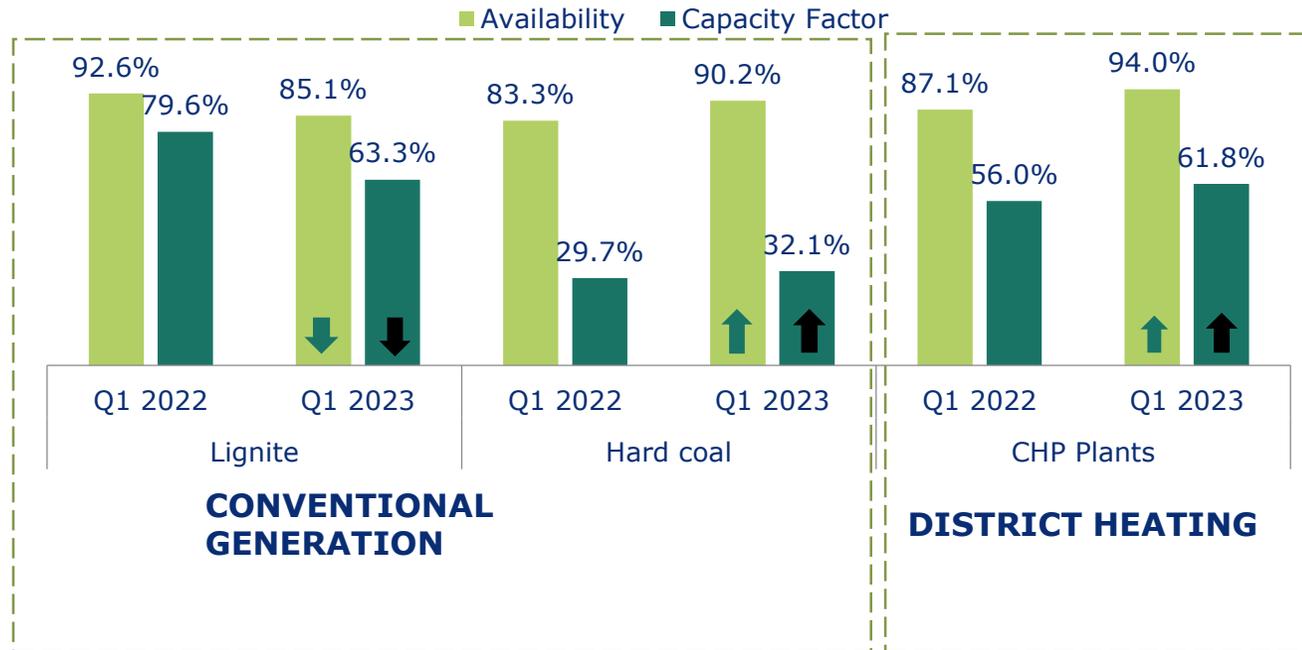
BASE Forward next year and CO₂ prices



Source: PSE

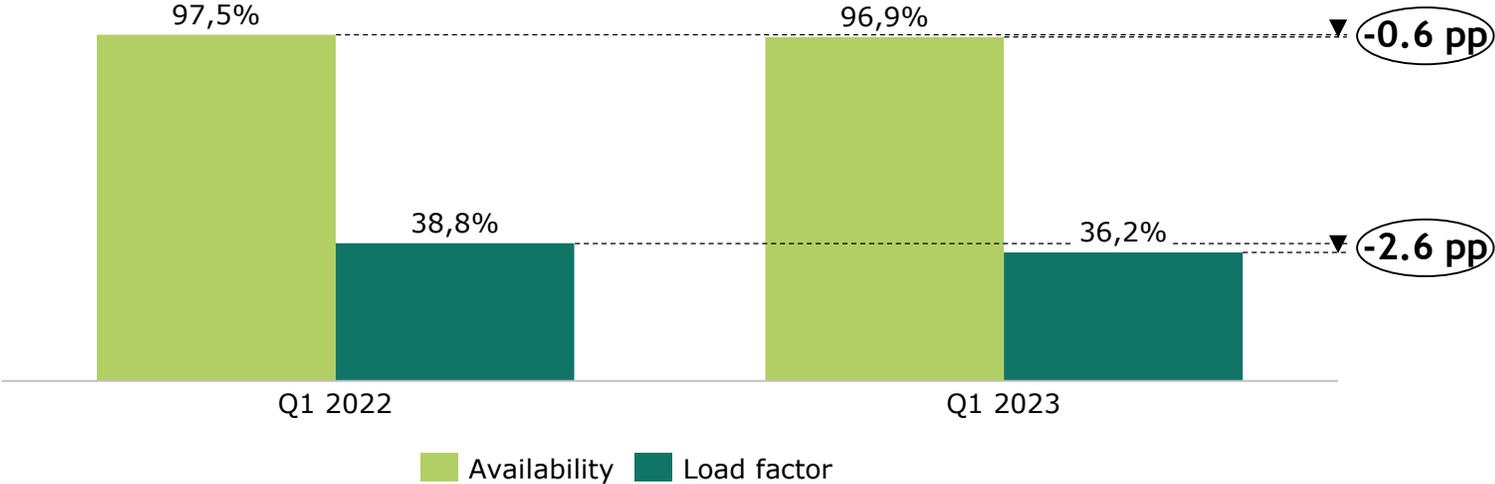
Generation assets - conventional

Lower load factor of lignite power plants



- Significantly lower load factor of lignite power plants due to lower demand for electricity.
- Higher load factor of hard coal power plants on improving coal availability.
- Higher utilisation of CHP plants (significantly higher generation of gas CHP's due to improved profitability – lower SPOT gas prices).

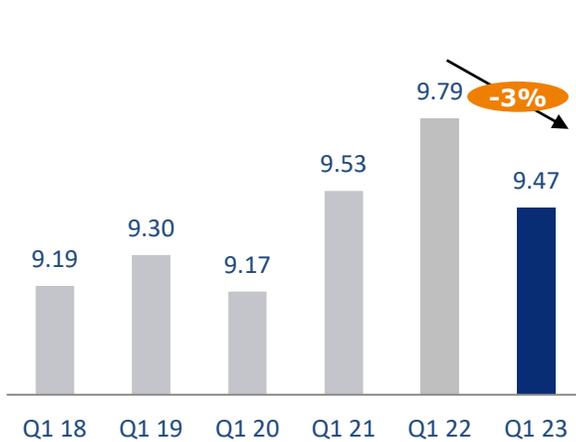
Generation assets - wind farms



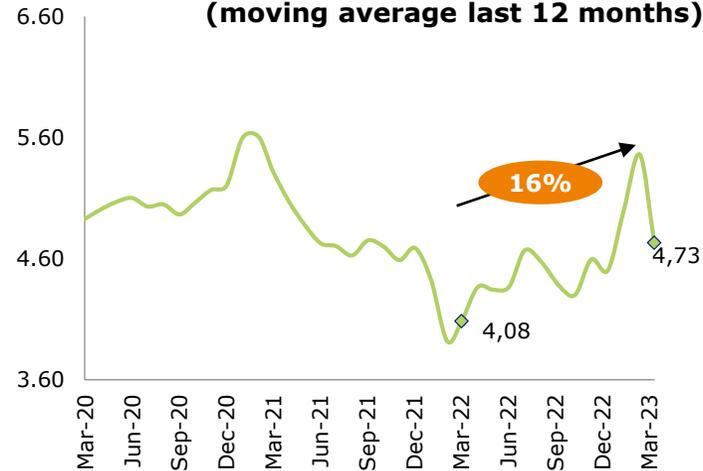
- Lower load factor due to unfavourable wind conditions.

Distribution assets

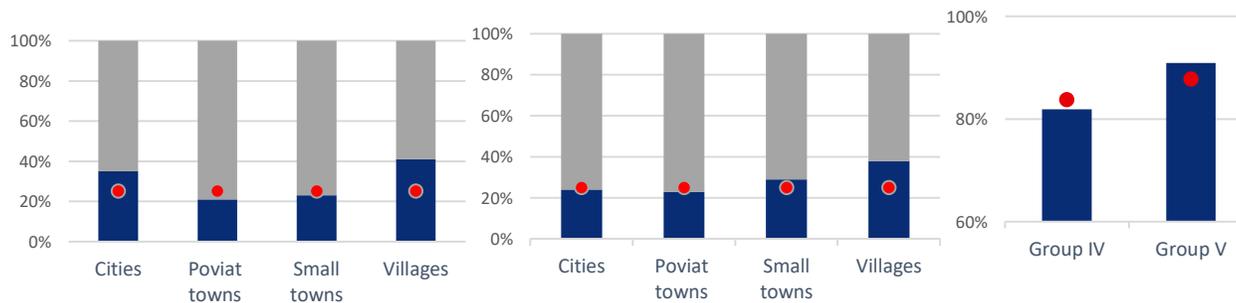
Volume of distributed electricity (TWh)



Network losses [%] (moving average last 12 months)



Interruption duration* Interruption frequency* Connection time*



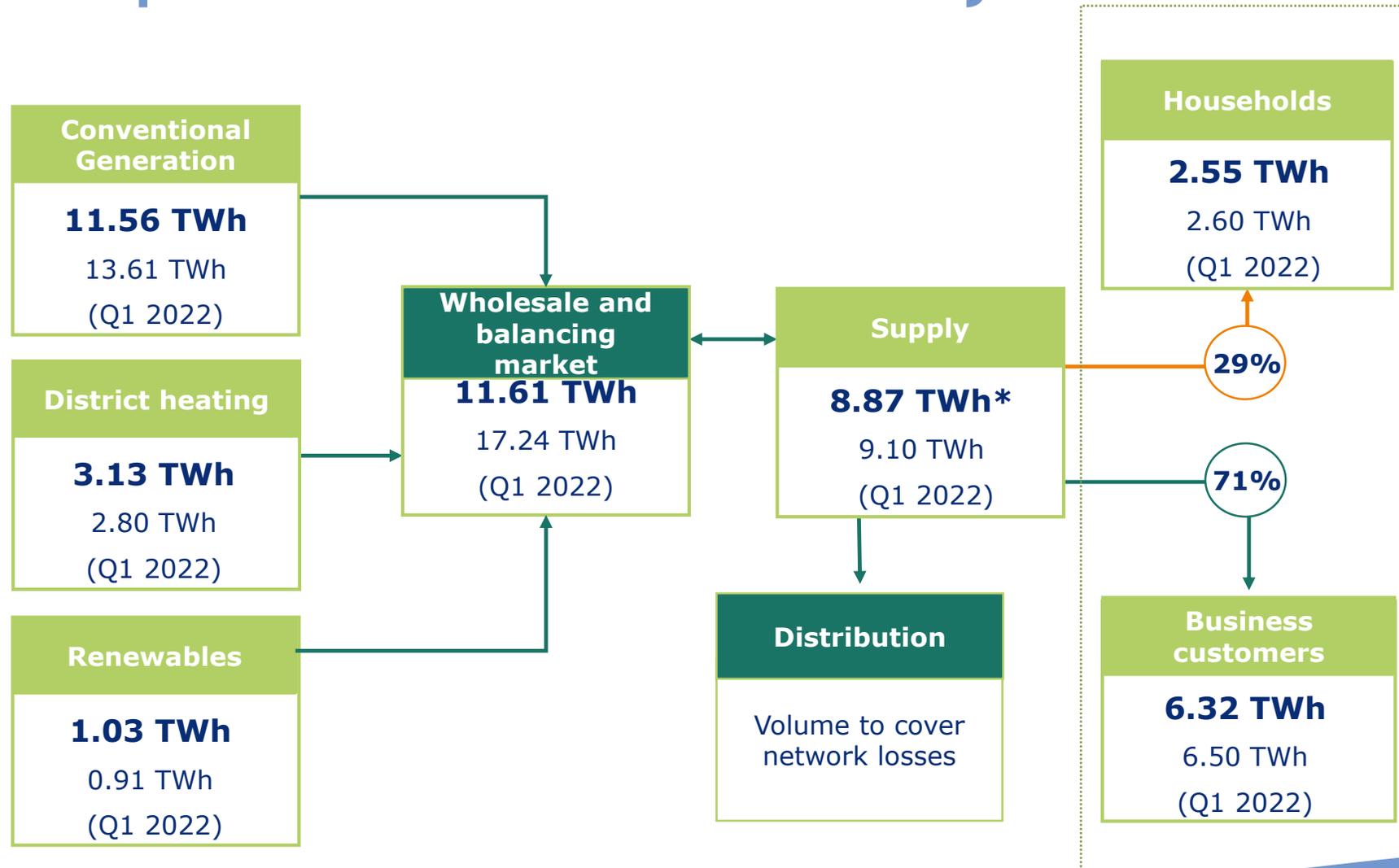
*Indicators relevant to qualitative KPI's of ERO

• indicated KPI of ERO

- Declining distribution volumes
- Higher level of network losses at the end of Q1 2023.
- Some qualitative indicators of Interruption frequency and interruption duration do not meet indicated KPI's.
- Benchmark of connection time in Group V below the threshold.

Q1 2023 Output and sales of electricity

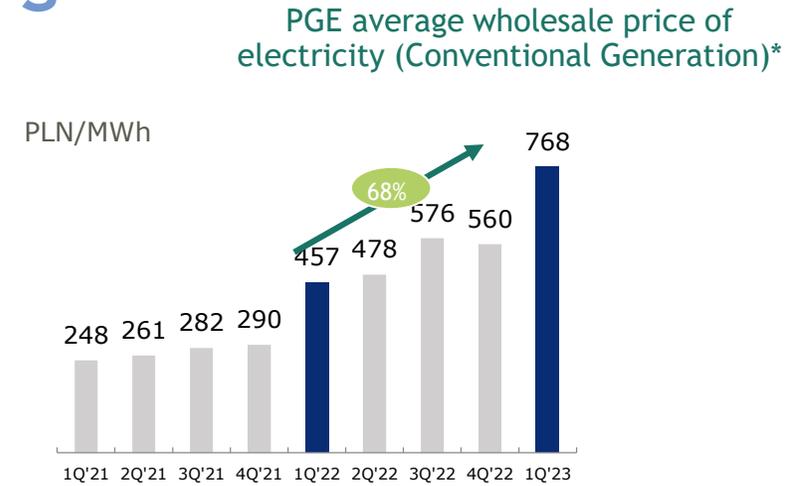
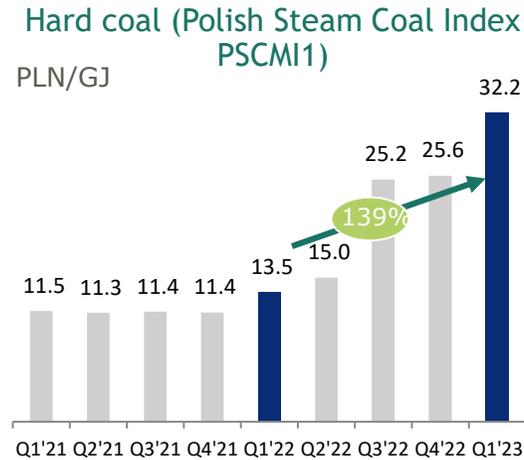
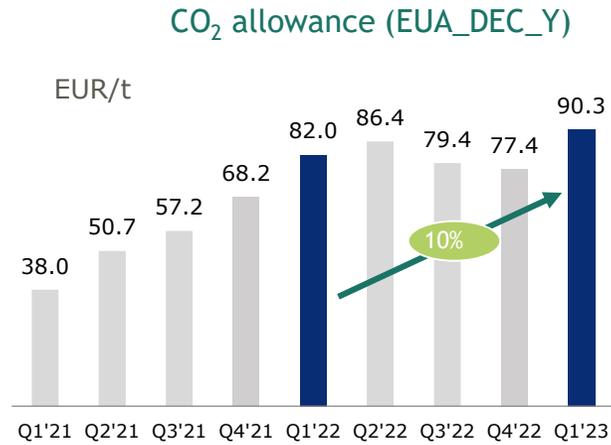
Illustrative



* Sales after intragroup exemptions. Some business flows incl. Balancing market, international trade, purchases from power exchange and own consumption are not shown.

Source: PGE

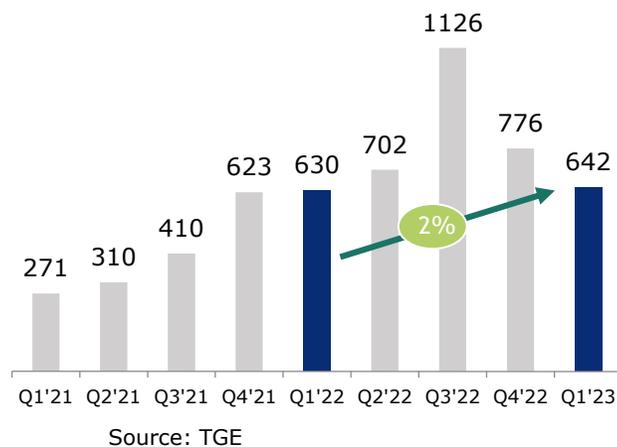
Lower SPOT prices y/y at power exchange



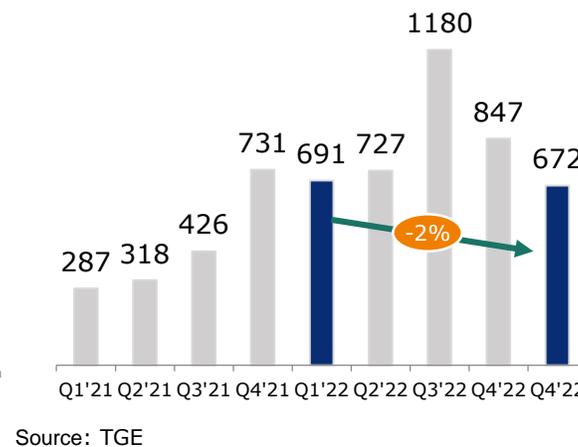
*average price based on sales volumes adjusted for wholesale market purchases. Prices for Q4'22 and Q1'23 adjusted by contribution to Price Difference Payment Fund

Average quarterly TGE Electricity Prices (PLN/MWh)

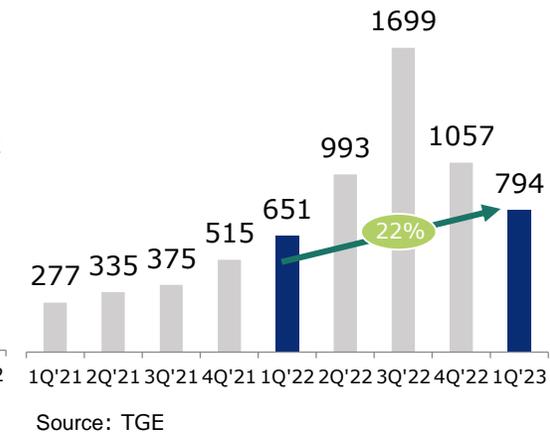
Base (spot)



Peak (spot)



Forward, next year- Base_Y+1



Invitation for webcast

On behalf of

Wojciech Dąbrowski

President & CEO

and

Lechosław Rojewski

Vice-President for Finance & CFO

we kindly invite you to a webcast of the presentation of

PGE Q1 2023 results

which will be held on

Wednesday, May 24, 2023

at 10:00 AM(CEST)

Transmission will be available on

<https://infostrefa.tv/pge/>

Questions for the Q&A session may be submitted via e-mail

ir@gkpge.pl during or before the webcast

and via questionnaire available on the webcast page.

Sell-side analysts covering PGE



Institution

Analyst

BOŚ	Jakub Viscardi
Citigroup	Piotr Dzieciołowski
Erste Group Research	Petr Bartek
IPOPEMA	Robert Maj
mBank	Kamil Kliszc
Pekao	Marcin Górnik
PKO BP	Andrzej Rembelski
Santander Biuro Maklerskie	Paweł Puchalski
Societe Generale	Bartłomiej Kubicki
Trigon DM	Michał Kozak
Wood & Company	Ondrej Slama

Disclaimer

This presentation has been prepared by the management of PGE Polska Grupa Energetyczna S.A. (the "Company" or "PGE") and other entities. This presentation does not constitute or form part of and should not be constructed as, an offer to sell, or the solicitation or invitation of any offer to buy or subscribe for, securities of Company, any of its subsidiaries in any jurisdiction. No part of this presentation, nor the fact of its distribution, should form the basis of, or be relied on in connection with, any contract or commitment or investments decision whatsoever.

We operate in an industry for which it is difficult to obtain precise industry and market information. Market data and certain economics and industry data and forecasts used, and statements made herein regarding our position in the industry were estimated or derived based upon assumptions we deem reasonable and from our own research, surveys or studies conducted at our request for us by third parties or derived from publicly available sources, industry or general publications such as newspapers.

This presentation and any materials distributed in connection with this presentation are not directed to, or intended for distribution to or use by, any person or entity that is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would require any registration or licensing within such jurisdiction.

This presentation includes "forward-looking statements". These statements contain the words "anticipate", "believe", "intend", "estimate", "expect" and words of similar meaning. All statements other than statements of historical facts included in this presentation, including, without limitation, those regarding the Company's financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to the Company's products and services) are forward-looking statements.

Investor Relations contacts



Filip Osadczuk

IR and ESG Director

filip.osadczuk@gkpge.pl

Tel: (+48 22) 340 12 24

Mob: +48 695 501 370



Krzysztof Dragan

krzysztof.dragan@gkpge.pl

Tel: (+48 22) 340 15 13

Mob: +48 601 334 290



**Stanisław Ozga
CFA**

stanislaw.ozga@gkpge.pl

Tel: (+48 22) 340 12 69

Mob: +48 887 171 324

Thank you

