



## Details of the webcast from the meeting with CEO & CFO

March 22, 2023 (Wednesday), 10.00 AM CET

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: Lower generation volumes, declining distribution and sales volumes

### Financials: Negative: declining margin on hard coal generation, impact of legal regulations limiting electricity prices, raising O&M cost, positive: higher SPOT prices in RES and better margins in Supply

- PGE power generation at 17.8TWh (Q4 2022), -2% y/y and at 66.1TWh (2022), -4% y/y declined mainly on lower production on hard coal and natural gas.
- Recurring EBITDA at PLN 0.6bn (-71% y/y) in Q4 and at PLN 7.1bn (-12% y/y) declined mainly on sharply lower result on electricity&heat generation. Negative impact of raising Q&M cost and regulations limiting electricity prices. Positive impact of higher margins in Renewables and Supply segments. Solid results in Distribution.
- Reported EBITDA at PLN 0.3bn (-84% y/y) in Q4 and at PLN 8.7bn (-9% y/y) in 2022, was impacted by one-offs including mainly reclamation provision in 2022 and liability for one-time benefit (in Q4) related to coal carve-out assumed in Q2 2023.
- PLN 2.7bn net cash at the end of 2022 due to proceeds from issue of shares and deferred payment for CO2

### Generation volumes adjusted to changing market situation

Lignite generation in Q4 slightly declined on account of high base effect (-0.2TWh, -2% y/y) but was stronger over the year (+2.2TWh, +6% y/y). Volumes of hard coal generation were flat y/y in Q4 and significantly declined in 2022 (-3.8TWh, -16% y/y) on sharply rising prices of hard coal and tight market conditions. RES generation in Q4 was at 0.55TWh (-17% y/y) and in 2022 at 2.2TWh (-4% y/y). RES production was reduced by overhaul in biomass Szczecin CHP plant and weaker wind generation in Q4.

Heat volumes were lower in Q4 (-1.5PJ, -8% y/y) in and 2022 (-4.0PJ, -7% y/y) on higher average external temperatures in heating season. Volumes of electricity distributed at 9.5TWh (-3% y/y) in Q4 and 37.1TWh (-2% y/y) in 2022 impacted by post-Covid pattern of declining household consumption. Sales to end-users at 8.6TWh (-10% y/y) and 34.3TWh (-9% y/y) declined in effect of reviewed commercial assumptions.

### Recurring EBITDA lower both in Q4 and 2022 impacted by weak Q4 results

Recurring EBITDA at PLN 0.6bn (-71% y/y) in Q4 and at PLN 7.1bn (-12% y/y) in 2022, declined mainly on sharply lower result on electricity&heat generation. On the other hand we see positive impact of higher margins in Renewables and Supply segments.

Negative impact of legal regulations limiting electricity prices introduced in Poland in Q4 2022. Contributions to the Price Difference Payment Fund in segments of Conventional Generation, District Heating, Renewables and Supply amounted to PLN 0.35bn.

Conventional Generation recurring EBITDA was negative at PLN -0.4bn in Q4 and plummeted to PLN 0.6bn (-76% y/y) in 2022. Margins were shrinking on sharply rising costs of hard coal (the greatest effect visible in Q4 results). Fixed costs were also higher following rising inflation.

District Heating was close to break-even in Q4 at PLN -0.01bn and in 2022 at PLN 0.03 (-96% y/y). Profits were erased by sharply higher gas prices and rising CO<sub>2</sub> and hard coal costs which were only to small extend transferred to clients in heat tariffs. Positive impact of settlement related to green certificates with ENEA at approx. PLN 0.2bn.

RES segment recurring EBITDA was slightly lower in Q4 at PLN 0.4bn (-6% y/y) but came sound at PLN 1.8bn (+77% y/y) in 2022 mainly as result of sharply higher electricity prices on SPOT market and higher trade margins of pumped-storage power plants.

Supply segment posted upbeat recurring EBITDA in Q4 at PLN 0.3bn (vs. loss of PLN -0.1bn in Q4 21) and at PLN 2.0bn (+115% y/y) in 2022. Results were improved on higher revenues from services provided to other segments of the PGE Group, positive changes in the balance of provisions and write-offs of trade receivables and higher margin on sales of electricity to final clients.

Distribution recurring EBITDA inched down to PLN 0.7bn (-5% y/y) in Q4 and was slightly higher at PLN 2.8bn (+3% y/y) in 2022. Positive effect of higher distribution tariff was offset by negative effects of lower volumes, higher balancing cost and higher personnel costs.

## CAPEX: The new investment cycle has already begun

Expenditures on investments (on accrual basis) in PGE Group jumped to PLN 3.2bn (+102% y/y) in Q4 and to PLN 7.1bn (+51% y/y) mainly on increased outlays for investment in low-emissions sources (CCGT Gryfino at Dolna Odra location and New CHP Czechnica) and in Distribution segment. Acceleration of capex (offshore, PVs, gas CHP, CCGT units in Gryfino, grid grounding, smart metering) is also ahead in 2023.

## Net cash as result of new shares issue

Net cash at the end of 2022 at PLN 2.7bn (vs. net debt at PLN 4.2bn at the end of 2021) mainly as result of proceeds from new shares issue (+PLN 3.2bn) and deferred payment for CO2. Real value of net debt (adjusted by forward payments for CO2): PLN 14.4bn (adjusted net debt/ recurring LTM EBITDA = 2.0x).

### Key Financials

PLNm	Q4 2022	Q4 2021	y/y [%]	12M 2022	12M 2021	y/y [%]
Sales	21 455	19 880	8%	73 435	52 772	39%
EBITDA	339	2 171	-84%	8 657	9 535	-9%
Recurring EBITDA	580	1 969	-71%	7 120	8 129	-12%
EBIT	-760	993	-	4 299	5 123	-16%
Recurring EBIT	-483	875	-	2 866	3 933	-27%
Net profit/loss (to equity)	-614	721	-	3 328	3 972	-16%
Net profit/loss (to equity) ex. impairments	-585	789	-	3 412	4 147	-18%

### EBITDA by segments

PLNm	Q4 2022	Q4 2021	y/y [%]	12M 2022	12M 2021	y/y [%]
Conventional Generation	-622	1 275	-	2 065	4 078	-49%
District heating	-10	-62	84%	39	805	-95%
Renewables	393	420	-6%	1 795	1 016	77%
Distribution	710	732	-3%	2 850	2 779	3%
Supply	358	-195	-	2 043	827	147%

### EBIT by segments

PLNm	Q4 2022	Q4 2021	y/y [%]	12M 2022	12M 2021	y/y [%]
Conventional Generation	-1 095	732	-	127	1 998	-94%
District heating	-203	-283	28%	-713	104	-
Renewables	305	327	-7%	1 440	686	110%
Distribution	383	432	-11%	1 616	1 559	4%
Supply	350	-203	-	2 010	794	153%

### Key operating data

TWh	Q4 2022	Q4 2021	y/y [%]	12M 2022	12M 2021	y/y [%]
Net Generation Volume	17.79	18.23	-2%	66.13	68.95	-4%
Sales to End-users	8.56	9.56	-10%	34.28	37.48	-9%
Electricity Distribution Volume	9.52	9.80	-3%	37.07	37.74	-2%
Sales of Heat [PJ]	17.49	18.91	-8%	51.28	55.07	-7%

### Electricity generation by source

TWh	Q4 2022	Q4 2021	y/y [%]	12M 2022	12M 2021	y/y [%]
Lignite-fired power plants	9.63	9.81	-2%	39.51	37.30	6%
Hard coal-fired power plants	5.10	4.97	3%	16.30	19.87	-18%
Coal-fired CHPs	1.34	1.47	-9%	4.34	4.56	-5%
Gas-fired CHPs	0.90	1.13	-20%	2.79	4.22	-34%
Biomass-fired CHPs	0.07	0.10	-30%	0.25	0.37	-32%
Waste-to-energy CHPs	0.00	0.01	-100%	0.03	0.04	-25%
Pumped-storage	0.27	0.19	42%	0.95	0.69	38%
Hydro	0.07	0.08	-13%	0.39	0.45	-13%
Wind	0.41	0.47	-13%	1.57	1.45	8%
<b>TOTAL</b>	<b>17.79</b>	<b>18.23</b>	<b>-2%</b>	<b>66.13</b>	<b>68.95</b>	<b>-4%</b>