



Details of the webcast from the meeting with CEO & CFO

November 23, 2022 (Wednesday), 10.00 AM CET

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

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

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Operations: Lower hard coal generation, higher RES generation, declining distribution volumes

Financials: Higher SPOT prices in RES an better margins in Supply made up for rising operating costs (mainly production fuels)

- PGE power generation at 16.0TWh (Q3 2022), -9% y/y and at 48.3TWh (9M 2022), -5% y/y declined on lower production on hard coal and natural gas.
- Lower margins on electricity and heat generation in Conventional Generation and District Heating, sharply higher SPOT prices in Renewables, higher tariffs in Distribution and higher intra group fees and retail margins in Supply.
- Recurring EBITDA at PLN 2.3bn (+20% y/y) in Q3 and at PLN 6.5bn (+6% y/y) in 9M 2022 increased mainly on much higher margins in Renewables and Supply segments, which more than offset declining results on electricity&heat generation.
- Reported EBITDA at PLN 1.9bn (-9% y/y) in Q3 and at PLN 8.3bn (+13% y/y) in 9M 2022 was impacted by one-offs including mainly reclamation provision and temporary items (rollover of the EUA contracts in 2021).
- PLN 1.8bn net cash at the end of Q3 2022 due to proceeds from issue of shares and deferred payment for CO2

Generation volumes adjusted to changing market situation

Strong volumes of lignite generation in Q3 (+0.3TWh, +3% y/y) and (+2.4TWh, +9% y/y) in 9M vs. declining volumes of hard coal generation in Q3 (-1.5TWh, -22% y/y) and 9M (-3.8TWh, -21% y/y) on sharply rising prices of hard coal and tight market conditions. RES generation in Q3 was at 0.35TWh (-30%y/y) and in 9M at 1.7TWh (+1%y/y). Wind generation was strong (+18% y/y) in 9M but RES production was reduced by overhaul in biomass Szczecin CHP plant. Heat volumes were lower by (-1% y/y) in Q3 and (-2.4PJ, -7% y/y) in 9M on higher average external temperatures in heating season. Volumes of electricity distributed at 8.9TWh (-4% y/y) in Q3 and 27.5TWh (-1% y/y in 9M impacted by post-Covid pattern of declining household consumption. Sales to end-users at 8.3TWh (-10% y/y) and 25.7TWh (-8% y/y) declined in effect of reviewed commercial assumptions.

Recurring EBITDA higher both in Q3 and 9M 2022

Recurring EBITDA at PLN 2.3bn (+20% y/y) in Q3 and at PLN 6.5bn (+6% y/y) in 9M increased mainly on much higher margins in Renewables and Supply segments, which more than offset declining results on electricity&heat generation.

Conventional Generation recurring EBITDA declined to PLN 0.6bn (-16% y/y) in Q3 and to PLN 1.0bn (-44% y/y) in 9M. Margins were shrinking on sharply rising costs of hard coal (visible from Q2 results). Fixed costs were also higher. In Q3 results were temporarily supported by higher SPOT prices of electricity.

District Heating was close to break-even in Q3 at PLN -0.01bn and in 9M at PLN 0.04 (-95% y/y). Profits were erased by sharply higher gas prices and rising CO₂ and hard coal costs, which were only to small extend transferred to clients in heat tariffs.

RES segment recurring EBITDA came sound at PLN 0.6bn (+163% y/y) in Q3 and PLN 1.4bn (+135% y/y) in 9M 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 Q3 at PLN 0.5b (+55% y/y) and at PLN 1.6bn (+60% y/y) in 9M. Results were improved on higher revenues from services provided to other segments of the PGE Group and higher margin on sales of electricity to final clients.

Distribution recurring EBITDA inched up to PLN 0.7bn (+3% y/y) in Q3 and PLN 2.1bn (+6% y/y) in 9M. Positive effect of higher distribution tariff made up for negative effects of lower volumes, higher balancing cost and higher personnel costs.

CAPEX: start of a new investment cycle

Expenditures on investments (on accrual basis) in PGE Group jumped to PLN 2.0bn (+142% y/y) in Q3 and to PLN 3.8bn (+25% y/y) mainly on increased outlays for investment in low-emissions sources (CCGT Gryfino at Dolna Odra location

and New CHP Czechnica) an 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 Q3 2022 at PLN 1.8bn (vs. net cash at PLN 0.6bn in H1 2022) 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 11.1bn (adjusted net debt/ LTM EBITDA = 1.1x)

Key Financials

PLNm	Q3 2022	Q3 2021	y/y [%]	9M 2022	9M 2021	y/y [%]
Sales	19 355	10 942	77%	51 980	32 892	58%
EBITDA	1 926	2 110	-9%	8 318	7 364	13%
Recurring EBITDA	2 328	1 941	20%	6 540	6 160	6%
EBIT	805	972	-17%	5 059	4 130	22%
Recurring EBIT	1 262	866	46%	3 349	3 058	10%
Net profit (to equity)	654	561	17%	3 942	3 251	21%
Net profit (to equity) ex. impairments	698	612	14%	3 997	3 358	19%

EBITDA by segments

PLNm	Q3 2022	Q3 2021	y/y [%]	9M 2022	9M 2021	y/y [%]
Conventional Generation	157	754	-79%	2 687	2 803	-4%
District heating	-10	152	-	49	867	-94%
Renewables	561	214	162%	1 402	596	135%
Distribution	668	665	0%	2 140	2 047	5%
Supply	509	316	61%	1 685	1 022	65%

EBIT by segments

PLNm	Q3 2022	Q3 2021	y/y [%]	9M 2022	9M 2021	y/y [%]
Conventional Generation	-326	193	-	1 222	1 266	-3%
District heating	-217	-9	-2 311%	-510	387	-
Renewables	463	122	280%	1 135	359	216%
Distribution	363	360	1%	1 233	1 127	9%
Supply	500	307	63%	1 660	997	66%

Key operating data

TWh	Q3 2022	Q3 2021	y/y [%]	9M 2022	9M 2021	y/y [%]
Net Generation Volume	16.02	17.60	-9%	48.34	50.72	-5%
Sales to End-users	8.26	9.17	-10%	25.72	27.92	-8%
Electricity Distribution Volume	8.93	9.30	-4%	27.55	27.94	-1%
Sales of Heat [PJ]	4.03	4.05	0%	33.79	36.16	-7%

Electricity generation by source

TWh	Q3 2022	Q3 2021	y/y [%]	9M 2022	9M 2021	y/y [%]
Lignite-fired power plants	10.01	9.73	3%	29.88	27.49	9%
Hard coal-fired power plants	4.54	6.09	-25%	11.20	14.90	-25%
Coal-fired CHPs	0.59	0.52	13%	3.00	3.09	-3%
Gas-fired CHPs	0.28	0.63	-56%	1.89	3.09	-39%
Biomass-fired CHPs	0.00	0.12	-100%	0.18	0.27	-33%
Waste-to-energy CHPs	0.01	0.01	0%	0.03	0.03	0%
Pumped-storage	0.25	0.14	79%	0.68	0.50	36%
Hydro	0.06	0.09	-33%	0.32	0.37	-14%
Wind	0.28	0.27	4%	1.16	0.98	18%
TOTAL	16.02	17.60	-9%	48.34	50.72	-5%