



**Details of the webcast from
the meeting with CEO & CFO**
September 21, 2022 (Wednesday), 12.00 PM CEST

Link to the webcast: <https://infostrefa.tv/pge/>
Questions for Q&A session allowed via email: ir@gkpge.pl

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Operations: Decline in hard coal generation, higher RES generation, flattish distribution volumes
Financials: Results impacted by rising operating costs (mainly production fuels)

- PGE power generation at 15.0TWh (Q2 2022), -5% y/y and at 32.3TWh (H1 2022), -2% y/y declined on lower production on hard coal.
- 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 1.6bn (-22% y/y) in Q2 and at PLN 4.2bn (-2% y/y) declined on rising operating costs (mainly production fuels, personnel costs).
- Reported EBITDA at PLN 3.8bn (+24% y/y) in Q2 and at PLN 6.4bn (+22% y/y) in H1 2022 boosted by release of reclamation provision of PLN 2.2bn.
- PLN 0.58bn net cash at the end of Q2 2022 due to proceeds from issue of shares (+PLN 3.2bn)

Generation volumes adjusted to changing market situation

Strong volumes of lignite generation in Q2 (+0.6TWh, +6% y/y) and H1 (+2.1TWh, +12% y/y) vs. declining volumes of hard coal generation in Q2 (-1.0TWh, -19% y/y) and H1 (-2.3TWh, -20% y/y) on sharply rising prices of hard coal and tight market conditions. RES generation in Q2 at 0.6TWh (+4% y/y) and in H1 at 1.3TWh (+15% y/y); in H1 mainly on better wind conditions.

Heat volumes lower (-0.7PJ, -8% y/y) in Q2 and (-2.4PJ, -8% y/y) in H1, on higher average external temperatures in heating season. Volumes of electricity distributed at 8.8TWh (-3% y/y) in Q2 and 18.6TWh (flat y/y) in H1 impacted by post-Covid pattern of declining household consumption. Sales to end-users at 8.4TWh (-8% y/y) and 17.5TWh (-7% y/y) declined in effect of reviewed commercial assumptions.

Recurring EBITDA declined both in Q2 and H1 2022

Recurring EBITDA at PLN 1.6bn (-22% y/y) in Q2 and at PLN 4.2bn (-2% y/y) declined on rising operating costs (mainly production fuels, personnel costs) visible mainly in Conventional Generation and District Heating. Reported EBITDA at PLN 3.8bn (+24% y/y) in Q2 and at PLN 6.4bn (+22% y/y) in H1 2022 was boosted by release of reclamation provision of PLN 2.2bn (the balance of reclamation provision y/y was changed by PLN 1.2bn in Q2 and H1).

Conventional Generation recurring EBITDA significantly lower, turned to loss of PLN - 0.04bn in Q2 and declined to PLN 0.4bn (-65% y/y) in H1 2022 mainly on rising costs of hard coal and cost of social agreements.

District Heating reported negative recurring EBITDA at PLN -0.2bn (loss) in Q2 and was almost at break-even in H1 at PLN 0.05bn (-93% y/y). Margins were hit by sharply higher gas prices and rising CO₂ and hard coal costs, which were only to small extent transferred to clients in heat tariffs.

RES segment recurring EBITDA came sound at PLN 0.3bn (+80% y/y) in Q2 and PLN 0.8bn (+120% y/y) in H1 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 Q2 at PLN 0.6bn (+63% y/y) and at PLN 1.1bn (+62% y/y) in H1. 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 was mixed at PLN 0.7bn (-5% y/y) in Q2 and PLN 1.5bn (+8% y/y) in H1. In Q2 results declined y/y as positive effect of higher distribution tariff was dominated by negative impact of lower volumes and higher personnel costs.

CAPEX: A new investment cycle ahead

Expenditures on investments (on accrual basis) in PGE Group dropped to PLN 0.9bn (-33% y/y) in Q2 and to PLN 1.8bn (-18% y/y) in H1 as major projects in Conventional Generation were not fully offset by investment in low-emissions sources (CCGT Dolna Odra and New CHP Czechnica). Higher Distribution CAPEX in Q2 2022 at PLN 0.4bn (+20% y/y)

mainly as an effect of increase in distribution grid outlays. Acquisition of Collfield Investments in Q2 (three wind farms with capacity of 84.2 MW) for PLN 0.8bn. Acceleration of capex (offshore, PVs, gas CHP, CCGT units in Dolna Odra, grid grounding, smart metering) ahead in H2 2022.

Net cash as result of new shares issue

Net cash at the end of Q2 2022 at PLN 0.58bn (vs. net debt of PLN 4.2 in Q1 2022) mainly as result of proceeds from new shares issue (+PLN 3.2bn). Real value of net debt (adjusted by forward payment for CO2): PLN 9.8bn (adjusted net debt/ LTM EBITDA = 0.92x)

Key Financials

PLNm	Q2 2022	Q2 2021	y/y [%]	H1 2022	H1 2021	y/y [%]
Sales	15 728	10 008	57%	32 625	21 950	49%
EBITDA	3 777	3 048	24%	6 392	5 254	22%
Recurring EBITDA	1 616	2 084	-22%	4 212	4 290	-2%
EBIT	2 704	1 994	36%	4 254	3 158	35%
Recurring EBIT	550	1 055	-48%	2 087	2 263	-8%
Net profit (to equity)	2 266	1 882	20%	3 288	2 690	22%
Net profit (to equity) ex. impairments	2 272	1 902	19%	3 299	2 746	20%

EBITDA by segments

PLNm	Q2 2022	Q2 2021	y/y [%]	H1 2022	H1 2021	y/y [%]
Conventional Generation	2 092	1 538	36%	2 530	2 049	23%
District heating	-142	205	-	59	715	-92%
Renewables	341	189	80%	841	382	120%
Distribution	674	724	-7%	1 472	1 382	7%
Supply	583	354	65%	1 176	706	67%

EBIT by segments

PLNm	Q2 2022	Q2 2021	y/y [%]	H1 2022	H1 2021	y/y [%]
Conventional Generation	1 600	1 032	55%	1 548	1 073	44%
District heating	-321	39	-	-293	396	-
Renewables	256	133	92%	672	237	184%
Distribution	373	419	-11%	870	767	13%
Supply	575	347	66%	1 160	690	68%

Key operating data

TWh	Q2 2022	Q2 2021	y/y [%]	H1 2022	H1 2021	y/y [%]
Net Generation Volume	15.00	15.85	-5%	32.32	33.12	-2%
Sales to End-users	8.36	9.08	-8%	17.46	18.75	-7%
Electricity Distribution Volume	8.83	9.11	-3%	18.62	18.64	0%
Sales of Heat [PJ]	8.42	9.16	-8%	29.70	32.12	-8%

Electricity generation by source

TWh	Q2 2022	Q2 2021	y/y [%]	H1 2022	H1 2021	y/y [%]
Lignite-fired power plants	9.57	9.00	6%	19.87	17.76	12%
Hard coal-fired power plants	3.35	4.27	-22%	6.66	8.81	-24%
Coal-fired CHPs	0.83	0.88	-6%	2.41	2.57	-6%
Gas-fired CHPs	0.49	1.01	-51%	1.61	2.46	-35%
Biomass-fired CHPs	0.09	0.06	50%	0.18	0.15	20%
Waste-to-energy CHPs	0.01	0.01	0%	0.02	0.02	0%
Pumped-storage	0.21	0.16	31%	0.43	0.36	19%
Hydro	0.12	0.14	-14%	0.26	0.28	-7%
Wind	0.33	0.32	3%	0.88	0.71	24%
TOTAL	15.00	15.85	-5%	32.32	33.12	-2%
incl. renewable generation	0.55	0.53	4%	1.34	1.17	15%