

Q1 2022 Financial and Operating Results

May 25, 2022



Leading in the green transition

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President of the Management Board, CEO
PGE Polska Grupa Energetyczna



Financial results for the first quarter of 2022

- Stable financial results of PGE Group in the first quarter of 2022;
- PLN 2.6 billion EBITDA profit, which is 19 percent more than in the first quarter of 2021;
- Ca. PLN 800 million in EBITDA from distribution activities;
- For the first time, PLN 500 million EBITDA from renewables

Summary of the new share issue

- New share issue;
- Registration of the amendment to PGE's statute - finalization of the issue process
- Acquiring PLN 3.2 billion for the development of PGE Group in the area of distribution and renewable energy sources;
 - great interest from financial institutions, including foreign ones;
 - 141 entities taking up shares;
 - acquisition of shares by pension funds for approx. PLN 450 million, other funds for approx. PLN 250 million;
 - acquisition of shares by the State Treasury for the amount of PLN 2.5 billion;
- Increase in the share of the State Treasury in the shareholding structure by less than 3.5 percentage points to 60.86% share capital.

Summary of the investment area

- Consistent implementation of the PGE Group Strategy;
- Investments in renewable energy:
 - Conditional agreement for the purchase of three onshore wind farms with a total capacity of approx. 84 MW;
 - Launching, together with Ørsted, a tender for the general contractor of the onshore connection for the Baltica Offshore Wind Farm;
 - Online meeting for potential contractors of the Baltica Offshore Wind Farm;
 - Launch of wind measurements for the Baltica 1 project;
 - Starting analyzes of the use of geothermal sources for district heating needs in Szczecin;
- Announcement of the tender for radio access network components for LTE450 and settlement of the tender for the contractor of the billing and CRM system for PGE Group customers.

NABE and the reform of the EU climate policy

- Activities related to the reform of the EU ETS system and the Fit for 55 package;
- Presentation of the conclusions of the Compass Lexecon report;
- Adoption by the Committee on Industry, Research and Energy (ITRE) of the European Parliament of the amendment on the exclusion of financial institutions from the CO₂ emissions trading system;
- Adoption by the ENVI committee of the position on the revision of the EU ETS;
- Presentation by the European Commission of a set of initiatives related to the REPowerEU strategy;
- Final work on the implementation of the NABE financial and operational model.

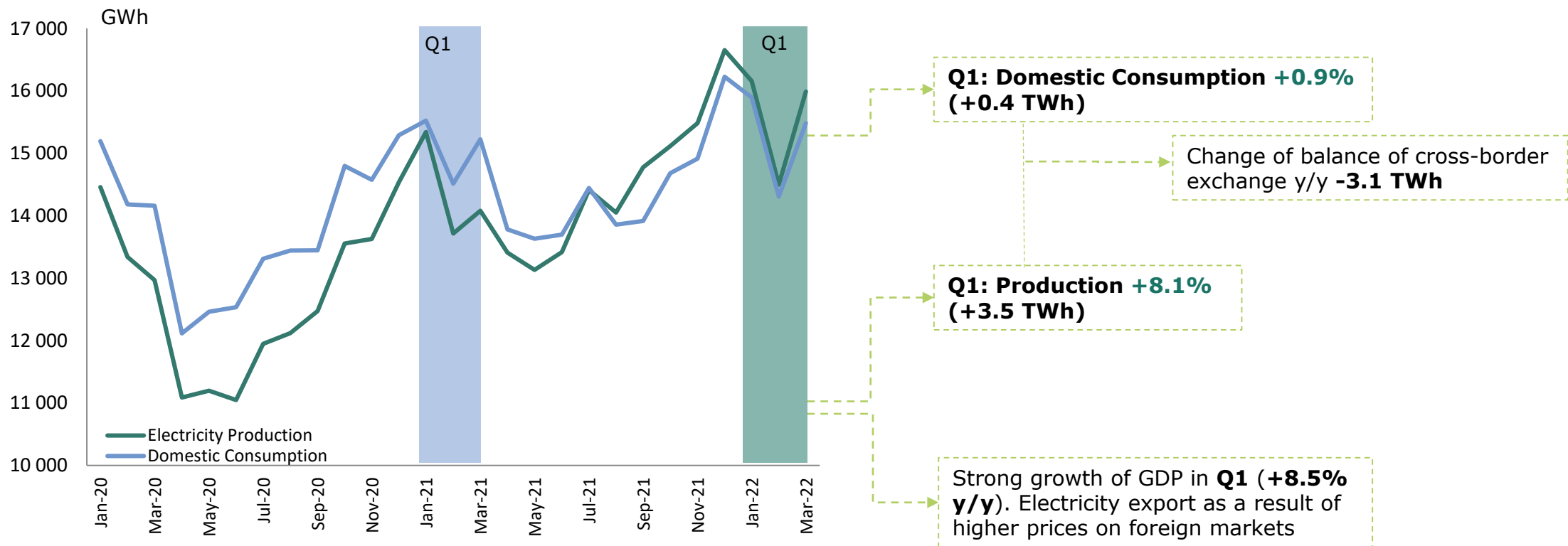
Lechosław Rojewski
Vice-President of the Board for Finance, CFO



Electricity market - balance of energy

Continuing trend of raising demand and export of electricity

Domestic consumption and generation

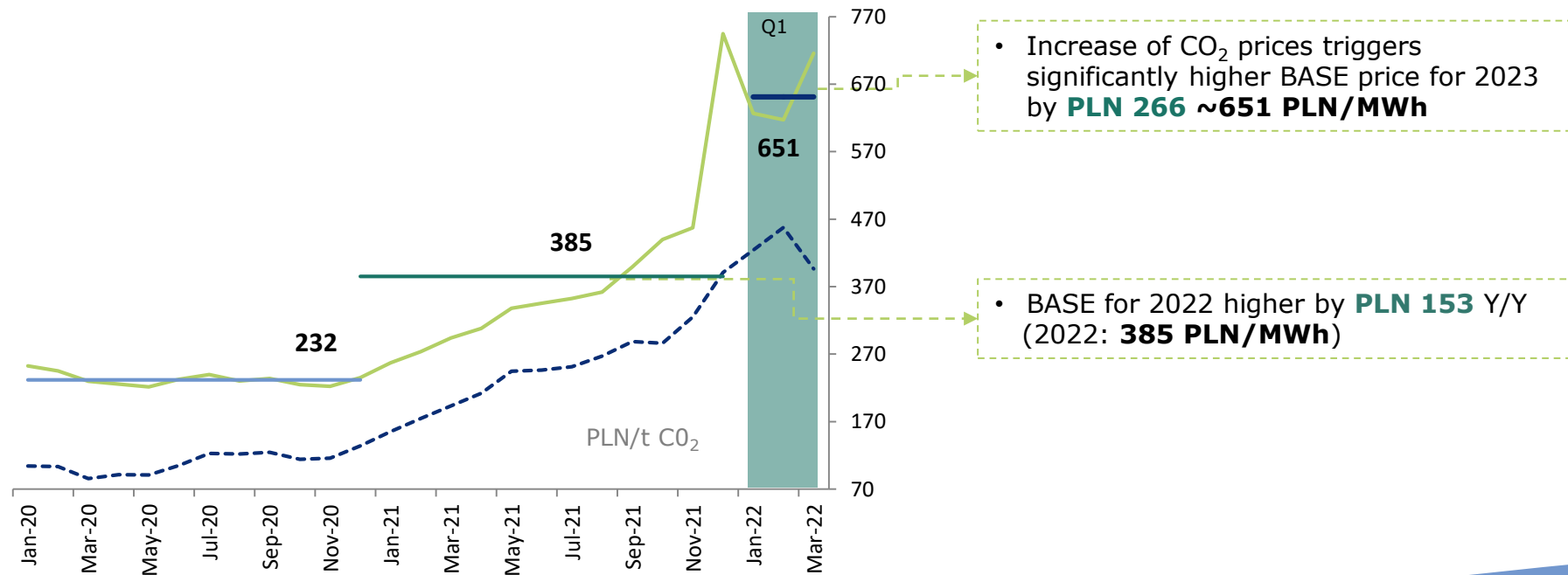


Source: PSE

Electricity market - price

Market uncertainty and raising fuel prices reflected in electricity prices

BASE Forward next year and CO₂ prices



Source: TGE

Summary of Q1 2022 - operating results

Net electricity generation



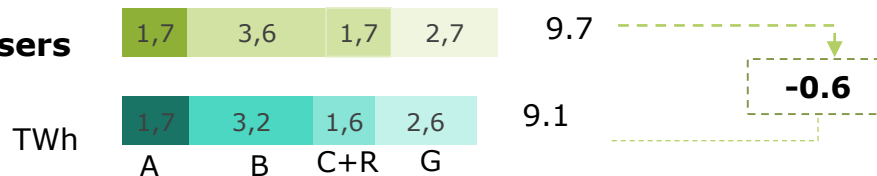
Higher lignite generation. Decline in hard coal generation. Higher RES generation.

Distribution of electricity



Continued growth in electricity demand as result of strong growth of GDP and industrial production in Q1'2022.

Sales to end-users



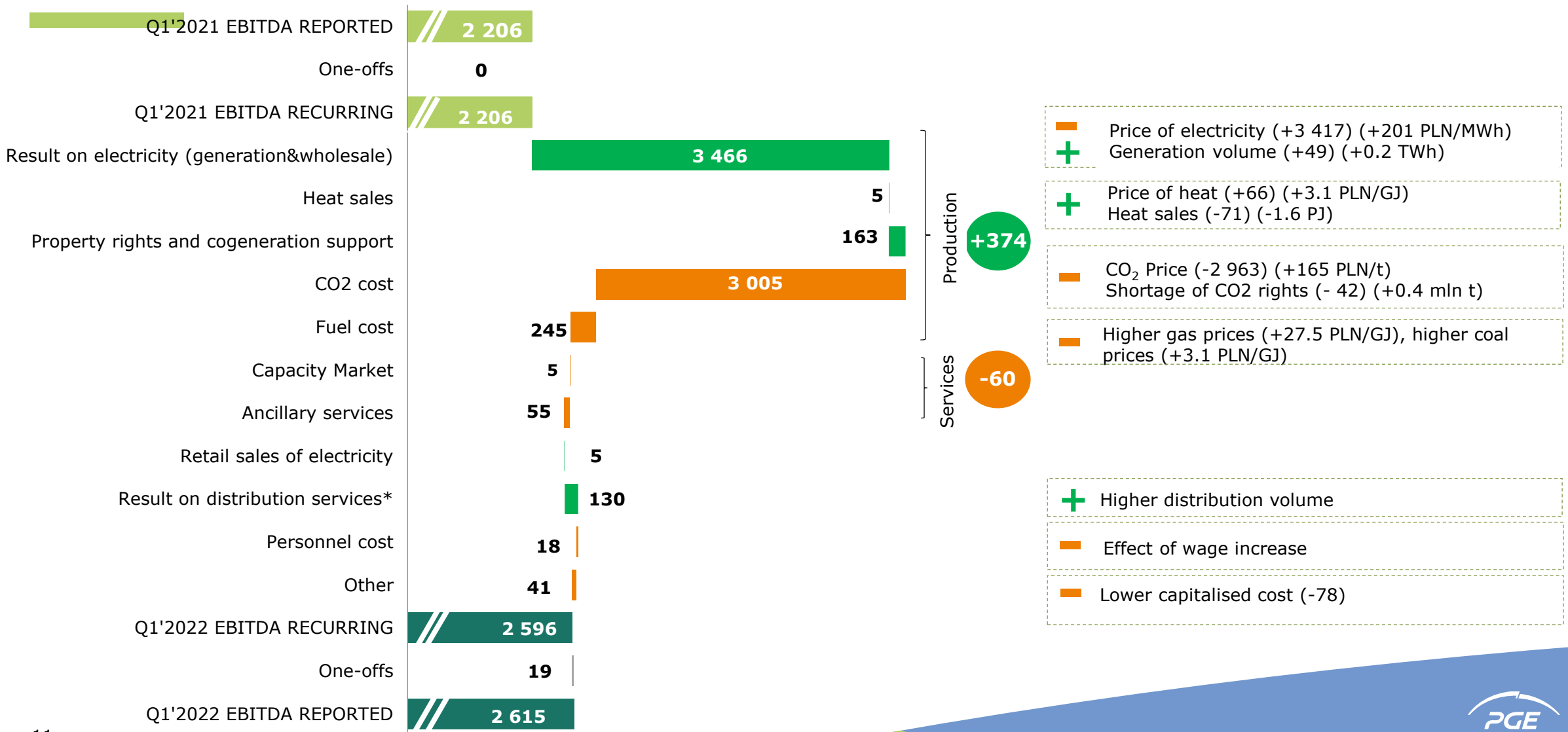
Lower sales to end users (-6% y/y). Decline in volume in all tariff groups except the largest business clients.

Heat sales



Lower demand for heat in result of outdoor conditions (average temperatures higher by 2.3 °C y / y).

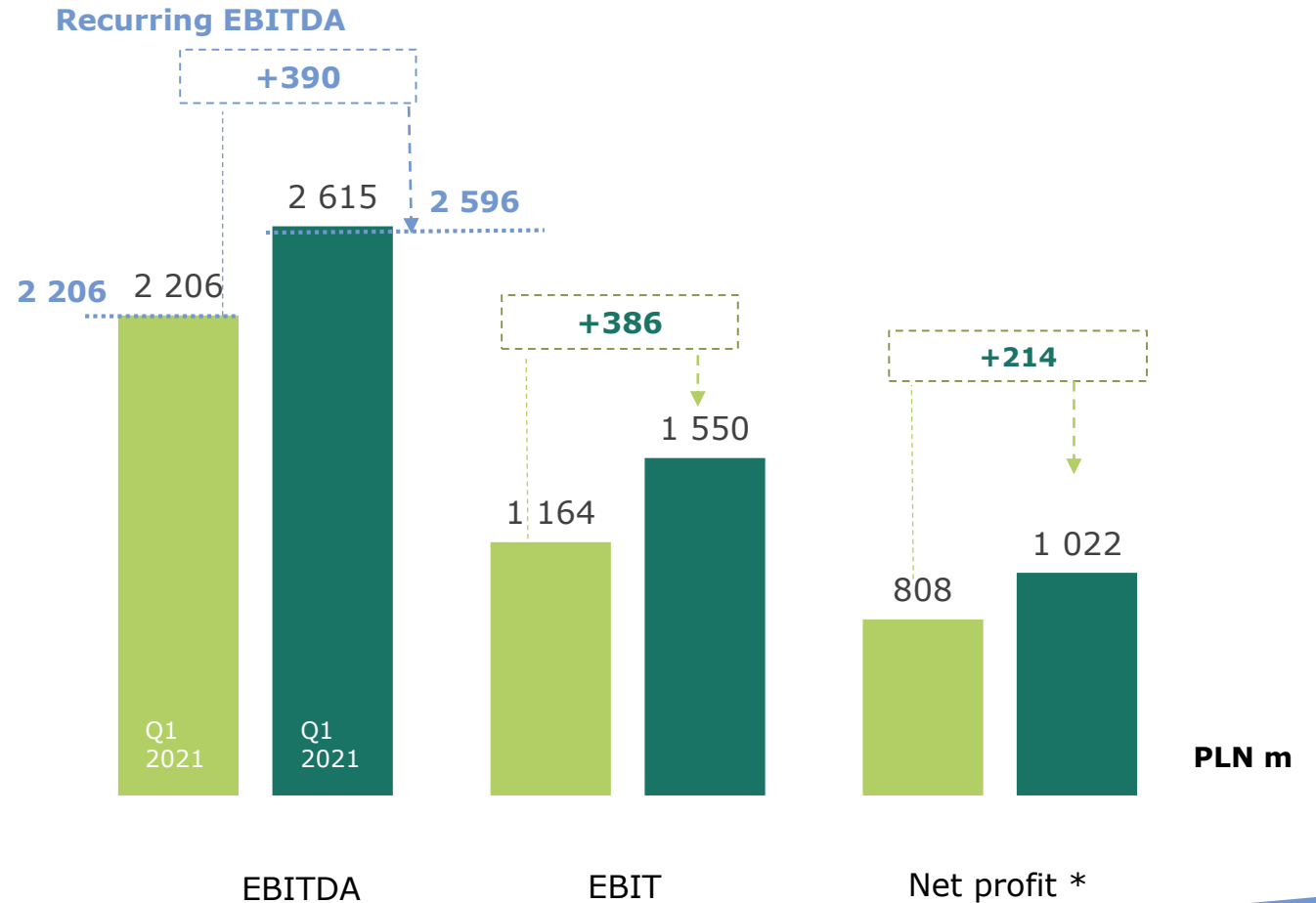
Development of EBITDA by major value drivers



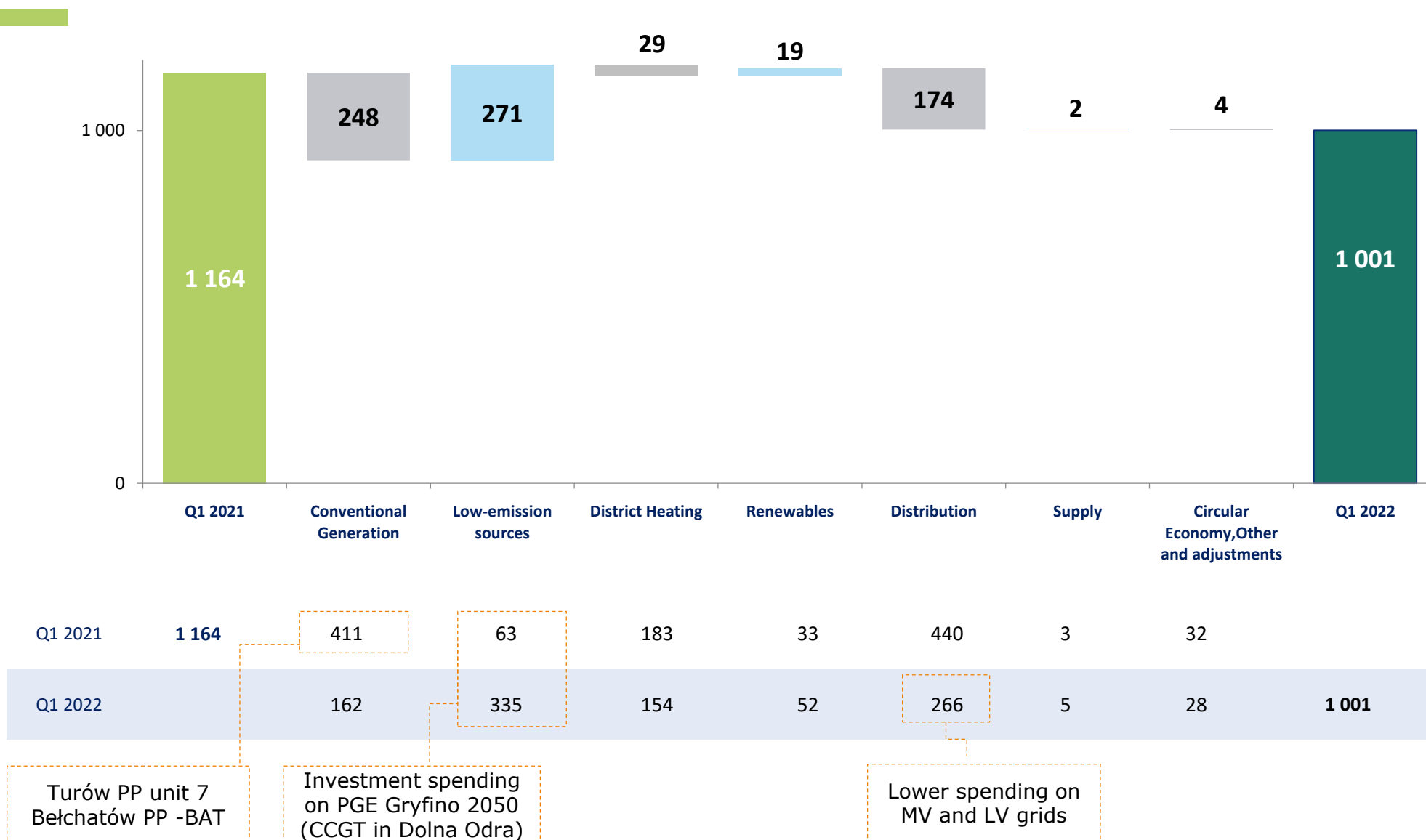
* Including balancing difference

Summary of Q1 2022- financial results

- Increase in recurring EBITDA by **PLN 390m**
- Reported EBITDA higher by **PLN 409m**. Negligible impact of one-offs:
 - Release of provision for prosumers **PLN + 19m**
- No significant write-offs reported. In Q1'2022 negative impact on EBIT of impairments of PPA and Right-of-Use Assets was at **(PLN -6m)** and in Q1'2021 impairments of PPA and Intangible Assets amounted to **(PLN -44m)**.



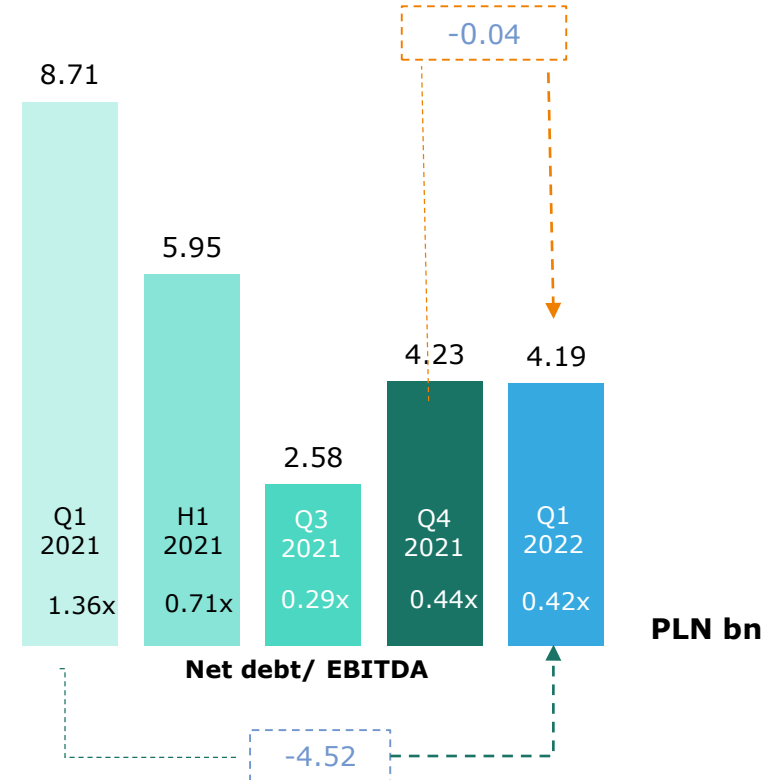
CAPEX Q1 2022 y/y (cash)



Summary of Q1 2022 -net debt

- Decline in net debt q/q in Q1 2022
- Strong EBITDA adjusted by CO₂ provision (approx. PLN 5.0bn)= **PLN 7.6bn.**
- Cash investment spending at **PLN 1.0bn.**
- Cash spending on purchase of CO₂ at approx. **PLN 6.0bn.**
- Expenditure on replenishment of coal stock approx. **PLN 0.3bn.**
- Real value of net debt (adjusted by forward payment for CO₂): **PLN 11.8bn** (Net debt/ LTM EBITDA 1.38x)

Net debt*



Recurring EBITDA: outlook for 2022

2022 vs 2021 perspective		Main factors
Conventional Generation	→	<ul style="list-style-type: none"> • Average annual wholesale price of electricity ~510-520 PLN/MWh • Average annual cost of CO₂ ~300-310 PLN/t • Volatile state of the markets poses risk to margin on unhedged position • Expected higher average cost of hard coal, although price of volume covered by long-term contracts is relatively stable • Pressure on production volumes from new RES capacities and assumed higher wind generation
District Heating	↓	<ul style="list-style-type: none"> • A two-fold increase in cost of CO₂ • Average price of contracted natural gas higher by approx. 150-200% • The increase in heating tariffs and support for gas cogeneration to a large extent does not cover the increase in CO₂ prices and fuel costs
Renewables	↑	<ul style="list-style-type: none"> • Expected higher SPOT prices of electricity • Expected average higher prices of green certificates • New PV capacities
Supply	→	<ul style="list-style-type: none"> • Pressure on margin from substantial rise in cost of electricity • Higher revenues from services of commercial management of generation capacities
Distribution	→	<ul style="list-style-type: none"> • Regulatory Asset Base (RAB) higher by ~PLN 0.7bn up to PLN ~19.6bn • Slightly higher WACC 5.8% (before tax) as result of possible additional premium for reinvestment

Q&A session

