

H1 & Q2 2022 Financial and Operating Results

September 21, 2022



Leading in the green transition

Wojciech Dąbrowski
President of the Management Board, CEO

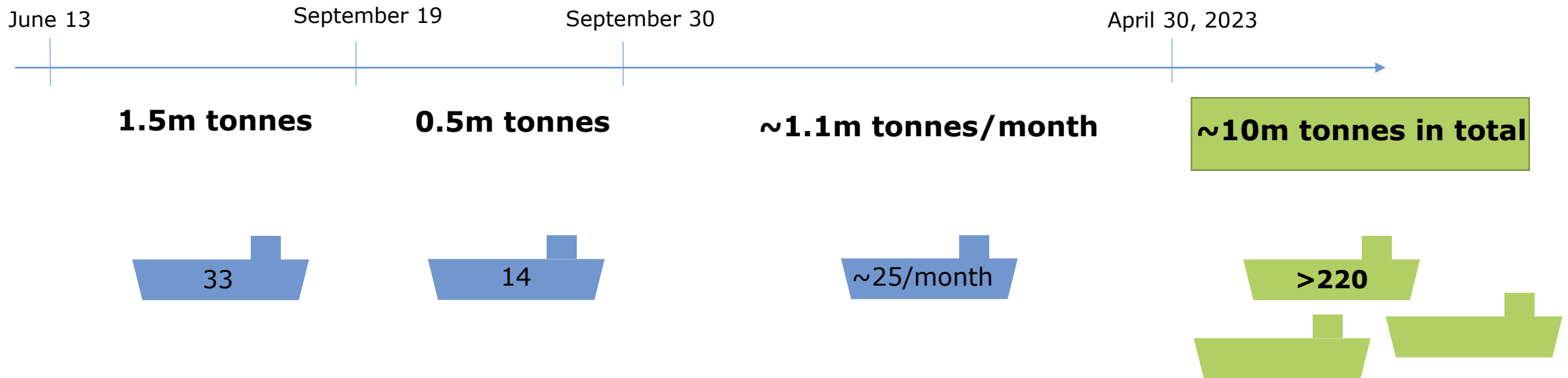


H1 2022 summary

- A period of instability on fuel markets and in the power sector
- Impact of electricity prices on PGE and consumers
- Continued implementation of the PGE Group's strategy towards climate neutrality

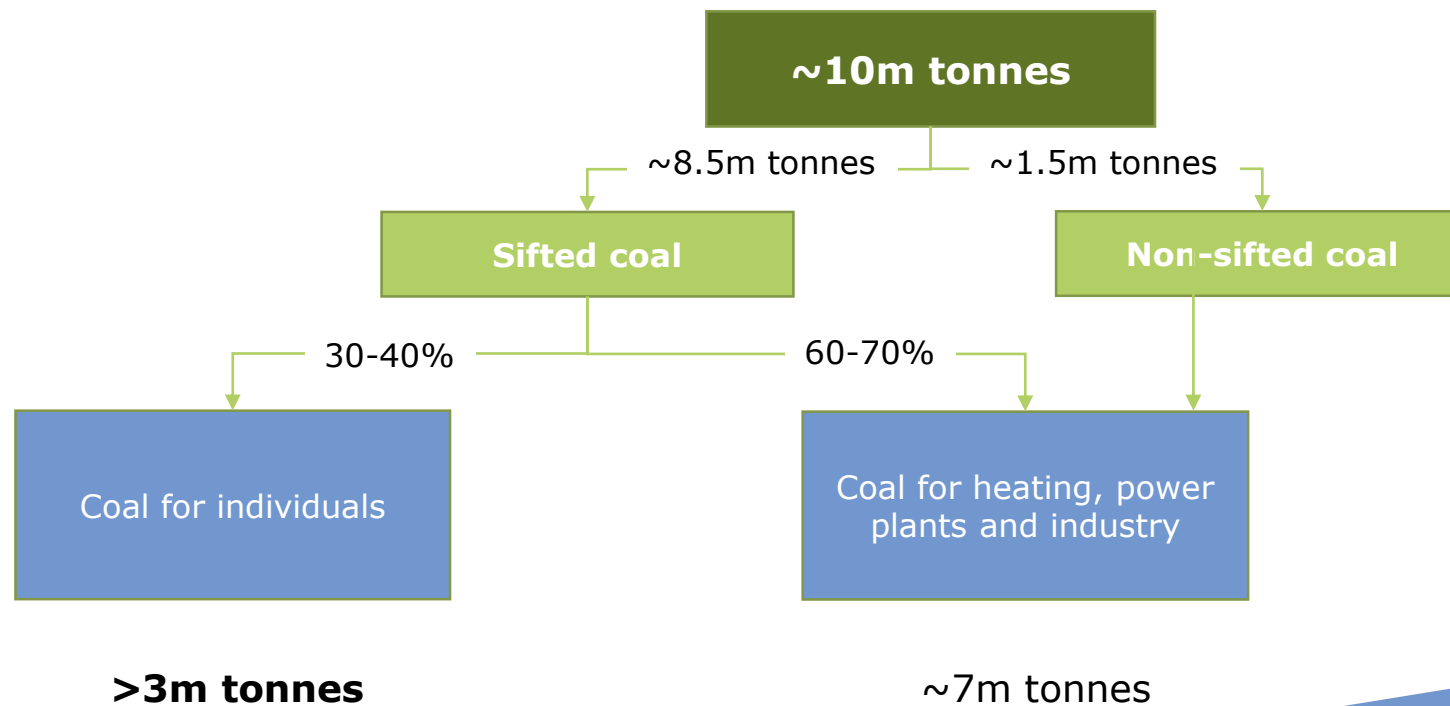
PGE in importing coal to Poland

- PGE Paliwa as a PGE Group company importing coal for individual customers
- Coal imports by PGE Paliwa (2022) - approx. 8 million tonnes
- Coal imports from Russia to Poland (2021) - approx. 8 million tonnes



PGE Paliwa - an experienced company, co-operating with reliable contractors

- Sale of heating coal for institutional customers and intermediaries - approx. PLN 2 100 net plus VAT.
- Offer for heating plants
- Offer for 2.8 thousand municipalities in Poland
- Imported coal only from verified contractors and certified.



Electricity market

- Electricity prices as a result of Russia's aggression against Ukraine
- Increase in prices of fuels shaping electricity prices - gas and hard coal
- Participation of the power industry in solving the problem of rising prices for consumers

Coal carve-out

- Works continued in line with the government timetable
- Due-diligence
- Dialogue with the social side
- Commencement of asset valuation process
- Carve-out as a twofold support for the national energy security.

Implementation of investments in line with the PGE Group Strategy

- Closing of wind farms acquisition (approx. 84MW)
- European Commission decision confirming support for Baltica 2&3 and at a level not higher than the maximum price of PLN 319.60/MWh (indexed for inflation)
- Selection of the contractor for the offshore wind farm construction project (Ramboll and Projmors)
- Start of environmental studies for Baltica 1 (Maritime University of Gdynia and MEWO S.A.)
- Advanced stage of selecting an offshore turbine supplier
- Development of human resources for the Polish offshore industry:
 - Letter of intent with the Institute of Hydroengineering of the Polish Academy of Sciences
 - PGE as a partner of the Postgraduate Studies in Offshore Wind Energy at the Gdańsk University of Technology
 - PGE Centre of Excellence for Offshore Wind Energy

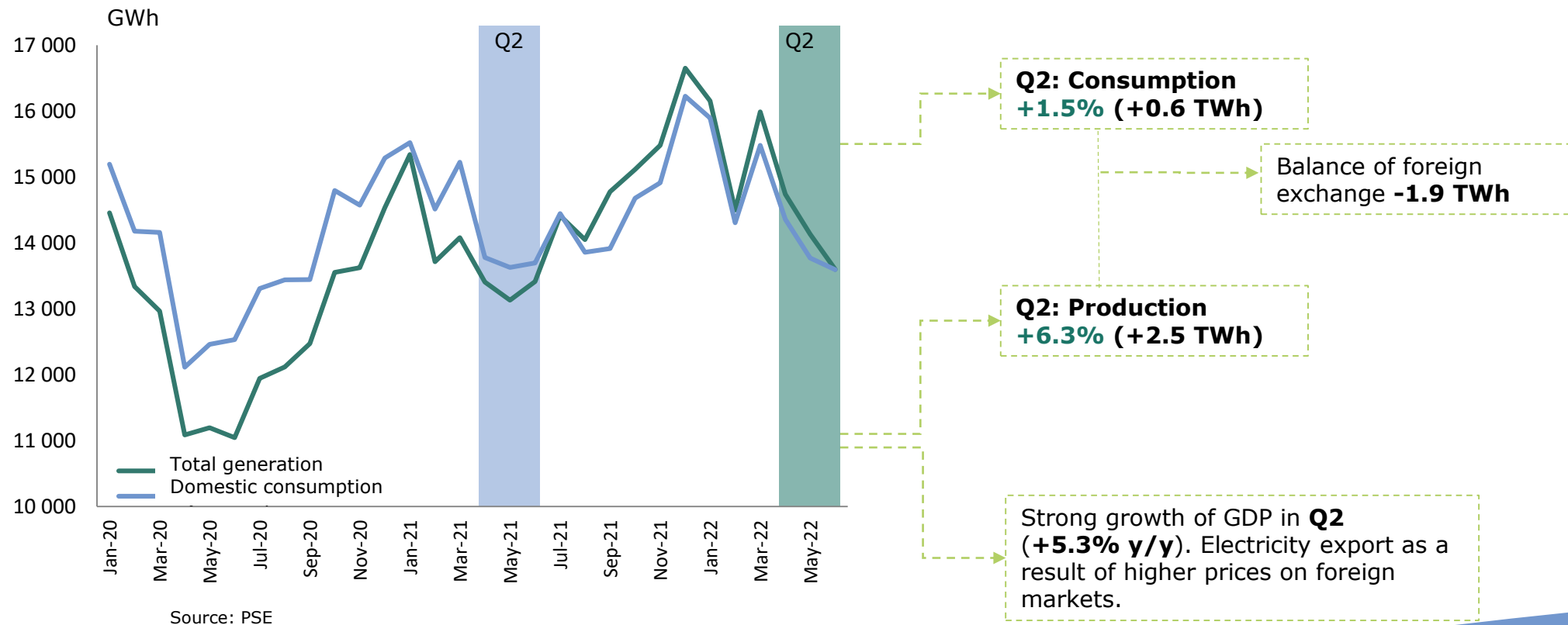
Lechosław Rojewski
Vice-President of the Board for Finance, CFO



Electricity market - balance of energy

Continuing trend of rising demand and export of electricity

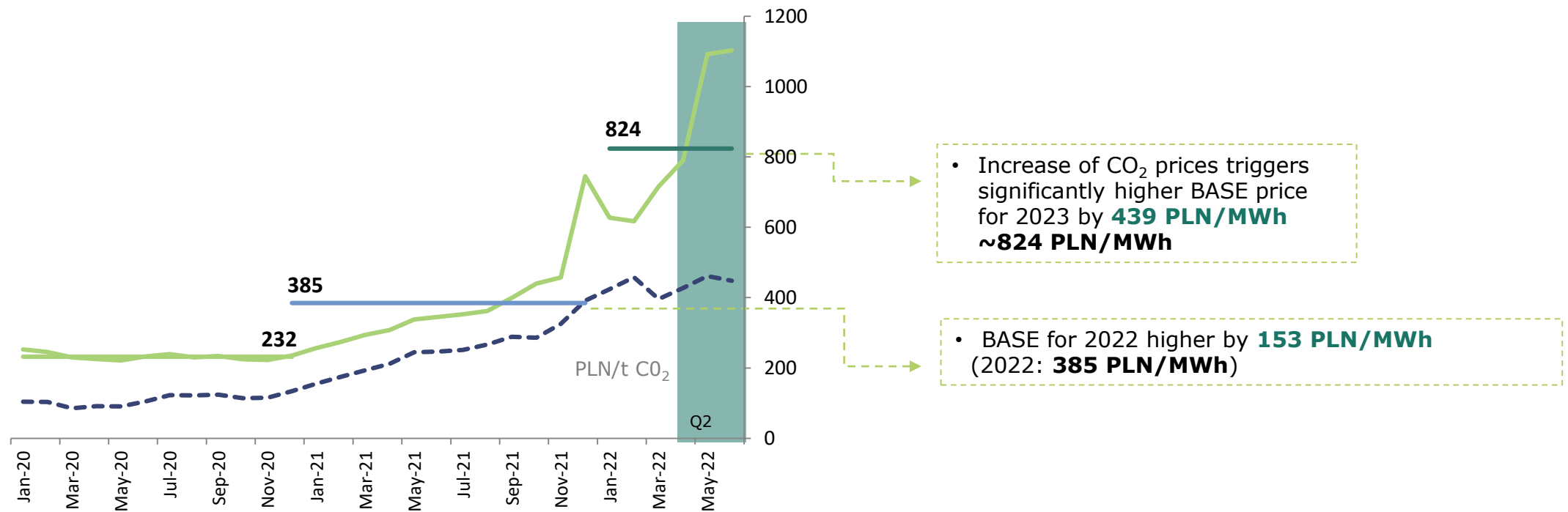
Domestic consumption and generation



Electricity market - price

Market uncertainty and rising fuel prices reflected in electricity prices

BASE Forward next year and CO₂ prices



Source: TGE

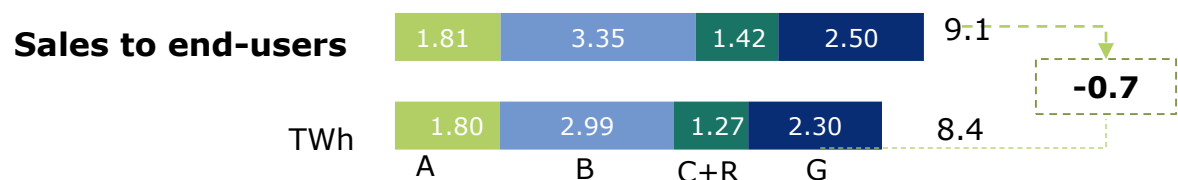
Summary of Q2 2022 - operating results



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



Decline in electricity demand as result of structure of final consumers.

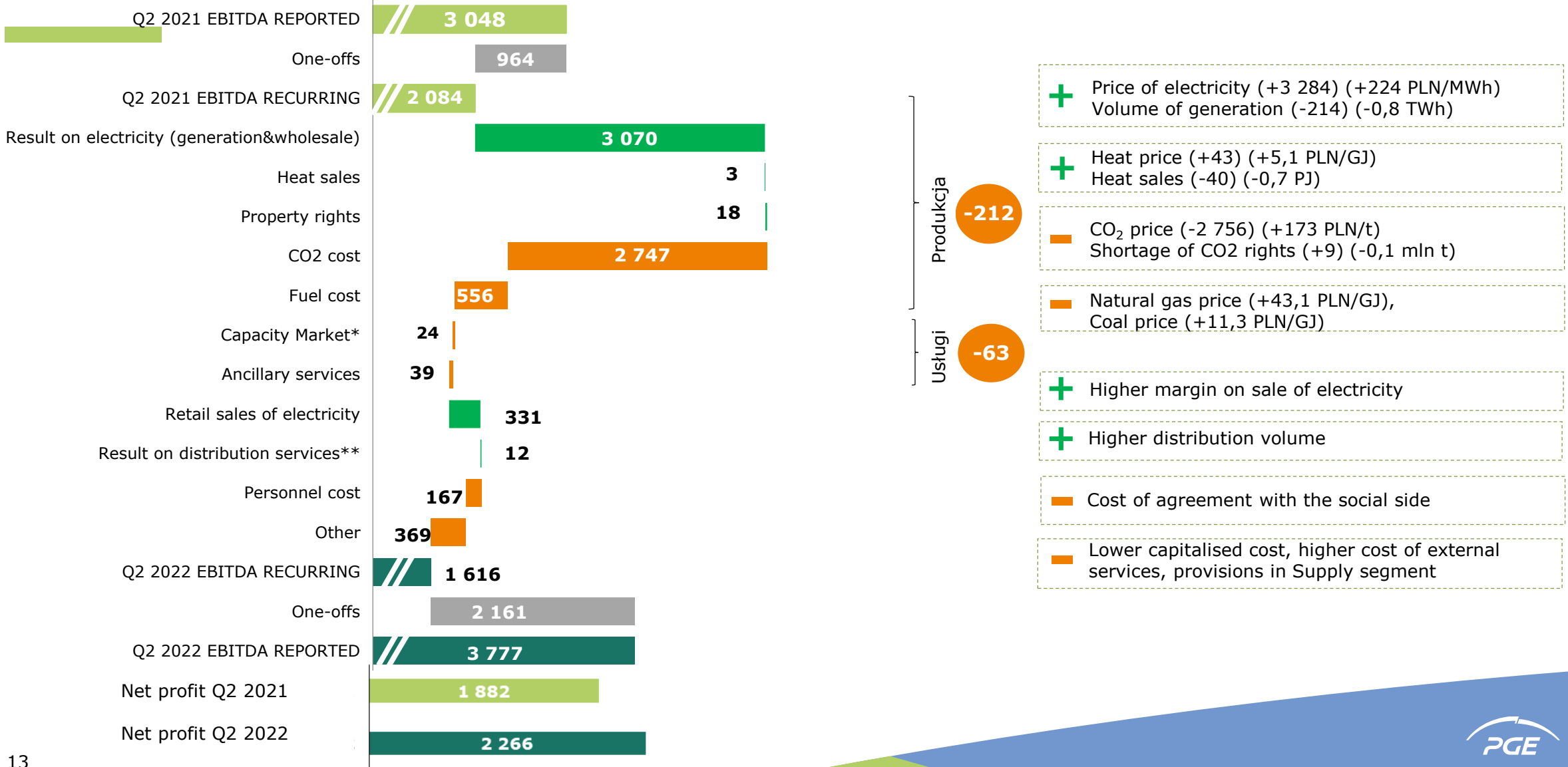


Lower sales to end users (-8% y/y). Decline in volume in all tariff groups.



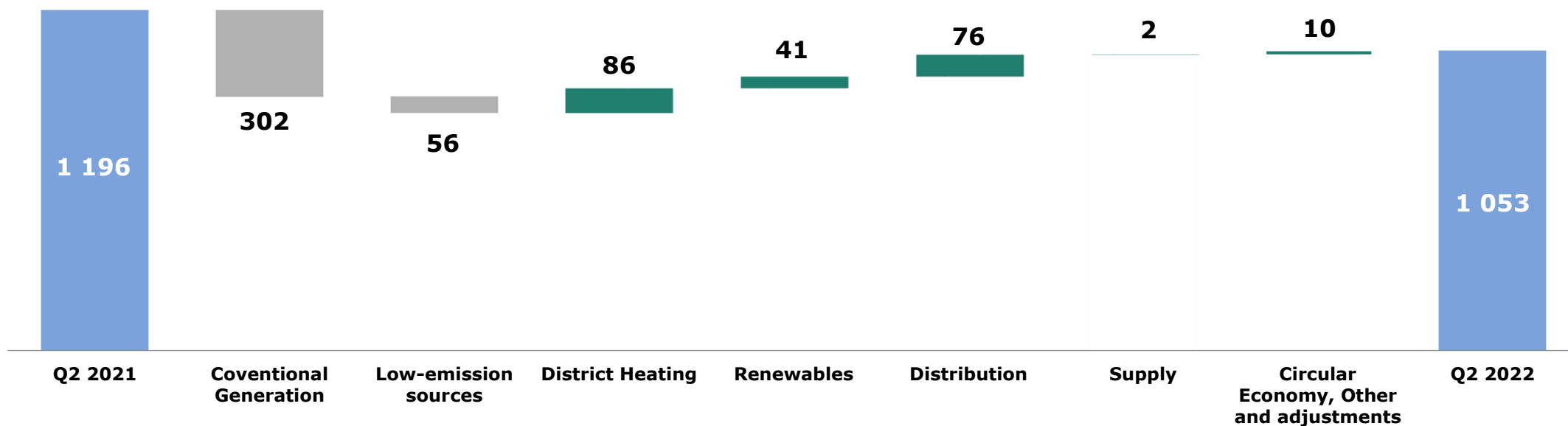
Lower demand for heat in result of weather conditions (higher average temperature).

Development of EBITDA by major value drivers (PLN m)



* in the managerial view, **including balancing difference ***net profit to equity

CAPEX Q2 2022 y/y (cash in PLN m)



	Q2 2021	Conventional Generation	Low-emission sources	District Heating	Renewables	Distribution	Supply	Circular Economy, Other and adjustments	Q2 2022
Q2 2021	1 196	455	326	89	26	288	1	11	
Q2 2022		153	270	175	67	364	3	21	1 053

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Turów PP, unit 7

PGE Gryfino 2050 (CCGT in Dolna Odra)

New CHP Czechnica

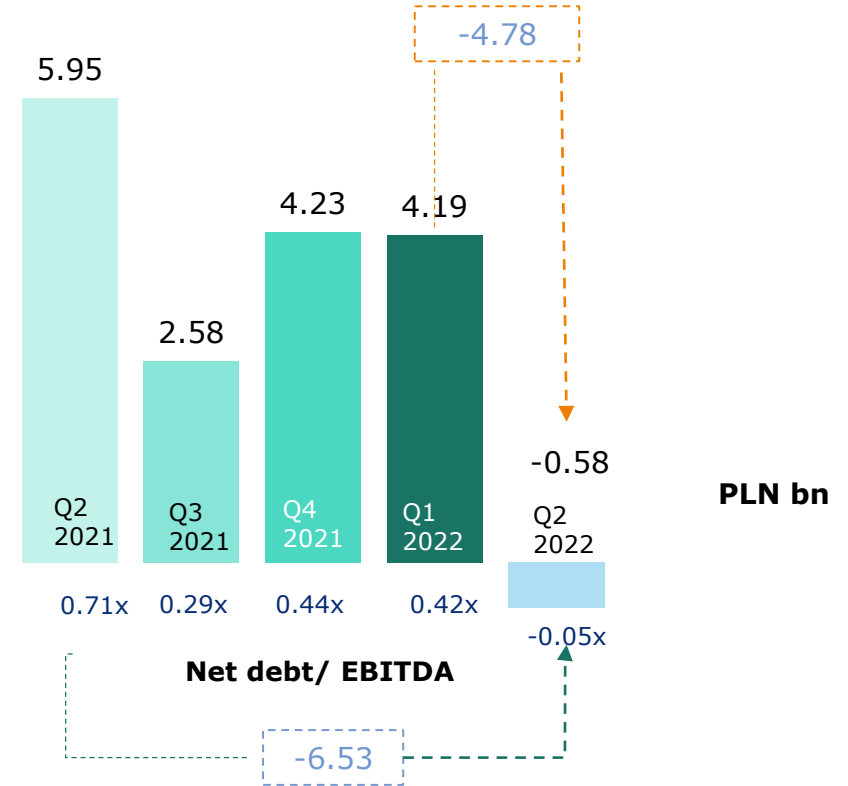
Additionally: acquisition of Collfield Investments PLN 773m

Higher spending on MV and LV grids

Summary of Q2 2022 -net debt

- Net cash at the end of Q2 2022 r.
 - Achieved recurring EBITDA **PLN 1.6bn**
 - Proceeds from the issue of shares **PLN 3.2bn**
 - Cash investment spending and acquisitions **PLN 1.8bn**
 - Provision on CO₂ adjusted by cash spending on purchase of CO₂ at approx. **PLN 1.4bn**
- Real value of net debt (adjusted by forward payment for CO₂): **PLN 9.8 bn** (Net debt/ LTM EBITDA = 0.92x)

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 ~520-530 PLN/MWh • Average annual cost of CO₂ ~300-310 PLN/t • Volatile state of the markets poses risk to margin on unhedged position • Higher average cost of hard coal in view of the market situation • 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 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 • Higher generation volumes in wind farms • Greater market volatility is supportive to profit margins of pumped storage power plants.
Supply	↑	<ul style="list-style-type: none"> • Higher intra group revenues from services of commercial management of generation capacities and margin on CO₂ purchases • Lower result on wholesale trading of electricity and higher balancing cost
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 • Potential pressure on volumes

Q&A session

