

Q3 2022 Financial and Operating Results

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Leading in the green transition

Wojciech Dąbrowski
President of the Management Board, CEO



Q3 2022 summary

- Q3 2022 in the power industry.
- PGE Energia Ciepła - 5 years of operation.
- Integration of CHP plants within the PGE Group.
- Creation of the largest district heating segment in Poland - the foundation for activities towards the coal assets carve-out.

NABE

- Structuring the PGE Group:
 - Integration of CHP plants on the basis of PGE Energia Ciepła,
 - Integration of Rybnik Power Plant into PGE GiEK,
 - Sale by PGE S.A. of shares in six conventional power support companies to PGE GiEK
 - BESTGUM POLSKA sp. z o.o., BETRANS sp. z o.o., ELTUR-SERWIS sp. z o.o., MegaSerwis sp. z o.o., ELMEN sp. z o.o., RAMB sp. z o.o.
- Implemented management actions necessary for the establishment of NABE:
 - Separation in PGE S.A. of structures carrying out activities for PGE GiEK in wholesale electricity trading and purchase of raw materials,
 - Reorganisation of the IT model,
 - Settlement of future relations between PGE S.A. and PGE GiEK with regard to the Capacity Market.
- Preliminary due diligence reports.
- Active participation in the valuation process.

Energy market regulation

- Analysis of the impact of new electricity market regulations on PGE.
- Financial stability as a priority with the rising costs of purchasing CO2 emission allowances and fuels.
- PGE investments as a basis for maintaining the pace of the energy transition.
- Reducing the impact of rising energy prices as a socially necessary action.
- No windfall profits: 9 per cent year-on-year decline in EBITDA in Q3 2022.

Construction of offshore wind farms in the Baltic Sea

- Programme implementation on schedule.
- Project progress:
 - Decisions on environmental conditions for the onshore connection for Baltica 2 and Baltica 3.
 - Tendering of the general contractor for the onshore part of the power derivation project and the contract engineer for Baltica 2 and Baltica 3.
 - Baltica 2 and 3 - preparations to obtain construction permits.
 - Baltica 1 - environmental studies for the offshore and onshore part.
 - Acquisition of land at port of Ustka for operations and maintenance base and for the Centre of Competence for Offshore Wind Energy.

Hard coal imports by PGE Paliwa

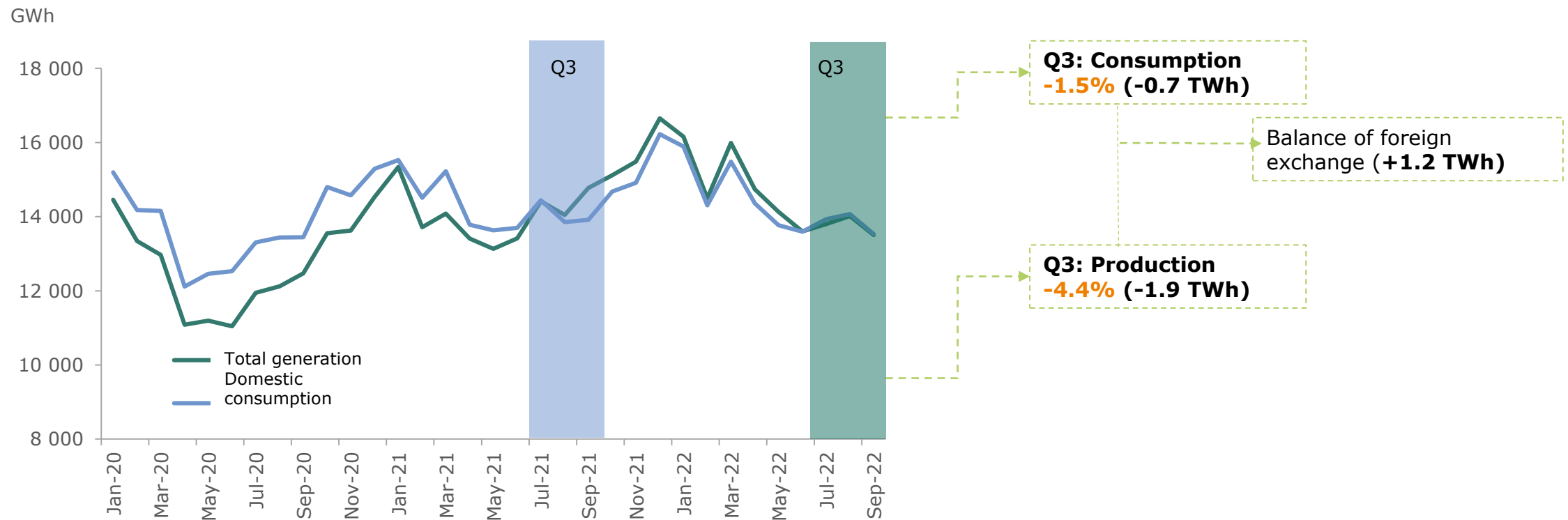
- Timely delivery of coal imports to Poland.
- Delivered 4.7 million tonnes of hard coal to power sector, industry, district heating, municipalities and intermediaries.
- PGE Paliwa operations adjusted to sell coal to municipalities.
- Signed agreements with over 220 municipalities out of 600 in the area served by PGE Paliwa.

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



Electricity market - balance of energy

Reversal of trend of rising demand. Poland became importer of energy in Q3.
Domestic consumption and generation

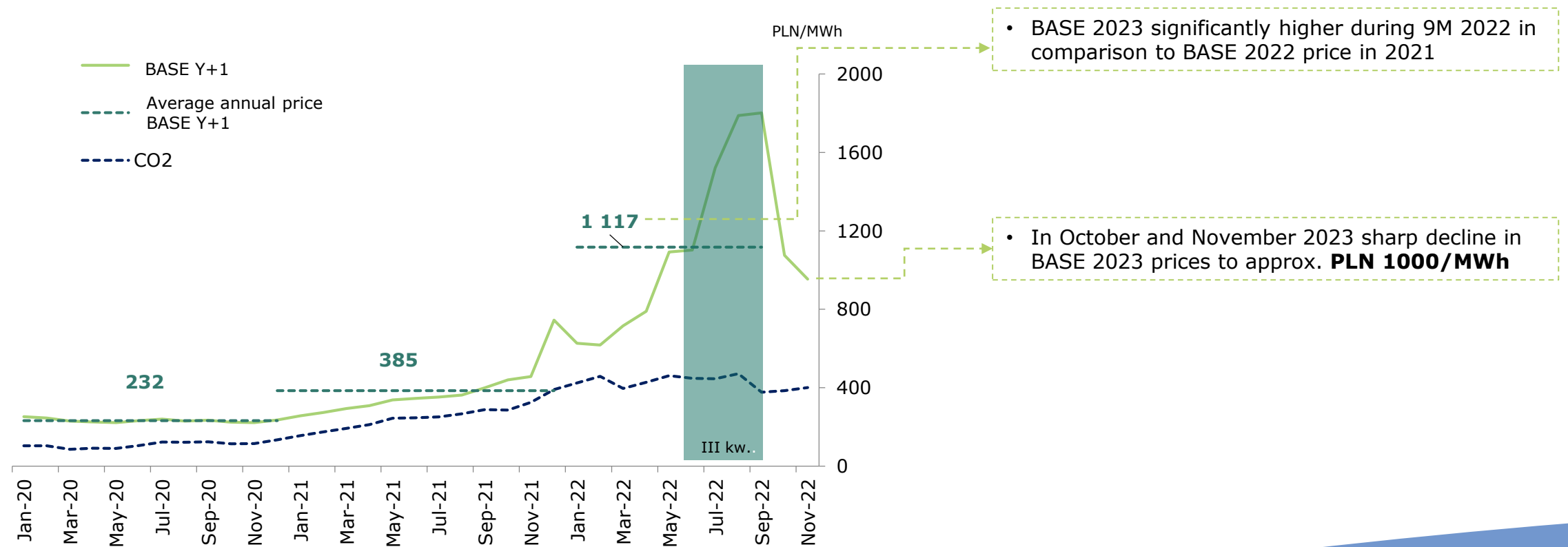


Source: PSE

Electricity market - price

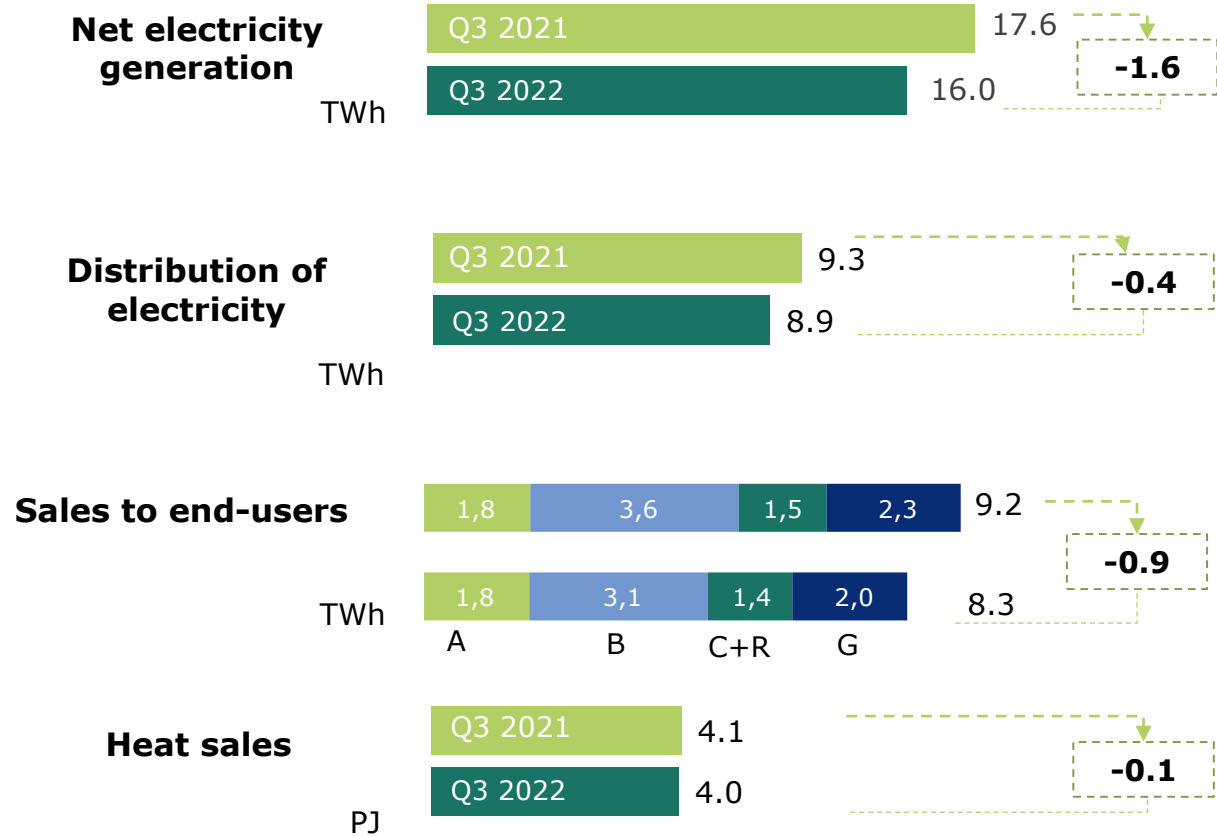
Market uncertainty and rising fuel prices reflected in electricity prices

BASE Forward next year and CO₂ prices



Source: TGE, prices till Nov 16.

Summary of Q3 2022 - operating results



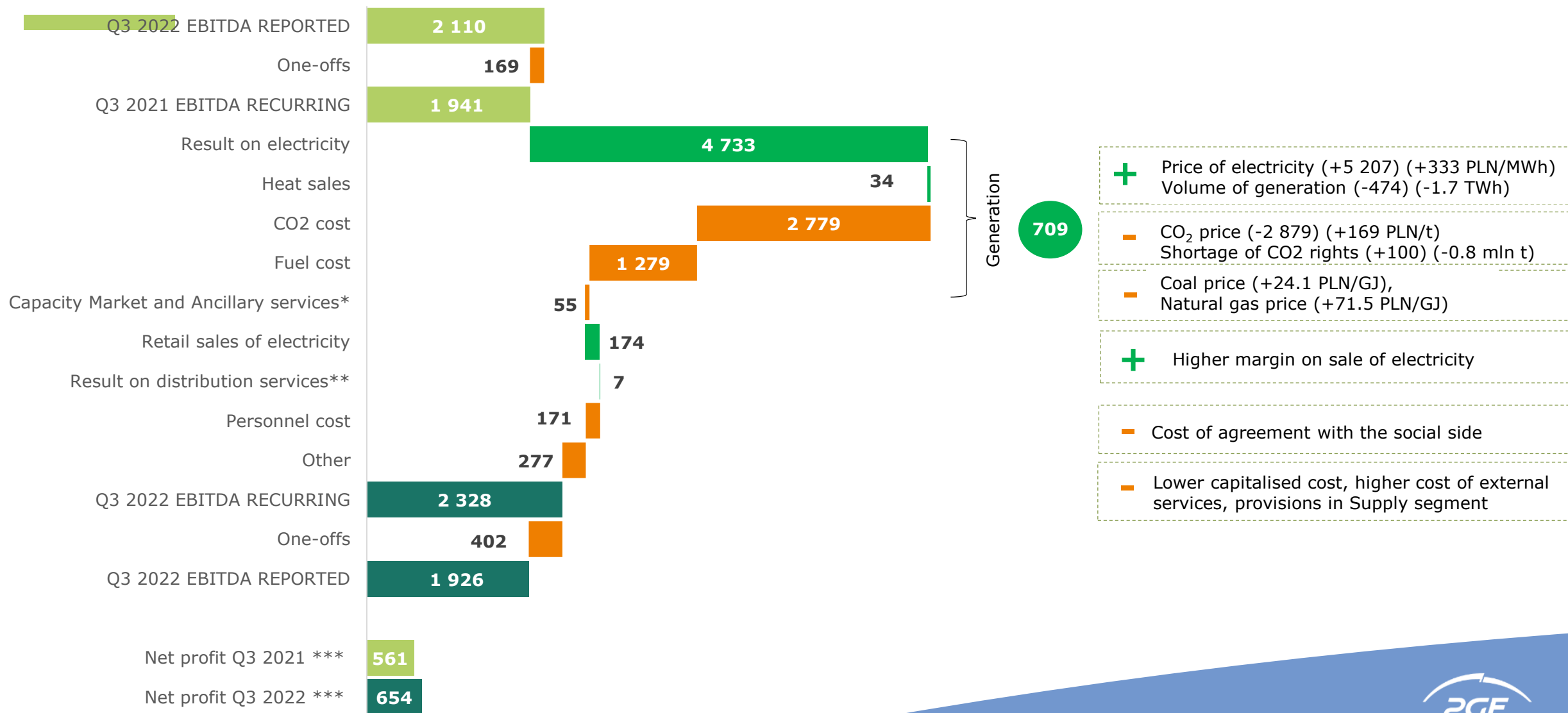
Higher lignite generation. Decline in hard coal and gas generation.

Lower demand in household tariff, decline in number of customers in SME tariff and agricultural tariff.

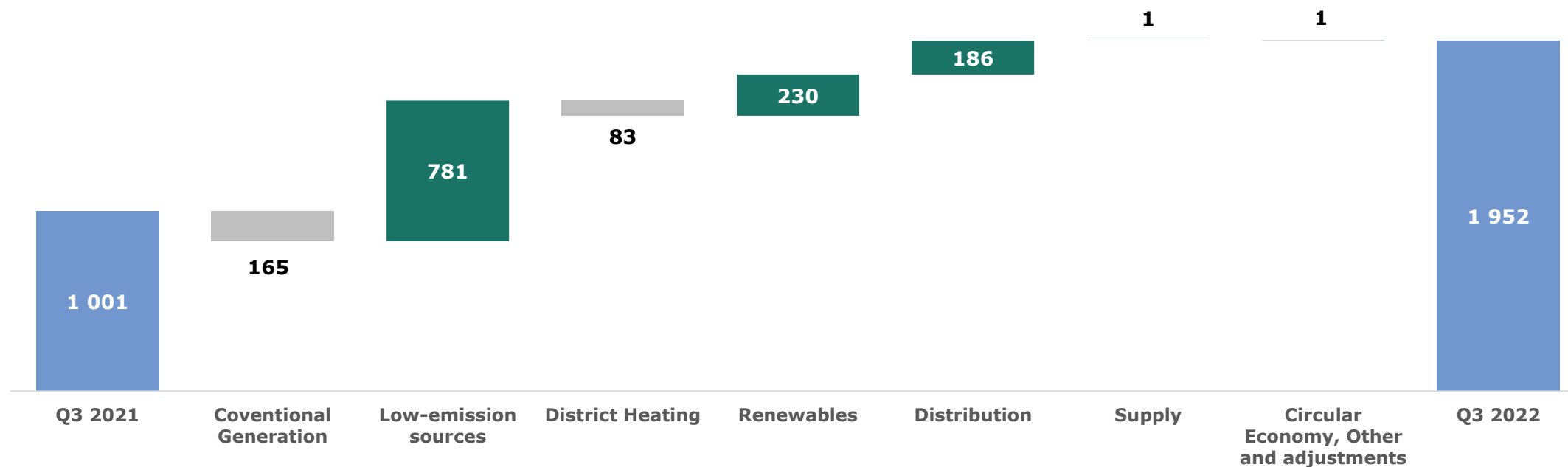
Lower sales to end users (-10% y/y). Decline in volume in all tariff groups.

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

Development of EBITDA by major value drivers (PLN m)



CAPEX Q3 2022 y/y (cash in PLN m)



	Q3 2021	Conventional Generation	Low-emission sources	District Heating	Renewables	Distribution	Supply	Circular Economy, Other and adjustments	Q3 2022
Q3 2021	1 001	307	31	272	53	317	1	20	
Q3 2022		142	812	189	283	503	2	21	1 952

PGE Gryfino 2050
(CCGT in Dolna Odra)

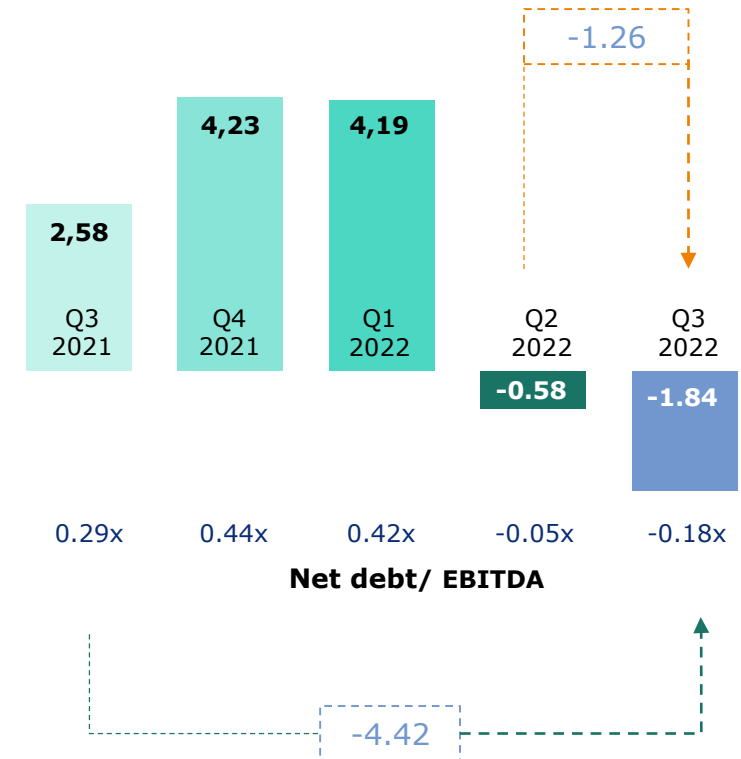
Modernizations of
Hydro PP Dębe
and Pumped-Storage
PP Porąbka-Żar

Higher spending on
low and lowest
voltages grids

Summary of Q3 2022 -net debt

- Main factors affecting net cash level at the end of Q3 2022:
 - Achieved recurring EBITDA **PLN 2.3bn.**
 - Cash investment spending and acquisitions **PLN 2.0bn.**
 - Provision on CO₂ adjusted by cash spending on purchase of CO₂ at approx. **PLN 4.8bn.**
 - Restocking of hard coal inventories approx. **PLN 1.3bn.**
- Real value of net debt (adjusted by forward payment for CO₂): **PLN 11.1bn** (Net debt/ LTM EBITDA recurring = 1.31x)

Net debt in PLN*



Recurring EBITDA: outlook for 2023

2023 vs 2022 Perspective		Main factors
Conventional Generation	↓	<ul style="list-style-type: none"> • <u>Regulations limiting prices of electricity – impact being assessed</u> • Significant increase in costs of CO₂ and production fuels (hard coal) • Pressure on production volumes from new RES capacities, assumed higher wind and PV generation • Expected divestiture of the segment along with carve-out of coal assets
District Heating	↓	<ul style="list-style-type: none"> • <u>Regulations limiting prices of electricity – impact being assessed</u> • Significant increase in costs of CO₂ and production fuels (hard coal and natural gas) • 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"> • <u>Regulations limiting prices of electricity – impact being assessed</u> • Expected lower result of pumped storage power plants. • New wind and PV capacities
Supply	↓	<ul style="list-style-type: none"> • <u>Effect of the law on exceptional measures limiting prices of electricity and support for certain consumers in 2023</u> • Lower result on sales in tariff G (households) and tariffs ABC and R (business clients and agricultural customers)
Distribution	→	<ul style="list-style-type: none"> • Expected higher WACC 7.8% (before tax) as result of possible additional premium for reinvestment • Regulatory Asset Base (RAB) at PLN ~19.7bn • Pressure on volumes

Q&A session

