Q1 2023 Financial and Operating Results

May 24, 2023

PGE

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Wojciech Dąbrowski

President of the Board, CEO

Q1 2023 summary

- **Good financial performance of PGE Group.**
- **EBITDA at PLN 3.4bn – 31% up on the first quarter of 2022.**
- **Net profit (to equity) at PLN 1.7bn – similar amount for investments.**
- **Support for government action on rising energy prices – contributions Price Difference Payment Fund to be as high as PLN 10bn**

Investment progress

- **Signing a contract with Siemens Gamesa for the supply of wind turbines for the Baltica 2 project.**
- **Winning 4 tenders for offshore wind projects – total offshore wind potential of over 7GW.**
- **Continuation of the programme to build new photovoltaic capacities - 23 new PVs by the end of 2023. Over PLN 800m of CAPEX in distribution - more than 3 times higher than in Q1 2022.**
- **Continuation of the medium voltage line cabling project – targeting over 2,000 km of lines in 2023.**
- **Acquisition of PKP Energetyka - currently PGE Energetyka Kolejowa.**

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Investment progress

- **Preparation of a preliminary plan for the construction of a nuclear power plant - at least 2 APR1400 reactors with a total capacity of 2800MW.**
- **Signing of an agreement with ZE PAK on the establishment of a special purpose vehicle to implement the nuclear power plant project.**
- **Establishment of the PGE PAK Energia Jądrowa company.**

Investment progress

- **Final stage of construction of CCGT units in Gryfino/Dolna Odra - material advancement of investment over 90% and financial 70%, as at the end of the quarter.**

- **Commencement of the investment in CCGT unit at Rybnik power plant.**

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Investment progress

- **New Czechnica CHP plant implementation - at the end of April, material and financial progress at the level of 45%.**

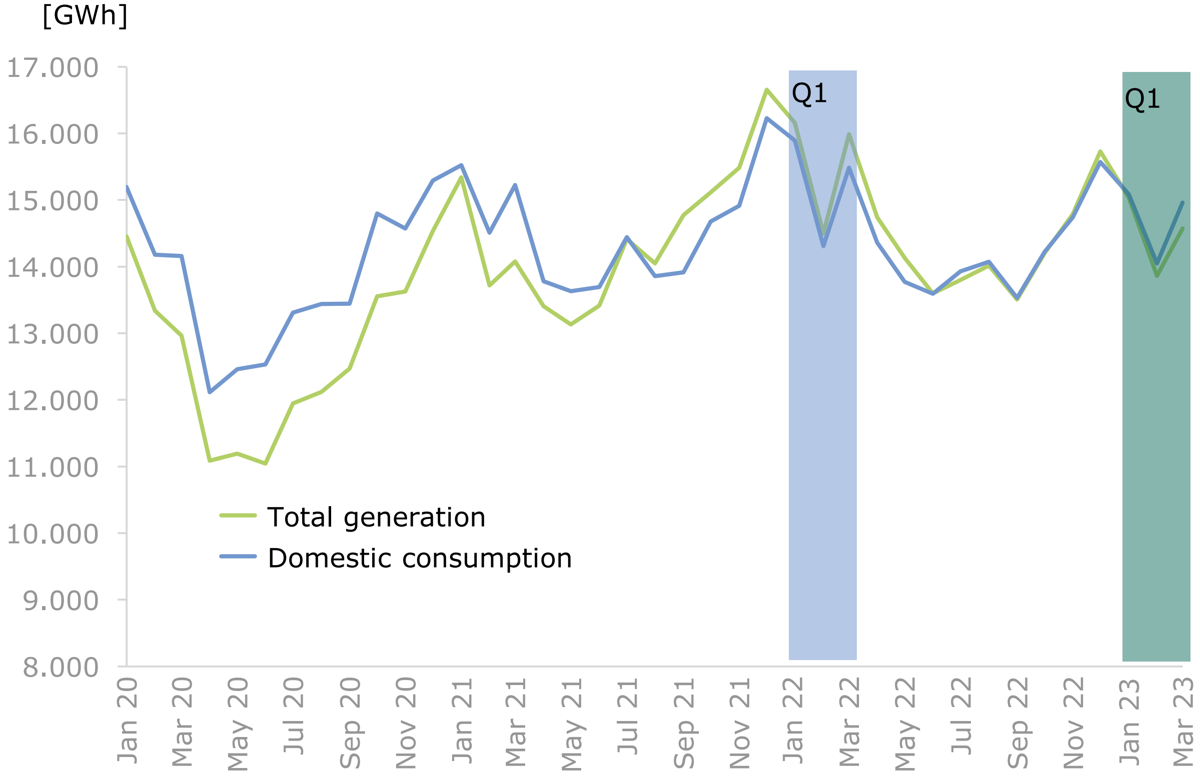
Lechosław Rojewski

Vice-President of the Board for Finance, CFO

Electricity market - balance of energy

Continuing trend of declining demand and import of electricity

Domestic consumption and generation



Source: PSE

Q1: Consumption
-3% (-1.6 TWh y/y)

Balance of foreign exchange
(+1.6 TWh y/y)

Q1: Generation
-7% (-3.2 TWh y/y)

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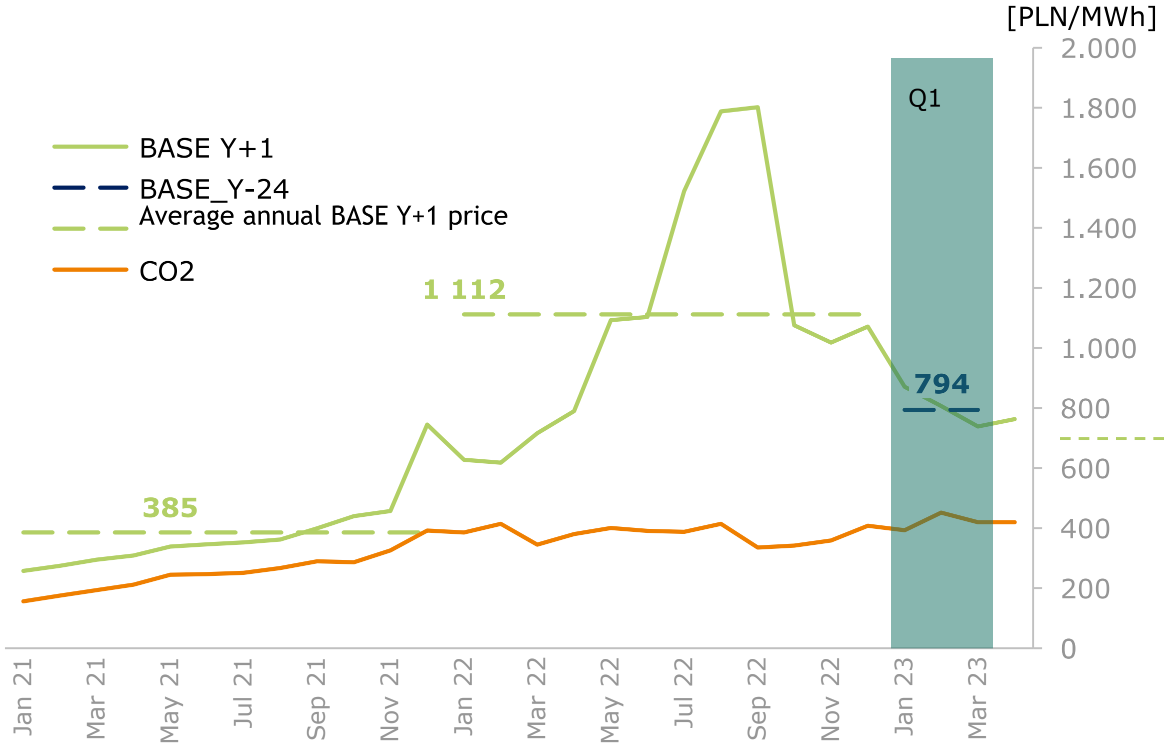
Electricity market - price

Decline in fuel prices reflected in electricity prices

BASE Forward next year and CO_2 prices

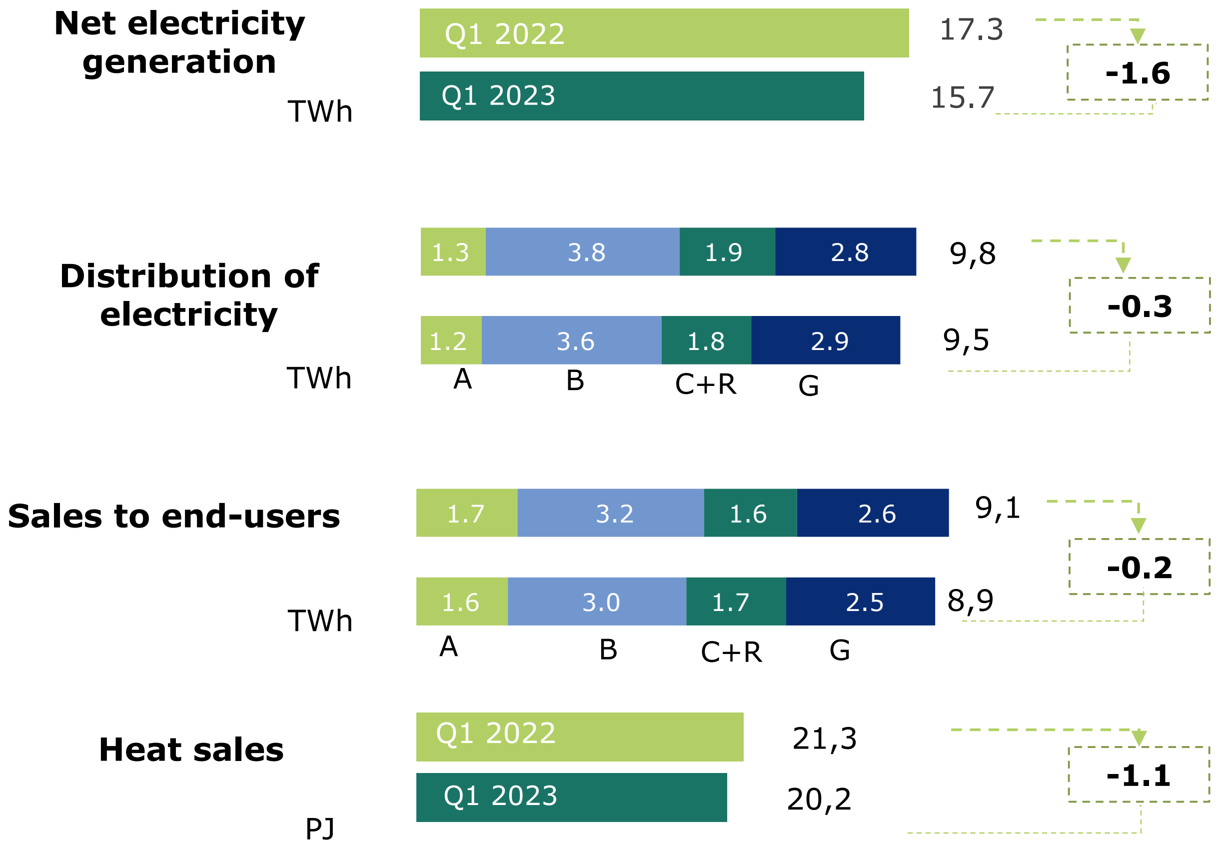


- Price of BASE 2024 contract during the first three months of 2023 fluctuated between **700-1000 PLN/MWh.**
- At the moment prices are at level of 700 PLN/MWh.

Source: TGE

Prowadzimy w zielonej zmianie

Summary of Q1 2023 - operating results



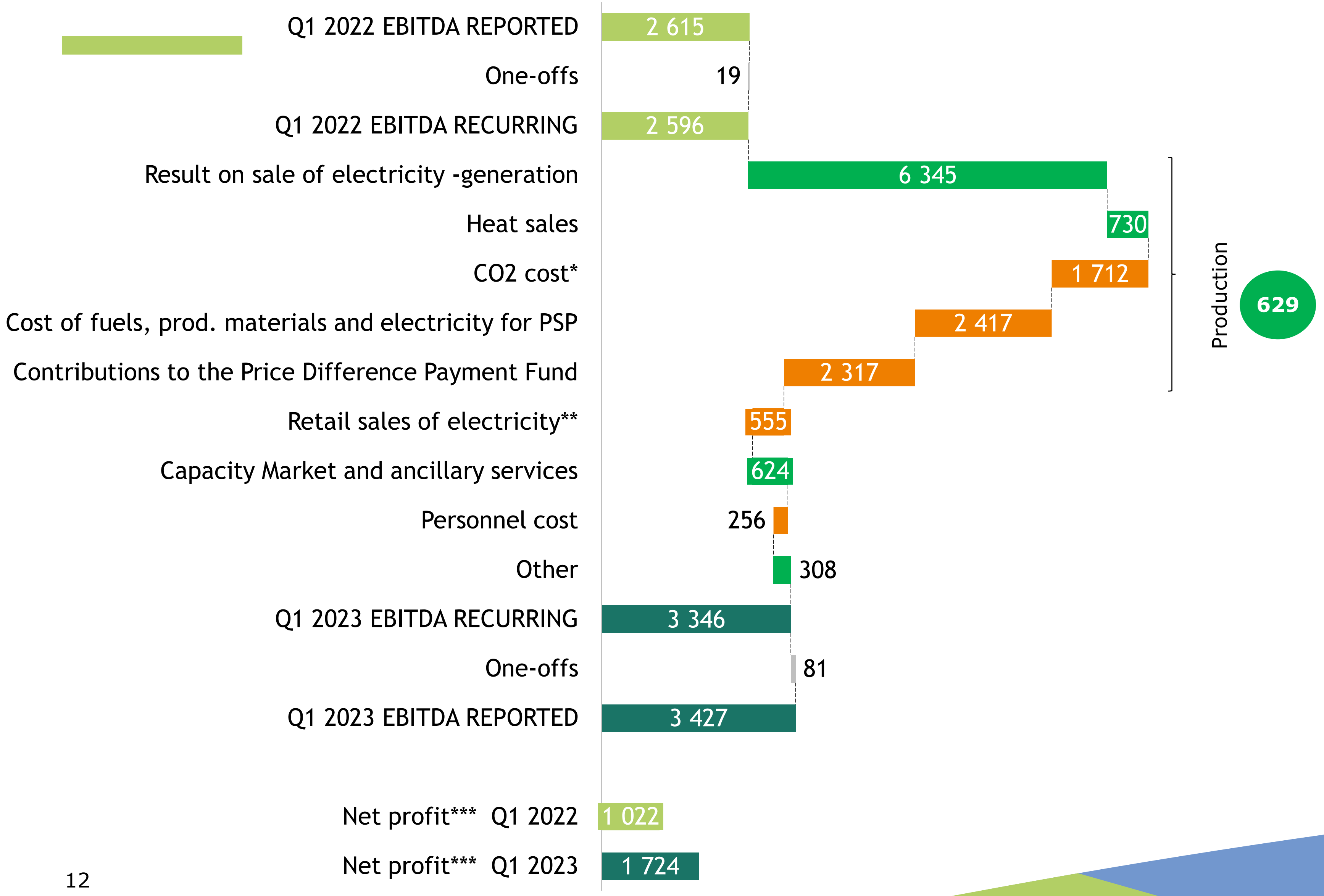
Decline in lignite generation due to lower demand for electricity, higher import. Higher gas generation due to low base in Q1 2022 (breakdown in Lublin CHP).

Decrease in demand from high and medium voltages clients (large business clients).

Lower sales to end users (approx. -3%).

Lower demand for heat in result of weather conditions (higher average temperature by 0.5°C).

Development of EBITDA by major value drivers (PLN m)



+ Price of electricity (+7 204) (+475 PLN/MWh)
  Volume of generation (-859) (-1.9 TWh)

- CO2 price (-2 358) (+151 PLN/tonne)
  Shortage of CO2 rights (+646) (-2.4 m tonnes)

- Coal price (+1 490) (+25.0 PLN/GJ)
  Natural gas price (+657) (+55.1 PLN/GJ)

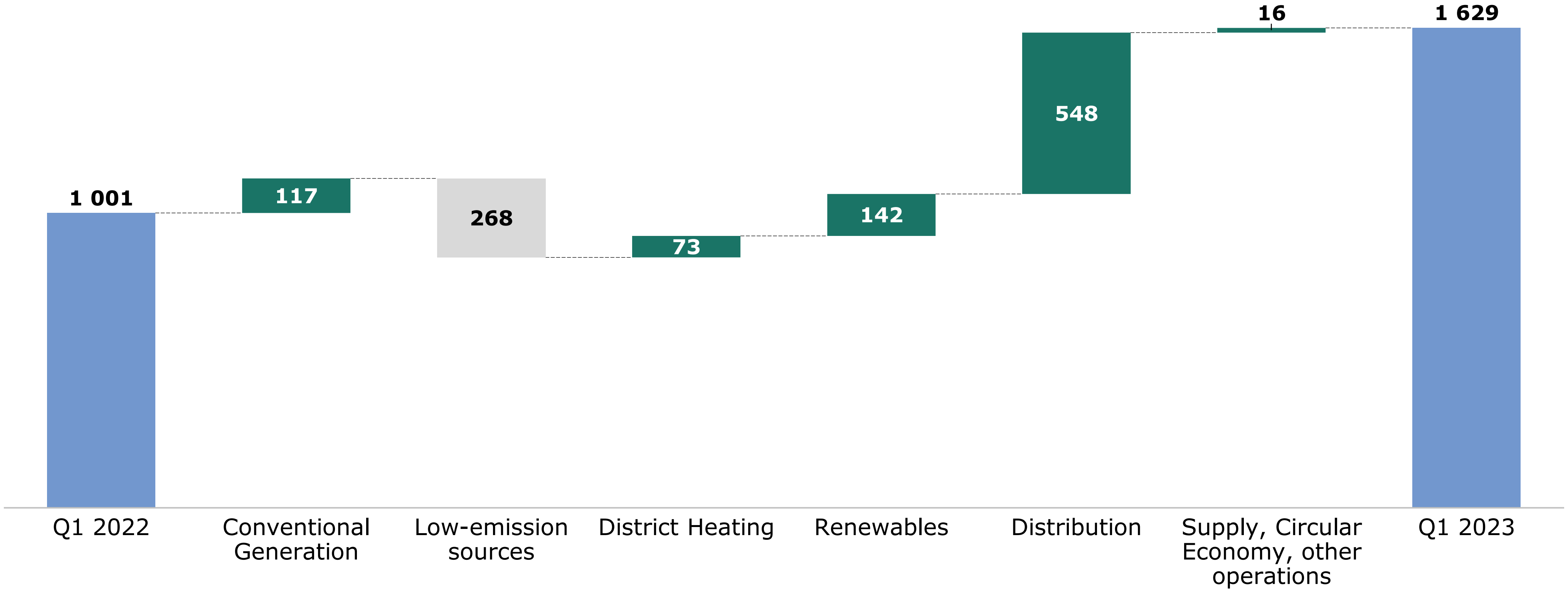
- Contribution to Price Difference Payment Fund- price limits imposed on electricity

- Lower margin on tariff products

- Cost of agreements with the social side

** in the managerial view, ** excluding additional estimation of balancing difference cost, ***net profit to equity*

CAPEX Q1 2023 y/y (cash in PLN m)*



Q1 2022	1 001	162	337	154	52	266	30	
Q1 2023		279	69	227	194	814	46	1 629

Units 7 and 14 in Bełchatów PP

PGE Gryfino 2050 (CCGT in Dolna Odra)

New Czechnica CHPP

Construction of offshore wind farms, modernizations of Hydro PP Dębe and Pumped Storage PP Porąbka-Żar

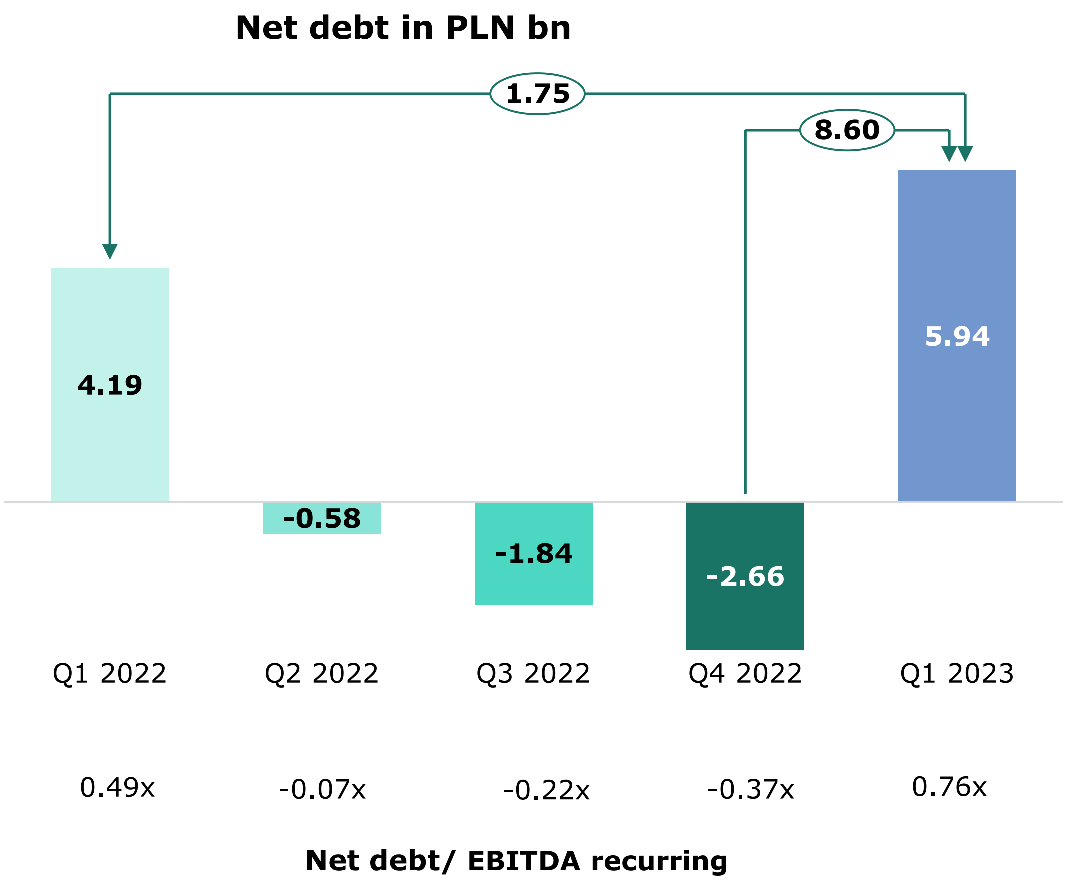
Spending on medium and low voltages grids, connections of new customers

* *in the managerial view*

Summary of Q1 2023 -net debt

- Main factors affecting net debt level at the end of Q1 2023:
  - Achieved recurring EBITDA PLN 3.4 bn
  - Cash investment spending PLN 1.6 bn
  - Provision on CO2 adjusted by cash spending on purchase of CO_2 at approx. PLN 8.2 bn
  - Income tax paid PLN 1.1 bn

  - Economic value of net debt (adjusted by forward payment and settlements of CO2): **PLN 13.8 bn** (Net debt/ LTM EBITDA recurring = 1.75x)



Recurring EBITDA: outlook for 2023

- **The results of the generating segments and Supply segment additionally affected by the impact of legal regulations on limiting electricity prices and support for certain customers in 2023.**

	2023 vs 2022 Perspective	Main factors
Conventional Generation	→	• Segment planned to be carved out along with the finalization of transfer of the coal assets • Higher revenues from Capacity Market and ancillary services • Increase in unit cost of CO_2 by approx. 50% • Assumed higher level of unit cost of hard coal • Pressure on production volumes from new RES capacities, assumed higher wind and PV generation, import of energy
District Heating	↑	• Higher production volume of gas CHP's due to sharp decline in gas prices • Reference prices published by ERO allow for recovering cost incurred in years 2021-2022 • Assumed higher level of unit cost of production fuels (mainly hard coal)
Renewables	↓	• Expected higher result of pumped storage power plants. • New PV capacities
Supply	↓	• Lower result on sales in tariff G (households) and tariffs ABC and R due to margin restrictions
Distribution	↑	• Expected higher WACC 8.48% (before tax) as result of assumed additional premium for reinvestment • Regulatory Asset Base (RAB) at PLN ~19.7bn • Pressure on volumes

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Q&A session