ZMIENIAMY SIĘ
DLA WAS

3Q 2023
Results

ZEPAK
Energia dla Ciebie

29 November 2023

RAZEM TWORZYMY LEPSZĄ PRZYSZŁOŚĆ

Jesteśmy członkiem: PROGRAM | CZYSTA | POLSKA

ZE PAK Group – 9M 2023 summary

Key operational and financial data	9M 2023		Change y/y
Sale of electricity:	2.20	TWh	-52.28%
• Electricity from own production:	1.32	TWh	-50.56%
• Electricity from resale:	0.88	TWh	-54.64%
Achieved average electricity sale price [1]	1 162.61	PLN/MWh	+98.34%
Average purchase price of EUA	382.79	PLN/MWh	+32.02%
Sale revenues:	3 036	m PLN	-1.84%
EBITDA:	303	m PLN	+28.86%
Net result:	199	m PLN	+30.88%
CAPEX:	363	m PLN	+145.38%
Indebtedness:	0	m PLN	-100.00%
Cash[2]:	1 229	m PLN	+31.11%

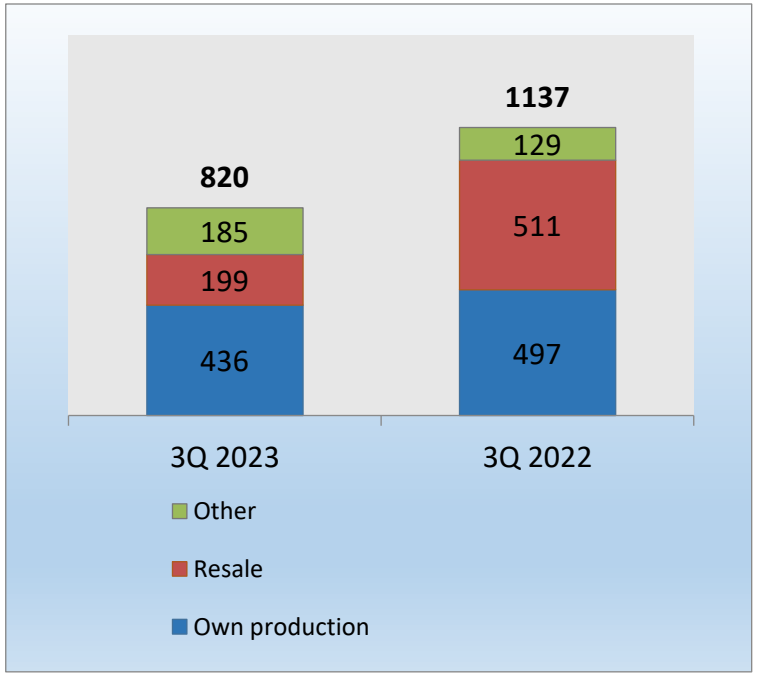
(1) Average price, calculated as electricity sales revenues (own production, from resale and system service) divided by sales volume.
(2) Cash and cash equivalents and other financial short-term assets.

ZE PAK Group – 3Q 2023 summary

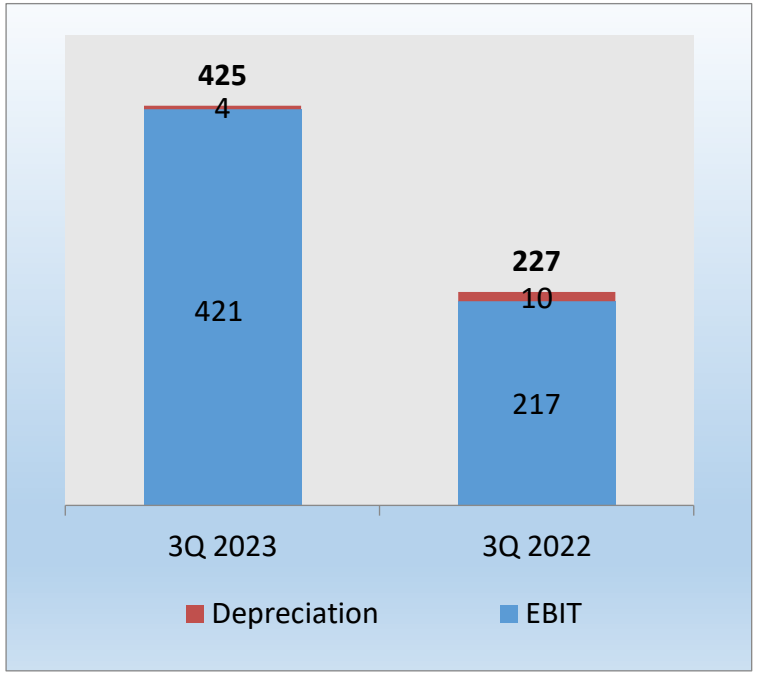
Key operational and financial data	3Q 2023		Change y/y
Sale of electricity:	0.46	TWh	-69.13%
• Electricity from own production:	0.31	TWh	-65.17%
• Electricity from resale:	0.15	TWh	-75.00%
Achieved average electricity sale price (1)	1 391.54	PLN/MWh	+113.03%
Average purchase price of EUA	394.16	PLN/MWh	+30.88%
Sale revenues:	820	m PLN	-27.89%
EBITDA:	425	m PLN	+87.66%
Net result:	375	m PLN	+176.25%

ZE PAK Group – 3Q 2023 summary

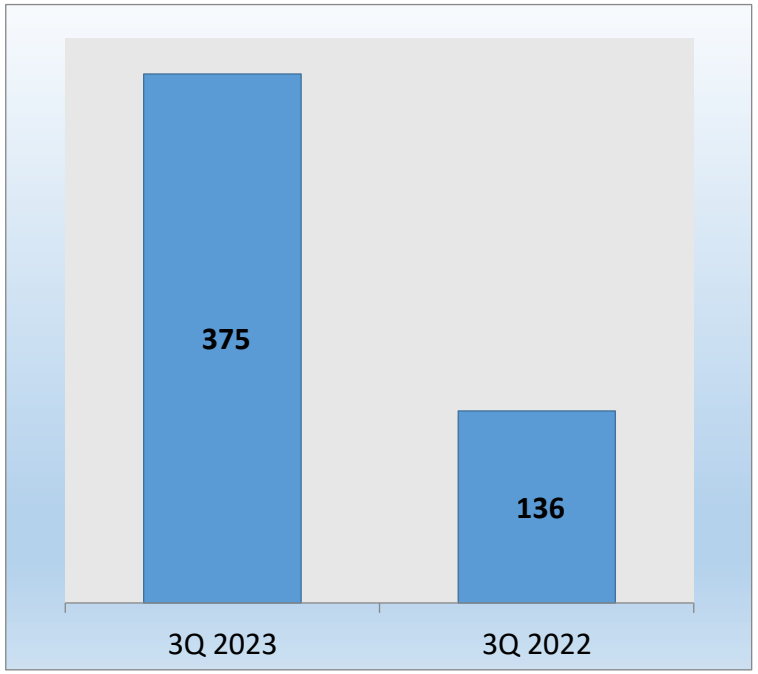
REVENUES



EBITDA



NET RESULT



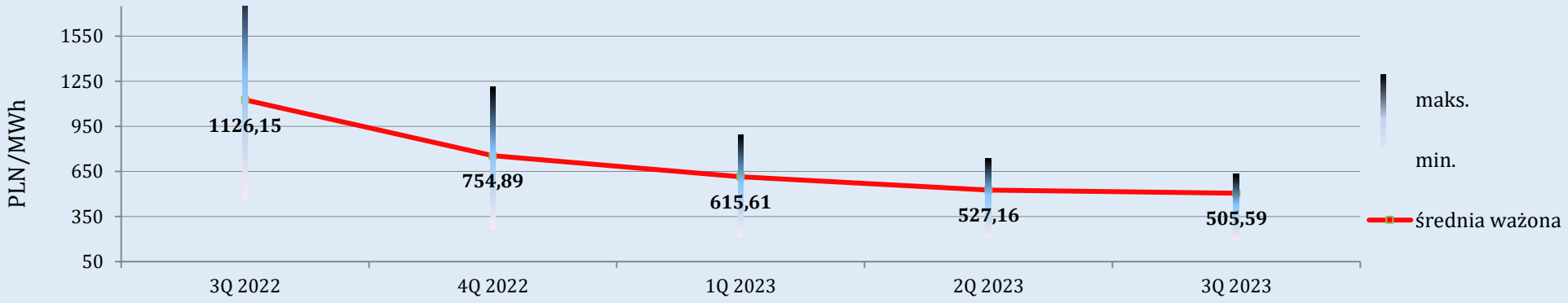
The recorded decline in revenues in Q3 2023 compared to Q3 2022 is mainly due to the lack of revenues generated by companies from the structure of PAK - Polska Czysta Energia sp. z o.o. (this mainly applies to PAK - Volt SA and PAK - PCE Biopaliwa i Wodór sp. o. o.) after the sale of the controlling interest in PAK PCE. The improvement in financial results, both at the level of EBITDA and net profit, is due to a better relationship between the sales price of electricity and the cost of CO2 emission allowances, as well as one-off events related to the transaction of selling PAK PCE shares and the partial release of the recultivation reserve.

SELECTED ELECTRICITY MARKET DATA

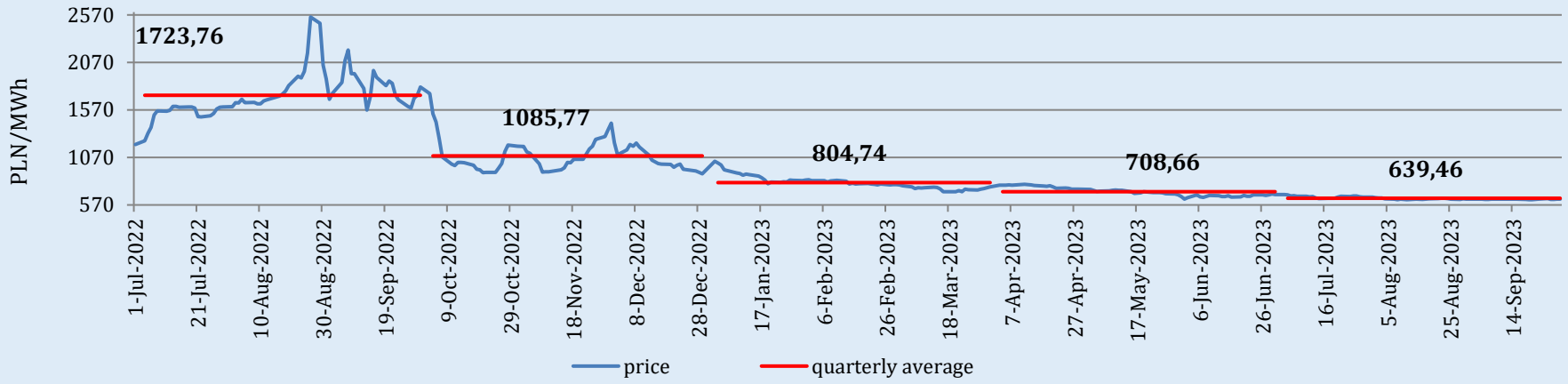
ZEPAK
Energia dla Ciebie

Electricity prices

Electricity prices (TGeBase)

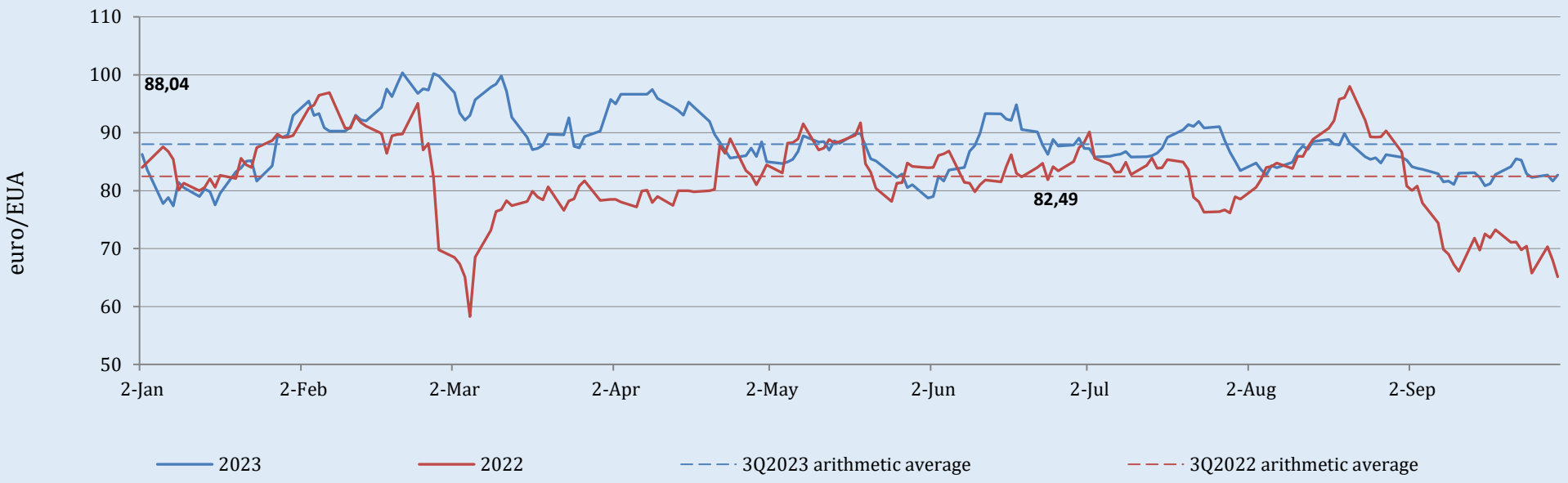


The price of the futures contract for the supply of electricity (band) for 2023



Price of the futures contract for the supply of EUA

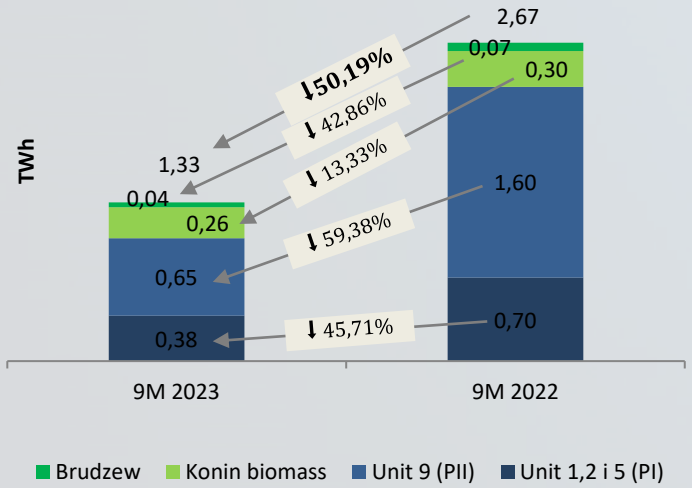
Price of the futures contract for the supply of EUA



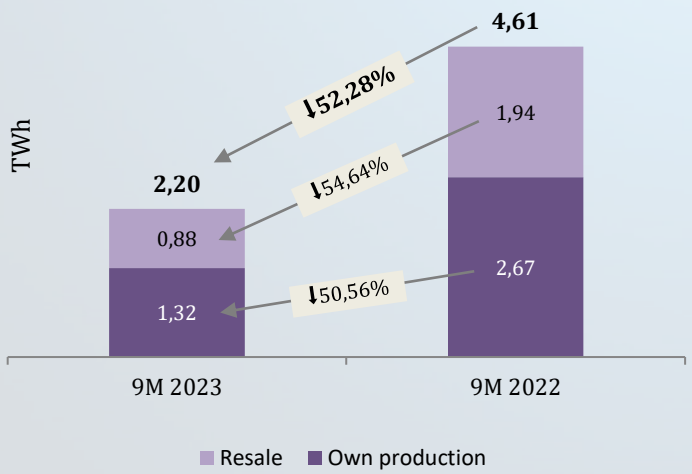
OPERATIONAL DATA

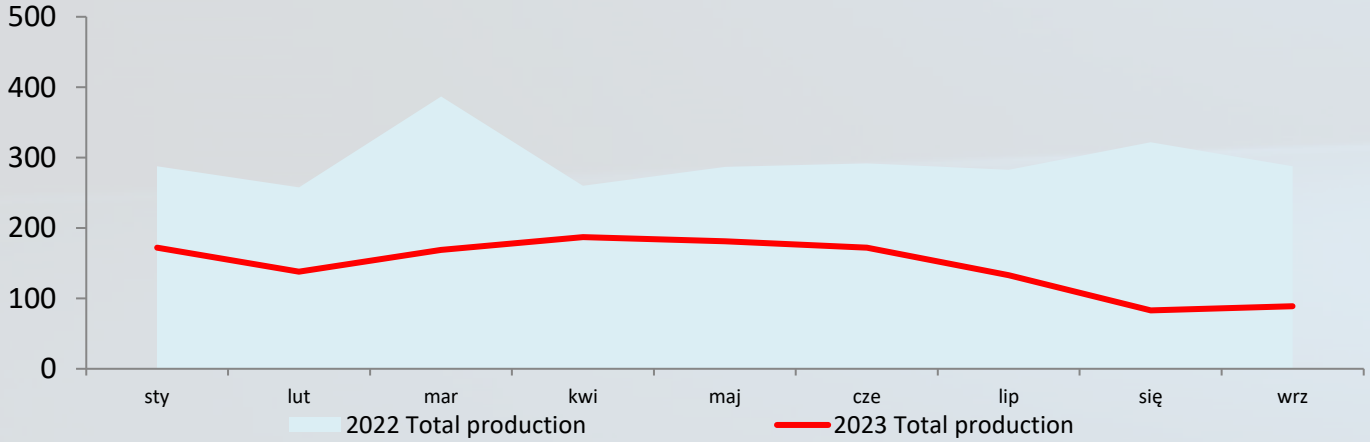
Net production and sale of electricity – 9M 2023
[TWh]

NET PRODUCTION



SALE



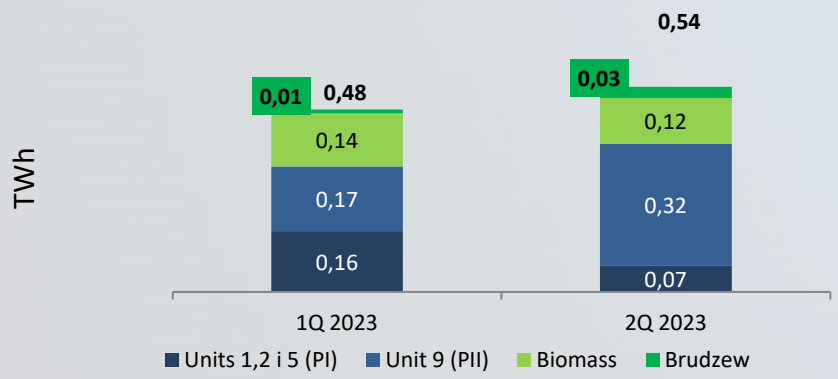


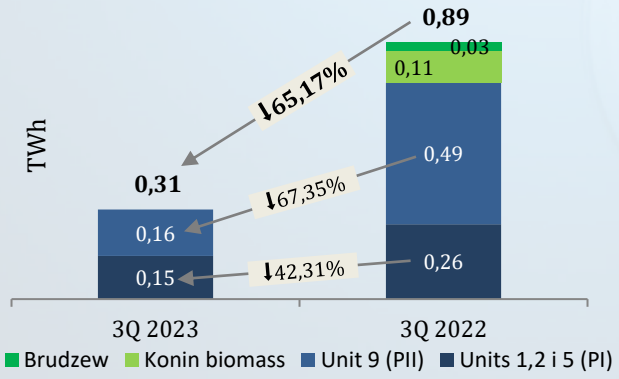
In the period of 9 months of 2023, there was a decrease in the total sales volume compared to 9 months of 2022 by 52.28%. The decline concerned both sales of own and purchased energy. The reduction in production was caused by a smaller amount of coal available for extraction in the mines supplying the Company, which affected production capacity, while the large, demonstrated in the third quarter decline in sales of purchased energy was due to the failure to include sales previously made by PAK - Volt SA and PAK - PCE Biopaliwa i Wodór sp. o.o.

Quarterly net production and sale of electricity

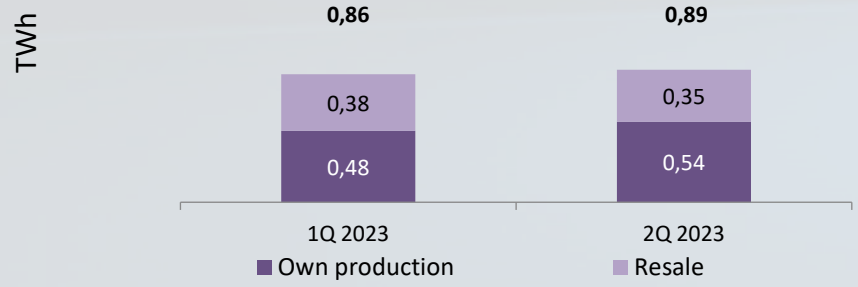
[TWh]

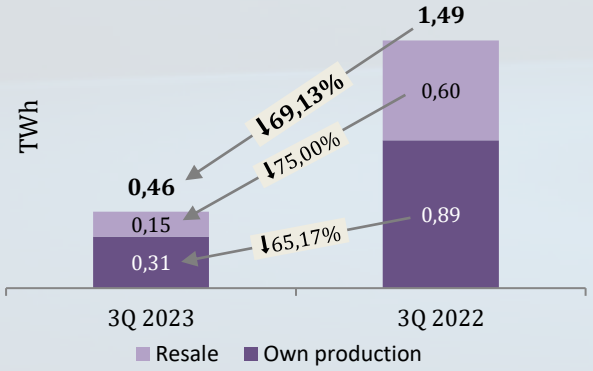
NET PRODUCTION





SALE

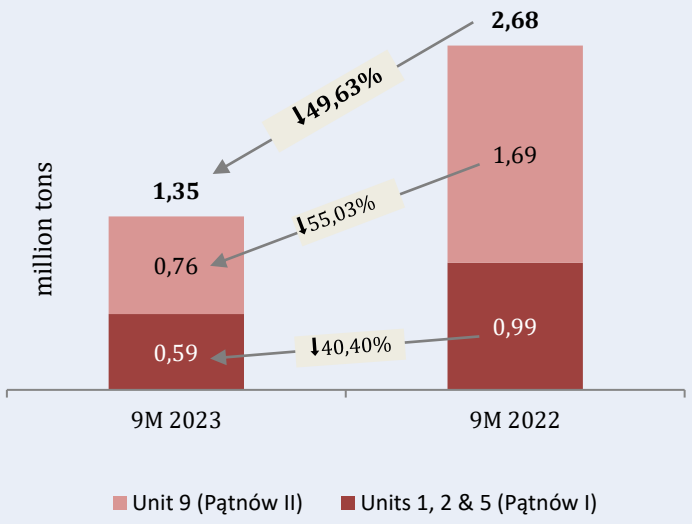




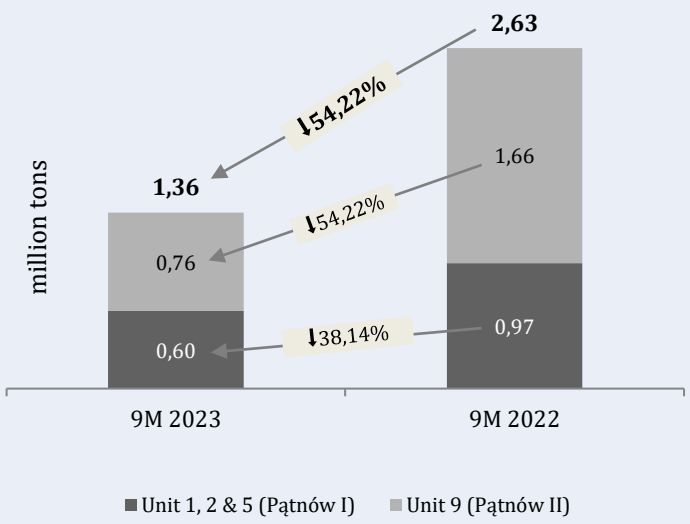
Lignite consumption and CO_2 emission – 9M 2023

[m tons]

LIGNITE CONSUMPTION



CO_2 EMISSION

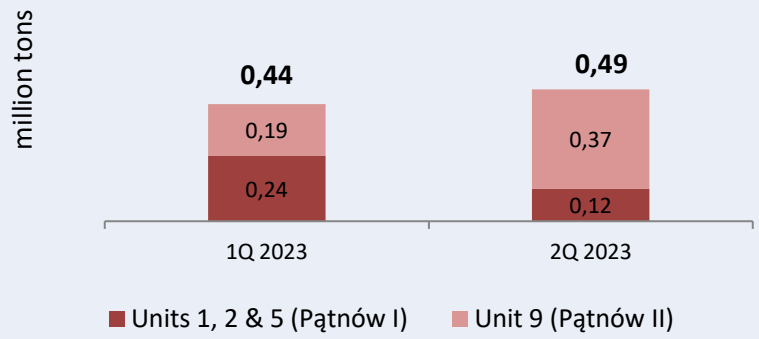


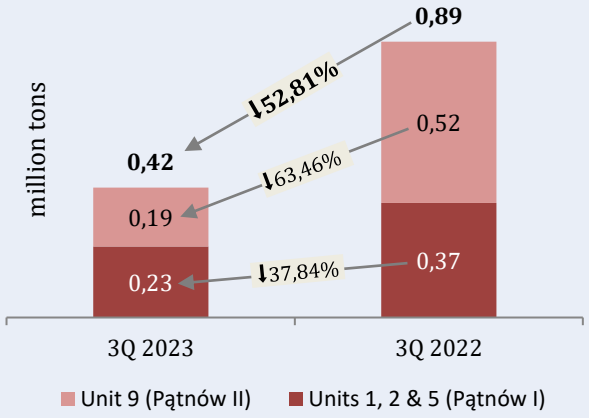
Data on lignite consumption and CO2 emissions both in nine months of 2023 and in Q3 2023 show a decline in lignite consumption and lower emissions, which results from lower volumes of energy produced compared to the same periods of the previous year. The decline in coal consumption and lower emissions are also associated with more efficient use of production assets.

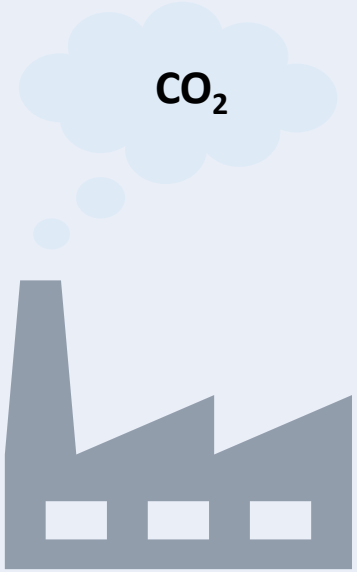
Quarterly lignite consumption and CO_2 emission

[m tons]

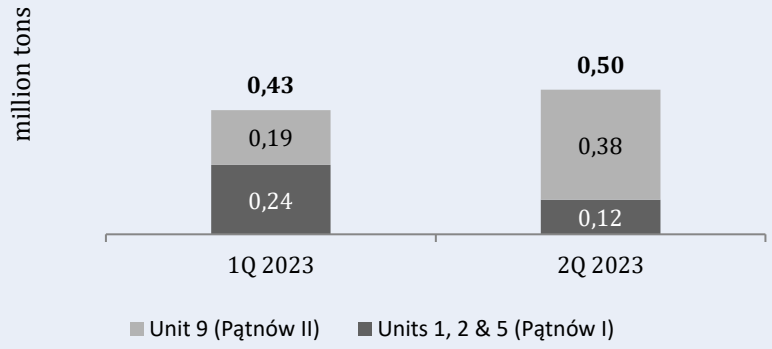
LIGNITE CONSUMPTION

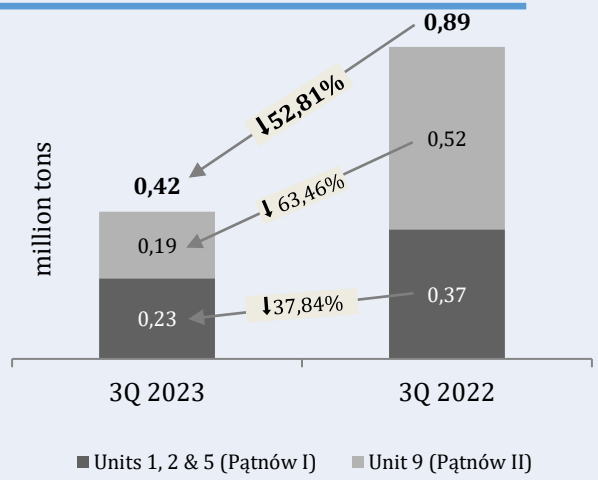






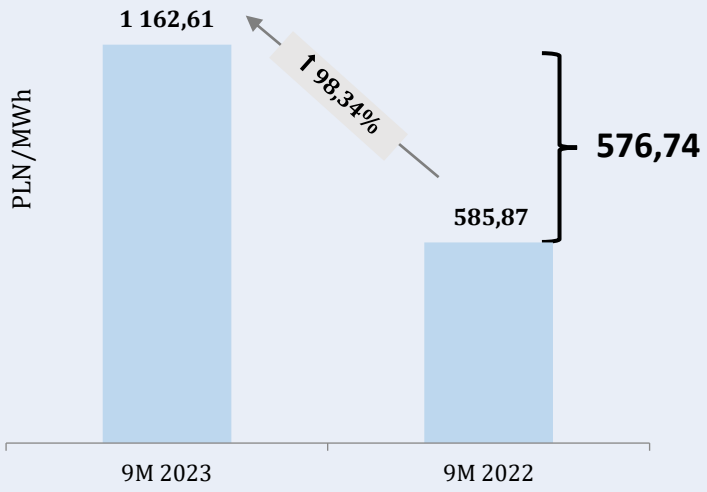
CO_2 EMISSION



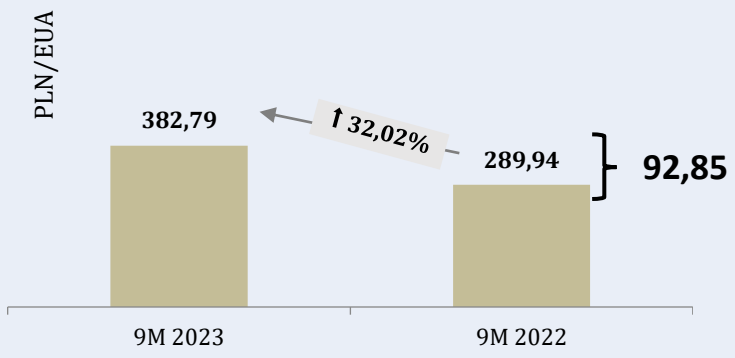


Average prices of electricity and CO_2 emission allowances purchase – 9M 2023

Electricity prices [1)]



Prices of CO_2 emission allowances purchase (EUA) [2)]

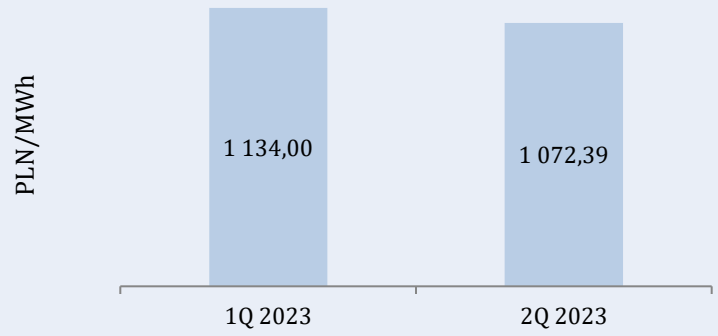


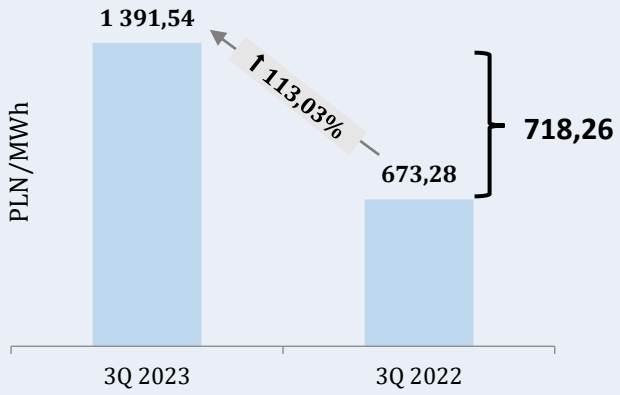
[1)] Average price calculated as revenues from sales of energy (own, from trading and system services) divided by the sales volume.

[2)] Average price is calculated as the purchase cost of emission allowances incurred to cover emission for the period divided by the volume of CO2 emission.

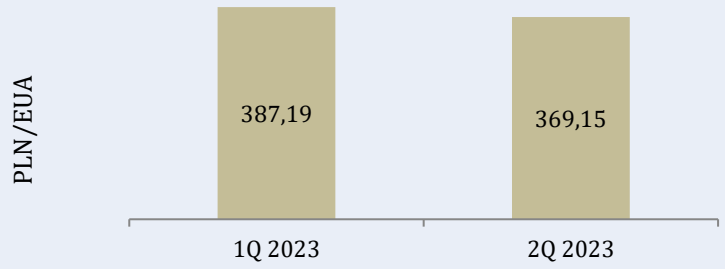
Quarterly average prices of electricity and CO_2 emission allowances purchase

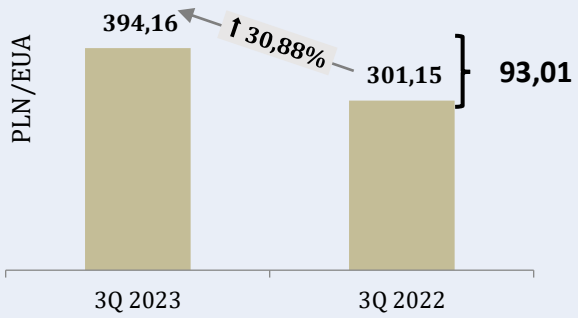
Electricity prices





Prices of CO_2 emission allowances purchase (EUA)

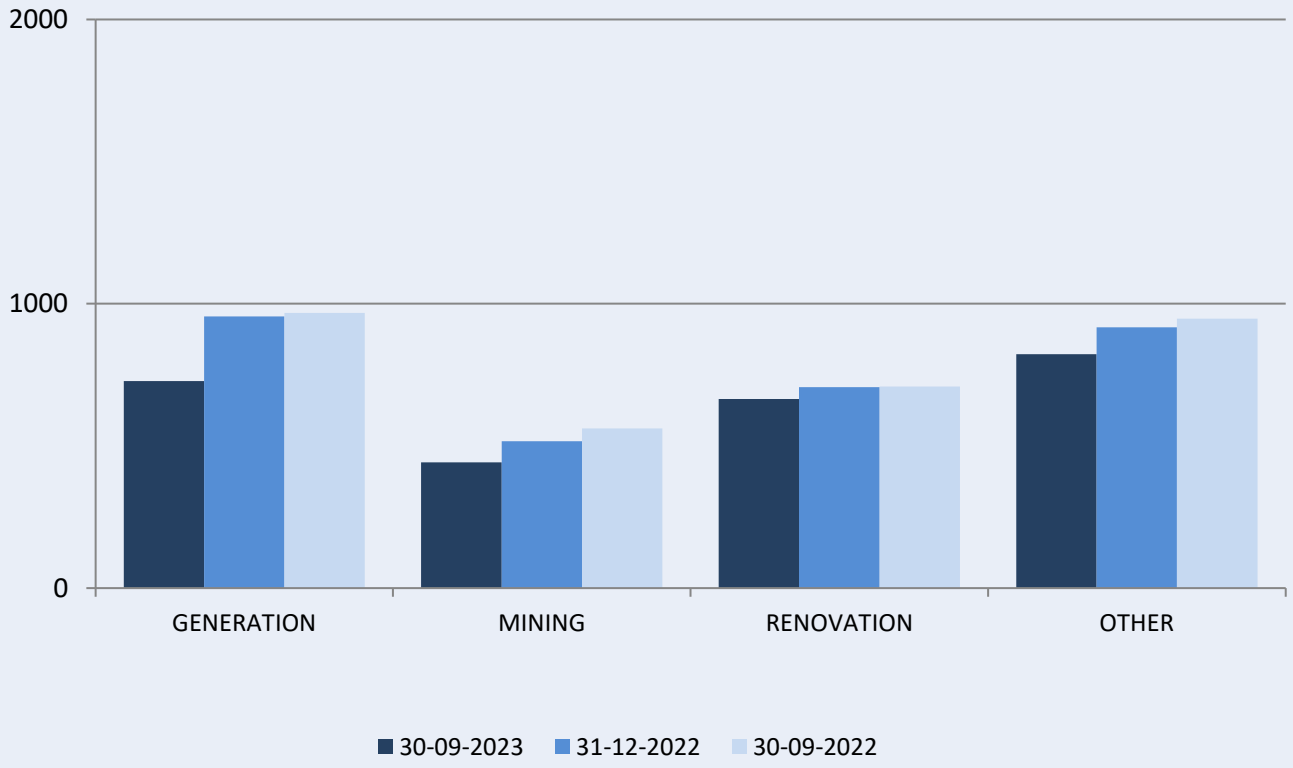




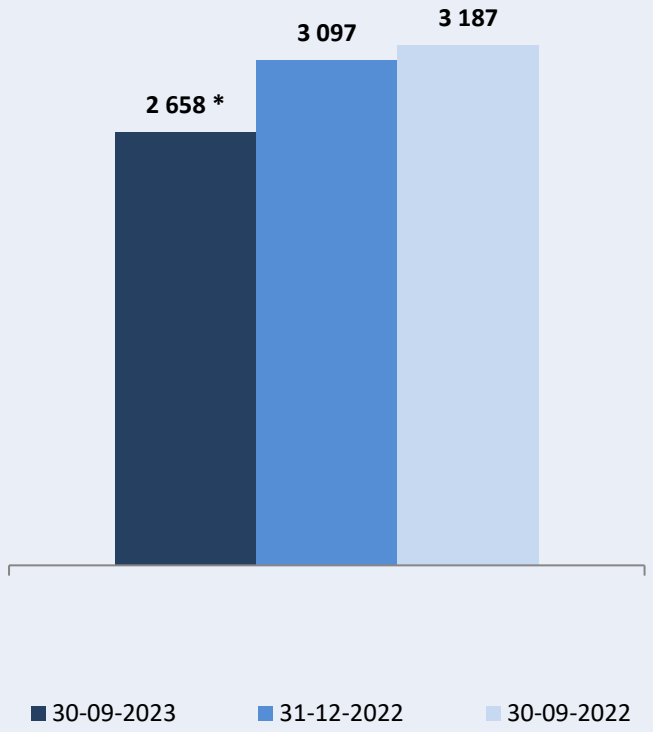
EMPLOYMENT

Employment
[full time]

BY SEGMENTS



TOTAL

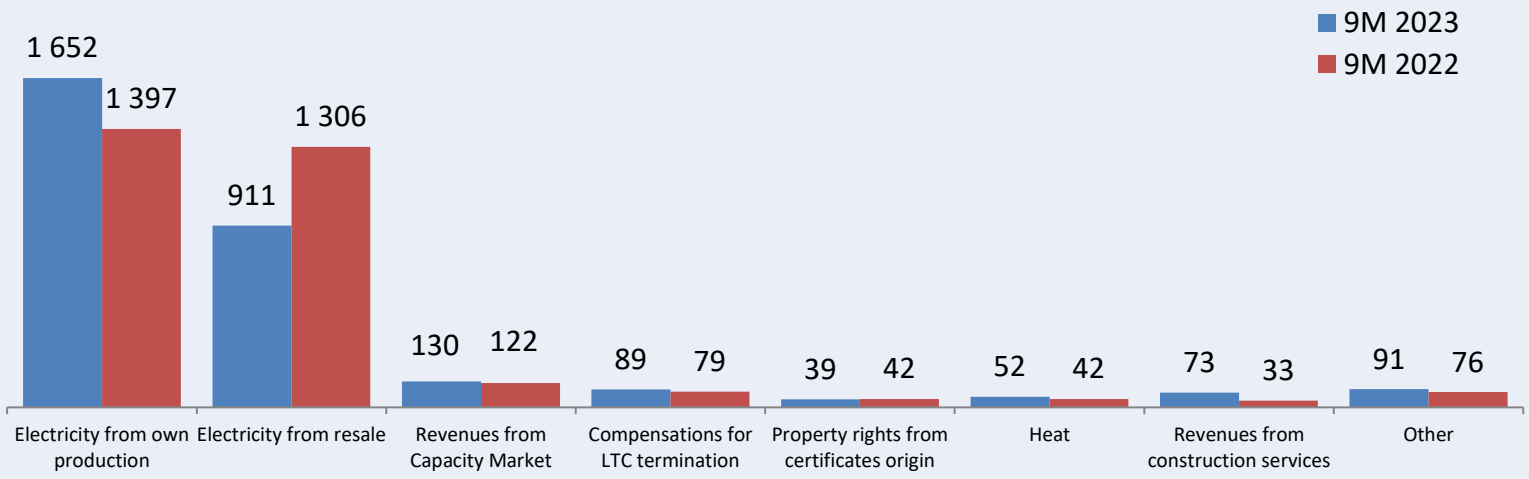


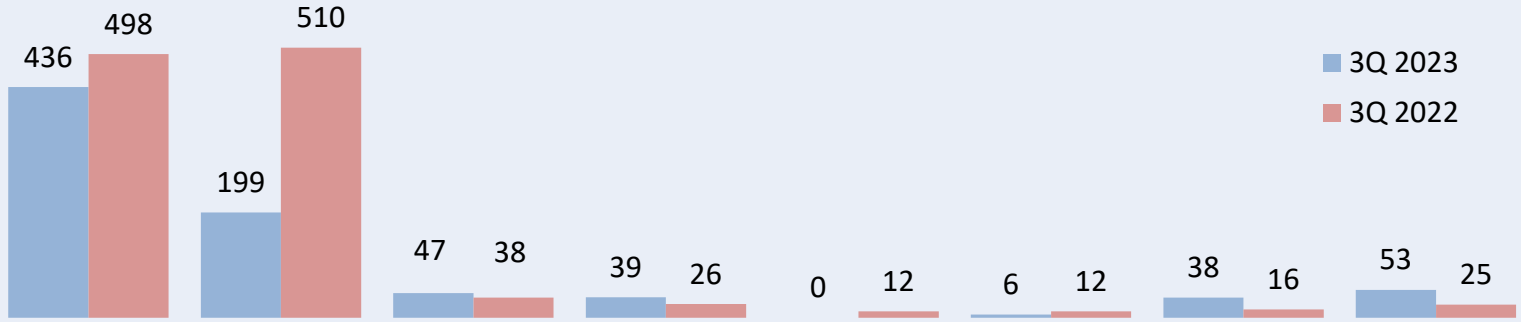
* Such a large drop in employment results from the fact that after taking over the majority stake of PAK – PCE sp. z o.o. by Cyfrowy Polsat, as of September 30, 2023, no employment was included in companies belonging to the PAK - PCE group, which constitutes approximately 220 full-time positions.

FINANCIAL DATA

Revenues[1]

[m PLN]





The increase in revenues from the sale of produced electricity by PLN 255.3 million was mainly due to the price increase by 113.03%, despite a 65.7% decrease in the volume of electricity sales.

The decrease in revenues from purchased electricity by PLN 394.6 million was caused by a decrease in sales volume, primarily as a result of the sale of companies belonging to PAK - PCE Group, including PAK - Volt.

The PLN 7.9 million higher revenues from the capacity market are due to the higher contracted auction price and higher revenues realized on the secondary market.

LTC compensation higher by PLN 9.7 million is the result of a lower margin realized on the sale of energy from Unit 9 (Pątnów II).

Revenues from property rights lower by PLN 2.7 million are mainly the result of the lack of sales of rights in Q3 2023.

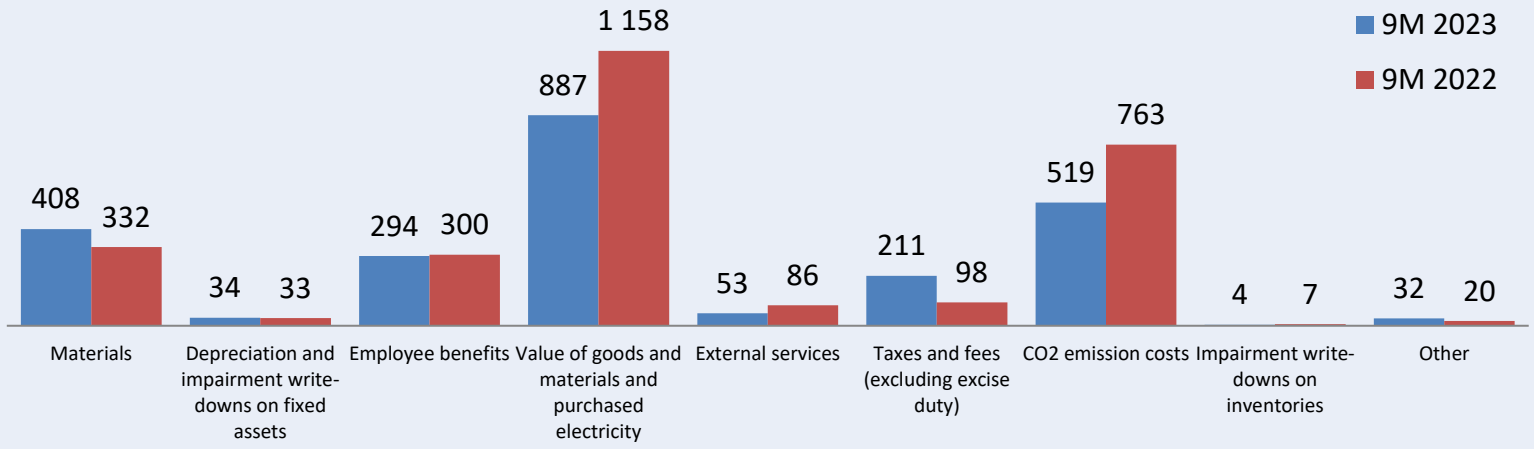
An increase of PLN 9.6 million in revenues from heat sales occurred as a result of a higher price for heat with a simultaneous decrease in sales volume.

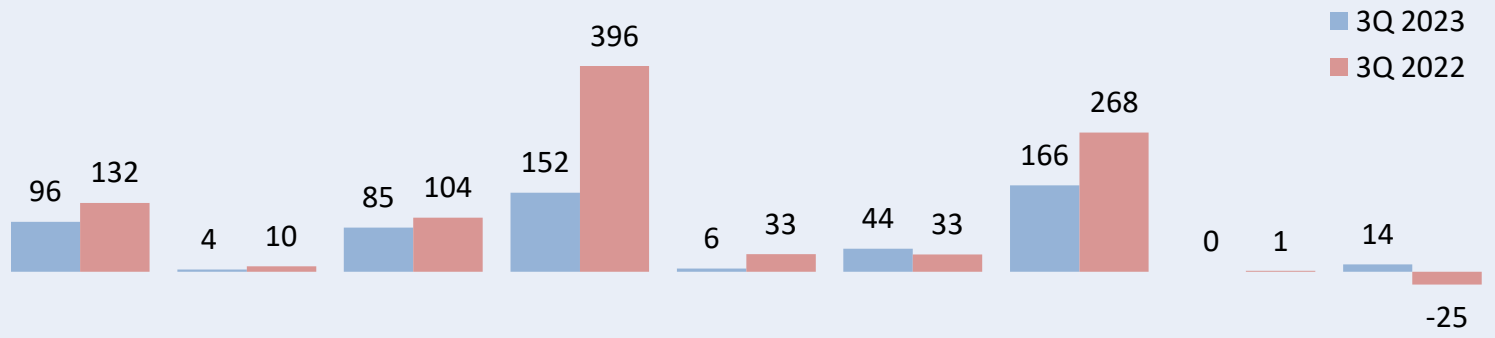
An increase of PLN 40.1 million in revenues from construction services contracts was related to the implementation of projects with higher scopes, both material and financial.

[1] Total revenues from continuing and discontinued operations.

Costs by type[1]

[m PLN]





Material consumption costs higher by PLN 75.7 million mean higher costs of biomass, substitute coal and higher costs of energy used in mines.

Low depreciation as a result of impairment losses on fixed assets in previous years.

Lower employee benefit costs by PLN 5.7 million as a result of a significant decline in employment in Q3 2023 related to the transfer of control over companies in the field of renewable energy sources.

The lower value of goods and materials sold by PLN 271.5 million is related to a smaller amount of purchased electricity intended for trading, primarily as a result of the end of recognition of purchased energy by PAK-Volt in the costs of Q3 2023.

The lower costs of external services by PLN 32.9 million are also the result of not including previously disclosed purchases of services in the renewable energy area.

The introduced fee for the price difference payment fund is responsible for the PLN 113.1 million increase in taxes.

Emission costs lower by PLN 244.2 million are the result of a decrease in emission volume despite an increase in the unit price of purchased emission allowances.

[1] Total costs by type on continuing and discontinued operations.

EBITDA 9M 2023[1]

[m PLN]

	9M 2023	9M 2022
Sale revenues	**3 036**	**3 093**
Change %	*(1.84)%*	
Costs of goods sold	(2 153)	(2 645)
Gross profit	**883**	**448**
Margin %	*29.08%*	*14.48%*
Other operating revenues	102	70
Selling and distribution expenses	(8)	(11)
Administrative expenses	(120)	(97)
Other operating expenses	(588)	(17)
EBIT	**269**	**393**
Margin %	*8.86%*	*12.71%*
Depreciation	34	32
EBITDA[2]	**303**	**425**
Margin %	*9.98%*	*13.74%*

(1) Total EBITDA from continuing and discontinued operations.

(2) **EBITDA** lower by PLN 122 m (-28.71%) -> after bringing to comparability **higher by PLN 288 m (+65.35%)**

comparable EBITDA for 9M 2023 amounted to PLN 729 m -> the value of PLN 303 million is the result of an increase in the balance of the provision for the future recultivation of exploited coal mines (-449) and one-off adjustments in relation to settlements for the sale of electricity and heat and recognition of valuations of concluded PPA financial contracts for the sale of energy (-56) between subsidiaries PAK-PCE and Cyfrowy Polsat SA, as well as the realized margin on the sale of fixed assets (+79)

comparable EBITDA for 9M 2022 amounted to PLN 441 m -> the value of PLN 425 million is the result of the creation of a provision on an unprofitable electricity sales contract in the second half of 2022 in connection with the increase in biomass costs, which was partially resolved in Q3 2022

(+227) higher result achieved on purchased energy, higher revenues from heat, lower revenues from energy, fee to the price difference fund

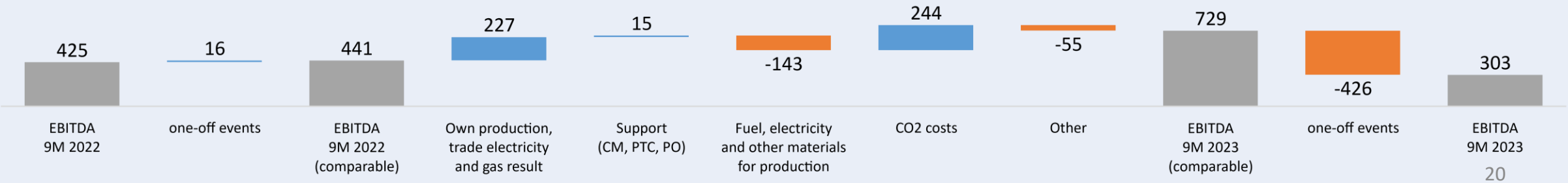
(+15) higher revenues from the Capacity Market, higher revenues from LTCs, lower revenues from property rights

(-143) higher costs of biomass, higher energy costs (in mines), higher costs of purchased coal, lower costs of other fuels and materials (mazout, fuel oil, sorbent, other chemical materials for production)

(+244) lower costs of CO_2 emission allowances

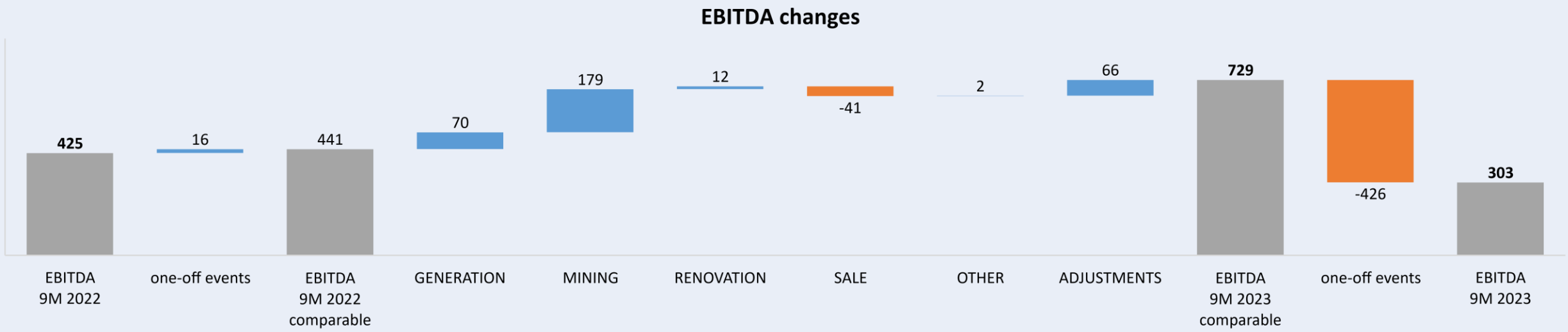
(-55) higher result on other operating activities, higher other revenues and construction revenues, lower costs of other materials, lower salary costs, lower external services, higher taxes and fees, higher other costs

EBITDA changes



EBITDA 9M 2023 by segments[1]

[m PLN]



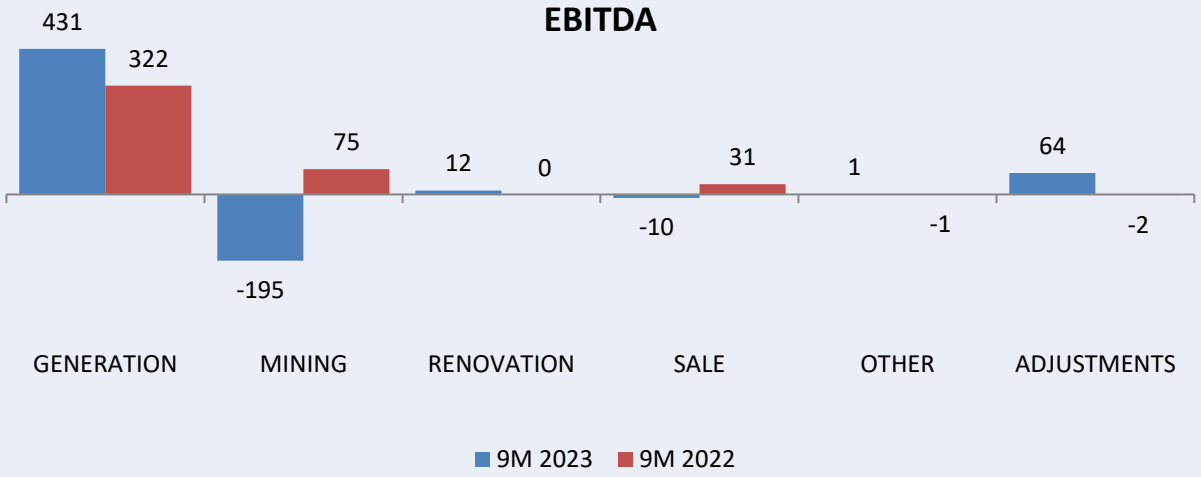
Main reasons of EBITDA changes in segments:

Generation:

- higher result achieved on purchased energy, higher revenues from heat, lower revenues from energy, fee to the price difference fund,
- higher revenues from the Capacity Market, higher revenues from LTCs, lower revenues from property rights,
- lower costs of other fuels and materials (mazout, fuel oil, sorbent, other chemical materials for production), but higher costs of coal and biomass,
- lower costs of CO2 emission allowances,
- higher other revenues, lower costs of other materials, lower salary costs, lower external services, higher taxes and fees, higher other costs

Mining:

- higher revenues from coal sales, higher costs of external services, similar salary costs, but higher electricity costs, higher costs of substitute coal, higher costs of taxes and fees



[1] All values combined - from continuing and discontinued operations.

Consolidated profit and loss account for 9M 2023 by segments[1]

m PLN	Generation	Mining	Renovation	Sale	Other	Consolidation adjustments	Total
Sale revenues from external customers	2 261	1	88	682	4	-	3 036
External sale revenues %	*88.60%*	*0.13%*	*44.22%*	*100.00%*	*4.12%*	*0.00%*	*100.00%*
Sale revenues between segments	292	751	110	-	92	(1 246)	-
Sale revenue	**2 552**	**752**	**199**	**682**	**97**	**(1 246)**	**3 036**
Cost of goods sold	(2 092)	(355)	(177)	(687)	(84)	1 241	(2 153)
Gross profit (loss)	**461**	**397**	**21**	**(4)**	**13**	**(5)**	**883**
Margin %	*18.06%*	*52.79%*	*10.55%*	*(0.59)%*	*13.40%*	*0.40%*	*29.08%*
EBITDA	**431**	**(195)**	**12**	**(10)**	**1**	**64**	**303**
Margin %	*16.89%*	*(25.93)%*	*6.03%*	*(1.47)%*	*1.03%*	*(5.14)%*	*9.98%*
EBIT	**404**	**(199)**	**11**	**(10)**	**(1)**	**65**	**269**
Margin %	*15.83%*	*(26.46)%*	*5.53%*	*(1.47)%*	*(1.03)%*	*(5.22)%*	*8.86%*
Net profit (loss)	**473**	**(203)**	**8**	**(133)**	**(5)**	**60**	**199**
Margin %	*18.53%*	*(26.99)%*	*4.02%*	*(19.50)%*	*(5.15)%*	*(4.82)%*	*6.55%*

[1] All values combined - from continuing and discontinued operations.

EBITDA 3Q 2023[1]

[m PLN]

	3Q 2023	3Q 2022
Sale revenues	**820**	**1 137**
Change %	*(27.89)%*	
Costs of goods sold	(453)	(899)
Gross profit	**376**	**238**
Margin %	*45.85%*	*20.93%*
Other operating revenues	88	29
Selling and distribution expenses	0	(5)
Administrative expenses	(30)	(36)
Other operating expenses	(13)	(10)
EBIT	**421**	**217**
Margin %	*51.34%*	*19.09%*
Depreciation	4	10
EBITDA[2]	**425**	**227**
Margin %	*51.83%*	*19.96%*

(1) Total EBITDA from continuing and discontinued operations.

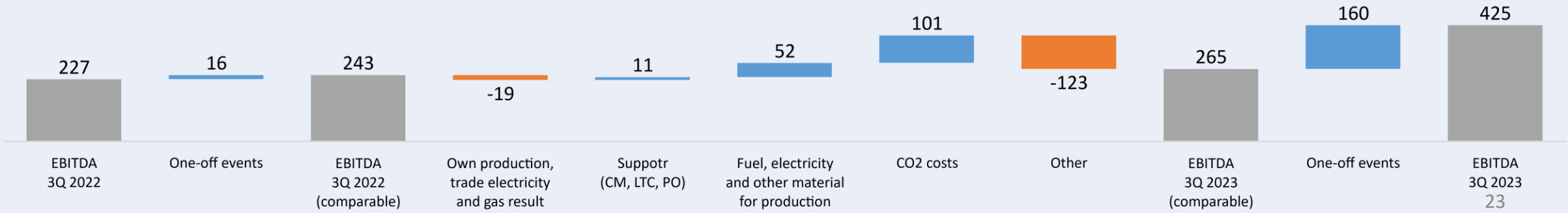
(2) **EBITDA** higher by PLN 198 m (+87.22%) -> after bringing to comparability **higher by PLN 22 m (+9.05%)**

comparable EBITDA for 3Q 2023 amounted to PLN 265 m -> amount of PLN 425 m is the result of the use and release of the created reserve for the future recultivation of exploited coal mines (+81), as well as the realization of a margin on the ale of fixed assets (+79)

comparable EBITDA for 3Q 2022 amounted to PLN 243 m -> amount of PLN 125 m this is the result of the creation of a provision on an unprofitable electricity sales contract in the second half of 2022 due to the increase in biomass costs

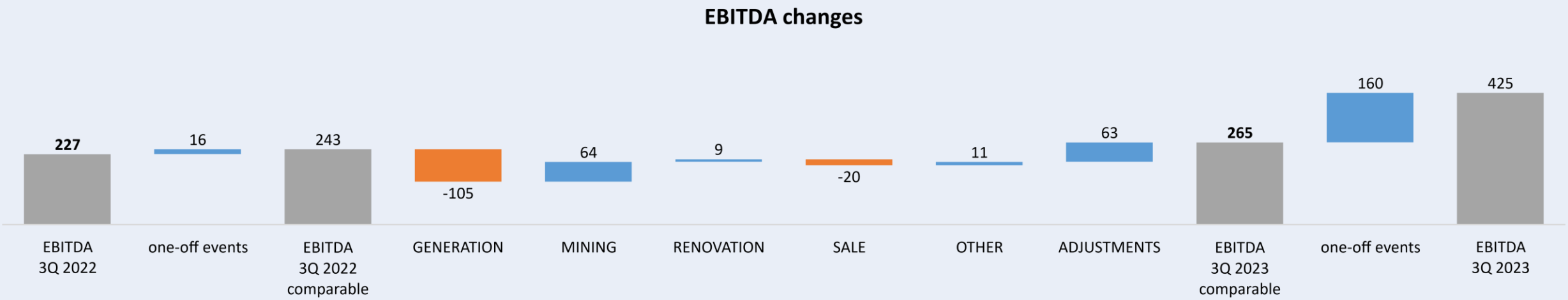
- (-19) higher result achieved on purchased energy, lower revenues from heat, lower revenues from energy, fee to the price difference fund
- (+11) higher revenues from the Capacity Market, higher revenues from LTCs, no revenues from property rights
- (+52) no biomass costs, higher energy costs (in mines), higher costs of purchased coal, lower costs of other fuels and materials (mazut, fuel oil, sorbent, other chemical materials for production)
- (+101) lower costs of CO_2 emission
- (-123) higher result on other operating activities, higher other revenues and construction revenues, lower costs of other materials, lower salary costs, lower external services, higher taxes and fees, higher other costs

EBITDA changes



EBITDA 3Q 2023 by segments[1]

[m PLN]



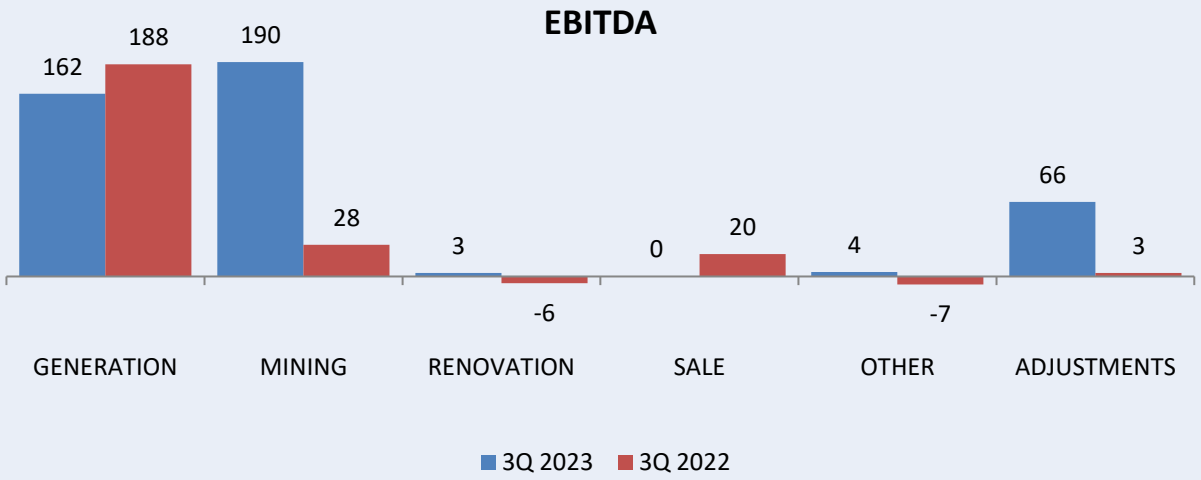
Main reasons of EBITDA changes in segments:

Generation:

- higher result achieved on purchased energy, lower revenues from heat, lower revenues from energy, fee to the price difference fund,
- higher coal costs, no biomass costs, higher costs of other fuels and materials (masut, fuel oil, sorbent, other chemical materials for production),
- lower costs of CO2 emission allowances,
- higher other revenues, lower costs of other materials, lower salary costs, lower external services, higher taxes and fees, higher other costs

Mining:

- higher revenues from coal sales, higher costs of external services, similar salary costs, but higher electricity costs, higher costs of substitute coal, higher costs of taxes and fees



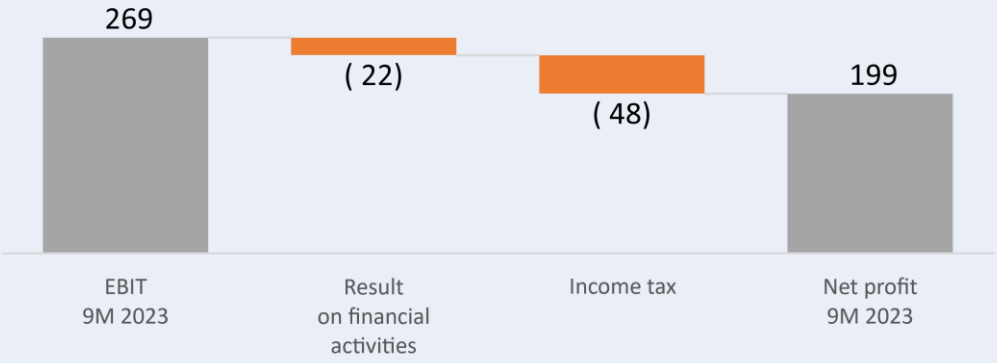
[1] All values combined - from continuing and discontinued operations.

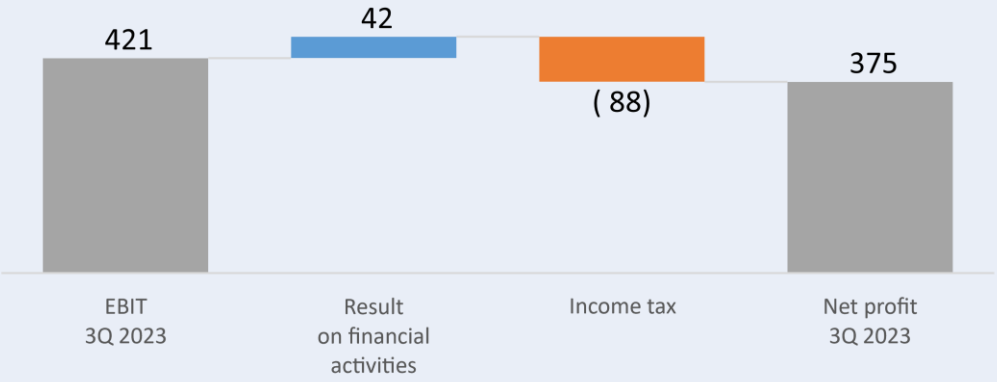
Financial activities, taxation and net result[1]

[m PLN]

	9M 2023	9M 2022	3Q 2023	3Q 2022
EBIT	**269**	**393**	**421**	**217**
Financial income[1]	53	65	28	34
Financial costs[2]	(76)	(61)	14	(36)
Gross profit / (loss)	**247**	**397**	**463**	**215**
Income tax (tax burden) [3]	(48)	(108)	(88)	(80)
Effective tax rate	*19.43%*	*27.20%*	*19.00%*	*37.21%*
Net profit / (loss) for the period	**199**	**288**	**375**	**136**
Margin %	*6.55%*	*9.31%*	*45.73%*	*11.96%*

EBIT --> net profit





(1) The increase in financial revenues is driven by higher interest revenues related to maintaining a higher cash balance in the company and positive exchange rate differences.

(2) The increase in financial costs is mainly due to higher costs of servicing the debt incurred in the first half of this year and the negative valuation of instruments hedging the increase in interest rates related to the recent reductions in interest rates. The reduction in costs was influenced by the reduction in the balance of negative exchange rate differences, which, as seen on a quarterly basis, led to the emergence of negative financial costs.

(1) All values combined - from continuing and discontinued operations.

Consolidated cash flow statement

[m PLN]

	9M 2023	9M 2022
Gross profit / (loss)	**304**	**397**
Depreciation	13	33
Profit / (loss)on investing and financial activities	57	1
Changes in working capital[1]	911	741
Income tax	(53)	(108)
Acquisition of CO_2 emission allowances	(1 180)	(1 320)
Other	(260)	1
Net cash flow from operational activities	**(208)**	**(255)**
(inflows/outflows) of investments in property, plant and equipment and intangible assets	(92)	(281)
Other inflows and outflows[2]	173	(80)
Net cash flow from investing activities	**81**	**(360)**
Profits from increasing the value of shares	-	479
Inflows of credits, loans, leases and securities	-	609
Repayment of credits, loans, leases and securities	-	(21)
Interest paid	(1)	(22)
Other	-	480
Net cash flow from financial activities	**(1)**	**1 046**
Change in cash and cash equivalents	(128)	431
Balance sheet change in cash due to exchange rate differences	18	-
Cash and cash equivalents at the beginning of the period	1 339	507
Cash and cash equivalents at the end of the period	**1 229**	**937**

(1) The higher positive change in working capital is mainly due to the increase in provisions for the redemption of CO2 emission allowances.

(2) This item mainly consists of proceeds received related to the final settlement of the sale of PAK-PCE and received repayments of loans granted.

INVESTMENTS

ZEPAK
Energia dla Ciebie

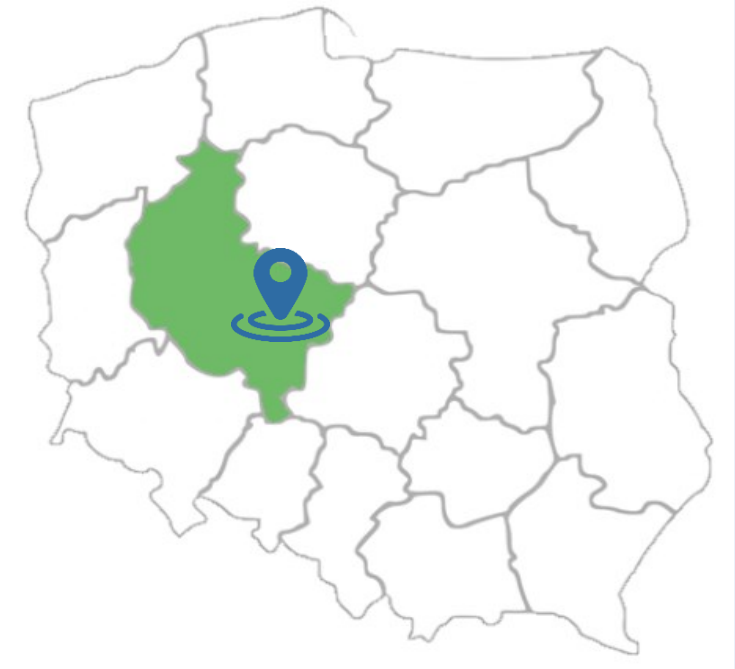
Project of the construction of CCGT - Combined Cycle Gas Turbine in Turek in the area of closed Adamów power plant

PROJECT'S NAME	LOCATION	INSTALLED CAPACITY	PROJECT'S PHASE	PRODUCTION
CCGT Adamów	Unit: Turek, wielkopolskie voivodeship Gas pipeline: Turek commune, Przykona commune	**561 MW**	**Implementation**	**1Q 2027**

KEY PARAMETERS

A single-shaft unit: with one SGT4 4000F gas turbine, SGEN5-3000W generator, recovery boiler (HRSG), SST5-5000 condensing steam turbine set and a wet fan cooling tower

- Installed capacity: 561 MW
- Won Capacity Market auction: 400 390 PLN/MW/year (for 17 years), 493 MW
- Expected time of exploitation: 25 years



Project of the construction of CCGT - Combined Cycle Gas Turbine in Turek in the area of closed Adamów power plant

STATUS OF WORK

- On September 1, 2023, a contract was signed with the general contractor - the consortium of Siemens/Mytilineos for construction in the EPC formula for the amount of PLN 2.3 billion.
- On October 24, 2023, a building permit was obtained for the block part of the CCGT unit, and on October 31, 2023, a decision on immediate enforceability was obtained for the Construction Permit decision.


Adamów lignite power plant

- On November 20, 2023, the Supervisory Board of PAK CCGT sp. z o.o. agreed to carry out the procedure for launching the EPC Agreement ("Notice To Proceed") and to make an advance payment by PAK CCGT sp. z o.o. to the Consortium in the amount of 20% of the price of the EPC Agreement.


Construction site of the future CCGT Adamów plant

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