



PGE Group's first-quarter results in line with expectations

- PGE generated PLN 9.6 billion in revenue from sales in the first quarter of 2019, up by 34% from the same period last year.
- The Group produced 15.6 TWh of electricity and sold 20.9 PJ of heat in Q1 2019.
- PGE's wind output increased by 45% due to weather conditions.
- In this year's first quarter, PGE posted solid EBITDA of PLN 1.9 billion and PLN 0.6 billion in net profit.
- Investment expenditures in the reporting period grew by 18% y/y to PLN 1 billion. The Group's flagship investment, i.e. construction of units 5 and 6 at the Opole power plant, is being finalised.
- PGE is aiming to be the leader of Poland's energy transformation. The Group's key development projects targeting a reduction in emissions include investments in new gas-based units, offshore and onshore wind farms, photovoltaics, energy storage and electromobility.

Operating results

Operating results in the first quarter of 2019 were largely driven by the situation in the National Power System. National energy consumption declined by 0.6 TWh in the reporting period owing to temperatures 3 degrees Celsius higher on average than in the same period of 2018. A 1.5 TWh increase in wind output translated into lower demand from the operator for energy generated in conventional units.

In the first quarter of 2019, PGE Group generated 15.6 TWh of electricity, of which 8.88 TWh, i.e. 10% less than last year, came from lignite. This decline results from a smaller load at the Bełchatów power plant as well as a smaller load and modernisations at the Turów plant.

Hard coal-based output reached 4.47 TWh, denoting a 22% decline from the base period. This results from a smaller load and repairs at the power plant in Opole and reserve downtime at the power plants in Rybnik and Dolna Odra.

Gas-based output declined by 4%, to 1.43 TWh in the first quarter of 2019, resulting mainly from lower demand for heat and thus lower energy output from cogeneration.

Due to weather conditions, PGE Group recorded a 45% increase in wind-based electricity generation in the reporting period. Higher output volumes from uncontrollable sources also translated into higher demand for intervention operations at the Group's pumped-storage facilities, which produced 55% more electricity than in the base period.

Electricity distribution volume reached 9.3 TWh in the first quarter, up by 1% from the same period last year.

"We are cementing our position as the undisputed leader of the Polish power sector, maintaining strong operating and financial results. The district heating segment, where we are also in a leading position, features high sensitivity to weather conditions. PGE responds to system demand, being a guarantor of energy security for the Polish economy, and in this quarter – due to a warm winter – this demand was lower than usually" says **Henryk Baranowski, CEO of PGE Polska Grupa Energetyczna.**

Financial results

In the first quarter of 2019, PGE Group generated PLN 9.6 billion in revenue from sales, up by 34% from the base period. This is a consequence of the 100% power exchange obligation and PGE's increased trade in electricity on the wholesale market.

Consolidated EBITDA after the first quarter came to PLN 1.9 billion, down by 15% from the previous year. The largest impact came from a change in the support model for highly-efficient cogeneration and lower revenue associated with this as well as a change in accounting for the cost of CO2 from chronological approach to average approach. Due to higher temperatures than in the base period, demand for heat was significantly lower.

The Conventional Generation segment and the Distribution segment made the largest contributions to PGE Group's EBITDA in the first quarter of 2019, with over PLN 683 million and PLN 645 million respectively. The District Heating segment, reported for the first time, closed the first quarter with PLN 405 million. The Supply segment generated PLN 169 million, while the Renewables segment brought in PLN 165 million.

"We are consistently building up our position as the leader of energy transformation. We are focusing on finalising the construction of new emission-reducing generation capacities in Opole and Turów and implementing our key development projects, which include investments in new gas units, offshore and onshore wind farms, photovoltaic panels, energy warehouses and electromobility. Each of these projects will contribute to lower PGE Group's emission levels. Activities aligned with the circular economy concept are also in our area of interest. Management of combustion by-products presents strong potential for us to develop business and create value," says **Henryk Baranowski**.

Investment expenditures

PGE Group's investment expenditures in the first quarter of 2019 reached PLN 1 billion, up by 18% from the same period of last year. Construction of the new units 5 and 6 at Opole power plant, with total capacity of 1800 MW, is nearing completion. Following the successful synchronisation of unit 5 with the National Power System in January this year, unit 6 was also successfully synchronised with the grid on 14 May. In practice this means that electricity generation has begun.

Once the two power units are complete, Opole power plant will become one of the most modern power plants in the world. Its role in ensuring national energy security will also increase as the electricity generated by the two new units will be sufficient for four million households. The investment is scheduled to be completed on 15 June 2019 in the case of unit 5 and 30 September 2019 in the case of unit 6.

The construction of a 490 MW unit at the Turów power plant is also progressing and currently entering the start-up phase. Approx. 89% of the contract work is complete. The new unit will easily meet the stringent environmental requirements imposed by the European Union, and the energy produced there will be sufficient for approx. one million households. In March 2019, due to the need for technological adaptation and an increased scope of work, an annex to the main contract was executed, resulting in an increase in the contract value and extension of the delivery period by six months. In accordance with the existing schedule, the investment should be completed by 30 October 2020.

Gas-and-steam units

The Group is investing in gas-based assets. New gas-and-steam units will be built at the Dolna Odra power plant, thus capitalising on the potential from the availability of fuel supplied to the LNG terminal and the planned Baltic Pipe. The construction of two new power units with total capacity of approx. 1400 MW is entering an advanced preparation stage. A tender to select the contractor for this investment will soon be announced.

Photovoltaics development program

PGE has ambitious plans for photovoltaics, aiming to reach 2.5 GW of installed capacity by 2030. In May 2019, PGE Energia Odnawialna, a PGE Group company, signed a letter of intent with Grupa Azoty Kopalnie i Zakłady Chemiczne Siarki "Siarkopol" to build a photovoltaics farm. The investment, with 5 MW of installed capacity and annual output of 4.97 GWh, delivered most likely outside the auction system, is to be located on ten hectares of Grupa Azoty Siarkopol's post-mining land in Osiek, Świętokrzyskie voivodship. The power plant is planned to consist of approx. 16 000 photovoltaic panels and should begin operations in mid-2022. This will be the first photovoltaic installation with a corporate PPA (Power Purchase Agreement), making it possible to purchase electricity directly from PGE Group.

Offshore and onshore wind farms

PGE Group is continuing its search for a strategic partner to prepare, build and operate wind farms in the Baltic Sea with total capacity of up to 2545 MW as the first stage of the Group's offshore program. PGE eventually intends to sell 50% stakes in two special purpose vehicles used to prepare the offshore wind farm projects and subsequently implement them with a partner on a joint venture basis. In January 2019, 13 potential partners from around the world responded to an invitation to participate in this project. The Group expects to close the transaction by the end of 2019.

PGE is also investing in onshore wind farms. As part of the Klaster investment, three wind farms with total installed capacity of 97.17 MW will be built in the Zachodniopomorskie voivodship by mid-2020. This project will be possible to implement due to Klaster's win in an auction to sell electricity produced from renewable sources.

Energy storage

PGE Group is also development energy storage projects, which can become an important and profitable part of the entire power system. PGE is currently working on eight such projects with total preliminarily estimated capacity of approx. 40 MW, and has an ambitious development plan in the form of the Energy Storage Program.

PGE has announced a tender for a 1 MW storage, which will be built at the Group's Belchatów plant. If tests are successful, PGE will contemplate integrating a larger energy storage with a conventional unit. Two energy warehouses – at the photovoltaic installation at Góra Żar and the Karnice I wind farm – are being built by PGE Energia Odnawialna, and four such projects, located near power stations, are being developed by PGE Dystrybucja.

Electromobility and carsharing

PGE is also successively developing in the electromobility space. PGE Group is active on the EV charging market in medium-sized cities and spa regions. It currently owns 16 charging stations in 10 cities throughout Poland. The company is also in advanced talks on additional installations in new locations. PGE Group's first commercial e-carsharing project is operating in Siedlce. A zone is designated within the city where clients can rent and return electric vehicles using a smartphone app. In April 2019, PGE Nowa Energia, a PGE Group company, purchased a 51.47% stake in 4Mobility, which is the third-largest player on the Polish carsharing market. In the longer term, the transaction will make it possible for PGE Group to develop its offering of car rentals by minute based on electric vehicles.

Bond issue

In May 2019, PGE Group issued bonds worth PLN 1.4 billion. This is the first bond issue with a 10-year investment horizon in Poland conducted by an industrial enterprise. PGE's issue was met with very strong investor interest – subscriptions twice exceeded the supply, confirming the company's positive growth perspectives.

The bonds, worth PLN 1.4 billion in total, were issued in two series: PLN 1 billion with 10-year maturity and PLN 400 million with 7-year maturity. The company intends to use the proceeds for general corporate purposes, including the repayment of EUR 500 million in eurobonds maturing in June 2019. According to rating agency Fitch Ratings, the issue represents a very low risk in comparison with other issues in Poland.



https://cmsstatic.gkpge.pl/var/gkpge_site/storage/images/_aliases/galleryfull/9/2/3/6/356329-2-pol-PL/pge_elektrownia-opole_maj-2019-r-jpg



https://cmsstatic.gkpge.pl/var/gkpge_site/storage/images/aliases/galleryfull/3/3/3/6/356333-2-pol-PL/pgge_elekrownia-turow_maj-2019-r-jpg



https://cmsstatic.gkpge.pl/var/gkpge_site/storage/images/aliases/galleryfull/8/4/0/0/360048-2-pol-PL/pgge-group-s-first-quarter-results-in-line-with-expectations.jpg