

PGE's financial and operating results for H1 2020

The PGE Capital Group publishes its financial and operating results for the first half of 2020. The results achieved in the lignite/coal power generation segment confirm the correctness of the Group's transformation towards low- and zero-carbon emissions.

- The reported EBITDA of the PGE Group in H1 2020 amounted to PLN 2.8 billion. The decrease was mainly due to one-off factors such as additional CO₂ emission allowances for the previous year and higher levels of the land rehabilitation and actuarial provisions in H1 2020.
- The recurring EBITDA of PLN 3.1 billion was at the level similar to that of last year in the absence of any significant impact of COVID-19 on H1 2020.
- The lower results of the Conventional Power Generation segment (EBITDA of PLN 774 million, a 63% year-on-year decrease) and the Heat Generation segment (EBITDA of PLN 493 million, a 36% year-on-year decrease) were caused mainly by a reduction in the number of free CO₂ emission allowances and their higher purchase costs.
- The volume of power generated from conventional sources was slightly lower (27.2 TWh, a 4% year-on-year decrease). The decrease was partly offset thanks to power generation from the new units in the Opole Power Plant.
- The Renewable Power Generation sector recorded a slightly lower result (EBITDA of PLN 301 million, a 3% year-on-year decrease) in consequence of lower market prices of electricity, adjusted by increased power generation from wind farms (0.78 TWh, a 15% year-on-year increase).
- The lower result of the Distribution segment (EBITDA of PLN 1.1 billion, a 7% year-on-year decrease) was caused by a general decrease in demand for electricity in the National Power System (KSE) following the outbreak of the COVID-19 pandemic.
- The lower result of the Trade segment (EBITDA of PLN 187 million, a 60% year-on-year decrease) was caused mainly by lower electricity sales in consequence of a fall in demand.

Operating results

In H1 2020, the net volume of electricity generated from the power units operated by the PGE Group amounted to 28.6 TWh, including 14.7 TWh from lignite-fired units (a 14% year-on-year decrease) and 9.8 TWh from hard coal-fired units (a 13% year-on-year increase).

The lower volume of electricity generation in the first half of 2020 was mainly the result of a fall in demand from the National Power System, higher generation from renewable sources, and rising energy imports, which eventually translated into a reduction in generation from conventional power units. This effect was partly offset by electricity generation from the new units 5 and 6 in the Opole Power Plant.

The volume of distributed electricity amounted to 17.3 TWh (a 5% year-on-year decrease caused by lower demand for power from the National Power System), and sales of electricity to final consumers amounted to 20.1 TWh (an 8% year-on-year decrease in response to lower demand from customers). The volume of sold thermal energy was 27.8 PJ (a 3% year-on-year decrease due to higher temperatures in the heating season, partially offset by increased sales in Q2 2020).

The PGE Group continues to diversify its generation portfolio towards renewable sources and natural gas as a transition fuel in PGE's pursuit of the green direction and support for the development of wind and solar power generation. In the first half of 2020, PGE's wind farms increased electricity production by 15% in comparison to the corresponding period of 2019, reaching the level of 0.8 TWh.

Financial results

The reported EBITDA of the PGE Group in H1 2020 fell by PLN 1.6 billion to PLN 2.8 billion due to one-off factors such as additional CO₂ emission allowances for the previous year and higher levels of the land rehabilitation and actuarial provisions in H1 2020. The recurring EBITDA was at a similar level in the absence of a significant impact of COVID-19 in the first half of 2020.

The net financial result (PLN -637m) was caused by one-off non-cash events such as a drop in the value of shares held in Polska Grupa Górnicza S.A. and a decrease in the carrying amounts of selected fixed assets in the Conventional Power Generation segment.

The PGE Group's capital expenditure in H1 2020 amounted to PLN 2.5 billion and was 2% lower on a year-on-year basis, mainly due to lower expenditure incurred by the Conventional Power Generation segment (the completed investment project in Opole, the final phase of the investment project in Turów). The increase in capital expenditure in the Renewable Power Generation segment was related to the settlement of accounts relating to the Starza/Rybyce and Karnice II wind farms in the Zachodniopomorskie province.