

Details of the webcast from the meeting with CEO & CFO**April 2, 2020 (Thursday), 10.00 AM CEST**Link to the webcast: www.gkpge.pl/Investor-RelationsQuestions for Q&A session allowed via email: pgeresults@gkpge.pl**Investor relations contact:**

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e: filip.osadczuk@gkpge.pl**Operations: Lower generation in conventional power plants as a result of changing business environment****Financials: High generation margins outweigh the effect of lower production****Transition process underway – New CEO indicates the direction**

- Weaker power generation (FY with 58.3 TWh: -12% y/y, Q4 at 14.9 TWh: -12% y/y).
- Reported FY Group EBITDA of PLN 7.1bn (+12% y/y): positive balance of one-off items (effect of additional EUA emission allowances granted in H1'19, worth PLN 1.4bn, limited due to increase of reclamation and actuarial provisions in Q4).
- Recurring FY Group EBITDA of PLN 6.6bn (-1% y/y): earnings on power generation offset by retail sales margins, lower level of the support for cogeneration and rising wages
- Impairment tests of PLN 7.1bn affect net profit (at PLN -6.1bn)
- Improvement in FY net profit to equity excluding impairments PLN 2.1bn (+17% y/y)

Challenging business environment

On the supply side in FY higher wind generation (+2.2 TWh), increased gas generation (+2.5 TWh), and higher level of net import volumes (+4.9 TWh) combined with lower domestic electricity consumption (-1.5 TWh, -0.9%) resulted in lower demand for coal generation in system thus lower generation volumes from our key units. Lower heat sales (-0.8 PJ, -2%) as a result of higher temperatures. Changing business environment is the key factor behind impairment tests which resulted in PLN -7.5bn in Conv. Generation write-offs (mainly Turów and Bełchatów energy complexes) while triggering PLN 0.4bn reversal of write-offs in Renewables.

FY distribution stands at 36.4 TWh while sales to end-users rises (FY: 44.0 TWh: +3% y/y, Q4: 11.2 TWh: +2% y/y). For more operational data see table on the second page of this document.

Reported EBITDA with positive balance of one-off events

Additional EUA emission rights significantly improve FY reported result (PLN 1.4bn at EBITDA level, granted in H1'19). On the other side – increased reclamation and actuarial provisions as an effect of lower discount rates and technical adjustments in reclamation plan in Turów.

Recurring EBITDA impacted by significantly lower revenues from the new model of support for cogeneration and lower result on energy sales to final customers and higher personnel costs y/y. Looking at overall production, we had a significant increase in CO₂ and fuel costs on the one hand, and on the other the realized wholesale price was higher. Respectively lower q/q cost of CO₂ in Q4 due to increased curtailments in generation triggering decline in unitary FY cost.

CAPEX: Declined expenditures for Conventional Generation

FY expenditures on investments 2019 in PGE Group amounted to PLN 7bn and were 2% larger y/y. Growth mainly due to investments in Distribution. Lower CAPEX in Conventional Generation (-3%) despite final phase of the capital-investment Opole power plant project (commissioned in 2019) and Turów power plant (to be commissioned in 2020).

Statement of the new CEO

Mr. Wojciech Dąbrowski appointed as the new President of the Management Board. A green direction of development with respect for more conventional strategies of obtaining energy is the declared goal. PGE needs a strong driving force in the area of management to meet the challenges it faces. The EU climate policy, the green order, decarbonisation, and growing social and ecological expectations – these elements have already influenced the energy sector and they will determine the work of the PGE Management Board. New strategy is to be revealed in next months.

March 31, 2020

Key Financials

PLNm	Q4 2019	Q4 2018	y/y [%]	2019	2018	y/y [%]
Sales	9 695	6 984	39%	37 627	25 946	45%
EBITDA	1 069	1 231	-13%	7 141	6 375	12%
Recurring EBITDA	1 704	1 469	16%	6 637	6 712	-1%
EBIT	-7 242	116	n/a	-4 175	2 482	n/a
Recurring EBIT	726	554	31%	2 841	3 221	-12%
Net profit (to equity)	-6 134	-199	n/a	-3 961	1 498	n/a
Net profit (to equity) ex. impairments	-194	-37	n/a	2 130	1 824	17%

EBITDA by segments

PLNm	Q4 2019	Q4 2018	y/y [%]	2019	2018	y/y [%]
Conventional Generation	115	300	-62%	2 880	2 101	37%
District heating	321	276	16%	1 186	852	39%
Renewables	107	109	-2%	517	463	12%
Distribution	496	571	-13%	2 306	2 463	-6%
Supply	-252	-192	n/a	280	227	23%

EBIT by segments

PLNm	Q4 2019	Q4 2018	y/y [%]	2019	2018	y/y [%]
Conventional Generation	-8 455	-261	n/a	-7 109	379	n/a
District heating	166	118	41%	595	196	204%
Renewables	443	42	955%	657	205	220%
Distribution	192	261	-26%	1 101	1 277	-14%
Supply	-260	-198	n/a	247	203	22%

Key operating data

TWh	Q4 2019	Q4 2018	y/y [%]	2019	2018	y/y [%]
Net Generation Volume	14.88	16.82	-12%	58.32	65.91	-12%
Sales to End-users	11.23	11.06	2%	44.01	42.57	3%
Electricity Distribution Volume	9.26	9.33	-1%	36.38	36.41	0%
Sales of Heat [PJ]	17.99	18.88	-5%	50.34	51.18	-2%

Electricity generation by source

TWh	Q4 2019	Q4 2018	y/y [%]	2019	2018	y/y [%]
Lignite-fired power plants	7.36	9.58	-23%	32.12	38.90	-17%
Hard coal-fired power plants	4.07	4.09	0%	14.86	16.61	-11%
Coal-fired CHPs	1.36	1.33	2%	4.20	4.27	-2%
Gas-fired CHPs	1.37	1.25	10%	4.49	4.12	9%
Biomass-fired CHPs	0.10	0.07	43%	0.32	0.18	78%
Waste-to-energy CHPs	0.01	0.01	0%	0.04	0.01	300%
Pumped-storage	0.20	0.12	67%	0.65	0.39	67%
Hydro	0.05	0.05	0%	0.37	0.37	0%
Wind	0.36	0.32	13%	1.27	1.06	20%
TOTAL	14.88	16.82	-12%	58.32	65.91	-12%
Renewable generation	0.53	0.52	2%	2.04	1.76	16%
incl. biomass co-combustion	0.01	0.07	-86%	0.04	0.14	-71%

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Further information

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