
Details of the webcast from the meeting with CEO & CFO

September 16, 2020 (Wednesday), 10.00 AM CEST

Link to the webcast: www.gkpge.pl/Investor-Relations

Questions for Q&A session allowed via email: pgeresults@gkpge.pl

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Operations: COVID-19 stigma on Q2 operational results

Financials: Results influenced by one-off items and write-offs

- Weaker power generation in Q2: 13.2 TWh (-5% y/y)
- Significantly lower reported Q2 Group EBITDA of PLN 1.0bn (-60% y/y) mainly as a result of extra CO2 granted in a base period (PLN 1.4bn)
- Net loss to equity -1.1 in Q2 and -0.7 in H1 given the impairment tests' results (total influence of PLN -1.0bn)
- As of the end of H1 net debt definitely lower due to the cash settlement of receivables from the sales of CO2 allowances and release of collaterals for CO2 and electricity

Tight market for conventional power plants

An accelerated trend of lower domestic consumption took place in Q2 due to the COVID pandemic (-8.5% y/y). This phenomenon together with increased net imports (-0.9 TWh) has left little space for the domestic generation (-11.7%, -4.4 TWh).

Effect on PGE generation was limited (-5% in Q2 and -3% in H1) due to the operation of new units in Opole power plant commissioned last year (generating in H1 3.3 TWh in total and +2.6 TWh y/y). Lignite generation was lower by -8% in Q2 and -14% in H1.

Better result in heat sold in quarter as the heating period was longer (+0.3 PJ, +4%) but H1 remains lower by 3% as an effect of warm winter earlier this year.

-8% decrease in Q2 distribution volumes due to the COVID-19. Sales to end-users even lower (-10%), as a result of high base.

For more operational data see table on the second page of this document.

Slightly lower recurring EBITDA

Recurring result at EBITDA level -10% y/y (PLN 1.3bn in Q2 and 3.1bn in H1), but reported lower by 60%. Reported EBIT affected by write-offs on conventional generation (PLN -593 in total) and net result additionally under pressure of write-off on PGG shares (PLN -482m and written off to 0 value).

Lower generation margins due to increased cost of CO2 allowances (higher price and limited volume of free allowances granted). Lower result of distribution segment mainly due lower volume. Supply business strongly affected by the decline in demand for electricity resulting in loss-generating spot resale of electricity hedged.

CAPEX: Significant shift in investment direction

Expenditures on investments in PGE Group amounted to ca. PLN 2.5bn in H1 and comparable y/y. While the declined CAPEX in Conventional generation (PLN -0.77bn y/y) was substituted by the CAPEX in Renewables (PLN +0.62bn) as an effect commissioning of two new wind farms adding 97 MW of the new onshore wind capacity. Distribution expenditures remain stable at PLN 0.8bn.

Heavy decrease in net debt

PLN 4.2bn decrease in net debt during Q2 due to the strong cash flow from operations mainly cash settlement of receivables from the sales of CO2 allowances, excess of the CO2 provision over purchase cost and lower collaterals after margin calls in Q1. Net debt/LTM EBITDA at 1.75x (1.96x as of the end of the Q1).

September 15, 2020

Key Financials

PLNm	Q2 2020	Q2 2019	y/y [%]	H1 2020	H1 2019	y/y [%]
Sales	10 185	8 675	17%	22 776	18 236	45%
EBITDA	1 035	2 597	-60%	2 805	7 395	-36%
Recurring EBITDA	1 347	1 501	-10%	3 117	3 299	-6%
EBIT	-502	1 587	n/a	271	2 446	-89%
Recurring EBIT	403	563	-28%	1 207	1 445	-17%
Net profit (to equity)	-1 120	1 117	n/a	-688	1 702	n/a
Net profit (to equity) ex. impairments	-157	1 176	n/a	299	1 799	-83%

EBITDA by segments

PLNm	Q2 2020	Q2 2019	y/y [%]	H1 2020	H1 2019	y/y [%]
Conventional Generation	277	1 423	-81%	774	2 106	-63%
District heating	151	379	-60%	493	772	-36%
Renewables	108	145	-59%	301	310	-16%
Distribution	554	566	-2%	1 127	1 211	-7%
Supply	-31	330	n/a	187	473	-60%

EBIT by segments

PLNm	Q2 2020	Q2 2019	y/y [%]	H1 2020	H1 2019	y/y [%]
Conventional Generation	-726	944	n/a	-667	1 216	n/a
District heating	-2	237	n/a	193	481	-60%
Renewables	33	80	-59%	152	180	-16%
Distribution	241	263	-8%	502	609	-18%
Supply	-41	322	n/a	169	457	-63%

Key operating data

TWh	Q2 2020	Q2 2019	y/y [%]	H1 2020	H1 2019	y/y [%]
Net Generation Volume	13,22	13,89	-5%	28,58	29,5	-3%
Sales to End-users	9,37	10,44	-10%	20,12	21,89	-8%
Electricity Distribution Volume	8,12	8,83	-8%	17,29	18,13	-5%
Sales of Heat [PJ]	8,00	7,69	4%	27,75	28,57	-3%

Electricity generation by source

TWh	Q2 2020	Q2 2019	y/y [%]	H1 2020	H1 2019	y/y [%]
Lignite-fired power plants	7,49	8,18	-8%	14,72	17,06	-14%
Hard coal-fired power plants	3,48	3,56	-2%	7,76	6,56	18%
Coal-fired CHPs	0,62	0,69	-10%	2,07	2,16	-4%
Gas-fired CHPs	0,97	0,83	17%	2,39	2,26	6%
Biomass-fired CHPs	0,1	0,07	43%	0,22	0,16	38%
Waste-to-energy CHPs	0,01	0,01	0%	0,02	0,02	0%
Pumped-storage	0,15	0,16	-6%	0,37	0,33	12%
Hydro	0,12	0,13	-8%	0,25	0,27	-7%
Wind	0,28	0,26	8%	0,78	0,68	15%
TOTAL	13,22	13,89	-5%	28,58	29,50	-3%
Renewable generation	0,51	0,47	9%	1,27	1,13	12%
incl. biomass co-combustion	0	0,01	n/a	0,01	0,02	-50%

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Further information

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