

Details of the webcast from the meeting with CEO & CFO

August 8, 2018 (Wednesday), 10.00 AM CEST

Link to the webcast: www.gkpge.pl/en

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

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Operations: good performance on like for like basis, extra boost from acquired assets

Financials: good result boosted with acquisition under one-off impact

CAPEX: continuation of strategic projects in Opole and Turów

PGE in transition: underway plans for district heating initiatives

- Group H1'18 EBITDA of PLN 3.7 bn (+7% y/y); Group recurring H1'18 EBITDA of PLN 3.8 bn (+12% y/y),
- Power generation with +18% y/y growth - doubled volumes on coal; almost tripled volumes of heat sales,
- Update from construction sites: Opole ready in 92%, Turów with approx. 66% of completed construction works,
- Responsible energy of tomorrow: further milestones in integration, Waste-to-Energy plant and investment plans.

Acquired assets supportive for stable growth of the Group

Consolidated EBITDA in H1'18 amounted to PLN 3.7 bn, higher by 7% y/y - achieved with support of acquired assets in heating season and despite higher level of overhauls of lignite-fired units in Q1'18. PLN 3.8 bn recurring EBITDA, 12% growth y/y. Conventional Generation in H1'18 supported with performance of acquired assets (+14% y/y, H1'18 EBITDA of PLN 1.8 bn). Distribution segment being the source of stable EBITDA growth (+4% y/y, H1'18 EBITDA of PLN 1.3 bn). High prices of electricity (spot) and property rights supported EBITDA of Renewables (+31% y/y, H1'18 EBITDA of PLN 222 m). Supply segment results (-28% y/y, H1'18 EBITDA of PLN 302 m) due to high base period effect.

Significantly better volumes due to new asset's impact

H1'18 with visible acquisition impact: almost tripled volume of heat sales: approx. 29 PJ in H1'18 – effect of acquired assets and its performance in heating season. H1'18 with almost doubled coal volumes y/y and sound growth in gas-fired units: approx. 4.5 TWh of additional power generation coming from acquired coal assets: +2.4 TWh from Rybnik power plant, +2.0 TWh from acquired coal CHPs and +0.9 TWh from acquired gas-fired CHPs. Weaker volumes from lignite – effect of Q1'18 lower due to overhauls in Bełchatów and Turów power plants. Lower volumes generated from renewable resources – mainly weaker wind generation.

CAPEX: continuation of Opole and Turów projects

Overall progress of works at Opole II project of approx. 92%. New commissioning dates and rescheduled payments influencing CAPEX realisation. Ongoing further works on construction site. Progress of construction works in Turów reached 66% – completed construction of a cooling tower shell. Construction of a coal-feed system and technological feed system in progress as part of ancillary works.

Changing generation profile – further milestones of integration, Waste-to-Energy unit and other plans

Further implementation of District Heating Strategy of the Group: process of integration scheduled to be ended by January 2, 2019. Further cogeneration developments based on low-emission sources: new capacities within Czechnica CHP, smaller projects in Bydgoszcz, Kielce, Zgierz and Zielona Góra CHPs. Continuation of announced Rybnik project ensuring district heating for local citizens. Waste-to-Energy unit in Rzeszów to be commissioned soon. Letters of intent regarding the analysis of the development of district heating capacities for Nowy Sącz and Wadowice (see the map of mentioned location on slide no 5 of H1'18 results presentation).

Published draft regulation on capacity market parameters, including the power demand in the main auction, in line with our expectations. We are pleased that the preparations for the introduction of the capacity market run smoothly.

August 7, 2018

Key Financials

PLNm	Q2 2018	Q2 2017	y/y [%]	H1 2018	H1 2017	y/y [%]
Sales	5 734	4 879	18%	12 871	10 620	21%
Sales recurring*	5 831	4 879	20%	12 954	10 620	22%
EBITDA	1 461	1 497	-2%	3 675	3 445	7%
EBITDA recurring**	1 573	1 489	6%	3 775	3 362	12%
EBIT	516	731	-29%	1 831	1 932	-5%
EBIT recurring**	714	758	-6%	2 059	1 891	9%
Net profit (to equity)	346	533	-35%	1 281	1 497	-14%
Net profit (to equity) ex. Impairments ***	416	561	-26%	1 385	1 531	-10%

* adjusted for LTC compensations; **one-off items summary presented at pg. 21 of H1'18 presentation, ***adjusted for net impairments only

EBITDA by segments

PLNm	Q2 2018	Q2 2017	y/y [%]	H1 2018	H1 2017	y/y [%]
Conventional Generation	551	620	-11%	1 839	1 612	14%
Renewables	108	78	38%	222	169	31%
Distribution	632	604	5%	1 270	1 222	4%
Supply	113	179	-37%	302	422	-28%

EBIT by segments

PLNm	Q2 2018	Q2 2017	y/y [%]	H1 2018	H1 2017	y/y [%]
Conventional Generation	-22	224	n/a	743	855	-13%
Renewables	44	12	267%	95	37	157%
Distribution	342	316	8%	688	642	7%
Supply	108	172	-37%	290	409	-29%

Key operating data

TWh	Q2 2018	Q2 2017	y/y [%]	H1 2018	H1 2017	y/y [%]
Net Generation Volume	15.26	12.88	18%	32.92	27.88	18%
Sales on the Wholesale Market	7.09	4.51	57%	15.48	10.80	43%
Sales to End-users	10.19	9.74	5%	20.73	19.80	5%
Electricity Distribution Volume	8.80	8.54	3%	17.99	17.50	3%

Electricity generation by source

TWh	Q2 2018	Q2 2017	y/y [%]	H1 2018	H1 2017	y/y [%]
Lignite-fired power plants	9.43	9.36	1%	19.25	19.93	-3%
Hard coal-fired power plants	3.98	2.30	73%	7.93	4.81	65%
Coal-fired CHPs	0.64	0.14	357%	2.44	0.52	369%
Gas-fired CHPs	0.75	0.51	47%	2.24	1.46	53%
Biomass-fired CHPs	0.03	0.05	-40%	0.08	0.10	-20%
Pumped-storage	0.09	0.08	13%	0.20	0.18	11%
Hydro	0.10	0.14	-29%	0.25	0.26	-4%
Wind	0.24	0.30	-20%	0.53	0.62	-15%
TOTAL	15.26	12.88	18%	32.92	27.88	18%
Renewable generation	0.41	0.51	-20%	0.92	1.04	-12%
incl. biomass co-combustion	0.04	0.02	100%	0.06	0.06	0%

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