



Details of the webcast from the meeting with CEO & CFO

March 24, 2021 (Wednesday), 10.00 AM CET

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

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

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Operations: Increase in demand for electricity in Q4 makes FY results comparable y/y

Financials: Conventional Generation drives Group results down as the free allowances end

- Q4 power generation follows domestic demand and rises to 15.3 TWh (+3% y/y) but FY remains stable
- Conventional Generation under strong pressure
- Positive change of remaining business segments with significant increase in Supply
- Net profit to equity at PLN 0.5bn in Q4 and PLN 0.1bn in FY significantly higher as 2019 was touched upon impairments
- Continued temporary decrease of net debt as a result of forward hedging of 2020 CO2 allowances

Volumes in generation sustained due to production of new Opole units

Pressure on Conventional Generation on tightening market (RES, imports expansion, COVID-19) resulted in FY 7% y/y decrease in lignite generation. Total volumes supported by incremental generation of new Opole PP units (+4.1 y/y) and comparable y/y (58 TWh) with a 3% increase in Q4 y/y. 12% higher 2020 generation on natural gas in CHPPs resulting from improved economics of generation (lower gas price and higher CO2). Yearly RES generation 14% up (2.3TWh v 2.0TWh), mainly given additional wind capacities commissioned and acquired during the year.

Slightly lower heat volumes in 2020 (-0.2PJ y/y) as the average temperatures were a bit higher. Slightly lower volumes of electricity distributed (35.7TWh v 36.4TWh in 2019) with improvement in Q4 (+2% y/y). Sales to end-users lower (-6% y/y), as a result of high base.

Slightly lower recurring EBITDA

Reported EBITDA 1.2bn lower (-16% y/y) due to the negative balance of one-offs y/y, especially given the 2019 result was supported by ca. PLN 1.4bn additional CO2 allowances for previous years.

FY recurring result at EBITDA level lower by 7% at PLN 6.2bn, under pressure of Conventional Generation segment (FY -29% y/y and -55% Q4 y/y) experiencing rising CO2 cost not covered by the rising electricity prices. Rising CO2 cost impacts also District Heating segment while here it is offset by the increased revenues from heat sales and lower price of gas. Lack of 9.5m tonnes of free allowances for electricity generation in 2020 has not being carried over in electricity prices.

Higher recurring EBITDA in RES segment (+78m, +15% y/y) as a result of higher green certificates' prices and added wind capacities from H2. In Q4 results visibly higher by 71% y/y. Higher EBITDA in Supply segment as the results are not impacted by the provisions for household tariffs (created in Q4 2019). Tariff for 2021 approved by the regulator carries over the wholesale electricity cost thus no provisions for next year were needed. Recurring Distribution EBITDA for 2020 stands at PLN 2.3bn and increasing in Q4 by 12% y/y

CAPEX: Decreasing coal investments and focus on value-creating developments

Expenditures on investments (on an accrual basis) in PGE Group amounted to ca. PLN 5.5bn in FY (-22% y/y) after the completion of Opole units in 2019 and suspension of minor projects with unacceptable rates of return. Conventional Generation total CAPEX lower by 41% at PLN 2.4bn. Distribution expenditures ca. PLN 0.5bn lower at PLN 1.7bn in FY as an effect of the suspended grid grounding project. RES expenditures has risen by 374% (PLN 0.7bn v PLN 0.2bn in 2019).

Net debt decreased but Mar-2021 EUA allowances are still to come

Q4 bring further reduction in net debt (PLN -0.15bn), to PLN 8.4bn (PLN 3bn lower y/y). Effect lower than in Q2 & Q3 due to redemption of contracts for EUA (Dec-2020). However, CO2 for 2020 is mostly hedged in EUA Mar-2021 contract. Net debt/LTM EBITDA at 1.41x (1.60x as of the end of the 2019).

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Key Financials

PLNm	Q4 2020	Q4 2019	y/y [%]	2020	2019	y/y [%]
Sales	12 670	10 048	26%	45 766	37 627	22%
EBITDA	1 615	1 069	51%	5 966	7 141	-16%
Recurring EBITDA	1 493	1 704	-12%	6 184	6 637	-7%
EBIT	668	-7 242	n/a	1 408	-4 175	n/a
Recurring EBIT	436	726	-40%	2 574	2 841	-9%
Net profit (to equity)	525	-6 134	n/a	110	-3 961	n/a
Net profit (to equity) ex. impairments	433	-194	n/a	934	2 130	-56%

EBITDA by segments

PLNm	Q4 2020	Q4 2019	y/y [%]	2020	2019	y/y [%]
Conventional Generation	467	115	306%	1 725	2 880	-40%
District heating	339	321	6%	947	1 186	-20%
Renewables	186	107	74%	597	517	15%
Distribution	568	496	15%	2 306	2 306	0%
Supply	126	-252	n/a	612	280	119%

EBIT by segments

PLNm	Q4 2020	Q4 2019	y/y [%]	2020	2019	y/y [%]
Conventional Generation	-17	-8 455	n/a	-647	-7 109	n/a
District heating	158	166	-5%	304	595	-49%
Renewables	229	443	-48%	405	657	-38%
Distribution	280	192	46%	1 093	1 101	-1%
Supply	117	-260	n/a	577	247	134%

Key operating data

TWh	Q4 2020	Q4 2019	y/y [%]	2020	2019	y/y [%]
Net Generation Volume	15.28	14.88	3%	58.13	58.32	0%
Sales to End-users	10.71	11.23	-5%	41.17	44.01	-6%
Electricity Distribution Volume	9.40	9.26	2%	35.67	36.38	-2%
Sales of Heat [PJ]	17.04	16.31	4%	48.58	48.76	0%

Electricity generation by source

TWh	Q4 2020	Q4 2019	y/y [%]	2020	2019	y/y [%]
Lignite-fired power plants	7.32	7.36	-1%	29.72	32.12	-7%
Hard coal-fired power plants	4.41	4.07	8%	16.11	14.86	10%
Coal-fired CHPs	1.23	1.36	-10%	4.20	4.20	0%
Gas-fired CHPs	1.43	1.37	4%	5.05	4.49	12%
Biomass-fired CHPs	0.10	0.10	0%	0.35	0.32	9%
Waste-to-energy CHPs	0.01	0.01	0%	0.04	0.04	0%
Pumped-storage	0.26	0.20	30%	0.76	0.65	17%
Hydro	0.08	0.05	60%	0.41	0.37	11%
Wind	0.44	0.36	22%	1.49	1.27	17%
TOTAL	15.28	14.88	3%	58.13	58.32	0%
Renewable generation	0.64	0.53	21%	2.32	2.04	14%
incl. biomass co-combustion	0.01	0.01	0%	0.03	0.04	-25%

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Further information

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