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**Details of the webcast from the meeting with COO & CFO**

**March 13, 2019 (Wednesday), 10.00 AM CET**

Link to the webcast: [www.gkpge.pl/en](http://www.gkpge.pl/en)

Questions for Q&A session allowed via email: [pgeresults@gkpge.pl](mailto:pgeresults@gkpge.pl)

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### **Strong operations in 2018: good power and heat generation**

#### **Financials: satisfactory results on turbulent market**

#### **PGE in transition: diversified portfolio of projects to ensure sustainable transformation**

- Growing importance of heat in PGE results – annual revenues generated on heat sales reached PLN 2 bn (+106% y/y);
- Group recurring 12M'18 EBITDA of PLN 6.7 bn (+3% y/y), Group reported 12M'18 EBITDA of PLN 6.4 bn (-17% y/y);
- PGE supports responsible transformation of power generation with socially and economically acceptable impact, while maintaining a high level of energy security
- Strategic projects at final stage, planned low-emission portfolio supportive for PGE emissions profile.

#### **Operational performance with support of new assets**

Record production of electricity strengthening PGE's position of the leader on power generation market - sound growth of overall volume of power generation (FY volume +16% y/y) with strong contribution of volume generated on hard coal (FY volume +67% y/y) and gas (FY volume +44% y/y). Lignite volumes at comparable level year over year. Lower volumes generated from renewable resources - mainly weaker wind generation. Further construction of the heating segment - surge in heat sales (FY volume +100% y/y).

#### **Expected results on strong operations limited by challenging market conditions**

Growing costs of CO<sub>2</sub> rights and fossil fuels combined with uncertainty on the energy market impacted the results on the Group level. Reported consolidated EBITDA in 12M'18 amounted to PLN 6.4 bn, lower by 17% y/y – mainly high base effect (lack of LTC compensations in 2018, while present in 2017). Group recurring 12M'18 EBITDA of PLN 6.7 bn (+3% y/y). Distribution segment being the source of stable EBITDA growth (+6% y/y, 12M'18 EBITDA of PLN 2.5 bn). High prices of property rights and spots on electricity supported EBITDA of Renewables (+27% y/y, 12M'18 EBITDA of PLN 463 m). Dynamic growth of the power price on the wholesale market impacted the result on trading and on retail sales. Lack of regulatory conclusions drive the market instability. Supply segment results (-68% y/y, 12M'18 EBITDA of PLN 263 m) due to high base period effect and under pressure of market conditions.

#### **CAPEX: final stage of capital-intensive realisations**

Overall progress of works at Opole II project of approx. 96% - ongoing start-up run. Progress of construction works in Turow exceeded 84%. The end of the investment cycle of flagship projects will gradually lead to lower outlays. Ongoing modernisation works improving the efficiency of production and reducing impact on the natural environment. Involvement in the fight against low emissions and growing demand for district heating constitutes the strong impulse for development of our cogeneration portfolio.

#### **Maintaining the position of leading utility in energy transformation in Poland**

PGE maintains the leading position in energy transformation. Portfolio of our currently realised and future project bring us closer towards lower exposure to CO<sub>2</sub> cost and related risk. Onshore (97 MW) and off-shore wind farms (2.5 GW up to 2030) in pipeline. Planned gas units in northern part of Poland to stabilise the local power system covering majority of wind farms in Poland. The implementation of our already planned investments will help to avoid emissions of 60 million tons of CO<sub>2</sub> in 2016-2026. See our reduction timeline roadmap towards lower exposure to CO<sub>2</sub> emission on slide no 5 of PGE annual results presentation. Gradual transition of power sector in Poland is supported by capacity market impacting the profitability of assets, but above all giving the right investment impulse and the possibility of a sustainable transformation of the sector.

**March 12, 2018**
**Key Financials**

PLNm	Q4 2018	Q4 2017	y/y [%]	2018	2017	y/y [%]
Sales	6 984	6 407	9%	25 946	23 100	12%
Sales recurring*	7 022	6 403	10%	26 066	21 885	19%
EBITDA	1 223	1 542	-21%	6 364	7 650	-17%
EBITDA recurring**	1 461	1 651	-12%	6 701	6 479	3%
EBIT	108	-263	n/a	2 471	3 552	-30%
EBIT recurring**	546	816	-33%	3 210	3 430	-6%
Net profit (to equity)	-199	-360	n/a	1 498	2 600	-42%
Net profit (to equity) ex. Impairments ***	-37	426	n/a	1 824	3 450	-47%

\* adjusted for LTC compensations; \*\*one-off items summary presented at pg. 27 of FY 2018 presentation, \*\*\*adjusted for net impairments only

**EBITDA by segments**

PLNm	Q4 2018	Q4 2017	y/y [%]	2018	2017	y/y [%]
Conventional Generation	572	698	-18%	2 938	4 099	-28%
Renewables	109	125	-13%	463	364	27%
Distribution	570	526	9%	2 463	2 333	6%
Supply	-196	197	n/a	263	811	-68%

**EBIT by segments**

PLNm	Q4 2018	Q4 2017	y/y [%]	2018	2017	y/y [%]
Conventional Generation	-145	-479	n/a	564	1 754	-68%
Renewables	42	-76	n/a	205	-36	n/a
Distribution	261	227	15%	1 277	1 166	10%
Supply	-202	190	n/a	238	784	-70%

**Key operating data**

TWh	Q4 2018	Q4 2017	y/y [%]	2018	2017	y/y [%]
Net Generation Volume	16,82	15,33	10%	65,91	56,79	16%
Sales to End-users	11,06	10,70	3%	42,57	40,43	5%
Electricity Distribution Volume	9,33	9,14	2%	36,41	35,34	3%

**Electricity generation by source**

TWh	Q4 2018	Q4 2017	y/y [%]	2018	2017	y/y [%]
Lignite-fired power plants	9,58	9,19	4%	38,90	38,95	0%
Hard coal-fired power plants	4,09	3,28	25%	16,61	11,11	50%
Coal-fired CHPs	1,34	0,87	54%	4,29	1,47	192%
Gas-fired CHPs	1,25	1,18	6%	4,12	2,87	44%
Biomass-fired CHPs	0,06	0,06	0%	0,16	0,20	-20%
Pumped-storage	0,12	0,18	-33%	0,39	0,44	-11%
Hydro	0,05	0,14	-64%	0,37	0,47	-21%
Wind	0,32	0,43	-26%	1,06	1,28	-17%
TOTAL	16,82	15,33	10%	65,91	56,79	16%
Renewable generation	0,51	0,66	-23%	1,75	2,08	-16%
incl. biomass co-combustion	0,08	0,03	167%	0,16	0,13	23%

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