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

**March 8, 2017 (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)

**Investor relations contact:**

Jakub Frejlich, Head of IR

tel.: +48-22-340-1032

mob: +48-695-883-902

e: [jakub.frejlich@gkpge.pl](mailto:jakub.frejlich@gkpge.pl)

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### **Financials: Satisfactory EBITDA, however partially on one-off, Sound OCF**

#### **Corporate: Strategy implementation**

#### **CAPEX: Opole II progress above 70%, modernizations in Bełchatów finalized, Gorzów CHP commissioned**

- Group FY EBITDA of PLN 7.4 bn (-10% yoy); Group recurring FY EBITDA of PLN 6.2 bn (-18% yoy)
- Q4 2016 EBITDA recovery (Q1'16 of PLN 1.8 bn, Q2'16 of PLN 1.3 bn, Q3'16 of PLN 1.6 bn, Q4'16 of PLN 2.6 bn)
- Action plan for Strategy implementation
- PGE investment grid update: continuation of Opole II exceeding 70% of project's progress, Turów exceeded 18% of works at construction site, Gorzów CHP commissioned

#### **Financials under pressure, however satisfactory annual results**

Behind us the year full of challenges and hard work. In these uneasy times for utilities we maintain the leading position in the industry with EBITDA above PLN 7 bn and operating cash flows exceeding PLN 6 bn. Adjusted net profit amounted to PLN 3.4 bn.

#### **Strategy implementation**

Fourth quarter of the last year was marked with the implementation of updated strategy released in September. Current action plan is realized both through new initiatives as well as existing investment projects. Facing market challenges we are searching for new growth vectors such as electromobility, integration of dispersed sources within a system or energy efficiency. Providing specialization is an effective way to maximize profits we will carve out our CHPs into a separate unit following path of cogeneration area development.

#### **PGE active in industry M&As**

Recent period was fairly rich of M&A developments for our company. We look outside the organization and seek opportunities for external growth through mergers and acquisitions. Hence bid for Polish conventional assets of EDF. We hope the process will not be prolonged and reached consensus on this issue will be satisfactory for PGE shareholders. Involvement of PGE in Polimex-Mostostal should also be considered in terms of the strategic creation of our Group's value chain.

#### **Year 2016 dedicated to investment**

Progress of Opole II project exceeded 70 percent. Turów unit is progressing with 18% of project advancement on construction site. Project of gas-and-steam unit at Gorzów CHP completed – unit commissioned in January 2017. Bełchatów Power Plant is working at full capacity - the last retrofitted unit commissioned in third quarter. We keep on the modernisations of our assets: units 1-3 in Turów and Pomorzany ongoing. Distribution progresses with several projects ensuring security of supply and supporting economic growth of local communities.

## 2016 PGE Group Results



March 7, 2017

### Key Financials

PLNm	Q4 2016	Q4 2015	y/y [%]	2016	2015	y/y [%]
Sales	7 529	7 382	2%	28 092	28 542	-2%
Sales recurring*	7 393	7 279	2%	27 572	27 996	-2%
EBITDA	2 590	1 998	30%	7 376	8 228	-10%
EBITDA recurring**	1 751	1 971	-11%	6 151	7 511	-18%
EBIT	1 665	1 273	31%	3 512	-3 589	n.a.
EBIT recurring**	991	1 353	-27%	3 292	4 733	-30%
Net profit (to equity)	1 366	995	37%	2 568	-3 032	n.a.
Net profit (to equity) ex. Impairments ***	1 414	1 082	31%	3 363	4 290	-22%

\* adjusted for LTC compensations; \*\*one-off items summary presented at pg. 26 of 2016 presentation, \*\*\*adjusted for net impairments only

### EBITDA by segments

PLNm	Q4 2016	Q4 2015	y/y [%]	2016	2015	y/y [%]
Conventional Generation	1 735	1 113	56%	4 182	4 698	-11%
Renewables	109	113	-4%	365	391	-7%
Distribution	545	596	-9%	2 230	2 461	-9%
Supply	180	187	-4%	500	610	-18%

### EBIT by segments

PLNm	Q4 2016	Q4 2015	y/y [%]	2016	2015	y/y [%]
Conventional Generation	1 275	739	73%	2 691	-5 732	n.a.
Renewables	-37	2	n.a.	-770	107	n.a.
Distribution	258	318	-19%	1 104	1 387	-20%
Supply	173	180	-4%	473	585	-19%

### Key operating data

TWh	Q4 2016	Q4 2015	y/y [%]	2016	2015	y/y [%]
Net Generation Volume	14,63	13,84	6%	53,67	55,58	-3%
Sales on the Wholesale Market	15,74	15,31	3%	59,13	60,89	-3%
Sales to End-users	11,02	9,99	10%	42,96	39,05	10%
Electricity Distribution Volume	8,89	8,58	4%	34,32	33,38	3%

### Electricity generation by source

TWh	Q4 2016	Q4 2015	y/y [%]	2016	2015	y/y [%]
Lignite-fired power plants	10,11	9,34	8%	37,26	38,98	-4%
Hard coal-fired power plants	2,64	2,72	-3%	10,71	11,04	-3%
Coal-fired CHPs	0,36	0,38	-5%	0,98	1,30	-25%
Gas-fired CHPs	0,83	0,75	11%	2,33	2,05	14%
Biomass-fired CHPs	0,06	0,12	-50%	0,43	0,46	-7%
Pumped-storage	0,13	0,20	-35%	0,45	0,57	-21%
Hydro	0,12	0,05	140%	0,43	0,36	19%
Wind	0,38	0,28	36%	1,08	0,82	32%
TOTAL	14,63	13,84	6%	53,67	55,58	-3%
Renewable generation	0,58	0,63	-8%	2,24	2,41	-7%
incl. biomass co-combustion	0,02	0,18	-89%	0,30	0,77	-61%

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#### Further information:

[Jakub Frejlich](mailto:Jakub.Frejlich@GPKPGE.pl), Head of IR

tel: +48-22-340-1032

mob: +48-695-883-902

e: [jakub.frejlich@gkpge.pl](mailto:jakub.frejlich@gkpge.pl)