
Details of the webcast from the meeting with CEO & CFO

May 29, 2019 (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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Operating performance: power and heat generation under pressure of weather conditions

Financials impacted mainly by lack of cogeneration support scheme and lower power generation

Transition: ongoing CCGT project, PV development plan & stronger involvement into circular economy

- Weaker power generation (15.6 TWh: -12% y/y) and heat sales (20.9 PJ: -11% y/y) due to warmer winter-end.
- Group EBITDA of PLN 1.9 bn (-15% y/y): larger share of seasonal heating business being sensitive to weather conditions.
- PGE Group issued bonds - total value of PLN 1.4 bn: PLN 1 bn with 10-year and PLN 0.4 bn with a 7-year investment horizon.
- Strategic projects: Opole no. 5 soon in operation, Opole no. 6 just synchronised to the Polish grid.
- Ongoing involvement into transition: incoming announcement of proceedings for ZEDO CCGT general contractor, first steps towards implementation of PV development plans and concerns around by-products/secondary raw materials.

Unusually warm winter impacts operations ...

Exceptionally warm February and March was responsible for the drop in electricity demand. Combined with additional net import, it results in 2-percent decrease of domestic electricity generation when comparing to Q1 last year. Stronger wind generation (+1.5 TWh yoy) translated into lower demand from the operator for energy generated in conventional units. PGE performance on this background: weaker power generation (15.6 TWh: -12% y/y) and heat sales of (20.9 PJ: -11% y/y). However, despite the lower demand in Poland, we have increased the distribution of electricity (9.3 TWh: +1% y/y) and sales to end-users (11.4 TWh: +9% y/y). For more operational data see table on the second page on this document.

... and combined with no support for cogeneration downsized financial results

The greater share of district heating business in the Group's EBITDA (as a result of the acquisition of assets) is not only more seasonality, but also more sensitivity of financial results to the weather conditions. In addition, in the absence of implemented regulations in Q1 we could not recognize revenue from support for highly-efficient cogeneration, which should change in the second half of the year. Revenues from the sale of property rights in the district heating segment were lower by PLN 167 m y/y. The effect of lower heat production and deteriorated margins on heat was balanced by a higher margin on electricity production. For more financial data see table on the second page on this document.

Issue of bonds on Polish market

PGE Group issued bonds with a total value of PLN 1.4 bn being the first Polish issue of bonds with a 10-year investment horizon issued by an industrial enterprise. Double oversubscription confirmed the positive development prospects of the company.

CAPEX: incoming completion of capital-intensive projects ...

After the successful synchronization of Opole unit 5 to the National Power System in January this year, the second new unit – no. 6, was successfully synchronized to the grid in mid-May. In practice, it means the start of electricity generation meeting the requirements of BAT Conclusions. Turów unit is completed in 89% and is prepared for the start-up run phase. Recently signed annex to the contract with the General contractor expands the scope of works, increases the value of the contract and extends the deadline for the completion of the unit by six months, i.e. until October 2020.

... and further initiatives towards transformation on the horizon

PGE naturally aspires to the title of the leader of energy transformation in Poland. We actively continue the development process of Dolna Odra Power Plant – within a few weeks we should announce the proceeding for selection of the general contractor of CCGT unit. Our recently announced involvement into photovoltaic initiatives in Poland has just started to be implemented. Few days ago PGE signed a letter of intent with Azoty Group for the construction of a 5 MW photovoltaic farm being first installation in Poland based on the PPA (Purchase Power Agreement). In parallel we concentrate on the rigorous implementation of the circular economy idea. The effect of our thorough analysis in this area is a set of business recommendations bringing very specific synergies on the cost side and in the operational area.

May 28, 2019

Key Financials

PLNm	Q1 2019	Q1 2018	y/y [%]
Sales	9 561	7 137	34%
EBITDA	1 889	2 214	-15%
EBIT	950	1 315	-28%
Net profit (to equity)	585	935	-37%
Net profit (to equity) ex. impairments	604	969	-38%

Lack of one-off adjustments in Q1'19

EBITDA by segments

PLNm	Q1 2019	Q1 2018	y/y [%]
Conventional Generation	683	709	-4%
District heating	405	581	-30%
Renewables	165	114	45%
Distribution	645	638	1%
Supply	169	189	-11%

EBIT by segments

PLNm	Q1 2019	Q1 2018	y/y [%]
Conventional Generation	272	320	-15%
District heating	256	446	-43%
Renewables	100	50	100%
Distribution	346	346	0%
Supply	161	182	-12%

Key operating data

TWh	Q1 2019	Q1 2018	y/y [%]
Net Generation Volume	15,61	17,66	-12%
Sales to End-users	11,45	10,54	9%
Electricity Distribution Volume	9,30	9,19	1%
Sales of Heat [PJ]	20,86	23,48	-11%

Electricity generation by source

TWh	Q1 2019	Q1 2018	y/y [%]
Lignite-fired power plants	8,86	9,82	-10%
Hard coal-fired power plants	2,85	3,95	-28%
Coal-fired CHPs	1,66	1,8	-8%
Gas-fired CHPs	1,43	1,49	-4%
Biomass-fired CHPs	0,07	0,05	40%
Waste-to-energy CHPs	0,01	-	-
Pumped-storage	0,17	0,11	55%
Hydro	0,14	0,15	-7%
Wind	0,42	0,29	45%
TOTAL	15,61	17,66	-12%
Renewable generation	0,66	0,51	29%
incl. biomass co-combustion	0,02	0,02	0%

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