

*“The energy industry all over the world is being reshaped, forcing electric utilities to seek out new growth paths. In this challenging environment, we have redefined the foundations upon which we want to build our future.”*

Henryk Baranowski, CEO of PGE Polska Grupa Energetyczna, on challenges facing PGE Group, its new development path, results of 2016 and the energy industry’s future.



***Study of global changes shows that the arrival of new technologies can upend traditional business models. The energy industry is facing the change. How does the management want to ensure PGE’s market success in the long term?***

Searching for new solutions is becoming exceptionally important these days. The energy industry all over the world is being reshaped, forcing utilities to seek out new growth paths. This is the reason why in this challenging environment our Group has redefined the foundations upon which we want to build our future.

***How will the new strategy help PGE to meet the challenges of modern energy industry?***

We want to combine high efficiency in every area of our business activities with high flexibility, understood as readiness to quickly adapt to current market and regulatory conditions. We are focusing on modern technologies and effective management as well as the development of new business areas. We are searching for new growth vectors such as electromobility, integration of dispersed sources within a system or energy efficiency. We want to be closer to our clients, to better understand them and to provide them with increasingly comprehensive services, all the while guaranteeing safe energy supplies. In our updated strategy, we emphasise the

obligation to do business in compliance with the values and rules defined in PGE Group’s Ethics Code and to develop in a conscious and sustainable manner.

***PGE Group is very heavily involved in energy investments in Poland. What about the progress at the most important construction sites and what are the Group’s investment plans?***

Investments in new capacities are progressing in line with the plan. Two units with total capacity of 1800MW and contract value of about PLN 11 billion are being built at Opole power plant. This project is approx. 70% complete. At Turów power plant, a 490MW unit worth PLN 4 billion is being constructed. We completed a project of 138MW gas-and-steam unit at Gorzów CHP, and we are yet to execute several modernisation projects that will improve the emission profiles of our units and extend our production assets’ lifecycles. We are also pleased with investments in the distribution segment, launch in 2016 of the so called Czosnów hub and pilot AMI metering in Łódź and Białystok.

***Please go over the Company’s results in 2016.***

2016 was a period of intense work for us, which yielded satisfactory results in both operating and financial terms. After the completion of a comprehensive modernisation at Bełchatów power plant, we substantially increased lignite-based electricity production as of the third quarter. We produced a total of 54 TWh in the entire year and despite a busy overhaul schedule for conventional units, only 3% less than in the preceding year. Group EBITDA significantly exceeded PLN 7 billion, which I consider a fair result in the context of falling electricity prices and the rising costs of CO<sub>2</sub> emission allowances.

***What can we expect in 2017?***

From an operating point of view, PGE Group’s development in the cogeneration area looks most interesting. In line with the Group’s strategy, we intend to carve out our combined heat-and-power plants into a separate company. Our two largest projects, Opole and Turów, will be continued in 2017. We are also expecting to see final arrangements regarding the capacity market.