

Q4 & FY 2015 Financial and Operating Results

February 17, 2016



Q4 & FY 2015 Financial and Operating Results



Key takeaways



Marek Woszczyk
- President and CEO

Highlights

Financial results

PLN 8.2 bn
EBITDA

PLN 6.8 bn
net cash from
operations

PLN 4.3 bn
adjusted net
profit to
equity

Adjusted EPS
PLN 2.29

Operations

55.6 TWh
Net
generation
(+1% y-o-y)

33.4 TWh
Distribution
volume
(+3% y-o-y)

39.0 TWh
Sales to end
users
(-2% y-o-y)

CAPEX

Opole II
over 1/3 of
investment
completed

Turów 11
BAT
readiness
secured

Wind capacity
+218 MW
goal achieved

Investment in
distribution
assets
PLN 1.84 bn

Financing

Syndicated
loan
PLN 5.5 bn

EIB loan
PLN 2 bn

BGK loan
extended
by PLN 0.5 bn

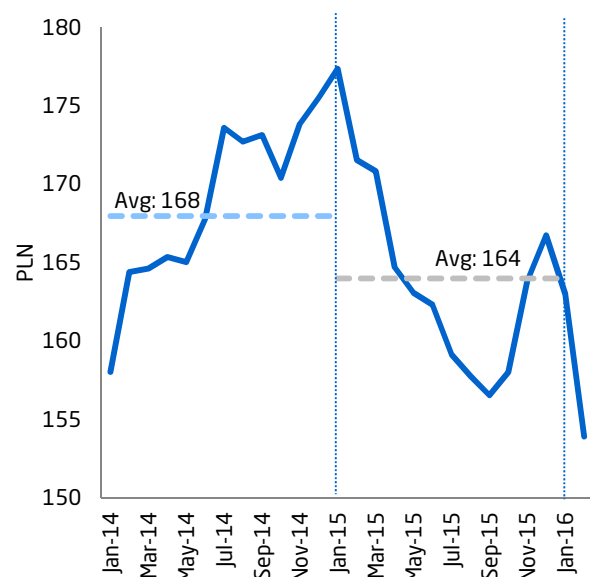
Decent macro is not enough

Macroeconomic environment

	Q4 2015	Q4 2014	FY 2015	FY 2014
Real GDP growth (y-o-y)	3.9%*	3.3%	3.6%*	3.3%
Domestic Electricity Consumption growth (y-o-y)	1.0%	0.9%	1.7%	0.5%
Domestic Electricity Consumption (TWh)	42.25	41.84	161.44	158.73

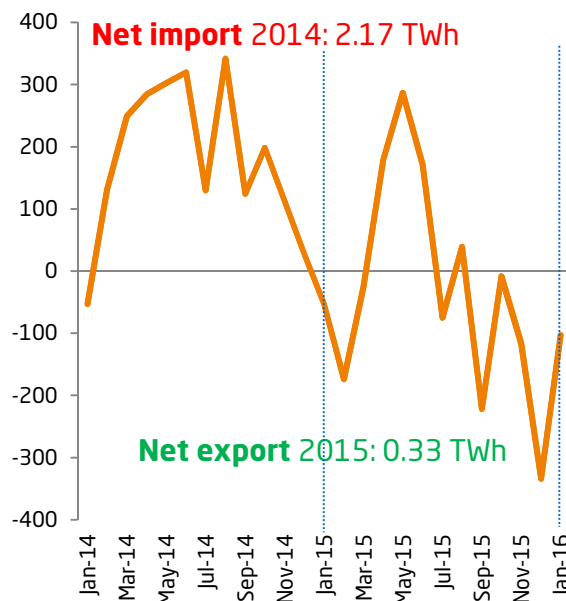
* Estimated

BASE Forward next year prices



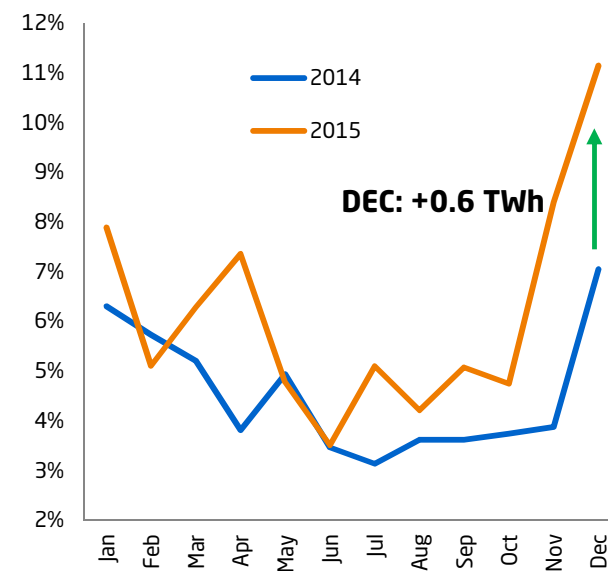
Source: TGE

International balance



Monthly PSE data, physical exchange

Wind Farms Share in Total Generation



Monthly PSE data

Regulatory Update

RES SUPPORT SCHEME

- **RES Act amended** (Dec. 29, 2015)
- Launch of the feed-in tariff and auctions **postponed for half a year**
- Reduced support for biomass co-combustion and no support for large hydro already effective since January
- Pending law review with potentially further amendments

DISTRIBUTION

- **2016-2020 model introduced**
- Tariffs approved under reviewed WACC computation model (revised parameters)
- Final WACC set at **5.675% vs** previously proposed 5.279%
- 2016 regulatory coefficient set at 1.0
- Quality regulation introduces fines and no premium for outperformance in 2016-2020

CAPACITY MECHANISMS

- **Operational Reserve Capacity**
2016 budget increased by over 20%
- Ca. 10% higher maximum price
- Full budget utilisation mechanism implemented
- **Interventional Cold Reserve** with total 830 MW kicked-off
- 454 MW in 2 Units of PGE's Dolna Odra power plant

Opole II - expansion project (1/2)

General project information

Expansion of existing thermal Power Plant

Capacity	2 units of 900 MW each
Total CAPEX Outlay in 2015/ Total spent	~PLN 11 bn ~PLN 2.7 bn/ ~PLN 3.3 bn
Expected Commercial Operation Date (COD)	Unit 5 – I/H 2018; Unit 6 – I/H 2019



Milestones reached in 2015

Among others:

- Turbines' foundations for ST 5 & ST 6 - completed
- Boiler 5, main supporting structure - completed
- Cooling tower 6, foundation & supporting crown – completed
- Foundations for FD Fans and ESP filters for unit 5 & 6 - completed
- Concrete structure of communication tower boilers 5 & 6 - completed



Opole II - expansion project (2/2)

Current developments

- Project's overall progress in line with schedule and on budget
- Current status: +35%
- Both power trains, as well as all Balance of Plant (BoP) systems – civil and construction works in full swing:
 - shell of cooling tower #5 completed
 - ongoing assembly of steel structure of both boilers and turbine hall
 - works on sites of: coal handling, ash storage and water treatment - in progress



What is next?

Among others:

- Completion of turbine hall's steel structure for unit 5 & 6
- Main gantry crane at the turbine hall to be installed
- Completion of cooling water systems (pumps & piping) for unit 5 & 6
- Assembly of Flue Gas Desulphurization (FGD) for unit 5 to be completed
- Completion of boiler #6 supporting structure and start of pressure parts assembling



Modernizations pipeline

Extending lifetime and efficiency

- Comprehensive modernization of units 7-12 in Bełchatów
 - Budget – PLN 4.7 bn
 - Expected completion – 2016
 - Current status: units 7, 8, 11 and 12 commissioned, unit 10 under modernization, unit 9 already connected to Power Grid (ahead of schedule)
- Comprehensive modernization of units 1-3 in Turów
 - Budget – PLN 826 m
 - Expected completion – 2020
 - Current status: signed contracts for turbine, generator, turboset, automation control instrument and measurement



Installations reducing NO_x and SO_x emissions

- SO_x installations for units 3-12 in Bełchatów
 - Expected completion – 2016
- SO_x installations in units 4-6 Turów
 - Expected completion – 2016
- NO_x installations for units 1,2 and 4 in Opole
 - Expected completion – 2016
- SO_x and NO_x installations for boilers no. 3 and 4 in Bydgoszcz
 - Expected completion – 2018



Wind of change - acceleration in RES development - 218 MW added

General project information

4 onshore wind farms

Capacity added in 2015 218 MW

Capacity at the end of 2015 529 MW

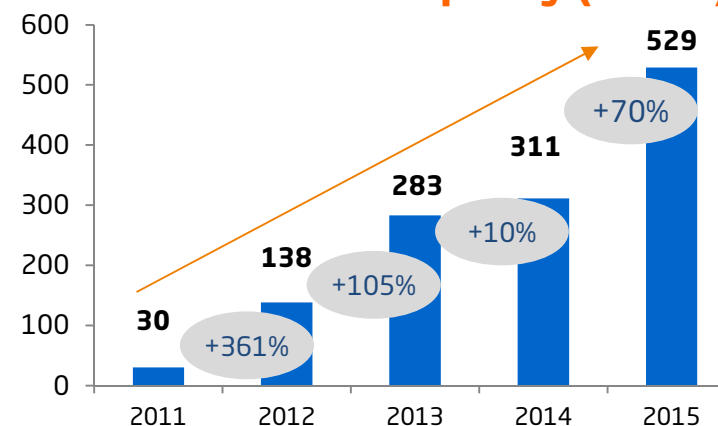
CAPEX in 2015/ Total spent ~PLN 865 m/ ~PLN 1,190 m



Developments in 2015

- In 2015 PGE completed four wind farms (Karwice 40MW, Lotnisko 90 MW, Resko II 76 MW and Kisielice II 12 MW) and increased RES capacity by 218 MW y-o-y
- Existing wind farms from PGE portfolio with secured support scheme
- At the moment there is still uncertainty related to the RES support as of 2016 – particularly auction final price and volume to be purchased

PGE - installed wind capacity (in MW)



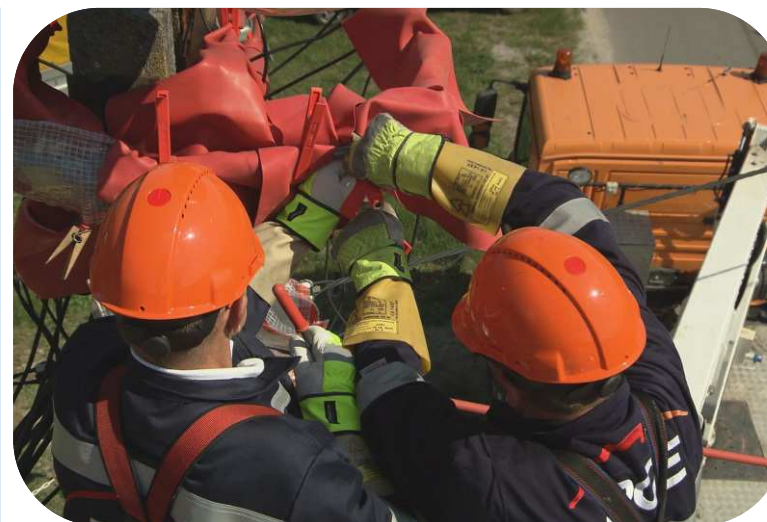
Distribution - chasing the quality

General project information

Modernization and new developments

Total grid length (2015 end)	~283.8 ths km*
CAPEX in 2015	~PLN 1,841 m
Grid expansion in 2015	1,533 km of new distribution lines

* incl. connection lines



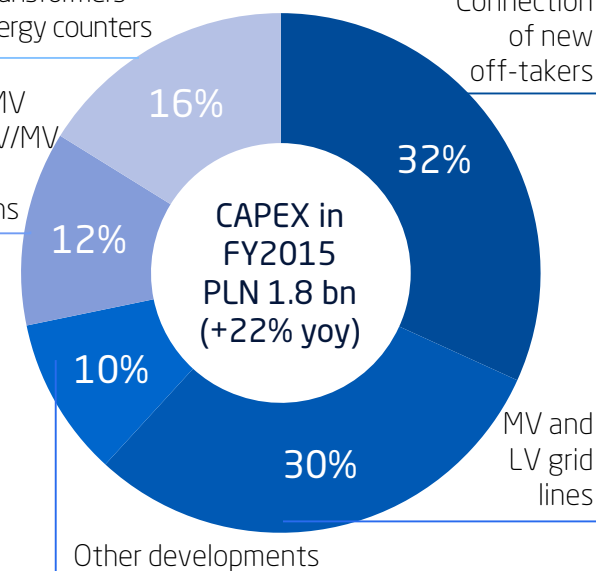
Developments in 2015

- Connection of new off-takers and grid expansion - the most CAPEX consuming area for PGE Distribution in 2015
- More than 1,500 km of new distribution lines and almost 3,000 being subject of comprehensive modernization
- Over 60 thousand connection agreements completed
- The largest investment projects implemented in Mazovia region – CAPEX of nearly PLN m 400 for new infrastructure: mainly grid, transformers and connections

New transformers
and energy counters

110/ MV
and MV/MV
power
stations

Connection
of new
off-takers





Q4 & FY 2015 Financial and Operating Results



Detailed financial and operating results



Magdalena Bartoś

- Managing Director, CFO



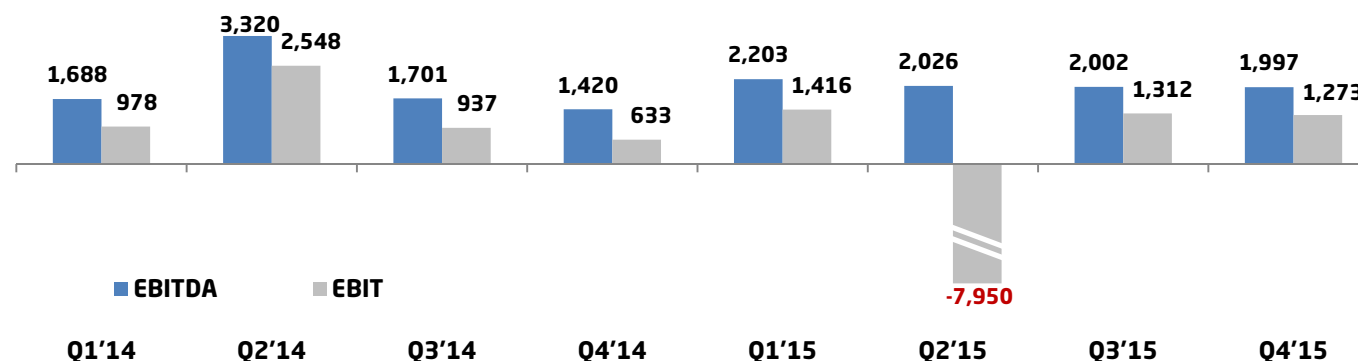
Focusing on the key financial results

PLNm	Q4 2015	Q4 2014	yoy	FY 2015	FY 2014	yoy
Sales revenues	7,381	7,281	1%	28,542	28,143	1%
EBITDA	1,997	1,420	41%	8,228	8,129	1%
Recurring* EBITDA	1,970	1,558	26%	7,511	6,340	18%
Net profit to equity (reported)	995	439	127%	-3,032	3,638	n.a.
Recurring net profit to equity*	1,061	612	73%	3,708	2,634	41%
Net profit to equity ex. Impairment**	1,082	500	116%	4,287	3,761	14%
EPS (reported)	0.53	0.23	130%	-1.62	1.95	n.a.
Recurring EPS*	0.57	0.33	73%	1.98	1.41	40%
EPS ex. Impairment**	0.58	0.27	115%	2.29	2.01	14%
Net cash from operating activities	1,560	1,900	-18%	6,777	6,333	7%
CAPEX	3,613	2,490	45%	9,450	6,349	49%
Net debt (cash) end of period	2,637	-1,018	n.a.	2,637	-1,018	n.a.

Current credit ratings

	Rating	Outlook
Fitch	BBB+	Stable
Moody's	Baa1	Stable

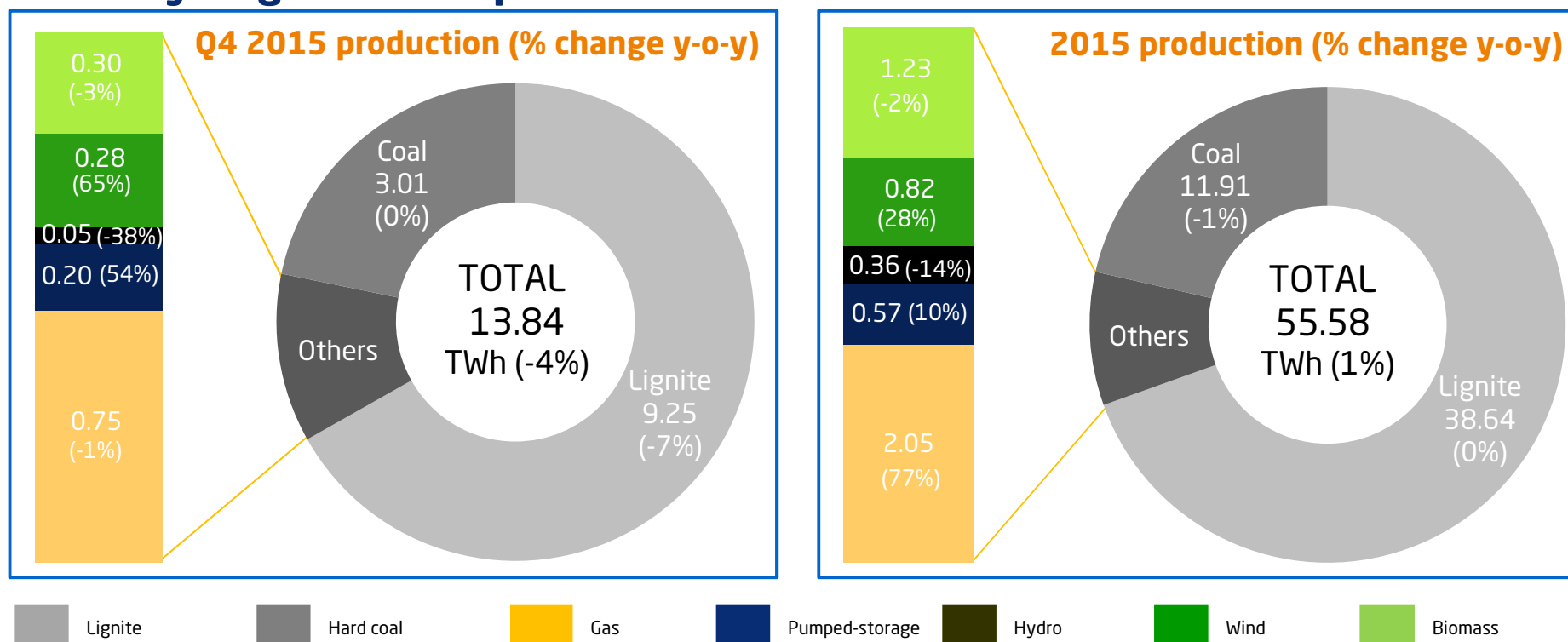
Key measures - last 8 quarters



* Recurring = excluding significant one-off items (for details please see page 23)

** Basis for the dividend computation according to the amended Dividend Policy

Summary of generation performance



- FY15 total volume improved mainly due to greater generation at gas-fired CHPs caused by reinstated support for cogeneration
- Lignite fired power plants arrived at flat y-o-y figure in FY15. Generation in Q4'15 declined y-o-y because of heavier overhaul burden in Bełchatów (units 9 and 10)
- Mixed drivers observed in hard coal: impact of works at unit 3 in Opole was offset with greater output at CHPs (commissioned turboset in Zgierz in Dec.2014, the return of Pomorzany, and greater utilization of Bydgoszcz by the TSO)
- Wind generation advanced due to better weather conditions and additional capacities commissioned during 2015: 40MW in Karwice (July) and 76MW in Resko II (December).
- Generation at pumped-storage plants increased due to greater utilization by the TSO

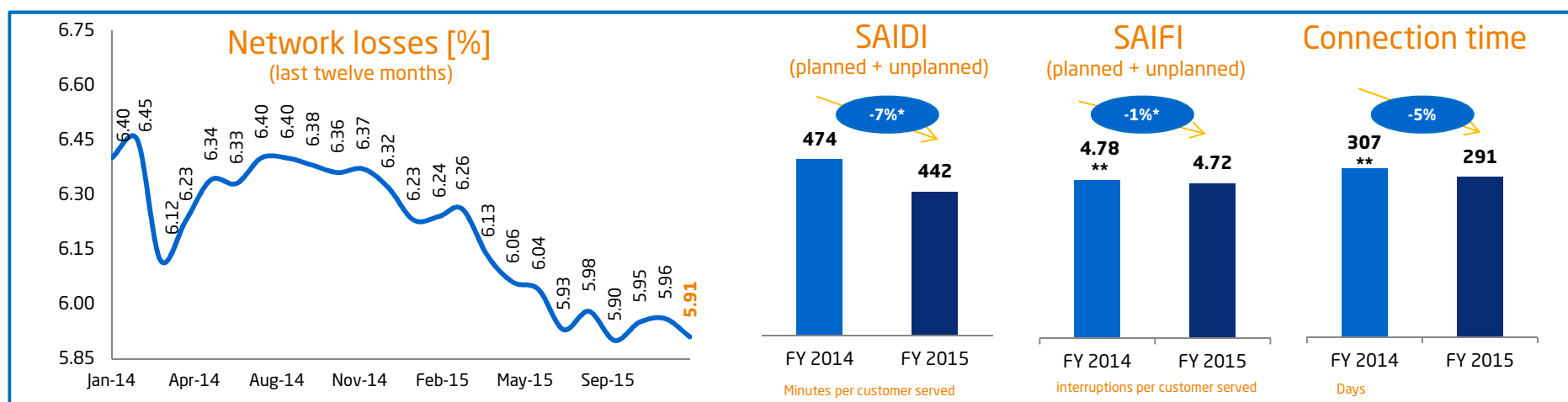
Focusing on performance indicators

Generation assets

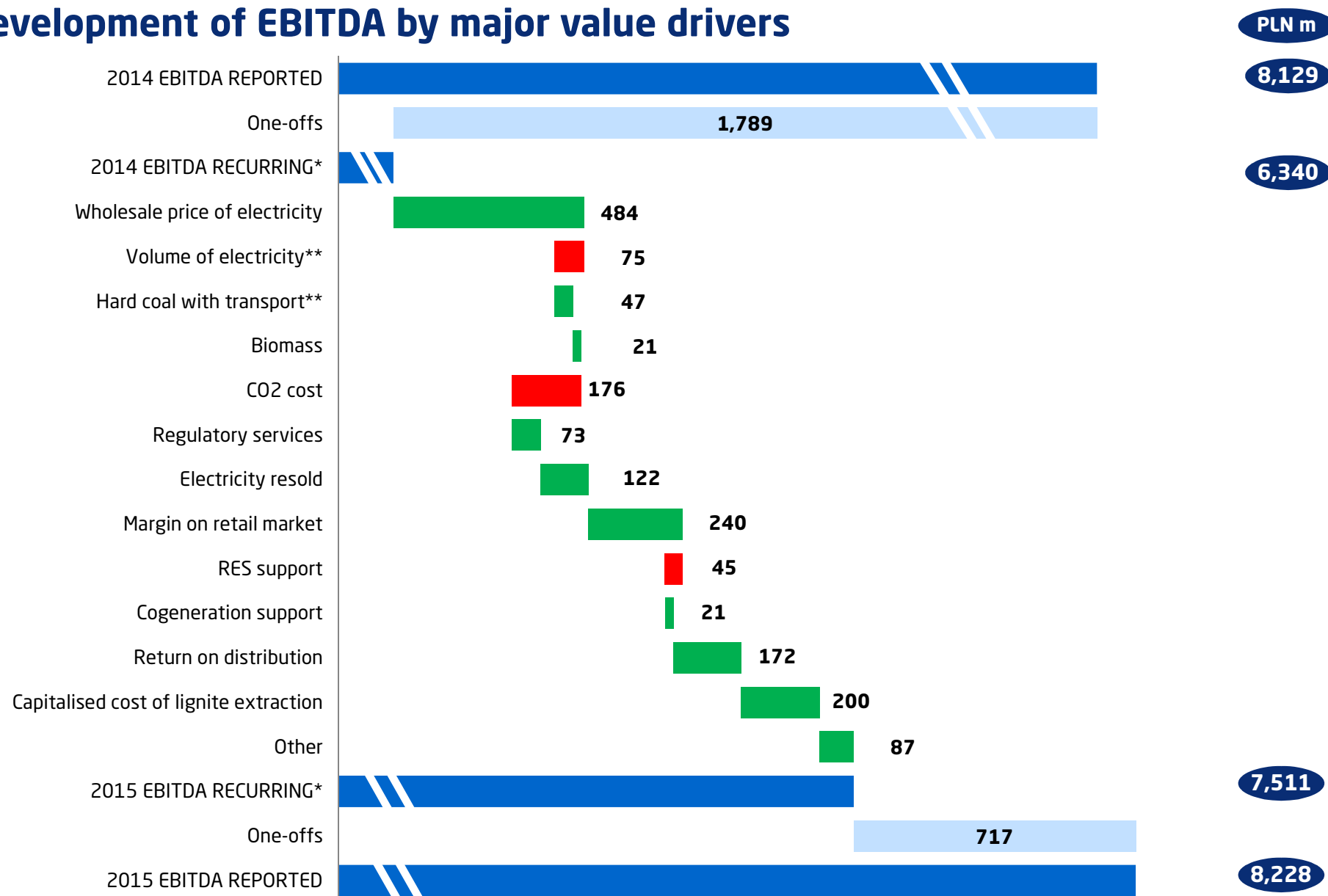
	Lignite	Hard coal	CHPs	Wind assets
Availability 2015	84.9%	88.1%	89.6%	98.1%
Availability 2014	83.4%	81.8%	88.9%	98.3%
Load factor* 2015	84.4%	66.6%	78.5%	28.9%
Load factor* 2014	86.5%	69.7%	68.2%	24.1%

* Load factor for conventional assets in GOF formula, for wind assets in GCF formula

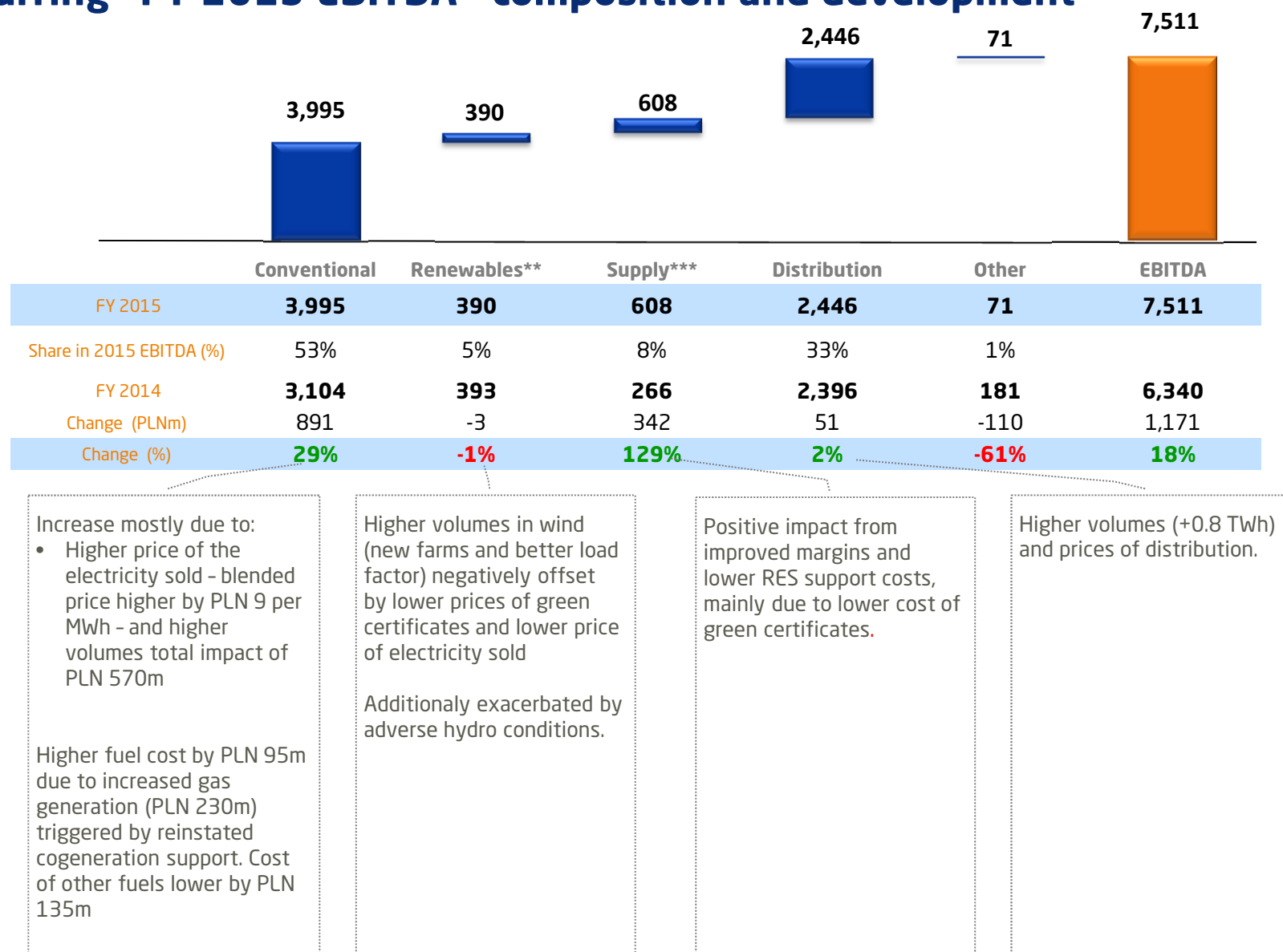
Distribution assets



Development of EBITDA by major value drivers



Recurring* FY 2015 EBITDA - composition and development

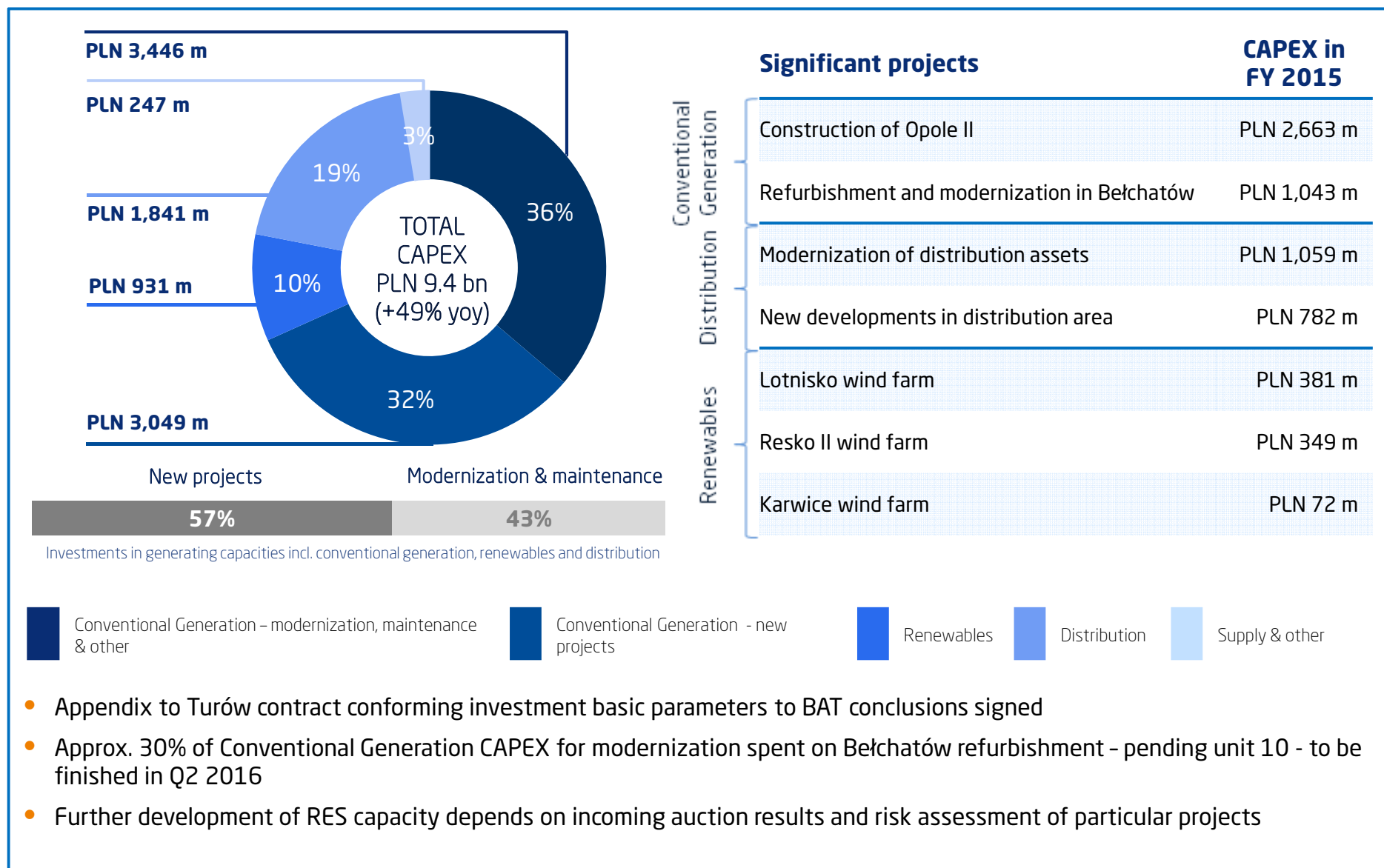


* Recurring = excluding significant one-off items (for details please see page 23)

** RES business line includes results of 3 small hydro plants previously in Supply

*** As of Q1'2015 Supply and Wholesale are presented as a one business line - Supply

Capital expenditures in FY 2015



Division EBITDA outlook for 2016

2016 outlook vs 2015		Main drivers
Conventional Generation	Substantially lower	<ul style="list-style-type: none"> Wholesale full year average blended price in range of 168-170 PLN/MWh Volumes on lignite lower as unit #1 in Bełchatów shifted to peak capacity reserve Volumes on hard coal lower after shift of 2 units in Dolna Odra to cold reserve Stable volumes from gas fired CHPs Efficiency programs to be enhanced Mid single digit % lower blended hard coal price Full year „ordinary” LTC revenues in the range of PLN 500m Approx. 3.5m tonnes higher shortage of carbon allowances
Renewables	Higher	<ul style="list-style-type: none"> No changes in installed capacity y-o-y Significantly higher wind generation after commissioning of 218 MW throughout last months of 2015
Supply	Significantly lower	<ul style="list-style-type: none"> Negative impact of increasing market competition Volatility of green certificates prices increases risk and hampers margins
Distribution	Lower	<ul style="list-style-type: none"> RAB valued at PLN 15.1bn for 2016 tariff WACC for 2016 set on 5.7% (pre-tax) Efficiency programs to be continued Altogether regulatory and business environment changes to impact segment EBITDA negatively in the range of PLN 250m

CAPEX outlook for 2016

2016 outlook

**Slightly lower than
2015**

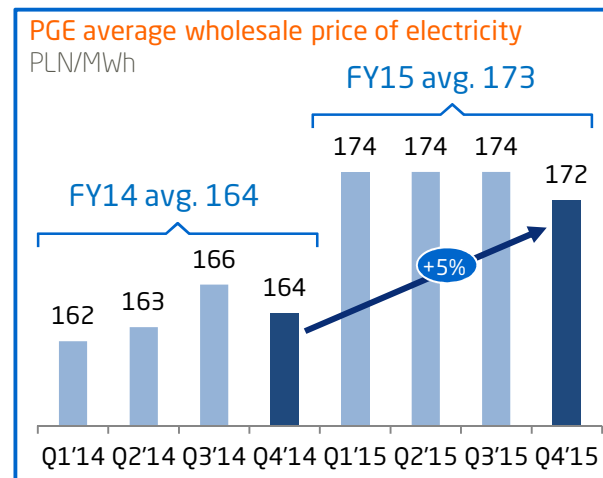
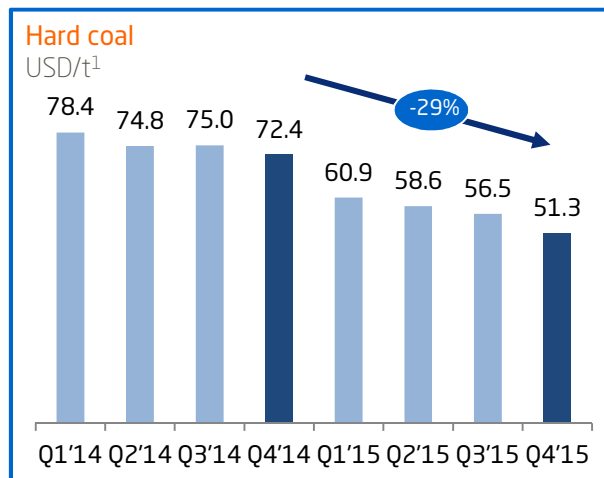
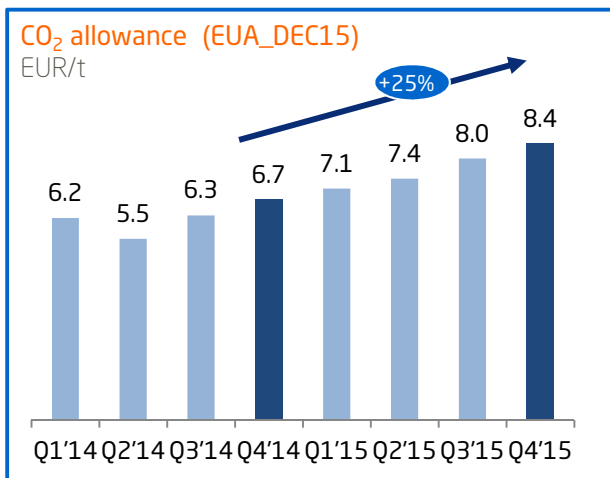
- Opole project will enter most CAPEX-intensive year with targeted CAPEX at approx. PLN 3.5bn
- Turów project on-going. Significant step up in CAPEX expected
- Final spending in Gorzów as project confirmed to be finalized in H1 2016
- RES development pending on auction results and particular projects risk assessment. CAPEX mostly limited to modernizations
- Network CAPEX slightly lower than in 2015

Q4 & FY 2015 Financial and Operating Results

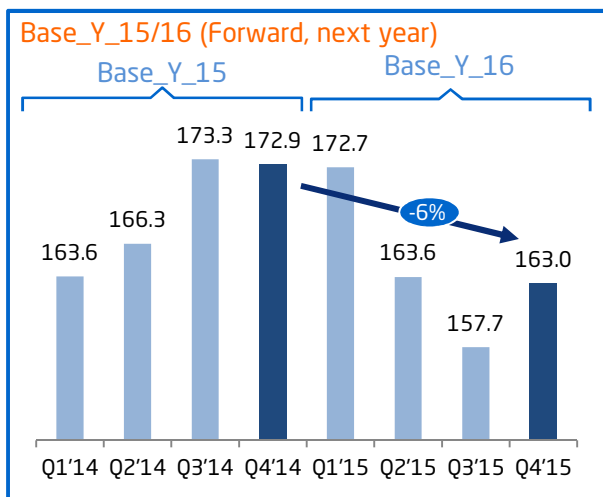
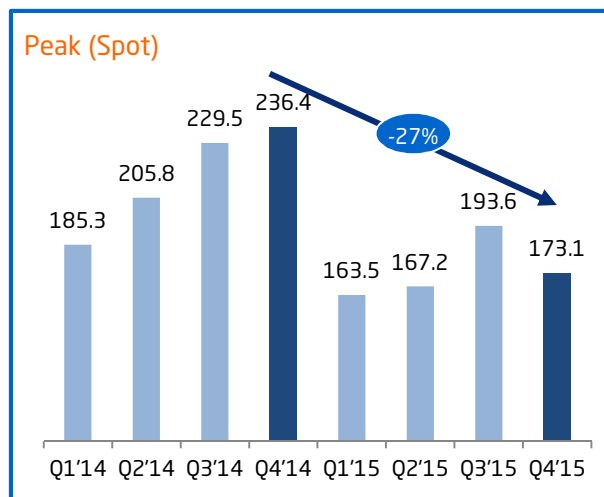
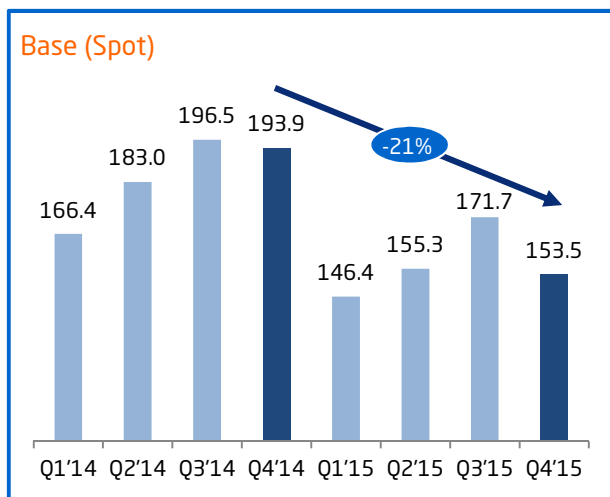


Additional information

Commodity markets; adverse trends continued. (Decent realized price on the back of historic hedges)



Average quarterly TGE Electricity Prices 2014-2015
PLN/MWh



¹ CIF ARA current month

Key Financials

Selected consolidated financial data, IFRS (PLN m)

	Q4 2015 PLN m	Q4 2014 PLN m Data restated	Q4'15 vs. Q4'14	FY 15 PLN m	FY 14 PLN m Data restated	FY15 vs. FY14
Sales	7,381	7,281	1%	28,542	28,143	1%
<i>including LTC compensations</i>	102	185	-45%	546	1,539	-65%
Recurring* Sales	7,279	7,096	3%	27,996	26,604	5%
EBITDA	1,997	1,420	41%	8,228	8,129	1%
Recurring* EBITDA	1,970	1,558	26%	7,511	6,340	18%
EBIT	1,273	633	101%	-3,589	5,096	n.a.
Recurring* EBIT	1,353	846	60%	4,733	3,463	37%
Net profit (to equity)	995	439	127%	-3,032	3,638	n.a.
Recurring* net profit (to equity)	1,061	612	73%	3,708	2,634	41%
CAPEX (incl. adj.)	3,613	2,490	45%	9,450	6,349	49%
Net cash from operating activities	1,560	1,900	-18%	6,777	6,333	7%
Net cash from investing activities	-2,489	-1,747	42%	-8,594	-6,382	35%
EBITDA margin	27%	20%	7 pp.	29%	29%	0 pp.
Recurring* EBITDA margin	27%	22%	5 pp.	27%	24%	3 pp.
Net Working Capital				4,126	6,721	
Net Debt/LTM EBITDA				0.32x	-0.13x	

Computation of recurring EBITDA and recurring net profit to equity

Summary of one-off adjustments

Computation of recurring EBITDA

key one-off items	Q4'15	Q4'14	FY15	FY14
LTC compensations	-103	-185	-546	-1,539
LTC adjustment	0	0	0	-246
Reclamation provision (discount rate)	100	2	-93	213
Release of provision (CO2 free allowances for 2013)	0	0	0	-751
Voluntary Leave Program	-20	237	-20	404
Actuarial provision	-4	84	-57	130
Total adjustment at EBITDA level	-27	138	-717	-1,789
Fixed assets impairment	107	75	9,039	156
Total adjustment at EBIT level	80	213	8,322	-1,633

Computation of recurring Net profit

key one-off items	Q4'15	Q4'14	FY15	FY14
LTC compensations	-83	-150	-442	-1,242
LTC adjustment	0	0	0	-198
Reclamation provision (discount rate)	81	2	-75	172
Release of provision (CO2 free allowances for 2013)	0	0	0	-606
Voluntary Leave Program	-16	192	-16	326
Actuarial provision	-3	68	-46	105
Fixed assets impairment*	87	61	7,319	126
Bonds write off (Autostrada Wielkopolska)	0	0	0	313
Total adjustment at Net Income to equity	66	173	6,740	-1,004

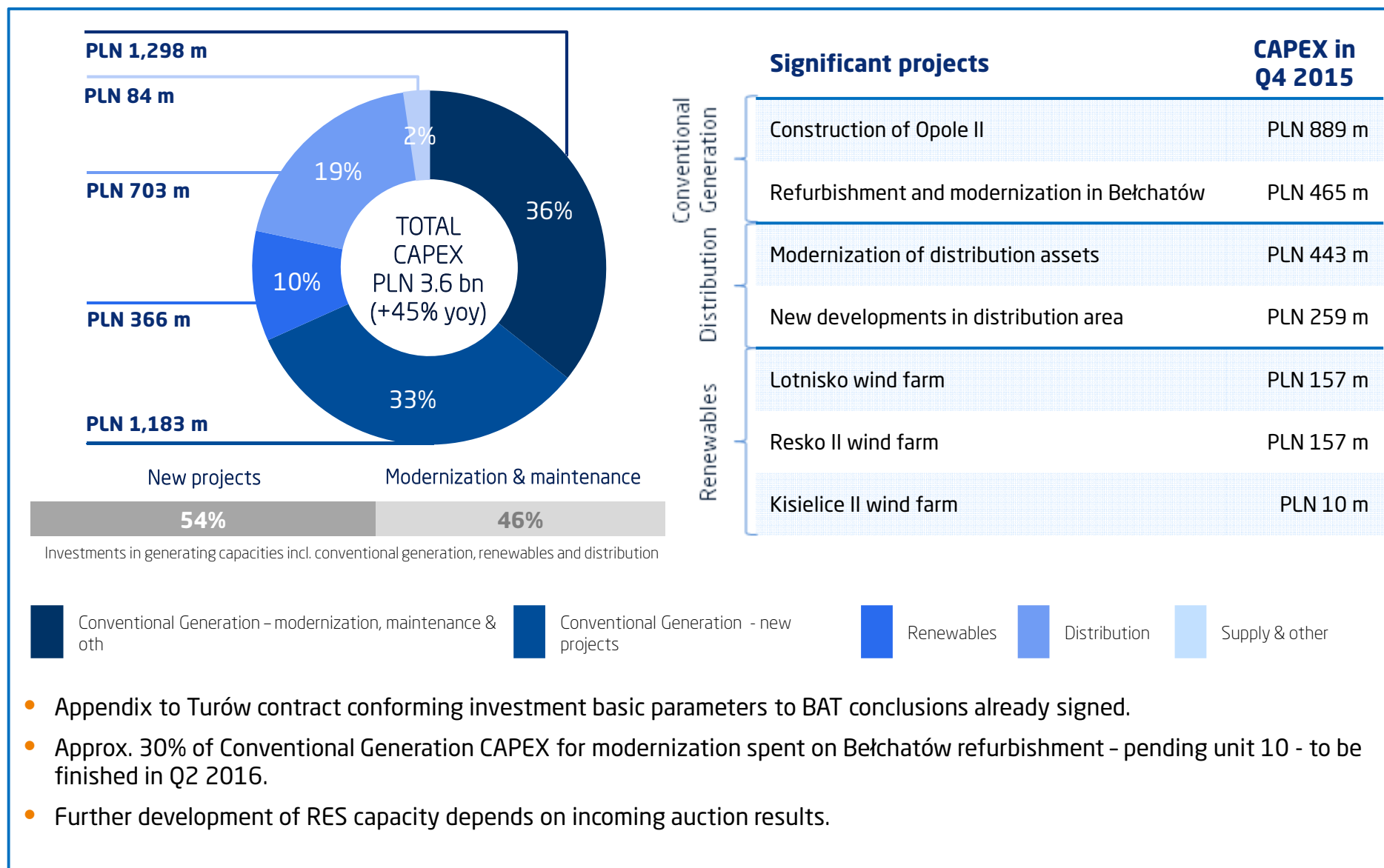
* Please note, that according to the new policy, fixed assets impairment is the only one-off item being added back to the reported net profit when the dividend is computed. Other one-off items are presented above only for sake of intra period comparability of operational performance.

Key Operating Data

Net electricity generation by sources (TWh)

	Q4 2015	Q4 2014	Q4'15 vs. Q4'14	2015	2014	2015 vs. 2014
Lignite-fired power plants	9.34	10.07	-7%	38.98	39.22	-1%
Hard coal-fired power plants	2.72	2.81	-3%	11.04	11.35	-3%
Coal-fired CHPs	0.38	0.32	19%	1.30	1.10	18%
Gas-fired CHPs	0.75	0.76	-1%	2.05	1.16	77%
Biomass-fired CHP	0.12	0.08	50%	0.46	0.43	7%
Pumped-storage	0.20	0.13	54%	0.57	0.52	10%
Hydro	0.05	0.08	-38%	0.36	0.42	-14%
Wind	0.28	0.17	65%	0.82	0.64	28%
TOTAL	13.84	14.42	-4%	55.58	54.84	1%
Renewable generation	0.63	0.56	13%	2.41	2.32	4%
Incl. biomass co-combustion	0.18	0.23	-22%	0.77	0.83	-7%

Capital expenditures in Q4 2015

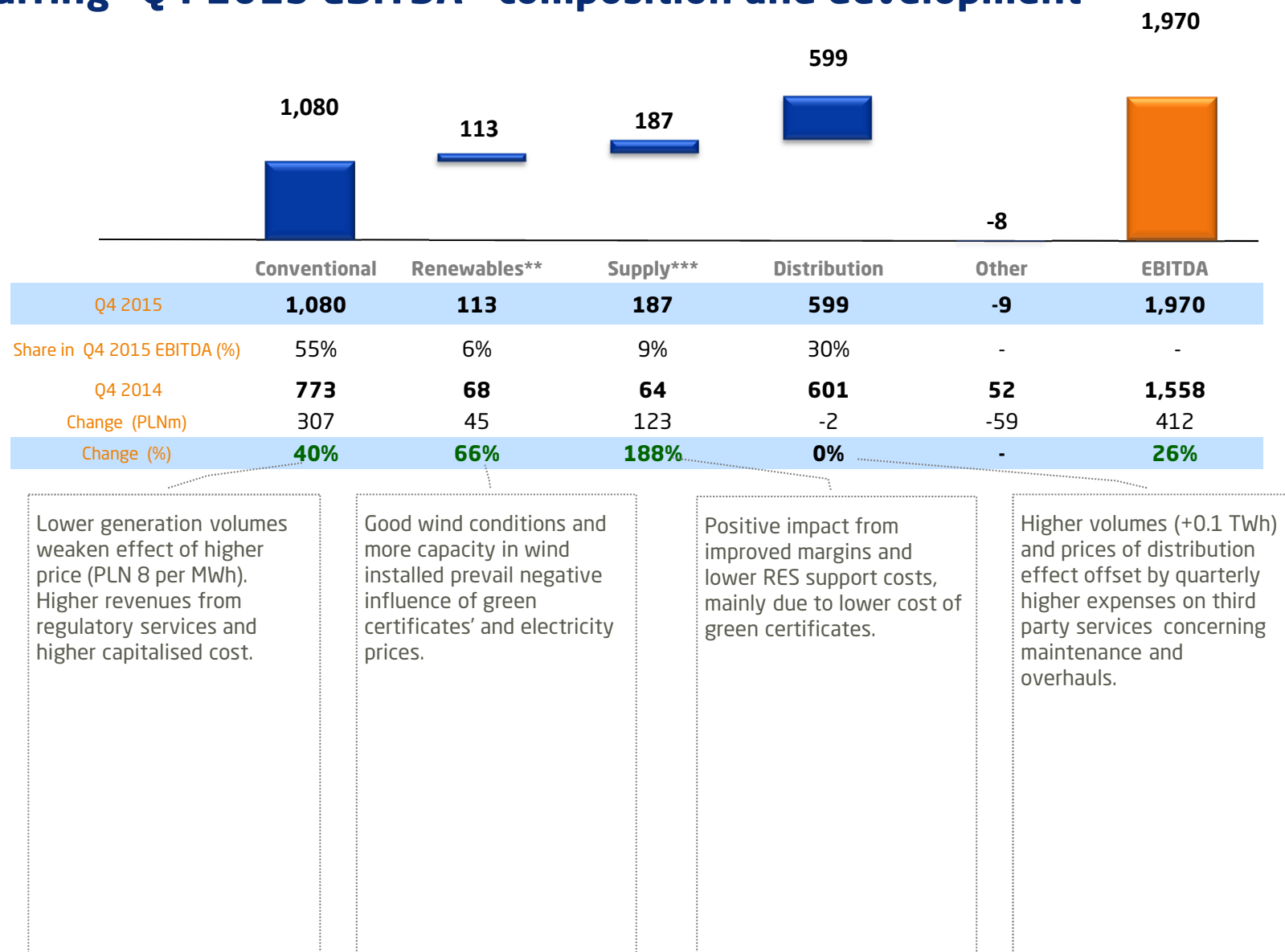


Capital expenditures

CAPEX for Q4 and FY 2015 (PLN m)

	Q4 2015	Q4 2014	Q4 2015 vs Q4 2014	FY 2015	FY 2014	FY 2015 vs FY 2014
Segment						
Conventional Generation	2,481	1,565	59%	6,495	4,362	49%
Distribution	703	738	-5%	1,841	1,508	22%
New clients connection	187	171	9%	585	499	17%
Distribution grid	361	328	10%	828	595	39%
Renewables	366	132	177%	931	374	149%
Modernization and replacement	31	29	7%	51	52	-2%
Supply, Others	84	59	42%	247	175	41%
TOTAL	3,634	2,494	46%	9,514	6,419	48%
TOTAL (incl. adjustments)	3,613	2,490	45%	9,450	6,349	49%

Recurring* Q4 2015 EBITDA - composition and development



* Recurring = excluding significant one-off items (for details please see page 23)

** RES business line includes results of 3 small hydro plants previously in Supply

*** As of Q1'2015 Supply and Wholesale are presented as a one business line - Supply

Detailed segmental revenues and costs

Conventional Generation (PLN m)

	Q4 15	Q4 14		FY 15	FY 14	
Sales, including	3,237	3,339	-3%	12,715	12,906	-1%
Sale of electricity	2,631	2,688	-2%	10,574	9,844	7%
LTC compensations	103	185	-44%	546	1,539	-65%
Sale of heat	228	231	-1%	710	675	5%
Sale of certificates of origin*	141	136	4%	411	449	-8%
Cost by kind, including	2,571	2,992	-14%	18,975	10,279	85%
D&A**	388	489	-21%	10,597	1,848	473%
Materials	819	856	-4%	3,000	2,739	10%
Energy	8	6	33%	31	34	-9%
External services	318	379	-16%	1,116	1,339	-17%
Taxes and charges	383	360	6%	1,501	1,410	6%
Personnel expenses	615	860	-28%	2,574	2,756	-7%
Other cost	41	42	-2%	156	154	1%
Cost of products sold	1,927	2,501	-23%	16,610	8,634	92%
Cost of goods sold	2,224	2,860	-22%	17,706	9,733	82%
EBIT	739	286	158%	-5,732	3,296	-274%
EBITDA	1,112	722	54%	4,698	4,983	-6%

* FY 14 figure includes PLN 68 million of resale of certificates



** D&A from cost by kind section needs to be adjusted for EBITDA calculations. A fraction of costs by kind (incl. D&A) was incurred to benefit future periods and therefore capitalised. For details please see note 7.2.1 of Consolidated Financial Statement.

Detailed segmental revenues and costs

Renewables (PLN m)

	Q4 15	Q4 14		FY 15	FY 14	
Sales, including	215	174	24%	761	767	-1%
Sale of electricity	97	86	13%	337	348	-3%
Sale of certificates of origin	51	43	19%	172	204	-16%
Cost by kind, including	217	159	36%	666	597	12%
D&A	111	57	95%	284	217	31%
Materials	1	1	0%	6	6	0%
Energy	39	29	34%	133	132	1%
External services	28	23	22%	92	80	15%
Taxes and charges	13	13	0%	52	51	2%
Personnel expenses	21	29	-28%	83	92	-10%
Other cost	3	5	-40%	15	19	-21%
Cost of products sold	195	131	49%	586	510	15%
Cost of goods sold	195	131	49%	586	510	15%
EBIT	2	10	-80%	107	174	-39%
EBITDA	113	67	69%	391	391	0%

Detailed segmental revenues and costs

Distribution (PLN m)

	Q4 15	Q4 14		FY 15	FY 14	
Sales, including	1,602	1,524	5%	6,082	5,781	5%
Revenues from distribution services	1,482	1,423	4%	5,716	5,439	5%
Other operating revenues	92	74	24%	260	233	12%
Cost by kind, including	1,287	1,282	0%	4,734	4,611	3%
D&A	279	263	6%	1,075	1,023	5%
Materials	24	26	-8%	77	87	-11%
Energy	160	149	7%	469	489	-4%
External services	464	407	14%	1,694	1,544	10%
Taxes and charges	87	82	6%	351	334	5%
Personnel expenses	269	352	-24%	1,052	1,117	-6%
Other cost	4	3	33%	14	16	-13%
Cost of products sold	1,192	1,156	3%	4,396	4,244	4%
Cost of goods sold	1,193	1,156	3%	4,397	4,245	4%
EBIT	318	272	17%	1,387	1,306	6%
EBITDA	596	535	11%	2,461	2,329	6%

Detailed segmental revenues and costs

Supply* (PLN m)

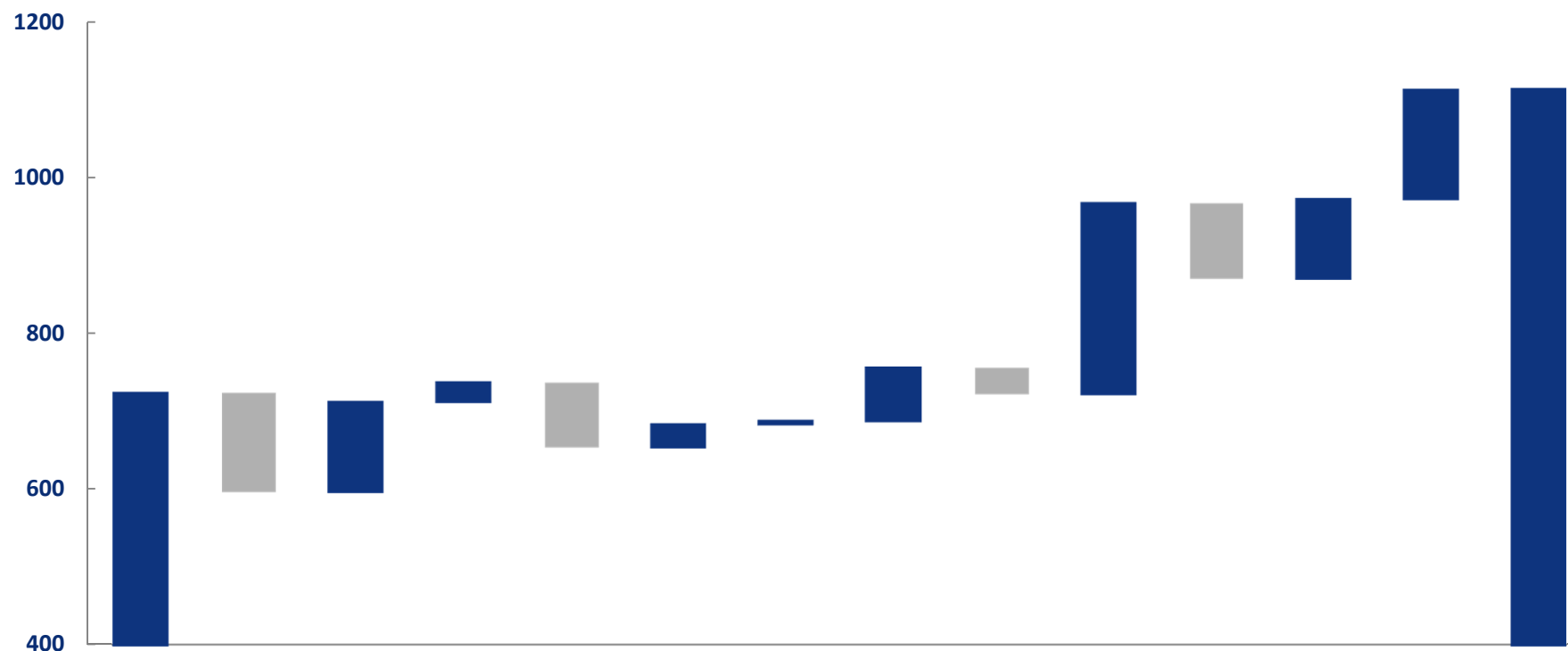
	Q4 15	Q4 14		FY 15	FY 14	
Sales, including	4,713	3,945	19%	15,783	14,431	9%
Sale of electricity	2,518	2,355	7%	9,467	8,900	6%
Revenues from distribution services	1,044	1,042	0%	4,078	4,028	1%
Sale of certificates of origin	0	4	-100%	9	82	-89%
Cost by kind, including	409	440	-7%	1,603	1,631	-2%
D&A	7	5	40%	25	19	32%
Materials	2	2	0%	7	6	17%
Energy	1	1	0%	4	3	33%
External services	58	38	53%	210	157	34%
Taxes and charges	240	279	-14%	984	1,075	-8%
Personnel expenses	68	84	-19%	258	267	-3%
Other cost	33	31	6%	115	105	10%
Cost of products sold	34	25	36%	136	96	42%
Cost of goods sold	4,153	3,500	19%	13,719	12,675	8%
EBIT	180	41	339%	585	228	157%
EBITDA	187	46	307%	610	246	148%



*Since Q1'15 Supply and Wholesale are presented as a one business line – Supply. Previously, Supply and Wholesale were presented as two separate segments.

Conventional Generation - EBITDA Q4 2015

Key changes in EBITDA (PLN m)



	EBITDA 2014	Sale of electricity difference in volume	Sale of electricity difference in price	Margin on electricity	Revenues from LTC	Revenues from agreement with TSO	Sale of property rights	Fuel and transport	CO2	Personnel costs	Change in provision for reclamation of land	Other	Capitalized costs	EBITDA 2015
Change		-126	115	25	-83	30	4	68	-34	245	-96	102	140	
EBITDA Q4'14	722	2,236		94	185	42	136	729	175	860	-3		277	
EBITDA Q4'15		2,225		119	102	72	140	661	209	615	-99		417	1,112

Conventional Generation - EBITDA FY 2015

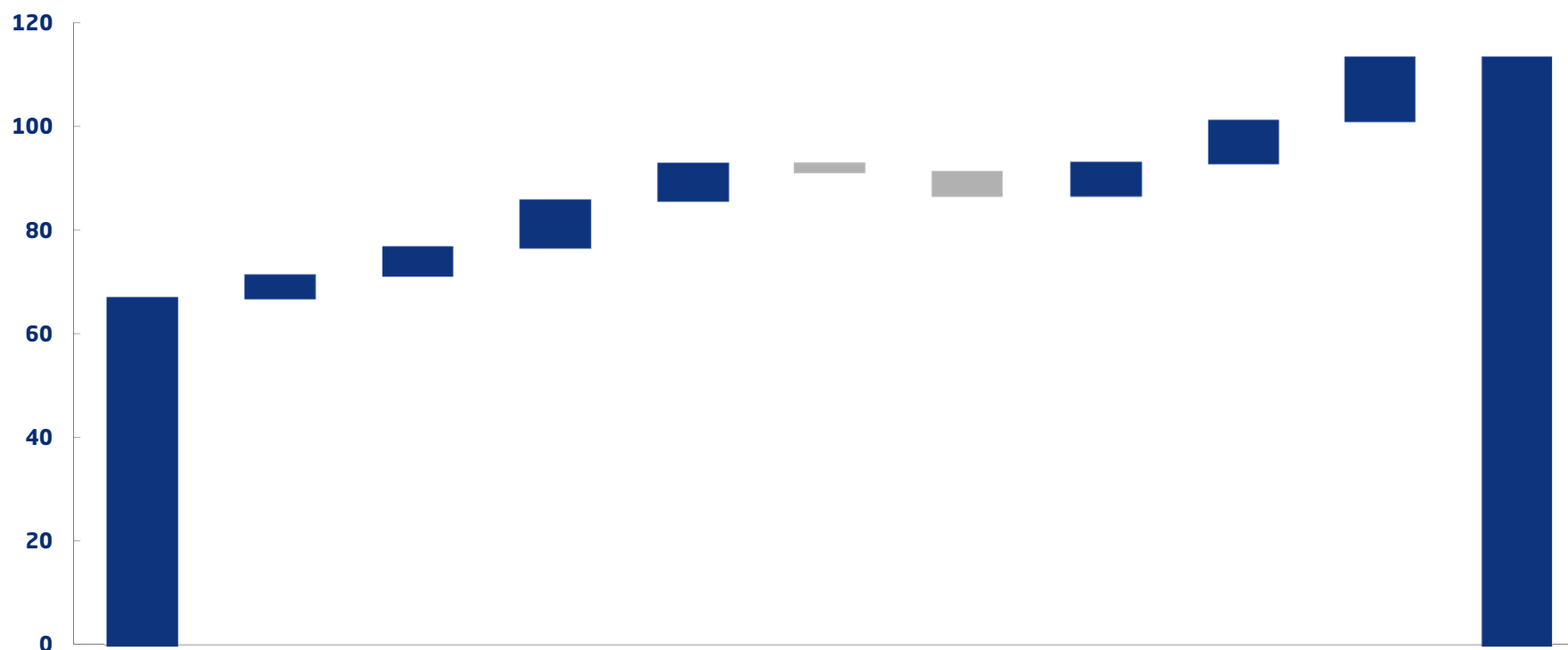
Key changes in EBITDA (PLN m)



	EBITDA 2014	Sale of electricity difference in price	Sale of electricity difference in volume	Margin on electricity	Revenues from LTC	Revenues from agreement with TSO	Sale of property rights	Fuel and transport	CO2	Personnel costs	Change in provision for reclamation of land	Other	Capitalized costs	EBITDA 2015
Change		500	70	122	-1,239	61	29	-95	-838	182	306	71	546	
EBITDA FY14	4,983	8,492		331	1,785	191	380	2,367	-73	2,756	-213		865	
EBITDA FY15		9,062		453	546	252	409	2,462	765	2,574	93		1,411	4,698

Renewables - EBITDA Q4 2015

Key changes in EBITDA (PLN m)



	EBITDA 2014	Sale of electricity - wind	Sale of property rights - wind	Sale of electricity - wind new capacities*	Sale of property rights - wind new capacities*	Sale of electricity - water	Sale of property rights - water	Revenues from agreement with TSO**	Personnel costs	Other	EBITDA 2015
Change		4	5	9	7	-2	-4	6	8	12	
EBITDA Q4'14	67	29	29	3	3	16	11	57	29	51	
EBITDA Q4'15		33	34	12	10	14	7	63	21	39	113



* Wojciechowo wind farm - since March 2014, Karwice wind farm since July 2015, Resko II wind farm since December 2015

** Excluding revenues and costs relating to balancing market not affecting EBITDA result

Renewables - EBITDA FY 2015

Key changes in EBITDA (PLN m)



	EBITDA 2014	Sale of electricity - wind	Sale of property rights - wind	Sale of electricity - wind new capacities*	Sale of property rights - wind new capacities*	Sale of electricity - water	Sale of property rights - water	Revenues from agreement with TSO**	Personnel costs	Other	EBITDA 2015
Change		3	-7	15	10	-11	-35	12	9	4	
EBITDA FY14	391	109	118	9	8	81	78	226	92	146	
EBITDA FY15		112	111	24	18	70	43	238	83	142	391

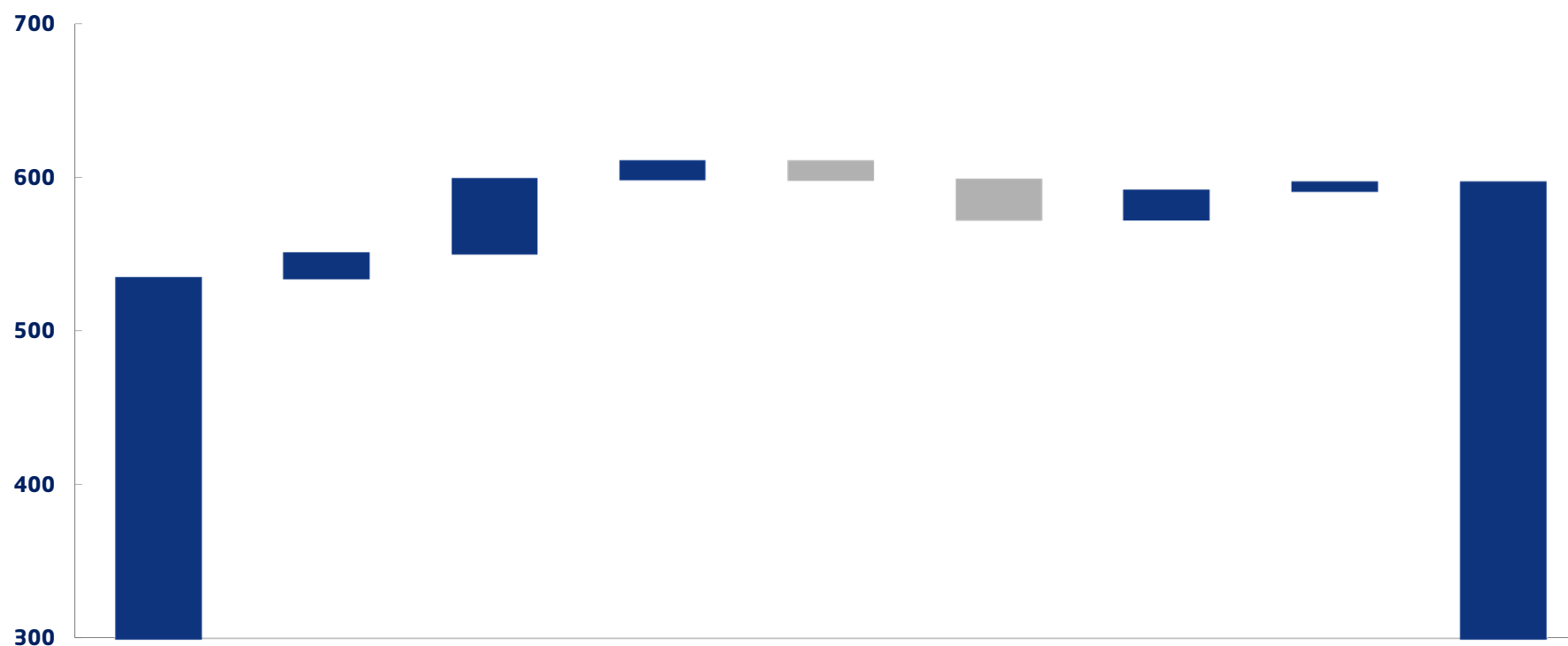


* Wojciechowo wind farm - since March 2014, Karwice wind farm since July 2015, Resko II wind farm since December 2015

** Excluding revenues and costs relating to balancing market not affecting EBITDA result

Distribution - EBITDA Q4 2015

Key changes in EBITDA (PLN m)



	EBITDA 2014	Volume of distributed energy	Change of distribution tariff*	Other distribution related revenues**	Network losses	Transmission services*	Fixed costs***	Other	EBITDA 2015
Change		16	48	11	-11	-26	18	5	
EBITDA Q4'14	535	1,371		125	149	314	424	73	
EBITDA Q4'15		1,435		136	160	340	406	68	596



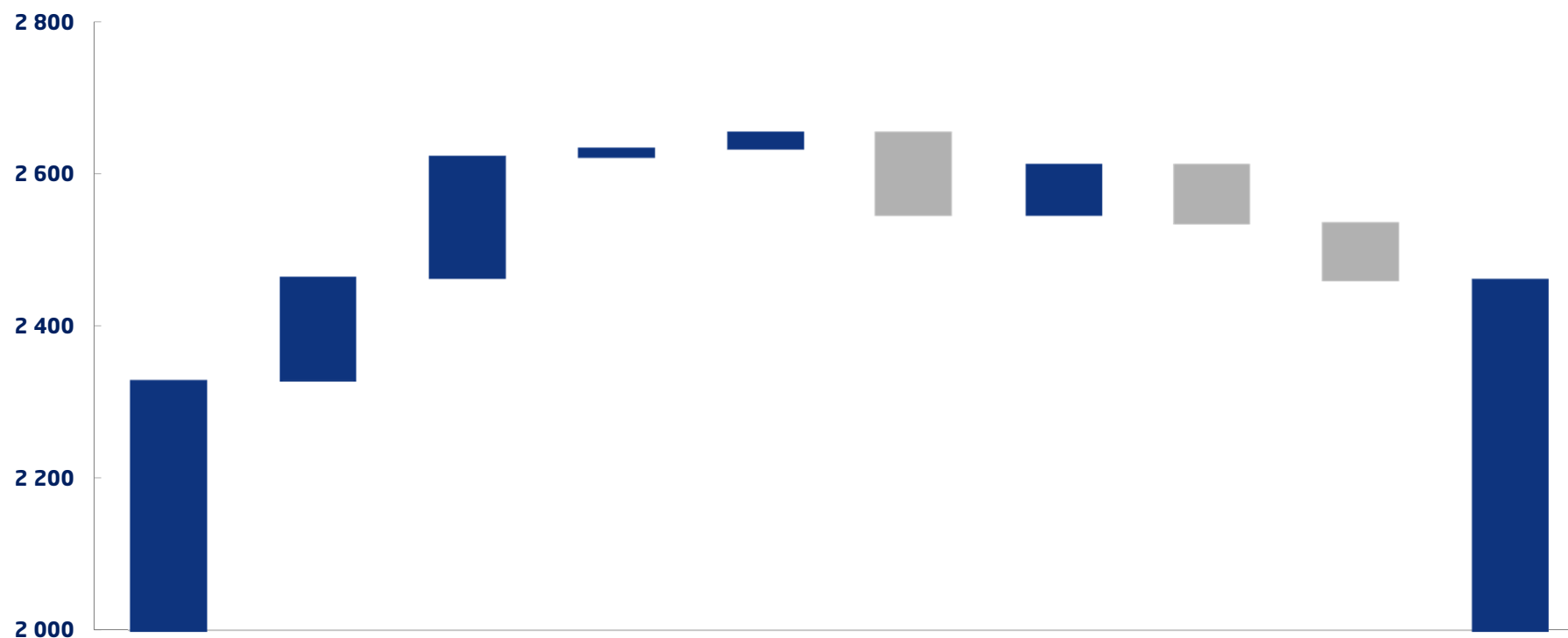
* Increase of transmission costs with no impact on result, offset by the increased revenues from distribution services

** Other revenues (reactive power, excess capacity, additional services), revenues from connection fee, sale of transit services

*** Fixed costs (lowered by cost of own use, fixed costs of transmission by PSE S.A. and personnel expenses)

Distribution - EBITDA FY 2015

Key changes in EBITDA (PLN m)



	EBITDA 2014	Volume of distributed energy	Change of distribution tariff*	Other distribution related revenues**	Network losses	Transmission services*	Personnel costs	Fixed costs***	Other	EBITDA 2015
Change		135	158	11	20	-107	65	-76	-74	
EBITDA FY14	2,329	5,234		431	489	1,240	1,117	354	137	
EBITDA FY15		5,527		442	469	1,347	1,052	430	211	2,461



* Increase of transmission costs with no impact on result, offset by the increased revenues from distribution services

** Other revenues (reactive power, excess capacity, additional services), revenues from connection fee, sale of transit services

*** Fixed costs (lowered by cost of own use, fixed costs of transmission by PSE S.A. and personnel expenses)

Supply - EBITDA Q4 2015

Key changes in EBITDA (PLN m)



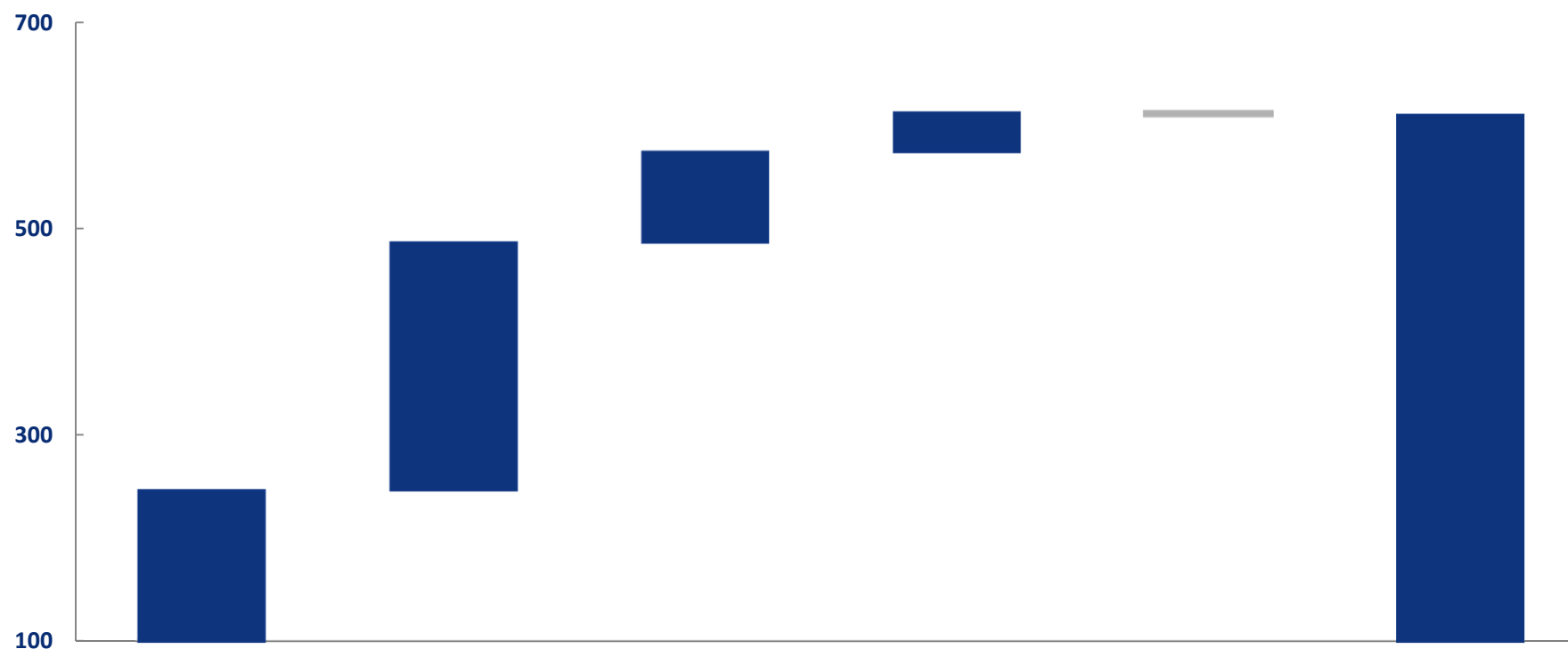
	EBITDA 2014	Margin on electricity	Property rights redemption costs	Management service	Other	EBITDA 2015
Change		115	27	-1	0	
EBITDA Q4'14	46	319	274	128	127	
EBITDA Q4'15		434	247	127	127	187



As of Q1'15 Supply and Wholesale will be presented as a one business line – Supply. Previously, Supply and Wholesale were presented as two separate segments.

Supply - EBITDA FY 2015

Key changes in EBITDA (PLN m)



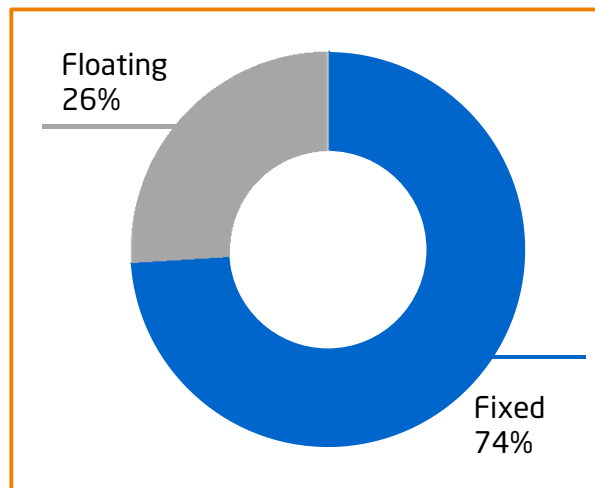
	EBITDA 2014	Margin on electricity	Property rights redemption costs	Management service	Other	EBITDA 2015
Change		240	88	38	-2	
EBITDA FY14	246	1,328	1,064	465	483	
EBITDA FY15		1,568	976	503	485	610



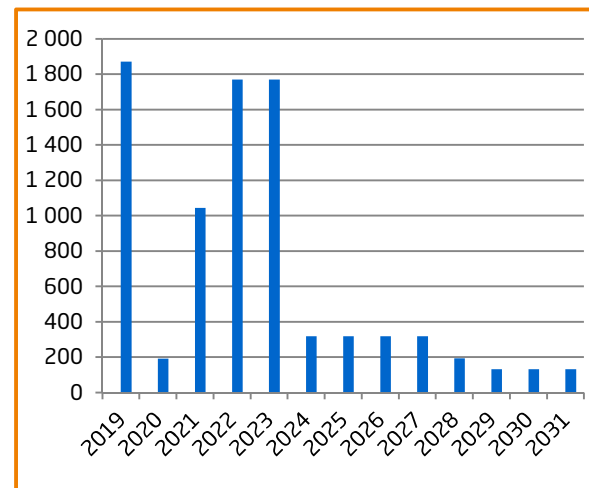
As of Q1'15 Supply and Wholesale will be presented as a one business line – Supply. Previously, Supply and Wholesale were presented as two separate segments.

Debt Structure and Liquidity (as at December 31, 2015)

Fixed vs floating debt (drawn debt)

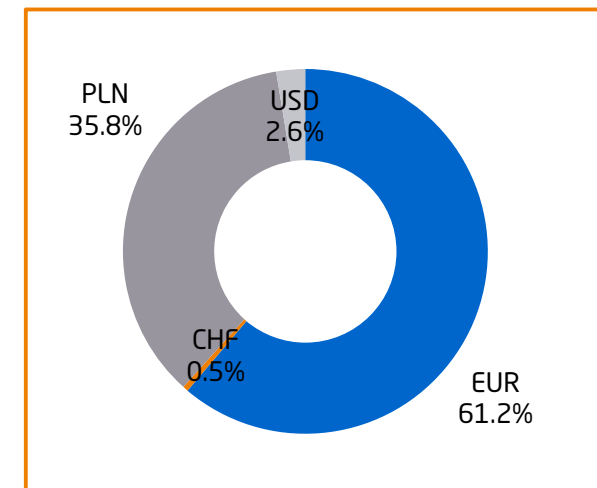


Bank loans repayment schedule (PLNm)*



* Illustrative only, assumption of full utilization of available bank loans (syndicated loan, BGK and EIB loans)

Drawn Debt by currency

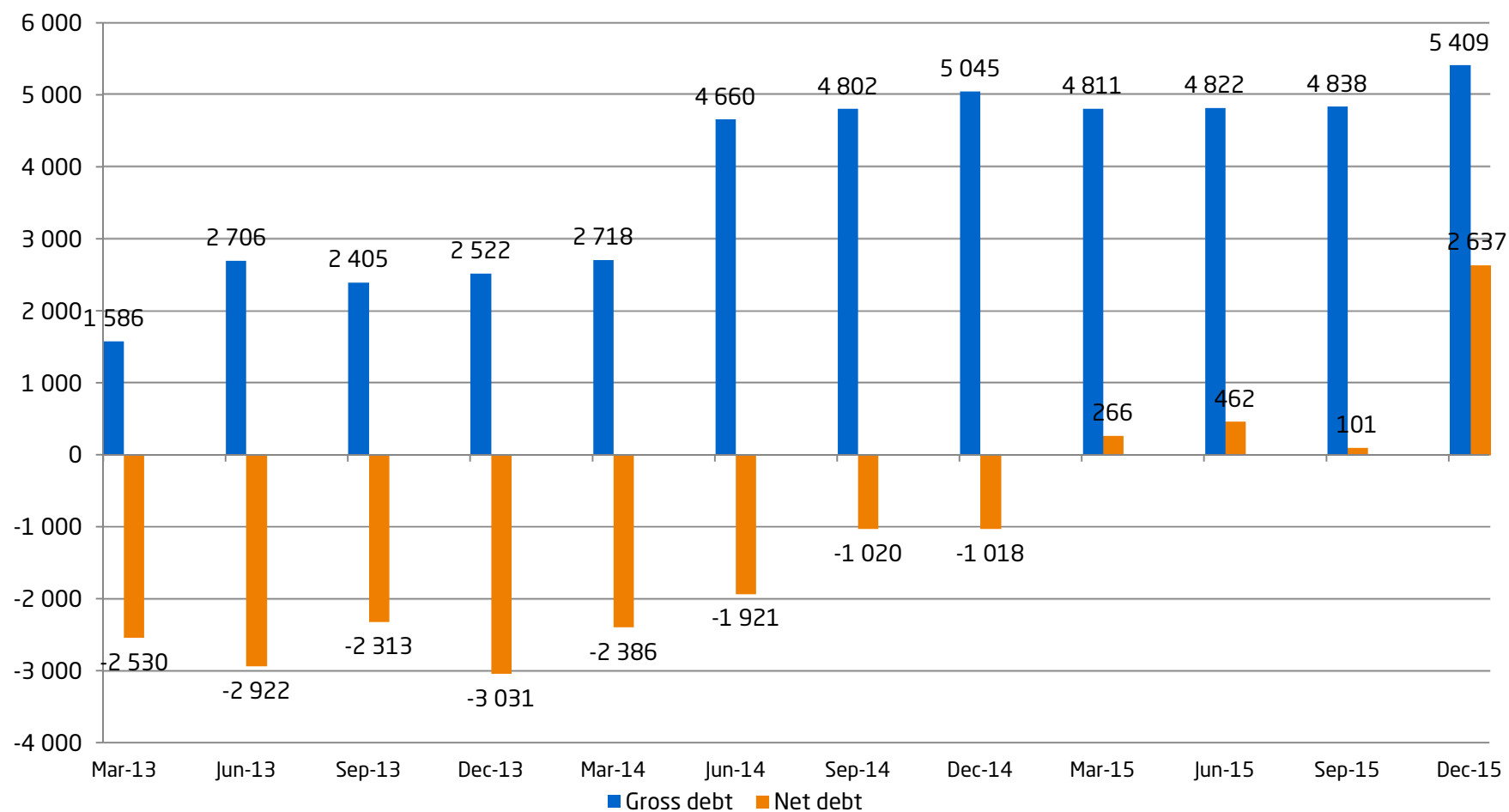


Issues under the EMTN program

Value	EUR 500,000,000	EUR 138,000,000
Tenure	5 years	15 years
Maturity date	June 9, 2019	August 1, 2029
Coupon	1.625% annual	3% annual
Rating	BBB+ (Fitch); Baa1 (Moody's)	BBB+ (Fitch)
ISIN Code	XS1075312626	XS1091799061

Debt development by quarters

Gross debt and net debt* (PLN m)

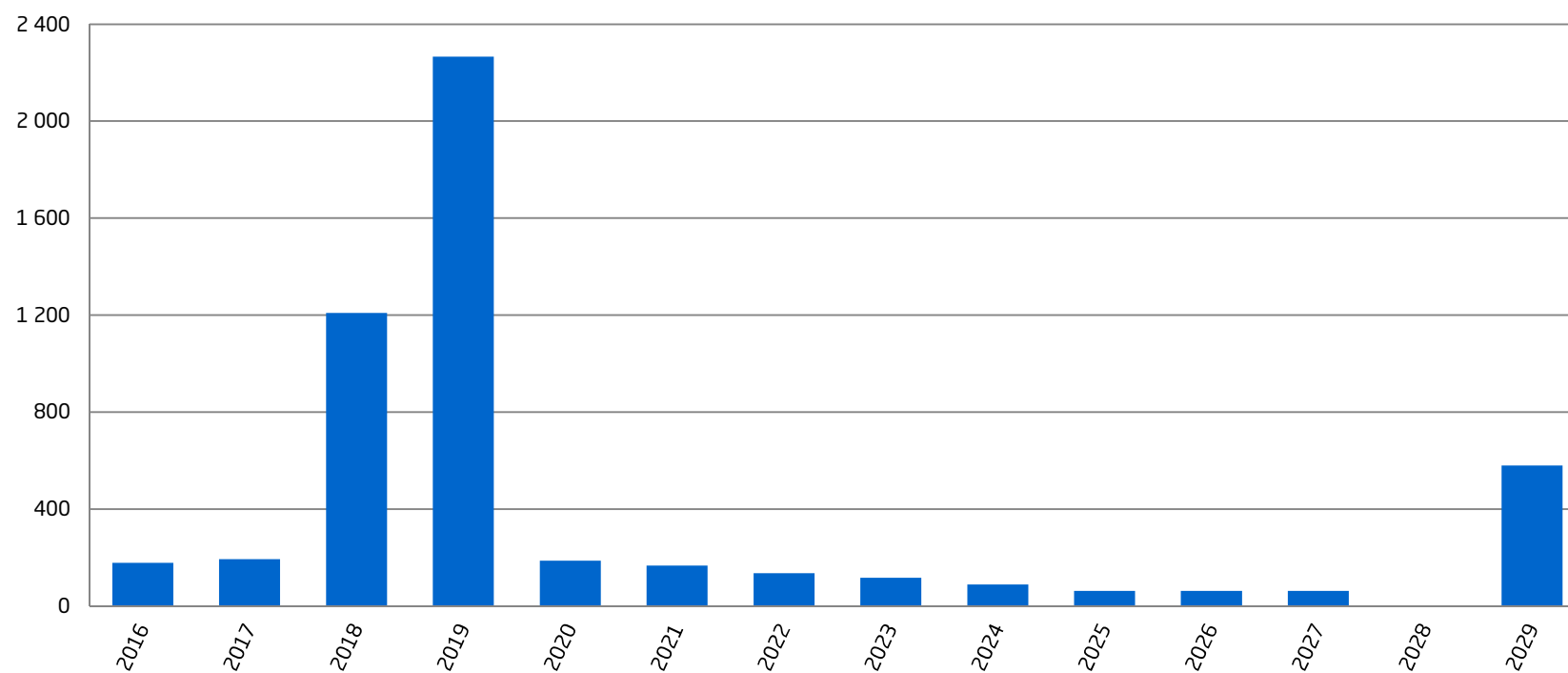


- External long-term debt is mainly drawn by PGE Polska Grupa Energetyczna S.A. (the parent company) and PGE Sweden AB (Swedish SPV for Eurobonds issues). Some historical investments loans exist in PGE GiEK S.A. (Conventional Generation company)

* Data for Dec-13 and Dec-14 restated

Debt maturity profile

Debt maturity profile (PLNm) as at December 31, 2015

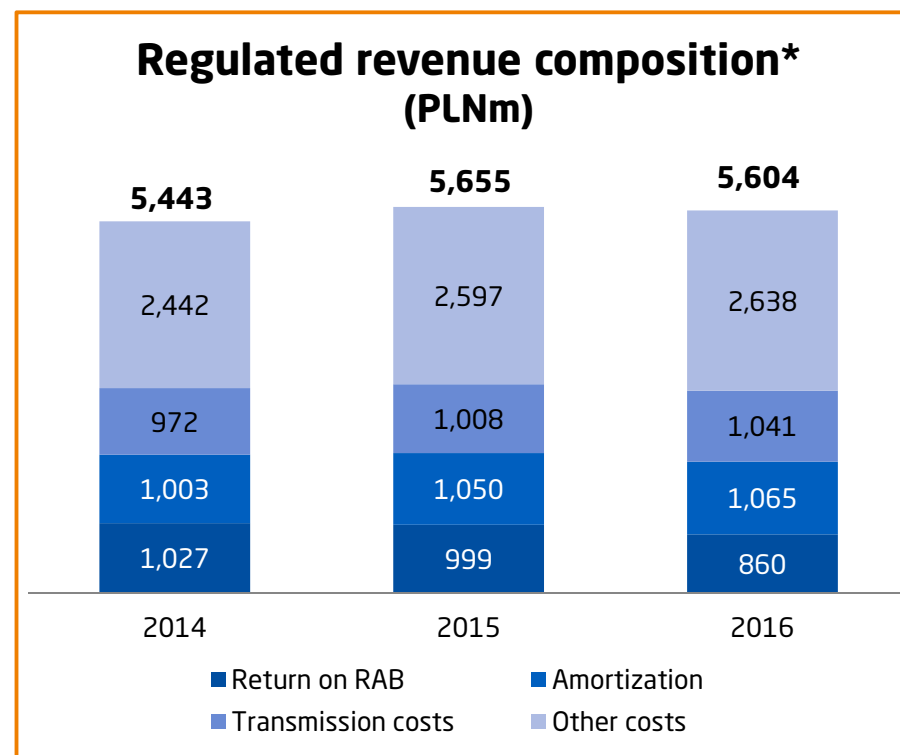
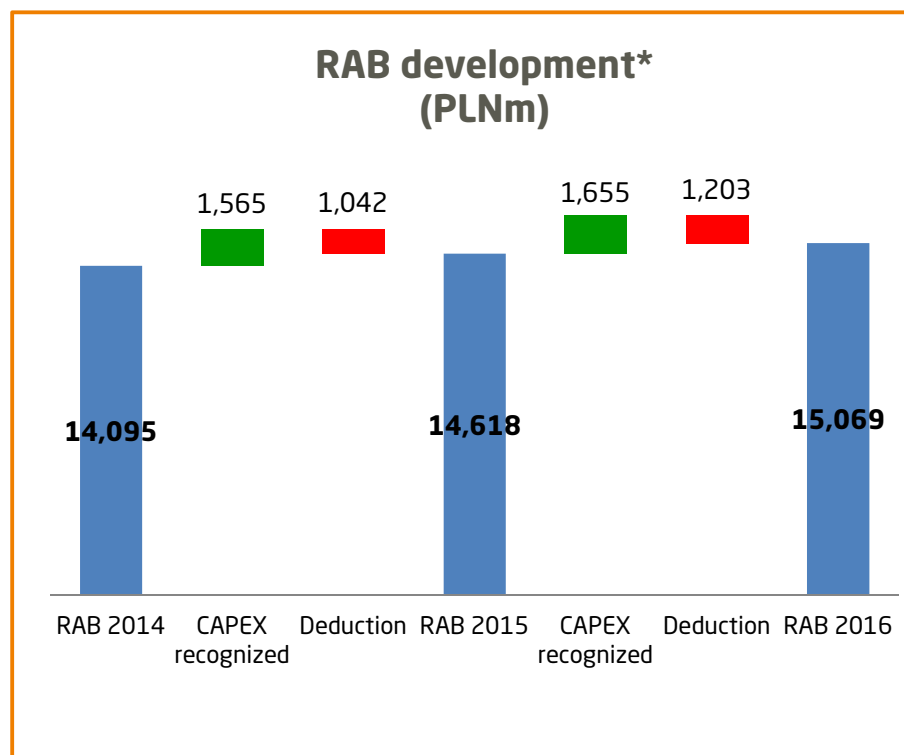


PGE cash position provides...

... plenty of headroom in the balance sheet		FY 2015	Q3 2015
	Gross Debt (PLNm)	5,409	4,838
	Net debt (PLNm)	2,637	101
	Net Debt/LTM EBITDA	0.32x	0.01x
	Net Debt/Equity	0.07x	0.003x

Financial strength has been confirmed by rating agencies		Moody's	Fitch
	Long-term company rating (IDR)	Baa1	BBB+
	Rating outlook	Stable	Stable
	Date of rating assignment	September 2, 2009	September 2, 2009
	Date of the latest rating confirmation	February 12, 2016	May 21, 2015
	Senior unsecured rating		BBB+
	Date of the latest rating change	May 26, 2014	August 4, 2011
	Date of the latest rating confirmation		May 21, 2015
	Long-term national rating		AA- (pol)
	Date of rating assignment		August 10, 2012
	Date of latest rating confirmation		May 21, 2015

Fundamentals of the distribution business



WACC:	2014	2015	2016
	7.283%	7.197%	5.675%**
Return on RAB:	2014	2015	2016
	100%	95%	100%

* Based on a Tariff

** WACC in regular activity, additional premium for AMI investments

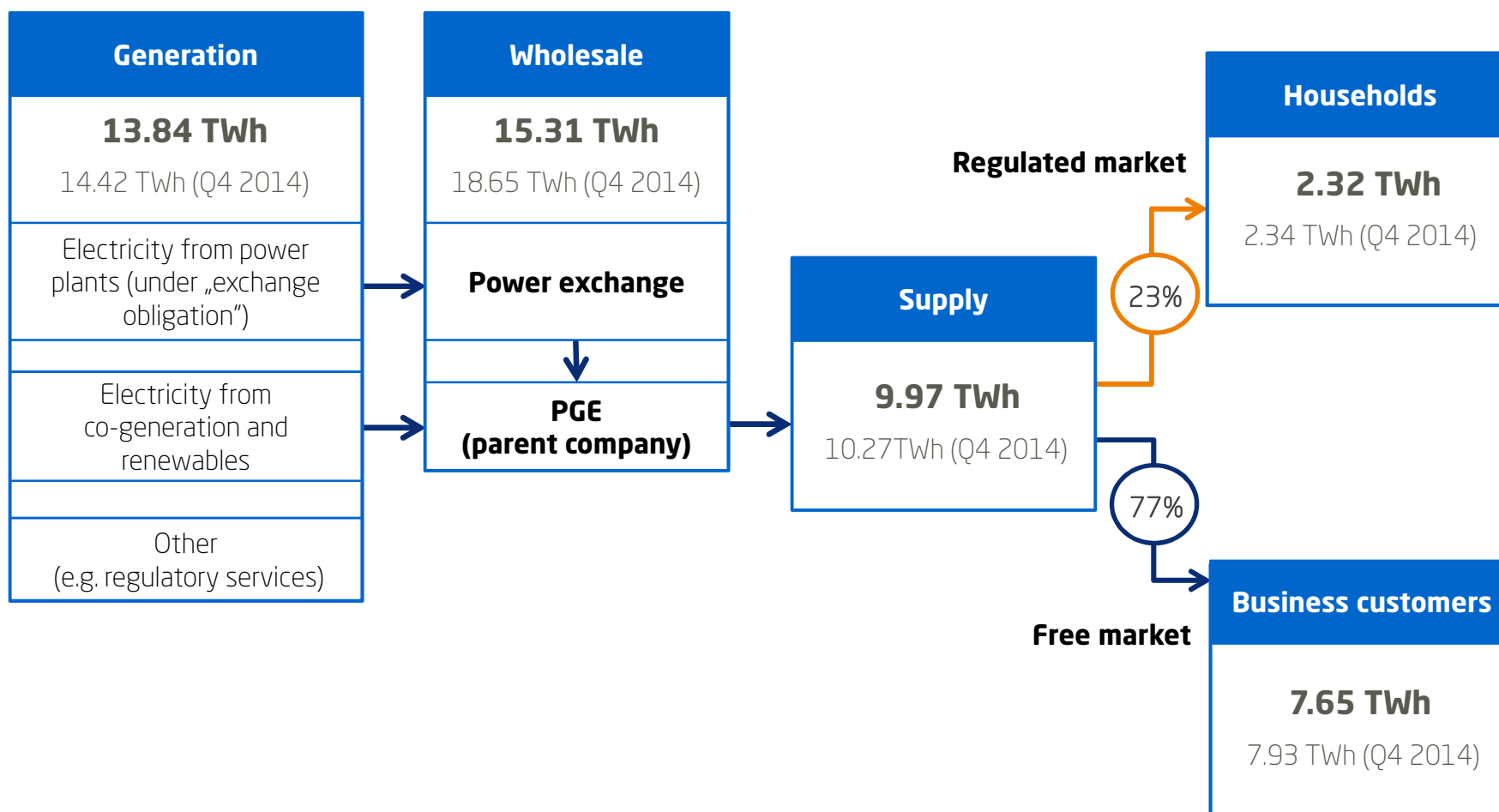
Voluntary Leave Program (VLP)

Provisions for VLP [PLN m]	FY15	FY14
VLP provision balance bop	235	3
creation of provision (release)	-20	404
utilization	-146	-171
provision balance eop	70	235
Participation in VLP (no. of employees)	FY15	FY14
Conventional Generation segment	802	1,154
Distribution segment	200	0
Renewables segment	49	0
Supply segment	116	0
PGE Group	1,167	1,154

- During years 2014-2015 over 2,300 people participated in the group-wide VLP program
- About one-fifth of the initial PLN 404 million provision created in 2014 still remains available
- Precise quantification of savings on personnel cost is complex because of distorted time-pattern (lags)

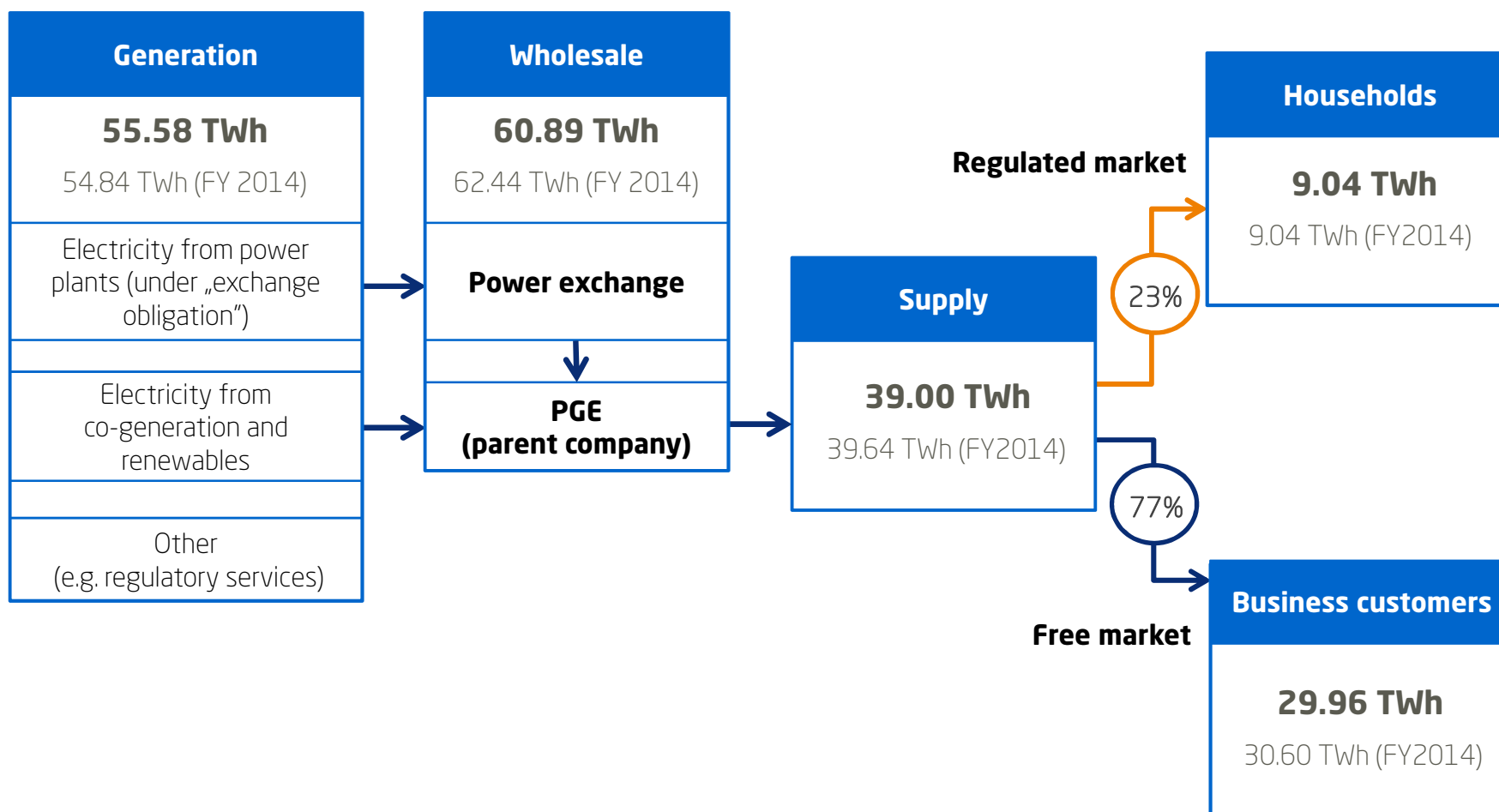
Q4 2015 Key business flows

Key business flows (illustrative only)



FY 2015 Key business flows

Key business flows (illustrative only)



CO₂ allowances - regulations and settlements

Regulations in the III Settlement Period

- As of 2013 only carbon allowances for heat production are received free of charge.
- Carbon allowances for electricity production are granted free of charge conditionally on investments realized that were included in the National Investment Plan.

Accounting standard

- All allowances received free of charge are recognized at its nominal value - zero.
- Provision for allowances required for redemption is raised respectively to its actual shortage in a given period.
- Cost incurred is visible in taxes and charges P&L line.

2015 allowances settlement

- In 2015 installations emitted 58.29m tonnes of CO₂.
- Consequently PGE's full cost related to CO₂ emissions in 2015 amounted to approx. PLNm 765).
- In April 2015, PGE received free of charge emission allowances of 29m tonnes for electricity generated in FY14 and 1m tonne for heat to be generated in FY15.
- Also in April 2015, PGE completed the settlement of FY14 period (i.e. PGE redeemed EUA equal to FY14 emission).

Free EUA recognized at a zero value - note 16, FY'15 consolidated FS

	EUA		CER/ERU		Total value
	Quantity (m)	Value (PLN m)	Quantity (m)	Value (PLN m)	(PLN m)
As at Jan 1, 2014	59	1,404	-	-	1,404
Purchased	33	829	3	2	831
Free allocation	34	-	-	-	-
Redeemed	-61	-683	-	-	-683
Adjustment	3	2	-3	-2	-
As at Jan 1, 2015	68	1,552	-	-	1,552
Purchased	38	1,301	-	-	1,301
Free allocation	30	-	-	-	-
Redeemed	-59	-681	-	-	-681
As at Dec 31, 2015	77	2,172	-	-	2,172

Provision for purchase of CO₂ allowances - note 23, FY'15 consolidated (PLNm)

As at Jan 1, 2015	676
Redeemed	-680
Released provisions	-1
Provided in 2015	765
As at Dec 31, 2015	760

Impact on P&L (PLNm) - illustrative only

	FY'15
Costs by kind	25,185
Taxes and charges	2,903

LTC compensations - current status of court disputes

Generators from the PGE Capital Group are in disputes with the ERO President regarding stranded cost compensations in years 2008-2010.

Stranded cost compensation in 2011-2014 are not subject to court disputes.

Status of court cases:

Year	Opole PP	Turów PP	Gorzów CHP	Rzeszów CHP	Lublin-Wrotków CHP	ZEDO PP
2008	Case at the Supreme Court*	Case closed	Case closed	Case closed	Case at the Supreme Court*	Case at the Supreme Court*
2009	Case closed	Case closed	Case at the Supreme Court*	Case at the Supreme Court*	CCCP verdict*	Case at the Supreme Court*
2010	CCCP verdict**	Case closed***	n/a	Case closed***	Case closed***	Case closed***

* Cases dependent on the Court of Justice of the European Union verdict

** PGE GiEK S.A. appeal partially allowed, PGE GiEK and ERO President both entitled to file appeal with the Court of Appeal

*** One verdict jointly for PGE GiEK S.A. as a legal successor of the merged companies from conventional generation segment

	Case closed - favorable verdict
	Not a subject to LTC compensations
	Court of Appeal verdict favourable for PGE, cassation appeal filed by the ERO with the Supreme Court
	Court of Competition and Consumer Protection - favorable verdict

PLN m	2011	2012	2013	2014
Provision for outstanding court cases re LTC from 2008-2010	(1,038)			
Reversal of provision based on legally binding verdicts	-	200	337	246
Unsettled LTC disputes - total value	255			

Sell-side analysts covering PGE

Domestic analysts

Institution	Analyst
• BOŚ	• Michał Stalmach
• BZ WBK	• Paweł Puchalski
• Citigroup	• Piotr Dzieciołowski
• Deutsche Bank	• Tomasz Krukowski
• Erste Group	• Tomasz Duda
• Haitong Bank	• Robert Maj
• ING	• Maria Mickiewicz
• IPOPEMA	• Sandra Piczak
• JP Morgan	• Michał Kuzawiński
• mBank	• Kamil Kliszc
• Pekao IB	• Łukasz Jakubowski
• PKO BP	• Stanisław Ozga
• Societe Generale	• Bartłomiej Kubicki
• Trigon	• Krzysztof Kubiszewski
• UBS	• Michał Potyra

Foreign analysts

Institution	Analyst
• HSBC	• Dmytro Konovalov
• Merrill Lynch	• Denis Derushkin
• Morgan Stanley	• Bobby Chada
• Raiffeisen Centrobank	• Teresa Schinwald
• Wood & Company	• Bram Buring

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