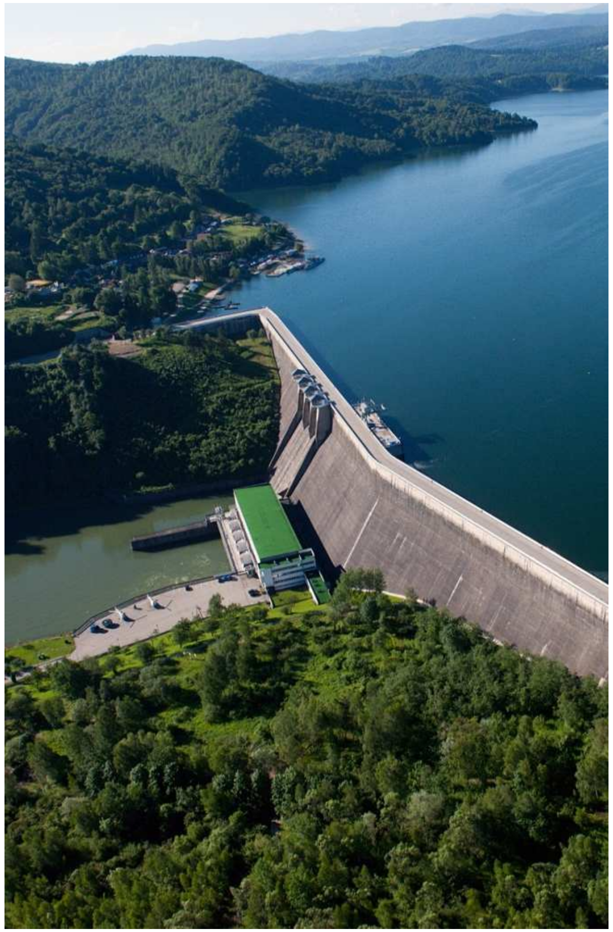
9M & Q3 2015 Financial and Operating Results

November 10, 2015



9M & Q3 2015 Financial and Operating Results

Key takeaways

Marek Woszczyk

- President and CEO

Highlights of Q3 2015

Q3 financial results	PLN 2.0 bn EBITDA	PLN 1.9 bn recurring EBITDA	PLN 2.3 bn net cash from operations	PLN 1.0 bn NP to equity
Q3 operations	14.1 TWh Net generation (+2% y-o-y)	8.4 TWh Distribution volume (+3% y-o-y)	9.8 TWh Sales to end users (0% y-o-y)	
Financing	Syndicated loan PLN 5.5 bn	EIB loan PLN 2 bn	BGK loan to be extended by PLN 0.5 bn	
Dividend from 2014	DPS PLN 0.78 paid on October 15, 2015	In line with dividend policy: 40% payout	5.4% yield	

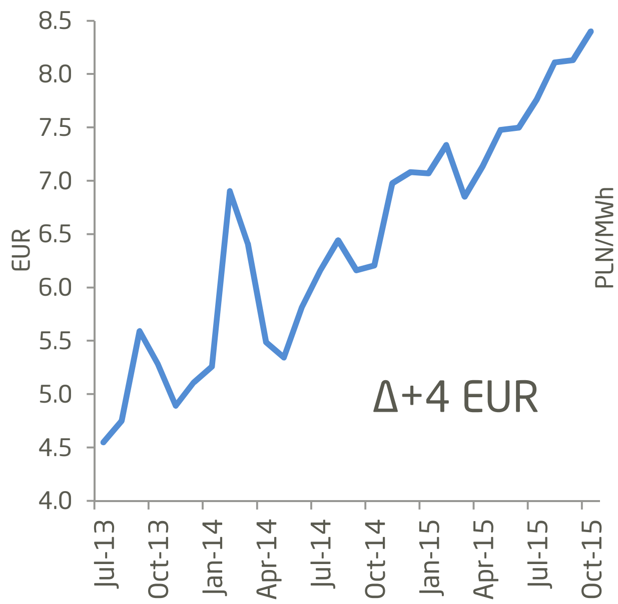
Growing demand but pressure on prices

Macroeconomic environment

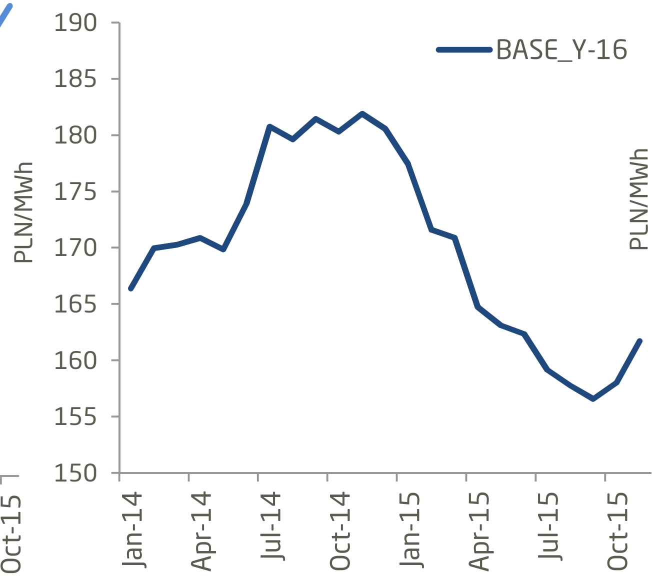
	Q3 2015	Q3 2014	9M 2015	9M 2014
Real GDP growth (y-o-y)	3.3%*	3.4%	3.4%*	3.5%
Domestic Electricity Consumption growth (y-o-y)	2.3%	1.7%	2.0%	0.3%
Domestic Electricity Consumption	39.28	38.40	119.19	116.89

* Forecasted

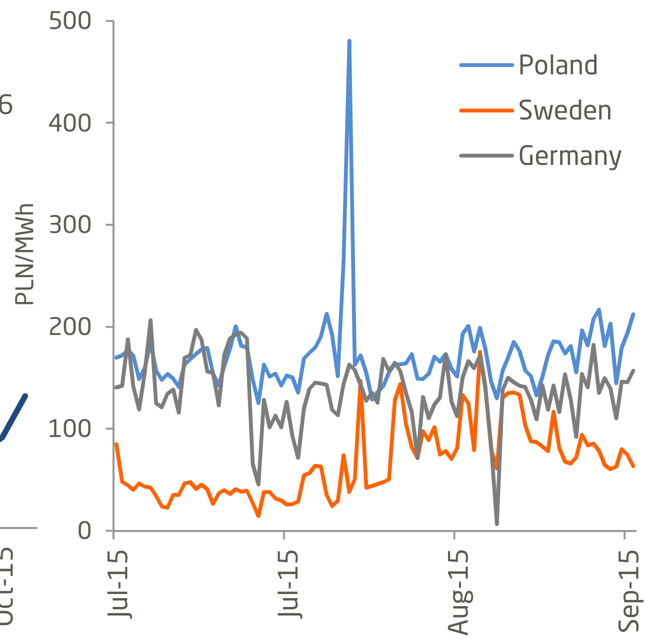
CO2 (DEC 2015)



Poland's electricity price



Price spike



Regulation Strategy for Distribution 2016-2020

Focus on quality ...

PGE corporate strategy for 2014-2020 already targeted quality improvement and SAIDI (interruption time) decrease by 50%

while more comprehensive and a bit more complicated model was proposed by regulator

ROC = RAB * WACC * Q * RC

Q – quality coefficient

RC- regulatory coefficient

Quality regulation (Q) – range: 0.85-1.00

- SAIDI, SAIFI and connection time targets
- Specific for each DSO

Regulator's adjustment (RC) – range: 0.9-1.1

- Separately for each DSO
- To offset extreme weather conditions and encourage innovations of DSOs

... and cheaper operations ...

PGE corporate strategy already targeted substantial efficiency improvements

Regulator approaches DSOs with a pathway reduction plan

- **10% reduction** (in 5-year period)
- With **2.5% increase** justified with the growing business scale
- Network losses coverage model changed

... while remuneration of assets with shrinking incentive

WACC computation model

Parameter	Current model	Tariff for 2016
Risk free rate (%)*	3.961	2.952
External capital risk premium (%)	1.00	0.85
Cost of external capital (%)*	4.961	3.802
Asset beta	0.400	0.350
Equity beta*	0.800	0.697
Equity risk premium	4.60	4.00
Cost of equity (%)	7.641	5.738
Share of external capital	0.50	0.55
Pre-tax WACC, nominal (%)*	**7.197**	**5.279**

* values updated periodically

Implications

Glaring disparity

- Required investments vs cut on assets' return

Balance of interests disturbed

- Improvement of service quality requires investments which should provide positive cashflow

Concern about predictability

- Arbitrary indicators blur the business outlook and increase creditor risk

2016 WACC in distribution comparison

- Poland **5.279%**
- European average* **6.929%**

Vicious circles of value (re)creation

CUT ON RETURN

*Belgium, Czech Republic, France, Germany, Hungary, Portugal, Slovakia, Sweden

Investment program - conventional developments under BAT pressure

Conventional developments

- Opole project update
  - Current progress - ca. 24%, in line with adopted plan
  - Slight amendments anticipated due to expected requirements of BAT Conclusions
- Gorzów project update:
  - Works in advanced stage
  - Commissioning expected in H1'16

- Turów project update
  - Redesigning to meet expected BAT Conclusions (new units' limits)
  - CAPEX and extension of construction period under negotiations with Contractor
  - Works not related to BAT project changes in progress

Modernizations

- Bełchatów
  - Unit 9 & 10 currently under modernization, in line with schedule
- Distribution network
  - „Herkules" program - lowering the length of planned supply interruptions

Renewables

- Windfarms
  - Speed up on wind projects;
  - To be completed till the end of 2015
  - Wind portfolio of ca. 530 MW in December 2015
- First step in photovoltaic
  - 2,400 solar panels with total capacity of 0.6 MW
  - Estimated annual energy production - at least 550 MWh gross



9M & Q3 2015 Financial and Operating Results

Detailed financial and operating results

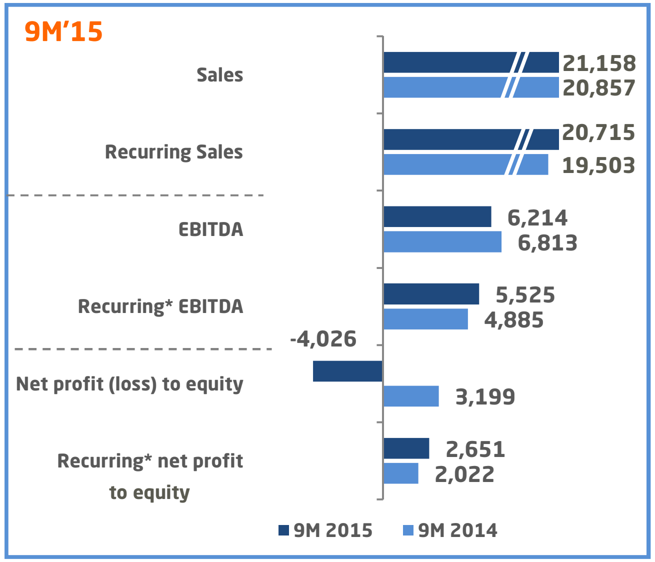
Magdalena Bartoś

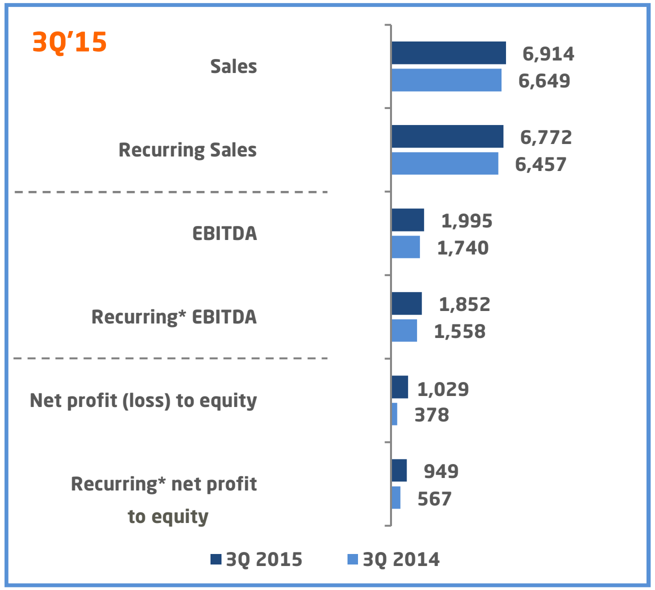
- Managing Director, CFO

Focusing on the key financial results

PLNm	Q3 2015	Q3 2014	y-o-y %	9M 2015	9M 2014	y-o-y %
Sales revenues	6,914	6,649	4%	21,158	20,857	1%
EBITDA	1,995	1,740	15%	6,214	6,813	-9%
Recurring* EBITDA	1,852	1,558	19%	5,525	4,885	13%
Net profit (loss) to equity	1,029	378	172%	-4,026	3,199	n.a.
EPS ex. impairment**(PLN)	0.57	0.21	171%	1.72	1.75	-2%
Net cash from operating activities	2,255	2,849	-21%	5,217	4,433	18%
CAPEX	2,505	1,627	54%	5,837	3,859	51%
Net debt (end of period)	101	462***				

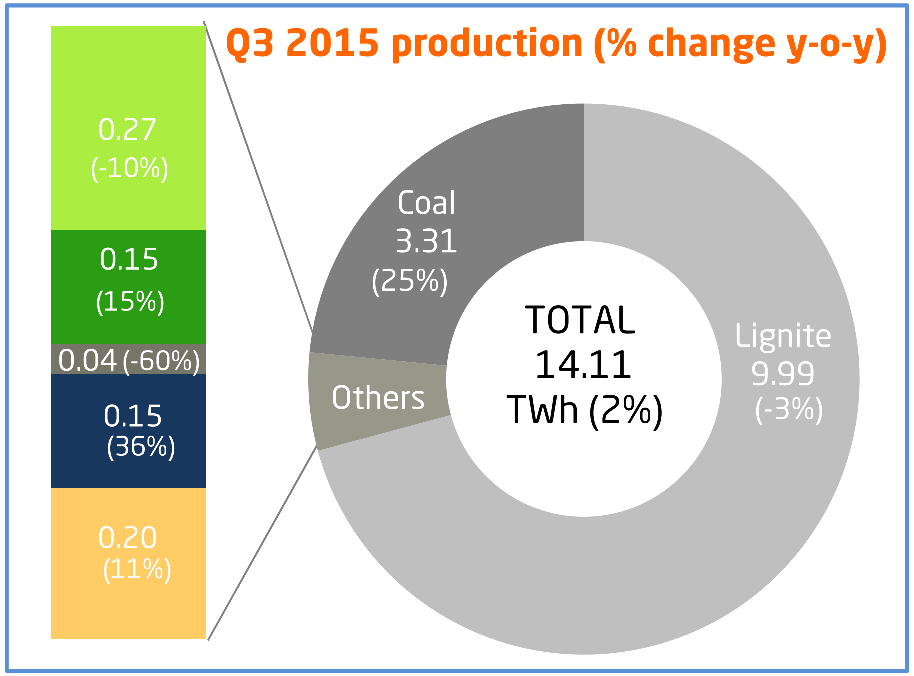
Credit ratings	Rating	Outlook
Fitch	BBB+	Stable
Moody's	Baa1	Stable

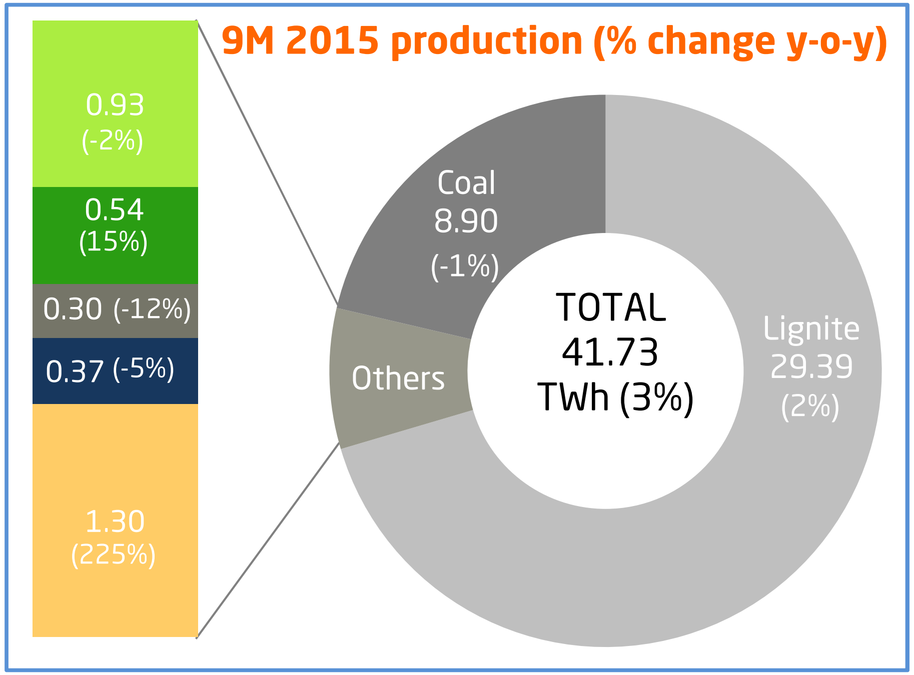




*Recurring = excluding significant one-off items (for details please see page 25)
** Basis for the dividend computation according to the amended Dividend Policy
*** As at June 30, 2015

Summary of generation performance





Lignite | Hard coal | Gas | Pumped-storage | Hydro | Wind | Biomass

- Generation from lignite declined yoy in Q3'15 because of the overhaul burden in Turów (units 2 and 5)
- Generation in hard coal power plants increased yoy in 3Q'15 due to return of units 1 and 2 in Opole, which were under repair for most of the base quarter
- Generation in coal-powered CHPs rose yoy by 79% in Q3'15 due to return of Pomorzany (under repair in the base quarter), commissioning of turboset in Zgierz in Dec. 2014, and higher utilization of Bydgoszcz by TSO
- Wind generation advanced due to better weather conditions and additional 40MW in Karwice commissioned in July 2015
- Decrease of generation in hydro power plants results from adverse natural conditions

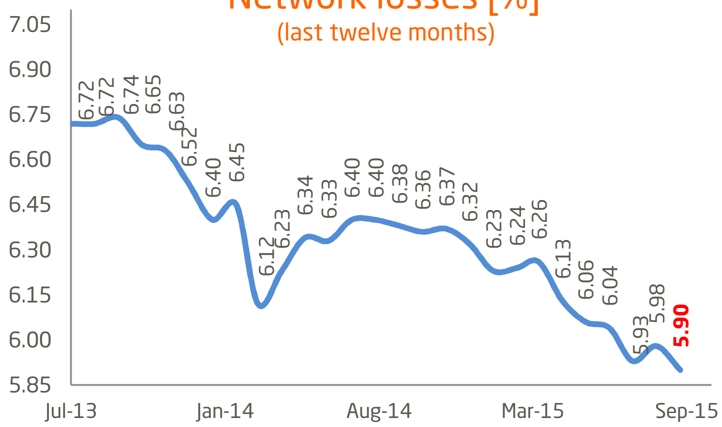
Focusing on performance indicators

Generation assets

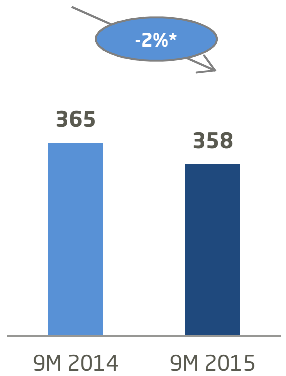
	Lignite	Hard coal	CHPs	Wind assets
Availability Q3 2015	84.3%	85.3%	82.9%	97.6%
Availability Q3 2014	86.0%	79.3%	81.1%	98.1%
Load factor Q3 2015	85.7%	68.7%	61.8%	20.0%
Load factor Q3 2014	88.6%	68.8%	62.0%	18.4%

Distribution assets

Network losses [%]
(last twelve months)

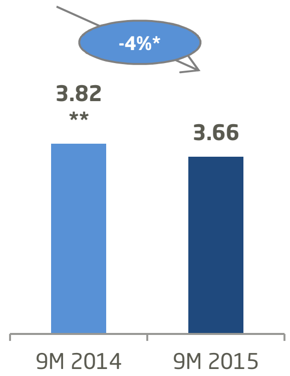


SAIDI
(planned + unplanned)



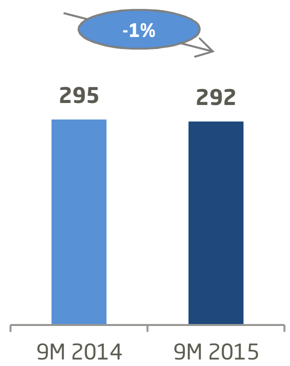
Minutes per customer served

SAIFI
(planned + unplanned)



interruptions per customer served

Connection time

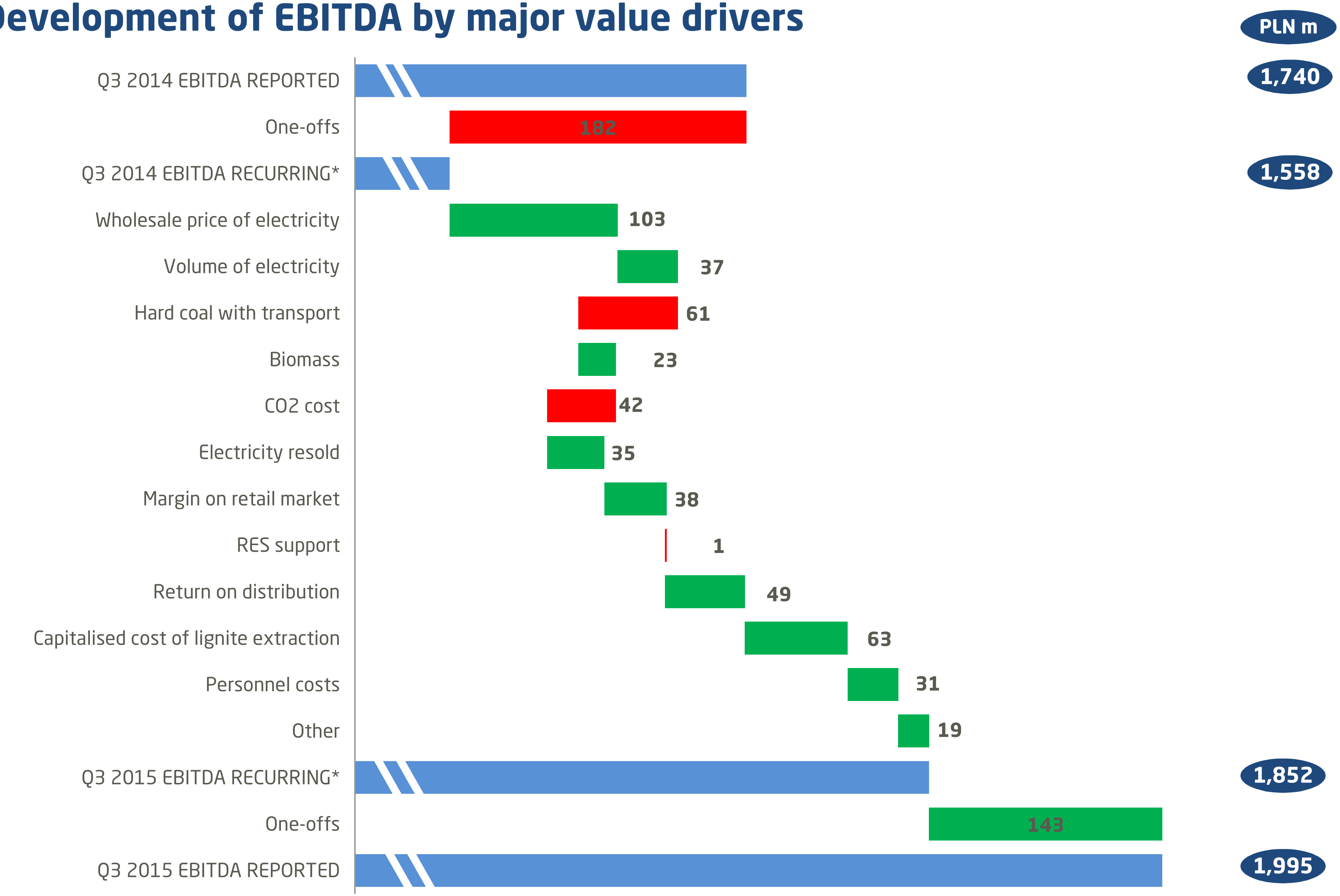


Days

* Limitation of indicators impacted significantly by storms in July 2015

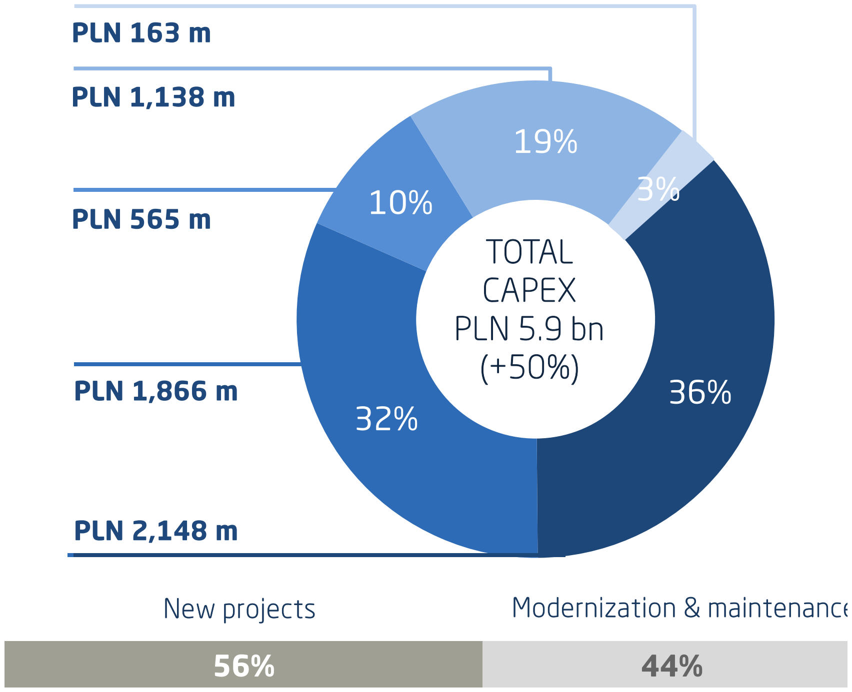
** Approximated value, restated in compliance with the new, standarized methodology

Development of EBITDA by major value drivers



*Recurring = excluding significant one-off items (for details please see page 25)

Capital expenditures in 9M 2015



Investments in generating capacities incl. conventional generation, renewables and distribution

	Significant projects	CAPEX in 9M 2015
Conventional Generation	Construction of Opole II	PLN 1,744 m
	Refurbishment and modernization in Bełchatów	PLN 578 m
Distribution	Modernization of distribution assets	PLN 616 m
	New developments in distribution area	PLN 523 m
Renewables	Lotnisko wind farm	PLN 224 m
	Resko II wind farm	PLN 192 m
	Karwice wind farm	PLN 72 m

Conventional Generation – modernization, maintenance & other | Conventional Generation - new projects | Renewables | Distribution | Supply & other

- Opole in decisive phase of investment – intensive assembly works in progress taking advantage of favorable weather conditions
- Comprehensive refurbishment in Bełchatów since 2010 - PLN 3.6 bn of CAPEX up to the end of Q3'15; currently 2 units in outage, project completion in Q3'16
- Remaining three wind projects on the path to be completed till the end of 2015 and to lock in green certificates support

Towards optimal financing structure

Secured financing facilities up to H1 2015

- Eurobonds totalling EUR 638 million issued in 2014 under EUR 2 bn EMTN program
- Bonds totalling PLN 1 bn under the domestic PLN 5 bn bond program
- PLN 1 bn long-term loan from BGK
- Current account credits from PKO BP S.A. (PLN 1 bn in April 2015) Pekao S.A. (PLN 1 bn in February 2015) and SG (PLN 250 m in July 2013 to July 2016)
- Preferential credits from National and Regional Funds for Environmental Protection and Water Management

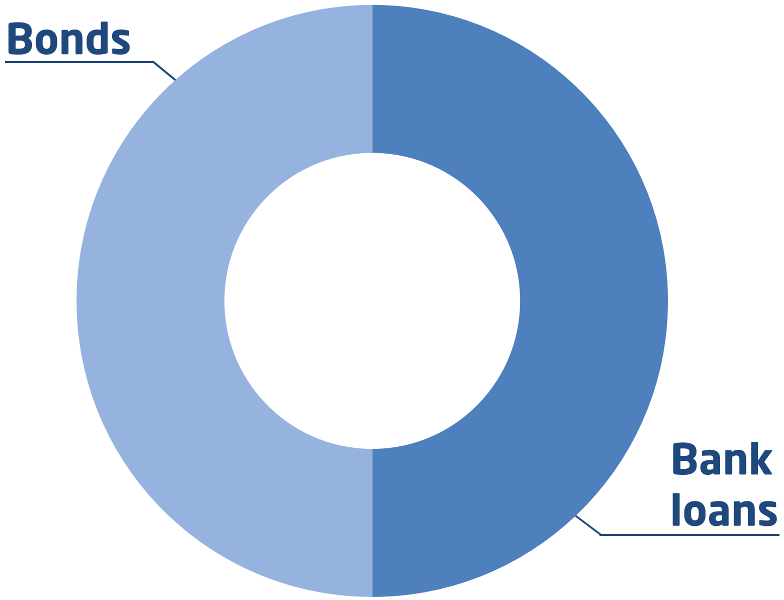
Acquired in Q3 2015

- Syndicated loan amounting to PLN 5.5 bn
- European Investment Bank loan amounting to PLN 2 bn

Sources of future financing

- Extention of the BGK loan + PLN 500 m
- Pending Eurobonds under 2 bn EMTN program
- In discussion with EBRD
- Further preferential credits from National and Regional Funds for Environmental Protection and Water Management

Targeted financing structure



Division EBITDA outlook for 2015

	2015 outlook vs 2014	Main drivers
Conventional Generation	Recurring higher	+ Wholesale full year average blended price in range of 173-175PLN/MWh + Volumes on lignite stable, whereas hard coal volumes lower by low double digit percentage points + Higher volumes from gas CHPs will be offset with higher cost of fuel + Efficiency programs to be continued + Mid single digit % lower blended hard coal price + **Full year „ordinary" LTC revenues in the range of PLN 600m** + Outlook for carbon allowances emissions clear – Approx. 4m tonnes higher shortage of carbon allowances
Renewables	Flat	+ No significant capacity changes yoy + Higher wind generation due to weather conditions + Wind pipeline to be commissioned by 2015YE and to impact results from 2016 onwards – Negative impact due to lower prices of green certificates
Supply	Higher	+ Focus on improving average margin + Some positive impact due to lower prices of green certificates
Distribution	Flat	+ RAB valued at PLN 14.6bn for 2015 tariff + WACC for 2015 set on 7.2% (pre-tax) + Efficiency programs to be continued – Cut on return by 5% to have a negative impact on distribution EBITDA in the range of 2%

Division EBITDA outlook for 2016

- **Regulatory environment still not clear enough** to provide detailed guidance for the year
- Efficiencies and expenditures cut to be updated after PGE Strategy review

Main drivers forecasted		
	Positive factors	**Negative factors**
Conventional Generation	+ Expected increase of ORM budget + Price formula for hard coal to allow for further mid single digit decrease in unitary cost + LTCs compensations expected in the range of high PLN 500m + Cold reserve revenues after shift of 2 units in Dolna Odra	– Lower forward prices – Lower generation from lignite after #1 in Bełchatów shifted to peak capacity reserve – Lower generation from hard coal after shift of 2 units to cold reserve in Dolna Odra – Approx. 3.5m tonnes higher shortage of carbon allowances and higher unitary cost
Renewables	+ As of January capacity of 530 MW installed in wind impacting generation volumes + Lower general market supply of green certificates with new RES law	– Negative impact of cancelled support for big hydro in range of PLN 40m
Supply	+ Market saturation	– Potentially higher prices of green certificates
Distribution	+ RAB to be valued in range of PLN 15.1bn for 2016 tariff	– Expected cut on remuneration and network losses coverage might have an adverse impact in range of up to PLN 300m on EBITDA level

CAPEX outlook for 2015 and 2016

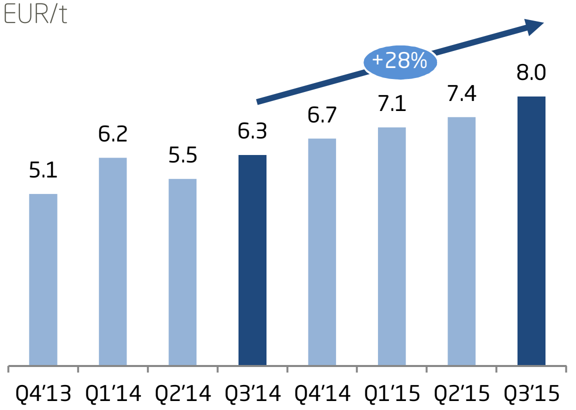
2015 outlook vs 2014	
Higher	• Opole project according to plan and started heavy cash spending • Gorzów project on-going • Turów on-going. However, commissioning date extended by 3 months due to required amendments in the project resulting from more strict environmental requirements (BAT/BREF). Final outcome on timeline and additional CAPEX in the coming weeks • Higher CAPEX in distribution impacting future return on assets • Higher CAPEX in RES with remaining 178 MW in pipeline
2016 outlook	
Comparable to 2015	• Opole project according to plan and will sustain level of spending • Gorzów to be finalized in H1 2016 • Turów on-going. Increase in CAPEX expected • RES development pending on auction results. 90 MW in short term pipeline • Other CAPEX to be confirmed with Strategy review

9M & Q3 2015 Financial and Operating Results

Additional information

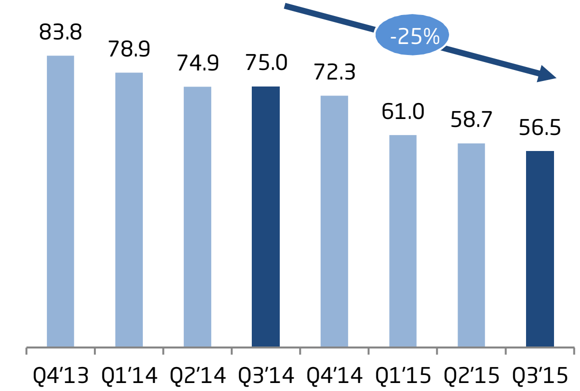
Unfavourable commodity trends continued in Q3’15. Exception: rebounding spot electricity prices (q-o-q perspective).

CO_2 allowance (EUA_DEC15)
EUR/t



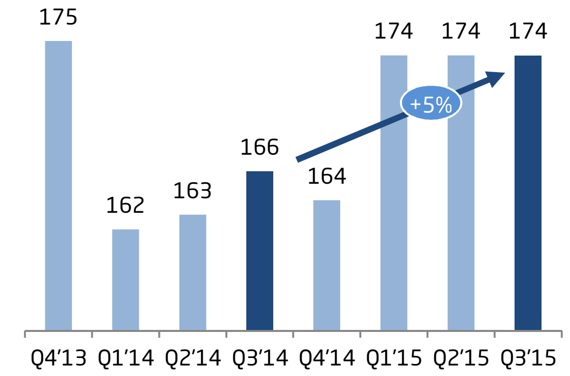
Source: Bloomberg

Hard coal
USD/t[1]



Source: Bloomberg

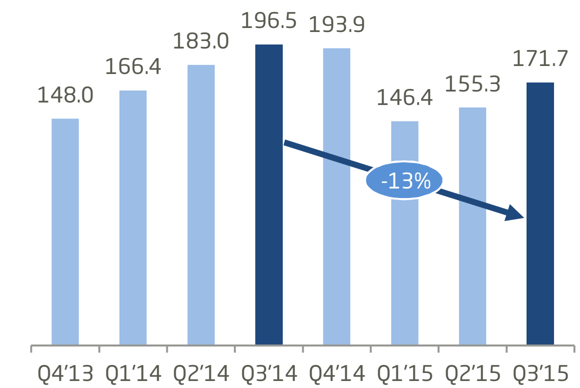
PGE average wholesale price of electricity
PLN/MWh



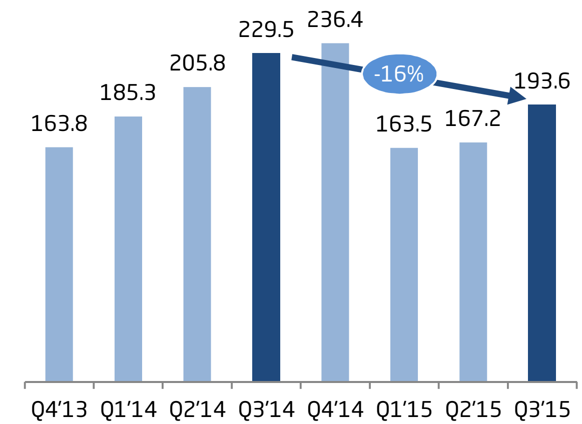
Source: PGE

Average quarterly TGE Electricity Prices 2013-2015
PLN/MWh

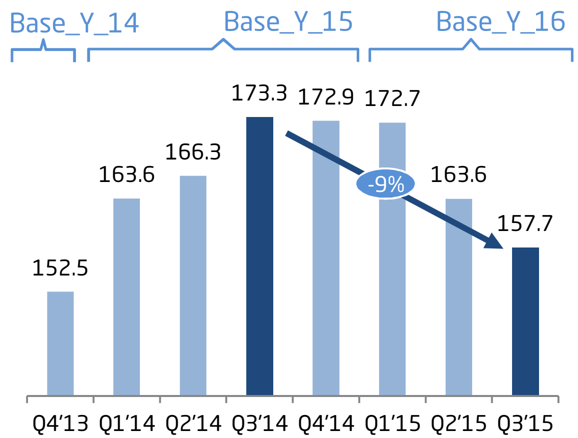
Base (Spot)



Peak (Spot)



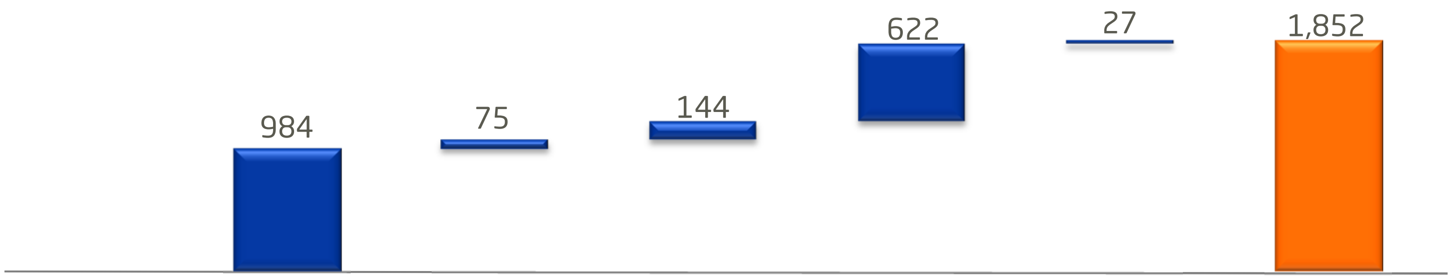
Base_Y_14/15/16 (Forward, next year)



Source: TGE

[1] CIF ARA current month

Recurring* Q3 2015 EBITDA – composition and development



	Conventional	Renewables***	Supply**	Distribution	Other	EBITDA
Q3 2015	984	75	144	622	27	1852
Share in Q3 2015 EBITDA (%)	53%	4%	8%	34%	1%	
Q3 2014	775	90	39	606	48	1558
Change (PLNm)	209	-15	105	16	-21	294
Change (%)	27%	-17%	265%	3%	-44%	19%

Increase mostly due to:
- Higher price of the electricity sold – blended price higher by PLN 8 per MWh – and higher volumes total impact of PLN 140m

Higher cost of generation from hard coal but unitary cost of hard coal lower.

Results affected by lower prices of green certificates and lower price of electricity sold on the balancing market and power exchange.

Additionaly exacerbated by adverse hydro conditions.

Positive impact from improved margins and lower RES support costs.

Higher volumes and prices of distribution.

*Recurring = excluding significant one-off items (for details please see page 25)
**As of Q1'2015 Supply and Wholesale are presented as a one business line – Supply
*** RES business line includes results of 3 small hydro plants previously in Supply

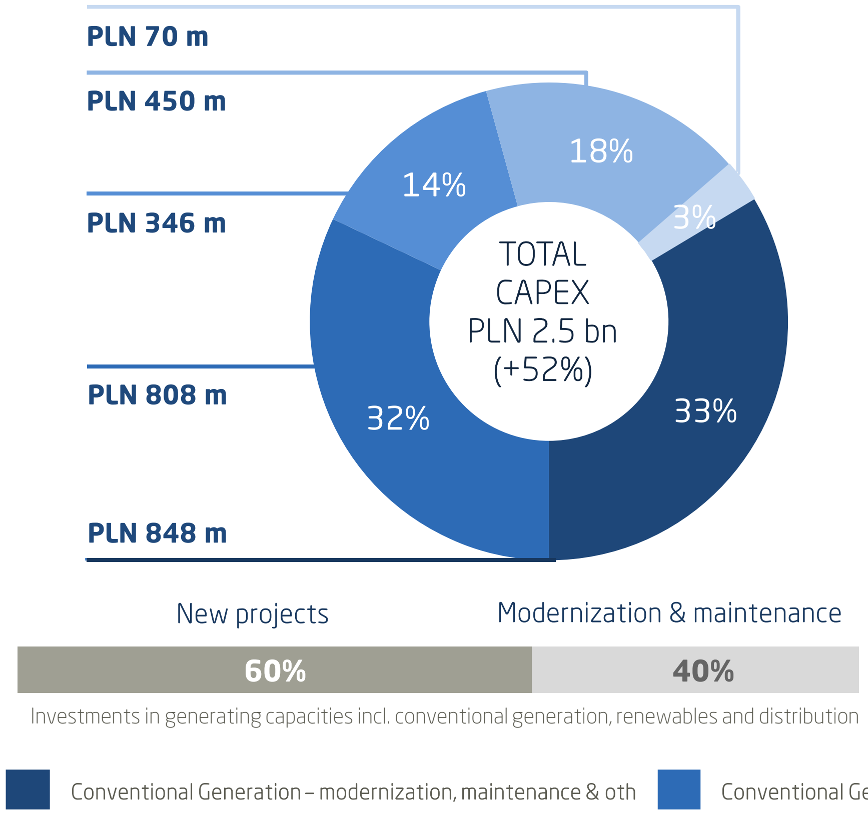
Key Operating Data

Net electricity generation by sources (TWh)

	Q3 2015	Q3 2014	Q3'15 vs. Q3'14	9M 2015	9M 2014	9M'15 vs. 9M'14
Lignite-fired power plants	10.03	10.44	-4%	29.64	29.15	2%
Hard coal-fired power plants	3.18	2.59	23%	8.32	8.54	-3%
Coal-fired CHPs	0.25	0.14	79%	0.92	0.78	18%
Gas-fired CHPs	0.20	0.18	11%	1.30	0.40	225%
Biomass-fired CHP	0.11	0.11	0%	0.34	0.35	-3%
Pumped storage	0.15	0.11	36%	0.37	0.39	-5%
Hydro	0.04	0.10	-60%	0.30	0.34	-12%
Wind	0.15	0.13	15%	0.54	0.47	15%
TOTAL	14.11	13.80	2%	41.73	40.42	3%

Renewable generation	0.46	0.53	-13%	1.77	1.76	1%
Incl. biomass co-combustion	0.16	0.19	-16%	0.59	0.60	-2%

Capital expenditures in Q3 2015



	Significant projects	CAPEX in Q3 2015
Conventional Generation	Construction of Opole II	PLN 708 m
	Refurbishment and modernization in Bełchatów	PLN 240 m
Distribution	Modernization of distribution assets	PLN 265 m
	New developments in distribution area	PLN 185 m
Renewables	Resko II wind farm	PLN 157 m
	Lotnisko wind farm	PLN 137 m
	Kisielice wind farm	PLN 34 m

- Opole in decisive phase of investment – intensive assembly works in progress taking advantage of favorable weather conditions
- Comprehensive refurbishment in Bełchatów since 2010 - PLN 3.6 bn of CAPEX up to the end of Q3'15; currently 2 units in outage, project completion in Q3'16
- Remaining three wind projects on the path to be completed till the end of 2015 and to lock in green certificates support

Capital expenditures

CAPEX for Q3 and 9M 2015 (PLN m)

Segment	Q3 2015	Q3 2014	Q3'15 vs Q3'14	9M 2015	9M 2014	9M'15 vs 9M'14
Conventional Generation	1,656	1,219	36%	4,014	2,797	44%
Distribution	450	318	42%	1,138	770	48%
New clients connection	144	126	14%	398	328	21%
Distribution grid	183	115	59%	467	267	75%
Renewables	346	87	298%	565	242	133%
Modernization and replacement	5	12	-58%	20	23	-13%
Supply, Others	70	35	100%	163	116	41%
TOTAL	**2,522**	**1,659**	52%	**5,880**	**3,925**	50%
TOTAL (incl. adjustments)	**2,505**	**1,627**	54%	**5,837**	**3,859**	51%

Key Financials

Selected consolidated financial data, IFRS

	Q3 2015 PLN m	Q3 2014 Restated PLN m	Q3'15 vs. Q3'14	9M 2015 PLN m	9M 2014 Restated PLN m	9M'15 vs. 9M'14
Sales	6,914	6,649	4%	21,158	20,857	1%
including LTC compensations	142	192	-26%	443	1,354	-67%
Recurring Sales	6,772	6,457	5%	20,715	19,503	6%
EBITDA	1,995	1,740	15%	6,214	6,813	-9%
Recurring* EBITDA	1,852	1,558	19%	5,525	4,885	13%
EBIT	1,312	937	40%	-4,862	4,463	n.a.
Recurring EBIT	1,210	784	54%	3,381	2,616	29%
Net profit (to equity)	1,029	378	172%	-4,026	3,199	n.a.
Recurring* net profit (to equity)	949	567	67%	2,651	2,022	31%
CAPEX (incl. adj.)	2,505	1,627	54%	5,837	3,859	51%
Net cash from operating activities	2,255	2,849	-21%	5,217	4,433	18%
Net cash from investing activities	-1,953	415	n.a.	-6,105	-4,635	32%
EBITDA margin	29%	26%		29%	33%	
Recurring EBITDA margin	27%	24%		27%	25%	
Net Working Capital				4,981	6,753**	
Net Debt/LTM EBITDA				0.01x	-0.11x	

*Guide to one-off adjustments presented at the next page

**As at FY14 eop

Computation of recurring EBITDA and recurring net profit to equity

Summary of one-off adjustments

Computation of recurring EBITDA

key one-off items	Q3'15	Q3'14	9M'15	9M'14
LTC compensations	-142	-192	-443	-1,354
LTC adjustment	0	0	0	-246
Reclamation provision (discount rate)	0	4	-193	211
Release of provision (CO2 free allowances for 2013)	0	0	0	-751
Voluntary Leave Program	0	7	0	166
Actuarial provision	-1	-1	-53	46
Total adjustment at EBITDA level	**-143**	**-182**	**-689**	**-1,928**
Fixed assets impairment	41	29	8,932	81
Total adjustment at EBIT level	**-102**	**-153**	**8,243**	**-1,847**

Computation of recurring Net profit

key one-off items	Q3'15	Q3'14	9M'15	9M'14
LTC compensations	-115	-155	-359	-1,092
LTC adjustment	0	0	0	-198
Reclamation provision (discount rate)	0	3	-156	170
Release of provision (CO2 free allowances for 2013)	0	0	0	-606
Voluntary Leave Program	0	6	0	134
Actuarial provision	-1	-1	-43	37
Fixed assets impairment*	36	23	7,235	65
Bonds write off (Autostrada Wielkopolska)	0	313	0	313
Total adjustment at Net Income level	**-80**	**189**	**6,677**	**-1,177**

* 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 intraperiod comparability of operational performance.

Detailed segmental revenues and costs

Conventional Generation (PLN m)	Q3 15	Q3 14	Q3 15 vs. Q3 14	9M 15	9M 14	9M 15 vs. 9M 14
Sales, including	3,052	2,909	5%	9,478	9,567	-1%
Sale of electricity	2,667	2,451	9%	7,943	7,155	11%
LTC compensations	142	192	-26%	443	1,354	-67%
Sale of heat	88	83	7%	482	444	9%
Sale of certificates of origin	49	86	-43%	271	313	-14%
Cost by kind, including	2,393	2,366	1%	16,404	7,286	125%
D&A*	382	461	-17%	10,208	1,360	651%
Materials	650	574	13%	2,181	1,883	16%
Energy	7	8	-8%	23	28	-17%
External services	280	339	-17%	798	959	-17%
Taxes and charges	402	357	13%	1,119	1,049	7%
Personnel expenses	631	589	7%	1,959	1,896	3%
Other cost	41	38	7%	115	112	3%
Cost of products sold	1,805	1,990	-9%	14,683	6,133	139%
Cost of goods sold	2,058	2,206	-7%	15,482	6,872	125%
EBIT	789	495	59%	-6,471	3,011	n.a.
EBITDA	1,126	956	18%	3,585	4,370	-18%

* 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.

During Q3'15 and 9M'15 the capitalised fraction of D&A amounted to PLN 44 milion and PLN 152 milion, respectively.
For details please refer to the Note A 2.3 of Consolidated Financial Statement, page 26.

Detailed segmental revenues and costs

Renewables (PLN m)

	Q3 15	Q3 14	Q3 15 vs. Q3 14	9M 15	9M 14	9M 15 vs. 9M 14
Sales, including	168	178	-6%	546	593	-8%
Sale of electricity	69	80	-13%	239	261	-8%
Sale of certificates of origin	31	45	-31%	122	161	-25%
Cost by kind, including	152	145	5%	450	438	3%
D&A	59	56	6%	173	160	8%
Materials	1	1	5%	4	5	-2%
Energy	37	29	27%	95	102	-7%
External services	23	22	5%	64	56	14%
Taxes and charges	9	13	-28%	39	38	3%
Personnel expenses	19	19	1%	62	63	-2%
Other cost	4	5	-24%	12	14	-10%
Cost of products sold	136	127	8%	391	378	3%
Cost of goods sold	136	127	8%	391	378	3%
EBIT	17	34	-51%	105	164	-36%
EBITDA	76	90	-16%	278	324	-14%

Detailed segmental revenues and costs

Distribution (PLN m)

	Q3 15	Q3 14	Q3 15 vs. Q3 14	9M 15	9M 14	9M 15 vs. 9M 14
Sales, including	1,477	1,405	5%	4,478	4,253	5%
Revenues from distribution services	1,403	1,326	6%	4,234	4,015	5%
Other operating revenues	48	53	-10%	165	155	6%
Cost by kind, including	1,122	1,074	4%	3,417	3,314	3%
D&A	262	262	0%	778	754	3%
Materials	18	21	-13%	53	60	-13%
Energy	90	90	0%	309	340	-9%
External services	414	377	10%	1,220	1,130	8%
Taxes and charges	86	82	6%	265	253	5%
Personnel expenses	248	239	4%	783	765	2%
Other cost	3	4	-10%	9	12	-19%
Cost of products sold	1,047	994	5%	3,171	3,070	3%
Cost of goods sold	1,047	994	5%	3,171	3,070	3%
EBIT	360	344	5%	1,069	1,035	3%
EBITDA	622	606	3%	1,847	1,789	3%

Detailed segmental revenues and costs

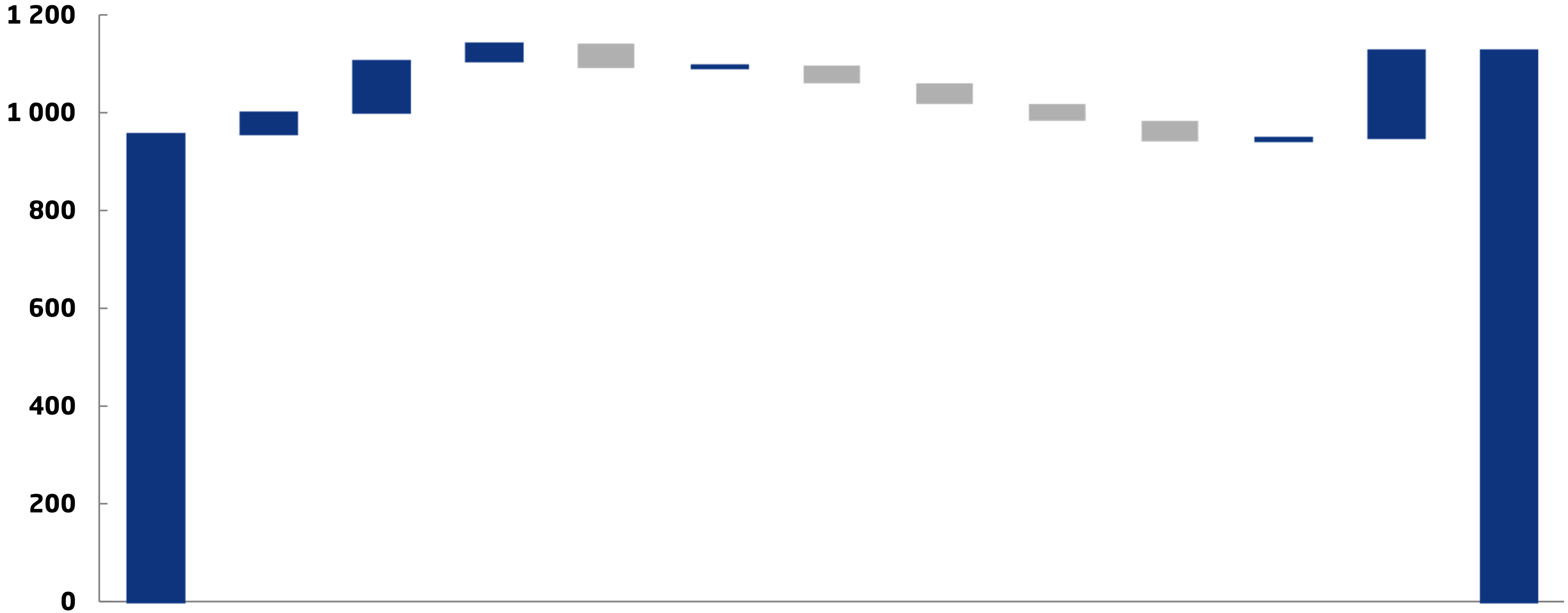
Supply* (PLN m)

	Q3 15	Q3 14	Q3 15 vs. Q3 14	9M 15	9M 14	9M 15 vs. 9M 14
Sales, including	3,802	3,543	7%	11,070	10,486	6%
Sale of electricity	2,299	2,168	6%	6,948	6,545	6%
Revenues from distribution services	1,002	980	2%	3,034	2,986	2%
Sale of certificates of origin	0	3	-100%	9	78	-88%
Cost by kind, including	371	412	-10%	1,194	1,191	0%
D&A	6	4	37%	18	13	34%
Materials	2	1	23%	5	4	23%
Energy	1	1	-2%	3	2	18%
External services	48	40	19%	152	119	28%
Taxes and charges	219	271	-19%	744	796	-7%
Personnel expenses	62	62	-1%	190	183	4%
Other cost	34	32	7%	82	74	12%
Cost of products sold	39	27	43%	102	71	43%
Cost of goods sold	3,333	3,124	7%	9,566	9,176	4%
EBIT	138	36	285%	405	187	117%
EBITDA	144	40	258%	423	200	111%

*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 Q3 2015

Key Changes in EBITDA (PLN m)



	EBITDA 2014	Sale of electricity difference in volumes	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	Other costs	Capitalized costs	EBITDA 2015
Change		**44**	**105**	**35**	**-50**	**6**	**-37**	**-42**	**-34**	**-42**	**6**	**179**	
EBITDA Q3'14	**956**	2,183		56	192	45	86	485	183	589		177	
EBITDA Q3'15		2,332		91	142	51	49	527	217	631		356	**1,126**

PGE

Conventional Generation – EBITDA 9M 2015

Key Changes in EBITDA (PLN m)

	EBITDA 2014	Sale of electricity difference in volumes	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		**197**	**384**	**96**	**-1,156**	**31**	**26**	**-163**	**-804**	**-64**	**404**	**-142**	**406**	
EBITDA 9M'14	**4,370**	6,256		238	1,599	149	245	1,637	-248	1,895	-211		588	
EBITDA 9M'15		6,837		334	443	180	271	1,800	556	1,959	193		994	**3,585**

Renewables (PLN m) - EBITDA Q3 2015

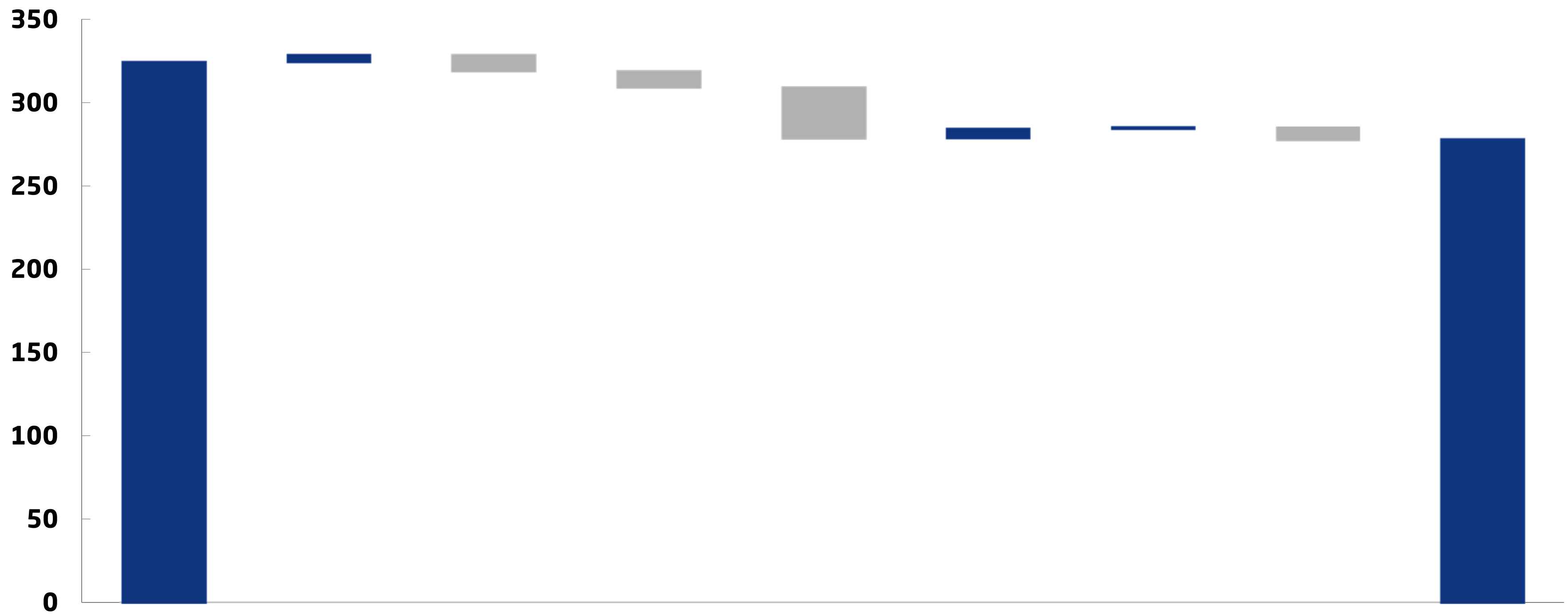
Key Changes in EBITDA (PLN m)

	EBITDA 2014	Sale of electricity - wind	Sale of property rights - wind	Sale of electricity - hydro	Sale of property rights - hydro	Revenues from agreement with TSO	Personnel costs	Other	EBITDA 2015
Change*		**3**	**0**	**-12**	**-14**	**5**	**0**	**4**	
EBITDA Q3'14	**90**	23	26	19	20	59	19	37	
EBITDa Q3'15		26	26	7	6	64	19	33	**76**

* Excluding revenues and costs related to the balancing market, not affecting EBITDA

Renewables (PLN m) - EBITDA 9M 2015

Key Changes in EBITDA (PLN m)

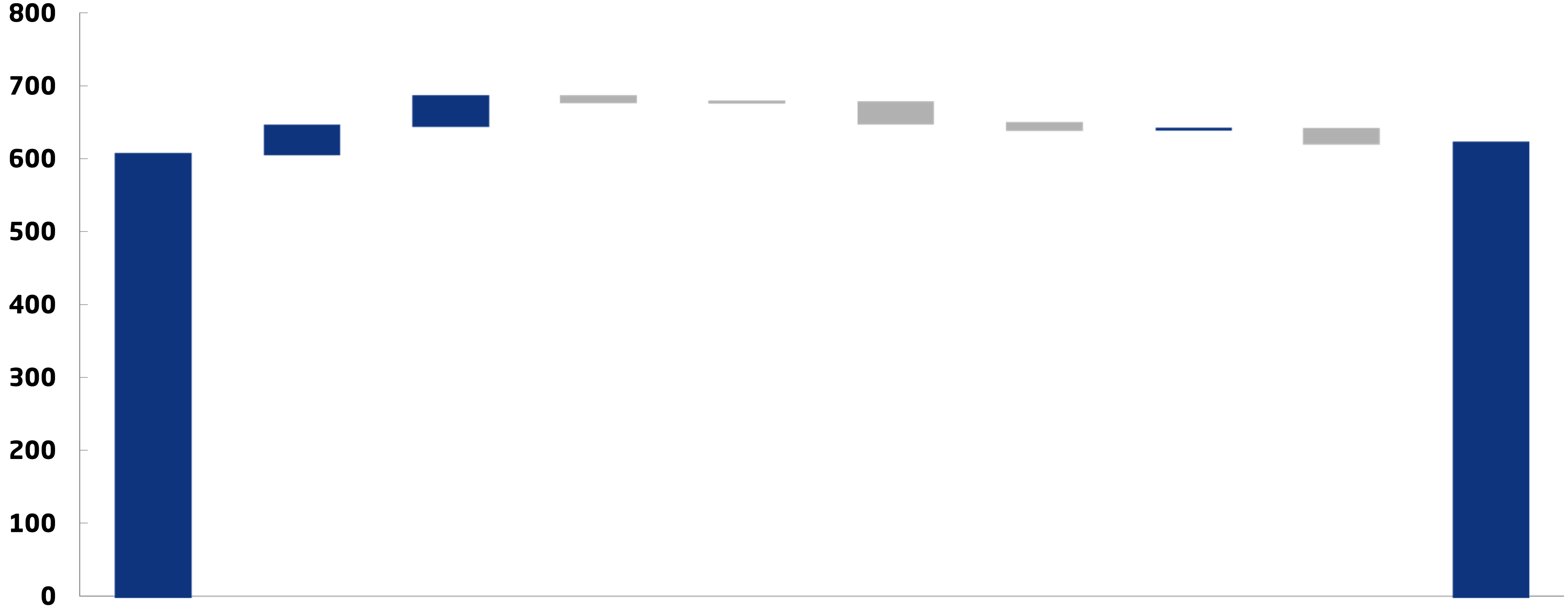


	EBITDA 2014	Sale of electricity -wind	Sale of property rights - wind	Sale of electricity - hydro	Sale of property rights - hydro	Revenues from agreement with TSO	Personnel costs	Other	EBITDA 2015
Change		**4**	**-10**	**-10**	**-30**	**5**	**1**	**-6**	
EBITDA 9M'14	**324**	86	95	67	67	170	63	97	
EBITDA 9M'15		90	85	57	37	175	62	103	**278**

* Excluding revenues and costs related to the balancing market, not affecting EBITDA

Distribution (PLN m) - EBITDA Q3 2015

Key Changes in EBITDA (PLN m)



	EBITDA 2014	Revenue from distrib. service - difference in volume	Change of distribution tariff	Other distribution related revenues*	Network losses	Transmission services**	Personnel costs	Fixed costs***	Other	EBITDA 2015
Change		**39**	**40**	**-7**	**0**	**-28**	**-9**	**1**	**-20**	
EBITDA Q3'14	**606**	1,272		107	90	310	239	101	33	
EBITDA Q3'15		1,351		100	90	338	248	100	53	**622**

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

** No impact on result, balanced by the increased revenue

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

Distribution (PLN m) - EBITDA 9M 2015

Key Changes in EBITDA (PLN m)

	EBITDA 2014	Revenue from distrib. service - difference in volume	Change of distribution tariff	Other distribution related revenues	Network losses	Transmission services	Personnel costs	Fixed costs	Other	EBITDA 2015
Change		**119**	**110**	**-1**	**31**	**-81**	**-18**	**-14**	**-88**	
EBITDA 9M'14	**1,789**	3,864		307	340	926	765	271	80	
EBITDA 9M'15		4,092		306	309	1,007	783	285	168	**1,847**

* Other revenues (reactive power, excess capacity, additional services), revenues from connection fee, sale of transit services
** No impact on result, balanced by the increased revenue
*** Fixed costs (lowered by cost of own use, fixed costs of transmission by PSE S.A. and personnel expenses)

Supply* (PLN m) - EBITDA Q3 2015

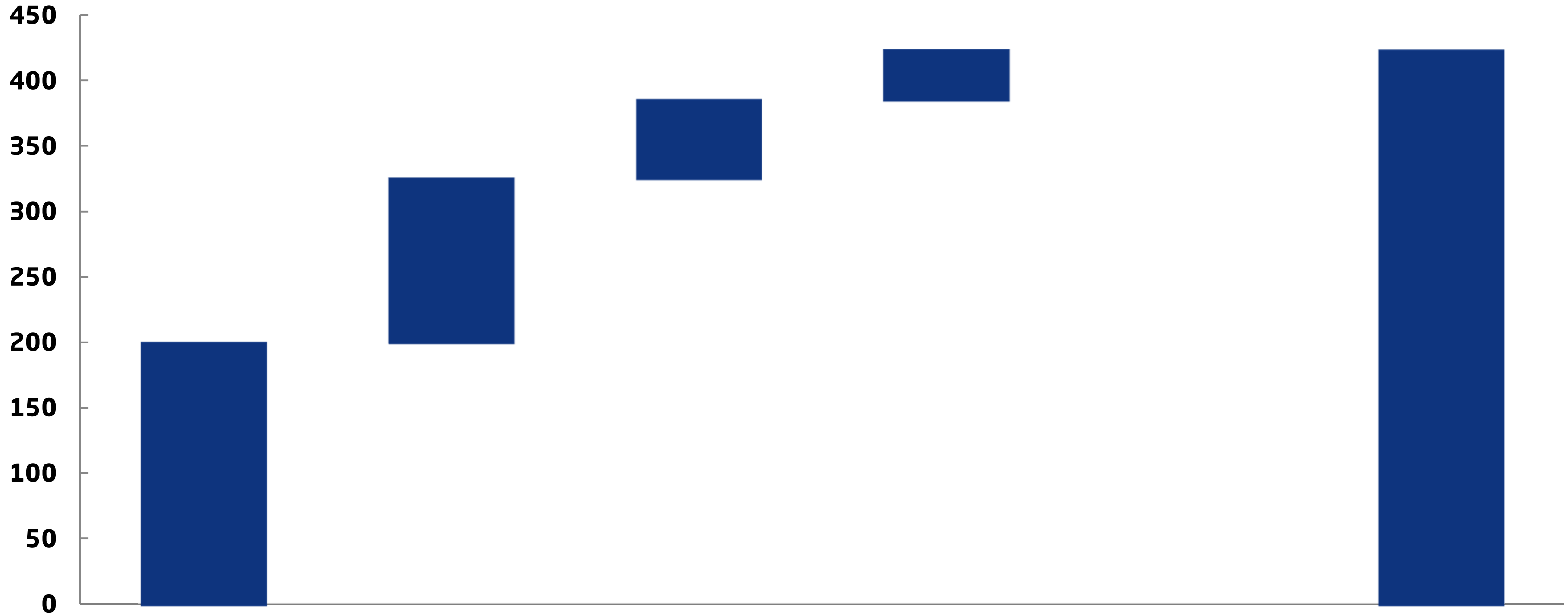
Key Changes in EBITDA (PLN m)

	EBITDA 2014	Margin on electricity	Property rights redemption costs - volume	Property rights redemption costs - price	Management service	Other	EBITDA 2015
Change		**38**	**9**	**46**	**12**	**-1**	
EBITDA Q3'14	**40**	315	268		114	121	
EBITDA Q3'15		353	213		126	122	**144**

*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* (PLN m) - EBITDA 9M 2015

Key Changes in EBITDA (PLN m)



	EBITDA 2014	Margin on electricity	Management service	Property rights redemption costs	Other	EBITDA 2015
Change		**125**	**60**	**38**	**0**	
EBITDA 9M'14	**200**	1,009	790	337	356	
EBITDA 9M'15		1,134	730	375	356	**423**

*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.

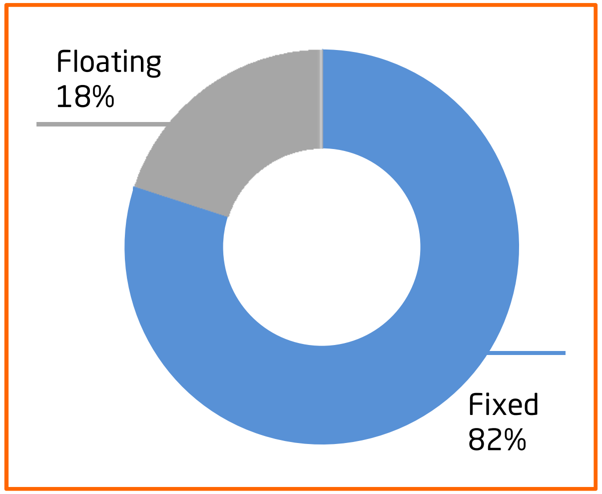
European Investment Bank – new loan facility secured

PLN 2 billion financing from EIB secured

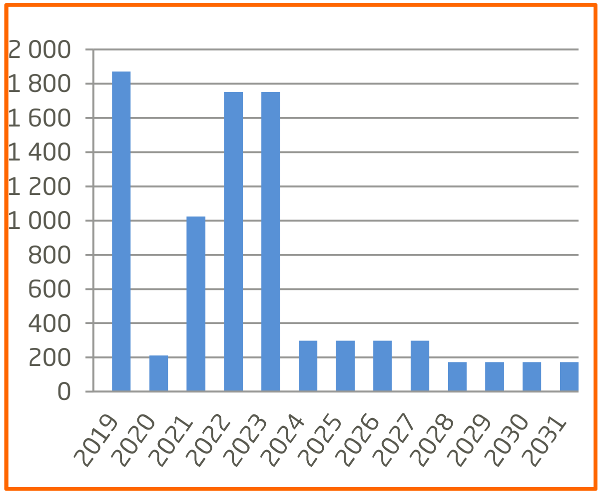
- 2 agreements signed on October 27, 2015
- Total amount of financing – PLN 1,990 million, including:
  - Loan agreement amounting to PLN 1.5 billion intended for projects relating to the modernization and development of distribution grid
  - Loan agreement amounting to PLN 490 million intended to finance and refinance the construction of cogeneration units in Gorzów CHP and Rzeszów CHP
- Availability of loans: up to 22 months from the agreements date
- Drawings: in tranches with a minimal value of PLN 100 million
- Interest rates: negotiated with EIB, based on cost of financing obtained by EIB and risk margin calculated for PGE
- Repayment: each tranche will be amortised with instalments starting not earlier than 2 months after the drawing of the tranche
- Maturity: 4-15 years from the date of the last tranche (depending on conditions of particular tranches)

Debt Structure and Liquidity (as at September 30, 2015)

Fixed vs Floating Debt (Drawn Debt)

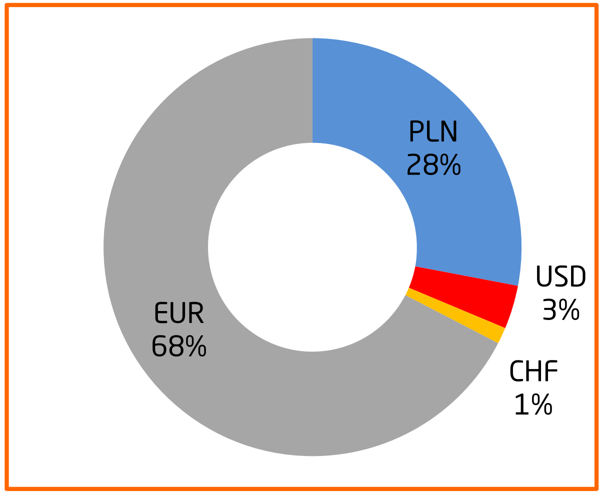


Bank loans repayment schedule (PLN m)*



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

Drawn Debt by currency

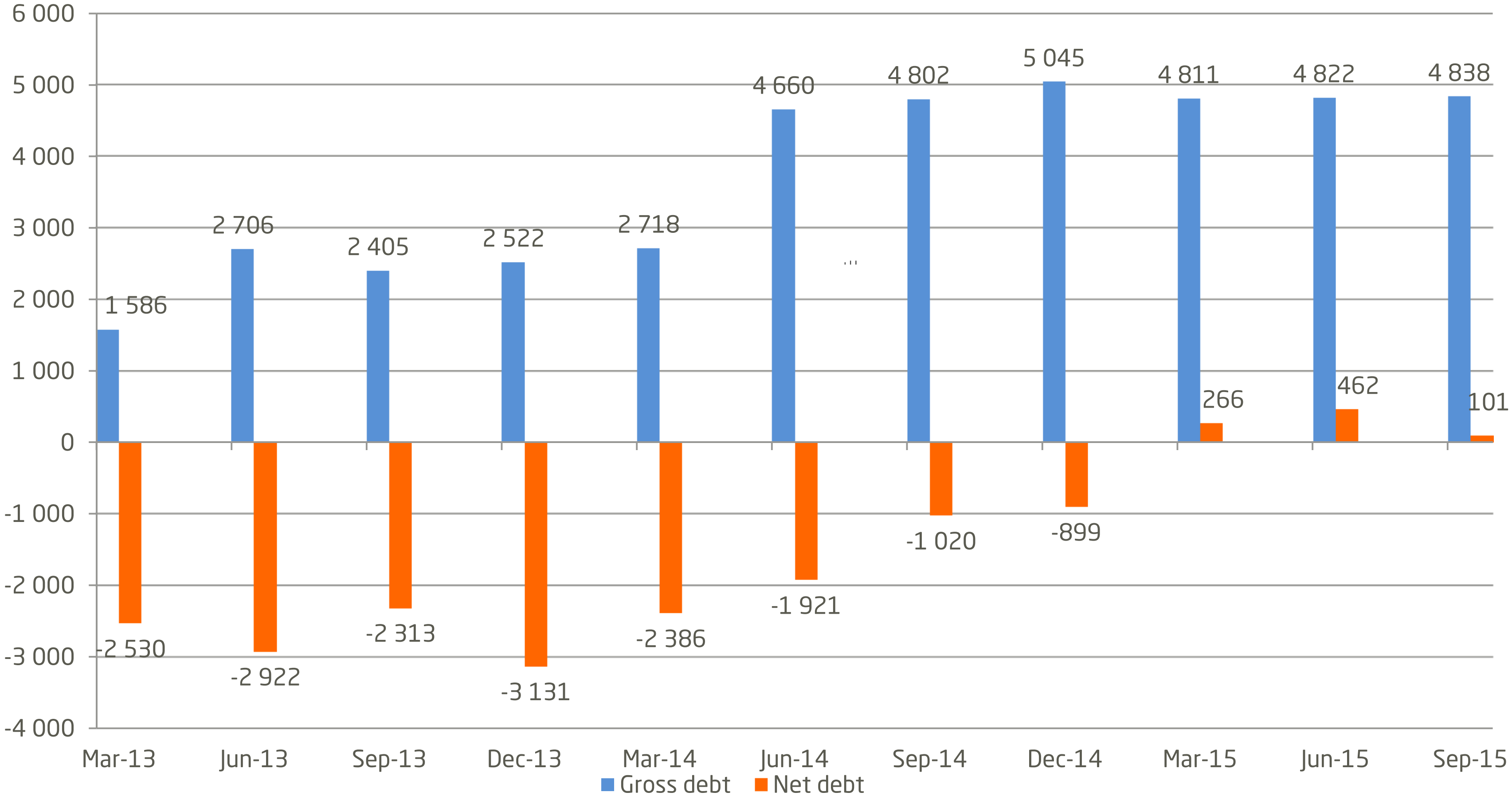


Issues under the EMTN program

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

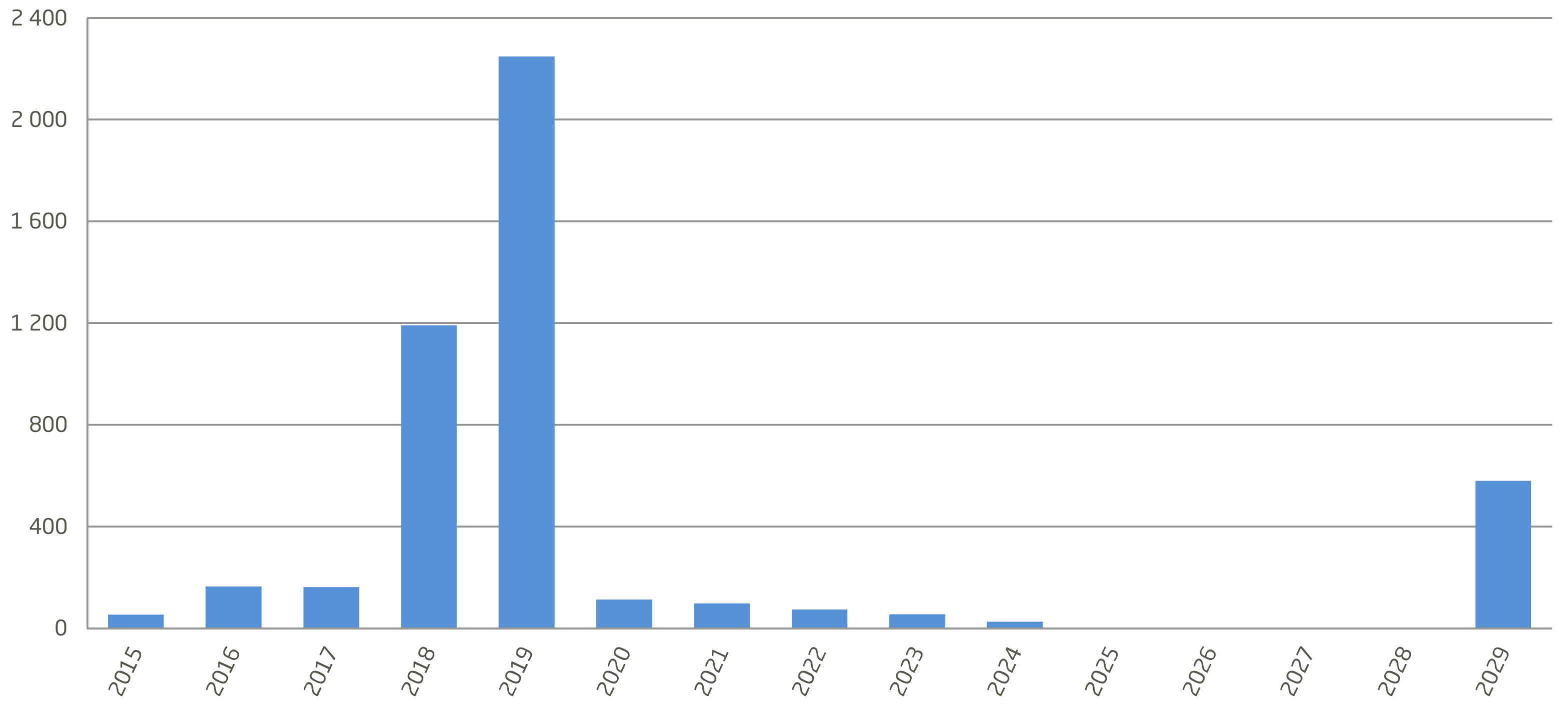
Gross debt and net debt (PLN m)



- 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)

Debt maturity profile

Debt maturity profile (PLNm) as at September 30, 2015



PGE cash position provides…

… plenty of headroom in the balance sheet

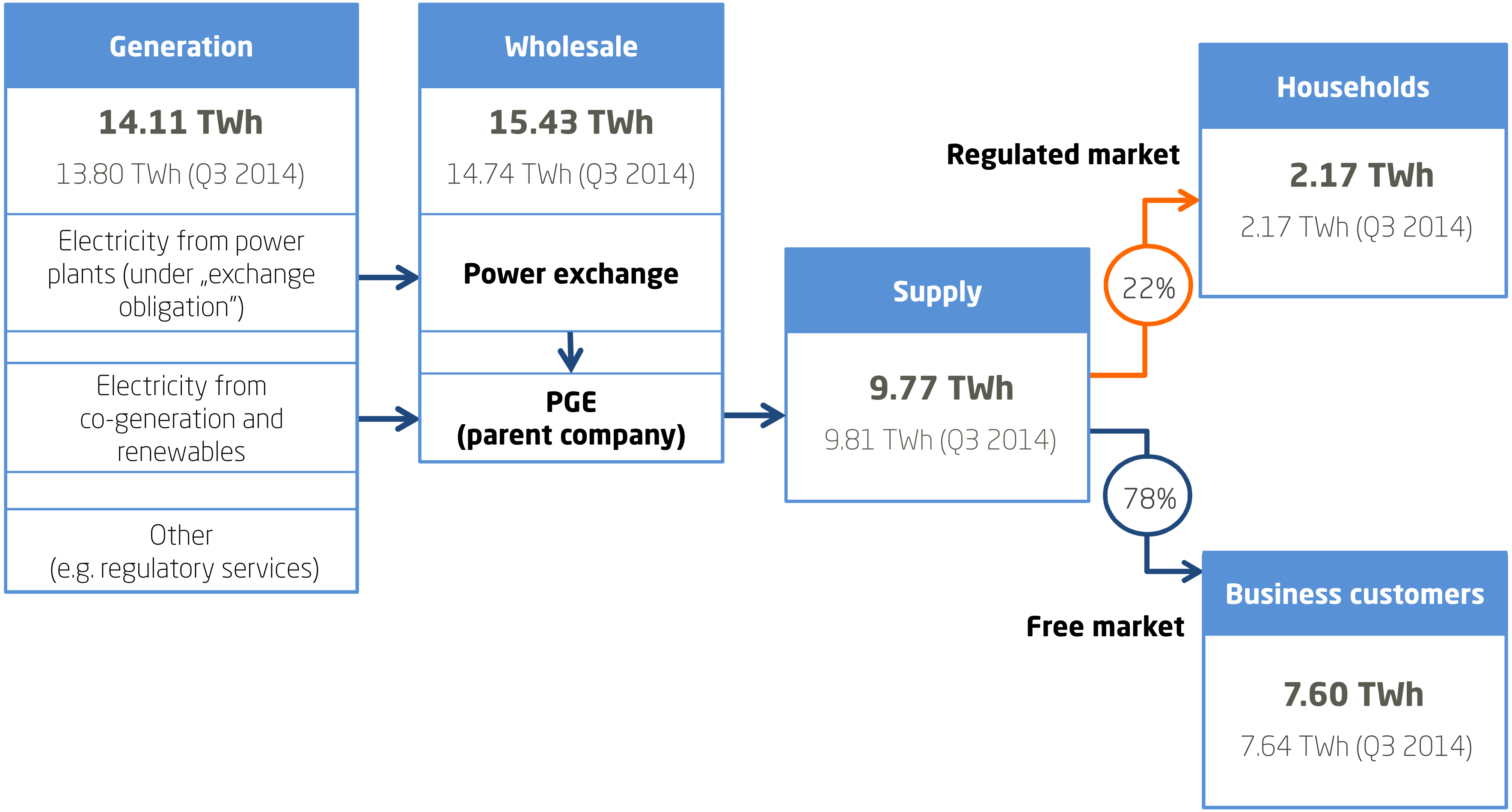
	Q3 2015	H1 2015
Gross Debt (PLNm)	4,838	4,822
Net debt (PLNm)	101	462
Net Debt/LTM EBITDA	0.01x	0.06x
Net Debt/Equity	0.003x	0.01x

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	**June 2, 2015**	**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

Q3 2015 Key business flows

Key business flows (illustrative only)



SOURCE: PGE; Some business flows incl. balancing market, international trade and own consumption are not shown; Volumes shown before intra-group eliminations

CO_2 allowances – regulations and settlement

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 Q3'15 (and 9M15 PGE's) installations emitted 15.05m (and 44.02m) tonnes of CO2
- Consequently PGE's full cost related to CO2 emissions in Q3'15 (and 9M15) amounted to approx. PLN 218m (and PLN 557m).
- 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 7, Q3'15 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	13	423	-	-	423
Free allocation	30	-	-	-	-
Redeemed	-59	-681	-	-	-681
As at Sep 30, 2015	**52**	**1,294**	**-**	**-**	**1,294**

Provision for purchase of CO_2 allowances - note 11, Q3'15 consolidated	(PLN m)
As at Jan 1, 2015	676
Redeemed	-680
Released provisions	-1
Provided in 9M15	557
As at Sep 30, 2015	552

Impact on P&L (PLNm) - illustrative only	H1'15
Costs by kind	20,956
Taxes and charges	2,176

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

Green	Case closed – favourable verdict
Light peach	Not a subject to LTC compensations
Grey	Court of Appeal verdict favourable for PGE, cassation appeal filed by the ERO with the Supreme Court
Orange	Court of Competition and Consumer Protection – favourable 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
BRE Bank	Kamil Kliszcz
BZ WBK	Paweł Puchalski
Citigroup	Piotr Dzięciołowski
Deutsche Bank	Tomasz Krukowski
Erste Group	Tomasz Duda
Haitong Bank	Robert Maj
ING	Maria Mickiewicz
IPOPEMA	Sandra Piczak
JP Morgan	Michał Kuzawiński
PKO BP	Stanisław Ozga
Societe Generale	Bartłomiej Kubicki
Trigon	Krzysztof Kubiszewski
UBS	Michał Potyra
UniCredit CAIB	Łukasz Jakubowski

Foreign analysts

Institution	Analyst
Goldman Sachs	Fred Barasi
HSBC	Dmytro Konovalov
Merrill Lynch	Denis Derushkin
Morgan Stanley	In transition
Raiffeisen Centrobank	Teresa Schinwald
Wood & Company	Bram Buring

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