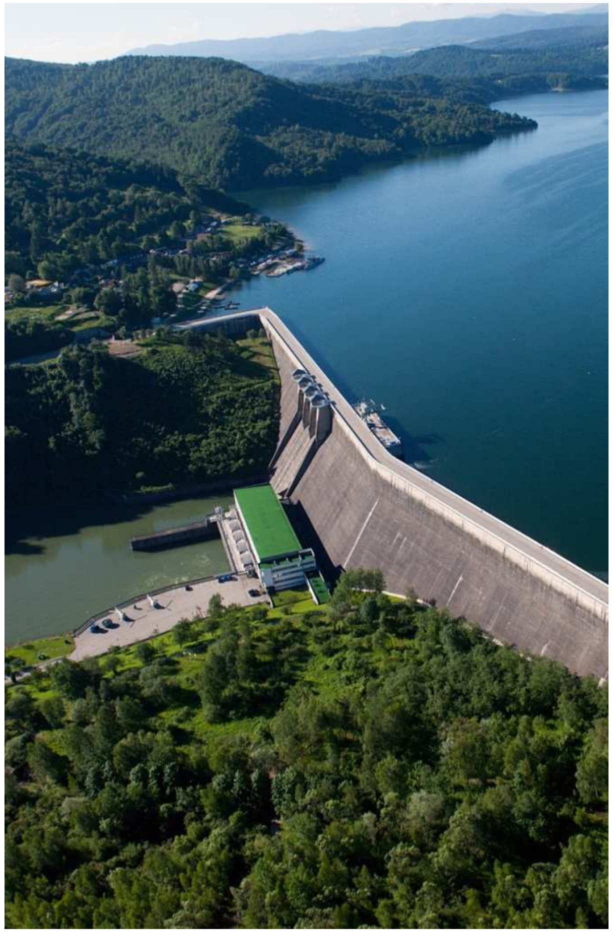
H1 & Q2 2015 Financial and Operating Results

August 31, 2015




H1 & Q2 2015 Financial and Operating Results

Key takeaways

Marek Woszczyk

- President and CEO

Highlights of H1 & Q2 2015

Q2 Financial results

- PLN 2.1 bn EBITDA
- PLN 1.7 bn recurring EBITDA
- PLN 1.7 bn net cash from operations
- PLN 1.1 bn NP to equity excluding impairment

Q2 operations

- 13.1 TWh Net generation (+0% y-o-y)
- 8.0 TWh Distribution volume (+4% y-o-y)
- 9.4 TWh Sales to end users (-2% y-o-y)

Tougher business environment

- Declining prices of fossil fuels
- RES crowding out conventional
- Increasing CO2 burden
- PLN 8.8 bn assets Impairment (pre-tax)

Management's response

- New dividend policy (adjusted NP)
- Strategy review until the end of 2015

Dividend – PGE trademark

New policy adopted:
Dividend to be paid from consolidated net profit adjusted by impairments

- ✓ **Healthy cash generation**
- ✓ **Strong balance sheet**
- ✓ **Low leverage**

Ability to pay considerable dividend

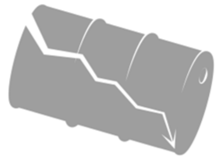
Dividend from 2014 profit

- AGM approved Management's proposal of PLN 0.78 per share dividend (DY: 5%)
- Dividend day – September 24, 2015
- Payment day – October 15, 2015

External indicators behind impairment tests. Negative impact on conventional generation margins

Fossil fuel prices

- **Global decline of fossil fuels prices** persisting in medium term
- Hard coal as marginal fuel **drives the electricity prices down**
- **Merit order flattening** resulting in lower margins in conventional generation



Climate policy

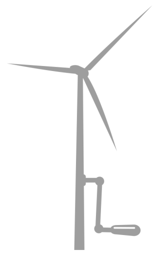
- **More stringent environmental policy on the European level** penalizing conventional units especially less efficient and carbon intensive plants
- **Paradox of RES – the more RES the more spare capacity required** resulting in lower wholesale prices

Uneven level playing field

- Accelerated **growth of RES capacities** to push conventional units out of merit order
- **Limited operating time** of the crowded-out conventional units **decreases their profitability**
- **Development of cross-border connections** and inflow from oversupplied markets puts **domestic prices under pressure**

Regulations

- **Support for RES-oriented investments**
- **More strict environmental norms (BAT/BREF)** increase CAPEX in conventional generation giving no guaranteed return
- Generation segment increasingly reliant on regulatory decisions **- capacity mechanisms required**

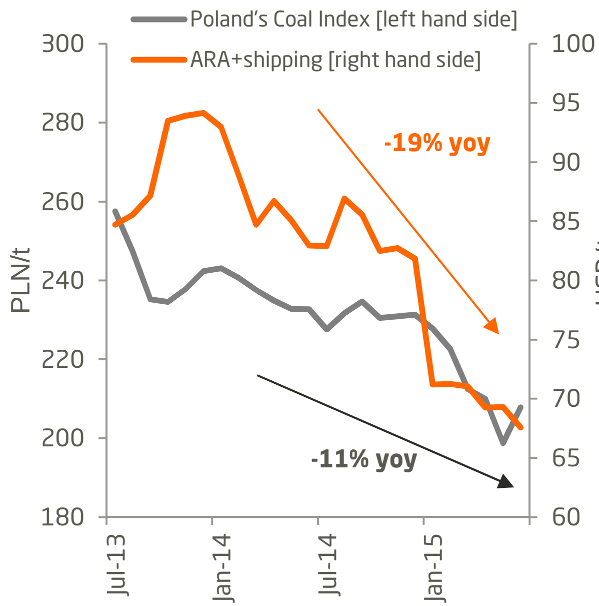


Mixed macroeconomic impact (decent GDP but weak commodities)

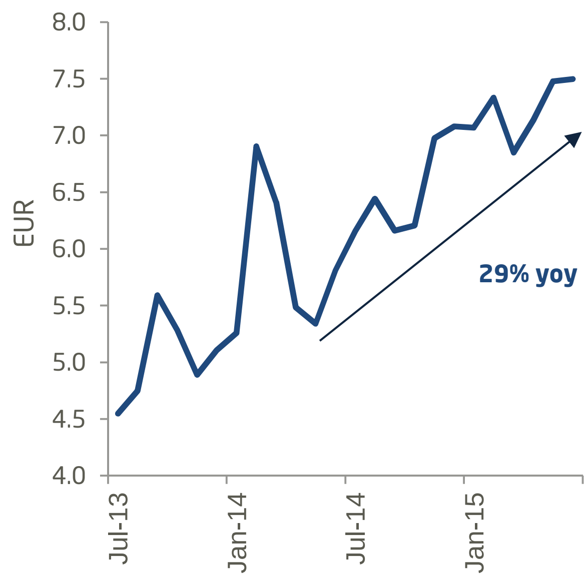
Macroeconomic environment

	Q2 2015	Q2 2014	H1 2015	H1 2014
Real GDP growth (y-o-y)	3.3%	3.6%	3.4%	3.6%
Domestic Electricity Consumption growth (y-o-y)	2.4%	0.9%	1.8%	-0.3%
Domestic Electricity Consumption	38.15	37.26	79.91	78.49

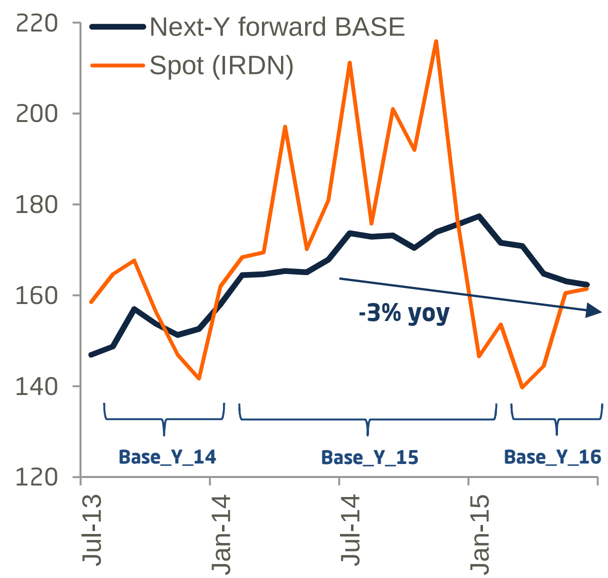
Poland's Steam Coal Index vs. ARA*



CO2 (Dec 2015)

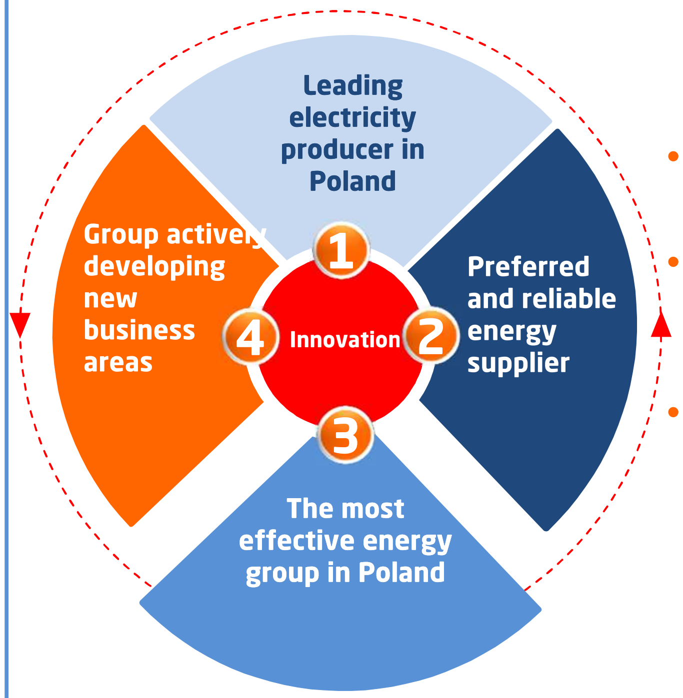


Poland's electricity price (monthly avg.)



*Current month ARA quotations + fixed 10$ mark up as a proxy for cost of shipping to Baltic harbours

PGE Strategy facing new market challenges



- Market and regulatory situation requires review of the key aspirations and strategic activities
- In particular, it is **necessary to implement a profound restructuring and far-reaching efficiency improvement of the Group** aiming at preserving ability to accomplish the ambitious investment program with reference to conventional generation
- Additionally, **accelerated diversification of the generation portfolio** is strategically prioritised
- **PGE is thoroughly analyzing its development plans** with respect to the market situation and being focused on maximizing CAPEX and OPEX efficiency
- Main issues analysed:
  - Future shape of energy market in Poland
  - Capex across whole value chain
  - M&A activities and divestments
  - Efficiency improvement programs
- **Target of additional PLN 1bn expenditures cut post 2016**
- Analysis and revision of strategic activities planned **until the end of 2015**

PGE outlook on current generation assets portfolio

Lignite

- **Lignite** extraction and generation potentially **most affected mainly due to climate policy**
- **Lignite units are more carbon intensive**
- Projected unit **efficiency supportive** but **still under regulatory pressure** (CO2 and BAT/BREF)

Hard coal

- **Structural oversupply** of thermal coal impacts electricity prices but keeps margins on hard coal generation
- **Opole II profitability outlook sustained** as the market is to favour efficient and flexible generation

Renewables

- Current portfolio **profitability not threatened**
- **Wind assets** under construction **to be completed**
- First **2016 auction under new law to provide outlook for future projects**
- Investment **opportunities analysed**

Construction sites developments

Turów (~490 MWe)

- Works in progress, in line with schedule
- Current site developments:

- demolition of foundations of old cooling towers and related underground installations;

- Next steps:

- Excavations for main structures' foundations.

Opole II (2x~900 MWe)

- Project accelerates - current overall progress at 20% level;
- Current site developments:

- Lifting up of cooling tower's #5 shell ;
- Foundation plate of boiler #6 completed;

- Next steps:

– raising of steel structure of boiler #5;
– completion of turbines' foundations and machine hall up to „0m" level.

Gorzów CHP

- Project in advanced stage;
- Current site developments:

- Final civil works, cabling piping and installation of equipment in progress. Preparation for commissioning works.

Opole II project

Expansion in renewables, further developments in modernizations

Modernizations

- Unit no. 11 & 12 in Bełchatów commissioned, modernization of unit no. 9 & 10 started;
- Pomorzany and Bydgoszcz CHP – confirmed modernizations;
- Conventional Generation projects focused on lowering SO_2 and NO_x emissions:

- installations decreasing emissions of SO_2 for units 3-12 in Bełchatów and for units 4-6 in Turów;
- installations decreasing emissions of NO_x for units 1, 2 and 4 in Opole.

Renewables

- Karwice 40 MW:

- commissioned in July 2015

- Lotnisko 90 MW:

- internal roads and foundations built;
- towers and turbines assembly in progress.

- Resko II 76MW:

- internal roads and foundations built;
- towers and turbines assembly in progress.

- Kisielice II 12 MW:

- assembly of all wind turbines completed

H1 & Q2 2015 Financial and Operating Results

Detailed financial and operating results

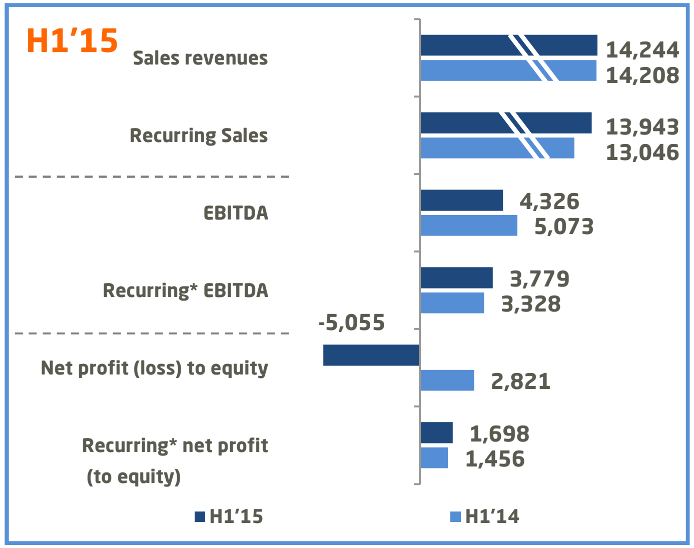
Magdalena Bartoś

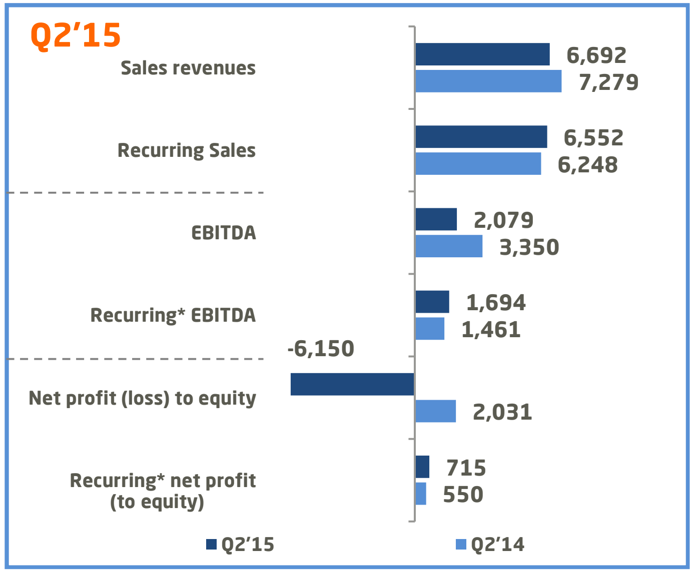
- Managing Director, CFO

Focusing on the key financial results

PLNm	Q2 2015	Q2 2014	y-o-y %	H1 2015	H1 2014	y-o-y %
Sales revenues	6,692	7,279	-8%	14,244	14,208	0%
EBITDA	2,079	3,350	-38%	4,326	5,073	-15%
Recurring* EBITDA	1,694	1,461	16%	3,779	3,328	14%
Net profit (loss) to equity	-6,150	2,031	n.a.	-5,055	2,821	n.a.
EPS ex. impairment**(PLN)	0.55	1.11	-50%	1.15	1.53	-25%
Net cash from operating activities	1,708	695	146%	3,069	1,584	94%
CAPEX	1,939	1,231	58%	3,332	2,232	49%
Net debt (end of period)	463	266***				

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





* Recurring = excluding significant one-off items (for details please see page 26)
** Basis for the dividend computation according to the amended Dividend Policy
***As at March 31, 2015

Impairments at Conventional Generation

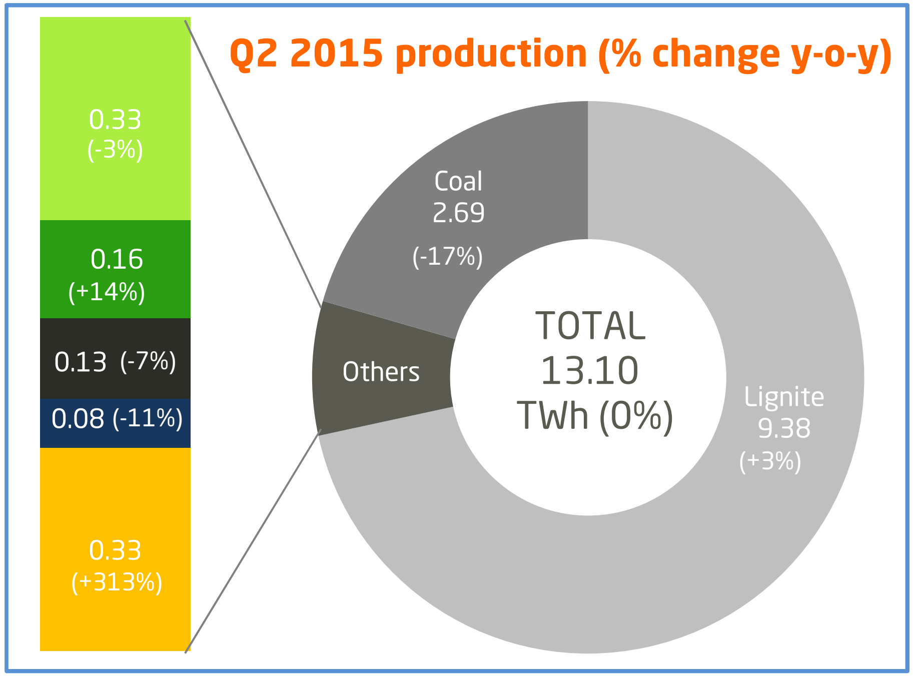
- Commitment to idea of high quality financial reporting.
- Balance sheet altered to reflect the most accurate estimates of the value of assets.
- Book value of the assets linked to the expected cash flows to be generated in future years.

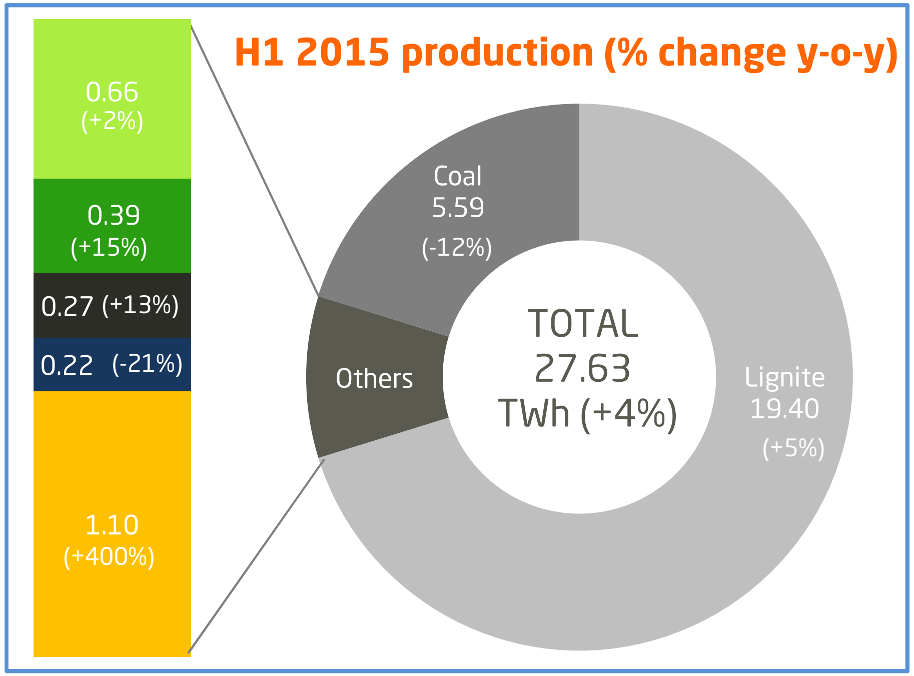
Summary of impairment tests results at the Conventional Generation segment (PLN million)

As at June 30, 2015	Book value before tests	Impairment	Book value after tests
Business units affected with the impairment tests:			
Turów complex (mining and power generation)	5,561	5,116	445
Bełchatów complex (mining and power generation)	17,188	3,136	14,052
Bydgoszcz CHP	417	417	0
Kielce CHP	157	157	0
Other assets	16	16	0
Remaining units:			
Opole power plant	4,408	0	4,408
Szczecin CHP	516	0	516
Lublin-Wrotków CHP	400	0	400
Rzeszów CHP	300	0	300
Gorzów CHP	296	0	296
Pomorzany CHP	70	0	70
Dolna Odra Power Plant	0	0	0
Zgierz CHP	0	0	0
Total	**29,329**	**8,842**	**20,487**

For detailed rationale behind impairment tests please also see page 21.

Summary of generation performance





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

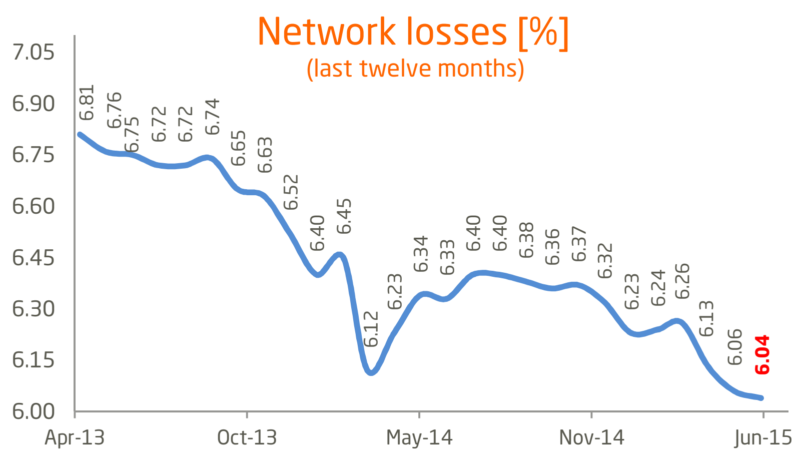
- Increase of generation in lignite-fired plants due to return of unit 11 in Bełchatów modernized in 1H'14.
- Decline in hard coal generation caused by the outage of unit 4 in Opole (Oct. 2014 – Feb. 2015) and lower demand from TSO.
- Reinstated support for cogeneration fuelled growth at gas-fired CHPs in Lublin and Rzeszów. New gas unit in Rzeszów contributing since November 2014.
- Increase in wind generation in Q2'15 results from better weather conditions. Semi annual figures supported with 28 MW in Wojciechowo since March 2014.
- Decline of pump-storage generation caused by lower demand from TSO.

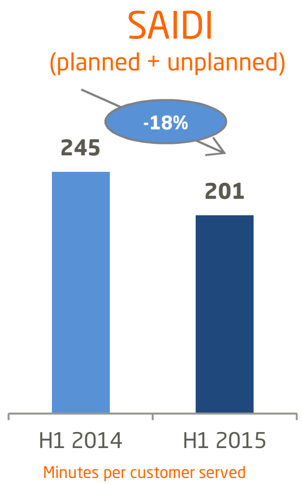
Focusing on performance indicators

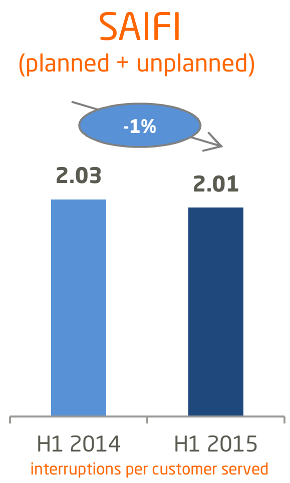
Generation assets

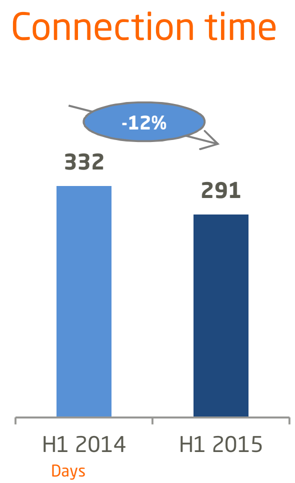
	Lignite	Hard coal	CHPs	Wind assets
Availability H1 2015	85.9%	90.5%	92.5%	98.8%
Availability H1 2014	80.9%	85.2%	92.1%	98.0%
Load factor H1 2015	85.3%	65.6%	78.5%	29.0%
Load factor H1 2014	85.7%	69.7%	70.5%	26.6%

Distribution assets

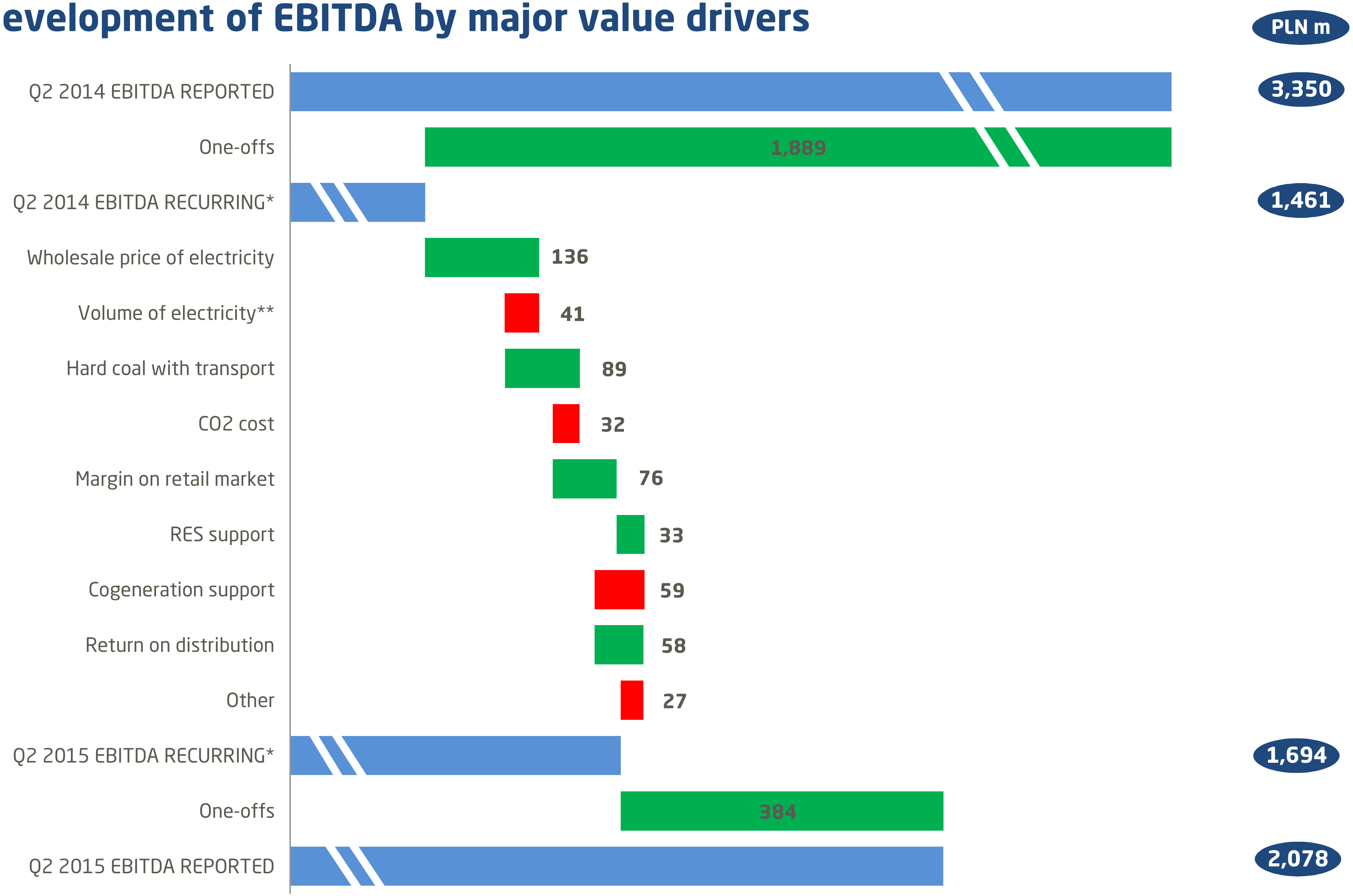






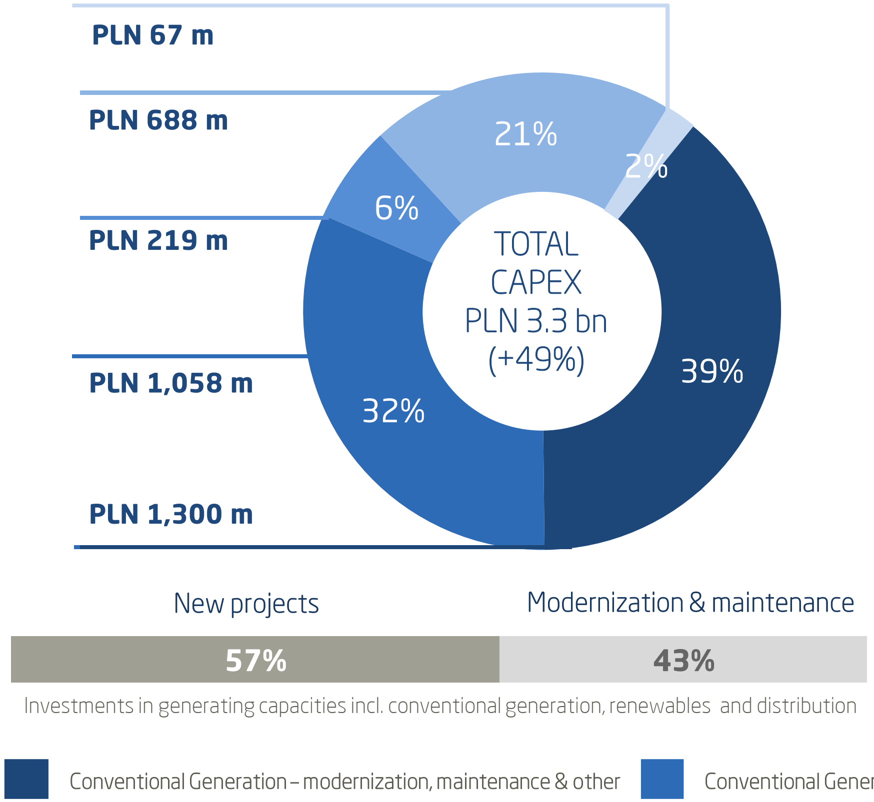


Development of EBITDA by major value drivers



*Recurring = excluding significant one-off items (for details please see page 26)
**Excluding gas cogeneration (volumes included in cogeneration support effect)

Capital expenditures in H1 2015



Significant projects	CAPEX in H1 2015
Construction of Opole II	PLN 1,036 m
Refurbishment and modernization in Bełchatów	PLN 338 m
Modernization of distribution assets	PLN 351 m
New developments in distribution area	PLN 337 m
Lotnisko wind farm	PLN 87 m
Karwice wind farm	PLN 60 m
Resko II wind farm	PLN 35 m

- Second quarter allowed us to speed up on Conventional Generation construction sites;
- Pipeline of our wind projects realized in line with schedule, Karwice with first megawatts of electricity;
- Continuation of the project of comprehensive modernization in units 7-12 in Bełchatów , work progress in line with schedule.

Division EBITDA & CAPEX 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 500-600m** + Outlook for carbon allowances emissions clear – Approx. 4m tonnes higher shortage of carbon allowances
Renewables	Flat	+ No significant capacity changes y-o-y. + **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%
CAPEX	Higher	• Opole project according to plan and will start more 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)** • Aside from advance payment for Turów unit from Jan 2015 CAPEX in the range of PLN 200m • Higher CAPEX in distribution impacting future return on assets • Higher CAPEX in RES with 218 MW in pipeline

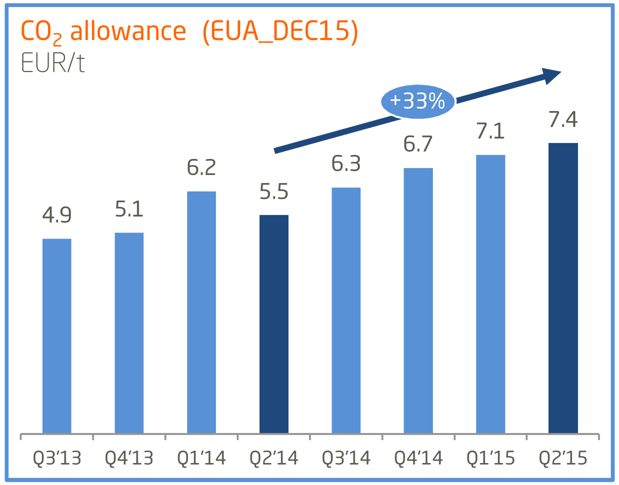
PGE



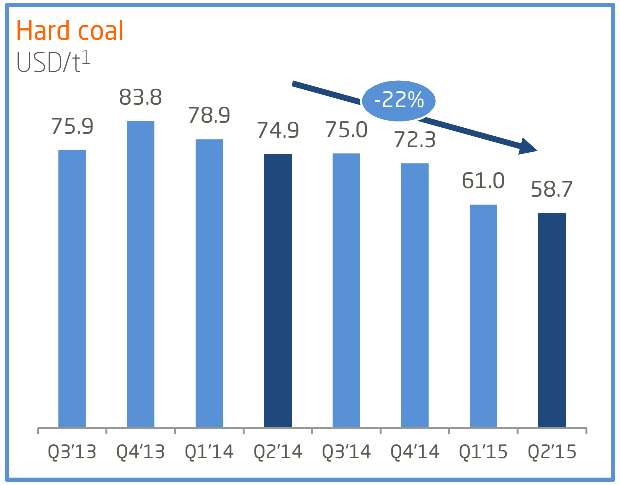
H1 & Q2 2015 Financial and Operating Results

Additional information

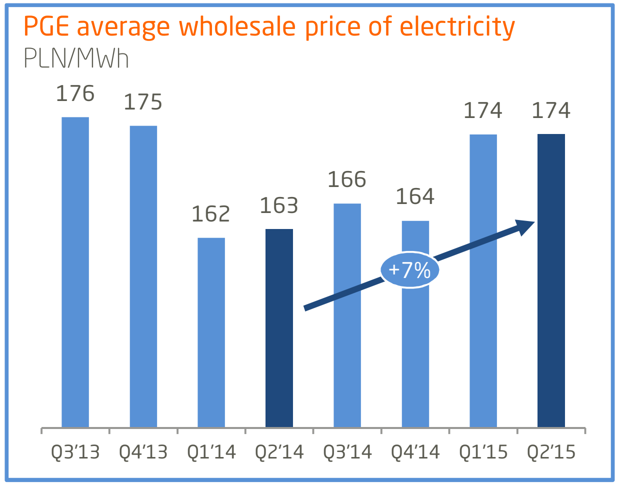
Deteriorating commodity markets hit prices



Source: Bloomberg



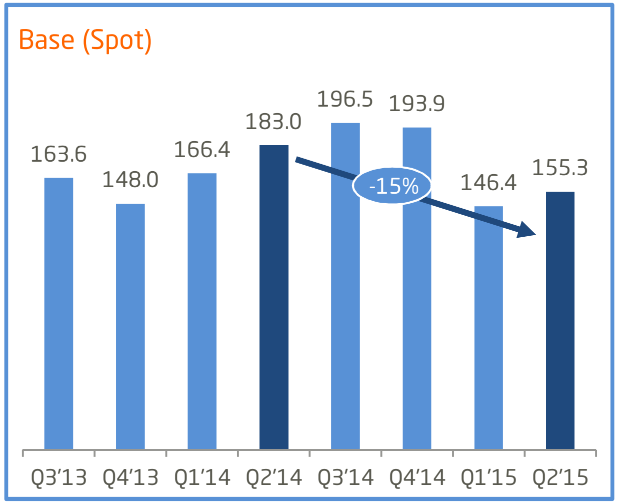
Source: Bloomberg

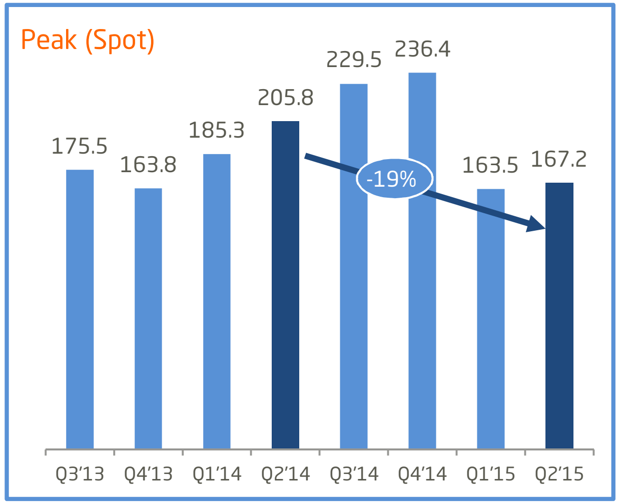


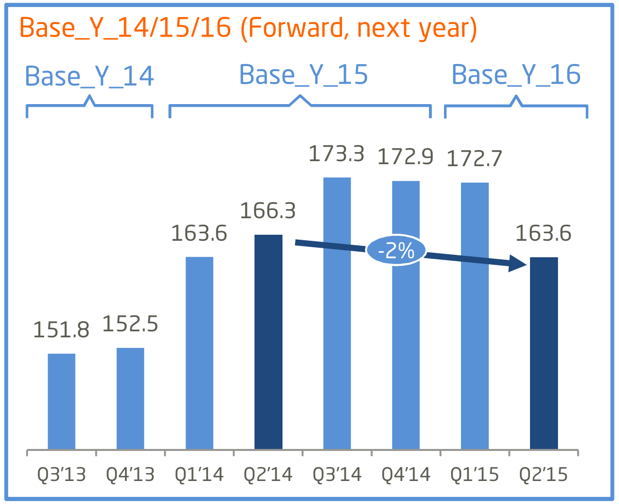
Source: PGE

Average quarterly TGE Electricity Prices 2013-2015

PLN/MWh







Source: TGE

[1] CIF ARA current month

Impairments at Conventional Generation

Snapshot of key assumptions *
(real prices):

- Wholesale price of electricity to advance by 20% until 2020, milder growth in the following decade,
- CO_2 emission allowance price to increase 2.5 times until 2020, milder growth in the following decade,
- Hard coal price flat in years 2015-2018, increase in 2019-2020 and stabilization in the following decade,
- WACC of 7.26% along the forecasted horizon (down from 7.63% used in the previous impairment tests),
- Capacity market to provide the security of supply; for the years beyond 2023 we assumed the remuneration scheme analogous the UK market,
- Allocation of free CO_2 allowances (both in the period 2013-2020 and 2021-2030),
- Support for highly efficient CHPs,
- Headcount optimization.

Sensitivity analysis (PLN billion); what would be the impairment if we take different assumptions?

Item	Change	Impact on the impairment	
		Increase	Decrease
Change of the electricity price along the forecasted horizon	1% / -1%	1.1	1.0
Change of WACC	+ 0.5 p.p. / - 0.5 p.p.	1.4	0.9
Change of CO_2 emission allowance price along the forecasted horizon	1% / -1%	0.4	0.4
Assumption regarding capacity market (Y/N)	lack beyond 2023	5.2	

*For more details please see Chapter A 2.3 of Half Year Consolidated Financial Statement.
For the rationale behind impairment tests please also see page 5.

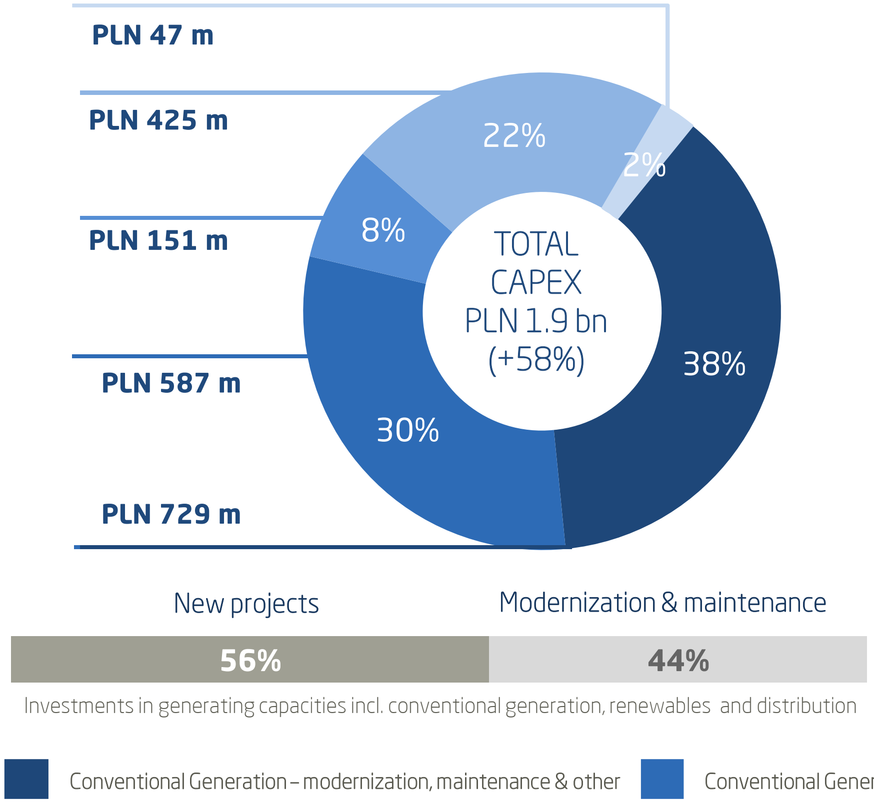
Key Operating Data

Net electricity generation by sources (TWh)

	Q2 2015	Q2 2014	Q2'15 vs. Q2'14	H1 2015	H1 2014	H1'15 vs. H1'14
Lignite-fired power plants	9.48	9.16	3%	19.61	18.71	5%
Hard coal-fired power plants	2.54	3.13	-19%	5.14	5.95	-14%
Coal-fired CHPs	0.26	0.25	4%	0.67	0.64	5%
Gas-fired CHPs	0.33	0.08	313%	1.10	0.22	400%
Biomass-fired CHP	0.12	0.13	-8%	0.23	0.24	-4%
Pump storage	0.08	0.09	-11%	0.22	0.28	-21%
Hydro	0.13	0.14	-7%	0.27	0.24	13%
Wind	0.16	0.14	14%	0.39	0.34	15%
TOTAL	13.10	13.12	0%	27.63	26.62	4%

Renewable generation	0.62	0.62	0%	1.32	1.23	7%
Incl. biomass co-combustion	0.21	0.21	0%	0.43	0.41	5%

Capital expenditures in Q2 2015



Significant projects	CAPEX in H1 2015
Construction of Opole II	PLN 574 m
Refurbishment and modernization in Bełchatów	PLN 174 m
Modernization of distribution assets	PLN 210 m
New developments in distribution area	PLN 215 m
Lotnisko wind farm	PLN 77 m
Karwice wind farm	PLN 21 m
Resko II wind farm	PLN 21 m

- Second quarter allowed us to speed up on Conventional Generation construction sites;
- Pipeline of our wind projects realized in line with schedule, Karwice with first megawatts of electricity;
- Continuation of the project of comprehensive modernization in units 7-12 in Bełchatów , work progress in line with schedule.

Capital expenditures

CAPEX for Q2 and H1 2015 (PLN m)

	Q2 2015	Q2 2014	Q2'15 vs Q2'14	H1 2015	H1 2014	H1'15 vs H1'14
Segment						
Conventional Generation	1,316	885	49%	2,358	1,578	49%
Distribution	425	276	54%	688	452	52%
New clients connection	154	114	35%	254	202	26%
Distribution grid	170	98	73%	284	152	87%
Renewables	151	36	319%	219	155	41%
Modernization and replacement	13	11	18%	15	11	36%
Supply, Wholesale, Others	56	49	14%	93	81	15%
TOTAL	**1,948**	**1,246**	56%	**3,358**	**2,266**	48%
TOTAL (incl. adjustments)	**1,939**	**1,231**	58%	**3,332**	**2,232**	49%

Key Financials

Selected consolidated financial data, IFRS

	Q2 2015 PLN m	Q2 2014 Restated PLN m	Q2'15 vs. Q2'14	H1 2015 PLN m	H1 2014 Restated PLN m	H1'15 vs. H1'14
Sales	6,692	7,279	-8%	14,244	14,208	0%
including LTC compensations	140	1,031	-86%	301	1,162	-74%
Recurring Sales	6,552	6,248	5%	13,943	13,046	7%
EBITDA	2,079	3,350	-38%	4,326	5,073	-15%
Recurring* EBITDA	1,694	1,461	16%	3,779	3,328	14%
EBIT	-7,589	2,548	n.a.	-6,174	3,526	n.a.
Recurring EBIT	892	712	25%	2,171	1,833	18%
Net profit (to equity)	-6,150	2,031	n.a.	-5,055	2,821	n.a.
Recurring* net profit (to equity)	715	550	30%	1,698	1,456	17%
CAPEX (incl. adj.)	1,939	1,231	58%	3,332	2,232	49%
Net cash from operating activities	1,708	695	146%	3,069	1,584	94%
Net cash from investing activities	-1,633	-3,174	-49%	-4,152	-5,050	-18%
EBITDA margin	31%	46%	-15 pp	30%	36%	-6 pp
Recurring EBITDA margin	26%	23%	2 pp	27%	26%	1 pp
Net Working Capital				5,556	6,753**	-18%
Net Debt/LTM EBITDA				0.06x	-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 and recurring EBIT

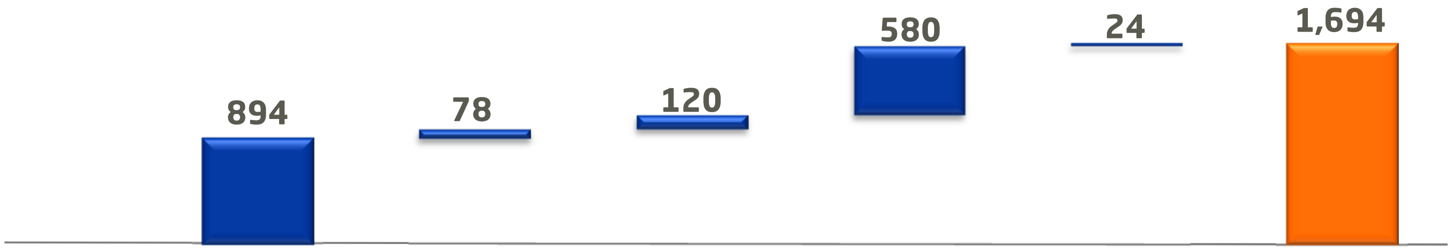
key one-off items	Q2'15	Q2'14	H1'15	H1'14
LTC compensations	-140	-1,031	-301	-1,162
LTC adjustment	0	-246	0	-246
Reclamation provision (discount rate)	-193	198	-193	207
Release of provision (CO_2 free allowances for 2013)	0	-751	0	-751
CO_2 free allowances for Q1'14	0	-111	0	0
Voluntary Leave Program	0	5	0	160
Actuarial provision	-52	47	-52	47
Total adjustment at EBITDA level	**-385**	**-1,889**	**-547**	**-1,745**
Fixed assets impairment	8,867	53	8,891	53
Total adjustment at EBIT level	**8,482**	**-1,836**	**8,344**	**-1,693**

Computation of recurring Net profit to equity

key one-off items	Q2'15	Q2'14	H1'15	H1'14
LTC compensations	-113	-832	-244	-937
LTC adjustment	0	-198	0	-198
Reclamation provision (discount rate)	-156	160	-156	167
Release of provision (CO_2 free allowances for 2013)	0	-606	0	-606
CO_2 free allowances for Q1'14	0	-90	0	0
Voluntary Leave Program	0	4	0	129
Actuarial provision	-42	38	-42	38
Fixed assets impairment*	7,179	42	7,199	42
Total adjustment at Net profit to equity level	**6,868**	**-1,481**	**6,756**	**-1,365**

* 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.

Recurring* Q2 2015 EBITDA – composition and development



	Conventional	Renewables***	Supply**	Distribution	Other	EBITDA
Q2 2015	894	78	120	580	24	1,694
Share in Q2 2015 EBITDA (%)	53%	5%	7%	34%	1%	
Q2 2014	701	111	10	585	54	1 461
Change (PLNm)	193	-33	110	-5	-29	233
Change (%)	*27%*	*-30%*	*1105%*	*-1%*	*-55%*	*16%*

Increase mostly due to:

- Higher price of the electricity sold – blended price higher by PLN 11 per MWh – total impact of PLN 141m

Positive effect of lower hard coal prices offset by increase in other variable costs (gas and CO_2).

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

Positive impact from improved margins and lower RES support costs.

Higher volumes and prices of distribution. Recurring result lower on adjusting by actuarial provisions.

*Recurring = excluding significant one-off items (for details please see page 26)
**As of Q1'15 Supply and Wholesale will be presented as a one business line – Supply
*** RES business line includes results of 3 small hydro plants previously in Supply

Detailed segmental revenues and costs

Conventional Generation (PLN m)

	Q2 2015	Q2 2014	Q2 2015 vs. Q2 2014	H1 2015	H1 2014	H1 2015 vs. H1 2014
Sales, including	2,909	3,605	-19%	6,426	6,658	-3%
Sale of electricity	2,452	2,310	6%	5,276	4,704	12%
LTC compensations	140	1,031	-86%	301	1,162	-74%
Sale of heat	129	111	16%	394	361	9%
Sale of certificates of origin	77	67	16%	222	227	-2%
Cost by kind, including	11,293	2,338	383%	14,011	4,921	185%
D&A	9,330	475	1,864%	9,827	899	994%
Materials	670	649	3%	1,531	1,309	17%
Energy	7	8	-14%	16	20	-21%
External services	252	315	-20%	518	621	-17%
Taxes and charges	349	236	48%	717	692	4%
Personnel expenses	637	617	3%	1,329	1,306	2%
Other cost	49	38	32%	74	74	1%
Cost of products sold	10,723	1,973	443%	12,878	4,143	211%
Cost of goods sold	10,952	2,188	401%	13,424	4,667	188%
EBIT	-8,070	2,118	n.a.	-7,260	2,516	n.a.
EBITDA	1,260	2,593	-51%	2,566	3,414	-25%

Detailed segmental revenues and costs

Renewables (PLN m)

	Q2 2015	Q2 2014	Q2 2015 vs. Q2 2014	H1 2015	H1 2014	H1 2015 vs. H1 2014
Sales, including	163	196	-17%	378	415	-9%
Sale of electricity	72	81	-11%	170	182	-6%
Sale of certificates of origin	35	56	-38%	90	117	-22%
Cost by kind, including	149	143	5%	298	293	2%
D&A	60	53	14%	114	104	10%
Materials	2	1	38%	3	3	-5%
Energy	25	31	-20%	57	73	-21%
External services	21	18	15%	41	34	20%
Taxes and charges	17	12	38%	30	25	19%
Personnel expenses	22	23	-3%	43	45	-3%
Other cost	3	4	-42%	9	9	-2%
Cost of products sold	127	122	4%	254	252	1%
Cost of goods sold	127	122	4%	254	252	1%
EBIT	18	57	-69%	88	130	-32%
EBITDA	78	110	-29%	202	234	-14%

Detailed segmental revenues and costs

Distribution (PLN m)

	Q2 2015	Q2 2014	Q2 2015 vs. Q2 2014	H1 2015	H1 2014	H1 2015 vs. H1 2014
Sales, including	1,461	1,363	7%	3,001	2,848	5%
Revenues from distribution services	1,365	1,283	6%	2,831	2,689	5%
Other revenues from core activities	70	52	35%	117	102	15%
Cost by kind, including	1,105	1,075	3%	2,295	2,240	2%
D&A	256	248	3%	516	492	5%
Materials	17	18	-3%	35	39	-12%
Energy	80	88	-9%	218	251	-13%
External services	407	376	8%	806	752	7%
Taxes and charges	86	82	5%	178	171	4%
Personnel expenses	255	259	-2%	535	526	2%
Other cost	3	5	-30%	6	8	-23%
Cost of products sold	1,031	995	4%	2,124	2,076	2%
Cost of goods sold	1,031	995	4%	2,124	2,076	2%
EBIT	342	337	2%	709	691	3%
EBITDA	598	585	2%	1,225	1,183	4%

Detailed segmental revenues and costs

Supply* (PLN m)

	Q2 2015	Q2 2014	Q2 2015 vs. Q2 2014	H1 2015	H1 2014	H1 2015 vs. H1 2014
Sales, including	3,470	3,359	3%	7,269	6,943	5%
Sale of electricity	2,210	2,100	5%	4,649	4,377	6%
Revenues from distribution services	981	951	3%	2,032	2,006	1%
Sale of certificates of origin	3	2	58%	9	75	-87%
Cost by kind, including	386	393	-2%	823	779	6%
D&A	6	4	36%	12	9	33%
Materials	2	1	18%	3	3	22%
Energy	1	1	24%	2	2	29%
External services	50	36	39%	104	79	32%
Taxes and charges	239	272	-12%	525	525	0%
Personnel expenses	60	60	1%	129	121	7%
Other cost	28	18	51%	48	42	16%
Cost of products sold	21	17	23%	41	44	-7%
Cost of goods sold	2,982	2,972	0%	6,212	6,051	3%
EBIT	113	3	3,692%	267	151	77%
EBITDA	119	7	1,512%	279	160	74%

*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.

PGE

Conventional Generation - EBIT Q2 2015

Key Changes in EBIT (PLN m)

	EBIT* 2Q'14	Sale of electricity difference in volumes	Sale of electricity difference in price	Sale of green certif.	Sale of yellow and red certif.	Sale of heat	Hard coal - fuel and transport	Fuel - gas	Fuel - biomass	CO2	Fixed costs at power plants and CHP	Fixed costs at mines	Other**	EBIT 2Q'15
Change		**2**	**141**	**-18**	**29**	**18**	**89**	**-67**	**-3**	**-118**	**66**	**115**	**-1,628**	
EBIT Q2'14	**2,171**	2 309		65	2	111	444	10	91	49	708	416	1 401	
EBIT Q2'15		2 452		47	31	129	355	77	94	167	642	301	-227	**796**

*EBIT excluding fixed assets impairment (base period impairment amounted to PLN 53 million)
**LTC revenues were lower in 2Q'15 by PLN 1,137 million. In addition base period figures were increased by the release of CO2 provision amounting to PLN 751 million

Conventional Generation - EBIT H1 2015

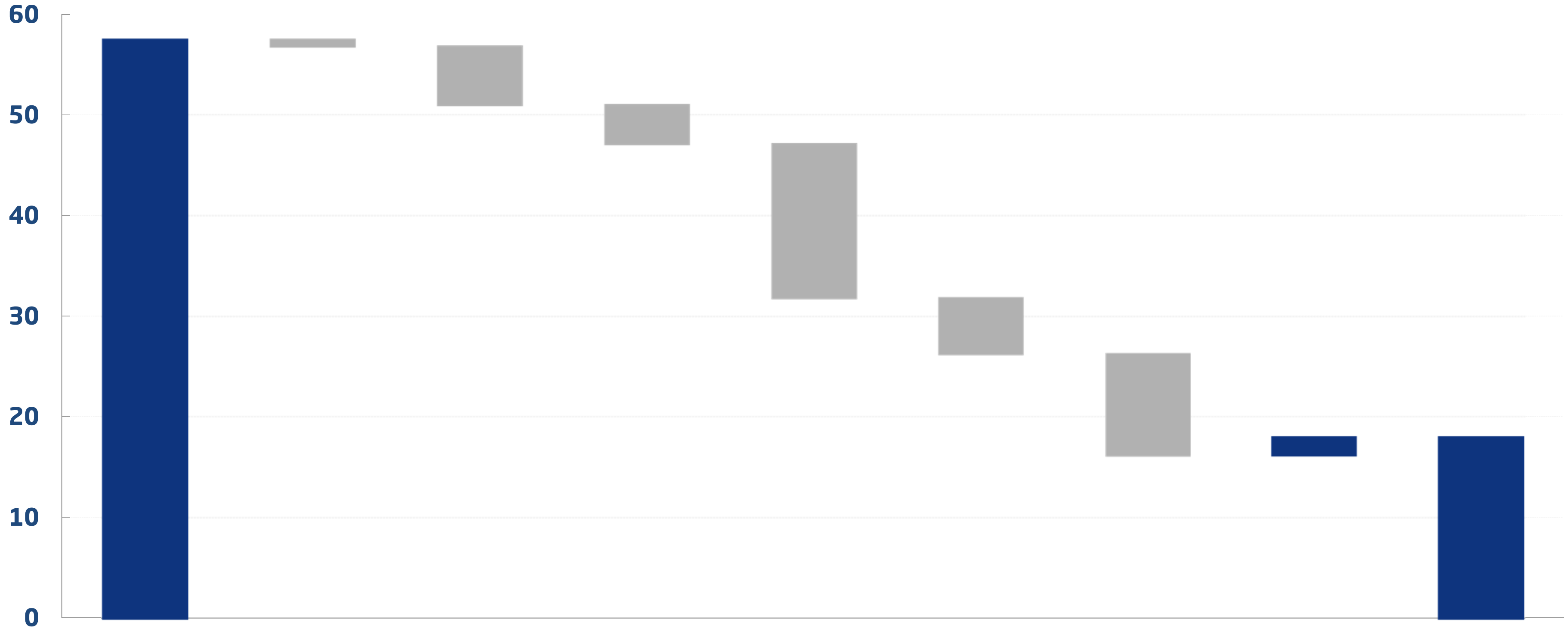
Key Changes in EBIT (PLN m)

	EBIT* H1'14	Sale of electricity difference in volumes	Sale of electricity difference in price	Sale of green certif.	Sale of yellow and red certif.	Sale of heat	Hard coal - fuel and transport	Fuel - gas	Fuel - biomass	CO2	Fixed costs at power plants and CHP	Fixed costs at mines	Other**	EBIT* H1'15
Change		**245**	**326**	**-58**	**120**	**33**	**125**	**-243**	**-14**	**-18**	**72**	**127**	**-1,654**	
EBIT H1'14	**2,569**	4 704		158	1	361	899	30	179	321	1 367	797	937	
EBIT H1'15		5 276		100	121	394	774	273	193	339	1 295	670	-717	**1,630**

*EBIT excluding fixed assets impairment (base period impairment amounted to PLN 53 million)
** LTC revenues were lower in H1'15 by PLN 1,106 million.
In addition base period figures were increased by the release of CO2 provision amounting to PLN 751 million

Renewables (PLN m) - EBIT Q2 2015

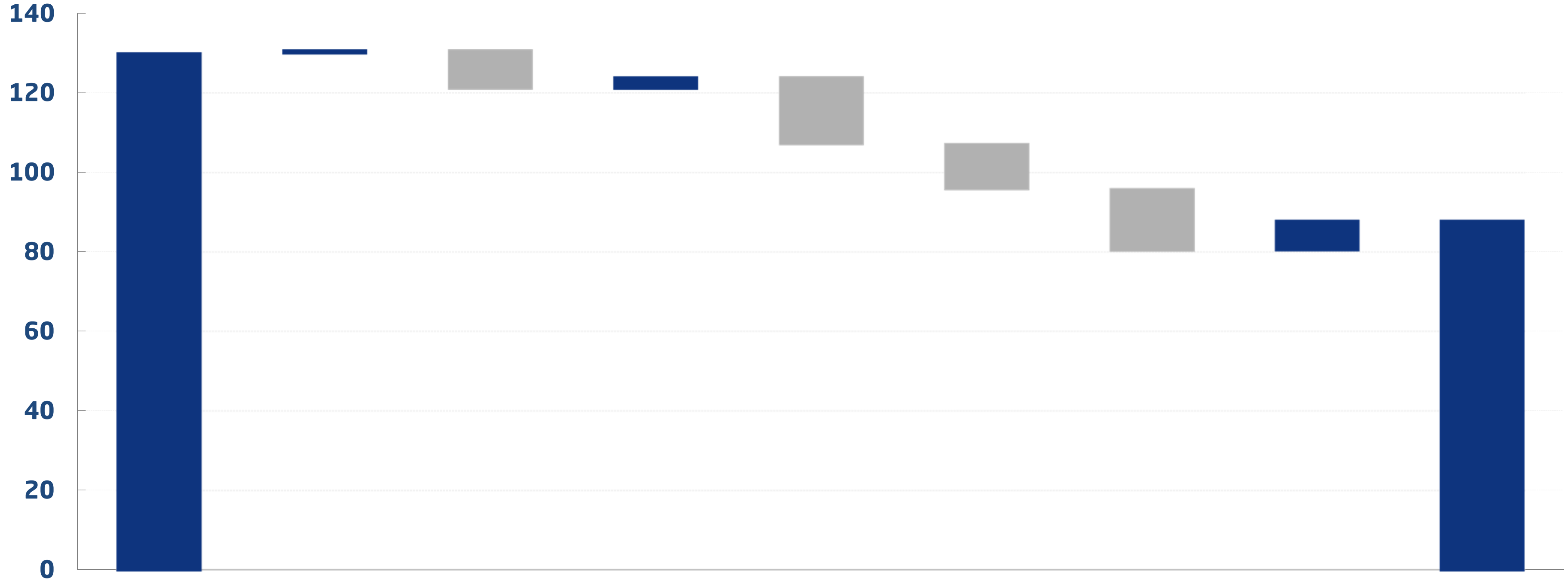
Key Changes in EBIT (PLN m)



	EBIT Q2'14	Sale of electricity - wind	Sale of property rights - wind	Sale of Electricity - hydro	Sale of property rights - hydro	Revenues from agreement with TSO	Fixed costs	Other	EBIT Q2'15
Change		**-1**	**-6**	**-4**	**-15**	**-6**	**-10**	**2**	
EBIT Q2'14	**57**	25	28	27	28	85	91	45	
EBIT Q2'15		24	22	23	13	79	101	43	**18**

Renewables (PLN m) - EBIT H1 2015

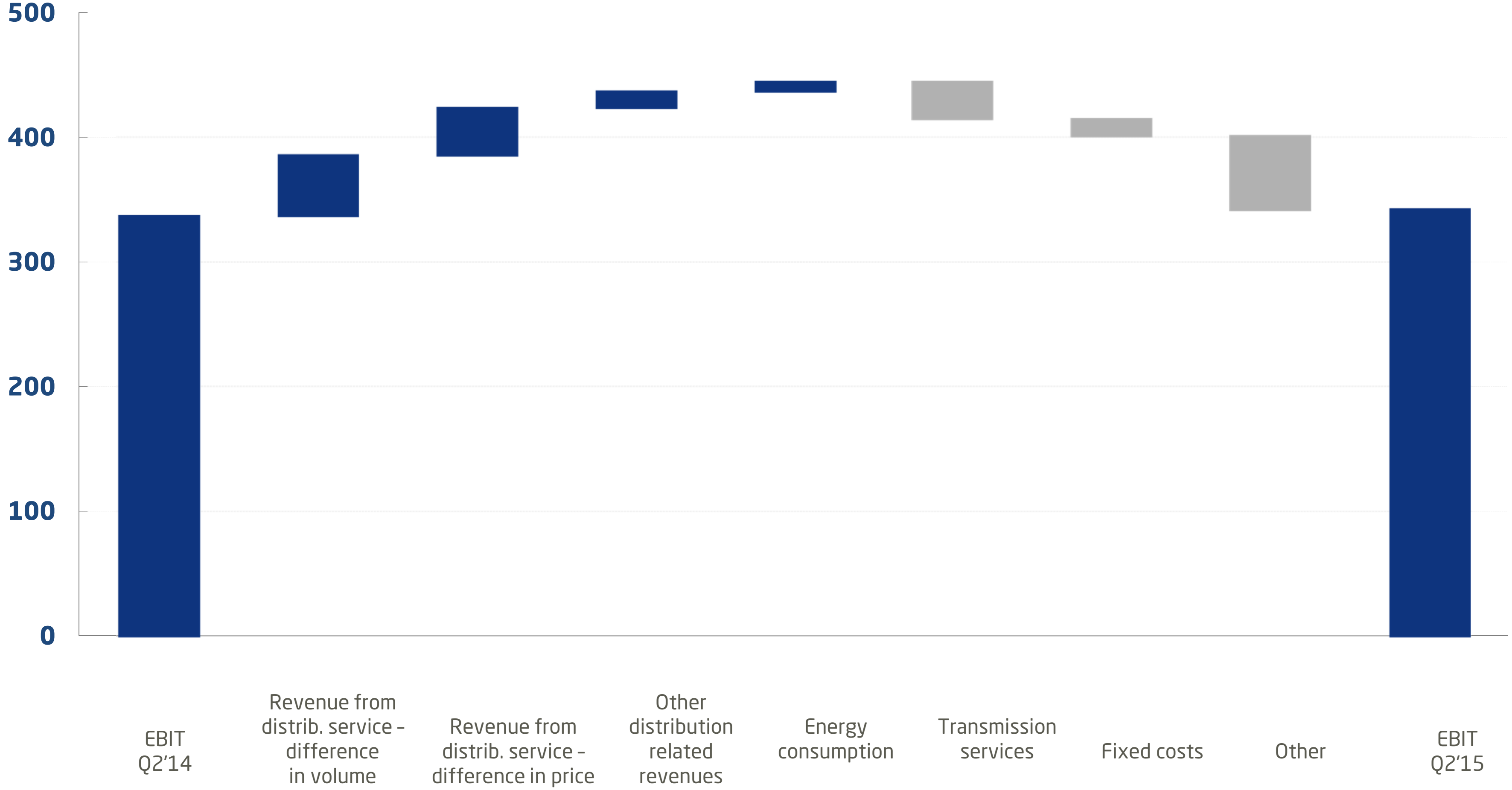
Key Changes in EBIT (PLN m)



	EBIT H1'14	Sale of electricity -wind	Sale of property rights - wind	Sale of electricity - hydro	Sale of property rights - hydro	Revenues from agreement with TSO	Fixed costs	Other	EBIT H1'15
Change		**1**	**-10**	**3**	**-17**	**-11**	**-15**	**7**	
EBIT H1'14	**130**	64	69	46	48	182	181	99	
EBIT H1'15		65	59	49	31	171	196	92	**88**

Distribution (PLN m) - EBIT Q2 2015

Key Changes in EBIT (PLN m)



	EBIT Q2'14	Revenue from distrib. service - difference in volume	Revenue from distrib. service - difference in price	Other distribution related revenues	Energy consumption	Transmission services	Fixed costs	Other	EBIT Q2'15
Change		**49**	**38**	**13**	**7**	**-29**	**-14**	**-59**	
EBIT Q2'14	**337**	1,234		101	87	304	584	5	
EBIT Q2'15		1,321		114	80	333	598	64	**342**

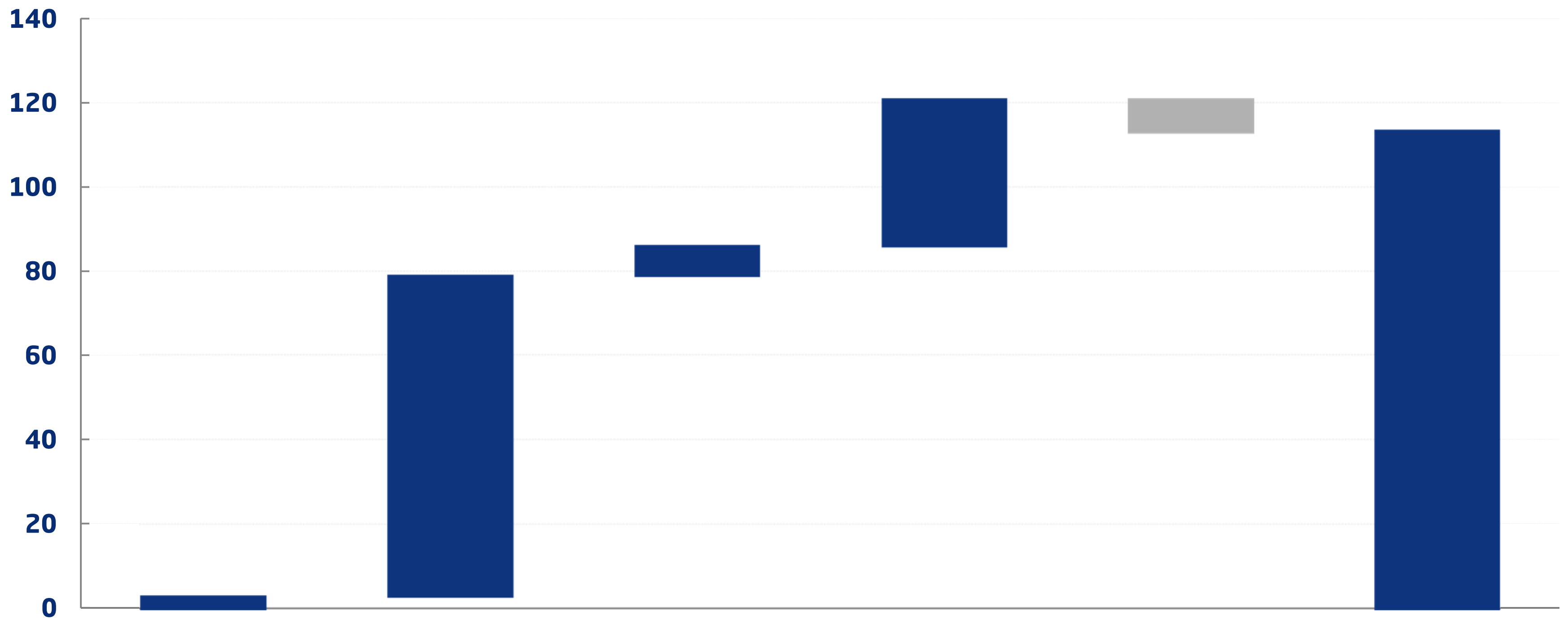
Distribution (PLN m) - EBIT H1 2015

Key Changes in EBIT (PLN m)

	EBIT H1'14	Revenue from distrib. service - difference in volume	Revenue from distrib. service - difference in price	Other distribution related revenues	Energy consumption	Transmission services	Fixed costs	Other	EBIT H1'15
Change		**81**	**69**	**7**	**32**	**-53**	**-49**	**-69**	
EBIT H1'14	**691**	2 592		199	251	616	1 169	35	
EBIT H1'15		2 742		206	219	669	1 218	104	**709**

Supply* (PLN m) - EBIT Q2 2015

Key Changes in EBIT (PLN m)

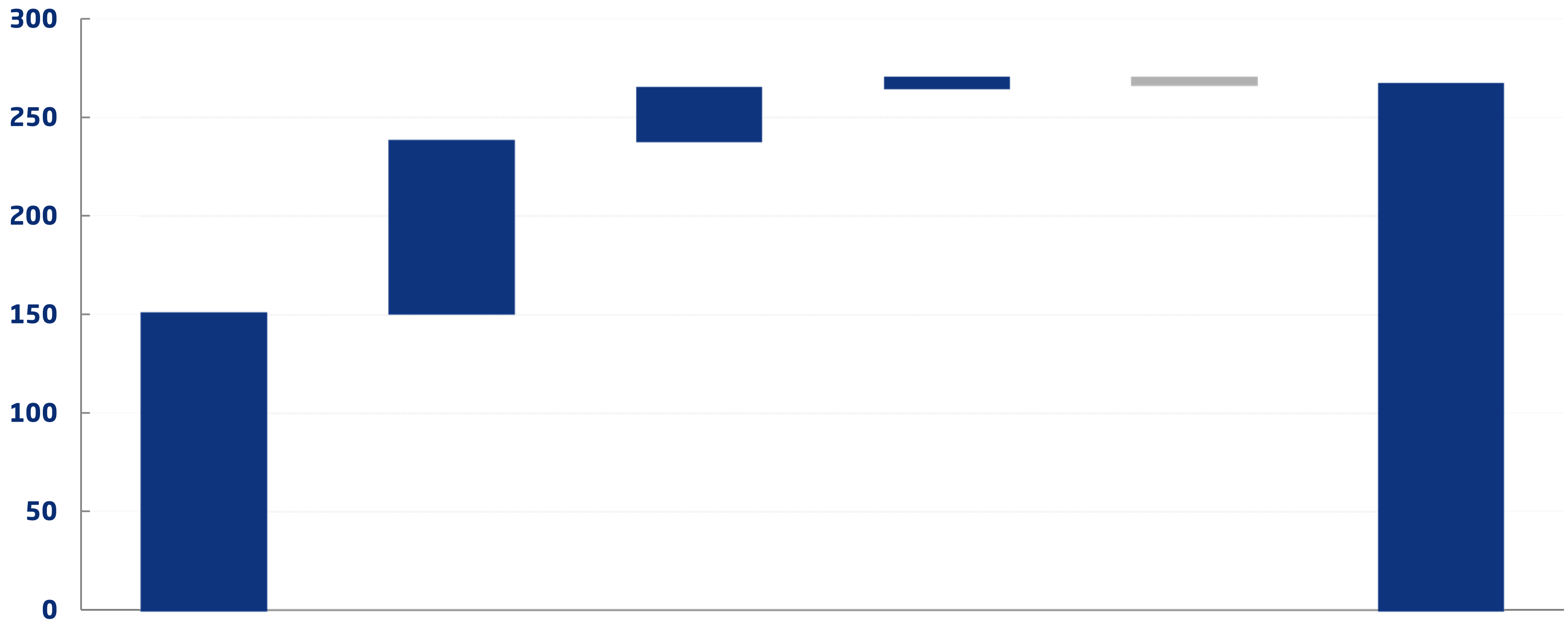


	EBIT Q2'14	Margin On electricity	Management service	Property rights redemption costs	Other	EBIT Q2'15
Change		**76**	**7**	**35**	**-8**	
EBIT Q2'14	**3**	287	109	270	123	
EBIT Q2'15		363	116	235	131	**113**

*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) - EBIT H1 2015

Key Changes in EBIT (PLN m)

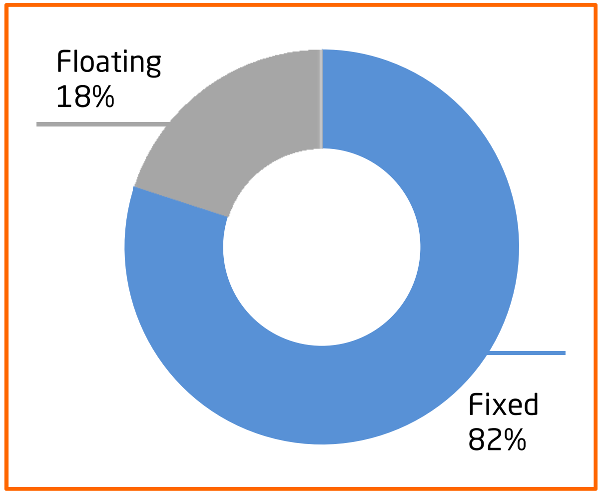


	EBIT H1'14	Margin on electricity	Management service	Property rights redemption costs	Other	EBIT H1'15
Change		**87**	**27**	**5**	**-3**	
EBIT H1'14	**151**	694	222	522	243	
EBIT H1'15		781	249	517	246	**267**

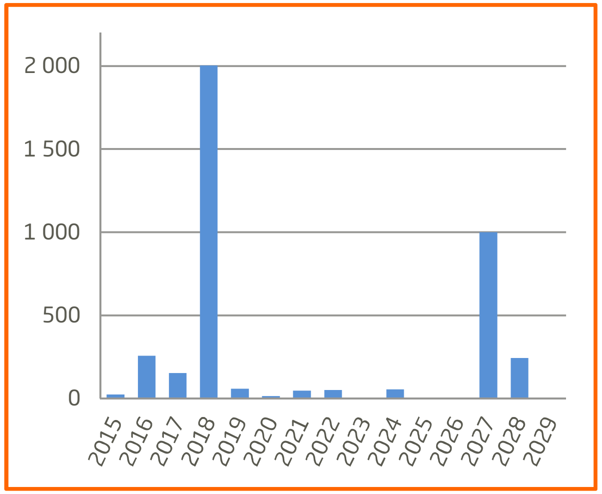
*As of Q1'15 Supply and Wholesale will be presented as a one business line – Supply. Previously, Supply and Wholesale were presented as two separate segments.

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

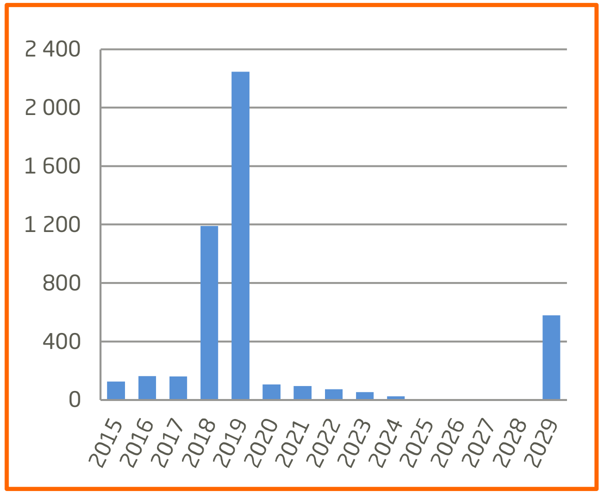
Fixed vs Floating Debt (Drawn Debt)



Available Lines of Credit (PLN m)



Debt Maturity Profile (Drawn Debt PLN m)

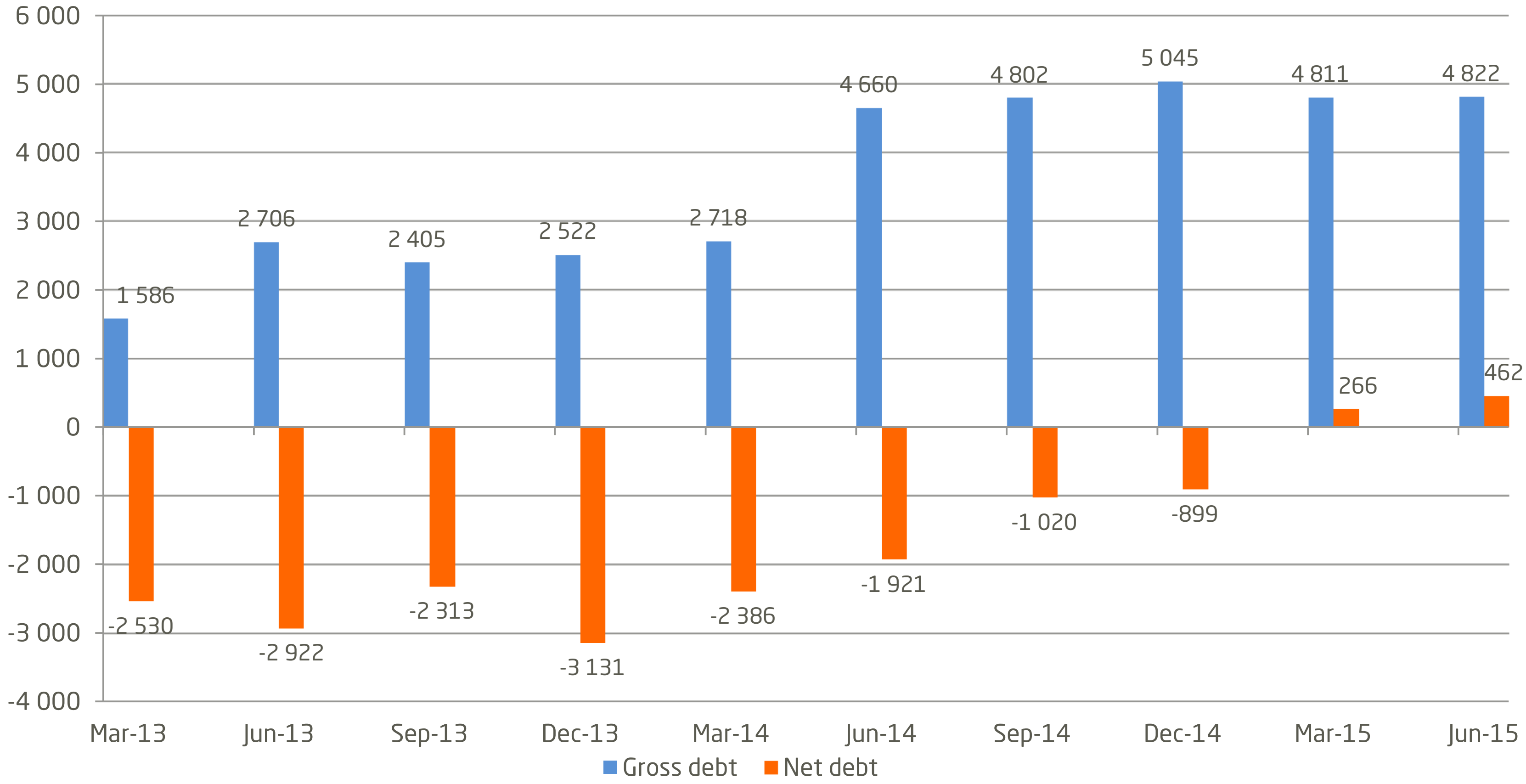


Issues under the EMTN program

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)

PGE cash position provides…

… plenty of headroom in the balance sheet

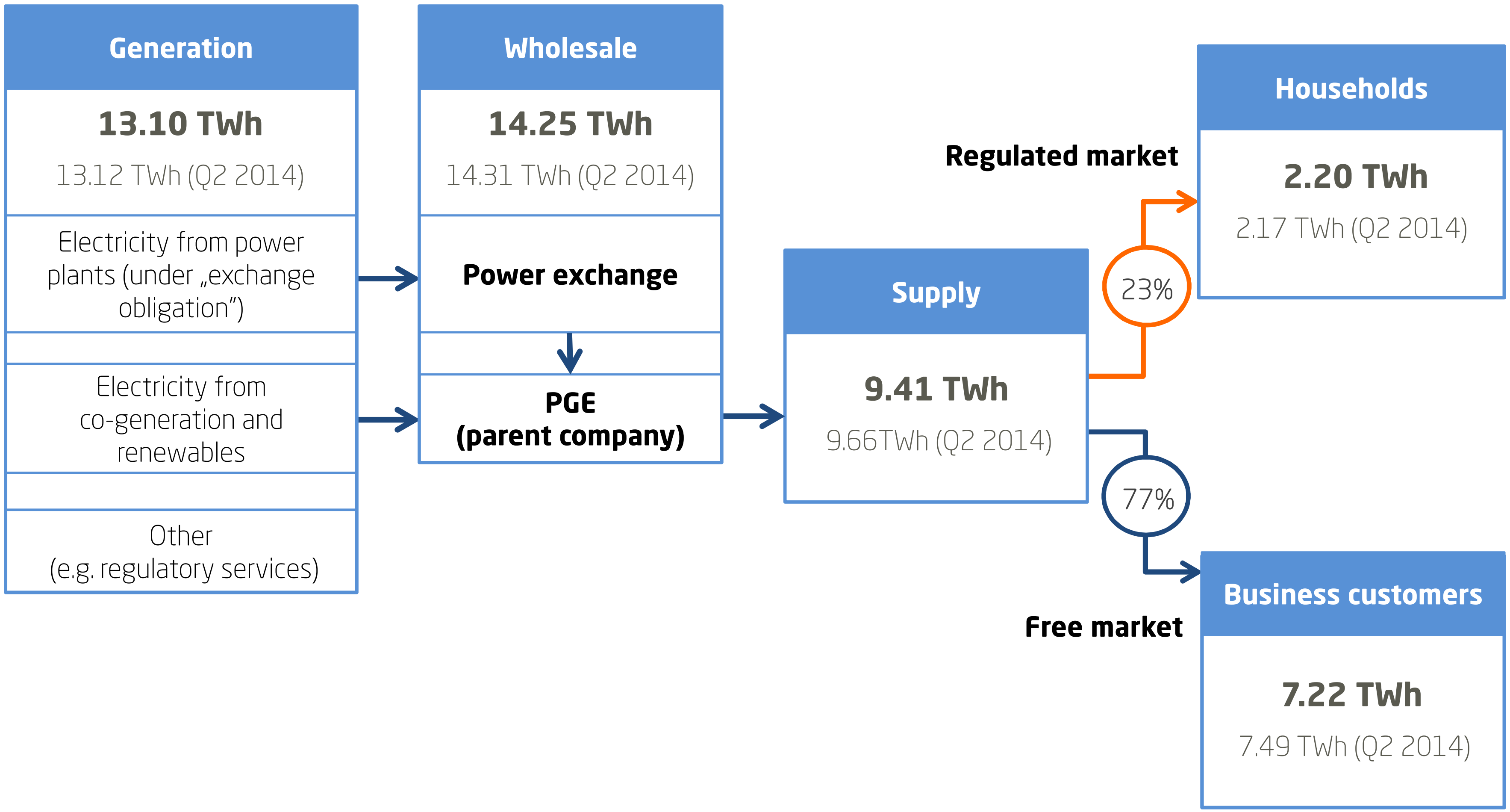
	H1 2015	Q1 2015
Gross Debt (PLNm)	4,822	4,811
Net debt (PLNm)	462	266
Net Debt/LTM EBITDA	0.06x	0.03x
Net Debt/Equity	0.01x	0.01x

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

Q2 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 Q2'15 (and H1'15 PGE's) installations emitted 13.82m (and 28.97m) tonnes of CO2
- Consequently PGE's full cost related to CO2 emissions in Q2'15 (and H1'15) amounted to approx. PLN 167m (and PLN 339m).
- 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, H1'15 consolidated FS

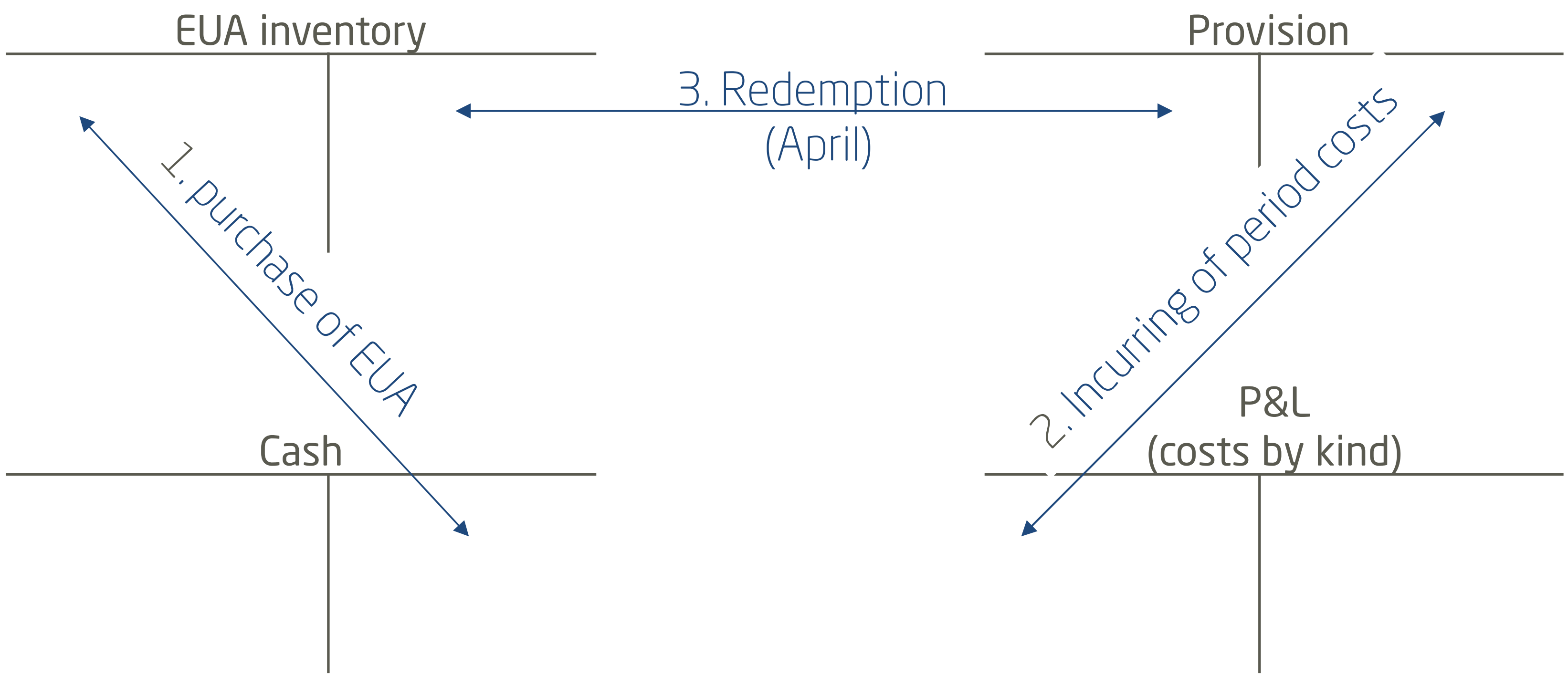
	EUA		CER/ERU		Total value
	Quantity (m)	Value (PLN m)	Quantity (m)	Value (PLN m)	(PLN m)
As at Jan 1, 2014	59	1404	-	-	1404
Purchased	33	829	3	2	831
Free allocation	34	-	-	-	-
Redeemed	-61	-683	-	-	-683
Adjustment	3	2	-3	-2	-
As at Jan 1, 2015	**68**	**1552**	**-**	**-**	**1552**
Purchased	3	104	-	-	104
Free allocation	30	-	-	-	-
Redeemed	-59	-681	-	-	-681
As at June 30, 2015	**42**	**975**	**-**	**-**	**975**

Provision for purchase of CO_2 allowances - note 11, H1'15 consolidated (PLN m)

As at Jan. 1, 2015	676
Redeemed	-680
Released provisions	-1
Provided in H1'15	339
As at Jun 30, 2015	334

Impact on P&L (PLNm) - illustrative only	H1'15
Costs by kind	17,037
Taxes and charges	1,456

EUA - accounting scheme



1. Purchasing of EUA is not a cost itself, it is an exchange of assets. Accounts involved: cash and inventory.
2. The creation of provision is a cost recognition process.
3. Redemption is a settlement process. It is an utilization of assets (EUA inventory) in the process of settlement with the Regulator.

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
BESI	Robert Maj
BOŚ	Michał Stalmach
BRE Bank	Kamil Kliszcz
BZ WBK	Paweł Puchalski
Citigroup	Piotr Dzięciołowski
Deutsche Bank	Tomasz Krukowski
Erste Group	Tomasz Duda
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	Igor Kuzmin
Raiffeisen Centrobank	Teresa Schinwald
Wood & Company	Bram Buring

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