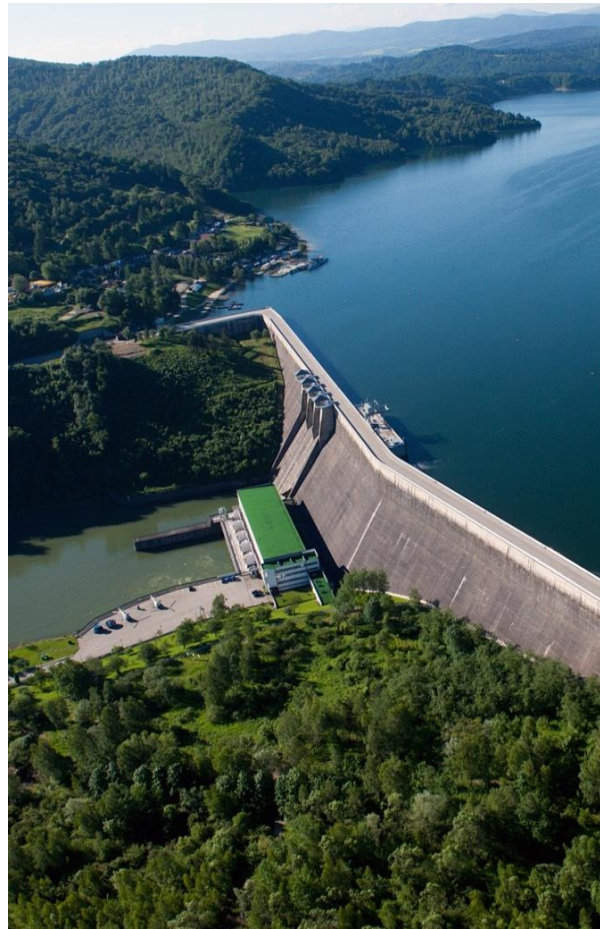


Q3 & 9M 2014 Financial and Operating Results

November 13, 2014



Q3 & 9M 2014 Financial and Operating Results



- Key takeaways



Marek Woszczyk
- President and CEO

Highlights of Q3 2014

Financial results

PLN 1.7 bn
EBITDA

PLN 1.5 bn
recurring
EBITDA

PLN 0.4 bn
net profit to
equity

PLN 2.8 bn
net cash from
operating
activities

Dividend from 2013

PLN 1.10 per
share paid on
Sept. 26,
2014

In line with
Management
proposal:
50% net profit

5.3% yield

Top 4 yield in
European
utilities
universe

Environmental regulations

40% reduction
in carbon
emissions by
2030

Derogation
for Polish
energy
sector

Reserve for
modernization
of the sector

Additional
allowances
for Poland for
energy sector

Operations

13.8 TWh
Net
generation
(-5% yoy)

8.1 TWh
Distribution
volume
(+3%yoy)

9.8 TWh
Sales to end
users
(+3 % yoy)

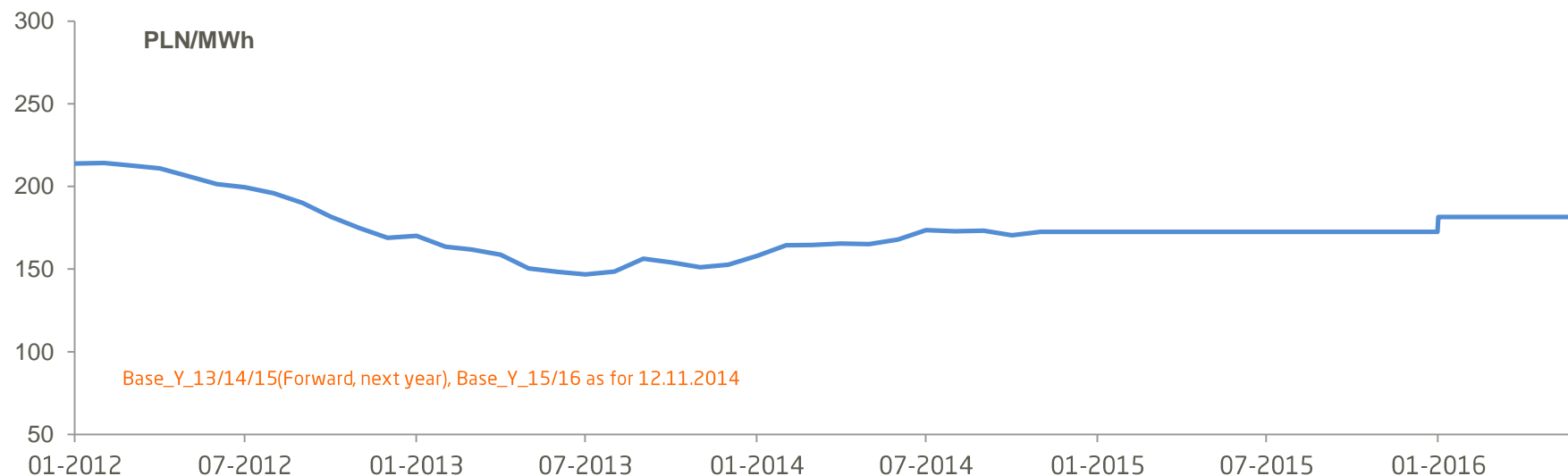
Supportive macro and price development

Macroeconomic environment

	Q3 2014	Q3 2013	9M 2014	9M 2013
Real GDP growth (y-o-y)	2.8%*	2.0%	3.2%*	1.1%
Domestic Electricity Consumption growth (y-o-y)	1.7%	2.1%	0.3%	0.4%
Domestic Electricity Consumption	38.40 TWh	37.78 TWh	116.89 TWh	116.52 TWh

* Forecasted

Electricity prices development



Investment gateway

Opole II

Project on schedule

Excavations for boilers and turbine halls #5&6 completed

Excavations for cooling tower #5 started

Drainage of units #5&6 started

Capex in Q3 2014: PLN 239m

Turów

Project initiated

Notice to proceed scheduled for December 1, 2014

Appeal of a contractor rejected by the court on October 24, 2014

Contractor has 56 months after NTP to hand over the Unit ready for operation

Advance payment of 10% of the contract after NTP issue

Renewables

Projects on track

Tenders for Lotnisko and Resko II finalized - expected commissioning December 2015

Lotnisko wind farm of **90 MW procured for PLN 475m**
Resko II wind farm of **76 MW procured for PLN 347m**

Karwice 40 MW under construction

Kisielice 12 MW, tender in progress

Rzeszów CHP

Project finalized

New cogeneration unit commissioned on October 24, 2014

29 Mwe (26MWt) net efficiency:

- 43% (electrical)
- 81% (overall)

Total capex: PLN 110m

Q3 & 9M 2014 Financial and Operating Results



Detailed financial and operating results

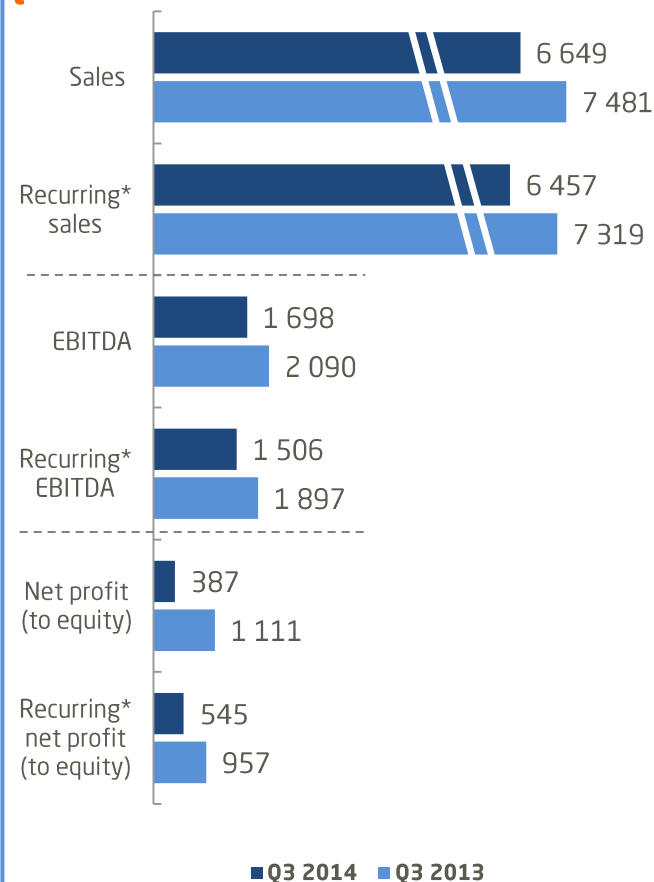


Magdalena Bartoś
- Managing Director, CFO

Key financial results

PLNm	Q3 2014	Q3 2013	diff. y-o-y %
Sales revenues	6,649	7,481	-11%
EBITDA	1,698	2,090	-19%
Recurring* EBITDA	1,506	1,897	-21%
Net profit to equity	387	1,111	-65%
Earning per share (PLN)	0.20	0.59	-66%
Net cash from operating activities	2,849	2,533	12%
CAPEX	1,627	1,167	39%
Net cash (end of period)	1,020	1,920**	
Credit ratings	Rating	Outlook	
Fitch	BBB+	Stable	
Moody's	Baa1	Stable	

Q3 2014

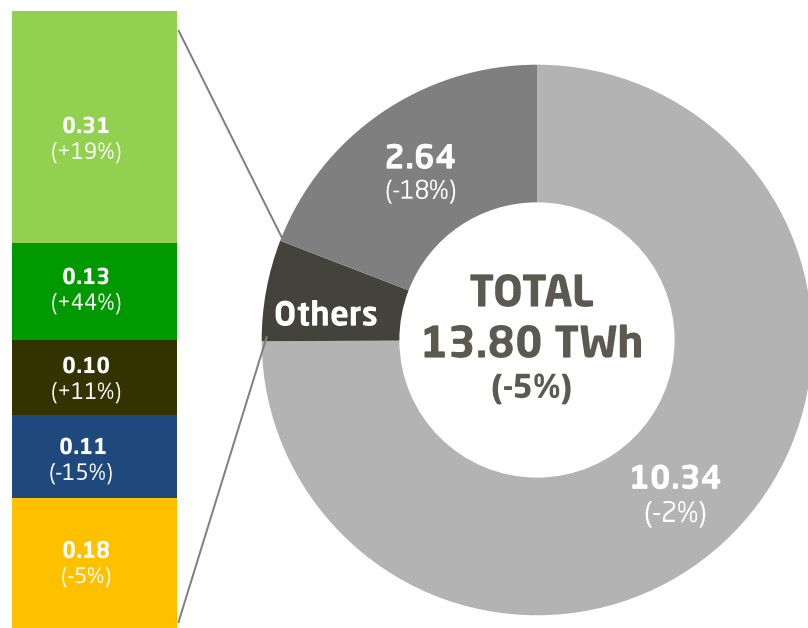


*Recurring = excluding significant one-off items

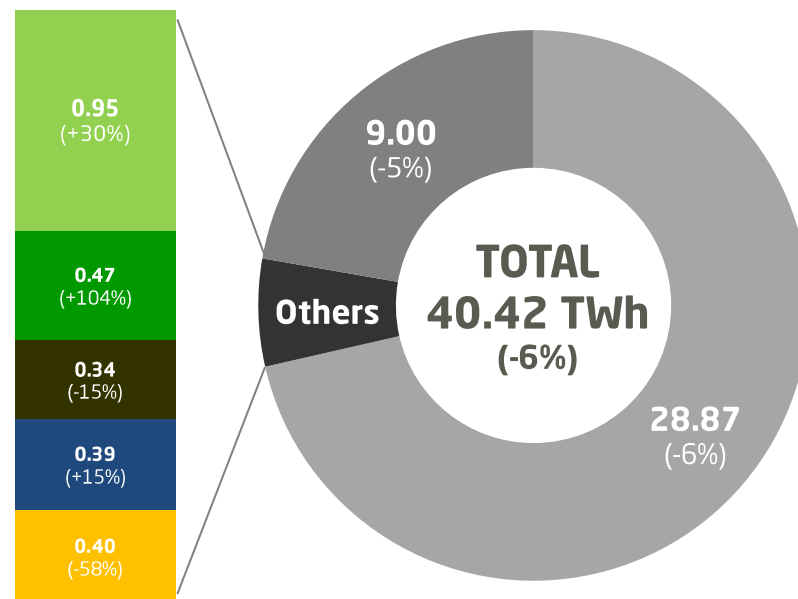
** As at June 30, 2014

Generation - performance excellence on a demanding market

Q3 2014 production (% change y-o-y)



9M 2014 production (% change y-o-y)



Lignite
 Hard coal
 Gas
 Pump-storage
 Hydro
 Wind
 Biomass

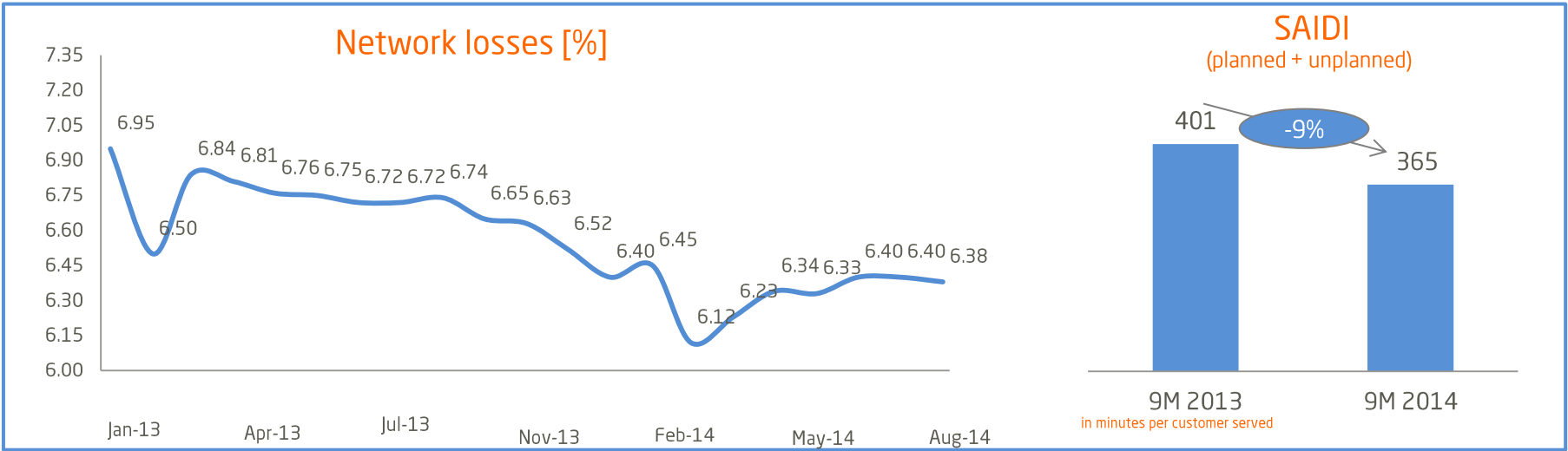
- Lower production from lignite due to decommissioned unit 10 in Turów and modernization of assets in Bełchatów (units 11, 12)
- Hard coal production in Q3 lower because of decommissioned unit 3 in Dolna Odra in November 2013 and modernization of assets in Opole
- Gas fired CHPs generation lower after production in Lublin and Rzeszów ceased in March 2013 due to lack of support for cogeneration.
- Renewables generation amounted to 0.53 TWh and increased due to increased biomass co-combustion and more wind capacity installed

Generation assets undergoing modernizations; improvements in distribution performance

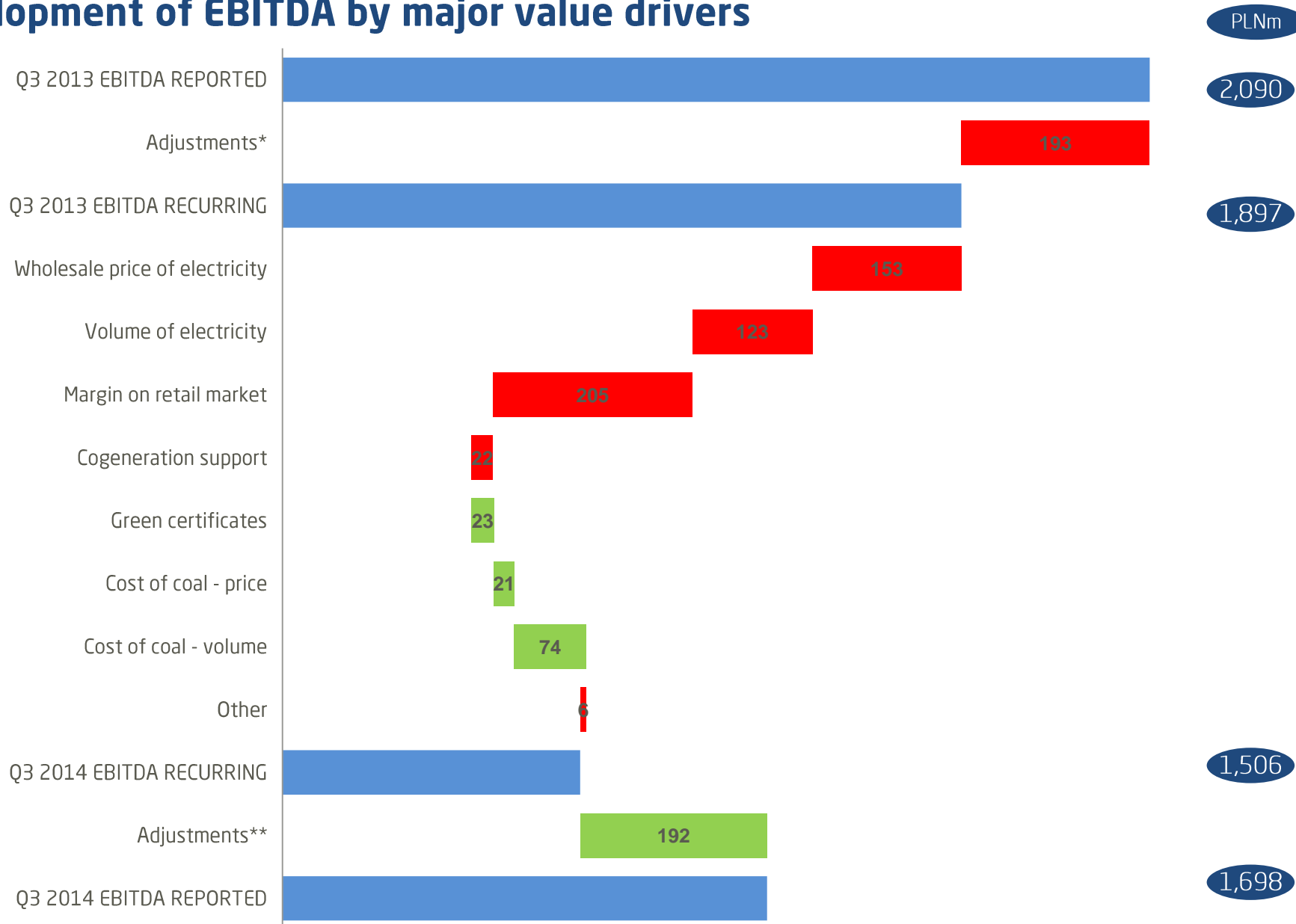
Generation assets

	Lignite	Hard coal	CHPs	Wind assets
Availability Q3 2014	86.0%	79.3%	81.1%	98.1%
Availability Q3 2013	84.4%	86.1%	67.2%	97.9%
Load factor Q3 2014	88.6%	68.8%	70.0%	18.4%
Load factor Q3 2013	89.0%	72.7%	63.9%	16.2%

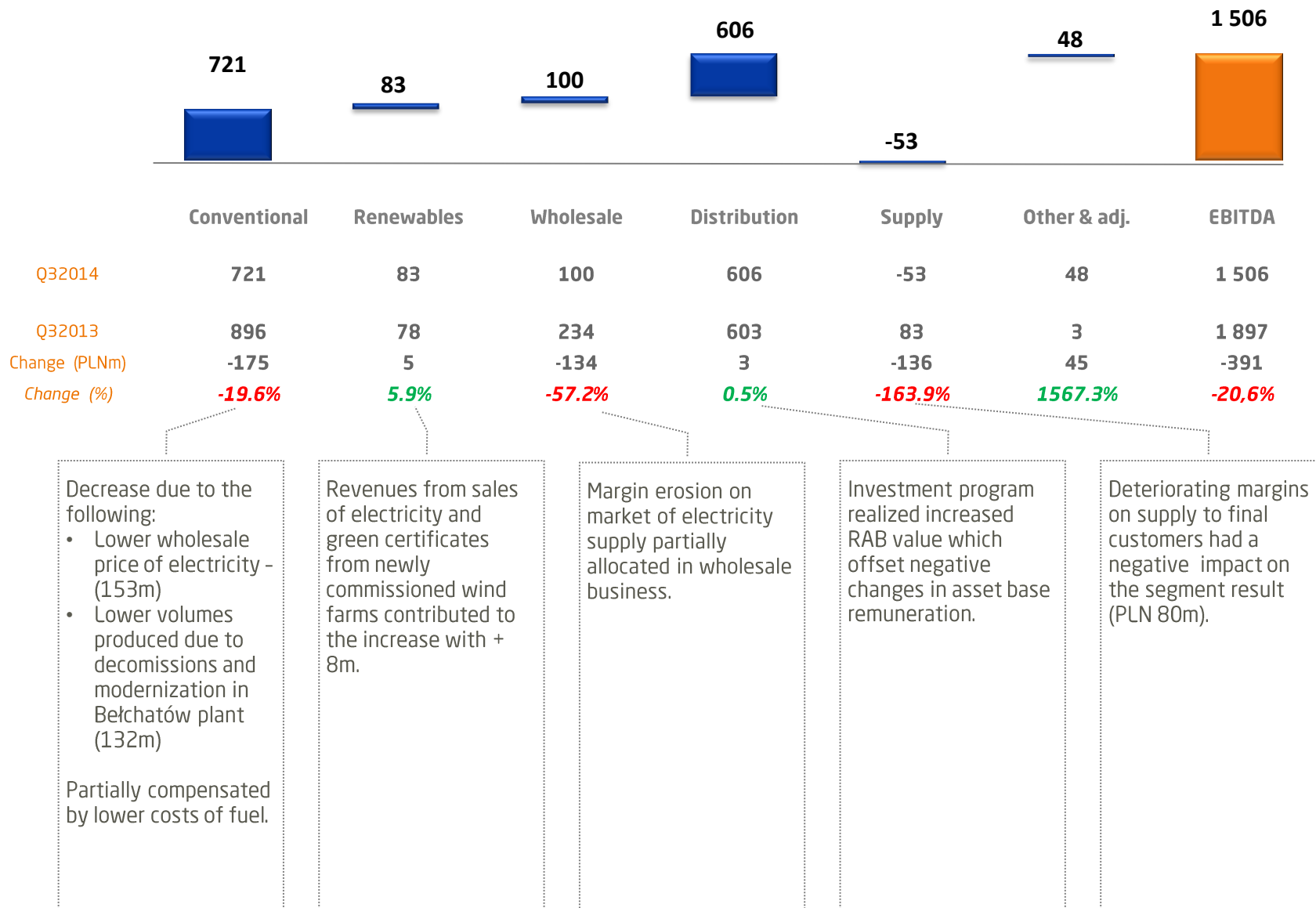
Distribution assets



Development of EBITDA by major value drivers



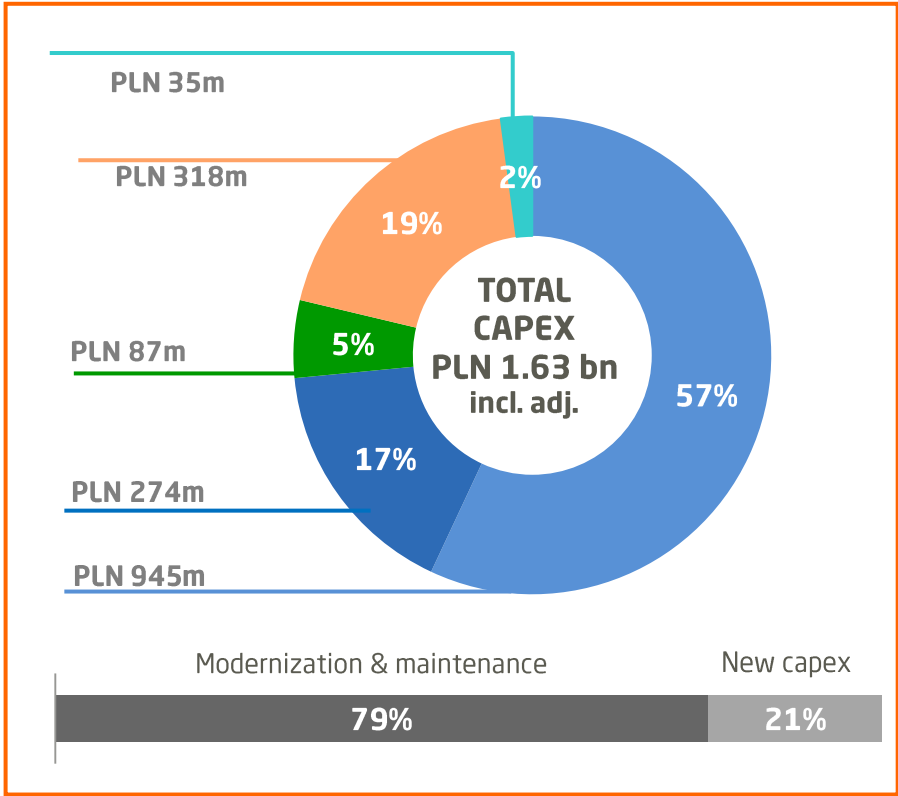
Recurring* Q3 2014 EBITDA - composition and development



* Recurring = excluding significant one-off items

Capital expenditures in Q3 2014

CAPEX for Q3 2014



Opole II construction site



Conventional Generation - new capex Conventional Generation - modernization, maintenance & other Renewables Distribution Supply, Wholesale, Other

- Refurbishment and modernization of lignite assets in Bełchatów amounted to approx. PLN 427m in Q3 2014
- Construction of Opole II amounted to PLN 239m
- Desulphurization installations in Turów amounted to PLN 73m
- Karwice wind farm construction cost PLN 68m

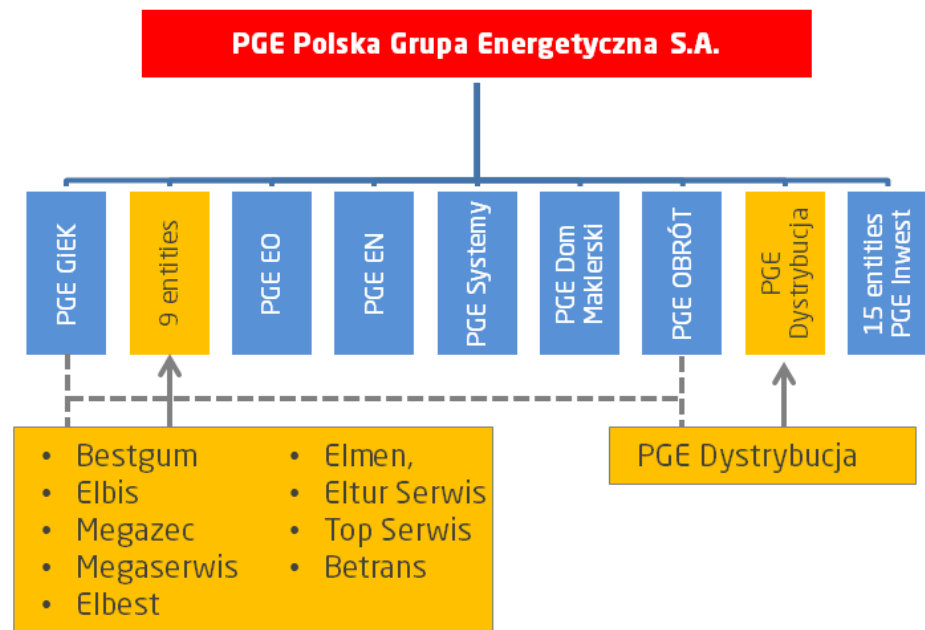
Tax Group advantages go beyond fiscal benefits

- The tax office registered the tax group called „PGK PGE 2015” in October 2014 („the Tax Group”)
- From January 1, 2015 the Tax Group will become a stand-alone taxpayer of corporate income tax (CIT)
- The Tax Group consists of 32 companies

Benefits from the Tax Group

- More flexibility on intragroup investment financing
- Transfer pricing remodelling
 - Cash management and cash pooling
 - Less risk from the fiscal angle
 - Less cost of tax management
- Immediate individual tax loss set off within the aggregate group CIT
- Tax neutral transfer of assets between entities within the Tax Group

Streamlined structure of the Group after reshuffling



Q3 & 9M 2014 Financial and Operating Results

Looking ahead of Q3 2014 ...



Marek Woszczyk
- President and CEO



Magdalena Bartoś
- Managing Director, CFO

Division recurring EBITDA & CAPEX outlook for 2015

**2015 outlook
vs 2014**

Main drivers

Conventional Generation	Recurring higher	<ul style="list-style-type: none"> + Wholesale blended price throughout the year to increase by approx. 8-10 PLN/MWh + Volumes on lignite and hard coal stable with no major decomissions and comparable modernization times + Efficiency programs continued according to plan + Flattish hard coal prices + LTC model update resulting in higher „ordinary” revenues + Outlook for carbon allowances for 2014 emissions clear - Higher cost of fuel after gas cogeneration restart offset with sales of cogeneration certificates - Cost of money decreases impacting discount rates for provisions in coming quarters
Renewables	Flat	<ul style="list-style-type: none"> + Flat generation from hydro and wind + Wind pipeline to be commissioned by 2015YE and to impact results from 2016 onwards
Wholesale + Supply	Higher	<ul style="list-style-type: none"> + Focus on improving average margin after introduction of a new trading model from 2015
Distribution	Flat	<ul style="list-style-type: none"> + RAB valued at PLN 14.6 bn for 2015 tariff + WACC for 2015 set on 7.2% (pre-tax) + Efficiency programs to be continued
CAPEX	Higher	<ul style="list-style-type: none"> • Opole project according to plan and will start more heavy cash spending • Gorzów project on-going • Notice to proceed for Turów unit will be issued on December 1, 2014 • Higher CAPEX in distribution impacting future return on assets • Higher CAPEX in RES with 218 MW in pipeline

Regulatory update

Renewables

Law to be passed by YE, however its full implementation requires further modalities

System based on 15 year support with certificates for installations commissioned before implementation and auctions for new ones

Current agenda includes first auctions to take place in mid-2016 with 4 year timeline for delivery

Guaranteed offtake remains in place, however based on quarterly average price of electricity

Capacity markets

Sector conclusions passed to the Ministry of Economy

Sector recommendation aims at a centralized capacity market and contracts for differences

Proposed solution is the most comprehensive and approved by European Commission for the UK market

Current agenda implies first capacity auction by YE 2016 and first year of delivery in 2020

Temporary solutions of operational and cold reserve expected to remain until introduction of full capacity markets

Distribution

Tariff for 2015 includes 7.2% WACC (pre-tax)

Quality factors recommended to be included in 2016 tariff:

- SAIDI
- SAIFI
- Connection time

New model should not imply increase of regulated revenue

Separate targets for each distribution network

BATs

IPPC directive requires **implementation of Best Available Techniques starting from 2020**

European Commission targets significant **tightening of sulphur oxides, nitrogen oxides and dust emissions**

PGE standpoint is that **new regulations shall be applicable to new investments only** and potentially be exempted by the voivodship marshal

European Commission decisions on **BATs qualifications to be made in H1 2015**

... and looking further ahead of 2014

Conclusions on 2030 Climate and Energy Policy Framework

Reduction of carbon emissions by 40% in 2030

- **Binding EU target of at least 40% reduction in greenhouse gas emissions by 2030** compared to 1990 - no country binding targets
- Derogation period for countries below 60% EU GDP per capita average (at 2013 market prices - Poland within the threshold) allowing to allocate **up to 40% of auctioned allowances allocations directly to the energy sector**
 - Poland may expect up to approx. 280 million allowances depending on conditions of gratification
- A new reserve is to be created allocating **2% of the total EU ETS allowances for modernization of energy sectors** in countries with GDP below 60% average. These allowances will be auctioned and funds will contribute to technical upgrades in the sectors.
 - Poland may expect to receive approx. a half of total funds, EUR 3.5 billion
- Additional allocation of **10% of total EU ETS allowances for countries with GDP per capita below 90% EU average**
 - Poland will receive approx. 270 million additional allowances as budget proceeds on top of the 700 million received based on historical emissions

Renewables and energy efficiency targets

- **Target of 27% share in final energy consumption in 2030**
 - Target binding on EU level, no country targets were set up
- Improving energy efficiency in 2030 by 27% indicative target was set up, no country targets

More details expected ...

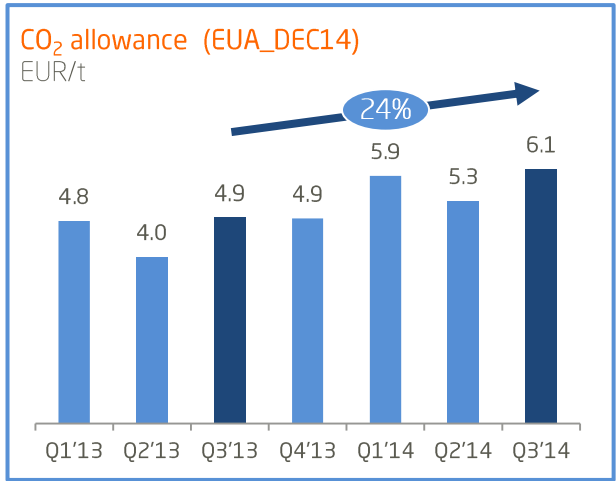
- In particular, modalities for free allocation and details regarding modernization fund rules need to be specified.

Q3 & 9M 2014 Financial and Operating Results

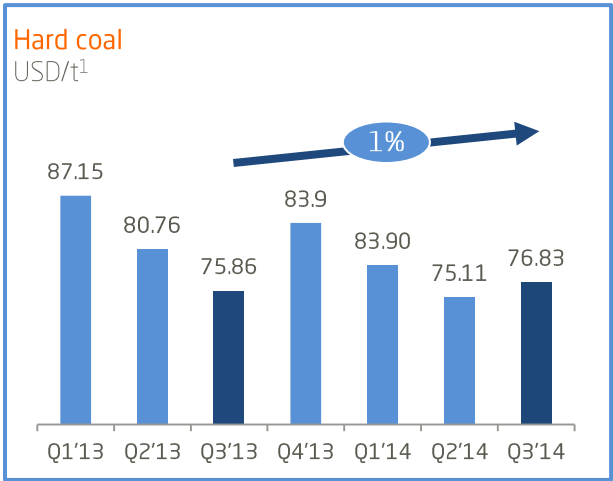


Additional information

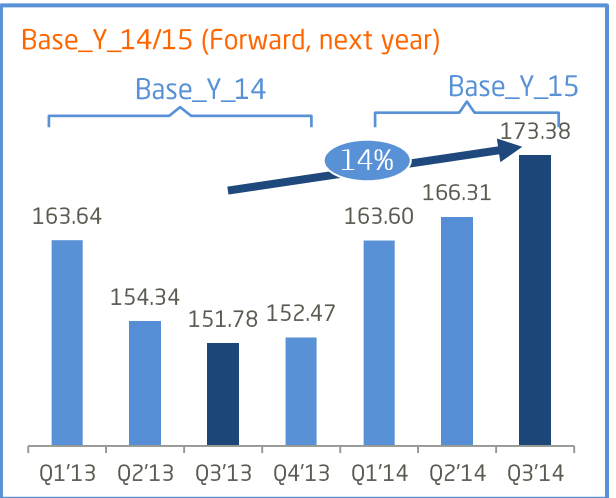
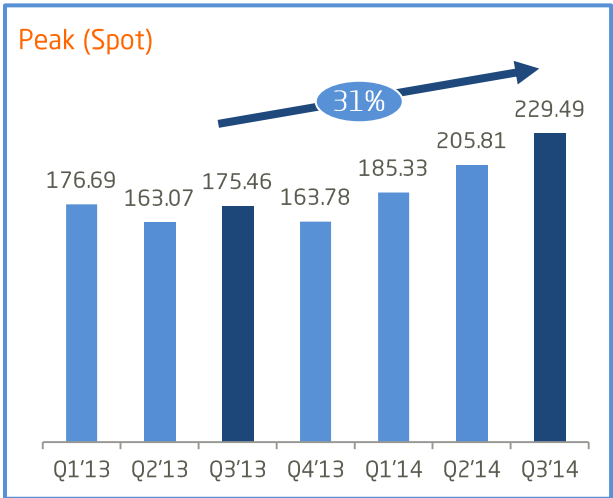
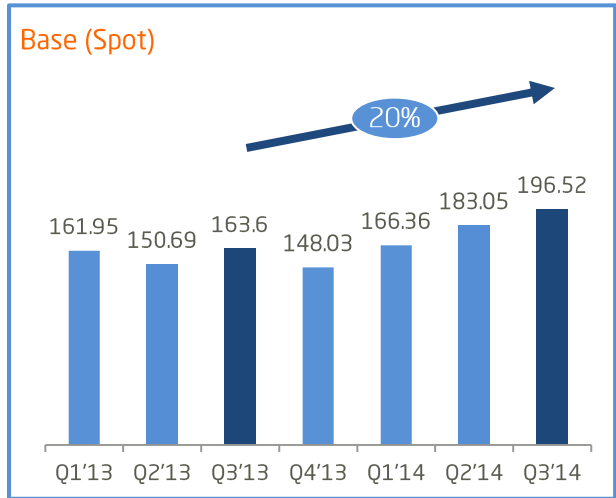
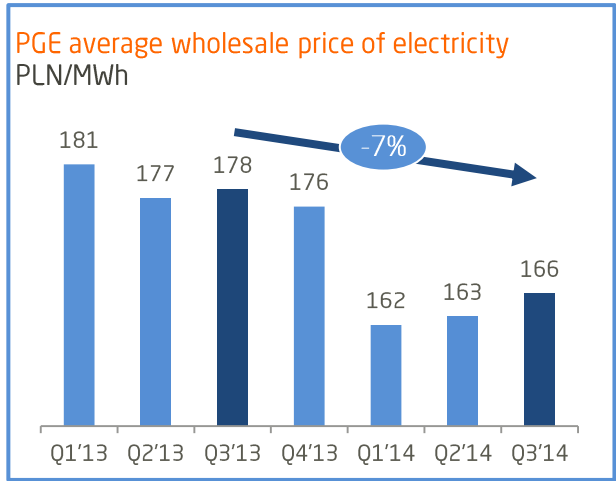
Economics of the lignite generation remain sound with positive outlook from the forward market



Source: Reuters
Average quarterly TGE Electricity Prices in 2013 and 2014
PLN/MWh



Source: www.wnp.pl



¹ An average price on global COAL DES ARA Index

Key Financials

Selected consolidated financial data, IFRS

	Q3 2014 PLN m not audited	Q3 2013 PLN m not audited	Q3'14 vs. Q3'13	9M 2014 PLN m Not audited	9M 2013 PLN m Data restated	9M'14 vs. 9M'13
Sales	6,649	7,481	-11%	20,857	22,582	-8%
<i>including LTC compensations</i>	192	162	19%	1,354	532	155%
Recurring* Sales	6,457	7,319	-12%	19,503	22,050	-12%
EBITDA	1,698	2,090	-19%	6,305	6,336	0%
Recurring* EBITDA	1,506	1,897	-21%	4,769	5,895	-19%
EBIT	930	1,332	-30%	4,055	4,100	-1%
Recurring* EBIT	738	1,139	-35%	2,519	3,659	-31%
Net profit (to equity)	387	1,111	-65%	2,884	3,304	-13%
Recurring* net profit (to equity)	545	957	-43%	1,958	2,951	-34%
CAPEX (incl. adj.)	1,627	1,167	39%	3,859	2,827	37%
Net cash from operating activities	2,849	2,533	12%	4,433	5,797	-24%
Net cash from investing activities	415	-1,534	-	-4,635	-4,306	-8%
EBITDA margin	26%	28%		30%	28%	
Recurring* EBITDA margin	23%	26%		24%	27%	
Net Working Capital				7,489	5,223**	
Net Debt/LTM EBITDA				-0.1x	-0.4x**	

Recurring = excluding key one-off items in Q3 2014:

- **Sales:** LTC compensations (PLN +192m)
- **EBITDA / EBIT:** LTC compensations (PLN +192m)
- **Net profit (to equity):** LTC compensations (PLN +155m); Impairment of AW S.A. bonds (PLN -313m)

Recurring = excluding key one-off items in Q3 2013:

- **Sales:** LTC compensations (PLN +162);
- **EBITDA / EBIT:** LTC compensations (PLN +162m); revaluation of green certificates (PLN -129m); LTC adjustment (PLN +104m); Opole II investment project adjustment (PLN +56m)
- **Net profit (to equity):** LTC compensations (PLN +130m); revaluation of green certificates (PLN -104m); LTC adjustment (PLN +83m); Opole II investment project adjustment (PLN +45m)

Recurring = excluding key one-off items in 9M 2014:

- **Sales:** LTC compensations (PLN +1354m)
- **EBITDA / EBIT:** LTC compensations (PLN +1354); LTC adjustment (PLN +246m); provision for the change in the discount (PLN -648m); CO2 free allowances (PLN +751m); Voluntary Leave Programme (PLN -168m)
- **Net profit (to equity):** LTC compensations (PLN +1092m); LTC adjustment (PLN +198m); provision for the change in the discount (PLN -523m); CO2 free allowances (PLN +606m); Voluntary Leave Programme (PLN -134m); Impairment of AW S.A. bonds (PLN -313m)

Recurring = excluding key one-off items in 9M 2013:

- **Sales:** LTC compensations (PLN +532);
- **EBITDA / EBIT:** LTC compensations (PLN +532m); LTC adjustment (PLN +252m); Opole II investment project adjustment (PLN +56m); CO2 allowances (PLN -399m)
- **Net profit (to equity):** LTC compensations (PLN +426m); LTC adjustment (PLN +201m); Opole II investment project adjustment (PLN +45m); CO2 allowances (PLN -319)

*Recurring = excluding significant one-off items

**As at December 31, 2013

Key Operating Data

Net electricity generation by sources (TWh)

	Q3 2014	Q3 2013	Q3'14 vs Q3'13	9M 2014	9M 2013	9M'14 vs 9M'13
Lignite-fired power plants	10.44	10.65	-2%	29.15	30.81	-5%
Hard coal-fired power plants	2.59	3.13	-17%	8.54	8.89	-4%
Coal-fired CHPs	0.14	0.15	-7%	0.78	0.82	-5%
Gas-fired CHPs	0.18	0.19	-5%	0.40	0.95	-58%
Biomass-fired CHP	0.11	0.11	0%	0.35	0.34	3%
Pump storage	0.11	0.13	-15%	0.39	0.34	15%
Hydro	0.10	0.09	11%	0.34	0.40	-15%
Wind	0.13	0.09	44%	0.47	0.23	104%
TOTAL	13.80	14.54	-5%	40.42	42.78	-6%
Renewable generation	0.53	0.44	20%	1.76	1.36	29%
Incl. biomass co-combustion	0.19	0.15	27%	0.60	0.40	50%

Capital expenditures

CAPEX for Q3 and 9M (PLN m)

	Q3 2014	Q3 2013	Q3'14 vs Q3'13	9M 2014	9M 2013	9M'14 vs 9M'13
Segment						
Conventional Generation	1,219	764	60%	2,797	1,872	49%
Distribution	318	347	-8%	770	814	-5%
•New clients connection	126	150	-16%	328	357	-8%
•Distribution grid	115	116	-1%	267	273	-2%
Renewables	87	45	93%	242	107	126%
•Modernization and replacement	12	14	-14%	12	25	-52%
Supply, Wholesale, Others	35	41	-32%	116	110	5%
TOTAL	1,659	1,197	39%	3,925	2,903	35%
TOTAL (incl. adjustments)	1,627	1,167	39%	3,859	2,827	37%

Detailed segmental revenues and costs

Conventional Generation (PLN m)

	Q3 2014	Q3 2013	Q3 2014 vs. Q3 2013	9M 2014	9M 2013	9M 2014 vs. 9M 2013
Sales, including	2 909	3 060	-5%	9 567	9 341	2%
Sale of electricity	2 451	2 646	-7%	7 155	7 866	-9%
LTC compensations	192	162	18%	1 354	532	154%
Sale of heat	83	88	-6%	444	482	-8%
Sale of certificates of origin	86	53	62%	313	135	132%
Cost by kind, including	2 347	2 620	-10%	7 222	8 176	-12%
D&A	425	434	-2%	1 259	1 282	-2%
Materials	574	694	-17%	1 883	2 322	-19%
Energy	8	14	-45%	28	42	-34%
External services	339	330	3%	960	969	-1%
Taxes and charges	357	521	-32%	1 049	1 645	-36%
Personnel expenses	589	580	2%	1 896	1 767	7%
Other cost	56	47	18%	148	148	0%
Cost of products sold	1 971	2 161	-9%	6 068	6 885	-12%
Cost of goods sold	2 187	2 288	-4%	6 808	7 284	-7%
EBIT	488	785	-38%	2 603	1 856	40%
EBITDA	913	1 218	-25%	3 861	3 138	23%

Detailed segmental revenues and costs

Renewables (PLN m)

	Q3 2014	Q3 2013	Q3 2014 vs. Q3 2013	9M 2014	9M 2013	9M 2014 vs. 9M 2013
Sales, including	169	162	5%	556	538	3%
Sale of electricity	76	58	31%	243	188	29%
Sale of certificates of origin	41	40	2%	143	165	-14%
Cost by kind, including	143	138	4%	432	384	12%
D&A	55	52	5%	158	142	11%
Materials	1	2	-40%	5	7	-30%
Energy	29	31	-5%	102	96	6%
External services	22	18	22%	56	42	35%
Taxes and charges	13	12	10%	38	34	11%
Personnel expenses	19	19	-2%	63	54	17%
Other cost	3	3	10%	10	9	8%
Cost of products sold	125	119	5%	373	334	12%
Cost of goods sold	125	119	5%	373	334	12%
EBIT	28	26	9%	133	153	-13%
EBITDA	83	78	6%	291	295	-2%

Detailed segmental revenues and costs

Wholesale (PLN m)

	Q3 2014	Q3 2013	Q3 2014 vs. Q3 2013	9M 2014	9M 2013	9M 2014 vs. 9M 2013
Sales, including	2 288	3 098	-26%	7 053	9 270	-24%
Sale of electricity	1 739	2 503	-31%	5 366	7 591	-29%
Sale of certificates of origin	153	250	-39%	790	694	14%
Cost by kind, including	75	63	20%	201	193	4%
D&A	3	4	-29%	10	12	-17%
Materials	0	1	-27%	1	1	-24%
Energy	1	1	33%	2	2	5%
External services	16	19	-17%	46	49	-7%
Taxes and charges	2	3	-28%	4	8	-51%
Personnel expenses	24	22	11%	71	64	10%
Other cost	29	14	111%	67	57	18%
Cost of products sold	27	17	54%	70	57	24%
Cost of goods sold	2 147	2 825	-24%	6 547	8 432	-22%
EBIT	97	229	-58%	377	708	-47%
EBITDA	100	234	-57%	387	720	-46%

Detailed segmental revenues and costs

Distribution (PLN m)

	Q3 2014	Q3 2013	Q3 2014 vs. Q3 2013	9M 2014	9M 2013	9M 2014 vs. 9M 2013
Sales, including	1 405	1 367	3%	4 253	4 154	2%
Revenues from distribution services	1 326	1 276	4%	4 015	3 885	3%
Other operating revenues	53	65	-19%	155	174	-11%
Cost by kind, including	1 074	1 022	5%	3 314	3 179	4%
D&A	262	247	6%	754	734	3%
Materials	21	22	-5%	60	65	-8%
Energy	90	97	-7%	340	371	-8%
External services	377	327	15%	1 130	976	16%
Taxes and charges	82	78	5%	253	240	5%
Personnel expenses	239	245	-3%	765	778	-2%
Other cost	4	5	-31%	12	14	-18%
Cost of products sold	994	932	7%	3 070	2 898	6%
Cost of goods sold	994	930	7%	3 070	2 899	6%
EBIT	344	356	-3%	1 035	1 005	3%
EBITDA	606	603	1%	1 789	1 739	3%

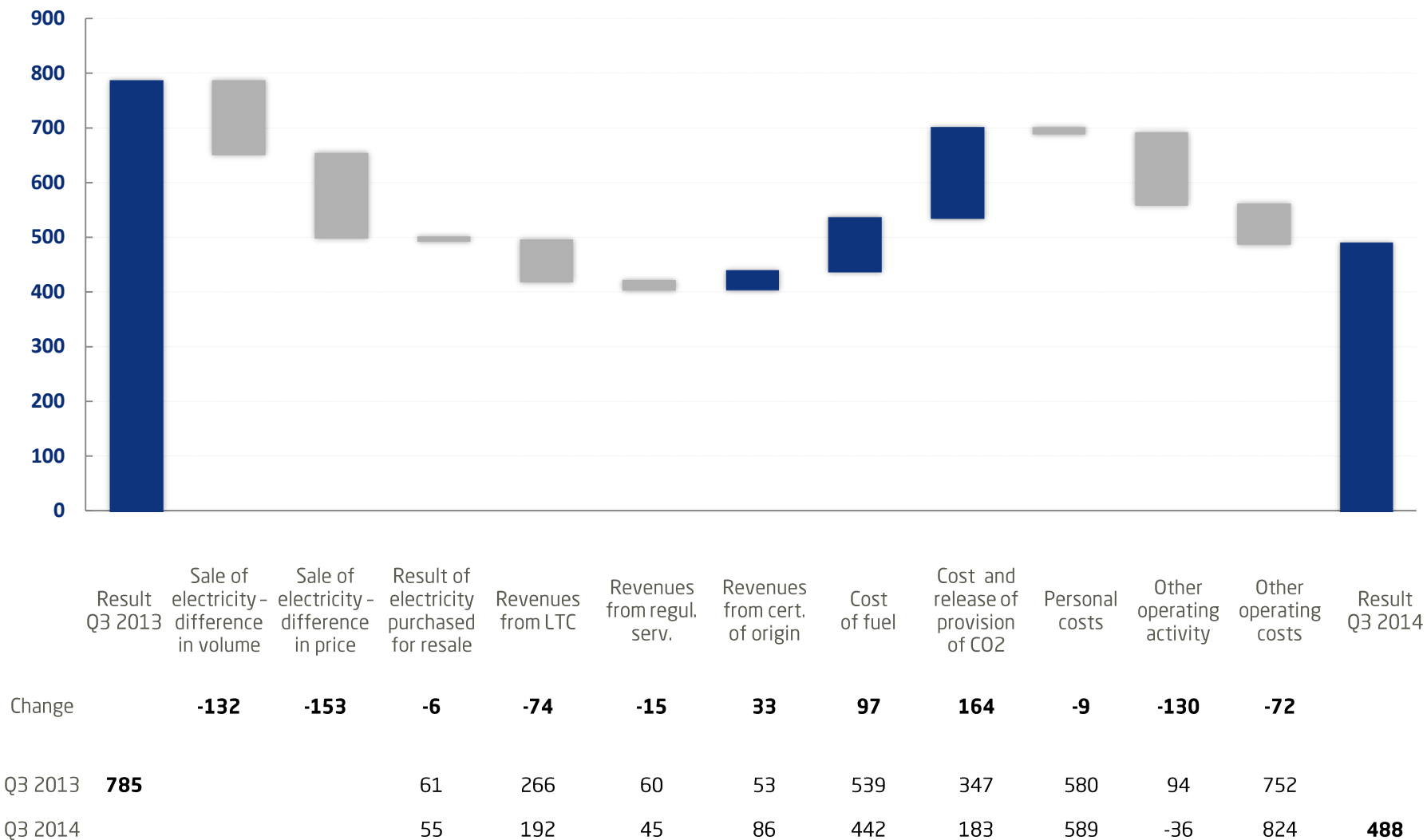
Detailed segmental revenues and costs

Supply (PLN m)

	Q3 2014	Q3 2013	Q3 2014 vs. Q3 2013	9M 2014	9M 2013	9M 2014 vs. 9M 2013
Sales, including	3 030	3 218	-6%	9 159	9 704	-6%
Sale of electricity	2 042	2 219	-8%	6 143	6 619	-7%
Revenues from distribution services	980	983	0%	2 986	3 037	-2%
Cost by kind, including	345	425	-19%	1 026	856	20%
D&A	2	2	-5%	6	6	-8%
Materials	1	1	-21%	3	3	-9%
Energy	0	0	24%	1	1	-3%
External services	26	21	26%	76	68	13%
Taxes and charges	270	361	-25%	800	656	22%
Personnel expenses	38	34	10%	112	102	10%
Other cost	8	6	45%	29	20	45%
Cost of products sold	3	12	-78%	7	36	-80%
Cost of goods sold	2 740	2 846	-4%	8 294	8 507	-3%
EBIT	-55	-49	12%	-159	365	-
EBITDA	-53	-47	12%	-153	371	-

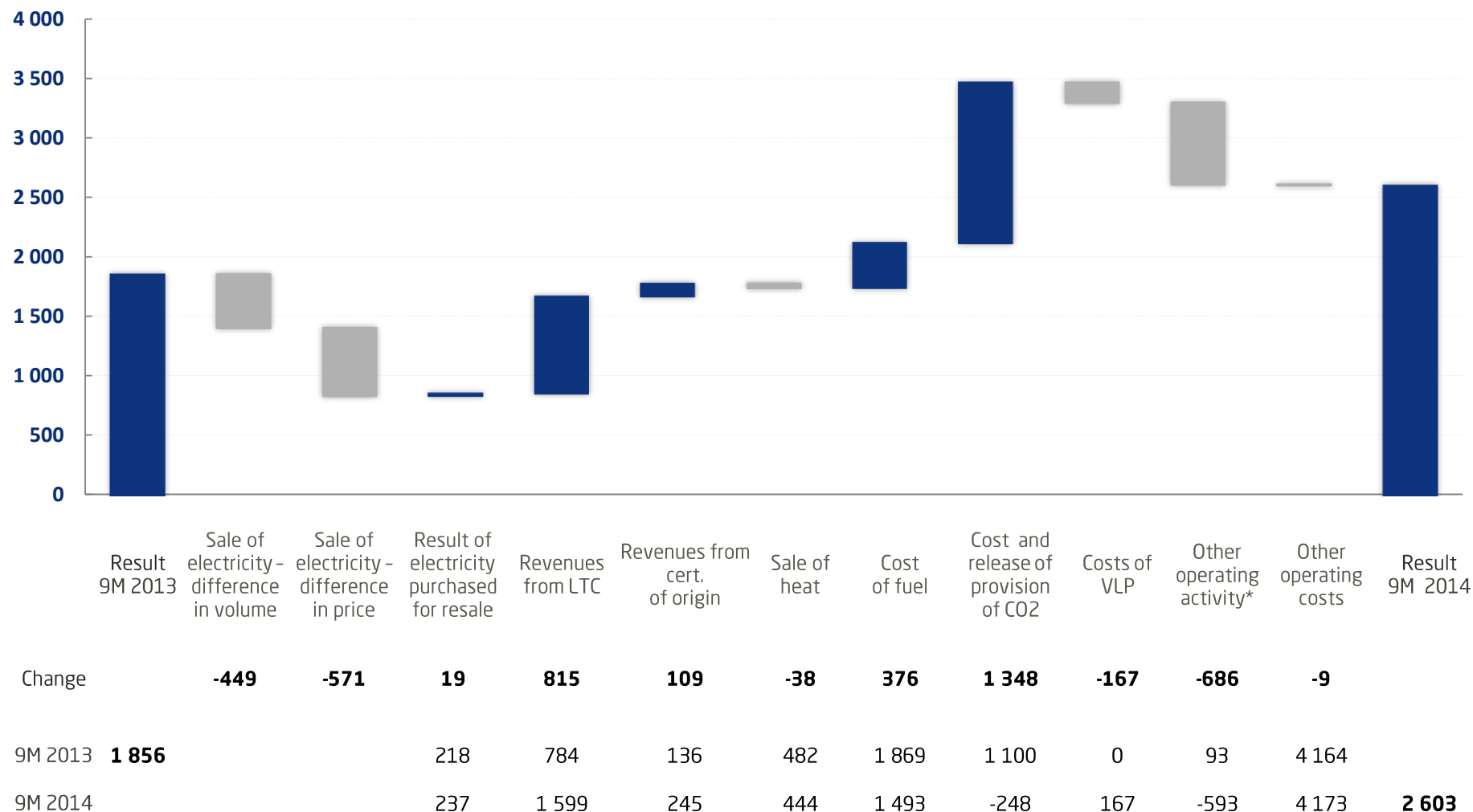
Conventional Generation - EBIT Q3 2014

Key Changes in EBIT (PLN m)



Conventional Generation - EBIT 9M 2014

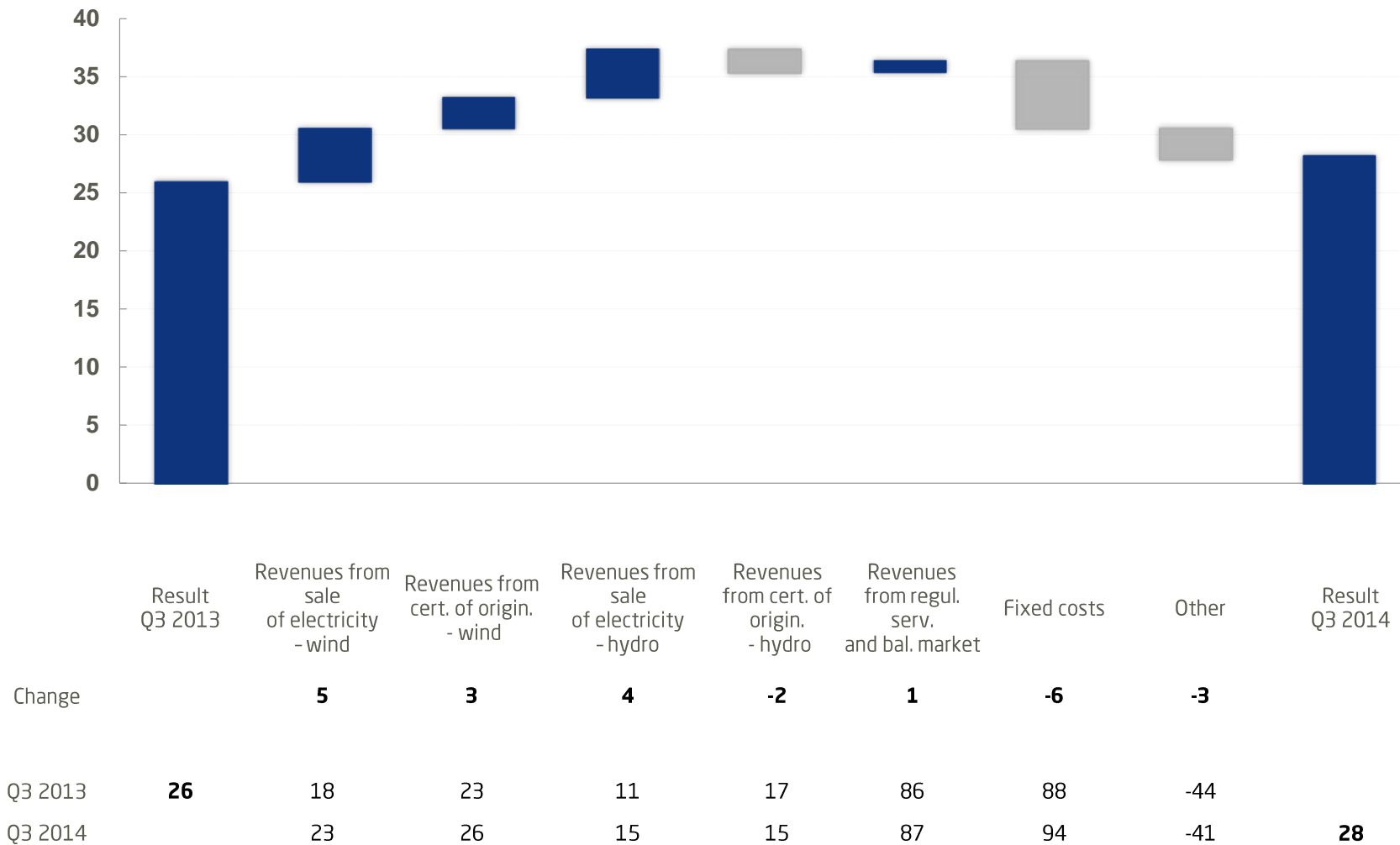
Key Changes in EBIT (PLN m)



* including the change in the discount rate for recultivation (PLN -601.2m)

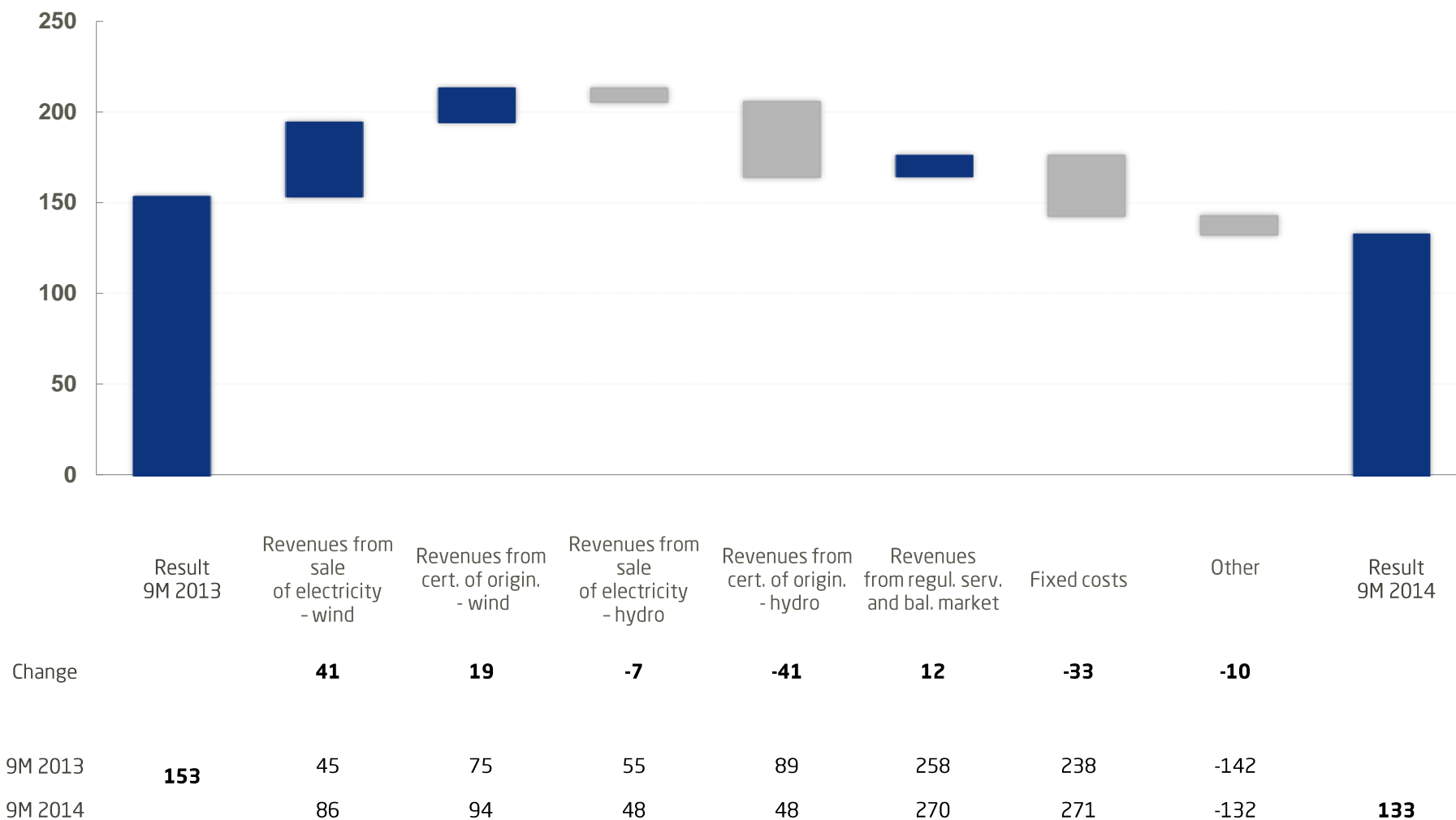
Renewable Generation - EBIT Q3 2014

Key Changes in EBIT (PLN m)



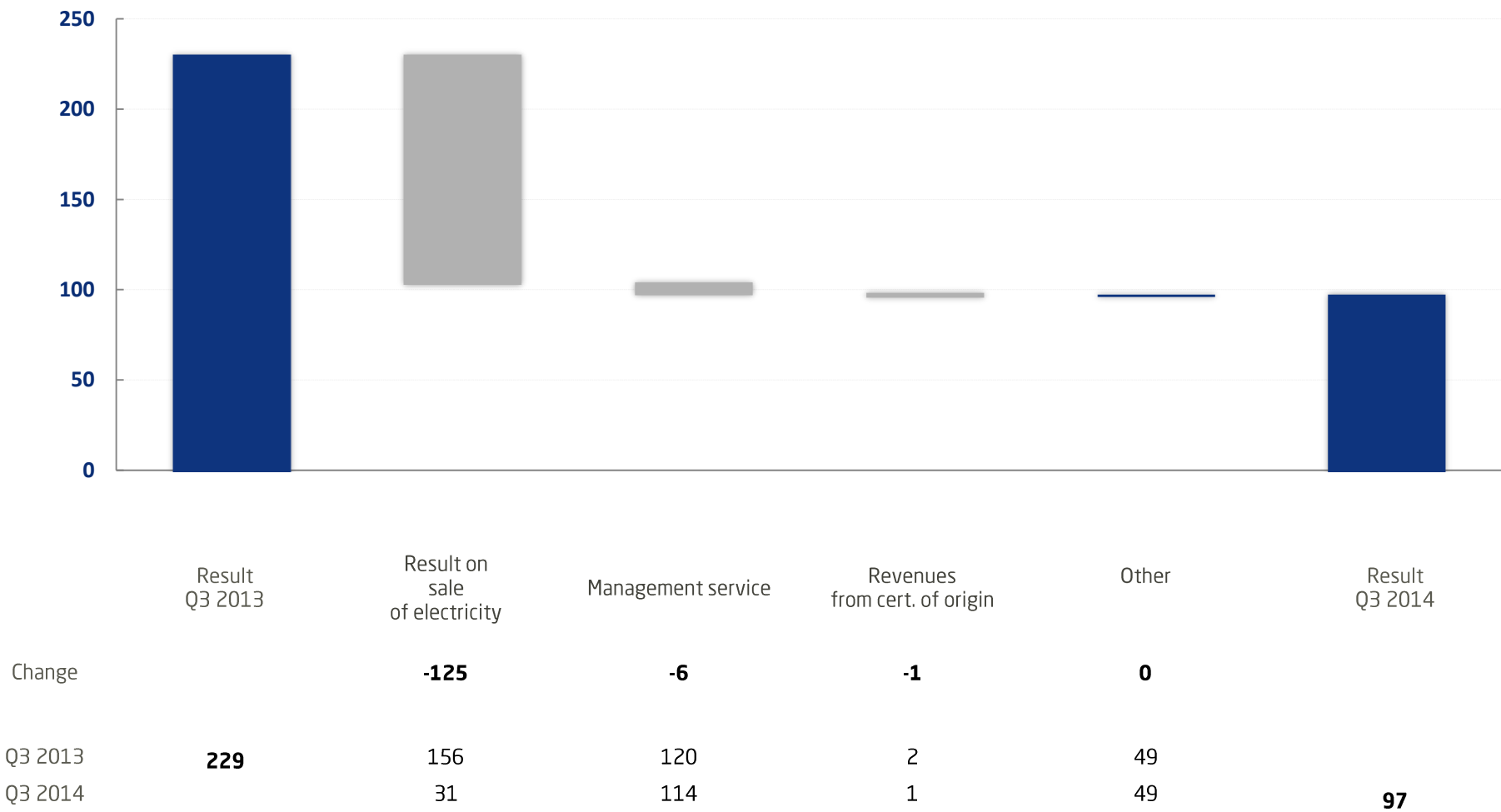
Renewable Generation - EBIT 9M 2014

Key Changes in EBIT (PLN m)



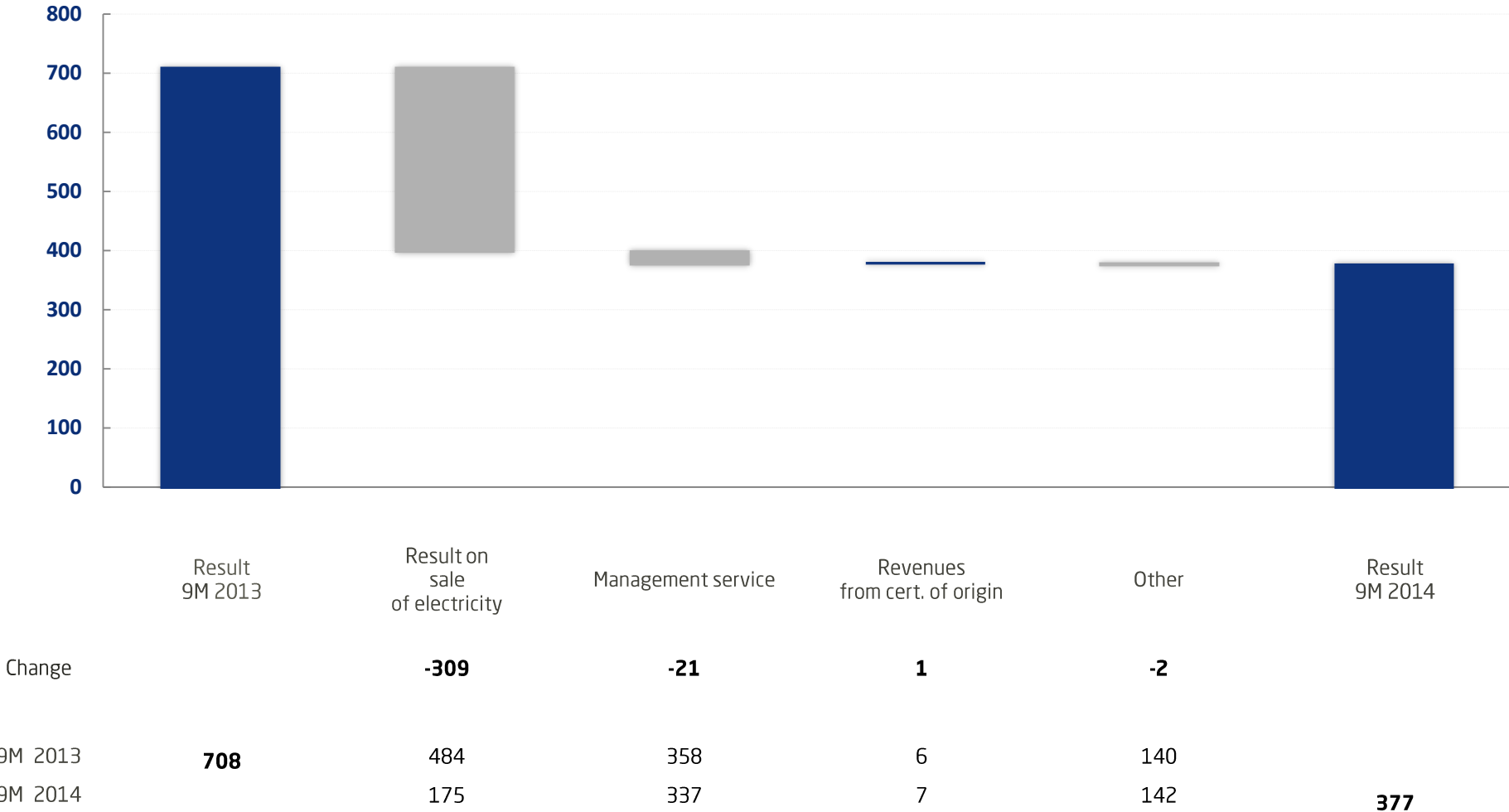
Wholesale - EBIT Q3 2014

Key Changes in EBIT (PLN m)



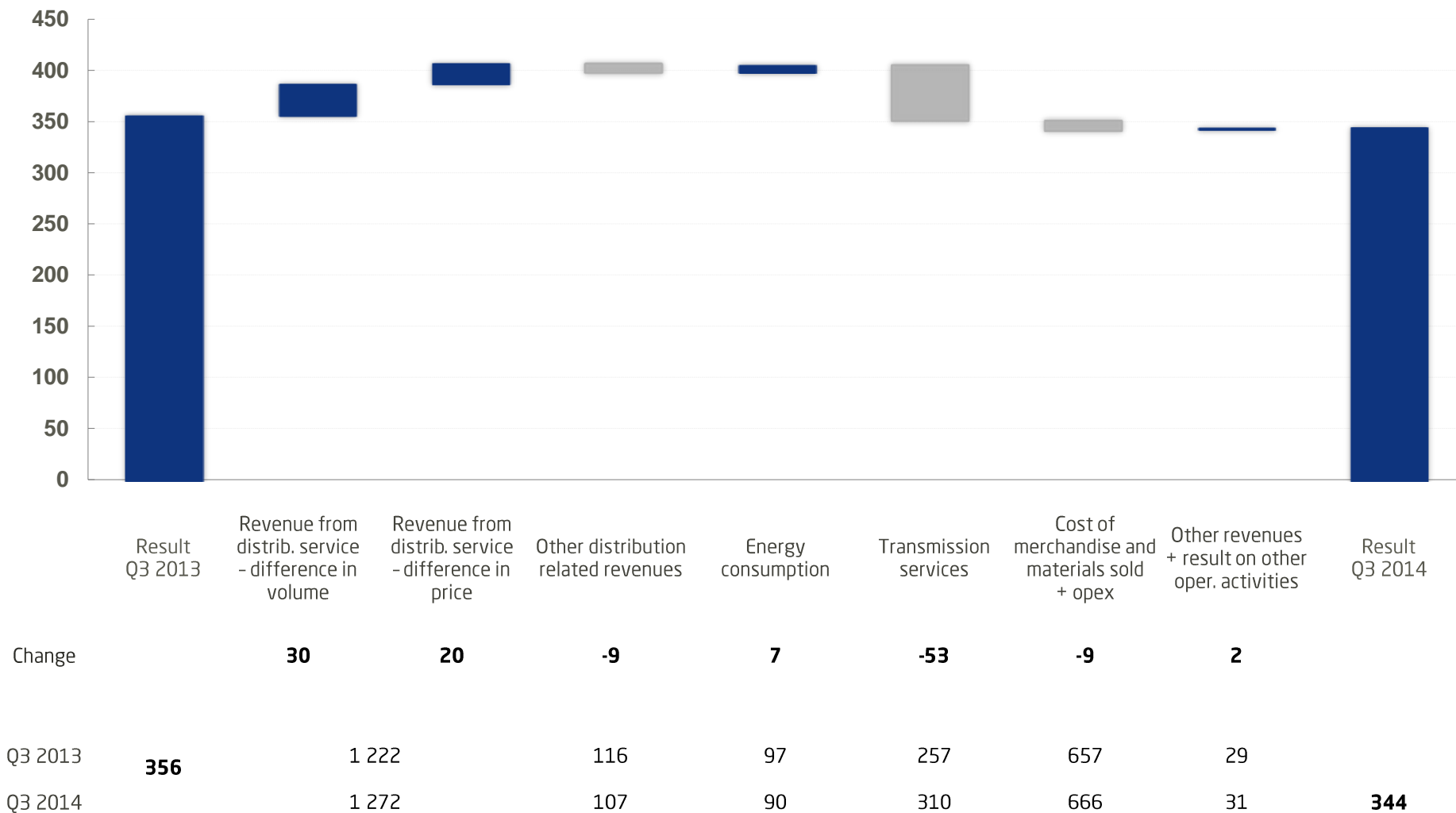
Wholesale - EBIT 9M 2014

Key Changes in EBIT (PLN m)



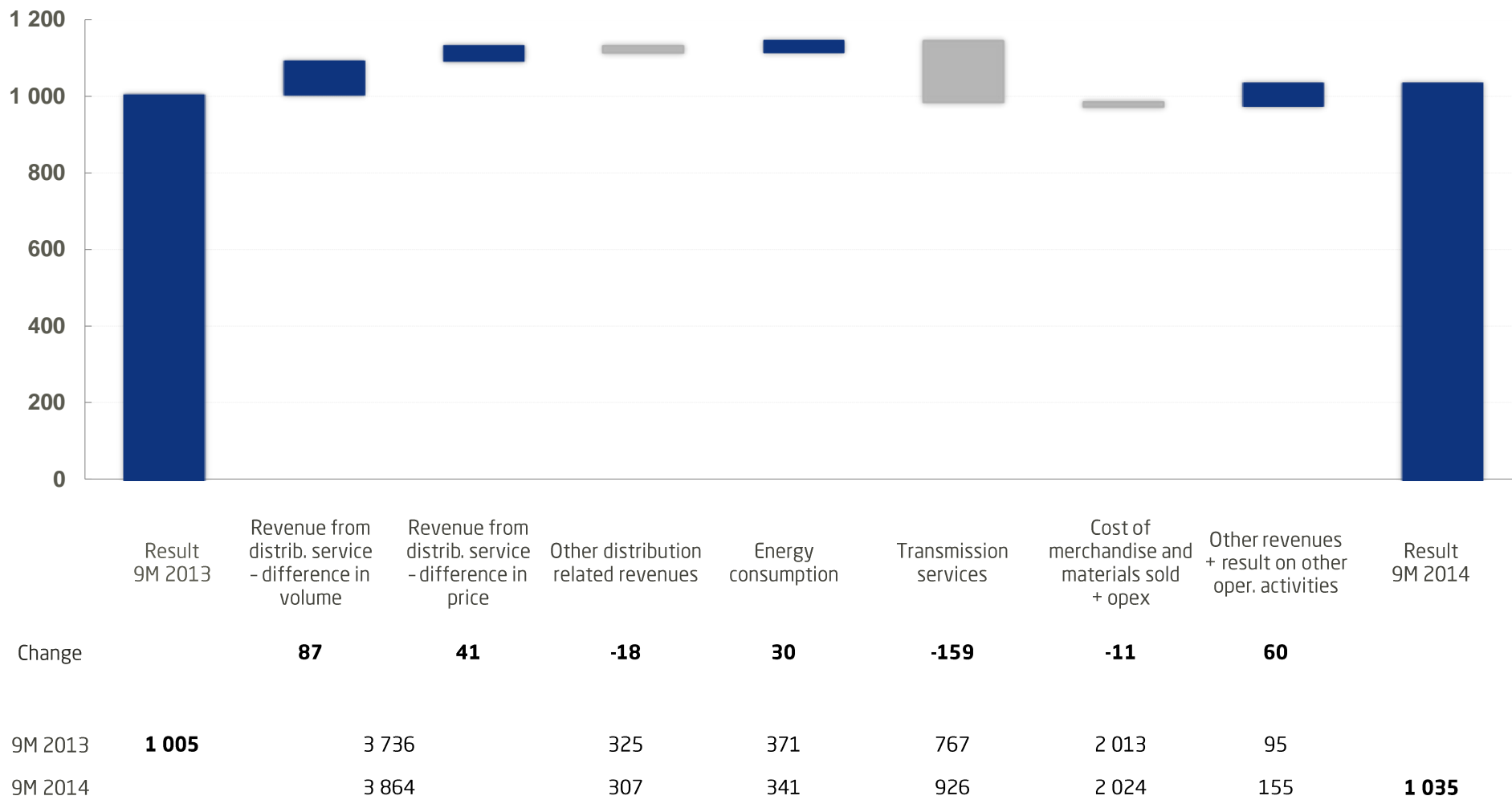
Distribution - EBIT Q3 2014

Key Changes in EBIT (PLN m)



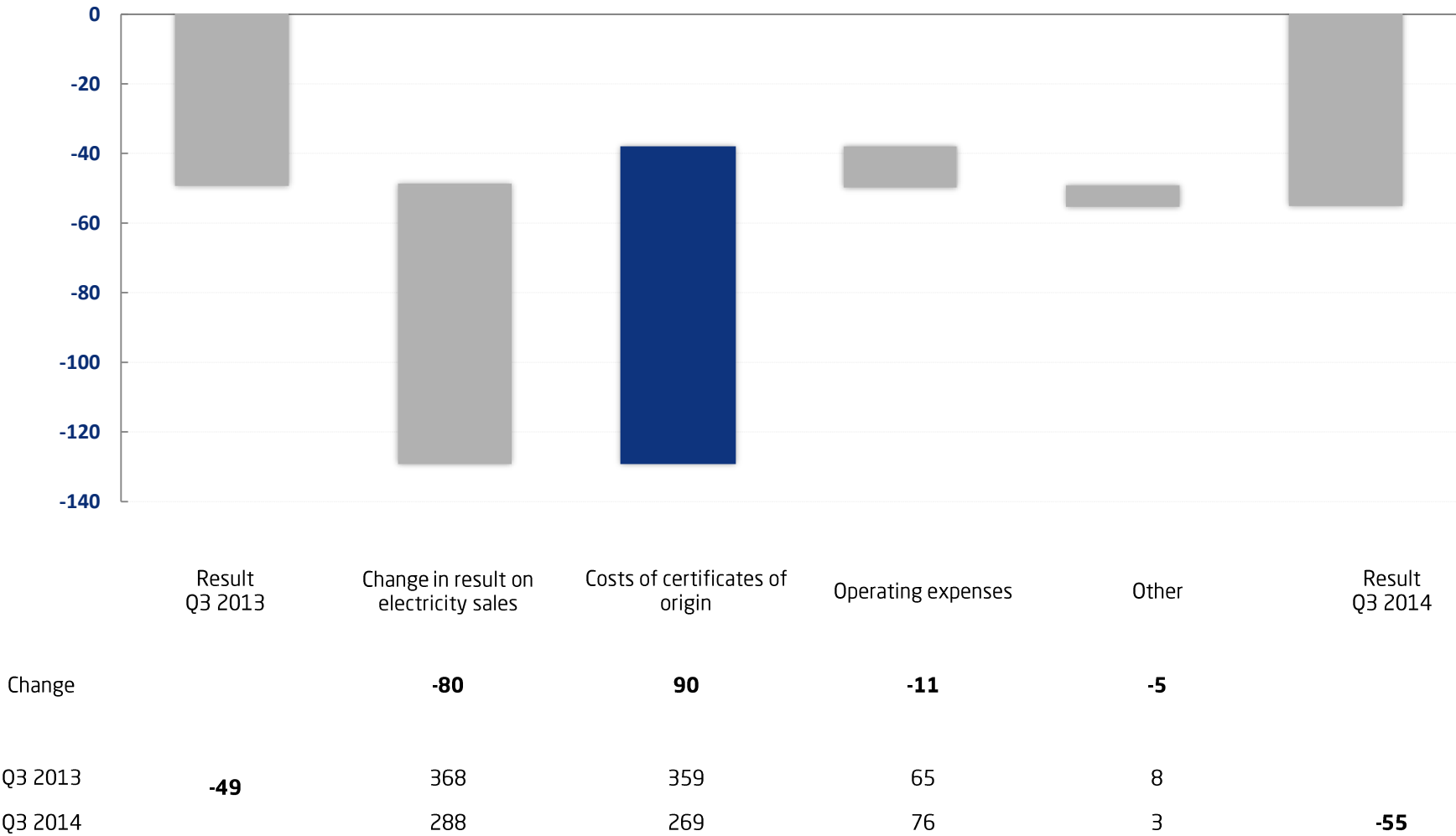
Distribution - EBIT 9M 2014

Key Changes in EBIT (PLN m)



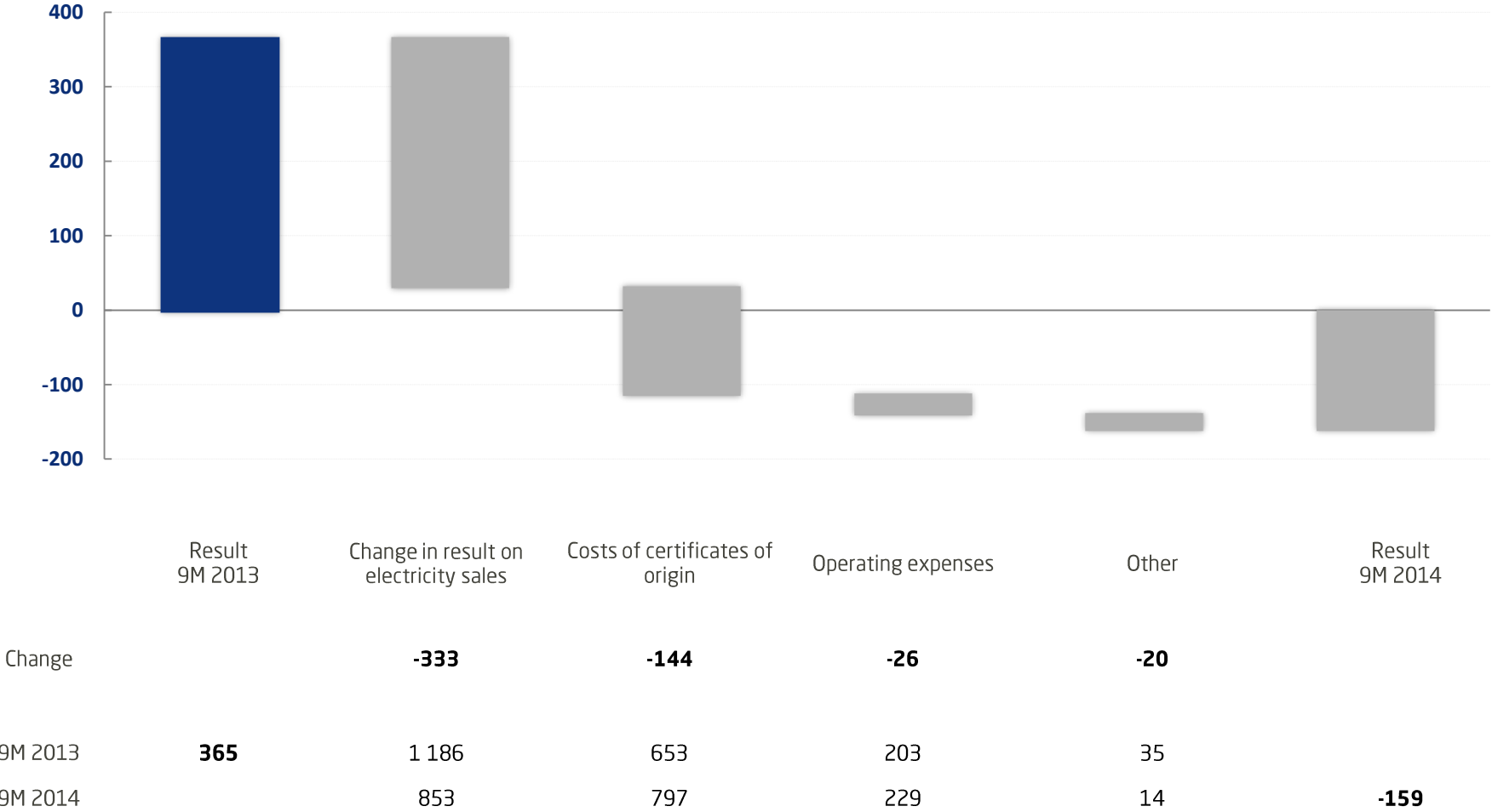
Supply - EBIT Q3 2014

Key Changes in EBIT (PLN m)



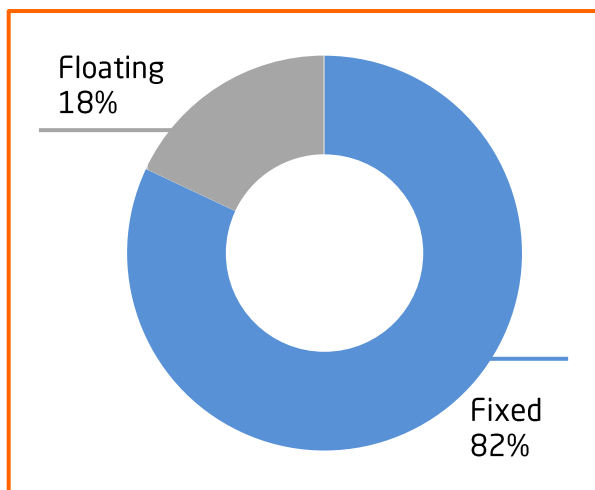
Supply - EBIT 9M 2014

Key Changes in EBIT (PLN m)

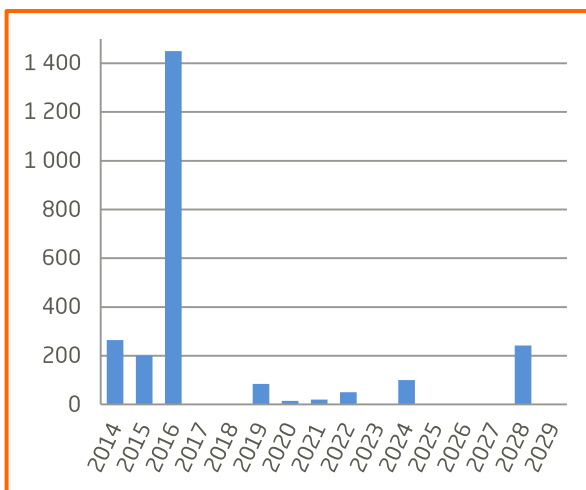


Debt Structure and Liquidity (as at September 30, 2014)

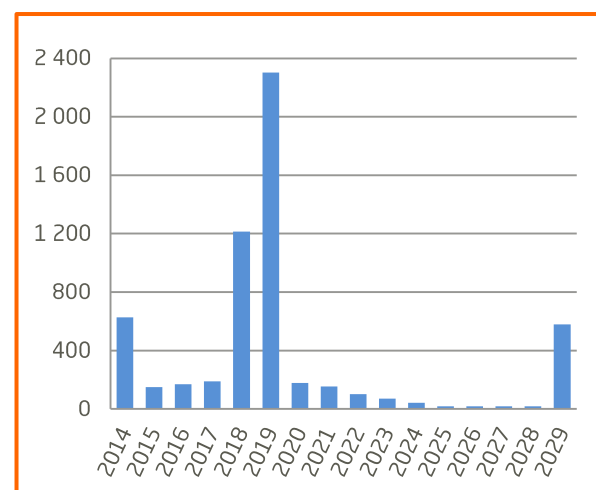
Fixed vs Floating Debt (Drawn Debt)



Available Lines of Credit (PLN m)



Debt Maturity Profile (Drawn Debt PLN m)



Debt Location Within the Group (Drawn Debt PLN m)

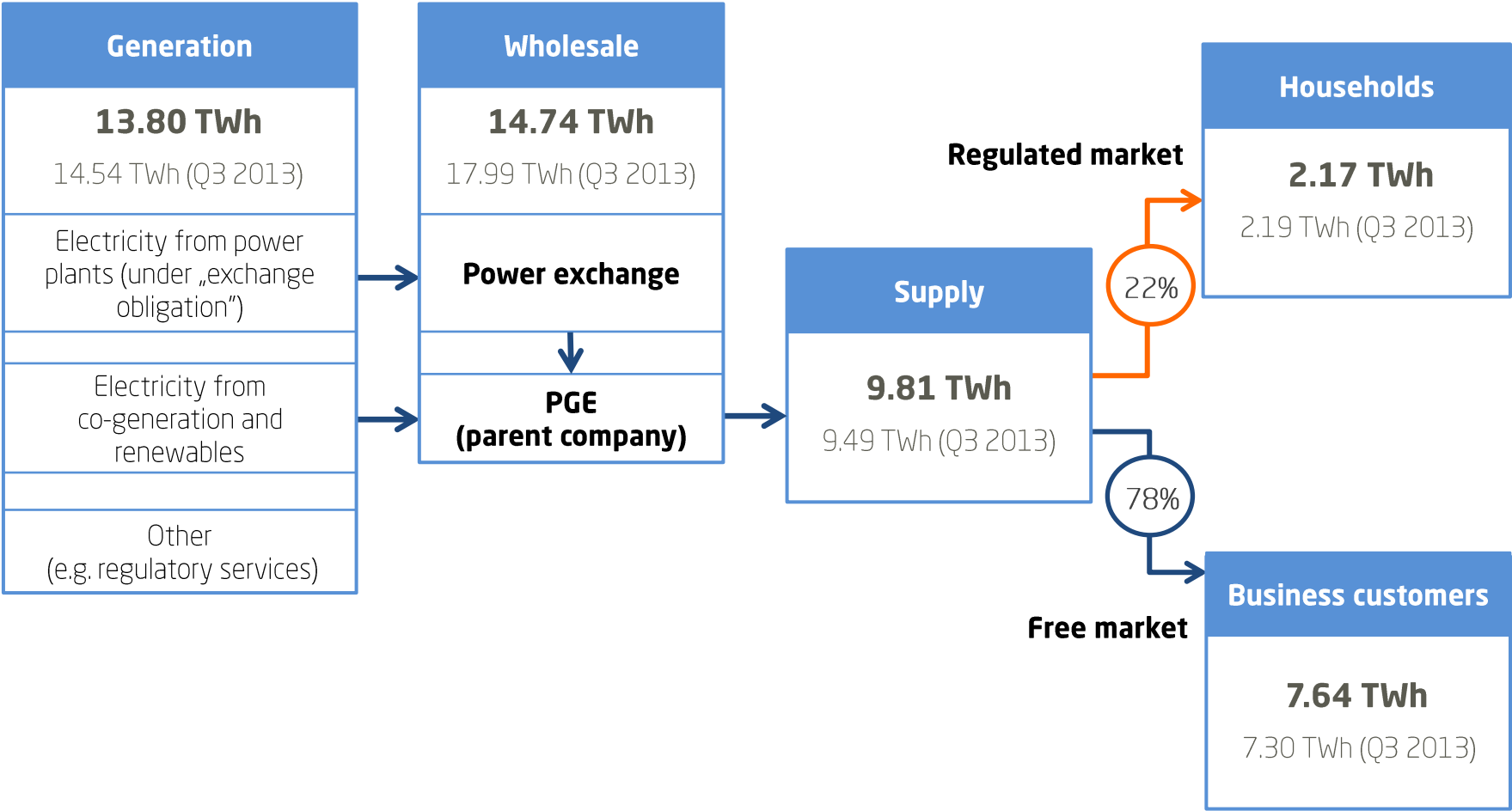
	External		Intra-group	
	Holding	Subsidiaries	Subsidiary bonds purchased by PGE	PGE loans from subsidiaries
As at end of				
June 2014	1,000	3,665	4,759	2,125
September 2014	1,000	3,786	3,779	2,728

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

Q3 2014 Key business flows

Key business flows (illustrative only)



PGE cash position provides...

... plenty of headroom in the balance sheet

	9M 2014	H1 2014
Gross Debt (PLNm)	4,802	4,660
Net Cash (PLNm)	1,020	1,920
Net Debt/LTM EBITDA	-0.13x	-0.23x
Net Debt/Equity	-0.02x	-0.04x

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		May 23, 2014
Senior unsecured rating		BBB+
Date of the latest rating change	May 26, 2014	August 4, 2011
Date of the latest rating confirmation		May 23, 2014
Long-term national rating		AA- (pol)
Date of rating assignment		August 10, 2012
Date of latest rating confirmation		May 23, 2014

CO₂ 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

2014 allowances settlement

- In Q3 (9m) 2014 PGE's installations emitted 14.95m tonnes of CO₂ (43.58m tonnes)
- Consequently PGE's full cost related to CO₂ emissions in Q3 (9m) 2014 amounted to approx. PLN 181m (502m)

Free EUA recognized at a zero value - note 15 9m 2014 consolidated FS

	EUA		CER/ERU		Total value
	Quantity (mn)	Value (PLN m)	Quantity (mn)	Value (PLN m)	(PLN m)
As at Jan 1. 2013	76	597	6	194	791
Purchased	38	772	-	-	772
Free allocation for 2013	-	-	-	-	-
Redeemed	(55)	(42)	(6)	(193)	(235)
Adjustments	-	77	-	(1)	76
As at Dec 31, 2013	59	1,404	-	-	1,404
Purchased	21	495	2	2	497
Free allocation	34	-	-	-	-
Redeemed	(61)	(682)	-	-	(682)
As at Sept. 30, 2014	55	1,219	-	-	1,219

Provision for purchase of CO₂ allowances - note 20 9m 2014 consolidated FS (PLN m)

As at Jan 1, 2014	1,432
Provided in the reporting period (9m 2014)	502
Redeemed	(682)
Released provisions	(751)
As at Sept., 30 2014	501

Impact on P&L (PLNm) - illustrative only

Costs by kind	12,044
Taxes and charges	2,160

Revenues from LTC compensations - components of revenue

Other operating revenues

Reversal of adjustments from 2011

- PLN246 m in 9m 2014
- There is approximately PLN250m left

Revenues from LTC compensations - operating part

Adjustments

- The difference between the projected value of the annual adjustment for the year (n-1) and the actual adjustments value

Allocated part of the final adjustment

- Allocated part of the final adjustment - [dependent on the forecasts for the years from the year (n) until 2016 and the discount rate]

Annual adjustment

- The projected value of the annual adjustment for year (n) - [dependent on the forecasted results of the year (n)]

Advance payments

- The amount of advance payments received in year (n) in accordance with the request made in year (n-1)

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 2011-2013 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	Court of Appeal verdict*
2009	Court of Appeal verdict	Case closed	Case at the Supreme Court	Court of Appeal verdict	CCCP verdict	Court of Appeal verdict
2010	CCCP verdict**	Court of Appeal verdict***	n/a	Court of Appeal verdict***	Court of Appeal verdict**	Court of Appeal verdict***

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

** 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 - favourable verdict
	Court of Appeal - favourable verdict. ERO President entitled to cassation appeal
	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 - favourable verdict

PLNm	2011	2012	2013	9M 2014
Provision for outstanding court cases re LTC from 2008-2010	(1,038)			
Reversal of provision based on legally binding verdicts	-	200	337	246

Sell-side analysts covering PGE

Domestic analysts

Institution	Analyst
• BOŚ	• Andrzej Bernatowicz
• BRE Bank	• Kamil Kliszc
• BZ WBK	• Paweł Puchalski
• Citigroup	• Piotr Dzieciołowski
• Deutsche Bank	• Tomasz Krukowski
• Espirito Santo	• Maria Mickiewicz
• ING Securities	• Milena Olszewska
• Ipopema	• Piotr Zielonka
• JP Morgan	• Michał Kuzawiński
• PKO BP	• Stanisław Ozga
• UniCredit CAIB	• Flawiusz Pawluk

Foreign analysts

Institution	Analyst
• Erste Group	• Tomasz Duda
• Goldman Sachs	• Fred Barasi
• HSBC	• Dmytro Konovalov
• Morgan Stanley	• Igor Kuzmin
• Raiffeisen Centrobank	• Teresa Schinwald
• UBS	• Michał Potyra

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