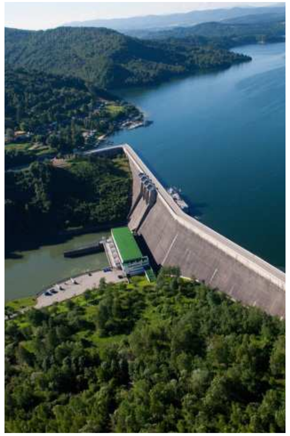
Q3 & 9M 2016 Financial and Operating Results

November 9, 2016


Q3 & 9M 2016 Financial and Operating Results

Key takeaways

Henryk Baranowski

- President of the Board and CEO

Highlights of Q3 2016

Financial results

- **PLN 1.6 bn** EBITDA
- **PLN 1.9 bn** net cash from operations
- **PLN 0.7 bn** adj. net profit to equity
- **PLN 0.36** Adjusted EPS

Operations

- **13.6 TWh** Net generation (-3% yoy)
- **8.5 TWh** Distribution volume (+2 yoy)
- **10.5 TWh** Sales to end users (+7% yoy)

Key events

- Bełchatów Power Plant modernization finalized
- Capacity market draft
- Strategy update

Strategy

- Flexibility and efficiency
- Modern conventional electricity
- New technologies and business models

Updated strategy in a nutshell

OPERATIONAL EFFICIENCY

- Reduction of the controllable costs
- Optimization of maintanance costs
- Flexibility of generation units
- Efficient waste management
- Process and organizational efficiency

- **PLN 0.5 bn** of reduction vs. 2016
- **PLN 3.5 bn** of total cost reduction vs. current forecasts

- **PLN 0.5 bn** of total reduction

INVESTMENTS

- Modern Opole and Turów power plants
- BAT modernizations
- Reduction of distribution indicators
- Strategic options
- RES Development

SAIDI	**-56%**
SAIFI	**-56%**
Connection time	**-40%**

- Offshore
- Modern coal-fired power generation
- Nuclear power plant

- **25%** share in Poland's electricity production from RES in 2030.

NEW TECHNOLOGIES AND BUSINESS MODELS

- Energy efficiency
- Development and commercialization of innovative solutions and technologies
- Comprehensive customer offering

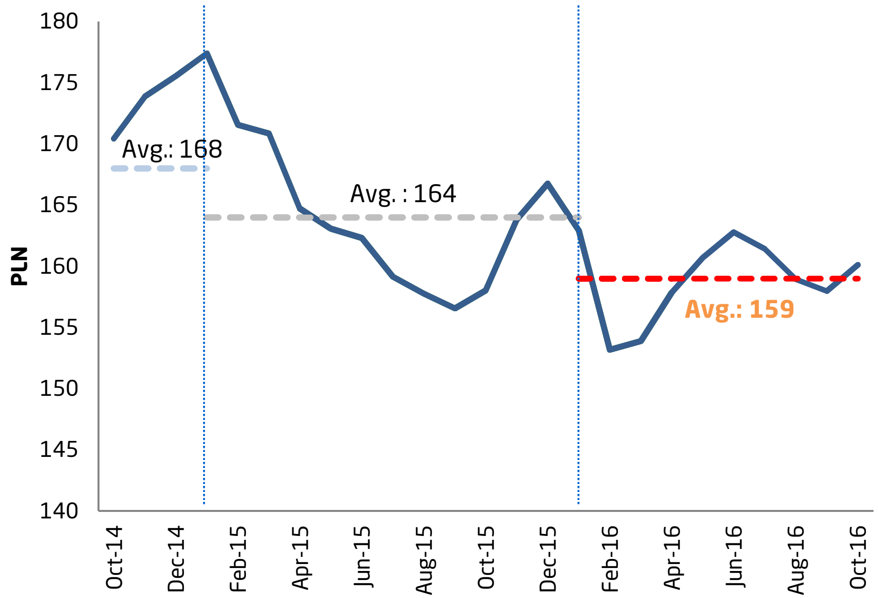
In search of stability

Macroeconomic environment

	Q3 2016	Q3 2015	9M 2016	9M 2015
Real GDP growth (yoy)	2.9%*	3.4%	3.0%*	3.4%
Domestic Electricity Consumption growth (yoy)	0.7%	2.3%	1.7%	2.0%
Domestic Electricity Consumption (TWh)	39.55	39.28	121.18	119.19

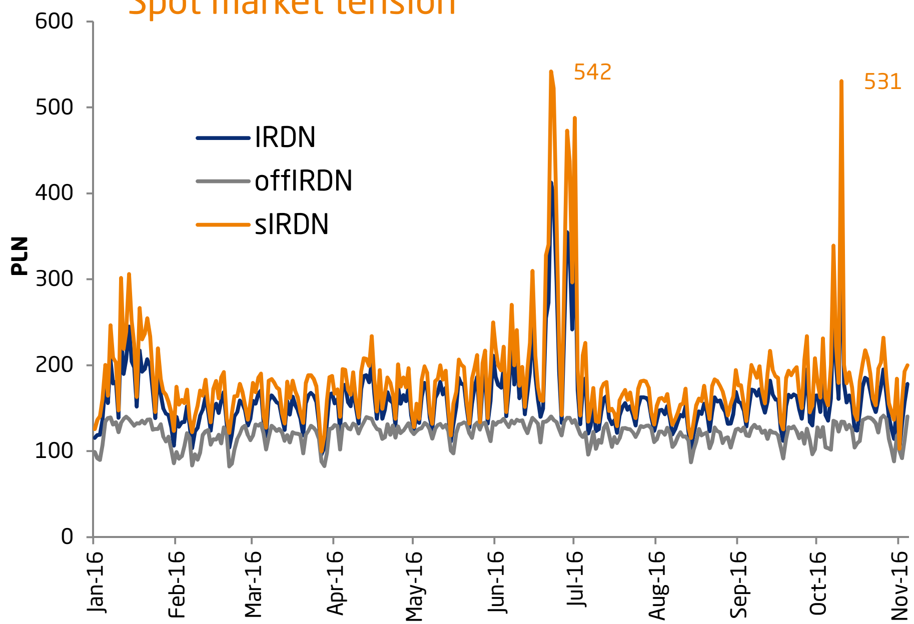
* Forecasted

BASE Forward next year



Source: TGE

Spot market tension



Source: TGE

Key regulatory issues

Capacity Market

Consultation process report and new draft of the mechanism

- **Application of baskets** allowed – stimulation of new investments and modernizations
- Main auctions **5 years before capacity delivery**
- **First auction** planned **in 2017**, with **2022 delivery**
- **Regulated issue of alternatively supported units** (i.a. co-firing biomass)

ORM

Proposed changes of mechanism from 2018

- Required capacity reserve: **9% of demand to be covered by domestic power plants**
- ORM remuneration granted on **basis of Balancing Market bids and generation costs** – with price set down by the last accepted ORM bid
- **DSR allowed** to the mechanism

DSR participation possible from 2017

Regulation draft sent to ERO President for approval

RES

Obligation to redeem agricultural biogas certificates (blue certificates) starting from Q3 **(0.65%)**

First auctions envisaged in December (agricultural biogas and installations up to 1 MW)

2017 RES obligations determined:

- Green 15.4%
- Blue 0.6%

Ongoing investment program

Development projects

- **Overall progress** of works at **Opole II** project **exceeded 60%**

  Most important objects already constructed

- **Turów project**: ongoing foundation works

- **Gorzów CHP project**: entered phase of adjustment operations, trial run will start within next few days

  Commissioning scheduled on December 2016

Modernisations

- **Comprehensive modernisation of units 7-12 in Bełchatów:** all units commissioned, in Q3 the highest production volumes since the beginning of the year

- **Modernisation of units no. 1-3 in Turów:** ongoing reception of main project for particular islands

- **Pomorzany modernisation:** agreement for installation of flue gas denitrification signed in October

Investment in distribution

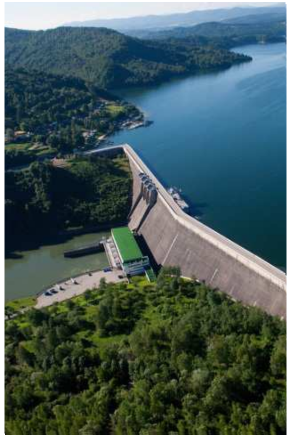
- **Łomianki – Czosnów** HV transmission line - agreement with contractor signed

  Tender for main power supply point in Czosnów settled

  Value of investment around Czosnów – ca. PLN 200 million

- "Connect with us" – till the end of current year more than 50 ths pilot AMI counters in Augustów and Łódź

- Total RES capacity connected to network – 173 MW, incl. 65 MW of microinstallations



Q3 & 9M 2016 Financial and Operating Results

Detailed financial and operating results

Emil Wojtowicz

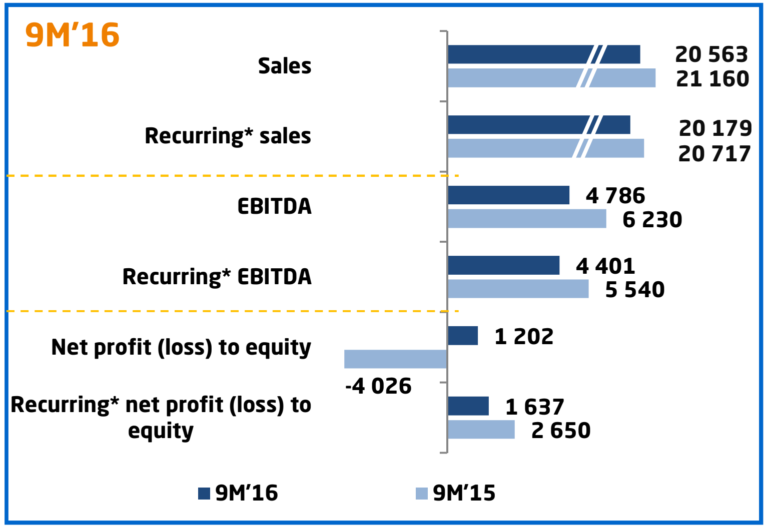
- Vice-President of the Board, CFO

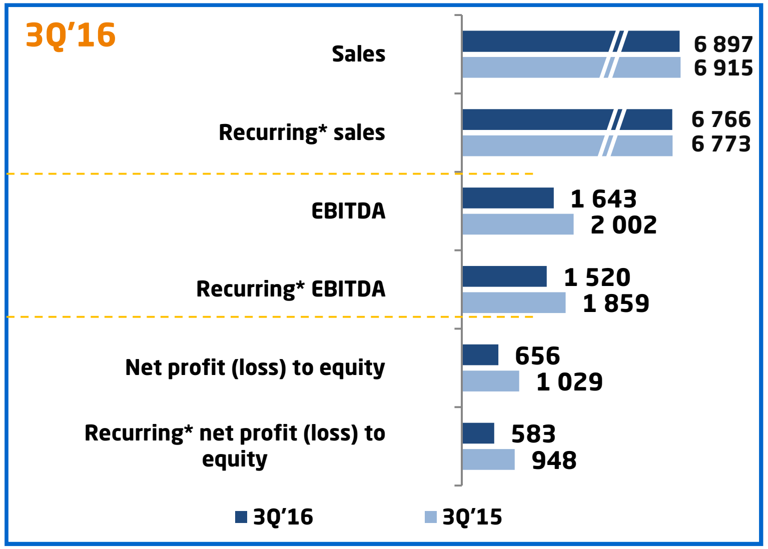
Focusing on the key financial results

PLN m	Q3'16	Q3'15	yoy	9M'16	9M'15	yoy
Sales revenues	6 897	6 915	0%	20 563	21 160	-3%
EBITDA	1 643	2 002	-18%	4 786	6 230	-23%
Recurring* EBITDA	1 520	1 859	-18%	4 401	5 540	-21%
Net profit (loss) to equity	656	1029	-36%	1202	-4026	n.a.
EPS ex. Impairment (PLN)**	0.36	0.57	-37%	1.04	1.72	-39%

Net cash from operating activities	1 934	2 148	-10%	4791	5217	-8%
CAPEX	1 907	2 505	-24%	5 597	5 837	-4%
Net debt, end of period				4 191	2 637***	

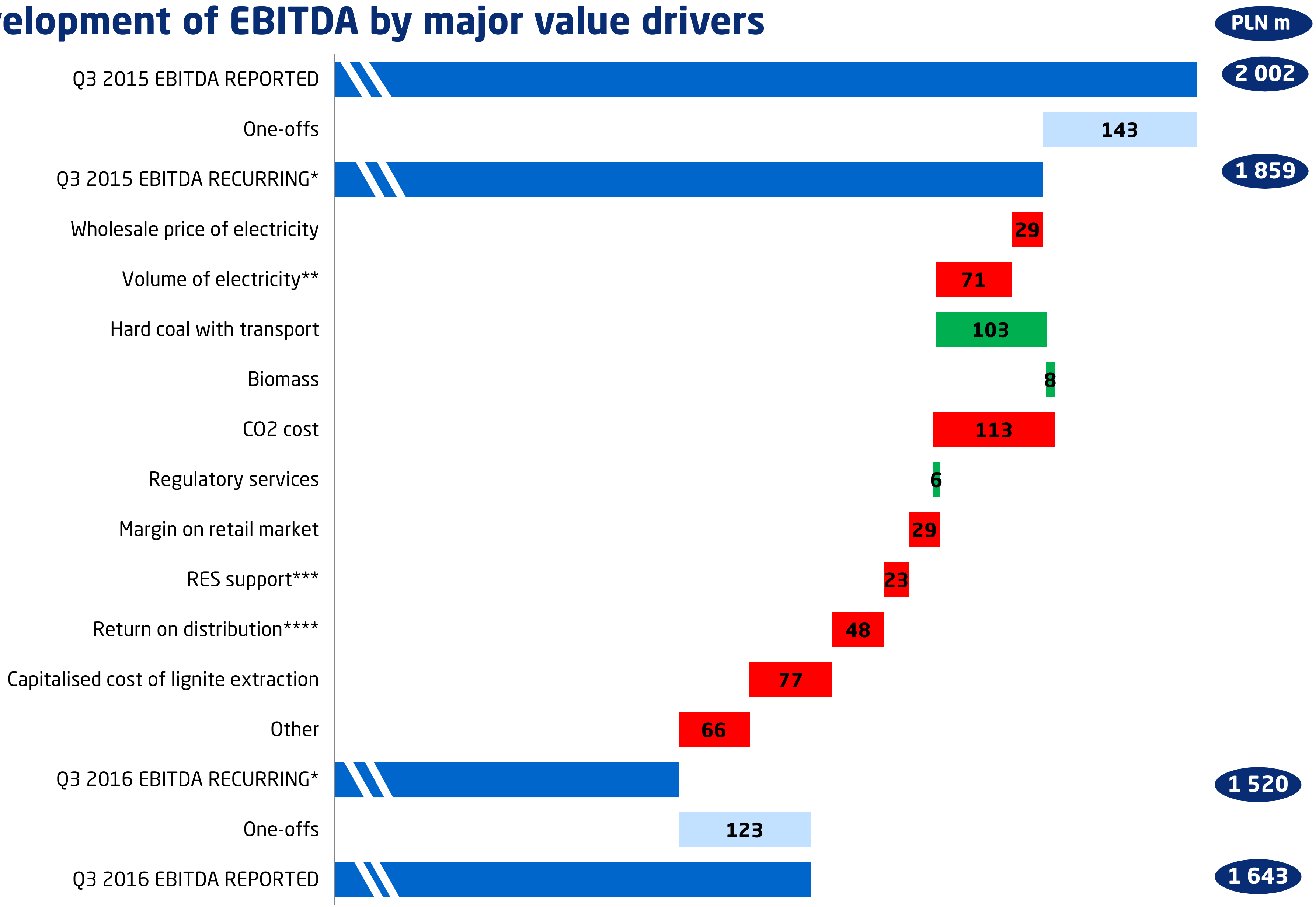
Credit ratings	Rating	Outlook
Fitch	BBB+	Stable
Moody's	Baa1	Stable





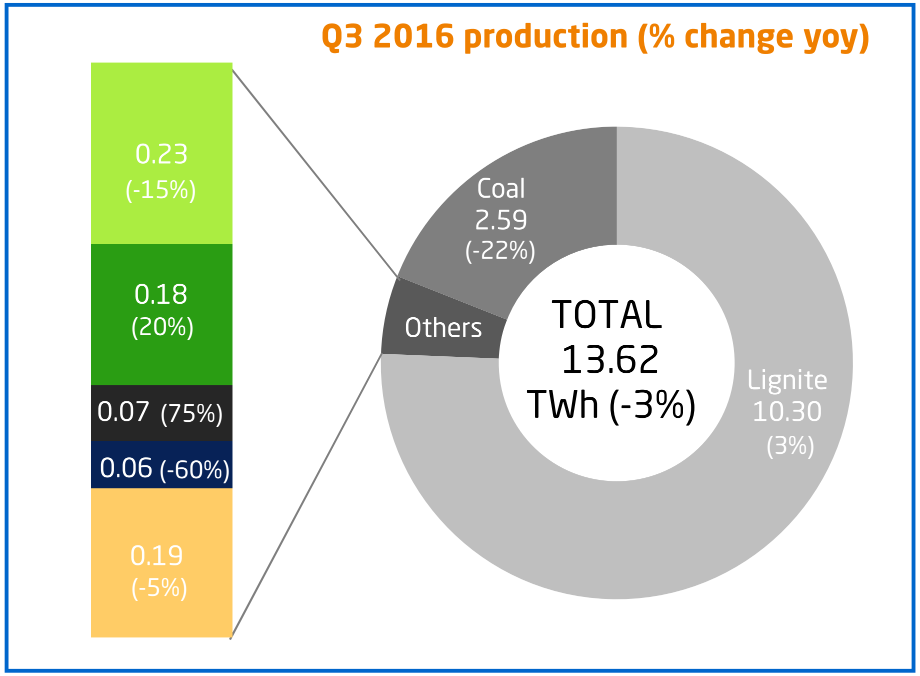
* Recurring = excluding significant one-off items (for details please see page 22)
** Basis for dividend computation
*** As at December 31, 2015

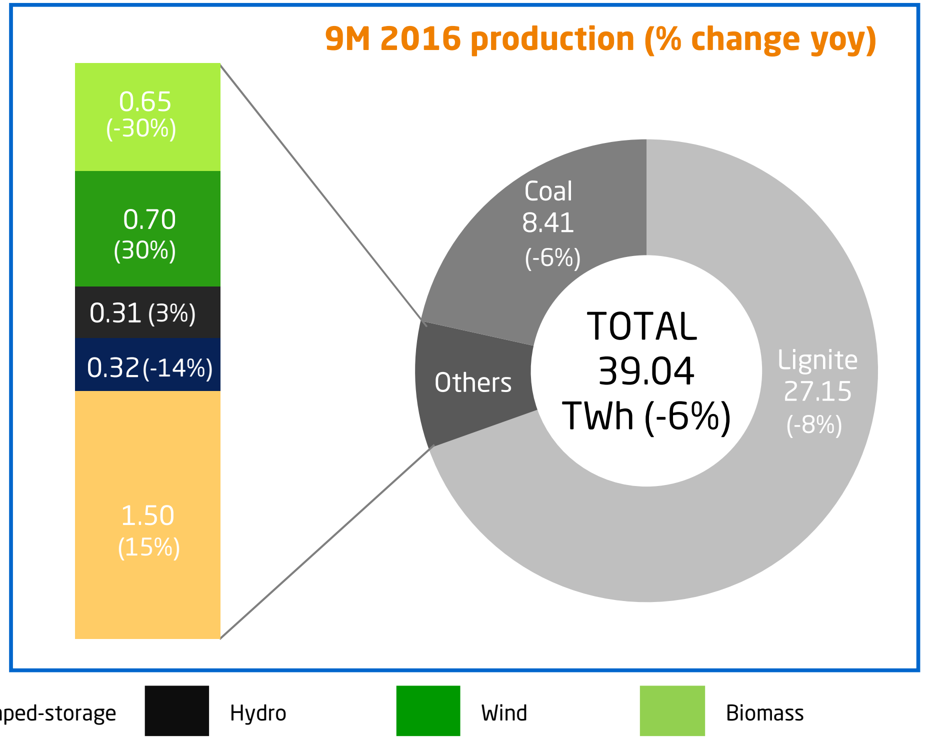
Development of EBITDA by major value drivers



* Recurring = excluding significant one-off items
** Including generation-related environmental costs
*** Since Q3 2016 includes cost of blue certificates
**** Including network losses

Summary of generation performance - structure by fuel*





- Lignite generation rose in Q3'16 due to easier overhaule schedule compared to previous year (return of Bełchatów units 9 and 10). From YTD perspective, putting aside modernization consideration, volumes were lower because Unit 1 Bełchatów was reassigned to peak reserve.
- Hard coal generation declined in Q3'16 by one-fifth because of lower demand from TSO and lower demand for heat in relatively warmer September 2016.
- Wind generation expanded due to wind farms launched at the break of the year: Resko II, Lotnisko and Kisielice II added 178MW (i.e. 51%) to our portfolio, however, weather conditions negatively influenced like-for-like generation of existing farms.
- Biomass generation declined as the RES Act reduced undedicated co-combustion support.
- Natural gas generation declined mildly in Q3'16 as warmer September translated into lower demand for heat

*Volumes presented at the circle above include both power plants and CHPs adjusted for biomass (production structure by units is presented at pg. 19)

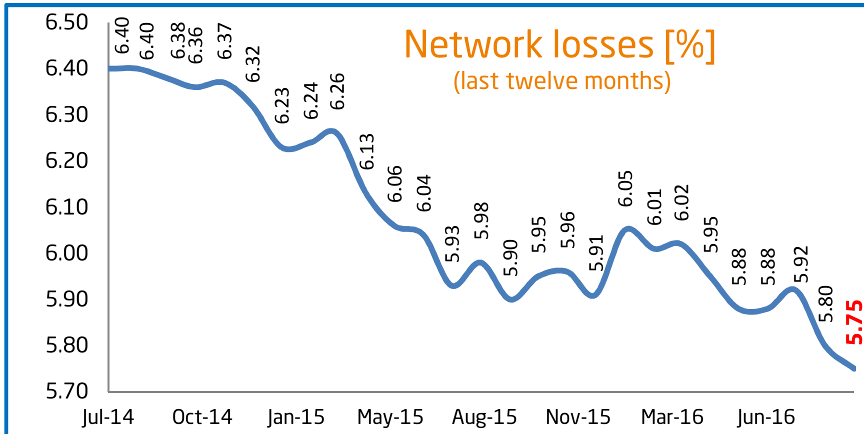
Operational efficiency

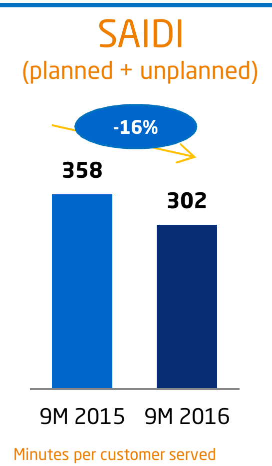
Generation assets

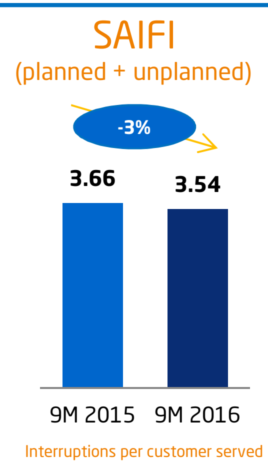
	Lignite	Hard coal	CHPs	Wind assets
Availability Q3 2016	93.6%	92.9%	85.1%	97.2%
Availability Q3 2015	84.3%	85.3%	82.9%	97.5%
Capacity factor Q3 2016	79.5%	50.2%	21.5%	17.2%
Capacity factor Q3 2015	73.3%	60.8%	28.7%	20.9%

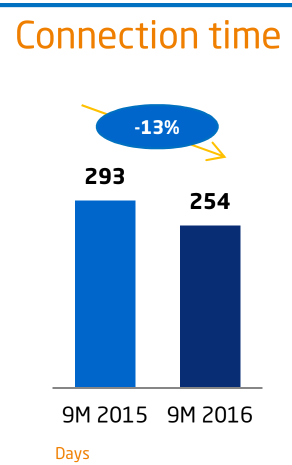
* Capacity factor excluding units no. 1-2 in Dolna Odra (Interventional Cold Reserve) and unit no. 1 in Bełchatów (working as a peak unit)

Distribution assets

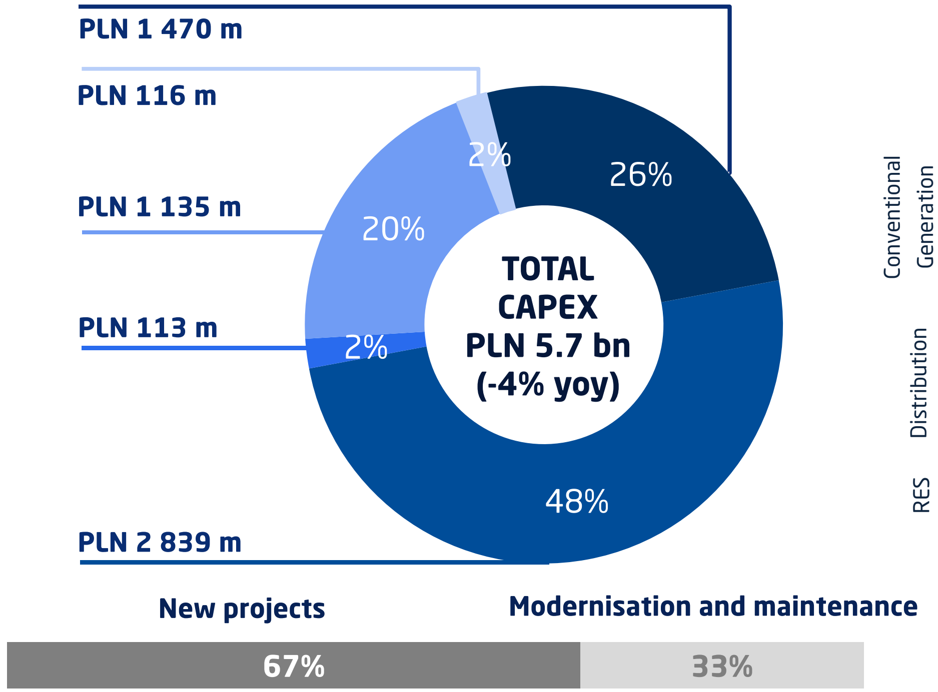








Capital expenditures in 9M 2016



Investments in generating capacities incl. Conventional generation, Renewables and Distribution

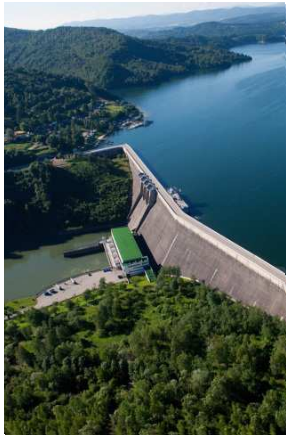
	Significant projects	CAPEX in 9M 2016
Conventional Generation	Construction of Opole II	PLN 2 603m
	Refurbishment and modernisation in Bełchatów	PLN 507 m
Distribution	Modernisation of distribution assets	PLN 497 m
	New developments in distribution area	PLN 638 m
RES	Lotnisko wind farm (final settlement in Q1 2016)	PLN 69 m

Conventional Generation - modernisation, maintenance & other
Conventional Generation - new projects
Renewables
Distribution
Supply & other

- CAPEX in Conventional Generation on similar level yoy, growing part of capital expenditures applies to development projects
- Stable CAPEX for projects in distribution area – mainly connections of new clients and MV and LV power grid
- Renewables projects in Q3 2016 limited to maintenance compared to heavy development projects last year

Division EBITDA outlook for 2017

	2017 outlook vs 2016	Main drivers
Conventional Generation	Lower	• Wholesale blended realized price insignificantly lower. Change of trading model • Termination of LTC settlements. Therefore no revenues in 2017 • Volumes on lignite higher as Bełchatów overhauls have been finished • Higher volumes from gas fired CHPs after commissioning of Gorzów CHP • Efficiency programs to be enhanced • Hard coal prices dependent on contract provisions and market situation • Negative influence of the drop in green certificates' prices • Allocation of free CO2 emission rights at the level of 15m tonnes compared with 19.9m in 2016
Renewables	Lower	• No changes in installed capacity yoy implies comparable generation volumes • Impact of low prices of green certificates undermines bottom line
Supply	Stable	• Negative impact of increasing market competition • Volatility of green certificates prices increases risk but temporarily improves margins
Distribution	Stable	• RAB valued at ca. PLN 15.6 bn for 2017 tariff • 2017 tariff still not approved WACC for 2016 set on 5.7% (pre-tax) • Efficiency programs to be continued

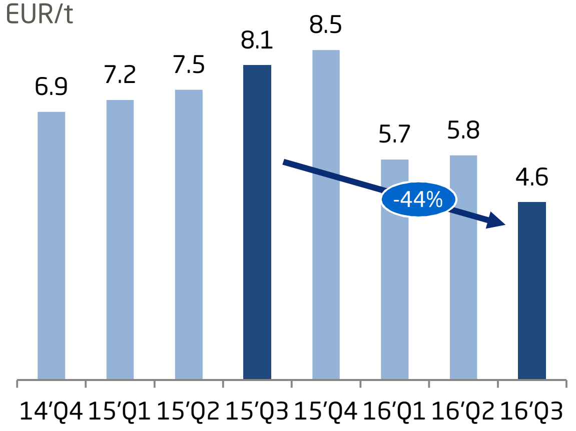




Q3 & 9M 2016 Financial and Operating Results

Additional information

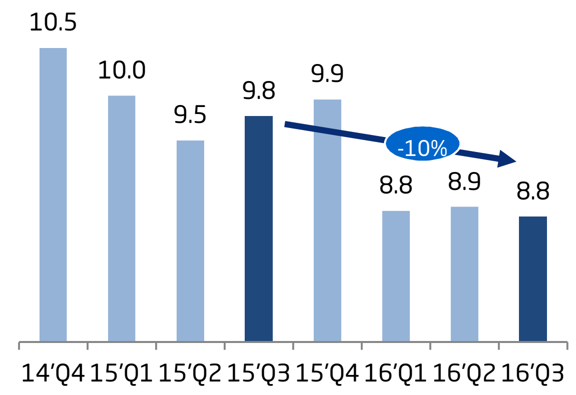
Commodity markets. Flattish electricity forwards, decline at the spot market

CO_2 allowance (EUA_DEC16)
EUR/t



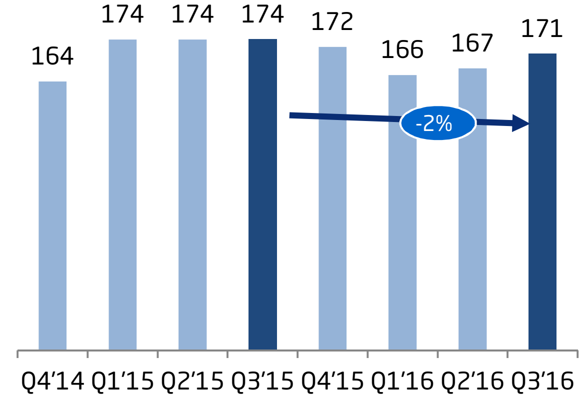
Source: Bloomberg

Hard coal (Polish Steam Coal Index PSCMI1)
PLN/GJ[1]



Source: ARP

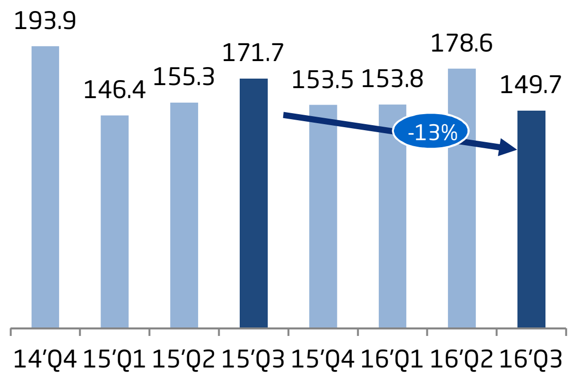
PGE average wholesale price of electricity
PLN/MWh



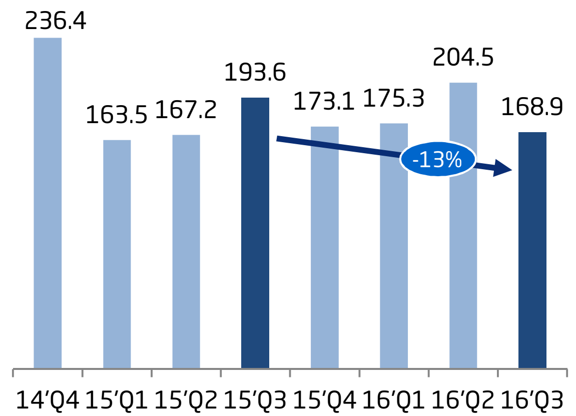
Source: PGE

Average quarterly TGE Electricity Prices 2014-2016
PLN/MWh

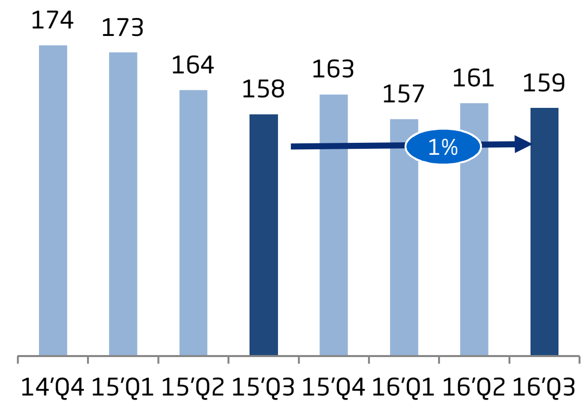
Base (spot)



Peak (Spot)



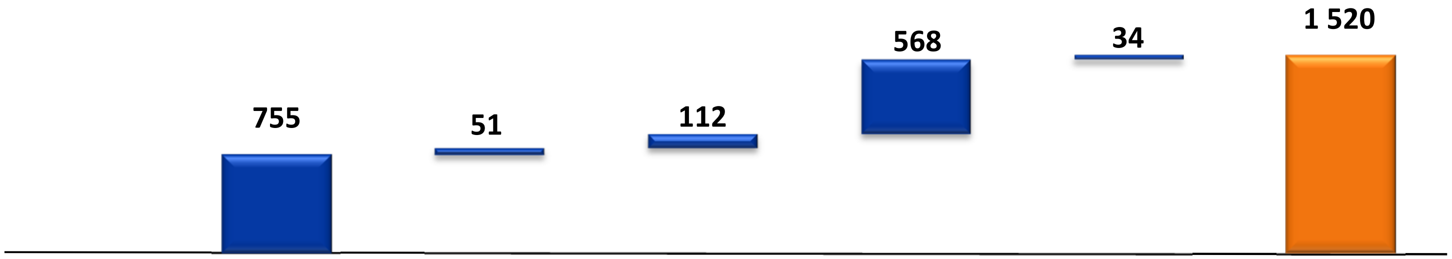
Base_Y_15/16/17 (Forward, next year)



Source: TGE

[1] arithmetic average of monthly data

Recurring* Q3 2016 EBITDA - composition and development



	Conventional	Renewables	Supply	Distribution	Other	EBITDA
Q3 2016	**755**	**51**	**112**	**568**	**34**	**1 520**
Share in Q3 2016 EBITDA (%)	50%	3%	7%	37%	2%	
Q3 2015	**985**	**75**	**144**	**630**	**25**	**1 859**
Change (PLN m)	-230	-24	-32	-62	9	-339
Change (%)	***-23%***	***-32%***	***-22%***	***-10%***	***36%***	***-18%***

Decrease mostly due to:
- Lower volumes generated in hard coal
- Lower blended price
- Higher cost of CO2 allowances

Negative effect partially limited due to lower price of hard coal and its lower consumption.

Higher volumes in wind with new farms commissioned, however, hampered by adverse weather conditions.

Additionally, negatively affected
by lower prices of green certificates and lower price of electricity sold.

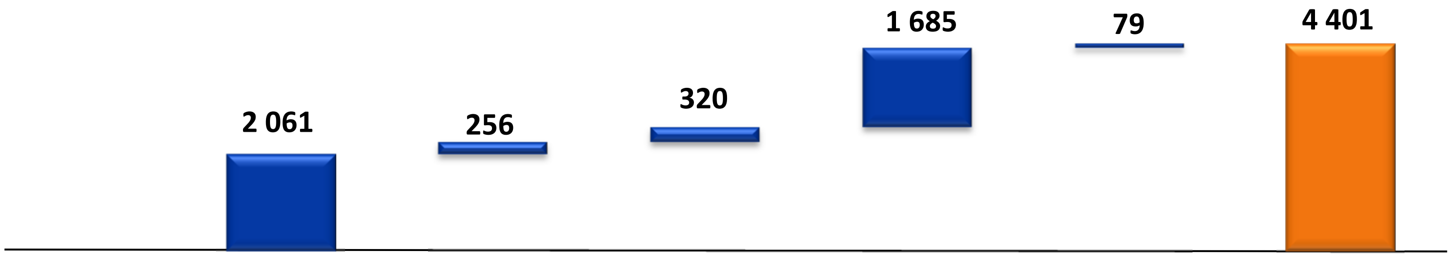
Additionally exacerbated by termination of support for large hydro plants.

Significant increase in volumes sold goes hand in hand with decrease in margin.

Higher volumes reported (+0.17 TWh) but business strongly affected by the new model of remuneration.

* Recurring = excluding significant one-off items (for details please see page 22)

Recurring* 9M 2016 EBITDA - composition and development



	Conventional	Renewables	Supply	Distribution	Other	EBITDA
9M 2016	**2 061**	**256**	**320**	**1 685**	**79**	**4 401**
Share in 9M 2016 EBITDA (%)	47%	6%	7%	38%	2%	
9M 2015	**2 917**	**277**	**421**	**1 847**	**78**	**5 540**
Change (PLN m)	-856	-21	-101	-162	1	-1 139
Change (%)	***-29%***	***-8%***	***-24%***	***-9%***	***1%***	***-21%***

Decrease mostly due to:
- Lower volumes generated due to overhauls in Bełchatów and unit no. 1 working as a peak reserve
- Lower blended price
- Higher cost of CO2 allowances

Effect of cheaper hard coal reduces negative effect of lower volumes.

Higher volumes in wind with new farms commissioned, however, hampered by adverse weather conditions.

Additionally, negatively affected by lower prices of green certificates and lower price of electricity sold.

Additionally exacerbated by termination of support for large hydro plants.

Significant increase in volumes sold goes hand in hand with decrease in margin.

Higher volumes reported (+0.63 TWh) but business strongly affected by the new model of remuneration.

* Recurring = excluding significant one-off items (for details please see page 22)

Key Operating Data

Net electricity generation by sources (TWh)

	Q3 16	Q3 15	yoy	9M 16	9M 15	yoy
Lignite-fired power plants	10.30	10.03	3%	27.15	29.64	-8%
Hard coal-fired power plants	2.60	3.18	-18%	8.07	8.32	-3%
Coal-fired CHPs	0.09	0.25	-64%	0.62	0.92	-33%
Gas-fired CHPs	0.19	0.20	-5%	1.50	1.30	15%
Biomass-fired CHP	0.13	0.11	18%	0.37	0.34	9%
Pumped-storage	0.06	0.15	-60%	0.32	0.37	-14%
Hydro	0.07	0.04	75%	0.31	0.30	3%
Wind	0.18	0.15	20%	0.70	0.54	30%
TOTAL	13.62	14.11	-3%	39.04	41.73	-6%

Renewable generation	0.48	0.46	4%	1.66	1.77	-6%
Incl. biomass co-combustion	0.10	0.16	-38%	0.28	0.59	-53%

Capital expenditures

CAPEX for Q3 and 9M 2016 (PLN m)

Segment	Q3 2016	Q3 2015	yoy	9M 2016	9M 2015	yoy
Conventional Generation	1 454	1 656	-12%	4 309	4 014	7%
Distribution, including:	422	450	-6%	1 135	1 138	0%
New clients connection	141	144	-2%	409	398	3%
Distribution grid	189	183	3%	495	467	6%
Renewables	18	346	-95%	113	565	-80%
Modernization and replacement	18	5	260%	39	20	95%
Supply and other	41	70	-41%	116	163	-29%
TOTAL	**1 935**	**2 522**	-23%	**5 673**	**5 880**	-4%
TOTAL (incl. adjustments)	**1 907**	**2 505**	-24%	**5 597**	**5 837**	-4%

Key Financials

Selected consolidated financial data, IFRS (PLN m)

	Q3 16	Q3 15 Restated	yoy	9M 16	9M 15 Restated	yoy
Sales	6 897	6 915	0%	20 563	21 160	-3%
including LTC compensations	131	142	-8%	384	443	-13%
Recurring* Sales	6 766	6 773	0%	20 179	20 717	-3%
EBITDA	1 643	2 002	-18%	4 786	6 230	-23%
Recurring* EBITDA	1 520	1 859	-18%	4 401	5 540	-21%
EBIT	895	1 312	-32%	1 847	-4 862	n.a.
Recurring* EBIT	805	1 210	-33%	2 302	3 380	-32%
Net profit (loss) to equity	656	1 029	-36%	1 202	-4 026	n.a.
Recurring* net profit (to equity)	583	948	-39%	1 637	2 650	-38%
CAPEX (incl. adj.)	1 907	2 505	-24%	5 597	5 837	-4%
Net cash from operating activities	1 934	2 148	-10%	4 791	5 217	-8%
Net cash from investing activities	-1 835	-1 953	-6%	-6 436	-6 019	7%
EBITDA margin	24%	29%	-5 pp.	23%	29%	-6 pp.
Recurring EBITDA margin	22%	27%	-5 pp.	22%	27%	-5 pp.
Net Working Capital				6 118	4 126*	
Net Debt/LTM EBITDA				0.62	0.32**	

* Recurring = excluding significant one-off items (details at the next page)

** As at December 31, 2015

Computation of recurring EBITDA and recurring net profit to equity

Summary of one-off adjustments (PLN m)

Computation of recurring EBITDA and EBIT

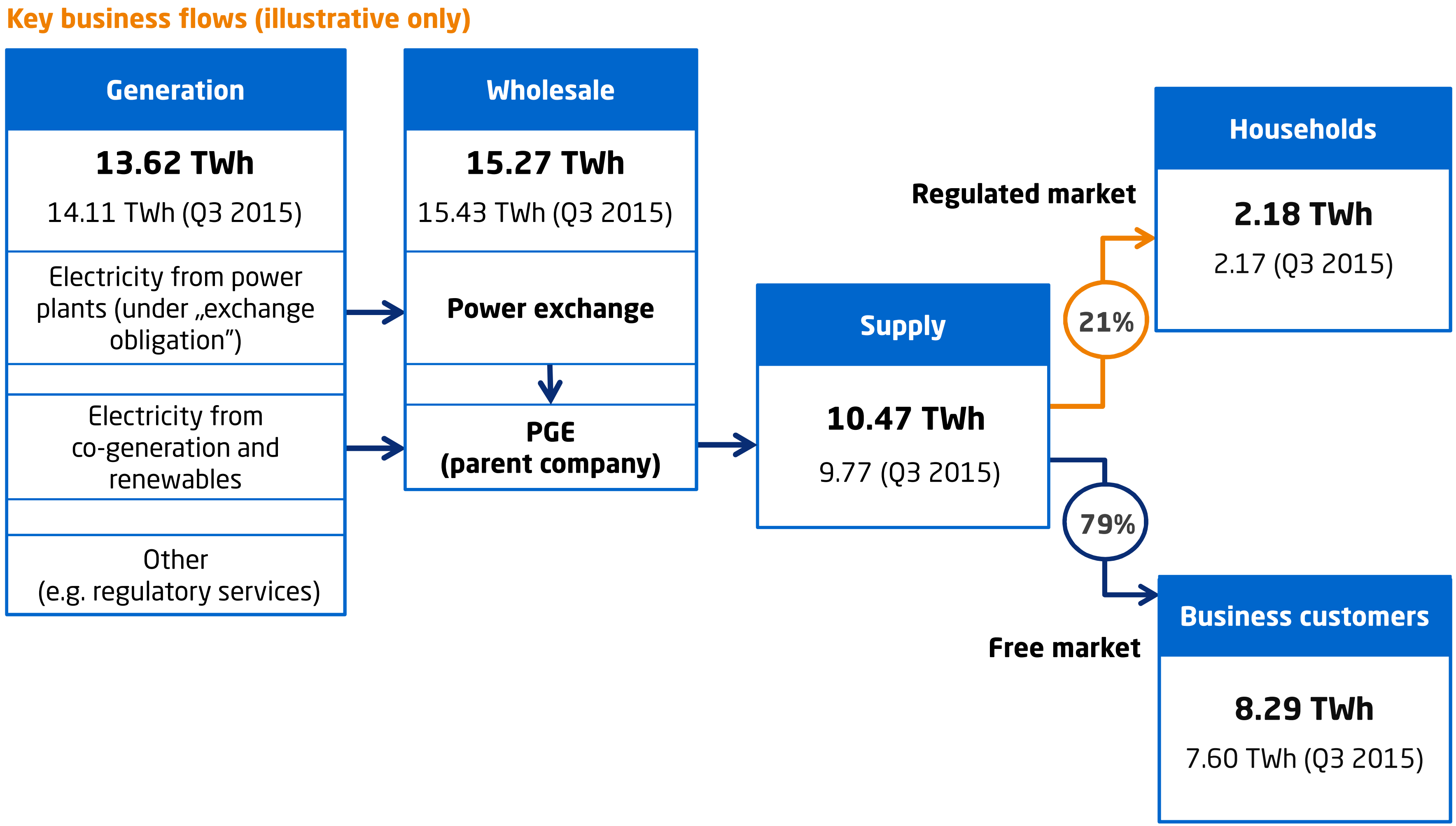
key one-off items	Q3 2016	Q3 2015	9m 2016	9m 2015
LTC compensations	-131	-142	-384	-443
LTC adjustment (court verdicts)	0	0	-148	0
Revaluation of property rights at ZEDO	0	0	118	0
Voluntary Leave Program	8	0	29	0
Reclamation provision (discount rate)	0	0	0	-193
Actuarial provision	0	-1	0	-54
Total adjustment at EBITDA level	-123	-143	-385	-690
Assets impairment	33	41	840	8 932
Total adjustment at EBIT level	**-90**	**-102**	**455**	**8 242**

Computation of recurring net profit to equity

key one-off items	Q3 2016	Q3 2015	9M 2016	9M 2015
LTC compensations	-106	-115	-311	-359
LTC adjustment (court verdicts)	0	0	-120	0
Revaluation of property rights at ZEDO	0	0	96	0
Voluntary Leave Program	6	0	23	0
Reclamation provision (discount rate)	0	0	0	-156
Actuarial provision	0	-2	0	-44
Assets impairment	27	36	747	7 235
Total adjustment at net income level	**-73**	**-81**	**435**	**6 676**

According to the dividend 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.

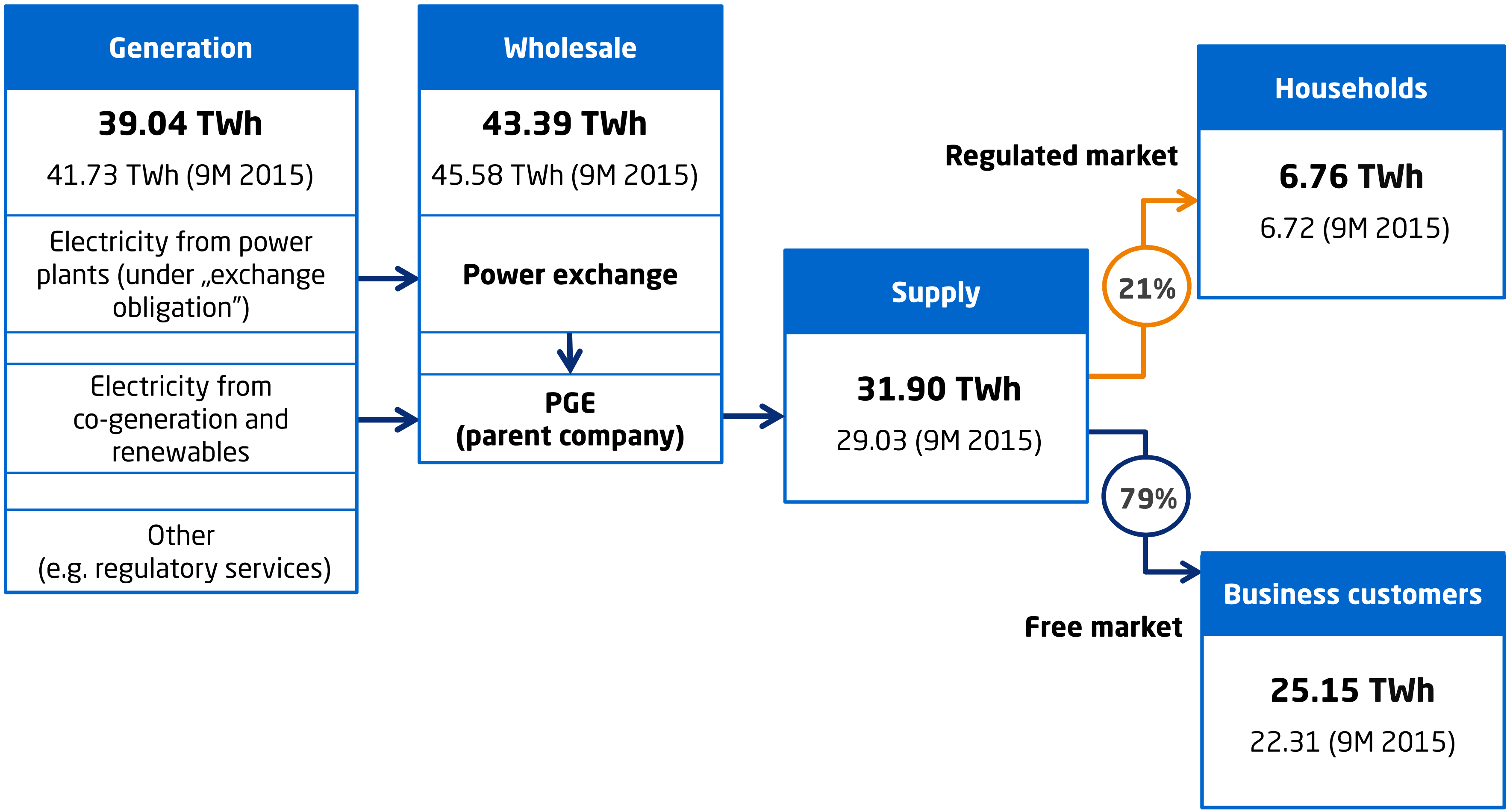
Q3 2016 Key business flows



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

9M 2016 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

Detailed segmental revenues and cost

Conventional Generation (PLN m)

	Q3 16	Q3 15	yoy	9M 16	9M 15	yoy
Sales, including	2 879	3 052	-6%	8 531	9 478	-10%
Sale of electricity	2 511	2 667	-6%	7 218	7 943	-9%
LTC compensations	131	142	-8%	384	443	-13%
Sale of heat	81	88	-8%	476	482	-1%
Sale of certificates of origin	37	49	-24%	113	271	-58%
Cost by kind, including	2 395	2 393	0%	7 274	16 404	-56%
D&A	411	382	8%	1 124	10 208	-89%
Materials	527	650	-19%	1 906	2 181	-13%
Energy	4	7	-43%	19	23	-17%
External services	267	280	-5%	777	798	-3%
Taxes and charges	514	402	28%	1 360	1 119	22%
Personnel expenses	637	631	1%	1 994	1 959	2%
Other cost	36	41	-12%	94	115	-18%
Cost of products sold	1 955	1 805	8%	5 887	14 683	-60%
Cost of goods sold	2 171	2 058	5%	6 664	15 482	-57%
EBIT	500	789	-37%	1 415	-6 471	n.a.
EBITDA	878	1 127	-22%	2 446	3 585	-32%

We present our financials in round millions. The yoy dynamics derives from precise values, and might differ from dynamics implied from round figures. Total costs by kind in round millions might differ from the sum of rounded components.

Detailed segmental revenues and cost

Renewables (PLN m)

	Q3 16	Q3 15	yoy	9M 16	9M 15	yoy
Sales, including	126	168	-25%	496	546	-9%
Sale of electricity	59	69	-14%	240	239	0%
Sale of certificates of origin	9	31	-71%	70	122	-43%
Cost by kind, including	142	152	-7%	1 256	450	179%
D&A	64	59	8%	989	173	472%
Materials	1	1	0%	4	4	0%
Energy	17	37	-54%	80	95	-16%
External services	24	23	4%	75	64	17%
Taxes and charges	14	9	56%	43	39	10%
Personnel expenses	18	19	-5%	55	62	-11%
Other cost	3	4	-25%	10	12	-17%
Cost of products sold	126	136	-7%	1 169	391	199%
Cost of goods sold	127	136	-7%	1 171	391	199%
EBIT	-12	17	n.a.	-733	105	n.a.
EBITDA	51	76	-33%	256	278	-8%

PGE

We present our financials in round millions. The yoy dynamics derives from precise values, and might differ from dynamics implied from round figures. Total costs by kind in round millions might differ from the sum of rounded components.

Detailed segmental revenues and cost

Distribution (PLN m)

	Q3 16	Q3 15	yoy	9M 16	9M 15	yoy
Sales, including	1 445	1 478	-2%	4 366	4 481	-3%
Revenues from distribution services	1 370	1 403	-2%	4 145	4 234	-2%
Other revenues from core activities	49	49	0%	143	168	-15%
Cost by kind, including	1 176	1 136	4%	3 577	3 447	4%
D&A	279	270	3%	839	796	5%
Materials	17	19	-11%	50	54	-7%
Energy	88	90	-2%	324	309	5%
External services	450	419	7%	1 300	1 230	6%
Taxes and charges	93	86	8%	284	265	7%
Personnel expenses	245	248	-1%	764	783	-2%
Other cost	4	4	0%	14	10	40%
Cost of products sold	1 102	1 063	4%	3 335	3 204	4%
Cost of goods sold	1 102	1 063	4%	3 335	3 204	4%
EBIT	289	360	-20%	846	1 069	-21%
EBITDA	568	630	-10%	1 685	1 865	-10%

We present our financials in round millions. The yoy dynamics derives from precise values, and might differ from dynamics implied from round figures. Total costs by kind in round millions might differ from the sum of rounded components.

Detailed segmental revenues and cost

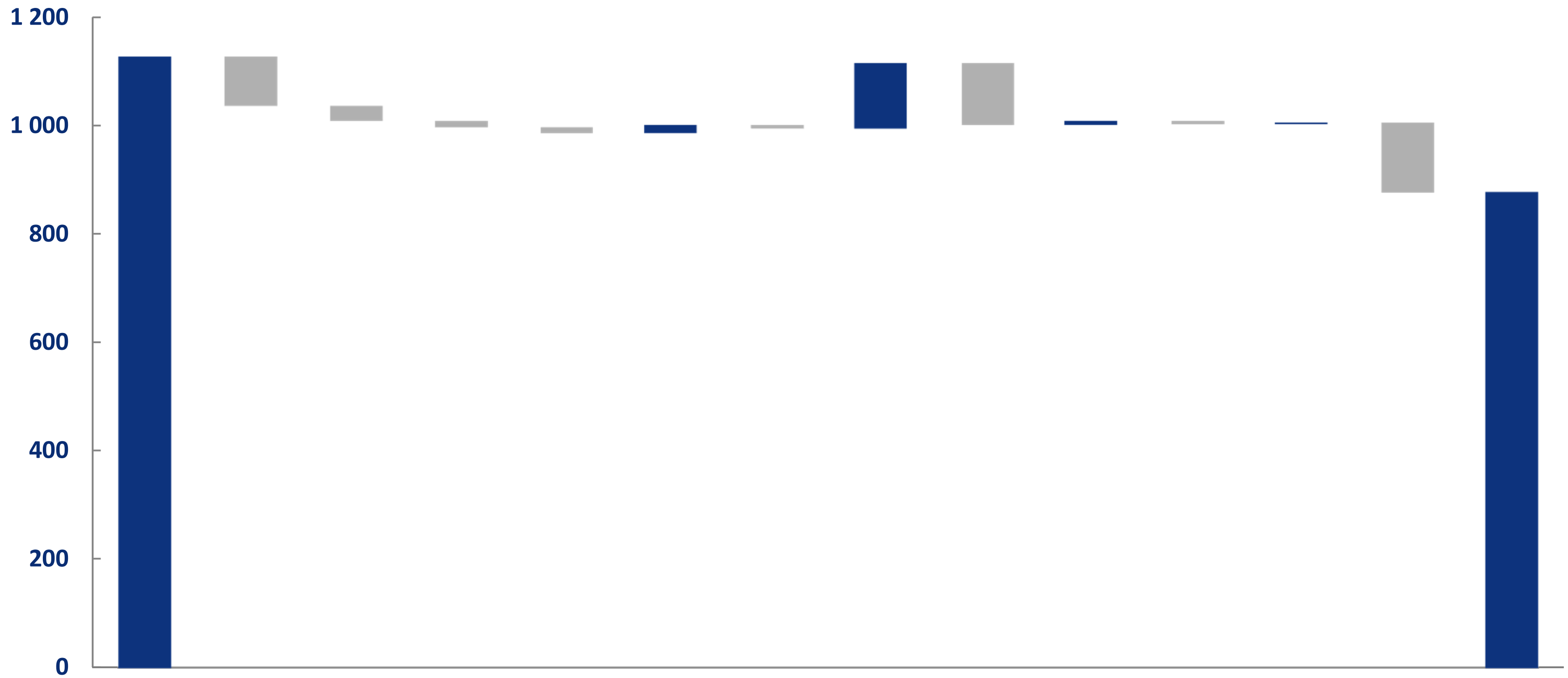
Supply (PLN m)

	Q3 16	Q3 15	yoy	9M 16	9M 15	yoy
Sales, including	3 785	3 802	0%	11 832	11 070	7%
Sale of electricity	2 419	2 299	5%	7 361	6 948	6%
Revenues from distribution services	948	1 002	-5%	2 873	3 034	-5%
Sale of certificates of origin	0	0	n.a.	0	9	n.a.
Cost by kind, including	385	371	4%	1 188	1 194	-1%
D&A	6	6	0%	20	18	11%
Materials	1	2	-50%	4	5	-20%
Energy	1	1	0%	2	3	-33%
External services	50	48	4%	155	152	2%
Taxes and charges	243	219	11%	746	744	0%
Personnel expenses	63	62	2%	195	190	3%
Other cost	20	34	-41%	66	82	-20%
Cost of products sold	29	39	-26%	94	102	-8%
Cost of goods sold	3 327	3 333	0%	10 433	9 566	9%
EBIT	105	138	-24%	300	405	-26%
EBITDA	112	144	-22%	320	423	-24%

We present our financials in round millions. The yoy dynamics derives from precise values, and might differ from dynamics implied from round figures. Total costs by kind in round millions might differ from the sum of rounded components.

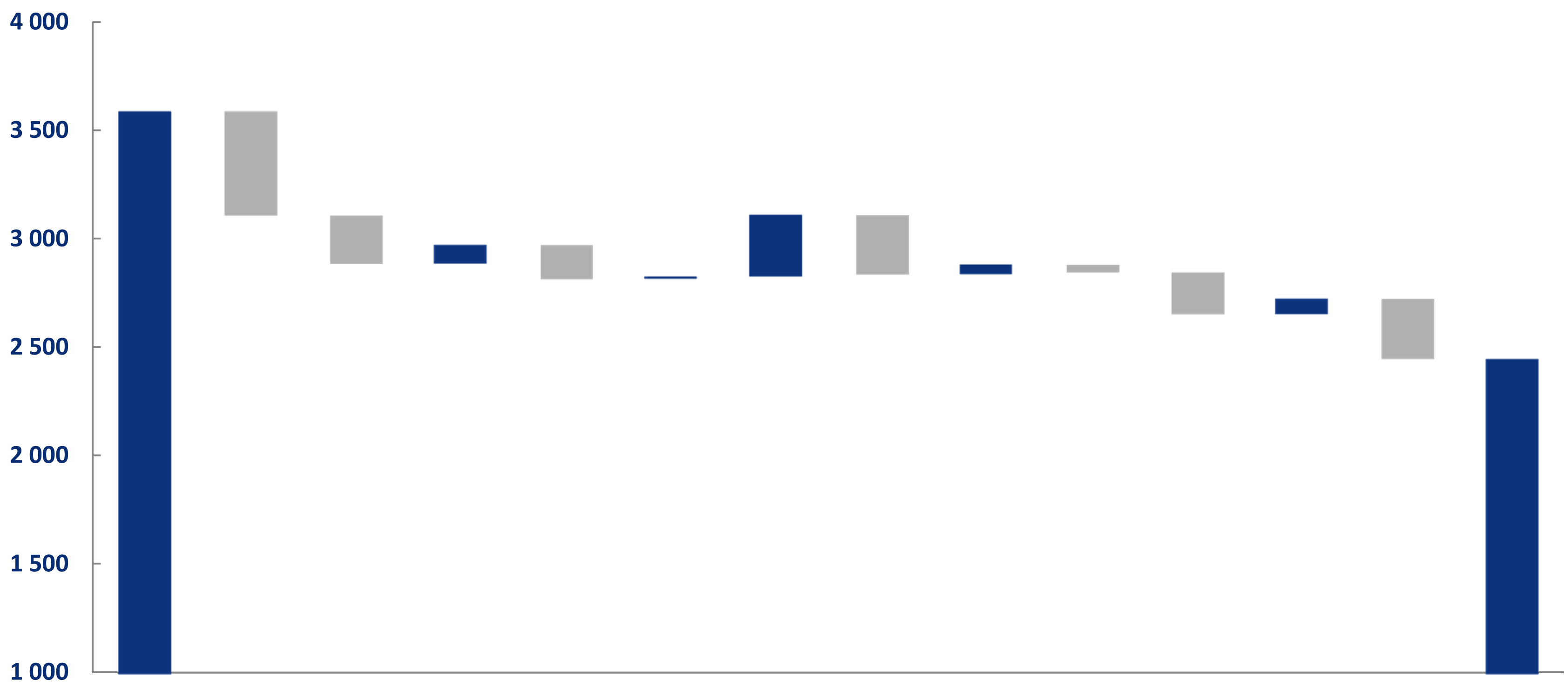
Conventional Generation – EBITDA Q3 2016

Key changes in EBITDA (PLN m)



	EBITDA 2015	Sale of electricity difference in volume	Sale of electricity difference in price	Revenues from LTC	Sale of property rights	Regulatory services	Sale of heat	Fuel	CO2	Environmental costs	Personnel costs	Other	Capitalized costs	EBITDA 2016
Change		**-90**	**-28**	**-11**	**-12**	**16**	**-7**	**120**	**-113**	**7**	**-6**	**4**	**-129**	
EBITDA Q3'15	**1 127**	2 423		142	49	51	88	505	217	86	631		356	
EBITDA Q3'16		2 305		131	37	67	81	385	330	79	637		227	**878**

Key changes in EBITDA (PLN m)



	EBITDA 2015	Sale of electricity difference in volume	Sale of electricity difference in price	Revenues from LTC	Sale of property rights	Regulatory services	Fuel	CO2	Environmental costs	Personnel costs	Change in provision for reclamation of land	Other	Capitalized costs	EBITDA 2016
Change		**-479**	**-223**	**89**	**-158**	**12**	**282**	**-273**	**43**	**-34**	**-193**	**70**	**-275**	
EBITDA 9M'15	**3 585**	7 171		443	270	180	1 741	556	259	1 960	193		994	
EBITDA 9M'16		6 469		532	112	192	1 459	829	216	1 994	0		719	**2 446**

Renewables - EBITDA Q3 2016

Key changes in EBITDA (PLN m)

	EBITDA 2015	Sale of electricity - wind	Sale of property rights - wind	Sale of electricity - water	Sale of property rights - water	Revenues from regulatory services*	Personnel costs	Other	EBITDA 2016
Change		**5**	**-17**	**5**	**-5**	**-10**	**1**	**-4**	
EBITDA Q3'15	**76**	26	26	7	5	66	19		
EBITDA Q3'16		31	9	12	0	56	18		**51**

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

Renewables - EBITDA 9M 2016

Key changes in EBITDA (PLN m)

	EBITDA 2015	Sale of electricity - wind	Sale of property rights - wind	Sale of electricity - water	Sale of property rights - water	Revenues from regulatory services*	Personnel costs	Other	EBITDA 2016
Change		**21**	**-21**	**-3**	**-30**	**0**	**7**	**4**	
EBITDA 9M'15	**278**	90	85	57	37	181	62		
EBITDA 9M'16		111	64	54	7	181	55		**256**

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

Distribution – EBITDA Q3 2016

Key changes in EBITDA (PLN m)

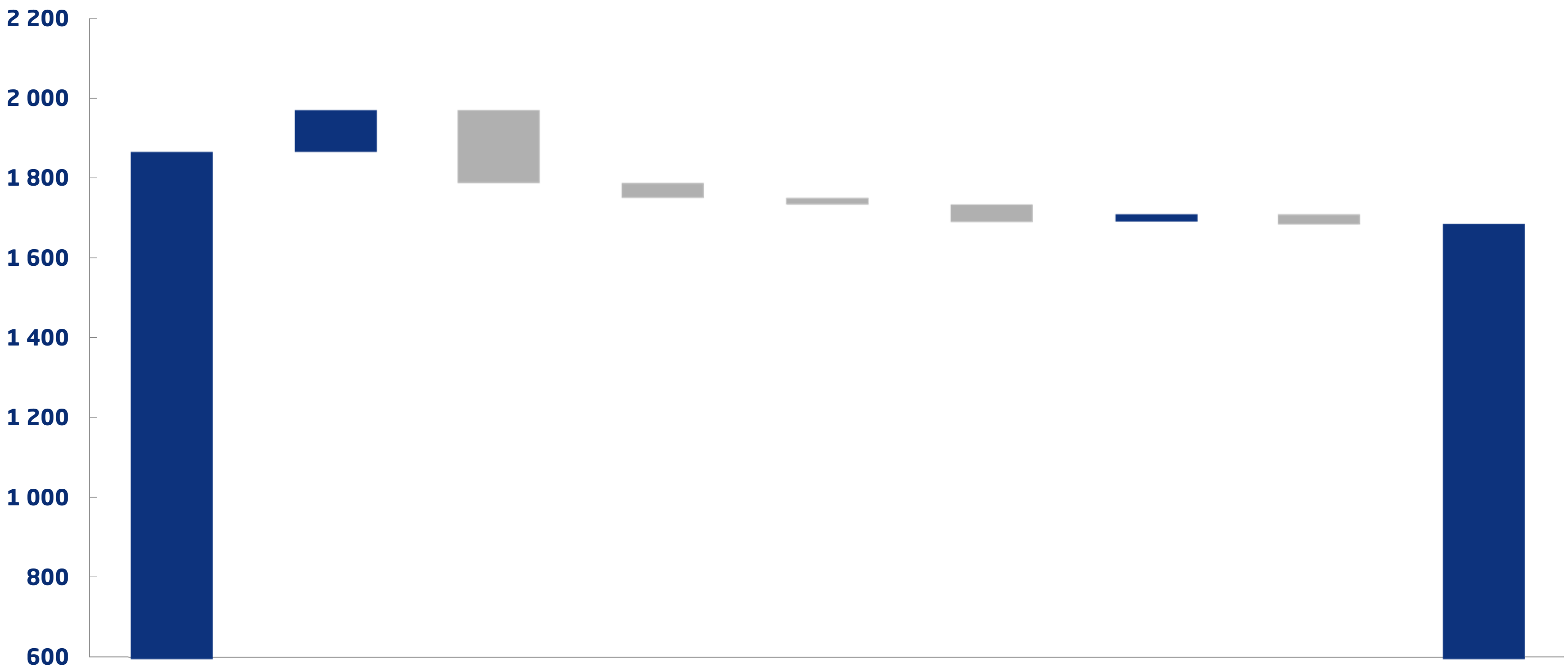
	EBITDA 2015	Volume of distributed energy	Change of distribution tariff*	Other distribution related revenues**	Network losses	Transmission services*	Personnel costs	Other	EBITDA 2016
Change		**26**	**-51**	**-9**	**2**	**-25**	**3**	**-8**	
EBITDA Q3'15	**630**	1 351		101	88	339	248		
EBITDA Q3'16		1 326		92	86	364	245		**568**

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

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

Distribution – EBITDA 9M 2016

Key changes in EBITDA (PLN m)



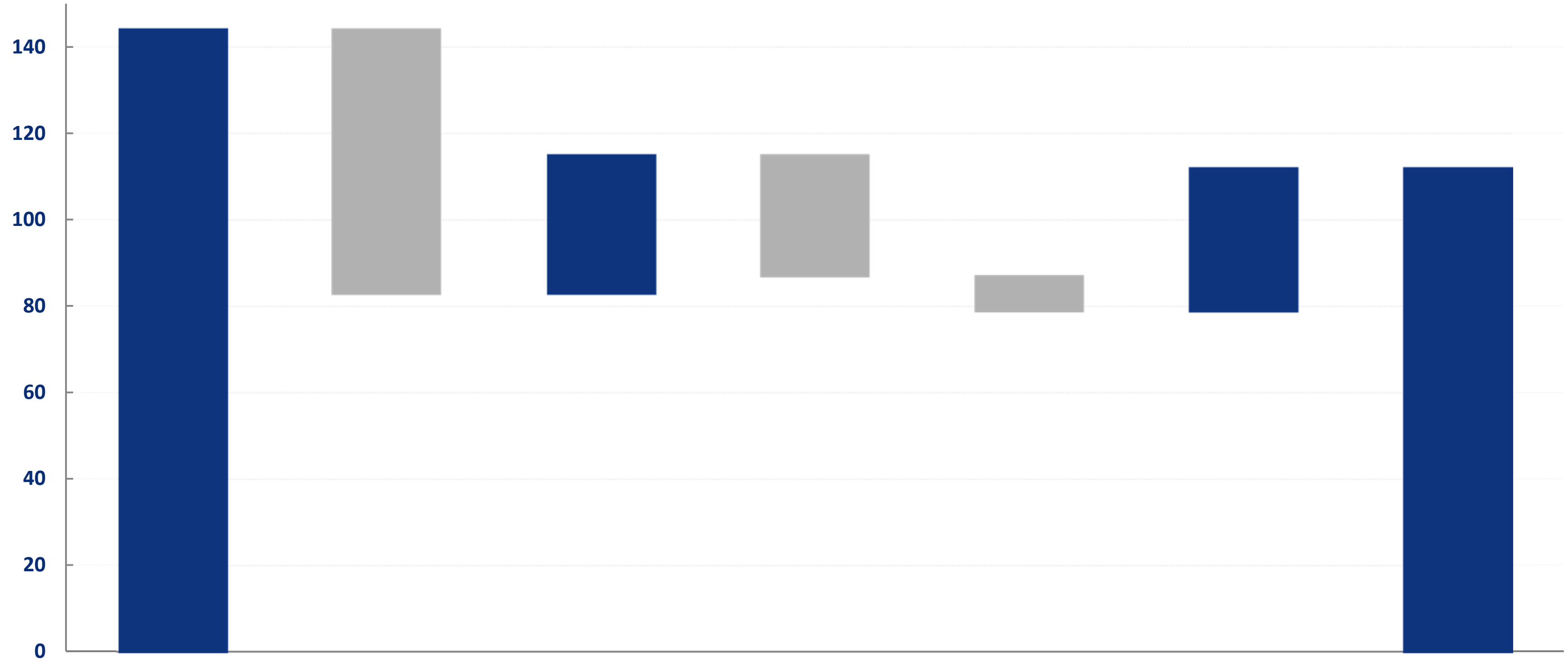
	EBITDA 2015	Volume of distributed energy	Change of distribution tariff*	Other distribution related revenues**	Network losses	Transmission services*	Personnel costs	Other	EBITDA 2016
Change		**104**	**-181**	**-38**	**-16**	**-43**	**19**	**-25**	
EBITDA 9M'15	**1 865**	4 092		307	295	1 007	783		
EBITDA 9M'16		4 015		269	311	1 050	764		**1 685**

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

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

Supply - EBITDA Q3 2016

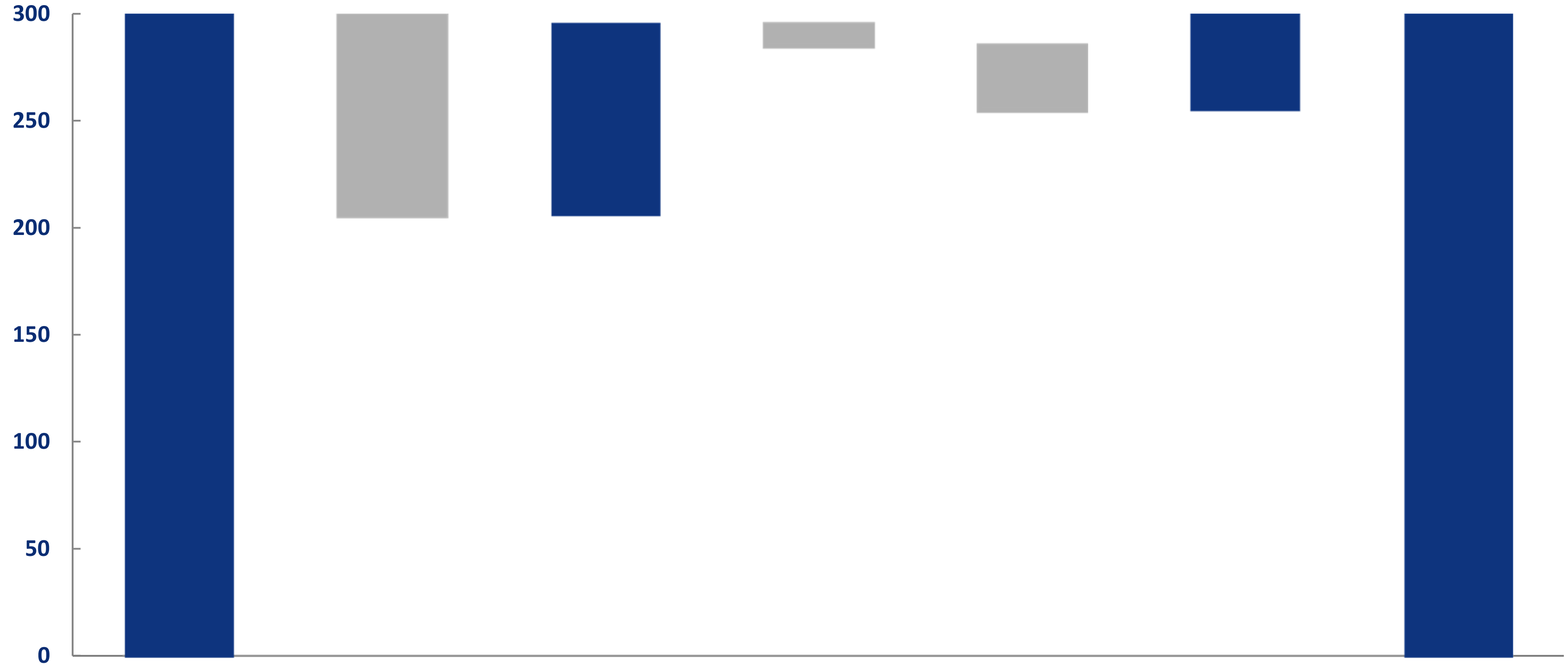
Key changes in EBITDA (PLN m)



	EBITDA 2015	Result on electricity price		Result on electricity volume	Property rights redemption costs	Management service	Other	EBITDA 2016
Change		**-61**		**32**	**-28**	**-8**	**33**	
EBITDA Q3'15	**144**		353		213	126	122	
EBITDA Q3'16			324		241	118	89	**112**

Supply - EBITDA 9M 2016

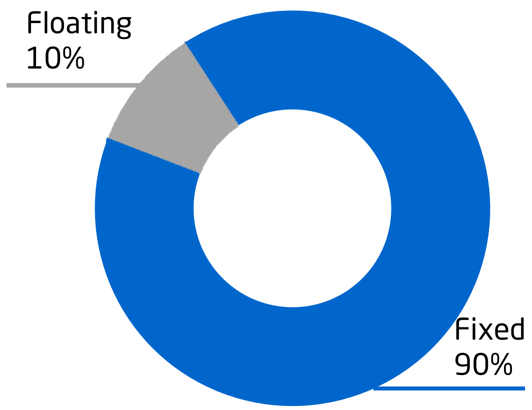
Key changes in EBITDA (PLN m)



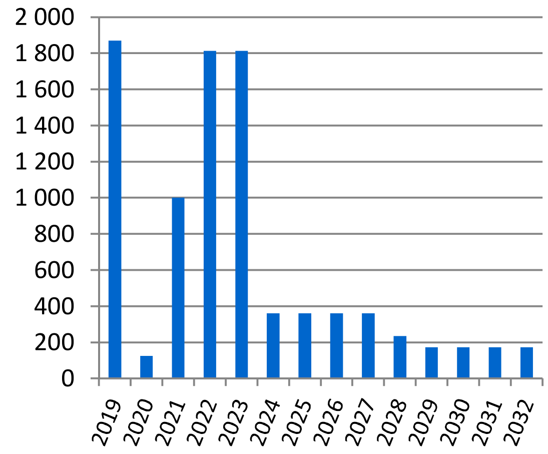
	EBITDA 2015	Result on electricity price	Result on electricity volume	Property rights redemption costs	Management service	Other	EBITDA 2016
Change		**-217**	**89**	**-10**	**-30**	**65**	
EBITDA 9M'15	**423**	1 134		730	376	357	
EBITDA 9M'16		1 006		740	346	292	**320**

Debt Structure and Liquidity (as at September 30, 2016)

Fixed vs floating debt (drawn debt)

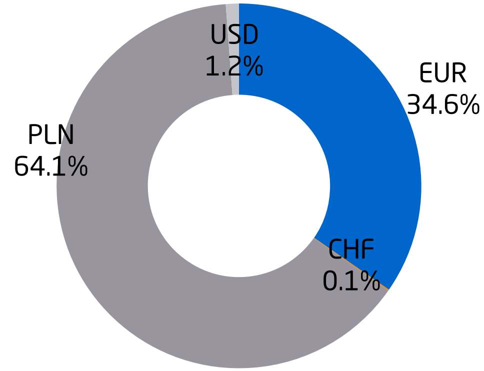


Bank loans repayment schedule (PLN m)*



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

Drawn Debt by currency

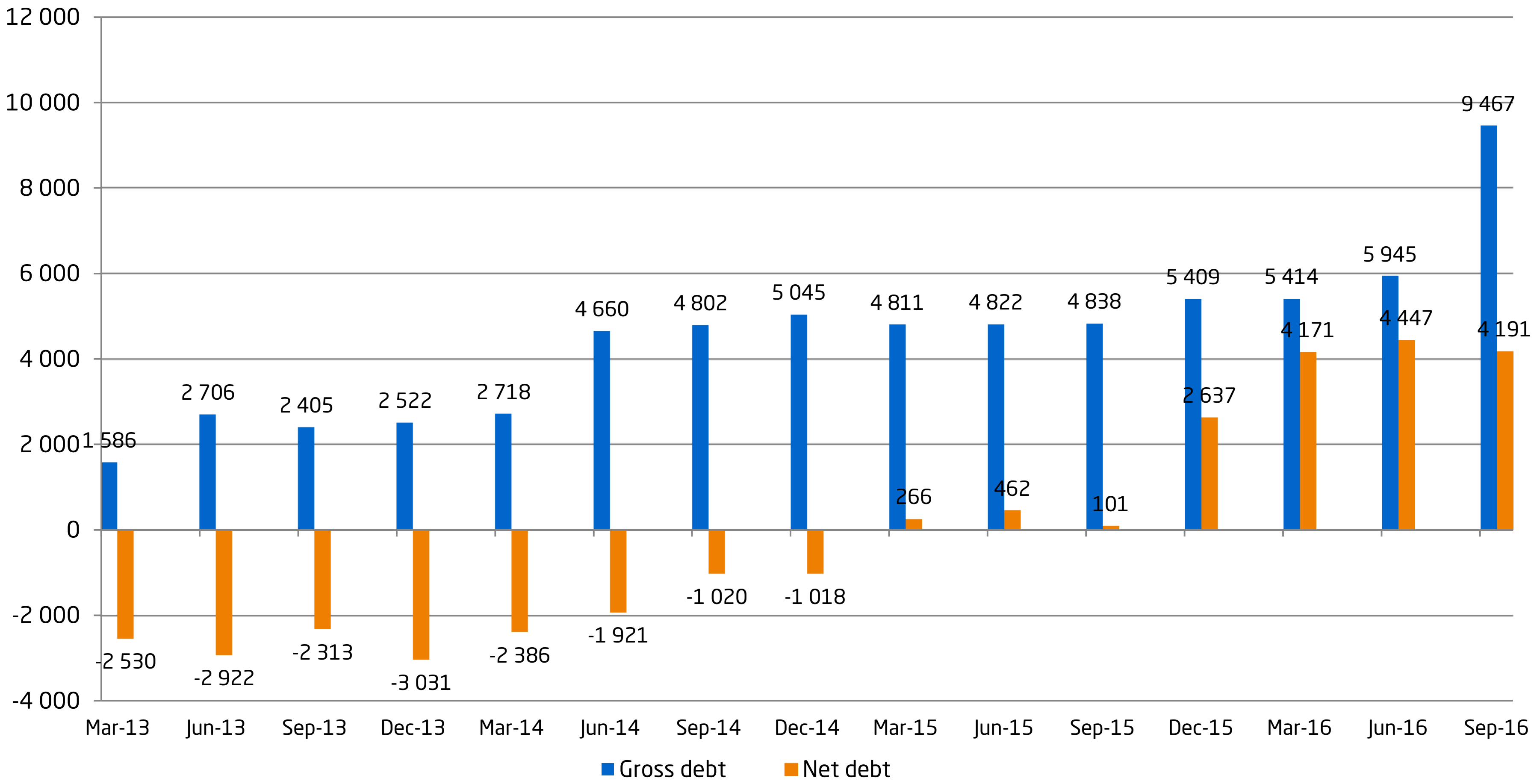


Issues under the EMTN program

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

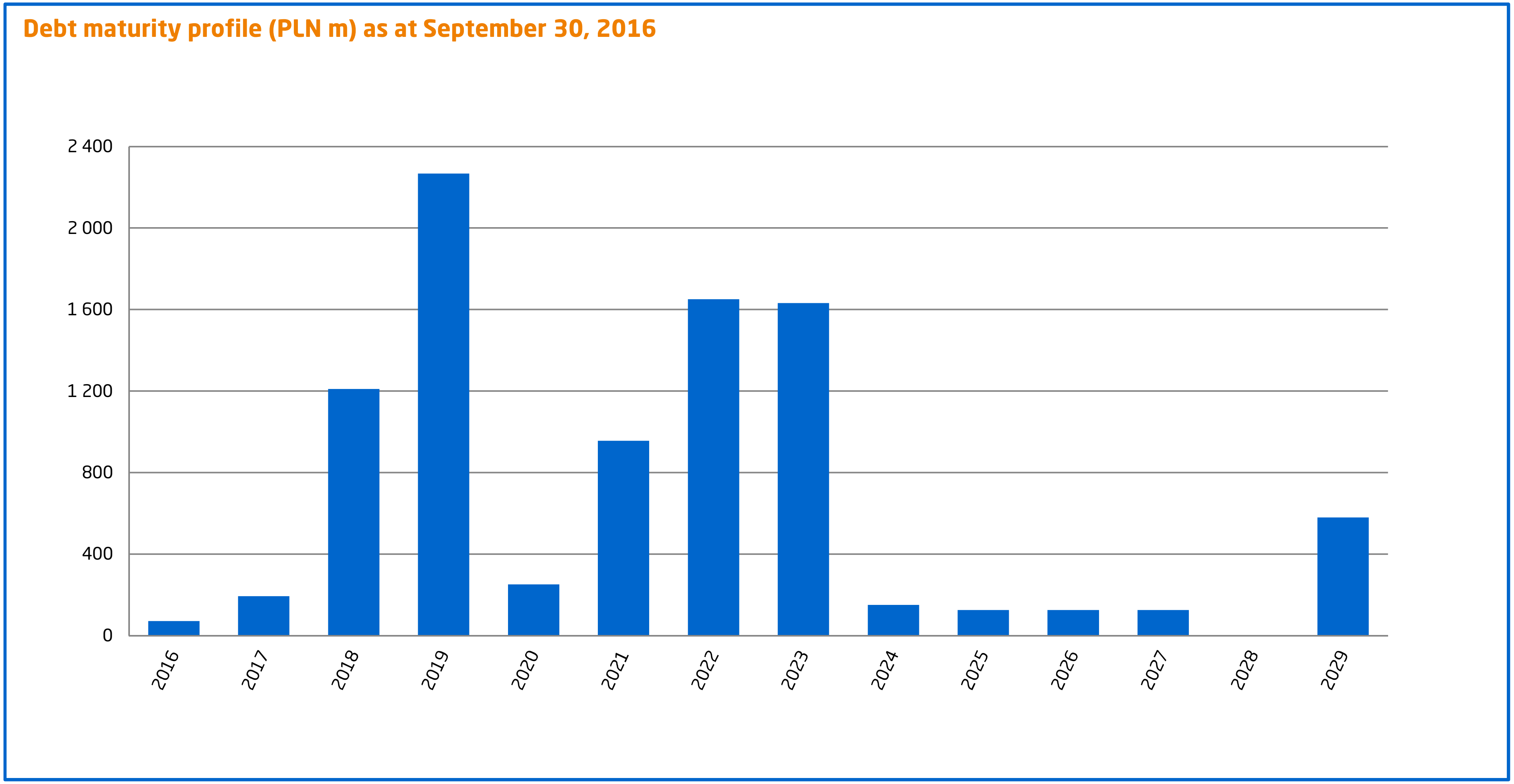
Gross debt and net debt* (PLN m)



- 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)

* Data for Dec-13 and Dec-14 restated

Debt maturity profile



PGE cash position provides...

... plenty of headroom in the balance sheet

	Q3 2016	H1 2016
Gross Debt (PLN m)	9 467	5 945
Net debt (PLN m)	4 191	4 447
Net Debt/LTM EBITDA	0.62x	0.62x
Net Debt/Equity	0.10x	0.11x

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	**November 2, 2016**	**August 5, 2016**
Senior unsecured rating		BBB+
Date of the latest rating change		August 4, 2011
Date of the latest rating confirmation		August 5, 2016
Long-term national rating		AA (pol)
Date of rating assignment		August 10, 2012
Date of latest rating change		August 3, 2016

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

Rozliczenia uprawnień do emisji w 2016 r.

- In Q3'16 (and 9m'16) PGE's installations emitted 14.57m (and 40.80 m) tonnes of CO_2
- Consequently PGE's full cost related to CO_2 emissions in Q3'16 (and 9m'16) amounted to approx. PLN 331m (and PLN 830m).
- In April 2016, entities of PGE Capital Group received free of charge emission allowances amounting to approx. 25m tonnes regarding electricity generated in FY15 and nearly 1m tonnes regarding heat to be generated in FY16.
- Also in April 2016, PGE completed the settlement of FY15 period (i.e. PGE redeemed EUA equal to FY15 emission).

Free EUA recognized at a zero value - note 14, 9m'16 consolidated FS

	EUA	
	Quantity (m)	Value (PLN m)
As at Jan. 1, 2015	**68**	**1 552**
Purchased	38	1 301
Free allocation	30	-
Redeemed	-59	-681
As at Jan. 1, 2016	**77**	**2 172**
Purchased	30	688
Free allocation	26	-
Redeemed	-58	-760
As at Sept. 30, 2016	**75**	**2 100**

Provision for purchase of CO_2 allowances - note 19, 9m'16 consolidated (PLN m)

As at Jan. 1, 2016	760
Redeemed	-760
Released provisions	-
Provided in 9m'16	830
As at Sept. 30, 2016	830

Impact on P&L (PLN m) - illustrative only

	9m. 2016
Costs by kind	12 815
Taxes and charges	2 457

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 2011-2015 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	Court of Appeal 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 fully allowed, the ERO President's appeal rejected on April 14, 2016. The ERO President entitled to file a cassation appeal with the Supreme Court
*** One verdict jointly for PGE GiEK S.A. as a legal successor of the merged companies from conventional generation segment

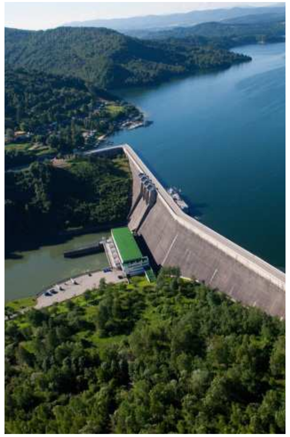
Green	Case closed – favourable verdict
Blue	Court of Appeal – favourable verdict. ERO President entitled to cassation appeal
Beige	Not a subject to LTC compensations
Grey	Court of Appeal verdict favourable for PGE, cassation appeal filed by the ERO with the Supreme Court
Orange	Court of Competition and Consumer Protection – favourable verdict

PLN m	2011	2012	2013	2014	2015	2016
Provision for outstanding court cases re LTC from 2008-2010	(1 038)					
Reversal of provision based on legally binding verdicts	-	200	337	246	-	173
Unsettled LTC disputes – total value	82					

Sell-side analysts covering PGE

Institution	Analyst
Bank of America Merrill Lynch	Anton Fedotov
BOŚ	Jakub Viscardi
BZ WBK	Paweł Puchalski
Citigroup	Piotr Dzięciołowski
Deutsche Bank	Tomasz Krukowski
Erste Group	Tomasz Duda
Haitong Bank	Robert Maj
IPOPEMA	Sandra Piczak
JP Morgan	Michał Kuzawiński
mBank	Kamil Kliszcz
Morgan Stanley	Dominik Olszewski
Pekao IB	Łukasz Jakubowski
PKO BP	Stanisław Ozga
Raiffeisen Centrobank	Teresa Schinwald

Institution	Analyst
Societe Generale	Bartłomiej Kubicki
Trigon	Krzysztof Kubiszewski
UBS	Michał Potyra
Wood & Company	Bram Buring



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