Investor Release

November 10, 2015

Details of the webcast from the meeting with CEO
November 10, 2015 (Tuesday), 10.00 AM CET

Link to the webcast: www.gkpge.pl/en
Questions for Q&A session allowed via email: pgeresults@gkpge.pl

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Solid financial and operating performance in third quarter and nine months of 2015
Distribution business facing more challenging regulations
Wind of change in renewables
Continued financing to secure investment program

- Group EBITDA of PLN 2.0 bn (+15% yoy) with recurring EBITDA result of PLN 1.9 bn
- Net cash from operations of PLN 2.3 bn
- Sound operational performance of our generation and distribution assets – net generation +2% yoy, distribution volume +3% yoy
- DPS paid in October of PLN 0.78 within the dividend policy of 40% consolidated net profit
- Regulations of distribution area in central part of quarter business discussion

Financing

In order to provide funding for our investment plan this quarter we acquired two substantial bank facilities - syndicated loan of PLN 5.5 bn and European Investment Bank loan of PLN 2 bn. In the near future the additional facility with BGK bank is planned. Continuation of our existing Eurobonds program is pending on market conditions.

Dividend

On October 15, 2015 we paid out dividend from 2014 profit with DPS of PLN 0.78 and in line with dividend policy. As of 2015 dividend policy was changed to adjust for assets impairments.

Key projects gateway

Opole II project has reached approx. 24% of progress, in line with adopted plan. Project specification requires minor adjustments due to expected requirements of BAT Conclusions – however still yet to be confirmed.

Turów project is progressing but needs some redesign to meet expected BAT Conclusions. That will result in extended construction time and higher CAPEX. Both issues are being currently negotiated with the contractor and details are to be confirmed in the coming weeks.

Our wind generation capacities progress as planned. Three wind farms, being under construction, entered the final stage of works. By the end of this year we will run the wind portfolio of around 530 MW under current support regime. Next year is the first year of auction system for renewables entering the market after 2015.

Pending distribution regulations

At the beginning of October the President of Polish Energy Regulatory Office announced the strategy regarding distribution system operators for the upcoming 5-year period touching three main areas of distribution business:

Quality of dispatch – new targets follows our last year's strategy plan which already included interruption time decrease by 50% by 2020 thus ambitious, but fully achievable.

Cost of operations – targets aiming at effective 7.5% cut in OPEX is again ambitious, but following our initial analysis definitely doable by the end of this decade.

Assets remuneration - third and the most important aspect of a new tariff model is still to be discussed. We will be looking into further constructive dialog with the regulator on that issue.

1. What was the wholesale electricity price in Q3'15?

The wholesale electricity price realized (blended) by PGE in Q3'15 amounted to PLN 174. This was 5% higher compared to PLN 166 realized in Q3'14. The Q3'15 was third quarter in a row with a realized price of PLN 174. Realized price for FY2014 was PLN 164.

2. The volume of electricity obtained from lignite contracted in Q3'15 by 3% yoy – was that caused by the unexpected outage of 858MW in Bełchatów?

The outage of 858MW attracted media attention because it happened during the heatwave, which turned to be the stress test for Polish Power System. However, from the whole-quarter perspective, this event had minor impact on the yoy dynamics. The decline of generation is mainly attributable to the heavier overhaul burden in Turów, involving units number 2 and 5.

3. What drove the generation in hard-coal fired plants by one-fourth yoy?

In Q3'14 Units 1 and 2 in Opole were absent for most of the quarter due to the heavy overhauls schedule – the return of these units was the key driver behind the generation volumes. In addition, Dolna Odra benefited from the greater utilization by the TSO due to operating reasons.

4. What is IFRIC 20 and how does it influence PGE results?

The acronym IFRIC stands for International Financial Reporting Interpretations Committee. IFRIC 20 provides the guideline for surface mines, regarding so called stripping costs. These cost are related to the removal of the overburden (i.e. mine waste materials), before lignite deposits can be accessed. This preparatory stage, will yield economic benefit in future periods, therefore stripping costs are being capitalized. This means that fraction of current period's expenses is reflected in the balance sheet and will be recognized in future periods income statements through the depreciation line.

In Q3'15 the capitalized stripping costs amounted to PLN 187 million vs. PLN 124 million in Q3'14. Stripping costs advanced because of heavier preparation works at the relatively new field, Szczerców, while older deposit, Bełchatów is gradually coming to its lifetime.

5. Cash flow from operations generated in Q3'15 declined by nearly PLN 600 million compared to Q3'14 figure – what was the reason?

The yoy change of OCF is a blend of several factors – both positive and negative, largely offsetting each other, however biggest adverse driver was the deterioration of positive net cash flow related to LTC settlements (i.e. the net change of LTC receivables and LTC liabilities accounts), which contracted in Q3'15 by PLN 572 million yoy. Furthermore base quarter's OCF benefited also from the consumption of prepaid hard coal, and this positive circumstance had not repeated in Q3'15. Finally, cash outflow related to CO_2 allowances increased yoy.

6. Despite continuation of ample CAPEX program net debt decreased qoq. How was that possible?

The Net Working Capital curtailed in Q3'15 by PLN 575 million qoq , mainly due to favorable influence of LTC, which affected both sides of the balance sheet (Q3'15 brought the decline of LTC receivables by PLN 137 million combined with the increase of LTC liabilities by PLN 342 million)[1]. In addition, payables related to purchases of tangible assets rose by PLN 299 in Q3'15, hence the heavy capex program was partially financed with trade credit. Last but not least, positive net change of net debt would not be possible if the dividend payout would not be scheduled for the mid-October.

7. The net result on financial activities improved to PLN -49 million in Q3'15 from PLN -452 million in Q3'14, what was the reason?

Almost entire yoy change can be attributed to the bond write off which took place in Q3'14. (The gross write-off amounting to PLN 386 million trimmed Q3'14 EPS by PLN 0.17).

[1] In Q3'14 the net change of LTC receivables and LTC liabilities exceeded PLN 1 billion (Q3'15 brought yoy contraction mentioned the previous topic), there is no contradiction between points 5 and 6.

Q3 and 9M 2015 PGE Group Results

November 9, 2015

Polska Grupa Energetyczna

Key Financials

PLNm	Q3 2015	Q3 2014	y-o-y [%]	9M 2015	9M 2014	y-o-y [%]
Sales	6 914	6 649	4%	21 158	20 857	1%
*Sales recurring**	6 772	6 457	5%	20 715	19 503	6%
EBITDA	1 995	1 740	15%	6 214	6 813	-9%
*EBITDA recurring**	1 852	1 558	19%	5 525	4 885	13%
EBIT	1 312	937	40%	-4 862	4 463	n.a.
*EBIT recurring**	1 210	784	54%	3 381	2 616	29%
Net profit (to equity)	1 029	378	172%	-4 026	3 199	n.a.
*Net profit (to equity) recurring**	949	567	67%	2 651	2 022	31%

EBITDA by segments

PLNm	Q3 2015	Q3 2014	y-o-y [%]	9M 2015	9M 2014	y-o-y [%]
Conventional Generation	1 126	956	18%	3 585	4 370	-18%
Renewables	76	90	-16%	278	324	-14%
Distribution	622	606	3%	1 847	1 789	3%
Supply	144	40	258%	423	200	111%

EBIT by segments

PLNm	Q3 2015	Q3 2014	y-o-y [%]	9M 2015	9M 2014	y-o-y [%]
Conventional Generation	789	495	59%	-6 471	3 011	n.a.
Renewables	17	34	-51%	105	164	-36%
Distribution	360	344	5%	1 069	1 035	3%
Supply	138	36	285%	405	187	117%

Key operating data

TWh	Q3 2015	Q3 2014	y-o-y [%]	9M 2015	9M 2014	y-o-y [%]
Net Generation Volume	14,11	13,80	2%	41,73	40,42	3%
Sales on the Wholesale Market	15,43	14,74	5%	45,58	43,79	4%
Sales to End-users	9,77	9,81	0%	29,03	29,37	-1%
Electricity Distribution Volume	8,35	8,11	3%	24,80	24,06	3%

Electricity generation by source

TWh	Q3 2015	Q3 2014	y-o-y [%]	9M 2015	9M 2014	y-o-y [%]
Lignite-fired power plants	10,03	10,44	-4%	29,64	29,15	2%
Hard coal-fired power plants	3,18	2,59	23%	8,32	8,54	-3%
Coal-fired CHPs	0,25	0,14	79%	0,92	0,78	18%
Gas-fired CHPs	0,20	0,18	11%	1,30	0,40	225%
Biomass CHPs	0,11	0,11	0%	0,34	0,35	-3%
Pumped storage	0,15	0,11	36%	0,37	0,39	-5%
Hydro	0,04	0,10	-60%	0,30	0,34	-12%
Wind	0,15	0,13	15%	0,54	0,47	15%
TOTAL	14,11	13,80	2%	41,73	40,42	3%
Renewable generation	0,46	0,53	-13%	1,77	1,76	1%
incl. biomass co-combustion	0,16	0,19	-16%	0,59	0,60	-2%

* For details please see the presentation page 25