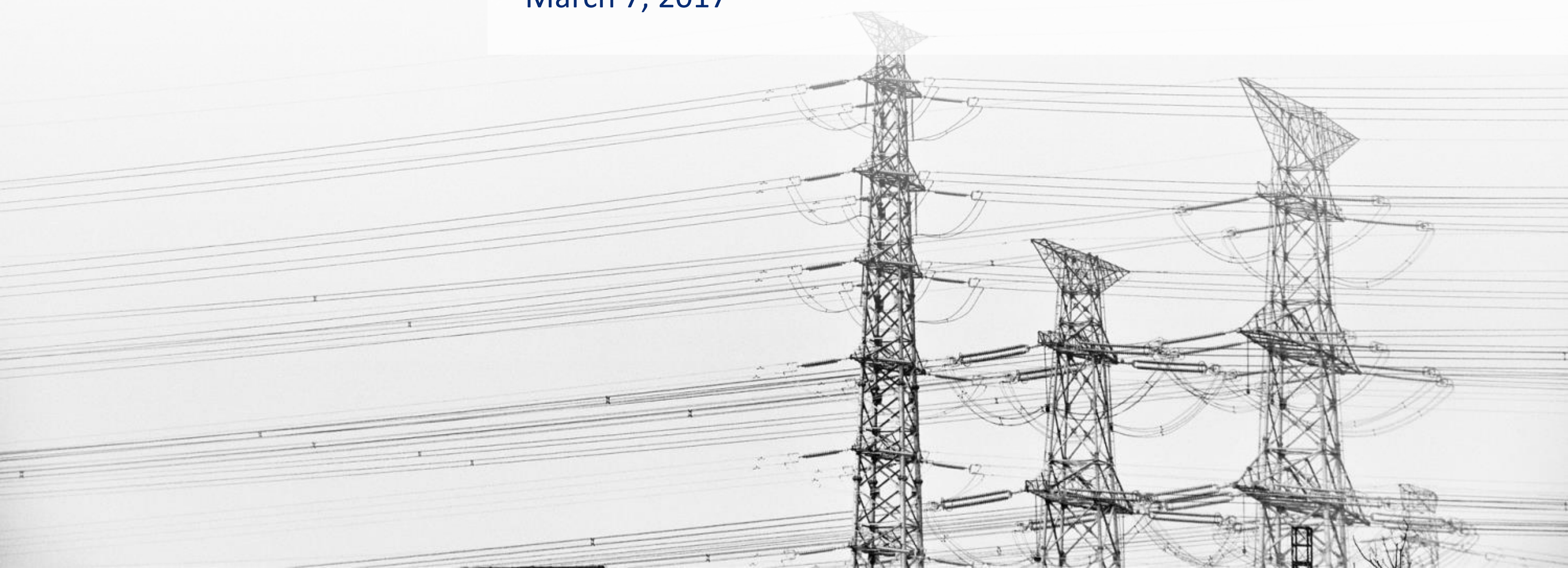
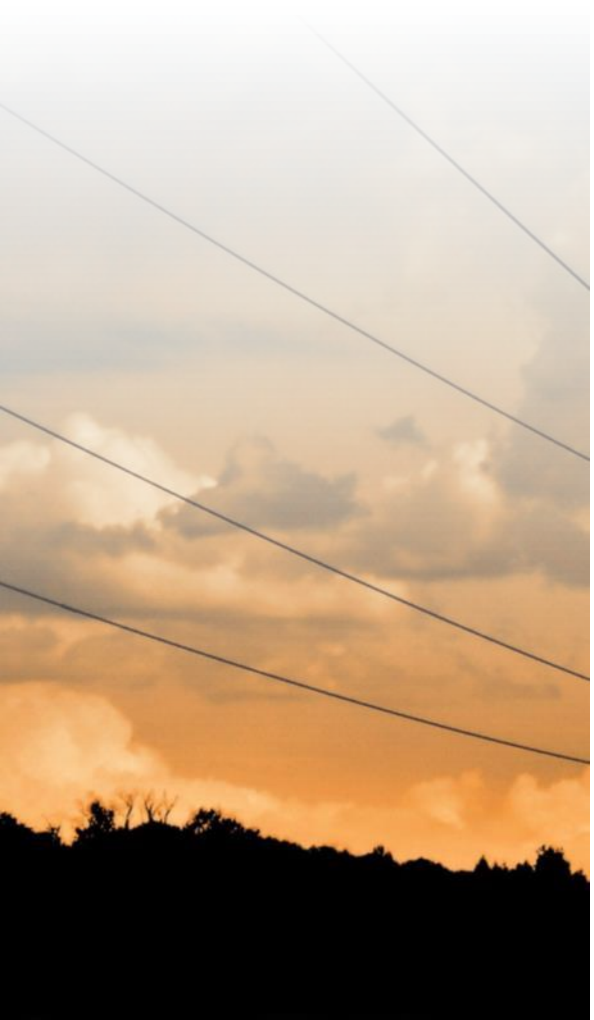
Q4 & FY 2016
Financial and Operating Results

March 7, 2017





Agenda

- **Henryk Baranowski** – President of the Board and CEO
  - Summary of the year
  - Implementation of the Strategy
  - Investment pipeline
- **Emil Wojtowicz** – Vice-President of the Board, CFO
  - Situation on the electricity market
  - Financial results
  - Operating results
  - Outlook for 2017

Key takeaways

Henryk Baranowski

President of the Board and CEO

Highlights of 2016

Facing challenges of modern electricity sector

Financial results

EBITDA: PLN 7.4 bn
Net cash from operations: PLN 6.4 bn
Adj. net profit to equity: PLN 3.4 bn
CAPEX: PLN 8.2 bn

Operations

Net generation: 53.7 TWh
Distribution volume: 34.3 TWh
Sales to end users: 43.0 TWh
Sales of heat: 18.1 m GJ

Strategy implementation

Organic growth

External growth

Investments

Strategic projects

Modernizations

Strategy implementation

Organic growth

- **Cogeneration** carve-out
- **Electromobility** – new entity ElectroMobility Poland S.A. established and pilot project in Łódź for EV charging stations
- Ongoing works on **Strategy of research and innovation**

External growth

- Providing industry leadership through M&As - offer to acquire EDF assets in Poland
- Acquisition of Polimex-Mostostal shares

Strategic projects of the Group – Opole II

Opole II project – construction of units totaling 1800 MW

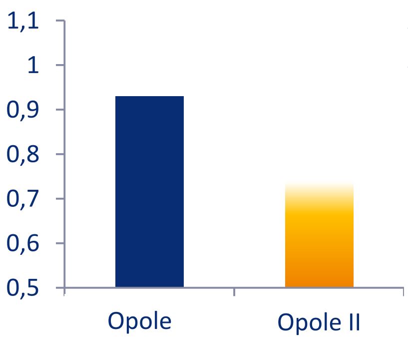
Work progress:
Overall progress of works exceeded 70%

Milestones reached in 2016:
Shell of cooling tower for unit 6 - completed
Delivery of main equipment of the turbine set of unit 5 - completed

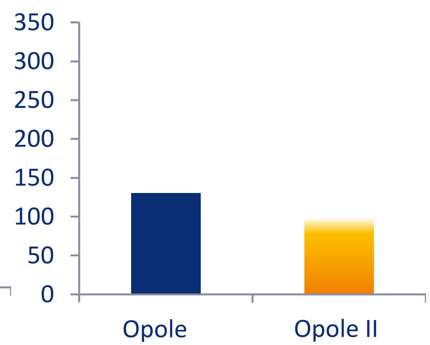
CAPEX incurred in 2016:
PLN 3.5 bn out of PLN 11 bn (total net budget)

Environmental effect:

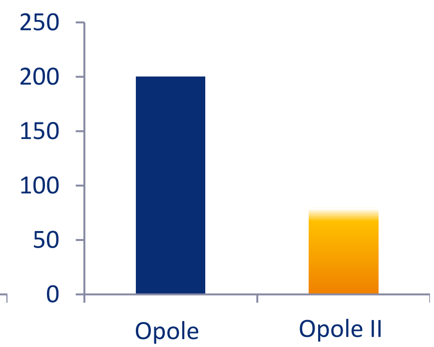
CO_2 t/MWh*



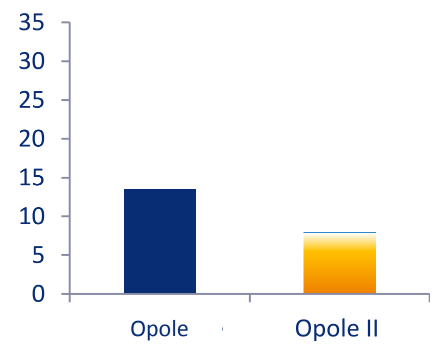
SO_2 mg/Nm³



NO_x mg/Nm³



Dust mg/Nm³



* Estimated

Strategic projects of the Group – Turów 11

Turów project – construction of unit of 490 MW

Work progress:

Progress of works on construction site exceeded 18%

Milestones reached in 2016:

Cooling tower – foundation completed

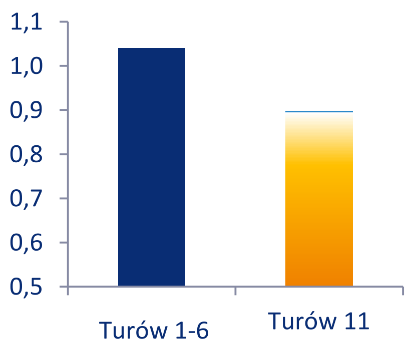
Construction turbine hall's steel structure - ongoing

CAPEX incurred in 2016:

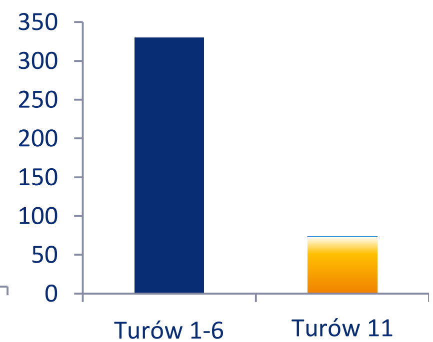
PLN 0.5 bn out of PLN 4 bn (total net budget)

Environmental effect:

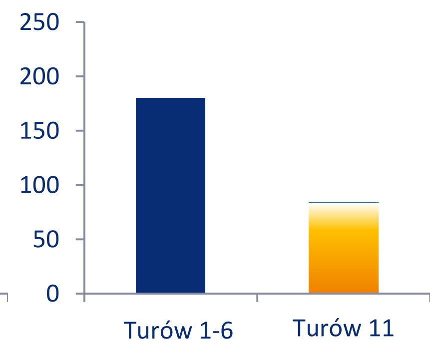
CO_2 t/MWh*



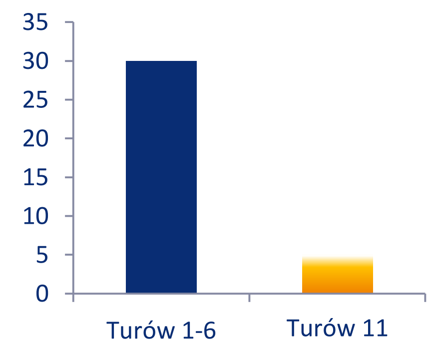
SO_2 mg/Nm^3



NO_x mg/Nm^3



Dust mg/Nm^3



* Estimated

Other strategic projects of the Group

Construction of cogeneration unit in Gorzów

Work progress:
Unit commissioned in January 2017

CAPEX incurred in 2016:
PLN 215 m out of PLN 550 m (total net budget)

Environmental effect:
New unit in Gorzów fits with KAWKA program aiming at improvement of air quality

Project of „Waste-to-Energy" installation Rzeszów CHP

Work progress:
Project in initial phase

Milestones reached in 2016:

Notice to Proceed issued in April 2016

CAPEX incurred in 2016:
PLN 15 m out of PLN 293 (total net budget)

Environmental effect:
Processing of up to 100 ths tonnes of municipal waste yearly with energy and heat recovery

Modernizations in PGE Group

Modernization of units 7-12 - Bełchatów power plant

Work progress:

All modernized units commissioned

Milestones reached in 2016:

Commissioning of last two modernized units
– unit 9 in June, unit 10 in September

CAPEX incurred in 2016:

PLN 518 m out of PLN 4.6 bn (total net budget)

Environmental effect:

Boost of efficiency of modernized units by approx. 2 p.p., improvement of emission parameters

Modernizations in Distribution segment

Key developments in 2016:

Large fragmentation of projects: i.e. more than 450 km of 110 kW grid built and modernized

Milestones reached in 2016:

~ PLN 980 m incurred on modernization and maintenance in Distribution segment

Environmental effect:

Lower SAIDI: -9 %; lower SAIFI: -5%; connection time: - 43 days

Social effect:

Improvement of conditions for economic development

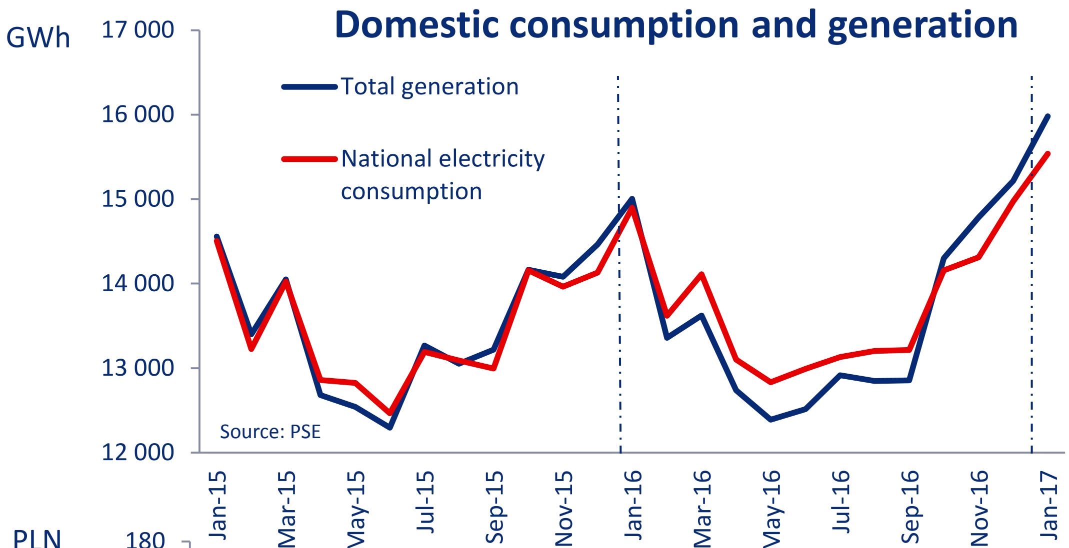
Detailed financial and operating results

Emil Wojtowicz

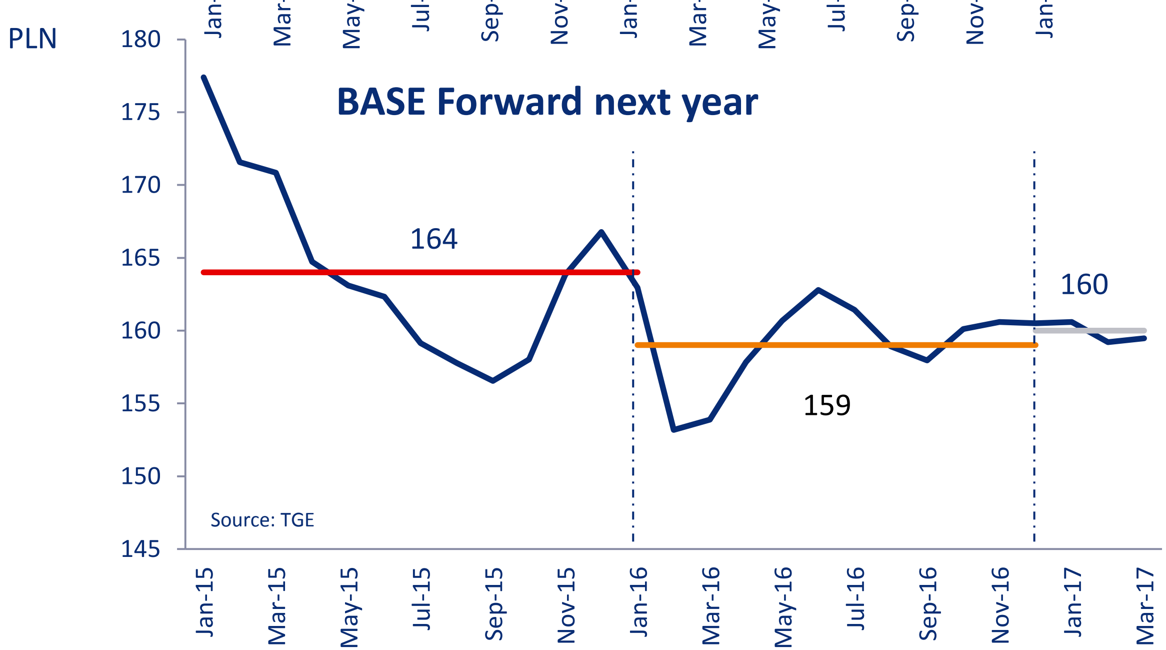
Vice-President of the Board, CFO

Electricity market

Consumption rises while prices remain under pressure



- Consumption growth Y/Y **+2.0%**
- Generation growth Y/Y **+0.5%**
- **Poland net importer:** **-2.0 TWh** vs. +0.3 TWh 2015
- Q4: **+0.3 TWh**



- **Forward next year 5 PLN/MWh lower Y/Y**
- **Forward 2018 price stable ~160 PLN/MWh**

Key financial data

Consolidated

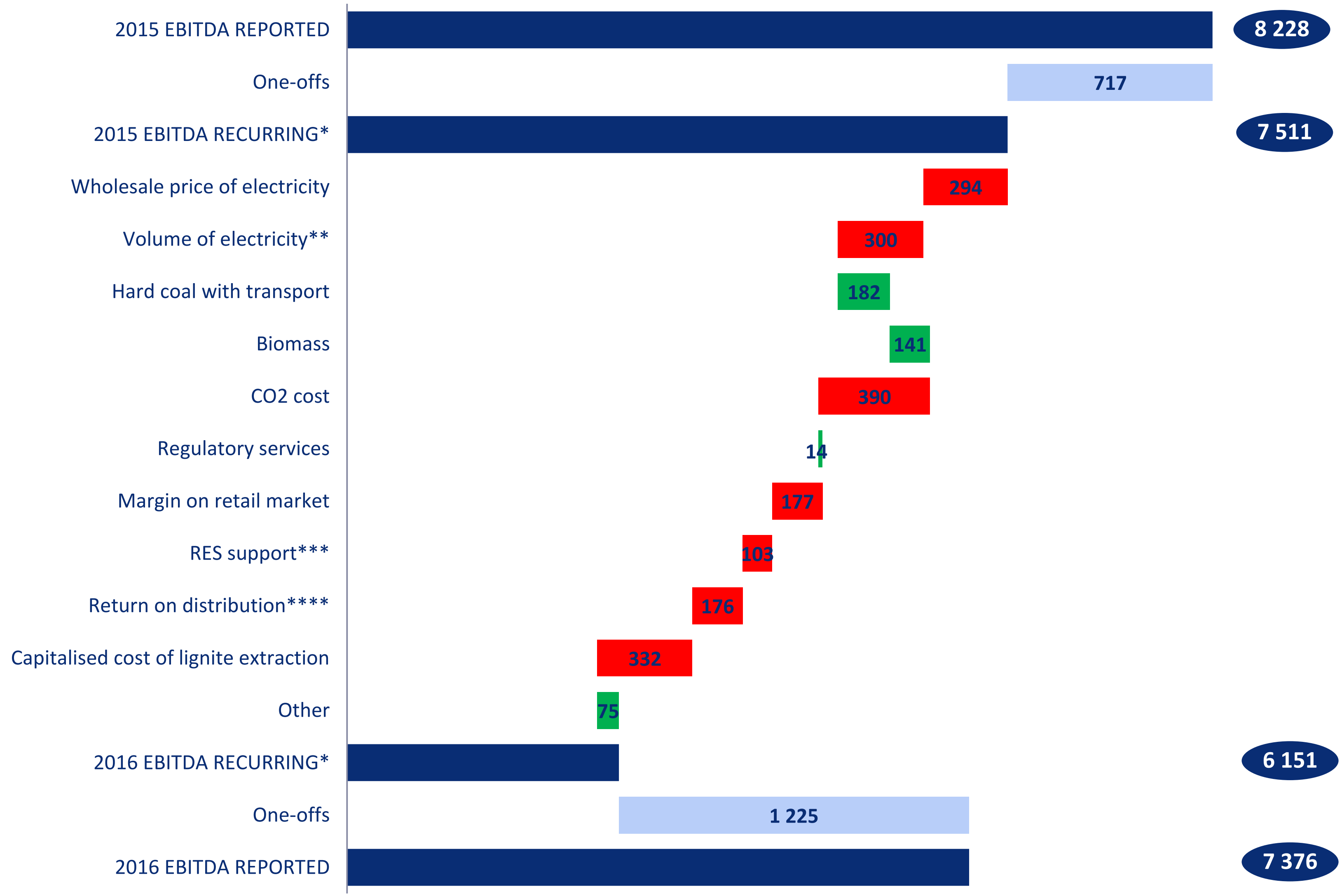
[PLN m]	Q4 2016	Q4 2015	Y/Y	2016	2015	Y/Y
EBITDA	2 590	1 998	30%	7 376	8 228	-10%
Recurring EBITDA	1 751	1 971	-11%	6 151	7 511	-18%
EBIT	1 665	1 273	31%	3 512	-3 589	n.a.
Recurring EBIT	991	1 353	-27%	3 292	4 733	-30%
Net profit to equity	1 366	995	37%	2 568	-3 032	n.a.
Net profit ex. fixed asset Impairments	1 414	1082	31%	3 363	4 290	-22%
EPS	0.73	0.53	38%	1.37	-1.62	n.a.
EPS ex. fixed asset impairments	0.76	0.58	31%	1.80	2.29	-21%

Recurring EBITDA in Q4'16 was under pressure of higher cost of CO_2, lower capitalization of extraction costs, lower realized wholesale price. The same factors have been driving annual results, which were additionally burdened with lower generation volume.

Reported results of Q4 2016 (EBITDA, EBIT, net profit) reflect decrease of reclamation provision (positive one-off). The summary of one-off items is presented at page 26

Development of EBITDA by major value drivers

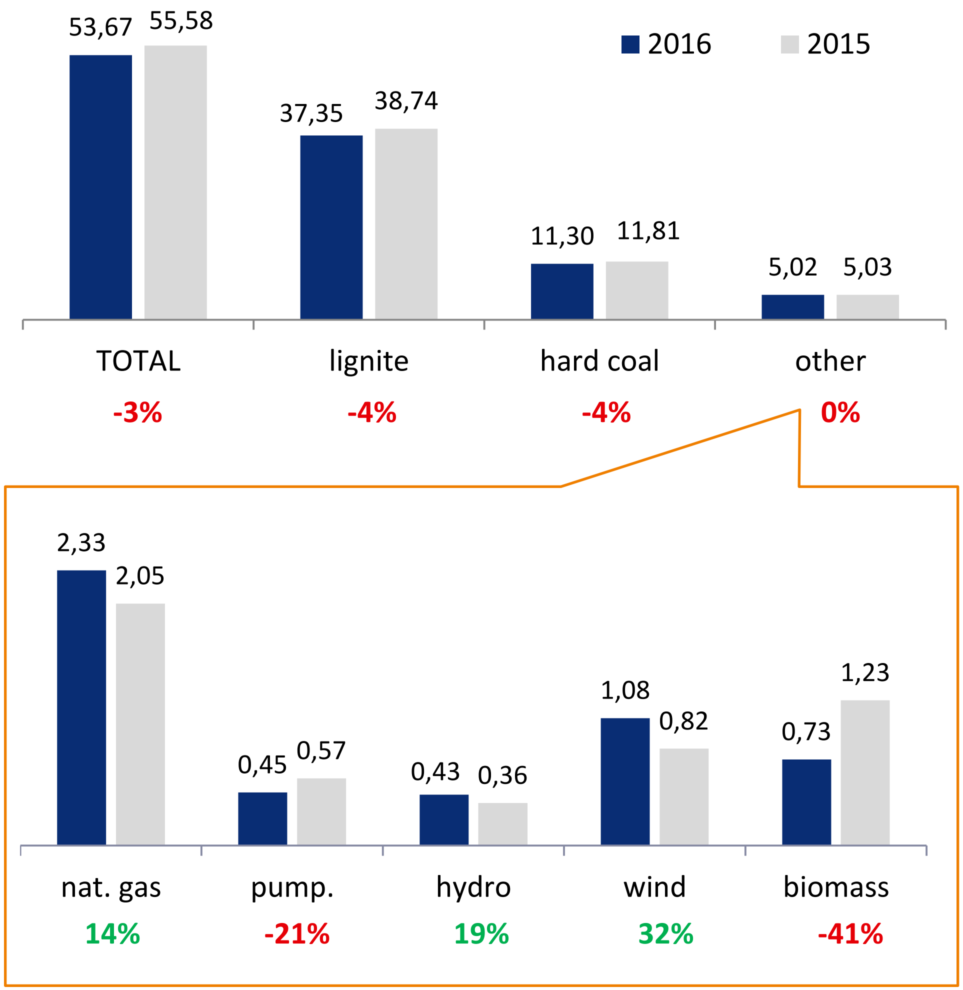
PLN m



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

Generation volume by type of fuel – 2016 Y/Y

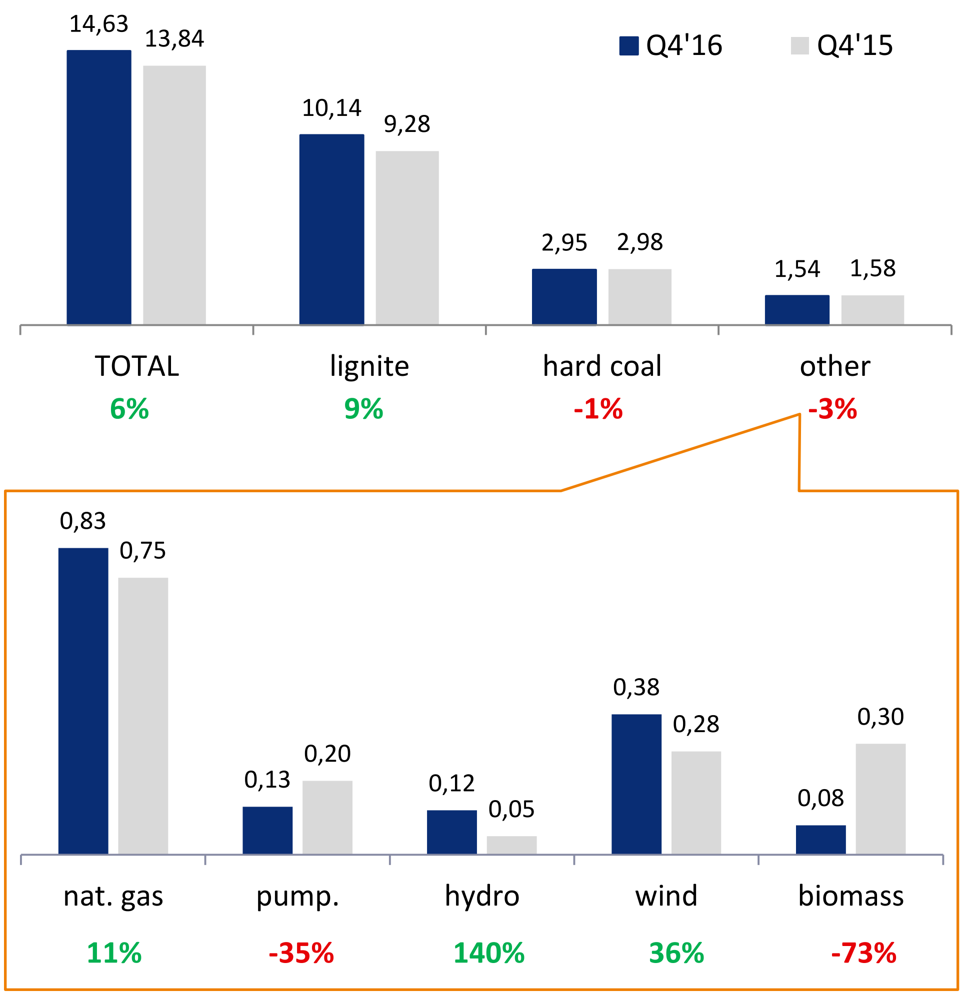
TWh



- **Lignite:** unit 1 in Bełchatów limited to 1500 hours of work per year
- **Hard coal:** overhaul at unit 6 in Dolna Oldra Power Plant, lower utilization of units by TSO
- **Natural gas:** electricity generation in Lublin-Wrotków CHP beyond the heating season, due to favorable fuel price
- **Biomass:** the RES Act reduced undedicated co-combustion support
- **Wind:** harvest from the previous year's capacity expansion (218MW added in H2'15)

Generation volume by type of fuel – Q4 2016 Y/Y

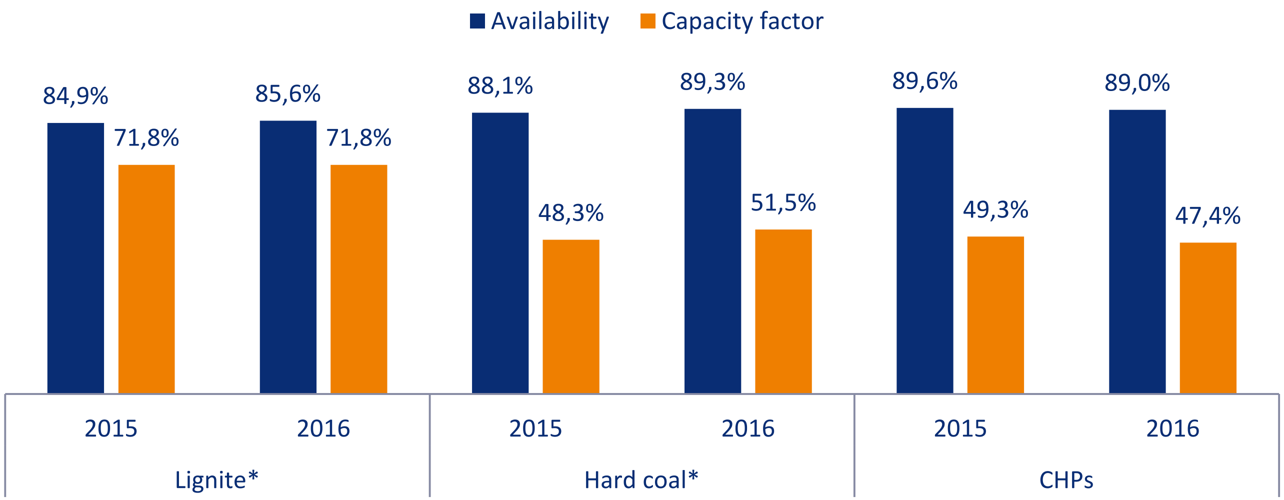
TWh



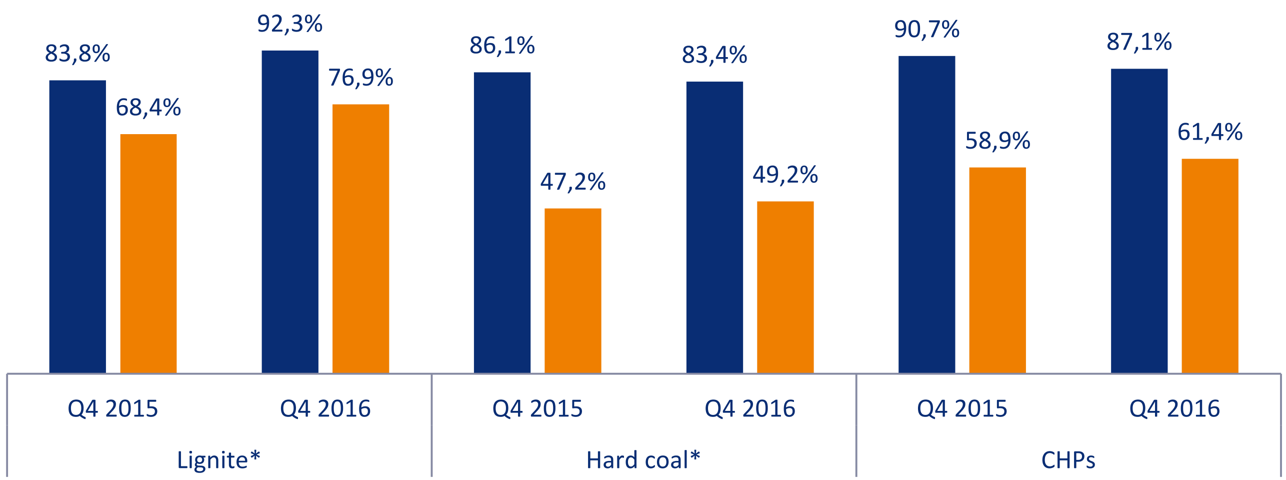
- **Lignite:** return of Unit 9 and 10 in Bełchatów, which were modernized in the base period
- **Natural gas:** launch of new unit in Gorzów CHP and increased utilization of Lublin-Wrotkó CHP caused by weather conditions
- **Biomass:** the RES Act reduced undedicated co-combustion support
- **Wind:** harvest from capacity expansion (178MW added in December 2015)
- **Water:** improved hydrologic conditions
- **ESP:** Lower demand from Transmission System Operator

Generation assets - conventional

Power plants' productivity sustained



- Bełchatów and Turów overhauls balanced annually
- Pomorzany CHP in IED Limited Life Derogation (limited time in operation)

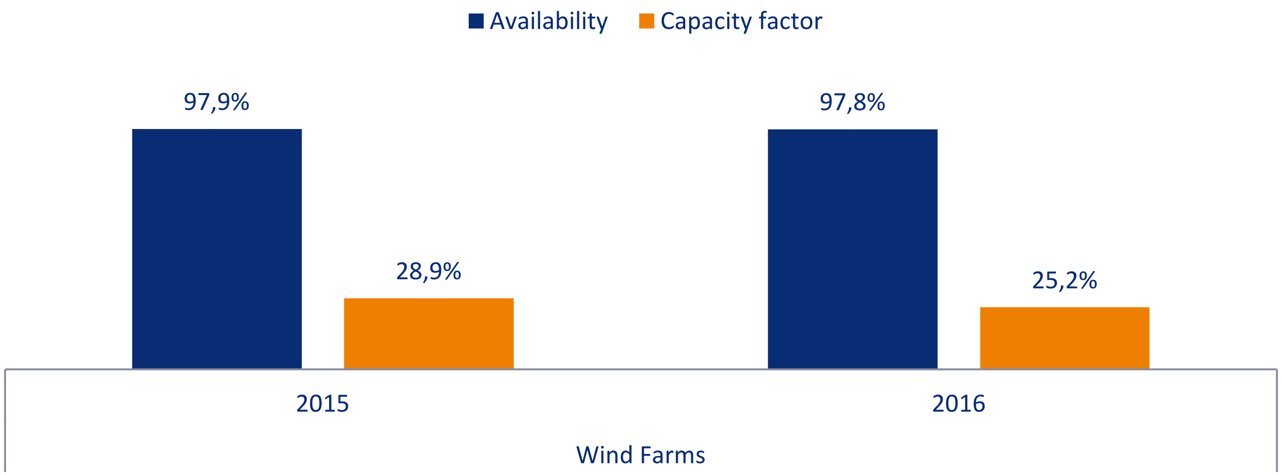


- Completion of overhauls in Bełchatów supports availability and capacity factor in lignite
- Higher utilisation of CHPs due to lower temperatures

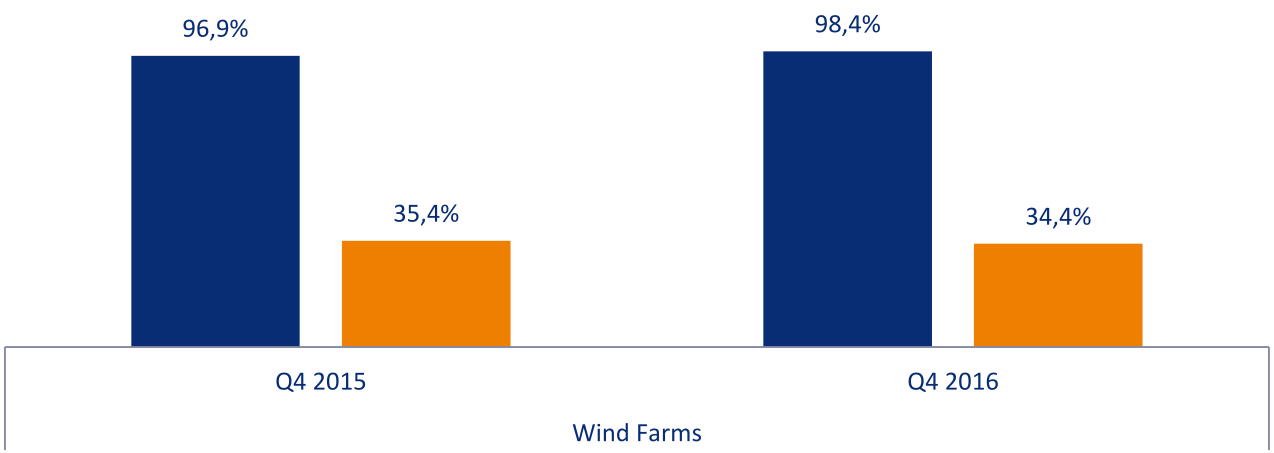
* Excluding units no. 1-2 in Dolna Odra (Interventional Cold Reserve) and unit no. 1 in Bełchatów (working as a peak unit)

Generation assets – wind farms

2016 under weather pressure



- 2016 windiness 3.5% below multi-annual average
- Rise in capacities Y/Y

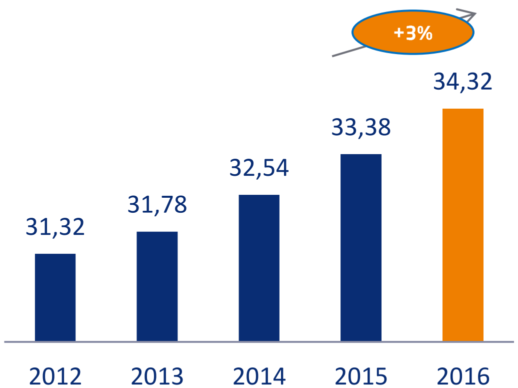


- Q4 windiness 2.7% below multi-annual average, however lower Y/Y

Distribution assets

Consistent improvement in quality

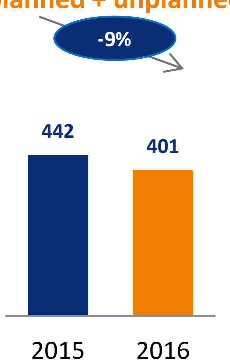
Volume of distribution (TWh)



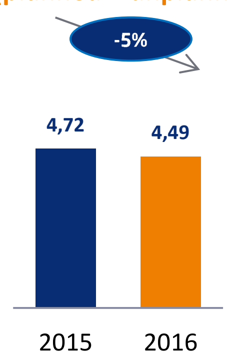
Network losses [%] (last twelve months)

- Rise in volume of distribution higher than growth in national demand
- Successive reduction of network losses

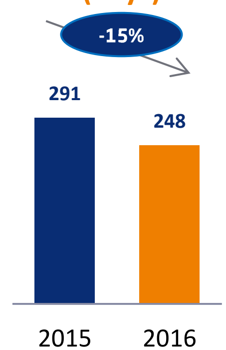
SAIDI (min.) (planned + unplanned)



SAIFI (pcs) (planned + unplanned)

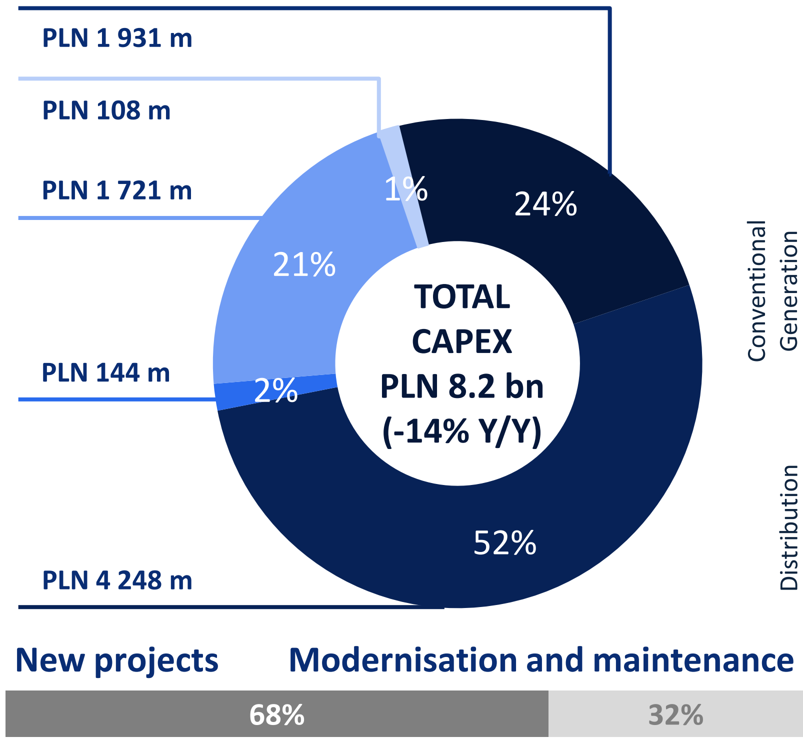


Connection time (days)

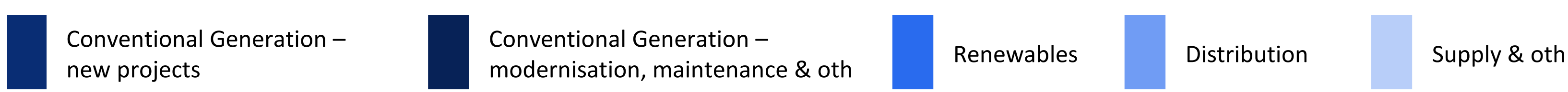


- Results of quality indicators reduction limited due to unfavourable weather conditions (i.a. storms June/July and blizzards in December)

Capital expenditures



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



	Significant projects	CAPEX in 2016
Conventional Generation	Opole II	PLN 3 467 m
	Refurbishment and modernisation in Bełchatów	PLN 518 m
	Turów 11	PLN 498 m
Distribution	Modernisation of distribution assets	PLN 979 m
	New developments in distribution area	PLN 742 m

- Capital expenditures in Conventional Generation the leading importance of the Opole II project
- The largest CAPEX in Distribution for connection of new customers and tasks around ”Medium and low voltage grid”
- Projects in renewables limited to maintenance of existing assets vs. last year intensive developments

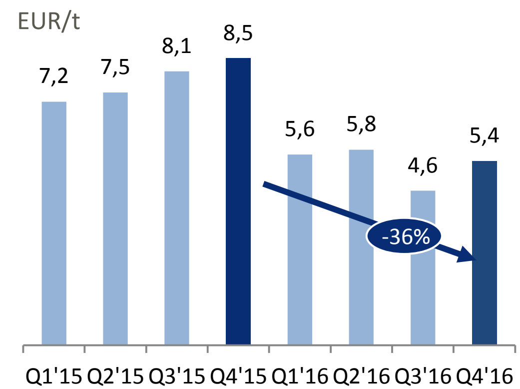
Division EBITDA outlook for 2017

	2017 Outlook vs 2016	Main drivers
Conventional Generation	Decline	• Average wholesale realized price at PLN 163-165/MWh. • Trading model update. • Termination of LTC settlements. No revenues in 2017. • Volume of lignite-fired generation normalized after completion of overhauls in Bełchatów power plant. • Hard coal prices in 2017 flat resulting from price paths in agreements and contracted volumes. • Allocation of free CO2 allowances at the level of 15 m tonnes vs approx. 20 m tonnes in 2016 implies decreased total costs due to lower prices of allowance. • Efficiency programs to be continued.
Renewables	Decline	• Lack of planned changes in installed capacities implies comparable generation volume, dependent of weather conditions. • Increased property tax.
Supply	Growth	• Market stabilization to positively impact the result. • Volatility of green certificates prices increases risk but temporarily improves margins.
Distribution	Stable	• Regulatory Assets Base (RAB) at approx. PLN 15.6 billion in tariff for 2017. • WACC for 2017 set at 5.63% (pre-tax). • Efficiency programs to be continued.

Additional information

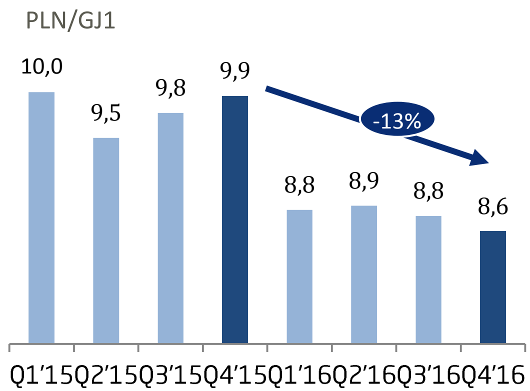
Commodity markets

CO_2 allowance (EUA_DEC16)



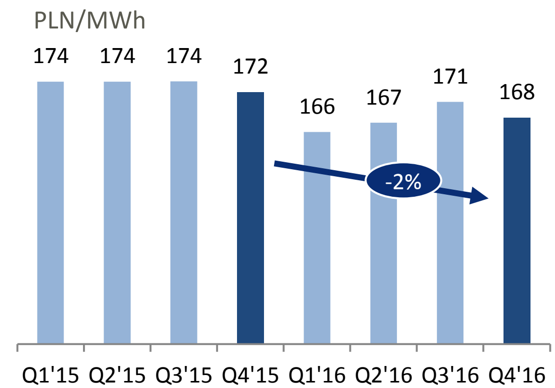
Source: Bloomberg

Hard coal (Polish Steam Coal Index PSCMI1)



Source: ARP

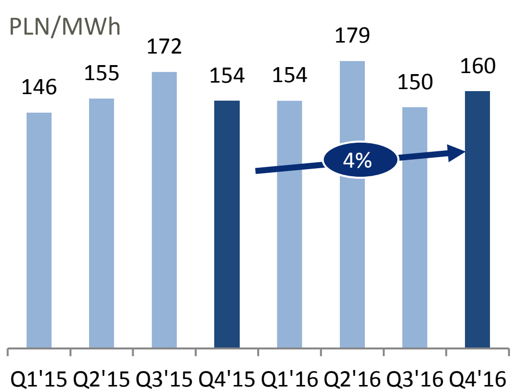
PGE average wholesale price of electricity



Source: PGE

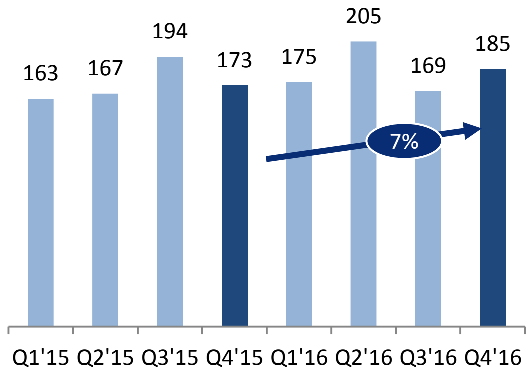
Average quarterly TGE Electricity Prices 2014-2016

Base (spot)

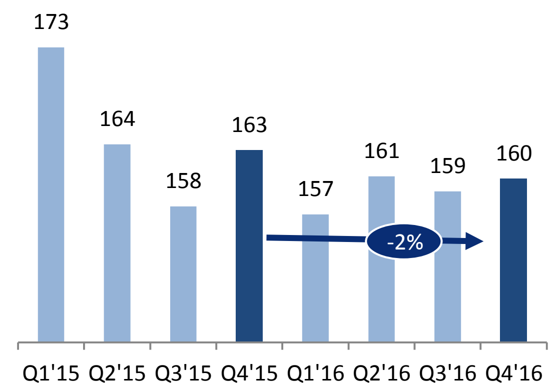


Source: TGE

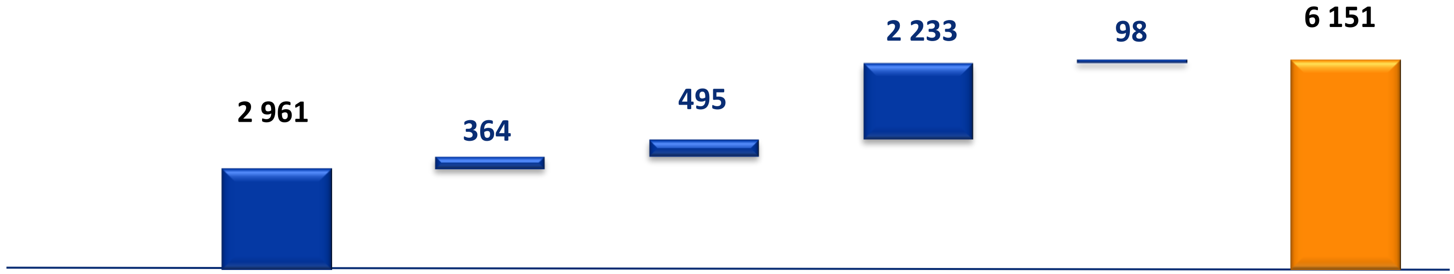
Peak (Spot)



Base_Y_16/17 (Forward, next year)



Recurring* 2016 EBITDA – composition and development



	Conventional Generation	Renewables	Supply	Distribution	Other	EBITDA
2016	**2 961**	**364**	**495**	**2 233**	**98**	**6 151**
Share in 2016 EBITDA (%)	48%	6%	8%	36%	2%	
2015	**3 995**	**390**	**608**	**2 446**	**72**	**7 511**
Change (PLN m)	-1 034	-26	-113	-213	26	**-1 360**
Change (%)	***-26%***	***-7%***	***-19%***	***-9%***	***36%***	***-18%***

Decrease mostly due to:

- Lower volumes generated due to limited operation time of Bełchatów unit no. 1 working as a peak reserve
- Lower blended price
- Higher cost of CO_2 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 (+0.9 TWh) but business strongly affected by the new model of remuneration.

* Recurring = excluding significant one-off items (for details please see page 26)

Recurring* Q4 2016 EBITDA – composition and development

	Conventional Generation	Renewables	Supply	Distribution	Other	EBITDA
Q4 2016	**900**	**108**	**175**	**548**	**20**	**1 751**
Share in Q4 2016 EBITDA (%)	51%	6%	10%	31%	1%	
Q4 2015	**1 078**	**113**	**187**	**599**	**-6**	**1 971**
Change (PLN m)	-178	-5	-12	-51	26	-220
Change (%)	*-17%*	*-4%*	*-6%*	*-9%*	-	*-11%*

Decrease mostly due to:

- Lower volumes generated due to limited operation time of Bełchatów unit no. 1 working as a peak reserve
- Lower blended price
- Higher cost of CO_2 allowances

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

Higher volumes in wind with new farms commissioned, however, hampered by slightly worse 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 (+0.3 TWh) but business strongly affected by the new model of remuneration.

* Recurring = excluding significant one-off items (for details please see page 26)

Key financials

Consolidated

[PLN m]	Q4 2016	Q4 2015	Y/Y	2016	2015	Y/Y
Sales	7 529	7 382	2%	28 092	28 542	-2%
including LTC compensations*	136	103	32%	520	546	-5%
Recurring Sales	7 393	7 279	2%	27 572	27 996	-2%
EBITDA	2 590	1 998	30%	7 376	8 228	-10%
Recurring EBITDA**	1 751	1 971	-11%	6 151	7 511	-18%
EBIT	1 665	1 273	31%	3 512	-3 589	n.a.
Recurring EBIT**	991	1 353	-27%	3 292	4 733	-30%
Net profit (loss) to equity	1 366	995	37%	2 568	-3 032	n.a.
Net profit (to equity) – ex. Impairments***	1 414	1 082	31%	3 363	4 290	-22%
CAPEX (incl. adj.)	2 555	3 613	-29%	8 152	9 450	-14%
Net cash from operating activities	1 600	1 560	3%	6 391	6 777	-6%
Net cash from investing activities	-4 220	-2 575	64%	-10 656	-8 594	24%
EBITDA margin	34%	27%	7 p.p.	26%	29%	-3 p.p.
Recurring EBITDA margin	24%	27%	-3 p.p.	22%	27%	-5 p.p.
Net Working Capital („core")****				3 325	3 389	
Net Debt/LTM EBITDA				0.70	0.32	

*(without court verdicts), **one-off items are summarized at the next page, ***in previous presentations this line provided recurring net profit to equity (adjusted for all the one-offs after-tax), **** Core NWC = inventory + trading receivables – trading payables (distinguish from NWC stated as Current assets minus ST liabilities)

One-off items

Computation of recurring EBITDA and recurring EBIT

[PLN m]	Q4 2016	Q4 2015		2016	2015
LTC compensations	136	103		520	546
LTC adjustment (court verdicts)	0	0		148	0
Reclamation provision	643	-100		643	93
Actuarial provision	48	4		48	58
Revaluation of property rights at ZEDO	0	0		-118	0
Voluntary Leave Program	12	20		-16	20
One-off items – EBITDA level	**839**	**27**		**1 225**	**717**
Fixed assets impairments (pre-tax)	-165	-107		-1 005	-9 039
One-off items – EBIT level	**674**	**-80**		**220**	**-8 322**

Computation of net profit ex. fixed assets impairments

Fixed assets impairments (after-tax)	-120	-87		-867	-7 322
Reversal of bond impairment (after-tax)	72	0		72	0
Impairments for adjusted profits	**-48**	**-87**		**-795**	**-7 322**

Key operating data

Net electricity generation by sources

[TWh]	Q4 2016	Q4 2015	y/y	2016	2015	y/y
Lignite-fired power plants	10.11	9.34	8%	37.26	38.98	-4%
Hard coal-fired power plants	2.64	2.72	-3%	10.71	11.04	-3%
Coal-fired CHPs	0.36	0.38	-5%	0.98	1.30	-25%
Gas-fired CHPs	0.83	0.75	11%	2.33	2.05	14%
Biomass-fired CHPs	0.06	0.12	-50%	0.43	0.46	-7%
Pumped-storage	0.13	0.20	-35%	0.45	0.57	-21%
Hydro	0.12	0.05	140%	0.43	0.36	19%
Wind	0.38	0.28	36%	1.08	0.82	32%
TOTAL	**14.63**	**13.84**	**6%**	**53.67**	**55.58**	**-3%**
Renewable generation	0.58	0.63	-8%	2.24	2.41	-7%
incl. biomass co-combustion	0.02	0.18	-89%	0.30	0.77	-61%

Capital expenditures

Segment (PLN m)	Q4 2016	Q4 2015	Y/Y	2016	2015	Y/Y
Conventional Generation	1 870	2 481	-25%	6 179	6 495	-5%
Distribution, including:	586	703	-17%	1 721	1841	-7%
New clients connection	163	187	-13%	572	585	-2%
Distribution grid	293	361	-19%	788	828	-5%
Renewables, including:	31	366	-92%	144	931	-85%
Modernization and replacement	22	31	-29%	61	51	20%
Supply and other	77	84	-8%	193	247	-22%
TOTAL	2 564	3 634	-29%	8 237	9 514	-13%
TOTAL (incl. adjustments)	2 555	3 613	-29%	8 152	9 450	-14%

Cash from operations, investments and net debt

Consolidated Cash Flows

	Q4 2016	Q4 2015			2016	2015	
Operating CF	1 600	1 560			6 391	6 777	
Investing CF	-4 220	-2 575			-10 656	-8 594	
Financial CF	-97	-966			3 830	-1 265	
Change of cash and equivalents	-2 717	-1 981			-435	-3 082	

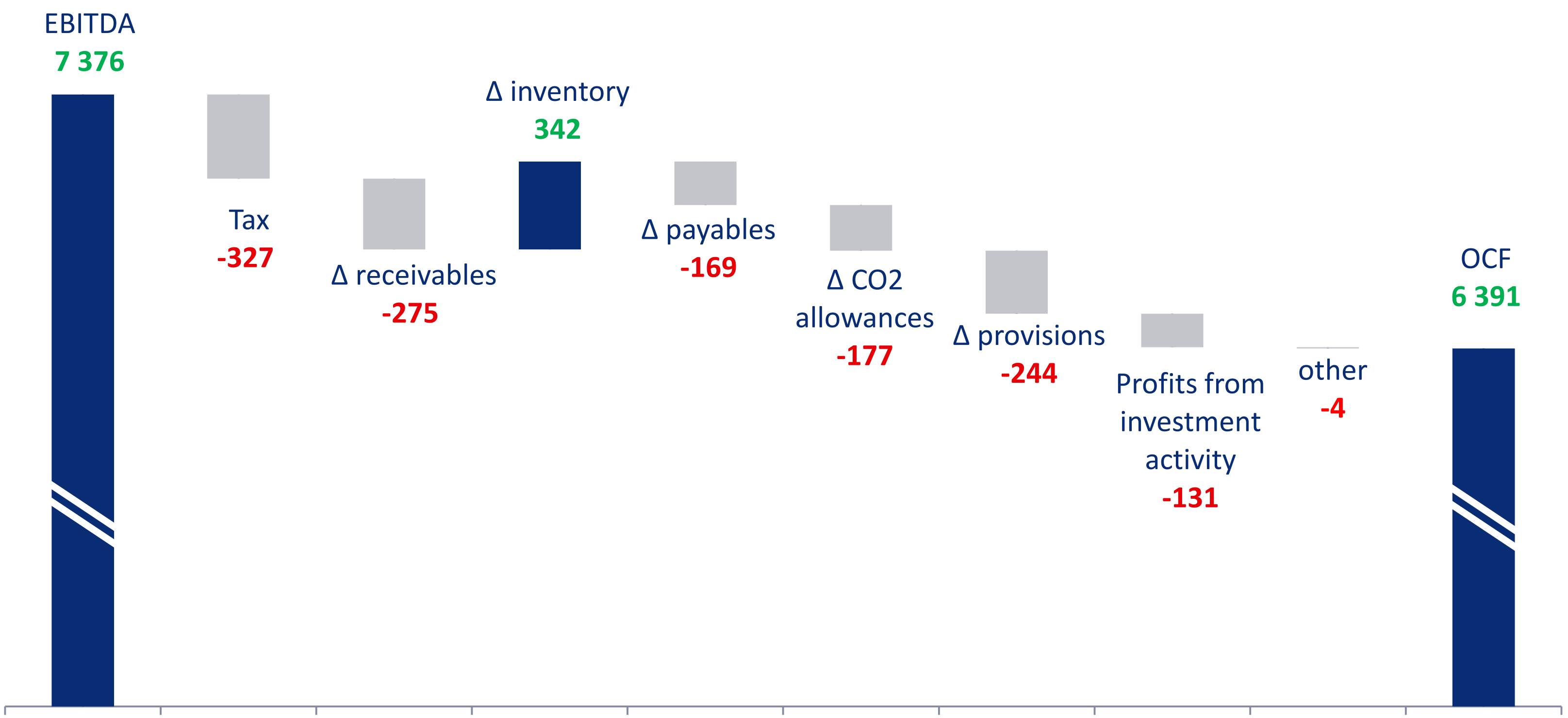
Consolidated Balance Sheet

	Q4'16 EOP	Q4'16 BOP	Δ Q4'16		2016 EOP	2016 BOP	Δ 2016
Cash and equivalents	2 669	5 386	-2 717		2 669	3 104	-435
Short term deposits	2 300	1	2 299		2 300	1	2 299
Restricted cash	-107	-130	23		-107	-333	226
Disposable cash of PGE Group	**4 862**	**5 257**	**-395**		**4 862**	**2 772**	**2 090**
Short term financial debt	-411	-390	-21		-411	-291	-120
Long term financial debt	-9 603	-9076	-527		-9 603	-5 118	-4 485
Total financial debt	**-10 014**	**-9 466**	**-548**		**-10 014**	**-5 409**	**-4 605**
Net debt	**-5 152**	**-4 209**	**-943**		**-5 152**	**-2 637**	**-2 515**

* Liabilities above are presented as negative figures for sake of arithmetic link to cash flows

EBITDA vs. Operating Cash Flow

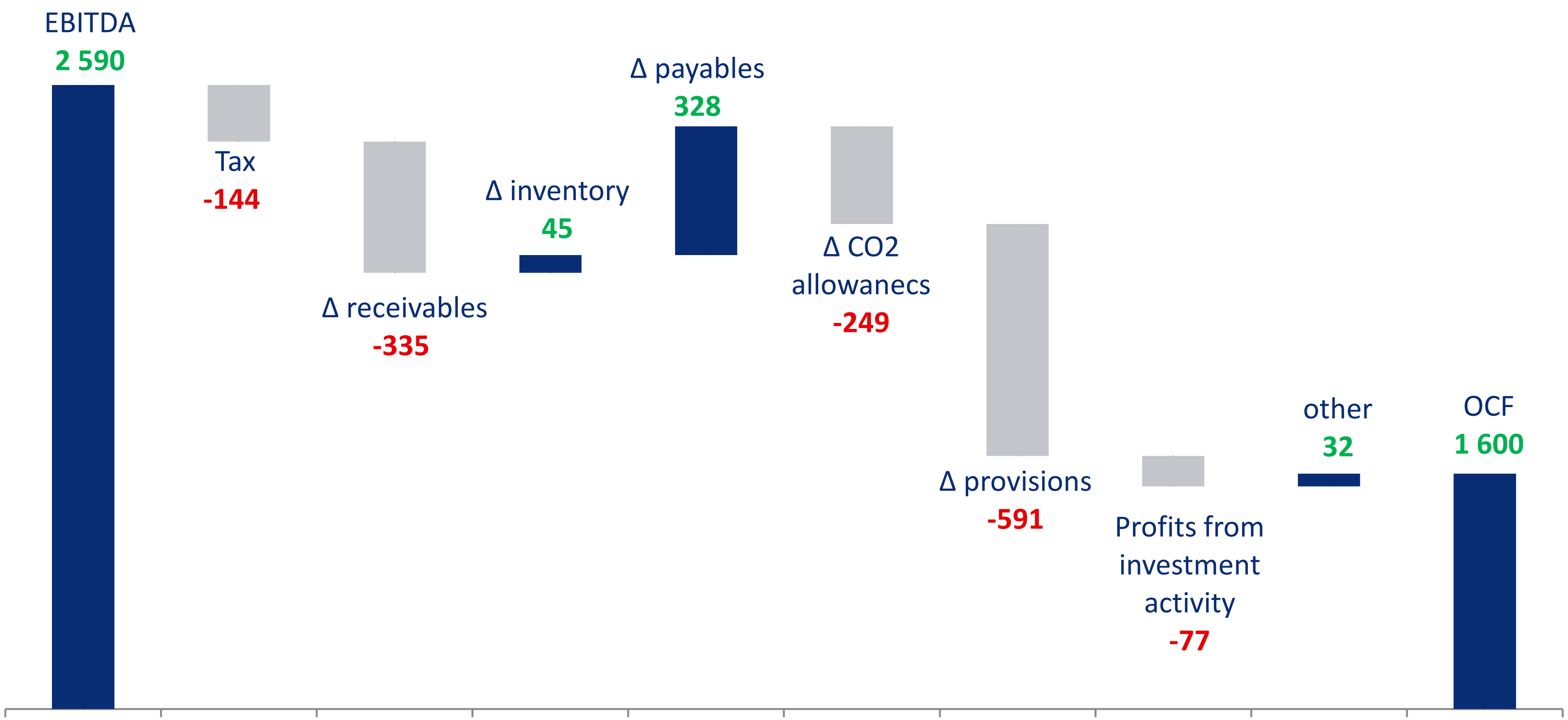
2016



The above changes of inventory, payables and receivables are not identical to annual change of Core NWC presented at the page 25. Core NWC encompasses merely trading receivables and trading payables, whereas the above bridge refers to broader meaning of those categories. Figures on the chart derives from Consolidated Statement of Cash Flows, and are precisely described in note 27. 1 of Consolidated FS.

EBITDA vs. Operating Cash Flow

Q4 2016



Segmental revenues and costs

Conventional Generation

(PLN m)	Q4 16	Q4 15	Y/Y	FY 16	FY 15	Y/Y
Sales, including	**3 207**	**3 237**	**-1%**	**11 738**	**12 715**	**-8%**
Sale of electricity	2 582	2 632	-2%	9 800	10 575	-7%
LTC compensations	136	103	32%	520	546	-5%
Sale of heat	245	228	7%	720	710	1%
Sale of certificates of origin	114	141	-19%	227	411	-45%
Cost by kind, including	**2 637**	**2 571**	**3%**	**9 910**	**18 975**	**-48%**
D&A	483	388	24%	1 607	10 597	-85%
Materials	669	819	-18%	2 575	3 000	-14%
Energy	8	8	0%	27	31	-13%
External services	322	318	1%	1 099	1 116	-2%
Taxes and charges	506	383	32%	1 866	1 501	24%
Personnel expenses	615	615	0%	2 608	2 574	1%
Other cost	34	41	-17%	128	156	-18%
Cost of products sold	2 199	1 927	14%	8 086	16 610	-51%
Cost of goods sold	2 413	2 224	8%	9 077	17 706	-49%
EBIT	1 275	739	73%	2 691	-5 732	n.a.
EBITDA	1 735	1 113	56%	4 182	4 698	-11%

Segmental revenues and costs

Renewables

(PLN m)	Q4 16	Q4 15	Y/Y	FY 16	FY 15	Y/Y
Sales, including	**221**	**215**	**2%**	**717**	**761**	**-6%**
Sale of electricity	118	97	22%	358	337	6%
Sale of certificates of origin	33	51	-35%	104	172	-40%
Cost by kind, including	**251**	**217**	**16%**	**1 507**	**666**	**126%**
D&A	146	111	32%	1 135	284	300%
Materials	2	1	100%	6	6	0%
Energy	31	39	-21%	111	133	-17%
External services	30	28	7%	105	92	14%
Taxes and charges	20	13	54%	63	52	21%
Personnel expenses	19	21	-10%	74	83	-11%
Other cost	3	3	0%	13	15	-13%
Cost of products sold	43	195	-78%	1 212	586	107%
Cost of goods sold	44	195	-77%	1 215	586	107%
EBIT	-37	2	n.a.	-770	107	n.a.
EBITDA	109	113	-4%	365	391	-7%

Segmental revenues and costs

Distribution

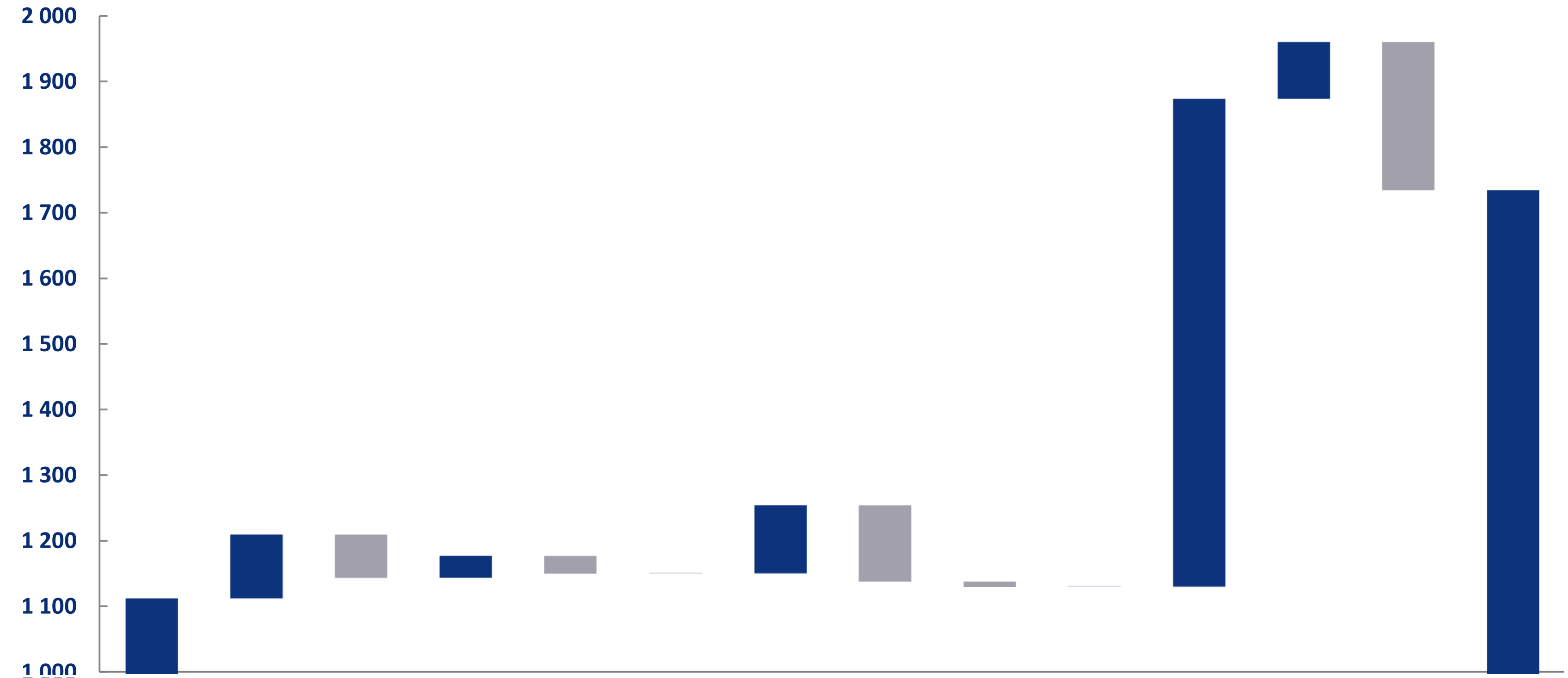
(PLN m)	Q4 16	Q4 15	Y/Y	FY 16	FY 15	Y/Y
Sales, including	**1 552**	**1 602**	**-3%**	**5 918**	**6 083**	**-3%**
Revenues from distribution services	1 472	1 482	-1%	5 616	5 716	-2%
Other revenues from core activities	53	92	-42%	196	260	-25%
Cost by kind, including	**1 314**	**1 287**	**2%**	**4 890**	**4 734**	**3%**
D&A	288	279	3%	1 128	1 075	5%
Materials	19	24	-21%	69	77	-10%
Energy	161	160	1%	485	469	3%
External services	474	464	2%	1 774	1 694	5%
Taxes and charges	93	87	7%	377	351	7%
Personnel expenses	274	269	2%	1 039	1 052	-1%
Other cost	4	4	0%	18	14	29%
Cost of products sold	1 199	1 192	1%	4 534	4 396	3%
Cost of goods sold	1 199	1 193	1%	4 534	4 397	3%
EBIT	258	318	-19%	1 104	1 387	-20%
EBITDA	545	596	-9%	2 230	2 461	-9%

Segmental revenues and costs

Supply

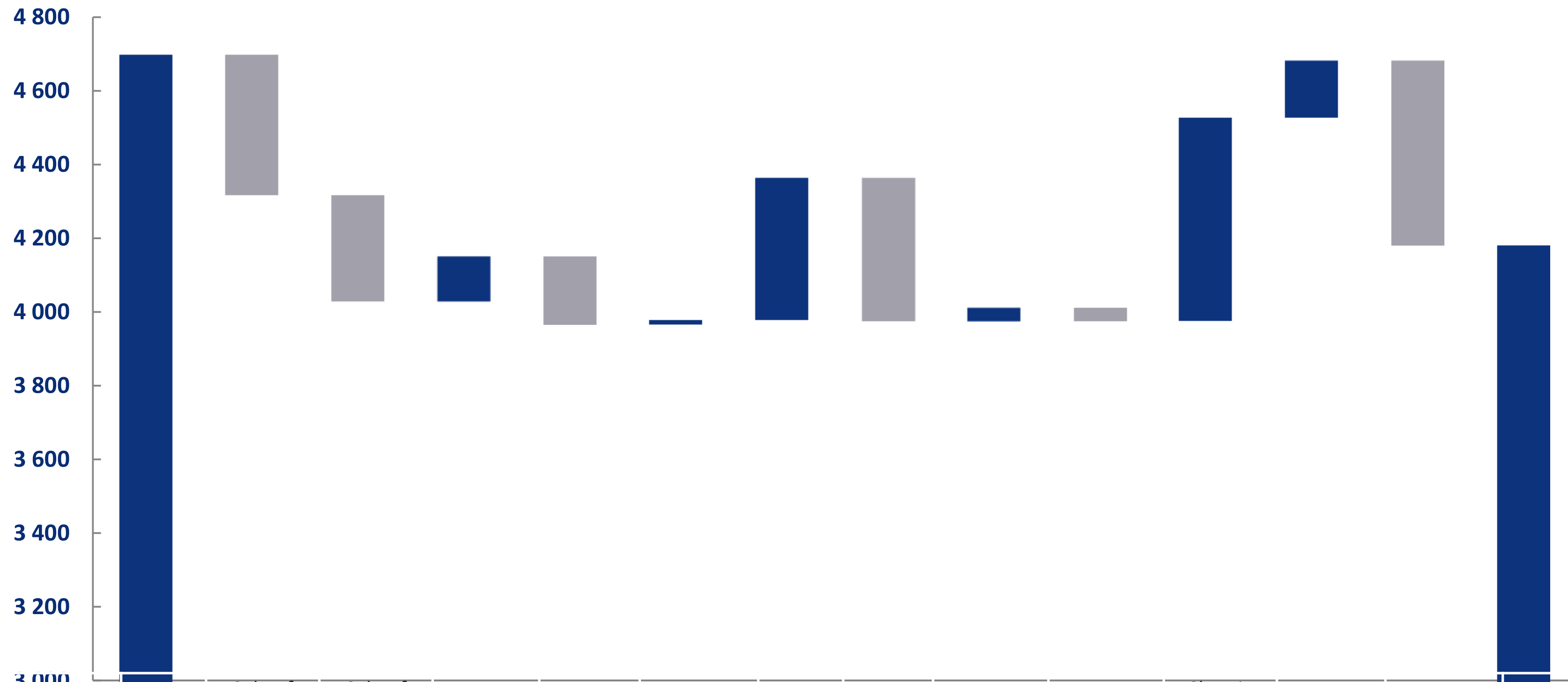
(PLN m)	Q4 16	Q4 15	Y/Y	FY 16	FY 15	Y/Y
Sales, including	**4 182**	**4 713**	**-11%**	**16 014**	**15 783**	**1%**
Sale of electricity	2 650	2 518	5%	10 011	9 467	6%
Revenues from distribution services	1 002	1 044	-4%	3 876	4 078	-5%
Sale of certificates of origin	0	0	n.a.	0	9	-100%
Sale of CO2	248	786	-68%	991	1 209	-18%
Cost by kind, including	**394**	**409**	**-4%**	**1 582**	**1 603**	**-1%**
D&A	7	7	0%	27	25	8%
Materials	2	2	0%	6	7	-14%
Energy	1	1	0%	3	4	-25%
External services	51	58	-12%	205	210	-2%
Taxes and charges	239	240	0%	985	984	0%
Personnel expenses	67	68	-1%	262	258	2%
Other cost	29	33	-12%	94	115	-18%
Cost of products sold	35	34	3%	129	136	-5%
Cost of goods sold	3 662	4 153	-12%	14 095	13 719	3%
EBIT	173	180	-4%	473	585	-19%
EBITDA	180	187	-4%	500	610	-18%

Conventional Generation – EBITDA Q4 2016



	EBITDA 2015	Sale of electricity difference in volume	Sale of electricity difference in price	Revenues from LTC	Sale of property rights	Revenues from agreement with TSO	Cost of fuel	CO2	Environomental costs	Personnel costs	Chng in provision for reclam. of land	Other	Capitalized costs	EBITDA 2016
Change		**97**	**-65**	**33**	**-27**	**1**	**104**	**-117**	**-8**	**0**	**743**	**86**	**-225**	
EBITDA Q4'15	**1 113**	2 345		103	141	73	641	209	69	615	-100		416	
EBITDA Q4'16		2 377		136	114	72	537	326	77	615	643		191	**1 735**

Conventional Generation – EBITDA FY 2016



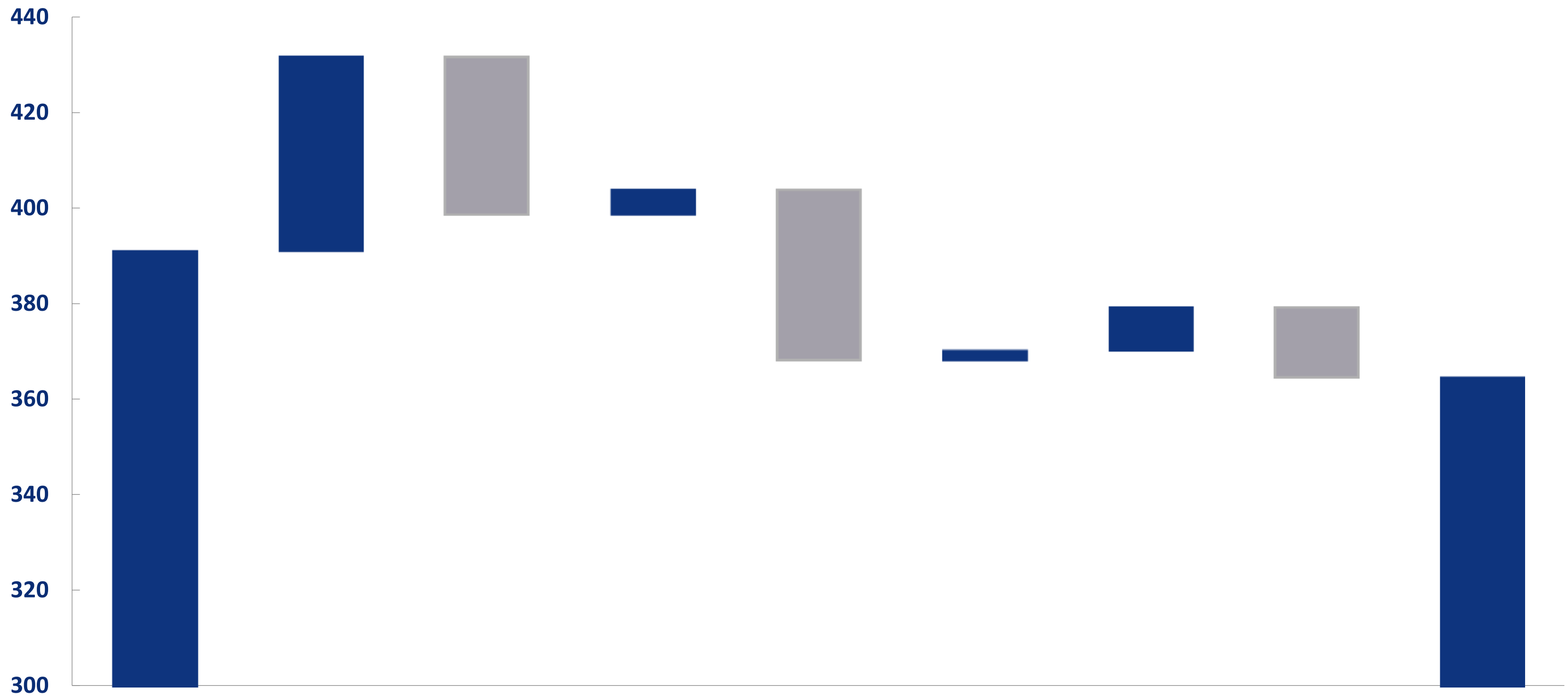
	EBITDA 2015	Sale of electricity difference in volume	Sale of electricity difference in price	Revenues from LTC	Sale of property rights	Revenues from agreement with TSO	Cost of fuel	CO2	Environomental costs	Personnel costs	Chng in provision for reclam. of land	Other	Capitalized costs	EBITDA 2016
Change		**-380**	**-288**	**122**	**-184**	**12**	**386**	**-390**	**36**	**-34**	**550**	**155**	**-501**	
EBITDA 2015	**4 698**	9 515		546	411	253	2 382	765	329	2 574	93		1 411	
EBITDA 2016		8 847		668	227	265	1 996	1 155	293	2 608	643		910	**4 182**

Renewables – EBITDA Q4 2016

	EBITDA 2015	Sale of electricity - wind	Sale of property rights - wind	Sale of electricity - water	Sale of property rights - water	Revenues from agreement with TSO*	Personnel costs	Other	EBITDA 2016
Change		**20**	**-12**	**8**	**-5**	**2**	**7**	**-24**	
EBITDA Q4'15	**113**	46	44	14	6	65	62		
EBITDA Q4'16		66	32	22	1	67	55		**108**

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

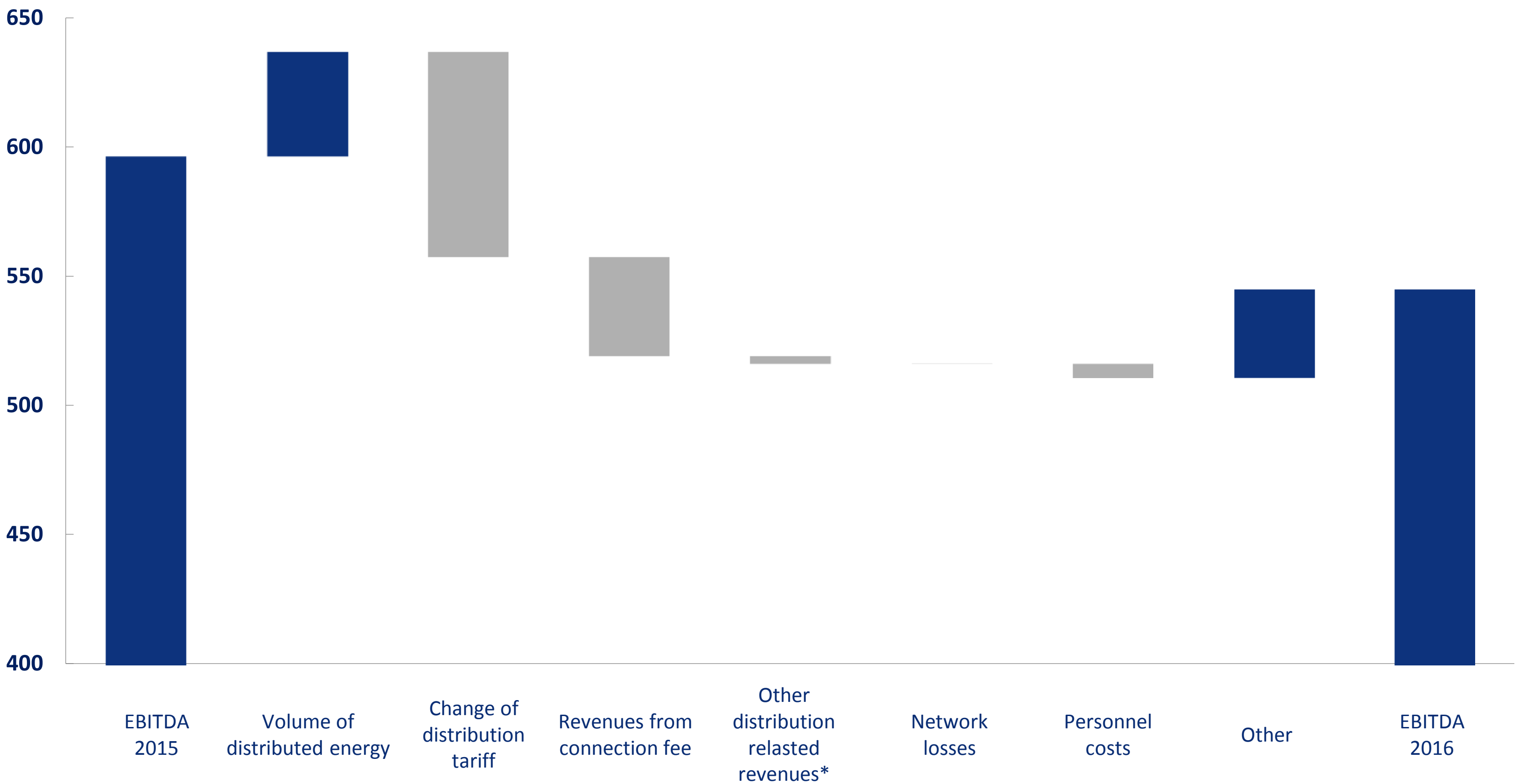
Renewables – EBITDA Q4 2016



	EBITDA 2015	Sale of electricity - wind	Sale of property rights - wind	Sale of electricity - water	Sale of property rights - wate	Revenues from agreement with TSO*	Personnel costs	Other	EBITDA 2016
Change		**41**	**-33**	**5**	**-35**	**2**	**9**	**-15**	
EBITDA 2015	**391**	136	129	70	43	246	83		
EBITDA 2016		177	96	75	8	248	74		**365**

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

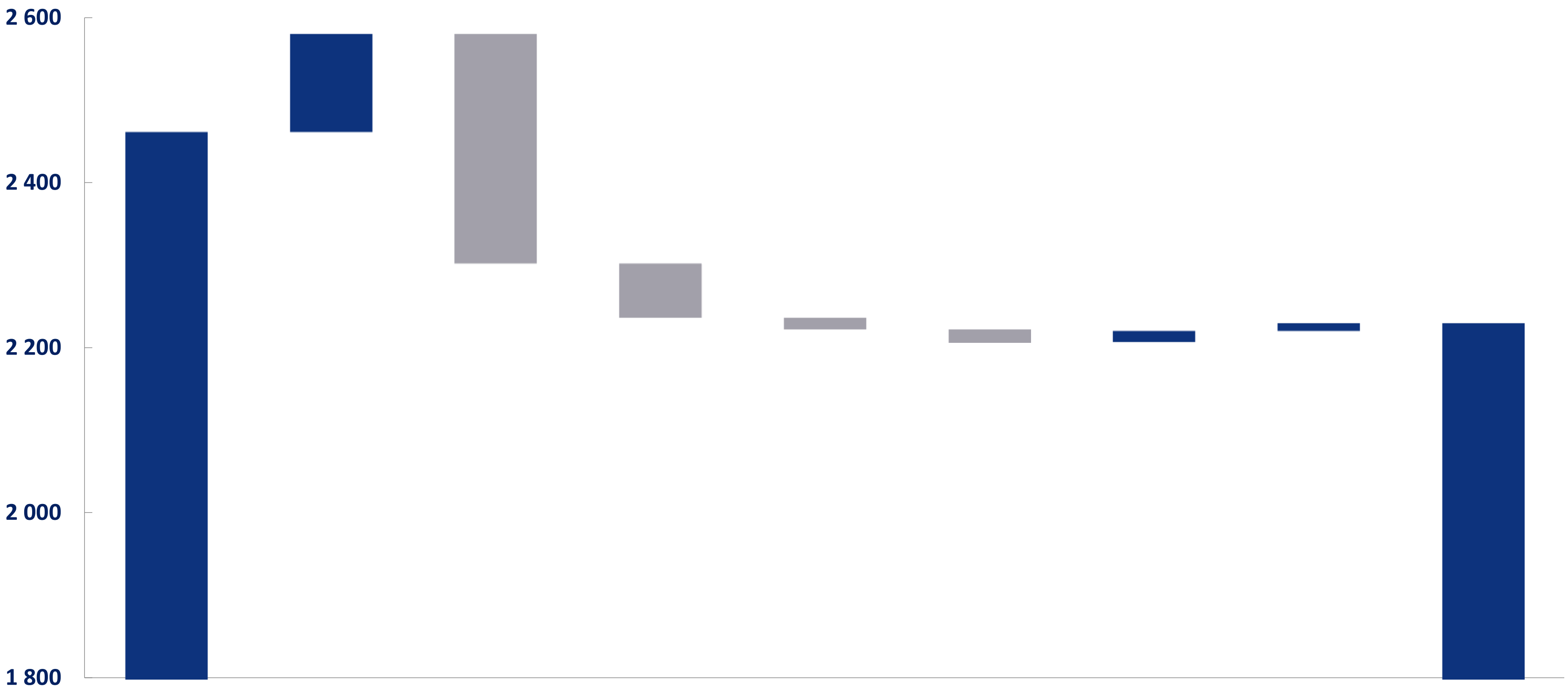
Distribution – EBITDA Q4 2016



	EBITDA 2015	Volume of distributed energy	Change of distribution tariff	Revenues from connection fee	Other distribution relasted revenues*	Network losses	Personnel costs	Other	EBITDA 2016
Change		**40**	**-79**	**-38**	**-3**	**0**	**-5**	**34**	
EBITDA Q4'15	**596**	1 095		64	72	154	269		
EBITDA Q4'16		1 056		26	69	154	274		**545**

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

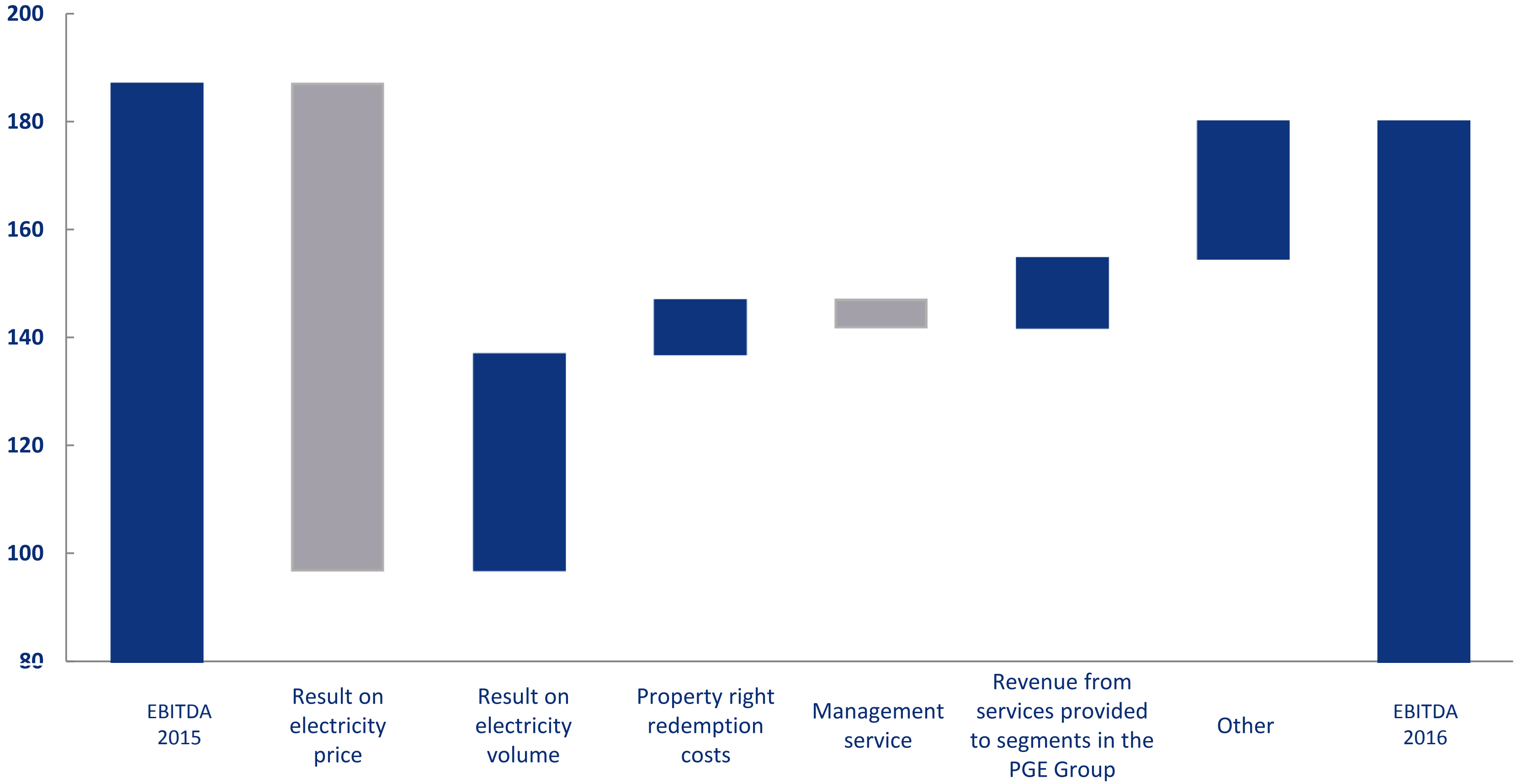
Distribution – EBITDA FY 2016



	EBITDA 2015	Volume of distributed energy	Change of distribution tariff	Revenues from connection fee	Other distribution relasted revenues*	Network losses	Personnel costs	Other	EBITDA 2016
Change		**118**	**-277**	**-66**	**-13**	**-17**	**13**	**11**	
EBITDA 2015	**2 461**	4 181		157	286	448	1 052		
EBITDA 2016		4 022		91	273	465	1 039		**2 230**

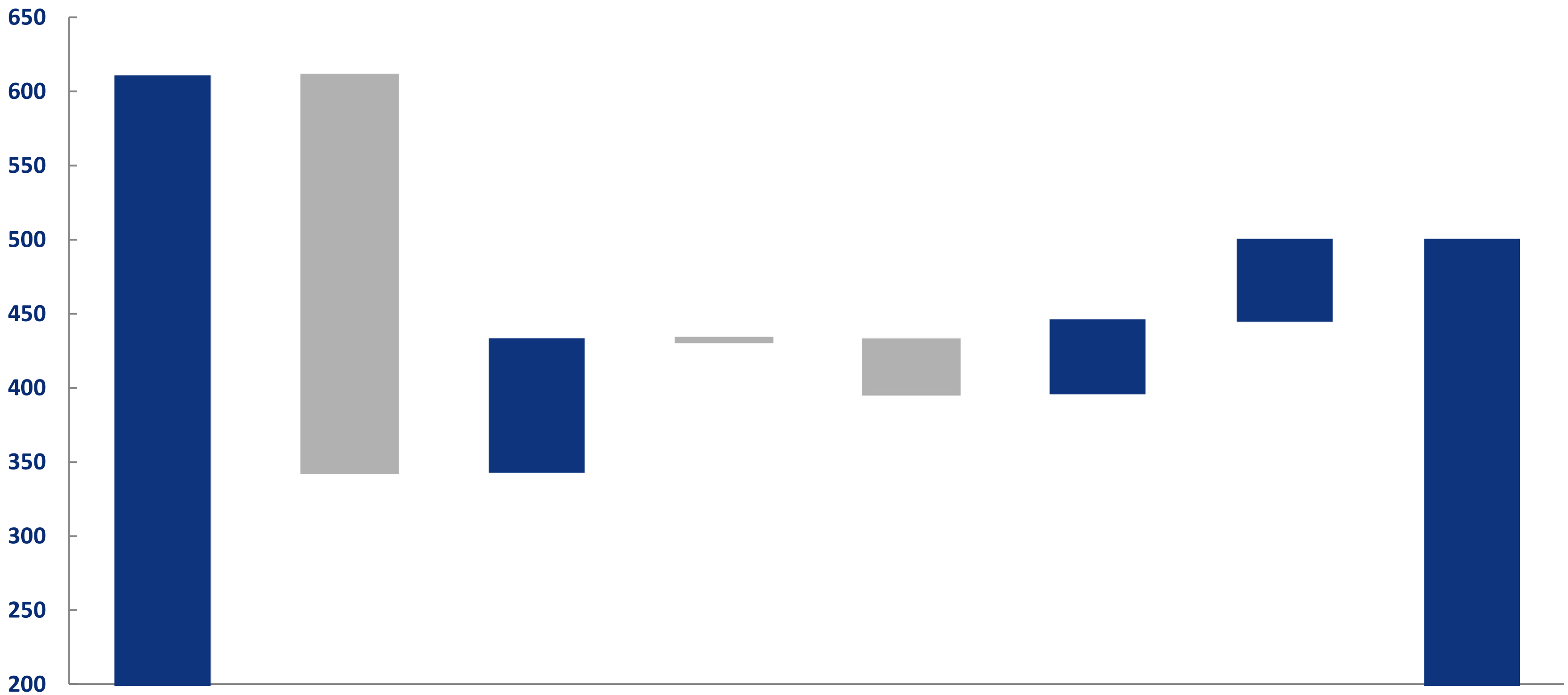
* Other revenues (reactive power, excess capacity, additional services), sale of transit services

Supply – EBITDA Q4 2016



	EBITDA 2015	Result on electricity price	Result on electricity volume	Property right redemption costs	Management service	Revenue from services provided to segments in the PGE Group	Other	EBITDA 2016
Change		**-90**	**40**	**10**	**-5**	**13**	**25**	
EBITDA Q4'15	**187**	434		247	127	11	138	
EBITDA Q4'16		384		237	122	24	113	**180**

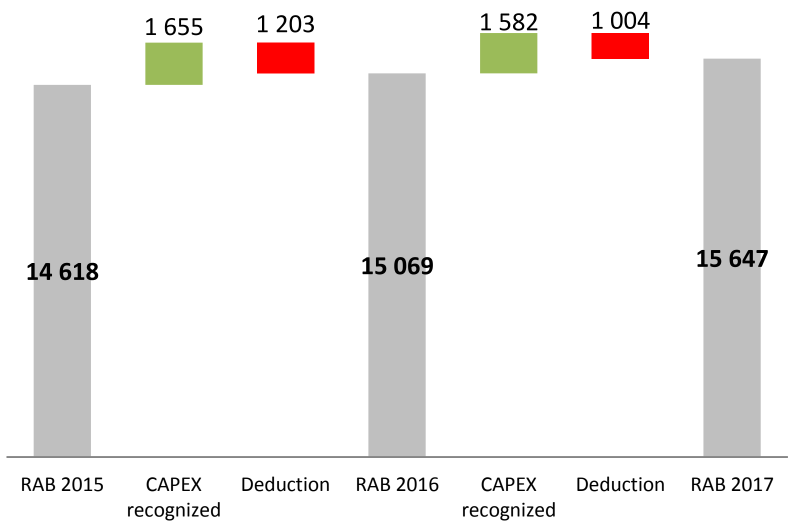
Supply – EBITDA FY 2016



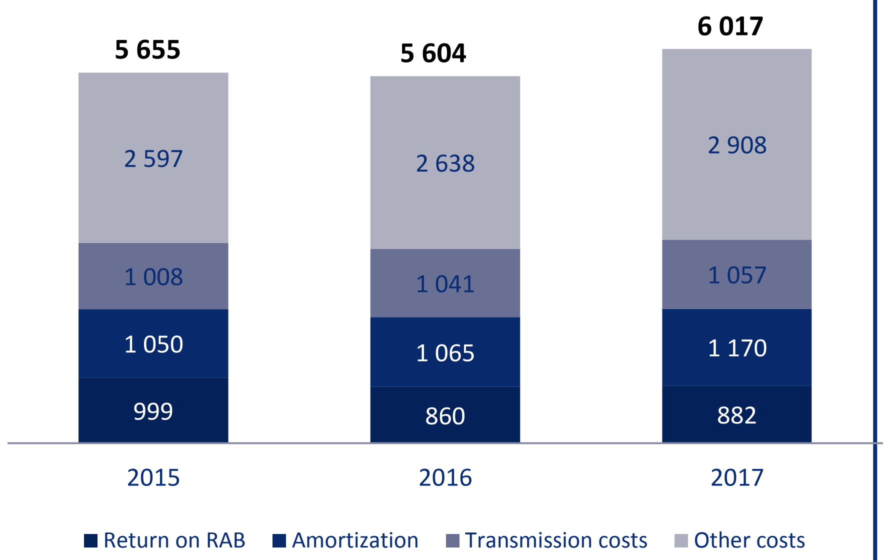
	EBITDA 2015	Result on electricity price	Result on electricity volume	Property right redemption costs	Management service	Revenue from services provided to segments in the PGE Group	Other	EBITDA 2016
Change		**-266**	**89**	**-1**	**-35**	**49**	**54**	
EBITDA 2015	**610**	1 568		976	503	43	528	
EBITDA 2016		1 391		977	468	92	474	**500**

Fundamentals of the distribution business

RAB development* (PLN m)



Regulated revenue composition* (PLN m)



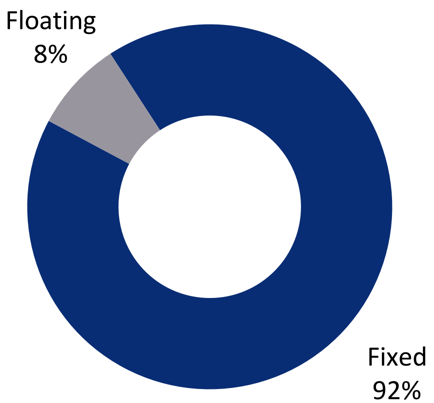
	2015	2016	2017
WACC:	7.197%	5.675%	5.633%

	2015	2016	2017
Return on RAB:	95%	100%	100%

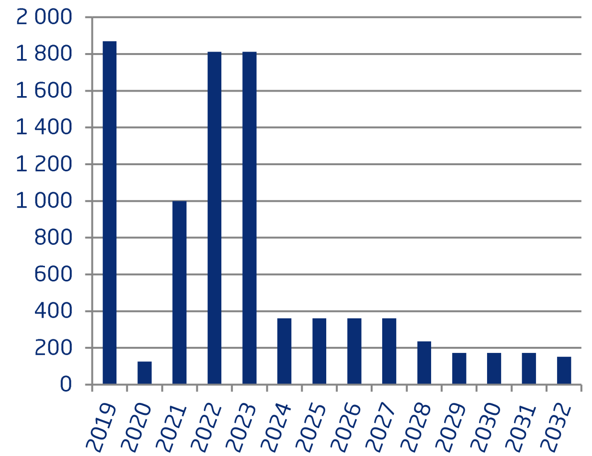
* Based on a Tariff

Debt Structure and Liquidity (as at December 31, 2016)

Fixed vs floating debt (drawn debt)

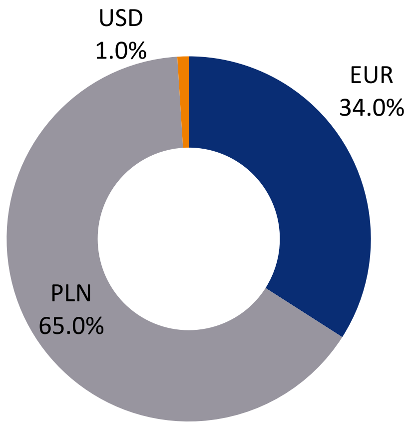


Bank loans repayment schedule (PLN m)*



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

Drawn Debt by currency

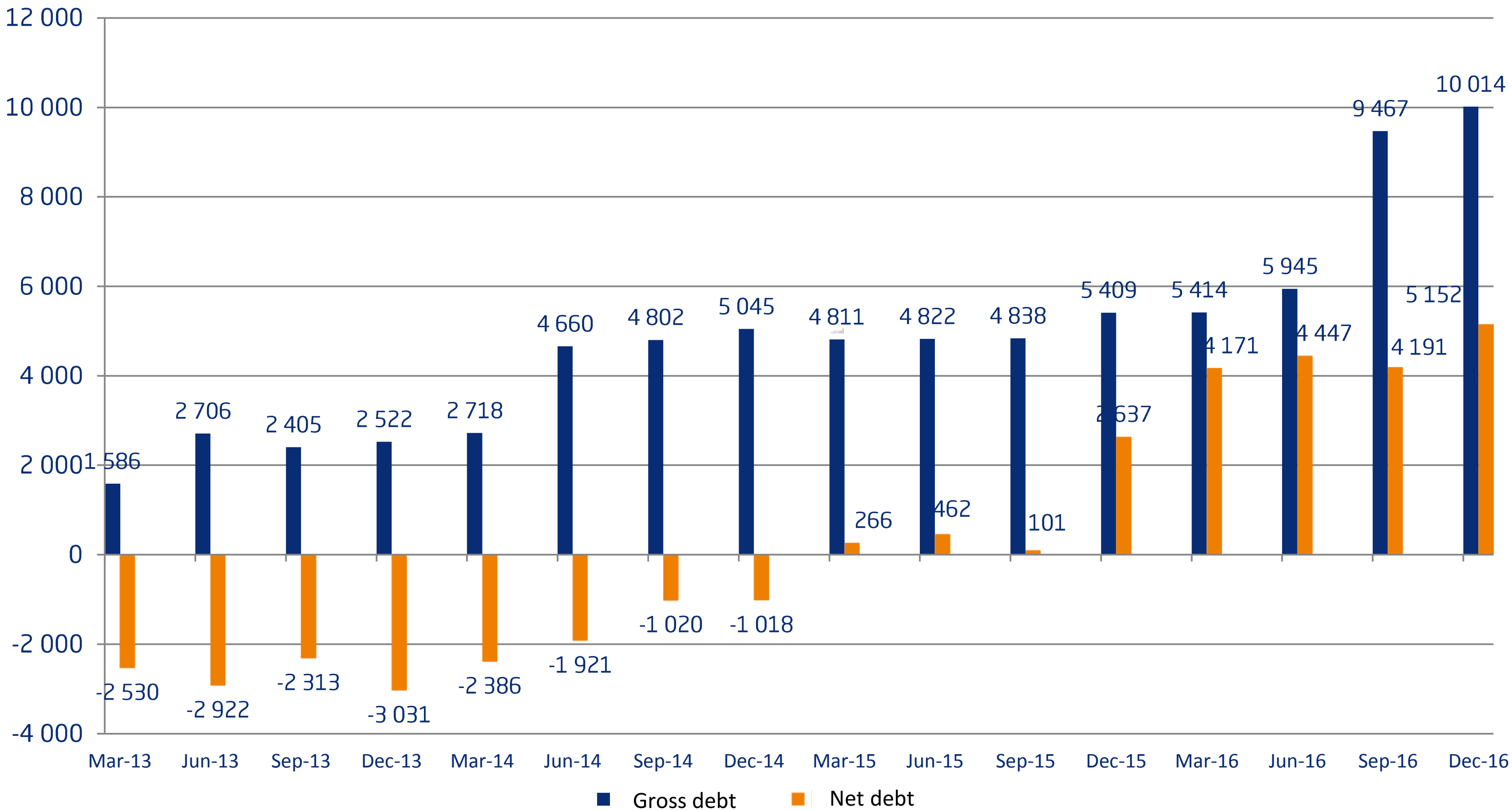


Issues under the EMTN program

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

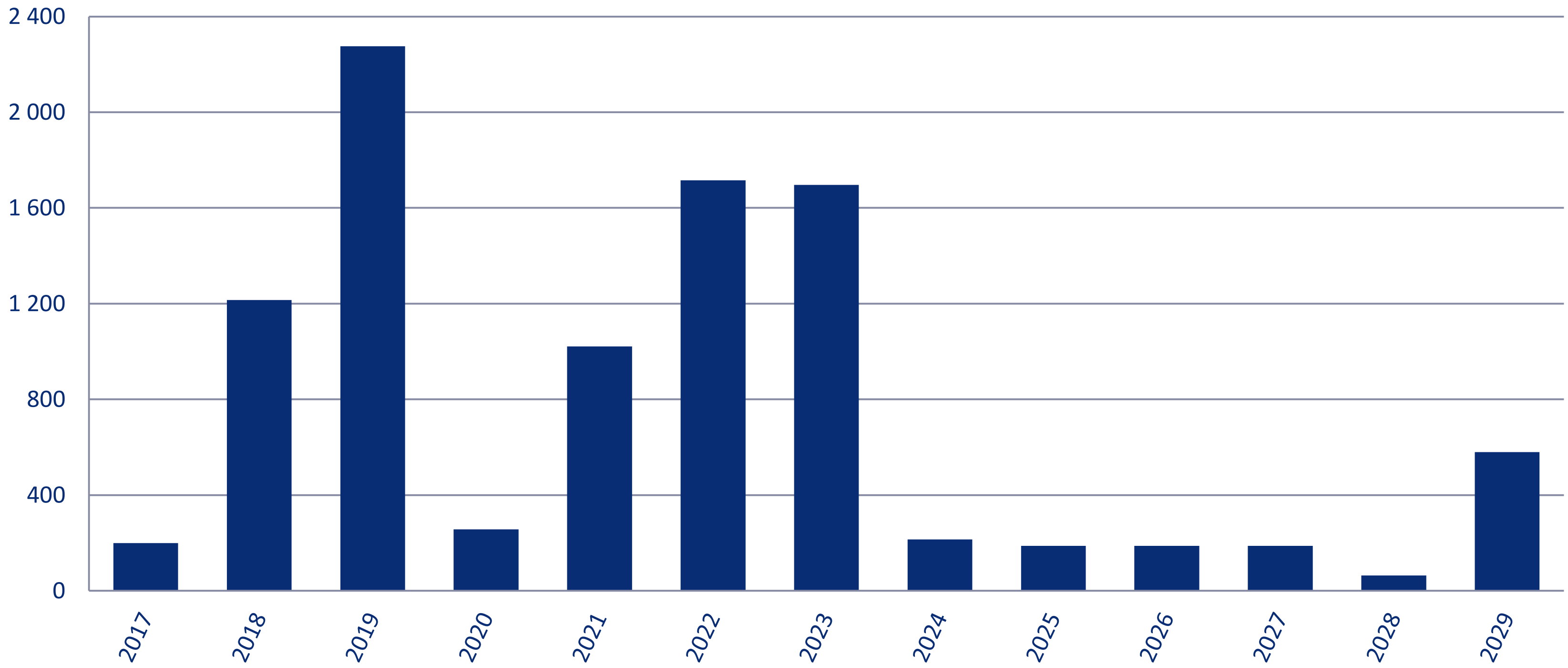
Gross debt and net debt (PLN m)



- 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)

Debt maturity profile

Debt maturity profile (PLN m) as at December 31 2016



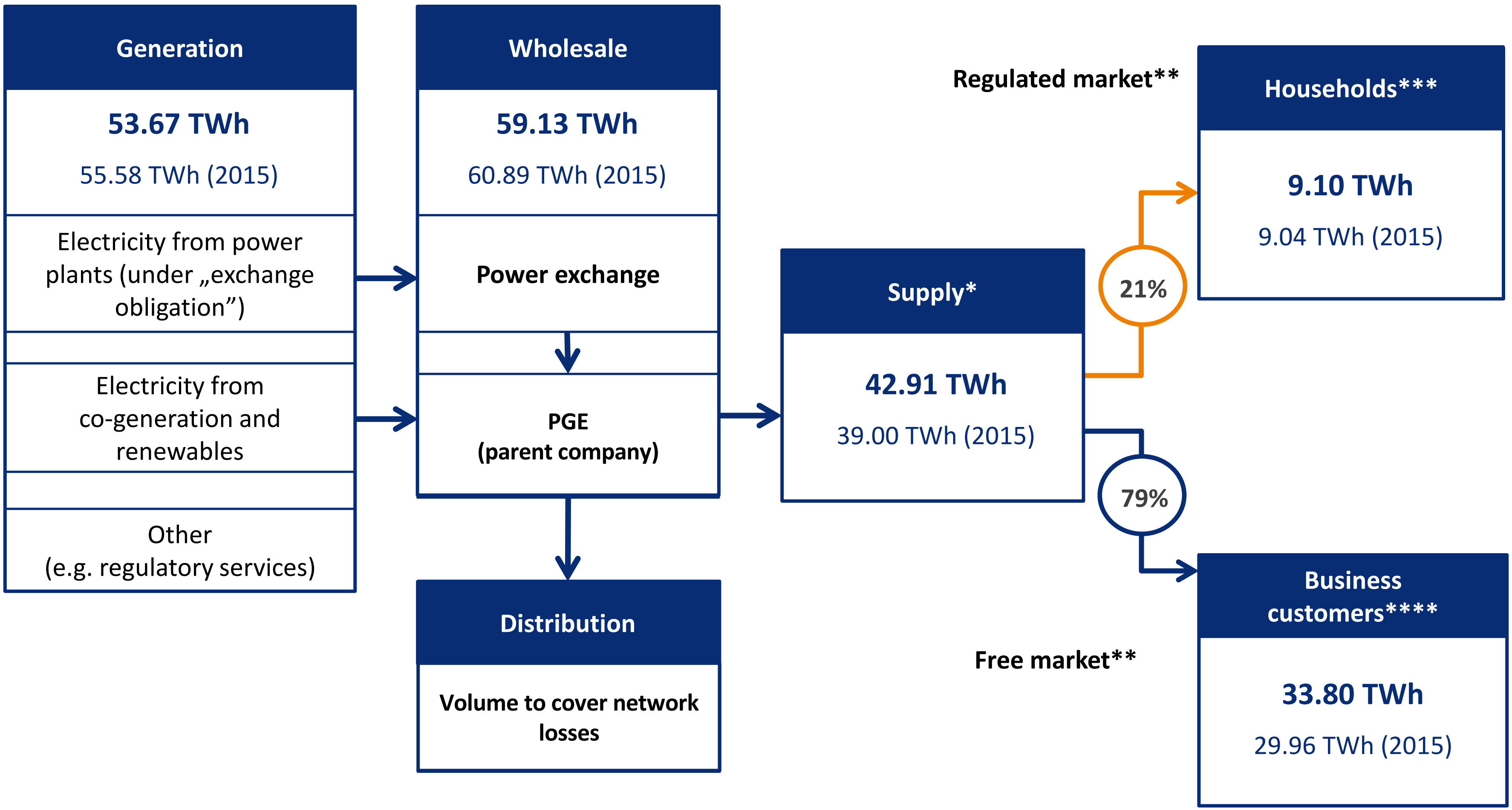
PGE cash position provides...

... plenty of headroom in the balance sheet		2016	Q3 2016
	Gross Debt (PLN m)	10 014	9 467
	Net debt (PLN m)	5 152	4 191
	Net Debt/LTM EBITDA	0.70x	0.62x
	Net Debt/Equity	0.12x	0.10x

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

2016 key business flows

Illustrative only



* Sales by PGE Obrót S.A. with additional estimation and with taking into account the sales within PGE Group

** Concerns major part of the volume

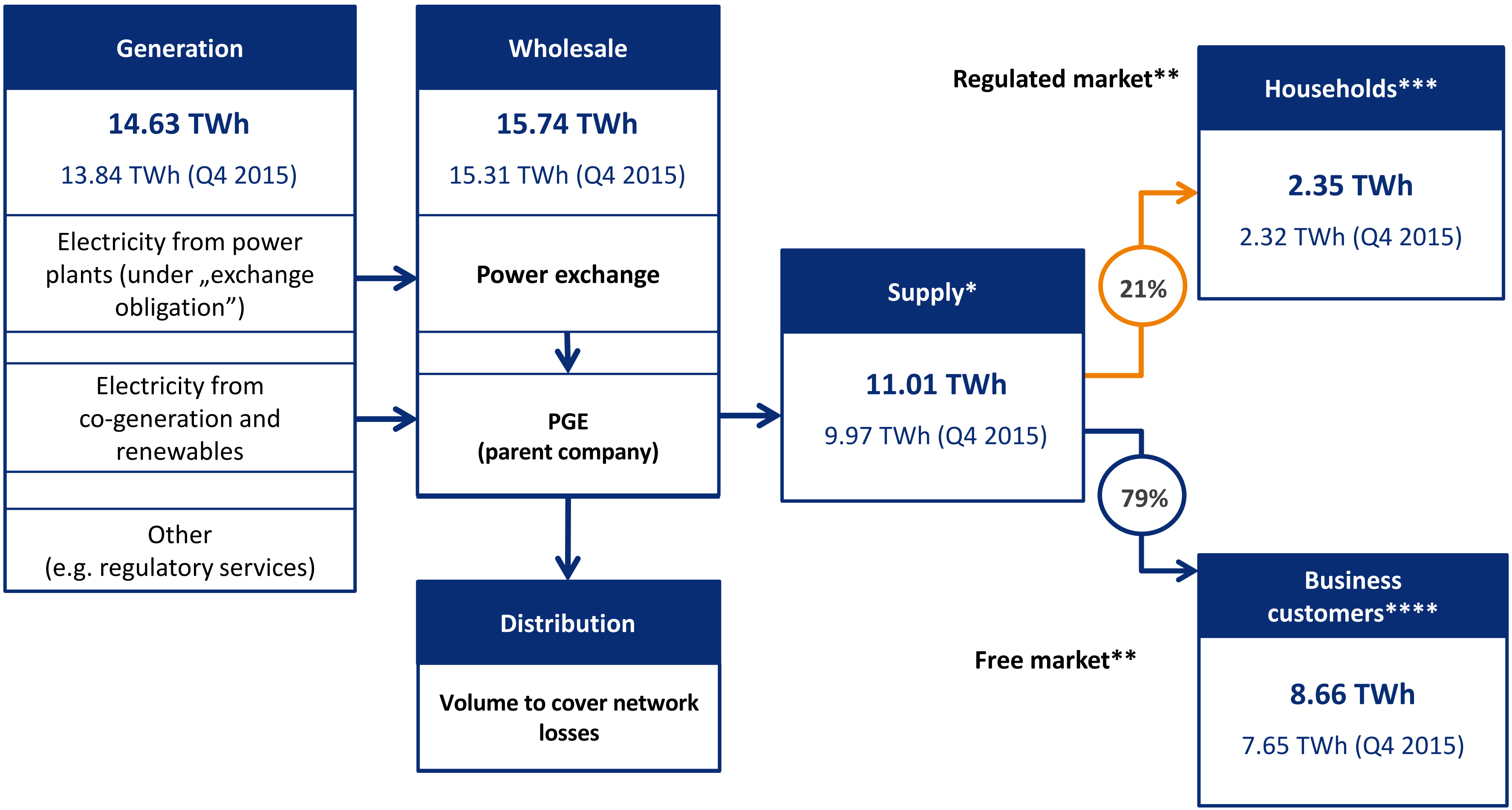
*** Concerns Tariff Group G

**** Concerns Tariff Grups A, B, C+R

Source: PGE; some business flows incl. Balancing market, international trade and own consumption are not shown

Q4 2016 key business flows

Illustrative only



* Sales by PGE Obrót S.A. with additional estimation and with taking into account the sales within PGE Group

** Concerns major part of the volume

*** Concerns Tariff Group G

**** Concerns Tariff Grups A, B, C+R

Source: PGE; some business flows incl. Balancing market, international trade and own consumption are not shown

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.

2016 allowances settlement

In Q4'16 (and FY 16) PGE's installations emitted 15.14m (and 55.94 m) tonnes of CO2. Consequently PGE's full cost related to CO2 emissions in Q4'16 (and FY 16) amounted to approx. PLN 324m (and PLN 1,154m).

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 (Cons. FS, note 15)

	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	40	937
Free allocation	26	-
Redeemed	-58	-760
As at Dec. 31, 2016	**85**	**2 349**

Provision for purchase of CO2 allowances (Cons. FS, note 21)

As at Jan. 1, 2016	760
Redeemed	-760
Released provisions	-
Provided in FY 16	1 154
As at Dec. 31, 2016	1 154

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

	2016
Costs by kind	17 199
Taxes and charges	3 325

LTC compensations – current status of court disputes

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 closed***	Case at the Supreme Court*
2009	Case closed	Case closed	Case at the Supreme Court*	Case closed***	CCCP verdict*	Case closed***
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

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

mln zł	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
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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