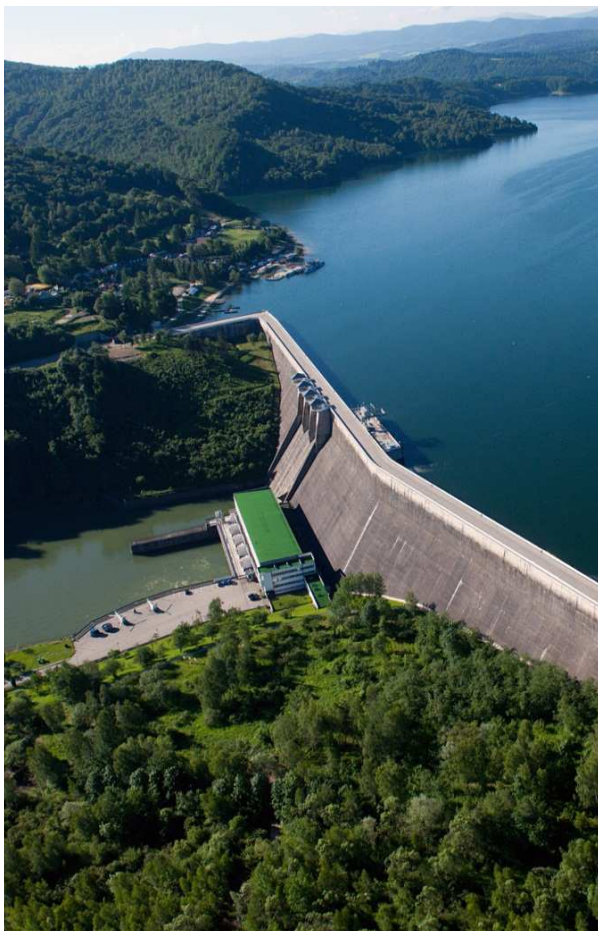


H1 2016 Financial and Operating Results

August 10, 2016



H1 2016 Financial and Operating Results



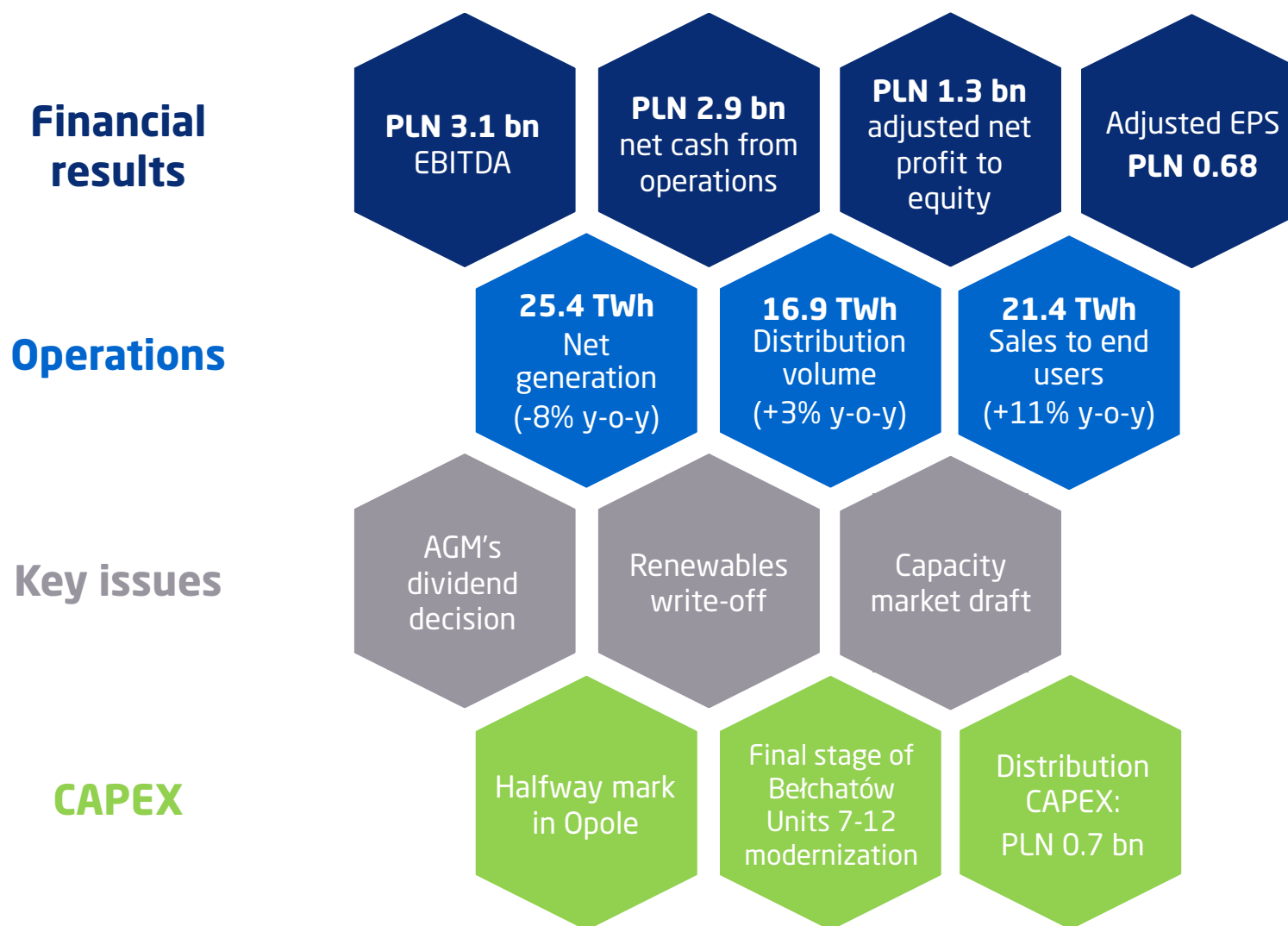
Key takeaways



Emil Wojtowicz

- Vice-President of the Board, CFO

H1 2016 Highlights



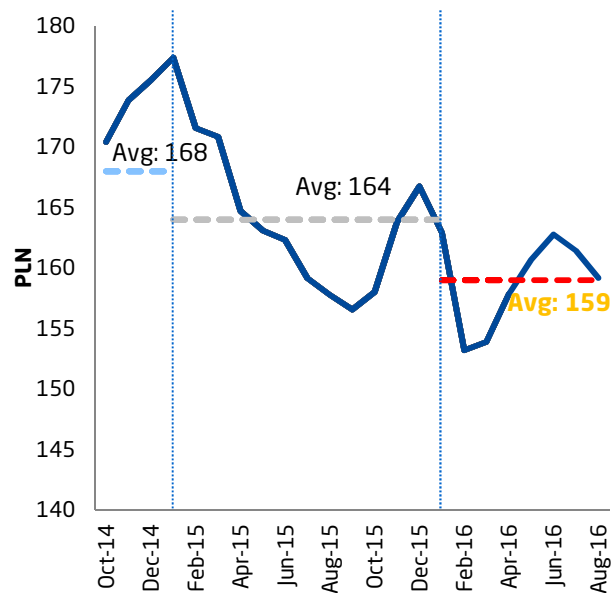
In search of stability

Macroeconomic environment

	Q2 2016	Q2 2015	H1 2016	H1 2015
Real GDP growth (y-o-y)	3.3%*	3.1%	3.0%*	3.2%
Domestic Electricity Consumption growth (y-o-y)	2.2%	2.4%	2.1%	1.8%
Domestic Electricity Consumption (TWh)	39.00	38.15	81.63	79.91

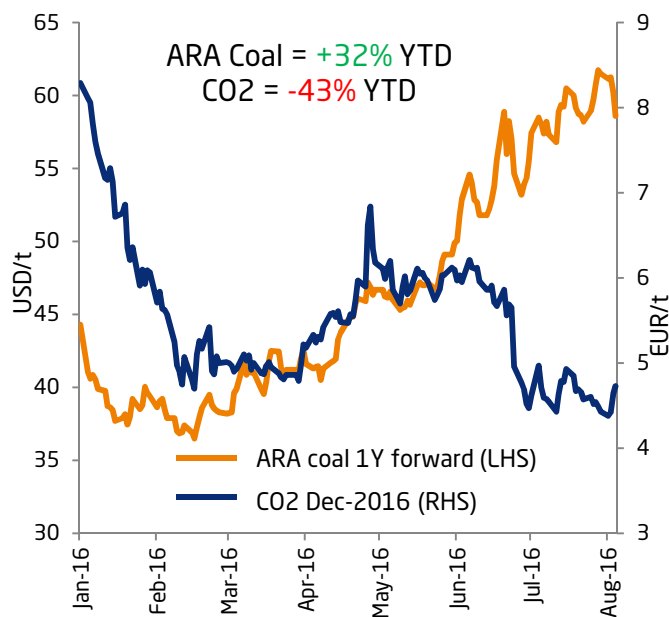
* Estimated

BASE Forward next year



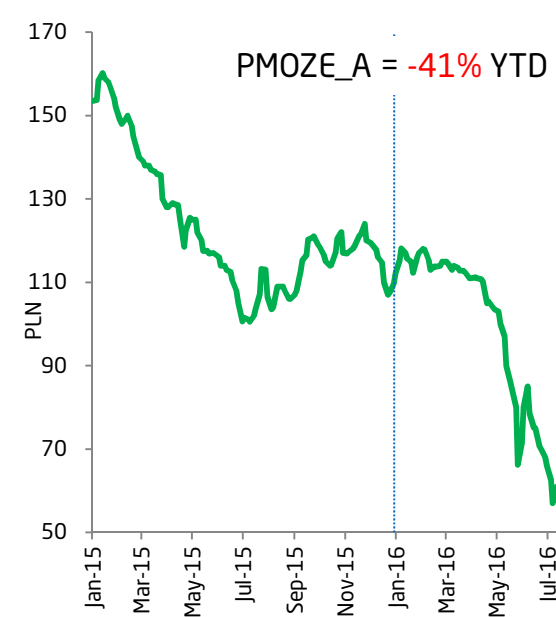
Source: TGE

ARA coal and CO2 prices



Source: Bloomberg

Slump in green certificates



Source: TGE

H1 2016 Financial and Operating Results



Regulations, Investments and Operations



Ryszard Wasilek

- Vice-President of the Board for Development

Key regulatory issues

RES

- **Amendment of RES Act**
- **Drafts of RES Act regulations**
- **Wind Farm Investment Act**
- **EC approves green certification scheme**
- **Expected 2016 auctions:**
 - Existing agricultural biogas ≤ 1 MW
 - Existing agricultural biogas > 1 MW
 - New „other“ installations ≤ 1 MW

- **Obligations to redeem RES certificates:**

	H2 2016	2017 (draft)
Green	14.35%	15.5%
Agricultural biogas	0.65%	0.5%

- **PGE RES development potential analysed, i.a.:**
 - Continuation of onshore projects
 - Offshore
 - Biomass co-combustion

Capacity Market

- Released draft of the mechanism
- **Centralised capacity auction** for new and existing installations
- Legislation works to be finalised **by the end of 2016**
- First auction - end of **2017**, with delivery in **2021**
- **Main auctions** (year n-4) and **supplementary auctions** (year n-1)
- Power sector engagement in consultation process

Energy Efficiency

- New Act enters into force **October 1st, 2016**
- Higher substitution fee in 2017: **1 500 PLN/toe** and grows each next year by **5%**
- Obligation to redeem: **1.5%** of the **volume** of year sales to final off-takers
- **Limited ability to pay substitution fee**
- Deregulation of issuing white certificates as a **chance for PGE**

Continuation of our extensive investment program



Development projects

- **Overall progress** of works at Opole II project as of the end of June exceeded **50%**
- **Turów project:** foundation and excavation works ongoing
- **Gorzów CHP project: project in advanced stage,** reception of equipment and technological systems and commissioning works are ongoing
- Construction of a Thermal Processing Installation with Energy Recovery at **Rzeszów CHP:** stage of project works, excavations ongoing

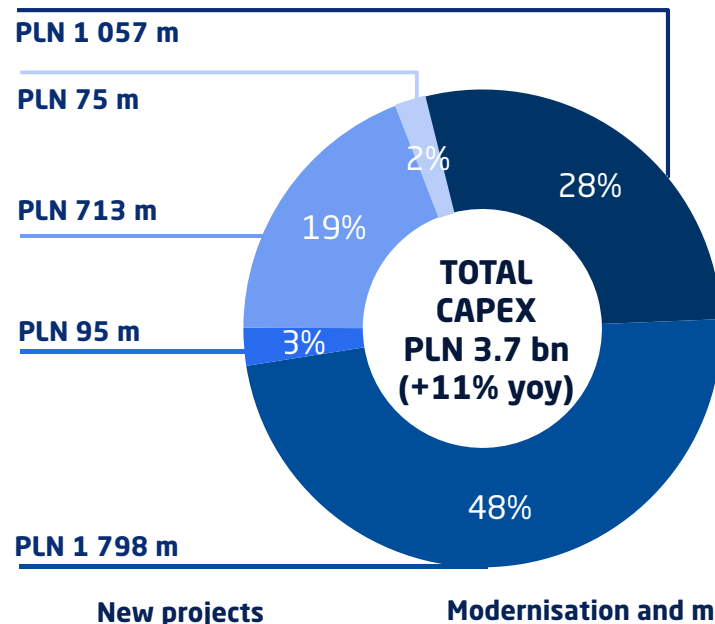
Modernisations

- **Comprehensive modernisation of units 7-12 in Bełchatów:** trial run of unit no. 9 completed, unit no. 10 synchronised with National Power Grid and regulatory operation of the unit initiated
- **Desulphurisation installations for units 4-6 in Turów** commissioned
- **Modernisation of units no. 1-3 in Turów power plant:** preparation of project documentation
- **Pomorzany modernisation:** the successful tenderer for desulphurisation installations

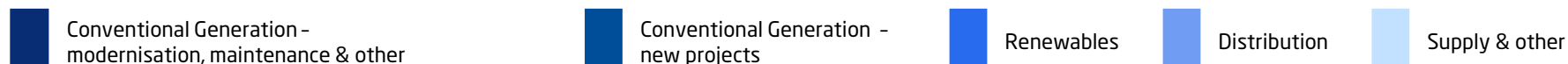
Other investment projects

- Continuation of investment projects in Distribution segment: the highest CAPEX on connection of new off-takers and MV and LV power networks
- Final settlement of our wind projects

Capital expenditures in H1 2016



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



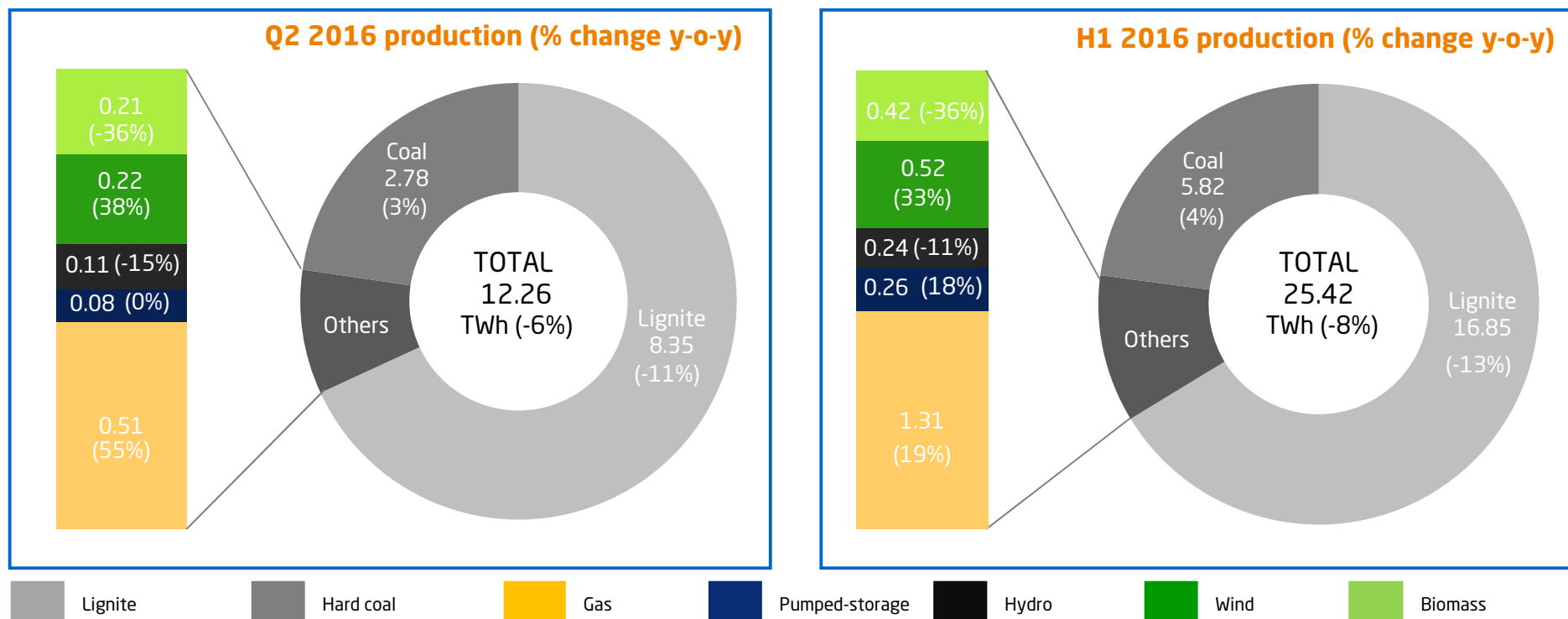
Significant projects

CAPEX in H1 2016

Conventional Generation	Construction of Opole II	PLN 1 716 m
	Refurbishment and modernisation in Bełchatów	PLN 439 m
Distribution	Modernisation of distribution assets	PLN 400 m
	New developments in distribution area	PLN 313 m
RES	Lotnisko wind farm (final settlement in Q1 2016)	PLN 69 m

- Capital expenditures in H1 dominated by development projects of conventional portfolio
- Almost 1/5 of the budget allocated to projects aiming at improvement of quality and reliability of supply in distribution;
- Further expansion in wind projects depends on results of the first auctions for renewable energy sources in Poland.

Summary of generation performance



- Lignite generation declined because unit 1 in Bełchatów has been shifted to peak reserve (which means limitation of annual usage to 1500 hours). Furthermore, the overhaul works came out heavier from y-o-y perspective.
- Hard coal generation increased due to more intensive utilization of power plants in Opole and Dolna Odra by the Transmission System Operator. In addition overhaul burden of respective plants was easier than a year ago.
- Wind generation expanded on the back of capacity expansion (in H2'15 PGE completed 218MW of new wind farms), 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 increased in Q2'16 by a half, as the decrease of fuel price reshaped the economics of electricity generation in CHPs after the heating season.

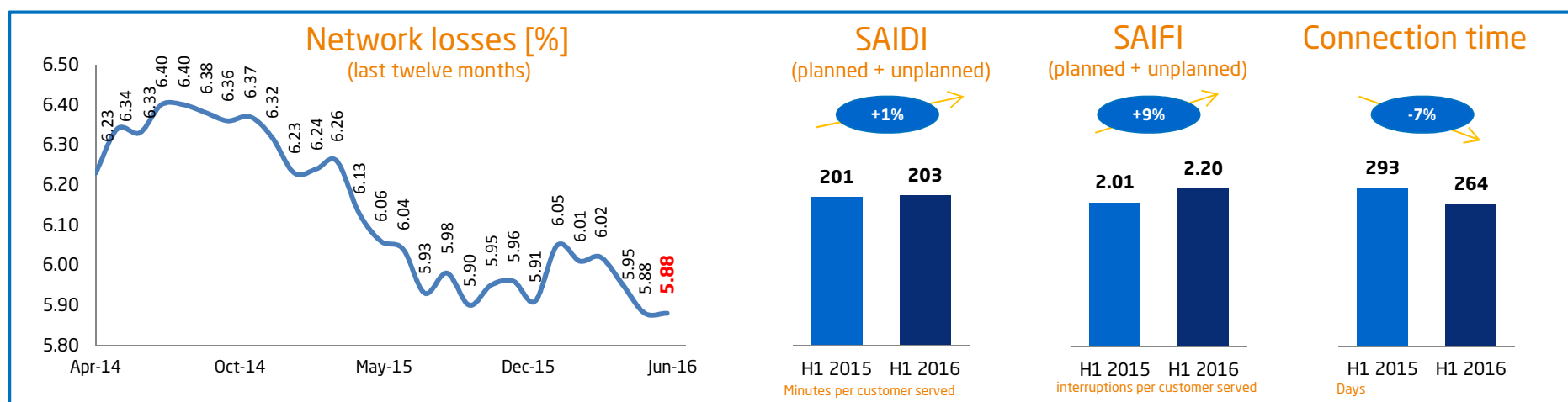
Imprint of weather and random events

Generation assets

	Lignite	Hard coal	CHPs	Wind assets
Availability H1 2016	78.2%	90.7%	92.0%	97.9%
Availability H1 2015	85.9%	90.5%	92.5%	98.7%
Capacity factor H1 2016	65.3%	53.4%	53.4%	24.2%
Capacity factor H1 2015	72.8%	45.6%	52.2%	29.1%

* 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



H1 2016 Financial and Operating Results



Key financial results

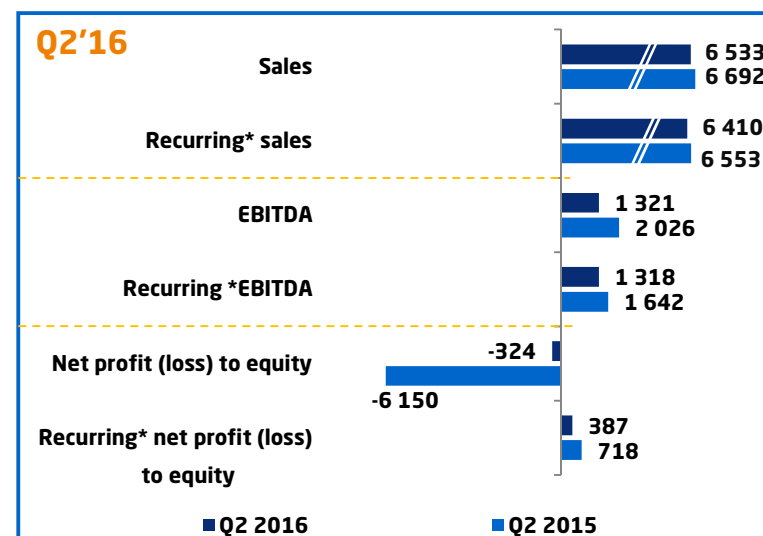
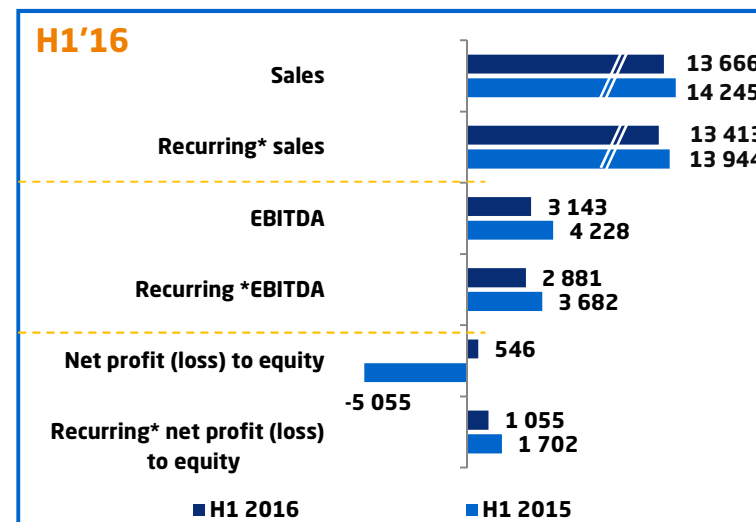


Emil Wojtowicz

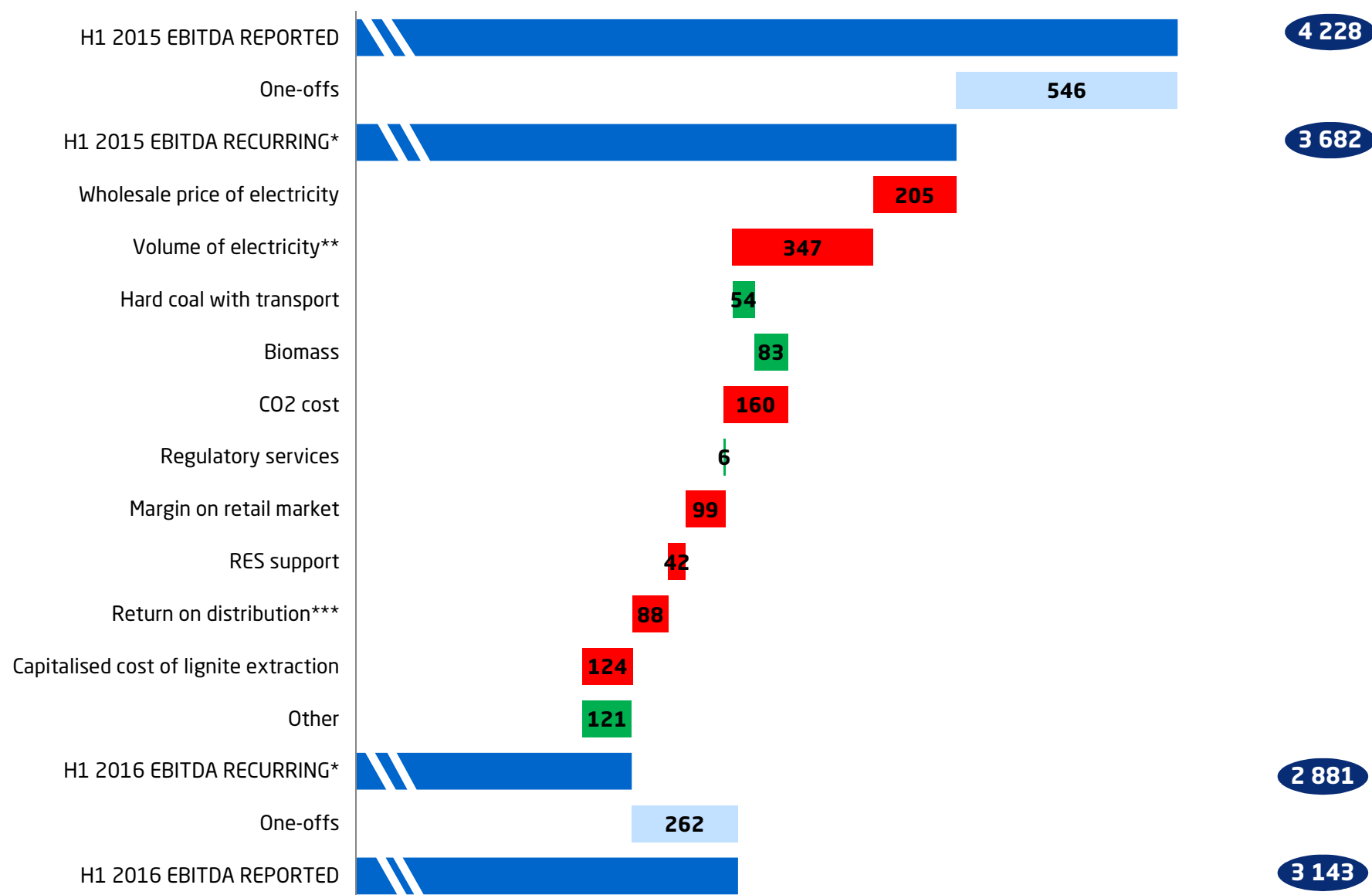
- Vice-President of the Board, CFO

Focusing on the key financial results

PLN m	Q2'16	Q2'15	yoy	H1'16	H1'15	yoy
Sales revenues	6 533	6 692	-2%	13 666	14 245	-4%
EBITDA	1 321	2 026	-35%	3 143	4 228	-26%
Recurring* EBITDA	1 318	1 642	-20%	2 881	3 682	-22%
Net profit (loss) to equity	-324	-6 150	n.a.	546	-5 055	n.a.
EPS ex. Impairment (PLN)**	0.21	0.55	-62%	0.68	1.15	-41%
Net cash from operating activities	1 789	1 708	5%	2 857	3 069	-7%
CAPEX	1 849	1 939	-5%	3 690	3 332	11%
Net debt, end of period	4 447	2 637***				
Credit ratings	Rating	Outlook				
Fitch	BBB+	Stable				
Moody's	Baa1	Stable				



Development of EBITDA by major value drivers



Division EBITDA outlook for 2016

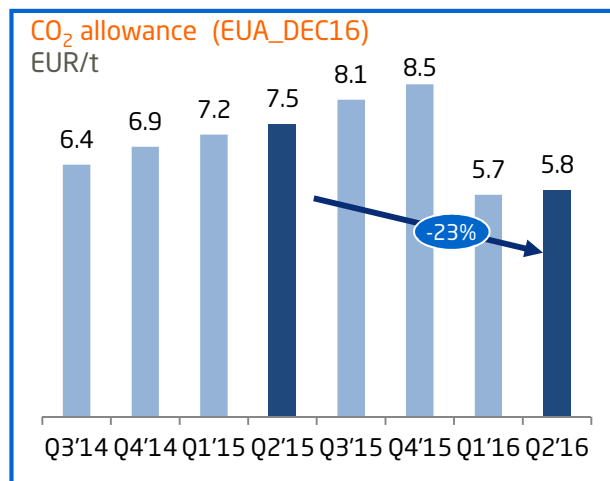
2016 outlook vs 2015		Main drivers
Conventional Generation	Substantially lower	<ul style="list-style-type: none"> • Wholesale blended realized price to be hampered by adverse market conditions and to arrive within a range of 168-170 PLN/MWh • Volumes on lignite lower as unit #1 in Bełchatów shifted to peak capacity reserve and overhauls-related lower availability in H1 • Volumes on hard coal lower after shift of 2 units in Dolna Odra to cold reserve • Higher volumes from gas fired CHPs • Efficiency programs to be enhanced • Mid single digit % lower blended hard coal price • Full year „ordinary” LTC revenues in the range of PLN 500m • Positive impact from LTC court cases at PLN 148m • Approx. 2.5m tonnes higher shortage of carbon allowances (lower shortage due to lower generation volumes)
Renewables	Flattish	<ul style="list-style-type: none"> • No changes in installed capacity y-o-y • Significantly higher wind generation after commissioning of 218 MW throughout last months of 2015 • Impact of low prices of green certificates undermines bottom line
Supply	Lower	<ul style="list-style-type: none"> • Negative impact of increasing market competition • Volatility of green certificates prices increases risk but temporarily improves margins
Distribution	Lower	<ul style="list-style-type: none"> • RAB valued at PLN 15.1bn for 2016 tariff • WACC for 2016 set on 5.7% (pre-tax) • Efficiency programs to be continued • Altogether regulatory and business environment changes to impact segment EBITDA negatively in the range of PLN 250m

H1 2016 Financial and Operating Results

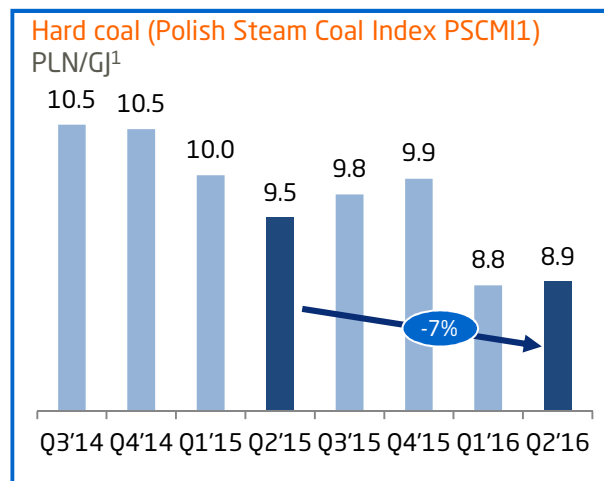


Additional information

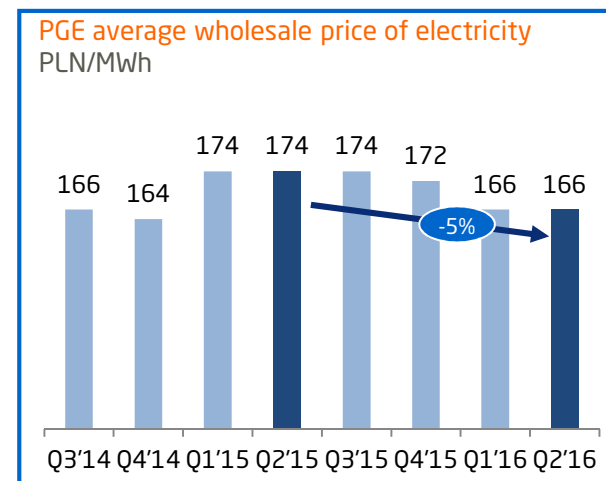
Commodity markets. Adverse power hedge roll out. Flattish electricity futures and rebound at spot market.



Source: Bloomberg

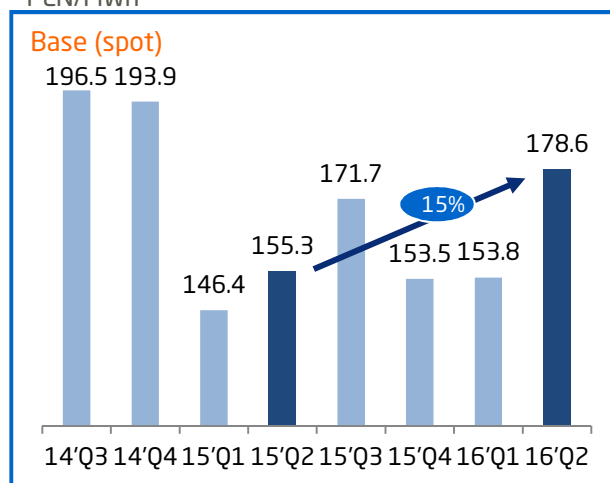


Source: ARP

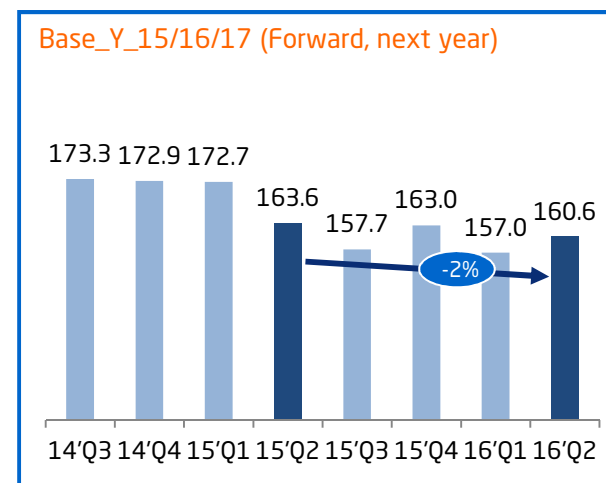
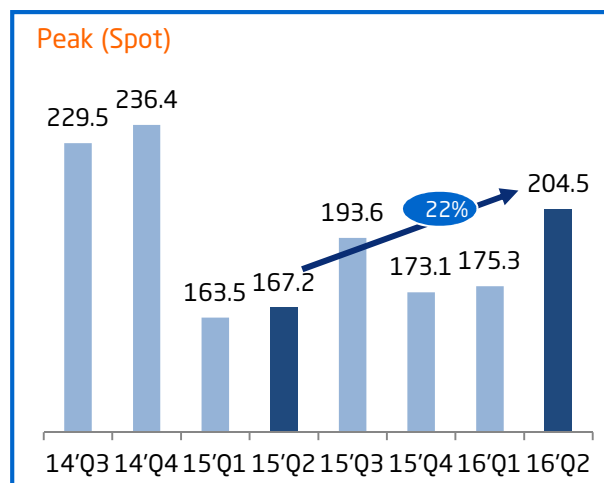


Source: PGE

Average quarterly TGE Electricity Prices 2014-2016
PLN/MWh



Source: TGE



¹ arithmetic average of monthly data

Capital expenditures

CAPEX for Q2 and H1 2016 (PLN m)

	Q2 2016	Q2 2015	Q2'16 vs Q2'15	H1 2016	H1 2015	H1'16 vs H1'15
Segment						
Conventional Generation	1 384	1 316	5%	2 855	2 358	21%
Distribution	426	425	0%	713	688	4%
New clients connection	152	154	-1%	268	254	6%
Distribution grid	188	170	11%	306	284	8%
Renewables	19	151	-87%	95	219	-57%
Modernization and replacement	17	13	31%	21	15	40%
Supply and other	47	56	-16%	75	93	-19%
TOTAL	1 876	1 948	-4%	3 738	3 358	11%
TOTAL (incl. adjustments)	1 849	1 939	-5%	3 690	3 332	11%

Recurring* H1 2016 EBITDA - composition and development

	1 306	205	208	1 117	45	2 881
	Conventional	Renewables	Supply	Distribution	Other	EBITDA
H1 2016	1 306	205	208	1 117	45	2 881
Share in H1 2016 EBITDA (%)	45%	7%	7%	39%	2%	
H1 2015	1 933	202	277	1 217	53	3 682
Change (PLN m)	-627	3	-69	-100	-8	-800
Change (%)	-32%	1%	-25%	-8%	-15%	-22%

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 limited due to higher consumption - higher utilization of hard coal units and lower consumption of biomass (reduced support).

Higher volumes in wind with new farms commissioned however hampered by 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 (+0.46 TWh) but business strongly affected by the new model of remuneration.

Recurring* Q2 2016 EBITDA - composition and development

	565	91	69	562	31	1 318
	Conventional	Renewables	Supply	Distribution	Other	EBITDA
Q2 2016	565	91	69	562	31	1 318
Share in Q2 2016 EBITDA (%)	43%	7%	5%	43%	2%	
Q2 2015	838	77	118	585	23	1 642
Change (PLN m)	-273	14	-49	-23	8	-324
Change (%)	-33%	18%	-42%	-4%	35%	-20%

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 limited due to higher consumption - higher utilization of hard coal units and lower consumption of biomass (reduced support).

Higher volumes in wind with new farms commissioned overbalance the effect of adverse wind conditions, lower prices of green certificates, lower price of electricity sold and termination of support for large hydro plants.

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

Higher volumes reported (+0.23 TWh) but business strongly affected by the new model of remuneration.

Key Financials

Selected consolidated financial data, IFRS (PLN m)

	Q2'16	Q2'15	Q2'16 vs. Q2'15	H1'16	H1'15	H1'16 vs. H1'15
		Restated			Restated	
Sales	6 533	6 692	-2%	13 666	14 245	-4%
including LTC compensations	123	139	-12%	253	301	-16%
Recurring* Sales	6 410	6 553	-2%	13 413	13 944	-4%
EBITDA	1 321	2 026	-35%	3 143	4 228	-26%
Recurring* EBITDA	1 318	1 642	-20%	2 881	3 682	-22%
EBIT	-171	-7 590	n.a.	952	-6 174	n.a.
Recurring* EBIT	624	893	-30%	1 497	2 171	-31%
Net profit (loss) to equity	-324	-6 150	n.a.	546	-5 055	n.a.
Recurring* net profit (to equity)	387	718	-46%	1 055	1 702	-38%
CAPEX (incl. adj.)	1 849	1 939	-5%	3 690	3 332	11%
Net cash from operating activities	1 789	1 708	5%	2 857	3 069	-7%
Net cash from investing activities	-2 079	-1 633	27%	-4 601	-4 066	13%
EBITDA margin	20%	30%	-10 pp	23%	30%	-7 pp
Recurring EBITDA margin	21%	25%	-4 pp	21%	26%	-5 pp
Net Working Capital				3 036	4 126**	-26%
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	Q2 2016	Q2 2015	H1 2016	H1 2015
LTC compensations	-123	-139	-253	-301
LTC adjustment (court verdicts)	0	0	-148	0
Revaluation of property rights at ZEDO	118	0	118	0
Voluntary Leave Program	2	0	21	0
Reclamation provision (discount rate)	0	-193	0	-193
Actuarial provision	0	-52	0	-52
Total adjustment at EBITDA level	-3	-384	-262	-546
Assets impairment	798	8 867	807	8 891
Total adjustment at EBIT level	795	8 483	545	8 345

Computation of recurring net profit to equity

key one-off items	Q2 2016	Q2 2015	H1 2016	H1 2015
LTC compensations	-99	-113	-205	-244
LTC adjustment (court verdicts)	0	0	-120	0
Revaluation of property rights at ZEDO	96	0	96	0
Voluntary Leave Program	1	0	17	0
Reclamation provision (discount rate)	0	-156	0	-156
Actuarial provision	0	-42	0	-42
Assets impairment	713	7 179	721	7 199
Total adjustment at net income level	711	6 868	509	6 757

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.

Key Operating Data

Net electricity generation by sources (TWh)

	Q2 2016	Q2 2015	yoy	H1 2016	H1 2015	yoy
Lignite-fired power plants	8.35	9.48	-12%	16.85	19.61	-14%
Hard coal-fired power plants	2.73	2.54	7%	5.47	5.14	6%
Coal-fired CHPs	0.14	0.26	-46%	0.53	0.67	-21%
Gas-fired CHPs	0.51	0.33	55%	1.31	1.10	19%
Biomass-fired CHP	0.12	0.12	0%	0.24	0.23	4%
Pumped-storage	0.08	0.08	0%	0.26	0.22	18%
Hydro	0.11	0.13	-15%	0.24	0.27	-11%
Wind	0.22	0.16	38%	0.52	0.39	33%
TOTAL	12.26	13.10	-6%	25.42	27.63	-8%

Renewable generation	0.54	0.62	-13%	1.18	1.32	-11%
Incl. biomass co-combustion	0.09	0.21	-57%	0.18	0.43	-58%

Detailed segmental revenues and cost

Conventional Generation (PLN m)

	Q2 16	Q2 15	Q2 16 vs. Q2 15	H1 16	H1 15	H1 16 vs. H1 15
Sales, including	2 579	2 909	-11%	5 652	6 426	-12%
Sale of electricity	2 306	2 452	-6%	4 707	5 276	-11%
LTC compensations	123	140	-12%	253	301	-16%
Sale of heat	117	129	-9%	395	394	0%
Sale of certificates of origin	-69	77	n.m.	76	222	-66%
Cost by kind, including	2 333	11 293	-79%	4 878	14 011	-65%
D&A	363	9 330	-96%	713	9 827	-93%
Materials	599	670	-11%	1 379	1 531	-10%
Energy	7	7	0%	15	16	-6%
External services	264	252	5%	510	518	-2%
Taxes and charges	417	349	19%	846	717	18%
Personnel expenses	653	637	3%	1 356	1 329	2%
Other cost	30	48	-38%	59	73	-20%
Cost of products sold	1 887	10 723	-82%	3 932	12 878	-69%
Cost of goods sold	2 178	10 952	-80%	4 493	13 424	-67%
EBIT	235	-8 070	n.m.	915	-7 260	n.m.
EBITDA	568	1 203	-53%	1 568	2 459	-36%

Detailed segmental revenues and cost

Renewables (PLN m)

	Q2 16	Q2 15	Q2 16 vs. Q2 15	H1 16	H1 15	H1 16 vs. H1 15
Sales, including	157	163	-4%	370	378	-2%
Sale of electricity	81	72	13%	182	170	7%
Sale of certificates of origin	17	35	-51%	61	90	-32%
Cost by kind, including	948	149	536%	1 114	298	274%
D&A	859	60	1332%	925	114	711%
Materials	1	2	-50%	3	3	0%
Energy	26	25	4%	63	57	11%
External services	26	21	24%	51	41	24%
Taxes and charges	15	17	-12%	29	30	-3%
Personnel expenses	17	22	-23%	37	43	-14%
Other cost	3	3	0%	7	9	-22%
Cost of products sold	899	127	608%	1 043	254	311%
Cost of goods sold	900	127	609%	1 045	254	311%
EBIT	-770	18	n.m.	-720	88	n.m.
EBITDA	91	77	18%	205	202	1%

Detailed segmental revenues and cost

Distribution (PLN m)

	Q2 16	Q2 15	Q2 16 vs. Q2 15	H1 16	H1 15	H1 16 vs. H1 15
Sales, including	1 412	1 462	-3%	2 922	3 002	-3%
Revenues from distribution services	1 336	1 365	-2%	2 775	2 831	-2%
Other revenues from core activities	49	71	-31%	94	119	-21%
Cost by kind, including	1 147	1 114	3%	2 401	2 311	4%
D&A	278	262	6%	560	526	6%
Materials	18	17	6%	33	35	-6%
Energy	69	80	-14%	236	218	8%
External services	426	410	4%	851	811	5%
Taxes and charges	93	86	8%	192	178	8%
Personnel expenses	258	255	1%	520	535	-3%
Other cost	5	3	67%	9	7	29%
Cost of products sold	1 064	1 041	2%	2 233	2 141	4%
Cost of goods sold	1 064	1 041	2%	2 233	2 141	4%
EBIT	284	342	-17%	557	709	-21%
EBITDA	562	603	-7%	1 117	1 235	-10%

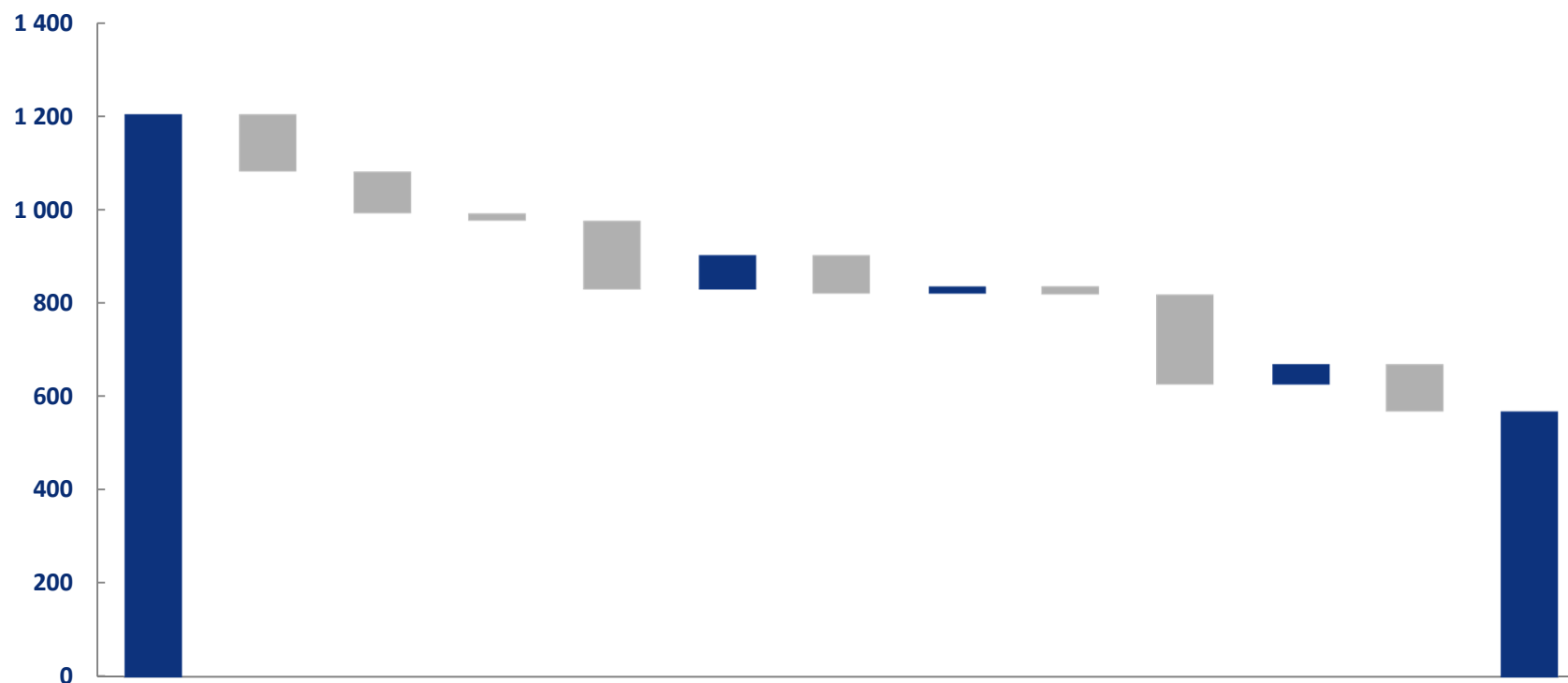
Detailed segmental revenues and cost

Supply (PLN m)

	Q2 16	Q2 15	Q2 16 vs. Q2 15	H1 16	H1 15	H1 16 vs. H1 15
Sales, including	3 905	3 471	13%	8 047	7 268	11%
Sale of electricity	2 396	2 210	8%	4 942	4 649	6%
Revenues from distribution services	928	981	-5%	1 925	2 032	-5%
Sale of certificates of origin	0	3	-100%	0	9	-100%
Cost by kind, including	388	386	1%	803	823	-2%
D&A	6	6	0%	13	12	8%
Materials	2	2	0%	3	3	0%
Energy	1	1	0%	2	2	0%
External services	52	50	4%	104	104	0%
Taxes and charges	241	239	1%	503	525	-4%
Personnel expenses	65	60	8%	132	129	2%
Other cost	21	28	-25%	46	48	-4%
Cost of products sold	31	43	-28%	65	63	3%
Cost of goods sold	3 482	3 003	16%	7 106	6 233	14%
EBIT	63	114	-45%	195	267	-27%
EBITDA	69	120	-43%	208	279	-25%

Conventional Generation - EBITDA Q2 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	Fuel	CO2	Environmental costs	Personnel costs	Change in provision for reclamation of land	Other	Capitalized costs	EBITDA 2016
Change		-121	-89	-17	-146	73	-82	15	-16	-193	44	-103	
EBITDA Q2'15	1 203	2 233		140	77	519	167	81	637	193		352	
EBITDA Q2'16		2 023		123	-69	446	249	66	653	0		249	568

Conventional Generation - EBITDA H1 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	Fuel	CO2	Environmental costs	Personnel costs	Change in provision for reclamation of land	Other	Capitalized costs	EBITDA 2016
Change		-388	-196	100	-147	162	-160	37	-27	-193	66	-145	
EBITDA H1'15	2 459	4 748		301	222	1 236	339	173	1 329	193		638	
EBITDA H1'16		4 164		401	75	1 074	499	136	1 356	0		493	1 568

Renewables - EBITDA Q2 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 agreement with TSO*	Personnel costs	Other	EBITDA 2016
Change		11	-7	-4	-11	2	5	18	
EBITDA Q2'15	77	25	22	23	13	55	22		
EBITDA Q2'16		36	15	19	2	57	17		91

Renewables - EBITDA H1 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 agreement with TSO*	Personnel costs	Other	EBITDA 2016
Change		16	-4	-7	-25	9	6	8	
EBITDA H1'15	202	65	59	49	31	115	43		
EBITDA H1'16		81	55	42	6	124	37		205

Distribution - EBITDA Q2 2016

Key changes in EBITDA (PLN m)



Change
EBITDA Q2'15
EBITDA Q2'16

EBITDA
2015

Volume of
distributed energy

Change of
distribution
tariff*

Other
distribution
related
revenues**

Network
losses

Transmission
services*

Personnel
costs

Other

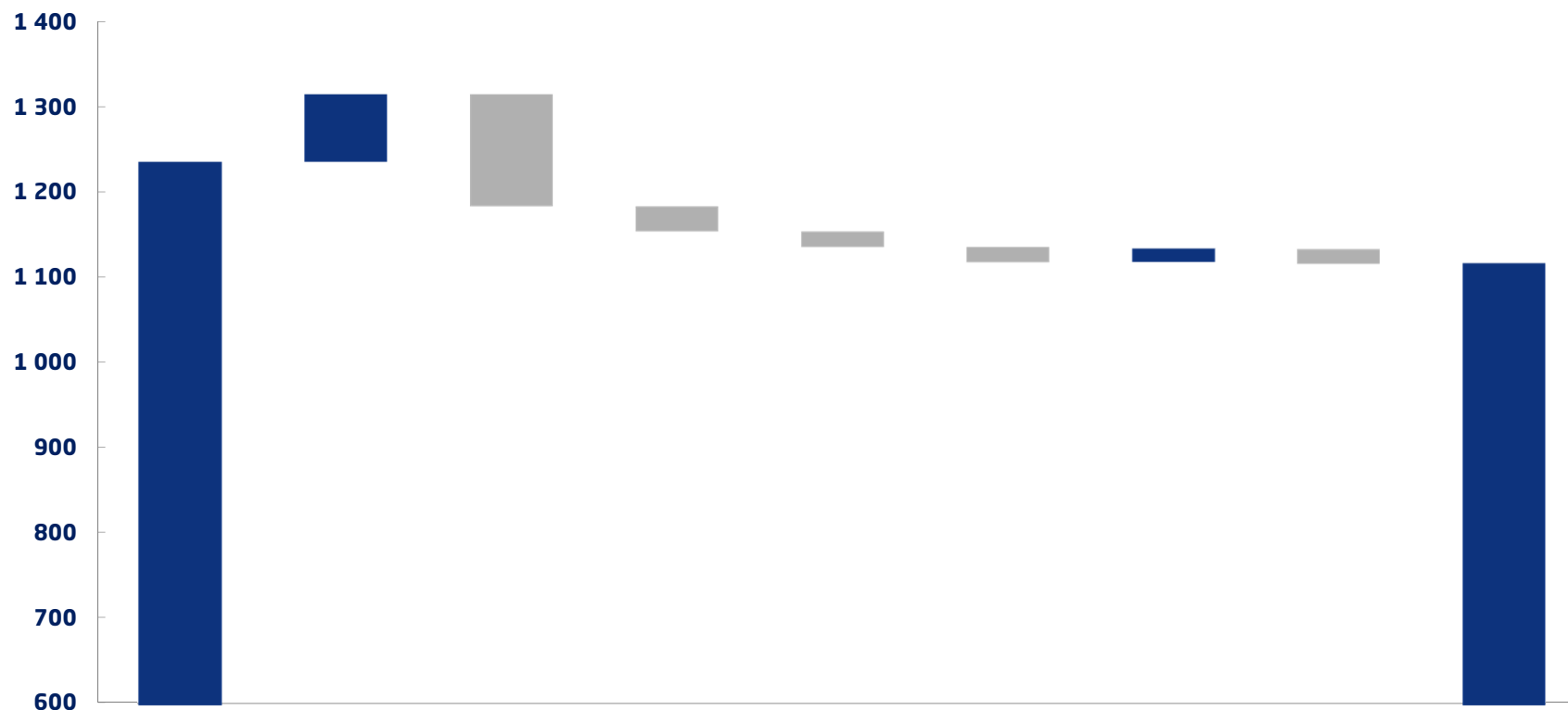
EBITDA
2016

* 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 H1 2016

Key changes in EBITDA (PLN m)



Change

EBITDA H1'15

EBITDA H1'16

EBITDA
2015

Volume of
distributed energy

Change of
distribution
tariff*

Other
distribution
related
revenues**

Network
losses

Transmission
services*

Personnel
costs

Other

EBITDA
2016

78

2 742

2 690

-130

-30

207

177

-18

207

225

-18

668

686

16

536

520

-16

1 117

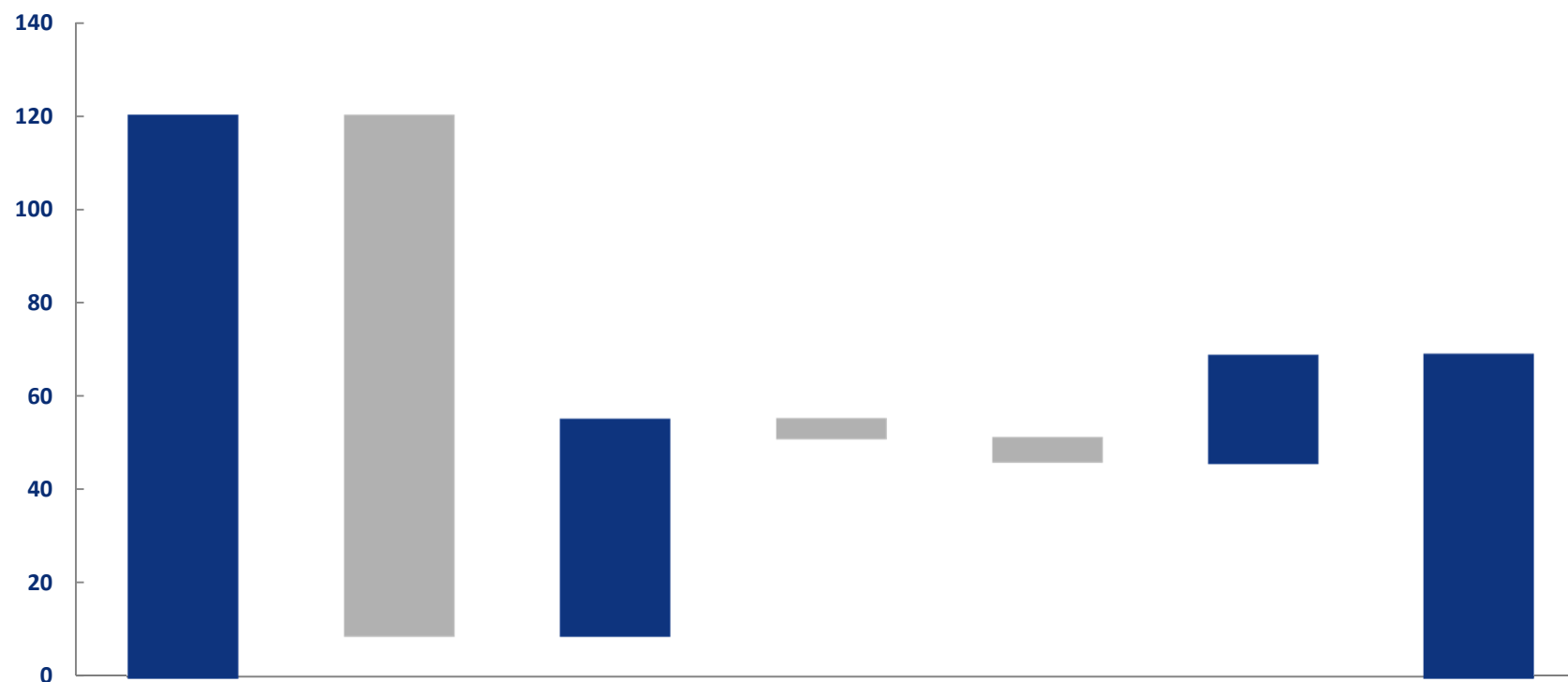


* Increase of transmission costs with no impact on result, offset by the increased revenues from distribution services

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

Supply - EBITDA Q2 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		-111	46	-4	-5	23	
EBITDA Q2'15	120		363	235	116	124	
EBITDA Q2'16			298	239	111	101	69

Supply - EBITDA H1 2016

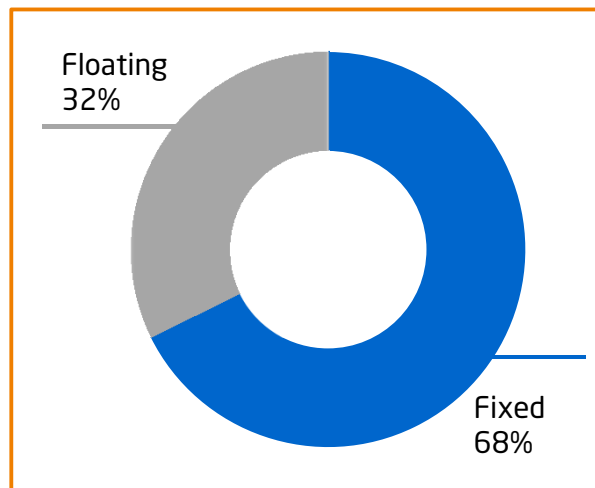
Key changes in EBITDA (PLN m)



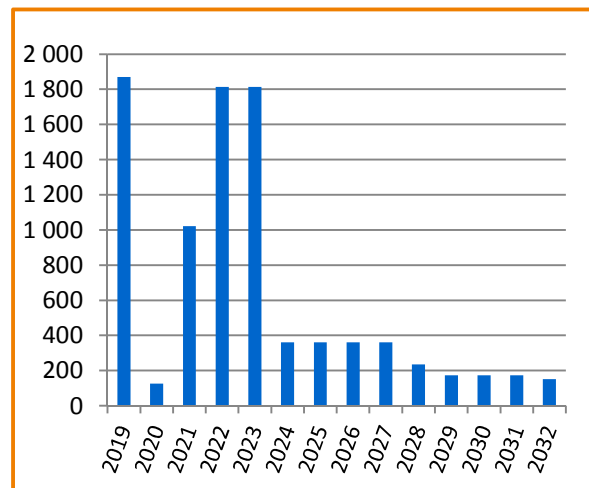
	EBITDA 2015	Result on electricity price	Result on electricity volume	Property rights redemption costs	Management service	Other	EBITDA 2016
Change		-188	89	18	-22	32	
EBITDA H1'15	279	781		517	249	234	
EBITDA H1'16		682		499	227	202	208

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

Fixed vs floating debt (drawn debt)

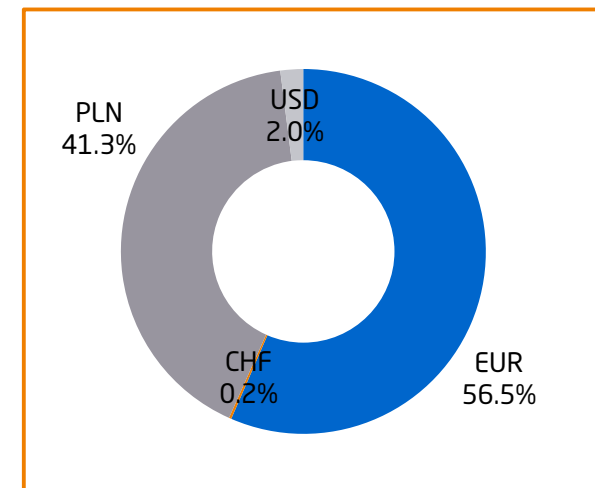


Bank loans repayment schedule (PLN m)*



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

Drawn Debt by currency

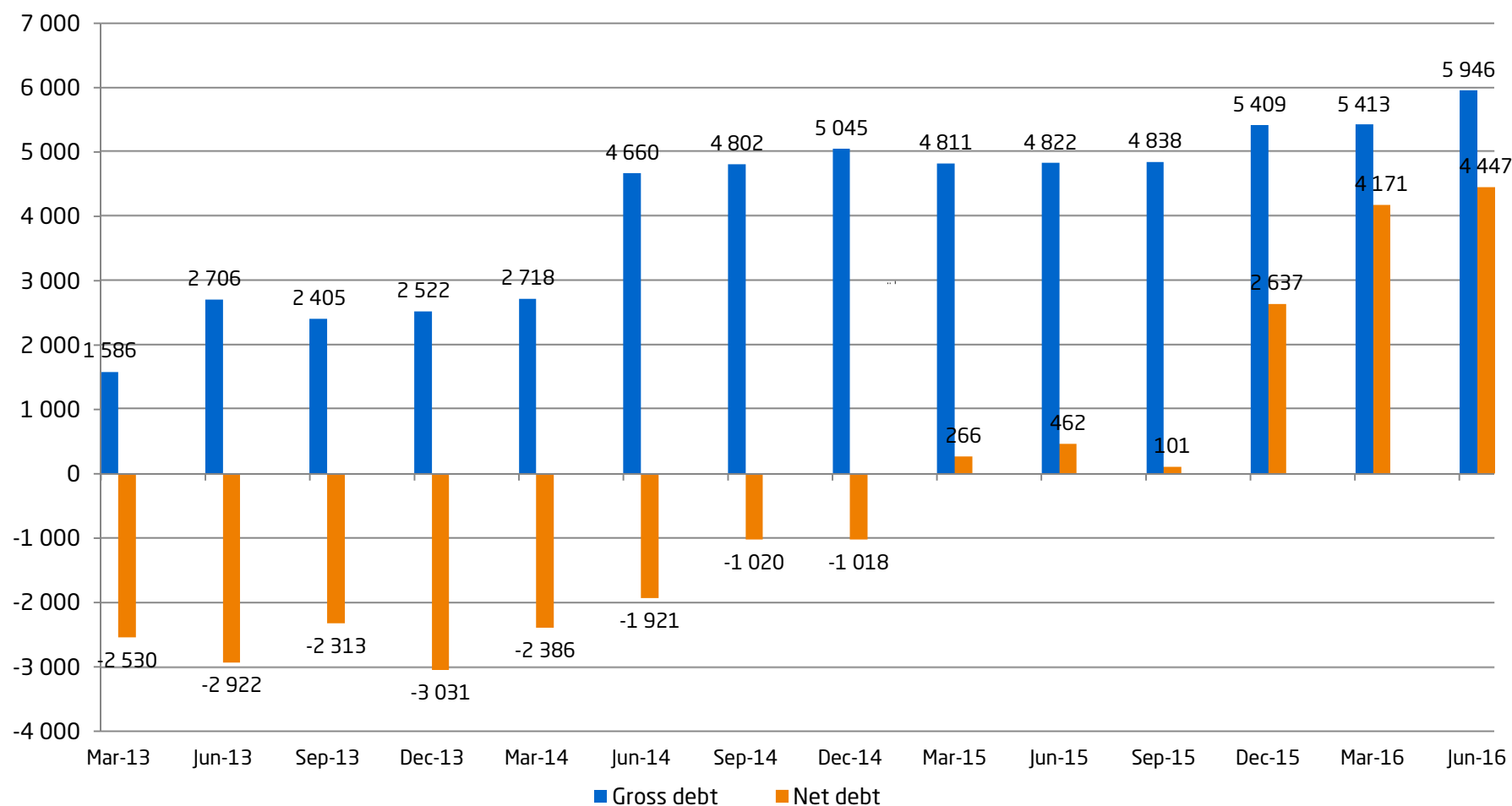


Issues under the EMTN program

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)

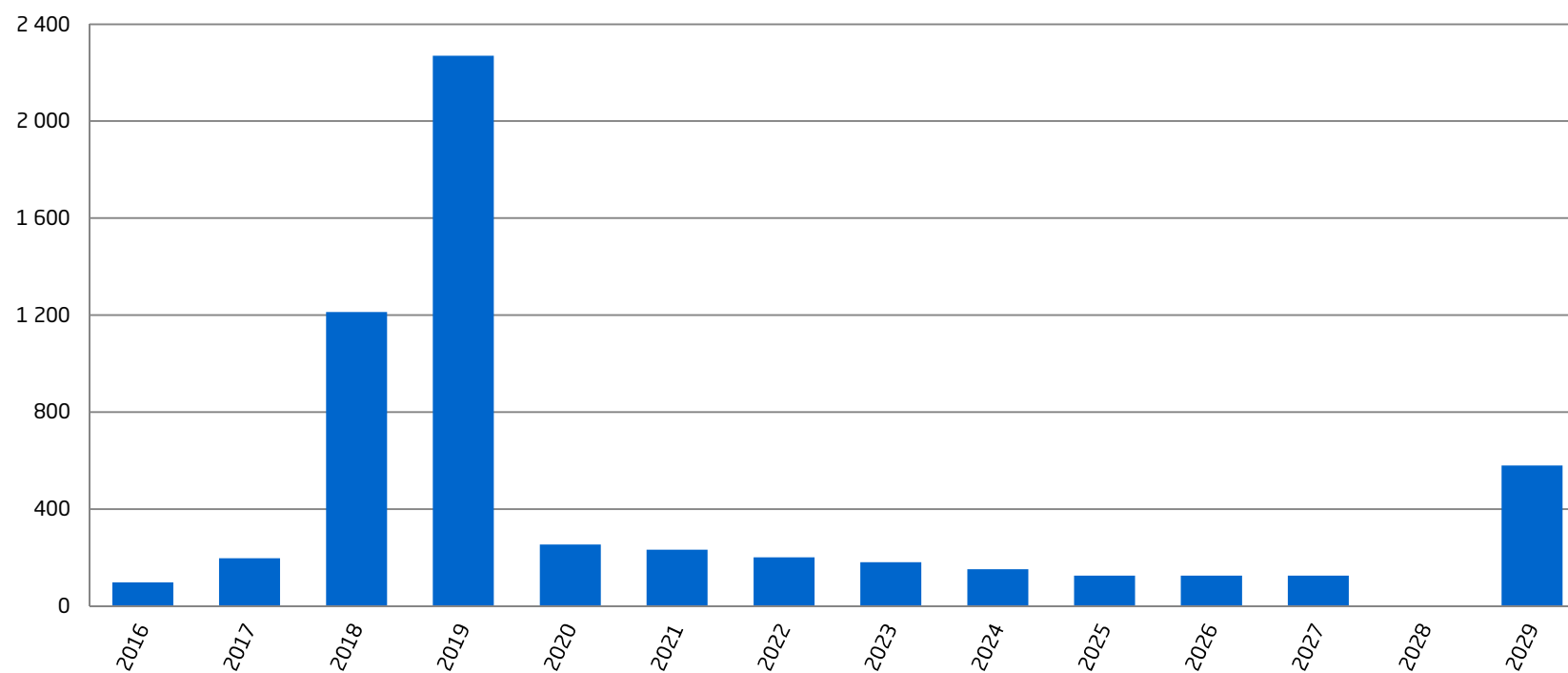


- External long-term debt is mainly drawn by PGE Polska Grupa Energetyczna S.A. (the parent company) and PGE Sweden AB (Swedish SPV for Eurobonds issues). Some historical investments loans exist in PGE GiEK S.A. (Conventional Generation company)

* Data for Dec-13 and Dec-14 restated

Debt maturity profile

Debt maturity profile (PLN m) as at June 30, 2016



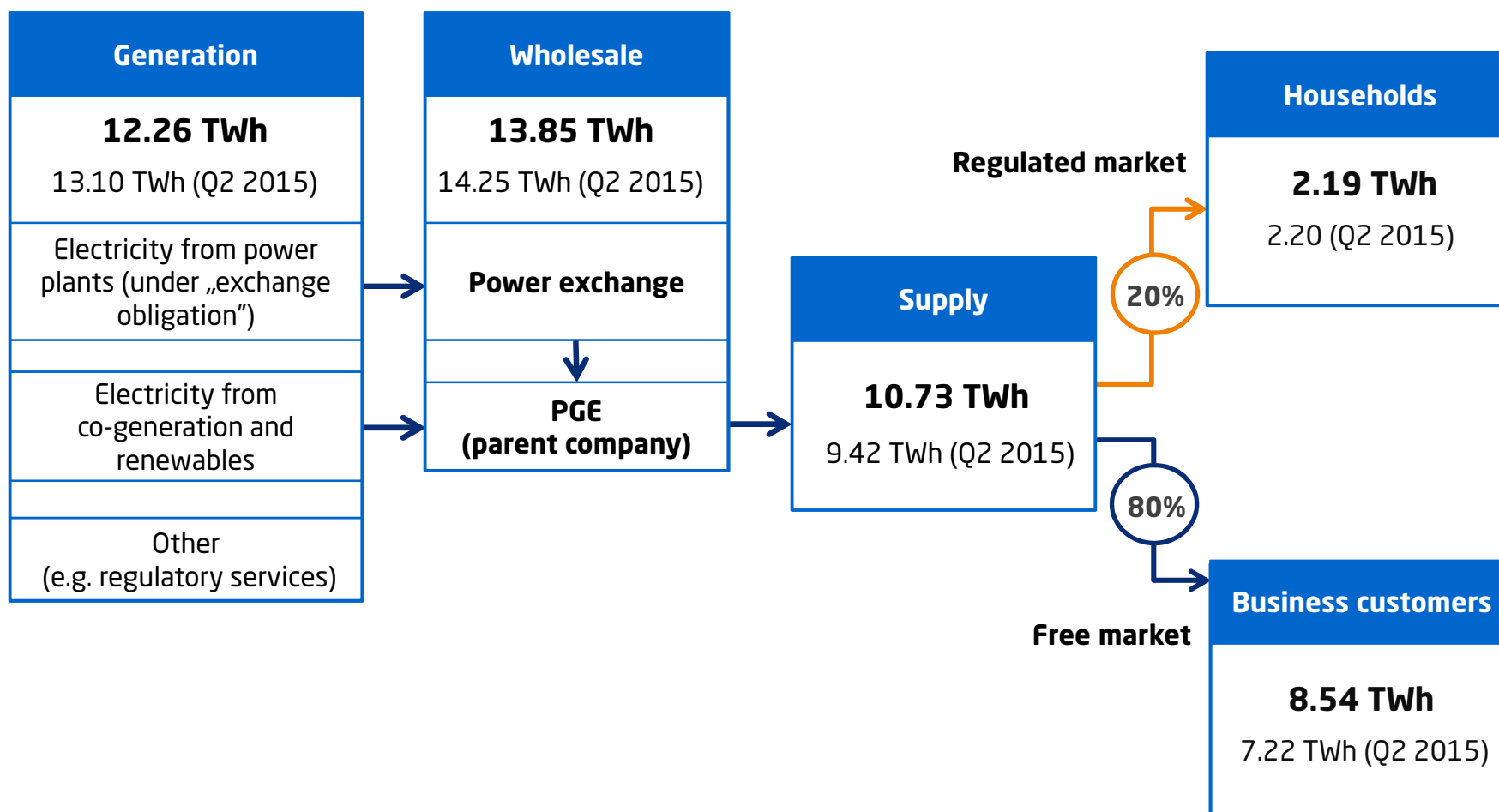
PGE cash position provides...

... plenty of headroom in the balance sheet		H1 2016	Q1 2016
	Gross Debt (PLN m)	5,946	5,413
	Net debt (PLN m)	4,447	4,171
	Net Debt/LTM EBITDA	0.62x	0.53x
	Net Debt/Equity	0.11x	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	May 25, 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

Q2 2016 Key business flows

Key business flows (illustrative only)



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

2016 allowances settlement

- In Q2'16 (and H1'16) PGE's installations emitted 12.73m (and 26.22m) tonnes of CO₂
- Consequently PGE's full cost related to CO₂ emissions in Q1'16 (and H1'16) amounted to approx. PLN 248m (and PLN 499m).
- 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, H1'16 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	19	476
Free allocation	26	-
Redeemed	-58	-760
As at June 30, 2016	64	1 888

Provision for purchase of CO₂ allowances - note 19, H1'16 consolidated (PLN m)

As at Jan. 1, 2016	760
Redeemed	-760
Released provisions	-
Provided in H1'16	499
As at June 30, 2016	499

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

	H1'16
Costs by kind	8 846
Taxes and charges	1 584

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

	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

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

Domestic analysts

Institution	Analyst
• BOŚ	• Michał Stalmach
• BZ WBK	• Paweł Puchalski
• Citigroup	• Piotr Dzieciołowski
• Deutsche Bank	• Tomasz Krukowski
• Erste Group	• Tomasz Duda
• Haitong Bank	• Robert Maj
• IPOPEMA	• Sandra Piczak
• JP Morgan	• Michał Kuzawiński
• mBank	• Kamil Kliszc
• Pekao IB	• Łukasz Jakubowski
• PKO BP	• Stanisław Ozga
• Societe Generale	• Bartłomiej Kubicki
• Trigon	• Krzysztof Kubiszewski
• UBS	• Michał Potyra

Foreign analysts

Institution	Analyst
• HSBC	• Dmytro Konovalov
• Bank of America Merrill Lynch	• Anton Fedotov
• Morgan Stanley	• Bobby Chada
• Raiffeisen Centrobank	• Teresa Schinwald
• Wood & Company	• Bram Buring

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Disclaimer

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