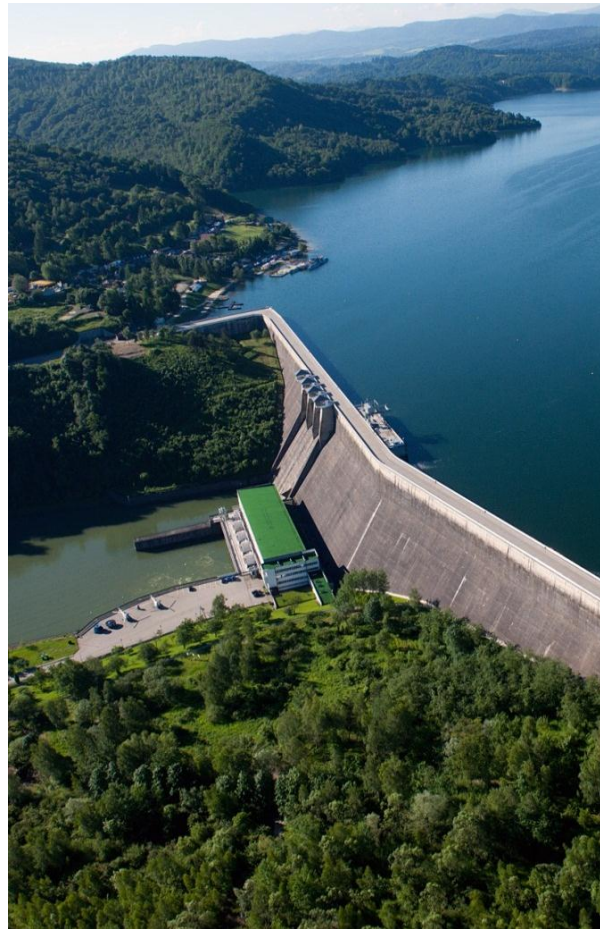


Q4 & FY 2014 Financial and Operating Results

February 18, 2015



Q4 & FY 2014 Financial and Operating Results



Key takeaways



Marek Woszczyk
- President and CEO

Highlights of FY 2014

Financial results

PLN 8.1 bn
EBITDA

PLN 6.3 bn
net cash
from
operations

PLN 1.7 bn
One-offs

PLN 3.6 bn
net profit to
equity

Dividend policy

EPS
PLN 1.95

Dividend
policy:
40-50% of
Group net profit

DPS range
PLN 0.78 -
PLN 0.97

CAPEX

Opole II
on track

Turów
initiated
Dec 2014

Wind capacity:
311 MW
Pipeline by
2015YE:
218 MW

Modernization
of distribution
assets
PLN 875m

Operations

54.8 TWh
Net
generation
(-4% y-o-y)

32.5 TWh
Distribution
volume
(+2%y-o-y)

39.6 TWh
Sales to end
users
(+7 % y-o-y)

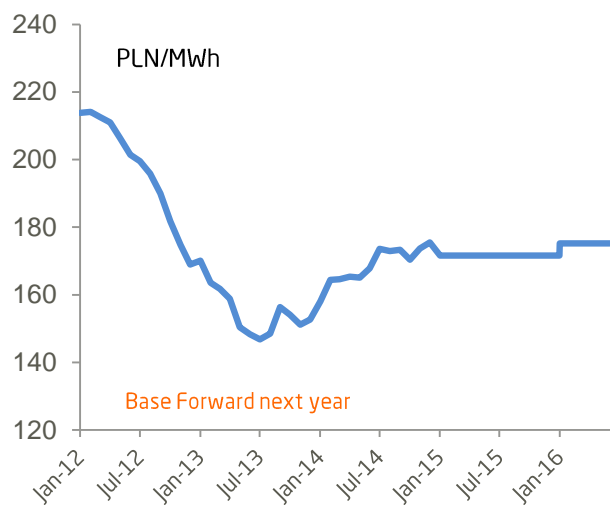
Leaving the weather behind

Macroeconomic environment

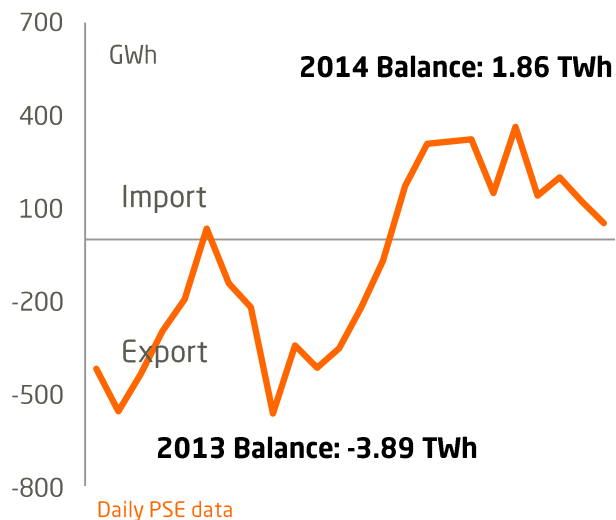
	Q4 2014	Q4 2013	FY 2014	FY 2013
Real GDP growth (y-o-y)	3.1%*	2.7%	3.3%*	1.7%
Domestic Electricity Consumption growth (y-o-y)	0.9%	1.1%	0.5%	0.6%
Domestic Electricity Consumption	43.86 TWh	43.48 TWh	158.73 TWh	157.98 TWh

* Forecast

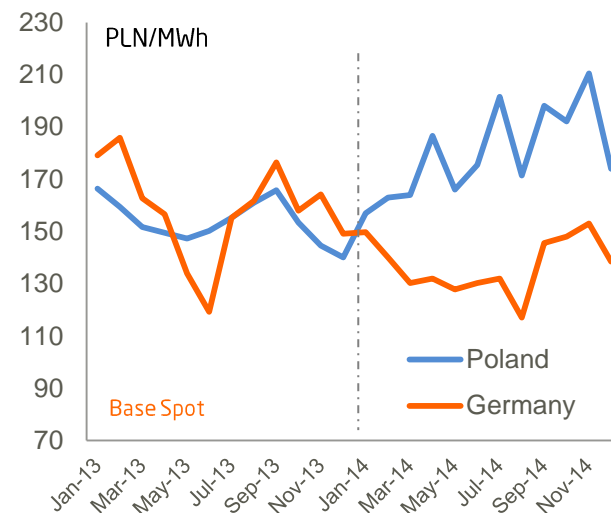
Electricity prices development



International balance



Price Spread



Taking action for long-term success - OPOLE II and TURÓW projects

Opole II (2x~900 Mwe)

- Project in line with adopted schedule;
- FY2014 developments:
 - excavation for boilers and turbine halls #5 and #6 completed;
 - excavation for cooling tower #5 started;
 - foundation stone for #6 boiler;
- Feb 2015 contract for water treatment plant;
- Commissioning:
 - #5 unit – Q3 2018;
 - #6 unit – Q2 2019.

Turów (~490 Mwe)

- Project in line with adopted schedule;
- Notice to proceed issued on Dec. 1, 2014;
- FY2014 developments:
 - Turów site handed out to general contractor;
 - works on the project;
 - contract engineer chosen;
- Commissioning: Q3 2019;
- Jan 2015 advanced payment of ca. 10% of the contract.



Taking action for long-term success - wind farms

Wojciechowo

- Commissioned to exploitation in March 2014;
- Capacity 28 MW.

RES in 2014

- 1,915 MWe - total capacity installed in renewables at the year end ;
- Pumped-storage – ca. 1,508 MWe;
- Water – ca. 97 MWe;
- Wind- ca. 311 MWe.

Projects in pipeline

- Karwice 40 MW under construction:
 - commissioning : Q3 2015;
- Lotnisko 90 MW under construction:
 - commissioning : Q4 2015;
- Resko II 76 MW under construction:
 - commissioning : Q4 2015;
- Kisielice 12 MW, under construction:
 - contract signed in Jan 2015;
 - commissioning : Q4 2015.



Distribution network - key focus to assure grid reliability

Focus on customer

- Decrease of interruption time for end customers by 11%;
- Lower ratio of network losses - from 6.9% in 2011 to 6.3% in 2014;
- Customer service developments:
 - CRM billing project.

New developments

- ca. 32 ths new customers' connections;
- ca. 1,667 km - new MV and LV grid lines;
- ca. 120 km - new HV power lines.

Modernization

- 2,424 km - modernized MV and LV grid lines;
- 6 ths of least efficient transformers replaced.



Ongoing restoration and modernization of existing assets

Bełchatów

- Desulphurization installations for #3-#12 units;
- Commissioning: 2015;
- Comprehensive modernization of units #7-#12;
- Unit #7, #8 and #11 commissioned to exploitation;
- Start-up run of unit #12, to be connected to National Power System on Feb 21, 2015;
- Commissioning: 2016.

Turów

- Desulphurization installations for #4-#6 units;
- SO₂ emission to be under 200 mg/Nm³ acc. to IED regulations;
- Lower dust emission;
- Contract value: PLN 530 m (incl. PLN 244 m aid funds);
- Commissioning: 2016.

Other projects

- Opole
 - Modernization in units #1, #2 and #4;
 - NO_x emission to be under 200 mg/Nm³;
- Dolna Odra
 - Modernization of boilers #6 and #7 completed;
 - NO_x emission to be under 200 mg/Nm³;
- Szczerców Field
 - Construction of overburden line .



Q4 & FY 2014 Financial and Operating Results



Detailed financial and operating results



Magdalena Bartoś
- Managing Director, CFO

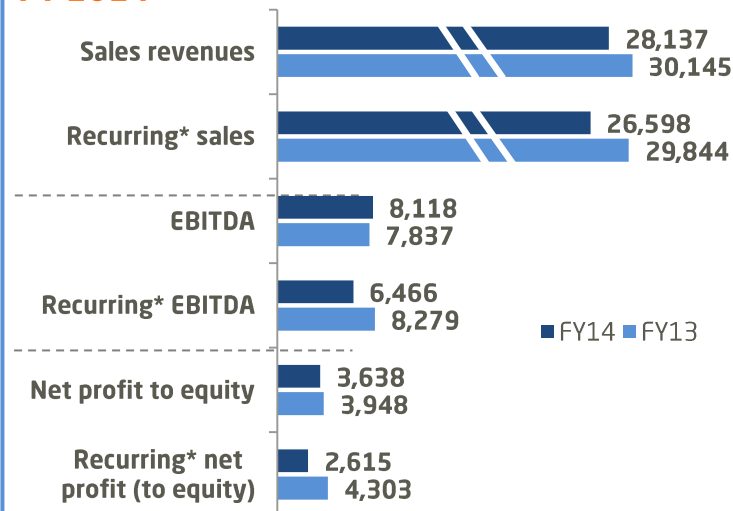
Focusing on the key financial results

PLNm	FY 2014	FY 2013	diff. y-o-y %	Q4 2014	Q4 2013	diff. y-o-y %
Sales revenues	28,137	30,145	-7%	7,280	7,563	-4%
EBITDA	8,118	7,837	4%	1,386	1,476	-6%
Recurring* EBITDA	6,466	8,279	-22%	1,601	2,127	-25%
Net profit to equity	3,638	3,948	-8%	439	643	-32%
Earning per share (PLN)	1.95	2.11	-8%	0.23	0.34	-32%

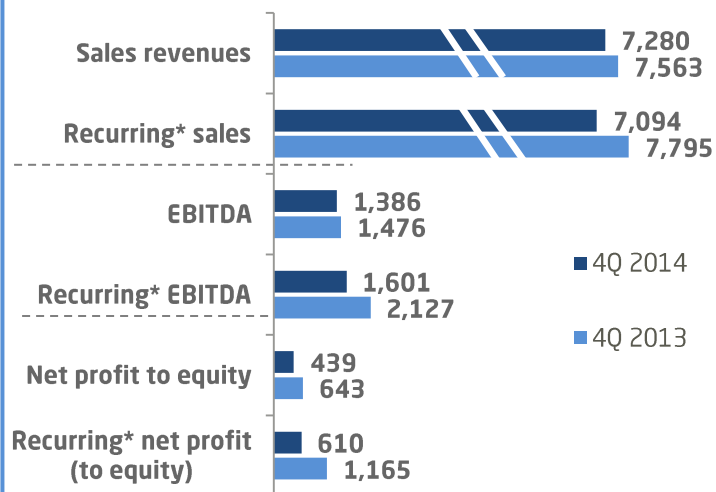
Net cash from operating activities	6,333	7,941	-20%	1,900	2,144	-11%
CAPEX	6,349	4,357	46%	2,490	1,530	63%
Net cash (end of period)	899	3,131				

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

FY 2014



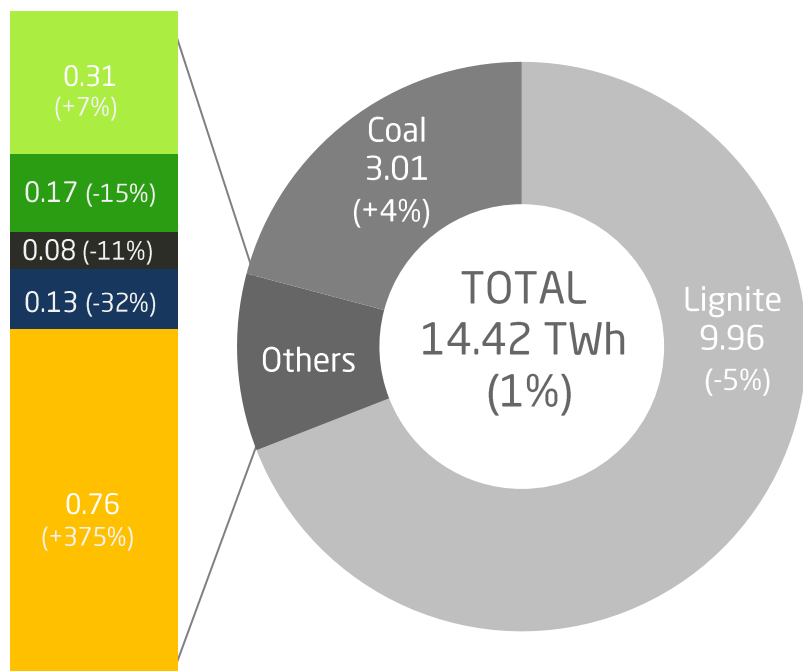
Q4 2014



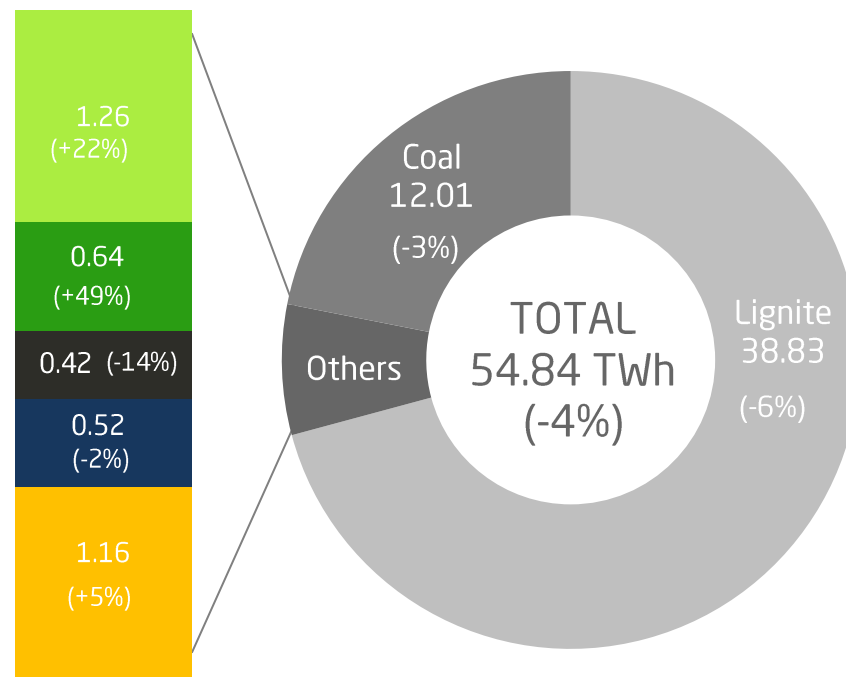
*Recurring = excluding significant one-off items (for details please see page 22).

Summary of generation performance

Q4 2014 production (% change y-o-y)



FY14 production (% change y-o-y)



Lignite
 Hard coal
 Gas
 Pump-storage
 Hydro
 Wind
 Biomass

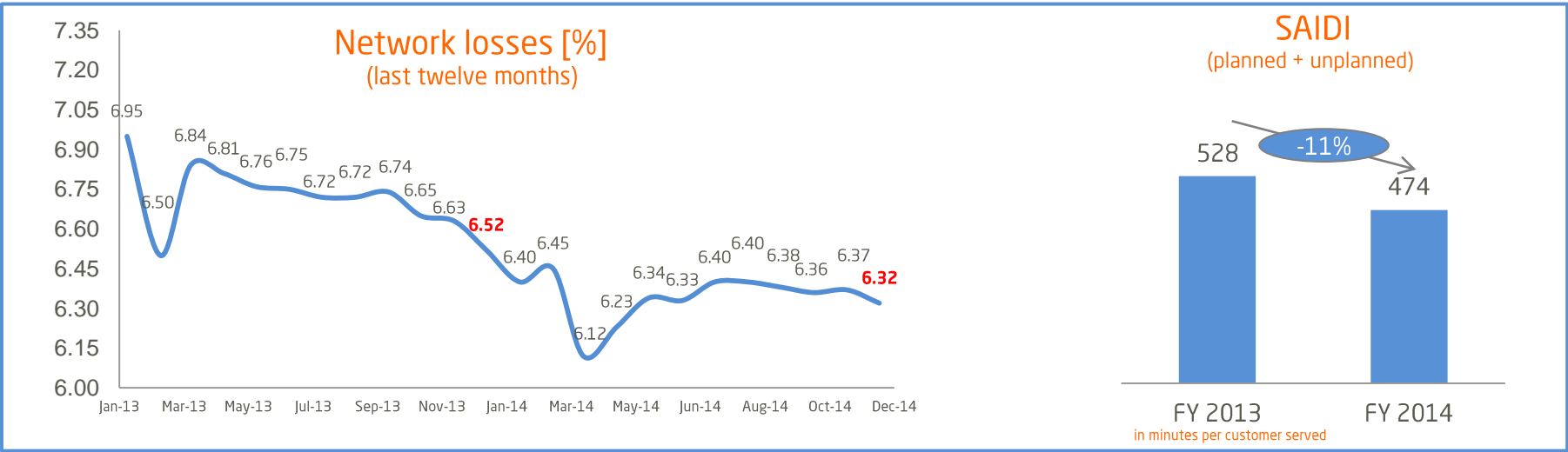
- Lower production from lignite after decommission of unit 10 in Turów and modernizations of unit 12 in Bełchatów and unit 3 in Turów.
- Hard coal production increased y-o-y in Q4 as the overhaul burden eased in Opole and ZEDO compared to last year. FY14 hard coal production declined because of decommissioned unit 3 in Dolna Odra in November 2013.
- Gas fired CHPs generation increased in Rzeszów due to the reinstated support for cogeneration.
- Renewables generation amounted to 0.56 TWh in Q4 and decreased by 3% y-o-y due to adverse weather conditions (both wind and hydro).

Focusing on performance indicators

Generation assets

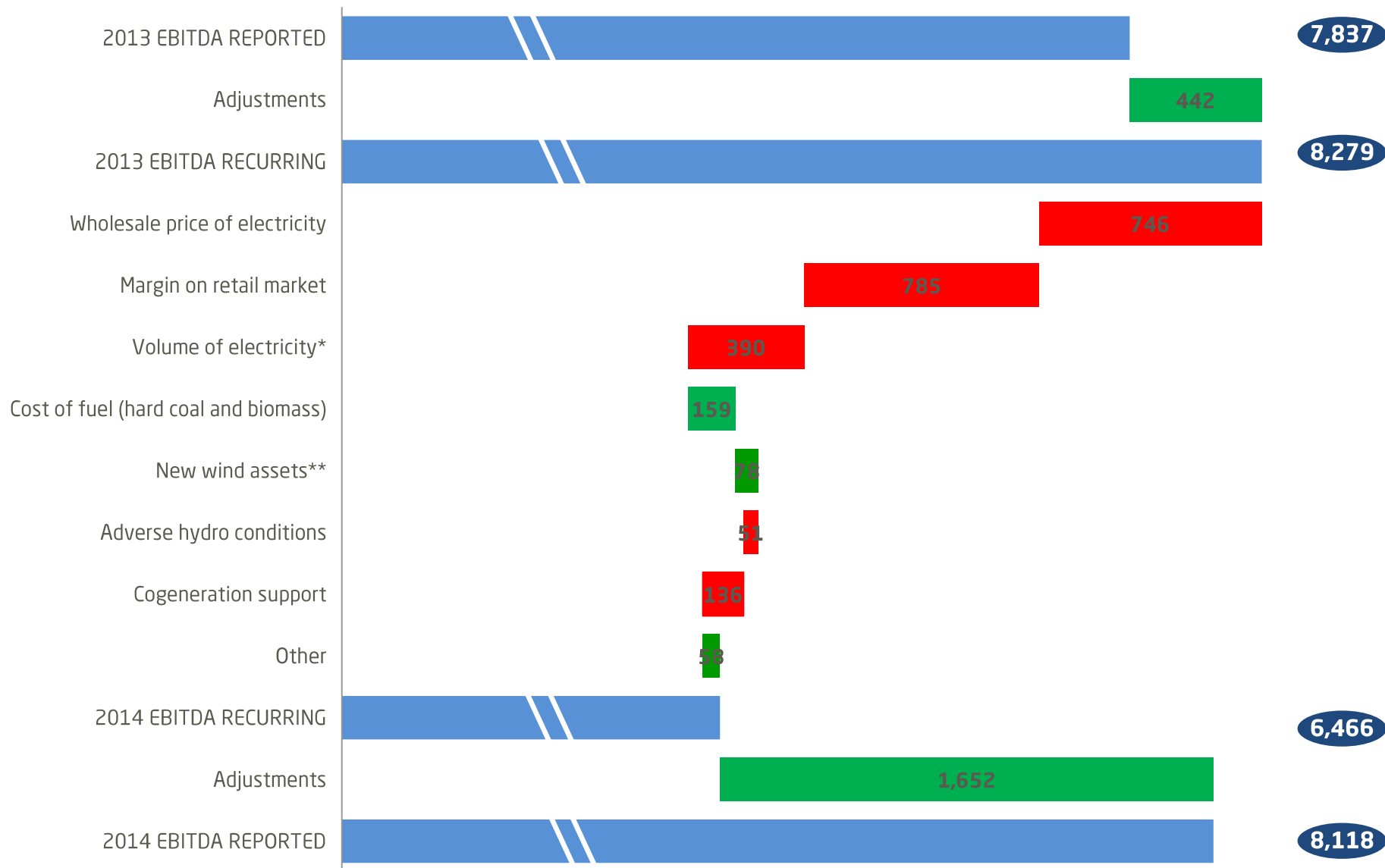
	Lignite	Hard coal	CHPs	Wind assets
Availability FY 2014	83.4%	81.8%	88.9%	98.4%
Availability FY 2013	86.1%	85.0%	80.0%	98.2%
Load factor FY 2014	86.5%	69.7%	68.2%	24.5%
Load factor FY 2013	86.5%	71.2%	77.5%	23.8%

Distribution assets



Development of EBITDA by major value drivers

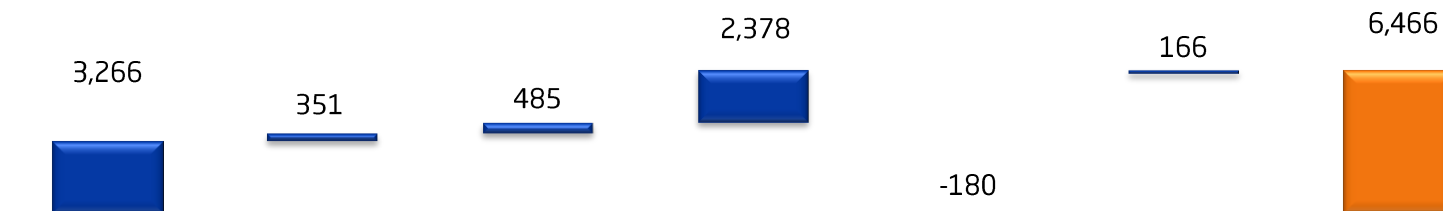
PLN m



* Excluding effects from new wind assets and adverse hydro conditions.

** Revenues from wind farms commissioned and acquired in 2013 and 2014.
For guide to one-off adjustments please see page 22.

Recurring* FY 2014 EBITDA - composition and development



	Conventional	Renewables	Wholesale	Distribution	Supply	Other	EBITDA
FY 2014	3,266	351	485	2,378	-180	166	6,466
Share in FY 2014 EBITDA (%)	51%	5%	8%	37%	-3%	3%	-
FY 2013	3,982	386	983	2,299	411	218	8,279
Change (PLNm)	-716	-35	-497	79	-591	-52	-1,813
Change (%)	-18%	-9%	-51%	3%	-144%	-24%	-22%

Decrease due to:

- Lower wholesale price of electricity - (746m)
- Lower volumes produced due to decommissions and modernization in lignite and coal power plants

Partially compensated by lower costs of fuel and efficiency improvements.

Higher revenues from sales of electricity and green certificates from wind farms commissioned in 2013 and 2014.

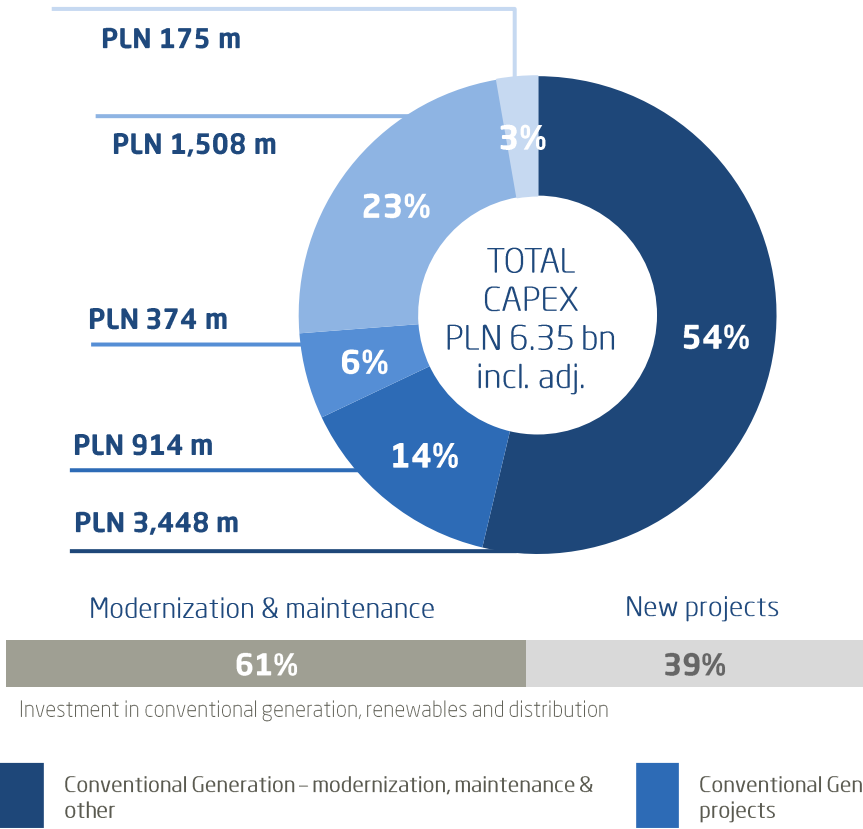
On the contrary lower electricity prices, adverse weather conditions and higher fixed costs after wind farms acquisition had a negative effect.

Margin erosion on electricity supply market substantially allocated in wholesale business.

Investments increased RAB value which offset negative changes in asset base remuneration. Increase in distribution volumes had a positive impact as well.

Deteriorating margins on supply to final customers had a negative impact on the segment result (PLN 299m) together with higher cost of certificates of origin (259m).

Capital expenditures in FY 2014



Significant projects	CAPEX in 2014
Refurbishment and modernization in Bełchatów	PLN 1,369m
Construction of Opole II	PLN 708m
Desulphurization installations in Turów	PLN 179m
Modernization of distribution assets	PLN 875m
New developments in distribution area	PLN 633m
Karwice wind farm	PLN 138m
Wojciechowo wind farm	PLN 115m

- Conventional Generation megaprojects require increased cash outflows in 2015 - mainly peak in Opole project;
- Renewables projects - care for on time project execution due to the new RES law adoption;
- Focus on dispatch quality - 13% y-o-y growth in CAPEX for distribution assets development and modernization.

Fueling company growth with healthy financing structure

Eurobonds program

- EUR 2 bn EMTN program established in May 2014;
- Fitch and Moody's investment grade ratings assigned;
- First public offer of EUR 500 m in June 2014;
- Private placement of EUR 138 m in August 2014.

LT loan from BGK

- PLN 1 bn loan agreement with BGK signed in December 2014;
- Loan within „Polish Investment” program providing financing for profitable infrastructure projects;
- Maturity of the loan – December 2027.

Cash pool

- Non-return real cash pool;
- Operational as of January 2015;
- Benefits on the Group's level:
 - better liquidity management;
 - lower financial expenses;
 - reduced cost of capital on consolidated level;
- Consolidated overdrafts & operating guarantee lines.

Tax Group

- Registered in October 2014;
- Incl. 32 companies (the largest tax group in Poland);
- Effective as of January 2015;
- Benefits on the Group's level:
 - lower tax burden;
 - remodeling of transfer pricing.

Division EBITDA & CAPEX outlook for 2015

2015 outlook vs 2014

Main drivers

Conventional Generation	Recurring higher	<ul style="list-style-type: none"> + Wholesale blended price throughout the year to increase by approx. 8-10 PLN/MWh + Volumes on lignite and hard coal stable with no major decomissions and comparable modernization times + Higher volumes from gas CHPs will be offset with higher cost of fuel + Efficiency programs to be continued + Slightly lower blended hard coal price + „Ordinary” LTC revenues in the range of PLN 500m + Outlook for carbon allowances emissions clear - Higher cost of carbon allowances due to lower number of free allowances - New RES law may impact biomass co-firing profitability already in 2015
Renewables	Flat	<ul style="list-style-type: none"> + No significant capacity changes y-o-y to result in flat generation from hydro and wind, depending on weather conditions + Wind pipeline to be commissioned by 2015YE and to impact results from 2016 onwards
Wholesale + Supply	Higher	<ul style="list-style-type: none"> + Focus on improving average margin
Distribution	Flat	<ul style="list-style-type: none"> + RAB valued at PLN 14.6 bn for 2015 tariff + WACC for 2015 set on 7.2% (pre-tax) + Efficiency programs to be continued - Cut on return by 5% to have a negative impact on distribution EBITDA in the range of 2%
CAPEX	Higher	<ul style="list-style-type: none"> • Opole project according to plan and will start more heavy cash spending • Gorzów project on-going • Aside from advance payment for Turów unit from Jan 2015 capex in the range of PLN 200m • Higher CAPEX in distribution impacting future return on assets • Higher CAPEX in RES with 218 MW in pipeline

Q4 & FY 2014 Financial and Operating Results



Additional information

Efficiency programs aimed to deliver sustainable savings

Voluntary Leave Program in 2014

TOTAL **PLN 404m**

Conventional Generation	347m
Distribution	38m
Supply	10m
Wholesale	8m
Other	1m

Network losses reduction

2014 **6.32%**

2013 **6.52%**

2012 **6.80%**

2011 **6.87%**

Bełchatów PP modernizations

Increased capacity **3.3%**

Increased efficiency **>2 p.p.**

Unit	Modernization end	Effect MWe
3	2008	+10
4	2010	+10
5	2011	+10
6	2011	+24
7	2013	+20
8	2013	+20
9	2016	+20
10	2016	+20
11	2015	+20
12	2015	+20

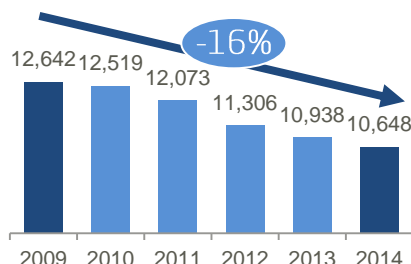
TOTAL **+174**

Employment [full time]

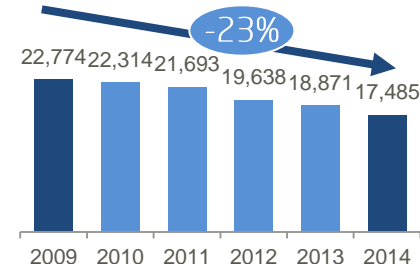
PGE Group



Distribution

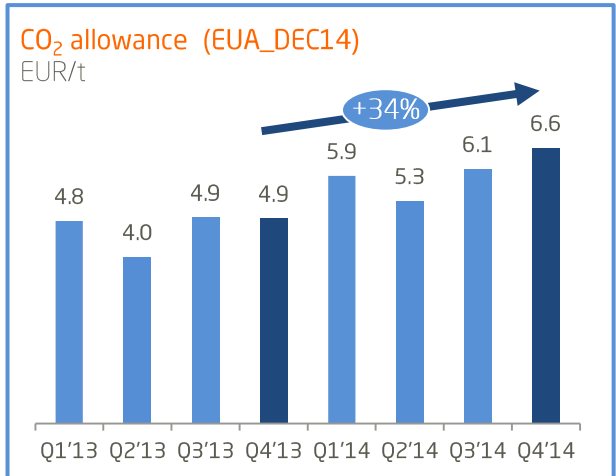


Conventional generation*

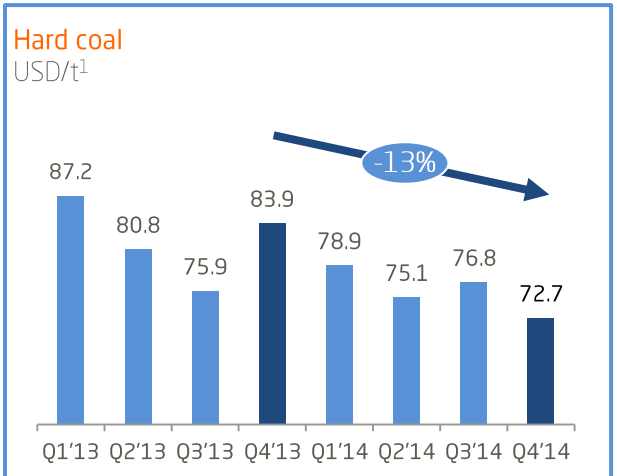


*some support functions outsourced

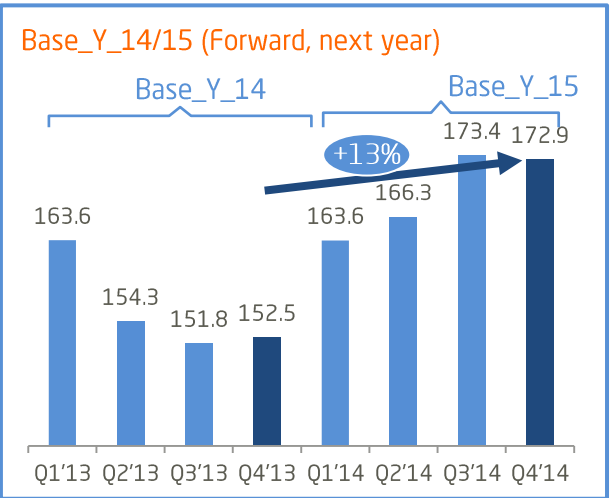
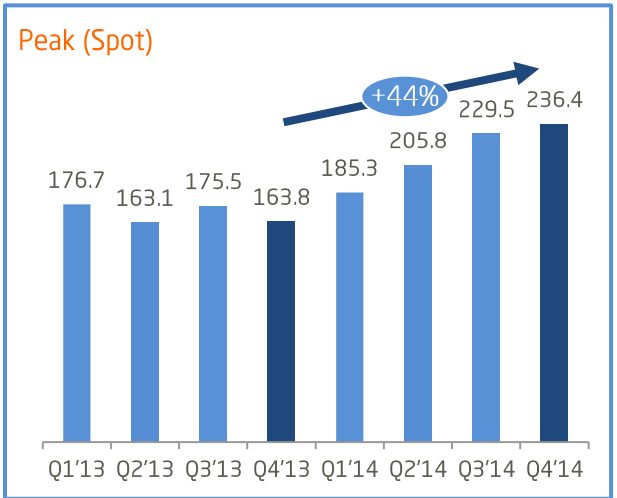
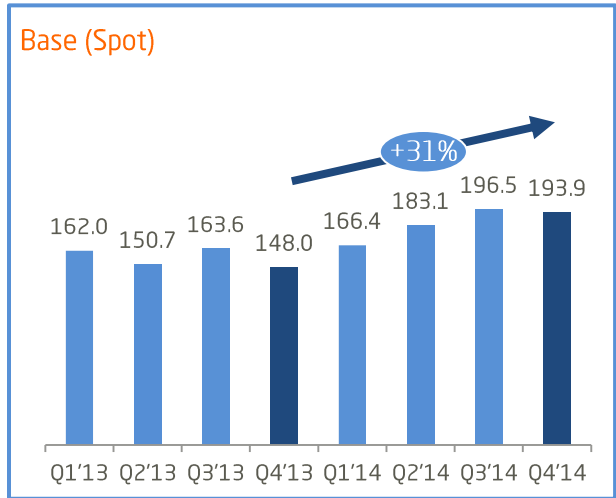
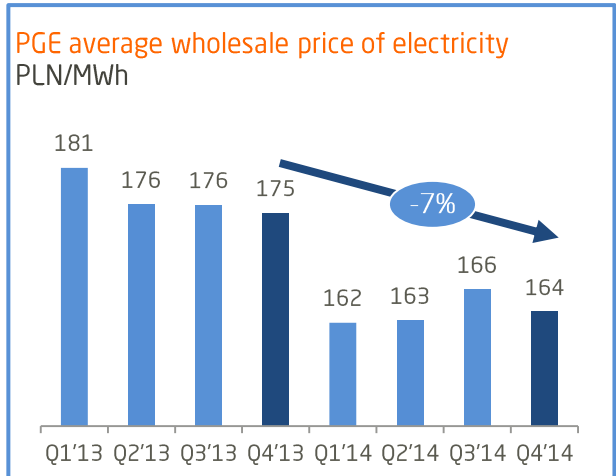
Economics of the lignite generation remain sound with positive outlook from the forward market



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



Source: globalcoal



¹ An average price on global COAL DES ARA Index

Key Financials

Selected consolidated financial data, IFRS

	Q4 2014 PLN m	Q4 2013 PLN m Data restated	Q4'14 vs. Q4'13	FY14 PLN m	FY13 PLN m Data restated	FY14 vs. FY13
Sales	7,280	7,563	-4%	28,137	30,145	-7%
<i>including LTC compensations</i>	-185	232	n.m.	-1,539	-301	411%
Recurring* Sales	7,094	7,795	-9%	26,598	29,844	-11%
EBITDA	1,386	1,476	-6%	8,118	7,837	4%
Recurring* EBITDA	1,601	2,127	-25%	6,466	8,279	-22%
EBIT	633	741	-15%	5,096	4,847	5%
Recurring* EBIT	848	1,391	-39%	3,444	5,289	-35%
Net profit (to equity)	439	643	-32%	3,638	3,948	-8%
Recurring* net profit (to equity)	610	1,165	-48%	2,615	4,303	-39%
CAPEX (incl. adj.)	2,490	1,530	63%	6,349	4,357	46%
Net cash from operating activities	1,900	2,144	-11%	6,333	7,941	-20%
Net cash from investing activities	-1,661	-1,411	18%	-6,296	-5,717	10%
EBITDA margin	19%	20%	-1 pp	29%	26%	+3 pp
Recurring* EBITDA margin	23%	27%	-4 pp	24%	28%	-4 pp
Net Working Capital				6,753	5,223	29%
Net Debt/LTM EBITDA				-0.11x	-0.40x	n.a.

* Guide to one-off adjustments presented at the next page

Computation of recurring EBITDA and recurring net profit to equity

Summary of one-off adjustments

Computation of recurring EBITDA

key one-off items

	4Q 2014	4Q 2013	FY14	FY13
LTC compensations	-185	232	-1,539	-301
LTC adjustment	0	-85	-246	-337
Voluntary Leave Program	237	0	404	1
Fixed Assets impairment	69	345	153	345
change of reclamation provision	27	-77	213	-77
actuarial provision	83	-39	130	-39
pre-trial non-agreed usage of property	0	99	0	99
CO2 free allowances	0	176	-751	751
Other	-16	0	-16	0
Total adjustment at EBITDA level	215	651	-1,652	442

Computation of recurring net profit to equity

	Q4 2014	Q4 2013	FY14	FY13
After-tax impact of total EBITDA-level adjustments	171	522	-1,336	355
Bonds write off (Autostrada Wielkopolska)	0	0	313	0
Total adjustment at net profit to equity level	171	522	-1,023	355

Key Operating Data

Net electricity generation by sources (TWh)

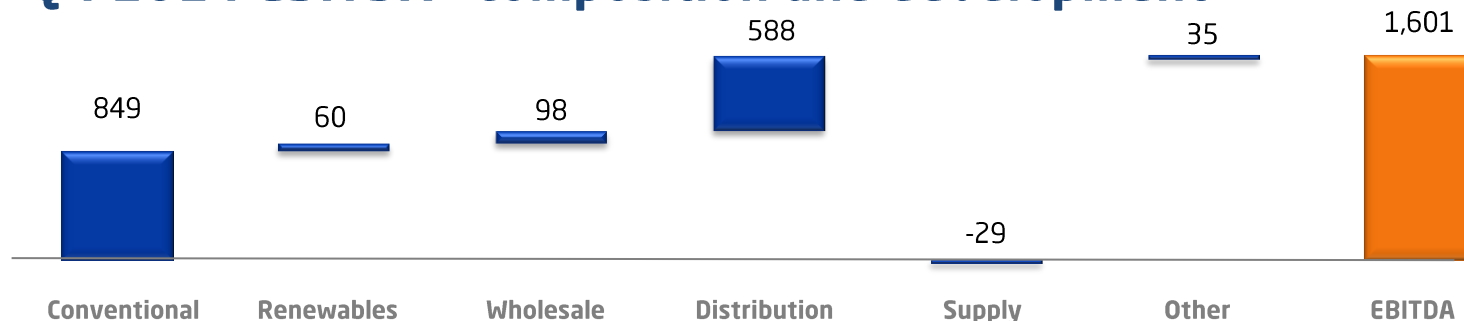
	Q4 2014	Q4 2013	Q4'14 vs Q4'13	FY14	FY13	FY'14 vs FY'13
Lignite-fired power plants	10.07	10.55	-5%	39.22	41.36	-5%
Hard coal-fired power plants	2.81	2.68	5%	11.35	11.57	-2%
Coal-fired CHPs	0.32	0.29	10%	1.10	1.11	-1%
Gas-fired CHPs	0.76	0.16	375%	1.16	1.11	5%
Biomass-fired CHP	0.08	0.10	-20%	0.43	0.44	-2%
Pump storage	0.13	0.19	-32%	0.52	0.53	-2%
Hydro	0.08	0.09	-11%	0.42	0.49	-14%
Wind	0.17	0.20	-15%	0.64	0.43	49%
TOTAL	14.42	14.26	1%	54.84	57.04	-4%
Renewable generation	0.56	0.58	-3%	2.32	1.95	19%
Incl. biomass co-combustion	0.23	0.19	21%	0.83	0.59	41%

Capital expenditures

CAPEX for Q4 and Y 2014 (PLN m)

Segment	Q4 2014	Q4 2013	Q4'14 vs Q4'13	Y 2014	Y 2013	Y'14 vs Y'13
Conventional Generation	1,565	850	84%	4,362	2,722	60%
Distribution	738	521	42%	1,508	1,335	13%
New clients connection	171	185	-8%	499	542	-8%
Distribution grid	328	200	64%	595	473	26%
Renewables	132	89	48%	374	196	91%
Modernization and replacement	40	30	33%	52	55	-5%
Supply, Wholesale, Others	59	87	-32%	175	197	-11%
TOTAL	2,494	1,547	61%	6,419	4,450	44%
TOTAL (incl. adjustments)	2,490	1,530	63%	6,349	4,357	46%

Recurring* Q4 2014 EBITDA - composition and development



Q4 2014	849	60	98	588	-29	35	1,601
Share in Q4 2014 EBITDA (%)	53%	4%	6%	37%	-2%	2%	-
Q4 2013	1,028	91	263	560	40	145	2 127
Change (PLNm)	-179	-31	-165	28	-69	-110	-526
Change (%)	-17%	-34%	-63%	5%	-173%	-76%	-25%

Lower electricity prices impacted the results negatively with PLN 174m. Higher cost of fuels had a negative effect too - PLN 199m.

This was offset partially by increased volumes from hard coal generation due to overhaul schedule.

Segment affected by adverse hydro conditions and lower generation of wind assets (end of new farms effect).

Margin erosion on supply market had a negative impact on the segment - PLN 178m.

Investment in RAB offset negative changes in WACC. Higher volumes of distribution supported results improvement.

Increased cost of support schemes affected the business with negative impact of - PLN 115m.

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

Detailed segmental revenues and costs

Conventional Generation (PLN m)

	Q4 2014	Q4 2013	Q4 2014 vs. Q4 2013	FY14	FY13	FY14 vs. FY13
Sales, including	3,339	2,870	16%	12,906	12,211	6%
Sale of electricity	2,688	2,670	1%	9,844	10,536	-7%
LTC compensations	185	-232	n.m.	1,539	301	412%
Sale of heat	231	214	8%	675	696	-3%
Sale of certificates of origin	136	112	21%	449	248	81%
Cost by kind, including	2,922	2,560	14%	10,126	10,729	-6%
D&A	418	360	16%	1,696	1,661	2%
Materials	856	659	30%	2,739	2,982	-8%
Energy	6	16	-62%	34	58	-42%
External services	379	357	6%	1,339	1,326	1%
Taxes and charges	360	508	-29%	1,410	2,152	-35%
Personnel expenses	860	615	40%	2,756	2,382	16%
Other cost	42	45	-6%	154	168	-8%
Cost of products sold	2,431	2,095	16%	8,482	8,973	-5%
Cost of goods sold	2,790	2,326	20%	9,580	9,604	0%
EBIT	286	109	162%	3,296	1,971	67%
EBITDA	704	469	50%	4,992	3,632	37%

Detailed segmental revenues and costs

Renewables (PLN m)

	Q4 2014	Q4 2013	Q4 2014 vs. Q4 2013	FY14	FY13	FY14 vs. FY13
Sales, including	166	196	-15%	722	734	-2%
Sale of electricity	82	86	-5%	325	274	18%
Sale of certificates of origin	39	51	-24%	182	217	-16%
Cost by kind, including	154	163	-6%	586	548	7%
D&A	54	56	-3%	212	198	7%
Materials	1	3	-62%	6	9	-39%
Energy	29	37	-20%	132	133	-1%
External services	23	23	0%	80	65	23%
Taxes and charges	13	12	12%	51	46	11%
Personnel expenses	29	29	2%	92	83	12%
Other cost	3	5	-27%	13	13	-4%
Cost of products sold	126	135	-6%	499	469	6%
Cost of goods sold	126	136	-7%	499	469	6%
EBIT	4	35	-87%	137	188	-27%
EBITDA	59	91	-35%	350	386	-9%

Detailed segmental revenues and costs

Wholesale (PLN m)

	Q4 2014	Q4 2013	Q4 2014 vs. Q4 2013	FY14	FY13	FY14 vs. FY13
Sales, including	2,669	3,218	-17%	9,722	12,489	-22%
Sale of electricity	1,868	2,661	-30%	7,233	10,252	-29%
Sale of certificates of origin	251	210	20%	1,042	904	15%
Cost by kind, including	81	95	-15%	282	288	-2%
D&A	4	6	-35%	14	18	-23%
Materials	1	1	0%	2	2	-16%
Energy	0	1	-46%	2	3	-10%
External services	13	27	-53%	59	76	-23%
Taxes and charges	4	-4	n.m.	8	3	123%
Personnel expenses	33	25	34%	104	89	17%
Other cost	26	39	-34%	93	96	-3%
Cost of products sold	24	32	-24%	94	89	7%
Cost of goods sold	2,519	2,900	-13%	9,065	11,332	-20%
EBIT	87	257	-66%	464	965	-52%
EBITDA	91	263	-66%	478	983	-51%

Detailed segmental revenues and costs

Distribution (PLN m)

	Q4 2014	Q4 2013	Q4 2014 vs. Q4 2013	FY14	FY13	FY14 vs. FY13
Sales, including	1,522	1,463	4%	5,775	5,616	3%
Revenues from distribution services	1,423	1,365	4%	5,439	5,251	4%
Other operating revenues	26	30	-13%	107	121	-11%
Cost by kind, including	1,267	1,182	7%	4,581	4,361	5%
D&A	250	253	-1%	1,005	988	2%
Materials	26	25	2%	86	91	-5%
Energy	149	162	-8%	489	532	-8%
External services	405	360	12%	1,534	1,336	15%
Taxes and charges	81	78	5%	334	318	5%
Personnel expenses	352	298	18%	1,117	1,076	4%
Other cost	3	6	-38%	15	20	-24%
Cost of products sold	1,140	1,069	7%	4,210	3,967	6%
Cost of goods sold	1,140	1,069	7%	4,210	3,968	6%
EBIT	272	217	25%	1,306	1,221	7%
EBITDA	522	470	11%	2,311	2,209	5%

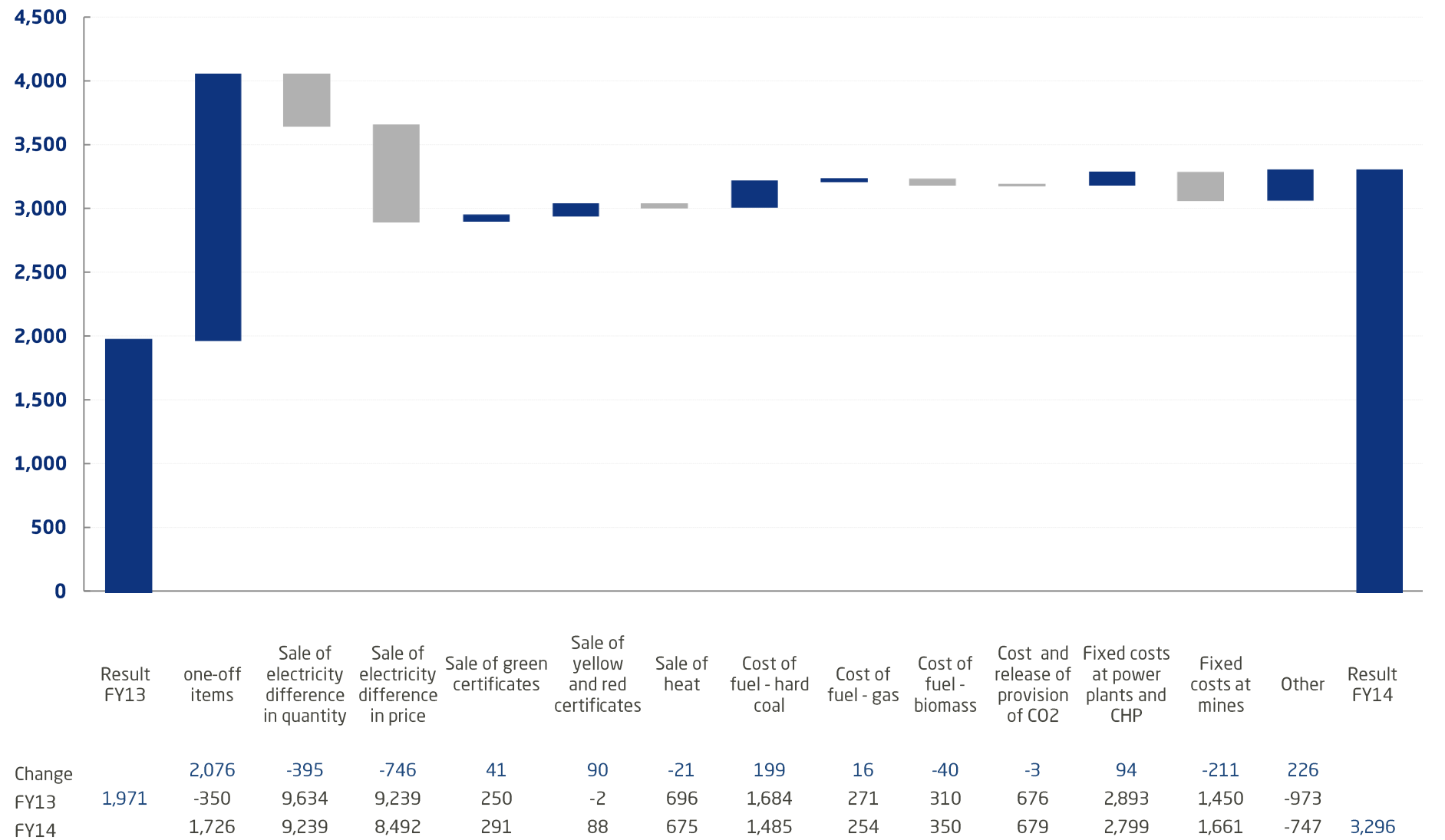
Detailed segmental revenues and costs

Supply (PLN m)

	Q4 2014	Q4 2013	Q4 2014 vs. Q4 2013	FY14	FY13	FY14 vs. FY13
Sales, including	3,213	3,324	-3%	12,371	13,028	-5%
Sale of electricity	2,162	2,258	-4%	8,305	8,877	-6%
Revenues from distribution services	1,042	1,048	-1%	4,028	4,085	-1%
Cost by kind, including	372	256	45%	1,398	1,112	26%
D&A	2	2	-11%	7	8	-9%
Materials	2	1	12%	5	5	-3%
External services	27	29	-8%	103	97	7%
Taxes and charges	277	163	70%	1,077	819	31%
Personnel expenses	51	47	8%	163	149	9%
Other cost	13	13	-2%	42	33	26%
Cost of products sold	3	13	-75%	10	49	-79%
Cost of goods sold	2,904	3,046	-5%	11,197	11,552	-3%
EBIT	-41	38	n.m.	-200	403	n.m.
EBITDA	-39	40	n.m.	-193	411	n.m.

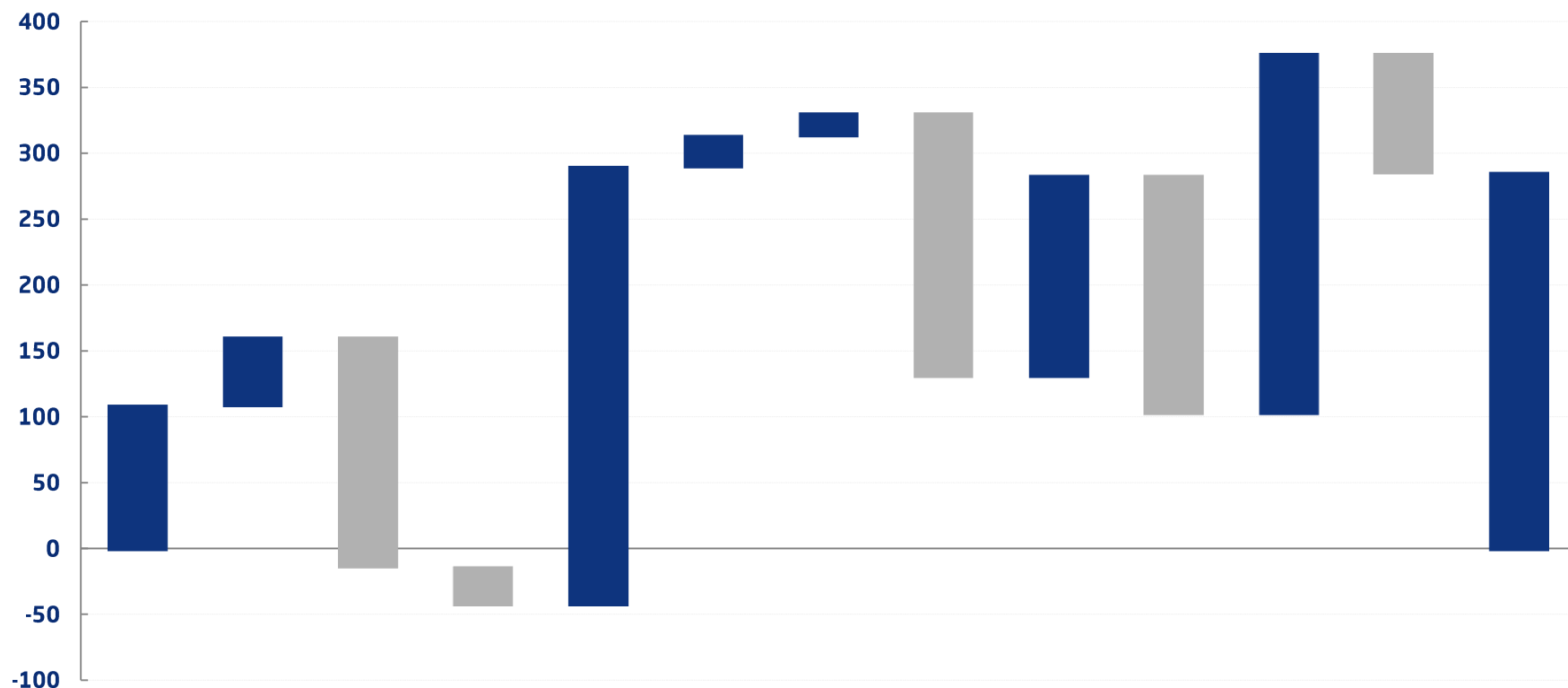
Conventional Generation - EBIT FY14

Key Changes in EBIT (PLN m)



Conventional Generation - EBIT Q4 2014

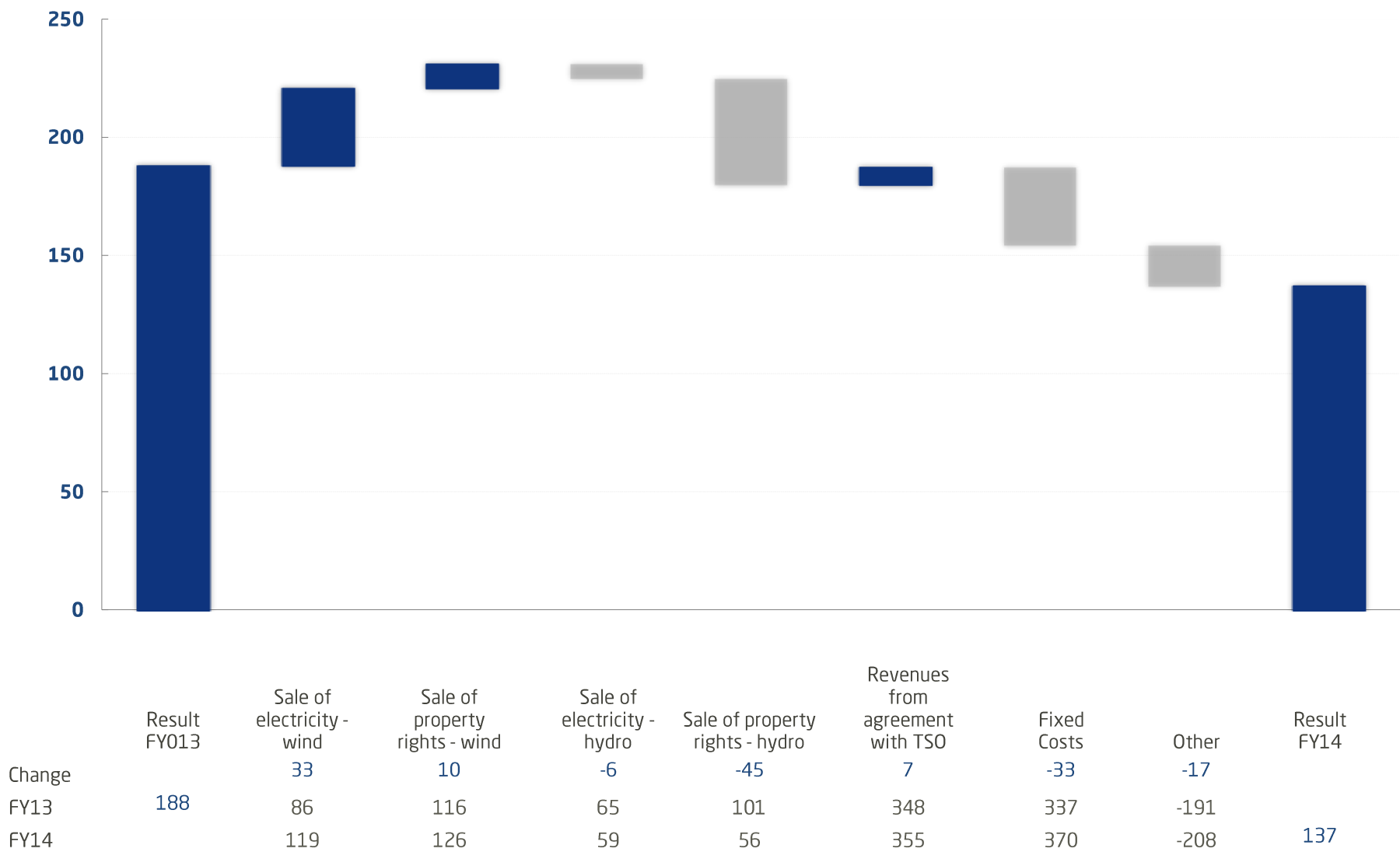
Key Changes in EBIT (PLN m)



	Result Q413	Sale of electricity - difference in volume	Sale of electricity - difference in price	Result of electricity purchased for resale	Revenues from LTC	Sale of produced property rights	Sale of heat	Cost of fuel	Cost and release of provision of CO2	Personnel costs	Other operating activity	Other operating costs	Result Q414
Change		52	-174	-28	332	23	17	-199	152	-180	272	-90	
Q4 2013	109	2,359	2,410	122	-147	112	26	496	327	0	-306	1,235	
Q4 2014		2,410	2,236	93	185	136	43	695	175	180	-33	1,325	286

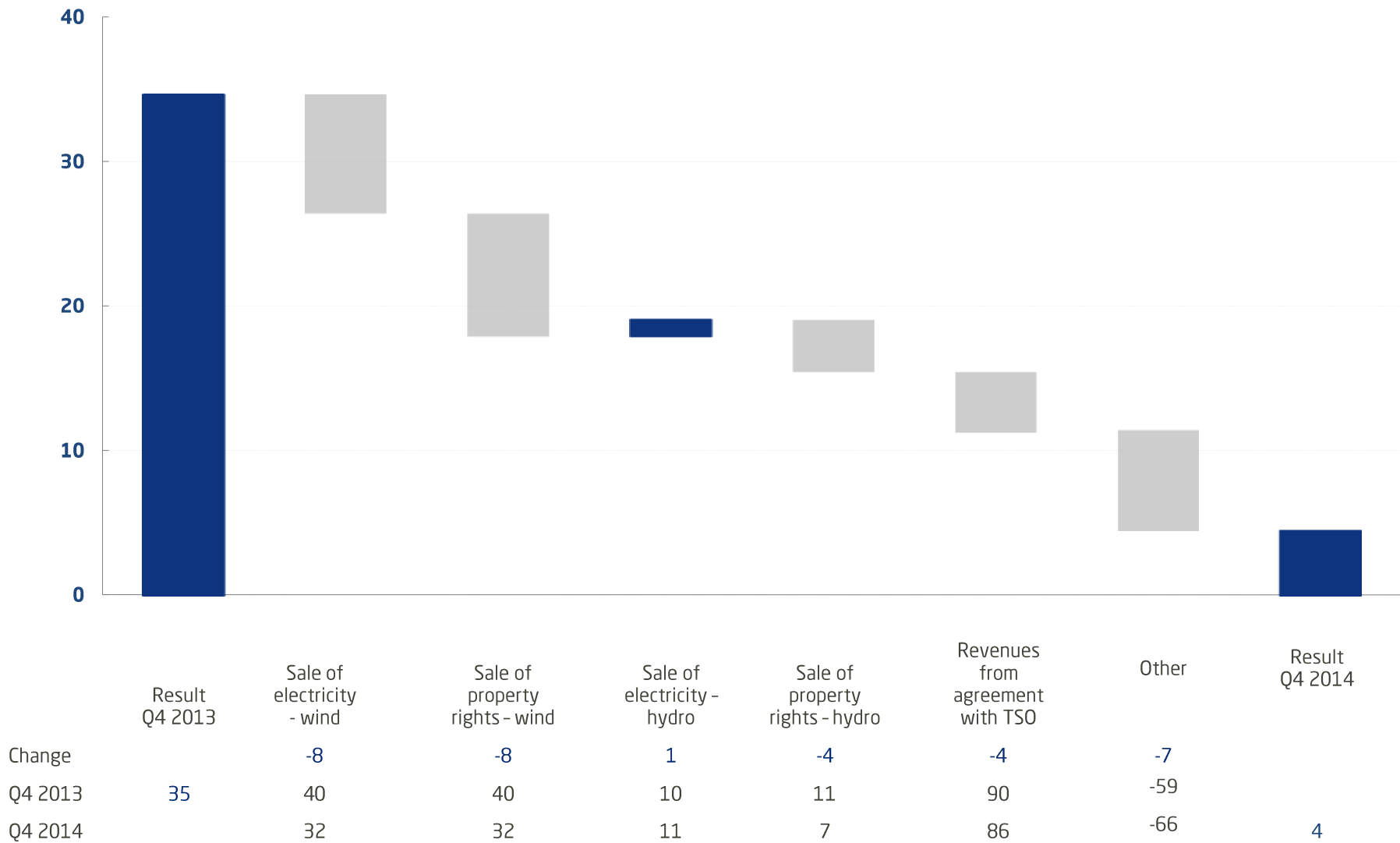
Renewables (PLN m) - EBIT FY14

Key Changes in EBIT (PLN m)



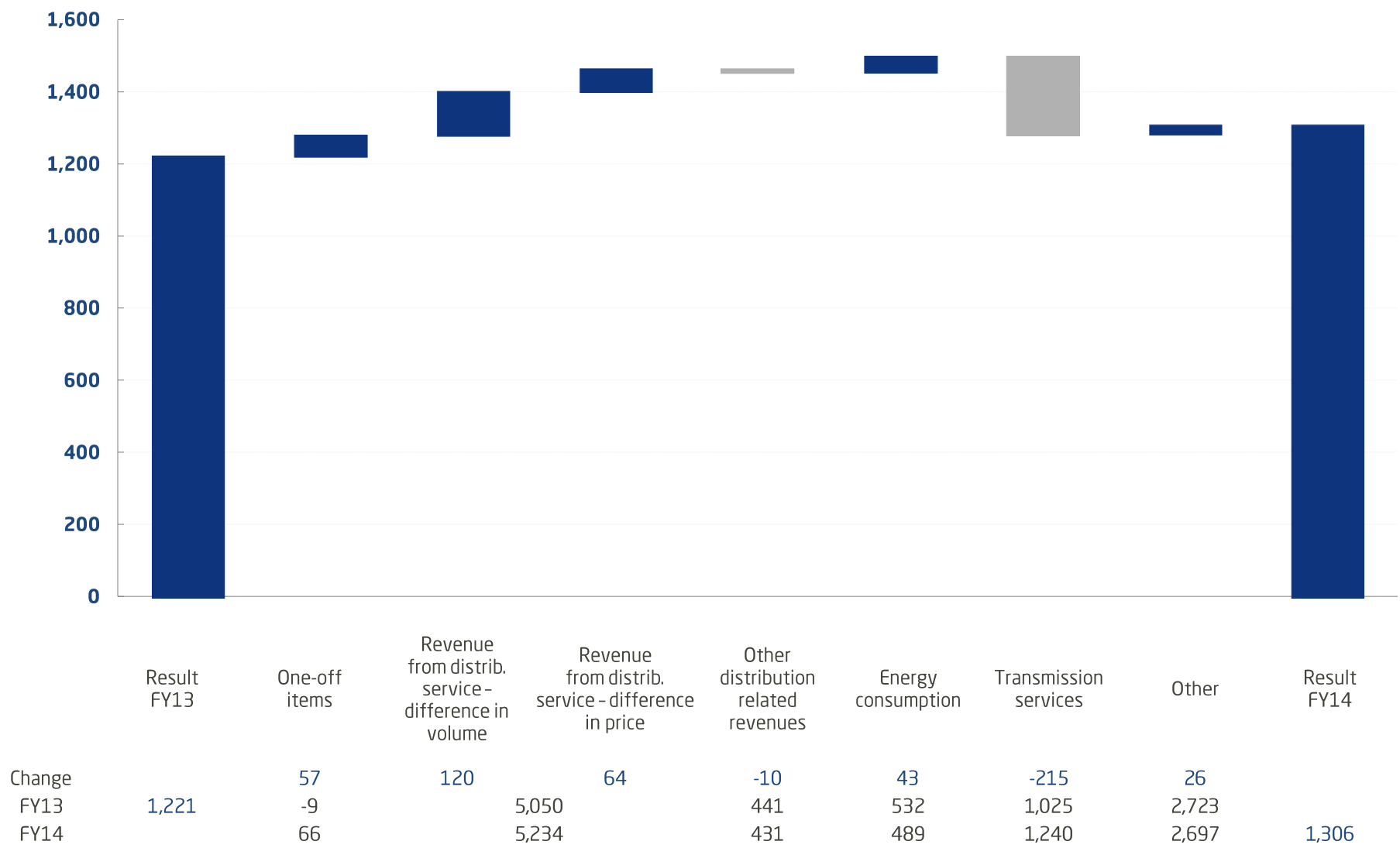
Renewables (PLN m) - EBIT Q4 2014

Key Changes in EBIT (PLN m)



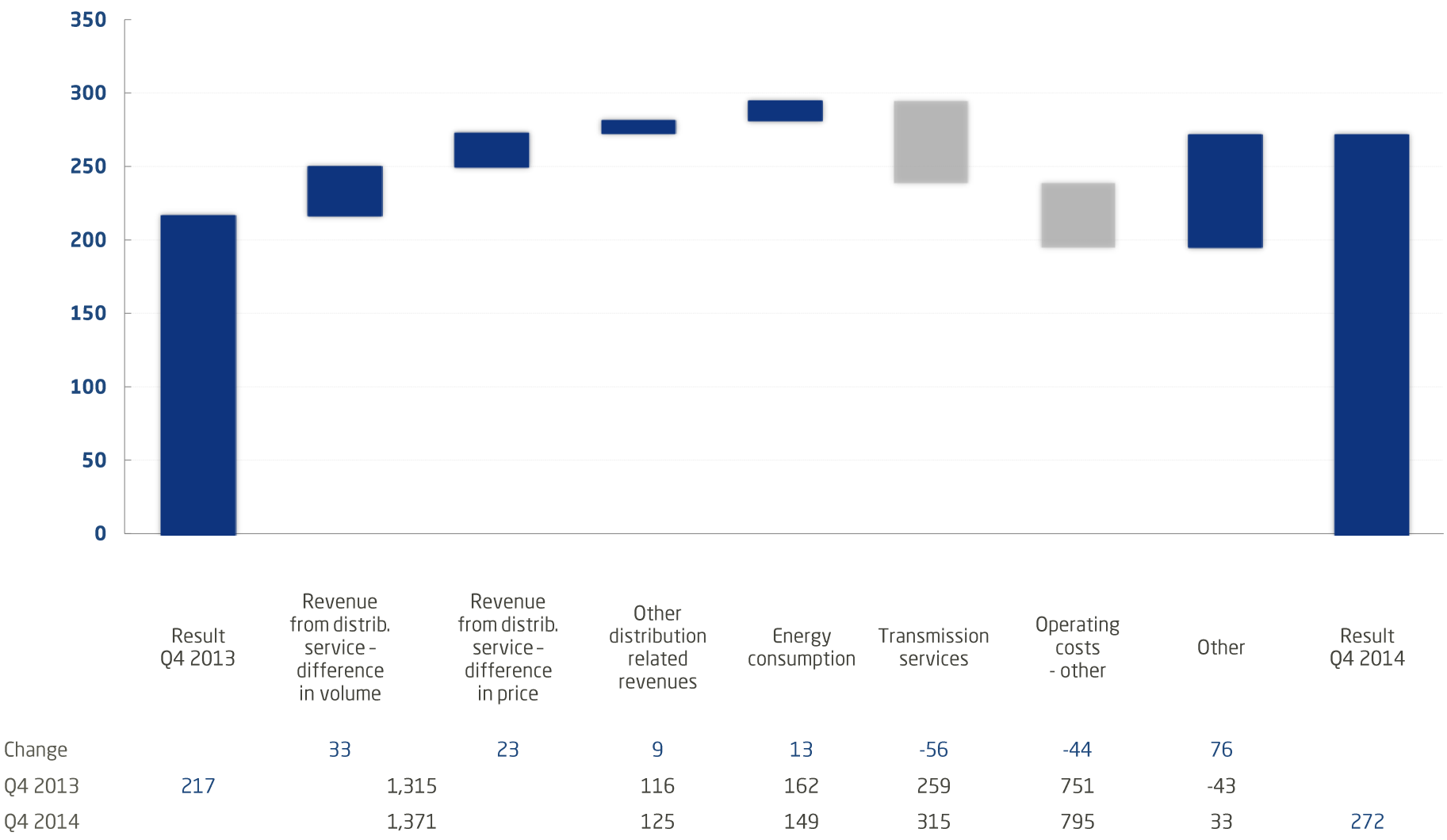
Distribution (PLN m) - EBIT FY14

Key Changes in EBIT (PLN m)



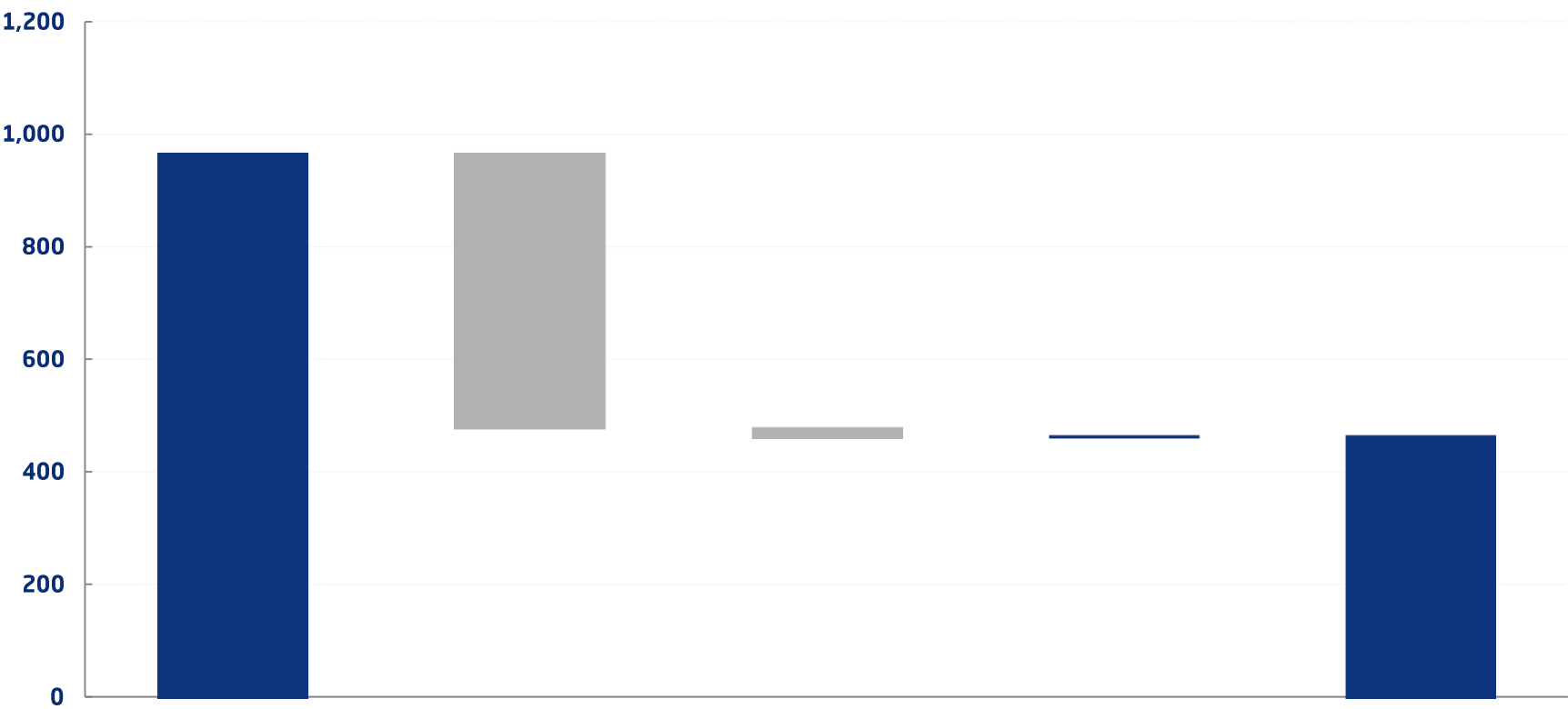
Distribution (PLN m) - EBIT Q4 2014

Key Changes in EBIT (PLN m)



Wholesale (PLN m) - EBIT FY14

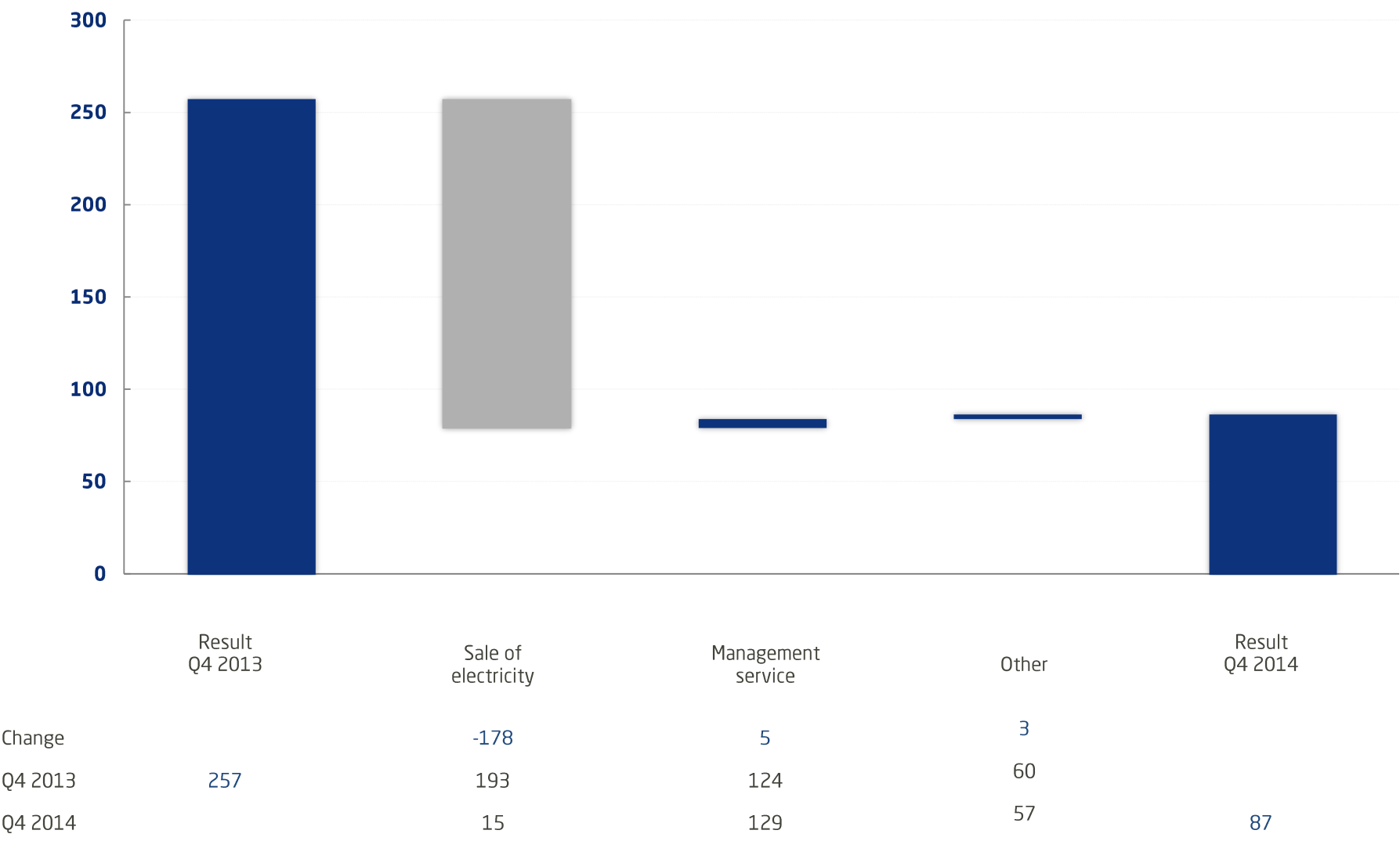
Key Changes in EBIT (PLN m)



	Result FY13	Sale of electricity	Management service	Other	Result FY14
Change		-486	-16	1	
FY13	965	676	481	193	
FY14		190	465	192	464

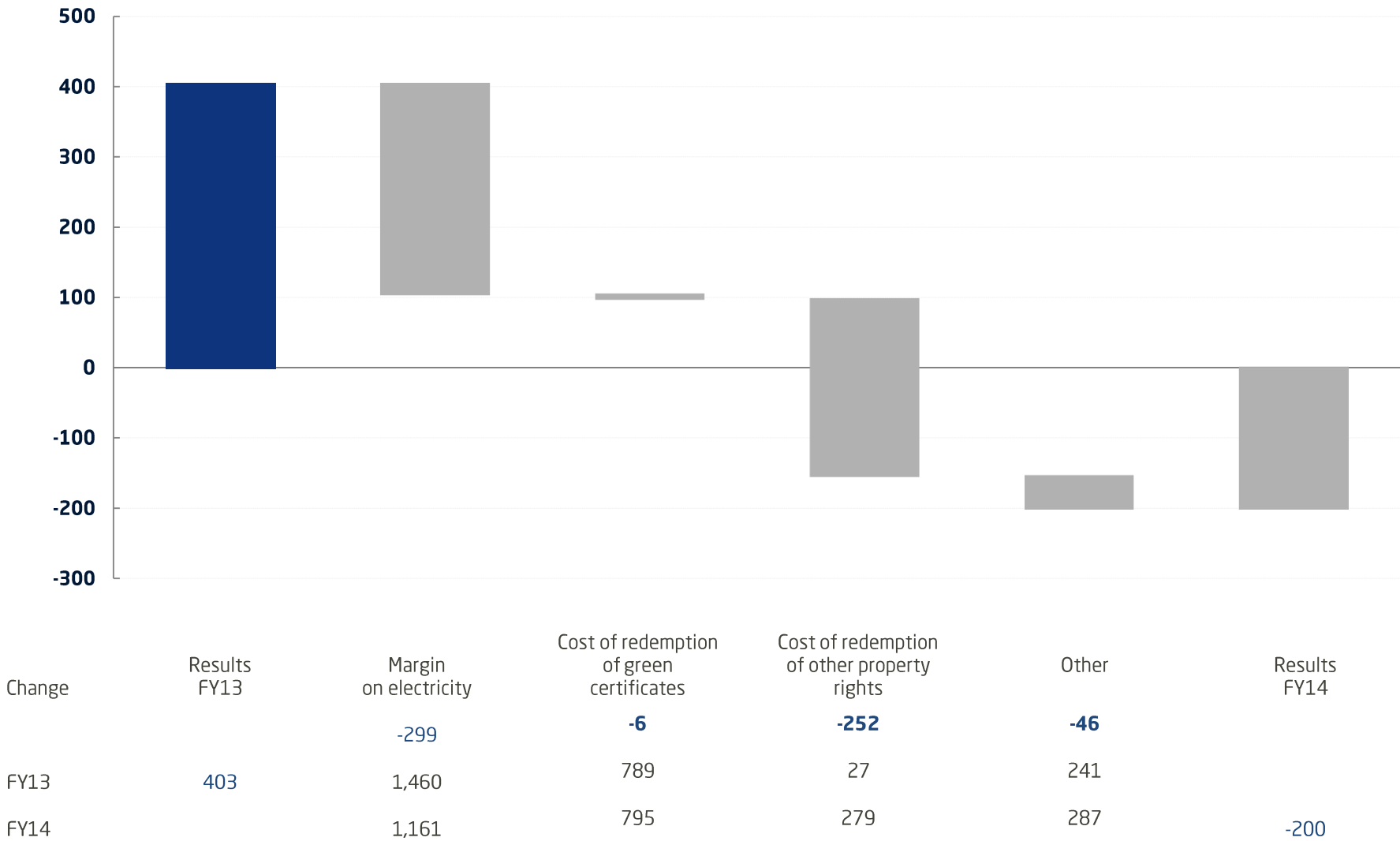
Wholesale (PLN m) - EBIT Q4 2014

Key Changes in EBIT (PLN m)



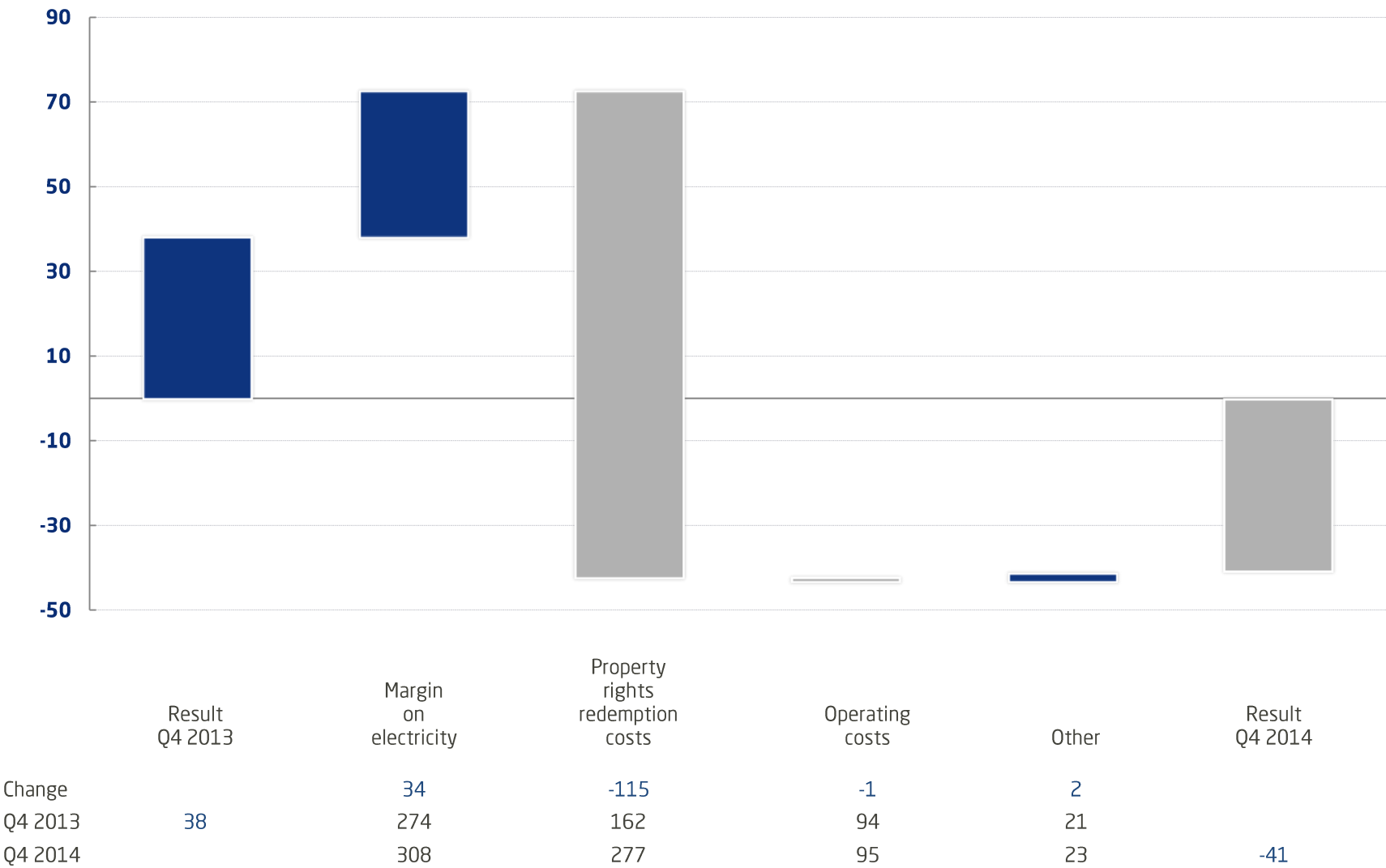
Supply (PLN m) - EBIT FY14

Key Changes in EBIT (PLN m)



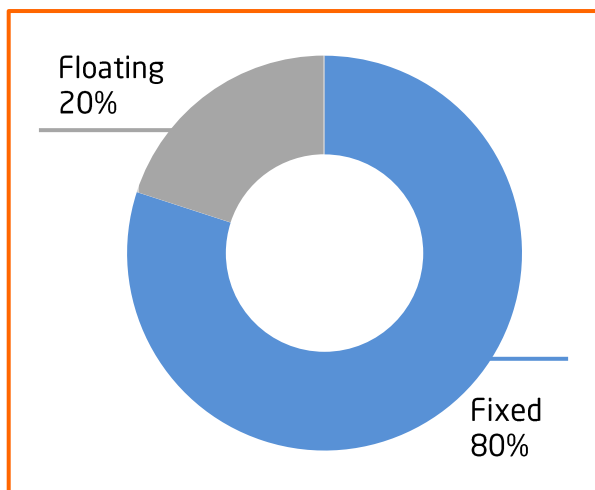
Supply (PLN m) - EBIT Q4 2014

Key Changes in EBIT (PLN m)

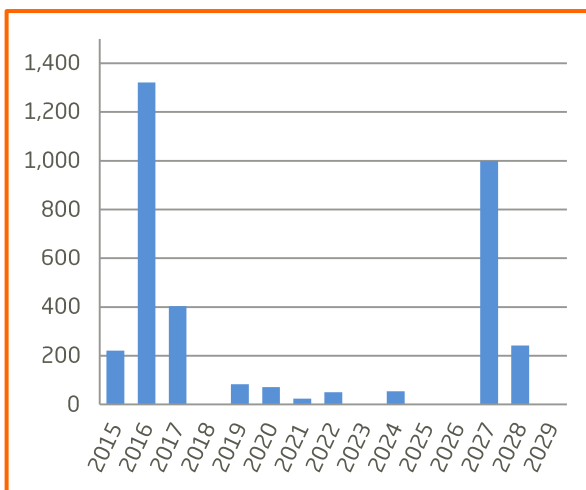


Debt Structure and Liquidity (as at December 31, 2014)

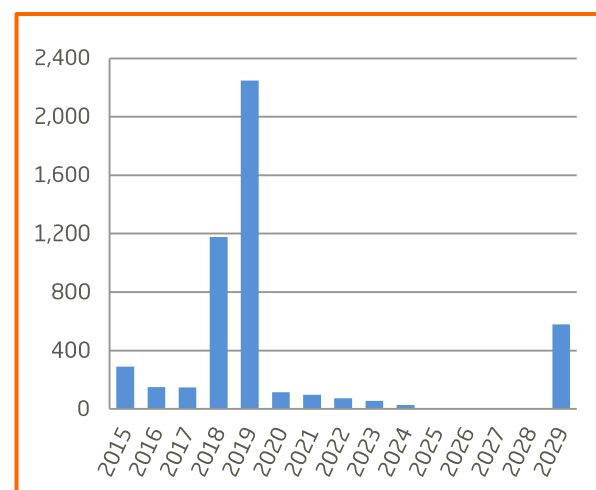
Fixed vs Floating Debt (Drawn Debt)



Available Lines of Credit (PLN m)



Debt Maturity Profile (Drawn Debt PLN m)



Debt Location Within the Group (Drawn Debt PLN m)

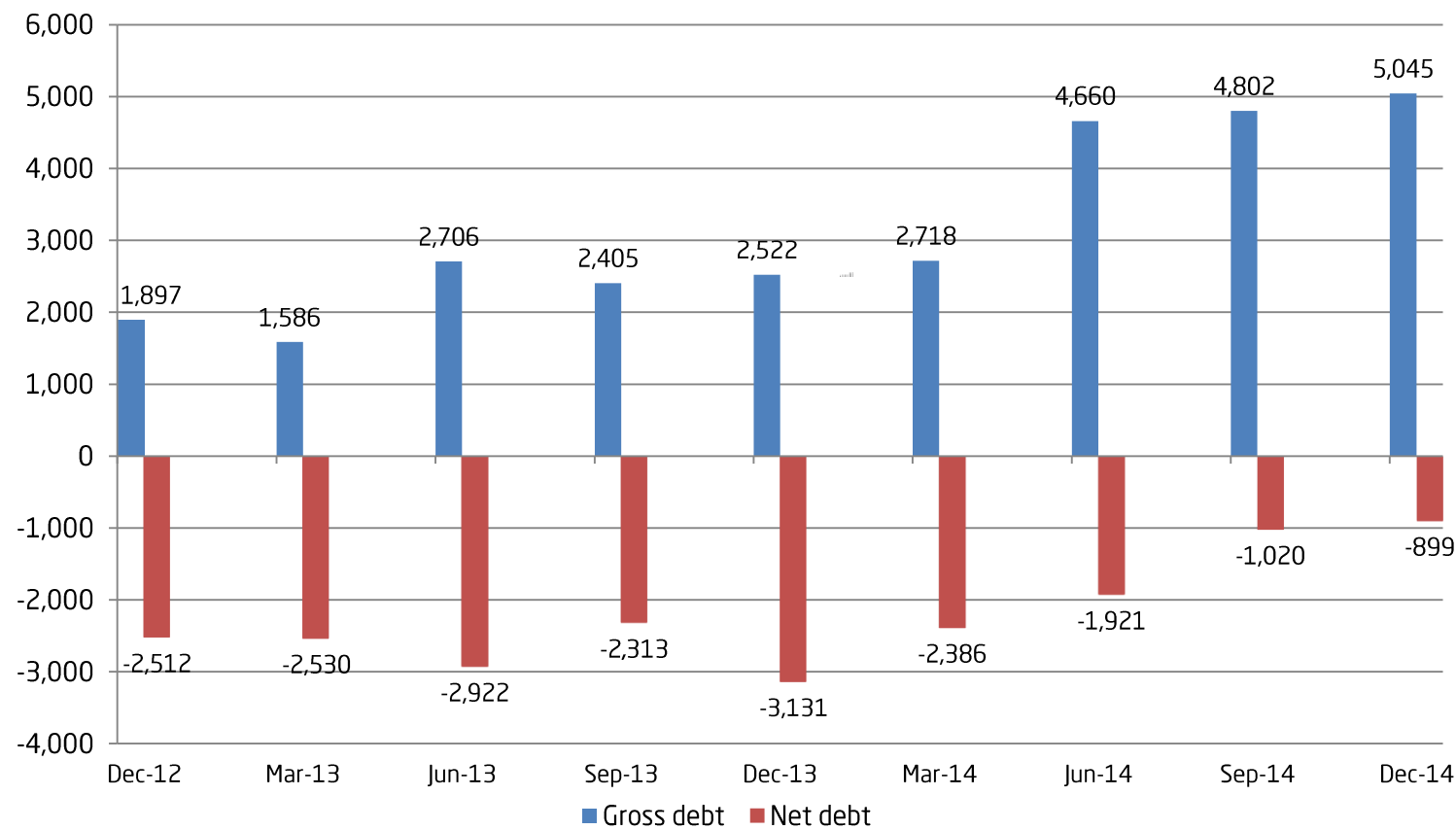
As at the end of	External		Intra-group	
	Holding	Subsidiaries	Subsidiary bonds purchased by PGE	PGE loans from subsidiaries
September 2014	1,000	3,786	3,779	2,728
December 2014	1,000	3,971	3,873	2,728

Issues under the EMTN program

Value	EUR 500,000,000	EUR 138,000,000
Tenure	5 years	15 years
Maturity date	June 9, 2019	August 1, 2029
Coupon	1.625% annual	3% annual
Rating	BBB+ (Fitch); Baa1 (Moody's)	BBB+ (Fitch)
ISIN Code	XS1075312626	XS1091799061

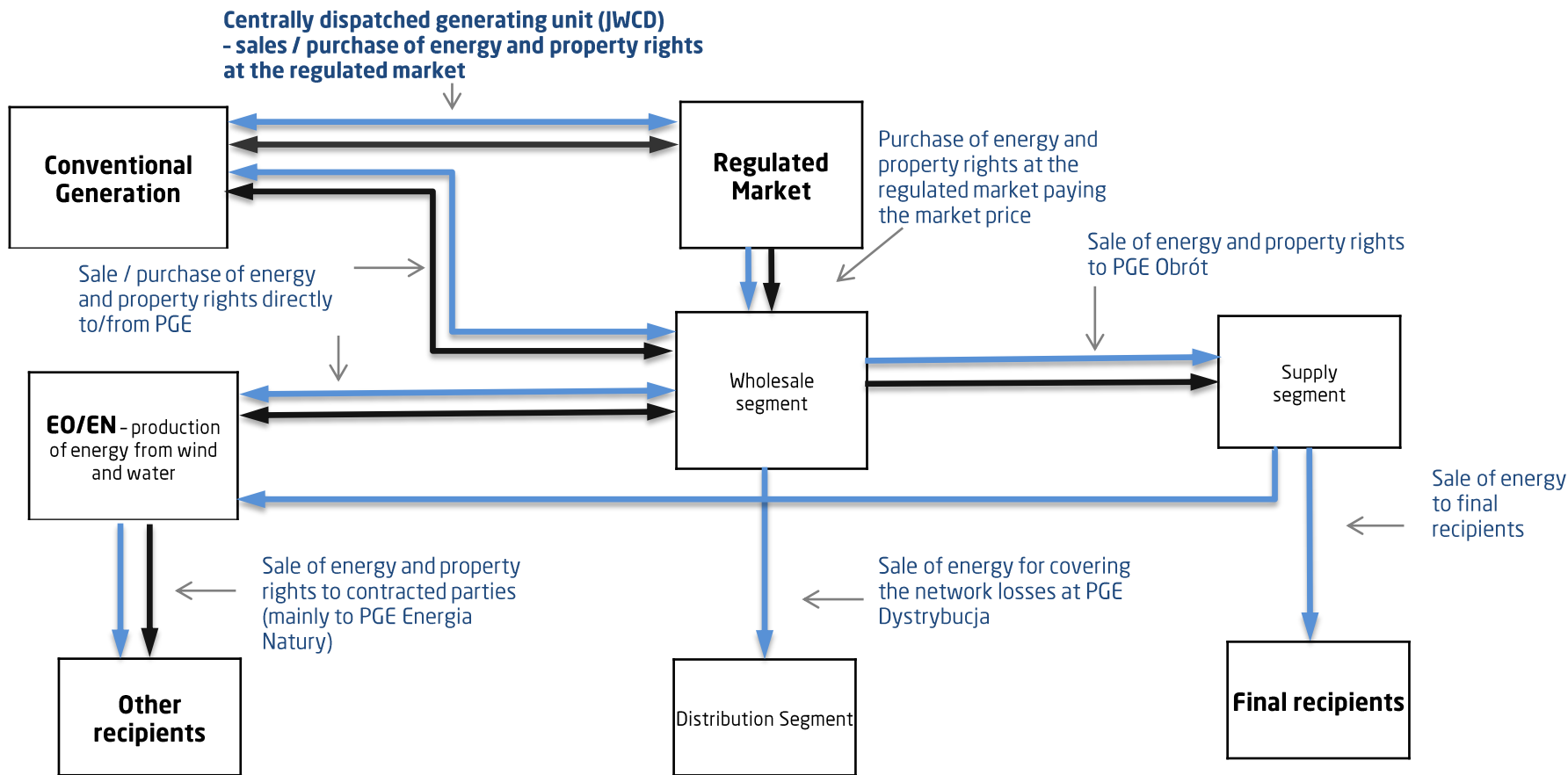
Debt development by quarters

Gross debt and net debt (PLNm)



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)

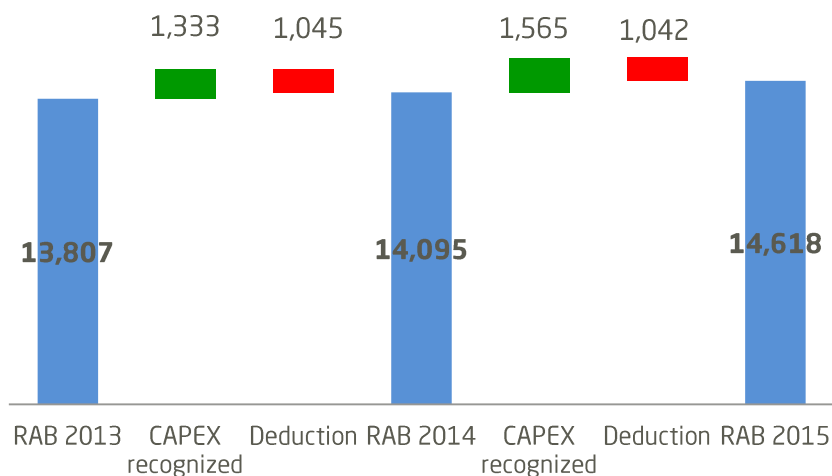
Operational model



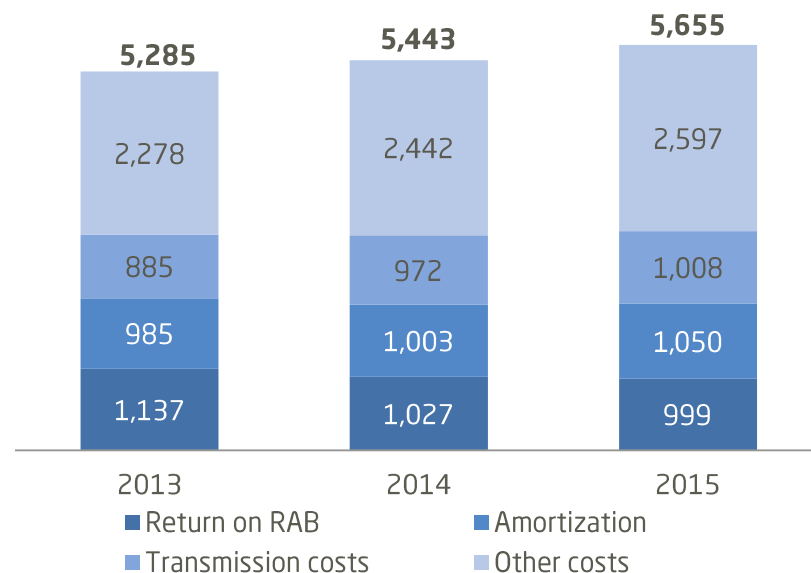
- Simplified - contains only the key streams

Fundamentals of the distribution business

RAB development* (PLNm)



Regulated revenue composition* (PLNm)



WACC:

2013

8.95%

2014

7.28%

2015

7.2%

Remunerated RAB:

2013

92%

2014

100%

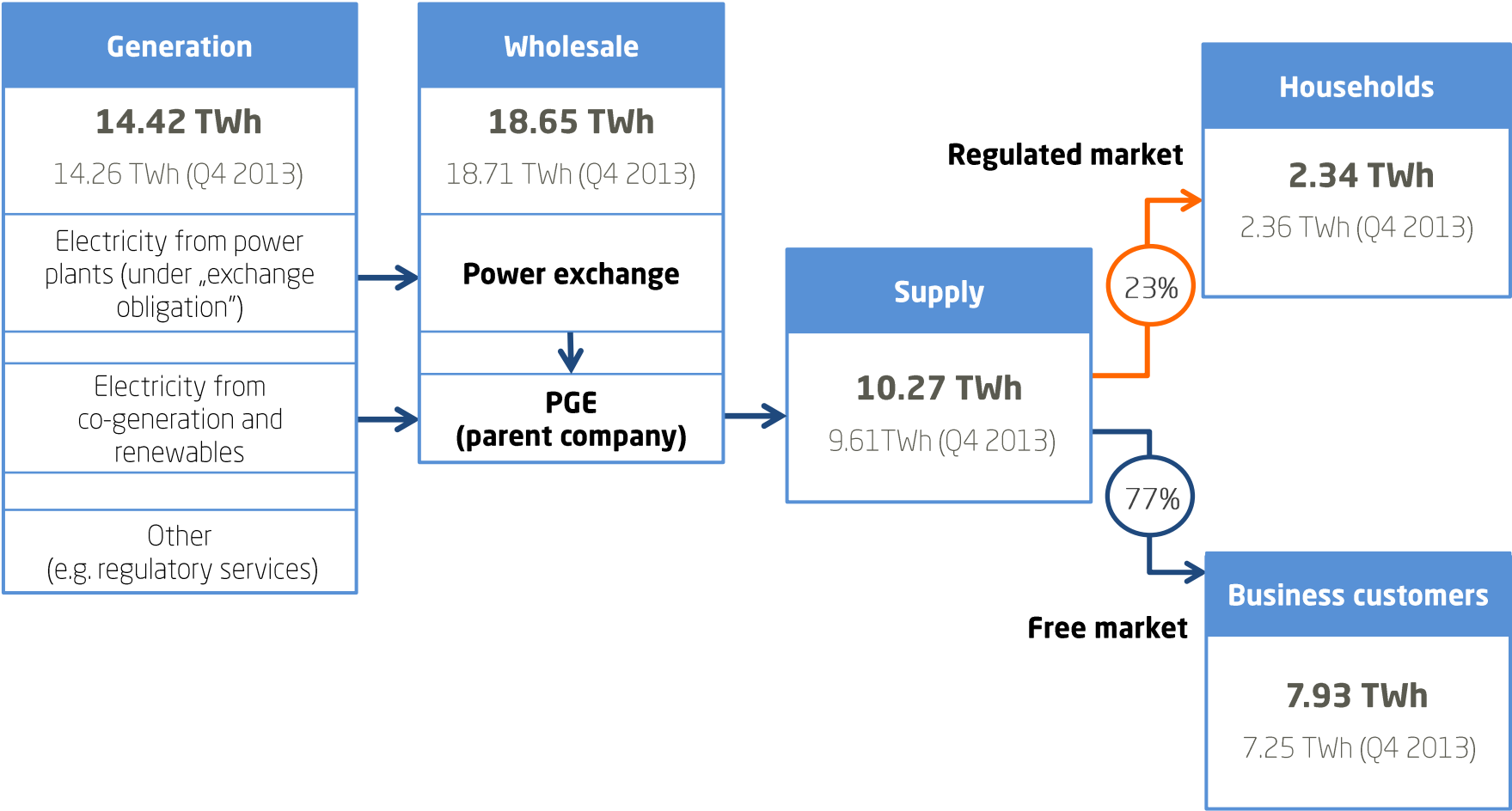
2015

95%

* Based on a Tariff

Q4 2014 Key business flows

Key business flows (illustrative only)



PG&E cash position provides...

... plenty of headroom in the balance sheet

	2014	9M 2014
Gross Debt (PLNm)	5,045	4,802
Net Cash (PLNm)	899	1,020
Net Debt/LTM EBITDA	-0.11x	-0.13x
Net Debt/Equity	-0.02x	-0.02x

Financial strength has been confirmed by rating agencies

	Moody's	Fitch
Long-term company rating (IDR)	Baa1	BBB+
Rating outlook	Stable	Stable
Date of rating assignment	September 2, 2009	September 2, 2009
Date of the latest rating confirmation		May 23, 2014
Senior unsecured rating		BBB+
Date of the latest rating change	May 26, 2014	August 4, 2011
Date of the latest rating confirmation		May 23, 2014
Long-term national rating		AA- (pol)
Date of rating assignment		August 10, 2012
Date of latest rating confirmation		May 23, 2014

CO₂ allowances - regulations and settlement

Regulations in the III Settlement Period

- As of 2013 only carbon allowances for heat production are received free of charge
- Carbon allowances for electricity production are granted free of charge conditionally on investments realized that were included in the National Investment Plan

Accounting standard

- All allowances received free of charge are recognized at its nominal value - zero
- Provision for allowances required for redemption is raised respectively to its actual shortage in a given period
- Cost incurred is visible in taxes and charges P&L line

2014 allowances settlement

- In Q4 14 (FY14) PGE's installations emitted 15.08m (58.67m) tonnes of CO₂
- Consequently PGE's full cost related to CO₂ emissions in Q4 14 (FY14) amounted to approx. PLN 175m (PLN 677m)
- The relevant regulations regarding free of charge CO₂ emission in 2013 were announced after the release of FY13 financial statement, thus the FY13 year-end figures were negatively burdened with the creation of provision amounting to PLN 751m. Upon the respective decision, published in April 2014, PGE was able to release mentioned PLN 751m provision in 1H14.

Free EUA recognized at a zero value - note 12, FY14 consolidated FS

	EUA		CER/ERU		Total value
	Quantity (mn)	Value (PLN m)	Quantity (mn)	Value (PLN m)	(PLN m)
As at Jan 1, 2013	76	597	6	194	791
Purchased	38	772	-	-	772
Free allocation	-	-	-	-	-
Redeemed	-55	-42	-6	-193	-235
Adjustments		77		-1	76
As at Dec 31, 2013	59	1,404	-	-	1,404
Purchased	33	829	3	2	831
Free allocation	34	-	-	-	-
Redeemed	-61	-683	-	-	-683
Adjustment	3	2	-3	-2	-
As at Dec. 31, 2014	68	1,552	-	-	1,552

Provision for purchase of CO₂ allowances - note 20 FY14 consolidated (PLN m)

As at Jan. 1, 2014 (restated)	1,432
Redeemed	-682
Released provisions	-751
Provided in FY14	677
As at Dec. 31, 2014	676

Impact on P&L (PLNm) - illustrative only	FY14
Costs by kind	16,747
Taxes and charges	2,903

Revenues from LTC compensations - components of revenue

Other operating revenues

Reversal of adjustments from 2011

- PLN 246m in 2014
- There is approximately PLN 255m left

Revenues from LTC compensations - operating part

Adjustments

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

Allocated part of the final adjustment

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

Annual adjustment

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

Advance payments

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

LTC compensations - current status of court disputes

Generators from the PGE Capital Group are in disputes with the ERO President regarding stranded cost compensations in years 2008-2010.

Stranded cost compensation in 2011-2013 are not subject to court disputes.

Status of court cases:

Year	Opole PP	Turów PP	Gorzów CHP	Rzeszów CHP	Lublin-Wrotków CHP	ZEDO PP
2008	Case at the Supreme Court	Case closed	Case closed	Case closed	Case at the Supreme Court	Court of Appeal verdict*
2009	Court of Appeal verdict	Case closed	Case at the Supreme Court	Court of Appeal verdict	CCCP verdict	Court of Appeal verdict
2010	CCCP verdict**	Court of Appeal verdict***	n/a	Court of Appeal verdict***	Court of Appeal verdict**	Court of Appeal verdict***

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

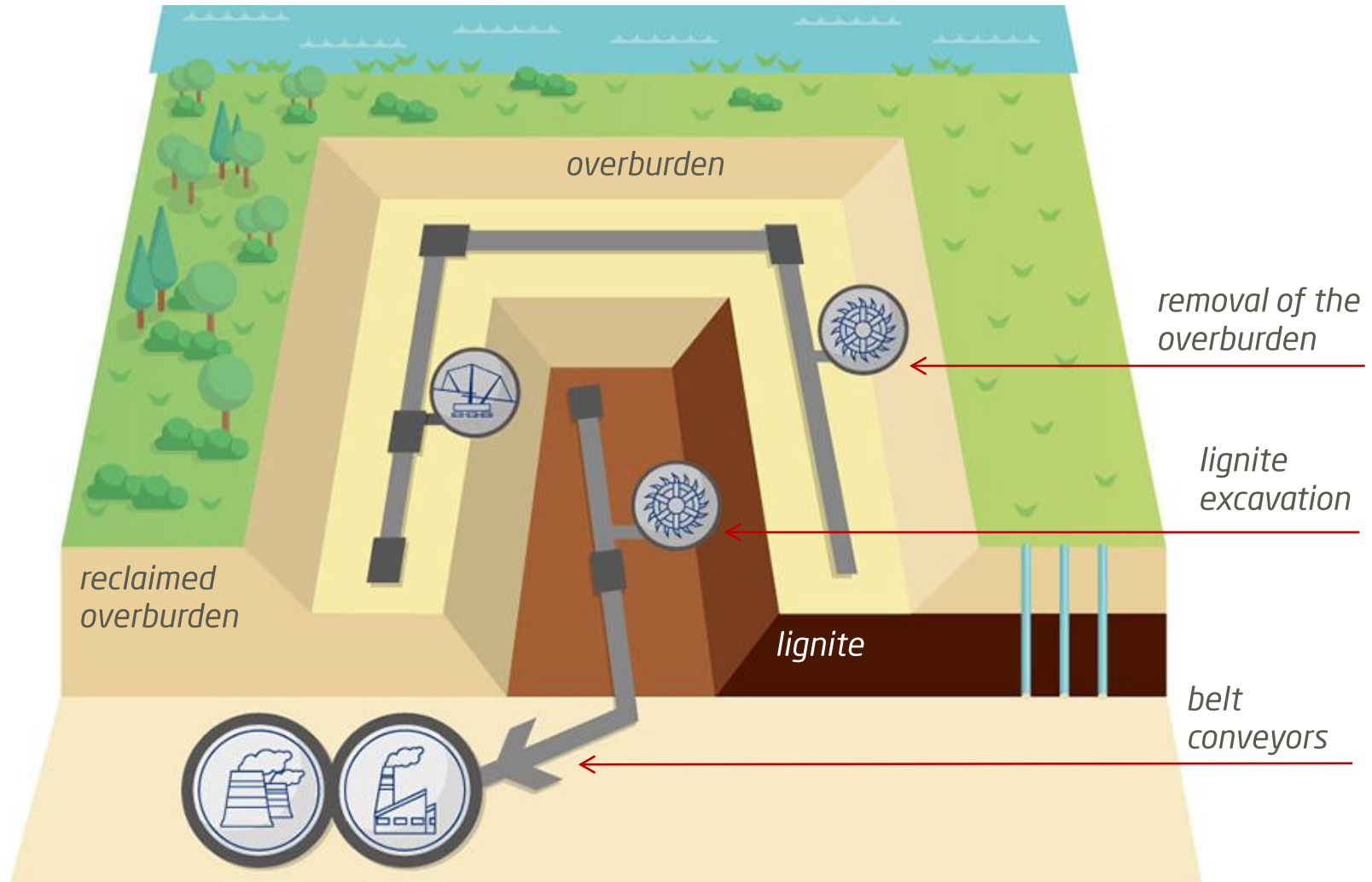
** PGE GiEK S.A. appeal partially allowed, PGE GiEK and ERO President both entitled to file appeal with the Court of Appeal

*** One verdict jointly for PGE GiEK S.A. as a legal successor of the merged companies from conventional generation segment

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

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

Land reclamation accounting policy change (1) - the overburden



overburden - the material overlying a lignite deposit (most commonly the rock, soil and ecosystem)

Land reclamation accounting policy change (2) - the summary

On January 29, 2015 PGE notified about the change of accounting policy*

The rationale behind the change:

The drawback of previous method was the sensitivity of financial results to actuarial assumptions, particularly severe in the dynamic macro environment. The newly applied change in accounting principles diminishes the volatility of financial results unrelated to operational performance. The new method is more compliant with the IAS and better reflects the economic substance of the reclamation process.

Previous accounting method

- Provision for expected land reclamation obligation was equal to the present value of expected future expenses (discount rate = yield on 10Y Polish treasury bonds).
- The amount of provision was driven by the lignite depletion ratio (cumulative excavation since inception vs. targeted final excavation) climbing from 0% to 100% over the lifetime of the mine.
- The amount of provision was driven by the lignite depletion ratio (cumulative excavation since inception vs. targeted final excavation) climbing from 0% to 100% over the lifetime of the mine.
- Period cost = increase of the provision (caused by the period's excavation), "unwinding" of the discount (as the time passes) and the changes of assumptions.
- All the changes of assumptions (both financial and technical) were immediately incurred in period's P&L.

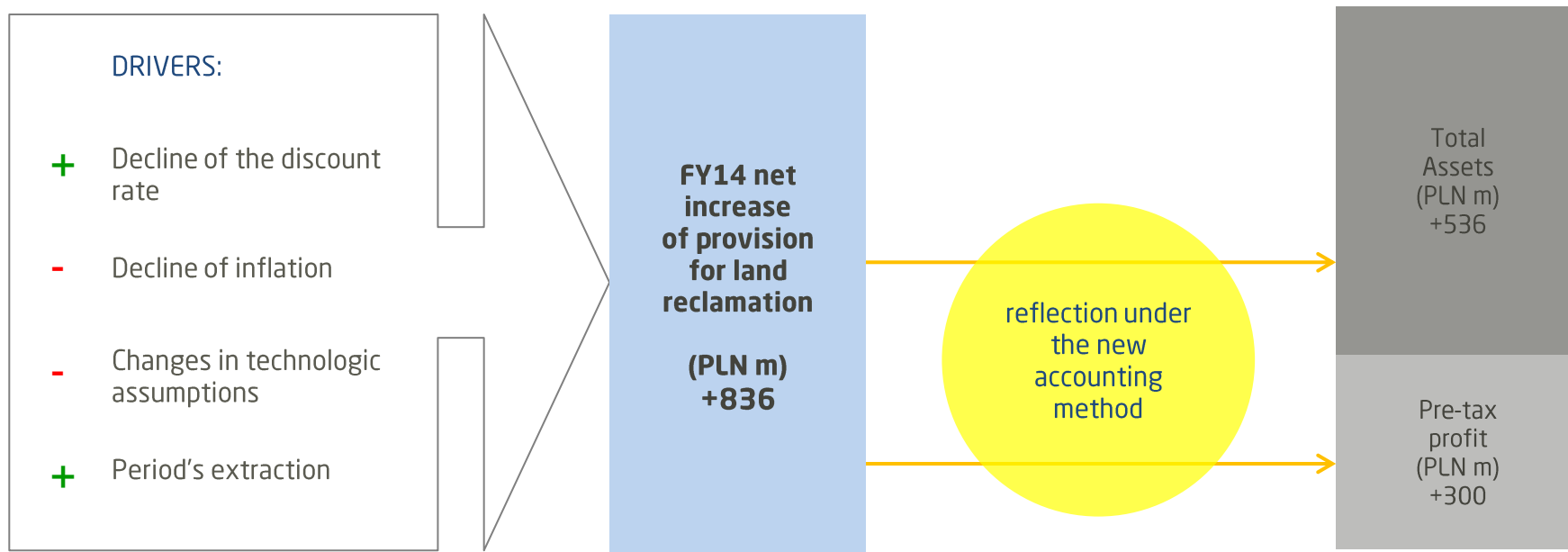
New accounting method

- Recomputed reclamation provision containing two parts: lignite and overburden: weighing c. $\frac{1}{4}$ and $\frac{3}{4}$, respectively.
- Lignite part is treated as previously (chng. of provision due to chng. of assumptions is taken straight to the P&L).
- The overburden component of provision is driven by ratio: current volume of the overburden to be reclaimed vs. the final volume of overburden to be reclaimed, however, the present value of future overburden reclamation costs is now capitalized and the corresponding tangible asset is being depreciated over the remaining lifespan of the mine.
- The gross value of the asset increases with the above-mentioned ratio (meanwhile, the depreciation decreases the net value of the asset).
- Changes in estimates of provision related to the reclamation of the overburden causes the corresponding adjustment to the respective asset without impacting the P&L. Exception: if the carrying value of tangible asset is insufficient to cover the decrease of provision (e.g. maturing mine) then adjustment is recognized in P&L.

Land reclamation accounting policy change (3) - the provision in FY14

(PLN m)

Provision for land reclamation = present value of costs projected in years 2023 - 2064
PLN **2,926m** (FY14 eop)*



*Please note that there also minor issues subject to reclamation suchs as wind farms and dust dumps, hence total reclamation provision FY14 eop, presented at note 20 is higher and amounts to PLN 3,299m

Land reclamation accounting policy change (4) - the impact

(PLN m)

For the Ceteris Paribus summary of accounting change impact on the consolidated figures,
please refer to the table below:

Impact on the financial results	2013			2014		
PLN million	prev. method	acc. chg. impact	restated (new method)	acc. chg. impact	new method	
EBITDA	8,025	-188	7,837	-	458	8,118
Depreciation	2,965	25	2,990	-	25	3,022
EBIT	5,060	-213	4,847	-	433	5,096
Pre-tax profit	5,059	-212	4,847	-	420	4,613
Net profit	4,143	-172	3,971	-	341	3,657

Impact on the balance sheet	2013			2014		
PLN million	prev. Method	acc. chg. Impact	restated (new method)	acc. chg. Impact	new method	
Total Assets	60,751	501	61,252	1 014	66,201	
Tangible assets	45,626	501	46,127	1 014	49,738	
Equity	43,648	160	43,808	500	44,884	
Retained income (incl. minorities)	15,959	160	16,119	500	17,017	
Liabilities	17,103	341	17,444	513	21,317	
Provisions	4,462	304	4,766	396	6,099	
Deferred tax provision	1,665	37	1,702	117	2,090	

Sell-side analysts covering PGE

Domestic analysts

Institution	Analyst
• BOŚ	• Michał Stalmach
• BRE Bank	• Kamil Kliszc
• BZ WBK	• Paweł Puchalski
• Citigroup	• Piotr Dzieciołowski
• Deutsche Bank	• Tomasz Krukowski
• Erste Group	• Tomasz Duda
• Espirito Santo	• Maria Mickiewicz
• Ipopema	• Piotr Zielonka
• JP Morgan	• Michał Kuzawiński
• PKO BP	• Stanisław Ozga
• Societe Generale	• Bartłomiej Kubicki
• UBS	• Michał Potyra
• UniCredit CAIB	• Flawiusz Pawluk

Foreign analysts

Institution	Analyst
• Goldman Sachs	• Fred Barasi
• HSBC	• Dmytro Konovalov
• Morgan Stanley	• Igor Kuzmin
• Raiffeisen Centrobank	• Teresa Schinwald
• Wood & Company	• Bram Buring

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