



RENEWABLE ENERGY



CONVENTIONAL ENERGY



DISTRIBUTION



TRADE

POLENERGIA 2016 Results

17th of February 2017

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Please contact PolenergiaIR@polenergia.pl for questions on any content of this presentation

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Summary of FY 2016

Summary of 2016



- **Conventional Power:** EBITDA improvement mainly due to one off effects of annual price projections update and resultant positive stranded cost effect;
- **Distribution:** improved performance mainly due to higher volumes/margins on energy and gas distribution, and reversal of rebate provision;
- **Offshore:** strong value growth potential maintained. Environmental decision for Bałtyk Środkowy III obtained in July 2016. We expect to obtain environment decision for Bałtyk Środkowy II in Q1 2017;
- **Auction Ready Projects:** 32MW Wińsko construction permit, 267MW Onshore Wind is auction ready;
- **Costs Savings:** significant executed savings in O&M and HQ costs post Management re-shuffle. Cost optimization to be continued in 2017.
- **Black-Start Services Agreement:** 4 year contract signed between ENS and PSE.

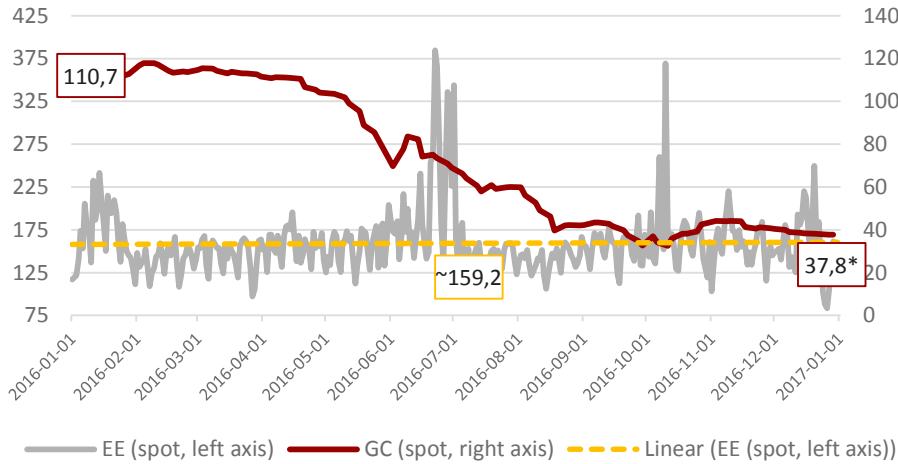


- **Market Prices:** drop in green certificate prices to historical low levels hitting c. 33 PLN/MWh in Q3 and averaging 73,6 PLN/MWh across 2016;
- **Wind productivity:** Although Q4 outperformed, on whole 2016 underperformed 2015. Still Polenergia visibly outperforms the market;
- **Trading:** negatively affected by collapse in GC market, partially offset by good results on gas & electricity trading
- **Regulatory impact:** Write-off on operating wind farms and projects in development due to decrease in GC price, and the Wind Turbine Investment Act.
- **Bernau-Szczecin pipeline:** write-off due to inability to execute project.

- **Very tough and turbulent year for Renewables in Poland, in particular Onshore Wind;**
- **Vertical integration has proven to be essential to hedge risk with Adjusted EBITDA decreasing by 2% to PLN 228m as compared to FY 2015;**
- **We expect a tough 2017, whilst addressing existing challenges we need to also devise a strategy for diversified growth.**

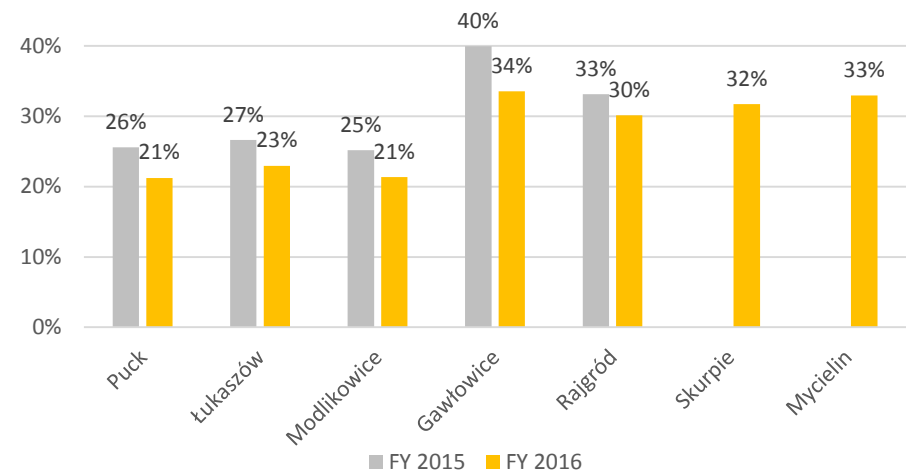
Lower productivity and GC prices in renewable portfolio, although load factors above Polish average

GC market prices (PLN/MWh)

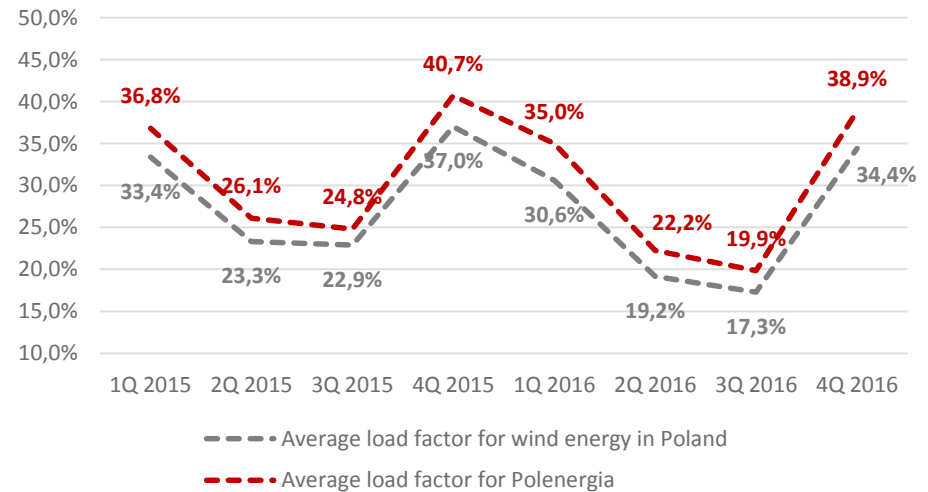


* - price of GC as at 29th of December
Source: TGE

Load factors FY 2016 versus FY 2015



Productivity of Polenergia wind farm projects above average

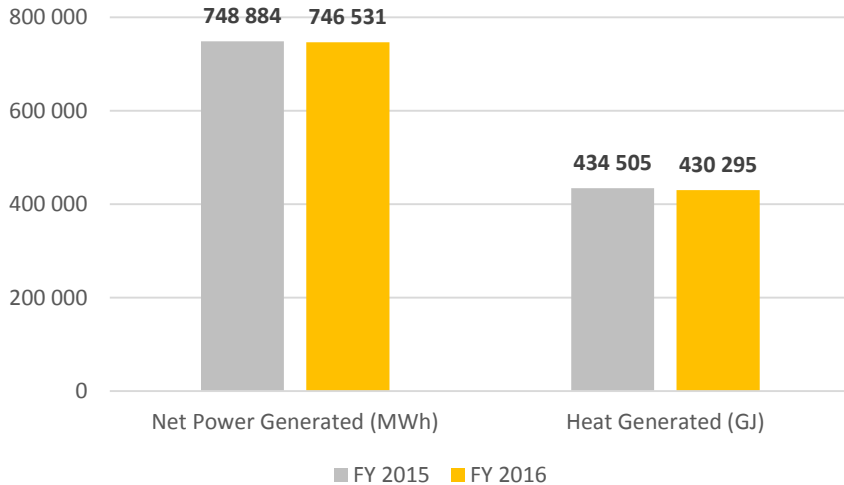


Source: Polenergia calculation based on own and ARE data

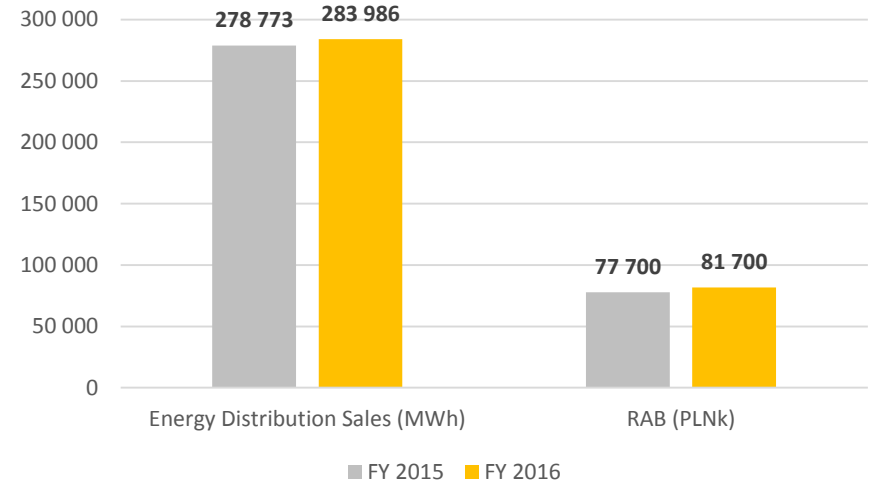
- GC prices were decreasing, while electricity prices were stable
- Productivity of wind farms in 2016 was below 2015 (weak Q2 and Q3) but has exceeded the average wind farm productivity in Poland
- Polenergia consequently achieves higher average productivity as compared to the wind industry in Poland

Stable operational data in Conventional, uplift in Distribution and Trading

Conventional (ENS) volumes: FY 2016 vs. FY 2015

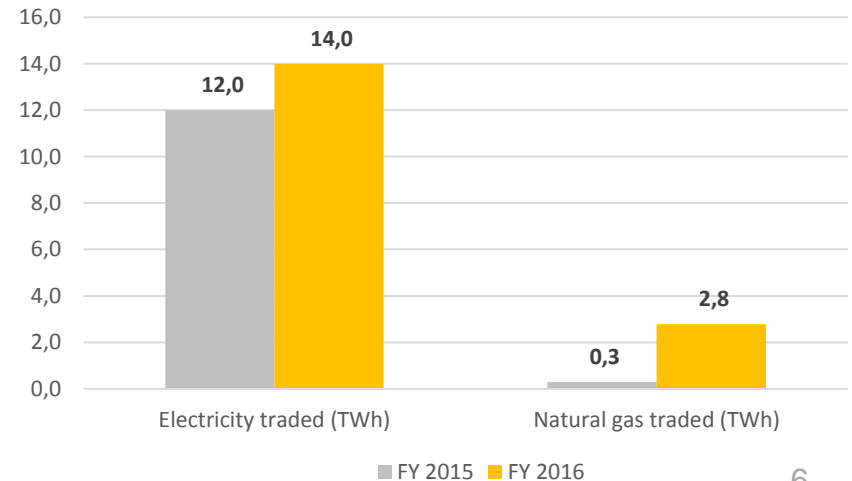


Distribution volumes: FY 2016 vs. FY 2015




- Conventional generation maintains productivity on the 2015 level
- Increase in distributions volumes and RAB base positively impacts Distribution results
- Visible increase in electricity/gas traded volumes

Trading volumes: FY 2016 vs. FY 2015



Current Issues and Growth/Diversification Plans

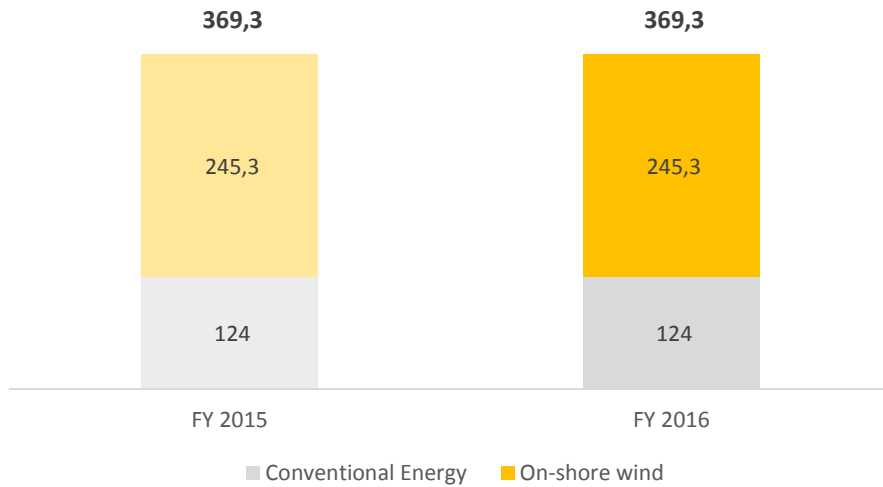
Focus	Strategic Objective	Status
Resolve Current Issues	1. Cost Optimization	<ul style="list-style-type: none"> – Significant savings in HQ costs (~ 8.4m reduction on salaries), wind farms O&M (1.6m) and administrative costs executed; – Full impact to be visible in 2017, optimization will continue
	2. Cash Optimization	<ul style="list-style-type: none"> – Strong & successful focus in 2016 on optimization of cash at holding level (>PLN100m YoY) as hedge against market uncertainty and funds for diversification/growth;
	3. Defend Value	<ul style="list-style-type: none"> – Auction readiness of onshore wind and biomass (single or hybrid auction preparation/potential if regulation allows this) – Targetted banking negotiations on wind farms to reprofile debt where necessary
	4. Real Estate Tax Risk Minimization	<ul style="list-style-type: none"> – Efficient, multi-directional strategy in place to „hedge” this risk with already visible results
Secure Growth and Diversification	5. Offshore	<ul style="list-style-type: none"> – Continue to develop the offshore project
	6. Technological/ Geographical Diversification 	<ul style="list-style-type: none"> – Pilot projects in PV and EV charging infrastructure within Polenergia Dystrybucja business within own client base and distribution development projects; – Polenergia is analyzing the potential for strategic growth focussed on geographic and technological diversification, still remaining focussed on renewables but considering widening its focus to PV and potentially energy storage; – We are looking at investment projects both in Poland and internationally, cooperating with global players on the solar market as well as storage developers; – A new strategy is planned to be announced in Q3/Q4 2017, subject to the approval by the Polenergia Supervisory Board

02

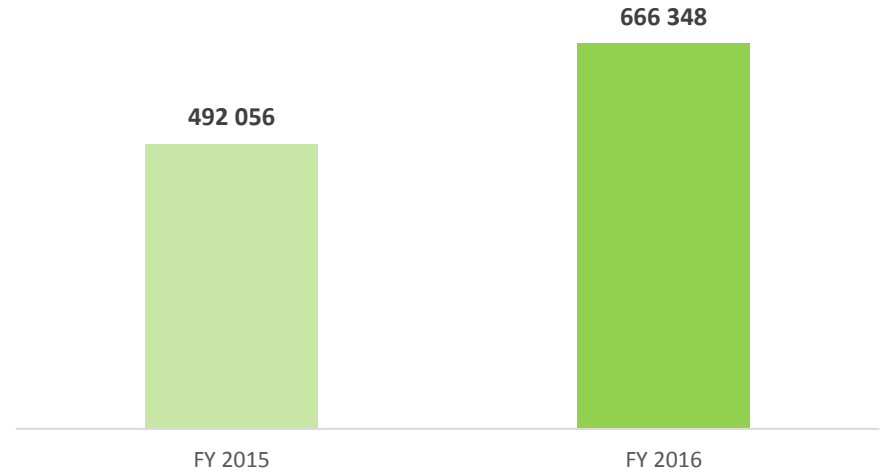
Financial results

FY 2016/FY 2015 comparison

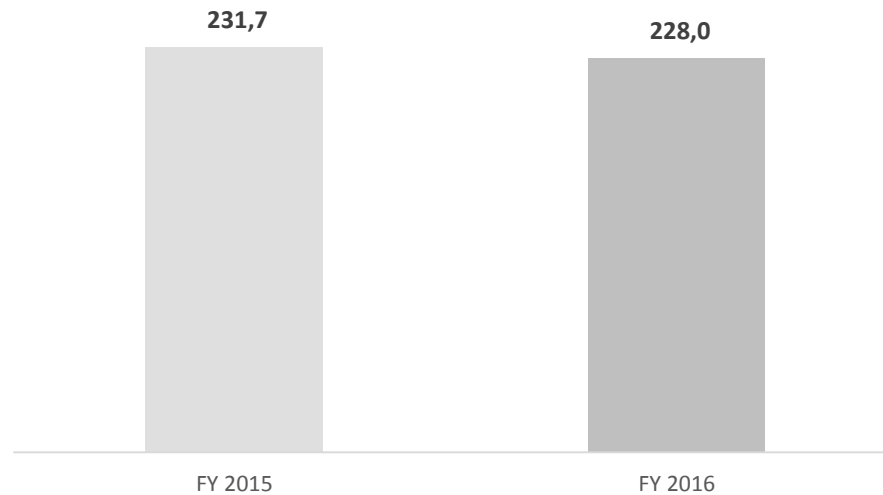
Total Capacity (MW)



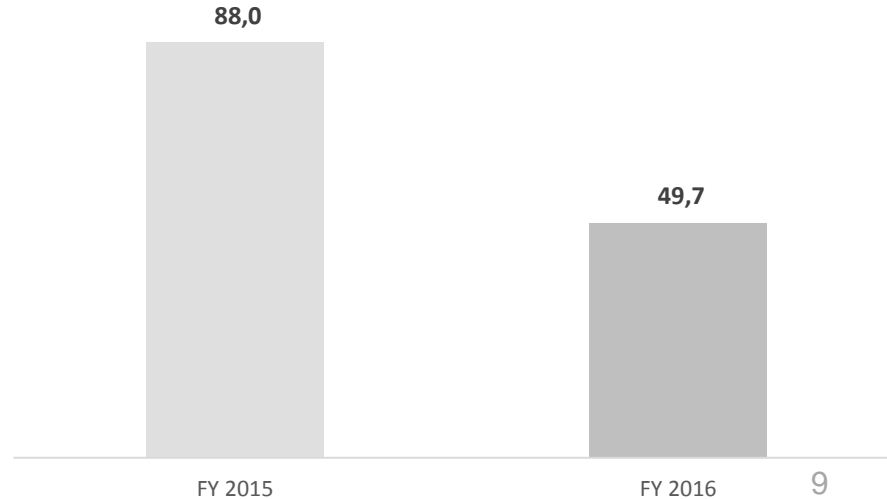
Onshore Volumes (Green Certificates, MWh)



Adjusted EBITDA (PLNm)



Adjusted Net income (PLNm)



Consolidated results for 12M 2016 – P&L

Polenergia Group Income Statement (kPLN)	12M 2016	12M 2015	Diff y/y	Diff y/y [%]
Revenues from sales	2 996 769	2 772 436	224 333	
Including trading segment	2 398 335	2 072 439	325 896	
Cost of sales	(2 857 765)	(2 599 123)	(258 642)	
Including trading segment	(2 385 936)	(2 056 288)	(329 648)	
Gross profit on sales	139 004	173 313	(34 309)	-20%
Other operating income	10 675	8 354	2 321	
Sales costs	(770)	(805)	35	
Administrative expenses	(30 008)	(34 476)	4 468	
Other operating expenses	(180 078)	(13 739)	(166 339)	
A Gross result on sale (EBIT)	(61 177)	132 647	(193 824)	
Depreciation	115 356	87 660	27 696	
Eliminating the effect of development write-off	177 363	8 838	168 525	
EBITDA	231 542	229 145	2 397	1%
Eliminating the effect of purchase price allocation	(2 732)	2 412	(5 144)	
Elimination of fundraising costs	-	176	(176)	
Eliminating the effect of Zakrzów CHP sale	(813)	-	(813)	
Adjusted EBITDA*	227 997	231 733	(3 736)	-2%
B Financial income	8 035	7 432	603	
C Financial expenses	(65 190)	(49 037)	(16 153)	
A+B+C Profit (loss) before tax	(118 332)	91 042	(209 374)	
Income tax	6 752	(23 667)	30 419	
Net Profit (loss)	(111 580)	67 375	(178 955)	
① Eliminating the effect of the purchase price allocation	5 992	10 149	(4 157)	
② Eliminating the effect of unrealized exchange differences	1 157	4	1 153	
③ Elimination of the effect of AMC loans valuation	2 675	1 535	1 140	
Elimination of fundraising costs	-	143	(143)	
④ Eliminating the effect of write-offs	156 783	8 838	147 945	
⑤ Eliminating the effect of Zakrzów CHP sale	(5 285)	-	(5 285)	
Adjusted Net Profit*	49 742	88 044	(38 302)	
Adjusted EBITDA margin	7,6%	8,4%	-0,8%	
Adjusted EBITDA (excluding trading segment)	224 618	225 274	(656)	
Adjusted EBITDA margin (excluding trading segment)	37,5%	32,2%	5,4%	

*) adjusted for non-cash/one-off items

Higher sales revenues result from increase of gross sales volume and from development of gas sales.

Lower sales excl. trading segment result from decrease of electricity sales volume in PE-D (low-margin segment).

This includes payroll of the Group (incl. HQ) and fees/taxes/services not classified as costs of goods sold.

Mainly gross write-offs

Depreciation increase due to start of Mycielina WF and full annual depreciation of Skurpie WF

Detailed analysis of EBITDA by segment is presented on the following pages.

Higher interest expense resulting from commencement of new projects partially offset by decrease in debt in other operating assets.

Lower income tax results from lower profit before tax and reversal of part of deferred tax liability due to write-downs made.

- 1) Purchase price allocation effect of non-goodwill assets (amortization) due to PESA/PEP merger in 8/2014
- 2) Unrealized exchange differences (mostly in Dipol due to loan in EUR)
- 3) AMC: IFRS accounting approach to loan valuation
- 4) WF fixed assets write-off, wind farms and project Hans development write-off, partly offset by deferred tax asset creation
- 5) Result on Zakrzów CHP sale

Consolidated results for 4Q 2016 – P&L

Polenergia Group Income Statement (kPLN)	Q4 2016	Q4 2015	Diff y/y	Diff y/y [%]
Revenues from sales	840 515	740 115	100 400	
Including trading segment	693 175	554 772	138 403	
Cost of sales	(792 973)	(685 310)	(107 663)	
Including trading segment	(682 418)	(549 871)	(132 547)	
Gross profit on sales	47 542	54 805	(7 263)	-13%
Other operating income	3 782	1 466	2 316	
Sales costs	(232)	(243)	11	
Administrative expenses	(6 843)	(10 767)	3 924	
Other operating expenses	(75 185)	(10 954)	(64 231)	
A Gross result on sale (EBIT)	(30 936)	34 307	(65 243)	
Depreciation	29 805	24 486	5 319	
Eliminating the effect of development write-off	74 502	8 838	65 664	
EBITDA	73 371	67 631	5 740	8%
Eliminating the effect of purchase price allocation	(689)	603	(1 292)	
Elimination of fundraising costs	-	3	(3)	
Adjusted EBITDA*	72 682	68 237	4 445	7%
B Financial income	1 049	1 604	(555)	
C Financial expenses	(17 145)	(14 812)	(2 333)	
A+B+C Profit (loss) before tax	(47 032)	21 099	(68 131)	
Income tax	9 653	(6 461)	16 114	
Net Profit (loss)	(37 379)	14 638	(52 017)	
① Eliminating the effect of the purchase price allocation	1 492	2 535	(1 043)	
② Eliminating the effect of unrealized exchange differences	663	266	397	
③ Elimination of the effect of AMC loans valuation	955	(2 022)	2 977	
④ Elimination of fundraising costs	-	3	(3)	
⑤ Eliminating the effect of write-offs	60 266	8 838	51 428	
Adjusted Net Profit*	25 997	24 258	1 739	
Adjusted EBITDA margin	8,6%	9,2%	-0,6%	
Adjusted EBITDA (excluding trading segment)	64 433	66 839	(2 406)	
Adjusted EBITDA margin (excluding trading segment)	43,7%	36,1%	7,7%	

*) adjusted for non-cash/one-off items

Higher sales revenues result from increase of gross sales volume and from development of gas sales.

Lower sales excl. trading segment result from decrease of electricity sales volume in PE-D (low-margin segment).

Payroll of the Group (incl. HQ) and fees/taxes/services not classified as costs of goods sold.

Mainly gross write-offs

Depreciation increase due to start of Mycielin WF and full annual depreciation of Skurpie WF

Detailed analysis of EBITDA by segment is presented on the following pages.

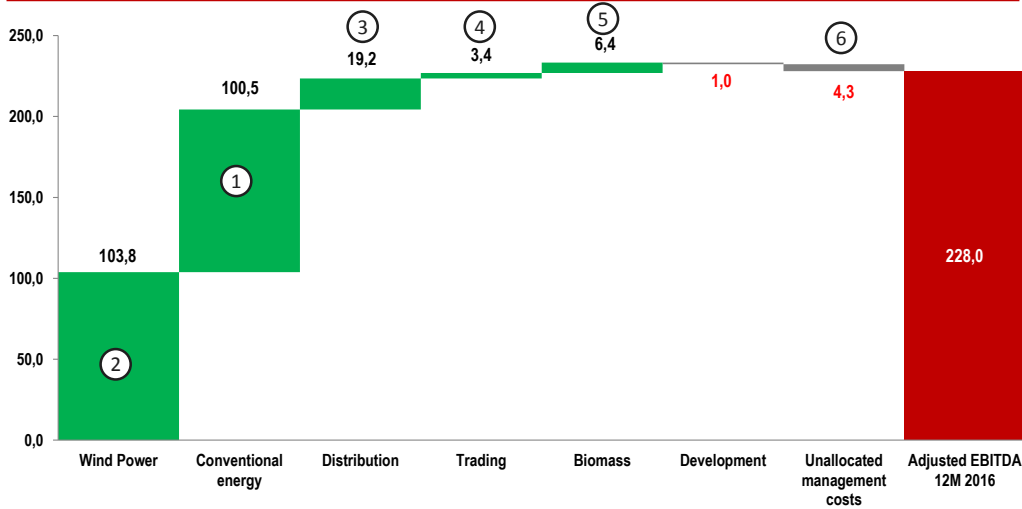
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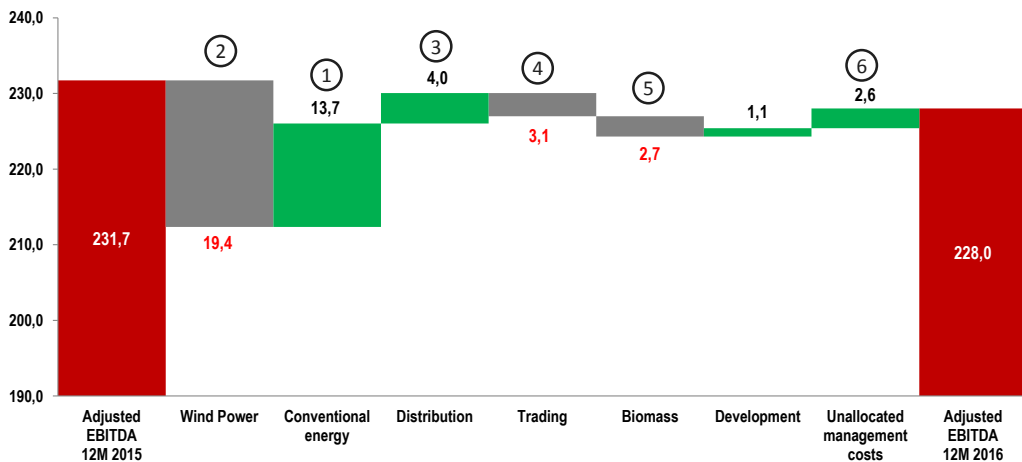
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Consolidated results for 12M 2016 – EBITDA Analysis

EBITDA Build-up 12M 2016



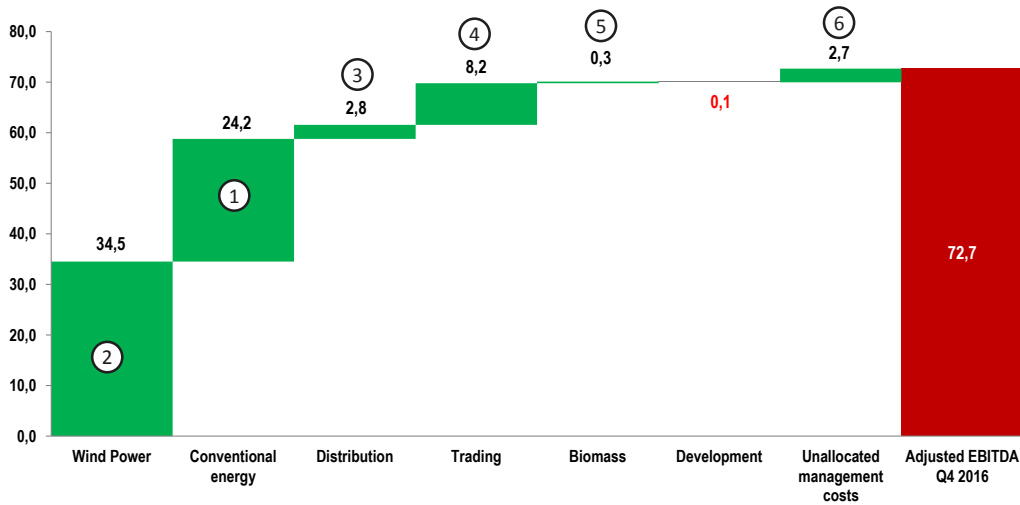
EBITDA Bridge 12M 2016/ 12M 2015



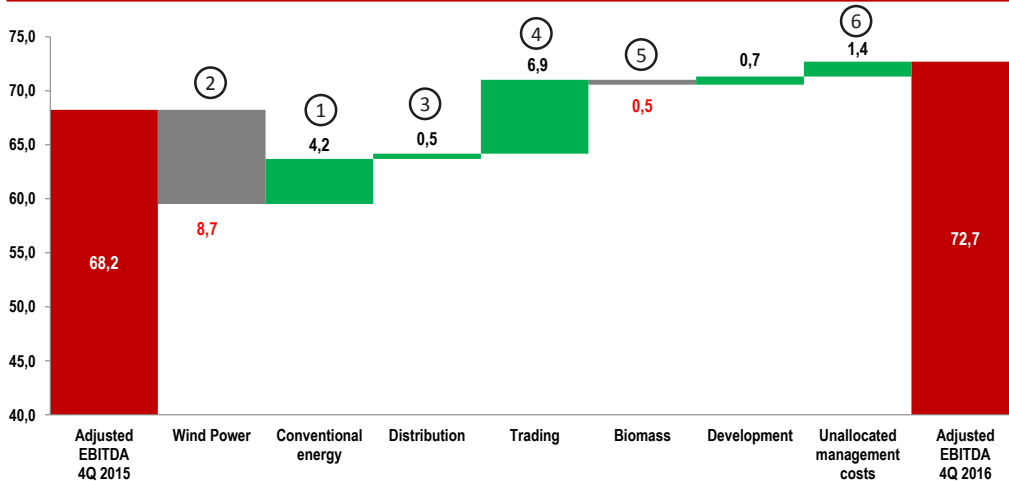
- Conventional energy:** higher EBITDA (by PLN 13.7m) results from update of energy, gas and CO2 price forecasts for 2016 – 2020 (in 1Q 2016) that changed allocation of stranded costs compensation in the whole compensation system period (2008 – 2020).
- Wind farm segment:** decrease in EBITDA (by PLN 19.4m y/y) despite commencement of new projects (Mycielin 48MW and Skurpie 43,7MW) mainly due to lower green certificates prices and worse wind conditions.
- Distribution segment:** EBITDA increased y/y (by PLN 4.0m) mainly due to reversal of rebate provision and better operations result.
- Trading segment:** EBITDA decreased y/y (by PLN 3.1m) mainly due to lower green certificates prices. This effect was partially offset by better electricity and gas trading results (including from contract duration extension).
- Biomass:** lower y/y EBITDA (by PLN 2.7m) results from lower sales volume.
- Unallocated management costs:** reduction (by PLN 2.6m) is a result of savings program initiated in Q3-4 2016.

Consolidated results for 4Q 2016 – EBITDA Analysis

EBITDA Build-up 4Q 2016



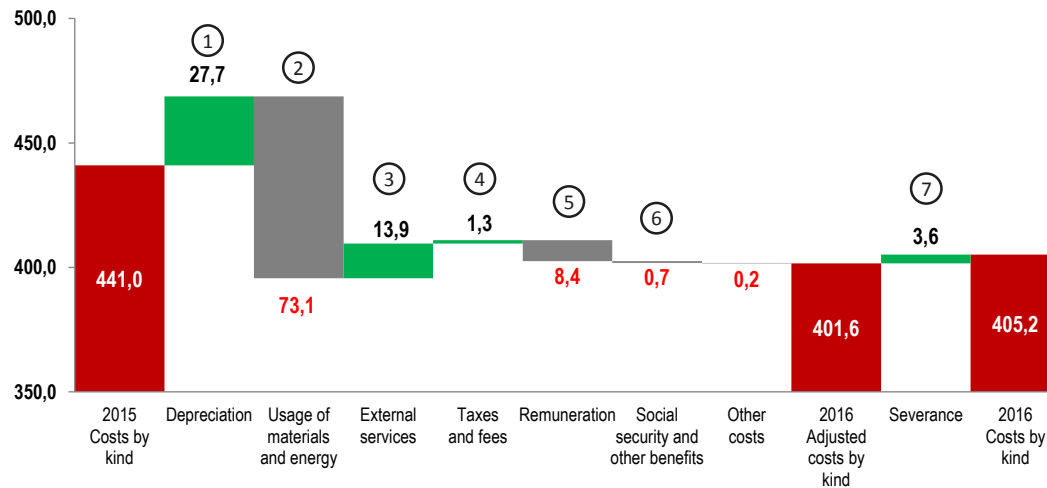
EBITDA Bridge 4Q 2016/ 4Q 2015



- 1. Conventional energy:** quarterly higher EBITDA by PLN 4.2m due to higher stranded cost compensation
- 2. Wind farm segment:** decrease in EBITDA (by PLN 8.7m y/y) despite commencement of new projects (Mycielin 48MW and Skurpie 43,7MW) mainly due to lower green certificates prices and worse wind conditions.
- 3. Distribution segment:** EBITDA increased y/y (by PLN 0.5m) mainly due to low 2015 base (result of one-off event).
- 4. Trading segment:** EBITDA increased y/y (by PLN 6.9m) mainly due to higher result on trading portfolio (including contract duration extension) and low 2015 base on wind farms portfolio.
- 5. Biomass:** lower y/y EBITDA (by PLN 0.5m) results from lower sales volume.
- 6. Unallocated management costs:** costs decrease (by PLN 1,4m) is a result of savings programme introduced in Q3-4.

Evolution of costs by kind in Polenergia Group

Costs bridge 2016/2015

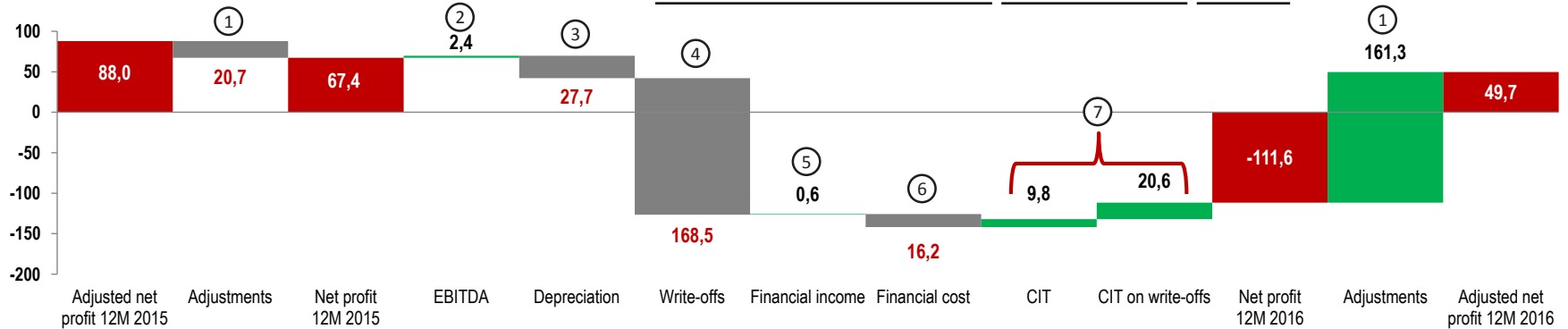


Costs by kind decomposition	2016	2015	Diff
Depreciation	115,4	87,7	27,7
Usage of materials and energy	175,7	248,8	(73,1)
External services	52,4	38,4	13,9
Taxes and fees	17,5	16,2	1,3
Remuneration	32,4	40,8	(8,4)
Severance	3,6	-	3,6
Social security and other benefits	4,7	5,4	(0,7)
Other costs	3,5	3,8	(0,2)
TOTAL	405,2	441,0	(35,8)
TOTAL, excl. severance	401,6	441,0	(39,4)

- 1. Depreciation:** higher depreciation due to commission of windfarm projects (Mycielin and Skurpie).
- 2. Usage of materials and energy:** mainly lower usage of materials and energy in ENS (PLN 63.3m) and in Biomass (PLN 7.3m).
- 3. External services:** increase of external services costs due to full annual operating costs of GSRM WFs (commissioned in 2015), including balancing costs, O&M costs and land lease costs partly compensated by savings in O&M costs in A/T projects (PLN 1.6m).
- 4. Taxes and fees:** increase results from real estate tax in Skurpie WF (no RET in 2015).
- 5. Remuneration:** decrease of remuneration costs due to costs saving programme at HQ level (PLN 7.8m), sale of Zakrzów CHP (PLN 0.3m) and lower employment in Biomass segment (PLN 0.2m).
- 6. Social security and other benefits:** decrease of social security costs in line with decrease in payroll.
- 7. Severance:** one-off costs resulting from reduction of employment.

Net profit - overview of the changes y / y

EBITDA / Net profit [m PLN]	2016	2015	Difference	Adjustments [m PLN]	2016	2015	Difference
EBITDA	231,5	229,1	2,4	Effect of the purchase price allocation	6,0	10,1	(4,2)
Adjusted EBITDA	228,0	231,7	(3,7)	Effect of unrealized exchange differences	1,2	0,0	1,2
Net Profit/Loss	(111,6)	67,4	(179,0)	Effect of AMC loans valuation	2,7	1,5	1,1
Adjusted Net Profit/Loss	49,7	88,0	(38,3)	Fundraising costs	0,0	0,1	(0,1)
				Write-offs	156,8	8,8	147,9
				Effect of Zakrzów CHP sale	(5,3)	0,0	(5,3)
				TOTAL	161,3	20,7	140,7



Adjusted net profit decreased by PLN 38.3m, due to:

1. Detailed decomposition of normalizing adjustments for 12M 2016 and 12M 2015 is presented above;
2. Increased EBITDA (better by PLN 2.4m);
3. Increased depreciation excl. PPA depreciation (by PLN 27.7m), which is primarily driven by depreciation of new wind farm projects;
4. Negative impact of write-offs (effect of PLN 168.5m y/y) resulting from write-offs in 2016 of: fixed assets of operating wind farms (PLN 74.9m), WFs in development (PLN 54.6m) and cease of development of Bernau-Szczecin gas pipeline project (PLN 47.9m). In 2015 write-offs in wind farms development were made (PLN 8.8m);
5. Higher financial income (by PLN 0.6m) mainly due to sale of Zakrzów CHP project (PLN +3.2m) and 2015 write-offs effect, partly offset by lower interest income (by PLN 1.8m) resulting from lower cash balance and lower interest rates, by lower impact of loan liabilities valuation (PLN -0.5m) and by lower revenues from FX differences (PLN -0.2m);
6. Higher financial costs (by PLN 16.2m) mainly due to higher interest costs and fees (by PLN 16.1m) resulting from increased debt service due to commissioning of new projects;
7. Positive CIT impact due to creation of deferred tax asset on write-offs made (PLN +20.6m) and effect of decreased operating results (PLN +9.8m).

Consolidated cash flow analysis

Consolidated statement of cash flows (PLN m)	4Q 2016	12M 2016
A. Cash flows from operating activities		
I. EBITDA	73	232
II. Adjustments	3	(24)
III. Net cash flow from operating activities (I+/-II)	77	208
B. Cash flows from investing activities		
I. Cash received	0	6
II. Expenses	(8)	(84)
III. Net cash flow from investing activities (I-II)	(8)	(78)
C. Cash flows from financing activities		
I. Cash received	12	93
II. Expenses, incl:	(42)	(204)
Dividends and other distribution to owners	(0)	(23)
III. Net cash flow from financing activities (I-II)	(30)	(111)
D. Net cash flow, total (A.III+/-B.III+/-C.III)	39	19
E. Balance transition of cash, including:	39	19
F. Cash and cash equivalents at beginning of period	342	362
G. Consolidated cash and cash equivalents at end of period	381	381
Consolidated debt	1 117	1 117
Consolidated net debt	736	736

Adjustments include mainly change in working capital (PLN -2m) and CIT settlement (PLN -21m).

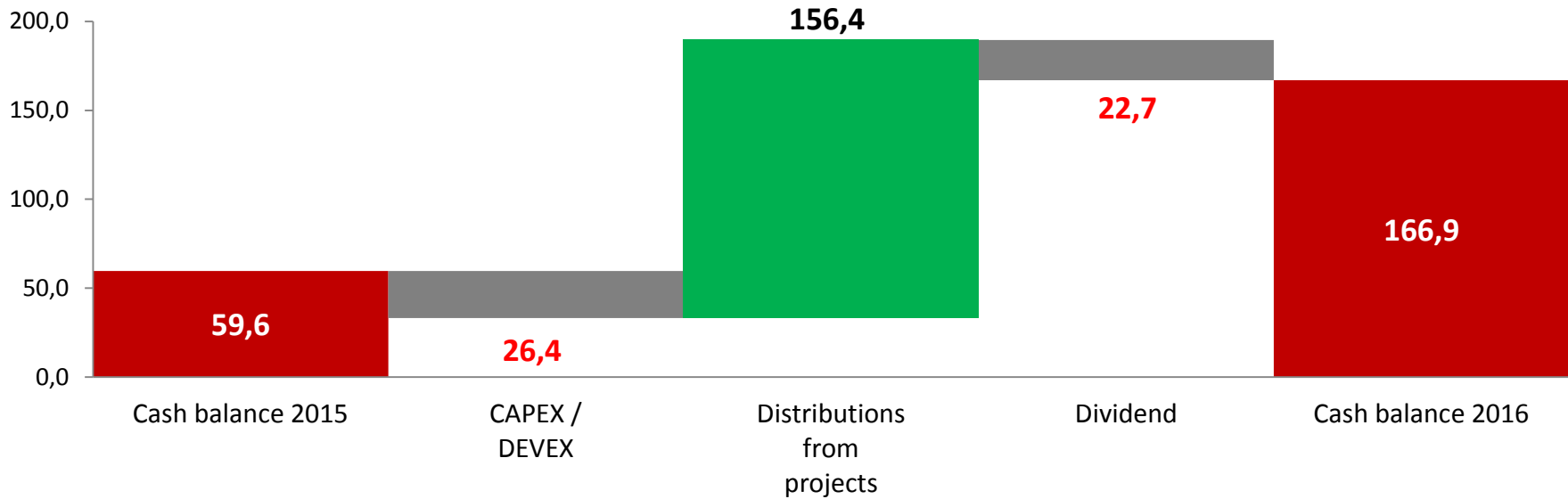
Development expenditures include construction of Mycielín WF (PLN 48m), distribution segment (PLN 10m), conventional energy (PLN 6m) and project development (PLN 19m).

Cash inflows result from debt drawdowns including: Mycielín WF (PLN 53m), GSR (PLN 22m), ENS (PLN 12m) and distribution segment (PLN 6m).

Debt repayment and interest payments - mainly Wind Farms (PLN 125m), ENS (PLN 51m) and distribution segment (PLN 2m). Dividend payment (PLN 23m).

- Adjusted EBITDA for the last 12M (from January 1st 2015 to December 31st 2016) amounted to PLN 228.0m and Group's net debt at December 31st 2016 was PLN 735.8m
- It implies Net debt / EBITDA ratio of 3.23x

Cash optimization at Polenergia S.A.



Strong focus in 2016 on optimization of cash at holding level as hedge against market uncertainty and funds for diversification/growth.

Balance sheet

Assets (PLN m)	As at 31.12.2016	As at 31.12.2015	Diff
Fixed assets (long-term)	2 271	2 448	(177)
Tangible fixed assets	2 000	2 192	(192)
Intangible assets	39	49	(10)
Goodwill of subordinate entities	185	185	(0)
Financial assets	12	6	6
Long-term receivables	5	5	(0)
Deferred income tax	30	11	19
Accruals	0	0	0
Current Assets (short-term)	704	751	(47)
Stock	41	47	(6)
Receivables from deliveries and services	149	159	(10)
Receivables from income tax	6	3	3
Other short-term receivables	20	65	(45)
Accruals	6	11	(5)
Short-term financial assets	100	104	(4)
Cash and cash equivalents	381	362	19
Total Assets	2 975	3 198	(223)

Write-off of fixed assets of wind farms and project Hans and current depreciation of operating assets partially offset by increased value of Mycielin wind farm due to capex spent in the period.

Change in receivables result from decrease in trade receivables in wind farms, distribution and trading segments.

Mainly valuation of contracts in trading segment.

Liabilities (PLN m)	As at 31.12.2016	As at 31.12.2015	Diff
Equity	1 267	1 397	(130)
Long-term liabilities	1 016	1 303	(287)
Loans and borrowings	820	1027	(207)
Provision from deferred income tax	66	66	(0)
Reserves	26	2	24
Accruals	59	63	(4)
Other liabilities	45	145	(100)
Current liabilities	691	498	193
Loans and borrowings	296	121	175
Trade payables	156	178	(22)
A liability for income tax	1	7	(6)
Other liabilities	220	166	54
Reserves	3	4	(1)
Accruals	15	21	(6)
Total liabilities	2 975	3 198	(223)

Other liabilities consist of ENS liabilities due to long term contracts termination settlement (KDT) and PPA liability.

Trade payables decreased as a result of change in trade liabilities in distribution and in Mycielin WF, partly offset by increase of trade liabilities in trading.

Mainly liabilities in ENS, EP and valuation of contracts in trading segment.

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Cash and cash equivalents	381	362	19
Total Assets	2 972	3 199	(227)

Write-off of fixed assets of wind farms and project Hans and current depreciation of operating assets partially offset by increased value of Mycielin wind farm due to capex spent in the period.

Change in receivables result from decrease in trade receivables in wind farms, distribution and trading segments.

Mainly valuation of contracts in trading segment.

Liabilities (PLN m)	As at 31.12.2016	As at 31.12.2015	Diff
Equity	1 267	1 397	(130)
Long-term liabilities	1 016	1 304	(288)
Loans and borrowings	820	1027	(207)
Provision from deferred income tax	66	66	(0)
Reserves	1	2	(1)
Accruals	59	64	(5)
Other liabilities	70	145	(75)
Current liabilities	689	498	191
Loans and borrowings	296	121	175
Trade payables	156	179	(23)
A liability for income tax	1	7	(6)
Other liabilities	217	166	51
Reserves	3	4	(1)
Accruals	15	21	(6)
Total liabilities	2 972	3 199	(227)

Other liabilities consist of ENS liabilities due to long term contracts termination settlement (KDT) and PPA liability.

Trade payables decreased as a result of change in trade liabilities in distribution and in Mycielin WF, partly offset by increase of trade liabilities in trading.

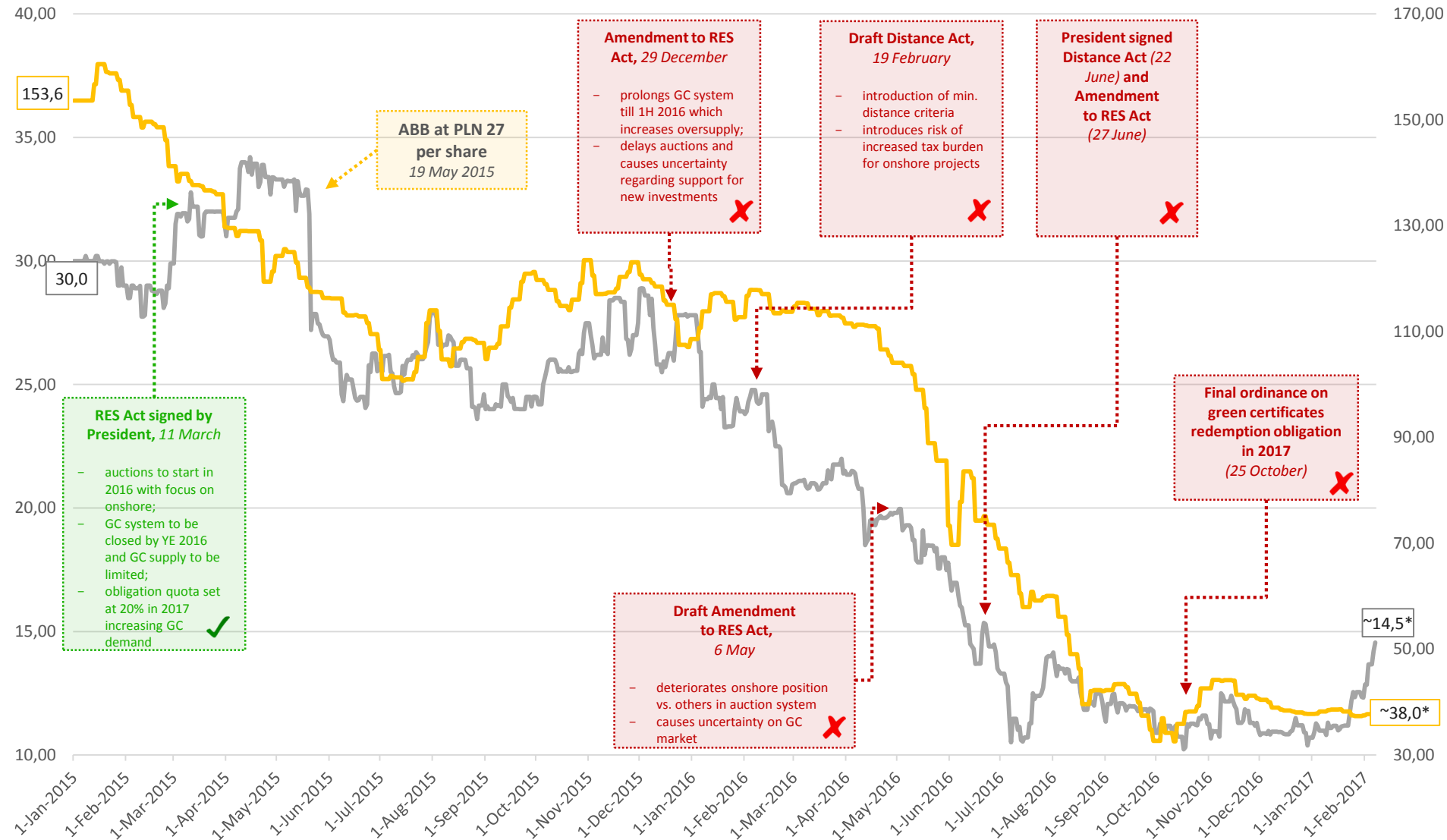
Mainly liabilities in ENS, EP and valuation of contracts in trading segment.

- Adjusted EBITDA for the last 12M (from January 1st 2015 to December 31st 2016) amounted to PLN 228.0m and Group's net debt at December 31st 2016 was PLN 735.8m
- It implies Net debt / EBITDA ratio of 3.23x

03

Market & Regulatory Update

Development of market regulatory uncertainty and effect on share price



* - price of GC and Polenergia share as at 7th of February 2017

Source: TGE, WSE

Regulatory issues: draft ordinance on reference prices confirmed

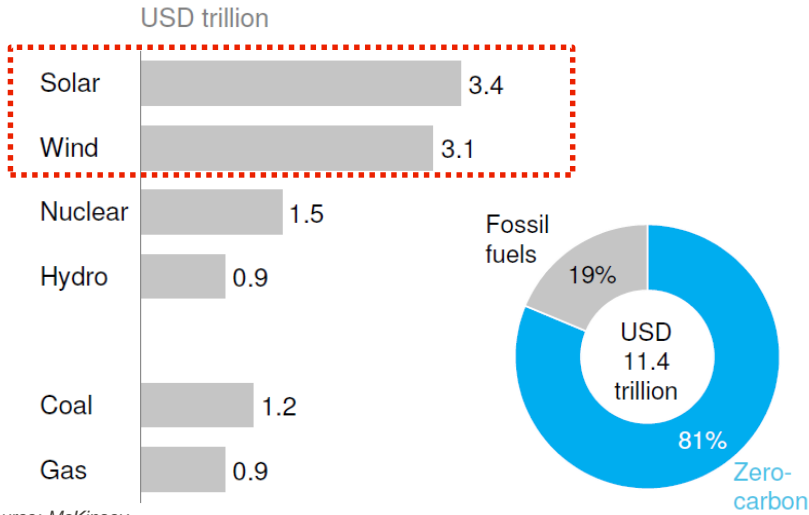
Installation type		Reference price	Opportunity for Polenergia
Biomass	≤50MW	415	✓
Onshore	>1MW	385*	✓
Offshore		470	✓
Hybrid Installation	>1MW	430	✓

* - It is not clear whether this also applies to existing projects. Recent press reports suggest level of 415 PLN/MWh for existing projects (Rzeczpospolita, 18 October).

Reference prices announced support our key focus areas: Offshore, Hybrid, Onshore and Biomass

Global Renewable Trends (1/2)

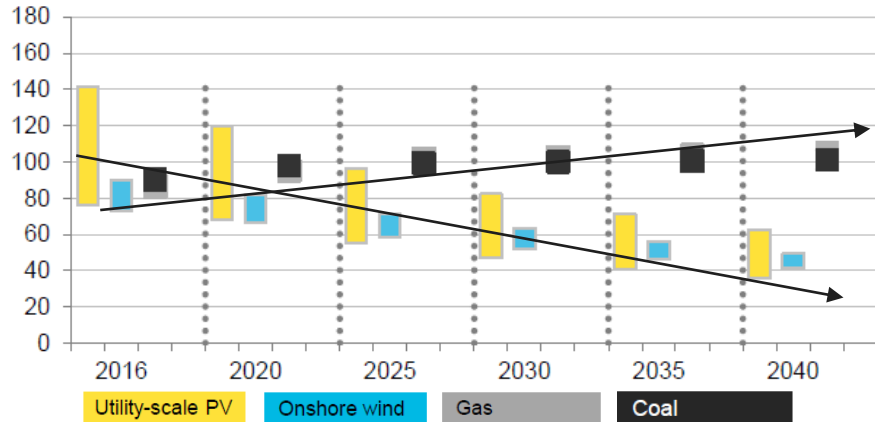
Power generation investment 2016-2040 (2015 USD-real)



Source: McKinsey

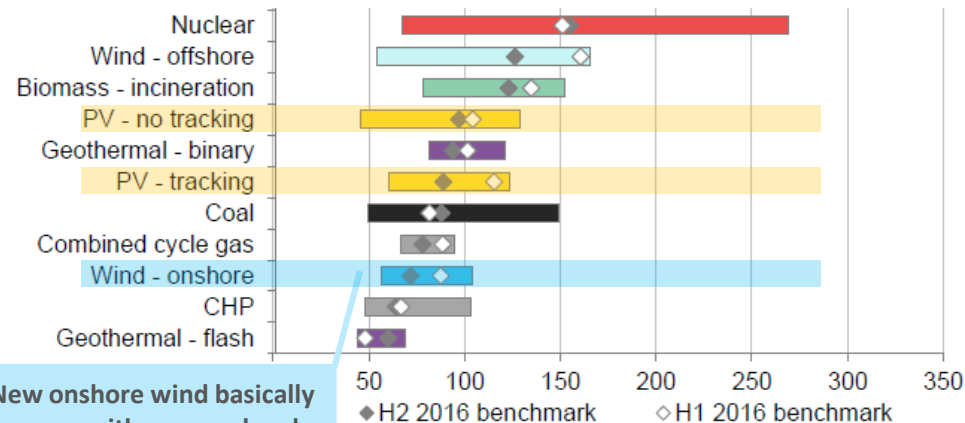
- Renewable energy is and will remain in an upward trend for at least next few decades. At the same time, we observe decreasing trend for conventional energy.
- Until 2040 share of Wind, PV and flexible capacities (incl. storage) will increase from 13% to 50%.
- Onshore and PV will be one the cheapest source of new electricity supply.

Europe LCOE projections (\$/MWh, 2015 real)



Source: Bloomberg New Energy Finance.

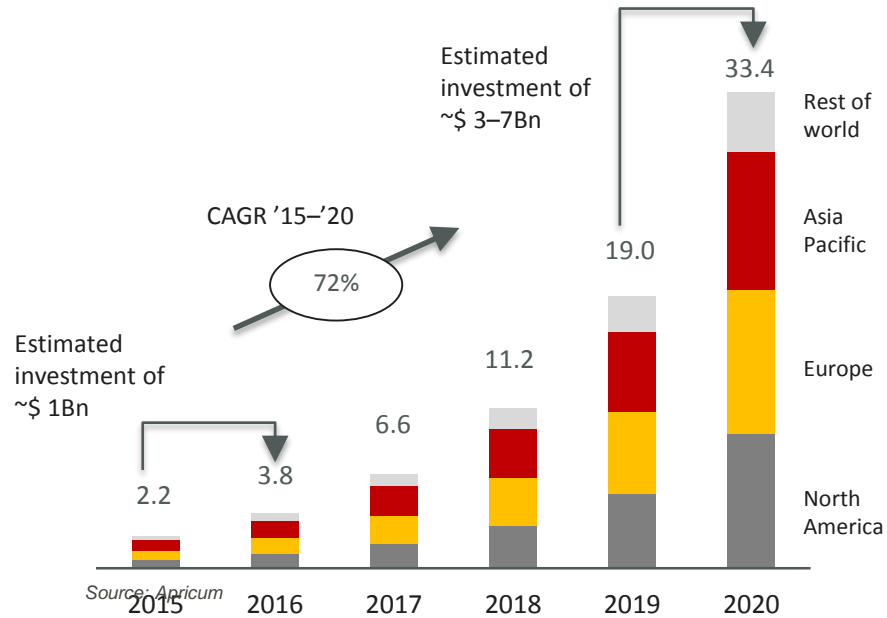
H2 2016 EMEA LCOE ranges by technology (\$/MWh)



New onshore wind basically on par with new coal and gas-fired generation

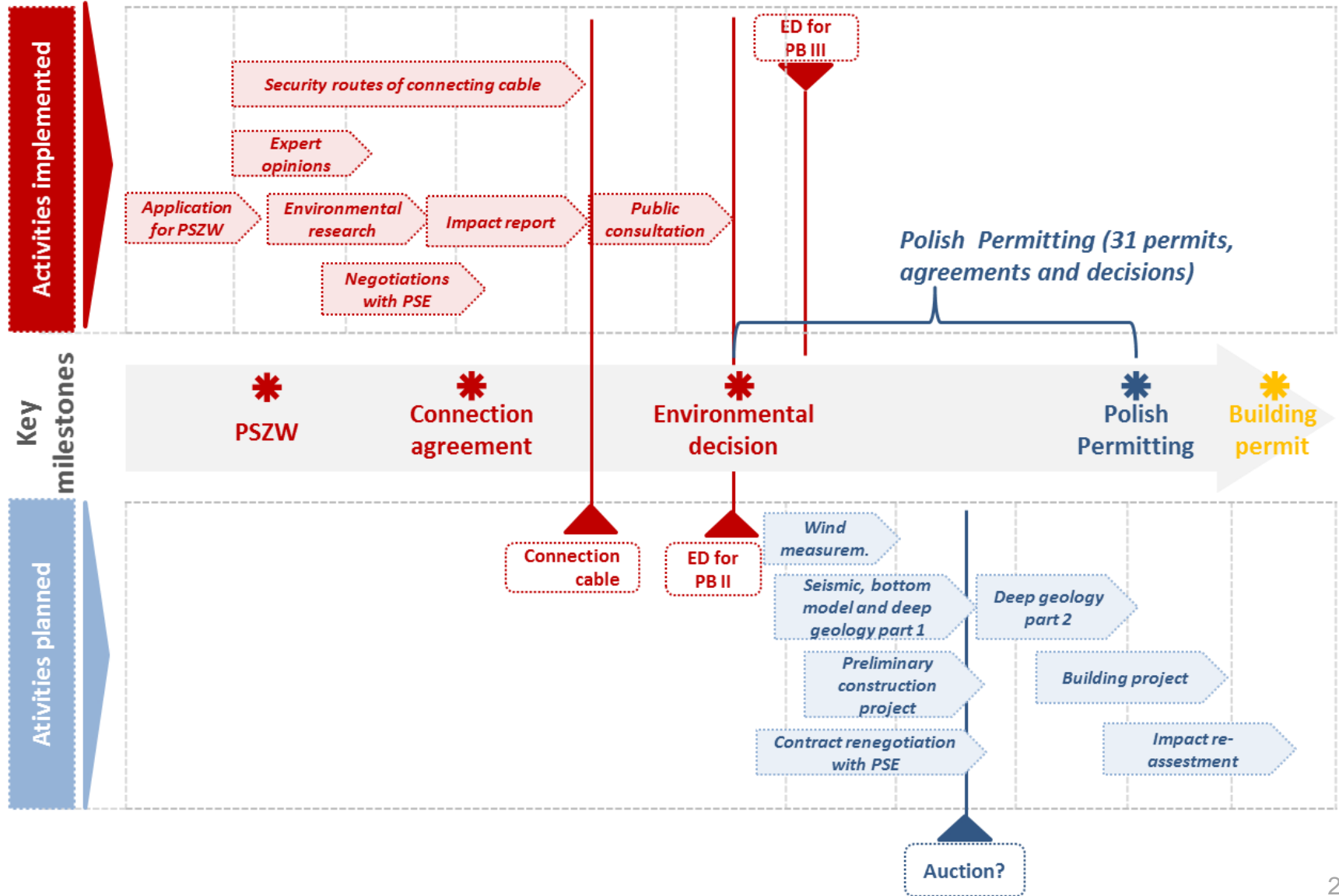
Global Renewable Trends (2/2)

Huge power storage market growth
Cumulative installed capacity [GWh]



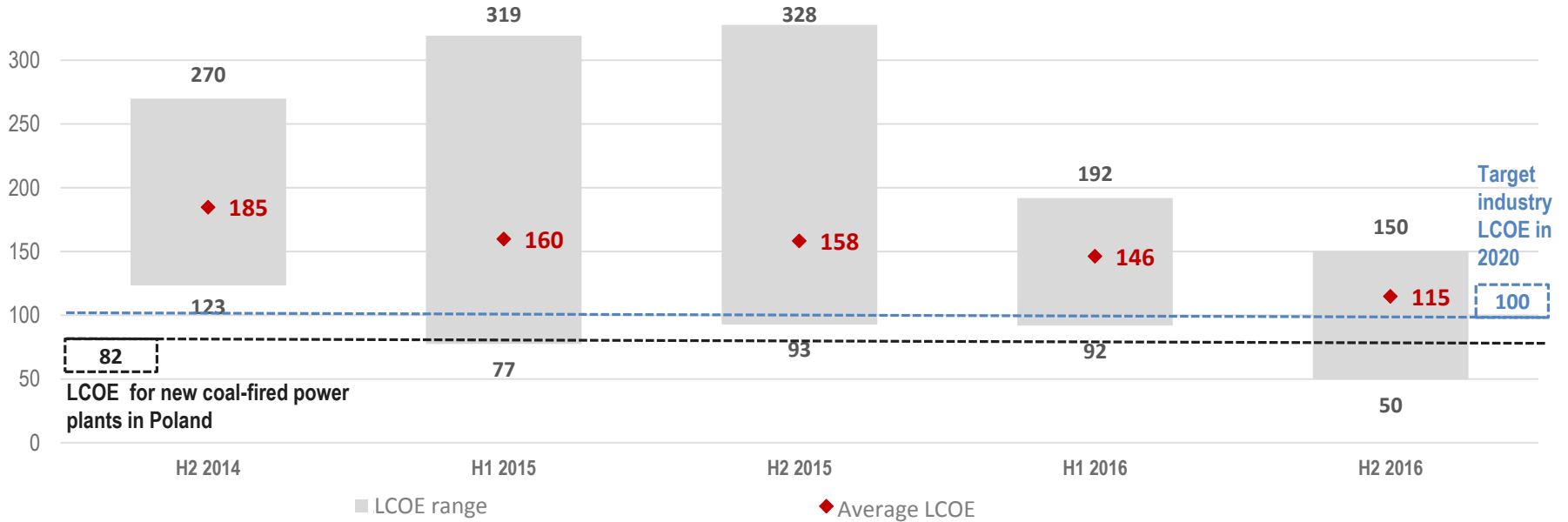
- Increase in the share of renewable energy globally leads to the need to balance the generation profile. The solution to this problem is storage.
- According to analysts, energy storage technologies have a bright future in front of them: e.g. Apricum estimates that between 2015 and 2020 the market will on average grow by 72% each year.
- There exist many different energy storage technologies and new ones are continuously being created, creating a market for technology agnostic storage developers.

Status and plans for further development of Offshore project



Offshore levelized cost of electricity (LCOE) systematic falls

Offshore LCOE (EUR/MWh)

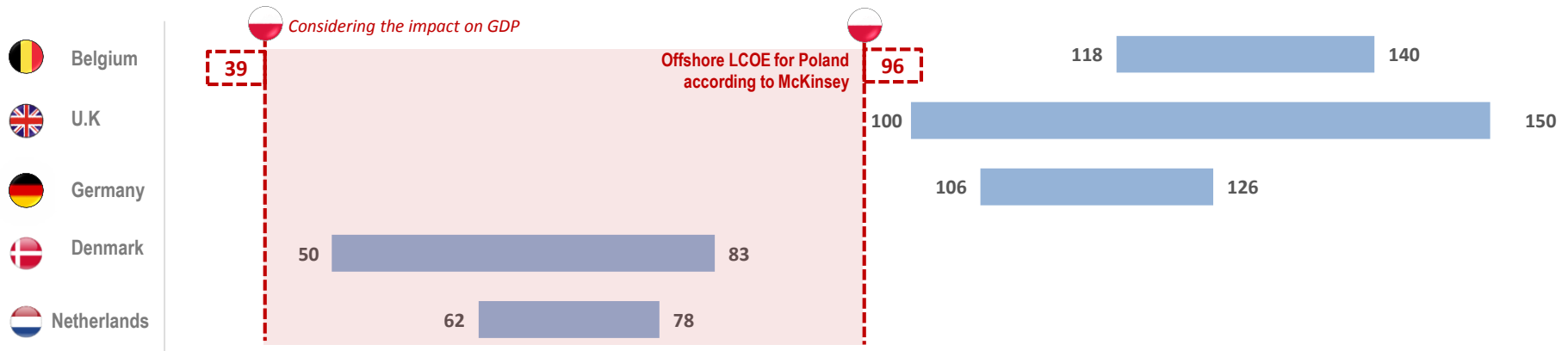


Source: Own calculation based on Bloomberg New Energy Finance (BNEF)

Systematic decrease LCOE of offshore wind energy

Profitability of investments in offshore wind farms

LCOE of offshore wind farms in the 2nd half of 2016 in Europe (EUR / MWh)



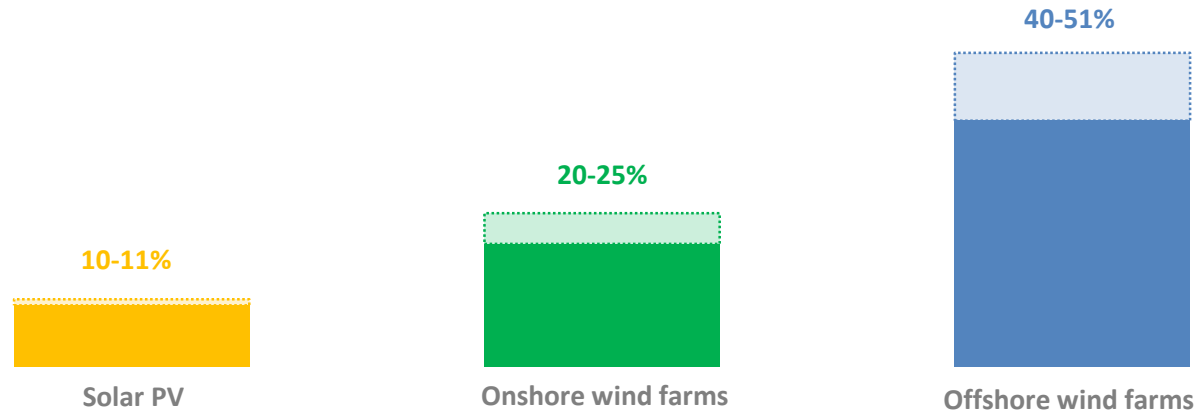
Source: LCOE for Poland based on McKinsey estimates, other data: calculation based on BNEF

- According to conservative McKinsey estimates, the average offshore LCOE in Poland will amount to, 96 EUR/MWh in 2020*
- McKinsey indicates that taking into account market potential of 6 GW, the total impact of offshore wind on the Polish GDP is about PLN 52 billion which translates to approx. 57 EUR/MWh, resulting that the average net cost for the Polish economy will amount to only ~ 39 EUR / MWh.
- At the same time, the total amount of subsidy required to 6 GW of offshore wind farms project amount to PLN 42 billion and is 23% lower than estimated positive impact on GDP.

It is profitable for Poland to invest in offshore wind farms at a cost of approx. 100 EUR/MWh, as taking into account the impact on GDP (estimated at 57 EUR/MWh), the net cost of the energy produced from this source for Poland will amount only to 39 EUR / MWh.

Offshore wind with considerable reserve meets the requirements for stable sources of renewable energy, defined as at least 3504 MWh / MW per year

Comparison of installed capacity use ratio by technology based on Denmark (in %)



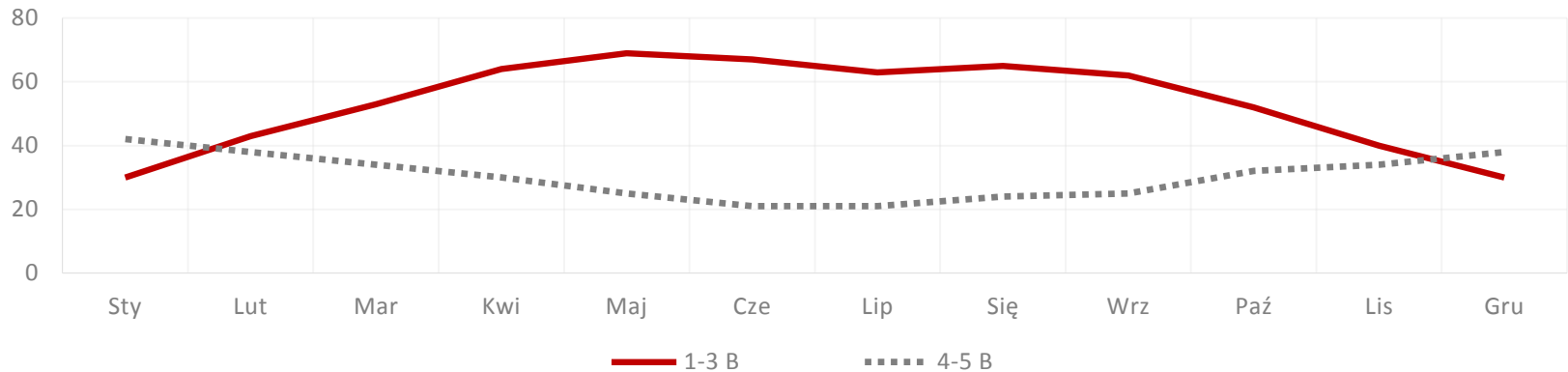
Source: McKinsey

- **With a coefficient factor of capacity utilization at level of around 50% (reachable by the newest offshore wind farms), offshore wind meets the parameters of stable source of energy and can be included both in 1 and 3 basket (Offshore fulfills the requirement producing approximately 4467 MWh/MW/year due to can compete in the auction being classed in basket 1 (electricity production of 3504 MWh/MW/year) and in basket 3 (as above with CO2 below 100kg / MWh).**

Offshore wind farms characterized by capacity utilization factor of 40-51%, ie. approx. 2x higher than Onshore wind farms and approx. 5x higher than Solar PV.

Offshore Wind farms produces electricity in more stable and predictable way than many other RES technologies

Wind strength on the Baltic Sea in year course (in %)



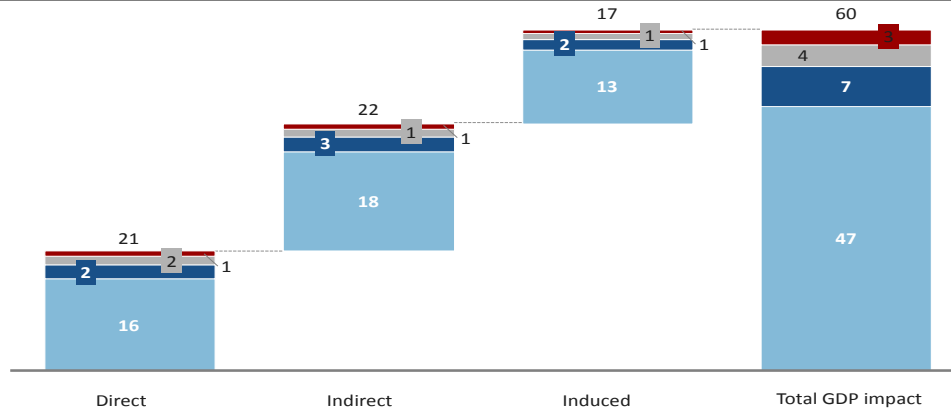
Soruce: *Locja Bałtyku nr 502, 503, 504 i 507, Admiralty Sailing Directions. Baltic Pilot, Vol. III, wyd. IX, Taunton 2000.*

- **On the Baltic Sea from 30% to 50% of the time the wind strength is at least 4-5 on the Beaufort scale (strong wind), and from 70% to 90% of the time at least 1-3 on the Beaufort scale. Much stronger wind (> 5 B) can be observed during winter months.**

Offshore Wind farms produces electricity in more stable and predictable manner as compared to many other RES technologies. In addition, the Baltic Sea has a very good wind conditions for this technology, which together can increase the share of renewable energy while minimizing the risk of instability of electricity supply for energy system.

Offshore could have significant impact on Polish economy

Impact on GDP 2019-2030 from 6 GW wind farms, PLN billion



1 In 2014 prices, compared to 2014 GDP

Percent of 10 year GDP¹

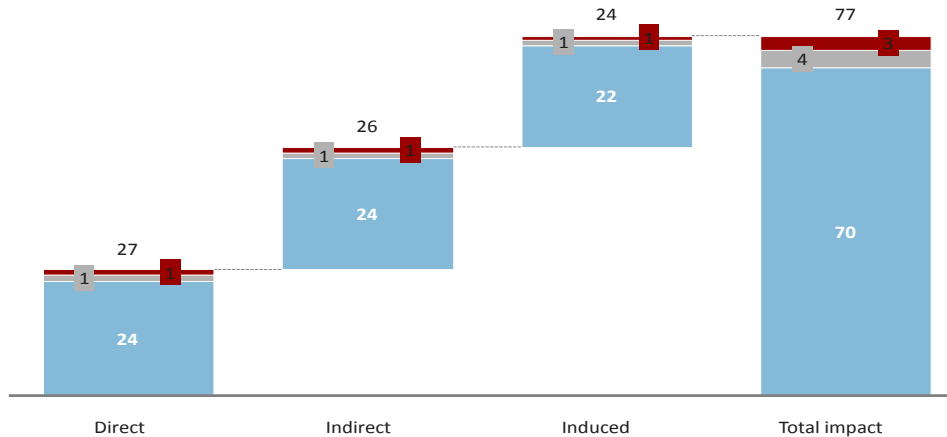
Potential Tax revenues

0.34

PLN 15bn

■ Infrastructure ■ Export
■ O&M ■ Capex

Impact on employment 2019-2030 from 6 GW wind farms, thousands of FTEs (average)



1 For Q1 2016 – unemployed 1.2 million

SOURCE: GUS; McKinsey

Percent of unemployed¹

6,4

> PLN 60bn in additional GDP and up to 77 thousand jobs across entire Polish economy – easily offsetting (or providing an alternative) to any potential restructuring effect of Polish coal mines thus providing a good replacement alternative for the Polish State.

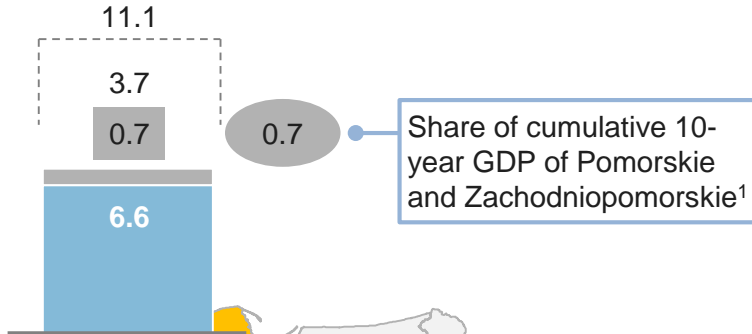
Coastal regions will not be the only beneficiaries of Offshore investments

Economic impact of offshore wind on Pomorskie and Zachodniopomorskie in 2020-2030 – over PLN 11 billion GDP and over 15 000 jobs

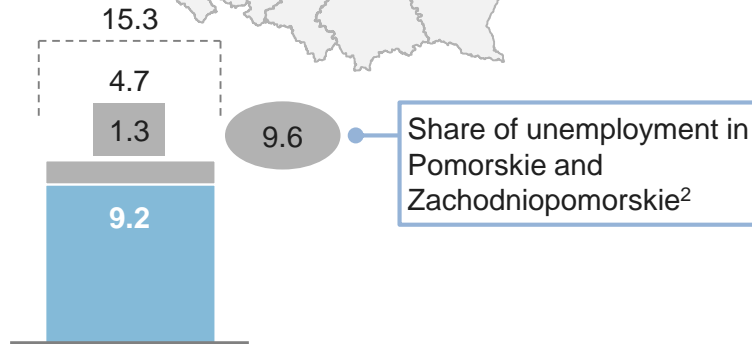
Companies in Poland already involved in offshore wind development

Indirect and induced impact³ O&M (direct impact) Construction + export (direct impact)

Cumulative GDP impact 2020-2030 PLN billion



New jobs 2020-2030 Thousands of FTEs



Current coal mining regions of Poland will also benefit from the offshore wind industry

1 Based on latest available GDP by voievodship GUS data (2012)

2 Based on GUS Q1 2016 data

3 Share of indirect and induced estimated based on share in Polish GDP in 2012 of Pomorskie (5.7%) and Zachodniopomorskie (3.7%)

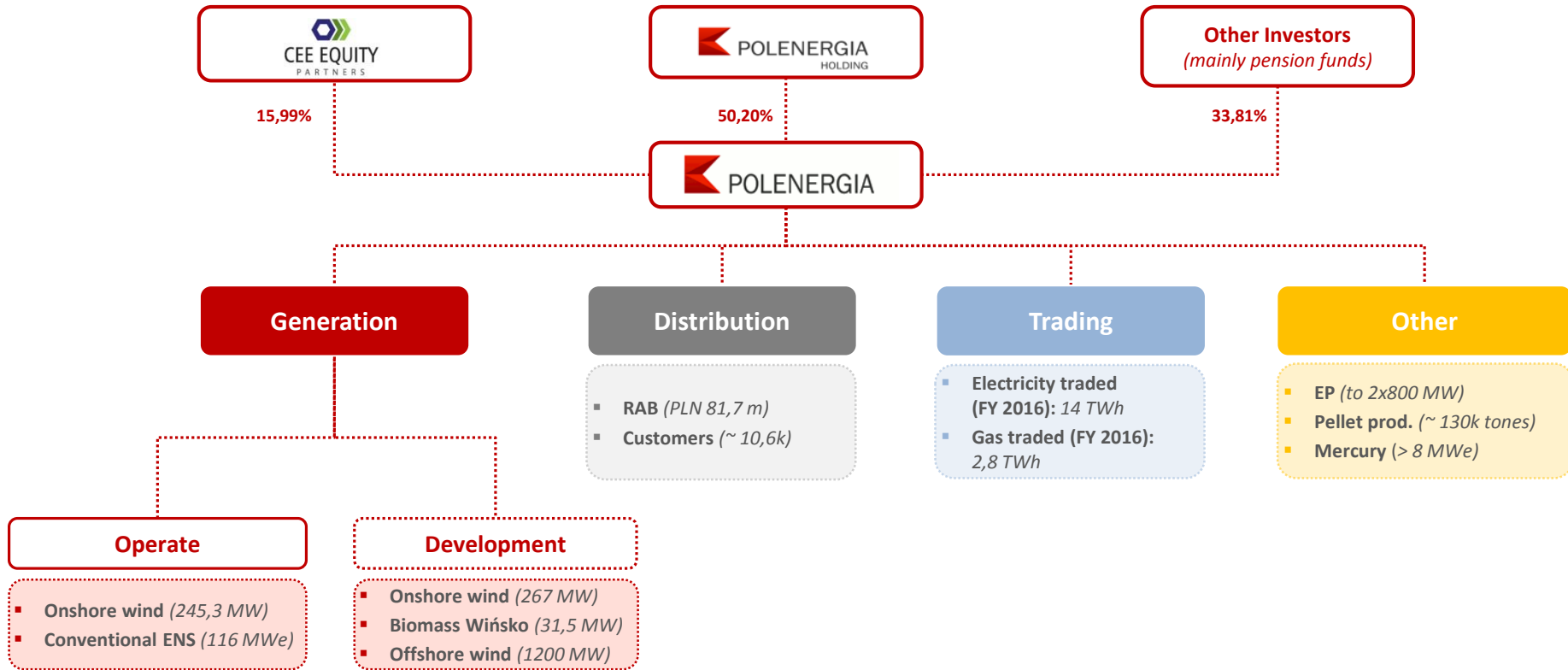
04

Appendix

A

Business/Project Descriptions








Group Structure



Polenergia S.A. is listed on the Warsaw Stock Exchange, (c. 45 million shares traded), and is included in WIG80 index

Generation (in operation): Onshore wind

Operating wind farms

#	Location	Capacity (MW)	COD	Clients	
1	Puck	22,0	2007	Energa, Polenergia Obrót	 <p>WF Puck</p> <ul style="list-style-type: none"> Combined project capacity equals 22,0 MWe, comprise 11 turbine (Gamesa) 2,0 MW each; Location: Pomorskie voivodeship, district Puck; COD in January 2007; Average annual production of approximately 42 GWh;
2	Modlikowice	24,0	2012	Tauron Sprzedaż	 <p>WF Modlikowice</p> <ul style="list-style-type: none"> Combined project capacity equals 24,0 MWe, comprise 12 turbine (Vestas) 2,0 MW each; Location: Dolnośląskie voivodeship, district złotoryjski; COD in 2012; Average annual production of approximately 50 GWh;
3	Łukaszów	34,0	2012	Tauron Sprzedaż	 <p>WF Łukaszów</p> <ul style="list-style-type: none"> Combined project capacity equals 34,0 MWe, comprise 17 turbine (Vestas) 2,0 MW each; Location: Dolnośląskie voivodeship, district złotoryjski; COD in 2012; Average annual production of approximately 74 GWh;
4	Gawłowice	48,3	11.2014	Polenergia Obrót	 <p>WF Gawłowice</p> <ul style="list-style-type: none"> Combined project capacity equals 48,3 MWe, comprise 21 turbine (Siemens) 2,3 MW each; Location: Kuj. – pom. voivodeship, district grudziądzki; COD in November 2014; Planned annual production of approximately 144 GWh;
5	Rajgród	25,3	10.2014	Polenergia Obrót	 <p>WF Rajgród</p> <ul style="list-style-type: none"> Combined project capacity equals 25,3 MWe, comprise 11 turbine (Siemens) 2,3 MW each; Location: Podlaskie voivodeship, district grajewski; COD in October 2014; Planned annual production of approximately 67 GWh;
6	Skurpie	43,7	08.2015	Polenergia Obrót	 <p>WF Skurpie</p> <ul style="list-style-type: none"> Combined project capacity equals 43,7 MWe, comprise 19 turbine (Siemens) 2,3 MW each; Location: Warmińsko-Mazurskie voivodeship, district działdowski; COD in August 2015; Planned annual production of approximately 122 GWh;
7	Mycielin	48,0	12.2015	Polenergia Obrót	 <p>WF Mycielin</p> <ul style="list-style-type: none"> Combined project capacity equals 48 Mwe, comprise 24 turbine (Vestas) 2,0 MW each; Location: Lubuskie voivodeship, district szprotawski; COD in December 2015; Planned annual production of approximately 136 MWh;
		245,3 MW			



Generation (in operation): Conventional ENS

Elektrociepłownia Nowa Sarzyna (ENS) is the first private gas power plant built in Poland as a green field project. The power plant has been in the commercial operation since June 2000.

Business overview

- The facility is supplied with natural gas and has a total electricity output of 116 MWe and heat output of 70 MWt. The electrical energy generated by Nowa Sarzyna CHP is transmitted to the National Energy System via three 110 kV overhead transmission lines.
- Operating with high efficiency unit works as a power system.
- CHP meets Polish environmental standards.
- Income and cash flow secured by stranded cost compensation system.
- ENS became a part of the agreement with PSE (entered into force on 1 July) under which provides services including reconstruction of the power system within the scope necessary to restore operation process of the National Power System (KSE) after a black-out.

Details of compensation formula

ENS generates revenue through the sale of electricity and heat, additionally receives compensation for stranded costs, gas compensation and yellow certificates.

Guaranteed compensation for stranded costs in principle is calculated in such way to balance power sales with the cost of fuel and operating expense.

Depreciation (included in the compensation) allows for debt service and interest costs.

Gas Compensation and yellow certificates increase the profit before tax.

Location of facility in Poland



Technical Specifications

Installed capacity	116 MWe, 70 MWt
Net capacity	113 MWe
Avg. net output	Electricity ca. 750 GWh Heating ca. 435 TJ
Technology	CCGT
Fuel	Natural gas / fuel oil backup
Efficiency	HHV (47.7%), LHV (52.9%)
Type	2*1 CCGT Thomassen (GE)
COD	2000
Availability	96.5%

Nowa Sarzyna CHP is uniquely predisposed to cooperate with the National Power System by provision of different system services including reconstruction of the power system under agreement with the system operator 35

Generation (in development): Onshore wind/ Biomass Wińsko

Pipeline build up

- The portfolio of operating wind farms at the end of FY 2016 equal to **245,3 MW of installed capacity**;
- Additional portfolio of 6 wind farms projects with capacity of **267MW** in ready to build stage as follow:

#	Location	Power (MW)	Building permit
1	Piekło	12	Secured
2	Grabowo	40	Secured
3	Zielona	110	Secured
4	Kostomłoty	27	Secured
5	Bądecz	42	Secured
6	Szymankowo	36	Secured

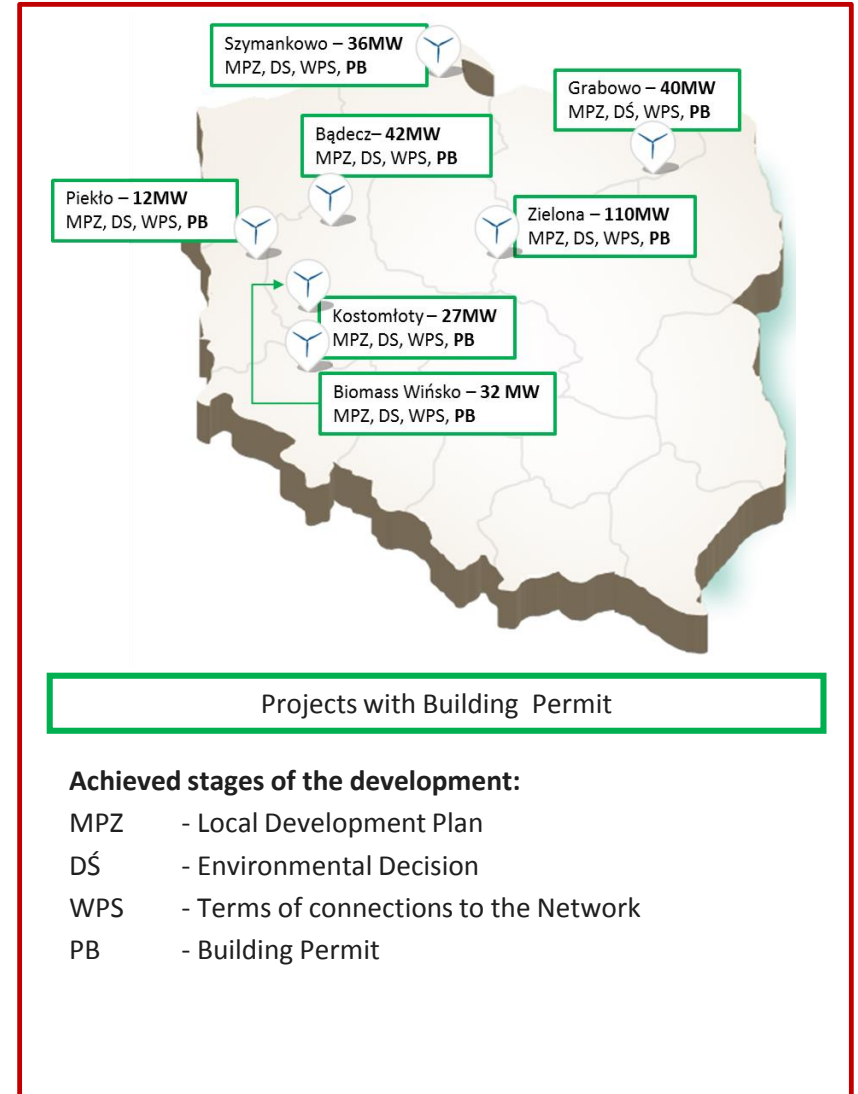
267 MW

Biomass – Wińsko Power Plant in development

Polenergia is currently working on power plant with a capacity of 31,5 MWe in Wińsko - received all permits

Key features

Turbine	Condensation / Alstom
Cauldron	Vibrating grate / DP Cleantech
Installed power	31,5 MWe
Start-up	2020
Client	Delivery to the grid
Productivity (load factor)	92%
Efficiency	Electric 33%
Operational period	30 years

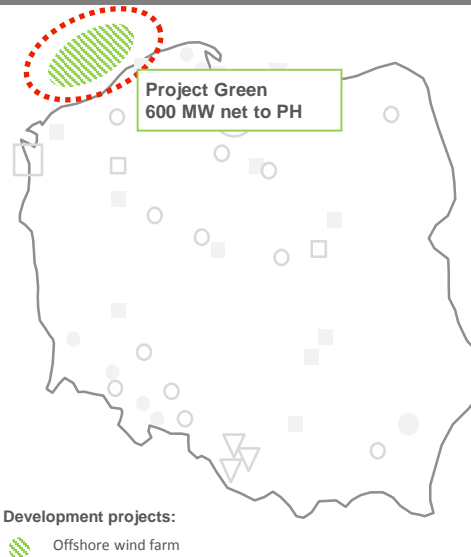


Generation (in development): Offshore wind

Description

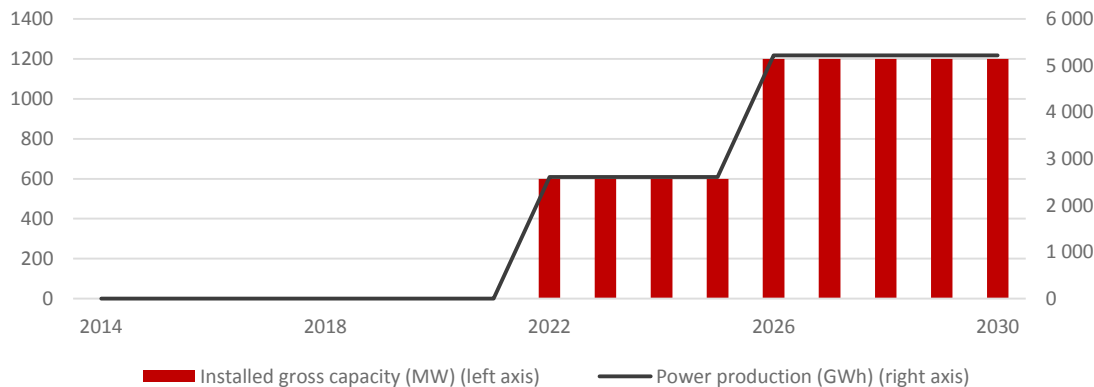
- Two projects with total power of c. 1.2 GW
- The plan is to build offshore projects in cooperation with an experienced industrial player (50/50 JV)
- An additional option is third project with a capacity of 1,6 GW with a valid location permit
- In August 2014, connection agreement for 1200 MW with PSE SA was signed
- In July 2016 obtained Poland's first environmental permit for Offshore Wind Farm Bałtyk Środkowy III project with planned capacity of 600 MW
- Polenergia is the No 1 in Poland in the offshore wind development. PGE Group, second behind with their 1 GW project is about 2 years less advanced (beginning of environmental survey)
- No other companies have secured connection agreements, with no further offshore wind connection capacity available in the system now.

Location and power



	Bałtyk Środkowy III	Bałtyk Środkowy II	Bałtyk Północny (susp.)
Site Permit Net Area (sq.km)	116,6	122	128,5
Site Permit Max. Capacity (MW)	1200	1200	1560
Planned Capacity (MW)	600	600	>600
Depth (m)	25-39	23-41	25-35
Distance to the shore (straight line, km)	22	37	81
Planned turbines (MW)	8	8-10	8-10
Planned number of turbines	75	60-75	60-75+
Average wind speed (m/s)	9-10	9-10	9-10

Installed capacity and electricity generation



Planned key dates	Bałtyk Środkowy III	Bałtyk Środkowy II
Environmental decision	Secured	IQ 2017
Construction start	2020	2023
Commissioning date	2021/22	2026

Leading developer of offshore in Poland, supported by increasingly attractive cost economics. Also, the Polish government wants to impose regulations to support offshore wind farm projects.

Polenergia Distribution

Business overview

- Polenergia Dystrybucja is a distributor and supplier of electricity to industrial, residential and commercial customers, ie. residential areas, factories, office buildings and shopping centers. The Company is operating in various regions of Poland, additionally with a country-wide energy sales license.
- Regulated entity based on WACC / WRA with approved investment plans ensuring stable and predictable cash flows.

Distribution „islands” across Poland/majority in Warsaw;

- Largest Polish independent distributor after main 4 Polish state-owned DSOs, 2nd largest in Warsaw after Innogy
- 31 projects in operation and 20 in development based on ERO approved Investment Plan until 2020
- c.10,5k clients distributing 285 GWh across 110 km of power lines, 87 substations and 143 transformers

Increase in value and benefits for customers

Combined profits: Effective use of cooperation between the regulated activities (distribution of electricity) and commercial (sales of energy).

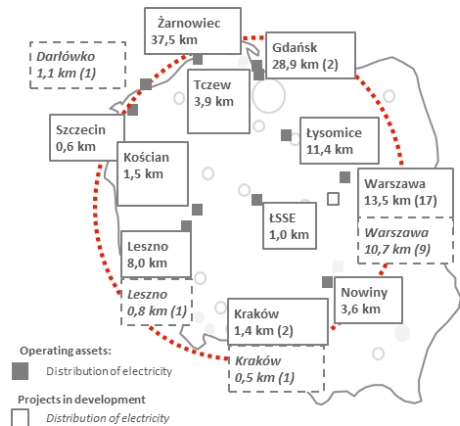
Unique package of benefits: Immediate settlement or reduction of electrical infrastructure costs, Competitive tariffs for distribution and connection to the grid, all costs associated with the maintenance of infrastructure covered by Polenergia Distribution, settlement for electricity by company, the ability to change vendors (TPA) by the customers

Part of Polenergia Group: strategic player with strong financial discipline

Obtaining a license to distribute electricity for the electrical infrastructure (ie. the "last mile") in non-residential buildings, ie. shopping centers and office buildings. Providing partners with opportunities to optimize the cost of electricity infrastructure during construction and maintenance.

Stable regulatory returns combined with profits on electricity supply to the final customers

The length of the distribution network (number of projects)



Business results	Unit	FY 2015	FY 2016
Distribution sales	GWh	278,8	284,0
Electricity sales	GWh	294,2	140,2
CAPEX	m PLN	6,9	8,2
RAB (end of year)	m PLN	77,8	81,7

	In use	In Development	Total
Distribution power	75 MW	19 MW	94MW
Final users	10,6k	5,1k	16,6k
Number of substations	91	25	116
Number of transformers	146	34	180

Polenergia Trading

Polenergia Trading specializes in wholesale trading of electricity, natural gas, property rights and certificates of origin, as well as the management of energy contracts for the Polenergia Group entities and other external companies.

Business overview

- Polenergia Trading is one of the most dynamically growing companies in the sector of electric energy trade in Poland.
- Central platform for trading and risk management located in Warsaw.
- The Company specializes in wholesale trading of electricity, natural gas, property rights and certificates of origin both under long-term contracts and current transactions and operates as market maker on the POLPX property right market.

Key highlights 2016

- In July 2016 Polenergia Trading signed an agreement with TGE (Polish Power Exchange) to play the **market maker role** with respect to electricity instruments.
- In 2016 Polenergia Obrót started supplying gas in a physical delivery point.
- As the first company on the Polish market**, Polenergia Trading initiated transactions for certificates of origin on behalf of energy producers from Polenergia Group (certificates originated from one of the wind farms in Polenergia Group).
- In 2014 Polenergia Trading obtained concession for trade in natural gas and trade in gas with foreign clients and actively participates in this market. In 2016 the company increased its natural gas volume to 2,8 TWh



Business results	Unit	2015	2016
Electricity traded	TWh	12	14
Natural gas traded	GWh	290	2780

Current market share of Trading in the wholesale energy market in Poland is estimated at approx. 5-5,5% in 2016.

Other

Pellet production

- In response to the growing demand, since 2008 Polenergia launched 3 projects which produce pellet from agricultural biomass, required for power industry and municipal power plants. The company has three pellet factories
 - North Factory, located in Sępólno Krajeńskie
 - South Factory, located in Ząbkowice Śląskie
 - East Factory, located in Zamość

	North Factory	South Factory	East Factory
Start-up	2009	2010/2011	2012
Annual production (t)*	21k	41k	52k

* Production in 2016, only pellet production

Gas – Mercury Power Plant

- The power plant is located in Walbrzych
- Launched in July 2006.
- Power unit boiler fueled with gas and steam turbine with power above 8 MWe
- Power unit generates electricity from gas that is a byproduct in the production of coke in WZK Victoria
- The power plant operates on the basis of a contract concluded between Polenergia and Victoria WZK for supply of coke oven gas and electricity reception. The contract is valid until December 31 2021.

Coal – Elektrownia Północ (development limited)

- The construction of coal-fired power plants with total capacity of 2 * 800 MW using supercritical technology.
- The project will be based on a long-term PPA contract with a guaranteed collection price for 20 years.

Key features	
Planned power	to 2*800 Mwe
Efficiency	over 45%
Fuel (coal)	20-22 GJ/ton