POLENERGIA

RENEWABLE ENERGY

CONVENTIONAL ENERGY

DISTRIBUTION

TRADE

GK POLENERGIA
1HY 2015 Results and Group Strategy

August 2015

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AGENDA

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01 Financial Results and key aspects of the Group strategy

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Summary of 1HY 2015

- **Earnings growth in 1HY 2015** (year-on-year):
  - Adjusted EBITDA: growth by PLN 29,3m (+36%) from PLN 81,0m to PLN 110,3m
  - Adjusted Net Profit: growth by PLN 15,8m (+58%) from PLN 27,3m to PLN 43,1m;
- **271MW capacity installed at YE 2014**: 146,7MW wind farms, 124MW ENS and cogeneration;
- **Significant progress in development:**
  - Construction of 99 MW of wind farms which will commence operation in 2015:
    - of which Skurpie 38MW has already been completed (testing phase);
    - estimated production of these farms will be approximately 280 GWh per year;
  - By the end of 2015 onshore wind farms capacity will reach c.250 MW, which will make Polenergia one of the leading producers of electricity from renewable energy sources in Poland;
- **336 MW will be prepared to participate in the first auction in 2016,** we estimate that out of it c.210 MW will win the first auction;
- **Renewable Energy Act passed on 20th February 2015:** allows existing wind farms, or those commencing operations in 2015, to benefit from the improved system of green certificates, or join the auction system from 2016 of fixed prices guaranteeing stability of revenues for 15 years;
- **2015 Forecast confirmed**: Polenergia confirms the planned realization of the 2015 forecasts (54% of the 2015 forecast has been already realized at the EBITDA level and 60% at the net profit level);

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1HY 2015 results and realization of forecast for 2015

Data in PLN m	1HY 2014 Actual	1HY 2015 Actual	1HY 14 / 1HY 15 diff	1HY 14 / 1HY 15 diff %	2015 Forecast	% realised
Adjusted EBITDA	81.0	110.3	29.3	36%	204.0	54%
Adjusted net profit	27.3	43.1	15.8	58%	72.4	60%

Management confirms the 2015 forecast presented in the current report dated March 11th, 2015.

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Consolidated results for 1HY 2015 - P & L

1H 2014 pro-forma results presented below have been prepared under the assumption that the contribution of assets owned by Polenergia Holding – Neutron Group (i.e. the ENS, PE-D, PE-O, development projects, etc.) took place on 1 January 2014, which allows for full comparability of periods.

Polenergia Group results (assuming that the date of the acquisition was the beginning of the annual reporting period) [PLN m]	For the period ended 30.06.2015	For the period ended 30.06.2014	Diff	Diff [%]
Revenues from sales	**1 355,3**	**1 444,6**	**(89)**	
Including trading segment	1 005,9	1 119,3	(113)	
Cost of sales	(1 273,8)	(1 387)	113	
Including trading segment	(998)	(1 117)	119	
Gross profit on sales	**81,5**	**58,0**	**23,5**	**41%**
Adjusted EBITDA	**110,3**	**81,0**	**29,3**	**36%**
Adjusted Net Profit	**43,1**	**27,3**	**15,8**	**58%**
Adjusted EBITDA (excluding trading segment)	**106,8**	**81,5**	**25,3**	**31%**
Adjusted EBITDA margin (excluding trading segment)	**30,6%**	**25,1%**	**5,5%**	

Increase of sales revenues (excluding Trading segment) results from development of wind segment (start of WF Gawłowice and Rajgród operations in 2HY 2014).

Detailed analysis of EBITDA results by segment is presented in the further part of the presentation.

- **The Group's results demonstrate a significant increase of adjusted (normalized) EBITDA and net profit (EBITDA of PLN 29.3m (+36%) and net profit of PLN 15.8 million (+58%) respectively y/y);**
- **Profitability improving: visible in the EBITDA margin increase to c.31% (excluding trading).**

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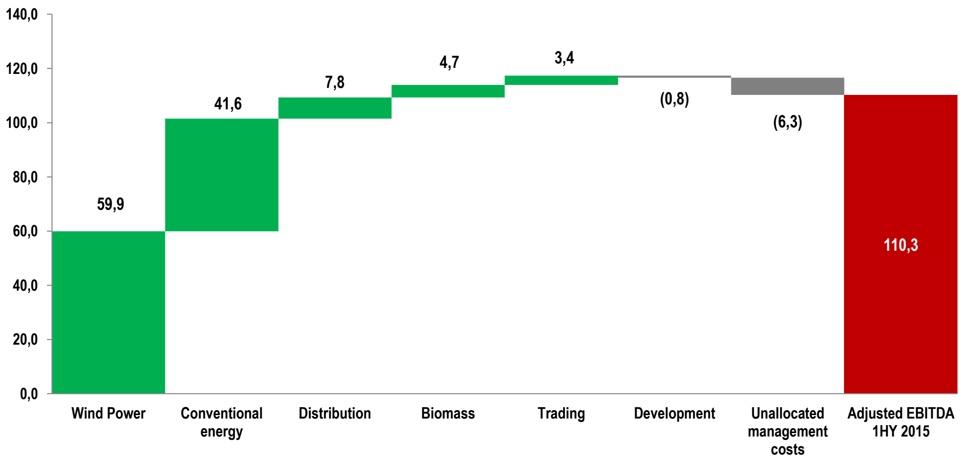
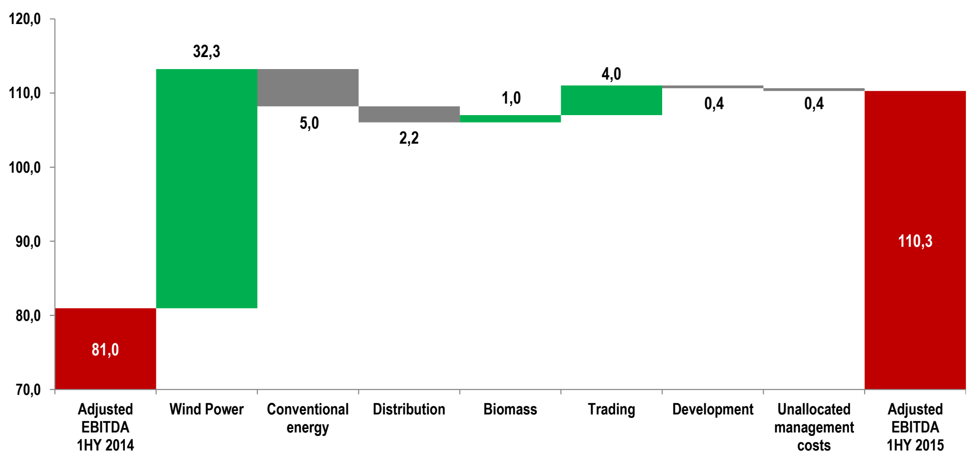
Consolidated results for 1HY 2015 – EBITDA Analysis

EBITDA Build-up 1HY 2015



- Operating segments after assets' review and cost optimization performed in the 2013 generate stable results and show high profitability (EBITDA margin excluding trading 30.6% in 1HY 2015 vs. 25.1% in 1H 2014).
- Conventional energy and power distribution segments provide stable EBITDA and CFO.
- After operational restructuring biomass segment generates stable cash flows.
- There is growing role of trading segment in the Group.
- Currently wind farms of 98.6 MWe are under construction (WF Skurpie – testing phase, WF Mycielin, extension of WF Gawłowice) with planned commissioning by the end of 2015. Forecasted generation of new farms amounts to ca 280 GWh per year.

EBITDA Bridge 1HY 2015/ 1HY 2014



- Due to start of new wind farms (Gawłowice, Rajgród) in 2nd half of 2014 and better wind conditions there is a significant increase of **wind power** result (by PLN 32.3m y/y).
- Total wind generation in 1HY 2015 amounted to 210 GWh as compared to 86 GWh in 1HY 2014.
- Better **trading** result (EBITDA increase by PLN 4m y/y) due to energy trading optimization within the Group and the focus on the most profitable gas and energy market segments.
- Result of **distribution segment** was above expectations. Decrease y/y is due to 1HY 2014 positive one-off events.
- **Conventional energy** EBITDA was in line with expectations and results from the lower income from gas compensation and stranded costs compensation for long-term contract termination in ENS (lower gas prices and higher loss on electricity production) partly offset by yellow certificates revenues (no allocation in 1-4M in 2014).

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Cash flow analysis

Statement of cash flows (PLN m)	30.06.2015
A. Cash flows from operating activities	
I. Profit before tax	49
II. Adjustments	2
III. Net cash flow from operating activities (I+/-II)	51
B. Cash flows from investing activities	
I. Cash received	1
II. Expenses	(257)
III. Net cash flow from investing activities (I-II)	(256)
C. Cash flows from financing activities	
I. Cash received	170
II. Expenses	(65)
III. Net cash flow from financing activities (I-II)	105
D. Net cash flow, total (A.III+/-B.III+/-C.III)	(101)
E. Balance transition of cash, including:	(101)
F. Cash and cash equivalents at beginning of period	417
G. Cash and cash equivalents at end of period	316
Debt	911
Net debt	595

Depreciation accounts for PLN 42m. The rest of the amount results from the interest elimination (presented in financing activity), the elimination of loans valuation (non-cash item, PLN 19m), change in working capital (PLN -53m) and CIT settlement (PLN -8m).

Construction of Skurpie and Gawowice WF and further projects development.

Long-term investment loans for Skurpie, Gawłowice and Rajgród WFs construction.

Investment loans and interest repaid by the operating assets, mainly wind farms, ENS.

- **Adjusted EBITDA for last 12M (from July 1st 2014 to June 30th 2015) amounted to PLN 199.6m, which compared with the Group's net debt at the level of PLN 595m (as at June 30th 2015) implies Net debt / EBITDA ratio of 3.0x.**
- **Although it will increase in the mid-term, the long-term goal of Management Board (when projects that are currently under construction will be fully reflected on EBITDA level) is to maintain Net Debt/EBITDA ratio below 3.0x.**
- **The ratio of Net debt / Equity and Equity / Assets ratio amount to 0.43x and 0.48x respectively.**

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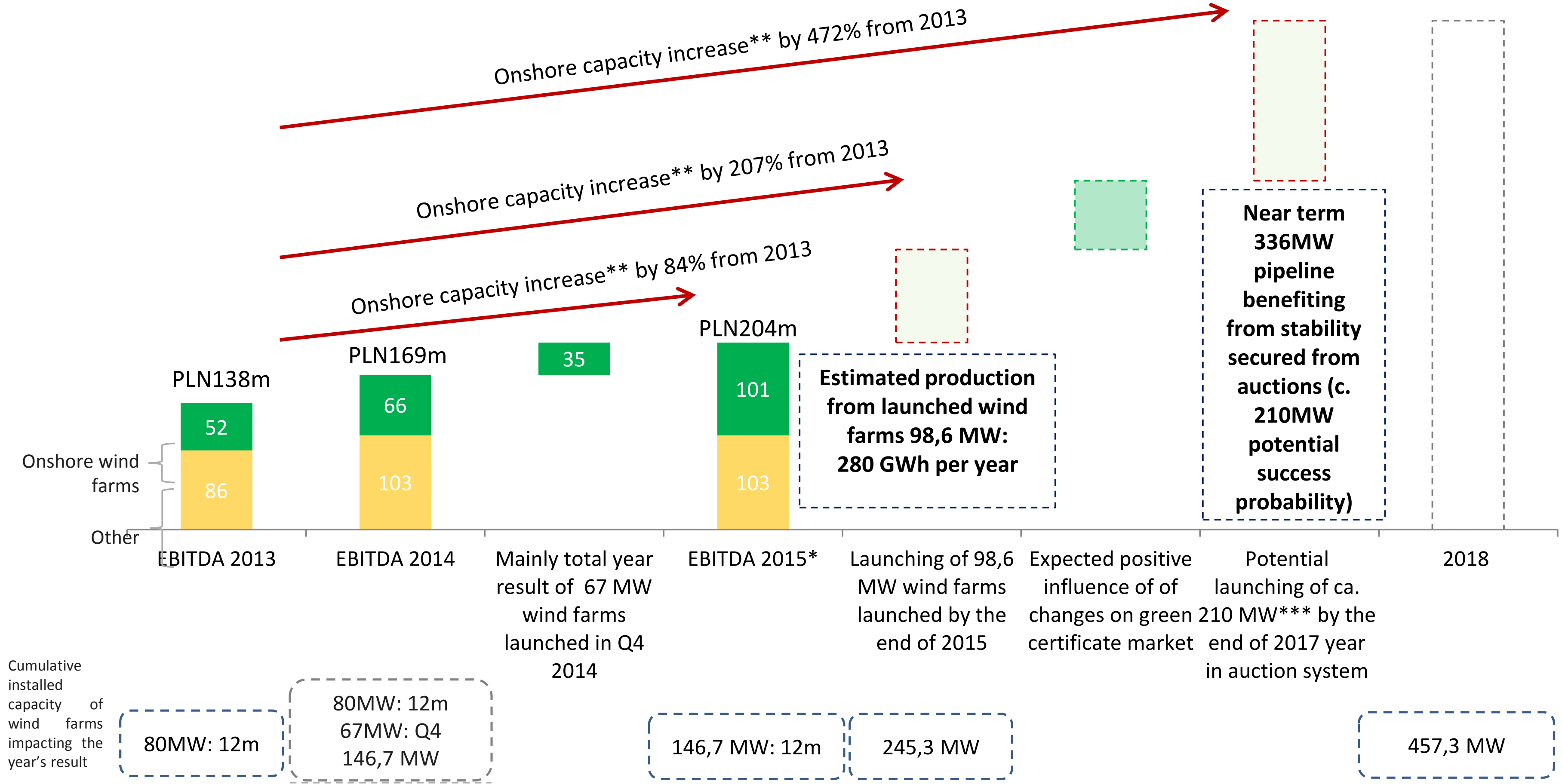
Unparalleled EBITDA/Cash Flow growth in the near future



* Company's official forecast of adjusted EBITDA for 2015; adjusted net income = PLN72,4m

** Increase of Company's cumulative installed onshore wind farms impacting the total 2014 year's result, i.e. regarding 80MW, as next 67MW was launched in Q4 2014

*** In line with assumed probability of winning the auction. It is also possible to sell up to 100% of selected onshore wind farms projects developed after 2015 in auction system (before or after winning the auction) in order to increase potential dividends

Equity research analysts opinion confirms value growth potential:

- **Societe Generale: 12m Target Price 42.4 per share (May 2015);**
- **BZ WBK: 12m Target Price 41.3 per share (April 2015);**
- **PKO BP: 12m Target Price 36.9 per share (July 2015)**

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Profile characterised by a combination of stable regulation and growth

Key growth drivers short/mid term – supported by New RES Law

Combination of growth and stable regulation in place

5bn m3/year gas pipeline

— Diversify Polish gas supply

1200MW offshore development portfolio

— **#1 in offshore development**
— Positive NPV for Polish GDP

Auctions

730MW superior pipeline
- 336MW ready to build by Q2 2016
- 394MW for auctions 2017-19

— Largest single portfolio for 2016 auction (336MW)
— >60% statistical success rate predicted
— 15 year guaranteed tariff ensuring equity returns between 10-15%
— **# 2 in Poland in terms of real pipeline size**

Green Certificates

245MW on-shore in operationby YE 2015
- 147MW currently
- 99MW under construction

— Green certificate support
— New Res Law extends support for all operational projects by 2015 for 15 years
— New RES Law regulates supply and demand so as to ensure market economics remain attractive
— **# 2 in Poland in terms of operating capacity by YE 2015**

PLN77m RAB

— Regulated electricity distribution

116MWe 70MWt (Gas – CCGT)

— Gas fired generation of electricity and heat
— Stranded cost compensation (for historical PPA abolition)
— Gas compensation awarded based on difference between coal and gas prices
— Yellow certificates awarded for gas fired co-generation
— **Market share ca. 15% of gas fired generation in Poland**

Phase I: until 2016 | Phase II (a): 2016-2019 | Phase II (b): 2020-2026

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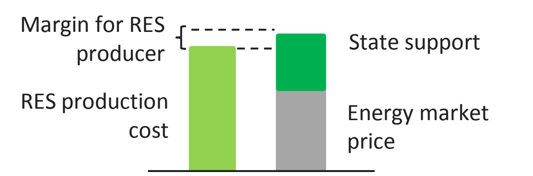
The new renewable act secures highly attractive economic conditions

RES state support mechanics

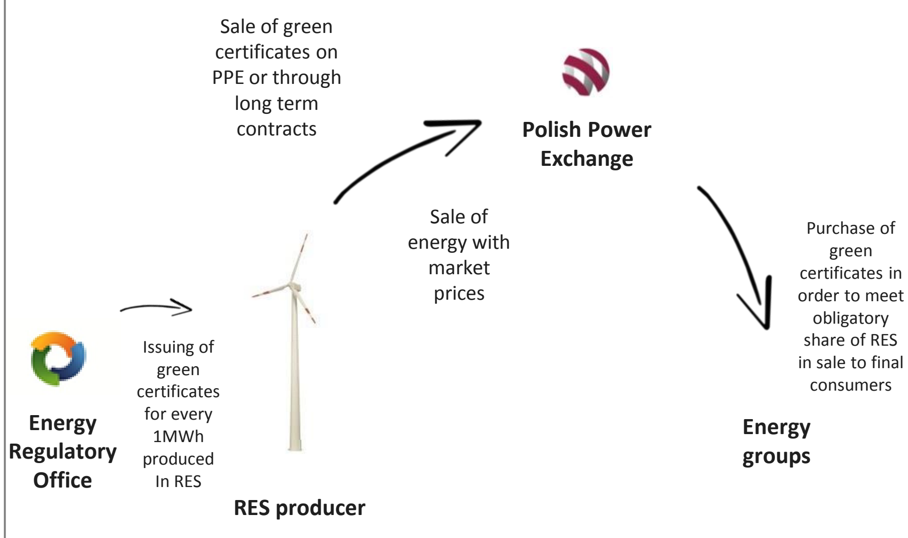
RES production cost > Energy market price

State support regulated in RES new act signed by president on 11 March 2015



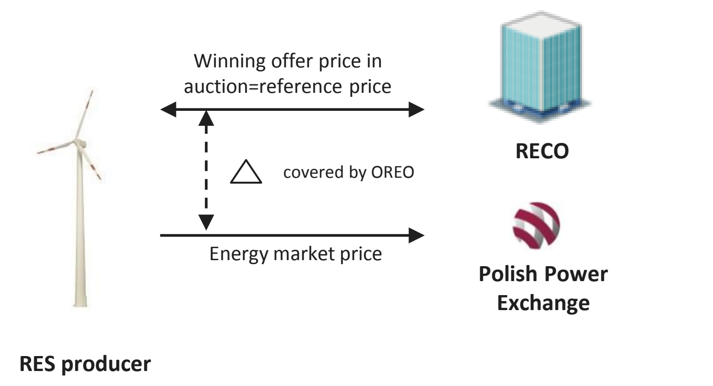
Green Certificates System

Green certificates system is available for all projects commissioned by the end of 2015 – 15-year support from date of starting energy production



Auction System

Auction system guaranteeing giving fixed price contracts for 15 years with price indexed annually (CPI)



**RECO – Renewable Energy Clearing Operator*

***if energy market price>reference price then RES producer is covering the difference to RECO*

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Effect of new RES Law regulations in 2016

	2015	Changes as result of RES law		2016
Supply	21,6 TWh	5,2 TWh	(24%)	16,4 TWh
Demand	15,2 TWh	1,4 TWh	9%	16,6 TWh

Comment

Management believes there will be significant decrease of supply in 2016 due to introduction of mechanisms contained in the New RES Law aimed to lower the supply, among which the most important are:

- **Complete cessation of support in the form of green certificates for large hydro power station > 5 MW (assumption: from 2016);**
- **Significant reduction in support for installation of biomass co-firing with conventional fuels to 0,5x certificate (assumption: from 2016);**
- **No/limited production from non-dedicated co-firing plants expected in 2016 as estimated GC price level required by marginal producer's satisfying demand at PLN240 MWh;**
- **Hence, supply is projected to decrease by ca. 5 TWh in 2016 as a result of the New RES Law and the „overhang" of GC should commence reduction in 2016**

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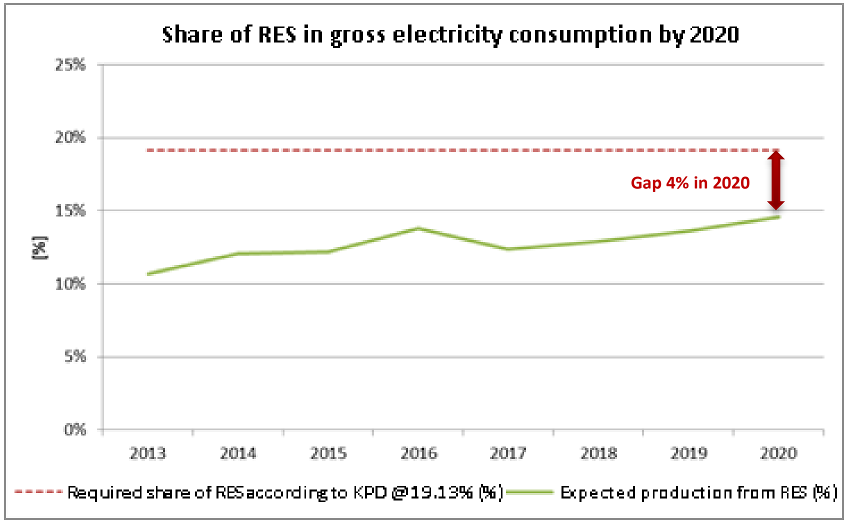
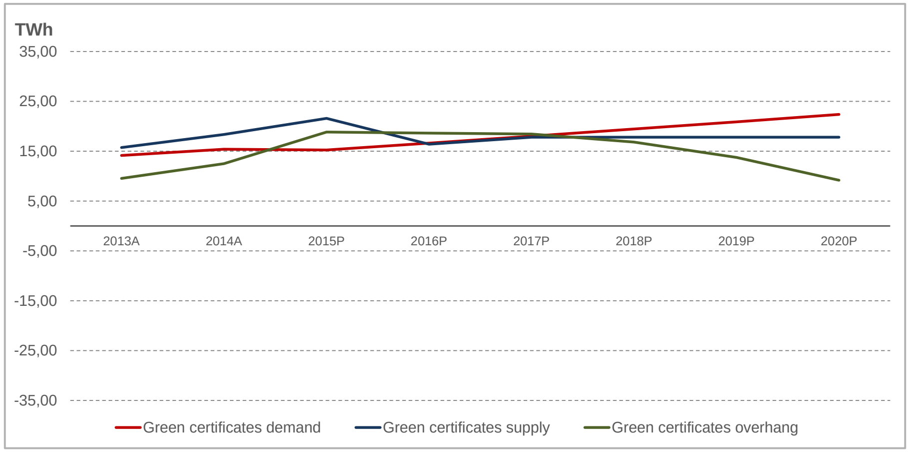
Attractive market environment due to EU Energy Policy as well as New RES law

Required increase of RES production in electrical energy consumption



- The implementation of the reduction objectives (obligation to reduce CO_2 emissions by 43% in 2030 compared to 2005) is possible only on the basis of investments in renewable energy technologies - especially those with the lowest cost LCOE (mainly onshore and offshore wind);
- <u>**Conclusion 1:**</u> The development of renewable energy technologies with the lowest LCOE relation to CO_2 reduction effect is necessary in order to meet Poland CO_2 emission reduction targets by 2030. Lack of achieving this goal will result in a significant increase in energy prices burdened with high costs emission allowances.
- <u>**Conclusion 2:**</u> failure to meet the share of renewable energy production at the level of 19.13% set in the KPD in accordance with current development of power (a gap of 4%)

Reduction of certificates surplus by 2019



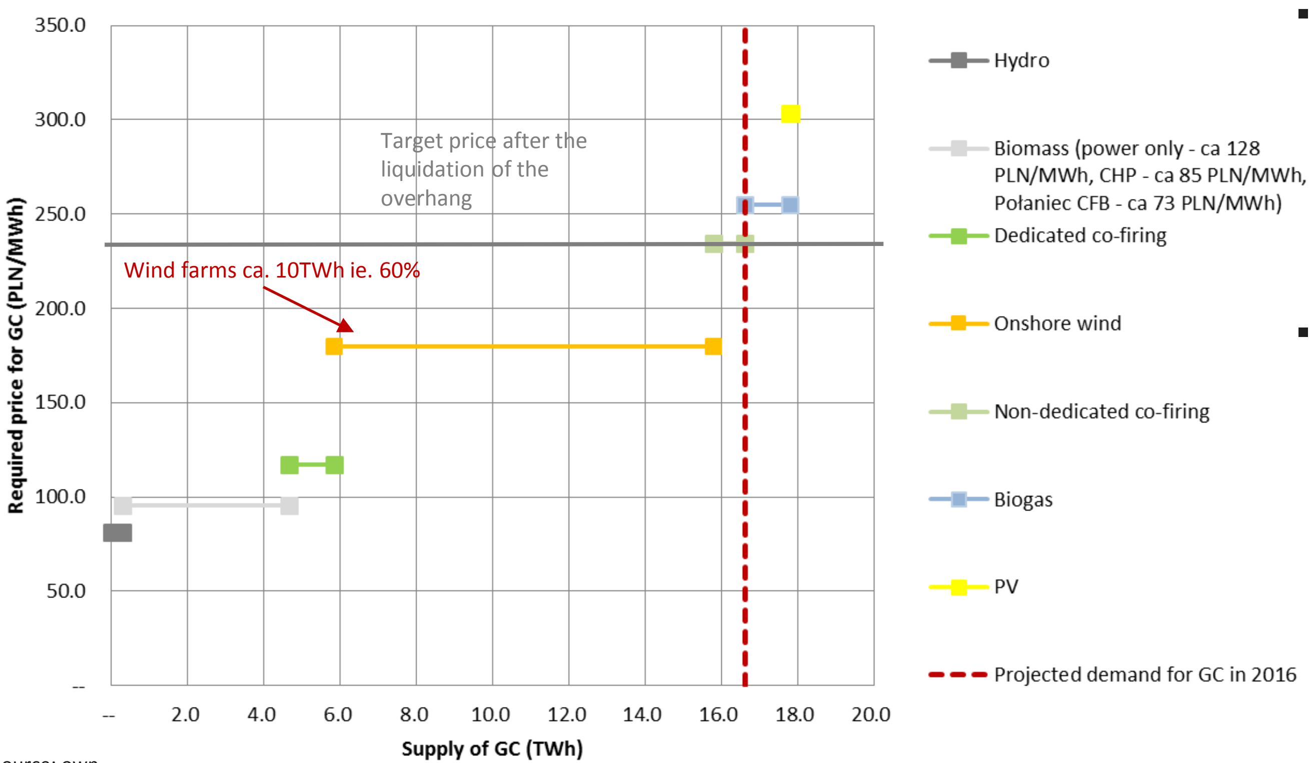
Management believes it is likely that the oversupply of green certificates will be reduced by mechanisms contained in the New RES Law aimed to lower the supply, among which the most important are:

— Complete cessation of support in the form of green certificates for large hydro power station > 5 MW (assumption: from 2016);

— Significant reduction in support for installation of biomass co-firing with conventional fuels to 0,5x certificate (assumption: from 2016);

This results in a reversal of the oversupply of certificates in 2016 and gradual reduction of the surplus to 2019.

Requirement to support the system of green certificates depending on the technology



Source: own

- The projected annual demand for green certificates increases to approx. 16,6 TWh in 2016 and 22,4 TWh in 2020, mainly due to an increased redemption obligation of certificates in accordance with the current Regulation;
- Due to the restrictions of the new Renewable Law (especially in relation to the co-firing), technologies that require support at a lower level than wind farms (water, biomass co-firing) will be able to meet only approx. 32% of the demand for ZC while the volume produced by wind farms will be the largest and will be around. 10 TWh ie. 60% of total demand.

✓ **After the entry into force of the provisions of the new Act on RES at the beginning of 2016, and after the disappearance of the overhang (2019), the price of green certificates will reach the level required by the marginal producer's satisfying demand:**

  ✓ **To meet the goal of RES Ministry of Economy will have to complete the RES generation with increased production in non-dedicated co-firing (0.5x certificate), which will cause a natural incentive to increase the prices to cover the marginal costs of approx. 240 PLN / MWh;**

  ✓ **This means the minimum price of about 240 PLN / MWh after the disappearance of the overhang (ie. 2019);**

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Comparable Valuation: large cap/mid cap renewable players show significant share price growth potential

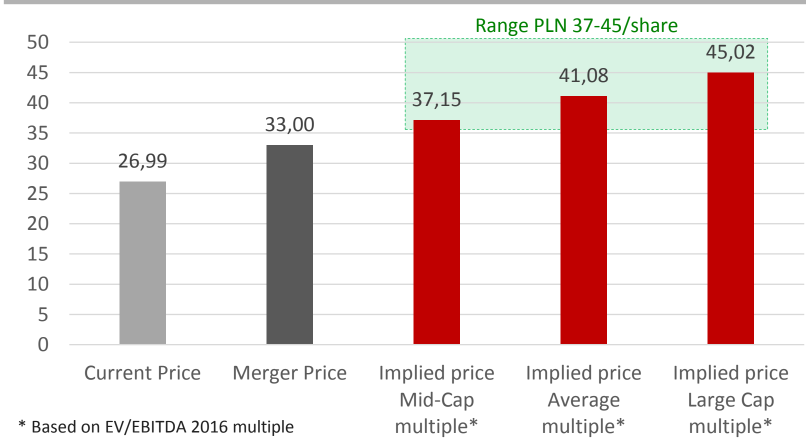
Two groups of most comparable European renewable Companies were selected to compare it with current share price as well as merger price (PLN33,00).

Ticker	Company	MC (PLN m)	EV (PLN m)	EV/Total Revenue LTM	EV/Total Revenue 2015	EV/Total Revenue 2016	EV/EBITDA LTM	EV/EBITDA 2015	EV/EBITDA 2016	P/E LTM	P/E 2015	P/E 2016
PEP PW Equity	**POLENERGIA SA (Current Share Price)**	**1 227**	**1 586**	**1,0x**	**0,6x**	**0,6x**	**10,2x**	**8,1x**	**5,7x**	**23,2x**	**16,4x**	**13,1x**
PEP PW Equity	**POLENERGIA SA (Merger Price)**	**1 500**	**1 859**	**1,2x**	**0,7x**	**0,7x**	**12,0x**	**9,4x**	**6,7x**	**28,7x**	**20,0x**	**16,0x**
Ticker	**Company**	**MC**	**EV**	**EV/Total Revenue**			**EV/EBITDA**			**P/E**		
Lage-cap renewable companies		(EUR m)	(EUR m)	LTM	2015	2016	LTM	2015	2016	LTM	2015	2016
EGPW IM Equity	ENEL GREEN POWER	9 395	18 422	6,7x	6,3x	5,8x	8,5x	9,9x	9,2x	23,1x	21,6x	20,9x
EDPR PL Equity	EDP RENOVAVEIS S	5 639	10 083	7,4x	6,6x	5,9x	10,4x	9,3x	8,3x	54,1x	37,8x	29,2x
	Average	**7 517**	**14 252**	**7,1x**	**6,4x**	**5,8x**	**9,5x**	**9,6x**	**8,7x**	**38,6x**	**29,7x**	**25,1x**
	Polenergia (Discount)/Premium to Peers (Current Share Price)			(86)%	(90)%	(90)%	8%	(16)%	(34)%	(40)%	(45)%	(48)%
	Polenergia (Discount)/Premium to Peers (Merger Share Price)			(83)%	(89)%	(88)%	27%	(2)%	(23)%	(26)%	(33)%	(36)%
Ticker	**Company**	**MC**	**EV**	**EV/Total Revenue**			**EV/EBITDA**			**P/E**		
Mid-cap renewable companies		(EUR m)	(EUR m)	LTM	2015	2016	LTM	2015	2016	LTM	2015	2016
FKR IM Equity	FALCK RENEWABLES	357	1 021	3,8x	3,9x	3,8x	7,7x	7,5x	7,1x	37,2x	72,1x	45,4x
ABIO FP Equity	ALBIOMA SA	447	936	2,6x	2,6x	2,4x	7,3x	8,0x	6,7x	16,8x	14,3x	11,8x
TEO FP Equity	THEOLIA SA-REGR	115	423	4,2x	4,0x	n/a	8,1x	7,2x	n/a	n/a	n/a	n/a
ARN IM Equity	ALERION	128	314	7,0x	5,3x	5,3x	13,9x	7,7x	7,7x	n/a	41,9x	36,6x
FRS SQ Equity	FERSA	61	195	5,9x	7,2x	5,7x	7,3x	10,3x	8,1x	15,7x	n/a	n/a
	Average	**222**	**578**	**4,7x**	**4,6x**	**4,3x**	**8,9x**	**8,1x**	**7,4x**	**23,2x**	**42,7x**	**31,3x**
	Polenergia (Discount)/Premium to Peers (Current Share Price)			(79)%	(86)%	(87)%	16%	(1)%	(23)%	(0)%	(62)%	(58)%
	Polenergia (Discount)/Premium to Peers (Merger Share Price)			(75)%	(84)%	(84)%	36%	16%	(9)%	23%	(53)%	(49)%

Source: Bloomberg as of 10.08.2015

Methodology: for maximum comparability using current EV sourced by Bloomberg for all periods for based on last available financial statements to keep consistent approach

PLN37-45/share range, average PLN41,08/share



* Based on EV/EBITDA 2016 multiple

- ✓ **2016 EV/EBITDA multiple is best proxy due to growth focus of Polenergia: 2016 EBITDA reflecting full impact of farms currently under construction**
- ✓ **Net income is distorted (level of consolidated debt varies depending on life cycle of the company – EBITDA eradicates this) – hence not using PE ratio**
- ✓ **In addition, Polenergia offers considerable growth prospects, market access through trading and diversification/stability of regulated CHP generation & distribution**

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Current levels below onshore operating/under construction value – giving enormous upside

PKO BP SOTP DCF valuation

Project	(PLN m)	(PLN per share)	% in val*
Onshore	1 603	35.3	79%
Conventional power generation	188	4.1	9%
Distribution	68	1.5	3%
Trading	40	0.9	2%
Biomass	32	0.7	2%
Development and HQ costs	(185)	(4,1)	-
Development projects	109	2.4	5%
Net Debt	(370)	(8.1)	-
Total	**1 485**	**32.7****	**100%**

*under assumption of proportionate allocation of Headquarter & Net Debt negative values across segments
** PKO BP SOTP DCF valuation is for 31.12.2014, this price is then discounted with cost of equity to obtain target price

Source: PKO BP, 20.07.2015, BZ WBK 08.04.2015, SG 26.02.2015/13.05.2015, own calculations

BZ WBK SOTP DCF valuation

Project	(PLN m)	(PLN per share)	% in val*
On-shore wind: working and under construction	1 526	33.6	65%
On-shore wind: pipeline in auctioning system	250	5.5	11%
Conventional energy	239	5.3	10%
Biomass production	39	0.9	2%
Distribution	88	1.9	4%
Trading	66	1.4	3%
Alternative projects	129	2.8	6%
Headquarters & Others	(53)	(1.2)	-
Net Debt	(370)	(8.2)	-
Total	**1 914**	**42.2**	**100%**

SG SOTP DCF valuation

Project	(PLN m)	(PLN per share)	% in val*
Wind farms old RES regime	1 690	37.2	70%
Wind farms new RES regime	214	4.7	9%
ENS, other PEP, distribution	409	9	17%
Off-shore wind farms	73	1.6	3%
Gaspipeline project	18	0.4	1%
Net debt 2014-end	(354)	(7,8)	-
Total	**2 050**	**45.1**	**100%**

Valuation Summary

Broker	Target price	Current price	Discount
PKO BP	**36,90**	**26,99**	**(27%)**
BZ WBK	**41,30**		**(35%)**
SG	**42,40**		**(36%)**

Brokers value on-shore segment only as 33.6 BZ WBK (operating and under construction), 37.2 SG (wind farms old RES regime) and 35.3 PKO BP (onshore) – onshore net of net debt more or less represents current trading - which demonstrates significant upside due to other operating projects, near term pipeline of 336MW onshore as well pipeline further out (on shore, off shore and gas transmission pipeline).

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Onshore wind farms

Opearting wind farms

#	Location	Capacity (MW)	COD	Clients
1	**Puck**	**22,0**	2007	Energa, Polenergia
2	**Modlikowice**	**24 ,0**	2012	Tauron PE
3	**Łukaszów**	**34,0**	2011	Tauron PE
4	**Gawłowice**	**41,4**	10.2014	Polenergia Obrót
5	**Rajgród**	**25,3**	11.2014	Polenergia Obrót
		146,7 MW		

WF Puck
- 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;

WF Modlikowice
- 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;

WF Łukaszów
- 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 77 GWh;

WF Gawłowice
- Combined project capacity equals 41,4 MWe, comprise 18 turbine (Siemens) 2,3 MW each;
- Location: Kuj. – pom. voivodeship, district grudziądzki;
- COD in November 2014;
- Planned annual production of approximately 128 GWh;
- In 2015, launching the expansion of the WF for additional three turbines with a capacity of 6.9 MW;

WF Rajgród
- 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 64 GWh;

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Onshore wind farms – development portfolio

Pipeline build up

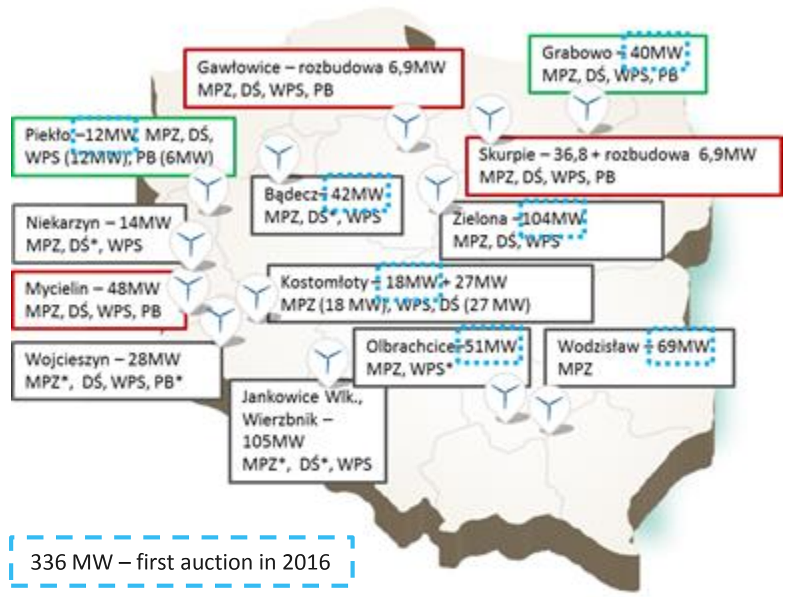
- The portfolio of operating wind farms in 2014 reached installed capacity equal 146,7 MW;
- By the end of 2015 c.100 MW will reach COD;
- Additional 730MW portfolio of wind farms under development of which:
  - 7 projects of 336 MW will participate in first auction planned for 2016;
  - 394 MW will participate in auctions in 2017-2019.

In construction

#	Location	Power (MW)	Status	COD
6	**Skurpie**	**36,8**	Testing phase	2015
7	**Gawłowice (expansion)**	**6,9**	Construction	2015
8	**Skurpie (expansion)**	**6,9**	Construction	2015
9	**Mycielin**	**48**	Construction	2015
		98,6 MW		

Planned participation in the first auction in 2016

#	Location	Power (MW)	Building permit	Possible completion
10	**Piekło**	**12**	Q1'15	2017
11	**Grabowo**	**40**	Q1'15	2017
12	**Zielona**	**104**	Q1/Q2'15	2017
13	**Kostomłoty**	**18**	Q3'15	2017
14	**Bądecz**	**42**	Q4'15	2017
15	**Wodzisław**	**69**	2016	2017
16	**Olbrachcice**	**51**	2016	2017
		336 MW		



Projects under construction

Projects with Building Permit

Wind farm at an advanced development stage

Achieved stages of the development:

MPZ - Local Development Plan

DŚ - Environmental Decision

WPS - Terms of connections to the Network

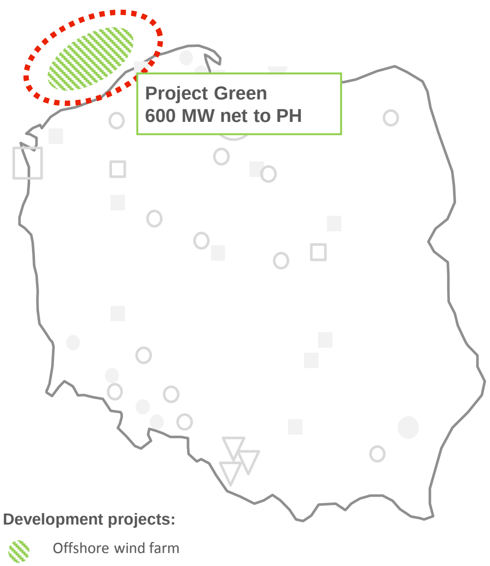
PB - Building Permit

A key element of the strategy - Leading offshore wind farms developer in Poland

Description

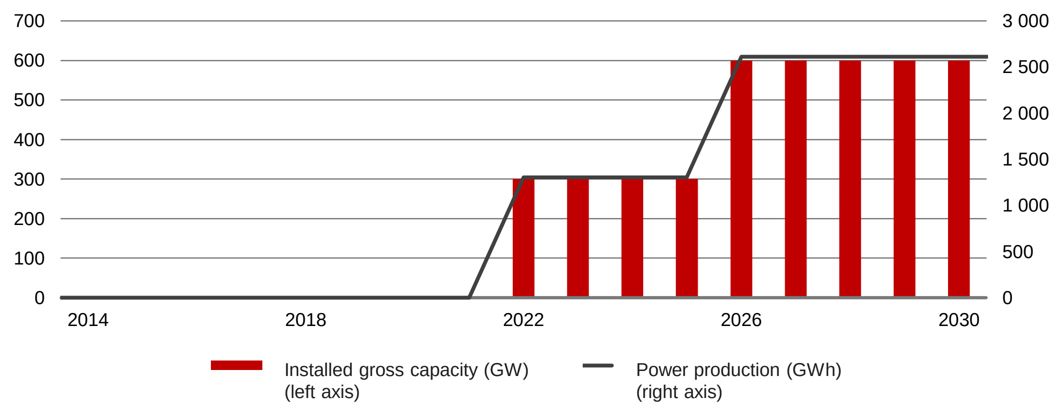
- Two projects with total power of c. 1.2 GW
- The plan is to build offshore projects in cooperation with an experienced industrial player (50/50 JV)
- An additional option is third project with a capacity of 1,6 GW with a valid location permit
- Electricity offtake will be secured for 15 years by purchase obligation under the auction system: aspects relating to offshore wind farms included in the current RES Law confirm the intention for auctions to also in the future include offshore wind farms
- In August 2014, connection agreement for 1200 MW with PSE SA was signed

Location and power



Name of project	Bałtyk Środkowy III	Bałtyk Środkowy II
Actual planned capacity (MW)	600	600
Number of turbines	Ca. 60-75	Ca. 40-60
Distance from the shore	22 km	37 km
Region	116,6 km ^{2}	122 km ^{2}
Depth	25-39m	23-41m
Average wind speed	9 – 10 m/s	9 – 10 m/s

Installed capacity and electricity generation (PH share)



Planned key dates	Bałtyk Środkowy III	Bałtyk Środkowy II
Environmental decision	Q12016	Q3 2016
Construction start	2020	2023
Commisionig date	2022	2026

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Potential offshore valuation impact

- Polenergia has two projects of offshore wind farms with a total capacity of 1,2 GW, which are scheduled to commence operations consecutively in 2022 and 2026
- Taking as a reference point value of the project at the Ready To Build Stage (i.e. with Construction Permit) Polenergia assesses the current progress of offshore wind farm projects at 45% (among others projects have permit use of artificial islands, placement of submarine cables and signed Connection Agreement with PSE). By the end of 2016 Polenergia plans to secure the Environmental Decision
- Based on actual transactions in the European market in recent times, the potential value of offshore wind farm projects at the time of Financial Close may reach c.260k EUR* / 1MW
- Assuming this valuation, we can determine the value of the project at the end of 2016:
  - 1.200MW x 260k EUR/MW x 4,2 EUR/PLN = 1.310m PLN
  - This value reflects the value of the project at the time of Financial Close which both wind farms BS II and BS III will reach in 2019.
  - To get the current value of the project we need to take into account the above mentioned progress indicator:

  <u>45% x 1.310m PLN = 590m PLN.</u>

** Multiple based on purchase of Gode Wind I and II by Dong Energy from PNE Wind in 2012, according to data published by Bloomberg New Energy Finance*

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The economic potential of offshore wind energy in Poland[1]

1. **The market potential does not interfere with the other objectives of government:** energy market potential of offshore wind energy in Poland, taking into account the geographic, environmental, economic conditions and the capacity of the power system is a total ca 6 GW of installed capacity by 2030 which is in line with the Polish energy strategy to 2050. **Implementation of the program of offshore wind farms is necessary to achieve he objectives of reducing CO2 emissions and RES by 2030 according to the agreed climate package;**

2. **Investment value amounts to approx. PLN 83 billion:** of which more than 63% (PLN 52.1 billion) may include purchases of components and services from Polish enterprises, mainly from shipyards and ports. Polish offshore industry turnover can reach more than € 700 million per year, which is nearly 2 million euros a day for the next several years. **35,000 new jobs may be created;**

3. **Budget receipts of PLN 81.8 billion by 2030:** including CIT revenues, indirect taxes, location fees, payments to the Social Insurance Fund and other;

4. **Offshore wind farms is the only RES technology, which by 2020 will not generate costs, but will generate profit:** at the same time a strong reduction in investment and operating costs of offshore wind farms is projected which could reduce the support for offshore wind farms by 50-60% in the period 2014-2025.

5. **It is anticipated that the net effect on the economy, taking into account the cost of support after 2020, and the added value of the investment and production in the country will be positive (NPV for the economy);**

1. Based on the report PSEW and Ernst & Young "Offshore wind energy - benefit analysis for the Polish economy and the conditions of development" and "Maritime Development Programme Energy and Maritime Industry in Poland" FNEZ and Ernst & Young;

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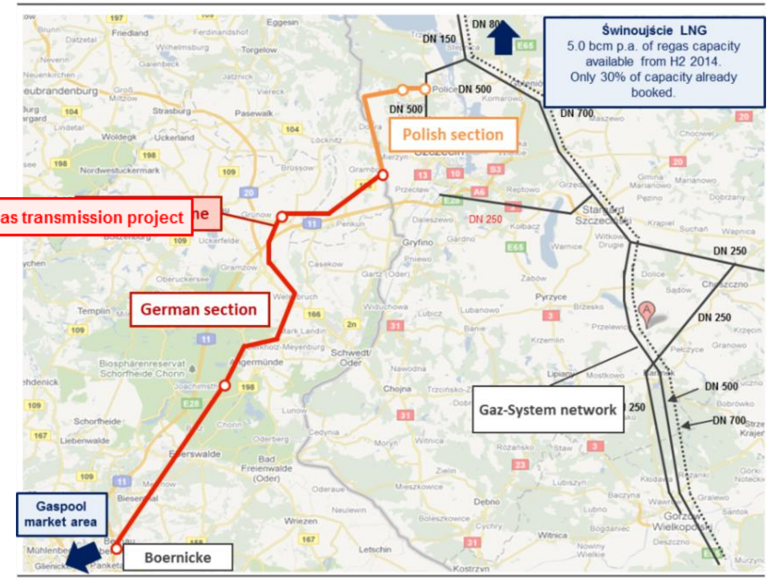
A key element of the strategy - Bernau – Szczecin pipeline (Germany-Poland)

Overview

- Gas transmission project is ideally located to connect western gas markets with the isolated markets of Poland and other Eastern European countries (Ukraine, Lithuania)
- It is to provide the access to import infrastructure in Germany and become one of the key market openers of the East Europe gas market
- Customers in Poland (and potentially in neighbouring countries to the east and south of Poland) will gain access to the liquid Gaspool spot market which allows them to purchase gas at lower prices and from various suppliers, thus significantly improving their energy security and ensuring supplies of this strategic commodity in a diversified way
- Strategic partners are to be invited for joint development of the project in Poland and Germany, however the company assumes to hold minimum 51% of German part of the business
- Transmission return structured on attractive RAB based remuneration

FGL 304 routing



Pipeline Bernau – Szczecin	
Total technical capacity	3,0 - 5,0 bcm p.a.m
Compressor stations	3 x 5,4 MW
Lenght	c. 150km (30km in POL. 120km in GER)

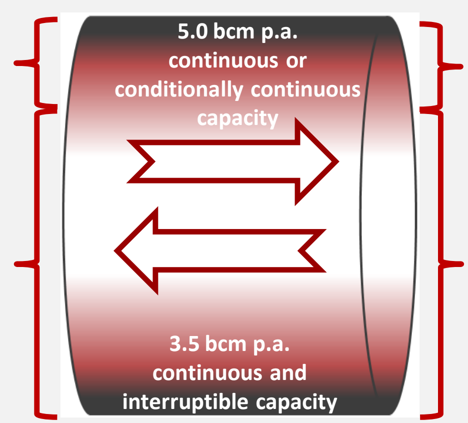
Project status	
FEED Design	Secured
Construction Permits	Secured for the whole german section
Rigths of way	C. 50% Secured
TPA/Unbundling	In progress
Commercial closing	In progress
Grid connection	In progress
EPC	To be completed
Financing	To be completed

General characteristics

EXIT FROM POLAND/ENTRY TO GERMANY **EXIT FROM GERMANY/ENTERING TO POLAND**

10 % of the pipeline capacity dedicated for short-term products (up to 1 year) offered in auctions acc. to CAM network code rules

90 % of the pipeline capacity dedicated to annual products with an option of booking 15 subsequent years) offered in auctions acc. to CAM network code rules



10 % of the pipeline capacity dedicated to short-term products (up to 1 year) offered in auctions acc. to CAM rules

90 % of the pipeline capacity dedicated to annual products with an option of booking 20 subsequent years offered in auctions (1.5 bcm p.a reserved exclusively for POLENERGIA)

POLENERGIA

A key element of the strategy - Pipeline Bernau - Szczecin (Germany - Poland)

The concept of a transmission corridor West - East

- Bernau-Szczecin interconnector project gains importance in light of the ongoing expansion of the current natural gas transmission infrastructure in Central Europe in the context of **North-South Corridor.**
- It creates a unique opportunity to use the emerging infrastructure for further integration of the markets of the region and create a **Transmission Corridor West-East** which would have significant importance for the safety of the region's energy.
- Implementation of the Concept of the West-East Corridor requires investment in the development of gas connection with Ukraine.

Arguments in favor of the implementation of the concept of North-South Corridor, including the Bernau-Szczecin gas pipeline:

- ✓ improvement of energy security in Central Europe;
- ✓ further reduce of dependence Polish supplies from Russia;
- ✓ opening access to the Polish industry to cheaper gas from the German market
- ✓ create opportunities to transport gas from the west or from the LNG terminal in Swinoujscie to Ukraine and reducing Ukrainian dependence on gas supplies from Russia;
- ✓ stronger integration of the Ukrainian transmission system with the European system;
- ✓ stronger integration of the Polish market with the German gas market;
- ✓ the possibility of building a common market area of Central and Eastern Europe;
- ✓ increasing importance of Poland as the transmission country and integrating elements of the infrastructure in the region;
- ✓ increase the use of infrastructure emerging within the North-South corridor.

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02 Attachments

POLENERGIA

A

Detailed financial results

POLENERGIA

Consolidated results for 1HY 2015 – P&L

H1 2014 pro-forma results presented below have been prepared under the assumption that the contribution of assets owned by Polenergia Holding – Neutron Group (ie. the ENS, PE-D, PE-O, development projects, etc.) took place on 1 January 2014, which allows for full comparability of periods.

Polenergia Group results (assuming that the date of the acquisition was the beginning of the annual reporting period)	For the period ended 30.06.2015	For the period ended 30.06.2014	Diff	
Revenues from sales	1 304 941	1 399 214	(94 273)	
Revenues from certificates of origin	50 405	45 354	5 051	
Revenues from sales	**1 355 346**	**1 444 568**	**(89 222)**	
Including trading segment	1 005 862	1 119 327	(113 465)	
Cost of sales	(1 273 785)	(1 386 566)	112 781	
Including trading segment	(998 033)	(1 116 615)	118 582	
Gross profit on sales	**81 561**	**58 002**	**23 559**	
Other operating income	2 873	3 590	(717)	
Administrative expenses	(14 942)	(14 892)	(50)	
Other operating expenses	(2 131)	(1 520)	(611)	
Gross result on sale	**67 361**	**45 180**	**22 181**	
Depreciation	41 559	41 367	192	
EBITDA	**108 920**	**86 547**	**22 373**	
Eliminating the effect of purchase price allocation	1 206	(5 594)	6 800	A
Elimination income ofturbine lease	143			E
Adjusted EBITDA*	**110 269**	**80 953**	**29 316**	
Financial income	4 956	5 910	(954)	
Financial expenses	(22 930)	(19 746)	(3 184)	
Profit (loss) before tax	**49 387**	**31 344**	**18 043**	
Income tax	(13 381)	(2 763)	(10 618)	
Net Profit (loss)	**36 006**	**28 581**	**7 425**	
Eliminating the effect of the purchase price allocation	5 076	(1 724)	6 800	A
Eliminating the effect of unrealized exchange differences	(476)	124	(600)	B
Elimination of the effect of income from discount settlement	-	(255)	255	C
Eliminating the effect of loan valuation	2 407	527	1 880	D
Elimination of fundraising costs	116	-		E
Adjusted Net Profit*	**43 129**	**27 253**	**15 876**	
Adjusted EBITDA (excluding trading segment)	**106 836**	**81 524**	**25 312**	
Adjusted EBITDA margin (excluding trading segment)	**30,6%**	**25,1%**	**5,5%**	

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

Higher interest cost resulting from start of new projects, partially offset by decrease in debt in other operating assets and lower interest rates.

Higher CIT costs results from reversal of provision for deffered tax on income in SKA companies in 2014 and no deffered tax assets (conservative approach) on part of tax losses in 2015.

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

A Purchase price allocation effect (assuming that the acquisition was settled on January 1st 2014)
B Unrealised FX on foreign currency loan
C Income from discount settlement on long-term receivables
D AMC loans valuation
E Fundraising costs

POLENERGIA

Results for 1HY 2015 - Segments

For the period ended 30.06.2015	Conventional energy	Development activities	Biomass	Wind power	Distribution	Trading	Unallocated management	Purchase price allocation	TOTAL
Revenues from sale	167,2	0,5	31,4	71,4	79,2	1 005,9	-0,3	-	1 355,3
Operating expenses	-130,9	-0,7	-28,7	-36,0	-70,4	-998,0	-2,8	-6,3	-1 273,8
including depreciation	-9,3	-	-2,0	-22,6	-2,0	-0,0	-0,6	-5,1	-41,6
Gross profit on sales	**36,3**	**-0,2**	**2,8**	**35,4**	**8,8**	**7,8**	**-3,1**	**-6,3**	81,6
General and administrative expenses	-3,5	-0,3	-0,5	-0,6	-2,3	-4,4	-3,3	-	-14,9
Other operating activities	-0,5	-0,3	0,4	2,5	-0,7	-0,0	-0,6	-	0,7
Profit from operating activities	**32,3**	**-0,8**	**2,7**	**37,3**	**5,8**	**3,4**	**-7,1**	**-6,3**	67,4
EBITDA	41,6	-0,8	4,7	59,9	7,8	3,4	-6,4	-1,2	108,9
Elimination of fundraising costs							0,1		0,1
Eliminating the effect of purchase price allocation								1,2	1,2
Adjusted EBITDA	41,6	-0,8	4,7	59,9	7,8	3,4	-6,3	-	110,3
Result on financial operations	-4,5	-0,0	-0,6	-14,3	-1,0	-0,7	3,1	-	-18,0
Profit (loss) before tax	**27,8**	**-0,8**	**2,1**	**23,0**	**4,8**	**2,7**	**-4,0**	**-6,3**	**49,4**
Income tax									-13,4
Profit (loss) for the period									36,0
Eliminating the effect of the purchase price allocation									5,1
Eliminating the effect of unrealized exchange differences									-
Elimination of the effect of loans valuation									2,4
Elimination of fundraising costs									0,1
Skorygowany Zysk Netto									43,1

For the period ended 30.06.2015	Conventional energy	Development activities	Biomass	Wind power	Distribution	Trading	Unallocated management	Purchase price allocation	TOTAL
Revenues from sale	182,5	0,0	34,8	33,9	68,5	1 119,3	-	5,6	1 444,6
Operating expenses	-154,1	-0,3	-32,6	-19,7	-58,2	-1 116,6	-0,0	-5,1	-1 386,6
including depreciation	-21,2	-0,0	-1,8	-11,3	-2,0	-0,0	-	-5,1	-41,4
Gross profit on sales	**28,4**	**-0,3**	**2,1**	**14,2**	**10,3**	**2,7**	**-0,0**	**0,5**	**58,0**
General and administrative expenses	-2,9	-0,4	-	-	-2,9	-3,3	-5,3	-	-14,9
Other operating activities	-0,1	0,3	-0,3	2,2	0,5	0,0	-0,6	-	2,1
Profit from operating activities	**25,4**	**-0,4**	**1,8**	**16,4**	**8,0**	**-0,6**	**-5,9**	**0,5**	**45,2**
EBITDA	46,6	-0,4	3,7	27,7	9,9	-0,6	-5,9	5,6	86,5
Eliminating the effect of purchase price allocation								-5,6	-5,6
Adjusted EBITDA	46,6	-0,4	3,7	27,7	9,9	-0,6	-5,9	-	81,0
Result on financial operations	-1,2	0,6	-0,8	-9,4	-0,9	-0,6	-1,5	-	-13,8
Profit (loss) before tax	**24,2**	**0,2**	**1,0**	**7,0**	**7,0**	**-1,2**	**-7,4**	**0,5**	**31,3**
Income tax									-2,8
Profit (loss) for the period									28,6
Eliminating the effect of the purchase price allocation									-1,7
Eliminating the effect of unrealized exchange differences									0,1
Elimination of the effect of income from discount settlement									-0,3
Elimination of the effect of loans valuation									0,5
Adjusted Net Profit									27,3
Adjusted EBITDA y/y	-5,0	-0,4	1,0	32,3	-2,2	4,0	-0,4	0,0	29,3

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Results reported on the WSE

Economic and Financial Key figures	Period from January 1st to June 30th 2015	Period from January 1st to June 30th 2014	Diff	
Revenues from sales	1 355,3	74,5	1 280,9	
EBITDA	**108,9**	**27,8**	**81,2**	
Adjusted EBITDA, effect of the purchase price allocation is not taken into account	**110,3**	**27,8**	**82,5**	[A]
Profit / Loss Net attributable to parent company shareholders	**36,0**	**6,1**	**29,9**	
Net profit with elimination of the effect of the purchase price allocation	41,1	6,1	35,0	
Net profit with elimination of the effect of the purchase price allocation, the effect of unrealized exchange valuation of loans and the discount settlement.	**43,1**	**6,5**	**36,6**	

The reconciliation of the total result for 6M EBITDA

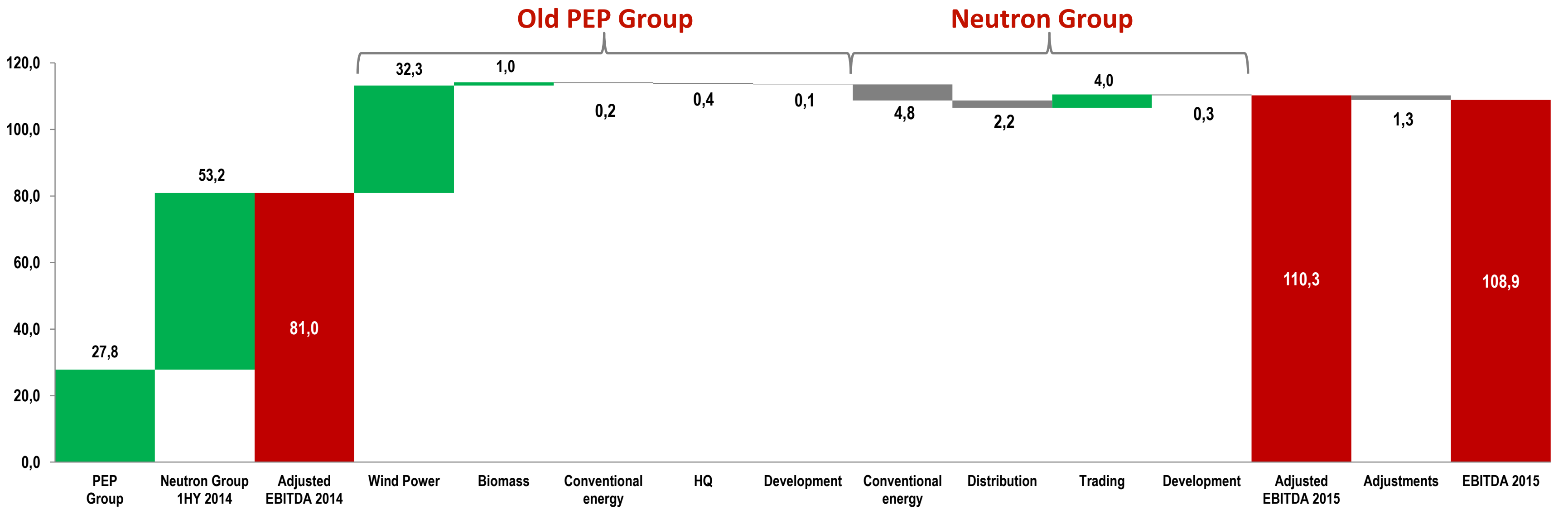
The result of the contributed assets at adjusted EBITDA for the 6M	n/d	53,2	-53,2	[B]
Adjusted EBITDA for 6M [A+B+C+D]	**110,3**	**81,0**	**29,3**	

The "statutory“ results for 2014 reported on the WSE include the results of the "old PEP Group" without Neutron Group, which was contributed in kind in the Q3 2014. Neutron Group EBITDA for the H1 2014 amounted to PLN 53,2m.

POLENERGIA

Results reported on the Stock Exchange - overview of main changes y / y - EBITDA

EBITDA Bridge 1HY 2015/2014



The result for the 1HY 2015 **increased by PLN 81.1m** compared to the same period last year due to the following reasons:

- Neutron Group results for 1HY not included in reports in 2014 (PLN 53.2m);
- Better results of renewable energy segment primarily due to start of new wind farms (total EBITDA higher by PLN 32.3m);
- Higher biomass segment EBITDA (by PLN 1.0m);
- Slightly lower conventional energy segment in „PEP" (by PLN 0.2m);
- Headquarters costs higher by PLN 0.4m;
- Higher development costs (by PLN 0.1 m);
- Lower EBITDA y/y of Neutron Group (ENS, PE-Dystrybucja, PE-Kogeneracja, PE-Obrót, development projects – by PLN 3.3 m) mainly due to the lower income from gas compensation and stranded costs compensation for long-term contract termination in ENS;
- Normalization adjustments (PLN 1.3m) on EBITDA level, i.e. PPE settlement and fundraising costs.

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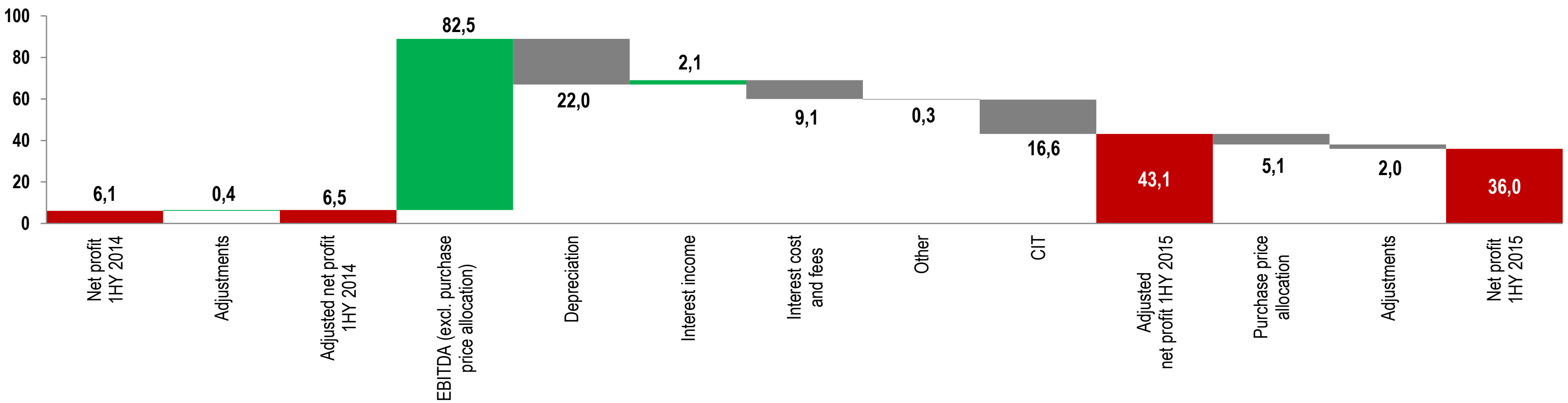
Results reported on the Stock Exchange - overview of the changes y / y - Net profit

Net profit 1HY 2015/2014

Increase in the adjusted net profit by PLN 36.6m



Adjusted net profit increased by PLN 36.6m, due to:

- Higher EBITDA excluding the effect of the settlement of the purchase price allocation (results better by PLN 82.5m -analysis on the previous page);
- Higher depreciation (by PLN 22m) excluding depreciation related to the purchase price allocation, which is primarily driven by depreciation of assets contributed in kind and by commissioning of 2 wind farm projects (lack of comparable data);
- Higher interest income (by PLN 2.1m) resulting from higher cash balances (cash from new shares issue in Q3 2014);
- Higher costs due to interest and fees (by PLN 9.1m) – effect of financial costs related to Neutron Group assets and commissioning of new projects;
- Negative CIT impact (PLN 16.6m);
- Negative impact of other items (PLN 0.3m).

Normalizing adjustments include the elimination of :

- Loans valuation,
- Financial income from discount of receivables,
- Unrealized foreign exchange differences,
- Fundraising costs.

POLENERGIA

Assets and financing structure of Polenergia Group

Assets (PLN m)	As at 30.06.2015	As at 31.12.2014	Diff
Fixed assets (long-term)	2 199	1 968	231
Tangible fixed assets	1 927	1 707	220
Intangible assets	52	57	(5)
Goodwill of subordinate entities	185	185	(0)
Financial assets	22	9	13
Long-term receivables	4	4	0
Deferred income tax	8	6	2
Accruals	0	0	0
Current Assets (short-term)	639	764	(125)
Stock	41	41	0
Receivables from deliveries and services	128	109	19
Receivables from income tax	3	2	1
Other short-term receivables	83	69	14
Accruals	12	9	3
Short-term financial assets	56	117	(61)
Cash and cash equivalents	316	417	(101)
Total Assets	2 838	2 732	106

Construction of wind farms and development of projects.

Mainly increase of trade receivables in trading and distribution segments

Mainly valuation of contracts in trading segment.

Change in cash and cash equivalents is presented on the next page.

Liabilities (PLN m)	As at 30.06.2015	As at 31.12.2014	Diff
Equity	1 371	1 334	37
Long-term liabilities	1 068	992	76
Loans and borrowings	795	695	100
Provision from deferred income tax	67	57	10
Reserves	2	2	0
Accruals	65	68	(3)
Other liabilities	140	170	(30)
Current liabilities	398	406	(8)
Loans and borrowings	116	92	24
Trade payables	142	129	13
A liability for income tax	0	1	(1)
Other liabilities	120	158	(38)
Reserves	4	3	1
Accruals	17	23	(6)
Total liabilities	2 838	2 732	106

Change in loans and credits is presented on the next page.

Including ENS liabilities due to long term contracts termination settlement (KDT)

Mainly increase of trade receivables in trading and distribution segments.

Mainly valuation of contracts in trading segment.

- **Adjusted EBITDA for last 12M (from July 1st 2014 to June 30th 2015) amounted to PLN 199.6m, which compared to the Group's net debt at the level of PLN 595m (as at June 30th 2015) implies Net debt / EBITDA ratio of 3.0x.**
- **Mid-term it will increase but long-term goal of Management Board (when projects that are currently under construction will be fully reflected on EBITDA level) is to maintain Net Debt/EBITDA ratio below 3.0x.**
- **The ratio of Net debt / Equity and Equity / Assets ratio amount to 0.43x and 0.48x respectively.**

POLENERGIA

Cash flow analysis

Statement of cash flows (PLN m)	30.06.2015
A. Cash flows from operating activities	
I. Profit before tax	**49**
II. Adjustments	**2**
1. Depreciation and amortization	42
2. Loss on exchangedifferences	-1
3. Interest and shares in profits (dividens)	19
4. Loss (gain) from investing activities	3
5. Income tax	-8
6. Change in provisions	0
7. Change in inventories	0
8. Change in receivables	13
9. Change in current liabilities, excluding borrowings	-59
10. Change in accruals	-7
11. Other adjustments	0
III. Net cash flow from operating activities (I+/-II)	**51**
B. Cash flows from investing activities	
I. Cash received	**1**
II. Expenses	**(257)**
1. Purchase of intangible and tangible fixed assets	-257
2. For financial assets, including:	-1
3. Other investment expenses	0
III. Net cash flow from investing activities (I-II)	**-256**
C. Cash flows from financing activities	
I. Cash received	**170**
1. Net proceeds from issue of shares and other equity instruments	0
2. Credit and loans	170
II. Expenses	**(65)**
1. Dividends and other distribution to owners	0
2. Repayment of borrowings	-46
3. Payment of financial lease agreements	0
4. interest	-17
5. Other financial expenses	-2
III. Net cash flow from financing activities (I-II)	**105**
D. Net cash flow, total (A.III+/-B.III+/-C.III)	**(101)**
E. Balance transition of cash, including:	**(101)**
F. Cash and cash equivalents at beginning of period	**417**
G. Cash and cash equivalents at end of period	**316**

Interest elimination (presented in financing activity C.II.4-5) amounted to PLN 17m and the elimination of loans valuation (non-cash item).

Mainly CIT in ENS and operating wind farms.

Change of working capital, mainly in trading, distribution and ENS segment.

Construction of Skurpie and Gawowice and Mycielin WF and further projects development.

Long-term investment loans for Skurpie, Gawłowice and Rajgród WFs construction.

Investment loans and interest repayment drawn by the operating assets, mainly wind farms, ENS and Polenergia Obrót.

B Group strategy - supplement

POLENERGIA

Investment Thesis: market fundamentals, diversification, growth and valuation upside

Attractive market environment

- **Requirement for significant growth in renewable capacity in the context of the need to meet the Polish renewable target of 19% by 2020**
- **Strong ongoing support from EU with proposed 27% renewable target for 2030 and a 40% reduction of CO_2 emissions (from 2005 levels)**
- **Stable renewable support** giving optimal balance between green certificates and auction guaranteed prices
  - By YE 2015 planned wind farm installed capacity is c. 250 MW making Polenergia a renewable leader in Poland
  - 730 MW portfolio of wind farms, of which 336 MW will be ready for the first auction in 2016, will participate in auctions for guaranteed support which will result in improved financing terms

Diversified, renewable asset with strong growth – alternative to listed state utilities & very attractive valuation to peers

- **The only independent vertically integrated utility listed on the WSE offering significant value accretion compared to the state controlled utilities, as well as avoiding value dilutive exposure to the coal mining sector;**
- **Strong operating base** of c. 270MW generating capacity (wind/gas [incl. c.15% gas market share]) and exposure to 'infra-like' operating assets/projects
- **Significant pipeline**:
  - 98,6 MW under construction,
  - 336 MW to be ready for first auction,
  - 394 MW advanced development to be ready for auctions after 2016.
- **Significant offshore opportunity in Poland** – most advanced projects, which will be first farms to be built from within the 1.65GW offshore capacity projection by the Polish Government by 2030
- **Development of gas transmission pipeline** between Poland and Germany
- **Attractive Valuation:** offering significant discount to European listed renewable players

Seasoned organisation with sector and technology expertise

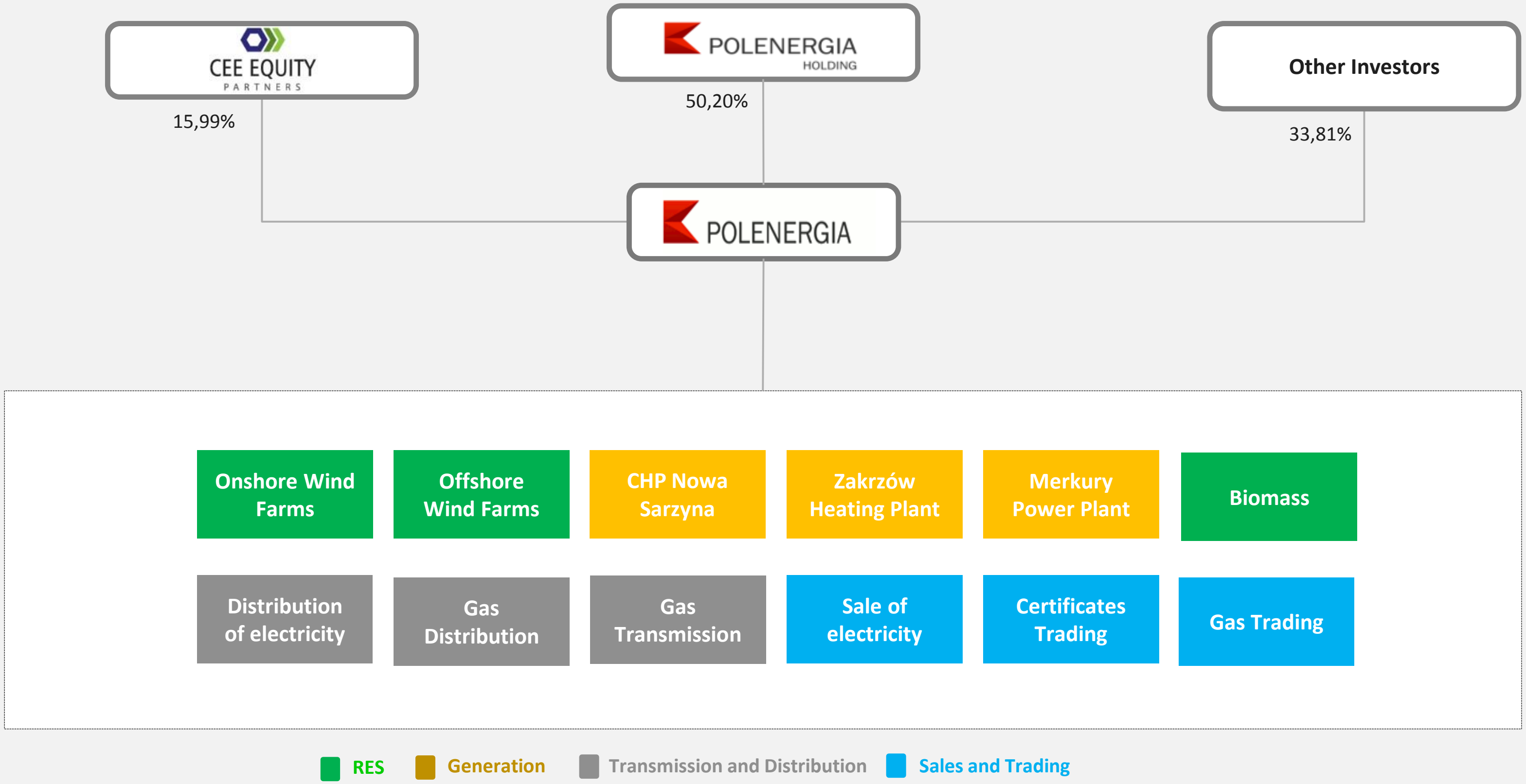
- **Strong management team with extensive sector expertise at all levels and a strong track record in the Polish market (responsible for development of >15% of total Polish gas fired and onshore wind operating capacity) ensuring high quality of operating assets and pipeline certainty**
- Track record of successfully managing transformation into multi-technology vertically integrated utility
- Proven ability to raise equity and debt financings in various markets

Stable shareholder base and dividend potential

- Listed vehicle providing for flexible funding and exit options
- Stable shareholder base supporting growth and strategy: Kulczyk Investments, the Chinese capital fund CEE Equity Partners (fund managers of China Exim-Bank - one of the largest banks in the world) and key Pension Funds
- **Dividend payout planned starting 2017**

POLENERGIA

Group Structure



- ✓ **August 18, 2014** contribution Polenergia Holding S.àr.l Group assets with Polish Energy Partners SA took place resulting in formal creation of Polenergia SA Group.
- ✓ At the same time, as a result of acquisition of 15,99% new shares by CEE Equity Partners Fund, PLN 240 m development capital was secured.
- ✓ The prospectus for the new issue of shares was approved in **February 2015**, and the shares are admitted to trading on WSE since **3rd March 2015.**
- ✓ Group long-term strategy is to grow as an integrated energy group present in all segments of the power market, with particular exposure to power generation from renewable sources and regulated electricity and gas infrastructure.

POLENERGIA

Group operations

	Generation	Transmission and Distribution	Sales & Trading
Renewable Generation (RES)	• Electricity generation in onshore wind farms – *operational and development activity* • Electricity generation in offshore wind farms - *development activity* • Electricity generation from biomass – *development activity*	• Distribution of electricity (regulated) • Distribution of gas (regulated) • Transmission of natural gas (pipeline Bernau – Szczecin) – *development activity*	• Wholesale trade and sale of electricity to final customers • Certificates trading (certificates of origin of renewable energy) • Gas trading
Gas Generation	• Electricity and heat generation (CHP Nowa Sarzyna) • Electricity and heat generation (Zakrzów and Mercury power plants)		
Coal Generation	• Electricity generation based on coal (Power station Północ) – *development activity*		

✓ Integrated power group present in all segments of the power market, with particular exposure on the generation of energy from renewable sources and regulated electricity and gas infrastructure, securing stable income and returns.

✓ At the same time long-term goal is to maintain an adjusted ratio of consolidated net debt to consolidated EBITDA of the Group after taking into account a fully the annual results of all wind projects commissioned after 2016 at a level of below 3x.

✓ The Group is the only vertically integrated, independent, power utility listed on the Warsaw Stock Exchange.

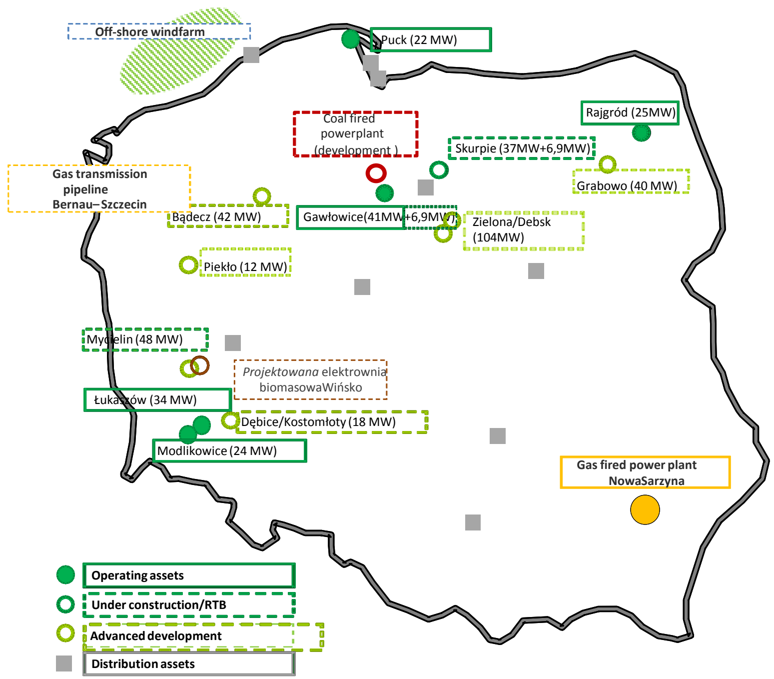
** Project will be implemented in the event of winning an auction in new support system in accordance with the Res Law.*

POLENERGIA

Renewable listed vertically integrated utility with predictable returns and strong near term growth profile

	Generation	Distribution	Sales / Trading
RES	PEP POLISH ENERGY PARTNERS • Operating and pipeline on-shore wind assets and offshore projects	POLENERGIA DYSTRYBUCJA • Specialised distributor and seller for: industrials, commercial and residential communities	POLENERGIA OBRÓT
Gas	Elektrociepłownia Nowa Sarzyna • CHP plant – infra-like profile	POLENERGIA • German-Poland gas interconnector project	POLENERGIA OBRÓT
Coal	Elektrownia Północ • Coal-fired power plant project	POLENERGIA DYSTRYBUCJA	POLENERGIA OBRÓT

Geographical location



Phase I: 2013-2016:

- Construction of 165 MW wind farms, of which 66,7 MW has been finished in 2014, 99 MW is in construction. By the end of 2015 the Group intends to have c. 250 MW wind farms in operations;
- 336 MW onshore wind farms will be ready to take part in first auction;
- Environmental decision for 1 200 MW offshore wind farms (grid connection agreement has been signed);
- Finalization of development of gas pipeline between Germany and Poland with capacity of up to 5 billion m3/year.

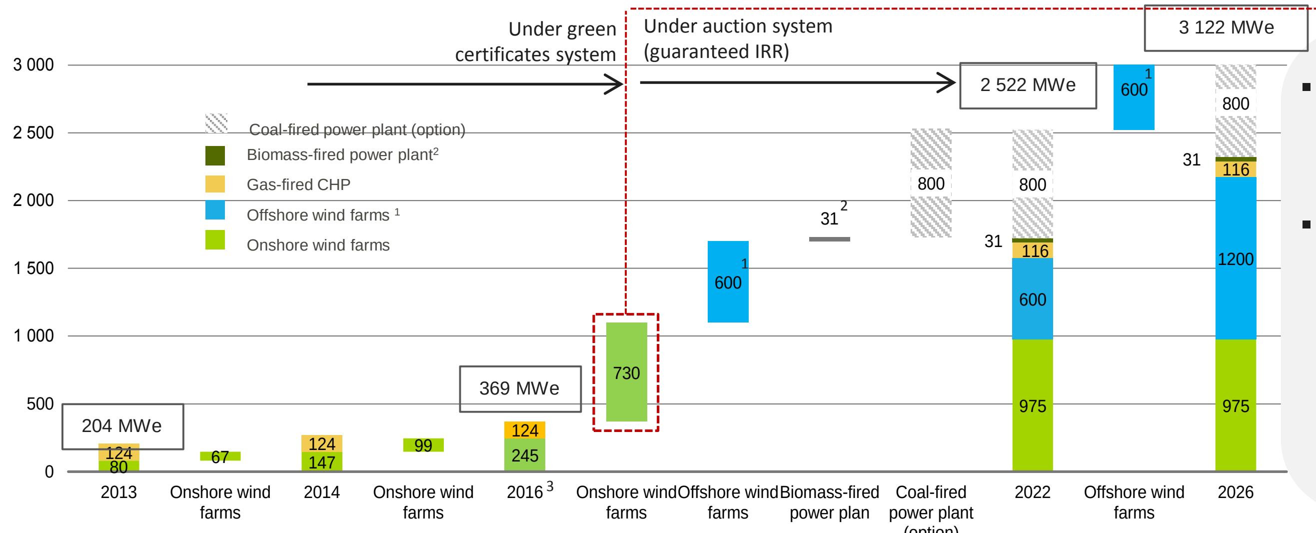
Phase II: 2017-2022:

- Participation in auctions with 730 MW wind farm portfolio and achieving potential operational capacity at the level of ca. 460 MW of wind farms in 2017 through participation in the first auction in 2016;
- Potential commencement of operations of 600 MW offshore wind farms and finalization of development of further 600 MW;
- Potential commencement of operations of gas pipeline between Germany and Poland with capacity of up to 5 billion m3/year.

POLENERGIA

Near term growth focused on near term, first-in-class 730MW renewable onshore pipeline

Potential capacity growth (MWe)



- 336 MW (out of the 730 MW pipeline) will be prepared to participate in the first auction in 2016;
- This will allow to maximize the probability of winning the auction. In subsequent years, the probability of success will diminish – that's why **Polenergia focuses on maximizing the number of projects ready to participate in the first auction in 2016**.

1 Offshore wind farms: chart takes into account 100% of installed capacity, of which Polenergia plans to potentially keep the share of 50%
2 Biomass power plant project will be implemented in the event of winning an auction in new support system in line with the RES Act
3 Approximately 580 MW at the end of 2017 - this means that the Group maintains plans for potential operating capacity of wind farms of ca. 460MW (shift of approx. 160 MW from green certificates system to auction system due to the lack of a transitional period in the RES Act).

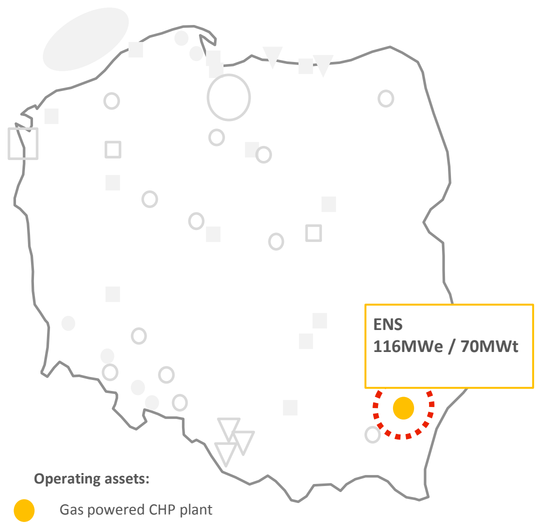
- ✓ **Installed capacity:** 369 MWe by 2016 (of which 245MW onshore – Nr 2 in Polad) and ca. 580 MW (of which ca. 460 MW onshore wind farms) by 2017. Potentially ca. 1,7GW (including almost 1000 MW onshore and 600MWe offshore wind farms) by 2022;
- ✓ **Portfolio of 730 MW of onshore wind farms Nr 2 in Poland (Phase II after 2016):** it is also possible to sell up to 100% of selected onshore wind farms projects developed after 2015 in auction system (before or after winning the auction) in order to increase potential dividends;
- ✓ **Financing:** Phase I until 2016 will require funding from own resources and debt financing within the "project finance„ formula;
- ✓ **Offshore wind farms**: advanced development, construction and maintenance of offshore wind farm projects is only possible with a partner acquired as a result of sale of a stake, after obtaining the environmental decision as well as support system;
- ✓ **Other:** the Group assumes selling coal-fired power plant project in 2018. However, in case of the right market signals it may be possible to continue the project after the prior consent of the shareholders.

Gas-fired CHP – operational portfolio

Description

- Natural gas powered CHP plant with a capacity of 116 MWe and 70 MWt.
- Modern asset, which began commercial operations in 2000.
- Operating with high efficiency unit works as a power system.
- Produced energy is ejected by the three above-ground transmission lines with a capacity of 110 kV.
- CHP meets polish environmental standards.
- Fixed income and cash flow of stranded costs for 2020.
- ENS after 2020 will operate a gas turbine and a steam turbine, producing electricity and heat in combination. The Board assumes that the second turbine will be used as a power source for the intervention of the National Power System based on the agreement to share power with the operator of the National Power System. In addition, Nowa Sarzyna CHP as a source will be able to provide a service of the National Power System reconstruction under an agreement with the operator of the system;

Location and power



Technical Specifications

Installed capacity	116 MWe, 70 MWt
Net capacity	113 MWe
Avg. net output	Electricity ca. 760 MWh Heating ca.. 530TJ
Technology	CCGT
Fuel	Natural gas / fuel oil backup
Efficiency	HHV (48,6%), LHV (54,0%)
Type	2*1 CCGT Thomassen (GE) frame 6
COD	2000
Availability	93,80%

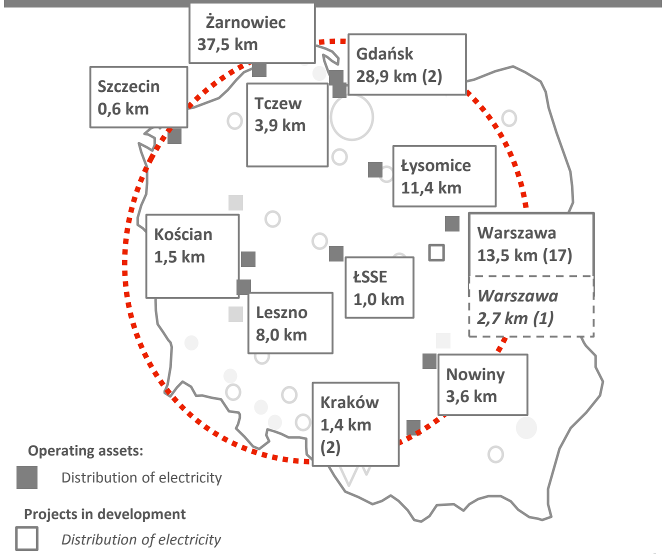
Compensation formula

- ENS generates revenue through the sale of electricity and heat, additionally receives compensation for stranded costs, compensation for gas and yellow certificates.
- Guaranteed compensation for stranded costs sufficient to cover all the costs of fuel and operating expense (EBIT = 0). It is calculated in such way to balance power and heat sales minus the cost of fuel and operating expense.
- Depreciation (included in the compensation) allows for debt service and interest costs.
- Gas Compensation and yellow certificates directly increase the profit before tax.

POLENERGIA

Energy distribution

The length of the distribution network (number of projects)



	In use	In development	Total
Distribution power	75 MW	1 MW	76 MW
Distribution volume	262 GWh	3 GWh	c. 265 GWh
Number of projects	29	1	30
Final users	8,2k	0,4k	ca. 8,6k
The length of the medium-voltage lines (km)	111,3	2,7	114
Number of substations	86		
Number of transformers	143		

Polenergia Distribution

Description

- Polenergia Distribution is a niche distributor of electricity to industrial, retail and commercial customers, ie. residential areas, factories, office buildings and shopping centers.
- Regulated entity based on WACC / WRA with approved investment plans.

Projects in development

- 1 project based on contracts with developers of housing and industrial partner.
- All regulated in accordance with the system WACC / WRA with approved investment plans.
- Excellent platform for expansion on a larger scale in the distribution of energy.

Increase in value and benefits for customers

Increase of value

- Obtaining a license to distribute electricity for the electrical infrastructure (ie. the "last mile") in non-residential buildings, ie. shopping centers and office buildings.
- Effective use of cooperation between the regulated activities (distribution of electricity) and commercial (sales of energy).
- Providing partners with opportunities to optimize the cost of electricity infrastructure during construction and maintenance.
- Effective use of cooperation within the Group.

A unique package of benefits for customers

- 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.
- Risk of delays in payments for electricity transfered to company.
- The ability to change vendors (TPA) by the customers.

POLENERGIA

Commercial activities (Polenergia Obrót)

Review of Polenergia Obrót (trading)

- Central platform for trading and risk management located in Warsaw.
- In January, 2013 the company took over the former Vattenfall Trading team operating in the energy markets in the CEE region.

Polenergia Obrót (2014)	
Energy sold	12,7 TWh
Natural gas sold	95 GWh

Commercial activity

Expertise in the wholesale electricity trading, property rights and natural gas. The company has licenses for electricity trading, trade in gas fuels in Poland and foreign trade.

Important role in the value chain of Polenergia Group - market access, transfer of knowledge and information about the market, optimizing business processes, portfolio management.

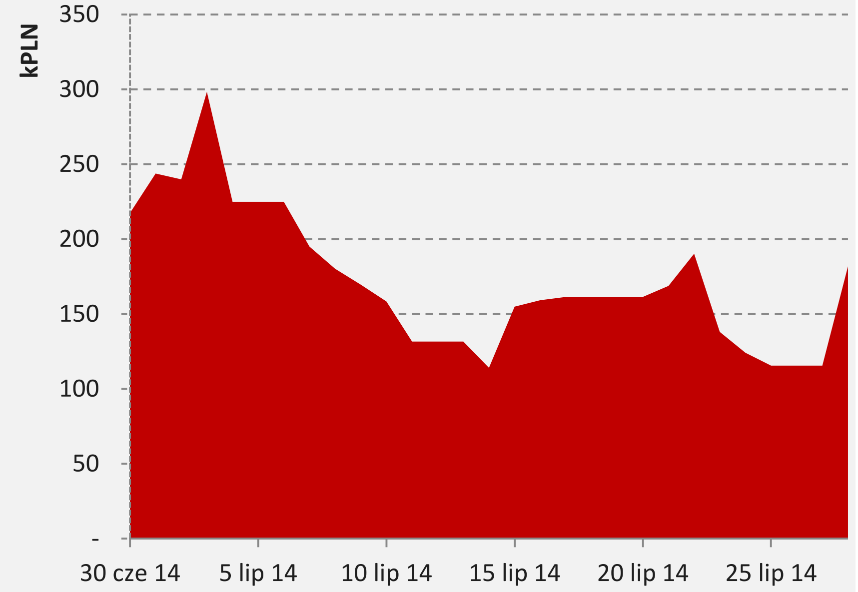
Proprietary trading (trading on the stock exchange and OTC)

Low risk profile

Trade based on the physical delivery of the product

Limited risk profile - monitored daily

Historical Value at risk of Polenergia Obrót (kPLN)



- Polenergia Obrót has a very conservative approach to risk management.
- Daily risk at prudent levels of about 99% VaR, ca. 200kPLN
- Historical VaR is below specified limits

POLENERGIA

Other operating assets and projects

Coal power plant - Power station Północ

- 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.

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

Biomass power plant

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

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

Zakrzów heating plant

- The plant with heat power of 23 MW located in Wroclaw
- Energy is produced from natural gas supplied by PGNiG distribution network
- Built in 2000 in order to provide electricity and heat to Whirlpool under long-term contract (valid up to approx. 2020).
- Built by Polenergia turnkey, along with the necessary infrastructure (gas pipeline and terminals)
- Whirlpool is the sole user of the produced thermal energy

Power Plant Mercury

- 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.

Production of pellet

- 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
  - Factory Północ, located in Sępólno Krajeński
  - Factory Południe, located in Ząbkowice Śląskie
  - Factory Wschód, located in Zamość

	Factory Północ	Factory Południe	Factory Wschód
Start-up	2009	2010 i 2011	2012
Annual production (tons)	36k	52k	50k

C Regulatory framework (EU Policy, Law on RES)

POLENERGIA

Strong state support reflected in the new renewable act

Projects in Operation and in Construction: Green Certificates

Projects in operation and development/construction: Green certificates system is optional for all projects commissioned before the new renewable regulations become effective (which is before 1st January 2016) .;

Long Term Support Maintained: 15 years from date of operation, continuation of Green Certificates System

High level of Substitution Fee: frozen at c. PLN300/MWh (after indexation in 2014)

Provisions for re-balancing of Green Certificate supply & demand which will lead to stabilization of green certificate prices on the level of Substitution Fee:

- Supply: significant limitation of qualification for certificates which will eliminate c.50% of supply through elimination of support for hydro plants above 5 MW capacity, and reduction of support for biomass co-firing to 0.5 per MWh if share of biomass in fuel mix (calorific value) is below 20%
- Demand: renewable obligation target for sales to final customers set at at 14% in 2015, 15% in 2016 and 20% in 2017 and will be determined annually based on the projected amount of electricity to be generated from RES therefore allowing to balance demand and supply of green certificates. The option to pay the Substitution Fee will be removed in the event of certificate prices falling in average below 75% of the fee value in the period of 3 month preceding the obligation fulfilment date. Unfavourable tax treatment of costs resulting from Substitution Fee will be introduced this will result in increasing demand for Green Certificates and increasing its prices to the level close to the substitution Fee. Market prognosis used by the Management long-term assume that new RES regulations will keep green certificate prices on the level of Substitution Fee (c. PLN 300/MWh)

Bilateral Contracts permitted: New regulations allow to sell certificates under long term contracts

Option to move to the Auction/Feed-in Tariff system: all projects under the green certificates system will have the opportunity to move to the feed in tariff through an auction system (besides the co-combustion installations, if the share of biomass energy in the fuel mix of the installation is less than 20%).

✓ **Changes in the support system provide safe cash flows for existing wind farm projects with attractive IRRs**

✓ **Law has been approved signed by president**

New Projects: Auction/Feed-in Tariff

Long Term Support Maintained: support for 15 years from date of operation through Feed-in Tariff in Reverse Auction system giving fixed price contracts for 15 years

Simple Reverse Auction Mechanics:

- Target amount of energy produced in five 3-year settlement periods will be auctioned
- Ministry of Economy will determine every year the Reference Price for each technology taking into account average CAPEX and OPEX for standardized project
- only offers with proposed price equal or lower than the Reference Price for given technology will be taken into account
- all technologies will be able to participate in the auction mechanism
- pool of offers with lowest prices that meets the volume under given auction will be granted contracts based on the winning offer price for 15 years with price indexed annually (CPI)

Bilateral Contracts permitted: producer will be able to sell the electricity to anyone, either in the market for example in bilateral contracts (including energy groups) or to Seller which will be obliged to buy it. Differences between the price achieved through auction and the market prices (determined based on TGE quotations) will be settled by a Governmental Agency **(contract for difference mechanism)**

Envisaged offshore auctions:

- Dedicated auctions for technologies producing more than 4000 MWh per annum (effectively excluding all technologies except offshore and dedicated biomass);
- Ability to participate in the auctions at environmental decision stage without the requirement of a building permit will decrease development risk;
- Extended construction period to 72 months (allowing for construction of offshore farms)

✓ **Feed in tariff through auction system for new projects provides fixed price with secured return and limited market exposure**

POLENERGIA

New renewable act - positive impact on Polenergia Group

Operating projects: green certificates issued for a period of 15 years provide attractive financial flows for both existing wind farms (146.7 MW) and projects under construction (98.6 MW) to be launched by 2015.;

The choice between existing and new support system: existing wind farms have the ability to move at any time to the auction system, the feed-in tariffs will be economically more advantageous than the prices obtained in the present system of support. If the wind farm does not win the auction, it will remain in the system of green certificates under the same conditions with the option of joining the next auction;

The auction system introduces stability by offering operational „upside”:

- No risk of changes in market prices of energy in auction system: tariff guaranteed by the auction system for new projects will be based on a fixed and indexed annually price for the duration of support (no risk associated with changes in the prices of electricity);
- Potential of additional return on operational efficiency: based on the Regulatory Impact Assessment published by the Ministry of Economy, together with the historical draft version of the Renewable Act, reference prices should be determined taking into account the average rate of return IRR of 12% assuming an average gross yield of 27%. Projects of the Group's portfolio have an additional competitive advantage due to a higher average productivity;

Focusing on key area of activity: as the LCOE for onshore wind farms is the lowest among all renewable energy technologies, and is expected to decline further, it is expected that this technology (together with biomass) will dominate the new system of support. In addition, it is anticipated that support for offshore wind farms, is to be regulated with separate rules for projects that begin after 2020 - this is in line with the Group's strategy, which involves the development of offshore projects with the agreed conditions of connection to the network and completion in the years 2022 -2026;

Trading Synergies: the additional profits and income stability are achieved through cooperation with Polenergia Trading, which with access to a wide portfolio of clients and wholesale market can realize the full trading margin and allow the Group to obtain favorable prices of electricity and green certificates and securing positions on the futures market.

POLENERGIA

Energy Policy of the European Union

EU Energy Policy Objectives to 2020: based on EU Directive 2009/28/WE, by 2020 the share of renewable energy in total energy production in Poland is to reach 15%. According to the National Plan of Action adopted by the government in 2010, in order to fulfill this obligation, the share of renewable energy in the total amount of electricity generated should reach 19.13% in 2020. Currently, 10.3% of the energy produced in Poland comes from renewable sources (data at the end of December 2013) which means that it is necessary to increase by 8.8%.

Further tightening of environmental requirements after 2020: In addition, according to the climate package agreed in October this year by the Council of the European Union, till 2030 CO2 emissions should be reduced by 40%, while the share of energy from renewable sources in energy production will amount to 27%. In order to achieve obligations under the climate package, Poland should continue to develop renewable energy sources.

EU requirements in line with global trends: investing in renewable energy is a global trend, backed up by strong economic arguments (energy costs in many cases lower than in conventional sources) and environmental (reduction of greenhouse gas emissions). At the moment, the leaders in the development of renewable energy sources outside of Europe are China, Brazil, India and Mexico. In renewable energy they see opportunities to provide clean (ecological) energy based on internal resources. In addition United States despite being very skeptical about global warming, continue development of renewable energy sources. According to Bloomberg New Energy Finance, the share of renewables in total energy capacity installed in the world will increase from 28% in 2012 to 48% in 2030. Wind farms will dominate, its share in the total installed capacity will increase from 5% in 2012 to 17% in 2030. Total investment in renewable energy in the world is currently more than $ 250 billion.

- ✓ **The main assumptions of the EU Energy Policy to 2020 concern the increase of the share of renewables in energy production and the reduction of greenhouse gas emissions**
- ✓ **EU Energy Policy Objectives to 2030 are a continuation of those assumptions and stimulate further growth of RES and decline of emissions**
- ✓ **The objectives of the EU's climate policies are consistent with global trends. Outside Europe, intensive development of renewable energy proceeds among other 2 largest economies in the world, ie. in the US and China**

D Comparable Valuation – Peers description

POLENERGIA

Comparable Valuation – Peers description

Company	Country	Description	Capacity	Why comparable?/Comment
ENEL GREEN POWER	ITALY	Enel Green Power SpA is the Enel Group company fully dedicated to the development and management of power generation from renewable sources. The Company manages wind, solar, hydroelectric, geothermal and biomass plants in Europe, North America, Latin America and Africa.	In operation: 9807 MW (25,2%) Under Construction: 1661 MW (4,3%) RTB: 1411 MW (3,6%) Pipeline: 26 GW (66,9%) **Total: 38879 MW**	-largest share of wind projects in renewable portfolio mix -has significant pipeline
EDP RENOVAVEIS S	SPAIN	EDP Renovaveis SA designs, develops, manages and operates power plants. The Company generates electricity using renewable energy sources mostly wind energy.	In operation 9036MW (71,0%) Under Construction: 601 MW (4,7%) Pipeline: 3083 MW (24,2%) **Total: 12720 MW**	-specialize in wind projects -99% operating projects are wind farms -has operations in Poland -1.4 GWin UK and 430MW in France of offshore pipeline
FALCK RENEWABLES	ITALY	Falck Renewables SpA produces energy from renewable sources. The Company is creating a portfolio of wind energy projects across Europe, focusing on certain key countries including the UK, Italy, Spain and France.	In operation 727,14MW (71,4%) Under construction 101MW - Wind (9,9%) Under development 190MW (18,7%) **Total: 1018,14 MW**	-largest share of wind projects in renewable portfolio mix -focused on European market -large share of operating assets
ALBIOMA SA	FRANCE	Albioma is an independent energy producer developing and operating projects in the three fast-growing sectors of thermal biomass, anaerobic digestion and solar power.	In operation: 701MW (83,4%) Under construction/development: 140MW (16,6%) **Total: 841 MW**	-specialize in renewable projects -operations mainly in France and Mauritius
THEOLIA SA-REGR	FRANCE	Theolia SA is an independent international developer and operator of wind energy projects. The Group designs, builds and operates onshore wind farms.	In operation 1200MW (80%) Under development 300MW (20%) **Total: 1500 MW**	--specialize in wind projects -operations in Germany, France Italy and Morocco
ALERION	ITALY	Alerion Cleanpower SpA is a renewable energy utility company. The Company specializes in the wind sector.	In operation 271,7MW (70.8%) Authorized / In progress 112MW (29,2%) **Total: 383,7 MW**	-mainly focused on wind -comparable size -most sites in Italy however also in CEE (Romania and Bulgaria)
FERSA	SPAIN	Fersa Energias Renovables SA develops and invests in wind energy, biomass and other renewable energy projects, particularly using government subsidies, as well as waste treatment.	In operation: 252,8MW (32,5%) Under construction: 34MW (4,4%) Prioritized: 64,6 MW (8,3%) Under development 427,5MW (54,9%) **Total: 778,9 MW**	-wind focused -has operations in France, Spain and India -has significant pipeline