



RENEWABLE ENERGY



CONVENTIONAL ENERGY



DISTRIBUTION



TRADE

GK POLENERGIA

1Q 2015 Results and Group Strategy

May 2015

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Financial Results and key aspects of the Group strategy

SUMMARY OF 1Q 2015

- **Market Capitalization** ca. PLN 1.5 bn;
- **Earnings growth in 1Q 2015** (year-on-year):
 - Adjusted EBITDA: growth by PLN 20,4m (+45%) from PLN 45m to PLN 65,4m
 - Adjusted Net Profit: growth by PLN 12,3m (+75%) from PLN 16,3m to PLN 28,6m;
- **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, estimated incremental production of these farms in 2016 will be approximately 280 GWh;
 - 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;
- **Cancellation of equity issue**: due to lack of external capital needs;
- **2015 Forecast confirmed**: Polenergia confirms the planned realization of the 2015 forecasts (32% of the 2015 forecast has been already realized at the EBITDA level and 40% at the net profit level);

Q1 2015 results and realization of forecast for 2015

Data in m PLN	Q1 2014 Actual	Q1 2015 Actual	Q1 14 / Q1 15 diff	Q1 14 / Q1 15 diff %	2015 Forecast	% realized
Adjusted EBITDA	45.0	65.4	20.4	45%	204.0	32%
Adjusted net profit	16.3	28.6	12.3	75%	72.4	40%

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

Presented adjusted data do not include effect of:

At the EBITDA and net profit level:

- Settlement of purchase price allocation (PEP and PE assets merger that took place in 2014),
- Potential fundraising costs,

Additionally at the net profit level:

- Financial result on loan valuation,
- Financial result on FX.

Consolidated results for Q1 2015 - P & L

Q1 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) [PLN m]	For the period ended 31.03.2015	For the period ended 31.03.2014	Diff	Diff [%]
Revenues from sales	677.8	648.5	29	
Including trading segment	490.8	475.6	15	
Cost of sales	(625.6)	(611)	(15)	
Including trading segment	(487)	(474)	(13)	
Gross profit on sales	52.2	37.8	14.3	38%
Adjusted EBITDA	65.4	45.0	20.4	45%
Adjusted Net Profit	28.6	16.3	12.3	75%
Adjusted EBITDA (excluding trading segment)	65.4	45.7	19.8	43%
Adjusted EBITDA margin (excluding trading segment)	35.0%	26.4%	8.6%	

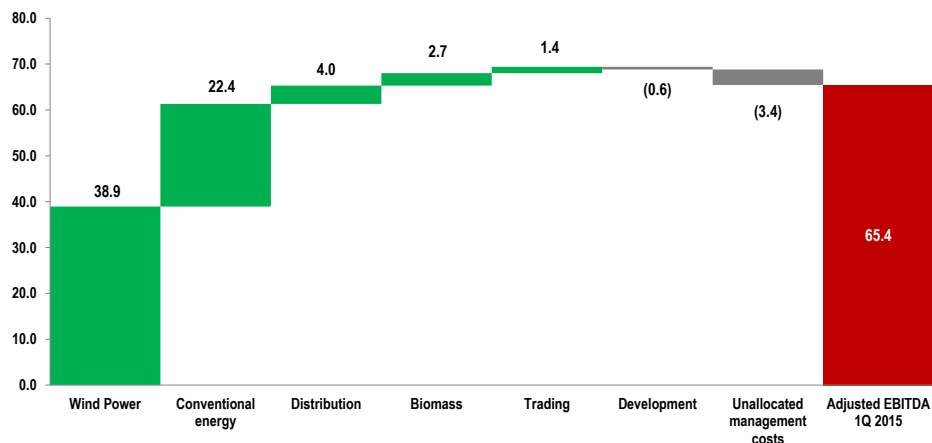
Increase of sales revenues (excluding Trading segment) results from development of wind segment (start of WF Gawłowice and Rajgród operations in 2nd half of 2014).

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

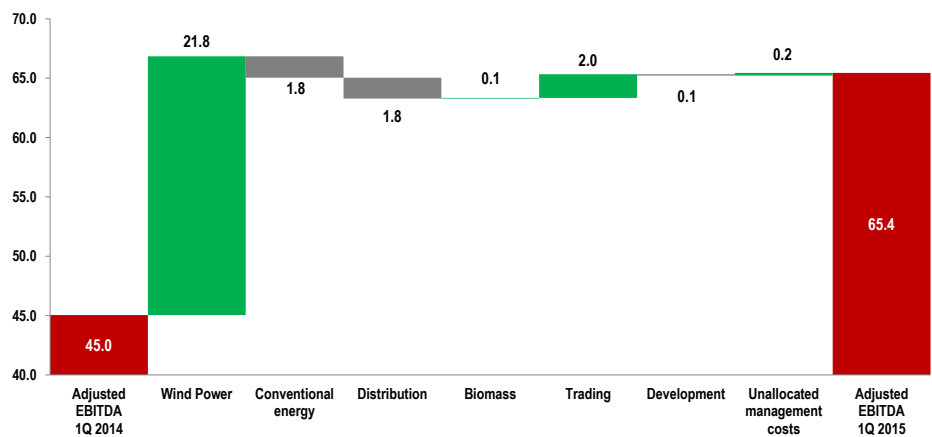
The Group's results demonstrate a significant increase of adjusted (normalized) EBITDA and net profit (EBITDA of PLN 20.4 million (45%) and net profit of PLN 12.3 million (75%) respectively y/y).

Consolidated results for Q1 2015 – EBITDA Analysis

EBITDA Build-up Q1 2015



EBITDA Bridge Q1 2015 / Q1 2014



- Operating segments after assets' review and cost optimization performed in the 2013 generate stable results and show high profitability (EBITDA margin excluding trading 35.0% in Q1 2015 vs. 26.4% in Q1 2014).
- Conventional energy and power distribution segments provide stable EBITDA and CFO.
- After operational restructuring also biomass segment generates stable cash flows.
- There is growing role of trading segment in the Group.
- 98.6 MWe of wind farms are under construction (WF Skurpie, WF Mycielin, extension of WF Gawłowiec) with planned commissioning by the end of 2015. Forecasted impact on total energy sales of the Group amounts to ca 280 GWh per year.

- Due to launch of new wind farms (Gawłowiec, Rajgród) in 2nd half of 2014 and favourable wind conditions there is significant increase of **wind power** result (by PLN 21.8m).
- Improved **trading** result (EBITDA increase by PLN 2m 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 in line with expectations. Decrease y/y is due to Q1 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 Q1 2014).

Cash flow analysis

Statement of cash flows (PLN m)		31.03.2015 r.
A. Cash flows from operating activities		
I. Profit before tax		36
II. Adjustments		31
III. Net cash flow from operating activities (I+/-II)		67
B. Cash flows from investing activities		
I. Cash received		1
II. Expenses		(100)
III. Net cash flow from investing activities (I-II)		(100)
C. Cash flows from financing activities		
I. Cash received		33
II. Expenses		(44)
III. Net cash flow from financing activities (I-II)		(11)
D. Net cash flow, total (A.III+/-B.III+/-C.III)		(44)
E. Balance transition of cash, including:		(43)
F. Cash and cash equivalents at beginning of period		417
G. Cash and cash equivalents at end of period		373
Debt		784
Net debt		411

Depreciation accounts for PLN 21m. The rest of the amount results from the interest elimination (presented in financing activity), the elimination of loans valuation (non-cash item) and the change in working capital.

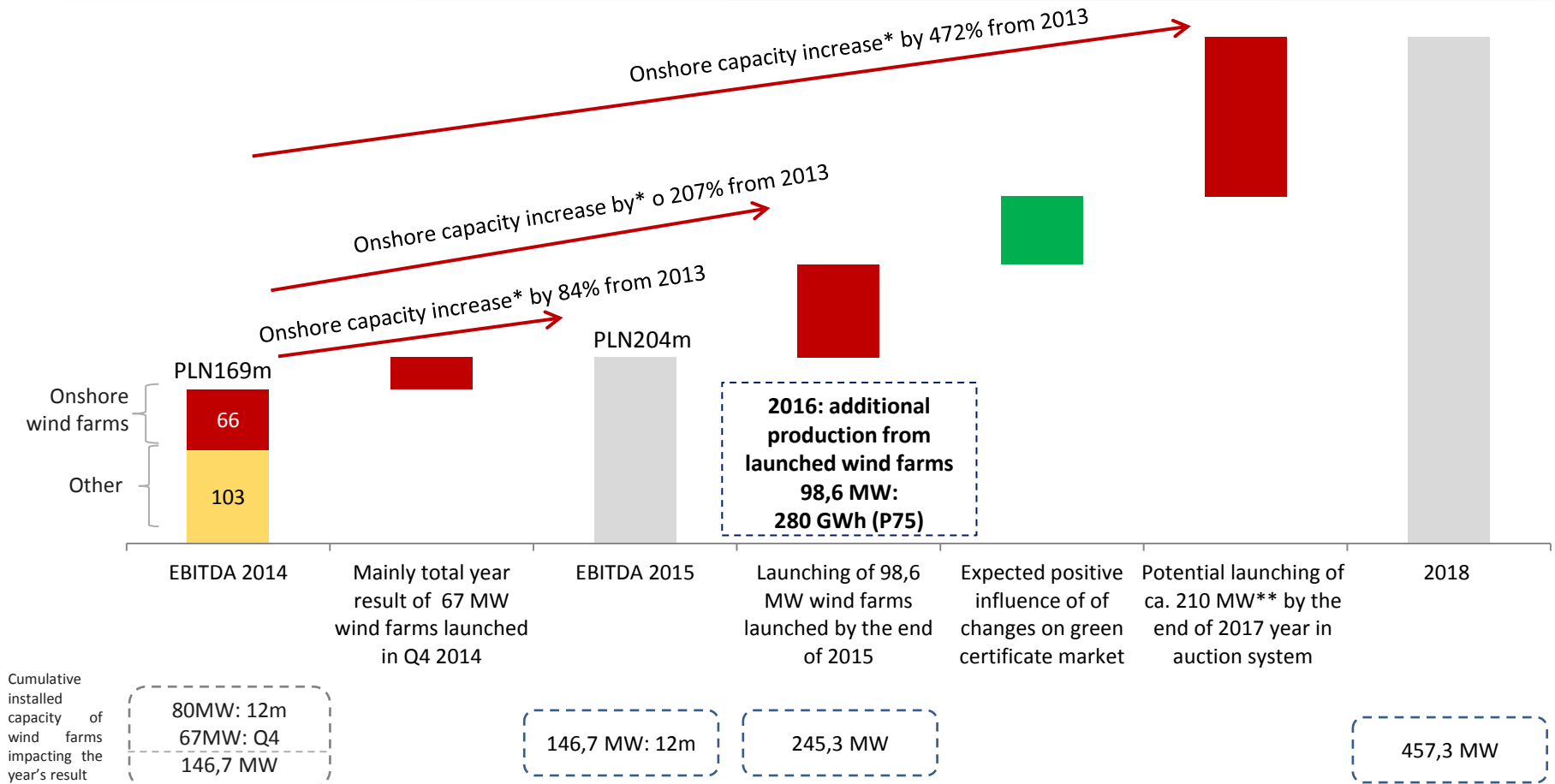
Construction of Skurpie and Gawowice WF and further projects development.

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

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

Adjusted EBITDA for last 12M (from April 1st 2014 to March 31st 2015) amounted to PLN 189.4m, which compared with net debt of the Group at the level of PLN 411m (as at March 31st 2015) implies Net debt / EBITDA ratio of 2.2x.
The ratio of Net debt / Equity and Equity / Assets ratio amount to 0.3x and 0.5x respectively.

Unparalleled EBITDA/Cash Flow growth in the near future



Equity research analysts opinion confirms value growth potential:

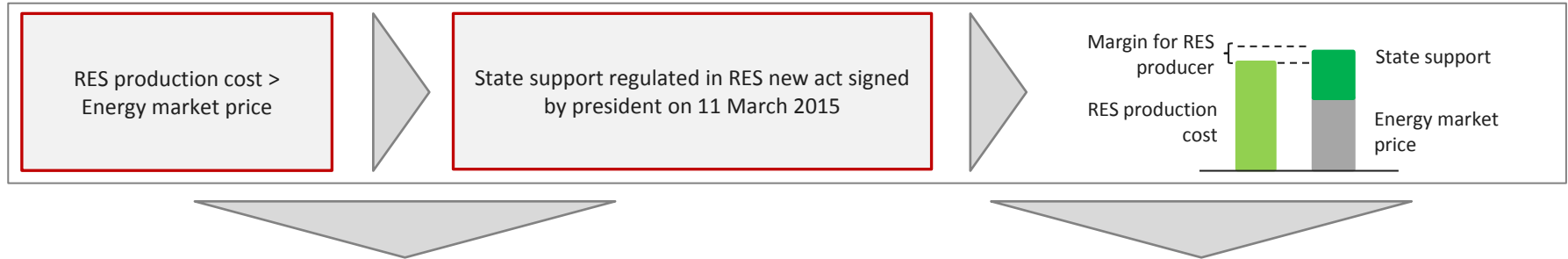
- **Societe Generale:** 12m Target Price 45.1 per share (February 2015);
- **BZ WBK:** 12m Target Price 41.3 per share (April 2015);

* Compared to 80MW, as next 67MW was launched in Q4 2014

* 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

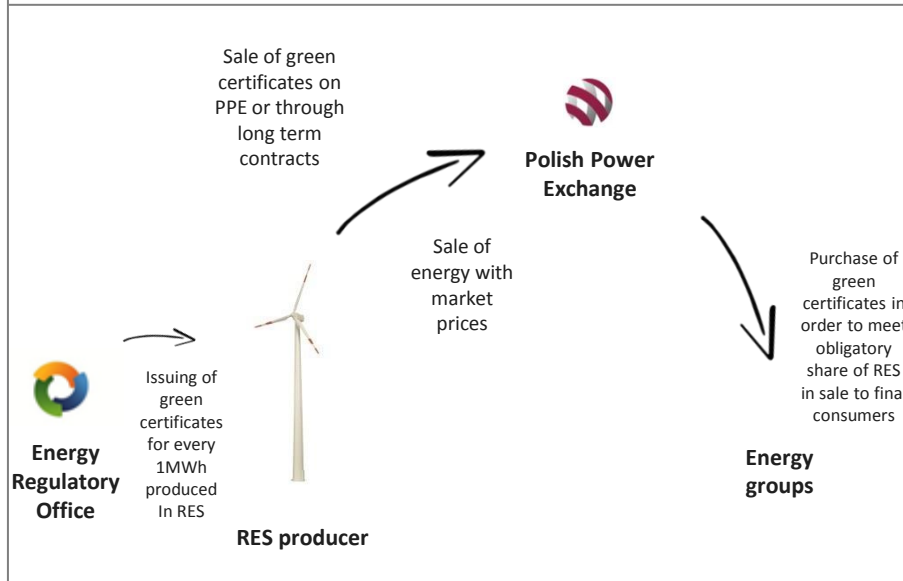
The new renewable act secures highly attractive economic conditions

RES state support mechanics



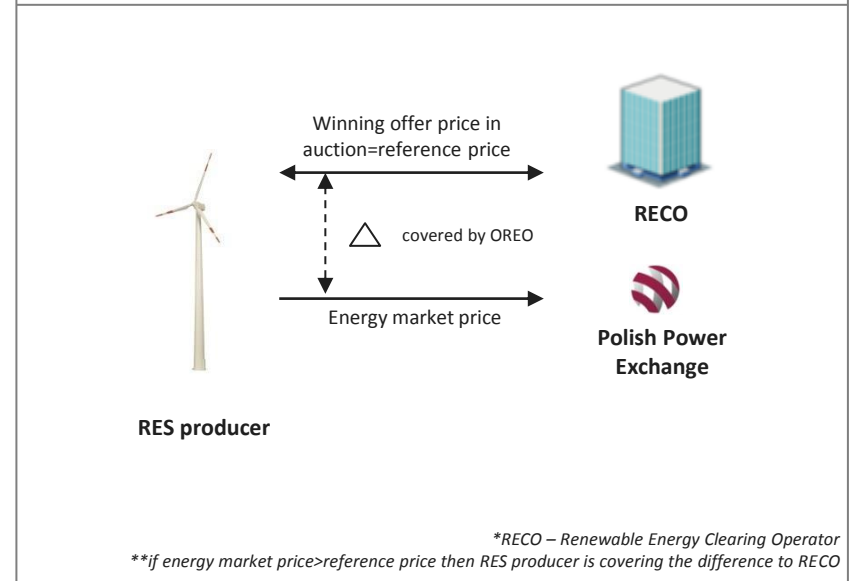
Green Certificates System

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



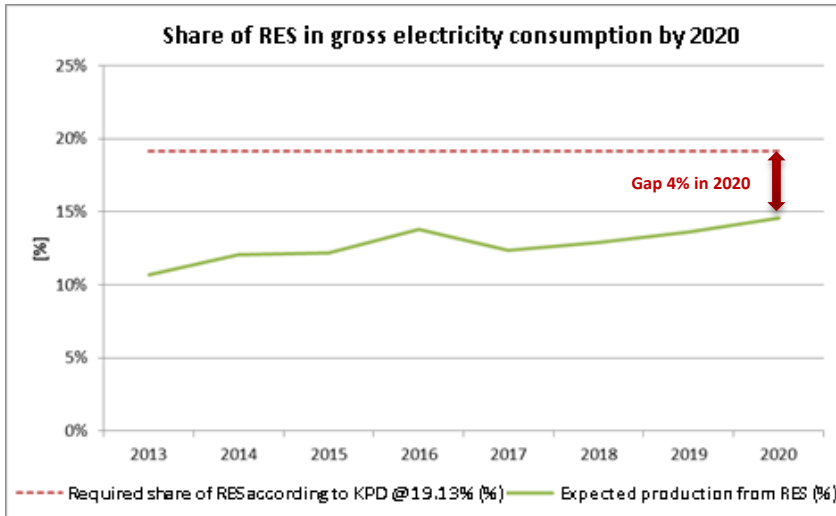
Auction System

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



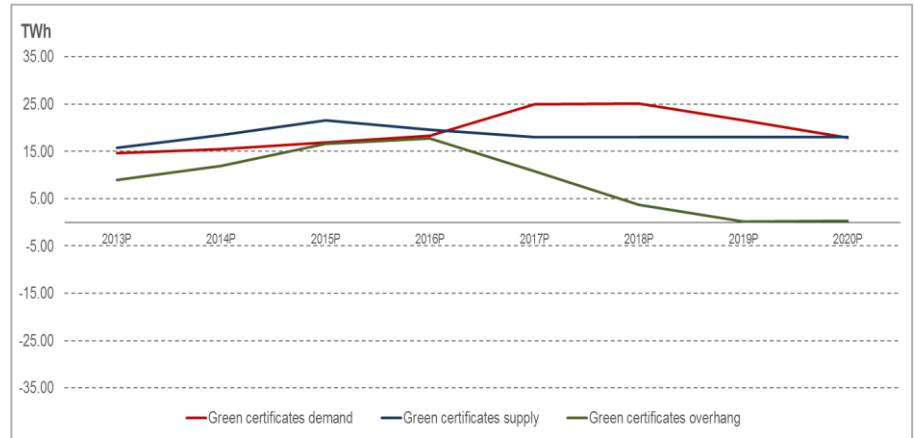
Attractive market environment due to EU Energy Policy as well as New RES law

Required increase of RES production in electrical energy consumption



- The implementation of the reduction objectives (obligation to reduce CO₂ 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);
- **Conclusion 1:** The development of renewable energy technologies with the lowest LCOE relation to CO₂ reduction effect is necessary in order to meet Poland CO₂ 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.
- **Conclusion 2:** 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

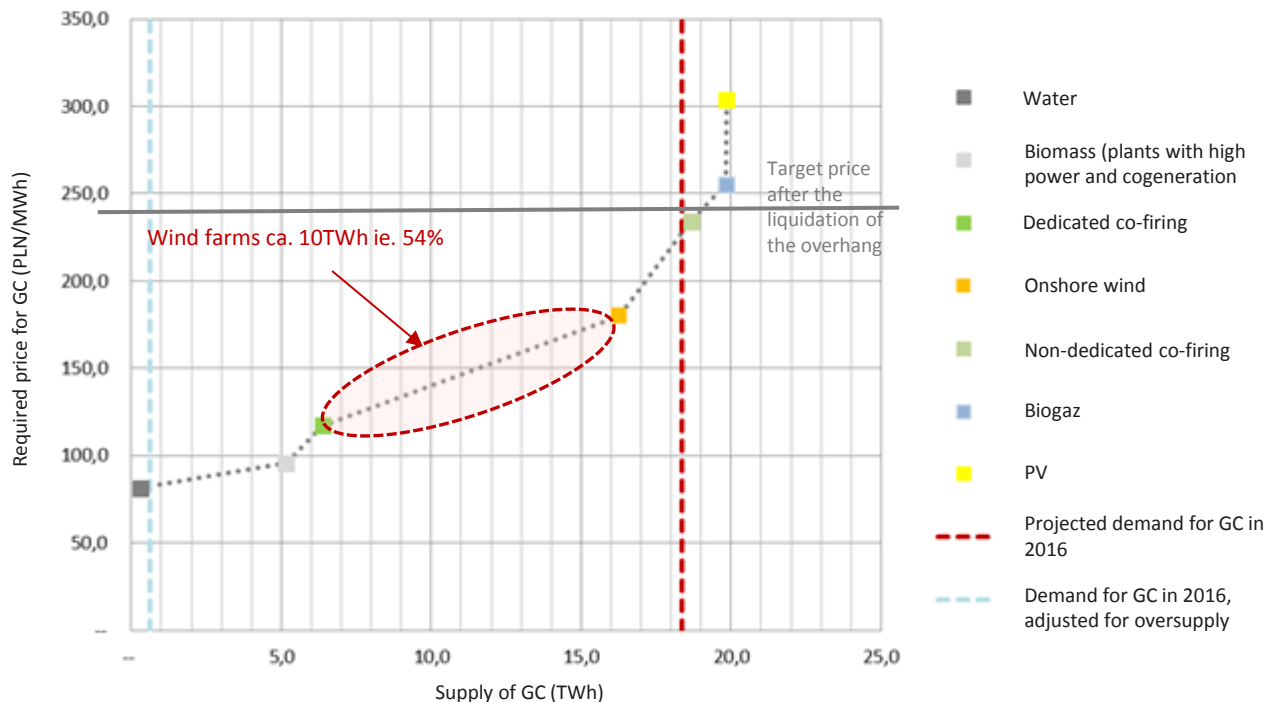


Management believes it is likely that the oversupply of green certificates will be reduced by mechanisms contained in the New RES Law aimed to lower the supply, among which the most important are:

- 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 after 2016 and gradual reduction of the surplus to 2019. The Management thinks that balancing supply and demand will mean that the certificate prices stabilize at a level similar to the substitution fee

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



Source: own

- The projected annual demand for green certificates increases to approx. 18,4 TWh in 2016 and 24,4 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. 35% of the demand for ZC while the volume produced by wind farms will be the largest and will be around. 10 TWh ie. 54% 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);

Operating 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;

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

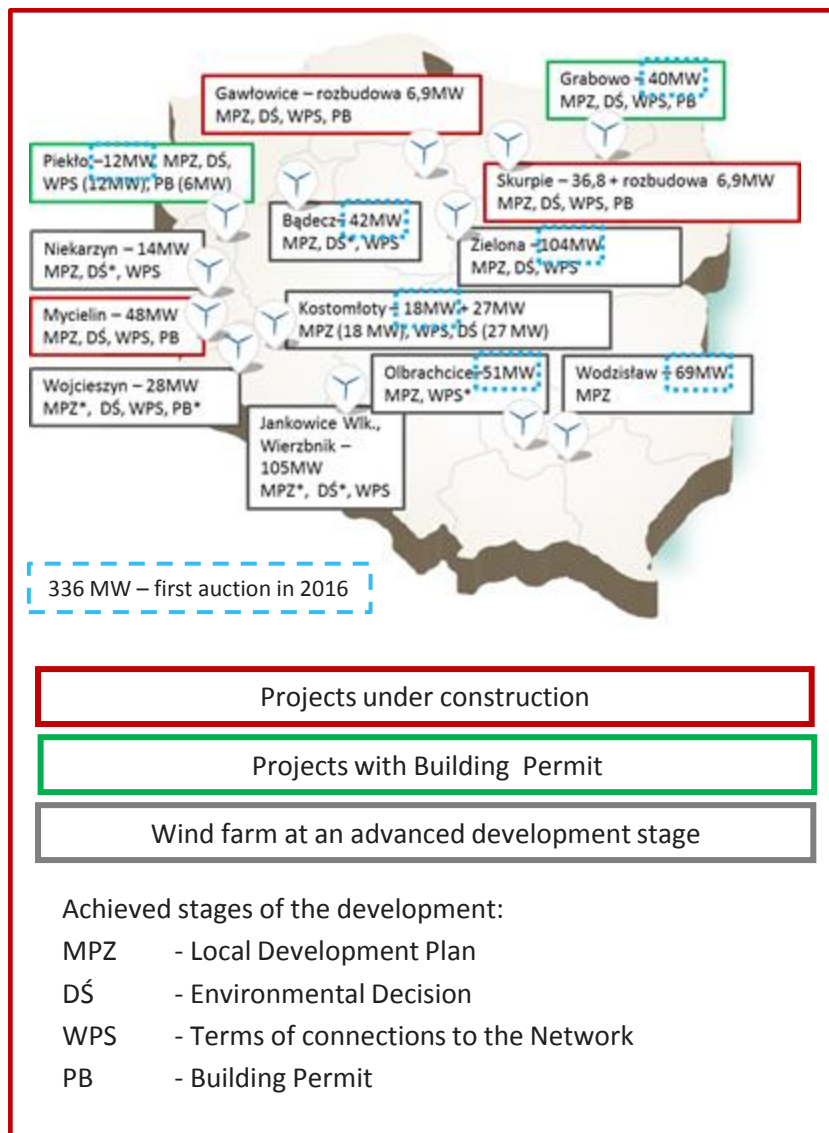
#	Location	Power (MW)	Status	COD
6	Skurpie	36,8	Construction	2015
7	Gawłowice (expansion)	6,9	Construction	2015
8	Skurpie (expansion)	6,9	Construction	2015
9	Mycielin	48	Construction	2015

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

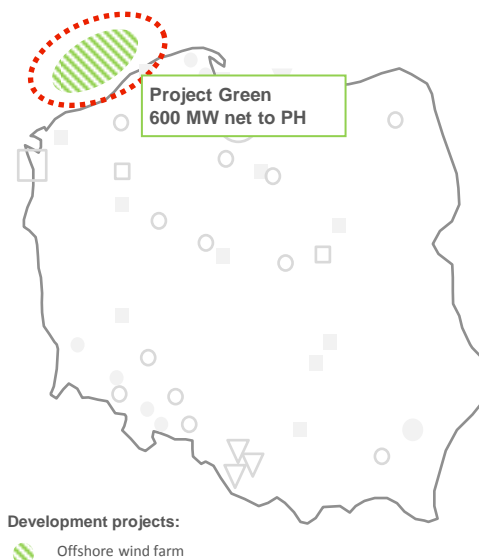


A key element of the strategy - Leading offshore wind farms developer in Poland

Description

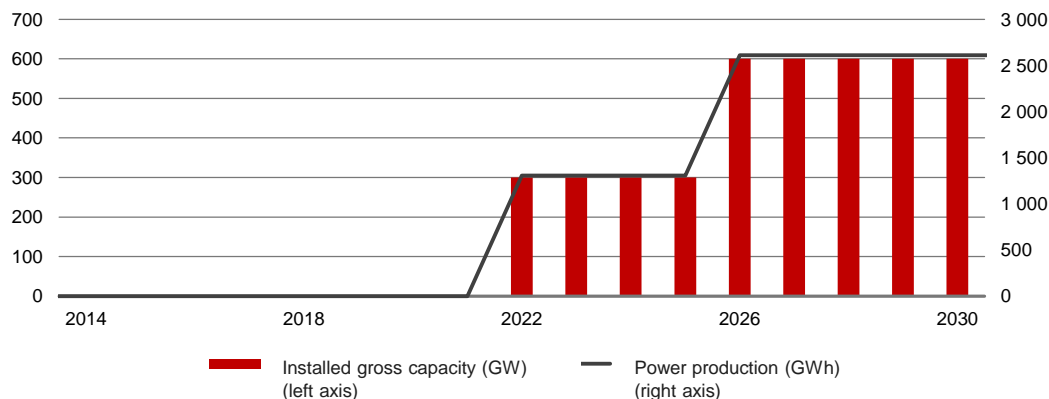
- Two projects with total power of c. 1.2 GW
- The plan is to build offshore projects in cooperation with an experienced industrial player (50/50 JV)
- An additional option is third project with a capacity of 1,6 GW with a valid location permit
- Electricity offtake will be secured for 15 years by purchase 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
Commissioning date	2022	2026

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:
 - $1.200\text{MW} \times 260\text{k EUR/MW} \times 4,2 \text{ EUR/PLN} = 1.310\text{m PLN}$
 - 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:
45% x 1.310m PLN = 590m PLN.

* 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

The economic potential of offshore wind energy in Poland¹

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 the 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;

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

Overview

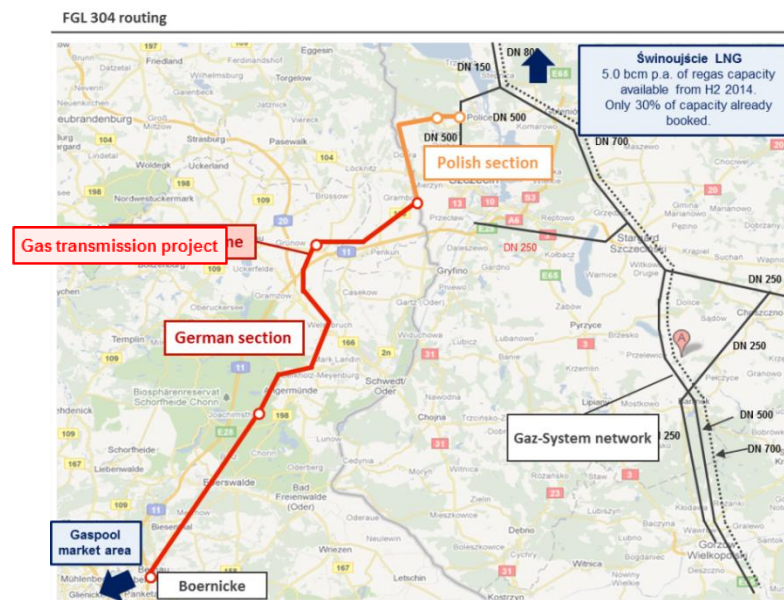
- Gas transmission project is ideally located to connect western gas markets with the isolated markets of Poland and other Eastern European countries (Ukraine, Lithuania)
- It is to provide the access to import infrastructure in Germany and become one of the key market openers of the East Europe gas 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

Pipeline Bernau – Szczecin

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

Project status

FEED Design	Secured
Construction Permits	Secured for the whole german section
Rights 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

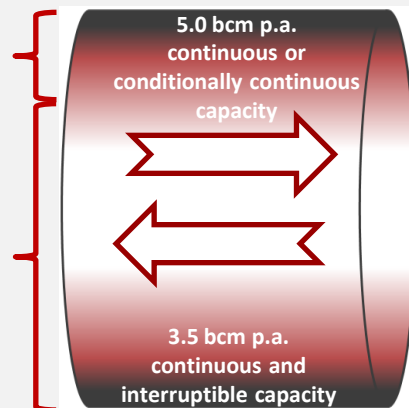


General characteristics

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)

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.



05

Attachments

A

Detailed financial results

Consolidated results for Q1 2015 – P&L

Q1 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 31.03.2015	For the period ended 31.03.2014	Diff
Revenues from sales	650,243	622,571	27,672
Revenues from certificates of origin	27,546	25,898	1,648
Revenues from sales	677,789	648,469	29,320
Including trading segment	490,767	475,587	15,180
Cost of sales	(625,622)	(610,625)	(14,997)
Including trading segment	(487,042)	(474,379)	(12,663)
Gross profit on sales	52,167	37,844	14,323
Other operating income	1,204	1,971	(767)
Administrative expenses	(8,045)	(8,287)	242
Other operating expenses	(1,381)	(1,135)	(246)
EBITDA	64,696	51,245	13,451
Eliminating the effect of purchase price allocation	603	(6,197)	6,800
Elimination income ofturbine lease	143	-	143
Adjusted EBITDA*	65,442	45,048	20,394
Financial income	4,212	3,391	821
Financial expenses	(11,745)	(11,340)	(405)
Profit (loss) before tax	36,412	22,444	13,968
Income tax	(9,780)	(2,202)	(7,578)
Net Profit (loss)	26,632	20,242	6,390
Eliminating the effect of the purchase price allocation	2,538	(4,262)	6,800
Eliminating the effect of unrealized exchange differences	(1,154)	227	(1,381)
Elimination of the effect of income from discount	-	(126)	126
Eliminating the effect of loan valuation	477	229	248
Elimination of fundraising costs	116	-	116
Adjusted Net Profit*	28,609	16,310	12,299
Adjusted EBITDA (excluding trading segment)	65,442	45,662	19,780
Adjusted EBITDA margin (excluding trading)	35.0%	26.4%	8.6%

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E

A
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D
E

Despite the development of operations the discipline in the operational costs control within the Group was maintained.

Higher revenues from interest as a result of higher cash balance as compared to previous period (mainly cash from new shares issue in 2nd half of 2014).

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

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

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

*) 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

Results for Q1 2015 - Segments

For the period ended 31.03.2015	Conventional energy	Development activities	Biomass	Wind power	Distribution	Trading	Unallocated management costs	Purchase price allocation	TOTAL
Revenues from sale	87.6	0.3	16.3	44.4	38.4	490.8	-0.0	-	677.8
Operating expenses	-67.6	-0.6	-14.6	-17.8	-33.8	-487.0	-1.1	-3.1	-625.6
including depreciation	-4.6	-	-1.0	-11.3	-1.0	-0.0	-0.3	-2.5	-20.8
Gross profit on sales	20.0	-0.3	1.7	26.7	4.6	3.7	-1.1	-3.1	52.2
General and administrative expenses	-1.8	-0.1	-0.2	-0.3	-1.0	-2.3	-2.2	-	-8.0
Other operating activities	-0.4	-0.2	0.2	1.3	-0.6	-0.0	-0.5	-	-0.2
Profit from operating activities	17.8	-0.6	1.7	27.6	3.0	1.4	-3.8	-3.1	43.9
EBITDA	22.4	-0.6	2.7	38.9	4.0	1.4	-3.5	-0.6	64.7
Elimination of fundraising costs							0.1		0.1
Eliminating the effect of purchase price allocation								0.6	0.6
Adjusted EBITDA	22.4	-0.6	2.7	38.9	4.0	1.4	-3.4	-	65.4
Result on financial operations	-2.4	0.1	-0.3	-5.7	-0.5	-0.4	1.7	-	-7.5
Profit (loss) before tax	15.4	-0.5	1.4	22.0	2.5	0.9	-2.1	-3.1	36.4
Income tax									-9.8
Profit (loss) for the period									26.6
Eliminating the effect of the purchase price allocation									2.5
Eliminating the effect of unrealized exchange differences									-1.2
Elimination of the effect of loans valuation									0.5
Elimination of fundraising costs									0.1
Skorygowany Zys Netto									28.6

For the period ended 31.03.2014	Conventional energy	Development activities	Biomass	Wind power	Distribution	Trading	Unallocated management costs	Purchase price allocation	TOTAL
Revenues from sale	94.1	0.1	18.8	20.0	33.7	475.6	-	6.2	648.5
Operating expenses	-79.3	-0.2	-16.8	-9.6	-27.8	-474.4	-0.0	-2.5	-610.6
including depreciation	10.8	0.0	0.9	5.6	0.9	0.0	-	2.5	20.9
Gross profit on sales	14.9	-0.1	2.0	10.4	5.9	1.2	-0.0	3.7	37.8
General and administrative expenses	-1.5	-0.2	-	-	-1.6	-1.8	-3.1	-	-8.3
Other operating activities	-0.0	-0.1	-0.2	1.1	0.5	0.0	-0.5	-	0.8
Profit from operating activities	13.3	-0.5	1.7	11.5	4.8	-0.6	-3.6	3.7	30.4
EBITDA	24.2	-0.5	2.7	17.1	5.8	-0.6	-3.6	6.2	51.2
Eliminating the effect of purchase price allocation								-6.2	-6.2
Adjusted EBITDA	24.2	-0.5	2.7	17.1	5.8	-0.6	-3.6	-	45.0
Result on financial operations	-2.0	0.3	-0.5	-5.0	-0.4	-0.3	-0.0	-	-7.9
Profit (loss) before tax	11.3	-0.1	1.3	6.5	4.4	-1.0	-3.6	3.7	22.4
Income tax									-2.2
Profit (loss) for the period									20.2
Eliminating the effect of the purchase price allocation									-4.3
Eliminating the effect of unrealized exchange differences									0.2
Elimination of the effect of income from discount settlement									-0.1
Elimination of the effect of loans valuation									0.2
Adjusted Net Profit									16.3
Adjusted EBITDA y/y	-1.8	-0.1	0.1	21.8	-1.8	2.0	0.2	0.0	20.4

Results reported on the WSE

Economic and Financial Key figures	Period from January 1st to March 31st 2015	Period from January 1st to March 31st 2014	Diff
Revenues from sales	677.8	42.2	635.6
EBITDA	64.7	17.6	47.1
Adjusted EBITDA, effect of the purchase price allocation is not taken into account	65.4	17.6	47.9
Profit / Loss Net attributable to parent company shareholders	26.6	5.7	20.9
Net profit with elimination of the effect of the purchase price allocation	29.2	5.7	23.5
Net profit with elimination of the effect of the purchase price allocation, the effect of unrealized exchange valuation of loans and the discount settlement.	28.6	6.0	22.6

[A]

The reconciliation of the total result for 3M EBITDA

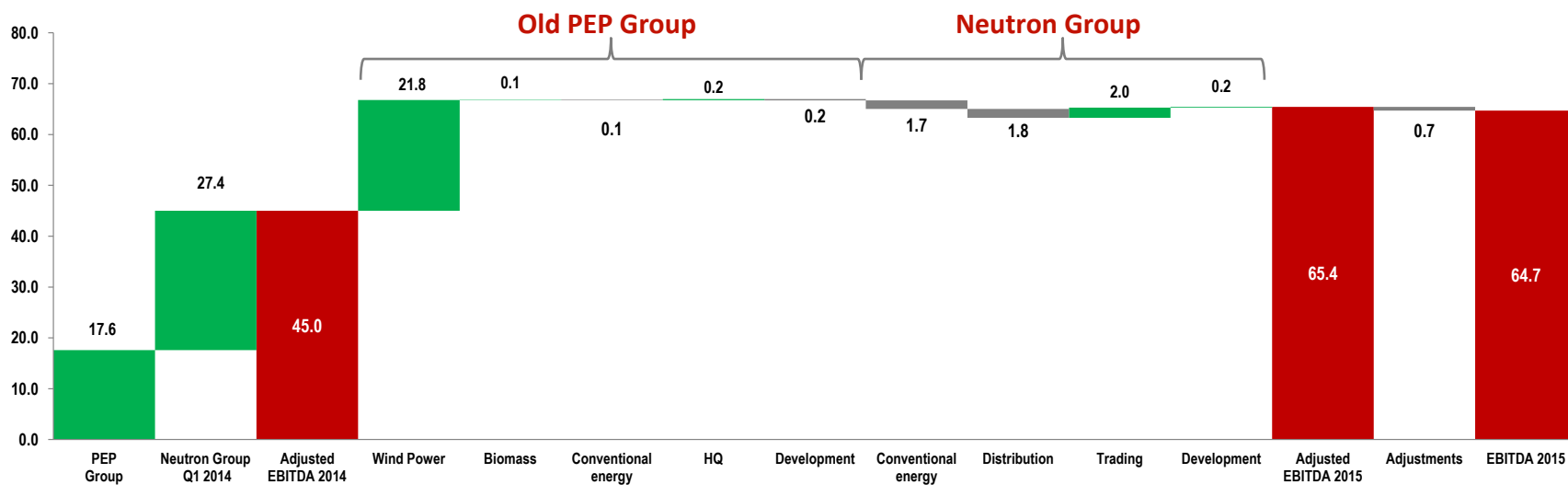
The result of the contributed assets at adjusted EBITDA for the 3M	n/d	27.4	n/d
Adjusted EBITDA for 3M [A+B+C+D]	65.4	45.0	20.5

[B]

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 Q1 2014 amounted to PLN 27.4m.

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

EBITDA Bridge Q1 2015 / Q1 2014

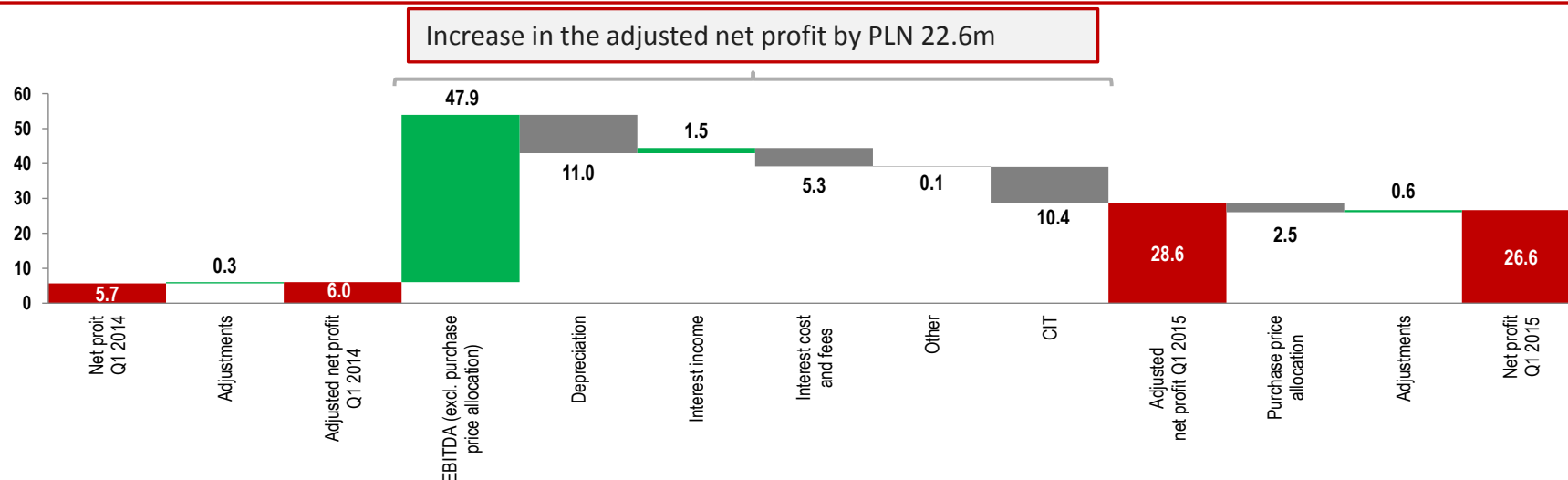


The result for the Q1 2015 **increased by PLN 47.1m** compared to the same period last year due to the following reasons:

- Neutron Group results for Q1 not included in reports in 2014 (PLN 27.4m);
- Better results of renewable energy segment primarily due to start of new wind farms (total EBITDA higher by PLN 21.8m);
- Slightly higher biomass segment EBITDA (by PLN 0.1m);
- Slightly lower conventional energy segment in „PEP” (by PLN 0.1m);
- Headquarters costs and other remained at a level similar to last year (down by PLN 0.2m);
- Lower y/y EBITDA of Neutron Group (ENS, PE-Dystrybucja, PE-Kogeneracja, PE-Obrót, development projects – by PLN 1.3m) mainly due to the lower income from gas compensation and stranded costs compensation for long-term contract termination in ENS;
- Normalization adjustments – mostly PPA (PLN 0.7m).

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

Net profit 2014/2013



Adjusted net profit increased by PLN 22.6m, due to:

- Higher EBITDA excluding the effect of the settlement of the purchase price allocation (results better by PLN 47.9m-analysis on the previous page);
- Higher depreciation (by PLN 11m) 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 1.5m) resulting from higher cash balances (cash from new shares issue in Q3 2014);
- Higher costs due to interest and fees (by PLN 5.3m) – effect of financial costs related to Neutron Group assets and commissioning of new projects;
- Negative impact of income tax (PLN 10.4m);
- Negative impact of other items (PLN 0.1m).

Normalizing adjustments include the elimination of :

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

Assets and financing structure of Polenergia Group

Assets (PLN m)	As at 31.03.2015	As at 31.03.2015	Diff
Fixed assets (long-term)	2,044	1,968	76
Tangible fixed assets	1,774	1,707	67
Intangible assets	55	57	-2
Goodwill of subordinate entities	185	185	0
Financial assets	16	9	7
Long-term receivables	4	4	0
Deferred income tax	10	6	4
Accruals	0	0	0
Current Assets (short-term)	682	764	(82)
Stock	46	41	5
Receivables from deliveries and services	131	109	22
Receivables from income tax	1	2	-1
Other short-term receivables	68	69	-1
Accruals	11	9	2
Short-term financial assets	52	117	-65
Cash and cash equivalents	373	417	-44
Total Assets	2,726	2,732	-6

Construction of wind farms and development of projects.

Mainly increase of trade receivables in trading segment.

Mainly valuation of contracts in trading segment.

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

Liabilities (PLN m)	As at 31.03.2015	As at 31.03.2015	Diff
Equity	1,355	1,334	21
Long-term liabilities	886	865	21
Loans and borrowings	708	695	13
Provision from deferred income tax	61	57	4
Reserves	2	2	0
Accruals	67	68	-1
Other liabilities	48	43	5
Current liabilities	485	533	(48)
Loans and borrowings	76	92	-16
Trade payables	152	129	23
A liability for income tax	5	1	4
Other liabilities	230	285	-55
Reserves	4	3	1
Accruals	18	23	-5
Total liabilities	2,726	2,732	-6

Mainly increase of trade receivables in trading and distribution segments.

Mainly valuation of contracts in trading segment.

Adjusted EBITDA for last 12M (from April 1st 2014 to March 31st 2015) amounted to PLN 189.4m, which compared with net debt of the Group at the level of PLN 411m (as at March 31st 2015) implies Net debt / EBITDA ratio of 2.2x.

The ratio of Net debt / Equity and Equity / Assets ratio amount to 0.3x and 0.5x respectively.

Cash flow analysis

Statement of cash flows (PLN m) 31.03.2015 r.

A. Cash flows from operating activities

I. Profit before tax 36

II. Adjustments 31

1. Depreciation and amortization 21

2. Loss on exchangedifferences -2

3. Interest and shares in profits (dividends) 10

4. Loss (gain) from investing activities 0

5. Income tax -4

6. Change in provisions 1

7. Change in inventories -5

8. Change in receivables 34

9. Change in current liabilities, excluding borrowings -20

10. Change in accruals -4

11. Other adjustments 0

III. Net cash flow from operating activities (I+/-II) 67

B. Cash flows from investing activities

I. Cash received 1

II. Expenses (100)

1. Purchase of intangible and tangible fixed assets -100

2. For financial assets, including: 0

3. Other investment expenses 0

III. Net cash flow from investing activities (I-II) -100

C. Cash flows from financing activities

I. Cash received 33

1. Net proceeds from issue of shares and other equity instruments 0

2. Credit and loans 33

II. Expenses (44)

1. Dividends and other distribution to owners 0

2. Repayment of borrowings -35

3. Payment of financial lease agreements 0

4. interest -8

5. Other financial expenses -1

III. Net cash flow from financing activities (I-II) -11

D. Net cash flow, total (A.III+/-B.III+/-C.III) (44)

E. Balance transition of cash, including: (43)

F. Cash and cash equivalents at beginning of period 417

G. Cash and cash equivalents at end of period 373

Interest elimination (presented in financing activity) and the elimination of loans valuation (non-cash item).

Mainly CIT in ENS.

Mainly green energy certificates in trading segment.

Change of working capital, mainly in trading segment (amounts are compensating); the rest of the amount is mainly VAT refund on construction of wind farms.

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

B

Group strategy - supplement

Investment Thesis

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 CO₂ 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 from the government agency „OREO” which will result in significantly better financing terms

Diversified asset base with strong identified growth potential – alternative to listed state utilities

- **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) and exposure to ‘infra-like’ operating assets/projects with generate premium return characteristics due to supreme operational characteristics
- **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

Seasoned organisation with sector and technology expertise

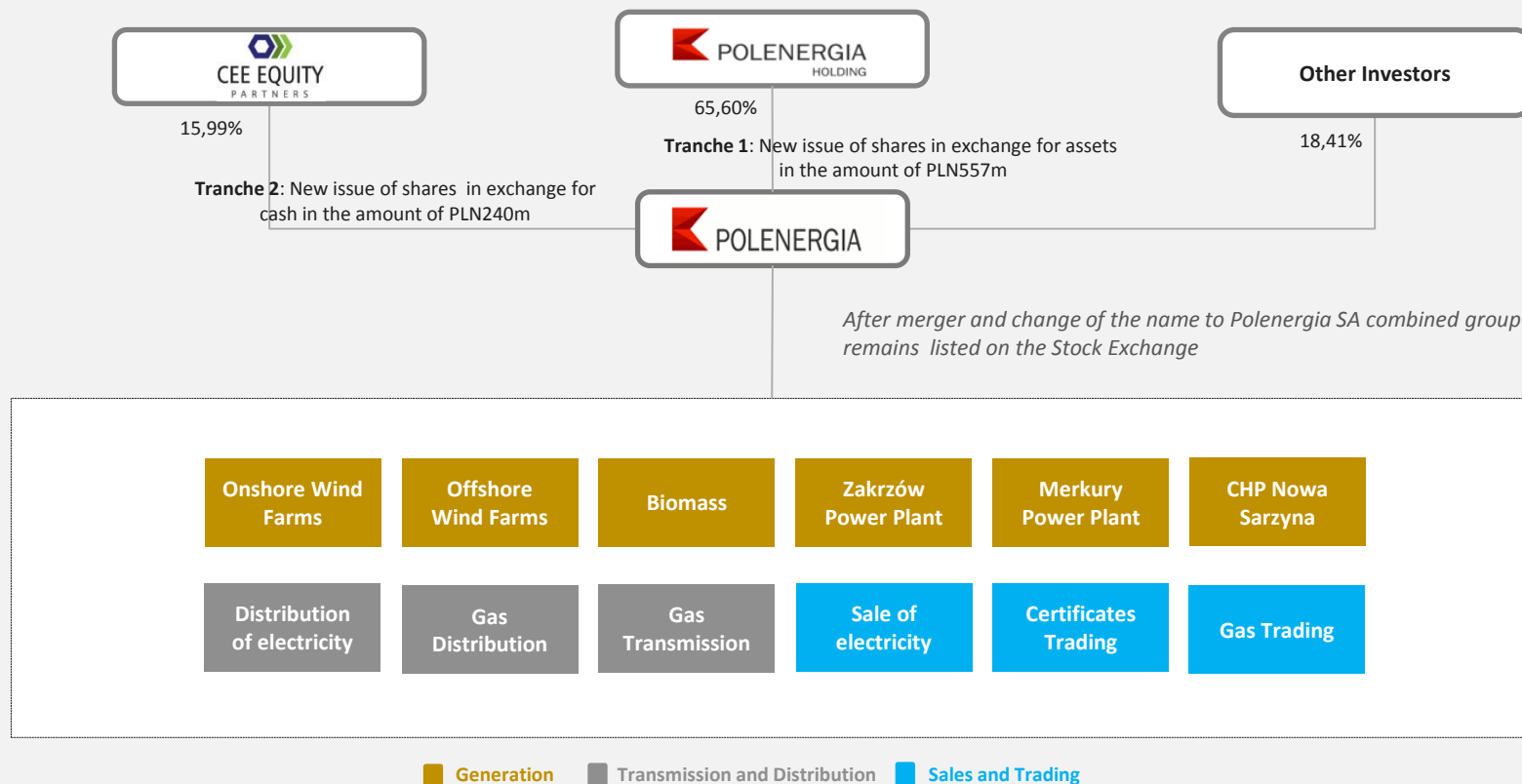
- **Strong management team with extensive sector expertise at all levels and a strong track record in the Polish market (responsible for development of >15% of total Polish gas fired and onshore wind operating capacity)**
- Best in class development profile ensuring high quality of operating assets and pipeline certainty
- Track record of successfully managing transformation from single plant venture 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

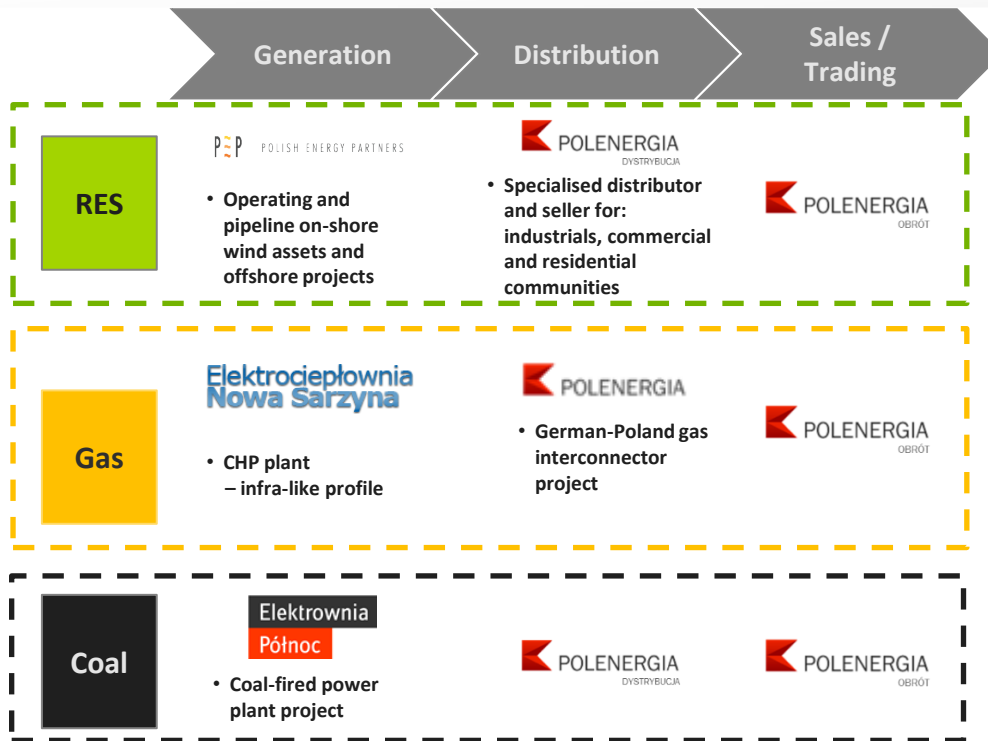


- ✓ August 18, 2014 contribution Polenergia Holding S.à.r.l Group assets with Polish Energy Partners SA took place resulting in formal creation of Polenergia SA Group.
- ✓ At the same time, as a result of acquisition of 15,99% new shares by CEE Equity Partners Fund, PLN 240 m development capital was 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. The capitalization of the Group increased to approx. PLN 1.5 bn, (GBP 260m/US\$ 390m)
- ✓ 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.

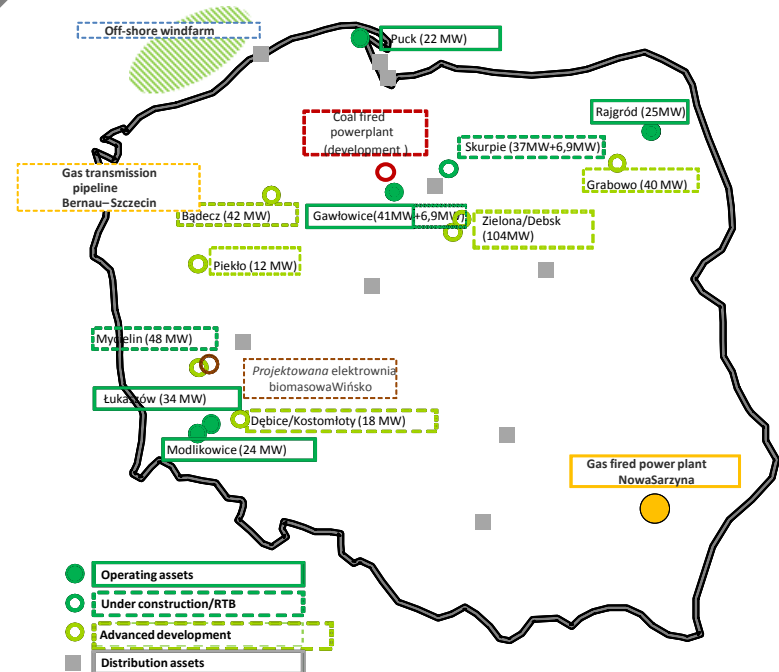
	Generation	Transmission and Distribution	Sales & Trading
Renewable Generation (RES)	<ul style="list-style-type: none"> Electricity generation in onshore wind farms – <i>operational and development activity</i> Electricity generation in offshore wind farms - <i>development activity</i> Electricity generation from biomass – <i>development activity</i> 	<ul style="list-style-type: none"> Distribution of electricity (regulated) Distribution of gas (regulated) Transmission of natural gas (pipeline Bernau – Szczecin) – <i>development activity</i> 	<ul style="list-style-type: none"> Wholesale trade and sale of electricity to final customers Certificates trading (certificates of origin of renewable energy) Gas trading
Gas Generation	<ul style="list-style-type: none"> Electricity and heat generation (CHP Nowa Sarzyna) Electricity and heat generation (Zakrzów and Mercury power plants) 		
Coal Generation	<ul style="list-style-type: none"> Electricity generation based on coal (Power station Północ) – <i>development activity</i> 		

- ✓ 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.

Listed, vertically integrated utility offering predictable returns and strong growth profile



Geographical location



Phase I: 2013-2016:

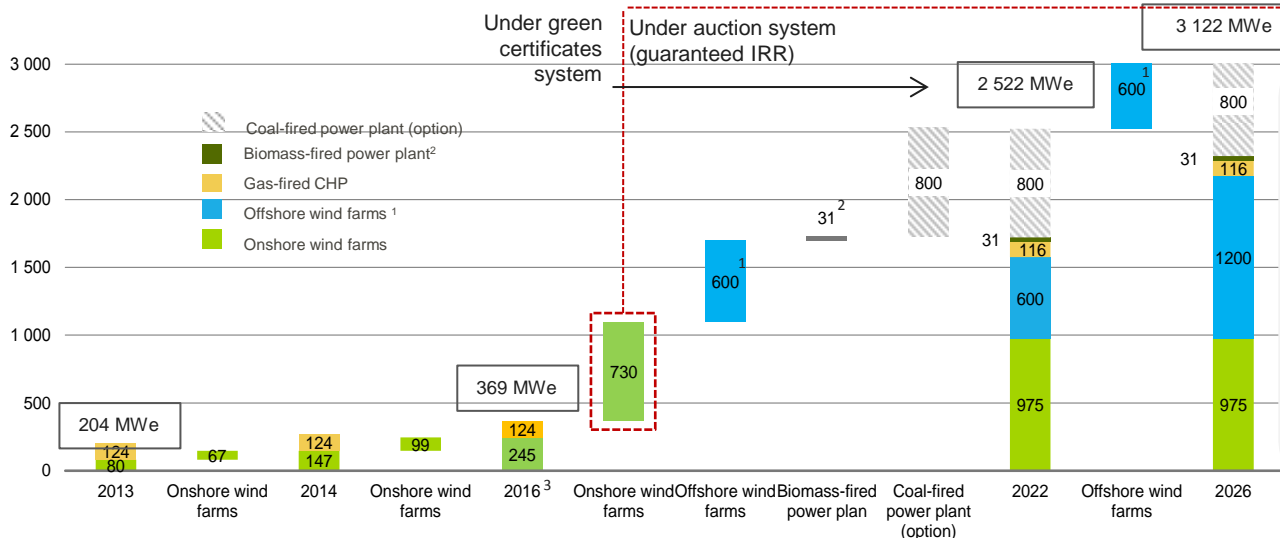
- Construction of 165 MW wind farms, of which 66,7 MW has been finished in 2014, 99 MW is in construction. By the end of 2015 the Group intends to have c. 250 MW wind farms in operations;
- 336 MW onshore wind farms will be ready to take part in first auction;
- Environmental decision for 1 200 MW offshore 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.

The potential increase of power focused on renewable energy sources

Potential capacity growth (MWe)



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).

- 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.**

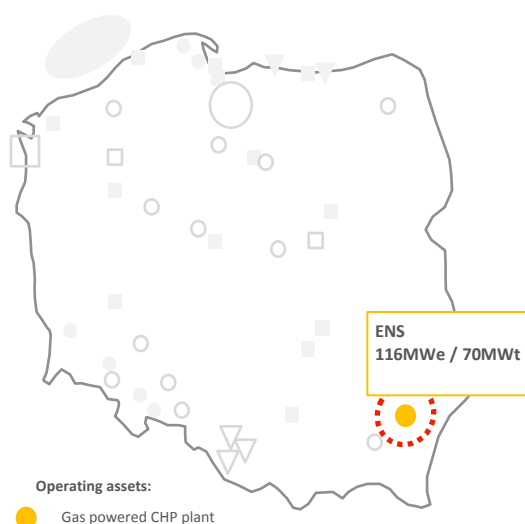
- ✓ **Installed capacity:** 369 MWe by 2016 and ca. 580 MW (of which ca. 460 MW onshore wind farms) by 2017. Potentially ca. 1,7GW (including almost 1000 MW onshore and 600MWe offshore wind farms) by 2022;
- ✓ **Financing:** Phase I until 2016 will require funding from own resources and debt financing within the "project finance,, formula;
- ✓ **Cancellation of equity issue:** due to lack of external capital needs;
- ✓ **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;
- ✓ **Portfolio of 730 MW of onshore wind farms (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;
- ✓ **Other:** the Group assumes selling coal-fired power plant project in 2018. However, in case of the right market signals and securing attractive return 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

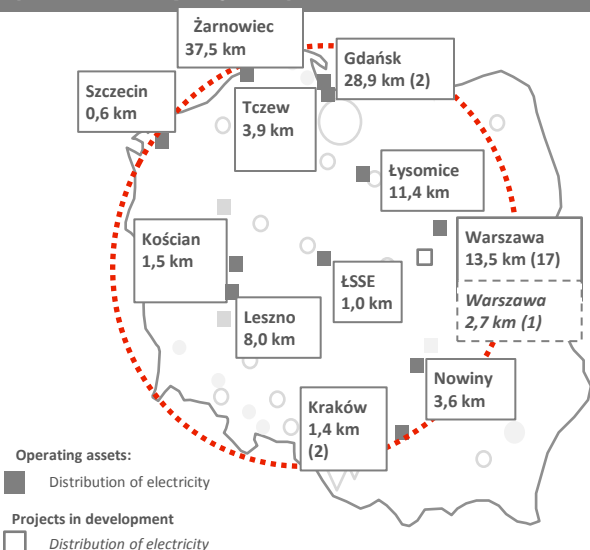
Installed capacity	116 MWe, 70 MWt
Net capacity	113 MWe
Avg. net output	Electricity ca. 760 MWh Heating ca.. 530TJ
Technology	CCGT
Fuel	Natural gas / fuel oil backup
Efficiency	HHV (48,6%), LHV (54,0%)
Type	2*1 CCGT Thomassen (GE) frame 6
COD	2000
Availability	93,80%

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.

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 transferred to company.
- The ability to change vendors (TPA) by the customers.

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.

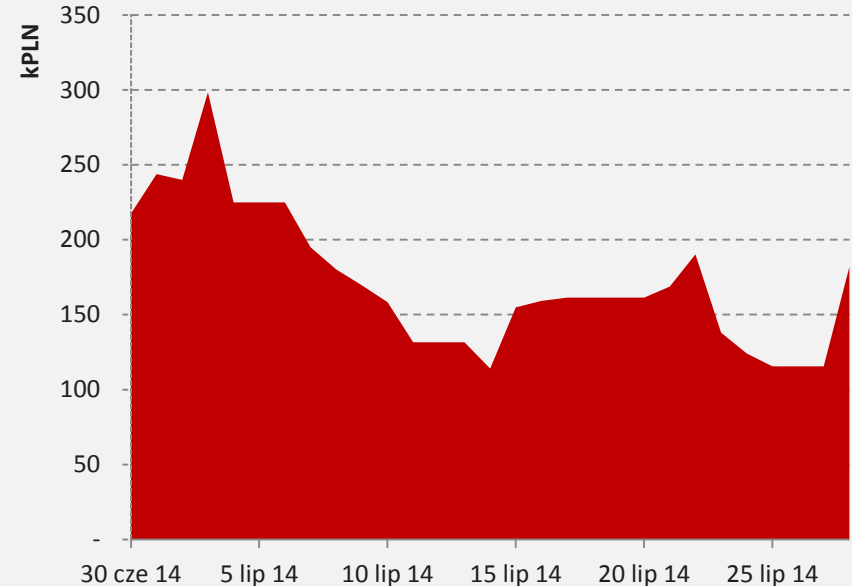
Proprietary trading (trading on the stock exchange and OTC)

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

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 Wrocław
- 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)

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 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**

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.

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**