



Polska Grupa Energetyczna



Q1-Q3 2009 Results

Nonaudited consolidated, in accordance with IFRS

Warsaw, November 16, 2009



Agenda

I. Highlights and key events, recent developments

Tomasz Zadroga, President & CEO

II. Financial results

Wojciech Topolnicki, VP for Investments & CFO

III. Back-up slides



I. Highlights and key events, recent developments

Tomasz Zadroga, President & CEO



Key information and data

✓ Sales revenue increased by 6.5% y-o-y to PLN 15.87 bn

✓ EBITDA increased by 44% y-o-y to PLN 5.96 bn

✓ EBITDA margin increased by 9.7 pp. y-o-y to 37.6%

✓ Net income increased by 76% y-o-y to PLN 3.23 bn

✓ Sales volume* increased by 2.8% y-o-y

█ Consolidation and investment programmes under progress

█ Initial Public Offering – biggest European IPO since May 2008

█ Minorities in generation bought @ book value

} Recent events

*retail + wholesale (excl. LTCs)



Impact of economic conditions

In key segments PGE performs better than Polish market

	Q1-Q3 2009 volume y-o-y change	Comparison with Polish market
PGE Conventional Generation	-4.4%	↓
PGE Wholesale*	+10.4%	↓ ↓ ↓ ↓
PGE Distribution	-3.5%	↓ ↓
PGE Retail	-2.7%	↓ ↓ ↓

Margins increased despite weaker market

	EBITDA margin Q1-Q3 2009	Q1-Q3 EBITDA margin y-o-y change
Conventional Generation	42.6%	+ 8.4 pp.
Wholesale	4.0%	+ 0.3 pp.
Distribution	25.8%	- 2.3 pp.
Retail	3.9%	+ 2.3 pp.
PGE Consolidated	37.6%	+ 9.7 pp

In Q1-Q3 2009 we reported higher sales volume y-o-y



Poland in better shape than neighbours

- Total energy consumption volume in Poland fell in Q3 2009 by 4.6% y-o-y to 35,0 TWh.
- Q1-Q3 2009 volume decrease in Poland reached 5.5% y-o-y. (Figure for Czech Republic is -6.4 and for Germany -6.8)
- PSE Operator reported total demand drop in Poland of only 1.4% y-o-y in October.

*excl. LTCs

Sources: PGE, PSE-Operator, BDEW, ERU



Key undergoing strategic initiatives

Investment Programme

- Biggest investment programme in Polish power sector
- Answer to long term increase in demand and expected PL-UE price convergence

Consolidation Programme

Aimed to release efficiency reserves by management improvement and group integration

Non-core Business Disposal Programme

- Focus on energy business
- Utilizing capital gains for investment in core business areas

Capital expenditures [PLNm]

	Q1-Q3 2009	
Mining&Generation	1,727.9	Mining&Generation: 858MW Belchatow – 541m Belchatów Units 3-12 renovation – PLN 460m access to Szczerców Field – PLN 188m
Renewables	48.7	
Wholesale	6.9	
Distribution	626.9	
Retail	3.1	Distribution new customers connections – ca. PLN 297m new HV, MV and LV grid – PLN 184m
Other	71.9	
Total	2,485.4	

Ongoing power construction projects:

Belchatow

858 MW lignite fired unit



- To be commissioned in 2011
- Estimated generation of 6,247 GWh p.a.
- Estimated lignite consumption of 6,488 ktons
- CCS demonstration system planned to be launched in 2015

Opole

2x800-900 MW hard coal fired units no. 5&6

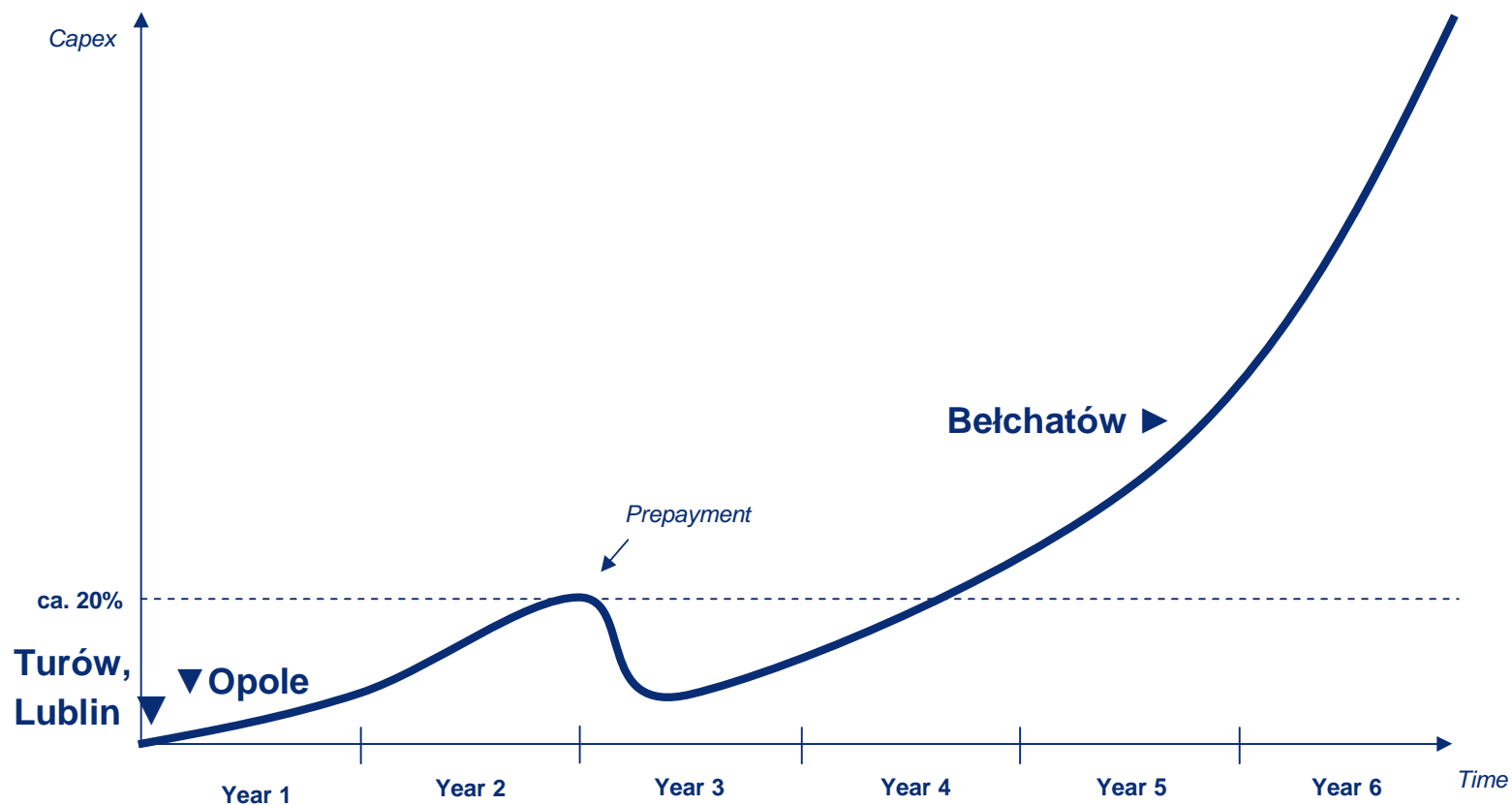


- EPC (engineering, procurement, construction) tender announced
- general contractor to be appointed in Q3/Q4 2010
- construction to start at the end of 2010 and commissioning planned for 2015
- PGE promised EUR 3.2bn to PGE Elektrownia Opole for this investment



Investment cycle in power generation

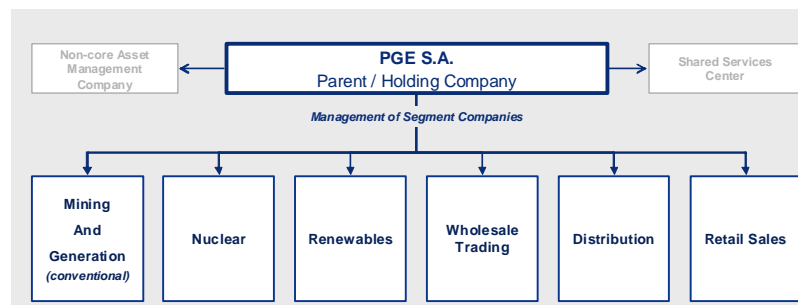
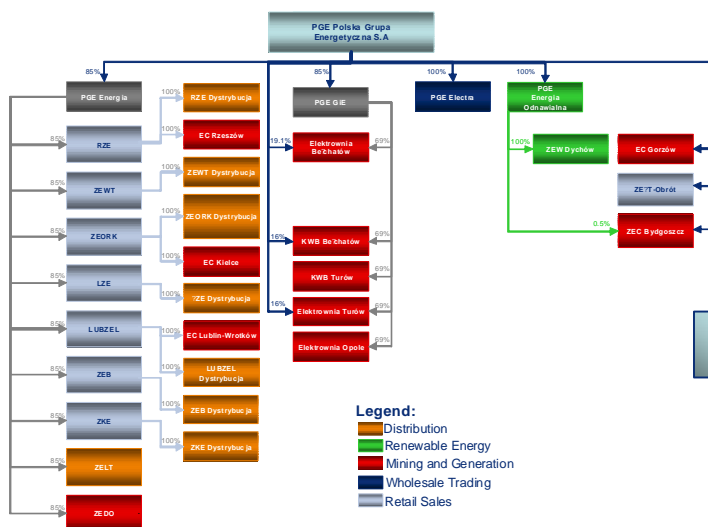
ILLUSTRATIVE



New generation projects require significant capex usually after ca. 2 years after launching, when prepayments of ca. 20% are made



Consolidation Programme - streamlining business, increasing efficiency



Q3 Developments

- Programme management, communication and reporting schemes developed
- Integrating companies chosen:
 - Mining&Generation: PGE Elektrownia Bełchatów
 - Renewables: PGE Energia Odnawialna
 - Distribution: PGE Dystrybucja Łódź-Teren
 - Retail: PGE Rzeszowski Zakład Energetyczny
- Analytical and preparatory works (legal, business)
- PGE acquired PGE ZEC Bydgoszcz from PGE Energia Odnawialna (as a dividend) after buying out employee shareholders

Events after Q3

- Minorities in PGE Elektrownia Opole (16%) and PGE KWB Turów (16%) bought from the State Treasury at book value (PLN 236m) - payment completed but transaction not yet registered in court



Non-core business disposal programme – focus on energy business

Aims:

Focus on energy business

Simplify business structure

Provide costs and assets transparency

Utilise capital gains in energy business

Steps already taken:

- Decisions to sell or restructure and sell non-core business made, incl.:
 - 21.85% stake in Polkomtel (major Polish telecom) – process of choosing business advisor has started
 - 19.99% stake in AWSA (highway operator)
 - less significant companies (e.g. hotels)
- PGE Invest Sp. z o.o. and PGE Invest SP. z o.o. II S.K.A. founded as legal entities to manage non-core businesses
- Valuation processes in progress



II. Financial results

Wojciech Topolnicki, VP for Investments & CFO



Sales revenues and LTCs compensations

Sales revenue and impact of Long Term Contracts

	Q3 2009	Q3 2008	Q1-Q3 2009	Q1-Q3 2008	FY 2008
Sales revenues	4,770 m	4,220 m	15,870 m	14,909 m	20,598m
LTC compensations	298 m	395 m	1,116 m	791 m	1,322m
Sales of ancillary services	0	789 m	0	789 m	
LTCs compensation as percentage of revenues	6.2%	9.4%	7.0%	5.3%	6.4%

Neutral for the result, as mirrored in costs

LTC compensations have been received since Q2 2008

Interpretation of the LTC Act by PGE Group is different than interpretation of Energy Regulatory Office President, who ordered negative correction of the stranded costs in 2008.

In August 2009 companies from PGE Group appealed to the Competition Court arguing that:

- correction of the stranded costs was prepared by the ERO President not in accordance with formulas from the LTC Act
- CO₂ costs were not included into correction calculation although in our opinion they are justified costs of generation business
- capital group balancing was performed not in accordance with the LTC Act (i.e. Belchatow should compensate only Opole and Turów and not other PGE generators)
- claiming that generators are not operating on competitive market is wrong and not coherent with previous ERO decisions

PGE deeply believes that effects of the appeals will be positive therefore we recognize revenues from LTC compensations according to our interpretation of the LTC Act. However, if the ERO President's interpretation is kept, our FY 2008 revenues should be lower by ca. PLN 427m and 2009 Q1-Q3 revenues might be lower by ca. PLN 600-700m



Although revenues rise, costs are kept under control. Generation of 2/3 power from own fuels immunize PGE against hard coal price growth

PLNm	Q1-Q3 2009	Q1-Q3 2008	change
<i>Amortization and depreciation</i>	1,937	1,915	+1%
<i>Materials and energy</i>	2,617	2,305	+14%
<i>External services</i>	2,197	3,246	-32%
<i>Taxes and charges</i>	1,223	952	+29%
<i>Payroll and social security</i>	2,643	2,614	+1%
<i>Other</i>	167	141	+18%
Total costs by kind	10,784	11,172	-4%
<i>Change in inventories</i>	79	353	-78%
<i>Cost of products and services for the entity's own needs</i>	-530	-497	+7%
Cost of finished goods sold	10,333	11,029	-6%
<i>Selling expenses</i>	-937	-749	+25%
<i>General and administrative expenses</i>	-666	-606	+10%
<i>Cost of merchandise and materials sold</i>	1,442	1,421	+2%
Cost of goods sold	10,172	11,095	-8%

Costs of fuel increased mainly due to increase in hard coal price (almost 50% y-o-y).

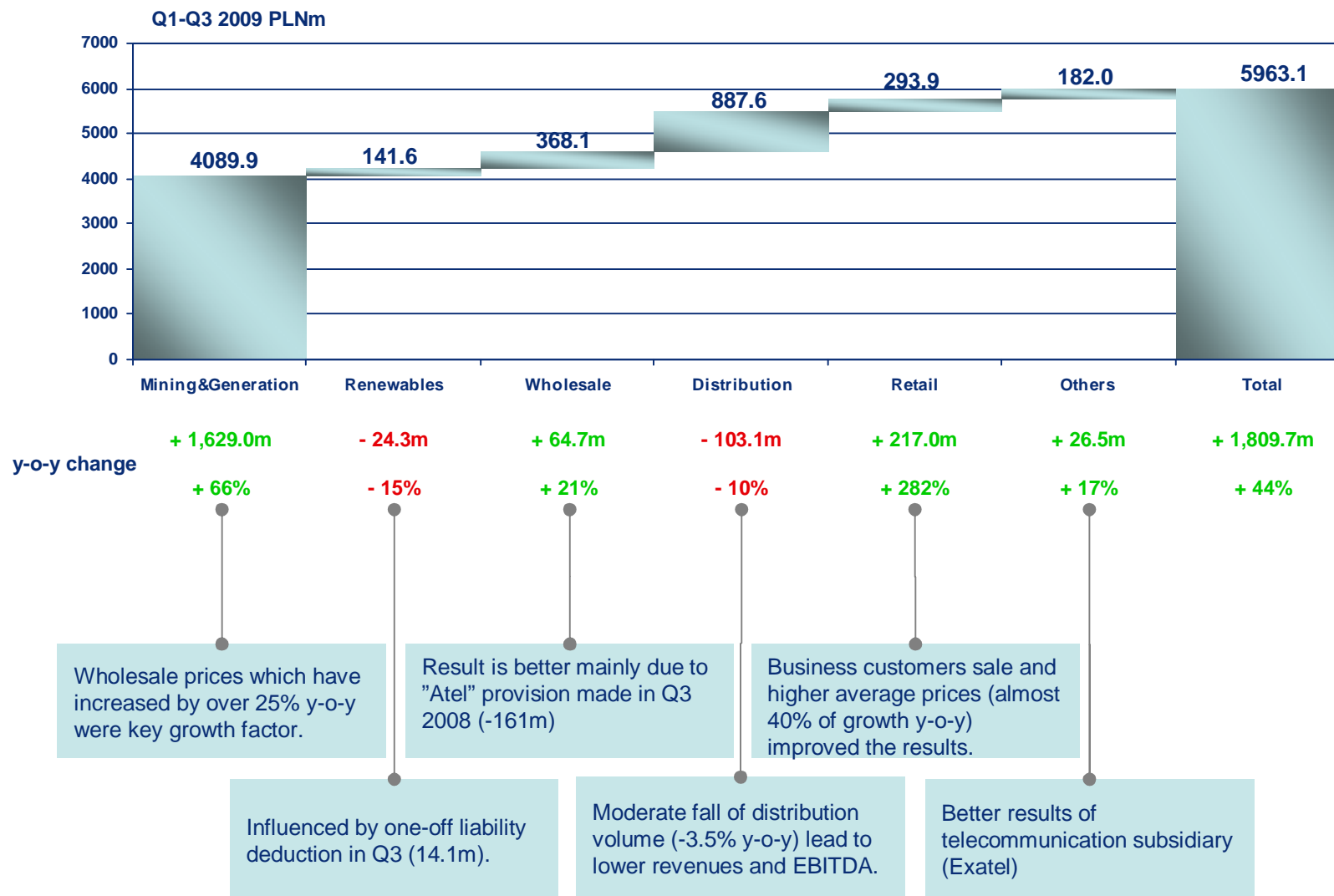
	Volume [ktons]		Cost [PLNm]	
	Q1-Q3 2009	Q1-Q3 2008	Q1-Q3 2009	Q1-Q3 2008
Hard coal	4,815	5,505	1,324	1,024
Gas [ths. m³]	357,255	338,573	265	224
Biomass	263	320	81	65
Heat Oil	30	48	34	60

We are no longer providing services to maintain the National Power System (PLN 789m in 2008). It is neutral for the result as was mirrored in revenues.

Higher costs of certificates redemption as a result of higher minimum share of certificated energy in energy sold to end customers.



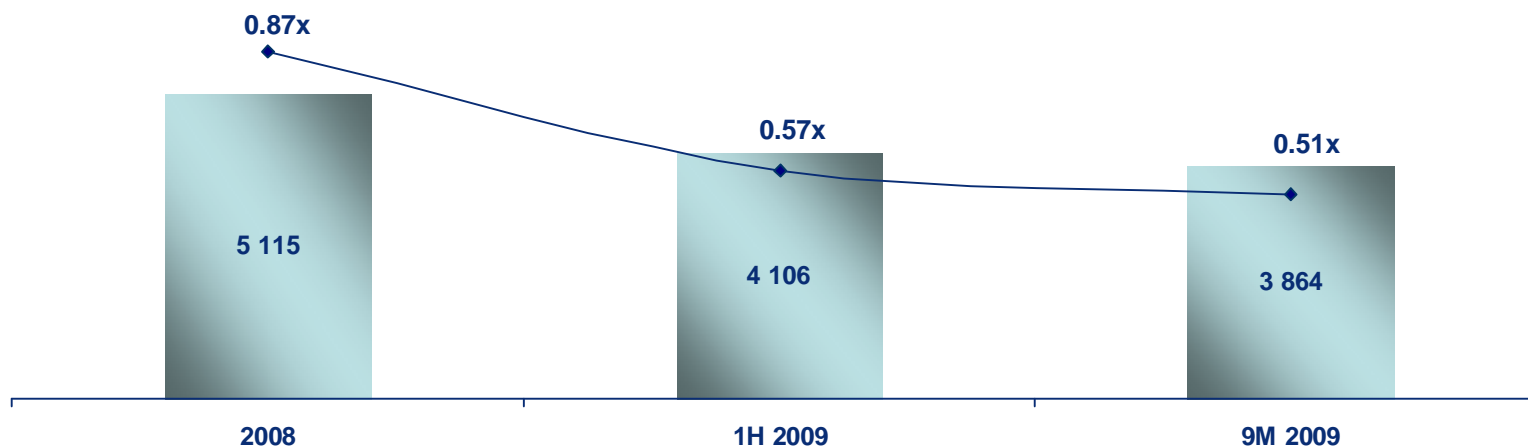
EBITDA – segmental contribution





Conservative Net Debt/EBITDA ratio gives possibility to trigger debt financing

Net Debt (PLNm) and Net Debt/EBITDA



PGE Credit Ratings

Moody's
A3 stable

Date: September 2, 2009

Fitch

Issuer: BBB+ stable
Senior unsecured debt: A-

Date: September 2, 2009

In medium term PGE plans not to exceed Net Debt to EBITDA ratio of 2.5x

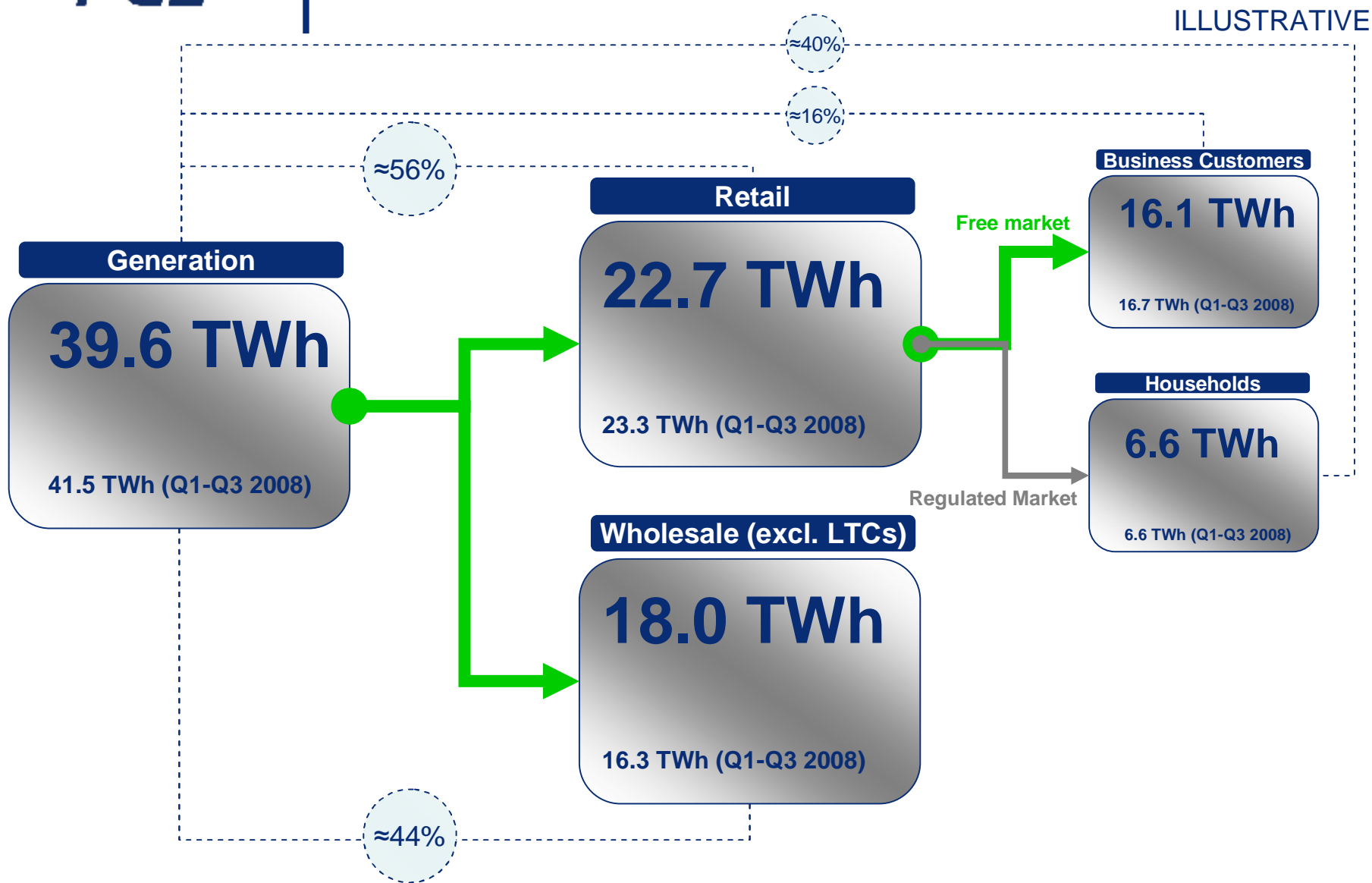
Our debt financing capability was confirmed in Q3 2009 by high credit ratings



III. Back-up slides



Q1-Q3 2009 Key business flows



Source: PGE Percentages shown represent share in sales to wholesale and retail customers
Other flows incl. balancing market, foreign transaction and own consumption are not shown

Electricity generation by source in Q1-Q3 2009

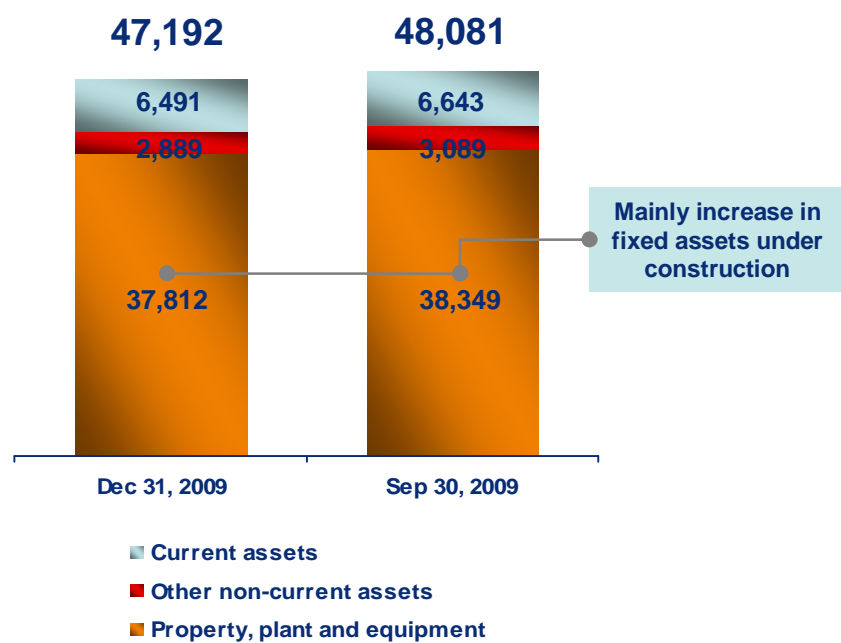


- Electricity generation in PGE Capital Group fell by 4,6% as a result of lower demand and decrease in use of electricity generators from PGE by PSE Operator for regulatory services.
- Changes in electricity generation structure were not significant. Share of lignite-fired power plants increased from 67,5% to 68,1%, share of coal-fired power plants fell from 26,3 to 25,4%, share of CHPs, both coal-fired and gas-fired, remained at a similar level.

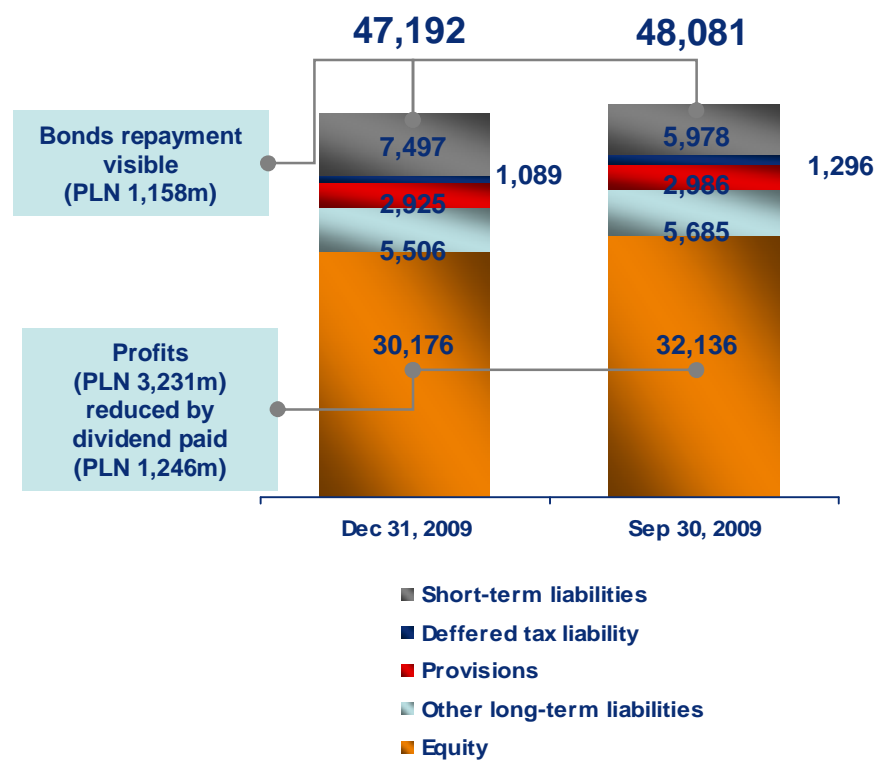


Balance sheet overview

Assets [PLNm]



Equity and Liabilities [PLNm]





Summary of Initial Public Offer (IPO)

Numbers of shares subscribed for	259,513,500 series B ordinary bearer shares with a nominal value 10 PLN each: 38,927,025 shares for individual investors 220,586,475 shares for institutional investors
Reduction rates	Individual investors: 96.502% Institutional investors: 0.0%
Numbers of shares subscribed for	1,333,516,433 share, include: Individual investors: 1,112,929,958 Institutional investors: 220,586,475
Number of investors who validly subscribed for the shares	61,142 investors, include: Individual investors: 59,845 Institutional investors: 1,297
Issue Price	PLN 23
Value of the Public Offering	PLN 5,968,810,500
Cost of IPO	ca. PLN 68m (ca. 1.1% of capital raised)



Thank you

Investor Relations

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