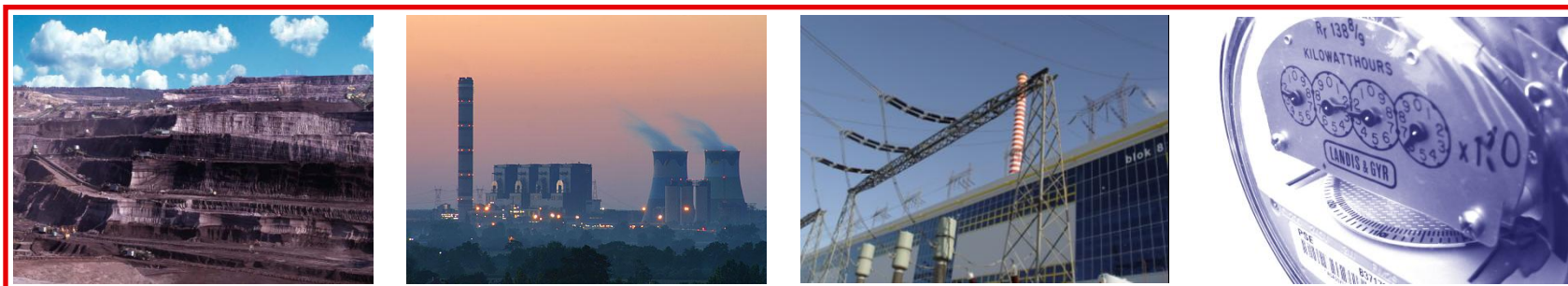




*Polska Grupa Energetyczna*



# 2009 Results Presentation

Warsaw, March 16, 2010

Key Achievements	Comments
<b>Successful IPO</b>	<ul style="list-style-type: none"> <li>• Largest IPO in Europe since May 2008</li> <li>• Very large investors oversubscription demonstrating good reception by investors</li> </ul>
<b>Implementation of Management Strategic Plan</b>	<ul style="list-style-type: none"> <li>• Key milestones in the consolidation programme reached and execution on schedule</li> <li>• Continued focus on execution of investment programme with budget strictly followed</li> <li>• Foundations laid for further progress in nuclear program (shortlist of partners/ technologies/ localizations)</li> </ul>
<b>Strong Financial Results</b>	<ul style="list-style-type: none"> <li>• In 2009, PGE's revenues have grown by 11%, from PLN 19.4bn in 2008 to PLN 21.6bn</li> <li>• EBITDA increased by 37% from PLN 5.8bn in 2008 to PLN 8.0bn in 2009</li> <li>• Profit for the year increased by 62%, from PLN 2.7bn in 2008 to PLN 4.3bn in 2009</li> <li>• Net Profit (to equity) increased by 76%, from PLN 1.9bn in 2008 to PLN 3.4bn in 2009</li> </ul>

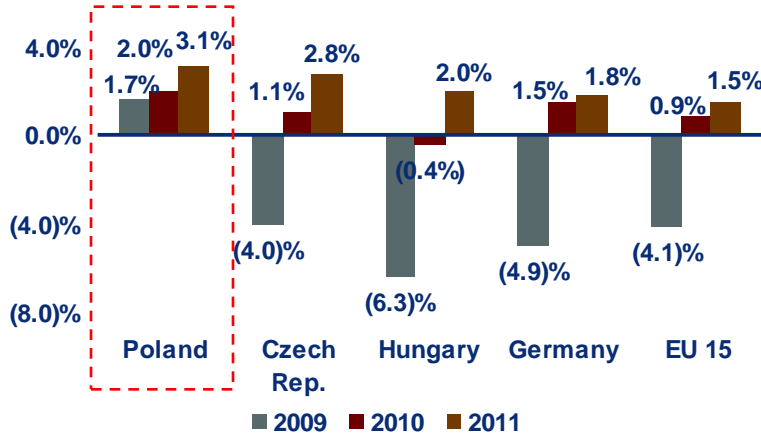


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## I. Update on Recent Developments

# Strong Economic Fundamentals in Poland Support Performance

## GDP Growth: Resilience in 2009 and Outperformance in 2010 and 2011

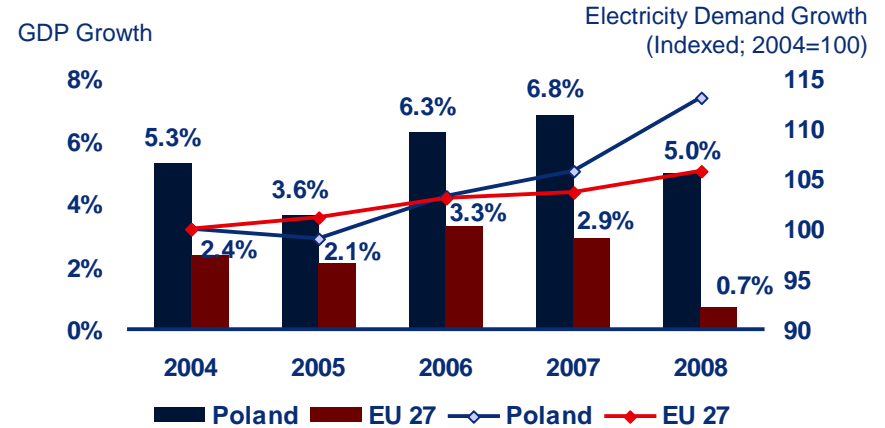


Source: Global Insight

## Key Takeaways

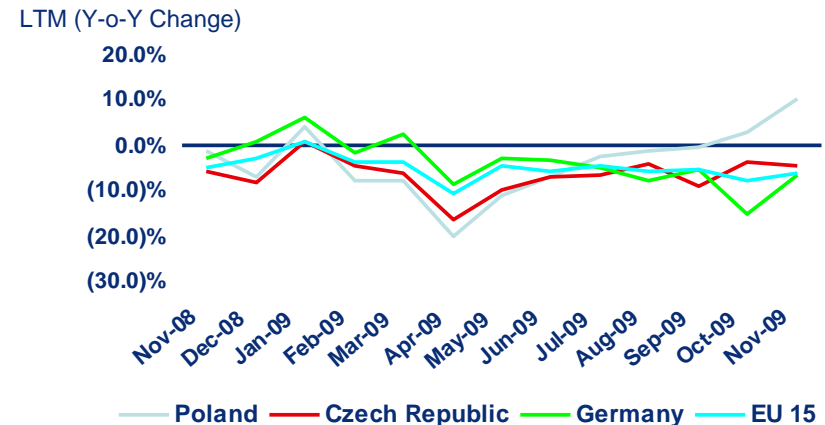
- ▶ Despite the crisis, Poland has maintained GDP growth and was the sole country in the EU with a positive numbers
- ▶ As proven by historical analysis, we expect future GDP growth to continue to support electricity demand (Polish electricity demand has been growing at a faster pace than EU electricity demand in the past 5 years)
- ▶ 2009 drop in demand was less dramatic than in other geographies and faster GDP growth pick up will support faster demand recovery

## Favourable Electricity Demand Dynamics



Source: Global Insight

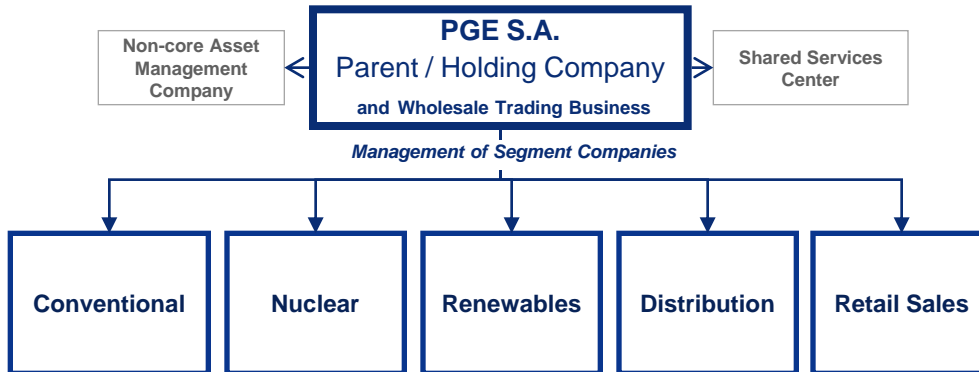
## Polish Electricity Demand Recovering Faster Than in EU



Source: Cera

# Strong Progress on Consolidation and Restructuring in a Challenging Year

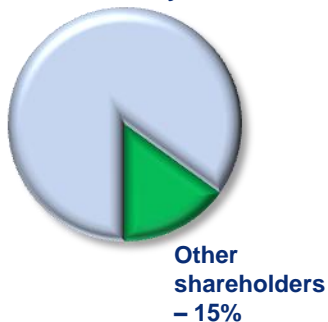
## Targeted Group Structure



## Impact of Consolidation of Minorities – September 2010

### Current Shareholding Structure

State Treasury - 85%



### Targeted Group Structure

State Treasury - Not less than 78.7%



## Restructuring Programme Execution Delivering Results

- ▶ Update on restructuring programme
  - ▶ Process aims at improving operational efficiency and releasing additional savings
  - ▶ Consolidation of key legal subsidiaries from over 40 to 6 prepared and applications filed with the courts
- ▶ Update on divestiture programme
  - ▶ PGE management has started discussions with shareholders on the disposal of Polkomtel, process expected to progress significantly in 2010
- ▶ Update on buy-out of minority stakes
  - ▶ Buy-out of minorities in PGE Elektrownia Opole S.A. (16%), PGE KWB Turów S.A. (16%) and PGE ZEC Bydgoszcz S.A. resulted in increase of equity attributable to the PGE shareholders by PLN 257m
  - ▶ Consolidation of subholding minorities to be completed till September 2010
  - ▶ Expected effects:
    - ▶ Simplified structure
    - ▶ Increased dividend payment capability
    - ▶ Increased liquidity
    - ▶ Less minorities for a cost of dilution

## Positive Earnings Impact of Generation Capex Program

### Capex Plan Composition (2009 – most significant positions)

- ▶ **Total: PLN 3.7 bn**
  - ▶ **Mining&Generation – PLN 2.5 bn**
    - ▶ **Belchatow units 3-12 renovation – PLN 0.7 bn**
    - ▶ **Belchatow 858 MW construction – PLN 0.6 bn**
    - ▶ **Szczercow Mining Field opening – PLN 0.3 bn**
  - ▶ **Distribution – PLN 1bn**
    - ▶ **New connections to customers – PLN 0.4bn**
    - ▶ **Construction of network – PLN 0.3bn**

## Progress on Capex Programme by Business

### Generation Portfolio Expansion

- ▶ Substantial progress on Belchatow generation unit
- ▶ New mining field in Belchatow opened
- ▶ Tender procedure in Opole has started in 2009
- ▶ Tender procedure in Turow to be opened in 2010

### Generation Portfolio Modernisation

- ▶ Modernisation of existing mining assets has begun in 2009, to progress further in 2010
- ▶ Modernisation of generation units has been on track in 2009

### Nuclear Generation Opportunity

- ▶ Nuclear generation opportunity has been strategically analysed in 2009
- ▶ Process of selection of partners and locations has begun and is expected to be completed by end of 2010

### Environmental Impact Mitigation

- ▶ Carbon capture and storage programme at Belchatow has progressed strongly
- ▶ PGE has agreed with European Union authorities on environmental grant for the project

### Distribution Network Upgrade

- ▶ Investments in the upgrading of the distribution network have continued on schedule in 2009
- ▶ Further network expansion investments as planned



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## II. 2009 Company Financial Performance Overview

# Strong Profitability and Growth in 2009

## Year Ended 31 December (IFRS)

	2008	2009	2008	2009
	PLNm <i>Audited</i>	PLNm <i>Audited</i>	EURm	EURm
Sales	19,409	21,623	5,519	4,997
Sales Ex-LTC	18,086	20,091	5,143	4,643
EBITDA	5,847	7,983	1,663	1,845
<i>EBITDA margin</i>	30.1%	36.9%	30.1%	36.9%
EBITDA Ex-LTC	4,524	6,451	1,287	1,491
<i>EBITDA Ex-LTC margin</i>	25.0%	32.1%	25.0%	32.1%
EBIT	3,262	5,345	928	1,235
EBIT margin	16.8%	24.7%	16.8%	24.7%
Profit before tax	3,170	5,379	901	1,243
Profit for the year	2,670	4,337	759	1,002
Minority interest	750	967	213	223
Net profit (to equity)	1,920	3,371	546	779

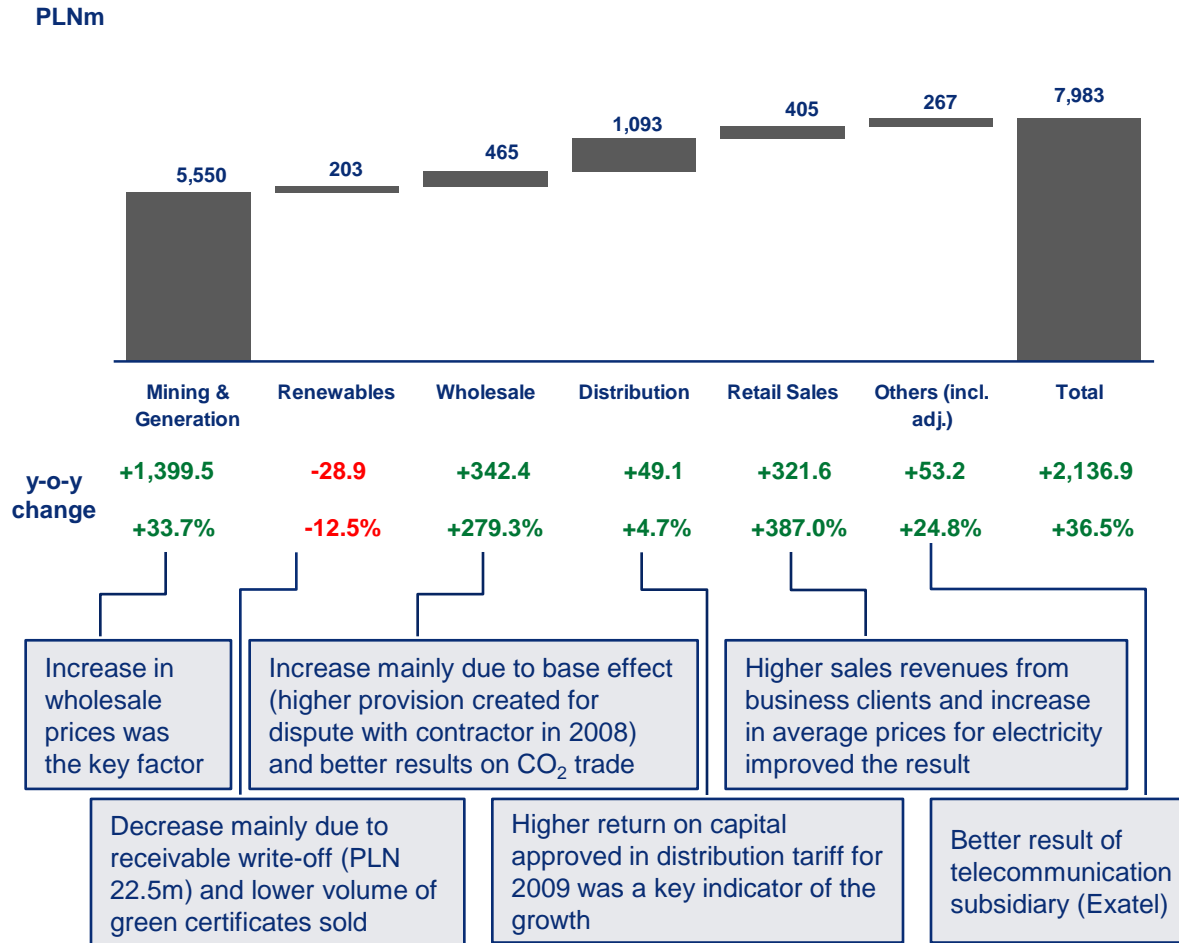
EUR/PLN average rate used: 4.3273 (2009), 3.5166 (2008); source: National Bank of Poland

- Adjustment of 2008 sales revenue due to change in consolidation principles i.e. more detailed identification of transaction with less significant capital group companies (2008 revenues lower by PLN 1.2 million than previously reported)
- Growth in revenues of 11.4% driven by favourable price trends in Poland in 2009
- EBITDA margin has improved from 30.1% in 2008 to 36.9% in 2009
- LTC compensation in 2009 of PLN1.5bn
- In 2009, EBITDA excluding LTC compensation has registered growth of 42.6% y-o-y and the EBITDA Ex-LTC margin has reached 32.1%, up from 25.0% in 2008
- Part of LTC revenues under dispute with the regulator - in August 2009, PGE Group has appealed to the Competition Court on ERO decision

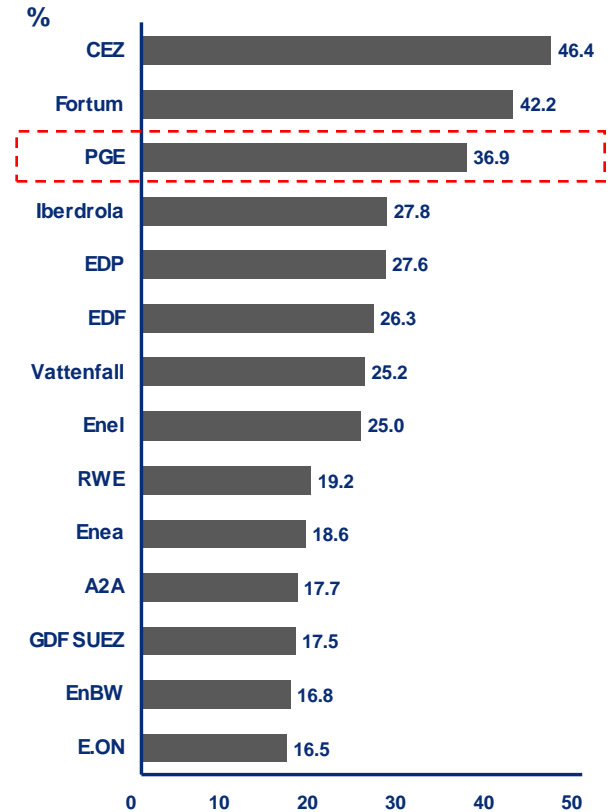


# Analysis of EBITDA Composition and Development

## 2009 EBITDA: Segmental Contribution



## 2009 EBITDA Margin vs. Key Competitors



Source: Company information, consensus estimates for A2A and Enea

# Consolidated Balance Sheet

Year Ended 31 December (IFRS)				
	2008	2009	2008	2009
	PLNm <i>Audited</i>	PLNm <i>Audited</i>	EURm	EURm
Shareholder equity	22,810	31,169	5,467	7,587
Minority interest	7,366	7,681	1,765	1,870
Non-current assets	40,701	41,964	9,755	10,214
Current assets	6,491	12,483	1,556	3,039
<b>Total assets</b>	<b>47,192</b>	<b>54,448</b>	<b>11,311</b>	<b>13,253</b>
Non-current liabilities	9,520	9,762	2,282	2,376
Current liabilities	7,497	5,836	1,797	1,420
<b>Total equity and liabilities</b>	<b>47,192</b>	<b>54,448</b>	<b>11,311</b>	<b>13,253</b>

EUR/PLN period end rate used: 4.1082 (2009), 4.1724 (2008); source: National Bank of Poland

- Following the IPO, PGE has further significantly expanded its shareholder equity base to give it a stable platform for future expansion
- Significant increase in cash position following IPO used as means of financing structure re-design
- Minor decrease in long-term debt level from PLN 4.5bn in 2008 down to PLN 4.1bn in 2009
- Significant decrease in short-term debt as a result of repayment from PLN 3.0bn in 2008 to PLN 1.0bn in 2009



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### III. Guidance

Timeline	Developments
<b>Short Term (2010)</b>	<ul style="list-style-type: none"> <li>• Continued economic recovery to support further electricity demand growth. Increase in generation expected.</li> <li>• Positive impact from distribution RAB revaluation in 2010</li> <li>• Scope for operational improvements in distribution business</li> <li>• LTC gap in revenues and EBITDA to be potentially compensated with non-core assets disposals</li> <li>• Targeted completion of consolidation process</li> <li>• Tender in Opole finished</li> <li>• Tender in Turow opened</li> <li>• Potential for identification of detailed efficiencies and savings</li> </ul>
<b>Medium Term (2011/Onwards)</b>	<ul style="list-style-type: none"> <li>• New Belchatow generation unit online (ca. 6.2 TWh p.a.)</li> <li>• Probable continued regulatory upside in distribution</li> <li>• Further execution of planned investment programme in generation and distribution</li> </ul>



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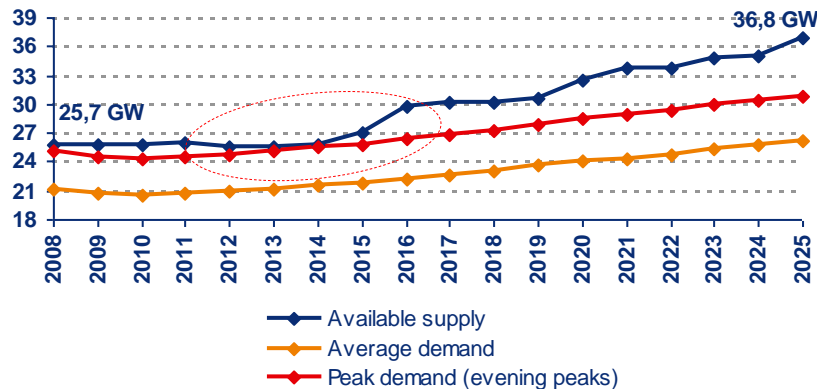
#### IV. Back-up slides

## Supply/Demand Dynamics to Support Prices

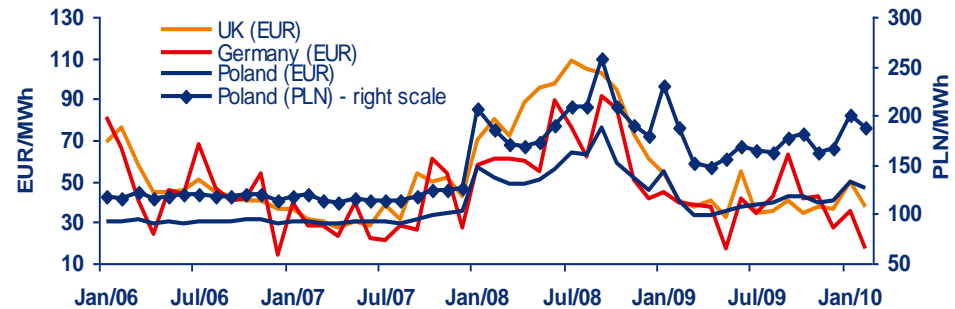
- ▶ As older generation assets are decommissioned and demand continues to grow, Polish reserve margin is expected to decrease further, leading to supply shortage in 2013-2015
- ▶ Commissioning of new generation capacity post 2014, as prior to that new assets to primarily replace old generation assets
- ▶ Limited expansion of renewable capacity: PGE remains pioneer in renewables in Poland

### Demand-Supply Balance Expectation Tighten (a)

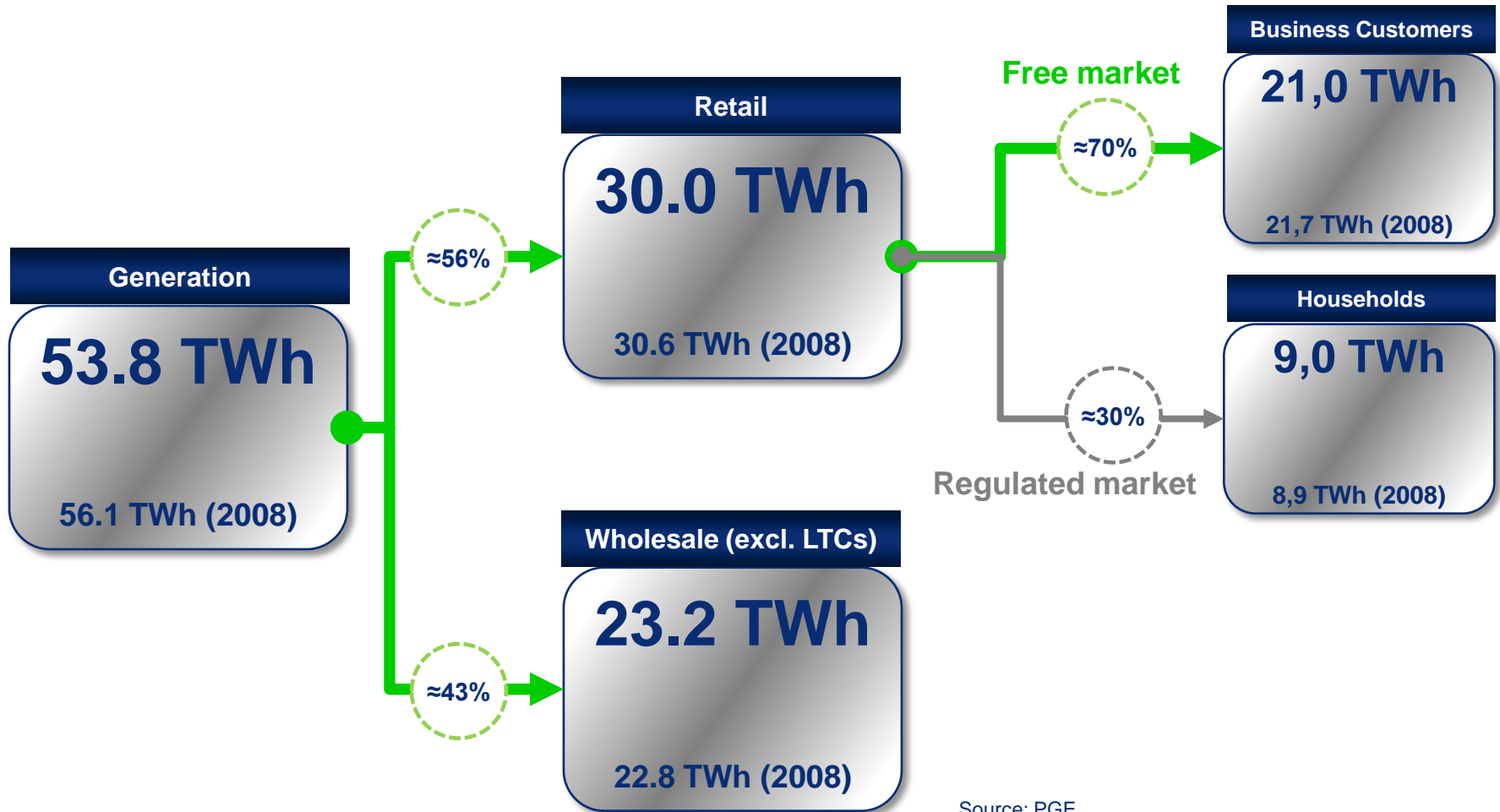
Power supply and demand gap in Poland (GW)



### Polish Wholesale Prices on the Rise, Trading in EUR-terms at a Discount to European (EUR/MWh) (b)



Source: (a) TSO 2008, Elmark; (b) Bloomberg, TGE, electricity spot baseload prices monthly av Jan-06 - Jan-10



Source: PGE

Percentages shown represent share in sales to wholesale and retail customers

Other business flows incl. balancing market, foreign trade and own consumption are not shown

Volumes shown after intra-group eliminations

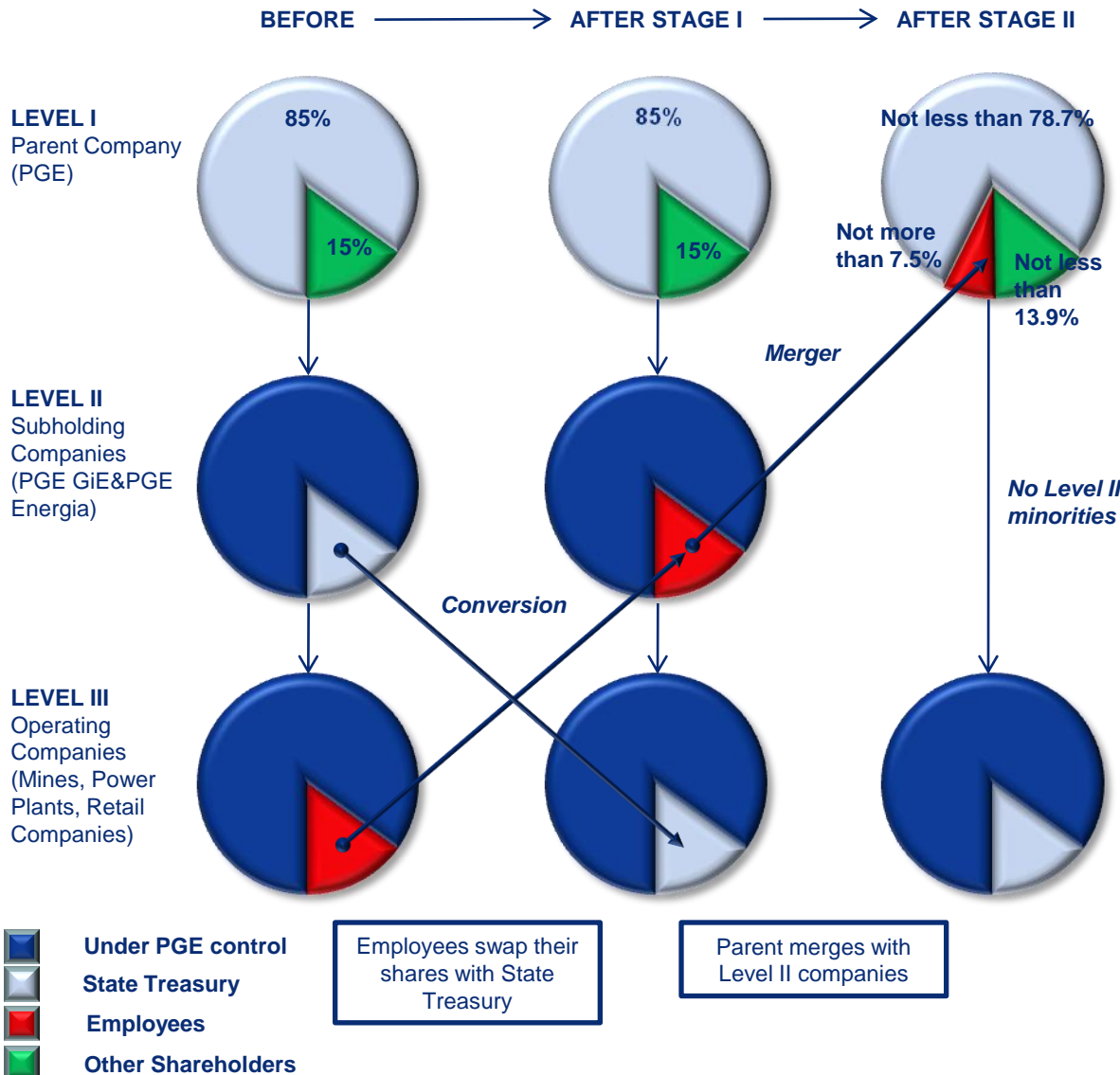
## Electricity generation by source [TWh]

	2009	2008
Lignite-fired power plants	35.9	38.2
Coal-fired power plants	13.1	13.2
Coal-fired CHPs	1.5	1.6
Gas-fired CHPs	2.0	2.0
Pump-storage	0.6	0.5
Water	0.6	0.5
Wind	0.1	0.1

- ▶ Coal-fired generation figure includes 0.6 TWh from biomass combustion (vs. 0.4 TWh in 2008)
- ▶ Decrease in production of electricity declined both in power plants using lignite and hard coal resulted mainly from:
  - ▶ reductions forced by PSE Operator S.A. related to a smaller demand for electricity in the National Power System (reductions amounted to ca. 4%),
  - ▶ modernization and recovery repair of the generating unit no 4 in Bełchatow and
  - ▶ outage in Turow (Unit 4).



# Ownership streamlining process



Currently employees own up to 15% of shares in operating companies (mines, power plants and retail companies) and State Treasury owns 15% of shares in subholding companies.

Employees are swapping their shares with State Treasury, which has no impact for existing shareholders of PGE.

Then subholding companies will merge with the PGE and new shares will be issued for shareholders of acquired companies (i.e. employees). The minority share in PGE P&L and BS will be significantly decreased for a cost of dilution. After the operation, employees' share in PGE capital will not exceed 7.5%.

**Stage I and II are ongoing and both are to finish till September 2010.**

## Effects:

- simplification of the capital group structure
- increased dividend payment capability
- increased stock liquidity

Possibility of Stage III is under consideration – PGE may buyout State Treasury from the operating companies.



# Calendar of IR events

## Corporate events

Event	Date
Extraordinary General Meeting	March 30, 2010
Publication of consolidated quarterly report for 1st quarter of year 2010	May 17, 2010
Publication of consolidated half-year report for 1st half of year 2010	August 31, 2010
Publication of consolidated quarterly report for 3rd quarter of year 2010	November 15, 2010

## Meet us at the conferences

Event	Date	Place	Hosted by
Institutional Investors Conference	April 14-17, 2010	Zuers, Austria	Raiffeisen Centrobank
EMEA Conference	April 26-27, 2010	London	Morgan Stanley
EMEA Conference	April 28-29, 2010	New York	Morgan Stanley
WSE Conference	May 20-21, 2010	London	WSE, KBC Securities



*Polska Grupa Energetyczna*

*Thank you*

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