



Polska Grupa Energetyczna



FY 2010 Results

Consolidated audited data, in accordance with IFRS

Warsaw, March 22, 2011



Management Board

TOMASZ ZADROGA

President & CEO

- Appointed to the position of President of the Management Board & CEO on August 1, 2008
- Track record of C-level and senior positions in several industrial and consumer related companies:
Inter Cars (CFO), IC Development & Finance (CEO), Adidas Polska (COO), Papyrus – Stora Enso Polska (CFO), ABB Polska (CFO)
- Holds the ACCA designation

Graduate in International Economic and Political Relations at the Faculty of Economy and Sociology of the University of Łódź

WOJCIECH OSTROWSKI

VP for Finance (CFO)

Appointed to the Management Board of the Company on March 17, 2011

Held several C-level and senior finance roles in large industrial companies:

- Unipetrol (VP&CFO)
- Unipetrol RPA (Member of the Board)
- Czeska Rafinerska (Member of the Board)
- Mozejkiu Nafta (Deputy Head of Finance)
- Orlen Insurance (CEO)

Graduated from the Warsaw School of Economics

MAREK SZOSTEK

VP for Trade

Appointed to the Management Board of the Company on August 3, 2009

Previously took senior management positions in trade and marketing:

- ASICS Poland (CEO),
- CM "Makton" (VP Trade & Marketing)
- CM "Eurosmak" (VP Production & Distribution)
- Adidas Poland (Head of Sales, Member of the Board)

Graduated from the Warsaw School of Economics.

PAWEŁ SKOWROŃSKI

VP for Operations

Appointed to the Management Board of the Company on March 17, 2011

Significant experience in power generation, track record of senior management positions:

- Vattenfall Poland (Head of Strategy & Develop.)
- BOT GiE (CEO)
- SPEC (CEO)
- Energomontaż Północ (CEO)

Doctor of Technology and active academic teacher at Warsaw University of Technology

PIOTR SZYMANEK

VP for Corporate Affairs

Appointed to the Management Board of the Company on July 21, 2008
Legal Counsel

Several years of experience as a legal counsel in utilities and financial institutions:

- SPEC (legal counsel)
- PSE (advisor to the Board)
- PZU (legal advisor)
- Pekao SA (Head of Legislation)
- Polish Investment Bank (legal counsel)

Graduated from the Warsaw University

Profitability sustained

- Revenues ex LTC grew by 0.3% y-o-y to PLN 20.14bn
- EBITDA ex-LTC increased by 0.8% y-o-y and reached PLN 6.50bn
- Net profit (to equity) reached PLN 3.01bn and is lower by PLN 0.36bn y-o-y, mainly due to much lower LTC compensations

Consolidation of the Capital Group

- About 40 core business entities merged into 4 subsidiaries responsible for separate business lines
- Wholesale operations moved to the parent level
- New structure is simple, streamlined and transparent – allows for effective value chain management

Group ownership structure simplified

- Subholdings merged with the parent – employee's shares converted – parent's liquidity increased, shareholders slightly diluted but non-controlling interest decreased
- Buy-out of the remaining non-controlling interest from operating businesses – direct impact on the EPS to be visible in 2011

Investment programme continues, new projects launched

- More focus on gas generation – plans to build one CCGT plant (2x400-450MW) and several gas CHPs (ca. 240MW each)

Advancement of non-core disposals

- Polkomtel disposal significantly advanced with expected closure in 1H 2011
- Minor non-core businesses: shares in 22 companies sold, 9 companies liquidated, shares in one company redeemed. In 2011 shares in one additional company already sold

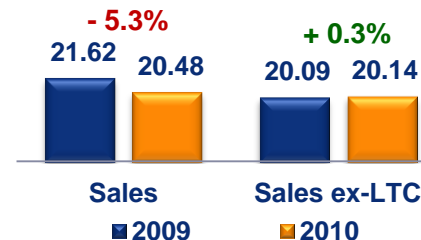


Financial results

Key developments in FY 2010

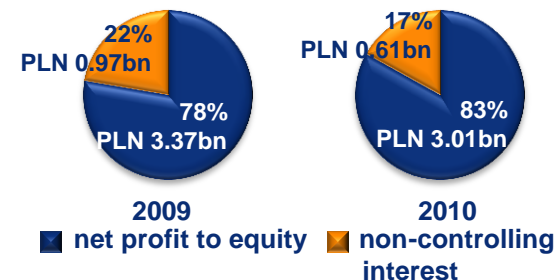
- Long Term Contracts compensations, lower by PLN 1.2bn y-o-y were biggest differentiation factor
- After adjusting financials for LTC compensations the 2010 results were slightly better than 2009
- Results driven by significant growth in distribution and renewables, stable generation (ex LTC) while wholesale and retail segments worse y-o-y due to lower volumes and margins
- 2010 generated volume lower by ca. 2% y-o-y and reached 52.7 TWh; Renewable generation grew by over 16% to 1.3 TWh
- Average wholesale price of electricity sold accounted to ca. PLN 190 in 2010, compared to ca. PLN 186 in 2009
- Operating expenses grew moderately, by 3.9% y-o-y

Revenues [PLN bn]



Share of net profit to equity increased in 2010

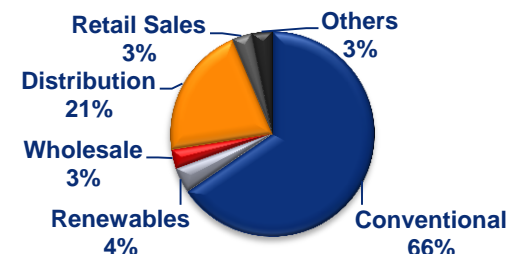
- In 2010 the share of net profit to equity increased reaching 83% as a result of consolidation process (merger with PGE GiE S.A. and PGE Energia S.A.)
- Additionally due to the purchase of non-controlling stake from State Treasury in December 2010 the share of non-controlling interest in net income will be further decreased



EBITDA development in 2010

- EBITDA margin remains strong and accounted for 33.4% in 2010 and EBITDA ex-LTC margin reached 32.3% which allowed to sustain 3rd position among European utilities
- EBITDA ex-LTC increased by 0.8% y-o-y and reached PLN 6,499.8m
- Decrease in LTC compensations and increase in distribution tariffs responsible for larger share of Distribution Segment in EBITDA split

2010 EBITDA Split



2010 profit distribution recommendation

Medium-term dividend policy is to distribute as a dividend from 40 to 50% of the consolidated net profit attributable to equity holders of the parent company

2010 profit distribution – recommendations of the Management Board

On March 21, 2011 the Management Board of PGE Polska Grupa Energetyczna S.A. decided to address the Company's AGM with a motion for approval of suggested distribution of net profit for 2010

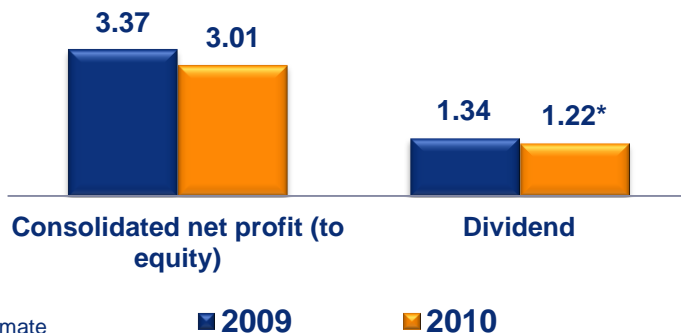
According to the proposal, net profit of the parent company for 2010 in amount of PLN **2,920,423,465.45** and PLN **120,474,499.24 of retained earnings** shall be distributed as follows:

- 1) **for a dividend for shareholders - PLN 0.65 per share,**
- 2) **for the reserve capital – an amount constituting the remaining amount of the net profit for 2010 and retained earnings**



Recommendation in line with the dividend policy
– **ca. 40% of 2010 consolidated net profit** attributable to the shareholders of the parent shall be distributed as a dividend

Dividend 2009 and 2010 (PLNbn)



The lower level of net profit in 2010 than in 2009, caused mainly by significantly lower level of LTC compensations is to large extent offset by the improved proportion between profits attributable to the shareholders of the parent vs. non-controlling interest



2010 EBITDA Ex-LTC Composition and Development

2010 in PLNm



Lower volume of energy sold, relatively stable prices y-o-y and slightly higher costs put negative pressure on the result which was compensated by reversal of property tax provision (ca. PLN 215m)

Decrease due to lower margin realized on the electricity trading on the wholesale market and lower volume of electricity traded (by ca. 4.2 TWh)

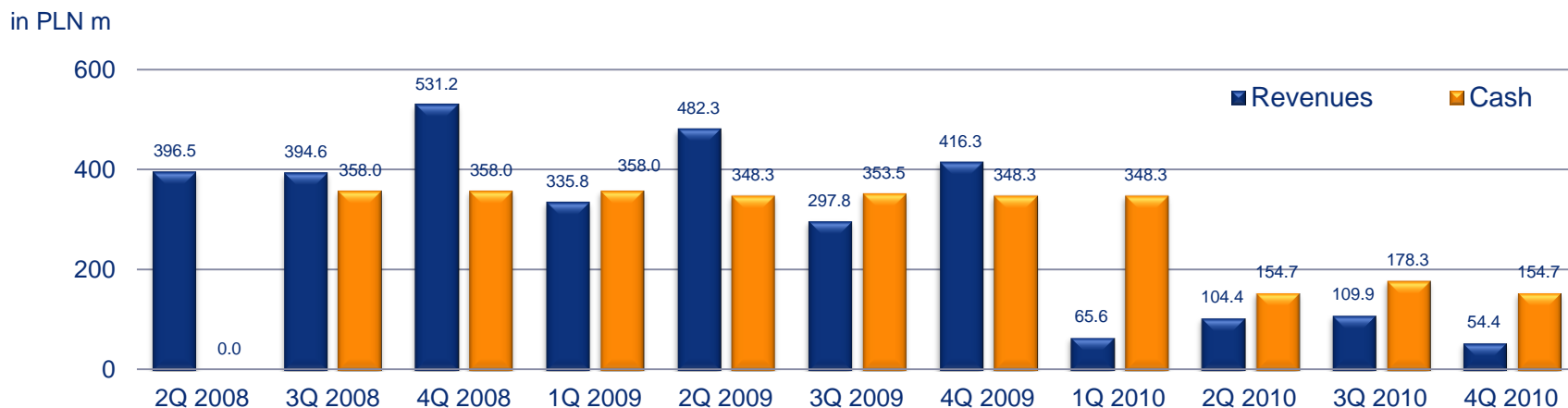
Decrease mainly due to increase in redemption cost of certificates of origin

Increase mainly due to increase in electricity generation from hydro power plants and the number of green certificates sold. This resulted mainly from favourable hydrological conditions

Higher distribution results due to higher volume of energy distributed (by ca. 0.6TWh), higher average distribution tariff for 2010 and increase in revenues of so-called connection payments or network terminals (changes in accounting principles – ca. PLN 94m)

Impact of the Long Term Power Purchase Agreements (LTC) compensations

LTC cash inflows and revenues



LTC compensation in 2010

- In 2010 revenues from LTC compensations amounted to PLN 334m, and cash proceeds in this year amounted to PLN 836m
- Lower than previously expected amount of LTC compensation revenues resulted from the merger in Conventional Generation segment
- After the merger Article 33.1 point 1 of the LTC Act came into force – causing that Belchatow power plant compensated in the period Sept-Dec 2010 revenues of Turow power plant

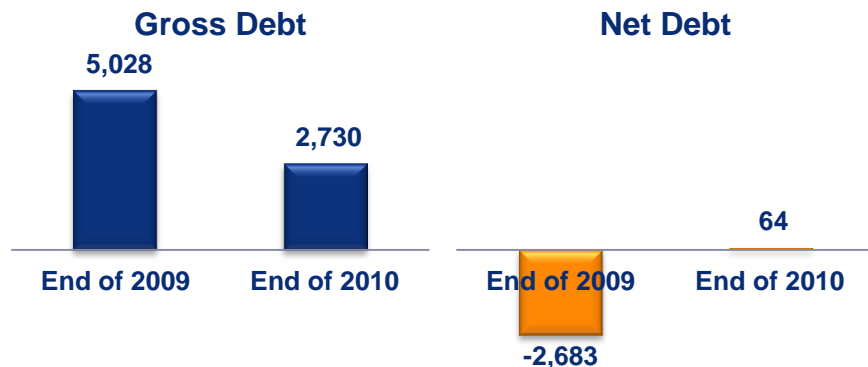
Update on disputes with regulatory body

- Appeals concerning 2008 and 2009 compensation in the Court of Competition and Consumer Protection
- The Court suspended the proceedings concerning 2008 and 2009 compensation for Turow, and 2009 compensation for ZEDO due to vacancy on ERO President's seat. Further suspensions expected

LTC compensations in 2011 and forward

- In 2011 significant increase of compensations y-o-y is expected
- In 2012 level of compensations will probably fall again
- After 2012 impact of compensations probably will not be material at all

in PLNm



Financial Strength Confirmed by Rating Agencies

Moody's
(issued on Sep 2, 2009,
confirmed on Nov 3, 2010)
A3 Stable

Fitch
(issued on Sep 2, 2009,
confirmed on Jun 24, 2010)
BBB+ Stable (Issuer);
A- (Senior Unsecured Debt)

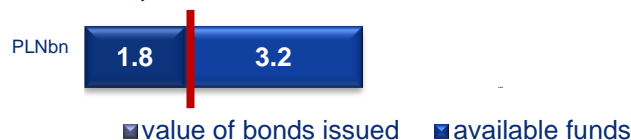
Changes in net debt position

Main reason for the change in the level of net debt in 2010 as compared to 2009 were:

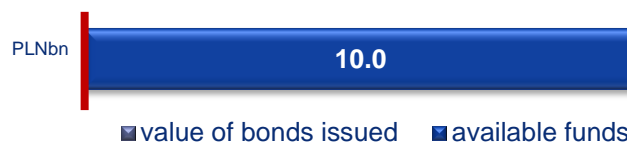
- purchase of non-controlling stake in key subsidiaries from the State Treasury
PLN 3.1bn; December 28, 2010
- dividend payment
PLN 1.3bn; dividend payment date – October 12, 2010)

Current bond programmes

- Cash management in capital group - Bonds programme for the companies from PGE Group for the maximum amount of PLN 5bn



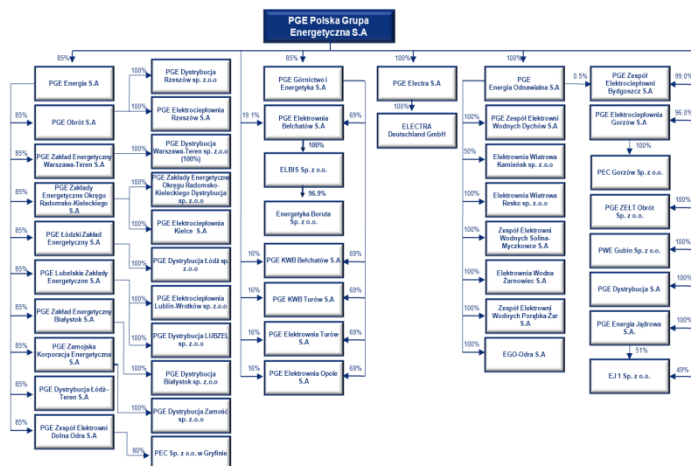
- Bond programme directed to the banks for the maximum amount of PLN 10bn



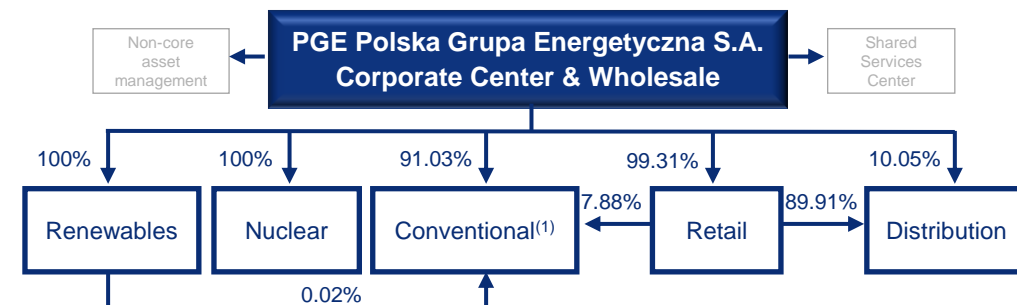


Consolidation Programme

Historical Group Structure



Current Group Structure



(1) Excluding Opole Power Plant in which PGE holds 85%

The largest consolidation programme in Poland

- Consolidation of ca. 40 entities into 4 companies responsible for each business line completed in August-September 2010
- Merger of PGE with a wholesale subsidiary – completed in December 2010, PGE acts as corporate center and entity responsible for wholesale trading
- Shared-service center created as a legal entity, part of IT activities already transferred
- Conversion of employees' shares from operating entities to parent level
- Buy-out of non-controlling interest in operating businesses

- Streamlined, transparent and manageable structure
- Allows for integrated value chain management – no more internal competition
- Improved dividend payment capabilities
- Increased free-float on Warsaw Stock Exchange
- Decrease of non-controlling interest proportion in BS and P&L



Consolidation Programme

June-July 2010

Agreement with Trade Unions signed

Aug 2010

Conversion of employees shares for the shares of PGE GiE and PGE Energia finished

Aug 31, 2010

Merger of PGE S.A. with PGE GiE and PGE Energia

Aug-Sept, 2010

Mergers in Conventional Generation*, Renewables**, Distribution and Retail Segments

Sept 2010

New shares series C and D admitted for trading on the Warsaw Stock Exchange

Dec 28, 2010

Non-controlling shares in key subsidiaries purchased from State Treasury

Dec 31, 2010

Merger of PGE Polska Grupa Energetyczna S.A. with PGE Electra S.A.

* Consolidation with Opole Power Plant still pending

** Consolidation with Kamiensk Wind Farm progressing

Next steps:

- Further streamlining of the structure, including further non-controlling shares buy-outs
- Continuation of shared-services center (SSC) development – takeover of more IT services from the Group, moving accounting, payroll and procurement activities to the SSC
- Cost savings: business lines are currently preparing efficiency programs to present portfolio of identified saving initiatives, timelines, effects and costs of implementation. Presentation of these programs is expected in 2011

Outstanding legal issues concerning consolidation:

Few shareholders of Conventional Generation companies brought actions for statement of invalidity of the merger resolutions together with the request for overruling them

Currently the Court of Lodz is obliged to reexamine the case. We possess strong legal opinions assuring safe completion of consolidation, however on the current stage of the trials it is not possible to foresee the decisions of the court



Investment Programme



Capital Expenditures – details for 2010

Segments

Conventional – PLN 3,819m

- modernization of units 3-12 in Belchatow – PLN 1,236.0m
- construction of 858MW unit in Belchatow – PLN 894.4m
- work on Szczercow Field – PLN 343.3m
- works on Belchatow Field – PLN 151.0m
- construction of desulphurization installations on units 1 and 2 in Belchatow – PLN 102.0m

Distribution – PLN 1,054m

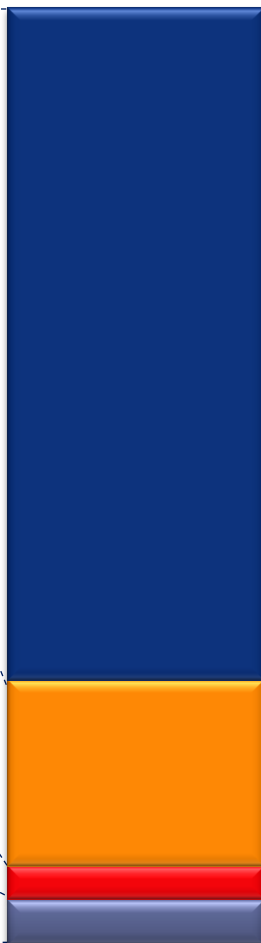
- new clients connection – PLN 456.8m
- distribution grid – PLN 351.9m

Renewables – PLN 192m

- modernization and replacement – PLN 155.6m

Retail, Wholesale and Others – PLN 259m

FY 2010



Total CAPEX expenditures amounted in FY 2010 to ca. PLN 5,323m

Total CAPEX in FY 2009 amounted to PLN 3,726m



Conventional

Distribution

Renewables

Retail, Wholesale and Others

Key investment projects in 2011

- Belchatow Power Plant

Belchatow 858MW lignite unit

<i>Installed capacity</i>	858 MW _e
<i>Net efficiency</i>	41.7%
<i>Gross electricity generation</i>	ca. 6.2 TWh p.a.
<i>Commissioning</i>	2011
<i>Total Capex estimation</i>	ca. PLN 4.9bn

- Currently trial run under progress



Possible revitalization of units no. 1 and 2

- initial decision made to revitalize unit no. 2
- previously unit planned to be decommissioned by the end of 2015 (after derogation period)
- possible revitalization of unit no. 1 under consideration
- scenarios for unit no. 1:
 - fired with lignite from Zloczew field (deposit located near Belchatow, not opened yet)
 - fired with biomass

Retrofit of units no. 7 – 12

- Retrofitting of the turbine island equipment and of electrostatic precipitators (EPS)
- Project planned for 2010-2016
 - will increase each of the six units' power output by 20 MW, bringing a total output increase for the power plant of 120 MW
 - will boost cycle efficiency by 2.4%
 - will reduce the specific CO₂ emissions by about 600,000 tons per year
 - will improve the availability and reliability
 - will achieve dust emission levels as low as 50mg/Nm³

Key investment projects in 2011

- Opole and Turow Power Plants

Opole units no. 5 and 6 (hardcoal)

<i>Installed capacity</i>	2x800-900MW _e
<i>Net efficiency</i>	ca. 46%
<i>Gross electricity generation per unit</i>	ca. 6 – 6.7 TWh p.a.
<i>Commissioning</i>	2016/2017

Current status of the project:

- Invitation to submit offers send to consortia in February 2011
- Deadline for submitting the final offers set for June 30, 2011
- Site preparation already progressing
- Start of construction planned for 2011



Turow Unit no. 11 (lignite)

<i>Installed capacity</i>	460 MW _e
<i>Net efficiency</i>	ca. 45%
<i>Gross electricity generation</i>	ca. 3 TWh p.a.
<i>Planned commissioning</i>	2016

Current status of the project:

- Tender opened in October 2010
- Applications for participation in the tender submitted in December 2010
- Qualification process in progress
- Start of construction planned for 2013



Key investment projects in 2011 - ZEDO plants and CHPs

Dolna Odra CCGT (2 units)

<i>Installed capacity</i>	2x400-450 MW _e
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<i>Commissioning possible</i>	2015/2018
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- Suitable location enables diversification of gas supply sources (e.g. LNG Terminal, National Gas System and other)
- Projects in preparatory stage

Dolna Odra – capacity replacements

- Replacement and biomass conversion under consideration - hard coal units no. 3 and 4 (205 MW each, expected decommissioning 2015)
- Replacement under consideration - units no. 1 and 2 (ca. 220 MW each, expected decommissioning – 2018-2021)

Gas CHP Units

<i>Installed capacity per unit</i>	ca. 240 MW _e
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<i>Net efficiency cogeneration</i>	ca. 84%
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<i>Net efficiency condensing</i>	ca. 56%
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<i>Gross electricity generation per unit</i>	ca. 1.6TWh p.a.
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<i>Net heat generation per unit</i>	ca. 4,200 TJ p.a.
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Preparatory works to build gas units in:

- Bydgoszcz CHP
- Gorzow CHP
- Pomorzany CHP (ZEDO)

Commissioning possible in 2015



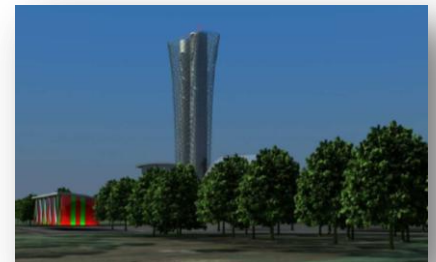
Gdansk CHP

Currently we are examining possibilities of building CHP in Gdansk area in order to supply electricity in Northern Poland and heat to local citizens

Two possible variants considered:

- two gas units (total 2x400-450 MW_e)
- two biomass units (total 2x230-275 Mw_e)

Commissioning possible in 2015-2017



Key investment projects in 2011

- Biomass and Emissions Reduction

Key biomass projects

- Biomass boiler in Szczecin CHP (ZEDO) – commissioning planned for 2012
- Biomass installation on boiler no. 4 in Bydgoszcz CHP
- Biofuel cogeneration unit in Rzeszow CHP (25 Mw_e, 17 Mw_t)
- Biomass installation on boiler no. 2 in Opole PP
- Examining possibility of biomass conversions in Dolna Odra (units 3 and 4) and Szczecin CHP

CAPEX for these projects in 2011 to reach PLN 250-300m

SO₂ emission reduction – key projects

- Desulphurization for units no. 1 and 2 in Belchatow PP
- Modernization of desulphurization in units no. 8, 10, 11 and 12 in Belchatow PP
- Improvement of desulphurization (3rd technology line of limestone milling) in Turow PP
- Desulphurization for units no. 5 and 6 in Dolna Odra PP
- Desulphurization in Bydgoszcz CHP

CAPEX for these projects in 2011 to reach PLN 300-400m

CCS Belchatow

- Technology: post-combustion capture, transport and geological storage
- Commissioning planned for 2015
- Estimated total CAPEX: over EUR 600m

Estimated cost of CCS operation reaches EUR 60/ton which makes it not economically valid without external support

As project economics is questionable, our goal is to finance it from external sources.



Key investment projects in 2011

- Lignite Mining

Zloczew Field

- Deposit located ca. 50 km from existing Belchatow facilities – distance justifying lignite transport
- Possible annual extraction: ca. 12m tons
- Opening this field may allow for extending Belchatow PP life for 20 to 30 years (depending on variant chosen)
- Currently research works are conducted and mining permit is expected to be obtained in 2015

Gubin Deposit

- PGE holds license for research of rich Gubin Deposit in South-Western Poland

Investments in existing plants

- Machinery at the Szczercow Field (Belchatow Mine) to be modernized

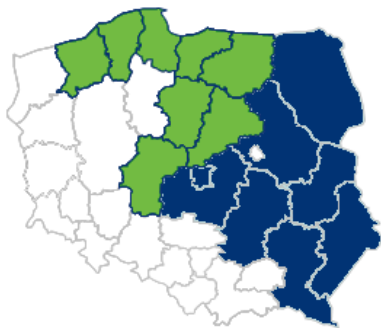
CAPEX for this project in 2011 to reach ca. PLN 100-110m



Energa acquisition

- September 29, 2010** – Share Purchase Agreement signed (84.19% shares of Energa S.A. for PLN 7,529,913,842.40)
- October 20, 2010** – PGE S.A. filed an application to the Competition and Consumer Protection Office (UOKiK) for a consent to buy shares of Energa S.A.
- January 14, 2011** – Negative decision of the UOKiK on the acquisition forbidding the purchase of Energa S.A. shares
PGE S.A. does not agree with the merits of the justification of the decision. The arguments in the application submitted to the UOKiK were based on reliable analyses, including ones taking into consideration the integration of the regional European markets
- January 18, 2011** – execution of the Annex to Share Purchase Agreement – termination date set for 12 months since the date of the Agreement while the course of the termination is suspended until the date of the legally valid conclusion of the appeal proceeding.
- January 28, 2011** – PGE submitted the appeal against the decision, PGE appeals for the change of the Decision in whole and ruling allowing for the concentration of PGE and Energa S.A., or alternatively for abolition of the Decision

PGE and Energa are singularly complementary and the combination of the two businesses produces significant strategic, cost and investment synergies



- PGE has positive generation balance while Energa has negative. Acquisition will allow for balancing PGE position without removing energy price exposure
- PGE is in possession of know-how and experience in the field of implementation large investment projects. Energa has experience and measures essential in process of distribution integration
- Energa has its own renewable sources of energy and opportunities for its further development. PGE has sufficient resources to finance Energa's projects

Selective approach to acquisitions

Our goal is to be leading utility in CEE region and we want to achieve this position also by acquiring interesting regional targets



As our domestic market is large and we have plenty of own investment projects under consideration, we have comfort to choose and to explore only the best opportunities. Therefore we would like to examine most promising assets for sale in the region

Non core businesses disposals

Polkomtel

- Process started in Q1 2011
- Investors shortlisted
- Cooperation between all shareholders
- Financial and strategic investors interested
- Plans to complete the process by the end of June 2011

Exatel

- No final and binding bids received
- Process stopped on January 13, 2011
- Further decisions on the process to be taken in Q2 2011
- Process planned to be completed in 2011

Others

- In 2009-2010 shares in 22 companies sold, 9 companies liquidated, shares in one company redeemed. In 2011 shares in one additional company already sold
- Consolidating businesses in order to increase their value:
 - medical services, hotels/security/services and transport

IFRS (in PLNm)	Revenues	EBIT	Net Profit	Consolidated in PGE results
Polkomtel*	7,931.6	1,534.8	1,150.2	No
Exatel	510.1	62.7	41.5	Fully (in Other business line)

* Not audited



Polska Grupa Energetyczna

Thank you

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Appendix – More Details on Business Segments

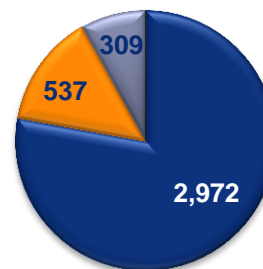
Key capital expenditures in 2010:

- Modernization of units 3-6 in Belchatow completed (PLN 1,236m)
- 858MW lignite unit in Belchatow almost completed (PLN 894m)
- Investment in Szczercow and Belchatow Fields (PLN 494m)
- construction of desulph. installations on units 1 and 2 in Belchatow (PLN 102m)

Information on decommissioning

- 206MW lignite unit in Turow PP decommissioned at the end of 2010

Total 2010 CAPEX of PLN 3,819m



■ new capacities

■ modernization and replacement

■ Other

Operator	Volume of CO ₂ Emissions in 2010 (Tons)	Yearly Limit of CO ₂ Emission Allowances Set Out in NAP II for 2010
Belchatow PP	29,659,590	26,937,155
Turow PP	10,656,954	11,158,636
ZEDO	6,686,372	5,680,137
Bydgoszcz CHP	1,139,309	1,155,252
Gorzow CHP	452,063	479,305
Lublin-Wrotkow CHP	586,647	570,840
Rzeszow CHP	281,716	303,155
Kielce CHP	186,383	194,547
Zgierz CHP	92,237	104,988
Opole PP	6,770,075	6,475,340
TOTAL	56,511,346	53,059,355

Additional operational data	2010	2009
Lignite extraction (in million tons)	43.20	43.14
Sale of heat (in million GJ)	24.3	21.3

Conventional Generation revenues split

in PLNm	2009	2010
Sales, including:	13,389	12,287
- sale of electricity	10,523	10,540
- auxiliary services	55	37
- LTC compensations	1,532	334
- sale of heat	611	696
- sale of certificates of origin	415	438
EBIT	4,026	2,982
EBIT ex LTC	2,494	2,648
EBITDA	5,550	4,476
EBITDA ex LTC	4,018	4,142

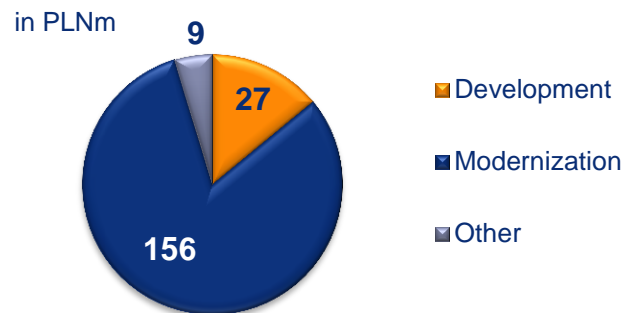
Investment programme

- New executives appointed in 2011
- Medium and long term plans assume at least 2GW of new power:
 - 1GW new capacity in on-shore wind till 2015
 - 1GW new capacity in off-shore wind till 2020
 - additional, less significant, additions in hydro and biogas capacity
- Projects developed by ourselves or acquired

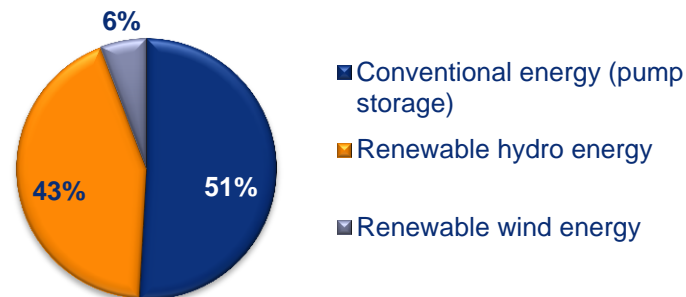
Renewables– key financials

in PLNm	2009	2010
Revenues, including:	547	631
- sales of electricity	218	282
- regulatory services	199	194
- sales of certificates of origin	87	137
EBIT	78	154
EBITDA	203	280

Total 2010 CAPEX of PLN 192m



Gross electricity generation 2010



RAB Revaluation and Return – regulations*

- Regulated Asset Base for 2010 accounted to PLN 13.3bn, but the figure is currently not used for return calculation in the tariff
- 2010 was 3rd year of return increase path after RAB revaluation
- Currently WACC is applied to calculate return only on assets created since 2009 („new”):

$$Return_{new\ t} = WACC \times RAB_{new}$$
- Assets created before 2009 („old”) are rewarded according to formula:

$$Return_{old\ t} = Return_{old\ t-1} + 1.5\% \times (RegulatedRevenue_{t-1} - Return_{new\ t-1} - D\&A_{new\ t-1})$$
- Return for a year t is calculated as a sum of $Return_{new\ t} + Return_{old\ t}$

*simplified

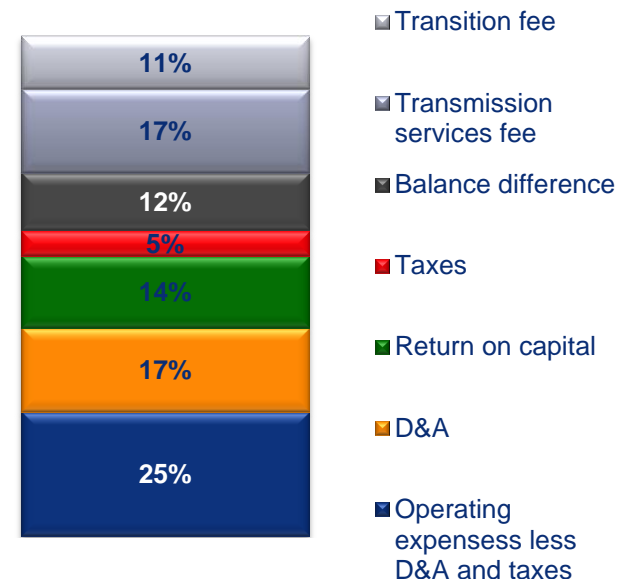
Key regulation metrics for 2011:

- RAB revaluation continues
- WACC for 2011 decreased to 9.597% pre tax from 10.519% pre tax in 2010
- Allowed operating expenses at a level of 2010 increased by 3.5% (2009 CPI)

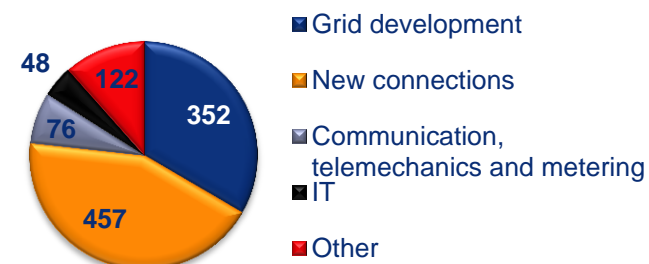
Distribution – key financials

in PLNm	2009	2010
Revenues, including:	4.669	5.065
- revenues from distribution services	4.411	4.669
- other distribution related revenues	82	184
- other non-distribution related revenues	176	182
EBIT	263	567
EBITDA	1.093	1.441

Approximate composition of 2010 regulated revenue (as set in tariff)



Total 2010 CAPEX of PLN 1,054m



Merger of PGE with PGE Electra

- On December 31, 2010 the Merger of PGE Polska Grupa Energetyczna S.A. and PGE Electra S.A. was registered
- As a result of the merger PGE took over all the duties and responsibilities of PGE Electra
- Starting from 2011 PGE is responsible for wholesale trading energy and related products (including property rights, emission rights)
- At the same time PGE acts as the Corporate Center of PGE Capital Group

Hard coal purchase

- On December 22, 2010 PGE Electra S.A. signed the hard coal purchase agreement for 2011-2013 with Kompania Węglowa S.A.
- Estimated value of the agreement over the period of duration amounts to ca. PLN 3.9bn
- The agreement ensures deliveries for the significant amount of PGE Group hard coal needs for a hedged price (not linked to international hard coal prices)

Obligation to sell electricity on the exchange

- Amendment to the Energy Law introduced obligation for the power producers to trade on the electricity exchange platforms. The obligation applies to 15% of energy generated by any producer, and additionally, if a producer is authorised to receive funds to cover stranded costs the stock obligation applies to the whole energy generated by power plants
- PGE is complying with the above mentioned regulation
- PGE may use all products available on the market and is not disclosing its portfolio and position
- Trading on exchange platforms shall increase transparency of the electricity prices. We count on further development of this market and improvement of liquidity in forward trading

Wholesale segment revenues split

in PLNm	2009	2010
Sales, including:	12,723	11,806
- sale of electricity	11,328	10,467
- other revenues from core activities	1,289	1,098
- revenues from other operations	105	241
EBIT	439	173
EBITDA	465	202

Market situation – competition increasing

- Ca. 200 entities in competition for business customers
- 6,954 business customers changed energy supplier till the end of 2010 - figure grew by over 400% y-o-y from 1,537 at the end of 2009
- Market rapidly developing:
 - Introduction of energy consulting/outsourcing services
 - Emergence of the purchasers' groups
 - E-auctioning
 - New sales channels (eg. agencies)
 - New active players in search for niches

Impact of the Certificates of Origin on the Energy Prices in Poland

- Cost of all certificates of origin amounted to ca. PLN 37/MWh in 2010
- Additionally in 2010 purple certificates for the cogeneration based on bio-gas or methane obtained in the process of hard coal distillation were introduced, and in 2011 Polish Government adopted an Act on Energy Efficiency, that introduced white certificates

Substitution fee (in PLN) & Share of certificates in electricity sold to final customers

Certificates:	2009		2010		2011	
Green	8.7%	258.89	10.4%	267.95	10.4%	274.92
Red	20.6%	19.32	21.3%	23.32	22.2%	29.58
Yellow	2.9%	128.80	3.1%	128.80	3.3%	127.15
Purple*	-	-	0.3%	59.16	0.4%	59.16

*Draft Order of the Minister of Economy dated July 30, 2010

G tariff

- An average electricity tariff for households, as approved by the President of the ERO for 2010 amounted to 247.8 PLN/MWh
- Increase in retail tariff for households for the year 2010 as compared to 2009 tariffs amounted to ca. 5%
- In January the ERO President accepted 2011 retail tariff for G customers
- G tariffs for 2011 increased by over 8% y-o-y and amounted to ca. 268 PLN/MWh on average

Retail segment revenues split

in PLNm	2009	2010
Sales, including:	12,343	12,465
- sale of electricity	7,984	8,019
- sale of distribution services	4,260	4,348
- other revenues from core activities	31	39
- revenues from other operations	68	58
EBIT	398	205
EBITDA	405	214



Back-up slides

FY 2010 – statement of comprehensive income (P&L)

Consolidated data, in accordance with IFRS

	2009	2010	2009	2010
	PLNm <i>audited</i>	PLNm <i>audited</i>	EURm <i>audited</i>	EURm <i>audited</i>
Sales	21,623	20,476	4,982	5,113
Sales Ex-LTC	20,091	20,142	4,629	5,030
EBITDA	7,983	6,834	1,839	1,707
EBITDA margin	36.92%	33.38%	36.92%	33.38%
EBITDA Ex-LTC	6,451	6,500	1,486	1,623
EBITDA Ex-LTC margin	32.11%	32.27%	32.11%	32.27%
EBIT	5,345	4,185	1,231	1,045
EBIT margin	24.72%	20.44%	24.72%	20.44%
Profit before tax	5,379	4,276	1,239	1,068
Profit for the year	4,337	3,627	999	906
Non-controlling interest	966	613	223	153
Net profit (to equity)	3,371	3,014	776	753

EUR/PLN rate used: exchange rate constituting an arithmetic average of average exchange rates set out by the National Bank of Poland at the end of every month of the reporting period, from January 1, 2010 till December 31, 2010 – EUR/PLN 4.0044 (for period from January 1, 2009 till December 31, 2009 EUR/PLN 4.3406)

Effective tax rate in 2010 – 15.8%

Lower effective tax rate in 2010 results mainly from a reversal of revaluation write off on tax asset (ca. PLN 130m) related to provisions for recultivation in lignite mines.

As a result of the merger of mines and power plants it became probable that future recultivation expenses will be tax deductible, so it increased the recoverable amount of deferred tax asset

Non-controlling interest

Main contributors of the non-controlling interest:

- PGE GiEK SA – ca. 67%
- PGE Dystrybucja S.A. – ca. 17%
- PGE Obrót S.A. – ca. 8%
- PGE Opole S.A. – ca. 6%

On December 28, 2010 PGE purchased non-controlling shares in the operating businesses from the State Treasury.

After the transaction PGE holds (directly and indirectly) following percentage of shares:

- 98.93% of Conventional Generation
- 99.31% of Retail
- 99.96% of Distribution

As the transaction was concluded at the end of 2010 the effect (significant drop) on the non-controlling interest in P&L will be visible starting from 2011

FY 2010 – financial revenues and financial expenses

Consolidated data, in accordance with IFRS

	2009	2010	2009	2010
	PLNm <i>audited</i>	PLNm <i>audited</i>	EURm <i>audited</i>	EURm <i>audited</i>
Financial revenues from financial instruments	344	401	79	100
Dividends	12	8	3	2
Interest revenue	163	306	37	76
Revaluation/ reversal of revaluation write offs	33	31	8	8
Profit on disposal of investments	65	4	15	1
Foreign exchange gains	70	52	16	13
Other financial revenues	28	21	6	5
Discount rate adjustment	5	0	1	0
Interest on state receivables	13	4	3	1
Provisions reversed	1	13	0	3
Other	9	4	2	1

EUR/PLN rate used: exchange rate constituting an arithmetic average of average exchange rates set out by the National Bank of Poland at the end of every month of the reporting period, from January 1, 2010 till December 31, 2010 – EUR/PLN 4.0044 (for period from January 1, 2009 till December 31, 2009 EUR/PLN 4.3406)

FY 2010 – financial revenues and financial expenses

Consolidated data, in accordance with IFRS

	2009	2010	2009	2010
	PLNm <i>audited</i>	PLNm <i>audited</i>	EURm <i>audited</i>	EURm <i>audited</i>
Financial expenses from financial instruments	392	329	90	82
Interest expenses	285	190	66	47
Revaluation	32	4	7	1
Impairment losses	15	53	3	13
Loss on disposal of investments	0	0	0	0
Foreign exchange losses	59	83	13	21
Other financial expenses	189	229	44	57
Interest expenses (effect of discount unwinding)	155	169	36	42
Interest paid relating to state liabilities	6	2	1	1
Provisions created	-	14	-	3
Other	28	43	6	11

EUR/PLN rate used: exchange rate constituting an arithmetic average of average exchange rates set out by the National Bank of Poland at the end of every month of the reporting period, from January 1, 2010 till December 31, 2010 – EUR/PLN 4.0044 (for period from January 1, 2009 till December 31, 2009 EUR/PLN 4.3406)

Interest expense

The expenses are connected with the effect of discount unwinding.

The amount presented in the financial statement is the discount on reserves, what reflects the time value of money.

Each year the reserves are revaluated and the effect on discount is presented in other financial expenses

Statement of Financial Position (BS)

Consolidated data, in accordance with IFRS

	Dec 31, 2009	Dec 31, 2010	Dec 31, 2009	Dec 31, 2010
	PLNm <i>audited</i>	PLNm <i>audited</i>	EURm <i>audited</i>	EURm <i>audited</i>
Shareholder equity	31,168	37,084	7,587	9,364
Non-controlling interest	7,681	599	1,870	151
Non-current assets	41,964	44,137	10,215	11,145
Current assets	12,483	7,337	3,039	1,853
Total assets	54,448	51,474	13,253	12,997
Non-current liabilities	9,762	7,200	2,376	1,818
Current liabilities	5,836	6,591	1,421	1,664
Total equity and liabilities	54,448	51,474	13,253	12,997

EUR/PLN period end rate used: 3.9603 (December 31, 2010), 4.1082 (December 31, 2009); source: National Bank of Poland

Consolidated financial statements

In consolidated financial statements

- Polkomtel is presented as associates accounted for under the equity method
- Exatel is fully consolidated and presented as part of „Other” business line
- shares in AWSA (highway operator) is presented as available for sale financial assets, the value is presented at the purchase price adjusted by applicable revaluation write-offs, and AWSA bonds are presented as loans and receivables

Statement of financial positions (BS) (in PLN thousand)	2008	2009	2010
Polkomtel	1,394,527	1,257,027	1,349,540
AWSA (shares)	115,173	115,173	115,137
Statement of comprehensive income (P&L)(in PLN thousand)	2008	2009	2010
Polkomtel	239,083	241,931	223,889

Stand-alone financial statements

In stand-alone financial statements (in accordance with Polish Accounting Standards)

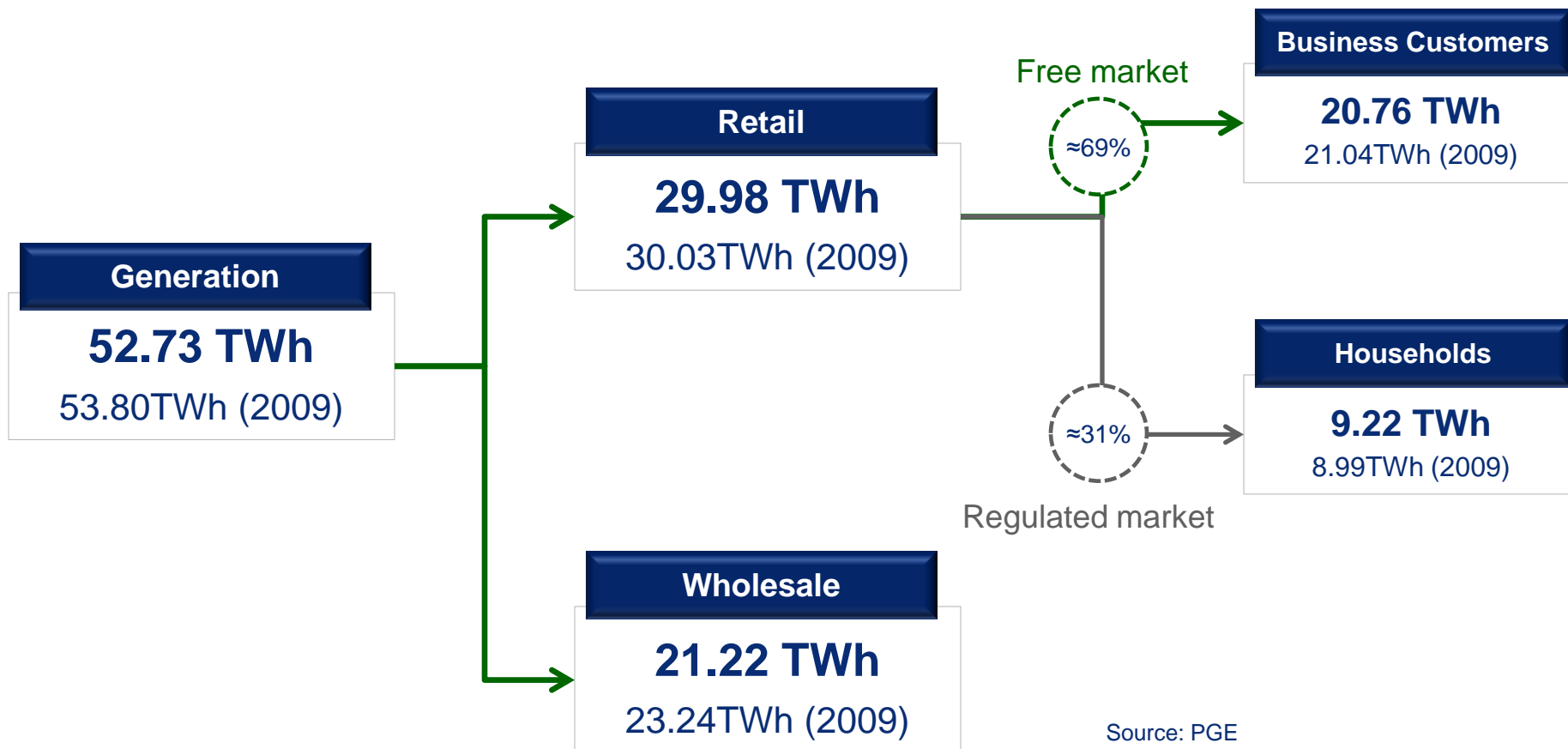
- Polkomtel and AWSA are presented at purchase price,
- Exatel is presented at the purchase price adjusted by applicable revaluation write-offs

Balance sheet (in PLN thousand)	2008	2009	2010
Polkomtel	1,661,255	1,656,469	1,656,469
Exatel	214,005	402,329	402,329
AWSA (shares)	115,173	115,173	115,172



FY 2010 Key business flows

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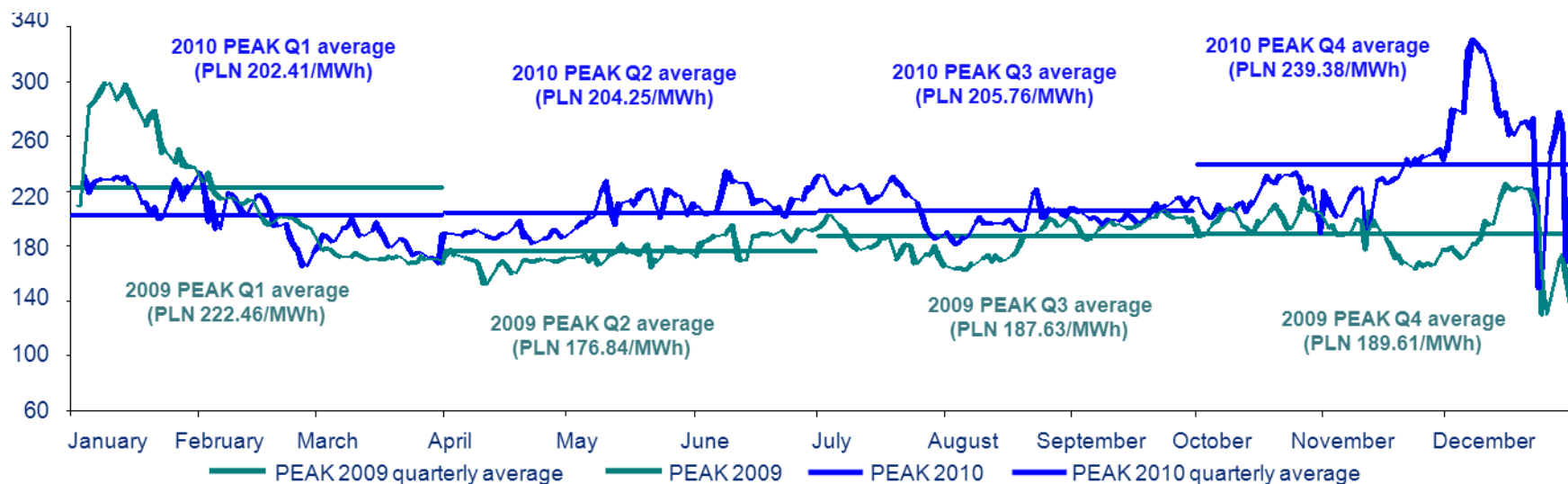
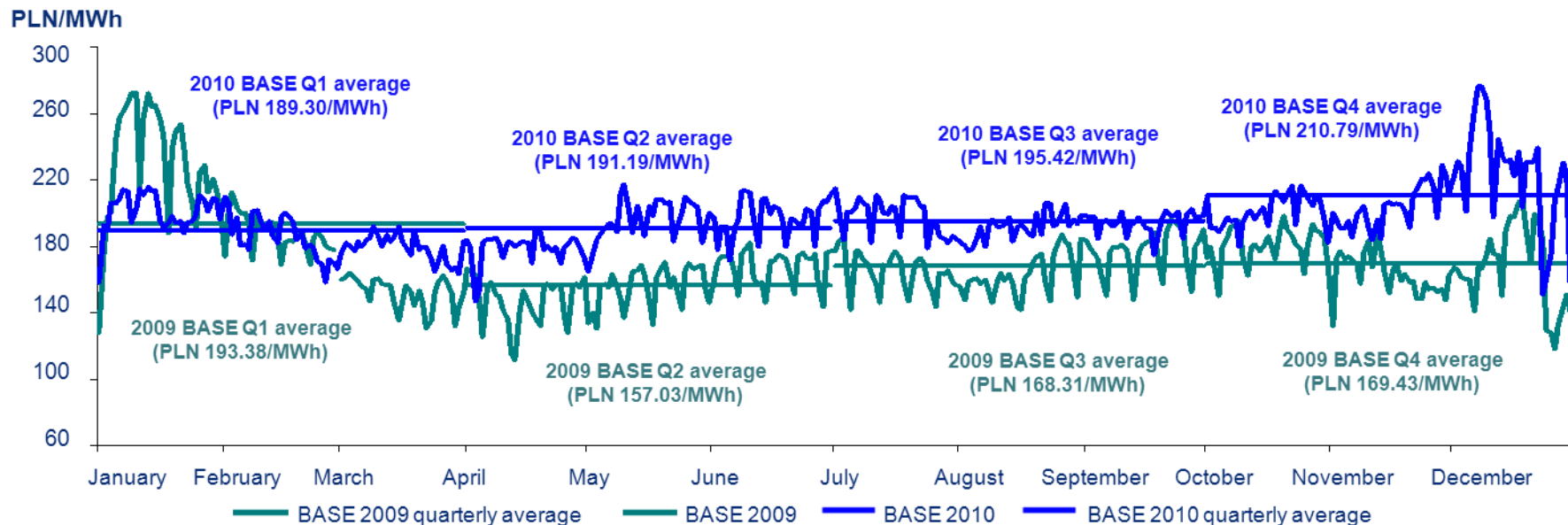
Source: PGE

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

BASE and PEAK Prices in Poland



Electricity generation by source [TWh]

	2010	2009
Lignite-fired power plants	35.31	35.95
Coal-fired power plants	12.94	13.14
Coal-fired CHPs	1.38	1.55
Gas-fired CHPs	1.92	2.04
Pump-storage	0.53	0.56
Water	0.59	0.50
Wind	0.06	0.06
TOTAL	52.73	53.80

Coal-fired generation figure includes 0.68TWh from biomass combustion (vs. 0.58TWh in 2009)

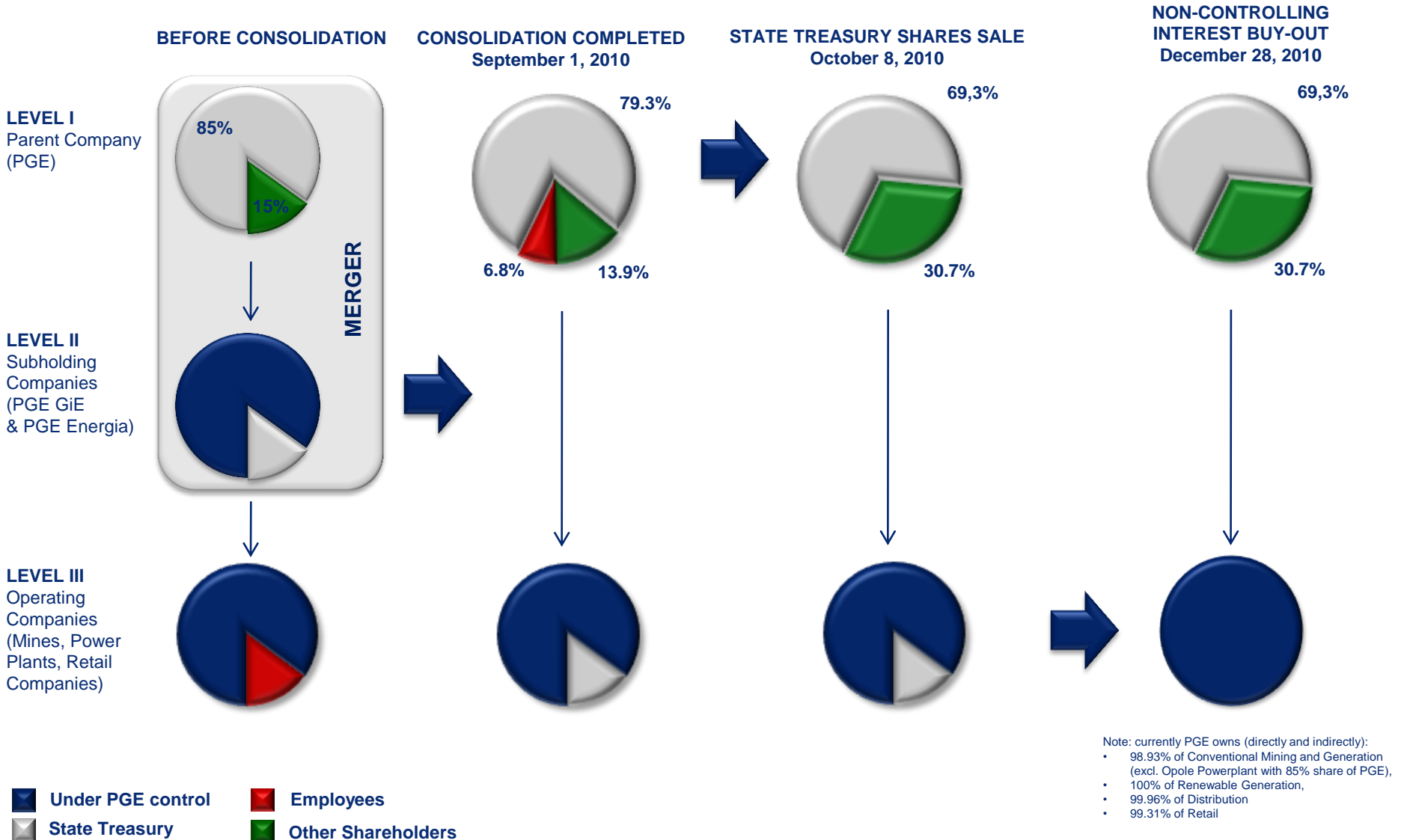
Decrease in production of electricity in lignite-fired power plants mainly due to lower generation in Turow Power Plant due to temporary closure of units caused by flood in August 2010

Decrease in production in coal fired power plants mainly due to lower generation in Opole PP as a result of lower plan of electricity purchase by PGE and decline of production due to CO2 emissions limits. Moreover the decrease was caused by the outage in November 2010

Decrease in production coal fired CHPs due to outages in CHP Pomorzany



Illustration of recent changes in ownership structures





Calendar of events

Meet us at the roadshow and conferences (next two months)

Event	Date	Location	Hosted by
Non-deal Roadshow	22-23.03.2011	Warsaw	DI BRE Banku
Non-deal Roadshow	24-25.03.2011	London	Morgan Stanley
Non-deal Roadshow	29-31.03.2011	New York/Boston	Goldman Sachs
Non-deal Roadshow	4-6.04.2011	Frankfurt/Geneva/Zurich	Societe Generale
Conference	7-8.04.2011	Zuers	Raiffeisen Centrobank
Conference	11-12.04.2011	London	Morgan Stanley
Conference	17-18.05.2011	London	C.A.Cheuvreux

Corporate events

Event	Date
Publication of consolidated quarterly report for 1st quarter of year 2010	May 16, 2011
Publication of consolidated half-year report for 1st half of year 2010	August 31, 2011
Publication of consolidated quarterly report for 3rd quarter of year 2010	November 14, 2011



Sell-side analysts covering PGE

Domestic analysts

Institution	Analyst
DI BRE Banku	Kamil Kliszcz
DM BZ WBK	Paweł Puchalski
DM BOŚ	Michał Stalmach
Citigroup	Piotr Zielonka
Credit Suisse	Piotr Dzięciołowski
Deutsche Bank	Tomasz Krukowski
Espirito Santo	Maciej Hebda
Erste Group	Piotr Łopaciuk
IDM	Sylwia Jaśkiewicz
ING Securities	Milena Olszewska
IPOPEMA Securities	Arkadiusz Chojnacki/Tomasz Duda
Unicredit CAIB	Flawiusz Pawluk

Foreign analysts

Institution	Analyst
Bank of America Merrill Lynch	Evgeny Olkhovich
Goldman Sachs	Fred Barasi
Morgan Stanley	Igor Kuzmin
Raiffeisen Centrobank	Teresa Schinwald
JP Morgan	Nathalie Casali



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