



Polska Grupa Energetyczna



Q3 2010 Results

Consolidated data, in accordance with IFRS

Warsaw, November 15, 2010



Key Q3 2010 developments and achievements

Key financials

- Q3 2010 net profit (to equity) amounted to PLN 0.75bn (growth by 2.7% y-o-y)
- Q3 2010 ex-LTC revenues increased by 3.2% y-o-y and amounted to PLN 4.76bn
- EBITDA margin sustained at high level, reached 30.1%
- EBITDA reached PLN 1.47bn, ex-LTC EBITDA amounted to PLN 1.36bn
- LTC compensations significantly lower amounting to PLN 109.9m in Q3 2010 vs. PLN 297.8m in Q3 2009

Consolidation Programme

- Formal and legal phase finished on August 31st, 2010*
- Mergers with subholding and mergers of operating companies completed*
- Merger procedure of PGE Electra (wholesale subsidiary) with the parent to be closed in 2010
- Currently we are working on improvements in the value chain management and cost saving plan

*merger with Opole Power Plant pending

M&A and Investment Programme

- Energa S.A. purchase agreement signed (84.9% shares for ca. PLN 7.5 bn), now waiting for the Antimonopoly office consent
- CAPEX increasing – after 9M 2010 amounted to ca. PLN 3.2bn (growth of 28% y-o-y)
- Belchatow 858MW unit construction almost completed, commissioning planned for April 2011
- Agreement to retrofit 6 units in Belchatow signed and decision to revitalize 2 units taken
- Tender for the Turow lignite unit (460 MW) opened
- Tender for 2x800-900MW units in Opole to be closed in Q1 2011
- Largest Polish corporate bond issue programme established with the maximum amount of PLN 10 billion.

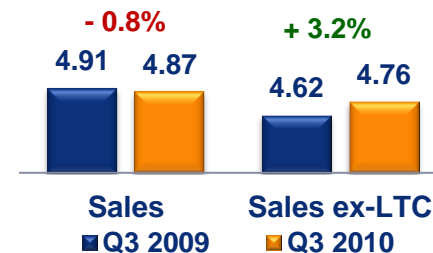


Financial results

Key drivers in Q3 2010

- Electricity generation volumes slightly lower in Q3 2010 y-o-y, reached 12.8TWh in Q3 2010 compared to 13.2TWh in Q3 2009. Sale of heat increased by 21% y-o-y
- Ex-LTC revenues increased by 3.2% mainly due to:
 - increase in revenues from sale of energy to the final customers
 - growth in revenues from sale of certificates of origin
 - higher revenues from the sale of heat
 - and higher distribution revenues (average increase in distribution tariffs for 2010 of 8.6%, as compared to the last effective tariff for 2009)
- Q3 2010 LTC compensation was lower by PLN 188m y-o-y

Revenues (in PLN bn)



Net profit (to equity) increased as a result of consolidation

- Q3 2010 net profit (to equity) increased by 2.7% y-o-y and amounted to PLN 747.2m compared to PLN 727.2m in Q3 2009

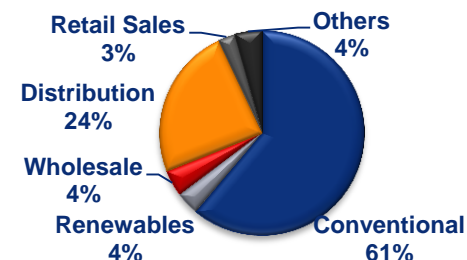
Net profit (to equity)



EBITDA development in Q3 2010

- EBITDA margin remains strong and accounted for 30.1% in Q3 2010
- EBITDA ex-LTC margin reached 28.5% in Q3 2010
- In Q3 2010, EBITDA amounted to PLN 1,465.8m, decrease y-o-y by 16.4% mainly due to lower LTC compensations
- EBITDA ex-LTC decreased by 6.9% y-o-y and reached PLN 1,355.9m
- Decrease in LTC compensations and increase in distribution tariffs responsible for lower share of Conventional Mining and Generation in EBITDA split

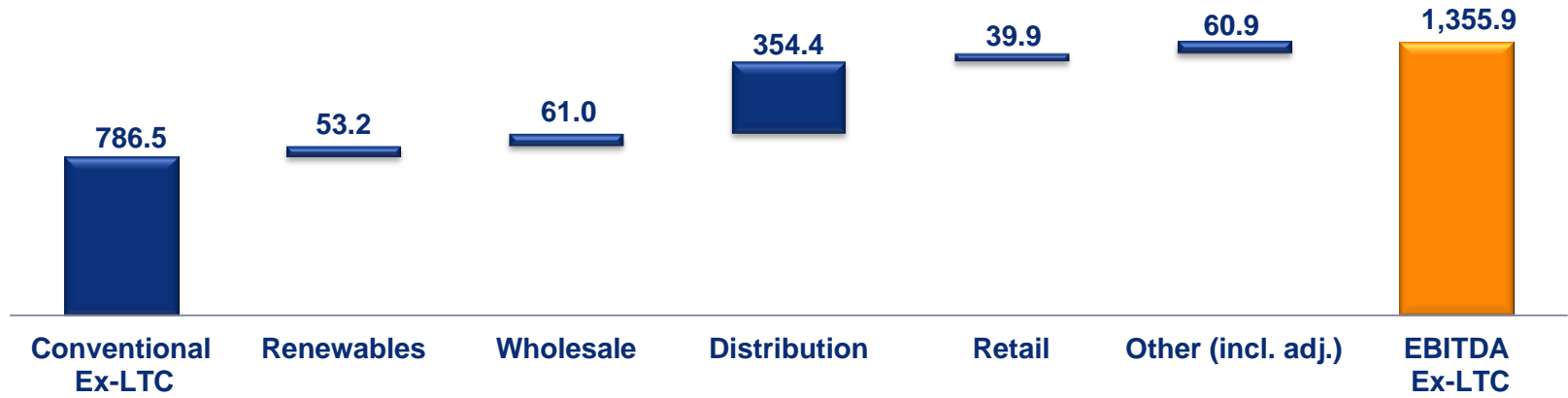
Q3 2010 EBITDA Split





Q3 2010 EBITDA Ex-LTC Composition and Development

Q3 2010 in PLNm



y-o-y
change

- 84.4
- 9.7%

+ 5.2
+ 10.8%

- 94.6
- 60.8%

+ 85.1
+ 31.6%

- 44.3
- 52.6%

+ 32.9
+ 117.3%

Mainly due to higher
personnel expenses

Decrease due to lower margin realized
on the electricity trading on the
wholesale market and lower volume of
electricity traded

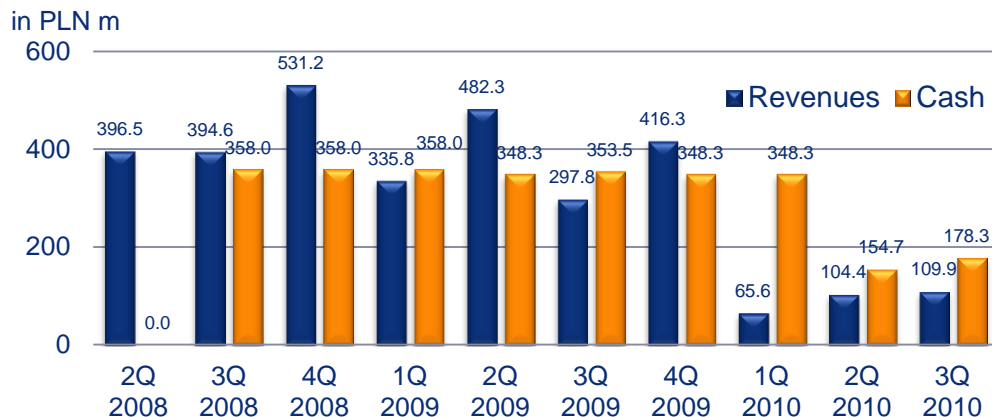
Decrease mainly due to
increase in redemption
cost of certificates of
origin

Increase mainly due to increase in
electricity generation from water power
plants and number of green certificates

Higher distribution results due to higher volume of
energy distributed and higher average distribution
tariff for 2010

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

LTC cash inflows and revenues



2011 Outlook

According to the rules set by the LTC Act (see attach. no 4 to the Act), compensations received as cash and recognized as revenues by PGE in 2011 may be higher than in 2010.

We are going to issue more specific guidance later on.

Disputes with regulatory body

Re 2008 compensations

- Court of Competition and Consumer Protection changed ERO President's decisions in accordance with the appeals filed by the entities from PGE Capital Group.
- The sentence has been not yet final and binding. ERO President appealed.
- In Sept., Oct. and Nov. PGE companies issued answers for the ERO appeal
- Amount under dispute – PLN 435m

Re 2009 compensations

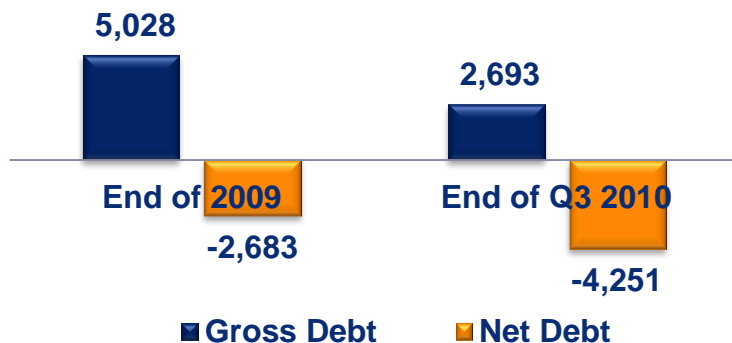
- ERO President decided that generators from PGE Capital Group are obliged to return approximately PLN 566 million in total to Zarządca Rozliczeń S.A.
- PGE and PGE Group producers disagree with the decisions of the ERO President and between August 16 and 23, 2010 filed appeals to the District Court in Warsaw, Court of Competition and Consumer Protection.

We believe that final court verdict will be in our favour therefore we recognize LTC compensations in accordance with our interpretation of the law.



Current Debt Position

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)

Establishment of new Bond Issue Programme – largest corporate programme in Poland

November 9, 2010 – two agreements concerning Bond Issue Programme signed with consortium of banks

- maximum value of the Programme is PLN 10 billion
- signed for a period of 36 months (expires no later than on November 8, 2013)

Bonds

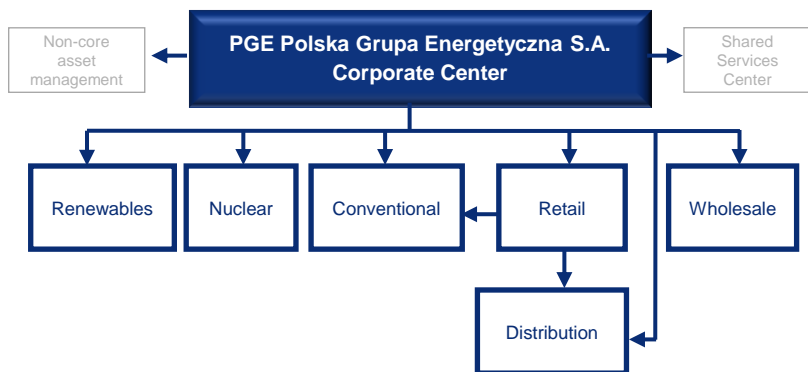
- zero-coupon bonds with maturity of 1,3 or 6 months
- denominated in PLN
- nominal value of one bond will amount to PLN 100,000
- guaranteed yield- reference rate (appropriate WIBOR for deposits with maturity corresponding to the bond issue maturity) increased by a guaranteed margin

Funds from the Programme shall be allocated for the following purposes

- financing current activity of the Company
- financing of investment and capital expenditures planned during the commitment period, concerning the activity of PGE or PGE Group companies, and
- refinancing of PGE's financial debt.

Consolidation Programme

Current Structure



Consolidation - completed tasks:

- conversion of employees' shares and merger with PGE GiE S.A. and PGE Energia S.A. completed
- merger of entities from business lines into 4 companies* completed
- new shares admitted to trading on WSE starting from October 18, 2010

Changes in Q3 2010 P&L and BS

- PLN 3.4bn of share capital attributable to minority interest was moved to the share capital attributable to the shareholders of the parent company
- retained profits attributable to the shareholders of the parent were increased by PLN 280m - the value of dividends, which were attributable to minorities
- starting from September 2010, the share of the parent in profits is calculated on basis of updated share in the equity of the subsidiaries

* Consolidation of PGE Elektrownia Opole S.A. still pending

Next steps to achieve targeted structure:

Next steps in group consolidation and restructuring

- General Meeting of December 8, 2010 will decide on merger of PGE S.A. with PGE Electra S.A.
- works on preparation of cost savings program (efficiency & synergies)
- intensive works on further streamlining of the Group structure
- option to buy-out minorities from consolidated entities

New shareholders structure

Consolidation with PGE GiE S.A. and PGE Energia S.A.

- after issue of 139,693,727 new shares the shareholders structure changed as follows:
 - State Treasury – 79.29%
 - other shareholders – 20.71%

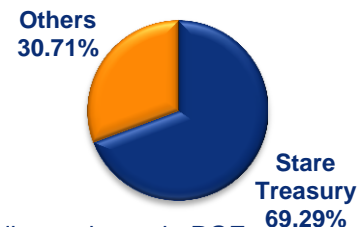
Disposal of shares by State Treasury*

- on October 8, 2010 the State Treasury sold 186,978,000 ordinary shares in PGE, representing 9.99% of the Company's share capital
- following the transaction State Treasury holds shares representing 69.29% of the PGE's share capital

* number of shares owned by the State Treasury according to the notification from the Minister of State Treasury dated Sept 23, 2010

Note: PGE S.A. owns 22,897 own shares for redemption

Current Structure*





Investment Programme

Segments

Conventional– PLN 928.3m

- modernization of units 3-12 in Belchatow – PLN 252.1m
- construction of 858MW unit in Belchatow – PLN 159.0m
- preparatory work on Szczercow Field – PLN 81.3m
- construction of biomass boiler in Szczecin CHP (ZEDO) – PLN 45.3m

Renewables – PLN 45.3m

- modernization of lower reservoir and approach flume in Dychow power plant – PLN 31.0m

Wholesale – PLN 0.9m

Retail – PLN 19.1m

Distribution – PLN 259.3m

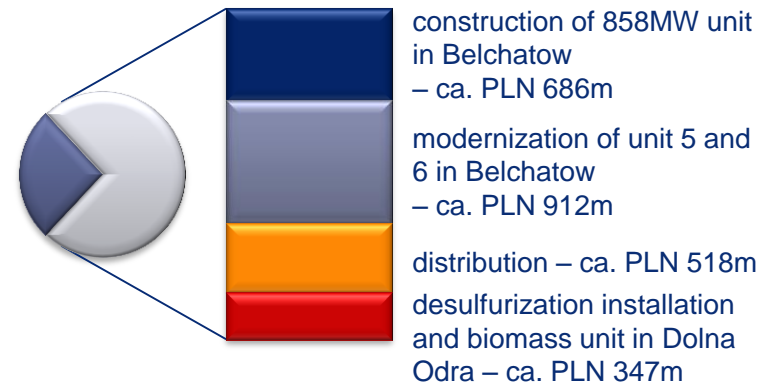
- new clients connection – PLN 122.1m
- distribution grid – PLN 81.6m

Others – PLN 62.5m

Q3 2010

Total CAPEX expenditures amounted in Q3 2010 to ca. PLN 1,315m

Committed CAPEX as at September 30, 2010
– ca. PLN 3,331m



Investments in Bełchatów Power Plant

Retrofit of units no. 7 – 12

- Two agreements signed with ALSTOM Power Sp. z o.o. and consortium of ALSTOM Power Sp. z o.o., ABM Solid SA and ALSTOM Power Sweden Aktiebolag
- Project planned for 2010-2016
- Estimated CAPEX of EUR 160m

Scope of the agreements:

- 1) retrofitting of the turbine island equipment on six of Bełchatów's units
 - 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 ensure the units' compliance with EU emissions directive 2001/80/WE)
 - will support the extension of the plant's lifetime by 25 years
 - will improve the six units' availability and reliability
- 2) retrofit of the units' existing electrostatic precipitators (EPS)
 - will achieve dust emission levels as low as 50mg/Nm³

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 Złoczew field or with biomass

New 858 MW lignite unit

- Commissioning planned for April 2011
- Total project capex estimated for PLN 4.9bn
- CCS installation under construction – part of financing ensured – EUR 180m grant agreement signed (total capex of ca. PLN 2.2bn)

Ongoing Projects

Opole Power Plant

1,600-1,800 MW hard coal (two units)

- Tender under process – offers from three consortia received
- Technology: supercritical pulverized coal boilers, CCS ready
- Start of construction planned for 2011
- Commissioning planned for 2015 and 2016

Turów Power Plant

ca. 460 MW lignite unit

- Tender opened in October 2010
- Applications for participation in the tender to be submitted by December 28, 2010
- Technology: steam supercritical pulverized boiler with a secondary steam overheating, CCS ready
- Start of construction planned for 2013
- Commissioning planned for 2016

ZEDO

CCGT: 2x432MW (condensation)

1x244MW (co-generation)

- Construction of two gas units in Dolna Odra Power Plant (2x432MW) and one gas unit in Pomorzany CHP (244MWe and 170MWt)
- Suitable location enables diversification of gas supply sources (e.g. LNG Terminal, National Gas System and other)
- Projects in preparatory stage
- Commissioning planned for 2015 and 2016

Other

- Rzeszów CHP –biofuel unit (25MWe, 17MWt), commissioning planned for 2012
- Bydgoszcz CHPs – ca. 240 MWe/170MWt CCGT unit, possible commissioning planned for 2016
- Gorzów CHP - ca. 240 MWe/170MWt CCGT unit, project under analysis
- Feasibility studies on gas projects in other locations
- Wind farms – pipeline of projects under corporate decisions for ca. 185MW
- Possible new lignite mines: PGE holds licences for research of Zloczew Deposit (near Belchatow) and Gubin Deposit



Acquisitions and disposals

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.

Currently – PGE S.A. is in dialogue with UOKiK regarding the application

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

Non core businesses disposals

Polkomtel

- Marketing materials to be distributed in Q4
- Cooperation between shareholders
- Financial and strategic investors interested

Exatel

- Initial bids received
- Potential buyers with best offers (incl. highest prices) shortlisted
- Potential buyers conducting due diligence

Others

- POEE (energy trading platform) sold to WSE
- Shares in 30 companies sold, next 6 companies closed
- Consolidating businesses in order to increase their value:
 - medical services
 - hotels/security/services
 - transport



Polska Grupa Energetyczna

Thank you

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Back-up slides

9M 2010 – statement of comprehensive income

Consolidated data, in accordance with IFRS

	Q1-Q3 2009	Q1-Q3 2010	Q1-Q3 2009	Q1-Q3 2010
	PLNm	PLNm	EURm	EURm
Sales	15,482.8	14,984.5	3,519.4	3,743.6
Sales Ex-LTC	14,366.8	14,704.7	3,265.7	3,673.7
EBITDA	5,960.7	5,060.0	1,354.9	1,264.2
<i>EBITDA margin</i>	38.5%	33.8%	38.5%	33.8%
EBITDA Ex-LTC	4,844.7	4,780.2	1,101.2	1,194.3
<i>EBITDA Ex-LTC margin</i>	33.7%	32.5%	33.7%	32.5%
EBIT	4,025.8	3,073.7	915.1	767.9
EBIT margin	26.0%	20.5%	26.0%	20.5%
Profit before tax	4,016.0	3,245.5	912.9	810.8
Profit for the year	3,233.7	2,741.8	735.1	685.0
Minority interest	711.8	495.1	161.8	123.7
Net profit (to equity)	2,521.9	2,246.6	573.3	561.3

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 September 30, 2010 – EUR/PLN 4.0027 (for period from January 1, 2009 till September 30, 2009 EUR/PLN 4.3993)



Presentation of revenues and expenses – restated data for 2009

Changes of revenue and expenses presentation:

Due to fact that in 9M 2010 turnover with some of related parties increased, the PGE updated consolidation procedures and made relevant eliminations while preparing Q3 2010 FS. Previously the Group did not eliminate transactions with those parties, because they have been recognized as not significant in relation to true and fair view of the consolidated financial statements treated as a whole.

Additionally during the reporting period, the Group changed the presentation of some captions of operating revenues and expenses.

Due to the above, the Group transformed the comparative data for period ended Sept 30, 2009 presented in P&L as presented below:

Consolidated data, in accordance with IFRS (in PLNm)

	Period ended September 30, 2009 (published data)	Change of revenues and expenses presentation	Period ended September 30, 2009 (transformed data)
Revenues from sale of finished goods	14,225.1	(525.1)	13,700.0
Revenues from sale of services	504.9	144.1	648.9
Revenues from lease	24.5	(6.6)	17.9
Revenues from LTC compensations	1,116.0	-	1,116.0
Revenues from sale	15,870.4	(387.6)	15,482.8
Cost of goods sold	(10,171.9)	387.6	(9,784.3)
Gross profit on sales	5,698.6	(0.0)	5,698.6
Other operating revenues	192.1	(0.4)	191.7
Distribution and selling expenses	(937.0)	(29.2)	(966.2)
General and administrative expenses	(665.9)	26.5	(639.5)
Other operating expenses	(262.0)	3.2	(258.8)
Financial revenues	293.2	-	293.2
Financial expenses	(507.4)	-	(507.4)
Share of profit of associates	204.4	-	204.4
Gross profit	4,016.0		4,016.0

Consolidated data, in accordance with IFRS

	Dec 31, 2009	Sept 30, 2010	Dec 31, 2009	Sept 30, 2010
	PLNm <i>audited</i>	PLNm	EURm	EURm
Shareholder equity	31,168	35,786	7,587	8,976
Minority interest	7,681	4,117	1,870	1,032
Non-current assets	41,964	42,987	10,215	10,782
Current assets	12,483	11,420	3,039	2,864
Total assets	54,448	54,407	13,253	13,646
Non-current liabilities	9,762	7,642	2,376	1,917
Current liabilities	5,836	6,862	1,421	1,721
Total equity and liabilities	54,448	54,407	13,253	13,646

EUR/PLN period end rate used: 3.9870 (September 30, 2010), 4.1082 (December 31, 2009); source: National Bank of Poland

Electricity generation by source [TWh]

	9M 2010	9M 2009
Lignite-fired power plants	26.66	26.94
Coal-fired power plants	9.29	9.54
Coal-fired CHPs	0.94	1.05
Gas-fired CHPs	1.20	1.26
Pump-storage	0.38	0.36
Water	0.47	0.38
Wind	0.04	0.04
TOTAL	38.98	39.57

Coal-fired generation figure includes 0.49TWh from biomass combustion (vs. 0.37TWh in 9M 2009)

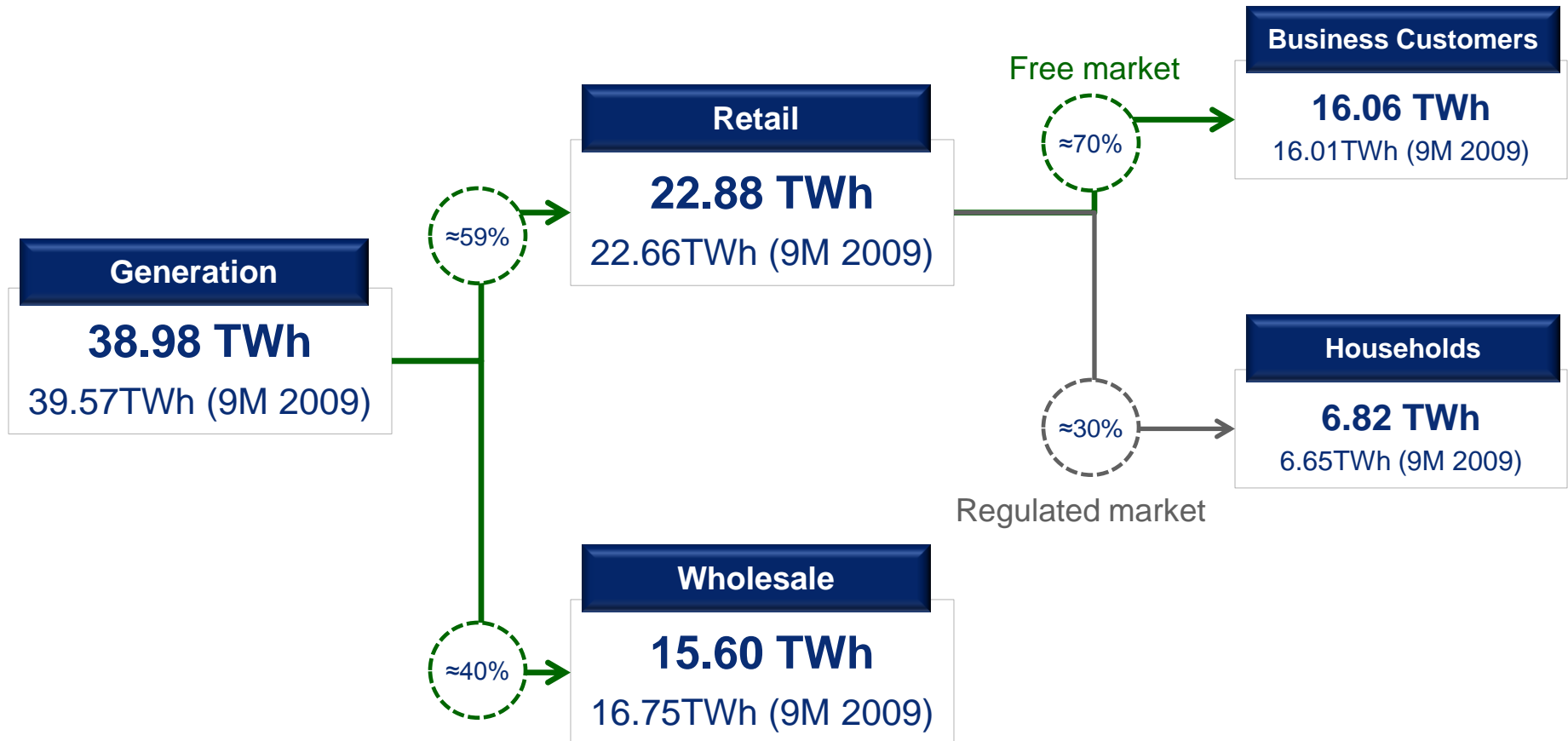
Decrease in production of electricity in lignite-fired power plants mainly due to lower generation in Turów Power Plant caused by longer maintenance repairs and outages. Moreover due to the flood in south west of Poland 5 units in Turów Power Plant were temporary closed.

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.



9M 2010 Key business flows

ILLUSTRATIVE



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



Calendar of events

Corporate events

Event	Date
Extraordinary General Meeting	December 8, 2010

Meet us at the conferences

Event	Date	Place	Hosted by
Polish Equities Conference	November 18-19, 2010	New York	Warsaw Stock Exchange/Citi
Emerging Markets Conference	November 29-30, 2010	London	Goldman Sachs
13th Annual ING EMEA Investment Forum	December 2-3, 2010	Prague	ING