



*Polska Grupa Energetyczna*



# FY 2011 Results

Audited, Consolidated data, in accordance with IFRS

March 14, 2012



# 2011– key achievements

## Key financials

- Revenues grew by 37.3% y-o-y to PLN 28.1bn due to higher volume and prices of electricity (+8%; +PLN 1.64bn) but mainly due to change in electricity trading model (+29.3%; approximately + PLN 6bn), while LTC compensations amounted to PLN 440m in 2011 and PLN 334m in 2010
- EBITDA in 2011 amounted to PLN 6.86bn compared to PLN 6.80bn in 2010. Excluding LTC compensations and LTC write-down in 2011 EBITDA amounted to PLN 7.45bn compared to PLN 6.46bn in 2010, increase of 15.3% y-o-y
- Net profit (to equity) amounted to PLN 4.94bn, increase of 65% y-o-y, incl. PLN 1.66bn gain from Polkomtel transaction
- EPS increased by 57.1% y-o-y to PLN 2.64 compared to PLN 1.68 in 2010

## Key operating data

- Net generation volume up by 7.2% y-o-y (56.52TWh in 2011 vs. 52.73 TWh in 2010), surpassing market growth by 2.8 percentage points
- Lignite generation higher by 9.6% with visible contribution of Bełchatów Unit 14 (1.7 TWh), moderate growth (2.7%) in hard coal plants. Lower base effect due to outages in 2010 was noticed as well.
- Renewable generation higher by 7.5% y-o-y, reached 1.44 TWh, driven by biomass co-combustion (0.93TWh, compared to 0.69 TWh in 2010)
- Reported distributed volume slightly higher y-o-y (31.08 TWh vs. 30.61 TWh)
- Sales to end customers higher as well, with pace well exceeding market growth (31.53 TWh in 2011 vs. 29.88 TWh in 2010)
- Average PGE wholesale price of electricity amounted to ca. 199 PLN in 2011 compared to PLN 192 in 2010

## Consolidation and non-core disposals

- Sale of Polkomtel closed. Proceeds of PLN 3.29 bn received on November 9, 2011. Significant capital gain (after tax: PLN 1.32bn in stand-alone and PLN 1.66bn in consolidated P&L) recognized in Q4.
- Further buy-out of minorities – on October 27, 2011 we purchased i.a. 8.25% of Opole Plant for ca. PLN 100m.
- Since 2009 till the end of 2011 we have sold shares in 29 companies, liquidated 7 companies and disposed of 19 other assets

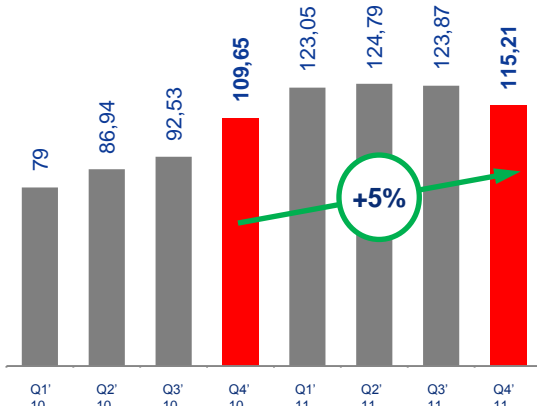
## Investment programme

- Bełchatów 858MW lignite Unit 14 commissioned. Our installed capacity increased to 13.1GW.
- On February 15, 2012 PGE Elektrownia Opole concluded a contract for construction of 2x900MW units at the Opole power plant
- Biomass steam boiler in Szczecin CHP commissioned in December 2011 (68.5 MWe, 183 MWt)
- 108 MW wind projects acquired with expected commissioning in Q2 2012. Requests for offshore wind farms licenses submitted.



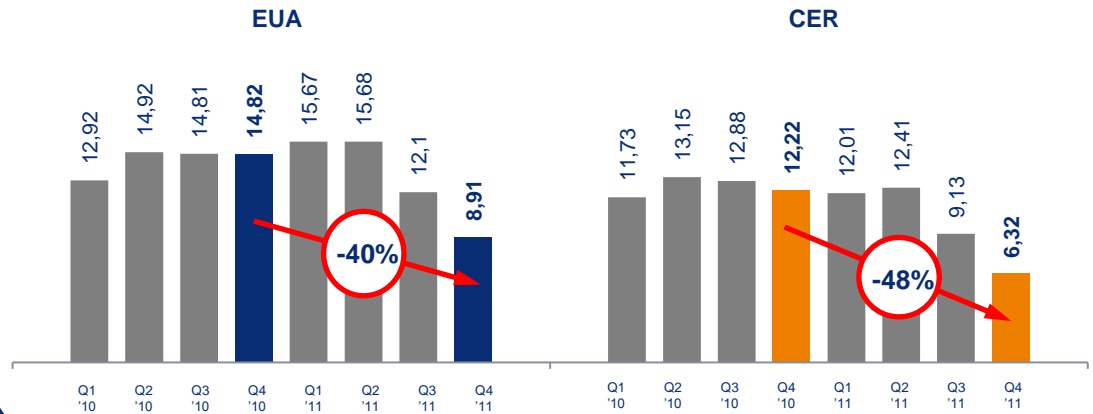
# Economic environment – key data

Hard coal [USD/t]\*



\* An average price on global COAL DES ARA Index

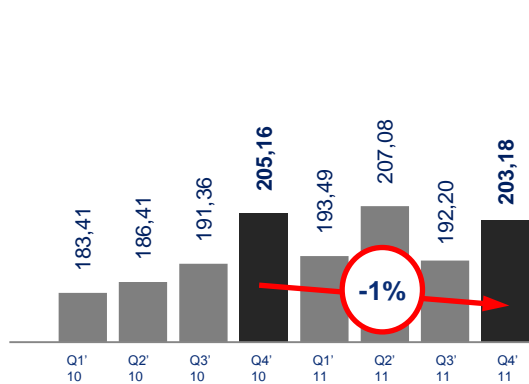
CO<sub>2</sub> Allowance [EUR/t]\*



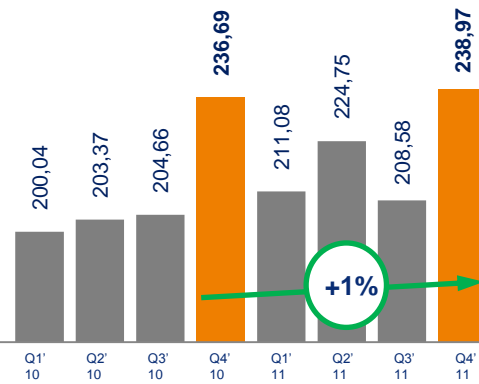
\* An average price on BlueNext Exchange

Average quarterly TGE Electricity Prices in 2011 and 2010 (PLN/MWh)

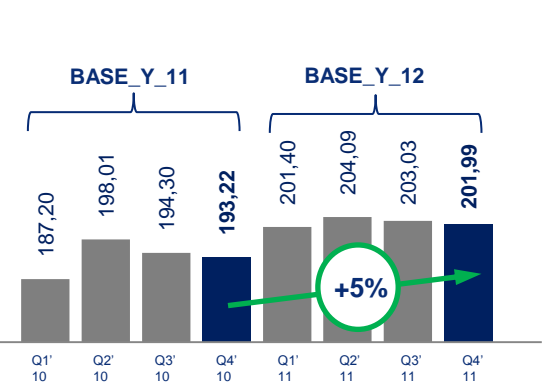
Base (Spot)



Peak (Spot)



Base\_Y\_11/12 (Forward, next year)





# Key Operating Data (I)

## Key Operating Data

Poland	Q4 2010	Q4 2011	2010	2011
Real GDP growth y-o-y [%] <sup>1</sup>	4.1	4.3	3.9	4.3
Industrial production growth y-o-y [%] <sup>1</sup>	-	-	9.8	7.7
CPI y-o-y [%] <sup>1</sup>	2.9	4.6	2.6	4.3
Domestic Electricity Consumption Growth y-o-y [%] <sup>2</sup>	3.2	0.5	4.2	1.9

PGE Group	Q4 2010	Q4 2011	2010	2011
Net Generation Volume [TWh]	13.75	+9.5% → 15.05	52.73	+7.2% → 56.52
Sales on the wholesale market [TWh]	5.79	+166.7% → 15.44	22.82	+149.8% → 57.01
Sales to end-users [TWh]	8.13	+3.2% → 8.39	31.02	+3.9% → 32.22
Sales to end-users excl. intra-group [TWh]	7.83	+5.9% → 8.29	29.88	+5.5% → 31.53
Electricity distribution volume [TWh]	8.02	+1.0% → 8.1	30.61	+1.5% → 31.08

1) Source: GUS, Central Statistical Office; 2) Source: PSE Operator S.A.



## Key Operating Data (II)

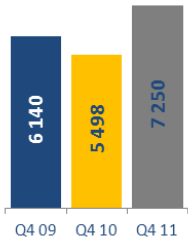
### Net electricity generation by sources (TWh)

	Q4 2010		Q4 2011	2010		2011
Lignite-fired power plants	8.65	+20.9%	10.46	35.31	+9.6%	38.69
Hard coal-fired power plants	3.65	-13.2%	3.17	12.94	+2.7%	13.29
Coal-fired CHPs	0.44	0.0%	0.44	1.38	+2.9%	1.42
Gas-fired CHPs	0.72	+6.9%	0.77	1.92	+15.1%	2.21
Pump storage	0.15	-26.7%	0.11	0.53	-24.5%	0.4
Hydro	0.12	-41.7%	0.07	0.59	-25.4%	0.44
Wind	0.02	+50.0%	0.03	0.06	+16.7%	0.07
<b>TOTAL</b>	<b>13.75</b>	<b>+9.5%</b>	<b>15.05</b>	<b>52.73</b>	<b>+7.2%</b>	<b>56.52</b>
Renewable generation	0.33	+9.1%	0.36	1.34	+7.5%	1.44
incl. Biomass (co)generation	0.19	+36.8%	0.26	0.69	+34.8%	0.93



# Q4 2011 Financial results – key drivers

Sales Revenues



Recurring\* Sales Revenues

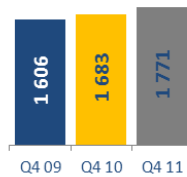


- Recurring\* sales revenues went up significantly by 32% y-o-y or PLN 1,861m
- Growth of recurring\* revenues includes
  - increase resulting from change in PGE trading model (ca. 28 points or PLN 1.6bn)
  - contribution from increased sales (ca. 5 points or PLN 0.2bn)
- Long Term Contracts compensations negative (PLN -55m) as a result of changes in macroeconomic assumptions.

EBITDA

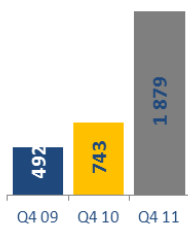


Recurring\* EBITDA

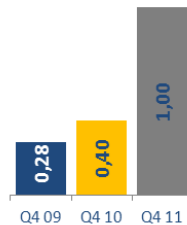


- Recurring\* EBITDA increased by 5% y-o-y or PLN 88m. This pace of growth has been sustained for two years.
- Recurring\* EBITDA in Q4 2011 driven by better results of the electricity sale in the whole value chain (reported mostly in the Conventional Generation).
- Recurring\* EBITDA margin adjusted for exchange trading effect reached 30.1% in Q4 2011 compared to 30.9% a year ago.

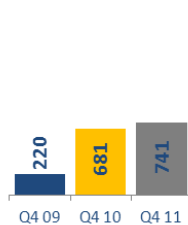
Net profit to equity



EPS



Recurring\* net profit to equity



Recurring\* EPS



- Reported net profit to equity reached record levels of respectively PLN 1,879m and PLN 1.00 per share.
- Recurring\* net profit went up by 8%, PLN 60m
- Recurring\* EPS hit PLN 0.40 per share

\* Recurring = excluding one-off items:

- LTC Compensations (revenues, EBITDA and net income)
- LTC write-down (EBITDA, net income)
- Compensation for Belchatow delay (EBITDA, net income)
- Polkomtel profit (net income)



## Key one-off items – Q4 2011

### Polkomtel

#### Description:

On November 9, 2011 PGE sold 21.85% of Polkomtel shares to Spartan Capital Holdings Sp. z o.o., together with PKN Orlen, KGHM, Vodafone and Wegllokoks for price implying Polkomtel's EV for ca. PLN 18.1bn.

After the transaction PGE does not own any Polkomtel shares.

**Revenues impact:** (+) PLN 1,993m (consolidated accounts), (+) PLN 1,630m (stand-alone), recognized as capital gain (below EBIT line) in wholesale business line

**Net income impact:** (+) PLN 1,659m (consolidated), (+) PLN 1,320m (stand-alone)

**Cash impact:** (+) ca. PLN 3,289m

### LTC compensations write-down

#### Description:

On March 7, 2012 the Court of Appeal acceded to the appeal of the President of Energy Regulatory Office and acknowledged disputed amount of LTC compensations in Lublin-Wrotków CHP. As a result of the ruling PGE reassessed its assumptions concerning LTC revenues which brought about a write-down on 2011 revenues. Applied approach assumes unfavourable rulings in all court proceedings currently before courts and reflects total value of questioned revenues from 2008-2010

**Revenues impact:** (-) ca. PLN 1,038m recognized as other operating cost, conventional generation business line

**Net income impact:** (-) ca. PLN 840m

**Cash impact:** none. If PGE lose all outstanding cases for 2008-2010 the cash impact will equal to (-) PLN 421m.

### Compensation for Belchatow delay

#### Description:

Contract between PGE and contractor (Alstom consortium) has set commissioning date for April 30, 2011.

The unit was finally commissioned at the end of September.

The contract specified compensation payments for a delay, so PGE has demanded such compensation from the contractor.

After negotiations the agreement was reached on December 22, 2011 and Alstom consortium agreed i.a. to pay a compensation.

**Revenues impact:** (+) ca. PLN 330m (PLN 230m + EUR 22m) recognized as other operating revenue, conventional generation business line

**Net income impact:** (+) ca. PLN 266m

**Cash impact:** PLN 125m and EUR 8m settled already in 2011 via cash or compensation with Alstom invoices for other works. Full amount shall be settled till April 1, 2013.



# Key Financials

## Selected financial data, consolidated, IFRS

	Q4 2010	Q4 2011	Q4 2011	2010	2011	2011
	PLNm not audited	PLNm not audited	PLNm ex change in trading model not audited	PLNm audited	PLNm audited	PLNm ex change in trading model not audited
Sales	5 498	7 250	5 684	20 471	28 111	22 080
Sales Ex-LTC	5 444	7 306	5 740	20 137	27 672	21 641
EBITDA	1 738	1 008		6 798	6 855	
Recurring* EBITDA	1 683	1 771		6 463	7 453	
EBIT	1 075	273		4 149	4 145	
Net profit (to equity)	743	1 879		2 990	4 936	
Recurring* net profit (to equity)	681	741		2 620	3 551	
EBITDA margin	31.6%	13.9%	17.7%	33.2%	24.4%	31.1%
Recurring* EBITDA margin	30.9%	24.2%	30.1%	32.1%	26.9%	34.4%
Net cash from operating activities	2 055	1 936		6 611	6 942	
Net cash from investing activities	-10 343	-6 368		-7 468	-3 327	
CAPEX	2 150	1 613		5 323	4 314	
				<b>As of Dec. 31, 2010</b>	<b>As of Dec. 31 2011</b>	
Net Working Capital				888	3 944	
Net Debt/LTM EBITDA				0.01x	-0.6x	

\* Recurring (Q4 figures) = excluding one-off items:

- LTC Compensations (revenues, EBITDA and net income)
- LTC write-down (EBITDA, net income)
- Compensation for Belchatow delay (EBITDA, net income)
- Polkomtel profit (net income)

\* Recurring (FY figures) = excluding one-off items:

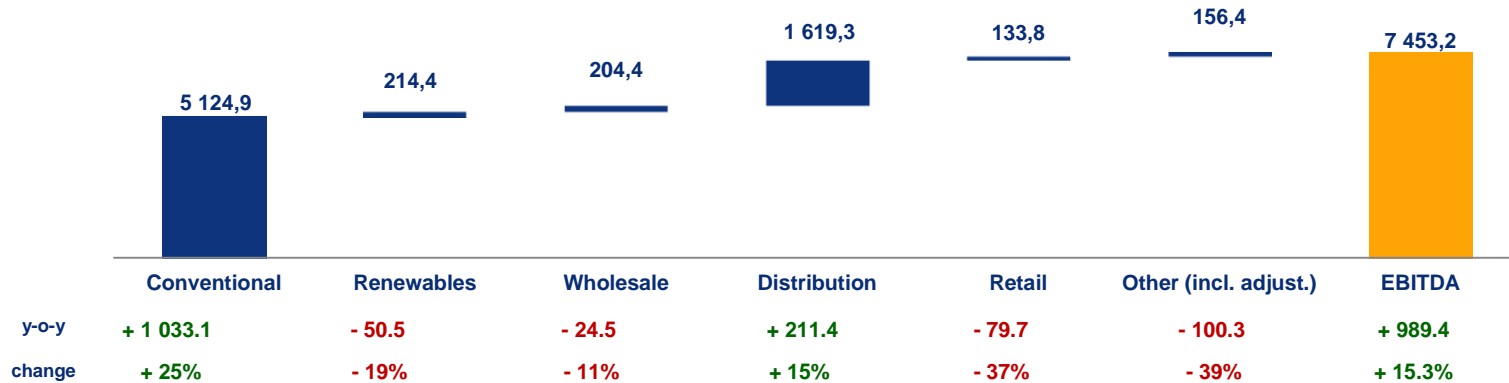
- LTC Compensations (revenues, EBITDA and net income)
- LTC write-down (EBITDA, net income)
- Polkomtel profit (net income)





# FY 2011 Recurring\* EBITDA Composition and Development

## 2011 Recurring EBITDA Composition



Higher prices of electricity and higher volume (note commissioning of Belchatow U 14) contributed to higher revenues and thus earnings.

Decrease results mainly from created provision on claim regarding reservation of interconnectors capacity on the border (Alpiq claim)

Margin on sale to final customers decreased, as higher price of energy and higher costs of certificates of origin were not fully reflected in pricelists.

High base effect resulting from extraordinarily good hydro conditions in 2010 has made 2011 earnings less impressive

Higher volumes, tariff and revenues from connection fees are the reasons of a growth

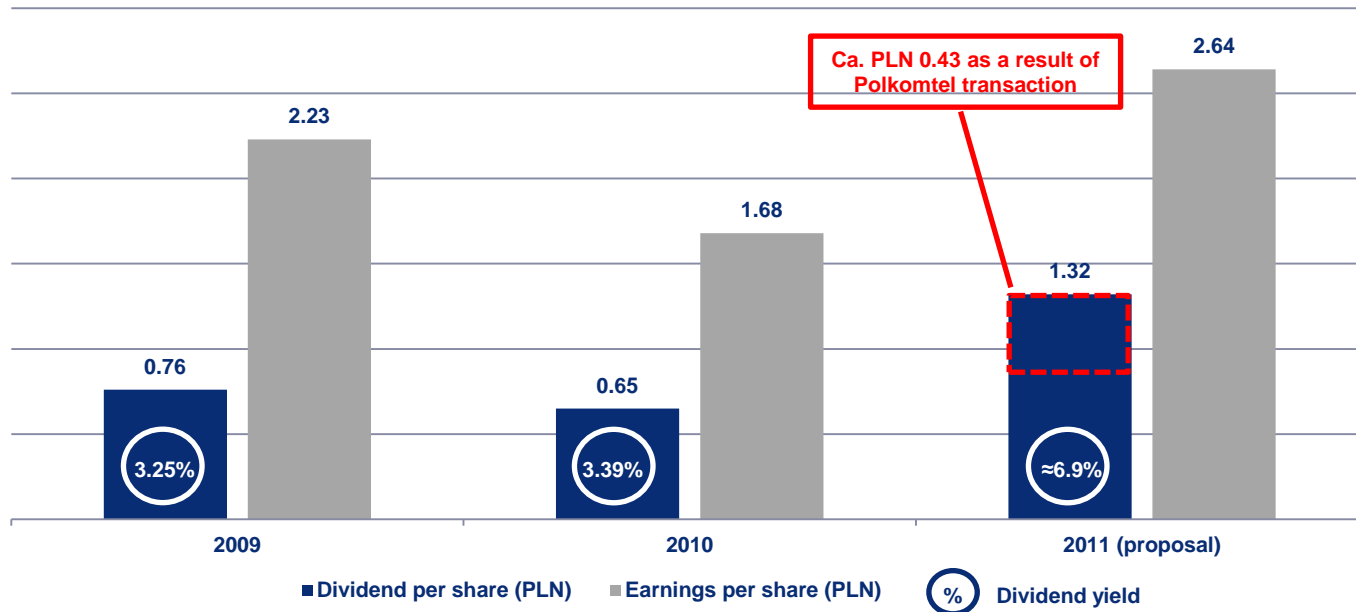
Non-core assets disposals and lower result from Exatel resulted in the decrease.

\* Recurring = excluding one-off items:

- LTC Compensations
- LTC write-down

## Dividends paid & dividend declared

Cash dividends from ordinary shares  
(paid out in 2010, 2011 and declared to pay in and 2012  
from net profit for 2009, 2010, 2011)



The Management Board of the Company proposed to distribute **50%** of the profit for the year 2011 for the dividend for shareholders in amount of PLN 1.32 per share. Given the number of own shares as at the date of profit distribution proposal, the dividend shall amount to **PLN 2,468,084 thousand**. As at the date of the presentation, this motion has not yet been approved by the General Meeting of the Company.

Proposed dividend date: August 22, 2012

Proposed dividend payment date: September 6, 2012

## Belchatow U 14

**The most modern and most effective unit in Poland.**

- Capacity: 858 MW<sub>e</sub>
  - Net efficiency: 42%
  - CO<sub>2</sub> emissions: ca. 910 kg/MWh
  - Lignite utilization: ca. 6m tons p.a.
  - Gross power generation: 6.5 TWh p.a.
  - CAPEX spent: ca. EUR 1.2bn
  - Expected D&A: ca. PLN 150m p.a.
- Belchatów Unit 14 commissioned on September 28, 2011
- After commissioning achievable capacity of PGE Group increased to 13.1GW
- Belchatów Plant (5,354 MW) is currently the largest conventional power plant in Europe and fourth largest in the world
- Received 4.8m free CO<sub>2</sub> allocations for NAP II (2008-2012)

## Belchatow U 5&6 retrofits

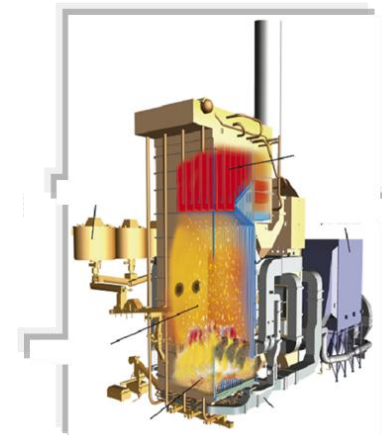
**Units 5&6 ready for IED directive**

- After modernization installed capacity increased by 10 MW to 380 MW (Unit 5) and by 24 MW to 394 MW (Unit 6)
- The efficiency improved by over 2 percentage points to over 40%, availability ratio to exceed 90%
- Retrofit of Unit 5 started in April 2010, commercial production restarted in March 2011
- Retrofit of Unit 6 started in August 2010, commercial production restarted in October 2011
- CAPEX reached ca. PLN 2bn (2010 and 2011)

## Szczecin Biomass Boiler

**Currently the largest biomass boiler in CEE**

- Capacity: 68.5 MW<sub>e</sub>, 183 MW<sub>t</sub>
- Nominal efficiency: 230 t of steam/h
- Expected load factor: 90 %
- Average fuel consumption: 84 tons/h, ca. 2,000 tons/day
- Biomass Steam Boiler commissioned on December 15, 2011





# Investment programme – Opole Units 5&6 (Hard coal 2x900 MW)

## Key information

- Technology: supercritical pulverized coal boilers, CCS ready
- Net efficiency:  $\geq 45.5\%$
- CO<sub>2</sub> emission: ca. 745 kg/MWh
- Expected load factor: 80% (first 10 years)
- Net electricity generation: ca. 11.1 TWh p.a. (first 10 years)
- Commissioning date: 2017 (unit 5) and 2018 (unit 6)

**CAPEX: PLN 9.4bn (net), PLN 11.6bn (gross)**

## Status – General Contractor

- On February 15, 2012 PGE Elektrownia Opole concluded a contract with General Contractor (consortium of Rafako, Polimex-Mostostal and Mostostal Warszawa) for construction of two hard coal fired 900MW supercritical power units 5&6 at PGE Elektrownia Opole
- General Contractor proceeds with initial stage of the project – design works which are to last approximately 9 months
- Another bidder - consortium led by Alstom appealed to the National Chamber of Appeal but the appeal was not recognized due to formal reasons
- Alstom filed a complaint to the District Court in Łódź related to the formal dismissal by the National Chamber of Appeal as well as related to the General Contractor selection made by PGE Elektrownia Opole – first hearing of the trial is scheduled for March 30, 2012

## Status – environmental decision

- On January 12, 2012 Provincial Administrative Court of Warsaw reversed a decision on environmental requirements for construction of units 5&6 at Opole power plant in result of an appeal filed by environmental foundation disputing technical specification of the project (CCS specifications)
- Formally, reversal of the environmental decision does not cancel construction permit as PGE filed an appeal with the Court of Appeal
- PGE intends to resolve environmental decision issue either by:
  - acquiring new environmental decision for the construction project, or
  - through the Appeal at the Court of Appeal
- Both solutions are being currently pursued

## Identified investment projects

Project	Capacity	Goals	CAPEX (approx.)	Commissioning date	Status
<b>Turów Unit 11</b>	460 MW	<ul style="list-style-type: none"> <li>Replacement of decommissioned capacity (3x 206MW in 2011-2013)</li> <li>Improved average efficiency</li> <li>Utilisation of existing lignite capacity</li> </ul>	PLN 3 – 3.5bn	2017	<ul style="list-style-type: none"> <li>Tender under progress</li> <li>Final bids to submitted in Q3 2012</li> </ul>
<b>Gorzów gas cogeneration unit</b>	135 MWe 95 MWt	<ul style="list-style-type: none"> <li>Increased installed capacity</li> <li>Assets diversification and change of fuel mix</li> <li>Reduction of average CO<sub>2</sub> emission rate</li> </ul>	PLN 625m	2016	<ul style="list-style-type: none"> <li>Tender under progress</li> <li>Pre-qualification requests received in March, 2012</li> <li>Final bids to be submitted until the end of 2012</li> </ul>
<b>Bydgoszcz gas cogeneration unit</b>	240-430 MWe 170-240 MWt		PLN 1.65bn	2017	<ul style="list-style-type: none"> <li>Tender under progress</li> <li>Pre-qualification requests expected until the end of March, 2012</li> <li>Final bids submitted till the end of 2012</li> </ul>
<b>Pomorzany gas cogeneration unit</b>	240 MWe 150 MWt		PLN 1bn	2017	<ul style="list-style-type: none"> <li>Tender under progress</li> <li>Pre-qualification requests expected until the end of March, 2012</li> <li>Final bids to be submitted until the end of 2012</li> </ul>
<b>Puławy gas project</b>	ca. 800 MWe		PLN 1.6bn (PGE's share)	2017	<ul style="list-style-type: none"> <li>Tender expected to be announced in May/June 2012</li> <li>Final bids submitted till the end of 2013</li> </ul>
<b>Bełchatów Retrofits (units 7&amp;8 in 2012)</b>		<ul style="list-style-type: none"> <li>Increased power (by 20 MW /U7/ and 20MW /U8/) and efficiency (by over 2%)</li> <li>Improved operation ratios (eg. Availability Ratio to exceed 90%)</li> <li>Lower emissions – compliance with IED</li> </ul>	PLN 1.1bn in 2012	2012	<ul style="list-style-type: none"> <li>Retrofit of unit 7 started in January 2012, will be completed in Feb. 2013</li> <li>Retrofit of unit 8 starts in June in 2012, will be completed in July 2013</li> </ul>
<b>Wind farms – Żuromin, Pępulin</b>	108 MW	<ul style="list-style-type: none"> <li>Fuel mix diversification</li> <li>Reduction of CO<sub>2</sub> intensity</li> </ul>		Q2 2012	<ul style="list-style-type: none"> <li>Advanced construction phase</li> <li>Most turbines already mounted</li> </ul>



# Outlook for 2012

## Market

	2010	2011	2012 outlook
Price of domestic hardcoal (PLN/GJ)	11*	12*	Rising (up to 15%)
Wholesale price of electricity (base)	192	199	Market transactions executed already on TGE suggest price of 204-206 PLN/MWh

\*paid by PGE

## Volumes

	2010	2011	2012 outlook
Generation volume	52.7	56.5	Slightly rising (up to 5%)
Distributed volume	30.6	30.8	Flat to slightly rising (up to 2%)

## CAPEX

	2010	2011	2012 outlook
Capex	5 323	4 316	Significantly rising (over 20%)

## Financial Results

Financial results (EBITDA and net profit) for 2012 depend on scope of implemented Efficiency Improvement Programme (especially scale of executed voluntary redundancy programmes)



*Polska Grupa Energetyczna*

***Thank you***

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Back-up slides





# Conventional Generation – EBIT

Key Changes in EBIT [PLNm]

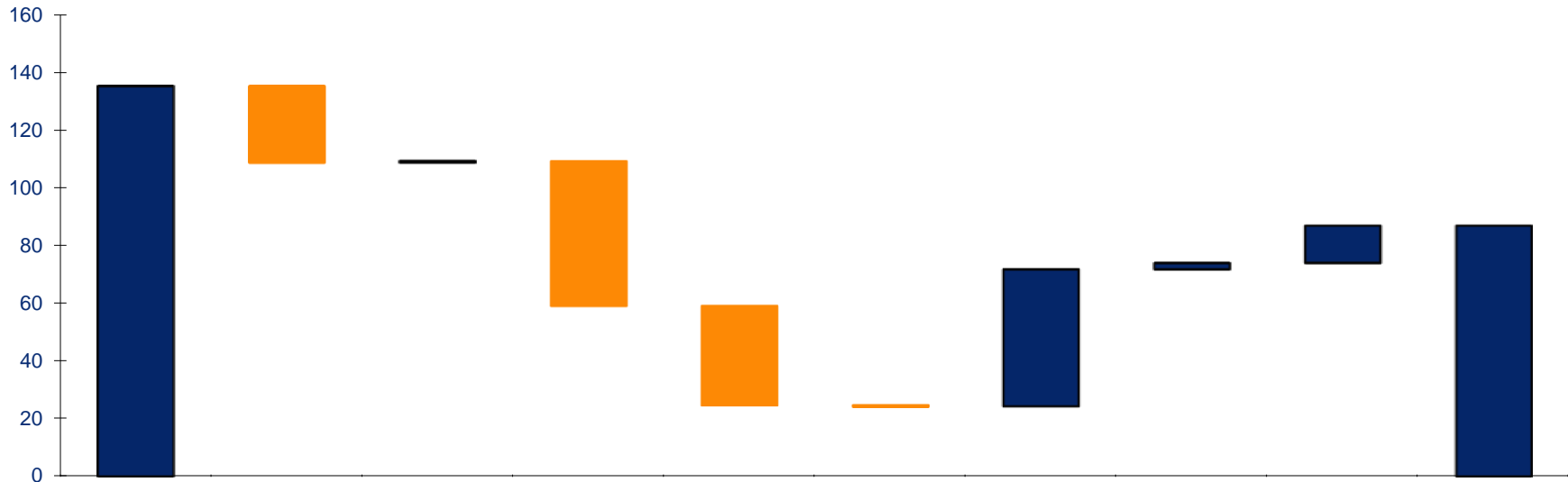


	Result 2010	Sale of electricity – difference in volume	Sale of electricity – difference in price	Revenues from regul. serv. and bal. market	Revenues from cert. of origin	Other revenues	Electricity consumption	Cost of CO <sub>2</sub>	Cost of fuel	Cost of merchandise and materials sold	Other costs	Result on other oper. activities	Result 2011
<b>Change</b>		<b>515.6</b>	<b>859.8</b>	<b>-121.7</b>	<b>-34.7</b>	<b>41.7</b>	<b>202.1</b>	<b>48.1</b>	<b>-251.3</b>	<b>137.3</b>	<b>-292.9</b>	<b>-1 040.4</b>	
2010	<b>2 925.4</b>			437.8	437.6	1 272.1	339.3	255.3	2 513.5	970.0	5 568.7	282.9	
2011				316.1	402.9	1 313.9	137.2	207.2	2 764.8	832.7	5 861.6	-757.5	<b>2 989.0</b>



# Renewable Generation - EBIT

Key Changes in EBIT [PLNm]



Change	Result 2010	Sale of electricity – difference in volume	Sale of electricity – difference in price	Revenues from regul. serv. and bal. market	Revenues from cert. of origin.	Other revenues	Energy consumption	Operating expenses	Result on other oper. activities	Result 2011
		<b>-26.6</b>	<b>0.7</b>	<b>-50.2</b>	<b>-34.3</b>	<b>-0.5</b>	<b>47.5</b>	<b>2.2</b>	<b>13.0</b>	
2010	<b>135.3</b>			372.3	137.1	29.1	182.2	304.3	-20.8	
2011				322.1	102.8	28.6	134.7	302.1	-7.9	<b>87.0</b>



# Wholesale – EBIT

Key Changes in EBIT [PLNm]

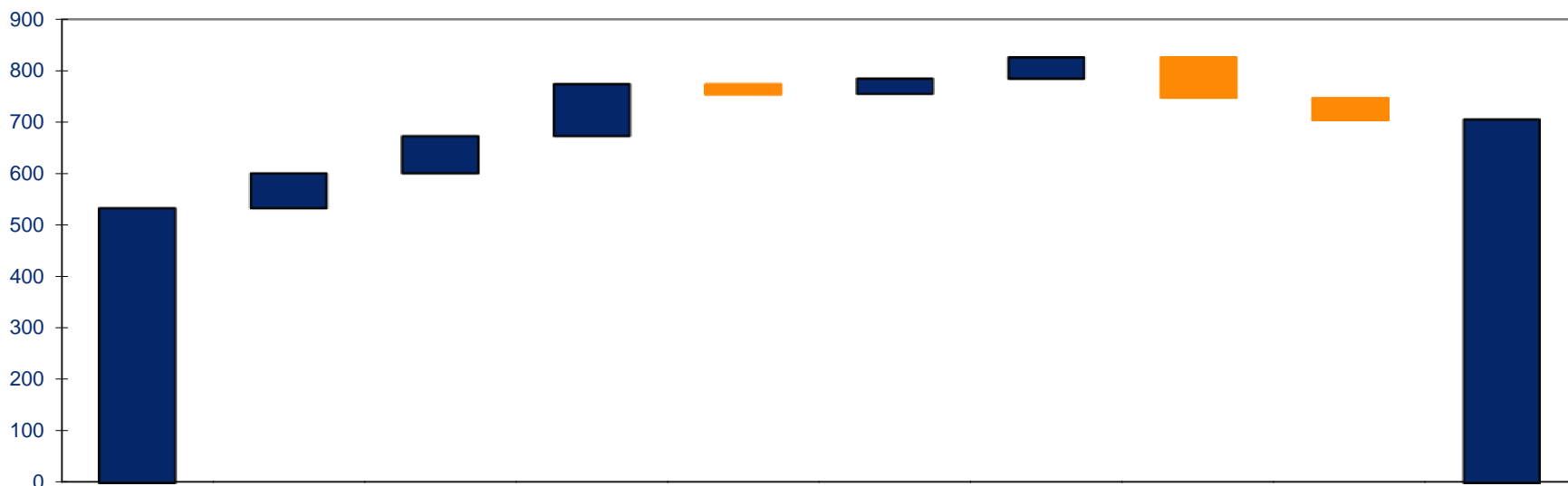


	Result 2010	Sale of electricity – difference in volume	Sale of electricity – difference in margin	Revenues from cert. of origin and CO <sub>2</sub> allow.	Other revenues	Cost of products and services	Selling expenses	General and administrative costs	Result on other oper. activities	Result 2011
<b>Change</b>		<b>-94.2</b>	<b>-114.9</b>	<b>56.3</b>	<b>153.1</b>	<b>30.2</b>	<b>-7.1</b>	<b>-10.8</b>	<b>-31.7</b>	
2010	<b>199.9</b>			21.9	94.9	191.5	22.0	115.0	-3.0	
2011				78.2	248.0	161.3	29.2	125.8	-34.7	<b>180.9</b>



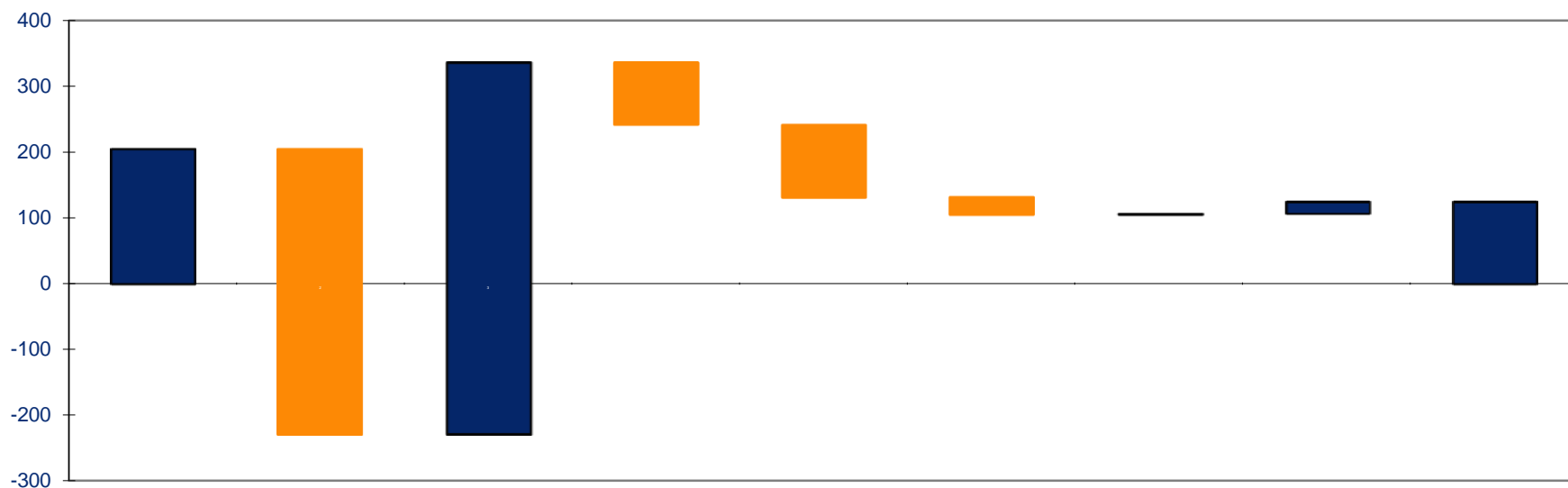
# Distribution – EBIT

Key Changes in EBIT [PLNm]



Change	Result 2010	Revenue from distrib. service – difference in volume	Revenue from distrib. service – difference in price	Other distribution related revenues	Other revenues	Energy consumption	Transmission services	Cost of merchandise and materials sold+ opex	Result on other oper. activities	Result 2011
		<b>68.3</b>	<b>71.5</b>	<b>101.3</b>	<b>-19.7</b>	<b>29.9</b>	<b>41.0</b>	<b>-77.6</b>	<b>-42.8</b>	
2010	<b>533.5</b>			464.7	147.4	581.4	1 248.8	2 634.9	-33.2	
2011				566.0	127.7	551.5	1 207.8	2 712.5	-75.9	<b>705.3</b>

Key Changes in EBIT [PLNm]



Change	Result 2010	Sale of electricity – difference in price	Sale of electricity – difference in volume	Other revenues	Costs of certificates of origin	Cost of merchandise and materials sold	Operating expenses	Result on other oper. activities	Result 2011
	204.5	-432.5	563.7	-94.4	-109.7	-26.4	1.1	18.0	-80.3
2010	204.5			4 445.2	1 094.4	10 851.3	295.8	-18.6	
2011				4 350.8	1 204.1	10 877.7	294.8	-0.7	124.2



# Detailed segmental revenues and costs

## Conventional Generation

	2010	2011
<b>Sales, including:</b>	<b>12 289.1</b>	<b>13 549.9</b>
sale of electricity	10 540.3	11 766.5
LTC compensations	334.2	439.5
sale of heat	696.0	648.6
sale of certificates of origin	437.6	402.9
<b>Cost by kind, including:</b>	<b>9 236.6</b>	<b>9 490.9</b>
D&A	1 500.6	1 537.8
Materials	3 272.5	3 442.3
Energy	339.3	137.2
External services	914.3	1 052.1
Taxes and charges	821.9	828.1
Personnel expenses	2 283.7	2 332.5
Other cost	104.3	160.9
<b>EBIT</b>	<b>2 925.4</b>	<b>2 989.0</b>
<b>EBITDA</b>	<b>4 426.0</b>	<b>4 526.8</b>



# Detailed segmental revenues and costs

## Renewables

	2010	2011
<b>Sales, including:</b>	<b>642.5</b>	<b>531.6</b>
sale of electricity	281.5	210.1
sale of certificates of origin	137.1	115.2
<b>Cost by kind, including:</b>	<b>484.2</b>	<b>431.8</b>
D&A	129.7	127.5
Materials	9.7	8.0
Energy	182.2	134.7
External services	59.2	50.3
Taxes and charges	34.0	35.8
Personnel expenses	62.2	64.6
Other cost	7.3	10.9
<b>EBIT</b>	<b>135.3</b>	<b>87.0</b>
<b>EBITDA</b>	<b>265.0</b>	<b>214.4</b>



# Detailed segmental revenues and costs

## Wholesale

	2010	2011
<b>Sales, including:</b>	<b>11 747.9</b>	<b>10 234.6</b>
sale of electricity	10 466.7	7 921.9
sale of certificates of origin	626.5	1 139.3
<b>Cost by kind, including:</b>	<b>245.6</b>	<b>235.7</b>
D&A	29.0	23.5
Materials	2.7	1.5
Energy	2.3	2.1
External services	67.1	68.1
Taxes and charges	6.4	9.6
Personnel expenses	73.2	64.5
Other cost	64.8	66.5
<b>EBIT</b>	<b>199.9</b>	<b>180.9</b>
<b>EBITDA</b>	<b>228.9</b>	<b>204.4</b>





# Detailed segmental revenues and costs

## Distribution

	2010	2011
<b>Sales, including:</b>	<b>5031.7</b>	<b>5253.0</b>
revenues from distribution services	4699.4	4874.1
other operating revenues	184.0	251.2
<b>Cost by kind, including:</b>	<b>4502.9</b>	<b>4530.6</b>
D&A	874.4	914.0
Materials	124.2	104.9
Energy	581.4	551.5
External services	1562.5	1491.0
Taxes and charges	268.9	282.0
Personnel expenses	1062.9	1161.2
Other cost	28.6	26.1
<b>EBIT</b>	<b>533.5</b>	<b>705.3</b>
<b>EBITDA</b>	<b>1407.9</b>	<b>1619.3</b>



# Detailed segmental revenues and costs

## Retail

	2010	2011
<b>Sales, including:</b>	<b>12464.6</b>	<b>12501.4</b>
sale of electricity	8019.4	8150.6
revenues from distribution services	4348.1	4274.1
<b>Cost by kind, including:</b>	<b>1390.7</b>	<b>1499.7</b>
D&A	9.0	9.6
Materials	5.8	4.4
Energy	0.7	1.0
External services	104.6	102.7
Taxes and charges	1104.2	1207.9
Personnel expenses	158.6	163.4
Other cost	7.6	10.6
<b>EBIT</b>	<b>204.5</b>	<b>124.2</b>
<b>EBITDA</b>	<b>213.5</b>	<b>133.8</b>

## CAPEX for Q4 and FY (PLN m)

Segment	Q4 2010	Q4 2011	2010	2011
<b>Conventional</b>	<b>1613.2</b>	<b>1131.5</b>	<b>3901.1</b>	<b>2922.9</b>
▪ construction of 858MW unit in Bełchatów	274.5	227.2	894.4	518.3
▪ modernization of units 5-12 in Bełchatów		166.4		698.9
▪ construction of desulphurization installations on units 1 and 2 in Bełchatów		27.1		183.2
▪ construction of desulphurization installations on units 5 and 6 in ZEDO		2.4		110.3
▪ construction of steam boiler for biomass in Szczecin		56		185.7
<b>Distribution</b>	<b>452.2</b>	<b>539.6</b>	<b>1054</b>	<b>1254.6</b>
▪ new clients connection	164.6	199.4	456.8	536.7
▪ distribution grid	179.5	214.5	351.9	435.4
<b>Renewables</b>	<b>92.4</b>	<b>48.7</b>	<b>191.8</b>	<b>148.5</b>
▪ modernization and replacement		30	155.6	119.4
<b>Retail, Wholesale, Others</b>	<b>39.7</b>	<b>44.4</b>	<b>223.7</b>	<b>138.9</b>
<b>TOTAL</b>	<b>2197.5</b>	<b>1764.2</b>	<b>5370.6</b>	<b>4464.9</b>
<b>TOTAL (incl. adjustments)</b>			<b>5323.0</b>	<b>4313.6</b>



# Changes in PGE trading model

## Key changes in PGE trading model 2011 vs. 2010

Starting from 2011 changes in PGE trading model were implemented, which influenced presentation of some result lines:

- Wholesale manages sale of electricity from PGE conventional plants which is sold by Conventional Generation on power exchange. Electricity for needs of Retail (for end users) and Distribution (for network losses) is bought by Wholesale from power exchange and resold to Retail and Distribution. Previously electricity from Conventional Generation was bought directly by Wholesale.
- Certificates of origin produced in PGE Group are sold to Wholesale which manages PGE Group overall position in certificates and supply Retail with volume needed. Previously certificates were sold directly from Generation to Retail.
- Electricity to cover network losses in Distribution is bought from Wholesale. Previously it was bought by Distribution from Retail.

Item	Previously	Today	Effect on reported results
<b>Electricity from conventional power plants</b> (ex regulatory services and balancing market)	Sold to Wholesale	Sold on power exchange	<ul style="list-style-type: none"> <li>- Margin moved from Wholesale to Conventional Generation (ca. PLN 284m in 2011)</li> <li>- Sales management fee paid by Conventional Generation to Wholesale (ca. PLN 142 m in 2011)</li> <li>- Additional margin realized by Wholesale on energy bought from exchange (PLN 61m in 2011)</li> </ul>
<b>Electricity for Retail needs</b> (for sale to end users)	Bought by Wholesale from Generation and resold to Retail	Bought by Wholesale on power exchange and resold to Retail	Consolidated revenues increased by ca. PLN 6.03 bn as these transactions are no longer eliminated in consolidation
<b>Electricity for Distribution to cover network losses</b>	Bought by Distribution from Retail	Bought by Distribution from Wholesale	Revenues and costs in Retail lower by ca. PLN 566m
<b>Certificates of origin produced in the Group</b>	Sold by Conventional and Renewable Generation directly to Retail	Sold by Conventional and Renewable Generation to Wholesale which manages PGE Group overall position in certificates and supply Retail with volume needed.	Not material



# Debt Position

## Changes in net debt position

	2010	2011
Gross Debt (PLNm)	2,730	2,039
Net Debt (PLNm)	64	(-)4,128.5 (net cash)
Net Debt/LTM EBITDA	0.01x	(-)0.6x (net cash)
Net Debt/Equity	0.002x	-

PGE reached net cash after i.a. receiving proceeds from Polkomtel transaction: (+) PLN 3,289m recognized in Q4 2011

## New bond program established

On August 29, 2011 a new PLN 5 billion bond program agreement was signed by PGE and Pekao S.A. and ING Bank Śląski S.A.:

- Coupon and zero-coupon bearer bonds allowed under the program
- Maturity of coupon bonds from 1 up to 10 years
- PGE's cost based on market interest rates.

## Financial Strength Confirmed by Rating Agencies

### Moody's

(initially issued on Sep 2, 2009,  
confirmed on Dec 16, 2011)

**A3 Stable**

### Fitch

(initially issued on Sep 2, 2009)

**BBB+ Stable (Issuer)** – recently affirmed on Aug 4, 2011

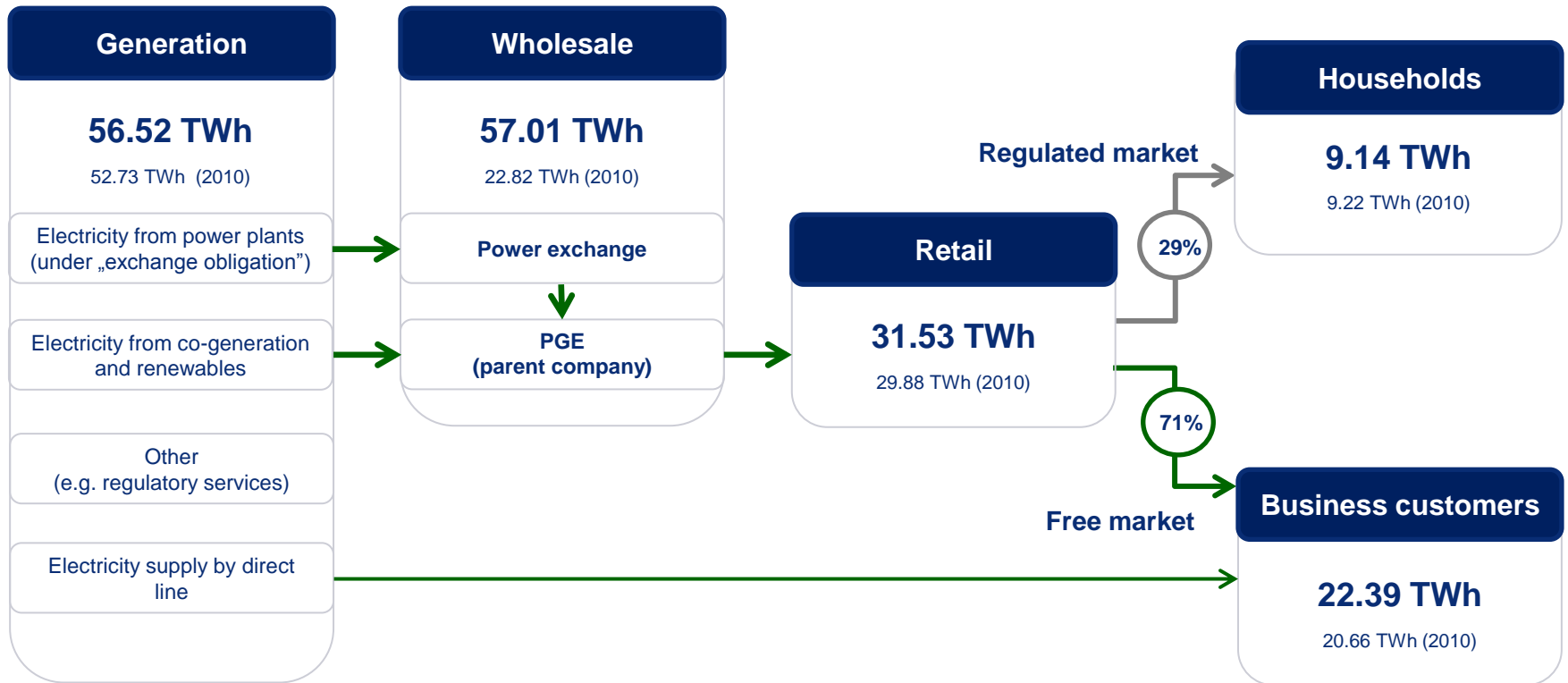
**BBB+ (Senior Unsecured Debt)** – downgraded  
from A- on August 4, 2011\*

\* Downgrade of the senior unsecured rating is a result of criteria tightening by Fitch Ratings. Altogether, 8 European utilities were affected by implementation of new, more restrictive approach to utilities assessment. In particular, new rule assumes that the issuer of instruments may obtain rating by 1 notch higher than its issuer rating, when around or more than 50% of its cash flows come from regulated activities.



# 2011 Key business flows

Key business flows (illustrative only)



Source: PGE; Some business flows incl. balancing market, international trade and own consumption are not shown; Volumes shown after intra-group eliminations

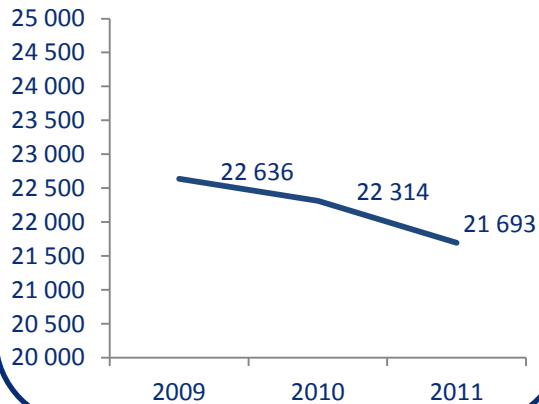


# Employment by business lines

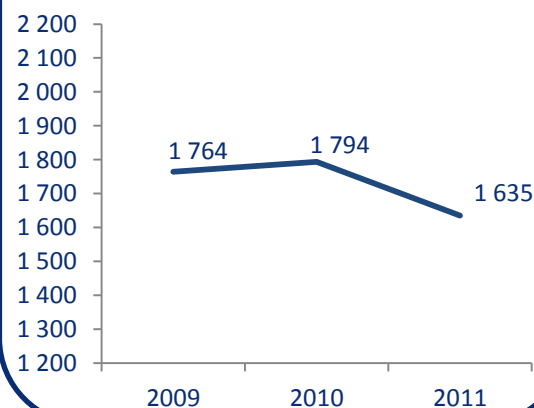
## Employment

	As at December 31, 2011	As at December 31, 2010	As at December 31, 2009
<b>Employees, including</b>	<b>44 317</b>	<b>45 383</b>	<b>46 091</b>
Conventional Generation	21 693	22 314	22 636
Renewables	522	543	483
Wholesale	350	371	451
Distribution	12 073	12 519	12 642
Retail	1 635	1 794	1 764
Other consolidated companies	8 045	7 841	8 114

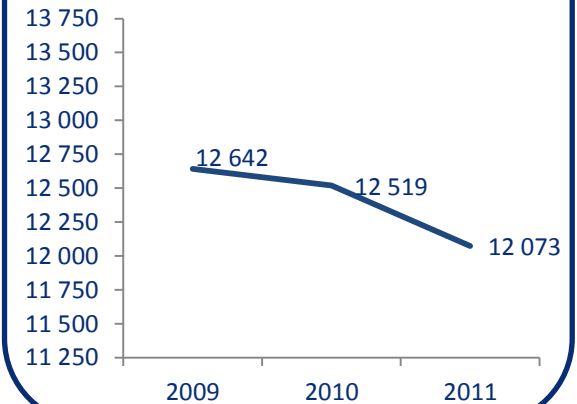
### Conventional Generation



### Distribution



### Retail





# Calendar of events

Meet us at the roadshows and conferences in 2012\*

Date	Event	Location	Hosted by
March, 21 - 22	Non-deal Roadshow	London	Citibank
March, 26 - 30	Non-deal Roadshow	Boston / New York / San Francisco	ING
March / April	Non-deal Roadshow	Frankfurt	Unicredit
March / April	Non-deal Roadshow	Geneva / Zurich	Unicredit
April 11-13	Institutional Investors Conference	Zuers (Austria)	Raiffeisen
April 16	EEMEA Conference	London	Morgan Stanley
April 17	Eastern Europe and Africa Conference	London	Deutsche Bank
May 17-18	CE3 Conference	London	Credit Suisse
May 22-24	Energy Sector Conference	Warsaw	Erste
May 28-29	EMEA Conference	London	UBS
May 30-31	Emerging Europe Conference	Prague	Wood&Co.
June 12-14	CalGEMs Global Emerging Markets Conference	Los Angeles	Bank of America
September	European Utilities Summit	London	Morgan Stanley
September 27	Infrastructure and Utilities Conference	New York	Santander
November/ December	EEMEA Conference	London	Goldman Sachs
December	CEE Conference	Warsaw	ING

\*subject to change without prior notice





# Sell-side analysts covering PGE

## Domestic analysts

Institution	Analyst
BRE Bank	Kamil Kliszcz
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	Sylvia Jaśkiewicz
ING Securities	Milena Olszewska
IPOPEMA Securities	Arkadiusz Chojnacki/ Tomasz Duda
KBC Securities	Robert Maj
Millennium DM	Franciszek Wojtal
PKO BP	Stanisław Ozga
Unicredit CAIB	Flawiusz Pawluk

## Foreign analysts

Institution	Analyst
Bank of America Merrill Lynch	Evgeny Olkhovich
Goldman Sachs	Fred Barasi
JP Morgan	Nathalie Casali
Morgan Stanley	Igor Kuzmin
Raiffeisen Centrobank	Teresa Schinwald
Renaissance Capital	Derek Weaving
Societe Generale	Alberto Ponti



*Polska Grupa Energetyczna*

***Thank you***

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