Polska Grupa Energetyczna

H1 2010 Results

Consolidated, in accordance with IFRS

Warsaw, September 1, 2010

PGE's H1 2010 Results

Consolidation Programme	▪ Legal and formal consolidation completed – mergers registered on August 31, 2010 ▪ New shares to be listed in 2nd half of October ▪ Works on cost saving program and merger with PGE Electra in progress ▪ Significant progress in non-core assets disposal as well: shares in 19 entities sold in H1 2010
Key financials	▪ EBITDA margin sustained at high level, reached 35.5% ▪ EBITDA reached PLN 3.6bn, EBITDA ex-LTC increased by 1.1% ▪ Revenues amounted to PLN 10.1bn, revenues ex-LTC increased by 2.0% y-o-y ▪ Net profit (to equity) amounted to PLN 1.5bn ▪ LTC compensations significantly lower amounting to PLN 170m in H1 2010 vs. PLN 818m in H1 2009
M&A and Investment Programme	▪ Energa S.A. acquisition - Final Non-Binding Offer to purchase 82.9% shares submitted. Currently deep due-diligence and negotiations under progress. Decision on the buyer expected on September 15, 2010 ▪ Belchatow 858MW unit construction almost completed; other projects with schedule as well
Market Conditions	▪ Power consumption in Poland increased by 4.6% in H1 2010 while our generation flat as expected ▪ New Energy Law implemented – obligatory exchange trading implemented - PGE not bounded by this regulation but declared to sell 100% of power plant output through exchange starting from 2011 ▪ Exchange trading gaining importance – spot volume on TGE and POEE increased by ca. 60% and reached 6.1TWh in 1H2010 with average prices of PLN 189.5 in Q1 and PLN 191.2 in Q2.

Consolidation Programme

Consolidation Programme – legal and formal consolidation completed

June 21-22, 2010	July 16, 2010	August 3, 2010	August 13, 2010	August 16, 2010	August 27, 2010
Agreement with Trade Unions of Distribution and Retail Sales Companies signed	Agreement with Trade Unions of Power Plants and Heat Distribution Companies signed	Resolution on merger of PGE with PGE GiE and PGE Energia adopted	Conversion of employees shares for the shares of PGE GiE and PGE Energia finished	Resolutions on mergers of Retail Sales Companies and Conventional Generation Companies adopted	Information Memoranda approved by the Polish Financial Supervision Authority

New organizational structure after mergers

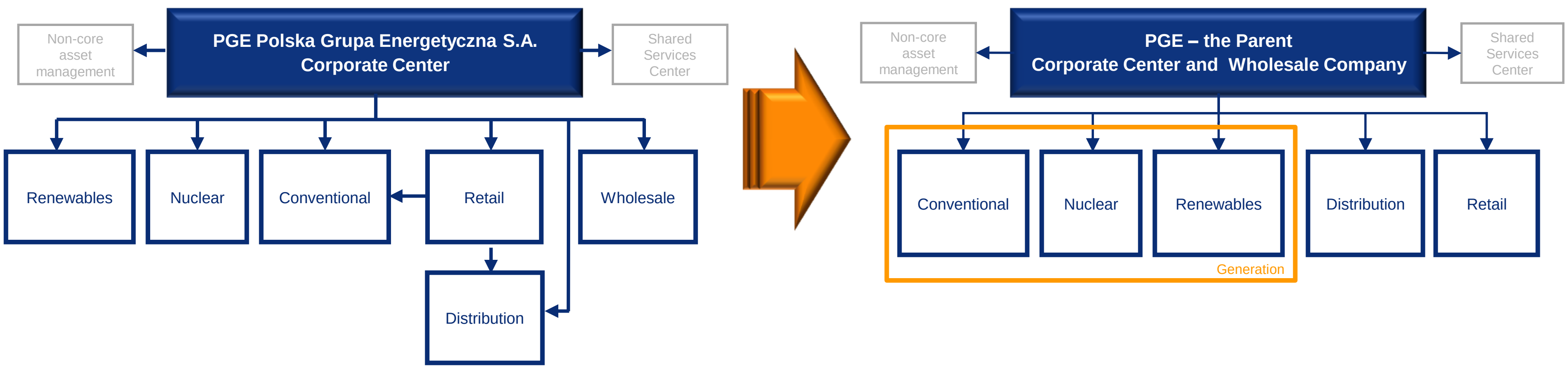
PGE Polska Grupa Energetyczna S.A. Corporate Center

- Non-core asset management
- Shared Services Center
- 100% **PGE Energia Odnawialna S.A.** – Renewables
- 100% **PGE Energia Jądrowa S.A.** – Nuclear
- 80.6% **PGE Górnictwo i Energetyka Konwencjonalna S.A.** – Conventional
- 85.4% **PGE Obrót S.A.** – Retail
  - 7.4% → PGE Górnictwo i Energetyka Konwencjonalna S.A.
  - 89.9% → **PGE Dystrybucja S.A.** – Distribution
- 8.6% → PGE Dystrybucja S.A.
- 100% **PGE Electra S.A.** – Wholesale

Consolidation Programme – next steps

Current Structure

Target Structure



Next steps to achieve targeted structure:

Employees' shares conversion & minorities buy out

- Conversion completed: 96.4% entitled shareholders of PGE Energia Group and 92.8% of PGE GiE Group converted their shares.
- Works on admission and introduction of the new shares to trading on WSE – operation planned for 2nd half of October 2010
- Option to buy out the minorities from consolidated entities

Organizational issues

- New operational structure of HQ and companies being implemented
- Works on preparation of cost savings program (efficiency & synergies)
- Business conception of PGE merger with PGE Electra (wholesale business subsidiary) under preparation, merger to be concluded by the end of 2010
- Intensive works on further streamlining of the Group structure

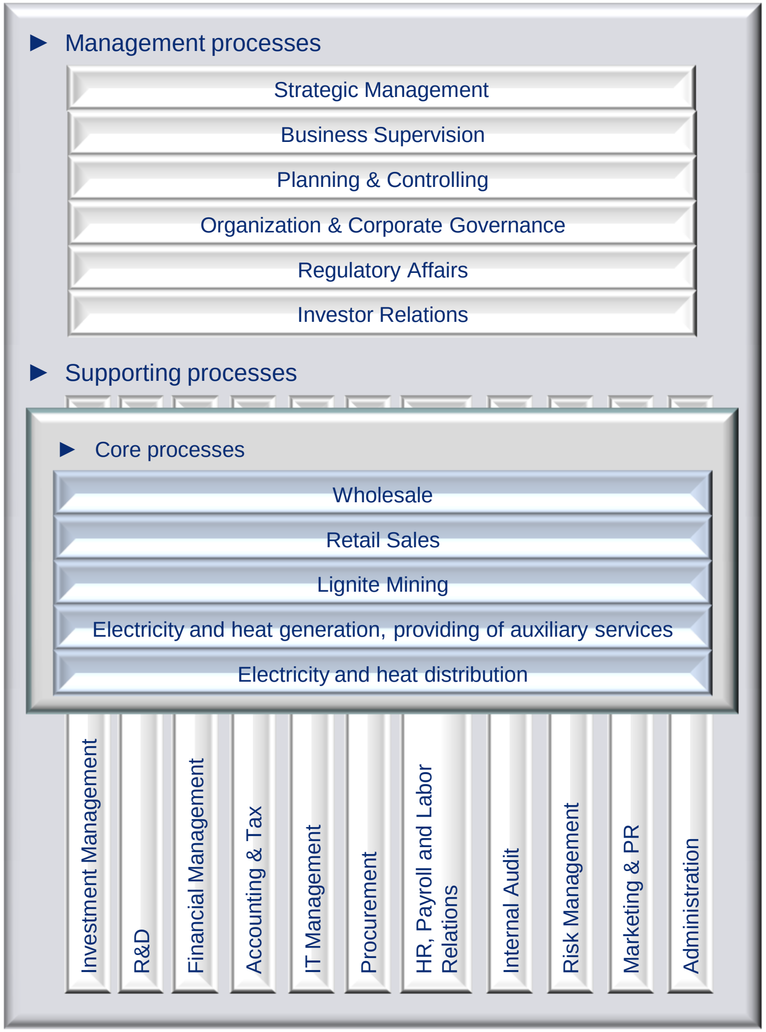
PGE S.A. – the Corporate Center

As a Corporate Center PGE is responsible for the Capital Group management and integration of business lines

Main tasks of the Corporate Center

- to increase Shareholders' value
- to develop Capital Group strategy and keep it updated
- to determine targets for business lines and coordinate their strategies
- to integrate activities of business lines in accordance with the value chain management principles
- to supervise business lines activities
- to set transfer pricing policy
- to ensure standardization and harmonization in the Capital Group

The Corporate Center is responsible for harmonization of activities, strategy development and allocation of responsibilities between PGE and business lines



Consolidation – business lines responsibilities

Tasks of each business lines in accordance with the value chain management principles:

Generation

- to generate electricity & heat
- to minimize variable costs of generation, except fuel costs and costs of emission allowances
- to ensure the availability of generating units
- to optimize fixed costs
- to ensure effective execution of investment process

Wholesale

- to maximize profit of PGE Capital Group
- to trade electricity on the wholesale market and sell to the strategic TPA clients
- to maximize the consolidated margin
- to provide Generation with fuel and CO2 emission allowances
- to ensure supply of electricity and certificates of origin for Retail Sales

Distribution

- to ensure quality of provided services
- to guarantee continued electricity supply
- to maintain quality parameters of distributed electricity
- to perform maintenance and renovation of distribution grid
- to further develop distribution grid and connect new clients
- to manage level of regulated revenues
- to minimize operating cost not covered by the tariff

Retail

- to maximize revenues by retaining and acquiring customers
- to increase efficiency of sales costs and customer service costs
- to forecast long term and short term electricity demand
- to purchase the electricity from Wholesale and from local RES
- to develop market products in accordance with the Corporate Center guidelines
- to plan and implement sales support

Non-core Assets Disposal

Polkomtel

- Key assumptions concerning shares disposal programme agreed between polish shareholders
- Vendor Due Diligence planned to be finished in the Q3 2010
- Financial and strategic investors interested in the deal

Exatel

- Market and shares valuation analyses completed
- Works with the advisors on the transaction structure
- Due Diligence planned for 3Q 2010
- Investors interested in the deal

AWSA

- Legal and business advisors to be appointed
- Assets valuation (shares and bonds) under preparation
- Analysis of the transaction structure

Other assets

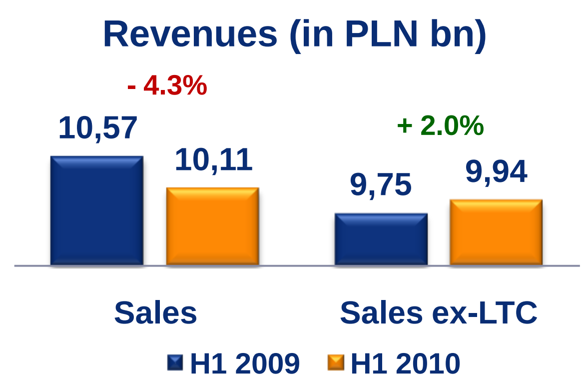
- Shares in 19 entities sold during H1 2010
- Liquidation of 2 companies completed
- Conditioned agreement on sale of shares in one company signed

Financial results

Financial results remain strong

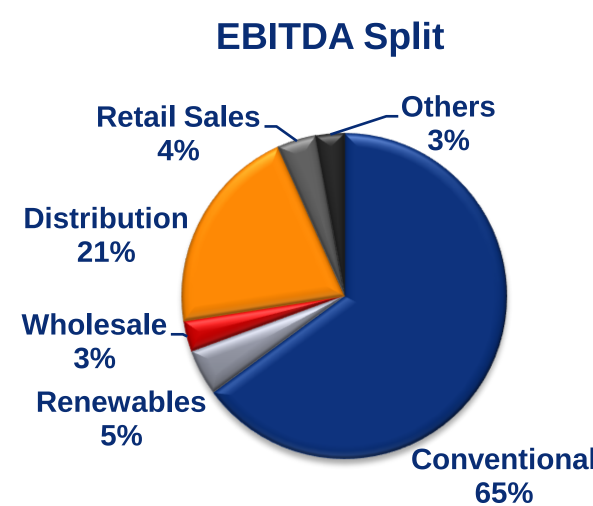
Key drivers in H1 2010

- Electricity generation volumes flat in H1 y-o-y and reached 26.21TWh in H1 2010 compared to 26.35TWh in H1 2009. Sale of heat increased by 6.7% y-o-y
- Ex-LTC revenues increased by 2.0% mainly due to:
  - increase in volume of energy sold to the final customers by 2% from 14.7TWh in H1 2009 to 15.0TWh in H1 2010
  - growth in revenues from sale of certificates of origin and CO2 allowances
  - 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)
- LTC compensation was lower by PLN 648m



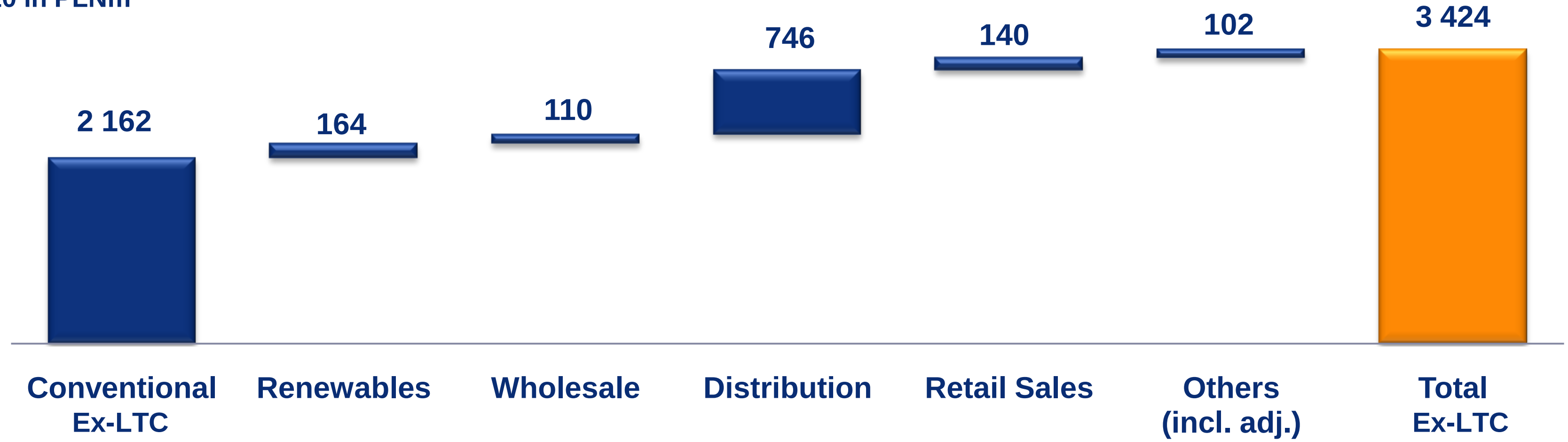
EBITDA development in H1 2010

- EBITDA margin remains strong and accounted for 35.5% in H1 2010
- EBITDA ex-LTC margin reached 34.4% in H1 2010
- In H1 2010, EBITDA amounted to PLN 3.594m, decrease y-o-y by 14.6% due to significantly lower LTC compensations
- EBITDA ex-LTC registered growth of 1.1% y-o-y and reached PLN 3,424m
- Decrease in LTC compensations and increase in distribution tariffs responsible for lower share of Conventional Generation in EBITDA split



EBITDA Ex-LTC
Composition and Development

H1 2010 in PLNm



	Conventional Ex-LTC	Renewables	Wholesale	Distribution	Retail Sales	Others (incl. adj.)
y-o-y change	+ 48.5	+ 43.9	- 105.7	+ 127.3	- 69.5	- 8.7
	+ 2.3%	+ 36.5%	- 49.0%	+ 20.6%	- 33.1%	- 7.9%

Higher revenues from the sale of electricity and heat, and partial reversal of property tax provision

Increase in electricity generation which results in higher revenues from sale of electricity on the Balancing Market and from sales of green certificates

Decrease due to lower margin realized on the electricity trading on the wholesale market, and lower volume of electricity traded by ca. 0.6TWh

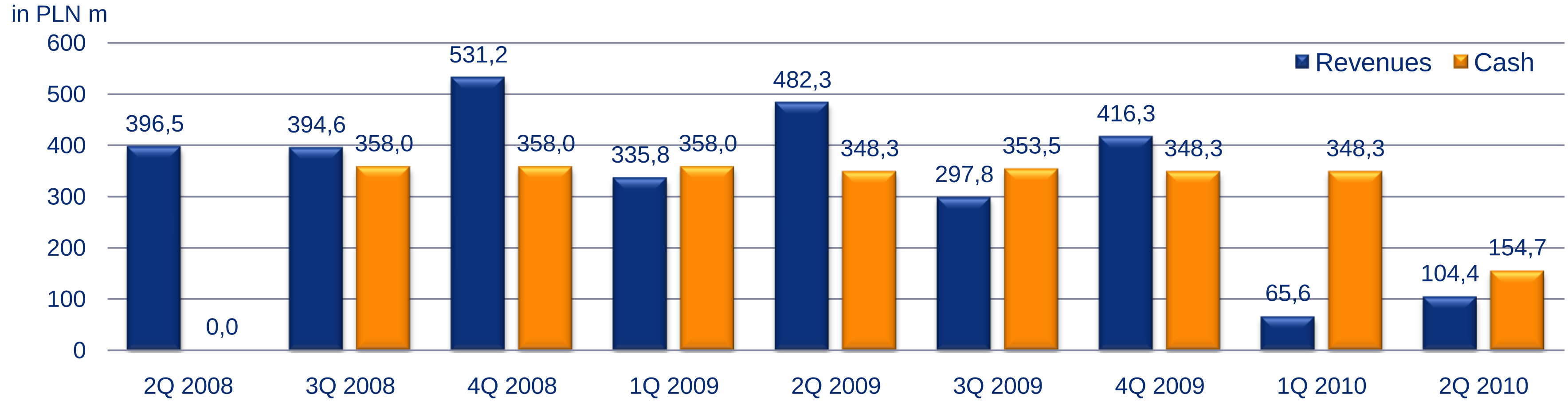
Higher distribution results due to higher volume of energy distributed (increase of 0.4 TWh) and higher average distribution tariff for 2010 as well as changes in accounting of new clients connection fees.

Decrease mainly due to increase in redemption cost of certificates of origin, despite slight increase in average retail prices

Note: Revenues from LTC compensation in H1 were lower by PLN 648.2m y-o-y and amounted to PLN 169.9m

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

LTC cash inflows and revenues



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.
- Amount under dispute – PLN 435m

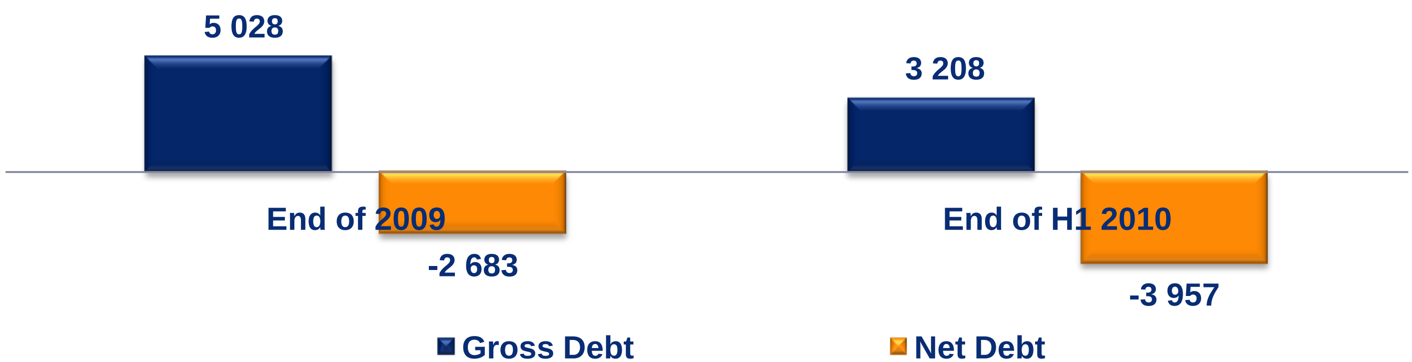
Re 2009 compensations

- 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 field appeals to the District Court in Warsaw, Court of Competition and Consumer Protection.

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

No Net Debt – company capable to invest heavily in organic or external growth

in PLNm



Financial Strength Confirmed by Rating Agencies

Moody's
(issued on Sep 2, 2009)

A3 Stable

Fitch
(issued on Sep 2, 2009, confirmed on Jun 24, 2010)

BBB+ Stable (Issuer);

A- (Senior Unsecured Debt)

Fitch on potential Energa acquisition (June 24, 2010)

„Fitch believes that the potential acquisition of Energa S.A., Poland's fourth-largest electric utility — for which PGE is among the five short-listed bidders — would be unlikely to put immediate pressure on the ratings due to the group's net cash position. However, it may constrain PGE's capex growth in 2013-2014 in order for leverage not to exceed the target. In such a scenario, the monetisation of noncore assets, planned by PGE, could provide some financial headroom for the group. The Energa acquisition may strengthen PGE's business profile by creating a more balanced mix of generation versus distribution and supply, and by increasing the proportion of regulated cash flow."

Investment Programme

Capital Expenditures – details for H1 2010

Segments | **H1 2010**

Conventional– PLN 1,359.6m

- construction of 858MW unit in Belchatow – PLN 460.9m
- modernization of units 3-12 in Belchatow – PLN 190.7m
- preparatory work on Szczercow Field – PLN 157.0m
- Construction of biomass boiler in Szczecin CHP (ZEDO) – PLN 105.7m

Renewables – PLN 51.6m

- modernization – PLN 46.1m

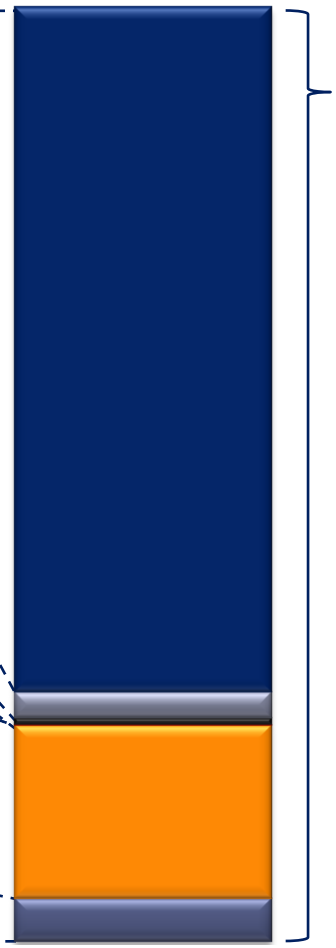
Wholesale – PLN 13.4m

Retail – PLN 3.1m

Distribution – PLN 342.5m

- new clients connection – PLN 170.1m
- distribution grid – PLN 90.8m

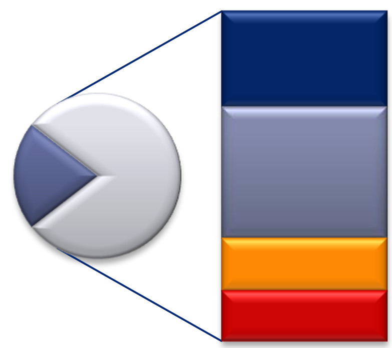
Others – PLN 87.5m



Total CAPEX expenditures amounted in H1 2010 to ca. PLN 1,858m

Committed CAPEX as at June 30, 2010

– ca. PLN 3,629m



construction of 858MW unit in Belchatow – ca. PLN 832m

modernization of unit 5 and 6 in Belchatow – ca. PLN 1,139m

distribution – ca. PLN 457m

desulfurization installation and biomass unit in ZEDO - ca. PLN 434m

Investment Programme – update on current status in Conventional Generation

Commissioning of ca. 4.5 – 4.7GW by the end of 2016

Bełchatów Power Plant

858 MW lignite unit

- First synchronization with NES
- 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)

Opole Power Plant

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

- Agreement for preparation of technical documentation for the construction permit along with obtaining the permit signed.
- Initial offers for construction to be submitted till September 27, 2010
- Four consortia in the procedure
- Total project capex estimated for ca. PLN 10.9-12.3bn
- Technology: supercritical pulverized coal boilers, CCS ready
- Commissioning planned for 2015/16

ZEDO

CCGT: 2x432MW (condensation) + 244MW (cogeneration)

- Commissioning planned for 2015/2016
- Construction of two combined cycle gas turbines (CCGT) operating in a condensing mode in Dolna Odra Power Plant with capacity of approximately 432 MW each
- Construction of one gas unit (co-generation) in Pomorzany CHP with capacity of 244MWe and heat capacity of 170 MW
- Tender proceedings in first quarter of year 2011

Turów Power Plant

460 MW lignite unit

- Tender under preparation
- Estimated capex of ca. PLN 4.5bn
- Unit to be commissioned in 2016

Other Projects

- **Rzeszów CHP -** 25 MW bio-oil unit**,** commissioning planned for 2012
- **Bydgoszcz CHP -** 238 MW gas unit, commissioning planned for 2015
- **Gorzów CHP** - 244 MW gas unit, commissioning planned for 2015

Potential ENERGA Acquisition

Current status of the Deal

August 16, 2010 – PGE submitted the Final Non-Binding Offer to purchase 82.9% shares of Energa S.A.

August 20, 2010 – PGE shortlisted for negotiations

Next steps in the process:

- August 20, 2010 - September 15, 2010 – deep due diligence and negotiations with the Seller
- September 15, 2010 – end of negotiations, initiating the purchase agreement

Strengths of Energa and PGE are complementary generating numerous synergies and producing shareholder value

We estimate only the immediate cost synergies to exceed PLN 100m p.a.

Cost synergies

Examples of quick implementation savings:

- Reduction of coal purchase costs
- Reduction of third party service costs
- Reduction of IT software costs
- Reduction of some other position of fixed costs

Investment program

- Optimization / rationalization of the scope of the investment program
- Reduction of unit costs / economies of scale
- Reduction of financing costs

Strategic synergies

- More stable position of both companies

Possible concerns of Antimonopoly Office

- In our opinion, the Antimonopoly Office has good reasons to issue approval for the transaction
- If we are the buyer, we will anticipate receiving the approval for the transaction

Thank you

Investor Relations Contacts:

ir@pgesa.pl

Head of IR
Przemek Wasilewski
Tel: (+48 22) 340 19 46
Fax: (+48 22) 629 47 25
Mob: +48 723 189 235

IR Officer
Anna Ryba
Tel: (+48 22) 340 19 41
Fax: (+48 22) 629 47 25
Mob: +48 723 189 234

IR Officer
Krzysztof Dragan
Tel: (+48 22) 340 15 13
Fax: (+48 22) 629 47 25
Mob: +48 601 33 42 90

Back-up slides

Strong Profitability and Growth in H1 2010

Period Ended 30 June (IFRS)				
	2009	**2010**	**2009**	**2010**
	PLNm *reviewed*	**PLNm** *reviewed*	**EURm**	**EURm**
Sales	10,569	10,111	2,339	2,525
Sales Ex-LTC	9,750	9,941	2,158	2,483
EBITDA	4,207	3,594	931	898
EBITDA margin	*39.8%*	*35.5%*	*39.8%*	*35.5%*
EBITDA Ex-LTC	3,389	3,424	750	855
EBITDA Ex-LTC margin	*34.8%*	*34.4%*	*34.8%*	*34.4%*
EBIT	2,913	2,281	645	570
EBIT margin	*27.6%*	*22.6%*	*27.6%*	*22.6%*
Profit before tax	2,875	2,278	636	569
Profit for the year	2,306	1,842	510	460
Minority interest	511	343	113	86
Net profit (to equity)	1,795	1,499	397	374

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 June 30, 2010 – EUR/PLN 4.0042 (for period from January 1, 2009 till June 30, 2009 EUR/PLN 4.5184)

While preparing the consolidated financial statement for 1H 2009, in accordance with consolidation procedures, the Group did not eliminate transactions with some of the related parties, which have been recognized as not significant in relation to true and fair view of the consolidated financial statements treated as a whole. Due to the fact, that the turnover between these entities increased, the parent company updated the consolidation principles and made relevant eliminations when preparing the consolidated financial statements for 1H 2010. 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 data presented in a comparative consolidated income statement .

Consolidated Balance Sheet

Period Ended (IFRS)				
	Dec 31, 2009	June 30, 2010	Dec 31, 2009	June 30, 2010
	PLNm *audited*	**PLNm** *reviewed*	**EURm**	**EURm**
Shareholder equity	31,168	31,380	7,587	7,569
Minority interest	7,681	7,344	1,870	1,772
Non-current assets	41,964	42,400	10,215	10,227
Current assets	12,483	11,646	3,039	2,809
Total assets	**54,448**	**54,046**	**13,253**	**13,036**
Non-current liabilities	9,762	7,932	2,376	1,913
Current liabilities	5,836	7,389	1,421	1,782
Total equity and liabilities	**54,448**	**54,046**	**13,253**	**13,036**

EUR/PLN period end rate used: 4.1458 (June 30, 2010), 4.1082 (December 31, 2009); source: National Bank of Poland

Electricity generation by source [TWh]

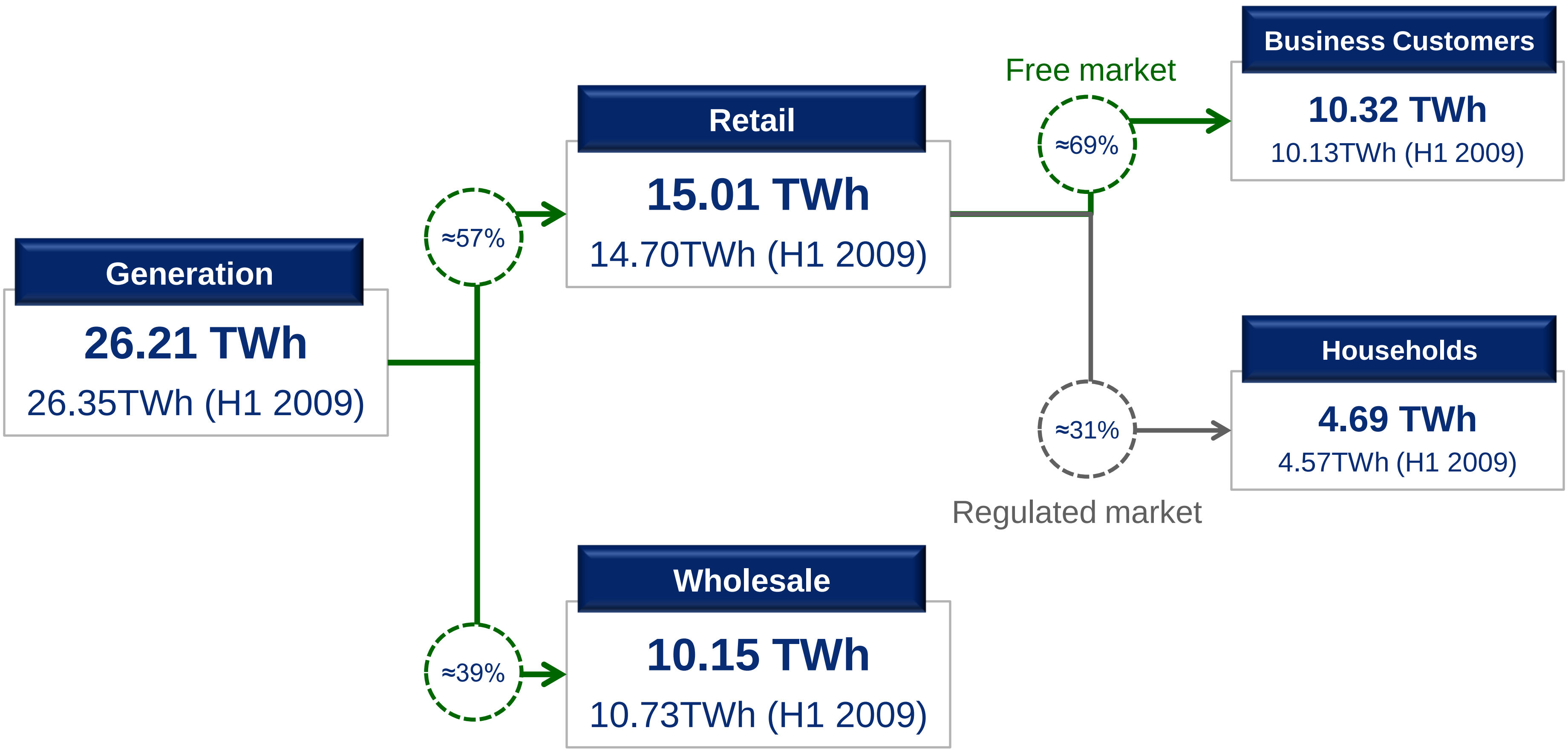
	H1 2010	H1 2009
Lignite-fired power plants	17.90	17.90
Coal-fired power plants	6.12	6.00
Coal-fired CHPs	0.72	0.79
Gas-fired CHPs	0.86	1.14
Pump-storage	0.25	0.20
Water	0.33	0.29
Wind	0.03	0.03
TOTAL	**26.21**	**26.35**

Coal-fired generation figure includes 0.28TWh from biomass combustion (vs. 0.21TWh in H1 2009)

Decrease in in production of electricity in gas-fired CHPs mainly due to outage in Rzeszow CHP in January 2010. Due to the outage since February 2010 the electricity production was suspended. Currently the unit is back in operation.

H1 2010 Key business flows

ILLUSTRATIVE



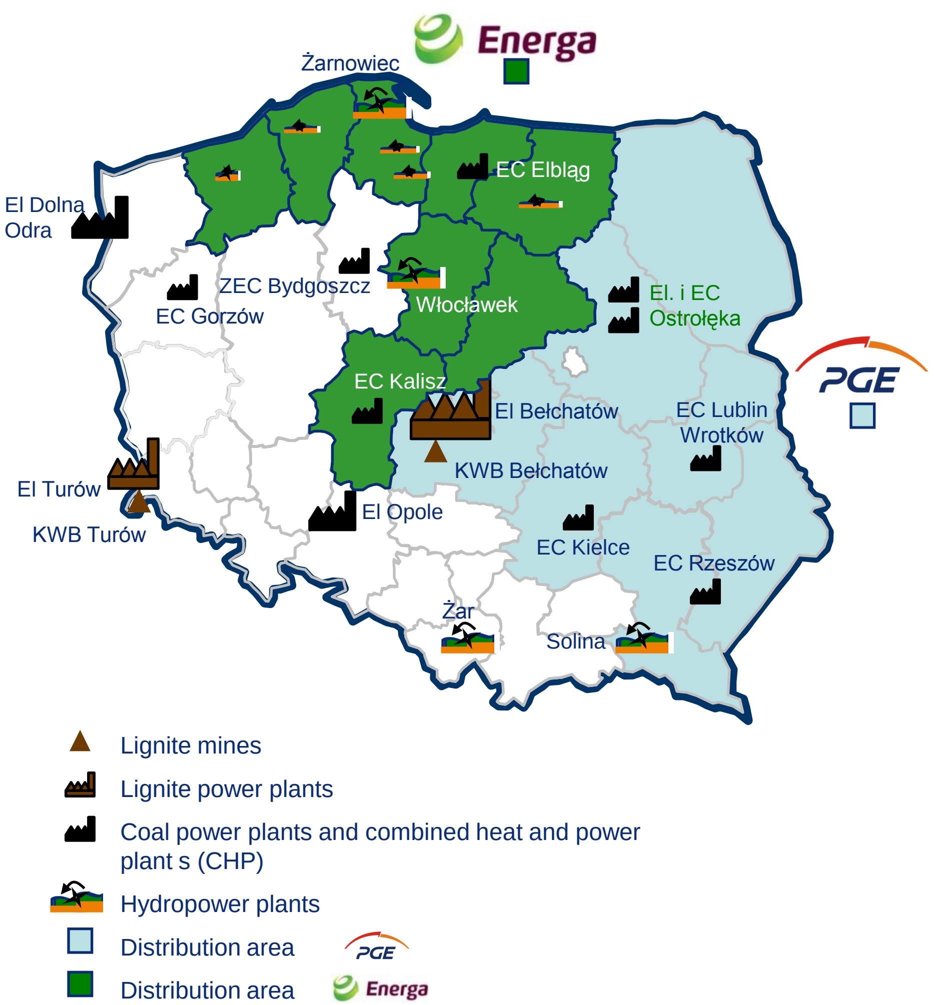
Source: PGE
Percentages shown represent share in sales to wholesale and retail customers
Other business flows incl. balancing market, foreign trade and own consumption are not shown
Volumes shown after intra-group eliminations

Energa S.A. – key publicly available information

Energa key data (2009) according to public sources

Distribution	~20 TWh
Generation	4.2 TWh
Sales	16.5 TWh
Balance sales – generation	–12.3 TWh
Revenues (2009)	PLN 8.6bn
EBITDA (2009)	PLN 1.1bn
EBITDA 2010 (Energa estimate)	*>PLN 1.5bn*
EBITDA margin (2009)	12.7%
Net debt (2008)	cash PLN 517m
Customers	2.5m households 0.3m businesses
Employment	ca. 12,500 individuals
Other company strengths	✓Integrated distribution ✓Marketing competencies

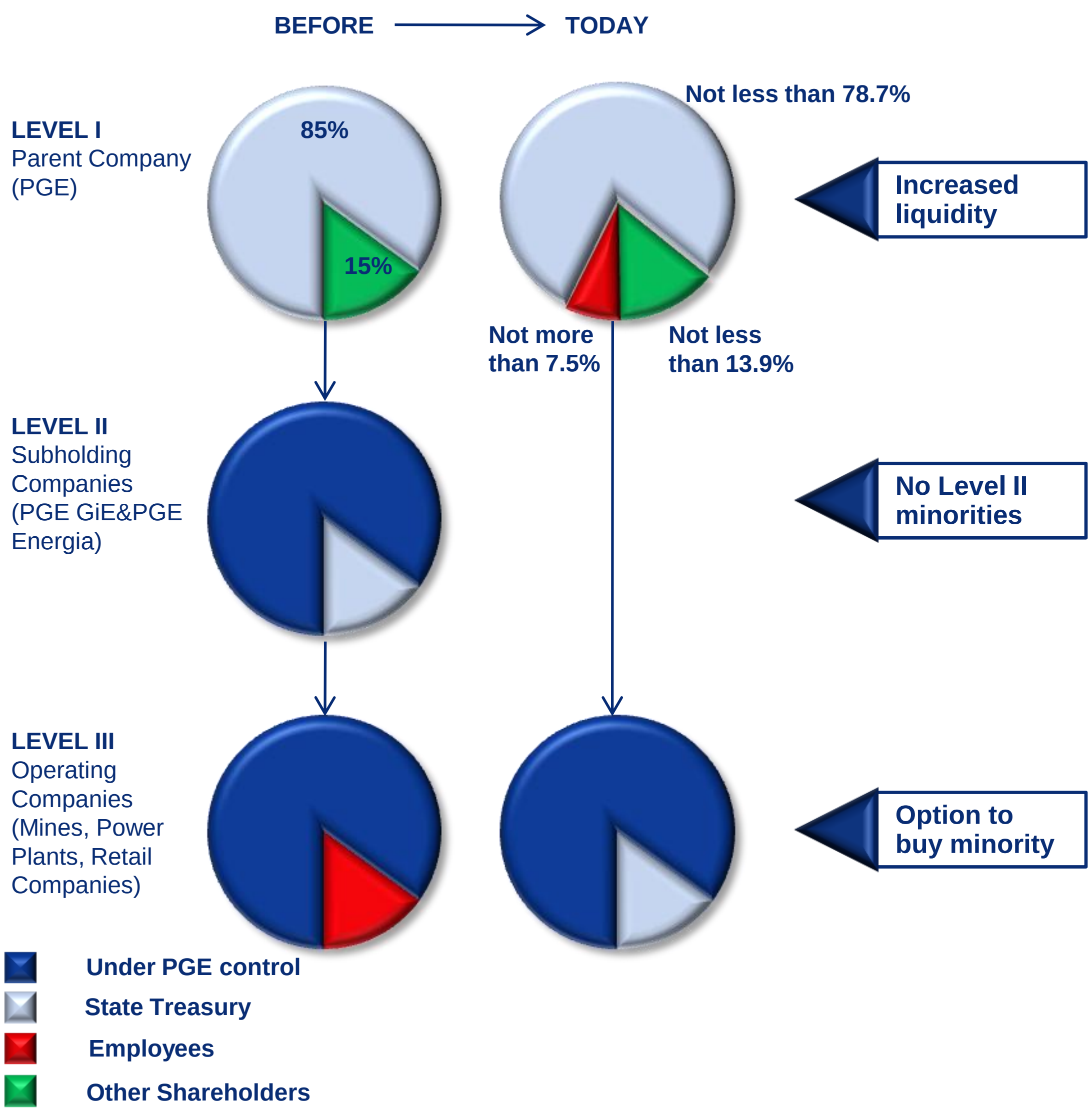
Area of operations and key assets of PGE and Energa



Source: PGE, Energa, MSP, URE

ILLUSTRATIVE ONLY!

Consolidation – Increased Financial Power and Improved Dividend Payment Capability



Immediate effects of mergers

Increased financial power – higher cash flows of the Parent

Improved Dividend Payment Capability – higher net profit of the Parent, increased net income = increased yield

Illustration of changes in P&L

<u>If consolidation happened in 2009,</u> net profit attributable to minorities for 2009 would have been decreased by ca. PLN 390m, from PLN 967m

Illustration of changes in BS

<u>After consolidation and assuming no changes in capital (i.e. no dividends)</u>, minority interest as at December 31, 2009 would have been decreased by ca. PLN 3.4bn, from PLN 7.7bn

Calendar of events

Corporate events

Event	Date
Dividend date	September 22, 2010
Dividend payment date	October 12, 2010
Publication of consolidated quarterly report for 3Q2010	November 15, 2010

Meet us at the conferences

Event	Date	Place	Hosted by
7th Annual Emerging Europe Equities Conference	September 13-14, 2010	London	UniCredit
Morgan Stanley Power and Utility Summit	September 16, 2010	London	Morgan Stanley
Erste Group Investor Conference	October 6-7, 2010	Stegerbach, Austria	Erste
Goldman Sachs Conference	November 29-30, 2010	London	Goldman Sachs
13th Annual ING EMEA Investment Forum	December 2-3, 2010	Prague	ING