



Polska Grupa Energetyczna



Q1 2012 Results

Consolidated data, in accordance with IFRS

May 15, 2012

Q1 2012 – key achievements

Key financials

- Revenues grew by 9% y-o-y to PLN 7.9bn due to higher volumes and prices while LTC compensations reached only PLN 56.2m in Q1 2012 compared to PLN 170.8 m in Q1 2011
- EBITDA in Q1 2012 amounted to PLN 2.54bn compared to PLN 2.14bn in Q1 2011, increase of 19% y-o-y
- We are one of few utilities in Europe with growing margins - EBITDA margin reached 32% compared to 29% a year before. If we exclude exchange trading effect on revenues, the EBITDA margin goes up to 39% (37% in Q1 2011)
- Recurring EBITDA amounted to PLN 2.44bn compared to PLN 1.97bn in Q1 2011, increase of 24% y-o-y
- Net profit (to equity) increased to PLN 1.53bn, increase of 27% y-o-y
- EPS increased by 28% y-o-y to PLN 0.82 compared to PLN 0.64 in Q1 2011

Key operating data

- Net generation volume up by 10% y-o-y (15.41TWh in Q1 2012 vs. 14.07 TWh in Q1 2011), while the domestic generation grew by 0.5% only
- Lignite generation higher by 16% with visible contribution of Bełchatów Unit 14 (+1.4 TWh) and modernized units 5&6, decrease (-5%) in hard coal plants and CHPs, mainly due to lower production in ZEDO (lower utilization by the system operator) and replacement of coal boilers in Szczecin by new biomass-fired boiler
- Renewable generation higher by 36% y-o-y, reached 0.45 TWh, driven by biomass combustion and co-combustion
- Distribution volume higher by 2.1% y-o-y (8.15 TWh vs. 7.98 TWh in Q1 2011)
- Sales to end customers increased as well, with growth of 7% well surpassing the market (8.48 TWh in Q1 2012 vs. 7.96 TWh in Q1 2011)
- Average PGE wholesale price of electricity amounted to ca. 205 PLN in Q1 2012 compared to PLN 198 in Q1 2011

Investment programme

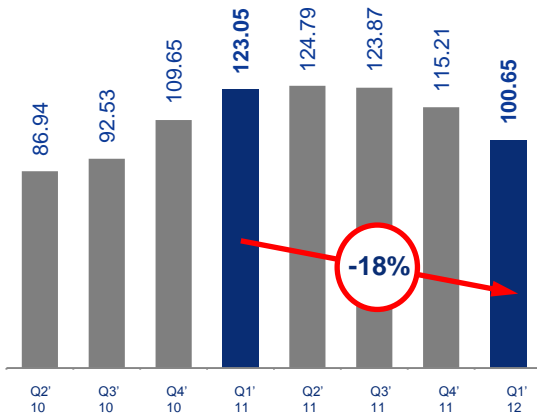
- Conclusion of contract with general contractors of Opole Power Plant Units 5&6 legal and binding. Construction works expected to commence at beginning of 2013. Construction permit still pending
- Progress in gas co-generation projects – prequalification requests in Gorzów, Bydgoszcz and Pomorzany received
- Modernization of Unit 7 in Bełchatów progressing. Modernization of Unit 8 to start in June 2012
- Commissioning of two wind farms (Pelplin, Żuromin – 108MW) moved to Q3 2012

Energa Acquisition

- The Court of Competition and Consumer Protection on May 14th, 2012 passed a judgement that dismissed the appeal made by PGE Polska Grupa Energetyczna S.A. against the decision of the President of the Office of Competition and Consumer Protection of January 13, 2011 prohibiting the execution of the concentration involving the taking control over Energa S.A. by PGE Polska Grupa Energetyczna S.A. claiming that there are no grounds to acknowledge the said appeal
- The judgement is not final and binding and is appealable to the Court of Appeal
- We will decide if to file an appeal after analysis of the written verdict argumentation

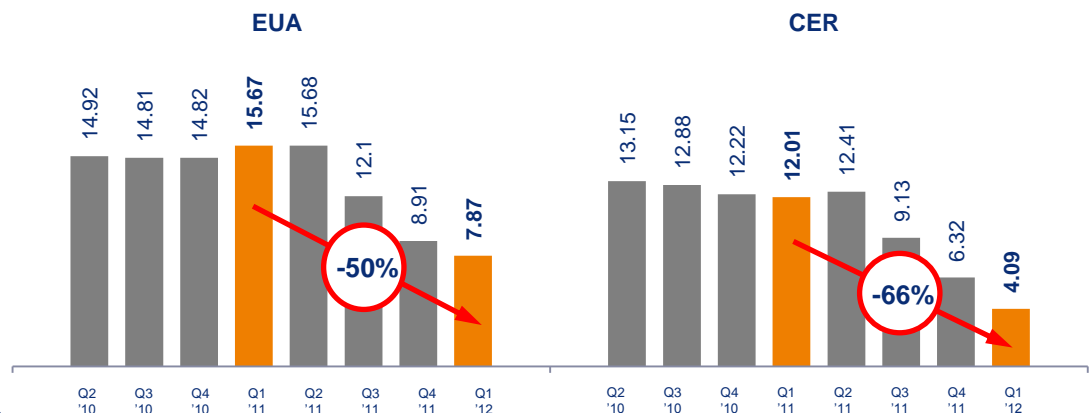
Economic environment – key data

Hard coal [USD/t]*



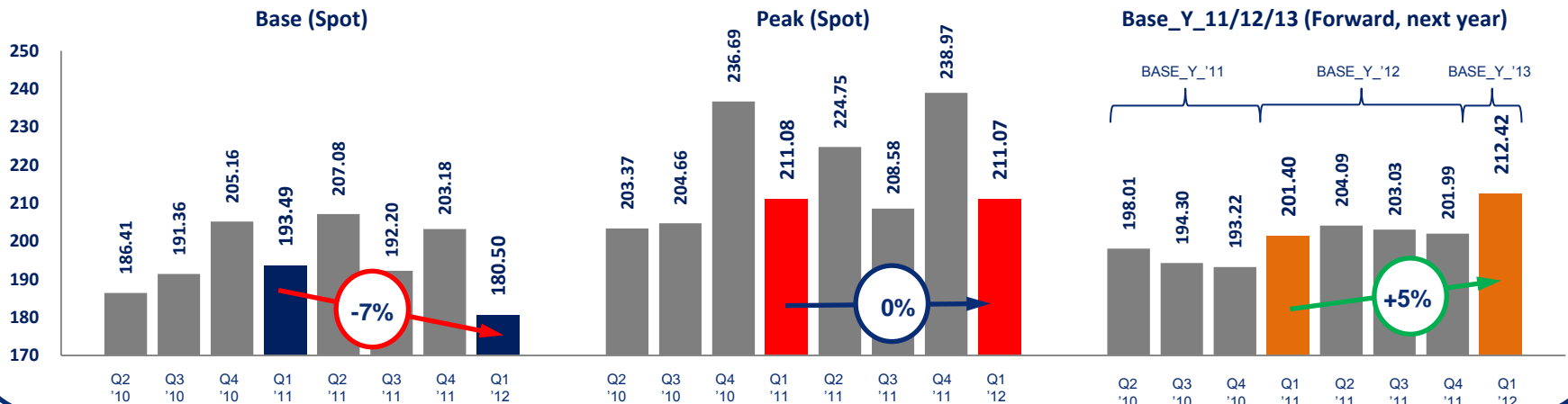
* An average price on global COAL DES ARA Index

CO₂ Allowance [EUR/t]*



* An average price on BlueNext Exchange

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



Key Operating Data (I)

Net electricity generation by sources (TWh)

	Q1 2011		Q1 2012
Lignite-fired power plants	9.15	+16% →	10.58
Hard coal-fired power plants	3.42	-4% →	3.28
Coal-fired CHPs	0.50	-10% →	0.45
Gas-fired CHPs	0.76	+1% →	0.77
Biomass- fired CHP (combustion)	0.00		0.09
Pump storage	0.10	-10% →	0.09
Hydro	0.12	+8% →	0.13
Wind	0.02		0.02
TOTAL	14.07	+10% →	15.41
Renewable generation	0.33	+36% →	0.45
incl. biomass co-combustion	0.19	+11% →	0.21

Key Operating Data

Poland	Q1 2011		Q1 2012
Real GDP growth y-o-y [%] ¹	4.5		3.7*
Industrial production growth y-o-y [%] ¹	9.2		n/a
CPI y-o-y [%] ¹	4.3		3.9
Domestic Electricity Production [TWh] ²	43.3	+0.5% →	43.5
Domestic Electricity Consumption [TWh] ²	41.7	+1.6% →	42.4
PGE Group	Q1 2011		Q1 2012
Net Generation Volume [TWh]	14.07	+10% →	15.41
Sales on the wholesale market [TWh]	13.87	+14% →	15.85
Sales to end-users [TWh]	7.96	+7% →	8.48
Electricity distribution volume [TWh]	7.98	+2% →	8.15

1) Source: GUS, Central Statistical Office; 2) Source: PSE Operator S.A. *Estimates of Dom Maklerski Banku Handlowego

Q1 2012 Financial results – key drivers

Sales Revenues



Recurring* Sales Revenues



- Recurring sales revenues went up significantly by 9% y-o-y or PLN 624m
- Growth of recurring revenues includes:
 - Increased sales in generation, distribution and retail
 - Higher average electricity price

EBITDA



Recurring* EBITDA

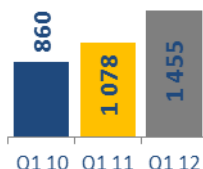


- Recurring EBITDA increased by 24% y-o-y or PLN 477m.
- Recurring EBITDA in Q1 driven by volumes growth in all segments and better results of the electricity sale in the whole value chain (reported mostly in the Conventional Generation).
- Recurring EBITDA margin adjusted for exchange trading effect reached 39%

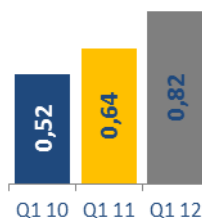
Net profit to equity



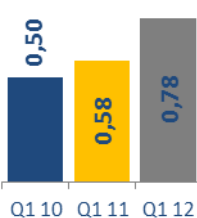
Recurring* net profit to equity



EPS



Recurring* EPS



- Reported net profit to equity reached PLN 1,530m or PLN 0.82 per share
- Recurring net profit to equity went up by 35% or PLN 377m
- Recurring EPS amounted to PLN 0.78 per share

* Recurring = excluding one-off items:

- LTC Compensations; Revenues: (PLN +56m), EBITDA: (PLN +56m) and net income: (PLN +46m),
- Reversed LTC write-down; Revenues: (PLN +130m), EBITDA: (PLN +130m), net income: (PLN +106m),
- Total costs of Voluntary Redundancy Programme of (PLN -92m) incurred in Q1 2012 as part of the Efficiency Improvement Programme; cost recognised in Conventional Generation: (PLN -77m), Distribution: (PLN -15m).

Selected financial data, consolidated, IFRS

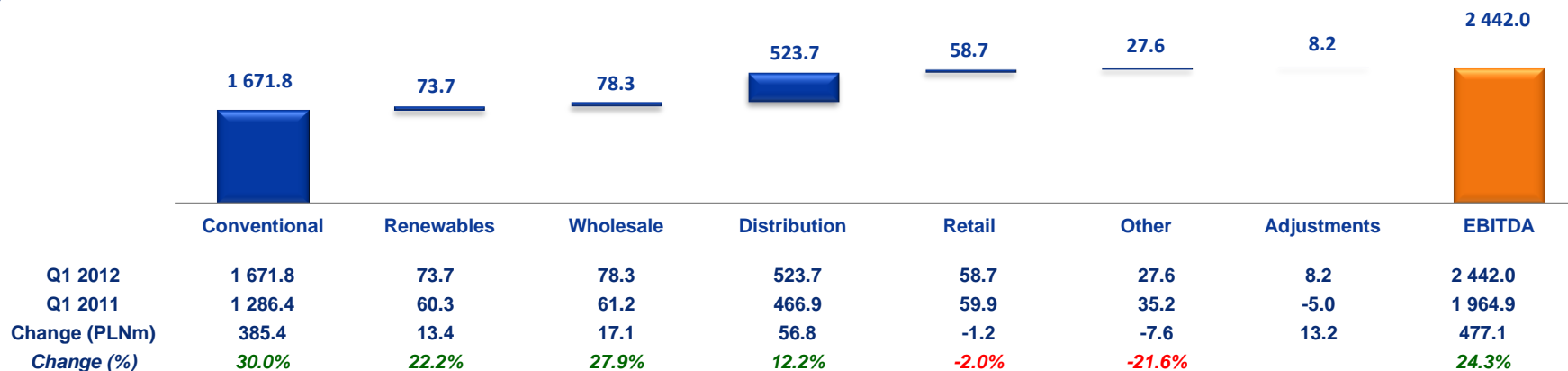
	Q1 2011		Q1 2012	Q1 2011	Q1 2012
	PLNm not audited		PLNm not audited	PLNm ex change in trading model not audited	PLNm ex change in trading model not audited
Sales	7,268.8	+9% →	7,908.2	5,724.8	+12% → 6,424.5
<i>Including LTC compensations</i>	170.8	-67% →	56.2		
Recurring* Sales	7,098.2	+9% →	7,721.7	5,554.2	+12% → 6,237.9
EBITDA	2,135.7	+19% →	2,536.8		
Recurring* EBITDA	1,964.9	+24% →	2,442		
EBIT	1,476.7	+24% →	1,823.8		
Net profit (to equity)	1,205.9	+27% →	1,529.9		
Recurring* net profit (to equity)	1,078.3	+35% →	1,455.3		
CAPEX	620.3	-2% →	604.8		
Net cash from operating activities	722.0		2,243.8		
Net cash from investing activities	-1,401.4		-1,118.4		
EBITDA margin	29%		32%	37%	39%
Recurring* EBITDA margin	28%		32%	35%	39%
Net Working Capital	2,489		5,473		
Net Debt/LTM EBITDA	0.11x		-0.71x		

* Recurring = excluding one-off items:

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Q1 2012 Recurring* EBITDA Composition and Development

Q1 2012 Recurring* EBITDA Composition



Higher prices of electricity and higher volume (Bełchatów new unit 14 and units 5&6 after modernisation) contributed to higher revenues and thus earnings.

Increased result mainly due to revaluation of provision on claim regarding reservation of interconnectors capacity on the border (Alpiq claim, +PLN 20m)

Result on energy sale slightly better but overall profit fairly flat.

Higher revenues from sale of electricity, regulatory services and certificates of origin and lower operating cost (cost of flood incurred in 2011)

Higher volumes and tariffs are the reasons for the growth, as in previous periods.

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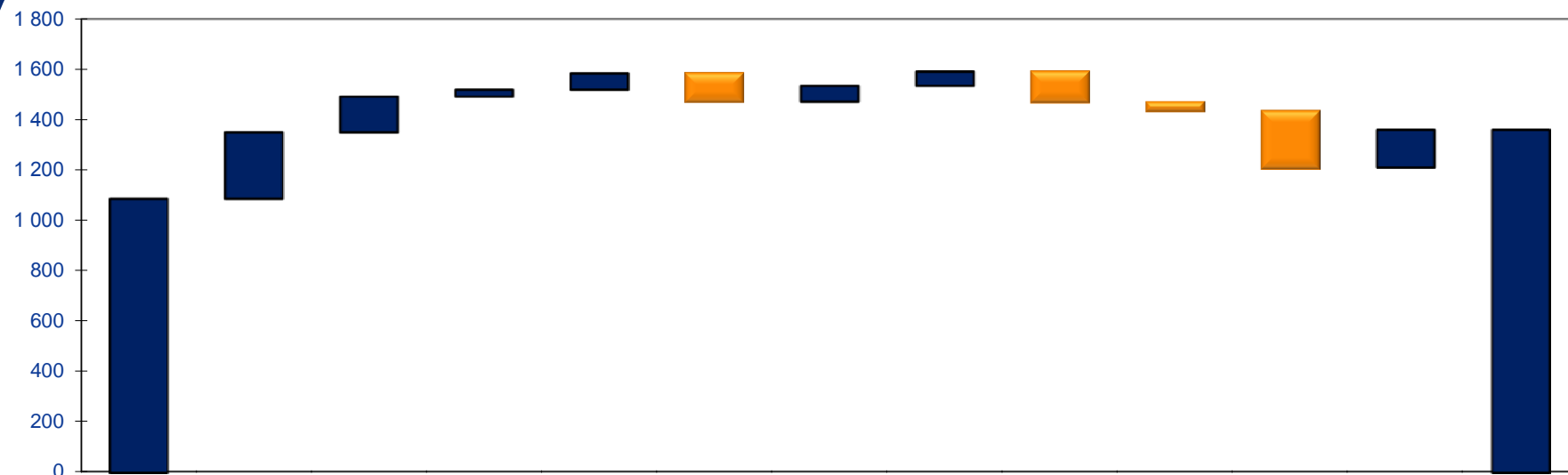
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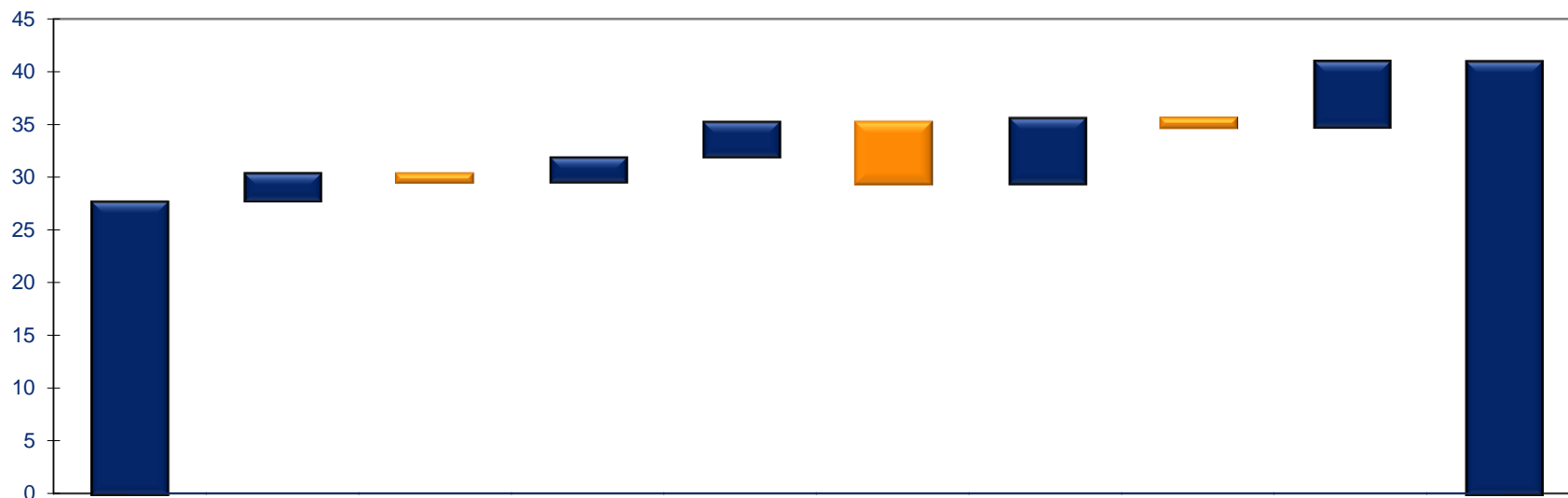
Back-up slides

Key Changes in EBIT [PLNm]



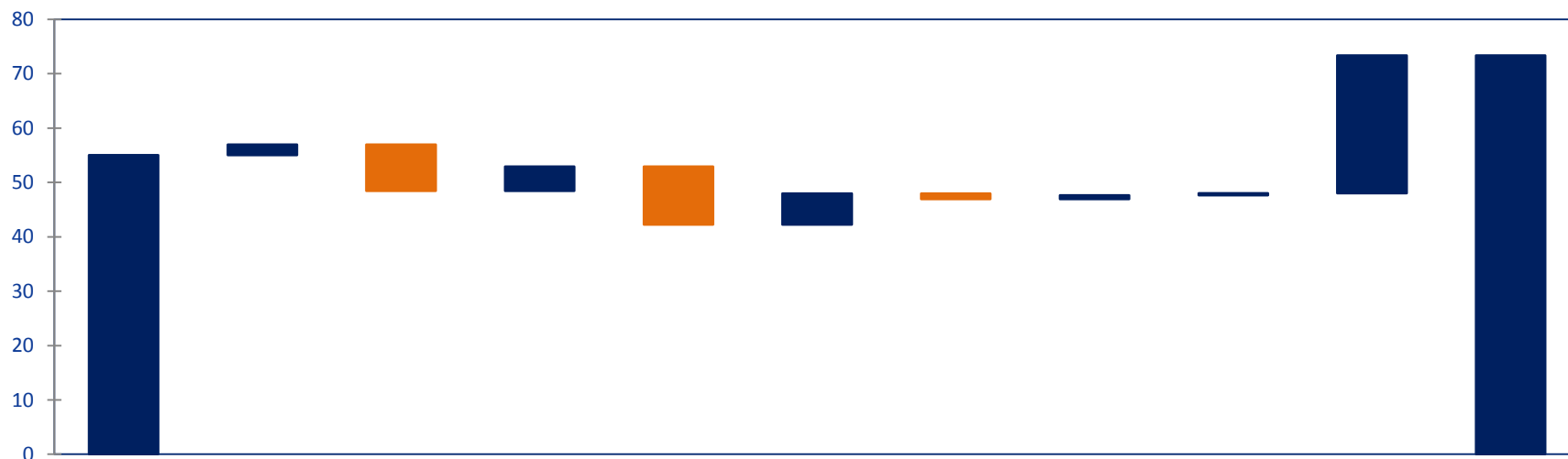
Change	Result Q1 2011	Sale of electricity – difference in volume	Sale of electricity – difference in price	Revenues from regul. serv. and bal. market	Revenues from cert. of origin	Other revenues	Electricity consumption	Cost of CO ₂	Cost of fuel	Cost of merchandise and materials sold	Other costs	Result on other oper. activities	Result Q1 2012
	1 085.9	263.5	142.2	26.1	64.9	-111.6	63.1	56.0	-120.5	-35.2	-224.7	148.9	1 358.8
Q1 2011	1 085.9			44.5	156.7	481.7	79.6	119.2	749.8	149.2	1 365.3	15.5	
Q1 2012				70.6	221.6	370.0	16.5	63.2	870.3	184.3	1 590.0	164.4	1 358.8

Key Changes in EBIT [PLNm]



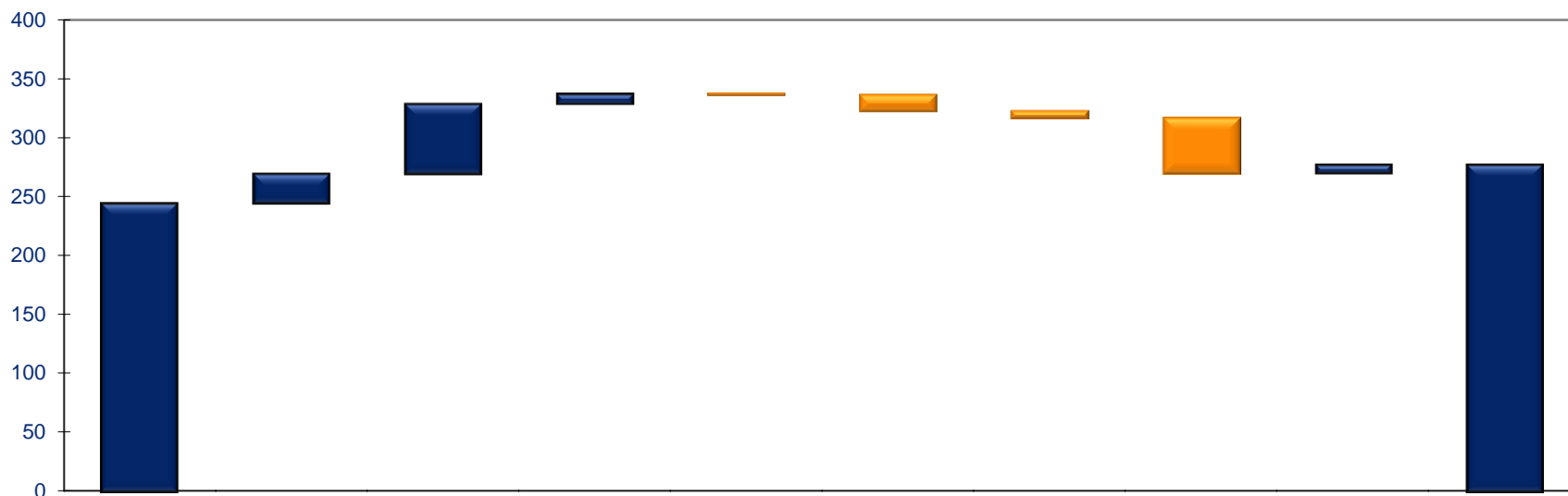
Change	Result Q1 2011	Sale of electricity – difference in volume	Sale of electricity – difference in price	Revenues from regul. serv. and bal. market	Revenues from cert. of origin.	Other revenues	Energy consumption	Operating expenses	Result on other oper. activities	Result Q1 2012
Q1 2011	27.7			80.1	28.5	9.4	35.3	71.6	-5.0	
Q1 2012				82.5	31.9	3.6	29.1	72.5	1.3	41.0

Key Changes in EBIT [PLNm]



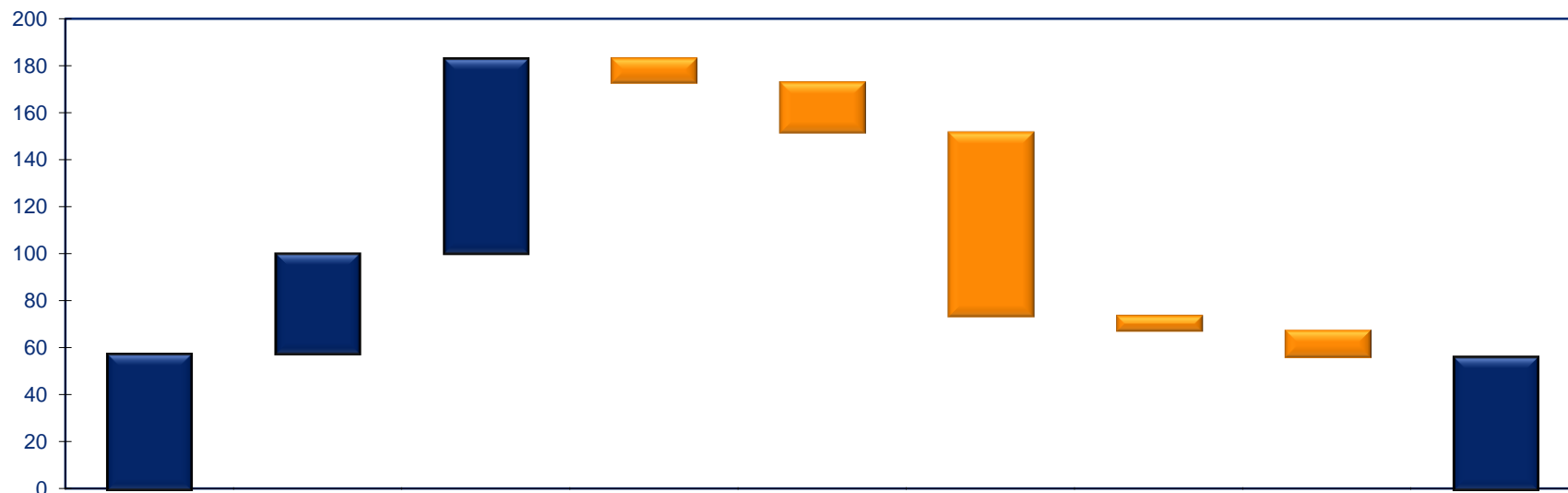
Change	Result Q1 2011	Sale of electricity – difference in volume	Sale of electricity – difference in price	Revenues from cert. of origin	Revenues from CO ₂ allowances	Other revenues	Cost of products and services	Selling expenses	General and administrative costs	Result on other oper. activities	Result Q1 2012
	55.0	1.9	-8.5	4.5	-10.7	5.7	-1.0	0.7	0.4	25.3	18.3
Q1 2011	55.0			7.1	10.9	63.5	20.3	7.5	29.9	-4.6	
Q1 2012				11.6	0.3	69.1	21.3	6.8	29.5	20.7	73.4

Key Changes in EBIT [PLNm]



Change	Result Q1 2011	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 Q1 2012
		25.0	59.2	8.6	-1.1	-13.5	-5.8	-46.5	7.0	
Q1 2011	244.2			124.6	32.4	165.2	298.4	637.1	-6.3	
Q1 2012				133.2	31.3	178.7	304.2	683.5	0.8	277.2

Key Changes in EBIT [PLNm]



Change	Result Q1 2011	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 Q1 2012
		42.7	82.7	-10.1	-21.4	-77.9	-6.2	-11.1	-1.2
Q1 2011	57.7			1 160.9	319.3	2 868.9	63.6	3.0	
Q1 2012				1 150.7	340.7	2 946.8	69.8	-8.1	56.5



Detailed segmental revenues and costs

Conventional Generation

	Q1 2011	Q1 2012	Q1'12 vs. Q1'11
Sales, including:	3,533.5	3,918.6	+11%
sale of electricity	2,889.4	3,309.2	+15%
LTC compensations	170.8	56.2	-67%
sale of heat	254.5	254.2	0%
sale of certificates of origin	156.7	221.6	+41%
Cost by kind, including:	2,427.1	2,655.1	+9%
D&A	371.3	422.4	+14%
Materials	903.3	1,037.7	+15%
Energy	79.6	16.5	-80%
External services	228.5	240.7	+5%
Taxes and charges	272.3	240.7	-12%
Personnel expenses	541.9	650.3	+20%
Other cost	30.1	46.8	+55%
EBIT	1,085.9	1,358.8	+25%
EBITDA	1,457.2	1,781.2	+22%



Detailed segmental revenues and costs

Renewables

	Q1 2011	Q1 2012	Q1'12 vs. Q1'11
Sales, including:	139.7	141.4	+1%
sale of electricity	53.8	51.3	-5%
sale of certificates of origin	28.5	31.9	+12%
Cost by kind, including:	106.4	102.5	-4%
D&A	32.6	32.7	0%
Materials	2.1	2.6	+22%
Energy	35.3	29.1	-18%
External services	11.2	9.1	-18%
Taxes and charges	8.4	9.4	+11%
Personnel expenses	15.0	16.1	+7%
Other cost	1.8	3.6	+97%
EBIT	27.7	41.0	+48%
EBITDA	60.3	73.7	+22%



Detailed segmental revenues and costs

Wholesale

	Q1 2011	Q1 2012	Q1'12 vs. Q1'11
Sales, including:	2,901.9	2,831.2	-2%
sale of electricity	1,996.6	2,205.7	+10%
sale of certificates of origin	451.1	507.5	+13%
Cost by kind, including:	57.7	57.6	0%
D&A	6.2	4.9	-20%
Materials	0.3	0.3	-2%
Energy	0.4	0.5	+28%
External services	12.0	11.7	-3%
Taxes and charges	2.1	2.5	+16%
Personnel expenses	15.5	16.6	+8%
Other cost	21.2	21.0	-1%
EBIT	55.0	73.4	+33%
EBITDA	61.2	78.3	+28%



Detailed segmental revenues and costs

Distribution

	Q1 2011	Q1 2012	Q1'12 vs. Q1'11
Sales, including:	1,351.2	1,442.9	+7%
revenues from distribution services	1,267.8	1,355.0	+7%
other operating revenues	51.0	56.5	11%
Cost by kind, including:	1,106.0	1,175.0	+6%
D&A	222.7	232.0	+4%
Materials	26.1	22.7	-13%
Energy	165.2	178.7	+8%
External services	364.4	373.4	+3%
Taxes and charges	73.6	79.2	+8%
Personnel expenses	247.1	283.6	+15%
Other cost	7.0	5.4	-23%
EBIT	244.2	277.2	+14%
EBITDA	466.9	509.1	+9%



Detailed segmental revenues and costs

	Retail		
	Q1 2011	Q1 2012	Q1'12 vs. Q1'11
Sales, including:	3,306.5	3,421.9	+3%
sale of electricity	2,145.6	2,271.1	+6%
revenues from distribution services	1,144.2	1,134.2	-1%
Cost by kind, including:	383.1	410.5	+7%
D&A	2.1	2.2	+2%
Materials	1.1	1.1	+5%
Energy	0.3	0.3	-4%
External services	27.1	23.9	-12%
Taxes and charges	320.3	341.6	+7%
Personnel expenses	30.5	34.2	+12%
Other cost	1.7	7.1	+313%
EBIT	57.7	56.5	-2%
EBITDA	59.9	58.7	-2%

CAPEX for Q1 2012 and Q1 2011 (PLN m)

Segment	Q1 2011	Q1 2012	Q1'12 vs. Q1'11
Conventional	455.4	391.6	-14%
▪ construction of 858MW unit in Bełchatów		13.0	
▪ modernization of units 7-12 in Bełchatów		157.1	
▪ construction of desulphurization installations on units 1 and 2 in Bełchatów		16.8	
▪ construction of desulphurization installations on units 5 and 6 in ZEDO		15.3	
Distribution	136.0	190.7	+40%
▪ new clients connection	69.5	91.1	
▪ distribution grid	41.7	58.8	
Renewables	34.3	7.2	-79%
▪ modernization and replacement	31.1	3.7	
Retail, Wholesale, Others	21.0	40.0	+90%
TOTAL	646.7	629.5	
TOTAL (incl. adjustments)	620.3	604.8	-2%

Identified investment projects

Project	Capacity	Goals	CAPEX (app.)	Commissioning date	Status
Opole Units 5&6	2*900 MW	<ul style="list-style-type: none"> Increased installed capacity Increased average efficiency 	PLN 11.6 bn	2017 (U 5) 2018 (U 6)	<ul style="list-style-type: none"> Contract with General Contractor concluded in Feb. 2012 In Q2 2012 the court dismissed a complaint of Alstom Consortium, which questioned the grounds for rejection of Alstom offer due to formal reasons
Turów Unit 11	460 MW	<ul style="list-style-type: none"> Replacement of decommissioned capacity (3x 206MW in 2011-2013) Improved average efficiency Utilizations of existing lignite capacity 		2017	<ul style="list-style-type: none"> Tender under progress Final bids to be submitted in Q3 2012
Gorzów gas co-generation Unit	135 Mwe 95 MWt	<ul style="list-style-type: none"> Increased installed capacity Fleet diversification and change of fuel mix Reduction of average CO₂ emission rate 		2015-2018	<ul style="list-style-type: none"> Tender under progress Pre-qualification requests received in Q1 2012 Final bids to be submitted till the end of 2012
Bydgoszcz gas co-generation Unit	240-430 Mwe 170-240 MWt				<ul style="list-style-type: none"> Tender under progress Pre-qualification requests received in Q1 2012 Final bids to be submitted till the end of 2012
Pomorzaný gas co-generation Unit	240 Mwe 150 MWt				<ul style="list-style-type: none"> Tender under progress Pre-qualification requests received in Q2 2012 Final bids to be submitted till the end of 2012
Puławy gas project (PGE share: 50%)	800 MWe 600 MWt				<ul style="list-style-type: none"> Tender expected to be announced in May/June 2012 Final bids to be submitted till the end of 2013 Initial terms of heat supply from the Power Plant agreed
Bełchatów Retrofits (units 7&8 in 2012)		<ul style="list-style-type: none"> Increased capacity (by 20 MW /U7/ and 20MW /U8/) and efficiency Improved operational ratios (e.g. Availability Ratio to exceed 90%) Lower emissions – compliance with IED 		2013	<ul style="list-style-type: none"> Retrofit of unit 7 started in January 2012, will be completed in February 2013 Retrofit of unit 8 starts in June 2012, will be completed in July 2013
Windfarms – Żuromin, Pelplin	108 MW (2012)	<ul style="list-style-type: none"> Fuel mix diversification Reduction of CO₂ intensity 		Q3 2012	<ul style="list-style-type: none"> Advanced construction phase Most turbines already mounted



Debt Position – still no net debt

Changes in net debt position

	FY 2011	1Q 2012
Gross Debt (PLNm)	2,039.0	2,001.2
Net Debt (PLNm)	- 4,128.6	- 5,163.0
Net Debt/LTM EBITDA	- 0.60 x	-0.71x
Net Debt/Equity	- 0.10 x	-0.12x

Financial Strength Confirmed by Rating Agencies

Moody's

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

A3 Stable

Fitch

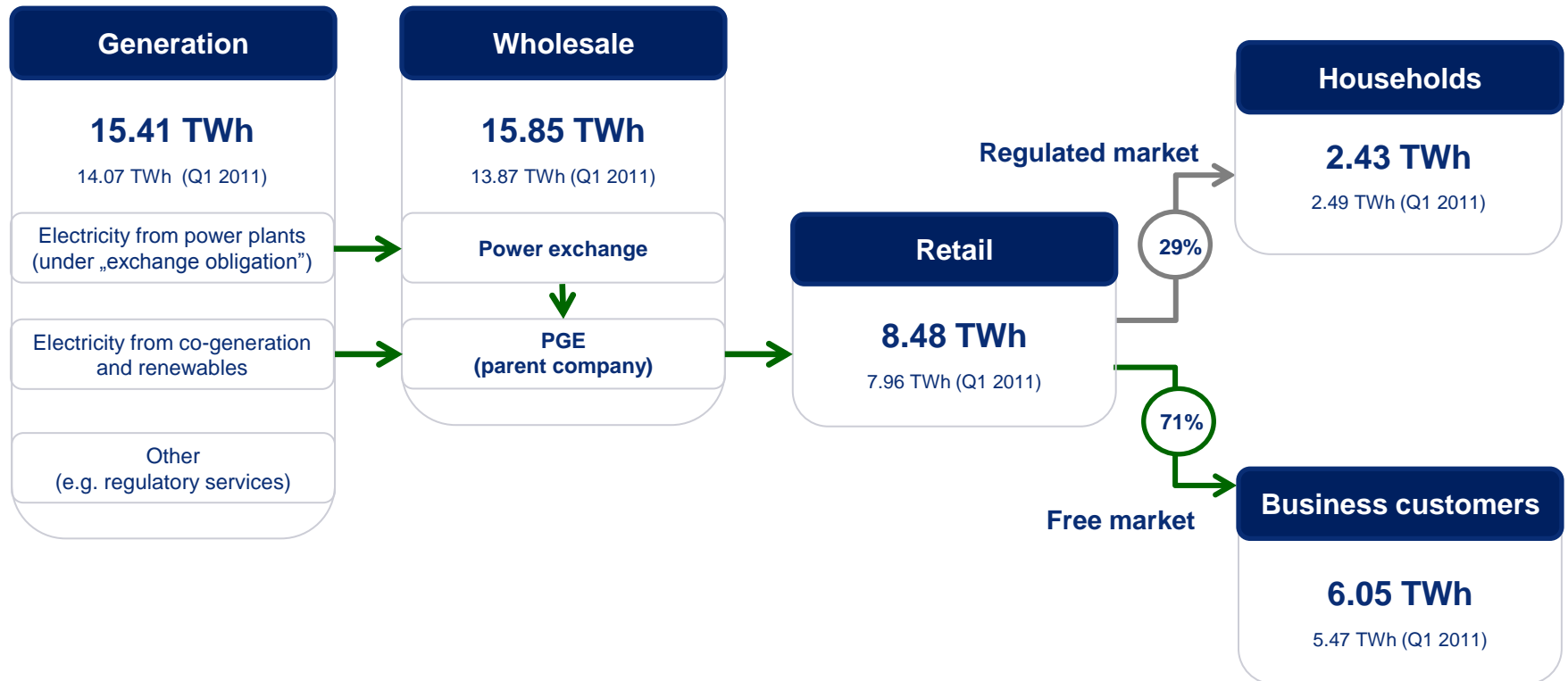
(initially issued on Sep 2, 2009)

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.

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

Meet us at the conferences in 2012*

Date	Event	Location	Hosted by
May 17-18	CE3 Conference	London	Credit Suisse
May 22-24	Energy Sector Conference	Warsaw	Erste
May 28	EMEA Conference	London	UBS
June 1	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	Prague	ING

*subject to change without prior notice

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
IDM	Sylwia 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
Erste Group	Petr Bartek
Goldman Sachs	Fred Barasi
JP Morgan	Sarah Laitung
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