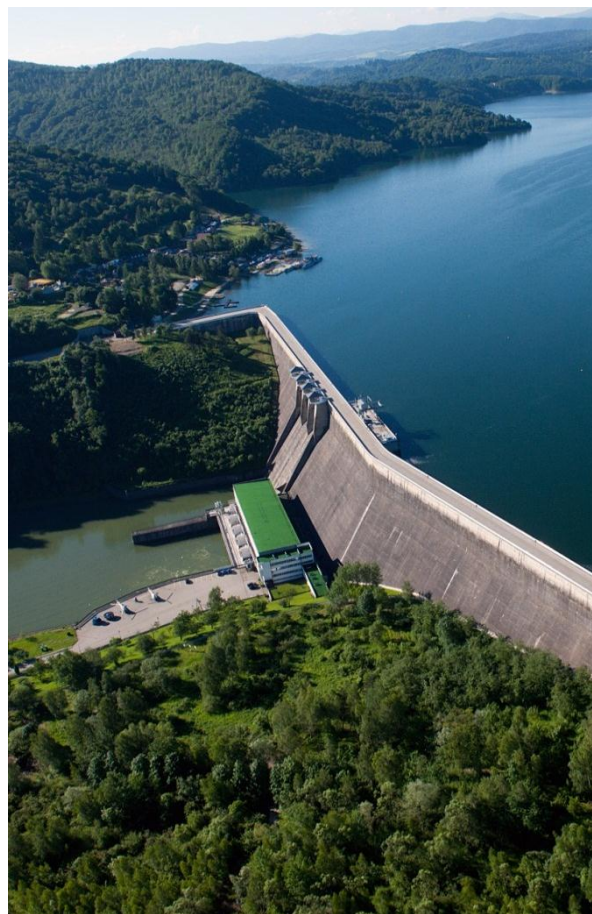


Q1 2013 Financial Results

May 15, 2013



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- **Key achievements and developments**



Krzysztof Kilian, President and CEO

Macroeconomic environment continues pressure on electricity market

Economy slows down...	Poland	Q1 2012	Q1 2013
	Real GDP growth y-o-y (%)	3.6	0.4 ¹
	Industrial production growth y-o-y (%) ²	4.7	-2.0
	CPI y-o-y (%) ²	3.9	1.0

...followed by lower electricity consumption	Polish electricity market	Q1 2012	Q1 2013
	Domestic Electricity Consumption Growth y-o-y (%) ³	1.6	-1.8
	Domestic Electricity Production Growth y-o-y (%) ³	0.5	-0.5

¹ Source: Central Statistical Office

² Source: Central Statistical Office

³ Source: PSE S.A.

Key financial and operational results of Q1 2013

Solid financials and healthy balance sheet

- We remain one of the most profitable utilities in Europe with quarterly EBITDA margin of 29%
- Our Q1 EBITDA of PLN 2.3bn is the highest of all Polish listed companies
- Quarterly EBITDA lower y-o-y by 15% or PLN 391m, mostly due to external factors:
 - lower electricity prices (-PLN 368m), offset partially by LTC compensations (net +PLN 145m)
 - higher cash cost of CO₂ emissions (-PLN 148m)
- We are still least leveraged of large European utilities with PLN 2.5bn of net cash or -0.4xLTM EBITDA

Operating results

- Renewable generation up by 7% to 0.48 TWh after growth of our wind capacity, however we cut down biomass co-firing significantly due to deteriorated economics of this fuel
- Conventional generation volume reached 14.3 TWh, 5.5% less y-o-y, impacted by:
 - planned decommissioning of 206MW in Turow lignite plant (impact of ca. 1.7% points)
 - maintenance, repair and renovation works in Belchatow and Opole (impact of ca. 2% points)
 - lower generation in gas fired CHPs due to lack of support (impact of ca. 0.6% points)
 - one calendar day less - effect of a leap year 2012 (impact of ca. 1.1% points).
- We have increased market share on retail market with our volume of electricity sold to final customers growing by 5% y-o-y to 8.9 TWh

We manage risks and build a solid foundation for further growth by proactive approach to external and internal value levers

PGE Action

Goals

Status

- Strategy under review

- Investment projects reassessment

- Preparation of a new operational model

- Implementation of SAP

- ICT Shared Services

- Turów complex optimization

- Sustain long-term value growth by setting right objectives and a feasible execution plan

- Maximize capital productivity and build a portfolio of optimal projects

- Redesign the group management model to allow for improved execution and efficiency of processes

- Increase management efficiency, improve decision-making processes and give more transparency in the capital group

- Optimal application of ICT technologies and resources

- Strengthen cost leadership and competitiveness of lignite mine-power plant complex, allow for further development

- In a process of obtaining corporate approval

- Part of strategic update
- Withdrawal from Opole II project

- Implementation expected in Q2 2013

- First implementation expected in Q3 2013

- In progress

- In progress

Q1 2013 Financial Results



Detailed financial and operational results



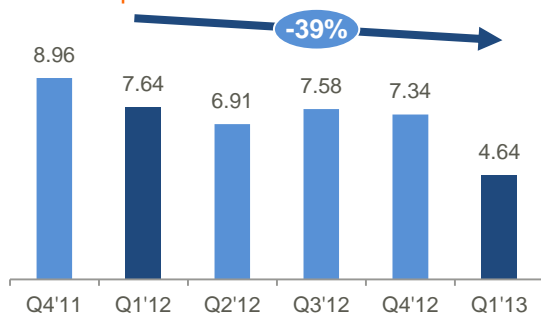
Wojciech Ostrowski, CFO

Power prices reflects supply/demand situation and trends on commodities markets

CO₂ allowance

EUR/t

EUA ECX
Spot

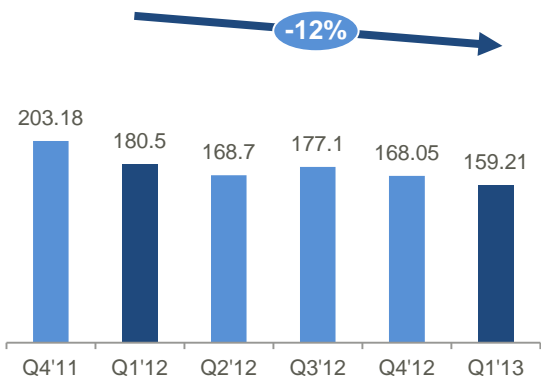


Source: Bloomberg

Average quarterly TGE Electricity Prices in 2013, 2012 and 2011

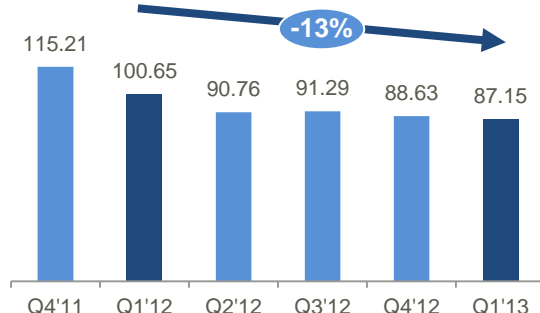
PLN/MWh

Base (Spot)



Hard coal

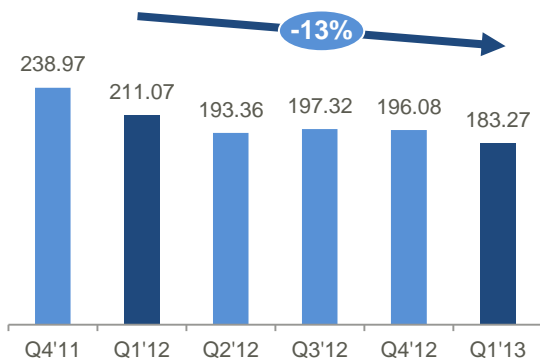
USD/t¹



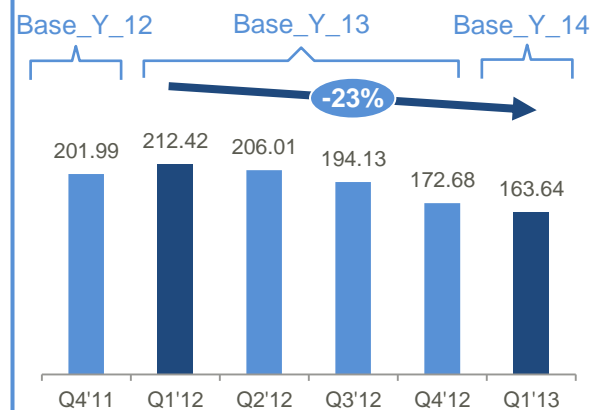
Source: www.wnp.pl

- PGE average wholesale price of electricity amounted to PLN 182 in Q1 2013 vs. PLN 205 in Q1 2012
- Lower demand and increased renewable energy sources (RES) capacity added pressure - wind capacity in Poland reached 2650MW in Q1 2013, growing by ca. 720MW y-o-y
- Clean-dark spreads have remained positive, as commodities have been cheaper, however decreased amount of free carbon permits influences cash costs of plants

Peak (Spot)



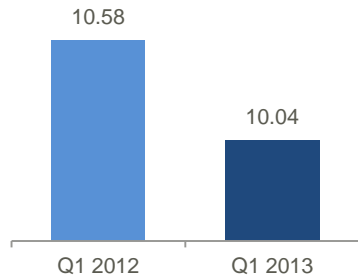
Base_Y_12/13/14 (Forward, next year)



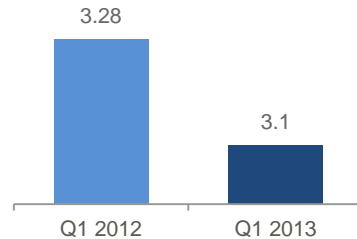
¹ An average price on global COAL DES ARA Index

Key Operating Data (TWh)

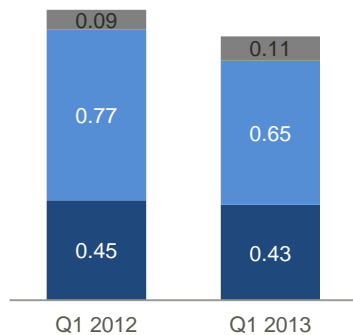
Lignite-fired power plants



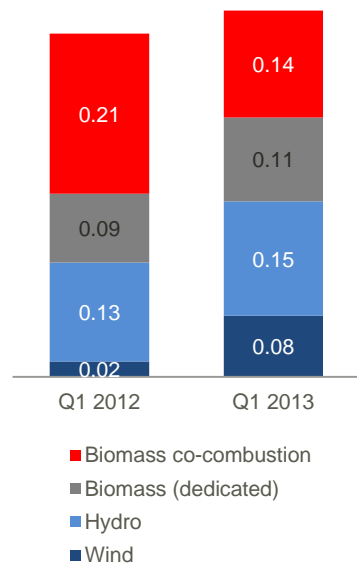
Hard coal-fired power plants



Combined Heat and Power Plants



Renewable Energy Sources



- Total net electricity generation amounted to 14.67 TWh in Q1 2013 (down by 5% yoy)
 - Main impact of Q1 lower output mostly due to decommissioning of lignite fired unit no. 9 (206 MW) in Turów.
 - Lower output from hard-coal fired power plants mostly due to generation optimization
 - Lower output in gas CHPs due to ceasing production – lack of financial support regulations (yellow certificates) prohibits gas co-generation from being profitable, except for our Gorzow CHP which consumes gas from direct supply.
 - Generation from renewable energy sources increased by 7%, mostly due to increased capacity of windfarms (acquisition of Pelplin and Żuromin wind farms)
 - Production from biomass decreased, as low prices of green certificates make biomass co-combustion not economically attractive

	[TWh]	Q1 2012	Q1 2013	Q1 2013 vs. Q1 2012
Net generation volume		15.41	14.67	-5%
Sales on the wholesale market		15.85	17.66	11%
Sales to end-users		8.54	8.94	5%
Electricity distribution volume		8.15	7.98	-2%

Key Financials

Selected consolidated financial data, IFRS

	Q1 2012 PLN m not audited	Q1 2013 PLN m not audited	Q1 2013 vs. Q1 2012
Sales	7908.2	7817.7	-1%
<i>including LTC compensations</i>	56.2	201.4	258%
Recurring* Sales	7852.0	7616.3	-3%
EBITDA	2672.6	2281.7	-15%
Recurring* EBITDA	2577.8	2136.8	-17%
EBIT	1959.1	1547.9	-21%
Recurring* EBIT	1864.3	1403.0	-25%
Net profit (to equity)	1637.9	1227.4	-25%
Recurring* net profit (to equity)	1562.3	1111.7	-29%
CAPEX	737.1	795.2	8%
Net cash from operating activities	2376.6	1376.5	-42%
Net cash from investing activities	-1251.2	-1297.8	4%
EBITDA margin	34%	29%	
Recurring* EBITDA margin	33%	28%	
Net Working Capital	5472.6	5520.0	
Net Debt/LTM EBITDA	-0.34	-0.39	

Recurring = excluding key one-off items in Q1 2013:

- **Sales:**

LTC compensations (PLN 201.4m)

- **EBITDA / EBIT:**

LTC compensations (PLN 201.4m)

Impairment of Opole II investment project (-PLN 56.5m)

- **Net profit (to equity):**

LTC compensations (PLN 160.1m)

Impairment of Opole II investment project (-PLN 45.1m)

Recurring = excluding key one-off items in Q1 2012:

- **Sales:**

LTC compensations (PLN 56.2m)

- **EBITDA / EBIT:**

LTC compensations (PLN 56.2m)

LTC adjustment (PLN 130.3m)

Voluntary Redundancy Programme (-PLN 91.8m)

- **Net profit (to equity):**

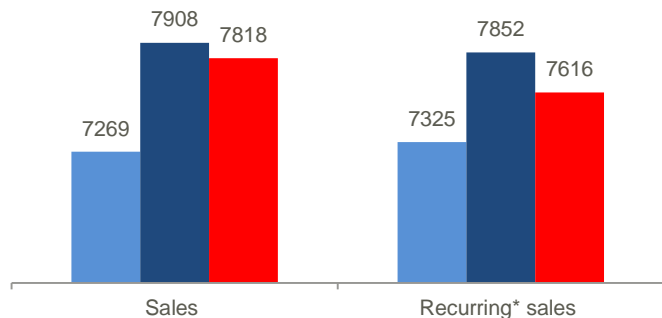
LTC compensations (PLN 44.9m)

LTC adjustment (PLN 104m)

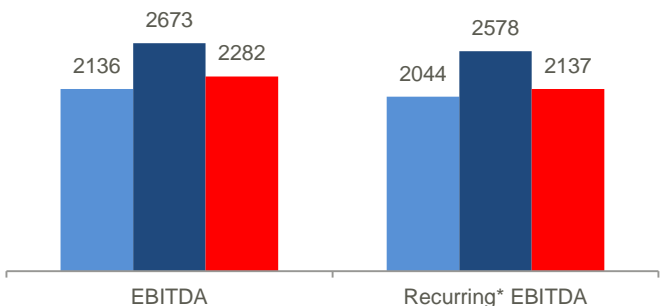
Voluntary Redundancy Programme (-PLN 73.3m)

Q1 2013 Financial results – key drivers

■ Q1 2011 ■ Q1 2012 ■ Q1 2013



- Reported sales revenues lower by 1% y-o-y reflecting lower revenues of generation business line resulting from fall in power prices compensated partially by LTC compensations.
- Recurring sales revenue (after removing LTC compensations effect) lower by 3% y-o-y.

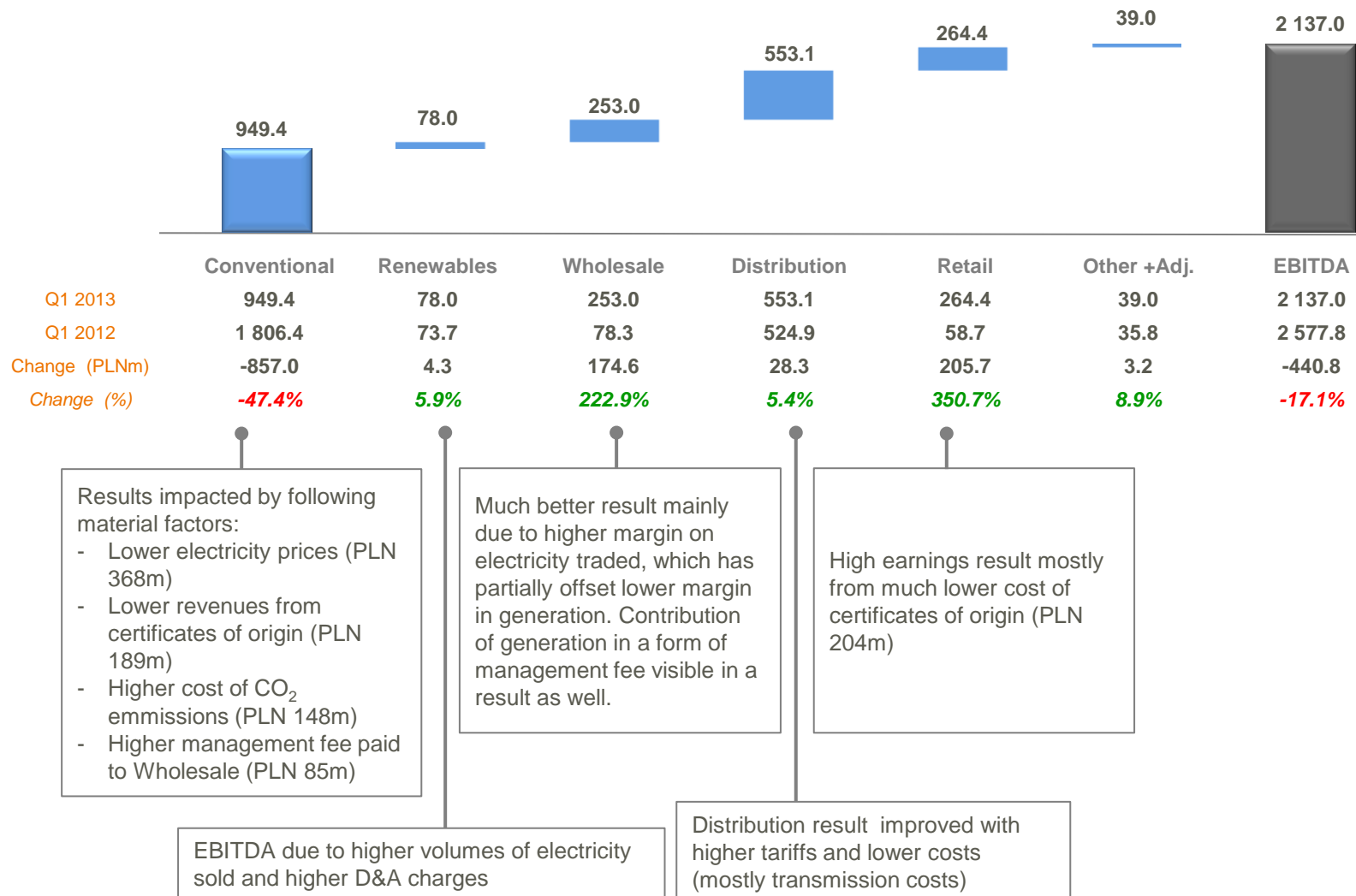


- Reported EBITDA lower by 15%, as generation business suffers from both lower prices of electricity and increased cost of CO₂ allowances (lower allocation of free credits). All other business lines have shown decent growth.
- Recurring EBITDA lower by 17%, excludes LTC compensations and Opole II project impairment



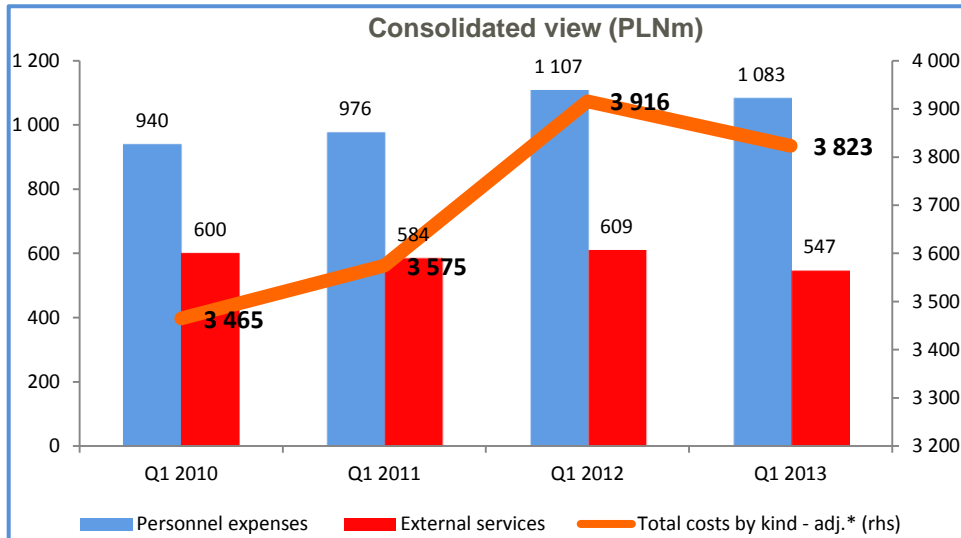
* Recurring = excluding significant one-off items

Recurring¹ Q1 2013 EBITDA – composition and development



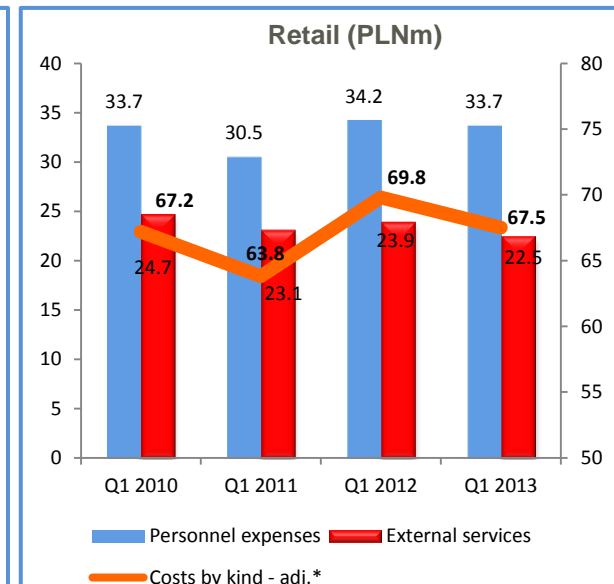
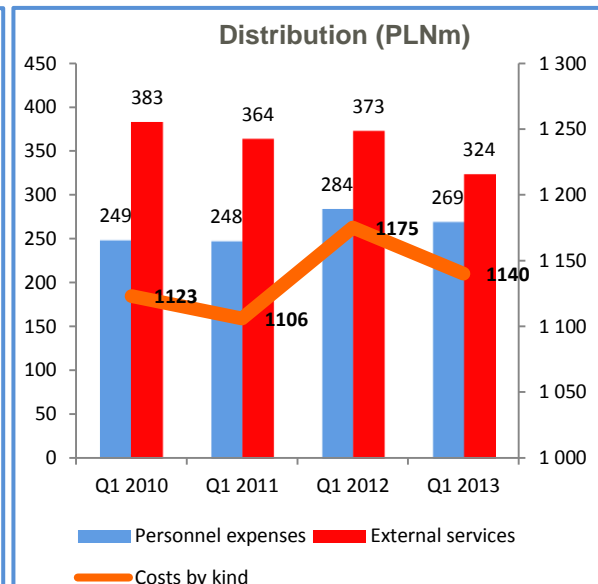
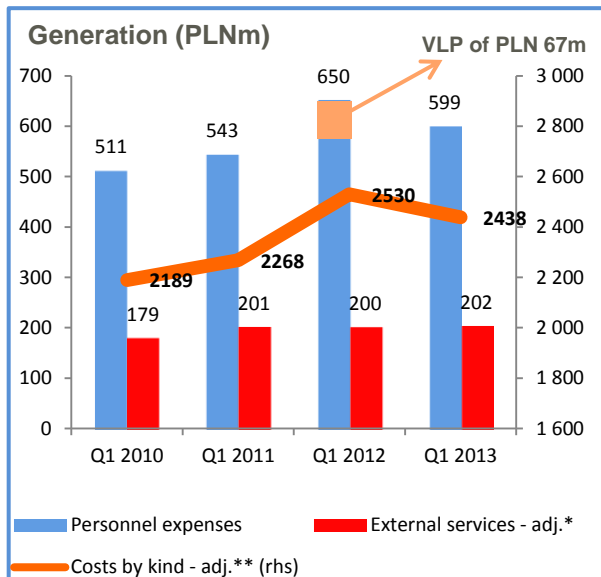
* Recurring = excluding significant one-off items

Costs discipline already impacts bottom line



* excluding costs of CO₂ allowances and cogeneration certificates

- Visible impact of implemented efficiency and cost discipline programmes
- Total consolidated costs by kind stopped growing and in 2013 decreased by 3% yoy
- Generation segment when adjusted by carbon costs and management services fees sees decrease of overall costs and external services, with personnel expenses after Voluntary Leave Programmes one off costs in Q1 2012
- Distribution segment decreased overall costs by kind and both personnel expenses and external services
- Retail segment decreased overall costs by kind and both personnel expenses and external services



* excluding costs of management service fees

** excluding costs of CO₂ allowances and management service fees

* excluding costs of cogeneration certificates

Questions and Answers Session

Q1 2013 Financial Results
May 15, 2013



Q1 2013 Financial Results



Additional information

Key Operating Data

Net electricity generation by sources (TWh)

	Q1 2012	Q1 2013	Q1 2013 vs. Q1 2012
Lignite-fired power plants	10.58	10.04	-5%
Hard coal-fired power plants	3.28	3.10	-5%
Coal-fired CHPs	0.45	0.43	-4%
Gas-fired CHPs	0.77	0.65	-16%
Biomass-fired CHP	0.09	0.11	22%
Pump storage	0.09	0.11	22%
Hydro	0.13	0.15	15%
Wind	0.02	0.08	300%
TOTAL	15.41	14.67	-5%
Renewable generation	0.45	0.48	7%
Incl. biomass co-combustion	0.21	0.14	-33%

Detailed segmental revenues and costs

Conventional Generation (PLN m)

	Q1 2012	Q1 2013	Q1 2013 vs. Q1 2012
Sales. including	3,918.6	3,363.9	-14%
• Sale of electricity	3,309.2	2,745.4	-17%
• LTC compensations	56.2	201.4	258%
• Sale of heat	254.4	280.1	10%
• Sale of certificates of origin	221.6	32.5	-85%
Cost by kind. including	2,653.8	2,775.2	5%
• D&A	422.9	418.9	-1%
• Materials	1,037.7	968.9	-7%
• Energy	16.5	15.7	-5%
• External services	240.7	327.4	36%
• Taxes and charges	240.7	397.9	65%
• Personnel expenses	648.5	599.2	-8%
• Other cost	46.8	47.2	1%
EBIT	1,492.9	675.3	-55%
EBITDA	1,915.7	1,094.2	-43%

Detailed segmental revenues and costs

Renewables (PLN m)

	Q1 2012	Q1 2013	Q1 2013 vs. Q1 2012
Sales. including	141.4	158.5	12%
• Sale of electricity	51.3	64.9	27%
• Sale of certificates of origin	31.9	31.8	0%
Cost by kind. including	102.7	118.9	16%
• D&A	32.7	42.3	29%
• Materials	2.6	2.2	-15%
• Energy	29.1	32.3	11%
• External services	9.2	10.3	12%
• Taxes and charges	9.4	11.4	21%
• Personnel expenses	16.1	17.1	6%
• Other cost	3.6	3.3	-8%
EBIT	41.0	35.7	-13%
EBITDA	73.7	78.0	6%

Detailed segmental revenues and costs

Wholesale (PLN m)

	Q1 2012	Q1 2013	Q1 2013 vs. Q1 2012
Sales. including	2,831.2	3,436.4	21%
• Sale of electricity	2,205.7	2,624.0	19%
• Sale of certificates of origin	507.5	418.6	-18%
Cost by kind. including	57.6	68.3	19%
• D&A	5.0	3.6	-28%
• Materials	0.3	0.3	0%
• Energy	0.5	0.7	40%
• External services	11.7	17.6	50%
• Taxes and charges	2.5	3.0	20%
• Personnel expenses	16.7	21.6	29%
• Other cost	21.0	21.5	2%
EBIT	73.4	249.4	240%
EBITDA	78.3	253.0	223%

Detailed segmental revenues and costs

Distribution (PLN m)

	Q1 2012	Q1 2013	Q1 2013 vs. Q1 2012
Sales. including	1,442.9	1,435.2	-1%
• Revenues from distribution services	1,355.0	1,352.9	0%
• Other operating revenues	56.5	51.7	-8%
Cost by kind. including	1,173.8	1,139.6	-3%
• D&A	232.0	247.9	7%
• Materials	22.7	21.2	-7%
• Energy	178.7	189.8	6%
• External services	373.4	323.9	-13%
• Taxes and charges	79.2	84.4	7%
• Personnel expenses	282.4	268.6	-5%
• Other cost	5.4	3.8	-30%
EBIT	278.4	305.2	10%
EBITDA	510.3	553.1	8%

Detailed segmental revenues and costs

Retail (PLN m)

	Q1 2012	Q1 2013	Q1 2013 vs. Q1 2012
Sales. including:	3,421.9	3,364.6	-2%
• Sale of electricity	2,271.1	2,277.5	0%
• Revenues from distribution services	1,134.2	1,070.8	-6%
Cost by kind. including:	410.5	204.4	-50%
• D&A	2.2	2.1	-5%
• Materials	1.1	1.1	0%
• Energy	0.3	0.3	0%
• External services	23.9	22.5	-6%
• Taxes and charges	341.6	137.6	-60%
• Personnel expenses	34.2	33.7	-1%
• Other cost	7.1	7.1	0%
EBIT	56.5	262.3	364%
EBITDA	58.7	264.4	351%

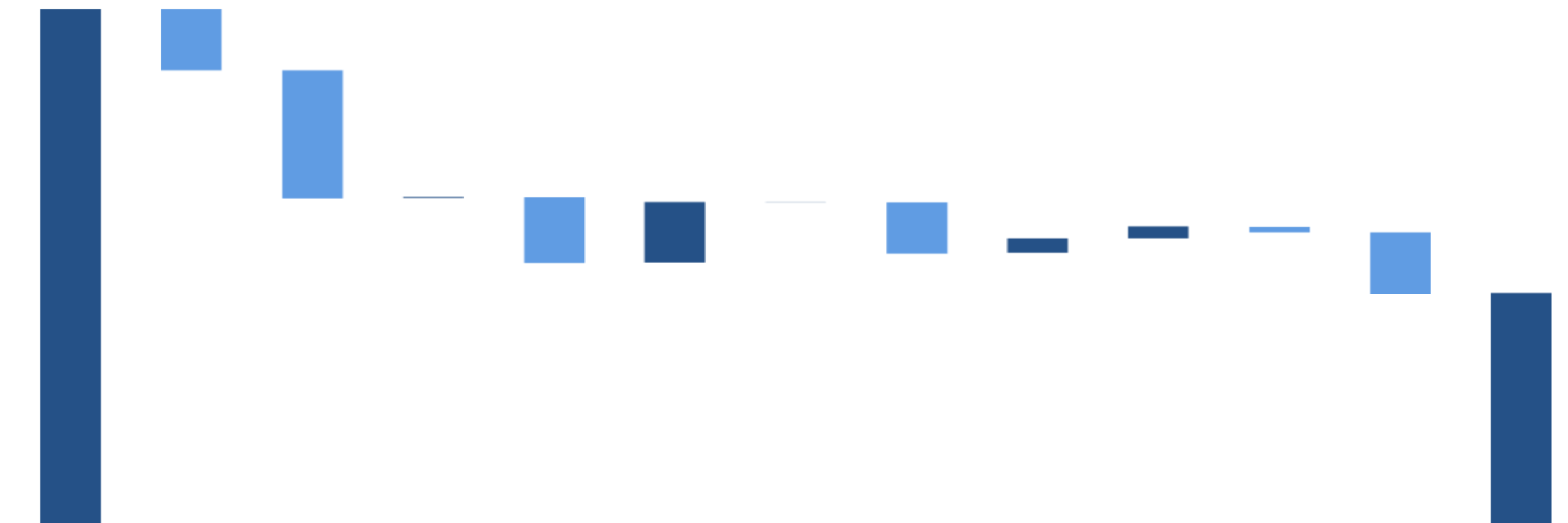
Capital expenditures

CAPEX for Q1 2013 (PLN m)

	Q1 2012	Q1 2013	Q1 2013 vs. Q1 2012
Segment			
Conventional Generation	523.9	541.4	3%
Distribution	190.7	181.8	-5%
• New clients connection	91.1	83.3	-9%
• Distribution grid	58.8	62.4	6%
Renewables	7.2	64.7	799%
• Modernization and replacement	3.7	1.7	-54%
Retail, Wholesale, Others	40.1	35.1	-12%
TOTAL	761.9	823.0	8%
TOTAL (incl. adjustments)	737.1	795.2	8%

Conventional Generation – EBIT Q1 2013

Key Changes in EBIT (PLN m)



	Result Q1 2012	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 2013
Change		-174.8	-368.2	3.2	-189.2	174.4	0.8	-148.1	41.6	35.2	-15.3	-177.1	
Q1 2012	1 492.9			70.6	221.6	370.0	16.5	63.2	870.3	184.3	1 455.9	164.4	
Q1 2013				73.9	32.5	544.4	15.7	211.3	828.7	149.1	1 471.2	-12.6	675.3

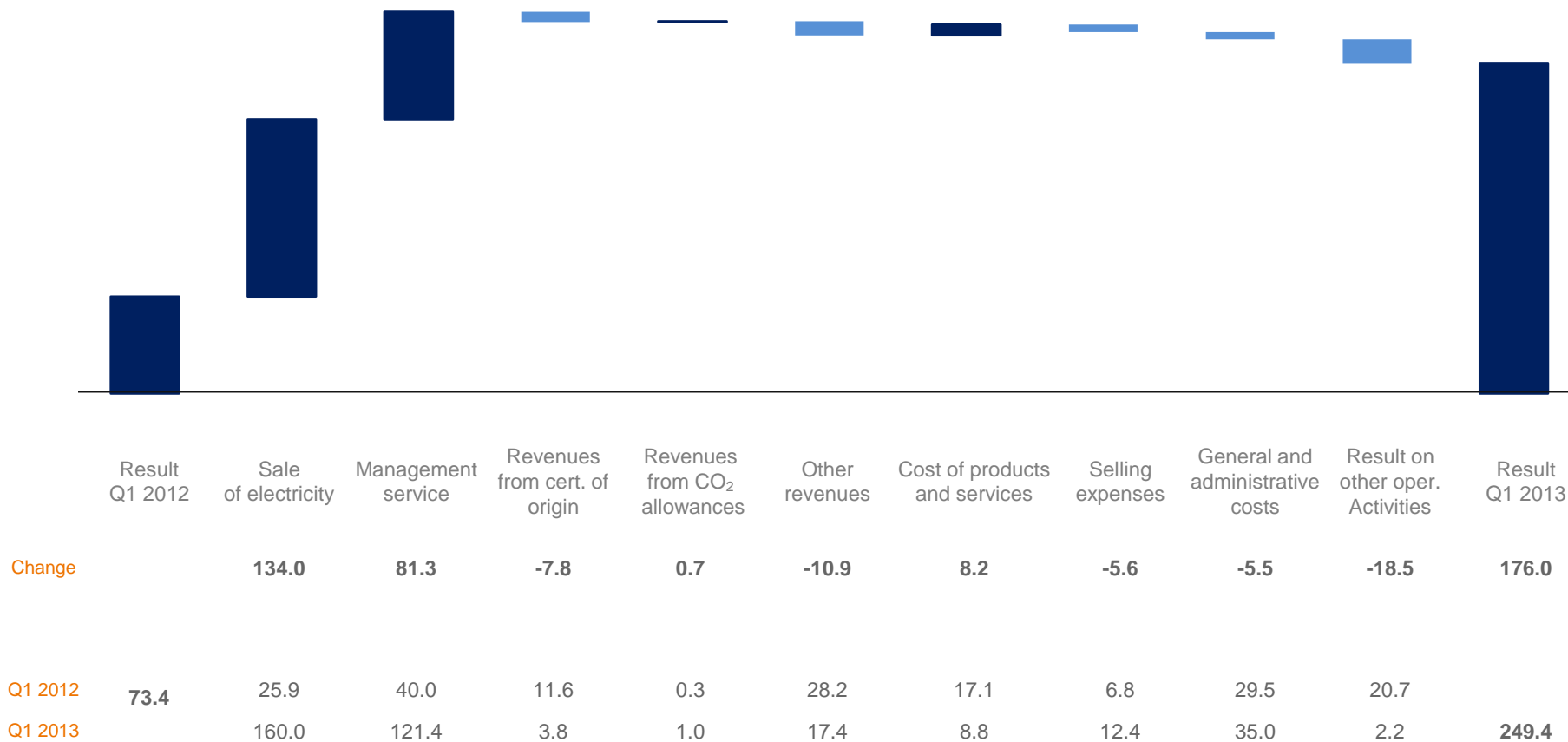
Renewable Generation – EBIT Q1 2013

Key Changes in EBIT (PLN m)



Wholesale – EBIT Q1 2013

Key Changes in EBIT (PLN m)



Distribution – EBIT Q1 2013

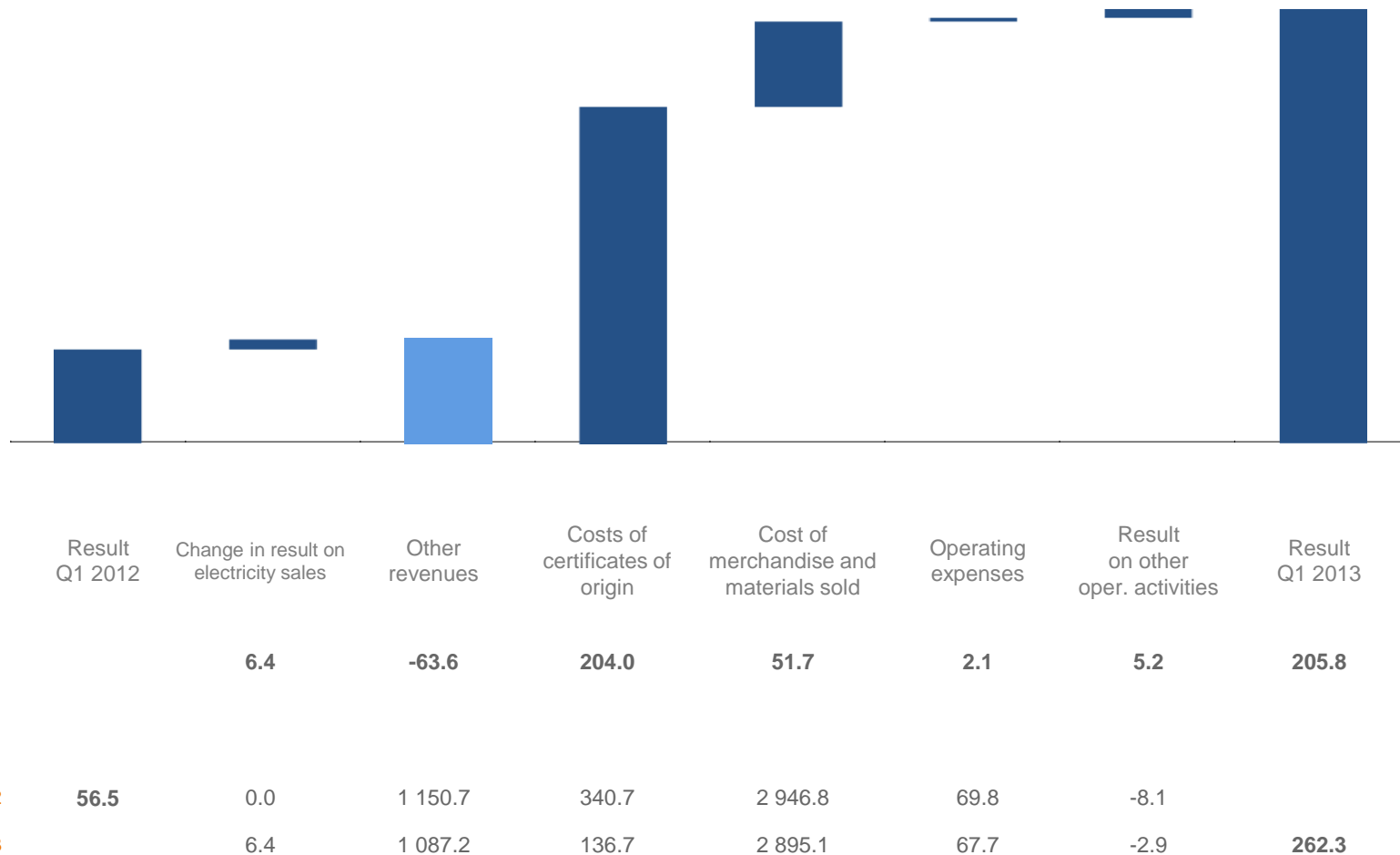
Key Changes in EBIT (PLN m)



	Result Q1 2012	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 2013
Change		-25.7	27.1	-8.3	-0.7	-11.1	45.0	2.0	-1.4	
Q1 2012	278.4			105.9	31.3	178.7	304.2	682.3	0.8	
Q1 2013				97.5	30.6	189.8	259.3	680.3	-0.6	305.2

Retail – EBIT Q1 2013

Key Changes in EBIT (PLN m)



PGE cash position provides...

...plenty
of headroom
in the balance
sheet

	FY 2012	Q1 2013
Gross Debt (PLNm)	1,896.7	1,585.6
Net Cash (PLNm)	2,512.4	2,530.3
Net Debt/LTM EBITDA	- 0.37x	- 0.39x
Net Debt/Equity	- 0.06x	- 0.06x

Financial strength
has been
confirmed by
rating agencies

	Moody's	Fitch
Long-term company rating (IDR)	A3	BBB+
Rating outlook	Stable	Stable
Date of rating assignment	September 2, 2009	September 2, 2009
Date of the latest rating confirmation	December 16, 2011	August 10, 2012
Senior unsecured rating		BBB+
Date of the latest rating change		August 4, 2011
Date of the latest rating confirmation		August 10, 2012
Long-term national rating		AA- (pol)
Date of rating assignment		August, 2012

CO₂ allowances in PGE books

Free EUA recognized at a fair value (exchange spot price from day of recognition) – note 14 of the Q1 2013 consolidated FS

Free EUA are recognized in deferred income and are settled pro rata

	EUA		CER/ERU		Total value (PLN m)
	Quantity (th)	Value (PLN m)	Quantity (th)	Value (PLN m)	
As at Jan 1, 2013	76,303	2,696	5,787	194	2,891
Purchased	9,056	226	-	-	226
Allocated in NAP for 2013	33,196	873			872
Redeemed	-	-	-	-	-
As at March 31, 2013	118,555	3,795	5,787	194	3,989

Gross impact of PLN (211m) recognized in conventional generation segment in costs by kind – note 10.2

Costs by kind (PLN m)	Q1 ended March 31, 2013
Depreciation/amortization	734
Materials and energy	1,090
External services	547
Taxes and charges	639
Personnel expenses	1,083
Other costs by kind	77

1/4 pro rata

3/4 pro rata

Recognized in deferred income – note 18

In Q1 2013 PGE installations emitted 15.8m tonnes of CO₂.

Provision for CO₂ liabilities is created reflecting total emissions in a given period – note 17

Provisions for redeemable CO ₂ allowances (PLN m)	
As at Jan 1, 2013	2,132
Redeemed	-
Created in the reporting period (Q1 2013)	429
As at March 31, 2013	2,562

P&L situation (illustrative)

Q1 ended March 31, 2013 (PLN m)	
Compensation of costs after Q1 2013 (revenues)	218
Costs	429
Impact on P&L	-211

In April 2013 certificates for 2012 60.7m tonnes of CO₂ to be redeemed

LTC compensations – an update

Generators from the PGE Capital Group are in disputes with the ERO President regarding stranded cost compensations in years 2008-2011

Status of court cases:

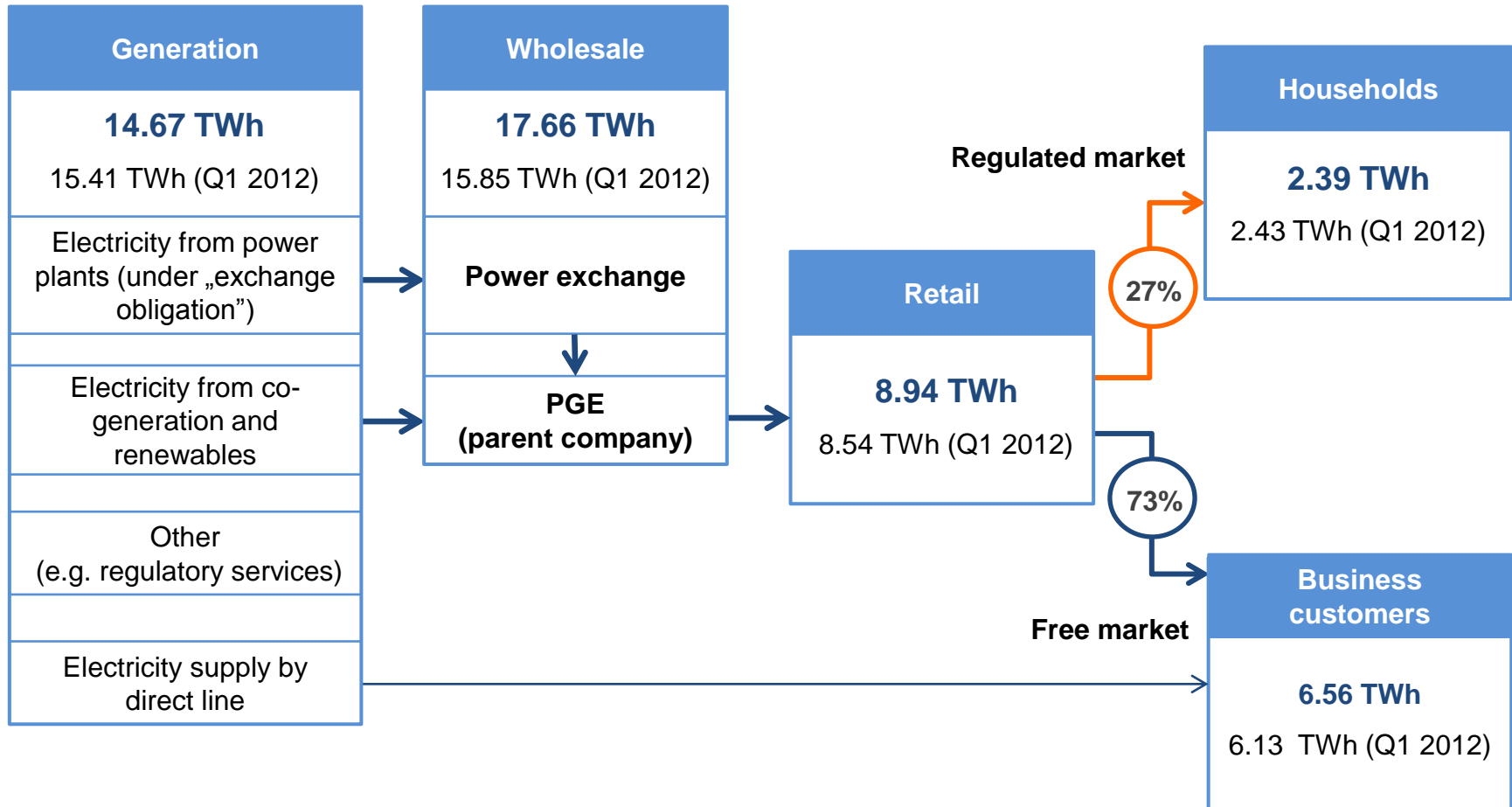
Year	Opole PP	Turów PP	Gorzów CHP	Rzeszów CHP	Lublin-Wrotków CHP	ZEDO PP
2008	CCCP verdict	Case closed	Case closed	Case closed	To be reexamined	CCCP verdict
2009	CCCP verdict	No verdict	Court of Appeal verdict	CCCP verdict	No verdict	Court of Appeal verdict
2010	PGE appealed against ERO President decisions. No court verdicts yet.					
2011	PGE appealed only with respect to one decision concerning gas annual adjustment of total value PLN 7m.					



- Case closed – favourable verdict
- Court of Appeal – favourable verdict, ERO President entitled to cassation appeal
- Court of Competition and Consumer Protection – favourable verdict
- Supreme Court remitted the case for reexamination by the Court of Appeal

Q1 2013 Key business flows

Key business flows (illustrative only)



Sell-side analysts covering PGE

Domestic analysts

Institution	Analyst
• BRE Bank	• Kamil Kliszczyński
• BZ WBK	• Paweł Puchalski
• Citigroup	• Piotr Zielonka
• Deutsche Bank	• Tomasz Krukowski
• Espirito Santo	• Maciej Hebda
• IDM	• Sylwia Jaśkiewicz
• ING Securities	• Milena Olszewska
• IPOPEMA Securities	• Arkadiusz Chojnacki/ • Tomasz Duda
• Millennium DM	• Maciej Krefta
• PKO BP	• Stanisław Ozga
• UniCredit CAIB	• Flawiusz Pawluk

Foreign analysts

Institution	Analyst
• Erste Group	• Petr Bartek
• Goldman Sachs	• Fred Barasi
• HSBC	• Dmytro Konovalov
• JP Morgan	• Sarah Laitung
• Morgan Stanley	• Igor Kuzmin
• Raiffeisen Centrobank	• Teresa Schinwald
• Societe Generale	• Alberto Ponti/Leszek Iwaszko
• UBS	• Patrick Hummel

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