



Polska Grupa Energetyczna



Q1 2011 Results

Consolidated data, in accordance with IFRS

Warsaw, May 16, 2011

Key financials

- Revenues ex LTC grew by 35.5% y-o-y to PLN 7.12bn due to change in electricity trading model
- EBITDA ex-LTC increased by 4.2% y-o-y and reached PLN 2.01 bn
- Net profit (to equity) increased by 37.9% to PLN 1.24 bn as a result of consolidation and changes in group capital structure (minorities buy-out).
- EPS increased by 26.9% y-o-y to PLN 0.66 in Q1 2011

Key operating data

- Generation volume relatively flat y-o-y (14.07 TWh in Q1 2011 vs. 14.00 TWh in Q1 2010)
- Lignite generation lower by 4.3% due to Belchatow units 5&6 renovation. Volume compensated by higher generation from other plants.
- Renewable generation increased by 32% y-o-y and reached 0.33 TWh
- Reported distributed volume was a little lower (7.98 TWh in Q1 2011 vs. 8.02 TWh in Q1 2010)
- Sales to end customers slightly higher (7.96 TWh in Q1 2011 vs. 7.88 TWh in Q1 2010)
- Average PGE wholesale price of electricity amounted to ca. 198 PLN in Q1 2011 compared to PLN 189 in Q1 2010

Consolidation and non-core disposals

- Business lines working on detailed cost-savings and efficiency initiatives
- Polkomtel disposal progressing according to the schedule
- In Q1 2011 additional 5 non-core assets disposed, since 2009 total number of 45 assets have left PGE Group
- On April 29, 2011 companies from hotel/security/services business line were merged

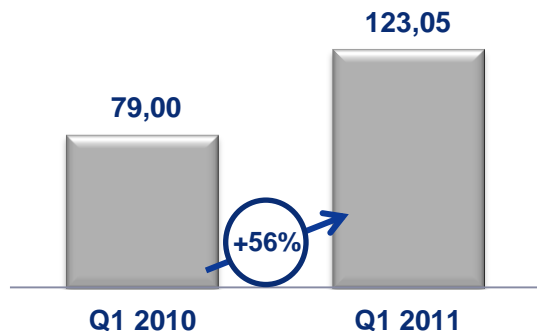
Investment programme

- Trial run in 858MW Belchatow unit progressing, commissioning expected in Q3/Q4 2011
- Final bids in Opole plant tender expected till the end of June
- PGE committed to continue nuclear plants development in Poland

Economic environment – key data

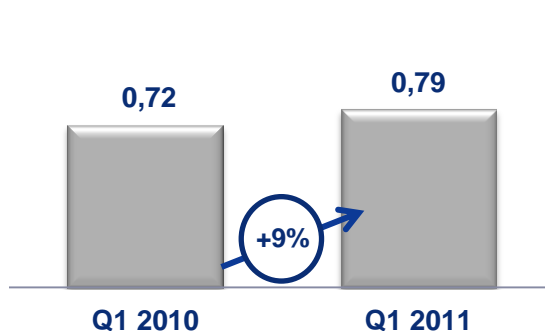
Prices of Selected Commodities in Q1 2011 and Q1 2010

Hard coal (USD/t) *



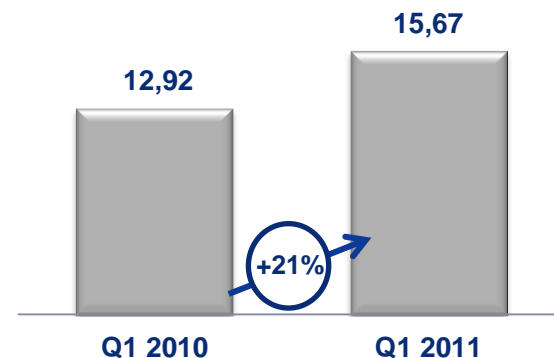
* An average price on globalCOAL DES ARA Index

Gas (PLN/'000m³) **



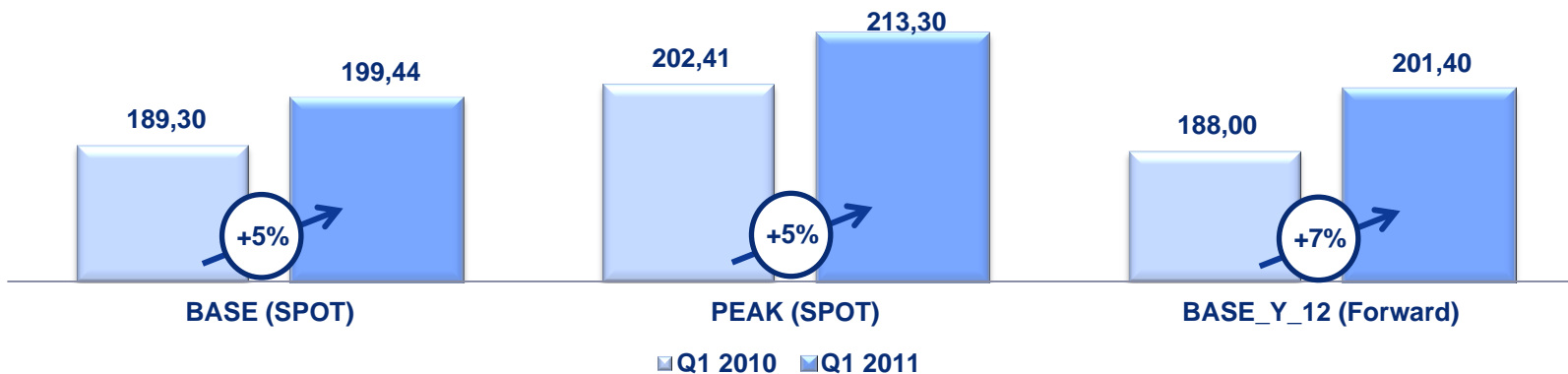
** An average price paid by PGE

CO₂ allowance (EUR/t) ***



*** An average price of EUA on BlueNext Exchange

TGE Electricity Prices in Q1 2011 and Q1 2010



Polish electricity prices increased moderately in Q1 2011 y-o-y, but the growth pace was much slower than movements in commodities prices

Key Operating Data

Poland	Q1 2010	Q1 2011
Real GDP growth y-o-y [%]	3.0	4.2-4.5 (estimates)
Industrial Production growth y-o-y [%]	9.5	9.2
CPI y-o-y [%]	2.6	4.3
Domestic electricity consumption growth [%]	3.52	1.45

PGE Group	Q1 2010	Q1 2011
Gross generation volume [TWh]	14.00	14.07
Sales on the wholesale market [TWh]	5.61	13.87
Sales to end-users incl. intra-group [TWh]	8.17	8.36
Sales to end-users ex intra-group [TWh]	7.88*	7.96
Electricity distribution volume** [TWh]	8.02	7.98

* After elimination of intra-group sales in PGE Group – figure for Q1 2010 restated – previously not all PGE Group companies were eliminated in consolidation

** One large customer connected themselves directly to the highest voltage grid and left PGE distribution network – negative impact of ca. 0.2 TWh in Q1 2011



Key Operating Data

Electricity generation by source [TWh]

	Q1 2010	Q1 2011
Lignite-fired power plants	9.56	9.15
Hardcoal-fired power plants	3.04	3.42
Coal-fired CHPs	0.47	0.50
Gas-fired CHPs	0.63	0.76
Pump-storage	0.14	0.10
Water	0.14	0.12
Wind	0.01	0.02
TOTAL	14.00	14.07

Coal-fired generation figure includes 0.19TWh from biomass combustion (vs. 0.10TWh in Q1 2010)

Decrease in lignite generation in Q1 2011 due to modernization of units 5 and 6 in Bełchatów Power Plant (in Q1 2010 units were in operation)

Increase in production in hardcoal-fired power plants as a result of higher production in ZEDO (in Q1 2010 there was an accident in Dolna Odra Power Plant – part of a plant's coal supply system has been damaged) and higher generation in Opole Power Plant.

Increase in production of electricity in gas-fired CHP resulted from full operation in Rzeszów CHP in Q1 2011 (outage of one gas unit in January 2010, currently back in operation)



Key Financials

Consolidated data, in accordance with IFRS			
	PLNm <i>restated data</i>	PLNm	PLNm Ex change in trading model*
<i>(data not audited)</i>	Q1 2010	Q1 2011	Q1 2011
Sales	5,321	7,294	ca. 5,750
Sales Ex-LTC	5,256	7,123	ca. 5,580
EBITDA	1,992	2,179	
EBITDA Ex-LTC	1,926	2,008	
EBIT	1,335	1,520	
Net profit (to equity)	899	1,240	
<i>EBITDA margin</i>	<i>37.43%</i>	<i>29.87%</i>	<i>ca. 37.9%</i>
<i>EBITDA Ex-LTC margin</i>	<i>36.65%</i>	<i>28.19%</i>	<i>ca. 36.0%</i>
Net cash from operating activities	1,530	722	
Net cash from investment activities	(1,033)	(1,401)	
CAPEX	834	620	
	As at Dec. 31, 2010	As at Mar. 31, 2011	
Net Working Capital	738	2,489	
Net debt/ LTM EBITDA	0.01x	0.11x	

*Reported wholesale volume and revenue are extraordinary higher in y-o-y comparison and consequently EBITDA margin is extraordinary lower. This results from the change in electricity trading model .

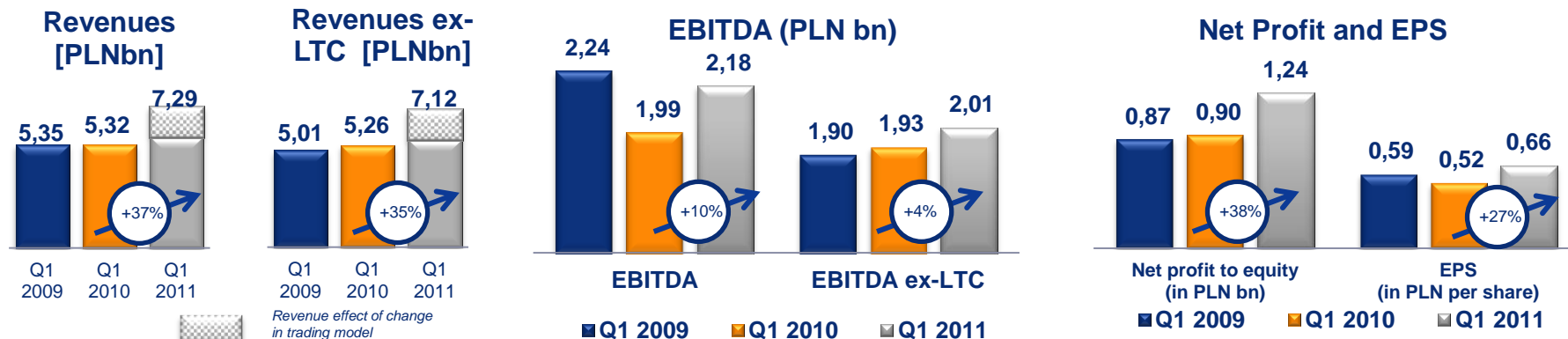
Previously part of transactions (mainly electricity for PGE Retail) was concluded within PGE Capital Group and therefore eliminated in consolidation.

Currently these transactions are conducted through the power exchange and cannot be eliminated. For comparison purpose estimated figures after removal of the change impact are presented.

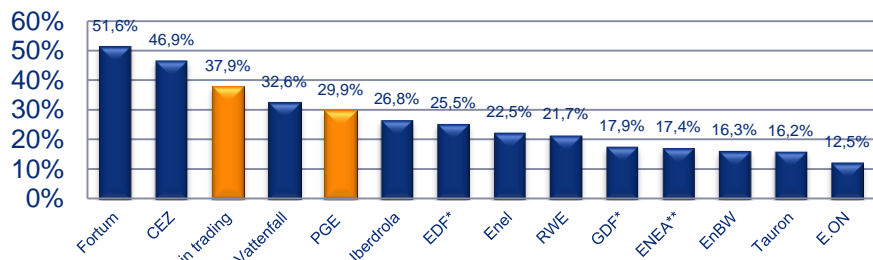
For detailed description of the impact of change in trading model please see slide no. 15

Key developments in Q1 2011

- Main driver for the increase in revenues in Q1 2011 as compared to Q1 2010 was the change in electricity trading model in PGE Group. Revenues increased by 37.1%, or PLN 1,972.9m. After removal of this effect revenues growth equals to ca. 8% or PLN 430m.
- Long Term Contracts compensations higher by PLN 105.3m y-o-y (PLN 171m vs PLN 66m)
- EBITDA ex-LTC in Q1 2011 driven by growth in Distribution (increase of the return due to RAB revaluation) and higher margin on electricity in whole value chain (due to change in trading model reported mostly in Conventional generation).
- Net profit (to equity) and EPS increased respectively by 37.9% and 26.9% y-o-y after consolidation and changes in capital structure (buy-out of minorities)



Q1 2011 EBITDA margin - comparison with peers



Due to changes in trading model reported EBITDA margin decreased to 29.9%, but achieved figure still places PGE among most profitable utilities in Europe and on absolute top in Poland



Q1 2011 EBITDA Ex-LTC Composition and Development

Q1 2011 in PLNm



Increase results mainly from higher revenues from wholesale electricity revenues due to higher achieved prices. Change in electricity trading model had an impact as well.

Lower figure results mainly from base level - in Q1 2010 provision for costs related to the claim of Alpiq Holding AG was partially released (PLN 49m). Also change in electricity trading model influenced the result.

Decrease mainly due to higher redemption cost of certificates of origin (PLN 24m).

No material change in EBITDA level. Lower generation volume compensated by lower level of other operating costs (lower provisions for overdue liabilities).

Mainly caused by the increase of revenues from the sale of distribution services, as a result of increase in average distribution tariffs and higher revenues from new clients connections.



Current Debt Position

	End of 2009	End of 2010	End of 2011
Gross Debt (PLNm)	5,028	2,730	3,408
Net Debt (PLNm)	(2,683)	64	771
Net Debt/LTM EBITDA	n/a	0.01x	0.11x
Net Debt/Equity	n/a	0.002x	0.02x

Financial Strength Confirmed by Rating Agencies

Moody's
(issued on Sep 2, 2009,
confirmed on Nov 3, 2010)
A3 Stable

Fitch
(issued on Sep 2, 2009,
confirmed on Jun 24, 2010)
BBB+ Stable (Issuer);
A- (Senior Unsecured Debt)

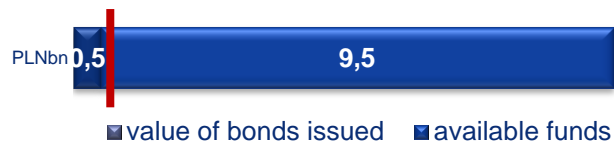
Changes in net debt position

Net debt increased as negative cashflow from investment activities exceeded positive flows from operations:

- Increase in debt position as a result of the issue of PGE bonds under bond programme directed to the banks for the maximum amount of PLN 10bn value of bond issued - PLN 0.5bn

Current bond programme

Bond programme directed to the banks for the maximum amount of PLN 10bn





Investment Programme

Capital Expenditures – details for Q1 2011

Segments

Conventional – PLN 429.6m

- construction of 858MW unit in Belchatow – PLN 118m
- modernization of units 3-12 in Belchatow – PLN 100m
- construction of desulphurization installations on units 5 and 6 in ZEDO – PLN 52m
- works on Szczercow Mining Field – PLN 25m

Distribution – PLN 136.0m

- new clients connection – PLN 70m
- distribution grid – PLN 13m

Renewables – PLN 33.9m

- modernization and replacement – PLN 31.5m

Retail, Wholesale and Others – PLN 20.8m

Q1 2011

Total CAPEX amounted in Q1 2011 to ca. PLN 620.3m

69%

22%

6%

3%

Q1 2010

Total CAPEX amounted in Q1 2010 to ca. PLN 834.3m

Conventional – PLN 666.1m

80%

Distribution – PLN 124.1m

Renewables – PLN 18.1m

Retail, Wholesale and Others – PLN 26.0m

15%

2%

3%

Lower CAPEX figure y-o-y results from postponed Belchatow 858MW unit commissioning.

Belchatow 858 MW unit (lignite)



Expected
commissioning:
Q3/Q4 2011

Goals:

- Increased production (ca. 6.2 TWh gross p.a)
- Improved average efficiency
- Utilisation of lignite capacity

Status:

- Trial run progressing

Belchatow – Units 5&6 retrofit (lignite)

Goals:

- Increased power - by 10MW /u5/ and 24MW /u6/
- Improved efficiency - by over 2%
- Improved operation ratios (eg. Availability Ratio to exceed 90%)
- Lower emissions – compliance with IED

Status:

- Unit 5 switched off in Apr.10 to be switched on in Jul.11
- Unit 6 switched off in Aug.10 to be switched on in Jan.12
- Retrofits of units 7-12 will follow starting from 2012

Opole Units 5&6 (hardcoal, 2x 800-900 MW)



Expected
commissioning:
2016/2017

Goals:

- Increased production (ca. 6-6.7 TWh gross per unit p.a.)
- Improved average efficiency

Status:

- Final and binding bids expected till end of Jun.11
- Entering into construction contract expected in Q3/Q4 2011

Turów Unit 11 (lignite, 460 MW)



Expected
commissioning:
2016

Goals:

- Replacement of decommissioned capacity (3x 206MW in 2011-2013)
- Improved average efficiency
- Utilisation of lignite capacity

Status:

- Tender under progress
- 3 bidders qualified, 3 rejected (appeals possible)

Gas (Co)Generation Projects under consideration

Dolna Odra CCGT (2x ca. 400-450MW) and several gas units in CHPs (ca. 240 MW each)

Goals:

- Fleet diversification and change of fuel mix
- Reduction of CO₂ emission rate

Status:

- Projects in preparatory phase
- Works on feasibility studies

Expected
commissioning:
Starting from 2015



Polska Grupa Energetyczna

Thank you

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Back-up slides

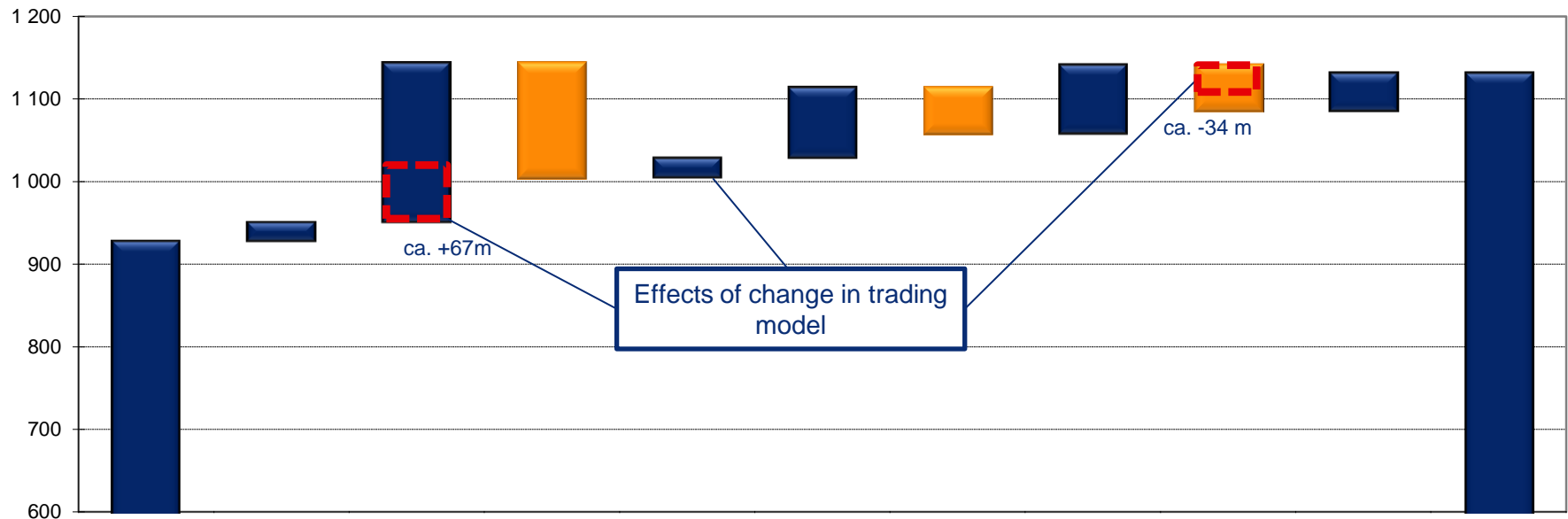
Key changes in PGE trading model Q1 2011 vs. Q1 2010

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
Electricity from conventional power plants (ex regulatory services and balancing market)	Sold to Wholesale	Sold on power exchange	<ul style="list-style-type: none"> Margin moved from Wholesale to Conventional Generation (ca. PLN 67m in Q1 2011) Sales management fee paid by Conventional Generation to Wholesale (ca. PLN 34m in Q1 2011) Additional margin realized by Wholesale on energy bought from exchange (PLN 16m)
Electricity for Retail needs (for sale to end users)	Bought by Wholesale from Generation and resold to Retail	Bought by Wholesale from power exchange and resold to Retail	<ul style="list-style-type: none"> Consolidated revenues increased by ca. PLN 1.54bn as these transactions are no longer eliminated in consolidation
Electricity for Distribution to cover network losses	Bought by Distribution from Retail	Bought by Distribution from Wholesale	<ul style="list-style-type: none"> Revenues and costs in Retail lower by ca. PLN 157m
Certificates of origin produced in the Group	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.	<ul style="list-style-type: none"> Not material

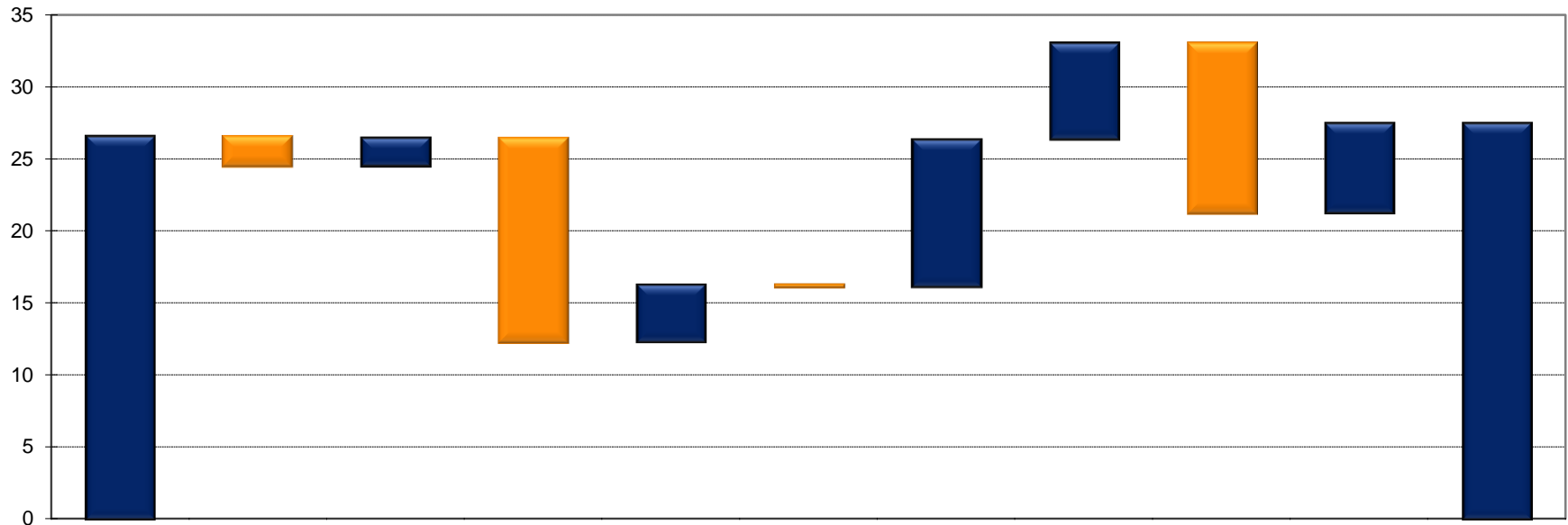
Conventional Mining and Generation – Key Changes in EBIT



	Result Q1 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	Cost of fuel	Cost of merchandise and materials sold	Operating expenses	Result on other oper. activities	Result Q1 2011
Change		22.5	192.7	-138.9	24	85.3	-56.1	83.2	-55.7	45.9	
Q1 2010	929.0			177.9	132.7	396.6	690.9	232.4	1465.3	-30.4	
Q1 2011				39.0	156.7	481.9	747.0	149.2	1521.1	15.5	1131.8

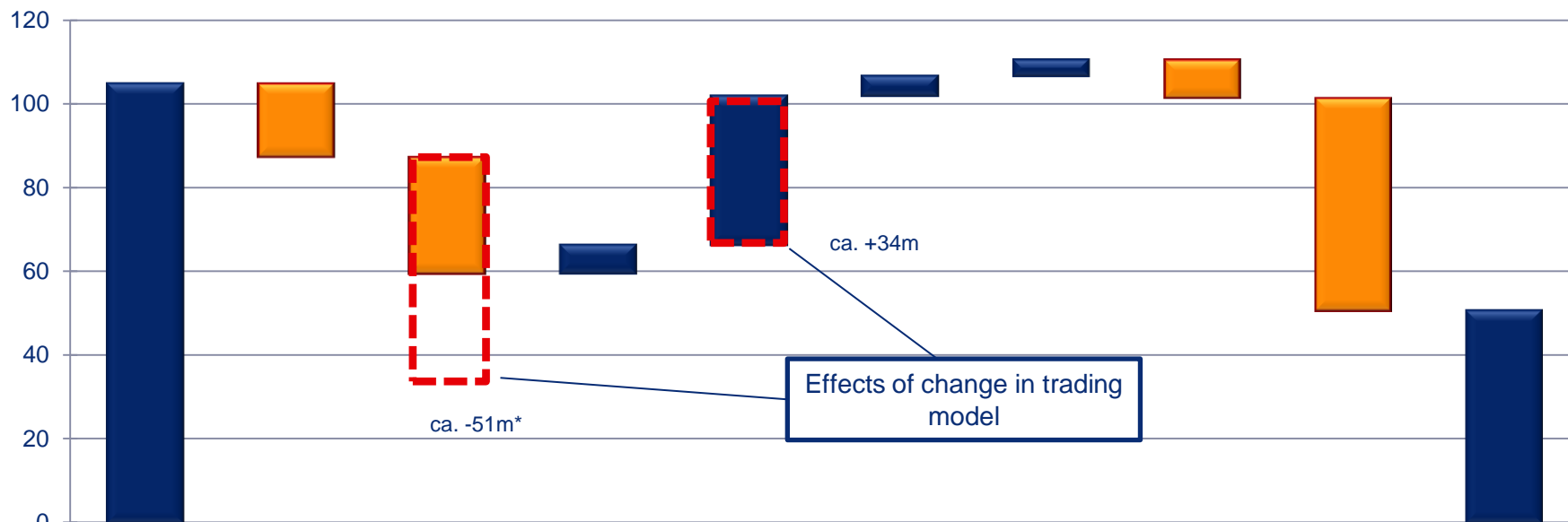


Renewable Generation – Key Changes in EBIT



Change	Result Q1 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	Cost of merchandise and materials sold	Operating expenses	Result on other oper. activities	Result Q1 2011
		-2.1	2.0	-14.2	4.0	-0.2	10.2	6.7	-11.8	6.3	
Q1 2010	26.6			94.3	24.5	9.6	45.5	9.6	57.1	-11.3	
Q1 2011				80.1	28.5	9.4	35.3	2.9	68.9	-5.0	27.5

Wholesale – Key Changes in EBIT

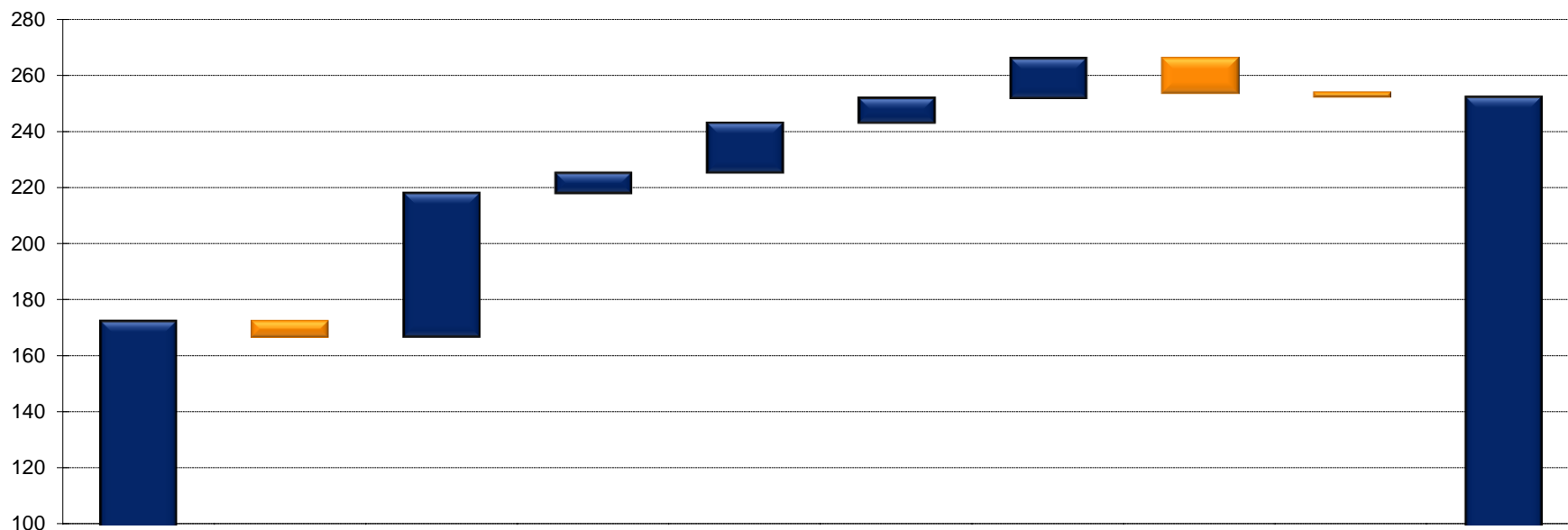


*-67m - margin moved to Conventional Generation; + 16m – additional margin realized on energy bought from power exchange

Change	Result Q1 2010	Sale of electricity – difference in volume	Sale of electricity – difference in margin	Revenues from cert. of origin and CO ₂ allow.	Other revenues	Cost of products and services	Selling expenses	General and administrative costs	Result on other oper. activities	Result Q1 2011
		-17.5	-27.8	6.8	35.6	4.7	3.8	-9.1	-50.7	
Q1 2010	104.9			11.2	23.8	25.1	11.3	20.8	46.0	
Q1 2011				18.0	63.5	20.3	7.5	29.9	-4.6	50.8



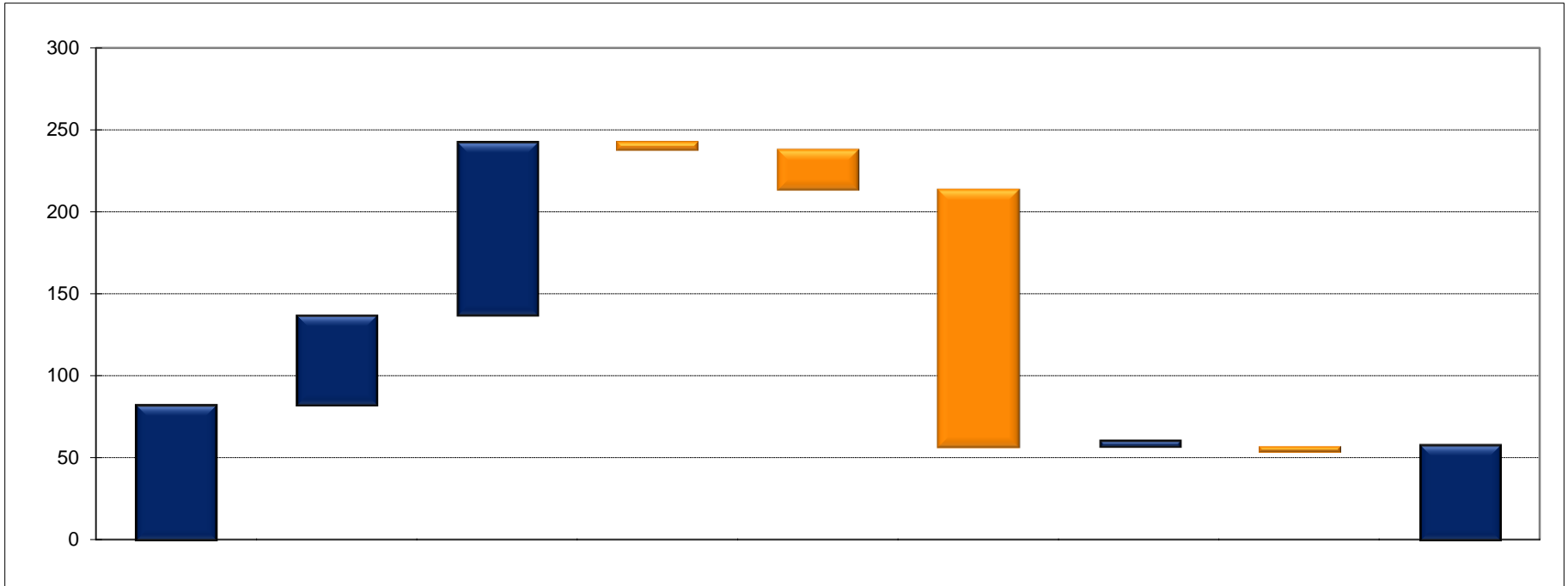
Distribution – Key Changes in EBIT



Change	Result Q1 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 Q1 2011
	172.6	-5.5	51.2	7.2	17.8	8.7	14.2	-12.3	-1.3	
Q1 2010				66.4	73.9	173.9	312.6	624.8	-5.0	
Q1 2011				73.7	91.7	165.2	298.4	637.1	-6.3	252.5



Retail – Key Changes in EBIT

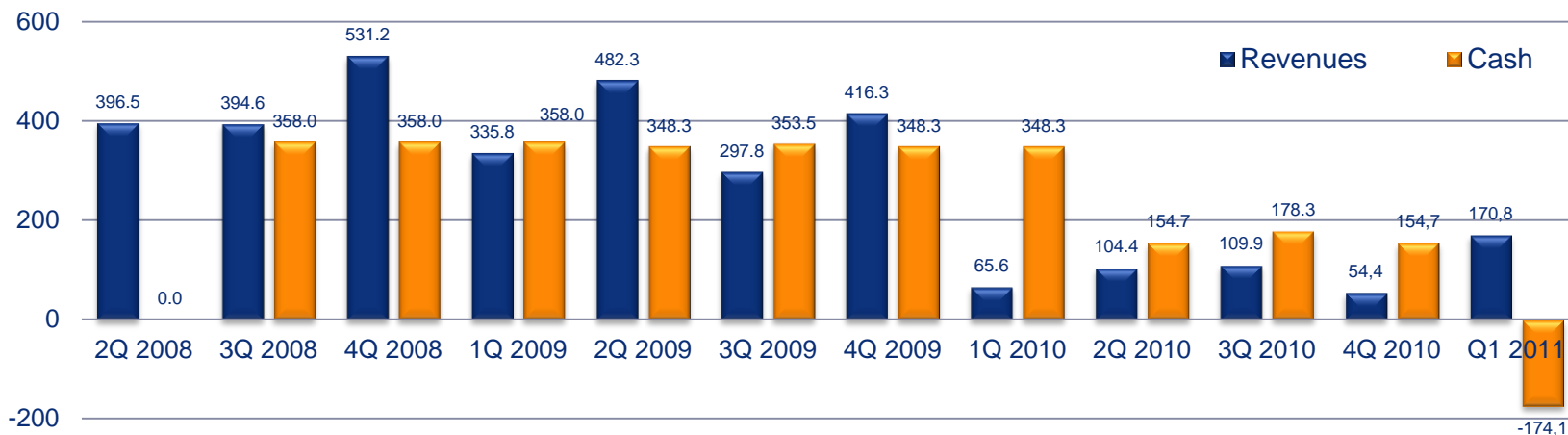


Change	Result Q1 2010	Sale of electricity – difference in volume	Sale of electricity – difference in price	Other revenues	Costs of certificates of origin	Cost of merchandise and materials sold	Operating expenses	Result on other oper. activities	Result Q1 2011
		54.5	105.5	-4.6	-24.2	-156.4	3.6	-2.7	
Q1 2010	82.1			1165.5	295.2	2672.3	67.2	5.7	
Q1 2011				1160.9	319.3	2828.7	63.5	3.0	57.7

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

LTC cash inflows and revenues

in PLN m

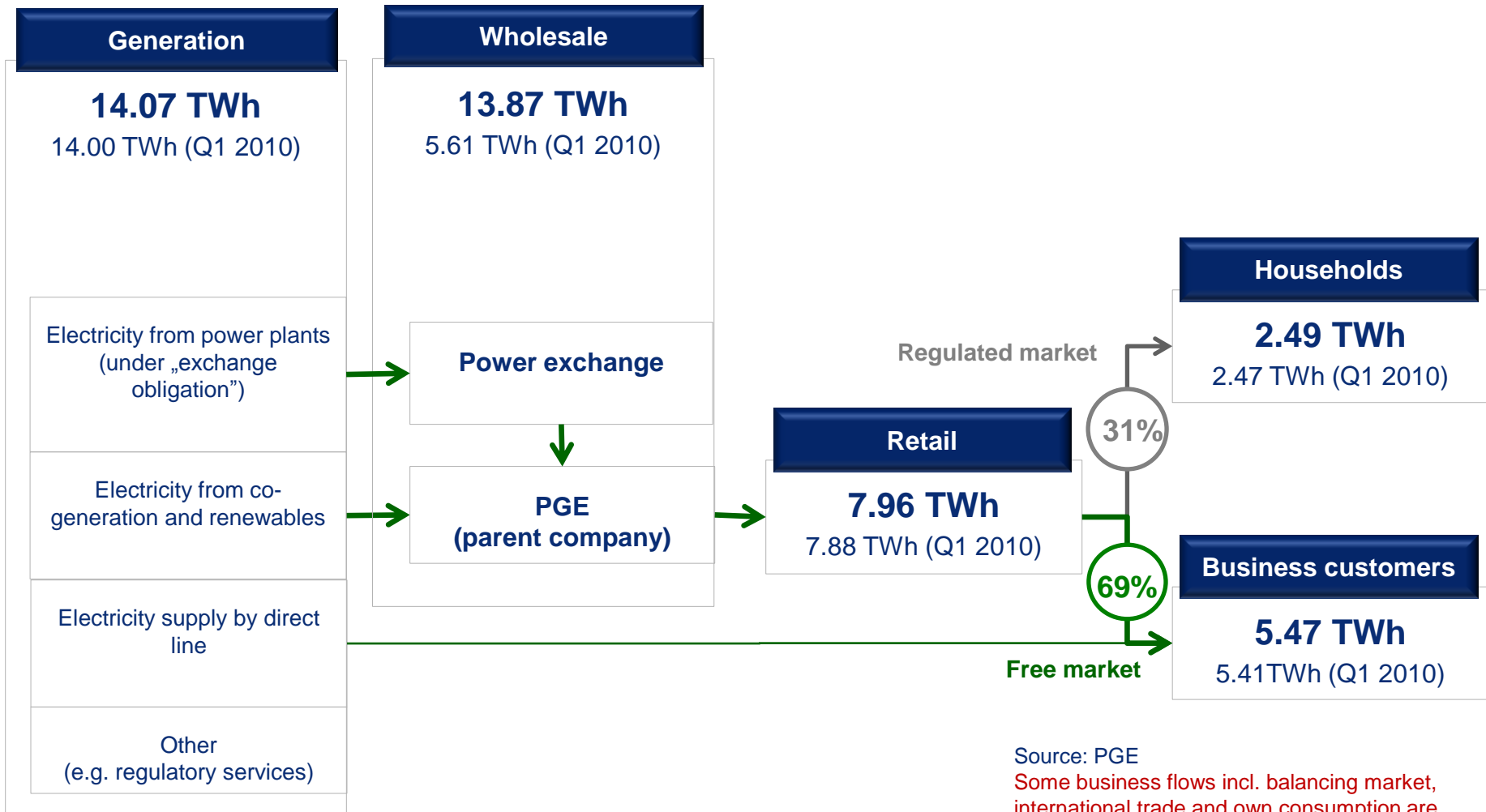


LTC compensation in Q1 2011

- Revenues from LTC compensations amounted in Q1 2011 to PLN 170.8m compared to PLN 65.6m in Q1 2010.
- Compensation revenues are significantly higher y-o-y due to change in way of calculating LTC compensations for Turów and Opole plants (switch from *forecasted results* to *liquidity* method).
- In cash terms in Q1 2011 PGE accounted for net cash outflow of PLN 174.1m due to annual correction mechanism.

Update on disputes with regulatory body

- Appeals concerning 2008 and 2009 compensation in the Court of Competition and Consumer Protection
- The Court suspended the proceedings concerning 2008 and 2009 compensation for Turów, and 2009 compensation for ZEDO due to vacancy on ERO President's seat.



Source: PGE

Some business flows incl. balancing market, international trade and own consumption are not shown

Volumes shown after intra-group eliminations



Calendar of events

Meet us at the roadshow and conferences (next two months)

Event	Date	Location	Hosted by
Conference	May 18, 2011	London	C.A.Cheuvreux
Non-deal Roadshow	May 19, 2011	Edinburgh	Citibank
Conference	June 15-16, 2011	London	Bank of America Merrill Lynch
Conference	June 20-21, 2011	London	Nomura

Corporate events

Event	Date
Publication of consolidated quarterly report for 1st quarter of year 2011	May 16, 2011
Annual General meeting	June, 2011
Publication of consolidated half-year report for 1st half of year 2011	August 31, 2011
Publication of consolidated quarterly report for 3rd quarter of year 2011	November 14, 2011



Sell-side analysts covering PGE

Domestic analysts

Institution	Analyst
DI BRE Banku	Kamil Kliszcz
DM 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	Sylwia Jaśkiewicz
ING Securities	Milena Olszewska
IPOPEMA Securities	Arkadiusz Chojnacki/Tomasz Duda
Unicredit CAIB	Flawiusz Pawluk

Foreign analysts

Institution	Analyst
Bank of America Merrill Lynch	Evgeny Olkhovich
Goldman Sachs	Fred Barasi
Morgan Stanley	Igor Kuzmin
Raiffeisen Centrobank	Teresa Schinwald
JP Morgan	Nathalie Casali



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