

PGE CG's higher revenues and net profit after Q3 2011

Warsaw, 14 November 2011 - In the third quarter of 2011 PGE's consolidated net profit attributable to equity holders of the parent company rose by 12% to PLN 837 million compared to PLN 747 million a year ago.

A better margin on electricity sales and a consistent streamlining of the PGE Group's structures through the disposal of non-core assets and the buy-out of minority shareholdings have resulted in the improved financial results of the Group. The implementation of investment projects such as unit no. 14 in Bełchatów or new investments in Opole and Turów also contribute to the accomplishment of PGE's strategic mission, i.e. the fulfilment of energy-related needs of our customers and the increase of the Group's value for shareholders, said Tomasz Zadroga, President of the Management Board of PGE Polska Grupa Energetyczna S.A.

Excluding compensations for the early termination of power purchase agreements (PPA compensations), the PGE Group's consolidated revenues in Q3 2011 reached PLN 6.76bn, which constituted a 43% rise over revenues earned in the same period of 2010. About 31% of this increase results from changes in the trading system within the Group, while as much as 12% is due to increased sales. In Q3 PPA compensations amounted to PLN 191m (as compared to PLN 110m a year earlier). After the three quarters of 2011 EBITDA, exclusive of PPA compensations, rose by 12% over that of the same period of 2010 and reached the level of PLN 5.35bn. EBITDA (exclusive of PPA compensations) in Q3 2011 was PLN 1.67 bn.

This rise is the result of both higher sales volumes and sales margins. After the three quarters of 2011 PGE's consolidated net profit attributable to equity holders of the parent company rose by 36% to PLN 3.06bn from PLN 2.25bn in the same period last year. In the three quarters of 2011 the rising trend in the sales of electricity to end users continued and reached the level of PLN 23.24 TWh as compared to 22.05 TWh a year earlier. There was also a clear increase in the volume of generated electricity.

After the three quarters of 2011 it reached the level of 41.47 TWh, which was a 6.4% increase over that of the same period in 2010. In the three quarters the volume of generated electricity was 14.21 TWh - a rise of 11% over the result of Q3 2010. This increase resulted, among other things, from the commissioning of the new 858 MW power generation unit in the Bełchatów Power Plant. The most important events of Q3 2011 The commissioning of the new 858 MW power generation unit in the Bełchatów Power Plant It is the most efficient power generation unit in the country - thanks to the use of the advanced technology, its technical parameters allow a very efficient generation of electricity and the simultaneous fulfilment of all requirements provided for in the European Union Directives related to the emission of pollutants to the atmosphere.

Furthermore, the 858 MW unit is prepared for cooperation with an installation for the capture, transport and storage of carbon dioxide (CCS). Total capital expenditures for the construction of the 858 MW unit amounted to about EUR 1.2bn. So far no CO₂ emission allowances have been allocated to the new unit; however, PGE expects some changes in the National CO₂ Allowance Allocation Plan for 2012 or the allocation of such allowances from the national allowance reserve for new combustion plants.

After the commissioning of the 858 MW unit PGE CG's total installed capacity increased to 13.1 GW, while the nominal power of the Bełchatów Power Plant's all units is to reach 5354 by the end of this year, which will make Bełchatów the largest conventional power plant in Europe. Investments in the particular operating segments In Q3 2011 the total capital expenditures of the PGE Capital Group amounted to PLN 1.090bn. The most capital expenditures - PLN 693.3m - were incurred in the Conventional Power Generation segment; PLN 290.5m of this amount was spent on the modernization of units no. 5-12 and the construction of unit no. 14 in the Bełchatów Power Plant. In Q3 2011 capital expenditures in the Distribution segment amounted to PLN 322.2m; PLN 143.7m of this sum was incurred for connecting new customers to the PGE grid. Investments in new generation capacities and the modernization of the existing capacities constitute one of the strategic tasks of the PGE Capital Group.

The objective of the modernization of units no. 5-12 in the Bełchatów Power Plant is to increase the plant's generation capacities and to adjust the units technologically to environmental requirements. The Bełchatów Power Plant plans the shut-off of its unit no. 7 for January 2012, and unit no. 8 - for June 2012. Both units will be recommissioned in 2013: unit no. 7 in January and unit no. 8 in July. The tendering procedure for the construction of a new unit with a gross capacity of about 460 MW in the Turów Power Plant is in progress; the selection of preliminary bids is planned for the fourth quarter of 2011. Work on feasibility studies for gas projects is also underway.

The first tendering procedure for one of the gas projects is to start by the end of 2011. PGE is considering investments in cogeneration plants and emergency capacities; the planned individual capacity of gas units is 100-400 MW, depending on local investment execution conditions. In November 2011 the Szczecin Power Plant is to commission one of the largest biomass-fired boilers in Central Europe. The boiler will consume about 800 000 tons of biomass per year. In accordance with its fuel structure diversification policy, the PGE Capital Group is also implementing investment projects in the Renewable Power Generation segment. PGE Energia Odnawialna, a company responsible for the management of this segment within the Group, has acquired two on-shore wind farms: one in Zuromin (with a capacity of 60 MW – 30 wind turbines of 2 MW each) and in Pelplin (with a capacity of 48 MW – 24 wind turbines of 2 MW each). Both purchase agreements are conditional; they will have been executed when the farms start commercial operations, which is planned for the second quarter of 2012.

As far as the construction of off-shore wind farms is concerned, in October 2011 PGE filed applications with the Ministry of

the Environment for a permit to create and operate artificial islands on the Baltic Sea. Furthermore, in November 2011 the Management Board of PGE S.A. issued a positive opinion concerning an investment project consisting in the construction of two 900 MW supercritical coal-fired units in the Opole Power Plant at costs resulting from prices included in bids submitted within the scope of the current tendering procedure. In connection with a rising demand for electricity in Poland and a necessity to improve its generation effectiveness, the PGE Capital Group is planning the initiation of large investment projects.

The Group's net debt rose slightly in September this year after the payment of dividend, but it remains at a very low level. This allows us to be optimistic about the possibilities of financing such projects that will contribute to the development of PGE in the future. Furthermore, at the end of September we launched a bond issue programme with a maximum amount of PLN 5bn which, at least partly, should meet our demand for long-term financing, said Wojciech Ostrowski, Vice President of the Management Board for Financial Affairs. Streamlining the structures of PGE CG – buying out minority shareholdings Continuing the process of consolidating and streamlining its structure, on 27 October 2011 the PGE Capital Group and the State Treasury entered into an agreement providing for PGE's acquisition of 44,087 shares in PGE Górnictwo i Energetyka Konwencjonalna S.A. (constituting 0.0068% of the company's share capital), 82,479 shares in PGE Elektrownia Opole S.A. (constituting 8.25% of the company's share capital), 96 shares in PGE Obrót S.A. (constituting 0.0019% of the company's share capital), and 24,423 shares in PGE Dystrybucja S.A. (constituting 0.0025% of the company's share capital). The total value of the transaction was PLN 101.5m.

Streamlining the structures of PGE CG and its non-core assets In November 2011 Europe's largest transaction in the telecommunication sector was finalized. All previous shareholders in Polkomtel S.A. sold their shares to Spartan Capital Holdings Sp. z o.o. PGE S.A. sold 4,479,191 ordinary registered shares in Polkomtel S.A., which constituted 21.85% of the company's share capital, for the total price of PLN 3,289,444,171. Also in November 2011 the shareholders in Towarowa Giełda Energii S.A. (including PGE Polska Grupa Energetyczna S.A., PGE Górnictwo i Energetyka Konwencjonalna S.A., PGE Elektrownia Opole S.A.) signed a conditional agreement for the sale of TGE shares to Giełda Papierów Wartościowych S.A.

The transaction is subject to approval by the Polish Office for Competition and Consumer Protection (UOKiK). Information about PGE Capital Group: PGE Capital Group is the largest group of the power generation sector in Poland and one of the largest in Central and Eastern Europe. Because of its size and position, it is a very important link in Poland's energy security system. PGE CG is the undisputed leader with respect to the installed capacities, volume of generated electricity and the number of end users. The PGE Capital Group has a 40% share in Poland's power generation market and a 26% share in the electricity distribution market. PGE CG's activities are divided into five segments: Conventional Power Generation, Renewable Power Generation, Nuclear Power Generation, Distribution Retail Sales and Wholesale Trade.

The Group employs over 46,000 people and boasts 13.1 GW of installed generation capacities. In 2010 the PGE Capital Group's net electricity production reached a net level of 53 TWh. The Group's major competitive advantage is its presence in almost all links of the value chain in the power generation industry (except for the power transmission, which is dealt with by the company PSE Operator S.A.). One of the most important rules of the PGE Capital Group is sustainable development.