

Letter from the President of Management Board of PGE Polska Grupa Energetyczna S.A.

Ladies and Gentlemen,

2011 was another year in which PGE S.A. functioned as a public company listed on the Warsaw Stock Exchange. It was a year filled with many events reflecting the implementation of the PGE Capital Group's strategy. Achieving very good operating and financial results, PGE builds value for its shareholders and develops prospects for its long-term and stable growth. For PGE, it was another year of dynamic changes and successful confrontations with challenges facing a large power generation company conducting its business in the ever changing regulatory environment. The Company was actively involved in communication with the capital markets and investors, which was beneficial for all interested parties. And last but not least, from PGE's perspective, the year 2011 was devoted to the implementation of development programmes and the continuation of the PGE Group's consolidation process initiated in 2009.

One of the pillars of PGE's development strategy is the building of an integrated and effectively managed company with an optimal capital structure. Within the scope of the activities related to the optimization of its capital structure, PGE finalized the sale of Polkomtel S.A. shares, which increased PGE's net consolidated financial result by PLN 1.66bn.

The important elements in PGE's strategy include the improvement of its operating efficiency and the strengthening of its leadership in Poland's power generation sector through a dynamic organic growth and acquisitions. The PGE Group achieves its strategic objectives by developing a state-of-the-art and diversified portfolio of power generation assets. 2011 witnessed the commissioning of the new 858 MW power generation unit in the Bełchatów Power Plant. Currently, it is the most modern power generation unit in Poland and meets all strict environmental protection regulations to become effective in the EU as of 2016. Being the most cost-effective unit in Poland, it gives PGE a competitive advantage providing for PGE net generation volumes growth rates well surpassing growth rates for the whole electricity market in Poland, which happens at the expense of less effective competitors. PGE has also been executing investment projects based on renewable energy sources. Furthermore, in 2011 the Company completed another preparatory stage in the process of construction of Poland's first nuclear power plant.

2011 was a record-breaking year with respect to sales revenues and other financial figures, including net profit, which reached the level of PLN 4.9bn. This impressive financial result will obviously be reflected in the amount of dividends to be paid to the Company's shareholders. The PGE's 2011 consolidated financial results were influenced to a considerable degree by one-off events such as the aforementioned sale of Polkomtel shares, the reception of compensations for the preliminary termination of long-term power purchase agreements or adjustments in the settlement of these compensations contested by the President of the Energy Regulatory Office. Taking these extraordinary events into account, the Company made adjustments in its net profit attributable to the shareholders of the parent company; eventually the financial result was PLN 3.6bn.

In the year 2012 the PGE Group will continue activities aimed at the achievement of its strategic goals by way of the consistent implementation of the corporate governance principles, which support the process of increasing value for shareholders. PGE will also continue the implementation of its ambitious investment programme and the promotion of changes in the regulatory environments which will be beneficial for the Polish economy and the Company. Such promotional activities will be conducted on both the national and international levels.

Yours respectfully,

Krzysztof Kilian

President of the Management Board