

The Report of the Supervisory Board of PGE Polska Grupa Energetyczna S.A. on the evaluation results of "The Financial Statements of PGE Polska Grupa Energetyczna S.A. for the period from 1 January 2010 to 31 December 2010", "The Management Board's Report on the activities of PGE Polska Grupa Energetyczna S.A. for 2010" and the Management Board's proposal concerning the distribution of net profit for the financial year 2010 and undistributed profit for the previous years.

Acting pursuant to article 382 § 3 of the Commercial Companies Code, the Supervisory Board conducted an evaluation of "The Financial Statements of PGE Polska Grupa Energetyczna S.A. for the period from 1 January 2010 to 31 December 2011" together with an opinion and report of a certified auditor prepared by KPMG Audyt Sp. z o.o. and "The Report of the Management Board on the Activities of PGE Polska Grupa Energetyczna S.A. for 2010" and the Management Board's proposal concerning the distribution of net profit for the financial year 2010 and undistributed profit for the previous years.

The Supervisory Board finds as follows:

I. With respect to "The Financial Statements of PGE Polska Grupa Energetyczna S.A. for the period from 1 January 2010 to 31 December 2010":

1. The Supervisory Board became acquainted with and analysed "The Financial Statements of PGE Polska Grupa Energetyczna S.A. for the period from 1 January 2010 to 31 December 2010", including the following:
 - an introduction to the financial statements,
 - a balance sheet drawn up as at 31 December 2010, showing the total balance of assets and liabilities in the amount of PLN 32,002,907,058.55,
 - a profit and loss account for the period from 1 January 2010 to 31 December 2010, showing a net profit of PLN 2,920,423,465.45;
 - a statement of changes in equity showing an increase of equity during the course of the financial year ended 31 December 2010 in the amount of PLN 1,584,514,044.91,
 - a cash flow statement showing a decrease in cash during the course of the financial year ended 31 December 2010 in the amount of PLN 3,143,113,538.40,
 - supplementary information and explanations.
2. An audit of the financial statements for the year 2010 was conducted by KPMG Audyt Sp. z o. o., with the registered office in Warsaw, entered in the register of entities entitled to audit financial statements under registration number 458, the said register kept in the custody of the National Chamber of Auditors in Poland.

3. The financial statements of PGE Polska Grupa Energetyczna S.A. for the financial year 2010 have been drawn up in all material aspects:
 - pursuant to the accounting principles effective in the territory of the Republic of Poland as specified in the Accounting Act and related secondary legislation,
 - in compliance with the legal regulations and the provisions of the Company Statutes having influence on the content of the financial statements,
 - on the basis of the properly maintained account books.
4. The financial statements present truly and fairly all information material for the evaluation of the Company's economic and financial position as at 31 December 2010 and its financial result for the financial year from 1 January to 31 December 2010.

II. With respect to "The Report of the Management Board on the Operations of PGE Polska Grupa Energetyczna S.A. for the year 2010":

1. "The Report of the Management Board on the Operations of PGE Polska Grupa Energetyczna S.A. for the year 2010" has been drawn up pursuant to the regulations of the Accounting Act of 29 September 1994 and "The Regulation of the Minister of Finance of 19 February 2009 on current and periodical information to be released by issuers of securities and the conditions for recognizing as equivalent information required under the laws of a country which is not a Member State".
2. The report is reliable and objective as well as consistent with the account books, supporting documents and factual circumstances.
3. The Company properly executes its tasks related to its objects specified in § 3 of the Statutes of PGE Polska Grupa Energetyczna S.A.

III. With respect to the Management Board's proposal concerning the distribution of net profit for the financial year 2010 and undistributed profit for the previous years:

The Supervisory Board became acquainted with the Management Board's proposal concerning the distribution of net profit for the financial year 2010.

The Management Board's proposal was prepared properly.

1. A dividend may be paid out on the basis of the financial result shown in the separate financial statements prepared for Statute purposes, i.e. in case of the Company in accordance with the Accounting Act.
2. Pursuant to article 348 § 1 of the Commercial Companies Code (hereinafter "CCC"), the sums to be divided among the shareholders may not exceed the profits for the previous financial year, increased by the undivided profits from the previous years and by the sums drawn from the supplementary and reserve capitals which may be allocated for dividends.

As at 31 December 2010 the sum of the Company's undivided profits from previous years was PLN 120,474,499.24.

Pursuant to the requirements of the Commercial Companies Code (article 396, CCC) an entity which is a public limited company is obliged to establish a supplementary

capital for the financing of possible losses. Each year this supplementary capital is increased with at least 8% of an entity's profit for a given financial year as shown in its separate financial statements until this capital has reached the amount of at least one third of such entity's share capital. The use of the supplementary and reserve capitals is determined by the General Meeting; however, the part of the supplementary capital equal to one third of the share capital may be used only to finance losses shown in an entity's separate financial statements and may not be distributed to other purposes.

As at 31 December 2010 the value of the share capital of PGE Polska Grupa Energetyczna S.A. was PLN 18,697,837,270.00. One third of the share capital equals to PLN 6,232,612,423.33, and the sum of the supplementary capital amounts to PLN 6,727,591,669.48.

Therefore, there is no obligation for the Company resulting from the Commercial Companies Code to create the supplementary capital from the profit for the financial year 2010.

To sum up, the net profit for the year ended on 31 December 2010 amounts to PLN 2,920,423,465.45, and the undivided profits from the previous years amount to PLN 120,474,499.24, which gives the amount for the distribution of PLN 3,040,897,964.69. The Management Board of PGE Polska Grupa Energetyczna S.A. proposed the distribution of the above mentioned sum as follows:

- dividend for Shareholders in the amount of PLN 0.65 per one share,
- the remaining part of the profit to be distributed for supplementary capital.

Taking into account the number of the Company's shares as at the day of adopting the resolution by the Management Board concerning a proposal for the profit distribution, exclusive of own shares, the amount of the proposed dividend will reach PLN 1,215,344,538.85 (which makes 40.32 % of the consolidated net profit attributable to equity holders in dominant entity), and the amount allocated for the supplementary capital will reach PLN 1,825,553,425.84.

3. As at 31 December 2010 there are no other limitations concerning the dividend payout.

As a result, the Supervisory Board submits no reservations regarding the proposed by the Management Board distribution of the net profit for 2010 and the undivided profits from the previous years.

Final conclusions

The Supervisory Board evaluates positively the following:

1. "The Financial Statements of PGE Polska Grupa Energetyczna S.A. for the period from 1 January 2010 to 31 December 2010",
2. "The Report of the Management Board on the Operations of PGE Polska Grupa Energetyczna S.A. for the year 2010":
3. The Management Board's proposal concerning the distribution of net profit for the financial year 2010 and undistributed profit for the previous years.

As a result, the Supervisory Board recommends to the General Meeting an approval of the Financial Statements of PGE Polska Grupa Energetyczna S.A. for the period from 1 January 2010 to 31 December 2010", "The Management Board's Report on the activities of PGE Polska Grupa Energetyczna S.A. for 2010" and the Management Board's proposal concerning the distribution of net profit for the financial year 2010 and undistributed profit for the previous years.

Chairperson of the Supervisory Board
PGE Polska Grupa Energetyczna S.A.

Marcin Zieliński

Vice Chairperson of the Supervisory Board

Mr Maciej Bałtowski

Members of the Supervisory Board

Mr Jacek Barylski
.....

Ms Małgorzata Dec
.....

Mr Czesław Grzesiak
.....

Mr Grzegorz Krystek
.....

Ms Katarzyna Prus
.....

Mr Zbigniew Szmuniowski
.....

Mr Krzysztof Żuk
.....