

A REPORT ON THE ACTIVITIES OF THE SUPERVISORY BOARD OF PGE POLSKA GRUPA ENERGETYCZNA S.A. IN THE YEAR 2011

1. Information on the Supervisory Board's term of office and activities undertaken in the previous year of the term.

The Supervisory Board of the 8th term of office was appointed by the General Meeting on 18 August 2008.

On 18 August 2011 the three-year term of office of the Supervisory Board came to its end. Pursuant to article 369 § 4, in connection with article 386 § 2 of the Commercial Companies Code, the mandates of the Members of the Supervisory Board will expire at the latest at the date of holding the General Meeting approving the Company's financial statements for 2011.

2. The composition of the Supervisory Board, functions fulfilled by the particular members, changes in the composition of the Supervisory Board during the course of the financial year.

From 1 January to 31 December 2011 the Supervisory Board performed its duties in the following composition:

- Mr Marcin Zieliński – Chairperson
- Mr Maciej Bałtowski – Vice Chairperson
- Mr Jacek Barylski
- Ms Małgorzata Dec
- Mr Czesław Grzesiak
- Mr Grzegorz Krystek
- Ms Katarzyna Prus – Secretary of the Supervisory Board
- Mr Zbigniew Szmuniński
- Mr Krzysztof Żuk.

During the financial year 2011 no changes were made in the composition of the Supervisory Board.

3. Information on the number of meetings held and resolutions adopted by the Supervisory Board.

In 2011 the Supervisory Board held 18 meetings and adopted 120 resolutions.

4. Information on the Supervisory Board members' attendance at the meetings and participation in voting on the resolution as well as their justified or unjustified absences

#	Date of meeting	Number of members present	Number of members absent	Resolutions on justification of absences
1.	05 January 2011	7 present	2 absent	resolution 221/VIII/2011 no. resolution 222/VIII/2011 no.
2.	18 January 2011	8 present	1 absent	resolution 225/VIII/2011 no.
3.	03 February 2011	7 present	2 absent	resolution 228/VIII/2011 no. resolution 229/VIII/2011 no.
4.	01 March 2011	9 present	-	
5.	08-10 March 2011	8 present 6 present 7 present	1 absent 3 absent 2 absent	resolution 241/VIII/2011 no. resolution 242/VIII/2011 no. resolution 243/VIII/2011 no. resolution 244/VIII/2011 no.
6.	16 March 2011	9 present	-	
7.	29 March 2011	7 present	2 absent	resolution 252/VIII/2011 no. resolution 253/VIII/2011 no.
8.	14 April 2011	8 present	1 absent	resolution 269/VIII/2011 no.
9.	19 May 2011	9 present	-	
10.	01 June 2011	8 present	2 absent	resolution 276/VIII/2011 no. resolution 277/VIII/2011 no.
11.	15 June 2011	9 present	-	
12.	29 June 2011	9 present	-	
13.	21 July 2011	7 present	2 absent	resolution 294/VIII/2011 no. resolution no.

				295/VIII/2011
14.	06 September 2011	6 present	3 absent	resolution no. 302/VIII/2011 resolution no. 303/VIII/2011 resolution no. 304/VIII/2011
15.	13 October 2011	5 present	4 absent	resolution no. 309/VIII/2011 resolution no. 310/VIII/2011 resolution no. 311/VIII/2011 resolution no. 312/VIII/2011
16.	15 November 2011	9 present	-	
17.	14 December 2011	8 present	1 absent	resolution no. 328/VIII/2011
18.	14 December 2011	8 present	1 absent	-

5. Important issues dealt with by the Supervisory Board; conducted inspections and clarifying investigations.

During its meetings held in 2011, the Supervisory Board dealt, among others, with the following issues:

within the scope of the Supervisory Board's activities as provided for by the Company Statutes:

- evaluating "The financial statements of PGE Polska Grupa Energetyczna S.A. for the period from 1 January 2010 to 31 December 2010" audited by a certified auditor,
- evaluating the Management Board's proposal concerning the distribution of net profit for the financial year 2010 and the undistributed net profit for the previous years,
- evaluating "The Management Board's report on the activities of PGE Polska Grupa Energetyczna S.A. for the year 2010",
- evaluating the audited "Consolidated financial statements consistent with IFRS of the Capital Group of PGE for the year ended 31 December 2010" and the "Management Board's report on the PGE Capital Group's activities for the year 2010",
- adopting the Supervisory Board's report on the evaluation 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 the year 2010" and the proposal concerning the distribution of net profit for the financial year 2010 and undistributed profit for the previous years",
- adopting the Supervisory Board's report on the evaluation of "The consolidated financial statements of the Capital Group of PGE Polska Grupa Energetyczna S.A. consistent with IFRS for the financial year ended on 31 December 2010" and "The Management Board report on the activities of the Capital Group of PGE Polska Grupa Energetyczna S.A. for the year 2010".

- approving the annual financial plan of the Company for the year 2011 together with the plan of real investments;
- giving consent to the execution of an annex to the agreement for the sale of shares in Energa S.A. concluded with the State Treasury,
- giving consent to PGE's disposal of 4,479,191 shares constituting 21.85% of the share capital of Polkomtel S.A.,
- giving consent to PGE's disposal of shares constituting 10% of the share capital of Towarowa Giełda Energii S.A.,
- giving consent to PGE's granting a guarantee for the liabilities of PGE Elektrownia Opole S.A.,
- giving consent to PGE's acquisition of shares in PGE Elektrownia Opole S.A. from the State Treasury,
- giving consent to PGE's multiple bond issues addressed to investors in the Polish capital market, under a bond issue programme for an amount of up to PLN 5bn,
- giving consent to PGE's entering into an agreement with Electra Deutschland GmbH on the basis of which PGE Polska Grupa Energetyczna S.A. is entitled to grant suretyships and guarantees for the liabilities of Electra Deutschland GmbH,
- giving consent to PGE's acquisition of registered shares in the increased share capital of PGE Energia Jądrowa S.A. and paying for such shares in cash,
- giving consent to the conclusion of a Tax Capital Group agreement with the participation of PGE Polska Grupa Energetyczna S.A., PGE Obrót S.A., PGE Energia Jądrowa S.A. and PGE Systemy S.A. for the years 2012 – 2014,
- giving consent, on numerous occasions, to the promotion of the PGE trademark by way of sponsoring leading sports clubs as well as sports or cultural events;
- approving the Company Organizational Regulations and the Regulations of the Management Board,
- accepting the Supervisory Board Regulations;
- determining the consolidated text of the Company Statutes,

within the scope of the activities of the Management Board of PGE Polska Grupa Energetyczna S.A.:

- effecting changes in the composition of the Management Board of the 7th term of office,
- conducting a recruitment procedure for the positions in the Company Management Board and appointing the Management Board of the 8th term of office,
- effecting changes in the composition of the Management Board of the 8th term of office - dismissing the Vice President of the Management Board for Commercial Affairs,
- accepting the resignation of the President of the Management Board of the 8th term of office,
- adopting a resolution concerning a planned recruitment procedure for the appointment of President of the Management Board and Vice President of the Management Board for Commercial Affairs of the 8th term of office,
- authorizing the Appointments and Remuneration Committee, operating within the Supervisory Board, to accept or verify the choice of a consultancy company to support the Supervisory Board in conducting the recruitment procedure for the appointment of President of the Management Board and Vice President of the Management Board for Commercial Affairs of the 8th term of office,
- giving consent to the Management Board members' holding positions in the governing bodies of other companies,

within the scope of Corporate Governance:

- adopting "A report on the activities of the Supervisory Board of PGE Polska Grupa Energetyczna S.A. in the year 2010",

- adopting "A report of the Supervisory Board of PGE Polska Grupa Energetyczna S.A. on the evaluation of the Company's position in the year 2010, including an evaluation of the Company's internal control system and material risk management system",

within the scope of the activities of PGE Polska Grupa Energetyczna S.A. and the PGE Capital Group:

- becoming acquainted, on a regular basis, with resolutions adopted by the Management Board of PGE Polska Grupa Energetyczna S.A.;
- becoming acquainted with the Management Board's information concerning the consolidation of the companies operating in the area of conventional power generation,
- becoming acquainted with the Management Board's information concerning the completed and planned post-consolidation activities as well as the achieved and forecast synergy effects in the particular business areas of the PGE Capital Group,
- becoming acquainted with the Management Board's information concerning the establishment of a Shared Services Centre,
- becoming acquainted, on a regular basis, with information concerning the preparatory work on the initial public offering of PGE Energia Odnawialna S.A.,
- becoming acquainted, on a regular basis, with the Management Board's information concerning the social dialogue within the PGE Capital Group,
- becoming acquainted with the strategy of the retail sales area,
- becoming acquainted with a presentation of PGE-Dystrybucja S.A.,
- becoming acquainted with a report on the technical condition of the distribution network in the operating area of the PGE Capital Group in the year 2010,
- becoming acquainted with the Management Board's information on the status of PGE's power generation assets;
- becoming acquainted with the Management Board's information on the commencement of work on the updating of the strategy of PGE Polska Grupa Energetyczna S.A.,
- becoming acquainted with the Management Board's information on the course of work and key conclusions from the analyses as well as planned further activities in the PGE nuclear power plant construction programme,
- becoming acquainted, on a regular basis, with the Management Board's information concerning the implementation of the non-core assets disposal programme,
- becoming acquainted with the Management Board's information on the position of the Company on the capital market in the first half of 2011;
- becoming acquainted with the Management Board's information on the objectives of the key personnel management programme in the PGE Capital Group,
- becoming acquainted with a report on sponsoring activities for the year 2010,
- becoming acquainted with the results of research on the awareness and image of the PGE brand,
- becoming acquainted, on a regular basis, with the Management Board's information concerning granted donations,

within the scope of the financial activities of the Company and the PGE Capital Group:

- becoming acquainted with the Management Board's information concerning the consolidated financial plan of the PGE Capital Group for 2011, including the consolidated plan of fixed asset investments in the PGE Capital Group for 2011,
- becoming acquainted, on a regular basis, with the Management Board's information on the economic and financial position of the Company and the PGE Capital Group,
- becoming acquainted, on a regular basis, with reports concerning the costs of external advisory services in the Company and the PGE Capital Group,

- becoming acquainted, on a regular basis, with the Management Board's information on bonds issued and acquired by the Company, as well as bonds issued for bank guarantors,
- becoming acquainted with the Management Board's information on the suretyships and guarantees for the liabilities of Electra Deutschland GmbH granted by PGE Polska Grupa Energetyczna S.A.,
- becoming acquainted with the Management Board's information on the liquidity position of PGE Polska Grupa Energetyczna S.A.,

within the scope of the investing activities of the Company and the PGE Capital Group:

- becoming acquainted with the Management Board's information on the implementation of strategic investment programmes in 2010, as well as becoming acquainted, on a regular basis, with information on the implementation of these programmes in the particular quarters of 2011,
- becoming acquainted with a report on the implementation of the investment plan of the companies belonging to the PGE CG in 2010;
- becoming acquainted, on a regular basis, with reports on the implementation of capital expenditures plans of the PGE Capital Group companies in the particular quarters of 2011,
- becoming acquainted with the Management Board's information on the execution of investment projects related to renewable power generation,
- becoming acquainted, on a regular basis, with the Management Board's information on the course of the preparation of the project called "The construction of units 5&6 in the Opole Power Plant",
- becoming acquainted, on a regular basis, with the Management Board's information on the course of the execution of the project called "The construction of the 858 MW power generation unit" in the Bełchatów Power Plant and becoming acquainted with a report on the acceptance of the unit in the Bełchatów Power Plant,
- becoming acquainted, on a regular basis, with the Management Board's information on progress in the CCS demonstration project in the Bełchatów Power Plant,
- becoming acquainted with the Management Board's information on the CO2 emission problem from the short-term, medium-term and long-term perspectives.

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In 2011 the Supervisory Board did not conduct any inspections or clarifying investigations.

6. Information on the implementation of the resolutions of the General Meeting related to the activities of the Supervisory Board – if applicable.

On 29 June 2011 the Ordinary General Meeting adopted two resolutions containing recommendations for the Supervisory Board - resolution no. 25 and resolution no. 26. In both of these resolutions the Supervisory Board was authorized to determine the consolidated text of the Company Statutes of PGE Polska Grupa Energetyczna S.A.

The Supervisory Board implemented the instructions of the General Meeting on 21 July 2011, adopting resolution no. 291/VIII/2011 concerning the determination of the consolidated text of the Company Statutes.

7. Information on the Supervisory Board's suspension of members of the Management Board in their duties and delegation of members of the Supervisory Board to perform the duties of members of the Management Board - if applicable.

In 2011 the Supervisory Board:

- did not suspend any member of the Management board in their duties,
- did not delegate any member of the Supervisory Board to perform the duties of members of the Management Board of PGE Polska Grupa Energetyczna S.A.

8. Information on the Supervisory Board's decisions concerning the selection of a certified auditor.

In 2011 the Supervisory Board did not select a certified auditor because in the previous year - 2010 - the Supervisory Board had adopted a resolution concerning the selection of a certified auditor responsible for auditing the Company's separate financial statements and the PGE Capital Group's consolidated financial statements for the years 2010-2013 for PGE Polska Grupa Energetyczna S.A. KPMG Audyt Sp. z o.o. with the registered office in Warsaw was selected then.

9. Committees operating within the Supervisory Board of PGE Polska Grupa Energetyczna S.A.

Pursuant to the Company Statutes, the Supervisory Board Regulations or a resolution of the General Meeting may provide for the appointment of committees within the structure of the Supervisory Board, in particular an audit committee and a remuneration committee. According to the effective Supervisory Board Regulations, the Supervisory Board may appoint permanent or ad hoc committees operating as collective advisory and opinion-making bodies of the Supervisory Board. The committees' objective is in particular providing the Supervisory Board with recommendations and opinions on matters belonging to their respective scopes of operation. Committees are appointed by the Supervisory Board from among its members. A committee consists of from 2 to 5 people. A committee elects its Chairperson from among its members. The Chairperson convenes meetings of a committee, manages the activities of a committee and represents it in relation with the Company's governing bodies and employees. The mandate of a committee's member expires simultaneously with the expiry of the mandate of a member of the Supervisory Board, the submission of a notice of resignation from membership in a committee or the dismissal from the composition of a committee by the Supervisory Board. Each member of the Supervisory Board is entitled to participate in meetings of any committee. The Chairperson of a committee may invite to its meetings members of the Management Board, the Company's employees and other people whose participation in meetings is justified. A committee makes decisions by way of consensus.

The Supervisory Board has the following permanent committees: the Audit Committee, Strategy and Development Committee, Appointment and Remuneration Committee and Corporate Governance Committee. The committees mentioned above were appointed based on resolutions of the Supervisory Board of 6 December 2007.

The Audit Committee

The Audit Committee is responsible for the examination of the correctness and efficiency of the performance of internal financial audits in the Company and the PGE Capital Group as well as for cooperation with the Company's auditors.

The Audit Committee is responsible in particular for the following:

- monitoring the work of the Company's certified auditors and presenting to the Supervisory Board recommendations concerning the selection and remuneration of the Company's certified auditors,
- before the audit of the Company's yearly financial statements, discussing with the Company's certified auditors the scope of their audit and monitoring their work,
- reviewing the Company's periodic and yearly financial (stand-alone and consolidated) financial statements, with emphasis put in particular on the following: all changes in accounting standards, principles and policies, major areas subject to evaluation, significant corrections resulting from an audit, declarations of the continuation of the activities, compliance with the effective accounting regulations,
- discussions with all proper people of all problems or reservations which may have resulted from the audit of financial statements,
- an analysis of letters to the Management Board drawn up by the Company's certified auditors and the Management Board's responses, as well as an examination of the independence and objectivity of audits conducted by certified auditors,
- providing opinions on the Company's policy concerning dividend, profit distribution and issue of securities,
- a review of the managerial accounting system,
- a review of the internal control system (including the mechanisms of financial, operating, legal compliance, risk assessment and managerial controls) and an annual report,
- an analysis of the Company's internal auditors' reports and the main observations of other internal analysts as well as the Management Board's responses to such observations, including an examination of internal auditors' degree of independence,
- a yearly review of the internal audit programme, coordination of work of internal and external auditors as well as an examination of internal auditors' functioning conditions,
- cooperation with the Company's organizational units responsible for audit and controlling as well as a periodic evaluation of their work,
- consideration of all other issues related to the Company's audit which have drawn the attention of the Audit Committee or the Supervisory Board,
- notifying the Supervisory Board of all important issues related to the activities of the Audit Committee.

In 2011 the Audit Committee operated in the following composition:

Name and surname	Function
Małgorzata Dec	Chairperson
Maciej Bałowski	Committee Member
Grzegorz Krystek	Committee Member
Zbigniew Szmuniewski	Committee Member
Krzysztof Żuk	Committee Member

At its meetings during that period, the Audit Committee conducted first of all an analysis of the Company's financial statements for the financial year 2010 and consolidated financial statements for the year ended 31 December 2010.

Simultaneously, the members of the Audit Committee carried out a preliminary analysis of a 2011 audit plan and its implementation, information on audits conducted in the Company in 2011, and a final report on the audit of the functioning of ownership supervision in the PGE Capital Group.

Furthermore, the members of the Audit Committee conducted an analysis of the Company's economic and financial position in 2011 and an analysis of the forecast financial results of the PGE Capital Group for 2011.

The Corporate Governance Committee

The Corporate Governance Committee is responsible for the following:

- evaluating the implementation of the principles of corporate governance in the Company and notifying the Supervisory Board of initiatives for changes in this area,
- providing opinions on the Company's normative acts and other documents influencing corporate governance and submitted to the Supervisory Board,
- initiating and developing proposals for changes in the Supervisory Board's normative acts.

In 2011 the Corporate Governance Committee operated in the following composition:

Name and surname	Function
Katarzyna Prus	The Chairperson of the Committee
Maciej Bałtowski	Committee Member
Jacek Barylski	Committee Member
Czesław Grzesiak	Committee Member

During that period the Corporate Governance Committee monitored the information on corporate governance and "The Good Practices Followed at PGE Polska Grupa Energetyczna S.A.", and presented its comments on the topic to the Supervisory Board.

The Strategy and Development Committee

The Strategy and Development Committee is responsible for providing opinions and presenting recommendations to the Supervisory Board with respect to planned investments having significant influence on the Company's assets. The Strategy and Development Committee is responsible in particular for providing opinions on strategy and strategic plans submitted to the Supervisory Board by the Management Board.

In 2011 the Strategy and Development Committee operated in the following composition:

Name and surname	Function
until 6.09.2011	
Małgorzata Dec	Committee Member
Grzegorz Krystek	Committee Member
Zbigniew Szmuniewski	Committee Member
Marcin Zieliński	Committee Member
Krzysztof Żuk	Committee Member
from 6.09.2011	
Grzegorz Krystek	Chairperson
Małgorzata Dec	Committee Member

Name and surname	Function
Zbigniew Szmuniewski	Committee Member
Marcin Zieliński	Committee Member
Krzysztof Żuk	Committee Member

At its meetings during that period, the Strategy and Development Committee became acquainted, among other things, with the current activities of the Strategy Department and a draft of the Company's updated strategy, analysed conclusions from the current implementation of the strategy and prepared instructions for presenting the Supervisory Board with recommendations concerning the approval of the Company's updated strategy and its further implementation.

The Appointment and Remuneration Committee

The Appointment and Remuneration Committee is responsible for supporting the process of achieving the Company's strategic objectives by presenting to the Supervisory Board opinions and proposals concerning the shaping of the management structure, including organizational solutions, the remuneration system and the recruitment of the personnel possessing required qualifications.

The Appointment and Remuneration Committee is responsible in particular for the following:

- initiating and providing opinions on solutions concerning the system of appointing members of the Management Board,
- - providing opinions on the Management Board's proposed solutions concerning the Company's management system aimed at ensuring the effectiveness, coherence and security of the Company's system of management
- a periodic review and recommendation of the principles of determining motivational remuneration for members of the Management Board and the senior management personnel, in accordance with the Company's interest,
- a periodic review of the system of remuneration for members of the Management Board and the senior management personnel reporting directly to members of the Management Board, including managerial contracts and motivational systems as well as submitting to the Supervisory Board proposals concerning their development within the context of achieving the Company's strategic objectives,
- presenting to the Supervisory Board opinions concerning justifications for granting remunerations dependent on results within the context of evaluating progress in the performance of particular tasks and achievement of particular objectives,
- evaluating the Company's human resources management system.

In 2011 the Appointment and Remuneration Committee operated in the following composition:

Name and surname	Function
Maciej Bałtowski	Chairperson
Jacek Barylski	Committee Member
Czesław Grzesiak	Committee Member
Katarzyna Prus	Committee Member
Marcin Zieliński	Committee Member

In 2011 the Appointment and Remuneration Committee held four meetings; the members of the Committee also remained in touch with each other by means of e-mail and jointly worked out their positions on various matters. Among other things, the Committee prepared a draft of the principles concerning the granting of bonuses to the members of the Management Board

for the year 2011 and submitted relevant recommendations to the Supervisory Board. During the course of the recruitment procedure related to the appointment of the members of the Management Board of the 8th term of office the Committee analysed the matter of selecting a consultancy firm to support the Supervisory Board in conducting this procedure and provided the Supervisory Board with relevant recommendations. The members of the Committee participated actively in various activities related to the aforementioned recruitment procedure. After the completion of the procedure the Committee analysed the possibility of effecting changes in the principles concerning the remuneration of the members of the Management Board and recommended that the Supervisory Board determine new principles in this respect. The Committee also participated in the preparation of agreements for the provision of management services by the members of the Management Board.

10. The Supervisory Board's comments concerning its cooperation with the Management Board.

The Supervisory Board requests that the General Meeting discharge the members of the Supervisory Board in respect of their duties for the year 2011:

Mr Tomasz Zadroga	from 01.01.2011 to 14.12.2011
Mr Marek Szostek	from 01.01.2011 to 14.12.2011
Mr Piotr Szymanek	from 01.01.2011 to 31.12.2011
Mr Wojciech Topolnicki	from 01.01.2011 to 05.01.2011
Mr Marek Trawiński	from 01.01.2011 to 16.03.2011
Mr Paweł Skowroński	from 17.03.2011 to 31.12.2011
Mr Wojciech Ostrowski	from 17.03.2011 to 31.12.2011

11. An evaluation of the Supervisory Board's work.

This report presents the main directions of the Supervisory Board's activities in the financial year 2011. The members of the Supervisory Board performed their duties with due diligence, using their knowledge and experience in the area of managing and supervision commercial law companies.

In view of the above, submitting this report, the Supervisory Board requests that its members be discharged in respect of their duties in the financial year 2011:

Mr Marcin Zieliński	from 01.01.2011 to 31.12.2011
Mr Maciej Bałtowski	from 01.01.2011 to 31.12.2011
Mr Jacek Barylski	from 01.01.2011 to 31.12.2011
Ms Małgorzata Dec	from 01.01.2011. to 31.12.2011
Mr Czesław Grzesiak	from 01.01.2011 to 31.12.2011
Mr Grzegorz Krystek	from 01.01.2011 to 31.12.2011
Ms Katarzyna Prus	from 01.01.2011 to 31.12.2011
Mr Zbigniew Szmuniowski	from 01.01.2011 to 31.12.2011
Mr Krzysztof Żuk	from 01.01.2011 to 31.12.2011

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 Szmuniński
.....

Mr Krzysztof Żuk
.....