

*Ladies and Gentlemen, Dear Shareholders,*

*On behalf of the Management Board of PGE Polska Grupa Energetyczna S.A., I am pleased to present to you the standalone and consolidated Annual Report of the Company for 2010. It has already been more than a year since our IPO on the Warsaw Stock Exchange, a period when we have taken further steps towards the objective to build a leading energy group in this part of Europe.*

*First and foremost, we have completed legal and formal consolidation of our business, combining about forty companies into four concerns responsible for individual lines of business. Owing to this, our present structure is simple, transparent and, most importantly, conducive to effective management and making correct use of our competitive edge. Consolidation of the PGE Group is probably the largest project of the type in Poland, and while several formal issues still remain to be clarified, it has made us a market-based company ready to face competition within an ever-changing environment.*

*Another highly important venture, which is yet to see full success, was the conclusion of agreement for the purchase of shares in Energa. This transaction will give a substantial boost to our Group's economic strength, making it possible to alleviate risk and give a firmer footing to the implementation of the investment programme, highlighted by key long-term nuclear power projects. I am convinced that the transaction is beneficial not only for the PGE Group, but also for the entire Polish economy. At the same time, it is absolutely safe for consumers. Unfortunately, not only have our arguments been rejected, but we even had no opportunity to present them and have a substantive dialogue. Following an adverse decision of the competition control body, which we find incomprehensible, we have appealed to the Court of Competition and Consumer Protection. This measure will enable us to prove our case. I do believe this action will be effective, although the transaction will consequently be delayed.*

*In 2010, we maintained the high level of profitability reported in the previous periods. Having cleared the results of the effect of compensations for the termination of long-term contracts (LTCs), we saw an increase in revenue by 0.3% on a year-on-year basis and an increase in EBITDA by 0.8%. Owing to this, the EBITDA margin again exceeded 30 percent, making us one of the most profitable power companies in Europe. At this point, I want to draw your attention to changes in our balance sheet and an improved proportion between profit allocated to the shareholders of the parent company and the non-controlling interests. Due to a favourable buyout of non-controlling interests in our operating companies, the proportion will again improve in 2011, which means an increase in terms of comparative earnings per share.*

*Ladies and Gentlemen,*

*The market in which we are operating is becoming increasingly competitive each year, which steadily brings it closer to Europe's most developed markets. We know this is unavoidable, and the main challenge ahead is to take advantage of all the opportunities emerging. This is furthered by all the efforts we make in a consistent pursuit of our strategy, seeking to achieve a long-term value growth of the PGE Group.*

*I wish you a pleasant reading our financial statements.*

*Tomasz Zadroga*

*President of the Management Board*