Ladies and Gentlemen, Dear Shareholders,

The year 2012 brought many economic turns which were of vital importance for the competitive environment of PGE. The changing dynamics of the economic development and the increasing influence of renewable energy sources, favoured by the energy system regulators, contributed to a decrease in demand for energy from conventional sources and thereby impacted the energy prices on the wholesale market. This in turn was reflected in the profitability of electricity generation from conventional sources, in particular based on coal. Furthermore, falling prices of CO_2 emission rights, which represent a variable cost for generators, intensify the negative impact of the above factors on electricity prices. From among all power companies operating on the Polish market, PGE, which generates more than 70% of electricity from its own resources of cheap lignite, is best prepared to cope with the market challenges. We are one of the most profitable power companies both in Poland and in Europe.

In line with the announcements, last year the PGE Group launched a number of crucial projects aimed at the implementation of the corporate governance principles to enable effective management of the whole value chain and to contribute to a higher value for shareholders. Taking into consideration the challenges faced by the Company, and dynamically changing market conditions, these projects gain even more significance. In 2012, we started to reformulate the PGE Group's strategy and to carry out thorough reviews of current investment projects in order to ensure an optimum development path with the use of all the market potential, while taking into account both the financial and organisational capacity of the Company. We continued the execution of the Efficiency Improvement Programme and at the same time took measures with the objective to preserve the competitive advantage through strict cost discipline and by reducing the share of fixed costs in the overall cost of electricity generation, particularly in mine-power plant facilities producing energy with the use of their own lignite resources.

In 2013, the PGE Group will continue to act in order to reorganise the formal and legal structures of the companies and improve its operational performance, which will positively contribute to the financial results of the Company and its ability to create value in the longer

perspective. The implementation of the new Operating Model, the introduction of an integrated information system of the ERP class – the SAP system, and further development of the shared services centre in the area of telecommunications and IT as well as the execution of the above mentioned Optimisation Programmes will be of essential importance for the effective management of the Group this year.

Despite the volatile business environment, in the fifth successive year PGE recorded a higher recurring EBITDA. The year 2012 was also a record year in terms of revenues from sales. Due to stable cash flows, a good financial situation and lack of debt, we are in a comfortable position to take rational actions in projects focusing on increasing the company's operational performance and to complete development projects building value for the Group. One of the fundamental factors of our success are people, our employees. Developing honest and reliable communication with all the employees and trade unions based on mutual trust is a priority for the PGE Management Board. And even though the Group will face many market challenges in the coming years, the above described efforts and a professional and committed team allow me to look at the future with optimism.

Respectfully,

Krzysztof Kilian
President of the Management Board of PGE Polska Grupa Energetyczna S.A.