

Dear Shareholders,

The past year was a breakthrough for us in several ways. Above all, we outlined long-term goals of the PGE Group in the new Strategy for years 2014-2020. Consistently striving to deliver on its strategic targets, we have undertaken a number of initiatives that bring us closer to our long-term objectives.

It is the ambitious PLN 50 billion investment program which serves the growth of the value of the Group. In January 2014, we launched the construction of two new units at the Opole power plant. In December, we issued a notice to proceed for the contractor of a new unit at the Turów power plant. We are also continuing to develop a cogeneration unit at the Gorzów heat and power facility. At the same time, we are carrying out a number of modernization projects that are intended to align our production assets with the EU standards contained in the IED Directive.

We attach great importance to diversifying PGE's energy mix and lowering our carbon footprint. Our own projects are successively expanding the renewables portfolio, reinforcing our leading position in clean and green energy. By the end of 2015, our wind farm capacity will have exceeded 500 MW. In ensuring the quality of service, and bearing in mind improvements in distribution network reliability, we are also expanding the scope of investment to include developing and modernising our existing assets.

Despite a challenging economic backdrop we succeeded in achieving solid financial result. PGE Group's consolidated EBITDA amounted to PLN 8.1 billion. Cash flows from operating activities reached PLN 6.3 billion, down 20% from the year before. The decrease in cash flows from operating activities was largely compensated by non-cash one-off items, which contributed a total of PLN 1.7 billion. These included, on the one hand, LTC compensation revenues and a reversed provision for carbon allowances, while on the other – PLN 400 million in costs related to Voluntary Leave Programmes.

Net profit to equity amounted to PLN 3.6 billion, translating into earnings per share of PLN 1.95.

Delivering on strategic targets while providing a sustainable dividend policy requires an optimal external financing structure. We have successfully entered the Eurobond market and secured a long-term loan from BGK. We also introduced a centralised non-return real cash pool to manage liquidity across the Group more efficiently. In order to provide a greater degree of predictability and stability of our results, we decided to change the accounting policy for land reclamation provisions.

I do believe that we need a stable regulatory framework, both at national and European level to continue creating enterprise value. Details of the solutions currently being negotiated in connection with implementing the Climate and Energy Package, regulations concerning introduction of the Market Stability Reserve mechanism, new industrial emission standards as well as the shape of the Polish support system for renewables will have a substantial impact on PGE's operating activities and investment projects. To this end, we decided last year, in collaboration with other energy sector representatives, to enhance our presence in EU policy-making circles. It is the Brussels office of the Polish Electricity Association that represents interest of PGE and the electrical power industry.

The year of 2015 will be another year in which we will continue to increase value for Shareholders. This will be possible thanks to the continuing work on projects targeting long-term success, based on four pillars: highly effective conventional generation, diversified energy mix, stable and secure electricity supplies, increasingly improved and comprehensive customer service as well as innovations.

On behalf of the Management Board, I would like to thank our Shareholders, Clients and Employees for their involvement in reinforcing market leadership of PGE.

Faithfully,

Marek Woszczyk  
President of the Management Board  
PGE Polska Grupa Energetyczna S.A.