

Activities of the Polish Energy Group

By Tomasz Zadroga

Who we are

The Polish Energy Group (PGE Polska Grupa Energetyczna) is the largest energy group in Poland involved in the generation, distribution and sale of electricity. The PGE Group is comprised of more than 100 subsidiary companies. The holding company is PGE Polska Grupa Energetyczna S.A., which is a 100% state-owned company.

The PGE Group has its origin in the establishment of Polskie Sieci Elektroenergetyczne S.A. ("**PSE S.A.**") in 1990 as a result of the major restructuring of the Polish energy sector. PSE S.A. was a major energy company, active mainly in electricity transmission and wholesale trade. In 2004 the activities of the Transmission System Operator were legally unbundled from PSE S.A. with creation of a subsidiary company. Since 2007 the Polish TSO (with its transmission assets) has been a separate company fully-owned by the Polish State.

In May 2007 the majority of the shares in two groups of power generation and distribution companies were transferred to PSE S.A. by the State. PSE S.A. changed its name to PGE Polska Grupa Energetyczna S.A. Moreover, pursuant to the requirements of EU law, the activities of the Distribution System Operators were legally unbundled from other activities through the creation of separate companies. Simultaneously, the integration of similar activities being conducted by different companies in the PGE Group started. This integration process is a major part of the current development of the PGE Group.

What we do

The PGE Group was established as one of four energy groups in Poland, within the Governmental Programme for the Power Sector Restructuring, as a result of the consolidation process in the Polish power sector. The current activity of the PGE Group covers five business lines: mining (lignite) and electricity generation (lignite-based and coal-based, including power and heat cogeneration); wholesale trading of electricity; retail trade (electricity and heat); distribution of electricity; and generation of electricity from renewable energy services.

Generating more than 54 TWh annually (approximately 40% of the total electricity generated in Poland) utilising its 12.3 GW power generation capacity (more than 35% of the total installed capacities in Poland), the PGE Group trades in electricity on the wholesale market and provides **a safe and stable supply of electricity** to its approximately five million customers in Poland. The PGE Group's share of the retail electricity market is approximately 26%.

The PGE Group consists of two large lignite mines, more than 40 power plants and combined heat and power plants (CHP) (including renewable, hydro and wind power plants), eight Distribution System Operator Companies, eight electricity Retail Sales Companies, an electricity wholesale company and enterprises operating in other industries (including the telecommunications industry). Hard coal and lignite are the basic fuels used in the power plants of the PGE Group.

PGE's mission is **to build the Group's value by meeting the energy needs of customers**. In order to meet competition requirements and secure a high level of customer service, PGE's priority is to be customer-oriented and provide customer satisfaction.

Potential of the PGE Group

The financial potential of the PGE Group allows it to undertake necessary investment projects which are of a critical significance to Poland's **energy security**, and hence Poland's economic stability and sovereignty. The market potential of the PGE Group makes it possible for the Group to successfully compete in the CEE region, while providing a guarantee of a competitive structure of the market in Poland, which translates into the competitiveness of the entire economy.

The Polish power sector today is facing major challenges. It must ensure Poland's energy security and meet the challenges of the country's growing economy, while meeting increasingly strict environmental standards.

In response to the new challenges and requirements, the PGE Group is embarking on activities in the field of new power technologies. These activities include participation in the Clean Coal Platform, as well as preparation of the Nuclear Energy Development Programme in Poland.

The good financial performance (2007 EBITDA of PLN 4.7 billion) reported by the companies of the PGE Group in recent years has been made possible by our business being focused on building value. In the power market not only price but also the quality of customer service are the key competition factors. Therefore, the PGE Group is implementing a programme aimed at standardisation and continuous improvement of the quality of the services provided.

Development of the PGE Group

One of PGE's key strategic goals is to create value for the shareholders through **continuous development of the Group**. The largest investment project currently under construction is the new 858 MW power block at Belchatow power plant. PGE intends to dedicate significant resources for the modernization and construction of the electricity network and generation infrastructure, which will allow it to take advantage of the emerging integrated market in Europe.

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Poland

