



**Financial statements of PGE Polska Grupa Energetyczna S.A.
for the period from 1 January 2010 to 31 December 2010**

comprising:

- I. Introduction**
- II. Balance sheet**
- III. Profit and loss account**
- IV. Statement of changes in equity**
- V. Cash flow statement**
- VI. Supplementary information and explanations**

I. Introduction to the financial statements.

1. Details on the Company.

PGE Polska Grupa Energetyczna S.A. (previous name: Polskie Sieci Elektroenergetyczne S.A.) was founded on the basis of the Notary Deed of 2 August 1990 and registered in the District Court in Warsaw, XVI Commercial Department on 28 September 1990.

The Company is seated on the Mysia street 2, Warsaw.

PGE Polska Grupa Energetyczna S.A. ("PGE", "PGE S.A.", "the Company") was registered in the National Court Register of District Court in the capital city of Warsaw, XII Commercial Department of the National Court Register under the number KRS 0000059307.

The Company is the Parent Company of PGE Capital Group. Since 6 November 2009, the Company has been listed on the Warsaw Stock Exchange. The Company prepares the consolidated financial statements including the activities of direct and indirect subsidiaries in accordance with International Financial Reporting Standards as adopted by the European Union.

The core activity of PGE S.A. include:

- a) activities of central companies and holdings, excluding financial holdings,
- b) activities of financial holdings,
- c) guidance over effectiveness of management,
- d) rendering of other services related to the activities mentioned in points a–c,
- e) wholesale and retail sale of electricity.

The Company conducts its activities in accordance with appropriate law regulations.

The activity mentioned in point e) is conducted in respect of regulations of Energy Law Act of 10 April 1997.

On 31 August 2010 there was a merger of the PGE S.A. with PGE Górnictwo i Energetyka S.A. and PGE Energia S.A. The merger caused the dissolution of acquired companies (PGE Górnictwo i Energetyka S.A. and PGE Energia S.A.) without liquidation. As a result of the merger, the share capital of the PGE S.A. was increased by the amount of PLN 1.396.937.270. In addition, on 31 December 2010 there was a merger of the PGE S.A. and PGE Electra S.A. that had no impact on changes in structure and amount of share capital of the Company.

In the accounts of PGE S.A. the merger was settled with the pooling of interests method. Details of the merger are presented in the Note VI 1 of the supplementary information and explanations to the foregoing financial statements.

2. The composition of the Management Board and the Supervisory Board.

As at the 31 December 2010 the composition of the Management Board was as follows:

- | | |
|-----------------------|---|
| ▪ Tomasz Zadroga | the President of the Management Board, |
| ▪ Piotr Szymanek | the Vice-President of the Management Board, |
| ▪ Wojciech Topolnicki | the Vice-President of the Management Board, |
| ▪ Marek Trawiński | the Vice-President of the Management Board, |
| ▪ Marek Szostek | the Vice-President of the Management Board. |

On 5 January 2011, the Supervisory Board adopted a resolution of Vice-President for Financial matters – Wojciech Topolnicki dismissal and delegation responsibilities of Vice-President for Financial matters to Tomasz Zadroga.

During the financial period the following important changes relating to the Supervisory Board of PGE S.A. took place:

- On 22 February 2010, State Treasury by submitting written notice to the Company via the PGE Board, appointed Krzysztof Żuk to the Supervisory Board,
- On 30 March 2010 Meeting of Shareholders of PGE S.A. dismissed from membership of Supervisory Board Wojciech Cichoński and Ryszard Malarski, appointing Czesław Grzesiak and Grzegorz Krystek to the Supervisory Board,
- On 12 April 2010 The Supervisory Board adopted a resolution of Katarzyna Prus election as a secretary of the Supervisory Board.

As at the 31 December 2010 the composition of the Supervisory Board was as follows:

- | | |
|------------------------|---|
| ▪ Marcin Zieliński | the Chairman of the Supervisory Board, |
| ▪ Maciej Bałtowski | the Vice-Chairman of the Supervisory Board, |
| ▪ Czesław Grzesiak | the Member of the Supervisory Board, |
| ▪ Jacek Barylski | the Member of the Supervisory Board, |
| ▪ Grzegorz Krystek | the Member of the Supervisory Board, |
| ▪ Katarzyna Prus | the Member of the Supervisory Board, |
| ▪ Zbigniew Szmuniowski | the Member of the Supervisory Board, |
| ▪ Małgorzata Dec | the Member of the Supervisory Board, |
| ▪ Krzysztof Żuk | the Member of the Supervisory Board. |

Until the day of signing the foregoing financial statements the composition of the Supervisory Board mentioned above has not changed.

3. Going concern.

The duration of the Company is indefinite. The financial statements have been prepared assuming that the Company will continue operating as a going concern in the foreseeable future.

4. Period covered by the financial statements.

The foregoing financial statements have been prepared for the period from 1 January 2010 to 31 December 2010. The comparable period for the balance sheet, the statement of changes in equity, the profit and loss account and the cash flow statement is 31 December 2009. The comparable figures have been restated respectively in accordance with Art. 44 of the Accounting Act, which was presented in the Note VI 1 of the supplementary information and explanations to the foregoing financial statements.

5. Description of the accounting principles (policy) applied.

The financial year of the Company is the calendar year. The Company prepares the financial statements according to the Accounting Act dated 29 September 1994 (with later changes).

A. Intangible assets.

Intangible assets include non-monetary, lacking physical substance, identifiable non-current assets, which are used in the production process, supplies of materials as well as provision of services or for administrative purposes. Intangible assets include non-current assets with expected economic useful life exceeding one year, usable and intended to be used by the Company itself.

Intangible assets include:

- development costs,
- goodwill,
- other intangible assets.

The Company divides intangible assets into two groups by amortization method:

- intangible assets of the initial value exceeding the minimum unit value of a non-current asset as described in the Corporate Income Tax Act, for which the amortization charges are recorded in a period longer than one year,
- intangible assets from the initial value equal to or exceeding the amount representing 40% of the minimum unit value of a non-current asset up to minimum unit value of a non-current asset as described in the Corporate Income Tax Act, for which the depreciation charges are recorded on a one-off basis (100%) in the month of bringing the assets into use.

Intangibles are valued in accordance with the following criteria:

- costs of acquisition,
- costs of manufacturing, less amortization and permanent impairment losses.

Balance sheet amortization of intangible assets is calculated at amortization rates applied by the Company. Balance sheet amortization rates are determined by eligible authorized services and are subject to periodic verification.

Intangible assets of the value exceeding the minimum unit value of a non-current asset as described in the Corporate Income Tax Act are amortized by systematic scheduled allocation of its initial value throughout the agreed amortization period commencing from the first day of the month following the month in which the intangible assets were brought into use until the end of the month in which its amortization amount becomes equal to its initial value or, in which, the intangible assets are earmarked for liquidation, sale or the shortage is identified.

Intangible assets from the initial value equal to or exceeding the amount representing 40% of the minimum unit value of the non-current asset up to the minimum unit value of a non-current asset as described in the Corporate Income Tax Act are amortized on a one-off basis (100%), in the month of bringing the asset into use.

Revaluation write offs on intangible assets are determined for individual components or groups of components on the basis of the calculation of their permanent impairment losses. Impairment loss of intangible assets is determined in the following cases:

- high probability that current value of future expected economic gains will be lower than the book value,
- changes of technologies applied,
- withdrawal from use,
- loss of rights to use the intangible assets,
- adjustments to market value assessed by an expert when there is a significant discrepancy between the net book value and market value,
- other reasons causing impairment to occur.

Revaluation write offs relating to intangible assets is determined by eligible authorized services in agreement with the Company's Accounting Department by comparing the net selling price, i.e. the price which can be obtained decreased by sale related costs, and the book value. If no net selling price exists, a relevant fair value is determined with a different method.

Revaluation write offs resulting from impairment are recognized as other operating expenses in the period when impairment was identified. In case of impairment reversal, the net value of an asset is increased to the newly determined recoverable amount, not exceeding however, the net value of the asset which would have been determined had the impairment not been identified in the previous periods.

B. Fixed assets.

This caption covers tangible fixed assets and their equivalents, of expected economic useful life exceeding one year, complete, suitable and intended to be used by the Company.

Fixed assets purchased before 1 January 1995 and subject to revaluation under valid regulations are measured at value after revaluation. The effects of revaluation were recorded under the revaluation reserve.

Fixed assets are measured in accordance with the following criteria:

- costs of acquisition,
- costs of manufacturing,
- value adjusted for revaluation less depreciation charges and permanent impairment losses.

The Company divides fixed assets into two groups by depreciation charge method:

- non-current assets of the initial value exceeding the minimum unit value of a non-current asset as described in the Corporate Income Tax Act and computers and monitors classified in group 491 of Fixed Asset Classification regardless their initial value are depreciated for more than one year,
- non-current assets from initial value equal to or exceeding the amount representing 40% of the minimum unit value of a fixed asset up to the minimum unit value of a fixed asset as specified in the Corporate Income Tax Act except from computers and monitors classified in group 491 of Fixed Asset Classification regardless their initial value, are depreciated on a one-off basis (100%) in the month of bringing the assets into use.

The initial value of a fixed asset is increased by the costs of its improvement, consisting in:

- rebuilding (adaptation) – i.e. change of the current condition of a fixed asset, resulting in the adaptation of the fixed asset or its parts to changed functional or usage needs, or technical conditions.
- expansion - i.e. increase (broadening) of the scope of tangible assets, in particular buildings and civil and water engineering structures, machines, processing lines etc.
- modernizing fixed assets, which results in the increase of their technical or use value and which produces tangible effects.
- reconstruction - i.e. rebuilding a fixed asset used completely or partially, provided that its use value increases as a result.

Fixed assets are considered to have been improved provided that the above mentioned work results in the increase of their use value compared to the use value as at the date of bringing the asset into use. In particular, the following factors indicate an increase of the use value:

- extension of the expected useful life of the assets,
- increase of the production capacity (efficiency),
- improvement of the quality of products manufactured with the improved fixed asset,
- lowering the costs of operation, including due to consumption of all types of the energy,
- expansion of the building or increase of comfort,
- lowering the environmental harmfulness,
- improvement of health and safety at work, etc.

A measurement of costs of improvement is conducted in a similar method as in case of acquisition or manufacture of a new fixed asset.

Other expenditure incurred in relation to ongoing operation of fixed assets, in particular, costs of repairs, ongoing maintenance or relocation, are charged in total directly to operating expenses. The

foregoing applies also to expenditure incurred to exchange components or peripheral parts with the same functional (technical) properties, irrespective of the acquisition price.

- Repairs charged to operating expenses involve work, irrespective of its costs, aimed at full or partial restoration of the initial functional (technical) capability of a fixed asset, lost or decreased as a result of its use.
- Maintenance charged to operating expenses involves ongoing and periodic work aimed at maintaining a proper technical condition of a fixed asset, preventing a premature damage of the asset or its components. Maintenance does not entail changes to the usage, technical conditions, appearance, etc.
- Relocation involves change of the place where a fixed asset or its parts are used, as regards similar fixed assets (i.e. in the same Fixed Asset Classification group). These expenses include in particular: costs of disassembly, shipment and reassembly of a fixed asset in a new location within the same legal entity, including building new solid foundations, if such foundations were part of the asset in the previous location.

The above mentioned expenses incurred before the bringing the fixed asset into use increase its initial value.

The fixed assets' initial value is decreased by depreciation charges. The depreciation rates are determined based on useful life of fixed assets and reflect their actual wear and tear. The economic useful life as well as the corresponding balance sheet depreciation rates are subject to periodic verification.

Tax depreciation of fixed assets is calculated based on depreciation rates determined by the provisions of the Corporate Income Tax Act.

Depreciation charges related to fixed assets whose gross value exceeds the minimum value of a fixed asset defined in the Corporate Income Tax Act are applied by means of a systematic, planned distribution of its initial value over the established depreciation period, starting from the first day of the month following the month in which the fixed asset is brought into use until the end of the month in which depreciation charges equal the gross value of the asset or in which the fixed asset is subject to liquidation, sale or a shortage is identified.

Depreciation charges related to computers and monitors in group 491 of the Fixed Assets Classification, irrespective of their initial value, are applied by means of systematic, planned distribution of their gross value over the established depreciation period, starting from the first day of the month following the month in which the fixed asset is brought into use until the end of the month in which depreciation charges equal the gross value of the asset or in which the fixed asset is subject to liquidation, sold or a shortage is identified.

Depreciation charges related to fixed assets whose gross value equals to or exceeds the amount representing 40% of the minimum unit value of the non-current asset up to the minimum unit value of a non-current asset as described in the Corporate Income Tax Act, except for the computers and monitors in group 491 of the Fixed Asset Classification, irrespective of their gross value, are recorded on a one-off basis (100%), in the month of bringing the asset into use.

Fixed assets used under rental, tenancy, leasing or other similar agreements and included in the Company's assets, are depreciated throughout a period of a relevant agreement term or the asset's economic useful life, whichever is shorter.

At least at the end of the financial year, the Company analyzes if there are any premises resulting in impairment of tangible fixed assets. Impairment occurs if it is highly probable that the Company's asset will not generate in the future expected economic benefits, to a considerable degree or at all.

Trwała utrata wartości aktywów określana jest w przypadku zaistnienia następujących przesłanek:

- external:
 - a considerable decrease in the market value of the asset,
 - considerable changes to the technological and market environment, bearing a negative impact on the Company and its goodwill take place or are expected,

- increase of market interest rates, affecting the rate of discount used for determining the value of a fixed asset and lowering the recoverable amount considerably,
- the book value of the entity's net assets exceeds the market value of Company's shares.
- internal:
 - physical damage or other indication that the asset is no longer usable,
 - considerable changes in the entity's business activities – discontinuation of certain operations, restructuring or disposal plans,
 - indication that the asset does not achieve the expected capacity and will fail to generate the expected economic benefits.

Impairment write off relating to intangible assets is determined by eligible authorized services in agreement with the Company's Accounting Department by comparing the net sale price, i.e. the price which can be obtained decreased by sale related costs, and the book value. If no net sale price exists, a relevant fair value is determined with a different method.

C. Fixed assets under construction.

This caption covers non-current assets classified as fixed assets under construction, assembly or improvement. The costs of acquisition and manufacturing of fixed assets under construction comprise of all costs incurred by the Company in the period of construction, assembly, adaptation or improvement, till the balance sheet date or till bringing into use, including:

- non-deductible VAT and excise tax,
- costs of servicing liabilities incurred to finance them and related foreign exchange rate differences less related revenue.

The value of fixed assets under construction is decreased by impairment write offs if any circumstances occur indicating that they have been impaired.

Advances for fixed assets under construction are recognized at their nominal value.

D. Leases.

Leases are classified as finance leases if, pursuant to the terms of the agreement, all the potential benefits and risk resulting from using the object of the lease are transferred to the lessee. All other types of leases are considered operating leases.

Lessee's recognition of the lease agreements

Assets used based on finance lease agreements are treated as Company's assets and measured at fair value at their acquisition date, not exceeding, however, the current value of the minimum lease payments. Respective liability to the lessor is presented in the balance sheet under other financial liabilities. Lease payments are divided into interest and principal so that the interest rate on the remaining liability is fixed. Interest cost is charged to the profit and loss account and recorded under financial expenses.

Operating lease payments are charged to the profit and loss account based on the straight line method in the period determined by the lease agreement. Benefits received and due as an incentive to conclude an operating lease agreement are charged to the profit and loss account based on the straight line method in the period determined by the lease agreement.

Lessor's recognition of lease agreements

The lessor recognizes the assets transferred to third parties under finance lease agreements as balance sheet receivables in the amount of the net investment. Recognition of financial revenues due to operating leases reflects the fixed rate of return on the net lease investment made by the lessor as part of the lease agreement.

As part of the operating leases the lessor presents in the balance sheet assets transferred to third parties under lease agreements according to the type of these assets. Revenues due to operating leases are recognized based on the straight line method during the lease term, unless another method applied consistently presents the decreases in the benefits generated based on the leased asset more accurately. The initial direct costs incurred in relation to negotiations and activities aimed at conclusion of an operating lease agreement increase the carrying value of the lease object and are recognized as expenses during the lease term on the same basis as lease revenues.

E. Financial assets.

Financial assets include:

- shares, including in controlled entities,
- other securities,
- originated loans,
- cash assets,
- other financial assets.

Long-term financial assets include assets acquired to achieve economic benefits arising from an increase in their value in the form of interest, dividend and other benefits as well as capital instruments issued by third parties.

Release of uniform financial assets is measured based on the weighed average method.

In the financial statements, financial assets are divided into long-term and short-term financial assets as well as into financial assets from related parties and third parties.

Shares in controlled entities are initially measured at acquisition price. As at the balance sheet date, these items are measured at acquisition price less impairment write offs. Impairment write offs are recorded in case:

- changes in the entity's share price occur,
- the entity whose share the Company holds is declared bankrupt or placed into liquidation,
- the financial results based on a financial analysis of the position of the entity whose shares the Company holds are unsatisfactory,
- there exists a threat that the securities held by the Company will be redeemed,
- a threat occurs that an originated long-term loan will not be repaid.

Cash assets include assets in the form of domestic and foreign currencies. Cash assets also include other financial assets, in particular interest accrued on financial assets.

Cash includes cash in hand and at bank, together with deposits. Cash equivalents are short-term high-liquidity investments, easily convertible into defined amounts of cash and exposed to insignificant value change risk, including interest due on deposits. Cash and cash equivalents are measured at nominal value.

Financial assets other than shares in controlled entities and cash assets.

At the date of their acquisition or origination, the Company classifies financial assets at one of the following categories:

- financial assets held for trading,
- originated loans and receivables,
- financial assets held to maturity,
- financial assets available for sale.

Financial assets held for trading include assets acquired to achieve economic benefits arising from short-term price changes and fluctuations of other market factors, or from the short duration of the acquired instrument, as well as other financial assets irrespective of the intention followed in concluding the contract if they belong to a portfolio of similar financial assets showing a high probability of generating expected economic benefits in the short term.

Originated loans and receivables intended for sale in the short term are classified as financial assets held for trading.

As at the transaction date, financial assets held for trading are measured at acquisition price, i.e. the fair value of the expenses incurred or other assets transferred. In determining the fair value, transaction expenses incurred by the entity are taken into account.

As at the balance sheet date, financial assets held for trading are measured at fair value. Changes in the fair value of financial assets held for trading and not being part of a hedging relationship are recognized upon their origination as financial revenues or expenses in profit and loss account.

In case a market price determined on the regulated market is not available for a given asset or the fair value may not be reliably estimated, such assets are measured at acquisition price less impairment write offs.

Originated loans and receivables include financial assets, irrespectively of their maturity (due date), arising from direct issue of cash to the counterparty, under condition that the concluded contract results in the occurrence of financial assets for one party and a financial liability or capital instrument for the other, provided that economic results arise clearly from the contract executed between the parties – regardless of whether the execution of rights or obligations arising from the contract is of unconditional or conditional nature.

Originated loans and receivables include also bonds and other debt instruments acquired in exchange for issuing cash directly to the other party, provided that the concluded contract clearly indicates that the party disposing of the financial instruments has not lost control over the issued instruments.

Originated loans and receivables intended for sale in the short term are classified as financial assets held for trading.

At the transaction date, originated loans and receivables are measured at acquisition prices, i.e. the fair value of the expenses incurred or other assets transferred. In determining the fair value, transaction expenses incurred by the Company are taken into account.

As at the balance sheet date, originated loans and receivables, except for the items classified as held for trading, are measured at adjusted acquisition price estimated based on the effective interest rate. Receivables of short maturity, for which no interest rate has been determined, may be measured at the amount due if the determined current value does not differ considerably from the amount due. The results of measurement are recognized in the profit and loss account as financial revenues or expenses, respectively.

Financial assets held to maturity include financial assets not classified as originated loans and receivables, for which contracts define the due date of nominal value repayment and specify the right to obtain economic benefits such as interest, in fixed or determinable amount, at predefined dates, under the condition that the entity intends and is able to hold those assets to maturity.

As at the transaction date, financial assets held to maturity are measured at acquisition prices, i.e. the fair value of the expenses incurred or other assets transferred. In determining the fair value, transaction expenses incurred by the Company are taken into account.

As at the balance sheet date, financial assets held to maturity are measured at adjusted acquisition price estimated based on the effective interest rate. The results of measurement are recognized in the profit and loss account as financial revenues or expenses, respectively.

Assets available for sale include in particular shares in third parties, which the entity does not intend to sell in short term.

As at the transaction date, assets available for sale are measured at acquisition prices, i.e. the fair value of the expenses incurred or other assets transferred. In determining the fair value, transaction expenses incurred by the Company are taken into account.

As at the balance sheet date, assets available for sale are measured at fair value. The results of revaluation of financial assets available for sale and measured at fair value, except for hedged items, are recognized under the revaluation reserve until the asset is derecognized from the balance sheet as a result of sale, accumulated profit/loss previously disclosed under the revaluation reserve is charged to the profit and loss account for the given period. If the fair value is difficult to determine, measurement is conducted at acquisition price less revaluation write off as at the balance sheet date.

F. Inventory.

Inventory includes tangible current assets purchased for internal purposes, finished products manufactured or processed by the entity, suitable for sale, as well as goods purchased to be resold unprocessed.

The Company's inventory includes:

- goods,
- advances for deliveries.

The 'goods' item at the Company includes property rights (stock-traded goods) under green, red and yellow energy certificates and carbon dioxide (CO₂) emission allowances.

Records are kept for the 'goods' item in terms of quantity and value. For goods classified under 'property rights', expenditures are transacted starting with the earliest number of certificate of origin, as registered at the Polish Power Exchange. For goods classified under 'CO₂ emission allowances', expenditures are valued with detailed identification method.

As at the balance date, inventories of goods are valued at acquisition prices, adjusted by revaluation of goods inventory.

Values of goods classified under 'property rights' are adjusted by:

accumulated amortization of used rights,
expense arising from disposal of rights,
impairment loss.

Values of goods classified under 'CO₂ emission allowances' are adjusted by:

expense arising from disposal of CO₂ emission allowances,
impairment loss.

Impairment loss on goods can be recognized if the carrying value of these goods would exceed the value of these goods at sales prices as at the balance date.

The effects of impairment loss are carried to other operating expenses.

Goods classified under 'property rights', acquired under contract of purchase of electricity from renewable sources, which are held as at 31 December 2010 and registered at the Energy Exchange in the Registry of Certificates of Origin are recognized in the balance sheet at acquisition prices, determined on a case-by-case basis for each and every property right.

As at 31 December 2010, the Company made a revaluation adjustment to the value of CO₂ emission allowances, where the values at acquisition prices were higher than their respective values at net sales prices as at the balance date.

Advances for deliveries are recognized At amounts due, In line with the principle of prudence.

G. Receivables and liabilities.

Receivables

At the balance sheet date receivables and claims are valued at due payment value, i.e. their book value resulting from issued VAT invoices and interest and accounting notes less created revaluation write offs reflecting probable decrease of receivables and claims estimated on the basis of the debtor's financial situation analysis and the possibility of effective recovery of amounts due. Receivables are written off throughout the financial year at least once a quarter, based on verification performed, in line with following principles:

1.	receivables overdue by 6 to 9 months	50%
2.	receivables overdue by 9 to 12 months	75%
3.	receivables overdue by more than 1 year	100%
4.	receivables from debtors in liquidation or bankruptcy	100%
5.	receivables subject to administrative debt collection proceedings	100%
6.	receivables subject to administrative debt collection proceedings	100%
7.	receivables claimed at court	100%

Write offs on receivables from debtors mentioned in points 1-7, whose financial liquidity gives rise to concerns and whose current financial position is known, are made based on an ongoing analysis of their creditworthiness. The amount of a write off is determined separately for each debtor following a detailed analysis and, when it is not certain that operations will be continued in the scope in which they are currently conducted.

Revaluation write offs on receivables are recognized as other operating expenses and financial expenses depending on the type of receivable. If circumstances, as a result of which revaluation write offs on receivables are no longer present, the equivalent of the whole amount or adequate portion of the created write off increases the value of a given asset and is recognized as other operating revenues or financial revenues, as appropriate.

Receivables other than trade receivables due within more than 12 months of the balance sheet date are recognized as non-current assets under “Long-term receivables”.

The Company calculates interest and issues interest notes relating to receivables not paid in time at least once a quarter. The issued interest notes are recorded in the books increasing receivables on one side and other financial revenue on the other side. In line with issued and recorded interest notes, chances of recovery of interest due are verified in accordance with the principle of prudence. In case when the repayment of interest due is doubtful, allowance for the value of interest calculated is recorded.

Liabilities

Liabilities are obligations arising from past events to provide goods or services of the reliably estimated value which will involve the use of currently owned or future assets of the entity.

Liabilities are divided into:

- short-term liabilities,
- long-term liabilities.

Short-term liabilities include all trade liabilities, irrespective of their payment date, as well as other liabilities with maturity within 12 months. Long-term liabilities include all liabilities except trade liabilities, with maturity falling after 12 months.

As at the occurrence date, all liabilities, except from financial liabilities, are measured at nominal value.

As at the balance sheet date, liabilities, other than loan liabilities, are measured at the amount due. In case of trade liabilities the Company creates provisions for interest for delay payable to its counterparties, as a result of a detailed analysis of the risk that such interest will be claimed at court by the counterparties.

Financial liabilities held for trading are measured at fair value. Other financial liabilities are measured at adjusted acquisition price.

H. Exchange differences.

Business transactions denominated in foreign currencies are recognized at the conclusion date at the following exchange rates:

- the average exchange rate determined for a given currency by the National Bank of Poland as at the day preceding business transactions, as regards:
 - business transactions denominated in foreign currencies resulting in the origination of receivables (sales invoices),
 - business transactions denominated in foreign currencies resulting in the origination of liabilities (purchase invoices),
- the selling rate of Citibank Handlowy S.A. w Warszawie (conversion table as at the currency date), as regards:
 - foreign transfers,
 - decreases in account balances,
 - bank costs,
- the buying rate of Citibank Handlowy S.A. w Warszawie (conversion table as at the currency date), as regards:
 - foreign currencies credited to accounts,
 - increases in account balances,
 - interest on cash,
- the rate applied in foreign currency buy transactions by the Company's bank,
- the rate applied in foreign currency sell transactions by the Company's bank,
- the average exchange rate determined for a given currency by the National Bank of Poland as at that date, as regards:
 - making a foreign currency deposit,
 - closing a foreign currency deposit,
 - transfer of foreign currency from a currency account to another account in the same currency, kept at another bank.

As at the balance sheet date, the following items denominated in foreign currencies were measured in the following manner:

- assets – at the average exchange rate determined for a given currency by the National Bank of Poland,

- liabilities – at the average exchange rate determined for a given currency by the National Bank of Poland.

Exchange differences related to other assets and liabilities denominated in foreign currencies, occurring at the measurement date and upon the settlement of receivables and liabilities in foreign currencies, are recognized as financial revenues or expenses, as appropriate. In justified cases, exchange differences are added to the acquisition price or the manufacturing costs of fixed assets, fixed assets under construction and intangible assets.

I. Provisions.

Provisions are liabilities with uncertain maturity date or uncertain amount. They are created for certain or probable future liabilities, value of which may be reliably estimated and recognized as: other operating expenses, financial expenses, or extraordinary losses, depending on the circumstances.

Provisions for retirement awards or similar benefits are created in the amount of future liabilities to employees due to retirement severance, jubilee awards and other similar benefits. Provisions for retirement and similar benefits are cost provisions recognized under accruals. They are presented in the financial statements under “Provisions for retirement and similar benefits” and divided into long-term and short-term provisions.

J. Off-balance sheet contingent liabilities.

Contingent liabilities include potential future performance commitments, the occurrence of which is conditional upon specific events taking place.

K. Prepayments and accruals.

Prepayments are used to record costs that were incurred in the reporting period but related to future periods.

Costs can be capitalized provided that the Company gains economic profits in the future reporting periods. Prepayments may be included in the balance sheet if they meet the criteria specified for assets in the Accounting Act.

Prepayments include settlements:

- long-term, relate to future reporting periods and exceeding 12 months from the balance sheet date,
- short-term, relate to future reporting periods and not exceeding 12 months from the balance sheet date.

Prepayments and accruals are settled according to the time passed or value of services made.

Accruals are used to record provisions for costs which fully or partially relate to the current or previous reporting period and the value of which has been reliably estimated.

The Company recognizes accrued expenses in the amount of probable liabilities related to current reporting period, arising in particular from:

- services provided to the Company by its business partners if the amount payable is known or can be reliably estimated,
an obligation to perform, in relation to current business operation, future services that can be reliably estimated on the basis of planning data or realization of provided services

L. Deferred income.

The Company's deferred income includes, in particular:

- equivalents of funds received or receivable from the counterparties, based on VAT invoices for performances to be provided in future reporting periods,

- cash received for financing the acquisition or manufacturing of fixed assets, fixed assets under construction and development costs (provided that they do not increase equity based on separate regulations), settled in line with depreciation charges of non-current assets financed from this source,
- value of fixed assets, fixed assets under construction and intangibles obtained without payment, including donations, settled in line with depreciation charges of these assets.

M. Income tax.

The Company recognizes current and deferred income tax.

Deferred tax asset

Deferred tax assets are recognized only to the extent expected for the related amount attributable to negative temporary differences to be used to reduce taxable profits in the future and tax losses to be settled, recognizing the prudence principle.

Deferred tax asset is determined taking into account the CIT rate applicable in the year in which the tax obligation arises.

Deferred income liability

The Company creates the deferred tax liability in the amount of income tax to be paid in the future due to positive temporary differences, i.e. differences which will result in increase of tax base in the future. This applies to, among others: accelerated tax amortization, interest accrued on receivables, and interest accrued on originated loans. The deferred tax liability is based on the CIT rate applicable in the year in which the tax obligation arises.

The deferred tax asset and liability related to transactions settled against equity are also reflected in equity.

N. Distribution from net profit in sole-shareholder companies of the State Treasury.

In line with Act of 1 December 1995 on distribution from profit by sole-shareholder companies of the State Treasury, the financial result is additionally charged with such a contribution.

In connection with the public issue of share on the Warsaw Stock Exchange in November 2009, the Company is no longer the sole-shareholder company of the State Treasury. Therefore, Since December 2009, the Company is not subject to the Act on distribution from profit by sole-shareholder companies of the State Treasury.

O. Equity.

As at balance sheet date, the share capital is disclosed in the amount defined the Company's Deed or Statute and recorded in the National Court Register.

Reserve capital is created from:

- additional payments and surpluses resulting from issuing shares above their nominal value,
- write offs on profit to be distributed,
- effects of the previous measurement of the net value of non-current assets liquidated or disposed of in the reporting period, performed under separate regulations, reclassified from the revaluation reserve.

The allocation of reserve capital is described in the Company's Statute.

Revaluation reserve is used to record the results of the Company's assets valuation, i.e.:

- official valuation of non-current assets and investments classified as non-current assets (non-distributable);
- valuation of investments recognized as non-current assets in market prices or at fair value determined otherwise;
- derivatives recognized as current assets, qualified for hedge accounting.

Other reserve capitals are created and used in accordance with the regulations of the Company's Statute for described purposes.

Retained earnings reflect the non disposed result from prior years to be decided upon by the General Shareholders' Meeting and also the results of adjustments resulting from changes of accounting principles and basic errors relating to prior years disclosed in the current financial year.

P. Revenues, expenses, financial result.

Revenue and expenses are recognized on the accrual basis in the period to which they relate, regardless of the period in which related payments are made or received.

Revenue from sales of finished goods, merchandise and raw materials is recognized in the profit and loss account when the significant risks and rewards of ownership have been transferred to the buyer.

The net result is determined on the basis of profit and loss account prepared in the costs by activities variant.

Revenues from sale of finished products, merchandise and raw materials include In particular:

1. Revenue from sales of electricity purchased for resale.
2. Revenue from sales of other services provided by the Company in accordance with the detailed specification resulting from the Company's chart of accounts.
3. Revenue from sales of materials and other goods.

Costs of goods sold include in particular:

1. Value of electricity sold.
2. Value of materials sold and other goods (at acquisition prices).
3. Manufacturing costs of products sold.
4. Selling costs.
5. Administration and general expenses.

In accordance with a detailed specification resulting from the Company's chart of accounts.

Other operating revenues include in particular:

1. Profit on disposal of intangible assets, fixed assets, fixed assets under construction.
2. Reversal of non-used write offs on receivables.
3. Due and obtained compensations and penalties.

In accordance with a detailed specification resulting from the Company's chart of accounts.

Other operating expenses include in particular:

1. Loss on disposal of intangible assets, fixed assets, fixed assets under construction.
2. Created write offs on receivables.
3. Costs of liquidating the effects of damages.
4. Donations granted.
5. Compensations and penalties paid and other expenses not relating to core operations.

In accordance with a detailed specification resulting from the Company's chart of accounts.

Financial revenues include in particular:

1. Profit on disposal of long-term and short-term investments.
2. Due and obtained interest on overdue payments.
3. Interest on bank deposits.
4. Adjustments relating to revaluation write offs on interest receivables.
5. Dividends obtained.
6. Revaluation write offs on investments.
7. Profit on exchange differences.

In accordance with a detailed specification resulting from the Company's chart of accounts.

Financial expenses include in particular:

1. Loss on disposal of components of long-term and short-term investments.
2. Provisions for interest receivables.
3. Revaluation write offs on investments.
4. Interest on loans, borrowings, trade and state liabilities.
5. Loss on exchange differences.

In accordance with a detailed specification resulting from the Company's chart of accounts.

Extraordinary gains and losses include results of non predictable events not related to the Company's business operation and not relating to general business risk.

II. Balance sheet.

ASSETS

No.	Item	Note	As at 31 December 2010	As at 31 December 2009 <i>restated*</i>
A	NON CURRENT ASSETS		23.220.770.354,21	23.499.499.296,42
I	Intangible assets	VI.2	6.519.195,34	11.079.181,45
1	Development costs		786.194,46	786.194,46
2	Goodwill		0,00	0,00
3	Other intangible assets		5.733.000,88	10.237.986,99
4	Advances for intangible assets		0,00	55.000,00
II	Tangible fixed assets		86.504.175,67	84.250.394,98
1	Fixed assets	VI.3	74.930.346,76	75.493.516,09
a	land (including perpetual usufruct right of land)		0,00	0,00
b	buildings, premises and civil engineering facilities		56.722.244,59	56.515.228,46
c	technical equipment and machinery		16.716.138,67	17.502.178,87
d	vehicles		520.844,56	909.826,64
e	other fixed assets		971.118,94	566.282,12
2	Fixed assets under construction	VI.6	11.573.828,91	8.756.878,89
3	Advances for fixed assets under construction		0,00	0,00
III	Long-term receivables	VI.7	3.358.442,49	3.457.005,79
1	from related parties		0,00	0,00
2	from third parties		3.358.442,49	3.457.005,79
IV	Long-term investments	VI.8	22.903.348.306,69	23.161.628.459,69
1	Investment property		0,00	0,00
2	Intangible assets		0,00	0,00
3	Long-term financial assets	VI.8	22.903.348.306,69	23.161.628.459,69
a	in related parties		22.647.857.324,29	22.803.947.711,74
	- shares or stock		22.429.831.543,14	21.232.847.711,74
	- other securities		214.400.000,00	1.571.000.000,00
	- loans granted		3.625.781,15	0,00
	- other long-term financial assets		0,00	100.000,00
b	in third parties		255.490.982,40	357.680.747,95
	- shares or stock		1.953.470,32	119.476.790,50
	- other securities		253.537.512,08	238.203.957,45
	- loans granted		0,00	0,00
	- other long-term financial assets		0,00	0,00
4	Other long-term investments		0,00	0,00
V	Long-term prepayments and deferred expenses		221.040.234,02	239.084.254,51
1	Deferred tax asset	VI.48	53.111.361,97	51.653.778,30
2	Other prepayments and deferred expenses	VI.22	167.928.872,05	187.430.476,21
B	CURRENT ASSETS		8.782.136.704,34	5.561.287.715,57
I	Inventory	VI.23	31.318.176,11	68.261.961,68
1	Raw materials		0,00	4.559,00
2	Work in progress		0,00	0,00
3	Finished goods		0,00	335.151,29

No.	Item	Note	As at 31 December 2010	As at 31 December 2009 <i>restated*</i>
4	Merchandise		1.421.840,67	649.364,73
5	Energy origin units of ownership		29.472.772,19	67.029.861,47
6	Advances for deliveries		423.563,25	243.025,19
II	Short-term receivables	VI.24	1.461.676.139,81	1.151.667.778,59
1	Receivables from related parties		1.184.424.421,38	678.970.842,48
a	Trade receivables due:		638.444.436,32	673.984.809,41
	- within 12 months		638.444.436,32	673.984.809,41
	- after 12 months		0,00	0,00
b	Related to fixed assets and intangible assets		0,00	18.814,84
c	Other		545.979.985,06	4.967.218,23
2	Receivables from third parties		277.251.718,43	472.696.936,11
a	Trade receivables due:		229.134.450,18	341.028.875,29
	- within 12 months		229.134.450,18	341.028.875,29
	- after 12 months		0,00	0,00
b	From taxation, subsidies, customs, social security and health insurance and other benefits		31.379.810,78	118.783.920,23
c	Related to fixed assets and intangible assets		35,00	10.545,27
d	Other		16.737.422,47	12.873.595,32
e	Receivables subject to legal proceedings		0,00	0,00
III	Short-term investments		7.163.168.240,60	4.318.862.367,80
1	Short-term financial assets		7.163.168.240,60	4.318.862.367,80
a	in related parties	VI.14	6.786.097.957,14	881.523.615,01
	- shares or stock		2.059.934.153,87	0,00
	- other securities		4.723.147.341,01	881.473.117,38
	- loans granted	VI.21	3.016.462,26	0,00
	- other short-term financial assets		0,00	50.497,63
b	in third parties	VI.14	117.622.995,14	25.822.941,16
	- shares or stock		117.622.995,14	0,00
	- other securities		0,00	0,00
	- loans granted		0,00	0,00
	- other short-term financial assets		0,00	25.822.941,16
c	cash and other cash equivalents		259.447.288,32	3.411.515.811,63
	- cash at hand and cash in bank		259.447.288,32	3.261.270.651,67
	- other cash		0,00	150.245.159,96
	- other cash equivalents		0,00	0,00
2	Other short-term investments		0,00	0,00
IV	Short-term prepayments and deferred expenses	VI.25	125.974.147,82	22.495.607,50
	TOTAL ASSETS		32.002.907.058,55	29.060.787.011,99

**) The issue of restatement of data for the comparable period was described in the Note VI 1 of the supplementary information and explanations to the foregoing financial statements.*

EQUITY AND LIABILITIES

No.	Item	Note	As at 31 December 2010	As at 31 December 2009 <i>restated*</i>
A	Equity		28.519.569.847,10	26.935.055.802,19
I	Share capital	VI.26	18.697.837.270,00	17.300.900.000,00
II	Capital of the subsidiaries to raise the capital of PGE S.A.		0,00	1.396.937.270,00
III	Outstanding share capital contribution (negative value)		0,00	0,00
IV	(negative value)	VI.28	(228.980,00)	0,00
V	Reserve capital		6.727.591.669,48	6.591.665.786,74
VI	Revaluation reserve		3.692.621,46	3.695.129,07
VII	Other reserve capital		49.779.301,47	0,00
VIII	Retained earnings		120.474.499,24	271.463.470,46
IX	Net profit		2.920.423.465,45	1.391.030.991,18
X	Appropriation of the net profit during the financial year (negative value)		0,00	(20.636.845,26)
B	LIABILITIES AND PROVISIONS FOR LIABILITIES		3.483.337.211,45	2.125.731.209,80
I	Provisions for liabilities		418.826.489,54	405.369.138,67
1	Deferred tax liability	VI.48	32.296.168,97	27.991.041,60
2	Provision for retirement and similar benefits	VI.29	24.067.599,99	24.281.804,00
	- long-term		21.716.916,89	21.907.531,00
	- short-term		2.350.683,10	2.374.273,00
3	Other provisions	VI.30	362.462.720,58	353.096.293,07
	- long-term		0,00	0,00
	- short-term		362.462.720,58	353.096.293,07
II	Long-term liabilities		0,00	0,00
1	To related parties		0,00	0,00
a	Loans and borrowings		0,00	0,00
b	Debt securities		0,00	0,00
c	Other financial liabilities (including finance leases)		0,00	0,00
d	Related to fixed assets and intangible assets		0,00	0,00
e	Other		0,00	0,00
2	To third parties		0,00	0,00
a	Loans and borrowings		0,00	0,00
b	Debt securities		0,00	0,00
c	Other financial liabilities (including finance leases)		0,00	0,00
d	Related to fixed assets and intangible assets		0,00	0,00
e	Other		0,00	0,00
III	Short-term liabilities		3.048.824.882,74	1.709.534.890,36
1	To related parties		2.506.584.513,88	1.366.293.156,10
a	Trade liabilities due:	VI.35	723.576.104,36	861.953.259,61
	- within 12 months		723.576.104,36	861.953.259,61
	- after 12 months		0,00	0,00
b	Loans and borrowings	VI.32	0,00	0,00
c	Debt securities	VI.33	1.781.326.444,02	503.758.544,34
d	Other financial liabilities (including finance leases)	VI.34	0,00	211.650,92
e	Related to fixed assets and intangible assets		1.532.381,30	193.760,40
f	Other		149.584,20	175.940,83
2	To third parties		537.700.374,10	338.798.131,12
a	Loans and borrowings		229.805.220,59	52.783.019,55
b	Debt securities		0,00	0,00
c	Other financial liabilities		20.000.000,00	0,00

No.	Item	Note	As at 31 December 2010	As at 31 December 2009 <i>restated*</i>
d	Trade liabilities due:	VI.35	249.495.471,65	223.699.056,62
	- within 12 months		249.495.471,65	223.671.582,92
	- after 12 months		0,00	27.473,70
e	Advances received for deliveries		0,00	0,00
f	Bills of exchange payable		0,00	0,00
g	Tax, customs duties, social security and other benefits creditors		33.563.069,50	28.342.450,07
h	Payroll liability		1.748,00	4.475.849,37
i	Related to fixed assets and intangible assets		1.081.076,92	2.123.107,53
j	Other		3.753.787,44	27.374.647,98
3	Special funds		4.539.994,76	4.443.603,14
IV	Accruals and deferred income		15.685.839,17	10.827.180,77
1	Negative goodwill		0,00	0,00
2	Other accruals and deferred income	VI.36	15.685.839,17	10.827.180,77
	- long-term		0,00	0,00
	- short-term		15.685.839,17	10.827.180,77
TOTAL EQUITY AND LIABILITIES			32.002.907.058,55	29.060.787.011,99

*) The issue of restatement of data for the comparable period was described in the Note VI 1 of the supplementary information and explanations to the foregoing financial statements.

Warsaw, 15 March 2011

Tomasz Zadroga
President of the
Management Board

Marek Szostek
Vice-President of the
Management Board

Piotr Szymanek
Vice-President of the
Management Board

Marek Trawiński
Vice-President of the
Management Board

III. Profit and loss account – costs by activities variant.

No.	Item	Note	For the period	
			From 1 January to 31 December 2010	From 1 January to 31 December 2009 <i>restated *</i>
A	Net revenues from the sale of finished products, merchandise and raw materials, including:	VI.40	11.663.346.286,23	12.532.100.437,49
-	from related parties		7.722.827.677,88	7.717.170.458,04
I	net revenues from the sale of products		104.386.765,59	116.953.557,29
II	net revenues from the sale of merchandise and raw materials		11.558.959.520,64	12.415.146.880,20
B	Costs of finished products, merchandise and raw materials sold, including:		11.330.513.829,99	11.895.786.519,73
I	Cost of finished products sold	VI.41	114.209.742,69	139.117.666,51
II	Cost of merchandise and raw materials sold		11.216.304.087,30	11.756.668.853,22
C	Gross profit on sales (A-B)		332.832.456,24	636.313.917,76
D	Selling expenses	VI.41	7.917.728,20	61.742.127,81
E	Administration and general expenses	VI.41	106.757.348,26	94.345.926,49
F	Profit on sales (C-D-E)		218.157.379,78	480.225.863,46
G	Other operating revenues	VI.42	12.747.508,54	13.882.281,49
I	Profit on disposal of non-financial fixed assets		443.582,02	66.665,94
II	Grants		0,00	488.547,81
III	Other operating revenues		12.303.926,52	13.327.067,74
H	Other operating expenses	VI.43	15.914.582,33	56.005.029,97
I	Loss on disposal of non-financial fixed assets		0,00	0,00
II	Revaluation of non-financial assets		121.766,45	2.531.340,97
III	Other operating costs		15.792.815,88	53.473.689,00
I	Operating profit (F+G-H)		214.990.305,99	438.103.114,98
J	Financial revenues	VI.44	2.857.519.348,96	1.462.861.795,82
I	Dividends and shares in profits, including:		2.534.467.059,92	1.079.881.891,91
-	from related parties		2.533.807.759,20	1.079.106.291,91
II	Interest including:		225.714.142,61	175.954.295,79
-	from related parties		128.996.297,49	130.467.708,98
III	Profit on disposal of investment		92.970.077,38	15.548.929,64
IV	Revaluation of investment		3.487.052,39	190.598.901,56
V	Other		881.016,66	877.776,92
K	Financial expenses	VI.45	62.052.579,80	211.430.034,53
I	Interest including:		4.070.566,63	136.850.153,27
-	to related parties		3.326.542,45	70.468.055,56
II	Loss on disposal of investment		0,00	0,00
III	Revaluation of investment		27.602,50	31.406.093,95
IV	Costs of changes in provisions due to changes in discount rates		0,00	0,00
V	Other		57.954.410,67	43.173.787,31
L	Profit (loss) on business activity (I+J-K)		3.010.457.075,15	1.689.534.876,27
M	Extraordinary results (M.I. - M.II.)	VI.46	0,00	0,00
I	Extraordinary gains		0,00	0,00
II	Extraordinary losses		0,00	0,00
N	Gross profit (loss) (L±M)		3.010.457.075,15	1.689.534.876,27

No.	Item	Note	For the period	
			From 1 January to 31 December 2010	From 1 January to 31 December 2009 <i>restated *</i>
O	Income tax	VI.47	90.023.171,70	100.361.824,69
I.	Current tax		87.175.628,00	101.417.706,00
II.	Deferred tax		2.847.543,70	(1.055.881,31)
P	Other obligatory charges decreasing the profit (increasing the loss) distribution from profit		10.438,00	198.142.060,40
R	Net profit (N-O-P)		2.920.423.465,45	1.391.030.991,18

**) The issue of restatement of data for the comparable period was described in the Note VI 1 of the supplementary information and explanations to the foregoing financial statements..*

Warsaw, 15 March 2011

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IV. Statement of changes in equity.

No.	Item	From 1 January to 31 December 2010	from 1 January to 31 December 2009 <i>restated *</i>
I.	Equity at the beginning of period	26.935.055.802,19	20.558.482.977,73
1	Share capital at the beginning of period	17.300.900.000,00	14.705.765.000,00
1.1.	Changes in share capital	1.396.937.270,00	2.595.135.000,00
a	increase (due to)	1.396.937.270,00	2.595.135.000,00
-	issue of shares	0,00	2.595.135.000,00
-	merger of PGE S.A. and PGE Energia S.A. and PGE GiE S.A.	1.396.937.270,00	0,00
b	decrease	0,00	0,00
1.2.	Equity at the end of period	18.697.837.270,00	17.300.900.000,00
2	The capital of the subsidiaries to raise the share capital at the beginning of the period	1.396.937.270,00	1.396.937.270,00
2.1	Changes in the share capital of the subsidiaries	(1.396.937.270,00)	0,00
a	increase (due to)	0,00	0,00
-	other	0,00	0,00
b	decrease (due to)	1.396.937.270,00	0,00
-	merger of PGE S.A. with PGE Energia S.A. and PGE GiE S.A.	1.396.937.270,00	0,00
2.2	The capital of the subsidiaries to raise the share capital at the end of the period	0,00	1.396.937.270,00
3	Outstanding share capital contribution at the beginning of period	0,00	0,00
3.1.	Change in outstanding share capital contribution	0,00	0,00
a	increase (due to)	0,00	0,00
-	other	0,00	0,00
b	decrease (due to)	0,00	0,00
-	other	0,00	0,00
3.2.	Outstanding share capital contribution at the end of period	0,00	0,00
4	Treasury shares at the beginning of period	0,00	0,00
a	Increase	(228.980,00)	0,00
-	purchase of treasury shares	(228.980,00)	
b	Decrease	0,00	0,00
4.1.	Treasury shares at the end of period	(228.980,00)	0,00
5	Reserve capital at the beginning of period	6.591.665.786,74	3.234.271.144,18
5.1.	Changes in reserve capital	135.925.882,74	3.357.394.642,56
a	increase (due to)	136.275.992,80	3.367.526.031,78
-	issue of shares above nominal value,	0,0	3.305.115.148,21
-	profit distribution (statutory)	136.273.485,19	62.409.769,95
-	profit distribution (above the minimum statutory value)	0,00	0,00
-	reclassification from the other reserve capitals	0,00	0,00
-	reclassification from the revaluation reserve due to a contribution in kind, disposal or liquidation of fixed assets	2.507,61	1.113,62

The supplementary information and explanations are an integral part of the above statement of changes in equity.

No.	Item	From 1 January to 31 December 2010	from 1 January to 31 December 2009 <i>restated *</i>
b	decrease (due to)	350.110,06	10.131.389,22
-	excess of value of own shares above nominal value	350.110,06	0,00
-	dividend paid	0,00	10.131.389,22
5.2.	Reserve capital at the end of the period	6.727.591.669,48	6.591.665.786,74
6	Revaluation reserve at the beginning of period	3.695.129,07	3.696.242,69
6.1.	Changes in revaluation reserve	(2.507,61)	(1.113,62)
a	increase (due to)	0,00	0,00
-	revaluation of the financial assets	0,00	0,00
b	decrease (due to)	2.507,61	1.113,62
-	reclassification from the revaluation reserve due to a contribution in kind, disposal or liquidation of fixed assets	2.507,61	1.113,62
6.2.	Revaluation reserve at the end of period	3.692.621,46	3.695.129,07
7	Other reserve capitals at the beginning of period	0,00	415.103.254,09
7.1.	Changes in other reserve capitals	49.779.301,47	(415.103.254,09)
a	increase (due to)	49.779.301,47	0,00
-	profit distribution to reserve capital	49.779.301,47	0,00
b	decrease (due to)	0,00	415.103.254,09
-	loss coverage	0,00	0,00
-	other/ payment of dividend-kind	0,00	415.103.254,09
7.2.	Other reserve capitals at the end of period	49.779.301,47	0,00
8	Retained earnings at the beginning of period	1.641.857.616,38	871.710.066,77
8.1.	Retained profits at the beginning of period	1.641.857.616,38	1.024.339.778,50
a	increase (due to)	0,00	1.800.000,00
-	fund liquidation	0,00	1.800.000,00
b	decrease (due to)	1.521.383.117,14	754.676.308,04
-	reclassification to reserve capital	136.273.485,19	62.409.769,95
-	dividend paid	1.335.330.330,48	539.636.826,95
-	loss coverage	0,00	152.629.711,14
-	reclassification to other reserve capital	49.779.301,47	0,00
8.2.	Retained profits at the end of period	120.474.499,24	271.463.470,46
8.3.	Retained losses at the beginning of period (-)	0,00	(152.629.711,14)
a	increase	0,00	0,00
b	decrease (due to)	0,00	152.629.711,14
-	loss coverage	0,00	152.629.711,14
8.4.	Retained losses at the end of period	0,00	0,00
8.5.	Retained earnings at the end of period	120.474.499,24	271.463.470,46
9	Net result	2.920.423.465,45	1.370.394.145,92
a	net profit	2.920.423.465,45	1.391.030.991,18

The supplementary information and explanations are an integral part of the above statement of changes in equity.

No.	Item	From 1 January to 31 December 2010	from 1 January to 31 December 2009 <i>restated *</i>
b	net loss (negative value)	0,00	0,00
c	appropriation of the net profit (negative value)	0,00	(20.636.845,26)
II	Equity at the end of period	28.519.569.847,10	26.935.055.802,19
III	Equity after the proposed profit distribution	27.304.225.308,25	

**) The issue of restatement of data for the comparable period was described in the Note VI 1 of the supplementary information and explanations to the foregoing financial statements.*

Warsaw, 15 March 2011

Tomasz Zadroga
 President of the
 Management Board

Marek Szostek
 Vice-President of the
 Management Board

Piotr Szymanek
 Vice-President of the
 Management Board

Marek Trawiński
 Vice-President of the
 Management Board

V. Cash flow statement.

No.	Item	For the period	
		from 1 January to 31 December 2010	from 1 January to 31 December 2009 <i>restated *</i>
A	Cash flow from operating activities		
I	Net profit (loss)	2.920.423.465,45	1.391.030.991,18
II	Total adjustment	(2.596.253.316,59)	(922.224.154,88)
1	Depreciation and amortization	20.237.363,56	20.976.816,04
2	Foreign exchange profit (loss)	9.026.552,78	7.879.639,17
3	Interest and shares in profit (dividends)	(2.637.953.405,42)	(902.002.148,97)
4	Profit (loss) on investment activity	(93.097.236,66)	(174.776.953,19)
5	Change in provisions	13.457.350,87	55.154.085,49
6	Change in inventories	36.943.785,57	47.920.864,66
7	Change in account receivables	229.844.902,97	(345.761.331,94)
8	Change in short-term liabilities, excluding loans and borrowings	(166.027.874,73)	413.009.652,78
9	Change in prepayments and accruals, deferred income and expenses	(5.276.723,73)	(45.137.117,04)
10	Other adjustments	(3.408.032,10)	512.338,12
III	Net cash flow from operating activities (I ± II)	324.170.148,86	468.806.836,30
B	Cash flow from investment activities		
I	Proceeds	9.389.608.283,34	2.363.746.200,60
1	Disposal of intangibles and tangible fixed assets	830.467,42	278.785,27
2	Disposal of investment property and investment in intangible assets	0,00	0,00
3	From financial assets, including:	9.388.777.815,92	2.362.659.268,25
a)	in related parties	9.357.715.305,04	2.360.386.558,16
-	sales of bonds	7.325.100.262,08	1.466.493.034,25
-	sales of stock and shares	0,00	4.787.232,00
-	dividends and profit sharing	1.994.177.782,69	889.106.291,91
-	repayment of originated loans	38.437.260,27	0,00
b)	in third parties	31.062.510,88	2.272.710,09
-	sales of financial assets	3.000.000,00	0,00
-	dividends and profit sharing	659.300,72	775.600,00
-	repayment of originated long-term loans	0,00	0,00
-	interest	36.251,10	1.497.110,09
-	other proceeds from financial assets	27.366.959,06	0,00
4	Other proceeds from investment activities	0,00	808.147,08
II	Disbursements	12.936.836.362,69	1.778.313.371,35
1	Purchase of intangible assets and tangible fixed assets	19.892.174,59	18.554.837,45
2	Purchase of investment property and intangible assets	0,00	0,00
3	For financial assets including:	12.916.944.188,10	1.759.758.533,90
a)	in related parties	12.840.155.953,18	1.739.021.330,90
-	purchase of bonds	9.590.022.334,78	1.468.537.356,90
-	purchase of shares and stocks	3.205.533.618,40	270.483.974,00
-	originated loans	44.600.000,00	0,00
b)	in third parties	76.788.234,92	20.737.203,00
-	purchase of financial assets	76.788.234,92	20.737.203,00

No.	Item	For the period	
		from 1 January to 31 December 2010	from 1 January to 31 December 2009 <i>restated</i> *
-	originated long-term loans	0,00	0,00
4	Other investments disbursements	0,00	0,00
III	Net cash flow from investment activities (I-II)	(3.547.228.079,35)	585.432.829,25
C	Cash flow from financing activities		
I	Proceeds	2.010.046.695,42	24.943.412.923,63
1	Net proceeds from the issue of shares and other equity instruments and additional shareholder payment	0,00	5.917.531.589,91
2	Loans and borrowings	229.803.795,42	0,00
3	Issue of debt securities	1.780.242.900,00	19.025.881.333,72
4	Other proceeds from financing activities	0,00	0,00
II	Disbursements	1.930.102.303,33	22.768.651.975,02
1	Purchase of treasury shares	579.090,06	0,00
2	Dividends and other payments to shareholders	1.333.567.687,75	1.162.432.305,19
3	Other payments relating to profit distribution, excluding payments to shareholders	0,00	0,00
4	Repayment of loans and borrowings	52.781.594,38	437.846.281,54
5	Redemption of debt securities	535.779.033,59	21.028.196.062,00
6	Other financial liabilities	0,00	0,00
7	Payments relating to financial lease obligations	211.650,92	218.362,84
8	Interest	7.183.246,63	139.958.963,45
9	Other disbursements from financing activities	0,00	0,00
III	Net cash flow from financial activities (I-II)	79.944.392,09	2.174.760.948,61
D	Total net cash flow (A.III ± B.III ± C.III)	(3.143.113.538,40)	3.229.000.614,16
E	Balance sheet change in cash and cash equivalents, including:	(3.152.068.523,31)	3.235.000.984,26
-	change in cash and cash equivalents due to exchange differences	(184.285,57)	(2.796.623,37)
F	Cash and cash equivalents at the beginning of period	3.402.988.630,32	173.988.016,16
G	Cash and cash equivalents at the end of period (F±D), including:	259.875.091,92	3.402.988.630,32
-	restricted cash	1.491.839,64	1.444.793,34

*) The issue of restatement of data for the comparable period was described in in the Note VI 1 of the supplementary information and explanations to the foregoing financial statements.

Warsaw, 15 March 2011

Tomasz Zadroga
President of the
Management Board

Marek Szostek
Vice-President of the
Management Board

Piotr Szymanek
Vice-President of the
Management Board

Marek Trawiński
Vice-President of the
Management Board

VI. Supplementary information and explanations.

1. The merger of PGE Polska Grupa Energetyczna S.A., PGE Górnictwo i Energetyka S.A. (PGE GiE S.A.), PGE Energia S.A. and PGE Electra S.A.

Description of the merger.

The Consolidation Programme of PGE Capital Group, commenced within PGE Capital Group, has been initiated in 2009. The purpose of the Programme was a formal and legal merger of entities in the following areas:

- retail sales of electric energy;
- distribution of electric energy;
- conventional energy (mining and production);
- renewable energy

Organizational and legal part of the Consolidation Programme assumed the merger of 38 companies being subsidiaries directly or indirectly, into 4 consortiums, and also the merger of PGE Polska Grupa Energetyczna S.A. (taking over company) with PGE GiE S.A. and PGE Energia S.A. (acquired companies). On 26 January 2010, fulfilling the assumption of the Programme. Under the Programme conditions PGE S.A., PGE GiE S.A. and PGE Energia S.A. signed the „Plan of Merger”, describing, in accordance to Art. 499 § 1 of the Commercial Code, among others, the method of the merger of the companies, as well as the share exchange ratio, in accordance to Art. 501 of the Code of Commercial Companies.

On 31 August 2010, according to order of District Court for the Capital City of Warsaw, Economic Department of National Court Register, the merger of PGE GiE S.A. and PGE Energia S.A. with PGE S.A. took place. As a result of merger, the acquired companies were dissolved without liquidation. The share capital of the taking over company was increased by amount of PLN 1.396.937.270, resulting from the share exchange ratio approved, through an issue of 73.241.482 C series shares and 66.452.245 D series shares of the nominal value of PLN 10 each. The shares were issued to non-controlling shareholders of the acquired companies in accordance with Art. 514 Code of Commercial Companies.

The details of increase of the capital were described in Note VI 26 of the supplementary information and explanations to the foregoing financial statements.

As a result of further implementation of the Programme, on 31 December 2010 according to order of District Court for the Capital City of Warsaw, Economic Department of National Court Register, the merger of PGE S.A. (taking over company) and PGE Electra S.A. (company acquired) occurred. The merger took place in compliance with art. 492 par. 1 p. 1 and art. 516 par. 1 of the Commercial Code, namely the transfer of all assets of the company being acquired by the PGE (merger in the way of takeover) without an increase of the share capital of taking over company and without issuing shares of acquired company in exchange for shares of acquired company.

The settlement of the merger in the financial statements of the Company.

Realizing the merger described above, the shareholders of the parent company PGE S.A. had a control over the companies, which were subject to merger, and they did not lose this control as a result of the merger. According to above, in accordance with Art 44c of Act on Accounting, the settlement in the accounts was possible with the pooling of interest method.

The general rule of using the pooling of interest method is to aggregate individual items of the relevant positions of assets and equity and liabilities as well as revenues and costs of the merged companies, as at the merger day, after bringing their value into the uniform method of valuation and making appropriate exclusions. The differences between the net assets contributed and the value of equity issued by the acquiring company has been recognized directly in equity of the acquiring company. The financial statements of the Company, to which the property passes the acquired companies, comprises the comparative data, in such a way as if they had been united from the beginning of the previous reporting period.

The Company performed the settlement with the pooling of interests method in the following way:

- The book value of assets and liabilities of acquired companies PGE Energia S.A., PGE GiE S.A. and PGE Electra S.A. were recorded in the account books of PGE S.A. after bringing them into being comparable.
- Mutual debts and liabilities, revenues and costs of business transactions carried out in the financial year were eliminated - including dividends received from the acquired companies and shares held in the acquired companies.
- As a result of merger, the share capital of taking over company was raised by PLN 1.396.937 thousand and was presented in a separate caption in equity as a “Capital of the subsidiaries to raise the capital of PGE S.A.” for the comparative period and to the day of registration of merger in 2010.
- The share capitals of acquired companies were excluded. After the excluding, the reserve capital of merging companies was adjusted by the difference between the amounts of taken over assets and liabilities. In the financial statements after the merger, the sum of emerged reserve capitals, other reserves and retained earnings of acquired companies, was presented.
- The cost incurred as a result of the merger constituted a part of financial costs.
- Within bringing the assets of the merged companies into uniform value method, the value of shares of PGE GiE S.A. were revaluated in accordance to valuation prepared for increasing of the PGE S.A. share capital in 2007. Therefore, the carrying value of shares of PGE Górnictwo i Energetyka Konwencjonalna S.A. increased by the amount of PLN 3.392.550 thousand as well as shares of PGE Elektrownia Opole S.A. increased by the amount PLN 812.285 thousand. The amount resulted from the revaluation of shares was booked in reference with the reserve capital.

Restatement of the data of the comparative period.

The restatement of the balance sheet and the profit and loss account as a result of merge of PGE S.A., PGE GiE S.A., PGE Energia S.A. and PGE Electra S.A. is presented below. The data presented result from the approved financial statements of the merging companies for the previous financial year, after recording adjustments relating to using the pooling of the interests method, described above.

Assets as at 31 December 2009

No.	Item	PGE S.A.	PGE Górnictwo i Energetyka S.A.	PGE Energia S.A.	PGE Electra S.A.	Adjustments resulting from application of the pooling of interests method	Aggregated data presented as comparative data
A	NON CURRENT ASSETS	21.018.516.235,05	5.120.273.142,10	7.519.922.556,37	14.207.496,72	(10.173.420.133,82)	23.499.499.296,42
I	Intangible assets	3.810.051,90	3.738.292,99	101.386,02	4.448.545,60	(1.019.095,06)	11.079.181,45
II	Tangible fixed assets	74.424.857,75	7.005.671,89	230.884,10	2.588.981,24	0,00	84.250.394,98
III	Long-term receivables	2.041.587,79	0,00	0,00	0,00	1.415.418,00	3.457.005,79
IV	Long-term investments	20.701.201.016,02	5.109.165.130,00	7.519.532.595,87	5.715.170,97	(10.173.985.453,17)	23.161.628.459,69
V	Long-term prepayments and deferred expenses	237.038.721,59	364.047,22	57.690,38	1.454.798,91	168.996,41	239.084.254,51
B	CURRENT ASSETS	4.937.968.707,80	100.464.706,62	49.356.173,87	914.754.122,68	(441.255.995,40)	5.561.287.715,57
I	Inventory	242.903,19	335.151,29	0,00	67.683.907,20	0,00	68.261.961,68
II	Short-term receivables	836.912.480,40	5.151.055,20	522.509,72	731.433.124,36	(422.351.391,09)	1.151.667.778,59
III	Short-term investments	4.079.601.133,91	94.106.658,66	48.820.718,41	115.238.461,13	(18.904.604,31)	4.318.862.367,80
IV	Short-term prepayments and deferred expenses	21.212.190,30	871.841,47	12.945,74	398.629,99	0,00	22.495.607,50
	TOTAL ASSETS	25.956.484.942,85	5.220.737.848,72	7.569.278.730,24	928.961.619,40	(10.614.676.129,22)	29.060.787.011,99

Equity and liabilities as at 31 December 2009

Lp.	Item	PGE S.A.	PGE Górnictwo i Energetyka S.A.	PGE Energia S.A.	PGE Electra S.A.	Adjustments resulting from application of the pooling of interests method	Aggregated data presented as comparative data
A	EQUITY	24.196.441.678,90	5.215.238.738,81	7.568.624.509,73	126.014.066,82	(10.171.263.192,07)	26.935.055.802,19
I	Share capital	17.300.900.000,00	3.827.809.700,00	7.519.861.158,00	70.000.000,00	(11.417.670.858,00)	17.300.900.000,00
II	Capital of the subsidiaries to raise the capital of PGE S.A.	0,00	0,00	0,00	0,00	1.396.937.270,00	1.396.937.270,00
III	Outstanding share contribution (negative value)	0,00	0,00	0,00	0,00	0,00	0,00
IV	Treasury shares (negative value)	0,00	0,00	0,00	0,00	0,00	0,00
V	Reserve capital	5.449.548.812,99	1.277.069.009,48	18.132.828,85	167.000,00	(153.251.864,58)	6.591.665.786,74
VI	Revaluation reserve	3.695.129,07	0,00	0,00	0,00	0,00	3.695.129,07
VII	Other reserve capital	0,00	0,00	0,59	0,00	(0,59)	0,00
VIII	Retained earnings	1.800.000,00	0,00	0,00	0,00	269.663.470,46	271.463.470,46
IX	Net profit	1.440.497.736,84	221.366.510,63	57.204.775,33	75.847.066,82	(403.885.098,44)	1.391.030.991,18
X	Appropriation of the net profit Turing financial year	0,00	(111.006.481,30)	(26.574.253,04)	(20.000.000,00)	136.943.889,08	(20.636.845,26)
B	LIABILITIES AND PROVISIONS FOR LIABILITIES	1.760.043.263,95	5.499.109,91	654.220,51	802.947.552,58	(443.412.937,15)	2.125.731.209,80
I	Provisions for liabilities	398.055.406,45	1.634.197,18	19.296,14	9.624.367,13	(3.964.128,23)	405.369.138,67
II	Long-term liabilities	0,00	0,00	0,00	0,00	0,00	0,00
III	Short term liabilities	1.352.752.024,34	3.646.758,41	426.686,45	792.474.998,56	(439.765.577,40)	1.709.534.890,36
IV	Accruals and deferred income	9.235.833,16	218.154,32	208.237,92	848.186,89	316.768,48	10.827.180,77
	TOTAL EQUITY AND LIABILITIES	25.956.484.942,85	5.220.737.848,72	7.569.278.730,24	928.961.619,40	(10.614.676.129,22)	29.060.787.011,99

Profit and loss account – for the period from 1 January to 31 December 2009

No.	Item	PGE S.A.	PGE Górnictwo i Energetyka S.A.	PGE Energia S.A.	PGE Electra S.A.	Adjustments resulting from application of the pooling of interests method	Aggregated data presented as comparative data
A	Net revenues from the sale of finished products, merchandise and Raw materials	10.929.870.160,93	41.037.384,57	867.130,10	6.995.811.328,59	(5.435.485.566,70)	12.532.100.437,49
B	Costs of finished products, merchandise and Raw materials sold	10.388.911.563,91	36.954.344,54	863.409,28	6.892.941.282,52	(5.423.884.080,52)	11.895.786.519,73
C	Gross profit (loss) on sales	540.958.597,02	4.083.040,03	3.720,82	102.870.046,07	(11.601.486,18)	636.313.917,76
D	Selling expenses	72.350.211,91	0,00	0,00	0,00	(10.608.084,10)	61.742.127,81
E	Administration and general expenses	78.442.836,49	5.980.945,73	3.104.802,37	7.853.400,44	(1.036.058,54)	94.345.926,49
F	Profit on sales	390.165.548,62	(1.897.905,70)	(3.101.081,55)	95.016.645,63	42.656,46	480.225.863,46
G	Other operating revenues	7.628.711,99	1.775.204,22	5.890,98	5.609.225,82	(1.136.751,52)	13.882.281,49
H	Other operating costs	51.115.737,60	1.913.708,77	7.469,22	6.590.842,48	(3.622.728,10)	56.005.029,97
I	Operating profit	346.678.523,01	(2.036.410,25)	(3.102.659,79)	94.035.028,97	2.528.633,04	438.103.114,98
J	Financial revenues	1.585.697.408,00	224.149.416,12	60.621.892,74	3.639.840,81	(411.246.761,85)	1.462.861.795,82
K	Financial costs	213.069.274,27	73.882,94	228,86	2.926.050,77	(4.639.402,31)	211.430.034,53
L	Profit (loss) on business activity	1.719.306.656,74	222.039.122,93	57.519.004,09	94.748.819,01	(404.078.726,50)	1.689.534.876,27
M	Extraordinary results	0,00	0,00	0,00	0,00	0,00	0,00
N	Gross profit	1.719.306.656,74	222.039.122,93	57.519.004,09	94.748.819,01	(404.078.726,50)	1.689.534.876,27
O	Income tax	80.666.859,50	672.612,30	314.228,76	18.901.752,19	(193.628,06)	100.361.824,69
P	Other obligatory charges decreasing the profit distribution from profit	198.142.060,40	0,00	0,00	0,00	0,00	198.142.060,40
R	Net profit	1.440.497.736,84	221.366.510,63	57.204.775,33	75.847.066,82	(403.885.098,44)	1.391.030.991,18

2. Changes in intangible assets from 1 January 2010 to 31 December 2010.

No.	Item	Development costs	Goodwill	Concessions and patents total	Including software	Other	Advances	Total
Gross book value								
1	Opening balance	786.194,46	0,00	0,00	0,00	55.971.450,24	55.000,00	56.812.644,70
2	Additions	0,00	0,00	0,00	0,00	3.224.150,05	(55.000,00)	3.169.150,05
a	transfer from fixed assets under construction	0,00	0,00	0,00	0,00	3.224.150,05	(55.000,00)	3.169.150,05
b	other	0,00	0,00	0,00	0,00	0,00	0,00	0,00
3	Disposals	0,00	0,00	0,00	0,00	214.026,05	0,00	214.026,05
a	sales	0,00	0,00	0,00	0,00	924,00	0,00	924,00
b	liquidation	0,00	0,00	0,00	0,00	31.720,00	0,00	31.720,00
c	other	0,00	0,00	0,00	0,00	181.382,05	0,00	181.382,05
4	Closing balance	786.194,46	0,00	0,00	0,00	58.981.574,24	0,00	59.767.768,70
Amortisation								
5	Opening balance	0,00	0,00	0,00	0,00	45.733.463,25	0,00	45.733.463,25
6	Additions	0,00	0,00	0,00	0,00	7.729.136,19	0,00	7.729.136,19
a	amortisation for the period	0,00	0,00	0,00	0,00	7.729.136,19	0,00	7.729.136,19
b	other	0,00	0,00	0,00	0,00	0,00	0,00	0,00
7	Disposals	0,00	0,00	0,00	0,00	214.026,08	0,00	214.026,08
a	sales	0,00	0,00	0,00	0,00	924,00	0,00	924,00
b	liquidation	0,00	0,00	0,00	0,00	31.720,00	0,00	31.720,00
c	other	0,00	0,00	0,00	0,00	181.382,08	0,00	181.382,08
8	Closing balance	0,00	0,00	0,00	0,00	53.248.573,36	0,00	53.248.573,36
9	Net value at the beginning of period	786.194,46	0,00	0,00	0,00	10.237.986,99	55.000,00	11.079.181,45
10	Net value at the end of period	786.194,46	0,00	0,00	0,00	5.733.000,88	0,00	6.519.195,34

3. Changes in fixed assets from 1 January 2010 to 31 December 2010.

No.	Item	Land (including perpetual usufruct right of land)	Buildings, premises and civil engineering facilities	Technical machinery and equipment	Vehicles	Other fixed assets	Total
Gross value							
1	Opening balance	0,00	81.921.787,55	87.474.739,19	3.476.572,51	7.373.645,52	180.246.744,77
2	Additions	0,00	2.462.025,37	9.223.141,73	700,00	700.388,63	12.386.255,73
a	transfer from fixed assets under construction	0,00	2.462.025,37	9.216.877,39	0,00	693.499,42	12.372.402,18
b	reclassification among fixed assets	0,00	0,00	2.917,39	0,00	6.889,21	9.806,60
c	other	0,00	0,00	3.346,95	700,00	0,00	4.046,95
3	Disposals	0,00	72.700,53	3.181.906,16	1.028.223,16	1.315.692,66	5.598.522,51
a	sales	0,00	68.308,53	908.984,76	1.028.223,16	412.451,33	2.417.967,78
b	liquidation	0,00	4.392,00	1.971.174,67	0,00	87.041,90	2.062.608,57
c	donations	0,00	0,00	93.117,02	0,00	591.603,01	684.720,03
d	reclassification among fixed assets	0,00	0,00	6.889,21	0,00	2.917,39	9.806,60
e	reclassification to low-value tangible fixed assets	0,00	0,00	200.412,59	0,00	221.362,03	421.774,62
f	other	0,00	0,00	1.327,91	0,00	317,00	1.644,91
4	Closing balance	0,00	84.311.112,39	93.515.974,76	2.449.049,35	6.758.341,49	187.034.477,99
Depreciation							
5	Opening balance	0,00	25.406.559,09	69.972.560,32	2.566.745,87	6.807.363,40	104.753.228,68
6	Additions	0,00	2.241.201,73	9.646.122,35	356.431,41	279.427,04	12.523.182,53
a	amortisation for the period	0,00	2.241.201,73	9.638.937,82	356.431,41	272.537,83	12.509.108,79
b	reclassification among fixed assets	0,00	0,00	2.917,39	0,00	6.889,21	9.806,60
c	depreciation from the previous years	0,00	0,00	920,16	0,00	0,00	920,16
d	other	0,00	0,00	3.346,98	0,00	0,00	3.346,98
7	Disposals	0,00	58.893,02	2.818.846,58	994.972,49	1.299.567,89	5.172.279,98
a	sales	0,00	58.453,82	724.820,15	991.066,12	398.821,25	2.173.161,34
b	liquidation	0,00	439,20	1.794.165,95	0,00	84.547,21	1.879.152,36
c	donations	0,00	0,00	92.558,68	0,00	591.603,01	684.161,69
d	reclassification to low-value tangible fixed assets	0,00	0,00	200.412,59	0,00	221.362,03	421.774,62
e	reclassification among fixed assets	0,00	0,00	6.889,21	0,00	2.917,39	9.806,60
f	other	0,00	0,00	0,00	3.906,37	317,00	4.223,37
8	Closing balance	0,00	27.588.867,80	76.799.836,09	1.928.204,79	5.787.222,55	112.104.131,23
9	Net value at the beginning of period	0,00	56.515.228,46	17.502.178,87	909.826,64	566.282,12	75.493.516,09
10	Net value at the end of period	0,00	56.722.244,59	16.716.138,67	520.844,56	971.118,94	74.930.346,76

4. Land held under perpetual usufruct right.

No.	Item	As at	
		31 December 2010	31 December 2009
	Perpetual usufruct right to land	34.745.147,33	25.617.669,98
-	in the balance sheet	0,00	0,00
-	in the off-balance sheet records	34.745.147,33	25.617.669,98
	TOTAL	34.745.147,33	25.617.669,98

As at the balance sheet date, the Company used land under perpetual usufruct lease in the value of PLN 34.745 thousand. The value of land was determined by the Company based on the information provided by the decisions of Communal Offices regarding the imposition of perpetual usufruct charges. Decision concerning land valuation of the value PLN 34.745 thousand comes from 2010.

As at 31 December 2010, the area of land in perpetual usufruct amounted to 6.561,67 square meters. Decision about the valuation of the land amounting to 34.702 thousand was made in year 2010.

5. The net value of the fixed assets depreciated by the unit, used on the basis of lease agreement and other agreements of similar nature.

No.	Item	31 December 2010		31 December 2009	
		Financial leasing	other	Financial leasing	other
1	Land (including perpetual usufruct)	0,00	0,00	0,00	0,00
2	Buildings, land and water engineering premises	0,00	0,00	0,00	0,00
3	Plant and machinery	0,00	0,00	0,00	0,00
4	Means of transport	364.107,10	0,00	458.662,94	0,00
5	Other fixed assets	0,00	0,00	0,00	0,00
	TOTAL	364.107,10	0,00	458.662,94	0,00

During 2010 there were not amortized fixed assets that were used by the Company on the basis of lease agreement. This was mainly stand-alone building area, where were operating PGE GiE S.A. and PGE Energia S.A. As a result of their merger with PGE S.A. lease agreement were dissolved.

As at 31 December 2010, there were no fixed assets held by the Company which were not depreciated, that were used on the basis of lease, rental and other similar agreements

As at 31 December 2010, the Company did not record any liabilities due to the state or territorial self-government units related to received property rights of buildings and permits.

6. Changes in fixed assets under construction in the period from 1 January 2010 to 31 December 2010.

Capital expenditures cover mostly works related to management support system in PGE Capital Group.

No.	Item	Value
1	Opening balance	8.756.878,89
2	Additions	18.757.977,30
	capital expenditures	18.757.977,30
3	Disposals	15.941.027,28
a	transfer to fixed assets	12.372.402,18
b	transfer to intangible assets	3.169.150,05
c	write-off of investment abandoned	399.475,05
4	Closing balance	11.573.828,91
5	Net value at the beginning of the period	8.756.878,89
6	Net value at the end of the period	11.573.828,91

7. Changes in long-term receivables in the period from 1 January 2010 to 31 December 2010.

No.	Item	Value of long-term receivables
1	Opening balance	3.457.005,79
2	Increases	721.056,24
a	origination of receivables	721.056,24
b	reclassification from short-term receivables	0,00
3	Decreases	819.619,54
a	reclassification to short-term receivables	0,00
b	repayment	819.619,54
4	Closing balance	3.358.442,49

Long-term receivables include:

	Balance of receivables
Housing loans from the Company's Social Benefits Fund (ZFŚS)	2.538.764,54
Loans from the Effectiveness Promotion Fund (FnRZE)	819.677,95
Closing balance	3.358.442,49

8. Long-term investments.

Changes in long-term investments from 1 January 2010 to 31 December 2010.

No.	Item	Investment property	Intangible assets	Long-term financial assets	Other long-term investments	Total long-term investments
1	Opening balance	0,00	0,00	23.161.628.459,69	0,00	23.161.628.459,69
2	Increases	0,00	0,00	6.081.262.629,04	0,00	6.081.262.629,04
a	investments purchased	0,00	0,00	6.057.942.022,02	0,00	6.057.942.022,02
b	originated loans	0,00	0,00	4.400.000,00	0,00	4.400.000,00
c	reclassification	0,00	0,00	100.000,00	0,00	100.000,00
d	interest/investment valuation	0,00	0,00	15.333.554,63	0,00	15.333.554,63
e	impairment – reversal of write offs	0,00	0,00	3.487.052,39	0,00	3.487.052,39
f	other	0,00	0,00	0,00	0,00	0,00
3	Decreases	0,00	0,00	6.339.542.782,04	0,00	6.339.542.782,04
a	reclassification to short-term investments	0,00	0,00	6.336.383.501,98	0,00	6.336.383.501,98
b	reclassification	0,00	0,00	100.000,00	0,00	100.000,00
c	other	0,00	0,00	3.059.280,06	0,00	3.059.280,06
4	Closing balance	0,00	0,00	22.903.348.306,69	0,00	22.903.348.306,69

Changes In long-term financial assets from 1 January 2010 to 31 December 2010

No.	Item	Shares and stocks	Other securities	Originated loans	Other long-term financial assets	Total
1	Opening balance	21.352.324.502,24	1.809.203.957,45	0,00	100.000,00	23.161.628.459,69
2	Increases	3.257.045.262,73	2.819.817.366,31	4.400.000,00	0,00	6.081.262.629,04
a	investments purchased	3.256.517.490,40	2.801.424.531,62	0,00	0,00	6.057.942.022,02
b	interest/investment valuation	0,00	15.333.554,63	0,00	0,00	15.333.554,63
c	originated loans	0,00	0,00	4.400.000,00	0,00	4.400.000,00
d	reclassification	100.000,00	0,00	0,00	0,00	100.000,00
e	impairment – reversal of write offs	427.772,33	3.059.280,06	0,00	0,00	3.487.052,39
3	Decreases	2.177.584.751,51	4.161.083.811,68	774.218,85	100.000,00	6.339.542.782,04
a	reclassification to short-term investments	2.177.584.751,51	4.158.024.531,62	774.218,85	0,00	6.336.383.501,98
b	reclassification	0,00	0,00	0,00	100.000,00	100.000,00
c	other	0,00	3.059.280,06	0,00	0,00	3.059.280,06
4	Closing balance	22.431.785.013,46	467.937.512,08	3.625.781,15	0,00	22.903.348.306,69

During financial year PGE S.A. reclassified into short-term assets the held shares of following companies: Exatel S.A., Polkomtel S.A., Energopomiar Sp. z o.o., Agencja Rynku Energii S.A., Towarowa Gielda Energii S.A., PGE Inwest Sp. z o.o. II S.K.A. PGE S.A., is going to dispose mentioned shares within the year from the balance sheet date and to liquidate them in case of PGE Invest Sp. z o.o. II S.K.A.

The details of Polkomtel's share disposal were described in Note VI 56 of the supplementary information and explanations to the foregoing financial statements.

9. Long-term shares in subsidiaries as at 31 December 2010.

No.	Entity's name	Value at acquisition price of shares/stocks	Revaluation	Impairment	Carrying value of shares/stocks	% in the share capital	% of votes in the Company's decision-making body	Net profit/loss of the entity for the last financial year
1	PGE Górnictwo i Energetyka Konwencjonalna S.A.	12.989.356.639,21	0,00	0,00	12.989.356.639,21	91,03	91,03	*) 2.140.015.147,07
2	PGE Obrót S.A.	6.632.598.251,22	0,00	0,00	6.632.598.251,22	99,31	99,31	190.334.257,14
3	PGE Elektrownia Opole S.A.	1.387.768.304,00	0,00	0,00	1.387.768.304,00	85,00	85,00	*) 206.742.533,26
4	PGE Dystrybucja S.A.	946.639.617,52	0,00	0,00	946.639.617,52	10,05	10,05	389.471.563,22
5	PGE Energia Odnawialna S.A.	325.405.438,34	1.789.556,96	0,00	323.615.881,38	100,00	100,00	*) 103.224.024,73
6	PGE Energia Jądrowa S.A.	62.500.000,00	0,00	0,00	62.500.000,00	100,00	100,00	*) (8.506.729,65)
7	PGE EJ 1 Sp. z o.o.	37.240.000,00	0,00	0,00	37.240.000,00	49,00	49,00	*) (7.561.811,89)
8	PWE Gubin Sp. z o.o.	34.948.000,00	0,00	0,00	34.948.000,00	100,00	100,00	*) (2.113.618,34)
9	ELECTRA Deutschland GmbH	5.894.218,59	0,00	0,00	5.894.218,59	100,00	100,00	*) (1.483.567) EUR
10	PGE Serwis Sp. z o.o.	3.958.900,00	158.927,03	0,00	3.799.972,97	100,00	100,00	*) (1.970.154,14)
11	PGE Systemy S.A.	1.502.317,50	0,00	0,00	1.502.317,50	100,00	100,00	*) 487.222,66
12	Electra Bohemia s.r.o./Czechy/	1.597.734,75	0,00	0,00	1.597.734,75	100,00	100,00	no data
13	PGE Inwest Sp. z o.o.	1.050.000,00	0,00	0,00	1.050.000,00	100,00	100,00	*) (218.794,44)
14	Electra Slovakia s.r.o./Słowacja	226.768,25	0,00	226.768,25	0,00	100,00	100,00	no data
Total		22.430.686.189,38	1.948.483,99	226.768,25	22.428.510.937,14			

*) data comes from unaudited financial statements

During the financial period the following important changes relating to shares held by the Company took place:

- On the basis of agreement concluded with the State Treasury, PGE S.A. acquired 269 shares of PGE Zespół Elektrociepłowni Bydgoszcz S.A. amounted to PLN 959 thousand and 36.269 shares of PGE Elektrociepłownia Gorzów S.A. amounted to PLN 10.585 thousand. The transfer of shares to PGE S.A. was the date of signing the contract i.e. 10 June 2010.
- On 18 June 2010, on the basis of agreement concluded with KWB Konin w Kleczewie S.A., PGE S.A. acquired 100 % of shares of PWE Gubin Sp. z o.o. The price for shares amounted to PLN 34.948 thousand.
- On 11 June 2010, the General Meeting of Shareholders of ELECTRA Deutschland GmbH adopted a resolution related to an increase of the share capital by the amount of EUR 350 thousand in the manner of acquisition of shares in the increased capital. The increase was registered on 30 July 2010. As at the day of the preparation of the foregoing financial statements shares in the increased share capital, accounting for 100% of total share capital, were held by PGE Polska Grupa Energetyczna S.A.
- On 13 July 2010, the Management Board of the PGE S.A. adopted a resolution related to the forced repurchase of shares of shareholders representing no more than 5% of the PGE Elektrociepłownia Gorzów S.A. share capital. Until 16 August 2010, all shareholders included in the list of shares subject to the forced repurchase, were obliged to submit the document of shares. The obligation was fulfilled by 289 of shareholders representing, in total, 13.731 of shares. After fulfilling the requirements included in Art. 5 §3 of the Law of Commercial Companies Code imposed on PGE Elektrociepłownia Gorzów S.A, PGE S.A. acquired 13.731 shares amounted to PLN 2.941 thousand.
- On 28 December 2010, the Company entered into an agreement with the State Treasury, whereunder PGE acquired: 69,582,441 shares of PGE Górnictwo i Energetyka Konwencjonalna S.A., constituting 10.69% of that company's share capital; 686,389 shares of PGE Obrót S.A., constituting 13.87% of that company's share capital; 14,299,180 shares of PGE Dystrybucja S.A., constituting 1.47% of that company's share capital. The total value of the transaction was PLN 3.098.387 thousand. The transaction was executed in course of continued consolidation process and simplification of organizational structure of PGE Group. The transaction involved non-controlling stakes in key PGE Group companies acquired by the State Treasury under the Act of 7 September 2007 on the Rules of Shares Acquisition from the State Treasury in the Process of Electrical Energy Sector Companies Consolidation (Journal of Laws of 2007, No. 191, item 1367).
- Through Resolution No. 1/2010 of the Extraordinary General Meeting of PGE Energia Jądrowa S.A., share capital of PGE Energia Jądrowa S.A. was raised to PLN 62,500 thousand through changing the nominal value of existing shares from PLN 10.00 to PLN 25.00 each. As a consequence of that resolution, the Company as the sole shareholder made a cash payment on 6 December 2010, in the amount of PLN 37,500 thousand. Share capital increase was registered on 22 December 2010.
- On 6 December 2010, the General Meeting of Shareholders of PGE EJ 1 Sp. z o.o. passed a resolution on imposing contributions to EJ 1 Sp. z o.o. in the amount of PLN 50 per share on the Shareholders, which in case of PGE amounted to a total of PLN 18,620 thousand.

10. Shares in co-subsiaries as at 31 December 2010 – long-term.

As at 31 December 2010 the Company did not held any long-term shares in co-subsiaries.

Within the reported period the Company reclassified the shares of Polkomtel S.A. and Energopomiar Sp. z o.o. into short-term position, with the intention of dispose them within the year from the balance sheet date.

11. Shares in associated entities as at 31 December 2010 – long-term.

No.	Entity's name	Value at acquisition price of shares/stocks	Revaluation	Impairment	Carrying value of shares/stocks	% in the share capital	% of votes in the Company's decision-making body	Net profit/loss of the entity for the last financial year
1	Swe-Pol Link AB	1.320.606,00	0,00	0,00	1.320.606,00	49,00	49,00	SEK 9.217 thousand
Total		1.320.606,00	0,00	0,00	1.320.606,00	-	-	-

12. Shares in third parties as at 31 December 2010 – long-term.

No.	Entity's name	Value at acquisition price of shares/stocks	Revaluation	Impairment	Carrying value of shares	% in the share capital	% of votes in the Company's decision-making body	Net profit/loss of the entity for the last financial year
1	SYGNITY S.A.	13.699.938,95	0,00	11.746.568,63	1.953.370,32	1,09	1,09	no data
2	Enesta S.A. w upadłości	259.990,00	0,00	259.990,00	0,00	12,87	23,28	no data
3	Telewizja Familijna S.A. w upadłości	26.004.800,00	0,00	26.004.800,00	0,00	11,96	9,61	no data
4	Pracownicze Towarzystwo Emerytalne "Nowy Świat" S.A. Warszawa, ul. Nowy Świat 6/12	100,00	0,00	0,00	100,00	0,002	0,002	no data
Total		39.964.828,95	0,00	38.011.358,63	1.953.470,32	-	-	-

13. Other long-term securities.

In other long term securities from other parties, the Company presents bonds issued by “Autostrada Wielkopolska” S.A. and embraced by the Company on 30 October 2000. These are discount-interest bonds. Bonds are not interest-bearing until 30 November 2018. Starting from 30 November 2018, interest on bonds will amount to the sum of EURIBOR 6M and a margin defined in the Agreement. Interest will be due every 6 months, starting from 31 May 2019 in respect of the value of bonds denominated in euro. The final buy-out will take place on 31 May 2037. The issuer holds right for earlier buy-out at any of terms of in which the interest will be due, based on a notification sent to the bondholder no later than 30 days before the planned buy-out term.

Other long-term securities in related parties include bonds issued by subsidiaries of Capital Group that were described in Note VI 20 of the supplementary information and explanations to the foregoing financial statements.

14. Changes in short-term financial assets from 1 January 2010 to 31 December 2010.

No	Item	Shares and stocks	Other securities	Originated loans	Other long-term financial assets	Total
1	Opening balance	0,00	881.473.117,38	0,00	25.873.438,79	907.346.556,17
2	Increases	2.177.584.751,51	11.063.789.871,01	41.453.722,53	1.489.096,92	13.284.317.441,97
a	investments purchased	0,00	6.788.597.803,16	40.200.000,00	1.489.096,92	6.830.286.900,08
b	Interes/discount	0,00	117.167.536,23	479.503,68	0,00	117.647.039,91
c	reclassification from short-term investments	2.177.584.751,51	4.158.024.531,62	774.218,85	0,00	6.336.383.501,98
3	Decreases	27.602,50	7.222.115.647,38	38.437.260,27	27.362.535,71	7.287.943.045,86
a	sale/repayment	0,00	0,00	38.437.260,27	27.312.038,08	65.749.298,35
b.	adjustment of interest accrued for previous year	0,00	7.215.647,38	0,00	0,00	7.215.647,38
c	repurchase of bonds	0,00	7.214.900.000,00	0,00	0,00	7.214.900.000,00
d	repayment of lease receivable	0,00	0,00	0,00	50.497,63	50.497,63
e	impairment	27.602,50	0,00	0,00	0,00	27.602,50
f	others	0,00	0,00	0,00	0,00	0,00
6	Bilans zamknięcia	2.177.557.149,01	4.723.147.341,01	3.016.462,26	0,00	6.903.720.952,28
	including:					
-	in subsidiaries	402.401.237,74	4.723.147.341,01	3.016.462,26	0,00	5.128.565.041,01
-	in associated entities	1.657.532.916,13	0,00	0,00	0,00	1.657.532.916,13
-	in others	117.622.995,14	0,00	0,00	0,00	117.622.995,14

During financial year PGE S.A. reclassified into short-term assets the held shares of following companies: Exatel S.A., Polkomtel S.A., Energopomiar Sp. z o.o., Agencja Rynku Energii S.A., Towarowa Gielda Energii S.A., PGE Inwest Sp. z o.o. II S.K.A..

The details of Polkomtel's and Exatel's share disposal were described in Note VI 56 of the supplementary information and explanations to the foregoing financial statements.

15. Shares in subsidiaries as at 31 December 2010 – short-term.

No.	Entity's name	Value at acquisition price of shares/stocks	Revaluation	Impairment	Carrying value of shares/stocks	% in the share capital	% of votes in the Company's decision-making body	Net profit/loss of the entity for the last financial year
1	Exatel S.A.	617.055.142,24	214.726.302,00	0,00	402.328.840,24	94,94	91,56	*) 45.020.167,02
2	PGE Inwest Sp. z o.o. II S.K.A..	100.000,00	0,00	27.602,50	72.397,50	100,00	100,00	*) (37.362,76)
Total		617.155.142,24	214.726.302,00	27.602,50	402.401.237,74			

16. Shares in associated entities as at 31 December 2010 – short-term.

No.	Entity's name	Value at acquisition price of shares/stocks	Revaluation	Impairment	Carrying value of shares/stocks	% in the share capital	% of votes in the Company's decision-making body	Net profit/loss of the entity for the last financial year
1	Polkomtel S.A.	1.656.469.286,13	0,00	0,00	1.656.469.286,13	21,85	21,85	*) 1.150.159.027
2	Energopomiar Sp. z o.o.	1.063.630,00	0,00	0,00	1.063.630,00	13,78	13,78	*) 1.461.153,31
Total		1.657.532.916,13	0,00	0,00	1.657.532.916,13	-	-	-

17. Shares in third parties as at 31 December 2010 – short term.

No.	Entity's name	Value at acquisition price of shares/stocks	Revaluation	Impairment	Carrying value of shares/stocks	% in the share capital	% of votes in the Company's decision-making body	Net profit/loss of the entity for the last financial year
1	AWSA Holland II	115.172.995,14	0,00	0,00	115.172.995,14	19,99	19,99	no data
2	Towarowa Gielda Energii S.A.	2.350.000,00	0,00	0,00	2.350.000,00	10,00	10,00	*) 12.368.715,32
3	Agencja Rynku Energii S.A.	100.000,00	0,00	0,00	100.000,00	7,27	11,50	no data
Total		117.622.995,14	0,00	0,00	117.622.995,14	-	-	-

*) data comes from unaudited financial statements

18. Classification of assets classified as financial instruments.

No.	Type of financial instrument	As at 31 December 2010	As at 31 December 2009
1	Assets held for trading	0,00	0,00
2	Originated loans and receivables	5.457.174.384,48	2.806.540.755,17
a	bonds of Autostrada Wielkopolska	253.537.512,08	238.203.957,45
b	loans	6.642.243,41	0,00
c	bonds of PGE Capital Group's companies	4.937.547.341,01	2.452.473.117,38
d	cash at bank	259.447.287,98	89.990.241,55
d	deposits	0,00	24.343.930,10
e	other	0,00	1.529.508,69
3	Assets held to maturity	0,00	3.321.524.148,43
a	time deposits	0,00	3.321.524.148,43
4	Assets available for sale	119.576.465,46	119.476.790,50
a	shares in third parties	119.576.465,46	119.476.790,50
5	Shares and stocks in controlled entities	24.489.765.697,01	21.232.947.711,74
6	Derivatives with positive fair value	0,00	0,00
Total		30.066.516.546,95	27.480.489.405,84

19. Measurement of assets classified as financial instruments.

No.	Type of financial instrument	Measurement method as at 31.12.2010	Value at acquisition price	Carrying amount	Difference between the value at acquisition price and carrying value at 31.12.2010	Change in the measurement method in 2010 recognized in profit and loss account
1	Assets held for trading		0,00	0,00	0,00	0,00
2	Originated loans and receivables		5.311.848.669,21	5.457.174.384,48	145.325.715,27	42.371.996,70
a	bonds of Autostrada Wielkopolska	adjusted acquisition price	109.250.238,88	253.537.512,08	144.287.273,20	15.333.554,63
b	bonds of Telewizja Familijna	adjusted acquisition price	23.259.446,34	0,00	(23.259.446,34)	2.740.553,66
c	bonds of PGE Capital Group's companies	acquisition price increased by accrued interest of the period	4.913.317.990,14	4.937.547.341,01	24.229.350,87	24.229.350,87
d	cash at bank	nominal value	259.420.993,85	259.447.287,98	26.294,13	26.294,13
e	loans	adjusted acquisition price	6.600.000,00	6.642.243,41	42.243,41	42.243,41
3	Assets held to maturity		0,00	0,00	0,00	0,00
a	time deposits	nominal value	0,00	0,00	0,00	0,00
4	Assets available for sale		157.587.824,09	119.576.465,46	(38.011.358,63)	99.674,96
a	shares in third parties	acquisition price adjusted by impairment write offs	143.887.885,14	117.623.095,14	(26.264.790,00)	0,00
b	shares in third parties	market value	13.699.938,95	1.953.370,32	(11.746.568,63)	99.674,96
5	Shares and stocks in controlled entities	acquisition price adjusted by impairment write offs	24.705.531.223,75	24.489.765.697,01	(215.765.526,74)	301.034,87
6	Derivatives with positive fair value		0,00	0,00	0,00	0,00
7	Total, including:		30.174.967.717,05	30.066.516.546,95	(108.451.170,10)	42.471.671,66
Long-term financial assets				22.903.348.306,69		
	- in related parties			22.647.857.324,29		
	- in other units			255.490.982,40		
Short-term financial assets				7.163.168.240,26		
	- in related parties			6.786.097.957,14		
	- in other units			377.070.283,12		
				30.066.516.546,95		

20. Other securities – bonds from related parties.

No.	Entity	Nominal value	Investment value as at 31.12.2010	Short-term portion	Long-term portion	Interest accrued as at balance sheet date
1	PGE GiEK S.A. Oddział Elektrownia Turów	1.567.200.000,00	1.570.272.555,36	1.355.872.555,36	214.400.000,00	29.11.2013
2	PGE GiEK S.A. Oddział Zespół Elektrowni Dolna Odra	323.800.000,00	316.588.601,84	316.588.601,84	0,00	31.01.2011
3	PGE GiEK S.A. Oddział KWB Bełchatów	210.000.000,00	204.996.690,83	204.996,690,83	0,00	26.12.2010
4	PGE GiEK S.A. Oddział ZEC Bydgoszcz	25.000.000,00	24.379.848,63	24.379.848,63	0,00	15.12.2010
5	PGE GiEK S.A. Oddział Elektrownia Bełchatów	2.872.600.000,00	2.821.309.644,35	2.821.309.644,35	0,00	26.11.2010
		4.998.600.000,00	4.937.547.341,01	4.723.147.341,01	214.400.000,00	

In 2007, in order to provide selected entities from PGE Capital Group with funds for repayment of financial liabilities secured by assignment of long-term contracts regarding sales of power and electricity, PGE Polska Grupa Energetyczna S.A. acquired coupon bonds and strips issued by these companies. Additionally PGE Polska Grupa Energetyczna S.A. provided the companies, in the same manner, with means to finance investments and current business activities. ING Bank Śląski S.A was selected as the issue agent

The bonds are interest bearing based on WIBOR rate (1M, 3M, 6M) increased by a margin.

As at 31 December 2010 the total value of bonds amounted to PLN 4.937.547 thousand.

21. Loans originated to related parties

No.	Entity's name	Amount of loan	Receivables value as at 31 December 2010	Short-term portion	Long-term portion	Write-off
1	PGE Systemy S.A.	4.400.000,00	4.437.205,39	811.424,24	3.625.781,15	0,00
2	PGE Inwest Sp. z o.o.	2.200.200,00	2.205.038,02	2.205.038,02	0,00	0,00
		6.600.000,00	6.642.243,41	3.016.462,26	3.625.781,15	0,00

Loan to PGE Systemy S.A. was originated in order to finance the ongoing projects of the Capital Group of PGE, and for PGE Inwest Sp. z o. o. - finance the purchase of financial assets. Loans are fixed interest bearing specified in the contract.

22. Other long-term prepayments.

No.	Item	As at 31 December 2010	As at 31 December 2009
1	Advances for deliveries	167.928.872,05	187.430.476,21
TOTAL		167.928.872,05	187.430.476,21

The amount of PLN 167.929 thousand presented as other long-term prepayments and the amount of PLN 39.003 thousand presented as other short-term prepayments relate to prepayments for transmission services to Vattenfall Aktiebolag („VAB”). The prepayments were related to a purchase of SwePol Link AB stocks as well as a construction and exploitation of a permanent electricity link between Polish and Swedish electric system. The prepayments made are settled as a result of transmission services rendered in compliance with the agreement concluded between PGE S.A. and VAB.

The current commercial agreement between the Company and VAB expired in August 2010. During the reporting period, there were works performed in the Company to settle the status of the remaining prepayments after the expiry of the contract with the VAB.

As at the day of preparation of the foregoing financial statements, there is an uncertainty whether the Company's efforts to extend the cooperation will be successful. As a result, it is uncertain that the amounts engaged will be retrieved. The Company, however, assesses that the cooperation will continue or that the prepayments will be settled, and as a consequence there are no sufficient premises to create a revaluation write off on the above mentioned assets as at the day of preparation of the financial statements.

23. Inventory.

Ageing analysis of inventory as at 31 December 2010.

Types of inventory (gross book value)						
No.	Age In days	Materials	Energy origin units of ownership	Emission allowances	Advances	Total
1	0 - 90	0,00	29.472.772,19	163.351,72	283.895,99	29.920.019,90
2	90 - 180	0,00	0,00	0,00	3.173,26	3.173,26
3	180 - 360	0,00	0,00	801.396,18	565,98	801.962,16
4	above 360	0,00	0,00	668.900,24	135.928,02	804.828,26
TOTAL gross book value		0,00	29.472.772,19	1.633.648,14	423.563,25	31.529.983,58
Write off (negative value)		0,00	0,00	(211.807,47)	0,00	(211.807,47)
TOTAL carrying value		0,00	29.472.772,19	1.421.840,67	423.563,25	31.318.176,11

Property titles arising from certificates of origin to energy from renewable sources and CO₂ emission allowances constitute current assets at the Company and are recorded as inventories - goods. As at 31 December 2010, the Company was holding 212,251,000 property rights recorded by the Polish Power Exchange in its Register, and the value of these rights as at 31 December 2010 is PLN 29,472,772.19. As at the balance date, the Company was also holding allowances to emission of 29,894 tones of CO₂. The value of these allowances as at 31 December 2010, after adjustment, is PLN 1,421,840.67. Revaluation adjustment in the amount of PLN 211,807.47 was recognized to adjust the values of existing emission allowances to their respective values at sales prices as at the balance date.

Changes in revaluation write offs on inventory from 1 January 2010 to 31 December 2010

No.	Item	Revaluation write offs on materials	Revaluation write offs on energy origin units of ownership	Revaluation write offs on emission allowances	Revaluation write offs on advances	Total Revaluation write offs on inventory
1	Opening balance	0,00	0,00	116.446,29	0,00	116.446,29
2	Additions	0,00	0,00	95.361,18	0,00	95.361,18
a	created write offs in correspondence with other operating costs	0,00	0,00	95.361,18	0,00	95.361,18
3	Disposals	0,00	0,00	0,00	0,00	0,00
a	reversal of write offs in correspondence with other operating revenues	0,00	0,00	0,00	0,00	0,00
4	Closing balance	0,00	0,00	211.807,47	0,00	211.807,47

24. Short-term receivables.

No.	Item	As at 31 December 2010			As at 31st December 2009		
		Gross value	Revaluation write offs	Net value	Gross value	Revaluation write offs	Net value
1	Receivables from related parties:	1.184.513.778,89	89.357,51	1.184.424.421,38	679.087.321,77	116.479,29	678.970.842,48
a	Trade receivables due:	638.502.073,83	57.637,51	638.444.436,32	674.085.428,70	100.619,29	673.984.809,41
	- within 12 months	638.502.073,83	57.637,51	638.444.436,32	674.085.428,70	100.619,29	673.984.809,41
	- after 12 months	0,00	0,00	0,00	0,00	0,00	0,00
b	related to fixed assets and intangible assets	31.720,00	31.720,00	0,00	34.674,84	15.860,00	18.814,84
c	other	545.979.985,06	0,00	545.979.985,06	4.967.218,23	0,00	4.967.218,23
2	Receivables from third parties:	381.526.109,72	104.274.391,29	277.251.718,43	576.980.640,76	104.283.704,65	472.696.936,11
a	Trade receivables due:	232.472.855,62	3.338.405,44	229.134.450,18	344.387.139,36	3.358.264,07	341.028.875,29
	- within 12 months	232.472.855,62	3.338.405,44	229.134.450,18	344.387.139,36	3.358.264,07	341.028.875,29
	- after 12 months	0,00	0,00	0,00	0,00	0,00	0,00
b	from taxation, subsidies, customs, social security and health insurance and other benefits	31.379.810,78	0,00	31.379.810,78	118.783.920,23	0,00	118.783.920,23
c	related to fixed assets and intangible assets	10.580,27	10.545,27	35,00	10.545,27	0,00	10.545,27
d	receivables subject to legal proceedings	0,00	0,00	0,00	0,00	0,00	0,00
e	other	117.662.863,05	100.925.440,58	16.737.422,47	113.799.035,90	100.925.440,58	12.873.595,32
	TOTAL	1.566.039.888,61	104.363.748,80	1.461.676.139,81	1.256.067.962,53	104.400.183,94	1.151.667.778,59

Ageing analysis of short-term trade receivables.

No.	Age in days	Gross value	Revaluation write offs	Net value
1	Current, including:	867.212.961,50	2.908.086,00	832.928.157,38
a	from related parties	637.063.972,29	10.768,13	605.676.486,04
b	from third parties	230.148.989,21	2.897.317,87	227.251.671,34
2	Overdue including:	3.761.967,95	487.956,95	34.650.729,12
a	from related parties	1.438.101,54	46.869,38	32.767.950,28
	up to 90 days	1.382.391,41	0,00	32.759.109,53
	90-180	0,00	0,00	0,00
	180-360	10.291,67	1.450,92	8.840,75
	above 360	45.418,46	45.418,46	0,00
b	from third parties	2.323.866,41	441.087,57	1.882.778,84
	up to 90 days	1.879.706,33	0,00	1.879.706,33
	90-180	344,03	312,98	31,05
	180-360	0,00	0,00	0,00
	above 360	443.816,05	440.774,59	3.041,46
TOTAL		870.974.929,45	3.396.042,95	867.578.886,50

Changes in revaluation write offs on short-term receivables from 1 January 2010 to 31 December 2010 (receivables by kind).

No.	Item	Revaluation write offs on trade receivables	Including from related parties	Revaluation write offs on other receivables	Including from related parties	Total revaluation write offs on short-term receivables
1	Opening balance	3.458.883,36	100.619,29	100.941.300,58	15.860,00	104.400.183,94
2	Increases	15.948,77	10.768,14	26.405,27	15.860,00	42.354,04
a	write offs recognized in other operating expenses	0,00	0,00	26.405,27	15.860,00	26.405,27
b	write offs recognized in financial expenses	15.948,77	10.768,14	0,00	0,00	15.948,77
3	Decreases	78.789,18	53.749,92	0,00	0,00	78.789,18
a	reversal of write offs recorded in other operating revenues	53.945,11	53.567,83	0,00	0,00	53.945,11
b	reversal of write offs recorded in financial revenues	24.376,07	182,09	0,00	0,00	24.376,07
c	write offs used	468,00	0,00	0,00	0,00	468,00
4	Closing balance	3.396.042,95	57.637,51	100.967.705,85	31.720,00	104.363.748,80

25. Short-term prepayments.

No.	Item	As at 31 December 2010	As at 31 December 2009
1	Short-term prepayments	44.931.123,04	22.495.607,50
a	property and vehicle insurance	1.654.547,78	1.671.243,77
b	membership fees, training, operation and maintenance services	220.253,49	64.196,20
c	IT/advisory services	527.893,49	730.324,45
d	publications, subscriptions	0,00	8.526,64
e	prepayment for deliveries	39.003.208,32	19.501.604,16
f	unfinished development activities	260.385,86	57.185,77
g	Value Added Tax	0,00	130.947,88
h	settlement of energy relief	0,00	2.852,87
i	other	3.264.834,10	328.725,76
2	Other short-term prepayments	81.043.024,78	0,00
a	accrued costs related to investment activities	5.638.309,86	0,00
b	costs connected with purchasing company - tax	75.404.714,92	0,00
TOTAL		125.974.147,82	22.495.607,50

On 22 October 2010, the Company paid tax on civil law transactions to the Tax Office in the amount of 75 million in connection with contract for sale of Energa S.A.'s shares concluded on 29 September 2010 with the State Treasury seated in Gdansk.

The details of PGE Energa S.A.'s share purchase were described in Note VI 56 of the supplementary information and explanations to the foregoing financial statements.

26. Share capital.

Series/ issue	Type of shares	Type of preference	Number of shares	Value of series/ issue at nominal value	Capital coverage method
"A"	ordinary shares	n/a	1.470.576.500	14.705.765.000,00	contribution/cash
"B"	ordinary shares	n/a	259.513.500	2.595.135.000,00	cash
"C"	ordinary shares	n/a	73.241.482	732.414.820,00	merger with PGE GiE S.A.
"D"	ordinary shares	n/a	66.452.245	664.522.450,00	merger with PGE Energia S.A.
Total			1.869.783.727	18.697.837.270,00	

Changes in the value and the structure of share capital of the Company – year 2009.

On 3 September 2009, the Extraordinary Meeting of Shareholders adopted a resolution related to an increase of the share capital of the Company in the manner of an issue of new shares excluding the subscription right of the hitherto existing shareholder. Based on the resolution, the share capital is to be increased by the amount no greater than PLN 2,595,135,000 (PLN two billion five hundred and ninety five million one hundred and thirty five thousand) through an issue of B series shares of the nominal value of PLN 10 each.

On 30 November 2009, the increase of the share capital of the Company was registered. The share capital was increased by PLN 2.595.135 thousand.

Changes in the value and the structure of share capital of the Company – year 2010.

The merger of PGE S.A. and the subsidiaries: PGE Górnictwo i Energetyka S.A. and PGE Energia S.A. was registered by the District Court in Warsaw on 31 August 2010. The issue of the merger was described in details in Note VI 1 of the supplementary information and explanations to the foregoing financial statements. The merger took place in compliance with art. 492 par. 1 p. 1 the Commercial Code i.e., namely by transfer of all assets of the companies being acquired to PGE S.A. in exchange for merger shares, issued by the Company and released to shareholders of the acquired entities, for the purpose of the merger. As a result of merger the shareholders of the acquired entities received shares in the increased share capital of PGE S.A. in exchange for their shares in PGE Energia S.A. and PGE Górnictwo i Energetyka S.A.

As a result of the merger, share capital of PGE S.A. increased from PLN 17.300.900 thousand to PLN 18.697.837 thousand ie. by the amount of PLN 1.396.937 thousand through the issuance of 139,693,727 shares, including 73,241,482 bearer shares of series C and 66,452.245 bearer shares Series D with a nominal value of PLN 10 each.

On 8 October 2010, the State Treasury sold 186.978.000 shares of PGE S.A. representing 9,99% of the share capital of the Company and entitling to 186.978.00 votes at the General Meeting and representing 9,99% of total votes.

After this sale transaction the State Treasury owes 1.295.637.952 shares, representing 69,29% of the share capital.

After the registration of the share capital, the ownership structure as at 31 December 2010 presents as follow:

Ownership structure and the percentage of treasury shares

	State Treasury		Other Shareholders		Total	
	Share's value	Portion (%) of share capital and votes' number	Share's value	Portion (%) of share capital and votes' number	Share's value	Portion (%) of share capital and votes' number
Shares as at 1 January 2010	14.705.765.000	85,00	2.595.135.000	15,00	17.300.900.000	100,00
Issue of shares as a result of merger of PGE S.A., PGE GiE S.A. and PGE Energia S.A.	120.394.520	-	1.276.542.750	-	1.396.937.270	-
Sale on 8 October 2010 186.978.000 shares of PGE S.A. attributable to State Treasury	(1.869.780.000)	-	1.869.780.000	-	0,00	-
Shares as at 31 December 2010	12.956.379.520	69,29	5.741.457.750*	30,71	18.697.837.270	100,00

* Nominal value of shares held by other shareholders include treasury shares of parent company

Rights of the State Treasury.

The Company's shares are ordinary bearer shares listed on Warsaw Stock Exchange. The shares of the Company are not privileged.

Even though, the shares of the Company are not privileged, the Company's Status takes into account special rights of the State Treasury as long as it is the shareholder of the Company. According to its provisions, the State Treasury holds right to approach the Management Board with a written demand of gathering the General Meeting of Shareholders, including particular issues to the meeting agenda, submitting projects of resolutions related to issues included in the agenda or issues that might be included in the agenda, obtaining copies of announcements placed in Court and Economical Monitor.

Moreover, based on the Company's Status, the State Treasury holds right to appoint one member of the Supervisory Board in the form of a written statement submitted to the Company during the General Meeting of Shareholders or outside the General Meeting of Shareholders with the use of the Management Board. Furthermore, this right can be executed by the State Treasury regardless the voting right during appointing other members of the Supervisory Board.

Based on the Art.9 of the Act of 18 March 2010 on special powers of the Minister of the Treasury and their performance in certain capital companies or holding companies operating in the sectors of electricity, oil and gaseous fuels (OJ No 65, dated 21 April 2010, item. 404), the Minister of the Treasury, as long as the State Treasury is directly or indirectly shareholder in the Company, has the right to object any resolution or legal action of the Management Board that relates to the ability to dispose a part of company's property that is fundamental for its activities. The objection only relates to the Company of a significant importance for public order or safety if there is a reasonable assumption that such legal action might violate public order or public safety.

The objection also comprised the resolution of the General Meeting of Shareholders relating to:

- 1) liquidation of the Company,
- 2) movement of the Company's office abroad,

- 3) change of a core competence of the Company,
- 4) sale or lease of a company or its organized part or establishment of limited law property

if there is a reasonable assumption that such a resolution might violate public order or public safety.

According to the new Act, specific rights of the State Treasury is the right of expressing the opposition to resolution adopted or legal action taken by the Management Board that relates to the ability to dispose a part of company's property that is fundamental for its activities.

The opposition may cover also the resolution concernig:

- liquidation of the Company,
- changes of the aim or discontinuance of exploitation of the company's asset, which is critical infrastructure.
- change of a core competence of the Company,
- sale or lease of a company or its organized part or establishment of limited law property,
- accepting the material and financial plan, investment activity plan or Multi-annual strategic plan,
- movement of the Company's office abroad,

if an accomplishing of such a resolution resulted in an actual threat to operation, going concern or integrity of the critical infrastructure.

The new act introduces a function of attorney to critical infrastructure. The attorney is to be chosen by the company in consultation with the Minister of Treasury and the director of the Government Security Center.

As at the balance sheet date the attorney to critical infrastructure was not appointed in the Company.

Distribution of 2009 profit.

In 2010 the General Meetings of Shareholders of PGE S.A., PGE Górnictwo i Energetyka S.A., PGE Energia S.A. and PGE Electra S.A. divided net profits gained in 2009 in the following manner:

- net profit of PGE S.A. amounted to PLN 1.440.497.736,84 allocated to reserve capital in amount of PLN 125.629.336,84 and to pay a dividend for Shareholders in amount of PLN 1.314.868.400,00.
- Net profit PGE GiE S.A. amounted to PLN 221.366.510,63, allocated, in total amount to pay a dividend for Shareholders. The amount of PLN 111.006.481,30 was paid in 2009 as an interim dividend.
- Net profit of PGE Energia S.A. amounted to PLN 57.204.775,33 allocated to reserve capital in amount of PLN 4.576.383,00 and to pay a dividend in amount of PLN 52.628.392,33. The amount of PLN 26.574.253,04 was paid in 2009 as an interim dividend.
- Net result of PGE Electra S.A. amounted to PLN 75.847.066,82, allocated to other reserve capital in amount of PLN 49.779.301,47, to reserve capital in amount of PLN 6.067.765,35 thousand and to pay a dividend in amount of PLN 20.000.000,00, which was paid in 2009 as an interim dividend.

The dividend Day was set for PGE S.A. on 22 September 2010 and the Day of payment on 12 October 2010, and for merged entities the dividend Day was set on 17 August 2010, and the Day of payment on 30 August 2010.

Distribution of 2010 profit.

Following an audit of financial statements for 2010, the Board intends to submit the financial report to the opinion of the Supervisory Board with the proposal of net profit distribution for 2010, including retained profits from previous years in the following amounts:

- to pay a dividend in amount of PLN 1.215.344.538,85

- to allocate to reserve capital in amount of PLN 1.825.553.425,84 .

27. Dividends from distribution of 2009 profit.

The table below presents the specification of dividend provided to Shareholders, excluding the dividends provided by Górnictwo i Energetyka S.A. and PGE Energia S.A. for PGE S.A. by companies PGE Górnictwo i Energetyka S.A., PGE Energia S.A. and PGE Electra S.A.

	Dividend paid for:		
	State Treasury	Other Shareholders	TOTAL
Dividend paid by:			
PGE S.A.	1.117.638.140,00	197.230.260,00	1.314.868.400,00
PGE GiE S.A.	1.759.304,16	14.794.700,39	16.554.004,55
PGE Energia S.A.	250.410,29	3.657.515,64	3.907.925,93
PGE Electra S.A.	0,00	0,00	0,00
TOTAL	1.119.647.854,45	215.682.476,03	1.335.330.330,48

28. Treasury shares

As a consequence of PGE S.A. merger with PGE GiE S.A. and PGE Energia S.A., PGE S.A. acquired 22.898 treasury shares for the amount of PLN 579 thousand. These shares were acquired because with the applied exchange parity scheme, shareholders of merged companies should have received fractions of shares. As this is not allowed, the numbers of shares assignable to shareholders of merged companies were rounded down in the process of allocation of the Company's shares. Fractional values of shares receivable by each specific shareholder were paid in cash (PLN 25,29 per share). With this transaction structure, shares not taken up by shareholders of the merged companies remained, which were then acquired by PGE S.A. for a fee equivalent to the amount of capital contributions. This acquisition was transacted for the purpose of redemption. Treasury shares shall be redeemed pursuant to a resolution of the general meeting of shareholders, through lowering the share capital.

29. Provisions for retirement awards and similar benefits.

Changes in provisions for retirement awards and similar benefits from 1 January 2010 to 31 December 2010.

No.	Item	Provision for retirement and pension severance	Jubilee awards	Energy tariff	Medical benefits	Write off to Company's Social Fund	TOTAL
1	Opening balance	1.582.009,00	3.752.242,00	9.686.544,00	3.640.871,00	5.620.138,00	24.281.804,00
2	Provisions created	0,00	0,00	783.241,91	0,00	277.535,42	1.060.777,33
3	Provisions reversed	174.973,38	293.940,04	0,00	806.067,92	0,00	1.274.981,34
4	Provisions used	0,00	0,00	0,00	0,00	0,00	0,00
5	Closing balance	1.407.035,62	3.458.301,96	10.469.785,91	2.834.803,08	5.897.673,42	24.067.599,99
	including:						
	- short-term	694.321,50	290.812,75	662.582,91	232.243,04	470.722,90	2.350.683,10
	- long-term	712.714,12	3.167.489,21	9.807.203,00	2.602.560,04	5.426.950,52	21.716.916,89

30. Other provisions.

Changes to other provisions in the period from 1 January 2010 to 31 December 2010.

No.	Item	Provision for legal disputes	Provision for employee settlements	Provision for transitions costs	Provision for legal proceedings	Provision for restructuring costs	Other	TOTAL
1	Opening balance	351.467.792,03	119.720,88	0,00	43.500,00	1.272.695,32	192.584,84	353.096.293,07
2	Provisions created	10.100.883,24	670.000,00	11.738.671,32	32.010,00	0,00	0,00	22.541.564,56
a	in correspondence with other operating expenses	0,00	670.000,00	11.738.671,32	30.900,00	0,00	0,00	12.439.571,32
b	in correspondence with financial expenses	10.100.883,24	0,00	0,00	1.110,00	0,00	0,00	10.101.993,24
3	Provisions reversed	11.514.626,01	208,80	0,00	75.510,00	23.799,55	192.584,84	11.806.729,20
a	in correspondence with other operating revenues	11.514.626,01	208,80	0,00	74.400,00	23.799,55	192.584,84	11.805.619,20
b	in correspondence with financial revenues	0,00	0,00	0,00	1.110,00	0,00	0,00	1.110,00
4	Provisions used	0,00	119.512,08	0,00	0,00	1.248.895,77	0,00	1.368.407,85
5	Closing balance	350.054.049,26	670.000,00	11.738.671,32	0,00	0,00	0,00	362.462.720,58
	including:							
	- short-term	350.054.049,26	670.000,00	11.738.671,32	0,00	0,00	0,00	362.462.720,58
	- long-term	0,00	0,00	0,00	0,00	0,00	0,00	0,00

In 2010, provisions created in the previous years covering legal disputes with foreign parties related to an execution of trade agreements, were kept. Description of the dispute was presented in note VI. 37 of the supplementary information and explanations to the foregoing financial statements.

31. Long-term liabilities of contractual maturity after the balance sheet date.

Lp.	Basis according to the balance sheet	As at 31 December 2010				As at 31 December 2009			
		Up to 1 year*)	1 year - 3 years	3 - 5 years	Over 5 years	Up to 1 year*)	1 year - 3 years	3 - 5 years	Over 5 years
1	To related parties	0,00	0,00	0,00	0,00	503.970.195,26	0,00	0,00	0,00
a	loans and borrowings	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
b	due to issue of debt securities	0,00	0,00	0,00	0,00	503.758.544,34	0,00	0,00	0,00
c	related to fixed assets and intangible assets	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
d	other financial liabilities, including finance lease liabilities	0,00	0,00	0,00	0,00	211.650,92	0,00	0,00	0,00
e	other	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
2	To third parties	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
a	loans and borrowings	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
b	due to issue of debt securities	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
c	resulted from tangible fixed assets and intangible assets	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
d	other financial liabilities, including resulted from financial lease	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
e	other	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
	TOTAL	0,00	0,00	0,00	0,00	503.970.195,26	0,00	0,00	0,00

*) liabilities up to 1 year were presented as short-term liabilities

32. Loans and borrowings.

No.	Purpose of loan	Name of bank	Agreed amount (in PLN or other currency)	Value of liability as at 31 December.2010	Short-term portion	Long-term portion	Interest terms	collateral	borrower
1	overdraft	Nordea	200.000.000,00	0,00	0,00	0,00	WIBOR + margin	Execution statement, Power of attorney to the account	PGE Polska Grupa Energetyczna S.A.
2	overdraft	PEKAO S.A.	200.000.000,00	14.472.287,64	14.472.287,64	0,00	WIBOR + margin	Execution statement, Power of attorney to the account	PGE Polska Grupa Energetyczna S.A.
3	overdraft	Bank Handlowy	200.000.000,00	764.808,68	764.808,68	0,00	WIBOR + margin	Execution statement, Power of attorney to the account	PGE Polska Grupa Energetyczna S.A.
4	overdraft	Societe Generale	200.000.000,00	156.094.543,27	156.094.543,27	0,00	WIBOR + margin	Execution statement, Power of attorney to the account	PGE Polska Grupa Energetyczna S.A.
5	overdraft	PEKAO S.A.	150.000.000,00	58.473.581,00	58.473.581,00	0,00	WIBOR + margin	Execution statement, Power of attorney to the account	PGE Electra S.A.
TOTAL				229.805.220,59	229.805.220,59	0,00			

33. Issue of debt securities.

Type of issue	Name of bank	Contractual amount [foreign currency of PLN]	Value of liability as at 31st December 2009 [PLN]	collateral
Issue of bonds	A consortium of banks: ING Bank Śląski S.A. as Issue Agent	10.000.000.000,00	0,00	Statement of submission to execution
Issue of bonds	Bond issued to related parties: ING Bank Śląski S.A. as Issue Agent	5.000.000.000,00	1.781.326.444,02	none
TOTAL			1.781.326.444,02	-

In 2010, an agency agreement was in force at PGE S.A., which was signed on 11 May 2009 ING Bank Śląski S.A. concerning setting up of a bonds issuance programme targeted at PGE Group companies. The maximum amount of that programme for the Group is 5 billion PLN. Under that programme, PGE S.A. may issue coupon bonds or zero-coupon bonds to Group companies.

As at 31 December 2010, total nominal value of issuance of bonds for the companies from the Group amounted to 1.8 billion PLN. They were short-term zero-coupon bonds. The bonds were acquired by the following direct subsidiaries of PGE:

- PGE Górnictwo i Energetyka Konwencjonalna S.A. – of the nominal value of PLN 500 million,
- PGE Dystrybucja S.A. – of the nominal value of PLN 800 million,
- PGE Obrót S.A. – of the nominal value of PLN 200 million.

In addition, on 9 November 2010 PGE S.A. entered into two agreements pursuant to which a bonds issuance programme was established ("Programme"). The maximum value of the Programme (which is the maximum acceptable total face value of bonds issued but not bought under the Programme) is 10 billion PLN. The Programme was executed for a term of 36 months of the effective date of the agreements and shall not expire before 8 November 2013.

The details of the Programme mentioned above were described in Note VI 56 of the supplementary information and explanations to the foregoing financial statements.

34. Finance lease liabilities.

Payable for the period	Nominal value of minimum lease payments		Current value of minimum lease payment	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
up to one year	0,00	223.256,00	0,00	211.650,92
Total	0,00	223.256,00	0,00	211.650,92
future interest expenses (negative value)	0,00	(11.605,08)	0,00	n/a
Total of current value of minimum lease payment	0,00	211.650,92	0,00	211.650,92
including:				
- short-term liabilities	0,00	211.650,92	0,00	211.650,92
- long-term liabilities	0,00	0,00	0,00	0,00

35. Trade liabilities.

Ageing analysis of trade liabilities is presented in the below table.

No.	Age in days	Value
1	Current, including:	943.422.305,82
a	to related parties	710.950.790,00
b	to third parties	232.471.515,82
2	Overdue, including:	29.649.270,19
a	to related parties	12.625.314,36
-	up to 90 days	12.623.930,93
-	90-180	0,00
-	180-360	1.383,43
-	above 360	0,00
b	to third parties	17.023.955,83
-	up to 90 days	908.681,14
-	90-180	70.654,12
-	180-360	2.965.718,35
-	above 360	13.078.902,22
TOTAL		973.071.576,01

36. Other accruals and deferred income.

No.	Item	As at 31 December 2010	As at 31 December 2009
A	Deferred income	4.787.872,02	218.154,32
1	Long-term	0,00	0,00
2	Short-term	4.787.872,02	218.154,32
a	revenues from rent	12.744,52	171.383,57
b	donations received	0,00	46.770,75
c	other deferred income	4.775.127,50	0,00
B	Other accruals	10.897.967,15	10.609.026,45
1	Long-term	0,00	0,00
2	Short-term	10.897.967,15	10.609.026,45
a	holiday accrual	1.988.010,01	1.598.002,52
b	provision for annual bonus	5.314.550,25	4.438.075,45
c	provision for a quarterly bonus	2.068.900,16	1.673.392,70
d	provision for an advisory services	215.000,00	595.000,00
e	provision for the audit of financial statements, remuneration of Actuary	173.774,47	787.550,00
f	estimated cost related to pre-entered invoices	693.302,97	0,00
g	provision for awards	431.280,78	1.411.163,21
h	provision for other unpaid remuneration	13.000,00	90.579,68
i	other	148,51	15.262,89
TOTAL		15.685.839,17	10.827.180,77

37. Contingent liabilities and significant disputes.

No	Type of liability	As at 31 December 2010		As at 31 December 2009	
		related parties	third parties	related parties	third parties
1	Total contingent liabilities including:	12.323.360,63	0,00	14.271.260,61	0,00
a	sureties	9.856.615,00	0,00	10.131.210,00	0,00
b	redeemed loans	0,00	0,00	0,00	0,00
c	share call option	0,00	0,00	0,00	0,00
d	claim related to contractual penalty	0,00	0,00	0,00	0,00
e	employee claims	0,00	0,00	0,00	0,00
f	other	2.466.745,63	0,00	4.140.050,61	0,00

Surety for the obligations of PGE Electra Deutschland.

Pursuant to merger with PGE Electra S.A., PGE S.A. acquired guarantee agreements executed as a surety for the obligations of Electra Deutschland GmbH to foreign third parties. Liability of the Company is limited to a total amount equivalent to PLN 9.9 million, save that the guarantee for EUR 1.700 thousand expired on 24 January 2011 and the remaining guarantees shall expire in second quarter of 2011.

Risk related to PGE - ATEL (presently Alpiq Holding AG) dispute.

On October 28, 1997 PSE S.A. (presently PGE Polska Grupa Energetyczna S.A.) entered into an electricity supply agreement with Atel for a term of 16 years, i.e. from 1 January 1998 to September 30, 2014 (the "Agreement"). The Agreement had been executed in accordance with the terms prescribed therein by both parties until 2007. However, as a result of changes in Community laws, a legal dispute occurred between the Parties as regards discontinuation of proper performance by the Polish party.

In 2004, as a consequence of implementation of European Union legislation concerning distinguishing of a separate transmission system operator (so-called unbundling), after splitting of PSE-Operator S.A. from the organizational structure of PGE S.A. (formerly PSE S.A.), the procedure of implementing the Agreement had to change, as PSE-Operator S.A. became the only company allowed to transmit electricity. Therefore, on July 2, 2004 the Company entered into an agreement with PSE-Operator S.A. for provision of transmission capacity for purposes of executing historical contracts, which regulates the terms of providing transmission capacity for the Agreement. Trans-border capacity necessary for executing the Agreement was booked yearly, outside the auction scheme. The Agreement was executed without interruption until the end of 2007. At the end of 2006, EU laws concerning reservation of trans-border transmission capacity were changed. On the basis of these changes, booking of any trans-border capacity for historical contracts, disregarding the auction rules, has become illegal. Referring to these changes, PSE-Operator S.A. notified a force majeure occurrence, and demanded termination of the transmission agreement with PGE. Therefore, PGE sent a similar notice to Atel, stating that certain force majeure circumstances occurred, preventing implementation of historical long-term export contract without guaranteed booking of appropriate trans-border capacity, and calling Atel to renegotiate the Agreement. Atel refused to accept PGE's reference to force majeure and demanded that the implementation of the Agreement would be continued without adapting to new legal, technical and economic realities, stating that otherwise it shall pursue indemnity from PGE for failure to supply.

Finally, Atel notified the Company in 2009 of no intention to continue negotiations.

Arbitration proceedings commenced pursuant to a Request for Arbitration of 1 March 2009. The Request included a preliminary statement of Alpiq's claims and the scope of proceedings.

An organizational session took place on 11 December 2009, at which the timing of the entire proceedings was agreed until April 2011. It was agreed during that meeting that Alpiq should file a Statement of Claim until March 1, 2010, with an exhaustive presentation of its claims and evidence to support these claims, identifying the witnesses and experts. A similar requirement was imposed on PGE in regard of the obligation to file a Statement of Defense until 15 June 2010.

In the Statement of Claim dated March 1, 2010, Alpiq demanded payment by PGE of an amount exceeding 67 million EUR for alleged losses incurred during the period from 1 March 2008 to 28 February 2009. On 4 October 2010 Alpiq filed the Claimant's Reply to Respondent's Statement of Defense. In its reply, Alpiq rephrased the claims from the original Statement of Claim entirely and requested that a total amount of nearly 150 million EUR be adjudicated to the benefit of itself, to be paid by PGE for the period from 1 March 2008 until the end date of the term of Agreement. Alpiq further attached testimony of three new witnesses and two expert opinions (by economic and technical experts).

Pursuant to strong objection by PGE attorneys against such a major extension of claims, the Arbitration Tribunal issued a procedural decision extending the deadline for PGE S.A. to file another substantive procedural writ until February 14, 2011. Within the prescribed deadline, PGE S.A. filed a Rejoinder to Alpiq's Reply. Testimony of witnesses as well as two opinions by foreign experts (economic and technical) and one opinion by a Polish expert were attached to the writ of procedure.

The final hearing, which will summarize the outcomes of proceedings in writing and during which witnesses and experts will be heard by the Arbitration Tribunal, is scheduled for early April 2011.

On the basis of available data, to its best knowledge, PGE S.A. made a reasonable estimation of claims which can be reasonably considered justified by the Arbitration Tribunal. The Company established a provision for the claim thus estimated, in the amount exceeding 88 million EUR (including the main amount of 79 million EUR).

At the present stage of arbitration proceedings, it is not possible to foresee the outcome or to determine the final amount of indemnity.

The claim of ŻEG Sp. z o.o.

On 17 May 2006, the Company informed Żarnowiecka Elektrownia Gazowa sp. z o.o. („ŻEG Sp. z o.o.”) of a breach of agreement for supply of electric power and energy signed on 30 December 1998. The obligations resulting from the agreement included, among others, the construction of a gas power plant by ŻEG, in a proper term, and commencing supplies of electric energy to the Company. On 14 May 2003, ŻEG Sp. z o.o. sent a notice of default under the contract to the Company. The said default is alleged to be a consequence of LTC restructuring analysis prepared on the basis of an order placed by the Company, whereto the Company was a party. According to ŻEG Sp. z o.o., publication of the paper concerning Long Term Contracts (“LTC”) restructuring caused the bank (which was expected to finance construction of the gas power plant specified in the contract) to refuse to grant a credit facility to that effect. The Company rejected the claims by ŻEG Sp. z o.o. On 17 May 2006, the Company notified ŻEG Sp. z o.o. of the latter's default involving failure to hand over the gas power plant specified in the contract for commissioning in due time. In view of this non-compliance with the agreed deadlines, the Company terminated the above mentioned contract and demanded ŻEG Sp. z o.o. to pay liquidated damages in the amount of USD 15.520.000 (equivalent of PLN 47.553.280) and to assign title to the power plant being the subject-matter of that contract. The Company is not able to make a reliable estimation of the value of potential obligation. Neither Party has yet taken any litigation steps relating to that dispute. There are certain grounds for concluding that both parties' claims are subject to statute of limitations. However, there is still a risk of court action on that matter. The dispute would be resolved by an arbitration tribunal in Warsaw or in Vienna, according to UNCITRAL Rules of Arbitration.

Promise referring to ensure financing of the new investment of PGE Elektrownia Opole S.A.

Due to planned strategic investment in PGE Group relating to a construction of the energy blocks no. 5 and no. 6 in PGE Elektrownia Opole S.A., on 29 July 2009 PGE S.A. committed in the form of a promise to PGE Elektrownia Opole S.A. to ensure financing of this investment of an estimated value of EUR 3,158 million. This promise was given for the purpose of a tender related to choosing the investment constructor.

Claims referring to damage resulted from the failure of the CSTE system.

In connection with the power failure of the server room and consequently the failure of the CSTE (Central System for Trading Electricity), that took place in the early days of May 2009, the entities of the PGE Capital Group submitted to PGE GiE S.A. claims for reimbursement of lost profit in the electricity trade. As at the end of the reporting period the amount of damage was estimated at PLN 2.467 thousand.

Employee claims.

There are claims against the Company filed by former employees, who demand re-employment. The value of the claim amounts to an annual remuneration. In general, the compensation amounts up to the value of three-month remuneration. Taking into consideration the nature of disputes, it is stated that the amount of claims is immaterial for the Company.

38. Contingent receivables.

As at 31 December 2010, the Company did not have any material contingent receivables.

In 2009, the Company filed a motion related to an excess payment of the excise tax on imports and Intra-Community purchase of electric energy in the period from January 2006 to February 2009. The Company states that the excess payment results from discrepancies between the Polish and Community law. In January 2011, the Company lodged complaints to RAC (Regional Appeal Court) in Warsaw against the decisions of the President of Customs Chamber upholding decisions of the court of first instance related to the rejection of the excess payment of excise tax for the period from January – December 2006, paid in relation to imports of electric energy. In the remaining parts, for the period from January 2007 until February 2007 the tax proceedings had not been completed. As the day of preparation of the foregoing financial statements, the issue was not settled. The total amount of the claims amounts to PLN 54 million plus interest due.

39. Liabilities secured on the Company's assets.

As at 31 December 2010, the Company's off-balance sheet liabilities were not secured on its assets.

Furthermore, according to the Rules of Warsaw Commodity Clearing House, PGE Polska Grupa Energetyczna S.A. is obliged to maintain a specified cash balance on its account held with Bank Ochrony Środowiska S.A. The amount of that deposit depends on the value of transactions cleared by WCCH on the given day, and on the quantity and value of open items on electricity forward market. The cash balance maintained as a security deposit on the above mentioned account as at 31 December 2010 was PLN 164.3 milion.

40. Net revenues from sales of finished goods, merchandise and raw materials.

Net revenues from sales – by kind:

No.	Item	from 1 January to 31 December 2010	from 1 January to 31 December 2009
1	Net revenues from sales of products (by kind – types of activity), including:	104.386.765,59	116.953.557,29
a	sales of services related to electric energy (SC, management of sales of energy, property rights)	39.666.422,22	39.675.125,66
b	sales of auxiliary activity	64.720.343,26	77.278.431,63
2	Net revenues from sales of goods and materials (by type of activity), including:	11.558.959.520,64	12.415.146.880,20
a	sales of electric energy	10.372.639.806,74	11.133.226.877,62
b	sales of energy origin units of ownership and CO ₂ emission rights	1.186.320.403,90	1.281.915.511,89
c	other goods	0,00	894,69
d	sales of materials	3.310,00	3.596,00
TOTAL		11.663.346.286,23	12.532.100.437,49

Net revenues from sales – territorial structure:

No.	Item	from 1 January to 31 December 2010	from 1 January to 31 December 2009
1	Net revenues from sales of products	104.386.765,59	116.953.557,29
a	domestic	103.992.605,84	116.241.640,03
b	export, intra-community sales	394.159,754	711.917,26
2	Net revenues from sales of goods and materials	11.558.959.520,64	12.415.146.880,20
a	domestic	11.171.093.361,53	11.740.717.608,07
b	export, intra-community sales	387.866.159,11	674.429.272,13
TOTAL		11.663.346.286,23	12.532.100.437,49

41. Costs by kind.

No.	Item	from 1 January to 31 December 2010	from 1 January to 31 December 2009
1	Costs by kind:		
a	depreciation	20.237.363,56	20.976.816,04
b	materials and energy	4.942.483,20	6.321.455,99
c	external services	73.932.423,23	130.186.849,00
d	taxes and charges	7.666.663,85	9.467.072,54
e	payroll	58.480.871,75	73.541.490,83
f	social security and other benefits	14.407.999,32	19.507.467,93
g	other costs by kind	58.696.396,02	37.312.507,12
2	Costs by kind, total	238.364.200,93	297.313.659,45
3	Change in inventory, products, and prepayments and accruals	(9.479.381,78)	(2.107.938,64)
4	Costs of production for the entity's own needs (negative value)	0,00	0,00
5	Costs of sales (negative value)	(7.917.728,20)	(61.742.127,81)
6	Administrative and general expenses (negative value)	(106.757.348,26)	(94.345.926,49)
7	Costs of production of products sold	114.209.742,69	139.117.666,51

A significant decrease in cost of sales in 2010 was mainly caused by the suspension of payments for reserving capacity services of direct current connection between Poland and Sweden. Costs of reserving capacity recorded in 2009 amounted to PLN 48,951 thousand. This issue has been described in note VI.22 of additional information and explanations to the foregoing financial statements.

Settlement suspension of payments for services of reserving capacity also had an impact on the decrease in external services costs in 2010. In addition, lower costs of the advisory services in comparison to 2009, contributed to the decline in external services cost.

Higher costs in 2010 presented as other costs by kind resulting from sponsorship activities of PGE S.A. In 2010, that costs were higher by about PLN 19 million compared to year 2009.

42. Other operating revenues.

No.	Item	from 1 January to 31 December 2010	from 1 January to 31 December 2009
1	Profit on disposal of non-financial non-current assets	443.582,02	66.665,94
a	fixed assets	443.282,02	66.665,94
b	intangible assets	300,00	0,00
2	Grants	0,00	488.547,81
a	grants	0,00	488.547,81
3	Other, including:	12.303.926,52	13.327.067,74
a	reversed write offs for bad debts	53.945,11	3.629.871,97
b	reversed revaluation write offs on inventory	0,00	5.064.949,32
c	compensations received	33.403,55	175.245,40
d	inventory counting surpluses	78,31	0,00
e	fund liquidation	0,00	1.048.306,81
f	refund of lawsuit fees	38.142,00	436.196,70
g	revenues re-invoiced	189,51	0,00
h	adjustment of previous years' expenses	14.358,18	1.289.929,69
i	compensations	0,00	0,00
j	sales of equipment and documentation	66.976,30	0,00
k	reversal of provisions	11.760.920,00	1.448.886,26
l	reimbursement of social security contributions	92.582,15	0,00
m	remuneration of payer	26.179,00	0,00
n	write off liabilities	9.635,00	0,00
o	other	207.517,41	233.681,59
	TOTAL	12.747.508,54	13.882.281,49

43. Other operating expenses.

No.	Item	from 1 January to 31 December 2010	from 1 January to 31 December 2009
1	Loss on disposal of non financial non-current assets	0,00	0,00
2	Revaluation of non-financial assets	121.766,45	2.531.340,97
a	inventory	95.361,18	1.980.283,88
b	other	26.405,27	551.057,09
3	Other, including:	15.792.815,88	53.473.689,00
a	penalties, fines, compensations	126.271,43	210.633,52
b	previous years' amortization/depreciation charges	920,16	0,00
c	previous year adjustemetns	28.818,44	0,00
d	costs of legal proceedings and court fees	44.630,98	1.942.426,03
e	net value of liquidated fixed assets	3.952,80	3.088,58
f	donations	764.613,18	939.510,99
g	balance sheet provisions created	12.911.906,45	46.108.936,65
h	liquidation property damage / repair of breakdowns	0,00	85.191,09
i	receivables write off	0,00	3.629.871,97
j	prior year expenses	0,00	455.192,55
k	re invoiced costs	189,51	0,00
m	investment abandoned	0,00	1.302,00
n	costs of liquidated fixed assets	51.968,78	0,00
o	other	1.859.544,15	97.535,62
	TOTAL	15.914.582,33	56.005.029,97

44. Financial revenues.

Dividend and profit sharing:

No.	Item	from 1 January to 31 December 2010	from 1 January to 31 December 2009
1	Related parties	2.533.807.759,20	1.079.106.291,91
a	PGE Energia Odnawialna S.A.	59.854.500,12	262.878.183,14
b	Energo Utech S.A.	0,00	533.930,58
c	PGE Górnictwo i Energetyka Konwencjonalna S.A.	1.906.761.058,99	337.784.888,10
d	PGE Elektrownia Opole S.A.	225.913.000,00	0,00
f	PGE Serwis Sp. z o.o.	23.340,27	2.121.534,21
g	PGE Obrót S.A.	189.254.908,68	62.130.777,64
h	PGE Dystrybucja S.A.	19.929.742,45	38.783.121,00
i	Polkomtel S.A.	131.374.672,03	374.639.535,24
j	PGE Systemy S.A.	562.400,05	0,00
k	Energopomiar Sp. z o.o.	134.136,61	234.322,00
2	Third parties	659.300,72	775.600,00
a	ARE S.A.	41.600,72	10.000,00
b	Towarowa Gielda Energii S.A.	617.700,00	765.600,00
TOTAL		2.534.467.059,92	1.079.881.891,91

Financial revenues – interest for the period from 1 January 2010 to 31 December 2010:

No.	Type of active	Interest revenues in the given financial year	
		Interest accrued and realized	Interest accrued but not realized
1	Debt financial instruments, including:	151.389.787,41	48.405.172,71
	<i>interest on assets covered by revaluation write off</i>	<i>0,00</i>	<i>0,00</i>
2	Originated loans, including:	479.503,68	42.243,41
	<i>interest on assets covered by revaluation write off</i>	<i>0,00</i>	<i>0,00</i>
3	Receivables, including:	5.719.899,06	1.301.173,16
	<i>interest on assets covered by revaluation write off</i>	<i>13.778,53</i>	<i>13.778,53</i>
4	Cash, including:	68.124.952,46	26.294,13
	<i>interest on assets covered by revaluation write off</i>	<i>0,00</i>	<i>0,00</i>
5	Other assets, including:	0,00	0,00
	<i>interest on assets covered by revaluation write off</i>	<i>0,00</i>	<i>0,00</i>
TOTAL		225.714.142,61	49.774.883,41

Profit on disposal of investments:

No.	Item	from 1 January to 31 December 2010	from 1 January to 31 December 2009
1	Profit on disposal of bonds	92.938.185,36	8.320.113,10
2	Profit on disposal on bills	31.892,02	25.060,34
3	Profit from the share transfer of Energo-Utech S.A. in exchange for shares of PGE Energia Odnawialna S.A.	0,00	7.203.756,20
TOTAL		92.970.077,38	15.548.929,64

Revaluation of investments in financial assets:

No.	Item	from 1 January to 31 December 2010	from 1 January to 31 December 2009
1	Revaluation of investments (increase of value)	0,00	0,00
a	shares in related parties	0,00	0,00
b	shares in third parties	0,00	0,00
2	Release of revaluation write offs on investments	3.487.052,39	190.598.901,56
a	revaluation write-offs on securities	3.059.280,06	0,00
b	shares in related parties	328.097,37	189.090.033,77
c	shares in third parties	99.674,96	1.508.867,79
TOTAL		3.487.052,39	190.598.901,56

Other financial revenues:

No.	Item	from 1 January to 31 December 2010	from 1 January to 31 December 2009
1	Release of revaluation write offs and provisions, due to:	25.486,07	808.175,04
a	provision for interest on trade liabilities	1.110,00	581.993,78
b	revaluation write off on receivables' interest	24.376,07	8.610,26
c	other	0,00	217.571,00
2	Other	855.530,59	69.601,88
a	exchange differences from fixed prices of goods	719.208,96	0,00
b	other	136.321,63	69.601,88
TOTAL		881.016,66	877.776,92

45. Financial expenses.

Interest for the period from 1 January 2010 to 31 December 2010:

No.	Type of liability	Expenses related to current year interest	
		interest accrued and realized	interest accrued and realized
1	Other short-term liabilities, including:	3.922.450,21	1.083.544,02
-	loans and borrowings	341.538,43	0,00
-	debt securities	3.324.999,68	1.083.544,02
-	trade liabilities	19.203,69	0,00
-	financial lease interest	10.020,52	0,00
-	other short-term liabilities	226.687,89	0,00
2	Long-term financial liabilities	0,00	0,00
3	Other liabilities	0,00	0,00
4	Discount reversal	148.116,42	0,00
	TOTAL	4.070.566,63	1.083.544,02

Revaluation write offs on investments:

No.	Item	from 1 January	from 1 January
		to 31 December 2010	to 31 December 2009
1	Long-term investments	0,00	31.406.093,95
a	shares in related parties	0,00	554.865,62
b	shares in third parties	0,00	1.434.283,84
c	bonds and commercial papers	0,00	29.416.944,49
d	other financial assets	0,00	0,00
2	Short-term investments	27.602,50	0,00
a	shares in related parties	27.602,50	0,00
	TOTAL	27.602,50	31.406.093,95

In 2009 the Company has changed the calculation of the effective interest rate adopted for the valuation of the bonds of Autostrada Wielkopolska. It resulted in decreasing the carrying value of bonds held.

Other financial expenses:

No.	Item	from 1 January to 31 December 2010	from 1 January to 31 December 2009
1	Provisions created, due to:	10.118.395,50	18.267.731,05
a	trade liabilities and interest on trade liabilities and claims	10.101.993,24	18.200.258,46
b	revaluation write off on interest on trade liabilities	15.948,77	67.318,53
c	other	453,49	154,06
2	Other, including:	47.836.015,17	24.906.056,26
a	surplus of exchange losses over exchange gains	9.960.538,41	7.815.118,40
b	other financial costs	0,00	0,00
c	commission	36.798.189,15	16.596.142,03
d	expenses related to merger	865.892,55	0,00
e	exchange differences from fixed prices of goods	0,00	137.241,43
f	accrued interest - withdrawn	0,00	1.515,03
g	other	211.395,06	356.039,37
TOTAL		57.954.410,67	43.173.787,31

46. Extraordinary gains and losses.

During reporting period ended 31 December 2010, extraordinary gains and losses did not occur.

47. Income tax in profit and loss account.

No.	Item	Value
	Gross profit	3.010.457.075,15
I	Adjustment of revenues recognized under tax base	(9.735.982.130,79)
1	Non-taxable revenues, including:	(9.677.619.415,89)
-	release of non-taxable provisions	(11.762.489,04)
-	dividends	(2.534.467.059,92)
-	tax-free income from bonds' execution – the capital part	(7.124.702.368,30)
-	other	(6.687.498,63)
2	Revenues recorded as taxable income, including	456.910,94
3	Revenues not temporarily classified as taxable income, including:	(58.819.625,84)
-	interest accrued on emitted bonds and time deposits	(32.198.130,26)
-	interest accrued loans and receivables	(1.329.638,04)
-	exchange profits on receivables and liabilities and securities	(22.476.690,94)
-	other	(2.815.166,60)
II	Non-tax-deductible expenses	7.196.893.297,80
1	Permanent differences, including:	7.151.225.803,75
-	non-tax cost from bonds' execution – the capital part	7.124.702.368,30
-	other	26.523.435,45
2	Temporary difference, including:	45.667.494,05
-	exchange losses on receivables and liabilities and securities	32.211.349,90
-	provisions created	12.875.129,06
-	other	581.015,09
III	Tax-deductible expenses, not recognized in the financial year result	11.870.499,06
-	reversal of provisions created in 2009	11.849.194,24
-	other	21.304,82
IV	Deductions from income	576.000,00
V	Taxable income	458.921.743,10
VI	Due tax in full zlotys	87.204.757,00
-	Including: lump-sum income tax	9.626,00
VII	Income tax for previous years	(29.129,00)
IX	Change in deferred tax	2.847.543,70
X	Total income tax	90.023.171,70

Tax settlements and other activities which are subject to law regulations (customs or foreign currency examinations) may be controlled by appropriate authorities, which are entitled to impose fines and sanctions, including penal interest. Such controls can cover tax settlements up to five years from the end of the calendar year, in which the tax obligation expired.

48. Deffered tax

Deferred tax assets:

No.	Subject for negative temporary difference	Temporary difference amount		Deferred tax asset as at 31 December 2010	Temporary difference amount		Deferred tax asset as at 31 December 2009	
		As at 31 December 2010	tax rate		As at 31 December 2009	tax rate		
1	In correspondence with financial result	279.533.484,07		53.111.361,97		271.861.991,17	51.653.778,30	
-	audit of the financial statements, actuary's remuneration	173.774,47	19,00%	33.017,15		787.550,00	149.634,50	
-	from the provision for retirement and pension severance	1.407.035,62	19,00%	267.336,77		1.582.009,00	300.581,71	
-	from the provision for jubilee awards	3.458.301,97	19,00%	657.077,37		3.752.242,00	712.925,98	
-	from the energy tariff provision	10.469.785,91	19,00%	1.989.259,32		9.686.544,00	1.840.443,36	
-	from the provision for medical benefits	2.834.803,08	19,00%	538.612,59		3.640.871,00	691.765,49	
-	from the provision – Social Fund write off	5.897.673,41	19,00%	1.120.557,95		5.620.138,00	1.067.826,22	
-	from the provision for employee settlements and unused holiday	1.988.010,01	19,00%	377.721,90		1.717.723,40	326.367,45	
-	from the provision for employee bonuses	8.497.731,19	19,00%	1.614.568,93		8.084.260,28	1.536.009,45	
-	difference between tax and carrying value of shares	11.973.336,88	19,00%	2.274.934,01		12.496.504,90	2.374.335,93	
-	difference between tax and carrying value of fixed assets	2.215.995,14	19,00%	421.039,07		1.019.095,06	193.628,06	
-	unrealized exchange differences	1.800.004,03	19,00%	342.000,77		280.395,29	53.275,11	
-	discount accrued on issued debt securities/bonds	1.083.544,02	19,00%	205.873,36		4.571.316,34	868.550,10	
-	provision for costs of restructuring/ deferred income due to contribution in kind	214.726.302,00	19,00%	40.797.997,38		214.726.302,00	40.797.997,38	
-	contractual jobs	0,00	19,00%	0,00		33.500,00	6.365,00	
-	unrealized tax expense	12.646.974,29	19,00%	2.402.925,12		710.262,89	134.949,95	
-	unpaid social security contributions of disbursed bonuses in 2009	0,00	19,00%	0,00		508.667,60	96.646,84	
-	revaluation write offs on receivables	0,00	19,00%	0,00		22.205,83	4.219,11	
-	revaluation write offs on inventory	211.807,47	19,00%	40.243,41		116.446,29	22.124,80	
-	from accrued, unpaid commissions and other financial costs	148.116,42	19,00%	28.142,12		0,00	0,00	
-	other	288,16	19,00%	54,75		2.505.957,16	476.131,83	
2	In correspondence with equity	0,00	19,00%	0,00		0,00	0,00	
	TOTAL	X	X	53.111.361,97		X	X	51.653.778,30

Changes in deferred tax asset:

No.	Item	Total asset
1	Opening balance as at 1 January 2010:	51.653.778,30
2	Increases (due to)	3.215.450,59
a	in correspondence with the financial result	3.215.450,59
b	in correspondence with equity	0,00
3	Decreases (due to)	1.757.866,92
c	in correspondence with the financial result	1.757.866,92
b	in correspondence with equity	0,00
4	Closing balance as at 31 December 2010	53.111.361,97

Deferred tax liability:

No.	Basis for positive temporary difference	Temporary difference amount		Deferred tax liability as at 31 December 2010	Temporary difference amount		Deferred tax liability as at 31 December 2009
		As at 31 December 2010	tax rate		As at 31 December 2009	tax rate	
1	In correspondence with the financial result	169.979.836,64	19,00%	32.296.168,97	147.321.271,65	19,00%	27.991.041,60
-	interest accrued on time deposits	26.294,13	19,00%	4.995,88	8.996.326,43	19,00%	1.709.302,02
-	interest accrued on receivables	1.287.394,63	19,00%	244.604,99	22.205,83	19,00%	4.219,11
-	interest accrued on originated loans	42.243,41	19,00%	8.026,25	0,00	19,00%	0,00
-	difference between tax and carrying value of fixed assets	0,00	19,00%	0,00	1.538.332,28	19,00%	292.283,13
-	unrealized exchange gains	107.280,40	19,00%	20.383,28	560.625,56	19,00%	106.518,86
-	interest and discount on bonds	168.516.624,07	19,00%	32.018.158,57	136.039.725,77	19,00%	25.847.547,91
-	difference between tax and carrying value of financial assets	0,00	19,00%	0,00	134.085,48	19,00%	25.476,24
-	profit on telecommunication services that will be taxed next year	0,00	19,00%	0,00	27.666,64	19,00%	5.256,66
-	other	0,00	19,00%	0,00	2.303,66	19,00%	437,67
2	In correspondence with total equity capital	0,00	19,00%	0,00	0,00	19,00%	0,00
TOTAL		X	X	32.296.168,97	X	X	27.991.041,60

Changes in the balance of deferred tax liability:

No.	Item	Total deferred tax liability
1	Opening balance as at 1 January 2010:	27.991.041,60
2	Increases (due to)	6.419.022,79
a	in correspondence with the financial result	6.419.022,79
b	in correspondence with equity	0,00
3	Decreases (due to)	2.113.895,42
a	in correspondence with the financial result	2.113.895,42
b	in correspondence with equity	0,00
4	Closing balance as at 31 December 2010	32.296.168,97

49. Discontinued operations.

During reporting period ended 31 December 2010 no significant discontinued operations occurred.

50. Exchange rates applied for balance sheet measurement purposes.

The following exchange rates were applied for measurement of balance sheet items denominated in foreign currency.

No.	Item	As at 31 December 2010	As at 31 December 2009
1	EUR/PLN exchange rate	3,9603	4,1082
2	USD/PLN exchange rate	2,9641	2,8503
3	GBP/PLN exchange rate	4,5938	4,5986
4	SEK/PLN exchange rate	0,4415	0,4000

51. Expenditure on non-financial non-current assets.

Expenditure on non-financial non-current assets incurred in the last year and planned for the following year.

No.	Item	Incurred in the current period	Planned
1	Expenditure on non-financial non-current assets	18.757.977,30	16.310.100,00
a	including environmental protection	0,00	0,00

52. Derivatives and embedded derivatives.

During the reporting period, the Company did not conclude and did not hold as at the balance sheet date agreements qualifying as derivatives or embedded derivatives hedging the risks related to: foreign exchange, interest rates, prices of mineral resources, etc., which are subject to valuation and disclosure in financial statements.

53. Explanation on cash flow statement.

No.	Item	As at 31 December 2010	As at 31 December 2009
A	Cash	259.447.288,32	3.411.515.811,63
1	cash at bank	259.447.288,32	33.818.275,24
2	cash in hand	0,00	1.421,65
3	time deposits	0,00	3.377.696.114,74
	TOTAL	259.447.288,32	3.411.515.811,63

The difference between cash value presented in balance sheet and the value presented in cash flow statement resulted from difference in exchange rates of foreign currency valuation and from interest accrued but not paid as at reporting day.

Explanations for significant differences between changes in captions disclosed in the balance sheet and changes in the same captions disclosed in the cash flow statement:

No.	Item	From 1 January to 31 December 2010	From 1 January to 31 December 2009
1	Amortization/depreciation results from the following items	20.237.363,56	20.976.816,04
-	amortization/depreciation recognized in operating expenses	20.237.363,56	20.976.816,04
-	amortization/depreciation recognized in other operating expenses	0,00	0,00
2	Exchange gains (losses) result from the following items	9.026.552,78	7.879.639,17
-	unrealized exchange differences on bonds	8.842.267,21	5.083.015,80
-	exchange differences on cash	184.285,57	2.796.623,37
-	other adjustments	0,00	0,00
3	Interest and share in profits include	(2.637.953.405,42)	(902.002.148,97)
-	interest and fees on credits	359.454,11	9.825.089,21
-	interest on debt securities	38.779.333,05	144.866.355,32
-	interest on purchased bonds	(151.706.210,15)	(143.233.097,62)
-	interest on loans	(479.503,68)	0,00
-	distribution from profit after tax	875.257,00	176.923.989,67
-	dividends received	(2.534.562.455,61)	(1.079.881.891,91)
-	interest on leases and long-term liabilities	10.020,52	(202.175,23)
-	accrued interest on time deposits	8.770.699,34	(8.833.244,57)
-	other adjustments	0,00	(1.467.173,84)
4	Profit (loss) on investment activities result from the following:	(93.097.236,66)	(174.776.953,19)
-	revaluation write offs on fixed assets	0,00	(159.192.807,61)
-	profit (loss) on disposal of tangible fixed assets	(443.582,02)	(63.677,78)
-	profit (loss) on disposal of short-term securities	(92.653.654,64)	(8.320.113,10)
-	profit (loss) on disposal of financial non-current assets	0,00	(7.203.756,20)
-	other adjustments	0,00	3.401,50
5	Change in provisions results from the following	13.457.350,87	55.154.085,49
-	balance sheet change in provisions	13.457.350,87	55.154.085,49

No.	Item	From 1 January to 31 December 2010	From 1 January to 31 December 2009
6	Change in inventory results from the following	36.943.785,57	47.920.864,66
-	balance sheet change in inventory	36.943.785,57	47.920.864,66
7	Change in receivables results from the following	229.844.902,97	(345.761.331,94)
-	balance sheet change in receivables	(309.909.797,92)	(251.226.307,05)
-	adjustment by change in receivables due to disposal of tangible fixed assets	29.328,69	0,00
-	adjustment by change in receivables due to dividend	539.725.372,20	(94.535.024,89)
8	Change in short-term liabilities, except from loans and credits results from the following	(166.027.874,73)	413.009.652,78
-	balance sheet change in liabilities	1.162.267.791,34	(1.608.083.608,55)
-	adjustment by change in liabilities due to debt securities	(1.277.567.899,68)	2.024.373.288,39
-	adjustment by change in liabilities due to financial leasing	211.650,92	218.362,84
-	adjustment by change in liabilities due to write offs on Social Fund	0,00	1.800.000,00
-	adjustment by change in liabilities other than tease and derivatives	1.138.472,22	(4.295.997,80)
-	adjustment by change in liabilities related to financial non-current assets	(50.983.872,00)	(1.429,84)
-	adjustment by change in receivables due to dividend	(2.637.899,73)	0,00
-	adjustment by change of settlements from investment activities	1.543.882,20	2.569.513,74
-	reclassification from long-term liabilities to short term	0,00	(3.570.476,00)
9	Change in prepayments and accruals results from the following	(5.276.723,43)	(45.137.117,04)
-	balance sheet change in prepayment and liabilities	(80.575.861,43)	(30.650.163,40)
-	adjustment of deferred tax from temporary difference relating to intangible assets	0,00	(193.628,06)
-	adjustment by change in prepayments due to emission costs	0,00	(14.293.325,58)
-	adjustment of the expenditure for investing activities	75.299.138,00	0,00
10	Other adjustments include:	(3.408.032,10)	512.338,12
-	financial assets valuation	(3.459.449,89)	0,00
-	previous year fixed assets depreciation	0,00	0,00
-	other adjustments	51.417,79	512.338,12

54. Employment.

Information on average employment in the financial year by employee group:

No.	Item	2010	2009
1	Total employees, including:	382,73	547,94
a	blue-collar positions	0,00	0,00
b	white-collar positions	382,73	547,94

55. Remuneration.

Information on remuneration, including profit sharing, paid or payable to members of management or supervisory bodies of commercial companies:

Remuneration paid for the period from 1 January to 31 December 2010 was as follows:

- Remuneration of the Management Board 3.725.046,15
- Remuneration of the Supervisory Board 647.764,16

The remuneration paid to Members of the Management Board is as follows:

Name and surname of the Member of the Management Board	Function	The value of remuneration paid by PGE S.A. for period 1 January 2010 – 31 December 2010*
Tomasz Zadroga	The President of the Management Board	533.680,69
Marek Szostek	Vice-President for Organizational matters	446.657,39
Piotr Szymanek	Vice-President for Corporate matters	499.504,15
Wojciech Topolnicki	Vice-President for Development and Financial matters	495.276,39
Marek Trawiński	Vice-President for Operational matters	508.283,63

*) excluding surcharges

The remuneration of Members of the Board of Directors of PGE GiE S.A., PGE Energia S.A. and PGE Electra S.A. paid until the merger with PGE S.A. amounted to PLN 861 thousand. Moreover, the amount of remuneration paid to the Management Board, includes benefits after employment period amounted to PLN 239 thousand and holiday equivalent reimbursed to the members of the Board relating to the termination of employment and changing of employment relationship based on management contract in amount of PLN 70 thousand.

The remuneration of the Members of the Supervisory Board of PGE S.A. were as follows:

Name of the Member of the Supervisory Board	Remuneration paid in the period from 1 January 2010 to 31 December 2010
Maciej Bałtowski	41.454,96
Zbigniew Szmuniewski	41.454,96
Jacek Barylski	41.454,96
Marcin Zieliński	41.454,96
Ryszard Malarski	10.363,74
Wojciech Cichoński	10.363,74
Katarzyna Prus	41.454,96
Krzysztof Żuk	35.409,44
Małgorzata Dec	41.454,96
Czesław Grzesiak	31.314,10
Grzegorz Krystek	31.314,10

Moreover, the amount of remuneration paid to the Members of the Supervisory Boards of GiE S.A., PGE Energia S.A. and PGE Electra S.A amounted to PLN 280 thousand.

During the reporting period ended 31 December 2010 the members of management and supervisory bodies did not receive neither loans, borrowings nor other alike benefits.

56. Information on significant events disclosed in the financial statements for the financial year and significant subsequent events.

56.1. Consolidation of PGE Capital Group

The Consolidation Programme of PGE Capital Group, commenced within PGE Capital Group, has been initiated in 2009. The purpose of the Programme was a formal and legal merger of entities in the following areas:

- retail sales of electric energy;
- distribution of electric energy;
- mining and conventional energy (previously: mining and generation);
- renewable energy;

and also a merger of PGE Górnictwo i Energetyka S.A. and PGE Energia S.A. with PGE Polska Grupa Energetyczna S.A., as well as carrying out legal and organizational changes in the field of wholesale energy trade. The merger in each business line will take place in compliance with art. 492 par. 1 p. 1 of the Commercial Code i.e. by takeover

Before 31 August 2010 the PGE Capital Group comprised of 42 entities covered by the consolidation programme. Thanks to the consolidation programme of PGE Capital Group in each line of business operates a company that brings together all the assets and operations of each business of PGE Capital Group.

Consolidation Programme enclosed also creation of the organizational structure and identification of improving efficiency and competitiveness programs. Efforts related to the project will be continued.

Mining and conventional energy

The company bringing together all of the extracting and manufacturing assets within **mining and conventional energy** area is PGE Górnictwo i Energetyka Konwencjonalna S.A. The merger in this area was registered on 1 September 2010.

In the area of mining and conventional energy (mining and generation) the following companies has merged:

- PGE Elektrownia Bełchatów S.A. – taking over company
- PGE Kopalnia Węgla Brunatnego Bełchatów S.A.
- PGE Kopalnia Węgla Brunatnego Turów S.A.
- PGE Elektrownia Turów S.A.
- PGE Zespół Elektrowni Dolna Odra S.A.
- PGE Zespół Elektrociepłowni Bydgoszcz S.A.
- PGE Elektrociepłownia Lublin-Wrotków Sp. z o.o.
- PGE Elektrociepłownia Gorzów S.A.
- PGE Elektrociepłownia Rzeszów S.A.
- PGE Elektrociepłownia Kielce S.A.
- Energetyka Boruta Sp. z o.o.
- Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. in Gryfino
- PEC Gorzów Sp. z o.o.

Moreover the merger with PGE Elektrownia Opole S.A. is currently in progress.

Renewable energy

The company bringing together all of the production assets in the area of **renewable energy** (excluding plants co-incinerating biomass) is PGE Energetyka Odnawialna S.A. The merger in this area was registered on 31 August 2010.

In the area of renewable energy the following companies has merged:

- PGE Energia Odnawialna S.A. – taking over company
- Elektrownia Wodna Żarnowiec S.A.
- PGE Zespół Elektrowni Wodnych Dychów S.A.
- Zespół Elektrowni Wodnych Porąbka-Żar S.A.
- EGO-Odra S.A.
- Zespół Elektrowni Wodnych Solina-Myczkowce S.A.

Moreover the merger with Elektrownia Wiatrowa Kamieńsk Sp. z o.o. is currently in progress.

Distribution of electricity

The company bringing together all the activities in the area of **distribution of electricity** is PGE Dystrybucja S.A. The merger in this area was registered on 31 August 2010

In the area of distribution of electricity the following companies has merged:

- PGE Dystrybucja S.A. – taking over company
- PGE Dystrybucja LUBZEL Sp. z o.o.
- PGE Dystrybucja Łódź Sp. z o.o.

- PGE Dystrybucja Rzeszów Sp. z o.o.
- PGE Dystrybucja Białystok Sp. z o.o.
- PGE Dystrybucja Łódź-Teren S.A.
- PGE Zakłady Energetyczne Okręgu Radomsko-Kieleckiego Dystrybucja Sp. z o.o.
- PGE Dystrybucja Warszawa-Teren Sp. z o.o.
- PGE Dystrybucja Zamość Sp. z o.o.

The sales of electricity to the final customers

The company bringing together all the activities in the area of **the sales of electricity** to the final customers is PGE Obrót S.A. The merger in this area was registered on 31 August 2010.

In the area of retail sales of electricity the following companies has merged:

- PGE Obrót S.A. (previously under business name PGE Rzeszowski Zakład Energetyczny S.A.) – taking over company
- PGE Lubelskie Zakłady Energetyczne S.A.
- PGE Łódzki Zakład Energetyczny S.A.
- PGE Zakład Energetyczny Białystok S.A.
- PGE ZEŁT Obrót Sp. z o.o.
- PGE Zakłady Energetyczne Okręgu Radomsko-Kieleckiego S.A.
- PGE Zakład Energetyczny Warszawa-Teren S.A.
- PGE Zamojska Korporacja Energetyczna S.A.

The merger of PGE Polska Grupa Energetyczna S.A. and subsidiaries

Moreover, as a result of realization of the Consolidation Programme PGE S.A. has been merged with PGE Górnictwo i Energetyka S.A., PGE Energia S.A. and PGE Electra S.A. what was described in Note VI 1 of the supplementary information and explanations to the foregoing financial statements.

The details of merged companies by PGE S.A. were described in Note VI 57 of the supplementary information and explanations to the foregoing financial statements.

56.2. Agreement to acquire shares of PGE Energa S.A.

On 29 September 2010, the Management Board of PGE Polska Grupa Energetyczna S.A. concluded with the State Treasury represented by the Minister of the State Treasury („Seller”) the sales of shares agreement of Energa S.A., seated in Gdańsk (“Agreement”). Subject of an agreement is related to acquire 4.183.285.468 shares of the Company, representing 84,19% of its share capital. The purchase price of all shares representing 84,19% of share capital of the Company is PLN 7.529.913 thousand. The buyer declared the guaranteed investment programme to be implemented in the Energa Capital Group within 10 years in amount of PLN 5 billion. Failure to comply will entail the contractual penalties to pay for the Seller. The total liability of the Purchaser cannot exceed PLN 1 billion. Moreover, PGE S.A. committed to maintaining control over the Company, to not restrict the core activities of the company and its main subsidiaries covering production, sales and distribution of the electricity and heat as well as to not changing the seat of the company. Moreover, PGE S.A. committed to placing shares to trading on the Warsaw Stock Exchange.

The transaction shall be effective after obtaining by PGE S.A. the consent to a concentration of capital by PGE S.A. from the President of the Office of Competition and Consumer (“the President of the Office”) (condition precedent).

On 13 January 2011, the President of the Office for Competition and Consumer Protection issued a Decision preventing PGE S.A. from buying shares of Energa S.A.

Therefore, on 18 January 2011 PGE S.A. entered into an annex to the Agreement of sale of Energa S.A. shares, as of 29 September 2010, with the Seller. Under that Annex, the term of Agreement was set as 12 months of the effective date, whereby the State Treasury and PGE S.A. decided to withhold the term of Agreement until a valid and binding closing of court proceedings concerning appeal against the Decision.

On 28 January 2011, the Regional Court in Warsaw, Competition and Consumer Protection Court, received an appeal filed through intermediation of the President of the Office by PGE S.A. against the Decision of the President of the Office for Competition and Consumer Protection, preventing amalgamation of PGE S.A. and Energa S.A. In its appeal, the Company requests that the said decision be replaced in its entirety by another Decision to the effect of permitting amalgamation of PGE S.A. and Energa S.A., or that the former decision be revoked.

According to the sources available to PGE S.A., in mid-February 2011 the President of the Office forwarded the Company's appeal to the Competition and Consumer Protection Court in Warsaw, thus waiving its right to self-assess the decision.

Until the date of these financial statements, the Competition and Consumer Protection Court has not yet issued a decision regarding appeal by PGE S.A. against the Decision of the President of the Office, preventing amalgamation of PGE S.A. and Energa S.A.

56.3. Sales of shares of Polkomtel S.A. and Exatel S.A.

As at 31 December 2010, the Company presents its investments in Exatel S.A. and Polkomtel S.A. under current assets. The anticipated sale of shares in these companies derives from the strategy implemented by PGE S.A., with the assumption of focusing on the primary activity and selling unrelated assets.

The process of selling the assets of Exatel S.A. commenced in September 2010. Concerning the characteristics of the asset sold, enhanced quality and ethical criteria were applied in the process with regard to the investors, their credibility, and the financing options presented by them. After verification of preliminary quotations by the Project Team appointed by the Management Board of the Company, two potential investors were selected. One of the investors ultimately withdrew from participation during the process. Finally, because no binding tenders were received as at 13 January 2011, the Management Board of the Company decided to cancel the tender procedure. However, PGE S.A. is still planning to sell Exatel S.A. shares until the end of 2011. Next steps in the process are scheduled for the second quarter of 2011.

The process of selling the shares of Polkomtel S.A. began in January 2011, after a period of intensive preparations in 2010. All the Polish shareholders of the company participate in the process, namely PGE S.A., KGHM Polska Miedź S.A., PKN Orlen S.A. and Węglokoks S.A., along with foreign shareholders: Vodafone Americas Inc and Vodafone International Holdings B.V. The largest telecommunication groups and most significant global financial investors participate in the transaction on the investor side, meaning that the transaction is executed in the conditions of strong international cooperation. As at the date of preparing these financial statements, another phase of transaction is in progress, following selection of the most advantageous preliminary quotations. The Company expects that the contract of sale of Polkomtel S.A. shares will be executed before the end of June 2011.

56.4. Excise tax reimbursement

In 2009, the Company filed a motion related to an excess payment of the excise tax on imports and Intra-Community acquisition of electric energy in the period from January 2006 to February 2009. The Company states that the excess payment results from discrepancies between the Polish and Community law. Details were described in Note VI 38 of the supplementary information and explanations to the foregoing financial statements. Moreover, in 2008, the Company filed a motion related to the repayment of excise duty on non-harmonized goods. In February 2010, the Company received decisions for the period from January – December 2006 declining the excess payment of

excise tax, paid in relation to imports of electric energy. The total amount of return, together with interest due, amounted to PLN 18,5 million.

56.5. Disputes on payments of dividends in subsidiaries in 2009

Several non-controlling shareholders of the following companies: PGE Elektrownia Turów S.A., PGE KWB Bełchatów S.A., PGE KWB Turów S.A., PGE Elektrownia Bełchatów S.A., PGE Zespół Elektrowni Dolna Odra S.A. (as at the day of preparation of the foregoing financial statements. The companies are merged under the business name PGE Górnictwo i Energetyka Konwencjonalna S.A.) filled motions in District Courts to claim for partial repealing of resolutions adopted referring to distribution of 2009 profits, determining the dividend day, as well as eventual partial repealing of the resolutions in this regard. The basic claim is based on the argument, that both notice convening the General Meetings of Shareholders and the agendas adopted, did not include item for setting up the dividend day, what caused that the resolutions was contrary to the Code of Commercial Companies. The possible claims based on the fact, that determining the Dividend Day on 17 August 2010, i.e. later than the date of resolution referring to distribution of profit, was intended to deprive the dividends of shareholders, who opted for conversion of shares that is before this date.

The subsidiaries received the lawsuits for repealing the resolution related to distribution of 2009 profit.

Due to this situation the payments of dividends were partially stopped. In subsidiaries' opinion the resolutions were adopted in a proper way and they filed responses for claims. Currently, the cases are at various stages of arbitration proceedings.

Some of the disputes in progress have been resolved by 1st instance courts. The rulings are not identical. Previously, the courts would rule as follow:

- To dismiss the demands of the claim in their entirety, or
- To consider the shareholders' demands in the part concerning revocation of the resolution with respect to determination of dividend date, as non-controlling shareholders would be disadvantaged,
- To discontinue the proceedings.

Several shareholders have filed appeals concerning rulings made by courts. The Courts of appeal have ruled in several cases (the case of appeal against resolution regarding distribution of profit of following companies: PGE Elektrownia Opole S.A., PGE Elektrownia Turów S.A., PGE KWB Turów S.A.), which in result changed previous rulings of courts and instances by declaring invalidity of the resolutions of distribution of 2009 profit in the part concerning day of the dividend. The rulings are binding. Consequently day of the dividend will be established as at the day of adopting the resolution of distribution of 2009 profit by the Ordinary Shareholders' Meeting.

PGE Elektrownia Opole S.A. and PGE Górnictwo i Energetyka Konwencjonalna are considering filing cassation appeals against rulings of Courts of appeal.

In other cases rulings are not binding and appeal proceedings are ongoing.

At the same time, because certain courts determined cancellation of injunctive relief, PGE Elektrownia Opole S.A. initiated payment of dividend.

For PGE S.A. this situation means, that as at the day of preparation of the foregoing financial statements, the dividend receivables in amount of PLN 539.725 thousand, appear in the accounts, booked in reference with revenues in the profit and loss account.

Possible decisions should not have a significant impact on the values included in the present financial statements. According to the Company, there is little risk of the repeal of the entire resolution.

56.6. Establishment of the underwritten Bond Issue Programme of PLN 10 billion

On 9 November 2010, PGE S.A. signed two following agreements, under which the bond issue programme (“Programme”) was established:

- Bond Purchase Commitment Agreement (“Commitment Agreement”) whose parties, apart from the Company, are Bank Polska Kasa Opieki S.A., Banca Infrastrutture Innovazione e Sviluppo S.p.A., Nordea Bank Polska S.A., ING Bank Śląski S.A. (acting as Lead Arrangers) and Bank Polska Kasa Opieki S.A., Banca Infrastrutture Innovazione e Sviluppo S.p.A., Nordea Bank AB, Nordea Bank Polska S.A. and ING Bank N.V. (acting as Underwriters of the Programme) and ING Bank Śląski S.A. (acting as Issue Agent),
- Bond Issue Programme Agreement (“Programme Agreement”) whose parties, apart from the Company, are ING Bank Śląski S.A. (acting as Agent, Issue Agent, Paying Agent and Depository) and Bank Polska Kasa Opieki S.A. and Nordea Bank Polska S.A. (acting as Agents, Paying Sub-Agents and Sub-Depositories).

The maximum Programme amount (representing a maximum aggregate nominal amount of bonds issued and outstanding under the Programme) is PLN 10 billion. The Programme was signed for a period of 36 months from the agreements signing date and shall expire no later than on 8 November 2013.

The Underwriters of the Programme have an obligation to purchase bonds issued by the Company under the Programme, as it is stated in the Commitment Agreement. After the accession of any additional underwriter (as defined in the Commitment Agreement) the aggregate underwriting amount cannot exceed the maximum Programme amount, i.e. PLN 10 billion. Underwriters of the Programme are obliged to purchase bonds during the period from 15 November 2010 till 31 October 2013.

Bonds are to be issued as specified in article 9 paragraph 3 of the Act on Bonds dated 29 June 1995 (Official Journal 2001, no. 120, item 1300 with amendments) based on the Programme Agreement and the Issue Terms, as bearer discount bonds (bearer zero-coupon bonds with maturity of 1, 3 or 6 months but their maturity cannot exceed 6 months. The maturity of the last issue of bonds may be different (but not shorter than 7 days and not longer than 6 months), however the last issue maturity date cannot fall after the Programme maturity date.

Bonds under the Programme will be denominated in Polish zlotys (PLN) and the nominal value of one bond will amount to PLN 100.000. As a rule, the bonds will pay a guaranteed interest rate, defined as the reference rate increased by a guaranteed margin. The reference rate is the appropriate WIBOR for deposits with maturity corresponding to the bond issue maturity (different rules apply for establishing the profitability of the last bond issue and bonds issued for the purpose of, so called, rollovers of the previous bond issues). The bondholders are only entitled to the benefits of monetary nature.

On 26 January 2011 within the program described above, the Company began issuing bonds.

57. Supplementary information regarding the merger of PGE Górnictwo i Energetyka S.A., PGE Energia S.A. and PGE Electra S.A.

The core activities of the companies, which due to the merger were dissolved, were.

PGE Górnictwo i Energetyka S.A

The core activity of the company included:

- activities of central companies and holdings, excluding financial holdings;
- activities of financial holdings;
- guidance over effectiveness of management;

PGE Energia S.A.

The core activity of the company included:

- activities of central companies and holdings, excluding financial holdings;
- activities of financial holdings;
- guidance over effectiveness of management.

PGE Electra S.A.

The core activity of the company included:

- commercial activities including distribution of electricity, wholesale and retail, including the sale of electricity, energy origin units of ownership produced from renewable sources (green certificates) and cogeneration of heat (red and yellow certificates), CO₂ emission allowances and confirmed reduction of CER, coal for the purpose of power engineering;
- services of business operator and operator of commerce and technology;
- electricity balancing services.

Revenues, expenses, profits and losses of companies acquired for the period of 1 January 2010 until the date of the merger with PGE S.A. are presented below:

No.	Item	from 1 January to 31 August 2010		from 1 January to 31 December 2010
		PGE Górnictwo i Energetyka S.A.	PGE Energia S.A.	PGE Electra S.A.
A	Net revenues from the sale of finished products, merchandise and raw materials	7.620.807,26	287.442,08	6.433.012.962,85
B	Costs of finished products, merchandise and raw materials sold	6.249.958,55	258.422,67	6.356.302.122,56
C	Gross profit on sales (A-B)	1.370.848,71	29.019,41	76.710.840,29
D	Sales costs	0,00	0,00	0,00
E	Administration and general expenses	6.904.114,30	2.186.413,94	8.231.283,22
F	Loss on sale (C-D-E)	(5.533.265,59)	(2.157.394,53)	68.479.557,07
G	Other operating revenues	522.445,95	69.150,77	326.040,65
H	Other operating expenses	1.809.865,99	53.599,13	1.110.794,91
I	Operating loss F+G-H)	(6.820.685,63)	(2.141.842,89)	67.694.802,81
J	Financial revenues	1.550.842.862,45	351.186.809,24	4.867.854,77
K	Financial costs	9.576,19	1.998,10	2.121.730,81
L	Profit (loss) on business activity (I+J-K)	1.544.012.600,63	349.042.968,25	70.440.926,77
Ł	Gross profit (loss)	1.544.012.600,63	349.042.968,25	70.440.926,77
N	Income tax	(760.309,22)	(82.161,94)	13.486.320,10
O	Net income (Ł-N)	1.544.772.909,85	349.125.130,19	56.954.606,67

Data presented above are included in profit and loss account of PGE S.A. as at 31 December 2010 after mutual eliminations resulting from the application of the pooling of interests method.

Changes in equity of acquired companies from 1 January until the date of the merger with PGE S.A. are presented below:

No.	Item	from 1 January to 31 August 2010		form 1 January to 31 December 2010
		PGE Górnictwo i Energetyka S.A.	PGE Energia S.A.	PGE Electra S.A.
I.	Equity at the beginning of period	5.215.238.738,81	7.568.624.509,73	126.014.066,82
1	Share capital at the beginning of period	3.827.809.700,00	7.519.861.158,00	70.000.000,00
1.1.	Share capital at the end of period	3.827.809.700,00	7.519.861.158,00	70.000.000,00
2	Unpaid share capital at the beginning of the period	0,00	0,00	0,00
2.1.	The capital of the subsidiaries to raise the share capital at the end of the period	0,00	0,00	0,00
3	Treasury shares at the beginning of the period	0,00	0,00	0,00
3.1.	Treasury shares at the end of the period	0,00	0,00	0,00
4	Reserve capital at the beginning of the period	1.277.069.009,48	18.132.828,85	167.000,00
4.1.	Changes in reserve capital	0,00	4.576.383,00	6.067.765,35
a	increase (due to)	0,00	4.576.383,00	6.067.765,35
-	profit distribution (statutory)	0,00	4.576.383,00	6.067.765,35
b	decrease (due to)	0,00	0,00	0,00
4.2	Reserve capital at the end of the period	1.277.069.009,48	22.709.211,85	6.234.765,35
5	Revaluation reserve at the beginning of period	0,00	0,00	0,00
5.1	Revaluation reserve at the end of period	0,00	0,00	0,00
6	Other reserve capitals at the beginning of period	0,00	0,59	0,00
6.1	Changes In reserve capital	0,00	0,00	49.779.301,47
a	increase (due to)	0,00	0,00	49.779.301,47
-	profit distribution (statutory)	0,00	0,00	49.779.301,47
b	decrease (due to)	0,00	0,00	0,00
6.2	Other reserve capitals at the end of period	0,00	0,59	49.779.301,47
7.	Retained profits at the beginning of period	110.360.029,33	30.630.522,29	55.847.066,82
a	increase (due to)	0,00	0,00	0,00
b	decrease (due to)	110.360.029,33	30.630.522,29	55.847.066,82
-	reclassification to reserve capital	0,00	4.576.383,00	6.067.765,35
-	dividend paid	110.360.029,33	26.054.139,29	0,00
-	profit transfer to other reserve capital	0,00	0,00	49.779.301,47
7.1	Retained profits at the end of period	0,00	0,00	0,00
8	Net result	1.544.772.909,85	349.125.130,19	56.954.606,67
II	Equity at the end of period	6.649.651.619,33	7.891.695.500,63	182.968.673,49

58. Significant events related to priors years.

During reporting period there were no significant events related to prior years.

59. Remuneration of the auditor.

No.	Type of services	Amount
1	Obligatory audit of annual financial statements	327.825,74
2	Other certificatory services	0,00
3	Tax advisory	0,00
4	Other services	0,00
TOTAL		327.825,74

60. Change of accounting policy applied.

During the reporting period, the Company did not change the accounting policy applied nor the book register that might have had influenced comparability with prior year financial data.

On 3 August 2010 Extraordinary Meeting of Shareholders of PGE S.A. adopted a resolution under which from 1 January 2011 unconsolidated statutory financial statements will be prepared in according with International Accounting Standards (“IAS”).

From the beginning of 2006, the Company maintains additional reporting in accordance with IAS for the purpose of consolidated financial statements. The difference between the value of assets, total equity and net profit for the year ended 31 December 2010 are as follows:

	Equity as at 31 December 2010	Net result as at 31 December 2010	Assets as at 31 December 2010
Data presented in unconsolidated financial statements in according to Polish Accounting Act	28.519.569.847,10	2.920.423.465,45	32.002.907.058,55
Valuation of tangible fixed assets	123.226.040,37	(6.278.104,11)	152.130.914,04
Valuation of intangible fixed assets	4.539.983,99	(864.058,08)	5.604.918,50
Valuation of reserves for employee benefits	248.088,42	60.050,16	(58.193,58)
Net presentation of deferred tax	0,00	0,00	(53.053.168,39)
Net presentation of social funds	0,00	0,00	(3.699.006,27)
Valuation of financial instruments	(191.232.241,73)	(8.473.516,70)	(191.796.602,95)
Other	0,00	10.438,00	0,00
Total adjustments transforming to IFRS	(63.218.128,95)	(15.545.190,73)	(90.871.138,65)
Data of the parent company in according to IFRS, used in consolidated financial statements	28.456.351.718,15	2.904.878.274,72	31.912.035.919,90

61. Management of financial risk and market risk.

Within its ordinary business activities, PGE S.A., its financial results and cash flows are exposed to various types of financial and market risks, including interest rate risk, currency risk, goods' price risk, credit risk as well as liquidity risk. All of these risks might unfavorably influence the business operations, financial position and results of the operations conducted

Interest rate risk

PGE S.A. is financing its operational and investment activities partially with debt financing subject to variable interest rates and partially with investment in financial assets subject to variable or fixed interest rate.

PGE S.A. identifies the exposure to interest rate risk in relation to reference rates such as WIBOR, EURIBOR and LIBOR.

PGE S.A. is exposed to interest rate risk related to time deposits, cash, investment in bonds issued by the company Autostrada Wielkopolska S.A. and liabilities related to credits granted and bonds issued, which is presented below.

		Type of interest conditions	Carrying value in PLN as at 31 December 2010	Carrying value in PLN as at 31 December 2009
Financial assets exposed to interest rate risk	PLN	fixed	6.642.243,41	3.330.452.326,71
		variable	5.125.361.263,76	2.488.075.168,40
	other currencences	fixed	0,00	55.666.110,00
		variable	325.170.877,31	253.820.800,92
Financial liabilities exposed to interest rate risk	PLN	fixed	0,00	0,00
		variable	(2.011.131.664,61)	(575.446.168,20)
	other currencences	fixed	0,00	0,00
		variable	0,00	0,00
Net exposure	PLN	fixed	6.642.243,41	3.330.452.326,71
		variable	3.114.229.599,15	1.912.629.000,20
	other currencences	fixed	0,00	55.666.110,00
		variable	325.170.877,31	253.820.800,92

For details on the interest conditions of the above instruments please refer to notes VI.13, VI20 and VI.21 of the supplementary information and explanations to the foregoing financial statements

Currency risk

Currency risk is related to sales of finished goods and purchase of materials, which are presented in foreign currencies.

PGE S.A. is exposed to currency risk related to exchange rate of EUR/PLN. Presented below are the main exposures to currency risk.

	Total carrying value		Currency position as at 31 December 2010						
			EUR		USD		SEK		CHF
	in PLN	in currency	in PLN	in currency	in PLN	in currency	in PLN	in currency	in PLN
Financial assets									
Cash, time deposits	259.447.287,98	18.033.516,20	71.418.134,20	32.522,55	96.400,09	74.038,51	32.688,00	27.226,82	86.142,94
Bonds, bills and notes receivable acquired	5.191.084.853,09	64.019.774,28	253.537.512,08	0,00	0,00	0,00	0,00	0,00	0,00
Originated loans	6.642.243,41	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Financial liabilities									
Interest bearing loans and borrowings	(1.781.326.444,02)	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Bonds issued and derivatives	(229.805.220,59)	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Net currency position		82.053.290,48	324.955.646,28	32.522,55	96.400,09	74.038,51	32.688,00	27.226,82	86.142,94

	Total carrying value		Currency position as at 31 December 2009						
			EUR		USD		SEK		CHF
	in PLN	in currency	W PLN	in currency	in PLN	in currency	in PLN	in currency	in PLN
Financial assets									
Cash, time deposits	3.435.858.320,14	17.326.370,60	71.180.195,71	5.382,89	15.342,85	82.034,18	32.813,67	19.739,43	54.601,24
Bonds, bills and notes receivable acquired	2.692.156.085,89	57.982.561,09	238.203.957,45	0,00	0,00	0,00	0,00	0,00	0,00
Financial liabilities									
Interest bearing loans and borrowings	(52.783.019,55)	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Bonds issued and derivatives	(522.663.148,65)	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Net currency position		75.308.931,69	309.384.153,16	5.382,89	15.342,85	82.034,18	32.813,67	19.739,43	54.601,24

Goods’ price risk

As a result of business operations, PGE S.A. is exposed to variability of cash flows and financial results in the domestic currency due to change in prices of electric energy.

On the Polish electric energy market the management over goods’ price risk is difficult due to lack of long-term price indexes and no market for financial instruments essential for hedge transactions, which is crucial in the long-term perspective.

Credit risk

Credit risk is related to a possible credit incident, which may occur as an insolvency of a contracting party, partial repayment of receivables, significant delay in repayment of receivables and other breaches to the contract’s conditions.

PGE S.A. is exposed to the credit risk due to the following transactions:

- time deposits,
- trade receivables,
- bonds, bill and notes receivable acquired,
- guaranties and sureties granted

The Company manages credit risk related to cash by diversification of banks in which surpluses of cash are allocated. All entities, that the Group concludes deposit transactions with, operate in the financial sector. These can only be banks registered in Poland or divisions of foreign banks with high ratings and adequate equity.

PGE S.A. manages the credit risk of customers mainly by using the following mechanisms and techniques: evaluation of financial standing of the customers and setting up credit limits; requiring certain credit collaterals from customers with lower financial standing; standardization of contents of agreements relating to credit risk and standardization of credit collaterals; system of current monitoring of payments and system of early vindication.

The terms of payments for trade receivables are usually 2-3 weeks in 2010. For details on overdue receivables please refer to note VI.24 of the supplementary information and explanations to the foregoing financial statements. Trade receivables relate mainly to receivables for energy sold to related parties. According to the management, due to current control over trade receivables, there is no additional credit risk that would exceed the level reflected by allowances for receivables. Allowances for receivables are described in detail in note VI.24 of the supplementary information and explanations to the foregoing financial statements.

The credit risk related to trade receivables, based on geographical areas, is as follows:

Country	Receivables as at 31 December 2010	Share in %
Poland	851.594.072,97	98,16
The Czech Republic	10.708.090,80	1,23
Other countries	5.276.722,73	0,61

There is a concentration of the credit risk in the Company related to trade receivables from the most significant contracting parties. As at 31 December 2010, the share of 5 most significant contracting parties amounted to 82,0% of trade receivables.

As at 31 December 2010, 16,2% of the Company’s bonds, presented in the balance sheet, are bonds issued by the company Autostrada Wielkopolska S.A. For detailed information on the bonds please refer to notes VI.13 and VI.20 of supplementary information and explanations to the foregoing financial statements.

Guaranties and sureties granted by the Company are described in detail in note VI.37 of the supplementary information and explanations to the foregoing financial statements.

Liquidity risk

PGE S.A. runs an active policy on investment of cash. It means that the Company is monitoring the state of monetary surplus and is forecasting future cash flows, and on such a basis the investment strategy is realized.

PGE S.A. maintains current liquidity mainly with credits in current account. In the Group, PGE S.A. has a function of a central coordinator of financing. PGE S.A. is issuing bonds, which are acquired, among others, by entities with cash surpluses. The means from the issue are then used to acquire bonds issued by entities demanding external financing.

PGE S.A. periodically monitors its liquidity with an analysis of cash flows from operating activities and maturity dates of investments and financial assets.

62. Rules of transactions with related parties.

In the Company, there is a procedure for preparation of tax documentation for transactions held between the Company and related parties. The procedure aims at ensuring that the transactions between the related parties were concluded on market conditions.

63. Information on transactions with related parties.

Lp.	Entity's name	Receivables as at 31 December 2010	Liabilities as at 31 December 2010	Transactions allocated as assets as at 31 December .2010	Revenues from 1 January 2010 to 31 December 2010			Expenses from 1 January 2010 to 31 December 2010		
					from sales	other operating revenues	financial	from sales	other operating revenues	financial
1	Entities from area of distribution of electric energy	837.853,92	792.470.297,05	0,00	3.496.458,97	196.470,90	19.930.077,41	173.250,76	0,00	1.560.430,41
2	Entities from area of renewable energy	5.177.976,47	0,00	0,00	2.075.691,61	0,00	59.854.694,37	7.293,36	3.652,00	109.998,58
3	Entities from area of retail sales of electric energy	491.746.303,43	501.942.263,90	0,00	6.948.836.596,53	5.970,06	189.259.142,40	108.546.984,51	0,01	433.641,93
4	Entities from area of conventional energy (mining and generation)	682.120.546,01	1.208.176.924,02	4.937.547.341,01	353.798.502,98	283.220,33	2.354.120.130,94	9.844.531.771,99	0,00	1.220.928,76
5	Other entities	4.541.741,55	3.995.028,91	6.236.578,31	414.620.427,79	116.600,71	132.703.826,12	28.431.231,15	83.240,09	61.067,59
TOTAL		1.184.424.421,38	2.506.584.513,88	4.943.783.919,32	7.722.827.677,88	602.262,00	2.755.867.871,24	9.981.690.531,77	86.892,10	3.386.067,27

Warsaw, 15 March 2011

Tomasz Zadroga
President of the
Management Board

Marek Szostek
Vice-President of the
Management Board

Piotr Szymanek
Vice-President of the
Management Board

Marek Trawiński
Vice-President of the
Management Board