

**PGE Polska Grupa Energetyczna S.A.
Group**

**Opinion and Report
of the Independent Auditor
Financial Year ended
31 December 2009**

The opinion contains 3 pages
The report supplementing the auditor's opinion
contains 28 pages
Opinion of the independent auditor
and report supplementing the auditor's opinion
on the consolidated financial statements
for the financial year ended
31 December 2009

This document is a free translation of the Polish original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Polish original should be referred to in matters of interpretation.

OPINION OF THE INDEPENDENT AUDITOR

To the General Meeting of PGE Polska Grupa Energetyczna S.A.

We have audited the accompanying consolidated financial statements of PGE Polska Grupa Energetyczna S.A. Group seated in Warsaw, ul. Mysia 2 (“the PGE Group”), which comprise the consolidated statement of financial position as at 31 December 2009, with total assets and total liabilities and equity of PLN 54,447,798 thousand, the consolidated income statement for the year then ended with a net profit of PLN 4,337,223 thousand and the consolidated statement of comprehensive income for the year then ended with a total comprehensive income of PLN 4,296,508 thousand, the consolidated statement of changes in equity for the year then ended with an increase in equity of PLN 8,674,174 thousand, the consolidated statement of cash flows for the year then ended with an increase in cash amounting to PLN 5,568,617 thousand and notes to the consolidated financial statements, comprising of a summary of applied accounting principles and explanatory notes.

Management’s Responsibility for the Financial Statements

Management of the parent entity is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by European Union and with other applicable regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor’s Responsibility

Our responsibility, based on our audit, is to express an opinion on these consolidated financial statements. We conducted our audit in accordance with section 7 of the Accounting Act dated 29 September 1994 (Official Journal from 2009, No. 152, item 1223 with amendments) (“the Accounting Act”) and International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit

procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the accompanying consolidated financial statements of PGE Polska Grupa Energetyczna S.A. Group have been prepared and present fairly, in all material respects, the financial position of the Group as at 31 December 2009 and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, and are in compliance with the respective regulations that apply to the consolidated financial statements, applicable to the Group.

Emphasis of Matter

Without qualifying our opinion, we draw attention:

- 1) to the fact that, as described in the Notes 9 and 22 of the explanatory notes to the consolidated financial statements, the impairment analysis of the PGE Group's cash generating units is based on a number of significant assumptions, some of which are outside the control of the PGE Group. Any significant change in these assumptions will impact the result of future impairment tests and as a consequence may lead to significant changes to the financial position and results of the PGE Group;
- 2) to the fact that, as described in the Notes 9 and 46.1 of the explanatory notes to the consolidated financial statements, the estimates of compensation related to early termination of long-term agreements for the sales of electric power and energy and recognition of related revenues and receivables prepared by the PGE Group were based on the PGE Group's interpretation of regulations dated 29 June 2007, the Act on rules of covering producer's costs related to early termination of long-term agreements for the sales of electric power and energy (Official Journal, No. 130, item 905, year 2007) ("the LTC Act") and on a number of significant assumptions, some of which are outside the control of the PGE Group. An unfavorable outcome for the PGE Group of the dispute, described in the Note 46.1, with the President of the Energy Regulation Office with respect to the interpretation of the LTC Act and changes in assumptions used, including those resulting from planned legal mergers within the PGE Group, may impact the estimates and as a consequence may lead to significant changes to the financial position and results of the PGE Capital Group. The final outcome of the dispute with the President of the Energy Regulation Office cannot be determined as at the date of issuing this opinion;

- 3) to the information presented in Note 44.5.7 of the explanatory notes to the consolidated financial statements in which the Management Board of the parent company describes the uncertainty relating to future settlement of prepayments made by the parent company resulting from the execution of the agreement described in the above mentioned Note.

Other Matters

As required under the Accounting Act, we also report that the Report on the PGE Group's activities includes, in all material respects, the information required by Art. 49 of the Accounting Act and by the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009, No 33, item 259) and the information is consistent with the consolidated financial statements.

Signed on the Polish original

Signed on the Polish original

.....
On behalf of KPMG Audyt Sp. z o.o.
ul. Chłodna 51, 00-867 Warsaw
Certified Auditor No. 9451
Leszek Dubicki, Director

.....
On behalf of KPMG Audyt Sp. z o.o.
ul. Chłodna 51, 00-867 Warsaw
Certified Auditor No. 90047
Zbigniew Libera, Director

15 March 2010
Warsaw

**PGE Polska Grupa Energetyczna S.A.
Group**

**Report supplementing
the auditor's opinion
on the consolidated financial
statements
Financial Year ended
31 December 2009**

The report supplementing the auditor's opinion
contains 28 pages
Report supplementing the auditor's opinion
on the consolidated financial statements
for the financial year ended
31 December 2009

This document is a free translation of the Polish original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Polish original should be referred to in matters of interpretation

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1. General

1.1 Identification of the Group

1.1.1 Name of the Group

PGE Polska Grupa Energetyczna S.A. Group

1.1.2 Registered office of the Parent Company of the Group

ul. Mysia 2,
00-496 Warsaw

1.1.3 Registration of the Parent Company in the National Court Register

Registration court:	District Court in Warsaw, XII Commercial Department of the National Court Register
Date:	5 November 2001
Registration number:	KRS 0000059307

1.1.4 Registration of the Parent Company in the Tax Office and Statistical Office

NIP number:	526-025-05-41
REGON:	006227638

1.2 Information about companies comprising the Group

1.2.1 Companies included in the consolidated financial statements

As at 31 December 2009, the following companies were consolidated by the Group:

Parent Company:

- PGE Polska Grupa Energetyczna S.A.

Subsidiaries consolidated on the full consolidation basis:

- PGE Energia S.A.,
- PGE Zespół Elektrowni Dolna Odra S.A.,
- PGE Zamojska Korporacja Energetyczna S.A.,
- PGE Dystrybucja Zamość Sp. z o.o.,
- PGE Obrót (*previously under business name: PGE Rzeszowski Zakład Energetyczny S.A.*),
- PGE Dystrybucja Rzeszów Sp. z o.o.,
- PGE Elektrociepłownia Rzeszów S.A.,
- PGE Lubelskie Zakłady Energetyczne S.A.,
- PGE Dystrybucja LUBZEL Sp. z o.o.,
- PGE Elektrociepłownia Lublin - Wrotków Sp. z o.o.,
- PGE Zakłady Energetyczne Okręgu Radomsko-Kieleckiego S.A.,
- PGE ZEORK Dystrybucja Sp. z o.o.,

- PGE Elektrociepłownia Kielce S.A.,
- PGE Łódzki Zakład Energetyczny S.A.,
- PGE Dystrybucja Łódź Sp. z o.o.,
- PGE Zakład Energetyczny Białystok S.A.,
- PGE Dystrybucja Białystok Sp. z o.o.,
- PGE Dystrybucja Łódź-Teren S.A.,
- PGE ZEŁT Obrót Sp. z o.o.,
- PGE Zakład Energetyczny Warszawa-Teren S.A.,
- PGE Dystrybucja Warszawa-Teren Sp. z o.o.,
- PGE Górnictwo i Energetyka S.A.,
- PGE KWB Bełchatów S.A.,
- PGE Elektrownia Bełchatów S.A.,
- PGE Elektrownia Opole S.A.,
- PGE Elektrownia Turów S.A.,
- PGE KWB Turów S.A.,
- PGE Energia Odnawialna S.A.,
- PGE ZEW Dychów S.A.,
- PGE ZEC Bydgoszcz S.A.,
- PGE Electra S.A.,
- PGE Elektrociepłownia Gorzów S.A.,
- EXATEL S.A.,
- ELBIS Sp. z o.o.
- ELBEST Sp. z o.o.
- Energoserwis - Kleszczów Sp z o.o.
- Niepubliczny Zakład Opieki Zdrowotnej MegaMed Sp. z o.o.
- ELMEN Sp. z o.o.
- Energetyka Boruta Sp. z o.o.
- Elektrownia Wodna Żarnowiec S.A.
- Elektrownia Wiatrowa Kamieńsk Sp. z o.o.
- EnBud Sp. z o.o.
- Zespół Elektrowni Wodnych Porąbka-Żar S.A.

- EGO-Odra S.A.
- Bio-Energia ESP Sp. z o.o.
- Zespół Elektrowni Wodnych Solina-Myczkowce S.A.
- Dychowskie Przedsiębiorstwo Eksploatacji Elektrowni ELDEKS Sp. z o.o.
- ESP Usługi Sp. z o.o.
- Budownictwo Hydroenergetyka - Dychów Sp. z o. o.
- Przedsiębiorstwo Usługowo-Produkcyjne ELTUR-SERWIS Sp. z o.o.
- Przedsiębiorstwo Produkcji Sorbentów i Rekultywacji ELTUR-WAPORE Sp. z o.o.
- Przedsiębiorstwo Transportowe ELTUR-TRANS Sp. z o.o.
- Przedsiębiorstwo Handlowo-Usługowe GLOBAL - TUR Sp. z o.o.
- Centrum Medyczne Turów Sp. z o.o.
- Energo Invest Broker S.A.
- Przedsiębiorstwo Usługowo-Produkcyjne TOP SERWIS Sp. z o.o.
- ENESTA Sp. z o.o.
- NOM Sp. z o.o.
- Energo-Tel S.A.
- E-Telbank S.A.
- PEC Gorzów Sp. z o.o.
- Towarzystwo Gospodarcze BEWA Sp. z o.o.
- RAMB Sp. z o.o.
- BESTUR Sp. z o.o.
- Przedsiębiorstwo Transportowo Sprzętowe BETRANS Sp. z o.o.
- Górniczy Klub Sportowy Bełchatów S.S.A.
- ELECTRA Deutschland GmbH
- ELECTRA Bohemia s.r.o.
- MEGAZEC Sp. z o.o.
- Zakład Energetyczny Białystok Przedsiębiorstwo Transportowo-Usługowe
ETRA Sp. z o.o.
- Zakład Energetyczny Białystok Przedsiębiorstwo Produkcyjno-Handlowe EKTO Sp. z o.o.
- Energetyczne Systemy Pomiarowe Sp. z o.o.
- Zakład Energetyczny Białystok Pracownia Projektowa ENSPRO Sp. z o.o.

- Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o.
- Zakład Usług Medycznych Dolna Odra Sp. z o.o.
- EPO Sp. z o.o.
- Przedsiębiorstwo Wielobranżowe Agtel Sp. z o.o.
- Centrum Szkolenia i Rekreacji „Energetyk” Sp. z o.o.
- Zakład Obsługi Energetyki Sp. z o.o.
- PGE Serwis Sp. z o.o.
- PGE Systemy S.A.
- PGE Inwest S.A.
- BESTGUM POLSKA Sp. z o.o.
- PGE Dystrybucja S.A.
- PGE Energia Jądrowa S.A.

1.2.2 Entities excluded from consolidation

As at 31.12.2009, the following PGE Capital Group subsidiaries were not consolidated due to insignificant as compared to consolidated financial statements balance sheet amount and turnover:

- ELECTRA Slovakia s.r.o.
- Elektrociepłownia Bio-Ekologiczna Szczytno sp. z o.o.
- Pensjonat Dychów sp. z o.o.
- Przedsiębiorstwo Produkcyjno-Usługowe Media-Serwis Dychów sp. z o.o.
- Elektrownia Wiatrowa Gniewino sp. z o.o.
- Polskie Elektrownie Gazowe sp. z o.o. w likwidacji
- Ekologiczne Projekty Energetyczne MADEx sp. z o.o.
- Pracownicze Towarzystwo Emerytalne Nowy Świat S.A.
- Bogatyńsko-Zgorzelecki Park Przemysłowo-Technologiczny "Turów Park" sp. z o.o.
- Zakład Usług Profilaktyczno -Lecznicych MEGAWITA sp. z o.o.
- Zamojska Spółka Elektroenergetyczna sp. z o.o. w likwidacji
- Energetyk SPA sp. z o.o.
- Ośrodek Wypoczynkowo-Szkoleniowy „Energetyk” sp. z o.o.

As at 31.12.2009, the following PGE Capital Group associates were not consolidated due to insignificant as compared to consolidated financial statements balance sheet amount and turnover:

- Zamojskie Przedsiębiorstwo Usługowo-Produkcyjne Energozam sp. z o.o.
- Przedsiębiorstwo Robót Remontowych „Energorem” sp. z o.o.
- Przedsiębiorstwo Robót Remontowych „El-Gor” sp. z o.o.
- ELKOM Sp. z o.o.
- ELTRANS Sp. z o.o.
- Energotest Diagnostyka Sp. z o.o.
- PROZEL-Lublin Sp. z o.o.
- KE Dolna Odra Sp. z o.o.
- WIND 1 Koszalin Sp. z o.o.
- Elektrownia Wiatrowa Resko Sp. z o.o.
- Eolica Wojciechowo Sp. z o.o.
- Energo-Utech S.A.
- Elektrownia Turów BV.

1.3 Auditor information

Name:	KPMG Audyt Sp. z o.o.
Registered office:	Warsaw
Address:	ul. Chłodna 51, 00-867 Warsaw
Registration number:	KRS 0000104753
Registration court:	District Court for the Capital City Warsaw in Warsaw, XII Commercial Department of the National Court Register
Share capital:	PLN 125,000
NIP number:	526-10-24-841

KPMG Audyt Sp. z o.o. is entered in the register of entities authorised to audit financial statements under number 458.

1.4 Legal status

1.4.1 Share capital

The Parent Company was established for an indefinite period under the terms of its articles of association dated 2 August 1990.

The share capital of the Parent Company amounted to PLN 17,300,900,000.00 as at 31 December 2009 was divided into 1,730,090,000 ordinary shares with a nominal value of PLN 10 each.

As at 31 December 2009, the shareholder structure was as follows:

Name of the Shareholder	Number of shares	Voting rights (in %)	Book value of shares PLN'000	Percentage of share capital (in %)
State Treasury	1,470,576,500	85.0%	14,705,765.0	85.0%
Other shareholders	259,513,500	15.0%	2,595,135.0	15.0%
	1,730,090,000	100.0%	17,300,900.0	100.0%

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 the issue of new shares excluding the subscription right of the hitherto existing shareholder. Based on the resolution, the share capital was 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.

All Shares of the Company, in particular the Shares Offered, hold the same rights to dividend. The Shares Offered will participate in a potential dividend for the 2009 reporting period, i.e. from 1 January 2009, under the same conditions as all other shares of the Company.

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

1.4.2 Management of the Parent Company

The Management Board is responsible for management of the Parent Company.

At 31 December 2009, the Management Board of the Parent Company was comprised of the following members:

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

Since 1 January 2009 the following changes have taken place:

- On 27 February 2009, Mr. Adam Cichocki was dismissed from the Management Board,
- On 27 February 2009, Mr. Henryk Majchrzak was dismissed from the Management Board,
- On 3 August 2009, Mr. Marek Szostek was appointed to the position of the Vice-President of the Management Board.

1.4.3 Scope of activities

The business activities listed in the Parent Company's articles of association include the following:

- activities of central companies and holdings, excluding financial holdings,
- activities of financial holdings,
- guidance over effectiveness of management,
- rendering of other services related to the activities mentioned in the above points,
- wholesale and retail sale of electricity.

The business activities of subsidiaries of the Group, according to their articles of association, include the following:

- PGE Energia S.A. – holding activities – management over Capital Group,
- PGE Zespół Elektrowni Dolna Odra S.A. – production of electric energy and heat,
- PGE Zamojska Korporacja Energetyczna S.A. – sale of electric energy,
- PGE Dystrybucja Zamość Sp. z o.o. - distribution of electric energy,
- PGE Obrót S.A. (*previously under business name Rzeszowski Zakład Energetyczny S.A.*) - sale of electric energy,
- PGE Dystrybucja Rzeszów Sp. z o.o. - distribution of electric energy,
- PGE Elektrociepłownia Rzeszów S.A. - production of electric energy and heat,
- PGE Lubelskie Zakłady Energetyczne S.A. - sale of electric energy,
- PGE Dystrybucja LUBZEL Sp. z o.o. - distribution of electric energy,
- PGE Elektrociepłownia Lublin - Wrotków Sp. z o.o. - production of electric energy and heat,
- PGE Zakłady Energetyczne Okręgu Radomsko-Kieleckiego S.A. - sale of electric energy,
- PGE ZEORK Dystrybucja sp. z o.o. - distribution of electric energy,
- PGE Elektrociepłownia Kielce S.A. – production of heat,
- PGE Łódzki Zakład Energetyczny S.A. - sale of electric energy,
- PGE Dystrybucja Łódź Sp. z o.o. - distribution of electric energy,
- PGE Zakład Energetyczny Białystok S.A. - sale of electric energy,
- PGE Dystrybucja Białystok Sp. z o.o. – distribution of electric energy,
- PGE Dystrybucja Łódź-Teren S.A. - distribution of electric energy,
- PGE ZELT Obrót sp. z o.o. – sale and production of electric energy,
- PGE Zakład Energetyczny Warszawa-Teren S.A. – sale and production of electric energy,
- PGE Dystrybucja Warszawa-Teren Sp. z o.o. - distribution of electric energy
- PGE Górnictwo i Energetyka S.A. – holding activities – management over Capital Group,
- PGE KWB Bełchatów S.A. – lignite mining,
- PGE Elektrownia Bełchatów S.A. – production of electric energy and heat,
- PGE Elektrownia Opole S.A. - production of electric energy and heat,
- PGE Elektrownia Turów S.A. - production of electric energy and heat,
- PGE KWB Turów S.A. – lignite mining,
- PGE Energia Odnawialna S.A. – holding activities – management over Capital Group, production of electric energy,
- PGE ZEW Dychów S.A. – production and distribution of electric energy,
- PGE ZEC Bydgoszcz S.A. – distribution of heat, production of electric energy,
- PGE Electra S.A. – wholesale and retail sale of electric energy, advisory and financial agency services,
- PGE Elektrociepłownia Gorzów S.A. – production and distribution of heat and electric energy,

- EXATEL S.A. - telecommunication services, construction, modernization and utilization of telecommunication subsystems,
- ELBIS Sp. z o.o. – sale of electric energy,
- ELBEST Sp. z o.o. - hotel and gastronomical services, cleaning services,
- Energoserwis - Kleszczów Sp z o.o. - distribution of electric energy, construction works, wholesale of construction materials,
- Niepubliczny Zakład Opieki Zdrowotnej MegaMed Sp. z o.o. - medical services,
- ELMEN Sp. z o.o. - construction and renovation services,
- Energetyka Boruta Sp. z o.o. - production of electric energy and heat,
- Elektrownia Wodna Żarnowiec S.A. – production of electric energy,
- Elektrownia Wiatrowa Kamieński Sp. z o.o. – production of electric energy,
- EnBud Sp. z o.o. - construction and renovation services for power industry,
- Zespół Elektrowni Wodnych Porąbka-Żar S.A. – production of electric energy,
- EGO-Odra S.A. - construction of hydroelectric power stations, hydroelectric power stations management services,
- Bio-Energia ESP Sp. z o.o. - management of energy system projects,
- Zespół Elektrowni Wodnych Solina-Myczkowce S.A. - exploitation services,
- Dychowskie Przedsiębiorstwo Eksploatacji Elektrowni ELDEKS Sp. z o.o. - exploitation services of hydroelectric power stations, maintenance of devices' operations and overhauls, current and post-damage repairs,
- ESP Usługi Sp. z o.o. - property management,
- Budownictwo Hydroenergetyka - Dychów Sp. z o.o - manufacture of steel constructions excluding rendering of services,
- Przedsiębiorstwo Usługowo-Produkcyjne ELTUR-SERWIS Sp. z o.o. - repair of boilers equipment and auxiliaries,
- Przedsiębiorstwo Produkcji Sorbentów i Rekultywacji ELTUR-WAPORE Sp. z o.o. - manufacture of lime sorbents needed for desulfurization of fumes and fluidal process of lignite combustion in Elektrownia Turów; economic usage of combustion products; manufacture of buildings components,
- Przedsiębiorstwo Transportowe ELTUR-TRANS Sp. z o.o. - transportation services,
- Przedsiębiorstwo Handlowo-Usługowe GLOBAL - TUR sp. z o.o. - hotel management,
- Centrum Medyczne Turów Sp. z o.o. - medical services,
- Energo Invest Broker S.A. - insurance brokerage,
- Przedsiębiorstwo Usługowo-Produkcyjne TOP SERWIS Sp. z o.o. - manufacture of equipment used for production of mechanical energy,
- ENESTA Sp. z o.o. – production and distribution of electric energy, production of gas, distribution of fuel gas,
- NOM Sp. z o.o - telecommunication services,
- Energo-Tel SA - design and construction of technical infrastructure of buildings and communication centers,
- E-Telbank S.A. - data transmission and data communications,
- PEC Gorzów Sp. z o.o. - sale, transmission, distribution and production of heat,
- Towarzystwo Gospodarcze BEWA Sp. z o.o. - manufacture and sale of mineral water and carbonated soft drinks,
- RAMB Sp. z o.o. - technical construction works not classified elsewhere,
- BESTUR Sp. z o.o. - hotels, camping sites and restaurants' management,

- Przedsiębiorstwo Transportowo Sprzętowe BETRANS Sp. z o.o. - road transport, forwarding trade,
- Górniczy Klub Sportowy Bełchatów S.S.A. - operating of stadiums and other sport facilities, management of a football sports club of 1st league,
- ELECTRA Deutschland GmbH - sale of electric energy,
- ELECTRA Bohemia s.r.o. - sale of electric energy,
- MEGAZEC Sp. z o.o. - renovation, installation, engine, boiler and turbine repair services, transportation services,
- Zakład Energetyczny Białystok Przedsiębiorstwo Transportowo-Usługowe ETRA Sp. z o.o. - transportation services,
- Zakład Energetyczny Białystok Przedsiębiorstwo Produkcyjno-Handlowe EKTO Sp. z o.o. - manufacture of machines and electric equipment,
- Energetyczne Systemy Pomiarowe Sp. z o.o. - services connected with measurement devices for electric dimensions (including repair, design, legalization, verifying, rating, production, distribution and technical advisory services),
- Zakład Energetyczny Białystok Pracownia Projektowa ENSPRO Sp. z o.o. - preparing of technical documentation of network installation and energy equipment,
- Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. - distribution and transmission of heat,
- Zakład Usług Medycznych Dolna Odra Sp. z o.o. - medical services,
- EPO Sp. z o.o. - wholesale of waste and metal scrap,
- Przedsiębiorstwo Wielobranżowe Agtel Sp. z o.o. - services and manufacture of equipment for power industry,
- Centrum Szkolenia i Rekreacji „Energetyk” Sp. z o.o. - organization of conferences, trainings and recreation,
- Zakład Obsługi Energetyki Sp. z o.o. PGE Serwis Sp. z o.o. - exploitation and repair services on security and automation, data transmission,
- PGE Serwis Sp. z o.o. - management and sale of properties on own account, construction services,
- PGE Systemy S.A. – IT services,
- PGE Inwest S.A. – financial holdings’ activities,
- BESTGUM POLSKA Sp. z o.o. – services related to technical belts, production of rubber mixtures, production and processing of linings,
- PGE Dystrybucja S.A. – distribution of electric energy,
- PGE Energia Jądrowa S.A. – production of electric energy.

1.5 Prior period consolidated financial statements

The consolidated financial statements for the financial year ended 31 December 2008 were audited by KPMG Audyt Sp. z o.o. and received an unqualified opinion with a following emphasis of matter:

“Without qualifying our opinion, we draw attention:

- 1) to the fact that, as described in the Note 22 of the explanatory notes to the consolidated financial statements, the impairment analysis of the PGE Capital Group’s cash generating units was based on a number of fundamental assumptions, some of which are outside the control of the PGE Capital Group. Any significant change in these

assumptions will impact the result of future impairment tests which may lead to significant changes to the financial position and results of the PGE Capital Group.

- 2) to the fact that, as described in the Note 46 of the explanatory notes to the consolidated financial statements, the estimates of compensation related to early termination of long-term agreements for the sales of electric power and energy and recognition of related revenues and receivables prepared by the PGE Capital Group were based on the PGE Capital Group's interpretation of regulations dated 29 June 2007, the Act on rules of covering producer's costs related to early termination of long-term agreements for the sales of electric power and energy (Official Journal, No. 130, item 905, year 2007) ("the LTC Act") and on a number of significant assumptions, some of which are outside the control of the PGE Capital Group. Possible changes in the interpretation of the LTC Act and changes in assumptions used may impact the estimates and as a consequence may lead to significant changes to the financial position and results of the PGE Capital Group."

The consolidated financial statements were approved at the General Meeting on 30 June 2009.

The closing balances as at 31 December 2008 have been properly recorded as the opening balances of the audited year.

The consolidated financial statements were submitted to the Registry Court on 13 July 2009 and were published in Monitor Polski B No. 1761 on 28 September 2009.

1.6 Audit scope and responsibilities

This report was prepared for the General Meeting of PGE Polska Grupa Energetyczna S.A. seated in Warsaw, ul. Mysia 2, and relates to the consolidated financial statements comprising: the consolidated statement of financial position as at 31 December 2009, with total assets and total liabilities and equity of PLN 54,447,798 thousand, the consolidated income statement for the year then ended with a net profit of PLN 4,337,223 thousand and the consolidated statement of comprehensive income for the year then ended with a total comprehensive income of PLN 4,296,508 thousand, the consolidated statement of changes in equity for the year then ended with an increase in equity of PLN 8,674,174 thousand, the consolidated statement of cash flows for the year then ended with an increase in cash amounting to PLN 5,568,617 thousand and notes to the consolidated financial statements, comprising of a summary of significant accounting principles and explanatory notes.

The Parent Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union on the basis of the decision of the Extraordinary General Meeting dated 18 September 2008.

The consolidated financial statements have been audited in accordance with the contract dated 21 November 2008, concluded on the basis of the resolution of the Supervisory Board dated 23 October 2008 on the appointment of the auditor.

We conducted the audit in accordance with section 7 of the Accounting Act and International Standards on Auditing.

We audited the consolidated financial statements in the Parent Company's head office during the period from 18 February 2010 to 12 March 2010.

Management of the Parent Company is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations.

Management of the Parent Company and members of the Supervisory Board are obliged to ensure that the consolidated financial statements and the Report of Managements Board on the Group's activities are in compliance with the requirements set forth in the Accounting Act.

Our responsibility is to express an opinion and to prepare a supplementing report on the financial statements.

The Management Board of the Parent Company submitted a statement, dated the same date as this report, as to the true and fair presentation of the consolidated financial statements presented for audit, which confirmed that there were no undisclosed matters which could significantly influence the information presented in the consolidated financial statements.

All our requests for additional documents and information necessary for expressing our opinion and preparing the report have been fulfilled.

KPMG Audyt Sp. z o.o., the members of its Management Board and Supervisory Board and other persons involved in the audit of the consolidated financial statements fulfil independence requirements from the companies included in the Group. The scope of the work planned and performed has not been limited in any way. The method and scope of our audit is detailed in working papers prepared by us and retained in the offices of KPMG Audyt Sp. z o. o.

1.7 Information on audits of the financial statements of the consolidated companies

1.7.1 Parent Company

The financial statements of the Parent Company for the year ended 31 December 2009 were audited by KPMG Audyt Sp. z o.o., certified auditor number 458, and received an unqualified opinion with the following emphasis of matter:

„Without qualifying our opinion, we draw to attention to Note VI.16 of the supplementary information and explanations to the financial statements, in which the Management Board describes the uncertainty relating to future settlement of prepayments made by the Company resulting from an execution of the agreement described in the above mentioned Note.”

1.7.2 Other consolidated entities

Financial statements of significant consolidated entities for the year ended 31 December 2009 were prepared in accordance with the Accounting Act dated 29 September 1994 (Official Journal from 2002, No. 76, item 694 with amendments) and related bylaws and other applicable regulations.

Entity's name	Authorised auditor	Financial year end	Type of auditor's opinion
PGE Energia S.A.	Deloitte Audyt Sp. z o.o.	31.12.2009	Unqualified opinion with emphases of matter ^{1,2}
PGE Zespół Elektrowni Dolna Odra S.A.	KPMG Audyt Sp. z o.o.	31.12.2009	Unqualified opinion with emphases of matter ^{*,3}
PGE Zamojska Korporacja Energetyczna S.A.	Deloitte Audyt Sp. z o.o.	31.12.2009	Unqualified opinion with emphases of matter ^{1,2}
PGE Dystrybucja Zamość Sp. z o.o.	Deloitte Audyt Sp. z o.o.	31.12.2009	Unqualified opinion with an emphasis of matter ¹
PGE Obrót S.A. (previously under business name: PGE Rzeszowski Zakład Energetyczny S.A.)	Deloitte Audyt Sp. z o.o.	31.12.2009	Unqualified opinion with emphases of matter ^{1,2}
PGE Dystrybucja Rzeszów Sp. z o.o.	Deloitte Audyt Sp. z o.o.	31.12.2009	Unqualified opinion with an emphasis of matter ¹

PGE Elektrociepłownia Rzeszów S.A.	KPMG Audyt Sp. z o.o.	31.12.2009	Unqualified opinion with an emphasis of matter ⁴
PGE Lubelskie Zakłady Energetyczne S.A.	Deloitte Audyt Sp. z o.o.	31.12.2009	Unqualified opinion with emphases of matter ^{1,2}
PGE Dystrybucja LUBZEL Sp. z o.o.	Deloitte Audyt Sp. z o.o.	31.12.2009	Qualified opinion ⁵ , with an emphasis of matter ¹
PGE Elektrociepłownia Lublin - Wrotków Sp. z o.o.	KPMG Audyt Sp. z o.o.	31.12.2009	Unqualified opinion with an emphasis of matter ⁴
Zakłady Energetyczne Okręgu Radomsko-Kieleckiego S.A.	Deloitte Audyt Sp. z o.o.	31.12.2009	Unqualified opinion with emphases of matter ^{1,2}
PGE ZEORK Dystrybucja Sp. z o.o.	Deloitte Audyt Sp. z o.o.	31.12.2009	Unqualified opinion with an emphasis of matter ¹
PGE Elektrociepłownia Kielce S.A.	KPMG Audyt Sp. z o.o.	31.12.2009	Unqualified opinion
PGE Łódzki Zakład Energetyczny S.A.	Deloitte Audyt Sp. z o.o.	31.12.2009	Unqualified opinion with emphases of matter ^{1,2}
PGE Dystrybucja Łódź Sp. z o.o.	Deloitte Audyt Sp. z o.o.	31.12.2009	Unqualified opinion with emphases of matter ^{1,2}
PGE Zakład Energetyczny Białystok S.A.	Deloitte Audyt Sp. z o.o.	31.12.2009	Unqualified opinion with emphases of matter ^{1,2}
PGE Dystrybucja Białystok Sp. z o.o.	Deloitte Audyt Sp. z o.o.	31.12.2009	Unqualified opinion with an emphasis of matter ¹
PGE Dystrybucja Łódź-Teren S.A.	Deloitte Audyt Sp. z o.o.	31.12.2009	Qualified opinion ⁶ , with an emphasis of matter ¹
PGE ZELT Obrót Sp. z o.o.	Deloitte Audyt Sp. z o.o.	31.12.2009	Unqualified opinion with an emphasis of matter ¹
PGE Zakład Energetyczny Warszawa-Teren S.A.	Deloitte Audyt Sp. z o.o.	31.12.2009	Unqualified opinion with emphases of matter ^{1,2}
PGE Dystrybucja Warszawa-Teren Sp. z o.o.	Deloitte Audyt Sp. z o.o.	31.12.2009	Unqualified opinion with an emphasis of matter ¹
PGE Górnictwo i Energetyka S.A.	KPMG Audyt Sp. z o.o.	31.12.2009	Unqualified opinion

PGE KWB Bełchatów S.A.	KPMG Audyt Sp. z o.o.	31.12.2009	Unqualified opinion
PGE Elektrownia Bełchatów S.A.	KPMG Audyt Sp. z o.o.	31.12.2009	Unqualified opinion
PGE Elektrownia Opole S.A.	KPMG Audyt Sp. z o.o.	31.12.2009	Unqualified opinion with an emphasis of matter ⁴
PGE Elektrownia Turów S.A.	KPMG Audyt Sp. z o.o.	31.12.2009	Unqualified opinion with an emphasis of matter ⁴
PGE KWB Turów S.A.	KPMG Audyt Sp. z o.o.	31.12.2009	Unqualified opinion
PGE Energia Odnawialna S.A.	Deloitte Audyt Sp. z o.o.	31.12.2009	Unqualified opinion with an emphasis of matter ²
PGE ZEW Dychów S.A.	Deloitte Audyt Sp. z o.o.	31.12.2009	Unqualified opinion with emphases of matter ^{2,7}
PGE ZEC Bydgoszcz S.A.	KPMG Audyt Sp. z o.o.	31.12.2009	Unqualified opinion
PGE Electra S.A.	Deloitte Audyt Sp. z o.o.	31.12.2009	Unqualified opinion with an emphasis of matter ²
PGE Elektrociepłownia Gorzów S.A.	KPMG Audyt Sp. z o.o.	31.12.2009	Unqualified opinion with emphases of matter ^{*,4}
EXATEL S.A.	Deloitte Audyt Sp. z o.o.	31.12.2009	Qualified opinion ^{*,8}
ELBIS Sp. z o.o.	KPMG Audyt Sp. z o.o.	31.12.2009	Unqualified opinion
ELBEST Sp. z o.o.	Instytut Studiów Podatkowych Modzelewski i Wspólnicy AUDYT Sp. z o.o.	31.12.2009	Unqualified opinion
Energoserwis - Kleszczów Sp. z o.o.	PKF Audyt Sp. z o.o.	31.12.2009	Unqualified opinion
Niepubliczny Zakład Opieki Zdrowotnej MegaMed Sp. z o.o.	U-FIN Biuro Audytorskie i Księgowe Sp. z o.o. Grupa Finans-Servis	31.12.2009	Unqualified opinion
ELMEN Sp. z o.o.	"ForBiznes Audyt - Libsz Kępka Zielińska - biegli rewidenci" sp. partnerska z siedzibą w Łodzi	31.12.2009	Unqualified opinion
Energetyka Boruta Sp. z o.o.	U-FIN Biuro Audytorskie i Księgowe Sp. z o.o. Grupa Finans-Servis	31.12.2009	Unqualified opinion
Elektrownia Wodna Żarnowiec S.A.	"ForBiznes Audyt - Libsz Kępka Zielińska - biegli rewidenci" Sp. partnerska	31.12.2009	Unqualified opinion with an emphasis of matter ⁹
Elektrownia Wiatrowa Kamięńsk Sp. z o.o.	"ForBiznes Audyt - Libsz Kępka Zielińska - biegli rewidenci" Sp. partnerska	31.12.2009	not received
EnBud Sp. z o.o.	not subject to audit	31.12.2009	not subject to audit

Zespół Elektrowni Wodnych Porąbka-Żar S.A.	"ForBiznes Audyt - Libsz Kępka Zielińska - biegli rewidenci" Sp. partnerska	31.12.2009	Unqualified opinion with an emphasis of matter ⁹
EGO-Odra S.A.	"ForBiznes Audyt - Libsz Kępka Zielińska - biegli rewidenci" Sp. partnerska	31.12.2009	Unqualified opinion with an emphasis of matter ¹⁰
Bio-Energia ESP Sp. z o.o.	Biuro Audytorsko Rachunkowe "T & W" Sp. z o.o.	31.12.2009	Unqualified opinion
Zespół Elektrowni Wodnych Solina-Myczkowce S.A.	Moore Stephens Józef Król Sp. z o.o.	31.12.2009	Unqualified opinion with an emphasis of matter ¹¹
Dychowskie Przedsiębiorstwo Eksploatacji Elektrowni ELDEKS Sp. z o.o.	PKF Audyt Sp. z o.o.	31.12.2009	Unqualified opinion
ESP Usługi Sp. z o.o.	Polskie Towarzystwo Ekonomiczne - PROFIT sp. z o.o.	31.12.2009	Unqualified opinion
Budownictwo Hydroenergetyka - Dychów Sp. z o. o	PKF Audyt Sp. z o.o.	31.12.2009	Unqualified opinion
Przedsiębiorstwo Usługowo- Produkcyjne ELTUR-SERWIS Sp. z o.o.	KPMG Audyt Sp. z o.o.	31.12.2009	Unqualified opinion
Przedsiębiorstwo Produkcji Sorbentów i Rekultywacji ELTUR-WAPORE Sp. z o.o.	DORADCA Zespół Doradców Finansowo-Księgowych Sp. z o.o.	31.12.2009	Unqualified opinion
Przedsiębiorstwo Transportowe ELTUR-TRANS Sp. z o.o.	ELIKS Audytorska Sp. z o.o. Grupa Finans-Servis	31.12.2009	Unqualified opinion
Przedsiębiorstwo Handlowo- Usługowe GLOBAL - TUR Sp. z o.o.	Zespół Biegłych Rewidentów FABER Sp. z o.o.	31.12.2009	Unqualified opinion
Centrum Medyczne Turów Sp. z o.o.	DORADCA Zespół Doradców Finansowo-Księgowych Sp. z o.o.	31.12.2009	Unqualified opinion
Energio Invest Broker S.A.	Hartwich Audytor Sp. z o.o.	31.12.2009	not received
Przedsiębiorstwo Usługowo- Produkcyjne TOP SERWIS Sp. z o.o.	not subject to audit	31.12.2009	not subject to audit
ENESTA Sp. z o.o.	Moore Stephens Józef Król Sp. z o.o.	31.12.2009	Unqualified opinion
NOM Sp. z o.o	BDO Sp. z o.o.	31.12.2009	Unqualified opinion
Energio-Tel S.A.	BDO Sp. z o.o.	31.12.2009	Unqualified opinion with an emphasis of matter ¹²
E-Telbank S.A.	POLTAX Sp. z o.o.	31.12.2009	Qualified opinion ¹³
PEC Gorzów Sp. z o.o.	DGA Audyt Sp. z o.o.	31.12.2009	Unqualified opinion

Towarzystwo Gospodarcze BEWA Sp. z o.o.	Biuro Biegłych Rewidentów EKO-BILANS Sp. z o.o.	31.12.2009	Unqualified opinion
RAMB Sp. z o.o.	Biuro Biegłych Rewidentów EKO-BILANS Sp. z o.o.	31.12.2009	Unqualified opinion
BESTUR Sp. z o.o.	Biuro Biegłych Rewidentów EKO-BILANS Sp. z o.o.	31.12.2009	Unqualified opinion
Przedsiębiorstwo Transportowo Sprzętowe BETRANS Sp. z o.o.	Biuro Biegłych Rewidentów EKO-BILANS Sp. z o.o.	31.12.2009	Unqualified opinion
Górnicy Klub Sportowy Bełchatów S.S.A.	Biuro Biegłych Rewidentów EKO-BILANS Sp. z o.o.	31.12.2009	Unqualified opinion with an emphasis of matter ¹⁴
ELECTRA Deutschland GmbH (in accordance with German GAAP)	Deloitte & Touche GmbH	31.12.2009	not received
ELECTRA Bohemia s.r.o.	not subject to audit	31.12.2009	not subject to audit
MEGAZEC Sp. z o.o.	Global Audit Partner Sp. z o.o.	31.12.2009	Unqualified review report
Zakład Energetyczny Białystok Przedsiębiorstwo Transportowo-Usługowe ETRA Sp. z o.o.	Kancelaria Księgowo-Audytorska "BUCHALTERIA" Sp. z o.o.	31.12.2009	Unqualified opinion
Zakład Energetyczny Białystok Przedsiębiorstwo Produkcyjno-Handlowe EKTO Sp. z o.o.	Kancelaria Księgowo-Audytorska "BUCHALTERIA" Sp. z o.o.	31.12.2009	Unqualified opinion
Energetyczne Systemy Pomiarowe Sp. z o.o.	Kancelaria Księgowo-Audytorska "BUCHALTERIA" Sp. z o.o.	31.12.2009	Unqualified opinion
Zakład Energetyczny Białystok Pracownia Projektowa ENSPRO Sp. z o.o.	Kancelaria Księgowo-Audytorska "BUCHALTERIA" Sp. z o.o.	31.12.2009	Unqualified opinion
Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o.	Biuro Biegłych Rewidentów EKSPERT s.c.	31.12.2009	Unqualified opinion
Zakład Usług Medycznych Dolna Odra Sp. z o.o.	Kancelaria Biegłych Rewidentów "Profit" Sp. z o.o.	31.12.2009	Unqualified opinion
EPO Sp. z o.o.	Biuro Ekspertyz i Badania Bilansów Sp. z o.o. Grupa Finans-Servis	31.12.2009	Unqualified opinion
Przedsiębiorstwo Wielobranżowe Agtel Sp. z o.o.	DORADCA Zespół Doradców Finansowo-Księgowych Sp. z o.o.	31.12.2009	Unqualified opinion with an emphasis of matter ¹⁵
Centrum Szkolenia i Rekreacji „Energetyk” Sp. z o.o.	not subject to audit	31.12.2009	not subject to audit
Zakład Obsługi Energetyki Sp. z o.o.	Biuro Biegłych Rewidentów "AUDYT-BIL" Sp. z o.o.	31.12.2009	Unqualified opinion with an emphasis of matter ¹⁶
PGE Serwis Sp. z o.o.	Kancelaria Porad Finansowo-Księgowych dr Piotr Rojek Sp. z o.o.	31.12.2009	not received
PGE Systemy S.A.	JUSTAN AUDYTOR Sp. z o.o.	31.12.2009	not received

PGE Inwest S.A.	not subject to audit	31.12.2009	not subject to audit
BESTGUM POLSKA Sp. z o.o.	not subject to audit	31.12.2009	not subject to audit
PGE Dystrybucja S.A.	JUSTAN AUDYTOR Sp. z o.o.	31.12.2009	Unqualified opinion
PGE Energia Jądrowa S.A.	JUSTAN AUDYTOR Sp. z o.o.	31.12.2009	not received

* The report relates to a financial information prepared in accordance with International Financial Reporting Standards for the consolidation purposes.

¹ The auditor drew attention to a note of supplementary information and explanations to the financial statements in which the Management Board presented information on the Consolidation Programme of the PGE Capital Group. The aim of the Programme is a formal and legal merger of entities in particular areas of business operations and organizational and legal changes in the area of distribution of electric energy (for PGE Dystrybucja Zamość Sp. z o.o., PGE Dystrybucja Rzeszów Sp. z o.o., PGE Dystrybucja LUBZEL Sp. z o.o., PGE ZEORK Dystrybucja Sp. z o.o., PGE Dystrybucja Łódź Sp. z o.o., PGE Dystrybucja Białystok Sp. z o.o., PGE Dystrybucja Łódź-Teren S.A., PGE Dystrybucja Warszawa-Teren Sp. z o.o.) or in the area of retail sale of electric energy (for PGE Zamojska Korporacja Energetyczna S.A., PGE Obrót S.A., PGE Lubelskie Zakłady Energetyczne S.A., Zakłady Energetyczne Okręgu Radomsko-Kieleckiego S.A., PGE Łódzki Zakład Energetyczny S.A., PGE Zakład Energetyczny Białystok S.A., PGE ZELT Obrót Sp. z o.o., PGE Zakład Energetyczny Warszawa-Teren S.A.) or in the area of wholesale of electric energy (for PGE Energia S.A.). The legal mergers within particular business lines will take place in compliance with art. 492 par. 1 pt. 1 of the Commercial Code, i.e. as a takeover. The taking over company is either PGE Obrót S.A. (for distribution entities), or PGE Dystrybucja S.A. (for retail sale entities) or PGE Polska Grupa Energetyczna S.A. (for wholesale entities).

² The auditor drew attention to the fact, that the presented financial statements are statutory financial statements and should only serve for statutory purposes. These cannot be the only basis for evaluation of the Company's financial position, as it is the Parent Company within the Capital Group. Apart from the statutory financial statements, the Company also prepares the consolidated financial statements of the Capital Group of which it is a Parent Company.

³ The auditor drew attention to the information presented in the financial information that the estimates of compensation related to early termination of long-term agreements for the sales of electric power and energy and recognition of related revenues and receivables prepared were based on the Entity's own interpretation of regulations dated 29 June 2007, the Act on rules of covering producer's costs related to early termination of long-term agreements for the sales of electric power and energy (Official Journal, No. 130, item 905, year 2007) ("the LTC Act") and on a number of significant assumptions, some of which are outside the control of the Entity. An unfavorable outcome for the Entity of the dispute, described in the note, with the President of the Energy Regulation Office with respect to the interpretation of the LTC Act and changes in assumptions used may impact the estimates and as a consequence may lead to significant changes to the financial position and results of the Entity. The final outcome of the dispute with the President of the Energy Regulation Office cannot be determined as at the date of the report"

⁴ The auditor drew attention to the information presented in the Note of supplementary information and explanation to the financial statements, the estimates of compensation related to early termination of long-term agreements for the sales of electric power and energy and recognition of related revenues and receivables prepared were based on the Entity's own interpretation of regulations dated 29 June 2007, the Act on rules of covering producer's costs related to early termination of long-term agreements for the sales of electric power and energy (Official Journal, No. 130, item 905, year 2007) ("the LTC Act") and on a number of significant assumptions, some of which are outside the control of the Entity. An unfavorable outcome for the Entity of the dispute, described in the note, with the President of the Energy Regulation Office with respect to the interpretation of the LTC Act and changes in assumptions used may impact the estimates and as a consequence may lead to significant changes to the financial position and results of the Entity. The final outcome of the dispute with the President of the Energy Regulation Office cannot be determined as at the date of preparation of the financial statements."

⁵ The qualification: "The audited financial statements for the 2009 reporting year present fixed assets and intangible assets in the value of PLN 1,664 million. We have been presented with a discounted cash flows analysis, which indicates that the use value of these assets is lower by PLN 95 million. Due to the above, the Entity should recognize a revaluation write-off in the value stated above. Should the Entity recognize the above write-off in the financial statements, the value of fixed assets would have been lower by PLN 95 million and the net financial result of the Entity and the equity would have been lower by PLN 77 million with deferred tax effect taken into account."

⁶ The qualification: "Article 32 of the Accounting Act specifies rules of determining the economic useful life of fixed assets, which is the basis for depreciation charges. In our opinion the depreciation periods used by the Company do not reflect the economic useful life of fixed assets and in particular when determining these periods, the Company did not take into account external experts' estimations specifying the value and the economic useful life of items of tangible assets. As a result, we were not able to confirm the correctness of used economic useful lives of assets, and as a consequence, the value of depreciation charges recorded."

⁷ The emphasis of matter: "As described in the note of supplementary information and explanations to the financial statements, the Company was included in the consolidation process within the PGE Capital Group. The final impact of this program on the Company's business operations in the following year was unknown as at the date of the opinion."

⁸The qualification: "In the balance sheet there is an amount of PLN 16,888 thousand as a provision created to cover a possible compensation related an early withdrawal from the contract on the rental of the building. In July 2009, the Arbitration Court issued a verdict in the subject matter favorable to EXATEL S.A. Due to above, the Management Board reversed a part of the provision in the value of PLN 24,453 thousand. Based on the analysis provided to us by the Management Board we are unable to express our opinion on the amount and correctness of the provision recognized."

⁹ The emphasis of matter: "Without qualifying our opinion to the audited financial statements we draw attention to the fact, that on 25 January 2010 the Company signed a merger plan with PGE Energia Odnawialna S.A. The process of the merger is described in details in an in supplementary information and explanations to the financial statements."

¹⁰ The emphasis of matter: "Without qualifying our opinion, we draw attention to the content of the note 47 of supplementary information and explanations to the financial statements, in which the Management Board presented the planned steps aimed at improving the liquidity of the Company."

¹¹ The emphasis of matter: "PGE Energia Odnawialna S.A. as a sole shareholder adopted a consolidation programme of all entities of the capital group, in compliance with art. 492 § 1 pt. 1 in relation with art. 515 and 516 of the Commercial Code, i.e. by transferring all assets of Taken Over Entities on the Taking Over Entity without issuing new shares to cover shares of the Taken Over Entities. The legal mergers will take place on 31 August 2010. Since then, the Company will continue its business activities in the form of the Branch or Division of PGE Energia Odnawialna S.A."

¹² The emphasis of matter: "Without qualifying our opinion, we draw attention to the fact that in the audited period the Company's business operations were strongly dependant from one buyer of services (the company's shareholder). In 2009, the turnover with the above mentioned contracting party amounted to 97% of total revenues. In January 2010 (subsequent event) the agreement on rendering services was fully cancelled by the contracting party. Due to the above, the Management Board in point 5 of the financial statements evaluated the going concern. According to the Management Board, there were actions undertaken to gain new customers, which will allow the entity to continue business operations in the period exceeding 12 months from the balance sheet date. The possibility of a going concern depends on the realization of the strategy adopted by the Management Board."

¹³ The qualification: "In the result of the audit the following qualification is disclosed: The lack of a complete documentation relating to the amount of PLN 550,000.00. There is an amount of PLN 550,000.00 in the share capital, presented in the balance sheet as a reserve capital. This amount was transferred to the Company as an additional payment to shares on 17 December 2003, bank statement no. 232, by the company BPT Telbank S.A., Warsaw, ul. Perkuna 47, which owns 100% of shares in E-Telbank Sp. z o.o. The audited company does not possess any other documentation except from the above mentioned."

During the audit, the Management Board of E-Telbank Sp. z o.o. asked the company which made the transfer of means for a relevant documentation, i.e. resolutions. Until the end of the audit the company did not receive these documents."

¹⁴ The emphasis of matter: "Without qualifying our opinion to the audited financial statements for the year 2009 we draw attention to the fact that as at the balance sheet date the Entity recognized negative share capital in the value of PLN 918 thousand which indicates a need of additional capitalization or implementing restructuring activities."

¹⁵ The emphasis of matter: "Without qualifying our opinion to the audited financial statements for the year 2009 we draw attention to the fact, that the Company is using and depreciating fixed assets taken over in December 2007 as a result of a merger with the company "ZELKOM", the valuation of which as at the day of the merger was incorrect, as stated by the Management Board in the financial statements for the year 2008."

¹⁶ The emphasis of matter: „The auditor draws attention to changes of interpretations of tax law provisions, which may cause discrepancies in tax controls' findings in relation to data included in the entity's financial statements."

2 Financial analysis of the Group

2.1 Summary of the consolidated financial statements

2.1.1 Consolidated statement of financial position

ASSETS	31.12.2009 PLN '000	% of total	31.12.2008 PLN '000	% of total
Non-current assets				
Property, plant and equipment	38,945,664	71.5	37,811,569	80.1
Investment property	25,431	-	26,612	-
Intangible assets	153,335	0.3	142,025	0.3
Loans and receivables	389,566	0.7	370,630	0.8
Available-for-sale financial assets	198,211	0.4	206,979	0.4
Shares in associates accounted for under the equity method	1,354,799	2.5	1,479,066	3.1
Other long-term assets	485,087	0.9	216,683	0.5
Deferred tax assets	412,353	0.8	447,647	1.0
Total non-current assets	41,964,446	77.1	40,701,211	86.2
Current assets				
Inventories	1,271,165	2.3	1,127,965	2.4
Income tax receivables	49,827	0.1	95,855	0.2
Held-to-maturity short-term investments	-	-	134,180	0.3
Trade receivables	2,059,119	3.8	1,792,607	3.8
Other loans and financial assets	987,575	1.8	785,334	1.7
Available-for-sale short-term financial assets	5,984	-	97,770	0.2
Other current assets	391,147	0.7	313,044	0.7
Cash and cash equivalents	7,712,823	14.2	2,140,837	4.5
Total current assets	12,477,640	22.9	6,487,592	13.8
Non-current assets classified as held for sale	5,712	-	3,458	-
TOTAL ASSETS	54,447,798	100.0	47,192,261	100.0

LIABILITIES AND EQUITY	31.12.2009	% of total	31.12.2008	% of total
	PLN '000		PLN '000	
Equity (attributable to equity holders of the parent)				
Share capital	17,300,900	31.8	14,705,765	31.2
Revaluation reserve	(1,161)	-	30,154	-
Foreign exchange differences from translation of foreign entities	(812)	-	(1,343)	-
Reserve capital	5,449,549	10.0	2,100,156	4.5
Other capital reserves	-	-	414,017	0.9
Retained earnings	8,419,848	15.5	5,560,908	11.8
Total equity attributable to equity holders of the parent	31,168,324	57.3	22,809,657	48.4
Minority interest	7,681,428	14.1	7,365,921	15.6
Total equity	38,849,752	71.4	30,175,578	64.0
Long term liabilities				
Interest-bearing loans and borrowings	4,056,270	7.5	4,470,791	9.4
Other long-term liabilities	15,941	-	15,474	-
Provisions	3,238,759	5.9	2,924,503	6.2
Deferred tax liabilities	1,358,546	2.5	1,089,148	2.3
Deferred income and government grants	1,092,806	2.0	1,019,972	2.2
Total long-term liabilities	9,762,322	17.9	9,519,888	20.1
Trade liabilities	1,082,582	2.0	1,012,111	2.2
Financial liabilities at fair value through profit or loss	37,701	0.1	62,639	0.1
Interest-bearing loans and borrowings	969,929	1.8	3,038,077	6.4
Other short-term financial liabilities	555,758	1.0	628,452	1.3
Other short-term non-financial liabilities	1,167,079	2.1	1,026,261	2.2
Income tax liabilities	372,888	0.7	163,666	0.4
Deferred income	40,903	0.1	32,768	0.1
Accruals	627,558	1.1	624,892	1.3
Short-term provisions	981,326	1.8	907,929	1.9
Total short-term liabilities	5,835,724	10.7	7,496,795	15.9
Total liabilities	15,598,046	28.6	17,016,683	36.0
TOTAL LIABILITIES AND EQUITY	54,447,798	100.0	47,192,261	100.0

2.1.2. Consolidated statement of comprehensive income

	1.01.2009 - 31.12.2009	% of total sales	1.01.2008 - 31.12.2008	% of total sales
	zł '000		zł '000 (transformed data*)	
CONTINUING OPERATIONS				
Sales of finished goods and merchandise with excise tax	19,760,013	91.4	18,275,455	94.1
Excise tax	(568,496)	2.6	(1,091,462)	5.6
<i>Net revenues from sale of finished goods and merchandise</i>	19,191,517	88.8	17,183,993	88.5
Revenues from sale of services	879,533	4.0	883,361	4.6
Revenues from lease	19,953	0.1	19,034	0.1
Revenues from LTC compensations	1,532,347	7.1	1,322,318	6.8
Total sales revenues	21,623,350	100.0	19,408,706	100.0
Costs of goods sold	(13,727,469)	63.5	(14,191,982)	73.1
Gross profit on sales	7,895,881	36.5	5,216,724	26.9
Other operating revenues	422,568	2.0	752,568	3.9
Selling expenses	(1,368,079)	6.3	(1,139,621)	5.9
General and administrative expenses	(914,109)	4.2	(935,750)	4.8
Other operating expenses	(691,532)	3.2	(631,626)	3.3
Financial revenues	372,265	1.7	505,120	2.6
Financial expenses	(580,617)	2.7	(836,441)	4.3
Share of profit of associates	242,157	1.1	238,561	1.2
Profit before tax	5,378,534	24.9	3,169,535	16.3
Corporate income tax expense	(1,041,311)	4.8	(499,288)	2.5
Net profit from continuing operations	4,337,223	20.1	2,670,247	13.8
DISCONTINUED OPERATIONS				
Profit for the period on discontinued operations	-	-	-	-
Net profit for the operating period	4,337,223	20.1	2,670,247	13.8

*) for detailed information on the transformation of the data, please refer to Note 12.38 of explanatory notes to the consolidated financial statements.

OTHER COMPREHENSIVE INCOME				
Valuation of available-for-sale financial assets	(41,287)	0.2	30,138	0.1
Revaluation of assets of associates	41	-	-	-
Foreign exchange difference from translation of foreign entities	531	-	49	-
Other comprehensive income for the period, net	(40,715)	0.2	30,187	0.1
Total comprehensive income	4,296,508	19.9	2,700,434	13.9
Net profit attributable to:				
- equity holders of the parent company	3,370,712	15.6	1,920,171	9.9
- minority interest	966,511	4.5	750,076	3.9
Net profit for the reporting year	4,337,223	20.1	2,670,247	13.8
Total comprehensive income attributable to:				
- equity holders of the parent company	3,340,169	15.5	1,937,740	10.0
- minority interest	956,339	4.4	762,694	3.9
Total comprehensive income for the reporting year	4,296,508	19.9	2,700,434	13.9
Profit per share (in PLN)				
Basic earnings for the operating period	2.23	-	1.31	-

2.2 Selected financial ratios

	2009	2008 (transformed data*)
1. Return on sales		
$\frac{\text{net profit} \times 100\%}{\text{net revenues}}$	20,1%	13,8%
2. Return on equity		
$\frac{\text{net profit} \times 100\%}{\text{equity} - \text{net profit}}$	12,6%	9,7%
3. Debtors turnover		
$\frac{\text{average trade receivables (gross)} \times 365 \text{ days}}{\text{net revenues}}$	39 days	47 days
4. Debt ratio		
$\frac{\text{liabilities} \times 100\%}{\text{equity and liabilities}}$	28,6%	36,1%
5. Current ratio		
$\frac{\text{current assets}}{\text{current liabilities}}$	2,1	0,9

- Current assets exclude receivables due in more than 12 months.
- Current liabilities comprise short-term provisions for liabilities, short-term liabilities (excluding liabilities due in more than 12 months) and other short-term accruals.
- Net revenues comprised the sale of finished products, merchandise and raw materials as well as revenues from LTC compensations, except from net revenues used for calculation of debtors turnover, which do not comprise revenues from LTC compensations.
- Average trade receivables represent the average of trade receivables at the beginning and at the end of the period, excluding allowances for receivables.

*) for detailed information on the transformation of the data, please refer to Note 12.38 of explanatory notes to the consolidated financial statements.

2.3 Interpretation of selected financial ratios

Return on sales and return on equity increased as compared with prior period due to higher net financial result of PGE Capital Group as compared to prior year. The increase of the financial result is due to higher margin on sales of electric energy and higher revenues from LTC compensations.

Debtors turnover decreased by 8 days as compared with prior period.

Debt ratio decreased as compared with prior period due to lower liabilities from interest bearing loans and borrowings (short-term).

Current ratio increased as compared with prior period. The change is a result of a significant increase of the value of cash and cash equivalents, which mainly is a result of the Initial Public Offering of shares, and a decrease of short-term liabilities (current portion of interest bearing loans and borrowings).

3 Detailed report

3.1 Accounting principles

The Parent Company maintains current documentation describing the accounting principles applied by the Group and adopted by the Management Board of the Parent Company.

The accounting principles are described in explanatory notes to the consolidated financial statements to the extent required by International Financial Reporting Standards as adopted by the European Union.

The subsidiaries prepare financial statements in accordance with the Accounting Act, however for the purpose of the consolidation the subsidiaries prepare financial information in accordance with the accounting principles applied by the Parent Company.

The financial information of the entities included in the consolidated financial statements were prepared at the end of the same reporting period as the financial statements of the Parent Company.

3.2 Basis of preparation of the consolidated financial statements

The consolidated financial statements of the PGE Polska Grupa Energetyczna S.A. Group were prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations.

The consolidated financial statements were prepared on the basis of the consolidation documentation prepared in accordance with the requirements the Decree of the Ministry of Finance dated 8 August 2008 on principles for the preparation of consolidated financial statements of a capital group by companies other than banks and insurance companies (Official Journal from 2008 r., No 162, item 1004).

3.3 Method of consolidation

The method of consolidation is described in Note 12.1 of explanatory notes to the consolidated financial statements.

3.4 Goodwill arising on consolidation

The method of calculating goodwill arising on consolidation is described in Note 27 of explanatory notes to the consolidated financial statements.

3.5 Consolidation of equity and calculation of minority interest

The share capital of the Group is equal to the share capital of the Parent Company.

The value of the revaluation reserve and foreign exchange differences from translation of the PGE Capital Group was calculated as the total of the revaluation reserve and foreign exchange differences from translation of the Parent Company and the revaluation reserve and foreign exchange differences from translation of subsidiaries in respect of the parent company's share in the subsidiaries' equity as at the balance sheet date.

Other equity items of the subsidiaries have been added to the retained earnings of the Parent Company's in the proportion reflecting the Parent Company's share in the subsidiaries' equity as at the balance sheet date.

Minority interest in subsidiaries included in the consolidated financial statements were determined based on the minority shareholders' share in the subsidiaries' equity as at the balance sheet date.

3.6 Consolidation eliminations

Intercompany balances within the Group were eliminated on consolidation.

Sales between entities and other intercompany operating revenues and expenses and financial revenues and expenses were eliminated on consolidation.

The consolidation eliminations were based on the accounting records of PGE Polska Grupa Energetyczna S.A. (or subsidiary entities) and agreed with information received from the subsidiaries.

3.7 Notes to the consolidated financial statements

All information included in explanatory notes to the consolidated financial statements, comprising a summary of significant accounting principles and explanatory notes, is, in all material respects, presented correctly and completely. Explanatory notes to the consolidated financial statements should be read in conjunction with the consolidated financial statements taken as a whole.

3.8 Report of the Management Board of the Parent Company on the Group's activities

The Report of the Management Board of the Parent Company on the Group's activities includes, in all material respects, the information required by Art. 49 of the Accounting Act and by the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009, No 33, item 259) and the information is consistent with the consolidated financial statements.

3.9 Information on the opinion of the independent auditor

Based on our audit of the consolidated financial statements of the Group as at and for the year ended 31 December 2009, we have issued an unqualified opinion with an emphasis of matter:

“Without qualifying our opinion, we draw attention:

- 1) to the fact that, as described in the Notes 9 and 22 of the explanatory notes to the consolidated financial statements, the impairment analysis of the PGE Group's cash generating units is based on a number of significant assumptions, some of which are outside the control of the PGE Group. Any significant change in these assumptions will impact the result of future impairment tests and as a consequence may lead to significant changes to the financial position and results of the PGE Group;
- 2) to the fact that, as described in the Notes 9 and 46.1 of the explanatory notes to the consolidated financial statements, the estimates of compensation related to early termination of long-term agreements for the sales of electric power and energy and recognition of related revenues and receivables prepared by the PGE Group were based

on the PGE Group's interpretation of regulations dated 29 June 2007, the Act on rules of covering producer's costs related to early termination of long-term agreements for the sales of electric power and energy (Official Journal, No. 130, item 905, year 2007) (" the LTC Act") and on a number of significant assumptions, some of which are outside the control of the PGE Group. An unfavorable outcome for the PGE Group of the dispute, described in the Note 46.1, with the President of the Energy Regulation Office with respect to the interpretation of the LTC Act and changes in assumptions used, including those resulting from planned legal mergers within the PGE Group, may impact the estimates and as a consequence may lead to significant changes to the financial position and results of the PGE Capital Group. The final outcome of the dispute with the President of the Energy Regulation Office cannot be determined as at the date of issuing this opinion;

- 3) to the information presented in Note 44.5.7 of the explanatory notes to the consolidated financial statements in which the Management Board of the parent company describes the uncertainty relating to future settlement of prepayments made by the parent company resulting from the execution of the agreement described in the above mentioned Note."

Signed on the Polish original

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On behalf of KPMG Audyt Sp. z o.o.
ul. Chłodna 51, 00-867 Warsaw
Certified Auditor No. 9451
Leszek Dubicki, Director

Signed on the Polish original

.....
On behalf of KPMG Audyt Sp. z o.o.
ul. Chłodna 51, 00-867 Warsaw
Certified Auditor No. 90047
Zbigniew Libera

15 March 2010
Warsaw