



**Financial statements of PGE Polska Grupa Energetyczna  
S.A. for the period from 1.01.2009 to 31.12.2009**

**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**

**March 2010**

## **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 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.

During the reporting period and until 30 July 2009, PGE Polska Grupa Energetyczna S.A. was seated in Lublin, 21 A Garbarska Street, and since that day the Company is seated in Warsaw, 2 Mysia Street.

As at the day of preparation of the foregoing financial statements, PGE Polska Grupa Energetyczna Spółka Akcyjna („PGE S.A.”, „Spółka”) is registered in the National Court Register of District 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 Polska Grupa Energetyczna Capital Group. The Company prepares the consolidated financial statements including the activities of direct and indirect subsidiaries.

Core business of the Company includes:

- 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 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.

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

As at 31 December 2009, 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. |

Until the date of signing the foregoing financial statements, the composition of the Management Board did not change.

As at 31 December 2009, 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, |
| ▪ Wojciech Cichoński | the Secretary of the Supervisory Board,     |
| ▪ Jacek Barylski     | the Member of the Supervisory Board,        |
| ▪ Ryszard Malarski   | the Member of the Supervisory Board,        |

- |                       |                                      |
|-----------------------|--------------------------------------|
| ▪ Katarzyna Prus      | the Member of the Supervisory Board, |
| ▪ Zbigniew Szmuniński | the Member of the Supervisory Board, |
| ▪ Małgorzata Dec      | the Member of the Supervisory Board. |

On 22 February 2010, Mr. Krzysztof Żuk was appointed as the new Member of the Supervisory Board. Until the day of signing the foregoing financial statements, the above composition of the Supervisory Board did not change.

### **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 financial statements have been prepared for the period from 1 January 2009 to 31 December 2009.

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

The Company prepares the financial statement 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.

The following factors result in the impairment of assets:

- 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, irrespective 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:

- advances for deliveries.

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 claimed at court	100%
7.	receivables subject to court debt collection proceedings	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.

#### **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 additional service (compensation fee).
2. Revenue from sales of electricity purchased for resale.
3. Revenue from sales of other services provided by the Company in accordance with the detailed specification resulting from the Company's chart of accounts.
4. Revenue from sales of materials.

Costs of goods sold include in particular:

1. Value of electricity sold.
2. Value of materials sold (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.	Caption	Note	As at 31.12.2009	As at 31.12.2008
<b>A</b>	<b>NON CURRENT ASSETS</b>		<b>21 018 516 235,05</b>	<b>20 419 710 905,20</b>
<b>I</b>	<b>Intangible assets</b>	<b>VI.1</b>	<b>3 810 051,90</b>	<b>2 974 651,94</b>
1	Development costs		786 194,46	786 194,46
2	Goodwill		0,00	0,00
3	Other intangible assets		3 023 857,44	2 188 457,48
4	Advances for intangible assets		0,00	0,00
<b>II</b>	<b>Tangible fixed assets</b>		<b>74 424 857,75</b>	<b>75 941 670,20</b>
<b>1</b>	<b>Fixed assets</b>	<b>VI.2</b>	<b>66 067 455,73</b>	<b>69 435 894,33</b>
a	land (including perpetual usufruct right of land)		0,00	0,00
b	buildings, premises and civil engineering facilities		56 154 656,11	57 327 837,44
c	technical equipment and machinery		9 480 025,42	11 575 356,25
d	vehicles		0,00	0,00
e	other fixed assets		432 774,20	532 700,64
<b>2</b>	<b>Fixed assets under construction</b>	<b>VI.4</b>	<b>8 357 402,02</b>	<b>6 505 775,87</b>
<b>3</b>	<b>Advances for fixed assets under construction</b>		<b>0,00</b>	<b>0,00</b>
<b>III</b>	<b>Long-term receivables</b>	<b>VI.5</b>	<b>2 041 587,79</b>	<b>2 367 636,38</b>
1	From related parties		0,00	0,00
2	From third parties		2 041 587,79	2 367 636,38
<b>IV</b>	<b>Long-term investments</b>	<b>VI.6</b>	<b>20 701 201 016,02</b>	<b>20 149 674 404,52</b>
<b>1</b>	<b>Investment property</b>		<b>0,00</b>	<b>0,00</b>
<b>2</b>	<b>Intangible assets</b>		<b>0,00</b>	<b>0,00</b>
<b>3</b>	<b>Long-term financial assets</b>	<b>VI.6</b>	<b>20 701 201 016,02</b>	<b>20 149 674 404,52</b>
a	in related parties		<b>20 343 520 368,07</b>	<b>19 763 694 131,92</b>
	- shares or stock		18 772 420 368,07	17 956 743 634,29
	- other securities		1 571 000 000,00	1 806 900 000,00
	- loans granted		0,00	0,00
	- other long-term financial assets		100 000,00	50 497,63
b	in third parties		<b>357 680 647,95</b>	<b>385 980 272,60</b>
	- shares or stock		119 476 690,50	119 402 106,55
	- other securities		238 203 957,45	266 578 166,05
	- loans granted		0,00	0,00
	- other long-term financial assets		0,00	0,00
<b>4</b>	<b>Other long-term investments</b>		<b>0,00</b>	<b>0,00</b>
<b>V</b>	<b>Long-term prepayments and deferred expenses</b>		<b>237 038 721,59</b>	<b>188 752 542,16</b>
<b>1</b>	<b>Deferred tax asset</b>	<b>VI.41</b>	<b>49 608 245,38</b>	<b>50 959 140,35</b>
<b>2</b>	<b>Other prepayments and deferred expenses</b>	<b>VI.16</b>	<b>187 430 476,21</b>	<b>137 793.401,81</b>
<b>B</b>	<b>CURRENT ASSETS</b>		<b>4 937 968 707,80</b>	<b>1 342 380 425,42</b>
<b>I</b>	<b>Inventory</b>	<b>VI.17</b>	<b>242 903,19</b>	<b>166 754,54</b>
1	Raw materials		0,00	0,00
2	Work in progress		0,00	0,00
3	Finished goods		0,00	0,00
4	Merchandise		0,00	0,00

No.	Caption	Note	As at 31.12.2009	As at 31.12.2008
5	Energy origin units of ownership		0,00	0,00
6	Advances for deliveries		242 903,19	166 754,54
<b>II</b>	<b>Short-term receivables</b>	<b>VI.18</b>	<b>836 912 480,40</b>	<b>777 312 521,78</b>
<b>1</b>	<b>Receivables from related parties</b>		<b>800 321 561,19</b>	<b>702 695 149,04</b>
a	Trade receivables due:		795 338 482,96	603 147 685,81
	- within 12 months		795 338 482,96	603 147 685,81
	- after 12 months		0,00	0,00
b	Related to fixed assets and intangible assets		15 860,00	31 720,00
c	Other		4 967 218,23	99 515 743,23
<b>2</b>	<b>Receivables from third parties</b>		<b>36 590 919,21</b>	<b>74 617 372,74</b>
a	Trade receivables due:		20 430 114,32	17 588 050,06
	- within 12 months		20 430 114,32	17 588 050,06
	- after 12 months		0,00	0,00
b	From taxation, subsidies, customs, social security and health insurance and other benefits		16 074 579,60	56 931 241,36
c	Related to fixed assets and intangible assets		0,00	122,00
d	Other		86 225,29	97 959,32
e	Receivables subject to legal proceedings		0,00	0,00
<b>III</b>	<b>Short-term investments</b>		<b>4 079 601 133,91</b>	<b>519 441 952,53</b>
<b>1</b>	<b>Short-term financial assets</b>		<b>4 079 601 133,91</b>	<b>519 441 952,53</b>
a	in related parties	<b>VI.12</b>	881 523 615,01	503 346 709,86
	- shares or stock		0,00	0,00
	- other securities		881 473 117,38	502 740 738,01
	- loans granted		0,00	0,00
	- other short-term financial assets		50 497,63	605 971,85
b	in third parties		0,00	0,00
	- shares or stock		0,00	0,00
	- other securities		0,00	0,00
	- loans granted		0,00	0,00
	- other short-term financial assets		0,00	0,00
c	cash and other cash equivalents		3 198 077 518,90	16 095 242,67
	- cash at hand and cash in bank		3 198 077 518,90	16 095 242,67
	- other cash		0,00	0,00
	- other cash equivalents		0,00	0,00
<b>2</b>	<b>Other short-term investments</b>		<b>0,00</b>	<b>0,00</b>
<b>IV</b>	<b>Short-term prepayments and deferred expenses</b>	<b>VI.19</b>	<b>21 212 190,30</b>	<b>45 459 196,57</b>
<b>TOTAL ASSETS</b>			<b>25 956 484 942,85</b>	<b>21 762 091 330,62</b>

## EQUITY AND LIABILITIES

No.	Item	Note	As at 31.12.2009	As at 31.12.2008
<b>A</b>	<b>EQUITY</b>		<b>24 196 441 678,90</b>	<b>17 795 739 776,29</b>
<b>I</b>	<b>Share capital</b>	<b>VI.20</b>	<b>17 300 900 000,00</b>	<b>14 705 765 000,00</b>
<b>II</b>	<b>Outstanding share capital contribution (negative value)</b>		<b>0,00</b>	<b>0,00</b>
<b>III</b>	<b>Treasury shares (negative value)</b>		<b>0,00</b>	<b>0,00</b>
<b>IV</b>	<b>Reserve capital</b>		<b>5 449 548 812,99</b>	<b>2 100 155 610,06</b>
<b>V</b>	<b>Revaluation reserve</b>		<b>3 695 129,07</b>	<b>3 696 242,69</b>
<b>VI</b>	<b>Other reserve capital</b>		<b>0,00</b>	<b>414 016 975,79</b>
<b>VII</b>	<b>Retained earnings</b>		<b>1 800 000,00</b>	<b>18 644 184,00</b>
<b>VIII</b>	<b>Net profit</b>		<b>1 440 497 736,84</b>	<b>553 461 763,75</b>
	<b>Appropriation of the net profit during the financial year (negative value)</b>		<b>0,00</b>	<b>0,00</b>
<b>IX</b>	<b>LIABILITIES AND PROVISIONS FOR LIABILITIES</b>		<b>1 760 043 263,95</b>	<b>3 966 351 554,33</b>
<b>I</b>	<b>Provisions for liabilities</b>		<b>398 055 406,45</b>	<b>343 648 234,75</b>
<b>1</b>	<b>Deferred tax liability</b>	<b>VI.41</b>	<b>27 760 346,93</b>	<b>32 173 299,40</b>
<b>2</b>	<b>Provision for retirement and similar benefits</b>	<b>VI.22</b>	<b>19 344 590,00</b>	<b>21 744 102,00</b>
	- long-term		17 468 141,00	19 188 659,00
	- short-term		1 876 449,00	2 555 443,00
<b>3</b>	<b>Other provisions</b>	<b>VI.23</b>	<b>350 950 469,52</b>	<b>289 730 833,35</b>
	- long-term		0,00	0,00
	- short-term		350 950 469,52	289 730 833,35
<b>II</b>	<b>Long-term liabilities</b>		<b>0,00</b>	<b>0,00</b>
<b>1</b>	<b>To related parties</b>		<b>0,00</b>	<b>0,00</b>
a	Loans and borrowings		0,00	0,00
b	Debt securities	<b>VI.26</b>	0,00	0,00
c	Other financial liabilities (including finance leases)	<b>VI.27</b>	0,00	0,00
d	Related to fixed assets and intangible assets		0,00	0,00
e	Other		0,00	0,00
<b>2</b>	<b>To third parties</b>		<b>0,00</b>	<b>0,00</b>
a	Loans and borrowings		0,00	0,00
b	Debt securities	<b>VI.26</b>	0,00	0,00
c	Other financial liabilities (including finance leases)	<b>VI.27</b>	0,00	0,00
d	Related to fixed assets and intangible assets		0,00	0,00
e	Other		0,00	0,00
<b>III</b>	<b>Short-term liabilities</b>		<b>1 352 752 024,34</b>	<b>3 613 369 550,64</b>
<b>1</b>	<b>To related parties</b>		<b>1 300 385 295,59</b>	<b>1 501 906 504,88</b>
a	Trade liabilities due:	<b>VI.28</b>	<b>777 377 794,75</b>	<b>586 413 527,59</b>
	- within 12 months		777 377 794,75	586 413 527,59
	- after 12 months		0,00	0,00
b	Loans and borrowings		0,00	0,00
c	Debt securities	<b>VI.26</b>	522 663 148,65	914 651 418,82
d	Other financial liabilities (including finance leases)	<b>VI.27</b>	0,00	0,00

No.	Caption	Note	As at 31.12.2009	As at 31.12.2008
e	Related to fixed assets and intangible assets		193 760,40	690 645,41
f	Other		150 591,79	150 913,06
<b>2</b>	<b>To third parties</b>		<b>50 117 397,99</b>	<b>2 106 717 888,02</b>
a	Loans and borrowings		1 425,17	434 101 331,44
b	Debt securities		0,00	1 632 385 018,22
c	Other financial liabilities		0,00	0,00
d	Trade liabilities due:	<b>VI.28</b>	33 211 640,44	29 269 393,34
	- within 12 months		33 211 640,44	29 269 393,34
	- after 12 months		0,00	0,00
e	Advances received for deliveries		0,00	592,90
f	Bills of exchange payable		0,00	0,00
g	Tax, customs duties, social security and other benefits creditors		11 474 501,81	6 108 370,95
h	Payroll liability		1 765 568,62	1 929 747,79
i	Related to fixed assets and intangible assets		1 375 271,34	2 316 507,57
j	Other		2 288 990,61	606 925,81
<b>3</b>	<b>Special funds</b>		<b>2 249 330,76</b>	<b>4 745 157,74</b>
<b>IV</b>	<b>Accruals and deferred income</b>		<b>9 235 833,16</b>	<b>9 333 768,94</b>
1	Negative goodwill		0,00	0,00
2	Other accruals and deferred income	<b>VI.29</b>	9 235 833,16	9 333 768,94
	- long-term		0,00	0,00
	- short-term		9 235 833,16	9 333 768,94
	<b>TOTAL EQUITY AND LIABILITIES</b>		<b>25 956 484 942,85</b>	<b>21 762 091 330,62</b>

Warsaw, 15 March 2010

Signed on the Polish original

Tomasz Zadroga  
President of the  
Management Board

Signed on the Polish original

Marek Szostek  
Vice-President of the  
Management Board

Signed on the Polish original

Piotr Szymanek  
Vice-President of the  
Management Board

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Wojciech Topolnicki  
Vice-President of the  
Management Board

Signed on the Polish original

Marek Trawiński  
Vice-President of the  
Management Board

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

No.	Item	Note	For the period 1.01.-31.12.2009	For the period 1.01.-31.12.2008
<b>A</b>	<b>Net revenues from the sale of finished products, merchandise and raw materials, including:</b>	<b>VI.33</b>	<b>10 929 870 160,93</b>	<b>9 704 400 871,60</b>
-	from related parties		10 854 287 621,84	8 778 494 884,45
I	net revenues from the sale of products		83 544 063,72	871 861 974,10
II	net revenues from the sale of merchandise and raw materials		10 846 326 097,21	8 832 538 897,50
<b>B</b>	<b>Costs of finished products, merchandise and raw materials sold, including:</b>		<b>10 388 911 563,91</b>	<b>9 243 268 115,72</b>
I	Cost of finished products sold	<b>VI.34</b>	83 223 658,10	881 147 358,75
II	Cost of merchandise and raw materials sold		10 305 687 905,81	8 362 120 756,97
<b>C</b>	<b>Gross profit (loss) on sales (A-B)</b>		<b>540 958 597,02</b>	<b>461 132 755,88</b>
<b>D</b>	<b>Selling expenses</b>	<b>VI.34</b>	<b>72 350 211,91</b>	<b>79 315 540,24</b>
<b>E</b>	<b>Administration and general expenses</b>	<b>VI.34</b>	<b>78 442 836,49</b>	<b>75 984 485,48</b>
<b>F</b>	<b>Profit (loss) on sale (C-D-E)</b>		<b>390 165 548,62</b>	<b>305 832 730,16</b>
<b>G</b>	<b>Other operating revenues</b>	<b>VI.35</b>	<b>7 628 711,99</b>	<b>126 165 795,86</b>
I	Profit on disposal of non-financial fixed assets		52 466,00	122 782 319,50
II	Grants		467 605,24	0,00
III	Other operating revenues		7 108 640,75	3 383 476,36
<b>H</b>	<b>Other operating expenses</b>	<b>VI.36</b>	<b>51 115 737,60</b>	<b>291 859 323,83</b>
I	Loss on disposal of non-financial fixed assets		0,00	0,00
II	Revaluation of non-financial assets		551 057,09	195 303,78
III	Other operating costs		50 564 680,51	291 664 020,05
<b>I</b>	<b>Operating profit (loss) (F+G-H)</b>		<b>346 678 523,01</b>	<b>140 139 202,19</b>
<b>J</b>	<b>Financial revenues</b>	<b>VI.37</b>	<b>1 585 697 408,00</b>	<b>689 937 884,86</b>
I	Dividends and shares in profits, including:		1 209 307 275,45	267 156 158,46
-	from related parties		1 208 531 675,45	103 352 127,26
II	Interest including:		169 940 939,06	207 471 596,43
-	from related parties		132 709 510,65	165 135 496,07
III	Profit on disposal of investment		15 523 869,30	88 489 924,85
IV	Revaluation of investment		190 335 148,53	50 672 995,14
V	Other		590 175,66	76 147 209,98
<b>K</b>	<b>Financial expenses</b>	<b>VI.38</b>	<b>213 069 274,27</b>	<b>98 325 577,59</b>
I	Interest including:		140 833 962,68	78 375 891,56
-	to related parties		75 107 248,58	28 646 541,74
II	Loss on disposal of investment		0,00	0,00
III	Revaluation of investment		30 851 228,33	1 256 940,08
IV	Costs of changes in provisions due to changes in discount rates		0,00	0,00
V	Other		41 384 083,26	18 692 745,95
<b>L</b>	<b>Profit (loss) on business activity (I+J-K)</b>		<b>1 719 306 656,74</b>	<b>731 751 509,46</b>
<b>M</b>	<b>Extraordinary results (M.I. - M.II.)</b>	<b>VI.39</b>	<b>0,00</b>	<b>0,00</b>
I	Extraordinary gains		0,00	0,00
II	Extraordinary losses		0,00	0,00
<b>N</b>	<b>Gross profit (loss) (L±M)</b>		<b>1 719 306 656,74</b>	<b>731 751 509,46</b>
<b>O</b>	<b>Income tax</b>		<b>80 666 859,50</b>	<b>78 719 541,71</b>

No.	Item	Note	For the period 1.01.-31.12.2009	For the period 1.01.-31.12.2008
I.	Current tax	VI.40	83 728 917,00	70 115 922,00
II.	Deferred tax	VI.41	(3 062 057,50)	8 603 619,71
	<b>Other obligatory charges decreasing the</b>		<b>198 142 060,40</b>	
<b>P</b>	<b>profit (increasing the loss) distribution</b>			<b>99 570 204,00</b>
	<b>from profit</b>			
<b>R</b>	<b>Net profit (loss) (N-O-P)</b>		<b>1 440 497 736,84</b>	<b>553 461 763,75</b>

Warsaw, 15 March 2010

Signed on the Polish original

Tomasz Zadroga  
President of the  
Management Board

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Marek Szostek  
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Vice-President of the  
Management Board

#### IV. Statement of changes in equity.

No.	Item	1.01.-31.12.2009	1.01.-31.12.2008
<b>I.</b>	<b>Equity at the beginning of period (OB)</b>	<b>17 795 739 776,29</b>	<b>17 790 802 012,54</b>
<b>1</b>	<b>Share capital at the beginning of period</b>	<b>14 705 765 000,00</b>	<b>14 705 765 000,00</b>
1.1.	Changes in share capital	2 595 135 000,00	0,00
a	increase (due to)	2 595 135 000,00	0,00
-	issue of shares	2 595 135 000,00	0,00
b	decrease	0,00	0,00
<b>1.2.</b>	<b>Equity at the end of period (CB)</b>	<b>17 300 900 000,00</b>	<b>14 705 765 000,00</b>
<b>2</b>	<b>Outstanding share capital contribution at the beginning of period</b>	<b>0,00</b>	<b>0,00</b>
2.1.	Change in outstanding share capital contribution	0,00	0,00
a	increase (due to)	0,00	0,00
b	decrease (due to)	0,00	0,00
<b>2.2.</b>	<b>Outstanding share capital contribution at the end of period</b>	<b>0,00</b>	<b>0,00</b>
<b>3</b>	<b>Treasury shares at the beginning of period</b>	<b>0,00</b>	<b>0,00</b>
a	increase	0,00	0,00
b	decrease	0,00	0,00
<b>3.1.</b>	<b>Treasury shares at the end of period</b>	<b>0,00</b>	<b>0,00</b>
<b>4</b>	<b>Reserve capital at the beginning of period</b>	<b>2 100 155 610,06</b>	<b>1 945 841 140,77</b>
a	opening balance adjustments	0,00	0,00
<b>4a</b>	<b>Reserve capital at the beginning of the period after adjustments</b>	<b>2 100 155 610,06</b>	<b>1 945 841 140,77</b>
<b>4.1.</b>	<b>Changes in reserve capital</b>	<b>3 349 393 202,93</b>	<b>154 314 469,29</b>
a	increase (due to)	3 349 393 202,93	154 314 469,29
-	profit distribution (according to the law)	44 276 941,10	66 106 900,00
-	reclassification from the revaluation reserve due to a contribution in kind, disposal or liquidation of fixed assets	1 113,62	88 207 569,29
-	issue of shares above nominal value,	3 305 115 148,21	0,00
b	decrease	0,00	0,00
<b>4.2.</b>	<b>Reserve capital at the end of period</b>	<b>5 449 548 812,99</b>	<b>2 100 155 610,06</b>
<b>5</b>	<b>Revaluation reserve at the beginning of period</b>	<b>3 696 242,69</b>	<b>91 903 811,98</b>
<b>5.1.</b>	<b>Changes in revaluation reserve</b>	<b>(1 113,62)</b>	<b>(88 207 569,29)</b>
a	increase (due to)	0,00	0,00
b	decrease (due to)	1 113,62	88 207 569,29
-	reclassification from the revaluation reserve due to a contribution in kind, disposal or liquidation of fixed assets	1 113,62	88 207 569,29
<b>5.2.</b>	<b>Revaluation reserve at the end of period</b>	<b>3 695 129,07</b>	<b>3 696 242,69</b>
<b>6</b>	<b>Other reserve capitals at the beginning of period</b>	<b>414 016 975,79</b>	<b>202 311 644,56</b>
6.1.	Changes in other reserve capitals	(414 016 975,79)	211 705 331,23
a	increase (due to)	0,00	460 005 331,23
-	profit distribution to reserve capital	0,00	460 005 331,23
b	decrease (due to)	414 016 975,79	248 300 000,00
-	payment of dividend	414 016 975,79	248 300 000,00
<b>6.2.</b>	<b>Other reserve capitals at the end of period</b>	<b>0,00</b>	<b>414 016 975,79</b>
<b>7</b>	<b>Retained earnings at the beginning of period</b>	<b>572 105 947,75</b>	<b>844 980 415,23</b>

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



PGE Polska Grupa Energetyczna S.A.  
Profit and loss account  
for the years ended 31 December 2009 and 31 December 2008  
(in PLN)  
("Translation of a document originally issued in Polish")

**7.1. Retained profits at the beginning of period** **572 105 947,75      844 980 415,23**

No.	Item	1.01.-31.12.2009	1.01.-31.12.2008
a	increase (due to)	1 800 000,00	0,00
-	fund liquidation	1 800 000,00	0,00
b	decrease (due to)	572 105 947,75	826 336 231,23
-	reclassification to reserve capital	44 276 941,10	66 106 900,00
-	reclassification to other reserve capital	0,00	460 005 331,23
-	reclassification to Social Fund	0,00	224 000,00
-	dividend paid	527 829 006,65	300 000 000,00
<b>7.2.</b>	<b>Retained profits at the end of period</b>	<b>1 800 000,00</b>	<b>18 644 184,00</b>
<b>7.3.</b>	<b>Retained losses at the beginning of period (-)</b>	<b>0,00</b>	<b>0,00</b>
a	Increase (due to)	0,00	0,00
b	decrease (due to)	0,00	0,00
<b>7.4.</b>	<b>Retained losses at the end of period</b>	<b>0,00</b>	<b>0,00</b>
<b>7.5.</b>	<b>Retained earnings at the end of period</b>	<b>1 800 000,00</b>	<b>18 644 184,00</b>
<b>8</b>	<b>Net result</b>	<b>1 440 497 736,84</b>	<b>553 461 763,75</b>
a	net profit	1 440 497 736,84	553 461 763,75
b	net loss (negative value)	0,00	0,00
c	appropriation of the net profit (negative value)	0,00	0,00
<b>II</b>	<b>Equity at the end of period (CB)</b>	<b>24 196 441 678,90</b>	<b>17 795 739 776,29</b>
<b>III</b>	<b>Equity after the proposed profit distribution</b>	<b>22 881 573 278,90</b>	<b>X</b>

Warsaw, 15 March 2010

Signed on the Polish original

Tomasz Zadroga  
President of the  
Management Board

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## V. Cash flow statement.

No.	Item	For the period	
		1.01.-31.12.2009	1.01.-31.12.2008
<b>A</b>	<b>Cash flow from operating activities</b>		
<b>I</b>	<b>Net profit (loss)</b>	<b>1 440 497 736,84</b>	<b>553 461 763,75</b>
<b>II</b>	<b>Total adjustment</b>	<b>(1 128 034 152,70)</b>	<b>(316 064 330,92)</b>
1	Depreciation and amortization	8 865 476,69	14 575 431,90
2	Foreign exchange profit (loss)	5 332 943,49	(34 574 170,96)
3	Interest and shares in profit (dividends)	(1 026 191 828,24)	(275 458 165,97)
4	Profit (loss) on investment activity	(175 057 267,34)	(260 673 780,26)
5	Change in provisions	54 407 171,70	194 518 992,95
6	Change in inventories	(76 148,65)	(126 241,09)
7	Change in account receivables	(153 822 435,03)	315 686 920,36
8	Change in short-term liabilities, excluding loans and borrowings	196 938 369,20	(251 983 648,73)
9	Change in prepayments and accruals, deferred income and expenses	(38 430 434,52)	(18 029 669,12)
10	Other adjustments	0,00	0,00
<b>III</b>	<b>Net cash flow from operating activities (I ± II)</b>	<b>312 463 584,14</b>	<b>237 397 432,83</b>
<b>B</b>	<b>Cash flow from investment activities</b>		
<b>I</b>	<b>Proceeds</b>	<b>2 491 448 154,78</b>	<b>930 945 989,70</b>
1	Disposal of intangibles and tangible fixed assets	52 466,00	54 357 039,46
2	Disposal of investment property and investment in intangible assets	0,00	0,00
3	From financial assets, including:	2 490 587 541,70	875 713 457,57
a)	in related parties	2 489 811 941,70	711 909 426,37
b)	in third parties	775 600,00	163 804 031,20
-	sale of financial assets	0,00	0,00
-	dividends and profit sharing	775 600,00	163 804 031,20
-	repayment of originated long-term loans	0,00	0,00
-	other proceeds from financial assets	0,00	0,00
4	Other proceeds from investment activities	808 147,08	875 492,67
<b>II</b>	<b>Disbursements</b>	<b>1 818 146 504,50</b>	<b>2 384 181 629,07</b>
1	Purchase of intangible assets and tangible fixed assets	9 625 173,60	4 834 036,85
2	Purchase of investment property and intangible assets	0,00	0,00
3	For financial assets including:	1 808 521 330,90	2 379 347 592,22
a)	in related parties	1 808 521 330,90	2 379 347 592,22
b)	in third parties	0,00	0,00
4	Originated short-term loans	0,00	0,00
5	Other investments disbursements	0,00	0,00
<b>III</b>	<b>Net cash flow from investment activities (I-II)</b>	<b>673 301 650,28</b>	<b>(1 453 235 639,37)</b>
<b>C</b>	<b>Cash flow from financial activities</b>		
<b>I</b>	<b>Proceeds</b>	<b>25 824 757 820,63</b>	<b>11 921 815 534,62</b>
1	Net proceeds from the issue of shares and other equity instruments and additional shareholder payment	5 917 531 589,91	0,00
2	Loans and borrowings	0,00	433 829 310,21
3	Issue of debt securities	19 907 226 230,72	11 487 986 224,41
4	Other proceeds from financial activities	0,00	0,00

No.	Item	For the period	
		1.01-31.12.2009	1.01-31.12.2008
<b>II</b>	<b>Disbursements</b>	<b>23 637 087 844,60</b>	<b>10 967 654 517,51</b>
1	Purchase of treasury shares	0,00	0,00
2	Dividends and other payments to shareholders	1 118 769 972,11	406 985 374,00
3	Other payments relating to profit distribution, excluding payments to shareholders	0,00	0,00
4	Repayment of loans and borrowings	434 099 906,27	0,00
5	Redemption of debt securities	21 940 500 345,00	10 494 642 548,00
6	Other financial liabilities	0,00	0,00
7	Payments relating to financial lease obligations	0,00	0,00
8	Interest	143 717 621,22	66 026 595,51
9	Other disbursements from financial activities	0,00	0,00
<b>III</b>	<b>Net cash flow from financial activities (I-II)</b>	<b>2 187 669 976,03</b>	<b>954 161 017,11</b>
<b>D</b>	<b>Total net cash flow (A.III ± B.III ± C.III)</b>	<b>3 173 435 210,45</b>	<b>(261 677 189,43)</b>
<b>E</b>	<b>Balance sheet change in cash and cash equivalents, including:</b>	<b>3 181 982 276,23</b>	<b>(264 790 162,55)</b>
-	change in cash and cash equivalents due to exchange differences	(249 927,69)	(3 112 973,12)
<b>F</b>	<b>Cash and cash equivalents at the beginning of period</b>	<b>16 337 351,96</b>	<b>278 014 541,39</b>
<b>G</b>	<b>Cash and cash equivalents at the end of period (F±D), including:</b>	<b>3 189 772 562,41</b>	<b>16 337 351,96</b>
-	restricted cash	1 359 325,65	2 439 000,00

Warsaw, 15 March 2010

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## VI. Supplementary information and explanations.

### 1. Changes in intangible assets from 1 January 2009 to 31 December 2009.

No.	Item	Development costs	Goodwill	Concessions and patents		Other	Advances	Total
				Total	Including software			
Gross book value								
1	Opening balance	786 194,46	0,00	0,00	0,00	30 677 425,04	0,00	31 463 619,50
2	Additions	0,00	0,00	0,00	0,00	2 647 279,03	0,00	2 647 279,03
a	Transfer from fixed assets under construction	0,00	0,00	0,00	0,00	2 647 279,03	0,00	2 647 279,03
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	0,00	0,00	0,00
4	Closing balance	786 194,46	0,00	0,00	0,00	33 324 704,07	0,00	34 110 898,53
Amortization								
5	Opening balance	0,00	0,00	0,00	0,00	28 488 967,56	0,00	28 488 967,56
6	Additions	0,00	0,00	0,00	0,00	1 811 879,07	0,00	1 811 879,07
a	Amortization for the period	0,00	0,00	0,00	0,00	1 811 879,07	0,00	1 811 879,07
7	Disposals	0,00	0,00	0,00	0,00	0,00	0,00	0,00
8	Closing balance	0,00	0,00	0,00	0,00	30 300 846,63	0,00	30 300 846,63
9	Net value at the beginning of period	786 194,46	0,00	0,00	0,00	2 188 457,48	0,00	2 974 651,94
10	Net value at the end of period	786 194,46	0,00	0,00	0,00	3 023 857,44	0,00	3 810 051,90

## 2. Changes in fixed assets from 1 January 2009 to 31 December 2009.

No.	Item	Land (including perpetual usufruct right of land)	Buildings, premises and civil engineering facilities	Technical machinery and equipment	Vehicles	Other fixed assets	Total
<b>Gross value</b>							
1	Opening balance	0,00	80 273 161,25	64 908 495,01	0,00	5 386 490,04	150 568 146,30
2	Additions	0,00	876 897,50	2 734 272,99	0,00	76 976,69	3 688 147,18
a	Transfer from fixed assets under construction	0,00	876 897,50	2 734 272,99	0,00	76 976,69	3 688 147,18
b	Other	0,00	0,00	0,00	0,00	0,00	0,00
3	Disposals	0,00	0,00	439 997,17	0,00	1 585,50	441 582,67
a	Sales	0,00	0,00	0,00	0,00	0,00	0,00
b	Other	0,00	0,00	439 997,17	0,00	1 585,50	441 582,67
4	Closing balance	0,00	81 150 058,75	67 202 770,83	0,00	5 461 881,23	153 814 710,81
<b>Depreciation</b>							
5	Opening balance	0,00	22 945 323,81	53 333 138,76	0,00	4 853 789,40	81 132 251,97
6	Additions	0,00	2 050 078,83	4 826 615,66	0,00	176 903,13	7 053 597,62
a	Depreciation for the period	0,00	2 050 078,83	4 826 615,66		176 903,13	7 053 597,62
7	Disposals	0,00	0,00	437 009,01	0,00	1 585,50	438 594,51
a	Other	0,00	0,00	437 009,01	0,00	1 585,50	438 594,51
8	Closing balance	0,00	24 995 402,64	57 722 745,41	0,00	5 029 107,03	87 747 255,08
9	Net value at the beginning of period	0,00	57 327 837,44	11 575 356,25	0,00	532 700,64	69 435 894,33
10	Net value at the end of period	0,00	56 154 656,11	9 480 025,42	0,00	432 774,20	66 067 455,73

### 3. Land held under perpetual usufruct right.

No.	Item	As at 31.12.2009	As at 31.12.2008
1	Perpetual usufruct right to land	25 617 669,98	25 604 240,33
-	in the balance sheet	0,00	0,00
-	in the off-balance sheet records	25 617 669,98	25 604 240,33
<b>TOTAL</b>		<b>25 617 669,98</b>	<b>25 604 240,33</b>

As at the balance sheet date, the Company used land under perpetual usufruct lease in the value of PLN 25,618 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.

As at 31 December 2009, the area of land in perpetual usufruct amounted to 6,578.67 square meters.

During 2009 and as at 31 December 2009, there were no assets held by the Company which were or were not depreciated, that were used on the basis of lease, rental and other similar agreements.

As at 31 December 2009, 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.

### 4. Changes in fixed assets under construction in the period from 1 January 2009 to 31 December 2009.

No.	Item	Value
<b>Gross value</b>		
<b>1</b>	<b>Opening balance</b>	<b>6 505 775,87</b>
<b>2</b>	<b>Increases</b>	<b>8 187 052,36</b>
a	capital expenditures	8 187 052,36
<b>3</b>	<b>Decreases</b>	<b>6 335 426,21</b>
a	transfer to fixed assets	3 688 147,18
b	transfer to intangible assets	2 647 279,03
<b>4</b>	<b>Closing balance</b>	<b>8 357 402,02</b>

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

## 5. Changes in long-term receivables in the period from 1 January 2009 to 31 December 2009.

No.	Item	Value of long-term receivables
<b>1</b>	<b>Opening balance</b>	<b>2 367 636,38</b>
<b>2</b>	<b>Increases</b>	<b>261 572,93</b>
a	origination of receivables	261 572,93
b	reclassification from short-term receivables	0,00
c	other	0,00
<b>3</b>	<b>Decreases</b>	<b>587 621,52</b>
a	reclassification to short-term receivables	0,00
b	repayment	587 621,52
c	other	0,00
<b>4</b>	<b>Closing balance</b>	<b>2 041 587,79</b>

Long-term receivables include:

	Balance of receivables
Housing loans from the Company's Social Benefits Fund (ZFŚS)	985 879,10
Loans from the Effectiveness Promotion Fund (FnRZE)	1 055 708,69
<b>Closing balance</b>	<b>2 041 587,79</b>



## 6. Long-term investments.

Changes in long-term investments from 1 January 2009 to 31 December 2009.

No.	Item	Investment property	Intangible assets	Long-term financial assets	Other long-term investments	Total long-term investments
<b>1</b>	<b>Opening balance</b>	<b>0,00</b>	<b>0,00</b>	<b>20 149 674 404,52</b>	<b>0,00</b>	<b>20 149 674 404,52</b>
<b>2</b>	<b>Increases</b>	<b>0,00</b>	<b>0,00</b>	<b>824 551 813,26</b>	<b>0,00</b>	<b>824 551 813,26</b>
A	investments purchased	0,00	0,00	624 532 499,00	0,00	624 532 499,00
b	investments acquired	0,00	0,00	8 640 000,00	0,00	8 640 000,00
c	interest/investment valuation	0,00	0,00	1 042 735,89	0,00	1 042 735,89
d	impairment – reversal of write offs	0,00	0,00	190 335 148,53	0,00	190 335 148,53
e	other	0,00	0,00	1 429,84	0,00	1 429,84
<b>3</b>	<b>Decreases</b>	<b>0,00</b>	<b>0,00</b>	<b>273 025 201,76</b>	<b>0,00</b>	<b>273 025 201,76</b>
a	investments sold	0,00	0,00	41 200 000,00	0,00	41 200 000,00
b	revaluation	0,00	0,00	30 851 228,33	0,00	30 851 228,33
c	reclassification to short-term investments	0,00	0,00	194 750 497,63	0,00	194 750 497,63
d	other	0,00	0,00	6 223 475,80	0,00	6 223 475,80
<b>4</b>	<b>Closing balance</b>	<b>0,00</b>	<b>0,00</b>	<b>20 701 201 016,02</b>	<b>0,00</b>	<b>20 701 201 016,02</b>

Changes in long-term financial assets from 1 January 2009 to 31 December 2009.

No.	Item	Shares and stocks	Other securities	Originated loans	Other long-term financial assets	Total
<b>1</b>	<b>Opening balance</b>	<b>18 076 145 740,84</b>	<b>2 073 478 166,05</b>	<b>0,00</b>	<b>50 497,63</b>	<b>20 149 674 404,52</b>
<b>2</b>	<b>Increases</b>	<b>823 409 077,36</b>	<b>1 042 735,89</b>	<b>0,00</b>	<b>100 000,00</b>	<b>824 551 813,26</b>
a	investments purchased	624 432 499,20	0,00	0,00	100 000,00	624 532 499,20
b	investments acquired	8 640 000,00	0,00	0,00	0,00	8 640 000,00
c	interest/investment valuation	0,00	1 042 735,89	0,00	0,00	1 042 735,89
d	impairment – reversal of write offs	190 335 148,53	0,00	0,00	0,00	190 335 148,53
e	other	1 429,84	0,00	0,00	0,00	1 429,84
<b>3</b>	<b>Decreases</b>	<b>7 657 759,64</b>	<b>265 316 944,49</b>	<b>0,00</b>	<b>50 497,63</b>	<b>273 025 201,76</b>
a	investments sold	0,00	41 200 000,00	0,00	0,00	41 200 000,00
b	revaluation	1 434 283,84	29 416 944,49	0,00	0,00	30 851 228,33
c	reclassification to short-term investments	0,00	194 700 000,00	0,00	50 497,63	194 750 497,63
d	other	6 223 475,80	0,00	0,00	0,00	6 223 475,80
<b>4</b>	<b>Closing balance</b>	<b>18 891 897 058,57</b>	<b>1 809 203 957,45</b>	<b>0,00</b>	<b>100 000,00</b>	<b>20 701 201 016,02</b>

## 7. Shares in subsidiaries as at 31 December 2009.

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 S.A.	7 916 899 987,83	0,00	0,00	7 916 899 987,83	85,00	85,00	222 039 122,93
2	PGE Energia S.A.	6 391 920 435,34	0,00	0,00	6 391 920 435,34	85,00	85,00	57 204 775,33
3	PGE Elektrociepłownia Gorzów S.A.	87 460 211,45	0,00	0,00	87 460 211,45	90,09	90,09	62 619 684,59
4	PGE Electra S.A.	70 000 000,00	0,00	0,00	70 000 000,00	100,00	100,00	75 847 066,82
5	PGE Systemy S.A.	1 502 317,50	0,00	0,00	1 502 317,50	100,00	100,00	*) 1 235 132,56
6	PGE Serwis Sp. z o. o.	3 958 900,00	158 927,03	0,00	3 799 972,97	100,00	100,00	*) 25 370,27
7	PGE Energia Odnawialna S.A.	325 405 438,34	1 789 556,96	0,00	323 615 881,38	100,00	100,00	77 834 500,12
8	Exatel S.A.	617 055 142,24	214 726 302,00	0,00	402 328 840,24	94,94	91,56	*) 56 507 971,13
9	PGE ZEŁT Obrót Sp. z o.o.	107 991 826,00	0,00	0,00	107 991 826,00	100,00	100,00	64 759 135,43
10	PGE Elektrownia Turów S.A.	337 674 318,00	0,00	0,00	337 674 318,00	16,00	16,00	403.097.597,43
11	PGE Elektrownia Bełchatów S.A.	748 467 804,23	0,00	0,00	748 467 804,23	19,10	19,10	1 558 156 545,05
12	PGE KWB Bełchatów S.A.	168 379 120,00	0,00	0,00	168 379 120,00	16,00	16,33	84 636 460,58
13	PGE ZEC Bydgoszcz S.A.	284 831 715,00	0,00	0,00	284 831 715,00	98,50	98,50	**) 22 962 102,76
14	PGE Elektrownia Opole S.A.	199 768 304,00	0,00	0,00	199 768 304,00	16,00	16,00	265 785 927,65
15	PGE KWB Turów S.A.	38 876 112,00	0,00	0,00	38 876 112,00	16,00	16,00	159 897 859,85
16	PGE Dystrybucja S.A.	5 000 000,00	0,00	0,00	5 000 000,00	100,00	100,00	*) (41 792,02)
17	PGE Energia Jądrowa S.A.	25 000 000,00	0,00	0,00	25 000 000,00	100,00	100,00	*) (129 347,36)
18	PGE Inwest Sp. z o.o.	50 000,00	0,00	0,00	50 000,00	100,00	100,00	*) (33 765,55)
					<b>17 113 566 845,94</b>			

\*) data from non audited financial statements

\*\*) the reporting period encompasses 20 months i.e. from 01.05.2008 to 31.12.2009

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

- On 12 May 2009, the increase of the share capital of PGE Systemy S.A. was registered. As a result the Company acquired 100 000 of registered B series shares of a nominal value of PLN 10.00 each.
- On 22 May 2009, the company PGE Inwest Sp. z o.o. was established, in which PGE S.A. acquired 1,000 shares of a nominal value of PLN 50.00 each.
- On 24 September 2009, PGE S.A., acting as the sole shareholder of PGE Energia Odnawialna S.A., adopted a resolution of a General Meeting of Shareholders related to the increase of the share capital of the entity by the amount of PLN 8,640 thousand and covering it with non - cash contribution in the form of shares of ETF-L Energo-Utech S.A. The increase of the share capital of PGE Energia Odnawialna S.A. was registered on 30 October 2009.
- On 30 September 2009, 98,33% shares of PGE ZEC Bydgoszcz S.A. were transferred from PGE Energia Odnawialna to the Company as a result of an agreement “datio in solutium”. The value of acquired shares of ZEC Bydgoszcz S.A. was estimated at PLN 284,549 thousand. As a result of transferring the shares, the Company started (following the social guarantee package) the repurchase of shares of PGE ZEC Bydgoszcz S.A. from its employees. Until 31 December 2009, the Company acquired 155 shares in total, which accounts for 0.17% of the share capital of PGE ZEC Bydgoszcz S.A.
- On 19 November 2009, the increase of share capital of PGE Electra S.A. in the amount of PLN 69,500 thousand was registered. PGE S.A. acquired all shares in the increased capital. Acquired shares were fully covered in cash.
- As a result of the agreement signed on 18 December 2008, the Management Board of PGE S.A. decided on 10 November 2009 to buy from the State Treasury 160,000 shares of PGE Elektrownia Opole S.A. for a total value of PLN 197 790 thousand and 5 280 000 shares if PGE Kopalnia Węgla Brunatnego Turów S.A. for a total value of PLN 38 491 thousand. Shares purchased account for 16% of the share capital of those companies. The payment was made on 12 November 2009.
- On 23 November 2009, PGE Dystrybucja S.A. was established, in which PGE S.A. acquired all shares, i.e. 500 000 shares of a nominal value of PLN 10.00 each. PGE Dystrybucja was registered in the National Court Register on 27 November 2009. PGE Dystrybucja S.A. was established as a result of “The Consolidation Programme of PGE S.A.” described in details in the Note VI. 49 of the supplementary information and explanations to the foregoing financial statements.
- On 24 November 2009, the Company established PGE Inwest Sp. z o.o. II S.K.A., acquiring 100% shares in the share capital, i.e. 100 000 registered A series shares of a nominal value of PLN 1 each. PGE Inwest Sp. z o.o. is a general partner in the entity. PGE Inwest Sp. z o.o. brought into the reserve capital the amount of PLN 10,000.00. As at the balance sheet day the company was not registered in the National Court Register, as a result the payment for shares was presented in the balance sheet as “Other long-term financial assets in related parties” of financial non-current assets. The Company was registered in the National Court Register on 28 January 2010.
- On 7 December 2009, the company PGE Energia Jądrowa S.A. was established, in which PGE S.A. acquired all shares, i.e. 2 500 000 shares of a nominal value of PLN 10.00 each. PGE Energia Jądrowa S.A. was registered in the National Court Register on 28 December 2009. The company’s purpose is to hold managerial and coordinating functions in PGE Capital Group in the area relating to realization of tasks concerning nuclear power engineering.
- A new company EJ1 Sp. z o.o. was established under a Notary Deed of 29 December 2009. The share capital of the Company accounts for PLN 38 million. PGE S.A. acquired 49% shares of this entity and 51% of shares was acquired by PGE Energia Jądrowa S.A. On 11 January 2010, PGE S.A. paid the amount of PLN 18,620 thousand to cover the purchase of shares. The company EJ1 Sp. z o.o. was registered in the National Court Register on 27

January 2010. The entity's purpose is to build and possibly exploit the first nuclear power station. Shares acquired by PGE S.A. will be offered to a company, which will be chosen as a partner to build and exploit the first nuclear power station.

Moreover, during the reporting period an external entity performed a valuation of the shares of Exatel S.A. held by the Company. As a result of this valuation, the Company reversed a revaluation write off on the share's value, which was created in the previous years in the amount of PLN 188 million. The reversal of the write off was recognized in profit and loss account as "revaluation of investment", which is described in detail in Note VI.37 of the supplementary information and explanations to the foregoing financial statements.

## **8. Shares in co-subsiidiaries as at 31 December 2009.**

As at 31 December 2009, the Company did not hold any shares in co-subsiidiaries. The contribution in kind of the shares of ETF-L Energo – Utech S.A. to PGE Energia Odnawialna S.A. that took place in the reporting period was described in detail in Note VI.7 of the supplementary information and explanations to the foregoing financial statements.

## 9. Shares in associated entities as at 31 December 2009.

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 AS	1 320 606,00	0,00	0,00	1 320 606,00	49,00	49,00	*) 0,00
2	Energopomiar Sp. z o.o.	1 063 630,00	0,00	0,00	1 063 630,00	13,78	13,78	no data available
3	Polkomtel S.A.	1 656 469 286,13	0,00	0,00	1 656 469 286,13	21,85	21,85	*) 1 107 236 515,54
					<b>1 658 853 522,13</b>			

\*) Data from financial statements not audited by a certified auditor

On 29 January 2009, the Company transferred SEK 960 000 to the bank account of Vattenfall Aktiebolag for the purchase of shares in SwePol Link and SEK 174 816 898 as a prepayment for transmission charges. As a result, the second share purchase option of Vattenfall Aktiebolag was realized, which was an important element of the Restructuring Plan agreed by the parties of the Restructuring Agreement.

As a result of the purchase of 96,000 of shares, PGE S.A. holds in total 294 000 shares of SwePol Link AB, which accounts for 49% of votes at the General Shareholders' Meeting.

## 10. Shares in third parties as at 31 December 2009.

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	AWSA Holland II	115 172 995,14	0,00	0,00	115 172 995,14	19,99	19,99	no data available
2	Towarowa Giełda Energii S.A.	2 350 000,00	0,00	0,00	2 350 000,00	10,00	10,00	no data available
3	SYGNITY S.A.	13 699 938,95	0,00	11 846 243,59	1 853 695,36	1,09	1,09	no data available
4	Enesta S.A. w upadłości	259 990,00	0,00	259 990,00	0,00	12,87	23,28	no data available
5	ARE S.A.	100 000,00	0,00	0,00	100 000,00	7,27	11,50	no data available
6	Telewizja Familijna S.A. w likwidacji	26 004 800,00	0,00	26 004 800,00	0,00	11,96	9,61	no data available
					<b>119 476 690,50</b>			



## 11. 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.

During the reporting period the Company changed estimations relating to a buy-out period of "Autostrada Wielkopolska" S.A. bonds. According to the Company, in relation to the agreed bond's interests conditions after 30 November 2018, it should be rationally expected, that bonds will be bought out by the issuer in the earliest possible period. As a result, the Company changed a calculation of an effective interest rate, which was used in bonds' valuation. Adoption of a new (lower) effective interest rate resulted in a decrease of carrying value of the securities held. The effect of estimation's change was recognized in the profit and loss account as "revaluation of investment".

## 12. Changes in short-term financial assets from 1 January 2009 to 31 December 2009.

No.	Item	Shares	Other securities	Originated loans	Other short-term financial assets	Total
<b>1</b>	<b>Opening balance</b>	<b>0,00</b>	<b>502 740 738,01</b>	<b>0,00</b>	<b>605 971,85</b>	<b>503 346 709,86</b>
<b>2</b>	<b>Increases</b>	<b>0,00</b>	<b>1 678 773 117,38</b>	<b>0,00</b>	<b>50 497,63</b>	<b>1 678 823 615,01</b>
a	purchase	0,00	1 476 857 470,00	0,00	0,00	1 476 857 470,00
b	increase of market value	0,00	0,00	0,00	0,00	0,00
c	interest due/discount	0,00	7 215 647,38	0,00	0,00	7 215 647,38
d	reclassification from long-term financial assets	0,00	194 700 000,00	0,00	50 497,63	194 750 497,63
<b>3</b>	<b>Decreases</b>	<b>0,00</b>	<b>1 300 040 738,01</b>	<b>0,00</b>	<b>605 971,85</b>	<b>1 300 646 709,86</b>
a	sales/ repayment	0,00	20 600 000,00	0,00	0,00	20 600 000,00
b	adjustment of interest accrued for previous year	0,00	10 440 738,01	0,00	0,00	10 440 738,01
c	repurchase of bonds	0,00	1 269 000 000,00	0,00	0,00	1 269 000 000,00
d	repayment of lease receivable	0,00	0,00	0,00	605 971,85	605 971,85
<b>4</b>	<b>Closing balance</b>	<b>0,00</b>	<b>881 473 117,38</b>	<b>0,00</b>	<b>50 497,63</b>	<b>881 523 615,01</b>
	Including:					
	in subsidiaries	0,00	881 473 117,38	0,00	50 497,63	881 523 615,01

### 13. Classification of assets classified as financial instruments.

No.	Type of financial instrument	As at 31.12.2009	As at 31.12.2008
<b>1</b>	<b>Assets held for trading</b>	<b>0,00</b>	<b>0,00</b>
<b>2</b>	<b>Originated loans and receivables</b>	<b>2 691 269 410,32</b>	<b>2 577 136 993,93</b>
a	bonds of Autostrada Wielkopolska	238 203 957,45	266 578 166,05
b	bonds	2 452 473 117,38	2 309 640 738,01
c	cash at bank	541 837,86	261 620,39
d	other	50 497,63	656 469,48
<b>3</b>	<b>Assets held to maturity</b>	<b>3 197 535 340,70</b>	<b>15 833 176,94</b>
a	bonds of State Treasury	0,00	0,00
b	time deposits	3 197 535 340,70	15 833 176,94
<b>4</b>	<b>Assets available for sale</b>	<b>119 476 690,50</b>	<b>119 402 106,55</b>
a	investment in fund participation units	0,00	0,00
b	shares in third parties	119 476 690,50	119 402 106,55
c	treasury bills	0,00	0,00
d	other	0,00	0,00
<b>5</b>	<b>Shares and stocks in controlled entities</b>	<b>18 772 520 368,07</b>	<b>17 956 743 634,29</b>
<b>6</b>	<b>Derivatives with positive fair value</b>	<b>0,00</b>	<b>0,00</b>
<b>7</b>	<b>Total</b>	<b>24 780 801 809,59</b>	<b>20 669 115 911,71</b>

#### 14. Measurement of assets classified as financial instruments.

No.	Type of financial instrument	Measurement method as at 31.12.2009	Value at acquisition price	Carrying amount	Difference between the value at acquisition price and carrying value at 31.12.2009	Change in the measurement method in 2009 recognized in profit and loss account
<b>1</b>	<b>Assets held for trading</b>		<b>0,00</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>
<b>2</b>	<b>Originated loans and receivables</b>		<b>2 581 117 023,50</b>	<b>2 691 269 410,32</b>	<b>110 152 386,82</b>	<b>(21 175 540,35)</b>
a	bonds of Autostrada Wielkopolska	adjusted acquisition price	109 250 238,88	238 203 957,45	128 953 718,57	(28 374 208,60)
b	bonds of Telewizja Familijna	adjusted acquisition price	26 000 000,00	0,00	(26 000 000,00)	
c	bonds	acquisition price increased by accrued interest of the reporting period	2 445 257 470,00	2 452 473 117,38	7 215 647,38	7 215 647,38
d	cash at bank	nominal value	558 816,99	541 837,86	(16 979,13)	(16 979,13)
e	other	nominal value	50 497,63	50 497,63	0,00	
<b>3</b>	<b>Assets held to maturity</b>		<b>3 188 721 368,10</b>	<b>3 197 535 340,70</b>	<b>8 813 972,60</b>	<b>8 813 972,60</b>
a	State Treasury bonds		0,00	0,00	0,00	0,00
b	time deposits	nominal value	3 188 721 368,10	3 197 535 340,70	8 813 972,60	8 813 972,60
<b>4</b>	<b>Assets available for sale</b>		<b>157 587 724,09</b>	<b>119 476 690,50</b>	<b>(38 111 033,59)</b>	<b>74 583,95</b>
a	shares in third parties	acquisition price adjusted by impairment write offs	143 887 785,14	117 622 995,14	(26 264 790,00)	1 508 867,79
b	shares in third parties	market value	13 699 938,95	1 853 695,36	(11 846 243,59)	(1 434 283,84)
<b>5</b>	<b>Shares and stocks in controlled entities</b>	acquisition price adjusted by impairment write offs	<b>18 989 195 154,06</b>	<b>18 772 520 368,07</b>	<b>(216 674 785,99)</b>	<b>188 826 280,74</b>
<b>6</b>	<b>Derivatives with positive fair value</b>		<b>0,00</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>
<b>7</b>	<b>Total</b>		<b>24 916 621 269,75</b>	<b>24 780 801 809,59</b>	<b>(135 819 460,16)</b>	<b>176 539 296,94</b>
<b>Including:</b>						
<b>Long-term financial assets</b>				<b>20 701 201 016,02</b>		
- in related parties				20 343 520 368,07		
- in entities measured using the equity method				0,00		
- in other units				357 680 647,95		
<b>Short-term financial assets</b>				<b>4 079 600 793,57</b>		
- in related parties				881 523 615,01		
- in third parties				3 198 077 178,56		
<b>Other short-term investments</b>				<b>0,00</b>		
				<b>24 780 801 809,59</b>		

The caption shares and stocks in subsidiaries comprises the amount of PLN 100,000.00, which relates to the acquisition of shares in PGE Inwest Spółka z ograniczoną odpowiedzialnością II spółka komandytowo akcyjna. As at the balance sheet date, the entity was not registered. Until the registration, the amount of PLN 100,000 is presented in balance sheet as "Other long-term financial assets".

## 15. Other securities – bonds from related parties.

No.	Entity	Nominal value	Investment value as at 31.12.2009	Short-term portion	Long-term portion	Interest accrued as at balance sheet date	Maturity of the last tranche
1	BOT Elektrownia Turów S.A.	1 720 000 000,00	1 723 875 875,36	156 675 875,36	1 567 200 000,00	3 875 875,36	29.11.2013
2	Zespół Elektrowni Dolna Odra S.A.	395 700 000,00	398 010 725,08	394 210 725,08	3 800 000,00	2 310 725,08	31.10.2011
3	PGE KWB Bełchatów S.A.	330 000 000,00	330 586 516,94	330 586 516,94	0,00	1 029 046,94	10.09.2010
<b>TOTAL</b>		<b>2 445 700 000,00</b>	<b>2 452 473 117,38</b>	<b>881 473 117,38</b>	<b>1 571 000 000,00</b>	<b>7 215 647,38</b>	

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 2009, the total value of bonds amounted to PLN 2,452,473 thousand.

## 16. Other long-term prepayments.

No.	Item	As at 31.12.2009	As at 31.12.2008
1	Advances for deliveries	187 430 476,21	137 793 401,81
	<b>RAZEM</b>	<b>187 430 476,21</b>	<b>137 793 401,81</b>

The amount of PLN 187 430 thousand presented as other long-term prepayments and the amount of 19 502 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 expires 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 statement, 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 and 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.

## 17. Inventory.

As at 31 December 2009, the Company disclosed only advances for deliveries as “Inventory”.

## 18. Short-term receivables.

No.	Item	As at 31.12.2009			As at 31.12.2008		
		Gross value	Revaluation write offs	Net value	Gross value	Revaluation write offs	Net value
<b>1</b>	<b>Receivables from related parties, including:</b>	<b>800 438 040,48</b>	<b>116 479,29</b>	<b>800 321 561,19</b>	<b>715 071 959,60</b>	<b>12 376 810,56</b>	<b>702 695 149,04</b>
a	trade receivables due:	795 439 102,25	100 619,29	795 338 482,96	603 148 347,27	661,46	603 147 685,81
	-within 12 months	795 439 102,25	100 619,29	795 338 482,96	603 148 347,27	661,46	603 147 685,81
	-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	15 860,00	15 860,00	31 720,00	0,00	31 720,00
c	other	4 967 218,23	0,00	4 967 218,23	111 891 892,33	12 376 149,10	99 515 743,23
<b>2</b>	<b>Receivables from third parties, including:</b>	<b>140 852 418,03</b>	<b>104 261 498,82</b>	<b>36 590 919,21</b>	<b>209 766 576,54</b>	<b>135 149 203,80</b>	<b>74 617 372,74</b>
a	trade receivables due:	23 766 172,56	3 336 058,24	20 430 114,32	24 115 657,45	6 527 607,39	17 588 050,06
	-within 12 months	23 766 172,56	3 336 058,24	20 430 114,32	24 115 657,45	6 527 607,39	17 588 050,06
	-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	16 074 579,60	0,00	16 074 579,60	56 931 241,36	0,00	56 931 241,36
c	related to fixed assets and intangible assets	0,00	0,00	0,00	122,00	0,00	122,00
d	subject to legal proceedings	0,00	0,00	0,00	0,00	0,00	0,00
e	other	101 011 665,87	100 925 440,58	86 225,29	128 719 555,73	128 621 596,41	97 959,32
<b>TOTAL</b>		<b>941 290 458,51</b>	<b>104 377 978,11</b>	<b>836 912 480,40</b>	<b>924 838 536,14</b>	<b>147 526 014,36</b>	<b>777 312 521,78</b>

Ageing analysis of short-term trade receivables.

No.	Age in days	Gross value	Revaluation write offs	Net value
<b>1</b>	<b>Current, including:</b>	<b>818 348 726,39</b>	<b>2 896 071,38</b>	<b>815 452 655,01</b>
a	from related parties	795 047 514,63	1 633,01	795 045 881,62
b	from third parties	23 301 211,76	2 894 438,37	20 406 773,39
<b>2</b>	<b>Overdue including:</b>	<b>856 548,42</b>	<b>540 606,15</b>	<b>315 942,27</b>
a	from related parties	391 587,62	98 986,28	292 601,34
-	up to 90 days	255 309,56	0,00	255 309,56
-	90-180	31 396,66	0,00	31 396,66
-	180-360	11 790,23	5 895,11	5 895,12
-	above 360	93 091,17	93 091,17	0,00
b	from third parties	464 960,80	441 619,87	23 340,93
-	up to 90 days	22 171,29	0,00	22 171,29
-	90-180	792,36	0,00	792,36
-	180-360	435 244,38	434 867,10	377,28
-	above 360	6 752,77	6 752,77	0,00
<b>TOTAL</b>		<b>819 205 274,81</b>	<b>3 436 677,53</b>	<b>815 768 597,28</b>

Changes in revaluation write offs on short-term receivables from 1 January 2009 to 31 December 2009 (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
<b>1</b>	<b>Opening balance</b>	<b>6 528 268,85</b>	<b>661,46</b>	<b>140 997 745,51</b>	<b>12 376 149,10</b>	<b>147 526 014,36</b>
<b>2</b>	<b>Increases</b>	<b>538 818,25</b>	<b>100 495,43</b>	<b>15 860,00</b>	<b>15 860,00</b>	<b>554 678,25</b>
a	write offs recognized in other operating expenses	535 197,09	98 862,42	15 860,00	15 860,00	551 057,09
b	write offs recognized in financial expenses	3 621,16	1 633,01	0,00	0,00	3 621,16
<b>3</b>	<b>Decreases</b>	<b>3 630 409,57</b>	<b>537,60</b>	<b>40 072 304,93</b>	<b>12 376 149,10</b>	<b>43 702 714,50</b>
a	reversal of write offs recorded in other operating revenues	3 629 871,97	0,00	0,00	0,00	3 629 871,97
b	reversal of write offs recorded in financial revenues	537,60	537,60	0,00	0,00	537,60
c	write offs used	0,00	0,00	40 072 304,93	12 376 149,10	40 072 304,93
d	reclassification between receivables	0,00	0,00	0,00	0,00	0,00
<b>4</b>	<b>Closing balance</b>	<b>3 436 677,53</b>	<b>100 619,29</b>	<b>100 941 300,58</b>	<b>15 860,00</b>	<b>104 377 978,11</b>



## 19. Short-term prepayments.

No.	Item	As at 31.12.2009	As at 31.12.2008
<b>1</b>	<b>Prepayments</b>	<b>21 212 190,30</b>	<b>13 376 736,97</b>
a	property and vehicle insurance	1 444 396,60	120 786,68
b	membership fees, training, operation and maintenance services	24 313,22	52 535,76
c	IT/advisory services	0,00	175 279,89
d	publications, subscriptions	5 317,51	0,00
e	unfinished development activities	57 185,77	0,00
f	prepayment for deliveries	19 501 604,16	13 019 851,68
g	other	179 373,04	8 282,96
<b>2</b>	<b>Other prepayments</b>	<b>0,00</b>	<b>32 082 459,60</b>
a	civil tax on conditional agreement on increase of share capital	0,00	12 988 418,56
b	IPO related costs	0,00	19 094 041,04
c	other	0,00	0,00
<b>TOTAL</b>		<b>21 212 190,30</b>	<b>45 459 196,57</b>

In 2009, the Company continued to activate costs related to Initial Public Offering (IPO) of PGE S.A. shares, in particular:

- advisory and legal services related to preparation and update of prospectus,
- advisory on preparation of consolidated financial statements in accordance with IFRS,
- additional remuneration for employees of PGE S.A. and PGE Capital Group directly involved in the IPO project,
- tax on civil law transactions related to a conditional agreement on increase of share capital of the Company in the form of issue of shares.

On 30 November 2009, the registration of the increased capital of the Company took place and as a result all activated costs were recognized in reserve capital. The costs relating to the share's issue, which were incurred in 2008 and 2009, accounted for PLN 68,560 thousand. For details on the proceeds from share's issue and B series shares' registration please refer to Note VI.49 of the supplementary information and explanations to the foregoing financial statements.

## 20. Share capital.

Series/ issue	Type of shares	Type of preference	Number of shares	Nominal value	Value of series/ issue at nominal value	Capital coverage method
"A"	ordinary	not applicable	1 470 576 500	PLN 10 per share	14 705 765 000.00	cash/ contribution in kind
"B"	ordinary	not applicable	259 513 500	PLN 10 per share	2 595 135 000,00	cash
<b>Total number of shares</b>			<b>1 730 090 000</b>			

### Ownership structure and the percentage of owned shares.

Shareholder	Share's value	Portion (%) of initial capital	Portion (%) of vote's number
State Treasury	14 705 765 000,00	85	85
Other Shareholders	2 595 135 000,00	15	15

### Changes in the value and the structure of share capital of the Company.

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.

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.

As described in note VI.49 of the supplementary information and explanations to the foregoing financial statements, a legal merger of PGE S.A. with PGE Energia S.A. and PGE Górnictwo i Energetyka S.A. is planned to take place in 2010. As a result of the merger, the shareholders of the above mentioned companies shall receive shares in the increased share capital of PGE S.A. that will be issued for the purpose of the merger in exchange for shares of PGE Energia S.A. and PGE Górnictwo i Energetyka S.A. (however, PGE S.A. shall not embrace own share in exchange for shares in subsidiaries). After the registration in the register court current shareholders' portion in the share capital will decrease.

### 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 act of 3 June 2005 on special rights of the State Treasury and their execution in capital companies of significant importance for the public order or public safety (Dz. U. of 2005, No. 132 pos. 1108), 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.

On 12 February 2010, Sejm adopted a new Golden Veto Act. According to the Act, the State Treasury has the special right to object to any resolution adopted or another legal action taken by the company's Management Board that relates to the ability to dispose a part of company's property that is fundamental for its activities.

An objection can also be expressed against any resolution adopted that relates to:

- liquidation of a company,
- changes of the aim or discontinuance of exploitation of the company's asset, which is critical infrastructure,
- change of a core competence of a company,
- sale or lease of a company or its organized part or establishment of limited law property,
- approval of material and financial plan, investment plan, or long-term strategic plan,
- movement of a 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 new “Golden Veto Act” did not come into force.*

### **Distribution of 2009 profit**

After the audit of 2009 financial statements by a certified accountant, the Management Board decided to submit the financial statements to the Supervisory Board for approval, together with the motion related to 2009 net profit distribution in the following manner:

- |   |                      |
|---|----------------------|
| - to allocate as reserve capital (8% of the net profit) | PLN 125,629,336.84   |
| - to pay a dividend to Shareholders                     | PLN 1,314,868,400.00 |

## **21. Dividend paid to the State Treasury.**

On 30 June 2009, the General Shareholders Meeting allocated the amount of PLN 509 185 thousand of 2008 profit to pay a dividend. Moreover retained earnings in the amount of PLN 18 644 thousand and reserve capital in the amount of PLN 414 017 were allocated to pay a dividend. The dividend defined in resolutions of the General Shareholders' Meeting dated 30 June 2009 was paid on 31 August 2009 in the total amount of PLN 941 846 thousand.

## 22. Provisions for retirement awards and similar benefits.

Changes in provisions for retirement awards and similar benefits from 1 January 2009 to 31 December 2009.

No.	Item	Provision for retirement and pension severance	Jubilee awards	Energy tariff	Medical benefits	Write off to Company's Social Fund	TOTAL
<b>1</b>	<b>Opening balance</b>	<b>988 227,00</b>	<b>3 007 892,00</b>	<b>8 944 605,00</b>	<b>4 333 730,00</b>	<b>4 469 648,00</b>	<b>21 744 102,00</b>
a	adjustments to opening balance	0,00	0,00	0,00	0,00	0,00	0,00
<b>1a</b>	<b>opening balance after adjustments</b>	<b>988 227,00</b>	<b>3 007 892,00</b>	<b>8 944 605,00</b>	<b>4 333 730,00</b>	<b>4 469 648,00</b>	<b>21 744 102,00</b>
2	Provisions created	0,00	0,00	0,00	0,00	401 048,00	401 048,00
3	Provisions reversed	270 561,00	1 162 352,00	257 054,00	1 110 593,00	0,00	2 800 560,00
4	Provisions used	0,00	0,00	0,00	0,00	0,00	0,00
<b>7</b>	<b>Closing balance</b>	<b>717 666,00</b>	<b>1 845 540,00</b>	<b>8 687 551,00</b>	<b>3 223 137,00</b>	<b>4 870 696,00</b>	<b>19 344 590,00</b>
	Including:						
	- short-term	306 456,00	232 535,00	598 406,00	318 906,00	420 146,00	1 876 449,00
	- long-term	411 210,00	1 613 005,00	8 089 145,00	2 904 231,00	4 450 550,00	17 468 141,00

## 23. Other provisions.

Changes to other provisions in the period from 1 January 2009 to 31 December 2009.

No.	Item	Provision for interest	Provision for legal disputes	Provision for employee settlements	Provision for activity risk	Provision for legal proceedings	TOTAL
<b>1</b>	<b>Opening balance</b>	<b>581 993,78</b>	<b>289 148 839,57</b>	<b>0,00</b>	<b>0,00</b>		<b>289 730 833,35</b>
<b>2</b>	<b>Provisions created</b>	0,00	61 801 629,95	0,00	0,00	0,00	61 801 629,95
a	in correspondence with other operating expenses	0,00	43 601 371,49	0,00	0,00	0,00	43 601 371,49
b	in correspondence with financial expenses	0,00	18 200 258,46	0,00	0,00	0,00	18 200 258,46
<b>3</b>	<b>Provisions reversed</b>	581 993,78	0,00	0,00	0,00	0,00	581 993,78
a	in correspondence with other operating revenues	0,00	0,00	0,00	0,00	0,00	0,00
b	in correspondence with financial revenues	581 993,78	0,00	0,00	0,00	0,00	581 993,78
<b>4</b>	<b>Provisions used</b>	0,00	0,00	0,00	0,00	0,00	0,00
<b>5</b>	<b>Closing balance</b>	<b>0,00</b>	<b>350 950 469,52</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>	<b>350 950 469,52</b>
	Including:						
	- short-term	0,00	350 950 469,52	0,00	0,00	0,00	350 950 469,52
	- long-term	0,00	0,00	0,00	0,00	0,00	0,00

In 2009, provisions created in the previous years covering legal disputes with foreign parties related to an execution of trade agreements were. The change in the value of provisions is a result of the increase of a provision relating to this matter and interest accrued as well as the translation of the liabilities with the average euro exchange rate as at reporting date.

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

No.	Basis according to the balance sheet	As at 31.12.2009				As at 31.12.2008			
		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
<b>1</b>	<b>To related parties</b>	<b>522 663 148,65</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>	<b>914 651 418,82</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>
a	loans and borrowings		0,00	0,00	0,00	0,00	0,00	,0,00	0,00
b	due to issue of debt securities	522 663 148,65	0,00	0,00	0,00	914 651 418,82	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	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
<b>2</b>	<b>To third parties</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>	<b>1 632 385 018,22</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>
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	1 632 385 018,22	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
<b>TOTAL</b>		<b>522 663 148,65</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>	<b>2 547 036 437,04</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>

\*) liabilities up to 1 year were disclosed by the Company under short-term liabilities

## 25. Loans and borrowings.

No	Aim of the loan/ borrowing	Bank/lender name	Agreed amount	Value of liability as at 31.12.2009	Short-term portion	Long-term portion	Interest conditions	Guarantee of repayment	Borrower/ loaner
1	Loan in current bank account	ABN AMRO Bank N.V. ABN AMRO Bank (Poland) S.A. – agent	100 000 000,00	0,00	0,00	0,00	WIBOR + margin	none	PGE Polska Grupa Energetyczna S.A.
2	Loan in current bank account	Bank Handlowy w Warszawie S.A.	200 000 000,00	0,00	0,00	0,00	WIBOR + margin	declaration of submission to execution	PGE Polska Grupa Energetyczna S.A.
3	Loan in current bank account	PKO Bank Polski S.A.	175 000 000,00	1 425,17	1 425,17	0,00	WIBOR + margin	declaration of submission to execution power of attorney to a current bank account in given bank	PGE Polska Grupa Energetyczna S.A.
4	Loan in current bank account	Bank PEKAO S.A.	125 000 000,00	0,00	0,00	0,00	WIBOR + margin	Declaration of submission to execution power of attorney to a current bank account in given bank	PGE Polska Grupa Energetyczna S.A.
5	Loan in current bank account	Rabobank Polska S.A. Cooperatieve Centrale Raiffeisen Boerenleenbank B.A.	200 000 000,00	0,00	0,00	0,00	WIBOR + margin	Declaration of submission to execution power of attorney to a current bank account in given bank	PGE Polska Grupa Energetyczna S.A.
<b>TOTAL</b>				<b>1 425,17</b>	<b>1 425,17</b>	<b>0,00</b>			



## 26. Issue of debt securities.

No.	Type of issue	Name of bank	Contractual amount [foreign currency of PLN]	Value of liability as at 31 December 2009 [PLN]	Short-term portion [PLN]	Long-term portion [PLN]	Interest rate	Collateral	Issuer's name
1	Issue of bonds	Consortium of banks: ING Bank Śląski S.A. as Issue Agent.	2 000 000 000,00	0,00	0,00	0,00	WIBOR + margin	declaration of submission to execution	PGE Polska Grupa Energetyczna S.A.
2	Issue of bonds	PKO BP S.A.	350 000 000,00	0,00	0,00	0,00	WIBOR + margin	declaration of submission to execution	PGE Polska Grupa Energetyczna S.A.
3	Issue of bonds	Issue of bonds to related parties: ING Bank Śląski S.A. as Issue Agent	5 000 000 000,00	522 663 148,65	522 663 148,65	0,00	WIBOR + margin	None	PGE Polska Grupa Energetyczna S.A.
<b>TOTAL</b>				<b>522 663 148,65</b>	<b>522 663 148,65</b>	<b>0,00</b>			

In 2009, the Company, used the Agreement on Organization, Management and Service of Bonds' Issue Programme signed with PKO BP on 4 February 2005, which enabled an issue of bonds up to the value of PLN 350 million with full guarantee of acquisition. The Programme was being used in the full amount from 1 January to 10 December 2009. The Agreement expired on 31 December 2009.

On 7 June 2009, the Agreement on bonds' issue programme signed in 2007 with the consortium of banks, with ING Bank Śląski S.A. acting as an agent, on the total amount of PLN 6.2 billion with an acquisition guarantee up to the value of PLN 2.3 billion – within the whole limit the Company could have also issued intragroup bonds for the Capital Group entities.

On 19 May 2009, the Company signed the Agreement on bonds' issue programme with the consortium of banks, with ING Bank Śląski S.A. acting as an agent. The agreements make accessible guaranteed financing, aimed at refinancing indebtedness of PGE Capital Group entities and financing business activities of the Company. The whole Issue Programme amounted to PLN 2.0 billion. As at 31 December 2009, the maximum amount of the issue guarantee accounted for PLN 2.0 billion, in division to following emission guarantors:

• ING Bank Śląski S.A.	PLN 400 million
• Societe Generale S.A. Branch in Poland	PLN 400 million
• PKO BP S.A.	PLN 200 million
• BNP Paribas S.A. Branch in Poland	PLN 300 million
• Nordea Bank Polska S.A.	PLN 200 million
• Bank Handlowy w Warszawie S.A.	PLN 300 million
• Caja de Ahorros y Pensiones de Barcelona "la Caixa" (Saving bank) Branch in Poland	PLN 200 million

Agreement enables the issue of strips. At 31 December 2009, the Company did not hold any issued bonds relating to this programme. The maturity date of the agreement is 15 November 2010.

On 11 May 2009, PGE S.A. signed an Agency Contract with ING Bank Śląski S.A. relating to establishing bonds' issue programme directed to companies from PGE Group. The maximum amount of the Programme for the Group accounts for PLN 5 billion. Within this Programme PGE may issue coupon bonds and strips to the Capital Group entities. The maturity date of the programme is 11 May 2012.

At 31 December 2009, the total nominal value of issued bonds within the Programme for PGE Capital Group amounted to PLN 525 million. Presented below is a list of companies, which held bonds of PGE S.A. as at 31 December 2009:

Acquiring company	Nominal value
PGE Dystrybucja Lubzel Sp. z o.o.	10 000 000,00
PGE Dystrybucja Warszawa-Teren Sp. z o.o.	60 000 000,00
PGE Dystrybucja Zamość Sp. z o.o.	50 000 000,00
PGE Elektrociepłownia Lublin-Wrotków Sp. z o.o.	100 000 000,00
PGE Elektrociepłownia Rzeszów S.A.	20 000 000,00
PGE Elektrownia Opole S.A.	150 000 000,00
PGE Energia S.A.	19 000 000,00
PGE KWB Turów S.A.	40 000 000,00
PGE Zakład Energetyczny Warszawa - Teren S.A.	51 000 000,00
ZEW „Porąbka-Żar” S.A.	25 000 000,00
<b>Total</b>	<b>525 000 000,00</b>

## 27. Finance lease liabilities.

As at 31 December 2009, there were no finance lease liabilities in the Company.

## 28. Trade liabilities.

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

No.	Age in days	Value
<b>1</b>	<b>Current, including:</b>	<b>793 374 322,73</b>
a	to related parties	776 206 620,90
b	to third parties	17 167 701,83
<b>2</b>	<b>Overdue, including:</b>	<b>17 215 112,46</b>
a	to related parties	1 171 173,85
-	up to 90 days	1 171 173,85
-	90-180	0,00
-	180-360	0,00
-	above 360	0,00
b	to third parties	16 043 938,61
-	up to 90 days	9 483 174,83
-	90-180	3 268 079,17
-	180-360	2 738 290,53
-	above 360	554 394,08
<b>TOTAL</b>		<b>810 589 435,19</b>

## 29. Other accruals and deferred income.

No.	Item	As at 31.12.2009	As at 31.12.2008
<b>A</b>	<b>Deferred income</b>	<b>0,00</b>	<b>0,00</b>
<b>1</b>	<b>Long-term</b>	<b>0,00</b>	<b>0,00</b>
<b>2</b>	<b>Short-term</b>	<b>0,00</b>	<b>0,00</b>
<b>B</b>	<b>Other accruals</b>	<b>9 235 833,16</b>	<b>9 333 768,94</b>
<b>1</b>	<b>Long-term</b>	<b>0,00</b>	<b>0,00</b>
<b>2</b>	<b>Short-term</b>	<b>9 235 833,16</b>	<b>9 333 768,94</b>
a	holiday accrual	1 281 234,04	1 854 199,58
b	provision for annual bonus	4 438 075,45	4 156 235,34
c	provision for a IV quarter 2009 bonus	1 673 392,70	1 852 389,15
d	provision for the audit of financial statements	533 000,00	295 000,00
e	provision for awards	1 219 551,29	495 600,43
f	provision for other unpaid remuneration	90 579,68	283 175,10
g	other accruals/ counterparties' payments related to future periods	0,00	397 169,34
<b>TOTAL</b>		<b>9 235 833,16</b>	<b>9 333 768,94</b>

### 30. Contingent liabilities.

No	Type of liability	As at 31.12.2009		As at 31.12.2008	
		related parties	third parties	related parties	third parties
<b>1</b>	<b>Total contingent liabilities including:</b>	<b>22 000 000,00</b>	<b>0,00</b>	<b>10 000 000,00</b>	<b>94 653 403,15</b>
a	sureties	22 000 000,00	0,00	10 000 000,00	0,00
b	redeemed loans	0,00	0,00	0,00	0,00
c	share call option *)	0,00	0,00	0,00	94 653 403,15
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	0,00	0,00	0,00	0,00

\*) equivalent of SEK 247,718,930.00 translated at the average exchange rate of the National Bank of Poland as at 31 December 2008.

#### Guarantee for PGE Electra S.A.

Based on Guarantee Agreement, the Company granted a guarantee up to the amount of PLN 10 million to PGE Electra S.A. covering liabilities arising during the effective period of the license for trade in electricity.

#### Share call option.

On 28 May 2003, the Company signed a Restructuring Agreement with Vattenfall Aktiebolag regarding the company SwePol Link. In line with point 8.2 of the Restructuring Agreement, by 30 September 2004 Vattenfall Aktiebolag had an irrevocable and unconditional right to convince PGE S.A. to acquire shares corresponding to 32% of the voting rights in SwePol Link for a price determined in line with Annex 3. The first put option was exercised by Vattenfall Aktiebolag on 5 January 2005. Under the second put option, Vattenfall Aktiebolag will have an irrevocable right to sell to PGE S.A. shares corresponding to 16% or 17% of the voting rights.

The contingent liability expired on 29 January 2009 due to execution of the second put option.

#### Guarantees for PGE Electra S.A.'s liabilities.

On 15 May 2009, within the signed Agreement relating to the conditions of giving the guarantee for PGE Electra S.A.'s liabilities, the Company signed with EDF Trading Limited (EDFT) a Guarantee Agreement amounting to PLN 12 million. According to this Agreement, the Company is obliged to pay for PGE Electra S.A.'s liabilities against EDFT resulting from sales agreements together with interest due if PGE Electra S.A. does not pay its liabilities on time. The responsibility of PGE S.A. is limited to the amount of PLN 12 million. As a warranty, PGE S.A. received from PGE Electra an *in blanco* bill of payment.

#### Risk related to the disputed between PGE S.A. and PSE-Operator S.A.

On 2 July 2004, the Company signed the Agreement regarding making available transmission capacity for the execution of historic contracts concluded by PSE S.A. (currently under business name: PGE S.A.). On 11 September 2007, PSE-Operator S.A. commenced arbitration proceedings against the Company in relation to the above mentioned agreement of 2 July 2004. PSE-Operator S.A. filed the lawsuit on 18 January 2008. As part of the lawsuit, PSE-Operator S.A. requested an adjudication that it is not subject to obligation resulting from the above mentioned agreement to make available for the Company transmission capacity of the intersystem exchange for the execution of historic contracts as regards the Contract concluded with Atel as well as a decision that the agreement of 2 July 2004 had expired. Otherwise, PSE-Operator S.A. filed for termination of the agreement of 2 July 2004, pursuant to Article 357<sup>1</sup> of the Civil Code.

The Company filed a mutual claim, pointing to a lack of legal grounds for terminating the contract and refusal to render the service of transmission capacity reservation as well as transmission service itself.

On 4 June 2008, the plenipotentiaries of PSE-Operator S.A. sent a lawsuit correspondence, in which it additionally demanded (in case if the original demands were not taken into account) establishing lack of obligation to execute the above mentioned agreement of 2 July 2004 by PSE-Operator S.A. In response to the above correspondence, the Company filed its legal correspondence, in which The Company sustained its demands, and additionally included in the mutual claim (as a contingent demand) a demand to designate the manner of the execution of PSE-Operator S.A. obligations resulting from the agreement of 2 July 2004 through appointment that PSE-Operator S.A. is obliged to make available transmission capacities of technical profile including the link between Poland and Slovakia on monthly auctions until the end of 2008, and starting from 2009 – on annual auctions.

On 31 August 2009, the Arbitration Court in Warsaw issued a decision, in which it stated that PGE Operator S.A. due to force majeure was not obliged to fulfill the Agreement dated 2 July 2004.

**Risk related to the dispute between PGE S.A. and ATEL (currently under business name Alpiq Holding AG).**

On 28 October 1997, PSE S.A. (currently under business name PGE Polska Grupa Energetyczna S.A.) concluded an Agreement with Atel on delivery of electricity over the 16-year period, i.e. from 1 January 1998 to 30 September 2014. The agreement was executed, in a manner specified in it, by both parties. However, due to changes in Polish law and Community law, a dispute between the parties arose.

In connection with the accession of the Republic of Poland to the European Union on 1 May 2004, Polish law changed in the scope covered by the obligation to implement Community law governing the activities of the energy sector.

First of all, as a result of subject transformations of PSE S.A. related to separation of entities running business activities in the field of production and sale of electricity (currently PGE S.A.) from entities running business activities in the field of transmission of electricity (currently PSE-Operator S.A.), on 2 July 2004, PGE S.A. signed an agreement with PSE-Operator S.A. on making available transmission capacities for execution of historical contracts concluded with PSE S.A. Based on this agreement, it became possible to continue the deliveries within the execution of the contract signed between PGE S.A. and Atel in 1997. Second of all, starting from 2006, PSE-Operator ceased to reserve transmission capacities on the basis of Already Allocated Capacity (AAC). Third of all, in the period from March 2008 to December 2008, PSE-Operator did not offer transmission capacities on auctions related to energy transmission from Poland to Slovakia.

In autumn 2007, the parties commenced negotiations related to execution of the agreement. However, in the letter of 3 March 2009, Atel informed PGE S.A. on the lack of will to continue negotiations. On 13 March 2009, the plenipotentiary of PGE S.A., authorized to run the above mentioned negotiations, was informed that Atel filed a claim related to lack of execution of the agreement of 1997 in the period from 1 March 2008 to 28 February 2009 as well as breaches in execution of the agreement in July 2006. On 29 May 2009, the parent company filed a response to the claim.

In September 2009, a chief arbitrator was elected in the dispute between Atel and PGE. On 5 November 2009, the chief arbitrator sent a letter to the parties, in which officially he announced the formation of Arbitration Court, and introduced a temporary schedule of works of the Court. Furthermore, the Court issued the first in the proceedings Procedural Decree no. 1, in which it proposed the basic rules of procedure that will be obligatory during the proceedings and rules for the arbitrators.

The organizational meeting took place on 11 December 2009, with the plenipotentiary of PGE present. During the meeting the initial schedule of activities to be taken in the course of the arbitration proceedings was approved. According to the schedule, the proceedings against the Court will hold a written form for the next year – it relates both to gathering of documentation, exchange of pleadings and testimony in writing. Final oral hearing, summarizing the whole of the accumulated material is planned for April 2011.

The company created provisions for legal disputes due until the balance sheet date.

On 1 March 2010, an updated claim of Alpiq Ltd. was submitted to the Arbitration Court. The amount presented of the claim does not differ significantly from the provision created by the Company. At the current stage of the arbitration proceedings, it is impossible to forecast the result of the proceedings or to estimate the final amount of the claim.

#### **The claim of ŻEG Sp. z o.o.**

On 17 May 2006, the Company informed Żarnowiecka Elektrownia Gazowa 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. Due to the fact of the breach of agreement conditions, the Company cancelled the agreement and demanded a penalty payment with statutory interest from ŻEG.

PGE S.A. also asked for a cession of ownership rights of ŻEG, as specified in the above mentioned agreement. In response ŻEG informed in a letter dated 3 July 2006 of assessing the claims as unjustified. In the letter ŻEG accused the Company of breaching the agreement on supply of electric power and energy and informed of plans to prosecute the claims. The Company is unable to fairly and reliably assess the value of the potential claim.

#### **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 5<sup>th</sup> and 6<sup>th</sup> energy blocks in Elektrownia Opole, on 29 July 2009 PGE S.A. committed in the form of a promise to Elektrownia Opole 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.

#### **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. However, since the claims relate to re-employment, the Company was unable to assess the value of a potential liability in case of unfavorable decision.

### **31. Contingent receivables.**

As at 31 December 2009, 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 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. 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. As at the day of preparation of the foregoing financial statements the tax office did not issue any statement on the excess payment related to Intra-Community acquisition of electric energy. The Company is currently preparing appeals against the decisions of the Head of the I Customs Office in Warsaw. The total amount of the claims amounts to PLN 54 million plus interest due.

### **32. Off-balance sheet liabilities secured on the Company's assets.**

As at 31 December 2009, the Company's off-balance sheet liabilities were not secured on its assets.

### 33. Net revenue from sale of finished goods, merchandise and raw materials.

Net revenues from sales – by kind:

No.	Item	01.01.-31.12.2009	01.01.-31.12.2008
<b>1</b>	<b>Net revenues from sales of products (by kind – types of activity), including:</b>	<b>83 544 063,72</b>	<b>871 861 974,10</b>
a	sales of energy and energy-related services	0,00	789 392 134,71
b	sales of auxiliary activity	83 544 063,72	82 469 839,39
<b>2</b>	<b>Net revenues from sales of goods and materials (by type of activity), including:</b>	<b>10 846 326 097,21</b>	<b>8 832 538 897,50</b>
a	sales of electric energy	10 846 322 501,21	8 832 538 897,50
b	sales of materials	3 596,00	0,00
	<b>TOTAL</b>	<b>10 929 870 160,93</b>	<b>9 704 400 871,60</b>

Net revenues from sales – territorial structure:

No.	Item	01.01.-31.12.2009	01.01.-31.12.2008
<b>1</b>	<b>Net revenues from sales of products</b>	<b>83 544 063,72</b>	<b>871 861 974,10</b>
a	domestic	83 544 063,72	871 861 974,10
b	export	0,00	0,00
<b>2</b>	<b>Net revenues from sales of goods and materials</b>	<b>10 846 326 097,21</b>	<b>8 832 538 897,50</b>
a	domestic	10 795 401 826,34	8 714 532 266,02
b	export	50 924 270,87	118 006 631,48
	<b>TOTAL</b>	<b>10 929 870 160,93</b>	<b>9 704 400 871,60</b>



### 34. Costs by kind.

No.	Item	01.01.-31.12.2009	01.01.-31.12.2008
<b>1</b>	<b>Costs by kind:</b>		
a	depreciation	8 865 476,69	14 572 086,30
b	materials and energy	3 850 084,76	3 939 025,22
c	external services	133 870 165,86	932 635 562,09
d	taxes and charges	3 181 100,95	6 506 487,81
e	payroll	40 744 232,60	35 634 964,96
f	social security and other benefits	10 621 861,05	11 188 771,23
g	other costs by kind	35 764 798,34	23 962 347,09
<b>2</b>	<b>Costs by kind, total</b>	<b>236 897 720,25</b>	<b>1 028 439 244,70</b>
<b>3</b>	<b>Change in inventory, products, and prepayments and accruals</b>	<b>(2 881 013,75)</b>	<b>8 008 139,77</b>
<b>4</b>	<b>Costs of production for the entity's own needs (negative value)</b>	<b>0,00</b>	<b>0,00</b>
<b>5</b>	<b>Costs of sale (negative value)</b>	<b>(72 350 211,91)</b>	<b>(79 315 540,24)</b>
<b>6</b>	<b>Administrative and general expenses</b>	<b>(78 442 836,49)</b>	<b>(75 984 485,48)</b>
<b>7</b>	<b>Costs of production of products sold</b>	<b>83 223 658,10</b>	<b>881 147 358,75</b>

### 35. Other operating revenues.

No.	Item	01.01.-31.12.2009	01.01.-31.12.2008
<b>1</b>	<b>Profit on disposal of non-financial non-current assets</b>	<b>52 466,00</b>	<b>122 782 319,50</b>
a	fixed assets	52 466,00	122 782 319,50
<b>2</b>	<b>Grants</b>	<b>467 605,24</b>	<b>0,00</b>
<b>3</b>	<b>Other, including:</b>	<b>7 108 640,75</b>	<b>3 383 476,36</b>
a	reversed write offs for bad debts	3 629 871,97	421 764,52
b	damages received	2 535,40	2 037 490,00
c	fund liquidation	1 048 306,81	0,00
d	refund of lawsuit fees	435 839,70	0,00
e	adjustment of previous years' expenses	1 284 926,37	247 980,51
f	balance sheet provisions reversed	572 965,54	119 856,97
g	other	134 194,96	556 384,36
<b>TOTAL</b>		<b>7 628 711,99</b>	<b>126 165 795,86</b>

### 36. Other operating expenses.

No.	Item	01.01.-31.12.2009	01.01.-31.12.2008
<b>1</b>	<b>Loss on disposal of non financial non-current assets</b>	<b>0,00</b>	<b>0,00</b>
<b>2</b>	<b>Revaluation of non-financial assets</b>	<b>551 057,09</b>	<b>195 303,78</b>
a	cost accruals	551 057,09	195 303,78
<b>3</b>	<b>Other, including:</b>	<b>50 564 680,51</b>	<b>291 664 020,05</b>
a	previous years' amortization/depreciation charges	0,00	3 345,60
b	costs of legal proceedings and court fees	1 911 751,05	841 842,78
c	net value of liquidated fixed assets	2 988,16	35 353,70
d	donations	920 700,99	1 436 044,57
e	balance sheet provisions created	43 601 371,49	278 556 487,65
f	liquidation property damage / repair of breakdowns	22 725,86	109 428,15
g	receivables overdue	3 629 871,97	47 027,88
h	agreement on debt overtake	0,00	10 515 266,41
i	prior year expenses	455 192,55	56 791,23
j	penalties, fines, compensations	309,60	0,00
k	other	19 768,84	62 432,08
<b>TOTAL</b>		<b>51 115 737,60</b>	<b>291 859 323,83</b>

### 37. Financial revenues.

Dividend and profit sharing:

No.	Item	01.01.-31.12. 2009	01.01.-31.12. 2008
<b>1</b>	<b>Related parties</b>	<b>1 208 531 675,45</b>	<b>103 352 127,26</b>
a	PGE Energia Odnawialna S.A.	262 878 183,14	99 515 743,23
b	ETF-L Energo Utech S.A.	533 930,58	500 000,00
c	PGE ZEŁT Obrót Sp. z o.o.	43 870 074,64	0,00
d	PGE Electra S.A.	159 181 990,33	0,00
e	PGE Energia S.A.	70 102 085,13	0,00
f	PGE EC Gorzów S.A.	66 600 208,10	0,00
g	PGE Elektrownia Turów S.A.	12 940 928,00	0,00
h	PGE KWB Bełchatów S.A.	38 105 600,00	0,00
i	BOT GiE S.A.	177 323 284,08	3 253 638,24
j	PGE Serwis Sp. z o.o.	2 121 534,21	0,00
k	Polkomtel S.A.	*) 374 639 535,24	0,00
l	Energopomiar S.A.	234 322,00	82 745,79
<b>2</b>	<b>Third parties</b>	<b>775 600,00</b>	<b>163 804 031,20</b>
a	Polkomtel S.A.	0,00	163 804 031,20
b	ARE S.A.	10 000,00	0,00
c	Towarowa Gielda Energii S.A.	765 600,00	0,00
<b>TOTAL</b>		<b>1 209 307 275,45</b>	<b>267 156 158,46</b>

\*) At the end of 2008, the share of the Company in Polkomtel S.A. increased, therefore the revenues from dividends received in 2009 are presented in revenues from related parties.

Financial revenues – interest for the period from 1 January 2009 to 31 December 2009:

No.	Type of active	Interest revenues in the given financial year	
		Interest accrued and realized	Interest accrued but not realized
<b>1</b>	<b>Debt financial instruments, including:</b>	<b>138 593 695,31</b>	<b>13 341 399,07</b>
	<i>interest on assets covered by revaluation write off</i>	<i>0,00</i>	<i>0,00</i>
<b>2</b>	<b>Originated loans, including:</b>	<b>0,00</b>	<b>0,00</b>
	<i>interest on assets covered by revaluation write off</i>	<i>0,00</i>	<i>0,00</i>
<b>3</b>	<b>Receivables, including:</b>	<b>53 568,69</b>	<b>3 621,16</b>
	<i>interest on assets covered by revaluation write off</i>	<i>3 621,16</i>	<i>3 621,16</i>
<b>4</b>	<b>Cash, including:</b>	<b>31 091 499,83</b>	<b>8 813 980,86</b>
	<i>interest on assets covered by revaluation write off</i>	<i>0,00</i>	<i>0,00</i>
<b>5</b>	<b>Other assets, including:</b>	<b>202 175,23</b>	<b>202 175,23</b>
	<i>interest on assets covered by revaluation write off</i>	<i>0,00</i>	<i>0,00</i>
<b>TOTAL</b>		<b>169 940 939,06</b>	<b>22 361 176,32</b>

Profit on disposal of investments:

No.	Item	01.01.-31.12.2009	01.01.-31.12.2008
1	profit on disposal of "exploitation entities" in the form of a dividend in kind	0,00	63 830 933,40
2	profit on disposal of shares of PSE Info Sp. z o.o.	0,00	10 920 000,00
3	profit on disposal of shares of EPC S.A.	0,00	7 793 735,45
4	profit/loss on disposal of bonds	8 320 113,10	5 945 256,00
5	Other	7 203 756,20	0,00
<b>TOTAL</b>		<b>15 523 869,30</b>	<b>88 489 924,85</b>

Revaluation of investments in financial assets:

No.	Item	01.01.-31.12.2009	01.01.-31.12.2008
<b>1</b>	<b>Revaluation of investments (increase of value)</b>	<b>0,00</b>	<b>0,00</b>
<b>2</b>	<b>Release of revaluation write offs on investments</b>	<b>190 335 148,53</b>	<b>50 672 995,14</b>
a	shares in related parties	188 826 280,74	0,00
b	shares in third parties	1 508 867,79	50 672 995,14
<b>TOTAL</b>		<b>190 335 148,53</b>	<b>50 672 995,14</b>

During the reporting period, the Company reserved revaluation write offs on shares held in: Exatel S.A. in the amount of PLN 188 324 thousand, PGE Systemy S.A. in the amount of PLN 502 thousand and Towarowa Giełda Energii S.A. in the amount of PLN 1 509 thousand.

Other financial revenues:

No.	Item	01.01.-31.12.2009	01.01.-31.12.2008
<b>1</b>	<b>Release of revaluation write offs and provisions, due to:</b>	<b>582 531,38</b>	<b>212 238,88</b>
a	provision for interest on trade liabilities	581 993,78	125 848,61
b	revaluation write off on receivables' interest	537,60	86 390,27
<b>2</b>	<b>Other, including:</b>	<b>7 644,28</b>	<b>75 934 971,10</b>
a	surplus of exchange gains over exchange losses	0,00	75 835 969,12
b	other	7 644,28	99 001,98
<b>TOTAL</b>		<b>590 175,66</b>	<b>76 147 209,98</b>

### 38. Financial expenses.

Interest for the period from 1 January 2009 to 31 December 2009:

No.	Type of liability	Expenses related to current year interest	
		interest accrued and realized	interest accrued but not realized
<b>1</b>	<b>Other short-term liabilities, including:</b>	<b>128 762 962,68</b>	<b>4 718 872,33</b>
-	loans and borrowings	8 935 881,91	17 915,68
-	debt securities	116 869 243,26	4 700 956,65
-	trade liabilities	131 138,76	0,00
-	other short-term liabilities	2 826 698,75	0,00
<b>2</b>	<b>Long-term financial liabilities</b>	<b>12 071 000,00</b>	<b>0,00</b>
-	debt securities	12 071 000,00	0,00
<b>3</b>	<b>Other liabilities</b>	<b>0,00</b>	<b>0,00</b>
<b>4</b>	<b>Discount reversal</b>	<b>0,00</b>	<b>0,00</b>
<b>TOTAL</b>		<b>140 833 962,68</b>	<b>4 718 872,33</b>

Revaluation write offs on investments:

No.	Item	01.01.-31.12.2009	01.01.-31.12.2008
<b>1</b>	<b>Long-term investments</b>	<b>30 851 228,33</b>	<b>1 256 940,08</b>
a	shares in related parties	1 434 283,84	1 256 940,08
b	bonds and commercial papers	29 416 944,49	0,00
<b>2</b>	<b>Short-term investments</b>	<b>0,00</b>	<b>0,00</b>
<b>TOTAL</b>		<b>30 851 228,33</b>	<b>1 256 940,08</b>

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. The change in valuation method of bonds was recognized in profit and loss account as "revaluation of investment". This matter is described in detail in note VI.11 of the supplementary information and explanations to foregoing financial statements.

In 2009, the Company created a revaluation write off covering shares of Sygnity S.A. in the value of PLN 1 434 thousand.

Other financial expenses:

No.	Item	01.01.-31.12.2009	01.01.-31.12.2008
<b>1</b>	<b>Provisions created, due to:</b>	<b>18 203 879,62</b>	<b>7 893 877,65</b>
a	loss on financial activities	0,00	0,00
b	trade liabilities and interest on trade liabilities and claims	18 200 258,46	7 893 430,87
c	revaluation write off on interest on other receivables	0,00	0,00
d	revaluation write off on interest on trade receivables	3 621,16	446,78
e	other	0,00	0,00
<b>2</b>	<b>Other, including:</b>	<b>23 180 203,64</b>	<b>10 798 868,30</b>
a	revaluation write off on interest on receivables	0,00	0,00
b	surplus of exchange losses over exchange gains	6 879 539,31	0,00
c	provisions and fees	15 952 268,80	10 757 515,64
d	other	348 395,53	41 352,66
<b>TOTAL</b>		<b>41 384 083,26</b>	<b>18 692 745,95</b>

### 39. Extraordinary gains and losses.

During the year ended 31 December 2009, extraordinary gains and losses did not occur.

#### 40. Income tax in profit and loss account.

No.	Item	Value
	<b>Gross profit</b>	<b>1.719.306.656,74</b>
<b>I</b>	<b>Adjustment of revenues recognized under tax base</b>	<b>(1 445 403 714,22)</b>
<b>1</b>	<b>Non-taxable revenues, including:</b>	<b>(1 405 490 461,68)</b>
-	release of non-taxable provisions	(1 154 959,32)
-	dividends	(1 209 307 275,45)
-	interest on receivables	(3 083,56)
-	release of revaluation write offs on interest on receivables	(537,60)
-	release of revaluation write offs on receivables	(3 629 871,97)
-	release of revaluation write offs on financial non-current assets	(190 335 148,53)
-	exchange gains from currency valuation	(149 270,49)
-	interest on finance lease	(202 175,23)
-	donations	(467 605,24)
-	adjustment of previous years	(1 048 306,80)
-	other	807 772,51
<b>2</b>	<b>Revenue recorded as taxable income, including:</b>	<b>50 234,45</b>
-	interest received on fund	24 166,25
-	book income of 2008 but applying to 2009	26 000,00
-	other	68,20
<b>3</b>	<b>Revenues not temporarily classified as taxable income, including:</b>	<b>(39 963 486,99)</b>
-	exchange gains on AWSA bonds	(28 233 152,35)
-	exchange gains on receivables and liabilities	(15 692,72)
-	interest on acquired securities	3 225 090,63
-	interest accrued on AWSA securities	(6 125 751,69)
-	interest on cash	(8 813 980,86)
<b>II</b>	<b>Costs not classified as tax-deductible costs</b>	<b>138.906.059,65</b>
<b>1</b>	<b>Permanent differences, including:</b>	<b>77.506.233,81</b>
-	revaluation write offs on receivables	554 678,25
-	default interest on overdue state liabilities	2 826 698,75
-	compensations paid	314,72
-	costs of court proceedings	1.897.377,65
-	overdue and uncollectible receivables allowed for	3.629.871,97
-	exchange differences on currency valuation	641.307,47
-	donations and membership fees to organizations	920.700,99
-	difference between net value and carrying value of assets disposed	915.249,50
-	provisions for certain and probable losses	43.601.371,49
-	provisions for certain and probable financial expenses	18.200.258,46
-	other operating expenses	4.318.404,56
<b>2</b>	<b>Temporary difference, including:</b>	<b>61 399 825,84</b>
-	revaluation write offs on financial current assets and short-term securities	30 851 228,33

No.	Item	Value
-	difference between balance sheet and tax depreciation/amortization	(1 014,65)
-	financial expenses related to emitted securities	1 138 472,22
-	interest accrued loans	17 915,68
-	provision for severance pays and compensations	(118 063,57)
-	interest accrued on emitted bonds	(5 859 411,73)
-	provision created for annual and IV quarter bonus	4 259 079,00
-	provision for awards and labor compensations	649 419,01
-	provision for employee benefits	(2 399 512,00)
-	payroll and benefits not paid in 2008	(738 756,35)
-	exchange losses on bonds	33 316 168,15
-	exchange losses on receivables and liabilities	(278 125,75)
-	provision for the audit of financial statements	533 000,00
-	vehicle lump sum not paid for the year 2008	(4 072,50)
-	payroll and benefits not paid in 2009	33 500,00
<b>III</b>	<b>Tax-deductible expenses, not recognized in the financial year result:</b>	<b>4 451 235,34</b>
-	reversal of provision for the audit of 2008 financial statements	295 000,00
-	reversal of the provision for annual bonus (non-tax-deductible)	4 156 235,34
<b>IV</b>	<b>Deductions from income</b>	<b>833 350,99</b>
-	donations	833 350,99
<b>V</b>	<b>Taxable income</b>	<b>407 524 415,84</b>
<b>VI</b>	<b>Due tax in full zlotys</b>	<b>77 431 539,00</b>
-	<b>Including: lump-sum income tax</b>	<b>1 900,00</b>
<b>VII</b>	<b>Income tax for previous years</b>	<b>6 297 378,00</b>
<b>VIII</b>	<b>Change in deferred tax</b>	<b>(3 062 057,50)</b>
<b>IX</b>	<b>Total income tax</b>	<b>80 666 859,50</b>

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.



## 41. Deferred tax.

Deferred tax assets:

No.	Subject for negative temporary difference	Temporary difference amount		Deferred tax asset as at 31.12.2009	Temporary difference amount		Deferred tax asset as at 31.12.2008
		As at 31.12.2009	tax rate		As at 31.12.2008	tax rate	
<b>1</b>	<b>In correspondence with financial result</b>	<b>261 096 028,35</b>		<b>49 608 245,38</b>	<b>268 206 001,87</b>		<b>50 959 140,35</b>
-	interest accrued on loans and debts	0,00	19,00%	0,00	0,00	19,00%	0,00
-	audit of the financial statements, actuary's remuneration	533 000,00	19,00%	101 270,00	295 000,00	19,00%	56 050,00
-	from bonus for the Management Board and other remuneration	90 579,68	19,00%	17 210,14	778 775,53	19,00%	147 967,35
-	from the provision for retirement and pension severance	717 666,00	19,00%	136 356,54	988 227,00	19,00%	187 763,13
-	from the provision for jubilee awards	1 845 540,00	19,00%	350 652,60	3 007 892,00	19,00%	571 499,48
-	from the energy tariff provision	8 687 551,00	19,00%	1 650 634,69	8 944 605,00	19,00%	1 699 474,95
-	from the provision for medical benefits	3 223 137,00	19,00%	612 396,03	4 333 730,00	19,00%	823 408,70
-	from the provision – Social Fund write off	4 870 696,00	19,00%	925 432,24	4 469 648,00	19,00%	849 233,12
-	from the provision for interest on liabilities	0,00	19,00%	0,00	581 993,78	19,00%	110 578,82
-	from the provision for employee settlements and unused holiday	1 281 234,04	19,00%	243 434,47	1 854 199,58	19,00%	352 297,92
-	from the provision for employee bonuses	7 331 019,44	19,00%	1 392 893,69	6 008 624,49	19,00%	1 141 638,65
-	from accrued, not-paid provisions and other financial expenses	1 138 472,22	19,00%	216 309,72	27 402,22	19,00%	5 206,42
-	difference between tax and carrying value of financial assets	11 846 243,59	19,00%	2 250 786,28	10 411 959,75	19,00%	1 978 272,35
-	unrealized exchange differences	70 130,73	19,00%	13 324,84	478 517,79	19,00%	90 918,38
-	payroll and employee benefits unpaid in 2009	33 500,00	19,00%	6 365,00	738 756,35	19,00%	140 363,71
-	discount accrued on issued debt securities/bonds	4 700 956,65	19,00%	893 181,76	10 560 368,38	19,00%	2 006 469,99
-	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	19,00%	40 797 997,38
<b>2</b>	<b>In correspondence with equity</b>	<b>X</b>	<b>X</b>	<b>0,00</b>	<b>X</b>		<b>0,00</b>
	<b>TOTAL – net value of deferred tax asset</b>	<b>X</b>	<b>X</b>	<b>49 608 245,38</b>	<b>X</b>	<b>X</b>	<b>50 959 140,35</b>

Changes in deferred tax asset:

No.	Item	Total asset
<b>1</b>	<b>Opening balance as at 01.01.2009:</b>	<b>50 959 140,35</b>
<b>2</b>	<b>Increases (due to)</b>	<b>867 862,81</b>
a	in correspondence with the financial result	867 862,81
b	in correspondence with equity	0,00
<b>3</b>	<b>Decreases (due to)</b>	<b>2 218 757,78</b>
a	in correspondence with the financial result	2 218 757,78
b	in correspondence with equity	0,00
<b>4</b>	<b>Closing balance as at 31.12.2009:</b>	<b>49 608 245,38</b>

Deferred tax liability:

No.	Basis for positive temporary difference	Temporary difference amount		Deferred tax liability as at 31.12.2009	Temporary difference amount		Deferred tax liability as at 31.12.2008
		As at 31.12.2009	tax rate		As at 31.12.2008	tax rate	
<b>1</b>	<b>In correspondence with the financial result</b>	<b>146 107 089,14</b>	<b>19,00%</b>	<b>27 760 346,93</b>	<b>169 333 154,78</b>	<b>19,00%</b>	<b>32 173 299,40</b>
-	interest accrued on time deposits	8 796 065,18	19,00%	1 671 252,38	0,00	19,00%	0,00
-	difference between tax and carrying value of fixed assets	1 012 328,17	19,00%	192 342,35	1 320 591,17	19,00%	250 912,32
-	unrealized exchange gains	129 329,84	19,00%	24 572,67	243 898,43	19,00%	46 340,70
-	interest and discount on bonds	136 169 365,95	19,00%	25 872 179,53	167 768 665,18	19,00%	31 876 046,38
<b>2</b>	<b>In correspondence with total equity capital</b>	<b>0,00</b>		<b>0,00</b>	<b>0,00</b>		<b>0,00</b>
<b>TOTAL</b>		<b>X</b>	<b>X</b>	<b>27 760 346,93</b>	<b>X</b>	<b>X</b>	<b>32 173 299,40</b>

Changes in the balance of deferred tax liability:

No.	Item	Total liability
<b>1</b>	<b>Opening balance as at 01.01.2009:</b>	<b>32 173 299,40</b>
<b>2</b>	<b>Increases (due to)</b>	<b>1 671 252,38</b>
a	in correspondence with the financial result	1 671 252,38
b	in correspondence with equity	0,00
<b>3</b>	<b>Decreases (due to)</b>	<b>6 084 204,85</b>
c	in correspondence with the financial result	6 084 204,85
d	in correspondence with the equity	0,00
<b>4</b>	<b>Closing balance as at 31.12.2009:</b>	<b>27 760 346,93</b>

## **42. Discontinued operations.**

During financial year ended 31 December 2009 no discontinued operations occurred.

## **43. Exchange rates applied for balance sheet measurement purposes.**

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

<b>No.</b>	<b>Item</b>	<b>As at 31.12.2009</b>	<b>As at 31.12.2008</b>
1	EUR/PLN exchange rate	4,1082	4,1724
2	USD/PLN exchange rate	2,8503	2,9618
3	GBP/PLN exchange rate	4,5986	4,2913
4	SEK/PLN exchange rate	0,4000	0,3821

## **44. 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.

<b>No.</b>	<b>Item</b>	<b>Incurred in the current period</b>	<b>Planned</b>
1	Expenditure on non-financial non-current assets	8 187 052,36	52 858 500,00
a	including environmental protection	0,00	0,00

## **45. 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 statement.

## 46. Explanation on cash flow statement.

No.	Item	As at 31.12.2009	As at 31.12.2008
<b>A</b>	<b>Cash</b>	<b>3 198 077 518,90</b>	<b>16 095 242,67</b>
1	cash at bank	541 837,86	261 620,39
2	cash in hand	340,34	445,34
3	time deposits	3 197 535 340,70	15 833 176,94
<b>TOTAL</b>		<b>3 198 077 518,90</b>	<b>16 095 242,67</b>

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	As at 31.12.2009	As at 31.12.2007
<b>1</b>	<b>Amortization/depreciation results from the following items</b>	<b>8 865 476,69</b>	<b>14 575 431,90</b>
-	amortization/depreciation recognized in operating expenses	8 865 476,69	14 572 086,30
-	amortization/depreciation recognized in other operating expenses	0,00	3 345,60
<b>2</b>	<b>Exchange gains (losses) result from the following items</b>	<b>5 332 943,49</b>	<b>(34 574 170,96)</b>
-	unrealized exchange differences on bonds	5 083 015,80	(37 687 144,08)
-	exchange differences on cash	249 927,69	3 112 973,12
<b>3</b>	<b>Interest and profit sharing include:</b>	<b>(1 026 191 828,24)</b>	<b>(275 458 165,97)</b>
-	interest and fees on credits	8 917 966,23	10 669 143,51
-	interest on debt securities	144 866 355,32	74 773 255,46
-	interest on cash	(8 796 993,47)	0,00
-	interest on bonds purchased	(138 593 695,31)	(200 527 605,25)
-	distribution from profit after tax	176 923 989,67	106 985 374,00
-	dividends received	(1 209 307 275,45)	(267 156 158,46)
-	interest on leases and long-term liabilities	(202 175,23)	(202 175,23)
<b>4</b>	<b>Profit (loss) on investment activities result from the following:</b>	<b>(175 057 267,34)</b>	<b>(260 673 780,26)</b>
-	revaluation write offs on financial non-current assets	(159 483 920,20)	(49 416 055,06)
-	profit (loss) on disposal of tangible fixed assets	(49 477,84)	(122 746 965,80)
-	profit (loss) on disposal of short-term securities	(8 320 113,10)	(5 945 256,00)
-	result on disposal of financial non-current assets	(7 203 756,20)	(82 565 503,40)
<b>5</b>	<b>Change in provisions results from the following:</b>		
-	balance sheet change in provisions	54 407 171,70	194 518 992,95
-	other adjustments	0,00	0,00
-	change in provisions disclosed in the cash flow statement	<b>54 407 171,70</b>	<b>194 518 992,95</b>
<b>6</b>	<b>Change in inventory results from the following:</b>		
-	balance sheet change in inventory	(76 148,65)	(126 241,09)
-	other adjustments	0,00	0,00
-	change in inventory disclosed in the cash flow statement	<b>(76 148,65)</b>	<b>(126 241,09)</b>

No. Item	As at 31.12.2008	As at 31.12.2007
<b>7 Change in receivables results from the following:</b>		
- balance sheet change in receivables	(59 273 910,03)	268 678 033,42
- adjustment by change in receivables due to disposal of tangible fixed assets	0,00	(52 521 672,32)
- adjustment by change in receivables due to dividend	(94 548 525,00)	99 515 743,23
- adjustment by change in finance lease receivables	0,00	14 816,03
- change in receivables disclosed in the cash flow statement	<b>(153 822 435,03)</b>	<b>315 686 920,36</b>
<b>8 Change in short-term liabilities, except from loans and credits results from the following:</b>		
- balance sheet change in liabilities	(1 826 517 620,03)	764 482 950,09
- adjustment by change in liabilities due to debt securities	2 024 373 288,39	(1 012 759 479,87)
- adjustment by change in liabilities different than lease or derivatives	(4 153 990,56)	0,00
- adjustment by change in liabilities due to write offs on Social Fund	1 800 000,00	(224 000,00)
- adjustment by change of settlements from investment activities	1 438 121,24	(1 815 998,95)
- adjustment by change in liabilities related to financial non-current assets	(1 429,84)	(1 667 120,00)
- change in liabilities disclosed in the cash flow statement	<b>196 938 369,20</b>	<b>(251 983 648,73)</b>
<b>9 Change in prepayments and accruals results from the following:</b>		
- balance sheet change in prepayment and liabilities	(24.137.108,94)	(18 029 669,12)
- adjustment by change in prepayments and accruals due to costs of shares offering	(14 293 325,58)	0,00
- change in prepayments and accruals disclosed in the cash flow statement	<b>(38.430.434,52)</b>	<b>(18 029 669,12)</b>

## 47. Employment.

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

No.	Item	2009	2008
1	Total employees, including:	283,32	262,68
a	blue-collar positions	0	0
b	white-collar positions	283,32	262,68

## 48. Remuneration.

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

No.	Item	2009	2008
1	Remuneration of the Management Board	1 934 805,64	1 497 906,27
2	Remuneration of the Supervisory Board	316 342,91	294 344,26

Remuneration paid in 2009 was as follows:

- Remuneration of the Management Board – PLN 1,991,003.96
- Remuneration of the Supervisory Board – PLN 338,063.35.

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. in 2009*
Tomasz Zadroga	The President of the Management Board	239 024,16
Marek Szostek	Vice-President for Organizational matters	99 593,4
Piotr Szymanek	Vice-President for Corporate matters	239 024,16
Wojciech Topolnicki	Vice-President for Development and Financial matters	238 553,05
Marek Trawiński	Vice-President for Operational matters	239 024,16

\* without surcharges

The total remuneration, including surcharges, paid by the Company to all persons who held a function of the member of the Management Board for and after finishing the period of holding such function in 2009 amounted to PLN 1,603.04 thousand, however the above information related to persons who were not in the Management Board as at 31 December 2009 was not included in the above table. The remuneration paid to persons not in the Management Board by Group entities other than PGE S.A. amounted to PLN 110.50 thousand as at 31 December 2009. Moreover, persons not in the Management Board as at 31 December 2009 received remuneration related to dissolution of the employment agreement and benefits after employment period which amounted to PLN 119.51 thousand and PLN 268.45 thousand respectively.

The remuneration of the Members of the Supervisory Board is presented in not 1.6 of the Management report on activities of PGE Polska Grupa Energetyczna S.A.

During the reporting year ended 31 December 2009 the members of management and supervisory bodies did not receive loans, borrowings nor other alike benefits.

## **49. Information on significant events disclosed in the financial statements for the financial year and significant subsequent events.**

### **The Initial Public Offering of PGE shares and debut on Warsaw Stock Exchange.**

During the reporting period in PGE Capital Group there were works held in relation to initial public offering on Warsaw Stock Exchange (“Initial Public Offering”, “IPO”). 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. Based on the resolution, the share capital was increased by the amount no greater than PLN 2 595 135 000 (two billion, five hundred ninety five million, one hundred thirty five PLN) through an issue of new B series shares of a nominal value of PLN 10 each.

On 6 November 2009, PGE Polska Grupa Energetyczna S.A. subscription rights debuted on Warsaw Stock Exchange. 259 513 500 shares were issued. Proceeds from the issue of shares amounted to PLN 5 968 810 thousand. After the registration of the increased share capital in the National Court Register on 30 November 2009, the increase of the share capital was settled in the following way:

- share capital was increased by PLN 2 595 135 thousand;
- the surplus above the nominal value of shares, i.e. PLN 3 373 675 thousand increased the reserve capital of the Company;
- other reserve capital was decreased by the costs related to the First Initial Public Offering, which were incurred during 2008 and 2009 and accounted for PLN 68 560 thousand.

### **Planned 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 is 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;

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.

The following companies take part in the Programme:

#### *A. In the area of retail sales of electricity:*

1. PGE Obrót S.A. (previously under business name PGE Rzeszowski Zakład Energetyczny S.A.) – taking over company
2. PGE Lubelskie Zakłady Energetyczne S.A.
3. PGE Łódzki Zakład Energetyczny S.A.
4. PGE Zakład Energetyczny Białystok S.A.
5. PGE ZEŁT Obrót sp. z o.o.
6. PGE Zakłady Energetyczne Okręgu Radomsko-Kieleckiego S.A.
7. PGE Zakład Energetyczny Warszawa-Teren S.A.
8. PGE Zamojska Korporacja Energetyczna S.A.

#### *B. In the area of the distribution of electricity:*

1. PGE Dystrybucja S.A. – taking over company
2. PGE Dystrybucja LUBZEL sp. z o.o.
3. PGE Dystrybucja Łódź sp. z o.o.
4. PGE Dystrybucja Rzeszów sp. z o.o.
5. PGE Dystrybucja Białystok sp. z o.o.
6. PGE Dystrybucja Łódź-Teren S.A.



7. PGE Zakłady Energetyczne Okręgu Radomsko-Kieleckiego Dystrybucja sp. z o.o.
8. PGE Dystrybucja Warszawa-Teren sp. z o.o.
9. PGE Dystrybucja Zamość sp. z o.o.

*C. In the area of Conventional Energy (mining and production)*

1. PGE Elektrownia Bełchatów S.A. – taking over company
2. PGE Kopalnia Węgla Brunatnego Bełchatów S.A.
3. PGE Kopalnia Węgla Brunatnego Turów S.A.
4. PGE Elektrownia Turów S.A.
5. PGE Elektrownia Opole S.A.
6. PGE Zespół Elektrowni Dolna Odra S.A.
7. PGE Zespół Elektrociepłowni Bydgoszcz S.A.
8. PGE Elektrociepłownia Lublin-Wrotków sp. z o.o.
9. PGE Elektrociepłownia Gorzów S.A.
10. PGE Elektrociepłownia Rzeszów S.A.
11. PGE Elektrociepłownia Kielce S.A.
12. Energetyka Boruta sp. z o.o.
13. Przedsiębiorstwo Energetyki Ciepłej sp. z o.o. in Gryfino
14. PEC Gorzów sp. z o.o.

*D. In the area of Renewable Energy:*

1. PGE Energia Odnawialna S.A. – taking over company
2. Elektrownia Wodna Żarnowiec S.A.
3. PGE Zespół Elektrowni Wodnych Dychów S.A.
4. Zespół Elektrowni Wodnych Porąbka-Żar S.A.
5. EGO-Odra S.A.
6. Zespół Elektrowni Wodnych Solina-Myczkowce S.A.
7. Elektrownia Wiatrowa Kamieńsk sp. z o.o.

*E. In the area of wholesale of energy:*

1. PGE Electra S.A.

and:

1. PGE Polska Grupa Energetyczna S.A.
2. PGE Górnictwo i Energetyka S.A.
3. PGE Energia S.A.

Within realization of Consolidation Programme, the Management Board approved the Consolidation Plan on 26 January 2010. On 28 January 2010, the plan was submitted to District Court in Warsaw, XII Commercial Department of the National Court Register. According to the accepted schedule, the legal and formal stage of the consolidation comprising legal merger of entities should be finished in the third quarter of 2010.

The Consolidation Programme also comprises a construction of an organizational structure, preparing a strategy for future consolidated entities and identification of effectiveness and competitiveness improvement programs. As at the date of preparation of the foregoing financial statements there were no binding decisions undertaken concerning the final organization structure of consolidated companies or consolidated PGE Group business model.

As a result of the Consolidation Programme, the Company will be merged with PGE Górnictwo i Energetyka S.A. and PGE Energia S.A. which means that the information related to assets, liabilities and financial result disclosed in financial statements for 2010 will also contain the financial data of entities merged with the Company.

In addition, on 16 February 2010, the Management Board decided to merge PGE SA with a subsidiary PGE Electra S.A. The planned merger will take place in compliance with art. 492 par. 1 p. 1 and art. 515 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 PGE S.A.

Moreover, depending on the chosen method of the merger settlement under the reporting regulations and depending on the final functional model of the PGE Group, the Consolidation Programme may have a material impact on presented value of assets and liabilities, which will be disclosed in future financial statements of the consolidated company.

**Guarantee for PGE Electra S.A.**

Based on the content of the Agreement referred to in the note VI.30 of supplementary information and explanations to the foregoing financial statements, on 1 February 2010 the Company has provided a guarantee in the total amount of PLN 43 million for the monetary liabilities of PGE Electra S.A. to Vattenfall Energy Trading Sp. z o.o. The collateral for the Company is an *in blanco* bill of payment obtained from PGE Electra S.A.

**Excise tax reimbursement**

PGE Polska Grupa Energetyczna S.A. filed a motion demanding excise tax reimbursement related to Intra-Community delivery of electric energy for the period September-December 2007 and January-February 2008. The custom organ refused to reimburse the part of the tax claiming that the delivery was made for a Swiss company and therefore it was not an Intra-Community Delivery. After explanations received, including Swiss custom organ, in February 2010, the Company received positive decisions concerning reimbursement of tax mentioned above. The amount of claimed excise tax amounted to PLN 20.3 million.

**Cessation of distribution from profit.**

As a result of the public issue of shares on the Warsaw Stock Exchange in November 2009, the Company is no longer a sole-shareholder company of the State Treasury. Accordingly, since December 2009, the company is no longer subject to the provisions of the Act on distribution from profit by sole-shareholder companies of the State Treasury.

## 50. Significant events related to priors years.

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

## 51. Remuneration of the auditor.

No.	Type of services	Amount
1	Obligatory audit of annual financial statements and audit for the purpose of IPO	2 433 000,00
2	Other certificatory services	105 000,00
3	Tax advisory	0,00
4	Other services (IPO)	1 470 000,00
<b>TOTAL</b>		<b>4.008 000,00</b>

## 52. 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.

## 53. Consolidated financial statements.

On 18 September 2008, the Extraordinary General Meeting of Shareholders adopted resolution no. 3 and decided that starting from 2008, the Company will prepare the consolidated financial statements only in accordance with International Financial Reporting Standards (IFRSs).

The above is compliant with art. 55 passage 6d of the Accounting Act of 29 September 1995 and results from other resolutions related to admittance and introduction of shares and subscription rights to a regulated market, dematerialization of shares and subscription rights as well as related to authorization to conclude an agreement with the National Depository for Securities (KDPW S.A.)

The Company possesses the Company's Accounting Policy compliant with IFRSs approved by the Management Board in 2008.

## 54. Management of financial risk and market risk

When running its business operations, PGE S.A. is subject to many different agreements and financial agreements which carry non-financial risks.

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 31.12.2009	Carrying value in PLN as at 31.12.2008
Financial assets exposed to interest rate risk	PLN	Fixed	3 197 535 340,70	2 439 000,00
		variable	2 452 579 722,26	2 309 797 097,41
	other currencies	fixed	0,00	13 394 176,94
		variable	238 639 530,77	266 683 445,04
Financial liabilities exposed to interest rate risk	PLN	fixed	0,00	0,00
		variable	522 664 573,82	2 981 137 768,48
	other currencies	fixed	0,00	0,00
		variable	0,00	0,00
<b>Net exposure</b>	PLN	fixed	<b>3 197 535 340,70</b>	<b>2 439 000,00</b>
		variable	<b>1 929 915 148,44</b>	<b>(671 340 689,07)</b>
	other currencies	fixed	<b>0,00</b>	<b>13 394 176,94</b>
		variable	<b>238 639 530,77</b>	<b>266 683 445,04</b>

For details on the interest conditions of the above instruments please refer to notes VI.11, VI.15 and VI.26 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, USD/PLN, CHF/PLN and SEK/PLN. Presented below are the main exposures to currency risk.

PGE Polska Grupa Energetyczna S.A.  
Supplementary information and explanations to the financial statements  
for the financial year ended 31 December 2009  
(in PLN)  
("Translation of a document originally issued in Polish")

	Total carrying value in PLN	Currency position as at 31 December 2009							
		EUR		USD		SEK		CHF	
		in currency	in PLN	in currency	in PLN	in currency	in PLN	in currency	in PLN
<b>Financial assets</b>									
Cash, time deposits	3.198.077.518,90	81.012,50	332.815,56	5.382,89	15.342,85	82.034,18	32.813,67	19.739,43	54.601,24
Bonds, bills and notes receivable acquired	2.690.677.074,83	57.982.561,09	238.203.957,45	0,00	0,00	0,00	0,00	0,00	0,00
<b>Financial liabilities</b>									
Interest bearing loans and borrowings	(1.425,17)	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
<b>Net currency position</b>		<b>58.063.573,59</b>	<b>238.536.773,01</b>	<b>5.382,89</b>	<b>15.342,85</b>	<b>82.034,18</b>	<b>32.813,67</b>	<b>19.739,43</b>	<b>54.601,24</b>

	Total carrying value in PLN	Currency position as at 31 December 2008							
		EUR		USD		SEK		CHF	
		in currency	in PLN	in currency	in PLN	in currency	in PLN	in currency	in PLN
<b>Caption of assets</b>									
Cash, time deposits	16 095 242,67	3 213 552,80	13 408 227,71	10 289,95	30 476,77	14 272,21	5 453,41	19 739,43	55 298,04
Bonds, bills and notes receivable acquired	2 576 218 904,06	63 890 846,05	266 578 166,05	0,00	0,00	0,00	0,00	0,00	0,00
<b>Caption of liabilities</b>									
Interest bearing loans and borrowings	(434 101 331,40)	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Bonds issued and derivatives	(2 218 798 545,81)	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
<b>Net currency position</b>		<b>67.104.398,85</b>	<b>279.986.393,76</b>	<b>10 289,95</b>	<b>30 476,77</b>	<b>14 272,21</b>	<b>5 453,41</b>	<b>19 739,43</b>	<b>55 298,04</b>

**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.

The concentration of the credit risk in case of time deposits is related to a deposit in PKO BP S.A. which accounts for 62.7% of the balance of time deposits as at 31 December 2009.

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; systematic measurement of credit risk resulting from trade activity; cooperation with business intelligence agencies and debt collection companies.

The terms of payments for trade receivables are usually 2-3 weeks in 2009. For details on overdue receivables please refer to not VI.18 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.18 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:

<b>Country</b>	<b>Receivables as at 31.12.2009 in PLN</b>	<b>Share in %</b>
Poland	808 684 143,82	99.1
Sweden	6 577 971,69	0.8
other countries	506 481,77	0.1

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 2009, the share of 5 most significant contracting parties amounted to 79.3% of trade receivables.

As at 31 December 2009, 10.4% 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.11, VI.14 and VI.15 of supplementary information and explanations to the financial statements.

Guaranties and sureties granted by the Company are described in detail in note VI.30 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.

## **55. 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.

## 56. Information on transactions with related parties.

No.	Entity's name	Receivables as at 31.12.2009	Liabilities as at 31.12.2009	Transactions allocated as assets as at 31.12.2009	Revenues (from 01.01.2009 to 31.12.2009)			Expenses (from 01.01.2009 to 31.12.2009)		
					from sales	other operating revenues	financial revenues	operating expenses	other operating expenses	financial expenses
1	PGE GiE S.A.	19 422,47	67 448,33	92 500,00	270 028,09	0,00	177 323 418,76	30 062 675,70	0,00	2 296 435,00
2	PGE Energia S.A.	4,25	18 904 604,31	0,00	36 989,37	0,00	70 102 273,50	0,00	0,00	2 342 967,31
3	PGE Zespół Elektrowni Dolna Odra S.A.	269 956,67	64 981 720,47	398 010 725,08	6 340 693,51	0,00	18 458 960,29	776 274 845,60	0,00	0,00
4	PGE Zakłady Energetyczne Okręgu Radomsko-Kieleckiego S.A.	56 017 046,53	895,00	0,00	758 046 039,54	0,00	543,64	10 297,02	0,00	864 730,00
5	PGE Zakład Energetyczny Białystok S.A.	39 956 044,00	2 091,35	0,00	540 706 183,14	0,00	0,00	4 058,74	0,00	0,00
6	PGE Zamojska Korporacja Energetyczna S.A.	24 550 691,90	600,47	0,00	316 451 037,53	0,00	0,00	2 021,55	0,00	204 300,00
7	PGE Zakład Energetyczny Warszawa - Teren S.A.	77 243 755,74	50 890 836,05	0,00	1 086 601 883,02	0,02	17 389,05	51 293,63	15 988,97	5 730 655,34
8	PGE Lubelskie Zakłady Energetyczne S.A.	41 814 159,53	676,24	0,00	571 679 401,43	0,00	0,00	2 306,09	0,00	375 900,00
9	PGE Obrót S.A.	40 315 798,50	20,13	0,00	695 997 555,37	0,00	6 088,67	843,44	0,00	318 730,00
10	PGE Łódzki Zakład Energetyczny S.A.	39 635 987,87	729,29	0,00	582 439 840,87	0,00	11 958,64	4 695,85	0,01	0,00
11	PGE Dystrybucja Łódź-Teren S.A.	61 648,46	78 816,79	0,00	342 074,63	0,00	0,00	0,00	0,00	3 918 345,00
12	PGE Serwis Sp. z o. o.	145 155,77	1 950 221,11	477 032,39	735 576,63	6 000,00	2 121 534,21	9 713 268,94	0,00	0,00
13	PGE Dystrybucja LUBZEL Sp. z o.o.	41 540,31	9 927 402,17	0,00	322 457,86	0,00	0,00	39 242,72	0,00	1 924 407,84
14	PGE Dystrybucja Białystok Sp. z o.o.	46 642,13	80 180,28	0,00	352 312,36	0,00	0,00	0,00	0,00	0,00
15	PGE Dystrybucja Zamość Sp. z o.o.	35 952,62	49 807 869,26	0,00	234 483,81	0,00	0,00	478,20	0,00	2 217 659,19
16	PGE ZEŁT Obrót Sp. z o.o.	52 978 195,48	2 050,42	0,00	855 071 564,00	0,00	43 870 163,68	8 011,91	0,00	1 273 184,00
17	PGE Dystrybucja Łódź Sp. z o.o.	34 230,91	34 429,27	0,00	262 192,34	0,00	0,00	48 517,11	0,00	101 694,00
18	PGE Dystrybucja Rzeszów Sp. z o.o.	51 053,82	83 605,62	0,00	383 221,46	0,00	0,00	0,00	0,00	9 910 052,80
19	PGE ZEORK Dystrybucja Sp. z o.o.	47 005,61	101 515,66	0,00	379 835,11	0,00	0,00	0,00	0,00	1 319 917,00
20	PGE Dystrybucja Warszawa Teren Sp. z o.o.	66 589,89	59 437 917,19	0,00	444 430,24	0,00	0,00	84 487,67	0,00	4 274 928,92
21	PGE Elektrownia Bełchatów S.A.	89 768,51	387 942 147,86	0,00	15 786 429,78	0,00	0,00	5 067 193 618,18	0,00	0,00
22	PGE Elektrownia Turów S.A.	429 429,06	152 382 213,74	1 723 875 875,36	6 982 474,45	0,00	127 475 856,20	2 150 842 360,00	0,01	13 683 595,00
23	PGE Elektrownia Opole S.A.	412 598,57	260 602 124,80	0,00	6 534 954,73	0,00	628,88	1 561 383 159,83	0,00	13 835 244,71
24	PGE KWB Bełchatów S.A.	315 087,80	616 634,81	330 586 516,94	6 474 411,40	0,00	43 068 774,94	1 539,85	0,00	1 178 992,00



**PGE Polska Grupa Energetyczna S.A.**  
**Supplementary information and explanations to the financial statements for the year ended 31 December 2009**  
**(in PLN)**  
**(“Translation of a document originally issued in Polish”)**

No.	Entity's name	Receivables as at 31.12.2009	Liabilities as at 31.12.2009	Transactions allocated as assets as at 31.12.2009	Revenues (from 01.01.2009 to 31.12.2009)			Expenses (from 01.01.2009 to 31.12.2009)		
					from sales	other operating revenues	financial revenues	operating expenses	other operating expenses	financial expenses
25	PGE KWB Turów S.A.	158 292,10	40 476 074,72	0,00	5 176 810,71	0,00	0,00	535,56	0,00	1 410 094,62
26	PGE Elektrociepłownia Gorzów S.A.	16 518,66	8 107 033,22	0,00	1 179 305,40	0,00	66 600 208,10	87 819 470,40	0,00	595 024,60
27	PGE Elektrociepłownia Rzeszów S.A.	3 206,49	29 609 058,25	0,00	1 532 821,34	0,00	0,00	99 755 995,10	0,00	1 667 770,72
28	PGE ZEC Bydgoszcz S.A.	707 666,11	11 918 799,37	0,00	1 613 539,10	0,00	342 233,10	105 694 303,06	0,00	0,00
29	PGE EC Lublin Wrotków Sp. z o.o.	111 904,39	123 236 267,71	0,00	2 473 295,11	0,00	2 488 968,22	191 464 220,88	0,00	1 130 653,80
30	PGE Elektrociepłownia Kielce S.A.	1 036,22	0,00	0,00	547 629,06	0,00	0,00	0,00	0,00	219 093,00
31	PGE ELECTRA S.A.	418 903 025,88	1 564 776,31	0,00	5 385 063 224,77	26 000,00	159 189 843,43	17 153 904,65	0,00	0,00
32	PGE Energia Odnawialna S.A.	5 216 013,41	0,00	0,00	1 335 534,22	0,00	262 878 300,58	0,00	0,00	18 500,00
33	Exatel S.A.	89 798,92	207 908,56	0,00	850 508,00	26 000,00	203 097,98	404 709,96	259 234,21	0,00
34	PGE Systemy S.A.	99 667,29	1 850 233,07	788 165,00	1 021 853,32	0,00	1 450,92	6 610 827,31	0,00	0,00
35	PGE INWEST Sp. z o.o.	3 917,99	0,00	0,00	11 736,69	0,00	0,00	0,00	0,00	0,00
36	PGE Zespół Elektrowni Wodnych Dychów S.A.	20 525,69	0,00	0,00	126 931,37	0,00	0,00	0,00	0,00	565 694,40
37	ELECTRA Deutschland GmbH	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
38	ENERGO - TEL S.A.	3 581,98	1 007,59	0,00	42 794,89	0,00	0,00	285 672,00	0,00	0,00
39	NOM Sp. z o.o.	0,00	1 073,60	0,00	0,00	0,00	0,00	5 280,00	0,00	0,00
40	Elektrownia Wodna Żarnowiec S.A.	0,00	0,00	0,00	356,96	0,00	0,00	0,00	0,00	1 385 790,00
41	ZEW Porąbka-Żar S.A.	0,00	24 890 001,42	0,00	0,00	0,00	0,00	0,00	0,00	2 342 889,33
42	POLKOMTEL S.A.	28 847,26	15 731,15	0,00	33 151,34	0,00	374 639 535,24	357 113,57	0,00	0,00
43	Energetyczne Towarzystwo Finansowo-Leasingowe Energo- Utech S.A.	0,00	0,00	0,00	15 571,47	0,00	533 930,58	0,00	0,00	0,00
44	ELBEST Sp. z o.o.	0,00	0,00	0,00	178,48	0,00	0,00	68 261,25	0,00	0,00
45	ELBIS Sp. z o.o.	0,00	0,00	0,00	11 148,47	0,00	0,00	0,00	0,00	0,00
46	PTS Betrants Sp. z o.o.	0,00	0,00	0,00	0,00	0,00	0,00	2 614,00	0,00	0,00
47	Towarzystwo Gospodarcze BEWA	0,00	0,00	0,00	2 397,18	0,03	0,00	2 397,20	0,00	0,00
48	ZEW Solina Myczkowce S.A.	0,00	0,00	0,00	178,48	0,00	0,00	0,00	0,00	0,00
49	ENERGOPOMIAR Sp. z o.o.	0,00	0,00	0,00	0,00	0,67	234 322,00	0,00	0,00	0,00

**PGE Polska Grupa Energetyczna S.A.**  
**Supplementary information and explanations to the financial statements for the year ended 31 December 2009**  
**(in PLN)**  
**("Translation of a document originally issued in Polish")**

No.	Entity's name	Receivables as at 31.12.2009	Liabilities as at 31.12.2009	Transactions allocated as assets as at 31.12.2009	Revenues (from 01.01.2009 to 31.12.2009)			Expenses (from 01.01.2009 to 31.12.2009)		
					from sales	other operating revenues	financial revenues	operating expenses	other operating expenses	financial expenses
50	BESTUR Sp. z o.o.	0,00	440,00	0,00	0,00	0,00	0,00	110 896,35	0,00	0,00
51	Ośrodek Wypoczynkowo- szkoleniowy Energetyk Sp. z o.o.	0,00	0,00	0,00	0,00	0,00	0,00	18 210,56	0,00	0,00
52	PHU ELTUR-GLOBAL Sp. z o.o.	0,00	140,00	0,00	0,00	0,00	0,00	1 580,74	0,00	0,00
53	Centrum Szkolenia i Rekreacji "Energetyk" Sp. z o.o.	0,00	0,00	0,00	0,00	0,00	0,00	196,26	0,00	0,00
54	GKS Belchatów Sportowa S.A.	0,00	610 000,00	0,00	0,00	0,00	0,00	3 020 300,00	0,00	0,00
55	ENERGETYK SPA Sp. z o.o.	0,00	0,00	0,00	0,00	0,00	0,00	37 219,51	0,00	0,00
56	PGE Inwest Sp. z o.o.	2 426,17	0,00	0,00	1 988,67	0,00	0,00	0,00	0,00	0,00
57	E-Telbank Sp. z o.o.	0,00	0,00	0,00	0,00	0,00	0,00	298,00	0,00	0,00
58	PGE Energia Jądrowa S.A.	136 627,23	0,00	0,00	134 520,96	0,00	0,00	0,00	0,00	0,00
59	EJ 1 Sp. z o. o.	201 592,56	0,00	0,00	199 492,00	0,00	0,00	0,00	0,00	0,00
60	PGE Dystrybucja S.A.	39 146,44	0,00	0,00	36 583,18	0,00	0,00	0,00	0,00	0,00
		<b>800 321 561,19</b>	<b>1 300 385 295,59</b>	<b>2 453 830 814,77</b>	<b>10 854 287 621,84</b>	<b>58 000,72</b>	<b>1 349 569 480,53</b>	<b>10 108 541 728,39</b>	<b>275 223,20</b>	<b>75 107 248,58</b>

Warsaw, 15 March 2010

Signed on the Polish original  
**Tomasz Zadroga**  
*President of the Management Board*

Signed on the Polish original  
**Marek Szostek**  
*Vice-President of the Management Board*

Signed on the Polish original  
**Piotr Szymanek**  
*Vice-President of the Management Board*

Signed on the Polish original  
**Wojciech Topolnicki**  
*Vice-President of the Management Board*

Signed on the Polish original  
**Marek Trawiński**  
*Vice-President of the Management Board*