PGE Polska Grupa Energetyczna S.A.

Condensed interim separate financial statements prepared in accordance with International Financial Reporting Standards for the 3-month and 9-month period ended September 30, 2012.

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STATEMENT OF COMPREHENSIVE INCOME

	Note	3 months ended September 30, 2012 (not audited)	9 months ended September 30, 2012 (not audited)	9 months ended September 30, 2011 (not audited) *restated data**	9 months ended September 30, 2011 (not audited) *restated data**
Continuing operations					
Revenues from sale of products and merchandise		2,373,187	7,289,470	2,439,097	7,342,685
Revenues from services rendered		134,871	315,316	58,934	176,922
Revenues from rent		2,110	6,325	2,167	6,285
Total sales revenue		**2,510,168**	**7,609,111**	**2,500,198**	**7,525,892**
Costs of goods sold	**8**	(2,361,449)	(7,247,087)	(2,398,810)	(7,247,046)
Gross profit on sales		**148,719**	**362,024**	**101,388**	**278,846**
Other operating revenues	**8**	162,006	196,323	4,343	5,334
Distribution and selling expenses	**8**	(2,590)	(9,647)	(3,904)	(13,239)
General and administrative expenses	**8**	(27,396)	(93,595)	(32,446)	(89,426)
Other operating expenses	**8**	(117)	(21,196)	(34,407)	(39,133)
Profit from operations		**280,622**	**433,909**	**34,974**	**142,382**
Financial revenues	**8**	164,192	450,539	764,012	3,127,623
Financial expenses	**8**	(5,558)	(35,472)	(61,181)	(87,494)
Profit before tax		**439,256**	**848,976**	**737,805**	**3,182,511**
Corporate income tax	**10**	(44,951)	(164,235)	(37,252)	(67,410)
Net profit from continuing operations		**394,305**	**684,741**	**700,553**	**3,115,101**
Net profit for the operating period:		**394,305**	**684,741**	**700,553**	**3,115,101**
OTHER COMPREHENSIVE INCOME:					
Valuation of available-for-sale financial assets		-	776	(1,217)	75
Other comprehensive income for the period, net		**-**	**776**	**(1,217)**	**75**
TOTAL COMPREHENSIVE INCOME		**394,305**	**685,517**	**699,336**	**3,115,176**
Earnings per share					
– basic earnings per share for the period					
– basic earnings from continuing operations		0,21	0,37	0,37	1,67

*) For information regarding comparative figures please refer to Note 6 of these financial statements.

Condensed interim separate financial statements for the 3 and 9 month period ended September 30, 2012 prepared in accordance with IFRS (in PLN thousand)

STATEMENT OF FINANCIAL POSITION

	Note	As at September 30, 2012 (not audited)	As at December 31, 2011 (audited)	As at September 30, 2011 (not audited) *restated data**
Non-current assets				
Property, plant and equipment		205,841	216,272	220,214
Intangible assets		15,348	17,538	17,559
Loans and receivables	**13**	3,715,303	4,783,679	609,486
Shares in subsidiaries	**13**	22,974,566	22,587,091	22,472,410
Available-for-sale financial assets	**13**	67,644	69,963	104,327
Deferred tax asset	**11**	-	4,327	4,291
Total non-current assets		**26,978,702**	**27,678,870**	**23,428,287**
Current assets				
Inventories		195,028	32,467	96,518
Income tax receivables		-	-	-
Shares in subsidiaries	**13**	72	217,877	214,077
Short-term financial assets at fair value through profit or loss	**13**	1,143	-	-
Trade receivables	**13**	583,177	616,658	519,166
Other loans and financial assets	**13**	778,559	3,331,624	5,780,616
Available-for-sale short-term financial assets	**13**	36,717	39,067	2,350
Other current assets		47,493	94,672	94,598
Cash and cash equivalents	**13**	1,272,270	1,020,823	267,156
Assets classified as held for sale		-	-	1,656,469
Total current assets		**2,914,459**	**5,353,188**	**8,630,950**
TOTAL ASSETS		**29,893,161**	**33,032,058**	**32,059,237**

*) For information regarding comparative figures please refer to Note 6 of these financial statements.

Condensed interim separate financial statements for the 3 and 9 month period ended September 30, 2012 prepared in accordance with IFRS (in PLN thousand)

STATEMENT OF FINANCIAL POSITION

	Note	As at September 30, 2012 (not audited)	As at December 31, 2011 (audited)	As at September 30, 2011 (not audited) *restated data**
Equity				
Share capital	**14**	18,697,608	18,697,837	18,697,837
Revaluation reserve		-	(776)	(1,005)
Treasury shares		-	(229)	(229)
Reserve capital		9,687,596	8,553,142	8,553,142
Other capital reserves		49,779	49,779	49,779
Retained earnings		610,972	4,482,347	3,041,333
Total equity		**29,045,955**	**31,782,100**	**30,340,857**
Long-term liabilities				
Provisions	**16**	18,663	18,784	21,481
Deferred tax liability	**11**	38,522	-	-
Total long-term liabilities		**57,185**	**18,784**	**21,481**
Short-term liabilities				
Trade liabilities	**18**	345,952	423,573	257,876
Interest-bearing loans, borrowings, bonds and lease		-	-	939,677
Other short-term financial liabilities	**18**	4,661	4,481	4,842
Short-term financial liabilities at fair value through profit or loss		63	-	-
Other short-term non-financial liabilities		107,994	45,017	61,592
Income tax liability		75,731	318,174	2,084
Deferred income		36,018	286	83
Short-term provisions	**16**	219,602	439,643	430,745
Total short-term liabilities		**790,021**	**1,231,174**	**1,696,899**
Total liabilities		**847,206**	**1,249,958**	**1,718,380**
TOTAL LIABILITIES AND EQUITY		**29,893,161**	**33,032,058**	**32,059,237**

*) For information regarding comparative figures please refer to Note 6 of these financial statements.

Condensed interim separate financial statements for the 3 and 9 month period ended September 30, 2012 prepared in accordance with IFRS (in PLN thousand)

STATEMENT OF CHANGES IN EQUITY

for the period ended September 30, 2012 (not audited)

	Share capital	Revaluation reserve	Treasury shares	Reserve capital	Other capital reserves	Retained earnings	Total
As at January 1, 2012	**18,697,837**	**(776)**	**(229)**	**8,553,142**	**49,779**	**4,482,347**	**31,782,100**
Profit for the period	-	-	-	-	-	684,741	684,741
Other comprehensive income	-	776	-	-	-		776
Total comprehensive income for the period	***-***	***776***	***-***	***-***	***-***	***684,741***	***685,517***
Retained earnings distribution	-	-	-	1,134,454	-	(1,134,454)	-
Redemption of Treasury shares	(229)	-	229	-	-	-	-
Dividend	-	-	-	-	-	(3,421,662)	(3,421,662)
As at September 30, 2012	**18,697,608**	**-**	**-**	**9,687,596**	**49,779**	**610,972**	**29,045,955**

Condensed interim separate financial statements for the 3 and 9 month period ended September 30, 2012 prepared in accordance with IFRS (in PLN thousand)

STATEMENT OF CHANGES IN EQUITY

for the period ended December 31, 2011

	Share capital	Revaluation reserve	Treasury shares	Reserve capital	Other capital reserves	Retained earnings	Total
As at January 1, 2011	**18,697,837**	**(1,080)**	**(229)**	**6,727,589**	**49,779**	**2,967,565**	**28,441,461**
Profit for the period	-	-	-	-	-	4,556,115	4,556,115
Other comprehensive income	-	304	-	-	-	-	304
Total comprehensive income for the period	***-***	***304***	***-***	***-***	***-***	***4,556,115***	***4,556,419***
Retained earnings distribution	-	-	-	1,825,553	-	(1,825,553)	-
Dividend	-	-	-	-	-	(1,215,780)	(1,215,780)
As at December 31, 2011	**18,697,837**	**(776)**	**(229)**	**8,553,142**	**49,779**	**4,482,347**	**31,782,100**

Condensed interim separate financial statements for the 3 and 9 month period ended September 30, 2012 prepared in accordance with IFRS (in PLN thousand)

STATEMENT OF CHANGES IN EQUITY

for the period ended September 30, 2011 (reviewed)

*(comparative data)**	Share capital	Revaluation reserve	Treasury shares	Reserve capital	Other capital reserves	Retained earnings	Total
As at January 1, 2011	**18,697,837**	**(1,080)**	**(229)**	**6,727,589**	**49,779**	**2,967,565**	**28,441,461**
Profit for the period	-	-	-	-	-	3,115,101	3,115,101
Other comprehensive income	-	75	-	-	-	-	75
Total comprehensive income for the period	***-***	***75***	***-***	***-***	***-***	***3,115,101***	***3,115,176***
Retained earnings distribution	-	-	-	1,825,553	-	(1,825,553)	-
Dividend	-	-	-	-	-	(1,215,780)	(1,215,780)
As at 30 June 2011	**18,697,837**	**(1,005)**	**(229)**	**8,553,142**	**49,779**	**3,041,333**	**30,340,857**

*) For information regarding comparative figures please refer to Note 6 of these financial statements,

Condensed interim separate financial statements for the 3 and 9 month period ended September 30, 2012 prepared in accordance with IFRS (in PLN thousand)

STATEMENT OF CASH FLOWS

	Period ended September 30, 2012 (not audited)	Period ended September 30, 2011 (not audited)
Cash flow from operating activities		
Gross profit related to continuing operations	**848,976**	**3,182,511**
Adjustments for:		
Depreciation and amortization	14,568	17,403
Interest and dividend, net	(265,339)	(3,000,514)
Profit/ (loss) on investment activities	(19,985)	(3,956)
Change in receivables	15,811	344,215
Change in inventories	(162,561)	(65,623)
Change in liabilities, excluding loans and bank credits	(19,797)	(706,337)
Change in prepayments and other non-financial assets	81,693	22,772
Change in provisions	(220,163)	56,186
Income tax paid	(397,848)	(38,371)
Other	26,177	(45,435)
Net cash from operating activities	**(98,468)**	**(237,149)**
Cash flow from investing activities		
Disposal of property, plant and equipment and intangible assets	382	6,844
Purchase of property, plant and equipment and intangible assets	(3,945)	(8,433)
Disposal of financial assets	11,086,533	5,242,920
Purchase of financial assets	(7,775,547)	(6,182,622)
Dividends received	3,485	3,386,854
Interest received	229,526	137,402
Loans repaid	202,099	438
Loans granted	(3,000)	-
Other	42,649	-
Net cash from investing activities	**3,782,182**	**2,583,403**
Cash flow from financing activities		
Proceeds from loans, bank credits and issue of bonds	-	5,053,001
Repayment of loans, bank credits, bonds and finance lease	-	(6,140,819)
Dividends paid	(3,421,662)	(1,198,803)
Interest paid	(30)	(52,034)
Other	(4,032)	-
Net cash flow from financing activities	**(3,425,724)**	**(2,338,655)**
Net change of cash and cash equivalents	**257,990**	**7,599**
Effect of foreign exchange rate changes		
Cash and cash equivalents at the beginning of the period	**1,018,203**	**258,383**
Cash and cash equivalents at the end of the period	**1,276,193**	**265,982**

1 General information

PGE Polska Grupa Energetyczna S.A. ("Company", "PGE 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 the District Court for the capital city of Warsaw, XII Commercial Department, under no. KRS 0000059307.

Company is seated in Warsaw, Mysia Street 2.

Company PGE S.A. is the Parent Company of PGE Capital Group ("PGE CG", "PGE Group") and prepares consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS").

Company's controlling entity is the State Treasury.

Core operations of the Company comprise:

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

Business activities are conducted under appropriate concessions.

These condensed interim separate financial statements have been prepared for the period started January 1, 2012 and ended September 30, 2012 ("financial statements").

2 The composition of the Management Board

As at January 1, 2012 the composition of the Management Board was as follows:

- Mr. Paweł Skowroński – acting as the President of the Management Board,
- Mr. Wojciech Ostrowski – the Vice-President of the Management Board,
- Mr. Piotr Szymanek – the Vice-President of the Management Board.

In the period from January 1, 2012 to September 30, 2012 following changes in composition of the Management Board took place:

- on March 1, 2012 the Supervisory Board adopted a resolution for the appointment of President of the Management Board – Mr. Krzysztof Kilian, effective March 5, 2012;
- on March 1, 2012 the Supervisory Board adopted a resolution for the appointment of Vice-President of the Management Board – Mrs. Bogusława Matuszewska, effective March 5, 2012.
- on July 3, 2012 the Supervisory Board adopted a resolution to recall Mr. Paweł Skowroński, the Vice-President of the Management Board
- on August 14, 2012 the Supervisory Board adopted a resolution for the appointment of Vice-President of the Management Board – Mr. Paweł Smoleń, effective October 1, 2012.

As at September 30, 2012, the composition of the Management Board was as follows:

- Mr. Krzysztof Kilian – the President of the Management Board,
- Mrs. Bogusława Matuszewska – the Vice-President of the Management Board,
- Mr. Wojciech Ostrowski – the Vice-President of the Management Board,
- Mr. Piotr Szymanek – the Vice-President of the Management Board

As described above Mr. Paweł Smoleń was appointed a Vice-President of the Management Board on November 1, 2012, so as of the day of preparation of these financial statements, the composition of the Management Board was as follows:

- Mr. Krzysztof Kilian – the President of the Management Board,
- Mrs. Bogusława Matuszewska – the Vice-President of the Management Board,
- Mr. Wojciech Ostrowski – the Vice-President of the Management Board,
- Mr. Piotr Szymanek – the Vice-President of the Management Board.
- Mr. Paweł Smoleń – the Vice-President of the Management Board.

3 The basis for the preparation of the financial statements

3.1 Statement of compliance

These financial statements of PGE Polska Grupa Energetyczna S.A. were prepared in accordance with International Accounting Standard 34 *Interim financial reporting*, in accordance with International Accounting Standards, which regard interim financial reporting as adopted by the European Union, published and effective during the period of preparation of these financial statements and in the scope required under the Minister of Finance Regulation of February 19, 2009 on current and periodic information provided by issuers of securities and conditions of recognition as equivalent information required by the law of a non-Member State (Official Journal no. 33, item 259) (“Regulation”).

International Financial Reporting Standards (“IFRS”) include standards and interpretations accepted by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Standards Interpretations Committee (IFRIC).

These financial statements are prepared based on the same accounting policy and methods of computation as compared with the most recent annual financial statements. Financial statements are to be read together with the audited separate financial statements of PGE Polska Grupa Energetyczna S.A. prepared in accordance with IFRS for the year ended December 31, 2011.

3.2 General rules of preparation

These financial statements were prepared under the assumption that the Company will continue to operate as a going concern in the foreseeable future. As at the date of preparation of these financial statements, there is no evidence indicating that the Company will not be able to continue its operations as a going concern.

Due to the reporting obligations resulting from listing of PGE Polska Grupa Energetyczna S.A.’s shares, the Management Board of the Company made a decision to implement the International Financial Reporting Standards (“IFRS”) approved by the European Union (“EU”). The first financial statements of PGE Polska Grupa Energetyczna S.A., which included the unconditional statement of compliance with the IFRS adopted by the EU was the financial statement for the year ended December 31, 2011.

4 Presentation currency

The financial statements are presented in Polish Zloty („PLN”) and all amounts are in PLN thousand, unless indicated otherwise.

The following exchange rates were applied to valuation of positions of the statement of financial position:

	September 30, 2012	December 31, 2011	September 30, 2011
USD	3.1780	3.4174	3.2574
EURO	4.1138	4.4168	4.4112

5 New standards and interpretations published, not yet effective

The following standards, changes in already effective standards and interpretations are not approved by the European Union and are not effective as at January 1, 2012:

- IFRS 9 *Financial Instruments* (with amendments) – effective for the periods starting January 1, 2015.
- IFRS 10 *Consolidated Financial Statements* – effective for the periods starting January 1, 2013.
- IFRS 11 *Joint Agreements* – effective for the periods starting January 1, 2013.
- IFRS 12 *Disclosure of Interests in Other Entities* – effective for the periods starting January 1, 2013.
- Transitional guidance to IFRS 10, IFRS 11 and IFRS 12 – effective for the periods starting January 1, 2013.
- IFRS 13 *Fair Value Measurement* – effective for the periods starting January 1, 2013.
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* – effective for the periods starting January 1, 2013.
- Amended IAS 27 *Separate Financial Statements* – effective for the periods starting January 1, 2013.
- Amended IAS 28 *Investments in Associates and Joint Ventures* – effective for the periods starting January 1, 2013.
- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* (issues related to hyperinflation and the dates) – effective for the periods starting July 1, 2011.
- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* (issues related to government loans) – effective for the periods starting January 1, 2013.
- Amendments to IFRS 7 *Financial Instruments: Disclosures* – effective for the periods starting January 1, 2013.
- Amendments to IAS 12 *Income Taxes* – effective for the periods starting January 1, 2012.
- Amendments to IAS 32 *Financial Instruments: Presentation* – effective for the periods starting January 1, 2014.
- Amendments to different IFRS – effective for the periods starting January 1, 2013.

The following standards, changes in already effective standards and interpretations are approved by the European Union but are not effective as at January 1, 2012:

- Amendments to IAS 1 *Presentation of Financial Statements* – effective for the periods starting July 1, 2012,
- Amended IAS 19 *Employee Benefits* – effective for the periods starting January 1, 2013.

The influence of new regulations on future financial statements of the Company

The new IFRS 9 introduces fundamental changes to classifying, presenting and measuring of financial instruments. These changes will possibly have material influence on future financial statements of the Company. At the date of preparation of these financial statements IFRS 9 is not yet approved by the European Union and as a result its impact on the future financial statements of the PGE S.A. is not yet determined.

Amended IAS 19 introduces a new presentation of actuarial gains and losses in the statement of comprehensive income. In accordance with accounting principles applied by the Company, all actuarial gains and losses are recognized in net profit for the period. Amended IAS 19 regulates, that the actuarial gains and losses relating to provisions for post-employment benefits are recognized in other comprehensive income. In the case of significant actuarial gains and losses in the following periods, amended IAS 19 might have a significant impact on costs and net financial result presented by the Company. For example as a result of valuation of post-employment benefits for the period ended December 31, 2011, net profit would decrease by ca. PLN 3,000 thousand.

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Other standards and their changes should have no significant impact on future financial statements of the Company.

6 Restated comparative data

In the year 2011 the Company has changed presentation of selected assets and costs by type. The changes were designed in order to give the most true and fair view of economic performance. Additionally, the Company has restated valuation of certain financial instruments and related deferred tax. These adjustments did not change the net result for the comparative period.

The Company changed comparative data presented in the financial statement of comprehensive income, statement of financial position as well as statement of changes in equity as at and for the period ended September 30, 2011. Changes in comparative data are presented in the table below. Additionally information presented in the explanatory notes to these financial statements was restated accordingly.

STATEMENT OF COMPREHENSIVE INCOME

	Period ended September 30, 2011 (not audited) *published data*	**Valuation adjustment**	**Period ended September 30, 2011 (not audited)** *restated data*
Net profit for the operating period	**3,115,101**	**-**	**3,115,101**
OTHER COMPREHENSIVE INCOME:			
Valuation of available-for-sale financial assets	76	(1)	75
Other comprehensive income for the period, net	**76**	**(1)**	**75**
TOTAL COMPREHENSIVE INCOME	**3,115,177**	**(1)**	**3,115,176**

Condensed interim separate financial statements for the 3 and 9 month period ended September 30, 2012 prepared in accordance with IFRS (in PLN thousand)

STATEMENT OF FINANCIAL POSITION

	As at September 30, 2011 (not audited) *published data*	**Change in presentation and valuation adjustment**	**As at September 30, 2011 (not audited)** *restated data*
Non-current assets			
Property, plant and equipment	220,214	-	220,214
Intangible assets	17,559	-	17,559
Loans and receivables	609,486	-	609,486
Shares in subsidiaries	-	22,472,410	22,472,410
Available-for-sale financial assets	22,576,737	(22,472,410)	104,327
Deferred tax assets	-	4,291	4,291
Total non-current assets	**23,423,996**	**4,291**	**23,428,287**
Current assets			
Inventories	96,518	-	96,518
Income tax receivables	-	-	-
Shares in subsidiaries	-	214,077	214,077
Trade receivables	519,166		519,166
Other loans and financial assets	5,780,616		5,780,616
Available-for-sale short-term financial assets	216,427	(214,077)	2,350
Other current assets	94,598	-	94,598
Cash and cash equivalents	267,156	-	267,156
Assets classified as held for sale	1,656,469	-	1,656,469
Total current assets	**8,630,950**	**-**	**8,630,950**
TOTAL ASSETS	**32,054,946**	**4,291**	**32,059,237**

Condensed interim separate financial statements for the 3 and 9 month period ended September 30, 2012 prepared in accordance with IFRS (in PLN thousand)

STATEMENT OF FINANCIAL POSITION

	As at September 30, 2011 (not audited) *published data*	**Change in presentation and valuation adjustment**	**As at September 30, 2011 (not audited)** *restated data*
Equity			
Share capital	18,697,837	-	18,697,837
Revaluation reserve	(1,005)	-	(1,005)
Treasury shares	(229)	-	(229)
Reserve capital	8,553,143	(1)	8,553,142
Other capital reserves	49,779	-	49,779
Retained earnings	3,005,550	35,783	3,041,333
Total equity	**30,305,075**	**35,782**	**30,340,857**
Long-term liabilities			
Deferred tax liabilities	31,491	(31,491)	-
Provisions	21,481	-	21,481
Total long-term liabilities	**52,972**	**(31,491)**	**21,481**
Short-term liabilities			
Trade liabilities	257,876	-	257,876
Interest-bearing loans, borrowings, bonds and lease	939,677	-	939,677
Other short-term financial liabilities	4,842	-	4,842
Other short-term non-financial liabilities	61,592	-	61,592
Income tax liabilities	2,084	-	2,084
Deferred income	83	-	83
Short-term provisions	430,745	-	430,745
Total short-term liabilities	**1,696,899**	**-**	**1,696,899**
Total liabilities	**1,749,871**	**(31,491)**	**1,718,380**
TOTAL LIABILITIES AND EQUITY	**32,054,946**	**4,291**	**32,059,237**

Condensed interim separate financial statements for the 3 and 9 month period ended September 30, 2012 prepared in accordance with IFRS (in PLN thousand)

7 Change of estimates

In the period covered by the financial statements no significant changes to estimates influencing the figures presented in the financial statement took place. As it is presented in note 16 the Company updated the value of provisions presented in the statement of financial position.

8 Revenues and expenses

8.1 Costs by type and functions

	3-month period ended	9-month period ended	3-month period ended	9-month period ended
	September 30, 2012		September 30, 2011 *(comparative data)*	
Cost by type				
Depreciation/amortization	4,732	14,568	5,366	17,399
Materials and energy	1,075	2,710	950	2,385
External services	8,340	33,266	14,846	35,797
Taxes and charges	2,140	6,767	2,404	7,138
Personnel expenses	15,759	48,845	20,729	51,366
Other costs by type	15,380	54,152	11,785	47,123
Total costs by type	**47,426**	**160,308**	**56,080**	**161,208**
Distribution and selling expenses	(2,590)	(9,647)	(3,904)	(13,239)
General and administrative expenses	(27,396)	(93,595)	(32,446)	(89,426)
Cost of merchandise and materials sold	2,344,009	7,190,021	2,379,080	7,188,503
Cost of goods sold	**2,361,449**	**7,247,087**	**2,398,810**	**7,247,046**

Condensed interim separate financial statements for the 3 and 9 month period ended September 30, 2012 prepared in accordance with IFRS (in PLN thousand)

8.2 Other operating revenues

	9 months period ended September 30, 2012	9 months period ended September 30, 2011
Profit on disposal of property, plant and equipment	-	3,782
Reversal of impairment allowance for receivables	21	51
Provisions reversed	173,812	1,113
Compensations, penalties and fines received	20,194	3
Grants received	1,921	271
Taxes refunded	225	29
Court fees refunded	15	14
Other	135	71
Total other operating revenues	**196,323**	**5,334**

The revenues on provisions reversal are related mainly to the litigation with Alpiq Holding, described in Note 17.2 of these financial statements.

Compensation, penalties and fines accrued result mainly from the Company's claims toward third parties on the coal market. Due to their character, the claims were covered by impairment allowance, recognized in other operating expenses.

8.3 Other operating expenses

	9 months period ended September 30, 2012	9 months period ended September 30, 2011
Impairment allowance raised for receivables	20,149	9
Loss on disposal of non-current assets	43	-
Provisions raised	-	38,544
Compensations paid	-	2
Donations granted	1,000	112
Court fees paid	2	12
Forgiveness of receivables	-	78
Scrapping of non-current assets	2	81
Other	-	295
Total other operating expenses	**21,196**	**39,133**

Condensed interim separate financial statements for the 3 and 9 month period ended September 30, 2012 prepared in accordance with IFRS (in PLN thousand)

8.4 Financial revenues

	9 months period ended September 30, 2012	9 months period ended September 30, 2011
Financial revenue from financial instruments	**408,328**	**3,127,380**
Dividends	437	2,847,155
Interest income	382,843	236,086
Revaluation / Reversal of impairment allowance	1,143	12
Profit on disposal of investments	22,898	255
Exchange gains	1,007	43,872
Other financial revenues	**42,211**	**243**
Provision reversed	37,901	-
Interest on statutory receivables	13	-
Other	4,297	243
Total financial revenues	**450,539**	**3,127,623**

The Company presents revenues from intrests of bonds issued by subsidiaries and cash allocation.

Profit on disposal of investments refers primarily to disposal of minority interest in Towarowa Giełda Energii S.A

8.5 Financial expenses

	9 months period ended September 30, 2012	9 months period ended September 30, 2011
Financial expenses from financial instruments	**34,438**	**68,092**
Interest expenses	4,418	68,091
Revaluation	443	-
Impairment allowance	208	1
Exchange losses	29,369	-
Other financial expenses	**1,034**	**19,402**
Interest expenses (including the effect of discount unwinding)	909	18,927
Interest paid relating to statutory liabilities	-	19
Other	125	456
Total financial expenses	**35,472**	**87,494**

Condensed interim separate financial statements for the 3 and 9 month period ended September 30, 2012 prepared in accordance with IFRS (in PLN thousand)

9 Impairment allowances of assets – recognition and reversal

	9 months ended September 30, 2012	9 months ended September 30, 2011
Impairment allowances of inventories		
- impairment allowance raised	10,831	558
- impairment allowance reversed	10,822	212

Allowance of inventories recognized by the Company relates primarily to valuation of greenhouse gas emission rights.

10 Income tax

Income tax disclosed in the statement of comprehensive income	9 months ended September 30, 2012	9 months ended September 30, 2011
Current income tax	121,567	44,585
Deferred income tax	42,668	22,825
Total	**164,235**	**67,410**

Moreover, the Company recognized in other comprehensive income a deferred tax provision of PLN 18 thousand in the period ended September 30, 2011 and a reversal of deferred tax asset of PLN 182 thousand in the period ended September 30, 2012.

Condensed interim separate financial statements for the 3 and 9 month period ended September 30, 2012 prepared in accordance with IFRS (in PLN thousand)

11 Deferred tax asset and liability

Components of deferred tax asset	As at September 30, 2012	As at December 31, 2011
Current period costs not realized for tax purpose	-	184
Provisions for employee benefits	3,995	4,003
Accruals for employee bonuses	2,277	2,503
Difference between tax value and carrying amount of financial assets	35,782	78,783
Difference between tax value and carrying amount of financial liabilities	12	-
Difference between tax value and carrying amount of inventories	119	118
Payroll and other employee benefits	386	-
Other provisions	42	2,596
Other	2,062	732
Gross deferred tax asset	**44,675**	**88,919**
Revaluation write off on tax asset	-	-
Net deferred tax asset	**44,675**	**88,919**

Components of deferred tax liability	As at September 30, 2012	As at December 31, 2011
Difference between tax value and carrying amount of property, plant and equipment	27,502	28,218
Accrued interest on deposits, loans granted, bonds and receivables	55,478	55,684
Difference between tax value and carrying amount of other financial assets	217	611
Other	-	79
Deferred tax liability	**83,197**	**84,592**
After compensation of balances the Company's deferred tax is presented as:		
deferred tax asset	**-**	**4,327**
deferred tax liability	**38,522**	**-**

12 Property, plant and equipment

In the reporting period the Company has not made any significant acquisition or disposal of property, plant and equipment.

Condensed interim separate financial statements for the 3 and 9 month period ended September 30, 2012 prepared in accordance with IFRS (in PLN thousand)

13 Financial assets

	Carrying amount					
	September 30, 2012			December 31, 2011		
Categories and classes of financial assets:	**Long-term**	**Short-term**	**Total**	**Long-term**	**Short-term**	**Total**
Loans and receivables, including:						
(i) Trade receivables	-	583,177	**583,177**	-	616,658	**616,658**
(ii) Deposits and investments	-	-	**-**	-	2,101,027	**2,101,027**
(iii) Other financial loans and receivables	3,715,303	778,559	**4,493,862**	4,783,679	1,230,597	**6,014,276**
▪ Bonds, bill and notes receivable acquired	3,715,303	744,939	**4,460,242**	4,778,714	1,023,019	**5,801,733**
▪ Originated loans	-	2,480	**2,480**	4,965	194,110	**199,075**
▪ Other financial receivables	-	31,140	**31,140**	-	13,468	**13,468**
Total loans and receivables:	**3,715,303**	**1,361,736**	**5,077,039**	**4,783,679**	**3,948,282**	**8,731,961**
Shares in subsidiaries	**22,974,566**	**72**	**22,974,638**	**22,587,091**	**217,877**	**22,804,968**
Financial assets at fair value through profit or loss	**-**	**1,143**	**1,143**	**-**	**-**	**-**
Available-for-sale financial assets, including:						
(i) Shares in entities not quoted on active markets	67,644	36,717	**104,361**	67,634	39,067	**106,701**
(ii) Shares quoted on active markets	-	-	**-**	2,329	-	**2,329**
Total available-for-sale financial assets:	**67,644**	**36,717**	**104,361**	**69,963**	**39,067**	**109,030**
Cash and cash equivalents	**-**	**1,272,270**	**1,272,270**	**-**	**1,020,823**	**1,020,823**

Condensed interim separate financial statements for the 3 and 9 month period ended September 30, 2012 prepared in accordance with IFRS (in PLN thousand)

13.1 Trade receivables

Trade receivables relate primarily to the sale of electricity and coal to related parties of the PGE Capital Group. As at September 30, 2012 the balance of three biggest customers, i.e. PGE Obrót S.A., PGE Górnictwo i Energetyka Konwencjonalna S.A. and PGE Dystrybucja S.A. constitute 85.5% of the balance of trade receivables.

13.2 Loans and receivables, including acquired bonds, bill and notes

As at September 30, 2012	Long-term	Short-term
Bonds issued by PGE Górnictwo i Energetyka Konwencjonalna S.A.	3,399,718	191,845
Bonds issued by PGE Energia Odnawialna S.A.	-	553,094
Bonds issued by Autostrada Wielkopolska S.A.	315,585	-
Loan granted to PGE Systemy S.A.	-	2,480
Loan granted to Vattenfall AB	-	31,029
Loan granted to PGE Inwest sp. z o.o.	-	111
Deposits	**3,715,303**	**778.559**

Bonds issued by PGE Górnictwo i Energetyka Konwencjonalna S.A.

PGE S.A. acquires bonds issued by companies of the PGE Capital Group. The funds obtained from issuing of bonds are used to finance investments, repay financial liabilities secured by assignment of long-term power and electricity sales agreements and to finance the current activities. The bonds bear interest based on WIBOR (1M, 3M, 6M) plus a margin.

Prepayment (loan) granted Vattenfall AB

In periods before the balance sheet date the Company made prepayments for transmission services to Vattenfall Aktiebolag („VAB"). These prepayments were related to an execution of Restructuring Agreement signed by PGE S.A. and VAB on May 28, 2003 and were associated with a purchase of SwePol Link AB shares as well as a construction and exploitation of a permanent electricity link between Polish and Swedish electric system. Taking into consideration the character of transactions mentioned above, a part of the prepayments made is presented as the cost of purchase of shares in an associate and the other part is presented as a loan in the financial statements prepared in accordance with IFRS. As at January 1, 2012 the value was amounted at PLN 188,992 thousand.

The prepayments were settled under the execution of the above mentioned agreement which terminated in 2010. During the reporting period the Company undertook proceedings in order to finalize the issue of prepayments remaining after the termination of the agreement with VAB. In August 2012, the interested parties have signed contracts and agreements, under which there has been a restructuring of the company SwePol Link AB and the settlement of outstanding accounts. As of September 30, 2012, the value of payments presented as a loan has been fully repaid.

Condensed interim separate financial statements for the 3 and 9 month period ended September 30, 2012 prepared in accordance with IFRS (in PLN thousand)

13.3 Shares in subsidiaries

As at September 30, 2012	Long-term	Short-term
Shares in subsidiaries		
PGE Górnictwo i Energetyka Konwencjonalna S.A.	14,482,982	-
PGE Obrót S.A.	6,653,224	-
PGE Dystrybucja S.A.	949,758	-
PGE Energia Odnawialna S.A.	323,616	-
Exatel S.A.	214,005	-
PGE Systemy S.A.	124,500	-
PGE Energia Jądrowa S.A.	113,500	-
PGE EJ 1 sp. z o.o.	54,390	-
PGE Gubin sp. z o.o.	25,452	-
PGE Dom Maklerski S.A.	16,501	-
PGE Trading GmbH	13,990	-
Electra Bohemia s.r.o./Czech Republic/	1,598	-
PGE Inwest sp. z o.o.	1,050	-
PGE Inwest sp. z o.o. II S.K.A. in liquidation	-	72
Total	**22,974,566**	**72**

On September 13, 2012 a request was made for removal of PGE Serwis sp. z o.o. from the National Court Register. Till the balance sheet date the company was not liquidated. The assets related to the investment in the entity are recognized in the position of the other short-term assets at September 30, 2012.

13.4 Shares in entities not quoted on active markets

As at September 30, 2012	Long-term	Short-term
Shares in jointly controlled entities		
Energopomiar Sp. z o.o.	3,134	-
Shares in associates		
Swe-Pol Link AB	-	36,717
Shares in other entities		
AWSA Holland II	64,500	-
Fundacja PGE Energia z serca	10	-
Total	**67,644**	**36,717**

In February 2012 the Company disposed shares of Towarowa Giełda Energii S.A. The gain realized on that transaction amounted to PLN 19,980 thousand. In April 2012 the Company disposed shares of Sygnity S.A.

Condensed interim separate financial statements for the 3 and 9 month period ended September 30, 2012 prepared in accordance with IFRS (in PLN thousand)

14 Share capital

	As at September 30, 2012	As at December 31, 2011
Number of Series A ordinary Shares with a nominal value of 10 PLN each	1,470,576,500	1,470,576,500
Number of Series B ordinary Shares with a nominal value of 10 PLN each	259,513,500	259,513,500
Number of Series C ordinary Shares with a nominal value of 10 PLN each	73,228,888	73,241,482
Number of Series D ordinary Shares with a nominal value of 10 PLN each	66,441,941	66,452,245
Total	**1,869,760,829**	**1,869,783,727**

All shares of the Company are paid up.

Redemption of Treasury shares

As a consequence of PGE S.A. merger with PGE Górnictwo i Energetyka S.A. and PGE Energia S.A. in 2010, PGE S.A. acquired 22,898 treasury shares for the amount of PLN 579 thousand. The value of each share was based on the valuation made for the purpose of merger. The acquisition of shares had a sole purpose of their redemption. On May 30, 2012 the General Meeting of Shareholders of PGE S.A. adopted a resolution on redemption of shares through decrease of the share capital. On June 23, 2012 the decrease of the share capital was registered in the National Court Register.

After balance sheet date of these financial statements no changes regarding the share capital of the Company occurred.

Ownership structure of the Company in the reporting period is presented below:

	State Treasury	Other Shareholders	Total
As at January 1, 2012	**69.29%**	**30.71%**	**100.00%**
As at September 30, 2012	**61.89%**	**38.11%**	**100.00%**

The ownership structure as at balance sheet dates was prepared on the basis of data available to the Company.

On February 29, 2012, the State Treasury sold shares of PGE S.A., constituting 7.01% of the share capital of the Company.

In accordance with a notification received from the State Treasury, in result of the above mentioned sale transaction the shareholding in the Company owned by the State Treasury amounts to 61.89%.

14.1 Earnings per share

Basic earnings per share shall be calculated by dividing profit or loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.
An entity shall calculate diluted earnings per share by dividing profit or loss attributable to ordinary equity holders of the Company (after deduction of interest on redeemable convertible preference shares) by the weighted average number of shares outstanding during the period (adjusted by the number of dilutive options or dilutive redeemable convertible preference shares).

Condensed interim separate financial statements for the 3 and 9 month period ended September 30, 2012 prepared in accordance with IFRS (in PLN thousand)

15 Dividends paid and dividends declared

	Dividends paid or declared from the profit for the period/ year ended		
	September 30, 2012	**December 31, 2011**	**December 31, 2010**
Cash dividends from ordinary Shares			
Dividend paid from retained earnings	-	3,421,662	1,215,345
Total cash dividends from ordinary shares	**-**	**3,421,662**	**1,215,345**
Cash dividends per share (in PLN)	-	1.83	0.65

Dividend from the profit for 2011

On May 30, 2012 the General Shareholders' Meeting of PGE S.A. adopted a resolution on distribution of the net profit for 2011 and decided to allocate:

- the amount of PLN 3,421,662 thousand, which is PLN 1.83 per share, as dividend payout,
- the amount of PLN 1,134,454 thousand to reserve capital.

The General Shareholders' Meeting set the dividend date on August 22, 2012 and the dividend payment date on September 6, 2012.

Dividend from the profit for the period ended September 30, 2012

During the reporting period and till the date of preparation of these financial statements the Company made no advance payments of dividends.

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16 Provisions

Period ended September 30, 2012	Post-employment benefits	Provisions for jubilee benefits	Provisions for third parties claims	Provisions for employee claims, including provisions for bonuses	Provisions for certificates of origin held for redemption	Other provisions	Total
As at January 1, 2012	**17,658**	**3,411**	**410,799**	**10,520**	**225**	**15,814**	**458,427**
Costs of present employment	710	362	-	--	-	-	1,072
Benefits paid	(1,487)	(593)	-	-	-	-	(2,080)
Costs of past employment	57	-	-	-	-	-	-
Interest costs	762	147	-	-	-	-	-
Created during the year	-	-	-	15,812	163	964	16,939
Reversed	-	-	(207,740)	-	(225)	(13,557)	(221,522)
Used	-	-	-	(14,347)	-	(1,190)	(15,537)
As at September 30, 2012	**17,700**	**3,327**	**203,059**	**11,985**	**163**	**2,031**	**238,265**
Short-term as at September 30, 2012	**1,523**	**841**	**203,059**	**11,985**	**163**	**2,031**	**219,602**
Long-term as at September 30, 2012	**16,177**	**2,486**	**-**	**-**	**-**	**-**	**18,663**

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Period ended December 31, 2011	Post-employment benefits	Provisions for jubilee benefits	Provisions for third parties claims	Provisions for employee claims, including provisions for bonuses	Provisions for certificates of origin held for redemption	Other provisions	Total
As at January 1, 2011	**20,303**	**3,458**	**350,054**	**8,066**	**-**	**14,159**	**396,040**
Costs of present employment	1,257	927	-	-	-	-	2,184
Actuarial gains and losses excluding discount rate adjustment	(2,412)	(473)	-	-	-	-	(2,885)
Benefits paid	(2,284)	(656)	-	-	-	-	(2,940)
Costs of past employment	76	-	-	-	-	-	76
Discount rate adjustment	(397)	(43)	-	-	-	-	(440)
Interest costs	1,115	198	17,361	-	-	-	18,674
Created during the year	-	-	43,384	19,273	225	3,356	66,238
Reversed	-	-	-	(1,579)	-	(1,270)	(2,849)
Used	-	-	-	(15,240)	-	(431)	(15,671)
As at December 31, 2011	**17,658**	**3,411**	**410,799**	**10,520**	**225**	**15,814**	**458,427**
Short-term as at December 31, 2011	**1,480**	**805**	**410,799**	**10,520**	**225**	**15,814**	**439,643**
Long-term as at December 31, 2011	**16,178**	**2,606**	**-**	**-**	**-**	**-**	**18,784**

16.1 Provisions for post employments benefits and jubilee benefits

The amount of provisions disclosed in the financial statements results from the forecast valuation prepared by the independent actuary.

According to the corporate system of remuneration the employees of the Company are entitled to jubilee awards. These awards are paid after an employee has worked a specified period of time. The amount of awards paid depends on the period of employment and the average remuneration of the employee. The entity recognizes a provision for future obligations relevant to jubilee awards in order to assign costs to the periods they refer to. The value of the provision for jubilee benefits recognized in the financial statements is based on the forecast valuation prepared by an independent actuary.

16.2 Provisions for third-party claims

Provision for dispute related to the contract with ATEL (Alpiq Holding AG)

Company revised the provision for the contractual claim from ATEL (presently Alpiq Holding (AG).The dispute is described in Note 17.2 of these financial statements.

Provision for claims relating to damage resulted from the failure of the CSTE system

The Company raised a provision for claims from contractors relating to damage resulted from the failure of the CSTE (Central System of Trading Electricity), which is provided to PGE Group companies. As at September 30, 2012 the provision amounted to PLN 2,467 thousand.

16.3 Provisions for employee bonuses and other benefits

The Company raised provisions for remuneration including annual and quarterly bonuses for employees and others employed under civil law contracts for management, to which rights were obtained as at September 30, 2012. Bonus entitlements result from remuneration regulations and contracts of employment.

16.4 Provision for energy origin units held for redemption

The Company creates provision for the amount of certificates of energy origin related to sales in the current or previous periods, in amount of certificates not redeemed till the balance sheet date. In accordance with applicable regulations it is necessary to create a provision, which results from the obligation to redeem the certificates of energy origin and specific replacement fee for them.

16.5 Other provisions

Provisions for unused holiday
The provision for unused holiday is raised in the amount of the future remuneration associated with unused holiday leaves, to which employees has acquired the right in the past year and in previous years.

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17 Legal claims and contingent liabilities and receivables

17.1 Contingent liabilities

Contingent liabilities	As at September 30, 2012	As at December 31, 2011
Collaterals for repayment of bank guarantees granted	16,071	16,617
Other contingent liabilities	-	-
Total contingent liabilities	**16,071**	**16,617**

Surety for the obligations of Electra Deutschland

PGE Polska Grupa Energetyczna S.A. provided a surety for repayment of bank guarantees for the obligations of Electra Deutschland GmbH to foreign third parties. The liability of the Company as at September 30, 2012 is limited to a total amount of PLN 17,655 thousand. The guarantees expire in the period 2013-2015.

17.2 Legal and court issues

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

Since 2009 PGE Polska Grupa Energetyczna S.A. is a party to arbitration proceedings with the company Atel. The proceeding is held before the Court of Arbitration in Vienna. The subject of the arbitration proceeding is the claim of Atel, raised against PGE, resulting from the default on a electricity supply agreement signed on October 28, 1997. Claims submitted by Atel in a supplemented (rephrased) lawsuit from October 4, 2010 amount to EUR 155 million. The arbitration proceeding is held in written form and were based on the exchange of pleadings between the parties and presentation of written statements of witnesses, experts and the parties as evidence to the Tribunal.

On the basis of available information, to the best of its knowledge, PGE S.A. made a reasonable estimation of claims which are likely to be reasonably considered justified by the Arbitration Tribunal. The Company established a provision for the claim thus estimated, in the amount exceeding EUR 94 million (including the main amount of EUR 79 million).

On September 12, 2012, the Arbitration Tribunal issued a final judgment in this case and obliged PGE to pay to Atel more than EUR 43 million plus the interest due. After the verdict issue date and receipt date of the verdict the Company reversed the provisions created. As at September 30, 2012 the Company recognizes above amount plus lawyers' remuneration in the provisions line.

17.3 Other contingent liabilities

Promise referring to ensure financing of new investments in Group companies

Due to planned strategic investments in PGE Group companies, the Company committed in the form of promise to group companies, to ensure financing of planned investments. The promises relate to specific investments and may be used only for such purposes. As at September 30, 2012 the estimated value of the promise amounts to PLN 15.2 billion.

Employee claims

There are claims against the Company filed by former employees, who demand re-employment or compensation. In principle, the compensation amounts up to the value of a year remuneration. Taking into consideration the nature of disputes, it is considered that the amount of claims is immaterial for the Company.

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17.4 Contingent receivables and other contingent assets

As at September 30, 2012, the Company did not report any material contingent receivables.

Excise tax reimbursement

During 2009, the Company filed a motion related to an excess payment of excise tax on imports and Intra-Community purchase of electric energy during the period from January 2006 to February 2009. The Company argues that the excess payment results from discrepancies between the Polish and Community law. As at the preparation date of these financial statements this issue has not been finally resolved. The total claim amounts to PLN 54 million plus interest.

Subsidy from PAED

In May 2011, an agreement was signed with the Polish Agency for Enterprise Development ("PAED") for co-financing of a training and consultancy project for PGE Group employees. During 2012-2013, the Company expects to receive about PLN 5,434 thousand in subsidies. The value of subsidies may be reduced or be subject to refund if there is non-compliance with the requirements strictly prescribed by the agreement. The Agreement for the PAED is secured by a bill of exchange submitted by the Company and certified by a notary public, for an amount of PLN 6,684 thousand.

18 Financial liabilities

Financial liabilities at amortized cost (as at September 30, 2012)	Long-term	Short-term	Total
Trade liabilities	-	345,952	345,952
Other financial liabilities	-	4,661	4,661
Total	**-**	**350,613**	**350,613**

Cash flows from bonds issued by the Company were as follows:

	9 months ended September 30, 2012	9 months ended September 30, 2011
Issue	-	5,053,001
Buy-out	-	5,937,650

During 2012 PGE Polska Grupa Energetyczna S.A. held a possibility to issue bonds within 3 programmes: the programme addressed to external investors for the maximum amount of PLN 10 billion, the programme addressed to Polish capital market investors for the maximum amount of PLN 5 billion and the programme addressed to PGE Group companies for the maximum amount of PLN 5 billion.

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19 Information on related parties

Transactions with related entities are concluded using current market prices for provided goods, products and services or are based on the cost of manufacturing.

19.1 Subsidiaries in the PGE Capital Group

	Sales to subsidiaries	Purchases from subsidiaries	Trade receivables from subsidiaries	Trade liabilities towards subsidiaries
01.01.-30.09.2012	6,801,298	1,033,240	513,413	68,321
01.01.-30.09.2011	7,073,952	1,002,123	494,330	60,548

Sales to subsidiaries in the PGE Capital Group relates mainly to coal and electricity. Purchases from subsidiaries in the PGE Capital Group relates mainly to electricity.

Moreover, as at September 30, 2012 the Company owned bonds issued by subsidiaries disclosed as loans and receivables of a carrying value of PLN 4,144,657 thousand.

19.2 Associates

	Sales to associates	Purchases from associates	Trade receivables from associates	Trade liabilities towards associates
01.01.-30.09.2012	-	-	-	-
01.01.-30.09.2011	55	271	30	5

19.3 Transactions with State Treasury entities

The State Treasury is the dominant shareholder of PGE Polska Grupa Energetyczna S.A. and as a result in accordance with IAS 24 *Related Party Disclosures*, State Treasury companies are recognized as related entities. The Company identifies in detail transactions with almost 40 of the biggest State Treasury related companies. The total value of transactions with such entities is presented in the table below.

	Sale to State Treasury entities	Purchases from State Treasury entities	Trade receivables from State Treasury entities	Trade liabilities towards State Treasury entities
01.01.-30.09.2012	358,346	1,212,236	44,370	170,576
01.01.-30.09.2011	98,315	1,532,296	14,362	156,046

The most important transactions with State Treasury entities refer to transactions on the electricity market with PSE Operator S.A. and purchase of coal from Polish mines. Furthermore, the Company made significant transactions on the energy market through the Towarowa Giełda Energii S.A. Due to the fact that this entity only deals with the organization of trading, purchases and sales through it are not treated as transactions with related parties.

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19.4 Key management personnel remuneration

The key management comprises of the Management Board and Supervisory Board of PGE Polska Grupa Energetyczna S.A.

	9 months ended September 30, 2012	9 months ended September 30, 2011
Remuneration to Management Board and Supervisory Board Members	5,342	1,451
Post-employment benefits	851	345
Total remuneration paid to key management	**6,193**	**1,796**

	9 months ended September 30, 2012	9 months ended September 30, 2011
Management Board	5,941	1,516
Supervisory Board	252	280
Total	**6,193**	**1,796**

The above data present remuneration costs paid to key management recognized in the reporting period. For the period ended September 30, 2012 remuneration costs include also an appropriate part of provisions for bonuses, to which the management members are entitled on the basis of the contracts signed. The final amount of bonuses and premiums will depend, among others, on the results generated by the Company and PGE Capital Group.

Increase in remuneration paid to key management during period ended September 30, 2012 compared to prior year resulted from changes in remuneration structure. In prior period the members of the Company's Management Board were also acting as members of the Management Board in other companies of PGE Capital Group and were entitled to remuneration in those companies. In current period the Company's Management Board Members did not sit on the subsidiaries' Management Boards.

Members of the Management Board are employed on the basis of civil law contracts for management (Management contracts). The mentioned remuneration is included in other costs by type in the statement of comprehensive income.

20 Significant events during the reporting period and subsequent events

20.1 Framework agreement on the exploration for and extraction of shale gas

On 4 July 2012 PGE S.A signed a framework agreement on the exploration for and extraction of shale gas. The parties to the Agreement are PGE Polska Grupa Energetyczna S.A., Polskie Górnictwo Naftowe i Gazownictwo S.A. ("PGNiG"), ENEA S.A., KGHM Polska Miedź S.A. and TAURON Polska Energia S.A.

The subject of cooperation of the Parties based on the Agreement will be the exploration, evaluation and extraction of shale gas in geological formations for which concessions have been granted for the exploration and evaluation of deposits of crude oil and natural gas in relation to the Wejherowo concession held by PGNiG (the "Wejherowo Concession"). With respect to the Wejherowo Concession, there will be close cooperation involving an area of approximately 160 km2. The Agreement also provides for preferential treatment of the Parties with regards to the possibility of cooperation in relation to the remaining area of the Wejherowo Concession (with the exception of a situation where PGNiG on its own engages in exploration, evaluation or extraction of shale gas and excluding the area in the vicinity of Opalino and Lubocino where PGNiG is already conducting exploratory work).

Estimated expenditures on exploration, evaluation and extraction with respect to the first three zones (the Kochanowo, Częstkowo and Tępcz pads) are projected to be in the amount of PLN 1.72 billion. Details regarding the terms of cooperation, including a detailed project budget and timeline, the shares of the parties in financing the expenditures arising from the agreed-on budget, shares in the project's profits and the principles of responsibility, including contractual penalties in the case of the failure, in particular by PGNiG, to fulfill certain obligations resulting from the agreement, will be determined by the parties by February 4, 2013 (in accordance with the annex to the agreement). Should such specific arrangements not be forthcoming, the agreement may be terminated by each of the parties. If within three months after reaching such arrangements the parties have not received all of the required corporate approvals, or if by December 31, 2013 (in accordance with the annex to the agreement) the required antimonopoly clearances have not been received, the Agreement will expire.

20.2 Signing of a Letter of Intent with KGHM Polska Miedź S.A., Tauron Polska Energia S.A. and ENEA S.A. on joint participation in preparation, construction and exploitation of the first Polish nuclear power plant

On September 5, 2012 Company signed a Letter of Intent regarding participation in preparation, construction and exploitation of the nuclear power plant. The parties of the Letter of Intent are: PGE Polska Grupa Energetyczna S.A., KGHM Polska Miedź S.A., Tauron Polska Energia S.A. and ENEA S.A.

On the grounds of the signed Letter of Intent the parties will cooperate in creating a draft sale-purchase agreement regarding shares in special purpose company PGE EJ1 sp. z o.o., which is directly responsible for preparation of the construction investment process and exploitation of the first Polish nuclear power plant. Draft agreement will comprise rights and liabilities of all the Parties while realization of the Project, on the assumption that PGE will take a leading position in the Project, directly or indirectly through its subsidiary.

Letter of Intent is valid until December 31, 2012 with a possibility of prolongation for a quarter of a year, shall all Parties agree to do so.

20.3 Issues regarding Agreement to acquire Shares of Energa S.A.

On September 29, 2010, the Management Board of PGE Polska Grupa Energetyczna S.A. concluded with the State Treasury, represented by the Minister of the State Treasury, agreement on sales of shares of Energa S.A., seated in Gdańsk. The subject of the agreement was to acquire 4,183,285,468 shares of Energa S.A. representing 84.19% of its share capital. The purchase price of all shares representing 84.19% of share capital of this company was PLN 7,530 million.

Effectiveness of the transaction was subject to obtaining consent of the President of the Antimonopoly Office for the concentration (condition precedent). On January 13, 2011 the President of Office of Competition and Consumer Protection (“UOKiK”) issued decision, prohibiting the purchase of Energa

S.A. shares by PGE Polska Grupa Energetyczna S.A. In connection with the above, on January 18, 2011 PGE S.A. executed with the State Treasury represented by the Minister of Treasury an annex to the agreement. In the annex, termination date of the agreement has been set for 12 months since the date of the agreement, while PGE S.A. and the State Treasury decided to suspend the course of termination date of the agreement until the date of the legally valid conclusion of the appeal proceeding against the decision of the President of the UOKiK.

On January 28, 2011 the appeal was submitted to the District Court in Warsaw, Court of Competition and Consumer Protection ("CCCP"), by the agency of President of UOKiK. PGE S.A. submitted the appeal against the decision of President of UOKiK. PGE S.A. appealed for the change of the decision in whole and verdict allowing for the concentration of PGE S.A. and Energa S.A., or alternatively for abolition of the decision.

On May 14, 2012 the Regional Court in Warsaw – the Court of Competition and Consumer Protection, passed a judgement that dismissed the appeal made by PGE Polska Grupa Energetyczna S.A. against the decision of the President of UOKiK of January 13, 2011, prohibiting the execution of the concentration involving the taking control over Energa S.A. by PGE Polska Grupa Energetyczna S.A. claiming that there are no grounds to acknowledge the said appeal. The Company did not appeal against that decision and as a result verdict became final and valid on June 12, 2012 and the agreement was terminated.

Accordingly, PGE S.A. applied to the head of the First Mazowiecki Tax Office for the amount PLN 75 million of paid tax on civil law transactions for the conclusion of the contract. The tax was refunded on July 18, 2012.

Warsaw, November 13, 2012

Signatures of the Members of the Board of PGE Polska Grupa Energetyczna S.A.