PGE Polska Grupa Energetyczna S.A. Capital Group

Condensed interim consolidated financial statements prepared in accordance with IFRS for the 3-month period and 9-month period ended September 30, 2012.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	3 months ended September 30, 2012 (not audited)	9 months ended September 30, 2012 (not audited)	3 months ended September 30, 2011 (not audited) (data restated*)	9 months ended September 30, 2011 (not audited) (data restated*)
CONSOLIDATED COMPREHENSIVE INCOME					
Continuing operations					
Total sales revenues	**10**	**6,946,139**	**21,897,072**	**6,945,617**	**20,860,949**
Costs of goods sold	**10**	(5,302,074)	(16,178,933)	(5,070,421)	(15,149,789)
Gross profit on sales		**1,644,065**	**5,718,139**	**1,875,196**	**5,711,160**
Other operating revenues	**10**	221,646	593,886	65,188	183,345
Distribution and selling expenses		(366,582)	(1,202,663)	(407,775)	(1,213,165)
General and administrative expenses		(168,986)	(528,273)	(192,856)	(555,874)
Other operating expenses	**10**	(75,138)	(222,372)	(110,194)	(235,152)
Profit from operations		**1,255,005**	**4,358,717**	**1,229,559**	**3,890,314**
Financial revenues	**10**	212,417	514,168	91,888	218,059
Financial expenses	**10**	(76,275)	(255,487)	(170,658)	(354,728)
Share of profit of associate		(17,238)	(13,801)	5,990	174,403
Profit before tax		**1,373,909**	**4,603,597**	**1,156,779**	**3,928,048**
Corporate income tax	**12**	(226,637)	(931,807)	(280,883)	(793,593)
Net profit from continuing operations		**1,147,272**	**3,671,790**	**875,896**	**3,134,455**
Discontinued operations	**25**				
Profit for the period on discontinued operations		(142)	(291)	274	1,286
Net profit for the operating period		**1,147,130**	**3,671,499**	**876,170**	**3,135,741**
OTHER COMPREHENSIVE INCOME					
Valuation of available-for-sale financial assets		-	777	(1,218)	75
Foreign exchange differences from translation of foreign entities		(797)	(1,996)	4,452	4,320
Other comprehensive income for the period, net		**(797)**	**(1,219)**	**3,234**	**4,395**
TOTAL COMPREHENSIVE INCOME		**1,146,333**	**3,670,280**	**879,404**	**3,140,136**
Net profit attributable to:					
- equity holders of the parent company		1,136,762	3,631,219	853,615	3,072,405
- non-controlling interest		10,368	40,280	22,555	63,336
Total comprehensive income attributable to:					
- equity holders of the parent company		1,135,965	3,630,000	856,849	3,076,800
- non-controlling interest		10,368	40,280	22,555	63,336
Earnings per share (in PLN)					
– basic earnings per share for the period		0.61	1.94	0.45	1.64
– basic earnings from the continuing operations		0.61	1.94	0.45	1.64

* For details on comparative data restatement please refer to Note 6 of these financial statements

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at September 30, 2012 (not audited)	As at December 31, 2011 (audited) *(data restated)*	As at September 30, 2011 (not audited) *(data restated)**
ASSETS				
Non-current assets				
Property, plant and equipment		43,811,979	42,974,819	42,134,492
Investment property		30,435	33,286	23,147
Intangible assets		379,601	216,921	188,670
Loans and receivables		323,716	323,473	454,419
Available-for-sale financial assets		97,784	100,751	141,242
Shares in associates accounted for under the equity method		40,670	55,062	67,489
Other long-term assets		560,840	440,157	330,191
Deferred tax asset	**13**	328,299	296,387	287,244
Non-current assets related to discontinued operations		26,525	4,077	4,493
Total non-current assets		**45,599,849**	**44,444,933**	**43,631,387**
Currents assets				
Inventories		1,832,832	1,305,327	1,356,205
Emission rights	**14**	2,554,627	3,366,988	3,158,211
Income tax receivables		3,783	31,920	2,398
Short-term financial assets at fair value through profit or loss		1,143	-	-
Trade receivables		1,846,907	1,767,739	1,639,469
Other loans and financial assets		252,147	2,784,000	927,724
Available-for-sale short-term financial assets		4,132	8,432	9,592
Other current assets		926,825	947,056	857,988
Cash and cash equivalents		4,824,328	4,052,238	2,368,700
Assets classified as held-for-sale		7,274	33,067	1,348,282
Currents assets related to discontinued operations		10,874	20,931	11,481
Total current assets		**12,264,872**	**14,317,698**	**11,680,050**
TOTAL ASSETS		**57,864,721**	**58,762,631**	**55,311,437**

* For details on comparative data restatement please refer to Note 6 of these financial statements.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

LIABILITIES AND EQUITY	Note	As at September 30, 2012 (not audited)	As at December 31, 2011 (audited) *(data restated)*	As at September 30, 2011 (not audited) *(data restated)**
Equity				
Share capital	15	18,697,608	18,697,837	18,697,837
Revaluation reserve		-	(777)	(1,006)
Treasury shares		-	(229)	(229)
Foreign exchange differences from translation of foreign entities		4,296	6,292	5,265
Reserve capital		9,687,596	8,553,143	8,553,143
Other capital reserves		49,779	49,779	49,779
Retained earnings		12,585,959	13,452,823	11,513,246
Non-controlling interest		338,383	414,392	630,943
Total equity		**41,363,621**	**41,173,260**	**39,448,978**
Long-term liabilities				
Interest-bearing loans and borrowings, bonds and lease	20	1,144,205	1,341,351	1,489,247
Other long-term liabilities	20	20,961	17,864	8,819
Provisions	17	3,307,112	3,216,279	3,088,273
Deferred tax liability	13	1,604,191	1,384,507	1,478,919
Deferred income and government grants	18	1,279,203	1,255,298	1,250,319
Long-term liabilities related to discontinued operations		6,591	667	1,010
Total long-term liabilities		**7,362,263**	**7,215,966**	**7,316,587**
Short-term liabilities				
Trade liabilities	20	951,224	1,117,172	781,627
Financial liabilities at fair value through profit or loss		42,965	48,093	52,559
Interest-bearing loans, borrowings, bonds and lease	20	488,255	697,661	883,025
Other short-term financial liabilities	20	2,029,032	1,826,613	687,949
Other short-term non-financial liabilities		1,458,962	1,499,755	1,347,880
Income tax liabilities		346,692	414,618	112,009
Deferred income and government grants	18	564,099	117,117	822,694
Short-term provisions	17	3,248,401	4,634,462	3,850,257
Short-term liabilities related to discontinued operations		9,207	17,914	7,872
Total short-term liabilities		**9,138,837**	**10,373,405**	**8,545,872**
Total liabilities		**16,501,100**	**17,589,371**	**15,862,459**
TOTAL LIABILITIES AND EQUITY		**57,864,721**	**58,762,631**	**55,311,437**

* For details on comparative data restatement please refer to Note 6 of these financial statements.

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

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

for the period ended September 30, 2012

(not audited)	Share capital	Revaluation reserve	Treasury shares	Foreign exchange differences from translation	Reserve capital	Other capital reserves	Retained earnings	Total	Non-controlling interest	Total equity
As at January 1, 2012	**18,697,837**	**(777)**	**(229)**	**6,292**	**8,553,143**	**49,779**	**13,452,823**	**40,758,868**	**414,392**	**41,173,260**
Total comprehensive income for the period	**-**	***777***	**-**	***(1,996)***	**-**	**-**	***3,631,219***	***3,630,000***	***40,280***	***3,670,280***
Retained earnings distribution	-	-	-	-	1,134,453	-	(1,134,453)	**-**	**-**	**-**
Dividend	-	-	-	-	-	-	(3,421,662)	**(3,421,662)**	**(935)**	**(3,422,597)**
Purchase of new companies	-	-	-	-	-	-	-	**-**	**19,757**	**19,757**
Redemption of Treasury shares	**(229)**	-	229	-	-	-	-	**-**	**-**	**-**
Adjustment of purchase cost of stock in subsidiaries	-	-	-	-	-	-	(1,885)	**(1,885)**	**-**	**(1,885)**
Settlement of purchase of additional stock in subsidiaries:	-	-	-	-	-	-	22,587	**22,587**	**(97,781)**	**(75,194)**
Value of the purchased non-controlling interest	-	-	-	-	-	-	*97,781*	***97,781***	***(97,781)***	**-**
The acquisition cost of shares and stocks in subsidiaries	-	-	-	-	-	-	*(75,194)*	***(75,194)***	**-**	***(75,194)***
Change of shares in result of mergers of companies within the Capital Group	-	-	-	-	-	-	37,330	**37,330**	**(37,330)**	**-**
As at September 30, 2012	**18,697,608**	**-**	**-**	**4,296**	**9,687,596**	**49,779**	**12,585,959**	**41,025,238**	**338,383**	**41,363,621**

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

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

for the period ended December 31, 2011

(audited) *(data restated)*	Share capital	Revaluation reserve	Treasury shares	Foreign exchange differences from translation	Reserve capital	Other capital reserves	Retained earnings	Total	Non-controlling interest	Total equity
As at January 1, 2011	**18,697,837**	**(1,081)**	**(229)**	**945**	**6,727,589**	**49,779**	**11,483,867**	**36,958,707**	**595,958**	**37,554,665**
Total comprehensive income for the period	**-**	***304***	**-**	***5,347***	**-**	**-**	***4,936,095***	***4,941,746***	***36,519***	***4,978,265***
Retained earnings distribution	-	-	-	-	1,825,554	-	(1,825,554)	**-**	**-**	**-**
Dividend	-	-	-	-	-	-	(1,215,780)	**(1,215,780)**	(26,904)	**(1,242,684)**
Purchase of new companies	-	-	-	-	-	-	-	**-**	(8,676)	**(8,676)**
Sale of subsidiaries	-	-	-	-	-	-	-	**-**	(1)	**(1)**
Settlement of purchase of additional stock in subsidiaries:	-	-	-	-	-	-	77,321	**77,321**	(182,472)	**(105,151)**
Value of the purchased non-controlling interest	-	-	-	-	-	-	*182,472*	***182,472***	*(182,472)*	**-**
The acquisition cost of shares and stocks in subsidiaries	-	-	-	-	-	-	*(105,151)*	***(105,151)***	-	***(105,151)***
Acquisition of new companies in result of mergers of subsidiaries	-	-	-	-	-	-	(3,126)	**(3,126)**	(32)	**(3,158)**
As at December 31, 2011	**18,697,837**	**(777)**	**(229)**	**6,292**	**8,553,143**	**49,779**	**13,452,823**	**40,758,868**	**414,392**	**41,173,260**

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

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

for the period ended September 30, 2011

(not audited) *(data restated)**	Share capital	Revaluation reserve	Treasury shares	Foreign exchange differences from translation	Reserve capital	Other capital reserves	Retained earnings	Total	Non-controlling interest	Total equity
As at January 1, 2011	**18,697,837**	**(1,081)**	**(229)**	**945**	**6,727,589**	**49,779**	**11,483,867**	**36,958,707**	**595,958**	**37,554,665**
Total comprehensive income for the period	**-**	***75***	**-**	***4,320***	**-**	**-**	***3,072,405***	***3,076,800***	**63,336**	***3,140,136***
Retained earnings distribution	-	-	-	-	1,825,554	-	(1,825,554)	**-**	-	**-**
Dividend	-	-	-	-	-	-	(1,215,780)	**(1,215,780)**	(27,855)	**(1,243,635)**
Settlement of purchase of additional stock in subsidiaries:	-	-	-	-	-	-	(1,558)	**(1,558)**	(464)	**(2,022)**
Value of the purchased non-controlling interest	-	-	-	-	-	-	*464*	***464***	*(464)*	**-**
The acquisition cost of shares and stocks in subsidiaries	-	-	-	-	-	-	*(2,022)*	***(2,022)***	-	***(2,022)***
Acquisition of new companies in result of mergers of subsidiaries	-	-	-	-	-	-	(134)	**(134)**	(32)	**(166)**
As at September 30, 2011	**18,697,837**	**(1,006)**	**(229)**	**5,265**	**8,553,143**	**49,779**	**11,513,246**	**38,818,035**	**630,943**	**39,448,978**

* For details on comparative data restatement please refer to Note 6 of these financial statements

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Period ended September 30, 2012 (not audited)	Period ended September 30, 2011 (not audited) *(data restated)**
Cash flow from operating activities		
Profit before tax related to discontinued operations	**(446)**	**1,633**
Profit before tax related to continuing operations	**4,603,597**	**3,928,048**
Adjustments for:		
Share of profit from associates accounted for under the equity method	13,801	(174,403)
Depreciation and amortization	2,162,288	1,975,117
Interest and dividend, net	(22,866)	31,795
Profit / loss on investment activities	(24,123)	(4,401)
Change in receivables	167,026	(139,122)
Change in inventories	(527,417)	(265,656)
Change in liabilities, excluding loans and bank credits	267,560	(139,915)
Change in other non-financial assets, prepayments and accruals, and emission rights	1,119,168	222,554
Change in provisions	(1,303,550)	(354,730)
Income tax paid	(781,617)	(588,515)
Other	(92,337)	63,571
Net cash from operating activities	**5,581,084**	**4,555,976**
Cash flow from investing activities		
Disposal of property, plant and equipment and intangible assets	23,697	30,753
Purchase of property, plant and equipment and intangible assets	(3,197,371)	(3,247,501)
Purchase/ disposal of investment property	1,097	-
Disposal of financial assets	2,159,038	25,223
Purchase of financial assets and increase in share capital in Group companies	(46,042)	(88,417)
Purchase/ disposal of subsidiaries after deduction of acquired cash	209,056	(10,605)
Dividends received	3,867	229,111
Interest received	35,976	22,410
Loans repaid	191,587	268
Loans granted	(261,889)	(706)
Other	35,815	(1,308)
Net cash from investing activities	**(845,169)**	**(3,040,772)**

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

	Period ended September 30, 2012 (not audited)	Period ended September 30, 2011 (not audited) *(data restated)**
Cash flow from financing activities		
Proceeds from issue of shares taken up by the shareholders/ non-controlling interest	11,000	-
Proceeds from bank credits and issue of bonds	195,976	1,442,013
Repayment of bank credits, bonds and finance lease	(773,489)	(1,946,800)
Dividends paid (including payment from the profit to the State Treasury)	(3,482,998)	(1,330,711)
Interest paid	(49,873)	(71,229)
Dividend return from non-controlling shareholders	148,260	-
Other	2,887	11,799
Net cash flow from financing activities	**(3,948,237)**	**(1,894,928)**
Net change of cash and cash equivalents	**787,678**	**(379,724)**
Effect of foreign exchange rate changes	(13,167)	16,128
Cash and cash equivalents at the beginning of the period	**4,040,902**	**2,736,858**
Cash and cash equivalents at the end of the period, including	**4,828,580**	**2,357,134**
Restricted cash	393,274	172,329
Attributed to discontinued operations	1,517	4,240

* For details on comparative data restatement please refer to Note 6 of these financial statements.

EXPLANATORY NOTES

1. General information

PGE Polska Grupa Energetyczna S.A. Group ("Group", "Capital Group", "PGE Group") comprises the parent company PGE Polska Grupa Energetyczna S.A. and subsidiaries (described in Note 3).

PGE Polska Grupa Energetyczna S.A. ("parent company", the "Company", "PGE") was founded on the basis of the Notary Deed of August 2, 1990 and registered in the District Court in Warsaw, XVI Commercial Department on September 28, 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.

The parent company is seated in Warsaw at Mysia 2 Street.

As of the day of preparation of these consolidated financial statements, the Company is registered in the National Court Register of the District Court for the capital city of Warsaw, XII Commercial Department of the National Court Register, under no. KRS 0000059307

Core operations of the Group companies are as follows:

- production of electricity,
- distribution of electricity,
- wholesale trading and retail sale of electricity,
- production and distribution of heat,
- rendering of other services related to the above mentioned activities.

Business activities are conducted under appropriate concessions granted to particular Group entities.

The State Treasury is the major shareholder of the parent company.

The interim condensed consolidated financial statements of the Group comprise financial data for the period from January 1, 2012 to September 30, 2012 („financial statements", "consolidated financial statements").

2. The composition of the Management Board of the parent company

As at January 1, 2012 the composition of the Management Board of the parent company 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.

From January 1, 2012 until September 30, 2012, the following changes took place in the composition of the Management:

- On March 1, 2012 the Supervisory Board adopted a resolution on appointment of Mr. Krzysztof Kilian as President of the Management Board/Chief Executive Officer as from March 5, 2012;
- On March 1, 2012 the Supervisory Board adopted a resolution on appointment of Mrs. Bogusława Matuszewska as Vice-President of the Management Board as from March 5, 2012.
- On July 3, 2012 the Supervisory Board adopted a resolution to recall Mr. Paweł Skowroński, the member of the Management Board,
- On August 14, 2012 the Supervisory Board adopted a resolution on appointment of Mr. Paweł Smoleń to the Management Board as from October 1, 2012 and entrusting him the duties of Vice-President of the Management Board.

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

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

As it was described above, as from October 1, 2012 Mr. Paweł Smoleń has taken the position of Vice-President of the Management Board, and as a result the composition of the Management Board as at the date of preparation of the foregoing financial statements is as follows:

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

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

3. Structure of the Group

3.1. Entities included in the Group

During the reporting period, PGE Polska Grupa Energetyczna S.A. Group consisted of the enumerated below companies, consolidated directly and indirectly:

	Entity	Share of Group entities as at September 30, 2012	The entity holding shares as at September 30, 2012	Share of Group entities as at December 31, 2011	The entity holding shares as at December 31, 2011
	Segment: Wholesale Trading				
1.	PGE Polska Grupa Energetyczna S.A. *Warsaw*	The Parent Company of the Group			
2.	PGE Trading GmbH * *Germany*	100.00%	PGE Polska Grupa Energetyczna S.A.	100.00%	PGE Polska Grupa Energetyczna S.A.
	Segment: Conventional Generation				
3.	PGE Górnictwo i Energetyka Konwencjonalna S.A. *Bełchatów*	91.20%	PGE Polska Grupa Energetyczna S.A	91.04%	PGE Polska Grupa Energetyczna S.A
				7.88%	PGE Obrót S.A.
		7.37%	PGE Obrót S.A.	0.02%	PGE Energia Odnawialna S.A.
	PGE Elektrownia Opole S.A. *Bełchatów*	-	-	93.25%	PGE Polska Grupa Energetyczna S.A
4.	Przedsiębiorstwo Energetyki Cieplnej sp. z o.o. *Zgierz*	50.97%	PGE Górnictwo i Energetyka Konwencjonalna S.A.	50.97%	PGE Górnictwo i Energetyka Konwencjonalna S.A.
5.	Elektrownia Puławy sp. z o.o. *Puławy*	50.00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.	-	-
6.	PGE Gubin sp. z o.o.** *Sękowice*	100.00%	PGE Polska Grupa Energetyczna S.A.	100.00%	PGE Polska Grupa Energetyczna S.A.
	Segment: Renewable Energy				
7.	PGE Energia Odnawialna S.A. *Warsaw*	100.00%	PGE Polska Grupa Energetyczna S.A.	100.00%	PGE Polska Grupa Energetyczna S.A.
	Elektrownia Wiatrowa Kamieńsk sp. z o.o. *Kamieńsk*	-	-	100.00%	PGE Energia Odnawialna S.A.
8.	Elektrownia Wiatrowa Resko sp. z o.o. *Czymanowo*	100.00%	PGE Energia Odnawialna S.A.	100.00%	PGE Energia Odnawialna S.A.
9.	Biogazownia Łapy sp. z o.o. *Warsaw*	100.00%	PGE Energia Odnawialna S.A.	100.00%	PGE Energia Odnawialna S.A.
10.	Biogazownia Wożuczyn sp. z o.o. *Warsaw*	100.00%	PGE Energia Odnawialna S.A.	100.00%	PGE Energia Odnawialna S.A.
11.	Elektrownia Wiatrowa Turów sp. z o.o. *Warsaw*	100.00%	PGE Energia Odnawialna S.A.	100.00%	PGE Energia Odnawialna S.A.
12.	Elektrownia Wiatrowa Gniewino sp. z o.o. *Czymanowo*	100.00%	PGE Energia Odnawialna S.A.	100.00%	PGE Energia Odnawialna S.A.

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

	Entity	Share of Group entities as at September 30, 2012	The entity holding shares as at September 30, 2012	Share of Group entities as at December 31, 2011	The entity holding shares as at December 31, 2011
13.	Elektrownia Wiatrowa Baltica-1 sp. z o.o. *Warsaw*	94.94%	PGE Energia Odnawialna S.A.	95.00%	Elektrownia Wiatrowa Gniewino sp. z o.o.
		4.81%	Elektrownia Wiatrowa Gniewino sp. z o.o.	5.00%	Elektrownia Wiatrowa Resko sp. z o.o.
		0.25%	Elektrownia Wiatrowa Resko sp. z o.o.		
14.	Elektrownia Wiatrowa Baltica-2 sp. z o.o. *Warsaw*	94.94%	PGE Energia Odnawialna S.A.	95.00%	Elektrownia Wiatrowa Gniewino sp. z o.o.
		4.81%	Elektrownia Wiatrowa Gniewino sp. z o.o.	5.00%	Elektrownia Wiatrowa Resko sp. z o.o.
		0.25%	Elektrownia Wiatrowa Resko sp. z o.o.		
15.	Elektrownia Wiatrowa Baltica-3 sp. z o.o. *Warsaw*	96.33%	PGE Energia Odnawialna S.A.	95.00%	Elektrownia Wiatrowa Gniewino sp. z o.o.
		3.49%	Elektrownia Wiatrowa Gniewino sp. z o.o.	5.00%	Elektrownia Wiatrowa Resko sp. z o.o.
		0.18%	Elektrownia Wiatrowa Resko sp. z o.o.		
16.	BIO-ENERGIA S.A. *Warsaw*	100.00%	PGE Energia Odnawialna S.A.	100.00%	PGE Energia Odnawialna S.A.
17.	Pelplin sp. z o.o. *Warsaw*	100.00%	PGE Energia Odnawialna S.A.	-	-
	Segment: Distribution				
18.	PGE Dystrybucja S.A. *Lublin*	89.91%	PGE Obrót S.A.	89.91%	PGE Obrót S.A.
		10.07%	PGE Polska Grupa Energetyczna S.A.	10.05%	PGE Polska Grupa Energetyczna S.A.
	Segment: Retail Sale				
19.	PGE Obrót S.A. *Rzeszów*	99.55%	PGE Polska Grupa Energetyczna S.A.	99.31%	PGE Polska Grupa Energetyczna S.A.
	Segment: Other operations				
20.	EXATEL S.A. *Warsaw*	94.938%	PGE Polska Grupa Energetyczna S.A.	94.938%	PGE Polska Grupa Energetyczna S.A.
		0.537%	PGE Inwest sp. z o.o.	0.537%	PGE Inwest sp. z o.o.
		0.137%	PGE Obrót S.A.	0.137%	PGE Obrót S.A.
		0.001%	PGE Dystrybucja S.A.	0.001%	PGE Dystrybucja S.A.
21.	MEGA sp. z o.o. *Miłocin*	75.01%	PGE Energia Odnawialna S.A.	75.01%	PGE Energia Odnawialna S.A.
22.	ELBIS sp. z o.o. *Rogowiec*	100.00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.	100.00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.
23.	MEGAZEC sp. z o.o. *Bydgoszcz*	100.00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.	100.00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.
24.	„ELBEST” sp. z o.o. *Bełchatów*	91.31%	PGE Górnictwo i Energetyka Konwencjonalna S.A.	91.19%	PGE Górnictwo i Energetyka Konwencjonalna S.A.
		7.50%	PGE Dystrybucja S.A.	7.60%	PGE Dystrybucja S.A.
		1.11%	PGE Obrót S.A.	1.12%	PGE Obrót S.A.

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

	Entity	Share of Group entities as at September 30, 2012	The entity holding shares as at September 30, 2012	Share of Group entities as at December 31, 2011	The entity holding shares as at December 31, 2011
		0.09%	PGE Energia Odnawialna S.A.	0.09%	PGE Energia Odnawialna S.A.
25.	„Energoserwis – Kleszczów” sp. z o.o. *Kleszczów*	51.00%	ELBIS sp. z o.o.	51.00%	ELBIS sp. z o.o.
26.	MegaMed sp. z o.o.*** *Bełchatów*	100.00%	PGE Górnictwo i Energetyka Konwencjonalna S.A	97.40%	PGE Górnictwo i Energetyka Konwencjonalna S.A
				2.60%	PGE Elektrownia Opole S.A.
27.	„ELMEN” sp. z o.o. *Rogowiec*	100.00%	ELBIS sp. z o.o.	100.00%	ELBIS sp. z o.o.
28.	„EnBud” sp. z o.o. in liquidation *Czymanowo*	100.00%	PGE Energia Odnawialna S.A.	100.00%	PGE Energia Odnawialna S.A.
	Dychowskie Przedsiębiorstwo Eksploatacji Elektrowni „ELDEKS” sp. z o.o. *Dychów*	-	-	100.00%	PGE Energia Odnawialna S.A
29.	„ESP Usługi” sp. z o.o. in liquidation *Warsaw*	100.00%	PGE Energia Odnawialna S.A.	100.00%	PGE Energia Odnawialna S.A.
30.	Budownictwo Hydro-Energetyka - Dychów sp. z o. o *Dychów*	100.00%	PGE Energia Odnawialna S.A.	100.00%	PGE Energia Odnawialna S.A.
31.	Przedsiębiorstwo Usługowo-Produkcyjne „ELTUR-SERWIS” sp. z o.o. *Bogatynia*	100.00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.	100.00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.
32.	Przedsiębiorstwo Produkcji Sorbentów i Rekultywacji „ELTUR–WAPORE” sp. z o.o. *Bogatynia*	100.00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.	100.00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.
33.	Przedsiębiorstwo Usługowo-Produkcyjne „TOP SERWIS” sp. z o.o. *Bogatynia*	100.00%	Przedsiębiorstwo Usługowo-Produkcyjne ELTUR-SERWIS sp. z o.o.	100.00%	Przedsiębiorstwo Usługowo-Produkcyjne ELTUR-SERWIS sp. z o.o.
34.	ENESTA sp. z o.o. *Stalowa Wola*	84.85%	PGE Dystrybucja S.A.	84.85%	PGE Dystrybucja S.A.
		2.48%	PGE Górnictwo i Energetyka Konwencjonalna S.A.	2.48%	PGE Górnictwo i Energetyka Konwencjonalna S.A.
35.	NOM sp. z o.o. *Warsaw*	100.00%	EXATEL S.A.	100.00%	EXATEL S.A.
36.	ENERGO-TEL S.A. *Warsaw*	51.10%	EXATEL S.A.	51.10%	EXATEL S.A.
		48.90%	NOM sp. z o.o.	48.90%	NOM sp. z o.o.
37.	RAMB sp. z o.o. *Piaski*	100.00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.	100.00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.
38.	Przedsiębiorstwo Transportowo Sprzętowe „BETRANS” sp. z o.o. *Bełchatów*	98.65%	PGE Górnictwo i Energetyka Konwencjonalna S.A.	98.65%	PGE Górnictwo i Energetyka Konwencjonalna S.A.
		1.16%	PGE Dystrybucja S.A.	1.16%	PGE Dystrybucja S.A.
		0.17%	PGE Obrót S.A.	0.17%	PGE Obrót S.A.
		0.02%	PGE Energia Odnawialna S.A.	0.02%	PGE Energia Odnawialna S.A.
39.	Przedsiębiorstwo Wulkanizacji Taśm i Produkcji Wyrobów Gumowych BESTGUM	100.00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.	100.00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.

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	Entity	Share of Group entities as at September 30, 2012	The entity holding shares as at September 30, 2012	Share of Group entities as at December 31, 2011	The entity holding shares as at December 31, 2011
	POLSKA sp. z o.o. *Rogowiec*				
40.	ELECTRA Bohemia s.r.o. *Czech Republic*	100.00%	PGE Polska Grupa Energetyczna S.A.	100.00%	PGE Polska Grupa Energetyczna S.A.
41.	Przedsiębiorstwo Transportowo-Usługowe „ETRA” sp. z o.o. *Białystok*	100.00%	PGE Dystrybucja S.A	100.00%	PGE Dystrybucja S.A
42.	Przedsiębiorstwo Produkcyjno-Handlowe EKTO sp. z o.o. *Białystok*	100.00%	PGE Dystrybucja S.A.	100.00%	PGE Dystrybucja S.A.
43.	Energetyczne Systemy Pomiarowe sp. z o.o. *Białystok*	100.00%	PGE Dystrybucja S.A.	100.00%	PGE Dystrybucja S.A.
44.	„EPO” sp. z o.o. *Opole*	50.00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.	50.00%	PGE Elektrownia Opole S.A.
45.	Zakład Obsługi Energetyki sp. z o.o. *Zgierz*	100.00%	PGE Dystrybucja S.A.	100.00%	PGE Dystrybucja S.A.
46.	PGE Serwis sp. z o.o. in liquidation *Warsaw*	100.00%	PGE Polska Grupa Energetyczna S.A.	100.00%	PGE Polska Grupa Energetyczna S.A.
47.	PGE Systemy S.A. *Warsaw*	100.00%	PGE Polska Grupa Energetyczna S.A.	100.00%	PGE Polska Grupa Energetyczna S.A.
48.	PGE Inwest sp. z o.o. *Warsaw*	100.00%	PGE Polska Grupa Energetyczna S.A.	100.00%	PGE Polska Grupa Energetyczna S.A.
49.	PGE Inwest spółka z ograniczoną odpowiedzialnością II S.K.A. in liquidation *Warsaw*	100.00%	PGE Polska Grupa Energetyczna S.A.	100.00%	PGE Polska Grupa Energetyczna S.A.
50.	PGE Energia Jądrowa S.A. *Warsaw*	100.00%	PGE Polska Grupa Energetyczna S.A.	100.00%	PGE Polska Grupa Energetyczna S.A.
51.	PGE EJ 1 sp. z o.o. *Warsaw*	51.00% 49.00%	PGE Energia Jądrowa S.A. PGE Polska Grupa Energetyczna S.A.	51.00% 49.00%	PGE Energia Jądrowa S.A. PGE Polska Grupa Energetyczna S.A.
52.	PGE Dom Maklerski S.A. *Warsaw*	100.00%	PGE Polska Grupa Energetyczna S.A.	-	-

** until August 1, 2012 the name of the company was: ELECTRA Deutschland GmbH.*

*** until April 16, 2012 the name of the company was: PWE Gubin sp. z o.o. and had its registered office in Sękowice*

**** until July 10, 2012 the name of the company was: Niepubliczny Zakład Opieki Zdrowotnej „MegaMed” sp. z o.o.*

Changes in the structure of the PGE Group companies, which are subject to full consolidation, that took place during the period ended September 30, 2012 and until the preparation date of these statements are included in the table above and include inter alia following transformations:

- on January 2, 2012 the merger of PGE Energia Odnawialna S.A. (acquiring company) with Elektrownia Wiatrowa Kamieńsk sp. z o.o. and Dychowskie Przedsiębiorstwo Eksploatacji Elektrowni „ELDEKS” sp. z o.o. (acquired companies) was registered.
- on January 2, 2012 the division of Przedsiębiorstwo Transportowo Sprzętowe BETRANS sp. z o.o. and transfer of part of the assets to ELBEST sp. z o.o. was registered.
- on February 1, 2012 PGE Dom Maklerski S.A. (a brokerage house) was established. On April 19, 2012 the company was registered in the National Court Register.
- on March 12, 2012 merger of PGE Górnictwo i Energetyka Konwencjonalna S.A. and PGE Elektrownia Opole S.A. was registered. The impact of the merger on the equity structure of PGE Capital Group was described in Note 15.2 of these financial statements.

- on June 18, 2012 an agreement for purchase of shares in Elektrownia Puławy sp. z o.o. was signed. On the ground of the agreement PGE GiEK S.A. acquired 11,074 shares, what constitutes 50% of the share capital of Elektrownia Puławy sp. z o.o.
- on June 20, 2012 the Management Board of Przedsiębiorstwo Produkcyjno Handlowe EKTO sp. z o.o. with its registered office in Białystok filed a petition in bankruptcy with the possibility of composition with the District Court in Białystok. On July 6, 2012 the District Court in Białystok remitted the above proceedings. In connection with the above, the Management Board of the company filed a statement of initiation of the recovery proceeding with the District Court in Białystok on July 9, 2012.
- the liquidation process of ELECTRA Bohemia s.r.o. with its registered office in Czech Republic has started on July 6, 2012.
- on May 25, 2011 PGE Energia Odnawialna S.A. concluded a conditional agreement for purchase of 100% shares in Pelplin sp. z o.o. from Gamesa Energia S.A.U. with its registered office in Zamudio (Spain). The formal commissioning of the investment was the condition for closing of the transaction and transfer of ownership. Finally PGE Energia Odnawialna S.A. purchased Pelplin sp. z o.o. on August 2, 2012.
- on August 9, 2012 the increase of the capital shares of Elektrownia Wiatrowa Baltica-1 sp. z o.o., Elektrownia Wiatrowa Baltica-2 sp. z o.o. oraz Elektrownia Wiatrowa Baltica-3 sp. z o.o. was registered in the National Court Register As a result of the above, PGE Energia Odnawialna S.A. became a direct parent company of these companies. The transformation did not affect the equity attributable to the shareholders of PGE Polska Grupa Energetyczna S.A.

On September 28, 2011 PGE Energia Odnawialna S.A. concluded another conditional agreement for purchase of 100% shares in Żuromin sp. z o.o. from Gamesa Energia S.A.U. The transfer of ownership and taking control over the company by PGE Energia Odnawialna S.A. took place on October 15, 2012 – as a result Żuromin sp. z o.o. is not yet included in the composition of the PGE Capital Group as at September 30, 2012.

Moreover, on October 31, 2012 the merger of Elektrownia Wiatrowa Gniewino Sp. z o.o., Elektrownia Wiatrowa Turów Sp. z o.o. and Elektrownia Wiatrowa Resko Sp. z o.o. with PGE Energia Odnawialna S.A was registered. The transformation will not affect the equity attributable to the shareholders of PGE Polska Grupa Energetyczna S.A.

3.2. Settlement of purchase of new subsidiaries

Net assets of Pelplin sp. z o.o. amounted to PLN 6 million as at the purchase date and the purchase price amounted to PLN 116 million. The difference of PLN 110 million between the purchase price and value of identified net assets was recognized as the enterprise value in intangible assets line.

The purchase price of Elektrownia Puławy sp. z o.o. amounted to PLN 20 million. The PGE Capital Group have not yet recognized the value from settlement of purchase of that entity.

As at the preparation date of these statements the accounting settlement of the above transactions is not finished. According to IFRS 3 par. 45 the Capital Group should finish the accounting settlement within one year from the acquisition date.

4. The basis for the preparation of the financial statements

Statement of compliance

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

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.

With regards to financial reporting obligations resulting from listing of the parent company PGE Polska Grupa Energetyczna S.A., the Management Board decided to implement the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The first consolidated financial statement of the PGE Group comprising a statement of unconditional compliance with IFRS were the consolidated financial statements prepared for the year ended December 31, 2007.

The most significant entities of the Capital Group PGE Polska Grupa Energetyczna S.A. maintain their accounting books in accordance with the IFRS approved by the EU. PGE Trading GmbH and ELECTRA Bohemia s.r.o., seated in Germany and Czech Republic, maintain their accounting books in compliance with German and Czech reporting regulations respectively. The accounting books in other entities are maintained in accordance with the accounting policies (rules) specified in the Accounting Act dated September 29, 1994 ("the Accounting Act") and related bylaws, and other regulations published on their basis, therefore the consolidated financial statements includes adjustments which were not included in the books of Group entities. The purpose of these adjustments was to make the financial statements of these entities compliant with IFRS adopted by the EU.

5. Presentation currency

The presentation currency of the financial statement is Polish zloty („PLN"). All the amounts are stated in PLN thousand, unless stated 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

6. Changes in applied accounting policies and data presentation

During the reporting period ended December 31, 2011 the Group changed selected accounting principles relating to recognition of greenhouse gas emission allowances and presentation of selected positions of assets, liabilities, revenues and expenses. The changes were designed in order to give the most true and fair view of economic performance as well as assets and liabilities.

Changes in applied accounting principles relating to recognition of carbon dioxide emission rights and provision relating to gas emissions

In prior reporting periods PGE Group companies recognized European Union Allowances for carbon emission (EUA) received free of charge within the National Allowances Allocation Plan (NAAP) in zero value. In turn, the provision for liabilities relating to gas emissions included in the system of emission allowances was created, when the real emission and production plans showed a shortage of emission rights in the whole settlement period. Companies settled the shortage of emission rights on the basis of allowances allocation in the settlement period in accordance with the planned production and emission for the particular period.

In accordance with the updated accounting Policy the received free of charge EUA within the NAAP are evidenced at the beginning of the period, for which they were allocated, in the fair value as at first recognition. The EUA received free of charge are recognized in correspondence with deferred income. During the reporting period EUA are settled in equal instalments from the position of deferred income in correspondence with adequate positions of statement of comprehensive income. In turn, the provision for liabilities relating to the CO_2 emission is recorded in relation to total CO_2 emission. The cost of the provision in line with the settlement of EUA from the position of deferred income is presented in the statement of comprehensive income after compensation.

Moreover, the Capital Group changed the presentation of selected revenues and expenses – without influence on the net profit.

Therefore, the Group restated data presented in the consolidated statement of financial position, consolidated statement of comprehensive income, statement of changes in consolidated equity and consolidated statement of cash flows for the comparative period as at September 30, 2011 and for the period ended that date. The restatement is presented in the tables below. Information presented in the explanatory notes to these financial statements was restated accordingly.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Period ended September 30, 2011 *(published)*	Change in presenting revenues, expenses and adjustment of CO_2	Period ended September 30, 2011 *(data restated)*
Operating activities			
Sales of finished foods and merchandise with excise tax	*20,168,469*	-	*20,168,469*
Excise tax	*(337,566)*	-	*(337,566)*
Revenues from sale of products and merchandise	19,830,903	-	19,830,903
Revenues from services rendered	511,764	-	511,764
Revenues from lease	23,677	-	23,677
Revenues from LTC compensations	494,605	-	494,605
Total sales revenue	**20,860,949**	**-**	**20,860,949**
Costs of goods sold	(15,168,230)	18,441	(15,149,789)
Gross profit on sales	**5,692,719**	**18,441**	**5,711,160**
Other operating revenues	183,345	-	183,345
Distribution and selling expenses	(1,213,165)	-	(1,213,165)
General and administrative expenses	(555,874)	-	(555,874)
Other operating expenses	(235,152)	-	(235,152)
Profit from operations	**3,871,873**	**18,441**	**3,890,314**
Financial revenues	255,453	(37,394)	218,059
Financial expenses	(392,122)	37,394	(354,728)
Share of profit of associate	174,403	-	174,403
Profit before tax	**3,909,607**	**18,441**	**3,928,048**
Corporate income tax	(790,089)	(3,504)	(793,593)
Net profit from continuing operations		**14,937**	**3,134,455**
Discontinued operations			
Profit/ (loss) for the period on discontinued operations	1,286	-	1,286
Net profit for the operating period	**3,120,804**	**14,937**	**3,135,741**
Other comprehensive income for the period, net	**4,395**	-	**4,395**
TOTAL COMPREHENSIVE INCOME	**3,125,199**	**14,937**	**3,140,136**
Net profit attributable to:			
- equity holders of the parent company	3,057,662	14,743	3,072,405
- non-controlling interest	63,142	194	63,336
Total comprehensive income attributable to:			
- equity holders of the parent company	3,062,057	14,743	3,076,800
- non-controlling interest	63,142	194	63,336
Earnings per share (in PLN)			
- basic earnings per share for the period	1.64	-	1.64
- basic earnings from the continuing operations	1.64	-	1.64

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at September 30, 2011 *(published)*	Adjustment of CO_2	As at September 30, 2011 *(data restated)*
Current assets			
Inventories	1,356,205	-	1,356,205
Emission rights	-	3,158,211	3,158,211
Income tax receivables	2,398	-	2,398
Trade receivables	1,639,469	-	1,639,469
Other loans and financial assets	927,724	-	927,724
Available-for-sale short-term financial assets	9,592	-	9,592
Other current assets	1,212,569	(354,581)	857,988
Cash and cash equivalents	2,368,700	-	2,368,700
Assets classified as held for-sale	1,348,282	-	1,348,282
Current assets related to discontinued operations	11,481	-	11,481
Total current assets	**8,876,420**	**2,803,630**	**11,680,050**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	As at September 30, 2011 *(published)*	Adjustment of CO_2	As at September 30, 2011 *(data restated)*
Equity attributable to equity holders of the parent			
Share capital	18,697,837	-	18,697,837
Revaluation reserve	(1,006)	-	(1,006)
Treasury shares	(229)	-	(229)
Foreign exchange differences from translation of foreign entities	5,265	-	5,265
Reserve capital	8,553,143	-	8,553,143
Other capital reserves	49,779	-	49,779
Retained earnings	11,573,077	(59,831)	11,513,246
Non-controlling interest	633,610	(2,667)	630,943
Total equity	**39,511,476**	**(62,498)**	**39,448,978**
Long-term liabilities			
Interest-bearing bank credits, loans, bonds and lease	1,489,247	-	1,489,247
Other liabilities	8,819	-	8,819
Provisions	3,107,554	(19,281)	3,088,273
Deferred tax liabilities	1,493,579	(14,660)	1,478,919
Deferred income and government grants	1,250,319	-	1,250,319
Long-term liabilities related to discontinued operations	1,010	-	1,010
Total long-term liabilities	**7,350,528**	**(33,941)**	**7,316,587**
Short-term liabilities			
Trade liabilities	781,627	-	781,627
Financial liabilities at fair value through profit or loss	52,559	-	52,559
Interest-bearing loans, borrowings, bonds and lease	883,025	-	883,025
Other short-term financial liabilities	687,949	-	687,949
Other short-term non-financial liabilities	1,347,880	-	1,347,880
Income tax liabilities	112,009	-	112,009
Deferred income	100,397	722,297	822,694
Short-term provisions	1,672,485	2,177,772	3,850,257
Short-term liabilities related to discontinued operations	7,872	-	7,872
Total short-term liabilities	**5,645,803**	**2,900,069**	**8,545,872**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Period ended September 30, 2011 *(published)*	Adjustment of CO_2	Period ended September 30, 2011 *(data restated)*
Cash flow from operating activities			
Profit before tax related to discontinued operations	**1,633**	-	**1,633**
Profit before tax related to continuing operations	**3,909,607**	**18,441**	**3,928,048**
Adjustments for:			
Share of profit from associates accounted for under the equity method	(174,403)	-	(174,403)
Depreciation and amortization	1,975,117	-	1,975,117
Interest and dividend, net	31,795	-	31,795
Profit /loss on investment activities	(4,401)	-	(4,401)
Change in receivables	(139,122)	-	(139,122)
Change in inventories	(265,656)	-	(265,656)
Change in liabilities excluding loans and bank credits	(139,915)	-	(139,915)
Change in prepayments and accruals	(152,839)	375,393	222,554
Change in provisions	39,104	(393,834)	(354,730)
Income tax paid	(588,515)	**-**	(588,515)
Other	63,571	-	63,571
Net cash from operating activities	**4,555,976**	**-**	**4,555,976**

7. 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 Group 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 Group, 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 Group. If PGE Capital Group adopted the amended IAS 19 to prepare the consolidated financial statements for the year ended December 31, 2011, the consolidated gross profit would be lower by approximately PLN 63,227 thousand. The Group did not adjust actuarial assumptions in the foregoing financial statements.

New interpretation of IFRIC 20 unifies the recognition of stripping costs in the production phase of a surface mine. According to currently applied accounting policy the Group recognizes such costs in the statement of comprehensive income the moment the cost is incurred. If the Group's entities would fulfil the criteria presented in IFRIC 20, a part of the above mentioned costs would be recognized as asset and subsequently amortized. As at the date of preparation of these financial statements the Company is in the process of analysing the eventual impact of the interpretation on future financial statements.

Other standards, interpretations and their changes should have no significant impact on future financial statements of the PGE Capital Group.

8. Change of estimates

In the period covered by the consolidated financial statements, the following significant changes to estimates influencing the numbers presented in the consolidated financial statements took place:

- Provisions are liabilities of uncertain timing or amount. During the reporting period, the Group changed estimations regarding the basis and amounts of some provisions. Changes of estimations are presented in Note 17 of these financial statements.
- During the reporting period the Group updated the value of impairment allowances on financial and other assets. The changes are described in Note 10 and 11 of these financial statements.

9. Operating segments

The Group presents the business segments in accordance with IFRS 8 *Operating segments* for the current and comparative reporting period. The Group reporting is based on business segments:

- Conventional Energy includes exploration and mining of lignite and production of energy in the Group's power plants and heat and power plants;
- Renewable Energy includes generation of energy in pumped storage power plants and from renewable sources.
- Wholesale includes trade in electricity on the wholesale market, trading of emissions certificates and property rights related to energy origin units of ownership and fuel trading;
- Distribution includes management over local distribution networks and delivery of electricity with the use of these networks;
- Retail sale includes sale of electricity and rendering services to end users;

Organization and management over the Group is based on the division into segments, taking into account the nature of the products and services. Each segment represents a strategic business unit, offering different products and serving different markets. Assignment of particular entities to operating segments is described in Note 3 of these financial statements. Transactions between segments are settled within the Group as if they were concluded with third parties – under market conditions.

Seasonality of business segments

Atmospheric conditions cause seasonality of demand for electricity and heat, and have an impact on technical and economic conditions of their production, distribution and transmission, and thus influence the results obtained by the companies of PGE Group.

The level of electricity sales per year is variable and depends primarily on air temperature and day length. As a rule, lower air temperature in winter and shorter days cause the growth of electricity demand, while higher temperatures and longer days during the summer contribute to its decline. Moreover, seasonal changes are evident among selected groups of end users. Seasonality effects are more significant in particular for households than for the industrial sector.

Sales of heat depend in particular on air temperature and are higher in winter and lower in summer.

Changes in presenting business segments

Preparing the consolidated financial statements for the year ended December 31, 2011 the Group introduced changes in presenting results achieved by particular segments and assigned assets and liabilities. According to the new presentation policy consolidation adjustments recognized at the level of the Parent Company are not assigned to particular business segments but presented separately, and they reconcile segment values to consolidated values of the Group. The above mentioned change and updates to accounting policy are described in Note 6 of these financial statements and resulted in data restatement of comparatives.

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

Information on business segments

Period ended September 30, 2012	Segment: Conventional Generation	Segment: Renewable Energy	Segment: Wholesale	Segment: Distribution	Segment: Retail sale	Other activities	Consolidation adjustments	Total continued operations
Revenues								
Revenues from sales to external customers	9 847 350	409 521	830 747	881 614	9 263 708	636 201	27 931	21 897 072
Revenues from sales between segments	544 154	13 889	6 821 387	3 222 559	145 879	618 270	(11 366 138)	-
Total revenues from segments	**10 391 504**	**423 410**	**7 652 134**	**4 104 173**	**9 409 587**	**1 254 471**	**(11 338 207)**	**21 897 072**
Financial result								
EBIT *)	**2 866 960**	**100 783**	**434 205**	**858 034**	**93 992**	**9 621**	**(4 878)**	**4 358 717**
EBITDA **)	**4 146 192**	**205 222**	**448 823**	**1 557 305**	**100 580**	**91 210**	**(28 327)**	**6 521 005**
Net financial revenues (expenses)								258 681
Share of profit of associates								(13 801)
Profit (loss) before tax								**4 603 597**
Income tax								(931 807)
Net profit (loss) for the period								**3 671 790**
Assets and liabilities								
Assets of the segment excluding trade receivables	32 050 840	2 176 843	423 530	14 309 361	780 273	1 120 480	(764 188)	50 097 139
Trade receivables	301 110	49 525	601 196	400 176	1 233 380	293 539	(1 032 019)	1 846 907
Shares in associates								40 670
Unallocated assets								5 880 005
Total assets								**57 864 721**
Liabilities of the segment excluding trade liabilities	7 968 018	135 934	387 102	1 395 624	1 718 146	364 932	(19 021)	11 950 735
Trade liabilities	617 590	9 251	368 476	206 733	531 008	195 044	(976 878)	951 224
Unallocated liabilities								3 599 141
Total liabilities								**16 501 100**
Other information on business segments								
Capital expenditures	1 874 473	98 497	2 399	824 255	4 432	80 169	(90 590)	2 793 635
Purchase of property, plant and equipment, net - within purchase of new companies	113	284 551					127 525	412 190
Revaluation write-offs on financial and non-financial assets	9 594	14 299	20 354	2 960	27 155	804	(3 363)	71 803
Amortisation and depreciation	1 279 232	104 438	14 618	699 271	6 588	81 590	(23 449)	2 162 288
Other non-monetary expenses***)	1 682	7	(203)	103	921	26	(5)	2 531

*) EBIT = profit (loss) before tax and financial revenues / expenses
**) EBITDA = EBIT + amortization
***) changes in provisions of non-monetary character, inter alia for gratuities, recultivation, CO2 emission rights, jubilee awards, employees' tariff

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

Period ended September 30, 2011 *(data restated)*	Segment: Conventional Generation	Segment: Renewable Energy	Segment: Wholesale	Segment: Distribution	Segment: Retail sale	Other activities	Consolidation adjustments	Total continued operations
Revenues								
Revenues from sales to external customers	9 618 719	394 814	546 451	643 889	9 036 272	595 859	24 945	**20 860 949**
Revenues from sales between segments	461 769	19 587	7 044 467	3 227 649	220 001	720 611	(11 694 084)	-
Total revenues from segments	**10 080 488**	**414 401**	**7 590 918**	**3 871 538**	**9 256 273**	**1 316 470**	**(11 669 139)**	20 860 949
Financial result								
EBIT *)	**2 978 367**	**80 140**	**143 391**	**579 281**	**90 328**	**36 382**	**(17 575)**	**3 890 314**
EBITDA **)	**4 083 212**	**176 464**	**160 856**	**1 255 829**	**97 690**	**121 168**	**(29 792)**	**5 865 427**
Net financial revenues (expenses)								(136 669)
Share of profit of associates								174 403
Profit (loss) before tax								**3 928 048**
Income tax								(793 593)
Net profit (loss) for the period								**3 134 455**
Assets and liabilities								
Assets of the segment excluding trade receivables	30 933 336	1 748 208	429 347	13 833 927	675 283	1 079 005	(650 202)	48 048 904
Trade receivables	241 196	39 988	537 496	250 046	1 166 572	242 981	(838 810)	1 639 469
Shares in associates								67 489
Unallocated assets								5 555 575
Total assets								**55 311 437**
Liabilities of the segment excluding trade liabilities	7 194 869	110 690	519 275	1 387 446	1 512 153	292 988	91 329	11 108 750
Trade liabilities	532 400	14 237	275 550	167 461	440 677	132 193	(780 891)	781 627
Unallocated liabilities								3 972 082
Total liabilities								**15 862 459**
Other information on business segments								
Capital expenditures	1 906 142	100 853	7 807	714 998	2 006	86 677	(117 724)	2 700 759
Revaluation write-offs on financial and non-financial assets	37 809	(756)	290	(2 689)	5 429	379	-	40 462
Amortisation and depreciation	1 104 848	96 324	17 464	676 548	7 361	84 786	(12 218)	1 975 113
Other non-monetary expenses***)	2 482 032	6 600	57 521	126 405	17 796	3 398	7 926	2 701 678

*) EBIT = profit (loss) before tax and financial revenues / expenses
**) EBITDA = EBIT + amortization
***) changes in provisions of non-monetary character, inter alia for gratuities, recultivation, CO_2 emission rights, jubilee awards, employees' tariff

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

10. Revenues and expenses

10.1. Sales revenues

Revenues from operating activities	3-month period ended September 30, 2012	9-month period ended September 30, 2012	3-month period ended September 30, 2011	9-month period ended September 30, 2011
Sales of finished goods and merchandise with excise tax	*6,888,740*	*21,518,473*	*6,793,028*	*20,168,469*
Excise tax	*(117,861)*	*(344,951)*	*(118,890)*	*(337,566)*
Revenues from sale of finished goods and merchandise	6,770,879	21,173,522	6,674,138	19,830,903
Revenues from sale of services	129,635	553,081	72,226	511,764
Revenues from lease	9,356	26,726	7,875	23,677
Revenues from LTC compensations	36,269	143,743	191,378	494,605
Total sales revenues	**6,946,139**	**21,897,072**	**6,945,617**	**20,860,949**

The issue of revenues from LTC compensations is described in Note 26.1 of these financial statements.

10.2. Costs by type and functions

Cost by type	3-month period ended September 30, 2012	9-month period ended September 30, 2012	3-month period ended September 30, 2011	9-month period ended September 30, 2011
Depreciation/amortization	731,522	2,162,288	649,643	1,975,113
Materials and energy	920,034	3,022,067	846,690	2,785,767
External services	630,425	1,838,606	649,065	1,850,988
Taxes and charges	512,612	1,749,864	593,849	1,750,233
Personnel expenses	1,142,403	3,334,966	1,101,244	3,141,439
Other costs by type	71,705	236,327	80,483	204,852
Total costs by type	**4,008,701**	**12,344,118**	**3,920,974**	**11,708,392**
Change in inventories	(2,037)	(22,363)	15,409	(18,848)
Cost of products and services for the entity's own needs	(179,600)	(536,435)	(183,016)	(566,596)
Distribution and selling expenses	(366,582)	(1,202,663)	(407,775)	(1,213,165)
General and administrative expenses	(168,986)	(528,273)	(192,856)	(555,874)
Cost of merchandise and materials sold	2,010,578	6,124,549	1,917,685	5,795,880
Cost of goods sold	**5,302,074**	**16,178,933**	**5,070,421**	**15,149,789**

As it was described in Note 6 to these financial statements, while preparing the consolidated financial statements for the year ended December 31, 2011, the Capital Group changed selected accounting principles regarding the recognition of greenhouse emission rights and presentation of selected positions of revenues and costs. In order to ensure comparability particular positions of costs by type for the period ended September 30, 2011 has been restated appropriately.

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

10.3. Other operating revenues and expenses

Other operating revenues	9-month period ended September 30, 2012	9-month period ended September 30, 2011
Adjustment of settlement related to LTC compensation	130,318	-
Profit on disposal of property, plant and equipment	11,484	10,442
Reversal of impairment allowances for receivables	19,053	18,879
Reversal of impairment allowances for other assets	1,471	1,011
Provisions reversed	219,629	32,049
Compensations, penalties and fines received	138,004	77,250
Grants received	13,325	9,445
Taxes refunded	6,073	2,621
Court fees refunded	2,962	1,759
Redemption of liabilities	145	83
Assets acquired free of charge	15,882	1,482
Re-invoiced revenues	21	10
Surpluses / disclosures of assets	13,182	484
Revenues from illegal energy consumption	4,959	4,551
Other	17,378	23,279
Total other operating revenues	**593,886**	**183,345**

The issue of an adjustment of settlement related to LTC compensation presented in the table above was described in Note 26.1 of these financial statements. Provisions reversed relate mainly to the dispute with Atel, that is described in Note 19.4 of these financial statements.

Compensations, penalties and fines received mainly relate to compensations received by PGE Górnictwo i Energetyka Konwencjonalna S.A. for losses in production assets, compensations received by PGE Dystrybucja S.A. for losses in assets and claims of the parent company towards contractors on the hard coal trading market.

Other operating expenses	9-month period ended September 30, 2012	9-month period ended September 30, 2011
Impairment allowances raised for receivables	71,990	26,965
Impairment allowances raised for other assets	14,886	4,419
Loss on disposal of property, plant and equipment and intangible assets	406	1,773
Provisions raised	54,440	84,837
Donations granted	3,728	2,876
Compensation paid	7,499	2,087
Court fees paid	6,094	3,765
Liquidation of damages/ removal of failures	25,233	63,658
Scrapping of non-current assets	11,897	14,316
Forgiveness of receivables	4,931	3,429
Costs of social activities	3,173	4,753
Settlement of inventory deficiency	6,399	-
Other	11,696	22,274
Total other operating expenses	**222,372**	**235,152**

Impairment allowances raised for other assets mainly relate to trade receivables of PGE Obrót S.A. and claims by of the parent company towards contractors on the hard coal trading market. Provisions raised mainly relate to disputes with regard to the illegal use of properties.

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

10.4. Financial revenues and expenses

Financial revenues	9-month period ended September 30, 2012	9-month period ended September 30, 2011 *(data restated)*
Financial revenue from financial instruments	**466,774**	**215,035**
Dividends	3,956	5,087
Interest income	321,850	140,976
Revaluation / Reversal of impairment allowance	7,574	1,585
Profit on disposal of investments	46,197	3,901
Exchange gains	87,197	63,486
Other financial revenues	**47,394**	**3,024**
Interest on statutory receivables	3,249	49
Provision reversed	38,455	1,204
Other	5,690	1,771
Total financial revenues	**514,168**	**218,059**

Profit on disposal of investment refer primarily to disposal of minority interest in Towarowa Giełda Energii S.A.

Financial expenses	9-month period ended September 30, 2012	9-month period ended September 30, 2011 *(data restated)*
Financial expenses from financial instruments	**117,478**	**215,511**
Interest expenses	69,454	90,668
Revaluation	454	13,059
Impairment losses	3,198	2,588
Loss on disposal of investments	10	169
Exchange losses	44,362	109,027
Other financial expenses	**138,009**	**139,217**
Interest expenses (including effect of discount unwinding)	135,549	135,623
Interest paid relating to state liabilities	1,625	637
Other	835	2,957
Total financial expenses	**255,487**	**354,728**

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

11. Impairment allowances of assets – recognition and reversal

	9-month period ended September 30, 2012	9-month period ended September 30, 2011
Impairment allowances on property plant and equipment		
- impairment allowance raised	14,004	2,988
- impairment allowance reversed	302	2,314
Impairment allowances on inventories		
- impairment allowance raised	42,911	43,466
- impairment allowance reversed	32,964	4,296

The above impairment allowance on property plant and equipment mainly relate to generation assets of PGE Energia Odnawialna S.A.

The impairment allowance on inventories related mainly to energy origin rights and was raised due to significant decline in the market value of these assets.

Moreover impairment allowances raised and reversed for financial assets are described in Note 10 of these financial statements.

Prepayment (loan) granted Vattenfall AB

In periods before the balance sheet date the parent 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 28 May 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 was presented as a loan in the financial statements prepared in accordance with IFRS. The value of the prepayments amounted to 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 parties signed agreements under which SwePol Link AB was restructured and overdue settlements were regulated. As at September 30, 2012 the value of prepayments presented as loan was repaid in full.

12. Income tax

	9-month period ended September 30, 2012	9-month period ended September 30, 2011 *(data restated)*
Income tax presented in the statement of comprehensive income		
Current income tax	744,570	516,802
Deferred income tax	187,237	276,791
Total	**931,807**	**793,593**

Moreover the Capital Group recognized deferred tax liability of PLN 18 thousand in other comprehensive income in the period ended September 30, 2011 and amount of PLN 182 thousand due to reversal of deferred tax asset in the period ended September 30, 2012.

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

13. Deferred tax asset and liability

Components of deferred tax liability

	As at September 30, 2012	As at December 31, 2011
1996-2000 investment reliefs	847	997
Difference between tax value and carrying value of property, plant and equipment	2,009,060	1,609,978
Accrued interest on deposits, loans granted, bonds and receivables	60,156	78,081
Difference between tax value and carrying value of other financial assets	2,870	3,614
Difference between tax value and carrying value of financial liabilities	17,040	10,012
Current period revenues unrealized for tax purposes	131,922	144,730
Difference between tax value and carrying value of energy origin units of ownership	65,432	37,128
Revenues from accrued LTC compensations	486,776	588,597
Upward valuation of revenues	126,476	132,073
CO_2 emission rights	453,305	544,978
Other	44,839	114,373
Gross deferred tax liability	**3,398,723**	**3,264,561**

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

Components of deferred tax asset

	As at September 30, 2012	As at December 31, 2011
Difference between tax value and carrying value of property, plant and equipment	95,059	96,987
Current period costs not realized for tax purpose	130,095	128,147
Provisions for employee benefits	398,425	386,747
Provisions for recultivation of excavations and recultivation of ash storages	205,590	193,615
Accrued employee bonuses	52,176	16,404
Difference between tax value and carrying value of financial assets	17,441	19,331
Difference between tax value and carrying value of financial liabilities	31,770	30,490
Difference between tax value and carrying value of inventories	28,060	27,474
Payroll and other employee benefits	17,357	33,114
Tax losses	3,187	1,485
Energy infrastructure acquired free of charge and connection payments received	159,615	167,201
Provision due to CO_2 emission	320,496	588,972
Other provisions	59,655	65,028
Provision for energy origin units	138,143	120,128
Compensations from reversal of LTC	295,928	208,152
Accrued income related to CO_2 emission rights acquired free of charge	82,575	-
Other	88,046	93,611
Gross deferred tax asset	**2,123,618**	**2,176,886**
Impairment allowances on tax asset	(787)	(445)
Deferred tax asset before off-set of balances	**2,122,831**	**2,176,441**
After off-set of balances at the Group companies' level the deferred tax of the Group is presented as:		
Deferred tax asset	**328,299**	**296,387**
Deferred tax liability	**1,604,191**	**1,384,507**

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

14. Carbon dioxide emission rights

A separate item in the statement of financial position is used for presentation of European Union Allowances (EUA) for carbon emissions, designated for the PGE Group companies' own purposes, and other units redeemed pursuant to greenhouse gas emissions (CER, ERU) – both received free of charge under the National Allowance Plan (NAP) and acquired otherwise. EUA received gratuitously under the NAP are recognized in the records at the beginning of the period for which they were assigned, at fair value effective as at the date of initial recognition. EUA received free of charge are recorded in correspondence with deferred income. Purchased allowances are presented at purchase price.

The units designed for own use are tested for impairment together with the respective cash generating unit.

	EUA		CER/ERU		Total
	Amount	**Value**	**Amount**	**Value**	**value**
As at January 1, 2012	**56,405**	**3,038,286**	**8,238**	**328,702**	**3,366,988**
Purchase	6,494	201,865	2,284	38,816	240,681
Allocation within NAP	57,042	1,738,417	-	-	1,738,417
Redemption	(54,185)	(2,614,667)	(4,935)	(176,792)	(2,791,459)
Reclassification to/ from inventories	-	-	-	-	-
As at September 30, 2012	**65,756**	**2,363,901**	**5,587**	**190,726**	**2,554,627**

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

15. 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 are paid up.

Ownership structure of the Company of the balance sheet date is presented below:

	State Treasury	Other Shareholder	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 in 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%.

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

Treasury shares of the parent company

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 purpose of merger. The acquisition of shares had the 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 by the amount of PLN 228,980. On June 23, 2012 the decrease of the share capital was registered in the National Court Register.

15.1. 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.

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

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15.2. Changes in value of retained earnings

Settlement of the purchase of additional stock in subsidiaries

In the statement of changes in consolidated equity PGE Capital Group presented cost of purchase of shares in subsidiaries in amount of PLN 75 million. The amount includes:

- purchase of shares of PGE Obrót S.A. from non-controlling shareholders in amount of PLN 20 million;
- purchase of treasury shares by PGE Obrót S.A. in amount of PLN 49 million.

Consolidated equity of PGE Capital Group includes influence of these transactions on ownership structure of subsidiaries, despite the fact that treasury shares of PGE Obrót S.A. have not yet been redeemed. In result of settlement the above transactions the equity attributable to non-controlling shareholders was decreased and retained earnings increased by nearly PLN 94 million.

Merger of PGE Górnictwo i Energetyka Konwencjonalna S.A with PGE Elektrownia Opole S.A.

On 12 March 2012 the merger of PGE Górnictwo i Energetyka Konwencjonalna S.A. with PGE Elektrownia Opole S.A. was registered. The shareholders of PGE Elektrownia Opole S.A. received shares of PGE Górnictwo i Energetyka Konwencjonalna S.A.

In result of this transaction share of the parent company in equity of PGE Górnictwo i Energetyka Konwencjonalna S.A. and equity of its subsidiaries changed. Consequently the amount of PLN 37 million was transferred from equity attributable to non-controlling shareholders to retained earnings attributable to equity holders of the parent company.

16. 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
Dividend paid from other capital reserve	-	-	-
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 the year 2011

On 30 May 2012 the General Shareholders' Meeting of PGE S.A. adopted a resolution on distribution of the net profit for 2011 of PLN 4.556.115.489,08 and decided to allocate:

- the amount of PLN 3,421,662,317.07, which is PLN 1.83 per share, as dividend payout,
- the amount of PLN 1,134,453,172.01 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 day of preparation of these financial statements the Company made no advance payments of dividends.

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17. Provisions

	Post-employment benefits	Provisions for jubilee benefits	Provisions for third parties claims	Provisions for legal disputes	Provisions for obligatory redemption of CO_2 emission rights	Provisions for employee claims	Provisions for recultivation costs	Provisions for scrapping of property, plant and equipment	Provisions for energy origin units held for redemption	Other provisions	TOTAL
As at January 1, 2012	**1,226,670**	**762,532**	**408,333**	**127,679**	**3,099,855**	**13,926**	**1,102,039**	**84,649**	**633,290**	**391,768**	**7,850,741**
Actuarial gains and losses	-	-	-	-	-	-	-	-	-	-	**-**
Costs of past employment	5,357	-	-	-	-	-	-	-	-	-	**5,357**
Interest costs	53,241	31,185	-	-	-	-	44,246	4,386	-	-	**133,058**
Costs of present employment / provisions used	(41,433)	(48,667)	-	(1,856)	(2,791,459)	(1,085)	(602)	(4,571)	(801,054)	(242,562)	**(3,933,289)**
Raised during the year	-	-	-	41,389	1,381,107	1,484	25,729	-	923,708	463,377	**2,836,794**
Reversed	-	-	(207,740)	(25,992)	(2,684)	(5,980)	-	-	(25,861)	(69,405)	**(337,662)**
Transfer to discontinued operations	(1,216)	(2,786)	-	-	-	-	-	-	-	(778)	**(4,780)**
Other changes	-	-	-	-	-	-	3,021	-	47	2,226	**5,294**
As at September 30, 2012	**1,242,619**	**742,264**	**200,593**	**141,220**	**1,686,819**	**8,345**	**1,174,433**	**84,464**	**730,130**	**544,626**	**6,555,513**
Short-term	**93,061**	**94,315**	**200,593**	**66,341**	**1,686,819**	**2,963**	**733**	**403**	**730,130**	**373,043**	**3,248,401**
Long-term	**1,149,558**	**647,949**	**-**	**74,879**	**-**	**5,382**	**1,173,700**	**84,061**	**-**	**171,583**	**3,307,112**

According to the current plans of recultivation of final excavation, lignite mines of the Group estimate that relevant costs will be incurred in the years 2032-2081 (for PGE Górnictwo i Energetyka Konwencjonalna S.A. Branch Kopalnia Węgla Brunatnego Bełchatów S.A.) and in the years 2041-2090 (for PGE Górnictwo i Energetyka Konwencjonalna S.A. Branch Kopalnia Węgla Brunatnego Turów S.A.).

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	Post-employment benefits	Provisions for jubilee awards	Provisions for third parties claims	Provisions for legal disputes	Provisions for obligatory redemption of CO_2 emission rights	Provisions for employee claims	Provisions for recultivation costs	Provisions for scrapping of property, plant and equipment	Provisions for energy origin units held for redemption	Other provisions	TOTAL
As at January 1, 2011	**1,236,661**	**781,541**	**350,293**	**91,529**	**2,875,058**	**18,932**	**930,166**	**95,441**	**563,336**	**350,302**	**7,293,259**
Costs of present employment	26,443	35,534	-	-	-	-	-	-	-	-	**61,977**
Actuarial gains and losses excluding discount rate adjustment	(25,114)	4,585	-	-	-	-	-	-	-	-	**(20,529)**
Costs of past employment	9,895	-	-	-	-	-	-	-	-	-	**9,895**
Revaluation of provision/Discount rate adjustments	(38,113)	(12,567)	-	-	-	-	79,500	-	-	-	**28,820**
Interest costs	70,407	39,477	17,361	-	-	-	53,875	1,977	-	-	**183,097**
Benefits paid/ provisions used	(53,784)	(89,353)	(763)	(4,037)	(2,908,512)	(4,802)	(4,028)	(12,769)	(1,100,390)	(253,461)	**(4,431,899)**
Raised during the year	-	-	41,442	57,268	3,133,309	6,551	38,952	-	1,174,704	352,502	**4,804,728**
Reversed	-	-	-	(20,419)	-	(6,853)	-	-	(3,995)	(54,790)	**(86,057)**
Other changes	275	3,315	-	3,338	-	98	3,574	-	(365)	(2,785)	**7,450**
As at December 31, 2011	**1,226,670**	**762,532**	**408,333**	**127,679**	**3,099,855**	**13,926**	**1,102,039**	**84,649**	**633,290**	**391,768**	**7,850,741**
Short-term	**100,595**	**95,421**	**408,333**	**59,373**	**3,099,855**	**3,073**	**585**	**4,974**	**633,290**	**228,963**	**4,634,462**
Long-term	**1,126,075**	**667,111**	**-**	**68,306**	**-**	**10,853**	**1,101,454**	**79,675**	**-**	**162,805**	**3,216,279**

17.1. Provisions for post-employment benefits

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

17.2. Provisions for jubilee benefits

According to the corporate system of remuneration the employees of the Group's entities 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 present value of these obligations is measured by an independent actuary at each balance sheet date.

17.3. Provisions for liability due to carbon dioxide emission rights

Particular Group entities record provisions for liabilities of carbon dioxide emissions in relation to total amount of emissions. The provision is calculated taking into account the most accurate estimation of the expenditures needed to fulfil current obligation as at balance sheet date, including recorded EUA's value received as free of charge and acquired EUA, and also possible coverage of the deficiency of certificates CER or ERU.

17.4. Provisions for third-party claims

Provisions presented in this position relate to dispute of the parent company with Alpiq Holding AG. The issue was described in Note 19.4 to these financial statements.

17.5. Provision for legal disputes

Provisions for the use of land

Entities of the PGE Group raise provisions for damages related to a non-agreed usage of property. This issue mainly relates to distribution companies, which own distribution networks. As of the reporting date the provision amounted to ca. PLN 107 million. The provision is created to cover claims under court proceedings.

17.6. Provisions for costs of recultivation

Provision for recultivation of mine excavation

According to regulations of the Act of February 3, 1995 on Agricultural and Forest grounds and regulations of the Act of February 4, 1994 on Geological and Mining Law, the entrepreneur causing loss or reduction of value in the use of the ground is obliged to recultivate the ground at the entrepreneur's expense.

PGE Górnictwo i Energetyka Konwencjonalna S.A. Branch Kopalnia Węgla Brunatnego Bełchatów and PGE Górnictwo i Energetyka Konwencjonalna S.A. Branch Kopalnia Węgla Brunatnego Turów raise provisions for recultivation of final mine excavations. Costs of recultivation of final excavations are reflected and settled throughout the period of the exploitation of mines, with the use of the depletion method based on the rate of coal excavation. The provision as at the end of the period is calculated as a product of the discounted total cost of recultivation divided by the rate of coal excavation, less period-end value of Mine Liquidation Fund created in accordance with Geological and Mining Law.

Provision for recultivation of ash storages

The PGE Group producers raise provisions for recultivation of ash storages. The provision is created with the use of the natural method - proportionally as the storage is filled. The provision at the end of each year is calculated as a product of the discounted value of total recultivation costs for the given year and the proportion in which the storage is filled.

17.7. Scrapping of property, plant and equipment

The provision for scrapping of property, plant and equipment relates to the part of assets of PGE Górnictwo i Energetyka Konwencjonalna S.A. Branch Elektrownia Turów, which is going to be excluded from the production until year 2013. The obligation of scrapping and recultivation of the area results from „The integrated permission for running electric energy and heat energy producing installation" in which the restitution of the area was specified. The amount of created provision was established on the basis of expected scrapping expenses and was recognized on the debit side in initial value of property, plant and equipment. Depreciation of activated scrapping expenses which is calculated on the basis of the estimated economic useful life of an appropriate item of property, plant and equipment as well as change in provision value resulting from the discount unwinding as at the balance sheet date influence the financial result of the Group. As at the balance sheet date, the value of provision amounts to PLN 84 million.

17.8. Provision for energy origin units held for redemption

The companies from the Group raise provision for the amount of certificates of origin related to sales in the current or previous reporting periods, in amount of certificates not redeemed till the balance sheet date. The provision as at September 30, 2012 amounted to PLN 730 million.

17.9. Other provisions

Dispute concerning the scope of taxation with real estate tax

The main component of other provisions is a provision covering declared and predicted claims relating to real estate tax. The matter of dispute was described in detail in Note 24.2 of these financial statements.

Dispute concerning the redemption of energy origin units of ownership

PGE Obrót S.A is a party to proceedings against the Energy Regulatory Office, related to an obligation of redemption of energy units of origin – so called green and red certificates. As at September 30, 2012 the provision created to cover possible penalties amounted to PLN 23 million. The final value of possible penalties will depend on the results of the court proceedings and may be subject to change.

Annual bonus

Employees of PGE Group are entitled to the "annual bonus" paid on the basis of the corporate collective labour agreement or regulations applicable to individual entities. As at September 30, 2012 created provisions amounted to PLN 193 million.

Provision for unused annual holiday

The Group creates provision for employee benefits related to unused holiday. As at balance sheet date the provision amounted to PLN 62 million.

Provision related to the Voluntary Leave Program

In the current reporting period, four PGE Group companies realized Voluntary Leave Program (VLP). The total value of expenses reported in the consolidated statement of comprehensive income for the year ended September 30, 2012 amounted to PLN 156 million. As a result of the fact that companies have already started to pay compensations related to the VLP, the created provision was partially used and as at September 30, 2012 amounted to PLN 67 million. Additionally as at September 30, 2012 a liability for VLP account was recognized in amount of PLN 29 million.

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18. Deferred income and government grants

Deferred income and Government grants	As at September 30, 2012	As at December 31, 2011
Long-term:		
Government grants	414,065	361,114
Other deferred income	865,138	894,184
Total long-term deferred income and government grants	**1,279,203**	**1,255,298**
Short-term:		
Government grants	8,806	4,666
Other deferred income	555,293	112,451
Total short-term deferred income and government grants	**564,099**	**117,117**

The table below presents positions comprising government grants and deferred income.

Government grants	As at September 30, 2012	As at December 31, 2011
Redemption of loans from environmental funds	55,008	54,594
Grants received from NFEP&WM (environmental fund)	92,481	66,951
Grants from EU for CCS	242,466	219,307
Other government grants	32,916	24,928
Total deferred income, including:	**422,871**	**365,780**
Long-term	414,065	361,114
Short-term	8,806	4,666

Other deferred income	As at September 30, 2012	As at December 31, 2011
Greenhouse gases emission rights	434,604	-
Property, plant and equipment acquired free of charge	120,317	130,410
Subsidies granted and connection fees	770,066	799,515
Lease income	4,258	2,987
Other deferred income	91,186	73,723
Total deferred income, including:	**1,420,431**	**1,006,635**
Long-term	865,138	894,184
Short-term	555,293	112,451

In May 2010, PGE Elektrownia Bełchatów S.A. (current name: PGE Górnictwo i Energetyka Konwencjonalna S.A.) entered into an agreement with the European Commission for co-financing of a demonstration project entitled "Construction of a Carbon Capture and Storage System", with a value of EUR 180 million. The funds obtained by Bełchatów Power Plant for co-financing the project will be allocated to one of the key components of the CCS system, i.e. the CO_2 capture component.

Subsidies granted in caption of other deferred income comprise mainly fees received until July 1, 2010 for connection to power network, which are presented as grants to property, plant and equipment in these consolidated financial statements.

The greenhouse emission rights disclosed in the table above constitute the value of emission rights acquired free of charge under the National Allocation Plan for the year 2012. The item is settled into the consolidated statement of comprehensive income during the reporting period.

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19. Contingent liabilities and receivables. Legal claims

19.1. Contingent liabilities

Contingent liabilities	As at September 30, 2012	As at December 31, 2011
Guarantee for repayment of grants from environmental funds	250,847	220,891
Legal claims	13,696	12,184
Contractual fines and penalties	33,987	13,858
Employee claims	52,053	52,009
Compensations related to non-agreed usage of property	2,891	7,296
Other contingent liabilities	202,052	197,524
Total contingent liabilities	**555,526**	**503,762**

Guarantee for repayment of grants from environmental funds

Liabilities present the value of potential future reimbursements of funds received by PGE Group companies from environmental funds for the particular investments. The funds will be reimbursed, if the investment for which they were granted, will not reach the expected environmental effect.

Liabilities related to legal claims

This position presents mainly claims from contractors against Group companies related to services rendered or products delivered.

Claims related to contractual fines and penalties

The contingent liability comprises mainly accrued contractual fines in amount of PLN 14 million relating to delay in realization of the investment issued by the Mayor of the City and Municipality of Gryfino to Zespół Elektrowni Dolna Odra S.A. (currently PGE Górnictwo i Energetyka Konwencjonalna S.A.) and fines resulting from a claim filed by Agricultural Property Agency against PGE EO for payment of PLN 19 million for not renewing lease contract relating to property intended for construction of wind power plant in Polanów.

Employee claims

This position mainly present the values of potential claims which may be raised by some employees at one of the PGE Group entity employer, who work continuous shifts, regarding payment of overtime work compensation. Employees who work continuous shifts with this employer are entitled to a specific number of days off work in the given month, in accordance with the Labour Code and the Company Bargaining Agreement.

Potential claims may be raised by these employees in relation to a judgment by a Regional Court, resolving on the interpretation of the concept of day off work (which is not defined by labour legislation) to the advantage of one of these employees. In the opinion of the Company, a day off work should mean 24 consecutive hours following the end of the employee's work on a given shift, which is the principle applied by the company when awarding days off work to employees. However, according to the judgment - with which the company does not agree - a day off work should mean 24 consecutive hours following the end of 24-hour workday and not following the end of work on a given shift.

Therefore, more employees may raise claims for payment of compensation for overtime work. Conditional liability was calculated for those employees who requested the employer to present their work timing for the last three years.

Other contingent liabilities

The other contingent liabilities comprise mainly the unsettled value of funds received by PGE Górnictwo i Energetyka Konwencjonalna S.A. on the basis of a signed agreement on financing of the demonstrative project under the name: "Construction of a Carbon Capture and Storage System" in the amount of PLN 163 million and the value of potential cash fines in the amount of almost PLN 13 million resulting from proceeding relating to environmental protection (breach of the conditions of disposal of sewage and deforestation in some PGE Group companies) and amount of more than PLN 24 million relating to compensation claim regarding the lowering of the exchange parity of shares of PGE Elektrownia Opole S.A. for shares of PGE Górnictwo i Energetyka Konwencjonalna S.A.

19.2. Other issues related to contingent liabilities

Non-agreed usage of property

Due to the nature of its activities the companies of the Group use many properties, on which the buildings and structures or devices used to the transmission of the electricity are based. In respect of many properties there are doubts as to the title of usage. In the case of property, for which the Group companies have no legal title or the title is doubtful, there is a risk of claims by their owners, the alleged owner or other person for compensation in respect of non-agreed usage of these properties. As described in note 17.5 to these financial statements the relevant provision is created to cover claims under court proceedings. Moreover, there are disputes at an early stage in the Group as well as there is a possibility of increased number of disputes in the future.

Contractual liabilities related to the purchase of gas from PGNiG

According to the concluded agreements on the purchase of gas, the PGE Group heat and power stations are obliged to collect the minimum volume of gas fuel and not to exceed the maximum level of collection of gas fuel in particular hours and months. If an entity does not collect a minimum volume of gas fuel, is obliged to pay appropriate fee calculated in accordance with the formula specified in the agreements. The agreements also allow to collect the gas fuel that is paid for but not collected, in the period of three years. The terms of the agreements according to which the buyer is obliged to pay for the uncollected gas fuel may be a source of significant financial liabilities of the heat and power stations in case of non-collection of significant volumes of gas fuel. In the opinion of the Group, the terms and conditions of gas fuel deliveries from PGNiG do not differ from other gas fuel deliveries conditions on the Polish market.

Fulfilment of the so-called stock exchange commitment in 2010

On August 9, 2010 amendment of the Energy Law Act entered into force, imposing an obligation on power companies engaged in production of electricity to sell the energy they produce on commodity exchanges. Questionable is the interpretation of Article 49a of the amended Act and interpretation of Article 19 of the Energy Law Amendment Act dated January 8, 2010, which apply to electricity unsold until the date of entry into force of the amended Acts.

According to the interpretation adopted by PGE Group entities, electricity contracted before the date of entry into force of the Act is recognized as sold electricity and therefore regulations of Article 49a(1) and (2) of the Act - Energy Law relating to the sale of energy on the commodity exchanges do not apply to such electricity.

In year 2012 the President of the Energy Regulatory Office initiated formal proceedings regarding the matter. Company PGE Górnictwo i Energetyka Konwencjonalna S.A (and PGE Elektrownia Opole S.A. until merger) filed relevant explanations and documents. During preparation of the previous financial statements the PGE Capital Group was not able to estimate the outcome of the proceeding and potential penalties. In September 2012 PGE Górnictwo i Energetyka Konwencjonalna S.A. received decisions of the ERO President, that inflicted collective punishment of PLN 90 thousand. The company appealed against above decision.

19.3. Contingent receivables

As at balance sheet date, the Group has ca. PLN 63 million of contingent receivables related to financing received from the National Fund for Environmental Protection and Water Management to realize the project of building cogeneration unit, reimbursement of VAT and registered claims for compensations from insurers relating to damage events.

Additionally, the matter of a possible excise tax refund for the years 2006-2008 were described in detail in note 24.1 of these financial statements.

19.4. Other legal claims 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 28 October 1997. Claims submitted by Atel in a supplemented (rephrased) lawsuit from 4 October 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 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.

Legal aspects connected with the Consolidation Programme

As a result of implementation of the Consolidation Programme, on August 3 and August 16, 2010 the extraordinary general meetings of the involved PGE Group entities, adopted resolutions concerning the mergers (merger resolutions). Few shareholders brought actions for statement of invalidity of the resolution together with the request for overruling of the merger resolutions. The lawsuits related to the merger resolution of PGE Elektrownia Opole S.A. and some merger resolutions within Conventional Generation segment (cases conducted by PGE Górnictwo i Energetyka Konwencjonalna S.A.) and merger resolution adopted by the shareholders of PGE Górnictwo i Energetyka S.A. (case conducted by PGE S.A.)

So far, in all lawfully concluded trials, the Courts dismissed in full the plaintiffs' appeals, confirming the viewpoint of the PGE companies that the shareholders' objections are apparent and the shareholders aim at contesting the exchange parity of shares, what is unallowable under appeal against the resolutions. The shareholders used their proceeding rights and filed cassation appeals in cases against PGE Górnictwo i Energetyka Konwencjonalna S.A., PGE Elektrownia Opole S.A. and PGE Polska Grupa Energetyczna S.A. So far, the Supreme Court approved 2 appeals for examination (PGE and PGE Elektrownia Opole S.A.) and the companies now await the appointment of the trial date. In case of PGE Górnictwo i Energetyka Konwencjonalna S.A. the Supreme Court refused to accept the cassation appeal for examination, what terminates that proceeding.

Furthermore, PGE Group waits the verdict in the last case for statement of invalidity of the merger resolution (eventually overruling) that is pending before the court of second instance.

Irrespective of appeals of merger resolutions, there were also appeals against the verdict on entry to National Court Register of the merger of PGE Górnictwo i Energetyka Konwencjonalna S.A. with the acquired companies within the Conventional Generation segment and against the verdict on entry to National Court Register of the merger of PGE Polska Grupa Energetyczna S.A. with the acquired companies. Ultimately the Appeal Court dismissed the appeals, and the entries of mergers became final and valid.

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20. Financial liabilities

Financial liabilities at amortized cost (as at September 30, 2012)	Long-term	Short-term	Total
Interest bearing loans and credits	1,140,196	485,144	**1,625,340**
Leasing	4,009	3,111	**7,120**
Trade liabilities	-	951,224	**951,224**
LTC compensations	-	1,181,652	**1,181,652**
Other financial liabilities	20,961	847,380	**868,341**
Total	**1,165,166**	**3,468,511**	**4,633,677**

Other financial liabilities comprise mainly liabilities due to purchase of property, plant and equipment in amount of PLN 440 million and received deposits in total amount of PLN 338 million (mainly deposit received by PGE Górnictwo i Energetyka Konwencjonalna S.A. Branch Elektrownia Opole from Rafako S.A. relating to construction of new power units).

In the caption loans and credits, the Group presents the following facilities:

- investment credit facility drawn by PGE Górnictwo i Energetyka Konwencjonalna S.A. Branch Elektrownia Opole from Bank PEKAO S.A. for financing construction of power units 1 to 4, with a carrying value of PLN 102 million as at September 30, 2012;
- investment credit facility drawn by PGE Górnictwo i Energetyka Konwencjonalna S.A. Branch Elektrownia Bełchatów from Nordic Investment Bank to finance construction of 858 MW power plant - with a carrying value of PLN 612 million as at September 30, 2012;
- investment credit facilities drawn by PGE Górnictwo i Energetyka Konwencjonalna S.A. Branch Elektrownia Turów from Nordic Investment Bank, UBS Investment Bank AG and Bank Ochrony Środowiska S.A.for modernisation of the generation assets - with a carrying value of PLN 439 million as at September 30, 2012.

Additionally, as at the September 30, 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.

21. Future investment commitment

As at the balance sheet date, the Group has committed to incur capital expenditures on property, plant and equipment in the amount of PLN 13,061 million. These amounts relate to modernization of Group's assets and purchase of machinery and equipment. Significant investment commitments concern:

- construction of new power units in PGE Górnictwo i Energetyka Konwencjonalna S.A. Branch Elektrownia Opole of the total value of approx. PLN 9,209 million;
- modernization of power units no 7-12 in PGE Górnictwo i Energetyka Konwencjonalna S.A. Branch Elektrownia Bełchatów for the total amount of approx. PLN 2,684 million;
- investment commitments of PGE Dystrybucja S.A. of the total value of approx. PLN 743 million.

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22. Information on significant purchase transactions of property, plant and equipment

During the reporting period PGE Capital Group purchased property, plant and equipment and construction in progress of PLN 2,995 million. Majority of expenditures were bore by PGE Górnictwo i Energetyka Konwencjonalna S.A. (PLN 1,769 million) and PGE Dystrybucja S.A. (PLN 803 million). The most significant expenditures of PLN 780 million are related to general construction and modernization of power units 5,6,7 and 8 in Elektrownia Bełchatów and increase of fixed assets as a result of purchase of Pelplin sp. z o.o. by PGE Energia Odnawialna S.A. in amount of PLN 284 million. In current period there were no significant disposals of fixed assets.

23. Information on related party

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

23.1. Associates

	Sales to associates	Purchases from associates	Trade receivables from associates	Trade liabilities towards associates
01.01.-30.09.2012	4,419	112	737	2
01.01.-30.09.2011	31,076	24,896	4,142	2,595

23.2. 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	1,173,197	2,325,428	217,058	442,873
01.01.-30.09.2011	1,640,153	3,781,594	233,108	374,986

The largest transactions with the participation of State Treasury companies involve PSE-Operator S.A., public utility power generating plants, electricity trading companies, retailers involved in sales and purchases of coal from Polish mines.

Moreover, PGE Group concludes significant transactions on the energy market via the Towarowa Giełda Energii S.A. However, because this entity is only engaged in organization of exchange trading activities, purchases and sales transacted through this entity are not recognized as transactions with related parties.

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23.3. Key management personnel remuneration

The key management comprises the Management Boards and Supervisory Boards of the parent company, group entities included in main business lines, PGE Energia Jądrowa S.A., PGE EJ1 sp. z o.o., PGE Systemy S.A. and Exatel S.A.

	Period ended September 30, 2012	**Period ended September 30, 2011** *(data restated)*
Short-term employee benefits (salaries and salary related costs)	17,098	16,526
Post-employment and termination benefits	5,305	484
Total remuneration of key management personnel	**22,403**	**17,010**

	Period ended September 30, 2012	**Period ended September 30, 2011** *(data restated)*
The Management Board of the Parent	5,941	1,516
The Supervisory Board of the Parent	252	280
The Management Boards – subsidiaries	15,451	14,004
The Supervisory Boards – subsidiaries	759	1,210
Total	**22,403**	**17,010**

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.

The above data presents remuneration costs paid to key management recognized in the reporting period in PGE Capital Group Companies. 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 the 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 sat on the subsidiaries' Management Boards.

Remuneration of Management Boards and Supervisory Boards of the other Group's entities in reporting period amounted to PLN 14,611 thousand and PLN 16,856 thousand in comparable period.

24. Tax settlements

Tax obligations and rights are specified in the Constitution of the Republic of Poland, tax regulations and rectified international agreements. According to the tax ordinance, tax is defined as public, unpaid, obligatory and non-returnable cash liability toward the State Treasury, provincial or other regional authorities resulting from tax regulation. Taking into account the subject criterion, current taxes in Poland can be divided into five groups: taxation of incomes, taxation of turnover, taxation of assets, taxation of activities and other, not classified elsewhere.

From the point of view of economic units, the most important is the taxation of incomes (corporate income tax), taxation of turnover (value added tax, excise tax) followed by taxation of assets (real estate tax and vehicle tax). Other payments classified as quasi – taxes cannot be omitted. Among these there are social security charges.

Basic tax rates in year 2011 and 2012 were as follows: corporate income tax – 19%, basic value added tax rate – 23%, lowered: 8%, 5%, 0%, furthermore some goods and products are VAT exempt.

The tax system in Poland is characterized by a significant volatility of tax regulations, their complexity, high potential fees foreseen in case of commitment of a tax crime or violation as well as general pro-tax approach of tax authorities. Tax settlements and other activity areas subject to regulations (customs or currency controls) can be subject to controls of respective authorities that are entitled to issue fines and penalties with penalty interest. Controls may cover tax settlements for the period of 5 years after the end of calendar year in which the tax was due.

The significant proceedings regarding public and state settlement within the Group entities are presented below.

24.1. Excise tax

As a result of non-compliance of Polish legal regulations on excise tax on electricity with the European Union law, on February 11, 2009, power plants and heat and power stations of PGE Group filed adjusted excise tax declarations together with motions stating surplus payments of excise tax in the years 2006-2008 and the months January and February 2009. The total value of the surplus declared (without the cost of interest) in the subject motions amounted to ca. PLN 3.4 billion.

The matter of tax repayment is currently a subject of disputes between producers and tax authorities. Different aspects of these disputes are being subjects to legal proceedings held by administrative courts. Due to significant uncertainty regarding the final outcome of the above matter the Group does not recognize any consequences arising from the repayment of overpaid excise tax in financial statements.

Moreover, there is a risk that if the production entities of the PGE Group receive the refund of the excise tax excess payment, civil and legal claims might be filed against these entities by electric energy buyers, which have been actually economically burdened with the excise tax in the past (i.e. based on unjustified enrichment accusation). Currently, the estimation of the value of possible claims is not possible, however this matter may have a significant and unfavourable impact on the future activities, financial results or financial situation of the Group.

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24.2. Real estate tax

There are tax proceedings carried out to determine the scope subject to real estate tax in PGE Group power stations. The dispute is related to the subject of taxation and concerns mainly a decision whether installations in buildings and technical machinery should be taxed as autonomous constructions. Tax proceedings are currently at different stages of recognition, i.e. before the authorities of first instance (the prefect, the mayor), before municipal colleges of appeal and courts of appeal.

In view of the ongoing disputes, PGE Capital Group has set up an adequate amount of the provision for potential increase tax due. Pursuant to IAS 37 par. 92, because of the company's confidentiality the Group does not disclose further details.

To the date of these financial statements, the dispute was resolved only with relation to the property tax at Dolna Odra Power Plant for the year 2006. After several stages of the proceedings on July 12, 2012 Municipal College of Appeal in Szczecin issued a decision determining the amount of the tax liability of the entity in line with the standpoint of the company. As a result of the PGE Capital Group decision partially released the provision.

25. Discontinued operations

Since 2009, a "Non-core" Programme is being implemented at PGE Group, which purpose is to transparently separate core business activities from other activities and disposal and reorganization of so called non-energetic assets. As at the day of preparation of these financial statements the Group recognized two subsidiaries which met the definition of discontinued operations under IFRS 5: Budownictwo-Hydroenergetyka Dychów sp. z o.o. and Niepubliczny Zakład Opieki Zdrowotnej MegaMed sp. z o.o. Revenues and expenses of those companies are presented separately from other entities of the Capital Group in the financial statements as at September 30, 2012.

The table below presents amounts related to operations, which during the reporting period met criteria of discontinued operations:

	Revenues	Expenses	Profit before tax/ (Loss)	Income tax	Net profit/ loss
BH Dychów sp. z o.o.	13,463	(14,249)	(786)	217	(569)
MegaMed sp. z o.o.	30,592	(30,253)	339	(61)	278
TOTAL	**44,055**	**(44,502)**	**(447)**	**156**	**(291)**

The parent company own indirectly 100% shares in capital of BH Dychów sp. z o.o. and 98.54% in capital of NZOZ MegaMed sp. z o.o. In connection with the above, the participation of shareholders of the parent company in the net loss attributable to discontinued operations for the 9 months ended September 30, 2012 amounted to PLN 295 thousand. In the comparative period of 2011 the net profit of the above mentioned companies amounted to PLN 1,446 thousand. As at December 31, 2011 the total assets of these companies amounted to PLN 55,409 thousand and total liabilities amounted to PLN 31,190 thousand.

26. Significant events during the reporting period and subsequent events

26.1. Compensation for long term contacts

Pursuant to the Act of June 29, 2007 on the Rules of Coverage of Costs Occurring at Production Plants as a Consequence of Early Termination of Long-Term Power and Electricity Sales Contracts (Journal of Laws No. 130, item 905, of 2007) (the "Long-Term Contracts Act"), some entities of PGE Górnictwo i Energetyka Konwencjonalna S.A. („PGE GiEK S.A.") became entitled to receive funds to cover stranded costs (so-called "compensation"). The maximum value of stranded costs including stranded costs relating to 2007 and additional costs (according to 44 article of the LTC Act), according to an appendix 2 amounted to PLN 6.317 million. Under the Long-Term Contracts Act, PGE Capital Group companies receive compensation to cover stranded cost in the form of quarterly advances. Yearly adjustments are made after the end of each year, followed by a final adjustment upon the lapse of the entire term of Long-Term Contract.

The revenue for the period comprises cash received in the form of advances, adjusted by an annual adjustment and an appropriate portion of the final adjustment planned. Allocation of the final adjustment to the given reporting period is made based on planned revenues from the sale of electric energy and system services in the adjustment period.

The LTC Act is ambiguous in many points and raise important questions of interpretation. The calculation of the estimated results of each company and resulting compensations, annual adjustments of stranded costs and final adjustments as well as resulting revenues recognized in the statement of comprehensive income was performed by the Group with the best of its knowledge in this area and with support of external experts.

Dispute with the President of the Energy Regulatory Office related to the annual adjustments of stranded costs and costs related to natural gas fired entities

Until the date of preparing these financial statements, entitled producers from PGE Group received decisions on annual adjustments of stranded costs and costs related to natural gas fired entities for 2008, 2009, 2010 and 2011. The majority of these decisions were disadvantageous for the particular entities and the Group believes that they were issued in violation of the Long-Term Contracts Act.

The total amount of annual adjustments of stranded costs and costs incurred in natural gas-fired entities resulting from decisions of the President of the Energy Regulatory Office for PGE Group producers for the years 2008-2011 amounts to PLN (-) 1,031.8 million.

Since 2009, a number of proceedings have been pending before the Regional Court in Warsaw - Competition and Consumer Protection Court ("CCP Court") concerning appeals by PGE Group producers against the Decision of the President of the Energy Regulatory Office. These proceedings are currently at various levels of advancement.

Legal proceedings regarding annual adjustments of stranded costs for 2008

In February – November 2012, the courts issued verdicts in six analogical cases related to adjustment of stranded costs for 2008, issued for particular generators from PGE GiEK S.A.:

- in three cases with a total claim value of PLN 186.8 million the Appeal Court issued verdicts dismissing the appeal of the President of the Energy Regulatory Office against the verdict of the CCP Court, that were considered unsubstantiated and amended the decision of the President of the Energy Regulatory Office according to the company's demand.
- in one case with a claim value of PLN 26.7 million the Appeal Court issued verdict, which allowed the the appeal of the President of the Energy Regulatory Office against the verdict of the CCP Court.

  PGE GiEK S.A. and the ERO President filed cassation appeals with the Supreme Court against above verdicts. The appeals are at various stages of advancement.
- in one case regarding the stranded costs for 2008 (claim value of PLN 178.8 million) the Appeal Court in Warsaw decided to suspend the case and will not issue a verdict until the Supreme Court will have issued verdicts in cassation appeals.

- in one case with a claim value of PLN 42.4 million, the Appeal Court issued verdict, in which repealed the CCCP verdict and remitted the case for re-examination by CCCP. On November 12, 2012 CCCP re-examined the case and changed the decision of the ERO President in accordance with the appeal filed by the company. The CCCP verdict is not final and binding. The ERO President is entitled to file an appeal with the Appeal Court in Warsaw.

Legal proceedings regarding annual adjustments of stranded costs for 2009 and 2010

In June 2012 UOKiK issued 2 verdicts which allowed the appeals of PGE GiEK S.A. against the ERO President decisions on annual adjustments of stranded costs due to two generators for 2009. The total claim value amounts to PLN 85.2 million. Both verdicts are not final and binding. The ERO President filed appeals and PGE GiEK S.A. submitted replies to the appeals.

In October 2012 one case regarding the appeal of PGE GiEK S.A. against the ERO President decision on stranded costs for 2009 (claim value of PLN 241.7 million) was examined by CCCP. The court did not issue a verdict and postponed the trial.

The other cases relating to 2009 and 2010 have not yet been examined by CCCP.

The President of the Energy Regulatory Office decisions related to annual adjustments of the stranded costs and costs related to natural gas fired entities for 2011

On 31 July 2012 the President of the Energy Regulatory Office issued a decision on determining the annual adjustments of the stranded costs and costs related to natural gas fired entities for 2011. These decisions were disadvantageous for PGE GiEK S.A. and the Group believes that they were issued in violation of the Long-Term Contracts Act (the total value of adjustments resulting from the decision of the President of the Energy Regulatory Office for producers from PGE GiEK S.A. for 2011 is (-) PLN 536,5 million. On 16 August 2012 PGE GiEK S.A. appealed against the above described decision of the President of the Energy Regulatory Office to the Regional Court in Warsaw, the Competition and Consumer Protection Court. As a result of the appeal, the ERO President agreed with the Group's standpoint and on September 21, 2012 issued decisions, which changed the previous decisions on the amount of the stranded costs to PLN (-) 83.8 million. The value of the above adjustment is indisputable.

With regard to the annual adjustments of the costs generated in gas-fired units for the year 2011 the ERO President did not agree with the appeal of the company and as a result they submitted the appeal to the CCCP. The claim value amounts to PLN 5.8 million.

Summary and recognition in the financial statements

The Management Boards of PGE S.A. and PGE GiEK S.A. do not agree with the ruling concerning the Elektrociepłownia Lublin-Wrotków, which is even more the case considering that, as discussed above, the Court of Appeals in Warsaw gave a different verdict in a similar case concerning the Elektrociepłownia Rzeszów, Elektrociepłownia Gorzów and Elektrownia Turów, where the appeal of the President of the Energy Regulatory Office was dismissed as unsubstantiated. Thus, the Court upheld the verdict given by the CCP Court on this case, accepting the producer's appeal and amending the decision of the President of the Energy Regulatory Office according to the company's demand. PGE S.A. and PGE GiEK S.A. intend to take all measures prescribed by the law in order to obtain an advantageous resolution of the dispute. On June 11, 2012 a cassation appeal to the Supreme Court was filed.

Because the verdict related to Elektrociepłownia Lublin-Wrotków was issued before the date of preparation of the financial statements for the year ended December 31, 2011, the Capital Group changed its estimations regarding revenues from LTC compensation for years 2008-2010 to the value of received prepayments adjusted by annual adjustments determined in the decisions of the President of the Energy Regulatory Office and an appropriate part of the planned final adjustment. The adjustment has not been made for revenues recognized in Elektrociepłownia Rzeszów for 2008, for which the decisions of the Court of Appeal was advantageous. As a result the amount of PLN 1,037.6 million was recognized in other operating expenses for 2011.

Positive verdicts of the Court of Appeal in case of Elektrociepłownia Gorzów and Elektrownia Turów resulted in adjustment of LTC compensation in the financial statements for the period ended September 30, 2012 of PLN 130.3 million. The value of the adjustment was recognized in the statement of comprehensive income as other operating income.

The ERO President decisions and amended decisions on annual adjustments for 2011 had no impact on reporting revenues and profit of the PGE Capital Group in interim financial statements in 2012 and were recognised as change of settlements with Zarządca Rozliczeń S.A.

26.2. Framework agreement on the exploration for and extraction of shale gas

On July 4, 2012 PGE 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 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 with regard 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.

26.3. Signing of a Letter of Intent 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.

26.4. Voluntary Leave Programs

The purpose of the Voluntary Leave Programs (VLP) is optimization of employment in the PGE Group and is directed to employees who have guarantee of employment on the basis of social contracts. Programs are described in Note 17.9 of these financial statements.

26.5. Certificates of energy origin

Dispute regarding the energy produced from biomass

During the current reporting period, investigations were pending before the Energy Regulatory Office regarding issuance of certificates of energy origin produced in 2011 from biomasses at Branch Elektrownia Bełchatów (branch Bełchatów Power Plant) and Branch Zespół Elektrowni Dolna Odra (branch Dolna Odra Group of Power Plants), being parts of PGE Górnictwo i Energetyka Konwencjonalna S.A. subsidiary. The President of the Energy Regulatory Office questions the fulfilment of biodegradability requirements by types of biomass used in these branches (post-hydrolysis lignocelluloses) and shea pulp. Therefore the President of the Energy Regulatory Office withholds the decision to issue the certificates despite that it in prior years certificates of origin for energy produced of both types of biomass in the preceding years were issued.

In response to subsequent calls for clarification, the branches presented all the results of additional tests required by the Energy Regulatory Office, as well as explanations and opinions of accredited laboratory testing authorities, confirming that the requirements had been met. Until the balance sheet date, the Energy Regulatory Office issued the outstanding Certificates of Energy Origin for 2011 in the value of approximately PLN 97 million, which was recognized in revenues of year 2012. Because other disputes have not been resolved, the Group did not recognize energy certificates of energy origin for 2011 of a value of approximately PLN 4 million.

Issuance of certificates of energy origin in the year of 2012

The Energy Regulatory Office conducts a large number of clarification investigations on both certificates of origin from cogeneration and from renewable energy sources ("RES") payable to the manufacturing units included in the PGE Górnictwo i Energetyka Konwencjonalna S.A. Therefore, the PGE Group observed delays in issued decisions. Currently, pending clarification investigations of RES certificates of origin relate to Turów Power Plant, Opole Power Plant and Szczecin CHP. Delays due to various issues and relate, inter alia, the level of biodegradability of biomass, measurement systems installed, etc. Revenues from energy certificates are recognized on an ongoing basis.

26.6. Fire in Elektrownia Turów

On July 24, 2012, an ignition of coal dust and biomass dust occurred in lignite supply system for units no 1 and 2 (on inclined lignite conveyors, in area of biomass feeding) in Turów power plant, one of branches of PGE Górnictwo i Energetyka Konwencjonalna S.A. Ignition spread out to lignite supply installations for units no 1-4 and inclined lignite conveyors for units no 3-4 and boilers of units 1-4, damaging walls and roofs, and ignited fires in few places on lignite supply systems for units no 1-4. Main generation installations were not damaged.

The Group estimates that repair and reconstruction expenditures of damages will amount to approximately PLN 35 million – PLN 16 million was spent until September 30, 2012. The Company plans to claim compensation from the insurance companies based on the binding insurance agreements.

26.7. Project of construction of units in PGE GiEK S.A. Branch Elektrownia Opole.

On February 15, 2012 PGE Elektrownia Opole S.A. (currently PGE GiEK S.A. Branch Elektrownia Opole), concluded an agreement with Rafako S.A., Polimex-Mostostal S.A. and Mostostal Warszawa S.A. (the „Agreement"), forming a syndicate: Rafako S.A., Polimex-Mostostal S.A. and Mostostal Warszawa S.A. (later referred to as the „General Contractor"). The net value of the Agreement amounts to PLN 9.4 billion, while gross value of the Agreement amounts to PLN 11.6 billion. Subject matter of the agreement is construction of two hard coal-fired 900 MW supercritical power units no 5&6 at PGE Elektrownia Opole S.A. by the General Contractor. The project will be executed in EPC formula (Engineering, Procurement, Construction). According to the Agreement, the General Contractor is obliged to execute the order within 54 months from the date of the Notice To Proceed ("NTP") with reference to unit no 5 and within 62 months from the date of the NTP with reference to unit no 6. In order to issue the NTP, PGE GiEK S.A. is obliged i.a. to deliver the construction permit. The obtaining of the construction permit depends inter alia on positive decision on environmental conditionings for the project. On February 2 and 14, 2012 the consents for the construction of units 5&6, issued respectively by Voivod of Opole and Foreman of Opole, validated. However on January 12, 2012 the Provincial Administrative Court in Warsaw, after examination of the complaint by ClientEarth Poland Foundation to the decision of General Director of Environment Protection of August 16, 2011 on setting up the environmental conditionings for the realization of the project, overruled decisions of first and second instance (Regional Director of Environment Protection in Opole and General Director of Environment Protection in Warsaw) with regard to environmental permit for units 5&6. In connection with the above, on March 14, 2012 PGE GiEK S.A. filed a cassation appeal with the Supreme Administrative Court against the decision of the Provincial Administrative Court in Warsaw of January 12, 2012. On October 2, 2012 the Supreme Administrative Court repealed the verdict of the Provincial Administrative Court in Warsaw of January 12, 2012 and remitted the case for re-examination, issuing binding recommendations for the re-examination.

26.8. Issues regarding acquisition of Energa S.A. Return of tax on civil law transactions.

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