



**Consolidated quarterly report
for the 1st quarter of 2010
PGE Polska Grupa Energetyczna S.A.**

May 17, 2010



*Polska Grupa
Energetyczna*

Selected consolidated financial data for PGE Polska Grupa Energetyczna S.A. Capital Group

	1 quarter cumulative from January 1, 2010 to March 31, 2010	1 quarter cumulative from January 1, 2009 to March 31, 2009	1 quarter cumulative from January 1, 2010 to March 31, 2010	1 quarter cumulative from January 1, 2009 to March 31, 2009
	in PLN thousand		in EUR thousand	
Sales revenues	5,340,107	5,347,535	1,346,178	1,162,651
Profit/loss on operating activities	1,371,921	1,641,571	345,845	356,907
Gross profit/loss (before taxation)	1,375,015	1,455,707	346,625	316,497
Net profit/loss	1,113,579	1,125,446	280,720	244,692
Total income	1,112,963	1,124,553	280,565	244,498
Net cash from operating activities	1,530,480	1,414,187	385,816	307,470
Net cash from investing activities	(1,033,031)	(755,507)	(260,415)	(164,261)
Net cash from financial activities	(332,836)	(812,351)	(83,904)	(176,620)
Net change in cash and cash equivalents	164,613	(153,671)	41,497	(33,411)
Diluted net earnings per share (in PLN/EUR per share)	0.52	0.59	0.13	0.13
Diluted earnings per share (in PLN/EUR per share)	0.52	0.59	0.13	0.13
	As at March 31, 2010	As at December 31, 2009	As at March 31, 2010	As at December 31, 2009
Non-current assets	41,964,623	41,964,446	10,865,471	10,214,801
Current assets	12,579,656	12,477,640	3,257,122	3,037,252
Non-current assets classified as held for sale	5,576	5,712	1,444	1,390
Total assets	54,549,855	54,447,798	14,124,037	13,253,444
Equity	40,015,341	38,849,752	10,360,764	9,456,636
Share capital	17,300,900	17,300,900	4,479,545	4,211,309
Long-term liabilities	7,927,620	9,762,322	2,052,618	2,376,302
Short-term liabilities	6,606,894	5,835,724	1,710,656	1,420,506
Number of shares	1,730,090,000	1,513,947,249	1,730,090,000	1,513,947,249
Book value per share (in PLN/EUR per share)	18.56	18.02	4.80	4.39
Diluted book value per share (in PLN/EUR per share)	18.56	18.02	4.80	4.39

Selected financial data for PGE Polska Grupa Energetyczna S.A.

	1 quarter cumulative from January 1, 2010 to March 31, 2010	1 quarter cumulative from January 1, 2009 to March 31, 2009	1 quarter cumulative from January 1, 2010 to March 31, 2010	1 quarter cumulative from January 1, 2009 to March 31, 2009
	in PLN thousand		in EUR thousand	
Sales revenues	2,696,265	2,900,884	679,696	630,705
Profit/loss on operating activities	87,994	7,066	22,182	1,536
Gross profit/loss (before taxation)	135,458	41,109	34,147	8,938
Net profit/loss	119,091	9,873	30,021	2,147
Net cash from operating activities	82,483	(50,283)	20,793	(10,932)
Net cash from investing activities	9,855	27,006	2,484	5,872
Net cash from financial activities	(479,402)	11,959	(120,852)	2,600
Net change in cash and cash equivalents	(387,064)	(11,318)	(97,574)	(2,461)
Diluted net earnings per share (in PLN/EUR per share)	0.07	0.01	0.02	0.00
Diluted earnings per share (in PLN/EUR per share)	0.07	0.01	0.02	0.00
	As at March 31, 2010	As at December 31, 2009	As at March 31, 2010	As at December 31, 2009
Non-current assets	20,495	21,019	5,307	5,116
Current assets	4,987	4,938	1,291	1,202
Total assets	25,482	25,956	6,598	6,318
Equity	24,316	24,196	6,296	5,890
Share capital	17,301	17,301	4,480	4,211

Above financial data for 1 quarter 2010 and 2009 were converted into EUR according to the following rules:

- particular items of the assets and liabilities – according to average exchange rate published by the National Bank of Poland as of March 31, 2010 - 3,8622 PLN/EUR (as of December 31, 2009 - 4,1082 PLN/EUR),
- particular items of statement of comprehensive income and statement of cash flows – according to the exchange rate constituting an arithmetic average of average exchange rates set out by the National Bank of Poland at the end of every month of the reporting period from January 1, 2010 to March 31, 2010 - 3,9669 PLN/EUR (for the period from January 1, 2009 to March 31, 2009 - 4,5994 PLN/EUR).

CONTENT

A	INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH IFRS	5
	CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	5
	CONSOLIDATED STATEMENT OF FINANCIAL POSITION	6
	STATEMENT OF CHANGES IN CONSOLIDATED EQUITY	8
	CONSOLIDATED STATEMENT OF CASHFLOWS	11
1.	GENERAL INFORMATION	12
2.	ENTITIES INCLUDED IN THE GROUP	13
3.	BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENT	18
4.	PRESENTATION CURRENCY	19
5.	CHANGES IN THE APPLIED ACCOUNTING PRINCIPLES	19
6.	NEW STANDARDS AND INTERPRETATIONS PUBLISHED, NOT YET EFFECTIVE	20
7.	CHANGE IN ESTIMATES	21
8.	OPERATING SEGMENTS	21
9.	REVENUES AND EXPENSES	24
10.	CREATION OF REVALUATION WRITE-OFFS FOR ASSETS AND THEIR REVERSAL	27
11.	INCOME TAX	27
12.	DIVIDENDS PAID AND DIVIDENDS DECLARED	28
13.	PROVISIONS	29
14.	LEGAL CLAIMS AND CONTINGENT LIABILITIES AND RECEIVABLES	32
15.	INTEREST BEARING BORROWINGS, ISSUED BONDS	34
16.	INVESTMENT LIABILITIES	35
17.	INFORMATION ON RELATED ENTITIES	35
18.	TAX SETTLEMENTS	36
19.	DISCONTINUED OPERATIONS	38
20.	SIGNIFICANT EVENTS OF THE REPORTING PERIOD AND EVENTS AFTER THE BALANCE SHEET DATE	39
B	OTHER INFORMATION TO CONSOLIDATED QUARTERLY REPORT	44
1.	ORGANISATION OF THE CAPITAL GROUP	44
2.	KEY FACTORS AND EVENTS AFFECTING FINANCIAL RESULTS	46
3.	SIGNIFICANT ACHIEVEMENTS AND FAILURES OF THE COMPANY IN THE REPORTING PERIOD, ALONG WITH LIST OF MOST IMPORTANT EVENTS.	53
4.	OTHER SIGNIFICANT FACTORS	60
5.	FACTORS, WHICH IN COMPANY'S OPINION, WILL AFFECT THE RESULTS WITHIN AT LEAST THE NEXT QUARTER	60
6.	SHAREHOLDERS HOLDING DIRECTLY OR INDIRECTLY BY SUBSIDIARIES AT LEAST 5% OF THE TOTAL VOTES AT COMPANY'S GENERAL MEETING AS OF THE DAY OF SUBMISSION OF THE QUARTERLY REPORT.	61
7.	NUMBER OF SHARES OR RIGHTS TO SHARES OF THE COMPANY HELD BY COMPANY'S MANAGERS AND SUPERVISORS, AS OF THE DATE OF SUBMISSION OF QUARTERLY REPORT.	61
8.	INFORMATION ON ISSUE, REDEMPTION AND REPAYMENT OF DEBT AND OTHER SECURITIES	62
9.	INFORMATION ON GRANTING BY THE COMPANY OR ITS SUBSIDIARY OF LOAN SECURITIES OR GUARANTEES – JOINTLY TO A SINGLE ENTITY OR ITS SUBSIDIARY, IF THE TOTAL VALUE OF THE EXISTING SECURITIES OR GUARANTEES IS EQUIVALENT TO AT LEAST 10% OF COMPANY'S EQUITY.	62
10.	INFORMATION CONCERNING SIGNIFICANT PROCEEDINGS IN FRONT OF COURT, BODY APPROPRIATE FOR ARBITRATION PROCEEDINGS OR IN FRONT OF PUBLIC ADMINISTRATION AUTHORITIES	62
C	THE QUARTERLY FINANCIAL INFORMATION OF PGE POLSKA GRUPA ENERGETYCZNA S.A. PREPARED IN ACCORDANCE WITH POLISH ACCOUNTING PRINCIPLES	63

**A INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH IFRS**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 months ended March 31, 2010	3 months ended March 31, 2009
	(not audited)	
CONSOLIDATED COMPREHENSIVE INCOME		
Revenues from sales	5,340,107	5,347,535
Cost of goods sold	(3,382,595)	(3,135,444)
Gross profit on sales	1,957,512	2,212,091
Other revenues	140,019	83,085
Other expenses	(725,610)	(653,605)
Financial revenues/expenses	3,094	(185,864)
Profit before tax	1,375,015	1,455,707
Corporate income tax expense	(261,123)	(330,261)
Net profit from continuing operations	1,113,892	1,125,446
Loss for the reporting period on discontinued operations	(313)	-
Net profit for the operating period	1,113,579	1,125,446
OTHER COMPREHENSIVE INCOME:		
Valuation of available-for-sale financial assets	12	(3,007)
Revaluation of assets of associates	-	41
Valuation of foreign entities	(628)	2,073
Other comprehensive income for the period, net	(616)	(893)
TOTAL COMPREHENSIVE INCOME	1,112,963	1,124,553
Net profit attributable to:		
- equity holders of the parent company	899,097	873,148
- minority interest	214,482	252,298
Total comprehensive income attributable to:		
- equity holders of the parent company	898,481	873,017
- minority interest	214,482	251,536
Profit per share (in PLN)		
- basic earnings for the reporting period	0.52	0.59

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	March 31, 2010	December 31, 2009	March 31, 2009
	(not audited)	(audited)	(not audited)
Non-current assets			
Property, plant and equipment	39,091,100	38,945,664	37,719,191
Investment property	25,380	25,431	25,571
Intangible assets	145,196	153,335	138,818
Held-to-maturity long-term investments	-	-	-
Loans and receivables	387,200	389,566	482,760
Available-for-sale financial assets	74,794	198,211	204,333
Shares in associates accounted for under the equity method	1,391,302	1,354,799	1,532,063
Other long-term assets	453,394	485,087	241,634
Deferred tax assets	358,936	412,353	398,442
Non-current assets related to discontinued operations	37,321	-	-
Total non-current assets	41,964,623	41,964,446	40,742,812
Current assets			
Inventories	1,110,260	1,271,165	1,098,560
Income tax receivables	24,228	49,827	58,288
Short-term financial assets at fair value through profit or loss	-	-	-
Held-to-maturity short-term investments	-	-	-
Trade receivables	2,128,187	2,059,119	2,203,476
Other loans and financial assets	697,439	987,575	763,520
Available-for-sale short-term financial assets	124,315	5,984	91,289
Other current assets	616,084	391,147	478,854
Cash and cash equivalents	7,855,310	7,712,823	1,983,248
Current assets related to discontinued operations	23,833	-	-
Total current assets	12,579,656	12,477,640	6,677,235
Non-current assets classified as held for sale	5,576	5,712	3,373
TOTAL ASSETS	54,549,855	54,447,798	47,423,420

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EQUITY AND LIABILITIES	March 31, 2010	December 31, 2009	March 31, 2009
	(not audited)	(audited)	(not audited)
Equity (attributable to equity holders of the parent)			
Share capital	17,300,900	17,300,900	14,705,765
Revaluation reserve	(1,149)	(1,161)	27,909
Foreign exchange differences from translation of foreign entities	(1,440)	(812)	730
Reserve capital	5,449,549	5,449,549	2,100,156
Other capital reserves	-	-	414,017
Retained earnings	9,356,999	8,419,848	6,429,629
Minority interest	7,910,482	7,681,428	7,617,457
Total equity	40,015,341	38,849,752	31,295,663
Long-term liabilities			
Interest-bearing loans and borrowings	2,267,248	4,056,270	4,456,143
Other long-term liabilities	13,845	15,941	9,973
Provisions	3,269,207	3,238,759	2,952,614
Deferred tax liabilities	1,351,820	1,358,546	1,201,752
Deferred income and government grants	1,024,439	1,092,806	1,026,735
Long-term liabilities related to discontinued operations	1,061	-	-
Total long-term liabilities	7,927,620	9,762,322	9,647,217
Short-term liabilities			
Trade liabilities	861,751	1,082,582	817,107
Financial liabilities at fair value through profit or loss	41,935	37,701	70,502
Interest-bearing loans and borrowings	2,454,980	969,929	2,499,484
Other short-term financial liabilities	352,036	555,758	290,758
Other short-term non-financial liabilities	1,124,384	1,167,079	1,128,004
Income tax liabilities	146,181	372,888	114,249
Deferred income	35,332	40,903	28,951
Accruals	579,817	627,558	519,989
Short-term provisions	998,607	981,326	1,011,496
Short-term liabilities related to discontinued operations	11,871	-	-
Total short-term liabilities	6,606,894	5,835,724	6,480,540
Total liabilities	14,534,514	15,598,046	16,127,757
TOTAL EQUITY AND LIABILITIES	54,549,855	54,447,798	47,423,420

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

For the period ended March 31, 2010

(not audited)	Share capital	Revaluation reserve	Foreign exchange differences from translation	Reserve capital	Other capital reserves	Retained earnings	Total	Minority interest	Total equity
As at January 1, 2010	17,300,900	(1,161)	(812)	5,449,549	-	8,419,848	31,168,324	7,681,428	38,849,752
Total comprehensive income for the reporting period		12	(628)			899,097	898,481	214,482	1,112,963
Change of accounting principles	-	-	-	-	-	38,054	38,054	14,616	52,670
Other	-	-	-	-	-	-	-	(44)	(44)
As at March 31, 2010	17,300,900	(1,149)	(1,440)	5,449,549	-	9,356,999	32,104,859	7,910,482	40,015,341

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

For the year ended December 31, 2009

	Share capital	Revaluation reserve	Foreign exchange differences from translation	Reserve capital	Other capital reserves	Retained earnings	Total	Minority interest	Total equity
As at January 1, 2009	14,705,765	30,154	(1,343)	2,100,156	414,017	5,560,908	22,809,657	7,365,921	30,175,578
Total comprehensive income for the period	-	(31,115)	531	-	-	3,370,753	3,340,169	956,339	4,296,508
Issue of shares	2,595,135	-	-	3,373,676	-	-	5,968,811	-	5,968,811
Cost of issue of shares	-	-	-	(68,560)	-	-	(68,560)	-	(68,560)
Retained earnings distribution	-	-	-	44,277	-	(44,277)	-	-	-
Purchase of minority shares	-	-	-	-	-	521,473	521,473	(521,473)	-
Settlement of purchased stocks and shares in subsidiaries	-	-	-	-	-	(264,838)	(264,838)	-	(264,838)
Dividend (including deductions from profit for the State Treasury)	-	-	-	-	(414,017)	(725,971)	(1,139,988)	(119,359)	(1,259,347)
Other	-	(200)	-	-	-	1,800	1,600	-	1,600
As at December 31, 2009	17,300,900	(1,161)	(812)	5,449,549	-	8,419,848	31,168,324	7,681,428	38,849,752

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

For the period ended March 31, 2009

(not audited)	Share capital	Revaluation reserve	Foreign exchange differences from translation	Reserve capital	Other capital reserves	Retained earnings	Total	Minority interest	Total equity
As at January 1, 2009	14,705,765	30,154	(1,343)	2,100,156	414,017	5,560,908	22,809,657	7,365,921	30,175,578
Total comprehensive income for the period	-	(2,245)	2,073	-	-	873,189	873,017	251,536	1,124,553
Dividend (including deductions from profit for the State Treasury)	-	-	-	-	-	(4,468)	(4,468)	-	(4,468)
As at March 31, 2009	14,705,765	27,909	730	2,100,156	414,017	6,429,629	23,678,206	7,617,457	31,295,663

CONSOLIDATED STATEMENT OF CASHFLOWS

	3 months ended March 31, 2010 (not audited)	3 months ended March 31, 2009 (not audited)
Cash flows – operating activities		
Gross profit from discontinued operations	(313)	-
Gross profit from continuing operations	1,375,015	1,455,707
Adjustments for:		
Share of profit from associates accounted for under the equity method	(36,605)	(47,158)
Depreciation and amortization	657,863	645,004
Interest and dividend, net	26,476	69,798
Profit / (loss) on investment activities	46,290	(10,583)
Change in receivables	227,607	(428,710)
Change in inventories	156,343	26,887
Change in liabilities (excluding loans and bank credits)	(213,900)	(53,514)
Change in prepayments and accruals	(312,086)	(406,375)
Change in provisions	43,743	159,401
Income tax paid	(428,703)	(180,057)
Other	(11,250)	183,787
Net cash from operating activities	1,530,480	1,414,187
Cash flows – investment activities		
Disposal of property, plant and equipment and intangible assets	1,744	5,216
Purchase of property, plant and equipment and intangible assets	(1,030,637)	(924,181)
Sale/purchase of investment property	-	(16)
Disposal of financial assets	93,678	202,255
Purchase of financial assets	(97,603)	(41,622)
Dividends	-	400
Interest received	2,828	2,482
Loans repaid	981	2,002
Loans granted	-	-
Other	(4,022)	(2,043)
Net cash from investment activities	(1,033,031)	(755,507)
Cash flows – financial activities		
Proceeds from the issue of shares	-	-
Proceeds resulting from bank credits and loans and bonds issue	69,483	1,967,273
Repayment of bank loans, repayment of bonds and financial lease	(341,448)	(2,667,044)
Dividends paid (including deductions from profit for the State Treasury)	(1,015)	(1,957)
Interest paid	(60,030)	(115,952)
Other	174	5,329
Net cash from financial activities	(332,836)	(812,351)
Net change of cash and cash equivalents	<u>164,613</u>	<u>(153,671)</u>
Effect of foreign exchange rate changes (net)	(8,882)	(2,967)
Cash and cash equivalents, beginning of the period	7,705,934	2,137,317
Cash and cash equivalents, end of the period, including:	7,870,547	1,983,646
restricted cash and cash equivalents	188,836	70,637
attributed to discontinued operations	5,729	-

1. General information

PGE Polska Grupa Energetyczna S.A. Capital Group

PGE Polska Grupa Energetyczna S.A. Capital Group ("Group", "Capital Group", "PGE Group") consists of the Parent Company PGE Polska Grupa Energetyczna S.A. and subsidiaries (refer to p. 2 below).

PGE Polska Grupa Energetyczna S.A. ("parent company", "Company", "PGE") was founded on the basis of 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 maintained by the District Court for the Capital City of Warsaw, XII Commercial Department, under no. KRS 0000059307.

As of the date of these condensed consolidated financial statements the seat of the parent company is in Warsaw, 2 Mysia Street.

Core operations of the Group companies are as follows:

- production of electricity,
- production and distribution of heat,
- wholesale and retail sale of electricity,
- distribution of electricity,
- 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 of 3 months ended March 31, 2010. The statements include comparable data for the period of 3 months ended March 31, 2009.

2. Entities included in the Group

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

Entity	Share of Capital Group entities as at March 31, 2010	Parent company as at March 31, 2010	Share of Capital Group entities as at December 31, 2009	Parent company as at December 31, 2009
Segment: wholesale trading				
1. PGE Polska Grupa Energetyczna S.A. Warsaw		Parent company		
2. PGE Electra S.A. Warsaw	100.00%	PGE Polska Grupa Energetyczna S.A.	100.00%	PGE Polska Grupa Energetyczna S.A.
3. ELBIS Sp. z o.o. Rogowiec	100.00%	PGE Elektrownia Bełchatów S.A.	100.00%	PGE Elektrownia Bełchatów S.A.
4. ELECTRA Deutschland GmbH Germany	100.00%	PGE Electra S.A.	100.00%	PGE Electra S.A.
Segment: conventional energy				
5. PGE Górnictwo i Energetyka S.A. Łódź	85.00%	PGE Polska Grupa Energetyczna S.A.	85.00%	PGE Polska Grupa Energetyczna S.A.
6. PGE Elektrownia Bełchatów S.A. Rogowiec	69.00%	PGE Górnictwo i Energetyka S.A.	69.00%	PGE Górnictwo i Energetyka S.A.
	19.10%	PGE Polska Grupa Energetyczna S.A.	19.10%	PGE Polska Grupa Energetyczna S.A.
7. PGE Elektrownia Opole S.A. Brzezine	69.00%	PGE Górnictwo i Energetyka S.A.	69.00%	PGE Górnictwo i Energetyka S.A.
	16.00%	PGE Polska Grupa Energetyczna S.A.	16.00%	PGE Polska Grupa Energetyczna S.A.
8. PGE Elektrownia Turów S.A. Bogatynia	69.00%	PGE Górnictwo i Energetyka S.A.	69.00%	PGE Górnictwo i Energetyka S.A.
	16.00%	PGE Polska Grupa Energetyczna S.A.	16.00%	PGE Polska Grupa Energetyczna S.A.
9. PGE KWB Bełchatów S.A. Rogowiec	69.00%	PGE Górnictwo i Energetyka S.A.	69.00%	PGE Górnictwo i Energetyka S.A.
	16.00%	PGE Polska Grupa Energetyczna S.A.	16.00%	PGE Polska Grupa Energetyczna S.A.
10. PGE KWB Turów S.A. Bogatynia	69.00%	PGE Górnictwo i Energetyka S.A.	69.00%	PGE Górnictwo i Energetyka S.A.
	16.00%	PGE Polska Grupa Energetyczna S.A.	16.00%	PGE Polska Grupa Energetyczna S.A.
11. PGE Zespół Elektrowni Dolna Odra S.A. Nowe Czarnowo	85.00%	PGE Energia S.A.	85.00%	PGE Energia S.A.
12. PGE ZEC Bydgoszcz S.A. Bydgoszcz	98.50%	PGE Polska Grupa Energetyczna S.A.	98.50%	PGE Polska Grupa Energetyczna S.A.
	0.53%	PGE Energia Odnawialna S.A.	0.53%	PGE Energia Odnawialna S.A.
13. PGE Elektrociepłownia Kielce S.A. Kielce	100.00%	PGE Zakłady Energetyczne Okręgu Radomsko-Kieleckiego S.A.	100.00%	PGE Zakłady Energetyczne Okręgu Radomsko-Kieleckiego S.A.
14. PGE Elektrociepłownia Lublin - Wrotków Sp. z o.o. Lublin	100.00%	PGE Lubelskie Zakłady Energetyczne S.A.	100.00%	PGE Lubelskie Zakłady Energetyczne S.A.
15. PGE Elektrociepłownia Rzeszów S.A. Rzeszów	100.00%	PGE Obrót S.A.	100.00%	PGE Obrót S.A.

Entity	Share of Capital Group entities as at March 31, 2010	Parent company as at March 31, 2010	Share of Capital Group entities as at December 31, 2009	Parent company as at December 31, 2009
16. PGE Elektrociepłownia Gorzów S.A. <i>Gorzów Wielkopolski</i>	90.09%	PGE Polska Grupa Energetyczna S.A.	90.09%	PGE Polska Grupa Energetyczna S.A.
17. Energetyka Boruta Sp. z o.o. <i>Zgierz</i>	96.91%	ELBIS Sp. z o.o.	96.91%	ELBIS Sp. z o.o.
18. PEC Gorzów Sp. z o.o. <i>Gorzów Wielkopolski</i>	100.00%	PGE Elektrociepłownia Gorzów S.A.	100.00%	PGE Elektrociepłownia Gorzów S.A.
19. Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. <i>Gryfino</i>	80.00%	PGE Zespół Elektrowni Dolna Odra S.A.	80.00%	PGE Zespół Elektrowni Dolna Odra S.A.
Segment: renewable energy				
20. PGE Energia Odnawialna S.A. <i>Warsaw</i>	100.00%	PGE Polska Grupa Energetyczna S.A.	100.00%	PGE Polska Grupa Energetyczna S.A.
21. PGE ZEW Dychów S.A. <i>Dychów</i>	100.00%	PGE Energia Odnawialna S.A.	100.00%	PGE Energia Odnawialna S.A.
22. Elektrownia Wodna Żarnowiec S.A. <i>Czymanowo</i>	100.00 %	PGE Energia Odnawialna S.A.	100.00 %	PGE Energia Odnawialna S.A.
23. Elektrownia Wiatrowa Kamieński Sp. z o.o. <i>Kamieński</i>	50.00%	PGE Energia Odnawialna S.A.	50.00%	PGE Energia Odnawialna S.A.
	50.00%	ELBIS Sp. z o.o.	50.00%	ELBIS Sp. z o.o.
24. Zespół Elektrowni Wodnych Porąbka-Żar S.A. <i>Międzybrodzie Białskie</i>	100.00 %	PGE Energia Odnawialna S.A.	100.00 %	PGE Energia Odnawialna S.A.
25. EGO-Odra S.A. <i>Warsaw</i>	100.00%	PGE Energia Odnawialna S.A.	50.14%	PGE Energia Odnawialna S.A.
			49.86%	ZEW Porąbka-Żar S.A.
26. Zespół Elektrowni Wodnych Solina-Myczkowiec S.A. <i>Solina</i>	100.00%	PGE Energia Odnawialna S.A.	100.00%	PGE Energia Odnawialna S.A.
Segment: distribution				
27. PGE Dystrybucja S.A. <i>Lublin</i>	100.00%	PGE Polska Grupa Energetyczna S.A.	100.00%	PGE Polska Grupa Energetyczna S.A.
28. PGE Dystrybucja Zamość Sp. z o.o. <i>Zamość</i>	100.00%	PGE Zamojska Korporacja Energetyczna S.A.	100.00%	PGE Zamojska Korporacja Energetyczna S.A.
29. PGE Dystrybucja Rzeszów Sp. z o.o. <i>Rzeszów</i>	100.00%	PGE Obrót S.A.	100.00%	PGE Obrót S.A.
30. PGE Dystrybucja LUBZEL Sp. z o.o. <i>Lublin</i>	100.00%	PGE Lubelskie Zakłady Energetyczne S.A.	100.00%	PGE Lubelskie Zakłady Energetyczne S.A.
31. PGE ZEORK Dystrybucja Sp. z o.o. <i>Skarżysko-Kamienna</i>	100.00%	PGE Zakłady Energetyczne Okręgu Radomsko-Kieleckiego S.A.	100.00%	PGE Zakłady Energetyczne Okręgu Radomsko-Kieleckiego S.A.
32. PGE Dystrybucja Łódź Sp. z o.o. <i>Łódź</i>	100.00%	PGE Łódzki Zakład Energetyczny S.A.	100.00%	PGE Łódzki Zakład Energetyczny S.A.
33. PGE Dystrybucja Białystok Sp. z o.o. <i>Białystok</i>	100.00%	PGE Zakład Energetyczny Białystok S.A.	100.00%	PGE Zakład Energetyczny Białystok S.A.
34. PGE Dystrybucja Łódź-Teren S.A. <i>Łódź</i>	85.00%	PGE Energia S.A.	85.00%	PGE Energia S.A.
35. PGE Dystrybucja Warszawa-Teren Sp. z o.o.	100.00%	PGE Zakład Energetyczny Warszawa-Teren S.A.	100.00%	PGE Zakład Energetyczny Warszawa-Teren S.A.
36. PGE Energia S.A. <i>Lublin</i>	85.00%	PGE Polska Grupa Energetyczna S.A.	85.00%	PGE Polska Grupa Energetyczna S.A.

Entity	Share of Capital Group entities as at March 31, 2010	Parent company as at March 31, 2010	Share of Capital Group entities as at December 31, 2009	Parent company as at December 31, 2009
Segment: retail sales				
37. PGE Obrót S.A. (dawniej PGE Rzeszowski Zakład Energetyczny S.A.) Rzeszów	85.00%	PGE Energia S.A.	85.00%	PGE Energia S.A.
38. PGE Zamojska Korporacja Energetyczna S.A. Zamość	85.00%	PGE Energia S.A.	85.00%	PGE Energia S.A.
39. PGE Lubelskie Zakłady Energetyczne S.A. Lublin	85.00%	PGE Energia S.A.	85.00%	PGE Energia S.A.
40. PGE Zakłady Energetyczne Okręgu Radomsko-Kieleckiego S.A. Skarżysko-Kamienna	85.00%	PGE Energia S.A.	85.00%	PGE Energia S.A.
41. PGE Łódzki Zakład Energetyczny S.A. Łódź	85.00%	PGE Energia S.A.	85.00%	PGE Energia S.A.
42. PGE Zakład Energetyczny Białystok S.A.	85.00%	PGE Energia S.A.	85.00%	PGE Energia S.A.
43. PGE ZELT Obrót Sp. z o.o. Łódź	100.00%	PGE Polska Grupa Energetyczna S.A.	100.00%	PGE Polska Grupa Energetyczna S.A.
44. PGE Zakład Energetyczny Warszawa-Teren S.A. Warsaw	85.00%	PGE Energia S.A.	85.00%	PGE Energia S.A.
Segment: other				
45. EXATEL S.A. Warsaw	94.94%	PGE Polska Grupa Energetyczna S.A.	94.94%	PGE Polska Grupa Energetyczna S.A.
46. MEGAZEC Sp. z o.o. Bydgoszcz	100.00%	PGE ZEC Bydgoszcz S.A.	100.00%	PGE ZEC Bydgoszcz S.A.
47. ELBEST Sp. z o.o. Rogowiec	100.00%	PGE Elektrownia Bełchatów S.A.	100.00%	PGE Elektrownia Bełchatów S.A.
48. Energoserwis - Kleszczów Sp z o.o. Kleszczów	51.00%	ELBIS Sp. z o.o	51.00%	ELBIS Sp. z o.o
49. Niepubliczny Zakład Opieki Zdrowotnej MegaMed Sp. z o.o. Bełchatów	100.00%	PGE Elektrownia Bełchatów S.A.	100.00%	PGE Elektrownia Bełchatów S.A.
50. ELMEN Sp. z o.o. Rogowiec	100.00%	ELBIS Sp. z o. o	100.00%	ELBIS Sp. z o. o
51. EnBud Sp. z o.o. Czymanowo	100.00%	Elektrownia Wodna Żarnowiec S.A.	100.00%	Elektrownia Wodna Żarnowiec S.A.
52. Bio-Energia ESP Sp. z o.o. Gdynia	65.72%	PGE Energia Odnawialna S.A.	65.72%	PGE Energia Odnawialna S.A.
	12.16%	ZEW Porąbka-Żar S.A.	12.16%	ZEW Porąbka-Żar S.A.
53. Dychowskie Przedsiębiorstwo Eksploatacji Elektrowni ELDEKS Sp. z o.o. Dychów	21.77%	EW Żarnowiec S.A.	21.77%	EW Żarnowiec S.A.
	100.00%	PGE Zespół Elektrowni Wodnych Dychów S.A.	100.00%	PGE Zespół Elektrowni Wodnych Dychów S.A.
54. ESP Usługi Sp. z o.o. Warsaw	100.00%	PGE Energia Odnawialna S.A.	100.00%	PGE Energia Odnawialna S.A.
55. Budownictwo Hydroenergetyka - Dychów Sp. z o. o Dychów	100.00%	PGE Zespół Elektrowni Wodnych Dychów S.A.	100.00%	PGE Zespół Elektrowni Wodnych Dychów S.A.
56. Przedsiębiorstwo Usługowo- Produkcyjne ELTUR-SERWIS Sp. z o.o. Bogatynia	100.00%	PGE Elektrownia Turów S.A.	100.00%	PGE Elektrownia Turów S.A.

Entity	Share of Capital Group entities as at March 31, 2010	Parent company as at March 31, 2010	Share of Capital Group entities as at December 31, 2009	Parent company as at December 31, 2009
57. Przedsiębiorstwo Produkcji Sorbentów i Rekultywacji ELTUR-WAPORE Sp. z o.o. <i>Bogatynia</i>	100.00%	PGE Elektrownia Turów S.A.	100.00%	PGE Elektrownia Turów S.A.
58. Przedsiębiorstwo Transportowe ELTUR-TRANS Sp. z o.o. <i>Bogatynia</i>	100.00%	PGE Elektrownia Turów S.A.	100.00%	PGE Elektrownia Turów S.A.
59. Przedsiębiorstwo Handlowo-Usługowe GLOBAL - TUR Sp. z o.o. <i>Bogatynia</i>	84.46%	PGE Elektrownia Turów S.A.	84.46%	PGE Elektrownia Turów S.A.
	15.54%	PGE KWB Turów S.A.	15.54%	PGE KWB Turów S.A.
60. Centrum Medyczne Turów Sp. z o.o. <i>Bogatynia</i>	36.06%	PGE Elektrownia Turów S.A.	36.06%	PGE Elektrownia Turów S.A.
	63.94%	PGE KWB Turów S.A.	63.94%	PGE KWB Turów S.A.
61. Energo Invest Broker S.A. <i>Toruń</i>	30.62%	PGE Elektrownia Bełchatów S.A.	30.62%	PGE Elektrownia Bełchatów S.A.
	25.00%	PGE Elektrownia Turów S.A.	25.00%	PGE Elektrownia Turów S.A.
62. Przedsiębiorstwo Usługowo-Produkcyjne TOP SERWIS Sp. z o.o. <i>Bogatynia</i>	100.00%	Przedsiębiorstwo Usługowo-Produkcyjne ELTUR-SERWIS Sp. z o.o.	89.00%	Przedsiębiorstwo Usługowo-Produkcyjne ELTUR-SERWIS Sp. z o.o.
63. ENESTA Sp. z o.o. <i>Stalowa Wola</i>	84.85%	PGE Dystrybucja Rzeszów Sp. z o.o.	84.85%	PGE Dystrybucja Rzeszów Sp. z o.o.
	2.48%	PGE Elektrociepłownia Rzeszów S.A.	2.48%	PGE Elektrociepłownia Rzeszów S.A.
64. NOM Sp. z o.o. <i>Warsaw</i>	100.00%	EXATEL S.A.	100.00%	EXATEL S.A.
65. Energo-Tel S.A. <i>Warsaw</i>	51.10%	EXATEL S.A.	51.10%	EXATEL S.A.
66. E-Telbank S.A. <i>Warsaw</i>	100.00%	EXATEL S.A.	100.00%	EXATEL S.A.
67. Towarzystwo Gospodarcze BEWA Sp. z o.o. <i>Kleszczów</i>	100.00%	PGE KWB Bełchatów S.A.	100.00%	PGE KWB Bełchatów S.A.
68. RAMB Sp. z o.o. <i>Bełchatów</i>	100.00%	PGE KWB Bełchatów S.A.	100.00%	PGE KWB Bełchatów S.A.
69. BESTUR Sp. z o.o. <i>Bełchatów</i>	100.00%	PGE KWB Bełchatów S.A.	100.00%	PGE KWB Bełchatów S.A.
70. Przedsiębiorstwo Transportowo-Sprzętowe BETRANS Sp. z o.o. <i>Rogowiec</i>	100.00%	PGE KWB Bełchatów S.A.	100.00%	PGE KWB Bełchatów S.A.
71. BESTGUM POLSKA Sp. z o.o. <i>Rogowiec</i>	100.00%	PGE KWB Bełchatów S.A.	100.00%	PGE KWB Bełchatów S.A.
72. Górniczy Klub Sportowy Bełchatów S.S.A. <i>Bełchatów</i>	-	-	100.00%	PGE KWB Bełchatów S.A.
73. ELECTRA Bohemia s.r.o. <i>Czechy</i>	100.00%	PGE Electra S.A.	100.00%	PGE Electra S.A.
74. Zakład Energetyczny Białystok Przedsiębiorstwo Transportowo-Usługowe ETRA Sp. z o.o. <i>Białystok</i>	100.00%	PGE Dystrybucja Białystok Sp. z o.o.	100.00%	PGE Dystrybucja Białystok Sp. z o.o.
75. Zakład Energetyczny Białystok Przedsiębiorstwo Produkcyjno-Handlowe EKTO Sp. z o.o. <i>Białystok</i>	100.00%	PGE Dystrybucja Białystok Sp. z o.o.	100.00%	PGE Dystrybucja Białystok Sp. z o.o.
76. Energetyczne Systemy Pomiarowe Sp. z o.o. <i>Białystok</i>	100.00%	PGE Dystrybucja Białystok Sp. z o.o.	100.00%	PGE Dystrybucja Białystok Sp. z o.o.

Entity	Share of Capital Group entities as at March 31, 2010	Parent company as at March 31, 2010	Share of Capital Group entities as at December 31, 2009	Parent company as at December 31, 2009
77. Zakład Energetyczny Białystok Pracownia Projektowa ENSPRO Sp. z o.o. <i>Białystok</i>	100.00%	PGE Dystrybucja Białystok Sp. z o.o.	100.00%	PGE Dystrybucja Białystok Sp. z o.o.
78. Zakład Usług Medycznych Dolna Odra Sp. z o.o. <i>Nowe Czarnowo</i>	100.00%	PGE Zespół Elektrowni Dolna Odra S.A.	100.00%	PGE Zespół Elektrowni Dolna Odra S.A.
79. EPO Sp. z o.o. <i>Opole</i>	50.00%	PGE Elektrownia Opole S.A.	50.00%	PGE Elektrownia Opole S.A.
80. Przedsiębiorstwo Wielobranżowe Agtel Sp. z o.o. <i>Zamość</i>	70.62%	PGE Zamojska Korporacja Energetyczna S.A.	70.62%	PGE Zamojska Korporacja Energetyczna S.A.
81. Centrum Szkolenia i Rekreacji „Energetyk” Sp. z o.o. <i>Krasnobród</i>	99.50%	PGE Zamojska Korporacja Energetyczna S.A.	99.50%	PGE Zamojska Korporacja Energetyczna S.A.
82. Zakład Obsługi Energetyki Sp. z o.o. <i>Zgierz</i>	100.00%	PGE Dystrybucja Łódź-Teren S.A.	100.00%	PGE Dystrybucja Łódź-Teren S.A.
83. PGE Serwis Sp. z o.o. <i>Warsaw</i>	100.00%	PGE Polska Grupa Energetyczna S.A.	100.00%	PGE Polska Grupa Energetyczna S.A.
84. PGE Systemy S.A. <i>Warsaw</i>	100.00%	PGE Polska Grupa Energetyczna S.A.	100.00%	PGE Polska Grupa Energetyczna S.A.
85. PGE Inwest S.A. <i>Warsaw</i>	100.00%	PGE Polska Grupa Energetyczna S.A.	100.00%	PGE Polska Grupa Energetyczna S.A.
86. PGE Inwest spółka z ograniczoną odpowiedzialnością II S.K.A. <i>Warsaw</i>	100.00%	PGE Polska Grupa Energetyczna S.A.	-	-
87. PGE Energia Jądrowa S.A. <i>Warsaw</i>	100.00%	PGE Polska Grupa Energetyczna S.A.	100.00%	PGE Polska Grupa Energetyczna S.A.
88. EJ 1 sp. z o.o. <i>Warsaw</i>	51.00%	PGE Energia Jądrowa S.A.	-	-
	49.00%	PGE Polska Grupa Energetyczna S.A.	-	-

During the period ended March 31, 2010 there were following significant changes in the structure of companies, which are fully consolidated:

- On January 28, 2010 company EJ 1 sp. z o.o. was registered to act as a special purpose vehicle for the construction and potentially operation of the first nuclear power plant.
- On January 28, 2010 company PGE Inwest spółka z ograniczoną odpowiedzialnością II S.K.A. was registered. Acting as a general partner of this company is PGE Inwest Sp. z o.o.
- On February 23, 2010 a Datio in Solutum agreement was concluded with regard to settlement (related to disbursement of dividend by ZEW Porąbka - Żar S.A.) with a transfer of ownership of the shares of EGO-ODRA S.A. held by ZEW Porąbka-Żar S.A. to PGE Energia Odnawialna S.A. The shares were transferred on March 8, 2010.
- On March 29, 2010, PGE KWB Bełchatów S.A. sold the company GKS Bełchatów S.S.A.

In addition, on March 8, 2010, PGE KWB Bełchatów S.A. entered into a conditional sales agreement regarding the disposal of Towarzystwo Gospodarcze BEWA Sp. z o.o. The sales transaction should be completed in the second quarter of 2010.

3. Basis for the preparation of the financial statement

Statement of compliance

These Condensed Quarterly Consolidated Financial Statements of PGE Polska Grupa Energetyczna S.A. Capital Group (“financial statements”) have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting, in accordance with the appropriate accounting standards which apply to interim financial reporting adopted by the European Union, published and in force during the preparation of these financial statements, as well as in accordance with the Regulation of the Polish Minister of Finance of February 19, 2009 on current and periodic information published by issuers of securities and on conditions under which such information may be recognized as being equivalent to information required by the regulations of law of a state which is not a member state. (Journal of Laws of 2009 No. 33, item 259, as amended) (“Regulation”).

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

These condensed quarterly Consolidated Financial Statements should be read together with the audited Consolidated Financial Statements of PGE Polska Grupa Energetyczna S.A. Capital Group prepared in accordance with the IFRS for the year ended December 31, 2009.

General preparation principles

The financial statements were prepared assuming the continuation of business activities by the companies of the Group in the foreseeable future. As at the date of the preparation of these financial statements, no circumstances were found that would suggest a threat to the continuation of business activities by the parent entity or subsidiaries.

The Group entities manage its accounting books in accordance with the accounting policies (principles) specified by the Accounting Act dated September 29, 1994 (“Act”) with later changes and the regulations issued on the basis thereof (“Polish accounting principles”), apart from the subsidiaries of PGE Electra S.A., that have registered offices in Germany and Czech Republic. These subsidiaries manage its accounting books in accordance with German or Czech reporting regulations. The consolidated financial statements contain corrections not included in the accounting books of the Group’s entities which were provided in order for the financial statements of these entities to be in accordance with the IFRS adopted by the EU.

In relation to the above and pursuant to § 83 subsection 1 of the Regulation, this consolidated quarterly report includes the quarterly financial information of the parent entity which includes: the stand-alone balance sheet, stand-alone income statement, stand-alone statement of changes in equity, and stand-alone cash flow statement, prepared in accordance with Polish accounting principles.

4. Presentation currency

The presentation currency of the interim condensed consolidated financial statements is the Polish zloty („PLN”). All the amounts are stated in PLN thousand, unless stated otherwise.

Following exchange rates were adopted for the appraisal needs of the items included in statement of financial position:

	March 31, 2010	December 31, 2009	March 31, 2009
USD	2.8720	2.8503	3.5416
EURO	3.8622	4.1082	4.7013

5. Changes in the applied accounting principles

The following standards, amendments to the applicable standards and interpretations adopted by the European Union and effective as at the date of preparation of these financial statements, have significantly changed or can significantly change the accounting policies applied by the Group:

IFRIC 18 *Transfer of Assets from Customers*

The purpose of the implementing of IFRIC 18 *Transfer of Assets from Customers* was to unify the applied accounting practice in the situation of receiving from customers non-current assets or cash for construction of non-core assets. The new interpretation has a significant meaning for distribution companies of the PGE Group in relation to the recognition of so-called connection payments or network terminals. Prior to the implementation of IFRIC 18, according to the accounting policies applied by the Group the above matter was recognized analogically to the recognition of government donations in compliance with IAS 20, i.e. the value of the assets received is reflected as deferred income and then recognized in profit and loss statement over time in line with the estimated economic useful life of an item of a property, plant and equipment. In accordance with the new IFRIC 18, starting from July 1, 2009, the new connection payments collected by distribution companies are recognized directly in revenues. The connection payments received before July 1, 2009 are recorded in the income statement in line with the existing accounting policies.

Implementation of the new regulations in the financial statements for 2010, but effective as of July 1, 2009, resulted in the opening balance sheet adjustment as at January 1, 2010. As a result of implementation of IFRIC 18, the Group's equity as at January 1, 2010 increased by PLN 52,670 thousand.

IAS 17 *Leasing*

The revised IAS 17 *Leasing* (approved by the EU on March 23, 2010 and effective as of January 1, 2010) amends, among others, the provision related to lease of land. In relation to Polish entities, including the companies from the PGE Group, an important issue is that of disclosure and measurement of the right to perpetual usufruct of land. According to the existing accounting standards, PGE Group recognized the above matter analogically to operating lease:

- the acquired right is recognized as other assets and gradually recognized in the income statement,
- the right received by force of administrative decisions is disclosed off balance sheet.

At the current stage, it is impossible to determine beyond all doubt whether and how the revised provisions of IAS 17 may affect the disclosure and measurement of the right to perpetual usufruct of land. Nevertheless, as at the date of preparation of these financial statements, the analyses conducted by the Group indicate that the revised regulations should not change the existing accounting policy.

The other introduced changes, effective as of January 1, 2010, had no material impact on the PGE Group's financial statements.

6. New standards and interpretations published, not yet effective

The following standards, changes in already effective standards and interpretations are approved by the European Union but are not effective as at January 1, 2010:

- Changes to IAS 32 Financial Instruments: Presentation – effective for the periods beginning on February 1, 2010.

The following standards, changes in already effective standards and interpretations were not approved by the European Union and are not effective as at January 1, 2010:

- Changes to IFRS 1 Additional Exemptions for IFRS First-Time Adopters - effective for the periods beginning on January 1, 2010;
- Changes to IFRS 1 Limited Exemption from Comparative IFRS 7 Disclosures for IFRS First-time Adopters – effective for the periods beginning on July 1, 2010;
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments – effective for the periods beginning on July 1, 2010;
- Revised IAS 24 Related Party Disclosures – effective for the periods beginning on January 1, 2011;
- Changes to IFRIC 14 The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interaction – effective for the periods beginning on January 1, 2011;
- IFRS 9 Financial Instruments – effective for the periods beginning on January 1, 2013.

The influence of new regulations on future consolidated financial statements of the Capital Group

The parent company is a subsidiary of the State Treasury, and according to IAS 24 *Related Party Disclosures*, it presents the value of transactions with other subsidiaries of the State Treasury in the financial statements. Revised IAS 24 allows in particular (under the conditions specified) to limit the disclosure of other subsidiaries of the State Treasury as related parties. If the Group fulfills the conditions specified in revised IAS 24, the disclosure of transactions with related parties will be significantly limited.

The new IFRS 9 introduces fundamental changes to classification, presentation and measurement of financial instruments. These changes will possibly have material influence on future financial statements of the Group. At the date of preparation of this financial statements, some parts of IFRS 9 are not yet approved and their impact on the future financial statements of the PGE Group is not yet determined.

According to the assessment of the Management Board, the implementation of new standards and interpretations, except from matters mentioned above, would not have a significant influence on the accounting principles (policies) applied by the Group.

7. Change in estimates

During the period covered by the consolidated financial statements, changes of the following significant assessments took place:

- Provisions are liabilities of uncertain timing or amount. During the reporting period, the Group changed estimates regarding the basis and amounts of some provisions. Changes in estimates are presented in Note 13 of the foregoing statements.
- As at the date of the consolidated financial statements of PGE Group for the year ended December 31, 2009, the financial statements of the associate, Polkomtel S.A., had not yet been audited by a statutory auditor or approved by the company's management board. Based on the available financial data, PGE Group recognized its share in the profit of the associate, Polkomtel SA, in 2009, in the amount of PLN 241,931 thousand. After the publication of the consolidated financial statements for 2009, the associate's financial data has been adjusted. The amendment has been recognized in the consolidated financial statements of PGE Group in the current period and resulted in the decrease of the consolidated gross result by PLN 27,419 thousand.

8. Operating segments

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

- Conventional Energy (earlier: Mining and Generation) includes exploration and mining of lignite and production of energy in the Group power plants and heat and power plants;
- Renewable Energy includes generation of energy in pumped storage power plants and from renewable sources;
- Wholesale Trading includes trade in electricity on the wholesale market, trading of CO₂ emissions certificates and certificates of origin 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. Transactions between segments are settled within the Group as if they were concluded with third parties – using current market prices.

*Interim condensed consolidated financial statement for 3 months ended
March 31, 2010 (in PLN thousand)*

Period ended March 31, 2010	Continuing operations								Discontinued operations	Operations - total
	Segment: Mining of fuels and production of energy from traditional sources	Segment: Production of energy from renewables sources	Segment: Wholesale sales of energy and other products of energy market	Segment: Distribution of electric energy and heat	Segment: Retail sales of energy and other products of energy market	Other activities	Intersegmental eliminations	Operations - total		
Revenues										
Revenues from sales to external customers	688,364	123,377	1,181,642	134,247	3,039,727					
Revenues from sales between segments	2,678,519	23,837	2,095,938	1,154,594	247,169		(6,200,057)			
Total revenues from segments	3,366,883	147,214	3,277,580	1,288,841	3,286,896	172,750	(6,200,057)	5,340,107	13,186	5,353,293
Financial result										
Profit (loss) of a segment	927,812	27,129	109,129	172,595	82,129	16,460	61	1,335,315	(358)	1,334,957
Profit (loss) on continuing operations before tax and financial revenues (expenses)								1,335,315	(358)	1,334,957
Net financial revenues (expenses)								3,094	45	3,139
Share of profit of associates								36,606		36,606
Profit (loss) before tax								1,375,015	(313)	1,374,702
Income tax								(261,123)		(261,123)
Net profit (loss) for the reporting year								1,113,892	(313)	1,113,579
Assets and liabilities										
Assets of the segment	25,388,810	1,650,985	609,493	13,340,784	1,590,823	994,435		43,575,330	55,425	43,630,755
Shares in associates						1,391,302		1,391,302		1,391,302
Unallocated assets								9,522,069	5,729	9,527,798
Total assets								54,488,701	61,154	54,549,855
Liabilities of the segment	4,447,126	100,696	648,830	2,017,046	852,390	226,609	(4,276)	8,288,421	12,932	8,301,353
Unallocated liabilities								6,233,161		6,233,161
Total liabilities								14,521,582	12,932	14,534,514
Other information on business segments										
Capital expenditures	666,101	18,053	6,249	124,085	638	19,203		834,329	189	834,518
Amortization, depreciation and revaluation	371,912	31,941	6,224	216,270	12,136	30,225		668,708	313	669,021
Other non-monetary expenses	84,124	4,997	(40,083)	(5,518)	(97,190)	8,741		(44,929)	(177)	(45,106)

* Negative values of other non-monetary assets shown in above table relate to reversed provisions and accrued expenses .

Interim condensed consolidated financial statement for 3 months ended
March 31, 2010 (in PLN thousand)

Continuing operations								
Period ended March 31, 2009	Segment: Mining of fuels and production of energy from traditional sources	Segment: Production of energy from renewables sources	Segment: Wholesale sales of energy and other products of energy market	Segment: Distribution of electric energy and heat	Segment: Retail sales of energy and other products of energy market	Other activities	Intersegmental eliminations	Operations - total
Revenues								
Revenues from sales to external customers	670,123	108,067	1,282,485	77,284	3,062,256			
Revenues from sales between segments	2,766,220	17,883	2,145,476	1,146,042	258,588		(6,334,209)	-
Total revenues from segments	3,436,343	125,950	3,427,961	1,223,326	3,320,844	147,320	(6,334,209)	5,347,535
Financial result								
Profit (loss) of a segment	1,236,007	33,628	55,892	132,699	109,661	26,526		1,594,413
Profit (loss) on continuing operations before tax and financial revenues (expenses)								1,594,413
Net financial revenues (expenses)								(185,864)
Share of profit of associates								47,158
Profit (loss) before tax								1,455,707
Income tax								(330,261)
Net profit (loss) for the reporting year								1,125,446
Assets and liabilities								
Assets of the segment	23,617,111	1,418,397	691,052	13,215,948	1,501,519	1,462,076		41,906,103
Shares in associates	9,820					1,522,243		1,532,063
Unallocated assets								3,985,254
Total assets								47,423,420
Liabilities of the segment	4,106,743	71,284	675,390	1,968,861	693,493	340,359		7,856,130
Unallocated liabilities								8,271,627
Total liabilities								16,127,757
Other information on business segments								
Capital expenditures	386,085	17,012	1,338	130,644	1,259	7,028		543,366
Amortization, depreciation and revaluation	391,718	22,282	6,593	204,988	1,718	16,362		643,661
Other non-monetary expenses	58,789	4,818	91,771	831	(152,234)	24,452		28,427

9. Revenues and expenses

	3 months ended March 31, 2010	3 months ended March 31, 2009
Sales revenues		
Sales of finished goods and merchandise with excise tax	5,207,994	5,029,669
Excise tax	(117,831)	(215,136)
Net revenues from sale of finished goods and merchandise	5,090,163	4,814,533
Revenues from sale of services	177,137	189,654
Revenues from lease	7,253	7,500
Revenues from LTC compensations	65,554	335,848
Total sales revenues	5,340,107	5,347,535
Costs by kind		
Depreciation/ amortization	656,358	645,004
Materials and energy	969,112	877,833
External services	591,374	666,236
Taxes and charges	551,300	481,444
Personnel expenses	1,029,161	884,877
Other	49,469	52,244
Total costs by kind	3,846,774	3,607,638
Change in inventories	(197,267)	(208,015)
Cost of products and services for the entity's own needs	(238,770)	(227,950)
Cost of finished goods sold	3,410,737	3,171,673
Selling expenses	(403,559)	(332,307)
General and administrative expenses	(222,716)	(193,777)
Cost of merchandise and materials sold	598,133	489,855
Cost of goods sold	3,382,595	3,135,444

Interim condensed consolidated financial statement for 3 months ended
March 31, 2010 (in PLN thousand)

	3 months ended March 31, 2010	3 months ended March 31, 2009
Other revenues and expenses		
Other operating revenues	103,413	35,927
Selling and distribution expenses	(403,559)	(332,307)
General and administrative expenses	(222,716)	(193,777)
Other operating expenses	(99,335)	(127,521)
Financial revenues	161,431	120,996
Financial expenses	(158,337)	(306,860)
Share of profit of associates	36,606	47,158
Other operating revenues		
	3 months ended March 31, 2010	3 months ended March 31, 2009
Profit on disposal of property, plant and equipment	1,815	389
Reversal of revaluation write offs on receivables	6,007	7,403
Reversal of revaluation write offs on other assets	725	2,159
Provisions reversed	48,813	4,890
Compensations, penalties and fines received	30,298	11,002
Donations received	2,203	1,549
Taxes refunded	1,934	83
Court fees refund	519	734
Assets acquired free of charge	537	416
Extinguished liabilities	332	7
Revenues re invoiced	11	25
Other	10,219	7,270
Total other operating revenues	103,413	35,927
Other operating expenses		
	3 months ended March 31, 2010	3 months ended March 31, 2009
Creation of revaluation write offs on receivables	23,831	7,348
Creation of revaluation write offs on other assets	1,081	637
Loss on disposal of property, plant and equipment and intangible assets	5,256	7,142
Provisions created	18,203	91,818
Donations granted	560	530
Compensations	966	1,332
Court fees paid	982	884
Liquidation of damages/ removal of failures	22,598	4,010
Liquidation of property, plant and equipment	9,618	6,459
Redemption of receivables	620	899
Costs of social activities	1,501	1,473
Other	14,119	4,989
Total other operating expenses	99,335	127,521

	3 months ended March 31, 2010	3 months ended March 31, 2009
Financial revenues		
Financial revenues from financial instruments	155,005	119,517
Dividends	21	-
Interest revenue	85,494	57,870
Revaluation/ reversal of revaluation write offs	8,665	3,800
Profit on disposal of investments	18,174	8,028
Foreign exchange gains	42,651	49,819
Other financial revenues	6,426	1,479
Reversal of balance sheet provisions	1,030	75
Interest on state receivables	4,272	277
Other	1,124	1,127
Total financial revenues	161,431	120,996
Financial expenses		
Financial expenses from financial instruments	121,047	263,346
Interest expenses	73,974	85,362
Revaluation	4,234	8,975
Impairment losses	11,529	2,935
Loss on disposal of investments	426	-
Foreign exchange losses	30,884	166,074
Other financial expenses	37,290	43,514
Discount reversal	31,879	33,386
Interest paid relating to state liabilities	698	2,019
Cost of SWAP transactions	-	910
Other	4,713	7,199
Total financial expenses	158,337	306,860

10. Creation of revaluation write-offs for assets and their reversal

	3 months ended March 31, 2010	3 months ended March 31, 2009
Revaluation write-offs for property, plant, and equipment		
- creation of write-off	246	-
- reversal of write-off	1,889	968
Revaluation write-offs for intangible assets		
- creation of write-off	-	-
- reversal of write-off	-	-
Revaluation write-offs for inventories		
- creation of write-off	5,399	6,318
- reversal of write-off	2,959	1,037

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 May 28, 2003 and were associated with a purchase of SwePol Link AB shares as well as a construction and exploitation of a permanent electricity link between Polish and Swedish electric system. The prepayments are settled within a realization of the above agreement, which expires in August 2010. Taking into consideration the character of transactions mentioned above, in the consolidated financial statements prepared in accordance with IFRS, a part of the prepayments made is presented as the cost of purchase of shares in an associate and the other part is presented as a loan. As at March 31, 2010, the value of prepayments presented as a loan amounted to PLN 152 million and the part adjusting the value of shares in an associate accounted for PLN 57 million.

During the reporting period, the Company was working on the settlement of the status of the remaining prepayments after the expiry of the contract with the VAB. As at the day of preparation of the foregoing financial statements, there is an uncertainty whether the Company's efforts to extend the cooperation will be successful. As a result, it is uncertain that the amounts engaged will be retrieved. The Company, however, assesses that the cooperation will continue and that the prepayments will be settled, and as a consequence there are no sufficient premises to create a revaluation write off on the above mentioned assets as at the balance sheet date.

11. Income tax

Income tax indicated in P&L account	3 months ended March 31, 2010	3 months ended March 31, 2009
Current income tax	226,774	171,920
Deferred income tax	34,349	158,341
Total	261,123	330,261

Additionally, in the financial statements, the Group included deferred tax in amount of PLN 3 thousand in other comprehensive income.

12. Dividends paid and dividends declared

	3 months ended	Year ended
	March 31, 2010	December 31, 2009
<i>Dividends from ordinary shares</i>		
Dividend paid from retained earnings	-	527,829
Dividend paid from other reserve capitals	-	414,017
Obligatory distribution of profit paid to State Treasury by parent company	-	198,142
Total dividends from ordinary shares	-	1,139,988
Cash dividends per share (in PLN)*	-	0.78*

* in September 2009 the Extraordinary Meeting of PGE Polska Grupa Energetyczna S.A. adopted a resolution on increase of the share capital. The increase of the share capital was registered at National Court Register on November 30, 2009. The number of shares taken for the calculation is from the period when dividend was approved, i.e. before the increase of share capital.

Obligatory distribution of profit

Until November 30, 2009 PGE Polska Grupa Energetyczna S.A. was obliged to make distribution constituting 15% of its gross profit, as reported in the stand-alone financial statement, less current corporate income tax. In accordance with IFRS such payments are recognized as payments of a dividend and reflected as a change in equity.

Dividend paid by the parent company

On June 30, 2009, the Annual General Meeting decided to allocate PLN 509,185 thousand of profit of 2008 to pay the dividend. Furthermore, the retained earnings in the amount of PLN 18,644 thousand and reserve capitals in the amount of PLN 414,017 thousand were also allocated to pay the dividend. The dividend defined by the Annual General Meeting resolutions of June 30, 2009 was paid on August 31, 2009.

Untill the date of these financial statements the profit of the parent company for the year 2009 has not been distributed. In accordance with the Management Board's recommendation dated March 15, 2010 the net profit for the year 2009 in amount of PLN 1,440,497,736.84 would be distributed in a following way:

- PLN 125,629,336.84 shall be allocated to reserve capital,
- PLN 1,314,868,400.00 shall be allocated as a dividend for shareholders (i.e. PLN 0.76 per share).

13. Provisions

Period ended March 31, 2010	Post- employment benefits	Provisions for jubilee benefits	Provisions for third parties claims	Provisions for legal disputes	Provision for purchase of CO ₂ emission rights	Provisions for employee claims	Provisions for reclamation of final excavations and reclamation of ash storages	Provisions for liquidation of property, plant and equipment	Other provisions	Total
As at January 1, 2010	1,131,702	801,866	351,023	85,378	383,025	29,349	903,661	102,055	432,026	4,220,085
Costs of present employment	(20,104)	(9,972)	-	-	-	-	-	-	-	(30,076)
Actuarial gains and losses excluding discount rate adjustment	-	-	-	-	-	-	-	-	-	-
Benefits paid	(6,103)	(8,216)	-	-	-	(120)	-	-	-	(14,439)
Costs of past employment	888	-	-	-	-	-	-	-	-	888
Revaluation of provision/ discount rate adjustments	-	-	-	-	-	-	-	-	-	-
Interest costs	10,956	7,170	-	-	-	-	12,277	1,476	-	31,879
Created during the period	-	-	4	5,413	56,218	208	7,366	-	24,676	93,885
Reversed	-	-	(46,659)	(4,301)	-	-	-	-	(4,837)	(55,797)
Used	-	-	-	(332)	-	(889)	(1,827)	-	(1,588)	(4,636)
Other changes	1,414	(546)	-	(467)	32,064	(2,353)	46	-	(4,133)	26,025
As at March 31, 2010	1,118,753	790,302	304,368	85,691	471,307	26,195	921,523	103,531	446,144	4,267,814
Short-term as at March 31, 2010	80,140	80,273	304,368	52,507	390,093	2,755	4,409	3,902	80,160	998,607
Long-term as at March 31, 2010	1,038,613	710,029	-	33,184	81,214	23,440	917,114	99,629	365,984	3,269,207

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

Interim condensed consolidated financial statement for 3 months ended
March 31, 2010 (in PLN thousand)

Period ended December 31, 2009	Post- employment benefits	Provisions for jubilee benefits	Provisions for third parties claims	Provisions for legal disputes	Provision for purchase of CO2 emission rights	Provisions for employee claims	Provisions for reclamation of final excavations and reclamation of ash storages	Provisions for liquidation of property, plant and equipment	Other provisions	Total
As at January 1, 2009	1,085,578	825,453	285,285	99,613	391,271	27,619	983,768	73,183	60,662	3,832,432
Costs of present employment	23,714	38,438	-	-	-	-	-	-	-	62,152
Actuarial gains and losses excluding discount rate adjustment	76,172	17,328	-	-	-	-	-	-	-	93,500
Benefits paid	(46,677)	(77,044)	(100)	-	-	-	-	-	-	(123,821)
Costs of past employment	9,867	-	-	-	-	-	-	-	-	9,867
Discount rate adjustments	(76,061)	(29,898)	-	-	-	-	(147,811)	-	-	(253,770)
Interest costs	63,644	42,064	-	-	-	-	48,734	3,865	1,650	159,957
Created during the period	-	-	61,874	29,192	170,509	965	55,023	25,775	396,452	739,790
Reversed	-	-	-	(34,016)	(10,405)	(286)	(30,730)	-	(42,265)	(117,702)
Used	-	-	-	(9,446)	(168,350)	(329)	(5,323)	(768)	(2,766)	(186,982)
Other changes	(4,535)	(14,475)	3,964	35	-	1,380	-	-	18,293	4,662
As at December 31, 2009	1,131,702	801,866	351,023	85,378	383,025	29,349	903,661	102,055	432,026	4,220,085
Short-term as at December 31, 2009	88,906	82,597	351,023	52,756	311,004	5,357	6,236	3,902	79,545	981,326
Long-term as at December 31, 2009	1,042,796	719,269	-	32,622	72,021	23,992	897,425	98,153	352,481	3,238,759

13.1. Provisions for third-party claims

In 2010 the parent company reversed a provision in the value of PLN 46,659 thousand for claims related to execution of trade agreements – no further details are disclosed due to trade secret of the Company in accordance with IAS 37 article 92.

13.2. Provisions for legal disputes

Provisions for the use of land

Distribution companies create provisions for damages related to a non-agreed usage of property in the total amount of ca. PLN 38,963 thousand. The provisions created cover claims under court proceedings.

Claim of Tajfun Real Sp. z o.o.

In 2005, EXATEL S.A. filed a statement on termination of the Lease Agreement of Tajfun building in Warsaw, effective August 1. Tajfun Real Sp. z o.o. filed a claim to the Court of Arbitration at National Chamber of Commerce, to establish that the Lease Agreement is binding for both parties until July 31, 2010 and related to the payment of the rent for August 2005. On January 24, 2006, Tajfun Real Sp. z o.o. terminated the lease agreement without the period of notice. By the verdict of May 11, 2007, the Supreme Court dismissed the further appeal of EXATEL S.A. related to the verdict of the Appeal Court in Warsaw of November 8, 2006 which confirmed that the Agreement on lease of the Tajfun building was binding until July 31, 2010. On September 11, 2007, Tajfun Real Sp. z o.o. filed a claim to the Court of Arbitration at National Chamber of Commerce for payment the rent for the period from September to January 2006. As at the balance sheet date the related provision amounted to PLN 16,888 thousand. The Management Board of EXATEL S.A. commenced actions aimed at conciliatory finishing of the dispute, in the form of an amicable settlement on the subject issue between EXATEL S.A. and Tajfun Real Sp. z o.o.

13.3. Provisions for costs of recultivation

Provision for recultivation of mine storage

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 KWB Bełchatów S.A. and PGE KWB Turów S.A. create provisions for recultivation of final 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 in the period divided by the rate of coal excavation, less period-end value of Mine Liquidation Trust created in accordance with Geological and Mining Law.

According to the Act of April 27, 2001 on Environment protection law and the permission based on the Act, when the exploitation is finished, an entity is obliged to liquidate the installations and recultivate the ground of the plant. As a result, the Group is obliged to incur the above costs in the future, and therefore creates a provision for recultivation of ash storages.

Provision for recultivation of ash storages

The PGE Group producers create 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.

13.4. Provision for purchase of CO₂ emission rights

The provision is calculated on the basis of shortages of CO₂ emission rights in a given period, based on actual and planned emission of CO₂ over the settlement period. The volume of provision at a given balance sheet date is accrued, from the beginning of the settlement period until the balance sheet date, taking into account the actual emission of CO₂ in a given period.

The provision as at the balance sheet date is calculated based on prices included in contracts on covering the emission rights shortage and the remaining emission rights shortage is calculated on the basis of weighted average price of SPOT contracts as at the balance sheet date, binding on Powernext, EEX and Nord Pool stock exchanges.

13.5. Liquidation of property, plant and equipment

The provision for liquidation of property, plant and equipment relates to assets of PGE Elektrownia Turów S.A., which are going to be excluded from the production in years 2010-2013. The obligation of liquidation 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 liquidation expenses and was recognized on the debit side in initial value of property, plant and equipment. Depreciation of activated liquidation 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 reversal of the discount as at the balance sheet date influence on financial result of the Group. As at the balance sheet date, the value of provision amounts to PLN 103.5 million.

13.6. Other provisions

Dispute concerning the scope of taxation with real estate tax

The main caption 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 18 of the foregoing consolidated financial statements.

Obligation of redemption of certificates of origin

Energy companies included in the Group are parties to proceedings against the Energy Regulatory Office, related to an obligation of redemption of certificates of origin – so called green, red and yellow certificates. As at March 31, 2010 the provision created to cover possible penalties amounted to PLN 50.2 million. The final value of possible penalties will depend on the results of the court proceedings and may be subject to change.

14. Legal claims and contingent liabilities and receivables

Contingent liabilities	March 31, 2010	December 31, 2009
Credit collateral	-	250
Repayment of bill collateral	5,017	4,425
Liabilities from bank guarantees	47	50
Collaterals for repayment of bank guarantees granted	25	25
Legal claims	6,471	11,556
Contractual fines and penalties	6,880	6,880
Damages related to non-agreed usage of property	7,121	7,099
Real estate property buyout	-	536
Other contingent liabilities	90,450	85,097
Total contingent liabilities	116,011	115,918

The most significant legal claims and other contingent liabilities in the PGE Capital Group are presented below.

14.1. Litigation Liabilities

Litigation liabilities refer to disputes with business partners and government administration bodies. The value of a single dispute does not exceed PLN 3 million.

14.2. Contractual fines and penalties

Contingent liability concerns contractual fines for delays in realization of investments commenced by the Mayor of Gryfino City and Commune for PGE Zespół Elektrowni Dolna Odra S.A. Both parties are in the process of negotiating the agreement in above matter.

14.3. Damages related to non-agreed usage of property

As a result of their business activities, distribution entities of the Group use a large number of real estate properties, on which machinery, buildings and construction related to transmission activity are placed. In respect of a significant number the real estates used, there are doubts whether the entities have legitimate right to make the usage of them. In August 2008, as a result of amendments to the Civil Code, an institution of transmission servitude was introduced. Such servitude can be constituted for, among others, distribution companies in relation to real estates on premises of which there are assets related to the distribution activity owned by these companies. Due to the above, both distribution companies and real estate owners have an additional possibility to settle legal status related to usage of such real estates.

In case of real estates, in relation to which the Group entities do not have legal right or the legal right is doubtful, there is a risk that owners of these real estate properties, alleged owners or third parties may file legal claims demanding compensation for a non-agreed usage of these real estates. As described in detail in note 13.6 of the financial statements, an appropriate provision is created covering claims under court proceedings. Claims with lower risk of compensation payment (as decided by particular entities) are presented as contingent liabilities.

14.4. Other contingent liabilities

Other contingent liabilities mainly (PLN 44 million) comprise a possible refund of means that were received by PGE Group entities from environmental funds for chosen investments. If the investment does not bring the expected environmental effect, a relevant financing will have to be reimbursed.

14.5. Other legal and court issues

Risk related to the dispute between PGE and a Aare-Tessin Ltd. For Electricity (“Atel”)

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

In connection with the accession of the Republic of Poland to the European Union on May 1, 2004, Polish law changed in the scope covered by the obligation to implement Community law governing the activities of the energy sector. First of all, as a result of subject transformations of PSE S.A. related to separation of entities running business activities in the field of production and sale of electricity (currently PGE Polska Grupa Energetyczna S.A.) from entities running business activities in the field of transmission of electricity (currently PSE-Operator S.A.), on July 2, 2004, PGE S.A. signed an agreement with PSE-Operator S.A. on making available transmission capacities for execution of historical contracts concluded by PSE S.A. Based on this agreement, it became possible to continue the deliveries within the execution of the contract signed between PGE S.A. and Atel in 1997. Second of all, starting from 2006, PSE-Operator ceased to reserve transmission capacities on the basis of Already Allocated Capacity (AAC). Third of all, in the period from March 2008 to December 2008, PSE-Operator did not offer transmission capacities on auctions related to energy transmission from Poland to Slovakia.

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

In September 2009, a chief arbitrator was elected in the dispute between Atel and PGE. According to the schedule during year 2010 the proceedings against the Court will hold a written form – it relates both to gathering of documentation, exchange of pleadings and testimony in writing. Final oral hearing, summarizing the whole of the accumulated material is planned for April 2011.

On March 1, 2010, an updated claim of Alpiq Ltd. was submitted to the Arbitration Court. As a result of this claim the Company decreased the amount of the provision by PLN 31,534 thousand.

At the current stage of the arbitration proceedings, it is impossible to forecast the result of the proceedings or to estimate the final amount of the claim.

The Company created an appropriate provision covering claims as at the balance sheet date.

Contractual liabilities related to the purchase of gas from PGNiG

All agreements are long-term and reached for the specified period. According to the agreements, the combined heat and power plants (CHP) 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 included in the agreement. 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 CHPs in case of appearing of not collected gas fuel. In the opinion of the management of the entity, the terms and conditions of gas fuel deliveries from PGNiG do not differ from other gas fuel deliveries conditions on the Polish market.

The gas fuel price is calculated on the basis of fixed charge for agreed volume and variable charge for the actually collected volumes of gas fuel. The value of these charges is a subject to periodic changes.

14.6. Contingent receivables and other assets

As at March 31, 2010 the Group's contingent receivables related to VAT reimbursement amounted to ca. PLN 10 million and contingent receivables related to co-financing of investments by the environmental funds amounted to PLN 9 million. Additionally, possible excise tax refund for the years 2006-2008 and first 2 months of 2009 is described in note 18 of these financial statements.

15. Interest bearing borrowings, issued bonds

Financial liabilities valued at amortized cost (as at March 31, 2010)	Long-term part	Short-term part	Total
Interest bearing borrowings	2,267,248	2,429,932	4,697,180
Issued bonds	-	25,048	25,048
Trade payables	-	861,751	861,751
Other financial liabilities	13,845	352,036	365,881
Total	2,281,093	3,668,767	5,949,860

Under the loans and borrowings presented above, the Group shows among others:

- the investment loan raised by PGE Elektrownia Opole S.A. with PEKAO SA Bank in order to finance construction of the units 1-4 with the carrying value of PLN 1,151,136 thousand as at March 31, 2010;
- investment loans raised by PGE Elektrownia Bełchatów S.A. with the European Investment Bank, the European Bank for Reconstruction and Development and a bank syndicate with Citibank Handlowy as an agent in order to finance construction of the 858 MW unit with the carrying value of PLN 1,653,148 thousand as at March 31, 2010;
- the investment loan raised by PGE Elektrownia Bełchatów S.A. with the Nordic Investment Bank, in order to finance construction of the 858 MW unit with the carrying value of PLN 574,570 thousand as at March 31, 2010.

The issue of early repayment of some of investment loans at PGE Elektrownia Bełchatów S.A. has been presented in the Note 20 of these financial statements.

In first quarter of 2010 PGE Polska Grupa Energetyczna S.A. had the possibility of issuance of bonds under 2 bonds issue programs.

On May 19, 2009 the Company concluded agreements to conduct the bond issue programme with a consortium of banks, with ING Bank Śląski S.A. as the issue agent, that enable guaranteed financing, designated for the refinancing of the debt of PGE Capital Group companies and for the financing of the Company's activities. The amount of the entire Issue Programme is PLN 2 billion. As at March 31, 2010 the maximum amount of the issuance guarantee was PLN 2 billion divided among individual

issuance guarantors. As at March 31, 2010 the Company did not recognize any debt related to the issue of bonds under this programme. The maturity date of the agreement is November 15, 2010.

On May 11, 2009 the Company concluded an Agency Agreement with ING Bank Śląski S.A. (as Agent for Issue and Payments) regarding the establishment of a bond issue programme directed toward PGE Group companies. The maximum amount of the Programme for the Group is PLN 5 billion. Under the Program for the Group, the Company may issue coupon or zero coupon bonds. The Company intends to offer bonds issued under the Program to an organized group of investors, consisting of entities of which the Issuer is the direct or indirect dominant entity. As at March 31, 2010 the total nominal value of the bonds issued under the Programme for the Group amounted to PLN 50 million. All bonds were zero coupon bonds with the maturity dates of 6 months and were purchased by the companies from PGE Group. The maturity of the Program for the Group is May 11, 2012. Bonds issued under this Program are not presented in the consolidated financial statements.

Cash flows from bonds issued by the parent entity are as follows:

	3-month period ended March 31, 2010	3-month period ended March 31, 2009
Issuance	469,152	2,324,297
Repurchase	475,000	2,350,000

16. Investment liabilities

As at March 31, 2010 the Group was obliged to incur capital expenditures on property, plant and equipment in the amount of PLN 3,751,528 thousand. These amounts relate to modernization of Group's assets and a purchase of machinery and equipment. The major investment currently realized in the Group is the construction of an 858 MW unit together with a transmission line realized by PGE Elektrownia Bełchatów S.A. The estimated capital expenditures related to this investment to be incurred amount to PLN 885 million. Other significant investment liabilities concern:

- The modernization of units no. 5 and 6 in PGE Elektrownia Bełchatów S.A. for the total amount of ca. PLN 1 billion;
- The construction of installation for desulfurization of fumes and construction of biomass cauldron in PGE Zespół Elektrownia Dolna Odra S.A. for a total amount of PLN 471 million;
- Investment liabilities of distribution entities in total amount of ca. PLN 386 million.

17. Information on related entities

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

17.1. Associates

	Sale to related parties	Purchase from related parties	Trade receivables from related parties	Trade liabilities towards related parties
January 1-March 31, 2010	9,733	6,155	3,579	1,784
January 1-March 31, 2009	9,966	4,206	4,056	799

17.2. State Treasury entities

The State Treasury is the 100% shareholder of the Group. In accordance with *IAS 24 Related Party Disclosures* State Treasury companies are recognized as related entities. PGE Group entities identify 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 related parties	Purchase from related parties	Trade receivables from related parties	Trade liabilities towards related parties
January 1-March 31, 2010	1,268,654	1,216,601	369,165	416,540
January 1-March 31, 2009	1,237,402	1,165,965	403,878	389,860

The most important transactions with State Treasury entities refer to PSE-Operator S.A., professional power stations, regional energy companies and purchase of coal from the Polish mines.

17.3. Key management personnel compensation

The key management comprises the Management Boards and Supervisory Boards of PGE Group entities.

	Period ended March 31, 2010	Period ended March 31, 2009
Short-term employee benefits (salaries and salary related costs)	10,026	10,215
Jubilee and retirement benefits	152	191
Post-employment benefits	140	374
Termination benefits	57	347
Total remuneration paid to key management	10,375	11,127

	Period ended March 31, 2010	Period ended March 31, 2009
The Management Board of the Parent company	478	694
The Supervisory Board of the Parent company	87	78
The Management Boards – subsidiaries	7,886	8,064
The Supervisory Boards – subsidiaries	1,924	2,291
Total	10,375	11,127

18. 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 2010 are as follows: corporate income tax – 19%, basic value added tax rate – 22%, lowered: 7%, 3%, 0%, furthermore some goods and products are subject to tax exemption.

The tax system in Poland is characterized by a significant changeability 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 Capital Group entities are presented below.

18.1. The excise tax

Due to the discrepancy between Polish and community laws pertaining to the excise tax on electrical power, on February 11, 2009 power plants and combined heat and power plants belonging to PGE Group submitted corrections of declarations along with findings of excess payment of the excise tax from 2006-2008 and in January and February of 2009. The total value of the excess payment in the found by the findings (without interest costs) was approximately PLN 3.4 billion.

On February 12, 2009, the European Court of Justice issued a judgment confirming that Poland violated European Union laws by failing to conform its electrical power taxation system by January 1, 2006 to the requirements of Article 21 Section 5 of Council Directive 2003/96/EC dated October 27, 2003 concerning the restructuring of community framework laws pertaining to the taxation of energy products and electrical power (amended by Council Directive 2004/74/EC dated April 29, 2004), because the tax duty in the scope of the excise tax on electrical power in Poland arises upon its issuance by the producer, not upon its delivery by the distributor or redistributors.

Because of the above mentioned, there is a significant chance to obtain a refund of the excise tax paid contrary to the law of the European Union. The Ministry of Finance, however, maintains the position that such a refund would constitute an unjust enrichment of the producers, and as such is groundless. For this reason, the process of recovering the excise tax may drag on until decided by courts.

In addition, on October 15, 2009, the Supreme Administrative Court turned to the Constitutional Tribunal with a legal question regarding the conformity of the provisions of the Tax Ordinance Act which comprise the basis for generators from the Group to apply for a refund of the overpaid excise tax with the Constitution of the Republic of Poland. It is impossible to foresee what Tribunal's judgment will be and when it will be made. Turning to the Tribunal may cause the suspension of the proceedings in progress and in the case of a finding of the aforementioned laws to be unconstitutional, there is a risk, that the producers from PGE Group may lose the possibility of recovering the overpaid excise tax.

Due to the significant uncertainty of the final resolution of the abovementioned issue, the Group does not present in its financial statements any effects related to the possible refund of the overpaid excise tax.

There is also a risk that in case of the recovery by companies comprising PGE Group of the overpaid excise tax, civil law claims could be made against these entities by recipients of electrical power, who previously bore the economic burden of the excise tax (i.e. on the basis of the charge of unjust enrichment). During the reporting period and after the balance sheet date, energy recipients began to demand from PGE Group companies the payment of such amounts, and the Group expects that such demands will increase. An estimate of the scale of potential claims in this regard is not currently possible, but this issue may have a significant negative effect on the future business, results or financial situation of the Group.

Additionally, in September 2009 the Company filed a motion requesting confirmation of overpaid excise tax related to import and the Intra-Community acquisitions of electric energy in the period from January 2006 to February 2009. The Company argues that the overpayment resulted from conflict between the Polish regulations and the European Community laws. In February 2010, the Company obtained the decision for the period from January to December 2006, refusing to confirm overpayment of excise tax charged due to import of electric energy. As at the date of these financial statements, the authority has not made any decision as to overpayment related to the Intra-Community acquisitions of electric energy. The Company appealed against the decision of the Head of the Customs Office I in Warsaw. The total amount of the claim is PLN 54 million and the interest accrued thereon.

18.2. Real estate tax

Currently, in the PGE Group power plants tax proceedings are carried out to determine the scope of real estate tax. Based on the proceedings performed the amount of tax liabilities in particular entities was determined. The proceedings encompassed all years for which the tax liability was not expired. 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. Within the proceedings held, the power stations carry out disputes at the level of tax authorities and the verdict that was pronounced for one of the power plants did not constitute for an essential solution. The verdicts of Provincial Administrative Courts relate to the above matter were different, however the

most recent verdicts (including the verdict of the Supreme Administrative Court of February 2, 2010 sign. II FSK 1292/08) indicate that the machinery located in buildings might be a subject of taxation as autonomous constructions.

In order to define the subject of taxation, the act on taxes and local fees refers to building legal regulations, the amendment of which is unfavorable. The definition of the building was change with an act of April 23, 2009 on the change to building law act and other acts (including the act on taxes and local fees). According to the new definition, the notion of a building also comprises installations and technical machinery used for exploitation of a particular building. It is possible that the change of this definition will cause that the notion of a building will be expanded and comprise installations and technical machinery located in buildings, including the buildings of electric energy producing entities, which were hitherto considered as part of a building. According to the Ministry of Finance, the change of the definition of a building is only precisizing of the regulation and should not influence the scope of taxation of particular building objects with real estate tax. The change in building law regulations could mean that the scope of taxation has always been interpreted so widely or lead to a conclusion that the scope of taxation was expanded since amendment of building regulations came into force.

Taking into consideration changes mentioned above and proceedings carried out in the Group entities, in the attached statement of the financial position the Group created appropriate provisions. No further details are disclosed due to the professional secret, which is compliant with IAS 37.92.

19. Discontinued Operations

As discussed in Note 20 of these financial statements, a "Non-core" Programme is operated at the PGE Group. As at the date of these financial statements, the Group identified two subsidiaries which meet definition of discontinued operations as per IFRS 5: Towarzystwo Gospodarcze BEWA Sp. z o.o. and Przedsiębiorstwo Wielobranżowe Agtel Sp. z o.o. In the financial statements as at March 31, 2010, the revenues, expenses, assets and liabilities of these companies were shown separately from operations of other entities from the Group.

Presented hereunder is the data referring to operations to be discontinued:

	TG BEWA	PW Agtel	Total
Period from January 1, 2010 to March 31, 2010			
Revenues	10,051	3,270	13,321
Expenses	(10,155)	(3,479)	(13,634)
Gross profit	(104)	(209)	(313)
Income tax	-	-	-
Net profit	(104)	(209)	(313)
Balance as at March 31, 2010			
Property, plant and equipment	32,943	4,022	36,965
Other fixed assets	200	156	356
Trade receivables	8,835	965	9,800
Cash and cash equivalents	5,709	20	5,729
Other short-term assets	5,907	2,397	8,304
Total assets	53,594	7,560	61,154
Long-term liabilities	907	154	1,061
Trade liabilities	6,851	2,860	9,711
Other short-term liabilities	1,768	392	2,160
Total liabilities	9,526	3,406	12,932

In 2009, the net loss of the aforementioned companies amounted to PLN 1,361 thousand. As at December 31, 2009 their total assets amounted to PLN 60,484 thousand and their total liabilities amounted to PLN 12,690.

20. Significant events of the reporting period and events after the balance sheet date

20.1. Presentation of revenues from so-called compensation for the termination of long-term power purchase agreements

In accordance with the act dated June 29, 2007 on the principles for covering costs which arise for generators in relation to the early termination of long-term power purchase agreements (Journal of Laws No. 130, Item 905 of 2007) ("Act on LTCs"), some PGE Capital Group companies obtained the right to funds for covering stranded costs (so-called "compensation"). The maximum amount of stranded costs, including stranded costs from 2007, and taking into account additional costs (referred to in article 44 of the Act on LTCs) on the basis of attachment No. 2 is:

- PGE Elektrownia Opole S.A. – PLN 1,965,700 thousands
- PGE Elektrownia Turów S.A. – PLN 2,571,151 thousands
- PGE Zespół Elektrowni Dolna Odra S.A. – PLN 633,496 thousands
- PGE Elektrociepłownia Rzeszów S.A. – PLN 421,810 thousands
- PGE Elektrociepłownia Lublin-Wrotków Sp. z o.o. – PLN 616,743 thousands
- PGE Elektrociepłownia Gorzów S.A. – PLN 108,028 thousands.

In accordance with the Act on LTCs, PGE Capital Group companies receive compensation to cover stranded costs in the form of quarterly advances. After the end of each year, an annual correction is made, while after the end of the period for which the LTC contract was made, the final correction is made.

Companies recognize as a revenue for the period, cash obtained in the form of advances, corrected appropriately with the annual corrections and the appropriate part of the planned final correction. The allocation of the final correction for the given reporting period is made based on the planned division of revenues from electrical power sales and system services in the correction period.

Several sections of the provisions of the Act on LTCs are ambiguous and give rise to significant interpretive doubts. For the calculations of the forecast results of individual companies and compensation arising out of them, annual corrections of stranded costs, final corrections and the amounts of revenues presented in the income statement that arise thereof, the Group applied its best knowledge in this regard and also took advantage of the support of external experts. In 2008, the abovementioned companies obtained two advances to cover stranded costs in the total amount of PLN 715,957 thousand. Based on a model which is supported by the abovementioned assumptions, in accordance with the adopted accounting policies, the amount of PLN 1,322,329 thousand was presented in the revenues for 2008. The difference between the amount of the advances obtained and the amount of revenues presented in the income statement was presented as at December 31, 2008, in other receivables.

On July 31, 2009, the ERO President issued decisions affecting PGE Group generators entitled to receive funds to cover stranded costs based on the Act on LTCs, pertaining to the annual correction of stranded costs for 2008 (which was the first but not full year of executing this act). These decisions were not favorable to the individual PGE Group entities and, in the opinion of the Group, were issued in violation of the Act on LTCs.

On August 19 and 20, 2009, the interested PGE Capital Group companies appealed the abovementioned decisions of the ERO President to the District Court in Warsaw, Competition and Consumer Protection Court, raising, among others:

- the calculation of the annual correction of the stranded costs of individual companies was contrary to the mathematical formulas provided in the Act on LTCs;

- the calculation of the annual correction of the stranded costs of individual companies did not take into account incurred costs of emission rights CO₂;
- the correction of the annual correction of the stranded costs of individual companies was contrary to the principles pertaining to producers which are part of a capital group contained in article 32 of the Act on LTCs;
- the erroneous determination (and the basing of on this erroneous determination the appealed ERO decision), that individual companies do not operate on a competitive electrical power market, which remains in contradiction to the earlier position of the ERO President determining that PGE Group companies operate on a competitive market and for this reason, in particular, they are not obligated to submit the tariffs to the ERO President for approval.

If in the consolidated financial statements for 2008 PGE Group applied the interpretation of the provisions of the Act on LTCs arising out of the abovementioned ERO Decisions, it would present revenues lower by approximately PLN 0.4 billion compared with the accounted amount of PLN 1,322 million.

The Management Board of the parent entity is convinced that the appeals will be adjudicated in favour of the particular PGE Group companies covered by the compensations system. For this reason, PGE Group continues to recognize LTCs revenues in accordance with the interpretation of the Act on LTCs adopted by the Group. In relation to the above, no corrections arising out of the unfavorable interpretations contained in the ERO Decisions have been presented in these financial statements both regarding the revenues for 2008 and in estimating revenues pertaining to 2009 and first quarter of 2010. The Decisions of the ERO President pertaining to 2009 will be issued by the end of July 2010. The Group is not sure what key values will be adopted by the ERO President for the settlement of funds to cover the stranded costs for this period and whether by this date the Competition and Consumer Protection Court will issue a holding regarding the decisions of the ERO President appealed by the generators. Nonetheless, the Group estimates that if the ERO President maintains his interpretation of the provisions of the Act on LTCs, the Group's revenues for the period from January 1 2009 to December 31, 2009, according to the ERO President, can be lower than the amounts presented by the Group by approximately PLN 0.8 billion.

Additionally, as presented in note 20.2 to these financial statements, the PGE Group commenced the "Consolidation Programme". In Management Board's opinion the merger of generation companies into one legal entity should not have influence on the interpretation of the ERO President concerning the calculation methods of LTC compensations. However we draw attention to the uncertainty with regard to the final interpretations of the ERO President on this matter.

20.2. Projected PGE Capital Group Consolidation

The consolidation process of PGE Capital Group, realized under the Consolidation Programme of PGE Capital Group, commenced in 2009. The purpose of the Programme is a legal and organizational merger of the entities in the following business areas:

- retail sale of electricity;
- distribution of electricity;
- conventional energy (mining and generation);
- renewable energy;

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

The following entities take part in the Programme:

A. Retail sale of electricity:

1. PGE Obrót S.A. (formerly PGE Rzeszowski Zakład Energetyczny S.A.) – acquiring company
2. PGE Lubelskie Zakłady Energetyczne S.A.
3. PGE Łódzki Zakład Energetyczny S.A.

4. PGE Zakład Energetyczny Białystok S.A.
5. PGE ZEŁT Obrót sp. z o.o.
6. PGE Zakłady Energetyczne Okręgu Radomsko-Kieleckiego S.A.
7. PGE Zakład Energetyczny Warszawa-Teren S.A.
8. PGE Zamojska Korporacja Energetyczna S.A.

B. Distribution of electricity:

1. PGE Dystrybucja S.A. – acquiring company
2. PGE Dystrybucja LUBZEL sp. z o.o.
3. PGE Dystrybucja Łódź sp. z o.o.
4. PGE Dystrybucja Rzeszów sp. z o.o.
5. PGE Dystrybucja Białystok sp. z o.o.
6. PGE Dystrybucja Łódź-Teren S.A.
7. PGE Zakłady Energetyczne Okręgu Radomsko-Kieleckiego Dystrybucja sp. z o.o.
8. PGE Dystrybucja Warszawa-Teren sp. z o.o.
9. PGE Dystrybucja Zamość sp. z o.o.

C. Conventional energy (mining and generation);

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

D. Renewable energy:

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

E. Wholesale trading:

1. PGE Electra S.A.

and:

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

As a result of Consolidation Programme parent company will be merged with PGE Górnictwo i Energetyka S.A. and PGE Energia S.A.

In January 2010, regarding the Consolidation Programme, Management Boards of particular entities adopted Consolidation Plans, which were submitted to the appropriate Courts running the National Court Register. In accordance with adopted schedule, organizational and legal stage of consolidation consisting of a legal merger of entities should end in third quarter of 2010.

In addition, on February 16, 2010, the Management Board made a decision related to a planned merger of PGE SA with a subsidiary PGE Electra S.A. The planned merger will take place in compliance with art. 492 par. 1 p. 1 and art. 515 par. 1 of the Commercial Companies Code, namely the transfer of all assets of the acquired company to PGE (merger in the way of takeover) without an increase of the share capital of PGE S.A.

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

Moreover, depending on the chosen method of the merger settlement, the Consolidation Programme may have a material impact on future consolidated financial statements of the PGE Capital Group. Particularly, as a result of the planned shares issue in exchange for the shares of the acquired companies, a portion of minority interest will be transferred to the capital attributed to the shareholders of the parent company.

20.3. „Non-core” Programme

In 2009, the “Conception of non-energy related assets management in PGE Capital Group” was adopted. The purpose of this conception is to transparently separate core business activities from other activities and disposal and reorganization of the above mentioned assets.

It has been assumed, that the simplification of capital relations and organizational structures of PGE Group, as well as the unification of management standards will allow achieving the following effects:

- transparency of the business model of PGE Capital Group (focus on core business activities),
- transparency of management of assets and expenses of energy entities,
- energy entities resources will be discharged from engagement in non-energy related assets,
- reduction of services expenses not related to core business.

Within the realized Conception, the non-core assets in the form of entities and areas not separated from the structures of core business entities were identified and the process of disposal and reorganization of these assets was commenced within the PGE Group.

The matter of appraisal of particular companies being subject to the „Non-core Programme” with regard to fulfillment of conditions of IFRS 5 *Non-current Assets Held for Sale and discontinuous activity* was described in note 19 to these financial statements.

20.4. Prepayment of the loan of PGE Elektrownia Bełchatów S.A.

In 2006 PGE Elektrownia Bełchatów S.A. concluded long-term financing agreements in the total amount of EUR 879 million with the commercial banks and European multilateral institutions. In 2008 received from the Global Credit Agent a notification on alleged infringement of finance agreements conditions. During 2008 and 2009, the company and the creditors were negotiating key conditions on infringement annulment (negotiations concerned among others changes to documentation of financing including mechanism on principles of establishing electricity sale prices, prolongation of agreement with bank’s market adviser and increase margin of interest and fees for unused part of credit).

On March 4, 2010, the Global Credit Agent informed the company that as a result of publication of the consolidation programme (described in detail in note 20.2 of these financial statements) the First Date of Mechanism Activation compliant with the Agreement on the General Conditions of Project financing occurred. As a result of the above, the Global Credit Agent demanded a fulfillment of the contractual conditions by assuring, that all proceeds received by the company resulting from sales of electric energy and producing capacities will be paid to a pointed Revenues Account, from which payments related to business operations of the company can be realized.

On March 12, 2010, the Management Board of PGE Elektrownia Bełchatów S.A. adopted a resolution related to an intention of an earlier repayment of the majority of the debt in April 2010. The repayment

occurred on April 12, 2010 from the funds obtained from bonds issue, purchased by the PGE Polska Grupa Energetyczna S.A.

In connection with the above, the liabilities relating to the loans repaid in April 2010 which balance sheet value as at March 31, 2010 amounted to PLN 1,649,043 thousand, were presented as short-term liabilities.

B OTHER INFORMATION TO CONSOLIDATED QUARTERLY REPORT

1. Organisation of the Capital Group.

The description of the organisation of the PGE Capital Group and list of consolidated companies were presented in note 1 and 2 of the consolidated financial statements.

1.2. Changes in organisation of the Capital Group

During 3-month period ended March 31, 2010 no significant changes to the Group's structure occurred, apart from the ones described in note 2 of consolidated financial statements and the ones described below.

Shares in subsidiaries and related parties

- on January 8, 2010, by force of a resolution of the Extraordinary Meeting of Shareholders, the share capital of PGE Inwest Sp. z o.o. was increased to PLN 1,050,000. All shares from the increased capital were acquired by PGE S.A. The shares were fully paid for in cash. The share capital increase was registered at the National Court Register on February 23, 2010;
- on January 28, 2010, a new company named PGE Inwest spółka z ograniczoną odpowiedzialnością II S.K.A was registered at the National Court Register. The company was formed by PGE S.A. on November 24, 2009;
- on January 28, 2010, a new company named EJ1 sp. z o.o. was registered at the National Court register. The Company was formed by PGE S.A. and PGE Energia Jądrowa S.A. on December 29, 2009;

In the first quarter of 2010 PGE Group companies increased their equity interests in the following entities:

- on January 7, 2010, a change in the ownership structure of Elektrownia Wiatrowa Resko sp. z o.o. was registered at the National Court Register. The change mentioned above was made after the purchase of 1,500 shares of Elektrownia Wiatrowa Resko sp. z o.o., representing 50% of the company's share capital, by PGE Energia Odnawialna S.A. on November 30, 2009.;
- on January 22, 2010, a new company named Biogazownia Woźuczyn sp. z o.o. was registered at the National Court Register. The company was formed by PGE Energia Odnawialna S.A. on December 29, 2009;
- on February 5, 2010, a new company named Biogazownia Łapy sp. z o.o. was registered at the National Court Register. The company was formed by PGE Energia Odnawialna S.A. on December 29, 2009;
- on February 17, 2010, Przedsiębiorstwo Usługowo-Produkcyjne "ELTUR-SERWIS" sp. z o.o. acquired 11% of shares of Przedsiębiorstwo Usługowo-Produkcyjne "TOP-SERWIS" sp. z o.o. As a result of the transaction, the shareholding controlled by Przedsiębiorstwo Usługowo-Produkcyjne "ELTUR-SERWIS" sp. z o.o. increased to 100%;
- on March 4, 2010, the Extraordinary Meeting of Shareholders of Elektrownia Wiatrowa RESKO Sp. z o.o. adopted a resolution on increasing the share capital by PLN 5,640,000 by issuing 5,640 new shares, each with the nominal value of PLN 1,000. All the shares from the increased capital were taken up by PGE Energia Odnawialna S.A. as its sole shareholder. As at March 31, 2010, the change was not registered at the National Court Register;
- on March 19, 2010, a share capital increase was registered at the National Court Register for Eolica Wojciechowo sp. z o.o. The company's share capital was increased by PLN 3,500,000 PLN. Shares from the increased capital were acquired by Elektrownia Wodna Żarnowiec S.A. and Greentech Energy Systems A/S. As a result of the share capital increase, the shareholding structure has been changed – the shareholding of Greentech Energy Systems A/S did not change, while the shareholding of PGE Energia Odnawialna S.A. is currently 0.49% and the shareholding of Elektrownia Wodna Żarnowiec S.A. is 49.51%;

- in the first quarter of 2010, a Datio In Solutum agreement between ZEW Porąbka-Żar S.A and PGE Energia Odnawialna S.A. was concluded. Based on this agreement ownership of the shares of EGO-ODRA S.A. held by ZEW Porąbka-Żar S.A. was transferred to PGE Energia Odnawialna S.A. as a payment of dividend liability;
- in the first quarter of 2010, PGE S.A. continued to tender shares of PGE ZEC Bydgoszcz S.A. from its employees. The shares of the company purchased by PGE S.A. do not represent more than 0.2% of its share capital.

In the first quarter of 2010 companies from PGE Group reduced their equity interests in the following entities:

- on January 28, 2010, PGE Dystrybucja Łódź sp. z o.o. disposed of all its shares of ElectriclightBox sp. z o.o. which represented 6% of total share capital of that company;
- on March 1, 2010, PGE Obrót S.A. disposed of all its shares of Autosan S.A. which represented less than 1% of total share capital of that company;
- on March 5, 2010, PGE Elektrownia Turów S.A. disposed of all its shares of Energoaparatura S.A. which represented less than 1% of total share capital of that company;
- on March 18, 2010, PGE Łódzki Zakład Energetyczny S.A. disposed of all its shares of Zakłady Przemysłu Pasmanteryjnego Lenora sp. z o.o. which represented less than 1% of total share capital of that company;
- on March 29, 2010, PGE Kopalnia Węgla Brunatnego Bełchatów S.A. sold 100% of shares of Górniczy Klub Sportowy Bełchatów S.S.A.
- on March 30, 2010, PGE Elektrociepłownia Gorzów S.A. disposed of all its shares of Przedsiębiorstwo Robót Remontowych Energorem sp. z o.o. and Przedsiębiorstwo Robót Remontowych El-Gore sp. z o.o. which represented respectively 34% of total share capital in each of those companies.

Table: Companies deleted from the National Court Register in the first quarter of 2010, in which companies from PGE Group held shares / interests.

Company	Deletion date	Company from the PGE Group that held shares / interests in the liquidated company
Labud sp. z o.o. under liquidation	January 20, 2010	PGE Zespół Elektrowni Dolna Odra S.A.
Zamojska Spółka Elektroenergetyczna sp. z o.o. under liquidation	January 21, 2010	PGE Zamojska Korporacja Energetyczna S.A.

On February 9, 2010, the share capital of Elektrownia Turów B.V. under liquidation was decreased from EUR 2,001,000 to EUR 18,000 by way of share redemption and cancellation in exchange for payment to PGE Elektrownia Turów S.A. On March 30, 2010, the company's liquidation was registered at the Netherlands Chamber of Commerce.

During the 3-month period ended March 31, 2010 did not discontinue any significant operations. The consolidated financial statements specify discontinued operations for companies discussed in Note 19 of the consolidated financial statements.

1.1. Description of activities of Capital Group

The Group currently organizes its activities in five business lines: (i) Mining and Generation, including extraction of lignite and generation of electricity and heat from conventional sources (ii) Renewable Energy, including electricity generation from renewable sources and in pumped storage power plants, (iii) Wholesale Trading; (iv) Distribution; and (v) Retail Sales. Apart from 5 main business lines, PGE Group holds activities in other areas, including telecommunication. The Group also comprises of other companies, whose main activity is providing ancillary control services to companies from the energy and mining sectors. These services comprise, inter alia: (i) building, renovation and modernization works and investments in electricity equipment, (ii) comprehensive diagnostic tests and measurements of electricity machines and equipment; (iii) managing by-products of coal combustion, developing,

implementing and using technologies and rehabilitation of degraded areas, and (iv) medical and social services.

The structure of the PGE Group does not yet correspond with the functional structure of the Group's main business lines. In particular, among the PGE Energia's direct subsidiaries there are companies operating within three different business lines: retail sales companies, distribution companies (distribution system operators), and several electricity and/or heat generating companies, including one large power generating company— PGE Zespół Elektrowni Dolna Odra S.A.

Finally, after realization of the Consolidation Programme and the Non-core Programme, the Group's shareholding structure will be put in order.

Simplified scheme of the target Group's structure.

Legend to the above chart.

Spółka zarządzająca aktywami pozaenergetycznymi – company managing non-core assets; Obrót Hurtowy – wholesale trading; Centrum Usług Wspólnych – shared services centre; Energetyka Konwencjonalna – conventional energy; Energetyka odnawialna – renewable energy; Energetyka Jądrowa – nuclear energy; Dystrybucja Energii – distribution of electricity; Sprzedaż detaliczna – retail sales

2. Key factors and events affecting financial results.

Macroeconomic situation

PGE Group conducts its business mainly in Poland, therefore has been and will continue to be influenced by macroeconomic trends in Poland. In general, there is a positive correlation between the growing demand for electricity and economic growth, therefore the country's macroeconomic situation directly influences PGE Group's financial results. In particular observed recovery of economic activity and frosty winter resulted in increase in the demand for electricity in the national network in this period by app. 3.5% compared to first quarter of 2009.

Table: Key economic indicators relating to the Polish economy.

Key statistics	1Q 2010	1Q 2009
Real GDP growth (% growth) ¹	2.8*	1.6
Annual inflation rates (% consumer prices) ²	2.6	3.6
Domestic electricity consumption (TWh) ³	41.1	39.7

* estimated data by Dom Maklerski Banku Handlowego S.A.

Source: ¹ Polish Central Statistical Office, Real growth of GDP in constant previous year's price, with corresponding period of preceding year = 100; ² Polish Central Statistical Office, inflation rate, with corresponding period of preceding year = 100; ³ PSE Operator S.A.

Termination of long-term contracts (LTC)

Due to the termination of LTCs in accordance with The Act on coverage of stranded costs resulting at generators in relation to accelerated termination of long-term contracts ("LTC Act"), the producers being earlier the parties to such contracts obtained a right to receive compensations for the coverage of so called stranded costs (capital expenditures resulting from investments in generating assets made by the generator before May 1, 2004 that a generator is not able to recoup from revenues obtained from sales of generated electricity, spare capacity and ancillary services in a competitive environment after early termination of LTC). The LTC Act limits the total amount of funds that may be paid to all generators to cover stranded costs, discounted as at January 1, 2007, to PLN 11.6 billion.

Table: Key data relating to PGE Group generators subject to the LTC Act.

Generator	LTC maturity	Maximum amount of stranded and additional costs
PGE Elektrownia Opole S.A.	2012	PLN 1,966 million
PGE Elektrownia Turów S.A.	2016	PLN 2,571 million
PGE Zespół Elektrowni Dolna Odra S.A.	2010	PLN 633 million
PGE Elektrociepłownia Gorzów S.A.	2009	PLN 108 million
PGE Elektrociepłownia Lublin-Wrotków S.A.	2010	PLN 617 million
PGE Elektrociepłownia Rzeszów S.A.	2012	PLN 422 million
TOTAL		PLN 6,317 million

In the period provided for by the LTC Act, i.e. till December 31, 2007, PGE S.A. signed termination agreements with generators being parties to the then applicable LTCs. Therefore generators obtained a right to receive funds to cover their stranded costs.

The impact of LTC compensations on results achieved by the PGE Group is described in Note 20.1 to the consolidated financial statements.

Sales of electricity

Table: Sales of electricity outside the PGE Capital Group (in TWh).

	1Q 2010	1Q 2009	% change
Sale in TWh, including:	14.86	14.91	-
Sales to end-users *	8.01	7.72	4%
Sales on the wholesale market.....	4.94	5.33	-7%
Sales to foreign customers	0.45	0.58	-22%
Sales on the Balancing Market.....	1.24	1.09	14%
Sales to PSE Operator (for losses)	0.22	0.19	16%
Internal consumption **	1.44	1.34	7%
Total outflow of electricity	16.30	16.25	0%

* after elimination of intragroup sales in PGE Group

** internal consumption includes energy for covering the balance sheet difference, energy consumption in mines and in pumped storage power plants

In the first quarter of 2010 and in the first quarter of 2009 the Group sold 14.86 TWh and 14.91 TWh of electricity respectively. Changes in the sales structure for the 3-month period ended March 31, 2010 versus the 3-month period ended March 31, 2009 resulted mainly from increased retail sales and decreased sales on the wholesale market and foreign markets. The increase of retail sales from 7.72 TWh in the first quarter of 2009 to 8.01 TWh in the first quarter of 2010 was caused mainly by higher demand for electric power due to improved economic situation and acquisition of new customers.

Purchases of electricity

Table: Purchases of electricity from outside of the PGE Capital Group (in TWh).

	1Q 2010	1Q 2009	% change
Total purchases in TWh, including::	2.30	2.25	2%
Purchases from companies outside of the Group.....	0.17	0.28	-39%
Purchases from abroad	0.18	0.56	-68%
Purchase from the Balancing Market.....	1.95	1.42	37%

In the first quarter of 2010 and in the first quarter of 2009 the companies from the Group purchased respectively 2.30 TWh and 2.25 TWh of electric power from outside the PGE Group. Changes in the sales structure for the 3-month period ended March 31, 2010 as compared to the 3-month period ended March 31, 2009 resulted mainly from lower purchases on foreign markets and higher purchases on the balancing market. Non-domestic purchases decreased by approximately 68% in the 3-month period ended March 31, 2010 as compared to the 3-month period ended March 31, 2009 mainly due to unfavorable conditions on foreign markets and the system limitations for energy imports. However,

during the 3-month period ended March 31, 2010 as compared to the 3-month period ended March 31, 2009 the purchases of electric energy on the balancing market increased which was caused primarily by higher purchases made by producers, including pumped storage power plants, as a result of higher utilisation of ancillary services by PSE Operator S.A.

Production of electricity

Table: Generation of electricity by Group generators (in TWh).

	1Q 2010	1Q 2009	% change
Total energy generation (in TWh), including:	14.00	14.00	0%
Lignite-fired power plants	9.56	9.49	1%
Coal-fired power plants.....	3.04	2.98	2%
Coal-fired CHP plants.....	0.47	0.50	-6%
Gas-fired CHP plants.....	0.63	0.77	-18%
Pumped storage power plants.....	0.14	0.08	75%
Hydroelectric plants.....	0.14	0.15	-7%
Wind power plants.....	0.01	0.02	-50%

In the first quarter of 2010 production of electricity totaled 14.0 TWh and was at a level similar to the first quarter of 2009. Electricity production increased both in lignite- and hard coal-fired power plants, and at the same time decreased both in gas-fired power plants and hydroelectric power plants. The 0.07 TWh growth in electricity production from lignite stemmed mainly from full operation of power units at PGE Elektrownia Turów S.A. in the first quarter of 2010, while in March 2009, two power units were not operational: unit 4 (modernization works) and unit 10 (repair works). The decreased electric energy production at gas-fired heat and power plants was chiefly caused by the steam-gas unit failure at PGE EC Rzeszów S.A. which occurred in January 2010. As a result, the CHP suspended its whole electricity production as from February. The lower production at hydroelectric power plants in the first quarter of 2010 as compared to the first quarter of 2009 was related to deteriorated hydrological conditions in rivers.

Production and sales of heat

In the first quarter of 2010 the net heat production and sales in PGE Group totaled 10.8 million GJ and were approximately 8% up on the first quarter of 2009 due to weather conditions - there was a significant drop of temperatures comparing to average temperatures in previous years. In the first quarter of 2010 and 2009 PEC Gorzów sp. z o.o. and PEC w Gryfinie sp. z o.o. purchased heat, for reselling, from PGE Elektrociepłownia Gorzów S.A. and from PGE ZEDO S.A. In total, the volume of heat purchased by those companies within the PGE Group was 0.7 million GJ in the first quarter of 2010 as compared to 0.6 millions GJ in the first quarter of 2009.

Electricity prices

Electricity prices quoted on domestic and international market have significant impact on the financial results of PGE S.A. and PGE Capital Group.

Domestic market

SPOT market

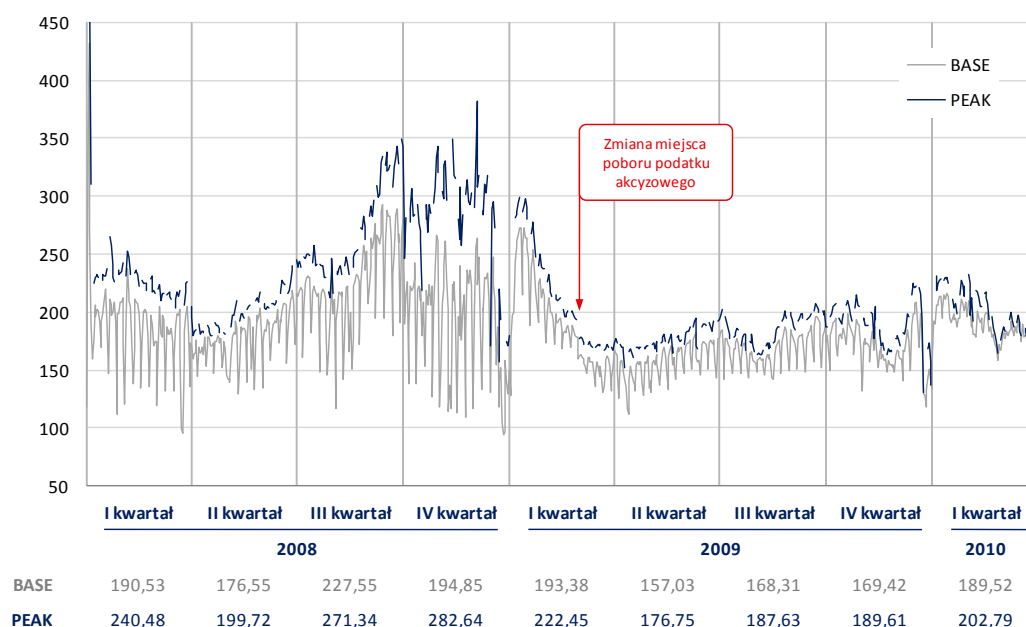
The beginning of 2010 saw an increase of energy prices in spot contracts as compared to the prices recorded in Q3 and Q4 last year, and the primary reason was the long, cold and snowy winter. Moreover, the decrease in real demand in 2009, which was caused by the slow-down in economy, may have contributed to the hedging changes applied by the market participants. In first quarter of 2010, more electric energy than previously was hedged in SPOT transactions and forward contracts with short time to delivery. Electricity trading in SPOT transactions on the Polish Power Exchange (Towarowa Giełda Energii S.A.) and on the Internet Electricity Trading Platform (POEE) increased in that period by ca. 54% comparing to the corresponding quarter in 2009 (up from 1.96 TWh to over 3 TWh).

The increased demand at the year beginning, which resulted from closing of positions and low temperatures, triggered higher SPOT prices. The average energy price for a base product was in that quarter over 10% higher than in previous quarters. The prices were close to the level recorded in the first quarters of 2008 and 2009, i.e. PLN 189.52/MWh (versus PLN 190.53/MWh in 2008 and PLN 193.38/MWh in 2009). However, it needs to be noted that comparing to the corresponding periods in the mentioned years 2008 and 2009, the prices in 2010 no longer included the excise duty charge.

The fact that during the most severe cold, particularly in the second and fourth week of January, average daily prices reached levels above PLN 200/MWh is an evident proof that the price growth in early 2010 was driven by weather conditions. As from the last week of February, which could be related to the temperatures growth, prices began to show a downward trend, and by the end of the quarter they reached the level of ca. PLN 165/MWh.

Daily peak energy prices headed in a similar direction. After strong surges in January, when at some points they even reached PLN 230/MWh and remained high for three weeks of February, the prices began to gradually descent and settle down around PLN 170/MWh at the quarter end.

Diagram: Spot transaction prices at the Polish Power Exchange – average daily rates (the chart) and average quarterly rates (the table under the chart), PLN/MWh



Source: TGE

Legend to the above chart: Zmiana miejsca poboru podatku akcyzowego – change of place of excise tax collection; Kwartał - quarter

On the balancing market, the average price in the analysed period was PLN 181.29/MWh and also moved within a slight downward trend. Although the imbalance energy price reached nearly PLN 190/MWh in January, it was only PLN 179/MWh in February, and then PLN 175/MWh in March.

Table: BASE prices for SPOT contracts

BASE prices for SPOT contracts (PLN/MWh)	1Q 2010		1Q 2009	
	TGE	POEE	TGE	POEE
	189.52	189.97	193.38	197.51

[†] Prices till March 1, 2009 include excise tax in amount of PLN 20 /MWh

Futures and forwards market

Presently, futures and forward transactions on the Polish electric energy market are mostly executed on the bilateral market through online trade platforms such as TFS, GFI and POEE. The share of the Polish Energy Exchange in futures and forward contracts is still marginal.

On the aforementioned platforms, the futures and forwards market, regardless of the delivery date, totaled nearly 12 TWh in first quarter of 2010. So far, it was undoubtedly the highest result both in terms of the number of transactions and the volume of traded energy.

- In the first quarter of 2010, the trade in contracts on TFS reached 8 TWh, where 47% of transactions were annual contracts (i.e. contracts with delivery in 2011 and 2012), 33% were quarterly contracts, 15% were monthly contracts, while the remaining 5% were weekly and daily contracts. To compare, in the same period in 2009, the trading in contracts on this platform did not exceed 5 TWh.
- At GFI, total volume of transactions executed in the first three months of this year was 3.3 TWh, of which 45% were annual contracts for 2011 and 2012, 30% were quarterly contracts, and the remaining part were monthly contracts.
- At POEE platform, similarly to the previous year, the trading was dominated by contracts with up to one month to delivery. From January to the end of March 2010, the trade in contracts on this platform totaled only 45.8 GWh.

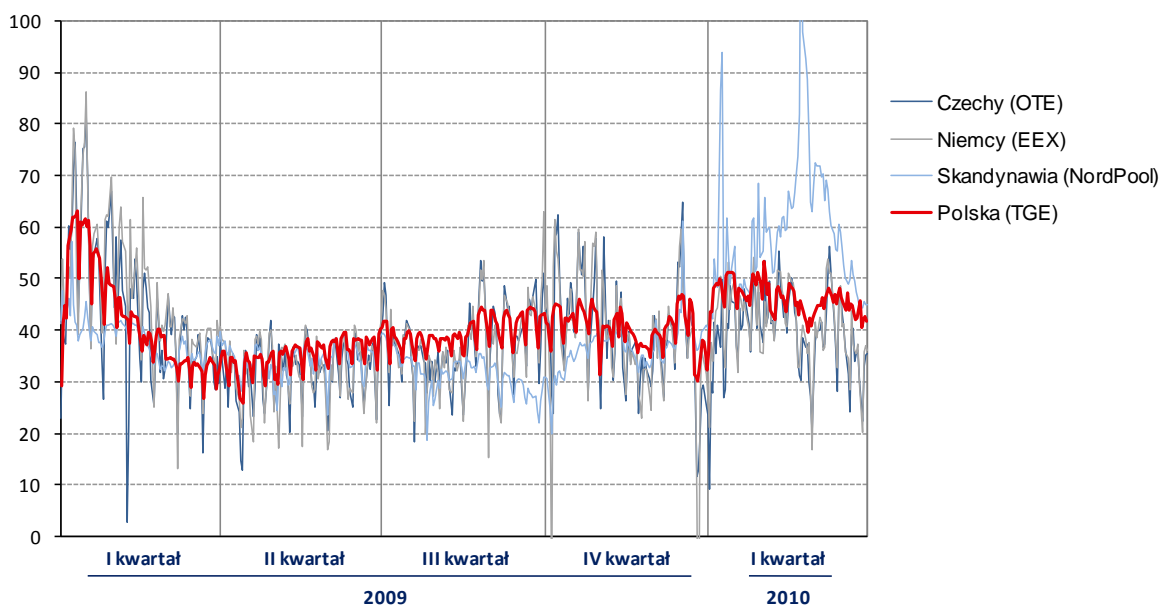
On the platforms discussed above, the most popular were Base products for the nearest months (Feb-10 and Mar-10), quarterly (Q2-10, Q3-10, Q4-10) and, at an unprecedented scale, annual Base 2011 and, to a lesser extent, Base 2012.

Analysis of the prices for the abovementioned most liquid products in first quarter of 2010 show the market's expectations as to the level of baseload prices in future periods. On average, the market prices of monthly contracts for February were at ca. PLN 183 /MWh, for March ca. PLN 169/MWh. Quarterly contracts from Q2 to Q4 averaged PLN 169/MWh, PLN 180.5/MWh and PLN 177/MWh. Average baseload price rates for annual contracts for 2011 were ca. PLN 188/MWh.

International market

In the recent years, the Polish market has been showing pricing trends similar the German and Czech markets. It does not mean reaching the same price levels but the direction of changes is similar. Those trends are more visible on the SPOT market than on the futures and forwards market. Spot prices on the markets in Poland (TGE), Germany (EEX) and the Czech Republic (OTE) stabilised after the considerable drops in the first half-year of 2009 and showed an upward trend as from the beginning of 2010. In the second part of the first quarter, the trend reversed.

Diagram: Daily BASE prices in spot transactions on energy markets in 2009 and in the first quarter of 2010, EUR/MWh



Source: TGE, OTE, EEX, Nordpool

Legend to the above chart: kwartał – quarter; Czechy – the Czech Republic, Niemcy – Germany; Skandynawia – Scandinavia; Polska - Poland

In the analysed period, from among the discussed markets, Scandinavia was the most distinguishing region, as it fundamentally differs from other markets – it is strongly driven by hydrological conditions. The prices quoted at NordPool showed a different pricing trend than at EEX or OTE. On one hand, the very cold and dry winter resulted in higher demand for energy, while on the other hand, it suppressed the demand for energy produced from water sources due to lower water levels in reservoirs. Another factor that drove the spot price growth was the decreased supply of nuclear and wind energy in that region. Consequently, prices at NordPool were on the rise until mid Q1 2010 to exceed EUR 100/MWh within just a few days, and then to drop sharply below EUR 50/MWh.

Cold year beginning in Germany translated into increased demand for energy. Despite that, prices did not soar as high as on the Scandinavian market. The reasons were, among others, lower gas prices during that period. A similar pricing level was recorded in the Czech Republic (OTE), which is strongly linked to the German market. Nevertheless, for both those market, the first quarter can be assessed as a period of a downward trend.

Tariffs

PGE Group companies earn part of their income based on tariffs approved by the President of the Energy Regulatory Office: (i) tariffs for the sale of electricity to households (G tariff group), (ii) tariffs of distribution system operators (“DSO”), and (iii) heat tariffs.

Sales of electricity to recipients from the G tariff group, connected to the distribution network, where the Retail Sales Companies act as the supplier of the last resort, in the first quarter of 2010 took place on the basis of electricity tariffs approved by the President of the Energy Regulatory Office. The proceedings on the approval of the tariffs for 2010 were begun on September 8, 2009 and were finalized on January 22, 2010. The approved tariffs came into force 14 days after publication i.e. on February 6, 2010, up to that date previous tariffs were binding.

In the first quarter of 2010 sales of electricity to business off-takers (A, B, C tariff groups) were on the basis of tariffs and individually negotiated offers. Tariffs for the business off-takers were not changed in first quarter of 2010 compared to the tariffs from the end of 2009.

Distribution tariffs of distribution system operators within the PGE Group for year 2010 were approved by the President of the Energy Regulatory Office between January 7-18, 2010. Tariffs for 2010,

depending on the company, came into force between January 22, 2010 and February 2, 2010. In such situation, for most of January, and in one company for the whole January, the rates from the 2009 tariff applied for January 2010.

The binding tariffs for electricity, electricity distribution services and heat, which are subject to the approval by the President of the Energy Regulatory Office, do not cover all costs incurred by Group companies. At present, costs recognized by the President of the Energy Regulatory Office as justified costs to calculate tariffs for PGE Group companies are lower than costs actually incurred by such companies.

Distribution of electricity

The tariff applicable for the first quarter of 2010 was third independent tariff of distribution system operators since the integrated distribution and retail companies (regional energy companies) were unbundled into independent distribution companies (DSO).

Starting from July 1, 2007, i.e. the date of the legal separation of a distribution system operator under Art. 9d of the Energy Law of April 10, 1997 (Journal of Laws of 2006 No 89, item 625, as amended) and Art. 15 and 30 of the European Parliament and Council Directive 2003/54/EC of June 26, 2003 concerning common rules for the internal electricity market, till December 31, 2007, distribution system operators acted on the basis of 2007 electricity tariffs, distributed by regional power companies.

Distribution tariffs for 2010 approved by the President of the Energy Regulatory Office, contributed to changes in average payments for customers in particular tariff groups in comparison to year 2009:

- A tariff group – increase by 0.4%,
- B tariff group – increase by 3.2%,
- C+R tariff group – increase by 6.8%,
- G tariff group – increase by 6.0%.

An average price of energy distribution services in comparison to last tariffs binding in 2009 increase by approximately 5.3%.

Sales of electricity

In the first quarter of 2010 Retail Sales Companies from the PGE Group still had to submit their G group tariffs (for households) for approval to the President of Energy Regulatory Office. With regard to other off-takers, the President of the Energy Regulatory Office decided in November 2007 that the retail sales market is competitive and exempted companies from an obligation to submit their tariffs for approval.

An average electricity fee for households, as approved by the President of the Energy Regulatory Office for 2010 amounted to 247.8 PLN/MWh, what constituted an increase by approximately 5.0% as compared to average fees binding for the previous tariff.

Prices of fuel

Table: Volume and cost of purchase of fuels from third party suppliers in the 3-month period ended March 31, 2010 and March 31, 2009.

	Volume ('000 tonnes)		Cost (PLN million)	
	For 3-month period ended		For 3-month period ended	
	March 31,		March 31,	
	2010	2009	2010	2009
Hard coal.....	1,422	1,553	379	429
Gas ('000 m ³).....	177,574	205,047	128	168
Biomass.....	93	81	32	21
Fuel oil.....	10	10	14	9
TOTAL			553	627

During the first quarter of 2010 the costs of purchasing primary fuels from providers outside the Group amounted to PLN 553 million and were lower by approximately 12% as compared to the first quarter of

2009. Lower prices of fuel purchased were mainly related to decline of hard coal purchase price by approximately 4%. In the first quarter of 2010 the purchase of hard coal for the Group was realized by PGE Electra S.A.

During 3-month period ended March 31, 2010 approximately 68% of the electricity produced was obtained from our internally sourced lignite, whose price is less susceptible to fluctuations than fuel sourced externally. However, certain factors including the aggregate amount of lignite extracted, costs of overburden removal, labour costs and environmental provisioning affect mining costs incurred by the Group and thus PGE Group's generation costs.

National Allocation Plan for the years 2008-2012 ("NAP II")

The National Allocation Plan on CO₂ emission ("NAP") is subject to the notification to the European Commission, under the EU emission rights trading system. In connection with the fact that the European Commission reduced the quantity of CO₂ emission rights for Poland in both settlement periods in relation to quantities applied by Poland in the NAP, the granted limits constitute a material limitation for the electro energy sector.

As regards the next settlement period, which covers the years 2008-2012, Poland applied for emission caps of 284 million tonnes of CO₂. The European Commission reduced the free CO₂ emission allowances per year for Poland to 208.5 million tonnes. According to the present NAP II, utility power plants would only be authorized to emit 110.8 million tonnes of CO₂, whereas Polish CO₂ emissions in normal circumstances are estimated at approximately 120 million tonnes per year.

Table: Allocation of emission rights limits (in Mg).

Sector	Average rights - Mg of CO ₂ per year
Utility power plants	110,791,200
Utility CHP plants	25,391,008

The following table presents data concerning CO₂ emission from major Group installations in the first quarter of 2010 (as compared to the number of rights granted under free allocations).

Table: Emission of CO₂ from major Group installations in the first quarter of 2010 in comparison to the average yearly allocation of CO₂ emission rights.

Operator	CO ₂ emissions in 1Q 2010	Average yearly allocation based on the NAP II
PGE Elektrownia Bełchatów S.A.	8,480,052	26,937,155
PGE Elektrownia Turów S.A.	2,536,533	11,158,636
PGE Elektrownia Opole S.A.	1,737,331	6,475,340
PGE Zespół Elektrowni Dolna Odra S.A.	1,652,183	5,680,137
PGE Zespół Elektrociepłowni Bydgoszcz S.A.	418,641	1,155,252
PGE Elektrociepłownia Gorzów S.A.	149,377	476,690
PGE Elektrociepłownia Lublin-Wrotków S.A.	229,275	570,840
PGE Elektrociepłownia Rzeszów S.A.	114,838	303,155
PGE Elektrociepłownia Kielce S.A.	93,020	189,357
Energetyka Boruta S.A.	38,906	104,988
PEC Gorzów S.A.	0	2,615
TOTAL	15,450,156	53,054,165

3. Significant achievements and failures of the Company in the reporting period, along with list of most important events.

3.1. Financial results of the Group

Consolidated statement of comprehensive income

Total sales revenues of the Group for the first quarter of 2010 reached PLN 5,340.1 million, as compared to PLN 5,347.5 million in the first quarter of 2009. The biggest increase in revenues was in

sales of finished goods and merchandise, which increased by PLN 275.6 million mainly as a result of (i) increase in volume of sales of electricity to the end-users, (ii) increase of revenues from sales of certificates of origin of energy, (iii) increase in revenues from sales of CO₂ emission rights; (iv) increase in revenues from sales of heat, and (v) increase of revenues from distribution of electricity. At the same time, revenues from LTC compensations received by generators from PGE Group were lower by PLN 270.3 million.

Cost of goods sold in the first quarter of 2010 amounted to PLN 3,382.6 million, reflecting an increase by approximately 8% as compared to the first quarter of 2009. The rise of cost of goods sold was caused by: (i) higher by PLN 144.3 million personnel expenses as a result of salaries increase, (ii) higher costs of materials and energy by PLN 91.3 million, and (iii) higher by PLN 108.3 million value of finished goods and materials sold. Decline in costs of external services by PLN 74.9 million mainly as a result of lower costs related to repairs and exploitation also affected the diversion of cost of goods sold.

Gross profit on sales in the first quarter of 2010 was PLN 1,957.5 million as compared to PLN 2,212.1 million in the first quarter of 2009, what constitutes decline by approximately 12%.

In the first quarter of 2010 total distribution and selling expenses of PGE Group amounted to PLN 403.6 million, what constitutes increase by approximately 21% as compared to the first quarter of 2009. Increase in distribution and selling expenses was connected chiefly with higher cost of redemption of property rights incurred by retail sales companies.

In the first quarter of 2010 general and administrative expenses accounted for PLN 222.7 million, i.e. increased by approximately 15% as compared to the first quarter of 2009.

The result on other operating activities in the first quarter of 2010 amounted to PLN 4.1 million as compared to negative result in amount of PLN (-) 91.6 million in the first quarter of 2009.

Other operating revenues of the Group in the first quarter of 2010 accounted for PLN 103.4 million, what constitutes increase by approximately 188% towards PLN 35.9 million achieved in the first quarter of 2009. The increase in the other operating revenues is attributed primarily to higher by PLN 43.9 million level of reversed balance sheet provisions and higher by PLN 19.3 million revenues from received compensations, penalties and fines. In the first quarter of 2010 PGE S.A. reversed a provision in amount of PLN 46.7 million for disputes related to execution of trade agreements.

Decrease in other operating expenses by PLN 28.2 million in the first quarter of 2010 as compared to the first quarter of 2009 results mainly from lower by PLN 73.6 million level of balance sheet provisions created. This decrease was partially compensated by increase of costs of liquidation of damages and breakage elimination by PLN 18.6 million and creation of higher write-offs on receivables by PLN 16.5 million.

In the first quarter of 2010 result on financial activities was PLN 3.1 million and was by PLN 189.0 million higher than in the first quarter of 2009.

The financial revenues of the Group in the first quarter of 2010 amounted to PLN 161.4 million, what means increase by approximately 33% as compared to PLN 121.0 million achieved in the first quarter of 2009. The increase in financial revenues is mainly related to higher by PLN 27.6 million revenues from interest and higher by PLN 10.1 million profit from the disposal of investment.

Decline in financial expenses by PLN 148.5 million in the first quarter of 2010 as compared to the first quarter of 2009 results mainly from decrease of foreign exchange losses by PLN 135.2 million.

Profit before tax of the Group in the first quarter of 2010 was PLN 1,375.0 million as compared to PLN 1,455.7 million in the first quarter of 2009. In addition, in the first quarter of 2010 the Group's profit before tax margin (profit before tax as a percentage of total sales revenues) decreased to 25.7% from 27.2% in the first quarter of 2009.

Due to the above factors, net profit for the first quarter of 2010 amounted to PLN 1,113.6 million as compared to PLN 1,125.4 million in the first quarter of 2009.

Total comprehensive income of the Group in the first quarter of 2010 amounted to PLN 1,113.0 million as compared to PLN 1,124.6 million in the first quarter of 2009.

Consolidated statement of financial position

As at March 31, 2010 and as at December 31, 2009, non-current assets of the Group were PLN 41,964.6 million and PLN 41,964.4 million, respectively, and accounted for 77% of total assets, respectively.

Current assets of the Group as at March 31, 2010 and as at December 31, 2009 remained at the similar level and amounted to PLN 12,580.0 million and PLN 12,477.6 million respectively.

As at March 31, 2010 and as at December 31, 2009 the total equity of the Group amounted to PLN 40,015.3 million and PLN 38,849.8 million, respectively, and accounted for 73% and 71% of total equity and liabilities respectively. Minority interests as at March 31, 2010 and as at December 31, 2009 were valued at PLN 7,910.5 million and PLN 7,681.4 million, respectively. The increase in total equity was primarily related to net profit for the first quarter of 2010.

Change in long-term provisions and liabilities in 3-month period ended March 31, 2010 results mainly from: (i) lower by PLN 1,789.0 million level of indebtedness on bank loans as a result of its reclassification to the short-term liabilities.

Liabilities and short-term provisions increased from PLN 5,835.7 million as at December 31, 2009 to PLN 6,606.9 million as at March 31, 2010 mainly in relation to increase of short-term liabilities from interest bearing bank loans by PLN 1,485.1 million. In addition, the following influenced the liabilities and short-term provisions as at March 31, 2010: (i) decrease of income tax liabilities by PLN 226.7 million, (ii) decrease of level of trade liabilities by PLN 220.8 million, and (iii) decrease of other financial liabilities by PLN 203.7 million.

Consolidated statement of cash flows

The total net cash flow from operating activities for 3-month period ended March 31, 2010 amounted to PLN 1,530.5 million as compared to PLN 1,414.2 million in 3-month period ended March 31, 2009. Increase in the first quarter of 2010 of cash flows from operating activities as compared to the first quarter of 2009 is mainly caused by higher depreciation and amortization (increase by PLN 12.9 million), decrease of receivables (PLN 227.6 million) and decrease of inventory (PLN 156.3 million). Additionally, in the first quarter of 2010 the following influenced the level of net cash from operating activities: (i) decline of liabilities other than bank loans (PLN 213.9 million); (ii) change in prepayments and accruals (PLN 312.1 million), and (iii) income tax paid (PLN 428.7 million).

Negative net cash from investing activities for the 3-month period ended March 31, 2010 amounted to PLN 1,033.0 million which is higher by approximately 37% as compared to 3-month period ended March 31, 2009. The balance of net cash from investing activities was mainly affected by expenses related to the acquisition of the property, plant and equipment and intangible assets in the amount of PLN 1,030.6 million.

Negative net cash from financial activities for the 3-month period ended March 31, 2010 amounted to PLN 332.8 million as compared to PLN 812.4 million for the 3-month period ended March 31, 2009. The decrease in net expenditures on financing activity in the first quarter of 2010 as compared to the first quarter of 2009 was caused mainly by a lower negative balance of payments/inflow from loans and borrowings amounting to PLN 272.0 million in the first quarter of 2010 as compared to PLN 699.8 million in the first quarter of 2009. At the same time the Group incurred lower by PLN 55.9 million expenses for interest paid in the first quarter of 2010 as compared to the first quarter of 2009.

3.2. Business segments

Table: Key operational figures.

Key figures	Unit	1Q 2010	1Q 2009
Lignite extraction	millions of tonnes	11.7	11.7
Net electricity production*, including:	TWh	14.0	14.0
Power plants - lignite	TWh	9.6	9.5
Power plants – hard coal	TWh	3.0	3.0
CHPs – hard coal	TWh	0.5	0.5
CHPs – gas	TWh	0.6	0.8
Pumped storage power plants	TWh	0.1	0.1
Hydro power plants	TWh	0.1	0.2
Wind power plants	TWh	0.0	0.0
Heat sales	GJ millions	10.8	10.0
Sales to Final Customers**, including:	TWh	8.1	7.9
Tariff G***	TWh	2.5	2.4
Distribution of electricity**, including:	TWh	8.0	7.7
Tariff G***	TWh	2.5	2.4

* including productions from biomass in period January–March 2010– 0.1 TWh, in period January–March 2009 – 0.1 TWh

** total sales with additional estimation and with taking into account the sales to customers within PGE Group realized by the Retail Sales companies

*** without additional estimation

Table: Breakdown of the Group's gross income (including flows between segments), by business segments, for the first quarters of 2010 and 2009.

in PLN million	Total gross income				
	1Q 2010	(%) share	1Q 2009	(%) share	% change
Mining and Generation	3,366.9	29.2%	3,436.3	29.9%	-2%
Renewable Energy	147.2	1.3%	126.0	1.1%	17%
Wholesale Trading	3,277.6	28.4%	3,428.0	29.3%	-4%
Distribution	1,288.8	11.2%	1,223.3	10.5%	5%
Retail Sales	3,286.9	28.5%	3,320.8	28.4%	-1%
Other activity	172.8	1.4%	147.3	1.3%	17%
Total	11,540.2	100.0%	11,681.7	100.0%	-1%
Intersegmental eliminations	(6,200.1)		(6,334.2)		-2%
Net income	5,340.1		5,347.5		0%

Key operating indicators are presented in p. 2.

Table: Key financial indicators for each business segment for the first quarter of 2010 (after eliminations).

in PLN million, unless specified otherwise	Mining and Generation	Renewable Energy	Wholesale Trading	Distribution	Retail Sales	Other
	1Q 2010					
EBITDA	1,301.0	58.7	115.4	388.6	84.2	45.4
EBIT	927.8	27.1	109.1	172.6	82.1	16.5
Capex	666.1	18.1	6.2	124.1	0.6	19.2
Segment Assets .	25,388.8	1,651.0	609.5	13,340.8	1,590.8	994.4

Table: Key financial indicators for each business segment for the first quarter of 2009 (after eliminations).

<i>in PLN million, unless specified otherwise</i>	Mining and Generation	Renewable Energy	Wholesale Trading	Distribution	Retail Sales	Other
	1Q 2009					
EBITDA	1,628.7	55.9	62.5	337.7	111.4	42.9
EBIT	1,236.0	33.6	55.9	132.7	109.7	26.5
Capex.....	386.1	17.0	1.3	130.6	1.3	7.0
Segment Assets .	23,617.1	1,418.4	691.1	13,215.9	1,501.5	1,462.1

Mining and Generation

In the first quarter of 2010 total sales revenues for Mining and Generation amounted to PLN 3,366.9 million, which means 2% decline as compared to the first quarter of 2009. EBIT of the segment in the first quarter of 2010 was PLN 927.8 million, and EBITDA was PLN 1,301.0 million. In the analogical period of previous year EBIT was PLN 1,236.0 million, and EBITDA was PLN 1,628.7 million. Decline of EBIT in the first quarter of 2010 as compared to the first quarter of 2009 was mainly due to lower income - by PLN 270.3 million - achieved from LTC compensations.

In the first quarter of 2010 capital expenditures in Mining and Generation segment amounted to PLN 666.1 million as compared to PLN 386.1 million in the first quarter of 2009.

Table: Capital expenditures incurred in Mining and Generation segment in the first quarter of 2010 and 2009, by particular investment tasks.

<i>in PLN millions</i>	Capital expenditures		
	1Q 2010	1Q 2009	% change
Investments in generating capacities, including:	632.1	347.6	81.8%
<i>Development</i>	546.5	259.2	110.8%
<i>Modernization and replacement</i>	85.6	88.4	-3.2%
Purchases of finished capital goods	8.1	8.3	-2.4%
IT	2.5	1.4	78.6%
Vehicles.....	0.5	4.3	-88.4%
Other	22.9	24.4	-6.1%
TOTAL	666.1	386.1	72.5%

Table: Capital expenditures incurred in the Mining and Production sector, by projects, for the first quarter of 2010 and 2009.

No.	Capital expenditures on property, plant and equipment in PLNm	Company	1Q 2010	1Q 2009
	Total		666.1	386.1
1	Construction of a 858 MW power unit with connection to the National Power System at the Trębaczew station	ELB	362.6	141.5
2	Comprehensive reconstruction and modernization of units 3-12	ELB	40.7	59.8
3	Maintaining of mining capacity at Bełchatów Field	KWBB	24.2	30.5
4	Commissioning of Szczerców Field	KWBB	68.5	53.7
5	Construction of a flue gas desulphurisation plant, units 5, 6	ZEDO	13.7	0.0
6	Construction of a steam boiler for energy production from biomass at Szczecin Power Plant	ZEDO	43.2	0.9
7	Opole II Project (construction of new pulverised coal-fired units no. 5&6)	ELO	1.8	0.2
8	Other		111.3	99.5

Renewable Energy

In the first quarter of 2010 total sales revenues for Renewable Energy amounted to PLN 147.2 million as compared to PLN 126.0 million in the first quarter of 2009. EBIT of the segment in the first quarter of 2010 was PLN 27.1 million, and EBITDA was PLN 58.7 million. In the analogical period of the previous year EBIT was PLN 33.6 million, and EBITDA was PLN 55.9 million. Decline of EBIT in the first quarter of 2010 as compared to the first quarter of 2009 was mainly related to a write off on receivables from the contractor by PGE Energia Odnawialna S.A. in amount of PLN 10.9 million.

In the first quarter of 2010 capital expenditures in Renewable Energy segment amounted to PLN 18.1 million as compared to PLN 17.0 million in the first quarter of 2009.

The highest capital expenditures in the reporting periods were incurred for modernization and replacement of the assets and constituted approximately 86.8% and 93.0% of total capital expenditures for the segment in the first quarter of 2010 and 2009.

Capital expenditures incurred in Renewable Energy segment in the first quarter of 2010 and 2009, by particular investment tasks.

in PLN millions

	Capital expenditures		
	1Q 2010	1Q 2009	% change
Investments in generating capacities, including:	17.4	16.8	3.6%
<i>Development</i>	1.7	1.0	70.0%
<i>Modernization and replacement</i>	15.7	15.8	-0.6%
Purchases of finished capital goods	0.0	0.0	-
IT	0.4	0.0	-
Vehicles	0.1	0.1	0.0%
Other	0.1	0.1	0.0%
TOTAL	18.1	17.0	6.5%

Wholesale Trading

In the first quarter of 2010 total sales revenues for Wholesale Trading segment amounted to PLN 3,277.6 million, what means approximately 4% decrease as compared to the first quarter of 2009. EBIT of the segment in the first quarter of 2010 was PLN 109.1 million, and EBITDA was PLN 115.4 million. In the analogical period of the previous year EBIT was PLN 55.9 million, and EBITDA was PLN 62.5 million. Higher EBIT in the first quarter of 2010, as compared to the first quarter of 2009, resulted mainly from reversal of a provision by PGE S.A. for the disputes related to the execution of the trade agreements in amount of PLN 46.7 million.

In the first quarter of 2010 capital expenditures in Wholesale Trading segment amounted to PLN 6.2 million, and constituted approximately 0.7% of total capital expenditures of PGE Group. The biggest share of capital expenditures in Wholesale Trading segment in the first quarter of 2010 were related to IT, mainly for management support systems in PGE Group and electricity trade systems.

Distribution

In the first quarter of 2010 total sales revenues for Distribution segment amounted to PLN 1,288.8 million, as compared to PLN 1,223.3 million in the first quarter of 2009. EBIT of the segment in the first quarter of 2010 was PLN 172.6 million, and EBITDA was PLN 388.6 million. In the analogical period of the previous year EBIT was PLN 132.7 million, and EBITDA was PLN 337.7 million. Increase of EBIT by approximately 30% mainly resulted from increase of revenues from sales of distribution services as a result of higher by 0.3 TWh of volume of distributed electricity and of increase of average fees resulting from the Tariff for 2010.

In the first quarter of 2010 capital expenditures in Distribution segment amounted to PLN 124.1 million and constituted almost 15% of total capital expenditures of PGE Group. In the first quarter of 2009 capital expenditures in this segment amounted to PLN 130.6 million, what means approximately 24%

of total capital expenditures of PGE Group. Capital expenditures were mostly related to connection of new customers to the network and constituted 47.2% and 50.4% of total expenditures incurred in the segment in the first quarter of 2010 and 2009 respectively, and to investments resulting from building of new HV, MV and LV electro energy grids which constituted approximately 23% and 27.5% of total expenditures incurred in the segment in the first quarter of 2010 and 2009 respectively.

Table: Capital expenditures incurred in Distribution segment in the first quarter of 2010 and 2009, by particular investment tasks.

in PLN millions

	Capital expenditures		
	1Q 2010	1Q 2009	% change
HV, MV and LV power networks.....	28.5	35.9	-20.6%
Communication, remote switching and metering equipment.....	11.0	14.6	-24.7%
IT	5.0	6.1	-18.0%
Land buyout.....	0.8	0.7	14.3%
Connection of offtakers.....	58.6	65.9	-11.1%
Purchases of finished capital goods	12.7	2.6	388.5%
Other	7.5	4.8	56.3%
TOTAL.....	124.1	130.6	-5.0%

Retail Sales

In the first quarter of 2010 total sales revenues for Retail Sales segment amounted to PLN 3,286.9 million, what means decline by approximately 1% as compared to the first quarter of 2009. EBIT of the segment in the first quarter of 2010 was PLN 82.1 million, and EBITDA was PLN 84.2 million. In the analogical period of the previous year EBIT was PLN 109.7 million, and EBITDA was PLN 111.4 million. Decline of EBIT in Retail Sales segment by approximately 25% in the first quarter of 2010 as compared to the first quarter of 2009 resulted mainly from increased expenses related to obligation of redemption of property rights (certificates of origin of electricity) with minimal increase of average electricity prices for end-users.

Capital expenditures in Retail Sales segment amounted to PLN 0.6 million in the first quarter of 2010, constituted 0.1% of total capital expenditures of PGE Group, and were mainly related to expenditures for IT (customer support systems).

Other operations

In the first quarter of 2010 total sales revenues for Other operations amounted to PLN 172.8 million, as compared to PLN 147.3 million in the first quarter of 2009. EBIT of the segment in the first quarter of 2010 was PLN 16.5 million, and EBITDA was PLN 45.4 million. In the analogical period of the previous year EBIT was PLN 26.5 million, and EBITDA was PLN 42.9 million. Decline of EBIT in the first quarter of 2010 for Other operations, as compared to the first quarter of 2009 mainly resulted from lower revenues realized by EXATEL S.A. from sales of voice services (VoIP services) due to unfavorable market trends. This decrease in EXATEL S.A. was partially compensated by lower expenses for purchase of services from other operators.

Capital expenditures for tangible fixed assets in Other operations in first quarter of 2010 amounted to PLN 19.2 million and were higher than the capital expenditures in the first quarter of 2009 by approximately 174%. Within the above amount PLN 4.2 million were spent by Exatel S.A. for IT development in the first quarter of 2010. The rest of the capital expenditures were mostly related to expenses for development and modernization of fixed assets required to render services under ancillary activities.

In the reporting period Company didn't record any significant failures in its activities which would have effect on achieved results.

3.3. Publication of financial forecasts

PGE Polska Grupa Energetyczna S.A. did not publish forecasts of the Company's financial results.

4. Other significant factors

Consolidation Programme

In April 2010, the independent experts appointed by relevant registry courts completed the analysis of the merger plan for PGE S.A. and its subsidiaries PGE Górnictwo i Energetyka S.A. and PGE Energia S.A., as well as the merger plans for the future consolidated entities:

- conventional energy (the acquiring company is PGE Elektrownia Bełchatów S.A.),
- retail sales of electricity (the acquiring company is PGE Obrót S.A.),
- distribution of electricity (the acquiring company is PGE Dystrybucja S.A.).

All the plans were assessed positively by the experts. Mergers of Renewable Energy companies are subject to a simplified procedure, and therefore, pursuant to the Commercial Companies Code, a merger of this type of businesses does not require obtaining an expert opinion.

As part of the activities related to the legal and organisational process of merging the Group's companies, the process of preparing information memoranda has been commenced. The obligation to issue an information memorandum stems from the fact that, from a legal perspective, the issue of shares by the acquiring parties (excluding PGE Energia Odnawialna SA) during the merger process will be construed as a public offering.

Non-core assets management programme within PGE Group

In the first quarter of 2010 as part of implementing the Non-core assets management programme the Group sold shares and interests in nine companies, completed a liquidation process for one company, and concluded a conditional shares sale agreement for one company.

Nuclear Energy

On March 1, 2010, PGE Polska Grupa Energetyczna S.A. and GE Hitachi Nuclear Energy Americas signed a Memorandum on cooperation in the area of nuclear energy. The cooperation is aimed at researching the possibility of using ABWR and ESBWR reactors for the designed first Polish nuclear power plant, and also the possibility of future industrial cooperation between the two partners. The companies did not include any exclusive rights clause in the Memorandum as to development of nuclear energy in Poland.

5. Factors, which in Company's opinion, will affect the results within at least the next quarter.

In opinion of the Management Board of PGE S.A., factors stated below will have influence on Company and Group results within at least the next quarter of 2010:

- size of demand for electricity and heat;
- electricity prices on wholesale market;
- prices of property rights;
- availability and prices of fuels using in generating electricity and heat, in particular prices of hard coal, fuel gas and oil;
- availability and costs of rights to CO₂ emission;
- possibility of further proceeding in case of number of CO₂ emission allowances, in relation with verdict of the Court of First Instance of European Communities dated September 23, 2009, invalidating the decision of the European Commission concerning National Allocation Plan II for years 2008-2012 notified by Poland;
- availability of cross-border distribution capacity;
- progressing liberalisation of retail electricity market;

- decisions of the ERO President related to realisation of Act on LTCs;
- decision of Court for Protection of Competition and Consumers in dispute between the ERO President and generators from PGE Group entitled to receiving LTCs compensation regarding annual correction of stranded cost for 2008;
- amendment to the Energy Law and others acts concerning the introduction of an obligation to sell electricity by way of tender or through a commodity exchange by generators entitled to receive compensations related with Act on LTCs and introduction of support system for the electricity production in highly efficient co-generation in units fired by methane released and captured at lower mining works in active, under liquidation or closed coal mines or by gas obtained from biomass processing;
- possible different decision in law, tax and other contingent liabilities disputes, from which most relevant were presented in note 14 of the consolidated financial statements;
- changes in Group macroeconomic factors, including in particular interest rates and exchange rates, values of which affects evaluation of assets and liabilities shown by the Group;
- consolidation process in PGE Group.

6. Shareholders holding directly or indirectly by subsidiaries at least 5% of the total votes at Company's General Meeting as of the day of submission of the quarterly report.

As at the date of this consolidated quarterly report, according to the information hold by the Company, the only shareholder holding at least 5% of the total number of votes on the General Meeting of PGE Polska Grupa Energetyczna S.A. was the State Treasury, which held 1,470,576,500 shares of the Company, what constitutes 85% of the share capital and entitle it to exercise the same amount of the votes at the General Meeting of the Company.

Table: Shareholders holding directly or indirectly by subsidiaries at least 5% of the total votes at the General Meeting of PGE Polska Grupa Energetyczna S.A.

Shareholder	Number of shares	Number of votes	% in total votes on General Meeting (%)
State Treasury	1,470,576,500	1,470,576,500	85%
Others	259,513,500	259,513,500	15%
Total	1,730,090,000	1,730,090,000	100%

7. Number of shares or rights to shares of the Company held by Company's managers and supervisors, as of the date of submission of quarterly report.

According to the best knowledge of the Management Board of PGE S.A., as of the date of submission of this quarterly report, Company's managers and supervisors had following number of shares:

Shareholder	Number of share / rights to share (piece)
The Management Board	-
The Supervisory Board	
Marcin Zieliński	500
Maciej Bałtowski	964
Grzegorz Krystek	350
Katarzyna Prus	273
Ryszard Malarski (held the function up to March 30, 2010)	5

Management Board members and other Supervisory Board members did not own PGE shares.

8. Information on issue, redemption and repayment of debt and other securities.

Information on issue, redemption and repayment of debt and other securities were described in note 15 of the consolidated financial statements and part B p. 1.1. of this report.

9. Information on granting by the Company or its subsidiary of loan securities or guarantees – jointly to a single entity or its subsidiary, if the total value of the existing securities or guarantees is equivalent to at least 10% of Company's equity.

Within the Group, in the period from January 1, 2010 to March 31, 2010 PGE S.A. and its subsidiaries did not grant any loan securities or guarantees to another entity or its subsidiary, where the value of securities and guarantees constituted at least 10% of the Company's equity.

10. Information concerning significant proceedings in front of court, body appropriate for arbitration proceedings or in front of public administration authorities.

As at March 31, 2010 PGE S.A. and its subsidiaries weren't a party in proceedings concerning liabilities or claims, in which the total value of a dispute constitutes at least 10% of Company equity except for applying by generators from PGE Group with application of statement of the overpaid excise tax and tax return with provisions for years 2006-2008 and first two months of 2009. The total overpaid tax to be returned to the PGE Group may amount to approximately PLN 3.4 billion, excluding interest (the generators are entitled to interest on the overpaid tax accrued from the date of payment of the overstated tax). This proceeding was described in note 14 of consolidated financial statement.

Significant proceedings pending before court, competent arbitration authority or public administration authority were described in note 14 of the consolidated financial statements.

C THE QUARTERLY FINANCIAL INFORMATION OF PGE POLSKA GRUPA ENERGETYCZNA S.A. PREPARED IN ACCORDANCE WITH POLISH ACCOUNTING PRINCIPLES

PGE Polska Grupa Energetyczna S.A. manages its accounting books in accordance with the accounting policies (principles) specified by the Accounting Act dated September 29, 1994 ("Act") with later changes and the regulations issued on the basis thereof ("Polish accounting principles"). In connection with the above and pursuant to § 83 section 1 Regulation stated below the quarterly financial information of the parent entity which includes: the stand-alone balance sheet, stand-alone income statement, stand-alone statement of changes in equity, and stand-alone cash flow statement, prepared in accordance with Polish accounting principles. In the reporting period Company didn't change the accounting policies (principles).

As a result of receiving an updated claim from the contractor, in the first quarter of 2010 the Company changed its estimated and reversed a provision in amount of PLN 31,534 thousand for disputes related to execution of the trade agreements. After taking the foreign exchange effects into consideration, in the first quarter of 2010 the Company reversed the provision in a total amount of PLN 46,659 thousand.

BALANCE SHEET

ASSETS	March 31, 2010 (not audited)	December 31, 2009 (audited)	March 31, 2009 (not audited)
Non-current assets			
I Intangible assets	3,382	3,810	2,561
II Tangible fixed assets	74,639	74,425	74,823
III Long-term receivables	1,888	2,041	2,244
IV Long-term investments	20,183,630	20,701,201	20,145,887
1 Real property	-	-	-
2 Intangible assets	-	-	-
3 Long-term financial assets	20,183,630	20,701,201	20,145,887
4 Other long-term investments	-	-	-
V Long-term prepayments	231,372	237,039	258,990
Total non-current assets	20,494,911	21,018,516	20,484,505
Current assets			
I Inventory	238	243	176
II Short-term receivables:	742,654	836,913	938,883
1 Receivables from related parties	723,150	800,322	863,018
2 Receivables from other entities	19,504	36,591	75,865
III Short-term investments	4,215,928	4,079,601	568,239
1 Short-term financial assets	4,215,928	4,079,601	568,239
a in related parties	1,292,757	881,524	563,608
b in other entities	117,623	-	-
c cash and other pecuniary assets	2,805,548	3,198,077	4,631
2 Other short-term investments	-	-	-
IV Short-term prepayments	28,172	21,212	49,534
Total current assets	4,986,992	4,937,969	1,556,832
TOTAL ASSETS	25,481,903	25,956,485	22,041,337

LIABILITIES AND EQUITY	March 31, 2010 (not audited)	December 31, 2009 (audited)	March 31, 2009 (not audited)
Equity	24,315,533	24,196,442	17,805,613
I Share capital	17,300,900	17,300,900	14,705,765
II Called up share capital (negative value)	-	-	-
III Own shares (negative value)	-	-	-
IV Supplementary capital	5,449,550	5,449,549	2,100,156
V Revaluation reserve	3,694	3,695	3,696
VI Other reserve capitals	-	-	414,017
VII Previous year profit (loss)	1,442,298	1,800	572,106
VIII Net profit (loss)	119,091	1,440,498	9,873
IX Write-offs on net profit during the financial year (negative value)	-	-	-
Liabilities and provisions for liabilities	1,166,370	1,760,043	4,235,724
I Provisions for liabilities	352,072	398,055	454,308
1 Provision for deferred income tax	28,887	27,760	47,113
2 Provision for retirement and similar benefits	18,894	19,345	21,744
3 Other provisions	304,291	350,950	385,451
II Long-term liabilities	-	-	-
1 To related parties	-	-	-
2 To other entities	-	-	-
III Short-term liabilities	800,833	1,352,752	3,773,308
1 To related parties	753,112	1,300,385	2,023,905
2 To other entities	44,598	50,117	1,744,649
3 Special funds	3,123	2,250	4,754
IV Accruals	13,465	9,236	8,108
1 Other accruals	13,465	9,236	8,108
TOTAL LIABILITIES AND EQUITY	25,481,903	25,956,485	22,041,337

PROFIT AND LOSS ACCOUNT

	3 months ended March 31, 2010 (not audited)	3 months ended March 31, 2009 (not audited)	
A	Net revenues from sales of products, goods and materials, including:	2,696,265	2,900,884
	- from related parties	2,641,553	2,865,584
	Net revenues from sales of products	16,090	22,204
	Net revenues from sales of goods and materials	2,680,175	2,878,680
B	Cost of products, goods and materials sold, including:	2,626,608	2,769,422
	Manufacturing cost of products sold	13,702	21,018
	Value of goods and materials sold	2,612,906	2,748,404
C	Gross profit (loss) on sales (A-B)	69,657	131,462
D	Selling costs	10,498	19,129
E	General and administrative costs	17,420	15,509
F	Profit (loss) on sales (C-D-E)	41,739	96,824
G	Other operating revenues	46,316	1,061
H	Other operating expenses	61	90,819
I	Profit (loss) on operating activities (F+G-H)	87,994	7,066
J	Financial revenues	68,884	85,500
K	Financial expenses	21,420	51,457
L	Profit (loss) on business activities (I+J-K)	135,458	41,109
M	Result on extraordinary events	-	-
N	Gross profit (loss) (L+M)	135,458	41,109
O	Income tax	16,367	26,768
-	- Current income tax	14,449	11,320
-	- Deferred income tax	1,918	15,448
P	Other statutory reductions in profit (increases in loss) – paid from the profit	-	4,468
R	Net profit (loss) (N-O-P)	119,091	9,873

STATEMENT OF CHANGES IN EQUITY

Item		Period ended	Period ended	Period ended
		March 31, 2010	December 31, 2009	March 31, 2009
		(not audited)	(audited)	(not audited)
I	Opening balance of equity	24,196,442	17,795,740	17,795,740
	change in the measurement principles applied to financial assets	-	-	-
	Opening balance of equity after adjustments	24,196,442	17,795,740	17,795,740
1.1	Opening balance of share capital	17,300,900	14,705,765	14,705,765
	Changes in share capital	-	2,595,135	-
1.2	Closing balance of share capital	17,300,900	17,300,900	14,705,765
2	Opening balance of called up share capital	-	-	-
	Changes in called up share capital	-	-	-
2.1	Closing balance of called up share capital	-	-	-
3	Opening balance of own shares	-	-	-
	Changes in own shares	-	-	-
3.1	Closing balance of own shares	-	-	-
4	Opening balance of supplementary capital	5,449,549	2,100,156	2,100,156
4.1	Changes in supplementary capital	1	3,349,393	-
	- profit distribution	-	44,277	-
	- issue of shares above the nominal value	-	3,305,115	-
	- reclassification from the revaluation reserve due to a contribution in kind, disposal or liquidation of fixed assets	1	1	-
4.2	Closing balance of supplementary capital	5,449,550	5,449,549	2,100,156
5	Opening balance of revaluation reserve	3,695	3,696	3,696
5.1	Changes in revaluation reserve	(1)	(1)	-
	- reclassification from the revaluation reserve due to a contribution in kind, disposal or liquidation of fixed assets	(1)	(1)	-
5.2	Closing balance of revaluation reserve	3,694	3,695	3,696
6	Opening balance of other reserve capitals	-	414,017	414,017
6.1	Changes in other reserve capitals	-	(414,017)	-
	- reclassification of profit to reserve capital	-	-	-
	- dividend paid	-	(414,017)	-
6.2	Closing balance of other reserve capitals	-	-	414,017
7	Opening balance of previous year profit (loss)	1,442,298	572,106	572,106
	Changes in previous year profit	-	(570,306)	-
	- liquidation of founds	-	1,800	-
	- transfer to supplementary capital	-	(44,277)	-
	- transfer to reserve capital	-	-	-
	- transfer to Company Social Benefits Fund	-	-	-
	- dividend paid	-	(527,829)	-
7.1	Opening balance of previous year profit	1,442,298	1,800	572,106
8	Net result	119,091	1,440,498	9,873
II	Closing balance of equity	24,315,533	24,196,442	17,805,613

CASH FLOW STATEMENT

Item	Period ended March 31, 2010 (not audited)	Period ended March 31, 2009 (not audited)
A Cash flows from operating activities		
I Net profit (loss)	119,091	9,873
II Total adjustments	(36,608)	(60,156)
1 Depreciation/amortization	2,163	2,235
2 Foreign exchange gains (losses)	13,594	(33,646)
3 Interest and profit sharing (dividend)	(21,223)	(7,783)
4 Profit (loss) on investment activities	(1,419)	940
5 Change in provisions	(45,983)	110,659
6 Change in inventory	5	(10)
7 Change in receivables	94,416	(161,473)
8 Change in short-term liabilities, except for loans and credit facilities	(81,146)	104,459
9 Change in prepayments and accruals	2,935	(75,537)
10 Other adjustments	50	-
III Net cash flows from operating activities	82,483	(50,283)
B Cash flows from investment activities		
I Inflows	330,095	237,513
1 Disposal of intangible assets and tangible fixed assets	-	52
2 Disposal of investments in real property and in intangible assets	-	-
3 From financial assets	330,095	237,259
4 Other inflows from investment activities	-	202
II Outflows	320,240	210,507
1 Acquisition of intangible assets and tangible fixed assets	1,934	3,026
2 Investments in real property and in intangible assets	-	-
3 For financial assets	318,306	207,481
4 Originated short-term loans	-	-
5 Other outflows from investment activities	-	-
III Net cash flows on investment activities (I-II)	9,855	27,006
C Cash flows from financial activities		
I Inflows	-	4,412,311
1 Net inflows from issuance of shares, other capital instruments and from capital contributions	-	-
2 Credit facilities and loans	-	-
3 Issuance of debt securities	-	4,412,311
4 Other inflows from financial activities	-	-
II Outflows	479,402	4,400,352
1 Acquisition of own shares	-	-
2 Dividend and other payments to shareholders	875	1,958

Quarterly standalone financial information for the 3-month period ended
March 31, 2010 (in PLN thousand)

Item	Period ended March 31, 2010 (not audited)	Period ended March 31, 2009 (not audited)
3 Profit distribution expenses other than payments to shareholders	-	-
4 Repayment of credit facilities and loans	1	37,284
5 Redemption of debt securities	472,660	4,318,137
6 Due to other financial liabilities	-	-
7 Payment of liabilities arising from finance leases	-	-
8 Interest	5,866	42,973
9 Other outflows from financial activities	-	-
III Net cash flows from financial activities (I-II)	(479,402)	11,959
D Total net cash flows (A.III ± B.III ± C.III)	(387,064)	(11,318)
E Balance sheet change in cash, including:	(392,530)	(11,464)
Change in cash due to exchange differences	326	(146)
F Cash opening balance	3,189,773	16,337
G Cash closing balance (F±D), including:	2,802,709	5,019
Of limited disposability	1,638	2,413

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

Tomasz Zadroga

President of the Management Board

Marek Szostek

*Vice-president of the Management
Board*



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