



Condensed interim separate financial statements for the 3 month period

ended 31 March 2014
in accordance with IFRS (in PLN million)

TABLE OF CONTENTS

STATEMENT OF COMPREHENSIVE INCOME	3
STATEMENT OF FINANCIAL POSITION	4
STATEMENT OF CHANGES IN EQUITY	6
STATEMENT OF CASH FLOWS	7
1 GENERAL INFORMATION	8
2 THE COMPOSITION OF THE MANAGEMENT BOARD	8
3 THE BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS	9
4 PRESENTATION CURRENCY	9
5 NEW STANDARDS AND INTERPRETATIONS PUBLISHED, NOT YET EFFECTIVE	10
6 RESTATEMENT OF COMPARATIVE FIGURES	10
7 CHANGE IN ESTIMATES	15
8 FAIR VALUE HIERARCHY	15
9 REVENUES AND EXPENSES	15
10 IMPAIRMENT ALLOWANCES	17
11 INCOME TAX	17
12 DEFERRED TAX ASSETS AND LIABILITY	17
13 PROPERTY, PLANT AND EQUIPMENT	18
14 FINANCIAL ASSETS	18
15 EQUITY	20
16 DIVIDENDS PAID AND DIVIDENDS DECLARED	20
17 PROVISIONS	21
18 CONTINGENT LIABILITIES AND RECEIVABLES. LEGAL CLAIMS	22
19 FINANCIAL LIABILITIES	23
20 INFORMATION ON RELATED PARTIES	24
21 SIGNIFICANT EVENTS OF THE REPORTING PERIOD AND SUBSEQUENT EVENTS	26

STATEMENT OF COMPREHENSIVE INCOME

	Note	Period ended 31 March 2014 (unaudited)	Period ended 31 March 2013 (unaudited) <i>restated*</i>
STATEMENT OF PROFIT OR LOSS			
Revenues from sale of products and merchandise	9	2.298	3.242
Revenues from services rendered		134	145
Revenues from rent		2	3
SALES REVENUES		2.434	3.390
Costs of goods sold	9	(2.228)	(3.105)
GROSS PROFIT ON SALES		206	285
Other operating income	9	1	3
Distribution and selling expenses	9	(5)	(5)
General and administrative expenses	9	(35)	(37)
Other operating expenses	9	-	(1)
OPERATING PROFIT		167	245
Financial income	9	65	91
Financial expenses	9	(9)	(8)
GROSS PROFIT		223	328
Income tax	11	(42)	(60)
NET PROFIT FOR THE OPERATING PERIOD		181	268
OTHER COMPREHENSIVE INCOME			
Other comprehensive income, which will never be reclassified to profit or loss :			
Actuarial gains and losses		1	-
OTHER COMPREHENSIVE INCOME FOR THE OPERATING PERIOD		1	-
TOTAL COMPREHENSIVE INCOME		182	268
EARNINGS PER SHARE (in PLN)			
- basic earnings per share for the period		0,10	0,14
- basic earnings per share from continuing operations		0,10	0,14

* For details of the restatement of comparative information please refer to note 6 of these financial statements

STATEMENT OF FINANCIAL POSITION

	Note	As at 31 March 2014 (unaudited)	As at 31 December 2013 (audited)	As at 31 March 2013 (unaudited) <i>restated*</i>
NON-CURRENT ASSETS				
Property, plant and equipment		197	196	204
Intangible assets		6	6	9
Loans and receivables	14	4.073	3.330	4.670
Shares in subsidiaries	14	24.449	24.382	23.196
Available-for-sale financial assets	14	-	-	3
TOTAL NON-CURRENT ASSETS		28.725	27.914	28.082
CURRENT ASSETS				
Inventories		373	282	305
Income tax receivables		37	-	19
Shares in subsidiaries	14	-	-	2
Short-term financial assets at fair value through profit or loss	8	124	104	89
Trade receivables	14	459	771	779
Other loans and financial assets	14	288	100	202
Available-for-sale short-term financial assets	14	3	3	37
Other current assets		26	15	12
Cash and cash equivalents	14	1.477	2.190	880
TOTAL CURRENT ASSETS		2.787	3.465	2.325
TOTAL ASSETS		31.512	31.379	30.407

* For details of the restatement of comparative information please refer to note 6 of these financial statements

STATEMENT OF FINANCIAL POSITION

	Note	As at 31 March 2014 (unaudited)	As at 31 December 2013 (audited)	As at 31 March 2013 (unaudited) <i>restated*</i>
EQUITY				
Share capital	15	18.698	18.698	18.698
Reserve capital		8.941	8.941	9.688
Other capital reserves		50	50	50
Retained earnings		2.479	2.297	1.085
TOTAL EQUITY		30.168	29.986	29.521
NON-CURRENT LIABILITIES				
Interest-bearing loans and borrowings, bonds and lease	19	1.000	1.000	-
Provisions	17	18	19	23
Deferred tax liability	12	39	35	60
TOTAL NON-CURRENT LIABILITIES		1.057	1.054	83
CURRENT LIABILITIES				
Trade liabilities	19	185	132	378
Financial liabilities at fair value through profit or loss	19	1	1	1
Interest-bearing loans, borrowings, bonds and lease	19	9	-	-
Other short-term financial liabilities	19	4	4	5
Other short-term non-financial liabilities		56	172	163
Deferred income and government grants		-	1	37
Current provisions	17	32	29	219
TOTAL CURRENT LIABILITIES		287	339	803
TOTAL LIABILITIES		1.344	1.393	886
TOTAL EQUITY AND LIABILITIES		31.512	31.379	30.407

* For details of the restatement of comparative information please refer to note 6 of these financial statements

STATEMENT OF CHANGES IN EQUITY

	Share capital	Reserve capital	Other capital reserves	Retained earnings	Total
AS AT 1 JANUARY 2014	18.698	8.941	50	2.297	29.986
Profit for the period	-	-	-	181	181
Other comprehensive income	-	-	-	1	1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-	-	-	182	182
Retained earnings distribution	-	-	-	-	-
Dividend	-	-	-	-	-
AS AT 31 MARCH 2014	18.698	8.941	50	2.479	30.168

STATEMENT OF CHANGES IN EQUITY

	Share capital	Reserve capital	Other capital reserves	Retained earnings	Total
AS AT 1 JANUARY 2013	18.698	9.688	50	817	29.253
Profit for the period	-	-	-	2.338	2.338
Other comprehensive income	-	-	-	3	3
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-	-	-	2.341	2.341
Retained earnings distribution	-	77	-	(77)	-
Dividend	-	(824)	-	(784)	(1.608)
AS AT 31 DECEMBER 2013	18.698	8.941	50	2.297	29.986

STATEMENT OF CHANGES IN EQUITY

<i>Restated*</i>	Share capital	Reserve capital	Other capital reserves	Retained earnings	Total
AS AT 1 JANUARY 2013	18.698	9.688	50	817	29.253
Profit for the period	-	-	-	268	268
Other comprehensive income	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-	-	-	268	268
Retained earnings distribution	-	-	-	-	-
Dividend	-	-	-	-	-
AS AT 31 MARCH 2013	18.698	9.688	50	1.085	29.521

* For details of the restatement of comparative information please refer to note 6 of these financial statements

STATEMENT OF CASH FLOWS

	Period ended 31 March 2014 (unaudited)	Period ended 31 March 2013 (unaudited) <i>restated*</i>
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	223	328
Adjustments for:		
Depreciation and amortization	3	4
Interest and dividend, net	(32)	(69)
Profit/ loss on investment activities	(20)	(68)
Change in receivables	342	(84)
Change in inventories	(91)	187
Change in liabilities, excluding loans and bank credits	(79)	(35)
Change in prepayments and other non-financial assets	(13)	50
Change in provisions	3	(8)
Income tax paid	(58)	(102)
Other	(1)	(5)
NET CASH FROM OPERATING ACTIVITIES	277	198
CASH FLOW FROM INVESTING ACTIVITIES		
Disposal of property, plant and equipment and intangible assets	-	13
Purchase of property, plant and equipment and intangible assets	(2)	(5)
Disposal of financial assets	1.027	8.728
Purchase of other financial assets	(2.026)	(8.960)
Dividends received	-	-
Interest received	12	92
Loans repaid	-	-
Loans granted	-	(1)
Other	-	-
NET CASH FROM INVESTING ACTIVITIES	(989)	(133)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from loans, bank credits and issue of bonds	-	-
Repayment of loans, bank credits, bonds and finance lease	-	(143)
Dividends paid	-	-
Interest paid	-	-
Other	-	(2)
NET CASH FROM FINANCING ACTIVITIES	-	(145)
NET CHANGE OF CASH AND CASH EQUIVALENTS	(712)	(80)
Effect of foreign exchange rate changes	-	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	2.188	960
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	1.476	880
Restricted cash	85	115

* For details of the restatement of comparative information please refer to note 6 of these financial statements

1 General information

PGE Polska Grupa Energetyczna S.A. ("Company", "PGE S.A.") was founded on the basis of the Notary Deed of 2 August 1990 and registered in the District Court in Warsaw, XVI Commercial Department on 28 September 1990. The Company was registered in the National Court Register of the District Court for the capital city of Warsaw, XII Commercial Department, under no. KRS 0000059307.

Company is seated in Warsaw, Mysia Street 2.

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

The State Treasury is the controlling shareholder of the company.

Core operations of the Company comprise:

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

Business activities are conducted under appropriate concessions.

These condensed interim separate financial statements have been prepared for the period started 1 January 2014 and ended 31 March 2014 ("financial statements").

2 The composition of the Management Board

As at 1 January 2014 the composition of the Management Board was as follows:

- **Mr. Marek Woszczyk** – the President of the Management Board
- **Mr. Jacek Drozd** – the Vice-President of the Management Board
- **Mr. Grzegorz Krystek** – the Vice-President of the Management Board
- **Mr. Dariusz Marzec** – the Vice-President of the Management Board

During the reporting period and as at the date of preparation of these financial statements, there have been no changes in the composition of the Management Board.

3 The basis for the preparation of the financial statements

3.1 Statement of compliance

These Condensed Interim Separate Financial Statements of PGE Polska Grupa Energetyczna S.A. were prepared in accordance with International Accounting Standard 34 Interim Financial Reporting, in accordance with accounting standards, as applicable to interim financial reporting, as adopted by the European Union, published and effective during the period of preparation of these financial statements, and in accordance with the Minister of Finance Regulation dated 19 February 2009 on current and periodic information provided by issuers of securities and conditions of recognition as equivalent information required by the law of a Non-Member State (Official Journal no. 33, item 259) ("The Regulation").

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

The foregoing financial statements are prepared based on the same accounting policy and methods of computation as compared with the most recent annual financial statements. The financial statements are to be read together with the audited separate financial statements of PGE Polska Grupa Energetyczna S.A. prepared in accordance with IFRS for the year ended 31 December 2013.

3.2 General basis of preparation

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

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

4 Presentation currency

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

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

	31 March 2014	31 December 2013	31 March 2013
USD	3,0344	3,0120	3,2590
EUR	4,1713	4,1472	4,1774

5 New standards and interpretations published, not yet effective

The following standards, changes in already effective standards and interpretations are not endorsed by the European Union and are not effective as at 1 January 2014:

- IFRS 9 *Financial Instruments* (along with updates and changes to other selected standards) – no mandatory effective date set.
- IFRS 14 *Regulatory Deferral Accounts* – for periods beginning 1 January 2016.
- IAS 19 *Employee Benefits* – for periods beginning 1 July 2014.
- Changes to various standards (IFRS 1, IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, IAS 38, IAS 40) – for periods beginning 1 July 2014.

In addition, the following standards are applicable from 1 January 2014. The Company chose to early adopt these standards with effect from 2013:

- Changes to IAS 32 *Financial instruments: presentation*.
- IFRS 10 *Consolidated financial statements*.
- IFRS 11 *Joint agreements*.
- IFRS 12 *Disclosure of investments in other entities*.
- Revised IAS 27 *Separate financial statements*.
- Revised IAS 28 *Investments in associated entities and joint ventures*.

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

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

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

6 Restatement of comparative figures

Merger of PGE S.A. with PGE Energia Jądrowa S.A.

As it was described in the financial statements for the year ended 31 December 2013, on 31 July 2013, the merger of PGE S.A. with the subsidiary - PGE Energia Jądrowa S.A. (the "acquired company") - was registered. The aim of the merger is to simplify the structure of PGE Capital Group, to limit the costs connected with the keeping of the separate entity and to increase the management efficiency of the preparation of the nuclear power plant construction project from the Corporate Centre level.

The merger took place by course of art. 492 § 1 p. 1 in connection with art. 515 § 1 and art. 516 § 5 and 6 of Code of Commercial Companies i.e. through transfer of all assets of the acquired company (i.e. PGE Energia Jądrowa) to PGE S.A. (merger through takeover) without raising the share capital of PGE S.A. and without the exchange of acquired company's shares for PGE S.A. shares. The Company performed a settlement of the merger by summing the individual items of the relevant assets and liabilities, income and expenses of the merged companies as of the date of the merger, after initial implementation of the uniform valuation methods and elimination of transactions between entities merged.

Change of the Accounting Policy

In 2013, the Company changed the valuation principles of purchased greenhouse gas emission rights. In accordance with the revised accounting policy, part of the rights, which were acquired, in order to realize profits from fluctuations in market prices, is recognized in inventories at fair value less costs of disposal. Forward contracts for the purchase / sale of greenhouse gas emission rights, are recognized as derivatives held for trading. The fair value of financial instruments related to greenhouse gases emission rights (foreign currency forwards and commodity forwards) is presented in the statement of financial position as financial instruments measured at fair value through profit or loss. Changes in the fair value of these instruments, as well as the change in the value of inventories of emission rights measured at fair value (held for trading) is recognized in the note regarding financial income or expenses.

Restatement of comparative data

In view of the above the Company restated the data presented in the comparative statement of financial position as well as a comparative statement of comprehensive income. The restatement is presented in the following tables. The information presented in the notes to the financial statements has also been restated accordingly.

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2013

	PGE S.A.	PGE Energia Jądrowa S.A.	Change in CO ₂ valuation	Restated data
STATEMENT OF PROFIT OR LOSS				
Revenues from sale of products and merchandise	3.267	-	(25)	3.242
Revenues from services rendered	140	5	-	145
Revenues from rent	3	-	-	3
SALES REVENUES	3.410	5	(25)	3.390
Costs of goods sold	(3.124)	(5)	24	(3.105)
GROSS PROFIT ON SALES	286	-	(1)	285
Other operating revenues	3	-	-	3
Distribution and selling expenses	(5)	-	-	(5)
General and administrative expenses	(34)	(3)	-	(37)
Other operating expenses	(1)	-	-	(1)
OPERATING PROFIT	249	(3)	(1)	245
Financial revenues	91	-	-	91
Financial expenses	(9)	-	1	(8)
PROFIT BEFORE TAX	331	(3)	-	328
Corporate income tax	(60)	-	-	(60)
NET PROFIT FOR THE OPERATING PERIOD	271	(3)	-	268
OTHER COMPREHENSIVE INCOME				
Other comprehensive income for the operating period	-	-	-	-
TOTAL COMPREHENSIVE INCOME	271	(3)	-	268

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2013

	PGE S.A.	PGE Energia Jądrowa S.A.	Settlement of merger	Change in CO ₂ valuation	Restated data
NON-CURRENT ASSETS					
Property, plant and equipment	202	2	-	-	204
Intangible assets	7	2	-	-	9
Loans and receivables	4.670	-	-	-	4.670
Shares in subsidiaries	23.253	57	(114)	-	23.196
Available-for-sale financial assets	3	-	-	-	3
TOTAL NON-CURRENT ASSETS	28.135	61	(114)	-	28.082
CURRENT ASSETS					
Inventories	391	-	-	(86)	305
Income tax receivables	19	2	(2)	-	19
Shares in subsidiaries	2	-	-	-	2
Short-term financial assets at fair value through profit or loss	3	-	-	86	89
Trade receivables	773	6	-	-	779
Other loans and financial assets	202	-	-	-	202
Available-for-sale short-term financial assets	37	-	-	-	37
Other current assets	11	1	-	-	12
Cash and cash equivalents	879	1	-	-	880
TOTAL CURRENT ASSETS	2.317	10	(2)	-	2.325
TOTAL ASSETS	30.452	71	(116)	-	30.407

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2013

	PGE S.A.	PGE Energia Jądrowa S.A.	Settlement of merger	Restated data
EQUITY				
Share capital	18.698	114	(114)	18.698
Reserve capital	9.688	-	-	9.688
Other capital reserves	50	-	-	50
Retained earnings	861	(44)	-	817
Net profit	270	(2)	-	268
TOTAL EQUITY	29.567	68	(114)	29.521
NON-CURRENT LIABILITIES				
Provisions	23	-	-	23
Deferred tax liability	60	-	-	60
TOTAL LONG-TERM LIABILITIES	83	-	-	83
CURRENT LIABILITIES				
Trade liabilities	378	-	-	378
Financial liabilities at fair value through profit or loss	1	-	-	1
Other current financial liabilities	5	-	-	5
Other current non-financial liabilities	162	3	(2)	163
Deferred income and government grants	37	-	-	37
Current provisions	219	-	-	219
TOTAL CURRENT LIABILITIES	802	3	(2)	803
TOTAL LIABILITIES	885	3	(2)	886
TOTAL EQUITY AND LIABILITIES	30.452	71	(116)	30.407

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2013

	PGE S.A.	PGE Energia Jądrowa S.A.	Change in CO ₂ valuation	Restated data
CASH FLOW FROM OPERATING ACTIVITIES				
Profit before tax	331	(3)	-	328
Adjustments for :				
Depreciation and amortization	4	-	-	4
Interest and dividend, net	(69)	-	-	(69)
Profit/ loss on investment activities	1	-	(69)	(68)
Change in receivables	(76)	(5)	(3)	(84)
Change in inventories	114	-	73	187
Change in liabilities, excluding loans and bank credits	(35)	1	(1)	(35)
Change in prepayments and other non-financial assets	51	(1)	-	50
Change in provisions	(8)	-	-	(8)
Income tax paid	(102)	-	-	(102)
Other	(5)	-	-	(5)
NET CASH FROM OPERATING ACTIVITIES	206	(8)	-	198
CASH FLOW FROM INVESTING ACTIVITIES				
Disposal of property, plant and equipment and intangible assets	8	5	-	13
Purchase of property, plant and equipment and intangible assets	(2)	(3)	-	(5)
Disposal of financial assets	8.728	-	-	8.728
Purchase of other financial assets	(8.960)	-	-	(8.960)
Interest received	92	-	-	92
Loans granted	(1)	-	-	(1)
NET CASH FROM INVESTING ACTIVITIES	(135)	2	-	(133)
CASH FLOW FROM FINANCING ACTIVITIES				
Repayment of loans, bank credits, bonds and finance lease	(143)	-	-	(143)
Interest paid	-	-	-	-
Other	(2)	-	-	(2)
NET CASH FROM FINANCING ACTIVITIES	(145)	-	-	(145)
NET CHANGE OF CASH AND CASH EQUIVALENTS	(74)	(6)	-	(80)
Effect of foreign exchange rate changes	-	-	-	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	953	7	-	960
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	879	1	-	880

7 Change in estimates

In the period covered by the financial statements no significant changes to estimates influencing the figures presented in the financial statement took place. As described in note 17, the Company updated the value of provisions presented in the statement of financial position.

8 Fair value hierarchy

The principles for the valuation of inventories, derivatives, stocks, shares and instruments that are not quoted on an active markets, for which the fair value can not be reliably determined, are the same as presented in the financial statements for year ended 31 December 2013.

	As at 31 March 2014		As at 31 December 2013	
	Level 1	Level 2	Level 1	Level 2
FAIR VALUE HIERARCHY				
- CO ₂ emission allowances	255	-	246	-
Inventory	255	-	246	-
- commodity forward	-	115	-	95
- currency forward	-	9	-	9
Financial assets	-	124	-	104
- currency forward	-	1	-	1
Financial liabilities	-	1	-	1

During the reporting and the comparative period, there have been no movements of financial instruments between the first and second levels of the fair value hierarchy.

9 Revenues and expenses

9.1 Sales revenues

	Period ended 31 March 2014	Period ended 31 March 2013
REVENUES FROM OPERATING ACTIVITIES		
Sale of electricity	1.843	2.597
Sale of the property rights of energy origin	400	419
Sale of other products and merchandise	55	226
Revenues from sale of services	134	145
Revenues from rent	2	3
TOTAL SALES REVENUES	2.434	3.390

Decrease of sales revenues in the period ended 31 March 2014 in comparison to the corresponding period of previous year relates mainly to the expiration of contract with Energa Obrót S.A.

9.2 Costs by type and functions

	Period ended 31 March 2014	Period ended 31 March 2013
COST BY TYPE		
Depreciation/amortization	3	4
Materials and energy	1	1
External services	15	11
Taxes and charges	1	3
Personnel expenses	22	23
Other costs by type	23	22
TOTAL COSTS BY TYPE	65	64
Change in inventories	-	4
Cost of products and services for the entity's own needs	-	-
Distribution and selling expenses	(5)	(5)
General and administrative expenses	(35)	(37)
Cost of merchandise and materials sold	2.203	3.079
COST OF GOODS SOLD	2.228	3.105

Decrease of cost of merchandise and materials sold in the period ended 31 March 2014 in comparison to the corresponding period of previous year is related to the decrease of sales revenues, described in note 9.1 of these financial statements.

9.3 Other operating income and expenses

In the period ended 31 March 2014 the Company included in other operating revenues almost PLN 1m of grants received. In the first quarter of 2013 the Company recognized mainly PLN 2 million of revenues from reversal of provisions.

In the other operating expenses the Company included mainly compensations paid and court fees.

9.4 Financial income and expenses

	Period ended 31 March 2014	Period ended 31 March 2013
FINANCIAL INCOME		
Dividends	-	-
Interest income	54	76
Revaluation / Reversal of impairment allowance	9	3
Exchange gains	2	8
FINANCIAL REVENUE FROM FINANCIAL INSTRUMENTS	65	87
Provision reversed	-	4
OTHER FINANCIAL REVENUES	-	4
TOTAL FINANCIAL REVENUE	65	91

Interest income relate mainly to bonds issued by subsidiaries and third parties, and investing available cash in bank deposits. Revaluation of financial instruments relates mainly to transactions relating to the market for carbon dioxide emissions.

	Period ended 31 March 2014	Period ended 31 March 2013
FINANCIAL EXPENSES		
Interest expenses	9	2
Revaluation	-	6
FINANCIAL EXPENSES FROM FINANCIAL INSTRUMENTS	9	8
TOTAL FINANCIAL EXPENSES	9	8

Interest expenses relate mainly to bonds emission described in note 19 of these financial statements.

10 Impairment allowances

In the reporting period and comparable period the Company has not recognized significant impairment allowances with respect to assets.

11 Income tax

	Period ended 31 March 2014	Period ended 31 March 2013
INCOME TAX PRESENTED IN THE STATEMENT OF PROFIT OR LOSS		
Current income tax	39	66
Deferred tax	3	(6)
TOTAL	42	60

12 Deferred tax assets and liability

	As at 31 March 2014	As at 31 December 2013
COMPONENTS OF DEFERRED TAX ASSET		
Costs not realized for tax purpose	39	39
Difference between tax value and carrying amount of inventories	15	13
Provisions for employee benefits and bonuses	6	6
Payroll and other employee benefits	2	2
Other	3	-
DEFERRED TAX ASSET	65	60
COMPONENTS OF DEFERRED TAX LIABILITY		
Difference between tax value and carrying amount of property, plant and equipment	25	25
Accrued interest on deposits, loans granted, bonds and receivables	54	49
Difference between tax value and carrying amount of other financial assets	24	20
Current period revenues unrealized for tax purposes	1	1
DEFERRED TAX LIABILITY	104	95
AFTER OFF-SET OF BALANCES THE COMPANY'S DEFERRED TAX IS PRESENTED AS:		
Deferred tax asset	-	-
Deferred tax liability	39	35

13 Property, plant and equipment

In the reporting period the Company did not purchased nor sold any significant property, plant and equipment.

14 Financial assets

14.1 Trade receivables

Trade receivables in amount of PLN 459m relate mainly to the sale of electricity and EUA to subsidiaries in PGE Capital Group. As at 31 March 2014 the balance of three most important debtors, i.e. PGE Obrót S.A., PGE Górnictwo i Energetyka Konwencjonalna S.A. and PGE Dystrybucja S.A., constituted for 88% of total balance of trade receivables.

14.2 Loans and other financial assets

The most significant part of loans and other financial assets are bonds issued by subsidiaries in PGE Capital Group.

As at 31 March 2014	Non-current	Current
ACQUIRED BONDS - ISSUER		
PGE Górnictwo i Energetyka Konwencjonalna S.A.	2.949	25
PGE Energia Odnawialna S.A.	728	1
PGE Energia Natury Omikron sp. z o.o.	-	145
PGE Energia Natury Kappa sp. z o.o.	-	50
PGE Energia Natury S.A.	-	3
Autostrada Wielkopolska S.A.	368	-
TOTAL BONDS ACQUIRED	4.045	224
LOANS GRANTED - BORROWER		
PGE Systemy S.A.	28	-
PGE Energia Natury PEW sp. z o.o.	-	23
PGE Energia Natury sp. z o.o.	-	19
PGE EJ 1 sp. z o.o.	-	12
EPW Energia Olecko sp. z o.o.	-	2
TOTAL LOANS GRANTED	28	56
DEPOSITS	-	8
TOTAL LOANS AND OTHER FINANCIAL ASSETS	4.073	288

Bonds issues by subsidiaries in PGE Capital Group

PGE S.A. acquires bonds issued by subsidiaries. Cash obtained from the issue of bonds is used for financing the investments, repayment of financial liabilities secured by the cession of long term power and electricity sale contracts, as well as for financing current operations. Interests are calculated on the basis of WIBOR (1M, 3M, 6M) plus margin.

14.3 Shares in subsidiaries

As at 31 March 2014	Non-current	Current
PGE Górnictwo i Energetyka Konwencjonalna S.A.	14.837	-
PGE Obrót S.A.	6.653	-
PGE Dystrybucja S.A.	950	-
Exatel S.A.	428	-
PGE Energia Natury S.A.	421	-
PGE Energia Odnawialna S.A.	415	-
PGE Energia Natury sp. z o.o.	392	-
PGE EJ 1 sp. z o.o.	131	-
PGE Systemy	125	-
PGE Dom Maklerski S.A.	37	-
PGE Energia Natury Bukowo sp. z o.o.	28	-
PGE Energia Natury Karnice sp. z o.o.	16	-
PGE Trading GmbH	14	-
PGE Energia Natury Olecko sp. z o.o.	1	-
PGE Inwest sp. z o.o.	1	-
Fundacja PGE Energia z serca	-	-
TOTAL	24.449	-

After the reporting date, PGE S.A. purchased the company GoldCup 5812, based in Sweden. After acquisition the company's business name was changed and currently is PGE Sweden AB. The purchase of the company is related to the ongoing effort in organizing financing for PGE Capital Group, as described in note 18 of these financial statements.

14.4 Shares in entities not quoted on active markets

As at 31 March 2014 PGE S.A. recognized shares in Energopomiar sp. z o.o. valued at PLN 3 million.

14.5 Cash and cash equivalents

	As at 31 March 2014	As at 31 December 2013
Cash on hand and cash at bank	318	281
Overnight deposits	8	208
Short-term deposits	1.151	1.701
TOTAL CASH AND CASH EQUIVALENTS	1.477	2.190

Difference between cash and cash equivalents presented in the Consolidated Statement of Financial Position and Consolidated Statement of Cash Flows results from interest accrued but not received as at the reporting date.

15 Equity

	As at 31 March 2014	As at 31 December 2013
Number of series A ordinary shares with a nominal value of 10 PLN each	1.470.576.500	1.470.576.500
Number of series B ordinary shares with a nominal value of 10 PLN each	259.513.500	259.513.500
Number of series C ordinary shares with a nominal value of 10 PLN each	73.228.888	73.228.888
Number of series D ordinary shares with a nominal value of 10 PLN each	66.441.941	66.441.941
TOTAL	1.869.760.829	1.869.760.829

During the reporting period there were no changes in the structure or the amount of share capital.

Ownership structure of the Company as at the reporting dates is presented below.

	State Treasury	Other Shareholders	Total
As at 1 January 2014	61,89%	38,11%	100,00%
As at 31 March 2014	61,89%	38,11%	100,00%

The ownership structure as at the reporting dates was determined on the basis of information available to the Company.

After the balance sheet date, and as at the date of the preparation of these financial statements, no changes to the share capital of the Company occurred.

16 Dividends paid and dividends declared

	Dividends paid or declared from the profit for the period/ year ended		
	31 March 2014	31 December 2013	31 December 2012
Dividend paid from retained earnings	-	-	784
Dividend from reserve capital	-	-	824
TOTAL CASH DIVIDENDS FROM ORDINARY SHARES	-	-	1.608
Cash dividends per share (in PLN)	-	-	0,86

Dividend from the profit for the period ended 31 March 2014

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

Dividend from the profit for the year 2013

These financial statements have been prepared before the distribution of profit for the year ended 31 December 2013, as well as, before determination of the amount of the dividend. The Management Board of the Company recommends to pay out the dividend in the amount of PLN 2.057 million (PLN 1,10 per share), constituting 50% of the net profit attributable to shareholders of the parent company as reported in the consolidated financial statements for the year ended 31 December 2013.

Dividend from the profit for the year 2012

On 27 June 2013, the General Meeting of the Company resolved to distribute PLN 784 million from the net profit of 2012 as a dividend. In addition, the dividend payment was in part paid from the reserve capital in the amount of PLN 824 million. The dividend was declared by the resolution of the Ordinary General Meeting held on 27 June 2013 and paid on 26 September 2013.

17 Provisions

	Post-employment benefits	Provisions for jubilee benefits	Provisions for third parties claims	Provisions for employee claims, including provisions for bonuses	Other provisions	Total
AS AT 1 JANUARY 2014	18	4	2	20	4	48
Actuarial gains and losses excluding discount rate adjustment	(1)	-	-	-	-	(1)
Created during the year	-	-	-	3	4	7
Used	-	-	-	(1)	(3)	(4)
AS AT 31 MARCH 2014	17	4	2	22	5	50
CURRENT	2	1	2	22	5	32
NON-CURRENT	15	3	-	-	-	18

	Post-employment benefits	Provisions for jubilee benefits	Provisions for third parties claims	Provisions for employee claims, including provisions for bonuses	Other provisions	Total
AS AT 1 JANUARY 2013	20	4	206	16	4	250
Costs of present employment	2	1	-	-	-	3
Actuarial gains and losses excluding discount rate adjustment	(3)	-	-	-	-	(3)
Benefits paid/ provisions used	(1)	(1)	-	-	-	(2)
Revaluation of provision/ discount rate adjustments	(1)	-	-	-	-	(1)
Interest costs	1	-	-	-	-	1
Created during the year	-	-	-	27	3	30
Reversed	-	-	(7)	-	(1)	(8)
Used	-	-	(197)	(23)	(2)	(222)
AS AT 31 DECEMBER 2013	18	4	2	20	4	48
CURRENT	2	1	2	20	4	29
NON-CURRENT	16	3	-	-	-	19

Provisions for third party claims reported in the comparative period related to the dispute with Alpiq. The dispute was terminated in 2013.

18 Contingent liabilities and receivables. Legal claims

18.1 Contingent liabilities

	As at 31 March 2014	As at 31 December 2013
Collaterals for repayment of bank guarantees granted	2.105	23
Other contingent liabilities	1	1
TOTAL CONTINGENT LIABILITIES	2.106	24

Surety for the obligations of PGE Górnictwo i Energetyka Konwencjonalna S.A.

In January 2014, the Company granted three sureties to pay the bank guarantee issued for PGE Górnictwo i Energetyka Konwencjonalna S.A. The total value of securities is PLN 2.080 million. Granting guaranties is associated with the conducted by PGE GiEK S.A. investment in the construction of the new power plants in Elektrownia Opole.

Surety for the obligations of PGE Trading GmbH

PGE S.A. provided a surety for repayment of bank guarantees for the obligations of PGE Trading GmbH to foreign third parties. The obligation of the Company as at 31 March 2014 is limited to PLN 21 million. The guarantees expire in 2014 – 2015.

18.2 Other issues related to contingent liabilities

Promise referring to ensuring financing of new investments in Group companies

Due to planned strategic investments in PGE Group, the Company committed in the form of promise to group companies, to ensure financing of planned investments. The promises relate to specific investments and may be used only for such purposes. As at 31 March 2014 the estimated value of the promise amounts to PLN 15,2 billion.

18.3 Other legal claims and court issues

Legal issues related to the Consolidation Programme

Former shareholders of PGE Górnictwo i Energetyka S.A. are presenting to the courts a motion to summon PGE S.A. to attempt a settlement for payment of compensation for incorrect (in their opinion) determination of the exchange ratio of shares of PGE Górnictwo i Energetyka S.A. into shares of PGE S.A. during the consolidation process that took place in 2010. The total value of claims resulting from the settlement directed by the former shareholders of PGE Górnictwo i Energetyka amounts to nearly PLN 8 million.

Independently from the settlement attempts stated above, Socrates Investment S.A. called for two trial settlements to the courts. The company demands from PGE S.A. compensation in a total amount of almost PLN 371 million for the losses in connection with incorrect (in their opinion) determination of the exchange ratio of shares in the merger between PGE Górnictwo i Energetyka S.A. and PGE S.A.

PGE S.A. does not recognize the claims of Socrates Investment S.A. and other shareholders who call for trial settlements. These claims are undocumented and unfounded. The value of the shares, which were subject to the process of consolidation (merger) were valued by PwC. The plan of the merger, including the exchange ratio of the company's shares which was merged with PGE S.A., was tested for correctness and fairness by the court-appointed expert, who found no irregularities. The independent court registered the merger. The former shareholders appearing before the courts have not established the basis on which, how nor based on what information or documents their claims were determined.

In these cases, PGE S.A. refuses any settlements. It is to be noted, that there is a risk that Socrates Investment S.A. and other former shareholders will initiate lawsuit to receive compensation in claims previously claimed during the settlement attempts. The Company has not raised a provision for the reported claims.

Claim for annulment of the resolutions of the Extraordinary General Shareholders Meeting

On 1 April 2014, PGE S.A. received a copy of lawsuit filed to the District Court of Warsaw by one of the shareholders. In the lawsuit, the shareholder is seeking for annulment of the resolutions 1, 2 and 4 of the Extraordinary General Shareholders Meeting of the Company held on 6 February 2014. The Company filed a response to the claim.

18.4 Contingent receivables

As at 31 March 2014 the Company did not recognized any significant contingent receivables.

19 Financial liabilities

	Non-current	Current
FINANCIAL LIABILITIES AT AMORTIZED COST (AS AT 31 MARCH 2014)		
Interest bearing loans and credits	-	-
Bonds issued	1.000	9
Trade liabilities	-	185
Other financial liabilities	-	4
TOTAL	1.000	198

Trade liabilities relate mainly to transactions conducted on the electricity market and to the purchase

Issuance of bonds

The parent company has the ability to finance its own, and its subsidiaries operations through two bond issue programs:

- The bond issue program for the amount of PLN 5 billion directed towards investors from the Polish capital market. On 27 June 2013, the first non-public issuance took place of 5-year bonds, the coupon bearer bonds with a variable interest rate under this program. The nominal value of the issue was PLN 1 billion and the maturity of the bonds is 29 June 2018. On 29 August 2013 the bonds were floated in the Alternative Trading System organized by BondSpot S.A. and Giełda Papierów Wartościowych S.A.
- The bond issue program in the amount of PLN 5 billion directed towards entities within the PGE Capital Group.

In April, PGE S.A. entered into 2 IRS transactions hedging of the interest rate on the issued bonds with a nominal value of PLN 1 billion. Payments arising from the IRS are correlated with interest payments from the bonds.

In addition, PGE S.A. has been working on obtaining other sources of financing for operations and investment expenditures of the PGE Group. One of the considered options is to establish a eurobond issue program, which would be issued by a subsidiary with the proceeds from the issuance would be transferred to the Company.

20 Information on related parties

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

20.1 Subsidiaries

	Period ended 31 March 2014	Period ended 31 March 2013
Sales to subsidiaries	2.415	2.763
Purchase from subsidiaries	222	379

	As at 31 March 2014	As at 31 December 2013
Trade receivables from subsidiaries	437	521
Trade liabilities towards subsidiaries	75	31

Sales to subsidiaries in PGE Capital Group relate mainly to hard coal and electricity. Purchases from subsidiaries relate mainly electricity.

Additionally as at the 31 March 2014 the Company recognized bonds issued by subsidiaries valued at PLN 4.448 million. Bonds are disclosed within the loans and receivables line.

20.2 Subsidiaries of the State Treasury

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

	Period ended 31 March 2014	Period ended 31 March 2013 (restated data)
Sales to subsidiaries	9	512
Purchase from subsidiaries	37	414

	As at 31 March 2014	As at 31 December 2013
Trade receivables from subsidiaries	6	203
Trade liabilities towards subsidiaries	21	8

The largest transactions with the participation of State Treasury companies involve Polskie Sieci Elektroenergetyczne S.A. Moreover, the Company concludes significant transactions on the energy market via Towarowa Giełda Energii S.A. However, because this entity is only engaged in organization of exchange trading activities, purchases and sales transacted through this entity are not recognized as transactions with related parties. The decrease in sales and receivables from related parties is due to the expiry of the contract between with Energa Obrót S.A.

The decrease in purchases is related with the change of the entity responsible for purchases of hard coal within PGE Capital Group. In the comparative period hard coal used to be purchased by PGE S.A. and later was being resold to PGE Górnictwo i Energetyka Konwencjonalna S.A. Since last quarter of 2013 the purchases of hard coal have been conducted directly by the subsidiary. Transactions related with the coal purchases and sales had been recognized as agency sales (i.e. in the statement of comprehensive income the Company had included only its remuneration as an agent).

20.3 Management personnel remuneration

The key management personnel comprises the Management Boards and Supervisory Boards of the Company.

<i>in PLN thousand</i>	Period ended 31 March 2014	Period ended 31 March 2013
Remuneration to Management Board and Supervisory Board Members	1.608	2.482
Post-employment benefits	946	446
TOTAL REMUNERATION PAID TO KEY MANAGEMENT	2.554	2.928

<i>in PLN thousand</i>	Period ended 31 March 2014	Period ended 31 March 2013
Management Board	2.488	2.855
Supervisory Board	66	73
TOTAL	2.554	2.928

The Members of the Management Boards of some of the Capital Group companies are employed on the basis of civil law contracts for management (Management contracts). The above remuneration is included in other costs by type disclosed in note 9.2 Costs by type and function.

The above remuneration does not include the remuneration of the management of PGE Energia Jądrowa S.A., the entity which was merged with PGE S.A. in 2013. The remuneration of Management Board and Supervisory Board of PGE EJ S.A. in the 3 month period ended 31 March 2013 was PLN 128 thousand.

21 Significant events of the reporting period and subsequent events

21.1 Preparations for the construction and operation of the first Polish nuclear power plant

On 28 January 2014, the Council of Ministers adopted a resolution regarding the Polish Nuclear Power Program.

Adoption of the Program was one of the conditions required by the shareholders agreement between PGE Polska Grupa Energetyczna S.A., KGHM Polska Miedź S.A., Tauron Polska Energia S.A. and ENEA S.A. (together the "Parties"). The second of the conditions is to obtain a favorable response from the President of the OCCP regarding the intention of the concentration.

The Shareholders agreement was initialed on 23 September 2013, as a result of the work related to the development of a draft agreement for the acquisition of shares in the target company responsible for the construction and operation of the nuclear power plant. Accordingly, the Parties agreed that the initialed document was a draft of the future shareholders agreement, which would be signed after obtaining the necessary corporate approvals of all Parties.

The shareholders agreement commits the Parties to conclude an agreement for the acquisition of shares in PGE EJ1 Sp. z o.o., the special purpose entity for the purpose of constructing and operating the nuclear power plant. In accordance with the Shareholders Agreement, PGE S.A. will sell, to the remaining parties of the shareholders agreement, an interest of 30% of the share capital of PGE EJ1 Sp. z o.o., as a result of which:

- PGE S.A. will own 70% of the share capital of PGE EJ1 sp. z o.o.,
- KGHM Polska Miedź S.A. will own 10% of the share capital of PGE EJ1 sp. z o.o.,
- Tauron Polska Energia S.A. will own 10% of the share capital of PGE EJ1 sp. z o.o.,
- ENEA S.A. will own 10% of the share capital of PGE EJ1 sp. z o.o.

Warsaw, 13 May 2014

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

Marek Woszczyk

President of the Management Board

Jacek Drozd

*Vice-President of the
Management Board*

Grzegorz Krystek

*Vice-President of the
Management Board*

Dariusz Marzec

*Vice-President of the
Management Board*