



# Condensed interim consolidated financial statements for the 3 months period

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

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## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Period ended 31 March 2014 (reviewed)	Period ended 31 March 2013 (unaudited) <i>restated*</i>
<b>STATEMENT OF PROFIT OR LOSS</b>			
<b>CONTINUING OPERATIONS</b>			
<b>TOTAL SALES REVENUES</b>	11	<b>6.929</b>	<b>7.792</b>
Cost of goods sold	11	(5.446)	(5.997)
<b>GROSS PROFIT ON SALES</b>		<b>1.483</b>	<b>1.795</b>
Other operating income	11	98	113
Distribution and selling expenses	11	(363)	(237)
General and administrative expenses	11	(183)	(175)
Other operating expenses	11	(60)	(115)
<b>OPERATING PROFIT</b>		<b>975</b>	<b>1.381</b>
Financial income	11	80	78
Financial expenses	11	(73)	(97)
Share of profit of associates		-	-
<b>GROSS PROFIT</b>		<b>982</b>	<b>1.362</b>
Income tax	13	(190)	(263)
<b>Net profit from continuing operations</b>		<b>792</b>	<b>1.099</b>
<b>Discontinued operations</b>		-	-
Profit for the period on discontinued operations		-	-
<b>NET PROFIT FOR THE OPERATING PERIOD</b>		<b>792</b>	<b>1.099</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Foreign exchange differences from translation of foreign entities		-	1
<b>OTHER NET COMPREHENSIVE INCOME FOR THE PERIOD</b>		-	<b>1</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>792</b>	<b>1.100</b>
<b>NET PROFIT ATTRIBUTABLE TO:</b>			
- equity holders of the parent company		789	1.095
- non-controlling interest		3	4
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>			
- equity holders of the parent company		789	1.096
- non-controlling interest		3	4
<b>EARNINGS PER SHARE (in PLN)</b>			
- basic earnings per share for the period		0,42	0,59
- basic earnings per share from the continuing operations		0,42	0,59

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 March 2014 (reviewed)	As at 31 December 2013 (audited)	As at 31 March 2013 (unaudited) <i>restated*</i>
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment		45.861	45.626	43.746
Investment property		32	22	27
Intangible assets		726	718	524
Loans and receivables		424	392	340
Available-for-sale financial assets		24	25	29
Shares in associates accounted for under the equity method		9	9	41
Other non-current assets		1.153	644	419
Deferred tax assets	14	328	302	268
<b>TOTAL NON-CURRENT ASSETS</b>		<b>48.557</b>	<b>47.738</b>	<b>45.394</b>
<b>CURRENT ASSETS</b>				
Inventories		1.768	1.683	1.567
Emission rights	15	1.458	1.404	1.017
Income tax receivables		46	9	30
Short-term financial assets at fair value through profit or loss		124	104	89
Trade receivables		1.870	2.192	2.183
Other loans and financial assets		913	903	763
Available-for-sale financial assets		9	9	4
Other current assets		1.033	749	970
Cash and cash equivalents		5.124	5.952	4.529
Assets classified as held-for-sale		14	8	6
<b>TOTAL CURRENT ASSETS</b>		<b>12.359</b>	<b>13.013</b>	<b>11.158</b>
<b>TOTAL ASSETS</b>		<b>60.916</b>	<b>60.751</b>	<b>56.552</b>

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 March 2014 (reviewed)	As at 31 December 2013 (audited) <i>restated*</i>	As at 31 March 2013 (unaudited) <i>restated*</i>
<b>EQUITY</b>				
Share capital	16	18.698	18.698	18.698
Revaluation reserve		-	-	-
Foreign exchange differences from translation of foreign entities		-	-	5
Reserve capital		8.941	8.941	9.688
Other capital reserves		50	50	50
Retained earnings		16.487	15.693	13.374
Non-controlling interests		198	266	297
<b>TOTAL EQUITY</b>		<b>44.374</b>	<b>43.648</b>	<b>42.112</b>
<b>NON-CURRENT LIABILITIES</b>				
Interest-bearing loans and borrowings, bonds and lease	20	1.983	1.994	1.076
Other liabilities	20	12	11	22
Provisions	18	4.451	4.462	4.752
Deferred tax liabilities	14	1.731	1.665	1.531
Deferred income and government grants		1.185	1.181	1.126
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>9.362</b>	<b>9.313</b>	<b>8.507</b>
<b>CURRENT LIABILITIES</b>				
Trade liabilities	20	810	935	881
Financial liabilities at fair value through profit or loss		23	24	39
Interest-bearing loans, borrowings, bonds and lease	20	736	528	510
Other current financial liabilities	20	1.319	1.944	1.118
Other current non-financial liabilities		1.465	1.618	1.389
Income tax liabilities		66	155	188
Deferred income and government grants		140	151	202
Current provisions	18	2.621	2.435	1.606
<b>TOTAL CURRENT LIABILITIES</b>		<b>7.180</b>	<b>7.790</b>	<b>5.933</b>
<b>TOTAL LIABILITIES</b>		<b>16.542</b>	<b>17.103</b>	<b>14.440</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>60.916</b>	<b>60.751</b>	<b>56.552</b>

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(reviewed)	Share capital	Reserve capital	Other capital reserves	Retained earnings	Total	Non-controlling interests	Total equity
<b>AS AT 1 JANUARY 2014</b>	<b>18.698</b>	<b>8.941</b>	<b>50</b>	<b>15.693</b>	<b>43.382</b>	<b>266</b>	<b>43.648</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	-	-	-	<b>789</b>	<b>789</b>	<b>3</b>	<b>792</b>
Settlement of purchase of additional stock in subsidiaries:	-	-	-	4	4	(71)	<b>(67)</b>
<i>Value of the purchased non-controlling interest</i>	-	-	-	71	71	(71)	-
<i>Cost of shares and stocks in subsidiaries</i>	-	-	-	(67)	(67)	-	<b>(67)</b>
Other changes	-	-	-	1	1	-	<b>1</b>
<b>AS AT 31 MARCH 2014</b>	<b>18.698</b>	<b>8.941</b>	<b>50</b>	<b>16.487</b>	<b>44.176</b>	<b>198</b>	<b>44.374</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(audited)	Share capital	Foreign exchange differences from translation	Reserve capital	Other capital reserves	Retained earnings	Total	Non-controlling interests	Total equity
<b>AS AT 1 JANUARY 2013</b>	<b>18.698</b>	<b>4</b>	<b>9.688</b>	<b>50</b>	<b>12.278</b>	<b>40.718</b>	<b>294</b>	<b>41.012</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>4.370</b>	<b>4.371</b>	<b>26</b>	<b>4.397</b>
Retained earnings distribution	-	-	77	-	(77)	-	-	-
Dividend	-	-	(824)	-	(784)	(1.608)	(2)	(1.610)
Exclusion of companies from the Group	-	(5)	-	-	(5)	(10)	14	4
Changes due to mergers of companies within the Group	-	-	-	-	3	3	(3)	-
Settlement of purchase of additional stock in subsidiaries:	-	-	-	-	-	-	(62)	(62)
<i>Value of the purchased non-controlling interest</i>	-	-	-	-	62	62	(62)	-
<i>Cost of shares and stocks in subsidiaries</i>	-	-	-	-	(62)	(62)	-	(62)
Other changes	-	-	-	-	(92)	(92)	(1)	(93)
<b>AS AT 31 DECEMBER 2013</b>	<b>18.698</b>	<b>-</b>	<b>8.941</b>	<b>50</b>	<b>15.693</b>	<b>43.382</b>	<b>266</b>	<b>43.648</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>Restated data</i>	Share capital	Foreign exchange differences from translation	Reserve capital	Other capital reserves	Retained earnings	Total	Non-controlling interests	Total equity
<b>AS AT 1 JANUARY 2013</b>	<b>18.698</b>	<b>4</b>	<b>9.688</b>	<b>50</b>	<b>12.278</b>	<b>40.718</b>	<b>294</b>	<b>41.012</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>1.095</b>	<b>1.096</b>	<b>4</b>	<b>1.100</b>
Settlement of purchase of additional stock in subsidiaries and other changes	-	-	-	-	1	1	(1)	-
<b>AS AT 31 MARCH 2013</b>	<b>18.698</b>	<b>5</b>	<b>9.688</b>	<b>50</b>	<b>13.374</b>	<b>41.815</b>	<b>297</b>	<b>42.112</b>

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



## CONSOLIDATED STATEMENT OF CASH FLOWS

	Period ended 31 March 2014 (reviewed)	Period ended 31 March 2013 (unaudited) <i>restated*</i>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before tax from continuing operations	982	1.362
Adjustments for:		
Share in profit of investments accounted for under equity method	-	-
Depreciation and amortization	739	734
Interest and dividend, net	11	9
Profit / loss on investment activities	(20)	(78)
Change in receivables	302	(229)
Change in inventories	(84)	633
Change in liabilities, excluding loans and bank credits	(620)	(464)
Change in other non-financial assets, prepayments and emission rights	(344)	(374)
Change in provisions	175	(45)
Income tax paid	(252)	(267)
Other	-	96
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>889</b>	<b>1.377</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Disposal of property, plant and equipment and intangible assets	11	26
Purchase of property, plant and equipment and intangible assets	(1.857)	(1.324)
Disposal of financial assets	-	10
Purchase of financial assets and increase in shareholding in Group companies	(49)	(4)
Purchase/ disposal of subsidiaries after deduction of acquired/disposed cash	-	(9)
Other	19	2
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>(1.876)</b>	<b>(1.299)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from loans, bank credits and issue of bonds	594	317
Repayment of loans, bank credits, bonds and finance lease	(415)	(659)
Interest paid	(5)	(8)
Other	(14)	7
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>160</b>	<b>(343)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(827)</b>	<b>(265)</b>
Effect of foreign exchange rate changes, net	1	1
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>5.948</b>	<b>4.790</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>5.121</b>	<b>4.525</b>
Restricted cash	137	532

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

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.



## 1 General information

PGE Polska Grupa Energetyczna S.A. Group (“PGE Group”, “PGE Group”) comprises the parent company PGE Polska Grupa Energetyczna S.A. and its subsidiaries (described in note 3).

PGE Polska Grupa Energetyczna S.A. (“parent company”, “the 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.

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

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

Core operations of the Group companies are as follows:

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

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

These condensed interim consolidated financial statements of the Group comprise financial information for the period from 1 January 2014 to 31 March 2014 (“financial statements”, “consolidated financial statements”).

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

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 Structure of the Group

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

	Entity	Share of Group entities as at 31 March 2014	Entity holding shares as at 31 March 2014	Share of Group entities as at 31 December 2013	Entity holding shares as at 31 December 2013
<b>SEGMENT: WHOLESALE</b>					
1.	PGE Polska Grupa Energetyczna S.A. Warsaw		The parent company of the Group		
2.	PGE Dom Maklerski S.A. Warsaw	100,00%	PGE Polska Grupa Energetyczna S.A.	100,00%	PGE Polska Grupa Energetyczna S.A.
3.	PGE Trading GmbH Germany	100,00%	PGE Polska Grupa Energetyczna S.A.	100,00%	PGE Polska Grupa Energetyczna S.A.
<b>SEGMENT: MINING AND CONVENTIONAL ENERGY ("CONVENTIONAL ENERGY")</b>					
4.	PGE Górnictwo i Energetyka Konwencjonalna S.A.* Bełchatów	94,27% 4,97%	PGE Polska Grupa Energetyczna S.A. PGE Obrót S.A.	93,91% 4,97%	PGE Polska Grupa Energetyczna S.A. PGE Obrót S.A.
5.	Przedsiębiorstwo Energetyki Ciepłej sp. z o.o. Zgierz	50,98%	PGE Górnictwo i Energetyka Konwencjonalna S.A.	50,98%	PGE Górnictwo i Energetyka Konwencjonalna S.A.
<b>SEGMENT: RENEWABLE ENERGY</b>					
6.	PGE Energia Odnawialna S.A. Warsaw	100,00%	PGE Polska Grupa Energetyczna S.A.	100,00%	PGE Polska Grupa Energetyczna S.A.
7.	Bio-Energia S.A. Warsaw	100,00%	PGE Energia Odnawialna S.A.	100,00%	PGE Energia Odnawialna S.A.
8.	Elektrownia Wiatrowa Baltica-1 sp. z o.o. Warsaw	100,00%	PGE Energia Odnawialna S.A.	100,00%	PGE Energia Odnawialna S.A.
9.	Elektrownia Wiatrowa Baltica-2 sp. z o.o. Warsaw	100,00%	PGE Energia Odnawialna S.A.	100,00%	PGE Energia Odnawialna S.A.
10.	Elektrownia Wiatrowa Baltica-3 sp. z o.o. Warsaw	100,00%	PGE Energia Odnawialna S.A.	100,00%	PGE Energia Odnawialna S.A.
11.	Pelplin sp. z o.o. Warsaw	100,00%	PGE Energia Odnawialna S.A.	100,00%	PGE Energia Odnawialna S.A.
12.	Żuromin sp. z o.o. Warsaw	100,00%	PGE Energia Odnawialna S.A.	100,00%	PGE Energia Odnawialna S.A.
13.	Eolica Wojciechowo sp. z o.o. Gniewino	100,00%	PGE Energia Odnawialna S.A.	100,00%	PGE Energia Odnawialna S.A.
14.	PGE Energia Natury S.A. Warsaw	100,00%	PGE Polska Grupa Energetyczna S.A.	100,00%	PGE Polska Grupa Energetyczna S.A.
15.	PGE Energia Natury sp. z o.o. Warsaw	100,00%	PGE Polska Grupa Energetyczna S.A.	100,00%	PGE Polska Grupa Energetyczna S.A.
16.	PGE Energia Natury Karnice sp. z o.o. Warsaw	100,00%	PGE Polska Grupa Energetyczna S.A.	100,00%	PGE Polska Grupa Energetyczna S.A.
17.	PGE Energia Natury Bukowo sp. z o.o. Warsaw	100,00%	PGE Polska Grupa Energetyczna S.A.	100,00%	PGE Polska Grupa Energetyczna S.A.
18.	PGE Energia Natury Olecko sp. z o.o. (formerly EPW Energia Olecko sp. z o.o. Warsaw)	100,00%	PGE Polska Grupa Energetyczna S.A.	81,00%	PGE Polska Grupa Energetyczna S.A.
19.	PGE Energia Natury Omikron sp. z o.o. Warsaw	100,00%	PGE Energia Natury S.A.	100,00%	PGE Energia Natury S.A.
20.	PGE Energia Natury Kappa sp. z o.o. Warsaw	100,00%	PGE Energia Natury S.A.	100,00%	PGE Energia Natury S.A.
21.	PGE Energia Natury PEW sp. z o.o. Warsaw	100,00%	PGE Energia Natury S.A.	100,00%	PGE Energia Natury S.A.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3 MONTHS PERIOD  
ENDED 31 MARCH 2014 IN ACCORDANCE WITH IFRS EU (IN PLN MILLION)

	Entity	Share of Group entities as at 31 March 2014	Entity holding shares as at 31 March 2014	Share of Group entities as at 31 December 2013	Entity holding shares as at 31 December 2013
<b>SEGMENT: DISTRIBUTION</b>					
22.	PGE Dystrybucja S.A. Lublin	89,92% 10,08%	PGE Obrót S.A. PGE Polska Grupa Energetyczna S.A.	89,92% 10,08%	PGE Obrót S.A. PGE Polska Grupa Energetyczna S.A.
<b>SEGMENT: RETAIL SALE</b>					
23.	PGE Obrót S.A. Rzeszów	100,00%	PGE Polska Grupa Energetyczna S.A.	100,00%	PGE Polska Grupa Energetyczna S.A.
<b>SEGMENT: OTHER</b>					
24.	PGE EJ1 sp. z o.o. Warsaw	100,00%	PGE Polska Grupa Energetyczna S.A.	100,00%	PGE Polska Grupa Energetyczna S.A.
25.	PGE Systemy S.A. Warsaw	100,00%	PGE Polska Grupa Energetyczna S.A.	100,00%	PGE Polska Grupa Energetyczna S.A.
26.	EXATEL S.A. Warsaw	99,98%	PGE Polska Grupa Energetyczna S.A.	99,98%	PGE Polska Grupa Energetyczna S.A.
27.	PGE Inwest sp. z o.o. Warsaw	100,00%	PGE Polska Grupa Energetyczna S.A.	100,00%	PGE Polska Grupa Energetyczna S.A.
28.	NOM sp. z o.o. Warsaw	100,00%	EXATEL S.A.	100,00%	EXATEL S.A.
29.	ENERGO-TEL S.A. Warsaw	100,00%	EXATEL S.A.	100,00%	EXATEL S.A.
30.	ELBIS sp. z o.o. Rogowicz	100,00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.	100,00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.
31.	MEGAZEC sp. z o.o. Bydgoszcz	100,00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.	100,00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.
32.	„ELBEST” sp. z o.o. Bełchatów	91,30% 7,50% 1,11% 0,09%	PGE Górnictwo i Energetyka Konwencjonalna S.A. PGE Dystrybucja S.A. PGE Obrót S.A. PGE Energia Odnawialna S.A.	91,30% 7,50% 1,11% 0,09%	PGE Górnictwo i Energetyka Konwencjonalna S.A. PGE Dystrybucja S.A. PGE Obrót S.A. PGE Energia Odnawialna S.A.
33.	MegaSerwis sp. z o.o. Bogatynia	100,00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.	100,00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.
34.	PGE Gubin sp. z o.o. Gubin	100,00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.	100,00%	PGE Polska Grupa Energetyczna S.A.
35.	Elektrownia Puławy sp. z o.o. Puławy	50,00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.	50,00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.
36.	„Energoserwis – Kleszczów” sp. z o.o. Kleszczów	51,00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.	51,00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.
37.	„ELMEN” sp. z o.o. Rogowicz	100,00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.	100,00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.
38.	Przedsiębiorstwo Usługowo-Produkcyjne „ELTUR-SERWIS” sp. z o.o. Bogatynia	100,00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.	100,00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.
39.	EPORE sp. z o.o. Bogatynia	85,38%	PGE Górnictwo i Energetyka Konwencjonalna S.A.	85,38%	PGE Górnictwo i Energetyka Konwencjonalna S.A.
40.	Przedsiębiorstwo Usługowo-Produkcyjne „TOP SERWIS” sp. z o.o. Bogatynia	100,00%	Przedsiębiorstwo Usługowo-Produkcyjne ELTUR-SERWIS sp. z o.o.	100,00%	Przedsiębiorstwo Usługowo-Produkcyjne ELTUR-SERWIS sp. z o.o.

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Entity	Share of Group entities as at 31 March 2014	Entity holding shares as at 31 March 2014	Share of Group entities as at 31 December 2013	Entity holding shares as at 31 December 2013
41. ENESTA sp. z o.o. Stalowa Wola	84,85% 2,48%	PGE Dystrybucja S.A. PGE Górnictwo i Energetyka Konwencjonalna S.A.	84,85% 2,48%	PGE Dystrybucja S.A. PGE Górnictwo i Energetyka Konwencjonalna S.A.
42. RAMB sp. z o.o. Piaski	100,00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.	100,00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.
43. Przedsiębiorstwo Transportowo-Sprzętowe „BETRANS” sp. z o.o. Bełchatów	100,00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.	100,00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.
44. Przedsiębiorstwo Wulkanizacji Taśm i Produkcji Wyrobów Gumowych BESTGUM POLSKA sp. z o.o. Rogowiec	100,00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.	100,00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.
45. Przedsiębiorstwo Transportowo-Usługowe „ETRA” sp. z o.o. Białystok	100,00%	PGE Dystrybucja S.A.	100,00%	PGE Dystrybucja S.A.
46. Przedsiębiorstwo Produkcyjno-Handlowe EKTO sp. z o.o. Białystok	100,00%	PGE Dystrybucja S.A.	100,00%	PGE Dystrybucja S.A.
47. Energetyczne Systemy Pomiarowe sp. z o.o. Białystok	100,00%	PGE Dystrybucja S.A.	100,00%	PGE Dystrybucja S.A.
48. Zakład Obsługi Energetyki sp. z o.o. Zgierz	100,00%	PGE Dystrybucja S.A.	100,00%	PGE Dystrybucja S.A.

\* Share excluding treasuryshares

\*\* During the reporting period, PGE S.A. consolidated controlled branches of EPW Energia Sp. z o.o. using full method

Changes in the structure of the PGE Group companies which are subject to full consolidation recognised in the table above include, inter alia, the following changes which took place during the period ended 31 March 2014:

- On 7 February 2014, the spin-off of EPW Energia Olecko sp. z o.o. was completed. As a result, PGE S.A. share in the entity's equity is currently 100%. The spin-off had no effect on these consolidated financial statements.
- On 28 February 2014, the spin-off of EPW Energia sp. z o.o. was completed. The branches belonging to PGE S.A. were merged with PGE Energia Natury sp. z o.o. The spin-off had no effect on these consolidated financial statements.
- During the reporting period, the acquisition of shares of PGE Górnictwo i Energetyka Konwencjonalna S.A. from non-controlling interests took place. The shares were purchased by PGE S.A. and by the company itself for redemption purposes.

Until the reporting date PGE Dom Maklerski S.A. had not commenced operating activities.

After the reporting date, PGE S.A. acquired GoldCup 5812 AB, registered 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 works in organizing financing for the PGE Group, as described in note 20 of these financial statements.

## 4 The basis for the preparation of the financial statements

### 4.1 Statement of compliance

These Condensed Interim Consolidated Financial Statements of PGE Polska Grupa Energetyczna S.A. were prepared in accordance with International Accounting Standard 34 Interim Financial Reporting, in accordance with 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 consolidated 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 consolidated financial statements of PGE Polska Grupa Energetyczna S.A. prepared in accordance with IFRS for the year ended 31 December 2013.

### 4.2 General basis of preparation

These financial statements were prepared under the assumption that the Group companies 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 parent company or its subsidiaries will not be able to continue its operations as a going concern.

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

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

## 5 Presentation currency

The 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

## 6 Changes in applied accounting principles and data presentation

### Changes in applied accounting policies – CO<sub>2</sub> emission rights acquired free of charge

In 2013, PGE Group changed the accounting policies regarding the valuation of CO<sub>2</sub> emission rights received free of charge. In accordance with the previous accounting policy the Group recognized greenhouse gas emission rights received free of charge at fair value and the provision for the obligation for redemption of rights was recognised for all CO<sub>2</sub> emission. After the changes in applied accounting policies, emission rights acquired free of charge are presented in the statement of financial position at nominal value, which is zero. The provision for liabilities due to CO<sub>2</sub> emission is raised in the part which is not covered by emission rights acquired free of charge.

After the change of accounting policies, the Group applied the most common approach used by Polish energy market operators making its statement of financial position more comparable to other companies in the industry.

### Changes in applied accounting policy regarding valuation of emission rights trading portfolio

In 2013, the Group changed the principles for the valuation of purchased CO<sub>2</sub> emission rights. In accordance with the revised accounting policy, part of the rights acquired in order to realize profits from fluctuations in market prices, is recognized as inventories at fair value less costs to sell. Forward contracts concluded for the purchase / sale of CO<sub>2</sub> emission rights are recognized as derivatives held for trading. The fair value of financial instruments related to trade of CO<sub>2</sub> emission rights (currency and commodity forward contracts) is presented in the statement of financial position as financial instruments at fair value through profit or loss.

The change in accounting policy resulted in a more reliable measurement of the transaction.

### Reclassification

In addition, PGE Group has reclassified the presentation of connection fees from other non-financial liabilities to deferred income, and perpetual usufruct of land from other assets to intangible assets.

### Restatement of comparative information

In view of the above, the Group restated the information presented in the comparative statement of financial position, statement of comprehensive income and the statement of cash flows. The restatement is presented in below tables. Information presented in explanatory notes to these financial statements have also been restated accordingly.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2014**

	Period ended 31 March 2013 (published data)	Change in CO <sub>2</sub> valuation (trade)	Change in CO <sub>2</sub> valuation (acquired free of charge)	Period ended 31 March 2013 (restated data)
<b>PROFIT OR LOSS</b>				
<b>TOTAL SALES REVENUES</b>	<b>7.817</b>	<b>(25)</b>	-	<b>7.792</b>
Costs of goods sold	(5.855)	24	(166)	(5.997)
<b>GROSS PROFIT ON SALES</b>	<b>1.962</b>	<b>(1)</b>	<b>(166)</b>	<b>1.795</b>
Other operating income	113	-	-	113
Distribution and selling expenses	(237)	-	-	(237)
General and administrative expenses	(175)	-	-	(175)
Other operating expenses	(115)	-	-	(115)
<b>PROFIT FROM OPERATIONS</b>	<b>1.548</b>	<b>(1)</b>	<b>(166)</b>	<b>1.381</b>
Financial income	78	-	-	78
Financial expenses	(98)	1	-	(97)
Share of profit of associates	-	-	-	-
<b>PROFIT BEFORE TAX</b>	<b>1.528</b>	-	<b>(166)</b>	<b>1.362</b>
Income tax	(294)	-	31	(263)
<b>NET PROFIT FROM CONTINUING OPERATIONS</b>	<b>1.234</b>	-	<b>(135)</b>	<b>1.099</b>
<b>DISCONTINUED OPERATIONS</b>				
Profit/(loss) for the period on discontinued operations	-	-	-	-
<b>NET PROFIT FOM THE OPERATING PERIOD</b>	<b>1.234</b>	-	<b>(135)</b>	<b>1.099</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
Other comprehensive income for the period, net	1	-	-	1
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>1.235</b>	-	<b>(135)</b>	<b>1.100</b>
<b>NET PROFIT ATTRIBUTABLE TO:</b>				
- equity holders of the parent company	1.228	-	(133)	1.095
- non-controlling interest	6	-	(2)	4
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>				
- equity holders of the parent company	1.229	-	(133)	1.096
- non-controlling interest	6	-	(2)	4
<b>EARNINGS PER SHARE (in PLN)</b>				
- basic earnings per share for the period	0,66	-	(0,07)	0,59
- basic earnings per share from the continuing operations	0,66	-	(0,07)	0,59



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2013**

	As at 31 March 2013 (published data)	Perpetual usufruct of land	Change in CO <sub>2</sub> valuation (trade)	Change in CO <sub>2</sub> valuation (acquired free of charge)	As at 31 March 2013 (restated data)
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	43.746	-	-	-	43.746
Investment property	27	-	-	-	27
Intangible assets	474	50	-	-	524
Loans and receivables	340	-	-	-	340
Available-for-sale financial assets	29	-	-	-	29
Shares in associates accounted for under the equity method	41	-	-	-	41
Other non-current assets	469	(50)	-	-	419
Deferred tax asset	268	-	-	-	268
<b>TOTAL NON-CURRENT ASSETS</b>	<b>45.394</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45.394</b>
<b>CURRENT ASSETS</b>					
Inventories	1.653	-	(86)	-	1.567
Emission rights	3.989	-	-	(2.972)	1.017
Income tax receivables	30	-	-	-	30
Short-term financial assets at fair value through profit or loss	3	-	86	-	89
Trade receivables	2.183	-	-	-	2.183
Other loans and financial assets	763	-	-	-	763
Available-for-sale financial assets	4	-	-	-	4
Other current assets	970	-	-	-	970
Cash and cash equivalents	4.529	-	-	-	4.529
Assets classified as held-for-sale	6	-	-	-	6
<b>TOTAL CURRENT ASSETS</b>	<b>14.130</b>	<b>-</b>	<b>-</b>	<b>(2.972)</b>	<b>11.158</b>
<b>TOTAL ASSETS</b>	<b>59.524</b>	<b>-</b>	<b>-</b>	<b>(2.972)</b>	<b>56.552</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2013**

	As at 31 March 2013 (published data)	Change in CO <sub>2</sub> valuation (acquired free of charge)	Connection fees	As at 31 March 2013 (restated data)
<b>EQUITY</b>				
Share capital	18.698	-	-	18.698
Foreign exchange differences from translation of foreign entities	5	-	-	5
Reserve capital	9.688	-	-	9.688
Other capital reserves	50	-	-	50
Retained earnings	13.610	(236)	-	13.374
Non-controlling interest	302	(5)	-	297
<b>TOTAL EQUITY</b>	<b>42.353</b>	<b>(241)</b>	-	<b>42.112</b>
<b>NON-CURRENT LIABILITIES</b>				
Interest-bearing loans and borrowings, bonds and lease	1.076	-	-	1.076
Other liabilities	22	-	-	22
Provisions	4.752	-	-	4.752
Deferred tax liabilities	1.587	(56)	-	1.531
Deferred income and government grants	1.126	-	-	1.126
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>8.563</b>	<b>(56)</b>	-	<b>8.507</b>
<b>CURRENT LIABILITIES</b>				
Trade liabilities	881	-	-	881
Financial liabilities at fair value through profit or loss	39	-	-	39
Interest-bearing loans, borrowings, bonds and lease	510	-	-	510
Other current financial liabilities	1.118	-	-	1.118
Other current non-financial liabilities	1.467	-	(78)	1.389
Income tax liabilities	188	-	-	188
Deferred income and government grants	777	(653)	78	202
Current provisions	3.628	(2.022)	-	1.606
<b>TOTAL CURRENT LIABILITIES</b>	<b>8.608</b>	<b>(2.675)</b>	-	<b>5.933</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>59.524</b>	<b>(2.972)</b>	-	<b>56.552</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2013

	Period ended 31 March 2013 (published data)	Change in CO <sub>2</sub> valuation (trade)	Change in CO <sub>2</sub> valuation (acquired free of charge)	Connection fees	Period ended 31 March 2013 (restated data)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
<b>Profit before tax related to continuing operations</b>	<b>1.528</b>	-	<b>(166)</b>	-	<b>1.362</b>
<b>Adjustments for:</b>					
Share in profit of investment accounted for under equity method	-	-	-	-	-
Depreciation and amortization	734	-	-	-	734
Interest and dividend, net	9	-	-	-	9
Profit / loss on investment activities	(9)	(69)	-	-	(78)
Change in receivables	(226)	(3)	-	-	(229)
Change in inventories	560	73	-	-	633
Change in liabilities, excluding loans and bank credits	(461)	(1)	-	(2)	(464)
Change in prepayments	(594)	-	218	2	(374)
Change in provisions	7	-	(52)	-	(45)
Income tax paid	(267)	-	-	-	(267)
Other	96	-	-	-	96
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>1.377</b>	-	-	-	<b>1.377</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

	As at 31 December 2013 (published data)	Connection fees	As at 31 December 2013 (restated data)
<b>CURRENT LIABILITIES</b>			
Trade liabilities	935	-	935
Financial liabilities at fair value through profit or loss	24	-	24
Interest-bearing loans, borrowings, bonds and lease	528	-	528
Other current financial liabilities	1.944	-	1.944
Other current non-financial liabilities	1.673	(55)	1.618
Income tax liabilities	155	-	155
Deferred income and government grants	96	55	151
Current provisions	2.435	-	2.435
<b>TOTAL CURRENT LIABILITIES</b>	<b>7.790</b>	-	<b>7.790</b>

## 7 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 Group 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 Group

The new IFRS 9 – financial instruments 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 Group. At the date of preparation of these financial statements IFRS 9 is not yet approved by the European Union and as a result its impact on the future financial statements of the PGE Polska Grupa Energetyczna S.A. is not yet determined.

Other standards and amendments should have no significant impact on future financial statements of the Group.

## 8 Changes in estimates

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

- Provisions are liabilities of uncertain timing or amount. During the reporting period, the Group changed its estimates regarding the basis and amounts of some provisions. Changes of estimates are presented in note 18 of these financial statements.
- During the reporting period the Group updated the amount of impairment allowances with respect to financial and other assets. The changes are described in note 11 and 12 of these financial statements.

## 9 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.

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.

	As at 31 March 2014		As at 31 December 2013	
	Level 1	Level 2	Level 1	Level 2
<b>FAIR VALUE HIERARCHY</b>				
- CO <sub>2</sub> emission rights	255	-	246	-
<b>Inventories</b>	<b>255</b>	-	<b>246</b>	-
- commodity forward	-	115	-	95
- FX forward	-	9	-	9
<b>Financial assets</b>	-	<b>124</b>	-	<b>104</b>
- FX forward	-	1	-	1
- swap	-	22	-	23
<b>Financial liabilities</b>	-	<b>23</b>	-	<b>24</b>

As at the reporting date, the carrying value of inventories amounted to PLN 1.768 million. The inventories include CO<sub>2</sub> emission rights at fair value in the amount of PLN 255 million, as presented in the table above. Valuation of commodity forwards, FX and swap is recognized in the statement of financial position as assets or liabilities or through profit or loss at fair value.

## 10 Operating segments

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

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

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

### Seasonality of business segments

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

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

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

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3 MONTHS PERIOD  
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**INFORMATION ON THE BUSINESS SEGMENTS FOR THE PERIOD ENDED 31 MARCH 2014**

	SEGMENT: Conventional Energy	SEGMENT: Renewable Energy	SEGMENT: Wholesale	SEGMENT: Distribution	SEGMENT: Retails	SEGMENT: Other activities	Consolidation adjustments	Total continuing operations
<b>REVENUES</b>								
Sales revenues from external customers	2.960	202	49	404	3.127	182	5	6.929
Sales revenues from transactions with other segments	94	1	2.408	1.081	47	216	(3.847)	-
<b>TOTAL REVENUES FROM SEGMENTS</b>	<b>3.054</b>	<b>203</b>	<b>2.457</b>	<b>1.485</b>	<b>3.174</b>	<b>398</b>	<b>(3.842)</b>	<b>6.929</b>
<b>RESULTS</b>								
<b>EBIT *)</b>	<b>394</b>	<b>59</b>	<b>163</b>	<b>354</b>	<b>(1)</b>	<b>(2)</b>	<b>8</b>	<b>975</b>
<b>EBITDA **)</b>	<b>812</b>	<b>110</b>	<b>166</b>	<b>598</b>	<b>1</b>	<b>29</b>	<b>(2)</b>	<b>1.714</b>
Net financial income (expenses)								7
Share of profit of associates								-
<b>GROSS PROFIT</b>								<b>982</b>
Income tax								(190)
<b>NET PROFIT FOR THE REPORTING PERIOD</b>								<b>792</b>
<b>ASSETS AND LIABILITIES</b>								
Assets of the segments excluding trade receivables	31.719	3.262	603	14.802	889	1.097	(327)	52.045
Trade receivables	283	35	462	343	1.329	302	(884)	1.870
Shares in associates								9
Unallocated assets								6.992
<b>TOTAL ASSETS</b>								<b>60.916</b>
Liabilities of the segments excluding trade liabilities	7.612	236	113	1.578	1.333	314	30	11.216
Trade liabilities	510	15	193	162	603	179	(852)	810
Unallocated liabilities								4.516
<b>TOTAL LIABILITIES</b>								<b>16.542</b>
<b>OTHER INFORMATION ON BUSINESS SEGMENTS</b>								
Capital expenditure	693	119	3	176	1	29	(20)	1.001
Impairment allowances on financial and non-financial assets	-	-	-	-	8	(1)	-	7
Amortization, depreciation	418	51	3	244	2	31	(10)	739
Other non-monetary expenses ***)	418	6	6	6	259	5	47	747

\*) EBIT = operating profit (loss)

\*\*) EBITDA = EBIT + depreciation/amortization

\*\*\*) Non-monetary changes of provisions relate to: recultivation, provision for liability for CO<sub>2</sub> emission rights, jubilee awards, employee tariff that are recognized in profit or loss and other comprehensive income.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3 MONTHS PERIOD  
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**INFORMATION ON BUSINESS SEGMENTS FOR THE PERIOD ENDED 31 MARCH 2013**

<i>restated data</i>	SEGMENT: Conventional Energy	SEGMENT: Renewable energy	SEGMENT: Wholesale	SEGMENT: Distribution	SEGMENT: Retail sale	SEGMENT: Other activities	Consolidated adjustments	Total continuing operations
<b>REVENUES</b>								
Sales revenues from external customers	3.160	138	681	336	3.285	183	9	7.792
Sales revenues from transactions with other segments	204	20	2.730	1.099	80	188	(4.321)	-
<b>TOTAL REVENUES FROM SEGMENTS</b>	<b>3.364</b>	<b>158</b>	<b>3.411</b>	<b>1.435</b>	<b>3.365</b>	<b>371</b>	<b>(4.312)</b>	<b>7.792</b>
<b>RESULT</b>								
<b>EBIT *)</b>	<b>509</b>	<b>36</b>	<b>249</b>	<b>305</b>	<b>262</b>	<b>(11)</b>	<b>31</b>	<b>1.381</b>
<b>EBITDA **)</b>	<b>928</b>	<b>78</b>	<b>253</b>	<b>553</b>	<b>264</b>	<b>17</b>	<b>22</b>	<b>2.115</b>
Net financial income (expenses)								(19)
Share of profit of associates								-
<b>GROSS PROFIT</b>								<b>1.362</b>
Income tax								(263)
<b>NET PROFIT FOR THE REPORTING PERIOD</b>								<b>1.099</b>
<b>ASSETS AND LIABILITIES</b>								
Assets of the segments excluding trade receivables	29.598	2.469	526	14.495	751	1.065	(634)	48.270
Trade receivables	317	59	787	397	1.418	228	(1.023)	2.183
Shares in associates								41
Unallocated assets								6.058
<b>TOTAL ASSETS</b>								<b>56.552</b>
Liabilities of segment excluding trade liabilities	6.454	172	448	1.576	1.292	360	(48)	10.254
Trade liabilities	509	25	395	201	601	144	(994)	881
Unallocated liabilities								3.305
<b>TOTAL LIABILITIES</b>								<b>14.440</b>
<b>OTHER INFORMATION ON BUSINESS SEGMENTS</b>								
Capital expenditure	541	65	2	182	2	31	(28)	795
Purchase of non-current assets (net value) within acquired new companies	-	11	-	-	-	-	19	30
Impairment allowances on financial and non-financial assets	62	8	(1)	2	8	1	(14)	66
Amortization, depreciation	419	42	4	248	2	28	(9)	734
Other non-monetary expenses ***)	546	4	-	36	141	10	-	737

\*) EBIT = operating profit (loss)

\*\*) EBITDA = EBIT + amortization, depreciation

\*\*\*) Non-monetary changes of provisions relate to: recultivation, provision for liability for CO<sub>2</sub> emission rights, jubilee awards, employee tariff that are recognized in profit or loss and other comprehensive income.



## 11 Revenues and expenses

### 11.1 Sales revenues

	Period ended 31 March 2014	Period ended 31 March 2013 <i>restated</i>
<b>REVENUES FROM OPERATING ACTIVITIES</b>		
Sales of finished goods and merchandise including excise tax	6.812	7.573
Excise tax	(134)	(121)
<b>REVENUES FROM SALE OF MERCHANDISE AND FINISHED GOODS, INCLUDING:</b>	<b>6.678</b>	<b>7.452</b>
Sales of electricity	4.526	5.508
Sales of distribution services	1.399	1.344
Sales of heat	255	287
Sales of the property rights of energy origin	231	73
Regulatory system services	114	100
Other sales	153	140
<b>REVENUE FROM SALE OF SERVICES</b>	<b>120</b>	<b>139</b>
<b>REVENUES FROM LTC COMPENSATIONS</b>	<b>131</b>	<b>201</b>
<b>TOTAL SALES REVENUES</b>	<b>6.929</b>	<b>7.792</b>

The decrease in sales revenues for the period ended 31 March 2014 compared to the corresponding period is mainly due to the expiration of the contract with Energa Obrót S.A. and decrease of wholesale electricity prices on the futures and forward market.

The issue of revenues from LTC compensations is described in note 24.1 of these financial statements.

### 11.2 Cost by type and functions

	Period ended 31 March 2014	Period ended 31 March 2013 <i>restated data</i>
<b>COSTS BY TYPE</b>		
Depreciation/amortization	739	734
Materials and energy	777	1.090
External services	589	547
Taxes and charges	821	805
Personnel expenses	1.199	1.083
Other cost by type	73	78
<b>TOTAL COSTS BY TYPE</b>	<b>4.198</b>	<b>4.337</b>
Change in inventories	(34)	(10)
Cost of products and services for the entity's own needs	(331)	(345)
Distribution and selling expenses	(363)	(237)
General and administrative expenses	(183)	(175)
Cost of merchandise and materials sold	2.159	2.427
<b>COST OF GOODS SOLD</b>	<b>5.446</b>	<b>5.997</b>

As described in note 6 of these consolidated financial statements, the Group changed its accounting policy for the valuation of the CO<sub>2</sub> emission rights. In order to ensure comparability of the relevant costs for the period ended 31 March 2013, these have appropriately restated.

### 11.3 Other operating income and expenses

	Period ended 31 March 2014	Period ended 31 March 2013
<b>OTHER OPERATING INCOME</b>		
Profit on disposal of property, plant and equipment	3	7
Reversal of impairment allowances for receivables	8	3
Reversal of impairment allowances for other assets	2	9
Provisions released	33	12
Compensations, penalties and fines received	31	66
Grants received	6	4
Taxes refunded	1	-
Court fees refunded	2	1
Assets acquired free of charge	1	1
Surpluses / disclosures of assets	2	-
Income from illegal energy consumption	2	3
Other	7	7
<b>TOTAL OTHER OPERATING REVENUES</b>	<b>98</b>	<b>113</b>

	Period ended 31 March 2014	Period ended 31 March 2013
<b>OTHER OPERATING EXPENSES</b>		
Impairment allowances raised for receivables	11	17
Impairment allowances raised for other assets	-	60
Loss on disposal of property, plant and equipment and intangible assets	4	-
Provisions raised	13	18
Compensation paid	1	1
Court fees paid	4	3
Liquidation of damages/ repairs of failures	16	8
Scrapping of property, plant and equipment	4	3
Other	7	5
<b>TOTAL OTHER OPERATING EXPENSES</b>	<b>60</b>	<b>115</b>

The impairment allowances for other assets in the comparable period primarily relate to the Opole II Project. The impairment allowance was reversed in subsequent reporting periods.

## 11.4 Financial income and expenses

	Period ended 31 March 2014	Period ended 31 March 2013
<b>FINANCIAL INCOME FROM FINANCIAL INSTRUMENTS</b>		
Interest income	53	52
Revaluation / Reversal of impairment allowance	10	5
Foreign exchange gain	2	11
<b>FINANCIAL INCOME FROM FINANCIAL INSTRUMENTS</b>	<b>65</b>	<b>68</b>
Provisions released	14	5
Other	1	5
<b>OTHER FINANCIAL INCOME</b>	<b>15</b>	<b>10</b>
<b>TOTAL FINANCIAL INCOME</b>	<b>80</b>	<b>78</b>

	Period ended 31 March 2014	Period ended 31 March 2013 <i>restated data</i>
<b>FINANCIAL EXPENSES FROM FINANCIAL INSTRUMENTS</b>		
Interest expense	20	18
Revaluation	1	8
Impairment losses	1	1
Foreign exchange losses	3	24
<b>FINANCIAL EXPENSES FROM FINANCIAL INSTRUMENTS</b>	<b>25</b>	<b>51</b>
<b>OTHER FINANCIAL EXPENSES</b>		
Interest expenses (including effect of discount unwinding)	46	45
Other	2	1
<b>OTHER FINANCIAL EXPENSES</b>	<b>48</b>	<b>46</b>
<b>TOTAL FINANCIAL EXPENSES</b>	<b>73</b>	<b>97</b>

## 12 Impairment allowances with respect to assets

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

## 13 Income tax

	Period ended 31 March 2014	Period ended 31 March 2013 <i>restated data</i>
<b>INCOME TAX PRESENTED IN THE STATEMENT OF PROFIT OR LOSS</b>		
Current income tax	(150)	(231)
Deferred income tax	(40)	(32)
<b>TOTAL</b>	<b>(190)</b>	<b>(263)</b>

## 14 Deferred tax asset and liability

	As at 31 March 2014	As at 31 December 2013
<b>COMPONENTS OF DEFERRED TAX ASSET</b>		
Difference between tax value and carrying value of property, plant and equipment	468	494
Difference between tax value and carrying value of financial assets	24	24
Difference between tax value and carrying value of financial liabilities	27	19
Difference between tax value and carrying value of inventories	43	41
Compensations from cancellation of LTC	204	215
Provisions for reclamation of excavations and reclamation of ash storage	376	369
Provision for CO <sub>2</sub> emission rights	324	272
Provisions for employee benefits	455	453
Other provisions	118	141
Unrealized tax costs	214	216
Infrastructure granted free of charge and connection fees	153	155
Tax losses	35	6
Other	102	101
<b>GROSS DEFERRED TAX ASSET</b>	<b>2.543</b>	<b>2.506</b>
Impairment allowance	(4)	(4)
<b>NET DEFERRED TAX ASSET</b>	<b>2.539</b>	<b>2.502</b>
<b>COMPONENTS OF DEFERRED TAX LIABILITY</b>		
Difference between tax value and carrying value of property, plant and equipment	2.559	2.487
Difference between tax value and carrying value of other financial assets	34	31
Difference between tax value and carrying value of financial liabilities	152	151
Difference between tax value and carrying value of energy origin units	648	647
CO <sub>2</sub> emission rights	245	235
Income from accrued LTC compensations	135	138
Unrealized tax profits	127	122
Upward valuation of revenues	32	-
Other	10	54
<b>GROSS DEFERRED TAX LIABILITY</b>	<b>3.942</b>	<b>3.865</b>
<b>AFTER OFF-SET OF BALANCES , THE DEFERRED TAX OF THE GROUP IS PRESENTED AS:</b>		
Deferred tax asset	328	302
Deferred tax liability	(1.731)	(1.665)

## 15 Greenhouse gas emission rights

The PGE Group producers maintain installations, covered by the Act dated 28 April 2011 on the scheme for greenhouse gas emission allowance trading. From 2013, only part of emission rights for production of heat will be granted unconditionally, while for production of electricity, as a rule, these are not granted free of charge. Only on the basis of article 10c of Directive 2003/87/WE of the European Parliament on establishing a scheme for greenhouse gas emission allowance trading within the Union, is derogation possible conditional on realization of investment projects included in National Investment Plan. In order to cover electricity production entities can obtain free of charge CO<sub>2</sub> emission rights upon completion of the condition of presenting factual-financial statements on realization of projects included in the National Investment Plan.

PGE Polska Grupa Energetyczna S.A. submitted the required statement from realization of investment tasks on 9 December 2013, however CO<sub>2</sub> emission rights had not been allocated to the PGE Group's accounts before 31 March 2014.

	EUA		CER/ERU		Total Value
	amount (million Mg)	Value	amount (million Mg)	Value	
<b>AS AT 1 JANUARY 2013</b>	<b>76</b>	<b>597</b>	<b>6</b>	<b>194</b>	<b>791</b>
Purchase	38	772	-	-	772
Allocated free of charge	-	-	-	-	-
Redemption	(55)	(42)	(6)	(193)	(235)
Other	-	77	-	(1)	76
<b>AS AT 31 DECEMBER 2013</b>	<b>59</b>	<b>1.404</b>	<b>-</b>	<b>-</b>	<b>1.404</b>
Purchase	3	54	-	-	54
Allocated free of charge	-	-	-	-	-
Redemption	-	-	-	-	-
<b>AS AT 31 MARCH 2014</b>	<b>62</b>	<b>1.458</b>	<b>-</b>	<b>-</b>	<b>1.458</b>

On 12 April 2014, the companies of the PGE Group received free of charge CO<sub>2</sub> emission rights in the amount of nearly 31 million tones.

## 16 Share capital

	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
<b>TOTAL NUMBER OF SHARES</b>	<b>1.869.760.829</b>	<b>1.869.760.829</b>

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

## 17 Dividends paid and dividends declared

	Dividend paid or declared from the profit for the period/ for the year ended		
	31 March 2014	31 December 2013	31 December 2012
<b>CASH DIVIDENDS FROM ORDINARY SHARES</b>	-	-	-
Dividend from retained earnings	-	-	784
Dividend from reserve capital	-	-	824
<b>TOTAL CASH DIVIDEND FROM ORDINARY SHARES</b>	-	-	<b>1.608</b>
Cash dividend 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.

## 18 Provisions

	Post-employment benefits	Provisions for jubilee awards	Provisions for claims for non-contractual use of the property	Provisions for purchase of CO <sub>2</sub> emission rights	Provisions for reclamation costs	Provisions for scrapping of property, plant and equipment	Provisions for energy origin units held for redemption	Other	Total
<b>AS AT 1 JANUARY 2014</b>	<b>1.342</b>	<b>941</b>	<b>161</b>	<b>1.432</b>	<b>2.054</b>	<b>63</b>	<b>395</b>	<b>509</b>	<b>6.897</b>
Interest costs	14	10	-	-	21	-	-	-	45
Current service costs/ used provisions	(28)	(34)	-	-	-	(4)	(378)	(208)	(652)
Raised during the year	-	-	7	272	16	-	341	313	949
Reversed	-	-	(31)	-	-	-	(89)	(44)	(164)
Other changes	-	-	-	-	-	-	-	(3)	(3)
<b>AS AT 31 MARCH 2014</b>	<b>1328</b>	<b>917</b>	<b>137</b>	<b>1.704</b>	<b>2.091</b>	<b>59</b>	<b>269</b>	<b>567</b>	<b>7.072</b>
<b>CURRENT</b>	<b>90</b>	<b>98</b>	<b>28</b>	<b>1.704</b>	<b>-</b>	<b>13</b>	<b>269</b>	<b>419</b>	<b>2.621</b>
<b>NON-CURRENT</b>	<b>1.238</b>	<b>819</b>	<b>109</b>	<b>-</b>	<b>2.091</b>	<b>46</b>	<b>-</b>	<b>148</b>	<b>4.451</b>

According to the current plans for reclamation of post-exploitation excavations, the Group estimates that the respective costs will be incurred in the years 2032-2081 (for PGE Górnictwo i Energetyka Konwencjonalna S.A. Branch Kopalnia Węgla Brunatnego Bełchatów) and in the years 2041-2090 (for PGE Górnictwo i Energetyka Konwencjonalna S.A. Branch Kopalnia Węgla Brunatnego Turów).



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3 MONTHS PERIOD  
ENDED 31 MARCH 2014 IN ACCORDANCE WITH IFRS EU (IN PLN MILLION)**

	Post-employment benefits	Provisions for jubilee awards	Provisions for claims for non-contractual use of the property	Provisions for purchase of CO <sub>2</sub> emission rights	Provisions for reclamation costs	Provisions for scrapping of property, plant and equipment	Provisions for energy origin units held for redemption	Other	Total
<b>AS AT 1 JANUARY 2013</b> (restated)	<b>1.552</b>	<b>990</b>	<b>91</b>	<b>163</b>	<b>2.076</b>	<b>83</b>	<b>751</b>	<b>698</b>	<b>6.404</b>
Changes in the composition of the Group	-	(1)	-	-	26	-	-	(2)	23
Current service costs	33	46	-	-	-	-	-	-	79
Actuarial gains and losses excluding adjustment to discount rate	(255)	(15)	-	-	-	-	-	-	(270)
Adjustment of provision/ discount rate adjustments	(56)	(25)	-	-	(226)	-	-	-	(307)
Interest costs	60	37	-	-	88	2	-	-	187
Benefits paid/ provisions used	(57)	(94)	(1)	(158)	-	(21)	(1.178)	(446)	(1.955)
Raised	-	-	109	1.427	66	-	979	348	2.929
Reversed	-	-	(39)	-	(36)	(1)	(157)	(89)	(322)
Other changes	65	3	1	-	60	-	-	-	129
<b>AS AT 31 DECEMBER 2013</b>	<b>1.342</b>	<b>941</b>	<b>161</b>	<b>1.432</b>	<b>2.054</b>	<b>63</b>	<b>395</b>	<b>509</b>	<b>6.897</b>
<b>CURRENT</b>	<b>93</b>	<b>97</b>	<b>37</b>	<b>1.432</b>	<b>-</b>	<b>18</b>	<b>395</b>	<b>363</b>	<b>2.435</b>
<b>NON-CURRENT</b>	<b>1.249</b>	<b>844</b>	<b>124</b>	<b>-</b>	<b>2.054</b>	<b>45</b>	<b>-</b>	<b>146</b>	<b>4.462</b>

## 18.1 Provisions for liability due to CO<sub>2</sub> emission rights

As a general rule, particular Group entities record provisions for liabilities of CO<sub>2</sub> emissions in relation to the shortage with CO<sub>2</sub> emissions rights granted free of charge. Provision includes acquired EUA, and also possible coverage of the shortage with CER or ERU certificates. As described in note 15 of the foregoing financial statements the PGE Group is entitled to receive CO<sub>2</sub> emissions rights granted free of charge in connection to expenditures concerning investments submitted to the National Investment Plan. Until the reporting date relevant regulations had not been published and CO<sub>2</sub> emissions rights granted free of charge had not been allocated to the companies of the PGE Group. As a result they are not taken into provision calculation.

In April 2014 the Regulation of the Council of Ministers on the list of installation generating electricity (...) was published in which an allocation of CO<sub>2</sub> emissions rights for particular producers of the Group for period 2013-2020 was established. Taking into account the changed legal status, the PGE Group intends to include in the profit or loss of the second quarter of 2014, the corresponding part of the emission rights granted for 2014. If the Group included above mentioned rights in profit or loss of the period ended 31 March 2014 the provision would be lower by PLN 136 million.

Additionally, in the second quarter of 2014 the PGE Group intends to reverse the provision recognised in 2013 in amount of PLN 751 million, relating to the emission rights for 2013.

## 18.2 Other provisions

The main item of other provisions is a provision covering both reported and expected claims relating to real estate tax. Moreover, the caption consists of, among others, provisions for disputes with counterparties, employees' annual bonuses and holiday accrual.

# 19 Contingent liabilities and receivables. Legal claims

## 19.1 Contingent liabilities

	As at 31 March 2014	As at 31 December 2013
Liabilities due to bank guarantees	3	3
Guarantee for repayment of grants from the environmental funds	271	271
Legal claims	16	11
Contractual fines and penalties	12	12
Other contingent liabilities	26	23
<b>TOTAL CONTINGENT LIABILITIES</b>	<b>328</b>	<b>320</b>

### Other contingent liabilities

The other contingent liabilities include compensation in the amount of PLN 15 million for damages caused by unforeseen events, potential cash fines in the amount of PLN 7 million resulting from proceeding relating to environmental protection (breach of the conditions for disposal of sewage and deforestation in some of PGE Group companies).

## 19.2 Other significant issues related to contingent liabilities

### Non-contractual use of property

The PGE Group creates provision for disputes under court proceedings, concerning non-contractual use of properties used for distribution activities. In addition, in the PGE Group, there are disputes at an earlier stage of proceedings and there is a possibility of an increased number and amount of disputes in the future.

### 19.3 Contingent receivables

As at reporting date, the PGE Group did not have significant contingent receivables. Contingent receivables related mainly to financing received from the National Fund for Environmental Protection and Water Management regarding the realization of the project of construction of a cogeneration unit, reimbursement of VAT and registered claims for compensations from insurers relating to damage cause by unforeseen events.

### 19.4 Other legal claims and court issues

#### The issue of compensation for conversion of shares

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 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 Meeting of Shareholders

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 annulment of resolutions 1,2 and 4 of the Extraordinary General Meeting of the Company held on 6 February 2014. The Company filed a statement to the claim.

## 20 Financial liabilities

	Non-current	Current
<b>FINANCIAL LIABILITIES VALUED AT AMORTIZED COST (AS AT 31 MARCH 2014)</b>		
Interest bearing loans and credits	981	725
Bonds	1.000	9
Leasing	2	2
Trade liabilities	-	810
Compensations related to LTC	-	758
Other financial liabilities	12	561
<b>TOTAL</b>	<b>1.995</b>	<b>2.865</b>

Other financial liabilities comprise mainly liabilities due to purchase of property, plant and equipment in the amount of PLN 268 million and received deposits in the total amount of PLN 71 million.

As loans and credits presented in the above table, the Group includes the following facilities:

- investment credit facility drawn by PGE Górnictwo i Energetyka Konwencjonalna S.A. Branch Elektrownia Bełchatów from Nordic Investment Bank to finance construction of the 858 MW power plant - with a carrying amount of PLN 621 million as at 31 March 2014;
- investment credit facilities drawn by PGE Górnictwo i Energetyka Konwencjonalna S.A. Branch Elektrownia Turów from Nordic Investment Bank and UBS Investment Bank AG to modernize production equipment with a total carrying amount of PLN 277 million as at 31 March 2014.

### 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 27 June 2018. On 29 August 2013 the bonds were floated on 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 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.

## 21 Future investment commitments

At the date of the preparation of these consolidated financial statements, the largest contemplated investment of the PGE Group is the construction of power units 5 and 6 at PGE Górnictwo i Energetyka Konwencjonalna S.A., Branch Elektrownia Opole. According to the contract signed with the General Contractor, the value of this project is PLN 9.397 million, including advance payment already made of PLN 752 million. On 31 January 2014 the General Contractor has received the Order to Start of Work. Beyond the mentioned investment as at 31 March 2014, the PGE Group was committed to incur capital expenditures on property, plant and equipment in the amount of approximately PLN 5.042 million. These amounts relate mainly to construction of new power units, modernization of the Group's assets and the purchase of machinery and equipment. Significant future investment commitments concern:

- PGE Górnictwo i Energetyka Konwencjonalna S.A. Branch Elektrownia Bełchatów – reconstruction and modernization of plants, including flue gas desulphurization of approximately PLN 2.467 million,
- PGE Górnictwo i Energetyka Konwencjonalna S.A. Branch Elektrociepłownia Gorzów – construction of new steam – gas plant including service agreement and connection to transmission network – of approximately PLN 688 million,
- PGE Górnictwo i Energetyka Konwencjonalna S.A. Branch Elektrownia Turów, Elektrownia Opole i Elektrownia Dolna Odra – investment aiming to reduce nitric oxide emission – of approximately PLN 612 million,
- investment commitments of PGE Dystrybucja S.A. related to network assets with a total value of approximately PLN 684 million.

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

During the reporting period, PGE Group purchased tangible fixed assets and tangible fixed assets under construction of a total amount of PLN 982 million. The largest expenditures were incurred by PGE Górnictwo i Energetyka Konwencjonalna S.A. (PLN 691 million), Eolica Wojciechowo Sp. z o.o. (PLN 111 million), and PGE Dystrybucja S.A. (PLN 174 million). The main items of expenditures were:

- comprehensive reconstruction and modernization of blocks 7 – 12 in Branch Elektrownia Bełchatów amounting to PLN 221 million;
- construction of Eolica Wojciechowo wind farm with installed capacity of 28 MW in the amount of PLN 111 million.

## 23 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 manufacture.

### 23.1 Associates

The sales by entities belonging to the PGE Group to associates for the 3 month period ended 31 March 2014 amounted to PLN 2 million and PLN 3 million for the comparative period. As at 31 December 2013, the Group presented trade receivables from associates in the amount of PLN 1 million. As at 31 March 2014, trade receivables from associates did not occur.

### 23.2 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
Sales to related parties	626	953
Purchases from related parties	733	968

  

	As at 31 March 2014	As at 31 December 2013
Trade receivables from related parties	230	523
Trade payables to related parties	355	351

The largest transactions with the participation of State Treasury companies involve Polskie Sieci Elektroenergetyczne S.A., and purchases of coal from Polish mines.

The decrease in sales and receivables from related parties is due to the expiry of the contract between the parent company and Energa Obrót S.A.

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

### 23.3 Management personnel remuneration

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

<i>PLN thousand</i>	Period ended 31 March 2014	Period ended 31 March 2013
Short-term employee benefits (salaries and salary related costs)	5.193	6.012
Post-employment and termination benefits	1.783	897
<b>TOTAL REMUNERATION OF KEY MANAGEMENT PERSONNEL</b>	<b>6.976</b>	<b>6.909</b>
Remuneration of key management personnel of non-core entities	4.049	3.794
<b>TOTAL REMUNERATION OF KEY MANAGEMENT PERSONNEL</b>	<b>11.025</b>	<b>10.703</b>

<i>PLN thousand</i>	Period ended 31 March 2014	Period ended 31 March 2013
The Management Board of the Parent	2.488	2.855
The Supervisory Board of the Parent	66	73
The Management Boards – subsidiaries	4.164	3.769
The Supervisory Boards – subsidiaries	258	212
<b>TOTAL</b>	<b>6.976</b>	<b>6.909</b>
Remuneration of key management personnel of non-core entities	4.049	3.794
<b>TOTAL REMUNERATION OF KEY MANAGEMENT PERSONNEL</b>	<b>11.025</b>	<b>10.703</b>

The Members of the Management Boards of some of the Group companies are employed on the basis of civil law contracts for management (i.e. management contracts). The above remuneration is included in other costs by type disclosed in note 11.2 Costs by type and function.

## 24 Significant events of the reporting period and subsequent events

### 24.1 Compensation for long term contracts

As described in previous financial statements some producers comprising PGE Górnictwo i Energetyka Konwencjonalna S.A. („PGE GiEK S.A.”) became entitled to receive funds to cover stranded costs (so-called "compensation") pursuant to the Act of 29 June 2007 on the Rules of Coverage of Costs Occurring at Production Plants as a Consequence of Early Termination of Long-Term Power and Electricity Sales Contracts (Journal of Laws No. 130, item 905, of 2007) (the "LTC Act"). The LTC Act is ambiguous in many points which causes significant uncertainty. The calculation of the estimated results of each manufacturer and resulting compensations, annual adjustments of stranded costs, final adjustments and resulting revenues recognised in the statement of comprehensive income was performed by the PGE Group to the best of its knowledge in this area and with the support of external experts.

In the previous years, the authorized producers (currently the branches of PGE GiEK S.A.) received decisions on annual adjustments of stranded costs and costs related to natural gas fired entities for the years 2008 - 2012. The majority of these decisions were unfavourable for the particular producers and the Company believes that they were issued in violation of the LTC Act. As a consequence, since 2009, a number of proceedings have been initiated before the Regional Court in Warsaw - Competition and Consumer Protection Court ("CCP Court") and before the Court of Appeals concerning appeals filed by producers against the decision of the President of the Energy Regulatory Office. These proceedings are currently at various levels of advancement.

In the first quarter of 2014, there have been no new decisions in the proceedings concerning the appeals against the President of ERO decisions regarding the annual adjustments of stranded costs and the costs related to natural gas fired entities for the years 2008-2012.

## Effects on the report for the period ended 31 March 2014

In these financial statements, the PGE Group recognised revenues from LTC compensations as sales revenues in the amount of PLN 131 million.

The amount of disputes in all matters relating to the years 2008 – 2012 amount to PLN 1.660 million, including the amount of disputes favorably adjusted for PGE GiEK S.A. by the Court of Appeal and a favorable final judgment by CCP Court in the amount of PLN 742 million.

## 24.2 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.

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**Marek Woszczyk**

**President of the Management Board**

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**Jacek Drozd**  
**Vice-President of the**  
**Management Board**

**Grzegorz Krystek**  
**Vice-President of the**  
**Management Board**

**Dariusz Marzec**  
**Vice-President of the**  
**Management Board**