



Condensed interim separate financial statements for the 3-month and 9-month period

**ended September 30, 2014
in accordance with IFRS EU (in PLN million)**

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SEPARATE STATEMENT OF COMPREHENSIVE INCOME

	Note	3 months ended September 30, 2014 (not audited)	9 months ended September 30, 2014 (not audited)	3 months ended September 30, 2013 (not audited)	9 months ended September 30, 2013 (not audited)
STATEMENT OF PROFIT AND LOSS					
Revenues from sale of finished goods and merchandise	9	2,146	6,613	2,951	8,803
Revenues from sale of services		134	388	123	397
Revenues from leases		3	7	3	8
SALES REVENUE		2,283	7,008	3,077	9,208
Costs of goods sold	9	(2,141)	(6,500)	(2,808)	(8,385)
GROSS PROFIT ON SALES		142	508	269	823
Other operating revenues	9	5	7	3	8
Distribution and selling expenses	9	(6)	(15)	(4)	(12)
General and administrative expenses	9	(42)	(109)	(32)	(108)
Other operating expenses	9	-	(5)	(1)	(2)
OPERATING PROFIT		99	386	235	709
Financial revenues	9	10,794	11,045	70	1,536
Financial expenses	9	(5,983)	(6,055)	(8)	(18)
PROFIT BEFORE TAX		4,910	5,376	297	2,227
Income tax	11	49	(20)	(56)	(178)
NET PROFIT FOR THE OPERATING PERIOD		4,959	5,356	241	2,049
OTHER COMPREHENSIVE INCOME					
Other comprehensive income, which will be reclassified to profit or loss, including :		(35)	(48)	-	-
Valuation of hedging instruments		(35)	(48)	-	-
Valuation of available-for-sale financial assets		-	-	-	-
TOTAL OTHER COMPREHENSIVE INCOME FOR THE PERIOD		(35)	(48)	-	-
TOTAL COMPREHENSIVE INCOME		4,924	5,308	241	2,049
EARNINGS PER SHARE (IN PLN)					
- basic earnings per share for the period		2.65	2.86	0.13	1.10

SEPARATE STATEMENT OF FINANCIAL POSITION

	Note	As at September 30, 2014 (not audited)	As at December 31, 2013 (audited)	As at September 30, 2013 (not audited)
NON-CURRENT ASSETS				
Property, plant and equipment		193	196	199
Intangible assets		7	6	7
Loans and receivables	14	3,357	3,330	3,242
Shares in subsidiaries	14	29,263	24,382	24,360
Available-for-sale financial assets		3	-	3
Deferred tax assets	11	59	-	-
TOTAL NON-CURRENT ASSETS		32,882	27,914	27,811
CURRENT ASSETS				
Inventories		388	282	318
Short-term financial assets at fair value through profit or loss	14	75	104	105
Trade receivables	14	375	771	820
Other loans and financial assets	14	446	100	695
Available-for-sale short-term financial assets		-	3	37
Other current assets		71	15	7
Cash and cash equivalents	14	3,147	2,190	1,604
TOTAL CURRENT ASSETS		4,502	3,465	3,586
TOTAL ASSETS		37,384	31,379	31,397

SEPARATE STATEMENT OF FINANCIAL POSITION

	Note	As at September 30, 2014 (not audited)	As at December 31, 2013 (audited)	As at September 30, 2013 (not audited)
EQUITY				
Share capital	15	18,698	18,698	18,698
Revaluation reserve on financial instruments	15	(48)	-	-
Reserve capital		9,231	8,941	8,941
Other capital reserves		-	50	50
Retained earnings		5,356	2,297	2,005
TOTAL EQUITY		33,237	29,986	29,694
NON-CURRENT LIABILITIES				
Interest-bearing loans and borrowings, bonds and lease	19	3,703	1,000	1,000
Non-current provisions	17	18	19	21
Deferred tax liability	12	-	35	71
TOTAL NON-CURRENT LIABILITIES		3,721	1,054	1,092
CURRENT LIABILITIES				
Trade liabilities	19	130	132	281
Financial liabilities at fair value through profit or loss	19	108	1	2
Interest-bearing loans and borrowings, bonds and lease	19	65	-	9
Other current financial liabilities	19	5	4	6
Other current non-financial liabilities		66	172	253
Income tax liabilities		27	-	4
Deferred income		-	1	36
Current provisions	17	25	29	20
TOTAL CURRENT LIABILITIES		426	339	611
TOTAL LIABILITIES		4,147	1,393	1,703
TOTAL EQUITY AND LIABILITIES		37,384	31,379	31,397

SEPARATE STATEMENT OF CHANGES IN EQUITY

	Share capital	Revaluation reserve on financial instruments	Reserve capital	Other capital reserves	Retained earnings	Total
AS AT JANUARY 1, 2014	18,698	-	8,941	50	2,297	29,986
Profit for the period	-	-	-	-	5,356	5,356
Other comprehensive income	-	(48)	-	-	-	(48)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-	(48)	-	-	5,356	5,308
Retained earnings distribution	-	-	290	(50)	(240)	-
Dividend	-	-	-	-	(2,057)	(2,057)
AS AT SEPTEMBER 30, 2014	18,698	(48)	9,231	-	5,356	33,237

SEPARATE STATEMENT OF CHANGES IN EQUITY

	Share capital	Reserve capital	Other capital reserves	Retained earnings	Total
AS AT JANUARY 1, 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 DECEMBER 31, 2013	18,698	8,941	50	2,297	29,986

SEPARATE STATEMENT OF CHANGES IN EQUITY

	Share capital	Reserve capital	Other capital reserves	Retained earnings	Total
AS AT JANUARY 1, 2013	18,698	9,688	50	817	29,253
Profit for the period	-	-	-	2,049	2,049
Other comprehensive income	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-	-	-	2,049	2,049
Retained earnings distribution	-	77	-	(77)	-
Dividend	-	(824)	-	(784)	(1,608)
AS AT SEPTEMBER 30, 2013	18,698	8,941	50	2,005	29,694

SEPARATE STATEMENT OF CASH FLOWS

	Period ended September 30, 2014 (not audited)	Period ended September 30, 2013 (not audited)
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	5,376	2,227
Adjustments for:		
Depreciation and amortization	9	12
Interest and dividend, net	(10,921)	(1,439)
Profit / loss on investment activities	6,002	(87)
Change in receivables	379	(86)
Change in inventories	(106)	174
Change in liabilities, excluding loans and bank credits	(134)	(47)
Change in prepayments and other non-financial assets	(25)	28
Change in provisions	(4)	(210)
Income tax paid	(84)	(198)
Other	18	(9)
NET CASH FROM OPERATING ACTIVITIES	510	365
CASH FLOW FROM INVESTING ACTIVITIES		
Disposal of property, plant and equipment and intangible assets	1	19
Purchase of property, plant and equipment and intangible assets	(8)	(11)
Purchase of bonds issued within PGE Capital Group	(7,706)	(20,188)
Disposal of bonds issued within PGE Capital Group	6,926	21,022
Disposal of other financial assets	-	25
Purchase of other financial assets	(588)	(953)
Dividends received	992	976
Deposits with a maturity over 3 months	(1,999)	-
Termination of deposits over 3 months	1,999	-
Interest received	105	180
Loans repaid	41	419
Loans granted	-	(476)
Other	-	2
NET CASH FROM INVESTING ACTIVITIES	(237)	1,015
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from loans, bank credits and issue of bonds	2,720	995
Repayment of loans, bank credits, bonds and finance lease	-	(142)
Dividends paid	(2,022)	(1,589)
Interest paid	(17)	(1)
Other	(1)	-
NET CASH FROM FINANCING ACTIVITIES	680	(737)
NET CHANGE IN CASH AND CASH EQUIVALENTS	953	643
Effect of foreign exchange rate changes, net	6	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	2,188	960
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3,141	1,603
Restricted cash	32	147

Difference between cash and cash equivalents in the statement of financial position and in the statement of cash flows results from interests accrued but not received as at the balance sheet date and from unrealized exchange differences.

1 General information

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

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

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 dominant shareholder of the Company.

Core operations of the Company are as follows:

- trading of electricity and other products of energy market,
- supervisory of activities of central and holding companies,
- rendering of financial services for the companies from PGE Capital Group,
- rendering of other services related to the above mentioned activities.

Business activities are conducted under appropriate concessions granted.

These condensed interim separate financial statements of the Company comprise financial data for the period from January 1, 2014 to September 30, 2014 („financial statements”).

2 The composition of the Management Board of the Company

As at January 1, 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 International Accounting Standards, which regard interim financial reporting as adopted by the European Union, published and effective during the period of preparation of these financial statements and in the scope required under the Minister of Finance Regulation of February 19, 2009 on current and periodic information provided by issuers of securities and conditions of recognition as equivalent information required by the law of a non-Member State (Official Journal no. 33, item 259) ("Regulation").

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

With the exception of the implementation of hedge accounting, the foregoing separate financial statements are prepared based on the same accounting policy and methods of computation as compared with the most recent annual financial statements. Financial statements are to be read together with the audited separate financial statements of PGE S.A. prepared in accordance with IFRS for the year ended December 31, 2013. Amended accounting policy is described in note 6 of these financial statements.

3.2 General rules of preparation

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

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:

	September 30, 2014	December 31, 2013	September 30, 2013
USD	3.2973	3.0120	3.1227
EUR	4.1755	4.1472	4.2163

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 January 1, 2014:

Standard	Description of changes	EU effective date
IFRS 9 Financial Instruments (along with amendments)	Changes to the classification and measurement requirements – replacement of the existing categories of financial instruments with the two following categories: measured at amortised cost and at fair value. Changes to hedge accounting.	January 1, 2018
IFRS 14 Regulatory Deferral Accounts	Accounting and disclosure principles for regulatory deferral accounts.	January 1, 2016
IFRS 15 Revenue from Contracts with Customers	The standard applies to all contracts with customers, except for those within the scope of other IFRSs (e.g. leasing contracts, insurance contracts and contracts relating to financial instruments). IFRS 15 clarifies principles of revenue recognition.	January 1, 2017
Amendments to IFRS 11	Additional accounting guidance for the acquisition of an interest in a joint operation.	January 1, 2016
Amendments to IFRS 10 and IAS 28	Deals with the sale or contribution of assets between an investor and its joint venture or associate	January 1, 2016
Amendments to IAS 16 and IAS 38	Clarifies that a method of depreciation/amortisation that is based on the revenue expected to be generated from using the asset is not allowed.	January 1, 2016
Amendments to IAS 16 and IAS 41	Accounting for bearer plants.	January 1, 2016
Amendments to IAS 19	Simplifies the accounting for contributions by employees or third parties to defined-benefit plans.	July 1, 2014
Amendments to IAS 27	Use of the equity method in separate financial statements.	January 1, 2016
Annual improvements to IFRS (cycle 2010-2012)	A collection of amendments dealing with: - IFRS 2 – matter of vesting conditions; - IFRS 3 – matter of conditional consideration; - IFRS 8 – matter of presentation of operating segments; - IFRS 13 – current receivables and payables; - IAS 16 / IAS 38 – proportionate restatement; - IAS 24 – definition of key management personnel.	July 1, 2014
Annual improvements to IFRS (cycle 2011-2013)	A collection of amendments dealing with: - IFRS 3 – change in the scope of exception for joint ventures; - IFRS 13 – scope of paragraph 52 (portfolio exception); - IAS 40 – clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.	July 1, 2014
Annual improvements to IFRS (cycle 2012-2014)	A collection of amendments dealing with: IFRS 5 – changes in methods of disposal; IFRS 7 – regulations regarding servicing contracts, and applicability of the amendments to IFRS 7 to condensed interim financial statements; IAS 19 – discount rate: regional market issue; IAS 34 – additional guidance relating to disclosures in interim financial statements.	January 1, 2016

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

The new IFRS 9 – Financial instruments introduce fundamental changes to classifying, presenting and measuring of financial instruments. These changes will possibly have material influence on future financial statements of the Company. At the date of preparation of these financial statements all phases of IFRS 9 have not been published and standard is not yet approved by the European Union. As a result analysis of its impact on the future financial statements of the PGE S.A. has not been finished yet.

The amendments to IAS 27 introduce the option to use the equity method of accounting in separate financial statements. If the Company was to change its accounting policy in this scope, it would increase the value of PGE S.A.'s assets and equity. Furthermore, the statement of comprehensive income would include the proportionate share of the profit or loss of subsidiaries, and would no longer include dividends received from these companies.

Other standards and their changes should have no significant impact on future financial statements of PGE S.A.

6 Changes of accounting principles and data presentation

The implementation of hedge accounting

The Company has revised the accounting policy and has considered the applied principles of hedge accounting. The Company permits the use of cash flow hedge accounting, fair value hedge accounting and hedge of a net investments in foreign operations. Accordingly, the Company may decide to designate selected derivatives as a hedging instruments in the identified hedging relationship. The Company permits the application of hedge accounting only if they fulfill the criteria defined in IAS 39.

Applied accounting policies cash flow hedge

Changes in the fair value of derivative financial instruments designated as cash flow hedges are recognized in revaluation reserve in the portion determined to be an effective hedge, while the ineffective portion of the hedge is recognized in the profit or loss.

The amount of accumulated changes in fair value of hedging instrument, previously recognized in revaluation reserve are transferred to profit or loss in the period or periods in which the hedged item affects profit or loss. Alternatively, if the hedge of a planned transaction results in the recognition of non-financial assets or non-financial liabilities, the Company excludes the amount from equity and includes in the initial cost or other carrying amount of a non-financial asset or liability.

The implementation of hedge accounting has not caused the need to restate comparative data.

7 Changes in estimates

In the period covered by these financial statements, a significant change was recorded with regard to estimate of recoverable value of selected financial assets. This issue was described in notes 9.4 and 21.3 of the foregoing financial statements. Additionally, as disclosed in note 17, the Company changed estimations regarding the amounts of provisions presented in the statement of financial position.

8 Fair value hierarchy

The rules for the valuation of inventories, derivatives, stocks, shares and non-quoted instruments on the active markets, for which the fair value is not possible to be determined, are the same as presented in the separate financial statements for year ended December 31, 2013.

FAIR VALUE HIERARCHY	As at September 30, 2014		As at December 31, 2013	
	Level 1	Level 2	Level 1	Level 2
- CO ₂ emission rights	314	-	246	-
Inventories	314	-	246	-
- commodity forward	-	58	-	95
- FX forward	-	17	-	9
Financial assets	-	75	-	104
- FX forward	-	2	-	1
- CCIRS valuation	-	58	-	-
- IRS valuation	-	48	-	-
Financial liabilities	-	108	-	1

In the reporting period and comparable period there have been no transfers in fair value hierarchy between the level 1 and 2 of financial instruments.

Valuation of hedging transactions CCIRS and IRS is disclosed in note 19 of these financial statements.

9 Revenues and expenses

9.1 Sales revenues

	3-month period	9-month period	3-month period	9-month period
	ended September 30, 2014	ended September 30, 2014	ended September 30, 2013	ended September 30, 2013
REVENUES FROM SALE				
Sale of electricity	1,731	5,318	2,488	7,529
Sale of the property rights of energy origin	153	790	250	694
Other sales of merchandise and materials	262	505	213	580
Revenues from sale of services	134	388	123	397
Revenues from rent	3	7	3	8
TOTAL SALES REVENUES	2,283	7,008	3,077	9,208

The decrease in sales revenue for the period ended September 30, 2014 compared to the corresponding period is mainly due to the expiration of the contract with Energa Obrót S.A. and a decline in realized prices of electricity.

9.2 Cost by type and functions

	3-month period ended September 30, 2014	9-month period ended September 30, 2014	3-month period ended September 30, 2013	9-month period ended September 30, 2013
COSTS BY TYPE				
Depreciation/amortization	3	9	4	12
Materials and energy	-	2	1	3
External services	19	46	13	35
Taxes and charges	1	3	3	8
Personnel expenses	23	67	18	63
Other cost by type	30	67	13	57
TOTAL COSTS BY TYPE	76	194	52	178
Change in inventories	-	-	(4)	-
Cost of products and services for the entity's own needs	-	-	-	(1)
Distribution and selling expenses	(6)	(15)	(4)	(12)
General and administrative expenses	(42)	(109)	(32)	(108)
Cost of merchandise and materials sold	2,113	6,430	2,796	8,328
COST OF GOODS SOLD	2,141	6,500	2,808	8,385

Decrease of cost of sold merchandise and materials (mainly purchased electricity) in the period ended September 30, 2014 in comparison to the corresponding period of previous year is directly related to the decrease of electricity sales revenues described above.

9.3 Other operating revenues and expenses

In the period ended September 30, 2014 the Company included in other operating revenues of PLN 7 million (of which PLN 2 million of reversed provisions and almost PLN 1 million related to grants received). In the three quarters of 2013 the Company recognized mainly PLN 3 million of revenues from reversal of provisions and PLN 3 millions of profit from disposal of tangible fixed assets.

In the current period the Company recognized in other operating expenses mainly ceased investment projects of PLN 3 million, and in corresponding period of previous year court fees and a granted donation with a total value of PLN 2 million.

9.4 Financial income and expenses

The most significant of the financial revenues is the donation received from PGE Obrót S.A. on September 10, 2014. Subject matter of the donation were shares of PGE Dystrybucja S.A. and PGE Górnictwo i Energetyka Konwencjonalna S.A. Value of the donation, recognised as a dividend from a subsidiary, amounted to PLN 9,817 million.

Since the equity of PGE Obrót S.A. decreased significantly as a result of the donation, PGE S.A. recognised impairment write-down for the PGE Obrót S.A. shares in amount of PLN 5,336 million in the financial expenses.

Details of the transaction are presented in note 21.3 of these financial statements.

	Period ended September 30, 2014	Period ended September 30, 2013
FINANCIAL INCOME		
Dividends	10,809	1,279
Interest	186	206
Revaluation/Reversal of impairment allowance	24	34
Profit on sale of investment	-	1
Foreign exchange gain	25	12
Other	1	-
FINANCIAL INCOME FROM FINANCIAL INSTRUMENTS	11,045	1,532
Provisions reversed	-	4
OTHER FINANCIAL INCOME	-	4
TOTAL FINANCIAL INCOME	11,045	1,536

Apart from the donation described above, in the period ended September 30, 2014 the Company recognized revenues from dividends received from PGE Obrót S.A. of PLN 900 million and from PGE Dystrybucja S.A. of PLN 91 million. In corresponding period of previous year PGE S.A. recognized revenues from dividends received from PGE Obrót S.A. of PLN 1,184 million and from PGE Dystrybucja S.A. of PLN 94 million.

Interest income relate mainly to bonds issued by subsidiaries and investing cash .

Revaluation of financial instruments relates mainly to transactions relating to the market for carbon dioxide emissions.

	Period ended September 30, 2014	Period ended September 30, 2013
FINANCIAL EXPENSES		
Interest expense	55	10
Impairment loss	5,922	-
Revaluation	49	-
Foreign exchange losses	27	1
Other	1	6
FINANCIAL EXPENSES FROM FINANCIAL INSTRUMENTS	6,054	17
Interest cost including unwinding of discount	1	1
Other	-	-
OTHER FINANCIAL EXPENSES	1	1
TOTAL FINANCIAL EXPENSES	6,055	18

As described, impairment loss mainly includes revaluation of PGE Obrót S.A. – subsidiary of the Company. Additionally, cost of estimated loss of value of bonds issued by Autostrada Wielkopolska S.A. with a carrying amount of PLN 386 million was also recognized in this item.

Interest expenses relate mainly to bonds issuance and bank loans described in note 19 of these financial statements.

Revaluation includes valuation of hedging instruments CCIRS and IRS.

10 Impairment allowances of assets

As described in notes 9.4 and 21.3 of these financial statements in the period ended September 30, 2014 the Company recognized impairment write-down of shares of PGE Obrót S.A. and of part of possessed bonds. PGE S.A. did not recognize significant impairment allowances of assets in the comparable reporting period.

11 Income tax

	Period ended September 30, 2014	Period ended September 30, 2013
INCOME TAX PRESENTED IN THE STATEMENT OF PROFIT OR LOSS		
Current income tax	103	173
Deferred income tax	(83)	5
TOTAL	20	178

Additionally in the financial statements prepared as at September 30, 2014 in line other comprehensive income the Company recognized deferred tax asset on valuation of financial instruments of PLN 11 million.

The effective tax rate in the period ended September 30, 2014 amounts to approximately 0.4%. Main differences affecting the effective tax rate relate to recognition of revenues from dividend (that are not included in calculation of income tax base), impairment allowance of shares of PGE Obrót S.A. and settlements of tax benefits between the companies comprising a tax capital group.

12 Deferred tax asset and liability

	As at September 30, 2014	As at December 31, 2013
COMPONENTS OF DEFERRED TAX ASSET		
Unrealized tax costs for the period	37	39
Difference between tax value and carrying value of financial liabilities	30	-
Difference between tax value and carrying value of inventories	21	-
Difference between tax and book value of inventories	3	13
Provisions for employee benefits	6	6
Payroll and other employee benefits	2	2
Other	7	-
DEFERRED TAX ASSET	106	60
COMPONENTS OF DEFERRED TAX LIABILITY		
Difference between tax value and carrying value of property, plant and equipment	24	25
Accrued interest on deposits, loans granted, bonds and receivables	6	49
Difference between tax value and carrying value of financial liabilities	-	20
Difference between tax and book value of other financial assets	14	-
Unrealized tax profits for the period	3	1
DEFERRED TAX LIABILITY	47	95
AFTER OFF-SET OF BALANCES , THE DEFERRED TAX OF THE GROUP IS PRESENTED AS:		
Deferred tax asset	59	-
Deferred tax liability	-	35

13 Property, plant and equipment

In the reporting period the Company neither purchased nor sold any significant property, plant and equipment.

14 Financial assets

The carrying amount of financial assets measured at amortized cost represents a reasonable estimate of their fair value.

14.1 Trade receivables

Trade receivables in amount of PLN 375 million relate mainly to the sale of electricity and services to subsidiaries in PGE Group. As at September 30, 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 96% of total balance of trade receivables.

14.2 Loans and other financial assets

As at the reporting date the most significant part of loans and other financial assets are bonds issued by subsidiaries in PGE Group.

	As at September 30, 2014		As at December 31, 2013	
	Non-current	Current	Non-current	Current
PURCHASED BONDS - ISSUER				
PGE Górnictwo i Energetyka Konwencjonalna S.A.	2,523	223	2,018	3
PGE Energia Odnawialna S.A.	729	1	728	1
PGE Energia Natury PEW sp. z o.o.	76	1	-	-
PGE Energia Natury Omikron sp. z o.o.	-	145	145	2
PGE Energia Natury Kappa sp. z o.o.	-	50	50	-
PGE Energia Natury S.A.	-	3	3	-
Autostrada Wielkopolska S.A.	-	-	358	-
TOTAL PURCHASED BONDS	3,328	423	3,302	6
LOANS GRANTED- BORROWER				
PGE Systemy S.A.	29	-	28	-
PGE EJ 1 sp. z o.o.	-	-	-	12
PGE Energia Natury Olecko sp. z o.o.	-	2	-	2
PGE Energia Natury PEW sp. z o.o.	-	-	-	23
PGE Energia Natury sp. z o.o.	-	-	-	19
TOTAL LOANS GRANTED	29	2	28	56
OTHER DEPOSITS	-	20	-	33
OTHER	-	1	-	5
TOTAL LOANS AND OTHER FINANCIAL ASSETS	3,357	446	3,330	100

Bonds issues by subsidiaries in PGE 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 September 30, 2014	As at December 31, 2013
PGE Górnictwo i Energetyka Konwencjonalna S.A.	15,073	14,786
PGE Dystrybucja S.A.	10,592	950
PGE Obrót S.A.	1,117	6,653
PGE Energia Natury S.A.	462	421
Exatel S.A.	428	428
PGE Energia Odnawialna S.A.	415	415
PGE Energia Natury sp. z o.o.	397	-
PGE EJ 1 sp. z o.o.	206	131
PGE Systemy S.A.	125	125
PGE Sweden AB (publ)	112	-
ELBEST sp. z o.o.	101	-
PGE Dom Maklerski S.A.	97	17
BETRANS sp. z o.o.	35	-
ELMEN sp. z o.o.	23	-
ELTUR SERWIS sp. z o.o.	23	-
PGE Trading GmbH	14	14
BESTGUM sp. z o.o.	12	-
MEGAZEC sp. z o.o.	10	-
ELBIS sp. z o.o.	8	-
MegaSerwis sp. z o.o.	7	-
TOP Serwis sp. z o.o.	5	-
PGE Inwest sp. z o.o.	1	1
EPW Energia sp. z o.o.	-	396
PGE Energia Natury Bukowo sp. z o.o.	-	28
PGE Energia Natury Karnice sp. z o.o.	-	16
PGE Energia Natury Olecko sp. z o.o. (previously EPW Energia Olecko sp. z o.o.)	-	1
TOTAL	29,263	24,382

On February 28, 2014 the division of EPW Energia sp. z o.o. ended. The branches belonging to PGE S.A. were combined with PGE Energia Natury sp. z o.o. Simultaneously during the period, an adjustment was made to the purchase price.

On April 8, 2014, PGE S.A. purchased the company Goldcup 5812 AB based in Sweden. After the purchase, the company name was changed and is now known as PGE Sweden AB (publ). The purchase of the company was related to the organization of financing for the PGE Capital Group as described in note 21.2 in these financial statements.

On August 31, 2014 PGE S.A. purchased from its subsidiaries stakes in companies: ELBEST sp. z o.o., ELMEN sp. z o.o., ELTUR SERWIS sp. z o.o., TOP Serwis sp. z o.o., BETRANS sp. z o.o., MEGAZEC sp. z o.o., BESTGUM sp. z o.o., Elbis sp. z o.o. and MegaSerwis sp. z o.o. Purchase of the companies was connected with the works on creation of tax capital group as described in note 21.4 in these financial statements.

On September 10, 2014 PGE S.A. received shares of PGE Dystrybucja S.A. and PGE Górnictwo i Energetyka Konwencjonalna S.A. in form of donation from PGE Obrót S.A. Impact of the above transactions on the financial statements of PGE S.A. was described in detail in note 21.3 of these financial statements.

On September 18, 2014 PGE S.A. made a contribution in kind to PGE Energia Natury S.A. in form of shares in PGE Energia Natury Bukowo sp. z o.o., PGE Energia Natury Karnice sp. z o.o. and PGE Energia Natury Olecko sp. z o.o.

In the third quarter of 2014, 14 new limited liability companies (with names: PGE Inwest from 2 to 15) were registered. Total share capital of these entities amounts to PLN 140 thousand. Setting up of companies was connected with the works on creation of new tax capital group as described in note 21.4 in these financial statements.

Buyout of shares of PGE Górnictwo i Energetyka Konwencjonalna S.A. from minority shareholders was taking place during the reporting period. Shares were purchased by PGE S.A. and for redemption by the company itself.

After the balance sheet date PGE S.A. set up PGE Inwest 16 sp. z o.o. what is connected with development plans of PGE capital Group.

14.4 Financial assets at fair value through profit or loss

	As at September 30, 2014	As at December 31, 2013
FINANCIAL ASSETS AT FAIR VALUE		
- commodity forward	58	95
- currency forward	17	9
TOTAL	75	104

Within financial assets at fair value through profit and loss the Company recognizes financial instruments related to carbon dioxide emissions trade- commodity forward and currency forward.

14.5 Cash and cash equivalents

	As at September 30, 2014	As at December 31, 2013
Cash on hand and at bank	934	281
Overnight deposits	12	208
Short-term deposits	2,201	1,701
TOTAL CASH AND CASH EQUIVALENTS	3,147	2,190

15 Equity

15.1 Share capital

	As at September 30, 2014	As at December 31, 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 NUMBER OF SHARES	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 January 1, 2014	61.89%	38.11%	100.00%
As at September 30, 2014	58.39%	41.61%	100.00%

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

On July 2, 2014 the State Treasury has disposed (directly and indirectly through Polskie Inwestycje Rozwojowe S.A.) 65,441,629 ordinary shares of the Company, representing 3.50% share in the share capital of the Company. According to the received notification from the Ministry of Treasury, after the above transaction, the share of State Treasury in Company's share capital amounts to 58.39%. According to information available to the Company on the date of publication of these financial statements, the only shareholder holding at least 5% of the total number of votes at the General Meeting of PGE S.A. was the State Treasury. 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.

15.2 Revaluation reserve

Due to implementation of the hedge accounting, the Company recognized an amount of PLN (59) million in the revaluation reserve in the period ended September 30, 2014. After taking into account deferred tax effect, the revaluation reserve amounted to PLN (48) million.

The below table presents changes in revaluation reserve in the reporting period due to applied hedge accounting (amounts presented gross before deferred tax):

	Period ended September 30, 2014	Year ended December 31, 2013
Opening balance	-	-
Deferral of changes in fair value of hedging instruments recognized as an effective hedge	(58)	-
Accrued interest on derivatives transferred from revaluation reserve and recognized in interest expense	16	-
Currency revaluation of CCIRS transferred from revaluation reserve and recognized in result on foreign exchange differences	(18)	-
Ineffective portion of the changes in fair value of hedging derivatives recognized in the profit and loss	1	-
Change in revaluation reserve	(59)	-

16 Dividends paid and dividends declared

	Dividend paid or declared from the profit for the period/ for the year ended		
	September 30, 2014	December 31, 2013	December 31, 2012
Dividend from retained earnings	-	2,057	784
Dividend from reserve capital	-	-	824
TOTAL CASH DIVIDEND FROM ORDINARY SHARES	-	2,057	1,608
Cash dividend per share (in PLN)	-	1.10	0.86

Dividend from the profit for the period ended September 30, 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

On June 6, 2014, the General Shareholders Meeting of PGE S.A. resolved to distribute PLN 2,057 million from the net profit of 2013 as a dividend (that comprise dividend of PLN 1.10 per share). Dividend determined by the resolution of the Ordinary General Meeting of June 6, 2014 was paid on September 26, 2014.

Dividend from the profit for the year 2012

On June 27, 2013, the General Shareholders 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 June 27, 2013 and paid on September 26, 2013.

17 Provisions

During the period ended September 30, 2014 there were no significant changes in provisions. In the comparative period the biggest change was a result of use of provision related to the dispute with Alpiq in amount of PLN 197 million.

18 Contingent liabilities and receivables. Legal claims

18.1 Contingent liabilities

	As at September 30, 2014	As at December 31, 2013
Collaterals for repayment of bank guarantees granted	12,496	23
Other contingent liabilities	1	1
TOTAL CONTINGENT LIABILITIES	12,497	24

Surety for the obligations of PGE Sweden AB (publ)

In connection with the establishment of the Eurobonds programme, disclosed in note 21.2 of these financial statements, on May 22, 2014 an agreement was concluded for the issue of guarantee by PGE S.A. for the liabilities of PGE Sweden AB (publ). Guarantee was granted to the total amount of EUR 2,500 million and will be valid until December 31, 2041.

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 2,038 million. Granting guaranties is related to the conducted by PGE GiEK S.A. investment in the construction of the new power units in Opole power plant.

18.2 Other significant 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 September 30, 2014, as well as at December 31, 2013, the estimated value of the promise amounts to PLN 15.2 billion.

Commitment to support liquidity at PGE Obrót S.A.

As has been described in note no. 21.3 to these financial statements, on September 10, 2014 PGE Obrót S.A. transferred to PGE S.A., by way of donation, its shares in PGE Dystrybucja S.A. and PGE Górnictwo i Energetyka Konwencjonalna S.A. Because this transaction resulted in a substantial decrease in PGE Obrót S.A.'s equity, the Company committed to ensure the liquidity of PGE Obrót S.A. if this entity were to face insolvency. Ensuring liquidity can take the form of a capital increase, debt financing or other activities aimed at reducing the likelihood of insolvency.

Also on September 10, 2014 PGE Obrót S.A. and PGE S.A. executed a debt subordination agreement pursuant to which, in the event that PGE Obrót S.A. becomes insolvent, PGE S.A.'s receivables from PGE Obrót S.A. will constitute subordinated debt.

At the date on which these financial statements were prepared, there were no indications of default risk at PGE Obrót S.A.

18.3 Legal claims

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 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. with 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 the company 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 data or documents their claims were calculated.

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 take a legal action lawsuit to receive compensation in claims previously claimed during the settlement attempts. For the reported claims, the Company has not created a provision.

Claims for annulment of the resolutions of the General Shareholders Meetings

On April 1, 2014 and on September 17, 2014 PGE S.A. received a copies of lawsuits filed to the District Court of Warsaw by one of the shareholders. In the lawsuits, the shareholder is seeking for annulment of the resolutions 1, 2 and 4 of the Extraordinary General Shareholders Meeting of the Company held on February 6, 2014 and for annulment of the resolution 4 of the Ordinary General Shareholders Meeting of the Company held on June 6, 2014.

The Company filed responses to the claims.

18.4 Receivables and other contingent assets

As at September 30, 2014, as well as at December 31, 2013, the Company did not have significant contingent assets.

19 Financial liabilities

19.1 Financial liabilities valued at amortized cost

The carrying amount of financial liabilities represents a reasonable estimate of their fair value.

	As at September 30, 2014		As at December 31, 2013	
	Non-current	Current	Non-current	Current
FINANCIAL LIABILITIES VALUES AT AMORTIZED COST				
Interest bearing loans and borrowings	2,703	56	-	-
Bonds issued	1,000	9	1,000	-
Trade liabilities	-	130	-	132
Other financial liabilities	-	5	-	4
TOTAL LIABILITIES	3,703	200	1,000	136

Loans received from PGE Sweden AB (publ)

On item interest bearing loans and borrowings the Company recognized a loan of EUR 658 million drawn from subsidiary – PGE Sweden AB (publ). The financing provided by PGE Sweden AB (publ) is disclosed in note 21.2 of these financial statements.

Issuance of bonds on domestic market

In addition to above mentioned financing, the Company has the ability to finance its own 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 June 27, 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 June 27, 2018. On August 29, 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.

Trade liabilities

Trade liabilities mainly relate to transactions on the electricity market.

19.2 Financial liabilities at fair value

	As at September 30, 2014	As at December 31, 2013
FINANCIAL LIABILITIES AT FAIR VALUE		
- IRS valuation	48	-
- CCIRS valuation	58	-
- FX forward valuation	2	1
TOTAL	108	1

IRS hedging transaction

In the reporting period the Company concluded 2 IRS transactions, hedging the interest rate on issued bonds with a nominal value of PLN 1 billion. Payments arising from IRS transactions are correlated with interest payments on bonds. Changes in fair value of IRS transaction are recognized fully in profit or loss.

CCIRS hedging transaction

In connection with loan received from PGE Sweden AB (publ), disclosed in note 21.21 of these financial statements, in June and September 2014 the Company concluded a CCIRS transaction, hedging both the exchange rate and interest rate. In these transactions, banks - contractors pay PGE S.A. interest based on a fixed rate in EUR and PGE S.A. pays interest based on a fixed rate in PLN. The nominal value, payment of interest and repayment of nominal value in CCIRS transaction are correlated with the relevant conditions arising from loan agreements.

For the CCIRS transaction the Company applies hedge accounting. The impact of hedge accounting is presented in note 15.2 of these financial statements.

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 in PGE Capital Group

	Period ended September 30, 2014	Period ended September 30, 2013
Sales to related parties	6,885	7,342
Purchases from related parties	506	699

Sales to and purchases from subsidiaries in PGE Capital Group relate mainly to electricity.

	As at September 30, 2014	As at December 31, 2013
RECEIVABLES FROM RELATED PARTIES		
Bonds issued by subsidiaries	3,751	2,950
Trade receivables from related parties	364	521
Loans granted to subsidiaries	31	84
TOTAL RECEIVABLES	4,146	3,555

	As at September 30, 2014	As at December 31, 2013
LIABILITIES TOWARDS RELATED PARTIES		
Loans received from subsidiary	2,759	-
Trade payables to related parties	55	31
TOTAL LIABILITIES	2,814	31

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 September 30, 2014	Period ended September 30, 2013
Sales to related parties	30	1,547
Purchases from related parties	105	1,081

	As at September 30, 2014	As at December 31, 2013
Trade receivables from related parties	2	203
Trade payables to related parties	16	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 the Towarowa Giełda Energii S.A. However, because this entity is only engaged in organization of exchange trading activities, purchases and sales transacted through this entity are not recognized as transactions with related parties. The significant decrease in sales and receivables from related parties is due to the expiry of contract 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 fourth 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 by PGE S.A. 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 Board and Supervisory Board of the Company.

<i>PLN thousand</i>	Period ended September 30, 2014	Period ended September 30, 2013
Remuneration to Management Board and Supervisory Board Members	5,024	5,086
Post-employment benefits	1,082	1,157
TOTAL REMUNERATION OF KEY MANAGEMENT PERSONNEL	6,106	6,243

<i>PLN thousand</i>	Period ended September 30, 2014	Period ended September 30, 2013
Management Board of the Company	5,850	6,024
Supervisory Board of the Company	256	219
TOTAL	6,106	6,243

The Members of the Management Board of the Company 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 9-month period ended September 30, 2013 was PLN 274 thousand.

21 Significant events of the reporting period and subsequent events after reporting date

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

On January 28, 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. (further together as "Parties"). The second of the conditions was to obtain a favorable response from the President of the OCCP regarding the intention of the concentration.

On September 3, 2014 PGE, TAURON Polska Energia S.A., ENEA S.A. and KGHM Polska Miedź S.A. concluded a Partners' Agreement. In accordance with the Partners' Agreement TAURON Polska Energia S.A., ENEA S.A. and KGHM Polska Miedź S.A., as Business Partners, will acquire from PGE, under a separate agreement, a total of 30% of shares (each Business Partner will acquire 10% of shares) in special purpose company - PGE EJ 1 sp. z o.o., which is responsible for preparation and execution of investment of construction and operating of the first nuclear power plant in Poland with a capacity of approx. 3,000 MWe (the "Project").

The Shareholders agreement was initialed on September 23, 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. In accordance, the Parties stated that the initialed document was a draft of the future shareholders agreement, which would be signed after obtaining necessary corporate approvals of all Parties. As a result of the sale of 30% of shares in PGE EJ 1 sp. z o.o. to Business Partners:

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

According to assumptions, PGE Group will be the leader of the Project and PGE EJ 1 sp. z o.o. will be a future operator of the power plant.

According to the Partners' Agreement, the parties jointly undertake to finance operations in years 2014-2016 under the initial phase of the Project (the "Initial Phase"), proportionally to their shareholdings. The Initial Phase is to determine such elements as potential partners, including strategic partner, technology providers, EPC contractor (Engineering, Procurement, Construction), a provider of nuclear fuel and obtaining financing for the Project, as well as organizational and competence preparation of PGE EJ 1 sp. z o.o. to the future role of nuclear power plant operator, responsible for its safe and efficient operation (the "Integrated Proceeding"). PGE's financial commitment in the Initial Phase will not exceed amount of approx. PLN 700 million.

The Parties of the Partners' Agreement anticipate that further decision on the Project, including decision on declaration of further participation of particular Parties in the next stage of the Project, will be made after the completion of the Initial Phase, directly before the settlement of the Integrated Proceeding.

Request for concentration was filed with the President of the Polish Office of Competition and Consumer Protection by the parties of the Partners' Agreement on August 1, 2014 and on October 7, 2014 the President of the Polish Office of Competition and Consumer Protection issued unconditional concentration approval for creation by the Applicants of a joint enterprise under the name PGE EJ 1 Sp. z o.o. Obtaining of concentration approval is the condition precedent for conclusion of agreement for the acquisition of shares in PGE EJ 1 sp. z o.o., that was specified in the Partners' Agreement.

It is assumed that the agreement for sale of shares in PGE EJ 1 sp. z o.o. shall take place in the fourth quarter of 2014.

21.2 Establishment of the Eurobonds programme

On May 22, 2014 PGE Polska Grupa Energetyczna S.A. along with PGE Sweden AB (publ), 100% subsidiary of PGE S.A., established a Euro Medium Term Note Programme. Under the Programme PGE Sweden AB (publ) may issue Eurobonds up to EUR 2 billion with a minimum maturity of 1 year.

On June 9, 2014 PGE Sweden AB (publ) issued Eurobonds in the total amount of EUR 500 million with a five-year maturity. Then, on June 10, 2014 PGE Sweden AB (publ) concluded 3 loan agreements with PGE S.A. of EUR 514 million. The loans were granted for the period of 5 years.

On August 1, 2014 PGE Sweden AB (publ) issued Eurobonds in the total amount of EUR 138 million with a fifteen-year maturity. Then, on September 2, 2014 PGE Sweden AB (publ) concluded 2 loan agreements with PGE S.A. of EUR 144 million for the period of 15 years.

The total value of loans received as at the reporting date amounts to PLN 2,759 million. Flows of nominal and interests resulting from the loan agreements are hedged by CCIRS transactions, which terms exactly match the terms of secured instruments.

21.3 Donation of shares

On September 10, 2014, PGE S.A. executed a donation agreement with PGE Obrót S.A., an entity within PGE's tax group, the object of which was receiving from PGE Obrót S.A. of shares constituting 89.91% of share capital of PGE Dystrybucja S.A. and 4.95% of shares in PGE Górnictwo i Energetyka Konwencjonalna S.A. Due to the fact that the donation was between a parent company and a subsidiary, the transaction was recognised in these financial statements as a dividend. Also because the transaction was executed between related parties, PGE S.A.'s revenue was established in the amount in which these shares had been previously recorded in PGE Obrót S.A.'s books. In total, the donation resulted in recognition of PLN 9,817 million in financial income.

Given the fact that, as a result of the donation, PGE Obrót S.A. equity substantially decreased, PGE S.A. carried out an impairment test on these non-current financial assets. As a result of the impairment test, the market value of PGE Obrót S.A. after the transaction, calculated on the basis of discounted cash flows, was determined at PLN 1,117 million. Because the previous carrying value of these shares in PGE S.A.'s books was PLN 6,653 million, the new measurement resulted in having to recognise a PLN 5,536 million impairment loss.

The total impact of the donation and impairment of PGE Obrót S.A. shares on the result on financing activities was PLN 4,367 million.

Transfer of the shares in PGE Dystrybucja S.A. and PGE Górnictwo i Energetyka Konwencjonalna S.A. was intended to streamline PGE Group's structure and eliminate cross-ownership between subsidiaries.

21.4 Tax Capital Group

On September 18, 2014, an agreement concerning a tax group, named "PGK PGE 2015," was executed for a 25-year period. The PGK PGE 2015 tax group comprises PGE S.A. together with: PGE Górnictwo i Energetyka Konwencjonalna S.A., PGE Dystrybucja S.A., PGE Obrót S.A., PGE Energia Odnawialna S.A., PGE Systemy S.A., PGE Energia Natury S.A., PGE Dom Maklerski S.A., ELBIS sp. z o.o., ELBEST sp. z o.o., ELTUR-SERWIS sp. z o.o., Betrans sp. z o.o., MegaSerwis sp. z o.o., MEGAZEC sp. z o.o., BESTGUM POLSKA sp. z o.o., ELMEN sp. z o.o., TOP SERWIS sp. z o.o. and 15 companies named PGE Inwest, PGE Inwest 2,3,...,15 that were not operational at the time the agreement was signed.

The Polish Corporate Income Tax Act treats tax groups as separate income tax payers. This means that companies within PGK PGE 2015 are not treated as separate entities for corporate income tax purposes, with PGK PGE 2015 being treated as one whole entity instead. PGK PGE 2015's tax base will constitute the group's aggregate income, calculated as the excess of the income of the companies that make up the group over their losses. PGK PGE 2015 is considered to be a separate entity only for the purposes of corporate income tax. This should not be equated with a separate legal entity. This also does not transfer over to other taxes, with particular emphasis on the fact that each of the companies within PGK PGE 2015 will continue to be a separate payer of VAT and tax on civil-law transactions, as well as withholding agent with respect to personal income tax.

The agreement will be effective after January 1, 2015. PGK PGE 2015 was registered by tax authorities on October 30, 2014.

Until December 31, 2014, PGE S.A. remains a member of a tax group established in 2011, which also includes PGE Systemy S.A. and PGE Obrót S.A.

Warsaw, November 12, 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**