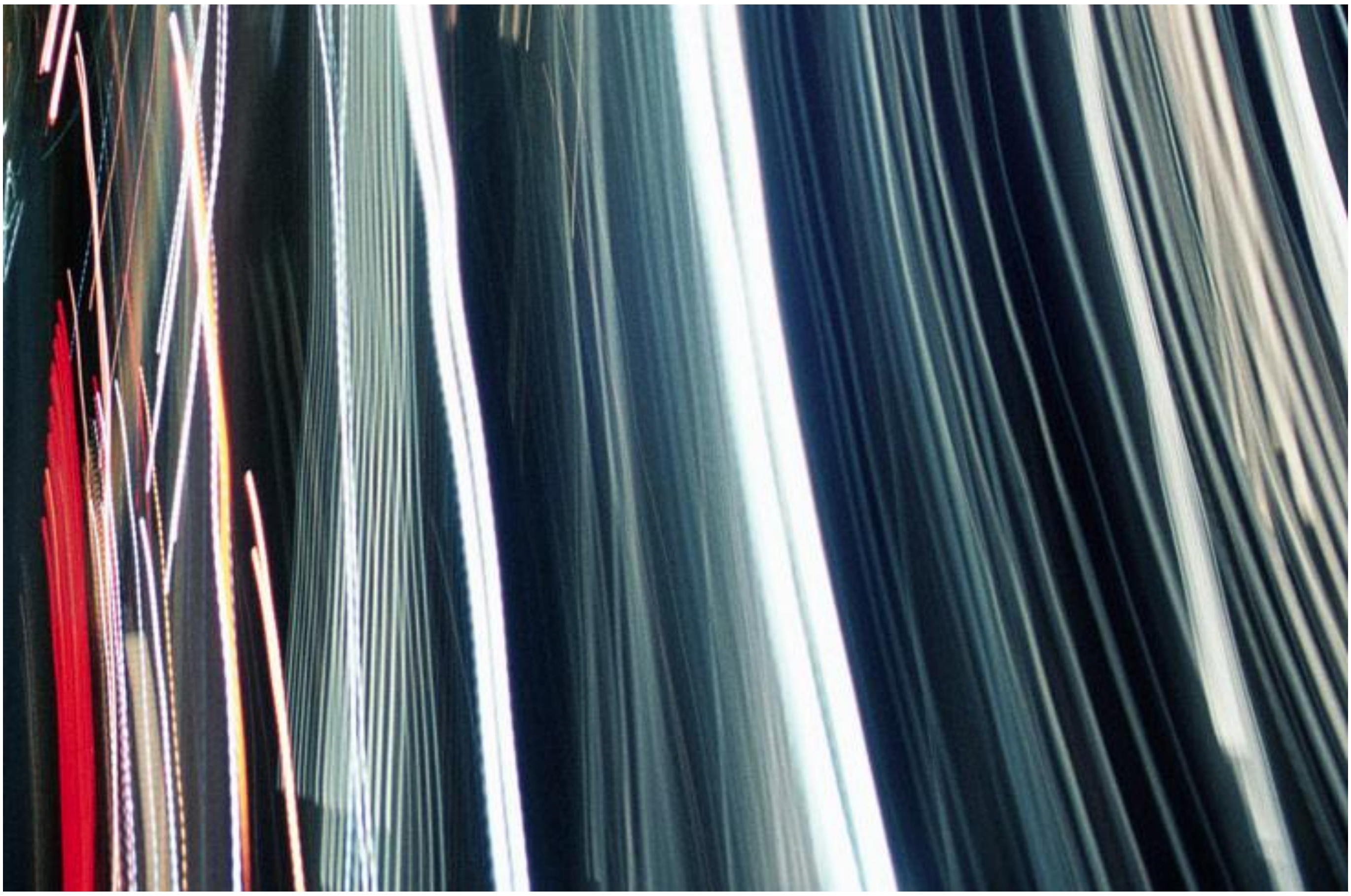

Condensed interim consolidated financial statements for the 3-month and 9-month period

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

Polska Grupa Energetyczna

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CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3 MONTHS PERIOD AND 9 MONTHS PERIOD ENDED SEPTEMBER 30, 2014 IN ACCORDANCE WITH IFRS EU (IN PLN MILLION)

CONSOLIDATED 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) *data restated**	9 months ended September 30, 2013 (not audited) *data restated**
STATEMENT OF PROFIT AND LOSS					
TOTAL SALES REVENUES	11	**6,649**	**20,857**	**7,481**	**22,582**
Cost of goods sold	11	(5,123)	(15,605)	(5,649)	(17,289)
GROSS PROFIT ON SALES		**1,526**	**5,252**	**1,832**	**5,293**
Other operating revenues	11	85	1,374	205	572
Distribution and selling expenses	11	(383)	(1,127)	(460)	(951)
General and administrative expenses	11	(192)	(558)	(182)	(548)
Other operating expenses	11	(106)	(886)	(63)	(266)
OPERATING PROFIT		**930**	**4,055**	**1,332**	**4,100**
Financial revenues	11	106	288	57	237
Financial expenses	11	(539)	(728)	(24)	(255)
Share of profit of associates		-	-	(1)	(1)
PROFIT BEFORE TAX		**497**	**3,615**	**1,364**	**4,081**
Income tax	13	(107)	(715)	(242)	(757)
NET PROFIT FOR THE OPERATING PERIOD		**390**	**2,900**	**1,122**	**3,324**
OTHER COMPREHENSIVE INCOME					
Other comprehensive income, which may be reclassified to profit or loss, including:					
Foreign exchange differences from translation of foreign entities		1	-	(1)	1
Valuation of hedging instruments		(34)	(46)	-	-
Other comprehensive income, which will not be reclassified to profit or loss, including:					
Actuarial gains and losses from valuation of provisions for post-employment benefits due to change of discount rate		-	(42)	-	-
OTHER NET COMPREHENSIVE INCOME FOR THE PERIOD		**(33)**	**(88)**	**(1)**	**1**
TOTAL COMPREHENSIVE INCOME		**357**	**2,812**	**1,121**	**3,325**
NET PROFIT ATTRIBUTABLE TO:					
– equity holders of the parent company		387	2,884	1,111	3,304
– non-controlling interest		3	16	11	20
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
- equity holders of the parent company		354	2,796	1,110	3,305
- non-controlling interest		3	16	11	20
EARNINGS PER SHARE (in PLN)					
– basic earnings per share for the period		0.20	1.54	0.59	1.76
– basic earnings per share from the continuing operations		0.20	1.54	0.59	1.76

** For information regarding comparative figures please refer to note 6 of these financial statements*

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3 MONTHS PERIOD AND 9 MONTHS PERIOD ENDED SEPTEMBER 30, 2014 IN ACCORDANCE WITH IFRS EU (IN PLN MILLION)

CONSOLIDATED 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) *data restated**
NON-CURRENT ASSETS				
Property, plant and equipment		47,101	45,626	44,993
Investment property		32	22	23
Intangible assets		739	718	905
Loans and receivables	17	45	392	369
Available-for-sale financial assets		27	25	26
Shares in associates accounted for under the equity method		9	9	40
Other non-current assets	16	1,235	644	521
Deferred tax assets	14	404	302	343
TOTAL NON-CURRENT ASSETS		**49,592**	**47,738**	**47,220**
CURRENT ASSETS				
Inventories		2,053	1,683	1,734
Emission rights	15	1,219	1,404	1,212
Income tax receivables		1	9	8
Short-term financial assets at fair value through profit or loss	17	75	104	105
Trade receivables		1,654	2,192	2,187
Other loans and financial assets	17	1,100	903	809
Available-for-sale financial assets		4	9	5
Other current assets	16	1,281	749	918
Cash and cash equivalents	17	5,943	5,952	5,139
Assets classified as held-for-sale		17	8	11
TOTAL CURRENT ASSETS		**13,347**	**13,013**	**12,128**
TOTAL ASSETS		**62,939**	**60,751**	**59,348**

** For information regarding comparative figures please refer to note 6 of these financial statements.*

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3 MONTHS PERIOD AND 9 MONTHS PERIOD ENDED SEPTEMBER 30, 2014 IN ACCORDANCE WITH IFRS EU (IN PLN MILLION)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at September 30, 2014 (not audited)	As at December 31, 2013 (audited) *data restated**	As at September 30, 2013 (not audited) *data restated**
EQUITY				
Share capital	18	18,698	18,698	18,698
Revaluation reserve on financial instruments	18	(46)	-	-
Foreign exchange differences from translation of foreign entities		-	-	4
Reserve capital		9,231	8,941	8,941
Other capital reserves		-	50	50
Retained earnings		16,253	15,693	14,713
Non-controlling interests		131	266	295
TOTAL EQUITY		**44,267**	**43,648**	**42,701**
NON-CURRENT LIABILITIES				
Interest-bearing loans and borrowings, bonds and lease	22	4,584	1,994	2,016
Other liabilities	22	12	11	7
Provisions	20	5,213	4,462	4,892
Deferred tax liabilities	14	1,898	1,665	1,689
Deferred income and government grants		1,107	1,181	1,171
TOTAL NON-CURRENT LIABILITIES		**12,814**	**9,313**	**9,775**
CURRENT LIABILITIES				
Trade liabilities	22	814	935	918
Financial liabilities at fair value through profit or loss	22	128	24	30
Interest-bearing loans and borrowings, bonds and lease	22	218	528	389
Other current financial liabilities	22	1,247	1,944	1,212
Other current non-financial liabilities		1,310	1,618	1,692
Income tax liabilities		185	155	137
Deferred income and government grants		135	151	205
Current provisions	20	1,821	2,435	2,289
TOTAL CURRENT LIABILITIES		**5,858**	**7,790**	**6,872**
TOTAL LIABILITIES		**18,672**	**17,103**	**16,647**
TOTAL EQUITY AND LIABILITIES		**62,939**	**60,751**	**59,348**

** For information regarding comparative figures please refer to note 6 of these financial statements.*

9 MONTHS PERIOD ENDED SEPTEMBER 30, 2014 IN ACCORDANCE WITH IFRS EU (IN PLN MILLION)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(not audited)	Share capital	Revaluation reserve on financial instruments	Foreign exchange differences from translation	Reserve capital	Other capital reserves	Retained earnings	Total	Non-controlling interests	Total equity
AS AT JANUARY 1, 2014	**18,698**	**-**	**-**	**8,941**	**50**	**15,693**	**43,382**	**266**	**43,648**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**-**	**(46)**	**-**	**-**	**-**	**2,842**	**2,796**	**16**	**2,812**
Retained earnings distribution	-	-	-	290	(50)	(240)	**-**	-	**-**
Dividend	-	-	-	-	-	(2,057)	**(2,057)**	(4)	**(2,061)**
Settlement of purchase of additional stock in subsidiaries:	-	-	-	-	-	14	**14**	(147)	**(133)**
Value of the purchased non-controlling interest	-	-	-	-	-	*147*	***147***	*(147)*	**-**
Cost of shares and stocks in subsidiaries	-	-	-	-	-	*(133)*	***(133)***	-	***(133)***
Other changes	-	-		-	-	1	**1**	-	**1**
AS AT SEPTEMBER 30, 2014	**18,698**	**(46)**	**-**	**9,231**	**-**	**16,253**	**44,136**	**131**	**44,267**

9 MONTHS PERIOD ENDED SEPTEMBER 30, 2014 IN ACCORDANCE WITH IFRS EU (IN PLN MILLION)

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
AS AT JANUARY 1, 2013	**18,698**	**4**	**9,688**	**50**	**12,278**	**40,718**	**294**	**41,012**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**-**	**1**	**-**	**-**	**4,370**	**4,371**	**26**	**4,397**
Retained earnings distribution	-	-	77	-	(77)	**-**	-	**-**
Dividend	-	-	(824)	-	(784)	**(1,608)**	(2)	**(1,610)**
Exclusion of companies from the Capital Group	-	(5)	-	-	(5)	**(10)**	14	**4**
Changes due to mergers of companies within the Capital Group	-	-	-	-	3	**3**	(3)	**-**
Settlement of purchase of additional stock in subsidiaries:	-	-	-	-	-	**-**	(62)	**(62)**
Value of the purchased non-controlling interest	-	-		-	*62*	***62***	*(62)*	**-**
Cost of shares and stocks in subsidiaries	-	-	-	-	*(62)*	***(62)***	-	***(62)***
Other changes	-	-	-	-	(92)	**(92)**	(1)	**(93)**
AS AT DECEMBER 31, 2013	**18,698**	**-**	**8,941**	**50**	**15,693**	**43,382**	**266**	**43,648**

9 MONTHS PERIOD ENDED SEPTEMBER 30, 2014 IN ACCORDANCE WITH IFRS EU (IN PLN MILLION)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(not audited) *data restated**	Share capital	Foreign exchange differences from translation	Reserve capital	Other capital reserves	Retained earnings	Total	Non-controlling interests	Total equity
AS AT JANUARY 1, 2013	**18,698**	**4**	**9,688**	**50**	**12,278**	**40,718**	**294**	**41,012**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**-**	**1**	**-**	**-**	**3,304**	**3,305**	**20**	**3,325**
Retained earnings distribution	-	-	78	-	(78)	**-**	-	**-**
Dividend	-	-	(824)	-	(784)	**(1,608)**	(2)	**(1,610)**
Exclusion of companies from the Capital Group	-	-	-	-	(9)	**(9)**	14	**5**
Settlement of purchase of additional stock in subsidiaries:	-	-	-	-	-	**-**	(31)	**(31)**
Value of the purchased non-controlling interest	-	-		-	*31*	***31***	*(31)*	**-**
Cost of shares and stocks in subsidiaries	-	-	-	-	*(31)*	***(31)***	-	***(31)***
Other changes	-	(1)	(1)	-	2	**-**	-	**-**
AS AT SEPTEMBER 30, 2013	**18,698**	**4**	**8,941**	**50**	**14,713**	**42,406**	**295**	**42,701**

** For information regarding comparative figures please refer to note 6 of these financial statements.*

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3 MONTHS PERIOD AND 9 MONTHS PERIOD ENDED SEPTEMBER 30, 2014 IN ACCORDANCE WITH IFRS EU (IN PLN MILLION)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Period ended September 30, 2014 (not audited)	Period ended September 30, 2013 (not audited) *data restated**
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	3,615	4,081
Adjustments for:		
Share of profit from associates accounted for under the equity method	-	1
Depreciation and amortization	2,332	2,231
Interest and dividend, net	10	18
Profit / loss on investment activities	434	(123)
Change in receivables	348	(328)
Change in inventories	(365)	467
Change in liabilities, excluding loans and bank credits	(990)	(195)
Change in other non-financial assets, prepayments and emission rights	(469)	(495)
Change in provisions	74	720
Income tax paid	(501)	(667)
Other	(55)	87
NET CASH FROM OPERATING ACTIVITIES	**4,433**	**5,797**
CASH FLOW FROM INVESTING ACTIVITIES		
Disposal of property, plant and equipment and intangible assets	33	51
Purchase of property, plant and equipment and intangible assets	(4,615)	(3,305)
Disposal of financial assets	3	-
Purchase of financial assets and increase in shareholding in Group companies	(112)	(1)
Deposits with a maturity over 3 months	(2,116)	-
Termination of deposits over 3 months	2,106	-
Purchase/ disposal of subsidiaries after deduction of acquired/disposed cash	25	(1,062)
Dividends	3	2
Interest received	18	1
Proceeds from loans granted	-	(3)
Other	20	11
NET CASH FROM INVESTING ACTIVITIES	**(4,635)**	**(4,306)**
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from loans, bank credits and issue of bonds	2,730	1,220
Repayment of loans, bank credits, bonds and finance lease	(481)	(752)
Dividends paid	(2,027)	(1,592)
Interest paid	(34)	(22)
Other	1	(2)
NET CASH FROM FINANCING ACTIVITIES	**189**	**(1,148)**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(13)**	**343**
Effect of foreign exchange rate changes, net	1	(6)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**5,948**	**4,790**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**5,935**	**5,133**
Restricted cash	238	423

** For information regarding comparative figures please refer to note 6 of these financial statements.*

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

PGE Polska Grupa Energetyczna S.A. ("parent company", "the Company", "PGE 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 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 dominant shareholder of the parent company.

Core operations of the PGE Group companies are as follows:

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

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

These condensed interim consolidated financial statements of the Capital Group comprise financial data for the period from January 1, 2014 to September 30, 2014 ("financial statements", "consolidated financial statements").

2 The composition of the Management Board of the parent 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.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3 MONTHS PERIOD AND 9 MONTHS PERIOD ENDED SEPTEMBER 30, 2014 IN ACCORDANCE WITH IFRS EU (IN PLN MILLION)

3 Structure of the Group

During the reporting period, PGE Capital Group consisted of the enumerated below companies, consolidated directly and indirectly:

	Entity	Share of Group entities as at September 30, 2014	Entity holding shares as at September 30, 2014	Share of Group entities as at December 31, 2013	Entity holding shares as at December 31, 2013
SEGMENT: WHOLESALE					
1.	PGE Polska Grupa Energetyczna S.A. Warsaw	The Parent Company of the Capital 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.
SEGMENT: MINING AND CONVENTIONAL ENERGY ("CONVENTIONAL ENERGY ")					
4.	PGE Górnictwo i Energetyka Konwencjonalna S.A.* Bełchatów	99.60%	PGE Polska Grupa Energetyczna S.A	93.91% 4.97%	PGE Polska Grupa Energetyczna S.A PGE Obrót S.A.
5.	Przedsiębiorstwo Energetyki Cieplnej sp. z o.o. Zgierz	50.98%	PGE Górnictwo i Energetyka Konwencjonalna S.A.	50.98%	PGE Górnictwo i Energetyka Konwencjonalna S.A.
SEGMENT: RENEWABLE ENERGY					
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.
	Żuromin sp. z o.o. Warsaw	-	-	100.00%	PGE Energia Odnawialna S.A.
12.	Eolica Wojciechowo sp. z o.o. Gniewino	100.00%	PGE Energia Odnawialna S.A.	100.00%	PGE Energia Odnawialna S.A.
13.	PGE Energia Natury S.A. Warsaw	100.00%	PGE Polska Grupa Energetyczna S.A.	100.00%	PGE Polska Grupa Energetyczna S.A.
14.	PGE Energia Natury sp. z o.o. Warsaw	100.00%	PGE Polska Grupa Energetyczna S.A.	100.00%	PGE Polska Grupa Energetyczna S.A.
15.	PGE Energia Natury Karnice sp. z o.o. Warsaw	100.00%	PGE Energia Natury S.A.	100.00%	PGE Polska Grupa Energetyczna S.A.
16.	PGE Energia Natury Bukowo sp. z o.o. Warsaw	100.00%	PGE Energia Natury S.A.	100.00%	PGE Polska Grupa Energetyczna S.A.
17.	PGE Energia Natury Olecko sp. z o.o. *(poprzednia nazwa EPW Energia Olecko sp. z o.o.)* Warsaw	100.00%	PGE Energia Natury S.A.	81.00%	PGE Polska Grupa Energetyczna S.A.
18.	PGE Energia Natury Omikron sp. z o.o. Warsaw	100.00%	PGE Energia Natury S.A.	100.00%	PGE Energia Natury S.A.
19.	PGE Energia Natury Kappa sp. z o.o. Warsaw	100.00%	PGE Energia Natury S.A.	100.00%	PGE Energia Natury S.A.
20.	PGE Energia Natury PEW sp. z o.o. Warsaw	100.00%	PGE Energia Natury S.A.	100.00%	PGE Energia Natury S.A.
	EPW Energia sp. z o.o. ** Warsaw	-	-	32.70%	PGE Polska Grupa Energetyczna S.A.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3 MONTHS PERIOD AND 9 MONTHS PERIOD ENDED SEPTEMBER 30, 2014 IN ACCORDANCE WITH IFRS EU (IN PLN MILLION)

	Entity	Share of Group entities as at September 30, 2014	Entity holding shares as at September 30, 2014	Share of Group entities as at December 31, 2013	Entity holding shares as at December 31, 2013
SEGMENT: DISTRIBUTION					
21.	PGE Dystrybucja S.A. Lublin	100.00%%	PGE Polska Grupa Energetyczna S.A.	89.92% 10.08%	PGE Obrót S.A. PGE Polska Grupa Energetyczna S.A.
SEGMENT: RETAIL SALE					
22.	PGE Obrót S.A. Rzeszów	100.00%	PGE Polska Grupa Energetyczna S.A.	100.00%	PGE Polska Grupa Energetyczna S.A.
SEGMENT: OTHER					
23.	PGE EJ 1 sp. z o.o. Warsaw	100.00%	PGE Polska Grupa Energetyczna S.A.	100.00%	PGE Polska Grupa Energetyczna S.A.
24.	PGE Systemy S.A. Warsaw	100.00%	PGE Polska Grupa Energetyczna S.A.	100.00%	PGE Polska Grupa Energetyczna S.A.
25.	EXATEL S.A. Warsaw	99.98%	PGE Polska Grupa Energetyczna S.A.	99.98%	PGE Polska Grupa Energetyczna S.A.
26.	PGE Sweden AB (publ) Szwecja	100.00%	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.	PGE Inwest 2 sp. z o.o. Warsaw	100.00%	PGE Polska Grupa Energetyczna S.A.	-	-
29.	PGE Inwest 3 sp. z o.o. Warsaw	100.00%	PGE Polska Grupa Energetyczna S.A.	-	-
30.	PGE Inwest 4 sp. z o.o. Warsaw	100.00%	PGE Polska Grupa Energetyczna S.A.	-	-
31.	PGE Inwest 5 sp. z o.o. Warsaw	100.00%	PGE Polska Grupa Energetyczna S.A.	-	-
32.	PGE Inwest 6 sp. z o.o. Warsaw	100.00%	PGE Polska Grupa Energetyczna S.A.	-	-
33.	PGE Inwest 7 sp. z o.o. Warsaw	100.00%	PGE Polska Grupa Energetyczna S.A.	-	-
34.	PGE Inwest 8 sp. z o.o. Warsaw	100.00%	PGE Polska Grupa Energetyczna S.A.	-	-
35.	PGE Inwest 9 sp. z o.o. Warsaw	100.00%	PGE Polska Grupa Energetyczna S.A.	-	-
36.	PGE Inwest 10 sp. z o.o. Warsaw	100.00%	PGE Polska Grupa Energetyczna S.A.	-	-
37.	PGE Inwest 11 sp. z o.o. Warsaw	100.00%	PGE Polska Grupa Energetyczna S.A.	-	-
38.	PGE Inwest 12 sp. z o.o. Warsaw	100.00%	PGE Polska Grupa Energetyczna S.A.	-	-
39.	PGE Inwest 13 sp. z o.o. Warsaw	100.00%	PGE Polska Grupa Energetyczna S.A.	-	-
40.	PGE Inwest 14 sp. z o.o. Warsaw	100.00%	PGE Polska Grupa Energetyczna S.A.	-	-
41.	PGE Inwest 15 sp. z o.o. Warsaw	100.00%	PGE Polska Grupa Energetyczna S.A.	-	-
42.	ELBIS sp. z o.o. Rogowiec	100.00%	PGE Polska Grupa Energetyczna S.A.	100.00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.
43.	MEGAZEC sp. z o.o. Bydgoszcz	100.00%	PGE Polska Grupa Energetyczna S.A.	100.00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.
44.	Przedsiębiorstwo Usługowo-Produkcyjne „ELTUR-SERWIS" sp. z o.o. Bogatynia	100.00%	PGE Polska Grupa Energetyczna S.A.	100.00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.
45.	MegaSerwis sp. z o.o. Bogatynia	100.00%	PGE Polska Grupa Energetyczna S.A.	100.00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3 MONTHS PERIOD AND 9 MONTHS PERIOD ENDED SEPTEMBER 30, 2014 IN ACCORDANCE WITH IFRS EU (IN PLN MILLION)

	Entity	Share of Group entities as at September 30, 2014	Entity holding shares as at September 30, 2014	Share of Group entities as at December 31, 2013	Entity holding shares as at December 31, 2013
46.	„ELBEST" sp. z o.o. Bełchatów	100.00%	PGE Polska Grupa Energetyczna 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.
47.	„ELMEN" sp. z o.o. Rogowiec	100.00%	PGE Polska Grupa Energetyczna S.A.	100.00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.
48.	Przedsiębiorstwo Usługowo-Produkcyjne „TOP SERWIS" sp. z o.o. Bogatynia	100.00%	PGE Polska Grupa Energetyczna S.A.	100.00%	Przedsiębiorstwo Usługowo-Produkcyjne ELTUR-SERWIS sp. z o.o.
49.	Przedsiębiorstwo Transportowo Sprzętowe „BETRANS" sp. z o.o. Bełchatów	100.00%	PGE Polska Grupa Energetyczna S.A.	100.00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.
50.	Przedsiębiorstwo Wulkanizacji Taśm i Produkcji Wyrobów Gumowych BESTGUM POLSKA sp. z o.o. Rogowiec	100.00%	PGE Polska Grupa Energetyczna S.A.	100.00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.
	NOM sp. z o.o. Warsaw	-	-	100.00%	EXATEL S.A.
51.	ENERGO-TEL S.A. Warsaw	100.00%	EXATEL S.A.	100.00%	EXATEL S.A.
52.	PGE Gubin sp. z o.o. Gubin	100.00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.	100.00%	PGE Polska Grupa Energetyczna S.A.
53.	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
54.	„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.
55.	EPORE sp. z o.o. Bogatynia	85.38%	PGE Górnictwo i Energetyka Konwencjonalna S.A.	85.38%	PGE Górnictwo i Energetyka Konwencjonalna S.A.
56.	RAMB sp. z o.o. Piaski	100.00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.	100.00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.
57.	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.
58.	Przedsiębiorstwo Transportowo-Usługowe „ETRA" sp. z o.o. Białystok	100.00%	PGE Dystrybucja S.A.	100.00%	PGE Dystrybucja S.A.
59.	Przedsiębiorstwo Produkcyjno-Handlowe EKTO sp. z o.o. Białystok	100.00%	PGE Dystrybucja S.A.	100.00%	PGE Dystrybucja S.A.
60.	Energetyczne Systemy Pomiarowe sp. z o.o. Białystok	100.00%	PGE Dystrybucja S.A.	100.00%	PGE Dystrybucja S.A.
	Zakład Obsługi Energetyki sp. z o.o. Zgierz	-	-	100.00%	PGE Dystrybucja S.A.

* Share excluding entity's own shares

** 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 are mentioned in the table above and include inter alia following transformations which took place during the period ended September 30, 2014:

- On February 7, 2014, the division of the company 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 division had no effect on these consolidated financial statements.
- On February 28, 2014, the division of the company 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 division had no effect on these consolidated financial statements.
- On April 8, 2014, PGE S.A. purchased the company Goldcup 5812 AB based in Sweden. After the purchase, the company's name was changed and is now known as PGE Sweden AB (publ). The purchase of the company is related to the organization of financing for the PGE Capital Group as described in note 26 of these financial statements.
- On June 4, 2014, the company PGE Dom Maklerski S.A. began its operations.
- On August 22, 2014, disposal of Zakład Obsługi Energetyki sp. z o.o. took place. As a result of disposal PGE Capital Group earned profit in amount of more than PLN 5 million.
- 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 new Tax Capital Group as described in note 26.4 in these financial statements.
- On September 10, 2014, PGE Obrót S.A. transferred shares of PGE Dystrybucja S.A. and PGE Górnictwo i Energetyka Konwencjonalna S.A. to PGE S.A. in form of a donation.
- 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.
- On September 30, 2014, merger of PGE Energia Odnawialna S.A. with Żuromin sp. z o.o. was registered. Merger did not affect foregoing consolidated financial statements.
- NOM sp. z o.o. was disposed on September 29, 2014. As a result of disposal PGE Capital Group reported profit in amount of more than PLN 6 million.
- In July, August and September 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 these companies was connected with the works on creation of new Tax Capital Group group as described in note 26.4 of 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.

On November 6, 2014 PGE S.A. purchased 1,300 shares of Exatel S.A. As a result of the transaction PGE S.A. became 100% shareholder of Exatel S.A.

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. Group 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").

Except for of the implementation of hedge accounting, 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. Financial statements are to be read together with the audited consolidated financial statements of PGE Group prepared in accordance with IFRS for the year ended December 31, 2013. Amended accounting policy is described in note 6 of these financial statements.

4.2 General rules of preparation

These financial statements were prepared under the assumption that the PGE 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.

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:

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

6 Changes of accounting principles and data presentation

Implementation of hedge accounting

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

Applied accounting policies of 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, PGE Group 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.

Changes in applied accounting policies – CO_2 emission rights acquired free of charge

In 2013, PGE Group changed the accounting policies regarding the valuation of CO_2 emission rights received free of charge. In accordance with the previous accounting policy PGE Group recognized greenhouse gas emission rights received free of charge at fair value and the provision for the obligation for redemption of rights was recognized for all CO_2 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_2 emission is raised in the part which is not covered by emission rights acquired free of charge.

After the change of accounting policies, PGE 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.

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

Accordingly, PGE Group restated the information presented in the comparative statements 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 has also been restated accordingly.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3 MONTHS PERIOD AND 9 MONTHS PERIOD ENDED SEPTEMBER 30, 2014 IN ACCORDANCE WITH IFRS EU (IN PLN MILLION)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED SEPTEMBER 30, 2013

	Period ended September 30, 2013 (published data)	Change in CO_2 valuation	Period ended September 30, 2013 (data restated)
PROFIT OR LOSS			
TOTAL SALES REVENUES	**22,582**	**-**	**22,582**
Costs of goods sold	(16,714)	(575)	(17,289)
GROSS PROFIT ON SALES	**5,868**	**(575)**	**5,293**
Other operating revenues	572	-	572
Distribution and selling expenses	(951)	-	(951)
General and administrative expenses	(548)	-	(548)
Other operating expenses	(266)	-	(266)
OPERATING PROFIT	**4,675**	**(575)**	**4,100**
Financial revenues	237	-	237
Financial expenses	(255)	-	(255)
Share of profit of associates	(1)	-	(1)
PROFIT BEFORE TAX	**4,656**	**(575)**	**4,081**
Income tax	(866)	109	(757)
NET PROFIT FOR THE OPERATING PERIOD	**3,790**	**(466)**	**3,324**
OTHER COMPREHENSIVE INCOME			
Other net comprehensive income for the period	1	-	1
TOTAL COMPREHENSIVE INCOME	**3,791**	**(466)**	**3,325**
NET PROFIT ATTRIBUTABLE TO:			
– equity holders of the parent company	3,764	(460)	3,304
– non-controlling interest	26	(6)	20
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
- equity holders of the parent company	3,765	(460)	3,305
- non-controlling interest	26	(6)	20
EARNINGS PER SHARE (in PLN)			
– basic earnings per share for the period	2.01	(0.25)	1.76
– basic earnings per share from the continuing operations	2.01	(0.25)	1.76

9 MONTHS PERIOD ENDED SEPTEMBER 30, 2014 IN ACCORDANCE WITH IFRS EU (IN PLN MILLION)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT SEPTEMBER 30, 2013

	As at September 30, 2013 (published data)	Perpetual usufruct of land	Change in CO_2 valuation	As at September 30, 2013 (data restated)
NON-CURRENT ASSETS				
Property, plant and equipment	44,993	-	-	44,993
Investment property	23	-	-	23
Intangible assets	853	52	-	905
Loans and receivables	369	-	-	369
Available-for-sale financial assets	26	-	-	26
Shares in associates accounted for under the equity method	40	-	-	40
Other non-current assets	573	(52)	-	521
Deferred tax asset	343	-	-	343
TOTAL NON-CURRENT ASSETS	**47,220**	**-**	**-**	**47,220**
CURRENT ASSETS				
Inventories	1,734	-	-	1,734
Emission rights	2,316	-	(1,104)	1,212
Income tax receivables	8	-	-	8
Short-term financial assets at fair value through profit or loss	105	-	-	105
Trade receivables	2,187	-	-	2,187
Loans and financial assets	809	-	-	809
Available-for-sale financial assets	5	-	-	5
Other current assets	918	-	-	918
Cash and cash equivalents	5,139	-	-	5,139
Assets classified as held-for-sale	11	-	-	11
TOTAL CURRENT ASSETS	**13,232**	**-**	**(1,104)**	**12,128**
TOTAL ASSETS	**60,452**	**-**	**(1,104)**	**59,348**

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3 MONTHS PERIOD AND 9 MONTHS PERIOD ENDED SEPTEMBER 30, 2014 IN ACCORDANCE WITH IFRS EU (IN PLN MILLION)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT SEPTEMBER 30, 2013

	As at September 30, 2013 (published data)	Change in CO_2 valuation	Connection fees	As at September 30, 2013 (data restated)
EQUITY				
Share capital	18,698	-	-	18,698
Foreign exchange differences from translation of foreign entities	4	-	-	4
Reserve capital	8,941	-	-	8,941
Other capital reserves	50	-	-	50
Retained earnings	15,278	(565)	-	14,713
Non-controlling interest	300	(5)	-	295
TOTAL EQUITY	**43,271**	**(570)**	**-**	**42,701**
NON-CURRENT LIABILITIES				
Interest-bearing loans and borrowings, bonds and lease	2,016	-	-	2,016
Other liabilities	7	-	-	7
Provisions	4,892	-	-	4,892
Deferred tax liabilities	1,823	(134)	-	1,689
Deferred income and government grants	1,171	-	-	1,171
TOTAL NON-CURRENT LIABILITIES	**9,909**	**(134)**	**-**	**9,775**
CURRENT LIABILITIES				
Trade liabilities	918	-	-	918
Financial liabilities at fair value through profit or loss	30	-	-	30
Interest-bearing loans and borrowings, bonds and lease	389	-	-	389
Other current financial liabilities	1,212	-	-	1,212
Other current non-financial liabilities	1,764	-	(72)	1,692
Income tax liabilities	137	-	-	137
Deferred income and government grants	348	(215)	72	205
Current provisions	2,474	(185)	-	2,289
TOTAL CURRENT LIABILITIES	**7,272**	**(400)**	**-**	**6,872**
TOTAL EQUITY AND LIABILITIES	**60,452**	**(1,104)**	**-**	**59,348**

9 MONTHS PERIOD ENDED SEPTEMBER 30, 2014 IN ACCORDANCE WITH IFRS EU (IN PLN MILLION)

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED SEPTEMBER 30, 2013

	Period ended September 30, 2013 (published data)	Change in CO_2 valuation	Perpetual usufruct of land and connection fees	Period ended September 30, 2013 (data restated)
CASH FLOW FROM OPERATING ACTIVITIES				
Profit before tax	4,656	(575)	-	4,081
Adjustments for:				
Share of profit from associates accounted for under the equity method	1	-	-	1
Depreciation and amortization	2,230		1	2,231
Interest and dividend, net	18	-	-	18
Profit / loss on investment activities	(123)	-	-	(123)
Change in receivables	(328)	-	-	(328)
Change in inventories	467	-	-	467
Change in liabilities, excluding loans and bank credits	(188)	-	(7)	(195)
Change in prepayments	706	(1,209)	8	(495)
Change in provisions	(1,064)	1,784	-	720
Income tax paid	(667)	-	-	(667)
Other	87	-	-	87
NET CASH FROM OPERATING ACTIVITIES	**5,795**	**-**	**2**	**5,797**
CASH FLOW FROM INVESTING ACTIVITIES				
Disposal of property, plant and equipment and intangible assets	51	-	-	51
Purchase of property, plant and equipment and intangible assets	(3,303)	-	(2)	(3,305)
Purchase/Disposal of other financial assets and increased share in Capital Group companies	(1)	-	-	(1)
Purchase/Disposal of subsidiaries after deduction of acquired/returned cash	(1,062)	-	-	(1,062)
Dividends	2	-	-	2
Interest received	1	-	-	1
Proceeds from loans granted	(3)	-	-	(3)
Other	11	-	-	11
NET CASH FROM INVESTING ACTIVITIES	**(4,304)**	**-**	**(2)**	**(4,306)**

9 MONTHS PERIOD ENDED SEPTEMBER 30, 2014 IN ACCORDANCE WITH IFRS EU (IN PLN MILLION)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2013

	As at December 31, 2013 (published data)	Connection fees	As at December 31, 2013 (data restated)
CURRENT LIABILITIES			
Trade liabilities	935	-	935
Financial liabilities at fair value through profit or loss	24	-	24
Interest-bearing loans and 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
TOTAL CURRENT LIABILITIES	**7,790**	**-**	**7,790**

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3 MONTHS PERIOD AND 9 MONTHS PERIOD ENDED SEPTEMBER 30, 2014 IN ACCORDANCE WITH IFRS EU (IN PLN MILLION)

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 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 PGE Group

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 PGE Capital Group. 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 PGE Group has not been finished yet.

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

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3 MONTHS PERIOD AND 9 MONTHS PERIOD ENDED SEPTEMBER 30, 2014 IN ACCORDANCE WITH IFRS EU (IN PLN MILLION)

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:

- During the reporting period a revaluation of provision for reclamation costs and provisions for employee benefits was performed due to a decrease in a discount rate applied. The detailed information is disclosed in note 20 of these financial statements.
- Provisions are liabilities of uncertain timing or amount. During the reporting period, PGE Group changed estimations regarding the basis and amounts of some provisions. Changes of estimations are presented in note 20 of these financial statements.
- During the reporting period PGE Group updated the value of impairment allowances of financial and other assets. The changes are described in note 11 and 12 of these financial statements.
- During the reporting period PGE Group has revaluated the estimates regarding the LTC compensations. The matter is described in note 26 of these financial statements.

9 Fair value hierarchy

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

	As at September 30, 2014		As at December 31, 2013	
FAIR VALUE HIERARCHY	**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	-	68	-	23
Financial liabilities	**-**	**128**	**-**	**24**

As at the reporting date, the carrying amount of inventories amounted to PLN 2,053 million. The item contains CO_2 emission rights at fair value in the amount of PLN 314 million, as presented in the table above. Valuation of commodity forwards, foreign exchange and swap is recognized in the statement of financial position as assets or liabilities at fair value through profit or loss.

10 Operating segments

The PGE Capital Group reporting is based on business segments:

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

Organization and management over PGE 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 PGE Group as if they were concluded with third parties – under market conditions.

Seasonality of business segments

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

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

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

9 MONTHS PERIOD ENDED SEPTEMBER 30, 2014 IN ACCORDANCE WITH IFRS EU (IN PLN MILLION)

INFORMATION ON BUSINESS SEGMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2014

	SEGMENT: Conventional Energy	SEGMENT: Renewable Energy	SEGMENT: Wholesale	SEGMENT: Distribution	SEGMENT: Retail sale	SEGMENT: Other activities	Consolidation adjustments	Total
REVENUES								
Sales revenues from external customers	9,353	539	176	1,192	9,037	547	13	20,857
Sales revenues from transactions with other segments	214	17	6,877	3,061	122	771	(11,062)	-
TOTAL REVENUES FROM SEGMENTS	**9,567**	**556**	**7,053**	**4,253**	**9,159**	**1,318**	**(11,049)**	**20,857**
RESULTS								
EBIT *)	**2,603**	**133**	**377**	**1,035**	**(159)**	**22**	**44**	**4,055**
EBITDA **)	**3,861**	**291**	**387**	**1,789**	**(153)**	**117**	**13**	**6,305**
Net financial revenues (expenses)								(440)
Share of profit of associates								-
GROSS PROFIT								**3,615**
Income tax								(715)
NET PROFIT FOR THE REPORTING PERIOD								**2,900**
ASSETS AND LIABILITIES								
Assets of the segments excluding trade receivables	32,889	3,506	626	14,853	1,153	1,084	(451)	53,660
Trade receivables	144	68	377	344	1,255	271	(805)	1,654
Shares in associates								9
Unallocated assets								7,616
TOTAL ASSETS								**62,939**
Liabilities of the segments excluding trade liabilities	7,107	213	387	1,630	1,476	298	(138)	10,973
Trade liabilities	489	97	133	165	509	143	(722)	814
Unallocated liabilities								6,885
TOTAL LIABILITIES								**18,672**
OTHER INFORMATION ON BUSINESS SEGMENTS								
Capital expenditures	2,797	242	9	770	1	106	(66)	3,859
Impairment allowances on financial and non-financial assets	103	(1)	5,536	(9)	20	(16)	(5,522)	111
Amortization, depreciation	1,258	158	10	754	6	95	(31)	2,250
Other non-monetary expenses ***)	815	14	17	53	715	34	123	1,771

*) EBIT = operating profit (loss)

**) EBITDA = EBIT + depreciation/amortization

***) Non-monetary changes of provisions relate among others to: land reclamation, provision for liability due to CO_2 emission rights, jubilee awards, employee tariff that are recognized in profit or loss and other comprehensive income.

9 MONTHS PERIOD ENDED SEPTEMBER 30, 2014 IN ACCORDANCE WITH IFRS EU (IN PLN MILLION)

INFORMATION ON BUSINESS SEGMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2013

data restated	SEGMENT: Conventional Energy	SEGMENT: Renewable Energy	SEGMENT: Wholesale	SEGMENT: Distribution	SEGMENT: Retail sale	SEGMENT: Other activities	Consolidation adjustments	Total
REVENUES								
Sales revenues from external customers	8,994	449	2,014	1,034	9,533	567	(9)	22,582
Sales revenues from transactions with other segments	347	89	7,256	3,120	171	707	(11,690)	-
TOTAL REVENUES FROM SEGMENTS	**9,341**	**538**	**9,270**	**4,154**	**9,704**	**1,274**	**(11,699)**	**22,582**
RESULT								
EBIT *)	**1,856**	**153**	**708**	**1,005**	**365**	**23**	**(10)**	**4,100**
EBITDA **)	**3,138**	**295**	**720**	**1,739**	**371**	**107**	**(34)**	**6,336**
Net financial revenues (expenses)								(18)
Share of profit of associates								(1)
GROSS PROFIT								**4,081**
Income tax								(757)
NET PROFIT FOR THE REPORTING PERIOD								**3,324**
ASSETS AND LIABILITIES								
Assets of the segments excluding trade receivables	30,512	3,168	531	14,612	743	1,054	(314)	50,306
Trade receivables	207	64	826	337	1,488	284	(1,019)	2,187
Shares in associates								40
Unallocated assets								6,815
TOTAL ASSETS								**59,348**
Liabilities of segment excluding trade liabilities	7,365	227	338	1,666	1,584	362	(44)	11,498
Trade liabilities	619	25	294	168	585	178	(951)	918
Unallocated liabilities								4,231
TOTAL LIABILITIES								**16,647**
OTHER INFORMATION ON BUSINESS SEGMENTS								
Capital expenditures	1,872	107	10	814	4	96	(76)	2,827
Purchase of non-current assets (net value) within acquired new companies	-	722	-	-	-	-	372	1,094
Impairment allowances on financial and non-financial assets	21	6	(1)	12	13	(1)	-	50
Amortization, depreciation	1,282	142	12	734	6	84	(24)	2,236
Other non-monetary expenses ***)	1,472	9	9	82	657	30	(53)	2,206

*) EBIT = operating profit (loss)

**) EBITDA = EBIT + depreciation/amortization

***) Non-monetary changes of provisions relate among others to: recultivation, provision for liability due to CO_2 emission rights, jubilee awards, employee tariff that are recognized in profit or loss and other comprehensive income.

9 MONTHS PERIOD ENDED SEPTEMBER 30, 2014 IN ACCORDANCE WITH IFRS EU (IN PLN MILLION)

11 Revenues and expenses

11.1 Sales revenues

	3-month period	9-month period	3-month period	9-month period
	ended September 30, 2014		ended September 30, 2013	
REVENUES FROM OPERATING ACTIVITIES				
Sales of finished goods and merchandise with excise tax	*6,473*	*19,538*	*7,317*	*22,021*
Excise tax	*(134)*	*(401)*	*(132)*	*(392)*
REVENUES FROM SALE OF MERCHANDISE AND FINISHED GOODS, INCLUDING:	**6,339**	**19,137**	**7,185**	**21,629**
Sale of electricity	4,537	13,414	5,488	16,211
Sale of distribution services	1,320	3,995	1,268	3,861
Sale of heat	84	451	90	493
Sale of the property rights of energy origin	136	499	62	268
Regulatory system services	95	310	119	335
Other sales	167	468	158	461
REVENUES FROM SALE OF SERVICES	118	366	134	421
REVENUES FROM LTC COMPENSATIONS	192	1,354	162	532
TOTAL SALES REVENUES	**6,649**	**20,857**	**7,481**	**22,582**

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

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

11.2 Costs by type and functions

	3-month period	9-month period	3-month period	9-month period
	ended September 30, 2014		ended September 30, 2013 *data restated*	
COSTS BY TYPE				
Depreciation/amortization	767	2,250	759	2,236
Materials and energy	684	2,214	830	2,689
External services	624	1,814	562	1,647
Taxes and charges	730	2,160	978	2,598
Personnel expenses	1,058	3,360	1,040	3,187
Other costs by type	98	246	76	242
TOTAL COSTS BY TYPE	**3,961**	**12,044**	**4,245**	**12,599**
Change in inventories	6	(21)	(4)	(27)
Cost of products and services for the entity's own needs	(317)	(962)	(431)	(1,108)
Distribution and selling expenses	(383)	(1,127)	(460)	(951)
General and administrative expenses	(192)	(558)	(182)	(548)
Cost of merchandise and materials sold	2,048	6,229	2,481	7,324
COST OF GOODS SOLD	**5,123**	**15,605**	**5,649**	**17,289**

As described in note 6 of these consolidated financial statements, PGE Group changed its accounting policy for the valuation of the carbon dioxide emission rights. In order to ensure comparability of the relevant costs for the period ended September 30, 2013, these costs have been appropriately restated.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3 MONTHS PERIOD AND 9 MONTHS PERIOD ENDED SEPTEMBER 30, 2014 IN ACCORDANCE WITH IFRS EU (IN PLN MILLION)

11.3 Other operating revenues and expenses

	Period ended September 30, 2014	Period ended September 30, 2013
OTHER OPERATING REVENUES		
Provisions released	841	64
Adjustment of revenues from LTC compensations	246	252
Grants received	83	14
Compensations, penalties and fines received	76	148
Reversal of impairment allowances for receivables	38	10
Profit on disposal of property, plant and equipment	14	11
Surpluses / disclosures of assets	8	21
Other	68	52
TOTAL OTHER OPERATING REVENUES	**1,374**	**572**

Revenue from provisions released relates mainly to the release of provision for the purchase of CO_2 emission rights which amounted to PLN 751 million in PGE Górnictwo i Energetyka Konwencjonalna S.A. The issue was described in details in note 20.1.

The issue of revenues from the LTC compensation is described in note 26.1 of these financial statements.

	Period ended September 30, 2014	Period ended September 30, 2013
OTHER OPERATING EXPENSES		
The effect of change in the reclamation provision due to the change in discount rate	601	-
Impairment allowances raised for other assets	85	5
Impairment allowances raised for receivables	57	44
Liquidation of damages/ removal of failures	33	28
Provisions raised	31	69
Scrapping of non-current assets/ liquidation of intangible assets	13	12
Donations	5	29
Other	61	79
TOTAL OTHER OPERATING EXPENSES	**886**	**266**

The effect of the changes in the reclamation provision due to change in discount rate is described in note 20.2 of these financial statements. The impairment allowances for other assets in the current period relate to investment projects in generation units that were subject to impairment due to loss of value in relation to cash flow centres.

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CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3 MONTHS PERIOD AND 9 MONTHS PERIOD ENDED SEPTEMBER 30, 2014 IN ACCORDANCE WITH IFRS EU (IN PLN MILLION)

11.4 Financial revenues and expenses

	Period ended September 30, 2014	Period ended September 30, 2013
FINANCIAL REVENUES FROM FINANCIAL INSTRUMENTS		
Dividends	3	3
Interest revenue	172	164
Revaluation / Reversal of impairment allowance	29	44
Foreign exchange gain	62	12
FINANCIAL REVENUES FROM FINANCIAL INSTRUMENTS	**266**	**223**
Provisions released	21	6
Other	1	8
OTHER FINANCIAL REVENUES	**22**	**14**
TOTAL FINANCIAL REVENUES	**288**	**237**

Revaluation of financial instruments relates mainly to transactions concluded on the market for carbon dioxide emission rights.

	Period ended September 30, 2014	Period ended September 30, 2013
FINANCIAL EXPENSES FROM FINANCIAL INSTRUMENTS		
Interest expense	80	55
Revaluation	52	-
Impairment losses	387	4
Foreign exchange losses	84	11
FINANCIAL EXPENSES FROM FINANCIAL INSTRUMENTS	**603**	**70**
OTHER FINANCIAL EXPENSES		
Interest expenses (including effect of discount unwinding)	122	137
Other	3	48
OTHER FINANCIAL EXPENSES	**125**	**185**
TOTAL FINANCIAL EXPENSES	**728**	**255**

Impairment losses include mainly cost of estimated loss of value of bonds issued by Autostrada Wielkopolska S.A. with a carrying amount of PLN 386 million. Revaluation includes valuation of hedging instruments CCIRS and IRS.

12 Impairment allowances of assets

	Period ended September 30, 2014	Period ended September 30, 2013
IMPAIRMENT ALLOWANCES ON PROPERTY, PLANT AND EQUIPMENT		
Impairment allowances raised	85	63
Reversal of impairment allowance	3	67
IMPAIRMENT ALLOWANCES ON INVENTORIES		
Impairment allowances raised	17	21
Reversal of impairment allowance	9	1

Impairment allowances raised on property, plant and equipment relates to write-offs on investment projects in manufacturing units which were covered with an impairment allowance in the previous years, due to the impairment losses recognized in cash generating units.

In addition, in the reporting period PGE Group recognized impairment loss on bonds and receivables, described in notes 11.3 and 11.4 of these financial statements.

9 MONTHS PERIOD ENDED SEPTEMBER 30, 2014 IN ACCORDANCE WITH IFRS EU (IN PLN MILLION)

13 Income tax

	Period ended September 30, 2014	Period ended September 30, 2013 *data restated*
INCOME TAX PRESENTED IN THE STATEMENT OF PROFIT AND LOSS		
Current income tax	562	481
Deferred income tax	153	276
TOTAL	**715**	**757**

In addition, in the item of other comprehensive income in the financial statements as at September 30, 2014, PGE Group recognized deferred tax asset on the valuation of financial instruments and the provisions for post-employment employee benefits in the amount of PLN 21 million.

The effective tax rate in the reporting period amounted to 19.8% and in the comparative period to 18.5%. Lower effective tax rate in the period ended September 30, 2013 resulted mainly from adjustments of deferred income tax.

14 Deferred tax asset and liability

	As at September 30, 2014	As at December 31, 2013
COMPONENTS OF DEFERRED TAX ASSET		
Difference between tax value and carrying value of property, plant and equipment	489	494
Difference between tax value and carrying value of financial assets	39	24
Difference between tax value and carrying value of financial liabilities	55	19
Difference between tax value and carrying value of inventories	31	41
Compensations from cancellation of LTC	151	215
Provisions for reclamation of excavations and of ash storages	505	369
Provision for CO_2 emission rights	95	272
Provisions for employee benefits	463	453
Other provisions	166	141
Unrealized tax costs	238	216
Infrastructure and connection fees granted free of charge	149	155
Tax losses	7	6
Other	97	101
GROSS DEFERRED TAX ASSET	**2,485**	**2,506**
Impairment allowance	(4)	(4)
NET DEFERRED TAX ASSET	**2,481**	**2,502**

	As at September 30, 2014	As at December 31, 2013
COMPONENTS OF DEFERRED TAX LIABILITY		
Difference between tax value and carrying value of property, plant and equipment	2,692	2,487
Difference between tax value and carrying value of other financial assets	15	-
Difference between tax value and carrying value of financial liabilities	7	31
Difference between tax value and carrying value of energy origin units	73	70
CO_2 emission rights	199	235
Revenues from accrued LTC compensations	659	647
Unrealized tax profits	153	203
Upward valuation of revenues	131	138
Other	46	54
GROSS DEFERRED TAX LIABILITY	**3,975**	**3,865**

AFTER OFF-SET OF BALANCES THE DEFERRED TAX OF THE GROUP IS PRESENTED AS:		
Deferred tax asset	404	302
Deferred tax liability	(1,898)	(1,665)

15 Greenhouse gas emission rights

PGE Group producers maintain installations covered with the act dated April 28 , 2011 about a scheme for greenhouse gas emission allowance trading. From 2013, only part of emission rights for production of heat is granted unconditionally, while for production of electricity, as a rule, there are granted no free of charge EUA. 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 providing the realization of investment projects included in the National Investment Plan. Electricity production entities can obtain free of charge CO_2 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 required statement from realization of investments on December 9, 2013. In April 2014, the entities of PGE Group received free CO_2 emission rights in the amount of approximately 31 million tonnes for units producing electricity and about 3 million tonnes for installations other than generating electricity.

	EUA		CER/ERU		Total value
	amount (million Mg)	Value	amount (million Mg)	Value	
AS AT JANUARY 1, 2013	**76**	**597**	**6**	**194**	**791**
Purchase	38	772	-	-	772
Allocated free of charge	-	-	-	-	-
Redemption	(55)	(42)	(6)	(193)	(235)
Other	-	77	-	(1)	76
AS AT DECEMBER 31, 2013	**59**	**1,404**	**-**	**-**	**1,404**
Purchase	21	495	2	2	497
Allocated free of charge	34	-	-	-	-
Redemption	(61)	(682)	-	-	(682)
Other	2	2	(2)	(2)	-
AS AT SEPTEMBER 30, 2014	**55**	**1,219**	**-**	**-**	**1,219**

In September 2014, PGE Group submitted a subsequent statement on investments under the National Investment Plan. In accordance with the above-mentioned Directive, free-of-charge CO_2 emission allowances for 2014 should be allocated by the end of February 2015.

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16 Other current and non-current assets

Other non-current assets

	As at September 30, 2014	As at December 31, 2013
Prepayments for property, plant and equipment under construction	1,196	602
Other prepayments	39	42
Total other assets	**1,235**	**644**

Prepayments for property, plant and equipment under construction mainly relate to investment projects conducted by PGE Górnictwo i Energetyka Konwencjonalna S.A.

Other current assets

	As at September 30, 2014	As at December 31, 2013
Deferred expenses		
Property and tort insurance	16	20
IT services	7	10
Accrued commissions	24	22
Accrued construction-assembly contracts	-	9
Social Benefit Fund	31	5
Fees for exclusion of land from agricultural and forestry production	9	-
Other accrued costs	49	34
Other current assets		
Accrued revenues	568	529
Advances for deliveries	163	16
VAT receivables	360	67
Excise tax receivables	39	23
Other current assets	15	14
Total other assets	**1,281**	**749**

The accrued revenues comprise estimation of sales of the electric energy not read from the meters as at the reporting date. Advances for deliveries result mainly from carbon purchase contract concluded by PGE Górnictwo i Energetyka Konwencjonalna S.A.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3 MONTHS PERIOD AND 9 MONTHS PERIOD ENDED SEPTEMBER 30, 2014 IN ACCORDANCE WITH IFRS EU (IN PLN MILLION)

17 Significant financial assets

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

17.1 Other loans and financial receivables

At the reporting date the main item of loans and other financial receivables represent receivables related to LTC compensations.

	As at September 30, 2014		As at December 31, 2013	
	Non-current	Current	Non-current	Current
Bank and other deposits	-	114	-	100
LTC compensation	-	865	-	675
Purchased bonds	-	-	358	-
Bails and guarantee deposits	4	41	1	58
Securities on the balancing market, IRGIT, KDPW guarantee fund	30	47	18	13
Other financial receivables	11	33	15	57
TOTAL LOANS AND RECEIVABLES	**45**	**1,100**	**392**	**903**

Long-term bonds were fully written-down in the current period.

17.2 Cash and cash equivalents

Cash at bank earns interest at floating interests' rates, which depend on the bank deposits interest rates. Short-term deposits are made for various periods, mostly from one day to one month, depending on the Group's current demand for cash and bear interest at fixed interest rates.

	As at September 30, 2014	As at December 31, 2013
Cash at bank and in hand	1,396	986
Overnight deposits	520	517
Short-term deposits	4,027	4,449
Total cash and cash equivalents	**5,943**	**5,952**
Interest accrued on cash and cash equivalents, not received at the reporting date	(5)	(4)
Exchange rate differences on cash and cash equivalents in foreign currencies	(3)	-
Total cash and cash equivalents recognized in the cash flow statement	**5,935**	**5,948**
Remaining available credit limits	1,988	1,757
Including credit limits on current account	*1,716*	*1,646*

9 MONTHS PERIOD ENDED SEPTEMBER 30, 2014 IN ACCORDANCE WITH IFRS EU (IN PLN MILLION)

17.3 Financial assets at fair value through profit and 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 PGE Group recognizes financial instruments related to carbon dioxide emissions trade - commodity forward and currency forward.

18 Equity

18.1 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 with a nominal value of 10 PLN each, 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.

9 MONTHS PERIOD ENDED SEPTEMBER 30, 2014 IN ACCORDANCE WITH IFRS EU (IN PLN MILLION)

18.2 Revaluation reserve on financial instruments

Due to implementation of the hedge accounting, PGE Group recognized an amount of PLN (57) 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 (46) 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	(56)	-
Accrued interest on derivatives transferred revaluation reserve and recognized in interest expense	16	-
Currency revaluation CCIRS transferred from revaluation reserve and recognized in result on foreign exchange differences	(18)	-
Ineffective portion of changes in fair value of hedging derivatives recognized in the profit and loss	1	-
Change in revaluation reserve	**(57)**	**-**

19 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
CASH DIVIDENDS FROM ORDINARY SHARES			
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.

9 MONTHS PERIOD ENDED SEPTEMBER 30, 2014 IN ACCORDANCE WITH IFRS EU (IN PLN MILLION)

20 Provisions

	Post-employment benefits	Provisions for jubilee awards	Provisions for non-contractual use of the property	Provisions for purchase of CO_2 emission rights	Provisions for reclamation costs	Provisions for scrapping of property, plant and equipment	Provisions for energy origin units held for redemption	Other	Total
AS AT JANUARY 1, 2014	**1,342**	**941**	**161**	**1,432**	**2,054**	**63**	**395**	**509**	**6,897**
Interest costs	41	29	-	-	51	-	-	-	121
Revaluation of provision/ discount rate adjustment	52	47	-	-	601	-	-	-	700
Cost of present employment/ used provisions	(45)	(71)	-	(682)	-	(13)	(627)	(337)	(1,775)
Raised during the year	-	-	11	502	57	-	888	613	2,071
Reversed	-	-	(71)	(751)	-	(5)	(84)	(82)	(993)
Other changes	-	-	-	-	13	-	-	-	13
AS AT SEPTEMBER 30, 2014	**1,390**	**946**	**101**	**501**	**2,776**	**45**	**572**	**703**	**7,034**
CURRENT	**90**	**86**	**26**	**501**	**-**	**5**	**572**	**541**	**1,821**
NON-CURRENT	**1,300**	**860**	**75**	**-**	**2,776**	**40**	**-**	**162**	**5,213**

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 Bełchatów Lignite Mine) and in the years 2041-2090 (for PGE Górnictwo i Energetyka Konwencjonalna S.A. Branch Turów Lignite Mine).

9 MONTHS PERIOD ENDED SEPTEMBER 30, 2014 IN ACCORDANCE WITH IFRS EU (IN PLN MILLION)

	Post-employment benefits	Provisions for jubilee awards	Provisions for non-contractual use of the property	Provisions for purchase of CO_2 emission rights	Provisions for reclamation costs	Provisions for scrapping of property, plant and equipment	Provisions for energy origin units held for redemption	Other	Total
AS AT JANUARY 1, 2013 (data restated)	**1,552**	**990**	**91**	**163**	**2,076**	**83**	**751**	**698**	**6,404**
Changes in the composition of the Group	-	(1)	-	-	26	-	-	(2)	23
Cost of present employment	33	46	-	-	-	-	-	-	79
Actuarial gains and losses excluding discount rate adjustment	(255)	(15)	-	-	-	-	-	-	(270)
Revaluation 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
AS AT DECEMBER 31, 2013	**1,342**	**941**	**161**	**1,432**	**2,054**	**63**	**395**	**509**	**6,897**
CURRENT	**93**	**97**	**37**	**1,432**	**-**	**18**	**395**	**363**	**2,435**
NON-CURRENT	**1,249**	**844**	**124**	**-**	**2,054**	**45**	**-**	**146**	**4,462**

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3 MONTHS PERIOD AND 9 MONTHS PERIOD ENDED SEPTEMBER 30, 2014 IN ACCORDANCE WITH IFRS EU (IN PLN MILLION)

20.1 Provisions for liability due to CO_2 emission rights

As a general rule, particular Group entities record provisions for liabilities of CO_2 emissions in relation to the shortage with CO_2 emission 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 these financial statements the PGE Group is entitled to receive CO_2 emissions rights granted free of charge in connection to expenditures concerning investments submitted to the National Investment Plan.

On April 8, 2014, the European Commission approved the list of installations producing electricity, which included installations belonging to the Group, together with the number of allocated emission rights for 2013. On April 10, 2014 the Resolution of the Council of Ministers was published on the list of installations generating electricity and covered by the trading system for carbon dioxide emission rights in the settlement period beginning on January 1, 2013. Based on this regulation in April 2014 Krajowy Ośrodek Bilansowania i Zarządzania Emisjami (KOBiZE) granted CO_2 emission rights in total amount of 31 million tonnes to the respective accounts of installations belonging to the Group entities.

Also in April 2014, KOBiZE transferred CO_2 emission rights in total amount of 3 million tonnes to the accounts of PGE Group for years 2013 and 2014 for installations other than generating electricity.

Accordingly, in the second quarter of 2014, the PGE Group reversed the provision of PLN 751 million recognized in 2013, relating to CO_2 emission rights for 2013. While recognizing provision for liability due to CO_2 emission rights in 2014, PGE Group takes into account free of charge emission rights for year 2014, that have not been yet registered on the accounts of the generation units.

20.2 Change of discount rate in reclamation and actuarial provisions

Due to the changes of the market interest rates, in the first half of 2014 the PGE Group adjusted the discount rate applied in the valuation of reclamation and actuarial provisions. The discount rate applied as at the balance sheet date amounts to 3.50% (in comparison to 4.35% as at December 31, 2013). Due to the change of discount rate:

- Reclamation provision increased other operating expenses by PLN 601 million;
- Actuarial provision increased operating expenses by PLN 47 million;
- Actuarial provision increased other comprehensive income by PLN 52 million.

In the third quarter of 2014 PGE Group did not adjust the discount rate.

20.3 Other provisions

The main position of other provisions is a provision covering reported and anticipated claims relating to real estate tax. Moreover, the caption consists of provisions for disputes with counterparties, employees' annual bonuses and unused annual holiday leave accrual as well.

21 Contingent liabilities and receivables. Legal claims

21.1 Contingent liabilities

	As at September 30, 2014	As at December 31, 2013
Liabilities due to bank guarantees	3	3
Contingent return of grants from environmental funds	265	271
Legal claims	10	11
Contractual fines and penalties	12	12
Other contingent liabilities	26	23
TOTAL CONTINGENT LIABILITIES	**316**	**320**

Other contingent liabilities

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

21.2 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 increased number of disputes in the future.

21.3 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 cogeneration unit, reimbursement of VAT and registered claims for compensations from insurers relating to fortuitous events.

21.4 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 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 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.

9 MONTHS PERIOD ENDED SEPTEMBER 30, 2014 IN ACCORDANCE WITH IFRS EU (IN PLN MILLION)

Information regarding Shanghai Electric Group Company Limited's complaint

PGE Górnictwo i Energetyka Konwencjonalna S.A. carried out a public tender procedure for the "Construction of a new power unit at Turów power plant" and selected the most favourable tender from a consortium comprising: Mitsubishi Hitachi Power Systems Europe GmbH (consortium leader), Budimex S.A. and Tecnicas Reunidas SA. Following the appeals of two contractors: Shanghai Electric Group Company Limited and Doosan Heavy Industries & Construction Co. Ltd, the National Appeals Chamber (KIO) on May 23, 2014 issued a ruling that dismissed both of the appeals..

On July 18, 2014, PGE Górnictwo i Energetyka Konwencjonalna S.A. received a copy of a complaint concerning KIO's ruling of May 23, 2014, addressed to the District Court in Łódź, 10th Commercial Division, made by the complainant – Shanghai Electric Group Company Limited – with the intermediation of the President of the KIO.

On October 24, 2014, the court issued a ruling that dismissed the complaint made by Shanghai Electric Group Company Limited.

22 Financial liabilities

22.1 Financial liabilities measured at amortised cost

	As at September 30, 2014		As at December 31, 2013	
	Non-current	Current	Non-current	Current
FINANCIAL LIABILITIES VALUED AT AMORTIZED COST				
Interest bearing loans and credits	970	158	992	526
Bonds	3,612	59	1,000	-
Leasing	2	1	2	2
Trade liabilities	-	814	-	935
Compensations related to LTC	-	712	-	817
Other financial liabilities	12	535	11	1,127
TOTAL	**4,596**	**2,279**	**2,005**	**3,407**

Issuance of bonds

The parent company has the ability to finance its own, and its subsidiaries operations through three 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 Group.
- The medium term Eurobonds Issue Programme of EUR 2 billion established on May 22, 2014 by PGE S.A. together with PGE Sweden AB (publ), a 100% subsidiary of PGE S.A. Under the Programme, PGE Sweden AB (publ) may issue Eurobonds up to the amount of EUR 2 billion with a minimum maturity of 1 year. On June 9, 2014, PGE Sweden AB (publ) issued Eurobonds in total amount of EUR 500 million and a five year maturity, and on August 1, 2014 – Eurobonds in total amount of EUR 138 million and a fifteen year maturity.

Cash flows from bonds are hedged by IRS and CCIRS transactions, described in note 22.2 of these financial statements.

Interest-bearing loans

As part of the loans and credits presented in the table, the Group recognizes:

- investment credit facility drawn by PGE Górnictwo i Energetyka Konwencjonalna S.A. Branch Bełchatów Power Plant from Nordic Investment Bank to finance construction of 858 MW power unit – in the carrying amount of PLN 622 million as at September 30, 2014;

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3 MONTHS PERIOD AND 9 MONTHS PERIOD ENDED SEPTEMBER 30, 2014 IN ACCORDANCE WITH IFRS EU (IN PLN MILLION)

- investment credit facilities drawn by PGE Górnictwo i Energetyka Konwencjonalna S.A. Branch Turów Power Plant from Nordic Investment Bank and UBS Investment Bank AG to modernize production equipment in a total carrying amount of PLN 247 million as at September 30, 2014.

Other financial liabilities

Other financial liabilities consist mainly of payables for the purchased property, plant and equipment of PLN 425 million and received bails and guarantee deposits of PLN 63 million.

22.2 Financial liabilities at fair value

	As at September 30, 2014	As at December 31, 2013
FINANCIAL LIABILITIES AT FAIR VALUE		
- IRS valuation	68	23
- CCIRS valuation	58	-
- FX forward	2	1
TOTAL	**128**	**24**

IRS hedging transaction

In 2003, Elektrownia Turów S.A. (currently a branch of PGE Górnictwo i Energetyka Konwencjonalna S.A.) concluded an IRS hedge transactions – swap. These transactions are aimed to hedge variable interest rates (USD LIBOR 6m) on investment credits in the value of USD 30, 40 and 80 million from Nordic Investment Bank incurred to finance investments in Turów power plant. In these transactions, banks-contractors pay interest based on variable rate, and the company pays Citibank interest based on fixed rate. As a result of IRS transaction hedging variable interest rate is effectively changed to fixed interest rate in relation to Nordic Investment Bank loans.

In the reporting period PGE S.A. 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 loans received from PGE Sweden AB (publ), disclosed in note 26.2 of these financial statements, in June and September 2014 the Company concluded a CCIRS transactions and designated them for currency risk hedging instruments in cash flow hedge accounting. In these transactions, banks-contractors of PGE S.A. pay interests 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 18.2 of these financial statements.

23 Future investment commitments

At the date of the preparation of these consolidated financial statements, the largest investment in the PGE Group is the construction of power units 5 and 6 at PGE Górnictwo i Energetyka Konwencjonalna S.A., Branch Opole Power Plant. 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 1,021 million. On January 31, 2014 the General Contractor received Notice to Proceed. Beyond the mentioned investment as at September 30, 2014, PGE Group was committed to incur capital expenditures on property, plant and equipment in the amount of approximately PLN 9,215 million. These amounts relate mainly to construction of new power units, modernization of the Group's assets and a purchase of machinery and equipment. Significant future investment commitments concern:

- PGE Górnictwo i Energetyka Konwencjonalna S.A. Branch Turów Power Plant – contract for construction of new power unit – approximately PLN 3,250 million,
- PGE Górnictwo i Energetyka Konwencjonalna S.A. Branch Bełchatów Power Plant – reconstruction and modernization of power units, including flue gas desulphurization of approximately PLN 1,732 million,
- PGE EJ1 sp. z o.o. – agreement for owners engineer in the investment process related to construction of the first Polish nuclear power plant – approximately PLN 1,328 million (including PLN 205 million as base case – remaining part of the contract is optional),
- investment commitments of PGE Dystrybucja S.A. related to network distribution assets of the total value of approximately PLN 747 million.

24 Information on significant purchase transactions of property, plant and equipment, and intangible assets

During the reporting period, PGE Group purchased tangible fixed assets and tangible fixed assets under construction in total amount of PLN 3,859 million. The largest expenditures were incurred by PGE Górnictwo i Energetyka Konwencjonalna S.A. (PLN 2,797 million), PGE Dystrybucja S.A. (PLN 770 million), Eolica Wojciechowo Sp. z o.o. (PLN 115 million) and PGE Energia Natury PEW Sp. z o.o. (PLN 89 million). The main items of expenditures were:

- Reconstructing and refurbishing project of power units 7 – 12 in Bełchatów Power Plant - PLN 959 million;
- Construction of two power units 5 and 6 in Opole Power Plant – PLN 366 million;
- Change in the ash storage technology in Bełchatów Power Plant - PLN 130 million;
- The construction of wind farms by Eolica Wojciechowo with the power of 28 MW – PLN 115 million.

25 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.

25.1 Associates

The sale of entities belonging to the PGE Group to associates for the 6 month period ended September 30, 2014 and September 30, 2013 amounted to PLN 5 million. As at December 31, 2013, PGE Group presented trade receivables from associates in the amount of PLN 1 million. As at September 30, 2014, trade receivables from associates did not occur.

25.2 Subsidiaries of the State Treasury

The State Treasury is the dominant shareholder of PGE Polska Grupa Energetyczna S.A. and as a result State Treasury companies are recognized as related entities. The Group companies identify in detail transactions with almost 40 of the biggest State Treasury related companies. The total value of transactions with such entities is presented in the table below.

	Period ended September 30, 2014	Period ended September 30, 2013
Sales to related parties	1,557	2,889
Purchases from related parties	2,545	2,715

	As at September 30, 2014	As at December 31, 2013
Trade receivables from related parties	184	523
Trade payables to related parties	288	351

The largest transactions with related entities of the State Treasury relate to the company Polskie Sieci Elektroenergetyczne S.A. and the purchase of coal from Polish mines. In addition, 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.

The decrease in sales and receivables from related entities is mainly due to the expiration of the contract of the parent company with Energa Obrót S.A.

25.3 Key management personnel remuneration

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

PLN thousand	Period ended September 30, 2014	Period ended September 30, 2013
Short-term employee benefits (salaries and salary related costs)	21,846	19,663
Post-employment and termination benefits	3,569	2,776
TOTAL REMUNERATION OF KEY MANAGEMENT PERSONNEL	**25,415**	**22,439**
Remuneration of key management personnel of non-core entities	13,335	13,570
TOTAL REMUNERATION OF KEY MANAGEMENT PERSONNEL	**38,750**	**36,009**

PLN thousand	Period ended September 30, 2014	Period ended September 30, 2013
The Management Board of the Parent	5,850	6,024
The Supervisory Board of the Parent	256	219
The Management Boards – subsidiaries	18,338	15,475
The Supervisory Boards – subsidiaries	971	721
TOTAL	**25,415**	**22,439**
Remuneration of key management personnel of non-core entities	13,335	13,570
TOTAL REMUNERATION OF KEY MANAGEMENT PERSONNEL	**38,750**	**36,009**

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.

26 Significant events of the reporting period and subsequent events

26.1 Compensation of long term contracts

The decisions of the President of the Energy Regulatory Office concerning the implementation of the LTC Act

Some producers of PGE Górnictwo i Energetyka Konwencjonalna 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 "Long-Term Contracts Act"). The LTC Act is ambiguous in many points and raise important questions of interpretation. The calculation of the estimated results of each manufacturer and resulting compensations, annual adjustments of stranded costs, final adjustments and resulting revenues enclosed in statement of comprehensive income was performed by the PGE Capital Group with the best of its knowledge in this area and with support of external experts.

In the previous years, the producers (from the PGE Group) received decisions on annual adjustments of stranded costs and costs related to natural gas fired entities for the years 2008 - 2012. Decisions for 2008 – 2010 on annual adjustments of stranded costs and decisions for 2009 - 2012 on annual adjustments costs related to natural gas fired entities were unfavourable for the particular producers and the Group believes that they were issued in violation of the LTC Act. As a consequence, since 2009, a number of proceedings commenced before the Regional Court in Warsaw - Competition and Consumer Protection Court ("CCP Court") and before the Court of Appeals concerning appeals filed by producers from the PGE Group against the decision of the President of the Energy Regulatory Office ("ERO"). These proceedings are currently at various levels of advancement.

In the first three quarters of 2014:

- Final sentences, favourable for the Group, were made in the proceedings concerning appeals against the President of ERO decisions regarding the annual adjustment of stranded costs for PGE GiEK S.A. Branch Rzeszów CHP for the year 2009, PGE GiEK S.A. Branch Opole Power Plant for the year 2009 and PGE GiEK S.A. for the year 2010. The amount of dispute in these cases was PLN 680 million.
- A favourable verdict of the Court of Appeal was issued in case of annual adjustments costs related to natural gas fired entities for PGE GiEK S.A. Branch Lublin Wrotków CHP for the year 2009. Claim value in the above case is PLN 7 million.
- CCP Court issued a sentence which considered part of the appeal of PGE GiEK S.A. and changed the decision of the President of ERO dated July 11, 2011 regarding the amount of the annual adjustment of the stranded costs due to PGE GIEK S.A. Branch Opole Power Plant for the year 2010. Based on the CCP Court sentence, the annual adjustment of the stranded costs due to PGE GIEK S.A. Branch Opole Power Plant for the year 2010 amounted to approximately PLN (-) 50 million including interests.
- On August 11, 2014, PGE GiEK S.A. received an administrative decision from the President of ERO regarding the amount of the annual adjustment of the stranded costs for the year 2013. In accordance with the decision of the President of ERO, the annual adjustment of stranded costs incurred in the manufacturing units: Branch Turów Power Plant and Branch Opole Power Plant for the year 2013 amounted to approximately PLN (+) 438 million. The Group considers this amount as undisputable.

On October 8, 2014, the Supreme Court examined a cassation appeal from the President of the KIO against a ruling by the Appeals Court regarding the amount of annual corrections in stranded costs for PGE GiEK S.A. – Branch ZEDO for 2009. The Supreme Court has not yet issued a final decision regarding the appeal and has submitted an inquiry to the Court of Justice of the European Union.

Impact on the financial statements for the period ended September 30, 2014

In the financial statements for the period ended September 30, 2014, the Group recognized LTC revenue in sales revenue in the amount of PLN 1,354 million. In this value, the amount of approximately PLN 911 million relates mainly to the revaluation of the LTC compensation model, which was caused by the change in assumptions used to calculate the final adjustment (including in particular the change in the discount rate). The rationale for the introduced changes in assumptions was the information regarding the decision of the President of ERO concerning the final adjustment submitted to one of the producers which is covered by the compensation system.

In addition, the final judgments of the Court of Appeal on PGE GiEK S.A. Branch Opole Power Plant, PGE GiEK S.A. Branch Rzeszów CHP and PGE GiEK S.A. caused an LTC compensation adjustment of approximately PLN 246 million recorded in the financial statements for the period ended September 30, 2014. The adjustment value is recognized in the statement of comprehensive income under other operating income.

The amount of disputes in all matters relating to the years 2008 – 2012 amount to PLN 1,660 million, including the amount of disputes favourably resolved for PGE Group by the Court of Appeal and a favourable final judgment regarding CCP Court in the amount of PLN 1,429 million.

26.2 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 bonds issued as at the reporting date amounts to PLN 2,662 million. Flows of nominal and interests resulting from the bonds are hedged by CCIRS transactions.

26.3 Conclusion of the contract for project and construction of power unit in Turów power plant

On July 10, 2014 PGE Górnictwo i Energetyka Konwencjonalna S.A. concluded the contract with consortium comprised of: Mitsubishi Hitachi Power Systems Europe GmbH (consortium leader), Budimex S.A. and Tecnicas Reunidas S.A. Subject of the contract contains project and construction in a turnkey solution of power unit with net power of 450 MWe with a supercritical steam dust boiler in Turów power plant. The power unit will be noted as CCS Ready.

The deadline of the contract completion was set at 56 months from the date of noticed request for works commencement. Net value of the contract amounted to PLN 3,250 million.

26.4 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.

26.5 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 Polska Grupa Energetyczna S.A., 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.

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