



PGE Polska Grupa Energetyczna S.A.

**Condensed interim separate
financial statements
for the 3-month period**

**ended March 31, 2015
in accordance with IFRS EU (in PLN million)**

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STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended March 31, 2015 (not audited)	Year ended March 31, 2014 (not audited)
STATEMENT OF PROFIT OR LOSS			
SALES REVENUES	B.1	2,610	2,434
Costs of goods sold	B.1	(2,338)	(2,228)
GROSS PROFIT ON SALES		272	206
Distribution and selling expenses	B.1	(10)	(5)
General and administrative expenses	B.1	(46)	(35)
Other operating revenues		1	1
Other operating expenses		(2)	-
OPERATING PROFIT		215	167
Financial income	B.1	61	65
Financial expenses	B.1	(74)	(9)
PROFIT BEFORE TAX		202	223
Income tax	B.3	(4)	(42)
NET PROFIT FOR THE REPORTING PERIOD		198	181
OTHER COMPREHENSIVE INCOME			
Other comprehensive income, which may be reclassified to profit or loss, including:			
Valuation of hedging instruments		75	-
Deferred tax		(14)	-
Other comprehensive income, which will not be reclassified to profit or loss, including:			
Actuarial gains and losses from valuation of provisions for employee benefits		-	1
Deferred tax		-	-
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET		61	1
TOTAL COMPREHENSIVE INCOME		259	182
EARNINGS AND DILUTED EARNINGS PER SHARE (IN PLN)		0.11	0.10

STATEMENT OF FINANCIAL POSITION

	Note	As at March 31, 2015 (not audited)	As at December 31, 2014 (audited)	As at March 31, 2014 (not audited) <i>restated*</i>
NON-CURRENT ASSETS				
Property, plant and equipment		191	193	197
Intangible assets		6	6	6
Loans and receivables	B.5	4,480	3,827	4,073
Available-for-sale financial assets		3	3	-
Shares in subsidiaries	B.5	29,086	29,046	24,232
Deferred tax assets	B.3	20	22	-
TOTAL NON-CURRENT ASSETS		33,786	33,097	28,508
CURRENT ASSETS				
Inventories		411	440	373
Income tax receivables		-	-	37
Short-term financial assets at fair value through profit or loss	B.5	27	11	124
Trade receivables	B.5	517	598	459
Other loans and financial assets	B.5	413	89	288
Available-for-sale short-term financial assets		-	-	3
Other current assets		640	126	26
Cash and cash equivalents	B.5	3,655	2,988	1,477
TOTAL CURRENT ASSETS		5,663	4,252	2,787
TOTAL ASSETS		39,449	37,349	31,295

* For information regarding restatement of comparative figures please refer to note A.3 of these financial statements

STATEMENT OF FINANCIAL POSITION

	Note	As at March 31, 2015 (not audited)	As at December 31, 2014 (audited)	As at March 31, 2014 (not audited) <i>restated*</i>
EQUITY				
Share capital	B.6	18,698	18,698	18,698
Revaluation reserve on financial instruments	B.6	1	(60)	-
Reserve capital		9,231	9,231	8,941
Other capital reserves		-	-	50
Retained earnings		5,431	5,233	2,262
TOTAL EQUITY		33,361	33,102	29,951
NON-CURRENT LIABILITIES				
Non-current provisions	B.7	20	20	18
Interest-bearing loans and borrowings, bonds and lease	B.9	3,627	3,754	1,000
Deferred tax liability	B.3	-	-	39
TOTAL NON-CURRENT LIABILITIES		3,647	3,774	1,057
CURRENT LIABILITIES				
Current provisions	B.7	24	33	32
Interest-bearing loans and borrowings, bonds and lease	B.9	1,835	58	9
Financial liabilities at fair value through profit or loss	B.9	131	99	1
Trade liabilities	B.9	242	237	185
Income tax liabilities		154	4	-
Other current financial liabilities	B.9	4	6	4
Other current non-financial liabilities		51	36	56
TOTAL CURRENT LIABILITIES		2,441	473	287
TOTAL LIABILITIES		6,088	4,247	1,344
TOTAL EQUITY AND LIABILITIES		39,449	37,349	31,295

* For information regarding restatement of comparative figures please refer to note A.3 of these financial statements

STATEMENT OF CHANGES IN EQUITY

	Share capital	Revaluation reserve on financial instruments	Reserve capital	Other capital reserves	Retained earnings	Total equity
AS AT JANUARY 1, 2015	18,698	(60)	9,231	-	5,233	33,102
Profit for the period	-	-	-	-	198	198
Other comprehensive income	-	61	-	-	-	61
COMPREHENSIVE INCOME FOR THE PERIOD	-	61	-	-	198	259
Retained earnings distribution	-	-	-	-	-	-
Dividend	-	-	-	-	-	-
AS AT MARCH 31, 2015	18,698	1	9,231	-	5,431	33,361

	Share capital	Revaluation reserve on financial instruments	Reserve capital	Other capital reserves	Retained earnings	Total equity
AS AT 1 JANUARY 2014 restated	18,698	-	8,941	50	2,080	29,769
Profit for the period	-	-	-	-	5,453	5,453
Other comprehensive income	-	(60)	-	-	(3)	(63)
COMPREHENSIVE INCOME FOR THE PERIOD	-	(60)	-	-	5,450	5,390
Retained earnings distribution	-	-	290	(50)	(240)	-
Dividend	-	-	-	-	(2,057)	(2,057)
AS AT 31 DECEMBER 2014	18,698	(60)	9,231	-	5,233	33,102

* For information regarding restatement of comparative figures please refer to note A.3 of these financial statements

	Share capital	Revaluation reserve on financial instruments	Reserve capital	Other capital reserves	Retained earnings	Total equity
AS AT JANUARY 1, 2014 restated*	18,698	-	8,941	50	2,080	29,769
Profit for the period	-	-	-	-	181	181
Other comprehensive income	-	-	-	-	1	1
COMPREHENSIVE INCOME FOR THE PERIOD	-	-	-	-	182	182
Retained earnings distribution	-	-	-	-	-	-
Dividend	-	-	-	-	-	-
AS AT MARCH 31, 2014	18,698	-	8,941	50	2,262	29,951

* For information regarding restatement of comparative figures please refer to note A.3 of these financial statements

STATEMENT OF CASH FLOWS

Note	Period ended March 31, 2015 (not audited)	Period ended March 31, 2014 (not audited)
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	202	223
Income tax paid	(46)	(58)
Adjustments for:		
Depreciation and amortization	4	3
Interest and dividend, net	12	(32)
Profit / loss on investment activities	(35)	(20)
Change in receivables	(19)	342
Change in inventories	29	(91)
Change in liabilities, excluding loans and bank credits	41	(79)
Change in prepayments and other non-financial assets	(245)	(13)
Change in provisions	(8)	3
Other	25	(1)
NET CASH FROM OPERATING ACTIVITIES	(40)	277
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment and intangible assets	(3)	(2)
Redemption of bonds issued within PGE Capital Group	3,435	1,027
Purchase of bonds issued within PGE Capital Group	(4,078)	(1,959)
Purchase of shares in subsidiaries	-	(67)
Interest received	24	12
Loans granted	(374)	-
Other	-	-
NET CASH FROM INVESTING ACTIVITIES	(996)	(989)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from loans, bank credits and issue of bonds	1,748	-
Interest paid	(16)	-
Other	(2)	-
NET CASH FROM FINANCING ACTIVITIES	1,730	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	694	(712)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	2,979	2,188
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3,673	1,476
Restricted cash	-	85

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.

A. BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

1. General information

1.1 The Company's operations

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

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

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

The State Treasury is the dominant shareholder of the Company.

Core operations of the Company are as follows:

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

PGE S.A.'s business activities are conducted under appropriate concessions, including concession for electricity trading granted by the President of Energy Regulatory Office. The concession is valid until 2025. No significant assets or liabilities are assigned to the concession. According to the concession the annual fees are paid depending on the level of trading.

Revenues from sale of electricity and other products of energy market are the only significant items of operating revenues. These revenues are generated on the domestic market. As a result the Company's operations are not divided into operating nor geographical segments.

Going concern

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

These financial statements comprise financial data for the period from January 1, 2015 to March 31, 2015 („financial statements”).

1.2 Ownership structure of the Company

	State Treasury	Other Shareholders	Total
As at December 31, 2014	58.39%	41.61%	100.00%
As at March 31, 2015	58.39%	41.61%	100.00%

The ownership structure as at particular balance sheet dates was prepared on the basis of data available to the Company.

1.3 Presentation and functional currency

The functional currency of the Company and presentation currency of these financial statements is Polish Zloty („PLN”). All amounts are in PLN million, unless indicated otherwise.

For the purpose of translation at the reporting date of items denominated in currency other than PLN the following exchange rates were applied:

	March 31, 2015	December 31, 2014	March 31, 2014
USD	3.8125	3.5072	3.0344
EUR	4.0890	4.2623	4.1713

1.4 The composition of the Management Board of the Company

As at January 1, 2015 the composition of the Management Board was as follows:

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

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

2. Basis for the preparation of the financial statements

These financial statements were prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union („EU”). IFRS comprise standards and interpretations, approved by the International Accounting Standards Board (“IASB”) and International Financial Reporting Interpretation Committee (“IFRIC”).

2.1 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 or are not effective as at January 1, 2015:

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). 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 IFRS 10, IFRS 12 and IAS 28	Clarification of the provisions on recognition of investment units in the consolidation.	January 1, 2016
Amendments to IAS 1	Changes regarding disclosures required in the financial statements.	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.	February 1, 2015
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 – matter of disproportionate change in gross amount and accumulated depreciation/amortisation in revaluation method; - IAS 24 – definition of key management personnel.	February 1, 2015
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 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 Company intends to adopt the above mentioned new standards, amendments to standards and interpretations published by the International Accounting Standards Board but not yet effective at the reporting date, when they become effective.

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

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

The amendments to IAS 27 introduce the option to use the equity method of accounting in separate financial statements. If the Company was to change its accounting policy in this scope, it would increase the value of PGE S.A.'s assets and equity. Furthermore, the statement of comprehensive income would include the proportionate share of the profit or loss of subsidiaries, and would no longer include dividends received from these companies. The Company has not decided to introduce changes mentioned above.

Other standards and their changes should have no significant impact on future financial statements of PGE S.A. Amendments to standards and interpretations that entered into force in the period from January 1, 2015 to the date of approval of these separate financial statements did not have significant influence on these separate financial statements.

2.2 Changes in estimates

In the period covered by these financial statements there were no significant changes in estimates influencing the numbers presented in the financial statements. As described in Note B.7 the Company updated the value of provisions recognized in the statement of financial position.

3. Changes of accounting principles and data presentation

Bonds issued by subsidiaries not at arm's length

Starting in 2015, subsidiaries belonging to the tax group issue bonds with terms (especially interest) that may differ from market conditions. These bonds are acquired by PGE S.A. In order to recognise such bonds in financial statements, market interest is estimated, which is then used to calculate amortised cost. The difference between the sum of interest resulting from the bond terms and the sum of interest according to estimated market interest is recognised as an increase in the value of investment in the subsidiary issuing the bonds. Interest income is recognised in the statement of comprehensive income also using an estimated market interest rate.

Updating the accounting policy did not result in the need to restate comparative data.

The approach to a dividend in kind from a subsidiary

In 2014 the Company revised the applied accounting principles by introducing detailed regulation on specific common control transactions. According to the new principles, in case of free of charge transfer of assets from a subsidiary to a higher level parent company (e.g. in a form of non-reciprocal transfer or dividend in kind), the Company recognizes transaction in the book value in the books of the transferor. The acquirer recognizes the free of charge transfer as a dividend received in the financial income.

In 2013 the Company received non-cash dividend in form of shares in PGE Górnictwo i Energetyka Konwencjonalna S.A. that was recognized at fair value. Due to the accounting policy change, the Company restated the data presented in the comparative statement of financial position. The restatement was presented in tables below.

The Company believes that the revised accounting principles, due to the non-cash nature of the transactions between the subsidiaries and the parent company, will result in more relevant presentation of such transactions.

STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2014

	As of March 31, 2014 <i>published</i>	Change in valuation of shares	As of March 31, 2014 <i>restated</i>
NON-CURRENT ASSETS, including:			
Shares in subsidiaries	24,449	(217)	24,232
TOTAL NON-CURRENT ASSETS	28,725	(217)	28,508
TOTAL ASSETS	31,512	(217)	31,295
EQUITY, including:			
Retained earnings	2,479	(217)	2,262
TOTAL EQUITY	30,168	(217)	29,951
TOTAL LIABILITIES AND EQUITY	31,512	(217)	31,295

4. Fair value hierarchy

The rules for the valuation of inventories, derivatives, stocks, shares and non-quoted instruments on the active markets, for which the fair value is not possible to be determined, are the same as presented in the separate financial statements for year ended December 31, 2014.

FAIR VALUE HIERARCHY	As at March 31, 2015		As at December 31, 2014	
	Level 1	Level 2	Level 1	Level 2
CO ₂ emission rights	393	-	409	-
Inventories	393	-	409	-
Commodity forward	-	-	-	-
FX forward	-	27	-	11
Financial assets	-	27	-	11
FX forward	-	2	-	-
CCIRS valuation	-	58	-	8
IRS valuation	-	58	-	54
Commodity forward	-	13	-	37
Financial liabilities	-	131	-	99

During the reporting period and comparative reporting periods, there have been no transfers of derivatives between the first and the second level of fair value hierarchy.

Valuation of hedging transactions CCIRS and IRS is disclosed in note B.9 of these financial statements.

B. EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**1. Revenues and expenses****1.1 Sales revenues**

	Period ended March 31, 2015	Period ended March 31, 2014
REVENUES FROM SALE		
Sale of electricity	2,014	1,843
Sale of energy origin rights	315	400
Other sales of merchandise and materials	130	55
Revenues from sale of services	151	136
TOTAL SALES REVENUES	2,610	2,434

The increase in sales revenue for the period ended March 31, 2015 compared to the corresponding period is mainly due to the increase of wholesale volumes and to higher realized average price of electricity sold.

Information concerning main business partners

The main business partners of the Company are subsidiaries in PGE Group. In period ended March 31, 2015 the sale to PGE Obrót S.A. constituted 80% of sales revenue (82% in corresponding period of previous year).

1.2 Cost by type and function

	Period ended March 31, 2015	Period ended March 31, 2014
COST BY TYPE		
Depreciation, amortisation and impairment losses	4	3
Materials and energy	1	1
External services	22	15
Taxes and charges	1	1
Employee benefits expenses	22	22
Other cost by type	16	23
TOTAL COST BY TYPE	66	65
Distribution and selling expenses	(10)	(5)
General and administrative expenses	(46)	(35)
Cost of merchandise and materials sold	2,328	2,203
COST OF GOODS SOLD	2,338	2,228

Increase of cost of merchandise and materials sold (mainly purchased electricity) in period ended March 31, 2015 in comparison to the corresponding period of previous year is directly related to the increase of revenues from sale of electricity described above.

The other cost by type consist mainly sponsorship and management's payroll costs.

1.3 Financial income and expenses

	Period ended March 31, 2015	Period ended March 31, 2014
FINANCIAL INCOME FROM FINANCIAL INSTRUMENTS		
Dividends	-	-
Interest	50	54
Revaluation of financial instruments	11	9
Foreign exchange gain	-	2
FINANCIAL INCOME FROM FINANCIAL INSTRUMENTS	61	65
TOTAL FINANCIAL INCOME	61	65

The Company recognizes interest income mainly from bonds issued by subsidiaries and from funds placement.

Revaluation of financial instruments concerns mainly transactions concluded on the market for CO₂ emission rights.

	Period ended March 31, 2015	Period ended March 31, 2014
FINANCIAL EXPENSES FROM FINANCIAL INSTRUMENTS		
Interest expense	43	9
Revaluation	5	-
Foreign exchange losses	25	-
FINANCIAL EXPENSES FROM FINANCIAL INSTRUMENTS	73	9
OTHER FINANCIAL EXPENSES		
Interest expenses, including unwinding of the discount	1	-
OTHER FINANCIAL EXPENSES	1	-
TOTAL FINANCIAL EXPENSES	74	9

Interest expense relate mainly to bonds issued and obtained loans.

Revaluation includes valuation of CCIRS and IRS (ineffective portion of instruments designated as hedging instruments in the cash-flow hedge and total amount regarding other derivatives).

2. Impairment allowances of assets

PGE S.A. did not recognize significant impairment allowances of assets in the period ended March 31, 2015 nor in the comparable reporting period.

3. Income tax

3.1 Tax in the statement of comprehensive income

Main elements of income tax expense for the periods ended March 31, 2015 and March 31, 2014 are as follows:

	Period ended March 31, 2015	Period ended March 31, 2014
INCOME TAX PRESENTED IN THE STATEMENT OF PROFIT OR LOSS		
Current income tax of PGE S.A.	41	39
Tax benefits resulting from current settlements of tax capital group	(53)	-
Previous periods current income tax adjustments	19	-
Deferred income tax	(3)	3
INCOME TAX EXPENSE PRESENTED IN THE STATEMENT OF PROFIT OR LOSS	4	42
INCOME TAX PRESENTED IN OTHER COMPREHENSIVE INCOME		
(Tax benefit) / expense recognized in other comprehensive income (equity)	14	-

Effective tax rate in the period ended on March 31, 2015 amounted to 1.86%. Main items affecting the effective tax rate relate to settlements of tax benefits between the companies comprising a tax capital group, including settlements corrections for previous periods.

Rules of settlements between the companies forming the tax capital group are described in Note B.3.4 of these financial statements.

3.2 Deferred tax in the statement of financial position

	As at March 31, 2015	As at December 31, 2014
COMPONENTS OF DEFERRED TAX ASSET		
Current period costs unrealized for tax purposes	3	4
Difference between tax value and carrying value of financial liabilities	30	36
Difference between tax value and carrying value of financial assets	30	21
Provisions for employee benefits	8	10
DEFERRED TAX ASSET	71	71

The Company does not recognize deferred tax asset related to difference between tax and carrying amount of shares in subsidiaries.

	As at March 31, 2015	As at December 31, 2014
COMPONENTS OF DEFERRED TAX LIABILITY		
Difference between tax value and carrying value of property, plant and equipment	23	23
Difference between tax value and carrying value of other financial assets	-	2
Difference between tax value and carrying value of financial liabilities	11	2
Accrued interest on deposits, loans granted, bonds and receivables	2	3
CO ₂ emission rights	10	15
Current period revenues unrealized for tax purposes	5	4
DEFERRED TAX LIABILITY	51	49
AFTER OFF-SET OF BALANCES THE COMPANY'S DEFERRED TAX IS PRESENTED AS :		
Deferred tax asset	20	22
Deferred tax liability	-	-

3.3 Tax settlements

Tax obligations and rights are specified in the Constitution of the Republic of Poland, tax regulations and rectified international agreements. According to the tax ordinance, tax is defined as public, unpaid, obligatory and non-returnable cash liability toward the State Treasury, provincial or other regional authorities resulting from tax regulation. Taking into account the subject criterion, current taxes in Poland can be divided into five groups: taxation of incomes, taxation of turnover, taxation of assets, taxation of activities and other, not classified elsewhere.

From the point of view of economic units, the most important is the taxation of incomes (corporate income tax), taxation of turnover (value added tax, excise tax) followed by taxation of assets (real estate tax and vehicle tax). Other payments classified as quasi – taxes cannot be omitted. Among these there are social security charges.

Basic tax rates were as follows: in 2015 corporate income tax rate – 19%, basic value added tax rate – 23%, lowered: 8%, 5%, 0%, furthermore some goods and products are subject to the tax exemption.

The tax system in Poland is characterized by a significant changeability of tax regulations, their complexity, high potential fees foreseen in case of commitment of a tax crime or violation as well as general pro-tax approach of tax authorities. Tax settlements and other activity areas subject to regulations (customs or currency controls) can be subject to controls of respective authorities that are entitled to issue fines and penalties with penalty interest. Controls may cover tax settlements for the period of 5 years after the end of calendar year in which the tax was due.

As at March 31, 2015 and during the reporting periods the Company was not party of material proceedings with regard to regulatory liabilities.

3.4 Tax Capital Group

Since January 1, 2015, PGE S.A. has belonged to the tax capital group, named “PGK PGE 2015” for which PGE S.A. is a representing company. PGK PGE 2015 agreement was concluded for a 25-year period. Companies forming PGK PGE 2015 are indicated in note B.5.3. Until December 31, 2014 PGE S.A. was a member of the tax capital group set up in 2011, which also included PGE Systemy S.A. and PGE Obrót S.A.

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 constitutes 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 continues to be a separate payer of VAT and tax on civil-law transactions, as well as withholding agent with respect to personal income tax.

Pursuant to the executed agreements, when a company belonging to the tax group reports tax profit, it transfers the relevant amount of income tax to PGE S.A., which then settles with the tax office as the representing company. On the other hand, when a company belonging to PGK PGE 2015 incurs a tax loss, then the related tax benefit is available to the representing company, which is PGE S.A. This also means that in the case of corrections in tax settlements of companies reporting a tax loss any such changes have a direct impact on the financial results of PGE S.A.

Cash flows between companies in PGK PGE 2015 are realised within a year, with deadlines prior to payment of advance income tax. Final settlement between companies belonging to the tax group takes place after the representing company files an annual declaration.

The companies that make up the tax group must meet a number of requirements, including among others: appropriate level of equity, at least 95% ownership by the parent, no cross-holdings between subsidiaries, no tax arrears, having at least 3% share in revenue (counted for the entire tax group) and executing transactions with entities from outside the tax group only on market terms. A breach of the above requirements would result in the tax group being dissolved and losing the status of a taxable person. From the moment of dissolution, each of the companies included in the tax group would become a separate taxable person for corporate income tax.

4. Property, plant and equipment

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

5. Financial assets

5.1 Trade receivables

Trade receivables in amount of PLN 517 million relate mainly to the sale of electricity and services to subsidiaries in PGE Group. As at March 31, 2015 the balance of three most important debtors, i.e. PGE Obrót S.A., PGE Górnictwo i Energetyka Konwencjonalna S.A. and PGE Dystrybucja S.A., constituted 84% of total balance of trade receivables.

5.2 Loans and receivables

The position of loans and receivables consist primarily of bonds issued by subsidiaries in the PGE Capital Group .

	As at March 31, 2015		As at December 31, 2014	
	Long-term	Short-term	Long-term	Short-term
Bonds, bills and notes receivables	4,450	17	3,797	67
Cash pooling receivables	-	373	-	-
Loans granted	30	3	30	2
Other financial receivables	-	20	-	20
TOTAL LOANS AND RECEIVABLES, EXCLUDING TRADE RECEIVABLES	4,480	413	3,827	89
TRADE RECEIVABLES	-	517	-	598

Acquired bonds

	As at March 31, 2015		As at December 31, 2014	
	Long-term	Short-term	Long-term	Short-term
ACQUIRED BONDS - ISSUER				
PGE Górnictwo i Energetyka Konwencjonalna S.A.	3,291	-	2,653	12
PGE Energia Odnawialna S.A.	731	-	729	1
PGE Energia Natury PEW sp. z o.o.	263	11	270	1
PGE Energia Natury Omikron sp. z o.o.	141	5	145	-
PGE Energia Natury Kappa sp. z o.o.	24	1	-	50
PGE Energia Natury S.A.	-	-	-	3
TOTAL BONDS ACQUIRED	4,450	17	3,797	67

PGE S.A. acquires bonds issued by subsidiaries. Cash obtained from the issue of bonds is used for financing the investments, repayment of financial liabilities as well as for financing current operations.

Starting from January 1, 2015 bonds issued by PGE Górnictwo i Energetyka Konwencjonalna S.A. and PGE Energia Odnawialna S.A. (entities belonging to the tax capital group) are issued on more favorable terms (from the issuer's perspective) comparing to market conditions. For bonds issued in 2015 the difference between the sum of interest resulting from the bonds' conditions and the sum of interest resulting from the estimated market rates amounts to PLN 50 million. The accounting policy regarding to the recognition of those bonds is presented in note A.3 of these financial statements. The value of bonds in the table above and the interest income was determined using a market interest rate.

Cash pooling receivables

The issue of real cash pooling launch is described in note B.11.1 of these financial statements

Loans granted

	As at March 31, 2015		As at December 31, 2014	
	Long-term	Short-term	Long-term	Short-term
LOANS GRANTED - BORROWER				
PGE Systemy S.A.	30	-	30	-
PGE Energia Natury Olecko sp. z o.o.	-	2	-	2
PGE Obsługa Księgowo Kadrowa sp. z o.o.	-	1	-	-
TOTAL LOANS GRANTED	30	3	30	2

Other financial receivables

	As at March 31, 2015		As at December 31, 2014	
	Long-term	Short-term	Long-term	Short-term
Security deposits	-	20	-	20
Other	-	-	-	-
TOTAL OTHER RECEIVABLES	-	20	-	20

5.3 Shares in subsidiaries

Shares in subsidiaries are recognized at cost less accumulated impairment losses.

	Seat	Shares as at March 31, 2015	As at March 31, 2015	Share as at December 31, 2014	As at December 31, 2014
COMPANIES INSIDE TAX CAPITAL GROUP PGE 2015					
PGE Górnictwo i Energetyka Konwencjonalna S.A.	Bełchatów	99.60%	14,892	99.21%	14,856
PGE Dystrybucja S.A.	Lublin	100.00%	10,592	100.00%	10,592
PGE Obrót S.A.	Rzeszów	100.00%	1,117	100.00%	1,117
PGE Energia Natury S.A.	Warsaw	100.00%	462	100.00%	462
PGE Energia Odnawialna S.A.	Warsaw	100.00%	419	100.00%	415
PGE Systemy S.A.	Warsaw	100.00%	125	100.00%	125
ELBEST sp. z o.o.	Bełchatów	100.00%	101	100.00%	101
PGE Dom Maklerski S.A.	Warsaw	100.00%	97	100.00%	97
BETRANS sp. z o.o.	Bełchatów	100.00%	35	100.00%	35
ELMEN sp. z o.o.	Rogowiec	100.00%	23	100.00%	23
ELTUR SERWIS sp. z o.o.	Bogatynia	100.00%	23	100.00%	23
BESTGUM sp. z o.o.	Rogowiec	100.00%	12	100.00%	12
MEGAZEC sp. z o.o.	Bydgoszcz	100.00%	10	100.00%	10
ELBIS sp. z o.o.	Rogowiec	100.00%	8	100.00%	8
MegaSerwis sp. z o.o.	Bogatynia	100.00%	7	100.00%	7
TOP Serwis sp. z o.o.	Bogatynia	100.00%	5	100.00%	5
PGE Obsługa Księgowo-Kadrowa sp. z o.o.	Lublin	100.00%	1	100.00%	1
ELBEST Security sp. z o.o. (previously: PGE Inwest 3 sp. z o.o.)	Warsaw	100.00%	<1	100.00%	<1
14 limited liability companies named PGE Inwest 2 and from 4 to 16	Warsaw	100.00%	<1	100.00%	<1
COMPANIES OUTSIDE TAX CAPITAL GROUP PGE 2015					
Exatel S.A.	Warsaw	100.00%	428	100.00%	428
PGE Energia Natury sp. z o.o.	Warsaw	100.00%	397	100.00%	397
PGE EJ 1 sp. z o.o.	Warsaw	100.00%	206	100.00%	206
PGE Sweden AB (publ)	Sztokholm	100.00%	112	100.00%	112
PGE Trading GmbH	Berlin	100.00%	14	100.00%	14
TOTAL			29,086		29,046

As described in note B.11.2 of these financial statements, on April 15, 2015 PGE Polska Grupa Energetyczna S.A. concluded an agreement for the disposal of shares in PGE EJ 1 sp. z o.o. As a result of the disposal the Company realized a loss of PLN 14 million.

5.4 Financial assets at fair value through profit or loss

The Company recognizes in financial statements all derivative financial instruments at fair value.

	As at March 31, 2015	As at December 31, 2014
FINANCIAL ASSETS AT FAIR VALUE		
- commodity forward	-	-
- currency forward	27	11
TOTAL	27	11

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

5.5 Cash

Short-term deposits are made for different periods, from one day up to one month, depending on the Company's needs for cash, and are deposited at individually agreed interest rates.

The balance of cash and cash equivalents comprise the following positions:

	As at March 31, 2015	As at December 31, 2014
Cash on hand and cash at bank	604	830
Overnight deposits	251	7
Short-term deposits	2,800	2,151
TOTAL	3,655	2,988

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.

6. Equity

6.1 Share capital

	As at March 31, 2015	As at December 31, 2014
Number of Series A ordinary Shares with a nominal value of PLN 10 each	1,470,576,500	1,470,576,500
Number of Series B ordinary Shares with a nominal value of PLN 10 each	259,513,500	259,513,500
Number of Series C ordinary Shares with a nominal value of PLN 10 each	73,228,888	73,228,888
Number of Series D ordinary Shares with a nominal value of PLN 10 each	66,441,941	66,441,941
TOTAL NUMBER OF SHARES	1,869,760,829	1,869,760,829

All shares of the Company are paid up.

After the reporting period up to this financial statement disclosure there were no changes in the amount of share capital, reserve capital and other capital reserves of the Company.

6.2 Revaluation reserve

The below table presents changes in revaluation reserve in the reporting period due to applied cash flow hedge accounting:

	As at March 31, 2015	As at December 31, 2014
REVALUATION RESERVE AS AT 1 JANUARY	(60)	-
Deferral of changes in fair value of hedging instruments recognized as an effective hedge	(50)	(8)
Accrued interest on derivatives transferred from revaluation reserve and recognized in interest expense	11	7
Currency revaluation of CCIRS transferred from revaluation reserve and recognized in the result on foreign exchange differences	114	(74)
Ineffective portion of changes in fair value of hedging derivatives recognized in the profit or loss	-	1
REVALUATION RESERVE, GROSS	15	(74)
Deferred tax	(14)	14
REVALUATION RESERVE LESS DEFERRED TAX	1	(60)

6.3 Dividends paid and dividends declared

	Dividend paid or declared from the profit for the period ended		
	March 31, 2015	December 31, 2014	December 31, 2013
CASH DIVIDEND FROM ORDINARY SHARES			
Dividend from retained earnings	-	-	2,057
Dividend from reserve capital	-	-	-
TOTAL CASH DIVIDEND FROM ORDINARY SHARES	-	-	2,057
Cash dividend per share (in PLN)	-	-	1.10

Dividend from the profit for the period ended March 31, 2015

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 ended December 31, 2014

These financial statements have been prepared before distribution of profit for the year ended December 31, 2014 and before fixing the amount of the dividend payment. The assumption of PGE S.A. dividend policy is to pay dividends at a level between 40 % and 50 % of net profit attributable to shareholders of the parent company, as reported in the consolidated financial statements.

Dividend from the profit for the year ended December 31, 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.

7. Provisions

The carrying value of provisions is as follows:

	As at March 31, 2015		As at December 31, 2014	
	Long-term	Short-term	Long-term	Short-term
Post-employment benefits	18	2	18	2
Provisions for jubilee awards	2	-	2	-
Provisions for employee bonuses and other	-	19	-	27
Other provisions	-	3	-	4
TOTAL PROVISIONS	20	24	20	33

Changes in provisions

Period ended March 31, 2015

	Post-employment benefits	Provisions for jubilee awards	Provisions for employee bonuses and other	Other	Total
AS AT JANUARY 1, 2015	20	2	27	4	53
Discount rate adjustment	-	-	-	-	-
Interest costs	-	-	-	-	-
Benefits paid / Provisions used	-	-	(14)	-	(14)
Provisions raised	-	-	6	-	6
Provisions reversed	-	-	-	(1)	(1)
AS AT MARCH 31, 2015	20	2	19	3	44

Year ended December 31, 2014

	Post-employment benefits	Provisions for jubilee awards	Provisions for third parties claims	Provisions for employee bonuses and other	Other	Total
AS AT JANUARY 1, 2014	17	4	2	20	5	48
Discount rate adjustment	4	-	-	-	-	4
Interest costs	1	-	-	-	-	1
Benefits paid / Provisions used	(2)	(2)	-	(25)	(2)	(31)
Provisions raised	-	-	-	32	1	33
Provisions reversed	-	-	(2)	-	-	(2)
AS AT DECEMBER 31, 2014	20	2	-	27	4	53

8. Contingent liabilities and receivables. Legal claims**8.1 Contingent liabilities**

	As at March 31, 2015	As at December 31, 2014
Collaterals for repayment of bank guarantees granted	12,087	12,644
Other contingent liabilities	1	1
TOTAL CONTINGENT LIABILITIES	12,088	12,645

Surety for the obligations of PGE Sweden AB (publ)

In connection with the establishment of the Eurobonds programme in 2014, an agreement was concluded for the issue of guarantee by PGE S.A. for the liabilities of PGE Sweden AB (publ). Guarantee was granted to the total amount of EUR 2,500 million (PLN 10.223 million) and will be valid until December 31, 2041. As at March 31, 2015 PGE Sweden AB (publ) liabilities due to bonds issued amounted to EUR 644 million (PLN 2,633 million).

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

In January 2014, the Company granted three sureties to pay the bank guarantee issued for PGE Górnictwo i Energetyka Konwencjonalna S.A. The total value of sureties is PLN 1,848 million. Granting guarantees is related to the investment conducted by PGE Górnictwo i Energetyka Konwencjonalna S.A. in the construction of the new power units in Elektrownia Opole.

8.2 Other significant issues related to contingent liabilities

Promise referring to ensuring financing of new investments in Group companies

Due to planned strategic investments in PGE Group, the Company committed, in the form of promises to group companies, to ensure financing of planned investments. The promises relate to specific investments and may be used only for such purposes. As at March 31, 2015 and December 31, 2014 the estimated value of the promises amounts to ca. PLN 15 billion.

Commitment to support liquidity at PGE Obrót S.A.

Following the donation obtained in 2014 from PGE Obrót S.A. in form of its shares in PGE Dystrybucja S.A. and PGE Górnictwo i Energetyka Konwencjonalna S.A. the Company committed to ensure the liquidity of PGE Obrót S.A. if this entity was to face insolvency. Ensuring liquidity can take the form of a capital increase, debt financing or other activities aimed at reducing the likelihood of insolvency. PGE Obrót S.A. and PGE S.A. executed a debt subordination agreement pursuant to which, in the event that PGE Obrót S.A. becomes insolvent, PGE S.A.'s receivables from PGE Obrót S.A. will constitute subordinated debt.

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

8.3 Other legal claims and disputes

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 of the above, on November 12, 2014 Socrates Investment S.A. (an entity which purchased claims from former PGE Górnictwo i Energetyka S.A. shareholders) filed a lawsuit to impose a compensation in the total amount of over PLN 493 million (plus interest) for damages incurred in respect of incorrect (in their opinion) determination of the exchange ratio of shares in the merger of PGE Górnictwo i Energetyka S.A. and PGE S.A. The Company filed responses to the claims.

PGE S.A. does not recognize the claims of Socrates Investment S.A. and other shareholders who call for trial settlements. These claims are unfounded. In PGE S.A.'s opinion the consolidation process was conducted fairly and properly. The value of the shares, which were subject to the process of consolidation (merger) were valued by the independent company PwC Polska sp. z o.o. Additionally, 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.

For the reported claims, the Company has not created a provision.

Claims for annulment of the resolutions of the General Shareholders Meetings

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

9. Financial liabilities

9.1 Loans, borrowings, bonds, cash pooling

	As at March 31, 2015		As at December 31, 2014	
	Long-term	Short-term	Long-term	Short-term
Loans and borrowings	2,647	58	2,754	58
Bonds issued	980	27	1,000	-
Cash pooling liabilities	-	1,750	-	-
TOTAL LIABILITIES	3,627	1,835	3,754	58

Loans received from PGE Sweden AB (publ)

On item interest bearing loans and borrowings the Company recognized a loan of EUR 660 million drawn from subsidiary – PGE Sweden AB (publ).

Issuance of bonds on domestic market

In addition to above mentioned financing, the Company has the ability to finance its own operations through two bond issue programs:

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

As at March 31, 2015 the value of remaining available credit limits on current accounts amounted to PLN 1,750 million and PLN 1,250 million as at December 31, 2014. The credit lines in the current accounts are available until February 22, 2018.

Bank loans

On December 17, 2014 the Company signed a Loan Agreement in the amount of PLN 1,000 million with Bank Gospodarstwa Krajowego S.A. with the maturity date of December 31, 2027. As at March 31, 2015 the credit was not used.

Cash pooling liabilities

The issue of real cash pooling launch is described in note B.11.1 of these financial statements.

9.2 Other financial liabilities measured at amortized cost

	As at March 31, 2015		As at December 31, 2014	
	Long-term	Short-term	Long-term	Short-term
Purchase of property, plant and equipment and intangible assets	-	1	-	2
Security deposits	-	2	-	4
Other financial liabilities	-	1	-	-
TOTAL OTHER FINANCIAL LIABILITIES	-	4	-	6
TRADE LIABILITIES	-	242	-	237

Trade liabilities

Trade liabilities relate mainly to purchase of electricity. The majority of the Company's liabilities are liabilities towards subsidiaries of PGE Group.

9.3 Financial liabilities at fair value

The Company recognizes in its financial statements all derivatives measured at fair value.

	As at March 31, 2015	As at December 31, 2014
FAIR VALUE OF FINANCIAL INSTRUMENTS		
Commodity forward	13	37
Currency forward	2	-
IRS valuation	58	54
CCIRS valuation	58	8
FINANCIAL LIABILITIES	131	99

Commodity and currency forwards

Commodity and currency forwards relate mainly to trading of CO2 emission rights.

IRS hedging transaction

In 2014 PGE S.A. concluded 2 IRS transactions, hedging the interest rate on issued bonds with a nominal value of PLN 1,000 million. Payments arising from IRS transactions are correlated with interest payments on bonds. Changes in fair value of IRS transaction are recognized fully in profit or loss.

CCIRS hedging transaction

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

For the CCIRS transactions the Company applies hedge accounting. The impact of hedge accounting is presented in note B.6.2 of these financial statements.

10. 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. Exceptions to this rule were:

- new bonds issued by subsidiaries belonging to the Tax Capital Group bearing interests at below market rates, described in note B.5.2 of these financial statements,
- tax losses settlement within the Tax Capital Group, described in notes B.3.1 and B.3.4 of these financial statements.

10.1 Subsidiaries in PGE Capital Group

	Period ended March 31, 2015	Period ended March 31, 2014
Sales to related parties	2,405	2,415
Purchases from related parties	365	222

Sales to subsidiaries in PGE Capital Group relate mainly to electricity and energy origin rights.

	As at March 31, 2015	As at December 31, 2014
RECEIVABLES FROM RELATED PARTIES		
Bonds issued by subsidiaries	4,467	3,864
Trade receivables from subsidiaries	467	554
Loans granted to subsidiaries	33	31
Cash pooling receivables	373	-
TOTAL RECEIVABLES FROM RELATED PARTIES	5,340	4,449

	As at March 31, 2015	As at December 31, 2014
LIABILITIES TOWARDS RELATED PARTIES		
Loans received from subsidiary	2,704	2,812
Trade payables to related parties	143	105
Cash pooling liabilities	1,750	-
TOTAL LIABILITIES TOWARDS RELATED PARTIES	4,597	2,917

The promises and guarantees granted to the PGE S.A.'s subsidiaries were described in note B.8.2 of these financial statements.

10.2 Subsidiaries of the State Treasury

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

	Period ended March 31, 2015	Period ended March 31, 2014
Sales to related parties	78	9
Purchases from related parties	18	37

	As at March 31, 2015	As at December 31, 2014
Trade receivables from related parties	24	7
Trade liabilities to related parties	4	7

The largest transactions with State Treasury companies involve Polskie Sieci Elektroenergetyczne S.A. The increase in sales and receivables from related parties is mainly due to the sales of electricity to TAURON Polska Energia SA Energy and PKP Energetyka S.A.

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

10.3 Management personnel remuneration

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

<i>PLN thousand</i>	Period ended March 31, 2015	Period ended March 31, 2014 <i>restated</i>
Short-term employee benefits (salaries and salary related costs)	1,705	1,719
Post-employment and termination benefits	(45)	946
TOTAL REMUNERATION OF KEY MANAGEMENT PERSONNEL	1,660	2,665

The Members of the Management Board of the Company are employed on the basis of civil law contracts for management (Management contracts). The above remuneration is included in other costs by type disclosed in note B.1.2 Costs by type and function.

In the current period, the Company reversed the surplus of provision created in previous years for remuneration of former Members of the Management Board in relation to the so-called non-competition clause. Remuneration in the amount of PLN 619 thousand was paid during 2015. Provision as at January 1, 2015 amounted to PLN 664 thousand.

11. Significant events of the reporting period and subsequent events

11.1 Real cash pooling in the PGE Capital Group

In order to centralise liquidity management in PGE Group, one-way real cash pooling agreements were concluded on December 22, 2014 between 16 companies from the PGE Capital Group and banks: Powszechna Kasa Oszczędności Bank Polski S.A. and Bank Polska Kasa Opieki S.A. The cash pooling was launched on January 16, 2015 in Bank Polska Kasa Opieki S.A. and on January 19, 2015 in Powszechna Kasa Oszczędności Bank Polski S.A.

Introduction of cash pooling resulted in optimisation of the cash flows and improved liquidity management in the Group, limited use of external financing thanks to use of the Group's own funds, securing short-term financing of the Group entities as well as lower bank fees.

PGE S.A. is a coordinator of the cash pooling in the Group. It means that particular entities settle their positions with the Company and the Company settles accounts with the banks. In connection with the above receivables and liabilities of PGE S.A. show the settlements with the entities that participate in cash pooling.

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

On September 3, 2014 PGE Polska Grupa Energetyczna S.A., TAURON Polska Energia S.A., ENEA S.A. and KGHM Polska Miedź S.A. ("Business Partners") concluded a Partners' Agreement. On April 15, in accordance with the Partners' Agreement, an agreement was concluded for the sale of shares in PGE EJ 1 sp. z o.o., and as a result each of the Business Partners acquired 10 % of shares in PGE EJ 1 sp. z o.o. As a result of the sale of shares, PGE Polska Grupa Energetyczna S.A. holds 70% in the share capital of PGE EJ 1 sp. z o.o., and each of the Business Partners holds 10% in the share capital of PGE EJ 1 sp. z o.o.

According to assumptions, PGE Group will be the leader of the project of construction and operating of the first nuclear power plant in Poland ("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 under the initial phase of the Project (the "Development Stage"), proportionally to their shareholdings. The Development Stage 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 Polska Grupa Energetyczna S.A. financial commitment in the Development Stage 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 Development Stage, directly before the settlement of the integrated proceeding, which is expected in 2018 according to the current assumptions.

12. Approval of financial statements

These financial statements were approved for publication by the Management Board on May 6, 2015.

Warsaw, May 6, 2015

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

**President of the
Management Board** **Marek Woszczyk**

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

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

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

Signature of the person responsible for preparation of financial statements
Michał Skiba - Director of Financial Reporting and Tax Department