



**PGE Polska Grupa Energetyczna S.A.  
Condensed interim consolidated  
financial statements  
for the 3 months period**

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

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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Note	Period ended March 31, 2015 (not audited)	Period ended March 31, 2014 (reviewed) <i>data restated*</i>
<b>STATEMENT OF PROFIT OR LOSS</b>			
<b>SALES REVENUES</b>	B.2	<b>7,553</b>	<b>6,929</b>
Costs of goods sold	B.2	(5,507)	(5,443)
<b>GROSS PROFIT ON SALES</b>		<b>2,046</b>	<b>1,486</b>
Other operating revenues	B.2	82	98
Distribution and selling expenses	B.2	(395)	(363)
General and administrative expenses	B.2	(218)	(183)
Other operating expenses	B.2	(99)	(60)
<b>OPERATING PROFIT</b>		<b>1,416</b>	<b>978</b>
Financial income	B.2	51	80
Financial expenses	B.2	(105)	(75)
Share of profit of associates		-	-
<b>PROFIT BEFORE TAX</b>		<b>1,362</b>	<b>983</b>
Income tax	B.4	(264)	(190)
<b>NET PROFIT FOR THE REPORTING PERIOD</b>		<b>1,098</b>	<b>793</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Other comprehensive income, which may be reclassified to profit or loss, including:</b>			
Valuation of hedging instruments		71	-
Foreign exchange differences from translation of foreign entities		(5)	-
Deferred tax		(13)	-
<b>Other comprehensive income, which will not be reclassified to profit or loss, including:</b>			
Actuarial gains and losses from valuation of provisions for employee benefits		-	-
Deferred tax		-	-
<b>OTHER COMPREHENSIVE INCOME FOR THE REPORTING PERIOD, NET</b>		<b>53</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>1,151</b>	<b>793</b>
<b>NET PROFIT ATTRIBUTABLE TO:</b>			
- equity holders of the parent company		1,095	790
- non-controlling interest		3	3
<b>COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>			
- equity holders of the parent company		1,148	790
- non-controlling interest		3	3
<b>EARNINGS AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY (IN PLN)</b>		<b>0.59</b>	<b>0.42</b>

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	Note	As at March 31, 2015 (not audited)	As at December 31, 2014 (audited)	As at March 31, 2014 (reviewed) <i>data restated*</i>
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment		50,296	49,738	46,366
Investment property		31	33	32
Intangible assets		778	763	726
Loans and receivables	B.9	13	13	424
Available-for-sale financial assets		15	15	24
Shares in associates accounted for under the equity method		9	9	9
Other non-current assets	B.8	1,488	1,228	1,153
Deferred tax assets	B.4	354	383	328
<b>TOTAL NON-CURRENT ASSETS</b>		<b>52,984</b>	<b>52,182</b>	<b>49,062</b>
<b>CURRENT ASSETS</b>				
Inventories		2,241	2,175	1,768
CO <sub>2</sub> emission rights	B.7	1,565	1,552	1,458
Income tax receivables		64	46	46
Short-term financial assets at fair value through profit or loss	B.9	27	11	124
Trade receivables	B.9	1,920	1,729	1,870
Other loans and financial assets	B.9	1,339	1,180	913
Available-for-sale financial assets		16	16	9
Other current assets	B.8	1,042	1,012	1,033
Cash and cash equivalents	B.9	4,943	6,282	5,124
Assets classified as held-for-sale		16	16	14
<b>TOTAL CURRENT ASSETS</b>		<b>13,173</b>	<b>14,019</b>	<b>12,359</b>
<b>TOTAL ASSETS</b>		<b>66,157</b>	<b>66,201</b>	<b>61,421</b>

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at March 31, 2015 (not audited)	As at December 31, 2014 (audited)	As at March 31, 2014 (reviewed) data restated*
<b>EQUITY</b>				
Share capital	B.10	18,698	18,698	18,698
Revaluation on financial assets and hedging reserves	B.10	(3)	(61)	-
Foreign exchange differences from translation of foreign entities		(6)	(1)	-
Reserve capital		9,231	9,231	8,941
Other capital reserves		-	-	50
Retained earnings		17,996	16,901	16,646
<b>EQUITY ATTRIBUTED TO EQUITY HOLDERS OF THE PARENT COMPANY</b>		<b>45,916</b>	<b>44,768</b>	<b>44,335</b>
Non-controlling interests		120	116	200
<b>TOTAL EQUITY</b>		<b>46,036</b>	<b>44,884</b>	<b>44,535</b>
<b>NON-CURRENT LIABILITIES</b>				
Non-current provisions	B.11	6,165	6,099	4,758
Interest-bearing loans and borrowings, bonds and lease	B.13	4,566	4,688	1,983
Deferred tax liabilities	B.4	2,165	2,090	1,768
Deferred income and government grants		1,144	1,158	1,185
Other financial liabilities	B.13	15	16	12
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>14,055</b>	<b>14,051</b>	<b>9,706</b>
<b>CURRENT LIABILITIES</b>				
Current provisions	B.11	2,186	2,070	2,621
Interest-bearing loans and borrowings, bonds and lease	B.13	245	357	736
Financial liabilities at fair value through profit or loss	B.13	151	117	23
Trade liabilities	B.13	833	1,179	810
Income tax liabilities		159	81	66
Deferred income and government grants		146	142	140
Other current financial liabilities	B.13	1,224	1,953	1,319
Other current non-financial liabilities		1,122	1,367	1,465
<b>TOTAL CURRENT LIABILITIES</b>		<b>6,066</b>	<b>7,266</b>	<b>7,180</b>
<b>TOTAL LIABILITIES</b>		<b>20,121</b>	<b>21,317</b>	<b>16,886</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>66,157</b>	<b>66,201</b>	<b>61,421</b>

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## EQUITY ATTRIBUTED TO EQUITY HOLDERS OF THE PARENT COMPANY

(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
<b>AS AT JANUARY 1, 2015</b>	<b>18,698</b>	<b>(61)</b>	<b>(1)</b>	<b>9,231</b>	-	<b>16,901</b>	<b>44,768</b>	<b>116</b>	<b>44,884</b>
Profit for the reporting period	-	-	-	-	-	1,095	1,095	3	1,098
Other comprehensive income	-	58	(5)	-	-	-	53	-	53
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	-	<b>58</b>	<b>(5)</b>	-	-	<b>1,095</b>	<b>1,148</b>	<b>3</b>	<b>1,151</b>
Retained earnings distribution	-	-	-	-	-	-	-	-	-
Dividend	-	-	-	-	-	-	-	-	-
Changes within the PGE Group	-	-	-	-	-	-	-	-	-
Purchase of additional shares in the PGE Group companies	-	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-	1	1
<b>TRANSACTIONS WITH OWNERS FOR THE PERIOD</b>	-	-	-	-	-	-	-	<b>1</b>	<b>1</b>
<b>AS AT MARCH 31, 2015</b>	<b>18,698</b>	<b>(3)</b>	<b>(6)</b>	<b>9,231</b>	-	<b>17,996</b>	<b>45,916</b>	<b>120</b>	<b>46,036</b>

## EQUITY ATTRIBUTED TO EQUITY HOLDERS OF THE PARENT COMPANY

(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
<b>AS AT JANUARY 1, 2014</b>	<b>18,698</b>	-	-	<b>8,941</b>	<b>50</b>	<b>15,851</b>	<b>43,540</b>	<b>268</b>	<b>43,808</b>
Profit for the reporting period	-	-	-	-	-	3,638	3,638	19	3,657
Other comprehensive income	-	(61)	(1)	-	-	(321)	(383)	(1)	(384)
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	-	<b>(61)</b>	<b>(1)</b>	-	-	<b>3,317</b>	<b>3,255</b>	<b>18</b>	<b>3,273</b>
Retained earnings distribution	-	-	-	290	(50)	(240)	-	-	-
Dividend	-	-	-	-	-	(2,057)	(2,057)	(4)	(2,061)
Changes within the PGE Group	-	-	-	-	-	-	-	(17)	(17)
Purchase of additional shares in the PGE Group companies	-	-	-	-	-	15	15	(148)	(133)
Other changes	-	-	-	-	-	15	15	(1)	14
<b>TRANSACTIONS WITH OWNERS FOR THE PERIOD</b>	-	-	-	<b>290</b>	<b>(50)</b>	<b>(2,267)</b>	<b>(2,027)</b>	<b>(170)</b>	<b>(2,197)</b>
<b>AS AT DECEMBER 31, 2014</b>	<b>18,698</b>	<b>(61)</b>	<b>(1)</b>	<b>9,231</b>	-	<b>16,901</b>	<b>44,768</b>	<b>116</b>	<b>44,884</b>

## EQUITY ATTRIBUTED TO EQUITY HOLDERS OF THE PARENT COMPANY

(reviewed)	Share capital	Reserve capital	Other capital reserves	Retained earnings	Total	Non-controlling interests	Total equity
<b>AS AT JANUARY 1, 2014</b>	<b>18,698</b>	<b>8,941</b>	<b>50</b>	<b>15,851</b>	<b>43,540</b>	<b>268</b>	<b>43,808</b>
Profit for the reporting period	-	-	-	790	790	3	793
Other comprehensive income	-	-	-	-	-	-	-
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>790</b>	<b>790</b>	<b>3</b>	<b>793</b>
Retained earnings distribution	-	-	-	-	-	-	-
Dividend	-	-	-	-	-	-	-
Changes within the PGE Group	-	-	-	-	-	-	-
Purchase of additional shares in the PGE Group companies	-	-	-	4	4	(71)	(67)
Other changes	-	-	-	1	1	-	1
<b>TRANSACTIONS WITH OWNERS FOR THE PERIOD</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5</b>	<b>5</b>	<b>(71)</b>	<b>(66)</b>
<b>AS AT MARCH 31, 2014</b>	<b>18,698</b>	<b>8,941</b>	<b>50</b>	<b>16,646</b>	<b>44,335</b>	<b>200</b>	<b>44,535</b>

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Period ended March 31, 2015 (not audited)	Period ended March 31, 2014 (reviewed) <i>data restated*</i>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before tax	1,362	983
Income tax paid	(109)	(252)
<b>Adjustments for:</b>		
Shares in profit of associates accounted for under the equity method	-	-
Depreciation, amortization and impairment losses	794	745
Interest and dividend, net	35	11
Profit / loss on investment activities	(31)	(20)
Change in receivables	(157)	302
Change in inventories	(81)	(84)
Change in liabilities, excluding loans and bank credits	(617)	(620)
Change in other non-financial assets, prepayments and CO <sub>2</sub> emission rights	(53)	(344)
Change in provisions	166	179
Other	52	(11)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>1,361</b>	<b>889</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Disposal of property, plant and equipment and intangible assets	10	11
Purchase of property, plant and equipment and intangible assets	(2,434)	(1,857)
Disposal of financial assets	-	-
Deposits with a maturity over 3 months	(120)	-
Termination of deposits over 3 months	25	-
Purchase of financial assets and increase in shareholding in the PGE Group companies	-	(49)
Other	-	19
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>(2,519)</b>	<b>(1,876)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from loans, bank credits and issue of bonds	30	594
Repayment of loans, bank credits, bonds and finance lease	(170)	(415)
Interest paid	(8)	(5)
Other	(2)	(14)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>(150)</b>	<b>160</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,308)</b>	<b>(827)</b>
Effect of foreign exchange rate changes, net	1	1
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>6,269</b>	<b>5,948</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>4,961</b>	<b>5,121</b>
Restricted cash	526	137

\* For information regarding restatement of comparative figures please refer to note A.3 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.



## A. THE BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

### 1. General information

#### 1.1 The PGE Group's operations

PGE Polska Grupa Energetyczna S.A. Group ("PGE Group", "Capital Group", "Group") comprises the parent company PGE Polska Grupa Energetyczna S.A. and subsidiaries (described in note A.1.4).

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 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.

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,
- rendering of other services related to the above mentioned activities.

Business activities are conducted under appropriate concessions granted to particular Group companies, described in note B.1 of these financial statements.

#### Going concern

These consolidated financial statements were prepared under the assumption that the Group companies will continue to operate as a going concern for the foreseeable future. As at the date of the approval of these consolidated financial statements, there is no evidence indicating that the significant Group companies will not be able to continue its business activities as a going concern.

These condensed interim consolidated financial statements of the Capital Group comprise financial data for the period from January 1, 2015 to March 31, 2015 ("financial statements", "consolidated financial statements").

#### 1.2 Presentation and functional currency

The functional currency of the parent company and the presentation currency of these consolidated 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

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

As at January 1, 2015 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 up to the preparation date of these financial statements, there have been no changes in the composition of the Management Board.

## 1.4 Structure of the Capital Group

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

	Entity	Entity holding shares	Share of the Group entities as at March 31, 2015	Share of the Group entities as at December 31, 2014
<b>SEGMENT: SUPPLY</b>				
1.	PGE Polska Grupa Energetyczna S.A. Warsaw	The Parent Company		
2.	PGE Dom Maklerski S.A. Warsaw	PGE Polska Grupa Energetyczna S.A.	100.00%	100.00%
3.	PGE Trading GmbH Berlin	PGE Polska Grupa Energetyczna S.A.	100.00%	100.00%
4.	PGE Obrót S.A. Rzeszów	PGE Polska Grupa Energetyczna S.A.	100.00%	100.00%
5.	ENESTA sp. z o.o. Stalowa Wola	PGE Obrót S.A.	87.33%	87.33%
<b>SEGMENT: CONVENTIONAL GENERATION</b>				
6.	PGE Górnictwo i Energetyka Konwencjonalna S.A.* Bełchatów	PGE Polska Grupa Energetyczna S.A.	99.60%	99.60%
7.	Przedsiębiorstwo Energetyki Ciepłej sp. z o.o. Zgierz	PGE Górnictwo i Energetyka Konwencjonalna S.A.	50.98%	50.98%
8.	ELBIS sp. z o.o. Rogowiec	PGE Polska Grupa Energetyczna S.A.	100.00%	100.00%
9.	MEGAZEC sp. z o.o. Bydgoszcz	PGE Polska Grupa Energetyczna S.A.	100.00%	100.00%
10.	„ELBEST” sp. z o.o. Bełchatów	PGE Polska Grupa Energetyczna S.A.	100.00%	100.00%
11.	MegaSerwis sp. z o.o. Bogatynia	PGE Polska Grupa Energetyczna S.A.	100.00%	100.00%
12.	„ELMEN” sp. z o.o. Rogowiec	PGE Polska Grupa Energetyczna S.A.	100.00%	100.00%
13.	Przedsiębiorstwo Usługowo-Produkcyjne „ELTUR-SERWIS” sp. z o.o. Bogatynia	PGE Polska Grupa Energetyczna S.A.	100.00%	100.00%
14.	Przedsiębiorstwo Usługowo-Produkcyjne „TOP SERWIS” sp. z o.o. Bogatynia	PGE Polska Grupa Energetyczna S.A.	100.00%	100.00%
15.	Przedsiębiorstwo Transportowo-Sprzętowe „BETRANS” sp. z o.o. Bełchatów	PGE Polska Grupa Energetyczna S.A.	100.00%	100.00%
16.	Przedsiębiorstwo Wulkanizacji Taśm i Produkcji Wyrobów Gumowych BESTGUM POLSKA sp. z o.o. Rogowiec	PGE Polska Grupa Energetyczna S.A.	100.00%	100.00%
17.	„Energoserwis – Kleszczów” sp. z o.o. Kleszczów	PGE Górnictwo i Energetyka Konwencjonalna S.A.	51.00%	51.00%
18.	RAMB sp. z o.o. Piaski	PGE Górnictwo i Energetyka Konwencjonalna S.A.	100.00%	100.00%
<b>SEGMENT: RENEWABLE ENERGY</b>				
19.	PGE Energia Odnawialna S.A. Warsaw	PGE Polska Grupa Energetyczna S.A.	100.00%	100.00%
20.	Elektrownia Wiatrowa Baltica-1 sp. z o.o. Warsaw	PGE Energia Odnawialna S.A.	100.00%	100.00%
21.	Elektrownia Wiatrowa Baltica-2 sp. z o.o. Warsaw	PGE Energia Odnawialna S.A.	100.00%	100.00%
22.	Elektrownia Wiatrowa Baltica-3 sp. z o.o. Warsaw	PGE Energia Odnawialna S.A.	100.00%	100.00%
	Pelplin sp. z o.o. Warsaw	PGE Energia Odnawialna S.A.	-	100.00%
23.	Eolica Wojciechowo sp. z o.o. Gniewino	PGE Energia Odnawialna S.A.	100.00%	100.00%
24.	PGE Energia Natury S.A. Warsaw	PGE Polska Grupa Energetyczna S.A.	100.00%	100.00%
25.	PGE Energia Natury sp. z o.o. Warsaw	PGE Polska Grupa Energetyczna S.A.	100.00%	100.00%

	Entity	Entity holding shares	Share of the Group entities as at March 31, 2015	Share of the Group entities as at December 31, 2014
26.	PGE Energia Natury Karnice sp. z o.o. Warsaw	PGE Energia Natury S.A.	100.00%	100.00%
27.	PGE Energia Natury Bukowo sp. z o.o. Warsaw	PGE Energia Natury S.A.	100.00%	100.00%
28.	PGE Energia Natury Olecko sp. z o.o. Warsaw	PGE Energia Natury S.A.	100.00%	100.00%
29.	PGE Energia Natury Omikron sp. z o.o. Warsaw	PGE Energia Natury S.A.	100.00%	100.00%
30.	PGE Energia Natury Kappa sp. z o.o. Warsaw	PGE Energia Natury S.A.	100.00%	100.00%
31.	PGE Energia Natury PEW sp. z o.o. Warsaw	PGE Energia Natury S.A.	100.00%	100.00%
<b>SEGMENT: DISTRIBUTION</b>				
32.	PGE Dystrybucja S.A. Lublin	PGE Polska Grupa Energetyczna S.A.	100.00%	100.00%
<b>SEGMENT: OTHER</b>				
33.	PGE EJ 1 sp. z o.o. Warsaw	PGE Polska Grupa Energetyczna S.A.	100.00%	100.00%
34.	PGE Systemy S.A. Warsaw	PGE Polska Grupa Energetyczna S.A.	100.00%	100.00%
35.	EXATEL S.A. Warsaw	PGE Polska Grupa Energetyczna S.A.	100.00%	100.00%
36.	PGE Sweden AB (publ) Sztokholm	PGE Polska Grupa Energetyczna S.A.	100.00%	100.00%
37.	PGE Obsługa Księgowo-Kadrowa sp. z o.o. (formerly PGE Inwest sp. z o.o.) Lublin	PGE Polska Grupa Energetyczna S.A.	100.00%	100.00%
38.	PGE Inwest 2 sp. z o.o. Warsaw	PGE Polska Grupa Energetyczna S.A.	100.00%	100.00%
39.	ELBEST Security sp. z o.o. (dawniej PGE Inwest 3 sp. z o.o.) Warsaw	PGE Polska Grupa Energetyczna S.A.	100.00%	100.00%
40.	PGE Inwest 4 sp. z o.o. Warsaw	PGE Polska Grupa Energetyczna S.A.	100.00%	100.00%
41.	PGE Inwest 5 sp. z o.o. Warsaw	PGE Polska Grupa Energetyczna S.A.	100.00%	100.00%
42.	PGE Inwest 6 sp. z o.o. Warsaw	PGE Polska Grupa Energetyczna S.A.	100.00%	100.00%
43.	PGE Inwest 7 sp. z o.o. Warsaw	PGE Polska Grupa Energetyczna S.A.	100.00%	100.00%
44.	PGE Inwest 8 sp. z o.o. Warsaw	PGE Polska Grupa Energetyczna S.A.	100.00%	100.00%
45.	PGE Inwest 9 sp. z o.o. Warsaw	PGE Polska Grupa Energetyczna S.A.	100.00%	100.00%
46.	PGE Inwest 10 sp. z o.o. Warsaw	PGE Polska Grupa Energetyczna S.A.	100.00%	100.00%
47.	PGE Inwest 11 sp. z o.o. Warsaw	PGE Polska Grupa Energetyczna S.A.	100.00%	100.00%
48.	PGE Inwest 12 sp. z o.o. Warsaw	PGE Polska Grupa Energetyczna S.A.	100.00%	100.00%
49.	PGE Inwest 13 sp. z o.o. Warsaw	PGE Polska Grupa Energetyczna S.A.	100.00%	100.00%
50.	PGE Inwest 14 sp. z o.o. Warsaw	PGE Polska Grupa Energetyczna S.A.	100.00%	100.00%
51.	PGE Inwest 15 sp. z o.o. Warsaw	PGE Polska Grupa Energetyczna S.A.	100.00%	100.00%
52.	PGE Inwest 16 sp. z o.o. Warsaw	PGE Polska Grupa Energetyczna S.A.	100.00%	100.00%
	PGE Gubin sp. z o.o. Gubin	PGE Górnictwo i Energetyka Konwencjonalna S.A.	-	100.00%
53.	EPORE sp. z o.o. Bogatynia	PGE Górnictwo i Energetyka Konwencjonalna S.A.	85.38%	85.38%
54.	ENERGO-TEL S.A. Warsaw	EXATEL S.A.	100.00%	100.00%

	Entity	Entity holding shares	Share of the Group entities as at March 31, 2015	Share of the Group entities as at December 31, 2014
55.	Bio-Energia S.A. Warsaw	PGE Energia Odnawialna S.A.	100.00%	100.00%
56.	Przedsiębiorstwo Transportowo-Usługowe „ETRA” sp. z o.o. Białystok	PGE Dystrybucja S.A.	100.00%	100.00%
57.	Przedsiębiorstwo Produkcyjno-Handlowe EKTO sp. z o.o. Białystok	PGE Dystrybucja S.A.	100.00%	100.00%
58.	Energetyczne Systemy Pomiarowe sp. z o.o. Białystok	PGE Dystrybucja S.A.	100.00%	100.00%

\* Share excluding entity's own shares

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 March 31, 2015:

- On February 26, 2015 PGE Górnictwo i Energetyka Konwencjonalna S.A. merged with PGE Gubin sp. z o.o. Result of the merger did not affect these financial statements.
- On March 31, 2015 PGE Energia Odnawialna S.A. merged with Pelplin sp. z o.o. Result of the merger did not affect these financial statements.

After the reporting date PGE S.A till the date of these financial statements the following events occurred:

- On April 15, 2015 an agreement was concluded for sale of 30% shares held by PGE S.A. in PGE EJ 1 sp. z o.o. As a result of the transaction, the Group achieved profit in amount of approx. PLN 0.5 million. More details of the transaction is included in note B.15.2 to these consolidated financial statements.

## 2. The 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 Interpretations 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). It 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 PGE Group 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 Group

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 PGE 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.

The new IFRS 15 is aimed to standardize the revenue recognition rules (except for these within the scope of other IFRS/IAS) and indicate the extent of disclosure required. The analysis of its impact on the future financial statements of the Group has not been finished yet.

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

## 2.2 Changes in estimates

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

- Provisions are liabilities of uncertain timing or amount. During the reporting period, PGE Group changed estimations regarding the basis and amounts of some provisions. Changes of estimations are presented in note B.11 of these financial statements.
- During the reporting period the Group updated the value of impairment allowances of financial and other assets. The changes are described in notes B.2.3, B.2.4 and B.3 of these financial statements.

## 3. Changes of accounting principles and data presentation

### Change in reporting of operating segments

With view to ensure greater transparency of reporting of companies' operations in particular segments, the following changes have been made in their structure as of the first quarter of 2015:

- previous segments of Wholesale Trading and Supply were merged and created Supply segment.

Implementation of this change enables elimination of flows between previous segments, allowing for clearer presentation and more effective valuation of the results achieved by the PGE Capital Group.

- company ENESTA S. A. was shifted from Other Operations to Supply segment

Implementation of this change enables presentation of operational results of the above company according to the character of its activities ensuring more consistent view of the Group's operations in the Supply segment.

- companies which run their operations for Conventional Generation segment were shifted from Other Operations to Conventional Generation segment

Above adjustment provides more comparability between the periods through elimination of volatility in settling of services rendered by the ancillary companies. The companies added to the Conventional Generation segment run the following activities:

- construction, renovation and modernization, investments works with regard to electricity equipment;
- managing contractor at the implementation of investment projects;
- comprehensive diagnostic tests and measurements of electro-energy machines and equipment;
- management of by-products of coal combustion, development and implementation of above technologies usage;
- rehabilitation of degraded areas.

Comparable data for the first quarter of 2014 were respectively restated.

### Change of accounting principles on valuation and recognition of provisions for rehabilitation of surface mines

Starting from consolidated financial statements for the year 2014 the PGE Capital Group changed accounting principles on valuation and recognition of provisions for rehabilitation of surface mines. According to accounting principles previously applied, the amount of the provision corresponded to the expected cost of future rehabilitation, discounted to the current value, in the proportion of the extracted lignite to the total planned lignite extraction from the deposit over the entire operating period. The increase in the provision resulting from exploitation of the deposit and the reversal of the discount was expensed. Any changes in the assumptions were recognized in profit or loss.

According to the new principles concerning recognition of the rehabilitation provision future rehabilitation costs are divided into:

- to the part corresponding to the volume of the excavation resulting from extraction of lignite,
- to the part corresponding to the volume of the excavation resulting from stripping of overburden.

The part relating to lignite is recognized using the method previously applied i.e. natural method based on the quantities of extracted lignite. In turn the part relating to stripping costs is capitalized in the value of property, plant and equipment and then depreciated. Changes in the assumptions taken to estimate the provision are recognized in profit or loss (in the part relating to lignite) and capitalized (in the part relating to stripping costs), provided that the amount deducted from the purchase price or production cost cannot be higher than its carrying amount.

According to the PGE Group the revised accounting policy provides more fairly the financial situation and results of the Group in respect of the mining of lignite from surface mines and better applies IFRS. In addition, the revised principles reduce the volatility of the financial result of the PGE Group to changes of macroeconomic assumptions.

### **Restatement of comparative information**

Accordingly, the 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 have also been restated accordingly.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Period ended March 31, 2014 <i>data published</i>	Change in recognition of rehabilitation provision	Period ended March 31, 2014 <i>data restated</i>
<b>STATEMENT OF PROFIT OR LOSS</b>			
<b>SALES REVENUES</b>	<b>6,929</b>	-	<b>6,929</b>
Cost of goods sold	(5,446)	3	(5,443)
<b>GROSS PROFIT ON SALES</b>	<b>1,483</b>	<b>3</b>	<b>1,486</b>
Other operating revenues	98	-	98
Distribution and selling expenses	(363)	-	(363)
General and administrative expenses	(183)	-	(183)
Other operating expenses	(60)	-	(60)
<b>OPERATING PROFIT</b>	<b>975</b>	<b>3</b>	<b>978</b>
Financial income	80	-	80
Financial expenses	(73)	(2)	(75)
Share of profit of associates	-	-	-
<b>PROFIT BEFORE TAX</b>	<b>982</b>	<b>1</b>	<b>983</b>
Income tax	(190)	-	(190)
<b>NET PROFIT FOR THE REPORTING PERIOD</b>	<b>792</b>	<b>1</b>	<b>793</b>
<b>OTHER COMPREHENSIVE INCOME</b>	-	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>792</b>	<b>1</b>	<b>793</b>
<b>NET PROFIT ATTRIBUTABLE TO :</b>			
- equity holders of the parent company	789	1	790
- non-controlling interest	3	-	3
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>			
- equity holders of the parent company	789	1	790
- non-controlling interest	3	-	3
<b>EARNINGS PER SHARE (IN PLN)</b>	<b>0.42</b>	-	<b>0.42</b>



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at March 31, 2014 <i>data published</i>	Change in recognition of rehabilitation provision	As at March 31, 2014 <i>data restated</i>
<b>NON-CURRENT ASSETS , including:</b>			
Property, plant and equipment	45,861	505	46,366
<b>TOTAL NON-CURRENT ASSETS</b>	<b>48,557</b>	<b>505</b>	<b>49,062</b>
<b>TOTAL ASSETS</b>	<b>60,916</b>	<b>505</b>	<b>61,421</b>
<b>EQUITY, including:</b>			
Retained earnings	16,487	159	16,646
Non-controlling interests	198	2	200
<b>TOTAL EQUITY</b>	<b>44,374</b>	<b>161</b>	<b>44,535</b>
<b>NON-CURRENT LIABILITIES, including:</b>			
Provisions	4,451	307	4,758
Deferred tax liabilities	1,731	37	1,768
<b>TOTAL NON- CURRENT LIABILITIES</b>	<b>9,362</b>	<b>344</b>	<b>9,706</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>60,916</b>	<b>505</b>	<b>61,421</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Period ended March 31, 2014 <i>data published</i>	Change in recognition of rehabilitation provision	Period ended March 31, 2014 <i>data restated</i>
<b>Profit before tax</b>	<b>982</b>	<b>1</b>	<b>983</b>
Adjustments for:			
Depreciation, amortization	739	6	745
Change in provisions	175	4	179
Other	-	(11)	(11)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>889</b>	<b>-</b>	<b>889</b>

## 4. 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, 2014.

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.

FAIR VALUE HIERARCHY	As at March 31, 2015		As at December 31, 2014	
	Level 1	Level 2	Level 1	Level 2
CO <sub>2</sub> emission rights	393	-	409	-
<b>Inventories</b>	<b>393</b>	<b>-</b>	<b>409</b>	<b>-</b>
commodity forward	-	-	-	-
FX forward	-	27	-	11
<b>Financial assets</b>	<b>-</b>	<b>27</b>	<b>-</b>	<b>11</b>
FX forward	-	2	-	-
CCIRS valuation	-	58	-	8
IRS valuation	-	78	-	72
commodity forward	-	13	-	37
<b>Financial liabilities</b>	<b>-</b>	<b>151</b>	<b>-</b>	<b>117</b>

As at the reporting date, the book value of inventories amounted to PLN 2,241 million. The item contains CO<sub>2</sub> emission rights at fair value in the amount of PLN 393 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.

## B. EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Operating segments

Companies of the PGE Group are conducting activity based on relevant concessions, including primarily concession on: production, trading and distribution of the electricity, generation, transmission and distribution of heat, granted by the Chairman of the Energy Regulatory Office and concessions for the extraction of coal deposits, granted by the Minister of the Environment. Concessions as a rule are being issued for the period between 10 and 50 years. Main concessions in the PGE capital group expire in the years 2020-2038.

For the concessions on coal mining, generation and distribution of electricity and heat the relevant assets are assigned, presented in detailed information about operating segments. In relation to held concessions concerning the electric energy and heat, the annual charges dependent on the level of turnovers are incurred. In the case of conducting licensed activities related to the extraction of coal the exploitation charges as well as fees for the use of mining are beard. The amount of fees depends on the current rate and the volume of the extraction.

PGE Group presents information on business segments in the current and comparative reporting period in accordance with IFRS 8 Operating Segments. The division of the reporting of the PGE Group is based on business segments:

- Conventional Energy includes exploration and mining of lignite and production of energy in the Group's power plants and heat and power plants as well as the ancillary operations in the above field.
- Renewable Energy includes generation of energy in pumped storage power plants and from renewable sources.
- Supply 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 as well as sale of electricity and rendering services to end users.
- Distribution includes management over local distribution networks and delivery of electricity.

Organization and management over the Group is based on the division into segments, taking into account the nature of the products and services. Each segment represents a strategic business unit, offering different products and serving different markets. Assignment of particular entities to operating segments is described in note A.1.4 of these financial statements. Transactions regarding operations between segments are settled within the Group as if they were concluded with third parties – under market conditions.

Analysing the results of the particular business segments the management of PGE Group draws attention to the EBITDA reached.

#### 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.

## INFORMATION ON BUSINESS SEGMENTS FOR THE PERIOD ENDED MARCH 31, 2015

	Conventional Energy	Renewable Energy	Supply	Distribution	Other activities	Consolidation adjustments	Total
<b>STATEMENT OF PROFIT AND LOSS</b>							
Sales revenues from external customers	3,316	200	3,451	470	107	9	7,553
Sales revenues from transactions with other segments	201	15	347	1,070	66	(1,699)	-
<b>REVENUES FROM SEGMENTS, TOTAL</b>	<b>3,517</b>	<b>215</b>	<b>3,798</b>	<b>1,540</b>	<b>173</b>	<b>(1,690)</b>	<b>7,553</b>
Costs of goods sold	2,448	128	3,230	1,093	149	(1,541)	5,507
<b>EBIT *)</b>	<b>810</b>	<b>70</b>	<b>153</b>	<b>367</b>	<b>(5)</b>	<b>21</b>	<b>1,416</b>
Net financial revenues (expenses)							(54)
Share of profit of associates							-
<b>GROSS PROFIT</b>							<b>1,362</b>
Income tax							(264)
<b>NET PROFIT FOR THE REPORTING PERIOD</b>							<b>1,098</b>
Amortization, depreciation and impairment losses	472	55	6	260	26	(12)	807
<b>EBITDA **)</b>	<b>1,282</b>	<b>125</b>	<b>159</b>	<b>627</b>	<b>21</b>	<b>9</b>	<b>2,223</b>
<b>ASSETS AND LIABILITIES</b>							
Assets of the segments excluding trade receivables	36,149	4,029	2,096	15,364	833	(1,030)	57,441
Trade receivables	357	94	1,931	367	107	(936)	1,920
Shares in associates							9
Unallocated assets							6,787
<b>ASSETS, TOTAL</b>							<b>66,157</b>
Liabilities of the segments excluding trade liabilities	8,197	357	2,141	1,894	166	(602)	12,153
Trade liabilities	585	25	866	170	65	(878)	833
Unallocated liabilities							7,135
<b>LIABILITIES, TOTAL</b>							<b>20,121</b>
<b>OTHER INFORMATION ON BUSINESS SEGMENTS</b>							
Capital expenditures	1,042	68	4	263	33	(17)	1,393
Impairment allowances on financial and non-financial assets	28	-	5	10	(1)	-	42
Other non-monetary expenses ***)	320	7	297	52	9	-	685

\*) EBIT = operating profit (loss)

\*\*) EBITDA = EBIT + depreciation/amortization included in the cost of basic activities

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

## INFORMATION ON BUSINESS SEGMENTS FOR THE PERIOD ENDED MARCH 31, 2014

<i>data restated</i>	Conventional Energy	Renewable Energy	Supply	Distribution	Other activities	Consolidation adjustments	Total
<b>STATEMENT OF PROFIT AND LOSS</b>							
Sales revenues from external customers	2,960	218	3,160	404	183	4	6,929
Sales revenues from transactions with other segments	94	1	424	1,081	216	(1,816)	-
<b>REVENUES FROM SEGMENTS, TOTAL</b>	<b>3,054</b>	<b>219</b>	<b>3,584</b>	<b>1,485</b>	<b>399</b>	<b>(1,812)</b>	<b>6,929</b>
Costs of goods sold	2,060	130	3,079	1,081	346	(1,253)	5,443
<b>EBIT *)</b>	<b>398</b>	<b>72</b>	<b>149</b>	<b>354</b>	<b>(2)</b>	<b>7</b>	<b>978</b>
Net financial revenues (expenses)							5
Share of profit of associates							-
<b>GROSS PROFIT</b>							<b>983</b>
Income tax							(190)
<b>NET PROFIT FOR THE REPORTING PERIOD</b>							<b>793</b>
Amortization, depreciation and impairment losses	424	52	4	244	31	(10)	745
<b>EBITDA **)</b>	<b>822</b>	<b>124</b>	<b>153</b>	<b>598</b>	<b>29</b>	<b>(3)</b>	<b>1,723</b>
<b>ASSETS AND LIABILITIES</b>							
Assets of the segments excluding trade receivables	32,229	3,538	1,493	14,788	1,112	(624)	52,536
Trade receivables	283	35	1,791	343	302	(884)	1,870
Shares in associates							9
Unallocated assets							7,006
<b>ASSETS, TOTAL</b>							<b>61,421</b>
Liabilities of segment excluding trade liabilities	7,919	236	1,445	1,579	315	29	11,523
Trade liabilities	510	15	796	162	179	(852)	810
Unallocated liabilities							4,553
<b>LIABILITIES, TOTAL</b>							<b>16,886</b>
<b>OTHER INFORMATION ON BUSINESS SEGMENTS</b>							
Capital expenditures	693	119	3	176	29	(19)	1,001
Impairment allowances on financial and non-financial assets	62	(1)	11	2	(4)	(1)	69
Other non-monetary expenses ***)	409	6	264	6	5	47	737

\*) EBIT = operating profit (loss)

\*\*) EBITDA = EBIT + depreciation/amortization included in the cost of basic activities

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

## 2. Revenues and expenses

### 2.1 Sales revenues

	Period ended March 31, 2015	Period ended March 31, 2014
<b>REVENUES FROM OPERATING ACTIVITIES</b>		
<i>Sales of finished goods and merchandise with excise tax</i>	7,374	6,812
<i>Excise tax</i>	(116)	(134)
<b>Revenues from sale of merchandise and finished goods:</b>	<b>7,258</b>	<b>6,678</b>
Sale of electricity	4,988	4,526
Sale of distribution services	1,455	1,399
Sale of heat	271	255
Sale of the energy origin rights	207	231
Regulatory system services	127	114
Other sales	210	153
<b>Revenues from sale of services</b>	<b>133</b>	<b>120</b>
<b>Revenues from LTC compensations</b>	<b>162</b>	<b>131</b>
<b>SALES REVENUES, TOTAL</b>	<b>7,553</b>	<b>6,929</b>

Increase in revenues from sale of electricity in the period ended March 31, 2015 in comparison to the analogical period of the previous year results mainly from higher volume sold on the wholesale market and higher average sale price of electricity.

The issue of revenues from LTC compensations is described in note B.15.1 of these financial statements.

### 2.2 Cost by type and functions

	Period ended March 31, 2015	Period ended March 31, 2014 <i>data restated</i>
<b>COSTS BY TYPE</b>		
Depreciation and amortisation and impairment losses	807	745
Materials and energy	889	777
External services	581	589
Taxes and charges	761	821
Employee benefits	1,121	1,199
Other costs by type	59	64
<b>TOTAL COST BY TYPE</b>	<b>4,218</b>	<b>4,195</b>
Change in inventories	(44)	(34)
Cost of products and services for the entity's own needs	(308)	(331)
Distribution and selling expenses	(395)	(363)
General and administrative expenses	(218)	(183)
Cost of merchandise and materials sold	2,254	2,159
<b>COST OF GOODS SOLD</b>	<b>5,507</b>	<b>5,443</b>

**2.3 Other operating revenues and expenses**

	Period ended March 31, 2015	Period ended March 31, 2014
<b>OTHER OPERATING REVENUES</b>		
Compensations, penalties and fines received	22	31
Provisions reversed	16	33
Reversal of impairment allowances for receivables	10	8
Grants received	6	6
Profit on disposal of property, plant and equipment	4	3
Surpluses / disclosures of assets	4	2
Revenues from illegal energy consumption	2	2
Return of legal proceeding costs	2	2
Property, plant and equipment, intangible assets received free of charge	2	1
Other	14	10
<b>TOTAL OTHER OPERATING REVENUES</b>	<b>82</b>	<b>98</b>

	Period ended March 31, 2015	Period ended March 31, 2014
<b>OTHER OPERATING EXPENSES</b>		
Loss on disposal of property, plant and equipment and intangible assets	28	-
Impairment allowances raised for receivables	21	11
Other provisions raised	16	13
Liquidation of damages/ removal of failures	10	16
Donations granted	8	-
Liquidation of property, plant and equipment/intangible assets	5	4
Costs of disputes	3	4
Compensations	1	1
Other	7	11
<b>TOTAL OTHER OPERATING EXPENSES</b>	<b>99</b>	<b>60</b>

## 2.4 Financial revenues and expenses

	Period ended March 31, 2015	Period ended March 31, 2014
<b>FINANCIAL INCOME FROM FINANCIAL INSTRUMENTS</b>		
Interest income	33	53
Revaluation / Reversal of impairment allowance	11	10
Exchange gains	6	2
<b>FINANCIAL REVENUES FROM FINANCIAL INSTRUMENTS</b>	<b>50</b>	<b>65</b>
<b>OTHER FINANCIAL INCOME</b>		
Provisions reversed	1	14
Other	-	1
<b>OTHER FINANCIAL INCOME</b>	<b>1</b>	<b>15</b>
<b>TOTAL FINANCIAL INCOME</b>	<b>51</b>	<b>80</b>

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

	Period ended March 31, 2015	Period ended March 31, 2014 <i>data restated</i>
<b>FINANCIAL EXPENSES FROM FINANCIAL INSTRUMENTS</b>		
Interest expense	31	20
Revaluation	7	1
Impairment losses	2	1
Exchange losses	26	3
<b>FINANCIAL EXPENSES FROM FINANCIAL INSTRUMENTS</b>	<b>66</b>	<b>25</b>
<b>OTHER FINANCIAL EXPENSES</b>		
Interest expenses including unwinding of the discount	38	48
Other	1	2
<b>OTHER FINANCIAL EXPENSES</b>	<b>39</b>	<b>50</b>
<b>TOTAL FINANCIAL EXPENSES</b>	<b>105</b>	<b>75</b>

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

Interest cost (unwinding of discount) of non-financial items relates mainly to provisions for employee benefits and provisions for rehabilitation.



### 3. Impairment allowances of assets

	Period ended March 31, 2015	Period ended March 31, 2014
<b>IMPAIRMENT ALLOWANCES ON PROPERTY, PLANT AND EQUIPMENT</b>		
Impairment allowances raised	28	-
Reversal of impairment allowance	-	-
<b>IMPAIRMENT ALLOWANCES ON INVENTORIES</b>		
Impairment allowances raised	7	4
Reversal of impairment allowance	2	4

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.

## 4. Income tax

### 4.1 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
<b>INCOME TAX PRESENTED IN THE STATEMENT OF PROFIT OR LOSS</b>		
Current income tax	165	133
Previous periods' current income tax adjustments	14	17
Deferred income tax	85	40
<b>INCOME TAX EXPENSE PRESENTED IN THE STATEMENT OF PROFIT OR LOSS</b>	<b>264</b>	<b>190</b>
<b>INCOME TAX PRESENTED IN OTHER COMPREHENSIVE INCOME</b>		
Valuation of hedging instruments	13	-
<b>INCOME TAX EXPENSE PRESENTED IN THE STATEMENT OF OTHER COMPREHENSIVE INCOME</b>	<b>13</b>	<b>-</b>

## 4.2 Deferred tax in the statement of financial position

	As at March 31, 2015	As at December 31, 2014 <i>data restated*</i>
<b>COMPONENTS OF DEFERRED TAX ASSET</b>		
Difference between tax value and carrying value of property, plant and equipment	509	505
Difference between tax value and carrying value of financial assets	43	35
Difference between tax value and carrying value of financial liabilities	57	64
Difference between tax value and carrying value of inventories	27	27
Revenues from accrued LTC compensations	149	161
Provision for rehabilitation	605	598
Provision for CO <sub>2</sub> emission rights	161	129
Provisions for employee benefits	628	631
Other provisions	166	176
Current period costs unrealized for tax purposes	224	221
Energy infrastructure acquired free of charge and connection payments received	147	149
Tax losses	2	3
Other	19	12
<b>DEFERRED TAX ASSETS</b>	<b>2,737</b>	<b>2,711</b>
<b>COMPONENTS OF DEFERRED TAX LIABILITY</b>		
Difference between tax value and carrying value of property, plant and equipment	3,077	2,999
Difference between tax value and carrying value of financial liabilities	12	6
Difference between tax value and carrying value of energy origin units	89	83
CO <sub>2</sub> emission rights	307	310
Revenues from accrued LTC compensations	692	672
Current period revenues unrealized for tax purposes	151	139
Accrued revenues	192	185
Other	28	24
<b>DEFERRED TAX LIABILITY</b>	<b>4,548</b>	<b>4,418</b>
<b>AFTER OFF-SET OF BALANCES AT THE GROUP COMPANIES' LEVEL THE DEFERRED TAX OF THE GROUP IS PRESENTED AS:</b>		
Deferred tax asset	354	383
Deferred tax liability	(2,165)	(2,090)

\*restatement of data related to reclassifications between positions..

## 4.3 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 2014 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

finances 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.

### Tax Capital Group

On September 18, 2014, an agreement concerning a tax group, named "PGK PGE 2015," was executed for a 25-year period, for which PGE S.A. is a representing company. Apart from the Company, PGK PGE 2015 comprises PGE GIEK S.A., PGE Dystrybucja S.A., PGE Obrót S.A., PGE EO S.A., PGE Energia Natury S.A., PGE Dom Maklerski S.A., PGE Systemy 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., PGE Obsługa Księgowo-Kadrowa sp. z o.o., ELBEST Security sp. z o.o. and 13 companies named PGE Inwest, PGE Inwest 2,4,...,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 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.

### Real estate tax

Considering the pending disputes PGE Group established at the reporting date the provision for property tax in the amount of PLN 142 million. These reserves are mostly related to tax proceedings with regard to property tax in selected plants. The dispute is related to the subject of taxation and concerns mainly a decision whether installations in buildings and technical machinery should be taxed as autonomous constructions. Tax proceedings are currently at various levels of tax authorities, i.e. in front of first instance authorities (village mayor, mayor), local government board of appeals and administrative courts.

## 5. Significant purchase transactions of property, plant and equipment and intangible assets

During the reporting period, PGE Group purchased tangible fixed assets and intangible assets of a total amount of PLN 1,411 million. The largest expenditures were incurred by Conventional Generation segment (PLN 1,042 million) and PGE Dystrybucja S.A. (PLN 263 million). The main items of expenditure were: construction of units 5 and 6 in Opole power plant (PLN 462 million) and comprehensive modernization of units 7-12 in Bełchatów power plant (PLN 164 million).

In the current period there were no significant sales transactions regarding property, plant and equipment.

## 6. Future investment commitment

As at March 31, 2015 the PGE Group committed to incur capital expenditures on property, plant and equipment in the amount of approximately PLN 16,543 million. These amounts relate mainly to construction of new power units, modernization of Group's assets and a purchase of machinery and equipment. Significant future investment commitments concern:

- PGE Górnictwo i Energetyka Konwencjonalna S.A. Branch Opole Power Plant – construction of power units no. 5 and 6 – approximately PLN 7,678 million,

- 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 – approximately PLN 1,103 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),
- PGE Dystrybucja S.A. – investment commitments related to network distribution assets of the total value of approximately PLN 1,038 million.

## 7. CO<sub>2</sub> emission rights for own purposes

The PGE Group producers maintain installations, covered with the act dated April 28, 2011 about a scheme for greenhouse gas emission allowance trading. Starting from 2013, only part of emission rights for production of heat will be granted unconditionally, while for production of electricity there is, as a rule, lack of free of charge EUA. Only on the basis of article 10c of Directive 2003/87/WE of the European Parliament and of the Council establishing a scheme for greenhouse gas emission allowance trading within the Community, the derogation is possible providing the realization of investment tasks included in National Investment Plan, which allow to reduce CO<sub>2</sub> emission. The condition under which free of charge CO<sub>2</sub> emission rights can be obtained is presentation of factual-financial statements from realization of tasks included in National Investment Plan.

In September 2014 PGE Group submitted required statement from realization of investment tasks. In April 2015 entities of the PGE Group received free of charge CO<sub>2</sub> emission rights in the amount of about 29 million tonnes for units generating electricity, and about 1 million tonnes for the installations other than generating electricity.

	EUA		CER/ERU		Total Value
	Amount (mln Mg)	Value	Amount (mln Mg)	Value	
<b>AS AT JANUARY 1, 2015</b>	<b>68</b>	<b>1,552</b>	-	-	<b>1,552</b>
Purchase	-	13	-	-	13
Allocated free of charge	-	-	-	-	-
Redemption	-	-	-	-	-
Other changes	-	-	-	-	-
<b>AS AT MARCH 31, 2015</b>	<b>68</b>	<b>1,565</b>	-	-	<b>1,565</b>

	EUA		CER/ERU		Total Value
	Amount (mln Mg)	Value	Amount (mln Mg)	Value	
<b>AS AT JANUARY 1, 2014</b>	<b>59</b>	<b>1,404</b>	-	-	<b>1,404</b>
Purchase	33	829	3	2	831
Allocated free of charge	34	-	-	-	-
Redemption	(61)	(683)	-	-	(683)
Other changes	3	2	(3)	(2)	-
<b>AS AT DECEMBER 31, 2014</b>	<b>68</b>	<b>1,552</b>	-	-	<b>1,552</b>

## 8. Other short-term and long-term assets

### 8.1 Other long-term assets

	As at March 31, 2015	As at December 31, 2014
Advances for construction in progress	1,450	1,193
Other deferred expenses	38	35
<b>TOTAL OTHER LONG-TERM ASSETS</b>	<b>1,488</b>	<b>1,228</b>

Advances for construction in progress relate mainly to investment projects conducted by PGE Górnictwo i Energetyka Konwencjonalna S.A.

**8.2 Other short-term assets**

	As at March 31, 2015	As at December 31, 2014
<b>DEFERRED EXPENSES</b>		
Property and tort insurance	12	10
Accrued commissions	58	20
IT services	9	8
Accrued distribution services	23	13
Perpetual usufruct of land	18	-
Other accrued costs	49	32
<b>OTHER CURRENT ASSETS</b>		
Upward valuation of revenues	604	618
VAT receivables	213	261
Excise tax receivables	35	29
Advances for deliveries of property, plant and equipment, and intangible assets	9	13
Other current assets	12	8
<b>TOTAL OTHER ASSETS</b>	<b>1,042</b>	<b>1,012</b>

The upward valuation comprises estimation of sales of the electric energy not read from the meters as at the reporting date.

## 9. Significant financial assets

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

### 9.1 Other loans and financial receivables

	As at March 31, 2015		As at December 31, 2014	
	Long-term	Short-term	Long-term	Short-term
Bank and other deposits	-	123	-	27
Bonds, notes receivables and bills	-	-	-	-
LTC compensations	-	1,071	-	968
Other deposits	-	37	-	38
Collateral – balancing market	-	30	-	49
Other financial receivables	13	78	13	98
<b>TOTAL LOANS AND RECEIVABLES, EXCLUDING TRADE RECEIVABLES</b>	<b>13</b>	<b>1,339</b>	<b>13</b>	<b>1,180</b>
<b>TRADE RECEIVABLES</b>	<b>-</b>	<b>1,920</b>	<b>-</b>	<b>1,729</b>

### 9.2 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.

Cash and cash equivalents include:

	As at March 31, 2015	As at December 31, 2014
Cash at bank and in hand	1,363	1,701
Overnight deposits	377	164
Short-term deposits	3,203	4,417
<b>TOTAL</b>	<b>4,943</b>	<b>6,282</b>
Interest accrued on cash and cash equivalents, not received at the reporting date	1	(5)
Exchange rate differences on cash and cash equivalents in foreign currencies	17	(8)
<b>Cash and cash equivalents presented in the statement of cash flows</b>	<b>4,961</b>	<b>6,269</b>
<i>Including restricted cash</i>	<i>526</i>	<i>368</i>
Credit limits at disposal	3,427	3,064
<i>Including credit in current account</i>	<i>2,350</i>	<i>1,916</i>

### 9.3 Financial assets at fair value through profit and loss

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

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.

## 10. Equity

The basic assumption of the Group policy regarding equity management is to maintain an optimal equity structure over the long term in order to assure a good financial standing and secure equity structure ratios that would support the operating activity of the Group. It is also crucial to maintain a sound equity base that would be the basis to win confidence of potential investors, creditors and the market and assure further development of the Group.

### 10.1 Share capital

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

All shares have been paid. 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 March 31, 2015	58.39%	41.61%	100.00%
As at December 31, 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.

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

### 10.2 Revaluation reserve

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

	Period ended March 31, 2015	Rok zakończony December 31, 2014
<b>AS AT JANUARY 1</b>	<b>(61)</b>	<b>-</b>
Deferral of changes in fair value of hedging instruments recognized as an effective hedge	(52)	(8)
Accrued interest on derivatives transferred from revaluation reserve and recognized in interest expense	9	6
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 and or loss	-	1
<b>REVALUATION RESERVE AS AT LAST DAY OF THE PERIOD, GROSS</b>	<b>10</b>	<b>(75)</b>
Deferred tax	(13)	14
<b>REVALUATION RESERVE LESS DEFERRED TAX</b>	<b>(3)</b>	<b>(61)</b>

### 10.3 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
<b>CASH DIVIDENDS FROM ORDINARY SHARES</b>			
Dividend paid from retained earnings	-	-	2,057
Dividend paid from reserve capital	-	-	-
<b>TOTAL CASH DIVIDENDS FROM ORDINARY SHARES</b>	-	-	<b>2,057</b>
<b>Cash dividends per share (in PLN)</b>	-	-	<b>1.10</b>

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

During the reporting period and up to the date of the preparation of these financial statements PGE S.A. did not any advance payments of dividend.

#### Dividend from the profit for the year ended December 31, 2014

Until the date of preparation of the financial statement the proposition of the Company's profit for 2014 has not been approved yet. According to the Dividend Policy implemented by PGE Group the parent company's Management Board intends to recommend dividend payment of about 40-50% of the net profit attributable to the shareholders of the parent company, reported in the consolidated financial statements.

#### Dividend from the profit for 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 comprises 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.

## 11. 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	1,644	95	1,633	98
Provisions for jubilee awards	955	94	949	93
Provisions for rehabilitation costs	3,343	-	3,297	2
Provisions for purchase of CO <sub>2</sub> emission rights	-	848	-	676
Provisions for energy origin units held for redemption	-	499	-	555
Provisions for non-contractual use of the property	72	16	73	19
Other provisions	151	634	147	627
<b>TOTAL PROVISIONS</b>	<b>6,165</b>	<b>2,186</b>	<b>6,099</b>	<b>2,070</b>



## Change in provisions

	Post-employment benefits	Provisions for jubilee awards	Provisions for rehabilitation costs	Provisions for purchase of CO <sub>2</sub> emission rights	Provisions for energy origin units held for redemption	Provisions for non-contractual use of the property	Other provisions	Total
<b>AS AT JANUARY 1, 2015</b>	<b>1,731</b>	<b>1,042</b>	<b>3,299</b>	<b>676</b>	<b>555</b>	<b>92</b>	<b>774</b>	<b>8,169</b>
Actuarial gains and losses excluding discount rate adjustment	-	-	-	-	-	-	-	-
Costs of present employment	7	12	-	-	-	-	-	19
Costs of past employment	-	-	-	-	-	-	-	-
Interest costs	11	7	20	-	-	-	-	38
Discount rate and other assumptions adjustment	-	-	-	-	-	-	-	-
Benefits paid/ provisions used	(9)	(12)	-	-	(337)	-	(197)	(555)
Provisions reversed	-	-	-	-	(7)	(12)	(21)	(40)
Provisions raised	-	-	8	172	288	8	229	705
Other changes	(1)	-	16	-	-	-	-	15
<b>AS AT MARCH 31, 2015</b>	<b>1,739</b>	<b>1,049</b>	<b>3,343</b>	<b>848</b>	<b>499</b>	<b>88</b>	<b>785</b>	<b>8,351</b>

	Post-employment benefits	Provisions for jubilee awards	Provisions for rehabilitation costs	Provisions for purchase of CO <sub>2</sub> emission rights	Provisions for energy origin units held for redemption	Provisions for non-contractual use of the property	Other provisions	Total
<b>AS AT JANUARY 1, 2014</b> <i>data restated</i>	<b>1,343</b>	<b>941</b>	<b>2,422</b>	<b>1,432</b>	<b>395</b>	<b>161</b>	<b>507</b>	<b>7,201</b>
Actuarial gains and losses excluding discount rate adjustment	58	4	-	-	-	-	-	62
Costs of present employment	28	45	-	-	-	-	-	73
Costs of past employment	(35)	(22)	-	-	-	-	-	(57)
Interest costs	53	38	89	-	-	-	-	180
Discount rate and other assumptions adjustment	339	126	1,297	-	-	-	-	1,762
Benefits paid/ provisions used	(53)	(90)	(16)	(682)	(917)	(1)	(493)	(2,252)
Provisions reversed	-	-	(576)	(751)	(89)	(79)	(136)	(1,631)
Provisions raised	-	-	83	677	1,166	11	897	2,834
Changes in the PGE Group	(2)	-	-	-	-	-	(1)	(3)
<b>AS AT DECEMBER 31, 2014</b>	<b>1,731</b>	<b>1,042</b>	<b>3,299</b>	<b>676</b>	<b>555</b>	<b>92</b>	<b>774</b>	<b>8,169</b>

## 11.1 Provision for rehabilitation and liquidation of property, plant and equipment

### Provision for rehabilitation of post - exploitation mining properties

After the completion of the lignite mining, the area of the surface mines belonging to the PGE Group will be rehabilitated. According to the current plans, costs will be incurred in the years 2023 - 2064 (in the case of PGE Górnictwo i Energetyka Konwencjonalna S.A. Branch Kopalnia Węgla Brunatnego Bełchatów) and in years 2045 - 2065 (in the case of PGE Górnictwo i Energetyka Konwencjonalna S.A. Branch Kopalnia Węgla Brunatnego Turów).

The PGE Group creates provisions for rehabilitation of post - exploitation mining properties. The amount of the provision recognized in the financial statements includes also the value of Mine Liquidation Fund created in accordance with the Geological and Mining Law Act. The value of the provision at March 31, 2015 amounts to PLN 3,088 million and as at December 31, 2014 amounted to PLN 3,047 million.

### Provision for rehabilitation of ash storages

The PGE Group producers raise provisions for rehabilitation of ash storages. As at the reporting date, the value of provision amounts to PLN 95 million and PLN 93 million as at December 31, 2014.

### Provisions for rehabilitation of post - constructions grounds of wind farms

The companies which own wind farms create provision for rehabilitation of post - constructions grounds of wind farms. As at the reporting date, the value of provision amounts to PLN 117 million and PLN 116 million as at December 31, 2014.

### Liquidation of property, plant and equipment

The provision for liquidation of property, plant and equipment relates to assets of PGE Górnictwo i Energetyka Konwencjonalna S.A. Branch Elektrownia Turów. The obligation to liquid assets and rehabilitate the area results from „The integrated permission for running electric energy and heat energy producing installation” in which the restitution of the area was specified. As at the reporting date, the value of provision amounts to PLN 43 million (PLN 43 million in comparable period).

## 11.2 Provision for deficit of CO<sub>2</sub> emission rights

As a general rule, particular Group entities record provisions for liabilities of CO<sub>2</sub> emissions in relation to the shortage with CO<sub>2</sub> 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 B.7 of these financial statements the PGE Group is entitled to receive CO<sub>2</sub> emissions rights granted free of charge in connection to expenditures concerning investments submitted to the National Investment Plan.

The Regulation of the Council of Ministers, that sets the allocation of allowances for particular units of electricity producers in period 2013-2020, was adopted on April 8, 2014. Analogically, allocations of allowances for heat producers were set by the Regulation of the Council of Ministers of March 31, 2014.

In April 2015, the entities of PGE Group received free CO<sub>2</sub> emission rights in the amount resulting from its allocation for electricity in year 2014 and for heat in year 2015. The total amount of free emission rights reached 30 million tonnes, including units generating electricity of 29 million tonnes and 1 million tonnes for installations other than electricity generating units.

At the same time, redemption of emission rights resulting from CO<sub>2</sub> emissions in 2014 was completed in April.

Free allowances for electricity will be received by the Group by the end of April 2016, after verification of reports from investments submitted to the National Investment Plan.

## 11.3 Provisions for non-contracted use of property

Entities of the PGE Group raise provisions for damages related to a non-agreed usage of property. This issue mainly relates to distribution company, which owns distribution networks. As at the reporting date the provision amounted to approximately PLN 88 million (of which 40 million relate to litigations). In comparable period the value of the provision amounted to PLN 92 million, of which 46 million related to litigations).

## 11.4 Other provisions

### Provision for Voluntary Leave Program

The companies from PGE Group raise provision for Voluntary Leave Program. According to the Programs conditions, the employees are entitled to receive a specified amount of compensation in exchange for termination of employment. PGE Group estimated the value of provision as at March 31, 2015 in the amount of PLN 214 million (PLN 236 million in 2014).

### Dispute concerning the scope of taxation with real estate tax

As described in note B.4.3 of these consolidated financial statements, provision for reported and declared claims relating to real estate tax was created in the amount of PLN 142 million (PLN 135 million on 2014).

### Provisions for litigation created by Exatel S.A.

At the reporting date, a subsidiary Exatel S.A. estimated the risk associated with business including the ongoing litigations, losses on contracts in progress, judicial proceedings in matters of employee and likely costs due to penalties and damages. As at the date of the financial statements the Management Board of Exatel S.A. estimated level of risk to be PLN 53 million (PLN 53 million in 2014).

### Annual bonus

Employees of PGE Capital Group are entitled to the "annual bonus" paid on the basis of the Corporate Collective Labour Agreement or regulations applicable to individual entities. As at March 31, 2015 created provisions amounted to approximately PLN 121 million while it was PLN 103 million in comparable reporting period.

### Provision for unused annual holiday leave

The Group creates provision for employee benefits related to unused annual holiday leave. As at the reporting date the provision amounted to PLN 151 million (PLN 121 million in comparable period).

## 12. Contingent liabilities and receivables. Legal claims

### 12.1 Contingent liabilities

	As at March 31, 2015	As at December 31, 2014
Liabilities due to bank guarantees	3	11
Contingent return of grants from environmental funds	336	331
Legal claims	9	8
Contractual fines and penalties	12	12
Other contingent liabilities	12	43
<b>CONTINGENT LIABILITIES, TOTAL</b>	<b>372</b>	<b>405</b>

### Contingent return of grants from environmental funds

Liabilities present the value of probable future reimbursements of funds received by PGE Group companies from environmental funds for the particular investments. The funds will be reimbursed, if the investment for which they were granted, will not bring the expected environmental effect.

### Claims related to contractual fines and penalties

The contingent liability comprises mainly accrued contractual fines relating to delay in realization of the investment issued by the Mayor of the City and Municipality of Gryfino to Zespół Elektrowni Dolna Odra S.A. (currently PGE Górnictwo i Energetyka Konwencjonalna S.A.). In February 2012 the Group committed to the Municipality of Gryfino to accomplish two investments of total value not less than almost PLN 8 million until the end of year 2015. Failure to realize investments included in the agreement will result in claims relating to contractual fines and penalties by the Municipality of Gryfino.

### Other contingent liabilities

The other contingent liabilities comprise mainly value of potential cash fines in the amount of almost PLN 8 million resulting from proceeding relating to environmental protection (breach of the conditions of disposal of sewage and deforestation in some of PGE Group companies).

## 12.2 Other significant issues related to contingent liabilities

### Non-contractual use of property

As described in note B.11.3 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.

### Contractual liabilities related to the purchase of commodities (fuel)

According to the concluded agreements on the purchase of fuels (mainly coal and gas), the PGE Group companies are obliged to collect the minimum volume of fuels and not to exceed the maximum level of collection of gas fuel in particular hours and months. If an entity does not collect a minimum volume of fuel specified in the contract, it is obliged to pay appropriate fee (the amount of gas fuel not collected by power plants but paid up, may be collected within the next three contractual years).

In the opinion of the Group, the terms and conditions of fuel deliveries do not differ from other fuel deliveries conditions on the Polish market.

## 12.3 Contingent receivables

As at reporting date, the PGE Group did not have significant contingent receivables. Contingent receivables relate 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.

## 12.4 Other legal claims and disputes

### The issue of compensation for conversion of shares

Former shareholders of PGE Górnictwo i Energetyka S.A. filed petitions calling PGE S.A. for a pre-trial settlement with respect of the payment of damages for incorrectly set – as they claim – share exchange ratio of PGE Górnictwo i Energetyka S.A. shares for the shares of PGE S.A. in the consolidation process which took place in 2010. The total value of claims resulting from petitions for pre-trial settlements by former shareholders of PGE Górnictwo i Energetyka S.A. is almost PLN 8 million.

Notwithstanding the foregoing, on November 12, 2014 Socrates Investment S.A. (the purchaser of the liabilities from former shareholders of PGE Górnictwo i Energetyka S.A.) filed a lawsuit for compensation in total amount exceeding PLN 493 million (plus interests) for the damage resulting from incorrectly (in opinion of the Socrates Investment S.A.) set share exchange ratio in the consolidation process of PGE Górnictwo i Energetyka S.A. with PGE S.A. The Company filed its reply to the lawsuit.

PGE S.A. does not accept the claims of Socrates Investment S.A. and of the other shareholders filing for a pre-trial settlement. The claims are unsubstantiated. In the opinion of PGE S.A. the whole consolidation process was executed in fair and proper manner. The value of the shares of companies subject to the mergers was assessed by the independent company - PwC Polska sp. z o.o. Additionally, plan of the companies merger, including the exchange ratio with respect to shares of the acquired company for the shares of the acquiring company were examined for accuracy and reliability by an expert appointed by the registration court; no irregularities were found. Then, an independent court registered the merger of the companies.

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. PGE S.A. filed responses to the claims.

### Compensation from WorleyParsons

In 2013 PGE EJ 1 sp. z o.o. signed an agreement for an environmental study, a site study and services related to obtaining permits and licenses necessary in the investment process connected with construction of a nuclear power plant with the consortium of WorleyParsons Nuclear Services JSC, WorleyParsons International Inc. and WorleyParsons Group Inc. ("WorleyParsons", "Contractor") in the net amount of PLN 253 million (including basic scope of PLN 167 million). Due to the delays in delivery of products specified in the agreement, in 2013 the Company charged WorleyParson with contractual penalties of PLN 7 million. In addition, in 2014 due to further non-performance of the agreement, additional contractual penalties in the total amount of PLN 43 million were charged. On 23 December 2014, PGE EJ 1 sp. z o.o. terminated the contract due to reasons attributable to the Contractor.

Contractual penalties charged in 2013 were deducted from the remuneration payable to WorleyParsons in 2014. Penalties charged in 2014 in the total amount of PLN 30 million were deducted from the remuneration payable to WorleyParsons and from the bank guarantee. After all deductions and after amounts received by the Company under the Guarantee, the Company has claim towards WorleyParsons for payment of PLN 13.6 million as a contractual penalty due to the delays. This amount will be claimed in the court. As at the date of preparation of these financial statements, there are no grounds to question validity of the issued debit notes and all actions taken by PGE EJ1 sp. z o.o. comply with the contractual provisions and other laws.

The Contractor has questioned validity of contractual penalties claimed and has not made due payments. Therefore, it cannot be excluded that WorleyParsons will claim in future the reimbursement of penalties that have been deducted or obtained as a result of the bank guarantee in the court proceedings. Additionally, the Contractor raised its claim against PGE EJ 1 sp. z o.o. of a total amount of PLN 97.3 million. The Company does not accept this claim and considers claims adjudication by the court to be unlikely.

## 13. Financial liabilities

### 13.1 Liabilities at fair value through profit and loss

In accordance with the International Financial Reporting Standards, the Company recognizes in financial statements all derivative financial instruments measured at fair value.

	As at March 31, 2015	As at December 31, 2014
<b>FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		
Commodity forward	13	37
Currency forward	2	-
IRS hedging transactions	78	72
CCIRS hedging transactions	58	8
<b>TOTAL FINANCIAL LIABILITIES AT FAIR VALUE</b>	<b>151</b>	<b>117</b>

#### Commodity and currency forwards

Commodity and currency forwards relate mainly to CO<sub>2</sub> emissions rights trade.

#### IRS hedging transactions

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 financial results.

In 2003, PGE Elektrownia Turów S.A. (currently a branch of PGE Górnictwo i Energetyka Konwencjonalna S.A.) concluded 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 to bank interest based on fixed rate.

#### CCIRS hedging transactions

In connection with loans received from PGE Sweden AB (publ), PGE S.A. concluded a CCIRS transaction, that hedges currency and interest rate. 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. In the consolidated financial statements the relevant part of CCIRS transactions is recognized as a hedge of bonds issued by PGE Sweden AB (publ).

For the CCIRS transaction the Group applies hedge accounting. The impact of hedge accounting is presented in note B.10.2 of these financial statements.

## 13.2 Financial liabilities measured at amortised cost

	As at March 31, 2015		As at December 31, 2014	
	Long-term	Short-term	Long-term	Short-term
Interest bearing loans and credits	1,001	167	1,008	304
Bonds	3,564	77	3,679	52
Leasing	1	1	1	1
Trade liabilities	-	833	-	1,179
Liabilities related to purchase of property, plant and equipment and intangible assets	2	393	2	1,095
LTC liabilities	-	702	-	767
Other	13	129	14	91
<b>TOTAL</b>	<b>4,581</b>	<b>2,302</b>	<b>4,704</b>	<b>3,489</b>

### Loans and borrowings

Among the borrowing items presented above as at March 31, 2015, the PGE Group presents mainly the following facilities:

- investment credit facility taken out by PGE Górnictwo i Energetyka Konwencjonalna S.A. from Nordic Investment Bank to finance construction of 858 MW power unit in Bełchatów Power Plant - with value of PLN 602 million;
- investment credit facilities taken out by PGE Górnictwo i Energetyka Konwencjonalna S.A. from Nordic Investment Bank and UBS Investment Bank AG to finance the modernization of power blocks no. 1-6 in Turów Power Plant in total value of PLN 229 million.

### Bonds issued

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. Indebtedness incurred under this program is eliminated in the consolidated financial statements.
- 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.

## 14. 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.

### 14.1 Associates

The sale of entities belonging to the PGE Group to associates for the period ended March 31, 2015 and in the comparable period amounted to PLN 2 million. As at December 31, 2014 the Group presented trade receivables from associates in the amount of PLN 1 million. As at March 31, 2015, trade receivables from associates did not occur.

### 14.2 Subsidiaries of the State Treasury

The State Treasury is the dominant shareholder of PGE S.A. and as a result in accordance with IAS 24 *Related Party Disclosures*, State Treasury companies are recognized as related entities. PGE Group entities identify in detail transactions with approx. 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	809	626
Purchases from related parties	701	733

	As at March 31, 2015	As at December 31, 2014
Trade receivables from related parties	247	218
Trade liabilities to related parties	339	517

The largest transactions with the State Treasury companies involve Polskie Sieci Elektroenergetyczne S.A. and Zakłady Azotowe Puławy S.A.

Moreover, PGE Group closes 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.

### 14.3 Key management personnel remuneration

The key management personnel includes the Management Boards and Supervisory Boards of the parent company and of significant group entities.

<i>PLN thousand</i>	Period ended March 31, 2015	Period ended March 31, 2014 <i>data restated</i>
Short-term employee benefits (salaries and salary related costs)	7,193	5,304
Post-employment and termination benefits	432	1,783
<b>TOTAL REMUNERATION OF KEY MANAGEMENT PERSONNEL</b>	<b>7,625</b>	<b>7,087</b>
Remuneration of key management personnel of non-core entities	4,147	4,049
<b>TOTAL REMUNERATION OF KEY MANAGEMENT PERSONNEL</b>	<b>11,772</b>	<b>11,136</b>

<i>PLN thousand</i>	Period ended March 31, 2015	Period ended March 31, 2014 <i>data restated</i>
The Management Board of the Parent	1,550	2,599
The Supervisory Board of the Parent	110	66
The Management Boards – subsidiaries	5,653	4,164
The Supervisory Boards – subsidiaries	312	258
<b>TOTAL</b>	<b>7,625</b>	<b>7,087</b>
Remuneration of key management personnel of non-core entities	4,147	4,049
<b>TOTAL REMUNERATION OF KEY MANAGEMENT PERSONNEL</b>	<b>11,772</b>	<b>11,136</b>

The Members of the Management Boards of some of the Group companies are employed on the basis of civil law contracts for management (Management contracts). The mentioned remuneration is included in other costs by type in note B.2.2 Costs by type and function.

## 15. Significant events of the reporting period and subsequent events

### 15.1 Compensations for long term contracts

Some producers of PGE GiEK S.A. became entitled to receive funds to cover stranded costs (so-called "compensation") pursuant to the Act of June 29, 2007 on the Rules of Coverage of Costs Occurring at Production Plants as a Consequence of Early Termination of Long-Term Power and Electricity Sales Contracts (Journal of Laws No. 130, item 905, of 2007) (the "LTC Act"). The LTC Act is ambiguous in many points and raise important questions of interpretation. The calculation of the estimated results of each manufacturer and resulting compensations, annual stranded costs adjustments, final adjustments and resulting revenues recognised 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 entitled producers from PGE Group received decisions on annual adjustments of stranded costs and costs related to natural gas fired entities for 2008-2013. The part of these decisions were disadvantageous for the particular entities and the Group believes that they were issued in violation of the Long-Term Contracts Act. As a consequence, since 2009, a number of proceedings have been pending before the Regional Court in Warsaw - Competition and Consumer Protection Court ("CCP Court") and before the Court of Appeal concerning appeals by PGE Group producers against the Decision of the President of the Energy Regulatory Office. These proceedings are currently at various levels of advancement.

In the first quarter of 2015:

- In connection with expiry of the period in which the ERO President could file a cassation appeal relating to a ruling by the Court of Appeal on determining the annual adjustment for stranded costs due to PGE GiEK S.A. for 2010 and to PGE GiEK S.A. Branch Elektrownia Opole for 2009, these proceedings were completed. The claim value in these proceedings totalled PLN 635 million.
- On February 20, 2015, the Supreme Court issued an order that a cassation appeal be deferred in the matter of determining the annual adjustment for stranded costs due to PGE GiEK S.A. Branch Elektrownia Opole, PGE GiEK S.A. Branch ZEDO and PGE GiEK S.A. Branch Elektrociepłownia Lublin Wrotków for 2008 and for PGE GiEK S.A. Branch Elektrociepłownia Rzeszów for 2009 until a resolution is reached by the European Court of Justice in PGE GiEK S.A. Branch ZEDO's 2009 case.
- A favourable judgment was passed by the Competition and Consumer Protection Court in a case pertaining to the annual adjustment for costs arising in gas-fired units at PGE GiEK S.A. Branch Elektrociepłownia Rzeszów for 2012. The judgment has not become final. The ERO President has filed an appeal with the Court of Appeal. The value of the matter at issue is PLN 7 million.
- The ERO President has filed a cassation appeal with the Supreme Court regarding a ruling by the Court of Appeal in a matter concerning determining the annual adjustment of costs arising in gas-fired units at PGE GiEK S.A. Branch Elektrociepłownia Lublin Wrotków for 2009. Claim value in this case amounts to nearly PLN 7 million.

Furthermore, in April 2015, the Company filed a cassation appeal with the Supreme Court relating to a ruling by the Court of Appeal in a matter on determining the annual adjustment of costs arising in gas-fired units at PGE GiEK S.A. for 2010. Claim value amounts to PLN 4.5 million.

### Impact on the financial statements for the period ended March 31, 2015

In the financial statements for the period ended March 31, 2015, the Group recognized LTC revenue in sales revenue in the amount of PLN 162 million.

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

In the period 2008 – March 31, 2015 the PGE Capital Group recognised LTC revenues in amount of PLN 6,702 million.

### 15.2 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 to the Business Partners by PGE Polska Grupa Energetyczna S.A., 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 with capacity of approx. 3,000 MW ("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.



## 16. Approval of financial statements

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

Warsaw, May 6, 2015

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

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

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

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

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

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