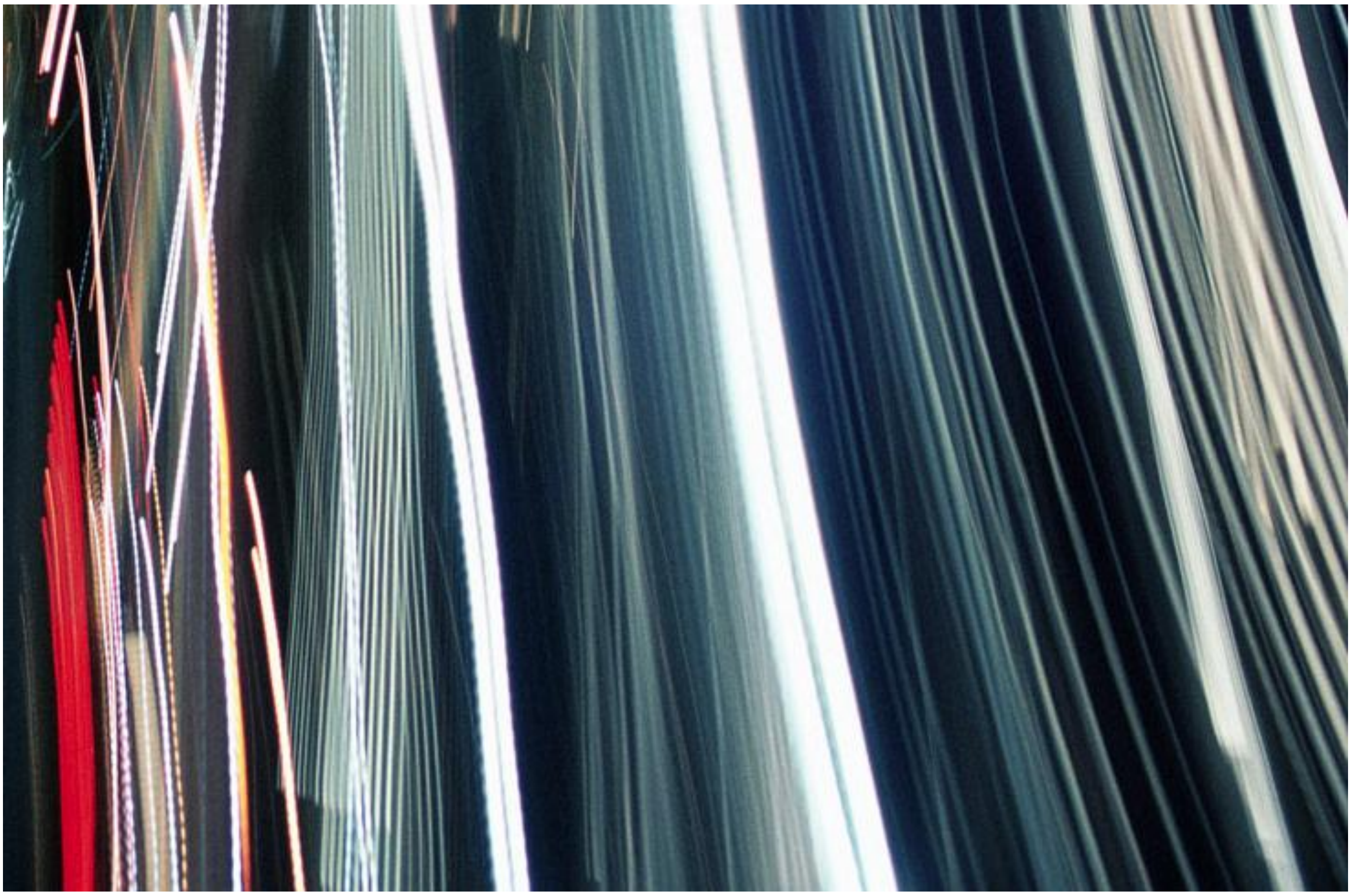

PGE Polska Grupa Energetyczna S.A. Condensed interim consolidated financial statements

for the 6-month period

ended June 30, 2015

in accordance with IFRS EU (in PLN million)

Polska Grupa Energetyczna

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CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE 6-MONTH PERIOD ENDED JUNE 30, 2015 IN ACCORDANCE WITH IFRS EU (IN PLN MILLION)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Period ended June 30, 2015 (reviewed)	Period ended June 30, 2014 (reviewed) *restated**
STATEMENT OF PROFIT OR LOSS			
SALES REVENUES	B.2	**14,244**	**14,208**
Costs of goods sold	B.2	(19,457)	(10,527)
GROSS PROFIT/(LOSS) ON SALES		**(5,213)**	**3,681**
Other operating revenues	B.2	334	1,289
Selling and distribution expenses	B.2	(732)	(744)
General and administrative expenses	B.2	(402)	(366)
Other operating expenses	B.2	(161)	(334)
OPERATING PROFIT/(LOSS)		**(6,174)**	**3,526**
Financial income	B.2	110	182
Financial expenses	B.2	(171)	(188)
PROFIT/(LOSS) BEFORE TAX		**(6,235)**	**3,520**
Income tax	B.4	1,176	(684)
NET PROFIT/(LOSS) FOR THE REPORTING PERIOD		**(5,059)**	**2,836**
OTHER COMPREHENSIVE INCOME			
Other comprehensive income, which may be reclassified to profit or loss, including:			
Valuation of hedging instruments		76	(15)
Foreign exchange differences from translation of foreign entities		(2)	(1)
Deferred tax		(14)	3
Other comprehensive income, which will not be reclassified to profit or loss, including:			
Actuarial gains and losses from valuation of provisions for employee benefits		140	(52)
Deferred tax		(27)	10
OTHER COMPREHENSIVE INCOME FOR THE REPORTING PERIOD, NET		**173**	**(55)**
TOTAL COMPREHENSIVE INCOME		**(4,886)**	**2,781**
NET PROFIT/(LOSS) ATTRIBUTABLE TO:			
– equity holders of the parent company		(5,055)	2,821
– non-controlling interest		(4)	15
COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
– equity holders of the parent company		(4,882)	2,766
– non-controlling interest		(4)	15
EARNINGS/(LOSS) AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY (IN PLN)		**(2,71)**	**1.51**

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

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE 6-MONTH PERIOD ENDED JUNE 30, 2015 IN ACCORDANCE WITH IFRS EU (IN PLN MILLION)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at June 30, 2015 (reviewed)	As at December 31, 2014 (audited)	As at June 30, 2014 (reviewed) *restated**
NON-CURRENT ASSETS				
Property, plant and equipment		42,110	49,738	47,245
Investment property		31	33	32
Intangible assets		819	763	732
Loans and receivables	B.9	15	13	414
Available-for-sale financial assets		15	15	27
Shares in associates accounted for under the equity method		9	9	9
Other non-current assets	B.8	1,425	1,228	1,219
Deferred tax assets	B.4	365	383	356
TOTAL NON-CURRENT ASSETS		**44,789**	**52,182**	**50,034**
CURRENT ASSETS				
Inventories		2,468	2,175	1,839
CO_2 emission rights	B.7	975	1,552	962
Income tax receivables		20	46	25
Short-term financial assets at fair value	B.9	43	11	65
Trade receivables	B.9	1,724	1,729	1,757
Other loans and receivables	B.9	1,420	1,180	3,584
Available-for-sale financial assets		9	16	4
Other current assets	B.8	1,091	1,012	1,554
Cash and cash equivalents	B.9	4,913	6,282	4,577
Assets classified as held-for-sale		16	16	17
TOTAL CURRENT ASSETS		**12,679**	**14,019**	**14,384**
TOTAL ASSETS		**57,468**	**66,201**	**64,418**

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

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE 6-MONTH PERIOD ENDED JUNE 30, 2015 IN ACCORDANCE WITH IFRS EU (IN PLN MILLION)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at June 30, 2015 (reviewed)	As at December 31, 2014 (audited)	As at June 30, 2014 (reviewed) *restated**
EQUITY				
Share capital	B.10	18,698	18,698	18,698
Revaluation on financial instruments	B.10	1	(61)	(12)
Foreign exchange differences from translation of foreign entities		(3)	(1)	(1)
Reserve capital		13,009	9,231	9,231
Retained earnings		6,725	16,901	16,347
EQUITY ATTRIBUTED TO EQUITY HOLDERS OF THE PARENT COMPANY		**38,430**	**44,768**	**44,263**
Non-controlling interest		83	116	137
TOTAL EQUITY		**38,513**	**44,884**	**44,400**
NON-CURRENT LIABILITIES				
Non-current provisions	B.11	5,424	6,099	5,540
Interest-bearing loans and borrowings, bonds and lease	B.13	4,569	4,688	3,967
Deferred tax liabilities	B.4	643	2,090	2,181
Deferred income and government grants		1,165	1,158	1,103
Other financial liabilities	B.13	31	16	11
TOTAL NON-CURRENT LIABILITIES		**11,832**	**14,051**	**12,802**
CURRENT LIABILITIES				
Current provisions	B.11	1,782	2,070	1,314
Interest-bearing loans and borrowings, bonds and lease	B.13	252	357	693
Financial liabilities at fair value	B.13	94	117	51
Trade liabilities	B.13	718	1,179	834
Income tax liabilities		136	81	52
Deferred income and government grants		132	142	140
Other current financial liabilities	B.13	1,382	1,953	874
Other current non-financial liabilities		2,627	1,367	3,258
TOTAL CURRENT LIABILITIES		**7,123**	**7,266**	**7,216**
TOTAL LIABILITIES		**18,955**	**21,317**	**20,018**
TOTAL EQUITY AND LIABILITIES		**57,468**	**66,201**	**64,418**

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

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE 6-MONTH PERIOD ENDED JUNE 30, 2015 IN ACCORDANCE WITH IFRS EU (IN PLN MILLION)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	EQUITY ATTRIBUTED TO EQUITY HOLDERS OF THE PARENT COMPANY								
(reviewed)	Share capital	Revaluation reserve on financial instruments	Foreign exchange differences from translation	Reserve capital	Other capital reserves	Retained earnings	Total	Non-controlling interest	Total equity
AS AT JANUARY 1, 2015	**18,698**	**(61)**	**(1)**	**9,231**	**-**	**16,901**	**44,768**	**116**	**44,884**
Loss for the reporting period	-	-	-	-	-	(5,055)	(5,055)	(4)	(5,059)
Other comprehensive income	-	62	(2)	-	-	113	173	-	173
COMPREHENSIVE INCOME FOR THE PERIOD	**-**	**62**	**(2)**	**-**	**-**	**(4,942)**	**(4,882)**	**(4)**	**(4,886)**
Retained earnings distribution	-	-	-	3,778	-	(3,778)	-	-	-
Dividend	-	-	-	-	-	(1,458)	(1,458)	(4)	(1,462)
Changes within the PGE Group	-	-	-	-	-	-	-	47	47
Purchase of additional shares in the PGE Group	-	-	-	-	-	(3)	(3)	(72)	(75)
Other changes	-	-	-	-	-	5	5	-	5
TRANSACTIONS WITH OWNERS FOR THE PERIOD	**-**	**-**	**-**	**3,778**	**-**	**(5,234)**	**(1,456)**	**(29)**	**(1,485)**
AS AT JUNE 30, 2015	**18,698**	**1**	**(3)**	**13,009**	**-**	**6,725**	**38,430**	**83**	**38,513**

	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
AS AT JANUARY 1, 2014	**18,698**	**-**	**-**	**8,941**	**50**	**15,851**	**43,540**	**268**	**43,808**
Profit for the reporting period	-	-	-	-	-	3,638	3,638	19	3,657
Other comprehensive income	-	(61)	(1)	-	-	(321)	(383)	(1)	(384)
COMPREHENSIVE INCOME FOR THE PERIOD	**-**	**(61)**	**(1)**	**-**	**-**	**3,317**	**3,255**	**18**	**3,273**
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	-	-	-	-	-	15	15	(148)	(133)
Other changes	-	-	-	-	-	15	15	(1)	14
TRANSACTIONS WITH OWNERS FOR THE PERIOD	**-**	**-**	**-**	**290**	**(50)**	**(2,267)**	**(2,027)**	**(170)**	**(2,197)**
AS AT DECEMBER 31, 2014	**18,698**	**(61)**	**(1)**	**9,231**	**-**	**16,901**	**44,768**	**116**	**44,884**

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE 6-MONTH PERIOD ENDED JUNE 30, 2015 IN ACCORDANCE WITH IFRS EU (IN PLN MILLION)

	EQUITY ATTRIBUTED TO EQUITY HOLDERS OF THE PARENT COMPANY								
(reviewed) *restated**	**Share capital**	**Revaluation reserve on financial instruments**	**Foreign exchange differences from translation**	**Reserve capital**	**Other capital reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
AS AT JANUARY 1, 2014	**18,698**	**-**	**-**	**8,941**	**50**	**15,851**	**43,540**	**268**	**43,808**
Profit for the reporting period	-	-	-	-	-	2,821	2,821	15	2,836
Other comprehensive income	-	(12)	(1)	-	-	(42)	(55)	-	(55)
COMPREHENSIVE INCOME FOR THE PERIOD	**-**	**(12)**	**(1)**	**-**	**-**	**2,779**	**2,766**	**15**	**2,781**
Retained earnings distribution	-	-	-	290	(50)	(240)	-	-	-
Dividend	-	-	-	-	-	(2,057)	(2,057)	-	(2,057)
Purchase of additional shares in the PGE Group	-	-	-	-	-	14	14	(141)	(127)
Other changes	-	-	-	-	-	-	-	(5)	(5)
TRANSACTIONS WITH OWNERS FOR THE PERIOD	**-**	**-**	**-**	**290**	**(50)**	**(2,283)**	**(2,043)**	**(146)**	**(2,189)**
AS AT JUNE 30, 2014	**18,698**	**(12)**	**(1)**	**9,231**	**-**	**16,347**	**44,263**	**137**	**44,400**

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

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE 6-MONTH PERIOD ENDED JUNE 30, 2015 IN ACCORDANCE WITH IFRS EU (IN PLN MILLION)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Period ended June 30, 2015 (reviewed)	Period ended June 30, 2014 (reviewed) *restated **
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(loss) before tax	**(6,235)**	**3,520**
Income tax paid	(232)	(344)
Adjustments for:		
Depreciation, amortization and impairment losses	10,500	1,547
Interest and dividend, net	68	9
Profit / loss on investment activities	(25)	51
Change in receivables	(46)	(236)
Change in inventories	(305)	(151)
Change in liabilities, excluding loans and borrowings	(726)	(1,493)
Change in other non-financial assets, prepayments and CO_2 emission rights	481	(458)
Change in provisions	(432)	(878)
Other	21	17
NET CASH FROM OPERATING ACTIVITIES	**3,069**	**1,584**
CASH FLOW FROM INVESTING ACTIVITIES		
Disposal of property, plant and equipment and intangible assets	15	28
Purchase of property, plant and equipment and intangible assets	(4,066)	(2,988)
Disposal of financial assets	68	85
Deposits with a maturity over 3 months	(120)	(2,091)
Termination of deposits over 3 months	26	-
Increase in shareholding in the PGE Group companies	(75)	(105)
Other	-	21
NET CASH FROM INVESTING ACTIVITIES	**(4,152)**	**(5,050)**
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from borrowings, loans and issue of bonds	44	2,587
Repayment of borrowings, loans, bonds and finance lease	(227)	(452)
Interest paid	(96)	(30)
Other	6	(12)
NET CASH FROM FINANCING ACTIVITIES	**(273)**	**2,093**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(1,356)**	**(1,373)**
Effect of exchange rate fluctuations on cash held	8	1
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**6,269**	**5,948**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**4,913**	**4,575**
Restricted cash	682	115

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

A. GENERAL INFORMATION AND BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS

1. General information

1.1 The PGE Group's operations

PGE Polska Grupa Energetyczna S.A. Group ("PGE 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 2 August 1990 and registered in the District Court in Warsaw, XVI Commercial Department on 28 September 1990. The Company was registered in the National Court Register of the District Court for the capital city of Warsaw, XII Commercial Department, under no. KRS 0000059307. The parent company is seated in Warsaw, 2 Mysia Street.

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 in the foreseeable future. As at the date of 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.

The foregoing financial statements are prepared based on the same accounting principles (policy) and methods of computation as compared with the most recent annual financial statements. Financial statements are to be read together with the audited consolidated financial statements of the PGE Group prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS EU) for the year ended December 31, 2014.

These consolidated financial statements of the PGE Group comprise financial data for the period from January 1, 2015 to June 30, 2015 („financial statements", "consolidated financial statements").

1.2 Presentation and functional currency

The functional currency of the parent company and 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:

	June 30, 2015	December 31, 2014	June 30, 2014
USD	3.7645	3.5072	3.0473
EUR	4.1944	4.2623	4.1609

1.3 The composition of the Management Board of the parent company

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

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

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

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE 6-MONTH PERIOD ENDED JUNE 30, 2015 IN ACCORDANCE WITH IFRS EU (IN PLN MILLION)

1.4 Structure of the Group

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

	Entity	Entity holding shares	Share of the Group entities as at June 30, 2015	Share of the Group entities as at December 31, 2014
	SEGMENT: SUPPLY			
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%
	SEGMENT: CONVENTIONAL GENERATION			
6.	PGE Górnictwo i Energetyka Konwencjonalna S.A.* Bełchatów	PGE Polska Grupa Energetyczna S.A	99.92%	99.60%
7.	Przedsiębiorstwo Energetyki Cieplnej 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	EPORE sp. z o.o. Bogatynia	PGE Górnictwo i Energetyka Konwencjonalna S.A.	85.38%	85.38%
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%
	SEGMENT: RENEWABLES			
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%
	Eolica Wojciechowo sp. z o.o. Gniewino	PGE Energia Odnawialna S.A.	-	100.00%
	PGE Energia Natury S.A. Warsaw	PGE Polska Grupa Energetyczna S.A.	-	100.00%

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE 6-MONTH PERIOD ENDED JUNE 30, 2015 IN ACCORDANCE WITH IFRS EU (IN PLN MILLION)

	Entity	Entity holding shares	Share of the Group entities as at June 30, 2015	Share of the Group entities as at December 31, 2014
23	PGE Energia Natury sp. z o.o. Warsaw	PGE Polska Grupa Energetyczna S.A.	100.00%	100.00%
24	PGE Energia Natury Karnice sp. z o.o. Warsaw	PGE Energia Odnawialna S.A.	100.00%	
		PGE Energia Natury S.A.		100.00%
25	PGE Energia Natury Bukowo sp. z o.o. Warsaw	PGE Energia Odnawialna S.A.	100.00%	
		PGE Energia Natury S.A.		100.00%
26	PGE Energia Natury Olecko sp. z o.o. Warsaw	PGE Energia Odnawialna S.A.	100.00%	
		PGE Energia Natury S.A.		100.00%
27	PGE Energia Natury Omikron sp. z o.o. Warsaw	PGE Energia Odnawialna S.A.	100.00%	
		PGE Energia Natury S.A.		100.00%
28	PGE Energia Natury Kappa sp. z o.o. Warsaw	PGE Energia Odnawialna S.A.	100.00%	
		PGE Energia Natury S.A.		100.00%
29	PGE Energia Natury PEW sp. z o.o. Warsaw	PGE Energia Odnawialna S.A.	100.00%	
		PGE Energia Natury S.A.		100.00%
	SEGMENT: DISTRIBUTION			
30	PGE Dystrybucja S.A. Lublin	PGE Polska Grupa Energetyczna S.A.	100.00%	100.00%
	SEGMENT: OTHER OPERATIONS			
31	PGE EJ 1 sp. z o.o. Warsaw	PGE Polska Grupa Energetyczna S.A.	70.00%	100.00%
32	PGE Systemy S.A. Warsaw	PGE Polska Grupa Energetyczna S.A.	100.00%	100.00%
33	EXATEL S.A. Warsaw	PGE Polska Grupa Energetyczna S.A.	100.00%	100.00%
34	PGE Sweden AB (publ) Stockholm	PGE Polska Grupa Energetyczna S.A.	100.00%	100.00%
35	„ELBEST" sp. z o.o. Bełchatów	PGE Polska Grupa Energetyczna S.A.	100.00%	100.00%
36	PGE Obsługa Księgowo-Kadrowa sp. z o.o. *(previously PGE Inwest sp. z o.o.)* Lublin	PGE Polska Grupa Energetyczna S.A.	100.00%	100.00%
37	PGE Inwest 2 sp. z o.o. Warsaw	PGE Polska Grupa Energetyczna S.A.	100.00%	100.00%
38	ELBEST Security sp. z o.o. *(previously PGE Inwest 3 sp. z o.o.)* Warsaw	PGE Polska Grupa Energetyczna S.A.	100.00%	100.00%
39	PGE Inwest 4 sp. z o.o. Warsaw	PGE Polska Grupa Energetyczna S.A.	100.00%	100.00%
40	PGE Inwest 5 sp. z o.o. Warsaw	PGE Polska Grupa Energetyczna S.A.	100.00%	100.00%
41	PGE Inwest 6 sp. z o.o. Warsaw	PGE Polska Grupa Energetyczna S.A.	100.00%	100.00%
42	PGE Inwest 7 sp. z o.o. Warsaw	PGE Polska Grupa Energetyczna S.A.	100.00%	100.00%
43	PGE Inwest 8 sp. z o.o. Warsaw	PGE Polska Grupa Energetyczna S.A.	100.00%	100.00%
44	PGE Inwest 9 sp. z o.o. Warsaw	PGE Polska Grupa Energetyczna S.A.	100.00%	100.00%
45	PGE Inwest 10 sp. z o.o. Warsaw	PGE Polska Grupa Energetyczna S.A.	100.00%	100.00%
46	PGE Inwest 11 sp. z o.o. Warsaw	PGE Polska Grupa Energetyczna S.A.	100.00%	100.00%
47	PGE Inwest 12 sp. z o.o. Warsaw	PGE Polska Grupa Energetyczna S.A.	100.00%	100.00%
48	PGE Inwest 13 sp. z o.o. Warsaw	PGE Polska Grupa Energetyczna S.A.	100.00%	100.00%
49	PGE Inwest 14 sp. z o.o. Warsaw	PGE Polska Grupa Energetyczna S.A.	100.00%	100.00%
50	PGE Inwest 15 sp. z o.o. Warsaw	PGE Polska Grupa Energetyczna S.A.	100.00%	100.00%

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	Entity	Entity holding shares	Share of the Group entities as at June 30, 2015	Share of the Group entities as at December 31, 2014
51	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%
52	ENERGO-TEL S.A. Warsaw	EXATEL S.A.	100.00%	100.00%
53	Bio-Energia S.A. Warsaw	PGE Energia Odnawialna S.A.	100.00%	100.00%
54	Przedsiębiorstwo Transportowo-Usługowe „ETRA" sp. z o.o. Białystok	PGE Dystrybucja S.A.	100.00%	100.00%
55	Przedsiębiorstwo Produkcyjno-Handlowe EKTO sp. z o.o. Białystok	PGE Dystrybucja S.A.	100.00%	100.00%
56	Energetyczne Systemy Pomiarowe sp. z o.o. Białystok	PGE Dystrybucja S.A.	100.00%	100.00%

* Share excluding entity's own shares

The table above includes inter alia the following changes in the structure of the PGE Group companies subject to full consolidation which took place during the period ended June 30, 2015:

- On February 26, 2015 PGE Górnictwo i Energetyka Konwencjonalna S.A. merged with PGE Gubin sp. z o.o. The merger did not affect these financial statements.
- On March 31, 2015 PGE Energia Odnawialna S.A. merged with Pelplin sp. z o.o. The merger did not affect these financial statements.
- 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. More details of the transaction are described in note B.15.2 to these consolidated financial statements.
- On June 1, 2015 the division of PGE Energia Natury sp. z o.o. took place. The separated part, constituting organised part of the enterprise was merged with PGE Energia Odnawialna S.A. The described transaction did not affect these financial statements.
- On June 30, 2015 the mergers of PGE Energia Odnawialna S.A. with Eolica Wojciechowo sp. z o.o and PGE Energia Natury S.A. were registered. The mergers did not affect these financial statements.

After the reporting date till the date of preparation of these financial statements the following events occurred:

- On July 13, 2015 the division of „ELBEST" sp. z o.o. took place. The separated part, constituting organised part of the enterprise was merged with ELBEST Security sp. z o.o. The described transaction will not affect future financial statements.
- On July 22, 2015 an agreement was concluded for disposal of 100% shares of Przedsiębiorstwo Produkcyjno-Handlowe EKTO sp. z o.o. The disposal will not have material impact on future financial statements.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE 6-MONTH PERIOD ENDED JUNE 30, 2015 IN ACCORDANCE WITH IFRS EU (IN PLN MILLION)

2. Basis for preparation of the financial statements

These financial statements were prepared in accordance with International Accounting Standard 34 Interim Financial Reporting and in the scope required under the Minister of Finance Regulation of February 19, 2009 on current and periodic information provided by issuers of securities and conditions of recognition as equivalent information required by the law of a non-Member State (Official Journal no. 33, item 259) ("Regulation").

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

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 for periods beginning on or after 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 following two categories: measured at amortized 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. lease contracts, insurance contracts and financial instruments). IFRS 15 clarifies principles of revenue recognition.	January 1, 2018
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/amortization 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 –vesting conditions; - IFRS 3 –conditional consideration; - IFRS 8 –presentation of operating segments; - IFRS 13 – current receivables and payables; - IAS 16 / IAS 38 –disproportionate change in gross amount and accumulated depreciation/amortization 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 consolidated 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 the 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 the 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 which influence the numbers presented in the consolidated financial statements took place:

- During the reporting period the Group revised impairment allowances on assets, especially impairment of property, plant and equipment. The changes are described in notes A.2.3, B.2.3, B.2.4 and B.3 of these financial statements.
  The estimates of recoverable amount of property, plant and equipment are based on a number of significant assumptions, the future outcomes of which are uncertain and a substantial part of which is outside the control of the Group. The Group has adopted the most appropriate, in its view, volumes and values, however it cannot be excluded that the realization of particular assumptions will differ from those adopted by the Group.
- Provisions are liabilities of uncertain timing or amount. During the reporting period, the PGE Group changed its estimates of some provisions. Changes in estimates are presented in note B.11 of these financial statements.
- During the reporting period the provision for rehabilitation and provision for employee benefits were revised due to the increase in the discount rate. Details are presented in note B.11 of these financial statements.
- The Group's estimates of compensation related to early termination of long-term contracts for sale of capacity and electricity resulting in recognition of related revenues and receivables are based on appropriate, in the Group's opinion, interpretation of the Act dated June 29, 2007 on the principles for coverage of costs incurred due to early termination of long-term contracts for sales of capacity and electricity (Official Journal from 2007, No. 130, item 905) (" the LTC Act"), the anticipated outcome of disputes with the President of the Energy Regulatory Office and on a number of significant assumptions concerning factors, some of which are outside the control of the Group.
  An unfavorable outcomes of the dispute with the President of the Energy Regulation Office with respect to the interpretation of the LTC Act described in note B.15.1 of these financial statements for the PGE Group and changes in the assumptions used, including those resulting from mergers within the PGE Group, may significantly impact the estimates and as a consequence may lead to significant changes in the financial position and results of the PGE Group. It is not possible to determine the final outcome of the dispute with the President of the Energy Regulation Office as at the date of preparation of these consolidated financial statements.

2.3 Impairment of property, plant and equipment of Conventional Generation segment

Property, plant and equipment is the most significant asset of the PGE Group. Due to changeable macroeconomic conditions the PGE Group periodically verify the indicators that may imply impairment of recoverable value of its assets. When assessing the market situation the PGE Group uses both its own analytical tools and independent think tanks' support. Within the last six months the Group has identified a number of factors that could have significant impact on a change in the value of assets held:

Restrictive EU climate policy.

- Restrictive EU climate policy
  Increasingly stringent EU approach to climate policy, manifests among other things the planned creation of Market Stability Reserve ("MSR") restricting the supply of CO_2 emission rights on the market. It resulted in the increase of prices of CO_2 emission rights during the first half of 2015 by 10% from 7.0 EUR/t to more than 7.7 EUR/t. The upward trend is maintained in July and August of 2015. These changes make the PGE Group expect a stronger and more effective pressure to introduce further modifications in the system of trading in CO_2 emission rights and as a result a faster increase of their prices. The consequence is in the first place a loss of competitiveness of power plants based on lignite, which have high coefficients of emission of CO_2 per MWh. At the same time, such a change improves the competitiveness of newly built, high-performance power units based on hard coal. In addition, the introduction of solutions stemming from climate policy to support RES installations in Poland will result in increasing pressure on margins generated in all types of conventional generation units.

- Oversupply of hard coal on the domestic market
  Oversupply of hard coal and sharpened price competition on the domestic market results in significant decrease of hard coal prices - during the first half of 2015 by approx. 10%. This causes a significant reduction of fuel costs in power plants based on coal and worsened competitiveness of power plants based on lignite. In the PGE Group's opinion, this situation is permanent and results in a decline in expectations regarding profit margins generated by lignite power plants in the medium and long term.
- Decline in the futures and spot prices of electricity in Poland and abroad
  In the first half of 2015, the prices of futures contracts for BASE and PEAK products declined by 8% and 9%, respectively. A similar decrease was observed in neighboring markets. In Germany and Scandinavia the base product prices declined by 2% and 8%, respectively, maintaining the high competitiveness of the energy import to Poland. The downward trend persists in July and August of 2015. Despite the problems of balance of power in the national power system, contrary to earlier expectations, we do not observe the effect in the form of increased prices of electricity on the spot and futures markets.

As a result of the above events, the PGE Group has reduced its forecasts of the expected future cash flows and identified the impairment risk concerning conventional generation assets. In the PGE Group's opinion, these events do not affect the distribution assets and the impact on the assets in the renewable energy segment is limited and does not cause any impairment risk.

The impairment tests of cash-generating units ("CGU") have been carried out in order to determine their recoverable amount. Determination of fair value for very large groups of assets for which no active market exists and there are few comparable transactions, is in practice very difficult. In case of whole power plants and mines, for which there is a need to specify the value on the local market, the observed fair values do not exist. Therefore, the recoverable amount was determined based on estimated value in use of the tested assets calculated using the discounted cash flow method on the basis of financial projections for the years 2015 – 2030. For the units with a deemed economic useful life going beyond 2030, the residual value for the remaining life was determined. According to the PGE Group, adoption of the financial projections longer than five years is reasonable due to the fact that property, plant and equipment used by the Group have significantly longer economic useful lives and due to the significant and long-term impact of estimated changes in the regulatory environment of the Group.

The assumptions

The key assumptions influencing the recoverable amount of tested CGUs are as follows:

- recognizing:
  - Branch Kopalnia Węgla Brunatnego Bełchatów and Branch Elektrownia Bełchatów („Kompleks Bełchatów"),
  - Branch Kopalnia Węgla Brunatnego Turów and Branch Elektrownia Turów („Kompleks Turów"),

  as one CGU due to the technological and economical connections between these branches;
- recognizing as three separate CGUs: Elektrownia Dolna Odra, Elektrociepłowni Szczecin and Elektrociepłowni Pomorzany being a part of Branch Zespół Elektrowni Dolna Odra,
- electricity prices forecasts for the years 2015-2030 assuming an increase in the wholesale market price by more than 20% till 2020 and a smaller increase in the following years (in fixed prices),
- CO_2 emission rights prices forecasts for the years 2015-2030 assuming an over 250% increase in market prices till 2020 and a smaller increase in the following years (in fixed prices),
- hard coal prices forecasts for the years 2015-2030 assuming a relatively constant level of coal market prices in the period 2015-2018, increase of prices in the period 2019-2020 and a stabilization of prices in the following years (in fixed prices),
- the assumptions on the number of CO_2 emission rights for the production of electricity received free of charge for the years 2015-2020 for particular CGUs in accordance with the Application of Poland for temporary allocation of free of charge emission rights for modernization of electricity production on the basis of article 10c paragraph 5 of Directive 2003/87/EC of the European Parliament and of the Council (so-called derogations application), which meets the requirements of Commission Decision of July 13, 2012. In terms of heat production, free of charge rights has been taken into account in line with the list of allocations of CO_2 emission rights for heat in the reference period 2013-2020, published by Ministry of the Environment,
- taking into account free allocations of CO_2 emission rights in the period 2021-2030 forecasted based on allocation method applied until now,
- taking into account the so-called capacity market, ie. remunerating manufacturing units and reducing the demand, necessary to ensure security of electricity supply in the National Power System, since 2023; the remuneration was assumed based on the performance of the capacity market in the UK,
- taking into account the system of support for high-performance cogeneration in whole period of forecast,
- taking into account the optimization of employment costs, resulting among others from the current employment plan,

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- maintenance of production capacities at the current level, as a result of replacement investments,
- taking into account development investments, which were started,
- adopting weighted average cost of capital after tax (WACC) at the level of 7.26%, (in the previous impairment tests carried out in 2014 the PGE Group adopted WACC at the level of 7.63%),
- receipt of compensation for the early termination of long-term contracts by eligible producers.

The forecasts of electricity, CO_2 emission rights, hard coal prices, production and demand for electricity comes from a study prepared by an independent expert. The most probable forecast of energy prices was adopted. For the years 2015 and 2016 the prices arising from signed contracts were adopted, when applicable.

Moreover, as at June 30, 2015 and as at the date of preparation of these financial statements, there are no specific projects and plans for the Polish market, on the manner and timing of the so-called capacity market after 2023 and for support for natural gas-fired generation unit for the period after 2018. Nevertheless, the PGE Group believes their assumptions are reasonable in the view of the anticipated and desired changes in the regulatory environment. The assumptions that have been reflected in the projected cash flows represent, in the PGE Group's opinion, a reasonable scenario of the way how they will function and the period when they will function. Nevertheless, it cannot be excluded that the final shape and duration of these solutions may significantly differ from the ones adopted.

Impairment of generation assets of Conventional Generation segment

The results of the tests for CGUs for which impairment has been identified are presented below:

As at June 30, 2015	Value tested	Impairment loss	Value after impairment loss
Generation units of Conventional Generation segment			
Kompleks Bełchatów	17,188	(3,136)	14,052
Kompleks Turów	5,561	(5,116)	445
Elektrownia Opole	4,408	-	4,408
Elektrociepłownia Szczecin	516	-	516
Elektrociepłownia Bydgoszcz	417	(417)	-
Elektrociepłownia Lublin-Wrotków	400	-	400
Elektrociepłownia Rzeszów	300	-	300
Elektrociepłownia Gorzów	296	-	296
Elektrociepłownia Kielce	157	(157)	-
Elektrociepłownia Pomorzany	70	-	70
Elektrownia Dolna Odra	-	-	-
Elektrociepłownia Zgierz	-	-	-
Other assets allocated to segment	16	(16)	-
Total	**29,329**	**(8,842)**	**20,487**

The above value tested is the carrying value of the testes assets as at the reporting date decreased by the value of rehabilitation provision as at that date.

As a result of the conducted test the PGE Group deemed impairment of generation assets amounted to PLN 8,842 million. In addition, during the reporting period ended June 30, 2015, the Group recognized impairment losses of PLN 49 million. Total impairment loss of PLN 8,891 million was included in the statement of comprehensive income in costs of goods sold.

The changes in market conditions and the regulatory environment described above caused that the competitive position of the PGE Group has been weakened. The expected decrease in margins in the Conventional Generation segment especially concerns units using lignite as a fuel, which do not benefit from a reduction in coal prices. In addition, these plants emit more CO_2 per energy unit produced, therefore they are affected to a larger extent by the predicted rise in prices of the emission rights.

Sensitivity analysis

The results of a sensitivity analysis for individual units showed that the electricity prices, CO_2 emission rights prices, weighted average cost of capital and the assumption regarding the introduction of so-called capacity market in Poland have the greatest impact on the value in use of the tested assets. The change in the purchase price of coal influences the value in use to a lesser extent.

The table below presents estimated changes of impairment allowances on Conventional Generation segment assets as a result of changes in key assumption as at June 30, 2015:

Parameters	Change	Impact on impairment in billions of PLN	
		Increase in impairment allowance	Decrease in impairment allowance
Change in electricity prices throughout the forecast period	+ 1%	-	1.0
	- 1%	1.1	-
Change in WACC	+ 0,5 p.p.	1.4	-
	- 0,5 p.p.	-	0.9
Change in CO_2 emission rights prices throughout the forecast period	+ 1%	0.4	-
	- 1%	-	0.4
Assumption regarding so-called capacity market	no capacity market after 2023	5.2	-

3. Changes of accounting principles and data presentation

Change in operating segments reporting

In order to ensure greater transparency of operating segments reporting, the following changes have been made starting from 2015:

- Previous segments of Wholesale and Retail Sale were merged and created Supply segment.

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

- The 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 transferred from Other Operations to Conventional Generation segment.

The above mentioned change provides better 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, modernization and investments with regard to electricity equipment;
- deputy investor 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 technologies of usage of the above;
- rehabilitation of degraded areas.

The comparative figures for the first half of 2014 have been restated accordingly.

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 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 were 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 divide into:

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

Change in presentation of impairment losses on property, plant and equipment, intangible assets and goodwill

IFRS EU regulations do not explicitly indicate the position in the statement of profit or loss in which the impairment loss should be recognized, thus it depends on the adopted accounting policy. In practice, different approaches can be observed, however, both companies applying IFRS EU and audit firms prefer to recognize impairment losses in cost by kind (as part of the amortization or in a separate line). Thus, the recognition or reversal of impairment losses does not affect the reported EBITDA.

In accordance with the previously applied accounting policy, the PGE Group recognized the impairment loss of property, plant and equipment, intangible assets and goodwill in other operating costs.

Starting from the financial statements for the period ended June 30, 2015, the PGE Group changed its accounting policy in such a way, that the recognition or reversal of impairment of property, plant and equipment, intangible assets and goodwill is included in cost by kind. According to the Company's management, the changed accounting policy applies in a better way the IFRS EU regulations and provides greater transparency and comparability of financial statements with other entities.

Restatement of comparative information

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

PGE GROUP CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE 6-MONTH PERIOD ENDED JUNE 30, 2015 IN ACCORDANCE WITH IFRS EU (IN PLN MILLION)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Period ended June 30, 2014 *published*	Change in recognition of rehabilitation provision	Change in recognition of impairment allowances	Period ended June 30, 2014 *restated*
STATEMENT OF PROFIT OR LOSS				
SALES REVENUES	**14,208**	**-**		**14,208**
Costs of goods sold	(10,482)	7	(52)	(10,527)
GROSS PROFIT ON SALES	**3,726**	**7**	**(52)**	**3,681**
Other operating revenues	1,289	-		1,289
Selling and distribution expenses	(744)	-		(744)
General and administrative expenses	(366)	-		(366)
Other operating expenses	(780)	394	52	(334)
OPERATING PROFIT	**3,125**	**401**	**-**	**3,526**
Financial income	182	-		182
Financial expenses	(189)	1		(188)
PROFIT BEFORE TAX	**3,118**	**402**	**-**	**3,520**
Income tax	(608)	(76)		(684)
NET PROFIT FOR THE REPORTING PERIOD	**2,510**	**326**	**-**	**2,836**
OTHER COMPREHENSIVE INCOME	(55)	-		**(55)**
TOTAL COMPREHENSIVE INCOME	**2,455**	**326**	**-**	**2,781**
NET PROFIT ATTRIBUTABLE TO:				
– equity holders of the parent company	2,497	324	-	2,821
– non-controlling interest	13	2	-	15
COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
– equity holders of the parent company	2,442	324	-	2,766
– non-controlling interest	13	2	-	15
EARNINGS PER SHARE (IN PLN)	**1.34**	**0.17**		**1.51**

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE 6-MONTH PERIOD ENDED JUNE 30, 2015 IN ACCORDANCE WITH IFRS EU (IN PLN MILLION)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at June 30, 2014 *published*	Change in recognition of rehabilitation provision	As at June 30, 2014 *restated*
NON-CURRENT ASSETS, including:			
Property, plant and equipment	46,285	960	47,245
TOTAL NON-CURRENT ASSETS	**49,074**	**960**	**50,034**
TOTAL ASSETS	**63,458**	**960**	**64,418**
EQUITY, including:			
Retained earnings	15,864	483	16,347
Non-controlling interest	134	3	137
TOTAL EQUITY	**43,914**	**486**	**44,400**
NON-CURRENT LIABILITIES, including:			
Non-current provisions	5,180	360	5,540
Deferred tax liabilities	2,067	114	2,181
TOTAL NON-CURRENT LIABILITIES	**12,328**	**474**	**12,802**
TOTAL EQUITY AND LIABILITIES	**63,458**	**960**	**64,418**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Period ended June 30, 2014 *published*	Change in recognition of rehabilitation provision	Period ended June 30, 2014 *restated*
Profit before tax	**3,118**	**402**	**3,520**
Adjustments for:			
Amortization	1,536	11	1,547
Change in provisions	(465)	(413)	(878)
NET CASH FROM OPERATING ACTIVITIES	**1,584**	**-**	**1,584**

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE 6-MONTH PERIOD ENDED JUNE 30, 2015 IN ACCORDANCE WITH IFRS EU (IN PLN MILLION)

4. Fair value hierarchy

The principles 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 current and comparative reporting periods, there have been no transfers of financial instruments between the first and the second level of fair value hierarchy.

	As at June 30, 2015		As at December 31, 2014	
FAIR VALUE HIERARCHY	**Level 1**	**Level 2**	**Level 1**	**Level 2**
CO_2 emission rights	434	-	409	-
Inventories	**434**	**-**	**409**	**-**
Currency forward	-	19	-	11
CCIRS valuation	-	24	-	-
Financial assets	**-**	**43**	**-**	**11**
Currency forward	-	1	-	-
CCIRS valuation	-	-	-	8
IRS valuation	-	53	-	72
Commodity forward	-	40	-	37
Financial liabilities	**-**	**94**	**-**	**117**

As at the reporting date, the book value of inventories amounted to PLN 2,468 million. The item contains CO_2 emission rights at fair value in the amount of PLN 434 million, as presented in the table above. Valuation of commodity forwards, currency forwards and swap is recognized in the statement of financial position as assets or liabilities at fair value.

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B. EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Information on operating segments

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

Concessions on coal mining, generation and distribution of electricity and heat are assigned with the relevant assets presented in detailed information about operating segments. Concessions concerning electricity and heat require incurring annual charges dependent on the level of turnover. Conducting licensed activities related to the extraction of coal requires incurring exploitation charges dependent on the rate and the output as well as fees for the use of mining.

The 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 Generation includes exploration and mining of lignite and production of energy in power plants and heat and power plants as well as the ancillary operations in the above field.
- Renewables include generation of energy in pumped storage power plants and from renewable sources.
- Supply includes trade in electricity on the wholesale market, trade in emission certificates and property rights related to energy origin units, trade in fuel 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 PGE Group is based on the segment division, 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 – on arm's length basis.

When analysing the results of the business segments, the management of the PGE Group draws particular attention to the EBITDA reached.

Seasonality of business segments

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

The level of electricity sales is variable within a year and especially depends on air temperature and the length of the day.. As a rule, lower air temperature in winter and shorter days cause the growth in 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.

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INFORMATION ON BUSINESS SEGMENTS FOR THE PERIOD ENDED JUNE 30, 2015

	Conventional Generation	Renewables	Supply	Distribution	Other Operations	Consolidation adjustments	Total
STATEMENT OF PROFIT OR LOSS							
Sales revenues from external customers	6,126	348	6,626	933	213	(2)	14,244
Sales revenues from inter-segment transactions	300	30	643	2,068	127	(3,168)	-
TOTAL SEGMENT REVENUES	**6,426**	**378**	**7,269**	**3,001**	**340**	**(3,170)**	**14,244**
Costs of goods sold	13,424	254	6,234	2,124	302	(2,881)	19,457
EBIT *)	**(7,260)**	**88**	**267**	**709**	**(20)**	**42**	**(6,174)**
Financial income (expenses), net							(61)
PROFIT/(LOSS) BEFORE TAX							**(6,235)**
Income tax							1,176
NET PROFIT/(LOSS) FOR THE REPORTING PERIOD							**(5,059)**
Amortization, depreciation and impairment losses	9,826	114	12	516	53	(21)	10,500
EBITDA **)	**2,566**	**202**	**279**	**1,225**	**33**	**21**	**4,326**
ASSETS AND LIABILITIES							
Segment assets excluding trade receivables	27,138	4,203	3,207	15,502	855	(1,986)	48,919
Trade receivables	245	49	1,762	355	103	(790)	1,724
Shares in associates							9
Unallocated assets							6,816
TOTAL ASSETS							**57,468**
Segment liabilities excluding trade liabilities	7,141	353	3,768	2,902	182	(1,709)	12,637
Trade liabilities	518	24	646	174	68	(712)	718
Unallocated liabilities							5,600
TOTAL LIABILITIES							**18,955**
OTHER INFORMATION ON BUSINESS SEGMENT							
Capital expenditure	2,358	219	13	688	80	(26)	3,332
Impairment allowances on financial and non-financial assets	8.909	(2)	7	10	(1)	-	8,923
Other non-monetary expenses ***)	302	11	533	36	12	-	894

*) EBIT = operating profit (loss)

**) EBITDA = EBIT + amortization, depreciation and impairment losses included in operating costs

***) Non-monetary expenses include mainly changes in provisions such as: rehabilitation provision, provision for CO_2 emission rights, provision for jubilee awards and employee tariff that are recognized in profit or loss and other comprehensive income

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CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE 6-MONTH PERIOD ENDED JUNE 30, 2015 IN ACCORDANCE WITH IFRS EU (IN PLN MILLION)

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

restated	Conventional Generation	Renewables	Supply	Distribution	Other Operations	Consolidation adjustments	Total
STATEMENT OF PROFIT OR LOSS							
Sales revenues from transactions with other	6,508	405	6,127	791	370	7	14,208
Sales revenues from inter-segment transactions	150	10	816	2,057	479	(3,512)	-
TOTAL SEGMENT REVENUES	**6,658**	**415**	**6,943**	**2,848**	**849**	**(3,505)**	**14,208**
Costs of goods sold	4.667	252	6,051	2,076	731	(3,250)	10,527
EBIT *)	**2,516**	**130**	**151**	**691**	**10**	**28**	**3,526**
Financial income (expenses), net							(6)
PROFIT/(LOSS) BEFORE TAX							**3,520**
Income tax							(684)
NET PROFIT/(LOSS) FOR THE REPORTING PERIOD							**2,836**
Amortization, depreciation and impairment losses	899	104	9	492	63	(20)	1,547
EBITDA **)	**3.415**	**234**	**160**	**1,183**	**73**	**8**	**5,073**
ASSETS AND LIABILITIES							
Segment assets excluding trade receivables	33,148	3,544	2,520	14,787	1,126	(1,542)	53,583
Trade receivables	180	61	1,703	329	291	(807)	1,757
Shares in associates							9
Unallocated assets							9,069
TOTAL ASSETS							**64,418**
Segment liabilities excluding trade liabilities	6,559	225	3,447	2,419	337	(696)	12,291
Trade liabilities	491	42	687	160	180	(726)	834
Unallocated liabilities							6,893
TOTAL LIABILITIES							**20,018**
OTHER INFORMATION ON BUSINESS SEGMENT							
Capital expenditure	1,578	155	7	452	74	(34)	2,232
Impairment allowances on financial and non-financial assets	62	(1)	11	2	(4)	(1)	69
Other non-monetary expenses ***)	167	10	539	4	20	71	811

*) EBIT = operating profit (loss)

**) EBITDA = EBIT + amortization, depreciation and impairment losses included in operating costs

***) Non-monetary expenses include mainly changes in provisions such as: rehabilitation provision, provision for CO_2 emission rights, provision for jubilee awards and employee tariff that are recognized in profit or loss and other comprehensive income

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE 6-MONTH PERIOD ENDED JUNE 30, 2015 IN ACCORDANCE WITH IFRS EU (IN PLN MILLION)

2. Revenues and expenses

2.1 Sales revenues

	Period ended June 30, 2015	Period ended June 30, 2014
SALES REVENUES		
Sales of merchandise and finished goods with excise tax	*13,923*	*13,065*
Excise tax	*(247)*	*(267)*
Revenues from sale of merchandise and finished goods, including:	**13,676**	**12,798**
Sale of electricity	9,528	8,876
Sale of distribution services	2,813	2,675
Sale of heat	403	367
Sale of the energy origin rights	328	362
Regulatory system services	244	214
Revenues from sale of gas	137	-
Others sale of merchandise and finished goods	223	304
Revenues from sale of services	**267**	**248**
Revenues from LTC compensations	**301**	**1,162**
TOTAL SALES REVENUES	**14,244**	**14,208**

The increase in revenues from sale of electricity in the period ended June 30, 2015 as compared to corresponding period of the previous year is mainly due to higher average price of electricity sold and higher wholesale volumes.

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

2.2 Cost by kind and function

	Period ended June 30, 2015	Period ended June 30, 2014 *restated*
COSTS BY KIND		
Depreciation, amortization and impairment losses	10,500	1,547
Materials and energy	1,605	1,530
External services	1,196	1,189
Taxes and charges	1,456	1,430
Employee benefits	2,154	2,302
Other cost by kind	127	129
TOTAL COST BY KIND	**17,038**	**8,127**
Change in inventories	(44)	(27)
Cost of products and services for the entity's own needs	(681)	(644)
Selling and distribution expenses	(732)	(744)
General and administrative expenses	(402)	(366)
Cost of merchandise and materials sold	4,278	4,181
COST OF GOODS SOLD	**19,457**	**10,527**

As described in note A.2.3 of these financial statements for the period ended June 30, 2015 item "depreciation, amortization and impairment losses" includes impairment allowances on property, plant and equipment of PLN 8,891 million.

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2.3 Other operating revenues and expenses

	Period ended June 30, 2015	Period ended June 30, 2014
OTHER OPERATING REVENUES		
Effect of change in rehabilitation provision	193	-
Compensations, penalties and fines received	30	56
Reversal of impairment allowances on receivables	18	30
Reversal of other provisions	16	832
Grants received	12	76
Gain on disposal of property, plant and equipment	9	9
Compensation for legal proceedings' costs	6	3
Surpluses / recognition of assets	5	8
Revenues from illegal energy consumption	4	4
Property, plant and equipment, intangible assets received free of charge	4	3
Adjustment of revenues from LTC compensations	-	246
Other	37	22
TOTAL OTHER OPERATING REVENUES	**334**	**1,289**

Revenues from reversal of other provisions in the comparative period relate mainly to the release of provision for CO_2 emission rights of PLN 751 million, that was created in 2013 in the Conventional Generation segment.

	Period ended June 30, 2015	Period ended June 30, 2014 *restated*
OTHER OPERATING EXPENSES		
Effect of change in rehabilitation provision	-	207
Other provisions	39	21
Impairment allowances on receivables	33	35
Liquidation of damages/ breakdowns	20	24
Donations granted	14	3
Liquidation of property, plant and equipment/intangible assets	12	9
Legal proceedings' costs	5	7
Impairment allowances on other assets	4	1
Compensations	3	7
Other	31	20
TOTAL OTHER OPERATING EXPENSES	**161**	**334**

The change in the valuation of rehabilitation provisions relates mainly to the surface mines and is described in note B.11.2 of these financial statements.

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2.4 Financial income and expenses

	Period ended June 30, 2015	Period ended June 30, 2014
FINANCIAL INCOME FROM FINANCIAL INSTRUMNETS		
Dividends	1	2
Interest income	56	106
Revaluation / Reversal of impairment allowance	38	28
Gain on disposal of investments	14	-
Foreign exchange gain	-	27
FINANCIAL REVENUES FROM FINANCIAL INSTRUMNETS	**109**	**163**
OTHER FINANCIAL INCOME		
Reversal of provisions	1	18
Other	-	1
OTHER FINANCIAL INCOME	**1**	**19**
TOTAL FINANCIAL INCOME	**110**	**182**

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

	Period ended June 30, 2015	Period ended June 30, 2014 *restated*
FINANCIAL EXPENSES FROM FINANCIAL INSTRUMENTS		
Interest expense	60	36
Revaluation	3	27
Impairment losses	2	3
Foreign exchange losses	26	31
FINANCIAL EXPENSES FROM FINANCIAL INSTRUMENTS	**91**	**97**
OTHER FINANCIAL EXPENSES		
Interest expense including unwinding of the discount	78	90
Other	2	1
OTHER FINANCIAL EXPENSES	**80**	**91**
TOTAL FINANCIAL EXPENSES	**171**	**188**

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

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3. Impairment allowances on assets

	Period ended June 30, 2015	Period ended June 30, 2014
IMPAIRMENT ALLOWANCES ON PROPERTY, PLANT AND EQUIPMENT		
Impairment allowances created	8,875	52
IMPAIRMENT ALLOWANCES ON INTANGIBLE ASSETS		
Impairment allowances created	16	-
IMPAIRMENT ALLOWANCES ON INVENTORIES		
Impairment allowances created	28	12
Impairment allowances reversed	11	4

In the current period, the Group conducted impairment test of property, plant and equipment resulting in creation of the impairment allowances in the total amount of PLN 8.891 million. Detailed description is provided in note A.2.3 of these financial statements.

4. Income tax

4.1 Income tax in the statement of comprehensive income

Main elements of income tax expense for the periods ended June 30, 2015 and June 30, 2014 are as follows:

	Period ended June 30, 2015	Period ended June 30, 2014 *restated*
INCOME TAX PRESENTED IN THE STATEMENT OF PROFIT OR LOSS		
Current income tax	282	229
Prior year income tax corrections	15	17
Deferred income tax	(1,473)	438
INCOME TAX EXPENSE PRESENTED IN THE STATEMENT OF PROFIT OR LOSS	**(1,176)**	**684**
INCOME TAX PRESENTED IN OTHER COMPREHENSIVE INCOME		
on valuation of hedging instruments	14	(3)
on actuarial gains and losses from valuation of provisions for employee benefits	27	(10)
INCOME TAX EXPENSE PRESENTED IN OTHER COMREHENSIVE INCOME	**41**	**(13)**

Substantial change in the deferred tax in the period ended June 30, 2015 is related to the creation of impairment allowances on property, plant and equipment.

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4.2 Deferred tax in the statement of financial position

	Period ended June 30, 2015	Period ended June 30, 2015 *restated**
COMPONENTS OF DEFERRED TAX ASSET		
Difference between tax value and carrying value of property, plant and equipment	2,195	505
Difference between tax value and carrying value of financial assets	36	35
Difference between tax value and carrying value of financial liabilities	40	64
Difference between tax value and carrying value of inventories	29	27
LTC compensations	148	161
Provision for rehabilitation	499	598
Provision for CO_2 emission rights	64	129
Provisions for employee benefits	602	631
Other provisions	180	176
Current period costs unrealized for tax purposes	208	221
Energy infrastructure acquired free of charge and connection fees received	145	149
Tax losses	5	3
Other	17	12
DEFERRED TAX ASSETS	**4,168**	**2,711**
COMPONENTS OF DEFERRED TAX LIABILITY		
Difference between tax value and carrying value of property, plant and equipment	3,092	2,999
Difference between tax value and carrying value of financial liabilities	10	6
Difference between tax value and carrying value of energy origin units	102	83
CO_2 emission rights	202	310
LTC compensations	694	672
Current period revenues unrealized for tax purposes	129	139
Accrued revenues	181	185
Other	36	24
DEFERRED TAX LIABILITY	**4,446**	**4,418**
AFTER OFF-SET OF BALANCES AT THE GROUP COMPANIES' LEVEL THE DEFERRED TAX OF THE GROUP IS PRESENTED AS:		
Deferred tax assets	365	383
Deferred tax liabilities	(643)	(2,090)

** restatement of data related to reclassifications between lines*

4.3 Tax settlements

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

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

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

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

Tax Capital Group

On September 18, 2014 an agreement concerning a tax capital group, named "TCG PGE 2015" was executed for a 25-year period, for which PGE S.A. is a representing company. The TCG PGE 2015 comprises the Company together with PGE Górnictwo i Energetyka Konwencjonalna S.A., PGE Dystrybucja S.A., PGE Obrót S.A., PGE Energia Odnawialna 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 thirteen companies named PGE Inwest 2,4,…,15 that were not operational at the time the agreement was signed. The agreement covers the period after January 1, 2015.

The Polish Corporate Income Tax Act treats tax capital groups as separate income tax payers. This means that companies within TCG PGE 2015 are not treated as separate entities for corporate income tax purposes (CIT), with TCG PGE 2015 being treated as one whole entity instead. TCG 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. TCG 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 TCG PGE 2015 will continue to be a separate payer of VAT and tax on civil-law transactions, as well as withholding agent with respect to personal income tax.

Pursuant to the executed agreements, when a company belonging to the tax group generates tax profit, it transfers the appropriate amount of income tax to PGE S.A., which then settles with the tax office as the representing company. When a company belonging to TCG PGE 2015 incurs a tax loss, the related tax benefit is available to the representing company, 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.

Flows between companies included in the TCG PGE 2015 are carried out within the year at the periods preceding payment of income tax advances. The final settlement between the companies included in the TCG PGE 2015 occurs after submission of the annual declaration.

The companies forming a tax capital group are obligated to meet a number of requirements including: the appropriate level of equity, the parent company's share in companies included in TCG at least at the level of 95%, no equity relationships between subsidiaries, no tax arrears and share of revenue in income at least at the level of 3% (for all TCG), concluding transactions with entities not belonging to TCG solely on market terms. The violation of these requirements will affect in termination of tax capital group and the loss of status of the taxpayer. Since the termination of the group, each of the companies included in the tax group becomes an independent taxpayer for CIT tax purpose.

Real estate tax

Taking into account pending disputes, the PGE Group established at the reporting date the provision for property tax of PLN 149 million. The provision relates mainly to tax proceedings with regard to property tax in selected power plants. The dispute is related to the subject of taxation and concerns mainly a decision whether installations in buildings and detached 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 acquisitions and disposals of property, plant and equipment and intangible assets

During the reporting period, the PGE Group purchased property, plant and equipment and intangible assets of PLN 3,332 million. The largest expenditures were incurred by Conventional Generation segment (PLN 2,358 million) and Distribution segment (PLN 688 million). The main items of expenditures were: construction of units 5 and 6 in Elektrownia Opole (PLN 1,036 million) and comprehensive modernization of units 7-12 in Elektrowania Bełchatów (PLN 338 million).

Construction of units 5 and 6 in Elektrownia Opole with a capacity of 1800 MW was started in January 2014, and is going to be finished in July 2018 (unit 5) and March 2019 (unit 6). Currently work continues on boiler room and turbine hall foundations at both units, construction of concrete coating for cooling tower of unit 5, earthworks and concrete works within the cooling tower of unit 6 and other ancillary facilities. Total capital expenditures incurred in the implementation of this project until June 30, 2015 amounted to PLN 1,808 million.

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

6. Future investment commitment

As at June 30, 2015 the PGE Group committed to incur capital expenditures on property, plant and equipment of approximately PLN 15,849 million. These amount relates 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 Elektrownia Opole – construction of power units no. 5 and 6 – approximately PLN 7,176 million,
- PGE Górnictwo i Energetyka Konwencjonalna S.A. Branch Elektrownia Turów – contract for construction of new power unit – approximately PLN 3,250 million,
- PGE Górnictwo i Energetyka Konwencjonalna S.A. Branch Elektrownia Bełchatów – reconstruction and modernization of power units – approximately PLN 999 million,
- PGE EJ1 sp. z o.o. – agreement for technical advisory in the investment process related to construction of the first Polish nuclear power plant – approximately PLN 1,320 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 1,042 million.

7. CO_2 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. The condition under which free of charge CO_2 emission rights can be obtained is presentation of factual-financial statements from realization of tasks included in the National Investment Plan.

In September 2014 the PGE Group submitted required statement from realization of investment tasks. In April 2015 entities of the PGE Group received free of charge CO_2 emission rights of approximately 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	
AS AT JANUARY 1, 2015	**68**	**1,552**	**-**	**-**	**1,552**
Purchase	3	104	-	-	104
Allocated free of charge	30	-	-	-	-
Redemption	(59)	(681)	-	-	(681)
AS AT JUNE 30, 2015	**42**	**975**	**-**	**-**	**975**

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

8. Other non-current and current assets

8.1 Other non-current assets

	As at June 30, 2015	As at December 31, 2014
Advances for construction in progress	1,391	1,193
Other deferred expenses	34	35
TOTAL OTHER NON-CURRENT ASSETS	**1,425**	**1,228**

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

8.2 Other current assets

	As at June 30, 2015	As at December 31, 2014
DEFERRED EXPENSES		
Property and tort insurance	6	10
IT services	7	8
Accrued distribution services	14	13
Fees, agency commission	22	20
Perpetual usufruct of land	13	-
Fees for the exclusion of land from agricultural production/ forestry	27	4
Other accrued costs	34	28
OTHER CURRENT ASSETS		
Accrued revenues	557	618
VAT receivables	254	261
Excise tax receivables	47	29
Advances for property, plant and equipment and intangible assets	22	13
Other current assets	88	8
TOTAL OTHER CURRENT ASSETS	**1,091**	**1,012**

Accrued revenues comprise estimation of sales of the electric energy not read from the meters as at the reporting date.

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9. Selected 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 receivables

	As at June 30, 2015		As at December 31, 2014	
	Long-term	Short-term	Long-term	Short-term
Deposits	-	124	-	27
LTC compensations	-	1,143	-	968
Security deposits	1	46	-	38
Collateral – balancing market	-	20	-	49
The guarantee fund – Dom Maklerski	-	70		67
Other financial receivables	14	17	13	31
TOTAL LOANS AND RECEIVABLES, EXCLUDING TRADE RECEIVABLES	**15**	**1,420**	**13**	**1,180**
TRADE RECEIVABLES	**-**	**1,724**	**-**	**1,729**

9.2 Cash and cash equivalents

Cash at bank earns interest at floating interest 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 June 30, 2015	As at December 31, 2014
Cash on hand and cash at bank	1,424	1,701
Overnight deposits	371	164
Short-term deposits	3,118	4,417
TOTAL	**4,913**	**6,282**
Interest accrued on cash, not received at the reporting date	2	(5)
Exchange rate differences on cash in foreign currencies	(2)	(8)
Cash and cash equivalents presented in the statement of cash flows	**4,913**	**6,269**
including restricted cash	*682*	*368*
Credit limits at disposal	2,407	3,064
including credit limits in current account	*2,250*	*1,916*

Restricted cash disclosed in the consolidated statement of cash flows relate primarily to cash deposit securing the settlements of subsidiaries of the PGE Group with Izba Rozliczeniowa Giełd Towarowych S.A. (Warsaw Commodity Clearing House).

9.3 Financial assets at fair value

	As at June 30, 2015	As at December 31, 2014
FINANCIAL ASSETS AT FAIR VALUE		
Currency forward	19	11
CCIRS hedging transactions	24	-
TOTAL	**43**	**11**

Currency forward

Within financial assets at fair value the Group recognizes financial instruments related to carbon dioxide emission rights trade.

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CCIRS hedging transactions

In connection with loans received from PGE Sweden AB (publ), PGE S.A. concluded CCIRS transactions, hedging both the exchange rate and interest rate. In these transactions, banks - contractors pay to PGE S.A. interest 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 transactions the PGE Group applies hedge accounting. The impact of hedge accounting is presented in note B.10.2 of these financial statements.

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 June 30, 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
TOTAL NUMBER OF SHARES	**1,869,760,829**	**1,869,760,829**

All shares are paid up. During the reporting period there were no changes in the structure nor 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 June 30, 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 reporting date until the date of the preparation of these financial statements, there were no changes in the value of share capital of the Company.

10.2 Revaluation reserve on financial instruments

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

	Period ended June 30, 2015	Period ended December 31, 2014
AS AT JANUARY 1	**(61)**	**-**
Deferral of changes in fair value of hedging instruments recognized as an effective hedge	31	(8)
Accrued interest on derivatives transferred from revaluation reserve and recognized in interest expense	1	6
Currency revaluation of CCIRS transferred from revaluation reserve and recognized in the result on foreign exchange differences	44	(74)
Ineffective portion of changes in fair value of hedging derivatives recognized in the profit or loss	-	1
REVALUATION RESERVE AS AT REPORTING DATE	**15**	**(75)**
Deferred tax	(14)	14
REVALUATION RESERVE LESS DEFERRED TAX	**1**	**(61)**

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10.3 Dividends paid and dividends declared

	Dividend paid or declared from the profit for the period/year ended		
	June 30, 2015	December 31, 2014	December 31, 2013
CASH DIVIDENDS FROM ORDINARY SHARES			
Dividend paid from retained earnings	-	1,458	2,057
Dividend paid from reserve capital	-	-	-
TOTAL CASH DIVIDENDS FROM ORDINARY SHARE	**-**	**1,458**	**2,057**
Cash dividends per share (in PLN)	**-**	**0.78**	**1.10**

Dividend from the profit for the period ended June 30, 2015

During the reporting period and as at the date of preparation of the financial statements PGE S.A. made no advance payments of dividends.

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

On June 24, 2015, the General Shareholders' Meeting of PGE S.A. resolved to distribute PLN 1,458 million from the net profit of 2014 as a dividend (that comprises dividend of PLN 0.78 per share). The Ordinary General Meeting fixed the dividend record date on September 24, 2015 and dividend payout date on October 15, 2015.

In the statement of financial position prepared as at June 30, 2015 the liability resulting from declared dividends is presented in line other non-financial liabilities.

Dividend from the profit for the year ended December 31, 2013

On June 6, 2014, the General Shareholders' Meeting of PGE S.A. resolved to distribute PLN 2,057 million from the net profit of 2013 as a dividend (that comprises dividend of PLN 1.10 per share). The 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 June 30, 2015		As at December 31, 2014	
	Long-term	Short-term	Long-term	Short-term
Post-employment benefits	1,509	89	1,633	98
Provisions for jubilee awards	906	96	949	93
Provisions for rehabilitation costs	2,771	4	3,297	2
Provisions for purchase of CO_2 emission rights	-	334	-	676
Provisions for energy origin units held for redemption	-	577	-	555
Provisions for non-contractual use of the property	77	19	73	19
Other provisions	161	663	147	627
TOTAL PROVISIONS	**5,424**	**1,782**	**6,099**	**2,070**

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Change in provisions

	Post-employment benefits	Provisions for jubilee awards	Provisions for rehabilitation costs	Provisions for purchase of CO_2 emission rights	Provisions for energy origin units held for redemption	Provisions for non-contractual use of the property	Other	Total
AS AT JANUARY 1, 2015	**1,731**	**1,042**	**3,299**	**676**	**555**	**92**	**774**	**8,169**
Actuarial gains and losses excluding discount rate adjustment	-	-	-	-	-	-	-	-
Costs of present employment	16	24	-	-	-	-	-	40
Costs of past employment	1	-	-	-	-	-	-	1
Interest costs	22	13	43	-	-	-	-	78
Discount rate and other assumptions adjustment	(140)	(52)	(629)	-	-	-	-	(821)
Benefits paid/ provisions used	(33)	(25)	-	(680)	(497)	(1)	(308)	(1,544)
Provisions reversed	-	-	-	(1)	(7)	(13)	(22)	(43)
Provisions created	-	-	16	339	526	18	382	1,281
Other changes	1	-	46	-	-	-	(2)	45
AS AT JUNE 30, 2015	**1,598**	**1,002**	**2,775**	**334**	**577**	**96**	**824**	**7,206**

	Post-employment benefits	Provisions for jubilee awards	Provisions for rehabilitation costs	Provisions for purchase of CO_2 emission rights	Provisions for energy origin units held for redemption	Provisions for non-contractual use of the property	Other	Total
AS AT JANUARY 1, 2014 *restated*	**1,343**	**941**	**2,422**	**1,432**	**395**	**161**	**507**	**7,201**
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 created	-	-	83	677	1,166	11	897	2,834
Changes in the PGE Group	(2)	-	-	-	-	-	(1)	(3)
AS AT DECEMBER 31, 2014	**1,731**	**1,042**	**3,299**	**676**	**555**	**92**	**774**	**8,169**

11.1 Provisions 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 June 30, 2015 amounts to PLN 2,538 million and as at December 31, 2014 it 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 81 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 111 million and PLN 115 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 liquidate 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 45 million (PLN 43 million in comparative period).

11.2 Change in the discount rate related to rehabilitation and actuarial provisions

Due to the change in market interest rates the PGE Group revised the discount rate used for the valuation of rehabilitation and actuarial provisions. The discount rate as at June 30, 2015 amounted to 3.3% (comparing to 2.6% as at December 31, 2014). The change in the discount rate resulted in:

- Decrease in rehabilitation provisions recognized in other operating income of PLN 193 million;
- Decrease in rehabilitation provisions recognized as a decrease in property, plant and equipment of PLN 399 million;
- Decrease in provision for post-employment benefits recognized in other comprehensive income of PLN 140 million;
- Decrease in provision for jubilee awards recognized in operating expenses of PLN 52 million.

11.3 Provision for deficit of CO_2 emission rights

As a general rule, particular entities belonging to the PGE Group record provisions for CO_2 emissions in relation to the shortage of CO_2 emission rights granted free of charge. The 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_2 emissions rights granted free of charge in connection with 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 the 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 the PGE Group received free CO_2 emission rights in the amount resulting from their allocation for electricity in the year 2014 and for heat in the 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_2 emissions in 2014 was completed in April.

Free allowances for electricity for 2015 in amount of ca. 25 million tonnes will be received by the Group by the end of April 2016, after verification of factual-financial statements from realization of investments included in the National Investment Plan.

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11.4 Provisions for non-contractual use of property

Entities of the PGE Group create provision for damages resulting from non-contractual use of property. This issue relates mainly to the distribution company, which owns distribution networks. As at the reporting date, the provision amounted to approximately PLN 96 million (of which 44 million relate to litigations). In the comparable period, the provision amounted to PLN 92 million (of which 46 million related to litigations).

11.5 Other provisions

Provision for Voluntary Leave Programs

The companies from the PGE Group create provisions for Voluntary Leave Programs. According to the Programs' terms and conditions, employees are entitled to receive a specified amount of compensation in exchange for termination of employment. The PGE Group estimated the provision as at June 30, 2015 in the amount of PLN 133 million (PLN 236 million as at December 31, 2014).

Dispute concerning the taxation base of real estate tax

As described in note B.4.3 of these consolidated financial statements, the provision for reported and declared claims relating to real estate tax was created in the amount of PLN 149 million (PLN 135 million as at December 31, 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, judicial proceedings in employees' cases and likely costs of penalties and damages. As at the date of preparation of the financial statements the Management Board of Exatel S.A. estimated level of risk to be PLN 53 million (PLN 53 million as at December 31, 2014).

Annual bonus

Employees of the PGE 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 June 30, 2015 created provisions amounted to approximately PLN 215 million while it was PLN 103 million in the 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 158 million (PLN 121 million in the comparable period).

12. Contingent liabilities and receivables. Legal claims

12.1 Contingent liabilities

	As at June 30, 2015	As at December 31, 2014
Liabilities due to bank guarantees	-	11
Contingent return of grants from environmental funds	364	331
Legal claims	8	8
Contractual fines and penalties	105	12
Other contingent liabilities	10	43
CONTINGENT LIABILITIES, TOTAL	**487**	**405**

Contingent return of grants from environmental funds

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

Contractual fines and penalties

The contingent liabilities relate to a claim connected with compensation from WorleyParsons described in note B.12.4 and 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 with total value not less than almost PLN 8 million until the end of year 2015. Failure to realize the investments included in the agreement will result in the Municipality of Gryfino claiming contractual penalties.

Other contingent liabilities

Other contingent liabilities comprise mainly value of potential cash fines of PLN 10 million resulting from proceedings relating to environmental protection (breach of the conditions of disposal of sewage and deforestation in some of the PGE Group companies).

12.2 Other significant issues related to contingent liabilities

Non-contractual use of property

As described in note B.11.4, the PGE Group creates provision for litigations concerning non-contractual use of properties for distribution activities. Additionally, in the PGE Group, there are disputes at an earlier stage of proceedings and there is a risk of an increased number and value of similar disputes in the future.

Contractual liabilities related to the purchase of fuels

According to the concluded agreements on the purchase of fuels (mainly coal and gas), the PGE Group is 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 PGE Group, the above mentioned terms and conditions of fuel deliveries to the production units do not differ from terms and conditions of fuel deliveries to other power plants 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 taxes 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. are presenting to the courts a motion to summon PGE S.A. to attempt a settlement for payment of compensation for incorrect (in their opinion) determination of the exchange ratio of shares of PGE Górnictwo i Energetyka S.A. into shares of PGE S.A. during consolidation process that took place in 2010. The total value of claims resulting from the settlement directed by the former shareholders of PGE Górnictwo i Energetyka amounts to nearly PLN 8 million.

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

PGE S.A. does not recognize the claims of Socrates Investment S.A. and other shareholders who call for trial settlements. These claims are unfounded. In PGE S.A.'s opinion the consolidation process was conducted fairly and properly. The value of the shares, which were subject to the process of consolidation (merger) was established by the independent company PwC Polska sp. z o.o. Additionally, the plan of the merger, including the exchange ratio of the company's shares into PGE S.A.'s shares, was tested for correctness and fairness by the court-appointed expert, who found no irregularities. The independent court registered the merger.

The Company has not created any provision for the reported claim.

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.

On June 22, 2015 and on August 13, 2015 the Regional Court in Warsaw dismissed in full the shareholder's claim regarding annulment of the resolutions mentioned above.

On August 21, 2015 PGE S.A. received a copy of lawsuit filed to the District Court of Warsaw by one of the shareholders. In the lawsuits, the shareholder is seeking for annulment of the resolutions 5 of the Ordinary General Shareholders' Meeting of the Company held on June 24, 2015.

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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. Due to the delays in delivery of product specified in the agreement, in 2013 the company charged WorleyParson with contractual penalties of PLN 7 million. Additionally, in 2014 due to further non-performance of the agreement, additional contractual penalties in the total amount of PLN 43 million were charged. On December 23, 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 PLN 30 million were deducted from the remuneration payable to WorleyParsons and the bank guarantee. After all the compensations and receipt of guarantee amount, the company is still entitled to claim from WorleyParsons PLN 13.6 million as a contractual penalty for a delay. 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 PLN 92 million. The company does not accept this claim and considers claims adjudication by the court to be unlikely.

13. Financial liabilities

The value of financial liabilities measured at amortized cost is a reasonable approximation of their fair value, excluding bonds issued by PGE Sweden AB (publ).

Bonds issued by PGE Sweden AB (publ) are based on fixed interest rate. Their value at amortized cost presented in these financial statements as at June 30, 2015 amounted to EUR 639 million and their assessed fair value amounted to EUR 651 million. The indicators used in the valuation belong to Level 1 of the fair value hierarchy.

13.1 Financial liabilities at fair value

In accordance with the International Financial Reporting Standards, all derivative financial instruments are measured in the Group's financial statements at fair value.

	As at June 30, 2015	As at December 31, 2014
FINANCIAL LIABILITIES AT FAIR VALUE		
Commodity forward	40	37
Currency forward	1	-
IRS hedging transactions	53	72
CCIRS hedging transactions	-	8
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE	**94**	**117**

Commodity and currency forwards

Commodity and currency forwards relate mainly to CO_2 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 profit or loss.

In 2003, PGE Elektrownia Turów S.A. (currently a branch of PGE Górnictwo i Energetyka Konwencjonalna S.A.) concluded IRS – swap hedge transactions. These transactions are aimed to hedge variable interest rates (USD LIBOR 6m) on investment credits of USD 30, 40 and 80 million granted by Nordic Investment Bank to finance investments in Elektrownia Turów. In these transactions, the bank-contractor pays interest based on a variable rate, and the company pays to the bank interest based on a fixed rate.

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13.2 Liabilities measured at amortized cost

	As at June 30, 2015		As at December 31, 2014	
	Long-term	Short-term	Long-term	Short-term
Loans and borrowings	962	176	1,008	304
Bonds issued	3,606	75	3,679	52
Lease	1	1	1	1
TOTAL LOANS, BORROWINGS, BONDS AND LEASE	**4,569**	**252**	**4,688**	**357**
Liabilities related to purchase of property, plant and equipment and intangible assets	20	588	2	1,095
Liabilities related to LTC	-	697	-	767
Other	11	97	14	91
TOTAL OTHER FINANCIAL LIABILITIES	**31**	**1,382**	**16**	**1,953**
TRADE LIABILITIES	**-**	**718**	**-**	**1,179**

Loans and borrowings

As at June 30, 2015, loans and borrowings of the PGE Group comprised 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 Elektrownia Bełchatów - with value of PLN 604 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 Elektrownia Turów with the total value of PLN 196 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 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 w Warszawie 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 these 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 June 30, 2015 and in the comparable period amounted to PLN 4 million. As at December 31, 2014 the Group presented trade receivables from associates in the amount of PLN 1 million. As at June 30, 2015, trade receivables and liabilities toward 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*, the State Treasury companies are recognized as related entities. The 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 June 30, 2015	Period ended June 30, 2014
Sales to related parties	1,012	1,154
Purchases from related parties	1,702	2,011

	As at June 30, 2015	As at December 31, 2014
Trade receivables from related parties	215	218
Trade liabilities towards related parties	320	517

The largest transactions with the State Treasury companies involve Polskie Sieci Elektroenergetyczne S.A, and Kompania Węglowa S.A.

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

14.3 Management personnel remuneration

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

PLN thousand	Period ended June 30, 2015	Period ended June 30, 2014 *restated*
Short-term employee benefits (salaries and salary related costs)	13,668	12,240
Post-employment and termination benefits	1,081	2,698
TOTAL REMUNERATION OF KEY MANAGEMENT PERSONNEL	**14,749**	**14,938**
Remuneration of key management personnel of entities of non-core operations	9,330	8,899
TOTAL REMUNERATION OF MANAGEMENT PERSONNEL	**24,079**	**23,837**

PLN thousand	Period ended June 30, 2015	Period ended June 30, 2014 *restated*
The Management Board of the parent company	3,067	4,212
The Supervisory Board of the parent company	220	160
The Management Boards – subsidiaries	10,874	10,030
The Supervisory Boards – subsidiaries	588	536
TOTAL	**14,749**	**14,938**
Remuneration of key management personnel of entities of non-core operations	9,330	8,899
TOTAL REMUNERATION OF MANAGEMENT PERSONNEL	**24,079**	**23,837**

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

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15. Significant events of the reporting period and subsequent event

15.1 Compensation resulting from termination of long term contracts

As a consequence of early termination of long-term power and electricity sales contracts („LTC"), pursuant to the LTC Act , the producers being earlier the parties to such contracts obtained a right to receive compensations for the coverage of so called stranded costs. Stranded costs were capital expenditures resulting from investments in generating assets made by the generator before May 1, 2004 that a generator is not able to recoup from revenues obtained from sales of generated electricity, spare capacity and ancillary services in a competitive environment after early termination of LTC. The LTC Act limits the total amount of funds that may be paid to all generators to cover stranded costs, discounted as at January 1, 2007, to PLN 11.6 billion, including PLN 6.3 billion for PGE.

Key data relating to PGE Group generators subject to the LTC Act.

Generator	LTC maturity	Maximum amount of stranded and additional costs
Elektrownia Turów	to 2016	2,571
Elektrownia Opole	to 2012	1,966
Zespół Elektrowni Dolna Odra	to 2010	633
Elektrociepłownia Lublin Wrotków	to 2010	617
Elektrociepłownia Rzeszów	to 2012	422
Elektrociepłownia Gorzów	to 2009	108
TOTAL		**6,317**

In the period provided for by the LTC Act, i.e. till December 31, 2007, PGE S.A. signed LTC termination agreements with generators being parties to the then applicable LTCs. Therefore generators obtained a right to receive funds to cover their stranded costs.

Decision of the President of the Energy Regulatory Office on implementation of LTC Act.

Some producers, belonging currently to PGE GiEK S.A., became entitled to receive funds to cover stranded costs (so-called "compensations") pursuant to the LTC Act. The LTC Act is ambiguous in many points and raise important questions of interpretation. The calculation of the forecasted results of each producer and resulting compensations, annual stranded costs adjustments, final adjustments and resulting revenues recognized in statement of comprehensive income was performed by the PGE Group with the best of its knowledge in this area and with support of external experts.

In the previous years, the entitled producers from the 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 LTC Act. As a consequence, since 2009, a number of proceedings have been pending before the District Court in Warsaw - Competition and Consumer Protection Court ("CCP Court") and before the Court of Appeals concerning appeals by the PGE Group producers against the Decision of the President of the Energy Regulatory Office. These proceedings are currently at various stages.

In the first half 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 Appeals 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 totaled PLN 635 million.
- On February 20, 2015, the Supreme Court issued an order that a cassation appeal shall be deferred in the matter of determining the annual adjustment for stranded costs due to PGE GiEK S.A. Branch Elektrownia Opole (the claim value amounted to PLN 178.8 million), PGE GiEK S.A. Branch Zespół Elektrowni Dolna Odra (the claim value amounted to PLN 42.3 million) and PGE GiEK S.A. Branch Elektrociepłownia Lublin Wrotków for 2008 (the claim value amounted to PLN 26.7 million) and for PGE GiEK S.A. Branch Elektrociepłownia Rzeszów for 2009 (the claim value amounted to PLN 92.9 million) by the European Court of Justice.
- A favourable judgment was passed by the Competition and Consumer Protection Court in a case concerning 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 Appeals. The claim value amounts to PLN 7 million.
- The ERO President has filed a cassation appeal with the Supreme Court regarding a ruling by the Court of Appeals 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. On May 22, 2015 the Supreme Court issued a decision to defer cassation appeal until the case of GiEK PGE SA Branch Elektrownia Dolna Odra for 2009 will be resolved by the European Court of Justice. The 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 Appeals in a matter on determining the annual adjustment of costs arising in gas-fired units at PGE GiEK S.A. for 2010. The claim value amounts to PLN 5 million.

On August 7, 2015 the company filed a cassation appeal with the Supreme Court relating to a ruling by the Court of Appeals in a matter on determining the annual adjustment of costs arising in gas-fired units at PGE GiEK S.A. Branch Elektrociepłownia Rzeszów for 2009. The claim value amounts to PLN 3.8 million.

On August 6, 2015 PGE GiEK S.A. received an administrative decision from the President of ERO regarding the amount of the annual adjustment of the stranded costs for the year 2014. The annual adjustment of stranded costs incurred in the manufacturing units: Branch Elektrownia Turów and Branch Elektrownia Opole for the year 2014 amounted to approximately PLN (+) 559.2 million. The Group considers this amount as undisputable. The amount of advances for 2014 amounted to PLN 299.4 million.

Impact on the financial statements for the period ended June 30, 2015

In the financial statements for the period ended June 30, 2015, the PGE Group recognized LTC revenue of PLN 301 million in line “sales revenues”.

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 the PGE Group by the Court of Appeals and a favourable final judgment by the CCP Court in the amount of PLN 1.429 million.

In the period 2008 – first half of 2015 the PGE Group recognized LTC revenues of PLN 6.842 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, 2015, 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.

Consequently, 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. In May 2015 the National Court Register registered new wording of the Articles of Association, under the provisions of Partners’ Agreement, in May and June 2015, the Supervisory Board has been expanded to include representatives of Business Partners.

According to assumptions, the 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.’s 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 the middle of 2019 according to the current assumptions.

15.3 Impairment allowances on property, plant and equipment

During the period ended June 30, 2015 impairment allowances on property, plant and equipment of PLN 8,891 million were recognized. Details are presented in note A.2.3

16. Approval of the financial statements

These consolidated financial statements were approved for publication by the Management Board of the parent company on August 31, 2015.

Warsaw, August 31, 2015

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

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

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