



PGE Polska Grupa Energetyczna S.A.
**Condensed interim separate
financial statements for the 3-month
and 9-month period**

**ended September 30, 2015
in accordance with IFRS EU (in PLN million)**

TABLE OF CONTENTS

STATEMENT OF COMPREHENSIVE INCOME	3
STATEMENT OF FINANCIAL POSITION	4
STATEMENT OF CHANGES IN EQUITY	6
STATEMENT OF CASH FLOWS	7
A. GENERAL INFORMATION AND BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS	8
1. General information	8
1.1 The Company's operations	8
1.2 Ownership structure of the Company	9
1.3 Presentation and functional currency	9
1.4 The composition of the Management Board of the Company	9
2. Basis for preparation of the financial statements	9
2.1 New standards and interpretations published, not yet effective	10
2.2 Changes in estimates	11
3. Changes of accounting principles and data presentation	11
4. Fair value hierarchy	12
B. EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS	13
1. Revenues and expenses	13
1.1 Sales revenues	13
1.2 Cost by kind and function	13
1.3 Financial income and expenses	14
2. Impairment allowances on assets	14
3. Income tax	15
3.1 Income tax in the statement of comprehensive income	15
3.2 Deferred tax in the statement of financial position	15
3.3 Tax settlements	15
3.4 Tax Capital Group	16
4. Property, plant and equipment	16
5. Financial assets	16
5.1 Trade receivables	16
5.2 Loans and receivables	16
5.3 Shares in subsidiaries	18
5.4 Financial assets at fair value	20
5.5 Cash and cash equivalents	20
6. Other short-term assets	21
7. Equity	21
7.1 Share capital	21
7.2 Revaluation reserve on financial instruments	21
7.3 Dividends paid and dividends declared	22
8. Provisions	22
9. Contingent liabilities and receivables. Legal claims	22
9.1 Contingent liabilities	22
9.2 Other significant issues related to contingent liabilities	23
9.3 Other legal claims and disputes	23
10. Financial liabilities	24
10.1 Interest-bearing borrowings, loans, bonds, cash pooling	24
10.2 Other financial liabilities measured at amortized cost	25
10.3 Financial liabilities at fair value	25
11. Other non-financial liabilities	26
12. Information on related parties	26
12.1 Subsidiaries in the PGE Group	26
12.2 Subsidiaries of the State Treasury	27
12.3 Management personnel remuneration	27
13. Significant events of the reporting period and subsequent events	28
13.1 Real cash pooling in the PGE Group	28
13.2 Preparations for the construction and operation of the first Polish nuclear power plant	28
14. Approval of the financial statements	29

STATEMENT OF COMPREHENSIVE INCOME

	Note	3 months ended September 30, 2015 (not audited)	9 months ended September 30, 2015 (not audited)	3 months ended September 30, 2014 (not audited)	9 months ended September 30, 2014 (not audited)
STATEMENT OF PROFIT OR LOSS					
SALES REVENUES	B.1	2,594	7,621	2,283	7,008
Costs of goods sold	B.1	(2,396)	(6,951)	(2,141)	(6,500)
GROSS PROFIT ON SALES		198	670	142	508
Selling and distribution expenses	B.1	(6)	(23)	(6)	(15)
General and administrative expenses	B.1	(37)	(117)	(42)	(109)
Other operating revenues		1	4	5	7
Other operating expenses		(3)	(6)	-	(5)
OPERATING PROFIT		153	528	99	386
Financial income	B.1	68	1,251	10,794	11,045
Financial expenses	B.1	(59)	(183)	(5,983)	(6,055)
PROFIT BEFORE TAX		162	1,596	4,910	5,376
Income tax	B.3	(54)	(98)	49	(20)
NET PROFIT FOR THE REPORTING PERIOD		108	1,498	4,959	5,356
OTHER COMPREHENSIVE INCOME					
Other comprehensive income, which may be reclassified to profit or loss, including:					
Valuation of hedging instruments		(2)	75	(42)	(57)
Deferred tax		1	(14)	7	9
Other comprehensive income, which will not be reclassified to profit or loss, including:					
Actuarial gains and losses on valuation of provisions for employee benefits		-	1	-	-
Deferred tax		-	-	-	-
OTHER COMPREHENSIVE INCOME FOR THE REPORTING PERIOD, NET		(1)	62	(35)	(48)
TOTAL COMPREHENSIVE INCOME		107	1,560	4,924	5,308
EARNINGS AND DILUTED EARNINGS PER SHARE (IN PLN)		0.06	0.80	2.65	2.86

STATEMENT OF FINANCIAL POSITION

	Note	As at September 30, 2015 (not audited)	As at December 31, 2014 (audited)	As at September 30, 2014 (not audited) <i>data restated*</i>
NON-CURRENT ASSETS				
Property, plant and equipment		189	193	193
Intangible assets		7	6	7
Loans and receivables	B.5	4,525	3,827	3,357
Available-for-sale financial assets		3	3	3
Shares in subsidiaries	B.5	29,286	29,046	29,046
Deferred tax assets	B.3	26	22	59
TOTAL NON-CURRENT ASSETS		34,036	33,097	32,665
CURRENT ASSETS				
Inventories		604	440	388
Short-term financial assets at fair value	B.5	64	11	75
Trade receivables	B.5	411	598	375
Other loans and financial assets	B.5	602	89	446
Other current assets	B.6	663	126	71
Cash and cash equivalents	B.5	4,060	2,988	3,147
TOTAL CURRENT ASSETS		6,404	4,252	4,502
TOTAL ASSETS		40,440	37,349	37,167

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

STATEMENT OF FINANCIAL POSITION

	Note	As at September 30, 2015 (not audited)	As at December 31, 2014 (audited)	As at September 30, 2014 (not audited) data restated*
EQUITY				
Share capital	B.7	18,698	18,698	18,698
Revaluation reserve on financial instruments	B.7	1	(60)	(48)
Reserve capital		13,009	9,231	9,231
Retained earnings		1,496	5,233	5,139
TOTAL EQUITY		33,204	33,102	33,020
NON-CURRENT LIABILITIES				
Non-current provisions	B.8	19	20	18
Interest-bearing loans and borrowings, bonds and lease	B.10	3,725	3,754	3,703
Deferred tax liability	B.3	-	-	-
TOTAL NON-CURRENT LIABILITIES		3,744	3,774	3,721
CURRENT LIABILITIES				
Current provisions	B.8	28	33	25
Interest-bearing loans and borrowings, bonds and lease	B.10	1,463	58	65
Financial liabilities at fair value through profit or loss	B.10	132	99	108
Trade liabilities	B.10	119	237	130
Income tax liabilities		268	4	27
Other current financial liabilities	B.10	7	6	5
Other current non-financial liabilities	B.11	1,475	36	66
TOTAL CURRENT LIABILITIES		3,492	473	426
TOTAL LIABILITIES		7,236	4,247	4,147
TOTAL EQUITY AND LIABILITIES		40,440	37,349	37,167

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

STATEMENT OF CHANGES IN EQUITY

	Share capital	Revaluation reserve on financial instruments	Reserve capital	Other capital reserves	Retained earnings	Total equity
AS AT JANUARY 1, 2015	18,698	(60)	9,231	-	5,233	33,102
Profit for the reporting period	-	-	-	-	1,498	1,498
Other comprehensive income	-	61	-	-	1	62
COMPREHENSIVE INCOME FOR THE PERIOD	-	61	-	-	1,499	1,560
Retained earnings distribution	-	-	3,778	-	(3,778)	-
Dividend	-	-	-	-	(1,458)	(1,458)
AS AT SEPTEMBER 30, 2015	18,698	1	13,009	-	1,496	33,204

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

	Share capital	Revaluation reserve on financial instruments	Reserve capital	Other capital reserves	Retained earnings	Total equity
AS AT JANUARY 1, 2014	18,698	-	8,941	50	2,080	29,769
Profit for the reporting period	-	-	-	-	5,356	5,356
Other comprehensive income	-	(48)	-	-	-	(48)
COMPREHENSIVE INCOME FOR THE PERIOD	-	(48)	-	-	5,356	5,308
Retained earnings distribution	-	-	290	(50)	(240)	-
Dividend	-	-	-	-	(2,057)	(2,057)
AS AT SEPTEMBER 30, 2014	18,698	(48)	9,231	-	5,139	33,020

STATEMENT OF CASH FLOWS

	Period ended September 30, 2015 (not audited)	Period ended September 30, 2014 (not audited)
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	1,596	5,376
Income tax paid	(56)	(84)
Adjustments for:		
Depreciation, amortization and impairment losses	11	9
Interest and dividend, net	(1,017)	(10,921)
Profit / loss on investment activities	42	6,002
Change in receivables	191	379
Change in inventories	(164)	(106)
Change in liabilities, excluding loans and borrowings	(115)	(134)
Change in other non-financial assets	(313)	(25)
Change in provisions	(4)	(4)
Other	5	18
NET CASH FROM OPERATING ACTIVITIES	176	510
CASH FLOW FROM INVESTING ACTIVITIES		
Disposal of property, plant and equipment and intangible assets	-	1
Purchase of property, plant and equipment and intangible assets	(10)	(8)
Redemption of bonds issued within PGE Group	7,529	6,926
Purchase of bonds issued within PGE Group	(8,512)	(7,706)
Disposal of other financial assets	48	-
Purchase of shares in subsidiaries	(146)	(588)
Deposits with a maturity over 3 months	-	(1,999)
Termination of deposits over 3 months	-	1,999
Loans granted under cash pooling agreement	(360)	-
Dividends received	1,049	992
Interest received	36	105
Loans repaid	2	41
Other	1	-
NET CASH FROM INVESTING ACTIVITIES	(363)	(237)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from borrowings, loans, and issue of bonds	-	2,720
Proceeds from cash pooling	1,378	-
Dividends paid	-	(2,022)
Interest paid	(110)	(17)
Other	(2)	(1)
NET CASH FROM FINANCING ACTIVITIES	1,266	680
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,079	(953)
Including effect of foreign exchange rate changes, net	7	6
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	2,979	2,188
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4,058	3,141
Restricted cash	-	32

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

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

1. General information

1.1 The Company's operations

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

The Company is seated in Warsaw, 2 Mysia Street.

PGE S.A. is the parent company of PGE Polska Grupa Energetyczna S.A. Group ("PGE Group", "Group") and prepares consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union („IFRS”).

The State Treasury is the majority shareholder of the Company.

Core operations of the Company are as follows:

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

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

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

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 Company.

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.

Seasonality of sales of PGE S.A. results from the fact that the Company realized 89% of the electricity sales volume to PGE Obrót S.A. and PGE Dystrybucja S.A. whose demand for electricity is subject to seasonality.

Going concern

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

Apart from changes described in note A.3, 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 separate financial statements of PGE S.A. prepared in accordance with IFRS for the year ended December 31, 2014.

These financial statements comprise financial data for the period from January 1, 2015 to September 30, 2015 („financial statements”).

1.2 Ownership structure of the Company

	State Treasury	Other Shareholders	Total
As at December 31, 2014	58.39%	41.61%	100.00%
As at September 30, 2015	58.39%	41.61%	100.00%

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

1.3 Presentation and functional currency

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

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

	September 30, 2015	December 31, 2014	September 30, 2014
USD	3.7754	3.5072	3.2973
EUR	4.2386	4.2623	4.1755

1.4 The composition of the Management Board of the Company

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

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

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

2. Basis for preparation of the financial statements

These financial statements of PGE Polska Grupa Energetyczna S.A. were prepared in accordance with International Accounting Standard 34 Interim Financial Reporting, relevant accounting Standards adopted by the European Union that affect interim financial reporting, published and effective during the period of preparation of these financial statements and in the scope required under the Minister of Finance Regulation of February 19, 2009 on current and periodic information provided by issuers of securities and conditions of recognition as equivalent information required by the law of a non-Member State (Official Journal no. 33, item 259) (“Regulation”).

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

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 Company intends to adopt the above mentioned new standards, amendments to standards and interpretations published by the International Accounting Standards Board but not yet effective at the reporting date, when they become effective.

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

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

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

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

2.2 Changes in estimates

In the period covered by these financial statements, no significant changes to estimates influencing the numbers presented in the financial statements took place. As disclosed in note B.8 the Company updated the value of provisions recognized in the statement of financial position.

3. Changes of accounting principles and data presentation

Bonds issued by subsidiaries not at arm's length

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

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

Dividend in kind from a subsidiary

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

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

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

STATEMENT OF FINANCIAL POSITION AS AT SEPTEMBER 30, 2014

	As at September 30, 2014 <i>data published</i>	Change in valuation of shares	As at September 30, 2014 <i>data restated</i>
NON-CURRENT ASSETS , including:			
Shares in subsidiaries	29,263	(217)	29,046
TOTAL NON-CURRENT ASSETS	32,882	(217)	32,665
TOTAL ASSETS	37,384	(217)	37,167
EQUITY, including:			
Retained earnings	5,356	(217)	5,139
TOTAL EQUITY	33,237	(217)	33,020
TOTAL EQUITY AND LIABILITIES	37,384	(217)	37,167

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.

FAIR VALUE HIERARCHY	As at September 30, 2015		As at December 31, 2014	
	Level 1	Level 2	Level 1	Level 2
CO ₂ emission rights	476	-	409	-
Inventories	476	-	409	-
Currency forward	-	23	-	11
CCIRS valuation	-	41	-	-
Financial assets	-	64	-	11
Currency forward	-	1	-	-
CCIRS valuation	-	-	-	8
IRS valuation	-	48	-	54
Commodity forward	-	83	-	37
Financial liabilities	-	132	-	99

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.

Valuation of hedging transactions CCIRS and IRS is disclosed in note B.5 and B.10 of these financial statements.

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

	3-month period ended September 30, 2015	9-month period ended September 30, 2015	3-month period ended September 30, 2014	9-month period ended September 30, 2014
SALES REVENUES				
Sale of electricity	2,011	6,008	1,731	5,318
Sale of energy origin rights	93	580	153	790
Other sales of merchandise and materials	344	600	262	505
Revenues from sale of services	146	433	137	395
TOTAL SALES REVENUES	2,594	7,621	2,283	7,008

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

Information concerning main customers

The main customers of the Company are subsidiaries in the PGE Group. During the period ended September 30, 2015 the sale to PGE Obrót S.A. constituted 78% of sales revenues (80% in corresponding period of the previous year).

1.2 Cost by kind and function

	3-month period ended September 30, 2015	9-month period ended September 30, 2015	3-month period ended September 30, 2014	9-month period ended September 30, 2014
COST BY KIND				
Depreciation, amortization and impairment losses	4	11	3	9
Materials and energy	1	3	-	2
External services	18	61	19	46
Taxes and charges	1	3	1	3
Employee benefits expenses	23	69	23	67
Other cost by kind	27	67	30	67
TOTAL COST BY KIND	74	214	76	194
Selling and distribution expenses	(6)	(23)	(6)	(15)
General and administrative expenses	(37)	(117)	(42)	(109)
Cost of merchandise and materials sold	2,365	6,877	2,113	6,430
COST OF GOODS SOLD	2,396	6,951	2,141	6,500

Increase of cost of merchandise and materials sold (mainly purchased electricity) in the period ended September 30, 2015 in comparison to the corresponding period of the previous year is directly related to the increase of revenues from sale of electricity described above.

The other cost by kind consist mainly of sponsorship, advertisement and management's payroll costs.

1.3 Financial income and expenses

	Period ended September 30, 2015	Period ended September 30, 2014
FINANCIAL INCOME FROM FINANCIAL INSTRUMENTS		
Dividends	1,050	10,809
Interest	156	186
Revaluation of financial instruments	28	24
Foreign exchange gain	17	25
Other	-	1
FINANCIAL INCOME FROM FINANCIAL INSTRUMENTS	1,251	11,045
TOTAL FINANCIAL INCOME	1,251	11,045

In the period ended September 30, 2015 the Company recognized revenues from dividends received mainly from PGE Dystrybucja S.A. of PLN 977 million and from PGE Energia Odnawialna S.A. of PLN 58 million. In the corresponding period, the Company recognized revenues from dividends received from PGE Obrót S.A. of PLN 900 million and PGE Dystrybucja S.A. of PLN 91 million.

In addition, in the comparable period the Company recognised a non-reciprocal transfer of shares of PGE Dystrybucja S.A. and PGE Górnictwo i Energetyka Konwencjonalna S.A. received from PGE Obrót S.A. that took place on September 10, 2014. The value of the non-reciprocal transfer, recognised as a dividend from a subsidiary, amounted to PLN 9,817 million. Since the equity of PGE Obrót S.A. decreased significantly as a result of the non-reciprocal, PGE S.A. recognised impairment loss of shares in PGE Obrót S.A. in the amount of PLN 5,536 million.

Interest income relates mainly to bonds issued by subsidiaries and investing available cash in bank deposits.

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

	Period ended September 30, 2015	Period ended September 30, 2014
FINANCIAL EXPENSES FROM FINANCIAL INSTRUMENTS		
Interest expense	135	55
Impairment loss	-	5,922
Revaluation	-	49
Loss on disposal of investments	14	-
Foreign exchange losses	32	27
Other	1	1
FINANCIAL EXPENSES FROM FINANCIAL INSTRUMENTS	183	6,054
OTHER FINANCIAL EXPENSES		
Interest expenses, including unwinding of the discount	1	1
Other	-	-
OTHER FINANCIAL EXPENSES	1	1
TOTAL FINANCIAL EXPENSES	183	6,055

Interest expense relates mainly to bonds issued and obtained borrowings.

As described above, in the comparable period the Company recognised impairment of PGE Obrót S.A. as a main part of impairment loss. In addition, the same item included estimated loss of value of bonds issued by Autostrada Wielkopolska S.A. with a carrying value of PLN 386 million.

2. Impairment allowances on assets

In the reporting period the Company has not recognized significant impairment allowances on assets.

As described in Note B.1.3 of these financial statements, in the comparable period the Company recognised impairment loss on shares of PGE Obrót S.A. and on part of possessed bonds.

3. Income tax

3.1 Income tax in the statement of comprehensive income

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

	Period ended September 30, 2015	Period ended September 30, 2014
INCOME TAX PRESENTED IN THE STATEMENT OF PROFIT OR LOSS		
Current income tax of PGE S.A.	80	103
Benefits on tax capital group settlements	(21)	-
Prior year income tax corrections	19	-
Deferred income tax	20	(83)
INCOME TAX EXPENSE PRESENTED IN THE STATEMENT OF PROFIT OR LOSS	98	20
INCOME TAX PRESENTED IN OTHER COMPREHENSIVE INCOME		
(Tax benefit) / expense recognized in other comprehensive income (equity)	14	(9)

Effective tax rate in the period ended September 30, 2015 amounted to approx. 6.14%. Main items affecting the effective tax rate relate to recognition of dividends that are not included in the tax base calculation and settlements of tax benefits between the companies comprising the tax capital group, including prior year settlements corrections.

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

3.2 Deferred tax in the statement of financial position

	As at September 30, 2015	As at December 31, 2014
COMPONENTS OF DEFERRED TAX ASSET		
Current period costs unrealized for tax purposes	3	4
Difference between tax value and carrying value of financial liabilities	42	36
Difference between tax value and carrying value of financial assets	45	21
Provisions for employee benefits	9	10
DEFERRED TAX ASSET	99	71

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

	As at September 30, 2015	As at December 31, 2014
COMPONENTS OF DEFERRED TAX LIABILITY		
Difference between tax value and carrying value of property, plant and equipment	23	23
Difference between tax value and carrying value of financial assets	-	2
Difference between tax value and carrying value of financial liabilities	12	2
Accrued interest on deposits, loans granted, bonds and receivables	2	3
CO ₂ emission rights	27	15
Current period revenues unrealized for tax purposes	9	4
DEFERRED TAX LIABILITY	73	49

AFTER OFF-SET OF BALANCES THE COMPANY'S DEFERRED TAX IS PRESENTED AS:

Deferred tax asset	26	22
Deferred tax liability	-	-

3.3 Tax settlements

Tax obligations and rights are specified in the Constitution of the Republic of Poland, tax regulations and 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.

As at September 30, 2015 and during the reporting period the Company was not the party to significant proceedings relating to state settlements.

3.4 Tax Capital Group

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

The Polish Corporate Income Tax Act treats tax 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 tax capital group 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 tax capital group), concluding transactions with entities not belonging to TCG PGE 2015 solely on market terms. The violation of these requirements will affect in termination of TCG PGE 2015 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.

4. Property, plant and equipment

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

5. Financial assets

5.1 Trade receivables

Trade receivables in amount of PLN 411 million relate mainly to the sale of electricity and services to subsidiaries in the PGE Group. As at September 30, 2015 the balance of two most important debtors, i.e. PGE Obrót S.A., PGE Górnictwo i Energetyka Konwencjonalna S.A., constituted for 83% of total balance of trade receivables.

5.2 Loans and receivables

The carrying value of loans and receivables measured at amortized cost is a rational approximation of their fair value. Loans and receivables consist primarily of bonds issued by subsidiaries in the PGE Group.

	As at September 30, 2015		As at December 31, 2014	
	Long-term	Short-term	Long-term	Short-term
Bonds, bills and notes receivables	4,495	216	3,797	67
Cash pooling receivables	-	359	-	-
Loans granted	30	-	30	2
Other financial receivables	-	27	-	20
TOTAL LOANS AND RECEIVABLES, EXCLUDING TRADE RECEIVABLES	4,525	602	3,827	89
TRADE RECEIVABLES	-	411	-	598

Bonds acquired

	As at September 30, 2015		As at December 31, 2014	
	Long-term	Short-term	Long-term	Short-term
BONDS ACQUIRED - ISSUER				
PGE Górnictwo i Energetyka Konwencjonalna S.A.	3,197	200	2,653	12
PGE Energia Odnawialna S.A.	880	-	729	1
PGE Energia Natury PEW sp. z o.o.	142	5	270	1
PGE Energia Natury Omikron sp. z o.o.	223	9	145	-
PGE Energia Natury sp. z o.o.	24	1	-	-
PGE Energia Natury Kappa sp. z o.o.	29	1	-	50
PGE Energia Natury S.A.	-	-	-	3
TOTAL BONDS ACQUIRED	4,495	216	3,797	67

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

Starting from January 1, 2015 bonds issued by PGE Górnictwo i Energetyka Konwencjonalna S.A. and PGE Energia Odnawialna S.A. (entities belonging to the tax capital group) are issued on more favourable terms (from the issuer's perspective) comparing to market conditions. For bonds issued in 2015 the difference between the sum of interest resulting from the bonds' conditions and the sum of interest resulting from the estimated market rates amounts to PLN 204 million. The value of bonds in the table above and the interest income was determined using a market interest rate.

Cash pooling receivables

Launch of real cash pooling is described in note B.13.1 of these financial statements.

Loans granted

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

Other financial receivables

	As at September 30, 2015		As at December 31, 2014	
	Long-term	Short-term	Long-term	Short-term
Security deposits	-	27	-	20
TOTAL OTHER RECEIVABLES	-	27	-	20

5.3 Shares in subsidiaries

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

	Seat	Share as at September 30, 2015	As at September 30, 2015	Share as at December 31, 2014	As at December 31, 2014
COMPANIES BELONGING TO TCG PGE 2015					
PGE Górnictwo i Energetyka Konwencjonalna S.A.	Bełchatów	99.96%	15,095	99.21%	14,856
PGE Dystrybucja S.A.	Lublin	100.00%	10,592	100.00%	10,592
PGE Energia Odnawialna S.A.	Warsaw	100.00%	1,287	100.00%	415
PGE Obrót S.A.	Rzeszów	100.00%	1,117	100.00%	1,117
PGE Systemy S.A.	Warsaw	100.00%	125	100.00%	125
ELBEST sp. z o.o.	Bełchatów	100.00%	101	100.00%	101
PGE Dom Maklerski S.A.	Warsaw	100.00%	97	100.00%	97
BETRANS sp. z o.o.	Bełchatów	100.00%	35	100.00%	35
ELMEN sp. z o.o.	Rogowiec	100.00%	23	100.00%	23
ELTUR SERWIS sp. z o.o.	Bogatynia	100.00%	23	100.00%	23
BESTGUM sp. z o.o.	Rogowiec	100.00%	12	100.00%	12
MEGAZEC sp. z o.o.	Bydgoszcz	100.00%	10	100.00%	10
ELBIS sp. z o.o.	Rogowiec	100.00%	8	100.00%	8
MegaSerwis sp. z o.o.	Bogatynia	100.00%	7	100.00%	7
TOP Serwis sp. z o.o.	Bogatynia	100.00%	5	100.00%	5
PGE Obsługa Księgowo-Kadrowa sp. z o.o.	Lublin	100.00%	2	100.00%	1
ELBEST Security sp. z o.o. (previously: PGE Inwest 3 sp. z o.o.)	Warsaw	100.00%	<1	100.00%	<1
14 limited liability companies named PGE Inwest 2, 4 to 16	Warsaw	100.00%	<1	100.00%	<1
PGE Energia Natury S.A.	Warsaw	-	-	100.00%	462
COMPANIES NOT BELONGING TO TCG PGE 2015					
Exatel S.A.	Warsaw	100.00%	428	100.00%	428
PGE EJ 1 sp. z o.o.	Warsaw	70.00%	193	100.00%	206
PGE Sweden AB (publ)	Stockholm	100.00%	112	100.00%	112
PGE Energia Natury sp. z o.o.	Warsaw	-	-	100.00%	397
PGE Trading GmbH	Berlin	100.00%	14	100.00%	14
TOTAL			29,286		29,046

During the reporting period and until the preparation date of these financial statements, the following significant changes in the structure of shares in subsidiaries occurred:

- As described in note B.13.2 of these financial statements, on April 15, 2015 an agreement for the disposal of shares in PGE EJ 1 sp. z o.o. has been concluded. As a result of the disposal the Company realized a loss of PLN 14 million.
- On June 1, 2015 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.
- On June 30, 2015 merger of PGE Energia Odnawialna S.A. and PGE Energia Natury S.A. was registered.
- Buyout of shares of PGE Górnictwo i Energetyka Konwencjonalna S.A. from minority shareholders was taking place during the reporting period.
- On August 26, 2015 100% shares of PGE Energia Natury sp. z o.o. were transferred from PGE Polska Grupa Energetyczna S.A. to PGE Energia Odnawialna S.A. as a result of increase of the share capital of PGE Energia Odnawialna S.A. and covering it through the contribution in kind in form of shares of PGE Energia Natury sp. z o.o. The increase of the share capital was registered on October 10, 2015.

The analysis of impairment on shares in PGE Górnictwo i Energetyka Konwencjonalna S.A.

In the current period, the subsidiary PGE Górnictwo i Energetyka Konwencjonalna S.A. („PGE GiEK S.A.”) created impairment allowances on property, plant and equipment of almost PLN 9 billion that significantly reduced its equity. As a result PGE S.A. conducted an impairment test of shares owned in this entity.

Determination of fair value for very large companies for which no active market exists and for which there are few comparable transactions, is in practice difficult. Therefore, the recoverable value of PGE GiEK S.A. was determined based on estimated value in use calculated using the discounted cash flow method on the basis of financial projections for the years 2015 – 2030. For the units, which deemed economic useful life goes beyond 2030 the residual value for 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 PGE GiEK S.A. have significantly longer economic useful life 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 estimated value:

- 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),
- CO₂ 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 CO₂ 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 CO₂ emission rights for heat in the reference period 2013-2020, published by Ministry of the Environment,
- taking into account free allocations of CO₂ emission rights in the period 2021-2030 forecasted based on allocation method applied until now,
- taking into account the so-called capacity market i.e. 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,
- maintenance of production capacities at 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, CO₂ 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 Company'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.

The tests conducted did not indicate the need to recognize impairment allowances. The recoverable value of shares is significantly higher than its carrying value presented in these separate financial statements.

5.4 Financial assets at fair value

In the Company's financial statements all derivatives are measured at fair value.

	As at September 30, 2015	As at December 31, 2014
FINANCIAL ASSETS AT FAIR VALUE		
Currency forward	23	11
CCIRS hedging transactions	41	-
FINANCIAL ASSETS AT FAIR VALUE	64	11

Currency forwards

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

CCIRS hedging transactions

In connection with loans received from PGE Sweden AB (publ), in June and August 2014 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. The nominal value, payment of interest and repayment of nominal value in CCIRS transactions are correlated with the relevant conditions arising from loan agreements.

For the CCIRS transactions the Company applies hedge accounting. The impact of hedge accounting is presented in note B.7.2 of these financial statements.

5.5 Cash and cash equivalents

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

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

	As at September 30, 2015	As at December 31, 2014
Cash at bank	641	830
Overnight deposits	418	7
Short-term deposits	3,001	2,151
TOTAL	4,060	2,988
Interest accrued on cash, not received at the reporting date	(1)	(1)
Exchange differences on cash in foreign currencies	(1)	(8)
Cash and cash equivalents presented in the statement of cash flows	4,058	2,979
<i>including restricted cash</i>	-	-
Credit limits at disposal	8,750	1,250
<i>including credit limits on current account</i>	2,250	1,250

Issues of undrawn credit facilities are described in Note B.10.1 of these financial statements.

6. Other short-term assets

	As at September 30, 2015	As at December 31, 2014
Advance payments	407	121
Receivables from TCG	222	-
VAT receivables	17	-
Other	17	5
TOTAL	663	126

Advance payments comprise mainly funds transferred to the subsidiary PGE Dom Maklerski S.A. for the purchase of electricity in the amount of PLN 404 million.

Tax Capital Group settlements are described in note B.3.4 of these financial statements.

7. Equity

7.1 Share capital

	As at September 30, 2015	As at December 31, 2014
Number of Series A ordinary shares with a nominal value of PLN 10 each	1,470,576,500	1,470,576,500
Number of Series B ordinary shares with a nominal value of PLN 10 each	259,513,500	259,513,500
Number of Series C ordinary shares with a nominal value of PLN 10 each	73,228,888	73,228,888
Number of Series D ordinary shares with a nominal value of PLN 10 each	66,441,941	66,441,941
TOTAL NUMBER OF SHARES	1,869,760,829	1,869,760,829

All shares of the Company are paid up.

After the reporting date and until the date of preparation of the foregoing financial statements there were no changes in the value of share capital, reserve capital and other capital reserves of the Company.

7.2 Revaluation reserve on financial instruments

The below table presents changes in revaluation reserve due to applied cash flow hedge accounting.

	Period ended September 30, 2015	Year ended December 31, 2014
REVALUATION RESERVE AS AT 1 JANUARY	(60)	-
Deferral of changes in fair value of hedging instruments recognized as an effective hedge	49	(8)
Accrued interest on derivatives transferred from revaluation reserve and recognized in interest expense	11	7
Currency revaluation of CCIRS transferred from revaluation reserve and recognized in the result on foreign exchange differences	15	(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	(74)
Deferred tax	(14)	14
REVALUATION RESERVE LESS DEFERRED TAX	1	(60)

7.3 Dividends paid and dividends declared

	Dividend paid or declared from the profit for the period/year ended		
	September 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 SHARES	-	1,458	2,057
Cash dividends per share (in PLN)	-	0.78	1.10

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

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

Dividend from the profit for the year 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).

In the statement of financial position prepared as at September 30, 2015 the liability resulting from declared dividends is presented in line other non-financial liabilities. Dividend was paid on October 15, 2015.

Dividend from the profit for the year 2013

On June 6, 2014, the General Shareholders' Meeting of PGE S.A. resolved to distribute PLN 2,057 million from the net profit of 2013 as a dividend (that 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.

8. Provisions

The carrying value of provisions is as follows:

	As at September 30, 2015		As at December 31, 2014	
	Long-term	Short-term	Long-term	Short-term
Post-employment benefits	17	2	18	2
Provisions for jubilee awards	2	-	2	-
Provisions for employee bonuses and other	-	22	-	27
Other provisions	-	4	-	4
TOTAL PROVISIONS	19	28	20	33

Due to the change in market interest rates, the Company updated the discount rate used for the valuation of actuarial provisions. The discount rate as at September 30, 2015 amounted to 3.3% (comparing to 2.6% as at December 31, 2014). The change in the discount rate resulted in a reduction of these reserves by PLN 1 million.

In addition, the Company updated the value of short-term provisions for employee issues, in particular for bonuses.

9. Contingent liabilities and receivables. Legal claims

9.1 Contingent liabilities

	As at September 30, 2015	As at December 31, 2014
Bank guarantees	12,327	12,644
Other contingent liabilities	-	1
TOTAL CONTINGENT LIABILITIES	12,327	12,645

Guarantee for liabilities of PGE Sweden AB (publ)

In connection with the establishment of the Eurobonds programme in 2014, an agreement was concluded for the issue of guarantee by PGE S.A. for the liabilities of PGE Sweden AB (publ). Guarantee was granted to the amount of EUR 2,500 million (PLN 10,597 million) and will be valid until December 31, 2041. As at September 30, 2015 PGE Sweden AB (publ) liabilities due to bonds issued amounted to EUR 638 million (PLN 2,705 million).

Surety for liabilities of PGE Górnictwo i Energetyka Konwencjonalna S.A.

In January 2014, the Company granted three sureties to pay the bank guarantee issued for PGE Górnictwo i Energetyka Konwencjonalna S.A. The total value of sureties is PLN 1,640 million. Granting sureties is related to the investment conducted by PGE Górnictwo i Energetyka Konwencjonalna S.A. regarding the construction of the new power units in Elektrownia Opole.

9.2 Other significant issues related to contingent liabilities

Standby commitments to ensure financing of new investments in the PGE Group companies

Due to planned strategic investments in the PGE Group, the Company committed to its subsidiaries, to ensure financing of planned investments. The standby commitments relate to specific investments and may be used only for such purposes. As at September 30, 2015 and December 31, 2014 the estimated value of the standby commitments amounts to PLN 15 billion.

Commitment to support liquidity of PGE Obrót S.A.

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

PGE Obrót S.A. is a party to a cash-pool agreement for the companies of the PGE Capital Group and may use the financing available within that program. At the date of preparation of these financial statements, there were no indications of default risk at PGE Obrót S.A.

9.3 Other legal claims and disputes

The issue of compensation for conversion of shares

Former shareholders of PGE Górnictwo i Energetyka S.A. filed petitions calling PGE S.A. for a pre-trial settlement with respect of the payment of damages for incorrectly set – as they claim – share exchange ratio of PGE Górnictwo i Energetyka S.A. shares for the shares of PGE S.A. in the consolidation process which took place in 2010. The total value of claims resulting from petitions for pre-trial settlements by former shareholders of PGE Górnictwo i Energetyka S.A. is almost PLN 9 million.

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

The Company filed its reply to the lawsuit on March 28, 2015. At the end of September 2015 Socrates Investment S.A. presented its letter constituting a response to the Company's reply to the lawsuit.

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

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

Claims for annulment of the resolutions of the General Meetings

- On April 1, 2014 PGE S.A. received a copy of lawsuit filed to the District Court in Warsaw by one of the shareholders. In the lawsuit, the shareholder is seeking for annulment of the resolutions 1, 2 and 4 of the Extraordinary General Meeting of the Company held on February 6, 2014. The Company filed response to the claim. On June 22, 2015 the District Court in Warsaw dismissed in full the shareholder's claim. On July 28, 2015 the shareholder appealed against that verdict. The Company filed reply to that appeal.
- On September 17, 2014 PGE S.A. received a copy of lawsuit filed to the District Court in Warsaw by one of the shareholders. In the lawsuit, the shareholder is seeking for annulment of the resolution 4 of the Ordinary General Meeting of the Company held on June 6, 2014. The Company filed response to the claim. On August 13, 2015 the District Court in Warsaw dismissed in full the shareholder's claim. The verdict is not final and binding.
- On August 21, 2015 PGE S.A. received a copy of lawsuit filed to the District Court in Warsaw by one of the shareholders. In the lawsuit, the shareholder is seeking for annulment of the resolution 5 of the Ordinary General Meeting of the Company held on June 24, 2015. On September 21, 2015 the Company filed response to the claim.
- On October 23, 2015 PGE S.A. received a copy of lawsuit filed to the District Court in Warsaw by one of the shareholders. In the lawsuit, the shareholder is seeking for annulment of the resolution 1 of the Extraordinary General Meeting of the Company held on September 14, 2015 concerning the election of the Chairperson of the Extraordinary General Meeting.

10. Financial liabilities

10.1 Interest-bearing borrowings, loans, bonds, cash pooling

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

	As at September 30, 2015		As at December 31, 2014	
	Long-term	Short-term	Long-term	Short-term
Loans and borrowings	2,743	60	2,754	58
Bonds issued	982	25	1,000	-
Cash pooling liabilities	-	1,378	-	-
TOTAL BANK LOANS, BORROWINGS, BONDS, LEASE AND CASH POOLING	3,725	1,463	3,754	58

Loans received from PGE Sweden AB (publ)

In the line "loans and borrowings" the Company presents a loan of EUR 661 million drawn from a subsidiary PGE Sweden AB (publ).

In case of loans received from PGE Sweden AB (publ), PGE S.A. estimated fair value at PLN 3,087 million (as compared to PLN 2,803 million of the carrying value). The fair value was determined using the estimated credit risk of PGE S.A. The indicators adopted for the valuation belong to Level 2 of the fair value hierarchy.

Issuance of bonds on domestic market

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

- The bond issue program for the amount of PLN 5 billion directed towards investors from the Polish capital market. On June 27, 2013, the first non-public issuance took place of 5-year 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. (Warsaw Stock Exchange).
- The bond issue program in the amount of PLN 5 billion directed towards entities within the PGE Group.

As at September 30, 2015 and December 31, 2014 the value of remaining available credit limits on current accounts amounted to PLN 2,250 million and PLN 1,250 million, respectively. Credit line limits on current accounts are available until April 29, 2018.

Bank loans

- On December 17, 2014 the Company signed a Loan Agreement in the amount of PLN 1,000 million with Bank Gospodarstwa Krajowego S.A. with the maturity date of December 31, 2027.

- On September 7, 2015 PGE concluded a long-term loan agreement with a syndicate of banks composed of: BNP Paribas S.A., Société Générale S.A., Bank Handlowy w Warszawie S.A., ING Bank Śląski S.A., Bank Zachodni WBK S.A., mBank S.A., Powszechna Kasa Oszczędności Bank Polski S.A. and Bank Polska Kasa Opieki S.A. Subject matter of the agreement is granting a loan in two parts i.e. term loan facility of up to PLN 3,630 million and revolving loan facility of up to PLN 1,870 million. Final repayment date of the revolving loan facility falls on April 30, 2019 and final repayment date of the term loan facility falls on September 30, 2023.
- On October 27, 2015 the Company concluded two loan agreements with the European Investment Bank for the total amount of nearly PLN 2 billion. The amount of PLN 1.5 billion, obtained on the basis of the first of the two agreements, will be intended for projects relating to the modernization and development of distribution grid. The funds from the second agreement, which amount to remaining PLN 490 million, will be intended to finance and refinance the construction of cogeneration units Gorzów CHP and Rzeszów CHP. The European Investment Bank loans will be available for disbursement over a period of up to 22 months from the date of signing of the agreements. The funds shall be repaid within 15 years from the date of the last tranche.

As at September 30, 2015 the above credits were not used.

Cash pooling liabilities

Launch of real cash pooling is described in note B.13.1 of these financial statements.

10.2 Other financial liabilities measured at amortized cost

	As at September 30, 2015		As at December 31, 2014	
	Long-term	Short-term	Long-term	Short-term
Purchase of property, plant and equipment and intangible assets	-	-	-	2
Security deposits	-	6	-	4
Other	-	1	-	-
TOTAL OTHER FINANCIAL LIABILITIES	-	7	-	6
TRADE LIABILITIES	-	119	-	237

Trade liabilities

Trade liabilities relate mainly to purchase of electricity.

10.3 Financial liabilities at fair value

In the Company's financial statements all derivatives are measured at fair value.

	As at September 30, 2015	As at December 31, 2014
FINANCIAL LIABILITIES AT FAIR VALUE		
Commodity forward	83	37
Currency forward	1	-
IRS hedging transactions	48	54
CCIRS hedging transactions	-	8
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE	132	99

Commodity and currency forwards

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

IRS hedging transactions

In 2014 the Company 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.

11. Other non-financial liabilities

	As at September 30, 2015	As at December 31, 2014
Dividend liabilities	1,459	-
Liabilities from TCG	3	23
VAT liabilities	8	7
Other	5	6
TOTAL OTHER NON-FINANCIAL LIABILITIES	1,475	36

12. Information on related parties

Transactions with related entities are concluded using current market prices for provided goods, products and services or are based on the cost of manufacturing. Exceptions to this rule were:

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

12.1 Subsidiaries in the PGE Group

	Period ended September 30, 2015	Period ended September 30, 2014
Sales to related parties	7,162	6,885
Purchases from related parties	872	506
Financial income	1,161	10,920
Financial expenses	61	5,550

Sales to subsidiaries in the PGE Group relate mainly to sales of electricity and energy origin rights.

Details on financial income and expenses concerning subsidiaries in the Capital Group are described in Note B.1.3 of these financial statements.

	As at September 30, 2015	As at December 31, 2014
RECEIVABLES FROM RELATED PARTIES		
Bonds issued by subsidiaries	4,711	3,864
Trade receivables from subsidiaries	369	554
Loans granted to subsidiaries	30	32
Cash pooling receivables	359	-
Receivables from TCG	222	-
Advance payments	404	112
TOTAL RECEIVABLES FROM RELATED PARTIES	6,095	4,562

	As at September 30, 2015	As at December 31, 2014
LIABILITIES TOWARDS RELATED PARTIES		
Loans received from subsidiary	2,803	2,812
Trade liabilities towards related parties	60	105
Cash pooling liabilities	1,378	-
TOTAL LIABILITIES TOWARDS RELATED PARTIES	4,242	2,917

The standby commitments, guarantees and sureties granted to the PGE S.A.'s subsidiaries were described in note B.9.1 and B.9.2 of these financial statements.

12.2 Subsidiaries of the State Treasury

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

	Period ended September 30, 2015	Period ended September 30, 2014
Sales to related parties	237	30
Purchases from related parties	49	105

	As at September 30, 2015	As at December 31, 2014
Trade receivables from related parties	28	7
Trade liabilities towards related parties	6	7

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

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

As described in note B.13.2 of these financial statements, on 3 September 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 disposal 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.

12.3 Management personnel remuneration

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

<i>PLN thousand</i>	Period ended September 30, 2015	Period ended September 30, 2014 <i>data restated</i>
Short-term employee benefits (salaries and salary related costs)	4,971	5,272
Post-employment and termination benefits	(46)	1,082
TOTAL REMUNERATION OF KEY MANAGEMENT PERSONNEL	4,925	6,354

<i>PLN thousand</i>	Period ended September 30, 2015	Period ended September 30, 2014 <i>data restated</i>
Management Board of the Company	4,614	6,098
Supervisory Board of the Company	311	256
TOTAL REMUNERATION OF KEY MANAGEMENT PERSONNEL	4,925	6,354

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

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

13. Significant events of the reporting period and subsequent events

13.1 Real cash pooling in the PGE Group

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

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

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

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

On September 3, 2014 PGE 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 disposal 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 S.A. holds 70% 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 ("Project") and PGE EJ 1 sp. z o.o. will be a future operator of the power plant.

According to the Partners' Agreement, the Business Partners 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 S.A. financial commitment in the Development Stage will not exceed amount of approx. PLN 700 million.

The Parties of the Partners' Agreement anticipate that further decision on the Project, including decision on declaration of further participation of particular Parties in the next stage of the Project, will be made after the completion of the Development Stage, directly before the settlement of the integrated proceeding.

14. Approval of the financial statements

These financial statements were approved for publication by the Management Board on November 9, 2015.

Warsaw, November 9, 2015

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

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

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

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

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

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