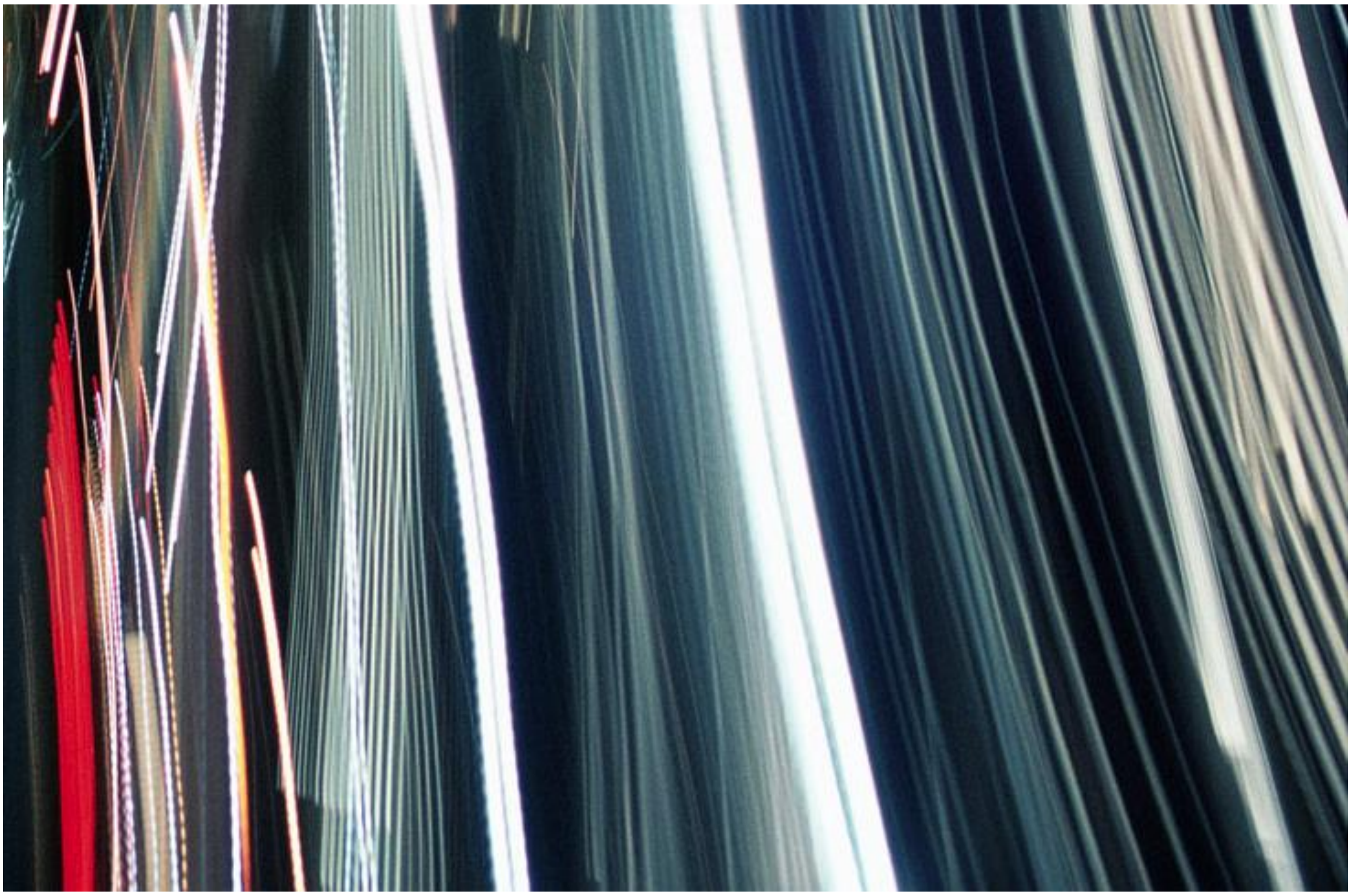

PGE Polska Grupa Energetyczna S.A.
Condensed interim consolidated financial statements
for the 3-month and 9-month period

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

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PGE CAPITAL GROUP CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3-MONTH AND 9-MONTH PERIOD ENDED SEPTEMBER 30, 2015 IN ACCORDANCE WITH IFRS EU (IN PLN MILLION)

CONSOLIDATED 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) *data restated**	9 months ended September 30, 2014 (not audited) *data restated**
STATEMENT OF PROFIT OR LOSS					
SALES REVENUES	B.2	**6,914**	**21,158**	**6,649**	**20,857**
Costs of goods sold	B.2	(5,123)	(24,580)	(5,142)	(15,669)
GROSS PROFIT/(LOSS) ON SALES		**1,791**	**(3,422)**	**1,507**	**5,188**
Other operating revenues	B.2	73	407	82	1,371
Selling and distribution expenses	B.2	(322)	(1,054)	(383)	(1,127)
General and administrative expenses	B.2	(181)	(583)	(192)	(558)
Other operating expenses	B.2	(49)	(210)	(77)	(411)
OPERATING PROFIT/(LOSS)		**1,312**	**(4,862)**	**937**	**4,463**
Financial income	B.2	24	134	106	288
Financial expenses	B.2	(73)	(244)	(558)	(746)
PROFIT/(LOSS) BEFORE TAX		**1,263**	**(4,972)**	**485**	**4,005**
Income tax	B.4	(234)	942	(105)	(789)
NET PROFIT/(LOSS) FOR THE REPORTING PERIOD		**1,029**	**(4,030)**	**380**	**3,216**
OTHER COMPREHENSIVE INCOME					
Other comprehensive income, which may be reclassified to profit or loss, including:					
Valuation of hedging instruments		(5)	71	(41)	(57)
Foreign exchange differences from translation of foreign entities		1	(1)	1	-
Deferred tax		1	(13)	7	11
Other comprehensive income, which will not be reclassified to profit or loss, including:					
Actuarial gains and losses from valuation of provisions for employee benefits		2	142	-	(52)
Deferred tax		-	(27)	-	10
OTHER COMPREHENSIVE INCOME FOR THE REPORTING PERIOD, NET		**(1)**	**172**	**(33)**	**(88)**
TOTAL COMPREHENSIVE INCOME		**1,028**	**(3,858)**	**347**	**3,128**
NET PROFIT/(LOSS) ATTRIBUTABLE TO:					
– equity holders of the parent company		1,029	(4,026)	378	3,199
– non-controlling interest		-	(4)	2	17
COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
– equity holders of the parent company		1,028	(3,854)	345	3,111
– non-controlling interest		-	(4)	2	17
EARNINGS/(LOSS) AND DILUTED EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY (IN PLN)		**0.56**	**(2.15)**	**0.20**	**1.71**

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

PGE CAPITAL GROUP CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3-MONTH AND 9-MONTH PERIOD ENDED SEPTEMBER 30, 2015 IN ACCORDANCE WITH IFRS EU (IN PLN MILLION)

CONSOLIDATED 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**
NON-CURRENT ASSETS				
Property, plant and equipment		43,850	49,738	48,077
Investment property		31	33	32
Intangible assets		873	763	739
Loans and receivables	B.9	14	13	45
Available-for-sale financial assets		15	15	27
Shares in associates accounted for under the equity method		8	9	9
Other non-current assets	B.8	1,306	1,228	1,235
Deferred tax assets	B.4	409	383	404
TOTAL NON-CURRENT ASSETS		**46,506**	**52,182**	**50,568**
CURRENT ASSETS				
Inventories		2,716	2,175	2,053
CO_2 emission rights	B.7	1,294	1,552	1,219
Income tax receivables		20	46	1
Short-term financial assets at fair value	B.9	64	11	75
Trade receivables	B.9	1,775	1,729	1,654
Other loans and receivables	B.9	1,279	1,180	1,100
Available-for-sale financial assets		9	16	4
Other current assets	B.8	1,094	1,012	1,281
Cash and cash equivalents	B.9	5,084	6,282	5,943
Assets classified as held-for-sale		16	16	17
TOTAL CURRENT ASSETS		**13,351**	**14,019**	**13,347**
TOTAL ASSETS		**59,857**	**66,201**	**63,915**

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

PGE CAPITAL GROUP CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3-MONTH AND 9-MONTH PERIOD ENDED SEPTEMBER 30, 2015 IN ACCORDANCE WITH IFRS EU (IN PLN MILLION)

CONSOLIDATED 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.10	18,698	18,698	18,698
Revaluation on financial instruments	B.10	(3)	(61)	(46)
Foreign exchange differences from translation of foreign entities		(2)	(1)	-
Reserve capital		13,009	9,231	9,231
Retained earnings		7,753	16,901	16,726
EQUITY ATTRIBUTED TO EQUITY HOLDERS OF THE PARENT COMPANY		**39,455**	**44,768**	**44,609**
Non-controlling interest		99	116	134
TOTAL EQUITY		**39,554**	**44,884**	**44,743**
NON-CURRENT LIABILITIES				
Non-current provisions	B.11	5,479	6,099	5,601
Interest-bearing loans and borrowings, bonds and lease	B.13	4,585	4,688	4,584
Deferred tax liabilities	B.4	661	2,090	2,010
Deferred income and government grants		1,172	1,158	1,107
Other financial liabilities	B.13	36	16	12
TOTAL NON-CURRENT LIABILITIES		**11,933**	**14,051**	**13,314**
CURRENT LIABILITIES				
Current provisions	B.11	2,193	2,070	1,821
Interest-bearing loans and borrowings, bonds and lease	B.13	252	357	218
Financial liabilities at fair value	B.13	148	117	128
Trade liabilities	B.13	755	1,179	814
Income tax liabilities		271	81	185
Deferred income and government grants		121	142	190
Other current financial liabilities	B.13	2,029	1,953	1,247
Other current non-financial liabilities		2,601	1,367	1,255
TOTAL CURRENT LIABILITIES		**8,370**	**7,266**	**5,858**
TOTAL LIABILITIES		**20,303**	**21,317**	**19,172**
TOTAL EQUITY AND LIABILITIES		**59,857**	**66,201**	**63,915**

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

PGE CAPITAL GROUP CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3-MONTH AND 9-MONTH PERIOD ENDED SEPTEMBER 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								
	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	-	-	-	-	-	(4,026)	(4,026)	(4)	(4,030)
Other comprehensive income	-	58	(1)	-	-	115	172	-	172
COMPREHENSIVE INCOME FOR THE PERIOD	**-**	**58**	**(1)**	**-**	**-**	**(3,911)**	**(3,854)**	**(4)**	**(3,858)**
Retained earnings distribution	-	-	-	3,778	-	(3,778)	-	-	-
Dividend	-	-	-	-	-	(1,458)	(1,458)	(4)	(1,462)
Change in subsidiaries' share not resulting in loss of control	-	-	-	-	-	-	-	68	68
Purchase of additional shares in the PGE Group	-	-	-	-	-	(9)	(9)	(77)	(86)
Other changes	-	-	-	-	-	8	8	-	8
TRANSACTIONS WITH OWNERS FOR THE PERIOD	**-**	**-**	**-**	**3,778**	**-**	**(5,237)**	**(1,459)**	**(13)**	**(1,472)**
AS AT SEPTEMBER 30, 2015	**18,698**	**(3)**	**(2)**	**13,009**	**-**	**7,753**	**39,455**	**99**	**39,554**

	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 interest	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**

PGE CAPITAL GROUP CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3-MONTH AND 9-MONTH PERIOD ENDED SEPTEMBER 30, 2015 IN ACCORDANCE WITH IFRS EU (IN PLN MILLION)

	EQUITY ATTRIBUTED TO EQUITY HOLDERS OF THE PARENT COMPANY								
*data restated**	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, 2014	**18,698**	**-**	**-**	**8,941**	**50**	**15,851**	**43,540**	**268**	**43,808**
Profit for the reporting period	-	-	-	-	-	3,199	3,199	17	3,216
Other comprehensive income	-	(46)	-	-	-	(42)	(88)	-	(88)
COMPREHENSIVE INCOME FOR THE PERIOD	**-**	**(46)**	**-**	**-**	**-**	**3,157**	**3,111**	**17**	**3,128**
Retained earnings distribution	-	-	-	290	(50)	(240)	-	-	-
Dividend	-	-	-	-	-	(2,057)	(2,057)	(4)	(2,061)
Purchase of additional shares in the PGE Group	-	-	-	-	-	14	14	(147)	(133)
Other changes	-	-	-	-	-	1	1	-	1
TRANSACTIONS WITH OWNERS FOR THE PERIOD	**-**	**-**	**-**	**290**	**(50)**	**(2,282)**	**(2,042)**	**(151)**	**(2,193)**
AS AT SEPTEMBER 30, 2014	**18,698**	**(46)**	**-**	**9,231**	**-**	**16,726**	**44,609**	**134**	**44,743**

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

PGE CAPITAL GROUP CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3-MONTH AND 9-MONTH PERIOD ENDED SEPTEMBER 30, 2015 IN ACCORDANCE WITH IFRS EU (IN PLN MILLION)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Period ended September 30, 2015	Period ended September 30, 2014 *data restated**
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(loss) before tax	**(4,972)**	**4,005**
Income tax paid	(358)	(501)
Adjustments for:		
Depreciation, amortization and impairment losses	11,076	2,350
Interest and dividend, net	94	10
Profit / loss on investment activities	27	434
Change in receivables	47	348
Change in inventories	(541)	(365)
Change in liabilities, excluding loans and borrowings	(365)	(990)
Change in other non-financial assets, prepayments and CO_2 emission rights	167	(469)
Change in provisions	8	(334)
Other	34	(55)
NET CASH FROM OPERATING ACTIVITIES	**5,217**	**4,433**
CASH FLOW FROM INVESTING ACTIVITIES		
Disposal of property, plant and equipment and intangible assets	26	33
Purchase of property, plant and equipment and intangible assets	(6,018)	(4,615)
Disposal of financial assets	69	3
Deposits with a maturity over 3 months	(243)	(2,116)
Termination of deposits over 3 months	147	2,106
Increase in shareholding in the PGE Group companies	(86)	(112)
Other	-	66
NET CASH FROM INVESTING ACTIVITIES	**(6,105)**	**(4,635)**
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from borrowings, loans and issue of bonds	51	2,730
Repayment of borrowings, loans, bonds and finance lease	(255)	(481)
Dividends paid	(5)	(2,027)
Interest paid	(120)	(34)
Other	30	1
NET CASH FROM FINANCING ACTIVITIES	**(299)**	**189**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(1,187)**	**(13)**
Effect of exchange rate fluctuations on cash held	6	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	**5,082**	**5,935**
Restricted cash	472	115

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

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

A. 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 September 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:

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

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.

PGE CAPITAL GROUP CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3-MONTH AND 9-MONTH PERIOD ENDED SEPTEMBER 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 September 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	99.96%	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%

Polska Grupa Energetyczna

PGE CAPITAL GROUP CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3-MONTH AND 9-MONTH PERIOD ENDED SEPTEMBER 30, 2015 IN ACCORDANCE WITH IFRS EU (IN PLN MILLION)

	Entity	Entity holding shares	Share of the Group entities as at September 30, 2015	Share of the Group entities as at December 31, 2014
23	PGE Energia Natury sp. z o.o. Warsaw	PGE Energia Odnawialna S.A.	100.00%	-
		PGE Polska Grupa Energetyczna S.A.	-	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%

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	Entity	Entity holding shares	Share of the Group entities as at September 30, 2015	Share of the Group entities as at December 31, 2014
50	PGE Inwest 15 sp. z o.o. Warsaw	PGE Polska Grupa Energetyczna S.A.	100.00%	100.00%
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 sp. z o.o. 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%
	Przedsiębiorstwo Produkcyjno-Handlowe EKTO sp. z o.o. Białystok	PGE Dystrybucja S.A.	-	100.00%
55	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 September 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.
- 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 did not affect these 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 did not have material impact on these financial statements.
- 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.

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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 first half of 2015 the Group identified a number of factors that could have significant impact on a change in the value of assets held.

In the third quarter of 2015 the Group once again verified the indicators that may imply impairment of recoverable value of its assets and found no significant changes in this area as compared to the previous analysis.

In the Group's opinion main factors affecting recoverable value of assets are:

- 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 and in September emission rights amounted to average of 8.4 EUR/t. 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. 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 what is reflected in the persistently low quotations of futures on the global market and low transaction prices observed on the Polish market. Oversupply of hard coal 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 period January-September 2015, the prices of futures contracts for BASE and PEAK products declined by 12% and 14%, respectively. Lower prices on spot markets in Germany and Scandinavia result in maintaining competitiveness of the energy import to Poland.

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") were carried out at June 30, 2015 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 („Bełchatów complex"),
  - Branch Kopalnia Węgla Brunatnego Turów and Branch Elektrownia Turów („Turów complex"),

  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,
- 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.

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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			
Bełchatów complex	**17,188**	(3,136)	14,052
Turów complex	5,561	(5,116)	445
Opole power plant	4,408	-	4,408
Szczecin CHP	516	-	516
Bydgoszcz CHP	417	(417)	-
Lublin-Wrotków CHP	400	-	400
Rzeszów CHP	300	-	300
Gorzów CHP	296	-	296
Kielce CHP	157	(157)	-
Pomorzany CHP	70	-	70
Dolna Odra power plant	-	-	-
Zgierz CHP	-	-	-
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 September 30, 2015, the Group recognized impairment losses of PLN 90 million. Total impairment loss of PLN 8,932 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 Capital 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	Increase 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 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.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Period ended September 30, 2014 *data published*	Change in recognition of rehabilitation provision	Change in recognition of impairment allowances	Period ended September 30, 2014 *data restated*
STATEMENT OF PROFIT OR LOSS				
SALES REVENUES	**20,857**	**-**		**20,857**
Costs of goods sold	(15,605)	17	(81)	(15,669)
GROSS PROFIT ON SALES	**5,252**	**17**	**(81)**	**5,188**
Other operating revenues	1,374	-	(3)	1,371
Selling and distribution expenses	(1,127)	-		(1,127)
General and administrative expenses	(558)	-		(558)
Other operating expenses	(886)	391	84	(411)
OPERATING PROFIT	**4,055**	**408**	**-**	**4,463**
Financial income	288	-		288
Financial expenses	(728)	(18)		(746)
PROFIT BEFORE TAX	**3,615**	**390**	**-**	**4,005**
Income tax	(715)	(74)		(789)
NET PROFIT FOR THE REPORTING PERIOD	**2,900**	**316**	**-**	**3,216**
OTHER COMPREHENSIVE INCOME	(88)	-		**(88)**
TOTAL COMPREHENSIVE INCOME	**2,812**	**316**	**-**	**3,128**
NET PROFIT ATTRIBUTABLE TO:				
– equity holders of the parent company	2,884	315	-	3,199
– non-controlling interest	16	1	-	17
COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
– equity holders of the parent company	2,796	315	-	3,111
– non-controlling interest	16	1	-	17
EARNINGS PER SHARE (IN PLN)	**1.54**	**0.17**		**1.71**

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at September 30, 2014 *data published*	Change in recognition of rehabilitation provision	As at September 30, 2014 *data restated*
NON-CURRENT ASSETS, including:			
Property, plant and equipment	47,101	976	48,077
TOTAL NON-CURRENT ASSETS	**49,592**	**976**	**50,568**
TOTAL ASSETS	**62,939**	**976**	**63,915**
EQUITY, including:			
Retained earnings	16,253	473	16,726
Non-controlling interest	131	3	134
TOTAL EQUITY	**44,267**	**476**	**44,743**
NON-CURRENT LIABILITIES, including:			
Non-current provisions	5,213	388	5,601
Deferred tax liabilities	1,898	112	2,010
TOTAL NON-CURRENT LIABILITIES	**12,814**	**500**	**13,314**
TOTAL EQUITY AND LIABILITIES	**62,939**	**976**	**63,915**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Period ended September 30, 2014 *data published*	Change in recognition of rehabilitation provision	Period ended September 30, 2014 *data restated*
Profit before tax	**3,615**	**390**	**4,005**
Adjustments for:			
Amortization	2,332	18	2,350
Change in provisions	74	(408)	(334)
NET CASH FROM OPERATING ACTIVITIES	**4,433**	**-**	**4,433**

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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 September 30, 2015		As at December 31, 2014	
FAIR VALUE HIERARCHY	**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	-	64	-	72
Commodity forward	-	83	-	37
Financial liabilities	**-**	**148**	**-**	**117**

As at the reporting date, the book value of inventories amounted to PLN 2,716 million. The item contains CO_2 emission rights at fair value in the amount of PLN 476 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

PGE Polska Grupa Energetyczna

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.

PGE CAPITAL GROUP CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3-MONTH AND 9-MONTH PERIOD ENDED SEPTEMBER 30, 2015 IN ACCORDANCE WITH IFRS EU (IN PLN MILLION)

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

	Conventional Generation	Renewables	Supply	Distribution	Other Operations	Consolidation adjustments	Total
STATEMENT OF PROFIT OR LOSS							
Sales revenues from external customers	9,074	508	9,861	1,392	319	4	21,158
Sales revenues from inter-segment transactions	404	38	1,209	3,086	193	(4,930)	-
TOTAL SEGMENT REVENUES	**9,478**	**546**	**11,070**	**4,478**	**512**	**(4,926)**	**21,158**
Costs of goods sold	15,482	391	9,566	3,171	451	(4,481)	24,580
EBIT *)	**(6,471)**	**105**	**405**	**1,069**	**(25)**	**55**	**(4,862)**
Financial income (expenses), net							(110)
PROFIT/(LOSS) BEFORE TAX							**(4,972)**
Income tax							942
NET PROFIT/(LOSS) FOR THE REPORTING PERIOD							**(4,030)**
Amortization, depreciation and impairment losses	10,057	173	18	778	83	(33)	11,076
EBITDA **)	**3,586**	**278**	**423**	**1,847**	**58**	**22**	**6,214**
ASSETS AND LIABILITIES							
Segment assets excluding trade receivables	28,587	4,522	2,606	15,690	881	(1,122)	51,164
Trade receivables	256	66	1,766	360	113	(786)	1,775
Shares in associates							8
Unallocated assets							6,910
TOTAL ASSETS							**59,857**
Segment liabilities excluding trade liabilities	8,153	321	3,834	1,925	186	(640)	13,779
Trade liabilities	563	35	624	194	58	(719)	755
Unallocated liabilities							5,769
TOTAL LIABILITIES							**20,303**
OTHER INFORMATION ON BUSINESS SEGMENT							
Capital expenditure	4,014	565	22	1,138	141	(43)	5,837
Impairment allowances on financial and non-financial assets	8,934	(2)	(10)	15	(1)	-	8,936
Other non-monetary expenses ***)	578	(1)	759	50	14	-	1,400

*) EBIT = operating profit (loss)

**) EBITDA = EBIT + amortization, depreciation and impairment losses reflected in financial result

***) 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.

PGE CAPITAL GROUP CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3-MONTH AND 9-MONTH PERIOD ENDED SEPTEMBER 30, 2015 IN ACCORDANCE WITH IFRS EU (IN PLN MILLION)

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

data restated	Conventional Generation	Renewables	Supply	Distribution	Other Operations	Consolidation adjustments	Total
STATEMENT OF PROFIT OR LOSS							
Sales revenues from transactions with other	9,353	576	9,176	1,192	547	13	20,857
Sales revenues from inter-segment transactions	214	17	1,310	3,061	771	(5,373)	
TOTAL SEGMENT REVENUES	**9,567**	**593**	**10,486**	**4,253**	**1,318**	**(5,360)**	**20,857**
Costs of goods sold	6,872	378	9,176	3,070	1,128	(4,955)	15,669
EBIT *)	**3,011**	**164**	**187**	**1,035**	**22**	**44**	**4,463**
Financial income (expenses), net							(458)
PROFIT/(LOSS) BEFORE TAX							**4,005**
Income tax							(789)
NET PROFIT/(LOSS) FOR THE REPORTING PERIOD							**3,216**
Amortization, depreciation and impairment losses	1,360	160	13	754	94	(31)	2,350
EBITDA **)	**4,371**	**324**	**200**	**1,789**	**116**	**13**	**6,813**
ASSETS AND LIABILITIES							
Segment assets excluding trade receivables	33,871	3,781	1,779	14,853	1,100	(748)	54,636
Trade receivables	144	68	1,632	344	271	(805)	1,654
Shares in associates							9
Unallocated assets							7,616
TOTAL ASSETS							**63,915**
Segment liabilities excluding trade liabilities	7,495	213	1,863	1,630	299	(139)	11,361
Trade liabilities	489	97	642	165	143	(722)	814
Unallocated liabilities							6,997
TOTAL LIABILITIES							**19,172**
OTHER INFORMATION ON BUSINESS SEGMENT							
Capital expenditure	2,797	242	10	770	106	(66)	3,859
Impairment allowances on financial and non-financial assets	103	(1)	20	5	(16)	-	111
Other non-monetary expenses ***)	455	14	835	15	34	56	1,409

*) EBIT = operating profit (loss)

**) EBITDA = EBIT + amortization, depreciation and impairment losses reflected in financial result

***) 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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2. Revenues and expenses

2.1 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				
Sales of merchandise and finished goods with excise tax	*6,779*	*20,702*	*6,473*	*19,538*
Excise tax	*(131)*	*(378)*	*(134)*	*(401)*
Revenues from sale of merchandise and finished goods, including:	**6,648**	**20,324**	**6,339**	**19,137**
Sale of electricity	4,844	14,372	4,537	13,414
Sale of distribution services	1,395	4,208	1,320	3,995
Sale of heat	90	492	84	451
Sale of the energy origin rights	56	384	136	499
Regulatory system services	117	361	95	310
Revenues from sale of gas	35	171	-	-
Others sale of merchandise and finished goods	111	336	167	468
Revenues from sale of services	**124**	**391**	**118**	**366**
Revenues from LTC compensations	**142**	**443**	**192**	**1,354**
TOTAL SALES REVENUES	**6,914**	**21,158**	**6,649**	**20,857**

The increase in revenues from sale of electricity in the period ended September 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

	3-month period ended* September 30, 2015	9-month period ended September 30, 2015	3-month period ended September 30, 2014 *data restated*	9-month period ended September 30, 2014 *data restated*
COSTS BY KIND				
Depreciation and amortization	687	2,296	760	2,254
Impairment losses	41	8,932	43	96
Materials and energy	709	2,355	684	2,214
External services	623	1,819	626	1,815
Taxes and charges	720	2,176	731	2,161
Employee benefits	1,019	3,173	1,057	3,359
Other cost by kind	78	205	80	209
TOTAL COST BY KIND	**3,877**	**20,956**	**3,981**	**12,108**
Change in inventories	-	(44)	6	(21)
Cost of products and services for the entity's own needs	(380)	(1,061)	(318)	(962)
Selling and distribution expenses	(322)	(1,054)	(383)	(1,127)
General and administrative expenses	(181)	(583)	(192)	(558)
Cost of merchandise and materials sold	2,129	6,366	2,048	6,229
COST OF GOODS SOLD	**5,123**	**24,580**	**5,142**	**15,669**

**In order to properly present of data for 3-month period 2015, a reclassification of items presented in the report for the first half 2015 was made: costs of materials and energy were increased by PLN 41 million and decreased value of cost of merchandise and materials sold.*

PGE CAPITAL GROUP CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3-MONTH AND 9-MONTH PERIOD ENDED SEPTEMBER 30, 2015 IN ACCORDANCE WITH IFRS EU (IN PLN MILLION)

2.3 Depreciation, amortization and impairment losses

Recognition of depreciation, amortization and impairment losses in the statement of comprehensive income is presented below.

Period ended September 30, 2015	Depreciation and amortization				Impairment losses		
	Property, plant and equipment	Intangible assets	Investment property	TOTAL	Property, plant and equipment	Intangible assets	TOTAL
Cost of goods sold	2,040	50	1	**2,091**	8,917	15	**8,932**
Selling and distribution expenses	16	3	-	**19**	-	-	**-**
General and administrative expenses	27	7	-	**34**	-	-	**-**
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES REFLECTED IN FINANCIAL RESULT	**2,083**	**60**	**1**	**2,144**	**8,917**	**15**	**8,932**
Change in inventories	13	-	-	**13**	-	-	**-**
Cost of products and services for the entity's own needs	139	-	-	**139**	-	-	-
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES	**2,235**	**60**	**1**	**2,296**	**8,917**	**15**	**8,932**

2.4 Other operating revenues and expenses

	Period ended September 30, 2015	Period ended September 30, 2014 *data restated*
OTHER OPERATING REVENUES		
Effect of change in rehabilitation provision valuation	193	-
Compensations, penalties and fines received	51	76
Reversal of impairment allowances on receivables	24	38
Reversal of other provisions	19	841
Grants received	19	83
Gain on disposal of property, plant and equipment	14	14
Surpluses / recognition of assets	11	8
Compensation for legal proceedings' costs	8	6
Property, plant and equipment, intangible assets received free of charge	6	5
Adjustment of revenues from LTC compensations	-	246
Other	62	54
TOTAL OTHER OPERATING REVENUES	**407**	**1,371**

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.

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.

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	Period ended September 30, 2015	Period ended September 30, 2014 *data restated*
OTHER OPERATING EXPENSES		
Other provisions	46	31
Impairment allowances on receivables	45	57
Liquidation of damages/ breakdowns	30	33
Liquidation of property, plant and equipment/intangible assets	20	13
Donations granted	15	5
Legal proceedings' costs	7	9
Compensations	6	6
Impairment allowances on other assets	4	-
Effect of change in rehabilitation provision valuation	-	211
Other	37	46
TOTAL OTHER OPERATING EXPENSES	**210**	**411**

2.5 Financial income and expenses

	Period ended September 30, 2015	Period ended September 30, 2014
FINANCIAL INCOME FROM FINANCIAL INSTRUMENTS		
Dividends	1	3
Interest income	83	172
Revaluation / Reversal of impairment allowance	33	29
Gain on disposal of investments	15	-
Foreign exchange gain	-	62
FINANCIAL REVENUES FROM FINANCIAL INSTRUMENTS	**132**	**266**
OTHER FINANCIAL INCOME		
Reversal of provisions	1	21
Other	1	1
OTHER FINANCIAL INCOME	**2**	**22**
TOTAL FINANCIAL INCOME	**134**	**288**

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

	Period ended September 30, 2015	Period ended September 30, 2014 *data restated*
FINANCIAL EXPENSES FROM FINANCIAL INSTRUMENTS		
Interest expense	87	80
Revaluation	-	52
Impairment losses	3	387
Foreign exchange losses	33	84
FINANCIAL EXPENSES FROM FINANCIAL INSTRUMENTS	**123**	**603**
OTHER FINANCIAL EXPENSES		
Interest expense including unwinding of the discount	119	141
Other	2	2
OTHER FINANCIAL EXPENSES	**121**	**143**
TOTAL FINANCIAL EXPENSES	**244**	**746**

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

In the comparative period the Group recognised estimated loss of value of bonds issued by Autostrada Wielkopolska S.A. as main part of impairment losses.

3. Impairment allowances on assets

	Period ended September 30, 2015	Period ended September 30, 2014
IMPAIRMENT ALLOWANCES ON PROPERTY, PLANT AND EQUIPMENT		
Impairment allowances created	8,917	84
Impairment allowances reversed	-	3
IMPAIRMENT ALLOWANCES ON INTANGIBLE ASSETS		
Impairment allowances created	15	-
IMPAIRMENT ALLOWANCES ON INVENTORIES		
Impairment allowances created	36	17
Impairment allowances reversed	33	9

In the first half of 2015, the Group conducted impairment test of property, plant and equipment resulting in creation of the impairment allowances in the total amount of PLN 8,842 million. Detailed description of the tests 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 September 30, 2015 and September 30, 2014 are as follows:

	Period ended September 30, 2015	Period ended September 30, 2014 *data restated*
INCOME TAX PRESENTED IN THE STATEMENT OF PROFIT OR LOSS		
Current income tax	553	545
Prior year income tax corrections	4	17
Deferred income tax	(1,499)	227
INCOME TAX EXPENSE PRESENTED IN THE STATEMENT OF PROFIT OR LOSS	**(942)**	**789**
INCOME TAX PRESENTED IN OTHER COMPREHENSIVE INCOME		
on valuation of hedging instruments	13	(11)
on actuarial gains and losses from valuation of provisions for employee benefits	27	(10)
INCOME TAX EXPENSE PRESENTED IN OTHER COMREHENSIVE INCOME	**40**	**(21)**

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

PGE CAPITAL GROUP CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3-MONTH AND 9-MONTH PERIOD ENDED SEPTEMBER 30, 2015 IN ACCORDANCE WITH IFRS EU (IN PLN MILLION)

4.2 Deferred tax in the statement of financial position

	As at September 30, 2015	As at December 31, 2014 *data restated**
COMPONENTS OF DEFERRED TAX ASSET		
Difference between tax value and carrying value of property, plant and equipment	2,186	505
Difference between tax value and carrying value of financial assets	56	35
Difference between tax value and carrying value of financial liabilities	68	64
Difference between tax value and carrying value of inventories	25	27
LTC compensations	213	161
Provision for rehabilitation	507	598
Provision for CO_2 emission rights	105	129
Provisions for employee benefits	592	631
Other provisions	220	176
Current period costs unrealized for tax purposes	220	221
Energy infrastructure acquired free of charge and connection fees received	145	149
Other	13	15
DEFERRED TAX ASSETS	**4,350**	**2,711**
COMPONENTS OF DEFERRED TAX LIABILITY		
Difference between tax value and carrying value of property, plant and equipment	3,183	2,999
Difference between tax value and carrying value of financial liabilities	14	6
Difference between tax value and carrying value of energy origin units	89	83
CO_2 emission rights	272	310
LTC compensations	662	672
Current period revenues unrealized for tax purposes	170	144
Accrued revenues	189	185
Other	23	19
DEFERRED TAX LIABILITY	**4,602**	**4,418**

AFTER OFF-SET OF BALANCES AT THE GROUP COMPANIES' LEVEL THE DEFERRED TAX OF THE GROUP IS PRESENTED AS:		
Deferred tax assets	409	383
Deferred tax liabilities	(661)	(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 5,837 million. The largest expenditures were incurred by Conventional Generation segment (PLN 4,014 million) and Distribution segment (PLN 1,138 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 578 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 September 30, 2015 amounted to PLN 2,516 million.

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

6. Future investment commitment

As at September 30, 2015 the PGE Group committed to incur capital expenditures on property, plant and equipment of approximately PLN 14,803 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 6,553 million,
- PGE Górnictwo i Energetyka Konwencjonalna S.A. Branch Elektrownia Turów – contract for construction of new power unit – approximately PLN 3,224 million,
- PGE Górnictwo i Energetyka Konwencjonalna S.A. Branch Elektrownia Bełchatów – reconstruction and modernization of power units – approximately PLN 860 million,
- Distribution – investment commitments related to network distribution assets of the total value of approximately PLN 914 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 1,310 million (including PLN 205 million as base case – remaining part of the contract is optional).

7. CO_2 emission rights for own purposes

The PGE Group producers maintain installations, covered with the act dated June 12, 2015 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.

In September 2015 PGE Capital Group submitted another statement from realization of investment tasks.

	EUA		CER/ERU		Total Value
	Amount (mln Mg)	Value	Amount (mln Mg)	Value	
AS AT JANUARY 1, 2015	**68**	**1,552**	**-**	**-**	**1,552**
Purchase	13	423	-	-	423
Allocated free of charge	30	-	-	-	-
Redemption	(59)	(681)	-	-	(681)
AS AT SEPTEMBER 30, 2015	**52**	**1,294**	**-**	**-**	**1,294**

	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**

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8. Other non-current and current assets

8.1 Other non-current assets

	As at September 30, 2015	As at December 31, 2014
Advances for construction in progress	1,273	1,193
Other deferred expenses	33	35
TOTAL OTHER NON-CURRENT ASSETS	**1,306**	**1,228**

Advances for construction in progress relate mainly to investment projects conducted by Conventional Generation segment.

8.2 Other current assets

	As at September 30, 2015	As at December 31, 2014
DEFERRED EXPENSES		
Property and tort insurance	5	10
IT services	8	8
Accrued distribution services	15	13
Fees, agency commission	22	20
Perpetual usufruct of land	6	-
Fees for the exclusion of land from agricultural production/ forestry	19	4
Other accrued costs	27	28
OTHER CURRENT ASSETS		
Accrued revenues	559	618
VAT receivables	290	261
Excise tax receivables	68	29
Advances for property, plant and equipment and intangible assets	9	13
Other current assets	66	8
TOTAL OTHER CURRENT ASSETS	**1,094**	**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 September 30, 2015		As at December 31, 2014	
	Long-term	Short-term	Long-term	Short-term
Deposits	-	124	-	27
LTC compensations	-	1,005	-	968
Security deposits	1	46	-	38
Collateral – balancing market	-	-	-	49
The guarantee fund – Dom Maklerski	-	68		67
Other financial receivables	13	36	13	31
TOTAL LOANS AND FINANCIAL RECEIVABLES, EXCLUDING TRADE RECEIVABLES	**14**	**1,279**	**13**	**1,180**
TRADE RECEIVABLES	**-**	**1,775**	**-**	**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 September 30, 2015	As at December 31, 2014
Cash on hand and cash at bank	1,375	1,701
Overnight deposits	479	164
Short-term deposits	3,230	4,417
TOTAL	**5,084**	**6,282**
Interest accrued on cash, not received at the reporting date	(1)	(5)
Exchange rate differences on cash in foreign currencies	(1)	(8)
Cash and cash equivalents presented in the statement of cash flows	**5,082**	**6,269**
including restricted cash	*472*	*368*
Credit limits at disposal	8,853	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 September 30, 2015	As at December 31, 2014
FINANCIAL ASSETS AT FAIR VALUE		
Currency forward	23	11
CCIRS hedging transactions	41	-
TOTAL	**64**	**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 September 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 September 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 September 30, 2015	Year ended December 31, 2014
AS AT JANUARY 1	**(61)**	**-**
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	10	6
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	(3)	1
REVALUATION RESERVE AS AT REPORTING DATE	**10**	**(75)**
Deferred tax	(13)	14
REVALUATION RESERVE LESS DEFERRED TAX	**(3)**	**(61)**

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10.3 Dividends paid and dividends declared

	Dividend paid or declared from the profit for the period/year ended		
	September 30, 2015	December 31, 2014	31 grudnia 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 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 Annual General 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 ended December 31, 2013

On June 6, 2014, the Annual General 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 Annual General Meeting of June 6, 2014 was paid on September 26, 2014.

11. 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	1,516	92	1,633	98
Provisions for jubilee awards	894	83	949	93
Provisions for rehabilitation costs	2,826	3	3,297	2
Provisions for purchase of CO_2 emission rights	-	552	-	676
Provisions for energy origin units held for redemption	-	790	-	555
Provisions for non-contractual use of the property	77	19	73	19
Other provisions	166	654	147	627
TOTAL PROVISIONS	**5,479**	**2,193**	**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	25	36	-	-	-	-	-	61
Costs of past employment	1	-	-	-	-	-	-	1
Interest costs	33	20	65	-	-	-	-	118
Discount rate and other assumptions adjustment	(142)	(53)	(629)	-	-	-	-	(824)
Benefits paid/ provisions used	(41)	(68)	-	(680)	(497)	-	(376)	(1,662)
Provisions reversed	-	-	(1)	(1)	(8)	(15)	(40)	(65)
Provisions created	-	-	22	557	740	19	464	1,802
Other changes	1	-	73	-	-	-	(2)	72
AS AT SEPTEMBER 30, 2015	**1,608**	**977**	**2,829**	**552**	**790**	**96**	**820**	**7,672**

	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**

Polska Grupa Energetyczna

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, expenses 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 Capital 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 September 30, 2015 amounts to PLN 2,576 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 83 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 126 million (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 44 million (PLN 44 million as at December 31, 2014).

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

Due to the change in yield of 10-year treasury bonds, as at June 30, 2015 the PGE Group revised the discount rate used for the valuation of rehabilitation and actuarial provisions. The applied discount amounted to 3.3% (comparing to 2.6% as at December 31, 2014). The change in the discount rate resulted in the following in the financial statements as at September 30, 2015:

- 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 385 million;
- Decrease in provision for post-employment benefits recognized in other comprehensive income of PLN 142 million;
- Decrease in provision for jubilee awards recognized in operating expenses of PLN 53 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 45 million relate to litigations). As at December 31, 2014, 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 September 30, 2015 in the amount of PLN 125 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 September 30, 2015 created provisions amounted to approximately PLN 280 million while it was PLN 103 million as at December 31, 2014.

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 104 million (PLN 121 million as at December 31, 2014).

12. Contingent liabilities and receivables. Legal claims

12.1 Contingent liabilities

	As at September 30, 2015	As at December 31, 2014
Liabilities due to bank guarantees	-	11
Contingent return of grants from environmental funds	395	331
Legal claims	8	8
Contractual fines and penalties	105	12
Other contingent liabilities	11	43
CONTINGENT LIABILITIES, TOTAL	**519**	**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 PGE Zespół Elektrowni Dolna Odra S.A. (currently branch of PGE Górnictwo i Energetyka Konwencjonalna S.A.).

Other contingent liabilities

Other contingent liabilities comprise mainly value of potential cash fines of PLN 6 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 Capital Group did not have significant contingent receivables.

12.4 Other legal claims and disputes

The issue of compensation for conversion of shares

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

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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.

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. (later "WorleyParsons" or "Contractor") in the net amount of PLN 253 million (including basic scope of PLN 167 million) . Due to the delays in delivery of product specified in the agreement, in 2013 PGE EJ 1 sp. z o.o. 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 over 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 of 2013 were deducted from the remuneration payable to WorleyParsons in 2014. Penalties for 2014 in the total amount of approx. PLN 30 million were partly deducted from the remuneration payable to WorleyParsons and partly from the bank guarantee. After all deductions and amounts received by the company from the bank guarantee, the company is entitled to claim towards WorleyParsons for payment of approx. PLN 14 million as a penalty by way of delay.

On August 7, 2015 PGE EJ 1 sp. z o.o. filed with the District Court in Warsaw, Commercial Division a claim against WorleyParsons for the payment of approx. PLN 15 million plus statutory interest for late payment of the amount due. The claimed amount includes the amount of the outstanding contractual penalties and interest for delay capitalized as at the date of filing the claim.

The Contractor has questioned validity of contractual penalties claimed and the deductions. Therefore, the Contractor raised its claim against PGE EJ 1 sp. z o.o. of approx. PLN 92 million. It includes late – in Contractor's opinion – remuneration amounting to made deductions and amounts received by PGE EJ 1 sp. z o.o. from the bank guarantee. Therefore, it cannot be excluded that WorleyParsons will claim in future the above amounts in the court proceedings. The company does not accept the claims 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 September 30, 2015 amounted to EUR 638 million and their assessed fair value amounted to EUR 650 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 September 30, 2015	As at December 31, 2014
FINANCIAL LIABILITIES AT FAIR VALUE		
Commodity forward	83	37
Currency forward	1	-
IRS hedging transactions	64	72
CCIRS hedging transactions	-	8
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE	**148**	**117**

Commodity and currency forwards

Commodity and currency forwards relate mainly to CO_2 emissions rights trade.

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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.

13.2 Liabilities measured at amortized cost

	As at September 30, 2015		As at December 31, 2014	
	Long-term	Short-term	Long-term	Short-term
Loans and borrowings	948	176	1,008	304
Bonds issued	3,636	75	3,679	52
Lease	1	1	1	1
TOTAL LOANS, BORROWINGS, BONDS AND LEASE	**4,585**	**252**	**4,688**	**357**
Liabilities related to purchase of property, plant and equipment and intangible assets	25	887	2	1,095
Liabilities related to LTC	-	1,039	-	767
Other	11	103	14	91
TOTAL OTHER FINANCIAL LIABILITIES	**36**	**2,029**	**16**	**1,953**
TRADE LIABILITIES	**-**	**755**	**-**	**1,179**

Loans and borrowings

As at September 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 611 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 units no. 1-6 in Elektrownia Turów with the total value of PLN 181 million.

On September 7, 2015 PGE S.A. 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. The 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. As at September 30, 2015 the above credit was not used.

On October 27, 2015 PGE S.A. 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.

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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. (Warsaw Stock Exchange)
- 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 September 30, 2015 and in the comparable period amounted to PLN 5 million. In the period ended September 30, 2015 the Group presented trade receivables from associates in the amount of less than PLN 1 million. As at September 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 September 30, 2015	Period ended September 30, 2014
Sales to related parties	1,609	1,557
Purchases from related parties	2,606	2,545

	As at September 30, 2015	As at December 31, 2014
Trade receivables from related parties	210	218
Trade liabilities towards related parties	337	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 September 30, 2015	Period ended September 30, 2014 *data restated*
Short-term employee benefits (salaries and salary related costs)	24,031	22,094
Post-employment and termination benefits	1,674	3,569
TOTAL REMUNERATION OF KEY MANAGEMENT PERSONNEL	**25,705**	**25,663**
Remuneration of key management personnel of entities of non-core operations	11,565	13,335
TOTAL REMUNERATION OF MANAGEMENT PERSONNEL	**37,270**	**38,998**

PLN thousand	Period ended September 30, 2015	Period ended September 30, 2014 *data restated*
The Management Board of the parent company	4,614	6,098
The Supervisory Board of the parent company	311	256
The Management Boards – subsidiaries	19,808	18,338
The Supervisory Boards – subsidiaries	972	971
TOTAL	**25,705**	**25,663**
Remuneration of key management personnel of entities of non-core operations	11,565	13,335
TOTAL REMUNERATION OF MANAGEMENT PERSONNEL	**37,270**	**38,998**

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.

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
Turów Power Plant	to 2016	2,571
Opole Power Plant	to 2012	1,966
ZEDO	to 2010	633
Lublin Wrotków CHP	to 2010	617
Rzeszów CHP	to 2012	422
Gorzów CHP	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.

The impact of LTC compensations on results achieved by the PGE Group is described in Note B.15.1 to the consolidated financial statements and in p. 6.8 of this report.

Decisions of the President of the Energy Regulatory Office related to realisation 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 three quarters of 2015:

- In connection with expiry of the period in which the ERO President could file a cassation appeal relating to a ruling by the Court of Appeal on determining the annual adjustment for stranded costs due to PGE GiEK S.A. for 2010 and to PGE GiEK S.A. Branch Elektrownia Opole for 2009, these proceedings were completed. The claim value in these proceedings totalled PLN 635 million.
- On February 20, 2015, the Supreme Court issued an order that a cassation appeal be deferred in the matter of determining the annual adjustment for stranded costs due to PGE GiEK S.A. Branch Elektrownia Opole (claim value of PLN 179 million), PGE GiEK S.A. Branch ZEDO (claim value of PLN 42 million) and PGE GiEK S.A. Branch Elektrociepłownia Lublin Wrotków for 2008 (claim value of PLN 27 million) and for PGE GiEK S.A. Branch Elektrociepłownia Rzeszów for 2009 (claim value of PLN 45 million) until a resolution is reached by the European Court of Justice in PGE GiEK S.A. Branch ZEDO's 2009 (claim value of PLN 93 million) case.
- A favourable judgment was passed by the Competition and Consumer Protection Court in a case pertaining to the annual adjustment for costs arising in gas-fired units at PGE GiEK S.A. Branch Elektrociepłownia Rzeszów for 2012. The judgment has not become final. The ERO President has filed an appeal with the Court of Appeal. The value of the matter at issue is PLN 7 million.
- The ERO President has filed a cassation appeal with the Supreme Court regarding a ruling by the Court of Appeal in a matter concerning determining the annual adjustment of costs arising in gas-fired units at PGE GiEK S.A. Branch Elektrociepłownia Lublin Wrotków for 2009. On May 22, 2015, the Supreme Court issued a decision to postpone examination of a cassation appeal until the European Court of Justice rules in a case involving PGE GiEK S.A. Branch ZEDO for 2009. Claim value in this case amounts to nearly PLN 7 million.
- An unfavourable judgment was passed by the Court of in a matter concerning determining the annual adjustment of costs arising in gas-fired units at PGE GiEK S.A. Branch Elektrociepłownia Rzeszów for 2011. The verdict is final and binding. Claim value in this case amounted to nearly PLN 6 million.
- In April 2015, the Company filed a cassation appeal with the Supreme Court relating to a ruling by the Court of Appeal in a matter on determining the annual adjustment of costs arising in gas-fired units at PGE GiEK S.A. for 2010. Claim value amounts to PLN 5 million.
- On August 6, 2015 PGE GiEK S.A. received an administrative decision of the ERO President concerning the annual adjustment of the stranded costs for the year 2014. Annual adjustment of the stranded costs generated in generating units PGE GiEK S.A. Branch Elektrownia Turów and PGE GiEK S.A. Branch Elektrownia Opole for the year 2014 amounts to approx. PLN (+)559 million. The company does not dispute this amount. Advances for 2014 amounted to PLN 299 million.
- On August 7, 2015 the company filed a cassation appeal with the Supreme Court, regarding the verdict of the Court of Appeal in case of determining the annual adjustment of costs arising in gas-fired units at PGE GiEK S.A. Branch Elektrociepłownia Rzeszów for 2009. Claim value in this case amounts to PLN 4 million.
- On August 24, 2015 the Management Board of PGE GiEK S.A. filed with the ERO President a request for advance for the generating units Branch Elektrownia Turów and Branch Elektrownia Opole amounting to PLN 229 million. The amount is equal to the maximal value of stranded costs for PGE GiEK S.A. for 2016, that was updated by the ERO President decision of July 21, 2015.
- On July 30, 2015 PGE GIEK S.A. sent to the State Treasury - President of ERO an application for a summons to a conciliation hearing addressed in case of payment to the Company the amount of PLN 0.5 million as compensation for lost profits in connection with the issue of an unfavourable decision for 2011. On October 23, 2015 no settlement was reached at the conciliation meeting.
- On July 31, 2015 a lawsuit was sent to the District Court in Warsaw in case filed by PGE GiEK S.A. against the State Treasury – ERO President for compensation in amount of approx. PLN 58 million for lost profits of the company, due to issue of an unfavourable decisions regarding stranded costs for 2008.

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

In the financial statements for the period ended September 30, 2015, the Group recognized LTC revenue in sales revenue in the amount of PLN 443 million.

The value of disputes in all matters relating to the years 2008 – 2012 amounts to PLN 1,660 million, including the value of disputes favourably resolved for PGE Group by the Court of Appeal and a favourable final judgment by the CCP Court in the amount of PLN 1,429 million. In the period 2008 – September 30, 2015 the PGE Capital Group recognised LTC revenues in total amount of PLN 6,984 million.

15.2 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 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 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.

15.3 Impairment allowances on property, plant and equipment

In 2015 impairment allowances on property, plant and equipment of PLN 8,932 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 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