PGE Polska Grupa Energetyczna S.A. Capital Group

Condensed interim consolidated financial statements prepared in accordance with International Financial Reporting Standards for the period ended 30 June 2013.

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Condensed interim consolidated financial statements for the 6 month period ended 30 June 2013 prepared in accordance with IFRS (in PLN thousand)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Period ended 30 June 2013 (reviewed)	Period ended 30 June 2012 (reviewed) *(restated data)**
Continuing operations			
Total sales revenues	**11**	**15.100.832**	**14.914.091**
Costs of goods sold	**11**	(11.240.830)	(10.578.438)
Gross profit on sales		**3.860.002**	**4.335.653**
Other operating revenues	**11**	366.865	372.240
Distribution and selling expenses	**11**	(491.196)	(836.081)
General and administrative expenses	**11**	(365.773)	(359.287)
Other operating expenses	**11**	(202.557)	(147.234)
Profit from operations		**3.167.341**	**3.365.291**
Financial revenues	**11**	180.197	301.823
Financial expenses	**11**	(230.771)	(178.905)
Share of profit of associate		(491)	3.437
Profit before tax		**3.116.276**	**3.491.646**
Corporate income tax	**13**	(591.257)	(754.942)
Net profit from continuing operations		**2.525.019**	**2.736.704**
Discontinued operations			
Net profit for the period on discontinued operations		-	(149)
Net profit for the operating period		**2.525.019**	**2.736.555**
OTHER COMPREHENSIVE INCOME			
Valuation of available-for-sale financial assets		-	777
Foreign exchange differences from translation of foreign entities		1.622	(1.199)
Actuarial gains and losses from valuation of employee benefit provision		-	-
Other comprehensive income for the period, net		**1.622**	**(422)**
TOTAL COMPREHENSIVE INCOME		**2.526.641**	**2.736.133**
Net profit attributable to:			
-equity holders of the parent company		2.511.214	2.703.632
-non-controlling interest		13.805	32.923
Total comprehensive income attributable to:			
- equity holders of the parent company		2.512.836	2.703.210
- non controlling interest		13.805	32.923
Earnings per share (in PLN)			
- basic and diluted earnings per share for the period		1,34	1,45
- basic and diluted earnings from the continuing operations		1,34	1,45

* For details on comparative data restatement please refer to Note 6 of these financial statements.

Condensed interim consolidated financial statements for the 6 month period ended 30 June 2013 prepared in accordance with IFRS (in PLN thousand)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2013 (reviewed)	As at 31 December 2012 (audited) *(restated data)**	As at 30 June 2012 (reviewed) *(restated data)**
ASSETS				
Non-current assets				
Property, plant and equipment		44.248.444	43.738.301	43.317.132
Investment property		23.100	28.283	30.713
Intangible assets		786.017	462.422	247.643
Loans and receivables		369.847	329.395	331.170
Available-for-sale financial assets		26.186	33.256	97.784
Shares in associates accounted for under the equity method		40.568	40.454	57.996
Other long-term assets		504.136	407.221	614.391
Deferred tax asset	**14**	299.034	367.079	257.744
Non-current assets related to discontinued operations		-	-	26.838
Total non-current assets		**46.297.332**	**45.406.411**	**44.981.411**
Currents assets				
Inventories		1.631.272	2.199.873	1.558.749
Emission rights	**15**	2.118.293	2.890.584	2.378.528
Income tax receivables		7.504	8.918	13.762
Short-term financial assets at fair value through profit or loss		146.064	18.833	12
Trade receivables		2.160.722	1.894.733	1.814.139
Loans and financial receivables		960.905	768.200	435.979
Available-for-sale short-term financial assets		4.132	4.377	3.954
Other current assets		925.289	806.233	997.597
Cash and cash equivalents		6.038.540	4.795.493	8.039.155
Assets classified as held-for-sale		12.920	9.385	12.299
Currents assets related to discontinued operations		-	-	11.825
Total currents assets		**14.005.641**	**13.396.629**	**15.265.999**
TOTAL ASSETS		**60.302.973**	**58.803.040**	**60.247.410**

* For details on comparative data restatement please refer to Note 6 of these financial statements.

Condensed interim consolidated financial statements for the 6 month period ended 30 June 2013 prepared in accordance with IFRS (in PLN thousand)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

LIABILITIES AND EQUITY	Note	As at 30 June 2013 (reviewed)	As at 31 December 2012 (audited) *(restated data)**	As at 30 June 2012 (reviewed) *(restated data)**
Equity				
Share capital	**16**	18.697.608	18.697.608	18.697.608
Revaluation reserve		-	-	-
Treasury shares		-	-	-
Foreign exchange differences from translation of foreign entities		4.935	3.742	5.093
Reserve capital		8.941.152	9.687.596	9.687.596
Other capital reserves		49.779	49.779	49.779
Retained earnings		14.031.713	12.381.996	11.600.008
Non-controlling interest		317.822	295.865	334.800
Total equity		**42.043.009**	**41.116.586**	**40.374.884**
Long-term liabilities				
Interest-bearing loans and borrowings, bonds and lease	**21**	2.069.804	1.085.244	1.214.294
Other long-term liabilities	**21**	7.999	22.038	17.344
Provisions	**18**	4.841.039	4.695.414	3.360.553
Deferred tax liability	**14**	1.690.716	1.572.131	1.482.237
Deferred income and government grants	**19**	1.141.760	1.124.754	1.255.357
Long-term liabilities related to discontinued operations		-	-	6.530
Total long-term liabilities		**9.751.318**	**8.499.581**	**7.336.315**
Short-term liabilities				
Trade liabilities	**21**	776.277	1.201.870	851.973
Financial liabilities at fair value through profit or loss		41.619	36.513	44.472
Interest-bearing loans, borrowings, bonds and lease	**21**	636.429	811.447	417.626
Other short-term financial liabilities	**21**	1.164.515	1.546.320	2.141.823
Other short-term non-financial liabilities		3.291.610	1.557.993	4.898.424
Income tax liabilities		120.764	231.234	404.979
Deferred income and government grants	**19**	560.306	123.401	968.411
Short-term provisions	**18**	1.917.126	3.678.095	2.798.068
Short-term liabilities related to discontinued operations		-	-	10.435
Total short-term liabilities		**8.508.646**	**9.186.873**	**12.536.211**
Total liabilities		**18.259.964**	**17.686.454**	**19.872.526**
TOTAL LIABILITIES AND EQUITY		**60.302.973**	**58.803.040**	**60.247.410**

* For details on comparative data restatement please refer to Note 6 of these financial statements.

Condensed interim consolidated financial statements for the 6 month period ended 30 June 2013 prepared in accordance with IFRS (in PLN thousand)

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

for the period ended 30 June 2013

(reviewed)	Share capital	Revaluation reserve	Treasury shares	Foreign exchange differences from translation	Reserve capital	Other capital reserves	Retained earnings	Total	Non-controlling interest	Total equity
As at 1 January 2013	**18.697.608**	**-**	**-**	**3.742**	**9.687.596**	**49.779**	**12.381.996**	**40.820.721**	**295.865**	**41.116.586**
Total comprehensive income for the period	**-**	**-**	**-**	***1.622***	**-**	**-**	***2.511.214***	***2.512.836***	***13.805***	***2.526.641***
Reimbursement of payments from profit for previous years	-	-	-	-	-	-	294	**294**	**-**	**294**
Retained earnings distribution	-	-	-	-	77.552	-	(77.552)	**-**	**-**	**-**
Dividend	-	-	-	-	(823.996)	-	(783.998)	**(1.607.994)**	(2.217)	**(1.610.211)**
Changes due to mergers of companies within the Capital Group	-	-	-	-	-	-	5.384	**5.384**	(5.343)	**41**
Exclusion of companies from the Capital Group	-	-	-	(429)	-	-	(8.261)	**(8.690)**	14.222	**5.532**
Inclusion of companies to consolidation	-	-	-	-	-	-	2.071	**2.071**	1.715	**3.786**
Other changes	-	-	-	-	-	-	565	**565**	(225)	**340**
As at 30 June 2013	**18.697.608**	**-**	**-**	**4.935**	**8.941.152**	**49.779**	**14.031.713**	**41.725.187**	**317.822**	**42.043.009**

Condensed interim consolidated financial statements for the 6 month period ended 30 June 2013 prepared in accordance with IFRS (in PLN thousand)

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

for the period ended 31 December 2012

(restated data)	Share capital	Revaluation reserve	Treasury shares	Foreign exchange differences from translation	Reserve capital	Other capital reserves	Retained earnings	Total	Non-controlling interest	Total equity
As at 1 January 2012	**18.697.837**	**(777)**	**(229)**	**6.292**	**8.553.143**	**49.779**	**13.393.571**	**40.699.616**	**413.994**	**41.113.610**
Total comprehensive income for the period	**-**	***777***	**-**	***(2.550)***	**-**	**-**	***3.486.590***	***3.484.817***	***27.532***	***3.512.349***
Retained earnings distribution	-	-	-	-	1.134.453	-	(1.134.453)	**-**	**-**	**-**
Dividend	-	-	-	-	-	-	(3.421.472)	**(3.421.472)**	(1.011)	**(3.422.483)**
Purchase of new companies	-	-	-	-	-	-	-	**-**	19.723	**19.723**
Redemption of Treasury shares	(229)	-	229	-	-	-	-	**-**	-	**-**
Adjustment of purchase cost of stock in subsidiaries	-	-	-	-	-	-	(1.885)	**(1.885)**	-	**(1.885)**
Settlement of purchase of additional stock in subsidiaries:	-	-	-	-	-	-	22.313	**22.313**	(127.041)	**(104.728)**
Value of the purchased non-controlling interest	-	-	-	-	-	-	_127.041_	***127.041***	_(127.041)_	**-**
The acquisition cost of shares and stocks in subsidiaries	-	-	-	-	-	-	_(104.728)_	***(104.728)***	-	***(104.728)***
Change of shares in result of mergers of companies within the Capital Group	-	-	-	-	-	-	37.332	**37.332**	(37.332)	**-**
As at 31 December 2012	**18.697.608**	**-**	**-**	**3.742**	**9.687.596**	**49.779**	**12.381.996**	**40.820.721**	**295.865**	**41.116.586**

Condensed interim consolidated financial statements for the 6 month period ended 30 June 2013 prepared in accordance with IFRS (in PLN thousand)

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

for the period ended 30 June 2012

(reviewed) *(restated data)*	Share capital	Revaluation reserve	Treasury shares	Foreign exchange differences from translation	Reserve capital	Other capital reserves	Retained earnings	Total	Non-controlling interest	Total equity
As at 1 January 2012	**18.697.837**	**(777)**	**(229)**	**6.292**	**8.553.143**	**49.779**	**13.393.571**	**40.699.616**	**413.994**	**41.113.610**
Total comprehensive income for the period	**-**	***777***	**-**	***(1.199)***	**-**	**-**	***2.703.632***	***2.703.210***	***32.923***	***2.736.133***
Dividend	-	-	-	-	-	-	(3.421.662)	**(3.421.662)**	(909)	**(3.422.571)**
Retained earnings distribution	-	-	-	-	1.134.453	-	(1.134.453)	**-**	-	**-**
Purchase of new companies	-	-	-	-	-	-	-	**-**	19.757	**19.757**
Redemption of Treasury shares	(229)	-	229	-	-	-	-	**-**	-	**-**
Adjustment of purchase cost of stock in subsidiaries	-	-	-	-	-	-	(1.885)	**(1.885)**	-	**(1.885)**
Settlement of purchase of additional stock in subsidiaries:	-	-	-	-	-	-	23.687	**23.687**	(93.847)	**(70.160)**
Value of the purchased non-controlling interest	-	-	-	-	-	-	*93.847*	***93.847***	*(93.847)*	**-**
The acquisition cost of shares and stocks in subsidiaries	-	-	-	-	-	-	*(70.160)*	***(70.160)***	-	***(70.160)***
Change of shares in result of mergers of companies within the Capital Group	-	-	-	-	-	-	37.118	**37.118**	(37.118)	**-**
As at 30 June 2012	**18.697.608**	**-**	**-**	**5.093**	**9.687.596**	**49.779**	**11.600.008**	**40.040.084**	**334.800**	**40.374.884**

* For details on comparative data restatement please refer to Note 6 of these financial statements.

Condensed interim consolidated financial statements for the 6 month period ended 30 June 2013 prepared in accordance with IFRS (in PLN thousand)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Period ended 30 June 2013 (reviewed)	Period ended 30 June 2012 (reviewed) *(restated data)**
Cash flow from operating activities		
Profit before tax related to discontinued operations	**-**	**(251)**
Profit before tax related to continuing operations	**3.116.276**	**3.491.646**
Adjustments for:		
Share of profit from associates accounted for under the equity method	491	(3.437)
Depreciation, amortization and impairment allowances for property, plant and equipment and intangible assets	1.528.962	1.433.211
Interest and dividend, net	7.605	(35.534)
Profit / loss on investment activities	(169.354)	(45.818)
Change in receivables	(414.516)	210.743
Change in inventories	578.198	(256.497)
Change in liabilities, excluding loans and bank credits	(395.249)	353.735
Change in other non-financial assets, prepayments and accruals, and emission rights	1.107.173	1.637.394
Change in provisions	(1.671.121)	(1.783.213)
Income tax paid	(504.905)	(596.640)
Other	80.953	(8.657)
Net cash from operating activities	**3.264.513**	**4.396.682**
Cash flow from investing activities		
Disposal of property, plant and equipment and intangible assets	34.386	14.059
Purchase of property, plant and equipment and intangible assets	(2.091.060)	(2.306.062)
Purchase/ disposal of investment property	(37.152)	1.097
Disposal of financial assets	14.817	2.151.416
Purchase of financial assets and increase in share capital in Group companies	(2.225)	(6.607)
Purchase/ disposal of subsidiaries after deduction of acquired/disposed of cash	(699.958)	10.703
Dividends received	327	342
Interest received	816	35.097
Loans repaid	79	66
Loans granted	(2.578)	(284)
Other	10.519	-
Net cash from investing activities	**(2.772.029)**	**(100.173)**

Explanatory notes are an integral part of the financial statements

Condensed interim consolidated financial statements for the 6 month period ended 30 June 2013 prepared in accordance with IFRS (in PLN thousand)

	Period ended 30 June 2013 (reviewed)	Period ended 30 June 2012 (reviewed) *(restated data)**
Cash flow from financing activities		
Proceeds from bank credits and issue of bonds	1.466.138	12.877
Repayment of bank credits, bonds and finance lease	(717.119)	(389.578)
Dividends paid	(1.354)	(60.395)
Interest paid	(17.119)	(29.606)
Dividend return from non-controlling shareholders	-	148.260
Other	16.789	5.104
Net cash flow from financing activities	**747.335**	**(313.338)**
Net change of cash and cash equivalents	**1.239.819**	**3.983.171**
Effect of foreign exchange rate changes	(5.533)	(6.144)
Cash and cash equivalents at the beginning of the period	**4.789.910**	**4.040.902**
Cash and cash equivalents at the end of the period, including	**6.029.729**	**8.024.073**
Restricted cash	416.859	431.321
Attributed to discontinued operations	-	2.554

* For details on comparative data restatement please refer to Note 6 of these financial statements.

EXPLANATORY NOTES

1. General information

PGE Polska Grupa Energetyczna S.A. Group ("Group", "Capital Group", "PGE Group") comprises the parent company PGE Polska Grupa Energetyczna S.A. and subsidiaries (described in Note 3).

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.

Company is seated in Warsaw, Mysia Street 2.

As of the day of preparation of these consolidated financial statements, the Company is registered in the National Court Register of the District Court for the capital city of Warsaw, XII Commercial Department of the National Court Register, under no. KRS 0000059307.

Core operations of the 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.

The State Treasury is the major shareholder of the parent company.

These condensed interim consolidated financial statements of the Capital Group comprise data for the period from 1 January 2013 to 30 June 2013 ("financial statements", "consolidated financial statements").

2. The composition of the Management Board of the Parent Company

As at 1 January 2013 and 30 June 2013 the composition of the Management Board of the Parent Company was as follows:

- Mr. Krzysztof Kilian – the President of the Management Board,
- Mrs. Bogusława Matuszewska – the Vice-President of the Management Board,
- Mr. Wojciech Ostrowski – the Vice-President of the Management Board,
- Mr. Paweł Smoleń – the Vice-President of the Management Board,
- Mr. Piotr Szymanek – the Vice-President of the Management Board.

On 17 July 2013 Mr. Paweł Smoleń resigned from the position of Vice-President of the Management Board effectively from 19 July 2013.

As of the day of preparation of these financial statements, the composition of the Management Board was as follows:

- Mr. Krzysztof Kilian – the President of the Management Board,
- Mrs. Bogusława Matuszewska – the Vice-President of the Management Board,
- Mr. Wojciech Ostrowski – the Vice-President of the Management Board,
- Mr. Piotr Szymanek – the Vice-President of the Management Board.

Condensed interim consolidated financial statements for the 6 month period ended 30 June 2013 prepared in accordance with IFRS (in PLN thousand)

3. Structure of the Group

3.1. Entities included in the Capital Group

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

	Entity	Share of Group entities as at 30 June 2013	Entity holding shares as at 30 June 2013	Share of Group entities as at 31 December 2012	Entity holding shares as at 31 December 2012
	Segment: wholesale				
1.	PGE Polska Grupa Energetyczna S.A. *Warszawa*	The Parent Company of the Group			
2.	PGE Trading GmbH *Niemcy*	100,00%	PGE Polska Grupa Energetyczna S.A.	100,00%	PGE Polska Grupa Energetyczna S.A.
	Segment: mining and conventional energy				
3.	PGE Górnictwo i Energetyka Konwencjonalna S.A. *Bełchatów*	91,20% 7,37%	PGE Polska Grupa Energetyczna S.A PGE Obrót S.A.	91,20% 7,37%	PGE Polska Grupa Energetyczna S.A PGE Obrót S.A.
4.	Przedsiębiorstwo Energetyki Cieplnej sp. z o.o. *Zgierz*	50,97%	PGE Górnictwo i Energetyka Konwencjonalna S.A.	50,97%	PGE Górnictwo i Energetyka Konwencjonalna S.A.
	Segment: renewable energy				
5.	PGE Energia Odnawialna S.A. *Warszawa*	100,00%	PGE Polska Grupa Energetyczna S.A.	100,00%	PGE Polska Grupa Energetyczna S.A.
6.	Bio-Energia S.A. *Warszawa*	100,00%	PGE Energia Odnawialna S.A.	100,00%	PGE Energia Odnawialna S.A.
	Biogazownia Łapy sp. z o.o. *Warszawa*	-	-	100,00%	Bio-Energia S.A.
	Biogazownia Wożuczyn sp. z o.o. *Warszawa*	-	-	100,00%	Bio-Energia S.A.
7.	Elektrownia Wiatrowa Baltica-1 sp. z o.o. *Warszawa*	100,00%	PGE Energia Odnawialna S.A.	100,00%	PGE Energia Odnawialna S.A.
8.	Elektrownia Wiatrowa Baltica-2 sp. z o.o. *Warszawa*	100,00%	PGE Energia Odnawialna S.A.	100,00%	PGE Energia Odnawialna S.A.
9.	Elektrownia Wiatrowa Baltica-3 sp. z o.o. *Warszawa*	100,00%	PGE Energia Odnawialna S.A.	100,00%	PGE Energia Odnawialna S.A.
10.	Pelplin sp. z o.o. *Warszawa*	100,00%	PGE Energia Odnawialna S.A.	100,00%	PGE Energia Odnawialna S.A.
11.	Żuromin sp. z o.o. *Warszawa*	100,00%	PGE Energia Odnawialna S.A.	100,00%	PGE Energia Odnawialna S.A.
12.	Eolica Wojciechowo sp. z o.o. *Gniewino*	100,00%	PGE Energia Odnawialna S.A.	50,00%	PGE Energia Odnawialna S.A.
13.	Dong Energy Polska S.A. (current name PGE Energia Natury S.A.) *Warszawa*	100,00%	PGE Polska Grupa Energetyczna S.A.	-	-
14.	Dong Energy Renewables Polska sp. z o.o. (current name PGE Energia Natury sp. z o.o.) *Warszawa*	100,00%	PGE Polska Grupa Energetyczna S.A.	-	-

Condensed interim consolidated financial statements for the 6 month period ended 30 June 2013 prepared in accordance with IFRS (in PLN thousand)

	Entity	Share of Group entities as at 30 June 2013	Entity holding shares as at 30 June 2013	Share of Group entities as at 31 December 2012	Entity holding shares as at 31 December 2012
15.	Dong Energy Karnice III sp. z o.o. (current name PGE Energia Natury Karnice sp. z o.o.) *Warszawa*	100,00%	PGE Polska Grupa Energetyczna S.A.	-	-
16.	Dong Energy Bukowo sp. z o.o. (current name PGE Energia Natury Bukowo sp. z o.o.) *Warszawa*	100,00%	PGE Polska Grupa Energetyczna S.A.	-	-
17.	Dong Energy Olecko sp. z o.o. (current name EPW Energia Olecko sp. z o.o.) *Warszawa*	81,00%	PGE Polska Grupa Energetyczna S.A.	-	-
18.	Omikron sp. z o.o. (current name PGE Energia Natury Omikron sp. z o.o.) *Warszawa*	100,00%	Dong Energy Polska S.A.	-	-
19.	Kappa sp. z o.o. (current name PGE Energia Natury Kappa sp. z o.o.) *Warszawa*	100,00%	Dong Energy Polska S.A.	-	-
20.	Polska Energia Wiatrowa sp. z o.o. (current name PGE Energia Natury PEW sp. z o.o.) *Warszawa*	100,00%	Dong Energy Polska S.A.	-	-
	Segment: distribution				
21.	PGE Dystrybucja S.A. *Lublin*	89,91% 10,07%	PGE Obrót S.A. PGE Polska Grupa Energetyczna S.A.	89,91% 10,07%	PGE Obrót S.A. PGE Polska Grupa Energetyczna S.A.
	Segment: retail sale				
22.	PGE Obrót S.A.* *Rzeszów*	99,55%	PGE Polska Grupa Energetyczna S.A.	99,55%	PGE Polska Grupa Energetyczna S.A.
	Segment: other				
23.	EXATEL S.A. *Warszawa*	99,98%	PGE Polska Grupa Energetyczna S.A.	99,94%	PGE Polska Grupa Energetyczna S.A.
24.	NOM sp. z o.o. *Warszawa*	100,00%	EXATEL S.A.	100,00%	EXATEL S.A.
25.	ENERGO-TEL S.A. *Warszawa*	51,10% 48,90%	EXATEL S.A. NOM sp. z o.o.	51,10% 48,90%	EXATEL S.A. NOM sp. z o.o.
	MEGA sp. z o.o. *Miłocin*	-	-	75,01%	PGE Energia Odnawialna S.A.
26.	„EnBud" sp. z o.o. w likwidacji *Czymanowo*	100,00%	PGE Energia Odnawialna S.A.	100,00%	PGE Energia Odnawialna S.A.
27.	„ESP Usługi" sp. z o.o. w likwidacji *Warszawa*	100,00%	PGE Energia Odnawialna S.A.	100,00%	PGE Energia Odnawialna S.A.
	Budownictwo Hydro-Energetyka - Dychów sp. z o. o. *Dychów*	-	-	100,00%	PGE Energia Odnawialna S.A.
28.	ELBIS sp. z o.o. *Rogowiec*	100,00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.	100,00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.
29.	MEGAZEC sp. z o.o. *Bydgoszcz*	100,00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.	100,00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.

Condensed interim consolidated financial statements for the 6 month period ended 30 June 2013 prepared in accordance with IFRS (in PLN thousand)

	Entity	Share of Group entities as at 30 June 2013	Entity holding shares as at 30 June 2013	Share of Group entities as at 31 December 2012	Entity holding shares as at 31 December 2012
30.	„ELBEST" sp. z o.o. *Bełchatów*	91,30%	PGE Górnictwo i Energetyka Konwencjonalna S.A.	91,30%	PGE Górnictwo i Energetyka Konwencjonalna S.A.
		7,50%	PGE Dystrybucja S.A.	7,50%	PGE Dystrybucja S.A.
		1,11%	PGE Obrót S.A.	1,11%	PGE Obrót S.A.
		0,09%	PGE Energia Odnawialna S.A.	0,09%	PGE Energia Odnawialna S.A.
31.	MegaSerwis sp. z o.o. *Bogatynia*	100%	PGE Górnictwo i Energetyka Konwencjonalna S.A.	-	
32.	PGE Gubin sp. z o.o. *Gubin*	100,00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.	100,00%	PGE Polska Grupa Energetyczna S.A.
33.	Elektrownia Puławy sp. z o.o. *Puławy*	50,00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.	50,00%	PGE Górnictwo i Energetyka Konwencjonalna S.A
34.	„Energoserwis – Kleszczów" sp. z o.o. *Kleszczów*	51,00%	ELBIS sp. z o.o.	51,00%	ELBIS sp. z o.o.
35.	„ELMEN" sp. z o.o. *Rogowiec*	100,00%	ELBIS sp. z o.o.	100,00%	ELBIS sp. z o.o.
36.	Przedsiębiorstwo Usługowo-Produkcyjne „ELTUR-SERWIS" sp. z o.o. *Bogatynia*	100,00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.	100,00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.
37.	Przedsiębiorstwo Produkcji Sorbentów i Rekultywacji „ELTUR–WAPORE" sp. z o.o. (current name EPORE sp. z o.o.) *Bogatynia*	85,38%	PGE Górnictwo i Energetyka Konwencjonalna S.A.	100,00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.
38.	Przedsiębiorstwo Usługowo-Produkcyjne „TOP SERWIS" sp. z o.o. *Bogatynia*	100,00%	Przedsiębiorstwo Usługowo-Produkcyjne ELTUR-SERWIS sp. z o.o.	100,00%	Przedsiębiorstwo Usługowo-Produkcyjne ELTUR-SERWIS sp. z o.o.
39.	ENESTA sp. z o.o. *Stalowa Wola*	84,85%	PGE Dystrybucja S.A.	84,85%	PGE Dystrybucja S.A.
		2,48%	PGE Górnictwo i Energetyka Konwencjonalna S.A.	2,48%	PGE Górnictwo i Energetyka Konwencjonalna S.A.
40.	RAMB sp. z o.o. *Piaski*	100,00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.	100,00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.
41.	Przedsiębiorstwo Transportowo Sprzętowe „BETRANS" sp. z o.o. *Bełchatów*	98,65%	PGE Górnictwo i Energetyka Konwencjonalna S.A.	98,65%	PGE Górnictwo i Energetyka Konwencjonalna S.A.
		1,16%	PGE Dystrybucja S.A.	1,16%	PGE Dystrybucja S.A.
		0,17%	PGE Obrót S.A.	0,17%	PGE Obrót S.A.
					PGE Energia Odnawialna S.A.
		0,02%	PGE Energia Odnawialna S.A.	0,02%	

Condensed interim consolidated financial statements for the 6 month period ended 30 June 2013 prepared in accordance with IFRS (in PLN thousand)

	Entity	Share of Group entities as at 30 June 2013	Entity holding shares as at 30 June 2013	Share of Group entities as at 31 December 2012	Entity holding shares as at 31 December 2012
42.	Przedsiębiorstwo Wulkanizacji Taśm i Produkcji Wyrobów Gumowych BESTGUM POLSKA sp. z o.o. *Rogowiec*	100,00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.	100,00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.
	„EPO" sp. z o.o. *Opole*	-	-	50,00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.
43.	Przedsiębiorstwo Transportowo-Usługowe „ETRA" sp. z o.o. *Białystok*	100,00%	PGE Dystrybucja S.A	100,00%	PGE Dystrybucja S.A
44.	Przedsiębiorstwo Produkcyjno-Handlowe EKTO sp. z o.o. *Białystok*	100,00%	PGE Dystrybucja S.A.	100,00%	PGE Dystrybucja S.A.
45.	Energetyczne Systemy Pomiarowe sp. z o.o. *Białystok*	100,00%	PGE Dystrybucja S.A.	100,00%	PGE Dystrybucja S.A.
46.	Zakład Obsługi Energetyki sp. z o.o. *Zgierz*	100,00%	PGE Dystrybucja S.A.	100,00%	PGE Dystrybucja S.A.
	ELECTRA Bohemia s.r.o. *(w likwidacji)* *Czechy*	-	-	100,00%	PGE Polska Grupa Energetyczna S.A.
47.	PGE Systemy S.A. *Warszawa*	100,00%	PGE Polska Grupa Energetyczna S.A.	100,00%	PGE Polska Grupa Energetyczna S.A.
48.	PGE Inwest sp. z o.o. *Warszawa*	100,00%	PGE Polska Grupa Energetyczna S.A.	100,00%	PGE Polska Grupa Energetyczna S.A.
	PGE Inwest spółka z ograniczoną odpowiedzialnością II S.K.A. w likwidacji *Warszawa*	-	-	100,00%	PGE Polska Grupa Energetyczna S.A.
49.	PGE Energia Jądrowa S.A. *Warszawa*	100,00%	PGE Polska Grupa Energetyczna S.A.	100,00%	PGE Polska Grupa Energetyczna S.A.
50.	PGE EJ 1 sp. z o.o. *Warszawa*	51,00% 49,00%	PGE Energia Jądrowa S.A. PGE Polska Grupa Energetyczna S.A.	51,00% 49,00%	PGE Energia Jądrowa S.A. PGE Polska Grupa Energetyczna S.A.
51.	PGE Dom Maklerski S.A. *Warszawa*	100,00%	PGE Polska Grupa Energetyczna S.A.	100,00%	PGE Polska Grupa Energetyczna S.A.

* The remaining part of shares of PGE Obrót S.A. are treasury shares of that entity. Hence, the participation of PGE S.A. in the equity of PGE Obrót S.A. amounts to 100.00%

Changes in the structure of the PGE Group companies which are subject to full consolidation, and which took place during the period ended 30 June 2013 and until the date of preparation of these financial statements, are mentioned in the table above and include inter alia following transformations:

- On 24 January 2013 PGE Energia Odnawialna S.A. acquired 50% shares in the company Eolica Wojciechowo Sp. z o.o., reaching a 100% interest in the company. From that day PGE Energia Odnawialna S.A. has control over Eolica Wojciechowo Sp. z o.o. and therefore the company has been included in the consolidated financial statements.
- On 31 January 2013 merger of Bio-Energia S.A. with Biogazownia Łapy sp. z o.o. and Biogazownia Wożuczyn sp. z o.o. was registered.

- On 21 February 2013 all owned shares in Budownictwo Hydro-Energetyka Dychów sp. z o.o. were sold. The assets of the company were 0.01% of the total assets of PGE Capital Group before consolidation eliminations.
- On 5 March 2013 the liquidation of PGE Inwest spółka z ograniczoną odpowiedzialnością II SKA w likwidacji was completed and the company has been deleted from the National Court Register (KRS).
- On 27 March 2013, PGE Polska Grupa Energetyczna S.A. sold all owned shares in PGE Gubin Sp. z o.o. to PGE Górnictwo i Energetyka Konwencjonalna S.A.
- On 28 April 2013, the decision on deletion of the ELECTRA Bohemia s.r.o. w likwidacji from the register of companies became final.
- On 3 June 2013 the merger of Przedsiębiorstwo Produkcji Sorbentów i Rekultywacji „ELTUR–WAPORE" Sp. z o.o. (acquiring company) with "EPO" Sp. z o.o. has been registered. After the merger, the company operates under the name EPORE Sp. z o.o.
- On 28 June 2013 PGE S.A. and Energa Hydro sp. z o.o. (subsidiary of Energa S.A.) concluded with Dong Energy Wind Power A/S („DONG Energy") acquisition agreement of shares in companies operating wind farms and developing portfolios of wind farms in Poland. Concluding of the above-mentioned agreement results from conditional agreement concluded on 19 Februrary 2013 and a further approval for concentration issued by the President of the Office of Competition and Consumer Protection dated 4 June 2013. On the grounds of the concluded agreement with Dong Energy, PGE S.A. acquired operating wind farms in Karnice of 30 MW installed capacity and Jagniątkowo of 30.5 MW installed capacity with contracted off-take of electricity and certificates, respectively for Karnice wind farm until end of 2020 and for Jagniatkowo wind farm until end of 2017. Additionally, PGE S.A. acquired a portfolio of projects of total 555 MW potential planned capacity. The value of acquired shares in companies from Dong group falling on PGE S.A. amounted to PLN 464 million. Moreover, according to the agreement PGE S.A. paid off intercompany liabilities of the acquired companies of PLN 246 million.
- In April of 2013 MEGA Sp o.o. was put into liquidation as a result the control over the company has been lost. Starting from these financial statements MEGA Sp. z o.o. has been excluded from consolidation.
- Starting from 30 June 2013, MegaSerwis Sp. z o.o. which was established 21 December 2012, has been included in the consolidated financial statements. Earlier, the company was not included in the consolidated financial statements, as it was in the organization.

Furthermore:

- On 31 July 2013 PGE Polska Grupa Energetyczna S.A. and Energa Hydro sp. z o.o. concluded respectively with Iberdrola Renovables Energía S.A.U. and European Bank for Reconstruction and Development two agreements for the acquisition of 100% shares in Iberdrola Renewables Polska Sp. z o.o. – a company operating wind farms in Poland. Conclusion of the above-mentioned agreements results from the conditional agreements concluded with Iberdrola (on 26 February 2013) and with EBRD (on 21 June 2013) followed by approval for concentration issued by the President of the Office of Competition and Consumer Protection (dated 4 June 2013). On the grounds of the concluded agreements with Iberdrola and EBRD, PGE S.A. acquired three operating wind farms with total installed capacity of 70.5 MW with contracted off-take of electricity and certificates until 2029. Additionally, PGE S.A. acquired two projects in the advanced stage of development of 36 MW. Transaction value (Enterprise Value) for Iberdrola Renewables Polska Sp. z o.o. assets acquired by PGE S.A. amounts to PLN 366 million and represents 32.7% equity share of the entity.
- On 23 April 2013 the Management Board of PGE S.A. made a decision on merger of PGE S.A. with its subsidiary PGE Energia Jądrowa S.A. The merger was registered on 31 July 2013 and has no influence on the consolidated financial statements.

3.2. Settlement of acquisition of new subsidiaries

Settlement of acquisition of Żuromin and Pelplin

In the current period, the valuation of intangible assets of wind farms Pelplin and Żuromin acquired in the last year was performed. On the basis of this valuation, intangible assets regarding land lease and interconnection agreements were separated from the estimated goodwill. So identified intangible assets for the company Pelplin amounted to PLN 13.1 million and for the company Żuromin PLN 16.9 million. Since the beginning of 2013, they are amortized over a period of 20 years.

Initial settlement of the acquisition companies from Dong group

At the date of acquisition of control, net assets of the companies from DONG group calculated at book value amounted to PLN 172 million and the purchase price amounted to PLN 464 million. The difference between the purchase price and the value of acquired net assets in the amount of PLN 293 million has been initially recognized by PGE Capital Group as goodwill under intangible assets.

The Group began the valuation process of the acquired assets to the fair value and the identification process of new intangible assets in accordance with IFRS 3. As a result of preliminary analyzes, the Group expects that in the settlement of the acquisition the above-mentioned goodwill may be corrected due to the identification:

- of deviating from the current market conditions of long-term sales contracts of electricity and energy origin units,
- of deviating from the current market conditions of long-term land lease contracts,
- of remeasurement to fair value of the farm projects before beginning of operations.

As at the date of preparing these financial statements, the Group does not have estimates of the value of the above-mentioned agreements and assets. In accordance with IFRS 3 § 45, the Group should complete the accounting settlement within one year from the date of acquisition.

Initial estimates of the settlement of the acquisition of Iberdrola Renewables Polska Sp. z o.o.

As presented in Note 3.1 of these financial statements, after balance sheet date PGE Polska Grupa Energetyczna S.A. and Energa Hydro Sp. z o.o. concluded agreements for the acquisition of 100% shares in Iberdrola Renewables Polska Sp. z o.o. The value of the transaction involving the acquisition of shares in Iberdrola Renewables Polska Sp. z o.o., which was made by PGE S.A., amounts to PLN 366 million and represents 32.7% of the company`s equity. The estimated net asset value attributable to PGE S.A. as at 31 July 2013 is approximately PLN 354 million. The difference between the purchase price and the value of the net identifiable assets of PLN 12 million will be recognized as goodwill or will be allocated to existing or newly identified acquired assets in future financial statements.

As at the date of preparation of this financial statements the Group does not have estimates of fair value of acquired agreements and assets. The Group should finalize the accounting settlement within one year from the acquisition.

4. The basis for the preparation of the financial statements

Statement of compliance

These Condensed Interim Consolidated Financial Statements of PGE Polska Grupa Energetyczna S.A. were prepared in accordance with International Accounting Standard 34 *Interim financial reporting*, in accordance with International Accounting Standards, which regard interim financial reporting as adopted by the European Union, published and effective during the period of preparation of these financial statements and in the scope required under the Minister of Finance Regulation of 19 February 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).

The foregoing financial statements, apart from adoption of IFRIC 20 and greenhouse gases emission rights valuation described in note 6, are prepared based on the same accounting policy and methods of computation as compared with the most recent annual financial statements. Financial statements are to be read together with the audited separate financial statements of PGE Polska Grupa Energetyczna S.A. prepared in accordance with IFRS for the year ended 31 December 2012.

General rules of preparation

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

With regards to financial reporting obligations resulting from listing of the parent company PGE Polska Grupa Energetyczna S.A., the Management Board decided to implement the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The first consolidated financial statement of the PGE Group comprising a statement of unconditional compliance with IFRS were the consolidated financial statements prepared for the year ended 31 December 2007.

The most significant entities of the Capital Group PGE Polska Grupa Energetyczna S.A. maintain their accounting books in accordance with the IFRS approved by the EU. PGE Trading GmbH seated in Germany maintain its accounting books in compliance with German reporting regulations. The accounting books in other entities are maintained in accordance with the accounting policies (rules) specified in the Accounting Act dated 29 September 1994 ("the Accounting Act") and related bylaws, and other regulations published on their basis, therefore the consolidated financial statements includes adjustments which were not included in the books of Group entities. The purpose of these adjustments was to make the financial statements of these entities compliant with IFRS adopted by the EU.

5. Presentation currency

The financial statements are presented in Polish Zloty („PLN") and all amounts are in PLN thousand, unless indicated otherwise.

The following exchange rates were applied to valuation of positions of the statement of financial position:

	30 June 2013	31 December 2012	30 June 2012
USD	3,3175	3,0996	3,3885
EURO	4,3292	4,0882	4,2613

6. Changes in applied accounting policies and data presentation

During the reporting period ended 31 December 2012 the Group changed selected accounting principles relating to implementation of revised IAS 19 *Employee Benefits.* The most significant changes implemented by the revised IAS 19 for the PGE Capital Group companies include:

- liquidation of the so-called past-service costs,
- recognition of actuarial gains and losses for post-employment benefits as other comprehensive income.

Therefore, the PGE Capital Group restated the data presented in the comparative consolidated financial statements for period ended 30 June 2013 recognizing provisions for so-called energy equivalent without amortization of past-service costs.

New interpretation of IFRIC 20 which unifies recognition of stripping costs in the production phase of a surface mine is effective for annual periods beginning on or after 1 January 2013. According to the former accounting policy the Group recognized such expenses in the statement of the comprehensive income when incurred. As from 1 January 2013, part of the above-mentioned costs are recognized as an asset and then depreciated.

The PGE Capital Group adopted IFRIC 20 from the earliest presented reporting period. Therefore, the Group restated the data presented in the comparative consolidated financial statements for 2012.

In 2013, the Company changed the principles for the valuation of purchased CO_2 emission rights. In accordance with the revised accounting policy, part of the rights acquired in order to realize profits from fluctuations in market prices, is recognized as inventories at fair value less costs to sell. Forward contracts concluded for the purchase / sale of CO_2 emission rights are recognized as derivatives hold for trading. The fair value of financial instruments related to trade of CO_2 emission rights (currency and commodity forward contracts) is presented in the statement of financial position as financial instruments at fair value through profit or loss. Changes in the fair value of these instruments, as well as the change in valuation of inventories of emission rights at fair value (for trade) is recognized in a separate position in the note regarding financial income or expenses, accordingly.

The data restatement is presented in below tables. Information presented in other notes to these financial statements has also been restated accordingly.

Condensed interim consolidated financial statements for the 6 month period ended 30 June 2013 prepared in accordance with IFRS (in PLN thousand)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Period ended 30 June 2012 *(published data)*	Implementation of IFRIC 20	Implementation of IAS 19	Change in CO_2 valuation	Period ended 30 June 2012 *(restated data)*
Operating activities					
Total sales revenue	**14.950.933**	**-**	**-**	**(36.842)**	**14.914.091**
Costs of goods sold	(10.876.859)	258.397	3.561	36.463	(10.578.438)
Gross profit on sales	**4.074.074**	**258.397**	**3.561**	**(379)**	**4.335.653**
Other operating revenues	372.240	-	-	-	372.240
Distribution and selling expenses	(836.081)	-	-	-	(836.081)
General and administrative expenses	(359.287)	-	-	-	(359.287)
Other operating expenses	(147.234)	-	-	-	(147.234)
Profit from operations	**3.103.712**	**258.397**	**3.561**	**(379)**	**3.365.291**
Financial revenues	301.751	-	-	72	301.823
Financial expenses	(179.212)	-	-	307	(178.905)
Share of profit of associate	3.437	-	-		3.437
Profit before tax	**3.229.688**	**258.397**	**3.561**	**-**	**3.491.646**
Corporate income tax	(705.170)	(49.095)	(677)	-	(754.942)
Net profit from continuing operations	**2.524.518**	**209.302**	**2.884**	**-**	**2.736.704**
Discontinued operations					
Profit/ (loss) for the period on discontinued operations	(149)	-	-	-	(149)
Net profit for the operating period	**2.524.369**	**209.302**	**2.884**	**-**	**2.736.555**
Other comprehensive income for the period, net	**(422)**	-	-	**-**	**(422)**
TOTAL COMPREHENSIVE INCOME	**2.523.947**	**209.302**	**2.884**	**-**	**2.736.133**
Net profit attributable to:					
- equity holders of the parent company	2.494.457	206.305	2.870	-	2.703.632
- non-controlling interest	29.912	2.997	14	-	32.923
Total comprehensive income attributable to:					
- equity holders of the parent company	2.494.035	206.305	2.870	-	2.703.210
- non controlling interest	29.912	2.997	14	-	32.923
Earnings per share (in PLN)					
- basic earnings per share for the period	1,33	0,12	-	-	1,45
- basic earnings from the continuing operations	1,33	0,12	-	-	1,45

Condensed interim consolidated financial statements for the 6 month period ended 30 June 2013 prepared in accordance with IFRS (in PLN thousand)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Period ended 30 June 2012 *(published data)*	Implementation of IFRIC 20	Implementation of IAS 19	Period ended 30 June 2012 *(restated data)*
Non-current assets				
Property, plant and equipment	43.058.735	258.397	-	43.317.132
Investment property	30.713	-	-	30.713
Intangible assets	247.643	-	-	247.643
Loans and receivables	331.170	-	-	331.170
Available-for-sale financial assets	97.784	-	-	97.784
Shares in associates accounted for under the equity method	57.996	-	-	57.996
Other long-term assets	614.391	-	-	614.391
Deferred tax asset	257.744	-	-	257.744
Non-current assets related to discontinued operations	26.838	-	-	26.838
Total non-current assets	**44.723.014**	**258.397**	**-**	**44.981.411**

Equity attributable to equity holders of the parent				
Share capital	18.697.608	-	-	18.697.608
Revaluation reserve	-	-	-	-
Treasury shares	-	-	-	-
Foreign exchange differences fror translation of foreign entities	5.093	-	-	5.093
Reserve capital	9.687.596	-	-	9.687.596
Other capital reserves	49.779	-	-	49.779
Retained earnings	11.450.085	206.304	(56.381)	11.600.008
Non-controlling interest	332.187	2.998	(385)	334.800
Total equity	**40.222.348**	**209.302**	**(56.766)**	**40.374.884**
Long-term liabilities				
Interest-bearing loans and borrowings, bonds and lease	1.214.294	-	-	1.214.294
Other long-term liabilities	17.344	-	-	17.344
Provisions	3.290.472	-	70.081	3.360.553
Deferred tax liability	1.446.457	49.095	(13.315)	1.482.237
Deferred income and government grants	1.255.357	-	-	1.255.357
Long-term liabilities related to discontinued operations	6.530	-	-	6.530
Total long-term liabilities	**7.230.454**	**49.095**	**56.766**	**7.336.315**

Condensed interim consolidated financial statements for the 6 month period ended 30 June 2013 prepared in accordance with IFRS (in PLN thousand)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December 2012 (published data)	Implementation of IFRIC 20	Change in CO_2 valuation	As at 31 December 2012 (restated data)
Non-current assets				
Property, plant and equipment	43.189.196	549.105	-	43.738.301
Investment property	28.283	-	-	28.283
Intangible assets	462.422	-	-	462.422
Loans and receivables	329.395	-	-	329.395
Available-for-sale financial assets	33.256	-	-	33.256
Shares in associates accounted for under the equity method	40.454	-	-	40.454
Other long-term assets	407.221	-	-	407.221
Deferred tax asset	367.079	-	-	367.079
Total non-current assets	**44.857.306**	**549.105**	**-**	**45.406.411**
Currents assets				
Inventories	2.213.180	-	(13.307)	2.199.873
Emission rights	2.890.584	-	-	2.890.584
Income tax receivables	8.918	-	-	8.918
Short-term financial assets at fair value through profit or loss	5.526	-	13.307	18.833
Trade receivables	1.894.733	-	-	1.894.733
Other loans and financial assets	768.200	-	-	768.200
Available-for-sale short-term financial assets	4.377	-	-	4.377
Other current assets	806.233	-	-	806.233
Cash and cash equivalents	4.795.493	-	-	4.795.493
Assets classified as held-for-sale	9.385	-	-	9.385
Total currents assets	**13.396.629**	**-**	**-**	**13.396.629**

Condensed interim consolidated financial statements for the 6 month period ended 30 June 2013 prepared in accordance with IFRS (in PLN thousand)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December 2012 (published data)	Implementation of IFRIC 20	Change in CO_2 valuation	As at 31 December 2012 (restated data)
Equity attributable to equity holders of the parent				
Share capital	18.697.608	-	-	18.697.608
Revaluation reserve	-	-	-	-
Treasury shares	-	-	-	-
Foreign exchange differences from translation of foreign entities	3.742	-	-	3.742
Reserve capital	9.687.596	-	-	9.687.596
Other capital reserves	49.779	-	-	49.779
Retained earnings	11.943.593	438.403	-	12.381.996
Non-controlling interest	289.493	6.372	-	295.865
Total equity	**40.671.811**	**444.775**	**-**	**41.116.586**
Long-term liabilities				
Interest-bearing loans and borrowings, bonds and lease	1.085.244	-	-	1.085.244
Other long-term liabilities	22.038	-	-	22.038
Provisions	4.695.414	-	-	4.695.414
Deferred tax liability	1.467.801	104.330	-	1.572.131
Deferred income and government grants	1.124.754	-	-	1.124.754
Long-term liabilities related to discontinued operations	-	-	-	
Total long-term liabilities	**8.395.251**	**104.330**	**-**	**8.499.581**

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CONSOLIDATED STATEMENT OF CASH FLOWS

	Period ended 30 June 2012 *(published data)*	**Implementation of IFRIC 20**	**Implementation of IAS 19**	**Period ended 30 June 2012** *(restated data)*
Cash flow from operating activities				
Profit before tax related to discontinued operations	**(251)**	-	-	**(251)**
Profit before tax related to continuing operations	**3.229.688**	**258.397**	**3.561**	**3.491.646**
Adjustments for:				
Share of profit from associates accounted for under the equity method	(3.437)	-	-	(3.437)
Depreciation and amortization	1.430.766	2.445	-	1.433.211
Interest and dividend, net	(35.534)	-	-	(35.534)
Profit / loss on investment activities	(45.818)	-	-	(45.818)
Change in receivables	210.743	-	-	210.743
Change in inventories	(256.497)	-	-	(256.497)
Change in liabilities, excluding loans and bank credits	353.735	-	-	353.735
Change in other non-financial assets, prepayments and emission right	1.637.394	-	-	1.637.394
Change in provisions	(1.779.652)	-	(3.561)	(1.783.213)
Income tax paid	(596.640)	**-**	-	(596.640)
Other	(8.657)	-	-	(8.657)
Net cash from operating activities	**4.135.840**	**260.842**	**-**	**4.396.682**
Cash flow from investing activities				
Disposal of property, plant and equipment and intangible assets	14.059	-	-	14.059
Purchase of property, plant and equipment and intangible assets	(2.045.220)	(260.842)		(2.306.062)
Purchase/ disposal of investment property	1.097	-	-	1.097
Disposal of financial assets	2.151.416	-	-	2.151.416
Purchase of financial assets and increase in share capital in Group companies	(6.607)	-	-	(6.607)
Purchase/ disposal of subsidiaries after deduction of acquired cash	10.703	-	-	10.703
Dividends received	342	-	-	342
Interest received	35.097	-	-	35.097
Loans repaid	66	-	-	66
Loans granted	(284)	-	-	(284)
Other	-	-	-	-
Net cash from investing activities	**160.669**	**(260.842)**	**-**	**(100.173)**

7. 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 and are not effective as at 1 January 2013:

- IFRS 9 *Financial Instruments* (with amendments) – effective for the periods starting 1 January 2015.
- Amendments to IFRS 10 *Consolidated Financial Statements,* IFRS 12 *Disclosure of Interests in Other Entities* and IAS 27 *Separate Financial Statements (issues concerning interests in other entities)* - effective for the periods starting 1 January 2014.
- Amendments to IAS 36 *Impairment of Assets* (disclosures concerning recoverable amount of non-financial assets) - effective for the periods starting 1 January 2014.
- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* (issues concerning novation of financial instruments and continuation of hedge accounting) - effective for the periods starting 1 January 2014.
- IFRIC 21 *Levies* – effective for the periods starting 1 January 2014.

The following standards, changes in already effective standards and interpretations are adopted by the European Union but are not effective as at 1 January 2013:

- Amendments to IAS 32 *Financial Instruments: Presentation* - effective for the periods starting 1 January 2014.
- IFRS 10 *Consolidated Financial Statements* - effective for the periods starting 1 January 2014.
- IFRS 11 *Joint Arrangements* - effective for the periods starting 1 January 2014.
- IFRS 12 *Disclosure of Interests in Other Entities* - effective for the periods starting 1 January 2014.
- Amended IAS 27 *Separate Financial Statements* - effective for the periods starting 1 January 2014.
- Amended IAS 28 *Investments in Associates and Joint Ventures* - effective for the periods starting 1 January 2014.

The influence of new regulations on future financial statements of the Capital Group

The new IFRS 9 introduces fundamental changes to classifying, presenting and measuring of financial instruments. These changes will possibly have material influence on future financial statements of the Group. At the date of preparation of these financial statements IFRS 9 is not yet approved by the European Union and as a result its impact on the future financial statements of the PGE Group is not yet determined.

Other standards and their changes should have no significant impact on future financial statements of the PGE Capital Group.

8. Change of estimates

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

- Provisions are liabilities of uncertain timing or amount. During the reporting period, the Group changed estimations regarding the basis and amounts of some provisions. Changes of estimations are presented in Note 18 of these financial statements.
- During the reporting period the Group updated the value of impairment allowances on financial and other assets. The changes are described in Note 11 and 12 of these financial statements.

9. Methods applied in determining fair values of financial instruments recognized in the statement of financial position at fair value (fair value hierarchy)

Financial instruments not quoted on active markets, for which the fair value can be estimated reliably

Fair value of instruments not quoted on active markets is measured by the Group with the use of an appropriate valuation method as long as a reliable measurement is possible with the use of prices from the most recent transactions conducted under standard market rules; a comparison with prices from other instruments' active markets, which are essentially identical; analysis of discounted cash flows and other methods/techniques for measurement commonly used in the market, suitable for the particular nature and characteristics of a measured financial instrument and the situation of the issuer (drawer).

Inventories

The Company owns greenhouse gases emission rights, part of which is acquired in order to realize gains from market prices fluctuations. This part of emission rights is recognized in inventories at fair value less costs to sell, cost is determined using specific identification of individual inventory items. Fair value is determined based on market quotations on Polish Power Exchange (Level 1).

Derivative instruments

The Group measures derivative instruments at fair value using valuation models for financial instruments based on generally available exchange rates, interest rates, forward and volatility curves for currencies and commodities quoted on active markets. Fair value of derivatives is based on discounted future flows related to contracted transactions as a difference between term price and translation price. Forward rates of exchange are not modeled as a separate risk factor, but they are a result of spot rate and forward interest rate for foreign currency in relation to PLN.

Derivative instruments are presented as assets, when their valuation is positive and as liabilities, when their valuation is negative. Gains and losses resulting from changes in fair value of derivative instruments, are recognized in a reporting year profit or loss.

In the position of financial assets measured at fair value through profit and loss the Group recognizes financial instruments related to the trade of greenhouse gases emission rights – foreign currency and commodity forward – items presented in separate financial statements of PGE Polska Grupa Energetyczna S.A. (Level 2).

In the position of financial liabilities measured at fair value through profit and loss the Group recognized IRS hedging transactions – swap in PGE Górnictwo i Energetyka Konwencjonalna S.A. Oddział Elektrownia Turów (Level 2) and foreign currency forward in PGE Polska Grupa Energetyczna S.A. (Level 2).

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Fair value hierarchy

	As at 30 June 2013		As at 31 December 2012	
	Level 1	**Level 2**	**Level 1**	**Level 2**
Inventories	**248.585**	**-**	**194.207**	**-**
Financial assets		**146.064**		**18.833**
- commodity forward		145.345		13.307
- foreign currency forward		719		5.526
Financial liabilities		**41.619**		**36.513**
- foreign currency forward		11.929		148
-swap		29.690		36.365

During the reporting period and comparative period there were no reclassifications of financial instruments between Level 1 and Level 2 of fair value hierarchy.

10. Operating segments

The Group presents the business segments in accordance with IFRS 8 *Operating segments* for the current and comparative reporting period. The Group reporting is based on business segments:

- Conventional Energy includes exploration and mining of lignite and production of energy in the Group's power plants and heat and power plants;
- Renewable Energy includes generation of energy in pumped storage power plants and from renewable sources;
- Wholesale includes trade in electricity on the wholesale market, trading of emissions certificates and property rights related to energy origin units of ownership and fuel trading;
- Distribution includes management over local distribution networks and delivery of electricity with the use of these networks;
- Retail sale includes sale of electricity and rendering services to end users.

Organization and management over the Group is based on the division into segments, taking into account the nature of the products and services. Each segment represents a strategic business unit, offering different products and serving different markets. Assignment of particular entities to operating segments is described in Note 3 of these financial statements. Transactions between segments are settled within the Group as if they were concluded with third parties – under market conditions.

Seasonality of business segments

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

The level of electricity sales per year is variable and depends primarily on air temperature and day length. As a rule, lower air temperature in winter and shorter days cause the growth of electricity demand, while higher temperatures and longer days during the summer contribute to its decline. Moreover, seasonal changes are evident among selected groups of end users. Seasonality effects are more significant in particular for households than for the industrial sector.

Sales of heat depend in particular on air temperature and are higher in winter and lower in summer.

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Information on business segments

Period ended 30 June 2013	Segment: Conventional energy	Segment: Renewable energy	Segment: Wholesale	Segment: Distribution	Segment: Retail sale	Other activities	Consolidation adjustments	Total continued operations
Revenues								
Sales revenues from external customers	6.004.600	322.087	1.352.095	676.676	6.366.910	379.025	(561)	**15.100.832**
Sales revenues from transactions with other segments	277.122	53.757	4.820.774	2.109.532	119.440	422.391	(7.803.016)	**-**
Total revenues from segments	**6.281.722**	**375.844**	**6.172.869**	**2.786.208**	**6.486.350**	**801.416**	**(7.803.577)**	**15.100.832**
Result								
EBIT *)	**1.469.912**	**127.400**	**478.754**	**648.636**	**413.890**	**2.441**	**26.308**	**3.167.341**
EBITDA **)	**2.318.559**	**217.062**	**485.987**	**1.135.976**	**418.075**	**59.277**	**8.856**	**4.643.792**
Net financial revenues (expenses)								(50.574)
Share of profit of associates								(491)
Profit before tax								**3.116.276**
Corporate income tax								(591.257)
Net profit for the reporting period								**2.525.019**
Assets and liabilities								
Assets of the segments excluding trade receivables	30.947.131	2.937.218	1.823.879	14.511.131	1.462.807	1.050.446	(2.483.141)	50.249.471
Trade receivables	229.275	66.957	710.617	384.586	1.435.465	259.330	(925.508)	2.160.722
Shares in associates								40.568
Unallocated assets								7.852.212
Total assets								**60.302.973**
Liabilities of the segment excluding trade liabilities	7.488.250	217.807	1.917.337	2.587.758	2.543.576	334.752	(2.123.506)	12.965.974
Trade liabilities	441.514	23.209	302.918	178.375	547.672	153.265	(870.676)	776.277
Unallocated liabilities								4.517.713
Total liabilities								**18.259.964**
Other information on business segments								
Capital expenditures	1.107.686	61.535	5.346	467.271	3.815	59.874	(45.964)	1.659.563
Purchase of non-current assets (net value) within acquired new companies	-	411.205	-	-	-	-	311.746	722.951
Impairment allowances on financial and non-financial assets	93.687	5.031	108.090	7.802	12.585	1.447	(13.796)	214.846
Amortization, depreciation	848.647	89.662	7.233	487.340	4.185	56.836	(17.452)	1.476.451
Other non-monetary expenses ***)	1.048.919	6.680	5.274	66.903	300.636	23.726	(53.691)	1.398.447

*) EBIT = profit (loss) before tax and financial revenues / expenses
**) EBITDA = EBIT + depreciation/amortization
***) Non-monetary changes of provisions inter alia: provisions for retirement and pension awards, recultivation, provision for liability due to CO_2 emission rights, jubilee awards, employee tariff that are recognized in profit or loss and other comprehensive income

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Period ended 30 June 2012 (restated data)	Segment: Conventional energy	Segment: Renewable energy	Segment: Wholesale	Segment: Distribution	Segment: Retail sale	Other activities	Consolidation adjustments	Total continued operations
Revenues								
Sales revenues from external customers	6.812.700	279.531	504.371	573.707	6.298.169	424.800	20.813	**14.914.091**
Sales revenues from transactions with other segments	393.506	7.927	4.597.269	2.189.841	100.733	390.652	(7.679.928)	**-**
Total revenues from segments	**7.206.206**	**287.458**	**5.101.640**	**2.763.548**	**6.398.902**	**815.452**	**(7.659.115)**	**14.914.091**
Result								
EBIT *)	**2.486.965**	**78.918**	**153.247**	**607.313**	**58.258**	**(2.538)**	**(16.872)**	**3.365.291**
EBITDA **)	**3.334.521**	**146.209**	**163.119**	**1.072.096**	**62.584**	**52.050**	**(32.077)**	**4.798.502**
Net financial revenues (expenses)								122.918
Share of profit of associates								3.437
Profit before tax								**3.491.646**
Corporate income tax								(754.942)
Net profit for the reporting period								**2.736.704**
Assets and liabilities								
Assets of the segments excluding trade receivables	31.459.520	1.930.083	514.356	14.220.570	733.479	1.145.105	(858.361)	49.144.752
Trade receivables	291.386	63.971	552.068	377.067	1.242.281	281.358	(993.992)	1.814.139
Shares in associates								57.996
Unallocated assets								9.230.523
Total assets								**60.247.410**
Liabilities of the segment excluding trade liabilities	8.069.587	95.411	3.920.900	1.403.199	1.609.133	384.421	1.798	15.484.449
Trade liabilities	519.410	20.759	405.547	185.544	501.446	181.326	(962.059)	851.973
Unallocated liabilities								3.536.102
Total liabilities								**19.872.524**
Other information on business segments								
Capital expenditures	1.287.276	23.438	1.473	504.502	2.237	55.493	(59.619)	1.814.800
Impairment allowances on financial and non-financial assets	9.074	5.877	19.579	611	17.247	(60)	(4.130)	48.198
Amortization, depreciation	847.556	67.291	9.872	464.783	4.326	54.588	(15.205)	1.433.211
Other non-monetary expenses ***)	1.138.822	5.552	(5.964)	75.631	645.503	25.040	(4.937)	1.879.647

*) EBIT = profit (loss) before tax and financial revenues / expenses
**) EBITDA = EBIT + depreciation/amortization
***) Non-monetary changes of provisions inter alia: provisions for retirement and pension awards, recultivation, provision for liability due to CO_2 emission rights, jubilee awards, employee tariff that are recognized in profit or loss and other comprehensive income

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11. Revenues and expenses

11.1. Sales revenues

	6 months ended 30 June 2013	6 months ended 30 June 2012 *(restated data)*
Revenues from operating activities		
Sales of finished goods and merchandise with excise tax	*14.703.802*	*14.592.891*
Excise tax	*(259.592)*	*(227.090)*
Revenues from sale of finished goods and merchandise	14.444.210	14.365.801
Revenues from sale of services	266.776	423.446
Revenues from lease	19.687	17.370
Revenues from LTC compensations	370.159	107.474
Total sales revenues	**15.100.832**	**14.914.091**

The issue of revenues from LTC compensations is described in Note 26.1 of these financial statements.

11.2. Costs by type and functions

Cost by type	6 months ended 30 June 2013	6 months ended 30 June 2012 *(restated data)*
Depreciation/amortization	1.476.451	1.433.211
Materials and energy	1.858.655	2.102.033
External services	1.085.185	1.208.181
Taxes and charges	1.221.289	1.237.252
Personnel expenses	2.146.987	2.188.999
Other costs by type	166.199	164.625
Total costs by type	**7.954.766**	**8.334.301**
Change in inventories	(23.082)	(20.326)
Cost of products and services for the entity's own needs	(677.377)	(617.676)
Distribution and selling expenses	(491.196)	(836.081)
General and administrative expenses	(365.773)	(359.287)
Cost of merchandise and materials sold	4.843.492	4.077.507
Cost of goods sold	**11.240.830**	**10.578.438**

As it was described in Note 6 to these financial statements, the Capital Group changed selected accounting principles regarding the so called past-service costs (implementation of amended IAS 19) and recognition of stripping costs in the production phase of a surface mine (implementation of IFRIC 20) and valuation and presentation of greenhouse gases emission rights. In order to ensure comparability particular positions of costs by type for the period ended 30 June 2012 has been restated appropriately.

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11.3. Other operating revenues and expenses

Other operating revenues	6 months ended 30 June 2013	6 months ended 30 June 2012
Adjustment of settlement related to LTC compensation	148.223	130.318
Profit on disposal of property, plant and equipment and intangible assets	9.750	9.954
Reversal of impairment allowances for receivables	6.724	13.139
Reversal of impairment allowances for other assets	8.858	312
Provisions reversed	60.601	48.829
Compensations, penalties and fines received	77.367	111.163
Grants received	9.138	8.184
Taxes refunded	395	6.071
Court fees refunded	3.041	1.705
Assets acquired free of charge	2.272	15.444
Surpluses / disclosures of assets	19.397	12.692
Revenues from illegal energy consumption	5.296	3.541
Other	15.803	10.888
Total other operating revenues	**366.865**	**372.240**

The issue of an adjustment of settlement related to LTC compensation presented in the table above was described in Note 26.1 of these financial statements.

Other operating expenses	6 months ended 30 June 2013	6 months ended 30 June 2012
Impairment allowances raised for receivables	30.471	53.398
Impairment allowances raised for other assets	62.312	6.102
Loss on disposal of property, plant and equipment and intangible assets	158	240
Provisions raised	60.057	37.894
Donations granted	1.904	2.570
Compensation paid	2.416	1.985
Court fees paid	9.095	3.579
Liquidation of damages/ removal of failures	15.051	9.544
Scrapping of non-current assets	8.393	6.120
Forgiveness of receivables	793	2.572
Costs of social activities	1.565	2.169
Settlement of inventory deficits	1.153	5.860
Other	9.189	15.201
Total other operating expenses	**202.557**	**147.234**

Impairment allowances raised for other assets relates mainly to Opole II Project. The issue was described in Note 26.5 of these financial statements.

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11.4. Financial revenues and expenses

Financial revenues	**6 months ended 30 June 2013**	**6 months ended 30 June 2012** *(restated data)*
Financial revenue from financial instruments	**167.386**	**295.000**
Dividends	2.451	818
Interest income	108.386	211.676
Revaluation / Reversal of impairment allowance, including CO_2	30.358	4.715
Profit on disposal of investments	89	41.740
Exchange gains	26.102	36.051
Other financial revenues	**12.811**	**6.823**
Interest on statutory receivables	-	3.249
Provision reversed	5.487	2.161
Other	7.324	1.413
Total financial revenues	**180.197**	**301.823**

Financial expenses	**6 months ended 30 June 2013**	**6 months ended 30 June 2012** *(restated data)*
Financial expenses from financial instruments	**90.329**	**76.898**
Interest expenses	32.715	47.502
Revaluation	174	380
Impairment losses	3.209	1.244
Exchange losses	50.120	24.544
Other	4.111	3.228
Other financial expenses	**140.442**	**102.007**
Interest expenses (including effect of discount unwinding)	128.622	99.781
Interest paid relating to state liabilities	403	1.421
Other	11.417	805
Total financial expenses	**230.771**	**178.905**

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As described in note 6 of the foregoing financial statements in "financial instruments revaluation" in financial revenues and costs the Group recognizes result of transactions related to carbon dioxide emission rights on so called trading portfolio. The impact of particular items related to carbon dioxide emission rights on financial revenues and expenses is presented below.

	6 months ended 30 June 2013	6 months ended 30 June 2013
Financial revenues		
Commodity forward valuation	145.345	-
Foreign currency forward valuation	867	12
Profit on sale of carbon dioxide emission rights outside the PGE CG	1.284	-
Impairment allowance of commodity spot	555	459
Financial expenses		
Commodity spot valuation	(108.760)	-
Foreign currency forward valuation	(17.456)	(307)
Loss on sale of carbon dioxide emission rights outside the PGE CG	-	(80)
Financial revenues/ (expenses) related to carbon dioxide trading portfolio	**21.835**	**84**

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12. Impairment allowances of assets – recognition and reversal

	6 month ended 30 June 2013	6 month ended 30 June 2012
Impairment allowances on property plant and equipment		
- impairment allowance raised	62.930	3.670
- impairment allowance reversed	9.984	303
Impairment allowances on inventories		
- impairment allowance raised	16.351	26.610
- impairment allowance reversed	567	16.369

Impairment allowances raised for property, plant and equipment relate mainly to Project Opole II. The issue was described in Note 26.5 of these financial statements.

Moreover impairment allowances raised and reversed for financial assets are described in Note 11 of these financial statements.

13. Income tax

	6 month ended 30 June 2013	6 month ended 30 June 2012 *(restated data)*
Income tax presented in the statement of comprehensive income		
Current income tax	403.876	605.098
Deferred income tax	187.381	149.844
Total	**591.257**	**754.942**

Moreover the Group recognized in other comprehensive income PLN 182 thousand due to reversal of deferred tax asset in the period ended 30 June 2012.

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14. Deferred tax asset and liability

Components of deferred tax liability	As at 30 June 2013	As at 31 December 2012 *(restated data)*
1996-2000 investment relief	895	838
Difference between tax value and carrying value of property, plant and equipment	2.282.896	2.153.022
Accrued interest on deposits, loans granted, bonds and receivables	54.536	52.520
Difference between tax value and carrying value of other financial assets	407	290
Difference between tax value and carrying value of financial liabilities	36.549	14.440
Current period revenues unrealized for tax purposes	139.833	140.800
Difference between tax value and carrying value of energy origin units of ownership	49.710	60.899
Revenues from accrued LTC compensations	689.743	632.633
Upward valuation of revenues	123.444	133.584
CO_2 emission rights	370.402	513.137
Other	43.705	55.931
Gross deferred tax liability	**3.792.120**	**3.758.094**

Components of deferred tax asset	As at 30 June 2013	As at 31 December 2012
Difference between tax value and carrying value of property, plant and equipment	431.821	414.365
Current period costs not realized for tax purpose	126.784	128.303
Provisions for employee benefits	512.402	503.836
Provisions for recultivation of excavations and recultivation of ash storages	396.953	376.243
Accrued employee bonuses	35.310	23.048
Difference between tax value and carrying value of financial assets	17.770	7.541
Difference between tax value and carrying value of financial liabilities	30.322	25.487
Difference between tax value and carrying value of inventories	50.547	27.367
Payroll and other employee benefits	21.060	19.330
Tax losses	8.951	1.542
Energy infrastructure acquired free of charge and connection payments received	156.164	161.365
Provision due to CO_2 emission	173.237	405.136
Other provisions	53.371	51.276
Provision for energy origin units	59.529	142.715
Compensations from reversal of LTC	160.763	177.534
Other	166.204	88.807
Gross deferred tax asset	**2.401.188**	**2.553.895**
Revaluation write-off on tax asset	(750)	(853)
Deferred tax asset before off-set of balances	**2.400.438**	**2.553.042**
After off-set of balances at the Group companies' level the deferred tax of the Group is presented as:		
Deferred tax asset	**299.034**	**367.079**
Deferred tax liability	**(1.690.716)**	**(1.572.131)**

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15. Carbon dioxide emission rights

A separate item in the statement of financial position is used for presentation of European Union Allowances (EUA) for carbon emissions, designated for the PGE Group companies' own purposes, and other units redeemed pursuant to greenhouse gas emissions (CER, ERU) – both received free of charge and acquired otherwise. EUA received gratuitously under the NAP are recognized in the records at the beginning of the period for which they were assigned, at fair value effective as at the date of initial recognition. EUA received free of charge are recorded in correspondence with deferred income. Purchased allowances are presented at purchase price.

Units designed for own use are tested for impairment together with the respective cash generating unit.

	EUA		CER/ERU		Total
	Amount	Value	Amount	Value	Value
As at 1 January 2013	**76.303**	**2.696.471**	**5.787**	**194.113**	**2.890.584**
Purchase	17.804	367.148	-	-	367.148
Allocated free of charge	33.196	872.637	-	-	872.637
Redemption	(54.954)	(1.817.963)	(5.763)	(193.237)	(2.011.200)
Other changes	-	-	(24)	(876)	(876)
As at 30 June 2013	**72.349**	**2.118.293**	**-**	**-**	**2.118.293**

Since 1 January 2013 CO_2 emission rights are no longer granted by the National Allocation Plan from the part granted to Poland by the European Commission (EC) as it used to be in II settlement ETS period (2008-2012). In the next, III settlement period (2013-2020), as a rule, all rights should be bought at auctions. Exception from this rule are rights granted free of charge to industrial producers and producers of heat and electricity (article 10a and 10c of ETS directive, respectively) called derogations. The size and scope of derogation for certain installations is determined and recommended by the National Implementation Measures (NIMs) based on EC guidelines. The Polish government submitted to EC documents entitling to receive CO_2 emission rights granted free of charge. The above application was conditionally accepted by the EC, however there is still no final decision in this case. According to information published by the National Centre for Emission Balancing and Management decisions in this case may be taken in September 2013 and may concern also changes in allocation limits for emission rights granted free of charge in III EU ETS. The works are assumed to take a few months. As at the date of publication of the foregoing financial statements PGE Group has not received the confirmed allocation of emission rights for 2013-2020 settlement period. Government works on ETS directive implementation into national law are also delayed and as a result there is a risk of delay in allocation of CO_2 emission rights granted free of charge, what may result in lack of rights as at the date of settlement of factual 2013 emission, that is until the end of April 2014.

In the foregoing financial statement the Group recognizes the estimate of carbon dioxide emission rights units, which are considered as due in 2013 and granted free of charge to certain producers. These units are recognized and settled according to the current accounting policy.

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16. Share capital

	As at 30 June 2013	As at 31 December 2012
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	**1.869.760.829**	**1.869.760.829**

All shares are paid up.

Ownership structure of the Company of the balance sheet date is presented below:

	State Treasury	Other Shareholder	Total
As at 1 January 2013	**61,89%**	**38,11%**	**100,00%**
As at 30 June 2013	**61,89%**	**38,11%**	**100,00%**

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

After balance sheet date of these financial statements no changes regarding the share capital of the Company occurred.

16.1. Earnings per share

Basic earnings per share shall be calculated by dividing profit or loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

The Company calculates diluted earnings per share by dividing profit or loss attributable to ordinary equity holders of the parent entity (after deduction of interest on redeemable convertible preference shares) by the weighted average number of shares outstanding during the period (adjusted on the number of dilutive options or dilutive redeemable convertible preference shares).

17. Dividends paid and dividends declared

	Dividends paid or declared from the profit for the period/year ended		
	30 June 2013	31 December 2012	31 December 2011
Cash dividends from ordinary shares			
Dividend paid from retained earnings	-	783.998	3.421.662
Dividend paid from other capital reserve	-	823.996	-
Total cash dividends from ordinary shares	**-**	**1.607.994**	**3.421.662**
Cash dividends per share (in PLN)	-	0,86	1,83

Dividend from the profit for the year 2012

On 27 June 2013 the Ordinary General Meeting of PGE S.A. adopted the resolution to allocate Company's net profit for 2012 of PLN 783.998 thousand and part of reserve capital of PLN 823.996 thousand for dividend payment for shareholders of total PLN 1.607.994 thousand, that is PLN 0,86 per share.

The Ordinary General Meeting decided to allocate retained earnings of PLN 77.552 thousand, which result from change of accounting policy and actuary losses, to reserve capital.

The Ordinary General Meeting set the dividend day for 5 September 2013 and dividend payment day for 26 September 2013.

The declared dividend liabilities are disclosed in the statement of financial position as at 30 June 2013 as other non-financial liabilities.

Dividend from the profit for the period 30 June 2013

During the reporting period and till the day of preparation of these financial statements the Company made no advance payments of dividends.

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18. Provisions

	Post-employment benefits	Provisions for jubilee benefits	Provisions for third parties claims	Provisions for legal disputes	Provisions for obligatory redemption of CO_2 emission rights	Provisions for employee claims	Provisions for recultivation costs	Provisions for scrapping of property, plant and equipment	Provisions for energy origin units held for redemption	Other provisions	TOTAL
As at 1 January 2013	**1.552.117**	**989.948**	**204.761**	**160.613**	**2.132.295**	**14.275**	**2.075.960**	**83.454**	**751.295**	**408.791**	**8.373.509**
Actuarial gains and losses	-	-	-	-	-	-	-	-	-	-	**-**
Change in the Group's structure	(52)	(684)	-	-	-	(10)	-	-	-	8.849	**8.103**
Interest costs	30.366	19.106	-	-	-	-	40.226	1.177	-	-	**90.875**
Costs of present employment / provisions used	(17.427)	(504)	(196.269)	(721)	(2.011.200)	(1.666)	-	(15.610)	(731.046)	(140.021)	**(3.114.464)**
Raised during the year	-	-	-	19.965	791.727	434	29.892	-	352.696	306.346	**1.501.060**
Reversed	-	-	(7.422)	(51.454)	(1.049)	(6.353)	-	-	(59.631)	(16.753)	**(142.662)**
Other changes	(1.596)	(581)	-	183	-	(385)	46.027	-	-	(1.904)	**41.744**
As at 30 June 2013	**1.563.408**	**1.007.285**	**1.070**	**128.586**	**911.773**	**6.295**	**2.192.105**	**69.021**	**313.314**	**565.308**	**6.758.165**
Short-term	**85.760**	**100.536**	**1.070**	**98.029**	**911.773**	**5.975**	**-**	**7.425**	**313.314**	**393.244**	**1.917.126**
Long-term	**1.477.648**	**906.749**	**-**	**30.557**	**-**	**320**	**2.192.105**	**61.596**	**-**	**172.064**	**4.841.039**

According to the current plans of recultivation of final excavation, lignite mines of the Group estimate that relevant costs will be incurred in the years 2032-2081 (for PGE Górnictwo i Energetyka Konwencjonalna S.A. Oddział Kopalnia Węgla Brunatnego Bełchatów S.A.) and in the years 2041-2090 (for PGE Górnictwo i Energetyka Konwencjonalna S.A. Oddział Kopalnia Węgla Brunatnego Turów S.A.).

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	Post-employment benefits	Provisions for jubilee awards	Provisions for third parties claims	Provisions for legal disputes	Provisions for obligatory redemption of CO_2 emission rights	Provisions for employee claims	Provisions for recultivation costs	Provisions for scrapping of property, plant and equipment	Provisions for energy origin units held for redemption	Other provisions	TOTAL
As at 1 January 2012	**1.300.312**	**762.532**	**408.333**	**127.679**	**3.099.855**	**13.926**	**1.102.039**	**84.649**	**633.290**	**391.768**	**7.924.383**
Change in the Capital Group's structure	(1.216)	(2.786)	-	-	-	-	-	-	-	(778)	**(4.780)**
Costs of present employment	28.510	37.708	-	-	-	-	-	-	-	-	**66.218**
Actuarial gains and losses excluding discount rate adjustment	(102.023)	128.351	-	-	-	-	-	-	-	-	**26.328**
Revaluation of provision/Discount rate adjustments	304.208	115.354	-	-	-	-	886.201	-	-	-	**1.305.763**
Interest costs	72.791	40.400	-	-	-	-	40.926	4.142	-	6	**158.265**
Benefits paid/ provisions used	(58.593)	(92.960)	-	(2.379)	(2.791.459)	(1.179)	(602)	(5.083)	(969.297)	(448.586)	**(4.370.138)**
Raised during the year	-	-	1.070	97.062	1.823.899	7.675	43.068	150	1.108.870	534.874	**3.616.668**
Reversed	-	-	(204.642)	(61.955)	-	(4.961)	-	(404)	(22.537)	(70.884)	**(365.383)**
Other changes	8.128	1.349	-	206	-	(1.186)	4.328	-	969	2.391	**16.185**
As at 31 December 2012	**1.552.117**	**989.948**	**204.761**	**160.613**	**2.132.295**	**14.275**	**2.075.960**	**83.454**	**751.295**	**408.791**	**8.373.509**
Short-term	**85.622**	**98.459**	**204.761**	**105.443**	**2.132.295**	**9.659**	**-**	**23.035**	**751.295**	**267.526**	**3.678.095**
Long-term	**1.466.495**	**891.489**	**-**	**55.170**	**-**	**4.616**	**2.075.960**	**60.419**	**-**	**141.265**	**4.695.414**

18.1. Provisions for post employment benefits

The amount of provisions disclosed in the interim financial statements is calculated based on the forecasts prepared by the independent actuary.

18.2. Provisions for jubilee benefits

According to the corporate system of remuneration the employees of the Group's entities are entitled to jubilee awards. These awards are paid after an employee has worked a specified period of time. The amount of awards paid depends on the period of employment and the average remuneration of the employee. The entity recognizes a provision for future obligations relevant to jubilee awards in order to assign costs to the periods they refer to. The value of the provision is calculated based on forecasts prepared by the independent actuary.

18.3. Provisions for liability due to carbon dioxide emission rights

Particular Group entities record provisions for liabilities of carbon dioxide emissions in relation to total amount of emissions. The provision is calculated taking into account the most accurate estimation of the expenditures needed to fulfil current obligation as at balance sheet date, including recorded EUA's value received as free of charge and acquired EUA, and also possible coverage of the shortage of certificates CER or ERU.

18.4. Provision for legal disputes

Provisions for the use of land

Entities of the PGE Group raise provisions for damages related to a non-agreed usage of property. This issue mainly relates to distribution companies, which own distribution networks. As of the reporting date the provision amounted to ca. PLN 60 million. The provision is created to cover claims under court proceedings.

18.5. Provisions for costs of recultivation

Provision for recultivation of mine excavation

According to regulations of the Act of 3 February 1995 on Agricultural and Forest grounds and regulations of the Act of 4 February 1994 on Geological and Mining Law, the entrepreneur causing loss or reduction of value in the use of the ground is obliged to recultivate the ground at the entrepreneur's expense.

PGE Górnictwo i Energetyka Konwencjonalna S.A. Oddział Kopalnia Węgla Brunatnego Bełchatów and PGE Górnictwo i Energetyka Konwencjonalna S.A. Oddział Kopalnia Węgla Brunatnego Turów raise provisions for recultivation of final mine excavations. Costs of recultivation of final excavations are reflected and settled throughout the period of the exploitation of mines, with the use of the depletion method based on the rate of lignite excavation. The provision as at the end of the period is calculated as a product of the discounted total cost of recultivation multiplied by the rate of lignite excavation. The value presented in the financial statements includes also value of Mine Liquidation Fund created in accordance with Geological and Mining Law.

Provision for recultivation of ash storages

The PGE Group producers raise provisions for recultivation of ash storages. The provision is created with the use of the natural method - proportionally as the storage is filled. The provision at the end of each year is calculated as a product of the discounted value of total recultivation costs for the given year and the proportion in which the storage is filled.

18.6. Scrapping of property, plant and equipment

The provision for scrapping of property, plant and equipment relates to the part of assets of PGE Górnictwo i Energetyka Konwencjonalna S.A. Oddział Elektrownia Turów, which is going to be excluded from the production until year 2013. The obligation of scrapping and recultivation of 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. The amount of created provision was established on the basis of expected scrapping expenses and was recognized on the debit side in initial value of property, plant and equipment. Depreciation of activated scrapping expenses which is calculated on the basis of the estimated economic useful life of an appropriate item of property, plant and equipment as well as change in provision value resulting from the discount unwinding as at the balance sheet date influence the financial result of the Group. As at the balance sheet date, the value of provision amounts to PLN 69 million.

18.7. Provision for energy origin units held for redemption

The companies from the Group raise provision for the amount of certificates of origin related to sales in the current or previous reporting periods, in amount of certificates not redeemed till the balance sheet date. The provision as at 30 June 2013 amounted to PLN 313 million.

18.8. Other provisions

Dispute concerning the scope of taxation with real estate tax

The main component of other provisions is a provision covering declared and predicted claims relating to real estate tax. The matter of dispute was described in detail in Note 25.2 of these financial statements.

Dispute concerning the redemption of energy origin units of ownership

PGE Obrót S.A is a party to proceedings against the Energy Regulatory Office, related to an obligation of redemption of energy units of origin – so called green and red certificates. As at 30 June 2013 the provision created to cover possible penalties amounted to PLN 21 million. The final value of possible penalties will depend on the results of the court proceedings and may be subject to change.

Annual bonus

Employees of 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 30 June 2013 created provisions amounted to PLN 147 million.

Provision for unused annual holiday

The Group creates provision for employee benefits related to unused holiday. As at balance sheet date the provision amounted to PLN 124 million.

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19. Deferred income and government grants

Deferred income and government grants	As at 30 June 2013	As at 31 December 2012 *(restated data)**
Long-term:		
Government grants	336.403	301.342
Other deferred income	805.357	823.412
Total long-term deferred income and government grants	**1.141.760**	**1.124.754**
Short-term:		
Government grants	15.094	12.275
Other deferred income	545.212	111.126
Total short-term deferred income and government grants	**560.306**	**123.401**

The table below presents positions comprising government grants and deferred income

Government grants	As at 30 June 2013	As at 31 December 2012 *(restated data)**
Redemption of loans from environmental funds	53.404	55.197
Grants received from NFEP&WM (environmental fund)	141.952	101.082
Grants from EU for CCS	85.073	85.492
Other government grants	71.068	71.846
Total deferred income, including:	**351.497**	**313.617**
Long-term	336.403	301.342
Short-term	15.094	12.275

Other deferred income	As at 30 June 2013	As at 31 December 2012 *(restated data)**
Greenhouse gases emission rights	436.319	-
Property, plant and equipment acquired free of charge	138.041	155.094
Subsidies granted and connection fees	705.173	722.034
Lease income	4.198	2.704
Other deferred income	66.838	54.706
Total deferred income, including:	**1.350.569**	**934.538**
Long-term	805.357	823.412
Short-term	545.212	111.126

The greenhouse emission rights disclosed in the table above constitute the value of emission rights acquired free of charge under the National Allocation Plan for the year 2013. The item is settled into the consolidated statement of comprehensive income during the reporting period.

Subsidies granted in caption of other deferred income comprise mainly fees received until 1 July 2010 for connection to power network, which are presented as grants to property, plant and equipment in these consolidated financial statements.

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20. Contingent liabilities and receivables. Legal claims

20.1. Contingent liabilities

Contingent liabilities	As at 30 June 2013	As at 31 December 2012
Liabilities due to bank guarantees	2.536	250
Guarantee for repayment of grants from environmental funds	311.533	294.304
Legal claims	9.555	8.282
Contractual fines and penalties	12.481	14.190
Employee claims	51.997	52.040
Compensations related to non-agreed usage of property	4.012	2.558
Other contingent liabilities	15.382	101.486
Total contingent liabilities	**407.496**	**473.110**

Guarantee for repayment of grants from environmental funds

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

Liabilities related to legal claims

This position presents mainly claims from contractors against Group companies related to services rendered or products delivered.

Claims related to contractual fines and penalties

The contingent liability comprises mainly accrued contractual fines relating to delay in realization of the investment issued by the Mayor of the City and Municipality of Gryfino to Zespół Elektrowni Dolna Odra S.A. (currently PGE Górnictwo i Energetyka Konwencjonalna S.A.).

Employee claims

This position mainly present the values of potential claims which may be raised by some employees at one of the PGE Group entity employer, who work continuous shifts, regarding payment of overtime work compensation. Employees who work continuous shifts with this employer are entitled to a specific number of days off work in the given month, in accordance with the Labour Code and the Company Bargaining Agreement.

Potential claims may be raised by these employees in relation to a judgment by a Regional Court, resolving on the interpretation of the concept of day off work (which is not defined by labour legislation) to the advantage of one of these employees. In the opinion of the Company, a day off work should mean 24 consecutive hours following the end of the employee's work on a given shift, which is the principle applied by the company when awarding days off work to employees. However, according to the judgment - with which the company does not agree - a day off work should mean 24 consecutive hours following the end of 24-hour workday and not following the end of work on a given shift.

Therefore, more employees may raise claims for payment of compensation for overtime work. Conditional liability was calculated for those employees who requested the employer to present their work timing for the last three years.

Other contingent liabilities

The other contingent liabilities comprise mainly the value of potential cash fines in the amount of almost PLN 14 million resulting from proceeding relating to environmental protection (breach of the conditions of disposal of sewage and deforestation in some PGE Group companies).

20.2. Other significant issues related to contingent liabilities

Non-agreed usage of property

Due to the nature of its activities the companies of the Group use many properties, on which the buildings and structures or devices used to the transmission of the electricity are based. In respect of many properties there are doubts as to the title of usage. In the case of property, for which the Group companies have no legal title or the title is doubtful, there is a risk of claims by their owners, the alleged owner or other person for compensation in respect of non-agreed usage of these properties. As described in note 18.4 to these financial statements the relevant provision is created to cover claims under court proceedings. Moreover, there are disputes at an early stage in the Group as well as there is a possibility of increased number of 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 entities are obliged to collect the minimum volume of fuels and not to exceed the maximum level of collection of gas fuel in particular hours and months. If an entity does not collect a minimum volume of gas fuel specified in the agreements, it may result in an obligation to pay appropriate fee (the agreements also allow to collect the gas fuel that is paid for but not collected, in the period of three years). In the opinion of the Group, the terms and conditions of fuel deliveries to PGE Group's production entities in the above-mentioned area do not differ from other fuel deliveries conditions to other heat and power stations on the Polish market**.**

20.3. Contingent receivables

As at balance sheet date, the Group has ca. PLN 60 million of contingent receivables related to financing received from the National Fund for Environmental Protection and Water Management to realize the project of building cogeneration unit, reimbursement of VAT and registered claims for compensations from insurers relating to damage events.

Additionally, the matter of a possible excise tax refund for the years 2006-2008 was described in detail in Note 25.1.

20.4. Other legal claims and court issues

PGE - ATEL (presently Alpiq Holding AG) dispute

Since 2009 PGE Polska Grupa Energetyczna S.A. is a party to arbitration proceedings with the company Atel. The proceeding is held before the Court of Arbitration in Vienna. The subject of the arbitration proceeding is the claim of Atel, raised against PGE, resulting from the default on a electricity supply agreement signed on 28 October 1997. Claims submitted by Atel in a supplemented (rephrased) lawsuit from 4 October 2010 amount to EUR 155 million. After the exchange of the last pleadings (so called post-hearing briefs) Alpiq finally claimed for EUR 168 million plus interest. The arbitration proceeding is held in written form and were based on the exchange of pleadings between the parties and presentation of written statements of witnesses, experts and the parties as evidence to the Tribunal.

On 12 September 2012, the Arbitration Tribunal issued a final judgment in this case and obliged PGE to pay to Alpiq EUR 43.204 thousand plus interest due.

PGE S.A. and Atel reached an agreement on execution of the above judgment. According to the agreement, the Company has to pay the above amount plus interest until the verdict date, reduced by the proceeding cost judged from Alpiq for PGE S.A., in two installments. First part in amount of EUR 22.898 thousand was paid on 15 April 2013 and the remaining amount is to be paid by the end of 2013. The remaining amount is presented in other liabilities.

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Compensation regarding conversion of shares

On 20 June 2013 and 12 August 2013 PGE Polska Grupa Energetyczna S.A. received a notice (with a notices to pay the total amount of PLN 294.658 thousand) from Socrates Inwestment S.A. concerning the acquisition from the former shareholders of PGE Górnictwo i Energetyka S.A. claims against PGE Polska Grupa Energetyczna S.A. concerning compensation for the damage due to incorrect determination of the share exchange ratio during merger of PGE Górnictwo i Energetyka S.A. and PGE Polska Grupa Energetyczna S.A.

PGE S.A. acknowledges the demands of Socrates Inwestment S.A. as undocumented and completely unjustified, which was pointed out in response to notice from Socrates Inwestment S.A. There is however a risk that Socrates Inwestment S.A. will file a suit against PGE for payment of above-mentioned amount. The Company did not create any provision regarding the claim.

21. Financial liabilities

Financial liabilities measured at amortized cost (30 June 2013)	Long-term	Short-term	Total
Interest bearing loans and credits	1.067.622	634.592	**1.702.214**
Bonds	1.000.000	275	**1.000.275**
Leasing	2.182	1.562	**3.744**
Trade liabilities	-	776.277	**776.277**
Compensations related to LTC	-	305.298	**305.298**
Other financial liabilities	7.999	859.217	**867.216**
Total	**2.077.803**	**2.577.221**	**4.655.024**

Other financial liabilities comprise mainly liabilities due to purchase of property, plant and equipment in amount of PLN 291 million and received deposits in total amount of PLN 359 million (mainly deposit received by PGE Górnictwo i Energetyka Konwencjonalna S.A. Oddział Elektrownia Opole from Rafako S.A. relating to construction of new power units).

In the caption loans and credits, the Group presents the following facilities:

- investment credit facility drawn by PGE Górnictwo i Energetyka Konwencjonalna S.A. Oddział Elektrownia Bełchatów from Nordycki Bank Inwestycyjny to finance construction of 858 MW power plant - with a carrying value of PLN 642 million as at 30 June 2013;
- investment credit facilities drawn by PGE Górnictwo i Energetyka Konwencjonalna S.A. Oddział Elektrownia Turów from Nordycki Bank Inwestycyjny, UBS Investment Bank AG and Bank Ochrony Środowiska S.A. to modernize the production equipment with a total carrying amount of PLN 372 million as at 30 June 2013.

Additionally, as at 30 June 2013 PGE Polska Grupa Energetyczna S.A. held a possibility to issue bonds within 3 programmes: the programme addressed to external investors for the maximum amount of PLN 10 billion, the programme addressed to Polish capital market investors for the maximum amount of PLN 5 billion and the programme addressed to PGE Group companies for the maximum amount of PLN 5 billion. On 27 June 2013 PGE Polska Grupa Energetyczna S.A. issued bonds under the programme addressed to Polish capital market investors in the amount of PLN 1 billion. The maturity date of the issued bonds is 27 June 2018.

22. Future investment commitment

As at the balance sheet date, the Group has committed to incur capital expenditures on property, plant and equipment in the amount of PLN 4.011 million. These amounts relate to modernization of Group's assets and purchase of machinery and equipment. Significant investment commitments concern:

- modernization of power units no 7-12 in PGE Górnictwo i Energetyka Konwencjonalna S.A. Oddział Elektrownia Bełchatów for the total amount of approx. PLN 2.202 million;
- investment commitments of PGE Dystrybucja S.A. of the total value of approx. PLN 678 million.

The issue of Opole II Project is described in note 26.4 of these financial statements.

23. Information on significant purchase transactions of property, plant and equipment

During the reporting period PGE Capital Group purchased property, plant and equipment and construction in progress of PLN 1.627 million. Majority of expenditures were incurred by PGE Górnictwo i Energetyka Konwencjonalna S.A. (PLN 1.103 million) and PGE Dystrybucja S.A. (PLN 462 million). The most significant expenditures of PLN 308 million are related to general construction and modernization of power units 7-12 in Elektrownia Bełchatów.

In addition, during the reporting period there was an increase of property, plant and equipment due to the acquisition of companies from DONG group by PGE Polska Grupa Energetyczna S.A. in the amount of approx. PLN 400 million and due to taking control over Eolica Wojciechowo Sp. z o.o. by PGE Energia Odnawialna S.A. in the amount of approx. PLN 11 million. In current period there were no significant disposals of property, plant and equipment.

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24. Information on related party

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

24.1. Associates

	Sales to associates	Purchases from associates	Trade receivables from associates	Trade liabilities towards associates
01.01.-30.06.2013	3.877	99	945	7
01.01.-30.06.2012	3.521	88	382	5

24.2. Transactions with State Treasury entities

The State Treasury is the dominant shareholder of PGE Polska Grupa Energetyczna S.A. and as a result in accordance with IAS 24 *Related Party Disclosures*, State Treasury companies are recognized as related entities. The Company identifies in detail transactions with almost 40 of the biggest State Treasury related companies. The total value of transactions with such entities is presented in the table below.

	Sales to State Treasury entities	Purchases from State Treasury entities	Trade receivables from State Treasury entities	Trade liabilities towards State Treasury entities
01.01.-30.06.2013	1.892.708	1.926.252	444.097	363.109
01.01.-30.06.2012	1.173.197	2.325.428	217.058	365.905

The largest transactions with the participation of State Treasury companies involve PSE S.A., public utility power generating plants, electricity trading companies, retailers involved in sales and purchases of coal from Polish mines.

Moreover, PGE Group concludes significant transactions on the energy market via the 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.

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24.3. Key management personnel remuneration

The key management comprises the Management Boards and Supervisory Boards of the parent company, group entities included in main business lines, PGE Energia Jądrowa S.A., PGE EJ1 sp. z o.o., PGE Systemy S.A. and Exatel S.A.

	Period ended 30 June 2013	Period ended 30 June 2012 *(restated data)*
Short-term employee benefits (salaries and salary related costs)	11.970	11.297
Post-employment and termination benefits	1.535	3.881
Total remuneration of key management personnel	**13.505**	**15.178**
Remuneration of key management personnel of entities of non-core operations	9.284	9.641
Total remuneration of key management personnel	**22.789**	**24.819**

	Period ended 30 June 2013	Period ended 30 June 2012 *(restated data)*
The Management Board of the Parent	5.232	3.713
The Supervisory Board of the Parent	145	180
The Management Boards – subsidiaries	7.693	10.780
The Supervisory Boards – subsidiaries	435	505
Total	**13.505**	**15.178**
Remuneration of key management personnel of entities of non-core operations	9.284	9.641
Total remuneration of key management personnel	**22.789**	**24.819**

Members of the Management Board of certain Capital Group's companies are employed on the basis of civil law contracts for management (Management contracts). The mentioned remuneration is included in other costs by type in the statement of comprehensive income

Data in the above table represents the remuneration expense of the management personnel recognized in the reporting period in the PGE Capital Group companies. The remuneration expense in the period ended 30 June 2013 includes the appropriate portion of the created provision for the awards, to which the key management personnel is entitled. Final amount of the bonus and awards will depend inter alia on the performance of individual units and the PGE Capital Group.

The increase of salaries of the parent's Management Board in the period ended June 30, 2013, as compared to the period ended June 30, 2012, results mainly from the incomplete composition of the Board in the first quarter of 2012.

25. Tax settlements

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

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

Basic tax rates in 2013 were as follows: corporate income tax – 19%, basic value added tax rate – 23%, lowered: 8%, 5%, 0%, furthermore some goods and products are subject to tax exemption.

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

The significant proceedings regarding public and state settlement within the Group entities are presented below.

25.1. Excise tax

As a result of non-compliance of Polish legal regulations on excise tax on electricity with the European Union law, on 11 February 2009, power plants and heat and power stations of PGE Group filed adjusted excise tax declarations together with motions stating surplus payments of excise tax in the years 2006-2008 and the months January and February 2009. The total value of the surplus declared (without the cost of interest) in the subject motions amounted to ca. PLN 3.4 billion.

The issue of excise tax refund for the period currently is a matter of dispute between producers and tax authorities. Different aspects of the disputes, which are subject to proceedings before the administrative court. Taking into account a significant uncertainty related to final court decision on the above described matter, the Group does not disclose any financial results related to possible return of the excise tax surplus payment in the consolidated financial statements.

Moreover, there is a risk that if the production entities of the PGE Group receive the refund of the excise tax excess payment, civil and legal claims might be filed against these entities by electric energy buyers, which have been actually economically burdened with the excise tax in the past (i.e. based on unjustified enrichment accusation). Currently, the estimation of the value of possible claims is not possible, however this matter may have a significant and unfavorable impact on the future activities, financial results or financial situation of the Group.

25.2. Real estate tax

There are tax proceedings carried out to determine the scope subject to real estate tax in PGE Group power stations. The issue mainly concerns manufacturing units of Elektrownia Opole and Zespół Elektrowni Dolna Odra. The dispute is related to the subject of taxation and concerns mainly a decision whether installations in buildings and technical machinery should be taxed as autonomous constructions. Tax proceedings are currently at various levels in front of first instance authorities (vogt, mayor), local government board of appeals and appeal courts.

Considering the pending disputes, PGE Group established an appropriate provision for potentially higher tax amount.

26. Significant events the reporting period and subsequent events

26.1 Compensation for long term contacts

As described in previous statements some producers of PGE Górnictwo i Energetyka Konwencjonalna S.A. („PGE GiEK S.A.") became entitled to receive funds to cover stranded costs (so-called "compensation") pursuant to the Act of June 29, 2007 on the Rules of Coverage of Costs Occurring at Production Plants as a Consequence of Early Termination of Long-Term Power and Electricity Sales Contracts (Journal of Laws No. 130, item 905, of 2007) (the "Long-Term Contracts Act").

The LTC Act is ambiguous in many points and raise important questions of interpretation. The calculation of the estimated results of each manufacturer and resulting compensations, annual adjustments of stranded costs, final adjustments and resulting revenues enclosed in statement of comprehensive income was performed by the Group with the best of its knowledge in this area and with support of external experts.

In the previous years, the producers from PGE Capital Group received decisions on annual adjustments of stranded costs and costs related to natural gas fired entities for the years 2008 - 2012. The majority of these decisions were disadvantageous for the particular entities and the Group believes that they were issued in violation of the Long-Term Contracts Act. As a consequence, since 2009, a number of proceedings have been pending before the Regional Court in Warsaw - Competition and Consumer Protection Court ("CCP Court") and before the Court of Appeals concerning appeals filed by PGE Group producers against the Decision of the President of the Energy Regulatory Office. These proceedings are currently at various levels of advancement.

The summary of LTC issues, as at the date of preparation of the foregoing financial statements, is presented below:

- In terms of determining the value of annual stranded costs adjustments payable to PGE GiEK S.A. for 2008, value of the object of dispute being PLN 434,7 million, three out of six proceedings (concerning PGE GiEK S.A. Elektrownia Turów Branch, Elektrownia Opole Branch, Elektrociepłownia Rzeszów Branch, Elektrociepłownia Gorzów Branch) of value of the object of dispute being PLN 186,8 million may be considered completed. Other proceedings are still in court, one of which of value of the object of dispute being PLN 178,8 million was completed with enforceable ruling of the Court of Appeals and in which the appeals of the President of the Energy Regulatory Office was dismissed.
- In terms of determining the value of annual adjustments of stranded costs and costs occurring in gas-fired units payable to PGE GiEK S.A. for 2009, value of the object of dispute being PLN 672,9 million. In the period from January to June 2013, six hearings concerning the annual adjustments of stranded costs took place of the combined value of the object of dispute being PLN 662,1 million. Four of the hearings took place in front of the Court for Competition and Consumer Protection and two in front of the Court of Appeals. All of the rulings took into account the appeal of PGE GiEK S.A. branches and changed the decisions of the President of the Energy Regulatory Office in terms of determining the value of annual adjustments of stranded costs payable to PGE GiEK S.A. In one of the cases the President of the Energy Regulatory Office filed a cassation complaint against the Court of Appeals' ruling, on which the company has already responded.

  In terms of determining the value of annual adjustments of costs occurring in gas-fired units payable to PGE GiEK S.A., one of the cases was postponed by the Court for Competition and Consumer Protection, whereas in another case the Court partially considered positively the company's appeal.
- In terms of determining the value of annual adjustments of stranded costs and costs occurring in gas-fired units payable to PGE GiEK S.A. for 2010 and 2011 of total value of the object of dispute being PLN 545,3 million, on 10 June 2013 the Court for Competition and Consumer Protection considered positively the appeal of PGE GiEK S.A. in reference to the value of the annual stranded costs of PLN 393,5 million.
- In terms of determining the value of annual adjustments of stranded costs and costs occurring in gas-fired units payable to PGE GiEK S.A. for 2012, PGE GiEK S.A. (as a legal successor of

PGE Elektrociepłownia Rzeszów S.A., currently PGE GiEK S.A. Elektrociepłownia Rzeszów Branch) submitted an appeal to the President of the Energy Regulatory Office.

Settlement of two cases with enforceable rulings of the Court of Appeals resulted in recognition of PLN 148,2 million in other operating revenues.

26.2 Framework agreement on the exploration and extraction of shale gas

On 4 July 2012 PGE S.A signed a framework agreement on the exploration and extraction of shale gas ("Agreement"). The parties to the Agreement are PGE Polska Grupa Energetyczna S.A., Polskie Górnictwo Naftowe i Gazownictwo S.A. ("PGNiG"), ENEA S.A., KGHM Polska Miedź S.A. and TAURON Polska Energia S.A.

The subject of the Agreement is the exploration, evaluation and extraction of shale gas in geological formations for which concessions have been granted for the exploration and evaluation of deposits of crude oil and natural gas in relation to the Wejherowo concession held by PGNiG (the "Wejherowo Concession"). With respect to the Wejherowo Concession, there is close cooperation involving an area of approximately 160 km^2 (the "Area of Cooperation"). The Agreement also provides for preferential treatment of the Parties with regard to the possibility of cooperation in relation to the remaining area of the Wejherowo Concession (with the exception of a situation where PGNiG on its own engages in exploration, evaluation or extraction of shale gas and excluding the area in the vicinity of Opalino and Lubocino where PGNiG is already conducting exploratory work).

Estimated expenditures on exploration, evaluation and extraction with respect to the first three zones (the Kochanowo, Częstkowo and Tępcz pads) within the Area of Cooperation are projected to be in the amount of PLN 1,72 billion. Details regarding the terms of cooperation, including a detailed project budget and timeline, the shares of the Parties in financing the expenditures arising from the agreed-on budget, shares in the project's profits and the principles of responsibility, including contractual penalties in the case of the failure, in particular by PGNiG, to fulfill certain obligations resulting from the Agreement, were to be established by 4 May 2013. Should such specific arrangements not be forthcoming by 4 May 2013, the Agreement may be terminated by each of the Parties.
Until the date of preparation of these financial statements none of the Parties terminated the Agreement dated 4 July, 2012. Currently conditions of cooperation are being developed.

26.3 Signing a Letter of Intent concerning joint participation in development, construction and exploitation of the first Polish nuclear power plant

On 5 September 2012, PGE S.A. signed a Letter of Intent concerning participation in the development, construction and exploitation of a nuclear power plant ("Project"). The parties to the Letter of Intent are: PGE Polska Grupa Energetyczna S.A., KGHM Polska Miedź S.A., Tauron Polska Energia S.A. and ENEA S.A.(collectively "Parties").

On the basis of the Letter of Intent, the companies enumerated above will commence work on drafting a contract of purchase of shares in PGE EJ1 sp. z o.o. as a special-purpose vehicle ("SPV"), which will be in charge of direct preparation of the investment process of construction and exploitation of the first Polish nuclear power plant. The draft contract will account for each of the Parties' rights and obligations in Project implementation, assuming that PGE S.A. shall play a leading role in the project implementation process, whether directly or through a subsidiary. The terms and conditions of acquiring shares in PGE EJ1 sp. z o.o. will incorporate the financial investments already made by PGE S.A. and its subsidiaries with respect to current advancement of the Project.

On 28 December 2012, the parties to the Letter of Intent concerning participation in development, construction and exploitation of a nuclear power plant, dated 5 September 2012, extended its validity till 31 March 2013.

On June 25, 2013 the parties to the Letter of Intent concluded an Agreement on continuation of works concerning preparation of a draft sale-purchase agreement with regard to shares in special purpose entity for construction and exploitation of the nuclear power plant. The Agreement is valid until

September 30, 2013 with a possibility of prolongation for a quarter of a year, shall all parties of the Agreement agree to do so.

26.4 Agreement for coal supply for 2014-2018

On 12 August 2013 PGE Górnictwo i Energetyka Konwencjonalna S.A., concluded an agreement with Kompania Węglowa S.A. for hard coal supplies. Subject matter of the agreement ("Agreement") is supply of hard coal by Kompania Węglowa S.A. for the heat and power stations belonging to PGE Group in years 2014-2018. Net value of the Agreement amounts to approx. PLN 5,6 billion.

Price of hard coal for consecutive years within the Agreement is determined based on factors of the average electricity price and average market price of hard coal.

The aggregate value of contractual penalties shall not exceed 10% of the non-delivered supply volumes based on the Agreement. PGE GiEK S.A. may seek compensation claims on general basis exceeding the value of contractual penalties.

26.5 The project for construction of power units in PGE Górnictwo i Energetyka Konwencjonalna S.A. Oddział Elektrownia Opole.

On 4 April 2013 the Management Board of PGE Górnictwo i Energetyka Konwencjonalna S.A., acting on the basis of the analyzes of changes in the energy market and the macroeconomic environment and the recommendation of the Investment Committee of the PGE Capital Group, adopted a resolution to close the investment project Opole II of construction of new hard coal-fired units No. 5 and 6 in Branch Elektrownia Opole, due to its ineffectiveness.

In connection with the realization of the investment, PGE Elektrownia Opole S.A. (now, after the merger as PGE GiEK S.A. Oddział Elektrownia Opole) has concluded a number of agreements with contractors, including in particular:

- the agreement with General Contractor (syndicate: Rafako S.A., Polimex-Mostostal S.A. and Mostostal Warszawa S.A.) for construction of two power units with total capacity of 1800 MW, with the net value amounting PLN 9.397 million,
- the agreement with PSE Operator S.A. for connection of units No. 5 and 6 in Opole Power Plant to the transmission network.

In connection with the decision to close above-mentioned investment, impairment allowance on construction in progress in the amount of PLN 56 million has been recognized in these financial statements. The impairment allowance applies to expenditures incurred on the investment "Projekt Opole II". Moreover, the provision for future liabilities arising from the need to settle contracts, regarding Agreement with General Contractor for construction of units No. 5 and 6 was created. Reliable estimate of this provision is PLN 3.5 million. Above-mentioned amounts do not include any possible claims of the General Contractor and PSE Operator SA, which may arise in the case of termination of the agreements with these counterparties. Till the date of preparation of these financial statements there have been no termination of any agreements affecting the continuation of the project for construction of units No. 5 and 6 in Opole Power Plant, including the above-mentioned agreement with the General Contractor for the construction of power units and the contract for connection to the transmission network.

On 14 May 2013 Annex No. 2 to the Agreement with the General Contractor was concluded. The annex includes guarantee of the interests of the Contracting Entity relating to the guarantee of the refund of the advance which was paid after the conclusion of the Agreement, and provides that a notice of intention to issue Notice To Proceed may be not later than within a period of 3 months from the date of signing of the Annex, which is till 15 August 2013.

As a result of the information provided by the government to support the Project, on 18 July 2013, the Management Board of PGE GiEK S.A. adopted a resolution on the approval to perform analytical work regarding additional solutions that improve the profitability of the Project and enabling its possible implementation. In this resolution, the Management Board has agreed to take action and incur costs regarding the Project, which are necessary to perform analyzes and to secure interests of the Company in its relations with other entities in case of re-opening of the Project.

On 13 August 2013 the Management Board of PGE GiEK S.A. concluded Annex No. 3 to the agreement with Rafako S.A., Polimex-Mostostal S.A. and Mostostal Warszawa S.A. forming a syndicate for construction of units No. 5 and 6 in Opole Power Plant. According to the Annex the Notice To Proceed will be issued only if conditions regulating relations between Contracting Entity and General Contractor and/or Subcontractor and PKO Bank Polski S.A., i.a. on financial rules, conditions and payment guarantee and guarantee of execution.

Notice To Proceed may be issued not earlier than 120 days from the date of issuing the notification on planned issue of the Notice To Proceed by the Contracting Entity. During that time works will be conducted in order to introduce mechanisms for reduction of the investment risk and improvement of the profitability of the Opole II project.

Moreover the Supervisory Board of PGE GiEK S.A. allowed Management Board of PGE GiEK S.A. to change the resolution dated on 4 April 2013 by reopening the investment project Opole II.

The Management Board of PGE GiEK S.A. issued the notification on planned issue of the Notice To Proceed on 13 August 2013.

26.6 Agreement for coal supply for the needs of Investment Project Opole II

On 13 August 2013 PGE Górnictwo i Energetyka Konwencjonalna S.A. concluded an agreement with Kompania Węglowa S.A. for hard coal supplies, in the period 2018 - 2038. Subject matter of the agreement ("Agreement") is supply of hard coal by Kompania Węglowa S.A. for the needs of Units 5 and 6 at Opole Power Plant, if Investment Project Opole II is completed.

Conclusion of the Agreement is intended to limit certain risks related to realization of the Investment Project Opole II. Estimated net value of the Agreement amounts from approx. PLN 16 billion to approx. PLN 22 billion, dependent on the delivered volumes.

Price of hard coal for consecutive years within the Agreement is determined based on factors of the average electricity price, average market price of hard coal and average cost of CO_2 emission rights.

Start of hard coal delivery is conditional on the commencement of the Investment Project Opole II. PGE GiEK S.A. is entitled to retract from the Agreement before 30 September 2020.

The aggregate value of contractual penalties shall not exceed 10% of the non-delivered supply volumes based on the Agreement. PGE GiEK S.A. may seek compensation claims on general basis exceeding the value of contractual penalties.

Warsaw, 27 August 2013

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

Krzysztof Kilian
President of the Management Board

Bogusława Matuszewska
Vice-President of the Management Board

Wojciech Ostrowski
Vice-President of the Management Board

Piotr Szymanek
Vice-President of the Management Board