PGE Polska Grupa Energetyczna S.A. Capital Group

Condensed interim consolidated financial statements prepared in accordance with International Financial Reporting Standards for 3-month period and 9-month period ended September 30, 2013.

TABLE OF CONTENT

Condensed interim consolidated financial statements for the 3-month period and 9-month period ended September 30, 2013 prepared in accordance with IFRS (in PLN thousand)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	3 months ended September 30, 2013 (not audited)	9 months ended September 30, 2013 (not audited)	3 months ended September 30, 2012 (not audited) (data restated*)	9 months ended September 30, 2012 (not audited) (data restated*)
CONSOLODATED PROFIT AND LOSS ACCOUNT					
Continuing operations					
Total sales revenues	**11**	**7,480,748**	**22,581,580**	**6,933,500**	**21,847,591**
Costs of goods sold	**11**	(5,472,641)	(16,713,471)	(5,143,676)	(15,722,114)
Gross profit on sales		**2,008,107**	**5,868,109**	**1,789,824**	**6,125,477**
Other operating revenues	**11**	205,193	572,058	221,646	593,886
Distribution and selling expenses		(460,180)	(951,376)	(366,582)	(1,202,663)
General and administrative expenses		(182,500)	(548,273)	(168,986)	(528,273)
Other operating expenses	**11**	(62,997)	(265,554)	(75,138)	(222,372)
Profit from operations		**1,507,623**	**4,674,964**	**1,400,764**	**4,766,055**
Financial revenues	**11**	56,995	237,192	212,513	514,336
Financial expenses	**11**	(24,170)	(254,941)	(76,519)	(255,424)
Share of profit of associate		(596)	(1,087)	(17,238)	(13,801)
Profit before tax		**1,539,852**	**4,656,128**	**1,519,520**	**5,011,166**
Corporate income tax	**13**	(274,584)	(865,841)	(254,303)	(1,009,245)
Net profit from continuing operations		**1,265,268**	**3,790,287**	**1,265,217**	**4,001,921**
Discontinued operations					
Profit/(Loss) for the period on discontinued operations		-	-	(142)	(291)
Net profit for the operating period		**1,265,268**	**3,790,287**	**1,265,075**	**4,001,630**
OTHER COMPREHENSIVE INCOME					
Valuation of available-for-sale financial assets		-	-	-	777
Foreign exchange differences from translation of foreign entities		(712)	910	(797)	(1,996)
Other comprehensive income for the period, net		**(712)**	**910**	**(797)**	**(1,219)**
TOTAL COMPREHENSIVE INCOME		**1,264,556**	**3,791,197**	**1,264,278**	**4,000,411**
Net profit attributable to:					
-equity holders of the parent company		1,252,602	3,763,816	1,253,029	3,956,661
-non-controlling interest		12,666	26,471	12,046	44,969
Total comprehensive income attributable to:					
- equity holders of the parent company		1,251,890	3,764,726	1,252,232	3,955,442
- non controlling interest		12,666	26,471	12,046	44,969
Earnings per share (in PLN)					
- basic earnings per share for the period		0.67	2.01	0.67	2.12
- basic earnings from the continuing operations		0.67	2.01	0.67	2.12

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

Condensed interim consolidated financial statements for the 3-month period and 9-month period ended September 30, 2013 prepared in accordance with IFRS (in PLN thousand)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at September 30, 2013 (not audited)	As at December 31, 2012 (audited) *(data restated)**	As at September 30, 2012 (not audited) *(data restated)**
ASSETS				
Non-current assets				
Property, plant and equipment		44,993,361	43,738,301	44,214,882
Investment property		23,296	28,283	30,435
Intangible assets		852,567	462,422	379,601
Loans and receivables		368,651	329,395	323,716
Available-for-sale financial assets		26,186	33,256	97,784
Shares in associates accounted for under the equity method		39,729	40,454	40,670
Other long-term assets		572,637	407,221	560,840
Deferred tax asset	**14**	343,281	367,079	328,299
Non-current assets related to discontinued operations		-	-	26,525
Total non-current assets		**47,219,708**	**45,406,411**	**46,002,752**
Currents assets				
Inventories		1,733,586	2,199,873	1,832,832
Emission rights	**15**	2,316,001	2,890,584	2,554,627
Income tax receivables		7,528	8,918	3,783
Short-term financial assets at fair value through profit or loss		105,160	18,833	1,143
Trade receivables		2,187,452	1,894,733	1,846,907
Loans and financial receivables		809,334	768,200	252,147
Available-for-sale short-term financial assets		4,515	4,377	4,132
Other current assets		917,901	806,233	926,825
Cash and cash equivalents		5,138,962	4,795,493	4,824,328
Assets classified as held-for-sale		11,494	9,385	7,274
Currents assets related to discontinued operations		-	-	10,874
Total currents assets		**13,231,933**	**13,396,629**	**12,264,872**
TOTAL ASSETS		**60,451,641**	**58,803,040**	**58,267,624**

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

Condensed interim consolidated financial statements for the 3-month period and 9-month period ended September 30, 2013 prepared in accordance with IFRS (in PLN thousand)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

LIABILITIES AND EQUITY	Note	As at September 30, 2013 (not audited)	As at December 31, 2012 (audited) *(data restated)**	As at September 30, 2012 (not audited) *(data restated)**
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		4,224	3,742	4,296
Reserve capital		8,941,152	9,687,596	9,687,596
Other capital reserves		49,779	49,779	49,779
Retained earnings		15,277,739	12,381,996	12,852,149
Non-controlling interest		300,759	295,865	342,673
Total equity		**43,271,261**	**41,116,586**	**41,634,101**
Long-term liabilities				
Interest-bearing loans and borrowings, bonds and lease	**21**	2,016,340	1,085,244	1,144,205
Other long-term liabilities	**21**	6,714	22,038	20,961
Provisions	**18**	4,891,947	4,695,414	3,376,088
Deferred tax liability	**14**	1,822,981	1,572,131	1,667,638
Deferred income and government grants	**19**	1,170,614	1,124,754	1,279,203
Long-term liabilities related to discontinued operations		-	-	6,591
Total long-term liabilities		**9,908,596**	**8,499,581**	**7,494,686**
Short-term liabilities				
Trade liabilities	**21**	917,750	1,201,870	951,224
Financial liabilities at fair value through profit or loss		30,196	36,513	42,965
Interest-bearing loans, borrowings, bonds and lease	**21**	388,582	811,447	488,255
Other short-term financial liabilities	**21**	1,211,622	1,546,320	2,029,032
Other short-term non-financial liabilities		1,764,165	1,557,993	1,458,962
Income tax liabilities		137,091	231,234	346,692
Deferred income and government grants	**19**	347,971	123,401	564,099
Short-term provisions	**18**	2,474,407	3,678,095	3,248,401
Short-term liabilities related to discontinued operations		-	-	9,207
Total short-term liabilities		**7,271,784**	**9,186,873**	**9,138,837**
Total liabilities		**17,180,380**	**17,686,454**	**16,633,523**
TOTAL LIABILITIES AND EQUITY		**60,451,641**	**58,803,040**	**58,267,624**

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

Condensed interim consolidated financial statements for the 3-month period and 9-month period ended September 30, 2013 prepared in accordance with IFRS (in PLN thousand)

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

for the period ended September 30, 2013

(not audited)	Share capital	Foreign exchange differences from translation	Reserve capital	Other capital reserves	Retained earnings	Total	Non-controlling interest	Total equity
As at January 1, 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	**-**	***910***	**-**	**-**	***3,763,816***	***3,764,726***	***26,471***	***3,791,197***
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)**
Exclusion of companies from the Capital Group	-	(428)	-	-	(8,262)	**(8,690)**	14,222	**5,532**
Other changes	-	-	-	-	1,445	**1,445**	(33,582)	**(32,137)**
As at September 30, 2013	**18,697,608**	**4,224**	**8,941,152**	**49,779**	**14,031,713**	**42,970,502**	**300,759**	**43,271,261**

Condensed interim consolidated financial statements for the 3-month period and 9-month period ended September 30, 2013 prepared in accordance with IFRS (in PLN thousand)

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

for the year ended December 31, 2012

(audited) *(data restated)*	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 January 1, 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 year	**-**	***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 December 31, 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 3-month period and 9-month period ended September 30, 2013 prepared in accordance with IFRS (in PLN thousand)

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

for the period ended September 30, 2012

(not audited) *(data restated)*	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 January 1, 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***	**-**	***(1,996)***	**-**	**-**	***3,956,661***	***3,955,442***	***44,969***	***4,000,411***
Dividend	-	-	-	-	-	-	(3,421,662)	**(3,421,662)**	(935)	**(3,422,571)**
Retained earnings distribution	-	-	-	-	1,134,453	-	(1,134,453)	**-**	-	**-**
Purchase of new companies	-	-	-	-	-	-	-	**-**	19,756	**19,756**
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:	-	-	-	-	-	-	22,585	**22,585**	(97,779)	**(75,194)**
Value of the purchased non-controlling interest	-	-	-	-	-	-	*97,779*	***97,779***	*(97,779)*	**-**
The acquisition cost of shares and stocks in subsidiaries	-	-	-	-	-	-	*(75,194)*	***(75,194)***	-	***(75,194)***
Change of shares in result of mergers of companies within the Capital Group	-	-	-	-	-	-	37,332	**37,332**	(37,332)	**-**
As at September 30, 2012	**18,697,608**	**-**	**-**	**4,296**	**9,687,596**	**49,779**	**12,852,149**	**41,291,428**	**342,673**	**41,634,101**

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

Condensed interim consolidated financial statements for the 3-month period and 9-month period ended September 30, 2013 prepared in accordance with IFRS (in PLN thousand)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Period ended September 30, 2013 (not audited)	Period ended September 30, 2012 (not audited) *(data restated)**
Cash flow from operating activities		
Profit before tax related to discontinued operations	**-**	**(446)**
Profit before tax related to continuing operations	**4,656,128**	**5,011,166**
Adjustments for:		
Share of profit from associates accounted for under the equity method	1,087	13,801
Depreciation, amortization and impairment allowances for property, plant and equipment and intangible assets	2,229,659	2,168,068
Interest and dividend, net	17,609	(22,866)
Profit / loss on investment activities	(123,393)	(24,123)
Change in receivables	(327,657)	167,026
Change in inventories	467,018	(527,417)
Change in liabilities, excluding loans and bank credits	(187,818)	267,560
Change in other non-financial assets, prepayments and accruals, and emission rights	706,278	1,119,168
Change in provisions	(1,063,563)	(1,308,216)
Income tax paid	(666,525)	(781,617)
Other	86,198	(92,337)
Net cash from operating activities	**5,795,021**	**5,989,767**
Cash flow from investing activities		
Disposal of property, plant and equipment and intangible assets	50,675	23,697
Purchase of property, plant and equipment and intangible assets	(3,302,556)	(3,606,054)
Purchase/ disposal of investment property	(56)	1,097
Disposal of financial assets	14,996	2,159,038
Purchase of financial assets and increase in share capital in Group companies	(15,740)	(46,042)
Purchase/ disposal of subsidiaries after deduction of acquired/disposed of cash	(1,062,047)	209,056
Dividends received	2,354	3,867
Interest received	994	35,976
Loans repaid	79	191,587
Loans granted	(2,578)	(261,889)
Other	9,767	35,815
Net cash from investing activities	**(4,304,112)**	**(1,253,852)**

Condensed interim consolidated financial statements for the 3-month period and 9-month period ended September 30, 2013 prepared in accordance with IFRS (in PLN thousand)

	Period ended September 30, 2013 (not audited)	Period ended September 30, 2012 (not audited) *(data restated)**
Cash flow from financing activities		
Proceeds from issue of shares to non-controlling interest	-	11,000
Proceeds from bank credits and issue of bonds	1,220,457	195,976
Repayment of bank credits, bonds and finance lease	(752,124)	(773,489)
Dividends paid	(1,591,785)	(3,482,998)
Interest paid	(21,653)	(49,873)
Dividend return from non-controlling shareholders	-	148,260
Other	(2,607)	2,887
Net cash flow from financing activities	**(1,147,712)**	**(3,948,237)**
Net change of cash and cash equivalents	**343,197**	**787,678**
Effect of foreign exchange rate changes	(5,537)	(13,167)
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	**5,133,107**	**4,828,580**
Restricted cash	422,915	393,274
Attributed to discontinued operations	-	1,517

* 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).

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

The parent company is seated in Warsaw at Mysia 2 Street.

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

Core operations of the Group companies are as follows:

- production of electricity,
- distribution of electricity,
- wholesale trading 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 entities.

The interim condensed consolidated financial statements of the Group comprise financial data for the period from January 1, 2013 to September 30, 2013 („financial statements", "consolidated financial statements").

2. The composition of the Management Board of the parent company

As at January 1, 2013 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. Paweł Smoleń – the Vice-President of the Management Board,
- Mr. Piotr Szymanek – the Vice-President of the Management Board.

On July 17, 2013 Mr. Paweł Smoleń, Vice-President of the Management Board, submitted his decision to resign from his position as from July 19, 2013.

As at September 30, 2013 the Management Board consisted of:

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

After September 30, 2013 until the preparation date of these financial statements the following changes in the composition of the Management Board occurred:

- On October 25, 2013 the Supervisory Board of the Company adopted resolutions on recalling Mrs. Bogusława Matuszewska and Mr. Wojciech Ostrowski from the Management Board.

As at the date of these financial statements the Management Board consisted of:

- Mr. Krzysztof Kilian – President of the Management Board;
- Mr. Piotr Szymanek – Vice-President of the Management Board.

Condensed interim consolidated financial statements for the 3-month period and 9-month period ended September 30, 2013 prepared in accordance with IFRS (in PLN thousand)

3. Structure of the Group

3.1. Entities included in the 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 September 30, 2013	The entity holding shares as at September 30, 2013	Share of Group entities as at December 31, 2012	The entity holding shares as at December 31, 2012
	Segment: Wholesale Trading				
1.	PGE Polska Grupa Energetyczna S.A. *Warsaw*	The Parent Company of the Group			
2.	PGE Trading GmbH *Germany*	100.00%	PGE Polska Grupa Energetyczna S.A.	100.00%	PGE Polska Grupa Energetyczna S.A.
	Segment: Conventional Generation				
3.	PGE Górnictwo i Energetyka Konwencjonalna S.A. *Bełchatów*	93.62% 4.95%	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. *Warsaw*	100.00%	PGE Polska Grupa Energetyczna S.A.	100.00%	PGE Polska Grupa Energetyczna S.A.
6.	Bio-Energia S.A. *Warsaw*	100.00%	PGE Energia Odnawialna S.A.	100.00%	PGE Energia Odnawialna S.A.
	Biogazownia Łapy sp. z o.o. *Warsaw*	-	-	100.00%	Bio-Energia S.A.
	Biogazownia Wożuczyn sp. z o.o. *Warsaw*	-	-	100.00%	Bio-Energia S.A.
7.	Elektrownia Wiatrowa Baltica-1 sp. z o.o. *Warsaw*	100.00%	PGE Energia Odnawialna S.A.	100.00%	PGE Energia Odnawialna S.A.
8.	Elektrownia Wiatrowa Baltica-2 sp. z o.o. *Warsaw*	100.00%	PGE Energia Odnawialna S.A.	100.00%	PGE Energia Odnawialna S.A.
9.	Elektrownia Wiatrowa Baltica-3 sp. z o.o. *Warsaw*	100.00%	PGE Energia Odnawialna S.A.	100.00%	PGE Energia Odnawialna S.A.
10.	Pelplin sp. z o.o. *Warsaw*	100.00%	PGE Energia Odnawialna S.A.	100.00%	PGE Energia Odnawialna S.A.
11.	Żuromin sp. z o.o. *Warsaw*	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.	PGE Energia Natury S.A. *Warsaw*	100.00%	PGE Polska Grupa Energetyczna S.A.	-	-

Condensed interim consolidated financial statements for the 3-month period and 9-month period ended September 30, 2013 prepared in accordance with IFRS (in PLN thousand)

	Entity	Share of Group entities as at September 30, 2013	The entity holding shares as at September 30, 2013	Share of Group entities as at December 31, 2012	The entity holding shares as at December 31, 2012
14.	PGE Energia Natury sp. z o.o. *Warsaw*	100.00%	PGE Polska Grupa Energetyczna S.A.	-	-
15.	PGE Energia Natury Karnice sp. z o.o. *Warsaw*	100.00%	PGE Polska Grupa Energetyczna S.A.	-	-
16.	PGE Energia Natury Bukowo sp. z o.o. *Warsaw*	100.00%	PGE Polska Grupa Energetyczna S.A.	-	-
17.	EPW Energia Olecko sp. z o.o. *Warsaw*	81.00%	PGE Polska Grupa Energetyczna S.A.	-	-
18.	Omikron sp. z o.o. (*currently PGE Energia Natury Omikron sp. z o.o.)** *Warsaw*	100.00%	PGE Energia Natury S.A.	-	-
19.	PGE Energia Natury Kappa sp. z o.o. *Warsaw*	100.00%	PGE Energia Natury S.A.	-	-
20.	PGE Energia Natury PEW sp. z o.o. *Warsaw*	100.00%	PGE Energia Natury S.A.	-	-
21.	EPW Energia sp. z o.o. ** *Warsaw*	32.70%	PGE Polska Grupa Energetyczna S.A.	-	-
	Segment: Distribution				
22.	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				
23.	PGE Obrót S.A.*** *Rzeszów*	99.55%	PGE Polska Grupa Energetyczna S.A.	99.55%	PGE Polska Grupa Energetyczna S.A.
	Segment: Other operations				
24.	EXATEL S.A. *Warsaw*	99.98%	PGE Polska Grupa Energetyczna S.A.	99.94%	PGE Polska Grupa Energetyczna S.A.
25.	NOM sp. z o.o. *Warsaw*	100.00%	EXATEL S.A.	100.00%	EXATEL S.A.
26.	ENERGO-TEL S.A. *Warsaw*	100.00%	EXATEL S.A.	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.
27.	„EnBud” sp. z o.o. w likwidacji *Czymanowo*	100.00%	PGE Energia Odnawialna S.A.	100.00%	PGE Energia Odnawialna S.A.
28.	„ESP Usługi” sp. z o.o. w likwidacji *Warsaw*	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.

Condensed interim consolidated financial statements for the 3-month period and 9-month period ended September 30, 2013 prepared in accordance with IFRS (in PLN thousand)

	Entity	Share of Group entities as at September 30, 2013	The entity holding shares as at September 30, 2013	Share of Group entities as at December 31, 2012	The entity holding shares as at December 31, 2012
29.	ELBIS sp. z o.o. *Rogowiec*	100.00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.	100.00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.
30.	MEGAZEC sp. z o.o. *Bydgoszcz*	100.00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.	100.00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.
31.	„ELBEST” sp. z o.o. *Bełchatów*	91.30% 7.50% 1.11% 0.09%	PGE Górnictwo i Energetyka Konwencjonalna S.A. PGE Dystrybucja S.A. PGE Obrót S.A. PGE Energia Odnawialna S.A.	91.30% 7.50% 1.11% 0.09%	PGE Górnictwo i Energetyka Konwencjonalna S.A. PGE Dystrybucja S.A. PGE Obrót S.A. PGE Energia Odnawialna S.A.
32.	MegaSerwis sp. z o.o. *Bogatynia*	100.00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.	-	
33.	PGE Gubin sp. z o.o. *Gubin*	100.00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.	100.00%	PGE Polska Grupa Energetyczna S.A.
34.	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
35.	„Energoserwis – Kleszczów” sp. z o.o. *Kleszczów*	51.00%	ELBIS sp. z o.o.	51.00%	ELBIS sp. z o.o.
36.	„ELMEN” sp. z o.o. *Rogowiec*	100.00%	ELBIS sp. z o.o.	100.00%	ELBIS sp. z o.o.
37.	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.
38.	EPORE sp. z o.o. (former name: Przedsiębiorstwo Produkcji Sorbentów i Rekultywacji „ELTUR–WAPORE” sp. z o.o.) *Bogatynia*	85.38%	PGE Górnictwo i Energetyka Konwencjonalna S.A.	100.00%	PGE Górnictwo i Energetyka Konwencjonalna S.A.
39.	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.
40.	ENESTA sp. z o.o. *Stalowa Wola*	84.85% 2.48%	PGE Dystrybucja S.A. PGE Górnictwo i Energetyka Konwencjonalna S.A.	84.85% 2.48%	PGE Dystrybucja S.A. PGE Górnictwo i Energetyka Konwencjonalna S.A.
41.	RAMB sp. z o.o. *Piaski*	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 3-month period and 9-month period ended September 30, 2013 prepared in accordance with IFRS (in PLN thousand)

	Entity	Share of Group entities as at September 30, 2013	The entity holding shares as at September 30, 2013	Share of Group entities as at December 31, 2012	The entity holding shares as at December 31, 2012
42.	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.
		0.02%	PGE Energia Odnawialna S.A.	0.02%	PGE Energia Odnawialna S.A.
43.	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.
	ELECTRA Bohemia s.r.o. *(in liquidation)* *Czechy*	-	-	100.00%	PGE Polska Grupa Energetyczna S.A.
	PGE Inwest spółka z ograniczoną odpowiedzialnością II S.K.A. in liquidation *Warsaw*	-	-	100.00%	PGE Polska Grupa Energetyczna S.A.
44.	Przedsiębiorstwo Transportowo-Usługowe „ETRA” sp. z o.o. *Białystok*	100.00%	PGE Dystrybucja S.A	100.00%	PGE Dystrybucja S.A
45.	Przedsiębiorstwo Produkcyjno-Handlowe EKTO sp. z o.o. *Białystok*	100.00%	PGE Dystrybucja S.A.	100.00%	PGE Dystrybucja S.A.
46.	Energetyczne Systemy Pomiarowe sp. z o.o. *Białystok*	100.00%	PGE Dystrybucja S.A.	100.00%	PGE Dystrybucja S.A.
47.	Zakład Obsługi Energetyki sp. z o.o. *Zgierz*	100.00%	PGE Dystrybucja S.A.	100.00%	PGE Dystrybucja S.A.
48.	PGE Systemy S.A. *Warsaw*	100.00%	PGE Polska Grupa Energetyczna S.A.	100.00%	PGE Polska Grupa Energetyczna S.A.
49.	PGE Inwest sp. z o.o. *Warsaw*	100.00%	PGE Polska Grupa Energetyczna S.A.	100.00%	PGE Polska Grupa Energetyczna S.A.
	PGE Energia Jądrowa S.A. *Warsaw*	-	-	100.00%	PGE Polska Grupa Energetyczna S.A.
50.	PGE EJ 1 sp. z o.o. *Warsaw*	100.00%	PGE Polska Grupa Energetyczna S.A.	51.00%	PGE Energia Jądrowa S.A.
				49.00%	PGE Polska Grupa Energetyczna S.A.
51.	PGE Dom Maklerski S.A. *Warsaw*	100.00%	PGE Polska Grupa Energetyczna S.A.	100.00%	PGE Polska Grupa Energetyczna S.A.

* The change of firm of the company was registered on October 9,2013

** PGE Polska Grupa Energetyczna S.A. fully consolidates controlled branches of EPW Energia sp. z o.o.

*** Other shares of PGE Obrót S.A. are treasury shares of this company. In connection with that, effective share of PGE S.A. in the share capital of that company is 100.00%

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

- On January 24, 2013 PGE Energia Odnawialna S.A. purchased 50% of shares in Eolica Wojciechowo sp. z o.o. and as a result reached 100% stake in that company. Starting from that date, the control was taken over Eolica Wojciechowo sp. z o.o. and the company has become subject to consolidation.
- On January 31, 2013 a merger of Bio-Energia S.A. with Biogazownia Łapy sp. z o.o. and Biogazownia Wożuczyn sp. z o.o. was registered.
- On February 21, 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 March 5, 2013 a liquidation of PGE Inwest spółka z ograniczoną odpowiedzialnością II S.K.A. in liquidation with its seat in Warsaw had been completed and company was deleted from the National Court Register.
- On March 27, 2013 PGE Polska Grupa Energetyczna S.A. sold all possessed shares of
  PGE Gubin sp. z o.o. to PGE Górnictwo i Energetyka Konwencjonalna S.A.
- On April 28, 2013 a decision on deletion of ELECTRA Bohemia s.r.o. in liquidation from the register became final.
- On June 3, 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 June 28, 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 February 19, 2013 and a further approval for concentration issued by the President of the Office of Competition and Consumer Protection dated June 4, 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 (current names are PGE Energia Natury) 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 June 30, 2013, MegaSerwis Sp. z o.o. which was established on December 21, 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 process.
- On July 31, 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. (current name EPW Energia 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 February 26, 2013) and with EBRD (on June 21, 2013) followed by approval for concentration issued by the President of the Office of Competition and Consumer Protection (decision dated June 4, 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 the ground of the articles of association and provisions of the agreement on co-operation between PGE S.A. and Energa Hydro sp. z o.o., PGE controls two separate branches of the company. Due to that fact, the full consolidation applies to part of investment attributable to PGE S.A.

- On July 31, 2013 the merger of PGE with its subsidiary PGE Energia Jądrowa S.A. was registered. The merger did not affect values recognised in 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 of companies from Dong group (currently PGE Energia Natury)

At the date of acquisition of control, net assets of the companies from DONG group calculated at book value amounted to PLN 174 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 290 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.

In accordance with IFRS 3 § 45, the Group should complete the accounting settlement within one year from the date of acquisition.

Initial settlement of the acquisition of assets of Iberdrola Renewables Polska Sp. z o.o (currently EPW Energia sp. z o.o.)

Net assets of Iberdrola Renewables Poland Sp. z o.o., attributable to PGE S.A., totaled PLN 331 million based on the book value as at the date of acquisition and the purchase price amounted to PLN 395 million. The difference in the amount of PLN 64 million between the purchase price and the value of net assets acquired, PGE Capital Group initially recognized as goodwill in intangible assets.

As in the case of DONG group companies described above, currently the process of valuation of the assets to their fair values and the identification of new intangible assets is carried out.

Accounting settlement should be completed within one year from the date of 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 February 19, 2009 on current and periodic information provided by issuers of securities and conditions of recognition as equivalent information required by the law of a non-Member State (Official Journal no. 33, item 259) (“Regulation”).

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

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 December 31, 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 December 31, 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 September 29, 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:

	September 30, 2013	December 31, 2012	September 30, 2012
USD	3.1227	3.0996	3.1780
EURO	4.2163	4.0882	4.1138

6. Restatement of comparative data

Changes in applied accounting policies – updated IAS 19

During the reporting period ended December 31, 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 so called costs of past employment,
- 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 September 30, 2013 recognizing provisions for so-called energy equivalent without amortization of past-service costs.

Changes in applied accounting policies – IFRIC 20

For reporting periods beginning after January 1, 2013 a new interpretation of IFRIC 20 applies that unifies the recognition of overburden removal costs in the production phase of a surface mine. According with the previously applied accounting rules, the Group recognised such costs in the consolidated statement of comprehensive income when incurred. Starting from January 1, 2013, part of the above mentioned costs are recognized as assets and depreciated accordingly.

The Group applied the interpretation of IFRIC 20 starting from the earliest presented reporting period. Therefore, the Group restated data presented in the consolidated financial statements for the comparable periods of 2012.

Changes in applied accounting policies – rights to greenhouse emissions

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 3-month period and 9-month period ended September 30, 2013 prepared in accordance with IFRS (in PLN thousand)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Period ended September 30, 2012 *(data published)*	Implementation of IFRIC 20	Implementation of IAS 19	Change in CO_2 valuation	Period ended September 30, 2012 *(data restated)*
Operating activities					
Total sales revenue	**21,897,072**	**-**	**-**	**(49,481)**	**21,847,591**
Costs of goods sold	(16,178,933)	402,903	4,666	49,250	(15,722,114)
Gross profit on sales		**402,903**	**4,666**	**(231)**	**6,125,477**
Other operating revenues	593,886	-	-	-	593,886
Distribution and selling expenses	(1,202,663)	-	-	-	(1,202,663)
General and administrative expenses	(528,273)	-	-	-	(528,273)
Other operating expenses	(222,372)	-	-	-	(222,372)
Profit from operations	**4,358,717**	**402,903**	**4,666**	**(231)**	**4,766,055**
Financial revenues	514,168	-	-	168	514,336
Financial expenses	(255,487)	-	-	63	(255,424)
Share of profit of associate	(13,801)	-	-	-	(13,801)
Profit before tax	**4,603,597**	**402,903**	**4,666**	**-**	**5,011,166**
Corporate income tax	(931,807)	(76,552)	(886)	-	(1,009,245)
Net profit from continuing operations	**3,671,790**	**326,351**	**3,780**	**-**	**4,001,921**
				-	
Discontinued operations				-	
Profit/ (loss) for the period on discontinued operations	(291)	-	-	-	(291)
Net profit for the operating period	**3,671,499**	**326,351**	**3,780**	**-**	**4,001,630**
Other comprehensive income for the period, net	**(1,219)**	-	-	**-**	**(1,219)**
TOTAL COMPREHENSIVE INCOME	**3,670,280**	**326,351**	**3,780**	**-**	**4,000,411**
Net profit attributable to:					
- equity holders of the parent company	3,631,219	321,676	3,766	-	3,956,661
- non-controlling interest	40,280	4,675	14	-	44,969
Total comprehensive income attributable to:					
- equity holders of the parent company	3,630,000	321,676	3,766	-	3,955,442
- non-controlling interest	40,280	4,675	14	-	44,969
Earnings per share (in PLN)					
- basic earnings per share for the period	1.95	0.17	-	-	2.12
- basic earnings from the continuing operations	1.95	0.17	-	-	2.12

Condensed interim consolidated financial statements for the 3-month period and 9-month period ended September 30, 2013 prepared in accordance with IFRS (in PLN thousand)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at September 30, 2012 *(data published)*	Implementation of IFRIC 20	Implementation of IAS 19	As at September 30, 2012 *(data restated)*
Non-current assets				
Property, plant and equipment	43,811,979	402,903	-	44,214,882
Investment property	30,435	-	-	30,435
Intangible assets	379,601	-	-	379,601
Loans and receivables	323,716	-	-	323,716
Available-for-sale financial assets	97,784	-	-	97,784
Shares in associates accounted for under the equity method	40,670	-	-	40,670
Other long-term assets	560,840	-	-	560,840
Deferred tax asset	328,299	-	-	328,299
Non-current assets related to discontinued operations	26,525	-	-	26,525
Total non-current assets	**45,599,849**	**402,903**	**-**	**46,002,752**

Equity				
Share capital	18,697,608	-	-	18.697.608
Revaluation reserve	-	-	-	-
Treasury shares	-	-	-	-
Foreign exchange differences fror translation of foreign entities	4,296	-	-	4.296
Reserve capital	9,687,596	-	-	9.687.596
Other capital reserves	49,779	-	-	49.779
Retained earnings	12,585,959	321,676	(55,486)	12.852.149
Non-controlling interest	338,383	4,675	(385)	342.673
Total equity	**41,363,621**	**326,351**	**(55,781)**	**41,634,101**
Long-term liabilities				
Interest-bearing loans and borrowings, bonds and lease	1,144,205	-	-	1.144.205
Other long-term liabilities	20,961	-	-	20.961
Provisions	3,307,112	-	68,976	3.376.088
Deferred tax liability	1,604,191	76,552	(13,105)	1.667.638
Deferred income and government grants	1,279,203	-	-	1.279.203
Long-term liabilities related to discontinued operations	6,591	-	-	6.591
Total long-term liabilities	**7,362,263**	**76,552**	**55,871**	**7,494,686**

Condensed interim consolidated financial statements for the 3-month period and 9-month period ended September 30, 2013 prepared in accordance with IFRS (in PLN thousand)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Period ended September 30, 2012 *(data published)*	Implementation of IFRIC 20	Implementation of IAS 19	Period ended September 30, 2012 *(data restated)*
Cash flow from operating activities				
Profit before tax related to discontinued operations	**(446)**	-	-	**(446)**
Profit before tax related to continuing operations	**4,603,597**	**402,903**	**4,666**	**5,011,166**
Adjustments for:				
Share of profit from associates accounted for under the equity method	13,801	-	-	13,801
Depreciation and amortization	2,162,288	5,780	-	2,168,068
Interest and dividend, net	(22,866)	-	-	(22,866)
Profit / loss on investment activities	(24,123)	-	-	(24,123)
Change in receivables	167,026	-	-	167,026
Change in inventories	(527,417)	-	-	(527,417)
Change in liabilities, excluding loans and bank credits	267,560	-	-	267,560
Change in other non-financial assets, prepayments and emission right	1,119,168	-	-	1,119,168
Change in provisions	(1,303,550)	-	(4,666)	(1,308,216)
Income tax paid	(781,617)	-	-	(781,617)
Other	(92,337)	-	-	(92,337)
Net cash from operating activities	**5,581,084**	**408,683**	**-**	**5,989,767**
Cash flow from investing activities				
Disposal of property, plant and equipment and intangible assets	23,697	-	-	23,697
Purchase of property, plant and equipment and intangible assets	(3,197,371)	(408,683)	-	(3,606,054)
Purchase/ disposal of investment property	1,097	-	-	1,097
Disposal of financial assets	2,159,038	-	-	2,159,038
Purchase of financial assets and increase in share capital in Group companies	(46,042)	-	-	(46,042)
Purchase/ disposal of subsidiaries after deduction of acquired cash	209,056	-	-	209,056
Dividends received	3,867	-	-	3,867
Interest received	35,976	-	-	35,976
Loans repaid	191,587	-	-	191,587
Loans granted	(261,889)	-	-	(261,889)
Other	35,815	-	-	35,815
Net cash from investing activities	**(845,169)**	**(408,683)**	**-**	**(1,253,852)**

Condensed interim consolidated financial statements for the 3-month period and 9-month period ended September 30, 2013 prepared in accordance with IFRS (in PLN thousand)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at December 31, 2012 (data published)	Implementation of IFRIC 20	Change in CO_2 valuation	As at December 31, 2012 (data restated)
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**
TOTAL ASSETS	**58,253,935**	**549,105**	**-**	**58,803,040**

Condensed interim consolidated financial statements for the 3-month period and 9-month period ended September 30, 2013 prepared in accordance with IFRS (in PLN thousand)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at December 31, 2012 *(data published)*	Implementation of IFRIC 20	Change in CO_2 valuation	As at December 31, 2012 *(data restated)*
Equity				
Share capital	18,697,608	-	-	18,697,608
Revaluation reserve	-	-	-	-
Treasury shares	-	-	-	-
Foreign exchange differences fror 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**

7. New standards and interpretations published, not yet effective

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

- IFRS 9 *Financial Instruments* (with amendments) – effective for the periods starting January 1, 2015.
- Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of interests in other entities* and IAS 27 *Separate financial statements* (issues related to investments in entities) – effective for the periods starting January 1, 2014.
- Amendments to IAS 36 *Impairment of Assets* (disclosures concerning recoverable amount of non-financial assets) - effective for the periods starting January 1, 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 January 1, 2014.
- IFRIC 21 *Levies* – effective for the periods starting January 1, 2014.

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

- Amendments to IAS 32 *Financial Instruments: Presentation* – effective for the periods starting January 1, 2014.
- IFRS 10 *Consolidated Financial Statements* – effective for the periods starting January 1, 2014.
- IFRS 11 *Joint Agreements* – effective for the periods starting January 1, 2014.
- IFRS 12 *Disclosure of Interests in Other Entities* – effective for the periods starting January 1, 2014.
- Amended IAS 27 *Separate Financial Statements* – effective for the periods starting January 1, 2014.
- Amended IAS 28 *Investments in Associates and Joint Ventures* – effective for the periods starting January 1, 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, interpretations and their changes should have no significant impact on future financial statements of the PGE Capital Group in current structure.

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. Branch Elektrownia Turów (Level 2) and foreign currency forward in PGE Polska Grupa Energetyczna S.A. (Level 2).

Condensed interim consolidated financial statements for the 3-month period and 9-month period ended September 30, 2013 prepared in accordance with IFRS (in PLN thousand)

Fair value hierarchy

	As at September 30, 2013		As at December 30, 2012	
	Level 1	Level 2	Level 1	Level 2
Inventories	**292,092**	**-**	**194,207**	**-**
Financial assets	**-**	**105,160**	**-**	**18,833**
- commodity forward	-	101,796	-	13,307
- foreign currency forward	-	3,364	-	5,526
Financial liabilities	**-**	**30,196**	**-**	**36,513**
- foreign currency forward	-	2,039	-	148
- swap	-	28,157	-	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 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.

Condensed interim consolidated financial statements for the 3-month period and 9-month period ended September 30, 2013 prepared in accordance with IFRS (in PLN thousand)

Information on business segments

Period ended September 30, 2013	Segment: Conventional Generation	Segment: Renewable Energy	Segment: Wholesale	Segment: Distribution	Segment: Retail sale	Other activities	Consolidation adjustments	Total continued operations
Revenues								
Revenues from sales to external customers	8 993 759	448 366	2 013 884	1 034 357	9 533 321	567 046	(9 153)	**22 581 580**
Revenues from sales between segments	347 577	89 228	7 256 498	3 119 215	170 773	707 399	(11 690 690)	-
Total revenues from segments	**9 341 336**	**537 594**	**9 270 382**	**4 153 572**	**9 704 094**	**1 274 445**	**(11 699 843)**	**22 581 580**
Financial result								
EBIT *)	**2 430 196**	**153 343**	**708 098**	**1 004 564**	**364 846**	**22 728**	**(8 811)**	**4 674 964**
EBITDA **)	**3 712 540**	**295 498**	**719 749**	**1 739 026**	**371 015**	**107 323**	**(35 504)**	**6 909 647**
Net financial revenues (expenses)								(17 749)
Share of profit of associates								(1 087)
Profit (loss) before tax								**4 656 128**
Income tax								(865 841)
Net profit (loss) for the period								**3 790 287**
Assets and liabilities								
Assets of the segment excluding trade receivables	31 617 682	3 168 056	531 047	14 618 027	746 439	1 053 842	(314 250)	51 420 843
Trade receivables	206 765	63 902	825 668	336 935	1 488 444	284 650	(1 018 912)	2 187 452
Shares in associates								39 729
Unallocated assets								6 803 617
Total assets								**60 451 641**
Liabilities of the segment excluding trade liabilities	7 765 073	226 648	337 781	1 666 062	1 584 245	361 505	(43 678)	11 897 636
Trade liabilities	618 689	24 598	293 900	168 664	585 217	177 762	(951 080)	917 750
Unallocated liabilities								4 364 994
Total liabilities								**17 180 380**
Other information on business segments								
Capital expenditures	1 872 216	107 089	9 649	813 450	4 490	95 962	(75 662)	2 827 194
Purchase of property, plant and equipment, net - within purchase of new companies		721 822					372 100	1 093 922
Revaluation write-offs on financial and non-financial assets	20 598	5 936	(974)	12 251	12 870	(712)	505	50 474
Amortisation and depreciation	1 282 344	142 155	11 651	734 462	6 169	84 595	(26 693)	2 234 683
Other non-monetary expenses***)	1 472 160	8 762	9 411	82 422	657 223	29 523	(53 692)	2 205 809

*) EBIT = profit (loss) before tax and financial revenues / expenses
**) EBITDA = EBIT + amortization
***) changes in provisions of non-monetary character, inter alia for gratuities, recultivation, CO2 emission rights, jubilee awards, employees' tariff recognised in financial result and in other comprehensive income

Condensed interim consolidated financial statements for the 3-month period and 9-month period ended September 30, 2013 prepared in accordance with IFRS (in PLN thousand)

Period ended September 30, 2012 (data restated)	Segment: Conventional Generation	Segment: Renewable Energy	Segment: Wholesale	Segment: Distribution	Segment: Retail sale	Other activities	Consolidation adjustments	Total continued operations
Revenues								
Revenues from sales to external customers	9 847 350	409 521	781 266	881 614	9 263 708	636 201	27 931	**21 847 591**
Revenues from sales between segments	544 154	13 889	6 821 387	3 222 559	145 879	618 270	(11 366 138)	
Total revenues from segments	**10 391 504**	**423 410**	**7 602 653**	**4 104 173**	**9 409 587**	**1 254 471**	**(11 338 207)**	**21 847 591**
Financial result								
EBIT *)	**3 270 872**	**100 783**	**433 975**	**861 690**	**93 992**	**9 621**	**(4 878)**	**4 766 055**
EBITDA **)	**4 555 883**	**205 221**	**448 593**	**1 560 961**	**100 580**	**91 211**	**(28 327)**	**6 934 122**
Net financial revenues (expenses)								258 912
Share of profit of associates								(13 801)
Profit (loss) before tax								**5 011 166**
Income tax								(1 009 245)
Net profit (loss) for the period								**4 001 921**
Assets and liabilities								
Assets of the segment excluding trade receivables	32 453 742	2 176 843	423 530	14 309 361	780 273	1 120 480	(764 188)	50 500 041
Trade receivables	301 110	49 525	601 196	400 176	1 233 380	293 539	(1 032 019)	1 846 907
Shares in associates								40 670
Unallocated assets								5 880 006
Total assets								**58 267 624**
Liabilities of the segment excluding trade liabilities	8 007 353	135 934	387 102	1 425 264	1 718 146	364 932	(19 021)	12 019 710
Trade liabilities	617 590	9 251	368 476	206 733	531 008	195 044	(976 878)	951 224
Unallocated liabilities								3 662 589
Total liabilities								**16 633 523**
Other information on business segments								
Capital expenditures	2 283 156	98 497	2 399	824 255	4 432	80 169	(90 590)	3 202 318
Acquisition of property, plant and equipment within purchase of new companies	113	284 551					127 525	412 190
Revaluation write-offs on financial and non-financial assets	9 594	14 299	20 354	2 960	27 155	804	(3 363)	71 803
Amortisation and depreciation	1 285 011	104 438	14 618	699 271	6 588	81 590	(23 449)	2 168 067
Other non-monetary expenses***)	1 682 306	6 723	(203 454)	102 703	920 637	26 322	(4 132)	**2 531 105**

*) EBIT = profit (loss) before tax and financial revenues / expenses

**) EBITDA = EBIT + amortization

***) changes in provisions of non-monetary character, inter alia for gratuities, recultivation, CO_2 emission rights, jubilee awards, employees' tariff recognised in financial result and in other comprehensive income

Condensed interim consolidated financial statements for the 3-month period and 9-month period ended September 30, 2013 prepared in accordance with IFRS (in PLN thousand)

11. Revenues and expenses

11.1. Sales revenues

Revenues from operating activities	3-month period ended September 30, 2013	9-month period ended September 30, 2013	3-month period ended September 30, 2012 (data restated)	9-month period ended September 30, 2012 (data restated)
Sales of finished goods and merchandise with excise tax	*7,316,911*	*22,020,713*	*6,876,101*	*21,468,992*
Excise tax	*(132,356)*	*(391,948)*	*(117,861)*	*(344,951)*
Revenues from sale of finished goods and merchandise	7,184,555	21,628,765	6,758,240	21,124,041
Revenues from sale of services	124,490	391,266	129,635	553,081
Revenues from lease	9,482	29,169	9,356	26,726
Revenues from LTC compensations	162,221	532,380	36,269	143,743
Sales revenues	**7,480,748**	**22,581,580**	**6,933,500**	**21,847,591**

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	3-month period ended September 30, 2013	9-month period ended September 30, 2013	3-month period ended September 30, 2012 (data restated)	9-month period ended September 30, 2012 (data restated)
Depreciation/amortization	758,232	2,234,683	734,856	2,168,067
Materials and energy	830,715	2,689,370	920,034	3,022,067
External services	562,564	1,647,749	630,425	1,838,606
Taxes and charges	802,508	2,023,797	512,612	1,749,864
Personnel expenses	1,040,002	3,186,989	1,141,301	3,330,300
Other costs by type	76,180	242,379	71,702	236,327
Total costs by type	**4,070,201**	**12,024,967**	**4,010,930**	**12,345,231**
Change in inventories	(4,163)	(27,245)	(2,036)	(22,362)
Cost of products and services for the entity's own needs	(430,991)	(1,108,368)	(327,442)	(945,118)
Distribution and selling expenses	(460,180)	(951,376)	(366,582)	(1,202,663)
General and administrative expenses	(182,500)	(548,273)	(168,986)	(528,273)
Cost of merchandise and materials sold	2,480,274	7,323,766	1,997,792	6,075,299
Cost of goods sold	**5,472,641**	**16,713,471**	**5,143,676**	**15,722,114**

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 September 30, 2012 has been restated appropriately.

Condensed interim consolidated financial statements for the 3-month period and 9-month period ended September 30, 2013 prepared in accordance with IFRS (in PLN thousand)

11.3. Other operating revenues and expenses

Other operating revenues	**9-month period ended September 30, 2013**	**9-month period ended September 30, 2012**
Adjustment of revenues from LTC compensations	251,870	130,318
Profit on disposal of property, plant and equipment	10,689	11,484
Reversal of impairment allowances for receivables	10,411	19,053
Reversal of impairment allowances for other assets	9,383	1,471
Provisions reversed	63,639	219,629
Compensations, penalties and fines received	147,742	138,004
Grants received	13,906	13,325
Taxes refunded	1,344	6,073
Court fees refunded	4,430	2,962
Assets acquired free of charge	3,585	15,882
Surpluses / disclosures of assets	21,140	13,182
Revenues from illegal energy consumption	6,776	4,959
Other	27,143	17,544
Total other operating revenues	**572,058**	**593,886**

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

Compensations, penalties and fines received include mainly compensations from insurance companies for random damage and failures in generation units.

Other operating expenses	**9-month period ended September 30, 2013**	**9-month period ended September 30, 2012**
Impairment allowances raised for receivables	43,808	71,990
Impairment allowances raised for other assets	4,909	14,886
Loss on disposal of property, plant and equipment and intangible assets	167	406
Provisions raised	68,875	54,440
Donations granted	29,146	3,728
Compensation paid	3,069	7,499
Court fees paid	14,693	6,094
Liquidation of damages/ removal of failures	28,112	25,233
Scrapping of non-current assets	11,765	11,897
Forgiveness of receivables	1,746	4,931
Costs of social activities	2,158	3,173
Settlement of inventory deficits	1,170	6,399
Other	55,936	11,696
Total other operating expenses	**265,554**	**222,372**

Creation of reserves in other operating expenses includes mainly the issue of non-contractual use of the properties of PGE Dystrybucja S.A.

Condensed interim consolidated financial statements for the 3-month period and 9-month period ended September 30, 2013 prepared in accordance with IFRS (in PLN thousand)

11.4. Financial revenues and expenses

Financial revenues	**9-month period ended September 30, 2013**	**9-month period ended September 30, 2012** *(data restated)*
Financial revenue from financial instruments	**223,513**	**466,942**
Dividends	2,451	3,956
Interest income	163,902	321,731
Revaluation / Reversal of impairment allowance, including CO_2	44,257	7,743
Profit on disposal of investments	89	46,197
Exchange gains	12,209	87,196
Other	605	119
Other financial revenues	**13,679**	**47,394**
Interest on statutory receivables	9	3,249
Provision reversed	5,983	38,455
Other	7,687	5,690
Total financial revenues	**237,192**	**514,336**

Interest income mainly includes short-term bank deposits (with maturity of up to 3 months).

Financial expenses	**9-month period ended September 30, 2013**	**9-month period ended September 30, 2012** *(data restated)*
Financial expenses from financial instruments	**70,138**	**117,415**
Interest expenses	48,862	65,076
Revaluation	-	391
Impairment losses	3,777	3,198
Loss in investment disposal	-	10
Exchange losses	11,429	44,362
Other	6,070	4,378
Other financial expenses	**184,803**	**138,009**
Interest expenses (including effect of discount unwinding)	175,088	135,549
Interest paid relating to state liabilities	479	1,625
Other	9,236	835
Total financial expenses	**254,941**	**255,424**

Effect of discount unwinding recognised in other financial expenses mainly relates to revaluation of provision for post-employment benefits and for rehabilitation of degraded areas after assets exploitation.

Condensed interim consolidated financial statements for the 3-month period and 9-month period ended September 30, 2013 prepared in accordance with IFRS (in PLN thousand)

11.5. Revaluation of transactions related to CO_2 emission rights

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.

	9-month period ended September 30, 2013	9-month period ended September 30, 2012
Financial revenues		
Commodity forward valuation	101,796	-
Foreign currency forward valuation	3,512	1,142
Profit on sale of carbon dioxide emission rights outside the PGE CG	1,963	239
Impairment allowance of commodity spot	555	-
Financial expenses		
Commodity spot valuation	(66,622)	-
Foreign currency forward valuation	(7,564)	(63)
Impairment allowance of commodity spot	-	(8)
Loss on sale of carbon dioxide emission rights outside the PGE CG	-	-
Financial revenues/ (expenses) related to carbon dioxide trading portfolio.	**33,640**	**1,310**

Condensed interim consolidated financial statements for the 3-month period and 9-month period ended September 30, 2013 prepared in accordance with IFRS (in PLN thousand)

12. Impairment allowances of assets – recognition and reversal

	9-month period ended September 30, 2013	9-month period ended September 30, 2012
Impairment allowances on property plant and equipment		
- impairment allowance raised	63,006	14,004
- impairment allowance reversed	67,163	302
Impairment allowances on inventories		
- impairment allowance raised	20,981	42,911
- impairment allowance reversed	1,079	32,964

Impairment allowances raised and reversed 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

	9-month period ended September 30, 2013	9-month period ended September 30, 2012 *(data restated)*
Income tax disclosed in the statement of comprehensive income		
Current income tax	589,565	744,570
Deferred income tax	276,276	264,675
Total	**865,841**	**1,009,245**

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

Condensed interim consolidated financial statements for the 3-month period and 9-month period ended September 30, 2013 prepared in accordance with IFRS (in PLN thousand)

14. Deferred tax asset and liability

Components of deferred tax liability	As at September 30, 2013	As at December 31, 2012 *(data restated)*
1996-2000 investment relief	887	838
Difference between tax value and carrying value of property, plant and equipment	2,396,042	2,153,022
Accrued interest on deposits, loans granted, bonds and receivables	50,744	52,520
Difference between tax value and carrying value of other financial assets	231	290
Difference between tax value and carrying value of financial liabilities	31,089	14,440
Current period revenues unrealized for tax purposes	139,060	140,800
Difference between tax value and carrying value of energy origin units of ownership	59,449	60,899
Revenues from accrued LTC compensations	680,622	632,633
Upward valuation of revenues	128,486	133,584
CO_2 emission rights	407,966	513,137
Other	47,531	55,931
Gross deferred tax liability	**3,942,107**	**3,758,094**

Components of deferred tax asset	As at September 30, 2013	As at December 31, 2012
Difference between tax value and carrying value of property, plant and equipment	426,213	414,365
Current period costs not realized for tax purpose	129,630	128,303
Provisions for employee benefits	503,556	503,836
Provisions for recultivation of excavations and recultivation of ash storages	403,612	376,243
Accrued employee bonuses	51,069	23,048
Difference between tax value and carrying value of financial assets	15,464	7,541
Difference between tax value and carrying value of financial liabilities	27,193	25,487
Difference between tax value and carrying value of inventories	38,618	27,367
Payroll and other employee benefits	18,680	19,330
Tax losses	4,503	1,542
Energy infrastructure acquired free of charge and connection payments received	154,511	161,365
Provision due to CO_2 emission	245,032	405,136
Other provisions	53,649	51,276
Provision for energy origin units	96,637	142,715
Compensations from reversal of LTC	159,069	177,534
Other	135,714	88,807
Gross deferred tax asset	**2,463,150**	**2,553,895**
Revaluation write-off on tax asset	(743)	(853)
Deferred tax asset before off-set of balances	**2,462,407**	**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	**343,281**	**367,079**
Deferred tax liability	**(1,822,981)**	**(1,572,131)**

Condensed interim consolidated financial statements for the 3-month period and 9-month period ended September 30, 2013 prepared in accordance with IFRS (in PLN thousand)

15. Greenhouse gases 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 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.

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

	EUA		CER/ERU		Total
	Amount (Mg thousand)	Value	Amount (Mg thousand)	Value	value
As at January 1, 2013	**76,303**	**2,696,471**	**5,787**	**194,113**	**2,890,584**
Purchase	28,628	579,720	-	-	579,720
Allocated free of charge	32,631	857,773	-	-	857,773
Redemption	(54,954)	(1,817,963)	(5,763)	(193,237)	(2,011,200)
Other changes	-	-	(24)	(876)	(876)
As at September 30, 2013	**82,608**	**2,316,001**	**-**	**-**	**2,316,001**

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

Since January 1, 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 (article 10a of ETS directive) and to producers of electricity (article 10c of ETS directive).

The Polish government submitted to EC documents entitling to receive free CO_2 emission rights regarding both electricity producers and heat producers. Derogation application for electricity producers was conditionally approved by the EC in July 2012 but the final decision has still not been taken on that matter. PGE Group other domestic generators await the approval of the derogation application by the EC's General Director for Competition. Moreover, until now the draft law on emission rights trading has not been published.

As a result of above mentioned delays, which are beyond control of PGE Group, it's possible that installations producing electricity will not obtain CO_2 emission rights for 2013 granted free of charge, until 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 finally granted free of charge to certain producers. These units are recognized and settled according to the current accounting policy.

Condensed interim consolidated financial statements for the 3-month period and 9-month period ended September 30, 2013 prepared in accordance with IFRS (in PLN thousand)

16. Share capital

	As at September 30, 2013	As at December 31, 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 number of shares	**1,869,760,829**	**1,869,760,829**

All shares of the Company are paid up.

Ownership structure of the Company as at the balance sheet dates.

	State Treasury	Other shareholders	Total
As at January 1, 2013	**61.89%**	**38.11%**	**100.00%**
As at September 30, 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 the balance sheet data until the date of these financial statements the value of the share capital of the Company has not changed.

16.1. Earnings per share

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.

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

Condensed interim consolidated financial statements for the 3-month period and 9-month period ended September 30, 2013 prepared in accordance with IFRS (in PLN thousand)

17. Dividends paid and dividends declared

	Dividends paid or declared from the profit for the period/year ended		
	September 30, 2013	**December 31, 2012**	**December 31, 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 June 27, 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 September 5, 2013 and dividend payment day for September 26, 2013.

Dividend from the profit for the period ended September 30, 2013

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

Condensed interim consolidated financial statements for the 3-month period and 9-month period ended September 30, 2013 prepared in accordance with IFRS (in PLN thousand)

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 January 1, 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)	-	-	-	(11)	14,511	-	-	(2,494)	**11,270**
Costs of present employment / provisions used	46,204	28,701	-	-	-	-	60,334	1,774	-	-	**137,013**
Raised during the year	(16,926)	(33,382)	(196,269)	(1,038)	(2,011,200)	(1,094)	-	(19,726)	(898,708)	(175,638)	**(3,353,981)**
Reversed	-	-	-	23,685	1,168,549	685	46,019	-	714,684	365,852	**2,319,474**
Other changes	-	-	(7,422)	(56,085)	-	(6,930)	(506)	-	(59,631)	(33,974)	**(164,548)**
Costs of present employment / provisions used	(3,636)	2,310	-	185	-	(385)	46,728	-	-	(1,585)	**43,617**
As at September 30, 2013	**1,577,707**	**986,893**	**1,070**	**127,360**	**1,289,644**	**6,540**	**2,243,046**	**65,502**	**507,640**	**560,952**	**7,366,354**
Short-term	**89,276**	**87,807**	**1,070**	**95,925**	**1,289,644**	**6,220**	**-**	**3,309**	**507,640**	**393,516**	**2,474,407**
Long-term	**1,488,431**	**899,086**	**-**	**31,435**	**-**	**320**	**2,243,046**	**62,193**	**-**	**167,436**	**4,891,947**

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. Branch Kopalnia Węgla Brunatnego Bełchatów) and in the years 2041-2090 (for PGE Górnictwo i Energetyka Konwencjonalna S.A. Branch Kopalnia Węgla Brunatnego Turów).

Condensed interim consolidated financial statements for the 3-month period and 9-month period ended September 30, 2013 prepared in accordance with IFRS (in PLN thousand)

	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 January 1, 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 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 December 31, 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 value of provisions disclosed in the interim financial statements is calculated on the ground of 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 provisions recognized in the interim financial statements is calculated on the ground of 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 deficiency 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 February 3, 1995 on Agricultural and Forest grounds and regulations of the Act of February 4, 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. Branch Kopalnia Węgla Brunatnego Bełchatów and PGE Górnictwo i Energetyka Konwencjonalna S.A. Branch 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 coal excavation. The provision as at the end of the period is calculated as a product of the discounted total cost of recultivation divided by the rate of coal excavation, less period-end 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.

Provision for recultivation of wind farms post-construction areas

The PGE Group entities raise provisions for recultivation of **wind farms post-construction areas**. The provision is created in full amount at time of commissioning of the farm and includes the estimated costs of dismantling and removal of equipment remains, structures and buildings and costs of bringing a land as close as possible to the state before construction of wind farm.

18.6. Scrapping of property, plant and equipment

The provision for scrapping of property, plant and equipment relates mainly to the part of assets of PGE Górnictwo i Energetyka Konwencjonalna S.A. Branch Elektrownia Turów, which is going to be excluded from the production by the end of 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 66 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 amounted to PLN 508 million as at September 30, 2013.

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 25.1 of these financial statements.

Dispute concerning the redemption of energy origin units

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 September 30, 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 September 30, 2013 created provisions amounted to PLN 194 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 82 million.

Condensed interim consolidated financial statements for the 3-month period and 9-month period ended September 30, 2013 prepared in accordance with IFRS (in PLN thousand)

19. Deferred income and government grants

Deferred income and government grants	As at September 30, 2013	As at December 31, 2012 *(data restated)**
Long-term:		
Government grants	338,938	301,342
Other deferred income	831,676	823,412
Long-term deferred income and government grants	**1,170,614**	**1,124,754**
Short-term:		
Government grants	15,497	12,275
Other deferred income	332,473	111,126
Short-term deferred income and government grants	**347,970**	**123,401**

The table below presents positions comprising government grants and deferred income.

Government grants	As at September 30, 2013	As at December 31, 2012 *(data restated)**
Redemption of loans from environmental funds	52,920	55,197
Grants received from NFEP&WM (environmental fund)	145,518	101,082
Grants from EU for CCS	84,783	85,492
Other government grants	71,214	71,846
Total deferred income, including:	**354,435**	**313,617**
Long-term	338,938	301,342
Short-term	15,497	12,275

Other deferred income	As at September 30, 2013	As at December 31, 2012 *(data restated)**
Greenhouse gases emission rights	214,443	-
Property, plant and equipment acquired free of charge	138,290	155,094
Subsidies granted and connection fees	693,085	722,034
Lease income	42,940	2,704
Other deferred income	75,392	54,706
Total deferred income, including:	**1,164,150**	**934,538**
Long-term	831,676	823,412
Short-term	332,474	111,126

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

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

Condensed interim consolidated financial statements for the 3-month period and 9-month period ended September 30, 2013 prepared in accordance with IFRS (in PLN thousand)

20. Contingent liabilities and receivables. Legal claims

20.1. Contingent liabilities

Contingent liabilities	As at September 30, 2013	As at December 31, 2012
Liabilities due to bank guarantees	2,536	250
Contingent return of grants from environmental funds	321,521	294,304
Legal claims	11,623	8,282
Contractual fines and penalties	12,481	14,190
Employee claims	51,959	52,040
Compensations related to non-agreed usage of property	7,162	2,558
Other contingent liabilities	30,552	101,486
Total contingent liabilities	**437,834**	**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 Corporate Collective Labour 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 28 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.

20.4. Other legal claims and court issues

Dispute PGE – ATEL (currently Alpiq Holding AG)

Since 2009 PGE Polska Grupa Energetyczna S.A. was a party to arbitration proceedings with the company Alpiq. The proceeding was held before the Arbitration Tribunal in Vienna. The subject of the arbitration proceeding was the claim of Alpiq, raised against PGE, resulting from the default on an electricity supply agreement signed on 28 October 1997. Claims submitted by Alpiq and changed on October 4, 2010 amounted to approximately EUR 155 million. After exchange of last post-hearing briefs Alpiq ultimately requested PGE to pay EUR 168 million plus interest. The arbitration proceeding was held in written form and was based on the exchange of pleadings between the parties and presentation to the Tribunal of evidence by witnesses, experts and statements by the parties.

On September 12, 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 Alpiq reached agreement on execution of the judgment. According to the agreement, PGE S.A. will 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 April 15, 2013 and the remaining amount is to be paid by the end of 2013 and at the balance sheet date is recognized in other liabilities.

Condensed interim consolidated financial statements for the 3-month period and 9-month period ended September 30, 2013 prepared in accordance with IFRS (in PLN thousand)

Case of compensation regarding the conversion of shares

Former shareholders of PGE Górnictwo i Energetyka S.A. file request with the courts for calling PGE Polska Grupa Energetyczna S.A. to set conciliatory hearing for payment of compensation due to alleged incorrect determination of exchange parity of shares of PGE Górnictwo i Energetyka S.A. for shares of PGE Polska Grupa Energetyczna S.A. in the Consolidation Process that took place in 2010. Aggregate value of claims resulting from summons to a conciliation hearing filed by the former shareholders of PGE Górnictwo i Energetyka S.A. exceeds PLN 5 million.

Irrespective of the above, summons to a conciliation hearing were also filed by Socrates Investment S.A. – a company which purchased claims from former shareholders of PGE Górnictwo i Energetyka S.A. Socrates Investment S.A. requests from PGE Polska Grupa Energetyczna S.A. a compensation in aggregate amount of PLN 370,954 thousand for the damage suffered in connection with incorrect (in company's opinion) determination of exchange parity in merger process of PGE Górnictwo i Energetyka S.A and PGE Polska Grupa Energetyczna S.A.

PGE finds the demands of Socrates Investment S.A. and of other shareholders undocumented and fully groundless. In the given cases PGE S.A. will not conclude any settlements. Thus, there is a risk that Socrates Investment S.A. and other shareholders will file petitions for payment of the abovementioned amounts by PGE. The Company did not raise a provision for the above claims.

21. Financial liabilities

Financial liabilities measured at amortized cost (As at September 30, 2013)	**Long-term**	**Short-term**	**Total**
Interest bearing loans and credits	1,014,325	378,234	**1,392,559**
Bonds	1,000,000	8,788	**1,008,788**
Leasing	2,015	1,560	**3,575**
Trade liabilities	-	917,750	**917,750**
Compensations related to LTC	-	296,384	**296,384**
Other financial liabilities	6,714	915,238	**921,952**
Total	**2,023,054**	**2,517,954**	**4,541,008**

Other financial liabilities comprise mainly liabilities due to purchase of property, plant and equipment in amount of PLN 339 million and received deposits in total amount of PLN 366 million (mainly deposit received by PGE Górnictwo i Energetyka Konwencjonalna S.A. Branch 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. Branch Elektrownia Bełchatów from Nordic Investment Bank to finance construction of 858 MW power plant - with a carrying value of PLN 627 million as at September 30, 2013;
- investment credit facilities drawn by PGE Górnictwo i Energetyka Konwencjonalna S.A. Branch Elektrownia Turów from Nordic Investment Bank, UBS Investment Bank AG for modernisation of the generation assets - with a carrying value of PLN 330 million as at September 30, 2013.

Additionally, as at September 30, 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 or the maximum amount of PLN 5 billion. On June 27, 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 June 27, 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 4,845 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 2,117 million;
- investment commitments of PGE Dystrybucja S.A. of the total value of approx. PLN 702 million.

The issue of Opole II Project is described in note 26.5 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 2,781 million. Majority of expenditures were incurred by PGE Górnictwo i Energetyka Konwencjonalna S.A. (PLN 1,861 million) and PGE Dystrybucja S.A. (PLN 801 million). The most significant expenditures of PLN 415 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 and of Iberdrola Renewables Polska sp. z o.o. by PGE Polska Grupa Energetyczna S.A. in the amount of approx. PLN 711 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.

Condensed interim consolidated financial statements for the 3-month period and 9-month period ended September 30, 2013 prepared in accordance with IFRS (in PLN thousand)

24. Information on related parties

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

24.1. Associates

	Sales to associates	Purchases from associates	Trade receivables from associates	Trade liabilities towards associates
Jan 1 - Sep 30 2013	4,918	240	503	11
Jan 1 - Sep 30 2012	4,419	112	737	2

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 PGE Group companies identify 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.

	Sale to State Treasury entities	Purchases from State Treasury entities	Trade receivables from State Treasury entities	Trade liabilities towards State Treasury entities
Jan 1 - Sep 30 2013	2,889,337	2,715,463	454,697	404,767
Jan 1 - Sep 30 2012	1,696,702	3,287,459	254,516	442,873

The largest transactions with the participation of State Treasury companies involve PSE S.A., utility power 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 Towarowa Giełda Energii S.A. 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.

Condensed interim consolidated financial statements for the 3-month period and 9-month period ended September 30, 2013 prepared in accordance with IFRS (in PLN thousand)

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 September 30, 2013	Period ended September 30, 2012
Short-term employee benefits (salaries and salary related costs)	19,457	17,098
Post-employment and termination benefits	2,741	5,305
Total remuneration of key management personnel	**22,198**	**22,403**
Remuneration of key management personnel of entities of non-core operations	13,811	14,611
Total remuneration of management personnel	**36,009**	**37,014**

	Period ended September 30, 2013	Period ended September 30, 2012
The Management Board of the parent company	6,024	5,941
The Supervisory Board of the parent company	219	252
The Management Boards – subsidiaries	15,269	15,451
The Supervisory Boards – subsidiaries	686	759
Total	**22,198**	**22,403**
Remuneration of key management personnel of entities of non-core operations	13,811	14,611
Total remuneration of management personnel	**36,009**	**37,014**

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.

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. 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 generation 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 (village-mayor, 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 during the reporting period and subsequent events

26.1. Compensation for long term contact

As it was described in the previous financial statements, some generating entities of PGE Górnictwo i Energetyka Konwencjonalna S.A. („PGE GiEK S.A.") became entitled to receive funds to cover stranded costs (so-called "LTC compensation") pursuant to the Act of June 29, 2007 on the Rules of Coverage of Costs Occurring at Production Plants as a Consequence of Early Termination of Long-Term Power and Electricity Sales Contracts (Journal of Laws No. 130, item 905, of 2007) (the "LTC Act"). The LTC Act is ambiguous in many points and raise important questions of interpretation. The calculation of the estimated results of each entity and resulting compensations, annual adjustments of stranded costs and final adjustments as well as resulting revenues recognized in the 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 entitled producers from PGE Group received decisions on annual adjustments of stranded costs and costs related to natural gas fired entities for 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 Appeal concerning appeals by PGE Group producers against the Decision of the President of the Energy Regulatory Office. These proceedings are currently at various levels of advancement.

LTC cases as at the date of this financial statements are presented below:

With regard to settlement of annual adjustment of the stranded costs due to PGE GiEK S.A. for 2008 with a claim value of PLN 434.7 million.

in the third quarter of 2013 two cases with a total claim value of PLN 205 million were closed with a favourable verdict of the Court of Appeal that is final and valid. So far favourable verdicts were issued in five cases with a total claim value of PLN 392.3 million (in two of these cases the ERO President is entitled to cassation appeal). In one case with a claim value of PLN 42.4 million, the CCP Court verdict of November 12, 2012 was appealed by the ERO President – the company replied to the appeal.

With regard to settlement of annual adjustment of the stranded costs and costs related to natural gas fired entities due to PGE GiEK S.A. for 2009 with a claim value of PLN 672.9 million.

So far final and binding verdicts favourable for PGE were issued in three cases with a total claim value of PLN 308.7 million (in two of these cases the ERO President filed cassation appeals). In three cases with regard to settlement of annual adjustment of the stranded costs with a total claim value of PLN 353.4 million, favourable verdicts of CCP Court were appealed by the ERO President. In one of the two cases with regard to costs related to natural gas fired entities with a claim value of PLN 10.8 million the company appealed against the part of the unfavourable verdict of the CCP Court.

With regard to settlement of annual adjustment of the stranded costs and costs related to natural gas fired entities due to PGE GiEK S.A. for 2010 with a claim value of PLN 539.5 million.

The ERO President appealed against the verdicts of the CCP Court of June 10, 2013, which were favourable for PGE GiEK S.A. (including for the period January 1, 2010 – August 31, 2010 for PGE GiEK S.A. as a legal successor of PGE Elektrownia Turów S.A., PGE Zespół Elektrowni Dolna Odra S.A., PGE Elektrociepłownia Rzeszów S.A. and PGE Elektrociepłownia Lublin Wrotków sp. z o.o.).

With regard to settlement of annual adjustment of the stranded costs and costs related to natural gas fired entities due to PGE GiEK S.A. for 2011 and 2012 with a claim value of PLN 13.2 million.

Cases are at the stage of appeals by PGE GiEK S.A. against the ERO President's decisions with regard to annual adjustments.

Impact on the financial statements for the period ended September 30, 2013

The resolution of the two cases regarding the settlement of annual adjustment of the stranded costs for PGE GiEK S.A. Branch Elektrociepłownia Lublin Wrotków for 2008 and for PGE GiEK S.A. Branch Elektrownia Turów for 2009 resulted in recognition of reversal of provisions in other operating revenues in amount of PLN 103.7 million in the third quarter (in period January – September 2013 reversal of provisions amounted to PLN 251.9 million).

26.2. Agreement on the exploration for and extraction of shale gas.

On July 4, 2012 PGE S.A. signed a framework agreement on the exploration for 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-matter of the Agreement is 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 a close cooperation involving an area of approximately 160 km^2 (Co-operation area). 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 Co-operation area are projected to be in the amount of PLN 1.72 billion. According to the Agreement and annexes, 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 fulfil certain obligations resulting from the Agreement, were to be agreed by May 4, 2013. The Agreement assumes that if details regarding the terms of cooperation are not agreed by the parties by May 4, 2013, the Agreement may be terminated by each of the parties. Until the date of this report none of the parties terminated the framework agreement of July 4, 2012. Currently works are carried out in order to settle terms of co-operation.

26.3. Signing of the Letter of Intent on joint participation in preparation, construction and exploitation of the first Polish nuclear power plant.

On September 5, 2012 PGE S.A. signed a Letter of Intent regarding participation in preparation, construction and exploitation of the nuclear power plant ("Project"). The parties of 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. (jointly "Parties").

On September 23, 2013, as a result of works concerning implementation of a draft purchase agreement with regard to shares in special purpose company for construction and operating of the nuclear power plant, the Parties initialed a Partner's Agreement ("the Partner's Agreement"). In this way Parties declared that the initialed document constitutes a draft of a future Partner's Agreement settled by the Parties, which will be signed if necessary corporate approvals are obtained by all Parties.

The Partner's Agreement obligates its parties to conclude the Purchase Agreement with regard to shares in PGE EJ1 sp. z o.o. – a special purpose company for construction and operating of the nuclear power plant ("The Purchase Agreement"). According to the Partner Agreement, PGE S.A. shall sell 438,000 of shares for the benefit of other parties of the Partner Agreement, which constitutes 30% in a share capital of PGE EJ1 sp. z o.o. As a consequence PGE shall have 70% in a share capital of PGE EJ1 sp. z o.o. Shares shall be purchased in the following way: - KGHM Polska Miedź S.A. shall purchase 146,000 shares, which constitutes 10% in share capital of PGE EJ1 sp. z. o.o., - Tauron Polska Energia S.A. shall purchase 146,000 shares, which constitutes 10% in share capital of PGE EJ1 sp. z. o.o., - ENEA S.A. shall purchase 146,000 shares, which constitutes 10% in share capital of PGE EJ1 sp. z. o.o.

PGE S.A. and each partner shall be obliged to conclude the Purchase Agreement after fulfilling two conditions precedent: - obtaining unconditional approval of the President of the Polish Office of Competition and Consumer Protection on concentration; - adoption of the Polish Nuclear Energy Programme in 2013, in a form of a resolution of the Council of Ministers.

26.4. Agreement on hard coal supply for period 2014-18

On August 12, 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 is supply of hard coal by Kompania Węglowa S.A. for power plants within PGE Group for 2014-2018. The net value of agreement amounts to approx. PLN 5.6 billion.

Price of hard coal for consecutive years within the agreement is determined on the ground of factors regarding 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. Project of construction of power units in PGE Górnictwo i Energetyka Konwencjonalna S.A. Branch Elektrownia Opole.

On April 4, 2013 the Management Board of PGE Górnictwo i Energetyka Konwencjonalna S.A., on the ground of analyses of changes on the energy market and in the environment and recommendation from the Investment Committee of PGE Capital Group, adopted resolution on closing of the investment project "Project Opole II" of construction of new hard coal-fired units no 5 and 6 in PGE Górnictwo i Energetyka Konwencjonalna S.A. – Branch Elektrownia Opole due to the inefficiency of the project.

In connection with the realisation of this investment PGE Elektrownia Opole S.A. (currently, after merger, PGE GiEK S.A. – Branch Elektrownia Opole) concluded series of agreements with the contractors including first of all:

- agreement with the General Contractor (consortium of Rafako S.A., Polimex-Mostostal S.A. and Mostostal Warszawa S.A.) for construction of two power units with a total capacity of 1,800 MW, that net value amounts to PLN 9,397 million,

- agreement with PSE Operator S.A. for connection of units 5 and 6 in Opole power plant to the transmission grid.

In connection with the decision on closing of the above investment project, an impairment loss on fixed assets under construction in amount of PLN 56 million was recognized in the financial statements for the first quarter of 2013. The impairment loss concerned the capital expenditures incurred for investment "Project Opole II". In addition, a provision was raised for future liabilities resulting from the necessity of settlements of agreements accompanying the agreements with the General Contractor. Estimated provision amounted to PLN 3.5 million. Until the preparation date of these financial statements, no agreements, which affect the continuation of project of construction of units no 5 and 6 in Opole power plant, have been terminated, including above agreement with the General Contractor and agreement for connection to the transmission grid.

Following the information from the government side about support of the Project, the Management Board of PGE GiEK S.A. adopted a resolution on giving consent to start analytical works in scope of additional solutions which would improve the profitability of the Project and enable its possible realization. In that resolution, the Management Board of PGE GiEK S.A. gave an approval for commencement of analytical works and incurring of costs connected with the Project that are necessary for these analyses to be completed and securing the company's interest in relation to other entities in case the Project is re-opened.

On August 13, 2013 PGE GiEK S.A. notified the General Contractor about planned issue of the NTP which falls on December 15, 2013.

In the third quarter of 2013, PGE GiEK S.A. concluded a series of agreements and annexes with regard to the organization and co-operation at realisation of Project Opole II.

Due to the above, the Group reversed in the third quarter of 2013 impairment loss on fixed assets under construction in amount of PLN 56 million, recognized in the first half of 2013 and reversed a provision for future liabilities resulting from the necessity of settlements of agreements accompanying the agreements with the General Contractor in amount of PLN 3.5 million.

26.6. Conclusion of agreement for coal supply for the needs of Investment Project Opole II

On August 13, 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 is supply of hard coal by Kompania Węglowa S.A. for the needs of Units 5&6 at Opole Power Plant, if Project Opole II is completed.

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

Price of hard coal for consecutive years within the agreement is determined on factors of the average electricity price, average market price of hard coal and average cost of carbon dioxide emission rights.

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

26.7. Conclusion of an agreement for the construction of CCGT unit in Gorzów CHP

On October 3, 2013, PGE Górnictwo i Energetyka Konwencjonalna S.A. concluded an agreement for the construction of a combined cycle gas turbine unit (“CCGT unit”) in Branch Elektrociepłownia Gorzów and for the provision of maintenance services with the consortium of Siemens Sp. z o.o. and Siemens Industrial Turbomachinery AB ("Siemens Consortium").

According to the provisions of the agreement, CCGT unit with a capacity of 138 MWe and 90 MWt and 83.93% operating efficiency in co-generation will be commissioned within 28 months from the award of the contract. The net value of the contract for unit construction amounts to PLN 562 million.

Therefore, on October 3, 2013 PGE GiEK S.A. also concluded the agreement for the supply of natural gas with Polskie Górnictwo Naftowe i Gazownictwo S.A. Its subject matter is sale of nitrogen-rich gas extracted from PGNiG deposits to the new CCGT unit in Gorzów CHP. The agreement is concluded for a period of 20 years from the date of commencement of gas supply, which is dependent on the commissioning date of the new unit. The annual volume of supply will amount to 281 million m^3 per year. The estimated net value of the agreement as at the signing date amounts to approximately PLN 3 billion.

The agreement provides for contractual penalties, which maximum amount may exceed the PLN equivalent of EUR 200,000, including penalties for failure to collect the minimum annual amount of gas and for the necessity to terminate the agreement due to non-performance or improper performance of the significant obligations by the buyer. If the contractual penalties provided for in the agreement do not cover any damage suffered, either party may claim additional compensation in excess of these penalties, but only within the limits of the actual loss, except for loss of profit.

Warsaw, November 12, 2013

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

Krzysztof Kilian	*Piotr Szymanek*
President of the Management Board	*Vice-President of the Management Board*