PGE Polska Grupa Energetyczna S.A.

Financial Statement prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2013.

TABLE OF CONTENTS

Separate financial statements for the year ended 31 December 2013 prepared in accordance with IFRS (all amounts in PLN thousand)

STATEMENT OF COMPREHENSIVE INCOME

	Note	Period ended 31 December 2013	Period ended 31 December 2012 *(restated)**
Statement of profit or loss			
Sales revenues	**12**	**12.407.774**	**10.529.765**
Costs of goods sold	**12**	(11.269.343)	(10.010.962)
Gross profit on sales		**1.138.431**	**518.803**
Other operating revenues	**12**	16.310	184.826
Distribution and selling expenses		(16.911)	(12.413)
General and administrative expenses		(161.976)	(147.473)
Other operating expenses	**12**	(9.760)	(3.227)
Operating profit		**966.094**	**540.516**
Financial revenues	**12**	1.601.002	535.654
Financial expenses	**12**	(26.688)	(104.478)
Profit before tax		**2.540.408**	**971.692**
Corporate income tax	**13**	(202.849)	(199.521)
Net profit for the operating period		**2.337.559**	**772.171**
OTHER COMPREHENSIVE INCOME:			
Other comprehensive income, which may be reclassified to profit or loss:		-	**776**
Valuation of available-for-sale financial assets		-	776
Other comprehensive income, which will never be reclassified to profit or loss:		**2.514**	**(1.892)**
Actuarial gains and losses		2.514	(1.892)
Other comprehensive income for the period		**2.514**	**(1.116)**
TOTAL COMPREHENSIVE INCOME		**2.340.073**	**771.055**
Earnings per share			
– basic earnings per share for the period		1,25	0,41
– basic earnings from continuing operations		1,25	0,41

* For information regarding comparative figures please refer to note 11 of these financial statements.

Separate financial statements for the year ended 31 December 2013 prepared in accordance with IFRS (all amounts in PLN thousands)

STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2013	As at 31 December 2012 *(restated)**	As at 31 December 2012 *(restated)**
Non-current assets				
Property, plant and equipment	**16**	196.962	204.953	217.366
Intangible assets	**17**	6.119	11.129	19.223
Loans and receivables	**37**	3.329.609	3.627.204	4.783.679
Shares in subsidiaries	**18**	24.381.689	23.106.267	22.540.706
Available-for-sale financial assets	**37**	-	3.135	69.964
Other non-current assets	**20**	4	-	-
Total non-current assets		**27.914.383**	**26.952.688**	**27.630.938**
Current assets				
Inventories	**19**	281.686	492.218	32.466
Income tax receivables		162	-	-
Shares in subsidiaries	**18**	-	25.477	406.201
Short-term financial assets at fair value through profit or loss	**37**	104.248	18.833	-
Trade receivables	**37**	770.535	739.589	616.704
Other loans and financial assets	**37**	99.560	1.086.573	3.332.303
Available-for-sale short-term financial assets	**37**	3.134	36.717	39.067
Other current assets	**20**	15.477	34.583	96.811
Cash and cash equivalents	**21**	2.189.625	960.060	1.038.866
Total current assets		**3.464.427**	**3.394.050**	**5.562.418**
TOTAL ASSETS		**31.378.810**	**30.346.738**	**33.193.356**

* For information regarding comparative figures please refer to note 11 of these financial statements.

Separate financial statements for the year ended 31 December 2013 prepared in accordance with IFRS (all amounts in PLN thousands)

STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2013	As at 31 December 2012 *(restated)**	As at 1 January 2012 *(restated)**
Equity				
Share capital	**23**	18.697.608	18.697.608	18.697.837
Revaluation reserve		-	-	(776)
Treasury shares		-	-	(229)
Reserve capital	**23**	8.941.152	9.687.596	8.553.142
Other capital reserves	**23**	49.779	49.779	49.779
Retained earnings	**23**	2.297.177	818.360	4.604.006
Total equity		**29.985.716**	**29.253.343**	**31.903.759**
Long-term liabilities				
Interest-bearing loans, borrowings, lease	**37**	1.000.000	-	-
Long-term provisions	**28**	18.650	22.563	18.947
Deferred tax liability	**13**	35.302	66.189	30.927
Total long-term liabilities		**1.053.952**	**88.752**	**49.874**
Short-term liabilities				
Trade liabilities	**37**	132.200	479.787	472.906
Short-term financial liabilities at fair value through profit or loss	**37**	1.046	148	-
Interest-bearing loans, borrowings, bonds and lease	**37**	372	142.785	-
Other short-term financial liabilities	**37**	4.108	4.336	8.420
Other short-term non-financial liabilities	**30**	171.826	44.368	45.188
Income tax liabilities		-	69.615	318.174
Deferred income and government grants	**31**	624	36.172	287
Short-term provisions	**28**	28.966	227.432	439.748
Total short-term liabilities		**339.142**	**1.004.643**	**1.239.723**
Total liabilities		**1.393.094**	**1.093.395**	**1.289.597**
TOTAL LIABILITIES AND EQUITY		**31.378.810**	**30.346.738**	**33.193.356**

* For information regarding comparative figures please refer to note 11 of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the period ended 31 December 2013

	Share capital	Reserve capital	Other capital reserves	Retained earnings	Total
As at 1 January 2013 *(restated)**	**18.697.608**	**9.687.596**	**49.779**	**818.360**	**29.253.343**
Profit for the period	-	-	-	2.337.559	2.337.559
Other comprehensive income	-	-	-	2.514	2.514
Total comprehensive income for the period	-	-	-	***2.340.073***	***2.340.073***
Retained earnings distribution	-	77.553	-	(77.553)	-
Dividend	-	(823.997)	-	(783.998)	(1.607.995)
Other	-	-	-	295	295
As at 31 December 2013	**18.697.608**	**8.941.152**	**49.779**	**2.297.177**	**29.985.716**

* For information regarding comparative figures please refer to note 11 of these financial statements.

Separate financial statements for the year ended 31 December 2013 prepared in accordance with IFRS (all amounts in PLN thousands)

STATEMENT OF CHANGES IN EQUITY

for the period ended 31 December 2012

(restated)*	Share capital	Revaluation reserve	Treasury shares	Reserve capital	Other capital reserves	Retained earnings	Total
As at 1 January 2012	**18.697.837**	**(776)**	**(229)**	**8.553.142**	**49.779**	**4.604.006**	**31.903.759**
Profit for the period	-	-	-	-	-	772.171	772.171
Other comprehensive income	-	776	-	-	-	(1.892)	(1.116)
Total comprehensive income for the period	**-**	**776**	**-**	**-**	**-**	**770.279**	**771.055**
Retained earnings distribution	-	-	-	1.134.454	-	(1.134.454)	-
Dividend	-	-	-	-	-	(3.421.471)	(3.421.471)
Redemption of Treasury shares	(229)	-	229	-	-	-	-
As at 31 December 2012	**18.697.608**	**-**	**-**	**9.687.596**	**49.779**	**818.360**	**29.253.343**

* For information regarding comparative figures please refer to note 11 of these financial statements.

Separate financial statements for the year ended 31 December 2013 prepared in accordance with IFRS (all amounts in PLN thousand)

STATEMENT OF CASH FLOWS

	Period ended 31 December 2013	Period ended 31 December 2012 *(restated)**
Cash flow from operating activities		
Profit before tax	**2.540.408**	**971.692**
Adjustments for:		
Depreciation and amortization	17.794	20.449
Interest and dividend, net	(1.467.742)	(339.826)
Profit/ loss on investment activities	(87.170)	(38.825)
Change in receivables	(23.442)	(148.805)
Change in inventories	210.533	(459.752)
Change in liabilities, excluding loans and bank credits	(279.588)	48.194
Change in prepayments and other non-financial assets	20.907	76.950
Change in provisions	(199.271)	(211.062)
Income tax paid	(246.375)	(437.090)
Other	(17.103)	89.512
Net cash from operating activities	**468.951**	**(428.563)**
Cash flow from investing activities		
Disposal of property, plant and equipment and intangible assets	19.661	397
Purchase of property, plant and equipment and intangible assets	(13.390)	(10.262)
Purchase of shares of subsidiaries	(973.944)	(184.300)
Disposal of financial assets	28.507.341	15.282.248
Purchase of other financial assets	(27.124.754)	(12.041.273)
Dividends received	975.914	3.485
Interest received	209.063	344.773
Loans repaid	420.927	202.099
Loans granted	(503.746)	(3.000)
Other	16.373	42.674
Net cash from investing activities	**1.533.445**	**3.636.841**
Cash flow from financing activities		
Proceeds from loans, bank credits and issue of bonds	994.124	142.785
Repayment of loans, bank credits, bonds and finance lease	(142.785)	-
Dividends paid	(1.607.994)	(3.421.662)
Interest paid	(17.713)	(76)
Other	295	(5.799)
Net cash flow from financing activities	**(774.073)**	**(3.284.752)**
Net change of cash and cash equivalents	**1.228.323**	**(76.474)**
Effect of foreign exchange rate changes	(479)	(633)
Cash and cash equivalents at the beginning of the period	**959.773**	**1.036.247**
Cash and cash equivalents at the end of period, including	**2.188.096**	**959.773**
Restricted cash	71.615	126.921

* For information regarding comparative figures please refer to note 11 of these financial statements.

APPLIED ACCOUNTING PRINCIPLES (POLICIES) AND EXPLANATORY NOTES

1. General information

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

Company is seated in Warsaw, Mysia Street 2.

Company PGE S.A. is the Parent Company of PGE Capital Group ("PGE CG", "PGE Group") and prepares consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS").

The entity is controlled by State Treasury.

Core operations of the Company comprise:

- activities of central and holding companies,
- guidance over effectiveness management,
- rendering of other services related to the above mentioned activities,
- sale of electricity.

Business activities are conducted under appropriate concessions.

These financial statements have been prepared for the period ended 31 December 2013 and include comparative figures for the period ended 31 December 2012.

Merger of PGE Polska Grupa Energetyczna S.A. with PGE Energia Jądrowa S.A.

As at 31 July 2013, the District Court for the Capital City of Warsaw, XII Commercial Division of the National Court Register registered the merger of PGE S.A. with subsidiary PGE Energia Jądrowa S.A. The merger was effected pursuant to art. 492 § 1 point 1 in connection with Art. 515 § 1 and Art. 516 § 5 and 6 of the Commercial Code, namely the transfer of all assets of the acquired company at PGE S.A. (merger by acquisition) without increasing the share capital and without the exchange of the shares of the acquired entity for the shares of PGE S.A.

PGE Energia Jądrowa S.A. was a subsidiary of PGE S.A., responsible within the group for the preparation of the project to build a nuclear power plant. PGE S.A. owned 100% of the shares of the acquired company giving 100% of votes at the General Meeting.

Restatement of comparatives for the year ended 31 December 2012, resulting from the merger is described in Note 11 of these financial statements.

2. Members of the Management Board

As at 1 January 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.

Since 1 January 2013 till 31 December 2013 following changes in Board membership took place:

- On 17 July 2013, Mr. Paweł Smoleń resigned from the position of Vice President of the Management Board, effective from 19 July 2013.
- On 25 October 2013, Supervisory Board passed a resolution to dismiss from the Board Mrs. Bogusława Matuszewska and Mr. Wojciech Ostrowski.
- On 14 November 2013 the Supervisory Board delegated Supervisory Board member Mr. Grzegorz Krystek to temporarily perform the duties of a member of the Board of the Company, effective from 18 November 2013.
- On 14 November 2013 the Supervisory Board delegated Supervisory Board member Mr. Jacek Drozd to temporarily perform the duties of a member of the Board of the Company, effective from 21 November 2013.
- On 18 November 2013, Mr. Krzysztof Kilian resigned from the position of President of the Board.
- On 23 December 2013, the Supervisory Board adopted a resolution to dismiss from the Managing Board, Mr. Piotr Szymanek.
- On 23 December 2013, the Supervisory Board adopted a resolution on the appointment:
  - Mr. Marek Woszczyk to the position of the President of the Management Board, effective 23 December 2013.
  - Mr. Jacek Drozd to the position of the Vice-President of the Management Board, effective 23 December 2013.
  - Mr. Grzegorz Krystek to the position of the Vice-President of the Management Board, effective 23 December 2013.
  - Mr. Dariusz Marzec to the position of the Vice-President of the Management Board, effective 24 December 2013.

The Management Board as at 31 December 2013 and as at the date of preparation of this financial statement was as follows:

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

3. Approval of financial statements

These financial statements were authorized for issue by the Management Board on 12 March 2014.

4. Going concern

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

5. Presentation currency

The presentation currency of the financial statement is Polish zloty ("PLN") and all amounts are presented in thousand of Polish zloty ("PLN"), unless stated otherwise.

6. Statement of compliance with International Financial Reporting Standards

These financial statements was prepared in accordance with International Financial Reporting Standards approved by the European Union („EU").

International Financial Reporting Standards comprise standards and interpretations, approved by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretation Committee ("IFRIC").

7. Significant values based on professional judgment and estimates

In the process of applying accounting rules with regards to the below issues, the most significant, apart from accounting estimates, was the professional judgment of the management, which influenced the values presented in the financial statements and in the supplementary information and explanations. The estimates were based on the best knowledge of the Management Boards relating to current and future operations and events in particular accounting areas. Detailed information on the applied estimates was presented below or in relevant explanatory notes to the separate financial statements.

Depreciation period of non-current assets and intangible assets

Depreciation rates are calculated on the basis of the estimated economic useful life of an item of property, plant and equipment and intangible assets as well as estimates of its residual value. Estimated economic useful life of assets is subject to verification at least once a year.

Recoverable amount of shares in subsidiaries

The electric energy market is the basic field of business activities of the Company. Changes in this market can have a significant influence on the recoverable amount of production property, plant and equipment of particular PGE Group entities. If there are impairment indicators specified in IAS 39 *Financial Instruments: Recognition and Measurement* and IAS 36 *Impairment of Assets*, the Company estimates the recoverable amount of an item of shares owned.

The Company's impairment analysis of cash generating units is based on a number of significant assumptions, some of which are outside the control of the Company. Any significant change in these assumptions will impact the result of future impairment tests and as a consequence may lead to significant changes to the financial position and results of the Company.

Valuation of provisions for retirement benefits

Provisions for post-employment benefits (provision for retirement and disability benefits, energy tariff, coal allowances), and provisions for jubilee awards were estimated on the basis of actuarial methods.

Other provisions and contingent liabilities

In accordance with IAS 37 on recognition and measurement of provisions and contingent liabilities, the Company estimates the probability of occurrence of potential liabilities. If the occurrence of unfavourable future event is probable, the Company recognizes a provision in the appropriate amount.

If the occurrence of unfavorable future event is estimated by the Company as not probable but possible, the contingent liability is recognized.

Deferred tax assets

The deferred tax assets if measured at the tax rates that are expected to be applied at the moment of realization of the asset, based on tax regulations in force as at the balance sheet date. The deferred tax asset is recognized to the extent that it is probable that taxable profit will be available against which the asset can be realized. A deterioration in taxable results in the future could make the above assumption inappropriate.

Presentation of financial instruments

Non-derivative financial instruments with defined payment dates or determinable maturity are classified as held-to-maturity assets applying the classification of IAS 39. For making this estimate, the intention and possibility of holding these assets to maturity are evaluated.

Impairment allowance on receivables

As at the balance sheet date the Company assesses whether there is an objective proof for impairment of receivables or a group of receivables. If the recoverable amount of assets is lower than its carrying amount, the entity recognizes an impairment allowance to the amount of the present value of planned cash flows.

8. Change of estimates

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

- Change of adopted actuarial assumption. The influence of change in estimates on the value of provisions and statement of comprehensive income is presented in detail in note 27 of these financial statements.
- Provisions are liabilities of uncertain timing or amount. During the reporting period the Company changed its estimates regarding the basis and amounts of some provisions. Changes of estimates are presented in note 28 of these financial statements.
- During the reporting period, the Company changed its estimates of the tax treatment of costs incurred for the compensation Alpiq. Consequently, in 2013 the Company recognized deffered tax asset in the amount of 36.574 thousand. Changes in the deferred tax are presented in note 13.1 of these financial statement.

9. New standards and interpretations, published, not effective yet

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

- IFRS 9 *Financial Instruments* (with amendments) – no mandatory effective date set.
- IFRS 14 *Regulatory deffered items* – effective for periods starting 1 January 2016.
- IFRIC Interpretation 21 *Levies* – effective for periods starting 1 January 2014.
- Amendments to IAS 19 *Employees benefits* – effective for periods starting 1 July 2014.
- Amendments to (IFRS 1, IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, IAS 38, IAS 40) – effective for periods starting 1 July 2014.

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

- Amendments to IAS 32 *Financial instruments: presentation* – effective for periods starting 1 January 2014.
- IFRS 10 *Consolidated financial statements* – effective for periods starting 1 January 2014.
- IFRS 11 *Joint Arrangements* – effective for periods starting 1 January 2014.
- IFRS 12 *Disclosures of interest in other entities* – effective for periods starting 1 January 2014.
- Amended IAS 27 *Separate Financial Statement* – effective for periods starting 1 January 2014.
- Amended IAS 28 *Investments in associated and joint ventures* – effective for periods starting 1 January 2014.
- Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance* and MSR 27 *Separate Financial Statements (*matters relating to investments in other entities) – effective for periods starting 1 January 2014.
- Amendments to IAS 36 *Impairment of Assets* (disclosure relating to the recoverable value of non-financial assets) – effective for periods starting 1 January 2014.
- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* (issues relating to the novation of derivatives and hedge accounting continuation) – effective for periods starting 1 January 2014.

Earlier implementation of selected standards was described in Note 11 of these financial statements.

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

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

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

10. Accounting principles applied

The most significant accounting principles applied are presented below.

10.1. Property, plant and equipment

Property, plant and equipment are assets:

- held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and
- expected to be used for more than one year,
- for which it is probable that future economic benefits associated with them will flow to the entity,
- the cost of which can be estimated reliably.

After recognition as an asset, an item of property, plant and equipment is measured at its net value, i.e. initial value (or at deemed cost for items of property, plant and equipment used before the transition to IFRS) less any accumulated depreciation and any impairment losses. Initial value comprises purchase price including all costs directly attributable to the purchase and bringing the asset into use.

The depreciable amount is the cost of an asset less its residual value. Depreciation commences when the asset is available for use. Depreciation is based on a depreciation plan reflecting the future useful life of the asset. The depreciation method used reflects the pattern in which the asset's future economic benefits are expected to be consumed by the entity.

The following useful lives are adopted for property, plant and equipment:

Group	Average remaining depreciation period in years	Applied total depreciation periods in years
Buildings and structures	23	2-31
Machinery and equipment	<2	1-39
Vehicles	<6	1-10
Other	<4	1-15

Depreciation methods, depreciation rates and residual values of property, plant and equipment are verified at least each financial year. Changes identified during verification are accounted for as a change in an accounting estimate and possible adjustments to depreciation amounts are recognized in the year in which the verification took place and in the following periods.

If there have been events or changes which indicate that the carrying amount of property, plant and equipment may not be recoverable, the assets are analysed for potential impairment. If there are any indication that the impairment of the asset and its carrying amount exceeds the estimated recoverable amount, the value of the assets or cash-generating unit to which the asset belongs is reduced to its recoverable amount by the appropriate write-downs.

Investments relating to fixed assets under construction or assembly are recognized at cost of acquisition or cost of manufacturing less impairment losses. Property, plant and equipment under construction is not depreciated until the construction is completed and the items are available for use.

10.2. Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance, such as:

- assets acquired by the entity and recognized in non-current assets, with an economic useful life exceeding one year intended to be used by the company,
- development costs,
- goodwill excluding internally generated goodwill,
- acquired right of perpetual usufruct of land,
- easements acquired and set free.

The right of perpetual usufruct of land obtained free of charge by an administrative decision is not recognized in the statement of financial position.

As at the date of initial recognition of an intangible asset, it is measured initially at acquisition or production cost with respect to development costs.

After initial recognition, an intangible asset shall be carried at its cost less any accumulated amortization and any accumulated impairment losses.

The cost of an internally generated intangible asset, except for development costs, are not capitalized and are recorded in profit or loss for the period when the related cost was incurred.

The Company assesses whether the useful life of intangible assets is definite or indefinite. If the useful life is definite, the Company estimates the length of the useful period, the volume of production or other measures as the basis to define the useful life. An intangible asset is be regarded as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

The amortizable amount of an intangible asset with a definite useful life is determined after deducting its residual value. The Company adopted a policy according to which the residual value of an intangible asset with a definite useful life shall be assumed to be zero unless:

- there is a commitment by a third party to purchase the asset at the end of its useful life – the residual value is based on the amount recoverable from disposal;
- there is an active market for the asset and residual value can be determined by reference to that market and it is probable that such a market will exist at the end of the asset's useful life.

The amortizable amount of an intangible asset with a definite useful life shall be allocated on a systematic basis over its useful life. Amortization starts when the asset is available for use.

Intangible assets with a definite useful life are amortized over their useful life and analysed for potential impairment, if there are indications of impairment. The amortization period and method are reviewed at least each financial year. If the expected useful life of the asset is different from previous estimates, the amortization period is changed accordingly. If there has been a change in the expected pattern of consumption of the future economic benefits embodied in the asset, the amortization period and method are changed to reflect the changed pattern, which is treated as change of estimate.

Intangible assets with an indefinite useful life and those not being used are subject to impairment testing each year. The following useful lives are adopted for intangible assets:

Group	Average remaining amortization period in years	Applied amortization period in years
Acquired patents and licenses	>2	1-11
Costs of finished developed works	<1	2-5
Other	>1	2-10

10.3. Research and development costs

All intangible assets internally generated by the Company are not recognized as assets, but rather as expenses, in the period when the related costs are incurred, except for development costs. An intangible asset arising from development shall be recognized if, and only if, the Company can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale,
- its intention to complete the intangible asset and use or sell it,
- its ability to use or sell the intangible asset,
- how the intangible asset will generate probable future economic benefits,
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and
- its ability to reliably measure the expenditure attributable to the intangible asset during its development.

10.4. Borrowing costs

Borrowing costs, including relevant foreign exchange differences, that are directly attributable to the acquisition, construction or production of a qualifying asset shall be eligible for capitalization to items of property, plant and equipment and intangible assets, in accordance with IAS 23. In case of exchange differences arising from foreign currency borrowings, these are capitalized to the extent that they are regarded as an adjustment to interest costs.

10.5. Financial assets

Financial assets are classified in the following categories:

- Held-to-maturity investments (HTM),
- Financial assets at fair value through profit or loss (FVP),
- Loans and receivables,
- Available-for-sale financial assets (AFS),
- Shares and stocks in wholly or partially owned subsidiaries, jointly controlled entities and associates.

Held to maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity. Held-to-maturity investments shall be measured at amortized cost using the effective interest method. If the maturity exceeds 12 months, the financial assets held to maturity are classified as long-term assets.

Financial assets at fair value through profit or loss

A financial asset at fair value through profit or loss is a financial asset that meets either of the following conditions:

- It is classified as held-for-sale. A financial asset is classified as held-for-sale if it:
  - acquired or incurred principally for the purpose of selling in the near term,
  - part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking,
  - a derivative, except for a derivative that is a designated and effective hedging instrument,
- Upon initial recognition it is designated by the entity as at fair value through profit or loss (in accordance with IAS 39). Any financial asset within the scope of this standard may be designated when initially recognized as a financial asset at fair value through profit or loss except for investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

These assets are measured at fair value considering the market value as at the balance sheet date. The change in fair value of those assets is recognized in financial income or expense in the statement of comprehensive income.

Granted loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets, if their maturity does not exceed 12 months from the balance sheet date. Loans and receivables with maturity exceeding 12 months are classified as non-current assets. If the time value of money is significantly over the period, the assets are measured at a discounted value. Loans and receivables are recognized at amortized cost.

Available-for-sale financial assets

All other financial assets are account for as available-for-sale financial assets. Financial assets available for sale are recognized at fair value as at each balance sheet date. Fair value of an instrument which does not have a quoted market price is estimated with regards to another instrument of similar characteristics or based on future cash flows relevant to an investment asset (measurement at discounted cash flow method).

Positive and negative differences between fair value of available-for-sale financial assets (if their price is determinable on a regulated active market or if the fair value may be estimated by some other reliable method) and cost, net of deferred tax are recognized in other comprehensive income, except for:

- impairment losses,
- exchange gains and losses arising on monetary assets,
- interest recognized using the effective interest rate method.

Dividends from equity instrument in the AFS portfolio are recognized in profit or loss on the date that the Company's right to receive payment is established.

When a decline in the fair value of an available-for-sale financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized in other comprehensive income shall be transferred to profit or loss even though the financial asset has not been derecognized. The amount of the cumulative loss that is removed from revaluation reserve and recognized in profit or loss shall be the difference between cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available for sale shall not be reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognized in profit or loss.

Shares and stocks in wholly or partially owned subsidiaries, jointly controlled entities and associates

Subsidiaries are those companies whose financial and operational policies the Company can control in order to gain advantage of their operations. This involves holding the majority of total votes in decision-making bodies of these organizations. To determine whether the Company has control over the given organization, existence and impact of potential voting rights that can be realized or converted at any time.

A jointly controlled entity is an organization in which the division of control over the business as specified in the agreement requires unanimity of controlling parties with respect to strategic financial and operational decisions.

An associate is a business organization, including a partnership (such as a civil partnership) upon which the investor has significant influence and which is not a wholly or partially owned subsidiary. "Significant influence" is defined in IAS as the power to participate in the financial and operating policy decisions of the investee but is not control over those policies.

The shares and stocks in wholly and partially owned subsidiaries and in associates held by the Company are measured at historical cost of acquisition. If there is objective proof of impairment of these assets, the amount of impairment is measured as the difference between the carrying value of the asset and the estimated fair value.

10.6. Non-current assets held for sale and discontinued operations

Long-lived assets or a disposal group classified as held for sale are measured at the lower of its carrying amount and fair value less costs to sell. Non-current asset or disposal group are classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than continuing use. The condition is considered to be met, if only the sale is highly probable and the asset or disposal group held for sale is available for immediate sale in its present condition.

Revenues and expenses of discontinued operations are presented separately from revenues and expenses of continuing operations in the statement of comprehensive income for all periods presented, disclosing information to the level of post-tax profit. A single amount of the post-tax profit or loss of discontinued operations is disclosed in the statement of comprehensive income.

Tangible and intangible assets classified as held for sale are not depreciated.

10.7. Impairment of non-financial non-current assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, or if there is a need to perform an annual impairment testing, the Company estimates the recoverable amount of the asset or cash-generating unit.

Recoverable amount is defined as the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If the carrying value is higher than the recoverable value, an impairment loss is recorded. When estimating the value in use of an asset, future cash flows are discounted to the present value using a discount rate before tax, which represents current market estimates of time value of money and risk relevant to an asset. Impairment losses applicable to assets used in continuing operations are reflected in costs relating to the function of impaired assets.

The Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Company estimates the recoverable amount of that asset. An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount. That increase is a reversal of an impairment loss. The increased carrying amount of an asset, other than goodwill, attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss for an asset other than goodwill shall be recognized immediately in the profit or loss. After a reversal of an impairment loss is recognized, the depreciation (amortization) charge for the asset shall be adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

10.8. Derivatives and hedging instruments

The Company uses derivatives in order to hedge against the risk relevant to changes in interest rates and exchange rates. The most frequently used derivatives are forward contracts and interest rate swaps. Such derivatives are designated at fair value. Depending on whether the value of a derivative or a hedge instrument is positive or negative, it is recognized as a financial asset or financial liability, respectively.

The gain or loss from the change in value of the hedging instrument at fair value (for a derivative hedging instrument not qualifying for hedge accounting) is recognized directly in profit or loss.

The fair value of currency forward contracts is estimated with reference to current forward rates for contracts of similar maturity. Fair value of interest rate swaps is estimated with reference to the market value of similar financial instruments.

10.9. Treasury shares

Treasury shares purchased are recognized at cost and decrease equity. Profit or loss on purchase, sale, issue or redemption of shares is not recognized in the statement of comprehensive income. The difference between carrying amount and purchase price is recognized in reserve capital.

10.10. Inventories

Inventories are assets:

- held for sale in the ordinary course of business,
- in the process of production for such sale,
- in the form of materials or supplies to be consumed in the production process or in the rendering of services. Inventories include purchased, produced or received rights of origin of electricity produced from renewable energy sources, rights relating to energy generated in cogeneration and rights for energy efficiency certificates.

Inventories comprise also emission rights. For details please refer to Note 10.11.

Materials and goods are initially recognized at cost.

Cost of usage of inventories is determined as follows:

- Materials and goods – the weighted average method. In the case of materials from group representation and advertising, office supplies can be written off directly in the cost of materials at the time of purchase.
- Energy origin rights – according to the method of detailed identification.

Inventories are measured at the lower of cost and net realizable value.

As at the balance sheet date, the cost of inventories cannot be higher than net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

10.11. Greenhouse gas emission rights

In order to meet the demand of conventional energy production units, the Company enters into external transactions to buy greenhouse gas emissions rights. Additionally, the Company enters into commercial transactions of purchase / sale of greenhouse gas emissions rights in order to realize profits from fluctuations in market prices.

Inventories of greenhouse gas emission rights held for trading

Inventories are recognized as follows:

- The Company's greenhouse gas emissions rights, acquired in order to realize profits from fluctuations in market prices, are measured at fair value less costs of disposal, disposals are measured using detailed identification method.
- Greenhouse gas emissions rights, purchased for resale to conventional generating units in the PGE Capital Group are recognized at cost of acquisition and disposal is valued according to the FIFO method. At the balance sheet date, the purchase price can not be higher than the net realizable value.

Financial instruments relating to greenhouse gases emission rights

Commodity forwards

The Company recognizes and measures commodity forwards for purchase / sale of greenhouse gas emissions rights as derivatives held for trading. The Company measures these contracts as derivatives at fair value through profit or loss.

Foreign exchange forward (FX Forward)

The Company enters into FX forward contracts to hedge the cash flows associated with exchange rate fluctuations on transactions of purchase / sale of greenhouse gas emissions rights. The Company recognizes FX Forwards as a derivative measured at fair value through profit or loss.

10.12. Trade receivables

The recoverable amount of receivables is measured at least at each balance sheet date in the amount due, i.e. at the nominal value increased by applicable penalty interest, in accordance with the principle of prudence, i.e. less applicable impairment losses.

The Company assesses at each balance sheet date whether there is any objective evidence that a receivable or a group of receivables is impaired. If the recoverable amount of the receivable is lower than the carrying amount, the amount of the impairment loss is measured as the difference between the carrying amount of the receivable and the present value of estimated future cash flows.

Receivable allowances are recognized as other operating expenses or financial expenses, depending on the nature of the receivable.

Long-term receivables are measured at present (discounted) value.

10.13. Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

10.14. Other assets and prepayments

The Company recognizes an asset as a prepayment under the following conditions:

- an expense was incurred in the past in relation to the Company's operating activity,
- it can be reliably measured,
- it refers to future reporting periods.

Prepayments are recognized at reliably measured amounts, relate to future periods and will generate future economic benefits for the Company.

A prepayment is amortized over time or in proportion to the value of goods and services provided. The period and method of the amortization is based on the characteristics of the relevant expenses, in accordance with the principle of prudence.

At each reporting date the Company reviews whether it is probable that future economic benefits related to a prepayment will flow to the Company, to determine that the prepayment can be recognized as an asset.

Other assets also comprise receivables from the state.

10.15. Equity

Equity is stated at nominal value, classified by nature, in accordance with legal regulations and the Company's Articles of Association.

Share capital in the statement of financial position is stated at the value specified in the Articles of Association as registered in the Court Register. Declared, but not contributed, share capital contributions are recognized as outstanding share capital contributions as negative value.

10.16. Provisions

The Company raises a provision when the entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and if a reliable estimate can be made of the amount of the obligation.

Provisions are recognized in profit or loss as operating expenses, other operating expenses or financial expenses, depending on the nature of the future obligations.

When the effect of the time value of money is significant, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate (or rates) is a pre-tax rate (or rates) that reflect(s) current market assessments of the time value of money and the risks specific to the liability. The discount rate(s) does not reflect risks for which future cash flow estimates have been adjusted.

The following provisions are expected to be raised:

Provision for medical benefits, Social Fund allowance and other retirement and pension benefits

The value of liabilities in relation to former employees is estimated on the basis of conditions of the Corporate Collective Labor Agreement (Zakładowy Układ Zbiorowy Pracy) or other legal regulations. These liabilities result from employees' rights acquired during the employment period. The provision raised is recognized as an operating expense in the amount corresponding with accrued future employees' benefits.

Provision for Cash equivalent related to energy tariff for employees in the energy industry

Based on the Inter-Corporate Collective Labor Agreement (Ponadzakładowy Układ Zbiorowy Pracy) amended in 2005, the Company is obliged to pay a so called "energy tariff", to former employees of the energy industry. Due to the above, since December 2005 the Company raises an appropriate provision. The provision is estimated by the actuary. The cost of creating of the provision is charged to operating expenses.

Retirement and pension benefits and jubilee benefits

According to the institutional defined remuneration system the employees of the Company are entitled to receive jubilee, retirement and pension benefits. Jubilee benefits are paid after an employee has worked for a specified period of time. Retirement and pension benefits are paid once when the employee retires or becomes a pensioner. The amount of benefits paid depends on the period of service and the average remuneration of the employee. The Company recognizes a provision for future obligations relevant to retirement and pension benefits and jubilee benefits for the purpose of assigning costs to the periods in which they are incurred. According to IAS 19 jubilee benefits are classified as other long-term employee benefits, whereas the retirement and pension benefits are classified as post-employment benefits. The present value of these obligations is measured by an independent actuary at each balance sheet date. The recognized liability in relation to the defined benefit plan comprises discounted future payments, taking into account employee turnover, as at the balance sheet date. Demographic assumptions and employee turnover information are based on historical data.

Actuarial gains and losses arising from the change of assumptions and variation of discount rate:

Actuarial gains and losses arising from the change of actuarial assumptions (including change in discount rate) and ex post actuarial adjustments are presented as follows:

- for post-employment benefits - as other comprehensive income,
- for jubilee benefits and other short- and long-term benefits - as operating costs of the current period.

10.17. Liabilities

Liabilities are the Company's present obligations, arising from past events, settlement of which will cause an outflow of resources embodying economic benefits from the Company.

Trade and other liabilities are stated at the amount due. When the effect of the time value of money is significant, long-term liabilities are presented at the present (discounted) value.

A liability is classified as current when it satisfies any of the following criteria:

- it is expected to be settled in the Company's normal operating cycle,
- it is held primarily for the purpose of being traded,
- it is due to be settled within twelve months after the balance sheet date, or

- the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

All other liabilities are classified as non-current.

If the Company expects, and has the discretion, to refinance or roll over a liability for at least twelve months after the balance sheet date under an existing loan facility, it classifies the liability as non-current, even if it would otherwise be due within a shorter period. However, when refinancing or rolling over the liability is not at the discretion of the entity (for example, there is no agreement to refinance), the potential to refinance is not considered and the liability is classified as current.

Salaries and wages payable

If the value of liabilities relating to annual or quarterly bonuses as at the date of their initial recognition is certain, the liabilities are classified as employee benefit liabilities. If the value is estimated, it is presented as other provisions.

10.18. The Social Fund

The Company off-sets liabilities and assets of the Social Fund, the Efficiency Improvement Fund and other employee benefit funds. Such an arrangement reflects the relationship between the entity and the Funds, in which the entity is a trustee. This means, that the entity has legal title to the Funds' assets, however the Funds are the beneficiaries.

10.19. Deferred income

Deferred income is recognized under the principle of prudence and accrual basis. Deferred income comprises:

- Amounts received or due from business partners to be realized in subsequent reporting periods,
- Property, plant and equipment and intangible assets acquired free of charge. Deferred income is amortized to other operating income settled in line with the depreciation charges on these assets,
- Profits relevant to sale and leaseback of property, plant and equipment and intangible assets. Deferred income is amortized to other operating income over the period of the lease. If there is a high probability of the buy-back of the leased asset after the lease period and the lease period is significantly different from the economic useful life of the asset, income is recognized in proportion to depreciation of the asset.

10.20. Lease

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. At the commencement of the lease term, the lessees recognizes finance leases as assets and liabilities in the statement of financial positions at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Any initial direct costs of the lessee are added to the amount recognized as an asset. Classification of the lease is made at the lease inception, based on the economic substance of the lease agreement. Minimum lease payments shall be apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Financial costs are recognized as financial expenses in the statement of comprehensive income throughout the lease term in the periods in which they are incurred.

An operating lease is a lease under which the lessor retains significant a part of the risks and rewards incidental to ownership of the asset. Lease payments under an operating lease are recognized as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

10.21. Taxes

Corporate income tax in the statement of comprehensive income comprises actual fiscal charges for the reporting period calculated by the entity in accordance with regulations of the Corporate Income Tax Act and the change in deferred tax assets and deferred tax liabilities other that charged or credited directly to equity.

Deferred tax asset or deferred tax liability is calculated on the basis of temporary differences between the carrying amount of a given asset or liability and its tax base and tax loss as recoverable in the future. A deferred tax liability is recognized for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss),
- taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures if the parent, investor or venturer is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized, unless the deferred tax asset arises from:

- the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss),
- deductible temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, where a deferred tax asset is recognized to the extent that, and only to the extent that, it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date. The Company reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or the entire deferred tax asset to be utilized. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

10.22. Revenues

Revenue from sales is recognized when it is probable that the economic benefits associated with the sale transaction will flow to the Company and the amount of the revenue can be measured reliably. The revenue is recognized after deducting value added tax (VAT), excise tax and other sales-based taxes as well as discounts. When recognizing the revenue, the criteria specified below are also taken into account.

Revenues from sale of goods and merchandise

Revenues from the sale of goods and merchandise are recognized when related risks and rewards have been transferred and when the amount of revenue can be reliably measured and costs incurred can be reliably estimated.

Revenues from sale of goods and merchandise primarily include:

- amounts receivable from wholesale and retail sale of: electricity, certificates of origin for energy, greenhouse gases emission rights and rendered services relevant to core business operations based at net price, excluding applicable discounts, rebates and excise tax,
- amounts receivable from sales of materials and merchandise based on the net price, excluding applicable discounts and rebates.

10.23. Expenses

Cost of goods sold

Cost of goods sold includes:

- production costs incurred in the reporting period,
- value of electricity sold, goods and materials at purchase prices.

Costs that can be directly attributable to revenues recognized by the entity are recognized in profit or loss for the reporting period in which the revenues were recognized.

Costs that can only be indirectly attributed to revenues or other economic benefits recognized by the Company, are recognized profit or loss in proportion they are relevant to the given reporting period, under the principle of matching of expenses and revenue or other economic benefits and the principles of measurement of property, plant and equipment and inventories.

10.24. Other operating revenues and expenses

Other operating expenses and revenues include in particular:

- profit or loss on disposal of property, plant and equipment and intangible assets,
- raising and reversing provisions, except from allowances related to financial operations or reflected in cost of goods sold,
- acquiring or disposal of assets and cash free of charge, including donations,
- due and obtained compensations, penalties and other expenses not relating to core operations.

10.25. Financial revenues and expenses

Financial revenues and expenses include in particular gains or losses relating to:

- disposal of financial assets,
- revaluation of financial instruments, except financial assets available for sale, the result of which is reflected in revaluation reserve,
- share of profits of other entities (dividends),
- interest,
- changes in provisions related to passage of time (unwinding of the discount effect),
- exchange differences resulting from operations performed during the reporting period and measurement of the carrying amount of assets and liabilities at the balance sheet date, except for the exchange differences recognized in the initial value of a non-current asset, to the extent they are recognized as an adjustment to interest expense and exchange differences related to valuation of financial instruments classified to the AFS portfolio,
- other items related relevant to financial operations.

Interest income and expenses are recognized over the respective period using the effective interest method relating to the carrying amount of a given financial instrument. Dividends are recognized when the shareholders' right to receive payments is established.

10.26. Statement of Cash flow

The statement of cash flows is prepared using the indirect method.

11. Change of accounting principles and data presentation

Merger of PGE S.A. and PGE Energia Jądrowa S.A.

As described in Note 1 of the financial statements on 31 July 2013, the merger of PGE S.A. with the subsidiary, PGE Energia Jądrowa S.A. was registered. The Company performed a settlement of the merger by summing the individual items of the relevant assets and liabilities, income and expenses of the merged companies as of the date of the merger, after initial implementation of the uniform valuation methods and elimination of transactions between entities merged.

Change of the Accounting Policy regarding valuation emission rights trading portfolio

In 2013, the Company changed the valuation principles of purchased greenhouse gas emission rights. According to the former rules greenhouse gas emissions rights, were measured at the purchase price and the forward contracts for purchase/ sale of these rights were not measured and recognized in the financial statements.

In accordance with the revised accounting policy, part of the rights, which were acquired, in order to realize profits from fluctuations in market prices, is recognized in inventories at fair value less costs of disposal. Forward contracts for the purchase / sale of greenhouse gas emission rights, are recognized as derivatives held for trading. The fair value of financial instruments related to greenhouse gases emission rights (foreign currency forwards and commodity forwards) is presented in the statement of financial position as financial instruments measured at fair value through profit or loss. Changes in the fair value of these instruments, as well as the change in the value of inventories of emission rights measured at fair value (held for trading) is recognized as a separate position in the note regarding financial income or expenses.

The changes in the accounting policy resulted in a more reliable valuation of the transaction.

Early implementation of new financial standards

The company decided to early adopt the following standards and their application from 2013:

- Revised IAS 27 *Separate Financial Statements*
- IFRS 10 *Consolidated Financial Statements*
- IFRS 11 *Joint Arrangements*
- IFRS 12 *Disclosure of Interests in Other Entities*

The implementation of these new standards and amendments did not result in the need to restate the comparable periods.

Restatement of comparative data

In connection with the above-described merger and change of the principles concerning valuation of purchased greenhouse gas emissions rights, the Company restated the data presented in the comparative statement of financial position as at 31 December 2012, as well as a comparative statement of comprehensive income statement of changes of equity and the statement of cash flows. The restatement is presented in the following tables. The information presented in the notes to the financial statements has also been restated accordingly.

Separate financial statements for the year ended 31 December 2013 prepared in accordance with IFRS (all amounts in PLN thousand)

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2012

	PGE S.A. *(published data)*	PGE Energia Jądrowa S.A. *(published data)*	Settlement of merger	Change of valuation CO_2	Restated data
Revenues from sale of finished goods and merchandise	10.129.171	-	-	(75.738)	10.053.433
Revenues from sale of services	466.630	1.083	(664)	-	467.049
Revenues from leases	8.460	844	(21)	-	9.283
Total sales revenue	**10.604.261**	**1.927**	**(685)**	**(75.738)**	**10.529.765**
Costs of goods sold	(10.085.580)	(872)	7	75.483	(10.010.962)
Gross profit on sales	**518.681**	**1.055**	**(678)**	**(255)**	**518.803**
Other operating revenues	184.802	44	-(20)	-	184.826
Distribution and selling expenses	(12.413)	-	-	-	(12.413)
General and administrative expenses	(133.490)	(14.674)	691	-	(147.473)
Other operating expenses	(2.642)	(592)	7	-	(3.227)
Net profit from operating activities	**554.938**	**(14.167)**	**-**	**(255)**	**540.516**
Financial revenues	535.170	377	-	107	535.654
Financial expenses	(104.582)	(44)	-	148	(104.478)
Profit before tax	**985.526**	**(13.834)**	**-**	**-**	**971.692**
Corporate income tax	(201.528)	2.007	-	-	(199.521)
Net profit from continuing operations	783.998	(11.827)	-	-	772.171
Net profit for the period	**783.998**	**(11.827)**	**-**	**-**	**772.171**
OTHER COMPREHENSIVE INCOME:					
Valuation of financial assets available for sale	776	-	-	-	776
Actuarial gains and losses	(1.913)	21	-	-	(1.892)
Other comprehensive income, net	**(1.137)**	**21**	**-**	**-**	**(1.116)**
TOTAL COMPREHENSIVE INCOME	**782.861**	**(11.806)**	**-**	**-**	**771.055**

Separate financial statements for the year ended 31 December 2013 prepared in accordance with IFRS (all amounts in PLN thousand)

STATEMENT OF FINANCIAL POSITION FOR THE PERIOD ENDED 31 DECEMBER 2012

	PGE S.A. (published data)	PGE Energia Jądrowa S.A. (published data)	Settlement of merger	Change of valuation CO_2	Restated data
Non-current assets					
Property, plant and equipment	203.673	1.280	-	-	204.953
Intangible assets	6.687	4.442	-	-	11.129
Loans and receivables	3.627.204	-	-	-	3.627.204
Shares in subsidiaries	23.163.156	56.611	(113.500)	-	23.106.267
Available-for-sale financial assets	3.135	-	-	-	3.135
Other non-current assets	-	-	-	-	-
Deferred tax assets	-	53	(53)	-	-
Total non-current assets	**27.003.855**	**62.386**	**(113.553)**	**-**	**26.952.688**
Current assets					
Inventories	505.525	-	-	(13.307)	492.218
Income tax receivables	-	2.483	(2.483)	-	-
Shares in subsidiaries	25.477	-	-	-	25.477
Financial assets at fair value through profit or loss	5.526	-	-	13.307	18.833
Trade receivables	739.279	535	(225)	-	739.589
Other loans and financial assets	1.086.546	27	-	-	1.086.573
Available-for-sale financial assets	36.717	-	-	-	36.717
Other current assets	34.351	235	(3)	-	34.583
Cash and cash equivalents	953.282	6.778	-	-	960.060
Total current assets	**3.386.703**	**10.058**	**(2.711)**	**-**	**3.394.050**
TOTAL ASSETS	**30.390.558**	**72.444**	**(116.264)**	**-**	**30.346.738**

Separate financial statements for the year ended 31 December 2013 prepared in accordance with IFRS (all amounts in PLN thousand)

	PGE S.A. (published data)	Energia Jądrowa S.A. (published data)	Settlement of merger	Change of valuation CO_2	Restated data
Equity					
Share capital	18.697.608	113.500	(113.500)	-	18.697.608
Reserve capital	9.687.596	-	-	-	9.687.596
Other capital reserves	49.779	-	-	-	49.779
Retained earnings	77.553	(31.364)	-	-	46.189
Net profit / loss	783.998	(11.827)	-	-	772.171
Total equity	**29.296.534**	**70.309**	**(113.500)**	**-**	**29.253.343**
Long-term liabilities					
Provisions	22.201	362	-	-	22.563
Deferred tax liability	66.242	-	(53)	-	66.189
Total long-term liabilities	**88.443**	**362**	**(53)**	**-**	**88.752**
Short-term liabilities					
Trade liabilities	478.992	932	(137)	-	479.787
Liabilities at fair value through profit or loss	148	-	-	-	148
Current portion of interest-bearing loans and borrowings, leasing	142.785	-	-	-	142.785
Other financial liabilities	4.048	376	(88)		4.336
Other non-financial liabilities	46.657	197	(2.486)	-	44.368
Liabilities from income tax	69.615	-	-	-	69.615
Deferred income	36.172	-	-	-	36.172
Short term provisions	227.164	268	-	-	227.432
Total short term liabilities	**1.005.581**	**1.773**	**(2.711)**	**-**	**1.004.643**
Total liabilities	**1.094.024**	**2.135**	**(2.764)**	**-**	**1.093.395**
TOTAL LIABILITIES AND EQUITY	**30.390.558**	**72.444**	**(116.264)**	**-**	**30.346.738**

Separate financial statements for the year ended 31 December 2013 prepared in accordance with IFRS (all amounts in PLN thousand)

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2012

	PGE S.A. *(published data)*	Energia Jądrowa S.A. *(published data)*	Settlement of merger	Change of valuation CO_2	Restated data
Cash flow from operating activities					
Profit before tax	**985.526**	**(13.834)**	**-**	**-**	**971.692**
Adjustments for:					
Depreciation and amortization	19.272	1.177	-	-	20.449
Interest and dividend, net	(339.826)		-	-	(339.826)
Profit/ loss on investment activities	(20.126)	(14)	-	(18.685)	(38.825)
Change in receivables	(154.717)	375	11	5.526	(148.805)
Change in inventories	(473.059)	-	-	13.307	(459.752)
Change in liabilities, excluding loans and bank credits	55.129	(6.776)	(11)	(148)	48.194
Change in prepayments and other non-financial assets	75.045	1.905	-	-	76.950
Change in provisions	(211.424)	362	-	-	(211.062)
Income tax paid	(437.090)	-	-	-	(437.090)
Other	89.491	21	-	-	89.512
Net cash from operating activities	**(411.779)**	**(16.784)**	**-**	**-**	**(428.563)**
Cash flow from investing activities					
Disposal of tangible fixed assets	383	14	-	-	397
Purchase of property, plant and equipment and intangible assets	(5.767)	(4.495)	-	-	(10.262)
Purchase of shares of subsidiaries	(194.300)		10.000		(184.300)
Disposal of financial assets	15.282.248	-	-	-	15.282.248
Purchase of other financial assets	(12.041.273)	-	-	-	(12.041.273)
Dividends received	3.485	-	-	-	3.485
Interest received	344.773	-	-	-	344.773
Repayment of loans	202.099	-	-	-	202.099
Loans granted	(3.000)	-	-	-	(3.000)
Others	42.674	-	-	-	42.674
Net cash from investing activities	**3.631.322**	**(4.481)**	**10.000**	-	**3.636.841**
Cash flow from financing activities					
Proceeds from issuance of shares	-	10.000	(10.000)	-	-
Proceeds from loans	142.785	-	-	-	142.785
Dividends paid	(3.421.662)	-	-	-	(3.421.662)
Interest paid	(76)	-	-	-	(76)
Other	(5.799)	-	-	-	(5.799)
Net cash flow from financing activities	**(3.284.752)**	**10.000**	**(10.000)**	**-**	**(3.284.752)**
Net change of cash and cash equivalents	**(65.209)**	**(11.265)**	**-**	**-**	**(76.474)**
Effect of foreign exchange rate changes	(633)	-	-	-	(633)
Cash and cash equivalents at the beginning of the period	**1.018.204**	**18.043**	**-**	**-**	**1.036.247**
Cash and cash equivalents at the end of period	**952.995**	**6.778**	**-**	**-**	**959.773**

Separate financial statements for the year ended 31 December 2013 prepared in accordance with IFRS (all amounts in PLN thousand)

12. Revenues and expenses

12.1. Sales revenues

	Period ended 31 December 2013	Period ended 31 December 2012 *(restated)*
Revenues from operating activities		
Revenues from sale of finished goods and merchandise	11.847.117	10.053.433
Revenues from sale of services	550.499	467.049
Revenues from leases	10.158	9.283
Total sales revenues	**12.407.774**	**10.529.765**

12.2. Costs by type and functions

	Period ended 31 December 2013	Period ended 31 December 2012 *(restated)*
Cost by type		
Depreciation/amortization	17.794	20.449
Materials and energy	4.686	4.444
External services	58.983	50.349
Taxes and charges	3.500	9.435
Personnel expenses	87.395	77.911
Other costs by type	95.846	80.775
Total costs by type	**268.204**	**243.363**
Change in product	(753)	-
Cost of product and services for own needs	-	(620)
Distribution and selling expenses	(16.911)	(12.413)
General and administrative expenses	(161.976)	(147.473)
Cost of merchandise and materials sold	11.180.779	9.928.105
Cost of goods sold	**11.269.343**	**10.010.962**

Separate financial statements for the year ended 31 December 2013 prepared in accordance with IFRS (all amounts in PLN thousand)

12.3. Depreciation costs and impairment losses in the Statement of comprehensive income

	Period ended 31 December 2013	Period ended 31 December 2012 *(restated)*
Included in cost of goods sold:	**6.319**	**9.197**
Property, plant and equipment depreciation	5.908	7.461
Impairment of property, plant and equipment	27	-
Intangible assets amortization	326	1.736
Impairment of intangible assets	58	-
Included in distribution and selling expenses:	**909**	**688**
Property, plant and equipment depreciation	728	544
Impairment of property, plant and equipment	1	-
Intangible assets amortization	163	144
Impairment of intangible assets	17	-
Included in general and administrative expenses:	**10.566**	**10.564**
Property, plant and equipment depreciation	6.713	8.047
Impairment of property, plant and equipment	804	-
Intangible assets amortization	1.143	2.517
Impairment of intangible assets	1.906	-

12.4. Employee benefits expenses

	Period ended 31 December 2013	Period ended 31 December 2012 *(restated)*
Payroll	66.459	56.612
Social security expenses	9.581	8.743
Retirement and pension expenses	53	2.495
Jubilee awards and allowances	727	985
Other post-employment benefits	815	-
Change in provisions for employee benefits	2.059	-
Other employee benefits	7.701	9.076
Total employee benefits expenses:	**87.395**	**77.911**
Included in costs of goods sold	18.453	17.770
Included in distribution and selling expenses	5.775	3.494
Included in general and administrative expenses	63.167	56.027
Cost of products and services for own needs	-	620

Separate financial statements for the year ended 31 December 2013 prepared in accordance with IFRS (all amounts in PLN thousand)

12.5. Other operating revenues

	Period ended 31 December 2013	Period ended 31 December 2012 *(restated)*
Profit on disposal of property, plant and equipment	2.912	124
Reversal of impairment allowance for receivables	1.973	5.409
Reversal of impairment allowance for non-financial assets	-	-
Provisions reversed	3.543	174.957
Compensations, penalties and fines received and accrued	6.060	1.469
Grants received	932	2.465
Taxes refunded	-	225
Court fees refunded	467	32
Surpluses / disclosures of assets	2	-
Other	421	145
Total other operating revenues	**16.310**	**184.826**

Revenues from provision reversed relate mainly to dispute with Alpiq Holding described in Note 29.4 of these financial statements.

12.6. Other operating expenses

	Period ended 31 December 2013	Period ended 31 December 2012 *(restated)*
Impairment allowances raised for receivables	128	1.513
Provisions raised	-	15
Donations granted	1.350	1.520
Compensations paid	677	1
Court fees paid	7.188	107
Forgiveness of receivables	390	-
Scrapping of non-current assets	8	15
Other	19	56
Total other operating expenses	**9.760**	**3.227**

Separate financial statements for the year ended 31 December 2013 prepared in accordance with IFRS (all amounts in PLN thousand)

12.7. Financial revenues

	Period ended 31 December 2013	Period ended 31 December 2012 *(restated)*
Financial revenue from financial instruments	**1.596.336**	**497.685**
Dividends	1.278.989	437
Interest income	258.397	467.865
Revaluation	40.080	5.634
Profit on disposal of investments	-	23.412
Exchange gains	3.922	-
Other	14.948	337
Other financial revenue	**4.666**	**37.969**
Provisions reversed	4.102	37.953
Other	564	16
Total financial revenues	**1.601.002**	**535.654**

Income from dividends relates primarily to PGE Obrót S.A. (PLN 1.184.455 thousand) and PGE Dystrybucja S.A. (PLN 94.115 thousand). Part of the dividend from PGE Obrót S.A. with a value of PLN 303.075 thousand was distributed in the form of a dividend in kind as a transfer to PGE S.A. 16.865.600 shares of PGE Górnictwo i Energetyka Konwencjonalna S.A.

Interest income relate mainly to bonds issued by subsidiaries and third parties, and investing available cash in bank deposits.

Revaluation of financial instruments relates mainly to transactions relating to the market for carbon dioxide emissions, as described in note 13.9.

Gain on disposal of investment in the comparable period relates mainly to the sale of a minority stake in Towarowa Giełda Energii S.A.

12.8. Financial expenses

	Period ended 31 December 2013	Period ended 31 December 2012 *(restated)*
Financial expenses from financial instruments	**25.421**	**102.798**
Interest expenses	25.087	6.251
Revaluation	-	380
Impairment allowances	82	64.781
Loss on disposal of investments	252	-
Exchange losses	-	31.386
Other financial expenses	**1.267**	**1.680**
Interest expenses, including the effect of discount unwinding	944	1.180
Provisions raised	-	500
Interest paid relating to statutory liabilities	213	-
Other	110	-
Total financial expenses	**26.688**	**104.478**

Impairment of investment recognized in 2012 relates mainly to impairment of shares of AWSA Holland II BV.

Separate financial statements for the year ended 31 December 2013 prepared in accordance with IFRS (all amounts in PLN thousand)

12.9. Valuation of carbon dioxide emission rights

As described in note 11 of this financial statement under the heading "revaluation of the financial instruments" in revenues and expenses, the Company recognizes the result of transactions related to the CO_2 emission rights in the so called trading portfolio. The following table illustrates the effects of terms related to the CO_2 emission rights on the financial revenues and expenses.

	Period ended 31 December 2013
Revenues	**113.241**
Valuation of commodity forward	95.696
Valuation of currency forward	8.700
Profit on sale of CO_2 emission rights outside of PGE Group	5.854
Profit from foreign commodity forward realization	2.436
Revaluation of trading portfolio	555
Expenses	**(73.189)**
Revaluation of trading portfolio	(66.616)
Valuation of currency forward	(6.573)
Revenues / (Expenses) from revaluation of CO_2 portfolio	**40.052**

In year ended 31 December 2012 total influence of above mentioned positions on financial revenues amounted to PLN 5.568 thousand.

13. Income tax

13.1. Tax in the statement of comprehensive income

Main elements of income tax expense for the periods ended 31 December 2013 and 31 December 2012 are as follows:

	Period ended 31 December 2013	**Period ended 31 December 2012** *(restated)*
Statement of profit or loss		
Current income tax expense	233.410	167.861
Previous periods' current income tax adjustments	920	(3.868)
Deferred income tax	(31.481)	35.528
Income tax expense presented in the statement of profit or loss	**202.849**	**199.521**
Other comprehensive income		
Deferred income tax on unrealized profit / (loss) on financial assets available for sale	-	182
Tax on provisions for post-employment benefits	595	(449)
Tax recognized in equity	**595**	**(267)**

Separate financial statements for the year ended 31 December 2013 prepared in accordance with IFRS (all amounts in PLN thousand)

A reconciliation of the calculation of income tax on profit before tax at the statutory tax rate and income tax calculated according to the effective tax rate for the years ended 31 December 2013 and 31 December 2012 is as follows:

	Period ended 31 December 2013	**Period ended 31 December 2012** *(restated)*
Profit before tax	**2.540.408**	**971.692**
Income tax according to Polish statutory tax rate of 19%	482.677	184.621
Previous periods current income tax adjustments	920	(3.868)
Costs not recognized as tax-deductible costs	1.009	21.994
Non-taxable provisions and impairment allowance raised	(111)	18.260
Other	1.120	3.734
Non-taxable income	(243.677)	(45.110)
Dividends	(243.008)	(83)
Reversal of non-taxable provisions and impairment allowances	(380)	(41.481)
Other	(289)	(3.546)
Other	(38.080)	41.884
Tax at effective tax rate amounting to 8,0% [2012: 20,5%]	**202.849**	**199.521**
Income tax (expense) as presented in statement of profit or loss	202.849	199.521

Item „other" of the PLN 38.080 thousand concerns mainly deferred tax assets recognized on compensation paid from the dispute with Alpiq Holding as described in note 29.4

Separate financial statements for the year ended 31 December 2013 prepared in accordance with IFRS (all amounts in PLN thousand)

13.2. Deffered tax in the statement of financial position

Components of deferred tax asset	As at 31 December 2013	As at 31 December 2012 *(restated)*
Difference between tax value and carrying amount of property, plant and equipment	534	-
Costs not realized for tax purpose	36.680	180
Provisions for employee benefits	3.978	4.585
Accrued employee bonuses	2.451	2.968
Difference between tax value and carrying amount of financial liabilities	269	55
Difference between tax value and carrying amount of inventories	12.657	106
Payroll and other employee benefits	2.240	-
Underestimated costs	1.530	-
Other provisions	45	643
Other	107	238
Net deferred tax asset	**60.491**	**8.775**

Components of deferred tax liability	As at 31 December 2013	As at 31 December 2012 *(restated)*
Difference between tax value and carrying amount of property, plant and equipment	25.105	26.307
Accrued interest on deposits, loans granted, bonds and receivables	49.040	47.607
Difference between tax value and carrying amount of financial assets	-	1.050
Difference between tax value and carrying amount of financial liabilities	19.807	-
Current period revenues unrealized for tax purposes	800	-
Other	1.041	-
Deferred tax liability	**95.793**	**74.964**
After off-set of balances the Company's deferred tax is presented as a deferred tax liability	**35.302**	**66.189**

14. Discontinued operations

During the year ended 31 December 2013 the Company did not discontinue any significant operations.

15. Investment property

As at 31 December 2013 Company did not present investment properties.

Separate financial statements for the year ended 31 December 2013 prepared in accordance with IFRS (all amounts in PLN thousand)

16. Property, plant and equipment

Period ended 31 December 2013	Buildings and construction	Machinery and equipment	Vehicles	Other property, plant and equipment	Construction in progress	Total
Gross book value						
Opening balance	**243.255**	**56.577**	**2.511**	**5.816**	**4.452**	**312.611**
Direct purchase	-	-	-	-	7.337	**7.337**
Transfer from construction in progress	2.335	995	4.093	115	(7.538)	**-**
Sales/ disposals	(329)	(1.332)	(437)	(68)	(44)	**(2.210)**
Scrapping	-	(1.904)	-	(411)	-	**(2.315)**
Other	-	-	-	-	(23)	**(23)**
Closing balance	**245.261**	**54.336**	**6.167**	**5.452**	**4.184**	**315.400**
Depreciation and impairment allowance						
Opening balance	**54.026**	**47.445**	**2.489**	**3.698**	**-**	**107.658**
Depreciation for the period	8.001	4.154	662	532	-	**13.349**
Increase of impairment allowance	-	-	-	-	832	**832**
Sales/ disposals	(95)	(521)	(437)	(41)	-	**(1.094)**
Scrapping	-	(1.900)	-	(407)	-	**(2.307)**
Other						
Closing balance	**61.932**	**49.178**	**2.714**	**3.782**	**832**	**118.438**
Opening balance net book value	**189.229**	**9.132**	**22**	**2.118**	**4.452**	**204.953**
Closing balance net book value	**183.329**	**5.158**	**3.453**	**1.670**	**3.352**	**196.962**

Separate financial statements for the year ended 31 December 2013 prepared in accordance with IFRS (all amounts in PLN thousand)

Period ended 31 December 2012 (restated)	Buildings and construction	Machinery and equipment	Vehicles	Other property, plant and equipment	Construction in progress	Total
Gross book value						
Opening balance	**242.743**	**65.974**	**2.754**	**4.959**	**4.168**	**320.598**
Direct purchase	-	-	-	-	4.734	**4.734**
Transfer from construction in progress	1.277	1.882	-	1.074	(4.233)	**-**
Sales/ disposals	(765)	(10.251)	(243)	(131)	-	**(11.390)**
Scrapping	-	(1.028)	-	(86)	-	**(1.114)**
Other	-	-	-	-	(217)	(217)
Closing balance	**243.255**	**56.577**	**2.511**	**5.816**	**4.452**	**312.611**
Depreciation and impairment allowance						
Opening balance	**46.466**	**51.506**	**2.011**	**3.249**	**-**	**103.232**
Depreciation for the period	7.947	6.861	673	571	-	**16.052**
Sales/ disposals	(387)	(9.895)	(195)	(49)	-	**(10.526)**
Donations and transfers free of charge						
Scrapping	-	(1.027)	-	(73)	-	**(1.100)**
Other						
Closing balance	**54.026**	**47.445**	**2.489**	**3.698**	**-**	**107.658**
Opening balance net book value	**196.277**	**14.468**	**743**	**1.710**	**4.168**	**217.366**
Closing balance net book value	**189.229**	**9.132**	**22**	**2.118**	**4.452**	**204.953**

Separate financial statements for the year ended 31 December 2013 prepared in accordance with IFRS (all amounts in PLN thousand)

17. Intangible assets

Period ended 31 December 2013	Development costs	Software	Other patents and licenses	Other intangible assets	Non-commissioned intangible assets	Total
Gross book value						
Opening balance	**876**	**30.943**	**1.767**	**222**	**7.083**	**40.891**
Direct purchase	-	-	-	-	5.618	**5.618**
Transfer of non-commissioned intangible assets	-	305	8		(313)	**-**
Sales/ disposals	-	(110)	(1.590)	-	(6.626)	**(8.326)**
Closing balance	**876**	**31.138**	**185**	**222**	**5.762**	**38.183**
Amortization and impairment allowance						
Opening balance	**827**	**27.886**	**861**	**188**	**-**	**29.762**
Amortization for the period	45	979	581	27	-	**1.632**
Sales/ disposals	-	(54)	(1.257)	-	-	**(1.311)**
Increase in impairment allowance	-	-	-	-	1.981	**1.981**
Closing balance	**872**	**28.811**	**185**	**215**	**1.981**	**32.064**
Net book value						
Opening balance	**49**	**3.057**	**906**	**34**	**7.083**	**11.129**
Closing balance	**4**	**2.327**	**-**	**7**	**3.781**	**6.119**

In 2013, the company recognized an impairment loss on intangible assets, not available for use yet, in the amount of PLN 1.981 thousand. Impairment refers to expenditures that the Company intends to liquidate due to the fact they are useless in business operations.

Separate financial statements for the year ended 31 December 2013 prepared in accordance with IFRS (all amounts in PLN thousand)

Period ended 31 December 2012 *(restated)*	Development costs	Software	Other patents and licenses	Other intangible assets	Non-commissioned intangible assets	Total
Gross book value						
Opening balance	**776**	**53.604**	**-**	**1.883**	**4.715**	**60.988**
Direct purchase	-	-	-	-	4.072	**4.072**
Transfer of non-commissioned intangible assets	-	1.662	15	27	(1.704)	**-**
Sales/ disposals	-	(24.386)	-	-	-	**(24.386)**
Transfers between groups	90		1.598	(1.688)	-	**-**
Other	-	63	154	-	-	**217**
Closing balance	**876**	**30.943**	**1.767**	**222**	**7.083**	**40.891**
Amortization and impairment allowance						
Opening balance	**786**	**40.808**	**-**	**171**	**-**	**41.765**
Amortization for the period	41	3.478	859	19	-	**4.397**
Sales/ disposals	-	(16.400)	-	-	-	**(16.400)**
Transfers between groups			2	(2)		
Closing balance	**827**	**27.886**	**861**	**188**	**-**	**29.762**
Net book value						
Opening balance	**-**	**12.796**	**-**	**1.712**	**4.715**	**19.223**
Closing balance	**49**	**3.057**	**906**	**34**	**7.083**	**11.129**

Separate financial statements for the year ended 31 December 2013 prepared in accordance with IFRS (all amounts in PLN thousand)

18. Shares in subsidiaries

As at 31 December 2013	Seat	% of share capital*	Long-term
PGE Górnictwo i Energetyka Konwencjonalna S.A.	Bełchatów	93,62	14.786.256
PGE Obrót S.A.	Rzeszów	100,00	6.653.225
PGE Dystrybucja S.A.	Lublin	10,075	949.757
PGE Energia Odnawialna S.A.	Warszawa	100,00	414.990
Exatel S.A.	Warszawa	99,98	427.885
PGE Energia Natury S.A.	Warszawa	100,00	421.252
EPW Energia sp. z o.o.	Warszawa	32,70	395.841
PGE Systemy	Warszawa	100,00	125.002
PGE EJ 1 sp. z o.o.	Warszawa	100,00	131.001
PGE Energia Natury Bukowo sp. z o.o	Warszawa	100,00	28.029
PGE Dom Maklerski S.A.	Warszawa	100,00	16.501
PGE Energia Natury Karnice sp. z o.o.	Warszawa	100,00	15.515
PGE Trading GmbH	Niemcy	100,00	13.990
EPW Energia Olecko sp. z o.o.	Warszawa	81,00	1.385
PGE Inwest sp. z o.o.	Warszawa	100,00	1.050
Fundacja PGE Energia z serca	Warszawa	100,00	10
Total			**24.381.689**

** calculated excluding treasury shares of the entity*

The following significant changes occurred in the structure of stock and shares in subsidiaries during the year ended 31 December 2013:

- On 17 January 2013 the Extraordinary Shareholders Meeting of PGE Energia Odnawialna S.A. passed a resolution to increase the share capital by the amount of PLN 91.373.500,00. All the shares in the increased share capital were acquired by PGE Polska Grupa Energetyczna in exchange for a cash contribution.
- On 5 March 2013, the company PGE Inwest spółka z ograniczoną odpowiedzialnością II SKA in liquidation seated in Warsaw, as a result of the liquidation, has been removed from the Court Register. PGE S.A. held 100% of the share capital of the company. The general partner of the company was PGE Inwest sp. z o.o.
- On 27 March 2013, the companies PGE S.A. and PGE Górnictwo i Energetyka Konwencjonalna S.A. concluded the agreement for the sale of 100% shares of PGE Gubin sp. z o.o.
- On 15 April 2013, PGE Obrót S.A. repurchased its shares from the minority shareholder. Currently, the only shareholder of the company is PGE S.A.
- On 12 April 2013, the company ELECTRA Bohemia s.r.o. in liquidation, seated in Prague (Czech Republic), as a result of the liquidation, has been removed from the register of companies. Decision to remove the company from the register became valid on 28 April 2013. PGE S.A. held 100% of the share capital of the company.

- On 28 June 2013, PGE Polska Grupa Energetyczna purchased shares of the following companies:

  - Dong Energy Polska S.A. (the current name of the company is PGE Energia Natury S.A.) -100%;
  - Dong Energy Renewables Polska sp. z o.o. (the current name of the company is PGE Energia Natury sp. z o.o.) - 100%;
  - Dong Energy Karnice III sp. z o.o. (the current name of the company is PGE Energia Natury Karnice sp. z o.o.) - 100%;
  - Dong Energy Bukowo sp. z o.o. (the current name of the company is PGE Energia Natury Bukowo sp. z o.o) - 100%;
  - Dong Energy Olecko sp. z o.o. (currently the company is EPW Energia Olecko sp. z o.o.) - 81%;
  - In addition, PGE Energia Natury S.A is the sole shareholder in the companies: PGE Energia Natury Kappa sp. z o.o., PGE Energia Natury Omikron sp. z o.o. PGE Energia Natury PEW sp. z o.o.

  Details of the acquisition of there companies is described in note 40.3 of these financial statements.

- On 28 June 2013, the Annual Shareholders Meeting of PGE Obrót S.A. adopted a resolution on the distribution of the net profit for the year 2012 and allocation of part of the supplementary capital for dividend payments. Part of the dividend was distributed as a dividend in kind of a transfer by PGE Obrót S.A. to PGE S.A. 16.865.600 shares of PGE Górnictwo i Energetyka Konwencjonalna S.A. (representing 2,42% of share capital). On July 1, 2013, there was a transfer of ownership of shares of PGE GiEK S.A. to PGE S.A.

- On 30 July 2013, the Extraordinary Shareholders Meeting of PGE Energia Natury Karnice sp. z o.o. passed a resolution to increase the share capital by PLN 1.500 thousand, in exchange for a cash contribution. On 23 September 2013 the share capital increase has been registered in the Court Register.

- On 31 July 2013, PGE S.A. purchased 292,461 shares of Iberdrola Renewables Poland sp. z o.o. (currently the company is EPW Energia Sp. z o.o.) representing 32,7% of the share capital. Details of the acquisition of wind farms is described in note 40.3 of these financial statements.

  According to the agreement on cooperation purchasing parties carefully tagged assets that are of their interest and PGE S.A. exercises operational control over the selected wind farms. Accordingly, the investment is treated as a subsidiary.

- On 31 July 2013 the merger of PGE S.A. with subsidiary PGE Energia Jądrowa S.A. took place and was described in Note 1 of the financial statements. The acquired company held 51% stake in PGE EJ1 sp. z o.o., a special purpose vehicle, which is responsible for the preparation of the investment process and the construction of a nuclear power plant in Poland (the remaining 49% stake in the company was owned PGE S.A.). After the merger, 100% of shares in PGE EJ 1 Sp. z o.o. are owned by PGE S.A.

Separate financial statements for the year ended 31 December 2013 prepared in accordance with IFRS (all amounts in PLN thousand)

19. Inventories

	Historical cost	Impairment allowance	Net realizable value	Historical cost	Impairment allowance	Net realizable value
	31 December 2013			31 December 2012 *(restated)*		
Energy origin rights	8.309	-	8.309	76.366	-	76.366
CO_2 emission rights	339.993	(66.616)	273.377	416.407	(555)	415.852
Total	**348.302**	**(66.616)**	**281.686**	**492.773**	**(555)**	**492.218**

As at 31 December 2013, in inventories Company presents merchandise which are mainly property rights arising from certificates of origin for renewable energy and CO_2 emission rights.

As at 31 December 2013, the Company presents in merchandise 43.057 thousand units of energy origin registered in the register maintained by the Towarowa Giełda Energii S.A. and their book value as at 31 December 2013 amounted to PLN 8.309 thousand.

As at 31 December 2013 Company also had 13.582 thousand tons of CO_2 emission rights. Their value as at 31 December 2013 after impairment allowances was PLN 273.377 thousand.

Impairment allowance for inventories as at 1 January 2013	**(555)**
Impairment allowances raised	(66.061)
Impairment allowance for inventories as at 31 December 2013	**(66.616)**

The impairment allowance of PLN 66.616 thousand was raised to adjust the value of CO_2 emission rights in accordance with the principles of valuation of inventories, as described in Note 10.10 of the financial statements and should be read in conjunction with the revenue from the valuation of forward contracts (as presented in Note 12.9 of the financial statements).

Separate financial statements for the year ended 31 December 2013 prepared in accordance with IFRS (all amounts in PLN thousand)

20. Other short-term and long-term asset

Other long-term assets

	As at 31 December 2013	As at 31 December 2012
Deferred expenses	4	-
Other long-term assets total:	**4**	**-**

Other short-term assets

	As at 31 December 2013	As at 31 December 2012 *(restated)*
Deferred expenses		
Property and tort insurance	468	827
IT services	46	102
Other deferred costs	5.515	5.438
Other short-term assets		
VAT receivables	-	152
Advances for deliveries	7.486	3.340
Other short-term assets	1.962	24.724
Total other short-term assets	**15.477**	**34.583**

The item of "other short-term assets" recognized as at 31 December 2012 and 31 December 2013 relate mainly to mutual settlements between companies in the tax group PGE.

Separate financial statements for the year ended 31 December 2013 prepared in accordance with IFRS (all amounts in PLN thousand)

21. Cash and cash equivalents

Cash at the bank is subject to variable interest rates which are based on bank deposits' interest rates. Short-term deposits are made for different periods, from one day up to one month, depending on the Company's needs for cash, and are deposited at individually agreed interest rates. Fair value of cash and cash equivalents as at 31 December 2013 amounted to PLN 2.189.625 thousand (as at 31 December 2012, amounted to PLN 960.060 thousand).

The balance of cash and cash equivalents comprise following positions:

	As at 31 December 2013	**As at 31 December 2012** *(restated)*
Cash on hand and cash at bank	280.765	313.630
Overnight deposits	208.027	340.807
Short-term deposits	1.700.833	305.623
Total	**2.189.625**	**960.060**
Interest accrued on cash, not received at balance sheet date	(1.833)	(112)
Exchange differences on cash in foreign currencies	304	(175)
Cash and cash equivalents presented in the statement of cash flows	**2.188.096**	**959.773**
Credit limits at disposal	*1.250.000*	*657.215*

For information regarding restricted cash please refer to note 37.7 of these financial statements.

22. Assets classified as held for sale

As at 31 December 2013 Company did not report any assets held-for-sale.

Separate financial statements for the year ended 31 December 2013 prepared in accordance with IFRS (all amounts in PLN thousand)

23. Share capital and other equity

The basic assumption of the Company's policy regarding equity management is to maintain an optimal equity structure over the long term in order to assure a good financial standing and secure equity structure ratios that would support the operating activity of the Company. It is also crucial to maintain a sound equity base that would be the basis to win confidence of potential investors, creditors and the market and assure further development of the Company.

23.1. Share capital

	As at 31 December 2013
Number of Series A ordinary Shares with a nominal value of 10 PLN each	1.470.576.500
Number of Series B ordinary Shares with a nominal value of 10 PLN each	259.513.500
Number of Series C ordinary Shares with a nominal value of 10 PLN each	73.228.888
Number of Series D ordinary Shares with a nominal value of 10 PLN each	66.441.941
Total number of shares	**1.869.760.829**

During the reporting period there were no changes in the value and structure of share capital.

Ownership structure of the Company in the reporting period is presented below:

	State Treasury	Other Shareholders	Total
As at 1 January 2013	**61,89%**	**38,11%**	**100,00%**
As at 31 December 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 reporting day and until the day of preparation of the foregoing financial statements there were no changes in the value of share capital of the Company.

23.2. Rights of the shareholders

Rights of the State Treasury

The Company is a part of the PGE Group, to which State Treasury holds special rights as long as it remains a shareholder.

Even though, the shares of the Company are not preferential, the Company's Articles of Association provide special rights to the State Treasury as long as it remains a shareholder of the Company.

According to the Company's Articles of Association, the State Treasury holds the right to approach the Management Board with a written demand for a General Meeting of Shareholders to be called, including matters for the meeting agenda, submitting draft resolutions related to matters included in the agenda or matters that may be included in the agenda, obtaining copies of announcements published in the Court and Commercial Monitor.

In addition, based on the Company's Articles of Association, the State Treasury holds special rights to influence the process of appointing members of the Supervisory Board. Namely, half of the members of the Supervisory Board, including the President of the Supervisory Board are appointed by the General Shareholders' Meeting from the list of candidates submitted by the State Treasury. The State Treasury will hold this right for as long as its shareholding stake in the Company is not less than 20%.

Furthermore, based on the Company's Articles of Association, the State Treasury holds the right to appoint and dismiss one member of the Supervisory Board in the form of a written statement submitted to the Company during the General Meeting of Shareholders or outside the General Meeting of Shareholders through of the Management Board. Furthermore, this right can be executed by the State Treasury independently of voting rights in appointing other members of the Supervisory Board.

Additionally, if the mandate of a member of the Supervisory Board expires and as a result the number of members of the Supervisory Board is less than the minimum number of members specified in the Company's Articles of Association, the Management Board is obliged to call a General Meeting of Shareholders in order to appoint an additional member. As soon as at least one mandate of a member of the Supervisory Board appointed in group voting expires, the State Treasury regains its individual right to appoint one member of the Supervisory Board in the form of a written statement.

On 29 June 2011 the Shareholders' Meeting adopted a resolution introducing changes to restrictions on voting rights for existing shares. The voting right was limited, meaning that no shareholder may exercise more than 10% of the total number of voting rights exercisable during the Shareholders' Meeting, with the exception that for the purpose of determining obligations of purchasers of significant shareholdings described in the Act on Public Offering, Conditions Governing the Introduction of Financial Statements to Organized Trading, and Public Companies dated 29 July 2005 ("Act on Public Offering"), the mentioned restriction will not apply. The above mentioned restriction does not apply to the State Treasury and other shareholders, who act with the State Treasury under agreement for joint exercise of voting rights. These restrictions are effective for as long as the shareholding owned by the State Treasury is not less than 5%.

Right regarding the Company's operations

Based on the Act of 18 March 2010 on special rights the Minister of the Treasury and their performance in certain incorporated companies or holding companies operating in the electricity, oil and gaseous fuels sectors (OJ No 65, dated 21 April 2010, item. 404) the Minister of the Treasury has the right to object to any resolution or legal action of the Management Board that relates to the ability to dispose a part of company's property, which is of significant importance to its functioning, continuity of operations and integrity of critical infrastructure if there is a reasonable assumption that such legal action might violate public order or public safety. The objection can also be expressed against any resolution adopted that relates to:

- liquidation of the Company,
- changes of the use or discontinuance of exploitation of the company's asset, which is a component of critical infrastructure,
- change in the scope of activities of the Company,
- sale or lease of the enterprise or its organized part or establishment of legal restrictions,
- approval of operational and financial plan, investment plan, or long-term strategic plan,
- movement of the Company's seat abroad,

if the enforcement of such a resolution resulted in an actual threat to the operation continuity or integrity of the critical infrastructure. The objection is expressed in the form of an administrative decision.

The Act introduces a function of a representative for critical infrastructure. The representative is chosen by the Company in consultation with the Minister of Treasury and the director of the Government Security Center.

23.3. Other capital reserves

The other capital reserves were created from distribution of the profit of PGE Electra S.A. for 2009 as a result of the merger of PGE S.A. with PGE Electra S.A.

Other capital reserves are to be distributed in full amount as at 31 December 2013.

Separate financial statements for the year ended 31 December 2013 prepared in accordance with IFRS (all amounts in PLN thousand)

23.4. Reserve capital

Reserve capital results from statutory allocation of profits generated in previous reporting periods, as well as from surplus of profit distribution in excess of the value of statutory allocations.

Reserve capital subject to distribution amounted to PLN 2.709 million as at 31 December 2013.

23.5. Retained earnings and limitations of payment of dividend

Retained earnings include amounts that are subject to distribution restrictions i.e. that cannot be paid as a dividend.

	31 December 2013	31 December 2012
Amounts included in retained earnings that cannot be distributed:	2.809	34.362
Retained earnings due to change in accounting policies (including adoption of IFRS)	274	79.466
Profit / (loss) recognized as retained earnings in positions of other comprehensive income	2.535	(1.913)
Loss from previous years from acquired Company - PGE Energia Jądrowa S.A.	-	(43.191)
Retained earnings subject to distribution	2.294.368	783.998
Total retained earnings presented in the statement of financial position	**2.297.177**	**818.360**

According to regulations of the Commercial Code, joint stock companies are obliged to create reserve capital to cover potential losses. At least 8% of the profit for the reporting year recognized in the statutory financial statements is transferred to reserve capital, until this capital amounts to at least one third of share capital. The General Shareholders' Meetings decides on the use of the reserve capital, however the part of reserve capital that amounts to one third of share capital can only be used to cover losses recognized in the statutory financial statements and cannot be used for other purposes.

As at 31 December 2013 there were no other restrictions on payment of dividends.

24. 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).

Separate financial statements for the year ended 31 December 2013 prepared in accordance with IFRS (all amounts in PLN thousand)

The table bellow presents information on profit and shares used to calculate basic earnings per share.

	Period ended 31 December 2013	**Period ended 31 December 2012**
Net profit attributable to ordinary equity holders of the Company used to calculate earnings per share	2.337.559	772.171
Number of ordinary shares at the beginning of the reporting period	1.869.760.829	1.869.760.829
Number of ordinary shares at the end of the reporting period	1.869.760.829	1.869.760.829
Earning per share (in PLN):	**1,25**	**0,41**

Number of shares in 2012 does not contain treasury shares acquired for redemption purposes.

25. Dividends paid and dividends declared

	Dividend paid or declared from the profit for the year ended		
	31 December 2013	**31 December 2012**	**31 December 2011**
Cash dividends from ordinary Shares			
Dividend paid from retained earnings	-	783.998	3.421.662
Dividend paid from other reserve capital	-	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 2012

On 27 June 2013, the General Meeting of the Company resolved to distribute PLN 783.998 thousand from profit of the year 2012 and part of reserve capital of PLN 823.996 thousand as a dividend.

The Ordinary General Meeting decided to allocate retained earnings of PLN 77.553 thousand, which result from change of accounting policy and actuarial losses, to reserve capital.

Dividend declared by the General Meeting Resolutions from 27 June 2013 was paid on 24 September 2013.

Dividend from the profit for period ended 31 December 2013

During the reporting period and as at the date of preparation of the financial statement the Company made no advance payments of dividends. The financial statement was prepared before profit distribution as well as before determination of the amount of dividend.

The Management Board of the Company recommends a dividend payment, representing 50% of the net profit attributable to shareholders of parent company, reported in the consolidated financial statements for the year ended 31 December 2013, amounted to PLN 2.056.737 thousand (PLN 1,10 per share).

26. Lease

The Company shall bear the cost of annual fees for the right of perpetual usufruct of land. The amount of these costs for the year ended 31 December 2013 amounted to PLN 1.041 thousand.

Separate financial statements for the year ended 31 December 2013 prepared in accordance with IFRS (all amounts in PLN thousand)

27. Employee benefits

Retirement and pension allowances

The Company pays retirement or pension awards in the amount specified in the Corporate Collective Labour Agreement when an employee retires or becomes a pensioner. The Company raised a provision for these awards based on a valuation made by an actuary.

Energy tariff

Based on the Inter-Corporate Collective Labor Agreement, amended in 2005, an obligation to pay benefits, the so called "energy tariff", to former employees of the electric power industry and other entitled persons is imposed on entities in which the entitled persons were employed. As a result, from 2006 the Company raises a provision. The amount of the provision is measured by an independent actuary. The provision is raised as an operating expense.

Social Fund and medical benefits

The Company allocates funds to the Social Fund for retirees and pensioners. The Company also provides medical benefits for retirees and pensioners. Provisions are raised to cover such costs and these are measured using actuarial methods.

The amounts of these provisions and a reconciliation of changes in provisions during the reporting period are presented below:

Period ended 31 December 2013

	Retirement, pension and other benefits provisions	Energy tariff	Social Fund	Medical benefits	Post-mortem severance	Total
As at 1 January 2013	**1.321**	**11.451**	**4.429**	**3.190**	**-**	**20.391**
Current service costs	86	108	119	79	242	634
Actuarial gains and losses excluding discount rate adjustment	40	(2.434)	25	(209)	-	(2.578)
Benefits paid	(42)	(634)	(365)	(198)	-	(1.239)
Discount rate adjustments	(24)	(267)	(161)	(96)	-	(548)
Interest costs	52	448	172	125	-	797
Other changes	(34)	-	(5)	-	-	(39)
As at 31 December 2013	1.399	8.672	4.214	2.891	242	17.418
Short-term	365	734	251	209	21	1.580
Long-term	1034	7.938	3.963	2.682	221	15.838

Separate financial statements for the year ended 31 December 2013 prepared in accordance with IFRS (all amounts in PLN thousand)

Period ended 31 December 2012 *(restated)*

	Retirement, pension and other benefits provisions	Energy tariff	Social Fund	Medical benefits	Total
As at 1 January 2012	**1.424**	**9.759**	**3.776**	**2.745**	**17.704**
Current service costs	97	116	98	65	376
Actuarial gains and losses excluding discount rate adjustment	(204)	(359)	(183)	(35)	(781)
Benefits paid	(202)	(645)	(206)	(207)	(1.260)
Discount rate adjustments	127	1.791	725	479	3.122
Interest costs	79	558	214	147	998
Other changes	-	231	5	(4)	232
As at 31 December 2012	**1.321**	**11.451**	**4.429**	**3.190**	**20.391**
Short-term	**153**	**670**	**247**	**214**	**1.284**
Long-term	**1.168**	**10.781**	**4.182**	**2.976**	**19.107**

Key actuarial assumptions related to the calculation of provisions as at the balance sheet date are as follows:

	31 December 2013	31 December 2012
Discount rate (%)	4,35%	4.00%
Expected inflation rate (%)	2,37%	2,50%
Employee turnover (%)	8,83%	8,56%
Expected salary growth rate (%)	2,74%	3,00%
Expected medical benefits costs growth rate (%)	0-2,90%	2,20-3,50%
Expected Social Fund (ZFŚS) allowance rate (%)	3,5-5,00%	3,50-5,00%

Based on information obtained from an actuary, the Company assesses that the influence of changes in assumptions on the value of provisions for retirement and pension benefits, social fund, medical benefits and jubilee awards would be as follows:

- should the discount rate be higher by 1 percentage point (p.p.), the respective provisions would decrease by ca 8% and should the discount rate be lower by 1 p.p. the respective provisions would increase by ca 9%,
- should the growth rates be higher by 1 p.p., the respective provisions would increase by ca. 10% and should the rates be lower by 1 p.p., relevant provisions would decrease by ca. 9%.

Separate financial statements for the year ended 31 December 2013 prepared in accordance with IFRS (all amounts in PLN thousand)

28. Provisions

Period ended 31 December 2013

	Post-employment benefits	Provisions for jubilee awards	Provisions for third parties claims	Provisions for employee claims, including provisions for bonuses	Provisions for certificates of origin units held for redemption	Other	Total
As at 1 January 2013	**20.391**	**4.177**	**206.158**	**15.638**	**206**	**3.425**	**249.995**
Current service costs	634	311	-	-	-	-	945
Actuarial gains and losses excluding discount rate adjustment	(2.578)	(115)	-	-	-	-	(2.693)
Benefits paid	(1.239)	(536)	-	-	-	-	(1.775)
Revaluation of provision/ discount rate adjustments	(548)	(72)	-	-	-	-	(620)
Interest costs	797	147	-	-	-	-	944
Raised during the year	-	-	-	26.950	117	2.426	29.493
Reversed	-	-	(7.422)		(240)	(1.158)	(8.820)
Used	-	-	(196.269)	(22.245)	-	(685)	(219.199)
Other changes	(39)	(394)			-	(221)	(654)
As at 31 December 2013	**17.418**	**3.518**	**2.467**	**20.343**	**83**	**3.787**	**47.616**
Short-term	**1.580**	**706**	**2.467**	**20.343**	**83**	**3.787**	**28.966**
Long-term	**15.838**	**2.812**	**-**	**-**	**-**	**-**	**18.650**

Separate financial statements for the year ended 31 December 2013 prepared in accordance with IFRS (all amounts in PLN thousand)

Period ended 31 December 2012 *(restated)*

	Post-employment benefits	Provisions for jubilee awards	Provisions for third-party claims	Provisions for employee claims, including provisions for bonuses	Provisions for energy origin units held for redemption	Other	Total
As at 1 January 2012	**17.704**	**3.529**	**410.799**	**10.520**	**225**	**15.918**	**458.695**
Current service costs	376	420	-	-	-	-	**796**
Actuarial gains and losses excluding discount rate adjustment	(781)	630	-	-	-	-	**(151)**
Benefits paid	(1.260)	(1.005)	-	-	-	-	**(2.265)**
Revaluation of provision/ discount rate adjustments	3.122	421	-	-	-	-	**3.543**
Interest costs	998	182	-	-	-	-	**1.180**
Raised during the year	-	-	-	21.464	206	2.382	**24.052**
Reversed	-	-	(204.641)	-	(225)	(13.218)	**(218.084)**
Used	-	-	-	(16.346)		(1.657)	**(18.003)**
Other changes	232	-	-	-	-	-	**232**
As at 31 December 2012	**20.391**	**4.177**	**206.158**	**15.638**	**206**	**3.425**	**249.995**
Short-term	**1.284**	**721**	**206.158**	**15.638**	**206**	**3.425**	**227.432**
Long-term	**19.107**	**3.456**	**-**	**-**	**-**	**-**	**22.563**

Separate financial statements for the year ended 31 December 2013 prepared in accordance with IFRS (all amounts in PLN thousand)

28.1. Provisions for post employment benefits and jubilee awards

The amount of provisions disclosed in the financial statements results from the valuation prepared by the independent actuary.

According to the corporate remuneration system the employees of the Company 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 from jubilee awards in order to recognize costs to the periods they refer to. The present value of these obligations is measured by an independent actuary at each balance sheet date.

28.2. Provisions for third-party claim

The dispute issue with ATEL, for which the Company created a provision as at 1 January 2013, is described in note 29.4 of this financial statement.

29. Contingent liabilities and receivables. Legal claims.

29.1. Contingent liabilities

Contingent liabilities	As at 31 December 2013	As at 31 December 2012
Collaterals for repayment of bank guarantees granted	22.579	22.469
Other contingent liabilities	869	869
Total contingent liabilities	**23.448**	**23.338**

Surety for the obligations of PGE Trading GmbH

PGE S.A. provided a surety for repayment of bank guarantees for the obligations of PGE Trading GmbH to foreign third parties. The obligation of the Company is limited to PLN 22.579 thousand. The guarantees expire in 2014 – 2015.

Guarantees issued after the balance sheet date

In January 2014, the Company granted three sureties to pay the bank guarantee issued for PGE Górnictwo i Energetyka Konwencjonalna S.A. The total value of securities is PLN 2.080 million. Granting guaranties are associated with the conducted by PGE GiEK S.A. investment in the construction of the new power plants in Elektrownia Opole.

29.2. Other issues related to contingent liabilities

Promise referring to ensuring financing of new investments in Group companies

Due to planned strategic investments in PGE Group, the Company committed in the form of promise to group companies, to ensure financing of planned investments. The promises relate to specific investments and may be used only for such purposes. As at 31 December 2013 the estimated value of the promise amounts to PLN 15 billion.

The issue of compensation for conversion of shares

Former shareholders of PGE Górnictwo i Energetyka S.A. are presenting to the courts a motion to summon PGE Górnictwo i Energetyka S.A. to attempt a settlement for payment of compensation for wrong (in their opinion) determination of the exchange ratio of shares of PGE Górnictwo i Energetyka S.A. into shares of PGE S.A.during consolidation process that took place in 2010. The total value of claims resulting from the settlement directed by the former shareholders of PGE Górnictwo i Energetyka amounts to nearly PLN 8 million.

Independently of the settlement attempts stated above, Socrates Investment S.A. (an entity which purchased claims from former PGE Górnictwo i Energetyka S.A. shareholders) called for two trial settlements to the courts. The company demands from PGE S.A. damages in a total amount of almost PLN 371 million in connection with incorrectly (in their opinion) determining the exchange ratio of shares in the merger between PGE Górnictwo i Energetyka S.A. with PGE S.A.

PGE S.A. does not recognize the claims of Socrates Investment S.A. and other shareholders who call for trial settlements. These claims are undocumented and unfounded. The value of the shares of which were subject to the process of consolidation (merger) were valued by the company PwC. The plan of the merger, including the share exchange ratio of the company's shares which was being merged with PGE S.A., was tested for correctness and fairness by the court-appointed expert, who found no irregularities. The independent court registered the merger. The former shareholders appearing before the courts have not established the basis on which, how nor based on what data or documents their claims were calculated.

In these cases, PGE S.A. refuses any settlements. It is to be noted, that there is a risk that Socrates Investment S.A. and other former shareholders will take a legal action lawsuit to receive payment which amounts to previously claimed in the proceedings of settlement attempts. For the reported claims, the Company has not created a provision.

29.3. Contingent receivables and other contingent assets

The Company does not have material contingent receivables.

29.4. Legal claims

PGE – ATEL (presently Alpiq Holding AG) dispute

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

On 12 September 2012 the Tribunal issued a decision on the matter, by which PGE S.A. is obliged to pay Alpiq the amount of EUR 43.204 thousand, plus accrued interest.

The Company and Alpiq reached an agreement on the implementation of the above judgment. According to this agreement, the Company is to pay the principal amount along with interest to the date of judgment, less the costs of arbitration awarded against Alpiq to PGE S.A. The first payment of EUR 22.898 thousand was paid in April 2013, and the remaining amount in December 2013.

Separate financial statements for the year ended 31 December 2013 prepared in accordance with IFRS (all amounts in PLN thousand)

30. Other non-financial liabilities

The non-financial liabilities for the years ended 31 December 2013 and 31 December 2012 are as follows:

	As at 31 December 2013	As at 31 December 2012 *(restated)*
Liabilities for dividends	215	215
Excise tax	7	7
VAT tax	132.678	41.141
Liabilities for social insurances	1.049	977
Personal income tax	1.210	1.293
Payroll	451	8
Liabilities from Social Fund and other funds	481	469
Other	35.735	258
Total	**171.826**	**44.368**

The item "Other" relate mainly to mutual settlements between companies in the tax group PGE.

31. Deferred income and government grants

Government grants	As at 31 December 2013	As at 31 December 2012
Financing from the European Social Fund	624	775
Total deferred income, including:	**624**	**775**
Short-term	**624**	**775**

Other deferred income	As at 31 December 2013	As at 31 December 2012
Other deferred income	-	35.397
Total deferred income, including:	**-**	**35.397**
Short-term	**-**	**35.397**

The above other deferred income consist of primarily of deferred revenue from the liquidation of the company SwePol Link AB.

32. Investment commitments

As at reporting date, the Company did not commit to incur significant capital expenditures on property, plant and equipment and intangible assets. The Company is the Parent Company of PGE Capital Group and is involved in investment projects mainly through the organization of financing for subsidiaries.

Separate financial statements for the year ended 31 December 2013 prepared in accordance with IFRS (all amounts in PLN thousand)

33. 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. The State Treasury is the dominant shareholder of the PGE Group and as a result in accordance with IAS 24 *Related Party Disclosures*, State Treasury companies are recognized as related entities. Company identifies in detail transactions with the most important State Treasury related companies. The total value of transactions with such entities is presented in the table below in the item "other related parties".

33.1. Transactions with related parties

Period ended 31 December 2013	Subsidiaries	Other related parties within PGE Group	Other related parties	Third parties	Total
STATEMENT OF COMPREHENSIVE INCOME					
Revenues from sales	9.913.141	25	2.055.909	438.699	**12.407.774**
Other operating revenues	2.077	1	10	14.222	**16.310**
Financial revenues	1.457.972	418	23	142.589	**1.601.002**
Operating expenses	813.656	-	1.106.483	9.528.091	**11.448.230**
Other operating expenses	527	1.350	243	7.640	**9.760**
Financial expenses	290	-	87	26.311	**26.688**

Period ended 31 December 2012	Subsidiaries	Other related parties within PGE Group	Other related parties	Third parties	Total
STATEMENT OF COMPREHENSIVE INCOME					
Revenues from sales	9.385.974	41	457.847	685.903	**10.529.765**
Other operating revenues	420	-	-	184.406	**184.826**
Financial revenues	278.738	437	43	256.436	**535.654**
Operating expenses	1.266.704	457	1.842.925	7.060.762	**10.170.848**
Other operating expenses	10	1.000	110	2.107	**3.227**
Financial expenses	(460)	-	389	104.549	**104.478**

Separate financial statements for the year ended 31 December 2013 prepared in accordance with IFRS (all amounts in PLN thousand)

33.2. Balances with related parties

Assets – as at 31 December 2013	Subsidiaries	Other related parties within PGE Group	Other related parties	Third parties	Total
Loans and receivables, including:	**3.553.196**	**3**	**202.984**	**443.521**	**4.199.704**
Bonds purchased	2.949.535	-	-	357.519	**3.307.054**
Trade receivables	519.596	3	202.984	47.952	**770.535**
Other loans and financial receivables	84.065	-	-	38.050	**122.115**
Shares in subsidiaries	**24.381.689**	**-**	**-**	**-**	**24.381.689**
Available-for-sale financial assets	**-**	**3.134**	**-**	**-**	**3.134**
Shares in entities not quoted on active markets	-	3.134	-	-	**3.134**
Other financial assets	-	-	-	-	**-**
Financial assets at fair value	**-**	**-**	**-**	**104.248**	**104.248**

Assets – as at 31 December 2012	Subsidiaries	Other related parties within PGE Group	Other related parties	Third parties	Total
Loans and receivables, including:	**5.026.198**	**13**	**32.228**	**394.927**	**5.453.366**
Bonds purchased	4.338.265	-	-	321.341	**4.659.606**
Trade receivables	677.382	1	32.228	29.978	**739.589**
Other loans and financial receivables	10.551	12	-	43.608	**54.171**
Shares in subsidiaries	**23.131.744**	**-**	**-**	**-**	**23.131.744**
Available-for-sale financial assets	**-**	**39.852**	**-**	**-**	**39.852**
Shares in entities not quoted on active markets	-	39.852	-	-	**39.852**
Other financial assets	-	-	-	-	**-**
Financial assets at fair value	**-**	**-**	**-**	**18.833**	**18.833**

Separate financial statements for the year ended 31 December 2013 prepared in accordance with IFRS (all amounts in PLN thousand)

Liabilities – as at 31 December 2013	Subsidiaries	Other related parties within PGE Group	Other related parties	Third parties	Total
Financial liabilities at fair value through profit and loss available-for-sale	**-**	**-**	**-**	**1.046**	**1.046**
Financial liabilities at amortized cost:	**31.461**	**-**	**8.034**	**1.097.185**	**1.136.680**
Bonds issued	-	-	-	1.000.372	**1.000.372**
Interest bearing credit and loans	-	-	-	-	**-**
Trade liabilities	30.750	-	7.968	93.482	**132.200**
Other financial liabilities at amortized cost	711	-	66	3.331	**4.108**

Liabilities – as at 31 December 2012	Subsidiaries	Other related parties within PGE Group	Other related parties	Third parties	Total
Financial liabilities at fair value through profit and loss available-for-sale	**-**	**-**	**-**	**148**	**148**
Financial liabilities at amortized cost:	**90.062**	**440**	**167.504**	**368.902**	**626.908**
Bonds issued	-	-	-	-	**-**
Interest bearing credit and loans	-	-	-	142.785	**142.785**
Trade liabilities	89.700	52	167.504	222.531	**479.787**
Other financial liabilities at amortized cost	362	388	-	3.586	**4.336**

Separate financial statements for the year ended 31 December 2013 prepared in accordance with IFRS (all amounts in PLN thousand)

33.3. Key management personnel remuneration

The key management comprises the Management Board and Supervisory Board of PGE Polska Grupa Energetyczna S.A.

	Period ended 31 December 2013	Period ended 31 December 2012
Short-term employee benefits (salaries and salary related costs)	6.602	7.539
Post-employment benefits	6.934	1.259
Total remuneration paid to key management	**13.536**	**8.798**

Members of the Board are employed on the basis of civil law management contracts (i.e. management contracts). In note 12.2 *Cost by type and function*, the management salaries are presented under other costs by type.

The post-employment benefits for the period ended 31 December 2013 include provisions for the remuneration of former Members of the Management Board. Benefits will be paid throughout the year 2014.

The above remuneration do not include the salaries of PGE Energia Jądrowa's executives, which amount to PLN 369 thousand in 2013, and PLN 628 thousand in 2012.

34. Employment structure

As at 31 December 2013, there were 425 employees (full-time equivalent). As at 31 December 2012, there were 392 employees.

35. Social Fund and other employee funds

The Social Fund Act of 4 March 1994 states that a Social Fund is created by employers employing over 20 full time employees. The fund does not hold any property, plant and equipment. The objective of the fund is to subsidize the social activity for employees of the Group, loans granted to its employees and other social expenses.

The Company off-set the Fund's assets and liabilities as the Fund's assets do not represent assets of the Company.

As at 31 December 2013 assets assigned to the Social Fund and other employee funds amounted to PLN 3.027 thousand and as at 31 December 2012, PLN 3.713 thousand.

36. Joint ventures

During the periods ended 31 December 2013 and 31 December 2012, the Company did not participate in joint ventures.

In 2013, PGE S.A. purchased Iberdola Renewables (currently, EPW Energia sp. z o.o.), together with Energa Hydro sp. z o.o. Nevertheless, in accordance with the agreement on the buyer's cooperation carefully identified assets that are of interest and PGE S.A. performs operational inspections over the selected wind farms. Accordingly, the investment is treated as a subsidiary.

In addition, PGE S.A. participated in works related to the agreed terms of cooperation between the parties involved in the search, identification and extraction of hydrocarbons from shale. On 31 December 2013 the Framework Agreement has expired, as described in note 40.1 of this financial statement.

Separate financial statements for the year ended 31 December 2013 prepared in accordance with IFRS (all amounts in PLN thousand)

37. Financial Instruments

37.1. Carrying amount and fair value of categories and classes of financial instruments

	31 December 2013			31 December 2012 *(restated)*		
Categories and classes of financial instruments:	**Long-term**	**Short-term**	**Total**	**Long-term**	**Short-term**	**Total**
1. Loans and receivables, including:						
(i) Trade receivables	-	770.535	770.535	-	739.589	739.589
(iii) Other financial loans and receivables	3.329.609	99.560	3.429.169	3.627.204	1.086.573	4.713.777
▪ Bonds, bill and notes receivables	3.301.428	5.626	3.307.054	3.627.204	1.032.402	4.659.606
▪ Originated loans	28.181	55.884	84.065	-	-	-
▪ Other financial receivables	-	38.050	38.050	-	54.171	54.171
Total loans and receivables:	**3.329.609**	**870.095**	**4.199.704**	**3.627.204**	**1.826.162**	**5.453.366**
2. Shares in subsidiaries	**24.381.689**	**-**	**24.381.689**	**23.106.267**	**25.477**	**23.131.744**
3. Available-for-sale financial assets, including:						
(i) Shares in entities not quoted on active markets	-	3.134	3.134	3.135	36.717	39.852
Total available-for-sale financial assets:	**-**	**3.134**	**3.134**	**3.135**	**36.717**	**39.852**
4. Financial assets at fair value through profit or loss						
(i) Derivatives	-	104.248	104.248	-	18.833	18.833
Total financial assets at fair value through profit or loss	**-**	**104.248**	**104.248**	**-**	**18.833**	**18.833**
5. Cash and Cash equivalents	**-**	**2.189.625**	**2.189.625**	**-**	**960.060**	**960.060**

Excluding shares in related parties, the carrying amount of financial assets represents a reasonable estimate of their fair value. As described in note 37.3 due to the lack of comparable transactions the Company is not able to reliably determine fair value of shares in subsidiaries.

Separate financial statements for the year ended 31 December 2013 prepared in accordance with IFRS (all amounts in PLN thousand)

	31 December 2013			31 December 2012 *(restated)*		
Categories and classes of financial liabilities:	**Long-term**	**Short-term**	**Total**	**Long-term**	**Short-term**	**Total**
1. Financial liabilities at fair value through profit and loss held for trading						
(i) Derivatives	-	**1.046**	**1.046**		**148**	**148**
Financial liabilities at fair value through profit and loss held for trading	**-**	**1.046**	**1.046**		**148**	**148**
2. Financial liabilities at amortized cost:						
(i) Interest bearing loans and credits	-	-	-		142.785	142.785
(ii) Bonds issued	1.000.000	372	1.000.372	-	-	-
(iii) Trade liabilities	-	132.200	132.200	-	479.787	479.787
(iv) Other financial liabilities at amortized cost	-	4.108	4.108	-	4.336	4.336
Total financial liabilities at amortized cost:	**1.000.000**	**136.680**	**1.136.680**		**626.908**	**626.908**

The carrying amount of financial liabilities represents a reasonable estimate of their fair value.

Separate financial statements for the year ended 31 December 2013 prepared in accordance with IFRS (all amounts in PLN thousand)

37.2. Statement of comprehensive income

The table below presents the combined effect of the various categories of the financial statements on the financial income and expenses.

Year ended 31 December 2013	Assets and liabilities at fair value through profit and loss and cash	Shares in subsidiaries	Available-for-sale financial assets	Loans and receivables	Financial liabilities at amortized cost	Total financial instruments by class
Dividends	-	1.278.571	418	-	-	**1.278.989**
Gains / (losses) from interest	45.644	-	-	212.753	(18.133)	**240.264**
Exchange Gains / (losses	1.121	-	-	3.903	(1.102)	**3.922**
Reversal of impairment allowance / increase of value	40.054	-	-	26	-	**40.080**
Creation of impairment allowance / decrease of value	-	-	-	(82)	-	**(82)**
Gains / (losses) on investment disposal	-	(252)		-	-	**(252)**
Other	-	1.096	13.431	-	(6.533)	**7.994**
Total profit / (loss)	**86.819**	**1.279.415**	**13.849**	**216.600**	**(25.768)**	**1.570.915**

Year ended 31 December 2012 *(restated)*	Assets and liabilities at fair value through profit and loss and cash	Shares in subsidiaries	Available-for-sale financial assets	Loans and receivables	Financial liabilities at amortized cost	Total financial instruments by class
Dividends	-	-	437	-	-	**437**
Gains / (losses) from interest	124.435	-	-	343.430	(97)	**467.768**
Exchange Gains / (losses)	(11.296)	-	-	(22.142)	2.052	**(31.386)**
Reversal of impairment allowance / increase of value	5.633	-	-	1	-	**5.634**
Creation of impairment allowance / decrease of value	-	(47)	(64.880)	(234)	-	**(65.161)**
Gains / (losses) on investment disposal	-	514	22.898	-	-	**23.412**
Other	-	-	-	-	(5.817)	**(5.817)**
Total profit / (loss)	**118.772**	**467**	**(41.545)**	**321.055**	**(3.862)**	**394.887**

Additionally, during the period ended 31 December 2012, the amount of PLN 777 thousand related to revaluation of available-for-sale financial assets was recognized in other comprehensive income.

37.3. Fair value of financial instruments

The book value of the following assets and liabilities represents a reasonable estimate of their fair value:

- held-to-maturity investments, based on variable interest rates,
- available-for-sale financial assets, except for shares in entities not quoted on an active markets,
- financial assets and liabilities at fair value through profit or loss.

37.3.1 Methods of measurement to the fair value of financial instruments recognized in the statement of financial position at fair value (fair value hierarchy)

Instruments not quoted in active markets, for which a reliable fair value can be measured

The Company determines the fair value of instruments not quoted on the active markets by applying appropriate valuation techniques as long as a they can be reasonably estimated. The Company can estimate the fair value by comparison to a recently established commercial transaction, comparison to prices of similar instruments, using discounted cash flow analysis and other techniques/ valuation models commonly used in the market, which are adapted to the characteristics and parameters of the valued financial instrument and the situation of the issuer.

Inventory

The Company has the greenhouse gases emission rights, some of which are acquired in order to realize profits from fluctuations in market prices. This part of the emission rights is recognized in inventories at fair value less the costs of disposal, decreases are measured by detailed identification. Fair value is determined based on the market quotations (Level 1).

Derivatives

The Company measures derivatives at fair value using valuation models for financial instruments based on publicly available exchange rates, interest rates, forward and volatility curves for currencies and commodities derived from active markets. The fair value of derivatives is determined based on discounted future cash flows from transactions, calculated based on the difference between the forward rate and transaction. Forward exchange rates are not modeled as separate risk factor, but are derived from the spot rate and appropriate forward interest rate for foreign currencies in relation to PLN.

Derivatives are presented as assets when their valuation is positive and as liabilities when their valuation is negative. Gains and losses arising from changes in value are recognized in profit or loss of the reporting year.

In the category of financial assets at fair value through profit, the Company presents derivatives related to greenhouse gases emission rights – foreign exchange and commodities forwards (Level 2). In the category of financial liabilities at fair value through profit, the Company presents currency forwards (Level 2).

Separate financial statements for the year ended 31 December 2013 prepared in accordance with IFRS (all amounts in PLN thousand)

Fair value hierarchy

	As at 31 December 2013		As at 31 December 2012	
	Level 1	Level 2	Level 1	Level 2
Inventory	**246.431**	**-**	**194.207**	**-**
Financial assets	**-**	**104.248**	**-**	**18.833**
- commodity forward	-	95.696	-	13.307
- currency forward	-	8.552	-	5.526
Financial liabilities	**-**	**1.046**	**-**	**148**
- currency forward	-	1.046	-	148

During the current and comparative reporting period, there have been no transfers of derivatives between the first and second levels of the fair value hierarchy.

37.3.2 Financial instruments quoted on active markets (shares, bonds)

Fair value of shares and bonds listed on a stock exchange was measured on the basis of the closing price of these financial instruments, published on the Internet page of the Giełda Papierów Wartościowych S.A. (Warsaw Stock Exchange) as at the balance sheet date.

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

Fair value of instruments not quoted on active markets is measured by the Company 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).

Fair value of the Company's financial instruments not quoted on active markets is based on valuation methods for which input data can only be observed market data, which is obtained from renowned providers of financial information.

Fair value of derivative transactions of an IRS type is based on the yield curve of future interest rates. Interest rates used for discounting future cash flows are calculated on the basis of quotations of IRS transactions on the inter-bank market, obtained from the Reuters information service.

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

The primary assets of the Company classified as available-for-sale financial assets are shares in entities not quoted on active markets. For shares in entities that are not listed, there is no active market nor is there a possibility of using measurement techniques for reliable valuation of given shares. Due to the above, the Company is not able to establish a range of reasonable fair value estimates. Such assets are measured at cost less impairment losses.

As at the balance sheet date the Company does not plan to dispose of any of the significant long-term assets. Due to the lack of comparable transactions the Company is not also in possession of any data that would enable a reliable assessment of the possible fair values of the above assets.

Separate financial statements for the year ended 31 December 2013 prepared in accordance with IFRS (all amounts in PLN thousand)

37.4. Description of significant items within particular classes of financial instruments

37.4.1 Held-to-maturity investments

As at 31 December 2013 the Company did not report held-to-maturity investments.

37.4.2 Loans and receivables

The most significant items of financial assets recognized as loans and receivables are bonds and trade receivables.

Bonds, notes receivables and bills acquired

Structure of the bonds purchased is presented in the table below:

Issuer	31 December 2013	31 December 2012
PGE Górnictwo i Energetyka Konwencjonalna S.A.	2.020.246	3.436.286
PGE Energia Odnawialna S.A.	729.166	901.979
PGE Energia Natury Omikron sp. z o.o.	146.593	-
PGE Energia Natury Kappa sp. z o.o.	50.510	-
PGE Energia Natury S.A.	3.021	-
Autostrada Wielkopolska S.A.	357.518	321.341
Total	**3.307.054**	**4.659.606**

The bonds of Autostrada Wielkopolska S.A. are not traded and are not known for their market quotations. PGE S.A. has performer an impairment test for these financial instruments as at 31 December 2012. The test was conducted on the basis of the financial model of the company, which assumed, among other things, Autostrada Wielkopolska S.A. win in a dispute with the State Treasury on compensation for the exemption of vehicles with vignette from tolls. Given the above assumptions, there was no need to make an allowance for the impairment. During the 2013 year, the dispute between Autostrada Wielkopolska S.A. was settled in favor of the company.

In order to assess the value of investments as at 31 December 2013, PGE S.A. has evaluated impairment indications and concluded that there is no need for further impairment test of bonds.

Deposits over 3 months

As at 31 December 2013 the Company has not recognized deposits of maturities over 3 months.

Separate financial statements for the year ended 31 December 2013 prepared in accordance with IFRS (all amounts in PLN thousand)

Trade receivables

Trade receivables by customer class	Receivables balance	% Share
Receivables from retail companies	567.678	73,67%
Receivables from wholesale companies	33.698	4,37%
Receivables from foreign counter parties	29.694	3,85%
Receivables from other counter parties	139.465	18,11%
Total	**770.535**	**100,00%**

In addition, the maturity analysis and allowance of selected items of loans and receivables are presented in note 38.12 of this financial statement and their structure due to the relationship with the counterparty is presented in note 33.2 of this financial statement.

Loans granted

Borrower	31 December 2013	31 December 2012
PGE Systemy S.A.	28.181	-
PGE Energia Natury PEW sp. z o.o.	22.718	-
PGE Energia Natury sp. z o.o.	19.024	-
PGE EJ1 sp. z o.o.	12.232	-
PGE Energia Olecko sp. z o.o.	1.910	-
Total	**84.065**	**-**

Loan for PGE Systemy S.A. has been granted to finance the ongoing IT projects in the PGE Group. The loan repayment date is scheduled for 2017.

Loans granted to PGE Energia PEW sp. z o.o., PGE Energia Natury sp. z o.o. and PGE Energia Olecko sp. z o.o., resulted from the acquisition of these companies in June 2013. The loan repayment date is scheduled for 2014.

Loan to PGE EJ1 sp. z o.o. was granted in order to finance the costs associated with the preparation of the investment process of the nuclear plant construction.

Other financial receivables

The value of other financial receivables as at 31 December 2013 mainly represent a deposit paid to the Guarantee Fund of the Warsaw Commodity Clearing House (WCCH) in the amount of PLN 33.035 thousand. In accordance with WCCH regulations the Company is obliged to maintain a deposit of a defined amount.

In addition, this caption represents 4.927 thousand due from Dong Energy A/S, the amount from the settlement of acquisition of Dong (described in note 40.3 of the financial statement). The parties are currently finalizing the settlement of the transaction. The settlement should be completed by the end of the first quarter of 2014.

Separate financial statements for the year ended 31 December 2013 prepared in accordance with IFRS (all amounts in PLN thousand)

37.4.3 Available-for-sale financial assets

The most significant item of financial instruments recognized as available-for-sale financial assets are shares in entities quoted and not quoted on active markets. The Company is not able to reliably estimate the fair value of shares in entities that are not quoted on active markets, therefore these shares are carried at cost adjusted by applicable impairment allowances.

The name of the entity	Seat	Value	% Share in the share capital of the entity	Core operations
Associates		**3.134**		
Energopomiar Sp. z o.o.	Gliwice	3.134	22,73	services of research and measurement of power equipment
Other entities				
AWSA Holland II	Utrecht/Holandia	0	19,99	management of shares in AWSA 1
Pracownicze Towarzystwo Emerytalne „Nowy Świat S.A."	Warszawa	0	0,002	management of Employment Pension Programs
Total Shares		**3.134**		

The following significant changes occurred in the structure of assets available for sale as at 31 December 2012. SwePol Link A.B. in liquidation, based in Sundyberg (Sweden), as a result of the liquidation, was removed from the Swedish register. PGE held 49% stake in the share capital of the company. Liquidation is a consequence of the sale of assets and acquastition of ownership of assets as a result of the merger between the transmission operators: Swedish and Polish.

37.4.4 Financial assets and liabilities at fair value through profit and loss

The key position of the financial instruments measured at fair value through profit and loss are the instruments associated with the CO_2 emission rights. In the current and previous reporting periods, the Company concluded a series of forward transactions on the commodity and currency market.

As at 31 December 2013, forward transactions were valued as assets in the amount of PLN 104.248 thousand, and liabilities in the amount of PLN 1.046 thousand. The valuation process is presented in note 10.11 of this financial statement.

The value of these instruments should be analysed along with the valuation of the relevant inventory items. The total impact of the transactions associated with the CO_2 emission rights on the statement of comprehensive income is presented in note 12.9 of this financial statements.

Separate financial statements for the year ended 31 December 2013 prepared in accordance with IFRS (all amounts in PLN thousand)

37.5. Financial liabilities measured at amortized cost

37.5.1 Interest bearing loans and credits

As at 31 December 2013 the Entity has no liabilities from bank loans.

Loans and credits drawn by the Company as at 31 December 2012.

Currency	Reference rate	Carrying value of credit / loan as at reporting date		Contractual maturity:					
		In currency	In PLN	Within 1 year	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	Above 5 years
PLN	Variable	-	142.785	142.785	-	-	-	-	-
	Fixed	-	-	-	-	-	-	-	-
Total loans and credits			**142.785**	**142.785**	**-**	**-**	**-**	**-**	**-**

As at 31 December 2013 the value of remaining available credit limits on current account amounted to PLN 1.250 million.

During the period covered by these financial statements, or after the reporting date there were no defaults on repayment of principal or interest on credits.

37.5.2 Liabilities from bonds issued

Bonds issued as at 31 December 2013.

Currency	Reference rate	Carrying value as at the reporting date	Contractual maturity:					
			Within 1 year	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	Above 5 years
PLN	Variable	1.000.372	372	-	-	-	1.000.000	-
	Fixed	-	-	-	-	-	-	-
Total PLN		**1.000.372**	**372**	**-**	**-**	**-**	**1.000.000**	**-**

As at 31 December 2012, the Company had no liabilities in relation to bonds issued.

As at 31.December 2013 PGE S.A. was party to 2 bond issue programmes: programme addressed to Polish capital markets investors for the maximum amount of PLN 5 billion and a programme addressed to PGE Group companies for the maximum amount of PLN 5 billion.

Bond Issue Programme of PLN 5 billion addressed to Polish capital market investors

On 29 August 2011 Company signed an issue agreement with Pekao S.A. bank (acting as Agent, Paying Agent and Depository) and ING Bank Śląski S.A. (acting as Sub-Agent, Sub-Paying Agent and Sub-Depository) for an indefinite period of time, under which the bond issue programme was established.

The maximum Programme amount (representing a maximum aggregate nominal amount of bonds issued and outstanding under the Programme) is PLN 5 billion.

Separate financial statements for the year ended 31 December 2013 prepared in accordance with IFRS (all amounts in PLN thousand)

Bonds are to be issued as specified in article 9 paragraph 3 of the Act on Bonds dated 29 June 1995 (Official Journal 2001, no. 120, item 1300 with amendments) based on the Programme Agreement and Issue Terms, as dematerialized bearer coupon bonds or bearer zero-coupon bonds with maturity not shorter than 1 month and not longer than 10 years.

Bonds under the Programme will be denominated in Polish zloty (PLN). The nominal value of one bond will amount to PLN 10.000 or multiples of this amount. Bonds issued may be coupon or zero-coupon bonds based on market interest rates in accordance with *best-effort* rule. The bond holders will be entitled to the benefit of a financial nature.

On 27 June 2013 the Bank carried out the first non-public issuance of 5-year bonds, the coupon bearer bonds with a variable interest rates under this program. The nominal value of the emission amounted to PLN 1 billion and the maturity of the bonds is 27 June 2018. On 29 August 2013 the bonds were floated in Alternative Trading System organized by BondSpot S.A. and the Warsaw Stock Exchange S.A.

Bond Issue Programme of PLN 5 billion addressed to PGE Group companies

On 11 May 2009 the Company signed an agency agreement with ING Bank Śląski S.A., for a Bond issuance programme addressed to PGE Group companies. The maximum amount of that programme is PLN 5 billion. Under that programme, PGE S.A. may issue coupon or zero-coupon bonds. In accordance with the Amending Agreement No.1 to the Agency Agreement signed on 24 February 2012, the maturity date of the Programme was changed into an indefinite period of time with the option of contract termination as agreed in the contract.

37.5.3 Trade liabilities

Trade liabilities	Liabilities balance	%Share
Liabilities for the purchase of electric energy	87.754	66,38%
Liabilities for the purchase of certificates of origin of energy	9.578	7,25%
Liabilities for the purchase of CO_2 emission rights	4.711	3,56%
Liabilities for the purchase of other services	30.157	22,81%
Total	**132.200**	**100%**

37.5.4 Other financial liabilities measured at amortized cost

Other financial liabilities measured at amortized cost comprise mainly liabilities due to: purchase of property, plant and equipment, intangible assets and deposits received.

37.6. Compliance with covenants of credit agreements

The Company complies with covenants of credit agreements.

37.7. Collaterals for repayment of liabilities

The Entity uses many financial instruments and combinations thereof as collaterals for repayment of loans. The most frequently used are execution statements, bills and agreements of cessions. Additionally, the Group uses power of attorney to bank accounts and cessions of receivables.

As at 31 December 2013 Company's assets are not encumbered as collateral for the repayment of the Company's liabilities and contingent liabilities.

According to the Rules of Izba Rozliczeniowa Giełd Towarowych S.A. (Warsaw Commodity Clearing House – WCCH) PGE S.A. is obliged to maintain a specified cash balance on its account held with Bank Ochrony Środowiska S.A. and to be a member of the guarantee fund. In addition, the Company maintains a cash balance at Nordea S.A. bank as a deposit securing payments of liabilities due to purchases of electric energy on poee Rynek Energii Giełdy Papierów Wartościowych w Warszawie (Warsaw Stock Exchange Energy Market (poee WSE Energy Market) and the Company's open position on the market. As at 31 December 2013 the above mentioned cash presented as restricted cash amounted to PLN 71.615 thousand (as at 31 December 2012 amounted PLN 126.921 thousand).

38. Objectives and principles of financial risk management

The Company, due to its business activities, is exposed to the following types of financial risks:

- Liquidity risk,
- Market risk, including: Interest rate risk, Currency risk, Price risk,
- Credit risk.

The main objective of financial risk management in the Company is to reduce fluctuations of cash flows and financial result related to Company's exposure to market risk.

The objectives are achieved with the use of the mechanism of natural hedging and hedging derivative transactions in the range compliant with the Company's internal regulations.

The Company does not conclude derivative transactions for purposes other than to secure an identified exposure to market risk. Therefore the Company does not conclude speculative transactions, i.e. such transactions that increase the exposure to interest rate risk, currency risk, in comparison to the risk level resulting from identified sources of entities' exposure to the mentioned types of market risk, the purpose of which is to obtain additional gains on changes of risk level.

38.1. Liquidity Risk

The Company runs an active policy on investment of cash surpluses. It means that the Company is monitoring the state of monetary surplus and is forecasting future cash flows, and on such a basis the investment strategy is realized towards cash aimed at realization of the investment strategy objectives.

In case of monetary shortage, the Company uses the following available financing sources:

- Bank credit granted in current account**,**
- Issuance of bonds acquired by external entities,
- Issuance of bonds acquired by subsidiaries of PGE S.A.

As at 31 December 2013 there were no liabilities due to bank credits, and available funds amounted to PLN 1.250 million. As at 31 December 2012 the liabilities due to bank credits amounted to PLN 142.785 thousand, while available funds amounted to PLN 657 million.

38.2. Interest Rate Risk

The Company is exposed to interest rate risk as a result of financing their operating and investment activities with interest bearing indebtedness at variable interest rates or through investments in financial assets at variable or fixed interest rates. On the other hand, financing business activity with indebtedness at a fixed interest rate is related to the opportunity cost risk in case of interest rates' decline.

Separate financial statements for the year ended 31 December 2013 prepared in accordance with IFRS (all amounts in PLN thousand)

Interest on financial instruments of variable interest rate is actualized at intervals of less than one year. Interest on financial instruments of a fixed interest rate is flat throughout the whole period until maturity of these instruments.

The below table presents the interest rate gap, constituting the Company's exposure to interest rate risk and risk concentration, with regards to currencies and type of interest rate:

		Type of interest rate	Nominal value as at 31 December 2013	Nominal value as at 31 December 2012
Financial assets exposed to interest rate risk	PLN	Fixed	84.065	-
		Variable	5.105.692	5.247.230
	Other currencies	Fixed	104.248	18.833
		Variable	390.987	372.436
Financial liabilities exposed to interest rate risk	PLN	Fixed	-	(142.785)
		Variable	(1.000.372)	-
	Other currencies	Fixed	(1.046)	(148)
		Variable	-	-
Net exposure	PLN	Fixed	84.065	(142.785)
		Variable	4.105.320	5.247.230
	Other currencies	Fixed	103.202	18.685
		Variable	390.987	372.436

Cash is presented under the caption of financial assets exposed to variable interest rates. Cash comprises mainly short-term deposits (not longer than 3 months) of fixed interest rate. However due to risk of variability of interest rates when negotiating the interest rates in future periods, the Company presents them as variable rate in the above table.

38.3. Currency Risk

In the Company two types of exposure to currency risk can be identified:

Exposure to transaction risk

The risk results from the fact that a portion of cash flows related to core operations of entities is denominated in or indexed to foreign currencies. The other sources of exposure to the risk are capital investments and financing in foreign currencies. Currency risk relates to changes in future cash flows denominated in or indexed to foreign currencies as a result of changes in foreign exchange rates.

Exposure to translation risk

The risk results from translation of carrying amounts of items of assets and liabilities denominated in foreign currency to the functional currency of financial statements of the entities, i.e. PLN. Similar to transaction risk, the lack of certainty of future foreign exchange rates, at which the carrying amounts of items of assets and liabilities shall be translated as at the balance sheet date, causes uncertainty concerning carrying amounts of these items in PLN as at the balance sheet date and relevant financial income and/or expenses resulting from foreign exchange differences recognized in statement of comprehensive income. Presented below are main sources of exposure to currency risk:

- Loans and borrowings denominated in foreign currencies,
- Sales (export) of electricity denominated in foreign currencies,
- Purchases of electricity in import denominated in foreign currencies,
- Fees denominated in or indexed to foreign currency relevant to purchase of transmission capacities,
- Purchase and sale of CO_2 emission rights denominated in or indexed to foreign currencies,
- Financial assets with deposit characteristics denominated in foreign currencies.

Separate financial statements for the year ended 31 December 2013 prepared in accordance with IFRS (all amounts in PLN thousand)

The below table presents the Company's exposure to currency risk with regards to particular classes of financial instruments:

	Currency position as at 31 December 2013								
	Total carrying amount in	**EUR**		**USD**		**DKK**		**SEK**	
	in PLN	**In currency**	**in PLN**	**In currency**	**in PLN**	**In currency**	**in PLN**	**In currency**	**in PLN**
Financial assets									
Bonds, bills and notes receivable acquired	3.307.054	86.207	357.518	-	-	-	-	-	-
Trade receivables	770.535	1.053	4.366	-	-	-	-	-	-
Cash and cash equivalents	2.189.625	8.070	33.468	-	-	-	-	-	-
Originated loans	84.065	-	-	-	-	-	-	-	-
Other financial receivables	38.050	-	-	-	-	-	-	-	-
Shares in related entities	24.381.689	-	-	-	-	-	-	-	-
Shares in entities not quoted on active markets	3.134	-	-	-	-	-	-	-	-
Derivatives*	104.248	215.358	920.855	-	-	-	-	-	-
Financial liabilities									
Derivatives*	(1.046)	(18.375)	(80.510)	-	-	-	-	-	-
Bonds issued and debt securities	1.000.372	-	-	-	-	-	-	-	-
Trade and other financial liabilities at amortized cost	(136.308)	(1.498)	(6.212)	(186)	(561)	(169)	(94)	-	-
Net currency position		**290.815**	**1.229.485**	**(186)**	**(561)**	**(169)**	**(94)**	**-**	**-**

*The value of derivatives' exposure to currency risk consist of their nominal value calculated using polish zloty rate applicable to each transaction without including discount rate. The carrying amount of these derivatives represents fair value.

Separate financial statements for the year ended 31 December 2013 prepared in accordance with IFRS (all amounts in PLN thousand)

	Total carrying amount in	Currency position as at 31 December 2012 *restated*									
		EUR		USD		CHF		SEK		GBP	
	in PLN	In currency	in PLN	In currency	in PLN	In currency	in PLN	In currency	in PLN	In currency	in PLN
Financial assets											
Bonds, bills and notes receivable acquired	4.659.606	78.602	321.341	-	-	-	-	-	-	-	-
Trade receivables	739.589	2.654	10.850	-	-	-	-	-	-	-	-
Cash and cash equivalents	960.060	12.443	50.869	22	68	45	152	9	4	-	-
Originated loans	-	-	-	-	-	-	-	-	-	-	-
Other financial receivables	54.171	-	-	-	-	-	-	-	-	-	-
Shares in related entities	23.131.744	-	-	-	-	-	-	-	-	-	-
Shares in entities not quoted on active markets	39.852	-	-	-	-	-	-	-	-	-	-
Derivatives*	18.833	130.414	554.139	-	-	-	-	-	-	-	-
Financial liabilities											
Derivatives*	(148)	(3.176)	(13.492)	-	-	-	-	-	-	-	-
Interest bearing loans and credits	(142.785)	-	-	-	-	-	-	-	-	-	-
Trade and other financial liabilities at amortized cost	(484.123)	(3.527)	(14.419)	(171)	(530)	-	-	-	-	(5)	(25)
Net currency position		**217.410**	**909.288**	**(149)**	**(462)**	**45**	**152**	**9**	**4**	**(5)**	**(25)**

*The value of derivatives' exposure to currency risk consist of their nominal value calculated using polish zloty rate applicable to each transaction without including discount rate. The carrying amount of these derivatives represents their fair value.

38.4. Price Risk

Due to the type of Company's business activities, the Company is susceptible to change of cash flows and financial results in domestic currency due to price changes of:

- Electric energy,
- CO_2 emission rights,
- Energy origin rights.

The management of energy price risk on the Polish market is impeded by the lack of long-term price indexes and the lack of markets in financial instruments, that are essential in hedging transactions; which is particularly significant in a long-term perspective.

38.5. Credit Risk

Credit risk is connected with a potential credit event that can occur, such as insolvency of a customer, partial payment of a receivable, significant delay in receivable payment or other breaches of contract conditions.

The Company is exposed to credit risk arising in the following areas:

- Basic activities of the Company – the credit risk results from, among others, purchases and sales of electricity and heat energy, purchases and sales of fossil fuels, etc.,
- Exposure to the risk of changes in market prices resulting from the possible lack of implementation of commitments on the other side of transaction for the delivery or reception- the credit risk relates to the possibility of there being a lack of fulfilling of liabilities of the second side of the derivative transaction in relation to the Company, if fair value of the derivative transaction is positive from the point of view of the Company,
- Allocation of free cash of the Company – the credit risk results from investing free cash of the Company in securities bearing credit risk i.e. financial instruments other than those issued by State Treasury.

The classes of financial instruments exposed to credit risk but having different characteristics of credit risk:

- Deposits,
- Bonds, bills, notes receivables acquired,
- Trade receivables,
- Loans granted,
- Other financial receivables,
- Cash and Cash equivalents,
- Derivatives,
- Guarantees and sureties granted.

Maximum credit risk exposure resulting from Company's financial assets is equal to the carrying value of these items. As at 31 December 2013 the total maximum credit risk exposure resulting from the Company's financial assets and guarantees and sureties granted amounted to PLN 6.445.527 thousand and PLN 22.579 thousand, respectively.

38.6. Bonds, bills and notes receivable acquired

As at 31 December 2013 bonds issued by PGE Group companies amounted to PLN 2.950 million and bonds issued by Autostrada Wielkopolska S.A. amounted to PLN 357 million. As at 31 December

Separate financial statements for the year ended 31 December 2013 prepared in accordance with IFRS (all amounts in PLN thousand)

2012, the value of bonds issued by subsidiaries of the PGE Capital Group amounted to PLN 4.338 million and the value of bonds of Autostrada Wielkopolska S.A. was PLN 321,3 million.

38.7. Trade receivables

The terms of payments for trade receivables are usually 2-3 weeks. In year 2013 the Company received payments for receivables after 22 days on average. Trade receivables relate mainly to receivables for energy sold. According to the management, due to current control over trade receivables, there is no additional credit risk that would exceed the level reflected by allowances for receivables.

The Company hold a Policy of Credit Risk Management, which is applied in the process of management of the credit risk mainly by using the following mechanisms and techniques: evaluation of financial standing of the customers and setting up credit limits; requiring credit collaterals from customers with lower financial standing; standardization of contents of agreements relating to credit risk and standardization of credit collaterals; system of current monitoring of payments and system of early vindication; cooperation with business intelligence agencies and debt collection companies

Credit risk relating to trade receivables by geographical region is presented in the table below:

	31 December 2013		31 December 2012	
Geographical region/ country	**Receivables balance**	**Share %**	**Receivables balance**	**Share %**
Poland	740.841	96,15%	708.903	95,85%
Germany	9.730	1,26%	20.329	2,75%
Czech Republic	3.724	0,48%	3.310	0,45%
Great Britain	1.702	0,22%	2.760	0,37%
France	14.340	1,86%	4.206	0,57%
Other	198	0,03%	81	0,01%
Total	**770.535**	**100,00%**	**739.589**	**100,00%**

The majority of sales transactions and the trade receivables balance relates to affiliated entities within the PGE Capital Group, as well as large Polish entities from the electricity market. As at 31 December 2013, the share of the three largest customers accounted for 83,89% of the trade receivable balance.

Receivables in foreign currencies amounted to PLN 4.366 thousand and PLN 10.852 thousand as at 31 December 2013 and 31 December 2012, respectively.

38.8. Loans granted, other receivables

Loans granted and other receivables are presented in note 37.4.2 of the financial statement.

38.9. Deposits, cash and Cash equivalents

The Company manages credit risk related to cash by diversification of banks in which surpluses of cash are allocated. All entities, that the Company concludes deposit transactions with, operate in the financial sector. These can only be banks registered in Poland or divisions of foreign banks with high ratings, adequate equity and strong, stable market position.

38.10. Derivatives

Derivatives transactions are presented in note 37.4.4 of these financial statements.

38.11. Guarantees granted

Guarantees granted by the Company are presented in note 29.1 of these financial statements.

Separate financial statements for the year ended 31 December 2013 prepared in accordance with IFRS (all amounts in PLN thousand)

38.12. Ageing of receivables and impairment allowance for receivables

As at 31 December 2013, trade receivables, loans granted, bonds and shares in entities not quoted on active markets were subject to impairment allowances. The change in allowances accounts for these classes of financial instruments are presented in the table below:

	Trade receivables	Loans granted	Bonds	Deposits	Other financial receivables	Shared in entities not quoted on active markets	Shares in related parties
				Year 2013			
Impairment allowance as at 1 January	**(5.648)**	**-**	**(29.090)**	**-**	**(27.136)**	**(141.178)**	**(75)**
Impairment allowance used	51	-	-	-	-	-	-
Impairment allowance reversed	1.069	-	-	-	925	-	75
Impairment allowance raised	(218)	-	-	-	-	-	-
Impairment allowance as at 31 December	**(4.746)**	**-**	**(29.090)**	**-**	**(26.211)**	**(141.178)**	**-**
Value before the impairment allowance	775.281	84.065	3.336.144	-	64.261	144.312	24.381.689
Net value (carrying amount)	770.535	84.065	3.307.054	-	38.050	3.134	24.381.689
				Year 2012 *(restated)*			
Impairment allowance as at 1 January	**(3.956)**	**-**	**(29.090)**	**-**	**(100.299)**	**(77.165)**	**(28)**
Impairment allowance used	12	-	-	-	67.799	260	-
Impairment allowance reversed	22	-	-	-	5.389	227	-
Impairment allowance raised	(1.726)	-	-	-	(25)	(64.500)	(47)
Impairment allowance as at 31 December	**(5.648)**	**-**	**(29.090)**	**-**	**(27.136)**	**(141.178)**	**(75)**
Value before the impairment allowance	745.237	-	4.688.696	-	81.307	181.030	23.131.819
Net value (carrying amount)	739.589	-	4.659.606	-	54.171	39.852	23.131.744

Separate financial statements for the year ended 31 December 2013 prepared in accordance with IFRS (all amounts in PLN thousand)

The ageing structure of trade receivables and other loans and receivables taking into account impairment allowances, are presented below:

Trade receivables	Before due date	Past due < 30 days	30 – 90 days	90 – 180 days	180 – 360 days	>360 days
31 December 2013						
Before the impairment allowance	772.374	945	151	23	51	1.737
Impairment allowance	(2.906)	(59)	-	(8)	(38)	(1.735)
After impairment allowance	**769.468**	**886**	**151**	**15**	**13**	**2**

Trade receivables	Before due date	Past due < 30 days	30 – 90 days	90 – 180 days	180 – 360 days	>360 days
31 December 2012 *(restated)*						
Before the impairment allowance	742.061	277	74	253	1.440	1.132
Impairment allowance	(2.918)	-	-	(205)	1.396)	(1.129)
After impairment allowance	**739.143**	**277**	**74**	**48**	**44**	**3**

Separate financial statements for the year ended 31 December 2013 prepared in accordance with IFRS (all amounts in PLN thousand)

Other loans and financial receivables	Before due date	Past due				
		< 30 days	30 – 90 days	90 – 180 days	180 – 360 days	>360 days
31 December 2013						
Before the impairment allowance	3.429.157	-	-	-	-	55.313
Impairment allowance	-	-	-	-	-	55.301
After impairment allowance	**3.429.157**	**-**	**-**	**-**	**-**	**12**

Other loans and financial receivables	Before due date	Past due				
		< 30 days	30 – 90 days	90 – 180 days	180 – 360 days	>360 days
31 December 2012 *(restated)*						
Before the impairment allowance	4.713.684	9	8	7	1	56.294
Impairment allowance	-	-	-	-	-	(56.226)
After impairment allowance	**4.713.684**	**9**	**8**	**7**	**1**	**68**

Separate financial statements for the year ended 31 December 2013 prepared in accordance with IFRS (all amounts in PLN thousand)

38.13. Liquidity Risk

The Company is monitoring the risk of lack of funds with the use of a periodical liquidity planning tool. This tool takes into account the maturity of both investments and financial assets (i.e. receivables' and other financial assets' accounts) and estimated future cash flows from operating activities. Company is exposed to liquidity risk in the following areas:

- Core operations of the Company – liquidity risks results from maladjustment of structure of dates of operating activities cash flows and execution of assets and liabilities,
- Market risk management - liquidity risk results from possible necessity of settlement of hedging derivative transactions, the value of which is negative from the point of view of the Group or the necessity of granting a guarantee to the second party of the collateral deposit transaction (cash collateral) in the case of negative valuation of derivatives over the duration of a collateral transaction,
- Allocation of free cash of the Company – the liquidity risk results from necessity of realization of financial assets owned, the market of which is characterized by low volume of turnover and/or relatively high spread between purchase price and sale price.

The below table presents the ageing of the Company's financial liabilities as at the balance sheet dates on the basis of the maturity date based on contractual non-discounted payments.

31 December 2013	Less than 3 months	Between 3 and 12 months	Between 1 and 5 years	More than 5 years	Total
Bonds issued	-	34.200	1.119.747	-	1.153.947
Interest bearing loans and credits	-	-	-	-	-
Trade and other financial liabilities at amortized cost	136.308	-	-	-	136.308
Derivatives	102	473	79	434	1.088
Total	**136.410**	**34.673**	**1.119.826**	**434**	**1.291.343**

31 December 2012 *(restated)*	Less than 3 months	Between 3 and 12 months	Between 1 and 5 years	More than 5 years	Total
Bonds issued	-	-	-	-	-
Interest bearing loans and credits	142.785	-	-	-	142.785
Trade and other financial liabilities at amortized cost	484.123	-	-	-	484.123
Derivatives	-	142	10	-	152
Total	**626.908**	**142**	**10**	**-**	**627.060**

38.14. The sensitivity analysis to market risk

The Company identifies the interest rate risk as well as the currency risk, as the main types of market risk to which it is exposed.

Currently, The Entity is exposed mainly to currency risk related to foreign exchange rates between EUR/PLN. Furthermore, the Company is exposed to interest rate risk related to referential interest rates of PLN and EUR. The Group uses a script analysis method for the purpose of analysing sensitivity to changes of market risk factors. The Entity uses experts' scripts reflecting the subjective opinion on the Group in relation to future fluctuations of individual market risk factors.

The scenario analysis presented in this point is intended to analyse the influence of changes in market risk factors on the financial results of the Company. Only positions that can be defined as financial instruments are subject to the analysis of interest and currency risk.

Potential foreign exchange rates changes were calculated on ±7,75% for currency EUR/PLN, ±13,08% for currency USD/PLN and ±7,98% for currency DKK/PLN.

In sensitivity analysis related to interest rate risk, the Company applies parallel shift of interest rate curve related to a potential possible change of referential interest rates during the following year. For the purpose of sensitivity analysis on the interest rate risk for currencies, for which the Company is exposed to as at the balance sheet date, potential interest rates' changes was estimated as ±62,51 bp for WIBOR, ±40,30 bp for EURIBOR.

In case of sensitivity analysis of interest rates' fluctuations, the effect of risk factors' changes could be recorded in the statement of comprehensive income under the caption of interest income or expenses related to financial instruments at amortized cost or to the position of revaluation of the value of financial instruments at fair value.

Presented below is the sensitivity analysis related to all types of market risks the Group is exposed to as at the balance sheet date, indicating the potential influence of changes of individual risk factors by class of assets and liabilities on the gross financial result.

Separate financial statements for the year ended 31 December 2013 prepared in accordance with IFRS (all amounts in PLN thousand)

38.15. Sensitivity analysis for currency risk

The Company identifies an exposure to fluctuations of foreign exchange rates of the following pairs of currencies: EUR/PLN, USD/PLN, CHF/PLN and SEK/PLN.

The table below presents the sensitivity of a gross financial result to reasonably possibly changes to foreign currency exchange rates, under the assumption of stability of other risk factors for these classes of financial instruments exposed to currency risk.

	31 December 2013		Sensitivity analysis for currency risk as at 31 December 2013					
			EUR/PLN gross financial result		USD/PLN gross financial result		DKK/PLN gross financial result	
Financial instruments by class	Carrying amount PLN	Amount exposed to risk PLN	Exchange rate EUR/PLN +7,75%	Exchange rate EUR/PLN –7,75%	Exchange rate USD/PLN +13,08%	Exchange rate USD/PLN –13,08%	Exchange rate DKK/PLN +7,98%	Exchange rate DKK/PLN –7,98%
Derivatives	104.248	920.855	71.366	(71.366)	-	-	-	-
Trade receivables	770.535	4.366	338	(338)	-	-	-	-
Loans granted	84.065	-	-	-	-	-	-	-
Bonds, bills, notes receivable acquired	3.307.054	357.518	27.708	(27.708)	-	-	-	-
Cash and cash equivalents	2.189.625	33.469	2.594	(2.594)	-	-	-	-
Derivatives	(1.046)	(80.510)	(6.240)	6.240	-	-	-	-
Interest-bearing loans, borrowings, bonds and lease	(1.000.372)	-	-	-	-	-	-	-
Trade liabilities and other financial liabilities at amortized cost	(136.308)	(6.868)	(481)	481	(73)	73	(7)	7
Gross profit change			**95.285**	**(95.285)**	**(73)**	**73**	**(7)**	**7**

Presentation of derivatives' value at risk in Polish zloty was described in note 37.4.4 of the financial statement.

Separate financial statements for the year ended 31 December 2013 prepared in accordance with IFRS (all amounts in PLN thousand)

	31 December 2012		Sensitivity analysis for currency risk as at 31 December 2012 – *restated*							
	Carrying amount	Amount exposed to risk	EUR/PLN gross financial result		USD/PLN gross financial result		CHF/PLN gross financial result		GBP/PLN gross financial result	
Financial instruments by class	**PLN**	**PLN**	**Exchange rate EUR/PLN +8,65%**	**Exchange rate EUR/PLN -8,65%**	**Exchange rate USD/PLN +14,51%**	**Exchange rate USD/PLN -14,51%**	**Exchange rate CHF/PLN +10,34%**	**Exchange rate CHF/PLN -10,34%**	**Exchange rate GBP/PLN +11,60%**	**Exchange rate GBP/PLN -11,60%**
Derivatives	18.833	554.139	47.933	(47.933)	-	-	-	-	-	-
Trade receivables	739.589	10.852	939	(939)	-	-	-	-	-	-
Loans granted	-	-	-	-	-	-	-	-	-	-
Bonds, bills, notes receivable acquired	4.659.606	321.341	27.796	(27.796)	-	-	-	-	-	-
Cash and cash equivalents	960.060	51.095	4.400	(4.400)	10	(10)	16	(16)	-	-
Derivatives	(148)	(13.492)	(1.167)	1.167	-	-	-	-	-	-
Interest bearing loans, credits and bonds issued	(142.785)	-	-	-	-	-	-	-	-	-
Trade liabilities and other financial liabilities at amortized cost	(484.123)	(14.947)	(1.247)	1.247	(77)	77	-	-	(3)	3
Gross profit change			**30.721**	**(30.721)**	**(67)**	**67**	**16**	**(16)**	**(3)**	**3**

Separate financial statements for the year ended 31 December 2013 prepared in accordance with IFRS (all amounts in PLN thousand)

38.16. Sensitivity analysis for interest rate risk

The Company identifies exposure to interest rate risk related to WIBOR and EURIBOR. The table below presents the sensitivity of the gross financial result based on reasonable, possible future fluctuations of interest rates, under assumption of stability of other risk factors for these classes of financial instruments that are exposed to interest rate risk:

31 December 2013						
			WIBOR		EURIBOR	
Financial assets and liabilities	**Carrying amount**	**Amount exposed to risk**	**gross financial result**		**gross financial result**	
	PLN	**PLN**	**WIBOR +62,51 bp**	**WIBOR -62,51 bp**	**EURIBOR +40,30 bp**	**EURIBOR –40,30 bp**
Bonds acquired	3.307.054	3.307.054	22.776	(22.776)	1.368	(1.368)
Cash and cash equivalents	2.189.625	2.189.625	9.558	(9.558)	170	(170)
Bonds issued	1.000.372	1.000.372	(3.247)	3.247	-	-
Gross profit change			**32.334**	**(32.334)**	**1.538**	**(1.538)**

31 December 2012 *Restated*						
			WIBOR		EURIBOR	
Financial assets and liabilities	**Carrying amount**	**Amount exposed to risk**	**gross financial result**		**gross financial result**	
	PLN	**PLN**	**WIBOR +94,11 bp**	**WIBOR –94,11 bp**	**EURIBOR +59,72 bp**	**EURIBOR –59,72 bp**
Bonds acquired	4.659.606	4.659.606	46.238	(46.238)	1.896	(1.896)
Cash and cash equivalents	960.060	960.060	8.973	(8.973)	199	(199)
Interest bearing loans and credits	(142.785)	(142.785)	(671)	671	-	-
Gross profit change	**-**	-	**54.540**	**(54.540)**	**2.095**	**(2.095)**

The above mentioned positions are recorded in the statement of comprehensive income and consequently under the caption of retained earnings. Change of interest rates does not influence the value of other positions of equity in the statement of financial position.

39. 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.

Tax group

Since 2012, the Company is a member of a tax group. Tax Group agreement is valid until the end of 2014. The Group, in addition to PGE S.A. (the representative company) includes PGE Obrót S.A. and PGE Systemy. All the companies included in the tax group are jointly and severally liable for tax liabilities.

Excise Tax reimbursement

During 2009, the Company filed a motion related to an excess payment of excise tax on imports and Intra-Community purchase of electric energy during the period from January 2006 to February 2009. The Company argues that the excess payment results from discrepancies between the Polish and Community law. As at the preparation date of these financial statements this issue has not been finally resolved. The total claim amounts to PLN 54 million plus interest.

Individual tax periods are at various stages of the proceedings. The issue regarding the excess payment for the year 2006 was resolved by the Supreme Administrative Court, which dismissed the Company's complaint.

40. Significant events of the reporting period and subsequent events

40.1. Framework agreement on the exploration for and extraction of shale gas

On 31 December 2013, the Framework Agreement regarding the exploration and extraction of the shale gas signed on 4 July 2012 has expired. Parties related to the agreement were PGE Polska Grupa Energetyczna S.A., Polskie Górnictwo Naftowe i Gazownictwo S.A., ENEA S.A., KGHM Polska Miedź S.A., and TAURON Polska Energia S.A. (together, the "Parties").

The subject of the agreement was the exploration, evaluation and extraction of shale gas in geological formations for which concessions have been granted for the exploration and evaluation of deposits of crude oil and natural gas in relation to the Wejherowo concession held by PGNiG (the Wejherowo Concession).

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

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

On 23 September 2013, as a result of the work related to the development of the draft agreement for the acquisition of shares in the special purpose company to build and operate a nuclear power plant, the Parties initialled the shareholders agreemen. In accordance, the Parties stated that the initialled document is a draft of the future the shareholders agreement, which will be signed after obtaining necessary corporate approvals of all Parties.

Shareholders agreement commits the parties to conclude an agreement for the acquisition of shares in PGE EJ1 Sp. z o.o., the special purpose Entity for the purpose of constructing and operating the nuclear power plant. In accordance with the Shareholders Agreement, PGE S.A. will sell, based on the remaining parties of the Shareholders Agreement, a package of 438.000 shares representing a total of 30% of the share capital of PGE EJ1 Sp. z o.o. As a result, PGE S.A. will own 70% of the share capital of PGE EJ1 Sp. z o.o. The shares will be acquired in the following manner: - KGHM Polska Miedź S.A. will acquire 146.000 shares which represent 10% of the share capital of PGE EJ1 Sp. z o.o., - Tauron Polska Energia S.A. will acquire 146.000 shares which represent 10% of the share capital of PGE EJ1 Sp. z o.o., ENEA S.A. will acquire 146.000 shares which represent 10% of the share capital of PGE EJ1 Sp. z o.o.

PGE S.A. and each of its business partners will be required to enter the share purchase agreement upon fulfillment of the condition precedent of: obtaining a favorable response from the President of the OCCP regarding the intention of the concentration, as required by law. The second of the previously agreed conditions by the business partners – the adoption by the Council of Ministers, by resolution, the Polish Nuclear Power Program – was met on 28 January 2014.

40.3. Acquasition of wind farms

Acquisition of companies from Dong group

On 28 June 2013 PGE S.A. and Energa Hydro sp. z o.o. (subsidiary of Energa S.A.) concluded with Dong Energy Wind Power A/S („DONG Energy") share purchase agreement in companies operating wind farms and developing portfolios of wind farms in Poland. The above-mentioned agreement has been concluded as a consequence of the conditional agreement dated 19 February 2013 and the approval for concentration issued by the President of the Office of Competition and Consumer Protection.

On the grounds of the concluded agreement with Dong Energy, PGE S.A. acquired operating wind farms in Karnice with 30 MW installed capacity and Jagniątkowo with 30.5 MW installed capacity. The off-take of electricity and certificates is contracted, respectively for Karnice wind farm until end of 2020 and for Jagniątkowo wind farm until end of 2017. Additionally, PGE S.A. acquired a portfolio of projects of total 555 MW potential planned capacity.

Separate financial statements for the year ended 31 December 2013 prepared in accordance with IFRS (all amounts in PLN thousand)

The value of acquired shares in companies from Dong Group attributable to PGE S.A. amounted to PLN 464 million. Moreover, according to the agreement, PGE S.A. repaid intercompany liabilities of the acquired companies of PLN 246 million.

Acquasition of shares in Iderdrola Renewables Poland Sp. z o.o.

On 31 July 2013, PGE Polska S.A. and Energa Hydro sp. z o.o. concluded with Iberdrola Renovables Energia S.A.U ("Iberdrola") and the European Bank for Reconstruction and Development (EBRD) two agreements regarding the acquisition of a total of 100% shares of Iberdola Renewables Poland Sp. z o.o. (currently, EPW Energia sp. z o.o.), which manages a portfolio of wind farms in Poland. The signing was a consequence of conditional agreements signed with Iberdola (26 February 2013), the EBRD (21 June 2013) and the obtained consent from the President of the Office of Competition and Consumer Protection regarding concentration.

Under the agreements with Iberdrola, EBRD and Energa Hydro, PGE S.A. acquired three operating wind farms with a total installed capacity of 70.5 MW, with contractually secured collection of energy and certificates until 2029. Additionally, PGE S.A. acquired two projects at an advanced stage of development with a capacity of 36 MW. The value of the transaction (Enterprise Value), which includes the acquisition of shares in Iberdrola Renewables Poland Sp. z o.o. realized by PGE S.A. amounts to PLN 366 million and corresponds to 32,7% of the entity's equity.

According to contractual arrangements, immediately after the acquisition of Energa, PGE S.A. and Energa started to work on division of EPW Energia Sp. z o.o. and the transfer of divisions belonging to PGE S.A. to PGE Energia Natury Sp. z o.o. On 10 February 2014 there was a decrease in share capital of EPW Energia Sp. z o.o., and on 28 February 2014 capital increase in share capital of PGE Energia Natury Sp. z o.o. was registered, which ended the process of division of the entity.

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

Marek Woszczyk
President of the Management Board

Jacek Drozd	***Grzegorz Krystek***	***Dariusz Marzec***
Vice-President Management Board	***Vice-President Management Board***	***Vice-President Management Board***