



PGE Polska Grupa Energetyczna S.A.

**Opinion and Report
of the Independent Auditor
Financial Year ended
31 December 2013**

**The opinion contains 2 pages
The supplementary report contains 10 pages
Opinion of the independent auditor
and supplementary report on the audit
of the separate financial statements
for the financial year ended
31 December 2013**

This document is a free translation of the Polish original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Polish original should be referred to in matters of interpretation.

OPINION OF THE INDEPENDENT AUDITOR

To the General Meeting PGE Polska Grupa Energetyczna S.A.

Opinion on the Separate Financial Statements

We have audited the accompanying separate financial statements of PGE Polska Grupa Energetyczna S.A., with its registered office in Warsaw, ul. Mysia 2 ("the Company"), which comprise the separate statement of financial position as at 31 December 2013, the separate statement of comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

Management's and Supervisory Board's Responsibility for the Financial Statements

Management of the Company is responsible for the accuracy of the accounting records and the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union and with other applicable regulations and preparation of the report on the Company's activities. Management of the Company is also responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

According to the Accounting Act dated 29 September 1994 (Official Journal from 2013, item 330 with amendments) ("the Accounting Act"), Management of the Company and members of the Supervisory Board are required to ensure that the financial statements and the report on the Company's activities are in compliance with the requirements set forth in the Accounting Act.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements and whether the financial statements are derived from properly maintained accounting records based on our audit. We conducted our audit in accordance with section 7 of the Accounting Act, National Standards on Auditing issued by the National Council of Certified Auditors and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements and the accounting records from which they are derived are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to

fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management of the Company, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the accompanying separate financial statements of PGE Polska Grupa Energetyczna S.A. have been prepared and present fairly, in all material respects, the unconsolidated financial position of the Company as at 31 December 2013 and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, are in compliance with the respective regulations and the provisions of the Company's articles of association that apply to the Company's separate financial statements and have been prepared from accounting records, that, in all material respects, have been properly maintained.

Specific Comments on Other Legal and Regulatory Requirements

Report on the Company's Activities

As required under the Accounting Act, we report that the report on the Company's activities includes, in all material respects, the information required by Art. 49 of the Accounting Act and by the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009 No. 33, item 259 with amendments) and the information is consistent with the financial statements.

On behalf of KPMG Audyt Sp. z o.o.
Registration No. 458
ul. Chłodna 51
00-867 Warsaw

Signed on the Polish original

.....
Marek Gajdziński
Key Certified Auditor
Registration No. 90061
Partner with power of attorney

12 March 2014



TRANSLATION

PGE Polska Grupa Energetyczna S.A.

**Supplementary report
on the audit of the separate
financial statements
Financial Year ended
31 December 2013**

The supplementary report contains 10 pages

**The supplementary report on the audit
of the separate financial statements
for the financial year ended
31 December 2013**



PGE Polska Grupa Energetyczna S.A.
*The supplementary report on the audit of the separate financial statements
for the financial year ended 31 December 2013*

*This document is a free translation of the Polish original. Terminology current in
Anglo-Saxon countries has been used where practicable for the purposes of this
translation in order to aid understanding. The binding Polish original should be
referred to in matters of interpretation*

Contents

1.	General	3
1.1.	General information about the Company	3
1.1.1.	Company name	3
1.1.2.	Registered office	3
1.1.3.	Registration in the National Court Register	3
1.1.4.	Management of the Company	3
1.2.	Key Certified Auditor and Audit Firm Information	4
1.2.1.	Key Certified Auditor information	4
1.2.2.	Audit Firm information	4
1.3.	Prior period financial statements	4
1.4.	Audit scope and responsibilities	4
2.	Financial analysis of the Company	6
2.1.	Summary analysis of the separate financial statements	6
2.1.1.	Separate statement of financial position	6
2.1.2.	Separate statement of comprehensive income	8
2.2.	Selected financial ratios	9
3.	Detailed report	10
3.1.	Accounting system	10
3.2.	Notes to the separate financial statements	10
3.3.	Report on the Company's activities	10

1. General

1.1. General information about the Company

1.1.1. Company name

PGE Polska Grupa Energetyczna S.A.

1.1.2. Registered office

ul. Mysia 2
00-496 Warsaw

1.1.3. Registration in the National Court Register

Registration court:	District Court for the Capital City Warsaw in Warsaw, XII Commercial Department of the National Court Register
Date:	5 November 2001
Registration number:	KRS 0000059307
Share capital as at the end of reporting period:	PLN 18,697,608,290.00

1.1.4. Management of the Company

The Management Board is responsible for management of the Company.

As at 31 December 2013, the Management Board of the Company was comprised of the following members:

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

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

On the basis of the resolution of Supervisory Board dated 25 October 2013 Mrs. Bogusława Matuszewska and Mr. Wojciech Ostrowski were recalled from the position of Vice Presidents of the Management Board.

On the basis of the resolution of Supervisory Board dated 14 November 2013 Mr. Grzegorz Krystek, Member of the Supervisory Board, was assigned temporary to the position of Member of the Management Board during the period from 18 November 2013 to 18 February 2014.

On the basis of the resolution of Supervisory Board dated 14 November 2013 Mr. Jacek Drozd, Member of the Supervisory Board, was assigned temporary to the position of Member of the Management Board during the period from 21 November 2013 to 21 February 2014.

On 18 November 2013 Mr. Krzysztof Kilian resigned from the position of President of the Management Board.

On the basis of the resolution of Supervisory Board dated 23 December 2013 Mr. Piotr Szymanek was recalled from the position of Vice President of the Management Board.

On the basis of the resolution of Supervisory Board dated 23 December 2013 Mr. Marek Woszczyk was appointed to the position of President of the Management Board.

On the basis of the resolution of Supervisory Board dated 23 December 2013 Mr. Grzegorz Krystek, Dariusz Marzec and Jacek Drozd were appointed to the position of Vice Presidents of the Management Board.

1.2. Key Certified Auditor and Audit Firm Information

1.2.1. Key Certified Auditor information

Name and surname: Marek Gajdziński
Registration number: 90061

1.2.2. Audit Firm information

Name: KPMG Audyt Sp. z o.o.
Address of registered office: ul. Chłodna 51, 00-867 Warsaw
Registration number: KRS 0000104753
Registration court: District Court for the Capital City of Warsaw in Warsaw,
XII Commercial Department of the National Court Register
Share capital: PLN 125,000
NIP number: 526-10-24-841

KPMG Audyt Sp. z o.o. is entered into the register of audit firms, maintained by the National Council of Certified Auditors, under number 458.

1.3. Prior period financial statements

The separate financial statements for the financial year ended 31 December 2012 were audited by KPMG Audyt Sp. z o.o. and received an unqualified opinion.

The separate financial statements were approved at the General Meeting on 27 June 2013 where it was resolved to allocate the net profit for the prior financial year of PLN 783,997,742.44 and part of reserve capital of PLN 823,996,570.50 to be paid as a dividend.

The separate financial statements were submitted to the Registry Court on 4 July 2013.

1.4. Audit scope and responsibilities

This report was prepared for the General Meeting of PGE Polska Grupa Energetyczna S.A. with its registered office in Warsaw, ul. Mysia 2 and relates to the separate financial statements comprising: the separate statement of financial position as at 31 December 2013, the separate statement of comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

The audited Company prepares its separate financial statements in accordance with International Financial Reporting Standards as adopted by the European Union on the basis of the decision of Shareholders' Meeting dated 3 August 2010.

The separate financial statements were audited in accordance with the contract dated 15 November 2010, concluded on the basis of the resolution of the Supervisory Board dated 30 September 2010 on the appointment of the auditor.

We conducted the audit in accordance with section 7 of the Accounting Act dated 29 September 1994 (Official Journal from 2013, item 330 with amendments) ("the Accounting Act"), National Standards on Auditing issued by the National Council of Certified Auditors and International Standards on Auditing.

We audited the separate financial statements at the Company during the period from 25 November 2013 to 29 November 2013 and from 10 February 2014 to 12 March 2014.

Management of the Company is responsible for the accuracy of the accounting records and the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations and preparation of the report on the Company's activities.

Our responsibility is to express an opinion and to prepare a supplementary report on the audit of the separate financial statements and whether the financial statements are derived from properly maintained accounting records based on our audit.

Management of the Company submitted a statement dated as at the same date as this report as to the true and fair presentation of the accompanying separate financial statements, which confirmed that there were no undisclosed matters which could significantly influence the information presented in the separate financial statements.

All required statements, explanations and information were provided to us by Management of the Company and all our requests for additional documents and information necessary for expressing our opinion and preparing the report have been fulfilled.

The scope of the work planned and performed has not been limited in any way. The method and scope of our audit is detailed in working papers prepared by us and retained in the offices of the Audit Firm.

The Key Certified Auditor and the Audit Firm fulfill the independence requirements as described in Art. 56 points 3 and 4 of the Act on Certified Auditors and their Self-Governance, Audit Firms authorized to Audit Financial Statements and Public Oversight dated 7 May 2009 (Official Journal from 2009 No. 77, item 649 with amendments).

2. Financial analysis of the Company

2.1. Summary analysis of the separate financial statements

2.1.1. Separate statement of financial position

ASSETS	31.12.2013 PLN '000	% of total	31.12.2012 PLN '000	% of total	1.01.2012 PLN '000	% of total
			<i>restated*</i>		<i>restated*</i>	
Non-current assets						
Property, plant and equipment	196,962	0.6	204,953	0.6	217,366	0.7
Intangible assets	6,119	-	11,129	-	19,223	-
Loans and receivables	3,329,609	10.7	3,627,204	12.0	4,783,679	14.4
Shares in subsidiaries	24,381,689	77.7	23,106,267	76.2	22,540,706	67.9
Available-for-sale financial assets	-	-	3,135	-	69,964	0.2
Other non-current assets	4	-	-	-	-	-
Total non-current assets	27,914,383	89.0	26,952,688	88.8	27,630,938	83.2
Current assets						
Inventories	281,686	0.9	492,218	1.6	32,466	0.1
Income tax receivables	162	-	-	-	-	-
Shares in subsidiaries	-	-	25,477	0.1	406,201	1.2
Short-term financial assets at fair value through profit or loss	104,248	0.3	18,833	0.1	-	-
Trade receivables	770,535	2.5	739,589	2.4	616,704	1.9
Other loans and financial assets	99,560	0.3	1,086,573	3.6	3,332,303	10.0
Available-for-sale short-term financial assets	3,134	-	36,717	0.1	39,067	0.1
Other current assets	15,477	-	34,583	0.1	96,811	0.3
Cash and cash equivalents	2,189,625	7.0	960,060	3.2	1,038,866	3.2
Total current assets	3,464,427	11.0	3,394,050	11.2	5,562,418	16.8
TOTAL ASSETS	31,378,810	100.0	30,346,738	100.0	33,193,356	100.0

* For information regarding restatement of comparatives please refer to note 11 of the financial statements.



PGE Polska Grupa Energetyczna S.A.
*The supplementary report on the audit of the separate financial statements
for the financial year ended 31 December 2013*
TRANSLATION

EQUITY AND LIABILITIES	31.12.2013	% of total	31.12.2012	% of total	1.01.2012	% of total
	PLN '000		PLN '000		PLN '000	
			<i>restated*</i>		<i>restated*</i>	
Equity						
Share capital	18,697,608	59.6	18,697,608	61.6	18,697,837	56.3
Revaluation reserve	-	-	-	-	(776)	-
Treasury shares	-	-	-	-	(229)	-
Reserve capital	8,941,152	28.5	9,687,596	31.9	8,553,142	25.8
Other capital reserves	49,779	0.2	49,779	0.2	49,779	0.1
Retained earnings	2,297,177	7.3	818,360	2.7	4,604,006	13.9
Total equity	29,985,716	95.6	29,253,343	96.4	31,903,759	96.1
Long-term liabilities						
Interest-bearing loans, borrowings, lease	1,000,000	3.2	-	-	-	-
Long-term provisions	18,650	0.1	22,563	0.1	18,947	0.1
Deferred tax liability	35,302	0.1	66,189	0.2	30,927	0.1
Total long-term liabilities	1,053,952	3.4	88,752	0.3	49,874	0.2
Short-term liabilities						
Trade liabilities	132,200	0.4	479,787	1.6	427,906	1.3
Short-term financial liabilities at fair value through profit or loss	1,046	-	148	-	-	-
Interest-bearing loans, borrowings, bonds and lease	372	-	142,785	0.5	-	-
Other short-term financial liabilities	4,108	-	4,336	-	8,420	-
Other short-term non-financial liabilities	171,826	0.6	44,368	0.2	45,188	0.1
Income tax liabilities	-	-	69,615	0.2	318,174	1.0
Deferred income and government grants	624	-	36,172	0.1	287	-
Short-term provisions	28,966	-	227,432	0.7	439,748	1.3
Total short-term liabilities	339,142	1.0	1,004,643	3.3	1,239,723	3.7
Total liabilities	1,393,094	4.4	1,093,395	3.6	1,289,597	3.9
TOTAL EQUITY AND LIABILITIES	31,378,810	100.0	30,346,738	100.0	33,193,356	100.0

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

2.1.2. Separate statement of comprehensive income

	1.01.2013 - 31.12.2013 PLN '000	% of total sales	1.01.2012 - 31.12.2012 PLN '000	% of total sales
			<i>restated*</i>	
STATEMENT OF PROFIT OR LOSS				
Sales revenues	12,407,774	100.0	10,529,765	100.0
Costs of goods sold	(11,269,343)	90.8	(10,010,962)	95.1
Gross profit on sales	1,138,431	9.2	518,803	4.9
Other operating revenues	16,310	0.1	184,826	1.7
Distribution and selling expenses	(16,911)	0.1	(12,413)	0.1
General and administrative expenses	(161,976)	1.3	(147,473)	1.4
Other operating expenses	(9,760)	0.1	(3,227)	-
Operating profit	966,094	7.8	540,516	5.1
Financial revenues	1,601,002	12.9	535,654	5.1
Financial expenses	(26,688)	0.2	(104,478)	1.0
Profit before tax	2,540,408	20.5	971,692	9.2
Corporate income tax	(202,849)	1.7	(199,521)	1.9
Net profit for the operating period	2,337,559	18.8	772,171	7.3
OTHER COMPREHENSIVE INCOME				
Valuation of available-for-sale financial assets	-	-	776	-
Actuarial gains and losses	2,514	-	(1,892)	-
Other comprehensive income for the period	2,514	-	(1,116)	-
Total comprehensive income	2,340,073	18.9	771,055	7.3
Earnings per share (in PLN)				
- basic earnings per share for the period	1.25		0.41	
- basic earnings from the continuing operations	1.25		0.41	

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

2.2. Selected financial ratios

	2013	2012
		<i>restated*</i>
1. Return on sales		
<u>profit for the period x 100%</u> revenue	18.8%	7.4%
2. Return on equity		
<u>profit for the period x 100%</u> equity - profit for the period	8.5%	2.7%
3. Debtors' days		
<u>average trade receivables (gross) x 365 days</u> revenue	22 days	24 days
4. Debt ratio		
<u>liabilities x 100%</u> equity and liabilities	4.4%	3.6%
5. Current ratio		
<u>current assets</u> current liabilities	10.2	3.4

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

- Revenue includes revenue from sales of finished products, merchandise and raw materials.
- Average trade receivables represent the average of trade receivables at the beginning and at the end of the period, with no deduction made for allowances.

3. Detailed report

3.1. Accounting system

The Company maintains current documentation describing the applied accounting principles adopted by the Management Board to the extent required by Art. 10 of the Accounting Act.

During the audit of the separate financial statements, we tested, on a sample basis, the operation of the accounting system.

On the basis of the work performed, we have not identified any material irregularities in the accounting system, which have not been corrected and that could have a material effect on the separate financial statements. Our audit was not conducted for the purpose of expressing a comprehensive opinion on the operation of the accounting system.

The Company performed a physical verification of its assets in accordance with the requirements and time frame specified in Art. 26 of the Accounting Act, and reconciled and recorded the result thereof in the accounting records.

3.2. Notes to the separate financial statements

All information included in the notes to the separate financial statements, comprising of a summary of significant accounting policies and other explanatory notes, is, in all material respects, presented accurately and completely. This information should be read in conjunction with the separate financial statements.

3.3. Report on the Company's activities

The report on the Company's activities includes, in all material respects, information required by Art. 49 of the Accounting Act and by the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009 No 33, item 259 with amendments) and the information is consistent with the separate financial statements.

On behalf of KPMG Audyt Sp. z o.o.
Registration No. 458
ul. Chłodna 51
00-867 Warsaw

Signed on the Polish original

.....
Marek Gajdziński
Key Certified Auditor
Registration No. 90061
Partner with power of attorney

12 March 2014