

TAURON Polska Energia S.A.

Condensed interim financial statements

prepared in accordance with the International Financial Reporting Standards

for the 3-month period ended 31 March 2014

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CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Note	3-month period ended 31 March 2014 <i>(unaudited)</i>	3-month period ended 31 March 2013 <i>(unaudited)</i>
Continuing operations			
Sales revenue	9	2 389 317	3 088 284
Cost of sales	10	(2 340 496)	(2 872 804)
Gross profit		48 821	215 480
Other operating income		2 198	204
Selling and distribution expenses		(6 333)	(9 054)
Administrative expenses		(25 888)	(26 169)
Other operating expenses		(689)	(409)
Operating profit		18 109	180 052
Dividend income		-	84 059
Other finance income	33	81 269	64 313
Finance costs		(84 984)	(84 112)
Profit before tax		14 394	244 312
Income tax	11	(12 639)	398
Net profit from continuing operations		1 755	244 710
Net profit for the period		1 755	244 710
Other comprehensive income subject to reclassification to profit or loss:			
		6 162	3 331
Change in the value of hedging instruments		7 607	3 331
Income tax expense		(1 445)	-
Other comprehensive income not subject to reclassification to profit or loss:			
		19	-
Actuarial gains/(losses) related to provisions for post-employment benefits		24	-
Income tax expense		(5)	-
Other comprehensive income for the period, net of tax		6 181	3 331
Total comprehensive income for the period		7 936	248 041
Earnings per share (in PLN):			
- basic and diluted, for profit for the period		0.00	0.14
- basic and diluted, for profit from continuing operations for the period		0.00	0.14

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	As at 31 March 2014 <i>(unaudited)</i>	As at 31 December 2013
ASSETS			
Non-current assets			
Property, plant and equipment	13	7 439	9 189
Investment property	14	35 265	36 169
Intangible assets	15	36 469	56 973
Shares	16	20 531 342	20 221 322
Bonds	17	5 700 520	5 165 000
Loans granted	18	191 583	189 310
Other financial assets	33	5 239	237 739
Other non-financial assets		5 543	7 059
Deferred tax asset	11.2	31 459	45 584
		26 544 859	25 968 345
Current assets			
Intangible assets	19	12 593	98 149
Inventories	20	137 048	149 317
Income tax receivables		73 444	28 527
Trade and other receivables	21	993 823	1 134 856
Bonds	17	73 659	52 830
Derivative instruments		343	34
Other non-financial assets		58 870	22 946
Cash and cash equivalents	22	214 506	507 127
		1 564 286	1 993 786
TOTAL ASSETS		28 109 145	27 962 131

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION - continued

	Note	As at 31 March 2014 <i>(unaudited)</i>	As at 31 December 2013
EQUITY AND LIABILITIES			
Equity			
Issued capital	23.1	8 762 747	8 762 747
Reserve capital	23.3	9 037 699	9 037 699
Revaluation reserve from valuation of hedging instruments	23.4	(120 489)	(126 651)
Retained earnings/Accumulated losses		1 771 141	1 769 367
Total equity		19 451 098	19 443 162
Non-current liabilities			
Interest-bearing loans and borrowings	24	5 774 494	5 445 279
Liabilities under finance leases		32 431	33 159
Other financial liabilities		5 239	5 239
Derivative instruments		96 139	87 573
Provisions for employee benefits		5 439	5 267
Accruals, deferred income and government grants		36	48
		5 913 778	5 576 565
Current liabilities			
Current portion of interest-bearing loans and borrowings	24	2 102 702	1 858 032
Current portion of liabilities under finance leases		3 185	3 266
Trade and other payables		492 112	819 147
Derivative instruments		75 609	73 358
Provisions for employee benefits		580	516
Other provisions	25	6 425	110 580
Accruals, deferred income and government grants		11 632	11 475
Income tax payable		17	-
Other non-financial liabilities		52 007	66 030
		2 744 269	2 942 404
Total liabilities		8 658 047	8 518 969
TOTAL EQUITY AND LIABILITIES		28 109 145	27 962 131

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE 3-MONTH PERIOD ENDED 31 MARCH 2014 (unaudited)

	Note	Issued capital	Reserve capital	Revaluation reserve from valuation of hedging instruments	Retained earnings/ Accumulated losses	Total equity
As at 1 January 2014		8 762 747	9 037 699	(126 651)	1 769 367	19 443 162
Profit for the period		-	-	-	1 755	1 755
Other comprehensive income	23.4	-	-	6 162	19	6 181
Total comprehensive income for the period		-	-	6 162	1 774	7 936
As at 31 March 2014 (unaudited)		8 762 747	9 037 699	(120 489)	1 771 141	19 451 098

FOR THE 3-MONTH PERIOD ENDED 31 MARCH 2013 (unaudited)

	Issued capital	Reserve capital	Revaluation reserve from valuation of hedging instruments	Retained earnings / Accumulated losses	Total equity
As at 1 January 2013	8 762 747	7 953 021	(189 756)	1 515 996	18 042 008
Profit for the period	-	-	-	244 710	244 710
Other comprehensive income	-	-	3 331	-	3 331
Total comprehensive income for the period	-	-	3 331	244 710	248 041
As at 31 March 2013 (unaudited)	8 762 747	7 953 021	(186 425)	1 760 706	18 290 049

CONDENSED INTERIM STATEMENT OF CASH FLOWS

	Note	3-month period ended 31 March 2014 <i>(unaudited)</i>	3-month period ended 31 March 2013 <i>(unaudited)</i>
Cash flows from operating activities			
Profit/(loss) before taxation		14 394	244 312
Adjustments for:			
Depreciation and amortization		6 569	5 957
(Gain)/loss on foreign exchange differences		15	721
Interest and dividends, net		(3 099)	(61 444)
(Gain)/loss on investing activities		392	(1 714)
(Increase)/decrease in receivables		339 222	174 493
(Increase)/decrease in inventories		12 269	150 149
Increase/(decrease) in payables excluding loans and borrowings		(351 701)	67 391
Change in other non-current and current assets		64 392	142 196
Change in deferred income, government grants and accruals		145	(510)
Change in provisions		(103 895)	(86 058)
Income tax paid		890	(30 036)
Net cash generated from (used in) operating activities		(20 407)	605 457
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment and intangible assets		2 612	-
Purchase of property, plant and equipment and intangible assets		(3 449)	(21 717)
Purchase of shares	32.1	(77 540)	-
Purchase of bonds	32.1	(535 520)	(970 000)
Redemption of bonds		-	80 000
Loans granted		(5 850)	(38 850)
Repayment of loans granted		-	120 440
Dividends received		-	866
Interest received	32.1	54 449	33 699
Net cash generated from (used in) investing activities		(565 298)	(795 562)
Cash flows from financing activities			
Proceeds from loans and borrowings		-	450 000
Repayment of loans and borrowings		(20 455)	-
Issue of debt securities	32.2	800 000	-
Redemption of debt securities	32.2	(200 000)	-
Payment of finance lease liabilities		(809)	(125)
Interest paid		(12 542)	(6 507)
Commission paid		(4 136)	(3 481)
Net cash generated from (used in) financing activities		562 058	439 887
Net increase / (decrease) in cash and cash equivalents		(23 647)	249 782
Net foreign exchange difference		(15)	(721)
Cash and cash equivalents at the beginning of the period		(1 198 421)	(393 520)
Cash and cash equivalents at the end of the period, of which:	22	(1 222 068)	(143 738)
restricted cash		91 029	471 133

EXPLANATORY NOTES

1. General information

These condensed interim financial statements have been prepared by TAURON Polska Energia Spółka Akcyjna (the "Company") with its registered office at ul. ks. Piotra Ściegiennego 3 in Katowice, Poland, whose shares are publicly traded.

The Company's condensed interim financial statements cover the 3-month period ended 31 March 2014 and present comparative data for the 3-month period ended 31 March 2013 as well as figures as at 31 December 2013.

The data for the 3-month period ended 31 March 2014 and the comparative data for the 3-month period ended 31 March 2013, as contained herein, have not been audited or reviewed by a certified auditor. The comparative data as at 31 December 2013 have been audited by a certified auditor.

The Company was established by a Notarized Deed on 6 December 2006 under the business name of Energetyka Południe S.A. On 8 January 2007, the Company was registered with the District Court of Katowice-Wschód, Business Division of the National Court Register, under number KRS 0000271562. The change of its name to TAURON Polska Energia S.A. was registered with the District Court on 16 November 2007.

The Company was assigned statistical number (REGON) 240524697 and tax identification number (NIP) 9542583988.

TAURON Polska Energia S.A. was established for an unlimited period.

The scope of the core business of TAURON Polska Energia S.A. includes:

- Head office and holding operations, except for financial holdings → PKD 70.10 Z;
- Sales of electricity → PKD 35.14 Z;
- Sales of coal and biomass → PKD 46.71.Z;
- Sales of gaseous fuels in a network system → PKD 35.23.Z.

TAURON Polska Energia S.A. is the parent of the TAURON Polska Energia S.A. Capital Group.

2. Basis for preparation of the condensed interim financial statements

These condensed interim financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS"), in particular, International Accounting Standard 34 ("IAS 34") and the IFRS as endorsed by the European Union ("EU").

IFRS consist of standards and interpretations approved by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee.

These condensed interim financial statements have been presented in the Polish zlotys ("PLN") and all figures are in PLN thousand, unless stated otherwise.

These condensed interim financial statements have been prepared on the assumption that the Company will continue as a going concern in the foreseeable future. As at the date of approval of these financial statements for publication, there were no circumstances that would indicate a threat to the Company's ability to continue as a going concern.

The condensed interim financial statements do not contain all information and disclosures required for annual financial statements and they should be read jointly with the Company's financial statements prepared in accordance with IFRS for the year ended 31 December 2013.

These condensed interim financial statements for the 3-month period ended 31 March 2014 were approved for publication on 13 May 2014.

The Company also prepared the condensed interim consolidated financial statements for the 3-month period ended 31 March 2014, which were approved for publication by the Management Board on 13 May 2014.

These condensed interim financial statements are part of the consolidated report, which also includes the condensed interim consolidated financial statements for the 3-month period ended 31 March 2014.

3. Significant accounting policies

The accounting principles (policy) adopted for the preparation of the condensed interim financial statements are consistent with those adopted for the preparation of the annual financial statements of TAURON Polska Energia S.A. for the year ended 31 December 2013, except for the following amendments to standards and new interpretations applicable to annual periods beginning on 1 January 2014:

- IFRS 10 *Consolidated Financial Statements* – applicable in the EU to annual periods beginning on or after 1 January 2014;
- IFRS 11 *Joint Arrangements* – applicable in the EU to annual periods beginning on or after 1 January 2014;
- IFRS 12 *Disclosure of Interests in Other Entities* – applicable in the EU to annual periods beginning on or after 1 January 2014;
- Revised IFRS 10, IFRS 11 and IFRS 12 *Transition Disclosures* – applicable in the EU to annual periods beginning on or after 1 January 2014;
- IAS 27 *Separate Financial Statements* – applicable in the EU to annual periods beginning on or after 1 January 2014;
- IAS 28 *Investments in Associates and Joint Arrangements* – applicable in the EU to annual periods beginning on or after 1 January 2014;
- Revised IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* – applicable to annual periods beginning on or after 1 January 2014;
- Revised IFRS 10, IFRS 12 and IAS 27 *Investment Vehicles* – applicable to annual periods beginning on or after 1 January 2014;
- Revised IAS 36 *Impairment of Assets: Disclosure of Recoverable Amount of Non-financial Assets* – applicable to annual periods beginning on or after 1 January 2014;
- Revised IAS 39 *Financial Instruments: Recognition and Measurement – Novation of derivatives and continuation of hedge accounting* – applicable to annual periods beginning on or after 1 January 2014.

The introduction of the abovementioned standards and interpretations has not exerted a significant effect on the accounting principles (policy) adopted by the Company.

4. New standards or interpretations which have been published, but have not entered into force yet.

The following standards and interpretations have been issued by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee, have not been endorsed by the European Union and are not yet effective:

- IFRS 9 *Financial Instruments* (the effective date has not been determined yet) was published by the IASB on 12 November 2009. On 28 October 2010 IASB issued revised IFRS 9, introducing new requirements concerning accounting for financial liabilities and transferring the requirements concerning derecognition of financial assets and liabilities from IAS 39. On 19 November 2013 IASB issued a number of amendments to financial instruments accounting. The standard develops a uniform approach to determine whether financial assets are measured at amortized cost or fair value and replaces numerous principles specified in IAS 39. Amendments of November 2013 introduce significant changes to hedge accounting and allow for recognizing own credit risk without changing other principles of accounting for financial instruments. They also annulled the effective date of IFRS 9 (set at 1 January 2015);
- IFRS 14 *Regulatory Deferral Accounts* – applicable to annual periods beginning on or after 1 January 2016. IFRS 14 has been introduced as a transitional standard for first-time adopters;
- Revised IAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions* - applicable to annual periods beginning on or after 1 July 2014;
- Annual Improvements to IFRS (Cycle 2010-2012) - applicable to annual periods beginning on or after 1 July 2014;
- Annual Improvements to IFRS (Cycle 2011-2013) - applicable to annual periods beginning on or after 1 July 2014;
- IFRIC 21 *Levies* (published on 20 May 2013). IFRIC 21 is an interpretation of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* – applicable to annual periods beginning on or after 1 January 2014.

The Company analyzed the impact of the abovementioned standards and interpretations on the accounting policies applied by the Company except for the impact of IFRS 9 *Financial Instruments*, which will be analyzed after publishing all

phases. According to the Management Board the standards and interpretations in question do not materially impact the existing accounting policy.

The Company did not choose an early application of any standard, interpretation or change, which was published, but is not yet mandatorily effective.

5. Change in estimates

In the period covered by these condensed interim financial statements there were no significant changes in estimates and estimation methods applied, which would affect the current or future periods, other than those presented below or mentioned further in these condensed interim financial statements.

Deferred tax

Due to the forecasted taxable income in 2014 of the Tax Capital Group (TCG), of which the Company is a member, and projected taxable income of the Company in subsequent years, the deferred tax asset has been recognized in these financial statements in the full amount.

Impairment tests of shares

Taking into account the indications that the Company's capitalization has recently been below the carrying amount as well as the situation in the energy market, as at 31 December 2013 the Company tested its shares disclosed under non-current assets for impairment.

The test was conducted based on the present value of projected cash flows from operations of major companies, by reference to detailed projections for 2014 - 2023 and the estimated residual value. The level of the weighted average cost of capital (WACC) during the projection period, as used in the calculations, ranges from 7.54% to 8.53% in nominal terms before tax. WACC is calculated taking into account the risk-free rate determined by reference to the yield on 10-year treasury bonds (4.2%) and the risk premium for operations appropriate for the power industry (5%). The growth rate used for extrapolation of projected cash flows beyond the detailed planning period is at the level of 2.5% and it corresponds to the estimated long-term inflation rate.

Key business assumptions affecting the estimated value in use of tested companies have been discussed in detail in the Company's financial statements for the year ended 31 December 2013.

The results of the tests did not indicate the necessity to recognize any impairment losses on shares held.

An analysis of the indications as at 31 March 2014 revealed that the market value of the Company's net assets had not changed considerably in the first quarter of 2014. Therefore, it was assumed that the results of the tests as at 31 December 2013 were still true and no impairment tests needed to be carried out as at the end of the reporting period. Full tests will be performed as at 30 June 2014.

6. Shares in related parties

As at 31 March 2014, TAURON Polska Energia S.A. directly held shares in the following key subsidiaries:

TAURON Polska Energia S.A.
Condensed interim financial statements for the 3-month period ended 31 March 2014
(in PLN '000)

Item	Entity's name	Registered office	Core business	Direct share of TAURON in the entity's capital	Direct share of TAURON in the entity's governing body
1	TAURON Wytwarzanie S.A.	Katowice	Generation, transmission and distribution of electricity and heat	99.79%	99.79%
2	TAURON Dystrybucja S.A.	Kraków	Distribution of electricity	99.71%	99.71%
3	TAURON Sprzedaż Sp. z o.o.	Kraków	Sale of electricity	100.00%	100.00%
4	TAURON Obsługa Klienta Sp. z o.o.	Wrocław	Services	100.00%	100.00%
5	TAURON Ekoenergia Sp. z o.o. ¹	Jelenia Góra	Generation and sale of electricity	100.00%	100.00%
6	Polska Energia Pierwsza Kompania Handlowa Sp. z o.o.	Mysłowice	Sale of electricity	100.00%	100.00%
7	TAURON Ciepło S.A. ²	Katowice	Production and distribution of heat	96.57%	99.10%
8	TAURON Czech Energy s.r.o.	Ostrawa, Czech Republic	Sale of electricity	100.00%	100.00%
9	TAURON Sprzedaż GZE Sp. z o.o.	Gliwice	Sale of electricity	100.00%	100.00%
10	TAURON Wydobycie S.A. ³	Jaworzno	Hard coal mining	47.52%	31.99%

¹ On 2 January 2014, a business combination of TAURON Ekoenergia Sp. z o.o., MEGAWAT MARSZEWO Sp. z o.o. and BELS INVESTMENT Sp. z o.o. was registered.

² On 30 April 2014, a business combination of Enpower Service Sp. z o.o. and TAURON Ciepło S.A. was registered as described in detail in Note 34 to these condensed interim financial statements. At the same time, the name of the acquirer has been changed to TAURON Ciepło Sp. z o.o.

³ TAURON Polska Energia S.A. also holds indirect interest in TAURON Wydobycie S.A. through a subsidiary TAURON Wytwarzanie S.A. Under the agreements for the use of shares, TAURON Polska Energia S.A. also holds 52.48% interest in the issued capital, giving it 68.01% of votes at the General Shareholders' Meeting of TAURON Wydobycie S.A. Consequently, the Company holds 100% of shares in TAURON Wydobycie S.A. which gives 100% of votes at the General Shareholders' Meeting.

As at 31 March 2014, TAURON Polska Energia S.A. held indirect shares in the following major subsidiaries:

Item	Entity's name	Registered office	Core business	Indirect share of TAURON in the entity's capital	Indirect share of TAURON in the entity's governing body	Shareholder as at 31 March 2014
1	Kopalnia Wapienia Czatkowice Sp. z o.o. ¹	Krzeszowice	Limestone quarrying, crushing and grinding; stone quarrying	99.79%	99.79%	TAURON Wytwarzanie S.A.
2	TAURON Dystrybucja Serwis S.A. ¹	Wrocław	Repair and maintenance of electrical equipment	99.71%	99.71%	TAURON Dystrybucja S.A.
3	TAURON Dystrybucja Pomiarów Sp. z o.o. ¹	Tarnów	Repair and maintenance of electronic equipment	99.71%	99.71%	TAURON Dystrybucja S.A.

¹ TAURON Polska Energia S.A. uses the shares held by its subsidiaries.

Additionally, as at 31 March 2014, TAURON Polska Energia S.A. held indirect shares in the following major jointly controlled entities:

Item	Entity's name	Registered office	Core business	Indirect share of TAURON in the entity's capital	Indirect share of TAURON in the entity's governing body	Shareholder as at 31 March 2014
1	Elektrociepłownia Stalowa Wola S.A.	Stalowa Wola	Production, transmission, distribution and sales of electricity	49.90%	49.90%	TAURON Wytwarzanie S.A.
2	Elektrownia Blachownia Nowa Sp. z o.o.	Kędzierzyn Koźle	Generation of electricity	49.90%	49.90%	TAURON Wytwarzanie S.A.

7. Seasonality of operations

The Company's operations related to electricity sales are not seasonal in nature, hence the Company's performance in this area shows no significant fluctuations during the year.

As the Company carries out holding operations, it discloses significant dividend income recognized under financial revenue as at the dates of the resolutions on dividend payment, unless such resolutions set other record dates.

In the 3-month period ended 31 March 2014 the Company did not recognize any dividend income from subsidiaries.

In the 3-month period ended 31 March 2013, the Company recognized dividend income from subsidiaries of PLN 84 059 thousand.

8. Information on operating segments

The Company carries out its business in two operating segments, i.e. "Sales" and "Holding activity".

"Holding activity" segment assets include:

- shares in subsidiaries;
- bonds acquired from subsidiaries;
- cash pool loan receivables, including a cash pool deposit;
- receivables arising from other loans granted to related parties.

"Holding activity" segment liabilities include:

- bonds issued by the Company, including liabilities arising from valuation of hedging instruments related to such bonds;
- loans obtained from the European Investment Bank to carry out investment projects in subsidiaries;
- cash pool loan liabilities.

"Holding activity" segment includes intra-group receivables and liabilities arising from income tax settlements of the Tax Capital Group companies.

Financial revenue and expenses include dividend income as well as net interest income and expense earned/incurred by the Company in relation to the central financing model adopted by the Group.

Unallocated expenses include the Company's general and administrative expense, as they are incurred for the Group as a whole and are not directly attributable to a specific operating segment.

EBITDA is the profit/loss on continuing operations before tax, financial income and expenses, increased by amortization/depreciation.

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Condensed interim financial statements for the 3-month period ended 31 March 2014
(in PLN '000)

3-month period ended 31 March 2014 or as at 31 March 2014 <i>(unaudited)</i>	Sales	Holding activity	Unallocated items	Total
Revenue				
Sales outside the Group	722 899	-	-	722 899
Sales within the Group	1 666 418	-	-	1 666 418
Segment revenue	2 389 317	-	-	2 389 317
Profit/(loss) of the segment				
Unallocated expenses	-	-	(25 888)	(25 888)
Profit/(loss) from continuing operations before tax and net finance income (costs)	43 997	-	(25 888)	18 109
Net finance income/(costs)	-	(3 209)	(506)	(3 715)
Profit/(loss) before income tax	43 997	(3 209)	(26 394)	14 394
Income tax expense	-	-	(12 639)	(12 639)
Net profit/(loss) for the period	43 997	(3 209)	(39 033)	1 755
EBITDA	50 566	-	(25 888)	24 678
Assets and liabilities				
Segment assets	1 173 336	26 830 562	-	28 003 898
Unallocated assets	-	-	105 247	105 247
Total assets	1 173 336	26 830 562	105 247	28 109 145
Segment liabilities	509 201	8 068 309	-	8 577 510
Unallocated liabilities	-	-	80 537	80 537
Total liabilities	509 201	8 068 309	80 537	8 658 047
Other segment information				
Capital expenditure *	44	-	-	44
Depreciation/amortization	(6 569)	-	-	(6 569)

* Investment expenditure includes outlays on property, plant and equipment as well as non-current intangible assets, except for energy certificates acquired by the Company.

In the 3-month period ended 31 March 2014, revenue from sales to two major clients, being members of the Capital Group, represented 43% and 12% of the Company's total revenue in the "Sales" segment, amounting to PLN 1 028 327 thousand and PLN 285 608 thousand, respectively.

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Condensed interim financial statements for the 3-month period ended 31 March 2014
(in PLN '000)

3-month period ended 31 March 2013 (<i>unaudited</i>) or as at 31 December 2013	Sales	Holding activity	Unallocated items	Total
Revenue				
Sales outside the Group	769 922	-	-	769 922
Sales within the Group	2 318 362	-	-	2 318 362
Segment revenue	3 088 284	-	-	3 088 284
Profit/(loss) of the segment				
Unallocated expenses	-	-	(26 169)	(26 169)
Profit/(loss) from continuing operations before tax and net finance income (costs)	206 221	-	(26 169)	180 052
Net finance income (costs)	-	58 915	5 345	64 260
Profit/(loss) before income tax	206 221	58 915	(20 824)	244 312
Income tax expense	-	-	398	398
Net profit/(loss) for the period	206 221	58 915	(20 426)	244 710
EBITDA	212 178	-	(26 169)	186 009
Assets and liabilities				
Segment assets	1 360 588	26 527 404	-	27 887 992
Unallocated assets	-	-	74 139	74 139
Total assets	1 360 588	26 527 404	74 139	27 962 131
Segment liabilities	973 179	7 398 165	-	8 371 344
Unallocated liabilities	-	-	147 625	147 625
Total liabilities	973 179	7 398 165	147 625	8 518 969
Other segment information				
Capital expenditure *	5 187	-	-	5 187
Depreciation/amortization	(5 957)	-	-	(5 957)

* Investment expenditure includes outlays on property, plant and equipment as well as non-current intangible assets, except for energy certificates acquired by the Company.

In the 3-month period ended 31 March 2013, revenue from sales to two major clients, being members of the Capital Group, represented 51% and 11% of the Company's total revenue in the "Sales" segment, amounting to PLN 1 566 645 thousand and PLN 341 240 thousand, respectively.

9. Sales revenue

	3-month period ended 31 March 2014 (<i>unaudited</i>)	3-month period ended 31 March 2013 (<i>unaudited</i>)
Revenue from sales of goods for resale and materials (excise duty not excluded)	2 367 041	3 068 215
Excise duty	(3 591)	(2 906)
Revenue from sales of goods for resale and materials, of which:	2 363 450	3 065 309
Electricity	2 097 188	2 712 353
Gas	19 213	21 360
Energy certificates	171 636	312 415
Emission allowances	73 565	19 151
Other	1 848	30
Rendering of services, of which:	25 867	22 975
Trading services	14 197	14 711
Other	11 670	8 264
Total sales revenue	2 389 317	3 088 284

Effective from 2012, the Company has been acting as an agent in transactions involving biomass and coal purchase for the Group companies in the Generation and Heat segment. The Company purchases raw materials from third parties

and from the TAURON Group companies, which are subsequently sold to the Group companies only. The Company recognizes revenue only from agency services (supply management).

In the 3-month period ended 31 March 2014, raw materials purchased and subsequently resold in the abovementioned transactions amounted to PLN 436 050 thousand, while revenue from agency services amounted to PLN 8 776 thousand, which represents a major part of revenue from trading services.

10. Expenses by type

	3-month period ended 31 March 2014 <i>(unaudited)</i>	3-month period ended 31 March 2013 <i>(unaudited)</i>
Costs by type		
Depreciation of property, plant and equipment and amortization of intangible assets	(6 569)	(5 957)
Materials and energy	(552)	(327)
Consultancy services	(714)	(1 781)
Distribution services	(156)	(1 057)
IT services	(9 002)	(3 477)
Other external services	(3 086)	(3 013)
Taxes and charges	(3 182)	(9 227)
Employee benefits expense	(18 270)	(16 529)
Inventory write-downs	-	2 407
Allowance for doubtful debts	(11)	-
Advertising costs	(7 910)	(7 521)
Other	(368)	(322)
Total costs by type	(49 820)	(46 804)
Change in prepayments, accruals and deferred income	-	860
Selling and distribution expenses	6 333	9 054
Administrative expenses	25 888	26 169
Cost of goods for resale and materials sold	(2 322 897)	(2 862 083)
Cost of sales	(2 340 496)	(2 872 804)

A decrease in the costs of taxes and charges in the 3-month period ended 31 March 2014 year-on-year is mainly due to a decrease in the costs of transmission and exchange fees for sales of electricity.

11. Income tax

11.1. Tax expense in the statement of comprehensive income

Key items of the tax expense disclosed in the statement of comprehensive income:

	3-month period ended 31 March 2014 <i>(unaudited)</i>	3-month period ended 31 March 2013 <i>(unaudited)</i>
Current income tax	36	398
Deferred tax	(12 675)	-
Income tax expense in profit/(loss)	(12 639)	398
Income tax expense relating to other comprehensive income	(1 450)	-

In the 3-month period ended 31 March 2013 the deferred tax was not charged to profit in the statement of comprehensive income, because, based on projections assuming no tax profit, the Company recognized deferred tax asset up to the amount of the deferred tax liability in the comparable period.

11.2. Deferred income tax

Deferred income tax results from:

TAURON Polska Energia S.A.
Condensed interim financial statements for the 3-month period ended 31 March 2014
(in PLN '000)

	As at 31 March 2014 <i>(unaudited)</i>	As at 31 December 2013
- difference between tax base and carrying amount of fixed and intangible assets	2 725	2 314
- due interest on bonds	13 995	10 038
- difference between tax base and carrying amount of financial assets	9 700	3 170
-other	99	143
Deferred tax liability	26 519	15 665

	As at 31 March 2014 <i>(unaudited)</i>	As at 31 December 2013
- provisions for the obligation to surrender energy certificates	1 221	20 861
- provisions for employee benefits	1 144	1 099
- other provisions and accruals	2 197	2 178
- difference between tax base and carrying amount of fixed and intangible assets	1 317	1 017
- difference between tax base and carrying amount of financial liabilities	18 584	4 513
- valuation of hedging instruments	32 401	30 354
- other	1 114	1 227
Deferred tax assets, of which:	57 978	61 249
Deferred tax assets recognized in profit or loss	29 688	31 509
Deferred tax assets recognized in other comprehensive income	28 290	29 740
Deferred tax asset, net	31 459	45 584
Deferred tax in the statement of financial position	31 459	45 584

11.3. Tax Capital Group

Major companies constituting the Tax Capital Group: TAURON Polska Energia S.A., TAURON Wytwarzanie S.A., TAURON Dystrybucja S.A., TAURON Sprzedaż Sp. z o.o., TAURON Obsługa Klienta Sp. z o.o., TAURON Ekoenergia Sp. z o.o. and Polska Energia Pierwsza Kompania Handlowa Sp. z o.o.

As at 31 March 2014, the Tax Capital Group had income tax receivables for 2013 of PLN 33 361 thousand and paid advances for tax for 2014 in the amount of PLN 39 626 thousand which have been presented together in the financial statements under "Income tax receivables".

At the same time, due to the Company's settlements, as the Representative Company, with the Tax Capital Group companies, it disclosed liabilities to these subsidiaries arising from tax overpayment of PLN 42 198 thousand, which have been presented in the statement of financial position under "Trade and other payables", as well as receivables from the Tax Capital Group companies arising from tax underpayment of PLN 44 thousand, which have been presented in the statement of financial position under "Trade and other receivables".

12. Dividends paid and proposed

On 15 April 2014 the Management Board decided to recommend to the Ordinary General Shareholders' Meeting the amount of dividend payment to the shareholders of the Company of PLN 262 882 thousand from the net profit of the Company generated in the financial year 2013, i.e. PLN 0.15 per share. At the same time, the Management Board decided to provide recommendation to the Ordinary General Shareholders' Meeting determining the record date at 14 August 2014 and the payment date at 4 September 2014.

On 18 April 2014 the Supervisory Board approved the recommendation concerning profit distribution and determining the record and payment dates presented to the Ordinary General Shareholders' Meeting by the Management Board.

The Ordinary General Shareholders' Meeting, analyzing the request of the Management Board with respect to distribution of profit for 2013 and determining the record and payment dates, has been planned for 15 May 2014.

On 16 May 2013, the General Shareholders' Meeting adopted a resolution to allocate PLN 350 510 thousand to dividend payment to the Company's shareholders (PLN 0.20 per share). The dividend was paid out from the net profit generated by the Company in 2012, which amounted to PLN 1 435 188 thousand. The record date was set at 3 June 2013 and the payment date at 18 June 2013.

13. Property, plant and equipment

3-month period ended 31 March 2014 (unaudited)

	Plant and machinery	Motor vehicles	Other	Tangible fixed assets, total	Assets under construction	Property, plant and equipment, total
Cost						
Opening balance	7 125	4 714	11 519	23 358	2	23 360
Donations	(55)	-	-	(55)	-	(55)
Closing balance	7 070	4 714	11 519	23 303	2	23 305
ACCUMULATED DEPRECIATION						
Opening balance	(3 840)	(3 416)	(6 915)	(14 171)	-	(14 171)
Depreciation for the period	(1 053)	(234)	(463)	(1 750)	-	(1 750)
Donations	55	-	-	55	-	55
Closing balance	(4 838)	(3 650)	(7 378)	(15 866)	-	(15 866)
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	3 285	1 298	4 604	9 187	2	9 189
NET CARRYING AMOUNT AT THE END OF THE PERIOD	2 232	1 064	4 141	7 437	2	7 439

3-month period ended 31 March 2013 (unaudited)

	Plant and machinery	Motor vehicles	Other	Tangible fixed assets, total	Assets under construction	Property, plant and equipment, total
Cost						
Opening balance	19 871	4 132	10 991	34 994	-	34 994
Direct purchase	-	-	-	-	1 408	1 408
Allocation of assets under construction	1 085	-	314	1 399	(1 399)	-
Liquidation	-	-	(74)	(74)	-	(74)
Closing balance	20 956	4 132	11 231	36 319	9	36 328
ACCUMULATED DEPRECIATION						
Opening balance	(6 924)	(2 390)	(4 894)	(14 208)	-	(14 208)
Depreciation for the period	(900)	(249)	(704)	(1 853)	-	(1 853)
Liquidation	-	-	65	65	-	65
Closing balance	(7 824)	(2 639)	(5 533)	(15 996)	-	(15 996)
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	12 947	1 742	6 097	20 786	-	20 786
NET CARRYING AMOUNT AT THE END OF THE PERIOD	13 132	1 493	5 698	20 323	9	20 332

14. Investment property

The investment property is composed of buildings located in Katowice Szopienice, at ul. Lwowska 23 used based on a finance lease agreement with PKO Bankowy Leasing Sp. z o.o. The gross value of the property is PLN 36 169 thousand and the accumulated depreciation has equaled PLN 904 thousand. The monthly lease payment is ca. PLN 320 thousand, while monthly depreciation charge is ca. PLN 301 thousand.

The Company is a party to a lease agreement with TAURON Wytwarzanie S.A. (the lessee) valid until 30 April 2018, specifying terms and conditions of subleasing buildings and structures discussed in the lease agreement mentioned above. In the 3-month period ended 31 March 2014, the revenue from investment property lease reached PLN 1 410 thousand.

15. Non-current intangible assets

3-month period ended 31 March 2014 (unaudited)

	Software and licenses	Energy certificates	Other intangible assets	Intangible assets not made available for use	Intangible assets, total
COST					
Opening balance	54 015	20 250	1 337	4 016	79 618
Direct purchase	-	1 325	-	44	1 369
Allocation of intangible assets not made available for use	-	-	64	(64)	-
Sales	(53)	-	-	(1 742)	(1 795)
Reclassification	-	(16 182)	-	-	(16 182)
Closing balance	53 962	5 393	1 401	2 254	63 010
ACCUMULATED AMORTIZATION					
Opening balance	(21 949)	-	(696)	-	(22 645)
Amortization for the period	(3 855)	-	(60)	-	(3 915)
Sales	19	-	-	-	19
Closing balance	(25 785)	-	(756)	-	(26 541)
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	32 066	20 250	641	4 016	56 973
NET CARRYING AMOUNT AT THE END OF THE PERIOD	28 177	5 393	645	2 254	36 469

In the 3-month period ended 31 March 2014, the Company sold intangible assets with the gross value of PLN 1 795 thousand and amortization of PLN 19 thousand to its subsidiary, TAURON Obsługa Klienta Sp. z o.o.

In the 3-month period ended 31 March 2014, the Company reclassified energy certificates held for surrendering for 2014 with the value of PLN 12 380 thousand to current intangible assets. Additionally, under the amended Energy Law, industrial buyers are entitled to surrender energy certificates for redemption or pay a substitution fee independently, therefore energy certificates in the amount of PLN 3 802 thousand were reclassified to inventories due to the intended sale to industrial buyers.

3-month period ended 31 March 2013 (unaudited)

	Software and licenses	Energy certificates	Other intangible assets	Intangible assets not made available for use	Intangible assets, total
COST					
Opening balance	59 036	-	1 104	3 881	64 021
Direct purchase	-	-	-	3 779	3 779
Allocation of intangible assets not made available for use	3 216	-	-	(3 216)	-
Other changes	(161)	-	-	-	(161)
Closing balance	62 091	-	1 104	4 444	67 639
ACCUMULATED AMORTIZATION					
Opening balance	(10 410)	-	(558)	-	(10 968)
Amortization for the period	(4 051)	-	(51)	-	(4 102)
Closing balance	(14 461)	-	(609)	-	(15 070)
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	48 626	-	546	3 881	53 053
NET CARRYING AMOUNT AT THE END OF THE PERIOD	47 630	-	495	4 444	52 569

16. Shares

Changes in the balance of long-term investments from 1 January 2014 to 31 March 2014 (*unaudited*)

No.	Company	Opening balance	Increases/ Decreases	Closing balance
1	TAURON Wytwarzanie S.A.	7 590 778	(345 979)	7 244 799
2	TAURON Dystrybucja S.A.	9 511 628	-	9 511 628
3	TAURON Ciepło S.A.	1 335 738	345 979	1 681 717
4	TAURON Ekoenergia Sp. z o.o.	939 765	-	939 765
5	TAURON Sprzedaż Sp. z o.o.	613 505	-	613 505
6	TAURON Obsługa Klienta Sp. z o.o.	39 831	-	39 831
7	Polska Energia Pierwsza Kompania Handlowa Sp. z o.o.	49 056	-	49 056
8	TAURON Czech Energy s.r.o.	4 223	-	4 223
9	TAURON Sprzedaż GZE Sp. z o.o.	129 823	-	129 823
10	TAURON Wydobywanie S.A.	-	310 000	310 000
11	TAURON Wytwarzanie GZE Sp. z o.o.	4 935	-	4 935
12	CONCORDE INVESTISSEMENT S.A.	12	-	12
13	CC Poland Plus Sp. z o.o.	12	-	12
14	Energopower Sp. z o.o.	45	-	45
15	Enpower Service Sp. z o.o.	49	-	49
16	Enpower Sp. z o.o.	25	20	45
17	TAURON Ubezpieczenia Sp. z o.o.	25	-	25
18	Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. w Tychach	1 872	-	1 872
Total		20 221 322	310 020	20 531 342

Changes in the balance of long-term investments in the 3-month period ended 31 March 2014 resulted from the following events:

Separation of ZEC Bielsko Biała from TAURON Wytwarzanie S.A. to TAURON Ciepło S.A.

On 2 January 2014, the division of TAURON Wytwarzanie S.A. through spin-off, pursuant to Article 529.1.4 of the Code of Commercial Companies, involving a transfer of separated assets, i.e. an organized part of the enterprise, i.e. Zespół Elektrociepłowni Bielsko – Biała, to TAURON Ciepło S.A., was entered into the National Court Register.

As a result, the issued capital of TAURON Wytwarzanie S.A. was decreased from PLN 1 553 036 thousand to PLN 1 494 863 thousand, while the issued capital of TAURON Ciepło S.A. was increased from PLN 1 238 077 thousand to PLN 1 409 747 thousand.

As a result of the separation the interests in TAURON Wytwarzanie S.A. held by TAURON Polska Energia S.A. decreased to 99.76% (in the issued capital) and 99.79% (in the total number of votes at the General Shareholders' Meeting), while the interests in TAURON Ciepło S.A. held by TAURON Polska Energia S.A. increased to 96.57% (in the issued capital) and 97.14% (in the total number of votes at the General Shareholders' Meeting).

TAURON Polska Energia S.A. reclassified the book value of its investments in TAURON Wytwarzanie S.A. to investments in TAURON Ciepło S.A of PLN 345 979 thousand.

Acquisition of shares in TAURON Wydobywanie S.A.

On 10 December 2013, an agreement concerning acquisition of 16 730 525 registered shares in TAURON Wydobywanie S.A. by TAURON Polska Energia S.A. from Kompania Węglowa S.A. was signed. The shares in question represent 47.52% of the entity's issued capital and give 31.99% of the total voting rights at the General Shareholders' Meeting.

The total acquisition price was PLN 310 000 thousand. The amount of PLN 232 500 thousand was paid at the agreement date and the parties agreed that the remaining PLN 77 500 thousand would be paid following the transfer of the title to the shares onto the Company, i.e. after Kompania Węglowa S.A. has been authorized by its General Shareholders' Meeting to sell the shares and the seller has been authorized by TAURON Wydobywanie S.A. to dispose of the shares. The Management Board of TAURON Wydobywanie S.A. approved the sale of the entity's shares on 19 December 2013. On 15 January 2014, the General Shareholders' Meeting of Kompania Węglowa S.A. authorized the disposal of shares in TAURON Wydobywanie S.A. Hence, the conditions precedent for the transfer of the title to TAURON Wydobywanie S.A.'s shares were satisfied. Following the payment of the remaining amount, i.e. PLN 77 500 thousand, to Kompania Węglowa S.A. the title to shares in TAURON Wydobywanie S.A. held by Kompania Węglowa S.A. was transferred onto the Company on 22 January 2014.

Under the agreement TAURON Polska Energia S.A. holds 100% of shares in TAURON Wydobycie S.A., which give 100% of votes at the entity's General Shareholders' Meeting, where 47.52% of shares representing 31.99% of votes are held by TAURON Polska Energia S.A. directly and the remaining 52.48% of shares representing 68.01% of votes at the General Shareholders' Meeting of TAURON Wydobycie S.A. are at the Company's disposal under the agreement on the use of shares in TAURON Wydobycie S.A., held by TAURON Wytwarzanie S.A.

Changes in long-term investments in the 3-month period ended 31 March 2013 were related to reorganization and resulted from the following events:

- Separation of EC Katowice from TAURON Wytwarzanie S.A. to TAURON Ciepło S.A.;
- Business combination under common control of TAURON Obsługa Klienta Sp. z o.o. and TAURON Obsługa Klienta GZE Sp. z o.o. (subsidiaries)

Changes in the balance of long-term investments from 1 January 2013 to 31 March 2013 (unaudited)

No.	Company	Opening balance	Increases / Decreases	Closing balance
1	TAURON Wytwarzanie S.A.	8 118 182	(577 846)	7 540 336
2	TAURON Dystrybucja S.A.	9 511 628	-	9 511 628
3	TAURON Ciepło S.A.	773 334	577 846	1 351 180
4	TAURON Ekoenergia Sp. z o.o.	939 765	-	939 765
5	TAURON Sprzedaż Sp. z o.o.	613 505	-	613 505
6	TAURON Obsługa Klienta Sp. z o.o.	26 308	13 523	39 831
7	Polska Energia Pierwsza Kompania Handlowa Sp. z o.o.	49 056	-	49 056
8	TAURON Czech Energy s.r.o.	4 223	-	4 223
9	TAURON Sprzedaż GZE Sp. z o.o.	129 821	-	129 821
10	TAURON Obsługa Klienta GZE Sp. z o.o.	13 523	(13 523)	-
11	TAURON Wytwarzanie GZE Sp. z o.o.	4 935	-	4 935
12	CONCORDE INVESTISSEMENT S.A.	12	-	12
13	CC Poland Plus Sp. z o.o.	12	-	12
14	Energopower Sp. z o.o.	25	-	25
15	Enpower Service Sp. z o.o.	25	-	25
16	Enpower Sp. z o.o.	25	-	25
17	TAURON Ubezpieczenia Sp. z o.o.	25	-	25
Total		20 184 404	-	20 184 404

17. Bonds

Under the central financing model, TAURON Polska Energia S.A. acquires bonds issued by the TAURON Group companies.

The table below presents the balances of acquired bonds and interest accrued as at the end of the reporting period, i.e. 31 March 2014 and 31 December 2013, broken down by individual TAURON Group companies issuing the bonds.

Company	As at 31 March 2014 (unaudited)		As at 31 December 2013	
	nominal value of purchased bonds	accrued interest	nominal value of purchased bonds	accrued interest
TAURON Wytwarzanie S.A.	2 170 000	12 542	2 170 000	12 916
TAURON Dystrybucja S.A.	1 510 000	51 466	1 510 000	34 514
TAURON Ekoenergia Sp. z o.o. ¹	1 155 000	2 881	1 155 000	2 897
TAURON Ciepło S.A.	750 000	6 274	230 000	2 187
TAURON Wydobycie S.A.	100 000	316	100 000	316
Enpower Serwis Sp. z o.o.	15 520	180	-	-
Total bonds:	5 700 520	73 659	5 165 000	52 830
non-current	5 700 520	-	5 165 000	-
current	-	73 659	-	52 830

¹ On 2 January 2014, a business combination under common control of TAURON Ekoenergia Sp. z o.o., MEGAWAT MARSZEWO Sp. z o.o. and BELS INVESTMENT Sp. z o.o. was registered.

Intra-group bonds issued by subsidiaries and acquired by TAURON Polska Energia S.A., with the total par value of PLN 5 700 520 thousand as at the end of the reporting period, including those maturing within one year and amounting to PLN 1 825 520 thousand, have been classified as long-term instruments. Such classification reflects the nature of funding under the intra-group bond issue scheme, which enables cash management in the medium and long term.

18. Long-term loans

Long-term loans of PLN 191 583 thousand include a loan granted to Elektrociepłownia Stalowa Wola S.A., along with interest due.

Under the agreements of 20 June 2012 among PGNiG S.A., TAURON Polska Energia S.A. and Elektrociepłownia Stalowa Wola S.A., TAURON Polska Energia S.A. granted a subordinated loan to Elektrociepłownia Stalowa Wola S.A. with a view to satisfying the necessary conditions for provision of funding to Elektrociepłownia Stalowa Wola S.A. by the European Bank for Reconstruction and Development and the European Investment Bank.

As at the end of the reporting period, the amount disbursed under the subordinated loan agreement was PLN 177 000 thousand, i.e. the maximum contractual amount. Interest accrued on the loan amounts to PLN 14 583 thousand. The loan with interest due is to be finally repaid no later than by the end of 2032.

19. Current intangible assets

Under current intangible assets, the Company discloses energy certificates.

	3-month period ended 31 March 2014 <i>(unaudited)</i>	3-month period ended 31 March 2013 <i>(unaudited)</i>
COST		
Opening balance	98 149	113 302
Direct purchase	246	26 414
Cancellation	(98 182)	(119 093)
Reclassification	12 380	-
Closing balance	12 593	20 623
IMPAIRMENT ALLOWANCES		
Opening balance	-	-
Closing balance	-	-
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	98 149	113 302
NET CARRYING AMOUNT AT THE END OF THE PERIOD	12 593	20 623

In the 3-month period ended 31 March 2014, the Company surrendered energy certificates of PLN 98 182 thousand to fulfil the obligation for 2013.

20. Inventories

	As at 31 March 2014 <i>(unaudited)</i>	As at 31 December 2013
Historical cost		
Energy certificates	4 899	10 543
Emission allowances	132 038	138 715
Merchandise	13	13
Materials	98	46
Total	137 048	149 317
Write-downs to net realizable value	-	-
Net realizable value		
Energy certificates	4 899	10 543
Emission allowances	132 038	138 715
Merchandise	13	13
Materials	98	46
Total	137 048	149 317

21. Trade and other receivables

	As at 31 March 2014 <i>(unaudited)</i>	As at 31 December 2013
Trade receivables	746 465	1 083 164
Receivables from sales of intangible assets	-	1 015
Loans granted under cash pool agreement with interest accrued	220 796	114
Other loans	5 863	-
Collateral paid	20 251	22 189
TCG receivables	44	27 528
Other financial receivables	404	846
Total	993 823	1 134 856

Trade receivables bear no interest and usually have a 30-day maturity period. Sales transactions are only entered into with clients subject to a verification procedure. As a result, the management believe that there is no additional credit risk over the level of the allowances recognized for bad debts of the Company's trade receivables.

Related-party transactions as well as the related party receivables and liabilities have been presented in Note 29 hereto.

The ageing analysis and allowances/write downs for trade and other receivables have been presented below.

Ageing analysis of trade and other receivables as at 31 March 2014 *(unaudited)*

	Not past due	Past due				Total
		< 30 days	30-90 days	90-360 days	>360 days	
Value of item before allowance/write-down						
Trade receivables	741 753	3 832	880	18	-	746 483
Loans granted under cash pool agreement with interest accrued	220 796	-	-	-	-	220 796
Other loans	5 863	-	-	-	-	5 863
Other financial receivables	20 699	-	-	-	674	21 373
Total	989 111	3 832	880	18	674	994 515
Allowance/write-down						
Trade receivables	-	-	-	(18)	-	(18)
Other financial receivables	-	-	-	-	(674)	(674)
Total	-	-	-	(18)	(674)	(692)
Value of item net of allowance (carrying amount)						
Trade receivables	741 753	3 832	880	-	-	746 465
Loans granted under cash pool agreement with interest accrued	220 796	-	-	-	-	220 796
Other loans	5 863	-	-	-	-	5 863
Other financial receivables	20 699	-	-	-	-	20 699
Total	989 111	3 832	880	-	-	993 823

Ageing analysis of trade and other receivables as at 31 December 2013

	Not past due	Past due				Total
		< 30 days	30-90 days	90-360 days	>360 days	
Value of item before allowance/write-down						
Trade receivables	1 076 638	6 463	31	41	-	1 083 173
Other financial receivables	51 692	-	-	-	664	52 356
Total	1 128 330	6 463	31	41	664	1 135 529
Allowance/write-down						
Trade receivables	(9)	-	-	-	-	(9)
Other financial receivables	-	-	-	-	(664)	(664)
Total	(9)	-	-	-	(664)	(673)
Value of item net of allowance (carrying amount)						
Trade receivables	1 076 629	6 463	31	41	-	1 083 164
Other financial receivables	51 692	-	-	-	-	51 692
Total	1 128 321	6 463	31	41	-	1 134 856

22. Cash and cash equivalents

The balance of cash and cash equivalents disclosed in the statement of cash flows includes:

	As at 31 March 2014 <i>(unaudited)</i>	As at 31 December 2013
Cash at bank and in hand	99 269	77 978
Short-term deposits (up to 3 months)	115 237	429 149
Total cash and cash equivalents presented in the statement of financial position, of which:	214 506	507 127
restricted cash	91 029	70 330
Cash pool	(1 302 472)	(1 615 281)
Overdraft	(137 497)	(93 645)
Foreign exchange and other differences	3 395	3 378
Total cash and cash equivalents presented in the statement of cash flows	(1 222 068)	(1 198 421)

The balances of loans granted and taken out in cash pool transactions do not represent cash flows from investing or financing activities as they are mainly used to manage the Group's liquidity on a day-to-day basis. They are disclosed as an adjustment to the balance of cash instead.

Restricted cash consists mainly of:

- cash held in the settlement account for sales of electricity on the Polish Power Exchange (Towarowa Giełda Energii S.A), amounting to PLN 85 910 thousand, and
- cash held in special purpose accounts for transactions carried out on the European Energy Exchange and the European Climate Exchange of PLN 5 114 thousand.

Detailed information on cash pool balances has been presented in Note 24.3 to these condensed interim financial statements.

23. Equity

23.1. Issued capital

Issued capital as at 31 March 2014 (*unaudited*)

Class/ issue	Type of shares	Number of shares	Nominal value of one share (in PLN)	Value of class/issue at nominal value	Method of payment
AA	bearer shares	1 589 438 762	5	7 947 194	cash/in-kind contribution
BB	registered shares	163 110 632	5	815 553	in-kind contribution
		1 752 549 394		8 762 747	

As at 31 March 2014, the value of the issued capital, the number of shares and the par value of shares did not change compared to 31 December 2013.

23.2. Major shareholders

Shareholding structure as at 31 March 2014 (*unaudited, to the best of the Company's knowledge*)

Shareholder	Number of shares	Value of shares	% of issued capital	% of total vote
State Treasury	526 848 384	2 634 242	30.06%	30.06%
KGHM Polska Miedź S.A.	182 110 566	910 553	10.39%	10.39%
ING Otwarty Fundusz Emerytalny	88 742 929	443 715	5.06%	5.06%
Other shareholders	954 847 515	4 774 237	54.49%	54.49%
Total	1 752 549 394	8 762 747	100.00%	100.00%

23.3. Reserve capital, retained earnings and restrictions on dividend payment

In the current period, changes in retained earnings result from:

- profit for the period of PLN 1 755 thousand;
- actuarial gains of PLN 19 thousand.

The amount of PLN 1 691 667 thousand, disclosed as retained earnings, may still be distributed.

23.4. Revaluation reserve from valuation of hedging instruments

	3-month period ended 31 March 2014 (<i>unaudited</i>)	3-month period ended 31 March 2013 (<i>unaudited</i>)
Opening balance	(126 651)	(189 756)
Revaluation of hedging instruments	(10 772)	(1 838)
Revaluation of hedging instruments charged to profit or loss for the period	18 379	5 169
Deferred income tax	(1 445)	-
Closing balance	(120 489)	(186 425)

The revaluation reserve from valuation of hedging instruments results from valuation of Interest Rate Swaps (IRS) hedging the interest rate risk arising from issued bonds, as presented in detail in Note 31.1 to these condensed interim financial statements.

The Company applies hedge accounting to hedging transactions covered by the policy for specific risk management in the area of finance.

As at 31 March 2014, the Company recognized PLN (120 489) thousand in revaluation reserve from valuation of hedging instruments. It represents a liability arising from measurement of interest rate swaps as at the end of the reporting period, totaling PLN 170 533 thousand, adjusted by a portion of measurement relating to interest accrued on bonds as at the end of the reporting period, including deferred tax.

The profit for the period was charged with PLN 18 379 thousand constituting the change in measurement of instruments related to interest on bonds accrued as at the end of the reporting period. The aforementioned costs of IRS hedging transactions increased financial expenses arising from interest on bonds issued in the statement of comprehensive income.

24. Interest-bearing loans and borrowings

	As at 31 March 2014 (unaudited)	As at 31 December 2013
Non-current portion of loans and borrowings, including issued bonds:		
Issued bonds	4 641 102	4 291 460
Loans from the European Investment Bank	1 133 392	1 153 819
Total	5 774 494	5 445 279
Current portion of loans and borrowings, including issued bonds:		
Issued bonds	295 506	9 062
Cash pool loans received, including accrued interest	1 523 268	1 615 395
Loans from the European Investment Bank	146 431	139 930
Overdraft	137 497	93 645
Total	2 102 702	1 858 032

24.1. Bonds issued

The tables below present the balances of the Company's liabilities arising from bonds issued, together with accrued interest, as at 31 March 2014 and 31 December 2013.

Bonds as at 31 March 2014 (unaudited)

Tranche	Maturity date	Interest rate	Currency	As at balance sheet date (unaudited)		of which principal amount maturing within (after the balance sheet date)					
				Accrued interest	Principal at amortized cost	less than 3 months	3 - 12 months	1 - 2 years	2 - 3 years	3 - 5 years	over 5 years
A	29 December 2015	floating	PLN	7 823	847 198	-	-	847 198	-	-	-
B	12 December 2015	floating	PLN	3 255	299 497	-	-	299 497	-	-	-
B	30 January 2015	floating	PLN	907	150 000	-	150 000	-	-	-	-
C	12 December 2016	floating	PLN	32 548	2 995 595	-	-	-	2 995 595	-	-
E	28 April 2014	floating	PLN	44	100 000	100 000	-	-	-	-	-
BGK*	20 December 2019	floating	PLN	413	99 765	-	-	-	-	-	99 765
BGK*	20 December 2020	floating	PLN	413	99 764	-	-	-	-	-	99 764
BGK*	20 December 2021	floating	PLN	46	99 761	-	-	-	-	-	99 761
BGK*	20 December 2022	floating	PLN	46	99 761	-	-	-	-	-	99 761
BGK*	20 December 2023	floating	PLN	11	99 761	-	-	-	-	-	99 761
Total bonds				45 506	4 891 102	100 000	150 000	1 146 695	2 995 595	-	498 812

* Bank Gospodarstwa Krajowego

Bonds as at 31 December 2013

Tranche	Maturity date	Interest rate	Currency	As at balance sheet date		of which principal amount maturing within (after the balance sheet date)					
				Accrued interest	Principal at amortized cost	less than 3 months	3 - 12 months	1 - 2 years	2 - 3 years	3 - 5 years	over 5 years
A	29 December 2015	floating	PLN	252	847 060	-	-	847 060	-	-	-
B	12 December 2015	floating	PLN	592	299 426	-	-	299 426	-	-	-
B	30 January 2015	floating	PLN	2 300	150 000	-	-	150 000	-	-	-
C	12 December 2016	floating	PLN	5 918	2 994 974	-	-	-	2 994 974	-	-
Total bonds				9 062	4 291 460	-	-	1 296 486	2 994 974	-	-

Bonds were issued in a dematerialized form. These are unsecured coupon bonds with a floating interest rate plus a fixed margin. The interest rate is based on WIBOR 6M, except for Tranche E bonds, and interest on bonds is paid in 6-month periods. Interest on Tranche E bonds maturing within one month is based on WIBOR 1M and is paid at redemption.

Change in the balance of bonds excluding interest accrued in the 3-month period ended 31 March 2014 and in the comparable period has been presented below.

	3-month period ended 31 March 2014 <i>(unaudited)</i>	3-month period ended 31 March 2013 <i>(unaudited)</i>
Opening balance	4 291 460	4 288 247
Issue	800 000	-
Redemption	(200 000)	-
Change in valuation	(358)	758
Closing balance	4 891 102	4 289 005

In the 3-month period ended 31 March 2014, pursuant to the agreement concluded in 2013 with Bank Gospodarstwa Krajowego, the Company issued bonds with the total par value of PLN 500 000 thousand, with redemption dates falling annually, from 20 December 2019 to 20 December 2023 in equal portions of PLN 100 000 thousand.

Additionally, on 24 January 2014, Tranche E short-term bonds with the par value of PLN 200 000 thousand and maturing on 24 February 2014 were issued by the Company. Another issue of E Tranche bonds with the redemption date of 28 April 2014 and the value of PLN 100 000 thousand took place on 28 March 2014.

The Company hedges a portion of interest cash flows related to issued bonds - Tranche C and a portion of Tranche A, by entering into interest rate swap (IRS) contracts, as presented in detail in Note 31.1 to these condensed interim financial statements.

The contracts signed by the Company with banks include legal and financial covenants which are commonly used in such transactions. As at 31 March 2014, none of these covenants were breached and the contractual provisions were complied with.

24.2. Loans from the European Investment Bank

As at 31 March 2014, the balance of loans obtained from the European Investment Bank was PLN 1 279 823 thousand, including interest accrued of PLN 13 585 thousand. As at 31 December 2013, the outstanding amount was PLN 1 293 749 thousand.

In the 3-month period ended 31 March 2014, the Company repaid PLN 20 455 thousand of the principal amount and PLN 8 762 thousand of interest.

24.3. Cash pool

The balances of receivables and liabilities arising from cash pool transactions have been presented in the tables below.

	As at 31 March 2014 <i>(unaudited)</i>	As at 31 December 2013
Receivables due to loans granted under cash pool agreement	220 195	-
Interest receivable on loans granted under cash pool agreement	601	114
Total Receivables	220 796	114
Loans received under cash pool agreement	1 519 870	1 612 350
Interest payable on loans received under cash pool agreement	3 398	3 045
Total Liabilities	1 523 268	1 615 395
Balance of cash pool - liabilities	1 302 472	1 615 281

Surplus cash obtained by the Company under the cash pool agreement is deposited in bank accounts.

Under the cash pool agreement, the Company may use external funding amounting to PLN 300 000 thousand. As at 31 March 2014, the Company's liability amounted to PLN 115 877 thousand (including interest accrued of PLN 49 thousand).

24.4. Overdraft facilities

As at 31 March 2014, the balance of overdraft facilities was PLN 137 497 thousand and included the following items:

- Financing under the cash pool agreement: PLN 115 877 thousand;
- Foreign currency overdraft agreement with NORDEA Bank Polska S.A. concluded by the Company for the purpose of financing margin deposits and transactions in emission allowances - EUR 5 183 thousand (PLN 21 620 thousand).

25. Other provisions

3-month period ended 31 March 2014 (*unaudited*)

	Provision for the obligation to surrender energy certificates	Other provisions	Total provisions
Opening balance	109 792	788	110 580
Recognition	6 425	-	6 425
Reversal	(205)	(788)	(993)
Utilization	(109 587)	-	(109 587)
Closing balance	6 425	-	6 425

In the first quarter of 2014, in order to fulfill the obligation for 2013, the Company surrendered energy certificates of PLN 98 182 thousand and paid a substitution fee of PLN 11 405 thousand, hence utilizing the provision in the amount of PLN 109 587 thousand. The surplus of the provision recognized at the end of 2013 over the amount utilized of PLN 205 thousand was reversed, reducing costs in 2014.

3-month period ended 31 March 2013 (*unaudited*)

	Provision for the obligation to surrender energy certificates	Other provisions	Total provisions
Opening balance	118 250	788	119 038
Recognition	32 068	-	32 068
Utilization	(118 250)	-	(118 250)
Closing balance	32 068	788	32 856

26. Contingent liabilities

The Company's contingent liabilities arise mainly from collateral and guarantees given to subsidiaries. As at 31 March 2014, the structure of the Company's contingent liabilities was as follows:

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Type of contingent liability	As at 31 March 2014 (<i>unaudited</i>)	Company of the TAURON Capital Group in respect of which contingent liability has been granted	Beneficiary
	40 000	TAURON Wytwarzanie S.A.	
blank promissory note	30 000	TAURON Ciepło S.A.	Regional Fund for Environmental Protection and Water Management in Katowice
	1 180	TAURON Ciepło S.A.	
	1 899	TAURON Sprzedaż Sp. z o.o.	
collateral of a bank guarantee	1 000	Polska Energia Pierwsza Kompania Handlowa Sp. z o.o.	Powszechna Kasa Oszczędności Bank Polski S.A.
	492	Kopalnia Wapienia Czatkowice Sp. z o.o.	
	23	TAURON Dystrybucja Serwis S.A.	
collateral of a loan	1 145	Kopalnia Wapienia Czatkowice Sp. z o.o.	Regional Fund for Environmental Protection and Water Management in Kraków

Changes in the 3-month period ended 31 March 2014:

- Collateral of the guarantee issued by NORDEA Bank Polska S.A. for TAURON Dystrybucja Serwis S.A. in the amount of PLN 202 thousand expired on 31 March 2014;
- Under the master agreement for bank guarantees concluded with PKO Bank Polski S.A., the bank has issued guarantees for subsidiaries for the total amount of PLN 3 414 thousand as at the end of the reporting period upon request of the Company. As at 31 December 2013 the balance of bank guarantees granted reached PLN 4 996 thousand.

Claims filed by Huta Łaziska S.A.

Following the Company's business combination with Górnśląski Zakład Elektroenergetyczny S.A. (GZE), TAURON Polska Energia S.A. has become a party to a court dispute with Huta Łaziska S.A. ("Huta").

The key reason was the latter's failure to fulfil its obligation to pay the amounts due for electricity supplies, which led to discontinuation of electricity supplies to Huta by GZE in 2001.

Based on a decision of 12 October 2001, the President of Energy Regulatory Office (ERO) ordered GZE to resume electricity supplies to Huta on such terms as set out in the agreement of 30 July 2001, at the price of PLN 67/MWh until final resolution of the dispute, and on 14 November 2001 the dispute was finally resolved pursuant to a decision stating that discontinuation of electricity supplies was not unjustified. Huta appealed against that decision. On 25 July 2006, the Court of Appeals in Warsaw passed a final judgment ending the dispute over the decision of the President of ERO dated 14 November 2001. Huta filed a cassation appeal against the judgment of the Court of Appeals, which was dismissed by the judgment of the Supreme Court dated 10 May 2007.

Due to discontinuation of electricity supplies, Huta has raised a claim against GZE for damages amounting to PLN 182 060 thousand. Currently, an action is pending under Huta's suit of 12 March 2007 against GZE and the State Treasury represented by the President of ERO for the payment of PLN 182 060 thousand together with interest from the date of filing the suit to the date of payment, in respect of damages for alleged losses resulting from GZE's failure to comply with the decision of the President of the Energy Regulatory Office dated 12 October 2001. In this case, the courts of the first and second instance passed judgments favorable for GZE; however, in its judgment of 29 December 2011 the Supreme Court overruled the judgment of the Court of Appeals and remanded the case for reexamination by that Court. On 5 June 2012, the Court of Appeals overruled the judgment of the Regional Court and remanded the case for reexamination by the latter. The first hearing before the first instance court was held on 27 November 2012. The most recent court hearing took place on 12 May 2014.

Based on the Company's legal analysis of the claims raised by Huta and by its main shareholder, GEMI Sp. z o.o., the Company believes that the claims are groundless and the risk of their satisfaction is remote. As a result, no provision has been recognized by the Company for any costs associated with those claims.

27. Collateral against liabilities

The most common forms of collateral against liabilities and transactions entered into by the TAURON Polska Energia S.A. include declarations of submission to enforcement, authorizations to debit bank accounts as well as bank guarantees given by banks at the Company's request.

The key items collateralize the following agreements:

Bond issue schemes

Under the bond issue scheme dated 16 December 2010 with subsequent annexes, the Company filed declarations of submission to enforcement:

- up to PLN 1 560 000 thousand, valid until 31 December 2016 – as regards Tranche A and B;
- up to PLN 6 900 000 thousand, valid until 31 December 2018 – as regards Tranche C, D and E.

With a view to collateralizing the agreement made on 31 July 2013 with Bank Gospodarstwa Krajowego, concerning a long-term bond issue scheme of PLN 1 000 000 thousand, the Company has filed a declaration of submission to enforcement up to PLN 1 500 000 thousand, valid until 20 December 2029.

Master bank guarantee agreement with PKO Bank Polski S.A.

With a view to collateralizing a framework bank guarantee agreement with PKO Bank Polski S.A., TAURON Polska Energia S.A. submitted a declaration of submission to enforcement up to PLN 125 000 thousand, with the maximum validity term until 31 December 2017. Additionally, the agreement has been collateralized by an authorization to debit the bank account maintained by PKO Bank Polski S.A. As at 31 March 2014, the maximum amount of the agreed guarantee limit was PLN 100 000 thousand. The agreement is valid until 31 December 2016.

Under the agreement, at the request of the Company, as at 31 March 2014 PKO Bank Polski S.A. extended bank guarantees in order to collateralize liabilities of the subsidiaries of TAURON Polska Energia S.A. totaling PLN 3 414 thousand (Note 26 hereto) and to collateralize transactions entered into by the Company:

- up to EUR 100 thousand (PLN 417 thousand) – a guarantee for GASPOOL Balancing Services GmbH, valid until 30 September 2014;
- up to EUR 1 000 thousand (PLN 4 147 thousand) – a guarantee for CAO Central Allocation Office GmbH, valid until 3 February 2015.

Agreement with Bank Zachodni WBK S.A. on bank guarantees for Izba Rozliczeniowa Giełd Towarowych S.A.

In May 2013, the Company signed an agreement on a bank guarantee limit up to PLN 150 000 thousand with Bank Zachodni WBK S.A., with Izba Rozliczeniowa Giełd Towarowych S.A. as the beneficiary. The agreement has been collateralized with a declaration of submission to enforcement up to the amount of PLN 187 500 thousand valid until 6 May 2016.

Under the agreement in question, the bank extended bank guarantees with the value of PLN 125 000 thousand as at 31 March 2014 valid until 30 April 2014, at the request of the Company. After expiration of these guarantees the bank has issued guarantees for the total amount of PLN 75 000 thousand, with the validity date of 30 June 2014.

Overdraft facility agreements

As at 31 March 2014, overdraft facility agreements were collateralized by TAURON Polska Energia S.A. with authorizations to debit bank accounts:

- up to PLN 300 000 thousand – facility provided by Polska Kasa Opieki S.A. (cash pool financing);
- up to EUR 25 000 thousand (PLN 104 283 thousand) – facility provided by NORDEA Bank Polska S.A.

Also, the Company has provided declarations of submission to enforcement as collateral for the overdraft facilities:

- overdraft facility granted by Polska Kasa Opieki S.A. up to PLN 360 000 thousand maturing on 31 December 2017;
- overdraft facility granted by NORDEA Bank Polska S.A. up to EUR 31 250 thousand (PLN 130 353 thousand) maturing on 31 December 2018.

Other

With a view to collateralizing transactions entered into on the ICE Futures Europe and the European Energy Exchange, mainly future contracts concerning emission allowances, the Company transfers margin deposits for such transactions to separate bank accounts – as at 31 March 2014, such deposits amounted to PLN 5 114 thousand.

In order to collateralize the Company's transactions on the Polish Power Exchange, a subsidiary, TAURON Wytwarzanie S.A., has given a surety to Izba Rozliczeniowa Giełd Towarowych S.A. (IRGIT) for the liabilities of TAURON Polska Energia S.A. on the Polish Power Exchange up to PLN 45 000 thousand and collateral in the form of a freeze on EUA emission allowances in the KRUE Register, held by TAURON Wytwarzanie S.A. (8 739 thousand tons) has been provided. The surety expired on 31 March 2014.

TAURON Polska Energia S.A. is a party to a finance lease agreement concerning real property in Katowice with the carrying amount of PLN 35 265 thousand as at 31 March 2014. The agreement is collateralized by two blank promissory notes, assignment of receivables and authorization to debit a bank account.

28. Capital commitments

As at 31 March 2014, the capital commitments of the Company amounted to PLN 589 thousand.

29. Related party disclosures

29.1. Transactions with related parties and State Treasury companies

The Company enters into transactions with related parties as presented in Note 6 to these condensed interim financial statements. In addition, due to the fact that the State Treasury of the Republic of Poland is the Company's major shareholder, State Treasury companies are treated as related parties. Transactions with State Treasury companies are mainly related to the operating activities of the Company and are made on an arm's length basis.

The total value of transactions with the aforementioned entities and the balances of receivables and liabilities have been presented in the tables below.

Revenue and expense

	3-month period ended 31 March 2014 <i>(unaudited)</i>	3-month period ended 31 March 2013 <i>(unaudited)</i>
Revenue from subsidiaries, of which:	2 180 993	3 054 860
Revenue from operating activities	2 104 521	2 917 359
Dividend income	-	84 059
Finance income	76 472	53 442
Revenue from jointly controlled entities	2 297	2 344
Revenue from State Treasury companies	168 515	300 433
Costs from subsidiaries, of which:	(641 994)	(1 381 082)
Costs of operating activities	(632 916)	(1 372 847)
Finance costs	(9 078)	(8 235)
Costs from State Treasury companies	(220 487)	(368 733)

Receivables and liabilities

	As at 31 March 2014 <i>(unaudited)</i>	As at 31 December 2013
Loans granted to subsidiaries and receivables from subsidiaries, of which:	6 524 630	6 089 671
Trade receivables	544 987	842 514
Loans granted under cash pool agreement with interest accrued	220 796	114
Other financial receivables	324	1 685
Receivables from the TCG	44	27 528
Bonds	5 758 479	5 217 830
Loans granted to jointly controlled entities	197 446	189 310
Receivables from State Treasury companies	82 728	114 143
Advance payments for deliveries to State Treasury Companies	30 000	-
Liabilities to subsidiaries, of which:	1 772 926	2 054 937
Trade payables	202 221	409 960
Loans received under cash pool agreement plus interest accrued	1 523 268	1 615 395
Liabilities arising from the TCG	42 198	23 974
Other financial liabilities	5 239	5 608
Liabilities to State Treasury companies	59 350	166 197

Revenue from related parties includes revenue from sales of coal and biomass to TAURON Wytwarzanie S.A. and TAURON Ciepło S.A., which are presented in the statement of comprehensive income less cost in the amount of the surplus constituting the revenue due to agency services, presented in detail in Note 9.

A decrease in operating expenses in the 3-month period ended 31 March 2014 year-on-year was mainly due to a decrease in purchases of electricity from TAURON Wytwarzanie S.A. The value of purchased electricity was PLN 297 154 thousand and PLN 981 515 thousand, respectively.

In the 3-month period ended 31 March 2014, PKP Energetyka S.A., Kompania Węglowa S.A. and PSE S.A. were the major business partners of TAURON Polska Energia S.A. among State Treasury companies in terms of sales revenue. The revenue from the aforementioned entities represented 79% of the total revenue generated in transactions with State Treasury companies.

The highest costs resulted from transactions with Kompania Węglowa S.A. and PSE S.A. and they accounted for 80% of total expenses incurred as a result of purchases from State Treasury companies.

The Company enters into material transactions in the energy market through Izba Rozliczeniowa Giełd Towarowych S.A. As it is only responsible for organization of commodities exchange trading, the Company does not classify purchase and sales transactions made through this entity as related-party transactions.

29.2. Executive compensation

The amount of compensation and other benefits granted to the Management Board, Supervisory Board and other key executives of the Company in the 3-month period ended 31 March 2014 and in the comparative period has been presented in the table below.

	3-month period ended 31 March 2014 <i>(unaudited)</i>	3-month period ended 31 March 2013 <i>(unaudited)</i>
Board of Directors	1 532	1 372
Short-term employee benefits (salaries and surcharges)	1 274	1 119
Other	258	253
Supervisory Board	236	234
Short-term employee benefits (salaries and surcharges)	236	234
Other members of key management personnel	2 504	2 207
Short-term employee benefits (salaries and surcharges)	2 281	2 007
Other	223	200
Total	4 272	3 813

No loans are granted from the Company's Social Benefits Fund to members of the Company's Management Board, Supervisory Board or other key executives.

30. Financial instruments

30.1. Carrying amount and fair value of financial instrument classes and categories

Categories and classes of financial assets	As at 31 March 2014 (<i>unaudited</i>)		As at 31 December 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
1 Assets at fair value through profit or loss	343	343	34	34
Derivative instruments	343	343	34	34
2 Financial assets available for sale	6 995	-	6 973	-
Long-term shares	6 995	-	6 973	-
3 Loans and receivables	6 964 824	-	6 547 235	-
Trade receivables	746 465	-	1 083 164	-
Receivables from sales of intangible assets	-	-	1 015	-
Bonds	5 774 179	-	5 217 830	-
Loans granted (Cash pool)	220 796	-	114	-
Other loans granted	197 446	-	189 310	-
Other financial receivables	25 938	-	55 802	-
4 Financial assets excluded from the scope of IAS 39	20 524 347	-	20 446 849	-
Shares in subsidiaries	20 524 347	-	20 214 349	-
Advance payment for acquisition of shares	-	-	232 500	-
5 Cash and cash equivalents	214 506	-	507 127	-
Total financial assets, including in the statement of financial position:	27 711 015		27 508 218	
Non-current assets	26 428 684		25 813 371	
Shares	20 531 342		20 221 322	
Bonds	5 700 520		5 165 000	
Loans granted	191 583		189 310	
Other financial assets	5 239		237 739	
Current assets	1 282 331		1 694 847	
Trade and other receivables	993 823		1 134 856	
Bonds	73 659		52 830	
Derivative instruments	343		34	
Cash and cash equivalents	214 506		507 127	

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Categories and classes of financial liabilities	As at 31 March 2014 (<i>unaudited</i>)		As at 31 December 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
1 Financial liabilities at fair value through profit or loss	1 215	1 215	1 169	1 169
Derivative instruments	1 215	1 215	1 169	1 169
2 Financial liabilities measured at amortized cost	8 374 547	-	8 127 697	-
Arm's length loans, of which:	2 803 091	-	2 909 144	-
Liability under the cash pool loan	1 523 268	-	1 615 395	-
Loans from the European Investment Bank	1 279 823	-	1 293 749	-
Overdraft	137 497	-	93 645	-
Bonds issued	4 936 608	-	4 300 522	-
Trade payables	430 394	-	772 481	-
Other financial liabilities	66 957	-	47 717	-
Liabilities due to purchases of fixed and intangible assets	-	-	4 188	-
3 Liabilities under guarantees, factoring and excluded from the scope of IAS 39	35 616	-	36 425	-
Liabilities under finance leases	35 616	-	36 425	-
4 Hedging instruments (relating to liabilities)	170 533	170 533	159 762	159 762
Total financial liabilities, including in the statement of financial position:	8 581 911		8 325 053	
Long-term liabilities	5 908 303		5 571 250	
Interest-bearing loans and borrowings	5 774 494		5 445 279	
Liabilities under finance leases	32 431		33 159	
Other financial liabilities	5 239		5 239	
Derivative instruments	96 139		87 573	
Short-term liabilities	2 673 608		2 753 803	
Current portion of interest-bearing loans and borrowings	2 102 702		1 858 032	
Current portion of liabilities under finance leases	3 185		3 266	
Trade and other payables	492 112		819 147	
Derivative instruments	75 609		73 358	

The Company did not disclose the fair value of financial instruments not measured at fair value as at the end of the reporting period due to the fact that the fair value of these financial instruments as at 31 March 2014 and as at 31 December 2013 did not differ considerably from the values presented in the financial statements for individual periods, for the following reasons:

- the potential discounting effect relating to short-term instruments is not significant;
- the instruments are related to arm's length transactions.

The Company did not disclose the fair value of shares in companies not quoted on active markets, categorized to financial assets available for sale. The Company is unable to reliably estimate the fair value of shares held in companies which are not listed on active markets. They are measured at cost less impairment losses as at the end of the reporting period.

In accordance with the Company's accounting policy, shares in subsidiaries are also measured at cost less impairment losses.

30.2. Fair value hierarchy

Fair value hierarchy of financial instruments measured at fair value as at 31 March 2014 and 31 December 2013:

Classes of financial instruments	As at 31 March 2014 (<i>unaudited</i>)		As at 31 December 2013	
	Level 1	Level 2	Level 1	Level 2
Assets				
Commodity-related derivatives	343	-	34	-
Liabilities				
Commodity-related derivatives	74	-	40	-
Currency derivatives	-	1 141	-	1 129
IRS derivatives	-	170 533	-	159 762

The methods of estimating the fair value of derivatives has not changed compared to 31 December 2013.

30.3. Details of significant items in individual categories of financial instruments

Available-for-sale financial assets

Available-for-sale financial assets, amounting to PLN 6 995 thousand, include mainly:

- shares in TAURON Wytwarzanie GZE Sp. z o.o. in the amount of PLN 4 935 thousand;
- shares in Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. in Tychy in the amount of PLN 1 872 thousand.

Loans and receivables

Key items of loans and receivables include:

- Bonds

As at 31 March 2014 bonds issued by subsidiaries and acquired by the Company amounted to PLN 5 774 179 thousand (as at 31 December 2013 it was PLN 5 217 830 thousand). Bonds of individual companies/issuers are presented in Note 17 hereto.

- Loans granted – cash pool agreement

Loans granted under the cash pool agreement have been presented in detail in Note 24.3 hereto.

- Other loans granted

Loans granted include loans granted to Elektrociepłownia Stalowa Wola S.A., including: a subordinated loan of PLN 177 000 thousand plus interest accrued of PLN 14 583 thousand, as described in detail in Note 18 to these condensed interim financial statements, and a VAT loan of PLN 5 863 thousand.

- Trade and other financial receivables

Trade and other financial receivables have been presented in detail in Note 21 hereto.

Financial assets excluded from the scope of IAS 39

Financial assets excluded from the scope of IAS 39, amounting to PLN 20 524 347 thousand, include shares held by the Company in its subsidiaries, as presented in detail in Note 16 hereto.

Financial liabilities measured at amortized cost

- Issued bonds have been presented in detail in Note 24.1 hereto;
- Loans granted by the European Investment Bank have been presented in detail in Note 24.2 hereto;
- Overdraft facility has been presented in detail in Note 24.4 hereto;
- Liabilities under the cash pool loan have been presented in detail in Note 24.3 hereto.
- Other financial liabilities

Other financial liabilities include mainly liabilities to the Company's subsidiaries operating within the Tax Capital Group, due to tax overpayment of PLN 42 198 thousand, as presented in detail in Note 11.3 hereof.

Liabilities under guarantees, factoring and those excluded from the scope of IAS 39

Financial liabilities excluded from the scope of IAS 39 include mainly liabilities due to lease of investment property.

Hedging derivative instruments (relating to liabilities)

Derivative instruments hedging interest cash flows related to issued bonds have been presented in detail in Note 23.4 to these condensed interim financial statements.

31. Finance and financial risk management

31.1. Financial risk management

The TAURON Capital Group has implemented the policy for management of specific risks in the area of finance, which defines the strategy for management of the currency and interest rate risk. The policy has also introduced hedge accounting in the Group, which lays down the principles and defines the types of hedge accounting, along with the accounting treatment of hedging instruments and hedged items, to be applied as part of hedge accounting under IFRS. The policy for specific risk management in the area of finance and hedge accounting principles are applicable to the cash flow risk and not to the fair value risk due to its limited significance for the Group.

Hedge accounting

As at 31 March 2014, the Company was a party to hedging transactions covered by the policy for specific risk management in the area of finance. Pursuant to a decision of the Financial Risk Management Committee of 30 January 2012, in March 2012 the Company hedged the interest rate risk arising from bonds issued under the Bond Issue Scheme, by entering into an interest rate swap (IRS) transaction for a term of 5 years. The aforementioned transaction was concluded due to fluctuations in the projected future cash flows from interest payments resulting from the issue of bonds in PLN with a floating interest rate based on WIBOR 6M. The Company hedged 80% of such cash flows. The parent applies hedge accounting to the aforementioned transactions. The accounting treatment of the aforementioned hedging transactions has been presented in detail in Note 23.4 to these condensed interim financial statements.

31.2. Financial management

Finance is managed at the level of the TAURON Polska Energia S.A. Capital Group, which has been presented in detail in Note 34 to the condensed interim consolidated financial statements for the 3-month period ended 31 March 2014.

32. Significant items of the statement of cash flows

32.1. Cash flows from investing activities

Purchase of shares

Expenditure for acquisition of shares of PLN 77 540 thousand resulted primarily from payment of a portion of the price, i.e. PLN 77 500 thousand, for the acquisition of shares in a subsidiary TAURON Wydobycie S.A., as discussed in detail in Note 16 to these condensed interim financial statements.

Purchase of bonds

Payments related to acquisition of bonds, in the amount of PLN 535 520 thousand, are related to acquisition of intra-group bonds issued by the following subsidiaries:

- TAURON Ciepło S.A., amounting to PLN 520 000 thousand;
- Enpower Serwis Sp. z o.o., amounting to PLN 15 520 thousand.

Interest received

Most proceeds from interest received are related to interest on acquired bonds of subsidiaries of PLN 54 438 thousand.

32.2. Cash flows from financing activities

Issue of debt securities

Proceeds from issue of debt securities in the 3-month period ended 31 March 2014 result from Tranche E short-term bonds in the amount of PLN 300 000 thousand and long-term bonds issued under the Company's agreement with Bank Gospodarstwa Krajowego in the amount of PLN 500 000 thousand, as discussed in detail in note 24.1 to these condensed interim financial statements.

Redemption of debt securities

Expenditure for redemption of debt securities result from redemption of Tranche E short-term bonds in the amount of PLN 200 000 thousand in the 3-month period ended 31 March 2014.

33. Details of other significant changes in the reporting period

Other finance income

An increase in other finance income in the 3-month period ended 31 March 2014 by PLN 16 956 thousand vs. the comparative period resulted mainly from:

- increased interest on intra-group bonds, amounting to PLN 27 355 thousand. Interest income earned on bonds acquired for the 3-month period ended 31 March 2014 amounted to PLN 75 267 thousand compared to PLN 47 912 thousand in the 3-month period ended 31 March 2013;
- a decrease in other financial revenue items of PLN 10 505 thousand, including mainly a decrease in other interest of PLN 6 748 thousand.

Other financial assets

A decrease in other financial assets of PLN 232 500 thousand results from the reclassification of the amount paid to Kompania Węglowa S.A. for the acquired shares in TAURON Wydobycie S.A. in December 2013 from other financial assets to shares, in relation to meeting the conditions precedent for the transfer of the title to acquired shares in TAURON Wydobycie S.A.

34. Events after the end of the reporting period

The Management Board's recommendations concerning dividend payment

On 15 April 2014 the Management Board adopted a decision concerning recommended amount of dividend payment and record and payment dates to the Ordinary General Shareholders' Meeting, as discussed in detail in note 12 to these condensed interim financial statements.

Business combination of Enpower Service Sp. z o.o. and TAURON Ciepło S.A.

On 30 April 2014, a business combination of Enpower Service Sp. z o.o. (the acquirer) and TAURON Ciepło S.A. (the acquiree) was registered. The business combination was carried out under Article 492.1.1 of the Code of Commercial Companies through the transfer of all assets of TAURON Ciepło S.A. to Enpower Service Sp. o.o. At the same time, the name of the acquirer has been changed to TAURON Ciepło Sp. z o.o.

These condensed interim financial statements of TAURON Polska Energia S.A., prepared for the 3-month period ended 31 March 2014 in accordance with International Accounting Standard 34 have been presented on 38 consecutive pages.

Katowice, 13 May 2014

Dariusz Lubera – President of the Management Board

Krzysztof Zawadzki - Vice-President of the Management Board