

TAURON Polska Energia S.A.

Condensed interim financial statements

prepared in accordance with the International Financial Reporting Standards

for the 9-month period ended 30 September 2014

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME	4
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION	5
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION - continued.....	6
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY	7
CONDENSED INTERIM STATEMENT OF CASH FLOWS	8
EXPLANATORY NOTES	9
1. General information	9
2. Basis for preparation of the condensed interim financial statements.....	9
3. Significant accounting policies.....	10
4. New standards or interpretations which have been published, but have not entered into force yet.	10
5. Change in estimates.....	11
6. Shares in related parties.....	12
7. Seasonality of operations	13
8. Information on operating segments	13
9. Sales revenue	16
10. Expenses by type	17
11. Income tax.....	17
11.1. Tax expense in the statement of comprehensive income	17
11.2. Deferred income tax.....	17
11.3. Tax Capital Group.....	18
12. Dividends paid and proposed	18
13. Property, plant and equipment	19
14. Investment property.....	20
15. Non-current intangible assets.....	20
16. Shares	21
17. Bonds	23
18. Loans granted	24
19. Current intangible assets.....	24
20. Inventories.....	25
21. Trade and other receivables.....	25
22. Cash and cash equivalents	26
23. Equity	27
23.1. Issued capital	27
23.2. Major shareholders	27
23.3. Reserve capital	27
23.4. Revaluation reserve from valuation of hedging instruments.....	27
23.5. Retained earnings and dividend limitation.....	28
24. Interest-bearing loans and borrowings	28
24.1. Bonds issued.....	28
24.2. Loans from the European Investment Bank	30
24.3. Cash pool.....	30
24.4. Overdraft facilities	30
25. Other provisions	31
26. Contingent liabilities.....	31
27. Collateral against liabilities	32
28. Capital commitments.....	33
29. Related party disclosures	33
29.1. Transactions with related parties and State Treasury companies	33
29.2. Executive compensation	35
30. Financial instruments.....	36
30.1. Carrying amount and fair value of financial instrument classes and categories	36
30.2. Fair value hierarchy.....	37
30.3. Details of significant items in individual categories of financial instruments	38

31. Finance and financial risk management	38
31.1. Financial risk management	38
31.2. Financial management	38
32. Significant items of the statement of cash flows	39
32.1. Cash flows from investing activities	39
32.2. Cash flows from financing activities	39
33. Details of other significant changes in the reporting period	39
34. Events after the end of the reporting period	40

TAURON Polska Energia S.A.
Condensed interim financial statements for the 9-month period ended 30 September 2014
(in PLN '000)

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	3-month period ended Note 30 September 2014 <i>(unaudited)</i>	9-month period ended 30 September 2014 <i>(unaudited)</i>	3-month period ended 30 September 2013 <i>(unaudited)</i>	9-month period ended 30 September 2013 <i>(unaudited)</i>
Continuing operations				
Sales revenue	9	1 997 249	6 272 805	2 500 396
Cost of sales	10	(1 970 793)	(6 157 209)	(2 452 961)
Gross profit		26 456	115 596	47 435
Other operating income		88	2 495	151
Selling and distribution expenses		(8 402)	(20 043)	(6 092)
Administrative expenses		(28 331)	(81 442)	(26 870)
Other operating expenses		(64)	(1 246)	1 013
Operating profit		(10 253)	15 360	15 637
Dividend income		-	1 076 836	-
Other finance income	33	107 264	289 055	62 488
Finance costs		(89 380)	(267 265)	(84 130)
Profit before tax		7 631	1 113 986	(6 005)
Income tax	11	5 847	(11 296)	(12 617)
Net profit from continuing operations		13 478	1 102 690	(18 622)
Net profit for the period		13 478	1 102 690	(18 622)
Other comprehensive income subject to reclassification to profit or loss:				
		(12 972)	(31 166)	7 029
Change in the value of hedging instruments		(16 014)	(38 476)	7 029
Income tax expense		3 042	7 310	-
Other comprehensive income not subject to reclassification to profit or loss:				
		18	(58)	-
Actuarial gains/(losses) related to provisions for post-employment benefits		22	(72)	-
Income tax expense		(4)	14	-
Other comprehensive income for the period, net of tax		(12 954)	(31 224)	7 029
Total comprehensive income for the period		524	1 071 466	(11 593)
Earnings per share (in PLN):				
- basic and diluted, for profit for the period		0.01	0.63	(0.01)
- basic and diluted, for profit from continuing operations for the period		0.01	0.63	(0.01)

Explanatory notes to the condensed interim financial statements constitute an integral part hereof.

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	As at 30 September 2014 <i>(unaudited)</i>	As at 31 December 2013
ASSETS			
Non-current assets			
Property, plant and equipment	13	5 853	9 189
Investment property	14	33 457	36 169
Intangible assets	15	11 614	56 973
Shares	16	20 778 025	20 221 322
Bonds	17	6 550 139	5 165 000
Loans granted	18	196 194	189 310
Other financial assets	33	5 285	237 739
Other non-financial assets		4 067	7 059
Deferred tax asset	11.2	44 348	45 584
		27 628 982	25 968 345
Current assets			
Intangible assets	19	17 341	98 149
Inventories	20	165 028	149 317
Income tax receivables		8 949	28 527
Trade and other receivables	21	796 024	1 134 856
Bonds	17	98 291	52 830
Loans granted	18	5 863	-
Derivative instruments		1 114	34
Other non-financial assets		40 226	22 946
Cash and cash equivalents	22	153 919	507 127
		1 286 755	1 993 786
TOTAL ASSETS		28 915 737	27 962 131

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION - continued

	Note	As at 30 September 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	10 393 686	9 037 699
Revaluation reserve from valuation of hedging instruments	23.4	(157 817)	(126 651)
Retained earnings/Accumulated losses	23.5	1 183 028	1 769 367
Total equity		20 181 644	19 443 162
Non-current liabilities			
Interest-bearing loans and borrowings	24	6 134 524	5 445 279
Liabilities under finance leases		30 937	33 159
Other financial liabilities		5 239	5 239
Derivative instruments		132 773	87 573
Provisions for employee benefits		5 855	5 267
Accruals, deferred income and government grants		12	48
		6 309 340	5 576 565
Current liabilities			
Current portion of interest-bearing loans and borrowings	24	1 709 325	1 858 032
Current portion of liabilities under finance leases		3 022	3 266
Trade and other payables		585 243	819 147
Derivative instruments		85 680	73 358
Provisions for employee benefits		627	516
Other provisions	25	25 119	110 580
Accruals, deferred income and government grants		8 969	11 475
Other non-financial liabilities		6 768	66 030
		2 424 753	2 942 404
Total liabilities		8 734 093	8 518 969
TOTAL EQUITY AND LIABILITIES		28 915 737	27 962 131

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE 9-MONTH PERIOD ENDED 30 SEPTEMBER 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		-	-	-	1 102 690	1 102 690
Other comprehensive income	23.4	-	-	(31 166)	(58)	(31 224)
Total comprehensive income for the period		-	-	(31 166)	1 102 632	1 071 466
Distribution of prior years profits	23.3	-	1 355 987	-	(1 355 987)	-
Dividends	12, 23.5	-	-	-	(332 984)	(332 984)
As at 30 September 2014 (unaudited)		8 762 747	10 393 686	(157 817)	1 183 028	20 181 644

FOR THE 9-MONTH PERIOD ENDED 30 SEPTEMBER 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		-	-	-	1 628 215	1 628 215
Other comprehensive income		-	-	43 873	8	43 881
Total comprehensive income for the period		-	-	43 873	1 628 223	1 672 096
Distribution of prior years profits		-	1 084 678	-	(1 084 678)	-
Dividends		-	-	-	(350 510)	(350 510)
As at 30 September 2013 (unaudited)		8 762 747	9 037 699	(145 883)	1 709 031	19 363 594

CONDENSED INTERIM STATEMENT OF CASH FLOWS

	Note	9-month period ended 30 September 2014 <i>(unaudited)</i>	9-month period ended 30 September 2013 <i>(unaudited)</i>
Cash flows from operating activities			
Profit/(loss) before taxation		1 113 986	1 657 179
Adjustments for:			
Depreciation and amortization		16 972	17 628
(Gain)/loss on foreign exchange differences		(190)	1 421
Interest and dividends, net		(1 115 940)	(1 445 564)
(Gain)/loss on investing activities		1 377	2 866
(Increase)/decrease in receivables		328 282	256 890
(Increase)/decrease in inventories		(15 711)	113 147
Increase/(decrease) in payables excluding loans and borrowings		(299 831)	(19 307)
Change in other non-current and current assets		78 317	65 220
Change in deferred income, government grants and accruals		(2 542)	(2 443)
Change in provisions		(84 834)	(12 745)
Income tax paid		32 920	(35 618)
Net cash generated from (used in) operating activities		52 806	598 674
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment and intangible assets		22 431	17 635
Purchase of property, plant and equipment and intangible assets		(4 790)	(31 812)
Purchase of shares	32.1	(98 290)	(1 394)
Purchase of bonds	32.1	(3 480 520)	(4 315 000)
Redemption of bonds	32.1	1 854 067	2 080 000
Loans granted		(11 700)	(108 800)
Repayment of loans granted		5 850	161 390
Dividends received		1 075 166	1 500 627
Interest received	32.1	242 084	165 487
Net cash generated from (used in) investing activities		(395 702)	(531 867)
Cash flows from financing activities			
Proceeds from loans and borrowings		-	450 000
Dividends paid		(324 182)	(350 510)
Repayment of loans and borrowings		(61 364)	-
Issue of debt securities	32.2	1 200 000	-
Redemption of debt securities	32.2	(300 000)	-
Payment of finance lease liabilities		(2 430)	(380)
Interest paid	32.2	(164 533)	(160 017)
Commission paid		(9 000)	(10 095)
Net cash generated from (used in) financing activities		338 491	(71 002)
Net increase / (decrease) in cash and cash equivalents		(4 405)	(4 195)
Net foreign exchange difference		190	(1 421)
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	(1 202 826)	(397 715)
restricted cash		46 005	101 295

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 9-month period ended 30 September 2014 and present comparative data for the 9-month period ended 30 September 2013 as well as figures as at 31 December 2013.

The data for the 9-month period ended 30 September 2014 and the comparative data for the 9-month period ended 30 September 2013, as contained herein, have not been audited or reviewed by a certified auditor. The comparative data as at 31 December 2013 were 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"), as endorsed by the European Union ("EU"), in particular in line with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34").

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 9-month period ended 30 September 2014 were approved for publication on 12 November 2014.

The Company also prepared the condensed interim consolidated financial statements for the 9-month period ended 30 September 2014, which were approved for publication by the Management Board on 12 November 2014.

These condensed interim financial statements are part of the consolidated report, which also includes the condensed interim consolidated financial statements for the 9-month period ended 30 September 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 applicable in the EU to annual periods beginning on or after 1 January 2014:

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

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.

Interpretation issued by the International Financial Reporting Interpretations Committee, which has been endorsed by the European Union, but is not yet effective:

- IFRIC 21 *Levies* (published on 20 May 2013, approved in the EU on 13 June 2014). IFRIC 21 is an interpretation of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* – applicable in the EU to annual periods beginning on or after 17 June 2014.

Standards issued by the International Accounting Standards Board which have not been endorsed by the European Union and are not yet effective:

- IFRS 9 *Financial Instruments* was published by the IASB on 24 July 2014 and applies to annual periods beginning on or after 1 January 2018. The standard introduces a business model-based approach to classification and measurement of financial assets and the characteristics of cash flows. IFRS 9 provides a new loss impairment model which requires a more timely disclosure of expected credit losses. The new model also assumes a standardized impairment approach applied to all financial instruments. Moreover, IFRS 9 includes an enhanced general hedge accounting model. The amendments are aimed at adjusting the principles of recognizing risk management issues in financial statements and enable more adequate presentation of actions taken in the financial statements.
- IFRS 14 *Regulatory Deferral Accounts* was published by the IASB on 30 January 2014 and applies to annual periods beginning on or after 1 January 2016. IFRS 14 has been introduced as a transitional standard for first-time adopters;
- IFRS 15 *Revenue from Contracts with Customers* was published by the IASB on 28 May 2014 and applies to annual periods beginning on or after 1 January 2017. IFRS specifies how and when an IFRS reporter will recognize revenue and requires such entities to provide users of financial statements with more informative, relevant disclosures. The Standard replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts* and a number of interpretations concerning revenue recognition;
- Revised IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures: Sale or Contribution of Assets between Investor and its Associate or Joint Venture* were published by the IASB on 11 September 2014 and apply to annual periods beginning on or after 1 January 2016;
- Revised IFRS 11 *Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations* - published by the IASB on 6 May 2014 and applies to annual periods beginning on or after 1 January 2016. The amendments provide new guidelines on accounting for acquisitions of interests in joint operations constituting businesses;

- Revised IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortization* published by the IASB on 12 May 2014 and applicable to annual periods beginning on or after 1 January 2016.
- Revised IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture: Bearer Plants* published by the IASB on 30 June 2014 and applicable to annual periods beginning on or after 1 January 2016;
- Revised IAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions* was published by the IASB on 21 November 2013 and applies to annual periods beginning on or after 1 July 2014;
- Revised IAS 27 *Separate Financial Statements: Equity Method in Separate Financial Statements* was published by the IASB on 12 August 2014 and applies to annual periods beginning on or after 1 January 2016;
- Annual Improvements to IFRS (Cycle 2010-2012) – published by the IASB on 12 December 2013, applicable to annual periods beginning on or after 1 July 2014;
- Annual Improvements to IFRS (Cycle 2011-2013) – published by the IASB on 12 December 2013, applicable to annual periods beginning on or after 1 July 2014;
- Annual Improvements to IFRS (Cycle 2012-2014) – published by the IASB on 25 September 2014, applicable to annual periods beginning on or after 1 January 2016.

The Company analyzed the impact of the abovementioned standards and interpretations on the accounting policies applied, except for the impact of IFRS 9 *Financial Instruments* published in July 2014 and IFRS 15 *Revenue from Contracts with Customers* published in May 2014. The Company is analyzing the impact of IFRS 9 and IFRS 15 on the accounting policies applied. According to the Management Board other 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

As at 30 September 2014 the Company carried out an analysis which revealed that the market value of the Company’s net assets had not changed considerably in the third quarter of 2014. Therefore, it was assumed that the most recent results of impairment tests of shares recognized in non-current assets conducted as at 30 June 2014 were still true and that no impairment tests needed to be carried out as at the end of the reporting period. Full tests will be performed as at 31 December 2014.

Environment analysis was carried out as at 30 June 2014 and indicated insignificant environmental changeability versus 31 December 2013. Price paths and WACC rates were also reviewed. In the first half of 2014 plan performance of subsidiaries seemed to have exceeded the projections. Based on the analysis the current assumptions do not reduce the value in use of investments in subsidiaries, hence for test purposes the recoverable amount of shares was assumed at the level determined in the previous test as at 31 December 2013.

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 and analyses did not indicate the necessity to recognize any impairment losses on shares held.

6. Shares in related parties

As at 30 September 2014, TAURON Polska Energia S.A. held direct shares in the following major subsidiaries:

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	100.00%	100.00%
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. in liquidation ²	Tarnów	Sale of electricity	100.00%	100.00%
7	TAURON Ciepło Sp. z o.o. ³	Katowice	Production and distribution of heat	100.00%	100.00%
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. ⁴	Jaworzno	Hard coal mining	100.00%	100.00%
11	Kopalnia Wapienia Czatkowice Sp. z o.o. ⁴	Krzyszowice	Limestone quarrying, crushing and grinding; stone quarrying	100.00%	100.00%

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.

² On 2 July 2014 the company was put under liquidation, as discussed in detail in Note 34.

³ On 30 April 2014, a business combination under common control of Enpower Service Sp. z o.o. and TAURON Ciepło S.A. was registered. At the same time, the name of the acquirer has been changed to TAURON Ciepło Sp. z o.o.

⁴ On 28 August 2014 TAURON Polska Energia S.A. acquired shares in TAURON Wydobycie S.A. and in Kopalnia Wapienia Czatkowice Sp. z o.o. from TAURON Wytwarzanie S.A. Consequently, as at 30 September 2014 TAURON Polska Energia S.A. directly held 100% shares in TAURON Wydobycie S.A. and 100% shares in Kopalnia Wapienia Czatkowice Sp. z o.o., as discussed in detail in Note 16.

As at 30 September 2014, TAURON Polska Energia S.A. held indirect interest 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 30 September 2014
1	TAURON Dystrybucja Serwis S.A. ¹	Wrocław	Repair and maintenance of electrical equipment	99.71%	99.71%	TAURON Dystrybucja S.A.
2	TAURON Dystrybucja Pomiary 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 TAURON Dystrybucja S.A.

Additionally, as at 30 September 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 30 September 2014
1	Elektrociepłownia Stalowa Wola S.A.	Stalowa Wola	Production, transmission, distribution and sales of electricity	50.00%	50.00%	TAURON Wytwarzanie S.A.
2	Elektrownia Błachownia Nowa Sp. z o.o.	Kędzierzyn Koźle	Generation of electricity	50.00%	50.00%	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 9-month period ended 30 September 2014, the Company recognized dividend income of PLN 1 076 836 thousand, while in the period of 9 months of 2013 it was PLN 1 500 627 thousand.

8. Information on operating segments

The Company carries out its business in two operating segments, that is "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;
- receivables arising from dividend from 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.

TAURON Polska Energia S.A.
Condensed interim financial statements for the 9-month period ended 30 September 2014
(in PLN '000)

“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.

EBIT is the profit/loss on continuing operations before deducting taxes, financial income and expenses.

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

For the 9-month period ended 30 September 2014 or as at 30 September 2014 (unaudited)

	Sales	Holding activity	Unallocated items	Total
Revenue				
Sales outside the Group	2 089 203	-	-	2 089 203
Sales within the Group	4 183 602	-	-	4 183 602
Segment revenue	6 272 805	-	-	6 272 805
Profit/(loss) of the segment	96 802	-	-	96 802
Unallocated expenses	-	-	(81 442)	(81 442)
EBIT	96 802	-	(81 442)	15 360
Net finance income (costs)	-	1 095 998	2 628	1 098 626
Profit/(loss) before income tax	96 802	1 095 998	(78 814)	1 113 986
Income tax expense	-	-	(11 296)	(11 296)
Net profit/(loss) for the period	96 802	1 095 998	(90 110)	1 102 690
Assets and liabilities				
Segment assets	1 214 603	27 646 720	-	28 861 323
Unallocated assets	-	-	54 414	54 414
Total assets	1 214 603	27 646 720	54 414	28 915 737
Segment liabilities	579 271	8 076 301	-	8 655 572
Unallocated liabilities	-	-	78 521	78 521
Total liabilities	579 271	8 076 301	78 521	8 734 093
EBIT	96 802	-	(81 442)	15 360
Depreciation/amortization	(16 972)	-	-	(16 972)
EBITDA	113 774	-	(81 442)	32 332
Other segment information				
Capital expenditure *	2 046	-	-	2 046

* 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 9-month period ended 30 September 2014, revenue from sales to two major clients, being members of the Capital Group, represented 45% and 12% of the Company’s total revenue in the “Sales” segment, amounting to PLN 2 802 795 thousand and PLN 726 041 thousand, respectively.

For the 9-month period ended 30 September 2013 (unaudited) or as at 31 December 2013

	Sales	Holding activity	Unallocated items	Total
Revenue				
Sales outside the Group	2 248 839	-	-	2 248 839
Sales within the Group	5 809 552	-	-	5 809 552
Segment revenue	8 058 391	-	-	8 058 391
Profit/(loss) of the segment	290 702	-	-	290 702
Unallocated expenses	-	-	(79 706)	(79 706)
EBIT	290 702	-	(79 706)	210 996
Net finance income (costs)	-	1 446 141	42	1 446 183
Profit/(loss) before income tax	290 702	1 446 141	(79 664)	1 657 179
Income tax expense	-	-	(28 964)	(28 964)
Net profit/(loss) for the period	290 702	1 446 141	(108 628)	1 628 215
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
EBIT	290 702	-	(79 706)	210 996
Depreciation/amortization	(17 628)	-	-	(17 628)
EBITDA	308 330	-	(79 706)	228 624
Other segment information				
Capital expenditure *	13 526	-	-	13 526

* 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 9-month period ended 30 September 2013, revenue from sales to two major clients, being members of the Capital Group, represented 45% and 13% of the Company's total revenue in the "Sales" segment, amounting to PLN 3 626 963 thousand and PLN 1 037 715 thousand, respectively.

For the 3-month period ended 30 September 2014 (unaudited)

	Sales	Holding activity	Unallocated items	Total
Revenue				
Sales outside the Group	726 895	-	-	726 895
Sales within the Group	1 270 354	-	-	1 270 354
Segment revenue	1 997 249	-	-	1 997 249
Profit/(loss) of the segment	18 078	-	-	18 078
Unallocated expenses	-	-	(28 331)	(28 331)
EBIT	18 078	-	(28 331)	(10 253)
Net finance income (costs)	-	10 405	7 479	17 884
Profit/(loss) before income tax	18 078	10 405	(20 852)	7 631
Income tax expense	-	-	5 847	5 847
Net profit/(loss) for the period	18 078	10 405	(15 005)	13 478
EBIT	18 078	-	(28 331)	(10 253)
Depreciation/amortization	(3 782)	-	-	(3 782)
EBITDA	21 860	-	(28 331)	(6 471)
Other segment information				
Capital expenditure *	1 408	-	-	1 408

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

For the 3-month period ended 30 September 2013 (unaudited)

	Sales	Holding activity	Unallocated items	Total
Revenue				
Sales outside the Group	717 830	-	-	717 830
Sales within the Group	1 782 566	-	-	1 782 566
Segment revenue	2 500 396	-	-	2 500 396
Profit/(loss) of the segment	42 507	-	-	42 507
Unallocated expenses	-	-	(26 870)	(26 870)
EBIT	42 507	-	(26 870)	15 637
Net finance income (costs)	-	(5 735)	(15 907)	(21 642)
Profit/(loss) before income tax	42 507	(5 735)	(42 777)	(6 005)
Income tax expense	-	-	(12 617)	(12 617)
Net profit/(loss) for the period	42 507	(5 735)	(55 394)	(18 622)
EBIT	42 507	-	(26 870)	15 637
Depreciation/amortization	(6 072)	-	-	(6 072)
EBITDA	48 579	-	(26 870)	21 709
Other segment information				
Capital expenditure *	3 847	-	-	3 847

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

9. Sales revenue

	9-month period ended 30 September 2014 (unaudited)	9-month period ended 30 September 2013 (unaudited)
Revenue from sales of goods for resale and materials (excise duty not excluded)	6 212 317	8 001 358
Excise duty	(11 275)	(8 667)
Revenue from sales of goods for resale and materials, of which:	6 201 042	7 992 691
Electricity	5 838 433	7 281 927
Gas	54 576	57 912
Energy certificates	233 719	438 056
Emission allowances	73 661	213 427
Other	653	1 369
Rendering of services, of which:	71 763	65 700
Trading services	39 795	44 468
Other	31 968	21 232
Total sales revenue	6 272 805	8 058 391

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 9-month period ended 30 September 2014, raw materials purchased and subsequently resold in the abovementioned transactions amounted to PLN 1 347 996 thousand, while revenue from agency services amounted to PLN 26 579 thousand, which represents a major part of revenue from trading services.

10. Expenses by type

	9-month period ended 30 September 2014 <i>(unaudited)</i>	9-month period ended 30 September 2013 <i>(unaudited)</i>
Costs by type		
Depreciation of property, plant and equipment and amortization of intangible assets	(16 972)	(17 628)
Materials and energy	(864)	(2 028)
Consultancy services	(3 133)	(6 185)
Distribution services	(164)	(1 477)
IT services	(22 438)	(9 620)
Other external services	(15 322)	(14 664)
Taxes and charges	(3 711)	(18 215)
Employee benefits expense	(52 484)	(48 970)
Inventory write-downs	(3 120)	(4 412)
Allowance for doubtful debts	(11)	(519)
Advertising costs	(23 741)	(21 133)
Other	(1 620)	(1 577)
Total costs by type	(143 580)	(146 428)
Change in prepayments, accruals and deferred income	-	2 211
Selling and distribution expenses	20 043	31 347
Administrative expenses	81 442	79 706
Cost of goods for resale and materials sold	(6 115 114)	(7 703 336)
Cost of sales	(6 157 209)	(7 736 500)

A decrease in the costs of taxes and charges in the 9-month period ended 30 September 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:

	9-month period ended 30 September 2014 <i>(unaudited)</i>	9-month period ended 30 September 2013 <i>(unaudited)</i>
Current income tax	(2 736)	(28 964)
Deferred tax	(8 560)	-
Income tax expense in profit/(loss)	(11 296)	(28 964)
Income tax expense relating to other comprehensive income	7 324	-

In the 9-month period ended 30 September 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:

	As at 30 September 2014 (unaudited)	As at 31 December 2013
Deferred tax liability		
- difference between tax base and carrying amount of fixed and intangible assets	692	2 314
- due interest on bonds	15 753	10 038
- difference between tax base and carrying amount of other financial assets	4 104	2 670
- other	314	143
Deferred tax liability	20 863	15 165

	As at 30 September 2014 (unaudited)	As at 31 December 2013
Deferred tax assets		
- provisions for the obligation to surrender energy certificates	4 773	20 861
- provisions for employee benefits	1 231	1 099
- other provisions and accruals	1 603	2 178
- difference between tax base and carrying amount of fixed and intangible assets	1 151	1 017
- difference between tax base and carrying amount of financial liabilities	13 641	4 013
- valuation of hedging instruments	41 209	30 354
- other	1 603	1 227
Deferred tax assets, of which:	65 211	60 749
Deferred tax assets recognized in profit or loss	28 147	31 009
Deferred tax assets recognized in other comprehensive income	37 064	29 740
Deferred tax asset, net	44 348	45 584
Deferred tax in the statement of financial position	44 348	45 584

11.3. Tax Capital Group

Major companies constituting the Tax Capital Group are TAURON Polska Energia S.A., TAURON Wytwarzanie S.A., TAURON Dystrybucja S.A., TAURON Ciepło Sp. z o.o., 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. in liquidation.

In the 9-month period ended 30 September 2014 income tax expense of the Tax Capital Group amounted to PLN 149 482 thousand. At the same time, the Tax Capital Group paid advances for tax for 2014 in the amount of PLN 125 087 thousand. Moreover, as at 30 September 2014, the income tax overpaid for 2013 in the amount of PLN 33 361 thousand was set off against advances for tax for 2014. The surplus of tax prepayments over tax expense of PLN 8 966 thousand paid by the Tax Capital Group adjusted by the liability of the Tax Capital Group due to interest of PLN 17 thousand, has been recognized in the financial statements as income tax receivable.

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 28 753 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 16 274 thousand, which have been presented in the statement of financial position under "Trade and other receivables".

12. Dividends paid and proposed

On 15 May 2014, the Ordinary General Shareholders' Meeting adopted a resolution to allocate PLN 332 984 thousand to dividend payment to the Company's shareholders (PLN 0.19 per share). The dividend was paid out from the net profit generated by the Company in 2013, which amounted to PLN 1 688 972 thousand. The record date was set at 14 August 2014 and the payment date at 4 September 2014. As at the balance sheet date, dividends payable amounted to PLN 8 802 thousand and resulted entirely from tax on dividends payable by the Company. By the date of approving these condensed interim financial statements for publication the liability has been fully paid.

On 16 May 2013, the Ordinary 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

For the 9-month period ended 30 September 2014 (unaudited)

	Plant and machinery	Motor vehicles	Other	Assets under construction	Property, plant and equipment, total
Cost					
Opening balance	7 125	4 714	11 519	2	23 360
Direct purchase	-	-	-	1 403	1 403
Allocation of assets under construction	-	1 195	208	(1 403)	-
Donations	(97)	-	-	-	(97)
Liquidation	(115)	-	(584)	-	(699)
Other changes	-	(33)	-	-	(33)
Closing balance	6 913	5 876	11 143	2	23 934
ACCUMULATED DEPRECIATION					
Opening balance	(3 840)	(3 416)	(6 915)	-	(14 171)
Depreciation for the period	(2 503)	(693)	(1 510)	-	(4 706)
Donations	97	-	-	-	97
Liquidation	115	-	584	-	699
Closing balance	(6 131)	(4 109)	(7 841)	-	(18 081)
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	3 285	1 298	4 604	2	9 189
NET CARRYING AMOUNT AT THE END OF THE PERIOD	782	1 767	3 302	2	5 853

For the 9-month period ended 30 September 2013 (unaudited)

	Plant and machinery	Motor vehicles	Other	Assets under construction	Property, plant and equipment, total
Cost					
Opening balance	19 871	4 132	10 991	-	34 994
Direct purchase	-	-	-	2 143	2 143
Transfers from intangible assets not made available for use	-	-	-	4 384	4 384
Allocation of assets under construction	5 195	582	748	(6 525)	-
Sales	(17 654)	-	(145)	-	(17 799)
Donations	(92)	-	-	-	(92)
Liquidation	-	-	(74)	-	(74)
Closing balance	7 320	4 714	11 520	2	23 556
ACCUMULATED DEPRECIATION					
Opening balance	(6 924)	(2 390)	(4 894)	-	(14 208)
Depreciation for the period	(2 592)	(777)	(1 693)	-	(5 062)
Sales	6 454	-	73	-	6 527
Donations	92	-	-	-	92
Liquidation	-	-	65	-	65
Closing balance	(2 970)	(3 167)	(6 449)	-	(12 586)
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	12 947	1 742	6 097	-	20 786
NET CARRYING AMOUNT AT THE END OF THE PERIOD	4 350	1 547	5 071	2	10 970

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 2 712 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 9-month period ended 30 September 2014, the revenue from investment property lease reached PLN 4 230 thousand.

15. Non-current intangible assets

For the 9-month period ended 30 September 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	4	1 333	-	639	1 976
Allocation of intangible assets not made available for use	2 102	-	69	(2 171)	-
Sales	(33 220)	-	-	(2 481)	(35 701)
Liquidation	(1 166)	-	-	-	(1 166)
Reclassification	-	(16 182)	-	-	(16 182)
Closing balance	21 735	5 401	1 406	3	28 545
ACCUMULATED AMORTIZATION					
Opening balance	(21 949)	-	(696)	-	(22 645)
Amortization for the period	(9 377)	-	(176)	-	(9 553)
Sales	14 110	-	-	-	14 110
Liquidation	1 157	-	-	-	1 157
Closing balance	(16 059)	-	(872)	-	(16 931)
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	5 676	5 401	534	3	11 614

In the 9-month period ended 30 September 2014, the Company sold intangible assets with the gross value of PLN 35 701 thousand and accumulated amortization of PLN 14 110 thousand to its subsidiary, TAURON Obsługa Klienta Sp. z o.o.

In the 9-month period ended 30 September 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.

For the 9-month period ended 30 September 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	-	10 890	-	11 383	22 273
Allocation of intangible assets not made available for use	7 355	-	3	(7 358)	-
Sales	(12 389)	-	(69)	(296)	(12 754)
Transfers to fixed assets	-	-	-	(4 384)	(4 384)
Other changes	(161)	-	-	(274)	(435)
Closing balance	53 841	10 890	1 038	2 952	68 721
ACCUMULATED AMORTIZATION					
Opening balance	(10 410)	-	(558)	-	(10 968)
Amortization for the period	(12 420)	-	(146)	-	(12 566)
Sales	4 092	-	19	-	4 111
Closing balance	(18 738)	-	(685)	-	(19 423)
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	35 103	10 890	353	2 952	49 298

16. Shares

Changes in the balance of long-term investments from 1 January 2014 to 30 September 2014 (unaudited)

No.	Company	Opening balance	Increases	Decreases	Closing balance
1	TAURON Wytwarzanie S.A.	7 590 778	8 911	(345 979)	7 253 710
2	TAURON Dystrybucja S.A.	9 511 628	-	-	9 511 628
3	TAURON Ciepło S.A.	1 335 738	357 725	(1 693 463)	-
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. in liquidation	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.	-	494 755	-	494 755
11	TAURON Wytwarzanie GZE Sp. z o.o.	4 935	-	-	4 935
12	Kopalnia Wapienia Czatkowice Sp. z o.o.	-	41 178	-	41 178
13	CONCORDE INVESTISSEMENT S.A.	12	-	-	12
14	CC Poland Plus Sp. z o.o.	12	-	-	12
15	Energopower Sp. z o.o.	45	-	-	45
16	TAURON Ciepło Sp. z o.o. (formerly: Enpower Service Sp. z o.o.)	49	1 693 463	-	1 693 512
17	Enpower Sp. z o.o.	25	20	-	45
18	TAURON Ubezpieczenia Sp. z o.o.	25	-	-	25
19	Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. w Tychach	1 872	-	-	1 872
20	TAMEH HOLDING Sp. z o.o.	-	83	-	83
21	TAMEH POLSKA Sp. z o.o.	-	5	-	5
22	Marselwind Sp. z o.o.	-	5	-	5
Total		20 221 322	2 596 145	(2 039 442)	20 778 025

Changes in long-term investments in the 9-month period ended 30 September 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.

Squeeze out of minority shareholders of TAURON Ciepło S.A.

Due to the squeeze out (mandatory acquisition) of minority shareholders of TAURON Ciepło S.A. the value of shares in TAURON Ciepło S.A. has increased by PLN 11 746 thousand. Following the squeeze out, the interests in the company held by TAURON Polska Energia S.A. have reached 100%.

Business combination under common control of Enpower Service Sp. z o.o. and TAURON Ciepło S.A. and the change of the company's name

On 30 April 2014, a business combination under common control 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. z o.o. At the same time, the name of the acquirer has been changed to TAURON Ciepło Sp. z o.o.

TAURON Polska Energia S.A. reclassified the book value of its investments in TAURON Ciepło S.A. to investments in TAURON Ciepło Sp. z o.o. (formerly: Enpower Service Sp. z o.o.) of PLN 1 693 463 thousand.

Purchase 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. PLN 232 500 thousand was paid on the day of concluding the agreement, while PLN 77 500 thousand – on 22 January 2014 after the conditions precedent for transferring the ownership of shares in TAURON Wydobywanie S.A. were fulfilled. In the same day the title to shares in TAURON Wydobywanie S.A. held by Kompania Węglowa S.A. was transferred onto the Company.

Under the agreement TAURON Polska Energia S.A. held 100% of shares in TAURON Wydobywanie S.A., which gave 100% of votes at the entity's General Shareholders' Meeting, where 47.52% of shares representing 31.99% of votes were 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 Wydobywanie S.A. were at the Company's disposal under the agreement on the use of shares in TAURON Wydobywanie S.A., held by TAURON Wytwarzanie S.A.

Purchase of the remaining shares in TAURON Wydobywanie S.A. and in Kopalnia Wapienia Czatkowice Sp. z o.o.

On 28 August 2014 TAURON Polska Energia S.A. acquired the remaining shares in TAURON Wydobywanie S.A. and in Kopalnia Wapienia Czatkowice Sp. z o.o. from its subsidiary - TAURON Wytwarzanie S.A. Consequently, as at 30 September 2014 TAURON Polska Energia S.A. directly held 100% of shares in TAURON Wydobywanie S.A. and 100% shares in Kopalnia Wapienia Czatkowice Sp. z o.o.

Following the transaction the value of shares in TAURON Wydobywanie S.A. increased by PLN 184 755 thousand and the value of shares in Kopalnia Wapienia Czatkowice Sp. z o.o. increased to PLN 41 178 thousand.

Squeeze out of minority shareholders of TAURON Wytwarzanie S.A.

Due to the squeeze out (mandatory acquisition) of minority shareholders of TAURON Wytwarzanie S.A. the value of shares in TAURON Wytwarzanie S.A. has increased by PLN 8 911 thousand. Following the squeeze out the interests in the company held by TAURON Polska Energia S.A. have reached 100%.

Establishing TAMEH HOLDING Sp. z o.o. and TAMEH POLSKA Sp. z o.o.

On 9 July 2014 TAURON Polska Energia S.A. established TAMEH HOLDING Sp. z o.o. and TAMEH POLSKA Sp. z o.o., both companies registered in Dąbrowa Górnicza. The entities were set up to carry out a shared project of the TAURON Group and ArcelorMittal Poland S.A.

On 11 August 2014 the TAURON Group entered into an agreement with ArcelorMittal. The agreement in question states that when conditions precedent have been met the entities will become shareholders in TAMEH HOLDING Sp. z o.o. which will carry out investment and operational projects related to industrial power sector. The Agreement was concluded for the period of 15 years with possible term extension.

Each capital group will hold 50% of shares in TAMEH HOLDING Sp. z o.o. TAMEH HOLDING Sp. z o.o. will hold 100% of shares in the Polish operational company – TAMEH POLSKA Sp. z o.o. composed of: Zakład Wytwarzania w Dąbrowie Górniczej (ZW Nowa), Elektrownia Blachownia and Elektrociepłownia w Krakowie (EC Kraków).

By the date of approving these condensed interim financial statements for publication the conditions precedent for commencement of operational activities had not been met.

Changes in the balance of long-term investments from 1 January 2013 to 30 September 2013 (unaudited)

No.	Company	Opening balance	Increases / Decreases	Closing balance
1	TAURON Wytwarzanie S.A.	8 118 182	(541 307)	7 576 875
2	TAURON Dystrybucja S.A.	9 511 628	-	9 511 628
3	TAURON Ciepło S.A.	773 334	541 307	1 314 641
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	PKE Broker Sp. z o.o.	-	1 394	1 394
10	TAURON Sprzedaż GZE Sp. z o.o.	129 821	2	129 823
11	TAURON Obsługa Klienta GZE Sp. z o.o.	13 523	(13 523)	-
12	TAURON Wytwarzanie GZE Sp. z o.o.	4 935	-	4 935
13	CONCORDE INVESTISSEMENT S.A.	12	-	12
14	CC Poland Plus Sp. z o.o.	12	-	12
15	Energopower Sp. z o.o.	25	-	25
16	Enpower Service Sp. z o.o. (currently TAURON Ciepło Sp. z o.o.)	25	-	25
17	Enpower Sp. z o.o.	25	-	25
18	TAURON Ubezpieczenia Sp. z o.o.	25	-	25
Total		20 184 404	1 396	20 185 800

Changes in long-term investments in the 9-month period ended 30 September 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);
- Acquisition of shares in PKE Broker Sp. z o.o.

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. 30 September 2014 and 31 December 2013, broken down by individual TAURON Group companies issuing the bonds.

TAURON Polska Energia S.A.
Condensed interim financial statements for the 9-month period ended 30 September 2014
(in PLN '000)

Company	As at 30 September 2014 (<i>unaudited</i>)		As at 31 December 2013	
	nominal value of purchased bonds	accrued interest	nominal value of purchased bonds	accrued interest
TAURON Wytwarzanie S.A.	1 940 000	11 507	2 170 000	12 916
TAURON Dystrybucja S.A.	2 000 000	55 022	1 510 000	34 514
TAURON Ekoenergia Sp. z o.o. ¹	1 155 000	2 816	200 000	641
BELS INVESTMENT Sp. z o.o. ¹	-	-	275 000	634
MEGAWAT MARSZEWO Sp. z o.o. ¹	-	-	680 000	1 622
TAURON Ciepło Sp. z o.o.	1 005 520	8 078	230 000	2 187
TAURON Wydobycie S.A.	380 000	3 820	100 000	316
TAURON Obsługa Klienta Sp. z o.o.	85 000	1 667	-	-
Total bonds:	6 565 520	82 910	5 165 000	52 830
non-current	6 550 000	139	5 165 000	-
current	15 520	82 771	-	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 6 550 000 thousand as at the end of the reporting period, including those maturing within one year and amounting to PLN 2 290 000 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.

The current assets include one of intra-group bond series in the amount of PLN 15 520 thousand issued by TAURON Ciepło Sp. z o.o. and taken up by TAURON Polska Energia S.A. intended for redemption in January 2015 at their redemption date.

18. Loans granted

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 loans presented below 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 30 September 2014 (<i>unaudited</i>)		As at 31 December 2013	
	Principal	Interest	Principal	Interest
Subordinated loan	177 000	19 194	177 000	12 310
VAT loan	5 850	13	-	-
Total loans, including:	182 850	19 207	177 000	12 310
Long-term	177 000	19 194	177 000	12 310
Short-term	5 850	13	-	-

19. Current intangible assets

Under current intangible assets, the Company discloses energy certificates.

	9-month period ended 30 September 2014 <i>(unaudited)</i>	9-month period ended 30 September 2013 <i>(unaudited)</i>
COST		
Opening balance	98 149	113 302
Direct purchase	4 994	97 885
Cancellation	(98 182)	(119 093)
Reclassification	12 380	-
Closing balance	17 341	92 094
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	17 341	92 094

In the 9-month period ended 30 September 2014, the Company surrendered energy certificates of PLN 98 182 thousand to fulfil the obligation for 2013.

20. Inventories

	As at 30 September 2014 <i>(unaudited)</i>	As at 31 December 2013
Historical cost		
Energy certificates	32 737	10 543
Emission allowances	134 928	138 715
Merchandise	13	13
Materials	470	46
Total	168 148	149 317
Write-downs to net realizable value		
Energy certificates	(3 120)	-
Total	(3 120)	-
Net realizable value		
Energy certificates	29 617	10 543
Emission allowances	134 928	138 715
Merchandise	13	13
Materials	470	46
Total	165 028	149 317

As at the balance sheet date the Company recognized impairment loss for certificates for energy from renewable sources in the amount of PLN 3 120 thousand.

21. Trade and other receivables

	As at 30 September 2014 <i>(unaudited)</i>	As at 31 December 2013
Trade receivables	768 611	1 083 164
Other financial receivables, including:	27 413	51 692
Receivables from sales of intangible assets	-	1 015
Collateral paid	9 127	22 189
TCG receivables	16 274	27 528
Dividends receivable	1 670	-
Other financial receivables	342	960
Total	796 024	1 134 856

Other non-current receivables are disclosed as other financial assets under non-current assets in the statement of financial position. As at 30 September 2014 other non-current receivables amounted to PLN 5 285 thousand. As at 31 December 2013 other non-current receivables amounted to PLN 5 239 thousand.

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. This – in the opinion of the management – eliminates any additional credit risk over the level defined by the allowance for bad debts applied to 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 30 September 2014 (unaudited)

	Not past due	Past due				Total
		< 30 days	30-180 days	180-360 days	>360 days	
Value of item before allowance/write-down						
Trade receivables	757 464	10 484	668	28	-	768 644
Other financial receivables	27 413	-	-	-	702	28 115
Total	784 877	10 484	668	28	702	796 759
Allowance/write-down						
Trade receivables	-	-	(5)	(28)	-	(33)
Other financial receivables	-	-	-	-	(702)	(702)
Total	-	-	(5)	(28)	(702)	(735)
Value of item net of allowance (carrying amount)						
Trade receivables	757 464	10 484	663	-	-	768 611
Other financial receivables	27 413	-	-	-	-	27 413
Total	784 877	10 484	663	-	-	796 024

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

	Not past due	Past due				Total
		< 30 days	30-180 days	180-360 days	>360 days	
Value of item before allowance/write-down						
Trade receivables	1 076 638	6 463	72	-	-	1 083 173
Other financial receivables	51 692	-	-	-	664	52 356
Total	1 128 330	6 463	72	-	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	72	-	-	1 083 164
Other financial receivables	51 692	-	-	-	-	51 692
Total	1 128 321	6 463	72	-	-	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 30 September 2014 (unaudited)	As at 31 December 2013
Cash at bank and in hand	60 988	77 978
Short-term deposits (up to 3 months)	92 931	429 149
Total cash and cash equivalents presented in the statement of financial position, of which:	153 919	507 127
restricted cash	46 005	70 330
Cash pool	(1 346 734)	(1 615 281)
Overdraft	(13 206)	(93 645)
Foreign exchange and other differences	3 195	3 378
Total cash and cash equivalents presented in the statement of cash flows	(1 202 826)	(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.

The balance of restricted cash consists mainly of:

- cash held in the settlement account for trading in electricity on the Polish Power Exchange (Towarowa Giełda Energii S.A), amounting to PLN 33 187 thousand, and
- cash held in special purpose accounts for transactions carried out on the European Energy Exchange and ICE Futures Europe of PLN 12 818 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 30 September 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 30 September 2014, the value of 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 30 September 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

In the 9-month period ended 30 September 2014, the reserve capital was increased by PLN 1 355 987 thousand. Pursuant to a resolution of the Ordinary General Shareholders' Meeting of 15 May 2014 on distribution of profit for 2013, the amount in question was allocated to reserve capital.

23.4. Revaluation reserve from valuation of hedging instruments

	9-month period ended 30 September 2014 (unaudited)	9-month period ended 30 September 2013 (unaudited)
Opening balance	(126 651)	(189 756)
Revaluation of hedging instruments	(57 127)	22 483
Revaluation of hedging instruments charged to profit or loss for the period	18 651	21 390
Deferred income tax	7 310	-
Closing balance	(157 817)	(145 883)

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 30 September 2014, the Company recognized PLN (157 817) 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 216 890 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/loss for the period was charged with PLN 55 969 thousand, where PLN 37 318 thousand was the amount paid in respect of hedges used in relation to closed interest periods and PLN 18 651 thousand resulted from remeasurement 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.

23.5. Retained earnings and dividend limitation

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

- profit for the period of PLN 1 102 690 thousand;
- actuarial losses (including deferred tax) of PLN 58 thousand;
- allocation of the profit for 2013 to increase the reserve capital by PLN 1 355 987 thousand and dividend payment of PLN 332 984 thousand.

The amount of PLN 2 695 thousand, disclosed as retained earnings, may still be distributed.

24. Interest-bearing loans and borrowings

	As at 30 September 2014 <i>(unaudited)</i>	As at 31 December 2013
Non-current portion of loans and borrowings, including issued bonds:		
Issued bonds	5 041 986	4 291 460
Loans from the European Investment Bank	1 092 538	1 153 819
Total	6 134 524	5 445 279
Current portion of loans and borrowings, including issued bonds:		
Issued bonds	203 367	9 062
Cash pool loans received, including accrued interest	1 346 799	1 615 395
Loans from the European Investment Bank	145 953	139 930
Overdraft	13 206	93 645
Total	1 709 325	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 30 September 2014 and 31 December 2013.

Bonds as at 30 September 2014 (unaudited)

Tranche	Maturity date	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	PLN	7 864	847 480	-	-	847 480	-	-	-
B	12 December 2015	PLN	3 294	299 642	-	-	299 642	-	-	-
B	30 January 2015	PLN	929	150 000	-	150 000	-	-	-	-
C	12 December 2016	PLN	32 935	2 996 868	-	-	-	2 996 868	-	-
BGK*	20 December 2019	PLN	1 171	99 787	-	-	-	-	-	99 787
BGK*	20 December 2020	PLN	1 171	99 783	-	-	-	-	-	99 783
BGK*	20 December 2021	PLN	1 171	99 781	-	-	-	-	-	99 781
BGK*	20 December 2022	PLN	1 171	99 778	-	-	-	-	-	99 778
BGK*	20 December 2023	PLN	1 171	99 776	-	-	-	-	-	99 776
BGK*	20 December 2024	PLN	1 171	99 777	-	-	-	-	-	99 777
BGK*	20 December 2025	PLN	1 171	99 776	-	-	-	-	-	99 776
BGK*	20 December 2026	PLN	74	99 769	-	-	-	-	-	99 769
BGK*	20 December 2027	PLN	74	99 769	-	-	-	-	-	99 769
Total bonds			53 367	5 191 986	-	150 000	1 147 122	2 996 868	-	897 996

* Bank Gospodarstwa Krajowego

Bonds as at 31 December 2013

Tranche	Maturity date	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	PLN	252	847 060	-	-	847 060	-	-	-
B	12 December 2015	PLN	592	299 426	-	-	299 426	-	-	-
B	30 January 2015	PLN	2 300	150 000	-	-	150 000	-	-	-
C	12 December 2016	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. Interest is WIBOR 6M-based and is payable on a semi-annual basis.

Changes in the balance of bonds excluding interest accrued in the 9-month period ended 30 September 2014 and in the comparable period have been presented below.

	9-month period ended 30 September 2014 (unaudited)	9-month period ended 30 September 2013 (unaudited)
Opening balance	4 291 460	4 288 247
Issue	1 200 000	-
Redemption	(300 000)	-
Change in valuation	526	2 382
Closing balance	5 191 986	4 290 629

Pursuant to the agreement concluded in 2013 with Bank Gospodarstwa Krajowego in the 9-month period ended 30 September 2014 the Company issued bonds with the total par value of PLN 900 000 thousand, with redemption dates falling annually, from 20 December 2019 to 20 December 2027 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 Tranche E bonds with the redemption date of 28 April 2014 and the value of PLN 100 000 thousand took place on 28 March 2014.

After the balance sheet date the Company issued bonds for the amount of PLN 1 750 000 thousand, as discussed in detail in note 34 to these condensed interim financial statements.

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 agreements signed by the Company with banks include legal and financial covenants which are commonly used in such transactions. As at 30 September 2014, none of these covenants were breached and the contractual provisions were complied with.

24.2. Loans from the European Investment Bank

As at 30 September 2014, the balance of loans obtained from the European Investment Bank was PLN 1 238 491 thousand, including interest accrued of PLN 13 081 thousand. As at 31 December 2013, the outstanding amount was PLN 1 293 749 thousand.

In the 9-month period ended 30 September 2014, the Company repaid PLN 61 364 thousand of the principal amount and PLN 38 932 thousand of interest.

On 22 July 2014 TAURON Polska Energia S.A. concluded another credit facility agreement with the European Investment Bank for the amount of PLN 295 000 thousand for financing an investment project related to energy production from renewable sources and energy distribution. The project is planned to be completed by the end of 2016. By the date of approving these condensed interim financial statements for publication no funds have been disbursed under this agreement.

24.3. Cash pool

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

	As at 30 September 2014 <i>(unaudited)</i>	As at 31 December 2013
Interest receivable on loans granted under cash pool agreement	65	114
Total Receivables	65	114
Loans received under cash pool agreement	1 344 235	1 612 350
Interest payable on loans received under cash pool agreement	2 564	3 045
Total Liabilities	1 346 799	1 615 395

As at 30 September 2014 the surplus of liabilities due to the cash pool agreement over the receivables under the agreement in question reached PLN 1 346 734 thousand, while as at 31 December 2013 it was PLN 1 615 281 thousand.

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 30 September 2014, the outstanding amount was PLN 14 thousand (interest accrued).

24.4. Overdraft facilities

As at 30 September 2014, the balance of overdraft facilities was PLN 13 206 thousand and included the following items:

- 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 3 159 thousand (PLN 13 192 thousand);
- The cash pool agreement – PLN 14 thousand (interest accrued).

25. Other provisions

For the 9-month period ended 30 September 2014 (*unaudited*)

	Provision for the obligation to surrender energy certificates	Other provisions	Total provisions
Opening balance	109 792	788	110 580
Recognition	25 119	-	25 119
Reversal	(205)	(788)	(993)
Utilization	(109 587)	-	(109 587)
Closing balance	25 119	-	25 119

In 2014, in order to fulfill the obligation to surrender energy certificates 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 applied of PLN 205 thousand was reversed, reducing costs in 2014.

For the 9-month period ended 30 September 2013 (*unaudited*)

	Provision for the obligation to surrender energy certificates	Other provisions	Total provisions
Opening balance	118 250	788	119 038
Recognition	105 276	-	105 276
Utilization	(118 250)	-	(118 250)
Closing balance	105 276	788	106 064

26. Contingent liabilities

The Company's contingent liabilities arise mainly from collateral and guarantees given to subsidiaries. As at 30 September 2014, the structure of the Company's contingent liabilities was as follows:

Type of contingent liability	As at 30 September 2014 (<i>unaudited</i>)	Company of the TAURON Capital Group in respect of which contingent liability has been granted	Beneficiary
blank promissory note	40 000	TAURON Wytwarzanie S.A.	Regional Fund for Environmental Protection and Water Management in Katowice
	30 000	TAURON Ciepło Sp. z o.o.	
	1 180	TAURON Ciepło Sp. z o.o.	
collateral of a bank guarantee	1 899	TAURON Sprzedaż Sp. z o.o.	Powszechna Kasa Oszczędności Bank Polski S.A.
	492	Kopalnia Wapienia Czatkowice Sp. z o.o.	
	217	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
collateral of a contract	5 000	TAURON Wytwarzanie S.A.	Polskie Sieci Elektroenergetyczne S.A.
collateral of a contract	1 253	TAURON Czech Energy s.r.o.	SPP CZ a.s.

Changes in the 9-month period ended 30 September 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;
- TAURON Polska Energia S.A. granted collateral for the following agreements of its subsidiaries:
 - contract for provision of electricity transmission services concluded by TAURON Wytwarzanie S.A. – collateral amount of PLN 5 000 thousand for the benefit of Polskie Sieci Elektroenergetyczne S.A.

- trade contract of TAURON Czech Energy s.r.o. – collateral amount of EUR 300 thousand (PLN 1 253 thousand), for the benefit of SPP CZ a.s.;

- Under the master agreement for bank guarantees concluded with PKO Bank Polski S.A., the bank issues guarantees for subsidiaries. As at 30 September 2014 the balance of bank guarantees granted reached PLN 2 608 thousand (versus PLN 4 996 thousand as at 31 December 2013).

Claims filed by Huta Łaziska S.A.

Following the Company's business combination with Górnos Śląski 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 Łaziska 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 was held on 12 May 2014 and the date of the next hearing has not been determined yet.

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 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 Tranches A and B;
- up to PLN 6 900 000 thousand, valid until 31 December 2018 – as regards Tranches 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, the Company has filed a declaration of submission to enforcement up to PLN 1 500 000 thousand, valid until 20 December 2029.

Framework 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 30 September 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 30 September 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 2 608 thousand (Note 26 hereto) and to collateralize transactions entered into by the Company: a guarantee for CAO Central Allocation Office GmbH up to EUR 1 000 thousand (PLN 4 176 thousand) 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 2017.

Under the agreement in question, in the 9-month period ended 30 September 2014 the bank extended bank guarantees requested by the Company which expired during this period. As at 30 September 2014 no bank guarantees extended under the agreement were still valid.

Overdraft facility agreements

As at 30 September 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 104 388 thousand) – facility provided by NORDEA Bank Polska S.A.

Also, the Company has provided declarations of submission to enforcement as collateral for the following 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 130 484 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 30 September 2014, such deposits amounted to PLN 12 817 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. Currently, the Company's transactions concluded on the Polish Power Exchange are collateralized with EUA emission allowances for 6 600 thousand tons on the account of TAURON Polska Energia S.A. kept by the Register of Allowances pursuant to the Alienation Agreement concluded by IRGIT and the Company.

TAURON Polska Energia S.A. is a party to a finance lease agreement concerning real property in Katowice with the carrying amount of PLN 33 457 thousand as at 30 September 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 30 September 2014 the Company had no capital commitments.

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 payables have been presented in the tables below.

Revenue and expense

	9-month period ended 30 September 2014 <i>(unaudited)</i>	9-month period ended 30 September 2013 <i>(unaudited)</i>
Revenue from subsidiaries, of which:	6 909 514	9 126 917
Revenue from operating activities	5 537 502	7 434 768
Revenue from sale of fixed assets and intangible assets	21 605	19 286
Dividend income	1 075 565	1 500 213
Finance income	274 842	172 650
Revenue from jointly controlled entities	21 526	7 381
Revenue from State Treasury companies	556 169	834 420
Costs from subsidiaries, of which:	(2 133 318)	(3 746 489)
Costs of operating activities	(2 109 342)	(3 726 059)
Finance costs	(23 976)	(20 430)
Costs from State Treasury companies	(611 524)	(1 042 804)

Receivables and liabilities

	As at 30 September 2014 <i>(unaudited)</i>	As at 31 December 2013
Loans granted to subsidiaries and receivables from subsidiaries, of which:	7 221 656	6 089 671
Bonds	6 648 430	5 217 830
Interest receivable on loans granted under cash pool agreement	65	114
Trade receivables	554 960	842 514
Dividends receivable	1 670	-
TCG receivables	16 269	27 528
Other financial receivables	262	1 685
Loans granted to jointly controlled entities	202 057	189 310
Receivables from State Treasury companies	84 141	114 143
Advance payments for deliveries to State Treasury Companies	11 530	-
Liabilities to subsidiaries, of which:	1 680 280	2 054 937
Trade payables	299 489	409 960
Loans received under cash pool agreement plus interest accrued	1 346 799	1 615 395
Liabilities arising from the TCG	28 753	23 974
Other financial liabilities	5 239	5 608
Liabilities to State Treasury companies	95 987	166 197

Revenue from related parties includes revenue from sales of coal and biomass to TAURON Wytwarzanie S.A. and TAURON Ciepło Sp. z o.o., which is 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 9-month period ended 30 September 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 1 077 753 thousand and PLN 2 623 101 thousand, respectively.

In the 9-month period ended 30 September 2014, KGHM Polska Miedź S.A., PKP Energetyka S.A. and Kompania Węglowa 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 74% of the total revenue generated in transactions with State Treasury companies.

The highest costs resulted from transactions with Kompania Węglowa S.A. and Katowicki Holding Węglowy 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 9-month period ended 30 September 2014 and in the comparative period has been presented in the table below.

	9-month period ended 30 September 2014 <i>(unaudited)</i>	9-month period ended 30 September 2013 <i>(unaudited)</i>
Board of Directors	7 322	6 185
Short-term employee benefits (salaries and surcharges)	5 296	5 573
Post-service benefits for a Member of the Management Board	1 123	-
Termination benefits	300	-
Other	603	612
Supervisory Board	647	702
Short-term employee benefits (salaries and surcharges)	647	702
Other members of key management personnel	10 195	9 498
Short-term employee benefits (salaries and surcharges)	9 247	8 591
Post-employment benefits	140	126
Other	808	781
Total	18 164	16 385

No loans have been 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	Note	As at 30 September 2014 (unaudited)		As at 31 December 2013	
		Carrying amount	Fair value	Carrying amount	Fair value
1 Financial assets at fair value through profit or loss		1 114	1 114	34	34
Derivative instruments		1 114	1 114	34	34
2 Financial assets available for sale		7 039	-	6 973	-
Long-term shares	16, 30.3	7 039	-	6 973	-
3 Loans and receivables		7 651 796	-	6 547 235	-
Trade receivables	21	768 611	-	1 083 164	-
Receivables from sales of intangible assets	21	-	-	1 015	-
Dividends receivable	21	1 670	-	-	-
Bonds	17	6 648 430	-	5 217 830	-
Other loans granted	18	202 057	-	189 310	-
Other financial receivables	21	31 028	-	55 916	-
4 Financial assets excluded from the scope of IAS 39		20 770 986	-	20 446 849	-
Shares in subsidiaries	16, 30.3	20 770 986	-	20 214 349	-
Advance payment for acquisition of shares		-	-	232 500	-
5 Cash and cash equivalents		153 919	-	507 127	-
Total financial assets, including in the statement of financial position:		28 584 854		27 508 218	
Non-current assets		27 529 643		25 813 371	
Shares		20 778 025		20 221 322	
Bonds		6 550 139		5 165 000	
Loans granted		196 194		189 310	
Other financial assets		5 285		237 739	
Current assets		1 055 211		1 694 847	
Trade and other receivables		796 024		1 134 856	
Bonds		98 291		52 830	
Loans granted		5 863		-	
Derivative instruments		1 114		34	
Cash and cash equivalents		153 919		507 127	

TAURON Polska Energia S.A.
Condensed interim financial statements for the 9-month period ended 30 September 2014
(in PLN '000)

Categories and classes of financial liabilities	Note	As at 30 September 2014 (unaudited)		As at 31 December 2013	
		Carrying amount	Fair value	Carrying amount	Fair value
1 Financial liabilities at fair value through profit or loss		1 563	1 563	1 169	1 169
Derivative instruments		1 563	1 563	1 169	1 169
2 Financial liabilities measured at amortized cost		8 434 331	-	8 127 697	-
Arm's length loans, of which:		2 585 290	-	2 909 144	-
Liability under the cash pool loan	24.3	1 346 799	-	1 615 395	-
Loans from the European Investment Bank	24.2	1 238 491	-	1 293 749	-
Overdraft	24.4	13 206	-	93 645	-
Bonds issued	24.1	5 245 353	-	4 300 522	-
Trade payables		528 401	-	772 481	-
Dividends payable	12	8 802	-	-	-
Other financial liabilities		52 466	-	47 717	-
Liabilities due to purchases of fixed and intangible assets		813	-	4 188	-
3 Financial liabilities excluded from the scope of IAS 39		33 959	-	36 425	-
Liabilities under finance leases		33 959	-	36 425	-
4 Hedging instruments (relating to liabilities)		216 890	216 890	159 762	159 762
Total financial liabilities, including in the statement of financial position:		8 686 743		8 325 053	
Long-term liabilities		6 303 473		5 571 250	
Interest-bearing loans and borrowings		6 134 524		5 445 279	
Liabilities under finance leases		30 937		33 159	
Other financial liabilities		5 239		5 239	
Derivative instruments		132 773		87 573	
Short-term liabilities		2 383 270		2 753 803	
Current portion of interest-bearing loans and borrowings		1 709 325		1 858 032	
Current portion of liabilities under finance leases		3 022		3 266	
Trade and other payables		585 243		819 147	
Derivative instruments		85 680		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 30 September 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 30 September 2014 and 31 December 2013:

Classes of financial instruments	As at 30 September 2014 (unaudited)		As at 31 December 2013	
	Level 1	Level 2	Level 1	Level 2
Assets				
Commodity-related derivatives	1 114	-	34	-
Liabilities				
Commodity-related derivatives	39	-	40	-
Currency derivatives	-	1 524	-	1 129
IRS derivatives	-	216 890	-	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 7 039 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.

Financial assets excluded from the scope of IAS 39

Financial assets excluded from the scope of IAS 39, amounting to PLN 20 770 986 thousand, include shares held by the Company in its subsidiaries, as presented in detail in Note 16 hereto.

Financial liabilities measured at amortized cost

- 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 28 753 thousand, as presented in detail in Note 11.3 hereto.

Financial liabilities 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 30 September 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 9-month period ended 30 September 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 98 290 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 3 480 520 thousand, are related to acquisition of intra-group bonds issued by the following subsidiaries:

- TAURON Dystrybucja S.A., amounting to PLN 2 000 000 thousand;
- TAURON Ciepło Sp. z o.o., amounting to PLN 775 520 thousand;
- TAURON Wydobycie S.A., amounting to PLN 280 000 thousand;
- TAURON Ekoenergia Sp. z o.o., amounting to PLN 340 000 thousand;
- TAURON Obsługa Klienta Sp. z o.o., amounting to PLN 85 000 thousand.

Redemption of bonds

Inflows related to redemption of bonds, in the amount of PLN 1 854 067 thousand, are related to redemption of intra-group bonds by the following subsidiaries:

- TAURON Dystrybucja S.A., amounting to PLN 1 510 000 thousand;
- TAURON Ekoenergia Sp. z o.o., amounting to PLN 340 000 thousand;
- TAURON Wytwarzanie S.A., amounting to PLN 4 067 thousand.

Interest received

Most proceeds from interest received are related to interest on acquired bonds of subsidiaries of PLN 242 038 thousand.

32.2. Cash flows from financing activities

Issuance of debt securities

Proceeds from issue of debt securities result from the issuance of 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 900 000 thousand in the 9-month period ended 30 September 2014, as discussed in detail in Note 24.1 to these condensed interim financial statements.

Redemption of debt securities

Expenditures for redemption of debt securities result from redemption of Tranche E short-term bonds in the amount of PLN 300 000 thousand in the 9-month period ended 30 September 2014.

Interest paid

Expenditures due to interest paid were related to the fact that the Company paid interest on bonds issued of PLN 124 660 thousand and interest on loans of PLN 39 077 thousand.

33. Details of other significant changes in the reporting period

Other finance income

An increase in other financial revenue in the 9-month period ended 30 September 2014 by PLN 87 488 thousand vs. the comparative period resulted mainly from:

- increased interest on intra-group bonds, amounting to PLN 105 596 thousand. Interest income earned on bonds acquired for the 9-month period ended 30 September 2014 amounted to PLN 272 118 thousand compared to PLN 166 522 thousand in the 9-month period ended 30 September 2013;
- a decrease in other financial revenue items of PLN 18 108 thousand, including mainly a decrease in interest on a cash pool agreement of PLN 10 397 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

Consent for concentration granted by the President of the Office for Competition and Consumer Protection

On 8 October 2014 the Company was notified of a decision of the President of the Office for Competition and Consumer Protection ("President of OCCP") concerning the request for concentration. Having completed the antimonopoly proceedings instigated upon a request of TAURON Polska Energia S.A., PGE Polska Grupa Energetyczna S.A., KGHM Polska Miedź S.A. and ENEA S.A. ("Applicants") the President of OCCP issued an unconditional consent for concentration. Such concentration consists in establishing a common entity operating under the name PGE EJ 1 Sp. z o.o. by the Applicants. The consent for concentration was a requirement specified in the Shareholders' Agreement which had to be met in order to conclude an agreement for purchase of shares in PGE EJ 1 Sp. z o.o. by the Parties.

Filing a liquidation bankruptcy petition for Polska Energia – Pierwsza Kompania Handlowa Sp. z o.o. in liquidation

On 27 October 2014 a liquidation bankruptcy petition concerning Polska Energia Pierwsza - Kompania Handlowa Sp. z o.o. in liquidation with the registered office in Tarnów, in which TAURON holds 100% of interests in the issued capital and 100% of votes at the General Shareholders' Meeting, was filed with the 5th Business Division of the District Court in Tarnów. The petition was submitted because the company's counterparties had presented potential future claims the value of which exceed the value of the company's assets. Before that, on 2 July 2014, the Extraordinary Shareholders' Meeting of Polska Energia Pierwsza Kompania Handlowa Sp. z o.o. had adopted a resolution to dissolve and liquidate the company. The decision to liquidate PE-PKH was taken for business reasons and is a part of the reorganization process. In 2013 the revenue generated by Polska Energia Pierwsza Kompania Handlowa Sp. z o.o. in liquidation represented ca. 1% of the revenue of the Capital Group.

Approval of a separation plan for TAURON Ekoenergia Sp. z o.o.

On 3 November 2014 a separation plan for TAURON Ekoenergia Sp. z o.o. was approved. The spin-off will be carried out under Article 529.1.4 of the Code of Commercial Companies through separating and transferring an organized part of the enterprise (wind farms) of TAURON Ekoenergia Sp. z o.o. to the acquirer - Marselwind Sp. z o.o. in return for shares of the acquirer which will be taken up by TAURON Polska Energia S.A.

Bond issue

On 4 November 2014, the Company issued five-year unsecured bonds for the amount of PLN 1 750 000 thousand under the Bond Issue Scheme with the value up to PLN 5 000 000 thousand as of July 2013. The interest is floating, based on WIBOR 6M plus a 0.9 mark-up with a 6-month interest period. The underwriting syndicate is composed of the following banks: ING Bank Śląski S.A. (lead underwriter), mBank S.A. and Bank Pekao S.A.

These condensed interim financial statements of TAURON Polska Energia S.A., prepared for the 9-month period ended 30 September 2014 in accordance with International Accounting Standard 34 have been presented on 41 consecutive pages.

Katowice, 12 November 2014

Dariusz Lubera – President of the Management Board

Krzysztof Zawadzki - Vice-President of the Management Board