

The TAURON Polska Energia S.A. Capital Group

Condensed interim consolidated financial statements

**prepared in accordance with the International Financial Reporting Standards
for the 3-month period ended 31 March 2015**

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CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	3-month period ended 31 March 2015 <i>(unaudited)</i>	3-month period ended 31 March 2014 <i>(unaudited)</i>
Sales revenue	11	4 753 816	4 887 264
Cost of sales	12	(3 927 945)	(3 972 141)
Profit on sale		825 871	915 123
Other operating income		42 808	34 668
Selling and distribution expenses		(107 668)	(123 000)
Administrative expenses		(156 212)	(167 391)
Other operating expenses		(19 228)	(26 966)
Operating profit		585 571	632 434
Finance income		59 058	13 071
Finance costs		(90 656)	(87 509)
Share in profit/(loss) of joint ventures	18	20 400	(406)
Profit before tax		574 373	557 590
Income tax expense	13	(71 643)	(158 904)
Net profit for the period		502 730	398 686
Other comprehensive income subject to reclassification to profit or loss:		12 058	6 240
Change in the value of hedging instruments		15 514	7 607
Foreign exchange differences from translation of foreign entities		(508)	78
Income tax		(2 948)	(1 445)
Other comprehensive income not subject to reclassification to profit or loss:		2 120	7 752
Actuarial gains/(losses) related to provisions for post-employment benefits		2 615	9 568
Income tax		(495)	(1 816)
Other comprehensive income for the period, net of tax		14 178	13 992
Total comprehensive income for the period		516 908	412 678
Net profit:			
Attributable to equity holders of the parent		502 043	395 930
Attributable to non-controlling interests		687	2 756
Total comprehensive income:			
Attributable to equity holders of the parent		516 213	409 901
Attributable to non-controlling interests		695	2 777
Earnings per share (in PLN):			
- basic and diluted, for net profit for the period attributable to equity holders of the parent		0.29	0.23

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 March 2015 <i>(unaudited)</i>	As at 31 December 2014
ASSETS			
Non-current assets			
Property, plant and equipment	15	25 198 531	24 850 942
Goodwill	16	195 155	195 155
Intangible assets	17	1 247 088	1 604 634
Investments in joint ventures	18	434 010	414 584
Other financial assets		397 611	377 383
Other non-financial assets		692 424	657 943
Deferred tax asset	13.2	35 086	62 108
		28 199 905	28 162 749
Current assets			
Intangible assets	19	613 984	733 048
Inventories	20	481 059	527 596
Corporate income tax receivable	13.3	5 410	26 489
Trade and other receivables	21	1 969 398	1 969 169
Other financial assets		27 458	27 539
Other non-financial assets		405 087	353 989
Cash and cash equivalents	22	1 124 268	1 420 909
Non-current assets and assets of a disposal group classified as held for sale	23	1 346 423	1 337 705
		5 973 087	6 396 444
TOTAL ASSETS		34 172 992	34 559 193

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION – continued

	Note	As at 31 March 2015 <i>(unaudited)</i>	As at 31 December 2014
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Issued capital	24.1	8 762 747	8 762 747
Reserve capital		10 393 686	10 393 686
Revaluation reserve from valuation of hedging instruments	24.2	(130 453)	(143 019)
Foreign exchange differences from translation of foreign entities		(1 894)	(1 386)
Retained earnings/Accumulated losses		(541 413)	(1 045 580)
		18 482 673	17 966 448
Non-controlling interests		30 662	30 116
Total equity		18 513 335	17 996 564
Non-current liabilities			
Interest-bearing loans and borrowings	26	7 371 792	7 422 332
Liabilities under finance leases		41 961	46 443
Trade and other payables		53 148	48 986
Derivative instruments	27	95 096	93 501
Provisions for employee benefits	28	1 952 636	1 948 323
Other provisions	29	166 363	165 278
Accruals, deferred income and government grants	30	648 602	662 072
Deferred tax liability	13.2	1 326 607	1 357 157
		11 656 205	11 744 092
Current liabilities			
Current portion of interest-bearing loans and borrowings	26	636 493	631 530
Current portion of liabilities under finance leases		13 300	13 461
Trade and other payables		1 500 099	1 866 865
Derivative instruments	27	106 007	102 615
Provisions for employee benefits	28	133 955	158 954
Other provisions	29	530 278	1 081 415
Accruals, deferred income and government grants	30	220 344	245 520
Income tax payable	13.3	68 526	13 518
Other non-financial liabilities		710 168	619 689
Liabilities of a disposal group classified as held for sale	23	84 282	84 970
		4 003 452	4 818 537
Total liabilities		15 659 657	16 562 629
TOTAL EQUITY AND LIABILITIES		34 172 992	34 559 193

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(in PLN '000)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE 3-MONTH PERIOD ENDED 31 MARCH 2015 (unaudited)

	Note	Equity attributable to the equity holders of the parent					Total	Non-controlling interests	Total equity
		Issued capital	Reserve capital	Revaluation reserve on valuation of hedging instruments	Foreign exchange differences from translation of foreign entities	Retained earnings/ Accumulated losses			
As at 1 January 2015		8 762 747	10 393 686	(143 019)	(1 386)	(1 045 580)	17 966 448	30 116	17 996 564
Profit for the period		-	-	-	-	502 043	502 043	687	502 730
Other comprehensive income		-	-	12 566	(508)	2 112	14 170	8	14 178
Total comprehensive income for the period		-	-	12 566	(508)	504 155	516 213	695	516 908
Mandatory squeeze-out	25	-	-	-	-	12	12	(149)	(137)
As at 31 March 2015 (unaudited)		8 762 747	10 393 686	(130 453)	(1 894)	(541 413)	18 482 673	30 662	18 513 335

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

		Equity attributable to the equity holders of the parent					Total	Non-controlling interests	Total equity
		Issued capital	Reserve capital	Revaluation reserve on valuation of hedging instruments	Foreign exchange differences from translation of foreign entities	Retained earnings/ Accumulated losses			
As at 1 January 2014		8 762 747	9 037 699	(126 651)	(1 631)	(344 999)	17 327 165	466 334	17 793 499
Profit for the period		-	-	-	-	395 930	395 930	2 756	398 686
Other comprehensive income		-	-	6 162	78	7 731	13 971	21	13 992
Total comprehensive income for the period		-	-	6 162	78	403 661	409 901	2 777	412 678
Acquisition of non-controlling interests		-	-	-	-	72 545	72 545	(382 545)	(310 000)
Mandatory squeeze-out		-	-	-	-	5 532	5 532	(32 569)	(27 037)
Change in non-controlling interests due to division of a subsidiary		-	-	-	-	(811)	(811)	811	-
As at 31 March 2014 (unaudited)		8 762 747	9 037 699	(120 489)	(1 553)	135 928	17 814 332	54 808	17 869 140

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	3-month period ended 31 March 2015 <i>(unaudited)</i>	3-month period ended 31 March 2014 <i>(unaudited)</i>
Cash flows from operating activities			
Profit/(loss) before taxation		574 373	557 590
Adjustments for:			
Share in (profit)/loss of joint venture	18	(20 400)	406
Depreciation and amortization		435 307	455 747
(Gain)/loss on foreign exchange differences		(28 789)	122
Interest and dividends, net		68 135	66 005
(Gain)/loss on investing activities		(21 113)	17 162
Change in receivables		2 211	(3 427)
Change in inventories		46 033	3 107
Change in payables excluding loans and borrowings		(183 090)	(466 194)
Change in other non-current and current assets		424 448	308 637
Change in deferred income, government grants and accruals		(44 186)	(30 297)
Change in provisions		(568 470)	(675 084)
Income tax paid		(2 600)	(127 327)
Other		-	(204)
Net cash generated from operating activities		681 859	106 243
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment and intangible assets		7 465	23 411
Purchase of property, plant and equipment and intangible assets	31.1	(900 356)	(919 039)
Proceeds from sale of financial assets		1 109	84
Purchase of financial assets		(5 332)	(4 109)
Dividends received		-	146
Interest received		5 281	11
Repayment of loans granted	31.1	12 200	-
Loans granted	31.1	(8 150)	(5 850)
Net cash used in investing activities		(887 783)	(905 346)
Cash flows from financing activities			
Payment of finance lease liabilities		(4 946)	(5 541)
Repayment of loans and borrowings	31.2	(22 353)	(30 340)
Issue of debt securities		-	800 000
Redemption of debt securities	31.2	(150 000)	(200 000)
Dividends paid to non-controlling interests		(8)	(32)
Interest paid	31.2	(11 710)	(13 933)
Acquisition of non-controlling interests		(26)	(104 504)
Subsidies received		2 888	24 748
Commission paid		(5 361)	(4 135)
Net cash generated from financing activities		(191 516)	466 263
Net increase/(decrease) in cash and cash equivalents		(397 440)	(332 840)
Net foreign exchange difference		(696)	(14)
Cash and cash equivalents at the beginning of the period		1 408 071	541 148
Cash and cash equivalents at the end of the period, of which:	22	1 010 631	208 308
restricted cash	22	180 223	111 047

INTRODUCTION

1. General information about the TAURON Polska Energia S.A. Capital Group and its Parent

The TAURON Polska Energia S.A. Capital Group ("the Group", "the Capital Group", "the TAURON Group") is composed of TAURON Polska Energia S.A. ("Parent", "Company") and its subsidiaries. TAURON Polska Energia S.A. is located in Katowice at ul. ks. Piotra Ściegiennego 3. The Company operates as a joint-stock company incorporated by a notarized deed on 6 December 2006. Until 16 November 2007 the Company had operated under the name Energetyka Południe S.A.

The Parent has been entered in the Register of Entrepreneurs of the National Court Register kept by the District Court for Katowice-Wschód, Business Division of the National Court Register, Entry No. KRS 0000271562.

Duration of the Parent and companies in the Capital Group is unlimited. The operations are based on relevant concessions granted to individual companies of the Group.

The core business of the TAURON Group includes the following segments: Mining, Generation (encompassing generation of electricity from conventional and renewable sources and generation of heat), Distribution, Sale and other operations, as discussed in detail in Note 10 to these condensed interim consolidated financial statements.

The Group's condensed interim consolidated financial statements cover the 3-month period ended 31 March 2015 and present comparative data for the 3-month period ended 31 March 2014 as well as figures as at 31 December 2014. The data for the 3-month period ended 31 March 2015 and the comparative data for the 3-month period ended 31 March 2014, as contained herein, have not been audited or reviewed by a certified auditor. The comparative data as at 31 December 2014 were audited by a certified auditor.

These condensed interim consolidated financial statements for the 3-month period ended 31 March 2015 were approved for publication on 12 May 2015.

2. Composition of the Capital Group

As at 31 March 2015, TAURON Polska Energia S.A. held direct and indirect interest in the following key subsidiaries:

Item	Company name	Registered office	Segment	Interest in the share capital and in the decision-making body held by TAURON Polska Energia S.A.
1	TAURON Wydobycie S.A.	Jaworzno	Mining	100.00%
2	TAURON Wytwarzanie S.A.	Katowice	Generation	100.00%
3	TAURON Ekoenergia Sp. z o.o.	Jelenia Góra	Generation	100.00%
4	TAURON Ciepło Sp. z o.o.	Katowice	Generation	100.00%
5	TAURON Dystrybucja S.A.	Kraków	Distribution	99.71%
6	TAURON Dystrybucja Serwis S.A. ¹	Wrocław	Distribution	99.71%
7	TAURON Dystrybucja Pomiarów Sp. z o.o. ¹	Tarnów	Distribution	99.71%
8	TAURON Sprzedaż Sp. z o.o.	Kraków	Sales	100.00%
9	TAURON Sprzedaż GZE Sp. z o.o.	Gliwice	Sales	100.00%
10	TAURON Czech Energy s.r.o.	Ostrawa, Czech Republic	Sales	100.00%
11	TAURON Obsługa Klienta Sp. z o.o.	Wrocław	Other	100.00%
12	Kopalnia Wapienia Czatkowice Sp. z o.o.	Krzyszowice	Other	100.00%
13	Polska Energia Pierwsza Kompania Handlowa Sp. z o.o. w likwidacji	Warszawa	Other	100.00%
14	TAURON Sweden Energy AB (publ)	Sztokholm, Sweden	Other	100.00%
15	Biomasa Grupa TAURON Sp. z o.o.	Stalowa Wola	Other	100.00%

¹ TAURON Polska Energia S.A. holds indirect interest in TAURON Dystrybucja Serwis S.A. and TAURON Dystrybucja Pomiarów Sp. z o.o. through a subsidiary TAURON Dystrybucja S.A. Additionally, TAURON Polska Energia S.A. uses shares held by TAURON Dystrybucja S.A.

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(in PLN '000)

As at 31 March 2015, TAURON Polska Energia S.A. held direct and indirect interest in the following key jointly-controlled entities:

Item	Company name	Registered office	Segment	Interest in the share capital and in the decision-making body held by TAURON Polska Energia S.A
1	Elektrociepłownia Stalowa Wola S.A. ¹	Stalowa Wola	Generation	50.00%
2	Elektrownia Blachownia Nowa Sp. z o.o. ¹	Kędzierzyn Koźle	Generation	50.00%
3	TAMEH HOLDING Sp. z o.o.	Dąbrowa Górnicza	Generation	50.00%
4	TAMEH POLSKA Sp. z o.o. ²	Dąbrowa Górnicza	Generation	50.00%
5	TAMEH Czech s.r.o. ²	Ostrawa, Czech Republic	Generation	50.00%

¹ TAURON Polska Energia S.A. holds indirect interest in Elektrociepłownia Stalowa Wola S.A. and Elektrownia Blachownia Nowa Sp. z o.o. through a subsidiary TAURON Wytwarzanie S.A.

² TAURON Polska Energia S.A. holds indirect interest in TAMEH POLSKA Sp. z o.o. and TAMEH Czech s.r.o. through a jointly-controlled entity TAMEH HOLDING Sp. z o.o.

STATEMENT OF COMPLIANCE WITH IFRS

3. Statement of compliance

These condensed interim consolidated 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.

The condensed interim consolidated financial statements do not contain all information and disclosures required for annual consolidated financial statements and they should be read jointly with the Group's consolidated financial statements prepared in accordance with IFRS for the year ended 31 December 2014.

4. Going concern

The condensed interim consolidated financial statements have been prepared in accordance with the going concern principle regarding the Group companies, except for Polska Energia Pierwsza Kompania Handlowa Sp. z o.o. in liquidation. As at the date of approving these financial statements no circumstances have been detected that could put the going concern operation of the remaining Group's companies at risk.

5. Functional and presentation currency

The Polish zloty has been used as the presentation currency of these consolidated financial statements and the functional currency of the Parent and subsidiaries covered by these condensed interim consolidated financial statements, except for TAURON Czech Energy s.r.o. and TAURON Sweden Energy AB (publ). The functional currency of TAURON Czech Energy s.r.o. is the Czech koruna ("CZK"), while the functional currency of TAURON Sweden Energy AB (publ) is the euro ("EUR"). Individual items of the financial statements of TAURON Czech Energy s.r.o. and TAURON Sweden Energy AB (publ) are translated to the presentation currency of the TAURON Group using applicable exchange rates.

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

ACCOUNTING POLICIES

6. Material values based on professional judgment and estimates

In the 3-month period ended 31 March 2015 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 discussed further in these condensed interim consolidated financial statements.

Provision for gas emission liabilities

According to the accounting policy adopted, the provision for liabilities arising from emission of gas included in the allowance distribution plan is charged to operating expenses if the actual emission level exceeds the volume of emission allowances received free of charge and held by the TAURON Group, including allocation of free-of-charge emission allowances to individual installations of the Generation segment companies, i.e. TAURON Wytwarzanie S.A. and TAURON Ciepło Sp. z o.o. The provision for costs of covering the deficit is established in the value of allowances acquired or contracted to cover the allowance deficit and in relation to unsecured allowance deficit (if any), the provision is determined based on market prices as at the end of the reporting period.

As at 31 December 2014 the number of free-of-charge emission allowances attributable to installations owned by TAURON Wytwarzanie S.A. exceeded the actual emission for 2014. Consequently, the Group did not recognize a provision for liabilities due to gas emission in installations. The number of free-of-charge allowances for the installations of TAURON Ciepło Sp. z o.o. was lower than the actual emission in 2014, hence a provision of PLN 8 130 thousand was recognized for the shortage.

In the 3-month period ended 31 March 2015:

- The Group adjusted the estimated provision for gas emission liabilities for 2014, hence increasing the profit by PLN 2 290 thousand;
- The Group has not recognized a provision for gas emission liabilities for installations of TAURON Wytwarzanie S.A., because the number of free-of-charge emission allowances exceeded the actual emission in the first three months of 2015;
- The Group has recognized a provision for gas emission liabilities for installations of TAURON Ciepło Sp. z o.o. of PLN 11 420 thousand because the actual emission was higher than the number of free-of-charge emission allowances.

As at 31 March 2015, the number of allowances recorded on the Group's account in the National Register of Allowances reached 27 091 135. Moreover, in April 2015 the following allowances were recorded on the accounts assigned to installations:

- emission allowances due to electricity generation for 2014. The allowances were included in the calculation of the provision for 2014 and were awarded in the requested number of 6 197 006 EUA;
- 675 288 EUA - emission allowances due to generation of heat for 2015.

Impairment tests

Taking into account the indications that the market value of the Company's net assets has been below their carrying amount as well as the general situation in the power sector, as at 31 March 2015 an analysis was carried out which indicated that in the first quarter of 2015 the market value of the Company's net assets has not changed considerably. Therefore, it was assumed that the most recent results of impairment tests of intangible assets, including goodwill and fixed assets carried out as at 31 December 2014 were still true and that no impairment testing was needed as at the end of the reporting period. New full tests will be performed as at 30 June 2015.

In accordance with IAS 36, the Group carried out impairment tests for operating segments, including goodwill and impairment tests for non-current assets and intangible assets as at 31 December 2014. The tests required estimating the value in use of the segments, based on future cash flows generated thereby, adjusted to the present value using a discount rate. Impairment tests of production assets for individual cash generating units ("CGU") took into account changes in macroeconomic and sector assumptions, low sales prices of electricity, changes in useful lives of production units in the Generation segment and a decision not to carry out a planned biomass investment project in Elektrownia Stalowa Wola. Following the tests, the Group recognized an impairment loss of PLN 54 901 thousand for property, plant and equipment of the Generation segment as at 31 December 2014.

The calculations were based on detailed projections for the period from 2015 to 2024 and the estimated residual value. The basis for cash flow calculations is the planned EBIT for 2015 – 2024 and amortization/depreciation for this period.

The expected EBIT is determined in the long-term plan of the Group companies covering the period until 2024. The discount rate used for calculation reflects the weighted average cost of capital (WACC), taking into account the risk-free rate determined by reference to the yield on 10-year treasury bonds (4.3%) and the risk premium for operations appropriate for the power industry (5.5%). 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.

The assumptions and significant information concerning impairment tests have been presented in Notes 18, 19 and 20 to the consolidated financial statements for the year ended 31 December 2014.

Deferred tax

Based on the forecasts prepared for the Tax Capital Group ("TCG"), according to which taxable income will be earned in 2015 and in subsequent years, it has been concluded that there is no risk that the deferred tax asset recognized in these condensed interim consolidated financial statements will not be realized.

Measurement of provisions for employee benefits

Provisions for employee benefits have been estimated using actuarial methods. Moreover, the Group recognized provisions for benefits resulting from Voluntary Redundancy Programs. A detailed description of the provisions in question has been provided in Note 28.

The provisions for employee benefits have been measured as at 31 March 2015 based on actuarial projections. Actuarial assumptions made in preparing the projections for 2015 were the same as those used for measuring provisions as at 31 December 2014.

Key actuarial assumptions made as at 31 December 2014 for the purpose of calculation of the liability:

	31 December 2014
Discount rate (%)	2.25%
Estimated inflation rate (%)	2.35%
Employee rotation rate (%)	1.25% - 10.63%
Estimated salary increase rate (%)	1.40% - 2.79%
Estimated electricity price increase rate (%)	4.80%
Estimated increase rate for contribution to the Social Fund (%)	4.50%
Remaining average employment period	9.00 – 15.30

Measurement of derivatives

Fair value of currency forwards is based on discounted future cash flows from the concluded transactions based on the difference between the forward price and transaction price. The forward price is calculated based on the fixing of the National Bank of Poland and the curve implied by FX Swap transactions.

Fair value of interest rate swaps is determined using discounted future cash flows from the concluded transactions based on the difference between the forward price and the transaction price. The forward price is calculated based on a zero coupon yield curve.

The fair value of forwards for acquisition and sale of power and emission allowances and other goods is based on prices quoted in an active market.

The fair value of hedging derivatives subject to hedge accounting and derivatives measured at fair value through profit or loss as described above has been presented in Note 37.

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

Revised standards issued by the International Accounting Standards Board ("IASB") which have been endorsed by the European Union ("EU") and are not yet effective:

- Revised IAS 19 Employee Benefits – Defined Benefit Plans: Employee Contributions published by the IASB on 21 November 2013, endorsed by the EU on 17 December 2014 and applicable in the EU to annual periods beginning on or after 1 February 2015;
- Annual Improvements to IFRS (Cycle 2010-2012) – published by the IASB on 12 December 2013, endorsed by the EU on 17 December 2014 and applicable in the EU to annual periods beginning on or after 1 February 2015.

New standards and revised standards issued by the International Accounting Standards Board ("IASB") 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 revenue is recognized and requires 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 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities*, IAS 28 *Investment Entities: Applying the Consolidation Exception* published on 18 December 2014 and applicable 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 applicable 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 1 *Presentation of Financial Statements – Disclosure Initiative* published on 18 December 2014 and applicable to annual periods beginning on or after 1 January 2016;
- 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 27 *Separate Financial Statements: Equity Method in Separate Financial Statements* - published by the IASB on 12 August 2014 and applicable to annual periods beginning on or after 1 January 2016;
- *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.

At the same time, hedge accounting of the portfolio of financial assets and liabilities remains beyond the scope of EU-approved regulations.

The Group has analyzed the impact of the abovementioned standards and revised standards on the accounting policies applied and carried out preliminary analysis of the impact of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* published in 2014.

Preliminary analysis of IFRS 15's impact on the accounting policies applied has shown that the new standard changes the method of accounting for contracts with customers, in particular if services and goods are provided under a single contract, which may be particularly important for the Sales segment. The new guidelines of IFRS 15 may result in the need to change the systems, but before the standard enters into force the Group intends to carry out an analysis of contracts with customers including contract (or contract group) identification, indication of individual liabilities, determining prices, assigning them to individual liabilities and revenue recognition. The new standard requires considerably more detailed disclosure of sales and revenue in financial statements.

Preliminary analysis of IFRS 9's impact on the accounting policies applied indicates one change important for the Group, i.e. replacing the existing classification and measurement models under IAS 39 with a single classification model assuming two categories only, i.e. amortized cost or fair value. IFRS 9 classification complies with the business model applied to manage financial assets. Additionally, the standard introduces a new hedge accounting model which requires detailed risk management disclosures.

According to the Management Board, the introduction of other aforementioned standards and revised standards will not materially affect the accounting principles (policies) adopted by the Group. In view of the significant scope of changes, the Group has further analyzed the impact of IFRS 15 and IFRS 9 on the consolidated financial statements.

The Group has not decided to early adopt any standards, interpretations or revised standards which have been published but not entered into force yet.

8. Changes to accounting policies

The accounting principles (policy) adopted for the preparation of these condensed interim consolidated financial statements are consistent with those adopted for the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2014, except for the following revised standards and a new interpretation:

- IFRIC 21 *Levies* (published on 20 May 2013, endorsed by 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;
- Annual Improvements to *IFRS (Cycle 2011-2013)* – published by the IASB on 12 December 2013, endorsed by the EU on 18 December 2014 and applicable in the EU to annual periods beginning on or after 1 January 2015.

The Company analyzed the impact of the aforementioned revised standards and the new interpretation on the accounting policies applied by the Group.

According to the Management Board the application of the revised standards and the new interpretation in question has not materially impacted the existing accounting policy.

EXPLANATORY NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

9. Seasonality of operations

The Group's operations are seasonal in nature, particularly in the area of generation, distribution and sale of heat, distribution and sale of electricity to individual customers and sale of coal to individual customers for heating purposes.

Sales of heat depend on atmospheric conditions, in particular air temperature, and are higher in autumn and wintertime.

The level of sales of electricity to individual customers depends on the length of day, as a result of which sales of electricity in this group of customers are usually lower in spring and summertime and higher in autumn and wintertime. Sales of coal to individual customers are higher in autumn and winter. The seasonality of other areas of Group operations is insignificant.

10. Information on operating segments

The Group presents segment information for the current and comparative reporting periods in accordance with IFRS 8 *Operating Segments*.

The Group is organized and managed by segment, in accordance with the type of products and services offered. Each segment constitutes a strategic business entity offering different products and operating on different markets.

The Group settles transactions between segments as if they were made between unrelated parties, i.e. using current market prices.

Revenue from transactions between segments is eliminated in the consolidation process.

After elimination of costs arising from intercompany transactions, general and administrative expenses of the Parent are presented under unallocated expenses. General and administrative expenses of the Parent are incurred for the benefit of the entire Group and cannot be directly attributed to a specific operating segment.

Segment assets do not include deferred tax, income tax receivables or financial assets, except for trade and other financial receivables and cash and cash equivalents, which do represent segment assets.

Segment liabilities do not include deferred tax, income tax liability or financial liabilities, except for trade payables, liabilities due to acquisition of fixed assets and intangible assets and payroll liabilities, which do represent segment liabilities.

None of the Group's operating segments has been combined with another segment to create the reporting operating segments.

The Management Board separately monitors operating results of the segments to take decisions on how to allocate the resources, to evaluate the effects of the allocation and to evaluate performance. Evaluation of performance is based on EBITDA and operating profit or loss. EBITDA is defined by the Group as EBIT increased by amortization/depreciation. EBIT is the profit/(loss) on continuing operations before deducting taxes, financial income and expenses. The Group's financing (including financial expense and revenue) and income tax are monitored at the Group level and they are not allocated to segments.

In the 3-month period ended 31 March 2015 the Management Board decided to no longer distinguish the following operating segments: Renewable Sources of Energy, Heat and Customer Service. The Management Board monitors performance of the Generation segment encompassing all companies generating power and heat from conventional and renewable sources. Activities which used to be included in the Customer Service segment have been reclassified to other business activities of the Group. Comparable data have been appropriately restated.

The Group's reporting format for the period from 1 January 2015 to 31 March 2015 and for the comparative period was based on the following operating segments:

Operating segments	Core business	Subsidiaries/ Entities recognized with the equity method
<p style="color: #e91e63; font-weight: bold;">Mining</p> 	<p><i>Hard coal mining</i></p>	<p>TAURON Wydobycie S.A.</p>
<p style="color: #e91e63; font-weight: bold;">Generation</p> 	<p><i>Generation of electricity using conventional sources, including combined heat and power generation, as well as generation of electricity using joint combustion of biomass and other energy acquired thermally. Key fuels used by the Generation Segment include hard coal, biomass, coal gas and coke-oven gas.</i></p>	<p>TAURON Wytwarzanie S.A. <i>Elektrownia Blachownia Nowa Sp. z o.o.*</i> <i>TAMEH HOLDING Sp. z o.o.*</i> <i>TAMEH POLSKA Sp. z o.o.*</i> <i>TAMEH Czech s.r.o.*</i></p>
	<p><i>Generation of electricity using renewable sources.</i></p>	<p>TAURON Ekoenergia Sp. z o.o.</p>
	<p><i>Generation, distribution and sales of heat.</i></p>	<p>TAURON Ciepło Sp. z o.o. <i>Elektrociepłownia Stalowa Wola S.A.*</i></p>
<p style="color: #e91e63; font-weight: bold;">Distribution</p> 	<p><i>Distribution of electricity</i></p>	<p>TAURON Dystrybucja S.A. TAURON Dystrybucja Serwis S.A. TAURON Dystrybucja Pomiary Sp. z o.o.</p>
<p style="color: #e91e63; font-weight: bold;">Sales</p> 	<p><i>Wholesale trading in electricity, trading in emission allowances and energy certificates and sale of electricity to domestic end users or entities which further resell electricity.</i></p>	<p>TAURON Polska Energia S.A. TAURON Sprzedaż Sp. z o.o. TAURON Sprzedaż GZE Sp. z o.o. TAURON Czech Energy s.r.o.</p>

In addition to the key operating segments listed above, the TAURON Group also conducts operations in quarrying stone (including limestone) for the power industry, metallurgy, construction and highway engineering industry as well as in the area of production of sorbents for use in wet desulfurization installations and fluidized bed combustors (Kopalnia Wapienia Czatkowice Sp. z o.o.). The operations of TAURON Obsługa Klienta Sp. z o.o., TAURON Sweden Energy AB (publ), Biomasa Grupa TAURON Sp. z o.o. and Polska Energia Pierwsza Kompania Handlowa Sp. z o.o. in liquidation are also treated as other activities of the Group.

The TAURON Polska Energia S.A. Capital Group
Condensed interim consolidated financial statements for the 3-month period ended 31 March 2015
(in PLN '000)

For the 3-month period ended 31 March 2015 or as at 31 March 2015 (unaudited)

3-month period ended 31 March 2015 or as at 31 March 2015 (unaudited)	Mining	Generation	Distribution	Sales	Other	Unallocated items / Eliminations	Total
Revenue							
Sales to external customers	97 732	656 502	754 559	3 223 642	21 381	-	4 753 816
Inter-segment sales	171 027	870 599	888 413	954 640	242 759	(3 127 438)	-
Segment revenue	268 759	1 527 101	1 642 972	4 178 282	264 140	(3 127 438)	4 753 816
Profit/(loss) of the segment	(72 045)	137 560	305 053	191 045	27 107	20 946	609 666
Unallocated expenses	-	-	-	-	-	(24 095)	(24 095)
EBIT	(72 045)	137 560	305 053	191 045	27 107	(3 149)	585 571
Share in profit/(loss) of joint ventures	-	20 400	-	-	-	-	20 400
Net finance income (costs)	-	-	-	-	-	(31 598)	(31 598)
Profit/(loss) before income tax	(72 045)	157 960	305 053	191 045	27 107	(34 747)	574 373
Income tax expense	-	-	-	-	-	(71 643)	(71 643)
Net profit/(loss) for the period	(72 045)	157 960	305 053	191 045	27 107	(106 390)	502 730
Assets and liabilities							
Segment assets	1 773 973	12 952 300	15 087 347	3 003 005	484 742	-	33 301 367
Investments in joint ventures	-	434 010	-	-	-	-	434 010
Unallocated assets	-	-	-	-	-	437 615	437 615
Total assets	1 773 973	13 386 310	15 087 347	3 003 005	484 742	437 615	34 172 992
Segment liabilities	678 787	1 586 762	2 317 130	993 485	296 982	-	5 873 146
Unallocated liabilities	-	-	-	-	-	9 786 511	9 786 511
Total liabilities	678 787	1 586 762	2 317 130	993 485	296 982	9 786 511	15 659 657
EBIT	(72 045)	137 560	305 053	191 045	27 107	(3 149)	585 571
Depreciation/amortization	(27 859)	(146 781)	(241 687)	(2 726)	(16 232)	-	(435 285)
EBITDA	(44 186)	284 341	546 740	193 771	43 339	(3 149)	1 020 856
Other segment information							
Capital expenditure *	60 213	423 190	285 401	1 638	21 236	-	791 678

* Capital expenditure includes expenditures for property, plant and equipment and intangible assets, excluding acquisition of greenhouse gas emission allowances and energy certificates.

For the 3-month period ended 31 March 2014 (unaudited restated data) or as at 31 December 2014 (restated data)

3-month period ended 31 March 2014 (unaudited) or as at 31 December 2014	Mining	Generation	Distribution	Sales	Other	Unallocated items / Eliminations	Total
Revenue							
Sales to external customers	107 414	825 803	660 065	3 274 782	19 200	-	4 887 264
Inter-segment sales	140 751	426 563	898 272	821 219	210 363	(2 497 168)	-
Segment revenue	248 165	1 252 366	1 558 337	4 096 001	229 563	(2 497 168)	4 887 264
Profit/(loss) of the segment	(6 959)	76 611	324 005	228 965	34 316	(2 016)	654 922
Unallocated expenses	-	-	-	-	-	(22 488)	(22 488)
EBIT	(6 959)	76 611	324 005	228 965	34 316	(24 504)	632 434
Share in profit/(loss) of joint ventures	-	(406)	-	-	-	-	(406)
Net finance income (costs)	-	-	-	-	-	(74 438)	(74 438)
Profit/(loss) before income tax	(6 959)	76 205	324 005	228 965	34 316	(98 942)	557 590
Income tax expense	-	-	-	-	-	(158 904)	(158 904)
Net profit/(loss) for the period	(6 959)	76 205	324 005	228 965	34 316	(257 846)	398 686
Assets and liabilities							
Segment assets	1 742 510	12 745 464	15 012 125	3 715 551	459 596	-	33 675 246
Investments in joint ventures	-	414 584	-	-	-	-	414 584
Unallocated assets	-	-	-	-	-	469 363	469 363
Total assets	1 742 510	13 160 048	15 012 125	3 715 551	459 596	469 363	34 559 193
Segment liabilities	706 921	1 672 567	2 457 586	1 489 054	323 730	-	6 649 858
Unallocated liabilities	-	-	-	-	-	9 912 771	9 912 771
Total liabilities	706 921	1 672 567	2 457 586	1 489 054	323 730	9 912 771	16 562 629
EBIT	(6 959)	76 611	324 005	228 965	34 316	(24 504)	632 434
Depreciation/amortization	(26 662)	(175 828)	(233 683)	(9 379)	(10 222)	-	(455 774)
EBITDA	19 703	252 439	557 688	238 344	44 538	(24 504)	1 088 208
Other segment information							
Capital expenditure *	44 189	127 165	379 842	112	14 002	-	565 310

* Capital expenditure includes expenditures for property, plant and equipment and intangible assets, excluding acquisition of greenhouse gas emission allowances and energy certificates.

11. Sales revenue

	3-month period ended 31 March 2015 <i>(unaudited)</i>	3-month period ended 31 March 2014 <i>(unaudited)</i>
Sale of goods for resale, finished goods and materials without elimination of excise	3 160 409	3 385 975
Excise	(107 594)	(115 983)
Sale of goods for resale, finished goods and materials, of which:	3 052 815	3 269 992
Electricity	2 558 276	2 772 725
Heat energy	231 076	230 746
Energy certificates	90 641	77 132
Greenhouse gas emission allowances	43 145	3 546
Coal	92 458	99 352
Furnace blast	-	41 938
Compressed air	12	18 099
Milling products	7 574	7 165
Gas	11 350	2 794
Other goods for resale, finished goods and materials	18 283	16 495
Rendering of services, of which:	1 687 126	1 604 476
Distribution and trade services	1 600 410	1 520 391
Connection fees	32 467	29 735
Maintenance of road lighting	28 300	27 237
Charges for illegal electricity consumption	1 791	2 049
Revenue due to power and heat collisions	3 941	2 372
Other services	20 217	22 692
Other revenue	13 875	12 796
Total sales revenue	4 753 816	4 887 264

The revenue from sale of furnace blast and compressed air decreased because in December 2014 Zakład Wytwarzania Nowa was contributed in kind by the TAURON Group to TAMEH Polska Sp. z o.o., being a part of a joint arrangement, as discussed in detail in Note 18 to these condensed interim consolidated financial statements. Zakład Wytwarzania Nowa was a major provider of the Group's products in question in the comparable period.

12. Expenses by type

	3-month period ended 31 March 2015 <i>(unaudited)</i>	3-month period ended 31 March 2014 <i>(unaudited)</i>
Costs by type		
Depreciation of property, plant and equipment and amortization of intangible assets	(435 285)	(455 774)
Impairment of property, plant and equipment and intangible assets	(167)	29
Materials and energy	(510 684)	(542 678)
Maintenance and repair services	(70 963)	(73 204)
Distribution services	(432 783)	(389 341)
Other external services	(156 640)	(174 282)
Taxes and charges	(177 236)	(152 601)
Employee benefits expense	(628 706)	(631 604)
Inventory write-downs	(161)	(150)
Allowance for doubtful debts	(7 519)	(11 510)
Other	(21 506)	(23 646)
Total costs by type	(2 441 650)	(2 454 761)
Change in inventories, prepayments, accruals and deferred income	(33 956)	80 370
Cost of goods produced for internal purposes	103 136	96 756
Selling and distribution expenses	107 668	123 000
Administrative expenses	156 212	167 391
Cost of goods for resale and materials sold	(1 819 355)	(1 984 897)
Cost of sales	(3 927 945)	(3 972 141)

13. Income tax

13.1. Tax expense in the statement of comprehensive income

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

	3-month period ended 31 March 2015 <i>(unaudited)</i>	3-month period ended 31 March 2014 <i>(unaudited)</i>
Current income tax	(78 533)	(4 011)
Current income tax expense	(106 083)	(12 221)
Adjustments to current income tax from previous years	27 550	8 210
Deferred tax	6 890	(154 893)
Income tax in profit or loss	(71 643)	(158 904)
Income tax relating to other comprehensive income	(3 443)	(3 261)

Current income tax expense grew in the 3-month period ended 31 March 2015 versus the same time last year due to the increase in the current tax of the Tax Capital Group, which results from charging cancelled energy certificates of ca. PLN 680 000 thousand to tax expense in April 2015, i.e. in the month of receiving a decision of the President of the Energy Regulatory Office in line with the interpretation applicable. Last year and in the preceding periods the decisions had been served in March.

Consequently, the deferred tax expense charged to the financial profit/loss decreased versus the comparable period. As the value of cancelled certificates has been recognized in tax expense in April 2015, in the 3-month period ended 31 March 2015 the companies did not derecognize the deferred tax asset due to the provision for the obligation to surrender energy certificates, as it had been the case in the comparable period.

The key item of current income tax adjustments related to prior years was the income tax overpayment of PLN 22 250 thousand for 2013 related mainly to component repair costs and new technology tax relief returned to the Company as an entity representing the Tax Capital Group.

13.2. Deferred income tax

	As at 31 March 2015 <i>(unaudited)</i>	As at 31 December 2014
Deferred tax liability		
- difference between tax base and carrying amount of fixed and intangible assets	2 048 023	2 037 038
- difference between tax base and carrying amount of financial assets	27 653	21 505
- different timing of recognition of sales revenue for tax purposes	69 095	59 105
- recognition of estimated revenue from sale of power distribution services	7 616	8 326
- difference between tax base and carrying amount of property rights arising from energy certificates	45 929	47 490
- other	14 230	14 487
Deferred tax liability	2 212 546	2 187 951
Deferred tax assets		
- difference between tax base and carrying amount of fixed and intangible assets	6 029	5 620
- difference between tax base and carrying amount of inventories	2 846	5 130
- power infrastructure received free of charge and received connection fees	60 874	62 177
- provisions	678 672	667 464
- difference between tax base and carrying amount of financial assets	35 713	27 323
- difference between tax base and carrying amount of financial liabilities	24 731	20 680
- valuation of hedging instruments	35 386	34 377
- different timing of recognition of cost of sales for tax purposes	38 353	38 632
- other accrued expenses	9 224	3 467
- tax losses	12 758	12 758
- other	16 439	15 274
Deferred tax assets	921 025	892 902
After setting off balances at the level of individual Group companies, deferred tax for the Group is presented as:		
Deferred tax asset	35 086	62 108
Deferred tax liability	(1 326 607)	(1 357 157)

As at 31 March 2015 deferred tax assets were set off against deferred tax liabilities of companies from the Tax Capital Group due to the fact that the companies have filed combined tax returns under the new Tax Capital Group agreement for the years 2015-2017 concluded on 22 September 2014.

Pursuant to the first agreement, the Tax Capital Group was registered for the period of three fiscal years from 1 January 2012 to 31 December 2014. As at 31 December 2014 deferred tax assets were set off against deferred tax liabilities of companies being members of the Tax Capital Group as at that date.

13.3. Income tax receivables and payables

As at 31 March 2015 the Group had the following income tax receivables and payables:

- Income tax receivable of PLN 5 410 thousand not included in the settlements of the Tax Capital Group;
- Income tax liability of PLN 68 526 thousand, where PLN 68 353 thousand constitutes a liability of the Tax Capital Group.

In the 3-month period ended 31 March 2015 income tax expense of the Tax Capital Group amounted to PLN 106 411 thousand and constituted an income tax liability as at the balance sheet date. Additionally, as at 31 March 2015 the Group reported a CIT receivable due to tax excess payment for previous years and an excess payment of a subsidiary to be set off against the liability of the TCG in the total amount of PLN 38 058 thousand. In April 2015 the Tax Capital Group paid quarterly CIT prepayments for the 3-month period ended 31 March 2015.

14. Dividends paid and proposed

On 16 March 2015, the Management Board decided to recommend to the Ordinary General Shareholders' Meeting the amount of dividend payment to the shareholders of the Company of PLN 262 882 thousand from the net profit of the Company generated in the financial year 2014, i.e. PLN 0.15 per share. At the same time, the Management Board decided to provide recommendation to the Ordinary General Shareholders' Meeting determining the record date at 22 July 2015 and the payment date at 12 August 2015.

On 23 March 2015 the Supervisory Board approved the recommendation concerning profit distribution and determining the record and payment dates presented to the Ordinary General Shareholders' Meeting by the Management Board.

On 23 April 2015, the Ordinary General Shareholders' Meeting of the Company adopted a resolution approving the dividend amount to be paid out in line with the recommendation of the Management Board. The remaining portion of the Company's net profit for 2014 of PLN 883 561 thousand was allocated to reserve capital.

On 15 May 2014, the Ordinary General Shareholders' Meeting of the Company 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.

15. Property, plant and equipment

For the 3-month period ended 31 March 2015 (unaudited)

	Land	Buildings, premises and civil engineering	Plant and machinery	Other	Assets under construction	Property, plant and equipment, total
COST						
Opening balance	117 142	18 195 456	14 819 091	808 607	1 364 263	35 304 559
Direct purchase	-	-	-	-	765 087	765 087
Transfer of assets under construction	896	210 023	175 098	12 592	(398 609)	-
Sale, disposal	(244)	(408)	(1 568)	(2 314)	(159)	(4 693)
Liquidation	-	(17 353)	(8 568)	(1 581)	-	(27 502)
Received free of charge	-	3 754	7	-	-	3 761
Spare parts allocated to fixed assets	-	493	482	-	(470)	505
Overhaul expenses	-	-	1 218	-	3 730	4 948
Items generated internally	-	-	-	-	9 314	9 314
Transfers to/from assets held for sale	-	(50)	(470)	(9)	(5 481)	(6 010)
Other movements	(1)	1 272	(1 510)	268	(981)	(952)
Foreign exchange differences from translation of foreign entities	-	-	(9)	(13)	-	(22)
Closing balance	117 793	18 393 187	14 983 771	817 550	1 736 694	36 048 995
ACCUMULATED DEPRECIATION						
Opening balance	(458)	(5 049 663)	(4 957 467)	(440 706)	(5 323)	(10 453 617)
Depreciation for the period	-	(201 120)	(197 000)	(21 043)	-	(419 163)
Increase of impairment	-	-	(4)	(13)	(287)	(304)
Decrease of impairment	-	84	17	36	-	137
Sale, disposal	-	76	959	2 107	-	3 142
Liquidation	-	14 964	7 815	1 438	-	24 217
Transfers to/from assets held for sale	-	-	-	17	-	17
Other movements	-	(299)	(2 021)	(2 577)	-	(4 897)
Foreign exchange differences from translation of foreign entities	-	-	4	-	-	4
Closing balance	(458)	(5 235 958)	(5 147 697)	(460 741)	(5 610)	(10 850 464)
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	116 684	13 145 793	9 861 624	367 901	1 358 940	24 850 942
NET CARRYING AMOUNT AT THE END OF THE PERIOD	117 335	13 157 229	9 836 074	356 809	1 731 084	25 198 531

For the 3-month period ended 31 March 2014 (unaudited)

	Land	Buildings, premises and civil engineering	Plant and machinery	Other	Assets under construction	Property, plant and equipment, total
COST						
Opening balance	114 112	17 385 870	14 909 785	738 450	1 213 948	34 362 165
Direct purchase	-	-	199	184	531 661	532 044
Transfer of assets under construction	463	246 256	178 330	11 772	(436 821)	-
Sale, disposal	(3)	(1 642)	(1 500)	(2 132)	-	(5 277)
Liquidation	-	(7 088)	(63 323)	(1 325)	-	(71 736)
Received free of charge	-	4 423	40	-	-	4 463
Spare parts allocated to fixed assets	-	-	2 320	-	-	2 320
Overhaul expenses	-	-	630	-	4 965	5 595
Items generated internally	-	-	-	-	9 471	9 471
Transfers to/from assets held for sale	(74)	(530)	(6)	(2)	-	(612)
Other movements	(791)	(102)	9	(78)	(420)	(1 382)
Foreign exchange differences from translation of foreign entities	-	-	1	2	-	3
Closing balance	113 707	17 627 187	15 026 485	746 871	1 322 804	34 837 054
ACCUMULATED DEPRECIATION						
Opening balance	(645)	(4 360 059)	(4 490 207)	(377 855)	(5 760)	(9 234 526)
Depreciation for the period	-	(199 152)	(217 645)	(20 329)	-	(437 126)
Increase of impairment	-	-	(1)	-	(41)	(42)
Decrease of impairment	-	-	-	13	67	80
Sale, disposal	-	1 198	1 202	1 712	-	4 112
Liquidation	-	4 963	62 286	1 095	-	68 344
Transfers to/from assets held for sale	-	61	4	2	-	67
Other movements	-	(21)	(84)	(70)	-	(175)
Foreign exchange differences from translation of foreign entities	-	-	(1)	-	-	(1)
Closing balance	(645)	(4 553 010)	(4 644 446)	(395 432)	(5 734)	(9 599 267)
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	113 467	13 025 811	10 419 578	360 595	1 208 188	25 127 639
NET CARRYING AMOUNT AT THE END OF THE PERIOD	113 062	13 074 177	10 382 039	351 439	1 317 070	25 237 787

In the 3-month period ended 31 March 2015, the Group acquired property, plant and equipment for PLN 765 087 thousand. Major purchases were related to investments in the following operating segments:

Purchase of property, plant and equipment by segment	3-month period ended 31 March 2015 (unaudited)	3-month period ended 31 March 2014 (unaudited)
Distribution	279 758	371 180
Generation	408 588	111 552
Mining	59 888	44 179

16. Goodwill

As at the acquisition date the goodwill acquired is allocated to each cash-generating unit that derives benefits from synergy effects. Operating segment, as defined in IFRS 8 *Operating Segments*, is the lowest level in the Group with attributable goodwill and with goodwill monitored for internal management purposes of the Group.

Goodwill in segment	As at 31 March 2015 (unaudited)	As at 31 December 2014
Mining	13 973	13 973
Distribution	25 602	25 602
Generation	155 580	155 580
Total	195 155	195 155

17. Non-current intangible assets

For the 3-month period ended 31 March 2015 (unaudited)

	Development expenses	Perpetual usufruct	Software, concessions, patents, licenses and similar items	Energy certificates	Greenhouse gas emission allowances	Other intangible assets	Intangible assets not made available for use	Intangible assets, total
COST								
Opening balance	4 670	789 670	475 291	207 397	265 103	153 770	53 436	1 949 337
Direct purchase	-	-	1	5 581	-	-	12 328	17 910
Transfer of intangible assets not made available for use	-	1 050	8 043	-	-	11 716	(20 809)	-
Sale, disposal	-	(100)	(8 071)	-	-	-	-	(8 171)
Liquidation	-	-	(17)	-	-	(48)	-	(65)
Received free of charge	-	-	-	-	-	159	-	159
Reclassification	-	-	-	(194 933)	(165 330)	-	-	(360 263)
Other movements	-	(107)	115	-	-	(143)	1 098	963
Foreign exchange differences from translation of foreign entities	-	-	(28)	-	-	-	(5)	(33)
Closing balance	4 670	790 513	475 334	18 045	99 773	165 454	46 048	1 599 837
ACCUMULATED AMORTIZATION								
Opening balance	(3 822)	(15 297)	(289 949)	-	-	(35 635)	-	(344 703)
Amortization for the period	(120)	-	(12 904)	-	-	(3 098)	-	(16 122)
Sale, disposal	-	-	8 071	-	-	-	-	8 071
Liquidation	-	-	17	-	-	47	-	64
Other movements	-	-	(71)	-	-	(8)	-	(79)
Foreign exchange differences from translation of foreign entities	-	-	20	-	-	-	-	20
Closing balance	(3 942)	(15 297)	(294 816)	-	-	(38 694)	-	(352 749)
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	848	774 373	185 342	207 397	265 103	118 135	53 436	1 604 634
NET CARRYING AMOUNT AT THE END OF THE PERIOD	728	775 216	180 518	18 045	99 773	126 760	46 048	1 247 088

For the 3-month period ended 31 March 2014 (unaudited)

	Development expenses	Perpetual usufruct	Software, concessions, patents, licenses and similar items	Energy certificates	Greenhouse gas emission allowances	Other intangible assets	Intangible assets not made available for use	Intangible assets, total
COST								
Opening balance	4 030	810 712	379 236	20 250	34 528	109 979	84 633	1 443 368
Direct purchase	-	-	17	1 325	57 021	-	18 183	76 546
Transfer of intangible assets not made available for use	-	574	13 353	-	-	16 281	(30 208)	-
Sale, disposal	-	(227)	-	-	-	-	-	(227)
Liquidation	-	(16)	(801)	-	-	-	-	(817)
Received free of charge	-	33	-	-	-	192	-	225
Reclassification	-	-	-	(16 183)	-	-	-	(16 183)
Other movements	-	-	1 261	-	-	(1)	382	1 642
Foreign exchange differences from translation of foreign entities	-	-	3	-	-	-	1	4
Closing balance	4 030	811 076	393 069	5 392	91 549	126 451	72 991	1 504 558
ACCUMULATED AMORTIZATION								
Opening balance	(3 442)	(14 449)	(242 012)	-	-	(23 460)	-	(283 363)
Amortization for the period	(24)	-	(15 264)	-	-	(3 360)	-	(18 648)
Liquidation	-	-	786	-	-	-	-	786
Other movements	-	-	(1 140)	-	-	-	-	(1 140)
Foreign exchange differences from translation of foreign entities	-	-	(1)	-	-	-	-	(1)
Closing balance	(3 466)	(14 449)	(257 631)	-	-	(26 820)	-	(302 366)
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	588	796 263	137 224	20 250	34 528	86 519	84 633	1 160 005
NET CARRYING AMOUNT AT THE END OF THE PERIOD	564	796 627	135 438	5 392	91 549	99 631	72 991	1 202 192

18. Shares in joint ventures

Investments in joint-ventures measured using the equity method as at 31 March 2015 and for the 3-month period ended 31 March 2015 have been presented below:

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(in PLN '000)

	Elektrociepłownia Stalowa Wola S.A.	Elektrownia Blachownia Nowa Sp. z o.o.	TAMEH HOLDING Sp. z o.o. *	As at 31 March 2015 or for the 3-month period ended 31 March 2015 (<i>unaudited</i>)
Non-current assets	986 281	27 351	1 019 624	2 033 256
Current assets	14 618	36 983	424 627	476 228
Non-current liabilities (-)	(946 891)	-	(73 133)	(1 020 024)
Current liabilities (-)	(21 800)	(100)	(506 202)	(528 102)
Total net assets	32 208	64 234	864 916	961 358
Share in net assets	16 104	32 117	432 458	480 679
Elimination of transactions with Group companies	(12 102)	-	-	(12 102)
Investment in joint ventures	4 002	32 117	397 891	434 010
Share in revenue of joint ventures	6	92	152 494	152 592
Share in profit/(loss) of joint ventures	(500)	11	20 889	20 400

* The above information about TAMEH HOLDING Sp. z o.o. and its subsidiaries are of a preliminary nature, because the acquisition of subsidiaries by TAMEH HOLDING Sp. z o.o. has not been finally accounted for.

Investments in joint-ventures measured using the equity method as at 31 December 2014 and for the 3-month period ended 31 March 2014 have been presented below:

	Elektrociepłownia Stalowa Wola S.A.	Elektrownia Blachownia Nowa Sp. z o.o.	TAMEH HOLDING Sp. z o.o. *	As at 31 December 2014 or for the 3-month period ended 31 March 2014 (<i>unaudited</i>)
Non-current assets	973 128	27 351	985 875	1 986 354
Current assets	53 283	36 920	319 756	409 959
Non-current liabilities (-)	(900 635)	-	(34 085)	(934 720)
Current liabilities (-)	(92 570)	(59)	(433 758)	(526 387)
Total net assets	33 206	64 212	837 788	935 206
Share in net assets	16 603	32 106	418 894	467 603
Elimination of transactions with Group companies	(11 127)	-	-	(11 127)
Investment in joint ventures	5 476	32 106	377 002	414 584
Share in revenue of joint ventures	39	96	-	135
Share in profit/(loss) of joint ventures	(425)	19	-	(406)

* The above information about TAMEH HOLDING Sp. z o.o. and its subsidiaries are of a preliminary nature, because the acquisition of subsidiaries by TAMEH HOLDING Sp. z o.o. has not been finally accounted for.

Elektrociepłownia Stalowa Wola S.A.

Elektrociepłownia Stalowa Wola S.A. is a special purpose vehicle set up in 2010 on the initiative of TAURON Polska Energia S.A. and PGNiG S.A.

As a joint venture it is accounted for using the equity method in the condensed interim consolidated financial statements. TAURON Polska Energia S.A. holds an indirect interest amounting to 50% in the share capital of this company and 50% in its governing body through TAURON Wytwarzanie S.A.

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 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. The outstanding amounts of these loans as at the balance sheet date have been presented below:

	As at 31 March 2015 (<i>unaudited</i>)		As at 31 December 2014	
	Principal	Interest	Principal	Interest
Subordinated loan	177 000	23 321	177 000	21 331
VAT loan	2 300	1	5 850	12
Total loans granted to Elektrociepłownia Stalowa Wola S.A., of which:	179 300	23 322	182 850	21 343
Non-current	177 000	23 321	177 000	21 331
Current	2 300	1	5 850	12

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

Originated loans and amounts repaid in the 3-month period ended 31 March 2015 have been presented in Note 31.1. to these condensed interim consolidated financial statements.

In the 3-month period ended 31 March 2015, the interest income due to loans granted reached PLN 2 016 thousand. The Group presented interest income due to originated loans of Elektrociepłownia Stalowa Wola S.A. in the portion corresponding to unrelated investors' interests in the joint venture in the condensed interim consolidated financial statements.

Elektrownia Blachownia Nowa Sp. z o.o.

Elektrownia Blachownia Nowa Sp. z o.o. is a special purpose vehicle set up in 2012 by TAURON Wytwarzanie S.A. and KGHM Polska Miedź S.A. The Company was set up to perform a comprehensive investment project including preparation, construction and operation of a combined cycle gas and steam unit with the capacity of ca. 850 MWe on the land of TAURON Wytwarzanie S.A. – Oddział Elektrownia Blachownia.

As a joint venture Elektrownia Blachownia Nowa Sp. z o.o. is accounted for in the condensed interim consolidated financial statements using the equity method. TAURON Polska Energia S.A. holds an indirect interest amounting to 50% in the share capital of this company and 50% in its governing body through TAURON Wytwarzanie S.A.

Pursuant to the agreement concluded by TAURON Polska Energia S.A., KGHM Polska Miedź S.A. and TAURON Wytwarzanie S.A. on 30 December 2013 the project of construction of gas and steam power unit in Elektrownia Blachownia Nowa Sp. z o.o. has been suspended due to the general situation in the electricity and gas markets entailing an increased investment risk and a necessity to review and optimize the project. In the 3-month period ended 31 March 2015 no further developments in the project implementation occurred.

The parties undertook to ensure further business operations of Elektrownia Blachownia Nowa Sp. z o.o., securing deliverables provided thus far, in particular updating project documentation and ensuring on-going monitoring of the energy market and regulatory environment in view of the possibility to restart project performance as soon as possible. The parties agreed that the decision to recommence the project will be adopted in the form of a separate agreement which is expected to be concluded by 31 December 2016.

TAMEH HOLDING Sp. z o.o. and subsidiaries

In 2014 the TAURON Group entered into an agreement with the ArcelorMittal Group. The shareholders agreement states that TAMEH HOLDING Sp. z o.o. shall 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. Following the transactions concluded last year, both capital groups have held 50% of shares in TAMEH HOLDING Sp. z o.o. each.

TAMEH HOLDING Sp. z o.o. holds 100% of shares in TAMEH POLSKA Sp. z o.o. composed of: Zakład Wytwarzania Nowa and Elektrownia Blachownia contributed in kind by the TAURON Group and Elektrociepłownia in Kraków contributed in kind by the ArcelorMittal Group. Moreover, TAMEH HOLDING Sp. z o.o. holds 100% of shares in TAMEH Czech s.r.o.

The value of shares in TAMEH HOLDING Sp. z o.o. taken up by the Company in 2014 was PLN 374 883 thousand. The purchase price for shares taken up was increased by acquisition costs of PLN 873 thousand. The net assets contributed by the Group amounted to PLN 335 918 thousand.

19. Current intangible assets

For the 3-month period ended 31 March 2015 (unaudited)

	Energy certificates	Greenhouse gas emission allowances	Current intangible assets, total
COST			
Opening balance	724 918	8 130	733 048
Direct purchase	119 936	3 101	123 037
Generated internally	83 838	-	83 838
Cancellation	(687 231)	-	(687 231)
Reclassification	195 962	165 330	361 292
Closing balance	437 423	176 561	613 984
IMPAIRMENT			
Opening balance	-	-	-
Closing balance	-	-	-
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	724 918	8 130	733 048
NET CARRYING AMOUNT AT THE END OF THE PERIOD	437 423	176 561	613 984

For the 3-month period ended 31 March 2014 (unaudited)

	Energy certificates	Greenhouse gas emission allowances	Current intangible assets, total
COST			
Opening balance	695 427	461 123	1 156 550
Direct purchase	273 566	5 496	279 062
Generated internally	95 979	-	95 979
Cancellation	(828 247)	-	(828 247)
Reclassification	43 431	-	43 431
Closing balance	280 156	466 619	746 775
IMPAIRMENT			
Opening balance	-	-	-
Closing balance	-	-	-
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	695 427	461 123	1 156 550
NET CARRYING AMOUNT AT THE END OF THE PERIOD	280 156	466 619	746 775

20. Inventories

	As at 31 March 2015 <i>(unaudited)</i>	As at 31 December 2014
Historical cost		
Raw materials	271 579	285 135
Semi-finished goods and work-in-progress	112 793	123 228
Finished goods	98 712	117 798
Goods for resale	870	707
Energy certificates	10 016	20 055
Emission allowances	2 089	1 761
Total	496 059	548 684
Write-downs to net realizable value		
Raw materials	(7 358)	(7 305)
Finished goods	(121)	(12)
Goods for resale	(21)	(21)
Energy certificates	(7 500)	(13 750)
Total	(15 000)	(21 088)
Net realizable value		
Raw materials	264 221	277 830
Semi-finished goods and work-in-progress	112 793	123 228
Finished goods	98 591	117 786
Goods for resale	849	686
Energy certificates	2 516	6 305
Emission allowances	2 089	1 761
Total	481 059	527 596

21. Trade and other receivables

Current trade and other receivables as at 31 March 2015 and 31 December 2014 have been presented in the table below.

	As at 31 March 2015 <i>(unaudited)</i>	As at 31 December 2014
Trade receivables	1 637 060	1 664 191
Loans granted	2 301	6 368
Other financial receivables, of which:	330 037	298 610
Receivables from sales of fixed and intangible assets	2 508	483
Receivables claimed at court	20 328	20 328
Other receivables	307 201	277 799
Total	1 969 398	1 969 169

Non-current trade and other receivables are disclosed as other financial assets under non-current assets in the statement of financial position. As at 31 March 2015 the Group did not disclose any non-current trade receivables, while other non-current receivables amounted to PLN 30 251 thousand.

As at 31 December 2014 non-current trade receivables amounted to PLN 38 thousand, while other non-current receivables totaled PLN 30 492 thousand.

Current trade and other receivables with a related allowance as at 31 March 2015 and 31 December 2014 have been presented in the tables below.

Trade and other receivables as at 31 March 2015 *(unaudited)*

	Trade receivables	Loans granted	Other financial receivables	Total
Accounts receivable (without allowance for doubtful debt)	1 707 644	2 301	540 329	2 250 274
Allowance for doubtful debt	(70 584)	-	(210 292)	(280 876)
Net value	1 637 060	2 301	330 037	1 969 398

Trade and other receivables as at 31 December 2014

	Trade receivables	Loans granted	Other financial receivables	Total
Accounts receivable (without allowance for doubtful debt)	1 737 996	6 368	507 653	2 252 017
Allowance for doubtful debt	(73 805)	-	(209 043)	(282 848)
Net value	1 664 191	6 368	298 610	1 969 169

Trade receivables bear no interest and in case of cooperation with institutional contractors they usually have a 30-day maturity period. In case of individual clients, payments are made on a monthly or bi-monthly basis.

Except for sales to individual clients, sales are made only to customers who have undergone an appropriate verification procedure. As a result, the Management believe that there is no additional credit risk that would exceed the allowance for bad debts recognized for trade receivables of the Group.

22. Cash and cash equivalents

Cash in bank bears a floating interest rate determined based on interest on overnight deposits. Short-term deposits are made for various periods, mainly from one day to one month, depending on the Group's current demand for cash and bear interest that is calculated according to applicable interest rates.

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

	As at 31 March 2015 <i>(unaudited)</i>	As at 31 December 2014
Cash at bank and in hand	279 470	410 082
Short-term deposits (up to 3 months)	844 089	1 009 991
Other	709	836
Total cash and cash equivalents presented in the statement of financial position, of which:	1 124 268	1 420 909
- restricted cash	180 223	116 568
Bank overdraft	(109 143)	(11 918)
Foreign exchange and other differences	(4 494)	(920)
Total cash and cash equivalents presented in the statement of cash flows	1 010 631	1 408 071

The difference between the balance of cash recognized in the statement of financial position and that disclosed in the statement of cash flows results mainly from overdrafts and exchange gains and losses on measurement of cash on currency accounts.

Balance of restricted cash includes mainly cash on the accounts used for settling electricity trading and emission allowances on the Polish Power Exchange, i.e. Towarowa Gielda Energii S.A., of PLN 100 743 thousand held by the Parent and cash on bank accounts for bid bonds of PLN 68 575 thousand as at 31 March 2015.

23. Non-current assets and a disposal group classified as held for sale

A disposal group includes the assets and liabilities of four existing wind farms classified as held for sale in relation to the Group's implementation of the off-balance sheet asset financing policy aimed at selling (with the buy-back option) of a majority interest in the existing wind farms to a financial investor and refinancing the existing debt allocated to the wind farms using bank debt when the Company becomes a minority shareholder. Funds obtained in the aforesaid procedure may be used for purposes of other investment projects.

Main categories of assets and liabilities of the disposal group classified as held for sale as at 31 March 2015 and 31 December 2014:

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	As at 31 March 2015 <i>(unaudited)</i>	As at 31 December 2014
Property, plant and equipment	1 214 520	1 208 545
Goodwill and other intangible assets	52 103	52 077
Other non-current non-financial assets	32 108	36 678
Trade and other receivables (current)	9 954	1 937
Other current non-financial assets	23 402	21 695
Total assets of a disposal group	1 332 087	1 320 932
Other non-current provisions	58 665	58 336
Deferred income tax liability	7 246	7 325
Trade and other payables (current)	8 970	10 484
Other current provisions	1 222	1 038
Accruals, deferred income and government grants (current)	8 179	7 787
Total liabilities directly related to the disposal group	84 282	84 970
Net assets of a disposal group classified as held for sale	1 247 805	1 235 962

Non-current assets and the disposal group, classified as held for sale, as presented in the statement of financial position as at 31 March 2015 and 31 December 2014:

	As at 31 March 2015 <i>(unaudited)</i>	As at 31 December 2014
Disposal group	1 332 087	1 320 932
Other non-current assets	14 336	16 773
Non-current assets and assets of a disposal group classified as held for sale	1 346 423	1 337 705
Liabilities of a disposal group classified as held for sale	84 282	84 970

24. Equity

24.1. Issued capital

Issued capital as at 31 March 2015 *(unaudited)*

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

As at 31 March 2015, the value of the issued capital, the number of shares and the par value of shares did not change compared to 31 December 2014.

Shareholding structure as at 31 March 2015 *(unaudited, to the best of the Company's knowledge)*

Shareholder	Number of shares	Value of shares	Percentage of share capital	Percentage of total vote
State Treasury	526 848 384	2 634 242	30.06%	30.06%
KGHM Polska Miedz 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%

To the best of the Company's knowledge, the shareholding structure as at 31 March 2015 has not changed since 31 December 2014.

24.2. Revaluation reserve from valuation of hedging instruments

	3-month period ended 31 March 2015 <i>(unaudited)</i>	3-month period ended 31 March 2014 <i>(unaudited)</i>
Opening balance	(143 019)	(126 651)
Remeasurement of hedging instruments	(5 311)	(10 772)
Remeasurement of hedging instruments charged to profit or loss for the period	20 825	18 379
Deferred income tax	(2 948)	(1 445)
Closing balance	(130 453)	(120 489)

The revaluation reserve from valuation of hedging instruments results from valuation of Interest Rate Swaps (IRS) hedging the interest rate risk arising from bonds issued. As at 31 March 2015, the Group 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 Parent hedged the interest rate risk arising from bonds issued under the Bond Issue Scheme (Tranche A and Tranche C), 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. Following early redemption of Tranche A bonds carried out on 29 December 2014, the Group no longer applied hedge accounting to IRS contracts hedging the bonds redeemed. The Group still applies hedge accounting to the remaining IRS contracts hedging Tranche C bonds.

As at 31 March 2015, the Company recognized PLN (130 453) 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 to PLN 186 244 thousand, adjusted by a portion of measurement relating to interest accrued on bonds as at the end of the reporting period, including deferred tax.

The profit for the period was charged with PLN 20 825 thousand constituting the change in measurement of instruments related to interest on bonds accrued as at the end of the reporting period. The aforementioned costs of hedging IRS transactions increased financial expenses arising from interest on bonds issued in the statement of comprehensive income.

24.3. Retained earnings and dividend limitation

In the current period, changes in retained earnings included:

- net profit for the period attributable to the shareholders of the Parent of PLN 502 043 thousand;
- actuarial gains/losses on provisions for post-employment benefits charged to other comprehensive income of PLN 2 112 thousand;
- PLN 12 thousand due to settlement of mandatory squeeze-out of non-controlling interests.

The amount of PLN 1 146 456 thousand, disclosed as retained earnings, is still distributable among shareholders of the Parent as at the end of the reporting period. On 23 April 2015, the Ordinary General Shareholders' Meeting adopted a resolution on distribution of the Company's profit for 2014 of PLN 1 146 443 thousand.

25. Acquisition of non-controlling interests and organizational changes

Purchase of shares in Biomasa Grupa TAURON Sp. z o.o.

Under the agreement dated 14 January 2015, TAURON Polska Energia S.A. acquired 4 267 shares in Biomasa Grupa TAURON Sp. z o.o., constituting 100% of the issued capital of the entity for PLN 1 224 thousand from TAURON Wytwarzanie S.A., a subsidiary. The title to shares was transferred under Article 453 of the Civil Code in order to release TAURON Wytwarzanie S.A. from the liability towards the Company arising from issued bonds with the value of PLN 1 230 thousand. The remaining portion of the liability of PLN 6 thousand was repaid in cash.

The transaction in question has not affected these condensed interim consolidated financial statements.

Mandatory squeeze-out

The process of squeeze-out of treasury shares for redemption purposes is continued in TAURON Dystrybucja S.A. Consequently, the value of non-controlling interests has decreased by PLN 149 thousand, while retained earnings have increased by PLN 12 thousand.

26. Interest-bearing loans and borrowings

	As at 31 March 2015 <i>(unaudited)</i>	As at 31 December 2014
Loans and borrowings	1 317 034	1 232 032
Bonds issued	6 691 251	6 821 830
Total	8 008 285	8 053 862
Current	636 493	631 530
Non-current	7 371 792	7 422 332

26.1. Loans and borrowings

The balance of loans and borrowings taken out as at 31 March 2015 and 31 December 2014 has been presented in the tables below.

Loans and borrowings taken out as at 31 March 2015 *(unaudited)*

Currency	Interest rate	Value of loans as at the balance sheet date <i>(unaudited)</i>		of which principal amount maturing within (after the balance sheet date):					
		currency	PLN	less than 3 months	3-12 months	1-2 years	2-3 years	3-5 years	over 5 years
PLN	floating	153 388	153 388	101 565	6 126	7 436	7 333	13 607	17 321
	fixed	1 133 577	1 133 577	20 443	112 293	132 735	132 735	265 471	469 900
Total PLN		1 286 965	1 286 965	122 008	118 419	140 171	140 068	279 078	487 221
EUR	floating	4 392	17 958	17 958	-	-	-	-	-
		4 392	17 958	17 958	-	-	-	-	-
Total EUR				139 966	118 419	140 171	140 068	279 078	487 221
Total			1 304 923	139 966	118 419	140 171	140 068	279 078	487 221
Interest increasing carrying amount			12 111						
Total loans and borrowings			1 317 034						

Loans and borrowings taken out as at 31 December 2014

Currency	Interest rate	Value of loans as at the balance sheet date		of which principal maturing within (after the balance sheet date):					
		currency	PLN	less than 3 months	3-12 months	1-2 years	2-3 years	3-5 years	over 5 years
PLN	floating	59 697	59 697	6 116	6 126	7 534	7 333	18 466	14 122
	fixed	1 153 997	1 153 997	20 443	112 289	132 733	132 733	265 464	490 335
Total PLN		1 213 694	1 213 694	26 559	118 415	140 267	140 066	283 930	504 457
EUR	floating	2 796	11 918	11 918	-	-	-	-	-
		2 796	11 918	11 918	-	-	-	-	-
Total EUR				38 477	118 415	140 267	140 066	283 930	504 457
Total			1 225 612	38 477	118 415	140 267	140 066	283 930	504 457
Interest increasing carrying amount			6 420						
Total loans and borrowings			1 232 032						

Change in the balance of loans and borrowings, excluding interest accrued in the 3-month period ended 31 March 2015 and in the comparable period, has been presented below.

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	3-month period ended 31 March 2015 (unaudited)	3-month period ended 31 March 2014 (unaudited)
Opening balance	1 225 612	1 477 456
Movement in bank overdrafts	97 225	43 852
Movement in loans and borrowings (excluding bank overdrafts):	(17 914)	(30 366)
Repaid	(22 353)	(30 340)
Change in valuation and other movements	4 439	(26)
Closing balance	1 304 923	1 490 942

As at 31 March 2015 the Group's liabilities arising from received loans and borrowings amounted to PLN 1 317 034 thousand and resulted from:

- loans of PLN 1 145 679 thousand obtained from the European Investment Bank, including interest accrued of PLN 12 101 thousand (PLN 1 160 411 thousand as at 31 December 2014);
- overdrafts of PLN 109 143 thousand (PLN 11 918 thousand as at 31 December 2014);
- loans and borrowings taken by the Group companies for investment or refunding purposes, including:
 - loan from the Regional Fund for Environmental Protection and Water Management taken out by TAURON Wytwarzanie S.A. to fund investment projects related to energy generation from renewable sources in the Jaworzno III power plant. As at the end of the reporting period the outstanding amount was PLN 31 000 thousand (PLN 32 000 thousand as at 31 December 2014);
 - loan from the Regional Fund for Environmental Protection and Water Management granted to TAURON Ciepło Sp. z o.o. to fund green investment projects. As at the balance sheet date the outstanding amount was PLN 21 144 thousand (PLN 21 747 thousand as at 31 December 2014).

26.2. Bonds issued

The tables below present the balances of the Group's liabilities arising from bonds issued, together with accrued interest, as at 31 March 2015 and 31 December 2014.

Bonds issued as at 31 March 2015 (unaudited)

Issuer	Tranche/ Bank	Redemption date	Interest rate	Currency	As at the balance sheet date (unaudited)		of which maturing within (after the balance sheet date)					
					Interest accrued	Principal at amortised cost	less than 3 months	3 - 12 months	1 - 2 years	2-3 years	3-5 years	Over 5 years
TAURON Polska Energia S.A.	B	12 December 2015	floating	PLN	2 667	299 790	-	299 790	-	-	-	-
	C	12 December 2016	floating	PLN	26 671	2 997 759	-	-	2 997 759	-	-	-
		20 December 2019	floating	PLN	978	99 806	-	-	-	-	99 806	-
		20 December 2020	floating	PLN	978	99 799	-	-	-	-	-	99 799
		20 December 2021	floating	PLN	978	99 794	-	-	-	-	-	99 794
		20 December 2022	floating	PLN	978	99 790	-	-	-	-	-	99 790
		20 December 2023	floating	PLN	978	99 786	-	-	-	-	-	99 786
		20 December 2024	floating	PLN	978	99 786	-	-	-	-	-	99 786
		20 December 2025	floating	PLN	978	99 784	-	-	-	-	-	99 784
		20 December 2026	floating	PLN	978	99 780	-	-	-	-	-	99 780
		20 December 2027	floating	PLN	978	99 779	-	-	-	-	-	99 779
	TPEA1119	4 November 2019	floating	PLN	20 294	1 748 868	-	-	-	-	1 748 868	-
TAURON Sweden Energy AB (publ)		3 December 2029	fixed	EUR	7 773	680 523	-	-	-	-	-	680 523
Total bonds					66 207	6 625 044	-	299 790	2 997 759	-	1 848 674	1 478 821

* Bank Gospodarstwa Krajowego

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Bonds issued as at 31 December 2014

Issuer	Tranche/ Bank	Redemption date	Interest rate	Currency	As at the balance sheet date		of which maturing within (after the balance sheet date)					
					Interest accrued	Principal at amortised cost	less than 3 months	3 - 12 months	1 - 2 years	2-3 years	3-5 years	Over 5 years
TAURON Polska Energia S.A.	B	12 December 2015	floating	PLN	485	299 716	-	299 716	-	-	-	-
	B	30 January 2015	floating	PLN	2 287	150 000	150 000	-	-	-	-	-
	C	12 December 2016	floating	PLN	4 849	2 997 442	-	-	2 997 442	-	-	-
		20 December 2019	floating	PLN	115	99 797	-	-	-	-	99 797	-
		20 December 2020	floating	PLN	115	99 791	-	-	-	-	-	99 791
		20 December 2021	floating	PLN	115	99 787	-	-	-	-	-	99 787
		20 December 2022	floating	PLN	115	99 784	-	-	-	-	-	99 784
		20 December 2023	floating	PLN	115	99 781	-	-	-	-	-	99 781
		20 December 2024	floating	PLN	115	99 781	-	-	-	-	-	99 781
		20 December 2025	floating	PLN	115	99 780	-	-	-	-	-	99 780
		20 December 2026	floating	PLN	115	99 777	-	-	-	-	-	99 777
		20 December 2027	floating	PLN	115	99 776	-	-	-	-	-	99 776
		TPEA1119	4 November 2019	floating	PLN	7 953	1 748 810	-	-	-	-	1 748 810
TAURON Sweden Energy AB (publ)		3 December 2029	fixed	EUR	1 923	709 276	-	-	-	-	-	709 276
Total bonds					18 532	6 803 298	150 000	299 716	2 997 442	-	1 848 607	1 507 533

* Bank Gospodarstwa Krajowego

Bonds were issued by the Parent 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.

Bonds issued by TAURON Sweden Energy AB (publ), a subsidiary, are fixed-rate securities with interest payable annually. Issue and repayment currency is euro. As at 31 March 2015 the carrying amount in euro, together with accrued interest, amounted to EUR 168 329 thousand (as at 31 December 2014 – EUR 166 858 thousand). The Company granted a corporate guarantee to TAURON Sweden Energy AB (publ) to secure the bonds in question. The guarantee is valid in the entire bond period, i.e. until 3 December 2029, and amounts to EUR 168 000 thousand.

Change in the balance of bonds excluding interest accrued in the 3-month period ended 31 March 2015 and in the comparable period has been presented below.

	3-month period ended 31 March 2015 (unaudited)	3-month period ended 31 March 2014 (unaudited)
Opening balance	6 803 298	4 291 460
Issue*	-	798 801
Redemption	(150 000)	(200 000)
Change in valuation	(28 254)	841
Closing balance	6 625 044	4 891 102

* Costs of issue have been included.

On 30 January 2015, TAURON Polska Energia S.A. redeemed Tranche B bonds with the par value of PLN 150 000 thousand at their maturity.

Moreover, 17 500 TPEA1119 series bearer bonds with the total face value of PLN 1 750 000 thousand and the unit face value of PLN 100 thousand issued by TAURON Polska Energia S.A. in 2014 were listed in the Catalyst market in the 3-month period ended 31 March 2015. The first listing was planned for 12 March 2015 and the last listing for 22 October 2019.

The Company hedges a portion of interest cash flows related to bonds issued under Tranche C using IRS contracts. The instruments are subject to hedge accounting, as discussed in Note 24.2 hereto.

The contracts signed by the Company with banks include legal and financial covenants which are commonly used in such transactions. As at 31 March 2015, none of these covenants were breached and the contractual provisions were complied with.

27. Derivative instruments

	Balance as at 31 March 2015 (unaudited)				Balance as at 31 December 2014			
	Charged to profit or loss	Charged to other comprehensive income	Total		Charged to profit or loss	Charged to other comprehensive income	Total	
			Assets	Liabilities			Assets	Liabilities
CCIRS	16 266	-	16 266	-	258	-	1 499	(1 241)
IRS	(38 807)	(161 052)	-	(199 859)	(17 746)	(176 567)	-	(194 313)
Commodity forwards/futures	471	-	480	(9)	(250)	-	312	(562)
Currency forwards	(1 235)	-	-	(1 235)	-	-	-	-
Total derivative instruments, including:			16 746	(201 103)			1 811	(196 116)
Current			1 729	(106 007)			1 811	(102 615)
Non-current			15 017	(95 096)			-	(93 501)

Derivative instrument CCIRS relates to the Coupon Cross Currency Swap contract entered into by the Company on 24 November 2014 – swap of interest payments from the nominal value of EUR 168 000 thousand. The contract was concluded for the period of 15 years. In accordance with the contract, the Company pays interest accrued based on a floating interest rate in PLN and receives fixed interest-rate payments in EUR. Hedge accounting principles do not apply to the transaction in question.

Derivatives (IRS) include interest rate swap contracts concluded in order to hedge interest cash flows related to bonds issued, as presented in detail in Note 24.2 to these condensed interim consolidated financial statements. The interest rate swap contract related to Tranche A redeemed at the end of 2014 has been excluded from hedge accounting and it has been measured through profit or loss. As at 31 March 2015 the liability amounted to PLN 13 616 thousand. The remaining IRS contracts are subject to hedge accounting with the remeasurement recognized in other comprehensive income. As at 31 March 2015 the liability amounted to PLN 186 243 thousand.

Commodity futures and forwards include contracts for purchase and sale of commodities, mainly emission allowances.

Moreover, in the 3-month period ended 31 March 2015 the Company entered into currency forward contracts hedging foreign currency cash flows resulting from trading in emission allowances.

28. Provisions for employee benefits

	As at 31 March 2015 (unaudited)	As at 31 December 2014
Provision for post-employment benefits and jubilee bonuses	2 045 493	2 044 405
Provision for employment termination benefits	41 098	62 872
Total	2 086 591	2 107 277
Current	133 955	158 954
Non-current	1 952 636	1 948 323

28.1. Provisions for post-employment benefits and jubilee bonuses

The Group determines provisions for future post-employment benefits and jubilee bonuses at an amount estimated using actuarial methods, taking into account the discount rate defined based on market rates of return from treasury bonds.

For the 3-month period ended 31 March 2015 (unaudited)

	Provision for retirement, disability and similar benefits	Employee electricity rates	Social Fund	Provision for coal allowances	Jubilee bonuses	Provisions, total
Opening balance	357 017	769 975	170 242	67 661	679 510	2 044 405
Current service costs	3 602	2 034	885	422	9 423	16 366
Actuarial gains and losses	3 785	(6 024)	(384)	8	(3 907)	(6 522)
Benefits paid	(9 212)	(61)	(825)	(479)	(9 558)	(20 135)
Interest expense	1 987	4 286	954	380	3 772	11 379
Closing balance	357 179	770 210	170 872	67 992	679 240	2 045 493
Current	22 817	22 597	4 697	1 592	52 940	104 643
Non-current	334 362	747 613	166 175	66 400	626 300	1 940 850

Benefits paid out in the 3-month period ended 31 March 2015 included PLN 4 017 thousand of benefits paid to employees covered by voluntary redundancy schemes (in the 3-month period ended 31 March 2014 it was PLN 1 294 thousand).

For the 3-month period ended 31 March 2014 (unaudited)

	Provision for retirement, disability and similar benefits	Employee electricity rates	Social Fund	Provision for coal allowances	Jubilee bonuses	Provisions, total
Opening balance	282 621	569 140	121 571	49 457	582 840	1 605 629
Current service costs	3 395	2 475	812	235	9 875	16 792
Actuarial gains and losses	(3 021)	(6 269)	(172)	(106)	(7 505)	(17 073)
Benefits paid	(4 376)	(36)	(899)	(396)	(7 517)	(13 224)
Past service costs	(1 319)	(3 166)	(378)	-	(3 836)	(8 699)
Interest expense	2 738	5 619	1 220	489	5 705	15 771
Closing balance	280 038	567 763	122 154	49 679	579 562	1 599 196
Current	27 575	25 143	4 309	2 053	60 372	119 452
Non-current	252 463	542 620	117 845	47 626	519 190	1 479 744

28.2. Provisions for employment termination benefits

For the 3-month period ended 31 March 2015 (unaudited)

	Voluntary redundancy schemes in operating segments		Other activity	Total
	Generation	Distribution		
Opening balance	38 867	22 236	1 769	62 872
Recognition	208	-	-	208
Reversal	(545)	-	-	(545)
Utilisation	(15 556)	(4 112)	(1 769)	(21 437)
Closing balance	22 974	18 124	-	41 098
Current	11 188	18 124	-	29 312
Non-current	11 786	-	-	11 786

For the 3-month period ended 31 March 2014 (unaudited)

	Voluntary redundancy schemes in operating segments		Other activity	Total
	Generation	Distribution		
Opening balance	28 787	17 584	8 182	54 553
Recognition	2 014	-	-	2 014
Utilisation	(4 566)	(725)	(1 830)	(7 121)
Closing balance	26 235	16 859	6 352	49 446
Current	14 120	16 859	6 352	37 331
Non-current	12 115	-	-	12 115

29. Other provisions

29.1. Changes in provisions

For the 3-month period ended 31 March 2015 (unaudited)

	Provision for use of real estate without contract	Provision for mine decommissioning costs	Provision for restoration of land and dismantling and removal of fixed assets	Provision for gas emission obligations	Provision for obligation to submit energy certificates	Provision for counterparty claims, court dispute and other provisions	Provisions, total
Opening balance	93 818	120 704	42 774	8 130	914 926	66 341	1 246 693
Discount rate adjustment	-	749	245	-	-	-	994
Recognition	601	57	-	11 420	220 617	1 944	234 639
Reversal	(3 260)	-	-	(2 290)	(3 652)	(774)	(9 976)
Utilisation	(258)	-	-	-	(773 351)	(2 079)	(775 688)
Foreign exchange differences from translation of foreign entities	-	-	-	-	-	(21)	(21)
Closing balance	90 901	121 510	43 019	17 260	358 540	65 411	696 641
Current	90 901	-	880	17 260	358 540	62 697	530 278
Non-current	-	121 510	42 139	-	-	2 714	166 363

For the 3-month period ended 31 March 2014 (unaudited)

	Provision for use of real estate without contract	Provision for mine decommissioning costs	Provision for restoration of land and dismantling and removal of fixed assets	Provision for gas emission obligations	Provision for obligation to submit energy certificates	Provision for counterparty claims, court dispute and other provisions	Provisions, total
Opening balance	104 827	44 620	96 280	461 123	905 561	92 016	1 704 427
Discount rate adjustment	-	446	988	-	-	-	1 434
Recognition	7 139	103	-	5 496	214 614	7 666	235 018
Reversal	(2 384)	-	-	-	(2 883)	(1 302)	(6 569)
Utilisation	(490)	-	-	-	(895 605)	(1 369)	(897 464)
Foreign exchange differences from translation of foreign entities	-	-	-	-	-	7	7
Closing balance	109 092	45 169	97 268	466 619	221 687	97 018	1 036 853
Current	109 092	-	108	466 619	221 687	96 416	893 922
Non-current	-	45 169	97 160	-	-	602	142 931

29.2. Description of significant provision items

In the 3-month period ended 31 March 2015 there were no significant changes in provision items, except for those presented below and in Note 6 concerning the estimation of provisions for gas emission liabilities.

29.2.1 Provision for use of real estate without contract

The Group companies recognize provisions for all claims filed by the owners of the real estate on which distribution systems and heat installations are located. The Group does not establish provision for possible unlogged claims of owners of land with unregulated status. As at 31 March 2015, the relevant provision amounted to PLN 90 901 thousand (as at 31 December 2014 it was PLN 93 818 thousand).

In 2012 a third party lodged a claim against TAURON Ciepło S.A. (currently: TAURON Ciepło Sp. z o.o.) related to the regulation of legal status of the network located in its property. The Company has questioned both the claim amount and the claimant's title to offset it with its current liabilities regarding heat supply. Such a position of the Company has been confirmed with a non-official decision of Court for Competition and Consumer Protection against the party regarding the heat supply cutoff upon payment default. Consequently, the Company commenced collection litigation against the debtor. The final amount of the defendant's claim regarding the use of its property shall be determined in the course of the litigation. With regard to the dispute, in light of the adopted accounting policy, a provision has been recognized for the estimated cost of the above claim. Bearing in mind the pending litigation, and in accordance with IAS 37.92, the Group does not disclose all information regarding the above issue as required by IAS 37.

29.2.2 Provision for the obligation to surrender energy certificates

Due to the sales of electricity to end users, the Group is required to cancel a specified amount of certificates of electricity generated using renewable sources, cogeneration and energy efficiency certificates.

In the 3-month period ended 31 March 2015, the Group fulfilled its obligation to surrender certificates of energy generated using renewable sources and energy efficiency certificates for 2014 and partially fulfilled the obligation to surrender certificates of energy generated in cogeneration for 2014. Therefore, a provision of PLN 773 351 thousand has been utilized. The obligation to surrender certificates of energy generated in cogeneration will be fully complied with in line with the applicable law by 30 June 2015. As at 31 March 2015, the provision recognized for the obligation to surrender energy certificates amounted to PLN 358 540 thousand and was related to the obligation for 2015 and the remaining portion of the obligation for 2014.

29.2.3 Provision for counterparty claims, court disputes and other provisions

Provision for proceedings before the Office for Competition and Consumer Protection

As at 31 March 2015, the Group has still recognized a provision for a fine of PLN 7 302 thousand imposed by the President of Office for Competition and Consumer Protection related to anti-monopoly proceedings carried out by the Office for Competition and Consumer Protection against the company from the Distribution segment. The provision has not changed since 31 December 2014.

Provision for real estate tax

The provision for real property tax in the Distribution segment has not changed since 31 December 2014 and amounts to PLN 12 000 thousand.

In the Mining segment a provision for real estate tax from constructions situated in underground excavations with interest amounted to PLN 3 703 thousand as at 31 March 2015 (versus PLN 3 420 thousand as at 31 December 2014).

30. Accruals, deferred income and government grants

30.1. Deferred income and government grants

	As at 31 March 2015 <i>(unaudited)</i>	As at 31 December 2014
Deferred income, of which:	350 670	358 247
Donations, fixed assets received free-of-charge	90 108	92 998
Non-government subsidies	50	50
Subsidies received for the purchase of fixed assets	1 546	1 601
Connection fees	257 292	262 895
Other	1 674	703
Government grants, of which:	356 069	359 190
Subsidies obtained from EU funds	266 567	267 438
Forgiven loans from environmental funds	8 568	8 740
Measurement of preferential loans	40 733	41 177
Other	40 201	41 835
Total, of which:	706 739	717 437
Non-current	648 602	662 072
Current	58 137	55 365

Other settlements of government grants include mainly government grants to greenfield investments in hard coal mines received by TAURON Wydobycie S.A. – as at 31 March 2015 of PLN 20 199 thousand.

30.2. Accrued expenses - current

	As at 31 March 2015 <i>(unaudited)</i>	As at 31 December 2014
Unused holidays	57 262	41 403
Bonuses	91 460	140 372
Environmental protection charges	9 085	4 688
Other	4 400	3 692
Total	162 207	190 155

31. Significant items of the consolidated statement of cash flows

31.1. Cash flows from investing activities

Purchase of property, plant and equipment and intangible assets

Expenditure on acquisition of property, plant and equipment and intangible assets of PLN 900 356 thousand were mainly related to the acquisition of property, plant and equipment of PLN 765 087 thousand in the 3-month period ended 31 March 2015, which has been presented in detail in Note 15 hereto. The amount was adjusted by a change in capital commitments, excluding VAT in the amount of PLN 92 687 thousand.

Loans granted and repaid

In the 3-month period ended 31 March 2015 the Company transferred funds due to a VAT loan of PLN 8 150 thousand to Elektrociepłownia Stalowa Wola S.A. In the same period Elektrociepłownia Stalowa Wola S.A. returned PLN 11 700 thousand due to a VAT loan to the Company. Additionally, TAMEH HOLDING Sp. z o.o., a jointly controlled entity, repaid PLN 500 thousand of a short-term loan to the Company.

31.2. Cash flows from financing activities

Loans and borrowings repaid

Expenditure on repayment of loans and borrowings of PLN 22 353 thousand disclosed in the statement of cash flows result mainly from the Parent's repayment of PLN 20 455 thousand of the loan granted by the European Investment Bank.

Redemption of debt securities

Expenditure on redemption of interest-bearing securities result from redemption of Tranche B bonds in the amount of PLN 150 000 thousand by the Parent in the 3-month period ended 31 March 2015, as presented in detail in Note 26.2 to these condensed interim consolidated financial statements.

Interest paid

During the 3-month period ended 31 March 2015 the total value of interest paid by the Group on loans, borrowings, debt securities and finance leases amounted to PLN 11 710 thousand.

32. Details of other significant changes in the reporting period

Finance income

An increase in finance income in the 3-month period ended 31 March 2015 by PLN 45 987 thousand vs. the comparative period resulted mainly from:

- a surplus of exchange gains over exchange losses in the 3-month period ended 31 March 2015, related mainly to unrealized exchange gains concerning an intragroup loan in EUR granted by TAURON Sweden Energy AB (publ) (PLN 29 015 thousand);
- an increase in finance income due to measurement of derivatives of PLN 14 994 thousand, which results mainly from positive valuation of CCIRS.

Other non-current financial assets

The increase in other non-current financial assets results mainly from a positive measurement of a long-term portion of CCIRS of PLN 15 017 thousand as at 31 March 2015, as discussed in detail in Note 27 to these condensed interim consolidated financial statements. As at 31 December 2014 the measurement of the long-term portion of the instrument was negative.

Other non-current non-financial assets

The increase in other non-current non-financial assets of PLN 34 481 thousand in the 3-month period ended 31 March 2015 results mainly from the fact that TAURON Wytwarzanie S.A. transferred prepayments for construction of a power unit with the capacity of 910 MW in Elektrownia Jaworzno and for its connection to the power grid which totaled PLN 61 709 thousand. Another reason was settling a portion of prepayments transferred last year by TAURON Wytwarzanie S.A. and TAURON Ciepło Sp. z o.o.

OTHER INFORMATION

33. Contingent liabilities

Non-contractual use of real estate

Distribution entities of the Group do not hold legal titles to all plots of land where distribution networks and the related devices are located. The Group may have to incur costs related to non-contractual use of property in the future; the risk of losing assets is close to nil, though. The Group has established a provision for all court disputes regarding the issue. No provision has been recognized for potential not submitted claims of owners of land with unregulated legal status, since their detailed records do not exist. As a consequence, potential claim amounts cannot be reliably estimated. In light of the history of claims submitted and the related costs incurred in the previous years, though, the risk of incurring material costs with this regard is low.

Administrative proceedings instigated by the President of the Office for Competition and Consumer Protection

On 12 December 2012 the President of the Office for Competition and Consumer Protection ("UOKiK"), Branch in Wrocław, instigated proceedings against TAURON Sprzedaż Sp. z o.o. with regard to the company's alleged use of practices violating collective consumers' interests. The practices consisted in charging interest for overdue payments for projected use of electricity groundlessly. Such interest was determined by the automatic payment management system as a result of linking payments made by electricity users with amounts payable in future and leaving the oldest liabilities unpaid. In response, the Company applied for issuing a decision requesting the company to fulfil an obligation to discontinue activities violating the Act of 16 February 2007 on competition and consumer protection (Journal of Laws of 2007, No. 50, item 331 as amended; "Act on competition and consumer protection") and to take steps preventing continued existence of the alleged violations. On 16 April 2013 the President of the Office for Competition and Consumer Protection accepted the company's proposal and issued a decision requesting the company to discontinue the activities. The company has followed the provisions of the Decision. As at the date of preparing these consolidated financial statements, the risk of imposing a fine was very limited, therefore the company did not recognize any provision.

On 17 September 2013 the President of the Office for Competition and Consumer Protection, Branch in Warsaw, instigated proceedings against TAURON Sprzedaż Sp. z o.o. with regard to the company's alleged use of practices violating collective consumers' interests. The practices consisted in quoting electricity prices in pricing lists and information materials without VAT, which constituted a breach of the Act of counteracting unfair market practices of 23 August 2007 (Journal of Laws No. 171 item 1206) and therefore constitutes a breach of the Act on competition and consumer protection. The Company submitted requested documents, accepted the entire argumentation of the President of UOKiK and committed to discontinue practices violating the Act on competition and consumer protection. Further, it motioned for proceedings aimed at the issue of a binding decision. The company provided further information and explanations requested by UOKiK. On 22 December 2014 the company received a decision of UOKiK dated 12 December 2014 closing the evidentiary proceedings.

In its letter dated 23 April 2013 UOKiK instigated proceedings against TAURON Sprzedaż Sp. z o.o. and TAURON Sprzedaż GZE Sp. z o.o., the objective of which was to determine whether the Act on competition and consumer protection was breached in reservation agreements for the sale of electricity, including restricted financial covenants. The companies provided requested documents and explanations and responded to statements included in the letter of UOKiK. Under a decision of 19 December 2014 anti-monopoly proceedings were instigated regarding the alleged abuse of the dominant position on the reserve electricity distribution market. In February 2015, TAURON Sprzedaż Sp. z o.o. applied for a decision requesting the company to discontinue activities violating the Act on competition and consumer protection and to take steps preventing the alleged violations. At present, no provision has been recognized for the event in individual companies.

UOKiK has commenced the following explanatory procedures regarding the Sales segment companies:

- In its letter dated 7 May 2013 UOKiK notified TAURON Sprzedaż Sp. z o.o. of the instigation of the explanatory proceedings with respect to determination if the ability to terminate an agreement for sale of electricity in the "Good Decision 2014" product offer was limited for contractors of TAURON Sprzedaż Sp. z o.o., which, in turn, would be in breach of the Act on competition and consumer protection. Explanatory proceedings were aimed at preliminary determination if the Act in question has been breached, which would justify initiating anti-monopoly proceedings. In particular, the proceedings were to decide whether the case is of anti-monopoly nature and if the breach has occurred which would justify instigation of proceedings to prohibit applying practices violating collective consumers' interests. The company provided all documents requested and commented on statements included in the letter from UOKiK.

- In its letter dated 10 July 2013 UOKiK notified TAURON Sprzedaż Sp. z o.o. of the instigation of the explanatory proceedings with respect to determination whether the actions of the company related to concluding agreements for sale of electricity under the "Fixed Price Guaranteed" product offer through the call center were in breach of the Act on competition and consumer protection. The company provided all documents requested and commented on statements included in the letter from UOKiK. In 2013 and 2014 the company received more letters from UOKiK requesting further information, with the most recent one served in December 2014. The company provided further information requested by UOKiK.
- In its letter dated 26 September 2013, UOKiK notified TAURON Sprzedaż GZE Sp. z o.o. of the instigation of explanatory proceedings aimed at preliminary determination whether the actions of the company related to imposition of fines for early termination of agreements for sale of electricity were in breach of the Act on competition and consumer protection. In response, the company provided information requested by the President of UOKiK in the proceedings. No further information concerning any steps taken by the President of UOKiK in this respect is available.
- In its letter dated 28 October 2013 UOKiK notified TAURON Sprzedaż Sp. z o.o. of the instigation of the explanatory proceedings with respect to preliminary determination whether the actions of the company related to obtaining consumers' consents to process their personal data regarding products called "Bezpieczny", "Eko" and "EkoOszczędny" with an option of electricity price reduction were in breach of collective interests of the consumers and therefore of the Act on competition and consumer protection. The company provided all documents requested and commented on statements included in the letter.
- In its letter dated 1 July 2014 the President of UOKiK notified TAURON Sprzedaż Sp. z o.o. of the instigation of the explanatory proceedings aimed at preliminary determination if the implementation of the system used to settle payments from electricity buyers could contradict the provisions of the Act on competition and consumer protection. Consequently, the company provided all documents requested and commented on statements included in the letter.
- On 4 September 2014 the company received a letter from UOKiK requesting further information on the method of communication with consumers regarding acquisition of "Bezpieczny" product and automatic contract renewal. Explanatory proceedings ex officio were instigated to provisionally determine if the actions of the company have been in breach of the Act on competition and consumer protection.
- On 27 January 2015 the President of the Office for Competition and Consumer Protection instigated explanatory proceedings to provisionally determine if actions taken by TAURON Sprzedaż Sp. z o.o. towards small hydroelectric power stations constitute a breach of the Act on competition and consumer protection, and in particular Article 9 thereof. The actions in question include enforcing unfair terms of purchase of electricity generated using renewable sources and conditioning the energy purchase on meeting with the commercial balancing requirement. The company provided detailed explanation in a letter dated 4 March 2015.

The companies' Management believe that, considering the explanatory nature of the proceedings instigated, the probability of an unfavorable outcome of the above-mentioned cases is low; hence no provision has been recognized for these events.

Claims filed by Huta Łaziska S.A.

Following the Company's business combination with Górnośląski 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 they 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.

Claims filed by IPW Polin Sp. z o.o.

As at 31 December 2014 TAURON Ciepło Sp. z o.o. recognized a contingent liability due to claims made. Possible claims result from trade contracts related to the operations of the organized part of the enterprise separated to TAMEH POLSKA Sp. z o.o. The company did not recognize a provision for claims in question, because the contracts for separation of an organized part of an enterprise did not impose any financial responsibility for any adverse effects of claims filed. The total value of potential claims to the Company is ca. PLN 9 000 thousand. As at 31 March 2015 the status of the case related to claims filed by IPW Polin Sp. z o.o. has not changed.

Security of a bank guarantee for Elektrociepłownia Stalowa Wola S.A.

In November 2014 TAURON Polska Energia S.A. concluded a surety agreement with a joint venture Elektrociepłownia Stalowa Wola S.A. It secures a guarantee issued by the bank in order to collateralize transactions concluded by Elektrociepłownia Stalowa Wola S.A. with an entity from outside the Group. The surety amount is PLN 62 582 thousand and the agreement is valid until 12 September 2018.

Income tax – an increase in tax-deductible costs by the amount of component repair cost in TAURON Wytwarzanie S.A. and TAURON Ekoenergia Sp. z o.o.

In accordance with the tax ruling, companies in the Tax Capital Group ("TCG") expensed costs incurred on component repairs over time. At the same time the Company, representing the TCG, appealed against the tax ruling, as in its opinion the repairs in question should be expensed when incurred, on one-off basis, irrespective of the way they are accounted for in the accounting records. Such position was confirmed by the Regional Administrative Court in Gliwice in its decision dated 18 September 2014. On 30 December 2014 the Company filed an application to acknowledge tax excess payment and a tax return correction for 2013, where the component repairs were recognized in tax-deductible expense on one-off basis. At the same time, an impairment loss for income tax receivable has been recognized with relation to the excess payment. In the 3-month period ended 31 March 2015 the excess payment was returned to the Tax Capital Group, as presented in Note 13.1. to these condensed interim consolidated financial statements. The impairment loss has been reversed, thus reducing the tax expense for 2015.

Following a cassation appeal filed by the Minister of Finance, as at 31 March 2015 the case was awaiting the final decision of the Supreme Administrative Court.

The status of the remaining contingent liabilities has not changed considerably comparing to that presented in the consolidated financial statements for the year ended 31 December 2014.

34. Collateral against liabilities

The Group uses various forms of collateral against liabilities. Those most frequently used include mortgages, registered pledges, liens and lease agreements relating to real property and other items of property, plant and equipment and frozen cash in bank accounts.

The carrying amounts of assets pledged as security for liabilities at particular balance sheet dates are presented in the table below.

Carrying amount of assets pledged as collateral against liabilities

	As at 31 March 2015 (<i>unaudited</i>)	As at 31 December 2014
Real estate	99 273	115 202
Plant and equipment	41 177	41 719
Cash	9 800	5 792
Total assets pledged as security for liabilities	150 250	162 713

Other forms of collateral

The Group also uses other forms of collateral to secure payment of liabilities, of which the most significant ones as at 31 March 2015 regard the following contracts concluded by the Parent:

Bond issue schemes

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

- up to PLN 1 560 000 thousand, valid until 31 December 2016 – as regards Tranche A and B;
- up to PLN 6 900 000 thousand, valid until 31 December 2018 – as regards Tranche C, Tranche D and Tranche 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 31 March 2015, 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, on 31 March 2015 PKO Bank Polski S.A. extended bank guarantees in order to collateralize liabilities of the subsidiaries of TAURON Polska Energia S.A. totaling PLN 1 378 thousand and to collateralize transactions entered into by the Company:

- up to EUR 1 000 thousand (PLN 4 089 thousand) – a guarantee for CAO Central Allocation Office GmbH, valid until 5 February 2016;
- up to PLN 18 859 thousand – a performance bond (Polskie Sieci Elektroenergetyczne S.A.) valid until 11 February 2016.

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. In May 2014 the Company concluded an Annex extending the agreement period until 6 May 2015. 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.

As at 31 March 2015 no bank guarantees extended under the agreement were still valid.

Overdraft facility agreements

Overdraft in NORDEA Bank Polska S.A. (currently: PKO Bank Polski S.A.) is collateralized with:

- authorization to debit a bank account up to EUR 25 000 thousand (PLN 102 225 thousand);
- declaration of submission to enforcement up to EUR 31 250 thousand (PLN 127 781 thousand) valid until 31 December 2018.

As at 31 March 2015, the Company's outstandings under the overdraft agreement amounted to EUR 4 392 thousand (PLN 17 958 thousand).

Overdraft agreements with PKO Bank Polski S.A. up to PLN 300 000 thousand and an intraday limit agreement up to PLN 500 000 thousand have been collateralized with:

- authorization to debit a bank account up to the total amount of PLN 800 000 thousand;
- two declarations of submission to enforcement up to the total amount of PLN 960 000 thousand valid until 18 December 2018.

As at 31 March 2015, the Company's liability due to an overdraft agreement in question amounted to PLN 91 185 thousand.

The facility agreement with Polska Kasa Opieki S.A. expired on 31 December 2014. A declaration of submission to enforcement up to PLN 360 000 thousand collateralizing the facility is valid until 31 December 2017.

Other forms of collateral regarding Group's liabilities

As at 31 March 2015, other material forms of collateral regarding liabilities of the TAURON Group included:

- Blank promissory notes issued by TAURON Polska Energia S.A. for the benefit of TAURON Wytwarzanie S.A. and TAURON Ciepło Sp. z o.o., subsidiaries, with a view to collateralizing loans granted to them by the Regional Fund for Environmental Protection and Water Management in Katowice (totaling to PLN 71 180 thousand as at 31 March 2015). The companies have provided declarations of submission to enforcement as collateral for the loans in question;
- In order to secure proper performance of the contracts and of the agreements signed by TAURON Dystrybucja S.A., including those relating to the funding of investment projects, TAURON Dystrybucja S.A. issued blank promissory notes (for the total amount of PLN 131 390 thousand as at 31 March 2015);
- Blank promissory notes issued by TAURON Ciepło Sp. z o.o. in the total amount of PLN 61 896 thousand collateralizing due performance of obligations arising from funding agreements concluded with the National Fund for Environmental Protection and Water Management in Warsaw;
- Blank promissory notes issued by TAURON Wytwarzanie S.A. with a view to collateralizing agreements for connecting to the industrial network, agreements for power transmission services and agreements for partial loan cancelling concluded with the National Fund for Environmental Protection and Water Management (totaling to PLN 62 416 thousand as at 31 March 2015);
- The Company granted a corporate guarantee to TAURON Sweden Energy AB (publ), a subsidiary, to secure bonds issued by the entity in December 2014. The guarantee is valid in the entire bond period, i.e. until 3 December 2029, and amounts to EUR 168 000 thousand;
- TAURON Ciepło Sp. z o.o. issued a blank promissory note for the amount of PLN 92 215 thousand to secure the sale and leaseback agreement concluded in 2007. This agreement is additionally secured by the assignment of receivables, assignment of rights under insurance policies, mortgage on real estate, plant and machinery and authorization to debit bank accounts.
- TAURON Polska Energia S.A. is a party to a finance lease agreement concerning real property in Katowice with the carrying amount of PLN 31 648 thousand as at 31 March 2015. The agreement is collateralized by two blank promissory notes, assignment of receivables and authorization to debit a bank account. As at 31 March 2015, the lease liability amounted to PLN 32 431 thousand.
- In October 2014 in order to collateralize claims of Izba Rozliczeniowa Giełd Towarowych S.A. (IRGIT) under the surety agreement between TAURON Wytwarzanie S.A. and IRGIT for the liabilities of TAURON Polska Energia S.A. (up to PLN 80 000 thousand), pursuant to the Alienation Agreement concluded by TAURON Wytwarzanie S.A. and IRGIT, the freeze on EUA emission allowances of TAURON Wytwarzanie S.A. in the Register of Allowances, have been made (12 821 thousand tons). Additionally, the Company's transactions concluded on the Polish Power Exchange have also been 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. The agreements in question were valid until 31 March 2015.

Mining entities from the Capital Group have established a Mine Decommissioning Fund to ensure funds for covering future liquidation costs.

35. Capital commitments

As at 31 March 2015 and 31 December 2014 the Group committed to incur expenditure on property, plant and equipment of PLN 6 779 360 thousand and PLN 6 648 379 thousand, respectively, with the key items presented below:

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Operating segment	Agreement/investment project	As at 31 March 2015 (unaudited)	As at 31 December 2014
Generation	Construction of a power-generating unit with the capacity of 910 MW for supercritical parameters in Jaworzno III Power Plant	4 236 249	4 390 240
	Constructing new cogeneration capacity in Tychy Heat and Power Plant	291 685	393 949
	Pilot launch and commissioning of a part of external coal handling system for a power-generating unit with the capacity of 910 MW for supercritical parameters in Jaworzno III Power Plant	102 900	-
	Construction of Marszewo wind farm with the capacity of 100 MW	96 212	72 824
	Adjusting a boiler in Jaworzno III Power Plant to reduce the greenhouse gas emissions	51 434	65 929
Distribution	Implementation of Smart City Wrocław, an intelligent measurement system	152 140	-
Mining	Construction of a shaft inlet and developing infrastructure in Janina shaft	59 298	65 333

36. Related party disclosures

36.1. Transactions with jointly-controlled entities

The Group has the following jointly-controlled entities: Elektrociepłownia Stalowa Wola S.A., Elektrownia Blachownia Nowa Sp. z o.o. and TAMEH HOLDING Sp. z o.o. with subsidiaries, which have been presented in detail in note 18 hereto.

36.2. Transactions with State Treasury companies

The majority shareholder of the Group is the State Treasury of the Republic of Poland; therefore State Treasury companies are treated as related parties.

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

	3-month period ended 31 March 2015 (unaudited)	3-month period ended 31 March 2014 (unaudited)
Revenue	680 525	655 081
Costs*	(726 108)	(805 387)

* includes costs recognized in the statement of comprehensive income

Receivables and liabilities

	As at 31 March 2015 (unaudited)	As at 31 December 2014
Receivables*	289 623	297 758
Payables	292 171	302 646

* As at 31 March 2015 the item included assets held for sale of PLN 7 533 thousand.

Among the State Treasury companies, in the 3-month period ended 31 March 2015, KGHM Polska Miedź S.A., PSE S.A., PKP Energetyka S.A., Kompania Węglowa S.A. and Jastrzębska Spółka Węglowa S.A. were the major clients of the TAURON Polska Energia S.A. Capital Group. Total sales to these contracting parties accounted for 80% of revenue from transactions with State Treasury companies. The largest purchase transactions were concluded by the Group with PSE S.A. and Kompania Węglowa S.A. Purchases from these counterparties accounted for 85% of the value of purchases from State Treasury companies during the 3-month period ended 31 March 2015.

Among the State Treasury companies, in the 3-month period ended 31 March 2014, KGHM Polska Miedź S.A., PSE S.A., PKP Energetyka S.A. and Kompania Węglowa S.A. were the major clients of the TAURON Polska Energia S.A. Capital Group. Total sales to these contracting parties accounted for 81% of revenue from transactions with State Treasury companies. The largest purchase transactions were concluded by the Group with PSE S.A. and Kompania Węglowa S.A. Purchases from these counterparties accounted for 89% of the value of purchases from State Treasury companies during the 3-month period ended 31 March 2014.

The Capital Group enters into material transactions in energy markets through Izba Rozliczeniowa Giełd Towarowych S.A. As such entities are only responsible for organization of commodities exchange trading, the Group has decided not to classify purchase and sales transactions made through this entity as related-party transactions.

Transactions with State Treasury companies are mainly related to the operating activities of the Group and concluded on an arm's length basis.

36.3. Executive compensation

The amount of compensation and other benefits granted to the Management Board, Supervisory Boards and other key executives of the Parent and subsidiaries in the 3-month period ended 31 March 2015 and in the comparative period has been presented in the table below.

	3-month period ended 31 March 2015 <i>(unaudited)</i>		3-month period ended 31 March 2014 <i>(unaudited)</i>	
	Parent	Subsidiaries	Parent	Subsidiaries
Board of Directors	1 979	4 619	1 532	4 920
Short-term employee benefits (salaries and surcharges)	1 224	4 259	1 274	4 630
Post-employment benefits	-	86	-	-
Employment termination benefits	450	-	-	45
Other	305	274	258	245
Supervisory Board	308	233	236	279
Short-term employee benefits (salaries and surcharges)	308	221	236	250
Other	-	12	-	29
Other key management personnel	4 969	10 640	2 504	11 701
Short-term employee benefits (salaries and surcharges)	4 523	10 455	2 281	11 514
Jubilee bonuses	-	126	-	126
Provision for employment termination benefits	114	-	-	-
Other	332	59	223	61
Total	7 256	15 492	4 272	16 900

37. Financial instruments

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

Categories and classes of financial assets	As at 31 March 2015 (unaudited)		As at 31 December 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
1 Assets at fair value through profit or loss	16 746		1 811	
Derivative instruments	16 746	16 746	1 811	1 811
2 Financial assets available for sale	115 578		116 695	
Shares (non-current)	107 175	-	108 399	-
Shares (current)	3 997	-	3 997	-
Investment fund units	2 516	2 516	2 409	2 409
Bonds, T-bills and other debt securities	1 890	1 890	1 890	1 890
3 Loans and receivables	2 262 143		2 255 585	
Trade receivables	1 637 060	1 637 060	1 664 229	1 664 229
Deposits	40 441	40 441	35 823	35 823
Loans granted	202 622	202 622	204 699	204 699
Bonds, T-bills and other debt securities	21 732	23 036	21 732	22 893
Other	360 288	360 288	329 102	329 102
4 Financial assets excluded from the scope of IAS 39	434 010		414 584	
Investments in joint ventures	434 010	-	414 584	-
5 Cash and cash equivalents	1 124 268	1 124 268	1 420 909	1 420 909
Total financial assets, including in the statement of financial position:	3 952 745		4 209 584	
Non-current assets	831 621		791 967	
Investments in joint ventures	434 010		414 584	
Other financial assets	397 611		377 383	
Current assets	3 121 124		3 417 617	
Trade and other receivables	1 969 398		1 969 169	
Other financial assets	27 458		27 539	
Cash and cash equivalents	1 124 268		1 420 909	

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Categories and classes of financial liabilities	As at 31 March 2015 (unaudited)		As at 31 December 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
1 Financial liabilities at fair value through profit or loss	14 860		15 183	
Derivative instruments	14 860	14 860	15 183	15 183
2 Financial liabilities measured at amortized cost	9 561 532		9 969 713	
Preferential loans	53 464	53 464	55 222	55 222
Arm's length loans	1 154 427	1 200 616	1 164 892	1 202 546
Bank overdrafts	109 143	109 143	11 918	11 918
Bonds issued	6 691 251	6 691 251	6 821 830	6 821 830
Trade payables	834 763	834 763	916 744	916 744
Other financial liabilities	126 722	126 722	232 215	232 215
Liabilities due to purchases of fixed and intangible assets	479 755	479 755	595 550	595 550
Salaries and wages	101 758	101 758	154 718	154 718
Insurance contracts	10 249	10 249	16 624	16 624
3 Liabilities under guarantees, factoring and excluded from the scope of IAS 39	55 261		59 904	
Liabilities under finance leases	55 261	55 261	59 904	59 904
4 Derivative hedging instruments (liabilities)	186 243	186 243	180 933	180 933
Total financial liabilities, including in the statement of financial position:	9 817 896		10 225 733	
Non-current liabilities	7 561 997		7 611 262	
Interests bearing loans and borrowings	7 371 792		7 422 332	
Liabilities under finance leases	41 961		46 443	
Trade and other payables	53 148		48 986	
Derivative instruments	95 096		93 501	
Current liabilities	2 255 899		2 614 471	
Current portion of interest-bearing loans and borrowings	636 493		631 530	
Current portion of liabilities under finance leases	13 300		13 461	
Trade and other payables	1 500 099		1 866 865	
Derivative instruments	106 007		102 615	

Financial instruments measured at fair value as at the end of the reporting period, i.e. assets and liabilities measured at fair value through profit or loss, hedging derivatives and assets available for sale, except for shares (as described below), were measured using the method described in Note 6 to these condensed interim consolidated financial statements. Fair value hierarchy disclosures are discussed in Note 37.2.

Financial instruments classified to other categories of financial instrument categories:

- Following a significant decrease in interest rates in relation to fixed-rate financial instruments, which as at 31 March 2015 and 31 December 2014 included bonds acquired by the Company ("loans and receivables" category), loans granted by the European Investment Bank as well as bonds issued by a subsidiary, the Group measured their fair value. The fair value of fixed-rate bonds issued by a subsidiary is close to its carrying amount. Fair value measurement of other fixed-rate financial instruments was carried out based on the present value of future cash flows discounted using an interest rate applicable to a given bond or loan, i.e. by reference to market interest rates. The measurement resulted in Level 2 classification in fair value hierarchy.
- The fair value of other financial instruments (except for shares classified as financial assets available for sale and excluded from the scope of IAS 39, as described below) as at 31 March 2015 and 31 December 2014 did not significantly differ from their values presented in the financial statements for the respective periods, for the following reasons:
 - the potential discounting effect relating to short-term instruments is insignificant;
 - the instruments are related to arm's length transactions.

Consequently, the fair value of the instruments in question was disclosed in the table above at the carrying amount.

- The Group did not disclose the fair value of shares in companies not quoted on active markets, categorized to financial assets available for sale. The Group is unable to reliably estimate the fair value of shares held in companies which are not quoted on active markets. They are measured at cost less impairment losses as at the end of the reporting period. Similarly, in accordance with the Group's accounting policy, shares in joint ventures – financial assets excluded from the scope of IAS 39 – are measured using the equity method.

37.2. Fair value hierarchy

Fair value hierarchy of financial instruments measured at fair value as at 31 March 2015 and 31 December 2014:

Classes of financial instruments	As at 31 March 2015 (<i>unaudited</i>)		As at 31 December 2014	
	Level 1	Level 2	Level 1	Level 2
Assets				
Commodity-related derivatives	480	-	312	-
Derivate instruments - CCIRS	-	16 266	-	1 499
Investment fund units	2 516	-	2 409	-
Bonds, T-bills and other debt securities	1 890	-	1 890	-
Liabilities				
Commodity-related derivatives	9	-	562	-
Currency derivatives	-	1 235	-	-
Derivate instruments - CCIRS	-	-	-	1 241
IRS derivatives	-	199 859	-	194 313

The methods of fair value measurement of financial instruments have been described in Note 6 to these condensed interim consolidated financial statements and have not changed since 31 December 2014.

37.3. Description of significant items included in individual categories of financial instruments

Financial assets available for sale

As at 31 March 2015, available-for-sale financial assets included mainly shares in the following companies:

- shares in Spółka Ciepłowniczo-Energetyczna Jaworzno III Sp. z o.o. with the value of PLN 35 694 thousand;
- shares in Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. w Tychach with the value of PLN 32 690 thousand;
- shares in Energetyka Cieszyńska Sp. z o.o. with the value of PLN 15 028 thousand.

Loans and receivables

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

Loans granted include loans granted to Elektrociepłownia Stalowa Wola S.A. presented in detail in Note 18:

- a subordinated loan of PLN 177 000 thousand plus interest accrued of PLN 23 321 thousand;
- a VAT loan of PLN 2 300 thousand plus interest accrued of PLN 1 thousand.

Financial assets excluded from the scope of IAS 39

As at 31 March 2015 the Group had the following joint ventures accounted for using the equity method:

- TAMEH Holding Sp. z o.o. and its subsidiaries – PLN 397 891 thousand;
- Elektrownia Blachownia Nowa Sp. z o.o., special purpose vehicle – PLN 32 117 thousand;
- Elektrociepłownia Stalowa Wola S.A., special purpose vehicle – PLN 4 002 thousand.

The above investments have been described in detail in Note 18 hereto.

Financial liabilities measured at amortized cost

Liabilities due to loans and borrowings, and arising from issued bonds have been presented in detail in Note 26 hereto.

Derivatives

Derivative instruments hedging interest cash flows related to issued bonds subject to hedge accounting and other derivative instruments measured at fair value through profit or loss have been presented in detail in Note 27 to these condensed interim consolidated financial statements.

38. Objectives and principles of financial risk management

The objectives and principles of financial risk management have not changed since 31 December 2014.

As at 31 March 2015, the Parent was a party to hedging transactions covered by the policy for specific risk management in the area of finance, entered into with a view to hedging interest cash flows from issued bonds. The Parent applies hedge accounting to the aforementioned transactions. The accounting treatment of the aforementioned hedging transactions has been presented in detail in Note 24.2 hereto.

39. Financial and capital management

During the period covered by these condensed interim consolidated financial statements there have been no significant changes in finance and capital management objectives, principles and procedures.

40. Events after the end of the reporting period

Purchase of shares in PGE EJ 1 Sp. z o.o.

On 15 April 2015 the Company, Polska Grupa Energetyczna S.A., KGHM Polska Miedź S.A. and ENEA S.A. concluded an agreement for acquisition of shares in PGE EJ 1 Sp. z o.o., a special purpose vehicle, managing the preparation and performance of an investment project covering construction and operation of the first Polish nuclear power plant with a capacity of ca. 3,000 MWe ("Project"). The Company, KGHM Polska Miedź S.A. and ENEA S.A. acquired 10% of shares in PGE EJ 1 Sp. z o.o. each (the total of 30% of shares) from PGE S.A. The price paid by the Company for the shares in question was PLN 16 044 thousand.

In accordance with the Shareholders' Agreement dated 3 September 2014 the parties will jointly finance the initial phase of the Project proportionally to the number of shares held. The initial phase will cover determining project elements, such as selecting potential partners, including the strategic partner, technology providers, EPC (Engineering, Procurement, Construction) contractors, nuclear fuel providers, acquiring funds for Project financing and ensuring appropriate organization and competences of PGE EJ 1 Sp. z o.o. to act as a future nuclear plant operator responsible for its security and efficiency.

These condensed interim consolidated financial statements of the TAURON Polska Energia S.A. Capital Group, prepared for the 3-month period ended 31 March 2015 in accordance with International Accounting Standard 34 have been presented on 52 consecutive pages.

Katowice, 12 May 2015

Dariusz Lubera – President of the Management Board

Krzysztof Zawadzki - Vice-President of the Management Board