The TAURON Polska Energia S.A. Capital Group

Condensed interim consolidated financial statements
prepared in accordance with the International Financial Reporting Standards
for the 9-month period ended 30 September 2015

(in PLN '000)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	3-month period ended 30 September 2015 *(unaudited)*	9-month period ended 30 September 2015 *(unaudited)*	3-month period ended 30 September 2014 *(unaudited)*	9-month period ended 30 September 2014 *(unaudited)*
Sales revenue	**11**	4 377 627	13 634 241	4 412 231	13 717 681
Cost of sales	**12**	(3 635 702)	(11 247 977)	(3 684 221)	(11 328 544)
Profit on sale		**741 925**	**2 386 264**	**728 010**	**2 389 137**
Other operating income	**32**	67 797	141 119	59 201	139 002
Selling and distribution expenses		(122 113)	(359 945)	(144 298)	(401 487)
Administrative expenses		(153 669)	(466 493)	(159 428)	(491 627)
Other operating expenses	**32**	(45 982)	(168 685)	(18 998)	(88 084)
Operating profit		**487 958**	**1 532 260**	**464 487**	**1 546 941**
Finance income	**32**	17 628	59 706	12 597	41 558
Finance costs		(46 150)	(278 597)	(89 731)	(274 827)
Share in profit/(loss) of joint ventures	**18**	(4 560)	310	(400)	(1 176)
Profit before tax		**454 876**	**1 313 679**	**386 953**	**1 312 496**
Income tax expense	**13**	(96 108)	(234 524)	(67 817)	(259 438)
Net profit for the period		**358 768**	**1 079 155**	**319 136**	**1 053 058**
Other comprehensive income subject to reclassification to profit or loss:		**11 134**	**50 551**	**(12 954)**	**(31 107)**
Change in the value of hedging instruments		13 426	62 054	(16 014)	(38 476)
Foreign exchange differences from translation of foreign entities		259	287	18	59
Income tax		(2 551)	(11 790)	3 042	7 310
Other comprehensive income not subject to reclassification to profit or loss:		**5 396**	**6 690**	**8 334**	**13 717**
Actuarial gains/(losses) related to provisions for post-employment benefits		6 657	8 258	10 289	16 932
Income tax		(1 261)	(1 568)	(1 955)	(3 215)
Other comprehensive income for the period, net of tax		**16 530**	**57 241**	**(4 620)**	**(17 390)**
Total comprehensive income for the period		**375 298**	**1 136 396**	**314 516**	**1 035 668**
Net profit:					
Attributable to equity holders of the Parent		358 117	1 076 641	318 411	1 048 701
Attributable to non-controlling interests		651	2 514	725	4 357
Total comprehensive income:					
Attributable to equity holders of the Parent		374 636	1 133 869	313 778	1 031 283
Attributable to non-controlling interests		662	2 527	738	4 385
Earnings per share (in PLN):					
- basic and diluted, for net profit for the period attributable to equity holders of the Parent		0.20	0.61	0.18	0.60

(in PLN '000)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 September 2015 *(unaudited)*	As at 31 December 2014
ASSETS			
Non-current assets			
Property, plant and equipment	**15**	26 239 783	24 850 942
Goodwill	**16**	195 155	195 155
Intangible assets	**17**	1 295 459	1 604 634
Investments in joint ventures	**18**	411 881	414 584
Other financial assets		410 692	377 383
Other non-financial assets		559 551	657 943
Deferred tax asset	**13.2**	53 427	62 108
		29 165 948	**28 162 749**
Current assets			
Intangible assets	**19**	737 632	733 048
Inventories	**20**	361 351	527 596
Corporate income tax receivable	**13.3**	1 281	26 489
Trade and other receivables	**21**	1 811 345	1 969 169
Other financial assets		7 518	27 539
Other non-financial assets		352 176	353 989
Cash and cash equivalents	**22**	1 114 760	1 420 909
Non-current assets and assets of a disposal group classified as held for sale	**23**	1 397 917	1 337 705
		5 783 980	**6 396 444**
TOTAL ASSETS		**34 949 928**	**34 559 193**

(in PLN '000)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION – continued

	Note	As at 30 September 2015 *(unaudited)*	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		11 277 247	10 393 686
Revaluation reserve from valuation of hedging instruments	**24.2**	(92 755)	(143 019)
Foreign exchange differences from translation of foreign entities		(1 099)	(1 386)
Retained earnings/Accumulated losses	**24.3**	(1 108 646)	(1 045 580)
		18 837 494	**17 966 448**
Non-controlling interests		**29 207**	**30 116**
Total equity		**18 866 701**	**17 996 564**
Non-current liabilities			
Interest-bearing loans and borrowings	**26**	7 648 162	7 422 332
Liabilities under finance leases		37 430	46 443
Trade and other payables		82 828	48 986
Derivative instruments	**27**	54 838	93 501
Provisions for employee benefits	**28**	1 837 619	1 948 323
Other provisions	**29**	167 772	165 278
Accruals, deferred income and government grants	**30**	634 492	662 072
Deferred tax liability	**13.2**	1 472 722	1 357 157
		11 935 863	**11 744 092**
Current liabilities			
Current portion of interest-bearing loans and borrowings	**26**	564 548	631 530
Current portion of liabilities under finance leases		12 953	13 461
Trade and other payables		1 370 925	1 866 865
Derivative instruments	**27**	99 559	102 615
Provisions for employee benefits	**28**	147 881	158 954
Other provisions	**29**	879 583	1 081 415
Accruals, deferred income and government grants	**30**	324 934	245 520
Income tax payable	**13.3**	41 021	13 518
Other non-financial liabilities		578 900	619 689
Liabilities of a disposal group classified as held for sale	**23**	127 060	84 970
		4 147 364	**4 818 537**
Total liabilities		**16 083 227**	**16 562 629**
TOTAL EQUITY AND LIABILITIES		**34 949 928**	**34 559 193**

(in PLN '000)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE 9-MONTH PERIOD ENDED 30 SEPTEMBER 2015 (unaudited)

		Equity attributable to the equity holders of the Parent							
	Note	Issued capital	Reserve capital	Revaluation reserve from valuation of hedging instruments	Foreign exchange differences from translation of foreign entities	Retained earnings/ Accumulated losses	Total	Non-controlling interests	Total equity
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		-	-	-	-	1 076 641	**1 076 641**	2 514	**1 079 155**
Other comprehensive income		-	-	50 264	287	6 677	**57 228**	13	**57 241**
Total comprehensive income for the period		**-**	**-**	**50 264**	**287**	**1 083 318**	**1 133 869**	**2 527**	**1 136 396**
Distribution of prior year profits	**14**	-	883 561	-	-	(883 561)	**-**	-	**-**
Dividends	**14**	-	-	-	-	(262 882)	**(262 882)**	(2 787)	**(265 669)**
Mandatory squeeze-out	**25**	-	-	-	-	59	**59**	(649)	**(590)**
As at 30 September 2015 *(unaudited)*		**8 762 747**	**11 277 247**	**(92 755)**	**(1 099)**	**(1 108 646)**	**18 837 494**	**29 207**	**18 866 701**

FOR THE 9-MONTH PERIOD ENDED 30 SEPTEMBER 2014 (unaudited)

		Equity attributable to the equity holders of the Parent							
	Note	Issued capital	Reserve capital	Revaluation reserve from valuation of hedging instruments	Foreign exchange differences from translation of foreign entities	Retained earnings/ Accumulated losses	Total	Non-controlling interests	Total equity
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		-	-	-	-	1 048 701	**1 048 701**	4 357	**1 053 058**
Other comprehensive income		-	-	(31 166)	59	13 689	**(17 418)**	28	**(17 390)**
Total comprehensive income for the period		**-**	**-**	**(31 166)**	**59**	**1 062 390**	**1 031 283**	**4 385**	**1 035 668**
Distribution of prior year profits		-	1 355 987	-	-	(1 355 987)	**-**	-	**-**
Dividends	**14**	-	-	-	-	(332 984)	**(332 984)**	(1 163)	**(334 147)**
Acquisition of non-controlling interests		-	-	-	-	76 938	**76 938**	(407 596)	**(330 658)**
Mandatory squeeze-out		-	-	-	-	5 194	**5 194**	(32 465)	**(27 271)**
Change in non-controlling interests due to division of a subsidiary		-	-	-	-	(811)	**(811)**	811	**-**
As at 30 September 2014 *(unaudited)*		**8 762 747**	**10 393 686**	**(157 817)**	**(1 572)**	**(890 259)**	**18 106 785**	**30 306**	**18 137 091**

(in PLN '000)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	9-month period ended 30 September 2015 *(unaudited)*	9-month period ended 30 September 2014 *(unaudited)*
Cash flows from operating activities			
Profit/(loss) before taxation		1 313 679	1 312 496
Adjustments for:			
Share in (profit)/loss of joint ventures	**18**	(310)	1 176
Depreciation and amortization		1 314 797	1 368 316
(Gain)/loss on foreign exchange differences		(3 904)	(134)
Interest and dividens, net		203 575	205 108
(Gain)/loss on investing activities		(7 767)	33 196
Change in receivables		159 026	155 796
Change in inventories		164 063	(42 341)
Change in payables excluding loans and borrowings		(394 364)	(541 901)
Change in other non-current and current assets		392 680	319 283
Change in deferred income, government grants and accruals		24 629	42 194
Change in provisions		(312 433)	(684 479)
Income tax paid		(70 597)	(227 173)
Other		18	(736)
Net cash generated from operating activities		**2 783 092**	**1 940 801**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment and intangible assets		22 511	38 138
Purchase of property, plant and equipment and intangible assets	**31.1**	(2 825 828)	(2 473 020)
Redemption of debt securities	**31.1**	21 732	-
Proceeds from sale of financial assets		2 497	1 852
Purchase of financial assets	**31.1**	(29 000)	(6 279)
Dividends received		4 684	3 766
Interest received		5 708	541
Repayment of loans granted	**31.1**	14 500	5 850
Loans granted	**31.1**	(8 150)	(11 700)
Net cash used in investing activities		**(2 791 346)**	**(2 440 852)**
Cash flows from financing activities			
Payment of finance lease liabilities		(10 296)	(13 677)
Proceeds from loans and borrowings	**31.2**	295 000	-
Repayment of loans and borrowings	**31.2**	(67 126)	(91 078)
Issue of debt securities		-	1 200 000
Redemption of debt securities	**31.2**	(150 000)	(300 000)
Dividends paid to equity holders of the parent		(262 882)	(324 182)
Dividends paid to non-controlling interests		(2 669)	(1 252)
Interest paid	**31.2**	(126 101)	(136 469)
Acquisition of non-controlling interests		(588)	(125 328)
Subsidies received		14 963	48 770
Commission paid		(9 754)	(9 000)
Net cash generated from (used in) financing activities		**(319 453)**	**247 784**
Net increase/(decrease) in cash and cash equivalents		**(327 707)**	**(252 267)**
Net foreign exchange difference		574	186
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**	**1 080 364**	**288 881**
restricted cash	**22**	192 798	113 077

(in PLN '000)

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. ("the Parent", "the Company") and its subsidiaries. TAURON Polska Energia S.A. is located in Katowice at ul. ks. Piotra Ściegiennego 3. It operates as a joint-stock company incorporated by a notarized deed on 6 December 2006. Until 16 November 2007 it 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 9-month period ended 30 September 2015 and present comparative data for the 9-month period ended 30 September 2014 as well as figures as at 31 December 2014. The data for the 9-month period ended 30 September 2015 and the comparative data for the 9-month period ended 30 September 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 9-month period ended 30 September 2015 were approved for publication on 10 November 2015.

2. Composition of the Capital Group

As at 30 September 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.[1]	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.[2]	Wrocław	Distribution	99.71%
7	TAURON Dystrybucja Pomiary Sp. z o.o.[2]	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.	Krzeszowice	Other	100.00%
13	Polska Energia Pierwsza Kompania Handlowa Sp. z o.o. in liquidation	Warszawa	Other	100.00%
14	TAURON Sweden Energy AB (publ)	Sztokholm, Sweden	Other	100.00%
15	Biomasa Grupa TAURON Sp. z o.o.[3]	Stalowa Wola	Other	100.00%

[1] The change of the registered address of TAURON Wytwarzanie S.A. from Katowice to Jaworzno was registered in the National Court Register on 28 October 2015.

[2] TAURON Polska Energia S.A. holds indirect interest in TAURON Dystrybucja Serwis S.A. and TAURON Dystrybucja Pomiary 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.

[3] On 1 July 2015, a business combination under common control of Energopower Sp. z o.o. and Biomasa Grupa TAURON Sp. z o.o. was registered, as discussed in detail in Note 25 hereto.

As at 30 September 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. [2]	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]The companies form a Capital Group. TAURON Polska Energia S.A. holds direct interest in the issued capital and the governing body of TAMEH HOLDING Sp. z o.o. TAMEH HOLDING Sp. z o.o. holds 100% of interest in the issued capitals and governing bodies of TAMEH POLSKA Sp. z o.o. and TAMEH Czech s.r.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 Standard 34 ("IAS 34") *Interim Financial Reporting,* as endorsed by the European Union ("EU").

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 condensed interim 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 9-month period ended 30 September 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 amount 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 9-month period ended 30 September 2015 emission exceeded the number of free-of-charge allowances attributable to installations of both companies, therefore on 30 September 2015 TAURON Wytwarzanie S.A. recognized a provision for PLN 58 196 thousand and TAURON Ciepło Sp. z o.o. - for PLN 19 823 thousand.

The change in provision in the 9-month period ended 30 September 2015 has been presented in Note 29.2.2. to these condensed interim consolidated financial statements.

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 30 September 2015 an analysis was carried out which indicated that in the third quarter the variability of the Group’s environment was not significant compared to 30 June 2015 when the last impairment tests were carried out. Therefore, it was assumed that the most recent results of impairment tests of intangible assets, including goodwill and fixed assets carried out as at 30 June 2015 were still true and that no impairment testing was needed as at the end of the reporting period. Full tests will be performed as at 31 December 2015.

In accordance with IAS 36, the Group carried out impairment tests for cash-generating units including goodwill, i.e. for operating segments: Mining and Distribution and for a cash-generating unit in the Generation segment including generation, distribution and sale of heat (formerly a separate Heat segment) and impairment tests for property, plant and equipment and intangible assets as at 30 June 2015. The recoverable amount in each cash-generating unit was determined based on the value in use. The tests required estimating the value in use of cash generating units, based on future cash flows generated thereby, adjusted to the present value using a discount rate. The calculations were based on detailed projections for the period from June 2015 to 2024 and the estimated residual value. The basis for cash flow calculations is the planned EBIT for June 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. For purposes of impairment testing of generation, distribution and sale of heat, detailed projections covering the whole period of their operations were used, while the residual value was not determined. Using projections longer than five years results in particular from the long-term nature of investment processes in the power industry. 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. Sensitivity analyses conducted reveal that the projected wholesale prices of electricity and the adopted discount rates are the key factors exerting an effect on the estimated value in use of cash generating units.

The impairment test for property, plant and equipment was carried out the level of individual companies, except for:

(in PLN '000)

- TAURON Wytwarzanie S.A. – where cash generating units were identified based on the cost nature and analysis of the applied methods of contracting and allocating generation from particular generation units. Consequently, the test was performed for cash generating units understood as generation units or groups of generation units;
- TAURON Ekoenergia Sp. z o.o. – where only water power plants operations were tested for impairment, because wind plants were classified as a disposal group held for sale as at the balance sheet date;
- TAURON Ciepło Sp. z o.o. – where the activities related to generation of heat and electricity were separated from transmission and distribution of heat (former thermal energetics companies).

The tests required estimating the value in use of cash generating units, based on their future cash flows discounted to the current value with the discount rate. The level of the weighted average cost of capital (WACC) during the projection period, as used in the calculations, ranges from 7.68% to 9.98% in nominal terms before tax. Impairment tests of production assets for individual cash generating units took into account changes in macroeconomic and sector assumptions, low sales prices of electricity and changes in useful lives of production units in the Generation segment.

Based on test results, the Group found no necessity to recognize impairment losses for intangible assets, including goodwill, and property, plant and equipment.

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 post-employment benefits and jubilee bonuses have been estimated using actuarial methods. Moreover, the Group recognized provisions for benefits resulting from Voluntary Redundancy Schemes. A detailed description of the provisions in question has been provided in Note 28.

The provisions for post-employment benefits have been measured as at 30 September 2015, based on actuarial projections. As a large group of employees decided to participate in the Voluntary Redundancy Scheme in a Generation segment company, and therefore the number of employees for whom the actuarial provisions were recognized decreased considerably, actuarial provisions were revalued for the 9-month period ended 30 September 2015 and appropriately reduced by PLN 10 205 thousand. In the 9-month period ended 30 September 2015 provisions for the Company's Social Benefit Fund and coal allowances were reversed in a Mining segment company due to changes in the Social Benefit Fund Regulations and in the Collective Labor Agreement. Consequently, the provisions were appropriately reduced by PLN 103 772 thousand. The above changes have been discussed in detail in Note 28.1 hereto.

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 the provision calculation:

	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 derivative instruments

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.

Tax inspection proceedings

TAURON Polska Energia S.A. is a party to inspection proceedings instigated by the Director of the Tax Inspection Office in Warsaw ("Director of the TIO"). The inspection covers the reliability of declared taxable amounts and the correctness of calculation and payment of value-added tax for individual months from October 2013 to April 2014.

In its subsequent letters the Company responded to requests sent by the Director of the TIO and presented all explanations and documents required. The period of the inspection proceedings was prolonged by the Director of the TIO a few times and the new deadline has been set at 28 December 2015.

Due to its initial stage, a precise deadline of the inspection proceedings cannot be determined. As at the date of preparing these condensed interim consolidated financial statements the Director of the TIO did not present any opinion on the evidence collected, hence at this stage any possible consequences of his final decision cannot be indicated yet.

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 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. On 11 September 2015 IASB published revised standard introducing a new effective date: annual periods beginning on or after 1 January 2018. 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 *Investments in Associates and Joint Ventures* - I*nvestment 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.

In addition, hedge accounting for financial assets and liabilities portfolio is still beyond the scope of IFRS as its principles have not been endorsed by the EU.

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 impact of IFRS 15 and IFRS 9 on the consolidated financial statements is subject to further analysis of the Group.

The Group has not decided to early adopt any standards 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, a new interpretation and a changed definition of EBITDA:

- IFRIC 21 *Levies* (published on 20 May 2013, endorsed by the EU on 13 June 2014). IFRIC 21 is an interpretation of IAS 37 P*rovisions, 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;
- In the 9-month period ended 30 September 2015 the Management Board of the Company decided to change the definition of EBITDA, as presented in detail in Note 10 to these condensed interim consolidated financial statements.

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 Company applies the same accounting policies to all operating segments. 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.

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.

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 as EBIT increased by amortization/depreciation and impairment of non-financial assets. EBIT is the profit/(loss) on continuing operations before deducting taxes, finance income and finance cost. In the 9-month period ended 30 September 2015 the Management Board of the Company decided to change the definition of EBITDA. In prior periods, EBITDA had been defined by the Group as EBIT increased by amortization/depreciation. The definition of EBITDA has been changed to clearly describe the method of calculating this figure by the Group in line with the generally applied investors' practice. EBITDA reported in compliance with the changed definition will be less sensitive to one-off events, because recognition and reversal of impairment losses are of non-repetitive nature. Consequently, the Management Board decided that the new definition of EBITDA, accounting for impairment losses for non-financial assets, will ensure higher clarity and comparability of financial data presented by individual entities, hence increasing the value for readers of the financial statements. Comparable data were appropriately restated.

In the 9-month period ended 30 September 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 were appropriately restated.

The decision in question was compliant with IFRS 8, which states that one of the conditions for separating an operating segment is that the chief operating decision maker regularly reviews the segment's operating performance. Renewable Sources of Energy and Heat segments have been combined with the Generation segment to allocate resources more efficiently, assess performance of the operations related to generating power from renewable sources and in cogeneration, which were presented in separate segments before. Moreover, the former Customer Service segment provides services mainly to the Capital Group companies, hence generating very insignificant revenue and profit from transactions outside the Group, therefore the data added no informative value for the readers of the Group's financial statements. The former operating segments Renewable Sources of Energy, Heat and Customer Service did not exceed quantitative thresholds specified in IFRS 8, which, if met, would require presenting the related financial data separately.

The Group's reporting format for the period from 1 January 2015 to 30 September 2015 and for the comparative period was based on the following operating segments:

Operating segments	Core business	Subsidiaries/ Entities recognized with the equity method
Mining 	*Hard coal mining*	TAURON Wydobycie S.A.
Generation 	*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 include hard coal, biomass, coal gas and coke-oven gas.*	TAURON Wytwarzanie S.A. *Elektrownia Blachownia Nowa Sp. z o.o.** *TAMEH HOLDING Sp. z o.o.** *TAMEH POLSKA Sp. z o.o.** *TAMEH Czech s.r.o.**
	*Generation of electricity using renewable sources.*	TAURON Ekoenergia Sp. z o.o.
	*Generation, distribution and sales of heat.*	TAURON Ciepło Sp. z o.o. *Elektrociepłownia Stalowa Wola S.A.**
Distribution 	*Distribution of electricity*	TAURON Dystrybucja S.A. TAURON Dystrybucja Serwis S.A. TAURON Dystrybucja Pomiary Sp. z o.o.
Sales 	*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.*	TAURON Polska Energia S.A. TAURON Sprzedaż Sp. z o.o. TAURON Sprzedaż GZE Sp. z o.o. TAURON Czech Energy s.r.o.

** Entities recognized with the equity method*

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.

(in PLN '000)

For the 9-month period ended 30 September 2015 or as at 30 September 2015 *(unaudited)*

	Mining	Generation	Distribution	Sales	Other	Unallocated items / Eliminations	Total
Revenue							
Sales to external customers	330 309	1 587 107	2 217 408	9 434 552	64 865	-	**13 634 241**
Inter-segment sales	544 505	2 324 352	2 575 467	2 378 601	637 929	(8 460 854)	**-**
Segment revenue	**874 814**	**3 911 459**	**4 792 875**	**11 813 153**	**702 794**	**(8 460 854)**	13 634 241
Profit/(loss) of the segment	**(107 579)**	**130 489**	**1 106 723**	**443 797**	**47 972**	**(8 926)**	**1 612 476**
Unallocated expenses	-	-	-	-	-	(80 216)	**(80 216)**
EBIT	**(107 579)**	**130 489**	**1 106 723**	**443 797**	**47 972**	**(89 142)**	**1 532 260**
Share in profit/(loss) of joint ventures	-	310	-	-	-	-	**310**
Net finance income (costs)	-	**-**	-	-	-	(218 891)	**(218 891)**
Profit/(loss) before income tax	**(107 579)**	**130 799**	**1 106 723**	**443 797**	**47 972**	**(308 033)**	**1 313 679**
Income tax expense	-	-	-	-	**-**	(234 524)	**(234 524)**
Net profit/(loss) for the period	**(107 579)**	**130 799**	**1 106 723**	**443 797**	**47 972**	**(542 557)**	**1 079 155**
Assets and liabilities							
Segment assets	1 691 191	13 553 307	15 402 617	3 016 254	438 649	-	**34 102 018**
Investments in joint ventures	-	411 881	-	-	-	-	**411 881**
Unallocated assets	-	-	-	-	-	436 029	**436 029**
Total assets	**1 691 191**	**13 965 188**	**15 402 617**	**3 016 254**	**438 649**	**436 029**	**34 949 928**
Segment liabilities	560 851	1 613 803	2 274 410	1 281 551	264 371	-	**5 994 986**
Unallocated liabilities	-	-	-	-	-	10 088 241	**10 088 241**
Total liabilities	**560 851**	**1 613 803**	**2 274 410**	**1 281 551**	**264 371**	**10 088 241**	**16 083 227**
EBIT	**(107 579)**	**130 489**	**1 106 723**	**443 797**	**47 972**	**(89 142)**	**1 532 260**
Depreciation/amortization	**(84 355)**	**(439 119)**	**(733 045)**	**(8 138)**	**(50 071)**	**-**	**(1 314 728)**
Impairment	**8**	**5 569**	**475**	**-**	**(140)**	**-**	**5 912**
EBITDA	**(23 232)**	**564 039**	**1 839 293**	**451 935**	**98 183**	**(89 142)**	**2 841 076**
Other segment information							
Capital expenditure *	177 546	1 408 650	1 133 551	3 197	55 928	-	**2 778 872**

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

(in PLN '000)

For the 9-month period ended 30 September 2014 (unaudited restated data) or as at 31 December 2014 (restated data)

	Mining	Generation	Distribution	Sales	Other	Unallocated items / Eliminations	Total
Revenue							
Sales to external customers	360 601	2 137 597	1 916 768	9 234 816	67 899	-	**13 717 681**
Inter-segment sales	510 242	1 446 281	2 612 043	2 032 176	591 324	(7 192 066)	**-**
Segment revenue	**870 843**	**3 583 878**	**4 528 811**	**11 266 992**	**659 223**	**(7 192 066)**	**13 717 681**
Profit/(loss) of the segment	**5 347**	**(755)**	**1 070 837**	**478 799**	**74 101**	**(7 036)**	**1 621 293**
Unallocated expenses	-	-	-	-	-	(74 352)	**(74 352)**
EBIT	**5 347**	**(755)**	**1 070 837**	**478 799**	**74 101**	**(81 388)**	**1 546 941**
Share in profit/(loss) of joint ventures	-	(1 176)	-	-	-	-	**(1 176)**
Net finance income (costs)	-	-	-	-	-	(233 269)	**(233 269)**
Profit/(loss) before income tax	**5 347**	**(1 931)**	**1 070 837**	**478 799**	**74 101**	**(314 657)**	**1 312 496**
Income tax expense	-	-	-	-	-	(259 438)	**(259 438)**
Net profit/(loss) for the period	**5 347**	**(1 931)**	**1 070 837**	**478 799**	**74 101**	**(574 095)**	**1 053 058**
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	**5 347**	**(755)**	**1 070 837**	**478 799**	**74 101**	**(81 388)**	**1 546 941**
Depreciation/amortization	**(78 133)**	**(525 119)**	**(707 003)**	**(22 665)**	**(35 448)**	**-**	**(1 368 368)**
Impairment	**(73)**	**(9 952)**	**(52)**	**-**	**10**	**-**	**(10 067)**
EBITDA	**83 553**	**534 316**	**1 777 892**	**501 464**	**109 539**	**(81 388)**	**2 925 376**
Other segment information							
Capital expenditure *	125 144	540 084	1 285 823	2 209	56 944	-	**2 010 204**

** 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 30 September 2015 *(unaudited)*

	Mining	Generation	Distribution	Sales	Other	Unallocated items / Eliminations	Total
Revenue							
Sales to external customers	137 752	425 809	743 738	3 048 481	21 847	-	**4 377 627**
Inter-segment sales	195 111	738 562	820 780	670 692	177 801	(2 602 946)	**-**
Segment revenue	**332 863**	**1 164 371**	**1 564 518**	**3 719 173**	**199 648**	**(2 602 946)**	**4 377 627**
Profit/(loss) of the segment	**106 686**	**(51 447)**	**348 307**	**114 042**	**20 076**	**(20 289)**	**517 375**
Unallocated expenses	-	-	-	-	-	(29 417)	**(29 417)**
EBIT	**106 686**	**(51 447)**	**348 307**	**114 042**	**20 076**	**(49 706)**	**487 958**
Share in profit/(loss) of joint ventures	-	(4 560)	-	-	-	-	**(4 560)**
Net finance income (costs)	-	**-**	-	-	-	(28 522)	**(28 522)**
Profit/(loss) before income tax	**106 686**	**(56 007)**	**348 307**	**114 042**	**20 076**	**(78 228)**	**454 876**
Income tax expense	-	-	-	-	**-**	(96 108)	**(96 108)**
Net profit/(loss) for the period	**106 686**	**(56 007)**	**348 307**	**114 042**	**20 076**	**(174 336)**	**358 768**
EBIT	**106 686**	**(51 447)**	**348 307**	**114 042**	**20 076**	**(49 706)**	**487 958**
Depreciation/amortization	**(27 993)**	**(148 144)**	**(248 182)**	**(2 740)**	**(17 111)**	**-**	**(444 170)**
Impairment	**9**	**(940)**	**(144)**	**-**	**(1)**	**-**	**(1 076)**
EBITDA	**134 670**	**97 637**	**596 633**	**116 782**	**37 188**	**(49 706)**	**933 204**
Other segment information							
Capital expenditure *	31 301	523 081	437 305	666	15 792	-	**1 008 145**

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

(in PLN '000)

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

	Mining	Generation	Distribution	Sales	Other	Unallocated items / Eliminations	Total
Revenue							
Sales to external customers	149 280	628 013	600 503	3 007 973	26 462	-	**4 412 231**
Inter-segment sales	192 151	556 456	879 357	683 910	207 427	(2 519 301)	**-**
Segment revenue	**341 431**	**1 184 469**	**1 479 860**	**3 691 883**	**233 889**	**(2 519 301)**	**4 412 231**
Profit/(loss) of the segment	**29 132**	**(39 176)**	**370 825**	**105 291**	**28 734**	**(3 389)**	**491 417**
Unallocated expenses	-	-	-	-	-	(26 930)	**(26 930)**
EBIT	**29 132**	**(39 176)**	**370 825**	**105 291**	**28 734**	**(30 319)**	**464 487**
Share in profit/(loss) of joint ventures	-	(400)	-	-	-	-	**(400)**
Net finance income (costs)	-	-	-	-	-	(77 134)	**(77 134)**
Profit/(loss) before income tax	**29 132**	**(39 576)**	**370 825**	**105 291**	**28 734**	**(107 453)**	**386 953**
Income tax expense	-	-	-	-	-	(67 817)	**(67 817)**
Net profit/(loss) for the period	**29 132**	**(39 576)**	**370 825**	**105 291**	**28 734**	**(175 270)**	**319 136**
EBIT	**29 132**	**(39 176)**	**370 825**	**105 291**	**28 734**	**(30 319)**	**464 487**
Depreciation/amortization	**(26 174)**	**(174 607)**	**(237 327)**	**(4 539)**	**(13 577)**	**-**	**(456 224)**
Impairment	**54**	**(119)**	**-**	**-**	**15**	**-**	**(50)**
EBITDA	**55 252**	**135 550**	**608 152**	**109 830**	**42 296**	**(30 319)**	**920 761**
Other segment information							
Capital expenditure *	42 876	257 781	444 335	1 408	13 727	-	**760 127**

** 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

	9-month period ended 30 September 2015 *(unaudited)*	9-month period ended 30 September 2014 *(unaudited)*
Sale of goods for resale, finished goods and materials without elimination of excise	**9 051 514**	**9 416 897**
Excise	(317 619)	(334 108)
Sale of goods for resale, finished goods and materials, *of which*:	**8 733 895**	**9 082 789**
Electricity	7 579 164	7 764 878
Heat energy	417 081	430 225
Energy certificates	194 484	271 684
Greenhouse gas emission allowances	92 326	3 643
Coal	314 296	337 827
Furnace blast	-	127 506
Compressed air	44	55 775
Milling products	22 436	23 508
Gas	55 918	8 370
Other goods for resale, finished goods and materials	58 146	59 373
Rendering of services, *of which*:	**4 858 363**	**4 596 547**
Distribution and trade services	4 603 302	4 327 171
Connection fees	94 357	95 390
Maintenance of road lighting	86 239	82 747
Charges for illegal electricity consumption	5 633	4 912
Revenue due to power and heat collisions	18 018	12 329
Other services	50 814	73 998
Other revenue	**41 983**	**38 345**
Total sales revenue	**13 634 241**	**13 717 681**

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.

(in PLN '000)

12. Expenses by type

	9-month period ended 30 September 2015 *(unaudited)*	9-month period ended 30 September 2014 *(unaudited)*
Costs by type		
Depreciation of property, plant and equipment and amortization of intangible assets	(1 314 728)	(1 368 368)
Impairment of property, plant and equipment and intangible assets	(1 257)	(4 971)
Materials and energy	(1 346 798)	(1 500 634)
Maintenance and repair services	(263 745)	(282 120)
Distribution services	(1 287 546)	(1 151 560)
Other external services	(482 422)	(509 916)
Taxes and charges	(548 847)	(466 555)
Employee benefits expense	(1 794 262)	(1 894 908)
Inventory write-downs	(761)	(5 094)
Allowance for doubtful debts	(27 594)	(24 564)
Other	(86 392)	(83 447)
Total costs by type	**(7 154 352)**	**(7 292 137)**
Change in inventories, prepayments, accruals and deferred income	(260 283)	85 444
Cost of goods produced for internal purposes	491 035	347 486
Selling and distribution expenses	359 945	401 487
Administrative expenses	466 493	491 627
Cost of goods for resale and materials sold	(5 150 815)	(5 362 451)
Cost of sales	**(11 247 977)**	**(11 328 544)**

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:

	9-month period ended 30 September 2015 *(unaudited)*	9-month period ended 30 September 2014 *(unaudited)*
Current income tax	**(120 425)**	**(171 136)**
Current income tax expense	(147 566)	(180 780)
Adjustments to current income tax from previous years	27 141	9 644
Deferred tax	**(114 099)**	**(88 302)**
Income tax in profit or loss	**(234 524)**	**(259 438)**
Income tax relating to other comprehensive income	**(13 358)**	**4 095**

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.

(in PLN '000)

13.2. Deferred income tax

	As at 30 September 2015 *(unaudited)*	As at 31 December 2014
Deferred tax liability		
- difference between tax base and carrying amount of fixed and intangible assets	2 102 615	2 037 038
- difference between tax base and carrying amount of financial assets	25 423	21 505
- different timing of recognition of sales revenue for tax purposes	83 543	59 105
- recognition of estimated revenue from sale of power distribution services	2 964	8 326
- difference between tax base and carrying amount of property rights arising from energy certificates	46 142	47 490
- other	17 350	14 487
Deferred tax liability	**2 278 037**	**2 187 951**
Deferred tax assets		
- difference between tax base and carrying amount of fixed and intangible assets	7 020	5 620
- difference between tax base and carrying amount of inventories	2 634	5 130
- power infrastructure received free of charge and received connection fees	58 319	62 177
- provisions	615 950	667 464
- difference between tax base and carrying amount of financial assets	29 709	27 323
- difference between tax base and carrying amount of financial liabilities	30 586	20 680
- valuation of hedging instruments	27 095	34 377
- different timing of recognition of cost of sales for tax purposes	55 682	38 632
- other accrued expenses	3 548	3 467
- tax losses	12 758	12 758
- other	15 441	15 274
Deferred tax assets	**858 742**	**892 902**
After setting off balances at the level of individual Group companies, deferred tax for the Group is presented as:		
Deferred tax asset	**53 427**	**62 108**
Deferred tax liability	**(1 472 722)**	**(1 357 157)**

As at 30 September 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

A Tax Capital Group agreement for the years 2015-2017 was concluded on 22 September 2014. Pursuant to the previous agreement, the Tax Capital Group was registered for the period of three fiscal years from 1 January 2012 to 31 December 2014.

Major companies constituting the Tax Capital Group as from 1 January 2015 are TAURON Polska Energia S.A., TAURON Wytwarzanie S.A., TAURON Dystrybucja S.A., TAURON Ciepło Sp. z o.o., TAURON Sprzedaż Sp. z o.o., TAURON Sprzedaż GZE Sp. z o.o., TAURON Obsługa Klienta Sp. z o.o., TAURON Ekoenergia Sp. z o.o., TAURON Wydobycie S.A. and Kopalnia Wapienia Czatkowice Sp. z o.o.

As at 30 September 2015 the Group had the following income tax assets and liabilities:

- Income tax receivable of PLN 1 281 thousand not included in the settlements of the Tax Capital Group;

(in PLN '000)

- Income tax liability of PLN 41 021 thousand, where PLN 39 253 thousand relates to settlements of the Tax Capital Group.

In the 9-month period ended 30 September 2015 income tax expense of the Tax Capital Group amounted to PLN 145 662 thousand. At the same time, the Tax Capital Group prepaid CIT of PLN 106 466 thousand for the 9-month period ended 30 September 2015. Moreover, as at 30 September 2015, the Group had a CIT liability for previous years of PLN 57 thousand.

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.

The dividend was fully paid out in the 9-month period ended 30 September 2015 in accordance with the resolution of the Ordinary General Shareholders' Meeting of the Company.

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 9-month period ended 30 September 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	-	-	376	401	2 622 430	**2 623 207**
Transfer of assets under construction	1 897	737 843	718 730	48 058	(1 506 528)	**-**
Sale, disposal	(262)	(2 336)	(4 976)	(11 477)	(170)	**(19 221)**
Liquidation	-	(35 613)	(37 434)	(5 911)	-	**(78 958)**
Received free of charge	-	13 060	363	3	-	**13 426**
Spare parts allocated to fixed assets	-	567	10 213	-	(9 600)	**1 180**
Overhaul expenses	-	-	8 298	-	62 316	**70 614**
Items generated internally	-	-	-	-	30 526	**30 526**
Transfers to/from assets held for sale	(7)	(4 411)	(933)	(8 513)	(57 991)	**(71 855)**
Other movements	(26)	1 317	(2 571)	(1 976)	(94)	**(3 350)**
Foreign exchange differences from translation of foreign entities	-	-	4	6	-	**10**
Closing balance	**118 744**	**18 905 883**	**15 511 161**	**829 198**	**2 505 152**	**37 870 138**
ACCUMULATED DEPRECIATION						
Opening balance	**(458)**	**(5 049 663)**	**(4 957 467)**	**(440 706)**	**(5 323)**	**(10 453 617)**
Depreciation for the period	-	(606 293)	(594 385)	(64 572)	-	**(1 265 250)**
Increase of impairment	(21)	(795)	(131)	(280)	(1 904)	**(3 131)**
Decrease of impairrment	51	2 324	22	654	-	**3 051**
Sale, disposal	-	564	3 862	10 642	-	**15 068**
Liquidation	-	30 068	34 083	5 595	-	**69 746**
Transfers to/from assets held for sale	-	615	3	4 592	-	**5 210**
Other movements	-	(265)	(821)	(340)	-	**(1 426)**
Foreign exchange differences from translation of foreign entities	-	-	(3)	(3)	-	**(6)**
Closing balance	**(428)**	**(5 623 445)**	**(5 514 837)**	**(484 418)**	**(7 227)**	**(11 630 355)**
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	**118 316**	**13 282 438**	**9 996 324**	**344 780**	**2 497 925**	**26 239 783**

(in PLN '000)

For the 9-month period ended 30 September 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	-	-	240	235	1 832 978	**1 833 453**
Transfer of assets under construction	2 581	805 622	628 315	54 239	(1 490 757)	**-**
Sale, disposal	(463)	(3 593)	(4 174)	(8 036)	(31)	**(16 297)**
Liquidation	-	(26 016)	(101 309)	(6 345)	-	**(133 670)**
Received free of charge	10	10 417	477	69	-	**10 973**
Reclassification	-	17 381	(17 591)	210	-	**-**
Overhaul expenses	-	205	5 671	-	65 311	**71 187**
Items generated internally	-	-	-	-	35 168	**35 168**
Transfers to/from assets held for sale	(74)	(757)	(6)	67	-	**(770)**
Other movements	(786)	38	3 768	(47)	(4 302)	**(1 329)**
Closing balance	**115 380**	**18 189 167**	**15 425 176**	**778 842**	**1 652 315**	**36 160 880**
ACCUMULATED DEPRECIATION						
Opening balance	**(645)**	**(4 360 059)**	**(4 490 207)**	**(377 855)**	**(5 760)**	**(9 234 526)**
Depreciation for the period	-	(600 319)	(651 902)	(62 852)	-	**(1 315 073)**
Increase of impairment	-	(150)	(4 708)	(1)	-	**(4 859)**
Decrease of impairrment	322	-	1	19	67	**409**
Sale, disposal	-	1 565	3 466	6 828	-	**11 859**
Liquidation	-	18 726	96 718	5 687	-	**121 131**
Transfers to/from assets held for sale	-	138	4	(67)	-	**75**
Other movements	-	(1 603)	2 126	(31)	-	**492**
Closing balance	**(323)**	**(4 941 702)**	**(5 044 502)**	**(428 272)**	**(5 693)**	**(10 420 492)**
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	**115 057**	**13 247 465**	**10 380 674**	**350 570**	**1 646 622**	**25 740 388**

In the 9-month period ended 30 September 2015, the Group acquired property, plant and equipment for PLN 2 623 207 thousand. Major purchases were related to investments in the following operating segments:

Purchase of property, plant and equipment by segment	9-month period ended 30 September 2015 *(unaudited)*	9-month period ended 30 September 2014 *(unaudited)*
Distribution	1 104 397	1 258 736
Generation	1 306 668	432 652
Mining	176 691	124 982

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 in the Group (except for the Generation segment). In the Generation segment, however, the lowest level units are cash-generating units related to electricity generation from conventional sources, in cogeneration, in co-firing of biomass and other thermal energy, cash-generating units related to generation to electricity from renewable sources and cash-generating units related to generation, distribution and sale of heat.

Goodwill in segment	As at 30 September 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**

(in PLN '000)

17. Non-current intangible assets

For the 9-month period ended 30 September 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	-	-	81	11 854	-	-	54 444	**66 379**
Transfer of intangible assets not made available for use	-	882	21 178	-	-	21 861	(43 921)	**-**
Sale, disposal	-	(925)	(8 071)	-	-	-	-	**(8 996)**
Liquidation	(147)	(1)	(1 408)	-	-	(52)	-	**(1 608)**
Transfers to/from assets under construction	-	-	26	-	-	(20)	1 497	**1 503**
Reclassification	-	-	-	(197 594)	(127 739)	-	-	**(325 333)**
Transfers to/from assets held for sale	-	(1 331)	-	-	-	(64)	(12)	**(1 407)**
Other movements	-	(109)	102	-	-	297	4	**294**
Foreign exchange differences from translation of foreign entities	-	-	19	-	-	-	(1)	**18**
Closing balance	**4 523**	**788 186**	**487 218**	**21 657**	**137 364**	**175 792**	**65 447**	**1 680 187**
ACCUMULATED AMORTIZATION								
Opening balance	**(3 822)**	**(15 297)**	**(289 949)**	**-**	**-**	**(35 635)**	**-**	**(344 703)**
Amortization for the period	(357)	-	(39 013)	-	-	(10 108)	-	**(49 478)**
Increase of impairment	-	(287)	-	-	-	-	-	**(287)**
Decrease of impairment	-	155	-	-	-	-	-	**155**
Sale, disposal	-	-	8 071	-	-	-	-	**8 071**
Liquidation	147	-	1 408	-	-	51	-	**1 606**
Other movements	-	(3)	(70)	-	-	(5)	-	**(78)**
Foreign exchange differences from translation of foreign entities	-	-	(14)	-	-	-	-	**(14)**
Closing balance	**(4 032)**	**(15 432)**	**(319 567)**	**-**	**-**	**(45 697)**	**-**	**(384 728)**
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	**491**	**772 754**	**167 651**	**21 657**	**137 364**	**130 095**	**65 447**	**1 295 459**

For the 9-month period ended 30 September 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	-	-	132	20 385	98 779	-	70 264	**189 560**
Transfer of intangible assets not made available for use	-	3 908	44 440	-	-	37 024	(85 372)	**-**
Sale, disposal	-	(1 006)	-	-	-	-	-	**(1 006)**
Liquidation	-	(20)	(2 154)	-	-	(7)	-	**(2 181)**
Transfers to/from assets under construction	-	(5)	19	-	-	(1)	4 985	**4 998**
Reclassification	-	-	-	(16 183)	-	-	-	**(16 183)**
Transfers to/from assets held for sale	-	(1 585)	-	-	-	-	-	**(1 585)**
Other movements	640	33	1 258	-	-	299	(11)	**2 219**
Foreign exchange differences from translation of foreign entities	-	-	2	-	-	-	-	**2**
Closing balance	**4 670**	**812 037**	**422 933**	**24 452**	**133 307**	**147 294**	**74 499**	**1 619 192**
ACCUMULATED AMORTIZATION								
Opening balance	**(3 442)**	**(14 449)**	**(242 012)**	**-**	**-**	**(23 460)**	**-**	**(283 363)**
Amortization for the period	(170)	-	(43 579)	-	-	(9 546)	-	**(53 295)**
Decrease of impairment	-	46	-	-	-	-	-	**46**
Liquidation	-	-	2 131	-	-	6	-	**2 137**
Other movements	-	-	(1 145)	-	-	-	-	**(1 145)**
Foreign exchange differences from translation of foreign entities	-	-	(1)	-	-	-	-	**(1)**
Closing balance	**(3 612)**	**(14 403)**	**(284 606)**	**-**	**-**	**(33 000)**	**-**	**(335 621)**
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	**1 058**	**797 634**	**138 327**	**24 452**	**133 307**	**114 294**	**74 499**	**1 283 571**

18. Shares in joint ventures

Investments in joint-ventures measured using the equity method as at 30 September 2015 and for the 9-month period ended 30 September 2015 have been presented below:

(in PLN '000)

	Elektrociepłownia Stalowa Wola S.A.	Elektrownia Blachownia Nowa Sp. z o.o.	TAMEH HOLDING Sp. z o.o. *	As at 30 September 2015 or for the 9-month period ended 30 September 2015 *(unaudited)*
Non-current assets	1 010 349	27 351	1 117 769	**2 155 469**
Current assets	83 294	36 990	311 227	**431 511**
Non-current liabilities (-)	(948 369)	-	(297 456)	**(1 245 825)**
Current liabilities (-)	(115 646)	(81)	(296 747)	**(412 474)**
Total net assets	29 628	64 260	834 793	**928 681**
Share in net assets	14 814	32 130	417 397	**464 341**
Elimination of transactions with Group companies	(14 141)	-	-	**(14 141)**
Investment in joint ventures	**673**	**32 130**	**379 078**	**411 881**
Share in revenue of joint ventures	14	371	403 874	**404 259**
Share in profit/(loss) of joint ventures	**(1 789)**	**23**	**2 076**	**310**

*The data presented concern the TAMEH HOLDING Sp. z o.o. Capital Group.

Investments in joint-ventures measured using the equity method as at 31 December 2014 or for the 9-month period ended 30 September 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 9-month period ended 30 September 2014 *(unaudited)*
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	47	387	-	**434**
Share in profit/(loss) of joint ventures	**(1 380)**	**204**	**-**	**(1 176)**

*The data presented concern the TAMEH HOLDING Sp. z o.o. Capital Group.

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 30 September 2015 *(unaudited)*		As at 31 December 2014	
	Principal	Interest	Principal	Interest
Subordinated loan	177 000	27 035	177 000	21 331
VAT loan	-	-	5 850	12
Total loans granted to Elektrociepłownia Stalowa Wola S.A., *of which:*	**177 000**	**27 035**	**182 850**	**21 343**
Non-current	177 000	27 035	177 000	21 331
Current	-	-	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 9-month period ended 30 September 2015 have been presented in Note 31.1. to these condensed interim consolidated financial statements.

In the 9-month period ended 30 September 2015, the interest income due to loans granted reached PLN 5 741 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 9-month period ended 30 September 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.

The TAMEH HOLDING Sp. z o.o. Capital Group

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.

(in PLN '000)

19. Current intangible assets

For the 9-month period ended 30 September 2015 *(unaudited)*

	Energy certificates	Greenhouse gas emission allowances	Current intangible assets, total
COST			
Opening balance	**724 918**	**8 130**	**733 048**
Direct purchase	295 158	3 100	**298 258**
Generated internally	166 231	-	**166 231**
Cancellation	(776 631)	(5 941)	**(782 572)**
Reclassification	194 363	128 304	**322 667**
Closing balance	**604 039**	**133 593**	**737 632**
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	**604 039**	**133 593**	**737 632**

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

	Energy certificates	Greenhouse gas emission allowances	Current intangible assets, total
COST			
Opening balance	**695 427**	**461 123**	**1 156 550**
Direct purchase	524 429	5 875	**530 304**
Generated internally	253 605	-	**253 605**
Cancellation	(831 676)	(463 362)	**(1 295 038)**
Reclassification	43 393	-	**43 393**
Closing balance	**685 178**	**3 636**	**688 814**
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	**685 178**	**3 636**	**688 814**

(in PLN '000)

20. Inventories

	As at 30 September 2015 *(unaudited)*	As at 31 December 2014
Historical cost		
Raw materials	229 178	285 135
Semi-finished goods and work-in-progress	125 961	239 426
Finished goods	5 115	1 600
Goods for resale	991	707
Energy certificates	7 631	20 055
Emission allowances	6 394	1 761
Total	**375 270**	**548 684**
Write-downs to net realizable value		
Raw materials	(7 181)	(7 305)
Finished goods	(88)	(12)
Goods for resale	(21)	(21)
Energy certificates	(6 629)	(13 750)
Total	**(13 919)**	**(21 088)**
Net realizable value		
Raw materials	221 997	277 830
Semi-finished goods and work-in-progress	125 961	239 426
Finished goods	5 027	1 588
Goods for resale	970	686
Energy certificates	1 002	6 305
Emission allowances	6 394	1 761
Total	**361 351**	**527 596**

21. Trade and other receivables

Current trade and other receivables as at 30 September 2015 and 31 December 2014 have been presented in the table below.

	As at 30 September 2015 *(unaudited)*	As at 31 December 2014
Trade receivables	1 423 341	1 664 191
Loans granted	904	6 368
Other financial receivables, *of which:*	387 100	298 610
Receivables from sales of fixed and intangible assets	665	483
Receivables claimed at court	24 753	20 328
Other receivables	361 682	277 799
Total	**1 811 345**	**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 30 September 2015 the Group did not disclose any non-current trade receivables, while other non-current receivables amounted to PLN 37 799 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 related allowance as at 30 September 2015 and 31 December 2014 have been presented in the tables below.

Trade and other receivables as at 30 September 2015 (unaudited)

	Trade receivables	Loans granted	Other financial receivables	Total
Accounts receivable (without allowance for doubtful debt)	1 492 903	904	605 700	**2 099 507**
Allowance for doubtful debt	(69 562)	-	(218 600)	**(288 162)**
Net value	**1 423 341**	**904**	**387 100**	**1 811 345**

(in PLN '000)

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 30 September 2015 *(unaudited)*	As at 31 December 2014
Cash at bank and in hand	292 097	410 082
Short-term deposits (up to 3 months)	821 876	1 009 991
Other	787	836
Total cash and cash equivalents presented in the statement of financial position, *of which*:	**1 114 760**	**1 420 909**
- restricted cash	192 798	116 568
Bank overdraft	(10 924)	(11 918)
Cash pool	(26 459)	(4 481)
Foreign exchange	2 987	3 561
Total cash and cash equivalents presented in the statement of cash flows	**1 080 364**	**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, cash pool loans granted by entities not subject to consolidation due to the overall immateriality and exchange gains and losses on measurement of cash on currency accounts.

As at 30 September 2015 the balance of restricted cash included mainly cash on the accounts for bid bonds of PLN 114 803 thousand and cash on the accounts used for settling electricity trading and emission allowances on the Polish Power Exchange, i.e. Towarowa Giełda Energii S.A., of PLN 61 895 thousand.

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 followed off-balance sheet asset financing policy aimed at selling interest in the existing wind farms to an external investor. The original idea was to sell (with the buy-back option) a majority interest in the existing wind farms to a financial investor and to refinance the existing debt allocated to the wind farms using bank debt when the Company becomes a minority shareholder. As the market terms of the transaction changed dramatically, the Company decided to discontinue negotiations with financial investors. On 2 July 2015 the Company and ENEA S.A. concluded a letter of intent concerning partnership in the implementation of a common strategy on the optimal increase in the use of renewable sources of energy and financing acquisition of wind farm assets.

Main categories of assets and liabilities of the disposal group classified as held for sale as at 30 September 2015 and 31 December 2014:

(in PLN '000)

	As at 30 September 2015 *(unaudited)*	As at 31 December 2014
Property, plant and equipment	1 267 495	1 208 545
Goodwill and other intangible assets	52 153	52 077
Other non-current non-financial assets	26 655	36 678
Trade and other receivables (current)	6 624	1 937
Other current non-financial assets	23 796	21 695
Total assets of a disposal group	**1 376 723**	**1 320 932**
Other non-current provisions	59 320	58 336
Deferred income tax liability	10 378	7 325
Trade and other payables (current)	47 270	10 484
Other current provisions	1 588	1 038
Accruals, deferred income and government grants (current)	8 504	7 787
Total liabilities directly related to the disposal group	**127 060**	**84 970**
Net assets of a disposal group classified as held for sale	**1 249 663**	**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 30 September 2015 and 31 December 2014:

	As at 30 September 2015 *(unaudited)*	As at 31 December 2014
Disposal group	1 376 723	1 320 932
Other non-current assets	21 194	16 773
Non-current assets and assets of a disposal group classified as held for sale	**1 397 917**	**1 337 705**
Liabilities of a disposal group classified as held for sale	**127 060**	**84 970**

24. Equity

24.1. Issued capital

Issued capital as at 30 September 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 30 September 2015, the value of issued capital, the number of shares and the par value of shares did not change compared to 31 December 2014.

Shareholding structure as at 30 September 2015 *(unaudited, to the best of the Company's knowledge)*

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

To the best of the Company's knowledge, the shareholding structure as at 30 September 2015 has not changed since 31 December 2014.

(in PLN '000)

24.2. Revaluation reserve from valuation of hedging instruments

	9-month period ended 30 September 2015 *(unaudited)*	9-month period ended 30 September 2014 *(unaudited)*
Opening balance	**(143 019)**	**(126 651)**
Remeasurement of hedging instruments	38 325	(57 127)
Remeasurement of hedging instruments charged to profit or loss for the period	23 729	18 651
Deferred income tax	(11 790)	7 310
Closing balance	**(92 755)**	**(157 817)**

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 30 September 2015 the Group concluded hedging transactions subject to specific risk management policy. 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 30 September 2015, the Company recognized PLN (92 755) 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 142 608 thousand, adjusted by a portion of measurement relating to interest accrued on bonds as at the end of the reporting period, including deferred tax.

The profit/loss for the period was charged with PLN 65 922 thousand, where PLN 42 193 thousand was the amount paid in respect of hedges used in relation to closed interest periods and PLN 23 729 thousand resulted from remeasurement 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 1 076 641 thousand;
- actuarial gains/losses on provisions for post-employment benefits charged to other comprehensive income of PLN 6 677 thousand;
- allocation of the Company's profit for 2014 to increase the reserve capital by PLN 883 561 thousand and dividend payment of PLN 262 882 thousand;
- PLN 59 thousand due to settlement of mandatory squeeze-out of non-controlling interests.

The amount of PLN 1 146 456 thousand, disclosed as retained earnings, was still distributable to shareholders of the Parent as at the beginning 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

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

Under an 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.

(in PLN '000)

Business combination under common control of Energopower Sp. z o.o. and Biomasa Grupa TAURON Sp. z o.o.

On 1 July 2015, a business combination under common control of Energopower Sp. z o.o. (the acquirer) and Biomasa Grupa TAURON Sp. z o.o. (the acquiree) was registered by the District Court in Rzeszów, XII Business Division of the National Court Register. The business combination was carried out under Article 492.1.1 of the Code of Commercial Companies through the transfer of the acquiree's all assets onto the acquirer.

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

Capital increase by TAURON Sweden Energy AB (publ)

On 13 July 2015 the Extraordinary Shareholders' Meeting of TAURON Sweden Energy AB (publ) adopted a resolution to increase the registered issued capital of the entity amounting to EUR 55 thousand by a maximum amount of EUR 6 645 thousand by way of issuing 6 645 thousand new shares. On 22 July 2015, the parent paid EUR 6 645 thousand for newly issued shares of TAURON Sweden Energy AB (publ). On 8 September 2015 the capital increase was registered by the Swedish Companies Registration Office.

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 649 thousand, while retained earnings have increased by PLN 59 thousand.

26. Interest-bearing loans and borrowings

	As at 30 September 2015 *(unaudited)*	As at 31 December 2014
Loans and borrowings	1 487 581	1 232 032
Bonds issued	6 725 129	6 821 830
Total	**8 212 710**	**8 053 862**
Current	564 548	631 530
Non-current	7 648 162	7 422 332

26.1. Loans and borrowings

The balance of loans and borrowings taken out as at 30 September 2015 and 31 December 2014 has been presented in tables below.

(in PLN '000)

Loans and borrowings taken out as at 30 September 2015 (unaudited)

Currency	Interest rate	Value of loans as at the balance sheet date *(unaudited)*		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	77 207	77 207	28 979	5 995	7 370	7 348	14 321	13 194
	fixed	1 387 470	1 387 470	50 968	81 774	147 478	162 215	324 430	620 605
Total PLN		**1 464 677**	**1 464 677**	**79 947**	**87 769**	**154 848**	**169 563**	**338 751**	**633 799**
EUR	floating	2 218	9 401	9 401	-	-	-	-	-
Total EUR		**2 218**	**9 401**	**9 401**	**-**	**-**	**-**	**-**	**-**
USD	floating	403	1 523	1 523	-	-	-	-	-
Total USD		**403**	**1 523**	**1 523**	**-**	**-**	**-**	**-**	**-**
Total			**1 475 601**	**90 871**	**87 769**	**154 848**	**169 563**	**338 751**	**633 799**
Interest increasing carrying amount			11 980						
Total loans and borrowings			**1 487 581**						

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	-	-	-	-	-
Total EUR		**2 796**	**11 918**	**11 918**	**-**	**-**	**-**	**-**	**-**
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 9-month period ended 30 September 2015 and in the comparable period has been presented below.

	9-month period ended 30 September 2015 *(unaudited)*	9-month period ended 30 September 2014 *(unaudited)*
Opening balance	**1 225 612**	**1 477 456**
Movement in bank overdrafts and cash pool loans	**21 887**	**(81 317)**
Movement in loans and borrowings (excluding bank overdrafts and cash pool loans):	**228 102**	**(90 440)**
Taken out*	294 705	-
Repaid	(67 126)	(91 078)
Change in valuation and other movements	523	638
Closing balance	**1 475 601**	**1 305 699**

* Costs of issue have been included.

As at 30 September 2015 the Group's liabilities arising from received loans and borrowings amounted to PLN 1 487 581 thousand and resulted from:

- loans of PLN 1 399 423 thousand received from the European Investment Bank, including interest accrued of PLN 11 953 thousand (PLN 1 160 411 thousand as at 31 December 2014);

  The balance has increased because PLN 295 000 thousand, constituting a portion of the loan granted by the European Investment Bank under the agreement of July 2014, was disbursed on 17 July 2015. The purpose of the loan was financing an investment project related to energy production from renewable sources and energy distribution. The potion in question will be repaid in equal principal installments payable every 6 months from

(in PLN '000)

15 September 2017 to 15 March 2027, while interest will be paid every 6 months from 15 September 2015. Interest rate is fixed and applies until 15 September 2019.

Moreover, in the 9-month period ended 30 September 2015, the Company repaid PLN 61 364 thousand of the principal amounts of loans awarded by the European Investment Bank.

- overdrafts of PLN 10 924 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 balance sheet date the outstanding amount was PLN 29 000 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 19 862 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 30 September 2015 and 31 December 2014.

Bonds issued as at 30 September 2015 *(unaudited)*

Issuer	Tranche/ Bank	Redemption date	Interest rate	Currrency	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	2 436	299 943	299 943	-	-	-	-	-
	C	12 December 2016	floating	PLN	24 359	2 998 410	-	-	2 998 410	-	-	-
	BGK*	20 December 2019	floating	PLN	914	99 825	-	-	-	-	99 825	-
		20 December 2020	floating	PLN	914	99 815	-	-	-	-	-	99 815
		20 December 2021	floating	PLN	914	99 808	-	-	-	-	-	99 808
		20 December 2022	floating	PLN	914	99 802	-	-	-	-	-	99 802
		20 December 2023	floating	PLN	914	99 797	-	-	-	-	-	99 797
		20 December 2024	floating	PLN	914	99 795	-	-	-	-	-	99 795
		20 December 2025	floating	PLN	914	99 792	-	-	-	-	-	99 792
		20 December 2026	floating	PLN	914	99 788	-	-	-	-	-	99 788
		20 December 2027	floating	PLN	914	99 786	-	-	-	-	-	99 786
	TPEA1119	4 November 2019	floating	PLN	18 411	1 748 984	-	-	-	-	1 748 984	-
TAURON Sweden Energy AB (publ)		3 December 2029	fixed	EUR	20 553	705 599	-	-	-	-	-	705 599
Total bonds					**73 985**	**6 651 144**	**299 943**	**-**	**2 998 410**	**-**	**1 848 809**	**1 503 982**

* Bank Gospodarstwa Krajowego

(in PLN '000)

Bonds issued as at 31 December 2014

Issuer	Tranche/ Bank	Redemption date	Interest rate	Currrency	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	-	-	-
	BGK*	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 with the euro as the issue currency and repayment currency. As at 30 September 2015, the carrying amount with interest accrued in the bond currency reached EUR 171 319 thousand (as at 31 December 2014 it was EUR 166 858 thousand). The Parent 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 9-month period ended 30 September 2015 and in the comparable period has been presented below.

	9-month period ended 30 September 2015 *(unaudited)*	9-month period ended 30 September 2014 *(unaudited)*
Opening balance	**6 803 298**	**4 291 460**
Issue*	-	1 197 856
Redemption	(150 000)	(300 000)
Change in valuation	(2 154)	2 670
Closing balance	**6 651 144**	**5 191 986**

* 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 9-month period ended 30 September 2015. The first listing took place on 12 March 2015 and the last listing on 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 30 September 2015, none of these covenants were breached and the contractual provisions were complied with.

Increase in the bond issue scheme by PLN 700 000 thousand

In July 2015 TAURON Polska Energia S.A. concluded an annex to the scheme agreement concerning the bond issue scheme organization. Pursuant to the annex, the bond issue scheme amount was increased from PLN 1 000 000 thousand to PLN 1 700 000 thousand.

(in PLN '000)

The purpose of the bond issue scheme is to finance capital expenditure, in particular projects carried out in the Distribution and Generation segments, in accordance with the TAURON Group development strategy. Bank Gospodarstwa Krajowego participates in the project under the "Polish investments" scheme.

The value of the bond scheme with securities of at maximum 15-year maturity periods and 6-month interest periods is PLN 1 700 000 thousand. As at the date of concluding the annex PLN 300 000 thousand, constituting a portion of the amount increasing the bond issue scheme, was underwritten. In accordance with the financing structure bonds will be issued in series in the years 2015-2016 and they will mature from 2020 to 2029. Bank Gospodarstwa Krajowego will act as an arranger, underwriter and depositary.

27. Derivative instruments

	As at 30 September 2015 *(unaudited)*				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	(3 425)	-	**1 465**	**(4 890)**	258	-	**1 499**	**(1 241)**
IRS	(34 995)	(114 512)	**-**	**(149 507)**	(17 746)	(176 567)	**-**	**(194 313)**
Commodity forwards/futures	1 198	-	**1 198**	**-**	(250)	-	**312**	**(562)**
Currency forwards	1 213	-	**1 213**	**-**	-	-	**-**	**-**
Total derivative instruments, *including:*			**3 876**	**(154 397)**			**1 811**	**(196 116)**
Current			**3 466**	**(99 559)**			**1 811**	**(102 615)**
Non-current			**410**	**(54 838)**			**-**	**(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 though profit or loss. As at 30 September 2015 the liability amounted to PLN 6 899 thousand. The remaining IRS contracts are subject to hedge accounting with the remeasurement recognized in other comprehensive income. As at 30 September 2015 the liability amounted to PLN 142 608 thousand.

Commodity futures and forwards include contracts for purchase and sale of commodities, including emission allowances. Hedge accounting principles do not apply to the transactions in question.

Moreover, in the 9-month period ended 30 September 2015 the Company entered into currency forward contracts hedging foreign currency cash flows resulting from trading in emission allowances and gas. These transactions are not subject to hedge accounting.

28. Provisions for employee benefits

	As at 30 September 2015 *(unaudited)*	As at 31 December 2014
Provision for post-employment benefits and jubilee bonuses	1 928 757	2 044 405
Provision for employment termination benefits	56 743	62 872
Total	**1 985 500**	**2 107 277**
Current	147 881	158 954
Non-current	1 837 619	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.

(in PLN '000)

For the 9-month period ended 30 September 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	10 733	6 095	2 414	983	31 661	**51 886**
Actuarial gains and losses	1 690	(9 457)	(713)	222	2 982	**(5 276)**
Benefits paid	(19 076)	(11 348)	(3 031)	(1 321)	(47 236)	**(82 012)**
Past service costs	(2 232)	(2 321)	(35 561)	(68 432)	(5 431)	**(113 977)**
Interest expense	5 936	12 855	2 731	887	11 322	**33 731**
Closing balance	**354 068**	**765 799**	**136 082**	**-**	**672 808**	**1 928 757**
Current	**25 608**	**22 608**	**4 065**	**-**	**49 300**	**101 581**
Non-current	**328 460**	**743 191**	**132 017**	**-**	**623 508**	**1 827 176**

Past service costs include:

- PLN 103 772 thousand related to reversing a provision for the Company's Social Benefit Fund and coal allowances in a Mining segment company. Following the changes introduced to the Social Benefit Fund Regulations and to the Collective Labor Agreement the provisions in question were reversed in the 9-month period ended 30 September 2015.
- PLN 10 205 thousand resulting from revaluation of actuarial provisions when a group of employees decided to participate in voluntary redundancy schemes and therefore the number of staff for whom the actuarial provisions were recognized decreased considerably. The item relates to persons who decided to take part in the Employment Cost Reduction Scheme implemented on 30 December 2014 in TAURON Wytwarzanie S.A. According to Scheme regulations, employees could declare their intention to take part in the initiative in the first quarter of 2015. 174 persons decided to take part in the Scheme and in the first half of 2015 the employment relationship was terminated with 166 people and 8 persons decided to go on a fixed-term leave before retiring. In the 9-month period ended 30 September 2015 actuarial provisions for employee benefits were revalued to account for employees covered by the Employment Cost Reduction Scheme.

The reversal of the provision resulting from the events discussed above has improved the Group's profit.

Benefits paid out in the 9-month period ended 30 September 2015 included PLN 5 440 thousand of benefits paid to employees covered by voluntary redundancy schemes (in the 9-month period ended 30 September 2014 it was PLN 4 612 thousand).

For the 9-month period ended 30 September 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	9 547	5 251	2 153	706	28 241	**45 898**
Actuarial gains and losses	(8 605)	(7 837)	(698)	208	1 833	**(15 099)**
Benefits paid	(13 594)	(11 069)	(2 525)	(1 715)	(46 982)	**(75 885)**
Past service costs	(1 319)	(3 166)	(378)	-	(3 836)	**(8 699)**
Interest expense	8 224	16 840	3 648	1 467	17 153	**47 332**
Closing balance	**276 874**	**569 159**	**123 771**	**50 123**	**579 249**	**1 599 176**
Current	**22 981**	**25 057**	**4 344**	**2 141**	**58 087**	**112 610**
Non-current	**253 893**	**544 102**	**119 427**	**47 982**	**521 162**	**1 486 566**

(in PLN '000)

28.2. Provisions for employment termination benefits

For the 9-month period ended 30 September 2015 *(unaudited)*

	Voluntary redundancy schemes in operating segments			Other activity	Total
	Mining	Generation	Distribution		
Opening balance	**-**	**38 867**	**22 236**	**1 769**	**62 872**
Recognition	4 750	5 148	19 478	-	**29 376**
Reversal	-	(545)	-	-	**(545)**
Utilisation	-	(22 760)	(10 431)	(1 769)	**(34 960)**
Closing balance	**4 750**	**20 710**	**31 283**	**-**	**56 743**
Current	**4 750**	**10 267**	**31 283**	**-**	**46 300**
Non-current	**-**	**10 443**	**-**	**-**	**10 443**

In the 9-month period ended 30 September 2015 companies from the Mining, Generation and Distribution segments introduced new Voluntary Redundancy Schemes ("VRS"), for which the Group recognized a provision of PLN 28 380 thousand. Additionally, a company from the Generation segment which followed the schemes introduced in previous periods revalued the provision, hence reducing the Group's profit by PLN 451 thousand (the provision recognized amounted to PLN 996 thousand and that derecognized equaled PLN 545 thousand). Additionally, the costs of VRS benefits of PLN 1 195 thousand were charged directly to the profit of the Group.

The utilization of the provision of PLN 34 960 thousand resulted mainly from payments to employees under schemes introduced in previous years, i.e. PLN 32 374 thousand, and to a lesser extent, as a result of payments to staff covered by voluntary redundancy schemes introduced in the 9-month period ended 30 September 2015 (i.e. PLN 2 586 thousand).

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

	Voluntary redundancy schemes in operating segments		Other activity	Total
	Generation	Distribution		
Opening balance	**28 787**	**17 584**	**8 182**	**54 553**
Recognition	1 871	-	-	**1 871**
Reversal	-	-	(3 230)	**(3 230)**
Utilisation	(14 694)	(5 095)	(2 366)	**(22 155)**
Closing balance	**15 964**	**12 489**	**2 586**	**31 039**
Current	**5 155**	**12 489**	**2 586**	**20 230**
Non-current	**10 809**	**-**	**-**	**10 809**

29. Other provisions

29.1. Changes in provisions

For the 9-month period ended 30 September 2015 *(unaudited)*

	Provision for use of real estate without contract	Provision for mine decommissio-ning 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	-	2 247	731	-	-	-	**2 978**
Recognition	9 435	173	-	78 019	641 261	3 982	**732 870**
Reversal	(8 604)	-	-	(2 290)	(2 112)	(3 424)	**(16 430)**
Utilisation	(1 671)	-	-	(5 840)	(905 683)	(5 555)	**(918 749)**
Foreign exchange differences from translation of foreign entities	-	-	-	-	-	(7)	**(7)**
Closing balance	**92 978**	**123 124**	**43 505**	**78 019**	**648 392**	**61 337**	**1 047 355**
Current	**92 978**	**-**	**897**	**78 019**	**648 392**	**59 297**	**879 583**
Non-current	**-**	**123 124**	**42 608**	**-**	**-**	**2 040**	**167 772**

(in PLN '000)

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

	Provision for use of real estate without contract	Provision for mine decommissio-ning 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	-	1 339	2 766	-	-	-	**4 105**
Recognition	28 006	319	-	47 427	680 170	21 742	**777 664**
Reversal	(28 326)	-	(12 791)	-	(2 766)	(29 042)	**(72 925)**
Utilisation	(5 617)	-	-	(463 362)	(899 091)	(4 780)	**(1 372 850)**
Foreign exchange differences from translation of foreign entities	-	-	-	-	-	7	**7**
Closing balance	**98 890**	**46 278**	**86 255**	**45 188**	**683 874**	**79 943**	**1 040 428**
Current	**98 890**	**-**	**-**	**45 188**	**683 874**	**70 276**	**898 228**
Non-current	**-**	**46 278**	**86 255**	**-**	**-**	**9 667**	**142 200**

29.2. Description of significant provision items

In the 9-month period ended 30 September 2015 there were no significant changes in provision items, except for those presented below and in Note 6 - concerning the estimation of the 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 unlodged claims of owners of land with unregulated status. As at 30 September 2015, the relevant provision amounted to PLN 92 978 thousand (versus PLN 93 818 thousand as at 31 December 2014).

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. 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 gas emission liabilities

As at 30 September 2015, the provision for gas emission liabilities amounted to PLN 78 019 thousand. The provision was recognized for installations of TAURON Wytwarzanie S.A. and TAURON Ciepło Sp. z o.o., as in both companies emission in the 9-month period ended 30 September 2015 exceeded the number of free-of-charge emission allowances. The derecognition of the provision of PLN 2 290 thousand was related to the fact that the Group had revalued the provision for gas emission liabilities for 2014, hence increasing its profit by this amount. As at 31 December 2014 the provision amounted to PLN 8 130 thousand and it covered installations of TAURON Ciepło Sp. z o.o.

As at 30 September 2015, the number of allowances recorded on the Group's account in the National Register of Allowances reached 18 906 448.

29.2.3 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 9-month period ended 30 September 2015 the Group completely fulfilled the requirement to surrender certificates of electricity generated using renewable sources, in cogeneration and energy efficiency certificates for 2014. Therefore, a provision of PLN 905 683 thousand has been utilized. As at 30 September 2015, the provision recognized for the obligation to surrender energy certificates amounted to PLN 648 392 thousand and was related to the obligation for 2015.

(in PLN '000)

29.2.4 Provision for counterparty claims, court disputes and other provisions

Provision for proceedings before the Office for Competition and Consumer Protection

As at 30 September 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-trust 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.

As at 30 September 2015, in the Mining segment, a provision for real estate tax from constructions situated in underground excavations with interest amounted to PLN 4 032 thousand (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 30 September 2015 *(unaudited)*	As at 31 December 2014
Deferred income, *of which:*	**333 297**	**358 247**
Donations, fixed assets received free-of-charge	84 349	92 998
Non-government subsidies	50	50
Subsidies received for the purchase of fixed assets	1 441	1 601
Connection fees	246 088	262 895
Other	1 369	703
Government grants, *of which:*	**358 011**	**359 190**
Subsidies obtained from EU funds	268 727	267 438
Forgiven loans from environmental funds	8 996	8 740
Measurement of preferential loans	39 845	41 177
Other	40 443	41 835
Total, *of which*:	**691 308**	**717 437**
Non-current	634 492	662 072
Current	56 816	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 30 September 2015 they amounted to PLN 19 188 thousand.

30.2. Accrued expenses - current

	As at 30 September 2015 *(unaudited)*	As at 31 December 2014
Unused holidays	29 636	41 403
Bonuses	203 848	140 372
Environmental protection charges	28 529	4 688
Other	6 105	3 692
Total	**268 118**	**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 2 825 828 thousand were mainly related to the acquisition of property, plant and equipment of PLN 2 623 207 thousand in the 9-month period ended 30 September 2015, which has been presented in detail in Note 15 hereto. The amount was adjusted by change in capital commitments, excluding VAT in the amount of PLN 71 840 thousand.

Redemption of debt securities

Proceeds from redemption of debt securities of PLN 21 732 thousand are related to the repayment of a liability due to debt securities by TAMEH HOLDING Sp. z o.o., a jointly-controlled entity.

Acquisition of financial assets

Expenditure for acquisition of financial assets of PLN 29 000 thousand resulted primarily from the transfer of cash intended to finance shares in the increased issued capital of PGE EJ 1 Sp. z o.o. for PLN 23 046 thousand, as discussed in detail in Note 37.3 hereto.

Loans granted and repaid

In the 9-month period ended 30 September 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 14 000 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

Proceeds from loans and borrowings obtained by the Company

Proceeds from loans and borrowings obtained of PLN 295 000 thousand comprise a tranche of the loan granted by the European Investment Bank to the Parent under the agreement of July 2014.

Loans and borrowings repaid

Expenditure on repayment of loans and borrowings of PLN 67 126 thousand disclosed in the statement of cash flows results mainly from repayment of PLN 61 364 thousand of the loan granted by the European Investment Bank by the Parent.

Redemption of debt securities

Expenditure for redemption of debt securities results from redemption of Tranche B bonds in the amount of PLN 150 000 thousand by the Parent in the 9-month period ended 30 September 2015, as presented in detail in Note 26.2 to these condensed interim consolidated financial statements.

Interest paid

During the 9-month period ended 30 September 2015 the total value of interest paid by the Group on loans, borrowings, debt securities and finance leases amounted to PLN 173 159 thousand. The Group's consolidated statement of cash flows discloses borrowing costs capitalized in the current period for asset financing as expenditure for acquisition of property, plant and equipment and intangible assets in cash flows from investing activities. In the 9-month period ended 30 September 2015, the cost of external financing capitalized in property, plant and equipment and intangible assets amounted to PLN 47 058 thousand.

32. Details of other significant changes in the reporting period

Other operating income

In the 9-month period ended 30 September 2015 other operating income was similar to that reported in the comparable period (an increase of PLN 2 117 thousand), but it accounted for the following one-off events:

- in the 9-month period ended 30 September 2015, a company from the Mining segment derecognized actuarial provisions for the Company's Social Benefit Fund and coal allowances for the existing old age pensioners – income of PLN 45 557 thousand.
- in the 9-month period ended 30 September 2014, companies from the Distribution and Generation segments reversed provisions of PLN 67 907 thousand, where the key items were related to reversing provisions for the use of real estate without contract, possible fines resulting from the proceedings instigated by the Energy Regulatory Office and reclamation of ash piles of Elektrownia Halemba.

Other operating expenses

Other operating expenses grew by PLN 80 601 thousand versus the comparable period primarily as a consequence of accounting for the detected shortage of coal and semi-finished products in TAURON Wydobycie S.A. of PLN 39 084 thousand following the physical count of assets. Another factor was settling prepayments due to works related to drilling drifts and reinforcing working faces in TAURON Wydobycie S.A. of PLN 78 610 thousand following the stocktaking by way of comparing accounting data with corresponding accounting evidence and checking the actual values.

Finance income

In the 9-month period ended 30 September 2015 finance income grew by PLN 18 148 thousand vs. the comparative period, mainly because of higher interest income from cash at bank recognized by the Parent in the amount of PLN 13 290 thousand and higher revenue from revaluation of derivative instruments of PLN 4 773 thousand.

OTHER INFORMATION

33. Contingent liabilities

Use of real estate without contract

Companies in the Distribution and Generation segments, distributing power and heat, do not hold legal titles to all plots of land where distribution systems and heat installations with 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. On 30 June 2015 the company filed a report concerning obligations met. As at the date of preparing these 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. According to the Management Board of the company, the risk of a fine is insignificant, hence no provision has been recognized for this event.

Under a decision of 19 December 2014 anti-trust proceedings were instigated regarding the alleged abuse of the dominant position by TAURON Sprzedaż Sp. z o.o. and TAURON Sprzedaż GZE Sp. z o.o. on the reserve electricity distribution market. In 2015 the companies applied for a decision requesting the entities to discontinue activities violating the Act on competition and consumer protection and to take steps preventing the alleged violations. In July 2015 the President of the Office for Competition and Consumer Protection, issued a decision requesting the entities to take appropriate steps to prevent the alleged infringements within four months from the date when the decision becomes final and binding. The entities were obliged to report on fulfilling the obligations within six months from the date the decision becomes final and binding. No provision has been recognized for the event by the 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-trust proceedings. In particular, the proceedings were to decide whether the case is of anti-trust nature and if the breach has occurred which would justify instigation of proceedings to prohibit applying practices violating collective consumers' interests.
- 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.

- 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 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 the Act on competition and consumer protection justifying instigation of proceedings to prohibit applying practices violating collective interests of the consumers.
- 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 application of the system used to settle payments from electricity buyers could contradict the provisions of the Act on competition and consumer protection.
- On 4 September 2014 TAURON Sprzedaż GZE Sp. z o.o. received a letter from UOKiK requesting information on the method of communication with consumers regarding acquisition of "Bezpieczny" product and automatic contract renewal. Explanatory proceedings ex officio were instigated to preliminarily 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 companies provided requested documents and explanations and responded to statements included in the letters of UOKiK. 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, in particular 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 issued a final and binding decision ending a dispute concerning GZE's energy supplies to Huta. The court dismissed Huta's appeal against the decision of the Regional Court in Warsaw dated 19 October 2005, in which the court had dismissed Huta's appeal against the decision of the President of the Energy Regulatory Office. Huta filed a cassation appeal against the judgment of the Court of Appeals in Warsaw, 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 September 2012 the Court of Appeals overruled the judgment of the Regional Court and remanded the case for reexamination by the latter. The first hearing before the first instance court was held on 27 November 2012. The most recent court hearing took place on 12 May 2014. In May 2015 a court expert prepared an opinion on correctness of settlements between the parties to the dispute. On 30 June 2015 TAURON Polska Energia S.A. lodged complaints against the opinion in question. Complaints against the opinion were also filed by Huta and the State Treasury. In its decision dated 16 September 2015 the court admitted an additional court expert's opinion concerning charges levelled by both parties as evidence. The next court hearing has been planned for 20 January 2016.

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 (ca. PLN 9 000 thousand). 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. Claims filed by IPW Polin Sp. z o.o. were transferred to TAMEH POLSKA Sp. z o.o., a joint arrangement, which established an appropriate provision in the 9-month period ended 30 September 2015. Consequently, the company decided that the claims in question entailed no risk for the entity as at the balance sheet date, 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.

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.

Registered pledges and a financial pledge on shares of TAMEH HOLDING Sp. z o.o.

On 15 May 2015 TAURON Polska Energia S.A. established a financial pledge and registered pledges of 3 293 403 shares in the issued capital of TAMEH HOLDING Sp. z o.o., a jointly-controlled entity, with the unit face value of PLN 100 and the total face value of PLN 329 340 thousand, constituting ca. 50% of shares in the issued capital of the entity for the benefit of RAIFFEISEN BANK INTERNATIONAL AG. As at 30 September 2015, the carrying amount of the investment in the joint arrangement measured using the equity method -TAMEH HOLDING Sp. z o.o. Capital Group was PLN 379 078 thousand.

The Company established a first lien registered pledge of shares with the maximum collateral amount of CZK 3 950 000 thousand and a first lien registered pledge of shares with the maximum collateral amount of PLN 840 000 thousand for the benefit of RAIFFEISEN BANK INTERNATIONAL AG. The Company also agreed to establish a financial pledge and registered pledges of new shares acquired or taken. Moreover, the Company assigned the rights to dividend and other payments.

Agreement on establishing registered pledges and a financial pledge was concluded to secure transactions including the agreement for term loans and working capital loans, entered into by TAMEH Czech s.r.o. and TAMEH POLSKA Sp. z o.o. as original borrowers, TAMEH HOLDING Sp. z o.o. as the parent and the guarantor, and RAIFFEISEN BANK INTERNATIONAL AG as the agent and the collateral agent. Registered pledges are valid in the collateral period, i.e. until the total repayment or until release of the pledge by the pledgee. The financial pledge is valid in the entire collateral period or until a release by the pledgee, not later than on 31 December 2028.

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 9-month period ended 30 September 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 30 September 2015 the case was awaiting the final decision of the Supreme Administrative Court.

(in PLN '000)

Consent of the Supervisory Board to incur a contingent liability in the form of the obligation to inject capital to Nowe Brzeszcze Grupa TAURON Sp. z o.o.

After the balance sheet date, on 27 October 2015 the Supervisory Board of TAURON Polska Energia S.A. approved a contingent liability to be incurred by TAURON Polska Energia S.A., under which the Company would inject capital in the amount up to PLN 185 000 thousand to Nowe Brzeszcze Grupa TAURON Sp. z o.o. The Company intends to inject capital to Nowe Brzeszcze Grupa TAURON Sp. z o.o., becasue it is necessary to cover the costs of current operating activities of Nowe Brzeszcze Grupa TAURON Sp. z o.o. and the costs of investment projects which will be carried out if the entity enters into the final agreement for sale of a specified part of Brzeszcze mining plant.

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 of the Group

	As at 30 September 2015 *(unaudited)*	As at 31 December 2014
Real estate	95 913	115 202
Plant and machinery	40 093	41 719
Cash	14 658	5 792
Total assets pledged as security for liabilities	**150 664**	**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 30 September 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 Tranche 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. In July 2015 an annex increasing the scheme value up to PLN 1 700 000 thousand was concluded. Consequently, on 29 July 2015 the Company filed a declaration of submission to enforcement up to PLN 1 950 000 thousand with Bank Gospodarstwa Krajowego related to the long-term bond issue scheme and valid until 20 December 2032.

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

With a view to collateralizing a framework bank guarantee agreement with PKO Bank Polski S.A., TAURON Polska Energia S.A. submitted a declaration of submission to enforcement up to PLN 125 000 thousand, with the maximum validity term until 31 December 2017. Additionally, the agreement has been collateralized by an authorization to debit the bank account maintained by PKO Bank Polski S.A. As at 30 September 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, as at 30 September 2015 PKO Bank Polski S.A. extended bank guarantees in order to collateralize liabilities of the subsidiaries of TAURON Polska Energia S.A. totalling PLN 1 893 thousand and to collateralize transactions entered into by the Company:

- up to EUR 1 000 thousand (PLN 4 239 thousand) – a guarantee for CAO Central Allocation Office GmbH (currently: Joint Allocation Office S.A.), valid until 5 February 2016;
- a performance bond up to PLN 10 600 thousand (Polskie Sieci Elektroenergetyczne S.A.) valid until 11 February 2016;
- a performance bond up to PLN 2 415 thousand (Operator Gazociągów Przesyłowych GAZ – SYSTEM S.A.) valid until 30 November 2015.

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

Agreement with Bank Zachodni WBK S.A. on bank guarantees concluded in May 2013 expired on 6 May 2015. A declaration of submission to enforcement up to PLN 187 500 thousand collateralizing the agreement is valid until 6 May 2017.

In June 2015, the Company signed an agreement on a bank guarantee limit up to PLN 150 000 thousand with Bank Zachodni WBK S.A., with Izba Rozliczeniowa Giełd Towarowych S.A. as the beneficiary. The Agreement was entered into for the period of 36 months with possible term extension to 60 months since the date of concluding. The bank guarantee limit securing transactions may be used by the Company and the TAURON Group companies. The agreement has been collateralized with a declaration of submission to enforcement up to the amount of PLN 200 000 thousand valid until 1 August 2016.

As at 30 September 2015, the agreement covered a bank guarantee up to PLN 50 000 thousand valid until 15 October 2015.

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 105 965 thousand);
- declaration of submission to enforcement up to EUR 31 250 thousand (PLN 132 456 thousand) valid until 31 December 2018.

As at 30 September 2015, the Company’s outstandings under the overdraft agreement amounted to EUR 2 218 thousand (PLN 9 401 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 30 September 2015 the Company had no liabilities under this agreement.

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.

In the 9-month period ended 30 September 2015, the Company entered into an USD overdraft agreement up to USD 2 000 thousand with mBank S.A. The agreement has been collateralized with a declaration of submission to enforcement up to the amount of USD 2 400 thousand (PLN 9 061 thousand) valid until 15 April 2017. As at 30 September 2015, the Company’s outstandings under the overdraft agreement amounted to USD 403 thousand (PLN 1 523 thousand).

Other forms of collateral regarding Group’s liabilities

As at 30 September 2015, other significant collateral for the 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. 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 30 September 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 contract and of the agreements signed by the company, 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 30 September 2015);

(in PLN '000)

- 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;
- 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 30 September 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 29 840 thousand as at 30 September 2015. The agreement is collateralized by two blank promissory notes, assignment of receivables and authorization to debit a bank account. As at 30 September 2015, the lease liabilities amounted to PLN 30 936 thousand.
- The following agreements concluded to collateralize claims of Izba Rozliczeniowa Giełd Towarowych S.A. ("IRGIT") were valid in the 9-month period ended 30 September 2015 and expired during this period:
  - 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, under which the freeze on EUA emission allowances of TAURON Wytwarzanie S.A. has been made in the Register of Allowances (12 820 668 EUA);
  - alienation agreement concluded by TAURON Polska Energia S.A. and IRGIT, establishing collateral for the Company's transactions on the Polish Power Exchange (Towarowa Giełda Energii S.A.) in the form of 6 600 000 EUA emission allowances.

  On 27 April 2015 TAURON Polska Energia S.A. concluded another alienation agreement with IRGIT, under which the Company deposited 5 183 500 EUA emission allowances on the Allowance Account. The agreement is binding until 31 March 2016.

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 30 September 2015 and 31 December 2014 the Group committed to incur expenditure on property, plant and equipment and intangible assets of PLN 6 084 553 thousand and PLN 6 648 379 thousand, respectively, with the key items presented below:

Operating segment	Agreement/investment project	As at 30 September 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	3 972 357	4 390 240
	Constructing new cogeneration capacity in Tychy Heat and Power Plant	129 014	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	99 855	-
	Construction of Marszewo wind farm with the capacity of 100 MW	40 510	72 824
	Adjusting a boiler in Jaworzno III Power Plant to reduce the greenhouse gas emissions	24 252	65 929
Distribution	Implementation of Smart City Wrocław, an intelligent measurement system	109 569	-
Mining	Construction of a shaft inlet and developing infrastructure in Janina shaft	46 519	65 333

(in PLN '000)

Investment agreement concluded by a subsidiary

In July 2015 TAURON Wytwarzanie S.A., a subsidiary, entered into an Investment Agreement ("the Agreement") with Polskie Inwestycje Rozwojowe S.A. ("PIR") related to a project entitled "Construction of a Gas and Steam Unit with the Capacity of 413 MWe in TAURON Wytwarzanie Spółka Akcyjna Oddział Elektrownia Łagisza in Będzin" ("the Project").The Agreement was entered into for the period of 30 years from the date of concluding thereof, with possible term extension.

The Agreement determines the terms and conditions of joint Project performance by TAURON Wytwarzanie S.A. and PIR. In particular, the Agreement includes the investment obligation of the parties to establish Łagisza Grupa TAURON Sp. z o.o. ("the SPV"), the objective of which will be to manage the investment process and the operation of the gas and steam unit with the capacity of 413 MWe ("the Unit").

PIR intends to invest not more than PLN 750 000 thousand in the Project and it will take up 50% interest less one share in the SPV. The total Project value is estimated at ca. PLN 1 500 000 thousand.

PIR's obligation to access the SPV depends on a number of conditions (apart from establishing the SPV and contributing initial capital by TAURON Wytwarzanie S.A.) such as: concluding further agreements enabling Project performance, including the shareholders agreement between the parties, TAURON Polska Energia S.A. and the SPV, concluding an agreement on Unit connection to the power grid, agreeing all Project-related issues (such as the management and other organizational and technical issues), obtaining a consent for concentration and any other necessary consents. A significant event of default of TAURON Wytwarzanie S.A. would be if it discontinues or fails to generate electricity in the Unit and if it discontinues or fails to supply gas to the Unit in the period exceeding 6 months.

Łagisza Grupa TAURON Sp. z o.o. was registered on 5 October 2015.

36. Related party disclosures

36.1. Transactions with jointly-controlled entities

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

The total amount of transactions with jointly-controlled entities has been presented in the following table.

	9-month period ended 30 September 2015 *(unaudited)*	9-month period ended 30 September 2014 *(unaudited)*
Revenue	52 850	7 836
Costs	(25 118)	-

The increase in the transactions value versus the comparative period results from the recognition of a joint arrangement, the TAMEH HOLDING Sp. z o.o. Capital Group since December 2014. Transactions recognized in the 9-month period ended 30 September 2014 did not include transactions with this joint arrangement.

The key item in receivables and payables with jointly-controlled entities is a loan granted to Elektrociepłownia Stalowa Wola S.A. presented in detail in note 18 hereto.

The Company also granted collateral to joint arrangements, as discussed in detail in note 33 to these condensed interim consolidated financial statements:

- security of a bank guarantee for Elektrociepłownia Stalowa Wola S.A.;
- registered pledges and a financial pledge on shares in TAMEH HOLDING Sp. z o.o. securing term loans and working capital loans of TAMEH Czech s.r.o. and TAMEH POLSKA Sp. z.o.o.

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.

(in PLN '000)

Revenue and expense

	9-month period ended 30 September 2015 *(unaudited)*	9-month period ended 30 September 2014 *(unaudited)*
Revenue	2 024 366	1 947 001
Costs	(2 189 590)	(1 902 145)

Receivables and payables

	As at 30 September 2015 *(unaudited)*	As at 31 December 2014
Receivables	396 818	413 102
Payables	278 010	302 646

As at 30 September 2015 receivables presented in the table above included assets held for sale of PLN 4 791 thousand, advance payments for deliveries of coal deposited with the supplier of PLN 140 244 thousand and advance payments for purchase of fixed assets of PLN 3 649 thousand. As at 31 December 2014 receivables included deposited coal with the value of PLN 115 344 thousand.

Among the State Treasury companies, in the 9-month period ended 30 September 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 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 81% of the value of purchases from State Treasury companies during the 9-month period ended 30 September 2015.

Among the State Treasury companies, in the 9-month period ended 30 September 2015, 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 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 87% of the value of purchases from State Treasury companies during the 9-month period ended 30 September 2014.

In the 9-month period ended 30 September 2015 the Company acquired 10% of shares in PGE EJ 1 Sp. z o.o., a special purpose vehicle, from PGE Polska Grupa Energetyczna S.A. Additionally, under a resolution to increase the issued capital of PGE EJ 1 Sp. z o.o. the Company transferred cash for taking up new shares with the face value of PLN 7 000 thousand, as discussed in detail in Note 37.3. The increase in the issued capital was registered on 16 October 2015.

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.

(in PLN '000)

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 9-month period ended 30 September 2015 and in the comparative period has been presented in the table below.

	9-month period ended 30 September 2015 *(unaudited)*		9-month period ended 30 September 2014 *(unaudited)*	
	Parent	Subsidiaries	Parent	Subsidiaries
Management Board	**7 767**	**17 618**	**7 322**	**17 739**
Short-term employee benefits (salaries and surcharges)	6 005	15 607	5 296	17 310
Post-service benefits for a Member of the Management Board	-	-	1 123	-
Post-employment benefits	-	1 018	-	-
Employment termination benefits	1 050	657	300	134
Other	712	336	603	295
Supervisory Board	**850**	**742**	**647**	**721**
Short-term employee benefits (salaries and surcharges)	850	694	647	668
Other	-	48	-	53
Other key management personnel	**11 279**	**30 368**	**10 195**	**31 860**
Short-term employee benefits (salaries and surcharges)	9 990	28 891	9 247	30 675
Jubilee bonuses	-	787	-	982
Post-employment benefits	-	424	140	40
Employment termination benefits	456	92	-	-
Other	833	174	808	163
Total	**19 896**	**48 728**	**18 164**	**50 320**

(in PLN '000)

37. Financial instruments

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

Categories and classes of financial assets	As at 30 September 2015 *(unaudited)*		As at 31 December 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
1 Financial assets at fair value through profit or loss	**3 876**		**1 811**	
Derivative instruments	3 876	3 876	1 811	1 811
2 Financial assets available for sale	**131 598**		**116 695**	
Shares (non-current)	123 243	-	108 399	-
Shares (current)	4 052	-	3 997	-
Investment fund units	2 413	2 413	2 409	2 409
Bonds, T-bills and other debt securities	1 890	1 890	1 890	1 890
3 Loans and receivables	**2 094 081**		**2 255 585**	
Trade receivables	1 423 341	1 423 341	1 664 229	1 664 229
Deposits	40 902	40 902	35 823	35 823
Loans granted	204 939	204 939	204 699	204 699
Bonds, T-bills and other debt securities	-	-	21 732	22 893
Other	424 899	424 899	329 102	329 102
4 Financial assets excluded from the scope of IAS 39	**411 881**		**414 584**	
Investments in joint ventures	411 881	-	414 584	-
5 Cash and cash equivalents	**1 114 760**	1 114 760	**1 420 909**	1 420 909
Total financial assets, including in the statement of financial position:	**3 756 196**		**4 209 584**	
Non-current assets	**822 573**		**791 967**	
Investments in joint ventures	411 881		414 584	
Other financial assets	410 692		377 383	
Current assets	**2 933 623**		**3 417 617**	
Trade and other receivables	1 811 345		1 969 169	
Other financial assets	7 518		27 539	
Cash and cash equivalents	1 114 760		1 420 909	

(in PLN '000)

Categories and classes of financial liabilities	As at 30 September 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	**11 789**		**15 183**	
Derivative instruments	11 789	11 789	15 183	15 183
2 Financial liabilities measured at amortized cost	**9 666 463**		**9 969 713**	
Preferential loans	49 871	49 871	55 222	55 222
Arm's length loans	1 426 786	1 458 653	1 164 892	1 202 546
Bank overdrafts	10 924	10 924	11 918	11 918
Bonds issued	6 725 129	6 732 754	6 821 830	6 821 830
Trade payables	731 933	731 933	916 744	916 744
Other financial liabilities	157 004	157 004	232 215	232 215
Liabilities due to purchases of fixed and intangible assets	467 024	467 024	595 550	595 550
Salaries and wages	95 921	95 921	154 718	154 718
Insurance contracts	1 871	1 871	16 624	16 624
3 Liabilities under guarantees, factoring and excluded from the scope of IAS 39	**50 383**		**59 904**	
Liabilities under finance leases	50 383	50 383	59 904	59 904
4 Derivative hedging instruments (liabilities)	**142 608**	142 608	**180 933**	180 933
Total financial liabilities, including in the statement of financial position:	**9 871 243**		**10 225 733**	
Non-current liabilities	**7 823 258**		**7 611 262**	
Interests bearing loans and borrowings	7 648 162		7 422 332	
Liabilities under finance leases	37 430		46 443	
Trade and other payables	82 828		48 986	
Derivative instruments	54 838		93 501	
Current liabilities	**2 047 985**		**2 614 471**	
Current portion of interest-bearing loans and borrowings	564 548		631 530	
Current portion of liabilities under finance leases	12 953		13 461	
Trade and other payables	1 370 925		1 866 865	
Derivative instruments	99 559		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 with relation to fixed-rate financial instruments, which as at 30 September 2015 and 31 December 2014 included loans granted by the European Investment Bank as well as bonds issued by a subsidiary (as at 31 December 2014 also bonds acquired by the Company recognized in the loans and receivables category), the Group measured their fair value. The fair value measurement was carried out based on the present value of future cash flows discounted using an interest rate currently applicable to a given bond or loan, i.e. applying 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 30 September 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 tables above at the carrying amount.

(in PLN '000)

- The Group has not disclosed 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 30 September 2015 and 31 December 2014:

Classes of financial instruments	As at 30 September 2015 *(unaudited)*		As at 31 December 2014	
	Level 1	Level 2	Level 1	Level 2
Assets				
Commodity-related derivatives	1 198	-	312	-
Currency derivatives	-	1 213	-	-
Derivate instruments - CCIRS	-	1 465	-	1 499
Investment fund units	2 413	-	2 409	-
Bonds, T-bills and other debt securities	1 890	-	1 890	-
Liabilities				
Commodity-related derivatives	-	-	562	-
Derivate instruments - CCIRS	-	4 890	-	1 241
IRS derivatives	-	149 507	-	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 30 September 2015, financial assets available for sale 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 Cieplnej Sp. z o.o. w Tychach with the value of PLN 32 690 thousand;
- shares in PGE EJ 1 Sp. z o.o. with the value of PLN 16 046 thousand;
- shares in Energetyka Cieszyńska Sp. z o.o. with the value of PLN 15 028 thousand.

The change in the period of 9 months ended 30 September 2015 results mainly from purchase of shares in PGE EJ 1 Sp. z o.o. On 15 April 2015 the Company, PGE 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 Polska Grupa Energetyczna S.A. The price paid by the Company for the shares in question was PLN 16 046 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.

Additionally, on 29 July 2015 the Extraordinary Shareholders' Meeting of PGE EJ 1 Sp. z o.o. adopted a resolution to increase the issued capital of the entity. Under the resolution in question the issued capital of the company was increased from PLN 205 860 thousand to PLN 275 859 thousand, i.e. by PLN 69 999 thousand, by way of creating 496 450 new shares with the face value of PLN 141 per one share. TAURON Polska Energia S.A. has taken up 49 645 new shares with the total face value of PLN 7 000 thousand for a cash contribution of PLN 7 000 thousand. The increase in the issued capital of PGE EJ 1 Sp. z o.o. was registered on 16 October 2015.

In accordance with the Financing Schedule, the total value of capital increases in PGE EJ 1 Sp. z o.o. in 2015, including the increase of 29 July 2015, will not exceed PLN 160 000 thousand, where TAURON Polska Energia S.A. will be obliged to take up shares proportionally to the interest held in the issued capital of the entity at a given time. The timeframe of further investments in PGE EJ 1 Sp. z o.o. by its shareholders will be determined in subsequent reporting periods.

Loans and receivables

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

Loans granted include in particular a subordinated loan extended to Elektrociepłownia Stalowa Wola S.A. of PLN 177 000 thousand plus interest accrued of PLN 27 035 thousand, as described in detail in Note 18 hereto.

Financial assets excluded from the scope of IAS 39

As at 30 September 2015 the Group had the following joint ventures accounted for using the equity method:

- The TAMEH HOLDING Sp. z o.o. Capital Group – PLN 379 078 thousand;
- Elektrownia Blachownia Nowa Sp. z o.o., special purpose vehicle – PLN 32 130 thousand;
- Elektrociepłownia Stalowa Wola S.A., special purpose vehicle – PLN 673 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.

Derivative instruments

Hedging derivative instruments (related to liabilities) of PLN 142 608 thousand are derivative instruments subject to hedge accounting. They encompass 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.

Derivative instruments categorized as financial liabilities measured at fair value through profit or loss include:

- the interest rate swap contract related to Tranche A bonds redeemed at the end of 2014, excluded from hedge accounting due to closing the hedged item: PLN 6 899 thousand;
- long-term portion of CCIRS of PLN 4 890 thousand.

Financial assets - derivative instruments categorized as financial assets measured at fair value through profit or loss include:

- currency forwards of PLN 1 213 thousand;
- commodity futures and forwards of PLN 1 198 thousand;
- short-term portion of CCIRS of PLN 1 465 thousand.

The above derivative instruments have been described in detail in Note 27 hereto.

38. Principles and objectives of financial risk management

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

As at 30 September 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. Finance 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

Changes in the composition of the Management Board of TAURON Polska Energia S.A.

The composition of the Management Board of TAURON Polska Energia S.A. changed after the end of the reporting period. On 1 October 2015 the Supervisory Board of the Company dismissed the following persons from the Management Board:

- Dariusz Lubera – President of the Management Board,
- Aleksander Grad – Vice-President of the Management Board for Corporate Affairs,
- Katarzyna Rozenfeld – Vice-President of the Management Board for Commercial Affairs.

On 1 October 2015 the following persons resigned from their positions in the Management Board:

- Stanisław Tokarski – Vice-President of the Management Board for Strategy and Development,
- Krzysztof Zawadzki - Vice-President of the Management Board for Economics and Finance.

At the same time, on 1 October 2015 the Supervisory Board appointed the following persons to the Management Board of TAURON Polska Energia S.A.:

- Jerzy Kurella – as the President of the Management Board,
- Michał Gramatyka – as the Vice-President of the Management Board for Commercial Affairs,
- Henryk Borczyk – as the Vice-President of the Management Board for Corporate Affairs,

On 10 October 2015 the Supervisory Board appointed the following persons to the Management Board of TAURON Polska Energia S.A., effective as of the same date:

- Anna Striżyk – as the Vice-President of the Management Board for Economics and Finance,
- Piotr Kołodziej – as the Vice-President of the Management Board for Strategy and Development.

Preliminary contingent agreement for sale of a portion of assets in KWK Brzeszcze

On 19 October 2015, RSG Sp. z o.o. ("Acquirer" or "RSG"), a company wholly owned by TAURON Polska Energia S.A., and Spółka Restrukturyzacji Kopalń S.A. ("SRK") concluded a preliminary contingent agreement for sale of a specified part of Brzeszcze mining plant ("Preliminary Agreement").

Under the Preliminary Agreement the parties are obliged to enter into an agreement for sale of a specified part of Brzeszcze mining plant constituting an organized part of the enterprise, including tangible and intangible assets used in mining, processing and trading in coal and methane ("Subject of the Sale").

The purchase price of the Subject of the Sale will amount to PLN 1. The preliminary contingent agreement specifies the following conditions precedent for entering into the Final Agreement, which should be met jointly by 24 December 2015:

- Before signing the Final Agreement, SRK will provide consent of SRK's General Shareholders' Meeting, whereby voting rights attributable to all shares will be exercised by the Ministry of State Treasury,
- Before signing the Final Agreement RSG will provide:

  - consents of competent bodies of RSG required under the Code of Commercial Companies and the Articles of Association of RSG and consents of TAURON Polska Energia S.A.'s competent bodies,

  - consent for concentration, i.e. RSG's acquisition of the Subject of the Sale, granted by the President of the Office for Competition and Consumer Protection,

  - decision of the Ministry of Environment to transfer the concession to mine hard coal and extract coal-bed methane from the Brzeszcze deposit and other related decisions.

The parties also agreed that irrespective of the conditions specified above, the Final Agreement may be concluded provided that Kompania Węglowa S.A. reduces the volume of own hard coal (ca. 600 thousand tons), stored in coal mounds on real property included in the specified part of the mining plant in Brzeszcze by at least 100 thousand tons by the day immediately preceding the date of concluding the Final Agreement, but not later than 45 days from the date of entering into the Preliminary Agreement (whichever occurs earlier) and provides RSG with the schedule of removing the entire coal stored in the mound within six months from the date of entering into the Final Agreement.

The conditions precedent have been reserved for the benefit of the Acquirer.

The parties have agreed that the Final Agreement will be concluded by 31 December 2015.

The Preliminary Agreement does not specify the headcount or the remunerations of employees of the organized part of the enterprise acquired.

As the parties intend to carry out uninterrupted and undisturbed operations they agreed to determine the principles of cooperation after the acquisition of the Subject of the Sale by RSG in a separate agreement. In particular they will define the rules of rendering services related to ventilation of the Brzeszcze mining plant not later than at the date of concluding the Final Agreement. The agreement will remain in force until 31 December 2018.

On 19 October 2015, the Acquirer entered into an agreement with trade unions operating in the KWK Brzeszcze ("Agreement"), under which the Acquirer pledged to continue the existing business operations of the mining plant in compliance with the economic account principles. About 1500 employees of KWK Brzeszcze will be transferred to the new employer under Article 23.1 of the Labour Code. Parties to the Agreement agreed to conclude a new Collective Labour Agreement introducing a performance-related pay system.

The Company intends to take all business and legal steps to increase the issued capital of the Acquirer up to the maximum amount of PLN 185 000 thousand, including the possibility of debt financing of the Acquirer, provided that all corporate approvals are obtained. Financial plans consider the risk that the Acquirer will be requested to return a government grant awarded to SRK and related to the Subject of the Sale.

On 20 October 2015 the Regional Court Katowice-Wschód in Katowice registered a change of the name of RSG Sp. z o.o. to Nowe Brzeszcze Grupa TAURON Sp. z o.o. As indicated in the Agreement, the Company intends to take steps aimed at merging the entity with TAURON Wydobycie S.A., a subsidiary.

Planned capital increase of the Company

An Extraordinary General Shareholders' Meeting was convened for 9 November 2015. The meeting agenda covered adopting a resolution to increase the issued capital of the Company by way of issuing preference non-voting registered C series shares, waiving all pre-emption rights to C series shares of the existing shareholders and the amendment of the Company's By-laws. The resolution draft assumes increasing the issued capital of the Company by PLN 400 000 thousand, i.e. from PLN 8 762 747 thousand to PLN 9 162 747 thousand, by way of issuing 80 000 thousand new registered C series shares with the face value of PLN 5 per one share and the total face value of PLN 400 000 thousand. C series shares will be issued as non-voting registered shares (with voting rights waived) having preference over the ordinary shares as to the payment of dividends. The new shares in the increased issued capital of the Company will be taken up at the issue price equal to the face value. The C series shares will be issued in a closed subscription under Article 431.2.1 of the Code of Commercial Companies, where the Company will offer C series shares to the shareholder (the State Treasury) and the State Treasury will accept the offer to take up the shares in question. The State Treasury will make a contribution-in-kind to increase the issued capital of the Company. On 20 October 2015 the Council of Ministers approved the request of the Minister of the State Treasury to dispose of shares in a manner other than that stipulated in Article 33.1 of the Act on Commercialization and Privatization, i.e. by way of contributing a portion of shares of Powszechna Kasa Oszczędności Bank Polski S.A. held by the State Treasury and constituting up to 1.01% of the issued capital to TAURON Polska Energia S.A. in exchange for shares in the increased issued capital of TAURON Polska Energia S.A. The value of the contribution-in-kind will be determined in accordance with Article 431.7 and in conjunction with Article 312^1.1.1 of the Code of Commercial Companies, based on the weighted average price of contributed shares quoted on the regulated market in the period of six months immediately preceding the date of the contribution-in-kind.

C series shares will have preference in dividend payment, i.e. dividend per one C series share will constitute 200% of dividend per one ordinary share of the Company and preferred dividends on C series shares will be paid before paying dividends on any other shares. The right of preference of C series shares will expire when the total additional dividend (understood as the difference between the dividend paid to a holder of C series shares and the dividend which would have been payable to a holder of the same number of ordinary shares in the Company as the number of C series shares held) paid for all C-series shares reaches or exceeds the amount determined in line with the formula below:

Cv-Mv+Ia

where:

Cv means the value of the contribution-in-kind determined for the purpose of covering the issue price of C-series shares;

Mv means a market value of ordinary bearer shares of the Company publicly traded on a regulated market managed by the Warsaw Stock Exchange and with the assigned ISIN: PLTAURN00011, determined as the weighted average price at which the Company's shares have been quoted on the regulated market in the period of six months immediately preceding the date of the contribution-in-kind;

Ia means an amount of interest calculated at an annual rate equal to WIBOR 6M (determined for each 6-month period two business days before the beginning of a given period) increased by 50 b.p. for each day of the period from the date of the contribution-in-kind to the date of payment of additional dividend to holders of C series shares equal to the difference between the value of the contribution-in-kind specified above and the market value of the Company's shares (Cv–Mv). On each day of this period the amount of interest in calculated on the amount equal to the difference between the value of the contribution-in-kind and the market value of the Company's shares unpaid to a given holder of C-series shares as additional dividend at a given date.

When the right of preference expires C series shares become ordinary registered shares.

The resolution will entail appropriate changes in Articles 6-8 of the Company's By-laws.

The Extraordinary General Meeting of the Company on 9 November 2015 adopted a resolution on adjournment of Extraordinary General Meeting thus the resolution to increase the issued capital of the Company was not processed on 9 November 2015. The resumption of the Extraordinary General Meeting will take place on 23 November 2015.

These condensed interim consolidated financial statements of the TAURON Polska Energia S.A. Capital Group, prepared for the 9-month period ended 30 September 2015 in accordance with International Accounting Standard 34 have been presented on 61 consecutive pages.

Katowice, 10 November 2015

Henryk Borczyk - Vice-President of the Management Board …………………………………..

Anna Striżyk - Vice-President of the Management Board …………………………………..