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 2014

(in PLN '000)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	3-month period ended 30 September 2014 *(unaudited)*	9-month period ended 30 September 2014 *(unaudited)*	3-month period ended 30 September 2013 *(unaudited restated figures)*	9-month period ended 30 September 2013 *(unaudited restated figures)*
Continuing operations					
Sales revenue	**10**	4 376 786	13 603 101	4 540 102	14 213 704
Cost of sales	**11**	(3 648 776)	(11 213 964)	(3 728 700)	(11 623 825)
Gross profit		**728 010**	**2 389 137**	**811 402**	**2 589 879**
Other operating income		59 201	139 002	21 047	84 129
Selling and distribution expenses		(144 298)	(401 487)	(127 343)	(397 516)
Administrative expenses		(159 428)	(491 627)	(165 231)	(507 285)
Other operating expenses		(18 998)	(88 084)	(16 273)	(55 831)
Operating profit		**464 487**	**1 546 941**	**523 602**	**1 713 376**
Finance income	**36**	12 597	41 558	17 422	76 085
Finance costs	**36**	(89 731)	(274 827)	(81 285)	(242 154)
Share in profit/(loss) of joint venture	**17**	(400)	(1 176)	(506)	(1 920)
Profit before tax		**386 953**	**1 312 496**	**459 233**	**1 545 387**
Income tax expense	**12.1**	(67 817)	(259 438)	(86 928)	(281 200)
Net profit from continuing operations		**319 136**	**1 053 058**	**372 305**	**1 264 187**
Net profit for the period		**319 136**	**1 053 058**	**372 305**	**1 264 187**
Other comprehensive income subject to reclassification to profit or loss:		**(12 954)**	**(31 107)**	**5 415**	**35 618**
Change in the value of hedging instruments		(16 014)	(38 476)	7 029	43 873
Foreign exchange differences from translation of foreign entities		18	59	(278)	81
Income tax		3 042	7 310	(1 336)	(8 336)
Other comprehensive income not subject to reclassification to profit or loss:		**8 334**	**13 717**	**7 008**	**11 376**
Actuarial gains/(losses) related to provisions for post-employment benefits		10 289	16 932	8 655	14 046
Income tax		(1 955)	(3 215)	(1 647)	(2 670)
Other comprehensive income for the period, net of tax		**(4 620)**	**(17 390)**	**12 423**	**46 994**
Total comprehensive income for the period		**314 516**	**1 035 668**	**384 728**	**1 311 181**
Net profit:					
Attributable to equity holders of the parent		318 411	1 048 701	367 062	1 216 294
Attributable to non-controlling interests		725	4 357	5 243	47 893
Total comprehensive income:					
Attributable to equity holders of the parent		313 778	1 031 283	378 666	1 260 990
Attributable to non-controlling interests		738	4 385	6 062	50 191
Earnings per share (in PLN):					
- basic and diluted, for profit for the period attributable to equity holders of the parent		0.18	0.60	0.21	0.69
- basic and diluted, for profit for the period from continuing operations attributable to equity holders of the parent		0.18	0.60	0.21	0.69

(in PLN '000)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 September 2014 *(unaudited)*	As at 31 December 2013
ASSETS			
Non-current assets			
Property, plant and equipment	**14**	25 740 388	25 127 639
Goodwill	**15**	247 057	247 057
Intangible assets	**16**	1 283 571	1 160 005
Investments in joint ventures	**17**	39 689	44 398
Other financial assets	**36**	373 664	587 166
Other non-financial assets	**36**	562 331	354 704
Deferred tax asset	**12.2**	35 093	46 039
		28 281 793	**27 567 008**
Current assets			
Intangible assets	**18**	688 814	1 156 550
Inventories	**19**	546 739	509 224
Corporate income tax receivable	**12.3**	14 476	31 890
Trade and other receivables	**20**	1 979 723	2 134 641
Other financial assets		18 525	15 878
Other non-financial assets		289 821	270 429
Cash and cash equivalents	**21**	303 515	636 909
		3 841 613	**4 755 521**
Non-current assets classified as held for sale	**36**	**13 683**	**33 041**
TOTAL ASSETS		**32 137 089**	**32 355 570**

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

(in PLN '000)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION – continued

	Note	As at 30 September 2014 *(unaudited)*	As at 31 December 2013
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Issued capital	**22.1**	8 762 747	8 762 747
Reserve capital	**22.2**	10 393 686	9 037 699
Revaluation reserve from valuation of hedging instruments	**22.3**	(157 817)	(126 651)
Foreign exchange differences from translation of foreign entities		(1 572)	(1 631)
Retained earnings/Accumulated losses	**22.4**	(890 259)	(344 999)
		18 106 785	**17 327 165**
Non-controlling interests		**30 306**	**466 334**
Total equity		**18 137 091**	**17 793 499**
Non-current liabilities			
Interest-bearing loans and borrowings	**23**	6 183 835	5 500 532
Liabilities under finance leases		50 388	61 643
Trade and other payables		52 338	7 827
Derivative instruments		132 773	87 573
Provisions for employee benefits	**24**	1 497 375	1 497 814
Other provisions	**25**	142 200	141 408
Accruals, deferred income and government grants	**26**	670 383	668 487
Deferred tax liability	**12.2**	1 411 304	1 339 057
		10 140 596	**9 304 341**
Current liabilities			
Current portion of interest-bearing loans and borrowings	**23**	380 334	284 633
Current portion of liabilities under finance leases		15 961	17 327
Trade and other payables		1 379 263	2 023 537
Derivative instruments		85 680	73 358
Provisions for employee benefits	**24**	132 840	162 368
Other provisions	**25**	898 228	1 563 019
Accruals, deferred income and government grants	**26**	340 619	239 639
Income tax payable	**12.3**	6 132	79 035
Other non-financial liabilities		620 345	814 814
		3 859 402	**5 257 730**
Total liabilities		**13 999 998**	**14 562 071**
TOTAL EQUITY AND LIABILITIES		**32 137 089**	**32 355 570**

(in PLN '000)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

	Note	Equity attributable to the equity holders of the parent						Non-controlling interests	Total equity
		Issued capital	Reserve capital	Revaluation reserve from valuation of hedging instruments	Foreign exchange differences from translation of foreign entities	Retained earnings/ Accumulated losses	Total		
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	**22.2**	-	1 355 987	-	-	(1 355 987)	**-**	-	**-**
Dividends	**13**	-	-	-	-	(332 984)	**(332 984)**	(1 163)	**(334 147)**
Acquisition of non-controlling interests	**27**	-	-	-	-	76 938	**76 938**	(407 596)	**(330 658)**
Mandatory squeeze-out	**27**	-	-	-	-	5 194	**5 194**	(32 465)	**(27 271)**
Change in non-controlling interests due to division of a subsidiary	**27**	-	-	-	-	(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**

FOR THE 9-MONTH PERIOD ENDED 30 SEPTEMBER 2013 *(unaudited restated figures)*

	Note	Equity attributable to the equity holders of the parent						Non-controlling interests	Total equity
		Issued capital	Reserve capital	Revaluation reserve from valuation of hedging instruments	Foreign exchange differences from translation of foreign entities	Retained earnings/ Accumulated losses	Total		
As at 1 January 2013		**8 762 747**	**7 953 021**	**(153 703)**	**(370)**	**(326 585)**	**16 235 110**	**493 123**	**16 728 233**
Change in the accounting policy	**6**	-	-	-	-	71 571	**71 571**	216	**71 787**
As at 1 January 2013 *(restated figures)*		**8 762 747**	**7 953 021**	**(153 703)**	**(370)**	**(255 014)**	**16 306 681**	**493 339**	**16 800 020**
Profit for the period		-	-	-	-	1 216 294	**1 216 294**	47 893	**1 264 187**
Other comprehensive income		-	-	35 537	81	9 078	**44 696**	2 298	**46 994**
Total comprehensive income for the period		**-**	**-**	**35 537**	**81**	**1 225 372**	**1 260 990**	**50 191**	**1 311 181**
Distribution of prior year profits		-	1 084 678	-	-	(1 084 678)	**-**	-	**-**
Dividends	**13**	-	-	-	-	(350 510)	**(350 510)**	(8 328)	**(358 838)**
Mandatory squeeze-out		-	-	-	-	122	**122**	(1 901)	**(1 779)**
Change in non-controlling interests due to division of a subsidiary		-	-	-	-	1 672	**1 672**	(1 672)	**-**
As at 30 September 2013 *(unaudited restated figures)*		**8 762 747**	**9 037 699**	**(118 166)**	**(289)**	**(463 036)**	**17 218 955**	**531 629**	**17 750 584**

(in PLN '000)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	9-month period ended 30 September 2014 *(unaudited)*	9-month period ended 30 September 2013 *(unaudited restated figures)*
Cash flows from operating activities			
Profit/(loss) before taxation		**1 312 496**	**1 545 387**
Adjustments for:			
Share in profit/(loss) of joint venture	**17**	1 176	1 920
Depreciation and amortization		1 368 316	1 287 059
(Gain)/loss on foreign exchange differences		(134)	2 108
Interest and dividens, net		205 108	152 844
(Gain)/loss on investing activities		33 196	258 891
(Increase)/decrease in receivables		155 796	904 662
(Increase)/decrease in inventories		(42 341)	222 894
Increase/(decrease) in payables excluding loans and borrowings		(541 901)	(648 150)
Change in other non-current and current assets		319 283	(4 237)
Change in deferred income, government grants and accruals		42 194	48 992
Change in provisions		(684 479)	(95 649)
Income tax paid		(227 173)	(312 156)
Other		(736)	(2 342)
Net cash generated from operating activities		**1 940 801**	**3 362 223**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment and intangible assets		38 138	17 646
Purchase of property, plant and equipment and intangible assets	**35.1**	(2 473 020)	(2 868 589)
Proceeds from sale of financial assets		1 852	1 389
Purchase of financial assets		(6 279)	(4 399)
Dividends received		3 766	18 291
Interest received		541	40
Repayment of loans granted	**35.1**	5 850	46 800
Loans granted	**35.1**	(11 700)	(108 800)
Other		-	2
Net cash used in investing activities		**(2 440 852)**	**(2 897 620)**
Cash flows from financing activities			
Payment of finance lease liabilities		(13 677)	(10 805)
Proceeds from loans and borrowings		-	451 693
Repayment of loans and borrowings	**35.2**	(91 078)	(49 787)
Issue of debt securities	**35.2**	1 200 000	-
Redemption of debt securities	**35.2**	(300 000)	-
Dividends paid to equity holders of the parent		(324 182)	(350 510)
Dividends paid to non-controlling interests		(1 252)	(8 071)
Interest paid	**35.2**	(136 469)	(103 613)
Acquisition of non-controlling interests	**35.2**	(125 328)	(1 788)
Subsidies received		48 770	44 688
Other		(9 000)	(9 303)
Net cash generated from (used in) financing activities		**247 784**	**(37 496)**
Net increase/(decrease) in cash and cash equivalents		**(252 267)**	**427 107**
Net foreign exchange difference		186	(1 408)
Cash and cash equivalents at the beginning of the period		**541 148**	**891 654**
Cash and cash equivalents at the end of the period, *of which*:	**21**	**288 881**	**1 318 761**
restricted cash	**21**	113 077	130 522

EXPLANATORY NOTES

1. General information

The TAURON Polska Energia S.A. Capital Group ("the Group", "the TAURON Group") is composed of TAURON Polska Energia S.A. ("Parent", "Company") and its subsidiaries. The Group's condensed interim consolidated financial statements cover the 9-month period ended 30 September 2014 and present comparative data for the 9-month period ended 30 September 2013 as well as figures as at 31 December 2013. The data for the 9-month period ended 30 September 2014 and the comparative data for the 9-month period ended 30 September 2013, as contained herein, have not been audited or reviewed by a certified auditor. The comparative data as at 31 December 2013 were audited by a certified auditor.

The 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.

The parent was assigned statistical number REGON: 240524697.

Duration of the parent and companies in the Capital Group is unlimited.

The core business of the Group includes:

1. Hard coal mining;
2. Generation of electricity from conventional sources;
3. Generation of electricity from renewable sources;
4. Distribution of electricity;
5. Sale of energy and other energy market products;
6. Generation and distribution of heat;
7. Customer service;
8. Rendering other services related to the items mentioned above.

The operations are based on relevant concessions granted to individual companies of the Group.

(in PLN '000)

2. Composition of the Capital Group

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

Item	Company name	Registered office	Segment	Direct share of TAURON in the entity's capital	Direct share of TAURON in the entity's governing body
1	TAURON Wytwarzanie S.A.	Katowice	Generation	100.00%	100.00%
2	TAURON Ekoenergia Sp. z o.o.[1]	Jelenia Góra	Renewable sources of energy	100.00%	100.00%
3	TAURON Dystrybucja S.A.	Kraków	Distribution	99.71%	99.71%
4	TAURON Sprzedaż Sp. z o.o.	Kraków	Sales	100.00%	100.00%
5	TAURON Czech Energy s.r.o.	Ostrawa, Czech Republic	Sales	100.00%	100.00%
6	TAURON Sprzedaż GZE Sp. z o.o.	Gliwice	Sales	100.00%	100.00%
7	TAURON Ciepło Sp. z o.o.[2]	Katowice	Heat	100.00%	100.00%
8	TAURON Obsługa Klienta Sp. z o.o.	Wrocław	Customer service	100.00%	100.00%
9	Polska Energia Pierwsza Kompania Handlowa Sp. z o.o. in liquidation [3]	Tarnów	Other	100.00%	100.00%
10	TAURON Wydobycie S.A.[4]	Jaworzno	Mining	100.00%	100.00%
11	Kopalnia Wapienia Czatkowice Sp. z o.o.[4]	Krzeszowice	Other	100.00%	100.00%

[1] On 2 January 2014, a business combination under common control of TAURON Ekoenergia Sp. z o.o., MEGAWAT MARSZEWO Sp. z o.o. and BELS INVESTMENT Sp. z o.o. was registered, as discussed in detail in Note 27.

[2] On 30 April 2014, a business combination under common control of Enpower Service Sp. z o.o. and TAURON Ciepło S.A. was registered, as discussed in detail in Note 27. At the same time, the name of the acquirer has been changed to TAURON Ciepło Sp. z o.o.

[3] On 2 July 2014 the company was put under liquidation, as discussed in detail in Note 37.

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

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

Item	Company name	Registered office	Segment	Indirect share of TAURON in the entity's capital	Indirect share of TAURON in the entity's governing body
1	TAURON Dystrybucja Serwis S.A.[1]	Wrocław	Distribution	99.71%	99.71%
2	TAURON Dystrybucja Pomiary Sp. z o.o.[1]	Tarnów	Distribution	99.71%	99.71%

[1] TAURON Polska Energia S.A. uses the shares held by TAURON Dystrybucja S.A.

Additionally, as at 30 September 2014, TAURON Polska Energia S.A. held indirect shares in the following major jointly-controlled entities:

Item	Company name	Registered office	Segment	Indirect share of TAURON in the entity's capital	Indirect share of TAURON in the entity's governing body
1	Elektrociepłownia Stalowa Wola S.A.	Stalowa Wola	Heat	50.00%	50.00%
2	Elektrownia Blachownia Nowa Sp. z o.o.	Kędzierzyn Koźle	Generation	50.00%	50.00%

3. Basis for preparation of the condensed interim consolidated financial statements

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

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

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

These condensed interim consolidated financial statements have been prepared on the assumption that the Group companies will continue as a going concern in the foreseeable future. As at the date of approving these condensed interim consolidated financial statements no circumstances have been detected that could put the going concern operation of the Group's companies at risk, except for the situation presented in Note 37 hereto.

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 2013.

These condensed interim consolidated financial statements for the 9-month period ended 30 September 2014 were approved for publication on 12 November 2014.

4. Significant accounting policies

The accounting principles (policy) adopted for the preparation of the 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 2013, except for the following amendments to standards applicable in the EU to annual periods beginning on or after 1 January 2014:

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

The Company analyzed the impact of the aforementioned standards on the accounting policies applied by the Group.

The Company finds new IFRS 10 *Consolidated Financial Statements* and IFRS 11 *Joint Arrangements* particularly important for the Group. Consequently, the Company has carried out analysis of these standards' impact on measurement and presentation principles applied to shares in jointly controlled entities disclosed in the consolidated financial statements. The following conclusions have been drawn from the analysis:

- no factors indicating that TAURON independently controls Elektrociepłownia Stalowa Wola S.A. and Elektrownia Blachownia Nowa Sp. z o.o. have been identified. As independent power over the investee is a sine qua non condition for control, as defined in the IFRS 10, the Company has decided that TAURON does not control these entities and these companies should not be consolidated using the full method;
- According to the Company, its investments in Elektrociepłownia Stalowa Wola S.A. and Elektrownia Blachownia Nowa Sp. z o.o. constitute joint arrangements in line with IFRS 11, which should be classified as joint ventures and disclosed in the consolidated financial statements using the equity method. Therefore, the measurement and presentation of these investees is not changed.

According to the Management Board the application of the remaining standards in question has not materially impacted the existing accounting policy.

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

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

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

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

- IFRS 9 *Financial Instruments* was published by the IASB on 24 July 2014 and applies to annual periods beginning on or after 1 January 2018. The standard introduces a business model-based approach to classification and measurement of financial assets and the characteristics of cash flows. IFRS 9 provides a new loss impairment model which requires a more timely disclosure of expected credit losses. The new model also assumes a standardized impairment approach applied to all financial instruments. Moreover, IFRS 9 includes an enhanced general hedge accounting model. The amendments are aimed at adjusting the principles of recognizing risk management issues in financial statements and enable more adequate presentation of actions taken in the financial statements.
- IFRS 14 *Regulatory Deferral Accounts* was published by the IASB on 30 January 2014 and applies to annual periods beginning on or after 1 January 2016. IFRS 14 has been introduced as a transitional standard for first-time adopters;
- IFRS 15 *Revenue from Contracts with Customers* was published by the IASB on 28 May 2014 and applies to annual periods beginning on or after 1 January 2017. IFRS specifies how and when an IFRS reporter will recognize revenue and requires such entities to provide users of financial statements with more informative, relevant disclosures. The Standard replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts* and a number of interpretations concerning revenue recognition;
- Revised IFRS 10 C*onsolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures: Sale or Contribution of Assets between Investor and its Associate or Joint Venture* were published by the IASB on 11 September 2014 and apply to annual periods beginning on or after 1 January 2016;
- Revised IFRS 11 *Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations* published by the IASB on 6 May 2014 and applies to annual periods beginning on or after 1 January 2016. The amendments provide new guidelines on accounting for acquisitions of interests in joint operations constituting businesses;
- Revised IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortization* published by the IASB on 12 May 2014 and applicable to annual periods beginning on or after 1 January 2016;
- Revised IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture: Bearer Plants* published by the IASB on 30 June 2014 and applicable to annual periods beginning on or after 1 January 2016;
- Revised IAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions* was published by the IASB on 21 November 2013 and applies to annual periods beginning on or after 1 July 2014;
- Revised IAS 27 *Separate Financial Statements: Equity Method in Separate Financial Statements* was published by the IASB on 12 August 2014 and applies to annual periods beginning on or after 1 January 2016;
- Annual Improvements to IFRS (Cycle 2010-2012) – published by the IASB on 12 December 2013, applicable to annual periods beginning on or after 1 July 2014;
- Annual Improvements to IFRS (Cycle 2011-2013) – published by the IASB on 12 December 2013, applicable to annual periods beginning on or after 1 July 2014;
- Annual Improvements to IFRS (Cycle 2012-2014) – published by the IASB on 25 September 2014, applicable to annual periods beginning on or after 1 January 2016.

The Company analyzed the impact of the abovementioned standards and interpretations on the accounting policies applied by the Group except for the impact of IFRS 9 *Financial Instruments* published in July 2014 and IFRS 15 *Revenue from Contracts with Customers* published in May 2014. The Company is analyzing the impact of IFRS 9 and IFRS 15 on the accounting policies applied by the Group. According to the Management Board, the introduction of other aforementioned standards and interpretations will not materially affect the accounting principles (policy) adopted by the Group.

(in PLN '000)

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

6. Change in comparable data

The comparable data for the 9-month period ended 30 September 2013 and as at 30 September 2013, as contained herein, have been restated (comparing to the approved data) due to changes introduced to the consolidated financial statements of the TAURON Group for the year ended 31 December 2013. The change in the accounting policy concerned recognition of revenue due to power and heat collisions.

The aforementioned change in the accounting policies and its impact on the consolidated statement of financial position and the consolidated statement of comprehensive income have been discussed in detail in the consolidated financial statements of the TAURON Group for the year ended 31 December 2013.

The impact of the aforementioned change on the comparable data for the 9-month period ended 30 September 2013 and the data as at 30 September 2013 included in these condensed interim consolidated financial statements has been presented below.

	9-month period ended 30 September 2013 ***(unaudited authorized figures)***	Change in the accounting policy regarding recognition of revenue from heat and power collisions	**9-month period ended 30 September 2013** ***(unaudited restated figures)***
Continuing operations			
Sales revenue	14 209 431	4 273	14 213 704
Cost of sales	(11 623 825)	-	(11 623 825)
Gross profit	**2 585 606**	**4 273**	**2 589 879**
Operating profit	**1 709 103**	**4 273**	**1 713 376**
Profit before tax	**1 541 114**	**4 273**	**1 545 387**
Income tax expense	(280 388)	(812)	(281 200)
Net profit from continuing operations	**1 260 726**	**3 461**	**1 264 187**
Net profit for the period	**1 260 726**	**3 461**	**1 264 187**
Other comprehensive income for the period, net of tax	**46 994**	**-**	**46 994**
Total comprehensive income for the period	**1 307 720**	**3 461**	**1 311 181**
Net profit:			
Attributable to equity holders of the parent	1 212 843	3 451	1 216 294
Attributable to non-controlling interests	47 883	10	47 893
Total comprehensive income:			
Attributable to equity holders of the parent	1 257 539	3 451	1 260 990
Attributable to non-controlling interests	50 181	10	50 191
Earnings per share (in PLN):			
- basic and diluted, for profit for the period attributable to equity holders of the parent	0.69	0.00	0.69
- basic and diluted, for profit for the period from continuing operations attributable to equity holders of the parent	0.69	0.00	0.69

	As at 30 September 2013 ***(unaudited authorized figures)***	Change in the accounting policy with respect to recognition of revenue from power and heat collisions	**As at 30 September 2013** ***(unaudited restated figures)***
Equity attributable to equity holders of the parent	**17 143 926**	**75 029**	**17 218 955**
Retained earnings/ Accumulated losses	(538 065)	75 029	(463 036)
Non-controlling interests	**531 410**	**219**	**531 629**
Total equity	**17 675 336**	**75 248**	**17 750 584**
Non-current liabilities	**9 443 042**	**(70 353)**	**9 372 689**
Accruals, deferred income and government grants	750 612	(88 004)	662 608
Deferred tax liability	1 348 450	17 651	1 366 101
Current liabilities	**4 306 899**	**(4 895)**	**4 302 004**
Accruals, deferred income and government grants	361 599	(4 895)	356 704
Total liabilities	**13 749 941**	**(75 248)**	**13 674 693**
TOTAL EQUITY AND LIABILITIES	**31 425 277**	**-**	**31 425 277**

7. Change in estimates

In the 9-month period ended 30 September 2014 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 installations belonging to individual operating segments. 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.

In accordance with Article 10a and Article 10c of the Directive 2009/29/EC of the European Parliament and of the Council of 23 April 2009 amending Directive 2003/87/EC so as to improve and extend the greenhouse gas emission allowance trading scheme of the Community ("derogation allowances") the TAURON Group was entitled to receive free emission allowances as at 31 December 2013. The TAURON Group applied for free allowances pursuant to Article 10a and for derogation allowances, still such allowances were not included in the calculation of the provision for carbon dioxide emission as they had not been awarded by 31 December 2013. As at 31 December 2013 the provision was estimated at PLN 461 123 thousand and equals the amount of allowances intended for surrendering due to emission in 2013 disclosed in current intangible assets.

In 2014, the Group adjusted the estimated provision for gas emission liabilities for 2013, hence PLN 2 239 thousand was charged to profit. In April 2014 the provision recognized was utilized due to surrendering allowances, with no effect on the profit.

In April 2014 the Group was awarded 1 275 401 requested allowances due to generation of heat and 11 925 960 allowances due to electricity generation. In the calculation of provisions for gas emission liabilities for the year 2014 the Group has accounted for the entire amount of received allowances first. Then, 964 995 heat allowances for 2014 received free of charge and recorded on the accounts of the National Emission Allowance Register have been accounted for in the entire amount. Pursuant to the Ordinance of the Council of Ministers of 10 April 2014 on the list of electricity generating facilities covered by the system of trading in greenhouse gas emission allowances in the settlement period beginning on 1 January 2013, indicating the number of allowances awarded, electricity allowances granted for 2014 with relation to the facilities of the TAURON Group are allocated to appropriate quarters of 2014, in line with the straight-line method. As the allowances awarded and allocated to the Generation segment exceed the actual emission for the period of 9 months ended 30 September 2014, the Group has not recognized a provision for gas emission liabilities for the Generation segment for this period. In the period of 9 months ended 30 September 2014 the actual emission in the Heat segment was higher than the allowances received free of charge, hence a provision of PLN 45 188 thousand was recognized for the shortage, which will be covered with purchased allowances.

Impairment tests

Taking into account the indications that the market value of the Company's net assets has recently been below their carrying amount as well as the general situation in the power sector, as at 30 September 2014 an analysis was carried out which indicated that in the third quarter the market value of the Company's net assets has not changed considerably. Therefore, it was assumed that the most recent results of impairment tests of intangible assets, including goodwill and fixed assets carried out as at 30 June 2014 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 2014.

Environment analysis was carried out as at 30 June 2014 and indicated insignificant environmental changeability versus 31 December 2013. Price paths and WACC rates were also reviewed. Based on the analysis, the current assumptions do not result in reduction of the value in use of cash-generating units and operating segments based on future cash flows, hence for test purposes the recoverable amount of cash-generating units was assumed at the level determined in the previous test as at 31 December 2013.

The computations were carried out for cash flows in the period from 2014 to 2023 and the estimated residual value. The basis for cash flow calculations is the planned EBIT for 2014-2023 and amortization for this period. The discount rate used for the calculation reflects the weighted average cost of capital (WACC), taking into account the risk-free rate determined by reference to the current yield on 10-year treasury bonds (4.2%) and the risk premium for operations appropriate for the power industry (5.0%). 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.

(in PLN '000)

The tests required estimating the value in use of cash generating units and operating segments based on their future generated cash flows discounted to the current value with the discount rate. Following the tests, as at 31 December 2013 the Group recognized an impairment loss of PLN 262 187 thousand for property, plant and equipment of the Generation segment and an impairment loss of PLN 13 436 thousand for intangible assets in this segment. The assumptions and significant information concerning impairment tests have been presented in Notes 14, 15 and 16 to the consolidated financial statements for the year ended 31 December 2013.

Deferred tax

Based on the forecasts prepared for the Tax Capital Group ("TCG"), according to which taxable income will be earned in 2014 and in subsequent years, it has been concluded that there is no risk that the deferred tax asset recognized in these condensed interim consolidated financial statements will not be realized.

Measurement of provisions for employee benefits

Provisions for employee benefits have been estimated using actuarial methods. Moreover, the Group recognized provisions for benefits resulting from Voluntary Redundancy Programs. A detailed description of the provisions in question has been provided in Note 24.

The provisions for employee benefits have been measured as at 30 September 2014 based on actuarial projections. Actuarial assumptions made in preparing the projections for 2014 were the same as those used for measuring provisions as at 31 December 2013.

Key actuarial assumptions made as at 31 December 2013 for the purpose of calculation of the liability:

	31 December 2013
Discount rate (%)	4.00%
Estimated inflation rate (%)	2.50%
Employee rotation rate (%)	1.03% - 11.94%
Estimated salary increase rate (%)	2.00% - 2.90%
Estimated electricity price increase rate (%)	3.50%
Estimated increase rate for contribution to the Social Fund (%)	4.50%
Remaining average employment period	7.44 – 15.30

Measurement of derivatives

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

Fair value of interest rate swaps is 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 a zero coupon yield curve.

The fair value of forwards for acquisition and sale of power and emission allowances 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 32.

8. 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.

9. Information on operating segments

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

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

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

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

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

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

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

The Group's reporting format for the period from 1 January 2014 to 30 September 2014 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 by the Generation Segment include hard coal, biomass, coal gas and coke-oven gas.	TAURON Wytwarzanie S.A.	Elektrownia Blachownia Nowa Sp. z o.o.
Renewable sources of energy	Generation of electricity using renewable sources, excluding generation of electricity using joint combustion of biomass, which, due to the specific nature of such generation, has been included in the Generation Segment.	TAURON Ekoenergia Sp. z o.o.	
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.	
Heat	Generation, distribution and sales of heat.	TAURON Ciepło Sp. z o.o.	Elektrociepłownia Stalowa Wola S.A.
Customer service	Services to internal customers (i.e. entities from the TAURON Capital Group) in respect of sales process support, financial, accounting and IT services to selected Group companies.	TAURON Obsługa Klienta Sp. z o.o.	

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 Polska Energia Pierwsza Kompania Handlowa Sp. z o.o. in liquidation are also treated as other activities of the Group.

On 2 January 2014, the division of TAURON Wytwarzanie S.A. (Generation segment) through separation of Zespół Elektrociepłowni Bielsko-Biała and its transfer to TAURON Ciepło S.A. (currently: TAURON Ciepło Sp. z o.o.), classified to the Heat segment, was registered. Comparable data were appropriately restated.

A business combination under common control of TAURON Ekoenergia Sp. z o.o., MEGAWAT MARSZEWO Sp. z o.o. and BELS INVESTMENT Sp. z o.o., companies from the Renewable sources of energy segment, was registered on the same day. Consequently, only one company - TAURON Ekoenergia Sp. z o.o. – operates in the segment now.

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

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

(in PLN '000)

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

	Mining	Generation	Renewable sources of energy	Distribution	Sales	Heat	Customer service	Other	Unallocated items/ Eliminations	Total
Revenue										
Sales to external customers	360 601	1 135 183	59 319	1 916 768	9 234 816	828 515	12 427	55 472	-	**13 603 101**
Inter-segment sales	510 242	1 169 595	156 660	2 612 043	2 032 176	138 483	443 724	148 362	(7 211 285)	**-**
Segment revenue	**870 843**	**2 304 778**	**215 979**	**4 528 811**	**11 266 992**	**966 998**	**456 151**	**203 834**	**(7 211 285)**	**13 603 101**
Profit/(loss) of the segment	**5 347**	**(154 254)**	**82 343**	**1 070 837**	**478 799**	**71 156**	**56 211**	**17 890**	**(7 036)**	**1 621 293**
Unallocated expenses	-	-	-	-	-	-	-	-	(74 352)	**(74 352)**
EBIT	**5 347**	**(154 254)**	**82 343**	**1 070 837**	**478 799**	**71 156**	**56 211**	**17 890**	**(81 388)**	**1 546 941**
Share in profit/(loss) of joint venture	-	204	-	-	-	(1 380)	-	-	-	**(1 176)**
Net finance income (costs)	-	**-**	-	-	-	-	-	-	(233 269)	**(233 269)**
Profit/(loss) before income tax	**5 347**	**(154 050)**	**82 343**	**1 070 837**	**478 799**	**69 776**	**56 211**	**17 890**	**(314 657)**	**1 312 496**
Income tax expense	-	-	-	-	-	-	-	**-**	(259 438)	**(259 438)**
Net profit/(loss) for the period	**5 347**	**(154 050)**	**82 343**	**1 070 837**	**478 799**	**69 776**	**56 211**	**17 890**	**(574 095)**	**1 053 058**
Assets and liabilities										
Segment assets	1 666 780	7 603 868	1 929 270	14 581 007	2 413 083	3 094 537	230 454	160 564	-	**31 679 563**
Investments in joint ventures	-	32 268	-	-	-	7 421	-	-	-	**39 689**
Unallocated assets	-	-	-	-	-	-	-	-	417 837	**417 837**
Total assets	**1 666 780**	**7 636 136**	**1 929 270**	**14 581 007**	**2 413 083**	**3 101 958**	**230 454**	**160 564**	**417 837**	**32 137 089**
Segment liabilities	599 590	905 568	87 343	1 995 433	1 327 681	378 069	187 882	31 804	-	**5 513 370**
Unallocated liabilities	-	-	-	-	-	-	-	-	8 486 628	**8 486 628**
Total liabilities	**599 590**	**905 568**	**87 343**	**1 995 433**	**1 327 681**	**378 069**	**187 882**	**31 804**	**8 486 628**	**13 999 998**
EBIT	**5 347**	**(154 254)**	**82 343**	**1 070 837**	**478 799**	**71 156**	**56 211**	**17 890**	**(81 388)**	**1 546 941**
Depreciation/amortization	**(78 133)**	**(354 398)**	**(60 075)**	**(707 003)**	**(22 665)**	**(110 646)**	**(30 342)**	**(5 106)**	**-**	**(1 368 368)**
EBITDA	**83 480**	**200 144**	**142 418**	**1 777 840**	**501 464**	**181 802**	**86 553**	**22 996**	**(81 388)**	**2 915 309**
Other segment information										
Capital expenditure *	125 144	234 821	79 784	1 285 823	2 209	225 479	52 364	4 580	-	**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.*

(in PLN '000)

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

	Mining	Generation	Renewable sources of energy	Distribution	Sales	Heat	Customer service	Other	Unallocated items/ Eliminations	Total
Revenue										
Sales to external customers	506 572	610 535	17 266	1 657 164	10 576 221	748 844	6 885	90 217	-	**14 213 704**
Inter-segment sales	585 998	2 729 035	111 634	2 794 027	2 725 238	176 831	368 094	142 902	(9 633 759)	**-**
Segment revenue	**1 092 570**	**3 339 570**	**128 900**	**4 451 191**	**13 301 459**	**925 675**	**374 979**	**233 119**	**(9 633 759)**	**14 213 704**
Profit/(loss) of the segment	**88 794**	**(254 167)**	**56 875**	**1 024 329**	**721 007**	**76 101**	**59 678**	**7 486**	**3 873**	**1 783 976**
Unallocated expenses	-	-	-	-	-	-	-	-	(70 600)	**(70 600)**
EBIT	**88 794**	**(254 167)**	**56 875**	**1 024 329**	**721 007**	**76 101**	**59 678**	**7 486**	**(66 727)**	**1 713 376**
Share in profit/(loss) of joint venture	-	(142)	-	-	-	(1 778)	-	-	-	**(1 920)**
Net finance income (costs)	-	-	-	-	-	-	-	-	(166 069)	**(166 069)**
Profit/(loss) before income tax	**88 794**	**(254 309)**	**56 875**	**1 024 329**	**721 007**	**74 323**	**59 678**	**7 486**	**(232 796)**	**1 545 387**
Income tax expense	-	-	-	-	-	-	-	-	(281 200)	**(281 200)**
Net profit/(loss) for the period	**88 794**	**(254 309)**	**56 875**	**1 024 329**	**721 007**	**74 323**	**59 678**	**7 486**	**(513 996)**	**1 264 187**
Assets and liabilities										
Segment assets	1 465 831	8 614 769	1 944 940	14 002 290	3 111 539	2 157 282	183 519	170 774	-	**31 650 944**
Investments in joint ventures	-	32 064	-	-	-	12 334	-	-	-	**44 398**
Unallocated assets	-	-	-	-	-	-	-	-	660 228	**660 228**
Total assets	**1 465 831**	**8 646 833**	**1 944 940**	**14 002 290**	**3 111 539**	**2 169 616**	**183 519**	**170 774**	**660 228**	**32 355 570**
Segment liabilities	612 791	1 481 329	112 000	2 380 849	1 786 932	345 216	214 010	42 372	-	**6 975 499**
Unallocated liabilities	-	-	-	-	-	-	-	-	7 586 572	**7 586 572**
Total liabilities	**612 791**	**1 481 329**	**112 000**	**2 380 849**	**1 786 932**	**345 216**	**214 010**	**42 372**	**7 586 572**	**14 562 071**
EBIT	**88 794**	**(254 167)**	**56 875**	**1 024 329**	**721 007**	**76 101**	**59 678**	**7 486**	**(66 727)**	**1 713 376**
Depreciation/amortization	**(79 220)**	**(371 362)**	**(26 967)**	**(676 366)**	**(26 147)**	**(88 792)**	**(11 874)**	**(6 613)**	**-**	**(1 287 341)**
EBITDA	**168 014**	**117 195**	**83 842**	**1 700 695**	**747 154**	**164 893**	**71 552**	**14 099**	**(66 727)**	**3 000 717**
Other segment information										
Capital expenditure *	173 182	402 703	438 534	1 191 798	15 087	116 342	25 216	5 531	-	**2 368 393**

** 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)*

	Mining	Generation	Renewable sources of energy	Distribution	Sales	Heat	Customer service	Other	Unallocated items/ Eliminations	Total
Revenue										
Sales to external customers	149 280	372 519	15 280	600 503	3 007 973	204 769	4 202	22 260	-	**4 376 786**
Inter-segment sales	192 151	459 595	55 799	879 357	683 910	44 352	151 185	56 494	(2 522 843)	-
Segment revenue	**341 431**	**832 114**	**71 079**	**1 479 860**	**3 691 883**	**249 121**	**155 387**	**78 754**	**(2 522 843)**	**4 376 786**
Profit/(loss) of the segment	**29 132**	**(43 546)**	**25 694**	**370 825**	**105 291**	**(21 324)**	**19 345**	**9 389**	**(3 389)**	**491 417**
Unallocated expenses	-	-	-	-	-	-	-	-	(26 930)	**(26 930)**
EBIT	**29 132**	**(43 546)**	**25 694**	**370 825**	**105 291**	**(21 324)**	**19 345**	**9 389**	**(30 319)**	**464 487**
Share in profit/(loss) of joint venture	-	39	-	-	-	(439)	-	-	-	**(400)**
Net finance income (costs)	-	-	-	-	-	-	-	-	(77 134)	**(77 134)**
Profit/(loss) before income tax	**29 132**	**(43 507)**	**25 694**	**370 825**	**105 291**	**(21 763)**	**19 345**	**9 389**	**(107 453)**	**386 953**
Income tax expense	-	-	-	-	-	-	-	-	(67 817)	**(67 817)**
Net profit/(loss) for the period	**29 132**	**(43 507)**	**25 694**	**370 825**	**105 291**	**(21 763)**	**19 345**	**9 389**	**(175 270)**	**319 136**
EBIT	**29 132**	**(43 546)**	**25 694**	**370 825**	**105 291**	**(21 324)**	**19 345**	**9 389**	**(30 319)**	**464 487**
Depreciation/amortization	**(26 174)**	**(116 699)**	**(20 008)**	**(237 327)**	**(4 539)**	**(37 900)**	**(11 856)**	**(1 721)**	**-**	**(456 224)**
EBITDA	**55 306**	**73 153**	**45 702**	**608 152**	**109 830**	**16 576**	**31 201**	**11 110**	**(30 319)**	**920 711**
Other segment information										
Capital expenditure *	42 876	108 610	22 087	444 335	1 408	127 084	12 124	1 603	-	**760 127**

** 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 2013 *(unaudited restated figures)*

	Mining	Generation	Renewable sources of energy	Distribution	Sales	Heat	Customer service	Other	Unallocated items/ Eliminations	Total
Revenue										
Sales to external customers	179 302	203 747	8 927	537 479	3 392 265	192 726	1 711	23 945	-	**4 540 102**
Inter-segment sales	164 946	865 687	27 518	902 908	915 640	49 473	138 061	43 192	(3 107 425)	-
Segment revenue	**344 248**	**1 069 434**	**36 445**	**1 440 387**	**4 307 905**	**242 199**	**139 772**	**67 137**	**(3 107 425)**	**4 540 102**
Profit/(loss) of the segment	**4 342**	**(23 575)**	**12 906**	**368 174**	**142 487**	**1 157**	**32 774**	**5 723**	**2 795**	**546 783**
Unallocated expenses	-	-	-	-	-	-	-	-	(23 181)	**(23 181)**
EBIT	**4 342**	**(23 575)**	**12 906**	**368 174**	**142 487**	**1 157**	**32 774**	**5 723**	**(20 386)**	**523 602**
Share in profit/(loss) of joint venture	-	7	-	-	-	(513)	-	-	-	**(506)**
Net finance income (costs)	-	-	-	-	-	-	-	-	(63 863)	**(63 863)**
Profit/(loss) before income tax	**4 342**	**(23 568)**	**12 906**	**368 174**	**142 487**	**644**	**32 774**	**5 723**	**(84 249)**	**459 233**
Income tax expense	-	-	-	-	-	-	-	-	(86 928)	**(86 928)**
Net profit/(loss) for the period	**4 342**	**(23 568)**	**12 906**	**368 174**	**142 487**	**644**	**32 774**	**5 723**	**(171 177)**	**372 305**
EBIT	**4 342**	**(23 575)**	**12 906**	**368 174**	**142 487**	**1 157**	**32 774**	**5 723**	**(20 386)**	**523 602**
Depreciation/amortization	**(26 268)**	**(112 631)**	**(8 876)**	**(228 419)**	**(8 936)**	**(31 018)**	**(5 119)**	**(2 185)**	**-**	**(423 452)**
EBITDA	**30 610**	**89 056**	**21 782**	**596 593**	**151 423**	**32 175**	**37 893**	**7 908**	**(20 386)**	**947 054**
Other segment information										
Capital expenditure *	57 328	127 955	190 712	557 986	3 900	66 159	12 566	1 845	-	**1 018 451**

** 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)

10. Sales revenue

	9-month period ended 30 September 2014 *(unaudited)*	9-month period ended 30 September 2013 *(unaudited restated figures)*
Sale of goods for resale, finished goods and materials without elimination of excise	**9 302 317**	**10 073 454**
Excise	(334 108)	(339 743)
Sale of goods for resale, finished goods and materials, *of which*:	**8 968 209**	**9 733 711**
Electricity	7 764 878	8 349 354
Heat energy	430 225	536 300
Energy certificates	157 104	74 328
Greenhouse gas emission allowances	3 643	62 714
Compensation for termination of PPAs	-	(18 886)
Coal	337 827	479 919
Furnace blast	127 506	117 433
Compressed air	55 775	52 911
Milling products	23 508	20 033
Other goods for resale, finished goods and materials	67 743	59 605
Rendering of services, *of which*:	**4 596 547**	**4 442 129**
Distribution and trade services	4 327 171	4 165 755
Connection fees	95 390	104 493
Maintenance of road lighting	82 747	88 188
Charges for illegal electricity consumption	4 912	5 991
Revenue due to power and heat collisions	12 329	4 273
Other services	73 998	73 429
Other revenue	**38 345**	**37 864**
Total sales revenue	**13 603 101**	**14 213 704**

11. Expenses by type

	9-month period ended 30 September 2014 *(unaudited)*	9-month period ended 30 September 2013 *(unaudited)*
Costs by type		
Depreciation of property, plant and equipment and amortization of intangible assets	(1 368 368)	(1 287 341)
Impairment of property, plant and equipment and intangible assets	(4 971)	(244 737)
Materials and energy	(1 500 634)	(1 785 792)
Maitenance and repair services	(282 120)	(277 058)
Distribution services	(1 151 560)	(966 261)
Other external services	(509 916)	(593 721)
Taxes and charges	(466 555)	(580 301)
Employee benefits expense	(1 894 908)	(1 925 449)
Inventory write-downs	(5 094)	11 726
Allowance for doubtful debts	(24 564)	(36 274)
Other	(83 447)	(88 100)
Total costs by type	**(7 292 137)**	**(7 773 308)**
Change in inventories, prepayments, accruals and deferred income	85 444	(602)
Cost of goods produced for internal purposes	347 486	336 084
Selling and distribution expenses	401 487	397 516
Administrative expenses	491 627	507 285
Cost of goods for resale and materials sold	(5 247 871)	(5 090 800)
Cost of sales	**(11 213 964)**	**(11 623 825)**

12. Income tax

12.1. Tax expense in the statement of comprehensive income

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

(in PLN '000)

	9-month period ended 30 September 2014 *(unaudited)*	9-month period ended 30 September 2013 *(unaudited restated figures)*
Current income tax	**(171 136)**	**(311 858)**
Current income tax expense	(180 780)	(312 370)
Adjustments to current income tax from previous years	9 644	512
Deferred tax	**(88 302)**	**30 658**
Income tax in profit or loss	**(259 438)**	**(281 200)**
Income tax relating to other comprehensive income	**4 095**	**(11 006)**

12.2. Deferred income tax

	As at 30 September 2014 *(unaudited)*	As at 31 December 2013
Deferred tax liability		
- difference between tax base and carrying amount of fixed and intangible assets	1 987 074	2 030 622
- difference between tax base and carrying amount of financial assets	20 873	21 551
- different timing of recognition of sales revenue for tax purposes	36 922	36 847
- recognition of estimated revenue from sale of power distribution services	37 414	40 294
- difference between tax base and carrying amount of property rights arising from energy certificates	43 314	29 688
- other	24 159	16 469
Deferred tax liability	**2 149 756**	**2 175 471**
Deferred tax assets		
- difference between tax base and carrying amount of fixed and intangible assets	5 689	7 317
- difference between tax base and carrying amount of inventories	3 472	2 748
- power infrastructure received free of charge and received connection fees	63 483	67 401
- provisions	548 366	672 754
- difference between tax base and carrying amount of financial assets	31 403	29 594
- difference between tax base and carrying amount of financial liabilities	22 051	6 239
- valuation of hedging instruments	41 209	30 354
- different timing of recognition of cost of sales for tax purposes	36 535	35 149
- other accrued expenses	4 488	17 647
- other	16 849	13 250
Deferred tax assets	**773 545**	**882 453**
After setting off balances at the level of individual Group companies, deferred tax for the Group is presented as:		
Deferred tax asset	**35 093**	**46 039**
Deferred tax liability	**(1 411 304)**	**(1 339 057)**

As at 30 September 2014 and 31 December 2013 deferred tax assets were set off against deferred tax liabilities of companies from the Tax Capital Group due to the fact that as of 1 January 2012 the companies have filed combined tax returns.

12.3. Income tax receivables and payables

As at 30 September 2014 the Group had the following income tax receivables and payables:

- income tax receivables of PLN 14 476 thousand, where PLN 8 966 thousand is income tax receivables of the Tax Capital Group;

(in PLN '000)

- income tax liabilities of PLN 6 132 thousand, where the entire amount does not relate to the Tax Capital Group companies.

In the 9-month period ended 30 September 2014 income tax expense of the Tax Capital Group amounted to PLN 149 482 thousand. At the same time, the Tax Capital Group paid advances for tax for 2014 in the amount of PLN 125 087 thousand. Moreover, as at 30 September 2014, the income tax overpaid for 2013 in the amount of PLN 33 361 thousand was set off against advances for tax for 2014. The amounts in question have been recognized in aggregate in the financial statements under income tax receivables.

13. Dividends paid and proposed

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.

As at the balance sheet date, dividends payable amounted to PLN 8 802 thousand and resulted entirely from tax on dividends payable by the Company. By the date of approving these condensed interim consolidated financial statements for publication the liability has been fully paid.

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

14. Property, plant and equipment

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 PLN ‘000)

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

	Land	Perpetual usufruct	Buildings, premises and civil engineering	Plant and machinery	Other	Assets under construction	Property, plant and equipment, total
COST							
Opening balance	**72 024**	**812 667**	**15 389 230**	**12 633 180**	**641 240**	**2 034 339**	**31 582 680**
Adjustments	-	(812 667)	-	-	-	-	**(812 667)**
Opening balance after adjustments	**72 024**	**-**	**15 389 230**	**12 633 180**	**641 240**	**2 034 339**	**30 770 013**
Direct purchase	-	-	-	-	-	2 199 683	**2 199 683**
Transfer of assets under construction	22 943	-	998 401	1 180 234	45 139	(2 246 717)	**-**
Sale, disposal	(12)	-	(634)	(10 009)	(6 855)	(37)	**(17 547)**
Reclassification	-	-	242	237	(479)	-	**-**
Liquidation	(1)	-	(30 673)	(57 339)	(5 835)	-	**(93 848)**
Received free of charge	-	-	18 523	82	-	-	**18 605**
Overhaul expenses	-	-	200	1 100	-	89 182	**90 482**
Transfers to/from intangible assets	3 768	-	-	-	-	(896)	**2 872**
Items generated internally	-	-	-	-	-	28 807	**28 807**
Transfers to/from assets held for sale	-	-	(329)	-	14	197	**(118)**
Other movements	(17)	-	(2)	7 267	15	(19)	**7 244**
Foreign exchange differences from translation of foreign entities	-	-	-	1	-	-	**1**
Closing balance	**98 705**	**-**	**16 374 958**	**13 754 753**	**673 239**	**2 104 539**	**33 006 194**
ACCUMULATED DEPRECIATION							
Opening balance	**(645)**	**(573)**	**(3 596 281)**	**(3 558 914)**	**(306 975)**	**(6 555)**	**(7 469 943)**
Adjustments	-	573	-	-	-	-	**573**
Opening balance after adjustments	**(645)**	**-**	**(3 596 281)**	**(3 558 914)**	**(306 975)**	**(6 555)**	**(7 469 370)**
Depreciation for the period	-	-	(571 192)	(603 315)	(60 935)	-	**(1 235 442)**
Increase of impairment	-	-	(26 990)	(217 183)	(973)	(148)	**(245 294)**
Decrease of impairrment	-	-	-	16	23	781	**820**
Sale, disposal	-	-	165	9 143	5 053	-	**14 361**
Reclassification	-	-	16	(30)	14	-	**-**
Liquidation	-	-	20 348	53 047	4 806	-	**78 201**
Transfers to/from assets held for sale	-	-	688	-	(14)	-	**674**
Other movements	-	-	17	(2 495)	(57)	-	**(2 535)**
Foreign exchange differences from translation of foreign entities	-	-	-	(1)	-	-	**(1)**
Closing balance	**(645)**	**-**	**(4 173 229)**	**(4 319 732)**	**(359 058)**	**(5 922)**	**(8 858 586)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**71 379**	**-**	**11 792 949**	**9 074 266**	**334 265**	**2 027 784**	**23 300 643**
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**98 060**	**-**	**12 201 729**	**9 435 021**	**314 181**	**2 098 617**	**24 147 608**

In the 9-month period ended 30 September 2014, the Group acquired property, plant and equipment for PLN 1 833 453 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 2014 *(unaudited)*	9-month period ended 30 September 2013 *(unaudited)*
Distribution	1 258 736	1 169 260
Renewable sources of energy	79 784	438 534
Generation	164 124	301 818
Mining	124 982	172 662
Heat	188 744	91 631

15. Goodwill

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

Goodwill in segment	As at 30 September 2014 *(unaudited)*	As at 31 December 2013
Mining	13 973	13 973
Renewable sources of energy	51 902	51 902
Distribution	25 602	25 602
Heat	155 580	155 580
Total	**247 057**	**247 057**

(in PLN '000)

16. Non-current intangible assets

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)**
Received free of charge	-	33	-	-	-	299	-	**332**
Transfers from assets under construction	-	(5)	19	-	-	(1)	4 985	**4 998**
Reclassification to current intangible assets/inventories	-	-	-	(16 183)	-	-	-	**(16 183)**
Transfers to/from assets held for sale	-	(1 585)	-	-	-	-	-	**(1 585)**
Other movements	640	-	1 258	-	-	-	(11)	**1 887**
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 impairrment	-	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**

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

	Development expenses	Perpetual usufruct	Software, concessions, patents, licences 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	**3 898**	**-**	**345 194**	**-**	**95 874**	**91 351**	**39 048**	**575 365**
Adjustments	-	812 667	-	-	-	-	-	**812 667**
Opening balance after adjustments	**3 898**	**812 667**	**345 194**	**-**	**95 874**	**91 351**	**39 048**	**1 388 032**
Direct purchase	-	-	-	10 890	171 354	-	49 421	**231 665**
Transfer of intangible assets not made available for use	-	-	24 366	-	-	11 926	(36 292)	**-**
Sale, disposal	-	(1 448)	297	-	-	-	(296)	**(1 447)**
Liquidation	-	(42)	(4 157)	-	-	(1)	-	**(4 200)**
Received free of charge	-	60	-	-	-	452	-	**512**
Reclassification from/to property, plant and equipment	-	265	805	-	-	2	(3 944)	**(2 872)**
Reclassification to current intangible assets/inventories	-	-	-	-	(86 495)	-	-	**(86 495)**
Other movements	132	(649)	965	-	(285)	(31)	(274)	**(142)**
Foreign exchange differences from translation of foreign entities	-	-	5	-	-	-	-	**5**
Closing balance	**4 030**	**810 853**	**367 475**	**10 890**	**180 448**	**103 699**	**47 663**	**1 525 058**
ACCUMULATED AMORTIZATION								
Opening balance	**(3 263)**	**-**	**(189 764)**	**-**	**-**	**(12 176)**	**-**	**(205 203)**
Adjustments	-	(573)	-	-	-	-	-	**(573)**
Opening balance after adjustments	**(3 263)**	**(573)**	**(189 764)**	**-**	**-**	**(12 176)**	**-**	**(205 776)**
Amortization for the period	(121)	-	(43 575)	-	-	(8 203)	-	**(51 899)**
Increase of impairment	(25)	(25)	(186)	-	-	-	-	**(236)**
Liquidation	-	-	4 139	-	-	1	-	**4 140**
Other movements	-	1	(98)	-	-	6	-	**(91)**
Closing balance	**(3 409)**	**(597)**	**(229 484)**	**-**	**-**	**(20 372)**	**-**	**(253 862)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**635**	**812 094**	**155 430**	**-**	**95 874**	**79 175**	**39 048**	**1 182 256**
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**621**	**810 256**	**137 991**	**10 890**	**180 448**	**83 327**	**47 663**	**1 271 196**

(in PLN '000)

17. Shares in joint ventures

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 2014 *(unaudited)*		As at 31 December 2013	
	Principal	Interest	Principal	Interest
Subordinated loan	177 000	19 194	177 000	12 310
VAT loan	5 850	13	-	-
Total loans granted to Elektrociepłownia Stalowa Wola S.A.	**182 850**	**19 207**	**177 000**	**12 310**

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 2014 have been presented in Note 35.1. to these condensed interim consolidated financial statements.

In the 9-month period ended 30 September 2014, the interest income due to originated loans reached PLN 6 943 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 on the initiative of 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 2014 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.

Investments in joint-ventures measured using the equity method as at 30 September 2014 and for the 9-month period ended 30 September 2014 have been presented below:

(in PLN '000)

	As at 30 September 2014 or for the 9-month period ended 30 September 2014 *(unaudited)*	Elektrociepłownia Stalowa Wola S.A.	Elektrownia Blachownia Nowa Sp. z o.o.
Non-current assets	**885 529**	857 819	27 710
Current assets	**65 755**	28 868	36 887
Non-current liabilities (-)	**(838 768)**	(838 768)	-
Current liabilities (-)	**(13 166)**	(13 106)	(60)
Total net assets	**99 350**	34 813	64 537
Share in net assets	**49 675**	17 407	32 268
Elimination of transactions with Group companies	**(9 986)**	(9 986)	-
Invetment in joint venture	**39 689**	**7 421**	**32 268**
Share in sales revenue of joint venture	**434**	47	387
Share in profit/(loss) of joint venture	**(1 176)**	**(1 380)**	**204**

Investments in joint-ventures measured using the equity method as at 31 December 2013 and for the 9-month period ended 30 September 2013 have been presented below:

	As at 31 December 2013 or for the 9-month period ended 30 September 2013 *(unaudited)*	Elektrociepłownia Stalowa Wola S.A.	Elektrownia Blachownia Nowa Sp. z o.o.
Non-current assets	**756 165**	728 455	27 710
Current assets	**46 212**	9 588	36 624
Non-current liabilities (-)	**(697 185)**	(697 185)	-
Current liabilities (-)	**(3 267)**	(3 203)	(64)
Total net assets	**101 925**	37 655	64 270
Share in net assets	**50 850**	18 786	32 064
Elimination of transactions with Group companies	**(6 452)**	(6 452)	-
Invetment in joint venture	**44 398**	**12 334**	**32 064**
Share in sales revenue of joint venture	**442**	72	370
Share in profit/(loss) of joint venture	**(1 920)**	**(1 778)**	**(142)**

18. Current intangible assets

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)

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

	Energy certificates	Greenhouse gas emission allowances	Current intangible assets, total
COST			
Opening balance	**649 473**	**61 626**	**711 099**
Direct purchase	494 606	46 584	**541 190**
Generated internally	103 529	-	**103 529**
Cancellation	(889 089)	(70 269)	**(959 358)**
Sales	(8 455)	(16 557)	**(25 012)**
Reclassification	169 581	86 495	**256 076**
Closing balance	**519 645**	**107 879**	**627 524**
IMPAIRMENT			
Opening balance	**-**	**-**	**-**
Closing balance	**-**	**-**	**-**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**649 473**	**61 626**	**711 099**
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**519 645**	**107 879**	**627 524**

19. Inventories

	As at 30 September 2014 *(unaudited)*	As at 31 December 2013
Historical cost		
Raw materials	296 614	337 940
Semi-finished goods and work-in-progress	145 320	117 257
Finished goods	105 038	18 509
Goods for resale	1 037	1 479
Energy certificates	7 486	84 800
Greenhouse gas emission allowances	1 621	-
Total	**557 116**	**559 985**
Write-downs to net realizable value		
Raw materials	(10 167)	(4 829)
Finished goods	(200)	(169)
Goods for resale	(10)	-
Energy certificates	-	(45 763)
Total	**(10 377)**	**(50 761)**
Net realizable value		
Raw materials	286 447	333 111
Semi-finished goods and work-in-progress	145 320	117 257
Finished goods	104 838	18 340
Goods for resale	1 027	1 479
Energy certificates	7 486	39 037
Greenhouse gas emission allowances	1 621	-
Total	**546 739**	**509 224**

In the 9-month period ended 30 September 2014, the Group used write-downs on inventories of PLN 45 763 thousand recognized in 2013 for certificates of energy generated in cogeneration fuelled with gaseous fuels and from other cogeneration, received before the amended Energy Law of 14 March 2014 came into force.

The write-downs were utilized because, in accordance with Article 5.2 of the Act in question, companies in the Group cannot surrender the certificates, what is more, the certificates are no longer admitted for trading on the Polish Power Exchange, hence they will not bring any economic benefits to the Group.

20. Trade and other receivables

Short-term trade and other receivables as at 30 September 2014 and 31 December 2013 have been presented in the table below.

(in PLN '000)

	As at 30 September 2014 *(unaudited)*	As at 31 December 2013
Trade receivables	1 688 220	1 862 717
Loans granted	5 863	-
Other financial receivables, of which:	285 640	271 924
Receivables from sales of fixed and intangible assets	126	8 355
Receivables claimed at court	20 409	20 342
Other receivables	265 105	243 227
Total	**1 979 723**	**2 134 641**

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 2014 the Group did not disclose any non-current trade receivables, while other non-current receivables amounted to PLN 29 792 thousand.

As at 31 December 2013 non-current trade receivables amounted to PLN 434 thousand, while other receivables to PLN 20 313 thousand.

Current trade and other receivables with related allowance as at 30 September 2014 and 31 December 2013 have been presented in the tables below.

Trade and other receivables as at 30 September 2014 (*unaudited*)

	Trade receivables	Loans granted	Other financial receivables	Total
Accounts receivable (without allowance for doubtful debt)	1 762 218	5 863	495 239	**2 263 320**
Alowance for doubtful debt	(73 998)	-	(209 599)	**(283 597)**
Net value	**1 688 220**	**5 863**	**285 640**	**1 979 723**

Trade and other receivables as at 31 December 2013

	Trade receivables	Other financial receivables	Total
Accounts receivable (without allowance for doubtful debt)	1 966 860	441 280	**2 408 140**
Alowance for doubtful debt	(104 143)	(169 356)	**(273 499)**
Net value	**1 862 717**	**271 924**	**2 134 641**

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.

21. 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, 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:

(in PLN '000)

	As at 30 September 2014 *(unaudited)*	As at 31 December 2013
Cash at bank and in hand	189 479	153 103
Short-term deposits (up to 3 months)	113 139	482 206
Other	897	1 600
Total cash and cash equivalents presented in the statement of financial position, *of which*:	**303 515**	**636 909**
restricted cash	113 077	121 129
Bank overdraft	(13 206)	(93 645)
Foreign exchange and other differences	(1 428)	(2 116)
Total cash and cash equivalents presented in the statement of cash flows	**288 881**	**541 148**

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

Balance of restricted cash includes mainly cash on the accounts used for settling electricity trading and emission allowances on the Polish Power Exchange, i.e. Towarowa Giełda Energii S.A., of PLN 33 187 thousand held by the Parent and cash on a bank account for bid bonds of PLN 65 556 thousand as at 30 September 2014.

22. Equity

22.1. Issued capital

Issued capital as at 30 September 2014 *(unaudited)*

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

As at 30 September 2014, the value of issued capital, the number of shares and the par value of shares did not change compared to 31 December 2013.

Shareholding structure as at 30 September 2014 (*unaudited, to the best of the Company's knowledge*)

Shareholder	Number of shares	Value of shares	Percentage of share capital	Percentage of total vote
State Treasury	526 848 384	2 634 242	30.06%	30.06%
KGHM Polska 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 2014 has not changed since 31 December 2013.

22.2. Reserve capital

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

(in PLN '000)

22.3. Revaluation reserve from valuation of hedging instruments

	9-month period ended 30 September 2014 *(unaudited)*	9-month period ended 30 September 2013 *(unaudited)*
Opening balance	**(126 651)**	**(153 703)**
Remeasurement of hedging instruments	(57 127)	22 483
Remeasurement of hedging instruments charged to profit or loss for the period	18 651	21 390
Deferred income tax	7 310	(8 336)
Closing balance	**(157 817)**	**(118 166)**

The revaluation reserve from measurement of hedging instruments results from valuation of Interest Rate Swaps (IRS) hedging the interest rate risk arising from bonds issued. As at 30 September 2014, the Group was a party to hedging transactions covered by the policy for specific risk management in the area of finance. Pursuant to a decision of the Financial Risk Management Committee of 30 January 2012, in March 2012 the Parent hedged the interest rate risk arising from bonds issued under the Bond Issue Scheme, 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.

As at 30 September 2014, the Company recognized PLN (157 817) thousand in revaluation reserve from valuation of hedging instruments. It represents a liability arising from measurement of interest rate swaps as at the end of the reporting period, totaling PLN 216 890 thousand, adjusted by a portion of measurement relating to interest accrued on bonds as at the end of the reporting period, including deferred tax.

The profit/loss for the period was charged with PLN 55 969 thousand, where PLN 37 318 thousand was the amount paid in respect of hedges used in relation to closed interest periods and PLN 18 651 thousand resulted from remeasurement of instruments related to interest on bonds accrued as at the end of the reporting period. The aforementioned costs of IRS hedging transactions increased financial expenses arising from interest on bonds issued in the statement of comprehensive income.

22.4. 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 1 048 701 thousand;
- actuarial gains/losses on provisions for post-employment benefits charged to other comprehensive income of PLN 13 689 thousand;
- allocation of the Company's profit for 2013 to increase the reserve capital by PLN 1 355 987 thousand and dividend payment of PLN 332 984 thousand;
- PLN 76 938 thousand due to settlement of acquisition of non-controlling interests;
- PLN 5 194 thousand due to settlement of mandatory squeeze-out;
- PLN (811) thousand due to movement in non-controlling interest as a result of a separation of a subsidiary.

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

(in PLN '000)

23. Interest-bearing loans and borrowings

	As at 30 September 2014 *(unaudited)*	As at 31 December 2013
Loans and borrowings	1 318 816	1 484 643
Bonds issued	5 245 353	4 300 522
Total	**6 564 169**	**5 785 165**
Current	**380 334**	**284 633**
Non-current	**6 183 835**	**5 500 532**

23.1. Loans and borrowings

The balance of loans and borrowings received as at 30 September 2014 and 31 December 2013 has been presented in tables below.

Loans and borrowings taken out as at 30 September 2014 *(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	66 454	66 454	11 057	6 085	7 632	7 368	13 722	20 590
	fixed	1 225 411	1 225 411	50 964	81 910	132 734	132 734	265 468	561 601
Total PLN		**1 291 865**	**1 291 865**	**62 021**	**87 995**	**140 366**	**140 102**	**279 190**	**582 191**
EUR	floating	3 313	13 834	13 834	-	-	-	-	-
Total EUR		**3 313**	**13 834**	**13 834**	**-**	**-**	**-**	**-**	**-**
Total			**1 305 699**	**75 855**	**87 995**	**140 366**	**140 102**	**279 190**	**582 191**
Interest increasing carrying amount			13 117						
Total loans and borrowings			**1 318 816**						

Loans and borrowings taken out as at 31 December 2013

Currency	Interest rate	Value of loans as at the balance sheet date		of which 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	183 124	183 124	103 249	24 622	7 763	7 532	14 642	25 316
	fixed	1 286 650	1 286 650	-	132 831	132 724	132 724	265 448	622 923
Total PLN		**1 469 774**	**1 469 774**	**103 249**	**157 453**	**140 487**	**140 256**	**280 090**	**648 239**
EUR	floating	636	2 639	725	1 914	-	-	-	-
	fixed	1 216	5 043	5 043	-	-	-	-	-
Total EUR		**1 852**	**7 682**	**5 768**	**1 914**	**-**	**-**	**-**	**-**
Total			**1 477 456**	**109 017**	**159 367**	**140 487**	**140 256**	**280 090**	**648 239**
Interest increasing carrying amount			7 187						
Total loans and borrowings			**1 484 643**						

Change in the balance of loans and borrowings excluding interest accrued in the 9-month period ended 30 September 2014 and in the comparable period has been presented below.

(in PLN '000)

	9-month period ended 30 September 2014 *(unaudited)*	9-month period ended 30 September 2013 *(unaudited)*
Opening balance	**1 477 456**	**1 205 637**
Movement in bank overdrafts	**(80 439)**	**(106 370)**
Movement in loans and borrowings (excluding bank overdrafts):	**(91 318)**	**400 245**
Taken out	-	451 693
Repaid	(91 078)	(49 787)
Change in valuation	(240)	(1 661)
Closing balance	**1 305 699**	**1 499 512**

As at 30 September 2014 the Group's liabilities arising from received loans and borrowings amounted to PLN 1 318 816 thousand and resulted mainly from:

- loans of PLN 1 238 491 thousand obtained from the European Investment Bank, including interest accrued of PLN 13 081 thousand (PLN 1 293 749 thousand as at 31 December 2013);
- overdraft of PLN 13 206 thousand (PLN 93 645 thousand as at 31 December 2013);
- loans and borrowings taken by the Group companies for investment or refunding purposes, including:

  - loan taken out by TAURON Dystrybucja S.A. to refinance capital expenditure incurred from 2008 to 2009, the outstanding amount of which was PLN 4 467 thousand as at the end of the reporting period (PLN 24 524 thousand as at 31 December 2013);

  - 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 33 000 thousand (PLN 36 000 thousand as at 31 December 2013);

  - 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 22 413 thousand (PLN 24 290 thousand as at 31 December 2013).

Concluding a credit facility agreement with the European Investment Bank

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

23.2. 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 2014 and 31 December 2013.

(in PLN '000)

Bonds issued as at 30 September 2014 *(unaudited)*

Tranche	Redemption date	Currrency	As at 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
A	29 December 2015	PLN	7 864	847 480	-	-	847 480	-	-	-
B	12 December 2015	PLN	3 294	299 642	-	-	299 642	-	-	-
B	30 January 2015	PLN	929	150 000	-	150 000	-	-	-	-
C	12 December 2016	PLN	32 935	2 996 868	-	-	-	2 996 868	-	-
BGK*	20 December 2019	PLN	1 171	99 787	-	-	-	-	-	99 787
BGK*	20 December 2020	PLN	1 171	99 783	-	-	-	-	-	99 783
BGK*	20 December 2021	PLN	1 171	99 781	-	-	-	-	-	99 781
BGK*	20 December 2022	PLN	1 171	99 778	-	-	-	-	-	99 778
BGK*	20 December 2023	PLN	1 171	99 776	-	-	-	-	-	99 776
BGK*	20 December 2024	PLN	1 171	99 777	-	-	-	-	-	99 777
BGK*	20 December 2025	PLN	1 171	99 776	-	-	-	-	-	99 776
BGK*	20 December 2026	PLN	74	99 769	-	-	-	-	-	99 769
BGK*	20 December 2027	PLN	74	99 769	-	-	-	-	-	99 769
Total bonds			**53 367**	**5 191 986**	**-**	**150 000**	**1 147 122**	**2 996 868**	**-**	**897 996**

* Bank Gospodarstwa Krajowego

Bonds issued as at 31 December 2013

Tranche	Redemption date	Currrency	As at 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
A	29 December 2015	PLN	252	847 060	-	-	847 060	-	-	-
B	12 December 2015	PLN	592	299 426	-	-	299 426	-	-	-
B	30 January 2015	PLN	2 300	150 000	-	-	150 000	-	-	-
C	12 December 2016	PLN	5 918	2 994 974	-	-	-	2 994 974	-	-
Total bonds			**9 062**	**4 291 460**	**-**	**-**	**1 296 486**	**2 994 974**	**-**	**-**

The bonds presented above were issued by the Parent. Bonds were issued in a dematerialized form. These are unsecured coupon bonds with a floating interest rate plus a fixed margin. Interest is WIBOR 6M-based and is payable on a semi-annual basis.

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

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

Pursuant to the agreement concluded in 2013 with Bank Gospodarstwa Krajowego in the 9-month period ended 30 September 2014 the Company issued bonds with the total par value of PLN 900 000 thousand, with redemption dates falling annually, from 20 December 2019 to 20 December 2027 in equal portions of PLN 100 000 thousand.

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

After the balance sheet date the Company issued bonds for the amount of PLN 1 750 000 thousand, as discussed in detail in note 37 to these condensed interim consolidated financial statements.

The Company hedges a portion of interest cash flows related to issued bonds - Tranche C and a portion of Tranche A, by entering into interest rate swap (IRS) contracts, as presented in detail in Note 22.3 to these condensed interim consolidated financial statements.

(in PLN '000)

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

24. Provisions for employee benefits

	As at 30 September 2014 *(unaudited)*	As at 31 December 2013
Provision for post-employment benefits and jubilee bonuses	1 599 176	1 605 629
Provision for employment termination benefits	31 039	54 553
Total	**1 630 215**	**1 660 182**
Current	**132 840**	**162 368**
Non-current	**1 497 375**	**1 497 814**

24.1. Provisions for post-employment benefits and jubilee bonuses

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

For the 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**

Past service costs of PLN 8 699 thousand result from a decrease in post-employment benefits due to employees transferred from TAURON Wytwarzanie S.A. to TAURON Ciepło S.A. (currently: TAURON Ciepło Sp. z o.o.) as a result of the separation of Zespół Elektrociepłowni Bielsko-Biała, as presented in detail in Note 27 to these condensed interim consolidated financial statements. The conditions of schemes applicable to the employees in question have changed. Until 30 June 2016 the Company Collective Labor Agreement of TAURON Wytwarzanie S.A. will apply to the employees transferred. From 1 July 2016 the employees will be covered by the Company Collective Labor Agreement in force in TAURON Ciepło Sp. z o.o.

Benefits paid out in the 9-month period ended 30 September 2014 included PLN 4 612 thousand of benefits paid to employees covered by voluntary redundancy schemes (in the 9-month period ended 30 September 2013 it was PLN 5 395 thousand).

(in PLN '000)

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

	Provision for retirement, disability and similar benefits	Employee electricity rates	Social Fund	Provision for coal allowances	Jubilee bonuses	Provisions, total
Opening balance	**260 356**	**595 579**	**135 766**	**56 735**	**579 547**	**1 627 983**
Adjustments	10 366	2 147	458	-	14 813	**27 784**
Opening balance after adjustments	**270 722**	**597 726**	**136 224**	**56 735**	**594 360**	**1 655 767**
Current service costs	3 896	3 683	1 212	876	25 521	**35 188**
Actuarial gains and losses	(6 067)	(6 874)	(952)	(153)	4 466	**(9 580)**
Benefits paid	(13 667)	(11 629)	(2 445)	(1 071)	(46 611)	**(75 423)**
Past service costs	(870)	(2 977)	(663)	-	(2 711)	**(7 221)**
Interest expense	7 493	17 822	4 055	1 695	16 660	**47 725**
Other movements	1 414	(561)	(120)	-	(1 513)	**(780)**
Closing balance	**262 921**	**597 190**	**137 311**	**58 082**	**590 172**	**1 645 676**
Current	**19 752**	**25 237**	**4 766**	**1 955**	**55 227**	**106 937**
Non-current	**243 169**	**571 953**	**132 545**	**56 127**	**534 945**	**1 538 739**

The opening balance adjustment results from the change in the presentation of a portion of actuarial provision related to employees covered with voluntary redundancy schemes, which used to be presented in provisions for employment termination benefits, while at present it is presented in provisions for post-employment benefits and jubilee bonuses.

24.2. Provisions for employment termination benefits

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

	Voluntary redundancy schemes in operating segments				Total
	Generation	Distribution	Heat	Customer service	
Opening balance	**28 109**	**17 584**	**678**	**8 182**	**54 553**
Recognition	703	-	1 168	-	**1 871**
Reversal	-	-	-	(3 230)	**(3 230)**
Utilisation	(13 486)	(5 095)	(1 208)	(2 366)	**(22 155)**
Closing balance	**15 326**	**12 489**	**638**	**2 586**	**31 039**
Current	**4 517**	**12 489**	**638**	**2 586**	**20 230**
Non-current	**10 809**	**-**	**-**	**-**	**10 809**

In the 9-month period ended 30 September 2014 the Group followed the voluntary redundancy schemes ("VRS") launched in the preceding periods and discussed in detail in the consolidated financial statements of the Group for the year ended 31 December 2013.

In the 9-month period ended 30 September 2014 the companies utilized the provisions and paid out benefits from provisions recognized as at 31 December 2013. A provision of PLN 3 230 thousand was reversed in the Customer Service segment. The profit/loss of the Group was charged with costs of recognizing provisions in question (PLN 1 871 thousand). Additionally, costs of benefits paid under the VRS were charged directly to the profit of the Group in the following segments:

- Generation – PLN 7 406 thousand;
- Distribution – PLN 1 249 thousand;
- Heat – PLN 225 thousand.

(in PLN '000)

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

	Voluntary redundancy schemes in operating segments			Total
	Generation	Distribution	Customer service	
Opening balance	**75 180**	**23 211**	**9 549**	**107 940**
Adjustments	(27 784)	-	-	**(27 784)**
Opening balance after adjustments	**47 396**	**23 211**	**9 549**	**80 156**
Recognition	2 022	14 370	-	**16 392**
Utilisation	(17 681)	(10 055)	(1 102)	**(28 838)**
Closing balance	**31 737**	**27 526**	**8 447**	**67 710**
Current	**27 923**	**27 526**	**5 251**	**60 700**
Non-current	**3 814**	**-**	**3 196**	**7 010**

25. Other provisions

25.1. Changes in provisions

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	-	1 158	-	-	-	-	**1 158**
Recognition	28 006	500	2 766	47 427	680 170	21 742	**780 611**
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**

For the 9-month period ended 30 September 2013 *(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	**74 899**	**26 070**	**68 070**	**62 921**	**873 976**	**79 623**	**1 185 559**
Discount rate adjustment	-	846	-	-	-	-	**846**
Recognition	10 742	471	2 172	155 443	681 343	5 301	**855 472**
Reversal	(6 092)	-	-	-	(7 415)	(3 254)	**(16 761)**
Utilisation	(1 078)	-	-	(73 259)	(842 828)	(12 080)	**(929 245)**
Other movements	60	-	-	-	-	(3)	**57**
Closing balance	**78 531**	**27 387**	**70 242**	**145 105**	**705 076**	**69 587**	**1 095 928**
Current	**78 148**	**-**	**12 815**	**145 105**	**705 076**	**69 172**	**1 010 316**
Non-current	**383**	**27 387**	**57 427**	**-**	**-**	**415**	**85 612**

25.2. Description of significant provision items

In the 9-month period ended 30 September 2014 there were no significant changes in provision items, except for those presented below and in Note 7 concerning the estimation of provisions for gas emission liabilities.

25.2.1 Provision for use of real estate without contract

The Group companies recognize provisions for all claims filed by the owners of the real property 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 2014, the relevant provision amounted to PLN 98 890 thousand (as at 31 December 2013 it was PLN 104 827 thousand).

(in PLN '000)

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

25.2.2 Provision for restoration of land and dismantling and removal of fixed assets

In the 9-month period ended 30 September 2014 the provision for reclamation of piles located in the property of Elektrownia Halemba of PLN 12 791 thousand was derecognized due to the sale of the entity.

25.2.3 Provision for the obligation to submit 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 2014, the Group fulfilled its obligation to surrender energy certificates for 2013, and PLN 895 654 thousand of the provision recognized was utilized. The Group also complied with the obligation for 2014, which resulted in the utilization of the provision in the amount of PLN 3 437 thousand. As at 30 September 2014, the provision recognized for the obligation to surrender energy certificates amounted to PLN 683 874 thousand and was related to the obligation for 2014.

25.2.4 Provision for counterparty claims, court disputes and other provisions

Provision for claims of ArcelorMittal Poland S.A.

In the 9-month period ended 30 September 2014 the provision for claims of ArcelorMittal Poland S.A. in the amount of PLN 7 200 thousand was reversed as the claims were barred by statute of limitations.

Provision for litigation with IPW Polin Sp. z o.o.

In the 9-month period ended 30 September 2014 the Company recognized a provision of PLN 9 084 thousand for litigation with IPW Polin Sp. z o.o. The dispute concerns financial settlement of economic benefits due to application of technology covered by invention proposal.

26. Accruals

26.1. Deferred income and government grants

	As at 30 September 2014 *(unaudited)*	As at 31 December 2013
Deferred income, ***of which:***	**371 687**	**392 861**
Donations, fixed assets received free-of-charge	95 911	104 771
Non-government subsidies	28	250
Subsidies received for the purchase of fixed assets	1 619	1 840
Connection fees	268 497	285 327
Other	5 632	673
Government grants, ***of which:***	**360 013**	**330 824**
Subsidies obtained from EU funds	256 186	219 452
Forgiven loans from environmental funds	8 898	9 400
Measurement of preferential loans	41 622	42 954
Other	53 307	59 018
Total, ***of which*** **:**	**731 700**	**723 685**
Non-current	**670 383**	**668 487**
Current	**61 317**	**55 198**

Other settlements of government grants include mostly government grants to greenfield investments in hard coal mines of PLN 23 770 thousand received by TAURON Wydobycie S.A.

(in PLN '000)

26.2. Short-term accruals

	As at 30 September 2014 *(unaudited)*	As at 31 December 2013
Unused holidays	35 947	41 451
Bonuses	211 832	133 125
Environmental protection charges	27 477	2 245
Other	4 046	7 620
Total	**279 302**	**184 441**

27. Acquisition of non-controlling interest and organizational changes

Purchase of shares in TAURON Wydobycie S.A.

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

The total acquisition price was PLN 310 000 thousand. PLN 232 500 thousand was paid on the day of concluding the agreement, while PLN 77 500 thousand – on 22 January 2014 after the conditions precedent for transferring the ownership of shares in TAURON Wydobycie S.A. were fulfilled. In the same day the title to shares in TAURON Wydobycie S.A. held by Kompania Węglowa S.A. was transferred onto the Company.

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

As a result of the transaction, non-controlling interest decreased by PLN 382 545 thousand, while retained earnings grew by PLN 72 545 thousand.

The Company's purchase of the remaining shares in TAURON Wydobycie S.A. and in Kopalnia Wapienia Czatkowice Sp. z o.o.

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

The event presented above has not affected the condensed interim consolidated financial statements.

Separation of TAURON Wytwarzanie S.A.

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

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

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

Consequently, the non-controlling interest increased by PLN 811 thousand and retained earnings dropped by the same amount.

Business combination under common control of TAURON Ekoenergia Sp. z o.o., MEGAWAT MARSZEWO Sp. z o.o. and BELS INVESTMENT Sp. z o.o.

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

The business combination was carried out under Article 492.1.1 of the Code of Commercial Companies through the transfer of the acquirees' all assets onto the acquirer.

The business combination has not affected the condensed interim consolidated financial statements.

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

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

The business combination has not affected the condensed interim consolidated financial statements.

Acquisition of non-controlling interest in TAURON Ciepło S.A. and in TAURON Wytwarzanie S.A.

Following mandatory squeeze out (mandatory acquisition) of minority shareholders of TAURON Ciepło S.A. (before a business combination with Enpower Service Sp. z o.o.) and TAURON Wytwarzanie S.A. - TAURON Polska Energia S.A. became the sole shareholder of the entities in question.

The squeeze out of minority shareholders caused a decrease in the value of non-controlling interest by PLN 25 051 thousand and an increase in retained earnings by PLN 4 393 thousand.

Dissolving and liquidating a subsidiary Polska Energia Pierwsza Kompania Handlowa Sp. z o.o.

On 2 July 2014, the Extraordinary Shareholders Meeting of Polska Energia Pierwsza Kompania Handlowa Sp. z o.o. had adopted a resolution to dissolve and liquidate the company, as discussed in detail in Note 37 hereto.

Mandatory squeeze-out

As a result of the squeeze-outs of treasury shares for redemption purposes continued in the TAURON Group, the value of non-controlling interest in TAURON Wytwarzanie S.A., TAURON Dystrybucja S.A. and TAURON Ciepło S.A. decreased by PLN 32 465 thousand, while retained earnings increased by PLN 5 194 thousand.

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

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

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

- obtaining an unconditional consent for concentration of the President of the Polish Office for Competition and Consumer Protection (UOKiK) and an unconditional consent of the Czech Office for Competition Protection or ineffective expiration of the deadline by which such a decision should be issued;
- obtaining at least one bank offer for project financing which would enable starting project financing by the end of 2014;
- satisfactory results of financial due diligence.

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

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

28. Contingent liabilities

Administrative proceedings instigated by the President of the Energy Regulatory Office (ERO)

The President of the Energy Regulatory Office instigated administrative proceedings with respect to imposing a financial penalty on Vattenfall Sales Poland Sp. z o.o. (currently: TAURON Sprzedaż GZE Sp. z o.o.) under Article 56.1.5 of the Energy Law, based on the allegation that, in 2008 – 2011, the company used prices and tariffs which had not been submitted for the required approval. The company is of the opinion that it did not breach any law in this respect. In order to avoid being charged with a direct allegation of failing to fulfil the request of the President of Energy Regulatory Office and thus falling under the provisions of the Energy Law, the company, at the request of the President of ERO, submitted electricity tariffs for the years 2008 – 2011 for approval, although it was in fact exempt from the requirement to submit electricity tariffs (exemption based on the decision of the President of ERO dated 28 June 2001). However, the applications for the years 2008, 2009 and 2011 were not approved, and the proceedings for the approval of the electricity tariff for 2010 were cancelled based on the Decision of the President of ERO.

On 19 March 2010 the President of ERO issued a decision cancelling the waiver of the obligation to file electricity tariffs for approval, which had been granted to Vattenfall Sales Poland Sp. z o.o. (currently: TAURON Sprzedaż GZE Sp. z o.o.) by the President of ERO on 28 June 2001. The company appealed against the decision to the Regional Court of Competition and Consumer Protection in Warsaw. On 9 December 2011 the Court of Competition and Consumer Protection cancelled the decision of the President of ERO. On 20 September 2012, the Court of Appeals in Warsaw passed a judgment concerning the appeal of the Energy Regulatory Office with respect to the judgment of the Court of Competition and Consumer Protection cancelling the waiver from the obligation to submit electricity tariffs for the G tariff group granted to TAURON Sprzedaż GZE Sp. z o.o. The Court dismissed the appeal of ERO. On 1 March 2013 the President of ERO filed a cassation appeal to the Supreme Court. On 5 December 2013 the Supreme Court issued a decision refusing the cassation appeal of the President of ERO, which means the final closing of the proceedings. Nonetheless, the President of ERO is entitled to appeal against the decision of the Supreme Court.

On 2 April 2014 the President of ERO notified TAURON Sprzedaż Sp. z o.o. of the instigation of administrative proceedings ex officio related to fining TAURON Sprzedaż Sp. z o.o. for its failure to meet obligations stipulated in Article 9a.6 of the Energy Law. The case is pending. As producers filed a suit against the company with a common court of law, a request to suspend the proceedings has been submitted.

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) and to take steps preventing continued existence of the alleged violations. The Office for Competition and Consumer Protection accepted the application, hence TAURON Sprzedaż Sp. z o.o. presented suggested solution with deadlines and an action plan aimed at preventing continued existence of the alleged violations. On 16 April 2013 the President of the Office for Competition and Consumer Protection, Branch in Wrocław, issued a decision requesting the company to discontinue the activities. The company has followed the provisions of the Decision. As at the date of preparing these 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 (UOKiK), 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. On 2 October 2014 TAURON Sprzedaż Sp. z o.o. received a request to provide additional documents and explanations related to the pending proceedings. At present, no provision has been recognized for the event.

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

- In its letter dated 23 April 2013 UOKiK instigated proceedings against TAURON Sprzedaż Sp. z o.o. and TAURON Sprzedaż GZE Sp. z o.o., the objective of which was to determine whether the Act on competition and consumer protection was breached in reservation agreements for the sale of electricity, including restricted financial covenants. The companies provided requested documents and responded to statements included in the letter of UOKiK. In January and February 2014 they received subsequent letters requesting further explanations with this regard. The companies provided more requested documents and further explanations.
- 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 of 16 February 2007 on competition and consumer protection (Journal of Laws of 2007, No. 50, item 331, as amended). Explanatory proceedings were aimed at preliminary determination if the Act in question has been breached, which would justify initiating antimonopoly proceedings. In particular, the proceedings were to decide whether the case is of antimonopoly nature and if the breach has occurred which would justify instigation of proceedings to prohibit applying practices violating collective consumers' interests. The company provided all documents requested and commented on statements included in the letter from UOKiK.
- In its letter dated 10 July 2013 UOKiK notified TAURON Sprzedaż Sp. z o.o. of the instigation of the explanatory proceedings with respect to determination whether the actions of the company related to concluding agreements for sale of electricity under the "Fixed Price Guaranteed" product offer through the call center were in breach of the Act of 16 February 2007 on competition and consumer protection (Journal of Laws of 2007, No. 50, item 331, as amended). The company provided all documents requested and commented on statements included in the letter from UOKiK. On 16 December 2013 the company received a request regarding further information with this respect. In response to the letter, on 30 December 2013 it provided further information as requested. In April 2014 and in August 2014 the Company received more letters from UOKiK requesting further information. TAURON Sprzedaż Sp. z o.o. provided further information requested by UOKiK related to the pending proceedings.
- 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 determination whether the actions of the company related to obtaining consumers' consents to process their personal data regarding products called "Bezpieczny", "Eko" and "EkoOszczędny" with an option of electricity price reduction were in breach of collective interests of the consumers and therefore of the Act of 16 February 2007 on competition and consumer protection (Journal of Laws of 2007, No. 50, item 331 as amended). The company provided all documents requested and commented on statements included in the letter.
- In its letter dated 26 September 2013, UOKiK notified TAURON Sprzedaż GZE Sp. z o.o. of the instigation of explanatory proceedings aimed at preliminary determination whether the actions of the company related to imposition of fines for early termination of agreements for sale of electricity were in breach of the Act on competition and consumer protection. In response, the company provided information requested by the President of UOKiK in the proceedings.
- 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 determining if the implementation of the system used to settle payments from electricity buyers could contradict the provisions of the Act of 16 February 2007 on competition and consumer protection (Journal of Laws of 2007, No. 50, item 331, as amended). Consequently, the company provided all documents requested and commented on statements included in the letter.

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.

Non-contractual use of real property

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

Claims filed by Huta Łaziska

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").

(in PLN '000)

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

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

Due to discontinuation of electricity supplies, Huta has raised a claim against GZE for damages amounting to PLN 182 060 thousand. Currently, an action is pending under Huta's suit of 12 March 2007 against GZE and the State Treasury represented by the President of ERO for the payment of PLN 182 060 thousand together with interest from the date of filing the suit to the date of payment, in respect of damages for alleged losses resulting from GZE's failure to comply with the decision of the President of the Energy Regulatory Office dated 12 October 2001. In this case, the courts of the first and second instance passed judgments favorable for GZE; however, in its judgment of 29 December 2011 the Supreme Court overruled the judgment of the Court of Appeals and remanded the case for re-examination by that Court. On 5 June 2012, the Court of Appeals overruled the judgment of the Regional Court and remanded the case for reexamination by the latter. The first hearing before the first instance court was held on 27 November 2012. The most recent court hearing was held on 12 May 2014 and the date of the next hearing has not been determined yet.

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

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 2013.

29. Collateral against liabilities

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

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

Carrying amount of assets pledged as collateral against liabilities

	As at 30 September 2014 *(unaudited)*	As at 31 December 2013
Real estate	99 500	232 851
Plant and equipment	43 583	46 291
Motor vehicles	66	450
Cash	12 818	5 121
Total assets pledged as security for liabilities	**155 967**	**284 713**

The entire loan collateralized with a mortgage on real property was repaid on 31 December 2013, therefore the collateral in the form of a mortgage on real property of PLN 130 000 thousand was released in the 9-month period ended 30 September 2014.

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 2014 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 Tranches A and B;

- up to PLN 6 900 000 thousand, valid until 31 December 2018 – as regards Tranches C, D and E.

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

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

With a view to collateralizing a framework bank guarantee agreement with PKO Bank Polski S.A., TAURON Polska Energia S.A. submitted a declaration of submission to enforcement up to PLN 125 000 thousand, with the maximum validity term until 31 December 2017. Additionally, the agreement has been collateralized by an authorization to debit the bank account maintained by PKO Bank Polski S.A. As at 30 September 2014, the maximum amount of the agreed guarantee limit was PLN 100 000 thousand. The agreement is valid until 31 December 2016.

Under the agreement and at the request of the Company as at 30 September 2014 PKO Bank Polski S.A. extended bank guarantees in order to collateralize liabilities of the subsidiaries of TAURON Polska Energia S.A. totaling PLN 2 608 thousand and to collateralize transactions entered into by the Company: a guarantee for CAO Central Allocation Office GmbH up to EUR 1 000 thousand (PLN 4 176 thousand) valid until 3 February 2015.

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

In May 2013, the Company signed an agreement on a bank guarantee limit up to PLN 150 000 thousand with Bank Zachodni WBK S.A., with Izba Rozliczeniowa Giełd Towarowych S.A. as the beneficiary. The agreement has been collateralized with a declaration of submission to enforcement up to the amount of PLN 187 500 thousand valid until 6 May 2017.

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

Overdraft facility agreements

As at 30 September 2014, overdraft facility agreements were collateralized by TAURON Polska Energia S.A. with authorizations to debit bank accounts:

- up to PLN 300 000 thousand – facility provided by Polska Kasa Opieki S.A. (cash pool financing);
- up to EUR 25 000 thousand (PLN 104 388 thousand) – facility provided by NORDEA Bank Polska S.A.

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

- overdraft facility granted by Polska Kasa Opieki S.A. up to PLN 360 000 thousand maturing on 31 December 2017;
- overdraft facility granted by NORDEA Bank Polska S.A. up to EUR 31 250 thousand (PLN 130 484 thousand) maturing on 31 December 2018.

Other forms of collateral regarding Group's liabilities

As at 30 September 2014, other material forms of collateral regarding liabilities of the TAURON Capital 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 2014); The companies have provided declarations of submission to enforcement as collateral for the loans in question;
- Loans taken out by TAURON Dystrybucja S.A. were secured by providing declarations of submission to enforcement and granting authorizations to debit the borrowers' bank accounts up to the outstanding amount of the principal, interest and other amounts due to the bank – a total of PLN 4 467 thousand as at 30 September 2014;
- In order to secure due 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 2014);
- Blank promissory notes issued by TAURON Ciepło Sp. z o.o. in the total amount of PLN 61 896 thousand collateralizing due performance of obligations arising from funding agreements concluded with the National Fund for Environmental Protection and Water Management in Warsaw;

(in PLN '000)

- Blank promissory notes issued by TAURON Wytwarzanie S.A. with a view to collateralizing agreements for connecting to the industrial network and agreements for partial loan cancelling concluded with the National Fund for Environmental Protection and Water Management (totaling to PLN 61 904 thousand as at 30 September 2014);
- TAURON Ciepło Sp. z o.o. issued a blank promissory note for an 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 property, 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 33 457 thousand as at 30 September 2014. The agreement is collateralized by two blank promissory notes, assignment of receivables and authorization to debit a bank account. As at 30 September 2014, the lease liability amounted to PLN 33 874 thousand.
- In order to collateralize the Company's transactions on the Polish Power Exchange, a subsidiary, TAURON Wytwarzanie S.A., has given a surety to Izba Rozliczeniowa Giełd Towarowych S.A. (IRGIT) for the liabilities of TAURON Polska Energia S.A. on the Polish Power Exchange up to PLN 45 000 thousand and collateral in the form of a freeze on EUA emission allowances in the KRUE Register, held by TAURON Wytwarzanie S.A. (8 739 thousand tons) has been provided. The surety expired on 31 March 2014. Currently, the Company's transactions concluded on the Polish Power Exchange are collateralized with EUA emission allowances for 6 600 thousand tons on the account of TAURON Polska Energia S.A. kept by the Register of Allowances pursuant to the Alienation Agreement concluded by IRGIT and the Company. Similarly, transactions concluded on the Polish Power Exchange by TAURON Wytwarzanie S.A. are collateralized with EUA emission allowances for 12 821 thousand tons on the account of TAURON Wytwarzanie S.A. kept by the Register of Allowances (since 6 October 2014).

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

30. Capital commitments

As at 30 September 2014 and 31 December 2013 the Group committed to incur expenditure on property, plant and equipment of PLN 6 652 462 thousand and PLN 2 326 470 thousand, respectively, with the key items presented below:

Operating segment	Agreement/investment project	As at 30 September 2014 *(unaudited)*	As at 31 December 2013
Generation	Construction of a power-generating unit with the capacity of 910 MW for supercritical parameters in Jaworzno III Power Plant	4 399 038	-
	Adjusting a boiler in Jaworzno III Power Plant to reduce the greenhouse gas emissions	74 213	100 759
Heat	Constructing new cogeneration capacity in Tychy Heat and Power Plant	425 060	503 625
	Construction of 50 MWE turbo generator	71 591	98 150
Mining	Construction of a shaft inlet and developing infrastructure in Janina shaft	73 683	89 491

31. Related party disclosures

31.1. Transactions with jointly-controlled entities

The Group has two jointly controlled entities: Elektrociepłownia Stalowa Wola S.A. and Elektrownia Blachownia Nowa Sp. z o.o., which have been presented in detail in Note 17 hereto.

31.2. 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 2014 *(unaudited)*	9-month period ended 30 September 2013 *(unaudited)*
Revenue	1 947 001	1 560 729
Costs*	(1 902 145)	(2 093 260)

* *includes costs recognized in the statement of comprehensive income*

Receivables and liabilities

	As at 30 September 2014 *(unaudited)*	As at 31 December 2013
Receivables	272 139	227 363
Payables	279 162	365 673

Among the State Treasury companies 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 in the 9-month period ended 30 September 2014. Total sales to these counterparties 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.

Among the State Treasury companies 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 in the 9-month period ended 30 September 2013. Total sales to these counterparties accounted for 73% of revenue from transactions with State Treasury companies. The largest purchase transactions were concluded by the Group with PSE S.A., Kompania Węglowa S.A. and Polska Grupa Energetyczna S.A. Purchases from these counterparties accounted for 79% of the value of purchases from State Treasury companies during the 9-month period ended 30 September 2013.

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.

31.3. 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 2014 and in the comparative period has been presented in the table below.

	9-month period ended 30 September 2014 *(unaudited)*		9-month period ended 30 September 2013 *(unaudited)*	
	Parent	Subsidiaries	Parent	Subsidiaries
Board of Directors	**7 322**	**17 739**	**6 185**	**20 787**
Short-term employee benefits (salaries and surcharges)	5 296	17 310	5 573	19 862
Post-service benefits for a Member of the Management Board	1 123	-	-	-
Post-employment benefits	-	-	-	505
Employment termination benefits	300	134	-	129
Other	603	295	612	291
Supervisory Board	**647**	**721**	**702**	**955**
Short-term employee benefits (salaries and surcharges)	647	668	702	850
Other	-	53	-	105
Other key management personnel	**10 195**	**31 860**	**9 498**	**31 197**
Short-term employee benefits (salaries and surcharges)	9 247	30 675	8 591	30 103
Jubilee bonuses	-	982	-	662
Post-employment benefits	140	40	126	114
Other	808	163	781	318
Total	**18 164**	**50 320**	**16 385**	**52 939**

(in PLN '000)

32. Financial instruments

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

Categories and classes of financial assets	As at 30 September 2014 *(unaudited)*		As at 31 December 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
1 Assets at fair value through profit or loss	**1 114**	**1 114**	**34**	**34**
Derivative instruments	1 114	1 114	34	34
2 Financial assets available for sale	**127 850**	**4 317**	**129 622**	**4 319**
Shares (non-current)	107 773	-	109 459	-
Shares (current)	15 760	-	15 844	-
Investment fund units	2 427	2 427	2 429	2 429
Bonds, T-bills and other debt securities	1 890	1 890	1 890	1 890
3 Loans and receivables	**2 242 948**	**-**	**2 375 529**	**-**
Trade receivables	1 688 220	-	1 863 151	-
Deposits	37 239	-	30 831	-
Loans granted	202 057	-	189 310	-
Other financial receivables	315 432	-	292 237	-
4 Financial assets excluded from the scope of IAS 39	**39 689**	**-**	**276 898**	**-**
Investments in joint ventures	39 689	-	44 398	-
Advance payment for acquisition of shares	-	-	232 500	-
5 Cash and cash equivalents	**303 515**	**-**	**636 909**	**-**
Total financial assets, including in the statement of financial position:	**2 715 116**		**3 418 992**	
Non-current assets	**413 353**		**631 564**	
Investments in joint ventures	39 689		44 398	
Other financial assets	373 664		587 166	
Current assets	**2 301 763**		**2 787 428**	
Trade and other receivables	1 979 723		2 134 641	
Other financial assets	18 525		15 878	
Cash and cash equivalents	303 515		636 909	

(in PLN '000)

Categories and classes of financial liabilities	As at 30 September 2014 *(unaudited)*		As at 31 December 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
1 Financial liabilities at fair value through profit or loss	**1 563**	**1 563**	**1 169**	**1 169**
Derivative instruments	1 563	1 563	1 169	1 169
2 Financial liabilities measured at amortized cost	**7 995 770**	**-**	**7 816 529**	**-**
Preferential loans	57 221	-	63 986	-
Arm's length loans	1 248 389	-	1 327 012	-
Bank overdrafts	13 206	-	93 645	-
Bonds issued	5 245 353	-	4 300 522	-
Trade payables	786 852	-	1 037 304	-
Other financial liabilities	220 220	-	143 413	-
Liabilities due to purchases of fixed and intangible assets	324 194	-	665 768	-
Salaries and wages	98 741	-	170 706	-
Insurance contracts	1 594	-	14 173	-
3 Liabilities excluded from the scope of IAS 39	**66 349**	**-**	**78 970**	**-**
Liabilities under finance leases	66 349	-	78 970	-
4 Derivative hedging instruments (liabilities)	**216 890**	**216 890**	**159 762**	**159 762**
Total financial liabilities, including in the statement of financial position:	**8 280 572**		**8 056 430**	
Long-term liabilities	**6 419 334**		**5 657 575**	
Interests bearing loans and borrowings	6 183 835		5 500 532	
Liabilities under finance leases	50 388		61 643	
Trade and other payables	52 338		7 827	
Derivative instruments	132 773		87 573	
Short-term liabilities	**1 861 238**		**2 398 855**	
Current portion of interest-bearing loans and borrowings	380 334		284 633	
Current portion of liabilities under finance leases	15 961		17 327	
Trade and other payables	1 379 263		2 023 537	
Derivative instruments	85 680		73 358	

For financial instruments that are not measured at fair value as at the end of the reporting period, the Group did not disclose the fair value due to the fact that the fair value of these financial instruments as at 30 September 2014 and as at 31 December 2013 did not differ considerably from the values presented in the financial statements for individual periods, for the following reasons:

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

The Group does not disclose the fair value of shares in companies not listed on active markets, classified as financial assets available for sale and those excluded from the scope of IAS 39. The Group is unable to reliably determine the fair value of shares held in companies not quoted on active markets. As at the end of the reporting period, shares classified as financial assets available for sale are measured at cost reduced by impairment, and shares in joint ventures are accounted for using the equity method less impairment in accordance with the accounting policy.

32.2. Fair value hierarchy

Fair value hierarchy of financial instruments measured at fair value as at 30 September 2014 and 31 December 2013:

(in PLN '000)

Classes of financial instruments	As at 30 September 2014 *(unaudited)*		As at 31 December 2013	
	Level 1	Level 2	Level 1	Level 2
Assets				
Commodity-related derivatives	1 114	-	34	-
Investment fund units	2 427	-	2 429	-
Bonds, T-bills and other debt securities	1 890	-	1 890	-
Liabilities				
Commodity-related derivatives	39	-	40	-
Currency derivatives	-	1 524	-	1 129
IRS derivatives	-	216 890	-	159 762

The method of fair value measurement of financial instruments has been described in Note 7 to these condensed interim consolidated financial statements and has not changed since 31 December 2013.

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

Available-for-sale financial assets

As at 30 September 2014, available-for-sale financial assets included mainly shares in the following companies:

- shares in Spółka Ciepłowniczo-Energetyczna Jaworzno III Sp. z o.o. with the value of PLN 35 694 thousand;
- shares in Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o. in Tychy with the value of PLN 32 843 thousand;
- shares in Energetyka Cieszyńska Sp. z o.o. with the value of PLN 15 028 thousand.

Loans and receivables

Trade and other receivables have been presented in detail in Note 20 hereto.

Loans granted include loans granted to Elektrociepłownia Stalowa Wola S.A. presented in detail in Note 17, such as:

- a subordinated loan of PLN 177 000 thousand plus interest accrued of PLN 19 194 thousand;
- a VAT loan of PLN 5 850 thousand plus interest accrued of PLN 13 thousand.

Financial assets excluded from the scope of IAS 39

As at 30 September 2014 the Group had the following joint ventures accounted for using the equity method:

- Elektrownia Blachownia Nowa Sp. z o.o. special purpose vehicle – PLN 32 268 thousand. TAURON Wytwarzanie S.A. and KGHM Polska Miedź S.A. have 50% of shares each in its equity and in the governing body;
- Elektrociepłownia Stalowa Wola S.A. special purpose vehicle – PLN 7 421 thousand. TAURON Wytwarzanie S.A. and PGNiG Energia S.A. have 50% of shares each in its equity and in the governing body.

The above investments have been described in detail in Note 17 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 23 hereto.

Hedging derivative instruments (relating to liabilities)

Derivative instruments hedging interest cash flows from bonds issued have been presented in detail in Note 22.3 hereto.

33. Objectives and principles of financial risk management

The objectives and principles of financial risk management have not changed since 31 December 2013.

As at 30 September 2014, 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 22.3 hereto.

34. Financial management

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

35. Significant items of the consolidated statement of cash flows

35.1. 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 2 473 020 thousand were mainly related to the acquisition of property, plant and equipment of PLN 1 833 453 thousand in the 9-month period ended 30 September 2014, which has been presented in detail in Note 14 hereto. The amount was adjusted by change in capital commitments, excluding VAT in the amount of PLN 282 738 thousand.

Loans granted and repaid

In the period of 9 months ended 30 September 2014 the Company transferred funds due to a VAT loan of PLN 11 700 thousand to Elektrociepłownia Stalowa Wola S.A., as discussed in detail in Note 17 hereto. By the end of the reporting period the company repaid PLN 5 850 thousand.

35.2. Cash flows from financing activities

Loans and borrowings repaid

Expenditure on repayment of loans and borrowings of PLN 91 078 thousand disclosed in these condensed interim consolidated statement of cash flows result mainly from repayment of PLN 61 364 thousand of the loan granted by the European Investment Bank by the Parent.

Issuance of debt securities

Proceeds from issue of debt securities result from the issuance of Tranche E short-term bonds in the amount of PLN 300 000 thousand and long-term bonds issued under the Company's agreement with Bank Gospodarstwa Krajowego in the amount of PLN 900 000 thousand in the 9-month period ended 30 September 2014, as discussed in detail in Note 23.2 to these condensed interim consolidated financial statements.

Redemption of debt securities

Expenditure for redemption of interest-bearing securities result from redemption of tranche E short-term bonds in the amount of PLN 300 000 thousand by the Parent in the 9-month period ended 30 September 2014, as presented in detail in Note 23.2 to these condensed interim consolidated financial statements.

Interest paid

During the 9-month period ended 30 September 2014 the total value of interest paid by the Group in relation to loans, borrowings, debt securities and finance leases amounted to PLN 168 372 thousand. The Group's consolidated statement of cash flows disclose 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.

Acquisition of non-controlling interests

Expenditure for acquisition of non-controlling interest of PLN 125 328 thousand resulted primarily from the Parent's payment of a portion of the price, i.e. PLN 77 500 thousand, for the acquisition of shares in a subsidiary TAURON Wydobycie S.A. from Kompania Węglowa S.A., as discussed in detail in Note 27 to these condensed interim consolidated financial statements and from the transfer of funds for redemption of treasury shares by TAURON Ciepło Sp. z o.o. in the amount of PLN 26 897 thousand.

36. Details of other significant changes in the reporting period

Finance income

A decrease in finance income results mainly from a decrease in interest revenue by PLN 17 144 thousand, mainly from cash on bank accounts and deposits and a decrease in dividend revenue by PLN 14 525 thousand.

Finance costs

In the 9-month period ended 30 September 2014, cost of external financing capitalized on investment projects amounted to PLN 31 903 thousand versus PLN 61 489 thousand in the comparable period. It implies that while the cost of external financing incurred by the Group remained stable, the profit charges increased. Lower capitalization results from commissioning major investment projects in the second half of 2013: regaining full production capacity in Elektrociepłownia Bielsko-Biała and construction of Wicko and Marszewo wind farms. As a result, the capitalization of external financing costs on these investments has been discontinued.

Other non-current financial assets

A decrease in other financial assets results mainly from the settlement of the amount paid to Kompania Węglowa S.A. for the shares acquired in TAURON Wydobycie S.A. in December 2013 (i.e. PLN 232 500 thousand) due to the acquisition of non-controlling interest, in relation to meeting the conditions precedent for the transfer of the title to acquired shares in TAURON Wydobycie S.A.

Other non-current non-financial assets

The increase in other non-financial assets of PLN 207 627 thousand in the 9-month period ended 30 September 2014 results mainly from the fact that TAURON Wytwarzanie S.A. transferred the first portion of the advance payment of PLN 204 927 thousand for construction of a power unit with the capacity of 910 MW in Elektrownia Jaworzno.

Non-current assets held for sale

In the 9-month period ended 30 September 2014 the sale of assets of the closed Elektrownia Halemba, which had been classified as non-current assets held for sale as at 31 December 2013, was finally completed. The total proceeds from sale amounted to PLN 12 800 thousand. The carrying amount of the assets sold was PLN 17 866 thousand. Consequently, the Group recognized a loss from sale of assets of PLN 5 066 thousand. At the same time, the provision for Elektrownia Halemba ash pile reclamation of PLN 12 791 thousand was reversed following the sale.

37. Events after the end of the reporting period

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

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

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

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

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

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

Bond issue

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

These condensed interim consolidated financial statements of the TAURON Polska Energia S.A. Capital Group, prepared for the 9-month period ended 30 September 2014 in accordance with International Accounting Standard 34 have been presented on 53 consecutive pages.

Katowice, 12 November 2014

Dariusz Lubera – President of the Management Board …………………………………..

Krzysztof Zawadzki - Vice-President of the Management Board ………………………………….