

**TAURON Polska Energia S.A.**

**Condensed interim financial statements**

**prepared in accordance with the International Financial Reporting Standards**

**for the 3-month period ended 31 March 2015**

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**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME**

	Note	3-month period ended 31 March 2015 <i>(unaudited)</i>	3-month period ended 31 March 2014 <i>(unaudited)</i>
Sales revenue	11	2 436 550	2 389 317
Cost of sales	12	(2 384 120)	(2 340 496)
<b>Gross profit</b>		<b>52 430</b>	<b>48 821</b>
Other operating income		4 915	2 198
Selling and distribution expenses		(4 968)	(6 333)
Administrative expenses		(26 605)	(25 888)
Other operating expenses		(1 584)	(689)
<b>Operating profit</b>		<b>24 188</b>	<b>18 109</b>
Finance income	30	156 140	81 269
Finance costs		(91 662)	(84 984)
<b>Profit before tax</b>		<b>88 666</b>	<b>14 394</b>
Income tax	13	(2 854)	(12 639)
<b>Net profit for the period</b>		<b>85 812</b>	<b>1 755</b>
<b>Other comprehensive income subject to reclassification to profit or loss:</b>		<b>12 566</b>	<b>6 162</b>
Change in the value of hedging instruments		15 514	7 607
Income tax expense		(2 948)	(1 445)
<b>Other comprehensive income not subject to reclassification to profit or loss:</b>		<b>6</b>	<b>19</b>
Actuarial gains/(losses) related to provisions for post-employment benefits		7	24
Income tax expense		(1)	(5)
<b>Other comprehensive income for the period, net of tax</b>		<b>12 572</b>	<b>6 181</b>
<b>Total comprehensive income for the period</b>		<b>98 384</b>	<b>7 936</b>
<b>Earnings per share (in PLN):</b>			
- basic and diluted, for net profit		0.05	0.00

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**

	Note	As at 31 March 2015 <i>(unaudited)</i>	As at 31 December 2014
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	<b>15</b>	4 450	5 263
Investment property	<b>16</b>	31 648	32 552
Intangible assets	<b>17</b>	6 806	8 278
Shares	<b>18</b>	20 811 042	20 809 799
Bonds	<b>19</b>	5 643 274	5 522 725
Loans granted	<b>20</b>	200 321	198 331
Derivative instruments	<b>21</b>	15 017	-
Other financial assets		5 285	5 286
Other non-financial assets		3 260	3 636
Deferred tax asset	<b>13.2</b>	19 863	31 141
		<b>26 740 966</b>	<b>26 617 011</b>
<b>Current assets</b>			
Intangible assets	<b>22</b>	2 739	20 215
Inventories	<b>23</b>	177 503	177 272
Income tax receivables		-	8 384
Trade and other receivables	<b>24</b>	924 706	982 582
Bonds	<b>19</b>	465 865	1 276 001
Loans granted	<b>20</b>	1 130 156	6 367
Derivative instruments	<b>21</b>	1 729	1 811
Other non-financial assets		26 816	22 007
Cash and cash equivalents	<b>25</b>	930 981	1 228 880
		<b>3 660 495</b>	<b>3 723 519</b>
<b>TOTAL ASSETS</b>		<b>30 401 461</b>	<b>30 340 530</b>

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION - continued**

	Note	As at 31 March 2015 <i>(unaudited)</i>	As at 31 December 2014
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued capital	26.1	8 762 747	8 762 747
Reserve capital		10 393 686	10 393 686
Revaluation reserve from valuation of hedging instruments	26.3	(130 453)	(143 019)
Retained earnings/Accumulated losses	26.4	1 311 971	1 226 153
		<b>20 337 951</b>	<b>20 239 567</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	27	7 326 011	7 374 836
Liabilities under finance leases		29 388	30 169
Other financial liabilities		5 739	5 239
Derivative instruments	21	95 096	93 501
Provisions for employee benefits		7 555	7 351
		<b>7 463 789</b>	<b>7 511 096</b>
<b>Current liabilities</b>			
Current portion of interest-bearing loans and borrowings	27	1 850 365	1 800 265
Current portion of liabilities under finance leases		3 043	2 990
Trade and other payables		552 140	631 125
Derivative instruments	21	106 007	102 615
Provisions for employee benefits		681	665
Other provisions	28	-	34 189
Accruals, deferred income and government grants		9 121	13 185
Income tax payables	13.3	68 350	-
Other non-financial liabilities		10 014	4 833
		<b>2 599 721</b>	<b>2 589 867</b>
<b>Total liabilities</b>		<b>10 063 510</b>	<b>10 100 963</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>30 401 461</b>	<b>30 340 530</b>

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**

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

	Note	Issued capital	Reserve capital	Revaluation reserve from valuation of hedging instruments	Retained earnings/ Accumulated losses	Total equity
<b>As at 1 January 2015</b>		<b>8 762 747</b>	<b>10 393 686</b>	<b>(143 019)</b>	<b>1 226 153</b>	<b>20 239 567</b>
Profit for the period		-	-	-	85 812	85 812
Other comprehensive income		-	-	12 566	6	12 572
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>12 566</b>	<b>85 818</b>	<b>98 384</b>
<b>As at 31 March 2015 (unaudited)</b>		<b>8 762 747</b>	<b>10 393 686</b>	<b>(130 453)</b>	<b>1 311 971</b>	<b>20 337 951</b>

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

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

**CONDENSED INTERIM STATEMENT OF CASH FLOWS**

	Note	3-month period ended 31 March 2015 <i>(unaudited)</i>	3-month period ended 31 March 2014 <i>(unaudited)</i>
<b>Cash flows from operating activities</b>			
Profit /(loss) before taxation		88 666	14 394
<b>Adjustments for:</b>			
Depreciation and amortization		1 954	6 569
(Gain)/loss on foreign exchange differences		(28 318)	15
Interest and dividends, net		(24 763)	(3 099)
(Gain)/loss on investing activities		(14 602)	392
(Increase)/decrease in receivables		147 318	339 222
(Increase)/decrease in inventories		(231)	12 269
Increase/(decrease) in payables excluding loans and borrowings		(64 194)	(351 701)
Change in other non-current and current assets		15 395	64 392
Change in deferred income, government grants and accruals		(3 192)	145
Change in provisions		(33 966)	(103 895)
Income tax paid		25 067	890
<b>Net cash generated from (used in) operating activities</b>		<b>109 134</b>	<b>(20 407)</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment and intangible assets		-	2 612
Purchase of property, plant and equipment and intangible assets		(596)	(3 449)
Purchase of shares		(890)	(77 540)
Purchase of bonds	29.1	(420 000)	(535 520)
Redemption of bonds	29.1	15 526	-
Loans granted	29.1	(8 150)	(5 850)
Repayment of loans granted	29.1	12 200	-
Interest received	29.1	73 739	54 449
<b>Net cash generated from (used in) investing activities</b>		<b>(328 171)</b>	<b>(565 298)</b>
<b>Cash flows from financing activities</b>			
Repayment of loans and borrowings	29.2	(20 455)	(20 455)
Issue of debt securities		-	800 000
Redemption of debt securities	29.2	(150 000)	(200 000)
Payment of finance lease liabilities		(728)	(809)
Interest paid	29.2	(10 912)	(12 542)
Commission paid		(5 362)	(4 136)
<b>Net cash generated from (used in) financing activities</b>		<b>(187 457)</b>	<b>562 058</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(406 494)</b>	<b>(23 647)</b>
Net foreign exchange difference		(697)	(15)
<b>Cash and cash equivalents at the beginning of the period</b>		<b>68 935</b>	<b>(1 198 421)</b>
<b>Cash and cash equivalents at the end of the period, of which:</b>	<b>25</b>	<b>(337 559)</b>	<b>(1 222 068)</b>
restricted cash		111 378	91 029

## INTRODUCTION

### 1. General information about TAURON Polska Energia S.A.

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

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

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

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

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

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

TAURON Polska Energia S.A. is the parent of the TAURON Polska Energia S.A. Capital Group ("Group", "TAURON Group").

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

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

The Company also prepared the condensed interim consolidated financial statements for the 3-month period ended 31 March 2015, which were approved for publication by the Management Board on 12 May 2015.

These condensed interim financial statements are part of the consolidated report, which also includes the condensed interim consolidated financial statements for the 3-month period ended 31 March 2015.

## 2. Shares in related parties

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

Item	Entity's name	Registered office	Core business	Share of TAURON Polska Energia S.A. in the entity's capital and governing body
1	TAURON Wydobycie S.A.	Jaworzno	Hard coal mining	100.00%
2	TAURON Wytwarzanie S.A.	Katowice	Generation, transmission and distribution of electricity and heat	100.00%
3	TAURON Ekoenergia Sp. z o.o.	Jelenia Góra	Generation and sale of electricity	100.00%
4	TAURON Ciepło Sp. z o.o.	Katowice	Production and distribution of heat	100.00%
5	TAURON Dystrybucja S.A.	Kraków	Distribution of electricity	99.71%
6	TAURON Dystrybucja Serwis S.A. <sup>1</sup>	Wrocław	Services	99.71%
7	TAURON Dystrybucja Pomiary Sp. z o.o. <sup>1</sup>	Tarnów	Services	99.71%
8	TAURON Sprzedaż Sp. z o.o.	Kraków	Sale of electricity	100.00%
9	TAURON Sprzedaż GZE Sp. z o.o.	Gliwice	Sale of electricity	100.00%
10	TAURON Czech Energy s.r.o.	Ostrawa, Czech Republic	Sale of electricity	100.00%
11	TAURON Obsługa Klienta Sp. z o.o.	Wrocław	Services	100.00%
12	Kopalnia Wapienia Czatkowice Sp. z o.o.	Krzeszowice	Limestone quarrying, crushing and grinding; stone quarrying	100.00%
13	Polska Energia Pierwsza Kompania Handlowa Sp. z o.o. w likwidacji	Warszawa	Sale of electricity	100.00%
14	TAURON Sweden Energy AB (publ)	Sztokholm, Sweden	Services	100.00%
15	Biomasa Grupa TAURON Sp. z o.o.	Stalowa Wola	Sourcing of and trading in biomass	100.00%

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

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

Item	Company name	Registered office	Core business	Share of TAURON Polska Energia S.A. in the entity's capital and governing body
1	Elektrociepłownia Stalowa Wola S.A. <sup>1</sup>	Stalowa Wola	Production, transmission, distribution and sales of electricity	50.00%
2	Elektrownia Blachownia Nowa Sp. z o.o. <sup>1</sup>	Kędzierzyn Koźle	Generation of electricity	50.00%
3	TAMEH HOLDING Sp. z o.o.	Dąbrowa Górnicza	Head office and holding operations	50.00%
4	TAMEH POLSKA Sp. z o.o. <sup>2</sup>	Dąbrowa Górnicza	Generation, transmission, distribution and sale of electricity and heat	50.00%
5	TAMEH Czech s.r.o. <sup>2</sup>	Ostrawa, Czech Republic	Production, trade and services	50.00%

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

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

## **STATEMENT OF COMPLIANCE WITH IFRS**

### **3. Statement of compliance**

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

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

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

### **4. Going concern**

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

### **5. Functional and presentation currency**

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

## ACCOUNTING POLICIES

### 6. Change in estimates

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

#### Deferred tax

Due to the forecasted taxable income in 2015 of the Tax Capital Group ("TCG"), of which the Company is a member, and projected taxable income of the Company in subsequent years, the deferred tax asset has been recognized in these financial statements in the full amount.

#### Impairment tests of shares

As at 31 March 2015 the Company carried out an analysis which revealed that the market value of the Company's net assets had not changed considerably in the first quarter of 2015. Moreover, the analysis indicated insignificant changeability of the environment, price paths and WACC rates. Therefore, it was assumed that the most recent results of impairment tests of shares recognized in non-current assets conducted as at 31 December 2014 were still true and that no impairment tests needed to be carried out as at the end of the reporting period.

The test conducted as at 31 December 2014 was based on the present value of projected cash flows from operations of key subsidiaries, by reference to detailed projections for 2015 - 2024 and the estimated residual value. The level of the weighted average cost of capital (WACC) during the projection period, as used in the calculations, ranges from 7.94% to 10.03% in nominal terms before tax. WACC is calculated taking into account the risk-free rate determined by reference to the yield on 10-year treasury bonds (4.3%) and the risk premium for operations appropriate for the power industry (5.5%). The growth rate used for extrapolation of projected cash flows beyond the detailed planning period is at the level of 2.5% and it corresponds to the estimated long-term inflation rate.

Key business assumptions affecting the estimated value in use of tested subsidiaries have been discussed in detail in the Company's financial statements for the year ended 31 December 2014.

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

New full tests will be performed as at 30 June 2015.

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

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

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

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

- IFRS 9 *Financial Instruments* was published by the IASB on 24 July 2014 and applies to annual periods beginning on or after 1 January 2018. The standard introduces a business model-based approach to classification and measurement of financial assets and the characteristics of cash flows. IFRS 9 provides a new loss impairment model which requires a more timely disclosure of expected credit losses. The new model also assumes a standardized impairment approach applied to all financial instruments. Moreover, IFRS 9 includes an enhanced general hedge accounting model. The amendments are aimed at adjusting the principles of recognizing risk management issues in financial statements and enable more adequate presentation of actions taken in the financial statements;
- IFRS 14 *Regulatory Deferral Accounts* was published by the IASB on 30 January 2014 and applies to annual periods beginning on or after 1 January 2016. IFRS 14 has been introduced as a transitional standard for first-time adopters;
- IFRS 15 *Revenue from Contracts with Customers* was published by the IASB on 28 May 2014 and applies to annual periods beginning on or after 1 January 2017. IFRS specifies how and when revenue is recognized and requires

more informative, relevant disclosures. The Standard replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts* and a number of interpretations concerning revenue recognition;

- Revised IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures: Sale or Contribution of Assets between Investor and its Associate or Joint Venture* were published by the IASB on 11 September 2014 and apply to annual periods beginning on or after 1 January 2016;
- Revised IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities*, IAS 28 *Investment Entities: Applying the Consolidation Exception* published on 18 December 2014 and applicable to annual periods beginning on or after 1 January 2016;
- Revised IFRS 11 *Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations* - published by the IASB on 6 May 2014 and applicable to annual periods beginning on or after 1 January 2016. The amendments provide new guidelines on accounting for acquisitions of interests in joint operations constituting businesses;
- Revised IAS 1 *Presentation of Financial Statements – Disclosure Initiative* published on 18 December 2014 and applicable to annual periods beginning on or after 1 January 2016;
- Revised IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortization* published by the IASB on 12 May 2014 and applicable to annual periods beginning on or after 1 January 2016;
- Revised IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture: Bearer Plants* published by the IASB on 30 June 2014 and applicable to annual periods beginning on or after 1 January 2016;
- Revised IAS 27 *Separate Financial Statements: Equity Method in Separate Financial Statements* - published by the IASB on 12 August 2014 and applicable to annual periods beginning on or after 1 January 2016;
- *Annual Improvements to IFRS (Cycle 2012-2014)* – published by the IASB on 25 September 2014, applicable to annual periods beginning on or after 1 January 2016.

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

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

Based on preliminary analysis of IFRS 15's impact on the accounting policies applied, the new standard changes the method of accounting for contracts with customers, in particular if services and goods are provided under a single contract, which happens rarely in the Company. The new guidelines of IFRS 15 are not expected to result in the need to change the systems, but before the standard enters into force the Company intends to carry out an analysis of contracts with customers including contract identification, indication of individual liabilities, determining prices, assigning them to individual liabilities and revenue recognition. The new standard requires considerably more detailed disclosure of sales and revenue in financial statements.

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

According to the Management Board other standards and revised standards in question do not materially impact the existing accounting policies.

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

## **8. Significant accounting policies**

The accounting principles (policy) adopted for the preparation of these condensed interim financial statements are consistent with those adopted for the preparation of the annual financial statements of TAURON Polska Energia S.A. for the year ended 31 December 2014, except for the application of the following revised standards and new interpretations:

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

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

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

## **EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

### **9. Seasonality of operations**

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

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

In the 3-month period ended 31 March 2015 and the comparable period the Company did not recognize any dividend income.

### **10. Information on operating segments**

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

"Holding activity" segment assets include:

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

"Holding activity" segment liabilities include:

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

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

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

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

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

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

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

	Sales	Holding activity	Unallocated items	Total
<b>Revenue</b>				
Sales outside the Group	543 755	-	-	<b>543 755</b>
Sales within the Group	1 892 795	-	-	<b>1 892 795</b>
<b>Segment revenue</b>	<b>2 436 550</b>	-	-	<b>2 436 550</b>
<b>Profit/(loss) of the segment</b>	<b>50 793</b>	-	-	<b>50 793</b>
Unallocated expenses	-	-	(26 605)	<b>(26 605)</b>
<b>EBIT</b>	<b>50 793</b>	-	<b>(26 605)</b>	<b>24 188</b>
Net finance income (costs)	-	60 676	3 802	<b>64 478</b>
<b>Profit/(loss) before income tax</b>	<b>50 793</b>	<b>60 676</b>	<b>(22 803)</b>	<b>88 666</b>
Income tax expense	-	-	(2 854)	<b>(2 854)</b>
<b>Net profit/(loss) for the period</b>	<b>50 793</b>	<b>60 676</b>	<b>(25 657)</b>	<b>85 812</b>
<b>Assets and liabilities</b>				
Segment assets	1 990 958	28 390 158	-	<b>30 381 116</b>
Unallocated assets	-	-	20 345	<b>20 345</b>
<b>Total assets</b>	<b>1 990 958</b>	<b>28 390 158</b>	<b>20 345</b>	<b>30 401 461</b>
Segment liabilities	558 593	9 375 101	-	<b>9 933 694</b>
Unallocated liabilities	-	-	129 816	<b>129 816</b>
<b>Total liabilities</b>	<b>558 593</b>	<b>9 375 101</b>	<b>129 816</b>	<b>10 063 510</b>
<b>EBIT</b>	<b>50 793</b>	-	<b>(26 605)</b>	<b>24 188</b>
<b>Depreciation/amortization</b>	<b>(1 954)</b>	-	-	<b>(1 954)</b>
<b>EBITDA</b>	<b>52 747</b>	-	<b>(26 605)</b>	<b>26 142</b>
<b>Other segment information</b>				
Capital expenditure *	1 504	-	-	<b>1 504</b>

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

In the 3-month period ended 31 March 2015, revenue from sales to two major clients, being members of the Capital Group, represented 55% and 12% of the Company's total revenue in the "Sales" segment, amounting to PLN 1 342 915 thousand and PLN 282 337 thousand, respectively.

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

	Sales	Holding activity	Unallocated items	Total
<b>Revenue</b>				
Sales outside the Group	722 899	-	-	<b>722 899</b>
Sales within the Group	1 666 418	-	-	<b>1 666 418</b>
<b>Segment revenue</b>	<b>2 389 317</b>	-	-	<b>2 389 317</b>
<b>Profit/(loss) of the segment</b>				
Unallocated expenses	-	-	(25 888)	<b>(25 888)</b>
<b>EBIT</b>	<b>43 997</b>	-	<b>(25 888)</b>	<b>18 109</b>
Net finance income (costs)	-	(3 209)	(506)	<b>(3 715)</b>
<b>Profit/(loss) before income tax</b>	<b>43 997</b>	<b>(3 209)</b>	<b>(26 394)</b>	<b>14 394</b>
Income tax expense	-	-	(12 639)	<b>(12 639)</b>
<b>Net profit/(loss) for the period</b>	<b>43 997</b>	<b>(3 209)</b>	<b>(39 033)</b>	<b>1 755</b>
<b>Assets and liabilities</b>				
Segment assets	2 452 176	27 848 516	-	<b>30 300 692</b>
Unallocated assets	-	-	39 838	<b>39 838</b>
<b>Total assets</b>	<b>2 452 176</b>	<b>27 848 516</b>	<b>39 838</b>	<b>30 340 530</b>
Segment liabilities	656 978	9 380 216	-	<b>10 037 194</b>
Unallocated liabilities	-	-	63 769	<b>63 769</b>
<b>Total liabilities</b>	<b>656 978</b>	<b>9 380 216</b>	<b>63 769</b>	<b>10 100 963</b>
<b>EBIT</b>	<b>43 997</b>	-	<b>(25 888)</b>	<b>18 109</b>
<b>Depreciation/amortization</b>	<b>(6 569)</b>	-	-	<b>(6 569)</b>
<b>EBITDA</b>	<b>50 566</b>	-	<b>(25 888)</b>	<b>24 678</b>
<b>Other segment information</b>				
Capital expenditure *	44	-	-	<b>44</b>

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

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

## 11. Sales revenue

	3-month period ended 31 March 2015 (unaudited)	3-month period ended 31 March 2014 (unaudited)
<b>Revenue from sales of goods for resale and materials (excise duty not excluded)</b>	<b>2 420 265</b>	<b>2 367 041</b>
Excise duty	-	(3 591)
<b>Revenue from sales of goods for resale and materials, of which:</b>	<b>2 420 265</b>	<b>2 363 450</b>
Electricity	2 282 389	2 097 188
Gas	11 449	19 213
Energy certificates	79 261	171 636
Emission allowances	46 259	73 565
Other	907	1 848
<b>Rendering of services, of which:</b>	<b>16 285</b>	<b>25 867</b>
Trading services	14 817	14 197
Other	1 468	11 670
<b>Total sales revenue</b>	<b>2 436 550</b>	<b>2 389 317</b>

The Company has been acting as an agent in transactions involving biomass and coal purchase for the Group companies. The Company purchases raw materials from third parties and from the TAURON Group companies, which are subsequently sold to the Group companies only. The Company recognizes revenue only from agency services (supply management).

In the 3-month period ended 31 March 2015, raw materials purchased and subsequently resold in the abovementioned transactions amounted to PLN 486 887 thousand, while revenue from agency services amounted to PLN 10 248 thousand, which represents a major part of revenue from trading services.

## 12. Expenses by type

	3-month period ended 31 March 2015 <i>(unaudited)</i>	3-month period ended 31 March 2014 <i>(unaudited)</i>
<b>Costs by type</b>		
Depreciation of property, plant and equipment and amortization of intangible assets	(1 954)	(6 569)
Materials and energy	(284)	(552)
Consultancy services	(1 576)	(714)
IT services	(3 136)	(9 002)
Other external services	(4 272)	(3 242)
Taxes and charges	(1 376)	(3 182)
Employee benefits expense	(19 586)	(18 270)
Inventory write-downs	(88)	-
Allowance for doubtful debts	(1 167)	(11)
Advertising costs	(5 009)	(7 910)
Other	(419)	(368)
<b>Total costs by type</b>	<b>(38 867)</b>	<b>(49 820)</b>
Selling and distribution expenses	4 968	6 333
Administrative expenses	26 605	25 888
Cost of goods for resale and materials sold	(2 376 826)	(2 322 897)
<b>Cost of sales</b>	<b>(2 384 120)</b>	<b>(2 340 496)</b>

## 13. Income tax

### 13.1. Tax expense in the statement of comprehensive income

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

	3-month period ended 31 March 2015 <i>(unaudited)</i>	3-month period ended 31 March 2014 <i>(unaudited)</i>
Current income tax	5 475	36
Current income tax liability	(6 601)	-
Adjustments of current income tax from prior years	12 076	36
Deferred tax	(8 329)	(12 675)
<b>Income tax expense in profit/(loss)</b>	<b>(2 854)</b>	<b>(12 639)</b>
<b>Income tax expense relating to other comprehensive income</b>	<b>(2 949)</b>	<b>(1 450)</b>

Current income tax adjustments related to prior years included:

- income tax overpayment for 2013 of PLN 2 200 thousand attributable to the Company related mainly to component repair costs and new technology tax relief;
- income tax overpayment for 2009 and 2010 in the total amount of PLN 2 826 thousand returned to the Company and related to the cost of public offering of the Company's shares;
- change in the income tax resulting from the difference between the tax amount disclosed in the financial statements for the year 2014 and the tax amount paid in accordance with CIT-8A tax returns in the amount of PLN 7 050 thousand.

### 13.2. Deferred income tax

Deferred income tax results from:

	As at 31 March 2015 <i>(unaudited)</i>	As at 31 December 2014
- difference between tax base and carrying amount of fixed and intangible assets	184	198
- due interest on bonds	33 544	26 515
- difference between tax base and carrying amount of other financial assets	3 242	414
- other	465	406
<b>Deferred tax liability</b>	<b>37 435</b>	<b>27 533</b>

	As at 31 March 2015 <i>(unaudited)</i>	As at 31 December 2014
- provisions for the obligation to surrender energy certificates	-	6 496
- provisions for employee benefits	1 565	1 523
- other provisions and accruals	1 714	2 070
- difference between tax base and carrying amount of fixed and intangible assets	1 129	1 118
- difference between tax base and carrying amount of financial liabilities	16 124	12 020
- valuation of hedging instruments	35 386	34 377
- other	1 380	1 070
<b>Deferred tax assets, of which:</b>	<b>57 298</b>	<b>58 674</b>
Deferred tax assets recognized in profit or loss	<b>26 507</b>	<b>24 934</b>
Deferred tax assets recognized in other comprehensive income	<b>30 791</b>	<b>33 740</b>
<b>Deferred tax asset, net</b>	<b>19 863</b>	<b>31 141</b>
<b>Deferred tax in the statement of financial position</b>	<b>19 863</b>	<b>31 141</b>

### 13.3. Tax Capital Group

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

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

As at 31 March 2015, the Tax Capital Group had income tax liability of PLN 68 353 thousand, including:

- tax liability of the TCG for 2015 of PLN 106 411 thousand;
- income tax overpaid of PLN 33 538 thousand for prior years related to tax adjustments for prior years filed by the TCG;
- overpayment made by a subsidiary for prior years to be set off against the Group's liability of PLN 4 520 thousand.

The Company has adjusted the income tax liability by the Tax Capital Group's interest liability of PLN 6 thousand and by other receivables due to withholding tax of PLN 9 thousand in the statement of financial position. Consequently, income tax liability of PLN 68 350 thousand has been presented in the statement of financial position of the Company.

At the same time, due to the Company's settlements, as the Representative Company, with the Tax Capital Group companies, it disclosed liabilities to these subsidiaries arising from tax overpayment of PLN 16 821 thousand, which have been presented in the statement of financial position under "Trade and other payables", as well as receivables from

the Tax Capital Group companies arising from tax underpayment of PLN 56 837 thousand, which have been presented in the statement of financial position under "Trade and other receivables".

#### 14. Dividends paid and proposed

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

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

On 23 April 2015, the Ordinary General Shareholders' Meeting of the Company adopted a resolution following the recommendation of the Management Board.

On 15 May 2014, the Ordinary General Shareholders' Meeting adopted a resolution to allocate PLN 332 984 thousand to dividend payment to the Company's shareholders (PLN 0.19 per share). The dividend was paid out from the net profit generated by the Company in 2013, which amounted to PLN 1 688 972 thousand. The record date was set at 14 August 2014 and the payment date at 4 September 2014.

#### 15. Property, plant and equipment

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

	Plant and machinery	Motor vehicles	Other	Assets under construction	Property, plant and equipment, total
<b>Cost</b>					
<b>Opening balance</b>	<b>6 819</b>	<b>5 876</b>	<b>10 677</b>	<b>92</b>	<b>23 464</b>
Direct purchase	-	-	-	4	4
Allocation of assets under construction	-	-	96	(96)	-
Other changes	(6)	-	-	-	(6)
<b>Closing balance</b>	<b>6 813</b>	<b>5 876</b>	<b>10 773</b>	<b>-</b>	<b>23 462</b>
<b>ACCUMULATED DEPRECIATION</b>					
<b>Opening balance</b>	<b>(6 129)</b>	<b>(4 369)</b>	<b>(7 703)</b>	<b>-</b>	<b>(18 201)</b>
Depreciation for the period	(92)	(136)	(589)	-	(817)
Other changes	6	-	-	-	6
<b>Closing balance</b>	<b>(6 215)</b>	<b>(4 505)</b>	<b>(8 292)</b>	<b>-</b>	<b>(19 012)</b>
<b>NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD</b>	<b>690</b>	<b>1 507</b>	<b>2 974</b>	<b>92</b>	<b>5 263</b>
<b>NET CARRYING AMOUNT AT THE END OF THE PERIOD</b>	<b>598</b>	<b>1 371</b>	<b>2 481</b>	<b>-</b>	<b>4 450</b>

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

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

**16. Investment property**

	3-month period ended 31 March 2015 <i>(unaudited)</i>	3-month period ended 31 March 2014 <i>(unaudited)</i>
<b>COST</b>		
<b>Opening balance</b>	<b>36 169</b>	<b>36 169</b>
<b>Closing balance</b>	<b>36 169</b>	<b>36 169</b>
<b>ACCUMULATED DEPRECIATION</b>		
<b>Opening balance</b>	<b>(3 617)</b>	-
Depreciation for the period	(904)	(904)
<b>Closing balance</b>	<b>(4 521)</b>	<b>(904)</b>
<b>NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD</b>	<b>32 552</b>	<b>36 169</b>
<b>NET CARRYING AMOUNT AT THE END OF THE PERIOD</b>	<b>31 648</b>	<b>35 265</b>

The investment property is composed of buildings located in Katowice Szopienice at ul. Lwowska 23 used under a finance lease agreement with PKO Bankowy Leasing Sp. z o.o. The monthly lease payment is ca. PLN 310 thousand, while monthly depreciation charge is ca. PLN 301 thousand.

The Company is a party to a lease agreement with TAURON Wytwarzanie S.A. (the lessee) valid until 30 April 2018, specifying terms and conditions of subleasing buildings and structures discussed in the lease agreement mentioned above. In the 3-month period ended 31 March 2015, the revenue from investment property lease reached PLN 1 410 thousand.

**17. Non-current intangible assets**

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

	Software and licenses	Energy certificates	Other intangible assets	Intangible assets not made available for use	Intangible assets, total
<b>COST</b>					
<b>Opening balance</b>	<b>3 560</b>	<b>5 401</b>	<b>2 676</b>	-	<b>11 637</b>
Direct purchase	-	-	-	1 500	1 500
Allocation of intangible assets not made available for use	-	-	1 500	(1 500)	-
Liquidation	(1)	-	(47)	-	(48)
Reclassification	-	(2 739)	-	-	(2 739)
<b>Closing balance</b>	<b>3 559</b>	<b>2 662</b>	<b>4 129</b>	-	<b>10 350</b>
<b>ACCUMULATED AMORTIZATION</b>					
<b>Opening balance</b>	<b>(2 646)</b>	-	<b>(713)</b>	-	<b>(3 359)</b>
Amortization for the period	(101)	-	(132)	-	(233)
Liquidation	1	-	47	-	48
<b>Closing balance</b>	<b>(2 746)</b>	-	<b>(798)</b>	-	<b>(3 544)</b>
<b>NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD</b>	<b>914</b>	<b>5 401</b>	<b>1 963</b>	-	<b>8 278</b>
<b>NET CARRYING AMOUNT AT THE END OF THE PERIOD</b>	<b>813</b>	<b>2 662</b>	<b>3 331</b>	-	<b>6 806</b>

In the 3-month period ended 31 March 2015, the Company reclassified energy certificates held for surrendering for 2015 with the value of PLN 2 739 thousand to current intangible assets.

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

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

**18. Shares**

**Changes in the balance of long-term investments from 1 January 2015 to 31 March 2015 (unaudited)**

No.	Company	Opening balance	Increases / Decreases	Closing balance
1	TAURON Wytwarzanie S.A.	7 236 727	-	7 236 727
2	TAURON Dystrybucja S.A.	9 511 628	-	9 511 628
3	TAURON Ciepło Sp. z o.o.	1 328 043	-	1 328 043
4	TAURON Ekoenergia Sp. z o.o.	939 765	-	939 765
5	TAURON Sprzedaż Sp. z o.o.	613 505	-	613 505
6	TAURON Obsługa Klienta Sp. z o.o.	39 831	-	39 831
7	Polska Energia Pierwsza Kompania Handlowa Sp. z o.o. w likwidacji	49 056	-	49 056
8	TAURON Czech Energy s.r.o.	4 223	-	4 223
9	TAURON Sprzedaż GZE Sp. z o.o.	129 823	-	129 823
10	TAURON Wydobywanie S.A.	494 755	-	494 755
11	TAURON Wytwarzanie GZE Sp. z o.o.	4 935	-	4 935
12	Kopalnia Wapienia Czatkowice Sp. z o.o.	41 178	-	41 178
13	TAURON Sweden Energy AB (publ)	232	19	251
14	Biomasa Grupa TAURON Sp. z o.o.	-	1 224	1 224
15	CONCORDE INVESTISSEMENT S.A.	12	-	12
16	CC Poland Plus Sp. z o.o.	12	-	12
17	Energopower Sp. z o.o.	45	-	45
18	Enpower Sp. z o.o.	45	-	45
19	TAURON Ubezpieczenia Sp. z o.o.	25	-	25
20	TAMEH HOLDING Sp. z o.o.	415 852	-	415 852
21	Marselwind Sp. z o.o.	107	-	107
<b>Total</b>		<b>20 809 799</b>	<b>1 243</b>	<b>20 811 042</b>

Changes in the balance of long-term investments in the 3-month period ended 31 March 2015 resulted mainly from the acquisition of shares in Biomasa Grupa TAURON Sp. z o.o.

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

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

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

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

- Separation of ZEC Bielsko Biala from TAURON Wytwarzanie S.A. to TAURON Ciepło S.A.;
- Purchase of shares in TAURON Wydobywanie S.A.

## 19. Bonds

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

The table below presents the balances of acquired bonds and interest accrued as at the end of the reporting period, i.e. 31 March 2015 and 31 December 2014, broken down by individual companies issuing the bonds.

Company	As at 31 March 2015 (unaudited)		As at 31 December 2014	
	nominal value of purchased bonds	accrued interest	nominal value of purchased bonds	accrued interest
TAURON Wytwarzanie S.A.	2 078 770	11 438	1 940 000	11 645
TAURON Dystrybucja S.A.	2 200 000	116 352	2 050 000	85 744
TAURON Ekoenergia Sp. z o.o.	60 000	685	1 180 000	5 393
TAURON Ciepło Sp. z o.o.	1 048 260	8 257	1 033 780	8 605
TAMEH POLSKA Sp. z o.o.	21 740	-	21 740	-
TAURON Wydobywanie S.A.	470 000	4 344	370 000	3 823
TAURON Obsługa Klienta Sp. z o.o.	85 000	4 293	85 000	2 996
<b>Total bonds, including:</b>	<b>5 963 770</b>	<b>145 369</b>	<b>6 680 520</b>	<b>118 206</b>
<b>Non-current</b>	5 642 030	1 244	5 522 030	695
<b>Current</b>	321 740	144 125	1 158 490	117 511

The current bonds include one of intra-group bond series in the amount of PLN 300 000 thousand issued by TAURON Dystrybucja S.A. and taken up by TAURON Polska Energia S.A. with a term to maturity exceeding one year, which were redeemed early by the entity, i.e. in April 2015.

## 20. Loans granted

On 27 February 2015 the Company entered into an agreement with its subsidiary, TAURON Ekoenergia Sp. z o.o., under which TAURON Polska Energia S.A. granted a one-year loan of PLN 1 120 000 thousand to TAURON Ekoenergia Sp. z o.o. The purpose of the loan was to redeem the same amount of intra-group bonds issued by the borrower in prior

years to finance construction of wind farms. The set-off of the loan against the bonds did not result in any cash flows of the Company due to loan granting or bond redemption by TAURON Ekoenergia Sp z o.o.

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

In October 2014 the Company granted a short-term loan of PLN 500 thousand to TAMEH HOLDING Sp. z o.o. The loan with interest has been repaid to the Company during the 3-month period ended 31 March 2015.

As at the end of the reporting period the balance of the loans granted was the following:

	As at 31 March 2015 ( <i>unaudited</i> )		As at 31 December 2014	
	Principal	Interest	Principal	Interest
Loan granted to TAURON Ekoenergia Sp. z o.o.	1 120 000	7 855	-	-
Subordinated loan - EC Stalowa Wola S.A.	177 000	23 321	177 000	21 331
VAT loan - EC Stalowa Wola S.A.	2 300	1	5 850	12
Other loans	-	-	500	5
<b>Total loans, including:</b>	<b>1 299 300</b>	<b>31 177</b>	<b>183 350</b>	<b>21 348</b>
Non-current	177 000	23 321	177 000	21 331
Current	1 122 300	7 856	6 350	17

## 21. Derivative instruments

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

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

Derivatives (IRS) include interest rate swap contracts concluded in order to hedge interest cash flows related to bonds issued, as presented in detail in Note 36.1 to these condensed interim financial statements. The interest rate swap contract related to Tranche A redeemed at the end of 2014 has been excluded from hedge accounting and it has been measured through profit or loss. As at 31 March 2015 the liability amounted to PLN 13 616 thousand. The remaining IRS contracts are subject to hedge accounting with the remeasurement recognized in other comprehensive income. As at 31 March 2015 the liability amounted to PLN 186 243 thousand.

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

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

## 22. Current intangible assets

Under current intangible assets, the Company discloses energy certificates.

	3-month period ended 31 March 2015 <i>(unaudited)</i>	3-month period ended 31 March 2014 <i>(unaudited)</i>
<b>COST</b>		
<b>Opening balance</b>	<b>20 215</b>	<b>98 149</b>
Direct purchase	1 670	246
Cancellation	(21 885)	(98 182)
Reclassification	2 739	12 380
<b>Closing balance</b>	<b>2 739</b>	<b>12 593</b>
<b>IMPAIRMENT ALLOWANCES</b>		
<b>Opening balance</b>	-	-
<b>Closing balance</b>	-	-
<b>NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD</b>	<b>20 215</b>	<b>98 149</b>
<b>NET CARRYING AMOUNT AT THE END OF THE PERIOD</b>	<b>2 739</b>	<b>12 593</b>

In the 3-month period ended 31 March 2015, the Company surrendered energy certificates of PLN 21 885 thousand to fulfil the obligation for 2014.

### 23. Inventories

	As at 31 March 2015 <i>(unaudited)</i>	As at 31 December 2014
<b>Historical cost</b>		
Energy certificates	3 125	3 389
Emission allowances	173 868	173 571
Materials	658	372
<b>Total</b>	<b>177 651</b>	<b>177 332</b>
<b>Write-downs to net realizable value</b>		
Energy certificates	(148)	(60)
<b>Total</b>	<b>(148)</b>	<b>(60)</b>
<b>Net realizable value</b>		
Energy certificates	2 977	3 329
Emission allowances	173 868	173 571
Materials	658	372
<b>Total</b>	<b>177 503</b>	<b>177 272</b>

### 24. Trade and other receivables

	As at 31 March 2015 <i>(unaudited)</i>	As at 31 December 2014
Trade receivables	794 663	941 842
Other financial receivables, <i>including</i> :	130 043	40 740
Cash pool loans received, including accrued interest	66 181	29 224
Collateral paid	6 717	6 870
TCG receivables	56 837	4 353
Other financial receivables	308	293
<b>Total</b>	<b>924 706</b>	<b>982 582</b>

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

Related-party transactions as well as the related party receivables and liabilities have been presented in Note 34 hereto.

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

**Ageing analysis of trade and other receivables as at 31 March 2015 (unaudited)**

	Not past due	Past due			Total
		< 30 days	30-360 days	>360 days	
<b>Value of item before allowance/write-down</b>					
Trade receivables	785 745	8 416	696	-	<b>794 857</b>
Other financial receivables	130 050	-	1 176	933	<b>132 159</b>
<b>Total</b>	<b>915 795</b>	<b>8 416</b>	<b>1 872</b>	<b>933</b>	<b>927 016</b>
<b>Allowance/write-down</b>					
Trade receivables	(101)	-	(93)	-	<b>(194)</b>
Other financial receivables	(7)	-	(1 176)	(933)	<b>(2 116)</b>
<b>Total</b>	<b>(108)</b>	<b>-</b>	<b>(1 269)</b>	<b>(933)</b>	<b>(2 310)</b>
<b>Value of item net of allowance (carrying amount)</b>					
Trade receivables	785 644	8 416	603	-	<b>794 663</b>
Other financial receivables	130 043	-	-	-	<b>130 043</b>
<b>Total</b>	<b>915 687</b>	<b>8 416</b>	<b>603</b>	<b>-</b>	<b>924 706</b>

**Ageing analysis of trade and other receivables as at 31 December 2014**

	Not past due	Past due			Total
		< 30 days	30-360 days	>360 days	
<b>Value of item before allowance/write-down</b>					
Trade receivables	931 635	8 900	1 400	-	<b>941 935</b>
Other financial receivables	40 740	-	-	931	<b>41 671</b>
<b>Total</b>	<b>972 375</b>	<b>8 900</b>	<b>1 400</b>	<b>931</b>	<b>983 606</b>
<b>Allowance/write-down</b>					
Trade receivables	-	(93)	-	-	<b>(93)</b>
Other financial receivables	-	-	-	(931)	<b>(931)</b>
<b>Total</b>	<b>-</b>	<b>(93)</b>	<b>-</b>	<b>(931)</b>	<b>(1 024)</b>
<b>Value of item net of allowance (carrying amount)</b>					
Trade receivables	931 635	8 807	1 400	-	<b>941 842</b>
Other financial receivables	40 740	-	-	-	<b>40 740</b>
<b>Total</b>	<b>972 375</b>	<b>8 807</b>	<b>1 400</b>	<b>-</b>	<b>982 582</b>

**25. Cash and cash equivalents**

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

	As at 31 March 2015 (unaudited)	As at 31 December 2014
Cash at bank and in hand	120 615	264 260
Short-term deposits (up to 3 months)	810 366	964 620
<b>Total cash and cash equivalents presented in the statement of financial position, of which:</b>		
restricted cash	111 378	44 765
Cash pool	(1 163 658)	(1 151 591)
Overdraft	(109 143)	(11 918)
Foreign exchange and other differences	4 261	3 564
<b>Total cash and cash equivalents presented in the statement of cash flows</b>	<b>(337 559)</b>	<b>68 935</b>

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

The balance of restricted cash consists mainly of:

- cash held in the settlement account for trading in electricity on the Polish Power Exchange (Towarowa Giełda Energii S.A), amounting to PLN 100 743 thousand, and
- cash held in special purpose accounts for transactions carried out on the European Energy Exchange and ICE Futures Europe of PLN 9 800 thousand.

Detailed information on cash pool balances has been presented in Note 27.4 to these condensed interim financial statements.

## 26. Equity

### 26.1. Issued capital

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

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

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

### 26.2. Major shareholders

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

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

### 26.3. Revaluation reserve from valuation of hedging instruments

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

The revaluation reserve from valuation of hedging instruments results from valuation of Interest Rate Swaps (IRS) hedging the interest rate risk arising from issued bonds, as presented in detail in Note 36.1 to these condensed interim financial statements.

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

As at 31 March 2015, the Company recognized PLN (130 453) thousand in revaluation reserve from valuation of hedging instruments. It represents a liability arising from measurement of interest rate swaps as at the end of the reporting period, totaling PLN 186 244 thousand, adjusted by a portion of measurement relating to interest accrued on bonds as at the end of the reporting period, including deferred tax.

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

## 26.4. Dividend limitation

### Reserve capital – dividend limitation

	As at 31 March 2015 <i>(unaudited)</i>	As at 31 December 2014
<b>distributable amounts, including:</b>	<b>3 148 608</b>	<b>3 148 608</b>
distribution of prior year profits	3 148 608	3 148 608
<b>non-distributable amounts, including:</b>	<b>7 245 078</b>	<b>7 245 078</b>
decrease in the value of issued capital	7 010 198	7 010 198
settlement of mergers with subsidiaries	234 880	234 880
<b>Total reserve capital</b>	<b>10 393 686</b>	<b>10 393 686</b>

### Retained earnings – dividend limitation

	As at 31 March 2015 <i>(unaudited)</i>	As at 31 December 2014
<b>distributable amounts, including:</b>	<b>1 146 456</b>	<b>1 146 456</b>
undistributed profit for the year ended 31 December 2014	1 146 443	1 146 443
adjustment of prior year profit	13	13
<b>non-distributable amounts, including:</b>	<b>165 515</b>	<b>79 697</b>
actuarial gains and losses on provisions for post-employment benefits	(815)	(821)
settlement of mergers with subsidiaries	80 518	80 518
profit for the 3-month period ended 31 March 2015	85 812	-
<b>Total retained earnings</b>	<b>1 311 971</b>	<b>1 226 153</b>

On 23 April 2015, the Ordinary General Shareholders' Meeting of TAURON Polska Energia S.A. adopted a resolution on distribution of the profit for the financial year 2014 of PLN 1 146 443 thousand, where PLN 262 882 thousand was allocated to dividend for the shareholders and PLN 883 561 thousand - to reserve capital.

## 27. Interest-bearing loans and borrowings

	As at 31 March 2015 <i>(unaudited)</i>	As at 31 December 2014
<b>Non-current portion of loans and borrowings, including issued bonds:</b>		
Issued bonds	5 644 731	5 644 306
Loans from the European Investment Bank	1 000 843	1 021 263
Loan from the subsidiary	680 437	709 267
<b>Total</b>	<b>7 326 011</b>	<b>7 374 836</b>
<b>Current portion of loans and borrowings, including issued bonds:</b>		
Issued bonds	358 224	466 325
Cash pool loans received, including accrued interest	1 229 839	1 180 815
Loans from the European Investment Bank	144 836	139 148
Loan from the subsidiary	8 323	2 059
Overdraft	109 143	11 918
<b>Total</b>	<b>1 850 365</b>	<b>1 800 265</b>

### 27.1. Bonds issued

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

**Bonds as at 31 March 2015 (unaudited)**

Tranche/ Bank	Maturity date	Currency	As at the balance sheet date (unaudited)		of which principal amount maturing within (after the balance sheet date)					
			Accrued interest	Principal at amortized cost	less than 3 months	3 - 12 months	1 - 2 years	2 - 3 years	3 - 5 years	over 5 years
B	12 December 2015	PLN	2 667	299 790	-	299 790	-	-	-	-
C	12 December 2016	PLN	26 671	2 997 759	-	-	2 997 759	-	-	-
BGK*	20 December 2019	PLN	978	99 806	-	-	-	-	99 806	-
BGK*	20 December 2020	PLN	978	99 799	-	-	-	-	-	99 799
BGK*	20 December 2021	PLN	978	99 794	-	-	-	-	-	99 794
BGK*	20 December 2022	PLN	978	99 790	-	-	-	-	-	99 790
BGK*	20 December 2023	PLN	978	99 786	-	-	-	-	-	99 786
BGK*	20 December 2024	PLN	978	99 786	-	-	-	-	-	99 786
BGK*	20 December 2025	PLN	978	99 784	-	-	-	-	-	99 784
BGK*	20 December 2026	PLN	978	99 780	-	-	-	-	-	99 780
BGK*	20 December 2027	PLN	978	99 779	-	-	-	-	-	99 779
TPEA1119	4 November 2019	PLN	20 294	1 748 868	-	-	-	-	1 748 868	-
<b>Total bonds</b>			<b>58 434</b>	<b>5 944 521</b>	<b>-</b>	<b>299 790</b>	<b>2 997 759</b>	<b>-</b>	<b>1 848 674</b>	<b>798 298</b>

\* Bank Gospodarstwa Krajowego

**Bonds as at 31 December 2014**

Tranche/B ank	Maturity date	Currency	As at the balance sheet date		of which principal amount maturing within (after the balance sheet date)					
			Accrued interest	Principal at amortized cost	less than 3 months	3 - 12 months	1 - 2 years	2 - 3 years	3 - 5 years	over 5 years
B	12 December 2015	PLN	485	299 716	-	299 716	-	-	-	-
C	30 January 2015	PLN	2 287	150 000	150 000	-	-	-	-	-
C	12 December 2016	PLN	4 849	2 997 442	-	-	2 997 442	-	-	-
BGK*	20 December 2019	PLN	115	99 797	-	-	-	-	99 797	-
BGK*	20 December 2020	PLN	115	99 791	-	-	-	-	-	99 791
BGK*	20 December 2021	PLN	115	99 787	-	-	-	-	-	99 787
BGK*	20 December 2022	PLN	115	99 784	-	-	-	-	-	99 784
BGK*	20 December 2023	PLN	115	99 781	-	-	-	-	-	99 781
BGK*	20 December 2024	PLN	115	99 781	-	-	-	-	-	99 781
BGK*	20 December 2025	PLN	115	99 780	-	-	-	-	-	99 780
BGK*	20 December 2026	PLN	115	99 777	-	-	-	-	-	99 777
BGK*	20 December 2027	PLN	115	99 776	-	-	-	-	-	99 776
TPEA1119	4 November 2019	PLN	7 953	1 748 810	-	-	-	-	1 748 810	-
<b>Total bonds</b>			<b>16 609</b>	<b>6 094 022</b>	<b>150 000</b>	<b>299 716</b>	<b>2 997 442</b>	<b>-</b>	<b>1 848 607</b>	<b>798 257</b>

\* Bank Gospodarstwa Krajowego

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.

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

	3-month period ended 31 March 2015 (unaudited)	3-month period ended 31 March 2014 (unaudited)
<b>Opening balance</b>	<b>6 094 022</b>	<b>4 291 460</b>
Issue*	-	798 801
Redemption	(150 000)	(200 000)
Change in valuation	499	841
<b>Closing balance</b>	<b>5 944 521</b>	<b>4 891 102</b>

\* Costs of issue have been included.

On 30 January 2015, the Company redeemed Tranche B bonds with the par value of PLN 150 000 thousand at their maturity.

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

The Company hedges a portion of interest cash flows related to bonds issued under Tranche C using IRS contracts. The instruments are subject to hedge accounting, as discussed in Note 36.1 hereto.

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

#### **27.2. Loans from the European Investment Bank**

As at 31 March 2015, the balance of loans obtained from the European Investment Bank was PLN 1 145 679 thousand, including interest accrued of PLN 12 101 thousand. As at 31 December 2014, the outstanding amount was PLN 1 160 411 thousand.

In the 3-month period ended 31 March 2015, the Company repaid PLN 20 455 thousand of the principal amount and PLN 7 965 thousand of interest.

#### **27.3. Loan granted by a subsidiary**

In December 2014 TAURON Polska Energia S.A. was granted a long-term loan by a subsidiary TAURON Sweden Energy AB (publ). The interest rate on a loan is fixed and interest will be paid annually, in December, until the final loan repayment. The loan will be fully repaid on 29 November 2029.

As at 31 March 2015 the carrying amount of the loan was EUR 168 442 thousand (PLN 688 760 thousand), including EUR 2 036 thousand (PLN 8 323 thousand) of interest accrued as at the end of the reporting period. As at 31 December 2014 the carrying amount of the loan was EUR 166 888 thousand (PLN 711 326 thousand), including EUR 483 thousand (PLN 2 059 thousand) of interest accrued as at the end of the reporting period.

#### **27.4. Cash pool**

In order to optimize cash management, financial liquidity and financial revenue and expense the TAURON Group has introduced a cash pooling structure. On 18 December 2014 the Company concluded a new zero balancing agreement with PKO Bank Polski S.A. for a 3-year period with the possibility to extend the period by 12 months, with TAURON Polska Energia S.A. acting as the pool leader. The interest rates were determined on market terms.

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

	As at 31 March 2015 <i>(unaudited)</i>	As at 31 December 2014
Receivables from cash pool loans granted	66 059	29 166
Interest receivable on loans granted under cash pool agreement	122	58
<b>Total Receivable</b>	<b>66 181</b>	<b>29 224</b>
Loans received under cash pool agreement	1 228 456	1 178 761
Interest payable on loans received under cash pool agreement	1 383	2 054
<b>Total Liabilities</b>	<b>1 229 839</b>	<b>1 180 815</b>

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

Under the cash pool agreement the Company is entitled to use external financing in the form of an overdraft up to PLN 300 000 thousand and an intraday limit up to PLN 500 000 thousand. As at 31 March 2015, the Company had a liability under the overdraft agreement of PLN 91 185 thousand.

#### **27.5. Overdraft facilities**

As at 31 March 2015, the balance of overdraft facilities was PLN 109 143 thousand and included:

- foreign currency overdraft agreement with NORDEA Bank Polska S.A. (currently: PKO Bank Polski S.A.) concluded by the Company for the purpose of financing margin deposits and transactions in power and emission allowances – EUR 4 392 thousand (PLN 17 958 thousand);
- financing under the agreement with PKO Bank Polski S.A. (financing available under the cash pool agreement) – PLN 91 185 thousand.

## 28. Other provisions

	3-month period ended 31 March 2015 (unaudited)	3-month period ended 31 March 2014 (unaudited)
<b>Opening balance</b>	<b>34 189</b>	<b>110 580</b>
Recognition	-	6 425
Reversal	(163)	(993)
Utilization	(34 026)	(109 587)
<b>Closing balance</b>	<b>-</b>	<b>6 425</b>

In the 3-month period ended 31 March 2015 changes in other provisions were related to the provision for the obligation to surrender energy certificates. In 2015, in order to fulfil the obligation to surrender energy certificates for 2014, the Company surrendered energy certificates of PLN 21 885 thousand, paid a substitution fee of PLN 12 113 thousand and incurred expenses of PLN 28 thousand related to surrendering, hence utilizing the provision in the amount of PLN 34 026 thousand. The surplus of the provision recognized at the end of 2014 over the amount applied of PLN 163 thousand was reversed, reducing costs in 2015.

Following organizational changes in the Group's electricity trading function, in the period ended 31 March 2015 the Company did not sell electricity to end-buyers, therefore it was not obliged to recognize a provision for the obligation to surrender energy certificates as at 31 March 2015.

## 29. Significant items of the statement of cash flows

### 29.1. Cash flows from investing activities

#### Purchase of bonds

Payments related to acquisition of bonds, in the amount of PLN 420 000 thousand, are related to redemption of intra-group bonds issued by the following subsidiaries:

- TAURON Dystrybucja S.A., amounting to PLN 150 000 thousand;
- TAURON Ciepło Sp. z o.o., amounting to PLN 30 000 thousand;
- TAURON Wydobycie S.A., amounting to PLN 100 000 thousand;
- TAURON Wytwarzanie S.A., amounting to PLN 140 000 thousand.

#### Redemption of bonds

Inflows related to redemption of bonds, in the amount of PLN 15 526 thousand, are related to redemption of intra-group bonds by the following subsidiaries:

- TAURON Ciepło Sp. z o.o., amounting to PLN 15 520 thousand;
- TAURON Wytwarzanie S.A., amounting to PLN 6 thousand.

#### Loans granted

Expenses related to loans granted result from the transfer of funds under the VAT loan for Elektrociepłownia Stalowa Wola S.A., a jointly-controlled entity, in the total amount of PLN 8 150 thousand.

#### Loans and borrowings repaid

Inflows due to repayment of loans are related to amounts repaid by Elektrociepłownia Stalowa Wola S.A. due under the VAT loan agreement in the total amount of PLN 11 700 thousand and repayment of a loan of PLN 500 thousand by TAMEH Holding Sp. z o.o., a jointly-controlled entity.

### **Interest received**

Most proceeds from interest received are related to interest on acquired bonds of subsidiaries of PLN 68 519 thousand.

## **29.2. Cash flows from financing activities**

### **Loans and borrowings repaid**

Expenditures due to repayment of loans and borrowings resulted from repayment of an instalment of a loan granted by the European Investment Bank of PLN 20 455 thousand in the 3-month period ended 31 March 2015.

### **Redemption of debt securities**

Expenditure for redemption of debt securities result from redemption of Tranche B bonds in the amount of PLN 150 000 thousand in the 3-month period ended 31 March 2015.

### **Interest paid**

Expenditures due to interest paid were related to the fact that the Company paid interest on bonds issued of PLN 2 715 thousand and interest on loans of PLN 7 994 thousand.

## **30. Details of other significant changes in the reporting period**

### **Finance income**

An increase in other finance income in the 3-month period ended 31 March 2015 by PLN 74 871 thousand vs. the comparative period resulted mainly from:

- an increase in interest on intra-group bonds and loans amounting to PLN 27 994 thousand. Interest income earned on bonds and loans acquired for the 3-month period ended 31 March 2014 amounted to PLN 105 558 thousand compared to PLN 77 564 thousand in the period ended 31 March 2014;
- a surplus of exchange gains over exchange losses of PLN 28 452 thousand in the 3-month period ended 31 March 2015, which results mainly from exchange gains on a loan granted by TAURON Sweden Energy AB (publ). In the comparable period the Company reported a surplus of exchange losses over exchange gains, which was presented in financial expense;
- an increase in finance income due to measurement of derivatives of PLN 14 994 thousand, which results mainly from positive valuation of CCIRS.

## OTHER INFORMATION

### 31. Contingent liabilities

The Company's contingent liabilities arise mainly from collateral and guarantees granted to related parties. As at 31 March 2015, the structure of the Company's contingent liabilities was as follows:

Type of contingent liability	Company in respect of which contingent liability has been granted	Beneficiary	As at 31 March 2015 (unaudited)		As at 31 December 2014	
			EUR	PLN	EUR	PLN
corporate guarantee	TAURON Sweden Energy AB (publ)	holders of bonds issued by TAURON Sweden Energy AB (publ)	168 000	686 952	168 000	716 066
blank promissory note	TAURON Wytwarzanie S.A.	Regional Fund for Environmental Protection and Water Management in Katowice		40 000		40 000
	TAURON Ciepło S.p. z o.o.			30 000		30 000
	TAURON Ciepło S.p. z o.o.			1 180		1 180
collateral of a bank guarantee	TAURON Sprzedaż Sp. z o.o.	Powszechna Kasa Oszczędności Bank Polski S.A.		369		281
	Kopalnia Wapienia Czatkowice Sp. z o.o.			792		492
	TAURON Dystrybucja Serwis S.A.			217		217
collateral of a loan	Kopalnia Wapienia Czatkowice Sp. z o.o.	Regional Fund for Environmental Protection and Water Management in Kraków		1 145		1 145
collateral of a contract	TAURON Wytwarzanie S.A.	Polskie Sieci Elektroenergetyczne S.A.		5 000		5 000
collateral of a contract	TAURON Czech Energy s.r.o.	SPP CZ a.s.	300	1 227	300	1 279
collateral of a contract	TAURON Czech Energy s.r.o.	CEZ a.s.	3 500	14 312	-	-
collateral of a bank guarantee	Elektrociepłownia Stalowa Wola S.A.	BNP Paribas Bank Polska S.A.		62 582		62 582

Changes in the 3-month period ended 31 March 2015:

- The Company provided collateral in the amount of EUR 3 500 thousand (PLN 14 312 thousand) for the benefit of CEZ a.s. to secure a trade contract of TAURON Czech Energy s.r.o.;
- Under the framework agreement for bank guarantees concluded with PKO Bank Polski S.A., the bank issues guarantees for subsidiaries. As at 31 March 2015 the balance of bank guarantees granted reached PLN 1 378 thousand (versus PLN 990 thousand as at 31 December 2014).

#### **Claims filed by Huta Łaziska S.A.**

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

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

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

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

Based on the Company's legal analysis of the claims raised by Huta and by its main shareholder, GEMI Sp. z o.o., the Company believes that 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.

## **32. Collateral against liabilities**

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

The key items collateralize the following agreements:

### ***Bond issue schemes***

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

- up to PLN 1 560 000 thousand, valid until 31 December 2016 – as regards Tranche A and B;
- up to PLN 6 900 000 thousand, valid until 31 December 2018 – as regards Tranche C and Tranches 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 31 March 2015, the maximum amount of the agreed guarantee limit was PLN 100 000 thousand. The agreement is valid until 31 December 2016.

Under the agreement, at the request of the Company, as at 31 March 2015 PKO Bank Polski S.A. extended bank guarantees in order to collateralize liabilities of the subsidiaries of TAURON Polska Energia S.A. totaling PLN 1 378 thousand (Note 31 hereto) and to collateralize transactions entered into by the Company::

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

### ***Agreement with Bank Zachodni WBK S.A. on bank guarantees for Izba Rozliczeniowa Gield 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 Gield Towarowych S.A. as the beneficiary. In May 2014 the Company concluded an Annex extending the agreement period until 6 May 2015. The agreement has been collateralized with a declaration of submission to enforcement up to the amount of PLN 187 500 thousand valid until 6 May 2017.

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

### ***Overdraft facility agreements***

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

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

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

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

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

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

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

### **Other**

With a view to collateralizing transactions entered into on the ICE Futures Europe and the European Energy Exchange, mainly future contracts concerning emission allowances, the Company transfers margin deposits for such transactions to separate bank accounts – as at 31 March 2015, such deposits amounted to PLN 9 800 thousand.

In October 2014 in order to collateralize claims of Izba Rozliczeniowa Giełd Towarowych S.A. (IRGIT) under the surety agreement between TAURON Wytwarzanie S.A. and IRGIT for the liabilities of TAURON Polska Energia S.A. (up to PLN 80 000 thousand), pursuant to the Alienation Agreement concluded by TAURON Wytwarzanie S.A. and IRGIT, the freeze on EUA emission allowances of TAURON Wytwarzanie S.A. in the Register of Allowances, have been made (12 821 thousand tons). Additionally, the Company's transactions concluded on the Polish Power Exchange have also been collateralized with EUA emission allowances for 6 600 thousand tons on the account of TAURON Polska Energia S.A. kept by the Register of Allowances pursuant to the Alienation Agreement concluded by IRGIT and the Company. The agreements in question were valid until 31 March 2015.

TAURON Polska Energia S.A. is a party to a finance lease agreement concerning real property in Katowice with the carrying amount of PLN 31 648 thousand as at 31 March 2015. The agreement is collateralized by two blank promissory notes, assignment of receivables and authorization to debit a bank account.

### **33. Capital commitments**

As at 31 March 2015 the Company had no capital commitments.

### **34. Related party disclosures**

#### **34.1. Transactions with related parties and State Treasury companies**

The Company enters into transactions with related parties as presented in Note 2 to these condensed interim financial statements. In addition, due to the fact that the State Treasury of the Republic of Poland is the Company's major shareholder, State Treasury companies are treated as related parties. Transactions with State Treasury companies are mainly related to the operating activities of the Company and are made on an arm's length basis.

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

## Revenue and expense

	3-month period ended 31 March 2015 <i>(unaudited)</i>	3-month period ended 31 March 2014 <i>(unaudited)</i>
<b>Revenue from subsidiaries, of which:</b>	<b>2 449 960</b>	<b>2 181 516</b>
Revenue from operating activities	2 344 403	2 104 521
Other operating revenue	1 416	523
Finance income	104 141	76 472
<b>Revenue from jointly controlled entities</b>	<b>40 328</b>	<b>2 297</b>
<b>Revenue from State Treasury companies</b>	<b>224 520</b>	<b>168 515</b>
<b>Costs from subsidiaries, of which:</b>	<b>(1 107 111)</b>	<b>(641 994)</b>
Costs of operating activities	(1 096 539)	(632 916)
Finance costs	(10 572)	(9 078)
<b>Costs incurred with relation to transactions with jointly-controlled entities</b>	<b>(76)</b>	<b>-</b>
<b>Costs from State Treasury companies</b>	<b>(259 565)</b>	<b>(220 487)</b>

## Receivables and liabilities

	As at 31 March 2015 <i>(unaudited)</i>	As at 31 December 2014
<b>Loans granted to subsidiaries and receivables from subsidiaries, of which:</b>	<b>8 000 539</b>	<b>7 523 690</b>
Trade receivables	662 378	712 846
Loans granted under cash pool agreement plus interest accrued	66 181	29 223
Loans granted	1 127 855	-
Other financial receivables	280	282
TCG receivables	56 446	4 353
Bonds	6 087 399	6 776 986
<b>Loans granted to jointly-controlled entities and receivables from these entities</b>	<b>244 537</b>	<b>226 471</b>
<b>Receivables from State Treasury companies</b>	<b>74 115</b>	<b>95 890</b>
<b>Liabilities to subsidiaries, of which:</b>	<b>2 281 104</b>	<b>2 218 946</b>
Trade payables	340 401	299 189
Loans received under cash pool agreement plus interest accrued	1 229 839	1 180 815
Other loans received	688 760	711 326
Liabilities arising from the TCG	16 821	21 480
Other financial liabilities	5 239	5 239
Other non-financial liabilities	44	897
<b>Liabilities to jointly-controlled entities</b>	<b>63</b>	<b>4 966</b>
<b>Liabilities to State Treasury companies</b>	<b>72 320</b>	<b>114 941</b>

Revenue from related parties includes revenue from sales of coal and biomass to TAURON Wytwarzanie S.A. and TAURON Ciepło Sp. z o.o., which is presented in the statement of comprehensive income less cost in the amount of the surplus constituting the revenue due to agency services, presented in detail in Note 11.

An increase in operating expenses in the 3-month period ended 31 March 2015 year-on-year was mainly due to an increase in purchases of electricity from TAURON Wytwarzanie S.A. The value of purchased electricity was PLN 702 556 thousand and PLN 297 154 thousand, respectively.

In the 3-month period ended 31 March 2015, PSE S.A. and PKP Energetyka S.A. were the major business partners of TAURON Polska Energia S.A. among State Treasury companies in terms of sales revenue. The revenue from the aforementioned entities represented 89% of the total revenue generated in transactions with State Treasury companies.

The highest costs resulted from transactions with Kompania Węglowa S.A., PGE Polska Grupa Energetyczna S.A., Katowicki Holding Węglowy S.A. and Jastrzębska Spółka Węglowa S.A. and they accounted for 81% of total expenses incurred as a result of purchases from State Treasury companies.

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

### **34.2. Executive compensation**

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

	3-month period ended 31 March 2015 <i>(unaudited)</i>	3-month period ended 31 March 2014 <i>(unaudited)</i>
<b>Board of Directors</b>	<b>1 979</b>	<b>1 532</b>
Short-term employee benefits (salaries and surcharges)	1 224	1 274
Termination benefits	450	-
Other	305	258
<b>Supervisory Board</b>	<b>308</b>	<b>236</b>
Short-term employee benefits (salaries and surcharges)	308	236
<b>Other members of key management personnel</b>	<b>4 969</b>	<b>2 504</b>
Short-term employee benefits (salaries and surcharges)	4 523	2 281
Termination benefits	114	-
Other	332	223
<b>Total</b>	<b>7 256</b>	<b>4 272</b>

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

**35. Financial instruments**

**35.1. Carrying amount and fair value of financial instrument classes and categories**

Categories and classes of financial assets	Note	As at 31 March 2015 ( <i>unaudited</i> )		As at 31 December 2014	
		Carrying amount	Fair value	Carrying amount	Fair value
<b>1 Financial assets at fair value through profit or loss</b>		<b>16 746</b>	<b>16 746</b>	<b>1 811</b>	<b>1 811</b>
Derivative instruments	21	16 746	16 746	1 811	1 811
<b>2 Financial assets available for sale</b>		<b>5 181</b>	<b>-</b>	<b>5 181</b>	<b>-</b>
Long-term shares	18	5 181	-	5 181	-
<b>3 Loans and receivables</b>		<b>8 369 607</b>	<b>8 501 568</b>	<b>7 991 292</b>	<b>8 204 820</b>
Trade receivables	24	794 663	794 663	941 842	941 842
Bonds	19	6 109 139	6 241 100	6 798 726	7 012 254
Loans granted under cash pool agreement	27.4	66 181	66 181	29 224	29 224
Other loans granted	20	1 330 477	1 330 477	204 698	204 698
Other financial receivables		69 147	69 147	16 802	16 802
<b>4 Financial assets excluded from the scope of IAS 39</b>		<b>20 805 861</b>	<b>-</b>	<b>20 804 618</b>	<b>-</b>
Shares in subsidiaries	18	20 390 009	-	20 388 766	-
Shares in jointly-controlled entities	18	415 852	-	415 852	-
<b>5 Cash and cash equivalents</b>	25	<b>930 981</b>	<b>930 981</b>	<b>1 228 880</b>	<b>1 228 880</b>
<b>Total financial assets, including in the statement of financial position:</b>		<b>30 128 376</b>		<b>30 031 782</b>	
<b>Non-current assets</b>		<b>26 674 939</b>		<b>26 536 141</b>	
Shares		20 811 042		20 809 799	
Bonds		5 643 274		5 522 725	
Loans granted		200 321		198 331	
Derivative instruments		15 017		-	
Other financial assets		5 285		5 286	
<b>Current assets</b>		<b>3 453 437</b>		<b>3 495 641</b>	
Trade and other receivables		924 706		982 582	
Bonds		465 865		1 276 001	
Loans granted		1 130 156		6 367	
Derivative instruments		1 729		1 811	
Cash and cash equivalents		930 981		1 228 880	

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

Categories and classes of financial liabilities	Note	As at 31 March 2015 ( <i>unaudited</i> )		As at 31 December 2014	
		Carrying amount	Fair value	Carrying amount	Fair value
<b>1 Financial liabilities at fair value through profit or loss</b>		<b>14 860</b>	<b>14 860</b>	<b>15 183</b>	<b>15 183</b>
Derivative instruments	21	14 860	14 860	15 183	15 183
<b>2 Financial liabilities measured at amortized cost</b>		<b>9 734 255</b>	<b>9 780 444</b>	<b>9 811 465</b>	<b>9 849 118</b>
Arm's length loans, of which:		3 064 278	3 110 467	3 052 552	3 090 205
Liability under the cash pool loan	27.4	1 229 839	1 229 839	1 180 815	1 180 815
Loans from the European Investment Bank	27.2	1 145 679	1 191 868	1 160 411	1 198 064
Loan from the subsidiary	27.3	688 760	688 760	711 326	711 326
Overdraft	27.5	109 143	109 143	11 918	11 918
Bonds issued	27.1	6 002 955	6 002 955	6 110 631	6 110 631
Trade payables		525 439	525 439	594 007	594 007
Other financial liabilities		31 440	31 440	42 244	42 244
Liabilities due to purchases of fixed and intangible assets		1 000	1 000	113	113
<b>3 Liabilities under guarantees, factoring and excluded from the scope of IAS 39</b>		<b>32 431</b>	<b>32 431</b>	<b>33 159</b>	<b>33 159</b>
Liabilities under finance leases		32 431	32 431	33 159	33 159
<b>4 Hedging instruments (relating to liabilities)</b>	21	<b>186 243</b>	<b>186 243</b>	<b>180 933</b>	<b>180 933</b>
<b>Total financial liabilities, including in the statement of financial position:</b>		<b>9 967 789</b>		<b>10 040 740</b>	
<b>Non-current liabilities</b>		<b>7 456 234</b>		<b>7 503 745</b>	
Interest-bearing loans and borrowings		7 326 011		7 374 836	
Liabilities under finance leases		29 388		30 169	
Other financial liabilities		5 739		5 239	
Derivative instruments		95 096		93 501	
<b>Current liabilities</b>		<b>2 511 555</b>		<b>2 536 995</b>	
Current portion of interest-bearing loans and borrowings		1 850 365		1 800 265	
Current portion of liabilities under finance leases		3 043		2 990	
Trade and other payables		552 140		631 125	
Derivative instruments		106 007		102 615	

Financial instruments measured at fair value as at the end of the reporting period, i.e. assets and liabilities measured at fair value through profit or loss and hedging derivatives were measured in line with the method described in Note 35.2 to these condensed interim financial statements. Fair value hierarchy disclosures are also discussed in Note 35.2.

Financial instruments classified to other financial instrument categories:

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

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

- The Company has not disclosed the fair value of shares in companies not quoted on active markets, categorized to financial assets available for sale. The Company is unable to reliably estimate the fair value of shares held in companies which are not listed on active markets. They are measured at cost less impairment losses as at the end of the reporting period. Similarly, in accordance with the Company's accounting policy, shares in subsidiaries and jointly-controlled entities (joint arrangements) – financial assets excluded from the scope of IAS 39 - are also measured at cost less impairment losses.

### 35.2. Fair value hierarchy

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

Classes of financial instruments	As at 31 March 2015 (unaudited)		As at 31 December 2014	
	Level 1	Level 2	Level 1	Level 2
<b>Assets</b>				
Derivate instruments - commodity	480	-	312	-
Derivate instruments - CCIRS	-	16 266	-	1 499
<b>Liabilities</b>				
Derivate instruments - commodity	9	-	562	-
Derivate instruments - currency	-	1 235	-	-
Derivate instruments - CCIRS	-	-	-	1 241
Derivate instruments - IRS	-	199 859	-	194 313

The methods of estimating the fair value of derivatives have not changed compared to 31 December 2014.

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 the transaction price. The forward price is calculated based on a zero coupon yield curve.

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

### 36. Finance and financial risk management

#### 36.1. Financial risk management

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

#### Hedge accounting

As at 31 March 2015, the Company was a party to hedging transactions covered by the policy for specific risk management in the area of finance. Pursuant to a decision of the Financial Risk Management Committee of 30 January 2012, in March 2012 the Company hedged the interest rate risk arising from bonds issued under the Bond Issue Scheme (Tranche A and Tranche C), by entering into an interest rate swap (IRS) transaction for a term of 5 years. The aforementioned transaction was concluded due to fluctuations in the projected future cash flows from interest payments resulting from the issue of bonds in PLN with a floating interest rate based on WIBOR 6M. The Company hedged 80% of such cash flows. Following early redemption of Tranche A bonds carried out on 29 December 2014, the Company no longer applied hedge accounting to IRS contracts hedging the bonds redeemed. The Company still applies hedge accounting to the remaining IRS contracts hedging Tranche C bonds. The accounting treatment of the aforementioned hedging transactions has been presented in detail in Note 26.3 to these condensed interim financial statements.

#### 36.2. Financial and capital management

Finance and capital are managed at the level of the TAURON Polska Energia S.A. Capital Group, which has been presented in detail in Note 39 to the condensed interim consolidated financial statements for the 3-month period ended 31 March 2015.

### **37. Events after the end of the reporting period**

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

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

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

These condensed interim financial statements of TAURON Polska Energia S.A., prepared for the 3-month period ended 31 March 2015 in accordance with International Accounting Standard 34 have been presented on 42 consecutive pages.

Katowice, 12 May 2015

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

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