

**TAURON Polska Energia S.A.**

**Interim condensed financial statements**

**prepared according to the International Financial Reporting Standards  
for the 3-month period ended 31 March 2013**

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**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME**

	Note	3-month period ended 31 March 2013 (unaudited)	3-month period ended 31 March 2012 (unaudited restated figures)
<b>Continuing operations</b>			
Sale of goods for resale, finished goods and materials without elimination of excise		3 068 215	2 606 492
Excise		(2 906)	(3 183)
Sale of goods for resale, finished goods and materials		3 065 309	2 603 309
Rendering of services		22 975	12 291
<b>Sales revenue</b>	<b>9</b>	<b>3 088 284</b>	<b>2 615 600</b>
Cost of sales	9	(2 872 804)	(2 578 031)
<b>Gross profit</b>		<b>215 480</b>	<b>37 569</b>
Other operating income		204	56
Selling and distribution expenses		(9 054)	(8 591)
Administrative expenses		(26 169)	(25 722)
Other operating expenses		(409)	(497)
<b>Operating profit</b>		<b>180 052</b>	<b>2 815</b>
Dividend income		84 059	862
Finance income	31	64 313	35 585
Finance costs		(84 112)	(75 355)
<b>Profit before tax</b>		<b>244 312</b>	<b>(36 093)</b>
Income tax	10	398	(16 717)
<b>Net profit from continuing operations</b>		<b>244 710</b>	<b>(52 810)</b>
<b>Net profit for the period</b>		<b>244 710</b>	<b>(52 810)</b>
<b>Other comprehensive income:</b>			
<b>Other comprehensive income subject to reclassification to profit or loss:</b>			
		<b>3 331</b>	<b>(9 586)</b>
Change in the value of hedging instruments		3 331	(11 835)
Income tax expense relating to other comprehensive income items		-	2 249
<b>Other comprehensive income not subject to reclassification to profit or loss:</b>			
		-	14
Actuarial gains/(losses) related to provisions for post-employment benefits		-	17
Income tax expense relating to other comprehensive income items		-	(3)
<b>Other comprehensive income for the period, net of tax</b>	<b>21</b>	<b>3 331</b>	<b>(9 572)</b>
<b>Total comprehensive income for the period</b>		<b>248 041</b>	<b>(62 382)</b>
<b>Earnings per share (in PLN)</b>			
- basic and diluted, for profit for the period		0.14	(0.03)
- basic and diluted, for profit from continuing operations for the period		0.14	(0.03)

**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**

	Note	As at 31 March 2013 ( <i>unaudited</i> )	As at 31 December 2012
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	20 332	20 786
Intangible assets	13	52 569	53 053
Shares in unlisted and listed companies	14	20 184 404	20 184 404
Bonds and other debt securities	15	3 505 000	2 615 000
Loans granted	16	153 109	117 802
Other non-financial assets		5 972	6 599
		<b>23 921 386</b>	<b>22 997 644</b>
<b>Current assets</b>			
Intangible assets	17	20 623	113 302
Inventories	18	26 023	176 172
Corporate income tax receivables		118 150	-
Trade and other receivables	19	1 188 398	1 460 484
Bonds and other debt securities	15	56 824	40 261
Derivative instruments		2 127	466
Other non-financial assets		10 045	59 319
Cash and cash equivalents	20	910 448	910 421
		<b>2 332 638</b>	<b>2 760 425</b>
<b>TOTAL ASSETS</b>		<b>26 254 024</b>	<b>25 758 069</b>

**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION – CONTINUED**

	Note	As at 31 March 2013 ( <i>unaudited</i> )	As at 31 December 2012
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued capital	21.1	8 762 747	8 762 747
Reserve capital	21.3	7 953 021	7 953 021
Revaluation reserve from valuation of hedging instruments	21.4	(186 425)	(189 756)
Retained earnings/Accumulated losses		1 760 706	1 515 996
<b>Total equity</b>		<b>18 290 049</b>	<b>18 042 008</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	22	5 555 106	5 125 082
Liabilities under finance leases		349	480
Derivative instruments		154 956	150 594
Provisions for employee benefits		4 932	4 605
Accruals, deferred income and government grants		83	95
		<b>5 715 426</b>	<b>5 280 856</b>
<b>Current liabilities</b>			
Current portion of interest-bearing loans and borrowings	22	1 226 700	1 392 660
Current portion of liabilities under finance leases		516	510
Trade and other payables		808 263	723 253
Derivative instruments		37 549	40 624
Provisions for employee benefits		963	1 166
Other provisions	23	32 856	119 038
Accruals, deferred income and government grants		10 034	10 532
Income tax payable		-	54 057
Other non-financial liabilities		131 668	93 365
		<b>2 248 549</b>	<b>2 435 205</b>
<b>Total liabilities</b>		<b>7 963 975</b>	<b>7 716 061</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>26 254 024</b>	<b>25 758 069</b>

**TAURON Polska Energia S.A.**  
*Interim condensed financial statements for the 3-month period ended 31 March 2013*  
*(in PLN thousand)*

**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY**

**FOR THE 3-MONTH PERIOD ENDED 31 MARCH 2013 (*unaudited*)**

	Note	Issued capital	Reserve capital	Revaluation reserve from valuation of hedging instruments	Retained earnings/ Accumulated losses	Total equity
As at 1 January 2013		8 762 747	7 953 021	(189 756)	1 515 996	18 042 008
Profit for the period		-	-	-	244 710	244 710
Other comprehensive income	21	-	-	3 331	-	3 331
<b>Total comprehensive income for the period</b>		-	-	3 331	244 710	248 041
<b>As at 31 March 2013 (<i>unaudited</i>)</b>		<b>8 762 747</b>	<b>7 953 021</b>	<b>(186 425)</b>	<b>1 760 706</b>	<b>18 290 049</b>

**FOR THE 3-MONTH PERIOD ENDED 31 MARCH 2012 (*unaudited restated figures*)**

	Issued capital	Reserve capital	Revaluation reserve from valuation of hedging instruments	Retained earnings / Accumulated losses	Total equity
As at 1 January 2012	8 762 747	7 412 882	-	1 168 599	17 344 228
Change in accounting policy and the effect of accounting for merger with GZE S.A.	-	-	-	(3 030)	(3 030)
As at 1 January 2012 ( <i>restated figures</i> )	8 762 747	7 412 882	-	1 165 569	17 341 198
Profit for the period	-	-	-	(52 810)	(52 810)
Other comprehensive income	-	-	(9 586)	14	(9 572)
<b>Total comprehensive income for the period</b>	-	-	<b>(9 586)</b>	<b>(52 796)</b>	<b>(62 382)</b>
<b>As at 31 March 2012 (<i>unaudited restated figures</i>)</b>	<b>8 762 747</b>	<b>7 412 882</b>	<b>(9 586)</b>	<b>1 112 773</b>	<b>17 278 816</b>

## INTERIM CONDENSED STATEMENT OF CASH FLOWS

	Note	3-month period ended 31 March 2013 (unaudited)	3-month period ended 31 March 2012 (unaudited restated figures)
<b>Cash flows from operating activities</b>			
Profit/(loss) before taxation		244 312	(36 093)
<b>Adjustments for:</b>			
Depreciation and amortization		5 957	3 959
(Gain)/loss on foreign exchange differences		721	355
Interest and dividends, net		(61 444)	38 069
(Gain)/loss on investing activities		(1 714)	139
(Increase)/ decrease in receivables		174 493	(202 486)
(Increase)/decrease in inventories		150 149	38 466
Increase/(decrease) in payables excluding loans and borrowings		67 391	211 930
Change in other non-current and current assets		142 196	30 555
Change in deferred income, government grants and accruals		(510)	(367)
Change in provisions		(86 058)	(130 365)
Income tax paid		(30 036)	(2 997)
<b>Net cash generated from (used in) operating activities</b>		<b>605 457</b>	<b>(48 835)</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment and intangible assets		-	13
Purchase of property, plant and equipment and intangible assets		(21 717)	(8 344)
Purchase of shares in unlisted and listed companies		-	(260 816)
Purchase of bonds and other debt securities	30	(970 000)	(305 000)
Redemption of bonds and other debt securities	30	80 000	29 500
Loans granted	30	(38 850)	(142 003)
Repayment of loans granted	30	120 440	190 009
Dividends received		866	862
Interest received		33 699	22 358
Other		-	(946)
<b>Net cash used in investing activities</b>		<b>(795 562)</b>	<b>(474 367)</b>
<b>Cash flows from financing activities</b>			
Proceeds from loans and borrowings	30	450 000	510 000
Issue of debt securities		-	150 000
Payment of finance lease liabilities		(125)	(155)
Interest paid		(6 507)	(84)
Commission paid		(3 481)	(1 724)
<b>Net cash generated from financing activities</b>		<b>439 887</b>	<b>658 037</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>249 782</b>	<b>134 835</b>
Net foreign exchange difference		(721)	(355)
<b>Cash and cash equivalents at the beginning of the period</b>		<b>(393 520)</b>	<b>(115 048)</b>
<b>Cash and cash equivalents at the end of the period, of which:</b>	<b>20</b>	<b>(143 738)</b>	<b>19 787</b>
restricted cash		471 133	240 617

Explanatory notes are an integral part of these interim condensed financial statements.  
This is a translation of the interim condensed financial statements originally issued in Polish.



## **EXPLANATORY NOTES**

### **1. General information**

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

The interim condensed financial statements of the Company cover the 3-month period ended 31 March 2013 and include comparative figures for the 3-month period ended 31 March 2012 and as at 31 December 2012.

The figures for the period ended 31 March 2013 as well as comparative figures for the period ended 31 March 2012, as included in these interim condensed financial statements, were not audited or reviewed by an independent auditor. Comparative figures as at 31 December 2012 were audited by an independent auditor.

The Company was set up based on a Notarial Deed dated 6 December 2006 under the name Energetyka Południe S.A. and was registered on 8 January 2007 with the District Court Katowice-Wschód Economic Department of the National Court Register under Entry No. KRS 0000271562. The change of the Company's name into TAURON Polska Energia S.A. was registered with the District Court on 16 November 2007.

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

TAURON Polska Energia S.A. has an unlimited period of operation.

The principal business activities of TAURON Polska Energia S.A. include:

- Activities of head offices and holdings, excluding financial holdings → PKD 70.10 Z,
- Trading in electricity → PKD 35.14 Z.
- Trading in coal and biomass → PKD 46.71.Z.
- Trading in gas fuels using the network system → PKD 35.23.Z.

TAURON Polska Energia S.A. is the parent of the TAURON Polska Energia S.A. Capital Group.

### **2. Basis of preparation of interim condensed financial statements**

These interim condensed financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"), in particular in accordance with International Accounting Standard 34 ("IAS 34") and the IFRSs endorsed by the EU. At the date of authorization of these financial statements for issue, considering the pending process of IFRS endorsement in the EU and the nature of the Company's activities, within the scope of the accounting principles applied by the Company there is no difference between the IFRSs that came into effect and the IFRSs endorsed by the EU, except for amendments to IFRS 10, IFRS 11 and IFRS 12 which are planned to be implemented by the Company starting from the annual period beginning on 1 January 2014.

IFRSs comprise standards and interpretations accepted by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee ("IFRIC").

These interim condensed financial statements are presented in Polish zloty ("PLN") and all amounts are stated in PLN thousands unless otherwise indicated.

These interim condensed financial statements have been prepared on the assumption that the Company will continue as a going concern in the foreseeable future. At the date of authorization of these financial statements, management is not aware of any facts or circumstances that would indicate a threat to the continued activity of the Company.

The interim condensed financial statements do not include all information and disclosures that are required in annual financial statements and should be read in conjunction with the Company's financial statements prepared in accordance with IFRS for the year ended 31 December 2012.

These interim condensed financial statements for the 3-month period ended 31 March 2013 were authorized for issue on 7 May 2013.

The Company also prepared interim condensed consolidated financial statements for the 3-month period ended 31 March 2013, which were authorized for issue by the Board of Directors on 7 May 2013.

These interim condensed financial statements are part of a consolidated report which also includes the interim condensed consolidated financial statements for the 3-month period ended 31 March 2013.

### **3. Summary of significant accounting policies**

The accounting policies applied while preparing the interim condensed financial statements are consistent with those applied in preparation of the annual financial statements of TAURON Polska Energia S.A. for the year ended 31 December 2012, except for application of the following amendments to standards and interpretations effective for annual periods beginning on 1 January 2013:

- Amendments to IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income* - effective for financial years beginning on or after 1 July 2012,
- Amendments to IAS 12 *Income Taxes: Deferred Tax: Recovery of Underlying Assets* – effective for financial years beginning on or after 1 January 2012 – in EU effective at the latest for financial years beginning on or after 1 January 2013,
- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* – effective for financial years beginning on or after 1 July 2011 – in EU effective at the latest for financial years beginning on or after 1 January 2013,
- IFRS 13 *Fair Value Measurement* - effective for financial years beginning on or after 1 January 2013,
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* - effective for financial years beginning on or after 1 January 2013,
- Amendments to IFRS 7 *Financial Instruments – Disclosures: Offsetting Financial Assets and Financial Liabilities* - effective for financial years beginning on or after 1 January 2013,
- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards: Government Loans* – effective for financial years beginning on or after 1 January 2013,
- Improvements to IFRSs (issued in May 2012) – effective for financial years beginning on or after 1 January 2013.

### **4. New standards and interpretations that have been issued but are not yet effective**

The following standards and interpretations were issued by the International Accounting Standards Board or the IFRS Interpretations Committee but are not yet effective:

- The first phase of IFRS 9 *Financial Instruments: Classification and Measurement* – applicable to annual periods beginning on or after 1 January 2015 – not endorsed by the EU as at the date of authorization of these financial statements. In subsequent phases, the IASB will address hedge accounting and impairment. The application of the first phase of IFRS 9 will have an impact on classification and measurement of the financial assets of the Company. The Company will assess this impact in conjunction with other phases when issued, to present a consistent picture,
- IFRS 10 *Consolidated Financial Statements* – applicable to annual periods beginning on or after 1 January 2013 – in the EU applicable to annual periods beginning on or after 1 January 2014 at the latest. The Company plans to implement IFRS 10 starting from the annual period beginning on 1 January 2014,

- IFRS 11 *Joint Arrangements* – applicable to annual periods beginning on or after 1 January 2013 – in the EU applicable to annual periods beginning on or after 1 January 2014 at the latest. The Company plans to implement IFRS 11 starting from the annual period beginning on 1 January 2014,
- IFRS 12 *Disclosure of Interests in Other Entities* – applicable to annual periods beginning on or after 1 January 2013 – in the EU applicable to annual periods beginning on or after 1 January 2014 at the latest. The Company plans to implement IFRS 12 starting from the annual period beginning on 1 January 2014,
- Amendments to IFRS 10, IFRS 11 and IFRS 12 *Transition Guidance* - applicable to annual periods beginning on or after 1 January 2013 – in the EU effective at the latest for financial years beginning on or after 1 January 2014,
- IAS 27 *Separate Financial Statements* – applicable to annual periods beginning on or after 1 January 2013 – in the EU applicable to annual periods beginning on or after 1 January 2014 at the latest,
- IAS 28 *Investments in Associates and Joint Ventures* – applicable to annual periods beginning on or after 1 January 2013 – in the EU applicable to annual periods beginning on or after 1 January 2014 at the latest,
- Amendments to IAS 32 *Financial Instruments – Presentation: Offsetting Financial Assets and Financial Liabilities* – applicable to annual periods beginning on or after 1 January 2014,
- Amendments to IFRS 10, IFRS 12 and IAS 27 *Investment Entities* (issued on 31 October 2012) – applicable to annual periods beginning on or after 1 January 2014 – not endorsed by the EU as at the date of authorization of these financial statements.

Due to the planned implementation of IFRS 10, IFRS 11 and IFRS 12 starting from the annual period beginning on 1 January 2014, as at the date of authorization of these interim condensed financial statements for issue, the Company is in the course of analyzing the impact of the aforementioned IFRSs on the accounting policies applied by the Company. Management believes that the implementation of the other standards and interpretations as mentioned above will have no significant impact on the accounting policies applied by the Company.

The Company has not decided to early apply any standard, interpretation or amendment that has already been issued but is not yet effective.

## **5. Changes in estimates**

In the period covered by these interim condensed financial statements there were no significant changes to the values or methodology of making estimates that would affect the current or future periods, other than those presented below or in the following sections of these interim condensed financial statements.

### **Deferred tax**

Due to the tax loss incurred by the Company for the 3-month period ended 31 March 2013 and the forecasted tax losses for the next financial year, the deferred tax asset was recognized in the financial statements only up to the amount of the deferred tax liability i.e. at the amount of PLN 16,934 thousand. Unrecognized portion of the deferred tax asset as at 31 March 2013 amounts to PLN 49,595 thousand. Of this amount, PLN 14,105 thousand was settled against profit or loss, and PLN 35,490 thousand against other comprehensive income. The movement in unrecognized deferred tax asset compared with 31 December 2012 (a decrease from PLN 62,729 thousand to PLN 49,595 thousand) caused a PLN 12,502 thousand increase of the result for the period and a PLN 632 thousand increase of other comprehensive income.

The forecasts for the Tax Capital Group (TCG) to which the Company belongs provide for taxable profits in 2013 and in subsequent years; therefore, the deferred tax will be realized at the level of the TCG.

### **Tests for impairment of the value of shares in unlisted and listed companies**

Taking into account the indications that the market value of the Company's net assets has recently been below their carrying amount as well as the projected economic slow-down, the Company conducted a test for the impairment of the value of shares included in non-current assets as at 31 December 2012.

The test was conducted based on the present value of estimated cash flows from operations of significant companies, based on detailed projections for 2013-2022 and the estimated residual value. The level of the weighted average cost of capital (WACC) during the projection period as used in the calculations is between 8.61%-11.15% at nominal value before tax.

Based on test results, there is no need to recognize any impairment losses against the value of the assets held.

The analysis of impairment indicators performed as at 31 March 2013 revealed that the market value of the Company's net assets did not significantly change in the 1<sup>st</sup> quarter; hence it was concluded that the testing results as at 31 December 2012 are still valid and there was no need to perform impairment tests as at the balance sheet date. Full tests will be performed as at 30 June 2013.

## 6. Shares in related entities

As at 31 March 2013, TAURON Polska Energia S.A. held direct interests in the following significant subsidiaries:

No.	Name of the entity	Address	Principal business activities	Direct interest of TAURON in the entity's share capital	Direct interest of TAURON in the entity's governing body
1	TAURON Wytwarzanie S.A.	40-389 Katowice; ul. Lwowska 23	Generation, transmission and distribution of electricity and heat	99.77%	99.79%
2	TAURON Dystrybucja S.A.	30-390 Kraków; ul. Zawila 65 L	Distribution of electricity	99.68%	99.70%
3	TAURON Sprzedaż Sp. z o.o.	30-417 Kraków; ul. Łagiewnicka 60	Trading in electricity	100.00%	100.00%
4	TAURON Obsługa Klienta Sp. z o.o. <sup>1</sup>	53-128 Wrocław; ul. Sudecka 95-97	Customer services	100.00%	100.00%
5	TAURON Ekoenergia Sp. z o.o.	58-500 Jelenia Góra; ul. Obrońców Pokoju 2B	Generation of electricity, trading in electricity	100.00%	100.00%
6	Polska Energia Pierwsza Kompania Handlowa Sp. z o.o.	41-400 Mysłowice; Obrzeżna Północna 12	Trading in electricity	100.00%	100.00%
7	TAURON Ciepło S.A.	40-126 Katowice; ul. Grażyńskiego 49	Heat production and distribution	91.79%	92.41%
8	TAURON Czech Energy s.r.o.	720 00 Ostrava; Na Rovince 879/C Czech Republic	Trading in electricity	100.00%	100.00%
9	TAURON Sprzedaż GZE Sp. z o.o. <sup>2</sup>	44-100 Gliwice; ul. Barlickiego 2a	Trading in electricity	99.998%	99.998%

<sup>1</sup> On 31 January 2013, merger of TAURON Obsługa Klienta Sp. z o.o. with TAURON Obsługa Klienta GZE Sp. z o.o. was entered in the register, as discussed in detail in Note 14.

<sup>2</sup> TAURON Polska Energia S.A. holds indirectly through its subsidiary TAURON Serwis GZE Sp. z o.o. (currently TAURON Dystrybucja Serwis S.A.) a 0.002% interest in the share capital and in the governing body of TAURON Sprzedaż GZE Sp. z o.o. As a result the Company holds 100% interests in the share capital and in the governing body of TAURON Sprzedaż GZE Sp. z o.o.

**TAURON Polska Energia S.A.**  
Interim condensed financial statements for the 3-month period ended 31 March 2013  
(in PLN thousand)

As at 31 March 2013, TAURON Polska Energia S.A. held indirect interests in the following significant subsidiaries:

No.	Name of the entity	Address	Principal business activities	Indirect interest of TAURON in the entity's share capital	Holder of shares as at 31 March 2013	Indirect interest of TAURON in the entity's governing body	Holder of shares as at 31 March 2013
1	Kopalnia Wapienia Czatkowice Sp. z o.o. <sup>1</sup>	32-063 Krzeszowice 3; os. Czatkowice 248	Quarrying, crushing and breaking of limestone, quarrying of stone for construction industry	99.77%	TAURON Wytwarzanie S.A. – 100.00%	99.79%	TAURON Wytwarzanie S.A. – 100.00%
2	Południowy Koncern Węglowy S.A. <sup>1</sup>	43-600 Jaworzno; ul. Grunwaldzka 37	Hard coal mining	52.36%	TAURON Wytwarzanie S.A. – 52.48%	67.87%	TAURON Wytwarzanie S.A. – 68.01%
3	BELS INVESTMENT Sp. z o.o.	58-500 Jelenia Góra; ul. Obrońców Pokoju 2B	Generation of electricity	100.00%	TAURON Ekoenergia Sp. z o.o. – 100.00%	100.00%	TAURON Ekoenergia Sp. z o.o. – 100.00%
4	MEGAWAT MARSZEWO Sp. z o.o.	58-500 Jelenia Góra; ul. Obrońców Pokoju 2B	Generation of electricity	100.00%	TAURON Ekoenergia Sp. z o.o. – 100.00%	100.00%	TAURON Ekoenergia Sp. z o.o. – 100.00%
5	TAURON Serwis GZE Sp. z o.o. <sup>2</sup>	44-100 Gliwice; ul. Myśliwska 6	Repair and maintenance of machinery and electrical equipment	99.68%	TAURON Dystrybucja S.A. – 100.00%	99.70%	TAURON Dystrybucja S.A. – 100.00%

<sup>1</sup> TAURON Polska Energia S.A. is the usufructuary of shares owned by TAURON Wytwarzanie S.A. Under the agreements for usufruct of shares, TAURON Polska Energia S.A. holds a 100% interest in the share capital and in the governing body of the company Kopalnia Wapienia Czatkowice Sp. z o.o. and a 52.48% interest in the share capital of Południowy Koncern Węglowy S.A., giving it 68.01% of votes at the company's General Shareholders' Meeting.

<sup>2</sup> On 2 April 2013, merger of TAURON Serwis GZE Sp. z o.o. (the acquiree) and Przedsiębiorstwo Usług Elektroenergetycznych S.A. (the acquirer) was entered in the register and, at the same time, the name of the acquirer was changed into TAURON Dystrybucja Serwis S.A.

Additionally, as at 31 March 2013, TAURON Polska Energia S.A. held indirect interests in the following significant jointly controlled entities:

No.	Name of the entity	Address	Principal business activities	Indirect interest of TAURON in the entity's share capital	Holder of shares as at 31 March 2013	Indirect interest of TAURON in the entity's governing body	Holder of shares as at 31 March 2013
1	Elektrociepłownia Stalowa Wola S.A.	37-450 Stalowa Wola; ul. Energetyków 13	Generation, transmission, distribution and trading in electricity	49.89%	TAURON Wytwarzanie S.A. – 50.00%	49.90%	TAURON Wytwarzanie S.A. – 50.00%
2	Elektrownia Blachownia Nowa Sp. z o.o.	47-225 Kędzierzyn Koźle; ul. Energetyków 11	Generation of electricity	49.89%	TAURON Wytwarzanie S.A. – 50.00%	49.90%	TAURON Wytwarzanie S.A. – 50.00%

## **7. Seasonality of operations**

The Company's operations in the area of trading in electricity are not seasonal in nature, hence the Company's results in this area show no significant fluctuations during the year.

As a result of the Company's holding activities, its finance income may show significant fluctuations due to dividend revenue, which is recognized at the date of the resolution on the payment of dividend, unless the resolution indicates a different date for establishing the right to the dividend.

In the 3-month period ended 31 March 2013, the Company recognized dividend income from subsidiaries at an amount of PLN 84,059 thousand. Until the balance sheet date, the Company received a dividend of PLN 866 thousand.

In the 3-month period ended 31 March 2012, the Company recognized income and received a dividend from its subsidiary at an amount of PLN 862 thousand.

## **8. Segment information**

The Company's operations are presented in the following two segments: the "Sales" segment and the "Holding activity" segment.

Segment assets in the "Holding activity" segment comprise:

- shares in subsidiaries;
- debentures acquired from subsidiaries;
- cash pool loan receivables including the cash pool deposit;
- receivables from other loans granted to affiliates;
- dividend receivables.

Segment liabilities in the "Holding activity" segment comprise:

- debentures issued by the Company together with the liability resulting from the valuation of hedging instruments related to the debentures issued;
- loans obtained from the European Investment Bank for the implementation of investments in subsidiaries;
- liabilities arising from loans received under the cash pool service.

The "Holding activity" segment includes intercompany debtors and creditors related to income tax settlements of the companies comprising the Tax Capital Group.

Finance income and costs comprise dividend income and net interest income and costs generated and incurred by the Company due to the Group's central financing model.

Unallocated expenses include the Company's administrative expenses, as they are incurred for the whole Group and are not directly attributable to operating segments.

EBITDA is understood by the Company to mean the profit/loss from continued operations before taxation, finance income and finance costs, increased by depreciation/amortization charges.

**TAURON Polska Energia S.A.**  
*Interim condensed financial statements for the 3-month period ended 31 March 2013*  
(in PLN thousand)

3-month period ended 31 March 2013 or as at 31 March 2013 <i>(unaudited)</i>	Sales	Holding activity	Unallocated items	Total
<b>Revenue</b>				
Sales outside the Group	769 922	-	-	769 922
Sales within the Group	2 318 362	-	-	2 318 362
<b>Segment revenue</b>	<b>3 088 284</b>	-	-	<b>3 088 284</b>
<b>Profit/(loss) of the segment</b>				
Profit/(loss) of the segment	206 221	-	-	206 221
Unallocated expenses	-	-	(26 169)	(26 169)
<b>Profit/(loss) from continuing operations before tax and net finance income (costs)</b>	<b>206 221</b>	-	<b>(26 169)</b>	<b>180 052</b>
Net finance income/(costs)	-	58 915	5 345	64 260
<b>Profit/(loss) before income tax</b>	<b>206 221</b>	<b>58 915</b>	<b>(20 824)</b>	<b>244 312</b>
Income tax expense	-	-	398	398
<b>Net profit/(loss) for the period</b>	<b>206 221</b>	<b>58 915</b>	<b>(20 426)</b>	<b>244 710</b>
<b>EBITDA</b>	<b>212 178</b>	-	<b>(26 169)</b>	<b>186 009</b>
<b>Assets and liabilities</b>				
Segment assets	1 808 837	24 324 909	-	26 133 746
Unallocated assets	-	-	120 278	120 278
<b>Total assets</b>	<b>1 808 837</b>	<b>24 324 909</b>	<b>120 278</b>	<b>26 254 024</b>
Segment liabilities	898 971	7 012 040	-	7 911 011
Unallocated liabilities	-	-	52 964	52 964
<b>Total liabilities</b>	<b>898 971</b>	<b>7 012 040</b>	<b>52 964</b>	<b>7 963 975</b>
<b>Other segment information</b>				
Capital expenditure *	5 187	-	-	5 187
Depreciation/amortization	(5 957)	-	-	(5 957)

\* Capital expenditure includes expenditures for property, plant and equipment and intangible assets.

In the 3-month period ended 31 March 2013, the Company's sales revenue from its key client, amounting to PLN 1,566,645 thousand, accounted for 51% of the Company's total revenue in the "Sales" segment.

In the 3-month period ended 31 March 2012, the Company's sales revenue from its key client, amounting to PLN 1,636,384 thousand, accounted for 61% of the Company's total revenue in the "Sales" segment.



**TAURON Polska Energia S.A.**  
*Interim condensed financial statements for the 3-month period ended 31 March 2013*  
*(in PLN thousand)*

3-month period ended 31 March 2012 ( <i>unaudited restated figures</i> ) or as at 31 December 2012	Sales	Holding activity	Unallocated items	Total
<b>Revenue</b>				
Sales outside the Group	615 207	-	-	615 207
Sales within the Group	2 000 393	-	-	2 000 393
<b>Segment revenue</b>	<b>2 615 600</b>	-	-	<b>2 615 600</b>
<b>Profit/(loss) of the segment</b>				
Profit/(loss) of the segment	28 537	-	-	28 537
Unallocated expenses	-	-	(25 722)	(25 722)
<b>Profit/(loss) from continuing operations before tax and net finance income (costs)</b>				
Profit/(loss) from continuing operations before tax and net finance income (costs)	28 537	-	(25 722)	2 815
Net finance income (costs)	-	(48 837)	9 929	(38 908)
<b>Profit/(loss) before income tax</b>	<b>28 537</b>	<b>(48 837)</b>	<b>(15 793)</b>	<b>(36 093)</b>
Income tax expense	-	-	(16 717)	(16 717)
<b>Net profit/(loss) for the period</b>	<b>28 537</b>	<b>(48 837)</b>	<b>(32 510)</b>	<b>(52 810)</b>
<b>EBITDA</b>	<b>32 496</b>	-	<b>(25 722)</b>	<b>6 774</b>
<b>Assets and liabilities</b>				
Segment assets	1 853 929	23 903 676	-	25 757 605
Unallocated assets	-	-	464	464
<b>Total assets</b>	<b>1 853 929</b>	<b>23 903 676</b>	<b>464</b>	<b>25 758 069</b>
Segment liabilities	934 851	6 720 558	-	7 655 409
Unallocated liabilities	-	-	60 652	60 652
<b>Total liabilities</b>	<b>934 851</b>	<b>6 720 558</b>	<b>60 652</b>	<b>7 716 061</b>
<b>Other segment information</b>				
Capital expenditure *	5 974	-	-	5 974
Depreciation/amortization	(3 959)	-	-	(3 959)

\* Capital expenditure includes expenditures for property, plant and equipment and intangible assets.

## 9. Revenues and costs

### 9.1. Sales revenue

	For the 3-month period ended 31 March 2013 <i>(unaudited)</i>	For the 3-month period ended 31 March 2012 <i>(unaudited restated figures)</i>
<b>Sale of goods for resale, finished goods and materials, of which :</b>	<b>3 065 309</b>	<b>2 603 309</b>
Electricity	2 712 353	2 443 290
Gas	21 360	-
Property rights arising from energy certificates	312 415	44 513
Emission allowances	19 151	115 485
Other	30	21
<b>Rendering of services, of which :</b>	<b>22 975</b>	<b>12 291</b>
Trading services	14 711	7 284
Other	8 264	5 007
<b>Total sales revenue</b>	<b>3 088 284</b>	<b>2 615 600</b>

Starting from 2012, the Company acts as an agent in transactions of purchase of biomass and coal for the Group companies in the Generation and Heat Segment. The Company purchases raw materials from external companies as well as from the TAURON Group companies, whereas all of the sales are made to the Group companies. The Company recognizes revenue only from agency services – organization of supplies.

In the 3-month period ended 31 March 2013, the value of raw materials purchased and simultaneously sold as a result of the above-mentioned transactions was PLN 597,045 thousand, while revenue recognized by the Company on agency services amounted to PLN 10,715 thousand, which represents a major part of the revenue from trading services.

### 9.2. Costs by type

	For the 3-month period ended 31 March 2013 <i>(unaudited)</i>	For the 3-month period ended 31 March 2012 <i>(unaudited restated figures)</i>
<b>Costs by type</b>		
Depreciation of property, plant and equipment and amortization of intangible assets	(5 957)	(3 959)
Impairment of property, plant and equipment and intangible assets	-	10 399
Materials and energy	(327)	(251)
Consultancy services	(1 781)	(3 250)
Distribution services	(1 057)	(943)
Other external services	(6 490)	(2 459)
Taxes and charges	(9 227)	(3 531)
Employee benefits expense	(16 529)	(16 320)
Inventory write-downs	2 407	(2 801)
Allowance for doubtful debts	-	119
Advertising costs	(7 521)	(4 999)
Other	(322)	(751)
<b>Total costs by type</b>	<b>(46 804)</b>	<b>(28 746)</b>
Change in inventories, prepayments, accruals and deferred income	860	(424)
Selling and distribution expenses	9 054	8 591
Administrative expenses	26 169	25 722
Cost of goods for resale and materials sold	(2 862 083)	(2 583 174)
<b>Cost of sales</b>	<b>(2 872 804)</b>	<b>(2 578 031)</b>

## 10. Income tax

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

Major components of income tax expense in the statement of comprehensive income are as follows:

**TAURON Polska Energia S.A.**  
*Interim condensed financial statements for the 3-month period ended 31 March 2013*  
(in PLN thousand)

	For the 3-month period ended 31 March 2013 ( <i>unaudited</i> )	For the 3-month period ended 31 March 2012 ( <i>unaudited restated figures</i> )
Current income tax	398	(1 433)
Deferred tax	-	(15 284)
<b>Income tax expense in profit/(loss)</b>	<b>398</b>	<b>(16 717)</b>
<b>Income tax expense relating to other comprehensive income</b>	<b>-</b>	<b>2 246</b>

## 10.2. Deferred income tax

Deferred income tax results from the following items:

	As at 31 March 2013 ( <i>unaudited</i> )	As at 31 December 2012
<b>Deferred tax liability</b>		
- difference between tax base and carrying amount of fixed and intangible assets	2 652	2 468
- difference between tax base and carrying amount of financial assets	13 452	7 650
- different timing of recognition of sales revenue for tax purposes	268	1 061
-other	562	530
<b>Deferred tax liability</b>	<b>16 934</b>	<b>11 709</b>

	As at 31 March 2013 ( <i>unaudited</i> )	As at 31 December 2012
<b>Deferred tax assets</b>		
- provisions for the obligation to surrender energy certificates	6 093	22 468
- other provisions	3 001	3 240
- difference between tax base and carrying amount of fixed and intangible assets	376	708
- difference between tax base and carrying amount of inventories	2 784	6 645
- difference between tax base and carrying amount of financial assets	1 598	385
- difference between tax base and carrying amount of financial liabilities	15 617	3 874
- valuation of hedging instruments	36 576	36 227
- other accrued expenses	470	886
- other	14	5
<b>Deferred tax assets</b>	<b>66 529</b>	<b>74 438</b>
Deferred tax assets recognized in profit or loss	31 039	38 315
Deferred tax assets recognized in statement of comprehensive income	35 490	36 123
<b>Deferred tax asset, net</b>	<b>-</b>	<b>-</b>
Unrecognized deferred tax assets	49 595	62 729
Recognized deferred tax assets	16 934	11 709
<b>Deferred tax in the statement of financial position</b>	<b>-</b>	<b>-</b>

### 10.3. Tax Capital Group

As at 31 March 2013, the Tax Capital Group had an income tax receivable of PLN 118,178 thousand. At the same time, due to the Company's settlements as Representing Company with the subsidiaries being part of the Tax Capital Group, the Company had a liability to these subsidiaries arising from income tax overpayment of PLN 86,987 thousand, which is presented in the statement of financial position under trade and other payables, as well as a receivable from the subsidiaries being part of the Tax Capital Group arising from tax underpayment of PLN 36 thousand, which is presented in the statement of financial position under "Trade and other receivables".

### 11. Dividends paid and proposed

On 11 April 2013, the Board of Directors decided to recommend to the Ordinary General Meeting of the Company the payment of a dividend of PLN 262,882 thousand to the Company's shareholders from the net profit for 2012, i.e. PLN 0.15 per share. At the same time, the Board of Directors decided to submit a recommendation to the Company's Ordinary General Meeting setting the dividend date at 3 June 2013 and the dividend payment date at 18 June 2013.

On 17 April 2013, the Supervisory Board issued a positive opinion on the recommendation submitted by the Board of Directors to the Ordinary General Meeting of the Company on the appropriation of profit and setting the dividend date and the dividend payment date.

The Ordinary General Meeting of the Company that is due to consider the Board of Directors' proposal regarding the appropriation of profit for 2012 and the setting of the dividend date and dividend payment date has been convened at 16 May 2013.

On 24 April 2012, the Ordinary General Meeting resolved to distribute an amount of PLN 543,290 thousand for dividends to the Company's shareholders, which gives PLN 0.31 per share. The dividend was paid from the Company's net profit for 2011 amounting to PLN 1,083,429 thousand. The dividend date was set at 2 July 2012 and the dividend payment date at 20 July 2012.

### 12. Property, plant and equipment

#### Property, plant and equipment for the 3-month period ended 31 March 2013 (unaudited)

	Right of perpetual usufruct of land	Plant and machinery	Motor vehicles	Other	Tangible fixed assets, total	Assets under construction	Property, plant and equipment, total
<b>Cost</b>							
<b>Opening balance</b>	-	19 871	4 132	10 991	34 994	-	34 994
Direct purchase	-	-	-	-	-	1 408	1 408
Allocation of assets under construction	-	1 085	-	314	1 399	(1 399)	-
Liquidation	-	-	-	(74)	(74)	-	(74)
<b>Closing balance</b>	-	20 956	4 132	11 231	36 319	9	36 328
<b>ACCUMULATED AMORTIZATION</b>							
<b>Opening balance</b>	-	(6 924)	(2 390)	(4 894)	(14 208)	-	(14 208)
Amortization for the period	-	(900)	(249)	(704)	(1 853)	-	(1 853)
Liquidation	-	-	-	65	65	-	65
<b>Closing balance</b>	-	(7 824)	(2 639)	(5 533)	(15 996)	-	(15 996)
<b>NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD</b>	-	12 947	1 742	6 097	20 786	-	20 786
<b>NET CARRYING AMOUNT AT THE END OF THE PERIOD</b>	-	13 132	1 493	5 698	20 323	9	20 332

**Property, plant and equipment for the 3-month period ended 31 March 2012 (unaudited restated figures)**

	Right of perpetual usufruct of land	Plant and machinery	Motor vehicles	Other	Tangible fixed assets, total	Assets under construction	Property, plant and equipment, total
<b>Cost</b>							
Opening balance	20	11 305	4 915	2 088	18 328	899	19 227
Direct purchase	-	-	-	-	-	2 764	2 764
Allocation of assets under construction	-	105	-	2 954	3 059	(3 059)	-
<b>Closing balance</b>	<b>20</b>	<b>11 410</b>	<b>4 915</b>	<b>5 042</b>	<b>21 387</b>	<b>604</b>	<b>21 991</b>
<b>ACCUMULATED AMORTIZATION</b>							
Opening balance	-	(4 154)	(1 745)	(1 717)	(7 616)	-	(7 616)
Amortization for the period	-	(548)	(311)	(2 001)	(2 860)	-	(2 860)
<b>Closing balance</b>	<b>-</b>	<b>(4 702)</b>	<b>(2 056)</b>	<b>(3 718)</b>	<b>(10 476)</b>	<b>-</b>	<b>(10 476)</b>
<b>NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD</b>	<b>20</b>	<b>7 151</b>	<b>3 170</b>	<b>371</b>	<b>10 712</b>	<b>899</b>	<b>11 611</b>
<b>NET CARRYING AMOUNT AT THE END OF THE PERIOD</b>	<b>20</b>	<b>6 708</b>	<b>2 859</b>	<b>1 324</b>	<b>10 911</b>	<b>604</b>	<b>11 515</b>

**13. Non-current intangible assets**

**Non-current intangible assets for the 3-month period ended 31 March 2013 (unaudited)**

	Software and licenses	Other intangible assets	Intangible assets not made available for use	Intangible assets, total
<b>COST</b>				
Opening balance	59 036	1 104	3 881	64 021
Direct purchase	-	-	3 779	3 779
Allocation of intangible assets not made available for use	3 216	-	(3 216)	-
Other changes	(161)	-	-	(161)
<b>Closing balance</b>	<b>62 091</b>	<b>1 104</b>	<b>4 444</b>	<b>67 639</b>
<b>ACCUMULATED AMORTIZATION</b>				
Opening balance	(10 410)	(558)	-	(10 968)
Amortization for the period	(4 051)	(51)	-	(4 102)
<b>Closing balance</b>	<b>(14 461)</b>	<b>(609)</b>	<b>-</b>	<b>(15 070)</b>
<b>NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD</b>	<b>48 626</b>	<b>546</b>	<b>3 881</b>	<b>53 053</b>
<b>NET CARRYING AMOUNT AT THE END OF THE PERIOD</b>	<b>47 630</b>	<b>495</b>	<b>4 444</b>	<b>52 569</b>

**Non-current intangible assets for the 3-month period ended 31 March 2012 (unaudited)**

	Software and licenses	Other intangible assets	Intangible assets not made available for use	Intangible assets, total
<b>COST</b>				
Opening balance	18 175	724	620	19 519
Direct purchase	-	-	3 210	3 210
Allocation of intangible assets not made available for use	1 024	4	(1 028)	-
<b>Closing balance</b>	<b>19 199</b>	<b>728</b>	<b>2 802</b>	<b>22 729</b>
<b>ACCUMULATED AMORTIZATION</b>				
Opening balance	(3 620)	(412)	-	(4 032)
Amortization for the period	(1 065)	(34)	-	(1 099)
<b>Closing balance</b>	<b>(4 685)</b>	<b>(446)</b>	<b>-</b>	<b>(5 131)</b>
<b>NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD</b>	<b>14 555</b>	<b>312</b>	<b>620</b>	<b>15 487</b>
<b>NET CARRYING AMOUNT AT THE END OF THE PERIOD</b>	<b>14 514</b>	<b>282</b>	<b>2 802</b>	<b>17 598</b>

#### 14. Shares in unlisted and listed companies

##### Movement in the balance of long-term investments in the period from 1 January 2013 to 31 March 2013 (unaudited)

No.	Company	Opening balance	Increases/ Decreases	Closing balance
1	TAURON Wytwarzanie S.A.	8 118 182	(577 846)	7 540 336
2	TAURON Dystrybucja S.A.	9 511 628	-	9 511 628
3	TAURON Ciepło S.A.	773 334	577 846	1 351 180
4	TAURON Ekoenergia Sp. z o.o.	939 765	-	939 765
5	TAURON Sprzedaż Sp. z o.o.	613 505	-	613 505
6	TAURON Obsługa Klienta Sp. z o.o.	26 308	13 523	39 831
7	Polska Energia Pierwsza Kompania Handlowa Sp. z o.o.	49 056	-	49 056
8	TAURON Czech Energy s.r.o.	4 223	-	4 223
9	TAURON Sprzedaż GZE Sp. z o.o.	129 821	-	129 821
10	TAURON Obsługa Klienta GZE Sp. z o.o.	13 523	(13 523)	-
11	TAURON Wytwarzanie GZE Sp. z o.o.	4 935	-	4 935
12	CONCORDE INVESTISSEMENT S.A.	12	-	12
13	CC Poland Plus Sp. z o.o.	12	-	12
14	Energopower Sp. z o.o.	25	-	25
15	Enpower Service Sp. z o.o.	25	-	25
16	Enpower Sp. z o.o.	25	-	25
17	TAURON Ubezpieczenia Sp. z o.o. (formerly Poen Sp. z o.o.)	25	-	25
<b>Total</b>		<b>20 184 404</b>	<b>-</b>	<b>20 184 404</b>

Movements in the balance of long-term investments which took place in the 3-month period ended 31 March 2013 were due to the reorganization of the Group and resulted from the following events:

##### ***Merger of the subsidiaries TAURON Obsługa Klienta Sp. z o.o. and TAURON Obsługa Klienta GZE Sp. z o.o.***

On 31 January 2013, merger of TAURON Obsługa Klienta Sp. z o.o. with its registered office in Wrocław (acquirer) with TAURON Obsługa Klienta GZE Sp. z o.o. with its registered office in Gliwice (acquiree) was entered in the register. As a result, the share capital of TAURON Obsługa Klienta Sp. z o.o. was increased from the amount of PLN 2,718 thousand to PLN 4,920 thousand i.e. by the amount PLN 2,202 thousand. As a consequence, as at the date of authorization of these financial statements for issue, the Company only holds shares in TAURON Obsługa Klienta Sp. z o.o. as the acquirer.

TAURON Polska Energia S.A. has reclassified the carrying amount of its investment in TAURON Obsługa Klienta GZE Sp. z o.o. to the investment in TAURON Obsługa Klienta Sp. z o.o. amounting to PLN 13,523 thousand.

##### ***Separation of the Katowice CHP Plant from TAURON Wytwarzanie S.A. to TAURON Ciepło S.A.***

On 2 January 2013, the division of TAURON Wytwarzanie S.A. by separation pursuant to Article 529 § 1 item 4 of the Code of Commercial Companies, involving a transfer of separated assets to TAURON Ciepło S.A., was entered in the National Court Register.

As a result of the division, the share capital of TAURON Wytwarzanie S.A. was decreased from PLN 1,658,793 thousand to PLN 1,554,189 thousand, while the share capital of TAURON Ciepło S.A. was increased from PLN 86,593,667 thousand to PLN 123,807,655 thousand.

The interest held by TAURON Polska Energia S.A. in TAURON Wytwarzanie S.A. has decreased as a result of the division to 99.70% (in the share capital) and 99.77% (in the total vote at the General Meeting), while the interest held by TAURON Polska Energia S.A. in TAURON Ciepło S.A. has increased to 91.79% (in the share capital) and 92.41% (in the total vote at the General Meeting).

TAURON Polska Energia S.A. has reclassified the carrying amount of its investment in TAURON Wytwarzanie S.A. to the investment in TAURON Ciepło S.A. amounting to PLN 577,846 thousand.

During the 3-month period ended 31 March 2012, there were no movements in long-term investments. Opening balances for 2012 were restated as a result of the Company's merger with Górnośląski Zakład Elektroenergetyczny S.A. and the accounting for the merger using the pooling of interests method. As at the date of acquisition of control, i.e. 13 December 2011, the cost of the shares in GZE S.A. was derecognized. Shares in the companies held by GZE S.A. were recognized in the Company's financial statements at the amount of its share in the net assets of the acquired companies measured at fair value. As at 31 March 2012, the Company held long-term investments in shares amounting to PLN 20,184,103 thousand.

## 15. Bonds and other debt securities

As part of the central financing model, TAURON Polska Energia S.A. acquires debentures issued by the TAURON Group companies.

The table below presents the balances of acquired debentures and accrued interest as at 31 March 2013 and 31 December 2012, by the individual TAURON Group companies that issued those debentures.

Company	As at 31 March 2013 (unaudited)		As at 31 December 2012	
	nominal value of purchased debentures	accrued interest	nominal value of purchased debentures	accrued interest
TAURON Wytwarzanie S.A.	1 970 000	14 129	1 480 000	12 384
TAURON Dystrybucja S.A.	630 000	34 093	630 000	23 530
TAURON Ekoenergia Sp. z o.o.	140 000	117	140 000	117
BELS INVESTMENT Sp. z o.o.	125 000	1 288	125 000	1 329
MEGAWAT MARSZEWO Sp. z o.o.	640 000	7 197	240 000	2 901
<b>Total debentures:</b>	<b>3 505 000</b>	<b>56 824</b>	<b>2 615 000</b>	<b>40 261</b>
<b>non-current</b>	<b>3 505 000</b>	-	<b>2 615 000</b>	-
<b>current</b>	-	<b>56 824</b>	-	<b>40 261</b>

## 16. Long-term loans

Long-term loans of PLN 153,109 thousand include a loan granted to Elektrociepłownia Stalowa Wola S.A. together with accrued interest.

Under the agreements concluded on 20 June 2012 between PGNiG S.A., TAURON Polska Energia S.A. and Elektrociepłownia Stalowa Wola S.A. in order to meet the conditions for granting funds to Elektrociepłownia Stalowa Wola S.A. by the European Bank for Reconstruction and Development and the European Investment Bank, TAURON Polska Energia S.A. granted a subordinated loan to Elektrociepłownia Stalowa Wola S.A.

The subordinated loan agreement was signed in order to provide funding for the implementation of an investment project involving construction and operation of a gas and steam power unit with a capacity of approx. 400 MWe and 240 MWt in Stalowa Wola together with auxiliary installations. The subordinated loan agreement means that the repayment of loan and interest will be deferred and subordinated to the repayment of the amounts due to the European Investment Bank, the European Bank for Reconstruction and Development and other financial institutions. Based on contractual provisions, the maximum amount of the loan granted by TAURON Polska Energia S.A. is PLN 152,000 thousand. At the balance sheet date, the amount of funds transferred under the loan was PLN 148,000 thousand. The Company accrued interest due on the loan in the amount of PLN 5,109 thousand. The loan is to be fully repaid no later than by the end of 2032.

## 17. Current intangible assets

Under current intangible assets, the Company recognizes property rights arising from energy certificates.

	3-month period ended 31 March 2013 ( <i>unaudited</i> )	3-month period ended 31 March 2012 ( <i>unaudited</i> )
<b>COST</b>		
<b>Opening balance</b>	113 302	43 519
Direct purchase	26 414	7 384
Cancellation of energy certificates	(119 093)	(47 914)
<b>Closing balance</b>	<b>20 623</b>	<b>2 989</b>
<b>IMPAIRMENT ALLOWANCES</b>		
<b>Opening balance</b>	-	(10 399)
Increase of impairment allowances	-	-
Decrease of impairment allowance	-	10 399
<b>Closing balance</b>	-	-
<b>NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD</b>	<b>113 302</b>	<b>33 120</b>
<b>NET CARRYING AMOUNT AT THE END OF THE PERIOD</b>	<b>20 623</b>	<b>2 989</b>

## 18. Inventories

	As at 31 March 2013 ( <i>unaudited</i> )	As at 31 December 2012
<b>Historical cost</b>		
Property rights arising from energy certificates	38 303	208 279
Emission allowances	1 833	2 434
Merchandise	13	13
Materials	525	420
<b>Total</b>	<b>40 674</b>	<b>211 146</b>
<b>Write-downs to net realizable value</b>		
Property rights arising from energy certificates	(14 651)	(34 774)
Emission allowances	-	(200)
<b>Total</b>	<b>(14 651)</b>	<b>(34 974)</b>
<b>Net realizable value</b>		
Property rights arising from energy certificates	23 652	173 505
Emission allowances	1 833	2 234
Merchandise	13	13
Materials	525	420
<b>Total</b>	<b>26 023</b>	<b>176 172</b>

The decrease in the value of inventories is mainly due to the sale, in February 2013, of 704,000 property rights related to RES energy certificates.

## 19. Trade and other receivables

As at 31 March 2013, the balance of trade and other receivables amounted to PLN 1,188,398 thousand.



**TAURON Polska Energia S.A.**  
Interim condensed financial statements for the 3-month period ended 31 March 2013  
(in PLN thousand)

	As at 31 March 2013 (unaudited)	As at 31 December 2012
Trade receivables	1 034 098	1 108 553
Dividend receivables	83 193	-
Interest receivable on loans granted under cash pool agreement	46	62
Other loans granted	-	114 935
Other financial receivables, of which:	71 061	236 934
- supplementary deposits under futures contracts	41 720	4 876
- receivable from loan overpayment	-	134 680
- amounts paid as security	28 729	31 356
- TCG receivable	36	65 870
- other	576	152
<b>Total</b>	<b>1 188 398</b>	<b>1 460 484</b>

Trade receivables are non-interest bearing and are usually receivable within 30 days. Sales are only made to customers who have undergone an appropriate credit verification procedure. As a result, Management believe that there is no additional credit risk that would exceed the doubtful debts allowance recognized for the Company's trade receivables.

Related party transactions and balances are presented in Note 27.

The aging structure and allowances/write-downs recognized for trade and other receivables are presented in the tables below.

**Aging structure of trade and other receivables as at 31 March 2013 (unaudited)**

	Not past due	Past due				Total
		< 30 days	30-180 days	180-360 days	>360 days	
<b>Value of item before allowance/write-down</b>						
Trade and other financial receivables	1 096 753	7 890	516	-	608	1 105 767
Dividend receivables	83 193	-	-	-	-	83 193
Cash Pool	46	-	-	-	-	46
<b>Total</b>	<b>1 179 992</b>	<b>7 890</b>	<b>516</b>	<b>-</b>	<b>608</b>	<b>1 189 006</b>
<b>Allowance/write-down</b>						
Trade and other financial receivables	-	-	-	-	(608)	(608)
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(608)</b>	<b>(608)</b>
<b>Value of item net of allowance (carrying amount)</b>						
Trade and other financial receivables	1 096 753	7 890	516	-	-	1 105 159
Dividend receivables	83 193	-	-	-	-	83 193
Cash Pool	46	-	-	-	-	46
<b>Total</b>	<b>1 179 992</b>	<b>7 890</b>	<b>516</b>	<b>-</b>	<b>-</b>	<b>1 188 398</b>

**Aging structure of trade and other receivables as at 31 December 2012**

	Not past due	Past due				Total
		< 30 days	30-180 days	180-360 days	>360 days	
<b>Value of item before allowance/write-down</b>						
Trade and other financial receivables	1 341 266	4 212	7	271	339	1 346 095
Cash Pool	62	-	-	-	-	62
Other loans	114 935	-	-	-	-	114 935
<b>Total</b>	<b>1 456 263</b>	<b>4 212</b>	<b>7</b>	<b>271</b>	<b>339</b>	<b>1 461 092</b>
<b>Allowance/write-down</b>						
Trade and other financial receivables	-	-	-	(269)	(339)	(608)
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(269)</b>	<b>(339)</b>	<b>(608)</b>
<b>Value of item net of allowance (carrying amount)</b>						
Trade and other financial receivables	1 341 266	4 212	7	2	-	1 345 487
Cash Pool	62	-	-	-	-	62
Other loans	114 935	-	-	-	-	114 935
<b>Total</b>	<b>1 456 263</b>	<b>4 212</b>	<b>7</b>	<b>2</b>	<b>-</b>	<b>1 460 484</b>

## 20. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprised the following:

	As at 31 March 2013 ( <i>unaudited</i> )	As at 31 December 2012
Cash at bank and in hand	475 343	276 060
Short-term deposits (up to 3 months)	435 105	634 361
<b>Total cash and cash equivalents presented in the statement of financial position, of which:</b>	<b>910 448</b>	<b>910 421</b>
restricted cash	471 133	269 888
Cash pool	(867 852)	(1 175 886)
Overdraft	(188 565)	(129 566)
Foreign exchange and other differences	2 231	1 511
<b>Total cash and cash equivalents presented in the statement of cash flows</b>	<b>(143 738)</b>	<b>(393 520)</b>

The balances of loans granted and taken out under cash pool transactions, due to the fact that they are mainly used to manage the current financial liquidity of the Group, do not represent cash flows from investing or financing activity; instead they represent an adjustment to the balance of cash and cash equivalents.

Restricted cash mainly consists of cash held in the settlement account for trading in electricity at Towarowa Giełda Energii S.A., amounting to PLN 448,274 thousand, cash held in special purpose accounts for trading on the Internet Based Electricity Trading Platform (POEE) of PLN 2,081 thousand as well as on the European Energy Exchange (EEX) and European Climate Exchange (ICE) of PLN 20,777 thousand.

The details of cash pool balances are presented in Note 22.3.

## 21. Equity

### 21.1. Issued capital

#### Issued capital as at 31 March 2013 (*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 2013, the value of issued capital, the number of shares and nominal value per share have not changed since 31 December 2012.

## 21.2. Shareholders with significant interest

### Shareholding structure as at 31 March 2013 (*unaudited, to the best knowledge of the Company*)

Shareholder	Number of shares	Value of shares	% of issued capital	% of total vote
State Treasury (notification of 29 March 2011)	526 883 897	2 634 419	30.06%	30.06%
KGHM Polska Miedź S.A. (notification of 23 March 2011)	182 110 566	910 553	10.39%	10.39%
ING Otwarty Fundusz Emerytalny (notification of 28 December 2011)	88 742 929	443 715	5.06%	5.06%
Other shareholders	954 812 002	4 774 060	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>

The shareholding structure as at 31 March 2013, according to the Company's best knowledge, did not change in comparison to 31 December 2012.

## 21.3. Reserve capital, retained earnings and restrictions on dividend payments

There were no movements in the reserve capital during the 3-month period ended 31 March 2013.

Movements in retained earnings in the period under review result from the profit for the period of PLN 244,710 thousand.

Part of retained earnings amounting to PLN 1,437,883 thousand, which is mainly comprised of the Company's profit for 2012, is eligible for distribution.

## 21.4. Revaluation reserve from valuation of hedging instruments

The revaluation reserve from valuation of hedging instruments results from valuation of Interest Rate Swaps (IRS) hedging the interest rate risk arising from issued debentures, as discussed in detail in Note 29.1.

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 2013, the revaluation reserve from valuation of hedging instruments includes an amount of PLN (186,425) thousand, which represents a liability arising from the valuation of IRSs at the balance sheet date, amounting to PLN 192,505 thousand, adjusted for the portion of valuation relating to accrued interest on debentures as at the balance sheet date, amounting to PLN 6,080 thousand, which was transferred to retained earnings (of this amount, PLN 5,169 thousand was taken to profit or loss for the period). In the statement of comprehensive income, the costs of IRS transactions increased finance costs arising from interest on issued debentures.

	Revaluation reserve from valuation of hedging instruments
<b>As at 1 January 2013</b>	<b>(189 756)</b>
Valuation of hedging instruments as at 31 March 2013	(1 838)
Transfer of valuation relating to accrued interest on debentures as at 31 March 2013 to net result	5 169
<b>As at 31 March 2013 (<i>unaudited</i>)</b>	<b>(186 425)</b>

## 22. Loans and borrowings, including debt securities

	As at 31 March 2013 <i>(unaudited)</i>	As at 31 December 2012
<b>Non-current portion of loans and borrowings, including issued debentures:</b>		
Issued debentures	4 289 005	4 288 247
Loan received from European Investment Bank	1 266 101	836 835
<b>Total</b>	<b>5 555 106</b>	<b>5 125 082</b>
<b>Current portion of loans and borrowings, including issued debentures:</b>		
Issued debentures	63 635	13 587
Cash pool loans received, including accrued interest	867 898	1 175 948
Loans from the European Investment Bank	106 602	73 559
Overdraft	188 565	129 566
<b>Total</b>	<b>1 226 700</b>	<b>1 392 660</b>

### 22.1. Debentures issued

As at 31 March 2013, the Company's liability under issued debentures amounted to PLN 4,352,640 thousand. This liability arose as a result of issue of debentures in the following tranches:

- on 29 December 2010, Tranche A debentures were issued with a nominal value of PLN 848,200 thousand and maturity date of 29 December 2015,
- on 12 December 2011, Tranche B debentures were issued with a total nominal value of PLN 300,000 thousand and maturity date of 12 December 2015;
- on 12 December 2011, Tranche C debentures were issued with a total nominal value of PLN 3,000,000 thousand and maturity date of 12 December 2016;
- on 30 January 2012, Tranche B debentures were issued with a total nominal value of PLN 150,000 thousand and maturity date of 30 January 2015.

Debentures are issued in a dematerialized form. These are unsecured coupon debentures with a floating interest rate of WIBOR 6M plus a fixed margin. Interest on these debentures is payable on a semi-annual basis.

The Company hedged a portion of interest-related cash flows resulting from issued debentures by entering into interest rate swaps (IRS), as discussed in detail in Notes 21.4 and 29.1.

The agreements signed by the Company with banks include covenants which are commonly used in such transactions. As at 31 March 2013, none of these covenants has been breached.

The tables below present the balances of the Company's liability under issued debentures, together with accrued interest, as at 31 March 2013 and 31 December 2012.

### Debentures as at 31 March 2013 *(unaudited)*

	Interest rate	Currency	As at balance sheet date <i>(unaudited)</i>		of which principal amount maturing within <i>(after the balance sheet date)</i>				
			Accrued interest	Principal at amortized cost	less than 1 year	1 - 2 years	2 - 3 years	3 - 5 years	over 5 years
Tranche A	floating	PLN	10 806	846 654	-	-	846 654	-	-
Tranche B	floating	PLN	5 905	449 216	-	150 000	299 216	-	-
Tranche C	floating	PLN	46 924	2 993 135	-	-	-	2 993 135	-
<b>Total debentures</b>			<b>63 635</b>	<b>4 289 005</b>	<b>-</b>	<b>150 000</b>	<b>1 145 870</b>	<b>2 993 135</b>	<b>-</b>

## Debentures as at 31 December 2012

	Interest rate	Currency	As at balance sheet date		of which principal amount maturing within (after the balance sheet date)				
			Accrued interest	Principal at amortized cost	less than 1 year	1 - 2 years	2 - 3 years	3 - 5 years	over 5 years
Tranche A	floating	PLN	349	846 524	-	-	846 524	-	-
Tranche B	floating	PLN	4 707	449 150	-	-	449 150	-	-
Tranche C	floating	PLN	8 531	2 992 573	-	-	-	2 992 573	-
<b>Total debentures</b>			<b>13 587</b>	<b>4 288 247</b>	<b>-</b>	<b>-</b>	<b>1 295 674</b>	<b>2 992 573</b>	<b>-</b>

### 22.2. Loans from the European Investment Bank

As at 31 March 2013, the balance of loans obtained from the European Investment Bank amounted to PLN 1,372,703 thousand, including accrued interest of PLN 14,727 thousand. As at 31 December 2012, the balance of the related liability amounted to PLN 910,394 thousand. The increase of the liability results mainly from the receipt of further tranches of loans from the European Investment Bank under the loan agreement signed on 3 July 2012:

- on 25 January 2013 – PLN 200,000 thousand,
- on 22 February 2013 – PLN 250,000 thousand.

As a result, the Company has utilized the full amount of the funding available under the aforementioned agreement, i.e. PLN 900,000 thousand. The funds obtained from the loan are used for grid investments.

The funds received under the above-mentioned tranches will be repaid in equal semi-annual principal installments starting from 15 March 2014 to 15 September 2024. Interest is payable in semi-annual installments starting from 15 March 2013. The interest rate is fixed and has been determined until 15 March 2018.

### 22.3. Cash pool

The balances of receivables and payables arising from cash pool transactions are shown in the tables below.

	As at 31 March 2013 ( <i>unaudited</i> )	As at 31 December 2012
Loans granted under cash pool agreement	-	-
Interest receivable on loans granted under cash pool agreement	46	62
<b>Total</b>	<b>46</b>	<b>62</b>

	As at 31 March 2013 ( <i>unaudited</i> )	As at 31 December 2012
Loans received under cash pool agreement	865 565	1 171 892
Interest payable on loans received under cash pool agreement	2 333	4 056
<b>Total</b>	<b>867 898</b>	<b>1 175 948</b>
<b>Balance of cash pool</b>	<b>867 852</b>	<b>1 175 886</b>

Surplus cash acquired by the Company under the cash pool agreement is invested in bank accounts.

Under the cash pool agreement the Company may use external funding amounting to PLN 300,000 thousand. As at 31 March 2013, the Company's liability in this respect amounted to PLN 139,721 thousand, and accrued interest amounted to PLN 47 thousand.

#### **22.4. Overdrafts**

As at 31 March 2013, the balance of overdrafts amounted to PLN 188,565 thousand and included:

- An overdraft of PLN 139,768 thousand. This funding is used under the cash pool agreement. The Company may use external funding amounting to PLN 300,000 thousand. As at 31 December 2012, the overdraft balance was PLN 129,566 thousand;
- An overdraft of EUR 11,681 thousand (PLN 48,797 thousand). The Multi-option Loan Agreement valid until 31 December 2013 was signed by the Company for the purpose of funding transactions in emission allowances concluded on a foreign exchange market.

#### **23. Other provisions**

As at 31 March 2013, other short-term provisions recognized by the Company amounted to PLN 32,856 thousand. The balance of other provisions as at 31 December 2012 amounted to PLN 119,038 thousand.

The main positions of the other provisions are as follows:

##### **Provision for the obligation to surrender energy certificates**

Due to the sale of electricity to final users, the Company is required to surrender for cancellation a certain amount of certificates of electricity generated using renewable sources and cogeneration.

As at 31 March 2013, short-term provision for the obligation to surrender energy certificates for cancellation amounted to PLN 32,068 thousand.

As at 31 December 2012, the Company recognized a short-term provision for the obligation to surrender energy certificates for cancellation of PLN 118,250 thousand.

In the 1<sup>st</sup> quarter of 2013, in order to fulfill the obligation for the year 2012, the Company surrendered energy certificates with a value of PLN 119,093 thousand. As a result, the provision recognized at the 2012 year-end at an amount of PLN 118,250 thousand was utilized in full in the 1<sup>st</sup> quarter of 2013, while the amount of PLN 843 thousand representing the excess of the obligation over the recognized provision was charged to costs for 2013.

##### **Provision for compensation payments to GZE employees**

The provision for compensation payments to employees was recognized due to the privatization of Górnośląski Zakład Elektroenergetyczny S.A. Compensation payments for shares are due under the Employee, Social and Trade Union Guarantee Package of 17 November 2000 as well as under Agreement No. 1 of 13 December 2000 on the principles of making compensation payments. Compensation payments were made based on the Compensation Payments Allocation Regulations dated 26 April 2001 with subsequent amendments and the decision on payments dated 30 September 2003. The condition underlying a compensation payment was the sale of all of the shares held by the eligible individual to the majority shareholder. Such payments (in the form of donations) were made successively in 2003-2009.

As at 31 March 2013, the provision for outstanding compensation payments amounted to PLN 765 thousand and its balance did not change compared to 31 December 2012.

#### **24. Contingent liabilities**

The Company's contingent liabilities arise from collaterals and guarantees granted to subsidiaries. As at 31 March 2013, contingent liabilities of the Company were as follows:

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*(in PLN thousand)*

Type of contingent liability	Currency	As at 31 March 2013 (unaudited)		Company in respect of which contingent liability has been granted	Beneficiary
		Value in foreign currency	Value in domestic currency		
blank promissory note	PLN		40 000	TAURON Wytwarzanie S.A.	Wojewódzki Fundusz Ochrony Środowiska i Gospodarki Wodnej w Katowicach
blank promissory note	PLN		30 000	TAURON Ciepło S.A.	Wojewódzki Fundusz Ochrony Środowiska i Gospodarki Wodnej w Katowicach
blank promissory note	PLN		1 180	TAURON Ciepło S.A.	Wojewódzki Fundusz Ochrony Środowiska i Gospodarki Wodnej w Katowicach
guarantee	EUR	500	2 089	TAURON Czech Energy s.r.o.	CEZ a.s.
collateral for bank guarantee	PLN		202	TAURON Serwis GZE Sp. z o.o. (currently TAURON Dystrybucja Serwis S.A.)	Nordea Bank Polska S.A.
collateral for bank guarantee	PLN		593	TAURON Sprzedaż GZE Sp. z o.o.	Powszechna Kasa Oszczędności Bank Polski S.A.
collateral for bank guarantee	PLN		253	TAURON Sprzedaż Sp. z o.o.	Powszechna Kasa Oszczędności Bank Polski S.A.
collateral for bank guarantee	PLN		1 000	Polska Energia Pierwsza Kompania Handlowa Sp. z o.o.	Powszechna Kasa Oszczędności Bank Polski S.A.
collateral for bank guarantee	EUR	500	2 089	Polska Energia Pierwsza Kompania Handlowa Sp. z o.o.	Powszechna Kasa Oszczędności Bank Polski S.A.
collateral for bank guarantee	PLN		300	Kopalnia Wapienia Czatkowice Sp. z o.o.	Powszechna Kasa Oszczędności Bank Polski S.A.

The validity of the Company's declaration to provide financial support of PLN 200,000 thousand, which was made by the Company to support the request submitted by its subsidiary, TAURON Wytwarzanie S.A., to the Ministry of Economy for granting funds for the "Construction of a biomass boiler in PKE S.A. Elektrownia Jaworzno III – Elektrownia II" project under the Infrastructure and Development Operational Programme, expired on 31 December 2012.

#### Claims of Huta Łaziska S.A.

Due to the Company's merger 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.

In recent years, GZE was party to court disputes with Huta Łaziska S.A. The main reason for this was Huta's failure to fulfill its obligation to pay the amounts due for electricity supplies, which resulted in the withholding of electricity supplies to Huta Łaziska by GZE in 2001.

Based on the decision of 12 October 2001, the President of URE ordered GZE to resume electricity supplies to Huta on the terms of the agreement dated 30 July 2001 at the price of PLN 67/MWh until the date of final resolution of the dispute, and on 14 November 2001 the President of URE finally resolved the dispute by issuing a decision stating that the withholding of electricity supplies was not unjustified. Huta appealed against this decision. On 25 July 2006, the Court of Appeal in Warsaw passed a final judgment ending the dispute over the decision of the President of URE dated 14 November 2001. Huta lodged a cassation appeal against the judgment of the Court of Appeal, which was dismissed by the judgment of the Supreme Court dated 10 May 2007.

Due to the withholding of electricity supplies, Huta 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 URE 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 URE dated 12 October 2001. In this case, the courts of the first and second instance passed judgments favorable for GZE; however, in the judgment of 29 December 2011 the Supreme Court overruled the judgment of the Court of Appeal and remanded the case for reexamination by this Court. On 5 June 2012, the Court of Appeal overruled the judgment of the Regional Court and remanded the case for reexamination by the Regional Court. The first hearing before the Court of first instance was held on 27 November 2012 and the next ones on 25 February 2013 and 24 April 2013. The date of the next hearing was set at 5 August 2013.

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

## **25. Assets pledged as security**

Under the debentures issue program, the Company provided a declaration of submission to enforcement:

- up to the amount of PLN 1,560,000 thousand – valid until 31 December 2016,
- up to the amount of PLN 6,900,000 thousand – valid until 31 December 2018

In addition, TAURON Polska Energia S.A. submitted a declaration of submission to enforcement under Article 97 of the Banking Law up to the amount of PLN 125,000 thousand and enforceable until 31 December 2017 at the latest, to secure the framework agreement for bank guarantees with PKO Bank Polski S.A. An additional collateral for this agreement is authorization to the bank account held with PKO Bank Polski S.A. As at 31 March 2013, the maximum amount of the limit set for the guarantees is PLN 100,000 thousand. The agreement will be valid until 31 December 2016.

Under the aforementioned agreement, PKO Bank Polski S.A., at the Company's request, issued bank guarantees in order to secure the liabilities of the subsidiaries of TAURON Polska Energia S.A. for a total amount of PLN 4,235 thousand (Note 24) and to secure the Company's transactions:

- up to PLN 80,000 thousand – guarantee for Izba Rozliczeniowa Gield Towarowych S.A. valid until 30 June 2013;
- up to EUR 800 thousand (PLN 3,342 thousand) – guarantee for CAO Central Allocation Office GmbH valid until 3 February 2014.

Overdraft agreements of TAURON Polska Energia S.A. as at 31 March 2013 were secured by authorizations to bank accounts:

- up to PLN 300,000 thousand – overdraft from Polska Kasa Opieki S.A. (funding under the cash pool agreement),
- up to EUR 26,500 thousand (PLN 110,701 thousand) - overdraft from NORDEA Bank Finland plc.

In order to secure the transactions made by the Company on electricity markets through Towarowa Gielda Energii S.A. (Polish Power Exchange) and its participation in the system securing the liquidity of settlements, TAURON Wytwarzanie S.A. issued a suretyship to Izba Rozliczeniowa Gield Towarowych S.A. (IRGIT) in respect of settlement of the Company's future transactions up to the amount of PLN 145,000 thousand. It was agreed that the Company would pay a consideration to TAURON Wytwarzanie S.A. for setting up collateral in the form of a suretyship. In order to secure IRGIT's claims under the suretyship agreement signed between TAURON Wytwarzanie S.A. and IRGIT in respect of TAURON Polska Energia S.A.'s liabilities, restrictions were placed on the EUAs of TAURON Wytwarzanie S.A. entered in the National Register of Emission Allowances (KRUE) amounting to 10,000 thousand tonnes. Under the Annex of 31 December 2012 to the Agreement between TAURON Polska Energia S.A. and TAURON Wytwarzanie S.A., the validity of this collateral was extended until 31 March 2013.

In order to hedge transactions using futures for emission allowances and for energy made on the ICE Futures Europe Exchange and on the European Energy Exchange, the Company transfers initial deposits for such transactions into separate bank accounts – the total amount of such deposits as at 31 March 2013 was PLN 19,031 thousand.

Liabilities secured on the assets of TAURON Polska Energia S.A. include lease agreements, which are secured by pledges on the vehicles leased by the Company. The carrying amount of vehicles leased by the Company amounted to PLN 825 thousand as at 31 March 2013 and PLN 950 thousand as at 31 December 2012.

## **26. Capital commitments**

The Company's capital commitments as at 31 March 2013 amounted to PLN 18,343 thousand. The largest items included the following:

- a commitment to purchase a Microsoft license amounting to PLN 9,500 thousand,
- a commitment to purchase an Oracle license amounting to PLN 1,500 thousand,



- a commitment under the agreement for the implementation of an IT infrastructure monitoring system – amounting to PLN 1,124 thousand.

## 27. Related party disclosures

### 27.1. Transactions with related companies and State Treasury companies

The Company enters into transactions with related companies as presented in Note 6 to these interim condensed financial statements. In addition, due to the fact that the Company's main shareholder is the State Treasury of the Republic of Poland, State Treasury companies are treated as related parties. Transactions with State Treasury companies mainly relate to the operating activity 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 are presented in the tables below.

#### Revenues and expenses

	3-month period ended 31 March 2013 (unaudited)	3-month period ended 31 March 2012 (unaudited restated figures)
<b>Revenue from related companies, of which:</b>	<b>3 057 204</b>	<b>2 079 916</b>
Revenue from operating activities	2 917 366	2 049 569
Dividend received	84 059	862
Finance income	55 779	29 485
<b>Revenue from State Treasury companies</b>	<b>300 433</b>	<b>283 743</b>
<b>Costs from related companies, of which:</b>	<b>(1 381 082)</b>	<b>(212 498)</b>
Costs of operating activities	(1 372 847)	(204 193)
Finance costs	(8 235)	(8 305)
<b>Costs from State Treasury companies</b>	<b>(368 733)</b>	<b>(140 537)</b>

#### Receivables and payables

	As at 31 March 2013 (unaudited)	As at 31 December 2012
<b>Loans granted to related companies and receivables from related companies, of which:</b>	<b>4 566 276</b>	<b>3 966 997</b>
Trade receivables	767 881	878 387
Other financial receivables	187	134 680
Dividend receivables	83 193	-
Receivables from the TCG	36	65 870
Debentures	3 561 824	2 655 261
Interest receivables from loans granted under cash pool agreement	46	62
Other loans	153 109	232 737
<b>Receivables from State Treasury companies</b>	<b>129 137</b>	<b>128 725</b>
<b>Payables to related companies, of which:</b>	<b>1 356 984</b>	<b>1 331 544</b>
Trade payables	402 099	144 548
Loans received under cash pool agreement	867 898	1 175 948
Liabilities arising from TCG	86 987	11 048
<b>Payables to State Treasury companies</b>	<b>116 210</b>	<b>245 124</b>

Among the State Treasury companies, the largest contractors of TAURON Polska Energia S.A. in the 3-month period ended 31 March 2013 as regards sales revenue included KGHM Polska Miedź S.A., Polskie Sieci Elektroenergetyczne S.A., Katowicki Holding Węglowy S.A. and Kompania Węglowa S.A. Revenue from those companies accounted for 75% of total revenue from transactions with State Treasury companies.

The largest costs resulted from transactions with Kompania Węglowa S.A. and PGE Polska Grupa Energetyczna S.A., which accounted for 74% of total costs incurred as a result of purchases from State Treasury companies.

The Company enters into significant transactions in the energy market through Izba Rozliczeniowa Giełd Towarowych S.A. As this entity only deals with organization of commodities exchange trading, the Company does not consider purchase and sale transactions made through this entity as related party transactions.

## 27.2. Compensation of key management personnel

The amount of compensation and other benefits of the Board of Directors, Supervisory Board and other key management personnel of the Company for the 3-month period ended 31 March 2013 and for the comparable period is presented in the table below.

	3-month period ended 31 March 2013 <i>(unaudited)</i>	3-month period ended 31 March 2012 <i>(unaudited)</i>
<b>Board of Directors</b>	<b>1 372</b>	<b>1 507</b>
Short-term employee benefits (salaries and surcharges)	1 119	1 212
Other	253	295
<b>Supervisory Board</b>	<b>234</b>	<b>234</b>
Short-term employee benefits (salaries and surcharges)	234	234
<b>Other members of key management personnel</b>	<b>2 207</b>	<b>2 444</b>
Short-term employee benefits (salaries and surcharges)	2 007	2 224
Post-employment benefits	-	21
Other	200	199
<b>Total</b>	<b>3 813</b>	<b>4 185</b>

No loans were granted from the Social Fund to members of the Company's Board of Directors, Supervisory Board members or other members of key management personnel.

## 28. Financial instruments

### 28.1. Carrying amounts and fair values of the categories and classes of financial instruments

The fair values of the financial instruments held by the Company as at 31 March 2013 and 31 December 2012 did not significantly differ from their values presented in the financial statements for the particular periods, due to the following reasons:

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

The carrying amounts and fair values of the particular classes and categories of financial instruments as at 31 March 2013 and 31 December 2012 are presented in the tables below.

**TAURON Polska Energia S.A.**  
*Interim condensed financial statements for the 3-month period ended 31 March 2013*  
(in PLN thousand)

Categories and classes of financial assets	As at 31 March 2013 (unaudited)		As at 31 December 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>1 Assets at fair value through profit or loss</b>	<b>2 127</b>	<b>2 127</b>	<b>466</b>	<b>466</b>
Derivative instruments	2 127	2 127	466	466
<b>2 Financial assets available for sale</b>	<b>5 057</b>	<b>-</b>	<b>5 057</b>	<b>-</b>
Shares in unlisted and listed companies (non-current)*	5 057	-	5 057	-
<b>3 Loans and receivables</b>	<b>4 903 331</b>	<b>4 903 331</b>	<b>4 233 547</b>	<b>4 233 547</b>
Trade receivables	1 034 098	1 034 098	1 108 553	1 108 553
Bonds and other debt securities	3 561 824	3 561 824	2 655 261	2 655 261
Loans granted (Cash pool)	46	46	62	62
Other loans granted	153 109	153 109	232 737	232 737
Dividend receivables	83 193	83 193	-	-
Other financial receivables	71 061	71 061	236 934	236 934
<b>4 Financial assets excluded from the scope of IAS 39</b>	<b>20 179 347</b>	<b>-</b>	<b>20 179 347</b>	<b>-</b>
Shares in subsidiaries*	20 179 347	-	20 179 347	-
<b>5 Cash and cash equivalents</b>	<b>910 448</b>	<b>910 448</b>	<b>910 421</b>	<b>910 421</b>
<b>Total financial assets, including in the statement of financial position:</b>	<b>26 000 310</b>		<b>25 328 838</b>	
<b>Non-current assets</b>	<b>23 842 513</b>		<b>22 917 206</b>	
Shares in unlisted and listed companies	20 184 404		20 184 404	
Bonds and other debt securities	3 505 000		2 615 000	
Loans granted	153 109		117 802	
<b>Current assets</b>	<b>2 157 797</b>		<b>2 411 632</b>	
Trade and other receivables	1 188 398		1 460 484	
Bonds and other debt securities	56 824		40 261	
Derivative instruments	2 127		466	
Cash and cash equivalents	910 448		910 421	

\* The Company is unable to reliably determine the fair value of the shares held in companies which are not listed on active markets. They are measured at the balance sheet date at cost less impairment losses. In accordance with the Company's accounting policy, shares in subsidiaries are also measured at cost less impairment losses.

Categories and classes of financial liabilities	As at 31 March 2013 (unaudited)		As at 31 December 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>1 Financial liabilities at fair value through profit or loss</b>	<b>-</b>	<b>-</b>	<b>552</b>	<b>552</b>
Derivative instruments	-	-	552	552
<b>2 Financial liabilities measured at amortized cost</b>	<b>7 590 069</b>	<b>7 590 069</b>	<b>7 240 995</b>	<b>7 240 995</b>
Arm's length loans, of which:	2 240 601	2 240 601	2 086 342	2 086 342
Liability under the cash pool loan	867 898	867 898	1 175 948	1 175 948
Loan from the European Investment Bank	1 372 703	1 372 703	910 394	910 394
Overdraft	188 565	188 565	129 566	129 566
Issued debentures	4 352 640	4 352 640	4 301 834	4 301 834
Trade payables	712 430	712 430	679 612	679 612
Other financial liabilities	89 835	89 835	17 206	17 206
Commitments resulting from purchases of fixed and intangible assets	3 679	3 679	24 011	24 011
Salaries and wages	2 319	2 319	2 403	2 403
Insurance contracts	-	-	21	21
<b>3 Liabilities under guarantees, factoring and excluded from the scope of IAS 39</b>	<b>865</b>	<b>865</b>	<b>990</b>	<b>990</b>
Liabilities under finance leases	865	865	990	990
<b>4 Hedging instruments (relating to liabilities)</b>	<b>192 505</b>	<b>192 505</b>	<b>190 666</b>	<b>190 666</b>
<b>Total financial liabilities, including in the statement of financial position:</b>	<b>7 783 439</b>		<b>7 433 203</b>	
<b>Long-term liabilities</b>	<b>5 710 411</b>		<b>5 276 156</b>	
Interest-bearing loans and borrowings	5 555 106		5 125 082	
Liabilities under finance leases	349		480	
Derivative instruments	154 956		150 594	
<b>Short-term liabilities</b>	<b>2 073 028</b>		<b>2 157 047</b>	
Current portion of interest-bearing loans and borrowings	1 226 700		1 392 660	
Current portion of liabilities under finance leases	516		510	
Trade and other payables	808 263		723 253	
Derivative instruments	37 549		40 624	

## **28.2. Details of significant items within the individual categories of financial instruments**

### **Bonds and other debt securities**

Bonds and other debt securities in the category of loans and receivables, amounting to PLN 3,561,824 thousand, include debentures issued by subsidiaries that were purchased by the Company.

Debentures by particular companies - issuers are presented in Note 15, and the movement in the balance of debentures for the 3-month period ended 31 March 2013 in Note 30 of these interim condensed financial statements.

### **Cash pool loans granted and cash pool loan liabilities**

The Company has a receivable resulting from loans granted and a liability resulting from loans received under the cash pool service agreement, as discussed in detail in Note 22.3.

### **Other loans granted**

Under loans granted, the Company presented a long-term loan granted to Elektrociepłownia Stalowa Wola S.A. in the amount of PLN 153,109 thousand together with accrued interest in the amount of PLN 5,109 thousand.

Long-term loans have been presented in Note 16.

### **Trade and other receivables**

Trade and other receivables have been discussed in detail in Note 19.

### **Financial assets excluded from the scope of IAS 39**

Financial assets excluded from the scope of IAS 39, amounting to PLN 20,179,347 thousand, include shares held by the Company in subsidiaries, as discussed in detail in Note 14.

### **Financial assets available for sale**

Financial assets available for sale, amounting to PLN 5,057 thousand, mainly include shares in TAURON Wytwarzanie GZE Sp. z o.o. amounting to PLN 4,934 thousand, which were acquired as a result of the Company's merger with Górnośląski Zakład Elektroenergetyczny S.A. in June 2012.

### **Issued debentures**

Issued debentures have been discussed in detail in Note 22.1.

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

The loans received from the European Investment Bank, amounting to PLN 1,372,703 thousand, have been described in detail in Note 22.2.

### **Overdraft**

Overdrafts, showing a balance of PLN 188,565 thousand as at 31 March 2013, have been discussed in detail in Note 22.4.

### **Other financial liabilities**

Under other financial liabilities, the Company included a liability of PLN 86,987 thousand payable to the subsidiaries making up the Tax Capital Group due to tax overpayment, as discussed in detail in Note 10.3.

### **Hedging derivative instruments (relating to liabilities)**

Derivative instruments hedging interest-related cash flows from issued debentures amount to PLN 192,505 thousand, as discussed in detail in Note 21.4.

## **29. Finance management and financial risk management**

### **29.1. Financial risk management**

On 10 May 2011, the Company's Board of Directors passed a resolution implementing a policy for specific risk management in the area of finance in the TAURON Polska Energia S.A. Capital Group, which defines the strategy for management of specific risk in the area of finance, i.e. the currency and interest rate risk. This policy has also introduced the principles of hedge accounting in the Group which define the principles and types of hedge accounting and 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 policies relate to the cash flow risk and do not include fair value risk due to its low significance for the Group.

#### **Hedge accounting**

As at 31 March 2013, the Company was a party to hedging transactions covered by the policy for specific risk management in the area of finance. In accordance with the decision of the Financial Risk Management Committee of 30 January 2012, in March 2012 the Company hedged against the interest rate risk arising from debentures issued under the Debentures Issue Program by entering into an interest rate swap (IRS) for a period of 5 years. This transaction was entered into due to variability of the expected future cash flows from interest payments resulting from the issue of debentures in PLN with a floating interest rate based on WIBOR 6M. The Company hedged 80% of such cash flows. The parent applies hedge accounting to these transactions. The accounting treatment applied with respect to such hedging transactions has been discussed in detail in Note 21.4.

### **29.2. Finance management**

Capital management takes place at the level of the TAURON Polska Energia S.A. Capital Group and has been described in Note 32 of the Additional Explanatory Notes to the Interim Condensed Consolidated Financial Statements for the 3-month period ended 31 March 2013.

## **30. Significant items of the statement of cash flows**

### **Repayment of loans granted**

In the 3-month period ended 31 March 2013, the Company recorded investing inflows from the repayment of the following loans of a total amount of PLN 120,440 thousand:

- a loan of PLN 114,590 thousand granted to TAURON Wytwarzanie S.A. under the agreement signed in December 2012, which resulted from the purchase of CO<sub>2</sub> emission allowances from TAURON Wytwarzanie S.A. with a commitment to sell them back,
- a loan of PLN 5,850 thousand granted to Elektrociepłownia Stalowa Wola S.A.

### **Loans granted**

In the 3-month period ended 31 March 2013, the Company recorded investing outflows arising from the granting of loans to Elektrociepłownia Stalowa Wola S.A. for a total amount of PLN 38,850 thousand.

### **Proceeds from loans**

Proceeds from loans arise from the receipt of further tranches of loans from the European Investment Bank under the loan agreement signed on 3 July 2012, with a total amount of PLN 450,000 thousand.

### **Purchase of bonds and other debt securities**

Outflows for the purchase of bonds and other debt securities of PLN 970,000 thousand relate to the purchase of intercompany debentures issued by the following subsidiaries: TAURON Wytwarzanie S.A. with a value of PLN 570,000 thousand and MEGAWAT MARSZEWO Sp. z o. o. with a value of PLN 400,000 thousand.

### **Redemption of bonds and other debt securities**

Proceeds from the redemption of bonds and other debt securities of PLN 80,000 thousand relate to the redemption of intercompany debentures by TAURON Wytwarzanie S.A.

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

#### **Finance income**

The PLN 28,728 thousand increase in other finance income for the 3-month period ended 31 March 2013 compared with the comparative period is mainly due to:

- the PLN 29,473 thousand increase in interest on intercompany debentures. Interest income on issued debentures for the 3-month period ended 31 March 2013 amounted to PLN 47,912 thousand, while that for the 3-month period ended 31 March 2012 was PLN 18,439 thousand,
- the PLN 4,198 thousand decrease of interest on loans granted.

### **32. Events after the balance sheet date**

There were no significant events after the balance sheet date.

These interim condensed financial statements of TAURON Polska Energia S.A. prepared for the 3-month period ended 31 March 2013 in accordance with International Accounting Standard 34 consist of 39 consecutive pages.

Katowice, 7 May 2013

Dariusz Lubera - President .....

Krzysztof Zawadzki - Vice President .....