EXTENDED CONSOLIDATED INTERIM REPORT OF TAURON POLSKA ENERGIA S.A. CAPITAL GROUP FOR THE FIRST HALF OF 2013

KATOWICE, 22 AUGUST 2013

SELECTED FIGURES	in thousands PLN		in thousands EUR	
	2013 period from 01.01.2013 to 30.06.2013	2012 period from 01.01.2012 to 30.06.2012 *(adjusted figures)*	2013 period from 01.01.2013 to 30.06.2013	2012 period from 01.01.2012 to 30.06.2012 *(adjusted figures)*
Selected consolidated figures of TAURON Polska Energia S.A. Capital Group				
Sales revenue	9 704 908	12 313 986	2 303 016	2 914 829
Operating profit	1 188 158	1 253 405	281 955	296 692
Profit before tax	1 084 538	1 142 356	257 365	270 406
Net profit	890 573	890 221	211 337	210 723
Net profit attributable to shareholders of the parent company	847 927	857 001	201 217	202 860
Net profit attributable to non-controlling interests	42 646	33 220	10 120	7 863
Other comprehensive income	34 571	(29 236)	8 204	(6 920)
Total comprehensive income	925 144	860 985	219 541	203 803
Total comprehensive income attributable to shareholders of the parent company	881 019	827 803	209 070	195 949
Total comprehensive income attributable to non-controlling interests	44 125	33 182	10 471	7 854
Earnings per share (in PLN/EUR) (basic and diluted)	0,48	0,49	0,11	0,12
Weighted average number of shares (pcs.) (basic and diluted)	1 752 549 394	1 752 549 394	1 752 549 394	1 752 549 394
Cash flows from operating activities	1 850 974	1 313 495	439 244	310 916
Cash flows from investing activities	(1 894 285)	(1 584 668)	(449 522)	(375 105)
Cash flows from financing activities	(535)	465 647	(127)	110 223
Net increase (decrease) in cash and cash equivalents	(43 846)	194 474	(10 405)	46 034
	As of 30.06.2013	**As of 31.12.2012 *(adjusted figures)***	**As of 30.06.2013**	**As of 31.12.2012 *(adjusted figures)***
Non-current assets	25 933 097	25 471 230	5 990 275	6 230 427
Current assets	4 720 751	5 766 232	1 090 444	1 410 457
Non-current assets classified as held for sale	35 833	36 215	8 277	8 858
Total assets	30 689 681	31 273 677	7 088 996	7 649 742
Issued capital	8 762 747	8 762 747	2 024 103	2 143 424
Equity attributable to shareholders of the parent company	16 766 721	16 235 110	3 872 937	3 971 212
Equity attributable to non-controlling interests	526 444	493 123	121 603	120 621
Total equity	17 293 165	16 728 233	3 994 540	4 091 833
Long-term liabilities	9 472 271	9 148 067	2 187 996	2 237 676
Short-term liabilities	3 924 245	5 397 377	906 460	1 320 233
Total liabilities	13 396 516	14 545 444	3 094 456	3 557 909

Selected standalone figures of TAURON Polska Energia S.A.				
Sales revenue	5 557 995	4 839 919	1 318 936	1 145 651
Operating profit	195 359	24 742	46 360	5 857
Profit before tax	1 663 184	1 506 708	394 681	356 651
Net profit	1 646 837	1 461 937	390 801	346 053
Other comprehensive income	36 852	(40 108)	8 745	(9 494)
Total comprehensive income	1 683 689	1 421 829	399 546	336 559
Earnings per share (in PLN/EUR) (basic and diluted)	0,94	0,83	0,22	0,20
Weighted average number of shares (pcs.) (basic and diluted)	1 752 549 394	1 752 549 394	1 752 549 394	1 752 549 394
Cash flows from operating activities	584 452	(40 276)	138 693	(9 534)
Cash flows from investing activities	(328 451)	48 407	(77 943)	11 458
Cash flows from financing activities	(18 976)	527 640	(4 503)	124 897
Net increase (decrease) in cash and cash equivalents	237 025	535 771	56 247	126 821
	As of 30.06.2013	**As of 31.12.2012**	**As of 30.06.2013**	**As of 31.12.2012**
Non-current assets	25 028 204	22 997 644	5 781 254	5 625 371
Current assets	2 058 038	2 760 425	475 385	675 218
Total assets	27 086 242	25 758 069	6 256 639	6 300 589
Issued capital	8 762 747	8 762 747	2 024 103	2 143 424
Total equity	19 375 187	18 042 008	4 475 466	4 413 191
Long-term liabilities	5 624 288	5 280 856	1 299 152	1 291 731
Short-term liabilities	2 086 767	2 435 205	482 021	595 667
Total liabilities	7 711 055	7 716 061	1 781 173	1 887 398

The aforementioned financial information for the first half of 2013 and 2012 has been converted into EUR in accordance with the following rules:

- particular items in the statement of financial standing - in accordance with the average NBP exchange rate announced as of 28 June 2013 - 4.3292 PLN/EUR (as of 31 December 2012 - 4.0882 PLN/EUR)
- particular items in the statement of comprehensive income and statement of cash flows - in accordance with the exchange rate which constitutes an arithmetic average of average NBP exchange rates announced on the last day of each month of the financial period from 1 January 2013 to 30 June 2013 - 4.2140 PLN/EUR (for the financial year started 1 January 2012 and ended 30 June 2012 - 4.2246 PLN/EUR).

INDEPENDENT AUDITORS' REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF TAURON POLSKA ENERGIA S.A. CAPITAL GROUP FOR THE FIRST HALF OF 2013

AUGUST 2013

AUDITOR'S REPORT ON THE REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2013

To the Shareholders and Supervisory Board of TAURON Polska Energia S.A.

We have reviewed the attached interim condensed consolidated financial statements of the TAURON Polska Energia S.A. Capital Group with TAURON Polska Energia S.A. having its registered office in Katowice at ks. Piotra Ściegiennego 3 Street, as the Parent Company, including an interim condensed consolidated statement of financial position prepared as of 30 June 2013, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity, interim condensed consolidated statement of cash flows for the period from 1 January 2013 to 30 June 2013 and other explanatory information.

Compliance of these interim condensed consolidated financial statements with the requirements laid down in IAS 34 "Interim Financial Reporting" as endorsed by the European Union ("MSR 34") and with other regulations in force is the responsibility of the Management Board and Supervisory Board of the Parent Company. Our responsibility was to review the financial statements.

Our review has been conducted in accordance with the national auditing standards issued by the National Council of Statutory Auditors. These Standards require that we plan and conduct the review in such a way as to obtain reasonable assurance that the interim condensed consolidated financial statements are free from material misstatement.

Our review has been conducted mainly based on an analysis of data included in the financial statements, examination of the accounting records as well as information provided by the management and the financial and accounting personnel of the Group.

The scope and methodology of a review of interim condensed consolidated financial statements differs significantly from an audit, which serves as the basis for expressing an opinion on compliance of annual consolidated financial statements with the applicable accounting principles (policy) and an opinion on their fairness and clarity. Therefore, no such opinion on the attached financial statements may be issued.

Based on our review, we have not identified any issues which would prevent us from concluding that the interim condensed consolidated financial statements have been prepared, in all material respects, in compliance with the requirements laid down in IAS 34 as endorsed by the European Union.

....

Artur Maziarka
Key certified auditor
conducting the review
No. 90108

On behalf of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. (formerly: Deloitte Audyt Sp. z o.o.) – entity authorized to audit financial statements entered under number 73 on the list kept by the National Council of Statutory Auditors:

....

Artur Maziarka – Vice-President of the Management Board of Deloitte Polska Sp. z o.o. - which is the General Partner of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k.

Warsaw, 13 August 2013

The above auditor's report on the review is a translation from the original Polish version.
In case of any discrepancies between the Polish and English version, the Polish version shall prevail.

STATEMENTS OF THE MANAGEMENT BOARD OF TAURON POLSKA ENERGIA S.A.

AUGUST 2013

STATEMENT

OF THE MANAGEMENT BOARD OF TAURON POLSKA ENERGIA S.A. ON THE COMPLIANCE OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF TAURON POLSKA ENERGIA S.A. CAPITAL GROUP AND THE MANAGEMENT BOARD'S INTERIM REPORT ON THE ACTIVITIES OF TAURON POLSKA ENERGIA S.A. CAPITAL GROUP

I, the undersigned, represent that, to my best knowledge, the interim condensed consolidated financial statements of TAURON Polska Energia S.A. Capital Group and comparable figures were prepared in accordance with accounting rules and give the true and fair picture of the assets, financial standing and performance of TAURON Polska Energia S.A. and TAURON Polska Energia S.A. Capital Group.

I also certify that the interim report on the activities of TAURON Polska Energia S.A. Capital Group gives the true picture of the development, achievements and situation of TAURON Polska Energia S.A. Capital Group, including the description of key risks and threats.

Management Board Members:

Dariusz Lubera	President of the Management Board	……….........………..…………….
Joanna Schmid	Vice-President of the Management Board	……………………………........……….
Dariusz Stolarczyk	Vice-President of the Management Board	………………......………………………
Krzysztof Zawadzki	Vice-President of the Management Board	………………………………….......…..

13 August 2013

STATEMENT

OF THE MANAGEMENT BOARD OF TAURON POLSKA ENERGIA S.A.
ON THE APPOINTMENT OF AN ENTITY AUTHORISED
TO AUDIT FINANCIAL STATEMENTS
(INTERIM FINANCIAL STATEMENTS)

I, the undersigned, represent that the entity authorised to audit financial statements and review the interim condensed consolidated financial statements of TAURON Polska Energia S.A. Capital Group was appointed in accordance with legal regulations, and this entity and auditors examining the statements have met conditions for developing an impartial and independent report on the review of the audited interim consolidated financial statements in accordance with applicable regulations and professional standards.

Management Board Members:

Dariusz Lubera	President of the Management Board	……………………………………………
Joanna Schmid	Vice-President of the Management Board	……………………………………………
Dariusz Stolarczyk	Vice-President of the Management Board	……………………………………………
Krzysztof Zawadzki	Vice-President of the Management Board	……………………………………………

13 August 2013

TAURON POLSKA ENERGIA S.A.
CAPITAL GROUP

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
PREPARED ACCORDING TO THE INTERNATIONAL
FINANCIAL REPORTING STANDARDS
FOR THE 6-MONTH PERIOD
ENDED 30 JUNE 2013

AUGUST 2013

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(PLN '000)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	6-month period ended 30 June 2013 *(unaudited)*	6-month period ended 30 June 2012 *(unaudited restated figures)*
Continuing operations			
Sale of goods for resale, finished goods and materials without elimination of excise		6 900 960	9 454 865
Excise		(228 372)	(272 854)
Sale of goods for resale, finished goods and materials		6 672 588	9 182 011
Rendering of services		3 007 115	3 110 048
Other income		25 205	21 927
Sales revenue	**10**	**9 704 908**	**12 313 986**
Cost of sales	**10**	(7 928 047)	(10 493 905)
Gross profit		**1 776 861**	**1 820 081**
Other operating income		63 082	48 800
Selling and distribution expenses		(270 173)	(230 974)
Administrative expenses		(342 054)	(339 879)
Other operating expenses		(39 558)	(44 623)
Operating profit		**1 188 158**	**1 253 405**
Finance income		58 663	53 337
Finance costs		(160 869)	(163 715)
Share in profit/(loss) of joint venture recognised using the equity method	**15**	(1 414)	(671)
Profit before tax		**1 084 538**	**1 142 356**
Income tax expense	**11**	(193 965)	(252 135)
Net profit from continuing operations		**890 573**	**890 221**
Net profit for the period		**890 573**	**890 221**
Other comprehensive income:			
Other comprehensive income subject to reclassification to profit or loss:		**30 203**	**(23 537)**
Valuation of financial assets available for sale		-	11 393
Change in the value of hedging instruments		36 844	(40 141)
Foreign exchange differences from translation of foreign entities		359	(251)
Income tax relating to other comprehensive income items		(7 000)	5 462
Other comprehensive income not subject to reclassification to profit or loss:		**4 368**	**(5 699)**
Actuarial gains/(losses) related to provisions for post-employment benefits		5 391	(7 036)
Income tax relating to other comprehensive income items		(1 023)	1 337
Other comprehensive income for the period, net of tax		**34 571**	**(29 236)**
Total comprehensive income for the period		**925 144**	**860 985**

(PLN '000)

Net profit:		
Attributable to equity holders of the parent	847 927	857 001
Attributable to non-controlling interests	42 646	33 220
Total comprehensive income:		
Attributable to equity holders of the parent	881 019	827 803
Attributable to non-controlling interests	44 125	33 182
Earnings per share (in PLN):		
- basic and diluted, for profit for the period attributable to equity holders of the parent	0,48	0,49
- basic and diluted, for profit for the period from continuing operations attributable to equity holders of the parent	0,48	0,49

(PLN '000)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 March 2013 *(unaudited)*	As at 31 December 2012 *(restated figures)*	As at 1 January 2012 *(restated figures)*
ASSETS				
Non-current assets				
Property, plant and equipment	**13**	23 575 461	23 300 643	21 636 317
Intangible assets and godwill	**14**	1 487 687	1 429 313	1 399 674
Investments in joint ventures recognised using the equity method	**15**	48 079	51 986	22 717
Other financial assets		377 177	305 444	193 067
Other non-financial assets		403 902	359 709	144 923
Deferred tax assets	**11**	40 791	24 135	20 079
		25 933 097	**25 471 230**	**23 416 777**
Current assets				
Intangible assets	**16**	429 828	711 099	870 954
Inventories	**17**	464 339	708 282	574 790
Corporate income tax receivables	**11**	23 188	1 434	64 266
Trade and other receivables	**18**	2 585 447	3 036 695	2 743 344
Other financial assets		11 180	5 422	108 024
Other non-financial assets		294 057	272 371	234 220
Cash and cash equivalents	**19**	912 712	1 030 929	505 670
		4 720 751	**5 766 232**	**5 101 268**
Non-current assets classified as held for sale		**35 833**	**36 215**	**8 951**
TOTAL ASSETS		**30 689 681**	**31 273 677**	**28 526 996**

(PLN '000)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – CONTINUED

	Note	As at 30 June 2013 *(unaudited)*	As at 31 December 2012 *(restated figures)*	As at 1 January 2012 *(restated figures)*
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
Issued capital	**20.1**	8 762 747	8 762 747	8 762 747
Reserve capital	**20.2**	9 037 699	7 953 021	7 412 882
Revaluation reserve from valuation of hedging instruments	**20.3**	(123 859)	(153 703)	-
Foreign exchange differences from translation of foreign entities		(11)	(370)	87
Retained earnings/Accumulated losses	**20.2**	(909 855)	(326 585)	(543 395)
		16 766 721	**16 235 110**	**15 632 321**
Non-controlling interests		**526 444**	**493 123**	**454 897**
Total equity		**17 293 165**	**16 728 233**	**16 087 218**
Non-current liabilities				
Interest-bearing loans and borrowings	**21**	5 606 826	5 222 882	4 251 944
Finance lease and hire purchase commitments		34 874	41 796	56 232
Trade payables and other financial liabilities		9 180	7 890	7 968
Derivative instruments		83 862	150 594	-
Provisions for employee benefits	**22**	1 543 852	1 568 219	1 203 375
Other provisions	**23**	84 558	82 523	61 200
Accruals and government grants	**24**	729 055	723 315	642 549
Deferred tax liability	**11**	1 380 064	1 350 848	1 373 813
		9 472 271	**9 148 067**	**7 597 081**
Current liabilities				
Current portion of interest-bearing loans and borrowings	**21**	286 568	286 990	214 169
Current portion of finance lease and hire purchase commitments		14 662	14 482	14 761
Trade and other payables		1 541 706	2 628 449	2 349 121
Derivative instruments		74 161	40 624	80
Provisions for employee benefits	**22**	165 595	167 704	153 676
Other provisions	**23**	753 330	1 103 036	1 023 328
Accruals and government grants	**24**	399 562	273 824	279 058
Income tax payable		63 354	113 034	163 437
Other non-financial liabilities		625 307	769 234	645 067
		3 924 245	**5 397 377**	**4 842 697**

The notes to the interim condensed consolidated financial statements form an integral part hereof

(PLN '000)

Total liabilities	**13 396 516**	**14 545 444**	**12 439 778**
TOTAL EQUITY AND LIABILITIES	**30 689 681**	**31 273 677**	**28 526 996**

(PLN '000)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

6-month period ended 30 june 2013 (unaudited)

	Note	Equity attributable to the equity holders of the parent							Non-controlling interests	Total equity
		Issued capital	Reserve capital	Revaluation reserve on valuation of hedging instruments	Revaluation reserve on valuation of financial assets available for sale	Foreign exchange differences from translation of foreign entities	Retained earnings/ Accumulated losses	Total		
As at 1 January 2013		**8 762 747**	**7 953 021**	**(153 703)**	**-**	**(370)**	**(326 585)**	**16 235 110**	**493 123**	**16 728 233**
Profit for the period		-	-	-	-	-	847 927	**847 927**	42 646	**890 573**
Other comprehensive income		-	-	29 844	-	359	2 889	**33 092**	1 479	**34 571**
Total comprehensive income for the period		**-**	**-**	**29 844**	**-**	**359**	**850 816**	**881 019**	**44 125**	**925 144**
Distribution of prior year profits	**20.2**	-	1 084 678	-	-	-	(1 084 678)	**-**	-	**-**
Dividend payments	**12**	-	-	-	-	-	(350 510)	**(350 510)**	(8 328)	**(358 838)**
Mandatory squeeze-out		-	-	-	-	-	176	**176**	(1 550)	**(1 374)**
Change in non-controlling interests due to division of a subsidiary	**25**	-	-	-	-	-	926	**926**	(926)	**-**
As at 30 June 2013 *(unaudited)*		**8 762 747**	**9 037 699**	**(123 859)**	**-**	**(11)**	**(909 855)**	**16 766 721**	**526 444**	**17 293 165**

The notes to the interim condensed consolidated financial statements form an integral part hereof

(PLN '000)

6-month period ended 30 june 2012 (unaudited restated figures)

	Equity attributable to the equity holders of the parent								
	Issued capital	**Reserve capital**	**Revaluation reserve on valuation of hedging instruments**	**Revaluation reserve on valuation of financial assets available for sale**	**Foreign exchange differences from translation of foreign entities**	**Retained earnings/ Accumulated losses**	**Total**	**Non-controlling interests**	**Total equity**
As at 1 January 2012	**8 762 747**	**7 412 882**	**-**	**-**	**87**	**(497 995)**	**15 677 721**	**461 347**	**16 139 068**
Change in accounting policy and the effect of the final settlement of the acquisition of GZE S.A.	-	-	-	-	-	(45 400)	**(45 400)**	(6 450)	**(51 850)**
As at 1 January 2012 *(restated figures)*	**8 762 747**	**7 412 882**	**-**	**-**	**87**	**(543 395)**	**15 632 321**	**454 897**	**16 087 218**
Profit for the period	-	-	-	-	-	857 001	**857 001**	33 220	**890 221**
Other comprehensive income	-	-	(32 514)	9 226	(251)	(5 659)	**(29 198)**	(38)	**(29 236)**
Total comprehensive income for the period	**-**	**-**	**(32 514)**	**9 226**	**(251)**	**851 342**	**827 803**	**33 182**	**860 985**
Distribution of prior year profits	-	540 139	-	-	-	(540 139)	**-**	-	**-**
Dividend payments	-	-	-	-	-	(543 290)	**(543 290)**	(16 870)	**(560 160)**
Acquisition of non-controlling interests	-	-	-	-	-	(231)	**(231)**	(784)	**(1 015)**
Repurchase of non-controlling interests	-	-	-	-	-	684	**684**	(3 845)	**(3 161)**
Change of non-controlling interest resulting from mergers	-	-	-	-	-	(1 884)	**(1 884)**	1 884	**-**
As at 30 June 2012 *(unaudited restated figures)*	**8 762 747**	**7 953 021**	**(32 514)**	**9 226**	**(164)**	**(776 913)**	**15 915 403**	**468 464**	**16 383 867**

(PLN '000)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	6-month period ended 30 June 2013 *(unaudited)*	6-month period ended 30 June 2012 *(unaudited restated figures)*
Cash flows from operating activities			
Profit/(loss) before taxation		1 084 538	1 142 356
Adjustments for:			
Share in profit/(loss) of joint venture recognised using the equity method	15	1 414	671
Depreciation and amortization		863 645	827 688
(Gain)/loss on foreign exchange differences		1 904	(1 119)
Interest and dividens, net		104 517	107 233
(Gain)/loss on investing activities		235 762	17 381
(Increase)/decrease in receivables		461 636	(68 359)
(Increase)/decrease in inventories		239 093	40 473
Increase/(decrease) in payables excluding loans and borrowings		(769 801)	(366 280)
Change in other non-current and current assets		198 115	23 923
Change in deferred income, government grants and accruals		102 674	(6 238)
Change in provisions		(411 997)	(188 393)
Income tax paid		(260 466)	(216 050)
Other		(60)	209
Net cash generated from operating activities		**1 850 974**	**1 313 495**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment and intangible assets		9 959	6 710
Purchase of property, plant and equipment and intangible assets	33	(1 846 214)	(1 613 621)
Proceeds from sale of bonds and other debt securities		-	102 506
Proceeds from sale of other financial assets		760	7 260
Purchase of financial assets		(4 246)	(8 396)
Acquisition of a subsidiary, after deducting cash acquired		-	(5 613)
Dividends received		7 396	1 485
Interest received		56	1
Repayment of loans granted		17 550	-
Loans granted	33	(79 550)	(75 000)
Other		4	-
Net cash used in investing activities		**(1 894 285)**	**(1 584 668)**
Cash flows from financing activities			
Payment of finance lease liabilities		(7 495)	(7 853)
Proceeds from loans	33	451 180	549 000
Repayment of loans		(19 648)	(96 515)
Issue of debt securities		-	150 000
Dividends paid to equity holders of the parent		(340 680)	-
Dividends paid to non-controlling interests		(7 236)	(16 019)
Interest paid	33	(85 762)	(107 048)
Acquisition of non-controlling interests		(1 352)	(4 184)
Other		10 458	(1 734)
Net cash generated from financing activities		**(535)**	**465 647**
Net increase/(decrease) in cash and cash equivalents		**(43 846)**	**194 474**
Net foreign exchange difference		(845)	122
Cash and cash equivalents at the beginning of the period		**891 654**	**505 816**
Cash and cash equivalents at the end of the period, *of which*:	19	**847 808**	**700 290**
restricted cash	19	273 729	215 496

The notes to the interim condensed consolidated financial statements form an integral part hereof

NOTES

1. General information

The TAURON Polska Energia S.A. Capital Group ("the Group", "the TAURON Group") is composed of TAURON Polska Energia S.A. ("parent", "Company") and its subsidiaries. The Group's interim condensed consolidated financial statements cover the 6-month period ended 30 June 2013 and present comparative data for the 6-month period ended 30 June 2012 as well as figures as at 31 December 2012. The data for the 6-month period ended 30 June 2013 and the comparative data for the 6-month period ended 30 June 2012, as contained herein, have been reviewed by a certified auditor. The comparative data as at 31 December 2012 have been audited by a certified auditor.

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

The parent was assigned statistical number REGON: 240524697.

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

The core business of the Group includes:

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

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

(PLN '000)

2. Composition of the Capital Group

As at 30 June 2013, TAURON Polska Energia S.A. held direct shares in the following major subsidiaries:

No.	Entity's name	Address	Core business	Direct share of TAURON in the entity's capital	Direct share of TAURON in the entity's governing body
1	TAURON Wytwarzanie S.A.	40-389 Katowice; ul. Lwowska 23	Production, transmission and distribution of electricity and heat	99.77%	99.79%
2	TAURON Dystrybucja S.A.	31-358 Kraków; ul. Jasnogórska 11	Distribution of electricity	99.70%	99.70%
3	TAURON Sprzedaż Sp. z o.o.	30-417 Kraków; ul. Łagiewnicka 60	Sales of electricity	100.00%	100.00%
4	TAURON Obsługa Klienta Sp. z o.o.[1]	53-128 Wrocław; ul. Sudecka 95-97	Services	100.00%	100.00%
5	TAURON Ekoenergia Sp. z o.o.	58-500 Jelenia Góra; ul. Obrońców Pokoju 2B	Generation and sales of electricity	100.00%	100.00%
6	Polska Energia Pierwsza Kompania Handlowa Sp. z o.o.	41-400 Mysłowice; Obrzeżna Północna 12	Sales of electricity	100.00%	100.00%
7	TAURON Ciepło S.A.	40-126 Katowice; ul. Grażyńskiego 49	Production and distribution of heat	91.79%	92.41%
8	TAURON Czech Energy s.r.o.	720 00 Ostrava; Na Rovince 879/C the Czech Republic	Sales of electricity	100.00%	100.00%
9	TAURON Sprzedaż GZE Sp. z o.o.	44-100 Gliwice; ul. Barlickiego 2a	Sales of electricity	100.00%	100.00%

[1] On 31 January 2013, a business combination of TAURON Obsługa Klienta Sp. z o.o. and TAURON Obsługa Klienta GZE Sp. z o.o. was registered, as presented in detail in Note 25.

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As at 30 June 2013, TAURON Polska Energia S.A. held indirect shares in the following major subsidiaries:

No.	Entity's name	Address	Core business	Indirect share of TAURON in the entity's capital	Shareholder as at 30 June 2013	Indirect share of TAURON in the entity's governing body	Shareholder as at 30 June 2013
1	Kopalnia Wapienia Czatkowice Sp. z o.o.[1]	32-063 Krzeszowice 3; os. Czatkowice 248	Limestone quarrying, crushing and grinding; stone quarrying for the construction industry	99.77%	TAURON Wytwarzanie S.A. – 100.00%	99.79%	TAURON Wytwarzanie S.A. – 100.00%
2	Południowy Koncern Węglowy S.A.[1]	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	Production 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	Production of electricity	100.00%	TAURON Ekoenergia Sp. z o.o. – 100.00%	100.00%	TAURON Ekoenergia Sp. z o.o. – 100.00%
5	TAURON Dystrybucja Serwis S.A.[2]	53-314 Wrocław; ul. Powstańców Śląskich 20	Repair and maintenance of electrical equipment	99.70%	TAURON Dystrybucja S.A. – 100.00%	99.70%	TAURON Dystrybucja S.A. – 100.00%

[1] TAURON Polska Energia S.A. uses the shares held by TAURON Wytwarzanie S.A. Under the agreements on the use of shares, TAURON Polska Energia S.A. has 100% interest in the share capital and in the governing body of Kopalnia Wapienia Czatkowice Sp. z o.o. and 52.48% interest in the share capital of Południowy Koncern Węglowy S.A., giving it 68.01% of votes at the entity's General Shareholders' Meeting.

[2] On 2 April 2013, a business combination of TAURON Serwis GZE Sp. z o.o. (the acquiree) and Przedsiębiorstwo Usług Elektroenergetycznych S.A. (the acquirer) was registered and, at the same time, the name of the acquirer was changed to TAURON Dystrybucja Serwis S.A.

Additionally, as at 30 June 2013, TAURON Polska Energia S.A. held indirect shares in the following major co-subsidiaries:

No.	Entity's name	Address	Core business	Indirect share of TAURON in the entity's capital	Shareholder as at 30 June 2013	Indirect share of TAURON in the entity's governing body	Shareholder as at 30 June 2013
1	Elektrociepłownia Stalowa Wola S.A.	37-450 Stalowa Wola; ul. Energetyków 13	Production, transmission, distribution and sales of 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	Production of electricity	49.89%	TAURON Wytwarzanie S.A. – 50.00%	49.90%	TAURON Wytwarzanie S.A. – 50.00%

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

These interim condensed consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS"), in particular, International Accounting Standard 34 ("IAS 34") and the IFRS as endorsed by the European Union ("EU"). As at the date of the consolidated financial statements being approved for publication, in light of the pending process of introducing IFRS in the EU and the Capital Group's scope of operations, there is no difference between IFRS effective as at that date and those endorsed by the EU with regard to the accounting principles applied by the Company. The exceptions are IFRS 10, IFRS 11 and IFRS 12, which are planned to be applied to an annual period beginning on 1 January 2014.

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

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

The interim condensed consolidated financial statements have been prepared in accordance with the going concern principle regarding the Group companies. As at the date of approving the consolidated financial statements for publication there were no circumstances that would indicate a threat to the Group entities' ability to continue as a going concern.

The interim condensed consolidated financial statements do not contain all information and disclosures required for annual consolidated financial statements and they should be read jointly with the Group's consolidated financial statements prepared in accordance with IFRS for the year ended 31 December 2012.

These interim condensed consolidated financial statements for the 6-month period ended 30 June 2013 were approved for publication on 13 August 2013.

4. Summary of significant accounting policies

The accounting principles (policy) adopted for the preparation of the interim condensed consolidated financial statements are consistent with those adopted for the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2012, except for the following amendments:

Change of the accounting policy concerning recognition of the right of perpetual usufruct of land

In 2013 the Group decided to change the accounting policy with respect to recognition of the perpetual usufruct of land.

To a large extent, such right was acquired when the Group settled the contribution of shares in: Południowy Koncern Energetyczny S.A., Enion S.A., EnergiaPro s.A. and Elektrowania Stalowa Wola S.A. in 2007. The value of shares issued in return for the contribution corresponded to the estimated fair value of contributed shares and the settlement consisted in fair value remeasuring the non-current assets of these companies (including the perpetual usufruct of land) in line with the measurement carried out as at the date of contribution. Values resulting from measurement of the perpetual usufruct of land as at the contribution date were recognized as initial values as at the transition date.

Before, the Group had classified the perpetual usufruct of land to property, plant and equipment, similarly to the method of classifying land. At present, perpetual usufruct of land acquired under a business combination is classified to long-term intangible assets.

The impact of the change on the consolidated statement of financial position as at 31 December 2012 and 1 January 2012 has been presented in the tables below.

	As at 31 December 2012 *(authorized figures)*	Change in the accounting policy with respect to recognition of the perpetual usefruct of land	As at 31 December 2012 *(restated figures)*
Non-current asstets	**25 471 230**	-	**25 471 230**
Property, plant and equipment	24 112 737	(812 094)	**23 300 643**
Intangible assets and goodwill	617 219	812 094	**1 429 313**
TOTAL ASSETS	**31 273 677**	-	**31 273 677**

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	Ast at 1 January 2012 *(restated figures enclosed in the financial statetemets for the year ended 31 December 2012)*	Change in the accounting policy with respect to recognition of the perpetual usefruct of land	As at 1 January 2012 *(restated figures)*
Non-current asstets	**23 416 777**	-	**23 416 777**
Property, plant and equipment	22 475 647	(839 330)	**21 636 317**
Intangible assets and goodwill	560 344	839 330	**1 399 674**
TOTAL ASSETS	**28 526 996**	-	**28 526 996**

Revised standards and new interpretations

The Group applied revised standards and new interpretations applicable to annual periods beginning on 1 January 2013:

- Revised IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income – applicable to annual periods beginning on or after 1 July 2012;
- Revised IAS 12 Income Taxes: Recovery of Underlying Assets – applicable to annual periods beginning on or after 1 January 2012, in the EU – applicable to annual periods beginning on or after 1 January 2013 at the latest;
- Revised IFRS 1 First-time Adoption of International Financial Reporting Standards: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters – applicable to annual periods beginning on or after 1 July 2011, in the EU – applicable to annual periods beginning on or after 1 January 2013 at the latest;
- IFRS 13 Fair Value Measurement – applicable to annual periods beginning on or after 1 January 2013;
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine – applicable to annual periods beginning on or after 1 January 2013;
- Revised IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities – applicable to annual periods beginning on or after 1 January 2013;
- Revised IFRS 1 First-time Adoption of International Financial Reporting Standards: Government Loans – applicable to annual periods beginning on or after 1 January 2013;
- Amendments resulting from the IFRS improvements process (published in May 2012) – applicable to annual periods beginning on or after 1 January 2013.

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

5. New standards and interpretations already published, but not yet effective

The following standards and interpretations have been issued by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee, but are not yet effective:

- Phase 1 of IFRS 9 *Financial Instruments: Classification and Measurement* – applicable to annual periods beginning on or after 1 January 2015 – not endorsed by the EU by the date of approval of these financial statements. In subsequent phases, the International Accounting Standards Board will address such issues as hedge accounting and impairment. Adoption of phase 1 of IFRS 9 will exert an effect on classification and measurement of the Group's financial assets. The effect will be examined by the Group in connection with other phases, after they have been published, in order to present a consistent picture;
- Revised IFRS 9 Financial Instruments and IFRS 7 *Financial Instruments: Disclosures:* Mandatory Effective Date and Transition Disclosures, published by IASB on 16 December 2011. The amendments defer the mandatory effective date from 1 January 2013 to 1 January 2015. They also exempt entities from the obligation to restate the comparative data in their financial statements due to adoption of IFRS 9;

- 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 Group is planning to adopt IFRS 10 for 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 Group is planning to adopt IFRS 11 for 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 Group is planning to adopt IFRS 12 for the annual period beginning on 1 January 2014;
- Revised IFRS 10, IFRS 11 and IFRS 12 *Transition Disclosures* – 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 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 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;
- Revised IAS 32 *Financial Instruments: Presentation*: *Offsetting Financial Assets and Financial Liabilities* – applicable to annual periods beginning on or after 1 January 2014;
- Revised IFRS 10, IFRS 12 and IAS 27 *Investment Vehicles* (published on 31 October 2012) – applicable to annual periods beginning on or after 1 January 2014 – not endorsed by the EU by the date of approval of these financial statements;
- Revised IAS 36 *Impairment of Assets: Disclosure of Recoverable Amount of Non-financial Assets* (published on 29 May 2013) – applicable to annual periods beginning on or after 1 January 2014 – not endorsed by the EU by the date of approval of these financial statements;
- IFRIC 21 Levies (published on 20 May 2013). IFRIC 21 is an interpretation of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* – applicable to annual periods beginning on or after 1 January 2014 – not endorsed by the EU by the date of approval of these financial statements.

Considered the planned adoption date of IFRS 10, IFRS 11 and IFRS 12 for the annual period beginning on 1 January 2014, as at the date of approval of these interim condensed consolidated financial statements for publication the Company had been analyzing the effect of the aforementioned IFRS on the accounting principles of the Group. According to the Management Board, the introduction of the remaining standards and interpretations, as specified above, will not exert a significant effect on the accounting principles (policy) adopted by the Group.

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

6. Changes in comparable data

The comparable data for the 6-month period ended 30 June 2012 and the data as at 30 June 2012, as contained herein, have been restated (comparing to the approved data) due to changes introduced to the consolidated financial statements of the TAURON Group for the year ended 31 December 2012:

- change in the accounting policy due to the application of the revised IAS 19 *Employee Benefits*;
- change in the comparable data resulting from the final settlement of the acquisition of Górnośląski Zakład Elektroenergetyczny S.A. ("GZE S.A.");
- presentation change of the surplus of the Mine Decommissioning Fund over the estimated discounted costs of future decommissioning of mines and dividing mine assets into short-term and long-term portions.

The changes to the accounting policy, the effects of the final settlement of the acquisition of GZE S.A., presentation changes and their impact on the consolidated statement of financial position and the consolidated statement of comprehensive income have been presented in detail in the consolidated financial statements of the TAURON Capital Group for the year ended 31 December 2012.

The impact on the above changes on the comparable data for the 6-month period ended 30 June 2012 and the data as at 30 June 2012 presented herein has been presented below:

- Adoption of the revised IAS 19 resulted in an increase in the net profit of the TAURON Capital Group by PLN 9 062 thousand as compared to the approved data. The change included:
  - increase in the net profit of the TAURON Capital Group by PLN 5 699 thousand and a simultaneous decrease in other comprehensive income of the Group by the same amount, due to recognition of actuarial gains and losses on post-employment benefit plans in other comprehensive income, in line with the revised IAS 19;
  - increase in the net profit of the TAURON Capital Group by PLN 3 363 thousand (gross profit growth by PLN 4 152 thousand) due to settling post-employment benefit costs related to the energy tariff which had been recognized through profit for the 6-month period ended 30 June 2012 and which have been recognized entirely in retained earnings of the Group as at 1 January 2012 after the change in the accounting policy.

    As at 30 June 2012 and comparing to the approved data the provision for employee benefits grew by PLN 63 823 thousand, where the amount of PLN 67 975 thousand results from the increase in the provision as at 1 January 2012 due to the changes in the accounting policy adopted starting from the year ended 31 December 2012, and a decrease of PLN 4 152 thousand is related to the settlement of post-employment benefit costs linked to the energy tariff, as specified above.
- Due to the final settlement of the acquisition of GZE S.A. fair value remeasurement of property, plant and equipment of PLN 564 600 thousand and intangible assets of PLN 50 706 thousand was recognized as at the date of assuming control, i.e. 13 December 2011. Moreover, restated comparable data included amortization and depreciation of assets specified below for the 6-month period ended 30 June 2012:
  - other intangible assets – PLN 4 712 thousand;
  - buildings, premises, civil and water engineering structures – PLN 5 108 thousand;
  - plant and machinery – PLN 4 080 thousand.

    Recognition of amortization / depreciation of measurement of the assets in question reduced the net profit of the TAURON Capital Group for the 6-month period ended 30 June 2012 by PLN 11 259 thousand.

    Additionally, the profit or loss for the 6-month period ended 30 June 2012 was increased by PLN 4 403 thousand due to the measurement of shares in TAURON Wytwarzanie GZE S.A. As a result of the final settlement of the acquisition of GZE S.A., shares in TAURON Wytwarzanie GZE S.A. were measured to fair value as at the date of assumption of control, i.e. 13 December 2011.
- Due to the change in the presentation method of the surplus of Mine Decommissioning Fund over the estimated discounted costs of future mine decommissioning, which consisted in netting off the balance of the Mine Decommissioning Fund against the surplus, as at 30 June 2012 the long-term provision for restoration of land and other long-term non-financial assets decreased by PLN 8 111 thousand, as compared to approved data.

Additionally, the Group restated comparable data as at 31 December 2012 and 1 January 2012 due to the change in the accounting policy with respect to the recognition of perpetual usufruct of land, which has been presented in detail in note 4 hereto.

7. Changes to estimates

In the 6-month period ended 30 June 2013, have been no significant changes to estimates or the 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 consolidated financial statements.

Impairment of assets

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 anticipated economic slowdown, the Group tested its intangible assets, including goodwill and fixed assets for impairment as at 30 June 2013.

The tests required estimating the value in use of cash generating units, based on their future cash flows discounted to the current value with the discount rate.

(PLN '000)

As a result of testing fixed assets for impairment the Group recognized an impairment loss of PLN 236 494 thousand covering property, plant and equipment of the Generation Segment. The loss was charged to cost of sales.

The assumptions and significant information concerning impairment tests have been presented in Notes 13 and 14 to these interim condensed consolidated financial statements for the 6-month period ended 30 June 2013.

Impairment loss on inventories

The system supporting high-efficiency cogeneration of electricity, based on the certification system has no longer been applied since 31 March 2013. On the same date regulations concerning the obligation to obtain and surrender for cancellation energy certificates for cogeneration fueled with gaseous fuels ("yellow certificates") and for other forms of cogeneration ("red certificates") expired. Due to the facts presented above and considering the uncertainty as to the implementation of planned legal solutions with respect to supporting cogenerated electricity, the Group decided to recognize impairment losses for yellow and red certificates up to the entire amount. Consequently, the operating profit of the Group dropped by PLN 42 307 thousand, out of which PLN 32 922 thousand reduced the profit/loss of the Heat Segment.

Deferred tax

Based on the forecasts prepared for the Tax Capital Group (TCG), according to which taxable income will be earned in 2013 and in subsequent years, it has been concluded that there is no risk that the deferred tax asset recognized in these interim condensed consolidated financial statements will not be realized.

Measurement of provisions for employee benefits

Provisions for employee benefits have been estimated using actuarial methods. Moreover, the Group recognized provisions for benefits resulting from Voluntary Redundancy Schemes. A detailed description of the provisions has been provided in Note 22.

The provisions for employee benefits were measured as at 30 June 2013 using actuarial projections. Actuary's assumptions made for preparation of projections for 2013 were the same as those applied to the calculation of provisions as at 31 December 2012.

	31 December 2012
Discount rate (%)	4.00%
Estimated inflation rate (%)	2.52%
Employee rotation rate (%)	1.09% - 5.86%
Estimated salary increase rate (%)	2.52% - 2.92%
Estimated electricity price increase rate (%)	3.52%
Estimated increase rate for contribution to the Social Fund (%)	4.00%
Remaining average employment period	10.52 - 13.95

8. Seasonality of operations

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

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

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

9. Operating segments

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

The Group is organized and managed separately, according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group's reporting format for the period from 1 January 2013 to 30 June 2013 and for the comparative period was based on the following operating segments:

- Mining Segment, comprising hard coal mining, which includes operations of Południowy Koncern Węglowy S.A.;
- Generation Segment, which includes generation of electricity using conventional sources, including combined heat and power generation, as well as generation of electricity using joint combustion of biomass and other energy acquired thermally. The main types of fuel used by the Generation Segment are hard coal, biomass and coke-oven gas. The Generation Segment of the TAURON Group includes operations of TAURON Wytwarzanie S.A. On 2 January 2013, TAURON Wytwarzanie S.A. was divided through spin-off of EC Katowice and a transfer of assets to TAURON Ciepło S.A. classified to the Heat Segment. Comparable data were appropriately restated. Moreover, the segment data include the investment in Elektrownia Blachownia Nowa Sp. z o.o., which is recognized in the consolidated financial statements in line with the equity method;
- Renewable Sources of Energy Segment, which includes generation of electricity using renewable sources, excluding generation of electricity using joint combustion of biomass, which, due to the specific nature of such generation, has been included in the Generation Segment. Entities which operate in the Renewable Sources of Energy Segment of the TAURON Group are TAURON Ekoenergia Sp. z o.o., BELS INVESTMENT Sp. z o.o. and MEGAWAT MARSZEWO Sp. z o.o.;
- Sales Segment, which includes wholesale trading in electricity, trading in emission allowances and energy certificates and sale of electricity to domestic end users or entities which further resell electricity. Entities which operate in this segment of the TAURON Group are TAURON Polska Energia S.A., TAURON Sprzedaż Sp. z o.o., TAURON Czech Energy s.r.o. and TAURON Sprzedaż GZE Sp. z o.o.;
- Distribution Segment, including operations of TAURON Dystrybucja S.A. and TAURON Dystrybucja Serwis S.A. (formerly: TAURON Serwis GZE Sp. z o.o.);
- Heat Segment, which includes distribution and sales of heat. The entity which operates in that segment is TAURON Ciepło S.A. In addition, the investment in Elektrociepłownia Stalowa Wola S.A., which is accounted for using the equity method in the consolidated financial statements, is also presented in this segment;
- Customer Service Segment, which mainly includes services to internal customers (i.e. entities from the TAURON Capital Group) in respect of sales process support, financial and accounting services as well as IT support to selected Group companies. TAURON Obsługa Klienta Sp. z o.o. has been classified to this segment.

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

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

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

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

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

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

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

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

(PLN '000)

6-month period ended 30 June 2013 or as at 30 June 2013 *(unaudited)*	Mining	Generation	Renewable sources of energy	Distribution	Sales	Heat	Customer service	Other	Unallocated items	Total	Eliminations	Total operations
Revenue	327 270	454 666	8 339	1 118 069	7 183 956	541 162	5 174	66 272	-	**9 704 908**	-	**9 704 908**
Sales to external customers	421 052	1 895 922	84 116	1 891 119	1 809 598	94 784	230 033	99 710	-	**6 526 334**	(6 526 334)	**-**
Inter-segment sales	**748 322**	**2 350 588**	**92 455**	**3 009 188**	**8 993 554**	**635 946**	**235 207**	**165 982**	**-**	**16 231 242**	**(6 526 334)**	**9 704 908**
Segment revenue												
	84 452	**(226 549)**	**43 969**	**654 539**	**578 520**	**70 901**	**26 904**	**1 763**	**1 078**	**1 235 577**	**-**	**1 235 577**
Profit/(loss) of the segment	-	-	-	-	-	-	-	-	(47 419)	**(47 419)**	-	**(47 419)**
Unallocated expenses	**84 452**	**(226 549)**	**43 969**	**654 539**	**578 520**	**70 901**	**26 904**	**1 763**	**(46 341)**	**1 188 158**	**-**	**1 188 158**
Profit/(loss) from continuing operations before tax and net finance income (costs)	-	(149)	-	-	-	(1 265)	-	-	-	**(1 414)**	-	**(1 414)**
Share in profit/(loss) of joint venture recognised using the equity method	-	**-**	-	-	-	-	-	-	(102 206)	**(102 206)**	-	**(102 206)**
Net finance income (costs)	**84 452**	**(226 698)**	**43 969**	**654 539**	**578 520**	**69 636**	**26 904**	**1 763**	**(148 547)**	**1 084 538**	**-**	**1 084 538**
Profit/(loss) before income tax	-	-	-	-	-	-	-	**-**	(193 965)	**(193 965)**	-	**(193 965)**
Income tax expense	**84 452**	**(226 698)**	**43 969**	**654 539**	**578 520**	**69 636**	**26 904**	**1 763**	**(342 512)**	**890 573**	**-**	**890 573**
Net profit/(loss) for the period	**137 404**	**38 311**	**62 060**	**1 102 486**	**595 731**	**122 546**	**33 659**	**6 191**	**(46 341)**	**2 052 047**	**-**	**2 052 047**
EBITDA												
Assets and liabilities	1 350 712	8 823 243	1 846 654	13 045 949	3 034 945	1 847 116	87 944	162 328	-	**30 198 891**	-	**30 198 891**
Segment assets	-	32 241	-	-	-	15 838	-	-	-	**48 079**	-	**48 079**
Investments in joint ventures recognised using the equity method	-	-	-	-	-	-	-	-	442 711	**442 711**	-	**442 711**
Unallocated assets	**1 350 712**	**8 855 484**	**1 846 654**	**13 045 949**	**3 034 945**	**1 862 954**	**87 944**	**162 328**	**442 711**	**30 689 681**	**-**	**30 689 681**
Total assets												
	642 625	1 189 849	61 657	2 173 436	1 250 777	265 164	151 565	30 208	-	**5 765 281**	-	**5 765 281**
Segment liabilities	-	-	-	-	-	-	-	-	7 631 235	**7 631 235**	-	**7 631 235**
Unallocated liabilities	**642 625**	**1 189 849**	**61 657**	**2 173 436**	**1 250 777**	**265 164**	**151 565**	**30 208**	**7 631 235**	**13 396 516**	**-**	**13 396 516**
Total liabilities												
Other segment information	115 854	274 748	247 822	633 812	11 187	50 183	12 650	3 686	-	**1 349 942**	-	**1 349 942**
Capital expenditure *	(52 952)	(264 860)	(18 091)	(447 947)	(17 211)	(51 645)	(6 755)	(4 428)	-	**(863 889)**	-	**(863 889)**

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

(PLN '000)

6-month period ended 30 June 2012 *(restated figures unaudited)* or as at 31 December 2012	Mining	Generation	Renewable sources of energy	Distribution	Sales	Heat	Customer service	Other	Unallocated items	Total	Eliminations	Total operations
Revenue	277 318	2 426 053	11 083	1 048 739	7 870 435	548 929	13 629	117 800	-	**12 313 986**	-	**12 313 986**
Sales to external customers	386 878	158 731	119 246	1 998 798	849 277	56 416	154 690	137 603	-	**3 861 639**	(3 861 639)	**-**
Inter-segment sales	**664 196**	**2 584 784**	**130 329**	**3 047 537**	**8 719 712**	**605 345**	**168 319**	**255 403**	**-**	**16 175 625**	**(3 861 639)**	**12 313 986**
Segment revenue												
	77 989	**198 358**	**82 061**	**580 830**	**239 676**	**92 646**	**19 317**	**20 655**	**(10 578)**	**1 300 954**	**-**	**1 300 954**
Profit/(loss) of the segment	-	-	-	-	-	-	-	-	(47 549)	**(47 549)**	-	**(47 549)**
Unallocated expenses	**77 989**	**198 358**	**82 061**	**580 830**	**239 676**	**92 646**	**19 317**	**20 655**	**(58 127)**	**1 253 405**	**-**	**1 253 405**
Profit/(loss) from continuing operations before tax and net finance income (costs)	-	-	-	-	-	(671)	-	-	-	**(671)**	-	**(671)**
Share in profit/(loss) of joint venture recognised using the equity method	-	-	-	-	-	-	-	-	(110 378)	**(110 378)**	-	**(110 378)**
Net finance income (costs)	**77 989**	**198 358**	**82 061**	**580 830**	**239 676**	**91 975**	**19 317**	**20 655**	**(168 505)**	**1 142 356**	**-**	**1 142 356**
Profit/(loss) before income tax	-	-	-	-	-	-	-	-	(252 135)	**(252 135)**	-	**(252 135)**
Income tax expense	**77 989**	**198 358**	**82 061**	**580 830**	**239 676**	**91 975**	**19 317**	**20 655**	**(420 640)**	**890 221**	**-**	**890 221**
Net profit/(loss) for the period	**129 593**	**446 836**	**102 841**	**1 018 258**	**252 243**	**138 398**	**26 355**	**24 821**	**(58 127)**	**2 081 218**	**-**	**2 081 218**
EBITDA												
Assets and liabilities	1 214 157	9 195 219	1 573 092	12 871 268	3 774 164	2 032 624	56 607	177 510	-	**30 894 641**	-	**30 894 641**
Segment assets	-	32 390	-	-	-	19 596	-	-	-	**51 986**	-	**51 986**
Investments in joint ventures recognised using the equity method	-	-	-	-	-	-	-	-	327 050	**327 050**	-	**327 050**
Unallocated assets	**1 214 157**	**9 227 609**	**1 573 092**	**12 871 268**	**3 774 164**	**2 052 220**	**56 607**	**177 510**	**327 050**	**31 273 677**	**-**	**31 273 677**
Total assets												
	604 152	1 183 336	361 929	2 474 184	2 123 835	344 794	107 120	42 383	-	**7 241 733**	-	**7 241 733**
Segment liabilities	-	-	-	-	-	-	-	-	7 303 711	**7 303 711**	-	**7 303 711**
Unallocated liabilities	**604 152**	**1 183 336**	**361 929**	**2 474 184**	**2 123 835**	**344 794**	**107 120**	**42 383**	**7 303 711**	**14 545 444**	-	**14 545 444**
Total liabilities												
Other segment information	53 240	424 922	38 145	586 641	28 033	94 002	4 166	1 537	-	**1 230 686**	-	**1 230 686**
Capital expenditure *	(51 604)	(248 478)	(20 780)	(437 428)	(12 567)	(45 752)	(7 038)	(4 166)	-	**(827 813)**	-	**(827 813)**

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

(PLN '000)

10. Revenue and expenses

10.1. Sales revenue

	For the 6-month period ended 30 June 2013 *(unaudited)*	For the 6-month period ended 30 June 2012 *(unaudited)*
Electricity	5 657 489	7 909 820
Heat energy	432 073	356 921
Property rights arising from energy certificates	58 047	117 179
Greenhouse gas emission allowances	58 505	84 458
Compensation for termination of PPAs	-	276 611
Coal	310 154	261 227
Furnace blast	74 858	77 268
Compressed air	34 305	37 936
Milling products	11 690	21 037
Other goods for resale, finished goods and materials	35 467	39 554
Total sales revenue form goods, products and materials	**6 672 588**	**9 182 011**
Distribution and trade services	2 818 711	2 909 706
Connection fees	64 850	73 847
Maintenance of road lighting	54 125	50 701
Charges for illegal electricity consumption	3 884	8 829
Other services	65 545	66 965
Total sales revenue form services	**3 007 115**	**3 110 048**
Other revenue	**25 205**	**21 927**
Total sales revenue	**9 704 908**	**12 313 986**

The decrease in the revenue from sale of electricity in the 6-month period ended 30 June 2013 in comparison to comparable period results mainly from the fact that TAURON Wytwarzanie S.A sold electricity to companies in the TAURON Group – which is subject to elimination at the Group level, while in 2012 the entire sales were carried out through the Polish Power Exchange (Towarowa Giełda Energii).

Pursuant to the amendment to the Energy Law of 10 April 1997, which entered into force in August 2010, energy companies generating electricity are obliged to sell at least 15% of electricity generated in a given year on commodity exchanges. Additionally, companies generating electricity entitled to obtain funds to cover stranded costs pursuant to the Act of 29 June 2007 on the Principles for covering costs incurred by electricity generators due to early termination of long-term Power Purchase Agreements (PPAs) were obliged to sell 100% of generated electricity (except for energy provided to end-users, energy generated from renewable sources or from cogeneration and energy produced for internal purposes) in a manner ensuring public and equal access to such energy in the form of an open tender in a market organized by an entity supervising the regulated market in the territory of the Republic of Poland or on commodity exchanges.

As a beneficiary of compensations for PPAs, TAURON Wytwarzanie S.A. was obliged to sell 100% of electricity through the Polish Power Exchange (Towarowa Giełda Energii) in 2012. As TAURON Wytwarzanie S.A. no longer participates in the stranded cost financing program, since 2013 the company has been obliged to sell at least 15% of electricity generated in a given year on commodity exchange and the remaining portion may be sold to companies from the TAURON Capital Group.

(PLN '000)

10.2. Expenses by type

	For the 6-month period ended 30 June 2013 *(unaudited)*	For the 6-month period ended 30 June 2012 *(restated figures unaudited)*
Costs by type		
Depreciation of property, plant and equipment and amortization of intangible assets	(863 889)	(827 813)
Impairment of property, plant and equipment and intangible assets	(236 331)	92 048
Materials and energy	(1 232 530)	(1 303 754)
Maitenance and repair services	(146 543)	(105 127)
Distribution services	(641 312)	(804 939)
Other external services	(404 675)	(372 497)
Taxes and charges	(401 296)	(321 188)
Employee benefits expense	(1 332 640)	(1 367 316)
Inventory write-downs	5 930	1 138
Allowance for doubtful debts	(26 863)	(22 795)
Other	(51 796)	(43 934)
Total costs by type	**(5 331 945)**	**(5 076 177)**
Change in inventories, prepayments, accruals and deferred income	(24 502)	(32 762)
Cost of goods produced for internal purposes	201 827	205 156
Selling and distribution expenses	270 173	230 974
Administrative expenses	342 054	339 879
Cost of goods for resale and materials sold	(3 385 654)	(6 160 975)
Cost of sales	**(7 928 047)**	**(10 493 905)**

In the 6-month period ended 30 June 2013 TAURON Wytwarzanie S.A., a subsidiary, recognized an impairment loss on unprofitable generation units, which has been presented in detail in Note 13 to these interim condensed consolidated financial statements.

11. Income tax

11.1. Tax expense in the statement of comprehensive income

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

	For the 6-month period ended 30 June 2013 *(unaudited)*	For the 6-month period ended 30 June 2012 *(restated figures unaudited)*
Current income tax	**(188 903)**	**(85 848)**
Current income tax expense	(189 271)	(84 916)
Adjustments to current income tax from previous years	368	(932)
Deferred tax	**(5 062)**	**(166 287)**
Income tax in profit or loss	**(193 965)**	**(252 135)**
Income tax relating to other comprehensive income	**(8 023)**	**6 799**

(PLN '000)

11.2. Deferred income tax

Deferred income tax results from:

	As at 30 June 2013 *(unaudited)*	As at 31 December 2012
Deferred tax liability		
- difference between tax base and carrying amount of fixed and intangible assets	1 941 780	1 969 174
- difference between tax base and carrying amount of financial assets	21 879	14 063
- different timing of recognition of sales revenue for tax purposes	64 308	57 327
- recognition of estimated revenue from sale of power distribution services	3 770	7 347
- difference between tax base and carrying amount of property rights arising from energy certificates	27 117	48 181
- compensation for termination of long-term contracts	94 229	101 499
- other	18 625	24 874
Deferred tax liability	**2 171 708**	**2 222 465**
Deferred tax assets		
- difference between tax base and carrying amount of fixed and intangible assets	62 741	47 969
- difference between tax base and carrying amount of inventories	13 255	24 101
- power infrastructure received free of charge and received connection fees	86 933	89 158
- provisions	544 509	596 808
- difference between tax base and carrying amount of financial assets	23 824	23 700
- difference between tax base and carrying amount of financial liabilities	12 568	3 864
- valuation of hedging instruments	30 016	36 227
- different timing of recognition of cost of sales for tax purposes	28 406	20 972
- other accrued expenses	15 726	17 763
- tax losses	352	352
- different timing of recognition of revenue from sales of greenhouse gas emission allowances for tax purposes	-	21 772
- other	14 105	13 066
Deferred tax assets	**832 435**	**895 752**
After setting off balances at the level of individual Group companies, deferred tax for the Group is presented as:		
Deferred tax asset	**40 791**	**24 135**
Deferred tax liability	**(1 380 064)**	**(1 350 848)**

As at 30 June 2013 and 31 December 2012 deferred tax asset and deferred tax liability of companies from the Tax Capital Group were netted off due to the fact that as of 1 January 2012 the companies have filed consolidated tax returns.

11.3. Tax Capital Group

On 28 November 2011, the Head of the First Śląski Tax Office in Sosnowiec issued a decision on the registration of a Tax Capital Group for the period of three fiscal years from 1 January 2012 to 31 December 2014.

As at 30 June 2013, the Tax Capital Group had income tax overpayment of PLN 22 712 thousand, which was recognized in the consolidated financial statements as income tax receivables.

12. Dividends paid and proposed

On 16 May 2013, the General Shareholders' Meeting adopted a resolution on allocation of PLN 350 510 thousand to dividend payment to the Company's shareholders (PLN 0.20 per share). The dividend was paid out of the net profit generated by the Company in 2012, which amounted to PLN 1 435 188 thousand. The record date was set at 3 June 2013 and the payment date at 18 June 2013. As at the end of the reporting period, the dividend liability totaled PLN 9 830 thousand.

On 24 April 2012, the General Shareholders' Meeting adopted a resolution on allocation of PLN 543 290 thousand to dividend payment to the Company's shareholders (PLN 0.31 per share). The dividend was paid out of the net profit generated by the Company in 2011, which amounted to PLN 1 083 429 thousand. The record date was set at 2 July 2012 and the payment date at 20 July 2012.

(PLN '000)

13. Property, plant and equipment

Change in the value of property, plant and equipment in the period of 6 months ended 30 June 2013 *(unaudited)*

	Land	Buildings, premises and civil engineering	Plant and machinery	Motor vehicles	Other	Tangible fixed assets, total	Assets under construction	Property, plant and equipment, total
COST								
Opening balance	**72 024**	**15 389 230**	**12 633 180**	**382 210**	**259 030**	**28 735 674**	**2 034 339**	**30 770 013**
Direct purchase	-	-	-	-	-	**-**	1 249 975	**1 249 975**
Transfer of assets under construction	21 619	490 294	439 091	14 957	9 135	**975 096**	(975 096)	**-**
Sale, disposal	(12)	(221)	(8 318)	(3 704)	(494)	**(12 749)**	(5)	**(12 754)**
Reclassification	-	204	239	(222)	(221)	**-**	-	**-**
Donations and free-of-charge transfers	-	-	(595)	(100)	-	**(695)**	-	**(695)**
Liquidation	(1)	(16 036)	(11 491)	(1 285)	(2 858)	**(31 671)**	-	**(31 671)**
Received free of charge	-	14 972	20	-	-	**14 992**	-	**14 992**
Spare parts allocated to fixed assets	-	(61)	974	-	-	**913**	-	**913**
Overhaul expenses	-	200	810	-	-	**1 010**	52 815	**53 825**
Write-off of discontinued investments	-	-	-	-	-	**-**	(837)	**(837)**
Transfers to intangible assets	3 782	-	-	-	-	**3 782**	1 472	**5 254**
Items discovered	-	-	60	-	-	**60**	-	**60**
Items generated internally	-	-	-	-	-	**-**	18 089	**18 089**
Transfers to/from assets held for sale	-	1 308	-	-	14	**1 322**	197	**1 519**
Other movements	-	(1 635)	9 852	57	58	**8 332**	1 254	**9 586**
Foreign exchange differences from translation of foreign entities	-	-	5	-	-	**5**	-	**5**
Closing balance	**97 412**	**15 878 255**	**13 063 827**	**391 913**	**264 664**	**29 696 071**	**2 382 203**	**32 078 274**
ACCUMULATED DEPRECIATION								
Opening balance	**(645)**	**(3 596 281)**	**(3 558 914)**	**(165 856)**	**(141 119)**	**(7 462 815)**	**(6 555)**	**(7 469 370)**
Depreciation for the period	-	(379 991)	(409 673)	(23 227)	(16 422)	**(829 313)**	-	**(829 313)**
Increase of impairment	-	(26 990)	(208 871)	(936)	(33)	**(236 830)**	-	**(236 830)**
Decrease of impairrment	-	-	15	1	21	**37**	727	**764**
Sale, disposal	-	105	7 827	2 762	473	**11 167**	-	**11 167**
Reclassification	-	16	(32)	161	(145)	**-**	-	**-**
Donations and free-of-charge transfers	-	-	594	64	-	**658**	-	**658**
Liquidation	-	10 478	9 138	1 007	2 371	**22 994**	-	**22 994**
Transfers to/from assets held for sale	-	(84)	-	-	(14)	**(98)**	-	**(98)**
Other movements	-	789	(3 451)	(57)	(64)	**(2 783)**	-	**(2 783)**
Foreign exchange differences from translation of foreign entities	-	-	(2)	-	-	**(2)**	-	**(2)**
Closing balance	**(645)**	**(3 991 958)**	**(4 163 369)**	**(186 081)**	**(154 932)**	**(8 496 985)**	**(5 828)**	**(8 502 813)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**71 379**	**11 792 949**	**9 074 266**	**216 354**	**117 911**	**21 272 859**	**2 027 784**	**23 300 643**
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**96 767**	**11 886 297**	**8 900 458**	**205 832**	**109 732**	**21 199 086**	**2 376 375**	**23 575 461**

(PLN '000)

Change in the value of property, plant and equipment in the period of 6 months ended 30 June 2012 *(unaudited restated figures)*

	Land	Buildings, premises and civil engineering	Plant and machinery	Motor vehicles	Other	Tangible fixed assets, total	Assets under construction	Property, plant and equipment, total
COST								
Opening balance	**64 425**	**13 779 889**	**11 171 774**	**335 761**	**237 107**	**25 588 956**	**1 628 070**	**27 217 026**
Adjustments	(243)	455 622	104 763	-	(2)	**560 140**	-	**560 140**
Opening balance after adjustments	**64 182**	**14 235 511**	**11 276 537**	**335 761**	**237 105**	**26 149 096**	**1 628 070**	**27 777 166**
Direct purchase	-	-	7	-	13	**20**	1 137 353	**1 137 373**
Transfer of assets under construction	1 831	349 913	370 831	4 629	16 426	**743 630**	(743 630)	**-**
Sale, disposal	(8)	(806)	(2 074)	(3 975)	(51)	**(6 914)**	(26)	**(6 940)**
Reclassification	-	(101)	120	-	(19)	**-**	-	**-**
Donations and free-of-charge transfers	-	(4 547)	(372)	-	(529)	**(5 448)**	-	**(5 448)**
Liquidation	(7)	(20 000)	(66 182)	(497)	(2 120)	**(88 806)**	-	**(88 806)**
Received free of charge	-	9 648	342	-	-	**9 990**	-	**9 990**
Received for use under rental, lease or similar agreements	-	-	-	913	-	**913**	-	**913**
Spare parts allocated to fixed assets	-	-	2 552	-	-	**2 552**	-	**2 552**
Overhaul expenses	-	500	22 650	-	-	**23 150**	24 578	**47 728**
Write-off of discontinued investments	-	-	-	-	-	**-**	(183)	**(183)**
Transfers to intangible assets	-	-	-	-	-	**-**	(12 124)	**(12 124)**
Items discovered	-	22	51	-	9	**82**	-	**82**
Items generated internally	-	-	-	-	-	**-**	20 497	**20 497**
Transfers to assets held for sale	(69)	(2 955)	(212)	(60)	(362)	**(3 658)**	(201)	**(3 859)**
Other movements	-	(121)	(1 326)	-	-	**(1 447)**	724	**(723)**
Foreign exchange differences from translation of foreign entities	-	-	(6)	-	-	**(6)**	-	**(6)**
Closing balance	**65 929**	**14 567 064**	**11 602 918**	**336 771**	**250 472**	**26 823 154**	**2 055 058**	**28 878 212**
ACCUMULATED DEPRECIATION								
Opening balance	**(645)**	**(2 905 171)**	**(2 987 379)**	**(126 895)**	**(115 663)**	**(6 135 753)**	**(5 096)**	**(6 140 849)**
Depreciation for the period	-	(374 558)	(383 972)	(23 561)	(16 542)	**(798 633)**	-	**(798 633)**
Increase of impairment	(812)	(690)	(661)	-	(49)	**(2 212)**	-	**(2 212)**
Decrease of impairrment	-	160	115	3	3	**281**	-	**281**
Sale, disposal	-	239	1 320	3 101	46	**4 706**	-	**4 706**
Reclassification	-	14	(28)	-	14	**-**	-	**-**
Donations and free-of-charge transfers	-	4 049	372	-	529	**4 950**	-	**4 950**
Liquidation	-	14 109	64 364	496	1 855	**80 824**	-	**80 824**
Transfers to assets held for sale	-	427	197	57	291	**972**	-	**972**
Other movements	-	(207)	2 559	(30)	(1 351)	**971**	(398)	**573**
Foreign exchange differences from translation of foreign entities	-	-	2	-	-	**2**	-	**2**
Closing balance	**(1 457)**	**(3 261 628)**	**(3 303 111)**	**(146 829)**	**(130 867)**	**(6 843 892)**	**(5 494)**	**(6 849 386)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**63 537**	**11 330 340**	**8 289 158**	**208 866**	**121 442**	**20 013 343**	**1 622 974**	**21 636 317**
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**64 472**	**11 305 436**	**8 299 807**	**189 942**	**119 605**	**19 979 262**	**2 049 564**	**22 028 826**

During the 6-month period ended 30 June 2013 the Group acquired property, plant and equipment for PLN 1 249 975 thousand, which comprised:

- Purchases of the Distribution Segment companies in the amount of PLN 620 324 thousand, related to construction and replacement of power grid, where the largest expenditures of PLN 10 323 thousand were related to construction of a Krzywa station with the capacity of 110/20 kV by TAURON Dystrybucja S.A. – Branch in Legnica;
- Purchases made by TAURON Wytwarzanie S.A. of PLN 215 591 thousand related to construction of new generation capacities and modernization of the existing generation units. Major capital expenditures were incurred with relation to the following investment projects:
  - Modernization and adaptation of boilers in unit 6 to reduce emission of nitric oxides in TAURON Wytwarzanie S.A. - the Jaworzno III Power Plant for the total amount of PLN 69 860 thousand.
  - Regaining generation capacity of TAURON Wytwarzanie S.A. - EC Bielsko Biała for the amount of PLN 54 141 thousand;
  - Construction of a facility for generating electricity from renewable source – boiler K-10 in TAURON Wytwarzanie S.A. - Elektrownia Stalowa Wola for PLN 29 048 thousand;
  - Modernization of a turbine and automation system of unit 6 in TAURON Wytwarzanie S.A. - the Jaworzno III Power Plant for the total amount of PLN 20 663 thousand.
- Purchases related to construction of the Marszewo wind farm made by MEGAWAT MARSZEWO Sp. z o.o. for PLN 140 735 thousand;
- Purchases of Południowy Koncern Węglowy S.A. in the amount of PLN 115 632 thousand, where the largest expenditures of PLN 50 396 thousand were related to the acquisition of an additional mechanical timbering and bed wall device in Zakład Górniczy Sobieski.

Impairment tests

Due to the existence of certain indications in the Group companies' environment which may result in the decrease of the value in use of non-current assets versus the carrying amount, an impairment test was performed for property, plant and equipment as at the balance sheet date.

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

- TAURON Wytwarzanie S.A.– where cash generating units were identified based on the cost nature and analysis of the applied methods of contracting and allocating generation from particular generation units. Consequently, the test was performed for CGUs understood as generation units or groups of generation units;
- TAURON Ekoenergia Sp. z o.o. – where water power plants and wind power plants were tested for impairment separately, and
- TAURON Ciepło S.A. – where the activities related to generation of heat and electricity in professional and systemic thermal-electric power plants were separated as well as generation, transmission and distribution of heat (former thermal energetics companies).

Key assumptions made to estimate the value in use of property, plant and equipment:

- The adopted price path of power coal, other coal sizes and gaseous fuels;
- The adopted electricity wholesale price path for 2014-2023, taking into account such factors as the effect of the balance of the market supply and demand for electricity, costs of fuel as well as costs of acquiring CO2 emission allowances;
- Emission limits in accordance with the derogation request submitted by the Polish government to the European Commission;
- Green, red and yellow energy production volumes depending on the production capacity, along with the price path for individual energy certificates;
- Settlement of the compensation related to early termination of long-term contracts based on a financial model valid as at the test date;
- Regulated revenue generated by distribution companies, ensuring coverage of reasonable costs and a reasonable level of return on capital. The return on capital is conditional on the Regulatory Asset Value;
- The adopted electricity retail price path based on the wholesale price of black energy, taking into account the costs of excise duty, the obligation to cancel energy certificates as well as an appropriate level of margin;
- Sales volumes taking into account GDP growth and increased market competition;

- Tariff revenue generated by heat companies, ensuring coverage of reasonable costs and a reasonable level of return on capital;
- Maintenance of the production capacity of the existing non-current assets as a result of replacement investments;
- The level of the weighted average cost of capital (WACC) during the projection period, as used in the calculations, ranges from 7.63% to 11.36% in nominal terms before tax.

The test results indicated impairment of a part of CGUs in the Generation Segment. The majority of these CGUs are 120 class power units, with the total installed capacity of ca. 1 200 MWe. The results of impairment tests carried out in line with IAS 36 indicated impairment of property, plant and equipment in the Generation Segment of PLN 236 494 thousand.

(PLN '000)

14. Long-term intangible assets and goodwill

Change in the value of long-term intangible assets in the period of 6 months ended 30 June 2013 *(unaudited)*

	Development expenses	Goodwill	Perpetual usufruct of land	Software, concessions, patents, licences and similar items	Energy certificates	Greenhouse gas emission allowances	Other intangible assets	Intangible assets not made available for use	Intangible assets, total
COST									
Opening balance	**3 898**	**247 057**	**812 667**	**345 194**	**-**	**95 874**	**91 351**	**39 048**	**1 635 089**
Direct purchase	-	-	-	-	2 932	91 853	-	28 053	**122 838**
Transfer of intangible assets not made available for use	-	-	-	11 816	-	-	5 401	(17 217)	**-**
Sales, disposals	-	-	(1 354)	-	-	-	-	-	**(1 354)**
Reclassification	76	-		(70)	-	-	(6)	-	**-**
Liquidation	-	-	(18)	(1 231)	-	-	-	-	**(1 249)**
Received free of charge	-	-	60	-	-	-	367	-	**427**
Transfers from fixed assets	-	-	(1 686)	814	-	-	2	(4 384)	**(5 254)**
Other movements	56	-	(293)	15	-	(22 311)	-	(823)	**(23 356)**
Foreign exchange differences from translation of foreign entities	-	-	-	18	-	-	-	-	**18**
Closing balance	**4 030**	**247 057**	**809 376**	**356 556**	**2 932**	**165 416**	**97 115**	**44 677**	**1 727 159**
ACCUMULATED AMORTIZATION									
Opening balance	**(3 263)**	**-**	**(573)**	**(189 764)**	**-**	**-**	**(12 176)**	**-**	**(205 776)**
Amortization for the period	(85)	-	-	(29 119)	-	-	(5 372)	-	**(34 576)**
Increase of impairment	(25)	-	(25)	(186)	-	-	-	-	**(236)**
Decrease of impairment	-	-	-	-	-	-	-	-	**-**
Reclassification	-	-	-	20	-	-	(20)	-	**-**
Liquidation	-	-	-	1 213	-	-	-	-	**1 213**
Other movements	-	-	1	(124)	-	-	26	-	**(97)**
Closing balance	**(3 373)**	**-**	**(597)**	**(217 960)**	**-**	**-**	**(17 542)**	**-**	**(239 472)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**635**	**247 057**	**812 094**	**155 430**	**-**	**95 874**	**79 175**	**39 048**	**1 429 313**
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**657**	**247 057**	**808 779**	**138 596**	**2 932**	**165 416**	**79 573**	**44 677**	**1 487 687**

(PLN '000)

Change in the value of long-term intangible assets in the period of 6 months ended 30 June 2012 *(unaudited restated figures)*

	Development expenses	Goodwill	Perpetual usufruct of land	Software, concessions, patents, licences and similar items	Energy certificates	Greenhouse gas emission allowances	Other intangible assets	Intangible assets not made available for use	Intangible assets, total
COST									
Opening balance	**4 389**	**726 369**	**835 641**	**275 852**	**-**	**97 495**	**34 769**	**13 831**	**1 988 346**
Adjustments	-	(479 312)	4 460	-	-	-	50 706	-	**(424 146)**
Opening balance after adjustments	**4 389**	**247 057**	**840 101**	**275 852**	**-**	**97 495**	**85 475**	**13 831**	**1 564 200**
Direct purchase	-	-	-	117	-	-	-	24 058	**24 175**
Transfer of intangible assets not made available for use	-	-	-	12 600	-	-	2 175	(14 775)	**-**
Sales, disposals			(585)	-	-	-	-	-	**(585)**
Reclassification	-	-	-	144	-	-	(144)	-	**-**
Liquidation	(565)	-	-	(1 314)	-	-	(3)	-	**(1 882)**
Donations and transfers free of charge	-	-	(504)	-	-	-	-	-	**(504)**
Received free of charge	-	-	3	-	-	-	191	-	**194**
Transfers from fixed assets	-	-	878	10 979	-	-	-	267	**12 124**
Transfers to assets held for sale	-	-	(1 293)	-	-	-	-	-	**(1 293)**
Other movements	-	-	21	57	-	64	-	8	**150**
Foreign exchange differences from translation of foreign entities	-	-	-	-	-	-	-	(18)	**(18)**
Closing balance	**3 824**	**247 057**	**838 621**	**298 435**	**-**	**97 559**	**87 694**	**23 371**	**1 596 561**
ACCUMULATED AMORTIZATION									
Opening balance	**(3 482)**	**-**	**(771)**	**(142 744)**	**-**	**(15 166)**	**(2 363)**	**-**	**(164 526)**
Amortization for the period	(177)	-	-	(23 503)	-	-	(5 500)	-	**(29 180)**
Increase of impairment	-	-	(13 010)	-	-	-	-	-	**(13 010)**
Decrease of impairment	-	-	199	-	-	15 166	-	-	**15 365**
Reclassification	-	-	-	(99)	-	-	99	-	**-**
Liquidation	565	-	-	1 261	-	-	-	-	**1 826**
Other movements	-	-	-	(56)	-	-	-	-	**(56)**
Closing balance	**(3 094)**	**-**	**(13 582)**	**(165 141)**	**-**	**-**	**(7 764)**	**-**	**(189 581)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**907**	**247 057**	**839 330**	**133 108**	**-**	**82 329**	**83 112**	**13 831**	**1 399 674**
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**730**	**247 057**	**825 039**	**133 294**	**-**	**97 559**	**79 930**	**23 371**	**1 406 980**

(PLN '000)

Impairment tests

Due to the existence of certain indications in the Group companies' environment which may result in the decrease of the value in use of identified CGUs with goodwill assigned versus their carrying amount, an impairment test was performed for goodwill in particular operating segments and other intangible assets as at the balance sheet date.

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

An impairment test of goodwill was performed for the net assets increased by goodwill for individual operating segments: Mining, Renewable Sources of Energy, Distribution and Heat.

Goodwill as at 30 June 2013 by operating segment:

	Mining	Renewable sources of energy	Distribution	Heat	Total
goodwill	13 973	51 902	25 602	155 580	**247 057**

The key business assumptions affecting the estimated value in use of the tested segments are:

Mining

- The adopted price path of power coal, other coal sizes and gaseous fuels;
- The adopted electricity retail price path based on the wholesale price of black energy, taking into account the costs of excise duty, the obligation to cancel energy certificates as well as an appropriate level of margin;
- Maintenance of the production capacity of the existing non-current assets as a result of replacement investments.

Renewable sources of energy

- Green energy generation volume in line with generation capacity and a price path for electricity selected based on the wholesale price for black energy from the preceding year and prices of certificates in accordance with regulations in force;
- Maintenance of the production capacity of the existing non-current assets as a result of replacement investments.

Distribution

- Regulated revenue generated by distribution companies, ensuring coverage of reasonable costs and a reasonable level of return on capital. The return on capital is conditional on the Regulatory Asset Value;
- Maintenance of the electricity distribution capacity of the existing non-current assets as a result of replacement investments.

Heat

- Tariff revenue generated by heat companies, ensuring coverage of reasonable costs and a reasonable level of return on capital;
- Green, red and yellow energy production volumes depending on the production capacity, along with the price path for individual energy certificates;
- Emission limits in accordance with the derogation request submitted by the Polish government to the European Commission;
- Maintenance of the heat generation, distribution and sales capacity of the existing non-current assets as a result of replacement investments.

The assumptions were also used to estimate the value in use of other intangible assets.

The test was performed based on the present value of estimated operating cash flows. The calculations were based on detailed projections for the period from the second half of 2013 to 2023 and the estimated residual value. The basis for cash flow calculations is the planned EBIT for 2013-2023 and depreciation / amortization for this period. The amount of EBIT results from the current projection for 2013 and the long-term plan for the Group companies through 2023. Reliance on projections covering a period longer than 5 years results mainly from the fact that investment processes in the power industry are time-consuming. The macroeconomic and sector assumptions serving as the basis for projections are updated as frequently as any indications for their modification are observed in the market. Projections also take into account changes in the legal environment known as at the date of the test.

The discount rate used for calculation reflects the weighted average cost of capital (WACC), taking into account the risk-free rate determined by reference to the yield on 10-year treasury bonds (4.2%) and the risk premium for operations appropriate for the power industry (6.0%). The growth rate used for extrapolation of projected cash flows beyond the detailed planning period is at the level of 2.5% and it corresponds to the estimated long-term inflation rate.

Sensitivity analyses conducted by the Company reveal that the projected wholesale prices of electricity and the adopted discount rates are the key factors exerting an effect on the estimated value in use of cash generating units.

The results of the test did not indicate the necessity to recognize any impairment losses on goodwill in any CGU and to recognize any impairment on other intangible assets.

15. Interest in joint-ventures measured using the equity method

Elektrociepłownia Stalowa Wola S.A.

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

As a joint venture it is accounted for using the equity method in the consolidated financial statements. TAURON Polska Energia S.A. holds an indirect interest amounting to 49.89% in the share capital of this company and 49.90% in its governing body controlled through TAURON Wytwarzanie S.A.

In the 6-month period ended 30 June 2013 the following changes were made in the scope of two loan agreements of 20 June 2012 among PGNiG S.A., TAURON Polska Energia S.A. and Elektrociepłownia Stalowa Wola S.A., with a view to satisfying the necessary covenants for provision of funding to Elektrociepłownia Stalowa Wola S.A. by the European Bank for Reconstruction and Development and the European Investment Bank.

- The Company transferred funds from the subordinated loan of PLN 62 000 thousand, therefore as at the balance sheet date the total funds from the loan transferred reached the cap stipulated in the agreement, i.e. PLN 177 000 thousand. Interest accrued on the loan amounts to PLN 7 670 thousand. The loan with interest due is to be finally repaid no later than by the end of 2032;
- The company transferred funds due to a VAT loan of the total amount of PLN 17 550 thousand. By the balance sheet date Elektrociepłownia Stalowa Wola S.A. repaid the total funds outstanding under the loan, therefore as at the end of the reporting period it had no outstandings under the facility.

The Group presented interest revenue due to originated loans of Elektrociepłownia Stalowa Wola S.A. in the portion corresponding to unrelated investors' interests in the joint venture in the consolidated financial statements.

Elektrownia Blachownia Nowa Sp. z o.o.

On 5 September 2012 TAURON Wytwarzanie S.A., subsidiary, and KGHM Polska Miedź S.A. established a special purpose vehicle named Elektrownia Blachownia Nowa Sp. z o.o. with the registered address in Kędzierzyn Koźle. The Company was set up to perform a comprehensive investment project including preparation, construction and operation of a combined cycle gas and steam unit with the capacity of ca. 850 MWe on the land of TAURON Wytwarzanie S.A. – Elektrownia Blachownia Branch.

TAURON Wytwarzanie S.A. and KGHM Polska Miedź S.A. took up 50% of shares in the share capital of Elektrownia Blachownia Nowa Sp. z o.o., each. As at the date of establishing the company the share capital amounted to PLN 65 152 thousand. Shares in the entity are equal and indivisible.

As a joint venture Elektrownia Blachownia Nowa Sp. z o.o. is accounted for in the consolidated financial statements using the equity method. TAURON Polska Energia S.A. holds an indirect interest amounting to 49.89% in the share capital of this company and 49.90% in its governing body through TAURON Wytwarzanie S.A.

(PLN '000)

Investments in joint-ventures measured using the equity method as at 30 June 2013 and for the 6-month period ended 30 June 2013 have been presented below:

	As at 30 June 2013 *(unaudited)*	Elektrociepłownia Stalowa Wola S.A.	Elektrownia Blachownia Nowa Sp. z o.o.
Non-current assets	**573 331**	545 387	27 944
Current assets	**81 068**	43 773	37 295
Non-current liabilities (-)	**(423 209)**	(423 209)	-
Current liabilities (-)	**(126 669)**	(126 054)	(615)
Total net assets	**104 521**	39 897	64 624
Share in net assets	**52 146**	19 905	32 241
Elimination of transactions with Group companies	**(4 067)**	(4 067)	-
Invetment in joint venture	**48 079**	**15 838**	**32 241**
Share in sales revenue of joint venture	**317**	35	282
Share in profit/(loss) of joint venture	**(1 414)**	**(1 265)**	**(149)**

Investments in joint-ventures measured using the equity method as at 31 December 2012 and for the 6-month period ended 30 June 2012 have been presented below:

	As at 31 December 2012	Elektrociepłownia Stalowa Wola S.A.	Elektrownia Blachownia Nowa Sp. z o.o.
Non-current assets	**354 710**	326 993	27 717
Current assets	**55 255**	16 473	38 782
Non-current liabilities (-)	**(236 147)**	(236 147)	-
Current liabilities (-)	**(66 400)**	(64 862)	(1 538)
Total net assets	**107 418**	42 457	64 961
Share in net assets	**53 559**	21 169	32 390
Elimination of transactions with Group companies	**(1 573)**	(1 573)	-
Invetment in joint venture	**51 986**	**19 596**	**32 390**
Share in sales revenue of joint venture	**63**	63	-
Share in profit/(loss) of joint venture	**(671)**	**(671)**	**-**

(PLN '000)

16. Short-term intangible assets

Change in the value of short-term intangible assets in the period of 6 months ended 30 June 2013 *(unaudited)*

	Energy certificates	Greenhouse gas emission allowances	Current intangible assets, total
COST			
Opening balance	**649 473**	**61 626**	**711 099**
Direct purchase	410 651	36 225	**446 876**
Items generated internally	69 968	-	**69 968**
Cancellation of energy certificates	(889 089)	(70 269)	**(959 358)**
Sales	(8 455)	(16 557)	**(25 012)**
Reclassification	164 229	22 026	**186 255**
Closing balance	**396 777**	**33 051**	**429 828**
IMPAIRMENT			
Opening balance	**-**	-	**-**
Increase of impairment	-	-	**-**
Decrease of impairment	-	-	**-**
Closing balance	**-**	**-**	**-**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**649 473**	**61 626**	**711 099**
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**396 777**	**33 051**	**429 828**

Change in the value of short-term intangible assets in the period of 6 months ended 30 June 2012 *(unaudited)*

	Energy certificates	Greenhouse gas emission allowances	Current intangible assets, total
COST			
Opening balance	**774 942**	**187 126**	**962 068**
Direct purchase	490 790	54 448	**545 238**
Items generated internally	177 726	-	**177 726**
Cancellation of energy certificates	(794 097)	(221 235)	**(1 015 332)**
Other movements	(877)	(81)	**(958)**
Closing balance	**648 484**	**20 258**	**668 742**
IMPAIRMENT			
Opening balance	**(91 114)**	-	**(91 114)**
Increase of impairment	-	-	**-**
Decrease of impairment	91 114	-	**91 114**
Closing balance	**-**	**-**	**-**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**683 828**	**187 126**	**870 954**
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**648 484**	**20 258**	**668 742**

(PLN '000)

17. Inventories

	As at 30 June 2013 *(unaudited)*	As at 31 December 2012
Historical cost		
Raw materials	273 937	394 098
Semi-finished goods and work-in-progress	136 270	143 456
Finished goods	36 211	35 773
Goods for resale	4 358	3 300
Property rights arising from energy certificates	62 641	222 534
Emission allowances	-	2 434
Total	**513 417**	**801 595**
Write-downs to net realizable value		
Raw materials	(3 030)	(2 970)
Property rights arising from energy certificates	(46 048)	(90 143)
Emission allowances	-	(200)
Total	**(49 078)**	**(93 313)**
Net realizable value		
Raw materials	270 907	391 128
Semi-finished goods and work-in-progress	136 270	143 456
Finished goods	36 211	35 773
Goods for resale	4 358	3 300
Property rights arising from energy certificates	16 593	132 391
Emission allowances	-	2 234
Total	**464 339**	**708 282**

18. Trade and other receivables

Trade and other receivables with related impairment losses as at 30 June 2013 and 31 December 2012 have been presented in the tables below.

Trade and other receivables as at 30 June 2013 *(unaudited)*

	Trade receivables	Other current receivables	Total
Accounts receivable (without allowance for doubtful debt)	1 878 248	914 640	**2 792 888**
Alowance for doubtful debt	(101 313)	(106 128)	**(207 441)**
Net value	**1 776 935**	**808 512**	**2 585 447**

(PLN '000)

Trade and other receivables as at 31 December 2012

	Trade receivables	Other current receivables	Total
Accounts receivable (without allowance for doubtful debt)	2 298 446	935 606	**3 234 052**
Alowance for doubtful debt	(99 352)	(98 005)	**(197 357)**
Net value	**2 199 094**	**837 601**	**3 036 695**

As at 30 June 2013, trade and other receivables amounted to PLN 1 777 435 thousand, where the short-term portion equaled PLN 1 776 935 thousand and the long-term portion amounted to PLN 500 thousand. As at 31 December 2012, trade and other receivables amounted to PLN 2 199 577 thousand, where the short-term portion equaled PLN 2 199 094 thousand and the long-term portion amounted to PLN 483 thousand.

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

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

19. Cash and cash equivalents

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

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

	As at 30 June 2013 *(unaudited)*	As at 31 December 2012
Cash at bank and in hand	342 750	326 801
Short-term deposits (up to 3 months)	569 773	703 605
Other	189	523
Total cash and cash equivalents presented in the statement of financial position, *of which*:	**912 712**	**1 030 929**
- restricted cash	273 729	290 063
Bank overdraft	(60 973)	(129 566)
Foreign exchange and other differences	(3 931)	(9 709)
Total cash and cash equivalents presented in the statement of cash flows	**847 808**	**891 654**

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

Balance of restricted cash includes mainly cash on the account for settling electricity trading on the Polish Power Exchange, i.e. Towarowa Giełda Energii S.A., of PLN 241 885 thousand held by the parent.

(PLN '000)

20. Equity

20.1. Issued capital

Share capital as at 30 June 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
		1 752 549 394		**8 762 747**	

As at 30 June 2013 the value of the share capital, the number of shares and the par value of shares did not change compared to 31 December 2012.

Shareholding structure as at 30 June 2013 (unaudited, to the best of the Company's knowledge)

Shareholder	Number of shares	Value of shares	Percentage of share capital	Percentage of total vote
State Treasury	526 848 384	2 634 242	30.06%	30.06%
KGHM Polska Miedź S.A. (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	954 847 515	4 774 237	54.49%	54.49%
Total	**1 752 549 394**	**8 762 747**	**100.00%**	**100.00%**

20.2. Reserve capital, retained earnings and restrictions on dividend payment

During the current period the reserve capital was increased by PLN 1 084 678 thousand, based on a resolution adopted on 16 May 2013 by the Ordinary General Shareholders' Meeting of the parent concerning distribution of the net profit for 2012.

Movement in retained earnings in the current reporting period:

- decrease due to the allocation of a portion of the parent's profit of PLN 1 084 678 thousand for the financial year 2012 to reserve capital;
- decrease due to the allocation of a portion of the parent's profit of PLN 350 510 thousand for the financial year 2012 to dividend payment, as presented in detail in note 12 to these interim condensed consolidated financial statements;
- net profit for the period attributable to the shareholders of the parent of PLN 847 927 thousand;
- actuarial gains/losses on provisions for post-employment benefits charged to other comprehensive income of PLN 2 889 thousand;
- increase due to the acquisition of non-controlling interest of PLN 176 thousand;
- increase due to the change in non-controlling interest as a result of division of a subsidiary of PLN 926 thousand.

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

(PLN '000)

20.3. Revaluation reserve from valuation of hedging instruments

The revaluation reserve from measurement of hedging instruments results from valuation of Interest Rate Swaps (IRS) hedging the interest rate risk arising from issued bonds. As at 30 June 2013 the Group was a party to hedging transactions covered by the policy for specific risk management in the area of finance. Pursuant to a decision of the Financial Risk Management Committee of 30 January 2012, in March 2012 the parent hedged the interest rate risk arising from bonds issued under the Bond Issue Scheme, by entering into an interest rate swap (IRS) transaction for a term of 5 years. The aforementioned transaction was concluded due to fluctuations in the projected future cash flows from interest payments resulting from the issue of bonds in PLN with a floating interest rate based on WIBOR 6M. The Company hedged 80% of such cash flows.

As at 30 June 2013, the revaluation reserve from measurement of hedging instruments included the amount of PLN (123 859) thousand, which represents a liability arising from measurement of IRS as at the end of the reporting period, totaling PLN 156 160 thousand, adjusted by a portion of measurement relating to interest accrued on bonds as at the end of the reporting period, amounting to PLN 3 248 thousand, which was transferred to retained earnings, including deferred tax (out of this amount, PLN 2 337 thousand was charged to profit or loss for the period). Additionally, the due and paid amount of realized hedging transactions related to past interest periods for the hedged portion of bonds of PLN 10 506 thousand was charged to profit or loss for the period. In the statement of comprehensive income, the aforementioned costs of transactions hedging IRS increased financial expenses arising from interest on issued bonds.

	Revaluation reserve from valuation of hedging instruments
As at 1 January 2013	**(153 703)**
Valuation of hedging instruments as at 31 March 2013	34 507
Transfer of valuation relating to accrued interest on debentures as at 31 March 2013 to net result	2 337
Deferred tax	(7 000)
As at 30 June 2013 *(unaudited)*	**(123 859)**

21. Interest-bearing loans and borrowings

21.1. Credit facilities and loans

As at 30 June 2013 the Group's liabilities arising from received credit facilities and loans amounted to PLN 1 573 105 thousand and resulted from:

- loans of PLN 1 365 103 thousand obtained from the European Investment Bank, including interest accrued of PLN 7 085 thousand (PLN 910 394 thousand as at 31 December 2012). The increase in the aforementioned liabilities results from the receipt of further disbursements of loans from the European Investment Bank under a loan agreement of 3 July 2012: on 25 January 2013: PLN 200 000 thousand and on 22 February 2013: PLN 250 000 thousand. The first disbursement under the aforementioned agreement in the amount of PLN 450 000 thousand was made in July 2012. Consequently, the total amount of the funding provided under the agreement, i.e. PLN 900 000 thousand, was used. The funds obtained are used for grid investments;
- an overdraft of EUR 14 084 thousand (PLN 60 973 thousand): the Multi-option Loan Agreement valid until 31 December 2013, signed by the Company for the purpose of funding transactions in emission allowances, entered into in a foreign exchange.
- credit facilities and loans taken by the Group companies for investment purposes, including:
  - credit facility taken out by TAURON Dystrybucja S.A. to refinance capital expenditure incurred from 2008 to 2009, the outstanding amount of which was PLN 37 902 thousand as at the balance sheet date (PLN 51 331 thousand as at 31 December 2012);
  - loan from the Regional Fund for Environmental Protection and Water Management taken out by TAURON Wytwarzanie S.A. to fund investment projects related to energy generation from renewable sources in the Jaworzno III power plant. As at the balance sheet date the outstanding amount was PLN 39 000 thousand (PLN 40 000 thousand as at 31 December 2012);
  - loan from the Regional Fund for Environmental Protection and Water Management granted to TAURON Ciepło S.A. to fund green investment projects. As at the balance sheet date the outstanding amount was PLN 25 544 thousand (PLN 25 715 thousand as at 31 December 2012).

(PLN '000)

The balance of credit facilities and loans received as at 30 June 2013 and 31 December 2012 has been presented in tables below.

Credit facilities and loans taken out as at 30 June 2013 (unaudited)

Currency	Interest rate	Value of loans as at the balance sheet date *(unaudited)*		of which principal amount maturing within (after the balance sheet date):					
		currency	PLN	less than 3 months	3-12 months	1-2 years	2-3 years	3-5 years	over 5 years
PLN	floating	133 828	133 828	26 544	37 264	19 055	6 954	12 696	31 315
	fixed	1 366 851	1 366 851	8 832	112 346	132 723	132 722	265 441	714 787
Total PLN		**1 500 679**	**1 500 679**	**35 376**	**149 610**	**151 778**	**139 676**	**278 137**	**746 102**
EUR	floating	9 559	41 381	38 051	1 998	1 332	-	-	-
	fixed	5 500	23 811	-	23 811	-	-	-	-
Total EUR		**15 059**	**65 192**	**38 051**	**25 809**	**1 332**	**-**	**-**	**-**
Total			**1 565 871**	**73 427**	**175 419**	**153 110**	**139 676**	**278 137**	**746 102**
Interest increasing carrying amount			7 234						
Total loans and borrowings			**1 573 105**						

Credit facilities and loans taken out as at 31 December 2012

Currency	Interest rate	Value of loans as at the balance sheet date		of which principal amount maturing within (after the balance sheet date):					
		currency	PLN	less than 3 months	3-12 months	1-2 years	2-3 years	3-5 years	over 5 years
PLN	floating	282 840	282 840	148 359	47 348	32 738	6 236	13 576	34 583
	fixed	917 765	917 765	340	72 439	93 192	93 192	186 382	472 220
Total PLN		**1 200 605**	**1 200 605**	**148 699**	**119 787**	**125 930**	**99 428**	**199 958**	**506 803**
EUR	floating	1 231	5 032	629	1 887	2 516	-	-	-
Total			**1 205 637**	**149 328**	**121 674**	**128 446**	**99 428**	**199 958**	**506 803**
Interest increasing carrying amount			2 401						
Total loans and borrowings			**1 208 038**						

Change in the balance of credit facilities and loans excluding interest accrued in the 6-month period ended 30 June 2013 and in the comparable period has been presented below.

	6-month period ended 30 June 2013 *(unaudited)*	6-month period ended 30 June 2012 *(unaudited)*
Opening balance	**1 205 637**	**318 354**
Movement in bank overdrafts	**(68 593)**	**4 755**
Movement in loans and borrowings (excluding bank overdrafts):	**428 827**	**454 812**
Taken out	451 180	549 000
Repaid	(19 648)	(96 515)
Change in valuation	(2 705)	2 327

(PLN '000)

Closing balance	**1 565 871**	**777 921**

21.2. Bonds issued

As at 30 June 2013, the parent's liability under bonds issued amounted to PLN 4 320 289 thousand, including interest of PLN 30 488 thousand accrued until the balance sheet date (as at 31 December 2012: PLN 4 301 834 thousand). The liability arose due to bonds issued in the following tranches:

- on 29 December 2010, Tranche A bonds were issued with the par value of PLN 848 200 thousand and maturing on 29 December 2015;
- on 12 December 2011, Tranche B bonds were issued with the total par value of PLN 300 000 thousand and maturing on 12 December 2015;
- on 12 December 2011, Tranche C bonds were issued with the total par value of PLN 3 000 000 thousand and maturing on 12 December 2016;
- on 30 January 2012, Tranche B bonds were issued with the par value of PLN 150 000 thousand and maturing on 30 January 2015.

Bonds are issued in a dematerialized form. These are unsecured coupon bonds with a floating interest rate determined as WIBOR 6M plus a fixed margin. Interest is due on a semi-annual basis.

The Company hedges a portion of interest cash flows related to issued bonds by entering into interest rate swap (IRS) contracts, presented in detail in Note 20.3.

The contracts signed by the Company with banks include legal and financial covenants which are commonly used in such transactions. As at 30 June 2013, none of these covenants were breached and the contractual provisions were complied with.

The tables below present the balances of the Group's liabilities arising from bonds issued, together with accrued interest, as at 30 June 2013 and 31 December 2012.

Bonds issued as at 30 June 2013 *(unaudited)*

Tranche	Interest rate	Currrency	As at the balance sheet date *(unaudited)*		of which principal amount maturing within (after the balance sheet date)				
			Interest accrued	Principal at amortised cost	less than 1 year	1 - 2 years	2-3 years	3-5 years	over 5 years
Tranche A	floating	PLN	21 315	846 786	-	-	846 786	-	-
Tranche B	floating	PLN	3 582	449 284	-	150 000	299 284	-	-
Tranche C	floating	PLN	5 591	2 993 731	-	-	-	2 993 731	-
Total debentures			**30 488**	**4 289 801**	**-**	**150 000**	**1 146 070**	**2 993 731**	**-**

(PLN '000)

Bonds issued as at 31 December 2012

Tranche	Interest rate	Currrency	As at the balance sheet date		of which principal amount maturing within (after the balance sheet date)				
			Interest accrued	Principal at amortised 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	-
Total debentures			**13 587**	**4 288 247**	**-**	**-**	**1 295 674**	**2 992 573**	**-**

After the balance sheet date the Company concluded new bond issue scheme agreements, the details of which have been presented in Note 34 to these interim condensed consolidated financial statements.

22. Provisions for employee benefits

22.1. Provisions for post-employment benefits and jubilee bonuses

Change in provisions for employee benefits in the period of 6 months ended 30 June 2013 *(unaudited)*

	Provision for retirement, disability and similar benefits	Employee electricity rates	Social Fund	Provision for coal allowances	Jubilee bonuses	Total provisions
Opening balance	**260 356**	**595 579**	**135 766**	**56 735**	**579 547**	**1 627 983**
Current service costs	2 180	2 334	840	584	16 582	**22 520**
Actuarial gains and losses	(3 782)	(776)	(632)	(199)	(10 523)	**(15 912)**
Benefits paid	(6 670)	(11 559)	(1 633)	(617)	(16 190)	**(36 669)**
Past employment costs	(870)	(2 977)	(663)	-	(2 711)	**(7 221)**
Interest expense	4 991	11 875	2 703	1 130	11 091	**31 790**
Closing balance	**256 205**	**594 476**	**136 381**	**57 633**	**577 796**	**1 622 491**
Current	**15 563**	**23 369**	**4 371**	**1 920**	**45 313**	**90 536**
Non-current	**240 642**	**571 107**	**132 010**	**55 713**	**532 483**	**1 531 955**

Change in provisions for employee benefits in the period of 6 months ended 30 June 2012 *(unaudited restated figures)*

	Provision for retirement, disability and similar benefits	Employee electricity rates	Social Fund	Provision for coal allowances	Jubilee bonuses	Total provisions
Opening balance	**192 074**	**418 096**	**119 368**	**39 624**	**484 643**	**1 253 805**
Adjustments	38 740	29 888	632	(1 286)	-	**67 974**
Opening balance after adjustments	**230 814**	**447 984**	**120 000**	**38 338**	**484 643**	**1 321 779**
Current service costs	4 253	2 519	1 042	297	13 996	**22 107**
Actuarial gains and losses	(2 556)	10 243	(433)	(218)	(5 925)	**1 111**
Benefits paid	(9 065)	(16 351)	(903)	(716)	(19 322)	**(46 357)**

(PLN '000)

Past employment costs	-	-	-	-	-	**-**
Interest expense	6 391	12 595	3 402	1 087	13 480	**36 955**
Release	(1 757)	(565)	(152)	-	(2 494)	**(4 968)**
Interest expense	(16 652)	(7 636)	(2 268)	-	(30 115)	**(56 671)**
Closing balance	**211 428**	**448 789**	**120 688**	**38 788**	**454 263**	**1 273 956**
Current	**25 675**	**23 331**	**5 357**	**1 763**	**53 592**	**109 718**
Non-current	**185 753**	**425 458**	**115 331**	**37 025**	**400 671**	**1 164 238**

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

Past employment costs of PLN 7 221 thousand result from the decrease in employee benefits due to employees transferred from TAURON Wytwarzanie S.A. to TAURON Ciepło S.A. as a result of the spin-off of EC Katowice, as presented in detail in note 25. After including EC Katowice to TAURON Ciepło S.A. and after the period when certain benefits were guaranteed in TAURON Wytwarzanie S.A. has ended, the provision for future employee benefits will be recognized based on regulations adopted by the company until June 2016.

22.2. Provisions for employment termination benefits

Change in provisions for voluntary redundancy schemes in the period of 6 months ended 30 June 2013 *(unaudited)*

	Voluntary redundancy schemes			
	TAURON Wytwarzanie S.A.	TAURON Dystrybucja S.A.	TAURON Obsługa Klienta Sp. z o.o.	Total
Opening balance	**75 180**	**23 211**	**9 549**	**107 940**
Recognition	1 423	-	-	**1 423**
Reversal	-	-	-	**-**
Utilization	(15 294)	(6 115)	(980)	**(22 389)**
Other movements	(18)	-	-	**(18)**
Closing balance	**61 291**	**17 096**	**8 569**	**86 956**
Current	**52 591**	**17 096**	**5 372**	**75 059**
Non-current	**8 700**	**-**	**3 197**	**11 897**

Change in provisions for voluntary redundancy schemes in the period of 6 months ended 30 June 2012 *(unaudited)*

	Voluntary redundancy schemes			
	TAURON Wytwarzanie S.A.	TAURON Dystrybucja S.A.	TAURON Serwis GZE Sp. z o.o. (currently TAURON Dystrybucja Serwis S.A.)	Total
Opening balance	**5 719**	**29 336**	**217**	**35 272**
Recognition	43 633	4 532	-	**48 165**
Reversal	(2 330)	-	-	**(2 330)**
Utilization	(4 547)	(10 932)	(217)	**(15 696)**
Other movements	56 671	-	-	**56 671**

(PLN '000)

Closing balance	**99 146**	**22 936**	**-**	**122 082**
Current	**75 952**	**22 936**	**-**	**98 888**
Non-current	**23 194**	**-**	**-**	**23 194**

The Group has been running the following voluntary redundancy schemes ("VRS"):

- TAURON Wytwarzanie S.A. follows the provisions of an Employment Cost Reduction Agreement concluded on 28 March 2012. From its effective date up to 30 June 2013, 820 individuals took advantage of this Agreement. In 2012 a provision was recognized due to the planned redundancy of 553 employees in the period from 1 January 2013 to 30 June 2014. As at 30 June 2013 the provision amounted to PLN 61 291 thousand, including PLN 37 136 thousand due to future employee benefits payable under VRS and PLN 24 155 thousand of the provision for post-employment benefits for employees covered by VRS. As at 30 June 2013 the provision included a portion for costs arising from the Agreement on decommissioning of the Halemba Power Plant, amounting to PLN 60 thousand.

  In the 6-month period ended 30 June 2013:

  - a provision of PLN 1 423 thousand was recognized for future payments under the VRS;
  - the provision was applied due to disbursements made to employees benefiting from the Agreement which amounted to PLN 11 682 thousand and retirement and jubilee bonuses of PLN 3 612 thousand paid to employees participating in the Agreement.

- In TAURON Dystrybucja S.A., the schemes implemented in previous periods were continued in the 6-month period ended 30 June 2013. Under voluntary redundancy schemes, employment contracts have been terminated with 62 employees in 2013.

  In the 6-month period ended 30 June 2013 the total of PLN 4 102 thousand was paid in the form of one-off severance payments under schemes introduced on 18 December 2012. Furthermore, in 2013 the company continued to make payments to individuals who left it in 2012. Payments of the second portion of benefits under the Compensation Redundancy Scheme amounted to PLN 108 thousand, while individuals who took advantage of the schemes that were terminated on 30 December 2012 and who acquired the rights to such payments after receiving an unemployment allowance for a period not exceeding 6 months (Pre-retirement Redundancy Scheme) received the total of PLN 1 850 thousand. Additionally, in 2013 payments of PLN 55 thousand for leaving employees were made under schemes introduced in TAURON Dystrybucja GZE S.A. The schemes expired in June 2013.

- Due to organizational changes on 31 December 2012 TAURON Obsługa Klienta Sp. z o.o. launched a voluntary redundancy scheme to be followed by 31 December 2014 and covering a Pre-retirement Redundancy Scheme, Early Retirement Redundancy Scheme and Compensation Redundancy Scheme. The provision recognized by the company for the schemes in question amounted to PLN 9 549 thousand as at 31 December 2012 and to PLN 8 569 thousand as at 30 June 2013. In the 6-month period ended 30 June 2013, 22 employees were covered by the scheme and they received benefits of PLN 980 thousand.

(PLN '000)

23. Other provisions

23.1. Changes in provisions

Change in provisions in the period of 6 months ended 30 June 2013 (unaudited)

	Provision for counterparty claims, court disputes and other similar items	Provision for restoration of land and dismantling and removal of fixed assets	Provision for gas emission obligations	Provision for obligation to surrender energy certificates	Provision for use of real estate without contract and other provisions	Total provisions
Opening balance	**33 713**	**94 140**	**62 921**	**873 976**	**120 809**	**1 185 559**
Discount rate adjustment	-	564	-	-	-	**564**
Recognition	2 165	1 738	117 558	449 682	10 214	**581 357**
Reversal	(1 442)	-	-	(10 205)	(2 750)	**(14 397)**
Utilization	(155)	-	(73 291)	(838 946)	(2 857)	**(915 249)**
Other movements	-	-	-	-	54	**54**
Closing balance	**34 281**	**96 442**	**107 188**	**474 507**	**125 470**	**837 888**
Current	**34 281**	**12 691**	**107 188**	**474 507**	**663**	**753 330**
Non-current	**-**	**83 751**	**-**	**-**	**807**	**84 558**

Change in provisions in the period of 6 months ended 30 June 2012 *(unaudited restated figures)*

	Provision for counterparty claims, court disputes and other similar items	Provision for restoration of land and dismantling and removal of fixed assets	Provision for gas emission obligations	Provision for obligation to surrender energy certificates	Provision for use of real estate without contract and other provisions	Total provisions
Opening balance	**43 149**	**69 850**	**187 132**	**703 449**	**87 188**	**1 090 768**
Adjustments	-	(6 240)	-	-	-	**(6 240)**
Opening balance after adjustments	**43 149**	**63 610**	**187 132**	**703 449**	**87 188**	**1 084 528**
Discount rate adjustment	-	535	-	-	-	**535**
Recognition	2 568	826	54 762	707 275	12 310	**777 741**
Reversal	(1 963)	-	-	-	(2 879)	**(4 842)**
Utilization	(1 237)	-	(221 096)	(917 965)	(4 728)	**(1 145 026)**
Other movements	-	-	-	(646)	(17)	**(663)**
Closing balance	**42 517**	**64 971**	**20 798**	**492 113**	**91 874**	**712 273**
Current	**42 517**	**3 250**	**20 798**	**492 113**	**91 051**	**649 729**
Non-current	**-**	**61 721**	**-**	**-**	**823**	**62 544**

23.2. Description of significant provision items

23.2.1. Provision for court disputes, counterparty and similar claims

Provision for proceedings before the Office for Competition and Consumer Protection

The Office for Competition and Consumer Protection conducts antimonopoly proceedings against TAURON Dystrybucja S.A. in respect of the alleged abuse of dominant position on the electricity distribution market. The company appealed against the decisions of the Office for Competition and Consumer Protection. As at 30 June 2013, the provision recognized by the company for possible claims amounted to PLN 11 576 thousand and its balance did not change compared to 31 December 2012.

Provision for claims of ArcelorMittal Poland S.A.

Provision for claims of ArcelorMittal Poland S.A. amounts to PLN 7 200 thousand and it did not change in comparison to its balance as at 31 December 2012.

23.2.2. Provision for restoration of land and costs of dismantling and removal of fixed assets

Under the Geological and Mining Law, Południowy Koncern Węglowy S.A. and Kopalnia Wapienia Czatkowice Sp. z o.o. recognize provisions for future decommissioning costs of their mining facilities. As at 30 June 2013, the provision recognized by Kopalnia Wapienia Czatkowice Sp. z o.o. amounted to PLN 5 857 thousand, and that recognized by Południowy Koncern Węglowy S.A. equaled PLN 21 085 thousand. As at 31 December 2012 the provisions amounted to PLN 5 548 thousand and PLN 20 521 thousand, respectively.

The provision for restoration of land under waste dumps recognized by TAURON Wytwarzanie S.A. as at 30 June 2013 amounted to PLN 46 620 thousand, while on 31 December 2012 it was equal to PLN 46 512 thousand.

The Renewable Sources of Energy Segment entities recognized a provision for the costs of dismantling wind farms after their use has been discontinued of PLN 12 314 thousand. As at 31 December 2012, the provision amounted to PLN 12 075 thousand.

Due to the legal obligation to liquidate fixed assets after the period of their usage, TAURON Wytwarzanie S.A. recognized a provision for the estimated future costs necessary to fulfill this obligation, amounting to PLN 9 759 thousand. As at 31 December 2012, the provision amounted to PLN 9 484 thousand.

23.2.3. Provision for the obligation to surrender energy certificates

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

As at 30 December 2013, the provision amounted to PLN 474 507 thousand.

23.2.4. Provision for gas emission obligations

As the trading period of the European Union Emission Trading Scheme covering the years from 2008 to 2012 ended and the companies fulfilled the cancellation requirement for 2012, the Group allocates units left on accounts of individual facilities managed by Group entities to be cancelled in the following trading period.

In the new trading period the Group has been cancelling emission allowances received free of charge first in order to meet the cancellation obligation for a given year, and it has been allocating the allowances to particular quarters during the reporting period on a straight-line basis. Allowances from prior trading periods, those resulting from transactions concluded and acquired allowances have been cancelled afterwards. The release of allowances classified to intangible assets is measured using the weighted-average method.

As at 30 December 2013, the provision amounted to PLN 107 188 thousand.

23.2.5. Other provisions

Provision for non-contractual use of land

The Group companies recognize provisions for all claims filed by the owners of the real estate on which distribution systems and heat installations are located. As at 30 June 2013, the provision amounted to PLN 80 760 thousand. The Group does not establish provision for possible unlodged claims of owners of land the use of which is unregulated.

As at 30 June 2013 the court case against TAURON Ciepło S.A. concerning claims for non-contractual use of land presented in detail in the consolidated financial statements for the year ended 31 December 2012 was not closed.

(PLN '000)

24. Accruals and government grants

24.1. Deferred income and government grants

	As at 30 June 2013 *(unaudited)*	As at 31 December 2012
Deferred income		
Donations, fixed assets received free-of-charge	211 612	205 423
Non-government subsidies	32	54
Subsidies for the purchase of fixed assets	149 805	135 031
Connection fees	295 185	306 343
Other deferred income	3 115	1 189
Total, *of which:*	**659 749**	**648 040**
Non-current	609 576	597 971
Current	50 173	50 069
Government grants		
Forgiven loans from environmental funds	9 528	9 880
Other deferred government grants	118 985	121 590
Total, *of which:*	**128 513**	**131 470**
Non-current	119 479	125 344
Current	9 034	6 126

Other government grant settlements include:

- government grants received by Południowy Koncern Węglowy S.A. for initial investments in coal mines, amounting to PLN 18 019 thousand;
- remeasurement of preferential loans amounting to PLN 39 683 thousand received by TAURON Wytwarzanie S.A. and PLN 3 422 thousand received by TAURON Ciepło S.A. to market value;
- grants of the National Fund for Environmental Protection and Water Management and European Regional Development Fund of PLN 12 685 thousand received by TAURON Wytwarzanie S.A.;
- grants of EU Funds amounting to PLN 12 833 thousand received by TAURON Ciepło S.A..

24.2. Accrued expenses

	As at 30 June 2013 *(unaudited)*	As at 31 December 2012
Unused holidays	62 366	32 837
Bonuses	239 335	171 832
Environmental protection charges	23 255	1 905
Other	15 399	11 055
Total, ***of which***:	**340 355**	**217 629**
Non-current	-	-
Current	340 355	217 629

25. Business combinations and acquisition of non-controlling interest

Business combination of TAURON Obsługa Klienta Sp. z o.o. and TAURON Obsługa Klienta GZE Sp. z o.o.

On 31 January 2013, a business combination of TAURON Obsługa Klienta Sp. z o.o. with its registered office in Wrocław (acquirer) and TAURON Obsługa Klienta GZE Sp. z o.o. with its registered office in Gliwice (acquiree) was registered.

As a result, the share capital of TAURON Obsługa Klienta Sp. z o.o. was increased from PLN 2 718 thousand to PLN 4 920 thousand, i.e. by PLN 2 202 thousand. Consequently, as at 30 June 2013 TAURON Polska Energia S.A. held shares in TAURON Obsługa Klienta Sp. z o.o. (the acquirer) only.

Division of TAURON Wytwarzanie S.A.

On 2 January 2013, National Court Register recorded the division of TAURON Wytwarzanie S.A. through spin-off pursuant to Article 529.1.4 of the Code of Commercial Companies, involving a transfer of the separated assets, i.e. an organized part of the enterprise in the form of EC Katowice, to TAURON Ciepło S.A.

As a result, 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 865 937 thousand to PLN 1 238 077 thousand.

The share in TAURON Wytwarzanie S.A. held by TAURON Polska Energia S.A. decreased as a result of the spin-off to 99.70% (in the share capital) and 99.77% (in the total number of votes at the General Shareholders' Meeting), while the share in TAURON Ciepło S.A. held by TAURON Polska Energia S.A. increased to 91.79% (in the share capital) and 92.41% (in the total number of votes at the General Shareholders' Meeting).

Consequently, the non-controlling interest decreased by PLN 926 thousand and retained earnings grew by the same amount.

Business combination of TAURON Serwis GZE Sp. z o.o. and Przedsiębiorstwo Usług Elektroenergetycznych S.A.

On 2 April 2013, a business combination of TAURON Serwis GZE Sp. z o.o. (the acquiree) and Przedsiębiorstwo Usług Elektroenergetycznych S.A. (the acquirer) was registered and, at the same time, the name of the acquirer was changed to TAURON Dystrybucja Serwis S.A. The business combination was carried out under Article 492.1.1 of the Code of Commercial Companies through the transfer of the acquiree's all assets to the acquirer.

Redemption of non-controlling interest

As a result of the squeeze-outs of treasury shares for redemption purposes continued in the TAURON Group, the value of non-controlling interest in TAURON Wytwarzanie S.A. decreased by PLN 1 550 thousand, while retained earnings increased by PLN 176 thousand.

26. Contingent assets and liabilities

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

The President of the Energy Regulatory Office instigated administrative proceedings with respect to imposing a financial penalty on Vattenfall Sales Poland Sp. z o.o. (currently TAURON Sprzedaż GZE Sp. z o.o.) under Article 56.1.5 of the Energy Law, based on the allegation that, in 2008 – 2012, the company used prices and tariffs which had not been submitted for the required approval. The company is of the opinion that it did not breach any law in this respect. In order to avoid being charged with a direct allegation of failing to fulfill the request of the President of Energy Regulatory Office and thus falling under the provisions of the Energy Law, the company, at the request of the President of URE, submitted electricity tariffs for the years 2008 – 2012 for approval, although it was in fact exempt from the requirement to submit electricity tariffs (exemption based on the decision of the President of URE dated 28 June 2001). However, the applications for the years 2008, 2009, 2011 and 2012 were not approved, and the proceedings for the approval of the electricity tariff for 2010 were cancelled based on the Decision of the President of URE.

On 19 March 2010 the President of the Energy Regulatory Office issued a decision cancelling the waiver of the obligation to file electricity tariffs for approval, which had been granted to Vattenfall Sales Poland Sp. z o.o. (currently TAURON Sprzedaż GZE Sp. z o.o.) by the President of the Energy Regulatory Office on 28 June 2001. The company appealed against the decision to the Regional Court of Competition and Consumer Protection in Warsaw. On 9 December 2011 the Court of Competition and Consumer Protection cancelled the decision of the President of URE. On 20 September 2012, the Court of Appeals in Warsaw passed a judgment concerning the appeal of the Energy Regulatory Office with respect to the judgment of the Court of Competition and Consumer Protection cancelling the waiver from the obligation to submit electricity tariffs for the G tariff group granted to TAURON Sprzedaż GZE Sp. z o.o. The Court dismissed the appeal of the Energy Regulatory Office. The decision is final and valid and its justification in writing was served on 31 December 2012. On 1 March 2013 the President of the Energy Regulatory Office filed a cassation appeal to the Supreme Court. The Proxy of TAURON Sprzedaż GZE Sp. z o.o. prepared the response to the cassation appeal.

The company's Management believe that the probability of an unfavorable outcome of the above-mentioned cases is low, hence no provision has been recognized for these events.

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

TAURON Sprzedaż Sp. z o.o.

On 12 December 2012 the President of the Office for Competition and Consumer Protection (UOKiK), Branch in Wrocław, instigated proceedings against TAURON Sprzedaż Sp. z o.o. with regard to the company's alleged use of practices violating collective consumers' interests. The practices consisted in charging interest for overdue payments for projected use of electricity groundlessly. Such interest was determined by the automatic payment management system as a result of linking payments made by electricity users with amounts payable in future and leaving the oldest liabilities unpaid.

In response, the company applied for issuing a decision requesting the company to fulfill an obligation to discontinue activities violating the Act of 16 February 2007 on competition and consumer protection (Journal of Laws of 2007, No. 50, item 331, as amended) and to take steps preventing continued existence of the alleged violations. The Office for Competition and Consumer Protection accepted the application, hence TAURON Sprzedaż Sp. z o.o. presented suggested solution with deadlines and an action plan aimed at preventing continued existence of the alleged violations. On 16 April 2013 the President of the Office for Competition and Consumer Protection, Branch in Wrocław, issued a decision requesting the company to discontinue the activities. The company has followed the provisions of the Decision. As at the date of preparing these financial statements, the risk of imposing a fine was very limited, therefore the company did not recognize any provision.

In its letter dated 23 April 2013 the Office for Competition and Consumer Protection instigated proceedings against TAURON Sprzedaż Sp. z o.o., the objective of which was to determine whether the Act on competition and consumer protection was breached in reservation agreements for the sale of electricity, including restricted financial covenants. The company provided all documents requested and commented on statements included in the letter.

In its letter dated 7 May 2013 the Office for Competition and Consumer Protection notified TAURON Sprzedaż Sp. z o.o. of the instigation of the explanatory proceedings with respect to determination if the ability to terminate an agreement for sale of electricity in the "Good Decision 2014" product offer was limited for contractors of TAURON Sprzedaż Sp. z o.o., which, in turn, would be in breach of the Act of 16 February 2007 on competition and consumer protection (Journal of Laws of 2007, No. 50, item 331, as amended).Explanatory proceedings were aimed at preliminary determination if the Act in question has been breached, which would justify initiating antimonopoly proceedings. In particular, the proceedings were to decide whether the case is of antimonopoly nature and if the breach has occurred which would justify instigation of proceedings to prohibit applying practices violating collective consumers' interests. The company provided all documents requested and commented on statements included in the letter.

In its letter dated 10 July 2013 the Office for Competition and Consumer Protection notified TAURON Sprzedaż Sp. z o.o. of the instigation of the explanatory proceedings with respect to determination whether the actions of the company related to concluding agreements for sale of electricity under the "Fixed Price Guaranteed" product offer through the call center were in breach of the Act of 16 February 2007 on competition and consumer protection (Journal of Laws of 2007, No. 50, item 331, as amended). The response to the letter is in preparation.

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

TAURON Sprzedaż GZE Sp. z o.o.

In its letter dated 23 April 2013 the Office for Competition and Consumer Protection instigated proceedings against TAURON Sprzedaż GZE Sp. z o.o., the objective of which was to determine whether the Act on competition and consumer protection was breached in reservation agreements for the sale of electricity, including restricted financial covenants.

The company's Management believe that the probability of an unfavorable outcome of the above-mentioned cases is low, hence no provision has been recognized for these events.

Claims filed by Huta Łaziska S.A.

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

Recently, GZE has been a party to court disputes with Huta Łaziska S.A. resulting mainly from the latter's failure to fulfill its obligation to pay the amounts due for electricity supplies, which led to discontinuation of electricity supplies to Huta Łaziska by GZE in 2001.

Based on a decision of 12 October 2001, the President of the Energy Regulatory Office ordered GZE to resume electricity supplies to Huta on such terms as set out in the agreement of 30 July 2001, at the price of PLN 67/MWh until the date of final resolution of the dispute, and on 14 November 2001 the dispute was finally resolved pursuant to a decision stating that discontinuation of electricity supplies was not unjustified. Huta appealed against that decision. On 25 July 2006, the Court of

Appeals in Warsaw passed a final judgment ending the dispute over the decision of the President of the Energy Regulatory Office dated 14 November 2001. Huta filed a cassation appeal against the judgment of the Court of Appeals, which was dismissed by the judgment of the Supreme Court dated 10 May 2007.

Due to discontinuation of electricity supplies, Huta has raised a claim against GZE for damages amounting to PLN 182 060 thousand. Currently, an action is pending under Huta's suit of 12 March 2007 against GZE and the State Treasury represented by the President of the Energy Regulatory Office for the payment of PLN 182 060 thousand together with interest from the date of filing the suit to the date of payment, in respect of damages for alleged losses resulting from GZE's failure to comply with the decision of the President of the Energy Regulatory Office dated 12 October 2001. In this case, the courts of the first and second instance passed judgments favorable for GZE; however, in its judgment of 29 December 2011 the Supreme Court overruled the judgment of the Court of Appeals and remanded the case for reexamination by that Court. On 5 June 2012, the Court of Appeals overruled the judgment of the Regional Court and remanded the case for reexamination by the latter. The first hearing before the first instance court was held on 27 November 2012. The next court hearing is planned for 13 November 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 those claims.

Compensation for stranded costs

As a result of the Act of 29 June 2007 on the Principles for covering costs incurred by electricity generators due to early termination of Long-term Power Puchase Agreements (Journal of Laws of 2007, No. 130, item 905 – "the PPA Act") coming into effect, TAURON Wytwarzanie S.A. volunteered to join the program of early termination of long-term contracts on the sale of power and electricity by signing an agreement to terminate such contracts. Signing of such an agreement provides a basis for electricity generators to receive funds to finance their expenses that are not covered by the income derived from the sale of generated electricity, power capacity and system-related services on a competitive market after early termination of PPAs, resulting from the expenditures incurred by such companies for assets related to electricity generation before 1 May 2004.

In line the adopted accounting policy and a financial model designed TAURON Wytwarzanie S.A. recognized the total revenue from compensation of PLN 2 095 800 thousand in 2008 - 2012. The year 2012 was the last year when the Group recognized revenue due to compensation of stranded costs. In the first quarter of 2013, TAURON Wytwarzanie S.A. received advance payment of PLN 38 263 thousand for the fourth quarter of 2012. As at 30 June 2013 TAURON Wytwarzanie S.A. had receivables from compensation for terminating PPA of PLN 495 944 thousand resulting from the estimated amount of the annual stranded cost adjustment for 2012 and the estimated settlement of the final stranded cost adjustment.

Information on the amount of stranded costs adjustment for 2008-2012:

- for 2008:

In 2008 TAURON Wytwarzanie S.A. recognized PLN 192 163 thousand of revenue due to compensation for termination of PPAs. Under the decision of the President of the Energy Regulatory Office dated 31 July 2009, the company was obligated to return an amount of PLN 159 508 thousand to Zarządca Rozliczeń S.A. by 30 September 2009. The President of URE, giving reasons for his decision, noted that the selling price included by the company in the calculation of compensation for stranded costs does not meet the criterion for a selling price of electricity on a competitive market, as majority of sales transactions had been made within the TAURON Polska Energia S.A. Capital Group. In addition, the President of URE challenged the inclusion of the value of provision for missing CO2 emission allowances in the calculation of stranded costs due to the deficit of such allowances in 2008.

As a result of appeal proceedings based on the judgments of: the Regional Court in Warsaw, the Court for Competition and Consumers Protection dated 26 May 2010 and of the Court of Appeal in Warsaw dated 25 April 2012, which modified the President of URE's decision, the company received an adjustment to stranded costs for 2008 from Zarządca Rozliczeń S.A. in Warsaw amounting to PLN 158 842 thousand. The President of URE lodged a cassation appeal against the judgment with the Court of Appeals in Warsaw on 24 September 2012. On 25 October 2012 the cassation appeal was served to a law firm representing TAURON Wytwarzanie S.A. On 8 November 2012 TAURON Wytwarzanie S.A. file a response to the appeal to the Supreme Court (through the Court of Appeals in Warsaw) requesting the Court to refuse to accept the appeal for reexamination and in case it is accepted, to dismiss the appeal as being unjustified.

On 21 June 2013, the Supreme Court overruled the cassation appeal against the judgment filed by the President of the Energy Regulatory Office. Supreme Court's decision cannot be appealed against. Consequently, the dispute proceedings initiated by the company by appealing against the decision of the President of URE determining the annual stranded cost adjustment for the company for 2008 was finally closed in line with the company's intention. The decision does not directly affect the performance and financial condition of TAURON Polska Energia S.A. Capital Group, as the annual adjustment for 2008 in line with the company's request was paid out after the judgment had been issued.

(PLN '000)

- for 2009 - 2011:

In 2009 – 2011 TAURON Wytwarzanie S.A. recognized PLN 1 336 625 thousand of revenue due to compensation for termination of PPAs.

- for 2012:

In 2012 the Group recognized PLN 567 012 thousand of revenue due to compensation for termination of PPAs. On 31 July 2013 the President of the Energy Regulatory Office issued a decision whereby the amount of the annual stranded cost adjustment for 2012 to be received by TAURON Wytwarzanie S.A. is PLN 423 091 thousand. The funds due to the annual adjustment will be paid to the company by 30 September 2013. By 31 August 2013 the President of the Energy Regulatory Office will issue an administrative decision determining the value of the final stranded cost adjustment. The funds due to the final annual adjustment will be paid to the company or returned by the company to Zarządca Rozliczeń S.A. by 31 December 2013. The difference between the projected and the actual total annual adjustment and final adjustment of stranded costs will affect the financial profit or loss of the Group for 2013, which will be presented in the interim consolidated financial statements for the period of 9 months ended 30 September 2013.

	6-month period ended 30 June 2013 or as at 30 June 2013 *(unaudited)*	**6-month period ended 30 June 2012 *(unaudited)* or as at 31 December 2012**
Revenue from compensations for terminated PPAs	-	276 611
Cash inflows generated from compensations concerning terminated PPAs	38 263	238 595
Receivables from compensations for terminated PPAs at the balance sheet date	495 944	534 207

Excise duty

In view of the differences between the Polish and EU regulations concerning excise duty on electricity, on 11 February 2009 power and heat and power plants from the TAURON Capital Group filed tax return adjustment forms with requests for stating excise duty overpayment for the years 2006-2008 and for January and February 2009. The total overpayment amount stipulated in the requests was ca. PLN 901 428 thousand (interest excluded). Proceedings concerning individual companies from the TAURON Capital Group have been carried out before competent Customs Chambers and Regional Administrative Courts.

The Ministry of Finance, however, claims that such reimbursement would entail groundless enrichment of generators, which makes it unjustified. Such viewpoint is supported by a resolution adopted by all members of the Chamber of Commerce of the Supreme Administrative Court dated 22 June 2011 stating that "excise duty amount paid due to the sale of electricity shall not be considered excise duty overpayment in case it has not resulted in a loss in assets of the payer". Consequently, the reimbursement of the excise duty is uncertain.

At the same time, certain contractors of the TAURON Capital Group have lodged claims against energy traders concerning adjustment of sales prices of electricity. In their claims they argued that the electricity price had included the excise duty, which should be reimbursed to electricity buyers by the State Treasury.

As the final outcome of this dispute is highly unpredictable, the Group has not recognized any effects of possible reimbursement of excise duty overpayment or claims and possible claims of electricity buyers in these interim condensed consolidated financial statements.

The following events related to this case occurred in the 6-month period ended 30 June 2013:

- a cassation appeal against a judgment of the Regional Court in Gliwice dated 19 November 2012 was filed to the Supreme Administrative Court on 18 February 2013 (amount claimed: ca. PLN 313 000 thousand);
- a cassation appeal against three decisions of the Director of the Customs Chamber in Katowice dated 30 April 2013 was filed to the Regional Administrative Court in Gliwice on 5 June 2013 (amount claimed: ca. PLN 209 000 thousand);

The status of the remaining contingent liabilities has not changed considerably comparing to that presented in the consolidated financial statements for the year ended 31 December 2012.

(PLN '000)

27. Collateral against liabilities

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

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

Carrying amount of assets pledged as collateral against liabilities

	As at 30 June 2013 *(unaudited)*	As at 31 December 2012
Real estate	196 609	728 953
Plant and equipment	48 246	50 231
Motor vehicles	700	950
Cash	33 812	20 796
Other	-	437
Total assets pledged as security for liabilities	**279 367**	**801 367**

The decrease of the carrying amount of real estate securing repayment of liabilities during the 6-month period ended 30 June 2013 results from the fact that TAURON Wytwarzanie S.A. had repaid the total amount of the loan granted by the National Fund for Environmental Protection and Water Management in December 2012. The collateral with the value of PLN 528 000 thousand was released in 2013.

Other forms of collateral

The Group also uses other forms of collateral to secure payment of liabilities, of which the most significant ones as at 30 June 2013 related to loans taken out by TAURON Wytwarzanie S.A. were: authorizations to bank accounts – PLN 20 000 thousand and blank promissory notes for PLN 63 488 thousand. Loans taken out by TAURON Dystrybucja S.A. were secured by granting authorizations to dispose of the funds in borrowers' bank accounts up to the balance of the outstanding loan plus interest and other amounts due to the bank – a total of PLN 37 784 thousand as at 30 June 2013. In order to secure proper performance of the contract and of the agreements signed by the company, including those relating to the funding of investment projects, TAURON Dystrybucja S.A. issued blank promissory notes (for the total amount of PLN 94 430 thousand). Elektrociepłownia Tychy S.A. (currently TAURON Ciepło S.A.) issued a blank promissory note for an amount of PLN 92 383 thousand to secure the sale and leaseback agreement signed in 2007. This agreement is additionally secured by the assignment of receivables, assignment of rights under insurance policies, mortgage on real estate, machinery and equipment (in the table above) and authorization to debit bank accounts.

Under the bond issue scheme, the parent has made a declaration of submission to enforcement:

- up to PLN 1 560 000 thousand by 31 December 2016;
- up to PLN 6 900 000 thousand by 31 December 2018.

As at 30 June 2013, overdraft facility agreements were collateralized by TAURON Polska Energia S.A. with authorizations to debit bank accounts:

- up to PLN 300 000 thousand – facility provided by Polska Kasa Opieki S.A. (cash pool financing);
- up to EUR 26 500 thousand (PLN 114 724 thousand) – facility provided by NORDEA Bank Finland plc.

With a view to collateralizing the facility provided by Polska Kasa Opieki S.A., the Company has also submitted a declaration of submission to enforcement up to PLN 360 000 thousand, valid until 31 December 2017.

With a view to collateralizing a framework bank guarantee agreement with PKO Bank Polski S.A., TAURON Polska Energia S.A. submitted a declaration of submission to enforcement up to PLN 125 000 thousand, with the maximum validity term until 31 December 2017. Additionally, the agreement has been collateralized by an authorization to debit the bank account maintained by PKO Bank Polski S.A. As at 30 June 2013, the maximum amount of the agreed guarantee limit was PLN 100 000 thousand. The agreement is valid until 31 December 2016.

As at 30 June 2013, PKO Bank Polski S.A. had given bank guarantees at the request of the Company in order to collateralize liabilities of the subsidiaries of TAURON Polska Energia S.A. totaling PLN 1 846 thousand and to collateralize transactions entered into by the Company:

- up to PLN 80 000 thousand – a guarantee for Izba Rozliczeniowa Giełd Towarowych S.A., valid until 30 September 2013;
- up to EUR 800 thousand (PLN 3 463 thousand) – a guarantee for CAO Central Allocation Office GmbH, valid until 3 February 2014.

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

Under the agreement, the bank has given a bank guarantee of PLN 150 000 thousand valid until 30 September 2013, at the request of the Company.

The validity of collateral in the form of a surety given by TAURON Wytwarzanie S.A. to Izba Rozliczeniowa Giełd Towarowych S.A. (IRGIT) for the Company's liabilities at the Polish Power Exchange up to PLN 145 000 thousand and a freeze on EUA emission allowances in the KRUE Register, held by TAURON Wytwarzanie S.A. (10 000 tons), expired on 31 March 2013.

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

28. Capital commitments

As at 30 June 2013, the Group committed to incur expenditures for property, plant and equipment in the amount of PLN 1 968 131 thousand. As at 31 December 2012 the expenditure amounted to PLN 1 717 934, and the largest items in both periods included:

- the capital commitment of PLN 117 918 thousand relating to boiler adaptation in the Jaworzno III Power Plant, being the property of TAURON Wytwarzanie S.A., to reduce emission of greenhouse gases. As at 31 December 2012, the commitment amounted to PLN 132 722 thousand;
- the capital commitment of TAURON Dystrybucja S.A. amounting to PLN 83 900 thousand and relating to the reconstruction of the Groszowice-Hermanowice high-voltage transmission line including construction of optical fiber. The commitment amount has not changed comparing to 31 December 2012;
- the capital commitment of BELS INVESTMENT Sp. z o.o. in the amount of PLN 72 851 thousand relating to construction of the Wicko wind farm. As at 31 December 2012, the commitment amounted to PLN 156 011 thousand.
- the capital commitment of MEGAWAT MARSZEWO Sp. z o.o. in the amount of PLN 57 336 thousand relating to construction of the Marszewo wind farm and turbine supply. As at 31 December 2012, the commitment amounted to PLN 194 351 thousand.

29. Related party disclosures

29.1. Transactions with jointly-controlled entities

The Group has two jointly-controlled entities: Elektrociepłownia Stalowa Wola S.A. and Elektrownia Blachownia Nowa Sp. z o.o., which have been presented in detail in Note 15 hereto.

(PLN '000)

29.2. Transactions with State Treasury companies

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

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

Revenue and expenses

	6-month period ended 30 June 2013 *(unaudited)*	6-month period ended 30 June 2012 *(unaudited)*
Revenue	1 028 879	1 087 188
Costs*	(1 597 615)	(1 827 774)

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

Receivables and liabilities

	As at 30 June 2013 *(unaudited)*	As at 31 December 2012
Receivables	211 614	302 588
Payables	258 685	588 194

Among the State Treasury companies, the following were the largest clients of the TAURON Polska Energia S.A. Group during the 6-month period ended 30 June 2013: KGHM Polska Miedź S.A., PSE S.A., PKP Energetyka S.A., Kompania Węglowa S.A., Katowicki Holding Węglowy S.A. Total sales to these counterparties accounted for 75% of revenue from transactions with State Treasury companies. The largest purchase transactions were concluded by the Group with PSE S.A., Kompania Węglowa S.A. and Polska Grupa Energetyczna S.A. Purchases from these counterparties accounted for 82% of the value of purchases from State Treasury companies during the 6-month period ended 30 June 2013.

Among the State Treasury companies, the following were the largest clients of the TAURON Polska Energia S.A. Group during the 6-month period ended 30 June 2012: KGHM Polska Miedź S.A., PKP Energetyka S.A., Kompania Węglowa S.A, and PSE S.A. Total sales to these counterparties accounted for 75% of revenue from transactions with State Treasury companies. The largest purchase transactions were concluded by the Group with PSE Operator S.A. and Kompania Węglowa S.A. Purchases from these counterparties accounted for 74% of the value of purchases from State Treasury companies during the 6-month period ended 30 June 2012.

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

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

(PLN '000)

29.3. Executive compensation

The amount of compensation and other benefits granted to the Management Board, Supervisory Boards and other key executives of the parent and subsidiaries in the 6-month period ended 30 June 2013 and in the comparative period has been presented in the table below.

	6-month period ended 30 June 2013 *(unaudited)*		6-month period ended 30 June 2012 *(unaudited)*	
	Parent	Subsidiaries	Parent	Subsidiaries
Board of Directors	**3 860**	**14 481**	**4 099**	**10 923**
Short-term employee benefits (salaries and surcharges)	3 421	13 705	3 605	10 512
Jubilee bonuses	-	-	-	28
Post-employment benefits	-	398	-	167
Employment termination benefits	-	129	-	59
Other	439	249	494	157
Supervisory Board	**468**	**657**	**468**	**637**
Short-term employee benefits (salaries and surcharges)	468	587	468	588
Other	-	70	-	49
Other key management personnel	**6 359**	**21 219**	**4 833**	**21 904**
Short-term employee benefits (salaries and surcharges)	5 777	20 716	4 333	21 342
Jubilee bonuses	-	263	-	361
Post-employment benefits	63	114	84	28
Employment termination benefits	-	-	-	48
Other	519	126	416	125
Total	**10 687**	**36 357**	**9 400**	**33 464**

30. Financial instruments

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

The fair value of the financial instruments held by the Group as at 30 June 2013 and 31 December 2012 did not significantly differ from their value presented in the financial statements for the respective periods, due to the following reasons:

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

The carrying amount and fair value of individual classes and categories of financial instruments as at 30 June 2013 and 31 December 2012 have been presented in the tables below.

Categories and classes of financial assets	As at 30 June 2013 *(unaudited)*		As at 31 December 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
1 Assets at fair value through profit or loss	**5 447**	**5 447**	**472**	**472**
Shares in unlisted and listed companies (current)	-	-	6	6
Derivative instruments	5 447	5 447	466	466
2 Financial assets available for sale	**155 426**	**4 969**	**156 974**	**3 813**
Shares in unlisted and listed companies (non-current)*	144 484	-	148 222	-

(PLN '000)

Shares in unlisted and listed companies (current)*	5 973	-	4 939	-
Investment fund units	2 369	2 369	2 388	2 388
Bonds, T-bills and other debt securities	2 600	2 600	1 425	1 425
3 Loans and receivables	**2 812 931**	**2 812 931**	**3 190 115**	**3 190 115**
Trade receivables	1 777 435	1 777 435	2 199 577	2 199 577
Deposits	30 326	30 326	26 219	26 219
Loans granted	184 670	184 670	117 813	117 813
Other	820 500	820 500	846 506	846 506
4 Financial assets excluded from the scope of IAS 39	**48 079**	**-**	**51 986**	**-**
Investments in joint ventures recognised using the equity method*	48 079	-	51 986	-
5 Cash and cash equivalents	**912 712**	**912 712**	**1 030 929**	**1 030 929**
Total financial assets, including in the statement of financial position:	**3 934 595**		**4 430 476**	
Non-current assets	**425 256**		**357 430**	
Investments in joint ventures recognised using the equity method	48 079		51 986	
Other financial assets	377 177		305 444	
Current assets	**3 509 339**		**4 073 046**	
Trade and other receivables	2 585 447		3 036 695	
Other financial assets	11 180		5 422	
Cash and cash equivalents	912 712		1 030 929	

**The Group is unable to reliably estimate the fair value of shares held in companies which are not listed on active markets. They are measured at cost less impairment losses as at the end of the reporting period.*

Categories and classes of financial liabilities	As at 30 June 2013 *(unaudited)*		As at 31 December 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
1 Financial liabilities at fair value through profit or loss	**42**	**42**	**552**	**552**
Derivative instruments	42	42	552	552
2 Financial liabilities measured at amortized cost	**7 444 280**	**7 444 280**	**8 146 211**	**8 146 211**
Preferential loans	97 513	97 513	99 100	99 100
Arm's length loans	1 414 619	1 414 619	979 372	979 372
Bank overdrafts	60 973	60 973	129 566	129 566
Issued debentures and other debt securities	4 320 289	4 320 289	4 301 834	4 301 834
Trade payables	954 341	954 341	1 399 019	1 399 019
Other financial liabilities	86 871	86 871	82 459	82 459
Commitments resulting from purchases of fixed and intangible assets	388 151	388 151	966 768	966 768
Salaries and wages	110 640	110 640	161 150	161 150
Insurance contracts	10 883	10 883	26 943	26 943
3 Liabilities under guarantees, factoring and excluded from the scope of IAS 39	**49 536**	**49 536**	**56 278**	**56 278**

(PLN '000)

Obligations under finance leases and hire purchase contracts	49 536	49 536	56 278	56 278
4 Derivative hedging instruments (liabilities)	**157 981**	**157 981**	**190 666**	**190 666**
Total financial liabilities, including in the statement of financial position:	**7 651 839**		**8 393 707**	
Long-term liabilities	**5 734 742**		**5 423 162**	
Interests bearing loans and borrowings	5 606 826		5 222 882	
Finance lease and hire purchase commitments	34 874		41 796	
Trade payables and other financial liabilities	9 180		7 890	
Derivative instruments	83 862		150 594	
Short-term liabilities	**1 917 097**		**2 970 545**	
Trade and other payables	1 541 706		2 628 449	
Derivative instruments	74 161		40 624	
Current portion of interest-bearing loans and borrowings	286 568		286 990	
Current portion of finance lease and hire purchase commitments	14 662		14 482	

30.2. Fair value hierarchy

Classes of financial instruments	As at 30 June 2013 *(unaudited)*	
	Level 1	Level 2
Assets		
Commodity-related derivatives	776	-
Currency derivatives	-	4 671
Investment fund units	2 369	-
Bonds, T-bills and other debt securities	2 600	-
Liabilities		
Commodity-related derivatives	42	-
IRS derivatives	-	157 981

Classes of financial instruments	As at 31 December 2012	
	Level 1	Level 2
Assets		
Shares in unlisted and listed companies	6	-
Commodity-related derivatives	466	-
Investment fund units	2 388	-
Bonds, T-bills and other debt securities	1 425	-
Liabilities		
Currency derivatives	-	552
IRS derivatives	-	190 666

The method of estimating the fair value of derivatives has not changed since 31 December 2012.

30.3. Description of items included in each class of financial instruments

Available-for-sale financial assets

As at 30 June 2013 available-for-sale financial assets included mainly shares in the following companies:

- shares in Spółka Ciepłowniczo-Energetyczna Jaworzno III Sp. z o.o. with a value of PLN 35 694 thousand;
- shares in Przedsiębiorstwo Energetyki Cieplnej Tychy Sp. z o.o. with a value of PLN 31 608 thousand;
- shares in Knauf Jaworzno III Sp. z o.o. with a value of PLN 19 857 thousand.

Loans and receivables

Trade and other receivables have been presented in detail in Note 18 hereto.

Long-term loans of PLN 184 670 thousand include a loan granted to Elektrociepłownia Stalowa Wola S.A., along with accrued interest, as presented in Note 15 hereto.

The key item of loans and receivables are receivables due to compensation for termination of Long-term Power Purchase Agreements (PPAs) of PLN 495 944 thousand.

Financial liabilities measured at amortized cost

Liabilities due to credit facilities and loans have been presented in detail in Note 21.1 hereto.

Liabilities due to bonds issued have been presented in detail in Note 21.2 hereto.

Hedging derivative instruments (relating to liabilities)

Derivative instruments hedging interest cash flows from bonds issued have been presented in detail in Note 20.3.

31. Objective and principles of financial risk management

The objective and principles of financial risk management have not changed since 31 December 2012.

As at 30 June 2013, the parent concluded hedging transactions subject to financial risk management policy aimed at hedging interest cash flows from bonds issued. The parent applies hedge accounting to the aforementioned transactions. The accounting treatment of the aforementioned hedging transactions has been presented in detail in Note 20.3.

32. Finance management

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

33. Significant items of the consolidated statement of cash flows

Acquisition of property, plant and equipment and intangible assets

Expenditure related to the acquisition of property, plant and equipment and intangible assets of PLN 1 846 214 thousand were related to the acquisition of property, plant and equipment for PLN 1 249 975 thousand in the 6-month period ended 30 June 2013, which has been presented in detail in Note 13 hereto. The amount was adjusted by change in investment liabilities, excluding VAT in the amount of PLN 477 469 thousand.

Originated loans

In the 6-month period ended 30 June 2013, the Group disclosed payments related to investing activities due to origination of loans to Elektrociepłownia Stalowa Wola S.A. in the total amount of PLN 79 550 thousand by the parent. The transaction has been presented in detail in note 15.

Proceeds from credit facilities and loans obtained by the Company

Proceeds from credit facilities and loans of PLN 451 180 thousand disclosed in the consolidated statement of cash flows result mainly from credit facilities totaling PLN 450 000 thousand granted by the European Investment Bank to the parent, which has been presented in detail in note 21.1.

Interest paid

In the 6-month period ended 30 June 2013, interest paid by the Group due on credit facilities, loans, debt securities and finance lease totaled PLN 127 987 thousand. The Group discloses in the consolidated statement of cash flows borrowing costs capitalized in the current period for asset financing as expenditure for acquisition of property, plant and equipment and intangible assets in cash flows from investing activities.

34. Events after the end of the reporting period

Concluding bond issue scheme agreements

On 31 July 2013 the Company, ING Bank Śląski S.A., Bank Polska Kasa Opieki S.A. and BRE Bank S.A. entered into a bond issue scheme agreement ("Agreement") concerning bonds of TAURON Polska Energia S.A. for the maximum amount of PLN 5 000 000 thousand. The Agreement was concluded for the period of 3 years from the agreement date. Securities issued under the scheme will be dematerialized, unsecured, discount or coupon bonds. The par and the issue value of one bond will be determined in time of issue and the interest rate will be determined individually for each tranche in the offering process. The maturity period of bonds ranges from one month to 10 years.

At the same time, on 31 July 2013 the Company and Bank Gospodarstwa Krajowego entered into underwriting, agency and deposit agreements constituting the long-term bond issue scheme for TAURON Polska Energia S.A. with the value of PLN 1 000 000 thousand. The bonds issued will be dematerialized, unsecured and coupon bonds. In 2013 the Company is entitled to issue bonds with the total par value not to exceed 500 000 thousand, while in 2014 and 2015 the maximum total par value of bonds issued cannot exceed the scheme amount less the par value of bonds issued in 2013. Bonds will be available until 31 December 2015 and they will redeemed in annual periods, from 20 December 2019 to 20 December 2028 in equal amounts of PLN 100 000 thousand. The interest rate is floating based on WIBOR 6M plus bank markup. Bonds will be underwritten Bank Gospodarstwa Krajowego, i.e. the scheme underwriter will be obliged to buy bonds issued by the Company.

The funds from the bond issue will be used to finance capital expenditure of the TAURON Group.

Decision concerning the annual adjustment of stranded costs for 2012

On 31 July 2013 the President of the Energy Regulatory Office issued a decision whereby the amount of the annual stranded cost adjustment for 2012 to be received by TAURON Wytwarzanie S.A. is PLN 423 091 thousand. The amount is the same at that requested by the company. Detailed information concerning compensation for stranded costs has been presented in Note 26.

These interim condensed consolidated financial statements of the TAURON Polska Energia S.A. Capital Group, prepared for the 6-month period ended 30 June 2013 in accordance with International Accounting Standard 34 have been presented on 62 consecutive pages.

Katowice, 13 August 2013

Dariusz Lubera	President of the Management Board	…………..........………..……………..
Joanna Schmid	Vice-President of the Management Board	……………………………........………..
Dariusz Stolarczyk	Vice-President of the Management Board	……………......………………………
Krzysztof Zawadzki	Vice-President of the Management Board	……………………………….......…….

INDEPENDENT AUDITORS' REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS OF TAURON POLSKA ENERGIA S.A. FOR THE FIRST HALF OF 2013

AUGUST 2013

AUDITOR’S REPORT ON THE REVIEW OF THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY 2013 TO 30 JUNE 2013

To the Shareholders and Supervisory Board of TAURON Polska Energia S.A.

We have reviewed the attached interim condensed financial statements of TAURON Polska Energia S.A. with its registered office in Katowice at ks. Piotra Ściegiennego 3 Street, including an interim condensed statement of financial position prepared as of 30 June 2013, interim condensed statement of comprehensive income, interim condensed statement of changes in equity, interim condensed statement of cash flows for the period from 1 January 2013 to 30 June 2013 and additional explanatory information.

Compliance of these interim condensed financial statements with the requirements laid down in IAS 34 “Interim Financial Reporting” as endorsed by the European Union (“IAS 34”) and with other regulations in force is the responsibility of the Management Board and Supervisory Board of the Company. Our responsibility was to review the financial statements.

Our review has been conducted in accordance with the national auditing standards issued by the National Council of Statutory Auditors. These Standards require that we plan and conduct the review in such a way as to obtain reasonable assurance that the interim condensed financial statements are free from material misstatement.

Our review has been conducted mainly based on an analysis of data included in the interim condensed financial statements, examination of the accounting records as well as information provided by the management and the financial and accounting personnel of the Company.

The scope and methodology of a review of interim condensed financial statements differs significantly from an audit, which serves as the basis for expressing an opinion on compliance of annual financial statements with the applicable accounting principles (policy) and an opinion on their fairness and clarity. Therefore, no such opinion on the attached financial statements may be issued.

Based on our review, we have not identified any issues which would prevent us from concluding that the interim condensed financial statements have been prepared, in all material respects, in compliance with the requirements laid down in IAS 34 as endorsed by the European Union.

....

Artur Maziarka
Key certified auditor
conducting the review
No. 90108

On behalf of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. (formerly: Deloitte Audyt Sp. z o.o.) – entity authorized to audit financial statements entered under number 73 on the list kept by the National Council of Statutory Auditors:

....

Artur Maziarka – Vice-President of the Management Board of Deloitte Polska Sp. z o.o. - which is the General Partner of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k.

Warsaw, 13 August 2013

The above auditor's report on the review is a translation from the original Polish version.
In case of any discrepancies between the Polish and English version, the Polish version shall prevail.

TAURON POLSKA ENERGIA S.A.

INTERIM CONDENSED
FINANCIAL STATEMENTS
PREPARED ACCORDING TO THE INTERNATIONAL
FINANCIAL REPORTING STANDARDS
FOR THE 6-MONTH PERIOD
ENDED 30 JUNE 2013

AUGUST 2013

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(PLN '000)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Note	6-month period ended 30 June 2013 *(unaudited)*	6-month period ended 30 June 2012 *(unaudited restated figures)*
Continuing operations			
Sale of goods for resale, finished goods and materials without elimination of excise		5 519 808	4 822 528
Excise		(5 712)	(5 496)
Sale of goods for resale, finished goods and materials		5 514 096	4 817 032
Rendering of services		43 899	22 887
Sales revenue	**9**	**5 557 995**	**4 839 919**
Cost of sales	**9**	(5 283 539)	(4 752 936)
Gross profit		**274 456**	**86 983**
Other operating income		1 547	491
Selling and distribution expenses		(25 255)	(11 547)
Administrative expenses		(52 836)	(50 048)
Other operating expenses		(2 553)	(1 137)
Operating profit		**195 359**	**24 742**
Dividend income		1 500 627	1 550 613
Finance income	**32**	139 079	83 109
Finance costs		(171 881)	(151 756)
Profit before tax		**1 663 184**	**1 506 708**
Income tax	**10**	(16 347)	(44 771)
Net profit from continuing operations		**1 646 837**	**1 461 937**
Net profit for the period		**1 646 837**	**1 461 937**
Other comprehensive income:			
Other comprehensive income subject to reclassification to profit or loss:		**36 844**	**(40 141)**
Change in the value of hedging instruments		36 844	(40 141)
Income tax expense relating to other comprehensive income items		-	-
Other comprehensive income not subject to reclassification to profit or loss:		**8**	**33**
Actuarial gains/(losses) related to provisions for post-employment benefits		8	33
Income tax expense relating to other comprehensive income items		-	-
Other comprehensive income for the period, net of tax	**21**	**36 852**	**(40 108)**
Total comprehensive income for the period		**1 683 689**	**1 421 829**
Earnings per share (in PLN)			
- basic and diluted, for profit for the period		0,94	0,83
- basic and diluted, for profit from continuing operations for the period		0,94	0,83

The notes to the interim condensed financial statements form an integral part hereof

(PLN '000)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2013 *(unaudited)*	As at 31 December 2012
ASSETS			
Non-current assets			
Property, plant and equipment	**12**	12 759	20 786
Intangible assets	**13**	49 168	53 053
Shares	**14**	20 185 800	20 184 404
Bonds and other debt securities	**15**	4 590 000	2 615 000
Loans granted	**16**	184 670	117 802
Other financial assets		240	-
Other non-financial assets		5 567	6 599
		25 028 204	**22 997 644**
Current assets			
Intangible assets	**17**	59 692	113 302
Inventories	**18**	93 854	176 172
Corporate income tax receivables		22 726	-
Trade and other receivables	**19**	1 019 789	1 460 484
Bonds and other debt securities	**15**	37 971	40 261
Derivative instruments		5 207	466
Other non-financial assets		5 820	59 319
Cash and cash equivalents	**20**	812 979	910 421
		2 058 038	**2 760 425**
TOTAL ASSETS		**27 086 242**	**25 758 069**

The notes to the interim condensed financial statements form an integral part hereof

(PLN '000)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION – CONTINUED

	Note	As at 30 June 2013 *(unaudited)*	As at 31 December 2012
EQUITY AND LIABILITIES			
Equity			
Issued capital	**21.1**	8 762 747	8 762 747
Reserve capital	**21.3**	9 037 699	7 953 021
Revaluation reserve from valuation of hedging instruments	**21.4**	(152 912)	(189 756)
Retained earnings/Accumulated losses		1 727 653	1 515 996
Total equity		**19 375 187**	**18 042 008**
Non-current liabilities			
Interest-bearing loans and borrowings	**22**	5 535 474	5 125 082
Liabilities under finance leases		216	480
Derivative instruments		83 862	150 594
Provisions for employee benefits		4 665	4 605
Accruals, deferred income and government grants		71	95
		5 624 288	**5 280 856**
Current liabilities			
Current portion of interest-bearing loans and borrowings	**22**	1 121 858	1 392 660
Current portion of liabilities under finance leases		540	510
Trade and other payables		732 170	723 253
Derivative instruments		74 161	40 624
Provisions for employee benefits		1 150	1 166
Other provisions	**23**	71 874	119 038
Accruals, deferred income and government grants		8 781	10 532
Income tax payable		-	54 057
Other non-financial liabilities		76 233	93 365
		2 086 767	**2 435 205**
Total liabilities		**7 711 055**	**7 716 061**
TOTAL EQUITY AND LIABILITIES		**27 086 242**	**25 758 069**

The notes to the interim condensed financial statements form an integral part hereof

(PLN '000)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

6-month period ended 30 june 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		-	-	-	1 646 837	**1 646 837**
Other comprehensive income	**21**	-	-	36 844	8	**36 852**
Total comprehensive income for the period		**-**	**-**	**36 844**	**1 646 845**	**1 683 689**
Distrubution of prior years profits		-	1 084 678	-	(1 084 678)	**-**
Dividends paid	**11**	-	-	-	(350 510)	**(350 510)**
As at 30 June 2013 *(unaudited)*		**8 762 747**	**9 037 699**	**(152 912)**	**1 727 653**	**19 375 187**

6-month period ended 30 june 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 *(restated figures)*	**8 762 747**	**7 412 882**	**-**	**1 165 569**	**17 341 198**
Profit for the period	-	-	**-**	1 461 937	**1 461 937**
Other comprehensive income	-	-	(40 141)	33	**(40 108)**
Total comprehensive income for the period	**-**	**-**	**(40 141)**	**1 461 970**	**1 421 829**
Distrubution of prior years profits	-	540 139	-	(540 139)	**-**
Dividends paid	-	-	-	(543 290)	**(543 290)**
Setlement of GZE S.A. merger	-	-	-	(1 126)	**(1 126)**
As at 30 June 2012 *(unaudited restated figures)*	**8 762 747**	**7 953 021**	**(40 141)**	**1 542 984**	**18 218 611**

(PLN '000)

INTERIM CONDENSED STATEMENT OF CASH FLOWS

	Note	6-month period ended 30 June 2013 *(unaudited)*	6-month period ended 30 June 2012 *(unaudited restated figures)*
Cash flows from operating activities			
Profit /(loss) before taxation		1 663 184	1 506 708
Adjustments for:			
Depreciation and amortization		11 556	6 163
(Gain)/loss on foreign exchange differences		845	(94)
Interest and dividends, net		(1 456 903)	(1 478 315)
(Gain)/loss on investing activities		(2 494)	329
(Increase)/decrease in receivables		295 159	(257 553)
(Increase)/decrease in inventories		82 318	37 753
Increase/(decrease) in payables excluding loans and borrowings		(35 998)	273 206
Change in other non-current and current assets		104 441	17 244
Change in deferred income, government grants and accruals		(1 775)	(19)
Change in provisions		(47 112)	(102 381)
Income tax paid		(28 769)	(43 317)
Net cash generated from (used in) operating activities		**584 452**	**(40 276)**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment and intangible assets		10 810	188
Purchase of property, plant and equipment and intangible assets		(25 888)	(11 620)
Purchase of shares in unlisted and listed companies		(1 394)	(261 911)
Purchase of bonds and other debt securities	**31**	(3 440 000)	(1 772 999)
Redemption of bonds and other debt securities	**31**	1 465 000	370 099
Loans granted	**31**	(79 550)	(217 003)
Repayment of loans granted	**31**	132 140	342 012
Dividends received		1 500 627	1 550 613
Interest received		109 804	49 971
Other		-	(943)
Net cash generated from (used in) investing activities		**(328 451)**	**48 407**
Cash flows from financing activities			
Proceeds from loans and borrowings	**31**	450 000	510 000
Issue of debt securities		-	150 000
Dividends paid		(340 680)	-
Payment of finance lease liabilities		(252)	(316)
Interest paid		(124 563)	(130 302)
Commission paid		(3 481)	(1 742)
Net cash generated from (used in) financing activities		**(18 976)**	**527 640**

(PLN '000)

Net increase / (decrease) in cash and cash equivalents		**237 025**	**535 771**
Net foreign exchange difference		(845)	94
Cash and cash equivalents at the beginning of the period		**(393 520)**	**(115 048)**
Cash and cash equivalents at the end of the period, *of which*:	**20**	**(156 495)**	420 723
restricted cash		247 075	201 000

NOTES

1. General information

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

The Company's interim condensed financial statements cover the 6-month period ended 30 June 2013 and present comparative data for the 6-month period ended 30 June 2012 as well as figures as at 31 December 2012.

The data for the period ended 30 June 2013 and the comparative data for the period ended 30 June 2012, as contained herein, have been reviewed by a certified auditor. The comparative data as at 31 December 2012 have been audited by a certified auditor.

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

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

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

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

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

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

2. Basis for preparation of the interim condensed financial statements

These interim condensed financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS"), in particular, International Accounting Standard 34 ("IAS 34") and the IFRS as endorsed by the European Union ("EU"). As at the date of approval of these financial statements for publication, taking into account the IFRS implementation process in the EU and the Company's operations, as regards the accounting principles applied by the Company, the implemented IFRS do not differ from those endorsed by the EU, except for the revised IFRS 10, IFRS 11 and IFRS 12, which are planned to be adopted by the Company for the annual period beginning on 1 January 2014.

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

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

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

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

These interim condensed financial statements for the 6-month period ended 30 June 2013 were approved for publication on 13 August 2013.

The Company had also prepared the interim condensed consolidated financial statements for the 6-month period ended 30 June 2013, which were approved for publication by the Management Board on 13 August 2013.

These interim condensed financial statements are part of the consolidated report, which also includes the interim condensed consolidated financial statements for the 6-month period ended 30 June 2013.

3. Summary of significant accounting policies

The accounting principles (policy) adopted for the preparation of the interim condensed financial statements are consistent with those adopted for the preparation of the annual financial statements of TAURON Polska Energia S.A. for the year ended 31 December 2012, except for the following amendments to standards and new interpretations applicable to annual periods beginning on 1 January 2013:

- Revised IAS 1 Presentation of financial statements: Presentation of Items of Other Comprehensive Income – applicable to annual periods beginning on or after 1 July 2012;
- Revised IAS 12 Income Taxes: Recovery of Underlying Assets – applicable to annual periods beginning on or after 1 January 2012, in the EU – applicable to annual periods beginning on or after 1 January 2013 at the latest;
- Revised IFRS 1 First-time Adoption of International Financial Reporting Standards: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters – applicable to annual periods beginning on or after 1 July 2011, in the EU – applicable to annual periods beginning on or after 1 January 2013 at the latest;
- IFRS 13 Fair Value Measurement – applicable to annual periods beginning on or after 1 January 2013;
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine – applicable to annual periods beginning on or after 1 January 2013;
- Revised IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities – applicable to annual periods beginning on or after 1 January 2013;
- Revised IFRS 1 First-time Adoption of International Financial Reporting Standards: Government Loans – applicable to annual periods beginning on or after 1 January 2013;
- Amendments resulting from the IFRS improvements process (published in May 2012) – applicable to annual periods beginning on or after 1 January 2013.

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

4. New standards and interpretations already published, but not yet effective

The following standards and interpretations have been issued by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee, but are not yet effective:

- Phase 1 of IFRS 9 *Financial Instruments: Classification and Measurement* – applicable to annual periods beginning on or after 1 January 2015 – not endorsed by the EU by the date of approval of these financial statements. In subsequent phases, the International Accounting Standards Board will address such issues as hedge accounting and impairment. Adoption of phase 1 of IFRS 9 will exert an effect on classification and measurement of the Company's financial assets. The effect will be examined by the Company in connection with other phases, after they have been published, in order to present a consistent picture;
- Revised IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures: Mandatory Effective Date and Transition Disclosures,* published by IASB on 16 December 2011. The amendments defer the mandatory effective date from 1 January 2013 to 1 January 2015. They also exempt entities from the obligation to restate the comparative data in their financial statements due to adoption of IFRS 9;
- 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 is planning to adopt IFRS 10 for 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 is planning to adopt IFRS 11 for 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 is planning to adopt IFRS 12 for the annual period beginning on 1 January 2014;
- Revised IFRS 10, IFRS 11 and IFRS 12 *Transition Disclosures* – 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 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 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;

- Revised IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* – applicable to annual periods beginning on or after 1 January 2014;
- Revised IFRS 10, IFRS 12 and IAS 27 *Investment Vehicles* (published on 31 October 2012) – applicable to annual periods beginning on or after 1 January 2014 – not endorsed by the EU by the date of approval of these financial statements;
- Revised IAS 36 *Impairment of Assets: Disclosure of Recoverable Amount of Non-financial Assets* (published on 29 May 2013) – applicable to annual periods beginning on or after 1 January 2014 – not endorsed by the EU by the date of approval of these financial statements;
- IFRIC 21 *Levies* (published on 20 May 2013). IFRIC 21 is an interpretation of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* – applicable to annual periods beginning on or after 1 January 2014 – not endorsed by the EU by the date of approval of these financial statements.

Considered the planned adoption date of IFRS 10, IFRS 11 and IFRS 12 for the annual period beginning on 1 January 2014, as at the date of approval of these interim condensed financial statements for publication the Company had been analyzing the effect of the aforementioned IFRS on its accounting policies. According to the Management Board, the introduction of the remaining standards and interpretations, as specified above, will not exert a significant effect on the accounting principles (policy) adopted by the Company.

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

5. Changes to estimates

In the period covered by these interim condensed financial statements there have been no significant changes to estimates or the 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

Considering the tax losses forecast for the Company for 2013 and the following financial year, the deferred tax asset in the financial statements was recognized only up to the amount of the deferred tax liability i.e. in the amount of PLN 15 414 thousand. As at 30 June 2013, the unrecognized portion of the deferred tax asset amounted to PLN 45 114 thousand, out of which PLN 15 992 thousand was settled through profit or loss, and PLN 29 122 thousand through other comprehensive income. The change in the unrecognized deferred tax asset compared to 31 December 2012 (a decrease from PLN 62 729 thousand to PLN 45 114 thousand) resulted in an increase of PLN 10 614 thousand in the profit/loss for the period, accompanied by an increase of PLN 7 001 thousand in other comprehensive income.

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

Impairment tests for shares

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 anticipated economic slowdown, the Company tested its shares disclosed under non-current assets for impairment as at 30 June 2013. The aforementioned shares represent ca. 75% of the balance sheet total.

The test was conducted based on the present value of projected cash flows from operations of major companies, by reference to detailed projections for the period from the second half of 2013 to 2023 and the estimated residual value. Reliance on projections covering a period longer than 5 years results mainly from the fact that investment processes in the power industry are time-consuming. The macroeconomic and sector assumptions serving as the basis for projections are updated as frequently as any indications for their modification are observed in the market. Projections also take into account changes in the legal environment known as at the date of the test.

The level of the weighted average cost of capital (WACC) during the projection period, as used in the calculations, ranges from 8.10% to 9.18% in nominal terms before tax. The discount rate used for calculation reflects the weighted average cost of capital (WACC), taking into account the risk-free rate determined by reference to the yield on 10-year treasury bonds (4.2%) and the risk premium for operations appropriate for the power industry (6.0%). The growth rate used for extrapolation of projected cash flows beyond the detailed planning period is at the level of 2.5% and it corresponds to the estimated long-term inflation rate.

The key business assumptions affecting the estimated value in use of the tested companies are:

- the adopted price path of power coal, other coal sizes and gaseous fuels;
- the adopted electricity wholesale price path for 2014 - 2023, taking into account such factors as the effect of the balance of the market supply and demand for electricity, costs of fuel as well as costs of acquiring CO_2 emission allowances;
- emission limits in accordance with the derogation request submitted by the Polish government to the European Commission;
- green, red and yellow energy production volumes depending on the production capacity, along with the price path for individual energy certificates;
- settlement of the net-off related to early termination of long-term contracts based on a financial model valid as at the test date;
- regulated revenue generated by distribution companies, ensuring coverage of reasonable costs and a reasonable level of return on capital. The return on capital is conditional on the Regulatory Asset Value;
- the adopted electricity retail price path based on the wholesale price of black energy, taking into account the costs of excise duty, the obligation to cancel energy certificates as well as an appropriate level of margin;
- sales volumes taking into account GDP growth and increased market competition;
- tariff revenue generated by heat companies, ensuring coverage of reasonable costs and a reasonable level of return on capital;
- maintenance of or increase in the production capacity of the existing non-current assets as a result of replacement and development investments.

The results of the tests did not indicate the necessity to recognize any impairment losses on the Company's assets.

Sensitivity analyses conducted by the Company reveal that the projected prices of electricity and the adopted discount rates are the key factors exerting an effect on the projected cash flows of the major companies. According to the Company, no reasonably possible and highly probable change to any of the key assumptions made for the purpose of analyses will result in an increase in the carrying amount of the shares and the value of fixed assets over their recoverable amount.

(PLN '000)

6. Shares in related parties

As at 30 June 2013, TAURON Polska Energia S.A. held direct shares in the following major subsidiaries:

No.	Entity's name	Address	Core business	Direct share of TAURON in the entity's capital	Direct share of TAURON in the entity's governing body
1	TAURON Wytwarzanie S.A.	40-389 Katowice; ul. Lwowska 23	Production, transmission and distribution of electricity and heat	99,77%	99,79%
2	TAURON Dystrybucja S.A.	31-358 Kraków; ul. Jasnogórska 11	Distribution of electricity	99,70%	99,70%
3	TAURON Sprzedaż Sp. z o.o.	30-417 Kraków; ul. Łagiewnicka 60	Sales of electricity	100,00%	100,00%
4	TAURON Obsługa Klienta Sp. z o.o.[1]	53-128 Wrocław; ul. Sudecka 95-97	Services	100,00%	100,00%
5	TAURON Ekoenergia Sp. z o.o.	58-500 Jelenia Góra; ul. Obrońców Pokoju 2B	Generation and sales of electricity	100,00%	100,00%
6	Polska Energia Pierwsza Kompania Handlowa Sp. z o.o.	41-400 Mysłowice; Obrzeżna Północna 12	Sales of electricity	100,00%	100,00%
7	TAURON Ciepło S.A.	40-126 Katowice; ul. Grażyńskiego 49	Production and distribution of heat	91,79%	92,41%
8	TAURON Czech Energy s.r.o.	720 00 Ostrava; Na Rovince 879/C the Czech Republic	Sales of electricity	100,00%	100,00%
9	TAURON Sprzedaż GZE Sp. z o.o.	44-100 Gliwice; ul. Barlickiego 2a	Sales of electricity	100,00%	100,00%

[1] On 31 January 2013, a business combination of TAURON Obsługa Klienta Sp. z o.o. and TAURON Obsługa Klienta GZE Sp. z o.o. was registered, as presented in detail in Note 14.

(PLN '000)

As at 30 June 2013, TAURON Polska Energia S.A. held indirect shares in the following major subsidiaries:

No.	Entity's name	Address	Core business	Indirect share of TAURON in the entity's capital	Shareholder as at 30 June 2013	Indirect share of TAURON in the entity's governing body	Shareholder as at 30 June 2013
1	Kopalnia Wapienia Czatkowice Sp. z o.o.[1]	32-063 Krzeszowice 3; os. Czatkowice 248	Limestone quarrying, crushing and grinding; stone quarrying for the construction industry	99,77%	TAURON Wytwarzanie S.A. – 100,00%	99,79%	TAURON Wytwarzanie S.A. – 100,00%
2	Południowy Koncern Węglowy S.A.[1]	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	Production 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	Production of electricity	100,00%	TAURON Ekoenergia Sp. z o.o. – 100,00%	100,00%	TAURON Ekoenergia Sp. z o.o. – 100,00%
5	TAURON Dystrybucja Serwis S.A.[2]	53-314 Wrocław; ul. Powstańców Śląskich 20	Repair and maintenance of electrical equipment	99,70%	TAURON Dystrybucja S.A. – 100,00%	99,70%	TAURON Dystrybucja S.A. – 100,00%

[1] *TAURON Polska Energia S.A. uses the shares held by TAURON Wytwarzanie S.A. Under the agreements on the use of shares, TAURON Polska Energia S.A. has 100% interest in the share capital and in the governing body of Kopalnia Wapienia Czatkowice Sp. z o.o. and 52.48% interest in the share capital of Południowy Koncern Węglowy S.A., giving it 68.01% of votes at the entity's General Shareholders' Meeting.*

[2] *On 2 April 2013, a business combination of TAURON Serwis GZE Sp. z o.o. (the acquiree) and Przedsiębiorstwo Usług Elektroenergetycznych S.A. (the acquirer) was registered and, at the same time, the name of the acquirer was changed to TAURON Dystrybucja Serwis S.A.*

Additionally, as at 30 June 2013, TAURON Polska Energia S.A. held indirect shares in the following major co-subsidiaries:

No.	Entity's name	Address	Core business	Indirect share of TAURON in the entity's capital	Shareholder as at 30 June 2013	Indirect share of TAURON in the entity's governing body	Shareholder as at 30 June 2013
1	Elektrociepłownia Stalowa Wola S.A.	37-450 Stalowa Wola; ul. Energetyków 13	Production, transmission, distribution and sales of 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	Production 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 related to electricity sales are not seasonal in nature, hence the Company's performance in this area shows no significant fluctuations during the year.

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

In the 6-month period ended 30 June 2013, the Company recognized dividend income of PLN 1 500 627 thousand. The total amount of dividends recognized had been received by the Company by the end of the reporting period.

In the 6-month period ended 30 June 2012, the Company received dividends from its subsidiaries of PLN 1 550 613 thousand, including dividends from subsidiaries received by Górnośląski Zakład Elektroenergetyczny S.A. prior to its business combination with the Company, amounting to PLN 270 042 thousand.

8. Operating segments

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

"Holding Activity" segment assets include:

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

"Holding Activity" segment liabilities include:

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

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

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

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

EBITDA is the profit/loss on continuing operations before tax, financial revenue and expense, increased by amortization.

(PLN '000)

6-month period ended 30 June 2013 or as at 30 June 2013 *(unaudited)*	Sales	Holding activity	Unallocated items	Total
Revenue				
Sales outside the Group	1 531 009	-	-	**1 531 009**
Sales within the Group	4 026 986	-	-	**4 026 986**
Segment revenue	**5 557 995**	**-**	**-**	**5 557 995**
Profit/(loss) of the segment	**248 195**	**-**	**-**	**248 195**
Unallocated expenses	-	-	(52 836)	**(52 836)**
Profit/(loss) from continuing operations before tax and net finance income (costs)	**248 195**	**-**	**(52 836)**	**195 359**
Net finance income/(costs)	-	1 451 876	15 949	**1 467 825**
Profit/(loss) before income tax	**248 195**	**1 451 876**	**(36 887)**	**1 663 184**
Income tax expense	-	-	(16 347)	**(16 347)**
Net profit/(loss) for the period	**248 195**	**1 451 876**	**(53 234)**	**1 646 837**
EBITDA	**259 751**	**-**	**(52 836)**	**206 915**
Assets and liabilities				
Segment assets	1 730 906	25 327 165	-	**27 058 071**
Unallocated assets	-	-	28 171	**28 171**
Total assets	**1 730 906**	**25 327 165**	**28 171**	**27 086 242**
Segment liabilities	832 976	6 799 379	**-**	**7 632 355**
Unallocated liabilities	-	-	78 700	**78 700**
Total liabilities	**832 976**	**6 799 379**	**78 700**	**7 711 055**
Other segment information				
Capital expenditure *	9 679	-	-	**9 679**
Depreciation/amortization	(11 556)	-	-	**(11 556)**

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

In the 6-month period ended 30 June 2013, revenue from sales to two major clients represented 47% and 12% of the Company's total revenue in the "Sales" segment, amounting to PLN 2 606 779 thousand and PLN 682 697 thousand, respectively.

In the 6-month period ended 30 June 2012, revenue from sales to a major client represented 62% of the Company's total revenue in the "Sales" segment, amounting to PLN 2 995 645 thousand.

(PLN '000)

6-month period ended 30 June 2012 *(unaudited restated figures)* or as at 31 December 2012	Sales	Holding activity	Unallocated items	Total
Revenue				
Sales outside the Group	1 169 364	-	-	**1 169 364**
Sales within the Group	3 670 555	-	-	**3 670 555**
Segment revenue	**4 839 919**	**-**	**-**	**4 839 919**
Profit/(loss) of the segment	**74 790**	**-**	**-**	**74 790**
Unallocated expenses	-	-	(50 048)	**(50 048)**
Profit/(loss) from continuing operations before tax and net finance income (costs)	**74 790**	**-**	**(50 048)**	**24 742**
Net finance income (costs)	-	1 477 426	4 540	**1 481 966**
Profit/(loss) before income tax	**74 790**	**1 477 426**	**(45 508)**	**1 506 708**
Income tax expense	-	-	(44 771)	**(44 771)**
Net profit/(loss) for the period	**74 790**	**1 477 426**	**(90 279)**	**1 461 937**
EBITDA	**80 953**	**-**	**(50 048)**	**30 905**
Assets and liabilities				
Segment assets	1 853 929	23 903 676	-	**25 757 605**
Unallocated assets	-	-	464	**464**
Total assets	**1 853 929**	**23 903 676**	**464**	**25 758 069**
Segment liabilities	934 851	6 720 558	-	**7 655 409**
Unallocated liabilities	-	-	60 652	**60 652**
Total liabilities	**934 851**	**6 720 558**	**60 652**	**7 716 061**
Other segment information				
Capital expenditure *	27 963	-	-	**27 963**
Depreciation/amortization	(6 163)	-	-	**(6 163)**

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

(PLN '000)

9. Revenue and expenses

9.1. Sales revenue

	For the 6-month period ended 30 June 2013 *(unaudited)*	For the 6-month period ended 30 June 2012 *(unaudited)*
Electricity	4 984 518	4 601 186
Gas	36 990	81 256
Property rights arising from energy certificates	365 180	134 132
Emission allowances	127 328	-
Other	80	458
Total sale of goods for resale, finished goods and materials	**5 514 096**	**4 817 032**
Trading services	29 193	16 757
Other	14 706	6 130
Total rendering of services	**43 899**	**22 887**
Total sales revenue	**5 557 995**	**4 839 919**

Effective from 2012, the Company has been acting as an agent in transactions involving biomass and coal purchase for the Group companies in the Generation and Heat segment. The Company purchases raw materials from third parties and from the TAURON Group companies, which are subsequently sold to the Group companies only. The Company recognizes revenue only from agency services (supply management).

In the 6-month period ended 30 June 2013, raw materials purchased and subsequently resold in the abovementioned transactions amounted to PLN 1 084 611 thousand, while revenue from agency services amounted to PLN 20 799 thousand, which represents a major part of revenue from sales services.

9.2. Expenses by type

	For the 6-month period ended 30 June 2013 *(unaudited)*	For the 6-month period ended 30 June 2012 *(unaudited restated figures)*
Costs by type		
Depreciation of property, plant and equipment and amortization of intangible assets	(11 556)	(6 163)
Impairment of property, plant and equipment and intangible assets	-	10 399
Materials and energy	(788)	(805)
Consultancy services	(3 419)	(3 722)
Distribution services	(1 171)	(1 054)
Other external services	(14 794)	(7 245)
Taxes and charges	(13 748)	(6 765)
Employee benefits expense	(33 130)	(32 957)
Inventory write-downs	(6 624)	(245)
Allowance for doubtful debts	(29)	239
Advertising costs	(14 134)	(10 216)
Other	(1 109)	(1 734)
Total costs by type	**(100 502)**	**(60 268)**
Change in inventories, prepayments, accruals and deferred income	611	(631)
Selling and distribution expenses	25 255	11 547

(PLN '000)

Administrative expenses	52 836	50 048
Cost of goods for resale and materials sold	(5 261 739)	(4 753 632)
Cost of sales	**(5 283 539)**	**(4 752 936)**

10. Income tax

10.1. Tax expense in the statement of comprehensive income

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

	For the 6-month period ended 30 June 2013 *(unaudited)*	For the 6-month period ended 30 June 2012 *(unaudited restated figures)*
Current income tax	(16 347)	(7 242)
Deferred tax	-	(37 529)
Income tax expense in profit/(loss)	**(16 347)**	**(44 771)**
Income tax expense relating to other comprehensive income	**-**	**-**

10.2. Deferred income tax

Deferred income tax results from:

	As at 30 June 2013 *(unaudited)*	As at 31 December 2012
Deferred tax liability		
- difference between tax base and carrying amount of fixed and intangible assets	2 203	2 468
- difference between tax base and carrying amount of financial assets	13 162	7 650
- different timing of recognition of sales revenue for tax purposes	-	1 061
- other	49	530
Deferred tax liability	**15 414**	**11 709**

	As at 30 June 2013 *(unaudited)*	As at 31 December 2012
Deferred tax assets		
- provisions for the obligation to surrender energy certificates	13 506	22 468
- other provisions	2 740	3 240
- difference between tax base and carrying amount of fixed and intangible assets	437	708
- difference between tax base and carrying amount of inventories	1 716	6 645
- difference between tax base and carrying amount of financial assets	789	385

(PLN '000)

- difference between tax base and carrying amount of financial liabilities	10 497	3 874
- valuation of hedging instruments	30 016	36 227
- other accrued expenses	680	886
- other	147	5
Deferred tax assets, of which:	**60 528**	**74 438**
Deferred tax assets recognized in profit or loss	**31 406**	**38 315**
Deferred tax assets recognized in statement of comprehensive income	**29 122**	**36 123**
Deferred tax asset, net	**-**	**-**
Unrecognized deferred tax assets	**45 114**	**62 729**
Recognized deferred tax assets	**15 414**	**11 709**
Deferred tax in the statement of financial position	**-**	**-**

10.3. Tax Capital Group

As at 30 June 2013, the Tax Capital Group had income tax receivables of PLN 22 712 thousand. At the same time, due to the Company's settlements, as the Representative Company, with the Tax Capital Group companies, it disclosed liabilities to these companies arising from tax overpayment of PLN 44 760 thousand, which have been presented in the statement of financial position under "Trade and Other Payables", as well as receivables from the Tax Capital Group companies arising from tax underpayment of PLN 35 221 thousand, which have been presented in the statement of financial position under "Trade and Other Receivables".

11. Dividends paid and proposed

On 16 May 2013, the General Shareholders' Meeting adopted a resolution on allocation of PLN 350 510 thousand to dividend payment to the Company's shareholders (PLN 0.20 per share). The dividend was paid out of the net profit generated by the Company in 2012, which amounted to PLN 1 435 188 thousand. The record date was set at 3 June 2013 and the payment date at 18 June 2013. As at the end of the reporting period, the dividend liability totaled PLN 9 830 thousand.

On 24 April 2012, the General Shareholders' Meeting adopted a resolution on allocation of PLN 543 290 thousand to dividend payment to the Company's shareholders (PLN 0.31 per share). The dividend was paid out of the net profit generated by the Company in 2011, which amounted to PLN 1 083 429 thousand. The record date was set at 2 July 2012 and the payment date at 20 July 2012.

12. Property, plant and equipment

Property, plant and equipment – 6-month period ended 30 June 2013 (*unaudited*)

	Plant and machinery	Motor vehicles	Other	Tangible fixed assets, total	Assets under construction	Property, plant and equipment, total
Cost						
Opening balance	**19 871**	**4 132**	**10 991**	**34 994**	**-**	**34 994**
Direct purchase	-	-	-	**-**	2 097	**2 097**
Transfers from intangible assets not made available for use	-	-	-	-	4 384	**4 384**
Allocation of assets under construction	5 196	582	703	**6 481**	(6 481)	**-**
Sales	(17 654)	-	(145)	**(17 799)**	-	**(17 799)**
Donations	(92)	-	-	**(92)**	-	**(92)**
Liquidation	-	-	(74)	**(74)**	-	**(74)**

(PLN '000)

Closing balance	**7 321**	**4 714**	**11 475**	**23 510**	**-**	**23 510**
ACCUMULATED AMORTIZATION						
Opening balance	**(6 924)**	**(2 390)**	**(4 894)**	**(14 208)**	**-**	**(14 208)**
Amortization for the period	(1 524)	(499)	(1 204)	**(3 227)**	-	**(3 227)**
Sales	6 454	-	73	**6 527**	-	**6 527**
Donations	92	-	-	**92**	-	**92**
Liquidation	-	-	65	**65**	-	**65**
Closing balance	**(1 902)**	**(2 889)**	**(5 960)**	**(10 751)**	**-**	**(10 751)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**12 947**	**1 742**	**6 097**	**20 786**	**-**	**20 786**
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**5 419**	**1 825**	**5 515**	**12 759**	**-**	**12 759**

Property, plant and equipment – 6-month period ended 30 June 2012 (*unaudited*)

	Plant and machinery	Motor vehicles	Other	Tangible fixed assets, total	Assets under construction	Property, plant and equipment, total
Cost						
Opening balance	**11 305**	**4 915**	**2 108**	**18 328**	**899**	**19 227**
Direct purchase	-	-	-	**-**	10 989	**10 989**
Allocation of assets under construction	3 172	-	8 703	**11 875**	(11 875)	**-**
Sales, disposals	-	(782)	(20)	**(802)**	-	**(802)**
Closing balance	**14 477**	**4 133**	**10 791**	**29 401**	**13**	**29 414**
ACCUMULATED AMORTIZATION						
Opening balance	**(4 154)**	**(1 745)**	**(1 717)**	**(7 616)**	**-**	**(7 616)**
Amortization for the period	(1 137)	(597)	(2 149)	**(3 883)**	-	**(3 883)**
Sales, disposals	-	496	-	**496**	-	**496**
Closing balance	**(5 291)**	**(1 846)**	**(3 866)**	**(11 003)**	**-**	**(11 003)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**7 151**	**3 170**	**391**	**10 712**	**899**	**11 611**
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**9 186**	**2 287**	**6 925**	**18 398**	**13**	**18 411**

(PLN '000)

13. Non-current intangible assets

Non-current intangible assets – 6-month period ended 30 June 2013 (*unaudited*)

	Software and licenses	Energy certificates	Other intangible assets	Intangible assets not made available for use	Intangible assets, total
COST					
Opening balance	**59 036**	**-**	**1 104**	**3 881**	**64 021**
Direct purchase	-	2 932	-	7 582	**10 514**
Allocation of intangible assets not made available for use	5 186	-	-	(5 186)	**-**
Sales	(1 366)	-	-	-	**(1 366)**
Transfers to fixed assets	-	-	-	(4 384)	**(4 384)**
Other changes	(160)	-	-	(274)	**(434)**
Closing balance	**62 696**	**2 932**	**1 104**	**1 619**	**68 351**
ACCUMULATED AMORTIZATION					
Opening balance	**(10 410)**	**-**	**(558)**	**-**	**(10 968)**
Amortization for the period	(8 230)	-	(99)	-	**(8 329)**
Sales	114	-	-	-	**114**
Closing balance	**(18 526)**	**-**	**(657)**	**-**	**(19 183)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**48 626**	**-**	**546**	**3 881**	**53 053**
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**44 170**	**2 932**	**447**	**1 619**	**49 168**

Non-current intangible assets – 6-month period ended 30 June 2012 (*unaudited*)

	Software and licenses	Energy certificates	Other intangible assets	Intangible assets not made available for use	Intangible assets, total
COST					
Opening balance	**18 175**	**-**	**724**	**620**	**19 519**
Direct purchase	-	-	-	16 972	**16 972**
Allocation of intangible assets not made available for use	8 653	-	4	(8 657)	**-**
Closing balance	**26 828**	**-**	**728**	**8 935**	**36 491**
ACCUMULATED AMORTIZATION					
Opening balance	**(3 620)**	**-**	**(412)**	**-**	**(4 032)**
Amortization for the period	(2 211)	-	(69)	-	**(2 280)**
Closing balance	**(5 831)**	**-**	**(481)**	**-**	**(6 312)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**14 555**	**-**	**312**	**620**	**15 487**
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**20 997**	**-**	**247**	**8 935**	**30 179**

(PLN '000)

14. Shares

Changes in long-term investments from 1 January 2013 to 30 June 2013 (unaudited)

No.	Company	Opening balance *(restated figures)*	Increases / Decreases	Closing balance
1	TAURON Wytwarzanie S.A.	8 118 182	(541 307)	**7 576 875**
2	TAURON Dystrybucja S.A.	9 511 628	-	**9 511 628**
3	TAURON Ciepło S.A.	773 334	541 307	**1 314 641**
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	PKE Broker Sp. z o.o.	-	1 394	**1 394**
10	TAURON Sprzedaż GZE Sp. z o.o.	129 821	2	**129 823**
11	TAURON Obsługa Klienta GZE Sp. z o.o.	13 523	(13 523)	**-**
12	TAURON Wytwarzanie GZE Sp. z o.o.	4 935	-	**4 935**
13	CONCORDE INVESTISSEMENT S.A.	12	-	**12**
14	CC Poland Plus Sp. z o.o.	12	-	**12**
15	Energopower Sp. z o.o.	25	-	**25**
16	Enpower Service Sp. z o.o.	25	-	**25**
17	Enpower Sp. z o.o.	25	-	**25**
18	TAURON Ubezpieczenia Sp. z o.o. (dawniej Poen Sp. z o.o.)	25	-	**25**
	Total	**20 184 404**	**1 396**	**20 185 800**

Changes in long-term investments in the 6-month period ended 30 June 2013 were mainly due to reorganization and resulted from the following events:

Business combination of TAURON Obsługa Klienta Sp. z o.o. and TAURON Obsługa Klienta GZE Sp. z o.o. (subsidiaries)

On 31 January 2013, a business combination of TAURON Obsługa Klienta Sp. z o.o. with its registered office in Wrocław (acquirer) and TAURON Obsługa Klienta GZE Sp. z o.o. with its registered office in Gliwice (acquiree) was registered. As a result, the share capital of TAURON Obsługa Klienta Sp. z o.o. was increased from PLN 2 718 thousand to PLN 4 920 thousand, i.e. by PLN 2 202 thousand. Consequently, as at the date of approval of these financial statements for publication, the Company only held shares in TAURON Obsługa Klienta Sp. z o.o., the acquirer.

TAURON Polska Energia S.A. reclassified the book value of its investments in TAURON Obsługa Klienta GZE Sp. z o.o. to investments in TAURON Obsługa Klienta Sp. z o.o. of PLN 13 523 thousand.

Spin-off of EC Katowice from TAURON Wytwarzanie S.A. to TAURON Ciepło S.A.

On 2 January 2013, the division of TAURON Wytwarzanie S.A. through spin-off pursuant to Article 529.1.4 of the Code of Commercial Companies, involving a transfer of the separated assets to TAURON Ciepło S.A., was entered into the National Court Register.

As a result, 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 865 937 thousand to PLN 1 238 077 thousand.

The share in TAURON Wytwarzanie S.A. held by TAURON Polska Energia S.A. decreased as a result of the spin-off to 99.70% (in the share capital) and 99.77% (in the total number of votes at the General Shareholders' Meeting), while the share in TAURON Ciepło S.A. held by TAURON Polska Energia S.A. increased to 91.79% (in the share capital) and 92.41% (in the total number of votes at the General Shareholders' Meeting).

(PLN '000)

TAURON Polska Energia S.A. reclassified the book value of its investments in TAURON Wytwarzanie S.A. to investments in TAURON Ciepło S.A. of PLN 541 307 thousand.

Acquisition of shares in PKE Broker Sp. z o.o.

On 29 April 2013, TAURON Polska Energia S.A. acquired 750 shares in PKE Broker Sp. z o.o. with the par value of PLN 1 thousand each, from TAURON Wytwarzanie S.A., for PLN 1 380 thousand. The acquired shares represent 100% interest in the share capital of PKE Broker Sp. z o.o.

Changes in long-term investments in the 6-month period ended 30 June 2012 were mainly due to reorganization and resulted from business combinations of the entities held by TAURON Polska Energia S.A. The 2012 opening balance was restated as a result of the Company's business combination with Górnośląski Zakład Elektroenergetyczny S.A., which was accounted for using the pooling of interests method. As at the date of assumption of control, that is to say 13 December 2011, the price paid for the shares in GZE S.A. was derecognized. The shares held by GZE S.A. were recognized in the financial statements of the Company in proportion to the latter's share in the net assets of the acquirees, measured at fair value.

No.	Company	Opening balance (restated figures)	Increases / Decreases	Closing balance
1	TAURON Wytwarzanie S.A.	8 118 182	-	**8 118 182**
2	TAURON Dystrybucja S.A.	5 914 201	-	**5 914 201**
3	Elektrociepłownia Tychy S.A. (obecnie TAURON Ciepło S.A.)	40 862	(40 862)	**-**
4	TAURON Ciepło S.A.	507 880	265 234	**773 114**
5	TAURON Obsługa Klienta Sp. z o.o.	26 308	-	**26 308**
6	TAURON Ekoenergia Sp. z o.o.	897 069	931	**898 000**
7	Energetyka Cieplna w Kamiennej Górze Sp. z o.o. (obecnie TAURON Ciepło S.A)	6 959	(6 959)	**-**
8	Elektrociepłownia EC Nowa Sp. z o.o. (obecnie TAURON Ciepło S.A.)	217 413	(217 413)	**-**
9	TAURON Sprzedaż Sp. z o.o.	613 505	-	**613 505**
10	Polska Energia Pierwsza Kompania Handlowa Sp. z o.o.	49 056	-	**49 056**
11	Zespół Elektrowni Wodnych Rożnów Sp. z o.o. (obecnie TAURON Ekoserwis Sp. z o.o.)	931	(931)	**-**
12	TAURON Czech Energy s.r.o.	4 223	-	**4 223**
13	TAURON Dystrybucja GZE S.A.	3 572 747	-	**3 572 747**
14	TAURON Serwis GZE Sp. z o.o.	24 679	-	**24 679**
15	TAURON Sprzedaż GZE Sp. z o.o.	129 821	-	**129 821**
16	TAURON Ekonenergia GZE Sp. z o.o.	41 765	-	**41 765**
17	TAURON Obsługa Klienta GZE Sp. z o.o.	13 523	-	**13 523**
18	TAURON Wytwarzanie GZE Sp. z o.o.	4 935	-	**4 935**
19	CONCORDE INVESTISSEMENT S.A.	12	-	**12**
20	CC Poland Plus Sp. z o.o.	12	-	**12**
21	Energopower Sp. z o.o.	5	20	**25**
22	Enpower Service Sp. z o.o.	5	20	**25**
23	Enpower Sp. z o.o.	5	20	**25**
24	Poen Sp. z o.o. (obecnie TAURON Ubezpieczenia Sp. z o.o.)	5	20	**25**
	Total	**20 184 103**	**80**	**20 184 183**

(PLN '000)

15. Bonds and other debt securities

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

The table below presents the balances of acquired bonds and interest accrued as at the end of the reporting period, i.e. 30 June 2013 and 31 December 2012, broken down by individual TAURON Group companies by which the bonds have been issued.

Company	'As at 30 June 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.	2 170 000	12 963	1 480 000	12 384
TAURON Dystrybucja S.A.	1 310 000	15 198	630 000	23 530
TAURON Ekoenergia Sp. z o.o.	200 000	638	140 000	117
BELS INVESTMENT Sp. z o.o.	215 000	1 869	125 000	1 329
MEGAWAT MARSZEWO Sp. z o.o.	695 000	7 303	240 000	2 901
Total debentures:	**4 590 000**	**37 971**	**2 615 000**	**40 261**
non-current	**4 590 000**	**-**	**2 615 000**	**-**
current	**-**	**37 971**	**-**	**40 261**

Intra-group bonds issued by subsidiaries and acquired by TAURON Polska Energia S.A., with the total par value of PLN 4 590 000 thousand as at the end of the reporting period, including those maturing within one year and amounting to PLN 3 080 000 thousand, have been classified as long-term instruments. Such classification reflects the nature of funding under the intra-group bond issue scheme, which enables cash management in the medium and long term.

16. Long-term loans

Long-term loans of PLN 184 670 thousand include a loan granted to Elektrociepłownia Stalowa Wola S.A., along with accrued interest.

Under the agreements of 20 June 2012 among PGNiG S.A., TAURON Polska Energia S.A. and Elektrociepłownia Stalowa Wola S.A., with a view to satisfying the necessary conditions for provision of funding to Elektrociepłownia Stalowa Wola S.A. by the European Bank for Reconstruction and Development and the European Investment Bank, 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 implementation of an investment project involving construction and operation of a gas and steam power unit with the capacity of ca. 400 MWe and 240 MWt in Stalowa Wola, together with auxiliary installations. The subordinated loan agreement means that the repayment of the 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 177 000 thousand.

As at the end of the reporting period, the amount of funds disbursed under the loan agreement was PLN 177 000 thousand. Interest accrued on the loan amounts to PLN 7 670 thousand. The loan is to be finally repaid no later than by the end of 2032.

17. Current intangible assets

Under current intangible assets, the Company discloses energy certificates.

(PLN '000)

	6-month period ended 30 June 2013 *(unaudited)*	6-month period ended 30 June 2012 *(unaudited)*
COST		
Opening balance	**113 302**	**43 519**
Direct purchase	65 483	21 213
Cancellation of energy certificates	(119 093)	(47 914)
Closing balance	**59 692**	**16 818**
IMPAIRMENT ALLOWANCES		
Opening balance	**-**	**(10 399)**
Increase of impairment allowances	-	-
Decrease of impairment allowance	-	10 399
Closing balance	**-**	**-**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**113 302**	**33 120**
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**59 692**	**16 818**

18. Inventories

	As at 30 June 2013 *(unaudited)*	As at 31 December 2012
Historical cost		
Property rights arising from energy certificates	45 575	208 279
Emission allowances	55 446	2 434
Merchandise	1 137	13
Materials	727	420
Total	**102 885**	**211 146**
Write-downs to net realizable value		
Property rights arising from energy certificates	(9 031)	(34 774)
Emission allowances	-	(200)
Total	**(9 031)**	**(34 974)**
Net realizable value		
Property rights arising from energy certificates	36 544	173 505
Emission allowances	55 446	2 234
Merchandise	1 137	13
Materials	727	420
Total	**93 854**	**176 172**

The decrease in the value of inventories is mainly due to the sale, in February 2013, of 704 000 green certificates.

The rise in the value of emission allowances results from the Company's purchase, in June 2013, of 3 123 000 allowances, which were subsequently resold to TAURON Wytwarzanie S.A., a subsidiary, in July 2013.

(PLN '000)

19. Trade and other receivables

As at 30 June 2013, trade and other receivables amounted to PLN 1 019 789 thousand.

	As at 30 June 2013 *(unaudited)*	As at 31 December 2012
Trade receivables	902 729	1 108 553
Interest receivable on loans granted under cash pool agreement	110	62
Other loans granted	-	114 935
Other financial receivables, of which:	116 950	236 934
- supplementary deposits under futures contracts	48 345	4 876
- receivable from loan overpayment	-	134 680
- amounts paid as security	32 724	31 356
- TCG receivable	35 221	65 870
- other	660	152
Total	**1 019 789**	**1 460 484**

Trade receivables bear no interest and usually have a 30-day maturity period. Sales transactions are only entered into with clients subject to a verification procedure. This – in the opinion of the management – eliminates any additional credit risk, over the level defined by the allowance for bad debts applied to the Company's trade receivables.

Related-party transactions as well as the related receivables and liabilities have been presented in Note 28.

The ageing analysis and impairment losses on trade and other receivables have been presented below.

Ageing analysis of trade and other receivables as at 30 June 2013 (*unaudited*)

	Not past due	*Past due*				Total
		< 30 days	*30-180 days*	*180-360 days*	*>360 days*	
Value of item before allowance/write-down						
Trade and other financial receivables	1 015 931	3 258	490	-	636	**1 020 315**
Cash Pool	110	-	-	-	-	**110**
Total	**1 016 041**	**3 258**	**490**	**-**	**636**	**1 020 425**
Allowance/write-down						
Trade and other financial receivables	-	-	-	-	(636)	**(636)**
Total	**-**	**-**	**-**	**-**	**(636)**	**(636)**
Value of item net of allowance (carrying amount)						
Trade and other financial receivables	1 015 931	3 258	490	-	-	**1 019 679**
Cash Pool	110	-	-	-	-	**110**
Total	**1 016 041**	**3 258**	**490**	**-**	**-**	**1 019 789**

(PLN '000)

Ageing analysis 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	
Value of item before allowance/write-down						
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**
Total	**1 456 263**	**4 212**	**7**	**271**	**339**	**1 461 092**
Allowance/write-down						
Trade and other financial receivables	-	-	-	(269)	(339)	**(608)**
Total	**-**	**-**	**-**	**(269)**	**(339)**	**(608)**
Value of item net of allowance (carrying amount)						
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**
Total	**1 456 263**	**4 212**	**7**	**2**	**-**	**1 460 484**

20. Cash and cash equivalents

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

	As at 30 June 2013 *(unaudited)*	As at 31 December 2012
Cash at bank and in hand	286 298	276 060
Short-term deposits (up to 3 months)	526 681	634 361
Total cash and cash equivalents presented in the statement of financial position, *of which*:	**812 979**	**910 421**
restricted cash	247 075	269 888
Cash pool	(910 857)	(1 175 886)
Overdraft	(60 973)	(129 566)
Foreign exchange and other differences	2 356	1 511
Total cash and cash equivalents presented in the statement of cash flows	**(156 495)**	**(393 520)**

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

Restricted cash consists mainly of cash held in the settlement account for sales of electricity at the Polish Power Exchange, amounting to PLN 241 885 thousand, as well as cash held in special purpose accounts for transactions carried out at the European Energy Exchange and the European Climate Exchange of PLN 2 963 thousand.

Detailed information on cash pool balances has been presented in Note 22.3 to these interim condensed financial statements.

(PLN '000)

21. Equity

21.1. Issued capital

Share capital as at 30 June 2013 (*unaudited*)

Class/ issue	Type of shares	Type of preference	Number of shares	Nominal value of one share (in PLN)	Value of class/issue at nominal value
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
Total		**1 752 549 394**		**8 762 747**	

As at 30 June 2013, the value of share capital, the number of shares and the par value of shares did not change compared to 31 December 2012.

21.2. Major shareholders

Shareholding structure as at 30 June 2013 (unaudited, to the best of the Company's knowledge)

Shareholder	Number of shares	Value of shares	% of issued capital	% of total vote
State Treasury (notification of 29 March 2011)	526 848 384	2 634 242	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	954 847 515	4 774 237	54,49%	54,49%
Total	**1 752 549 394**	**8 762 747**	**100,00%**	**100,00%**

21.3. Reserve capital, retained earnings and restrictions on dividend payment

In the 6-month period ended 30 June 2013, the supplementary capital was increased by PLN 1 084 678 thousand due to allocation of a portion of profit earned in 2012 to the supplementary capital.

In the current period, changes in retained earnings result from:

- profit for the period of PLN 1 646 837 thousand;
- actuarial gains of PLN 8 thousand;
- distribution of profit earned in 2012 through its allocation to the supplementary capital (PLN 1 084 678 thousand) and dividend payment (PLN 350 510 thousand).

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

21.4. Revaluation reserve from valuation of hedging instruments

The revaluation reserve from measurement of hedging instruments results from valuation of Interest Rate Swaps (IRS) hedging the interest rate risk arising from issued bonds, as presented in detail in Note 30.1.

The Company applies hedge accounting to hedging transactions covered by the policy for specific risk management in the area of finance. As at 30 June 2013, the revaluation reserve from measurement of hedging instruments included the amount of PLN (152 912) thousand, which represents a liability arising from measurement of IRS as at the end of the reporting period, totaling PLN 156 160 thousand, adjusted by a portion of measurement relating to interest accrued on bonds as at the end of the reporting period, amounting to PLN 3 248 thousand, which was transferred to retained earnings (out of this amount, PLN 2 337 thousand was charged to profit or loss for the period). In the statement of comprehensive income, the aforementioned costs of transactions hedging IRS increased financial expenses arising from interest on issued bonds.

(PLN '000)

	Revaluation reserve from valuation of hedging instruments
As at 1 January 2013	**(189 756)**
Valuation of hedging instruments as at 30 June 2013	34 507
Transfer of valuation relating to accrued interest on debentures as at 30 June 2013 to net result	2 337
As at 30 June 2013 *(unaudited)*	**(152 912)**

22. Interest-bearing loans and borrowings

	As at 30 June 2013 *(unaudited)*	As at 31 December 2012
Non-current portion of loans and borrowings, including issued debentures:		
Issued debentures	4 289 801	4 288 247
Loan received from European Investment Bank	1 245 673	836 835
Total	**5 535 474**	**5 125 082**
Current portion of loans and borrowings, including issued debentures:		
Issued debentures	30 488	13 587
Cash pool loans received, including accrued interest	910 967	1 175 948
Loans from the European Investment Bank	119 430	73 559
Overdraft	60 973	129 566
Total	**1 121 858**	**1 392 660**

22.1. Bonds issued

As at 30 June 2013, the Company's liabilities arising from issued bonds amounted to PLN 4 320 289 thousand. They were due to bonds issued in the following tranches:

- on 29 December 2010, Tranche A bonds were issued with the par value of PLN 848 200 thousand and maturing on 29 December 2015;
- on 12 December 2011, Tranche B bonds were issued with the total par value of PLN 300 000 thousand and maturing on 12 December 2015;
- on 12 December 2011, Tranche C bonds were issued with the total par value of PLN 3 000 000 thousand and maturing on 12 December 2016;
- on 30 January 2012, Tranche B bonds were issued with the par value of PLN 150 000 thousand and maturing on 30 January 2015.

Bonds are issued in a dematerialized form. These are unsecured coupon bonds with a floating interest rate determined as WIBOR 6M plus a fixed margin. Interest is due on a semi-annual basis.

The Company hedges a portion of interest cash flows related to issued bonds by entering into interest rate swap (IRS) contracts, presented in detail in Notes 21.4 and 30.1.

(PLN '000)

The contracts signed by the Company with banks include legal and financial covenants which are commonly used in such transactions. As at 30 June 2013, none of these covenants were breached and the contractual provisions were complied with.

The tables below present the balances of the Company's liabilities arising from bonds issued, together with accrued interest, as at 30 June 2013 and 31 December 2012.

Bonds as at 30 June 2013 (*unaudited*)

	Interest rate	Currency	As at balance sheet date (unaudited)		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	21 315	846 786	-	-	846 786	-	-
Tranche B	floating	PLN	3 582	449 284	-	150 000	299 284	-	-
Tranche C	floating	PLN	5 591	2 993 731	-	-	-	2 993 731	-
Total debentures			**30 488**	**4 289 801**	**-**	**150 000**	**1 146 070**	**2 993 731**	**-**

Bonds 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	-
Total debentures			**13 587**	**4 288 247**	**-**	**-**	**1 295 674**	**2 992 573**	**-**

After the balance sheet date the Company concluded new bond issue scheme agreements, the details of which have presented in Note 33 to these interim condensed financial statements.

22.2. Loans from the European Investment Bank

As at 30 June 2013, the balance of loans obtained from the European Investment Bank was PLN 1 365 103 thousand, including interest accrued of PLN 7 085 thousand. As at 31 December 2012, the related liabilities amounted to PLN 910 394 thousand. The increase in the aforementioned liabilities results from the receipt of further disbursements of loans from the European Investment Bank under a loan agreement of 3 July 2012:

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

The first disbursement under the aforementioned agreement in the amount of PLN 450 000 thousand was made in July 2012. Consequently, the total amount of the funding provided under the agreement, i.e. PLN 900 000 thousand, was used. The funds obtained are used for grid investments.

The funds received in the form of the abovementioned disbursements will be repaid in equal semi-annual principal installments starting from 15 March 2014 to 15 September 2024. Interest is payable on a semi-annual basis, starting from 15 March 2013. The interest rate is fixed and agreed until 15 March 2018.

(PLN '000)

22.3. Cash pool

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

	As at 30 June 2013 *(unaudited)*	As at 31 December 2012
Loans granted under cash pool agreement	-	-
Interest receivable on loans granted under cash pool agreement	110	62
Total	**110**	**62**

	As at 30 June 2013 *(unaudited)*	As at 31 December 2012
Loans received under cash pool agreement	909 303	1 171 892
Interest payable on loans received under cash pool agreement	1 664	4 056
Total	**910 967**	**1 175 948**
Balance of cash pool	**910 857**	**1 175 886**

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

Under the cash pool agreement, the Company may use external funding amounting to PLN 300 000 thousand. As at 30 June 2013, the Company did not have any liabilities on that basis.

22.4. Overdraft facilities

As at 30 June 2013, the balance of overdraft facilities amounted to PLN 60 973 thousand (EUR 14 084 thousand). The aforementioned liabilities were taken over under the Multi-option Loan Agreement valid until 31 December 2013, signed by the Company for the purpose of funding transactions in emission allowances, entered into in a foreign exchange.

23. Other provisions

As at 30 June 2013, other short-term provisions recognized by the Company amounted to PLN 71 874 thousand. The balance of other provisions as at 31 December 2012 was PLN 119 038 thousand.

Key items of other provisions:

Provision for the obligation to surrender energy certificates

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

As at 30 June 2013, the short-term provision for the obligation to surrender energy certificates for cancellation amounted to PLN 71 087 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 first quarter of 2013, in order to fulfill the obligation for 2012, the Company cancelled energy certificates of PLN 119 093 thousand. As a result, the provision recognized at the end of 2012 in the amount of PLN 118 250 thousand was used in full in the first quarter of 2013, while the amount of PLN 843 thousand representing the excess of the obligation over the provision recognized was expensed in 2013.

(PLN '000)

Provision for compensation payments to GZE employees

The provision for compensation payments to employees was recognized due to 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 Agreement No. 1 of 13 December 2000 laying down the compensation rules. Compensation payments were made based on the Compensation Payments Regulations dated 26 April 2001 with subsequent amendments and the decision on payment dated 30 September 2003. The sale of all of shares held by the eligible individual to the majority shareholder was a necessary condition for compensation payment. Such payments (in the form of donations) were made successively between 2003 and 2009.

As at 30 June 2013, the provision for outstanding compensation payments amounted to PLN 765 thousand and its balance did not change compared to 31 December 2012.

24. Business combinations

On 25 June 2013, the Company's Management Board decided to combine TAURON Polska Energia S.A. with PKE Broker Sp. z o.o., a subsidiary, and adopted a business combination plan under which TAURON Polska Energia S.A. will act as the acquirer.

The business combination is primarily aimed at reorganizing the structure of the Capital Group in accordance with the assumptions of the "TAURON Group Corporate Strategy for 2011-2015, with the 2020 perspective, providing for consolidation of Capital Group companies". The business combination will comply with Article 492.1.1) of the Code of Commercial Companies, which denotes that it will be carried out through the transfer of the acquiree's all assets to the acquirer. Considering that TAURON Polska Energia S.A. holds 100% interest in the acquiree's share capital, the business combination will be effected in accordance with Article 151.1 of the Code of Commercial Companies, without increasing the share capital of the acquirer.

25. Contingent liabilities

The Company's contingent liabilities arise mainly from collateral and guarantees given to subsidiaries. As at 30 June 2013, the structure of the Company's contingent liabilities was as follows:

Type of contingent liability	As at 30 June 2013 *(unaudited)*	Component of TAURON Capital Group in respect of which contingent liability has been granted	Beneficiary
blank promissory note	40 000	TAURON Wytwarzanie S.A.	Regional Fund for Environmental Protection and Water Management in Katowice
blank promissory note	30 000	TAURON Ciepło S.A.	Regional Fund for Environmental Protection and Water Management in Katowice
blank promissory note	1 180	TAURON Ciepło S.A.	Regional Fund for Environmental Protection and Water Management in Katowice
collateral for bank guarantee	202	TAURON Dystrybucja Serwis S.A.	Nordea Bank Polska S.A.
collateral for bank guarantee	593	TAURON Sprzedaż GZE Sp. z o.o.	Powszechna Kasa Oszczędności Bank Polski S.A.
collateral for bank guarantee	253	TAURON Sprzedaż Sp. z o.o.	Powszechna Kasa Oszczędności Bank Polski S.A.
collateral for bank guarantee	1 000	Polska Energia Pierwsza Kompania Handlowa Sp. z o.o.	Powszechna Kasa Oszczędności Bank Polski S.A.
collateral for loan	513	Kopalnia Wapienia Czatkowice Sp. z o.o.	Regional Fund for Environmental Protection and Water Management in Kraków

The validity of the Company's commitment to provide funding of PLN 200 000 thousand, made to support the request submitted by its subsidiary, TAURON Wytwarzanie S.A., to the Ministry of Economy for a subsidy for the "Construction of a biomass boiler at PKE S.A. Elektrownia Jaworzno III – Elektrownia II" project under the Infrastructure and Environment Operational Program, expired on 31 December 2012.

Other major changes in the Company's contingent liabilities in the 6-month period ended 30 June 2013:

- a guarantee of EUR 500 thousand given by the Company to TAURON Czech Energy s.r.o., with CEZ a.s. as the beneficiary, expired as of the end of June 2013. So did the collateral for a guarantee issued at the request of the

Company under the framework bank guarantee agreement by PKO BP S.A. for Polska Energia Pierwsza Kompania Handlowa Sp. z o.o., a subsidiary, in the amount of EUR 500 thousand;

- in January 2013, the Company issued a blank promissory note to the benefit of TAURON Ciepło S.A. with a view to collateralizing a loan granted to the subsidiary by the Regional Fund for Environmental Protection and Water Management in Katowice (PLN 1 180 thousand);
- in May 2013, the Company collateralized a loan granted to its subsidiary, Kopalnia Wapienia Czatkowice Sp. z o.o., with the Regional Fund for Environmental Protection and Water Management in Kraków as the beneficiary (PLN 513 thousand).

Claims filed by Huta Łaziska S.A.

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

Recently, GZE has been a party to court disputes with Huta Łaziska S.A. resulting mainly from the latter's failure to fulfill its obligation to pay the amounts due for electricity supplies, which led to discontinuation of electricity supplies to Huta Łaziska by GZE in 2001.

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

Due to discontinuation of electricity supplies, Huta has raised a claim against GZE for damages amounting to PLN 182 060 thousand. Currently, an action is pending under Huta's suit of 12 March 2007 against GZE and the State Treasury represented by the President of the Energy Regulatory Office for the payment of PLN 182 060 thousand together with interest from the date of filing the suit to the date of payment, in respect of damages for alleged losses resulting from GZE's failure to comply with the decision of the President of the Energy Regulatory Office dated 12 October 2001. In this case, the courts of the first and second instance passed judgments favorable for GZE; however, in its judgment of 29 December 2011 the Supreme Court overruled the judgment of the Court of Appeals and remanded the case for reexamination by that Court. On 5 June 2012, the Court of Appeals overruled the judgment of the Regional Court and remanded the case for reexamination by the latter. The first hearing before the first instance court was held on 27 November 2012. The next hearing is set at 13 November 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 those claims.

26. Collateral against liabilities

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

The key items collateralize the following agreements:

Bond issue scheme

Under the bond issue scheme, the Company has made a declaration of submission to enforcement:

- up to PLN 1 560 000 thousand by 31 December 2016;
- up to PLN 6 900 000 thousand by 31 December 2018.

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

With a view to collateralizing a framework bank guarantee agreement with PKO Bank Polski S.A., TAURON Polska Energia S.A. submitted a declaration of submission to enforcement up to PLN 125 000 thousand, with the maximum validity term until 31 December 2017. Additionally, the agreement has been collateralized by an authorization to debit the bank account maintained by PKO Bank Polski S.A. As at 30 June 2013, the maximum amount of the agreed guarantee limit was PLN 100 000 thousand. The agreement is valid until 31 December 2016.

As at 30 June 2013, PKO Bank Polski S.A. had given bank guarantees at the request of the Company in order to collateralize liabilities of the subsidiaries of TAURON Polska Energia S.A. totaling PLN 1 846 thousand (Note 25) and to collateralize transactions entered into by the Company:

- up to PLN 80 000 thousand – a guarantee for Izba Rozliczeniowa Giełd Towarowych S.A., valid until 30 September 2013;
- up to EUR 800 thousand (PLN 3 463 thousand) – a guarantee for CAO Central Allocation Office GmbH, valid until 3 February 2014.

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

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

Under the agreement, the bank has given a bank guarantee of PLN 150 000 thousand valid until 30 September 2013, at the request of the Company.

Overdraft facility agreements

As at 30 June 2013, overdraft facility agreements were collateralized by TAURON Polska Energia S.A. with authorizations to debt bank accounts:

- up to PLN 300 000 thousand – facility provided by Polska Kasa Opieki S.A. (cash pool funding);
- up to EUR 26 500 thousand (PLN 114 724 thousand) – facility provided by NORDEA Bank Finland plc.

With a view to collateralizing the facility provided by Polska Kasa Opieki S.A., the Company has also submitted a declaration of submission to enforcement up to PLN 360 000 thousand, valid until 31 December 2017.

Other

With a view to collateralizing transactions entered into at the ICE Futures Europe and the European Energy Exchange, mainly forwards concerning emission allowances, the Company transfers margin deposits for such transactions to separate bank accounts – as at 30 June 2013, such deposits amounted to PLN 26 774 thousand.

The validity of collateral in the form of a surety given by TAURON Wytwarzanie S.A. to Izba Rozliczeniowa Giełd Towarowych S.A. (IRGIT) for the Company's liabilities at the Polish Power Exchange up to PLN 145 000 thousand and a freeze on EUA emission allowances in the KRUE Register, held by TAURON Wytwarzanie S.A. (10 000 tons), expired on 31 March 2013.

Liabilities secured on the assets of TAURON Polska Energia S.A. include lease agreements, which are collateralized with the leased cars. The carrying amount of the leased cars was PLN 700 thousand as at 30 June 2013 vs. PLN 950 thousand as at 31 December 2012.

27. Capital commitments

The Company's capital commitments as at 30 June 2013 amounted to PLN 14 009 thousand, with a commitment to purchase a Microsoft license of PLN 9 500 thousand as the key item.

28. Related party disclosures

28.1. Transactions with related parties and State Treasury companies

The Company enters into transactions with related parties as presented in Note 6 to these interim condensed financial statements. In addition, due to the fact that the State Treasury of the Republic of Poland is the Company's major shareholder, State Treasury companies are treated as related parties. Transactions with State Treasury companies are mainly related to the operating activities of the Company and are made on an arm's length basis.

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

(PLN '000)

Revenue and expenses

	6-month period ended 30 June 2013 *(unaudited)*	6-month period ended 30 June 2012 *(unaudited)*
Revenue from related companies, *of which:*	**6 743 055**	**5 562 923**
Revenue from operating activities	5 115 987	3 942 404
Other operating income	10 813	-
Dividend received	1 500 213	1 550 613
Finance income	116 042	69 906
Revenue from State Treasury companies	**564 653**	**563 297**
Costs from related companies, *of which*:	**(2 599 437)**	**(433 853)**
Costs of operating activities	(2 585 103)	(418 871)
Finance costs	(14 334)	(14 982)
Costs from State Treasury companies	**(674 211)**	**(361 752)**

Receivables and liabilities

	As at 30 June 2013 *(unaudited)*	As at 31 December 2012
Loans granted to related companies and receivables from related companies, *of which:*	**5 503 418**	**3 966 997**
Trade receivables	655 355	878 387
Other financial receivables	91	134 680
Receivables from the TCG	35 221	65 870
Debentures	4 627 971	2 655 261
Interest receivables from loans granted under cash pool agreement	110	62
Other loans	184 670	232 737
Receivables from State Treasury companies	**106 147**	**128 725**
Payables to related companies, *of which*:	**1 355 044**	**1 331 544**
Trade payables	399 036	144 548
Loans received under cash pool agreement plus interest accrued	910 967	1 175 948
Liabilities arising from TCG	44 760	11 048
Other financial liabilities	281	-
Payables to State Treasury companies	**95 397**	**245 124**

Revenue from related parties includes revenue from sales of coal and biomass to TAURON Wytwarzanie S.A. and TAURON Ciepło S.A., as presented in detail in Note 9.1.

Among the State Treasury companies, in the 6-month period ended 30 June 2013, KGHM Polska Miedź S.A, Polskie Sieci Elektroenergetyczne S.A., Katowicki Holding Węglowy S.A. and Energa Obrót S.A. were the major counterparties of TAURON Polska Energia S.A. in terms of sales revenue. The revenue from the aforementioned entities represented 70% of the total revenue generated in transactions with State Treasury companies.

(PLN '000)

The key costs resulted from transactions with Kompania Węglowa S.A. and PGE Polska Grupa Energetyczna S.A., which accounted for 72% of total expenses incurred as a result of purchases from State Treasury companies.

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

28.2. Executive compensation

The amount of compensation and other benefits granted to the Management Board, Supervisory Board and other key executives of the Company in the 6-month period ended 30 June 2013 and in the comparative period has been presented in the table below.

	6-month period ended 30 June 2013 *(unaudited)*	6-month period ended 30 June 2012 *(unaudited)*
Board of Directors	**3 860**	**4 099**
Short-term employee benefits (salaries and surcharges)	3 421	3 605
Other	439	494
Supervisory Board	**468**	**468**
Short-term employee benefits (salaries and surcharges)	468	468
Other members of key management personnel	**6 359**	**4 833**
Short-term employee benefits (salaries and surcharges)	5 777	4 333
Post-employment benefits	63	84
Other	519	416
Total	**10 687**	**9 400**

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

29. Financial instruments

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

The fair value of the financial instruments held by the Company as at 30 June 2013 and 31 December 2012 did not significantly differ from their value presented in the financial statements for the respective periods, due to the following reasons:

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

The carrying amount and fair value of individual classes and categories of financial instruments as at 30 June 2013 and 31 December 2012 have been presented in the tables below.

Categories and classes of financial assets	As at 30 June 2013 (unaudited)		As at 31 December 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
1 Assets at fair value through profit or loss	**5 447**	**5 447**	**466**	**466**
Derivative instruments	5 447	5 447	466	466
2 Financial assets available for sale	**6 453**	**-**	**5 057**	**-**
Shares in unlisted and listed companies (non-current)*	6 453	-	5 057	-
3 Loans and receivables	**5 832 430**	**5 832 430**	**4 233 547**	**4 233 547**
Trade receivables	902 729	902 729	1 108 553	1 108 553

(PLN '000)

Bonds and other debt securities	4 627 971	4 627 971	2 655 261	2 655 261
Loans granted (Cash pool)	110	110	62	62
Other loans granted	184 670	184 670	232 737	232 737
Other financial receivables	116 950	116 950	236 934	236 934
4 Financial assets excluded from the scope of IAS 39	**20 179 347**	**-**	**20 179 347**	**-**
Shares in subsidiaries*	20 179 347	-	20 179 347	-
5 Cash and cash equivalents	**812 979**	**812 979**	**910 421**	**910 421**
Total financial assets, including in the statement of financial position:	**26 836 656**		**25 328 838**	
Non-current assets	**24 960 710**		**22 917 206**	
Shares in unlisted and listed companies	20 185 800		20 184 404	
Bonds and other debt securities	4 590 000		2 615 000	
Loans granted	184 670		117 802	
Other financial assets	240		-	
Current assets	**1 875 946**		**2 411 632**	
Trade and other receivables	1 019 789		1 460 484	
Bonds and other debt securities	37 971		40 261	
Derivative instruments	5 207		466	
Cash and cash equivalents	812 979		910 421	

**The Company is unable to reliably estimate the fair value of shares held in companies which are not listed on active markets. They are measured at cost less impairment losses as at the end of the reporting period.*

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 30 June 2013 (unaudited)		As at 31 December 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
1 Financial liabilities at fair value through profit or loss	**42**	**42**	**552**	**552**
Derivative instruments	42	42	552	552
2 Financial liabilities measured at amortized cost	**7 389 502**	**7 389 502**	**7 240 995**	**7 240 995**
Arm's length loans, *of which:*	2 276 070	2 276 070	2 086 342	2 086 342
Liability under the cash pool loan	910 967	910 967	1 175 948	1 175 948
Loan from the European Investment Bank	1 365 103	1 365 103	910 394	910 394
Overdraft	60 973	60 973	129 566	129 566
Issued debentures	4 320 289	4 320 289	4 301 834	4 301 834
Trade payables	663 990	663 990	679 612	679 612
Other financial liabilities	61 970	61 970	17 206	17 206
Commitments resulting from purchases of fixed and intangible assets	3 877	3 877	24 011	24 011
Salaries and wages	2 333	2 333	2 403	2 403
Insurance contracts	-	-	21	21
3 Liabilities under guarantees, factoring and excluded from the scope of IAS 39	**756**	**756**	**990**	**990**
Liabilities under finance leases	756	756	990	990

(PLN '000)

4 Hedging instruments (relating to liabilities)	**157 981**	**157 981**	**190 666**	**190 666**
Total financial liabilities, including in the statement of financial position:	**7 548 281**		**7 433 203**	
Long-term liabilities	**5 619 552**		**5 276 156**	
Interest-bearing loans and borrowings	5 535 474		5 125 082	
Liabilities under finance leases	216		480	
Derivative instruments	83 862		150 594	
Short-term liabilities	**1 928 729**		**2 157 047**	
Current portion of interest-bearing loans and borrowings	1 121 858		1 392 660	
Current portion of liabilities under finance leases	540		510	
Trade and other payables	732 170		723 253	
Derivative instruments	74 161		40 624	

29.2. Fair value hierarchy

Classes of financial instruments	As at 30 June 2013 (unaudited)	
	Level 1	Level 2
Assets		
Commodity-related derivatives	776	-
Currency derivatives	-	4 671
Liabilities		
Commodity-related derivatives	42	-
IRS derivatives	-	157 981

Classes of financial instruments	As at 31 December 2012	
	Level 1	Level 2
Assets		
Commodity-related derivatives	466	-
Liabilities		
Currency derivatives	-	552
IRS derivatives	-	190 666

The method of estimating the fair value of derivatives has not changed since 31 December 2012.

29.3. Details of significant items in 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 4 627 971 thousand, include bonds issued by subsidiaries that were acquired by the Company.

Bonds broken down by individual companies - issuers have been presented in Note 15, and changes in their balance in the 6-month period ended 30 June 2013 have been presented in Note 31 to these interim condensed financial statements.

Originated cash pool loans and cash pool loan liabilities

The Company discloses receivables arising from originated loans and liabilities arising from loans received under the cash pool agreement, as presented in detail in Note 22.3.

Other originated loans

Originated loans include a long-term loan granted to Elektrociepłownia Stalowa Wola S.A. in the amount of PLN 177 000 thousand together with interest accrued in the amount of PLN 7 670 thousand.

Long-term loans have been presented in Note 16.

Trade and other financial receivables

Trade and other financial receivables have been presented 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 its subsidiaries, as presented in detail in Note 14.

Available-for-sale financial assets

Available-for-sale financial assets, amounting to PLN 6 453 thousand, include mainly:

- shares in TAURON Wytwarzanie GZE Sp. z o.o. amounting to PLN 4 935 thousand, which were acquired as a result of the business combination with Górnośląski Zakład Elektroenergetyczny S.A. in June 2012;
- shares in PKE Broker Sp. z o.o. in the amount of PLN 1 394 thousand.

Bonds issued

Bonds issued have been presented in detail in Note 22.1.

Loans from the European Investment Bank

The loans received from the European Investment Bank, amounting to PLN 1 365 103 thousand, have been described in detail in Note 22.2.

Overdraft facility

Overdraft facilities, with a balance of PLN 60 973 thousand as at 30 June 2013, have been presented in detail in Note 22.4.

Other financial liabilities

Other financial liabilities include liabilities to the Company's subsidiaries operating within the Tax Capital Group, due to tax overpayment of PLN 44 760 thousand, as presented in detail in Note 10.3, as well as dividend liabilities of PLN 9 830 thousand, as presented in detail in Note 11.

Hedging derivative instruments (relating to liabilities)

Derivative instruments hedging interest cash flows from bonds issued have been presented in detail in Note 21.4.

30. Finance and financial risk management

30.1. Financial risk management

On 10 May 2011, the Company's Management Board adopted 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. The policy has also introduced hedge accounting in the Group, which lays down the principles and defines the types of hedge accounting, along with the accounting treatment of hedging instruments and hedged items, to be applied as part of hedge accounting under IFRS. The policy for specific risk management in the area of finance and hedge accounting principles are applicable to the cash flow risk and not to the fair value risk due to its low significance for the Group.

Hedge accounting

As at 30 June 2013, the Company was a party to hedging transactions covered by the policy for specific risk management in the area of finance. Pursuant to a decision of the Financial Risk Management Committee of 30 January 2012, in March 2012 the Company hedged the interest rate risk arising from bonds issued under the Bond Issue Scheme, by entering into an interest rate swap (IRS) transaction for a term of 5 years. The aforementioned transaction was concluded due to fluctuations in the projected future cash flows from interest payments resulting from the issue of bonds in PLN with a floating interest rate based on WIBOR 6M. The Company hedged 80% of such cash flows. The parent applies hedge accounting to the aforementioned transactions. The accounting treatment of the aforementioned hedging transactions has been presented in detail in Note 21.4.

30.2. Finance management

Finance is managed at the level of the TAURON Polska Energia S.A. Capital Group, which has been presented in detail in Note 32 to the Interim Condensed Consolidated Financial Statementsfor the 6-month period ended 30 June 2013.

31. Significant items of the statement of cash flows

Repayment of originated loans

In the 6-month period ended 30 June 2013, the Company disclosed proceeds from investing activities, related to repayment of the following loans in the total amount of PLN 132 140 thousand:

- a loan of PLN 114 590 thousand originated to TAURON Wytwarzanie S.A. under an agreement signed in December 2012, which resulted from the purchase of CO_2 emission allowances from TAURON Wytwarzanie S.A. with a commitment to sell them back;
- a loan of PLN 17 550 thousand originated to Elektrociepłownia Stalowa Wola S.A.

Originated loans

In the 6-month period ended 30 June 2013, the Company disclosed payments related to investing activities due to origination of loans to Elektrociepłownia Stalowa Wola S.A. in the total amountof PLN 79 550 thousand.

Proceeds from credit facilities and loans obtained by the Company

Proceeds from credit facilities and loans obtained by the Company include mainly the receipt of further disbursements of loans from the European Investment Bank under a loan agreement of 3 July 2012, totaling PLN 450 000 thousand.

Acquisition of bonds and other debt securities

Payments related to acquisition of bonds and other debt securities of PLN 3 440 000 thousand are mainly due to acquisition of intra-group bonds issued by the following subsidiaries:

- TAURON Wytwarzanie S.A., amounting to PLN 1 510 000 thousand;
- TAURON Dystrybucja S.A., amounting to PLN 1 160 000 thousand;
- MEGAWAT MARSZEWO Sp. z o.o., amounting to PLN 620 000 thousand;
- BELS INVESTMENT Sp. z o.o., amounting to PLN 90 000 thousand;
- TAURON Ekoenergia Sp. z o.o., amounting to PLN 60 000 thousand.

Redemption of bonds and other debt securities

Proceeds from redemption of bonds and other debt securities of PLN 1 465 000 thousand are mainly due to redemption of intra-group bonds by the following subsidiaries:

- TAURON Wytwarzanie S.A., amounting to PLN 820 000 thousand;
- TAURON Dystrybucja S.A., amounting to PLN 480 000 thousand;
- MEGAWAT MARSZEWO Sp. z o.o., amounting to PLN 165 000 thousand.

32. Details of other significant changes in the reporting period

Other financial revenue

An increase in other financial revenue in the 6-month period ended 30 June 2013 by PLN 55 970 thousand vs. the comparative period resulted mainly from a rise in the level of interest on intra-group bonds of PLN 53 407 thousand. Interest income earned on bonds acquired for the 6-month period ended 30 June 2013 amounted to PLN 105 163 thousand compared to PLN 51 756 thousand in the 6-month period ended 30 June 2012.

33. Events after the end of the reporting period

On 31 July 2013 the Company, ING Bank Śląski S.A., Bank Polska Kasa Opieki S.A. and BRE Bank S.A. entered into a bond issue scheme agreement ("Agreement") concerning bonds of TAURON Polska Energia S.A. for the maximum amount of PLN 5 000 000 thousand. The Agreement was concluded for the period of 3 years from the agreement date. Securities issued under the scheme will be dematerialized, unsecured, discount or coupon bonds. The par and the issue value of one bond will be determined in time of issue and the interest rate will be determined individually for each tranche in the offering process. The maturity period of bonds ranges from one month to 10 years.

At the same time, on 31 July 2013 the Company and Bank Gospodarstwa Krajowego entered into underwriting, agency and deposit agreements constituting the long-term bond issue scheme for TAURON Polska Energia S.A. with the value of PLN 1 000 000 thousand. The bonds issued will be dematerialized, unsecured and coupon bonds. In 2013 the Company is entitled to issue bonds with the total par value not to exceed 500 000 thousand, while in 2014 and 2015 the maximum total par value of bonds issued cannot exceed the scheme amount less the par value of bonds issued in 2013. Bonds will be available until 31 December 2015 and they will redeemed in annual periods, from 20 December 2019 to 20 December 2028 in equal amounts of PLN 100,000 thousand. The interest rate is floating based on WIBOR 6M plus bank markup. Bonds will be underwritten Bank Gospodarstwa Krajowego, i.e. the scheme underwriter will be obliged to buy bonds issued by the Company.

The funds from the bond issue will be used to finance capital expenditure of the TAURON Group.

These interim condensed financial statements of TAURON Polska Energia S.A., prepared for the 6-month period ended 30 June 2013 in accordance with International Accounting Standard 34 have been presented on 44 consecutive pages.

Katowice, 13 August 2013

Dariusz Lubera	President of the Management Board	………............………………………
Joanna Schmid	Vice-President of the Management Board	…………………………......…………
Dariusz Stolarczyk	Vice-President of the Management Board	……………......………………………
Krzysztof Zawadzki	Vice-President of the Management Board	………………………………......……

MANAGEMENT BOARD'S REPORT ON THE ACTIVITIES OF TAURON POLSKA ENERGIA S.A. CAPITAL GROUP IN THE FIRST HALF OF 2013

AUGUST 2013

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1. Organisation of TAURON Capital Group

1.1. Basic Information on TAURON Capital Group

As of 30 June 2013, TAURON Capital Group consisted of the parent company, TAURON Polska Energia S.A. (hereinafter referred to as the Company, the Issuer or TAURON) and 34 subsidiaries, including 15 companies with direct share of TAURON Polska Energia S.A. in the issued capital and 19 companies with indirect share of TAURON Polska Energia S.A. in the issued capital.

The most important companies of TAURON Capital Group subject to consolidation include:

1. TAURON Dystrybucja S.A. (TAURON Dystrybucja) - providing electric energy distribution services,
2. TAURON Wytwarzanie S.A. (TAURON Wytwarzanie) - dealing with generation of energy from conventional sources and biomass co-burning,
3. TAURON EKOENERGIA sp. z o.o. (TAURON EKOENERGIA) - dealing with generation of electric energy from renewable sources,
4. TAURON Sprzedaż sp. z o.o. (TAURON Sprzedaż) and TAURON Sprzedaż GZE sp. z o.o. (TAURON Sprzedaż GZE) - dealing with sale of electric energy to retail clients,
5. TAURON Obsługa Klienta sp. z o.o. (TAURON Obsługa Klienta) - dealing with customer service,
6. TAURON Ciepło S.A. (TAURON Ciepło) - dealing with heat generation, distribution and sales,
7. Południowy Koncern Węglowy S.A. (PKW) - dealing with hard coal mining.

The remaining subsidiaries subject to consolidation deal, among others, with electric energy trade, extraction of limestone and stone for construction purposes as well as with implementation of investment projects in Renewable Energy Sources Area (RES). In total, 14 subsidiaries are covered by consolidation, as listed hereunder in item 1.4.

In the 1st half of 2013, the development of the management process of "TAURON Group" was continued, established by the Management Board among companies of TAURON Capital Group, understood as the homogeneous economic body consisting of autonomous commercial law companies, led by the Company, as the parent entity.

The main internal regulatory act of "TAURON Group" is the Code of TAURON Group (hereinafter referred to as the Code), adopted by the Management Board of the Company, which regulates its performance, providing for implementation of the objectives through the specifically designed solutions in the area of management of "TAURON Group" entities, enabling to achieve the assumed effects.

As of the date of adoption of the relevant resolutions on their accession to "TAURON Group" by general meetings/ general meetings of shareholders, the companies listed below gained the status of "TAURON Group" members.

The table below presents the list of companies of TAURON Capital Group included in the "TAURON Group" as of 30 June 2013:

Table no. 1 List of companies of TAURON Capital Group included in the "TAURON Group" as of 30 June 2013

No.	Company enterprise
1.	TAURON Polska Energia S.A. (Company)
2.	Kopalnia Wapienia Czatkowice sp. z o.o. (KW Czatkowice)
3.	Polska Energia – PKH sp. z o.o. (PEPKH)
4.	Południowy Koncern Węglowy S.A. (PKW)
5.	TAURON Ciepło S.A. (TAURON Ciepło)
6.	TAURON Czech Energy s.r.o. (TAURON Czech Energy)
7.	TAURON Dystrybucja S.A. (TAURON Dystrybucja)
8.	TAURON EKOENERGIA sp. z o.o. (TAURON EKOENERGIA)
9.	TAURON Obsługa Klienta sp. z o.o. (TAURON Obsługa Klienta)
10.	TAURON Sprzedaż sp. z o.o. (TAURON Sprzedaż)
11.	TAURON Sprzedaż GZE sp. z o.o. (TAURON Sprzedaż GZE),
12.	TAURON Wytwarzanie GZE sp. z o.o. (TAURON Wytwarzanie GZE)
13.	TAURON Wytwarzanie S.A. (TAURON Wytwarzanie)

Considering the changes in organisation of the TAURON Capital Group, in the period covered by this report, the Management Board of the Company performed updated twice the allocation of membership of the companies to "TAURON Group". The first update resulted from registration of the merger process in the Customer Service Area by the competent Registry Court on 31 January 2013 (acquisition of TAURON Obsługa Klienta GZE by the company TAURON Obsługa Klienta), whereas the second update consisted in deleting of the company TAURON Serwis GZE sp. z o.o. (currently: TAURON Dystrybucja Serwis S.A.) from the "TAURON Group" list, in connection with the merger of this company with the company Przedsiębiorstwo Usług Elektroenergetycznych Wrocław S.A. (PUE) (the Acquiring Company). The said merger was registered by the competent Registry Court on 2 April 2013.

As of 30 June 2013 and on the date of this report, the following three main permanent committees operate within "TAURON Group":

1. Project Assessment Committee,
2. TAURON Group Management Committee,
3. TAURON Group Compliance Committee,
4. Risk Committee,
5. Commercial Risk Management Committee.

The Committees fulfil the following functions:

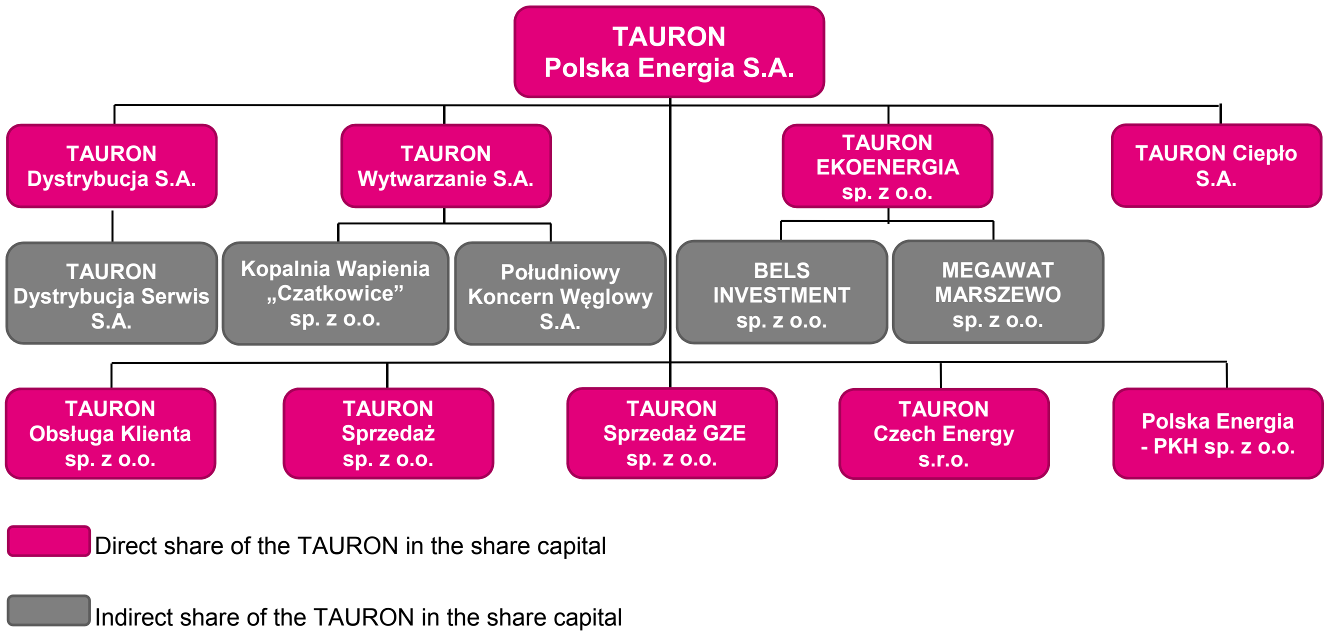
1. opinion-making function for TAURON Management Board,
2. decision-making function,
3. supervisory function for the management boards of TAURON subsidiaries.

The underlying task of the aforementioned Committees is to monitor implementation of coherent actions by all the participants of "TAURON Group", compliant with the TAURON Group Code and for the benefit of "TAURON Group" business. The specific functions of the Committees are specified in their by-laws adopted by the Company Management Board.

1.2. Structure of TAURON Capital Group

The chart below presents the structure of TAURON Capital Group, including the companies covered by consolidation, as of 30 June 2013 and as of the day of this report.

Figure no. 1 Structure of TAURON Capital Group, including the companies covered by consolidation according to the status as of 30 June 2013 and as of the date of this report



1.3. Changes in organisation of TAURON Capital Group

In the 1st half of 2013 the following changes in organisation of TAURON Capital Group took place:

Purchase of shares or stocks of other companies

1. On 6 May 2013, the company purchased, directly from the direct subsidiary, TAURON Wytwarzanie, 750 shares of the company PKE Broker sp. z o.o. (PKE Broker), constituting 100% shares in the Company share capital. The purchase of the aforementioned shares resulted from implementation of the project "Reorganisation of the financial and insurance company", among others, aimed at transferring the brokerage activity of PKE Broker to the company, from Tax Capital Group, which shall enable optimisation of insurance service within TAURON Capital Group, through establishing the brokerage company capable of providing services to all entities of TAURON Capital Group, in cooperation with the experienced market broker. Following the apportionment of insurance service from the scope of PKE Broker operations, the decision on merger with TAURON was taken, which is described in detail in item 3.2 hereof.
2. On 11 June 2013 the Company acquired, from its indirect subsidiary, TAURON Dystrybucja Serwis S.A., 1 share of the company TAURON Sprzedaż GZE, constituting 0.002% of share in the share capital. Purchase of the aforementioned share was aimed at acquisition of 100% of the Company share in TAURON Sprzedaż GZE share capital and the consequent streamlining of the structure of entities conducting similar business activities in TAURON Capital Group.

Merger of companies

1. On 2 January 2013 the District Court for Kraków Śródmieście in Kraków, XII Commercial Department of the National Court Register issued the order on entering the merger of the following companies to the register: "EnergiaPro-Pomiary" sp. z o.o. (the Acquiring Company) with the company CECHTAR sp. z o.o. (the Acquired Company), i.e. the direct subsidiaries of TAURON Dystrybucja. The merger was executed pursuant to art. 492 § 1 item 1 of the Act of 15 September 2000, *Code of Commercial Companies*, i.e. through assignment of the total assets of the Acquired Company to the Acquiring Company.
2. On 31 January 2013 the District Court Wrocław - Fabryczna in Wrocław, VI Commercial Department of the National Court Register issued the order on entering the merger of the following companies to the register: TAURON Obsługa Klienta (the Acquiring Company) with the company TAURON Obsługa Klienta GZE (the Acquired Company), i.e. the direct subsidiaries of TAURON. Accordingly, TAURON acquired 22,021 newly issued shares in the share capital of TAURON Obsługa Klienta, increased to PLN 4,920,500.00. The merger was executed pursuant to Article 492 § 1 item 1 of the Act of 15 September 2000: *Code of Commercial Companies,* i.e. through assignment of the total assets of the Acquired Company to the Acquiring Company. This merger was aimed at streamlining the structure of TAURON Capital Group following the acquisition of the companies of the former Górnośląski Zakład Elektroenergetyczny S.A. Capital Group (GZE).
3. On 13 March 2013 the District Court Katowice - Wschód in Katowice, VIII Commercial Department of the National Court Register issued the order on entering the merger of the following companies to the register: TAURON Wytwarzanie (the Acquiring Company) with the company "ECOCARBON" sp. z o.o. (the Acquired Company), being the direct subsidiary of TAURON Wytwarzanie. The merger was executed pursuant to art. 516 § 6 of the Act of 15 September 2000, *Code of Commercial Companies*, i.e. under the so-called simplified procedure, i.e. without submitting the Merger Plan to examination by the chartered accountant, and in conjunction with art. 492 § 1 item 1 of the Act of 15 September 2000, *Code of Commercial Companies*, i.e. through assignment of the total assets of the Acquired Company to the Acquiring Company.
4. On 2 April 2013 the District Court Wrocław - Fabryczna in Wrocław, VI Commercial Department of the National Court Register issued the order on entering the merger of the following companies to the register: Przedsiębiorstwo Usług Elektroenergetycznych Wrocław S.A. (the Acquiring Company) with the company TAURON Serwis GZE sp. z o.o. (TAURON Serwis GZE) (the Acquired Company), and on the change of Acquiring Company name into TAURON Dystrybucja Serwis. The merger was executed pursuant to art. 492 § 1 item 1 of the Act of 15 September 2000, *Code of Commercial Companies*, i.e. through assignment of the total assets of the Acquired Company to the Acquiring Company.

The aforementioned processes, comprising the merger of specific companies of the same or similar scope of operations, were compliant with the *Corporate Strategy for TAURON Group for 2011-2015, with estimates up to the year 2020* (Corporate Strategy), adopted by the Management Board of TAURON, which assumes, among others, simplification of TAURON Capital Group structure.

Other changes in the structure of TAURON Group Subsidiaries

1. On 2 January 2013 the District Court Katowice - Wschód in Katowice, VIII Commercial Department of the National Court Register issued the order on registering the assignment of partial assets of TAURON Wytwarzanie (the Divided Company) to TAURON Ciepło (the Acquiring Company), pursuant to art. 529 § 1 item 4 of the Act of 15 September 2000, *Code of Commercial Companies*, i.e. by dividing TAURON Wytwarzanie through apportionment, in exchange for shares of TAURON Ciepło S.A., which were acquired by TAURON. The process of dividing the company TAURON Wytwarzanie through apportionment of the Branch of Elektrociepłownia Katowice in Katowice from its structures and assignment of assets of this Branch, including other shares of heat generating companies, to TAURON Ciepło, constituted Stage III of the Project on Development of Heat Area. This process was carried out under the main objective of the Heat Area – increasing the value of TAURON Capital Group through integration of assets, optimisation of operating costs in the scope of heat distribution, providing for heat supply for the generating units of TAURON Capital Group, and the development of operations related to heat generation in small-scale co-generation. As a result of the said apportionment, the share capital of TAURON Ciepło was increased to the amount of PLN 1,238,076,553.56, whereas the share capital of TAURON Wytwarzanie was reduced to the amount of PLN 1,554,189,560.00. The share of TAURON in the share capital of TAURON Ciepło increased from 88.27% to 91.79%, whereas its share in TAURON Wytwarzanie decreased from 99.72% to 99.70%.
2. On 21 January 2013, the Management Board of TAURON Wytwarzanie redeemed shares acquired by the Company pursuant to art. 418^1 of the Act of 15 September 2000, Code of Commercial Companies. In connection with the said redemption of the shares on 5 February 2013, the District Court Katowice - Wschód in Katowice, VIII Commercial Department of the National Court Register issued the order on registering the reduction of the share capital of the Company by the amount of PLN 1,153,400.00 from the amount of PLN 1,554,189,560.00 to the amount of PLN 1,553,036,160.00 was registered. As a consequence, the share of TAURON in the share capital of TAURON Wytwarzanie increased to 99.77%.
3. On 18 March 2013 the District Court Katowice - Wschód in Katowice, VIII Commercial Department of the National Court Register issued the order on registering the change of enterprise name of TAURON direct subsidiary, POEN sp. z o.o. into TAURON Ubezpieczenia sp. z o.o.
4. On 2 April 2013 the Management Board of the company Ośrodek Szkoleniowo-Wypoczynkowy "JAGA" sp. z o.o., i.e. the direct subsidiary of TAURON Dystrybucja S.A., filed the motion to the District Court, V Commercial Department in Nowy Sącz, concerning declaration of bankruptcy of the company Ośrodek Szkoleniowo-Wypoczynkowy "JAGA" sp. z o.o. On 3 June 2013, the District Court, V Commercial Department in Nowy Sącz, issued an order on announcement of bankruptcy of the Company, including the winding-up of the assets. The aforementioned issue is described in detail in item 3.2. of this report.
5. On 23 April 2013 the District Court for Kraków Śródmieście in Kraków, IX Commercial Department of the National Court Register, issued the order deleting the company Ośrodek Szkoleniowo-Wypoczynkowy Rożnów sp. z o.o., i.e. the direct subsidiary of TAURON Ekoserwis sp. z o.o. and TAURON Dystrybucja from the court register.
6. On 25 June 2013, the Management Board of TAURON (the Acquiring Company) took the decision on its intention to perform the merger with the company PKE Broker (the Acquired Company) and adopted the Merger Plan of the Acquiring Company with the Acquired Company. The merger of the said companies is compliant with the Corporate Strategy. The aforementioned process is described in detail in item 3.2. of this report.

1.4. Entities subject to consolidation

As of 30 June 2013, the following subsidiaries were covered by consolidation:

1. TAURON Wytwarzanie S.A. (TAURON Wytwarzanie),
2. TAURON Dystrybucja S.A. (TAURON Dystrybucja),
3. TAURON Sprzedaż sp. z o.o. (TAURON Sprzedaż),
4. TAURON Obsługa Klienta sp. z o.o. (TAURON Obsługa Klienta),
5. TAURON EKOENERGIA sp. z o.o. (TAURON EKOENERGIA),
6. Kopalnia Wapienia Czatkowice sp. z o.o. (KW Czatkowice),
7. Południowy Koncern Węglowy S.A. (PKW),
8. Polska Energia - Pierwsza Kompania Handlowa sp. z o.o. (PEPKH),
9. TAURON Ciepło S.A. (TAURON Ciepło),

10. TAURON Czech Energy s.r.o. (TAURON Czech Energy),
11. BELS INVESTMENT sp. z o.o. (BELS INVESTMENT),
12. MEGAWAT MARSZEWO sp. z o.o. (MEGAWAT MARSZEWO),
13. TAURON Sprzedaż GZE sp. z o.o. (TAURON Sprzedaż),
14. TAURON Dystrybucja Serwis S.A. (TAURON Dystrybucja Serwis)*.

**On 2 April 2013 the merger of the companies TAURON Serwis GZE (the acquired company) and Przedsiębiorstwo Usług Elektroenergetycznych Wrocław S.A. (the acquiring company) was registered and, simultaneously, the name of enterprise name of the acquiring company was changed into TAURON Dystrybucja Serwis.*

Moreover, TAURON Capital Group holds investments in joint projects: Elektrociepłownia Stalowa Wola S.A. and Elektrownia Blachownia Nowa which are evaluated by equity method in the financial statements.

2. Information concerning the parent company

2.1. Composition of the Management Board and the Supervisory Board

Personal composition of the Management Board as of 30 June 2013 and on the day of this report

1. Dariusz Lubera - President of the Board,
2. Joanna Schmid - Vice President of the Management Board for Strategy Development,
3. Dariusz Stolarczyk - Vice-President of the Management Board for Corporate Matters,
4. Krzysztof Zawadzki - Vice-President of the Management Board, Chief Financial Officer.

In the period covered by this report, no changes in the composition of the Management Board of the Company took place.

Personal composition of the Supervisory Board as of 30 June 2013 and on the day of this report

1. Antoni Tajduś - Chairman of the Supervisory Board,
2. Rafał Wardziński - Deputy Chairman of the Supervisory Board,
3. Leszek Koziorowski - Secretary of the Supervisory Board,
4. Jacek Kuciński - Member of the Supervisory Board,
5. Marcin Majeranowski - Member of the Supervisory Board,
6. Jacek Szyke - Member of the Supervisory Board,
7. Marek Ściążko - Member of the Supervisory Board,
8. Agnieszka Trzaskalska - Member of the Supervisory Board,

In the period covered by this report, no changes in the composition of the Supervisory Board of the Company took place.

2.2. Shares and Shareholders

2.2.1. Structure of share capital

As of 30 June 2012 and on the day of this report, the share capital of the Company, in accordance with the entry to the National Court Register, amounted to PLN 8,762,746,970.00 and it was divided into 1,752,549,394 shares at par value of PLN 5.00 each, including 1,589,438,762 ordinary bearer shares of AA series and 163,110,632 ordinary registered shares of BB series.

2.2.2. Shareholders holding at least 5% of the total number of votes

The structure of shareholders holding at least 5% of the total number of votes at the General Meeting of the Company, either directly or indirectly, through their subsidiaries, has not changed since the date of presentation of the report of TAURON Capital Group for the 1st quarter 2013 and, as of the date of compilation of this report, i.e. 30 June 2013, it was as follows:

Table no. 2 Shareholders holding large blocks of shares directly or indirectly

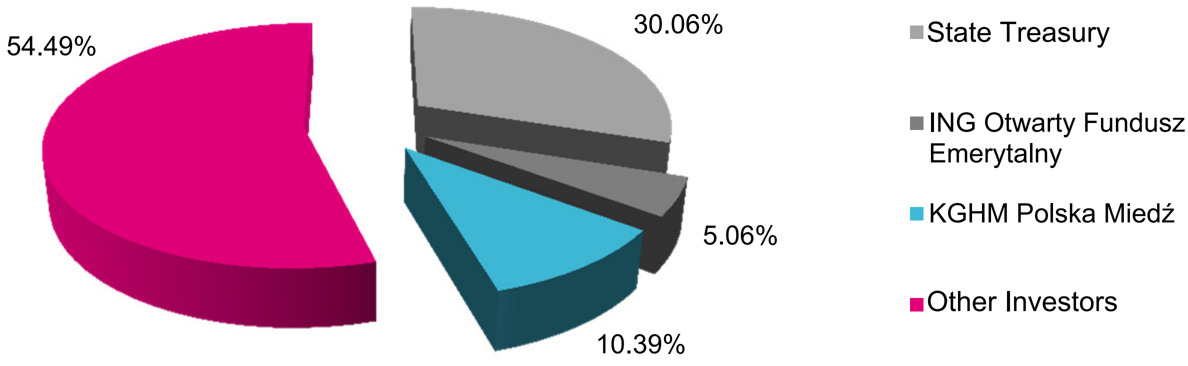
No.	Shareholders	Number of shares held	Percentage interest in the share capital	Number of votes held	Percentage interest in the general number of votes
1.	State Treasury*	526 848 384	30.06%	526 848 384	30.06%
2.	KGHM Polska Miedź S.A.**	182 110 566	10.39%	182 110 566	10.39%
3.	ING Otwarty Fundusz Emerytalny***	88 742 929	5.06%	88 742 929	5.06%

**in accordance with the shareholder's notification of 28.02.2013*

***in accordance with the shareholder's notification of 23.03.2011*

****in accordance with the shareholder's notification of 28.12.2011*

Figure no. 2 Structure of the share capital of the Company as of 30 June 2013 and on the date of this report



2.2.3. Specification of status of shares held by members of the management and supervisory bodies

As of 30 June 2013 and on the day of this report the status of holding of the Company shares, or authorisation thereto, by persons managing and supervising the Company was as follows:

Table no. 3 Proprietary status of the Company shares, or authorisation thereto - managing staff

No.	Name and surname	Number of shares as of 9 May 2013 (publication of the report for Q1 2013)	Change in number of shares held	Number of shares as of the date of the report
1.	Dariusz Lubera	6 576	no change	6 576
2.	Joanna Schmid	0	no change	0
3.	Dariusz Stolarczyk	42 611	no change	42 611
4.	Krzysztof Zawadzki	27 337	no change	27 337

no change - lack of any changes

Table no. 4 Proprietary status of the Company shares, or authorisation thereto - supervisory persons

No.	Name and surname	Number of shares as of 9 May 2013 (publication of the report for Q1 2013)	Change in number of shares held	Number of shares as of the date of the report
1.	Antoni Tajduś	0	no change	0
2.	Rafał Wardziński	0	no change	0
3.	Leszek Koziorowski	0	no change	0
4.	Jacek Kuciński	935	no change	935
5.	Marcin Majeranowski	0	no change	0
6.	Jacek Szyke	0	no change	0
7.	Marek Ściążko	0	no change	0
8.	Agnieszka Trzaskalska	0	no change	0

no change - lack of any changes

2.3. Subject and scope of business operations

The main subject of the Company operations covers:

1. Operations of central companies (head offices) and holdings, excluding financial holdings (PKD 70.10 Z),
2. Electric energy trading (PKD 35.14 Z),
3. Wholesale of fuel and derivative products (coal and biomass trading) (PKD 46.71 Z).

As the parent entity TAURON fulfils the consolidating and governing function in the TAURON Capital Group. Besides its governing function, the basic activity of the Company is wholesale electric energy trading on the territory of the Republic of Poland, based on the concession on electric energy trading (OEE/508/18516/W/2/2008/MZn), issued by the President of the Energy Regulatory Office (ERO) for the period from 1 June 2008 until 31 May 2018.

The Company also conducts operations in the area of electric energy supply to selected group of strategic clients. This group of clients comprises such entities, as: KGHM Polska Miedź S.A. (KGHM), ArcelorMittal Poland S.A. (ArcelorMittal Poland), CMC Zawiercie S.A., Zakłady Górniczo-Hutnicze "Bolesław" S.A., Kompania Węglowa S.A. (Kompania Węglowa) and other entities representing various industrial sectors, of high demand for electric energy. The functions implemented in this area also include execution of the adopted marketing strategy of the Company as well as marketing plans in the area of supply to customers of strategic nature, research on product needs related to the energy trade market in order to improve the product offer of the Company as well as acquisition of information concerning activities of competitors, events occurring in the Company environment. Moreover, the Company coordinates the governance activities in the scope of sales, marketing and customer service, performed by the companies: TAURON Sprzedaż and TAURON Obsługa Klienta.

The Company conducts energy trade, i.e. purchase and sales of energy on the wholesale market in the country and abroad. The activities are conducted on the spot market and forward market, both in financial contracts and in contracts with physical delivery. In Poland the Company is an active participant of TGE (Polish Power Exchange), and the OTC platforms operated by London energy brokers (TFS and GFI). TAURON actively participates in auctions of the interconnector exchange of energy transmission on the Polish-Czech and Polish-German border, operated by the CAO auction office. The trade on the German market takes place primarily through the EPEX Spot exchanges and EEX exchange in the scope of trade of financial instruments, futures type, additionally, transactions on the OTC market are also concluded (OTC-over the counter market). On the Czech market, through its subsidiary - TAURON Czech Energy, the Company operates on the Prague exchange, PXE Power Exchange Central Europe a.s., comprising the Czech, Slovakian and Hungarian markets, as well as on the OTE a.s. exchange.

It should be indicated that the competence of the Company includes management of certificates of origin for the needs of the TAURON Capital Group, constituting the confirmation of generation of electric energy in renewable sources, in high-performance co-generation, in gas fuel fired co-generation, in mining methane fired or biomass burning co-generation, from sources using agricultural biogas, as well as management of energy efficiency certificates and guarantees of origin. This activity involves optimisation of positions in the portfolio of property rights, purchase and sales of these units, in relation to companies of Generation Area, as well as companies selling electric energy to end consumers, thus being the subject to the redemption obligation of certificates of origin. The activities on the market of property rights are also conducted by TAURON in order to fulfil the redemption obligation of certificates of origin due to energy sales to end consumers.

The Company also serves as the competence centre in the area of CO_2 emission allowances for companies of TAURON Capital Group and external customers. Due to the centralisation of emission trading, the synergy effect was obtained, consisting in enhancing the effectiveness of the process of securing the positions in the CO2 emission allowances portfolios, at optimum level of exploitation costs of available resources of the entities included in the TAURON Capital Group. Parallel to centralisation of this function in TAURON, the Company is responsible for the settlement of CO2 emission allowances of individual companies, cost-effective management of the allowances granted, securing the subsidiaries' emission needs, support in negotiating the future emission allowances limits as well as introducing the companies into the new terms and conditions of Phase III of the EU ETS system (the European Union Emission Trading System) covering years 2013-2020. While implementing the above goals in the area of CO2 emission allowances trading, the Company actively participates in trading on the Paris exchange BlueNext, London European Climate Exchange (ICE), EEX exchange in Leipzig and the European OTC market.

In addition, TAURON also acts as the Market Operator for companies of TAURON Capital Group and for external customers. This activity is based on the transmission Agreement of 21 August 2008, concluded with the Transmission System Operator (TSO) – the PSE SA company. (PSE). In accordance with the Instruction on Transmission Grid Operation and Maintenance, the Company currently holds exclusive trade and technical capacity in scheduling coordination, it is responsible for optimisation of generation, i.e. selection of generation units for operation as well as adequate distribution of loads in order to execute the contracts concluded, taking into consideration the technical conditions of the generation units, network constraints and other factors, from various perspectives. Within the services provided to the Generation Area, the Company participates in preparation of repair plans, plans of available capacity as well as production plans for generation units, in various time horizons, and in their settlement with the TSO and the Distribution System Operator (DSO).

In accordance with the adopted business model, TAURON fulfils the governing function in the scope of production fuel procurement management for the needs of the generating entities included in TAURON Capital Group. On 1 January 2012, centralising the production fuel procurement, the Company started its activities in the scope of purchase and sales of biomass and provision of continuous supplies for the needs of the generating units included in TAURON Wytwarzanie. As of 1 June 2012 the operating activity connected with purchase of fuels and provision of continuous supplies was extended by adding coal. Through consolidation of fuel procurement, competence in the area of gas fuel trading has been also successively built. On 27 April 2012 TAURON obtained the relevant concession for gas fuel trading on the territory of the country and on 19 October 2012, the President of ERO approved the TAURON Tariff for gas fuel. On 3 November 2012 gas trading was commenced (to TAURON Group companies).

The activity in the scope of gas market was also implemented through participation in consultations of the Instruction on Transmission Grid Operation and Maintenance and consultations announced by Polskie LNG S.A. and Operator Systemu Magazynów. The Company was registered on the throughput platform of PRISMA European Capacity Platform GmbH, enabling active participation in the mechanism of transmission capacity allocation. Moreover, TAURON extended its participation in EEX exchange in the scope of gas, which provides the possibility to secure the needs of import or export to/from the national gas system from the German market under competitive terms.

3. Operations of TAURON Capital Group

3.1. The core business areas of TAURON Capital Group.

TAURON Capital Group is a vertically integrated utility enterprise holding the leading position in generation, distribution and supply of electric energy in Poland and in Central and Eastern Europe. TAURON Capital Group conducts its operations within the following Core Business Areas (hereinafter also referred to as Segments):

Mining, comprising mainly mining, preparation and sales of hard coal in Poland, the activity which provided by PKW.

Generation, comprising mainly generation of electric energy and heat from conventional sources, as well as generation of electric energy and heat using biomass co-burning, and other thermally acquired energy. The basic fuels used by Generation Area comprise hard coal, biomass and coke-oven gas. Within TAURON Group, TAURON Wytwarzanie operates in the Generation Area. On 2 January 2013 this company was divided through apportionment of Elektrociepłownia Katowice (EC Katowice) and its allocation to the company TAURON Ciepło belonging to Heat Segment. The comparative data of Generation Area and Heat Area was converted accordingly.

Renewable Energy Sources (RES), comprising generation of electric energy from renewable sources (excluding generation of electric energy by biomass co-burning, attributed to the Generation Segment). This activity is provided by TAURON EKOENERGIA and TAURON EKOENERGIA subsidiaries: BELS INVESTMENT and MEGAWAT MARSZEWO.

Distribution, covering distribution of electric energy using distribution grids located in southern Poland, the activity which is provided by TAURON Dystrybucja. In this Area the company TAURON Dystrybucja Serwis is also included (established by the merger of TAURON Serwis GZE and PUE Wrocław S.A.).

Sales, comprising sales of electric energy to end-customers and wholesale trade of electric energy, as well as trade and management of CO_2emission allowances and property rights arising from energy certificates of origin, and fuel trade. Operations in this area are provided by the companies: TAURON, TAURON Sprzedaż, TAURON Sprzedaż GZE and TAURON Czech Energy.

Customer Service, covering mainly services provided to internal client (companies of TAURON Capital Group), in the scope of service related to the sales process and the financial and accounting process of selected companies of TAURON Capital Group. The company TAURON Obsługa Klienta operates within this area.

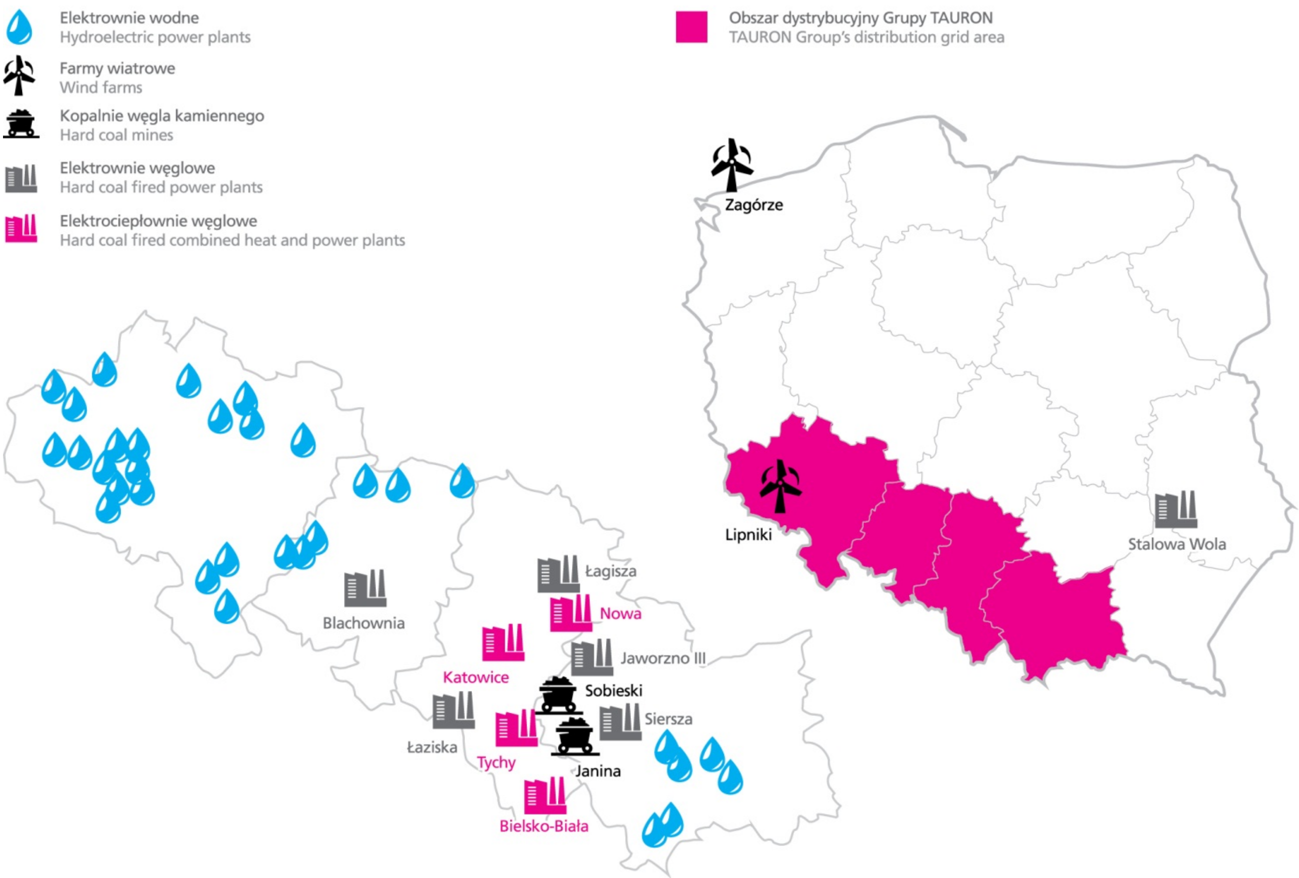
Heat, covering generation, distribution and sales of heat and other utilities, within which TAURON Ciepło operates (following the merger with the companies: EC Tychy, EC Nowa, EC w Kamiennej Górze).

Other, comprising mainly activities in the area of extraction of stone, including limestone, for the needs of energy industry, metallurgy, construction and road building as well as production of sorbing agents for installations of flue gas desulphurization using the wet method, and for the use in the fluidized bed boilers (activity provided by the company KW Czatkowice) as well as the operations in the scope of electric energy and derivative product trade (conducted by the company PEPKH).

TAURON Capital Group conducts its operations and gains its revenues mainly from sales and distribution of electric energy and heat, generation of electric energy and heat, and sales of hard coal.

The map below shows the location of key assets of TAURON Capital Group as well as its distribution area, where TAURON Dystrybucja operates as the Distribution System Operator (DSO).

Figure no. 3 Location of key assets of TAURON Capital Group



In the first half and second quarter of 2013, TAURON Group reached the following key operating parameters:

Table no. 5 Key operating parameters of TAURON Capital Group (as compared to the corresponding periods of previous year)

No.	Key operating parameters	Unit	1st half 2013	1st half 2012	Dynamics 2013/2012	Q2 2013	Q2 2012	Dynamics 2013/2012
1.	Commercial coal production	M Mg	3,00	2,57	116.7%	1,48	1,36	108.8%
2.	Generation of electric energy (net production of the Group), including:	TWh	9,75	9,24	105.5%	4,60	4,25	108.2%
3.	*Net production of Generation Area*	*TWh*	*8,86*	*8,40*	*105.5%*	*4,16*	*3,88*	*107.2%*
4.	*Net production of RES Area*	*TWh*	*0,28*	*0,28*	*100.0%*	*0,16*	*0,14*	*114.3%*
5.	*Net production of Heat Area*	*TWh*	*0,61*	*0,55*	*110.9%*	*0,27*	*0,23*	*117.4%*
6.	Generation of electric energy and heat from renewable sources of the Group, including:	TWh	0,60	0,65	92.3%	0,31	0,34	91.2%

7.	*Biomass-based production by Generation and Heat Area*	*TWh*	*0,31*	*0,36*	*86.1%*	*0,15*	*0,20*	*75.0%*
8.	*Production of hydroelectric plants and wind farms of RES Area*	*TWh*	*0,29*	*0,29*	*100.0%*	*0,16*	*0,13*	*123.1%*
9.	Heat generation by the Group, including:	PJ	9,43	9,72	97.0%	1,94	1,93	100.5%
10.	*Heat production of Generation Area*	*PJ*	*4,37*	*4,90*	*89.2%*	*0,89*	*0,98*	*90.8%*
11.	*Heat production of Heat Area*	*PJ*	*5,05*	*4,82*	*104.8%*	*1,05*	*0,94*	*111.7%*
12.	Distribution of electric energy	TWh	23,98	24,18	99.2%	11,56	11,48	100.7%
13.	Retail sales of electric energy (by Sales, Generation and Heat)	TWh	20,85	22,70	91.9%	9,92	10,81	91.8%
14.	Number of clients - Distribution	Thou.	5 313,3	5 288,8	100.5%	5 313,3	5 288,8	100.5%

3.2. Significant events and achievements of TAURON Capital Group influencing its operations

The most important events of significant impact on operations of TAURON Capital Group, which occurred during the 1st half of 2013, and until the day of this report are as follows:

Adoption of the Cost Effectiveness Programme for years 2013-2015

On 15 January 2013 the Management Board of TAURON passed the resolution on adoption of the operating costs effectiveness improvement programme in TAURON Capital Group for 2013-2015. The Program was prepared with the underlying goal to provide for the increase of TAURON Capital Group value.

Consolidation and restructuring projects have been prepared, the execution of which should result in cost reduction at a level of approximately PLN 860 million in the years 2013-2015 (total amount over the entire 3-year period). The effectiveness improvement programmes in individual areas of operations were adopted by management boards of the subsidiaries and created the basis for the development of the programme at the level of TAURON Capital Group. According to the Company's estimates, the scale of operating costs reduction under the efficiency improvement Programme should increase year by year, to oscillate around the amount of PLN 300 million annually. TAURON Capital Group expects OPEX reduction in most segments – the largest share falling to Generation Area and Distribution Area. One of the elements of the Programme is to use the synergies emerging after incorporation of the acquired GZE companies into the structures of TAURON Capital Group.

The Company informed of this event in current report No. 1/2013 of 15 January 2013.

Selection of the winning bid for construction of the new unit in Elektrownia Jaworzno III

On 24 January 2013 under an ongoing tender procedure the Management Board of a subsidiary – TAURON Wytwarzanie, selected the winning bid for construction of 910MW unit with supercritical parameters at Elektrownia Jaworzno III. The following consortium was selected as the General Contractor: RAFAKO S.A. (RAFAKO) (consortium leader) and MOSTOSTAL WARSZAWA S.A. (MOSTOSTAL). The value of the winning bid is PLN 4,399 million net (PLN 5,411 million gross). The object of the tender includes design and construction of a coal-fired unit of 910MW capacity. The Project is in line with Corporate Strategy presented in current report No. 25/2011 of 28 April 2011 which stipulates building a sustainable generation portfolio consisting of coal, gas and RES based technologies. Delivery of the investment is scheduled in 2018.

On 4 February 2013 the Company was informed that an appeal had been lodged to Polish Appeals Chamber by the consortium of: SNC-Lavalin Polska Sp. z o.o., SNC-Lavalin Inc. and Hitachi Power Europe GmbH, as well as China National Electric Engineering Co., Ltd. and China Overseas Engineering Group Co., Ltd., against the decision of TAURON Wytwarzanie concerning the selection of the bid submitted by the consortium of RAFAKO – MOSTOSTAL, under the tender on selection of the general contractor of the 800-910MW range capacity power unit at Elektrownia Jaworzno III. On 25 March 2013, the Polish Appeals Chamber issued its verdict waiving the aforementioned appeals. On 2 May 2013, the Company acquired the information that the consortium of China National Electric Engineering Co., Ltd. and China Overseas Engineering Group Co., Ltd. filed a complaint to the Regional Court in Katowice. On 25 June 2013, the Company acquired the information that the consortium of China National Electric Engineering Co., Ltd. and China Overseas Engineering Group Co., Ltd. withdrew their complaint against the decision of the Polish Appeals Chamber dated 25 March 2013.

On 3 June 2013 the Company acquired the information that the RAFAKO S.A. – MOSTOSTAL consortium extended validity of their offer submitted under the ongoing tender procedure for selection of the general contractor for construction of the power unit at Jaworzno III power plant until 31 July 2013, inclusive. The Consortium also submitted an annex to the bid bond extending the validity of the cash deposit until 31 July 2013.

On 30 July 2013 the Company acquired the information that the RAFAKO S.A. – MOSTOSTAL consortium extended validity of their offer submitted under the ongoing tender procedure for selection of the general contractor for construction of the power unit at Jaworzno III power plant until 30 September 2013, inclusive. The Consortium also submitted an annex to the bid bond extending the validity of the cash deposit until 30 September 2013.

The Company informed of the aforementioned event in current reports No. 3/2013 of 24 January 2013, No.4/2013 and 5/2013 of 4 February 2013, No. 10/2013 of 25 March 2013, No. 19/2013 of 2 May 2013, No. 23/2013 of 3 June 2013, No. 30/2013 of 25 June 2013 and No. 35/2013 of 30 July 2013.

Signing the Annex to the Framework Agreement on the Joint Exploration for and Extraction of Shale Gas

On 4 July 2012 the Company signed a framework agreement on the exploration for and extraction of shale gas (hereinafter: "Agreement") between: TAURON, Polskie Górnictwo Naftowe i Gazownictwo S.A. (PGNiG), ENEA S.A. (ENEA), KGHM and PGE Polska Grupa Energetyczna S.A. (PGE), of which the Company informed in current report No. 34/2012 of 4 July 2012. On 12 November Annex no. 1 to the aforementioned Agreement was signed, of which the Company informed in current report No. 38/2012 of 12 November 2012.

On 21 February 2013, Annex no. 2 to the aforementioned Agreement was signed. The Parties agreed to extend the deadline for establishing the detailed terms and conditions of cooperation until 4 May 2013. Should the Parties to the Agreement fail to agree on the detailed terms and conditions of cooperation by 4 May 2013, the Agreement may be terminated by either of the Parties. Moreover, in case if, within three months following such arrangements, the Parties have not obtained all of the required corporate approvals, or in case if, by 31 December 2013, the required anti-monopoly clearances to execute the concentration have not been received, the Agreement will expire. The change of the aforementioned deadlines is connected with the ongoing negotiations in the scope of the detailed terms and conditions of cooperation, under which, among others, the documentation of the project is developed.

The Company informed of this event in current report No. 6/2013 of 21 February 2013.

Conclusion of a material agreement with Kompania Węglowa

On 1 March 2013 the agreement was concluded between TAURON and Kompania Węglowa, whose subject is the purchase of coal by the Company ("Agreement"). The Agreement was signed for a period of three years from 1 January 2013 until 31 December 2015. The estimated net value of the Agreement over its entire term is PLN 2.4 bn. The parties to the Agreement agreed that in the case of failure to supply or collect the coal, the liquidated damages shall be applicable, amounting to 20% of the net value of the coal subject to such failure, however a +/- 5% deviation is allowed. The above provisions apply to the volume of approximately 7.2 million tons in the years 2013-2015. For the remaining volume, the liquidated damages shall be separately agreed between the parties and included in an annex to the Agreement. Since 1 January 2013 the aforementioned Agreement has superseded the agreement concluded on 1 December 2010 between Południowy Koncern Energetyczny S.A. (the Issuer's subsidiary, currently TAURON Wytwarzanie) and Kompania Węglowa, taken over by the Issuer on 5 June 2012 under the centralisation of fuel trading in "TAURON Group".

The Company informed of the aforementioned event in current report No. 7/2013 of 1 March 2013.

Appointment of certified auditor

On 13 March the Supervisory Board of the Company, acting pursuant to § 20 item 1 point 6) of the Articles of Association, appointed the company Deloitte Polska Spółka z ograniczoną odpowiedzialnością Spółka komandytowa (Deloitte) as the entity authorized to:

1. examine standalone and consolidated financial statements of TAURON for the financial years 2013, 2014 and 2015,
2. verify semi-annual standalone and consolidated financial statements of TAURON for periods ending on 30 June 2013, 30 June 2014 and 30 June 2015.

Deloitte has been entered in the register of entities authorized to examine financial statements under No. 73. Until now, services provided by Deloitte for the Company included examination of financial statements prepared in accordance with the Accounting Act for the year 2007 and examination of consolidated financial statements prepared in accordance with the Accounting Act for the year 2007. The certified auditor was selected in an open tender in accordance with the Act of 29 January 2004 – Public Procurement Law (Journal of Laws of 2010 No. 113 item 759 as amended).

The Company informed of appointment of the certified auditor in current report No. 8/2013 of 13 March 2013.

Fulfilling conditions precedent regarding agreements concluded under the project "Construction of CCGT unit at Stalowa Wola"

With reference to conclusion of material agreements under the project "Construction of CCGT unit at Stalowa Wola", including the electric energy supply agreement and gas fuel supply agreement, on 25 April 2013, the agreement was concluded providing for financing of construction, start-up and commissioning of the CCGT unit at Stalowa Wola, accordingly, the last of the conditions precedent defined in the electric energy supply agreement was fulfilled. Elektrociepłownia Stalowa Wola S.A. submitted to PGNiG S.A. (PGNiG) the declaration confirming that the financing for the construction of the CCGT unit at Stalowa Wola was obtained, which means that the last of the conditions precedent defined in Gas Supply Agreement was fulfilled. In view of the foregoing, all the conditions precedent concerning the Project have been fulfilled.

The Company informed of this event in current report No. 17/2013 of 26 April 2013.

Dividend payment from net profit for 2012

On 16 May 2013 the Ordinary General Meeting of the Company adopted the resolution on profit distribution for the financial year 2012 and defined the amount allocated for payment of the dividend to shareholders, the dividend record day and the dividend payment day. In accordance with the resolution, the Ordinary General Meeting allocated the amount PLN 350,509,878.80 for payment of the dividend for shareholders from the net profit for the financial year 2012, which means that the amount of the dividend per share was PLN 0.20. Simultaneously, the General Meeting defined the dividend record day on 3 June 2013 (day of dividend) and the date of the dividend payment on 18 June 2013 (day of dividend payment).

The Company informed of this event in current report No. 21/2013 of 16 May 2013.

Completing the modernisation of the boiler of BC-35 unit in the Generation Plant in Tychy

In years 2010-2013 in the Tychy CHP plant, the project was implemented concerning the modernisation of the existing OFz 135/K7 circulating fluidized bed boiler (CFB), coal fired (unit BC 35 of the installed capacity of 40 MW) to the bubbling fluidized bed boiler (BFB), biomass burning, with the assumption of maintaining its former efficiency.

Within the project, in December 2012 the occupancy permit was obtained, concession tests were performed and on 15 February 2013 the ERO concession was granted for generation of electric energy and for generation of heat. The guarantee measurements were performed.

Under the project the task aimed at construction of WR 40 coal fired water boiler (40 MW_t) was also completed - in May 2013, the occupancy permit was obtained.

Commissioning of RES unit of 20 MW capacity at Elektrownia Stalowa Wola

In the 1st quarter of 2013, the installation for electric energy generation in the renewable energy source at Elektrownia Stalowa Wola was commissioned. This investment comprised modernisation of the K-10 coal fired boiler in order to adjust it to 100% biomass burning, construction of the biomass preparation installation and modernisation of TG-6 turbo generator in order to adjust it to block performance with the modernised boiler. The installation enables burning of both processed biomass (e.g. pellets) and the non-processed biomass. In March 2013, the test run was performed and the installation was commissioned; the process of granting the concession is ongoing.

Owing to the commissioning of the installations in Tychy and Stalowa Wola, the capacity of "TAURON Group" in the scope of energy production from biomass sources increased significantly. Currently, "TAURON Group" has three biomass renewable energy sources of the total installed capacity amounting to110 MW.

Selection of the general contractor for construction of the new heat unit in Zakład Wytwarzania Tychy

On 22 April 2013 the company TAURON Ciepło, under implementation of the project concerning construction of the new heat unit in Zakład Wytwarzania Tychy (ZW Tychy), selected the most favourable bid of Elektrobudowa S.A. (Elektrobudowa), which whom the agreement was signed on 20 June 2013.

The task is to be implemented based on the contract and covers the design, supply, assembly, start up and commissioning of the new heat unit with the fluidised boiler and the heat condensing unit. The reconstruction of generation capacity in TAURON Ciepło at ZW Tychy arises from the requirement to adjust ZW Tychy to the new, more stringent emission standards. The objective of the investment is to maintain the current status of ZW Tychy as the basic and main heat generator for consumers located on the territory of Tychy city.

Commissioning of the heat unit of 50 MW capacity at Zespół Elektrociepłowni Bielsko-Biała

Until June 2013, the installation and start-up of the unit was performed, the test run was conducted and the unit was commissioned. The project consisting in construction of the heat unit in cogeneration, of 50 MWe and 106 MWt capacity (182 MWt, including the peak unit) at Zespół Elektrociepłowni Bielsko-Biała, was commenced at the end of 2011. The aim of the investment was to replace the exploited and low-performing generation units, by the unit of high performance, complying with all environmental protection requirements concerning emissions of NOx, SO2 and particulate matter. Implementation of the project is of key importance for the heating system of Bielsko-Biała. The new unit is the main source of heat for the city.

Signing the Memorandum of Understanding to continue works on drafting a contract for purchase of shares in an SPV for construction and operation of a nuclear power plant

On 25 June 2013, PGE, KGHM, TAURON and ENEA signed a Memorandum of Understanding on continuation of works related to drafting a contract for purchase of shares in an SPV established for construction and operation of a nuclear power plant. The Memorandum shall be binding until 30 September 2013, with a possibility to extend its effective term by one quarter provided all the Parties agree thereto.

The Company informed of the aforementioned event in current report No. 31/2013 of 26 June 2013.

Application for amendment of the Articles of Association

Considering the requirements specified in Good Practices of Companies Listed at Giełda Papierów Wartościowych S.A. w Warszawie (Warsaw Stock Exchange) in the scope of changing the manner of shareholders' participation in the Company's General Meetings via electronic means of communication, the Management Board adopted the decision to apply to the General Meeting of the Company for passing the amendments in the Company Article of Association.

On 16 May 2013 the Ordinary General Meeting of the Company did not pass the resolution to amend the Company's Articles of Association.

The Company informed of the aforementioned events in current reports No. 13/2013 of 11 April 2013 and No. 20/2013 of 16 May 2013.

Declared bankruptcy of a subsidiary Ośrodek Szkoleniowo-Wypoczynkowy "JAGA" sp. z o.o.

On 2 April 2013 the management board of Ośrodek Szkoleniowo-Wypoczynkowy "JAGA" sp. z o.o. ("OSW Jaga"), i.e. an indirect subsidiary of the Issuer, filed a request for declaration of bankruptcy of the company OSW Jaga to the District Court, V Commercial Division in Nowy Sącz. On 5 June 2013 the Company received the decision of the District Court in Nowy Sącz V Commercial Division announcing the bankruptcy of company OSW Jaga dated 3 June 2013, including liquidation of its assets. The decision came into force on 17 June 2013.

The Company informed of this event in current reports No. 11/2013 of 2 April 2013, No. 24/2013 of 5 June 2013 and No. 26/2013 of 12 June 2013.

Approval of the tariff on distribution of electric energy by the ERO President

On 6 June 2013 the Company was notified that the G tariff for electricity supply to households (connected to TAURON Dystrybucja grid, excluding the area of Gliwice) for the company TAURON Sprzedaż, for the period from 1 July to 31 December 2013 had been approved by the President of Energy Regulatory Office. The approved tariff includes reduction of electric energy sales prices for G tariff by 4.55% on average, resulting from lower electric energy purchase prices.

The Company informed of the said event in current report No. 25/2013 of 6 June 2013.

Maintaining Fitch agency rating for TAURON

On 21 June 2013, the Fitch rating agency ("Fitch") informed of their decision to sustain the rating for the Company in foreign and local currency at the BBB level, with stable perspective. According to Fitch, the ratings reflect the leading position of the Company in Poland within the national electric energy distribution sector and strong position in generation sector. At the same time, the ratings are constrained by the deteriorating financial performance of the generation segment, limited diversification of generation sources (generation fleet based mostly on coal) and the deterioration of the company credit indicators forecast by Fitch in the years 2013-2017. The increased EBITDA coming from the regulated power distribution segment, mainly owing to the whole-year contribution of GZE acquired in December 2011, allowed the company to mitigate the negative impact of lower profitability of the generation segment in 2012.

Fitch expects "TAURON Group's" funds from operations (FFO) adjusted net leverage to increase to around 3 by 2015 from 1.3 at end of 2012 due to the combination of lower level of FFO, driven by the forecast weaker performance of the generation segment, and the higher level of capex.

The Company informed of this event in current report No. 27/2013 of 21 June 2013.

Rejected complaint of ERO President against decision concerning annual adjustment of stranded costs

On 25 April 2013, the Court of Appeals in Warsaw issued the decision ("Decision") dismissing the appeal of the President of the Energy Regulatory Office ("ERO President") against the decision of the Regional Court in Warsaw - Court for Competition and Consumer Protection of 26 May 2010, concerning determination of the annual adjustment of stranded costs due to TAURON Wytwarzanie S.A. for 2008, in connection with the early termination of long-term contracts for sales of capacity and electric energy, of which the Company informed in current report No. 19/2012 of 25 April 2012. The President of ERO filed the cassation appeal to the Supreme Court, challenging the aforementioned Decision. On 21 June 2013 the Supreme Court decided to refuse the aforementioned cassation appeal filed by ERO President for examination, which was in line with the Company's request. The decision of the Supreme Court is not challengeable. Thus, the dispute proceeding initiated by the Company upon filing appeal against the decision of ERO President on annual adjustment of stranded costs due to the Company for the year 2008 has finally been closed in accordance with the Company's motion. The aforementioned decision does not have direct impact on the results and financial standing of TAURON because the annual adjustment for 2008 corrected as per the Company's request was paid to the Company following the Decision.

The Company informed of this event in current report No. 28/2013 of 21 June 2013.

Process of merger of TAURON with its subsidiary PKE Broker Spółka z o.o.

On 25 June 2013, the Management Board of TAURON ("Issuer", "the Acquiring Company") took the decision on its intention to perform the merger ("Merger") with the subsidiary, PKE Broker sp. z o.o. (PKE Broker) ("the Acquired Company"), as a result of which it adopted the Merger Plan of the Acquiring Company with the Acquired Company (the "Merger Plan"). The underlying objective, including the long-term objective, of the Merger is to streamline the organizational structure of the Issuer's Capital Group, in accordance with the assumptions of the "Corporate Strategy for TAURON Polska Energia Group for 2011-2015, with estimates up to the year 2020" which assumes consolidation of companies of the Issuer's Capital Group. As a result of the Merger, organizational structures, including supervisory and management structures, will be simplified, which will improve management of the "TAURON Group" and eliminate a part of redundant processes, at the same time reducing the costs of operations. The Merger of the companies will result in financial savings in the fields of administration and organization. due to the limited number of management and controlling bodies within the Group. As a result, the transparency of the "TAURON Group's" structure is going to increase. The merger shall be executed pursuant to art. 492 § 1 item 1 of the Code of Commercial Companies, i.e. through assignment of the total assets of the Acquired Company to the Acquiring Company. Considering the fact that the Acquiring Company holds 100% shares in equity of the Acquired Company, the Merger will be executed in accordance with Article 515 § 1 of the Code of Commercial Companies, without increase of the Acquiring Company share capital.

The Company informed of this event in current reports No. 29/2013 of 25 June 2013, No. 32/2013 of 4 July 2013 and No. 34/2013 of 24 July 2013.

Updated estimated value of agreements with Electrabel NV/SA and GDF Suez Trading

Due to preparation of the interim report for Q1 2013 and periodic update of the estimated value of agreements, the Company revised the estimated value of agreements with Electrabel NV/SA and GDF Suez Trading (a GDF Suez Group company) of 3 April 2012. The subject of the agreements is to regulate all transactions concluded between the parties in connection with purchase, sale, deliveries and acceptance of electric energy, as well as options connected with purchase, sale, deliveries and acceptance of electric energy. The current estimated total value of the aforementioned agreements over 5 years, which takes into account the present market conditions, amounts to approximately PLN 410 million.

The Company informed of this event in current report No. 18/2013 of 26 April 2013.

Renegotiation of coal supply agreements

In connection with the decreased prices of electric energy, in the 1st half of 2013 TAURON renegotiated prices for coal supply in contracts for 2013. As a result of the negotiations, purchase costs of this raw material were reduced.

Adjustment of electric energy production from co-burning

In connection with the decrease in prices of property rights arising from certificates of origin of electric energy from renewable sources, in Q1 of 2013, the production of energy based on biomass co-burning was suspended and the decision was taken to resign partly from biomass supplies. Production of energy based on co-burning is determined by prices of biomass supplies and the level of property rights prices arising from production of energy in renewable energy sources.

Activities in the scope of gas trading

In connection with liberalisation of gas trading in Poland, TAURON is the active participant of the wholesale gas market. TAURON is the registered participant of the auction platform PRISMA primary - The European Capacity Platform, offering transmission capacity of the European transmission system operators. TAURON also holds the Tariff for gas fuels valid until 19 October 2013, which was approved in Q4 of 2012. Moreover, TAURON extended its participation in EEX in the scope of gas, which provides the possibility to secure the needs of import or export to/from the national gas system from the German market under competitive conditions.

Planned participation in the call for tender concerning the interventional cold reserve

On 6 June 2013 PSE launched a tender for the provider of the interventional cold reserve service (which is a new service introduced in 2013). The tender is to be resolved and the contracts for provision of this service are to be concluded in the second half of 2013, whereas the service itself shall be provided starting from the beginning of 2016. The providers of the new service may include the centrally dispatched generating units which were to be permanently decommissioned after 2016, due to technical, economic and environmental reasons, when the more stringent requirements in the scope of pollution emission shall come into force, in accordance with the European regulations. The extension of the lifetime of the old power units is expected to provide for safe level of power reserves until the new generation sources appear in the electric power system. The units using the so-called derogation of 17,500 hours, specified in the Industrial Emissions Directive (IED), may participate in the tender. This solution is beneficial for the units in case of which the adjustment to the requirements of the Directive in not profitable. The service shall be provided based on the rules stipulated in the Instruction on Transmission Grid Operation and Maintenance and the agreements for provision of the interventional cold reserve service.

In connection with the foregoing, pursuant to the formal requirements, on 21 June 2013 TAURON Wytwarzanie submitted a motion to PSE requesting the admission to participate in the public procurement proceedings to be conducted under the form of negotiations, with announcement of selection of the contractor for the order on "Purchase of interventional cold reserve service" in the scope of the following generation units:

1. Units no. 1 and 2 at Elektrownia Łaziska,
2. Unit no. 5 at Elektrownia Łagisza,
3. Units no. 3 and 6 at Elektrownia Siersza,
4. Unit no. 8 at Elektrownia Stalowa Wola.

Excise tax

On 12 February 2009 the Court of Justice of the European Union issued the verdict confirming that Poland violated the EU law through its failure to adjust, until 1 January 2006, its taxation system of electric energy to the requirements of art. 21 item 5 of the Council Directive 2003/96/EC of 27 October 2033 concerning *restructuring the Community framework for the taxation of energy products and electricity* (amended with the Council Directive 2004/74/EC of 29 April 2004), since the tax obligation in the scope of excise tax on electric energy in Poland in the period until 28 February 2009 occurred upon electric energy release by the producer, instead of its delivery by the distributor or re-distributor.

In the light of the above, basis exist for obtaining the refund of the excise paid in breach of the EU law. The Ministry of Finance, however, presents the standpoint that such a refund would result in unjustified enrichment of electricity-generators and therefore it is groundless. For this reason, the process of excise recovery may extend until final court decisions are issued.

Due to the non-compliance of Polish regulations regarding excise tax on electric energy with the EU regulations, the power plants and combined heat and power plants belonging to TAURON Capital Group submitted corrections of their tax declarations, together with applications requesting to recognize the surplus of excise for the years 2006–2008, and for January and February 2009. The total amount of the surplus indicated in the said applications (excluding interest) amounted to approximately PLN 901.5 thousand (including over 90 per cent attributable to TAURON Wytwarzanie). Currently the proceedings relating to the individual companies of TAURON Capital Group are pending before the appropriate Customs Chambers, Regional Administrative Courts (WSA) and the Supreme Administrative Court (NSA).

In the 1st half of 2013 the following events concerning this issue took place:

1. TAURON Wytwarzanie received five decisions of the Director of Customs Chamber in Katowice, rejecting the acknowledgement of surplus in excise tax, at the total amount of approximately PLN 519 million,
2. on 18 February 2013 the cassation appeal was filed to NSA challenging the decision of WSA in Gliwice of 19 November 2012 (value of the subject of the dispute: approximately PLN 313 million),
3. on 5 June 2013 the cassation appeal was filed to WSA in Gliwice challenging three decisions of the Director of Customs Chamber in Katowice issued on of 30 April 2013 (total value of the subject of the dispute: approximately PLN 209 million).

The consequence of the decisions/verdicts issued is the lack of additional revenue for the companies of TAURON Capital Group (mainly for TAURON Wytwarzanie) to arise from the return of the surplus made.

Centre of Shared Services

In the 1st half of 2013 activities launched in 2012 were continued, concerning the organisation of the Centre of Shared Services in the area of accounting (CUW R) and the Accounting Function Integration Programme. The financial and accounting service of the following companies was taken over: TAURON, TAURON Wytwarzanie, TAURON Sprzedaż, POEN sp. z o.o., ENPOWER sp. z o.o., ENERGOPOWER sp. z o.o., ENERGOPOWER SERVICE sp. z o.o.

Other

Information on significant events after 30 June 2013 until the date of publication of this report is included in item 3.5 hereof.

3.3. Implementation of strategic investment

In the 1st half of 2013, TAURON Capital Group continued the following main strategic investment:

1. construction of the Combined Cycle Gas Turbine (CCGT) unit, of 449 MW_e power capacity and heat capacity of 240 MW_t in Stalowa Wola - the investment is implemented by the SPV with participation of the strategic partner - PGNiG S.A. The general contractor, Abener Energia S.A., executes the project in accordance with the schedule - the implementation projects were prepared and agreements for delivery of main equipment were signed. Delivery of the investment is scheduled in 2015;
2. construction of the heat unit in cogeneration, of the capacity of 50 MW_e and 106 MW_t (and 182 MW_t including the peak unit), adjusted to electric energy and heat generation within at area of Zespół Elektrociepłowni Bielsko-Biała (ZEC Bielsko-Biała), a branch of TAURON Wytwarzanie. The investment is aimed at replacement of exploited generation units of low capacity by the unit of high performance, complying with all environmental protection requirements concerning emissions of NOx, SO_2 and dusts. Until June 2013, the installation and start-up of the unit was performed, the test run was conducted and the unit was commissioned in the scope of the master agreement. The generating unit currently constitutes the basic source of heat supply of Bielsko-Biała city.
3. construction of the wind farm of 40 MW capacity in the location of Wicko. The assembly of wind turbines is in progress (until the end of the 1st half of 2013, the majority was installed) as well as the construction of the electric power station and the medium voltage grid. Delivery of the investment is scheduled in 2013;
4. construction of the wind farm of 82 MW capacity in the location of Marszewo. The assembly and tests of all (41) wind turbines were completed. The electric power station and the medium voltage grid was launched. Construction works in the scope of roads are in progress (liquidation of temporary roads and construction of target roads). Delivery of the investment is scheduled in 2013;
5. construction of a steam and gas fired unit, including the heat generation component of power capacity 135 MW_e and heat capacity 90 MW_t in Katowice (TAURON Ciepło). Within the tender concerning the selection of the General Contractor, the bids were submitted by: the consortium of Bilfinger MCE Berlin GmbH/Babcock, the consortium of Energoinstal S.A./ Mostostal Zabrze S.A./ Elektrobudowa S.A. and Abener Energia S.A.;
6. construction of new generation capacity in co-generation at the level of 50 MW_e and 86 MW_t Tychy (TAURON Ciepło). The investment was completed in its part involving modernisation of the existing fluidised bed boiler and its adjustment to biomass burning, and in February 2012 the concession for production of energy qualified as RES was obtained. The construction of the coal-fired water boiler (40 MW_t) was also completed, for which the occupancy permit was obtained in May 2013. In June 2013 the contract was concluded with Elektrobudowa S.A. as the general contractor for construction of the new unit (50 MW_e). Delivery of the investment is scheduled in 2016;
7. construction of the new power unit of 910 MW capacity at supercritical parameters within the area of Elektrownia Jaworzno III (TAURON Wytwarzanie). The new unit will demonstrate high performance and availability as well as low levels of emissions of NOx, SO_2, CO_2, and particulate matter. In January 2013, within the tender for the General Contractor, the bid of the consortium of RAFAKO (consortium leader) with MOSTOSTAL was selected as the most favourable offer. Delivery of this investment is scheduled in 2018;
8. construction of the installation for flue gas de-nitrification in 6 units of Elektrownia Jaworzno III and 4 units of Elektrownia Łaziska belonging to TAURON Wytwarzanie. This investment will enable to reduce NO_x emission in the units to the levels which will be applicable starting from 2018. Until 30 June 2013 works at 4 of 10 units were completed, whereas implementation of modernisation activities will be completed in 2016;
9. construction of electric energy generation source based on natural gas as a raw material for this production, on the premises of the current Elektrownia Blachownia - in the current period the SPV "Elektrownia Blachownia Nowa" sp. z o.o. has performed analyses of competitiveness of the planned generation unit of Elektrownia Blachownia in various market scenarios and technological variants. Works in the scope of Project optimisation are in progress.

3.4. Information on agreements concluded by companies of TAURON Capital Group

3.4.1. Material transactions with the affiliated entities under conditions other than arm's length basis

All transactions with affiliated entities are concluded under market conditions. Detailed information on significant transactions with affiliated entities has been provided in note 29 of the condensed consolidated interim financial statement for the period of six months, ended on 30 June 2013.

3.4.2. Information on guarantees, loans or credit sureties granted

During the reporting period, covering the 1st half of 2013, neither the Company nor its subsidiaries have granted any loan or credit sureties or guaranties – jointly to one entity or this entity's subsidiary, where the aggregate value of the existing sureties or guarantees would be equivalent to the value of at least 10% of the Company equity.

3.5. Events after 30 June 2013

Information on the planned write down of generation units from the Generation segment to be included in semi-annual financial statements of "TAURON Group"

On 5 July 2013, TAURON published information concerning the expected non-cash impact of a one-off event, i.e. the write down of unprofitable generation units from the Generation segment. For the purpose of the write down, the company identified Cash Generating Units (CGU). The identification was based on cost characteristics and analysis of current method of contracting and allocation of output from individual generation units. As a result, the company identified individual CGUs understood either as a generation unit or a group of generation units. The installed capacity of generation units to be written down is approx. 1,200 MW_e, the majority of which are 120 MW_e class units. The outcome of impairment tests carried out in accordance with IAS 36 has shown impairment of tangible fixed assets in the Generation segment at the level of approximately PLN 240 million. In current report No. 33/2013 the Company informed that the expected impact of the above described event on consolidated results of the TAURON Group for the first half of 2013 is as follows:

1. approximately PLN 190 million impact on net profit,
2. approximately PLN 240 million impact on EBITDA.

The Company informed of this event in current report No. 33/2013 of 5 July 2013.

Signing the agreement for construction of condensing and extraction turbogenerator in Zakład Wytwarzania Nowa

On 9 July 2013 the company TAURON Ciepło signed the agreement with Control Process S.A. for construction of condensing and extraction turbogenerator of 50 MW capacity in Zakład Wytwarzania Nowa in Dąbrowa Górnicza (ZW Nowa), which is the investment included in the National Investment Plan. The unit is to replace two of three turbogenerators of 25 MW capacity operating in the plant and increase the production performance of the plant. The planned scope of the project comprises design, delivery, assembly, start-up, and commissioning of the complete condensing and extraction turbogenerator, including the auxiliary equipment and the system for energy discharge. Delivery of the investment is scheduled in 2015.

Zakład Wytwarzania Nowa is a combined heat and power plant technologically connected with the steelworks in Dąbrowa Górnicza, belonging to ArcelorMittal Poland. The combined heat and power plant supplies energy utilities required for performance of the steelworks which is the main supplier of the fuel used (blast furnace gas). ZW Nowa also generates heat for clients in Dąbrowa Górnicza.

Concluding the agreements concerning bond issue programmes

On 31 July 2013 TAURON, ING Bank Śląski S.A., Bank Polska Kasa Opieki S.A. and BRE Bank S.A. signed the agreement concerning bond issue programme of TAURON to the maximum value of PLN 5 billion (Agreement). The Agreement was signed for three years commencing on the date of its concluding. The bonds issued under the above mentioned programme will be the uncollateralized, dematerialized, discounted or coupon bonds. The face value and issue value of a single bond will be determined in the terms and conditions of the issue, the interest rate will be determined individually for each tranche during the process of bond offering. The maturity period of the bonds may vary from one month to 10 years. In accordance with the terms of the Agreement the bonds may be dematerialized at the Central Securities Depository of Poland and listed in Alternative Trading System organized by the Warsaw Stock Exchange or Bond Spot S.A. Under the bonds held, the bond holder will be entitled to cash benefits only. After successful bond issue the Company will bear standard costs connected with this type of financing, including bookrunner's fee.

At the same time, on 31 July 2013 the Company and Bank Gospodarstwa Krajowego signed underwriting, agency and depository agreements, jointly forming long-term bond issue programme of TAURON for the value of PLN 1 billion. The issued bonds will be uncollateralized, dematerialized and coupon bonds. In 2013 the Company is entitled to issue bonds for the maximum total face value not exceeding PLN 500 million while in 2014 and 2015 the maximum total face value of the bonds issued should not exceed the total amount of the programme less the face value of bonds issued in 2013.

Availability period has been determined until 31 December 2015 and the bonds will be repurchased in annual periods, from 20 December 2019 until 20 December 2028 in equal amounts of PLN 100 million. The interest rate of the bonds issued will be floating, based on 6M WIBOR reference rate plus bank's fixed margin. The Company will also bear standard costs connected with this type of financing including arrangement fee, and engagement fee. The bonds will be underwritten, i.e. the programme's underwriter (Bank Gospodarstwa Krajowego) will be obliged to purchase the bonds issued by the Company.

The funds raised from the bond issue will be spent mainly to finance "TAURON Group's" capex.

The Company informed of these events in current report No. 36/2013 of 31 July 2013.

Settlement of the annual adjustment of stranded costs for 2012 and for the entire period of effectiveness of the LTC Act.

On 31 July 2013 the President of ERO issued the decision determining the level of the annual adjustment of stranded costs for 2012 for TAURON Wytwarzanie at the amount of PLN 423,091 thousand. The cash due to the annual adjustment will be paid to the Company until 30 September 2013.

Due to the fact that year 2012 was the last year of the programme of compensation of TAURON Wytwarzanie stranded costs, the decision of the ERO President is currently expected, concerning the level of the final adjustment of stranded costs, clearing participation in the programme in the years 2008-2012 This decision should be issued by 31 August 2013 whereas the cash settlement due to the final adjustment shall be performed until 31 December 2013.

Extension of the offer submitted by the consortium RAFAKO - MOSTOSTAL for construction of the energy unit at Elektrownia Jaworzno III until 30 September 2013

On 30 July 2013 the Management Board of TAURON acquired the information that the RAFAKO S.A. – MOSTOSTAL consortium (Consortium) extended validity of their offer submitted under the ongoing tender procedure for selection of the general contractor for construction of the power unit of capacity in the range of 800-910 MW at Jaworzno III power plant until 30 September 2013, inclusive. The Consortium also submitted an annex to the bid bond extending the validity of the cash deposit until 30 September 2013.

The Company informed of this event in current report No. 35/2013 of 30 July 2013.

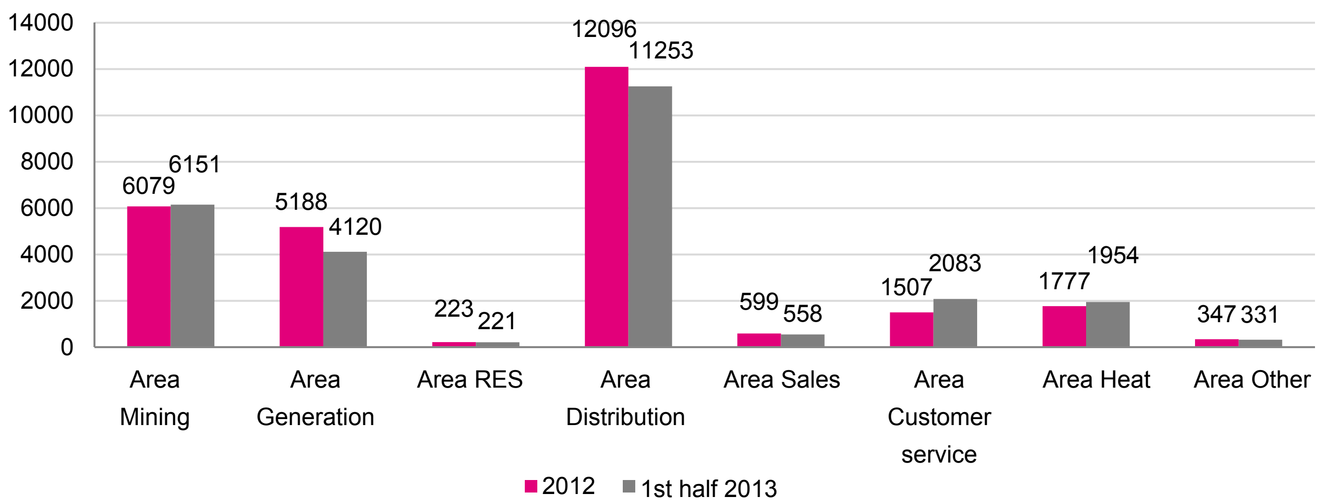
The detailed description is included in item 3.2.

3.6. Employment in TAURON Group

The average employment in FTE in TAURON Capital Group in the 1st half of 2013 was 26,671 FTEs, whereas in 2012 it reached 27,816 FTEs.

The levels of average employment in TAURON Capital Group in FTEs (rounded up to the full FTE), in 2012 and in the 1st half of 2013, divided into individual segments of operations, are presented in the figure below.

Figure no. 4 Average employment in TAURON Capital Group in 2012 and in the 1st half of 2013, by areas of operations*



** The average employment in the Company TAURON Dystrybucja Serwis for the 1st half of 2013 was presented jointly with TAURON Serwis GZE since the beginning of the year and with PUE since 2 April 2013.*

Changes in average employment in individual Business Areas of TAURON Capital Group in the 1st half of 2013, as compared to the average employment in 2012 result, among others, from the implemented *Voluntary Redundancy Programmes* in the Business Areas: Distribution, Generation and Heat and in Customer Service Area, as well as from mobility of employees among individual Business Areas of TAURON Capital Group, and from apportionment of EC Katowice from the Generation Area in 2013 and its incorporation into Heat Area.

In addition, the level of average monthly employment in 2013 was also affected by the establishment of the company TAURON Dystrybucja Serwis on 2 April 2013, due to the merger of TAURON Serwis GZE and PUE.

As of 30 June 2013, 26,585 persons were employed in the companies of "TAURON Group". The decrease in employment by 696 persons was noted, as compared to the employment status as of 31 December 2012, reaching 27,281 persons.

3.7. Description of the main threats and risk factors for TAURON Capital Group, associated with the remaining months of the financial year

Taking care for implementation of the Corporate Strategy, the Company manages business risks occurring within operations of the whole TAURON Capital Group. The process of management of the aforementioned risks is aimed at implementation of the adopted business objectives of TAURON Capital Group within the acceptable risk level adopted by the Company's Management Board.

The Comprehensive Risk Management System operating in the Company, covers significant risks which occur in the activities of TAURON Capital Group. The risks identified are defined, in particular, by determining the level of probability and impact of their materialisation. In this way, the system engages and streamlines all the resources of TAURON Capital Group, by developing the infrastructure for corporate risk management (strategy, processes, authorisation, reporting, methodology and IT tools). The Risk Management System covers all elements of the value chain implemented of TAURON Capital Group and all the employees of TAURON Capital Group participate in the risk management process.

The following Committees operate in the Company:

1. Risk Committee, which is responsible for the analysis and monitoring as well as control of the risk management process, takes decisions concerning the form and method of corporate risk management in TAURON Capital Group, supports and supervises the implementation of activities undertaken by individual organisational structures involved in the risk management process.
2. Commercial Risk Management Committee is responsible for taking decisions concerning management of portfolio and commercial risk in TAURON Group.

Assessment of the extent of exposure of TAURON Capital Group to the risk factors and threats described below, takes into account probability of their occurrence and impact of their materialisation, as well as adequacy of the applied risk response plan. Order in which particular risks have been presented does not reflect this assessment.

Macroeconomic risk - is associated, in particular, with the GDP level, the level of interest rates, currency exchange rates, fiscal and monetary policy of the state, unemployment rate and level of investment. The macroeconomic risk factors may materially affect the financial results and the market position of the Company, especially through the level of production of electric energy and heat as well as energy distribution and sales volume, availability and cost of acquisition of financial instruments.

Risk of unstable legal system and the European Union regulations connected with the performance of the energy sector, including the environmental protection - the risk applies to legal changes, modifications in the Polish and the European Union regulations as well as to the legislative environment uncertainty. The risk factors may have significant adverse effect on operations of TAURON Capital Group and its financial situation through increase of operating costs or loss of concession within the scope required for the operations.

Risk of non-compliance with the requirements of ERO/ requirements of the Office for Competition and Consumers Protection (UOKiK) and the Instruction of Distribution Grid Operation and Maintenance (IRIESD) - the risk is associated with the possibility of the aforementioned bodies to challenge the adequacy of the operations carried out by TAURON Capital Group in the scope of independence and equal treatment of entities on the market, compliance with the anti-monopoly regulations and abuse of the dominating market position. The risk factors may have material adverse effect on operations of TAURON Capital Group, its financial situation or results of its activities through withdrawal or change of scope of the concessions held, imposing additional obligations on the Company, causing the necessary to incur additional costs and imposing financial penalties.

Risk of Capital Group organisation - the risk connected with ineffective cooperation between the Group companies, within the reporting process, management processes and information management. The risk factors may have adverse effect on TAURON Capital Group operations, its financial situation or results of its activities due to incomplete implementation of the Capital Group strategic goals, arising from non-adjustment to the changing market conditions or the delay in implementation of the desired changes in the Company.

Risk of fund raising and financial services - this risk is associated with the lack of opportunity to raise funding for operating and investment needs or high costs of acquiring of such funds. The risk factors may have material adverse impact on operations of TAURON Capital Group, its financial situation or results of its activities due to the lack of funds for projects included in the Corporate Strategy and in investment plans, and for operations, or due to the increased costs of fund raising and financial services.

Credit risk - the risk associated with unreliability of one of the parties to the contract, deterioration of the trade partner's economic standing which may result in delayed inflow of receivables, partial or total loss of receivables, necessity to assert receivables under court proceedings/bankruptcy proceedings, which, in turn, may impose the need to acquire funds from alternative sources in order to settle own liabilities or may result in loss of liquidity.

Currency exchange risk - as a result of concluding the transactions, investment purchases, raising of credits or loans in foreign currency, due to the change in currency exchange rates, increase in liabilities may occur, converted into PLN, as well as decrease in revenues, increase in costs of trade contracts concluded in foreign currency.

Interest rate risk - associated with financing of activity based on floating interest rate, allocating funds in deposits with floating interest rate - unfavourable changes in interest rates may lead to increased costs of financing and decrease of interest revenues from term deposits.

Environmental risk, including the risk associated with the atmospheric conditions - consists in a possibility to incur losses resulting from non-compliance with the legal regulations (including those arising from the way of adjustment of the European law to the national law, administrative decisions), including the possibility of occurrence of environmental damage or serious industrial accident or failure. The risk factors may have material adverse effect on operations of TAURON Capital Group, its financial situation or results of its activities through the necessity to incur significant costs of compliance, pay indemnities, or a potential of threat to implementation of production tasks.

Risk of approval of tariffs by the President of URE - the risk connected with the process of approval of tariffs concerning the products offered and services provided by the President of URE, limited possibility to introduce changes in the tariffs approved before and refusal to acknowledge investment expenditure in the development plan or recognising such expenditure in a part which does not cover the real costs of its generation. The risk factors may have material adverse effect on operations of TAURON Capital Group, its financial situation or results of its activities through increase in costs of operations, loss of revenue, consequently resulting in limitation of resources for development.

Property failure risk - the risk of occurrence of significant and/or permanent failures and damages of equipment used by the TAURON Capital Group companies. Risk factors may have material adverse effect on operations of TAURON Capital Group, its financial situation or results of its activities through the need to incur additional costs of grid and non-grid infrastructure repairs, blackouts and disturbances in operations, decrease in production profitability as well as with the need to pay discounts or fines.

Risk of fixed assets management – the risk associated with the lack of possibility to use fixed assets due to their ineffective management causing their poor technical condition, inadequate costs of fixed assets insurance resulting from their underestimation or overestimation, as well as the costs of holding redundant assets.

Risk of occurrence of natural hazards or unfavourable geological and mining conditions - the risk connected with threats to accomplishment of production tasks, hazards to safety of the mining plant maintenance, need to incur additional costs associated with elimination of natural threats within the development of the mining works and geological and mining conditions hampering the exploration process, as well as water and fire conditions hazardous for safety of mining works.

Risk of atmospheric conditions, climatic changes associated with maintenance of wind farms - the risk associated with instability of atmospheric conditions affecting the level of electric energy production and, simultaneously, the level of wind farm profitability. In case of decrease or exceeding of the wind speed beyond the range established, it is necessary to turn off the turbines, both for maintenance and for safety reasons. In the winter season the phenomenon of icing of the wind blades of the wind mill may also occur, forcing its standstill.

Risk of atmospheric conditions, climatic changes the Heat Area - the risk related to fluctuations of air temperatures which are of significant influence on the demand for electric energy and heat at a longer term, causing significant increase or decrease of this demand, respectively.

Risk of purchase of energy fuel - the risk connected with significant and/or unexpected changes in prices of coal and other energy fuel, supply problems of fuel providers, including delivery of fuel with relevant parameters. The risk factors may have material adverse effect on operations of TAURON Capital Group, its financial situation or results of its activities through increased costs, including those connected with the need to fulfil the requirements of production process and the legal requirements concerning maintenance of relevant fuel reserves, or imposing a fine in case of failure to fulfil these conditions.

Risk of contract awarding process/purchases of supplies/services - the risk is connected with a possibility of significant increase in prices of supplies/services provided by contractors, or with their decreased availability. The risk factors may have material adverse effect on operations of TAURON Capital Group, its financial situation or results of its activities through increased costs, extension of the process of preparation and conducting the procedure, awarding a contract unfavourable for the Company or delay in implementation of an investment project.

Risk of unregulated legal status of the property utilised - the risk is connected with a possibility of occurrence of massive claims of land owners due to unregulated legal status of foundation of a building on the land without holding proprietary rights. The risk factors may have material adverse effect on operations of TAURON Capital Group, its financial situation or results of its activities through increased costs of operations or business interruption due to undermining of the legal status and claims of third parties.

Risk of loss of the status by the Tax Capital Group (PGK) - the risk is associated with a possibility to lose this status by PGK due to its failure to comply with the statutory requirements. Various interests of individual participants, human error, incomplete information, lack of legal regulations, may lead to risk materialisation, which will result in the lack of possibility to take advantage of tax optimisation processes within PGK, the need to prepare documentation of transfer prices and increase of costs associated with closing of the fiscal year.

Volumetric risk - the risk is related to volatility of electric energy trade volume. The volumetric risk factors may have material adverse effect on operations of TAURON Capital Group, its financial situation or results of its activities through the decrease in margins or the necessity to incur losses arising from the change of sales/purchase volume of electric energy and related products.

Price risk - the risk associated with the volatility of prices of electric energy, CO2 emission allowances and property rights arising from certificates of origin. The fluctuations of prices may materially affect the financial result of TAURON Capital Group through increase in costs, limitation of revenues and reduction of margins.

Risk of variable manufacturing cost - the risk associated with potential errors in the process of selection of units and distribution of loads of unit scheduling. The adjustment of units is performed on the basis of maintenance information from power plants, plans of units, variable costs and data published by TSO. The variable generation cost factors may have adverse effect on financial results of the Company due to the increase in variable manufacturing cost of electric energy.

Risk connected with the obligation to redeem CO2 allowances - the risk is connected with CO2 emission to the atmosphere as well as the need to redeem the relevant number of CO2 allowances. The risk factors may have adverse impact on operations of TAURON Capital Group, its financial situation or results of its activities, through the increased costs associated with failure to issue free allowances, or incorrect redemption of allowances. imposing fines on each unit of unredeemed allowance.

Risk associated with the obligation to redeem certificates of origin or to pay substitution fee - the risk associated with the obligation to redeem certificates of origin or to pay substitution fee which, in case of limited availability of certificates of origin, changes in support policy for energy generated in RES and co-generation, may lead to increased costs related to the redemption obligation and fines imposed by the ERO President.

The Company actively manages all risks aiming at maximum reduction or elimination of their potential adverse impact on the result.

4. Analysis of assets and financial situation of TAURON Capital Group

4.1. Principles of preparation of the semi-annual condensed consolidated financial statement

The interim condensed consolidated financial statement for a period of 6 months ended on 30 June 2013 was prepared in accordance the International Financial Reporting Standards, approved by the UE ("IFRS"), in particular, in compliance with the International Accounting Standard no. 34 ("IAS 34").

IFRS cover standards and interpretations approved by the International Accounting Standards Board as well as the International Financial Reporting Interpretation Committee. The interim condensed consolidated financial statement for a period of 6 months ended on 30 June 2013 was prepared with the assumption that the companies of the Group would continue their business operations within the foreseeable future. As of the date of publication of this consolidated financial statement, no circumstances are recognised, indicating any risk for business continuity of the Group companies.

The accounting principles (policy) applied to generate the interim condensed consolidated financial statement are presented in note 4 to the interim condensed consolidated financial statement for the period of 6 months, ended on 30 June 2013.

4.2. Financial situation of TAURON Capital Group following the 1st half of 2013.

Sales structure according to Areas of operations

The table below shows the volumes and structure of sales of TAURON Capital Group, divided into individual Areas (Segments) of operations for the period of the 1st half of 2013, and for the Q2 of 2013, compared to the corresponding periods of 2012.

Table no. 6 Table no. 6 Volumes and structure of sales of TAURON Capital Group, divided into individual Areas of operations (compared to the corresponding periods of the previous year).

No.	Key operating parameters	Unit	1st half 2013	1st half 2012	Dynamics 2013/2012	Q2 2013	Q2 2012	Dynamics 2013/2012
1.	Sales of coal by Mining Area	M Mg	2,96	2,46	120.3%	1,45	1,31	110.7%
2.	Sales of electric energy and heat by Generation Area	TWh	10,56	9,51	111.0%	4,81	4,44	108.3%
		PJ	3,89	4,43	87.8%	0,77	0,87	88.5%
3.	Sales of electric energy generated in hydroelectric power plants and wind farms by RES Area	TWh	0,28	0,28	100.0%	0,16	0,14	114.3%
4.	Sales of electricity distribution services by Distribution Area	TWh	23,98	24,18	99.2%	11,56	11,48	100.7%
5.	Retail sales of electric energy and other products of the energy market by Sales Area	TWh	20,68	22,54	91.7%	9,86	10,75	91.7%
6.	Sales of electric energy by Heat Area	TWh	0,64	0,56	114.3%	0,29	0,23	126.1%
7.	Sales of heat purchased and generated by Heat Area	PJ	7,87	7,85	100.3%	1,52	1,40	108.6%

Coal mining

The basic activity conducted by TAURON Capital Group within the Mining Area covers mining, preparation and sales of hard coal. Through Południowy Koncern Węglowy, TAURON Capital Group directly owns and runs Zakład Górniczy Sobieski and Zakład Górniczy Janina. The volume of coal sales in the 1st half of 2013 amounted to almost 2.96 M tonnes, which makes an increase by over 20%, as compared to the corresponding period of 2012. The increased volume of sales mainly results from higher production of commercial coal (3 M Mg in the 1st half of 2013, as compared to 2.57 M Mg in the 1st half of 2012), which was possible due to favourable geological and mining conditions, at increased number of exploited walls.

Generation of electric energy and heat from conventional sources

The basic activity of the Generation Area within TAURON Capital Group comprises generation of electric energy and heat in six power plants and one co-generation plant (installation simultaneously generating electric power and useful heat), coal-fired or using biomass co-burning. The total achievable generation capacity of the Generation Area units at the end of June 2013 reached 4,783 MW of electric energy and 1,958 MW of heat. The change in the level of power as compared to the corresponding period of 2012 results from exclusion of units 1 and 2 at Elektrownia Łagisza (240 MW) from the concession for electric energy generation.

In the 1st half of 2013, the Generation Area generated approximately 8.9 TWh of electric energy net (including 0.22 TWh from biomass), i.e. by 5% more in relation to the corresponding period of 2012, when net production of electric energy reached about 8.4 TWh (including 0.36 TWh from biomass). Sales of electric energy from own production, including energy purchased for trading purposes in the 1st half of 20123 reached almost 10.6 TWh, which means increase by 11% in relation to the corresponding period of the previous year.

The production of heat of the Generation Area in the 1st half of 2013 amounted to approximately 4.4 PJ, making 89% of the level of production of the corresponding period in 2012.

Generation of electric energy from renewable sources

The basic activity conducted by TAURON Capital Group in the RES Area comprises generation of electric energy from renewable sources in hydroelectric plants and wind farms as well as managing the projects of TAURON Group in the area of energy generation from renewable energy sources. In the RES Area, 35 hydroelectric plants of total achievable capacity of 132.9 MWe operate as well as two wind farms of the total achievable capacity of 60.75 MWe, which makes 3.7% of the total achievable capacity of TAURON Capital Group.

In the 1st half of 2013 the RES Area generated and sold approximately 0.29 TWh of electric energy, thus, the level of the previous year was maintained. The decreased production volume of wind farms, resulting from unfavourable meteorological and wind conditions in Q1 2013, was compensated by the increase in volume of production in hydroelectric plants, due to improved hydrological conditions which occurred mainly in Q2 2013.

Distribution of electric energy

TAURON Capital Group is the largest electricity distributor in Poland, both in terms of volume of the electric energy supplied and revenue gained from distribution activity. The Distribution Area exploits distribution grids of considerable range, located in the southern part of Poland. In the 1st half of 2013, the Distribution Area supplied 24.0 TWh of electric energy in total, including almost 22.7 TWh to the end consumers. During this period, the Distribution Area provided distribution services in favour of almost 5.31 million consumers. In the corresponding period of the previous year, the Distribution Area supplied approximately 24.2 TWh of electric energy in total, to about 5.29 million consumers, including 22.9 TWh to the end consumers. Slight decrease in the volume of supplies results mainly from the economic slowdown, demonstrated, among others, by decrease in industrial production and decline in construction production (recession in the construction sector, prolonged winter period); in addition, among large consumers activities are undertaken aimed at independent generation of electric energy for own needs.

Sales of energy and other products of the energy market

The Sales Area comprises activities focused on sales of electric energy and wholesale trading of electric energy and other products of the energy market. Operations in the area of sales cover sales of electric energy to end customers, including key accounts. On the other hand, operations within wholesale trade cover mainly wholesale trade of electric energy, trade and management of CO2 emission allowances and property rights arising from the certificates of origin.

In the 1st half of 2013, Sales Area supplied 20.7 TWh of electric energy in total to approximately 5.23 M end customers, both households and entrepreneurs, i.e. almost 92% of the level recorded in the previous year, when sales reached approximately 22.5 TWh. The decrease in the volume of sales results from the reduced average demand among clients supplied from the low voltage grid in the segment of mass clients; this decrease is balanced by the increased sales to end customers in the group of strategic clients of TAURON and DSO companies, to cover the balancing differences.

Heat

The Heat Area covers operations in the scope of generation, distribution and sales of heat and other utilities. In the 1st half of 2013 sales of heat generated and purchased reached approximately 7.9 PJ, thus, the level of the previous year was maintained. Maintaining of the volume of sales was possible due to acquisition of new consumers as well as the increased demand for heat due to weather conditions which occurred in the Q1 of 2013. In the analysed period of 2013, the Co-generation plants of the Segment generated approximately 0.61 TWh of electric energy net, which means that the level of production recorded in the 1st half of the previous year (0.55 TWh) was exceeded by about 10%.

Analysis of financial situation

The table below presents the analysis of financial situation of TAURON Capital Group for the 1st half of 2013.

Table no. 7 Structure of the interim condensed consolidated statement of financial situation

No.	Consolidated statement of financial situation	Status as of 30 June 2013	Status as of 31 December 2012
1.	**ASSETS**		
2.	Fixed Assets	85%	81%
3.	Current assets	15%	18%
4.	**TOTAL ASSETS**	**100%**	**100%**
5.	**LIABILITIES**		
6.	Equity attributable to shareholders of the parent company	54%	52%
7.	Non-controlling shares	2%	2%
8.	**Total equity**	**56%**	**53%**
9.	Long-term liabilities	31%	29%
10.	Short-term liabilities	13%	17%
11.	**Total liabilities**	**44%**	**47%**
12.	**TOTAL LIABILITIES**	**100%**	**100%**
13.	Financial liabilities	5 942 930	5 566 150
14.	Net financial liabilities	5 030 218	4 535 221
15.	Ratio net debt/EBITDA	1,31	1,18
16	Current liquidity ratio	1,20	1,07

In the structure of assets as of 30 June 2013, fixed assets constitute about 85% of total assets, which means increase by almost 4% in relation to the status at the end of 2012.

The share of current assets as of 30 June 2013 decreased to the level of 15% of the total assets. In the structure of liabilities as of 30 June 2013 the liabilities make about 44% of the total liabilities, among which, long-term liabilities constitute 31%, short-term liabilities make about 13% of total assets, which means slight change in the structure of debt as compared to the end of 2012 when the shares of liabilities, reached, respectively: 29% and 17%.

In relation to 2012, in the 1st half of 2013 the increase in net financial liabilities was noted (by about 7%), which resulted in the growth of ratio net debt to EBITDA - to the level of 1.31 (the ratio expressed in relation to EBITDA for 2012).

The ratio of current liquidity increased to the level of 1.20. The liquidity of the Company is not exposed to risk - the indicators are maintained at the high safe level.

Consolidated statement of comprehensive income

The table below presents selected items of the consolidated statement of comprehensive income of TAURON Capital Group for the period of 6 months, ended on 30 June 2013, as well as comparative data for the period of 6 months ended on 30 June 2012. These items are referred to in accordance with the interim condensed consolidated financial report of TAURON Polska Energia S.A. Capital Group, compliant with International Financial Reporting Standards for the period of 6 months ended on 30 June 2013.

Table no. 8 Semi-annual condensed consolidated statement of comprehensive income

No.	Statement of comprehensive income	1st half of 2013		1st half of 2012		Dynamics 2013/2012
		thousand PLN	% of total revenue on sales	thousand PLN	% of total revenue on sales	
1.	**Continued operations**					
2.	Revenue on sales of products, goods and materials, without excluding excise tax	6 900 960	71.1%	9 454 865	76.8%	73.0%
3.	Excise tax	(228 372)	2.4%	(272 854)	2.2%	83.7%
4.	Revenue on sales of goods, products and materials	6 672 588	68.8%	9 182 011	74.6%	72.7%
5.	Revenue on sales of services	3 007 115	31.0%	3 110 048	25.3%	96.7%
6.	Other revenue	25 205	0.3%	21 927	0.2%	114.9%
7.	**Revenue on sales**	**9 704 908**	100.0%	**12 313 986**	100.0%	78.8%
8.	Own cost of sales	(7 928 047)	81.7%	(10 493 905)	85.2%	75.5%
9.	**Gross profit (loss) on sales**	**1 766 861**	18.3%	**1 820 081**	14.8%	97.6%
10.	Other operating revenue	63 082	0.7%	48 800	0.4%	129.3%
11.	Costs of sales	(270 173)	2.8%	(230 974)	1.9%	117.0%
12.	Overheads	(342 054)	3.5%	(339 879)	2.8%	100.6%
13.	Other Operating Expenses	(39 558)	0.4%	(44 623)	0.4%	88.6%
14.	**Operating profit (loss)**	**1 188 158**	12.2%	**1 253 405**	10.2%	94.8%
15.	*Operating profit margin (%)*	**12,2%**		**10,2%**		120.3%
16.	Financial revenue	58 663	0.6%	53 337	0.4%	110.0%
17.	Financial expenses	(160 869)	1.7%	(163 715)	1.3%	98.3%
18.	Share in the profit (loss) of an affiliated entity and joint venture recognised by equity method	(1 414)	0.0%	(671)	0.0%	210.7%
19.	**Gross profit (loss)**	**1 084 538**	11.2%	**1 142 356**	9.3%	94.9%
20.	*Gross profit margin (%)*	**11,2%**		**9,3%**		120.5%
21.	Income Tax	(193 965)	2.0%	(252 135)	2.0%	76.9%
22.	**Net profit (loss) on continuing operations**	**890 573**	9.2%	**890 221**	7.2%	100.0%
23.	*Net profit margin (%)*	**9,2%**		**7,2%**		126.9%
24.	Net profit (loss) on discontinued operations					
25.	**Net profit (loss)for the financial year**	**890 573**	9.2%	**890 221**	7.2%	100.0%
26.	Other comprehensive income for the financial year including tax	34 571	0.4%	(29 236)	0.2%	-
27.	**Total income for the financial year**	**925 144**	**9.5%**	**860 985**	**7.0%**	107.5%
28.	**Profit attributable to**					
29.	Shareholders of the parent entity	847 927	8.7%	857 001	7.0%	98.9%
30.	Non-controlling interests	42 646	0.4%	33 220	0.3%	-
31.	**Total income attributable to**					
32.	Shareholders of the parent entity	881 019	9.1%	827 803	6.7%	106.4%
33.	Non-controlling interests	44 125	0.5%	33 182	0.3%	133.0%

34.	**EBIT and EBITDA**					
35.	EBIT	1 188 158	12.2%	1 253 405	10.2%	94.8%
36.	EBITDA	2 052 047	21.1%	2 081 218	16.9%	98.6%

In the 1st half of 2013 TAURON Group recognised revenue on sales at the level of about PLN 9,705 M, as compared to PLN 12,314 M in the 1st half of 2012, which means the decrease by about 21.2%. The decrease in the level of revenue was significantly affected by the change in the provisions of the Act on Energy Law, in the scope of the level of obligatory sales of the generated electric energy through power exchange, which was reduced from 100% to 15%, in connection with the termination of participation of TAURON Wytwarzanie in the programme of compensation of stranded costs. In the 1st half of 2013, the aforementioned circumstances influenced the increase of the level of sales of electric energy generated by TAURON Wytwarzanie to TAURON Group and imposed the necessity to exclude revenue from this sales at the Group level, which did not occur in the corresponding period of 2012. In addition, in the current year, no revenue from LTC occurred, which reached about PLN 277.6 M in the 1st half of 2012.

In the 1st half of 2013, as compared to the corresponding period of 2012, TAURON Capital Group reached higher revenue from sales in all operating Mining, Sales, Heat and Customer Service segments. The highest dynamics of revenue growth was reached in the Mining segment. The decline of revenue in the remaining segments is associated with the situation on the market of energy and property rights - decline in prices of certificates (RES and Generation segment), decline of electric energy prices (Generation segment). Due to the noticeable economic slowdown the drop in volume of sales of the distribution service (Distribution segment) and decline in sales of products of KW Czatkowice company (Other segment) occurred.

In the 1st half of 2013 the decline (by approx. 21%) in costs of operating activities was noted, in relation to the corresponding period of the previous year, connected mainly with the decrease in costs of activities in the Generation and Heat segments (mainly due to lower price of fuel and implementation of the effectiveness improvement programme) and in the Sales segment (among others, due to the lack of regulations concerning the redemption obligation of "yellow" and "red" energy certificates of origin in the year 2013, as well as with the lower volume of sales of electric energy; in relation to the corresponding period of the previous year, the volume of electric energy purchase was also higher in the Generation segment, the costs of which were excluded at the Group level).

The aforementioned factors were reflected in slight decrease of EBIT and EBITDA results and gross profit. Irrespective of deterioration of Group results, the net profit margin for the 1st half of 2013 reached higher level in relation to the corresponding period of the previous year, amounting to 9.2% and 7.2%, respectively.

In accordance with the consolidated statement of comprehensive income presented, the total aggregate income of TAURON Capital Group, considering the net profit increased or decreased by the change in value of hedging instruments, currency translation differences arising from conversion of the foreign unit and other revenue after tax deduction, in the 1st half of 2013 reached PLN 925.1 M, as compared to PLN 861.0 M in the 1st half of 2012, which means slight increase (by approximately 7.5%). The total income attributable to shareholders of the parent entity reached about PLN 881.0 M, as compared to PLN 827.8 M in the same period of 2012, and the profit attributable to shareholders of the parent entity reached the level of over PLN 847.9 M, as compared to PLN 857.0 M, gained in the same period of 2012.

4.3. Status of assets

Consolidated statement of financial situation

In the table below, the consolidated statement of financial situation is presented as of 30 June 2013 in relation to the 31 December 2012.

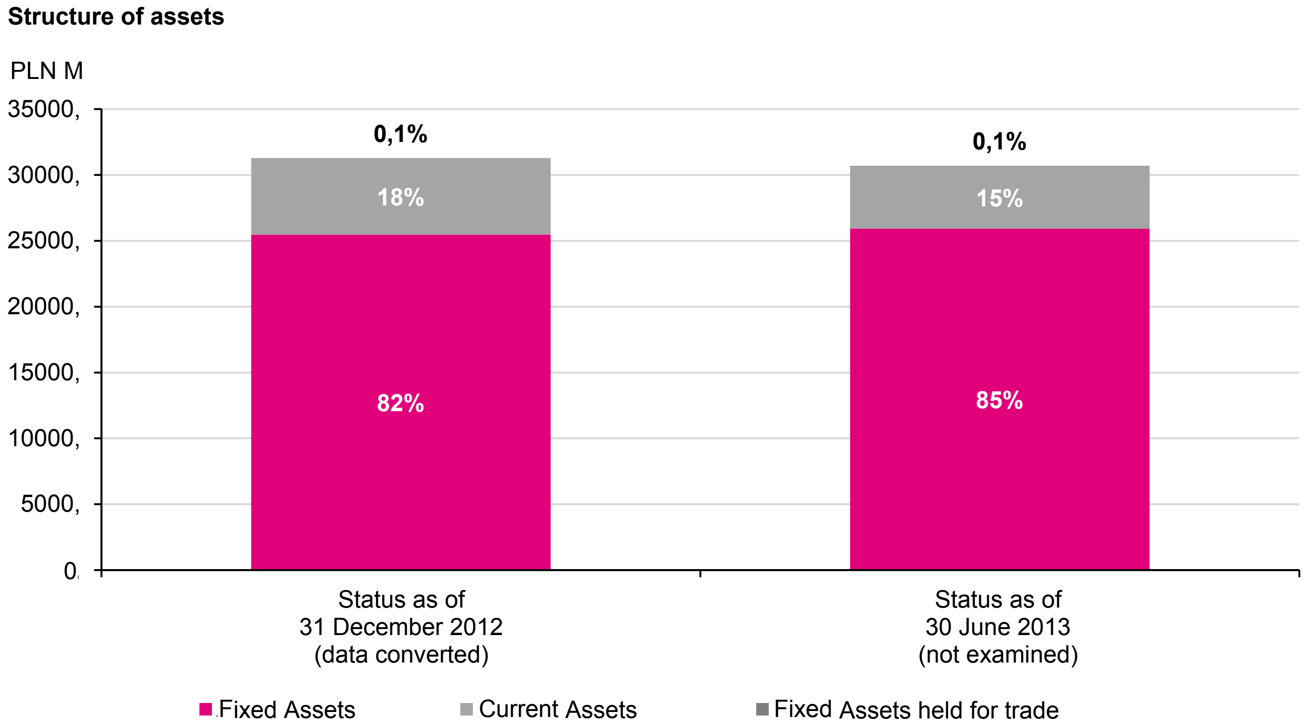
Table no. 9 Interim condensed consolidated statement of financial situation - assets (data in thou PLN)

No.	Statement of financial situation	Status as of 30 June 2013	Status as of 31 December 2012	Dynamics 2013/2012
1.	**ASSETS**			
2.	**Fixed Assets**	**25 933 097**	**25 471 230**	**101.8%**
3.	Tangible fixed assets	23 575 461	23 300 643	101.2%
4.	Long-term intangible assets and goodwill	1 487 687	1 429 313	104.1%
5.	Stocks and shares in affiliated entities and joint ventures recognised applying the equity method	48 079	51 986	92.5%
6.	Other long-term financial assets	377 177	305 444	123.5%

7.	Other long-term non-financial assets	403 902	359 709	112.3%
8.	Assets due to deferred Income tax	40 791	24 135	169.0%
9.	**Current assets**	**4 720 751**	**5 766 232**	**81.9%**
10.	Short-term intangible assets	429 828	711 099	60.4%
11.	Inventory	464 339	708 282	65.6%
12.	Receivables due to income tax	23 188	1 434	1 617.0%
13.	Trade receivables and other receivables	2 585 447	3 036 695	85.1%
14.	Other short-term financial assets	11 180	5 422	206.2%
15.	Other short-term non-financial assets	294 057	272 371	108.0%
16.	Cash and equivalents	912 712	1 030 929	88.5%
17.	**Fixed assets classified as held for trade**	**35 833**	**36 215**	**98.9%**
18.	**TOTAL ASSETS**	**30 689 681**	**31 273 677**	**98.1%**

As of 30 June 2013 the statement of financial situation of TAURON Capital Group indicates total assets lower by 1.9 % as compared to 31 December 2012.

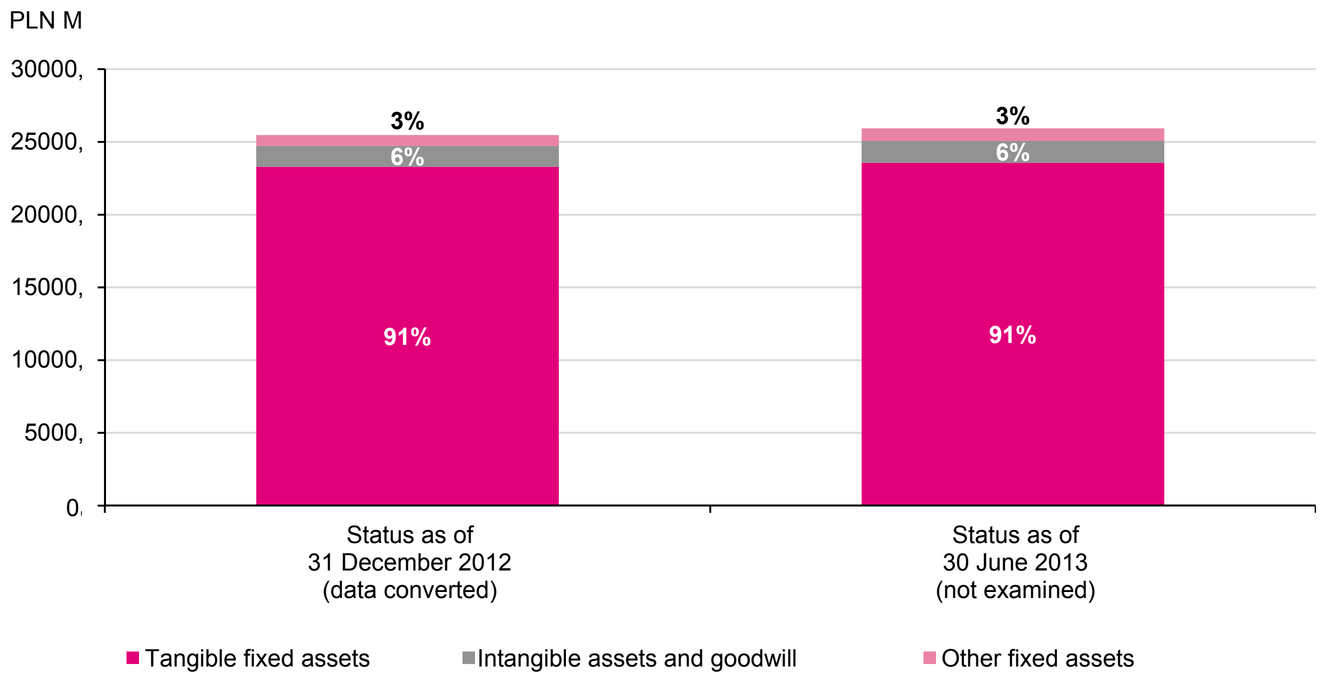
Figure no. 5 Change in the status of assets



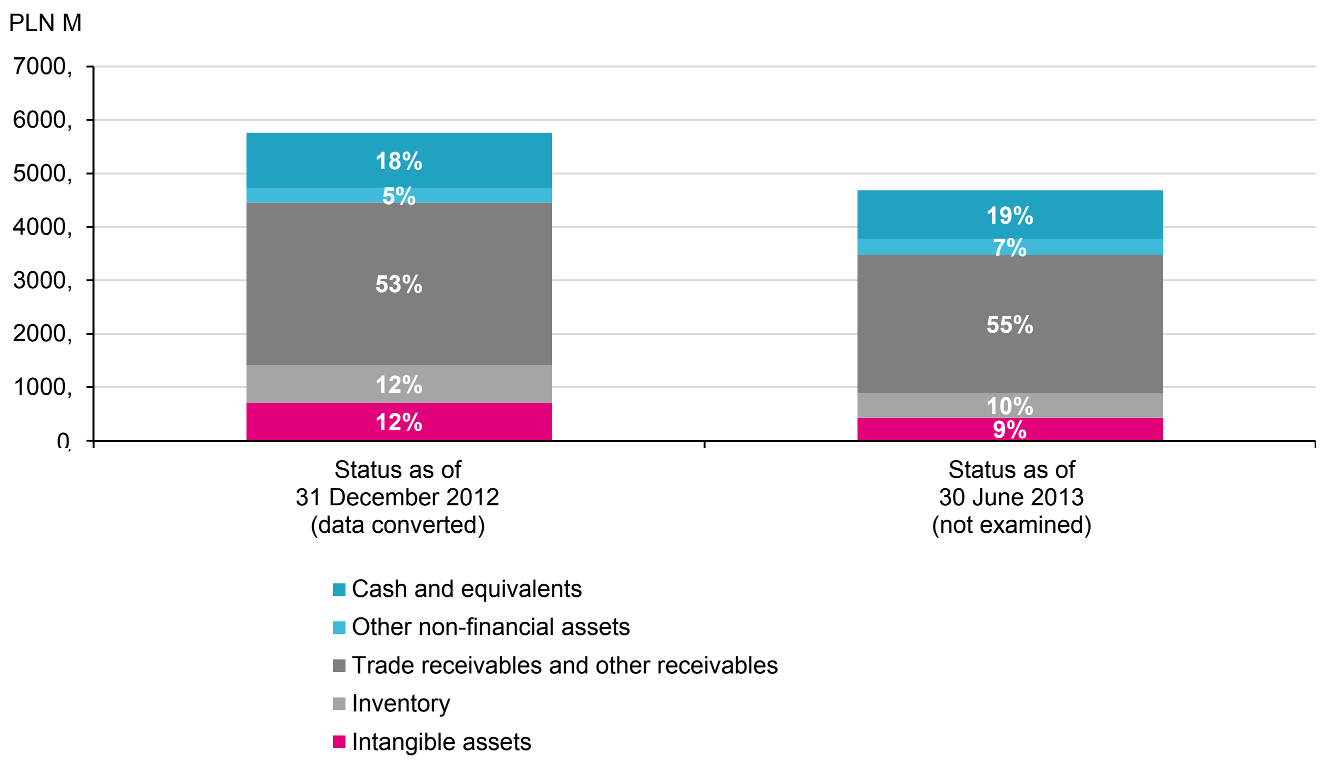
At the end of the 1st half of 2013, fixed assets constitute the highest item of assets, and their share amounts to 84.5% of the total assets value. As compared to the previous year, the value of fixed assets was higher by approximately PLN 461.9 M (1.8%). The change results, among others, from the investment in fixed assets of activity segments, implemented in the 1st half of 2013, in particular, in the generation assets.

Figure no. 6 Change in the status of assets and current assets

Structure of fixed assets



Structure of current assets



The biggest item of "TAURON Group" assets are tangible fixed assets which, at the end of the reporting period, constitute 76.8% of total assets and 90.9% of the value of all fixed assets. Their value increased by PLN 274.8 M (1.2%) and results from investments in assets of the Group companies.

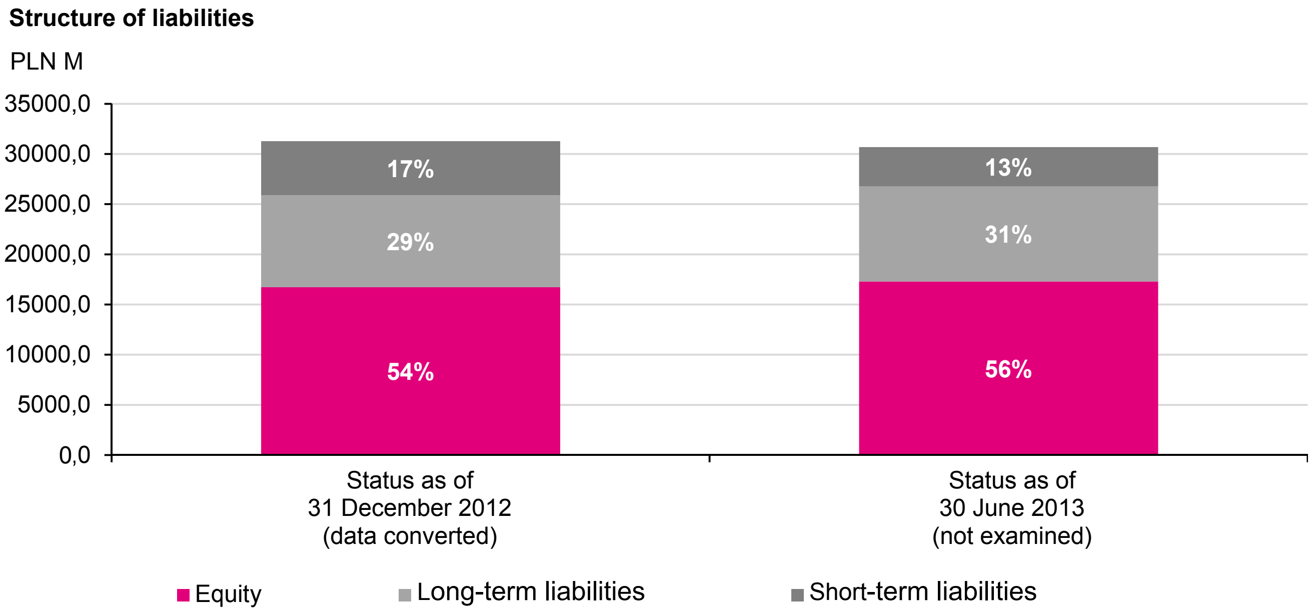
The value of current assets decreased by PLN 1,045.5 M (18.1%) as a result of decline in the level of trade receivables (by PLN 451.2 M). The decrease in receivables arises from lower revenue gained by the Group companies. Intangible assets make the second item influencing the change in value of current assets whose level decreased by PLN 281.3 M (39.6%) as a result of submission of energy origin rights for 2012 for redemption in Q1 2013. The second reason of the decline in the value of intangible assets is the failure to recognise yellow and red certificates in the Group assets due to the lack of legal regulations in the scope of support system for electric energy generation in high-performance co-generation, and significant uncertainty concerning introduction of the planned legal solutions. The decline in the value of inventory by PLN 243.9 M, which affects the change in value of current assets, is caused by lower value of materials and by creating the revaluation write-off against the value of certificates, as a result of the legal gap described above.

In the table below, the semi-annual consolidated statement of financial situation - liabilities, is presented.

Table no. 10 Table no. 10 Interim condensed consolidated statement of financial situation – liabilities (data in thousand PLN)

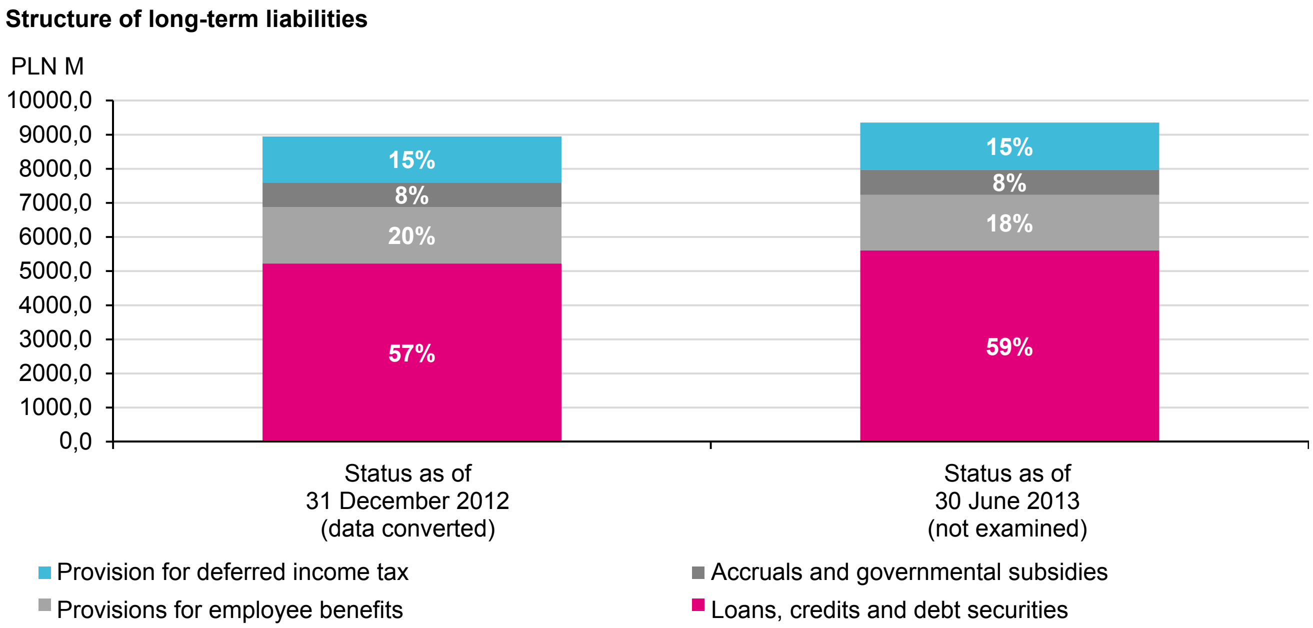
No.	Statement of financial situation	Status as of 30 June 2013	Status as of 31 December 2012	Dynamics 2013/2012
1.	**LIABILITIES**			
2.	**Equity**	**17 293 165**	**16 728 233**	**103.4%**
3.	Equity attributable to shareholders of the parent entity	**16 766 721**	**16 235 110**	**103.3%**
4.	Share capital	8 762 747	8 762 747	100.0%
5.	Supplementary capital	9 037 699	7 953 021	113.6%
6.	Hedging tools revaluation reserve	(123 859)	(153 703)	80.6%
7.	Currency Exchange differences due to translation of foreign units	(11)	(370)	3.0%
8.	Retained profits / Uncovered losses	(909 855)	(326 585)	278.6%
9.	**Non-controlling shares**	**526 444**	**493 123**	**106.8%**
10.	**Long-term liabilities**	**9 472 271**	**9 148 067**	**103.5%**
11.	Loans, credits and debt securities	5 606 826	5 222 882	107.4%
12.	Liabilities due to leasing and lease contracts with purchase option	34 874	41 796	83.4%
13.	Long-term provisions and employee benefits	1 628 410	1 650 742	98.6%
14.	Long-term prepayments and governmental subsidies	729 055	723 315	100.8%
15.	Trade liabilities and other long-term financial liabilities	93 042	158 484	58.7%
16.	Provision due to deferred income tax	1 380 064	1 350 848	102.2%
19.	**Short-term liabilities**	**3 924 245**	**5 397 377**	**72.7%**
20.	Trade liabilities, other liabilities and derivatives	1 615 867	2 669 073	60.5%
21.	Current part of credits, loans and debt securities	286 568	286 990	99.9%
22.	Current part of liabilities due to leasing and lease contracts with purchase option	14 662	14 482	101.2%
23.	Other non-financial liabilities	625 307	769 234	81.3%
24.	Accruals and governmental subsidies	399 562	273 824	145.9%
25.	Liabilities due to income tax	63 354	113 034	56.0%
26.	Short-term provisions and employee benefits	918 925	1 270 740	72.3%
27.	**TOTAL LIABILITIES**	**30 689 681**	**31 273 677**	**98.1%**

Figure no. 7 Change in liabilities and equity

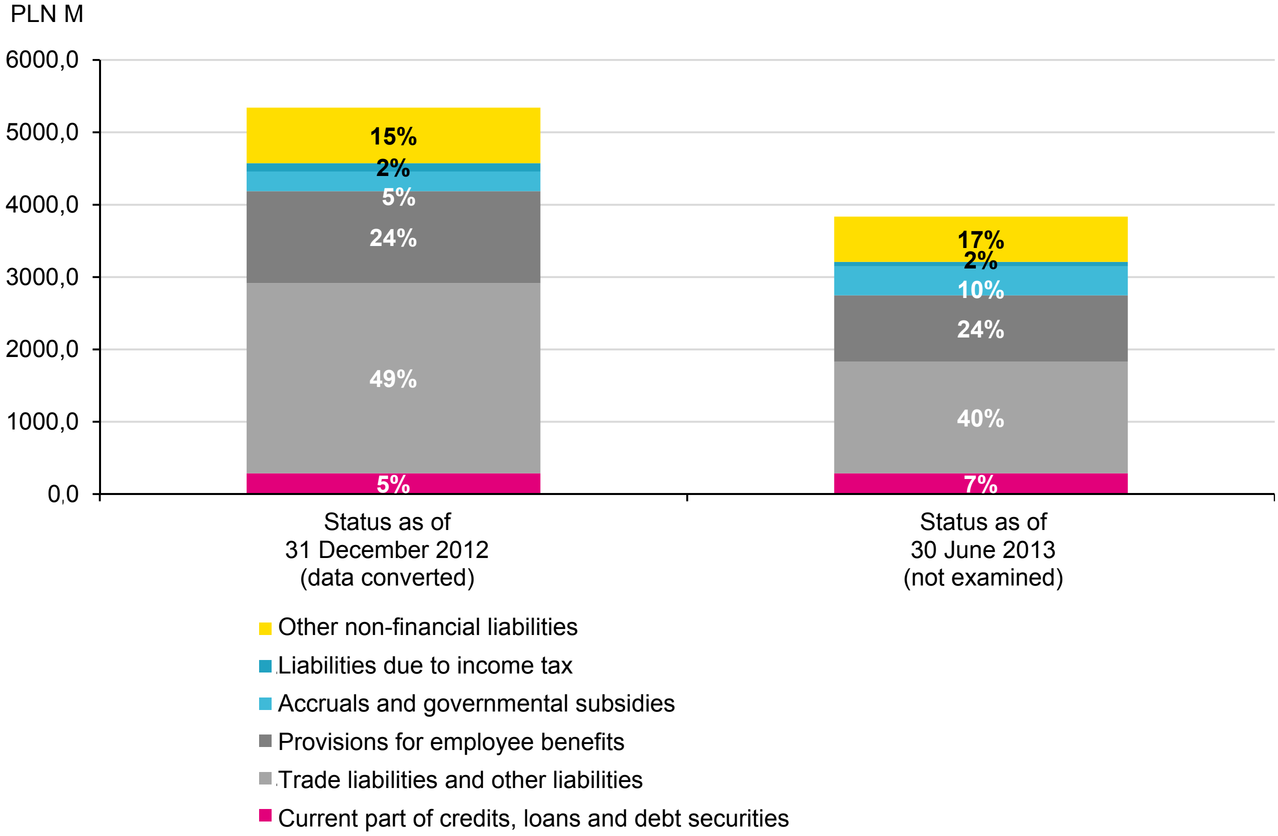


As of 30 June 2013 and as of 31 December 2012, the total equity is still the dominating source of financing of TAURON Group assets, and it reached, respectively PLN 17,293.2 M and PLN 16,728.2 M, which makes 56.3% and 53.5% of total liabilities. The increase in the value of equity by the amount of PLN 564.9 M is caused by the increase in supplementary capital and decrease in profits retained due to profit distribution of previous years. The value of the share capital in the current period was not changed irrespective of the slight decline in equity structure.

Figure no. 8 Change in the status of liabilities



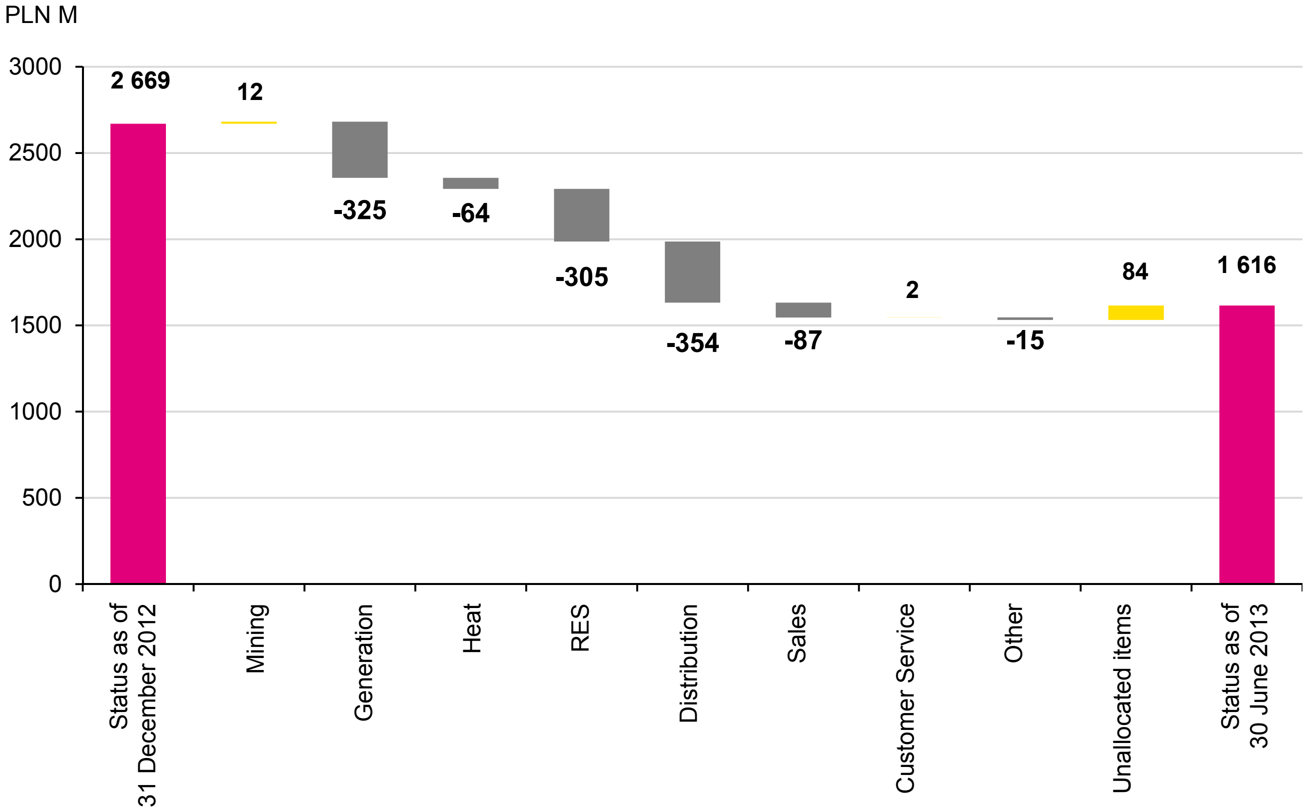
Structure of short-term liabilities



The share of long-term liabilities in the structure of equity increased by PLN 324.2 M (3.5%) against the status as of 31 December 2012. Increase in value of long-term liabilities in the 1st half of 2013 is caused by the growth of value of credits, loans and debt securities by the amount of PLN 383.9 M (7.4%) due to launch of the additional tranche of the credit facility allocated for financing the investment projects implemented in TAURON Group companies. In the 1st half of 2013 increase of the value of provision due to deferred income tax by the amount of PLN 29.2 M (2.2%) also occurred.

The share of short-term liabilities in the structure of equity decreased by PLN 1,473.1 M (27.3%) against the status as of 31 December 2012. The change of their value was affected by the decrease in the status of trade liabilities and other liabilities by the amount of PLN 1,086.7 M (41.3%) and decrease in the status of provisions by the amount of PLN 351.8 M (27.7%) against the status of 31 December 2012. The decline in short-term trade liabilities and other liabilities in the 1st half of 2013 was recorded in the majority of areas, which is presented in the chart below.

Figure no. 9 Change in the status of trade liabilities and other liabilities in "TAURON Group" according to Areas



The main reason of their decrease was the reduction of liabilities due to purchase of tangible fixed assets and intangible assets by the amount of about PLN 374.7 M, and trade liabilities - by the amount of about PLN 578.6 M.

On the other hand, the decrease in the status of provisions is caused by reversal and use of provisions established as of 31 December 2012 due to the obligation to present certificates of origin for redemption, which is associated with redemption of rights in Q1 2013. In the 1st half of 2013 the value of prepayments and accruals increased by PLN 125.7 M (45.9%) as a result of additional accruals due to unused holiday leave, bonus and environmental protection fees.

4.4. Cash Flows

Statement of Cash Flows

The table below presents the interim condensed cash flow statement for the 1st half of 2013, in relation to the first half of 2012

Table no. 11 Interim condensed statement of cash flows (data in thousand PLN)

No.	Statement of Cash Flows	1st half ended 30 June 2013	1st half ended 30 June 2012.
1.	**Cash flows from operating activities**		
2.	**Gross profit/(loss)**	**1 084 538**	**1 142 356**
3.	**Adjustments**	**766 436**	**171 139**
4.	**Net cash from operating activities**	**1 850 974**	**1 313 495**
5.	**Cash flows from investment activities**		
6.	Sales of tangible fixed assets and intangible assets	9 959	6 710

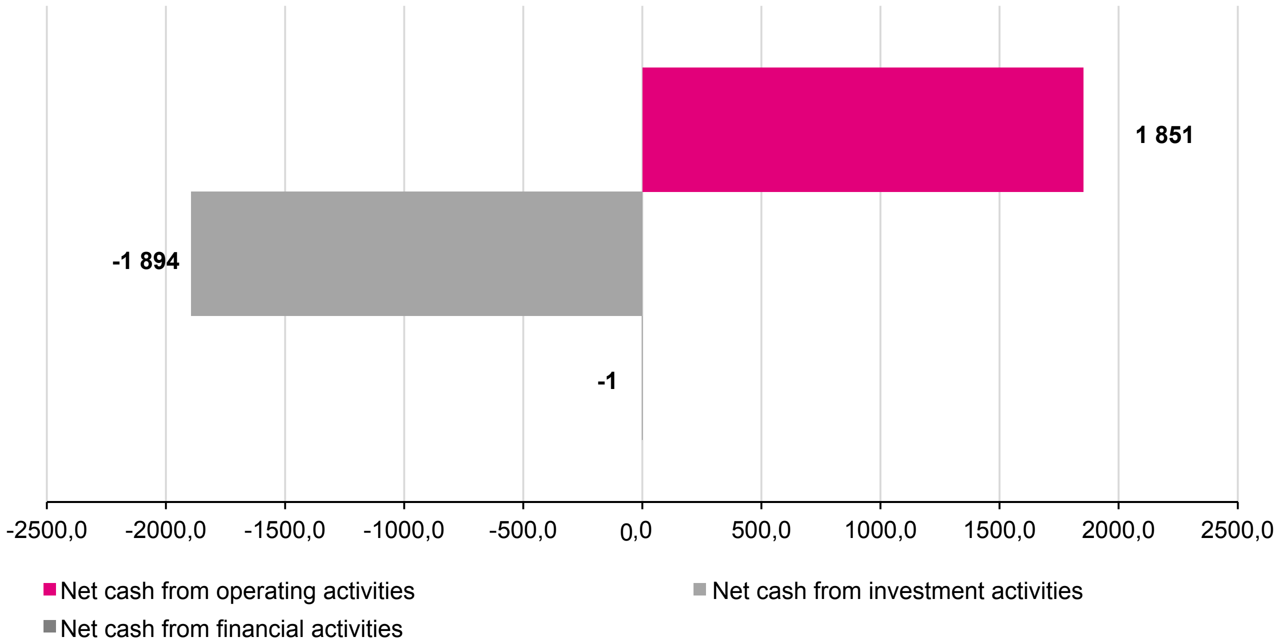
7.	Purchase of tangible fixed assets and intangible assets	(1 846 214)	(1 613 621)
8.	Sales of other financial assets	760	109 766
9.	Purchase of other financial assets	(4 246)	(14 009)
10.	Dividend received	7 396	1 485
11.	Loans granted	(79 550)	(75 000)
12.	Interest received	56	1
13.	Repayment of loans granted	17 550	0
14.	Other	4	0
15.	**Net cash from investment activities**	**(1 894 285)**	**(1 584 668)**
16.	**Cash flows from financial activities**		
17.	Purchase of non-controlling interest	(1 352)	(4 184)
18.	Repayment of liabilities due to financial leasing	(7 495)	(7 853)
19.	Cash inflows due to loans/credits	451 180	549 000
20.	Repayment of loans/credits	(19 648)	(96 515)
21.	Issue of debt securities	0	150 000
22.	Dividends paid to shareholders of the parent company	(340 681)	0
23.	Dividends paid to minority shareholders	(7 236)	(16 019)
24.	Interest paid	(85 762)	(107 048)
25.	Other	10 459	(1 734)
26.	**Net cash from financial activities**	**(535)**	**465 647**
27.	**Increase/(decrease) in net cash and cash equivalents**	**(43 846)**	**194 474**
28.	Net exchange differences	(845)	122
29.	**Cash opening balance**	**891 654**	**505 816**
30.	**Cash closing balance**	**847 808**	**700 290**

TAURON Capital Group recorded negative result on the total value of net cash flows on operational, investment and financial activities - in the 1st half of 2013, their value reached PLN (43,846) thousand.

Figure no. 10 Cash flows in the 1st half of 2013 and 2012

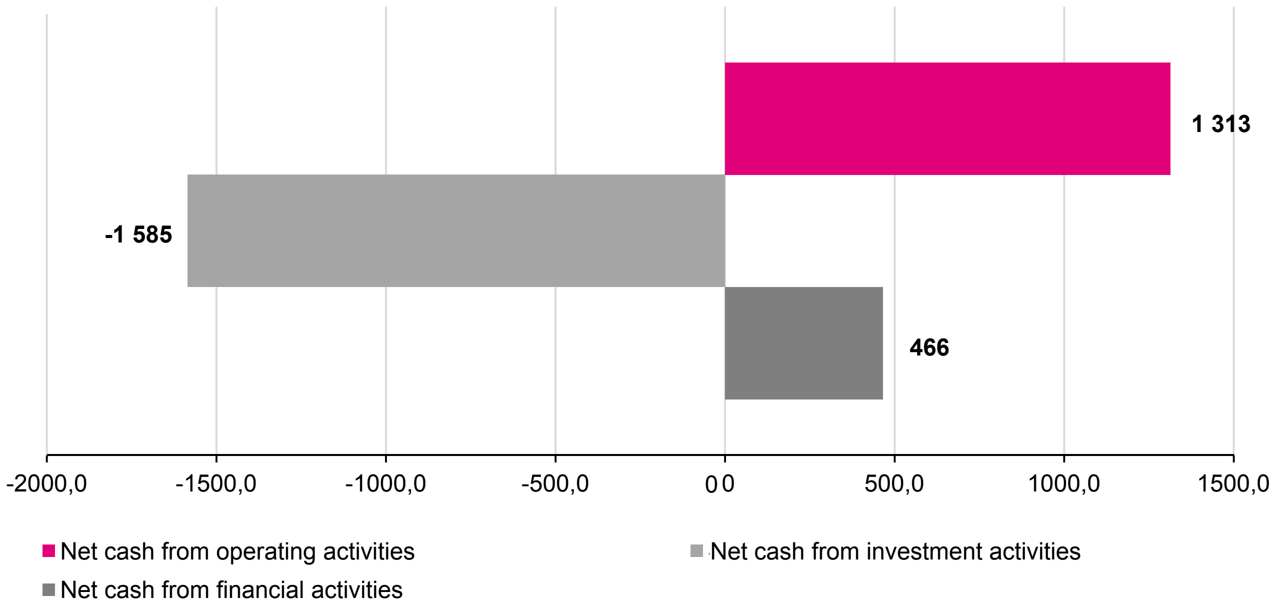
Cash flows completed in the 1st half of 2013 (not examined)

PLN M



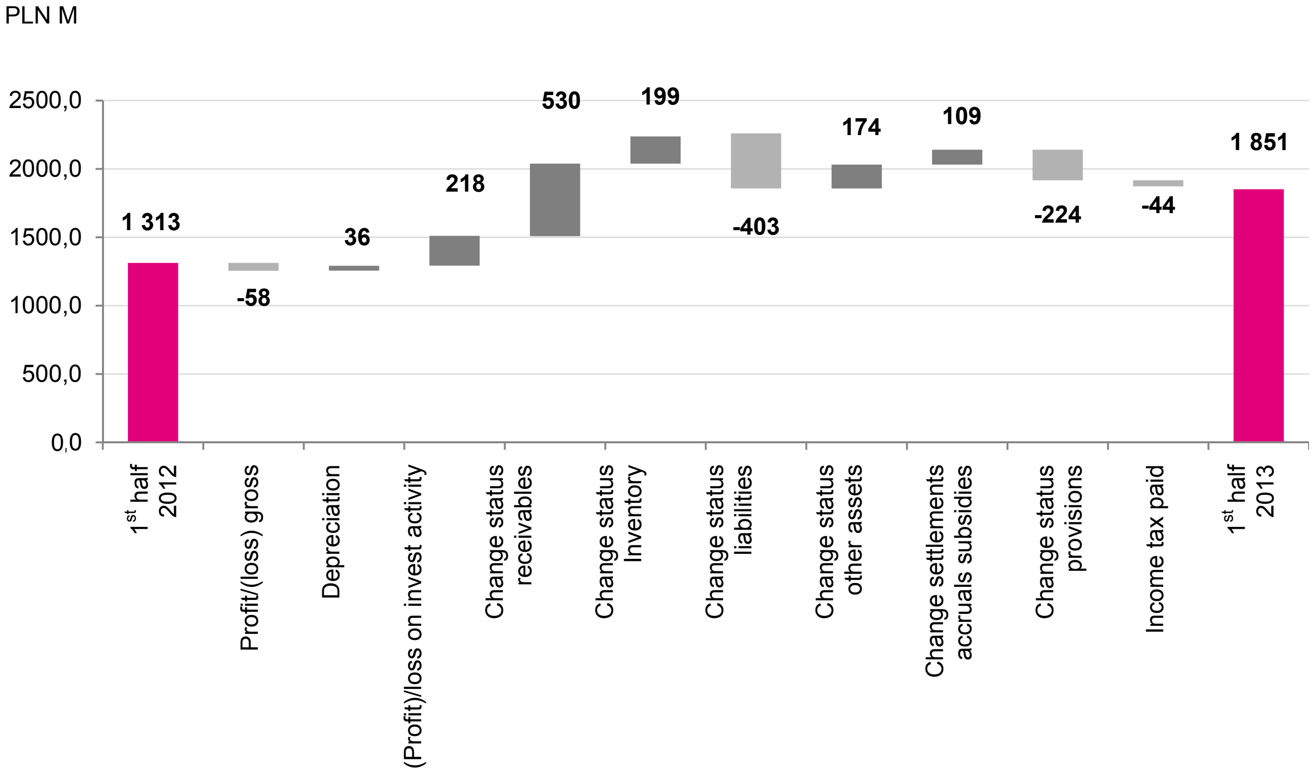
Cash flows completed in the 1st half of 2012 (converted data, not examined)

PLN M



The value of cash flows on operating activities in the 1st half of 2013 was positive, reaching PLN 1,851.0 M, and it was higher by 40.9 % than the value of cash flows of the corresponding reporting period. The chart below shows the most significant changes in operating cash flow items which occurred between the two comparable periods.

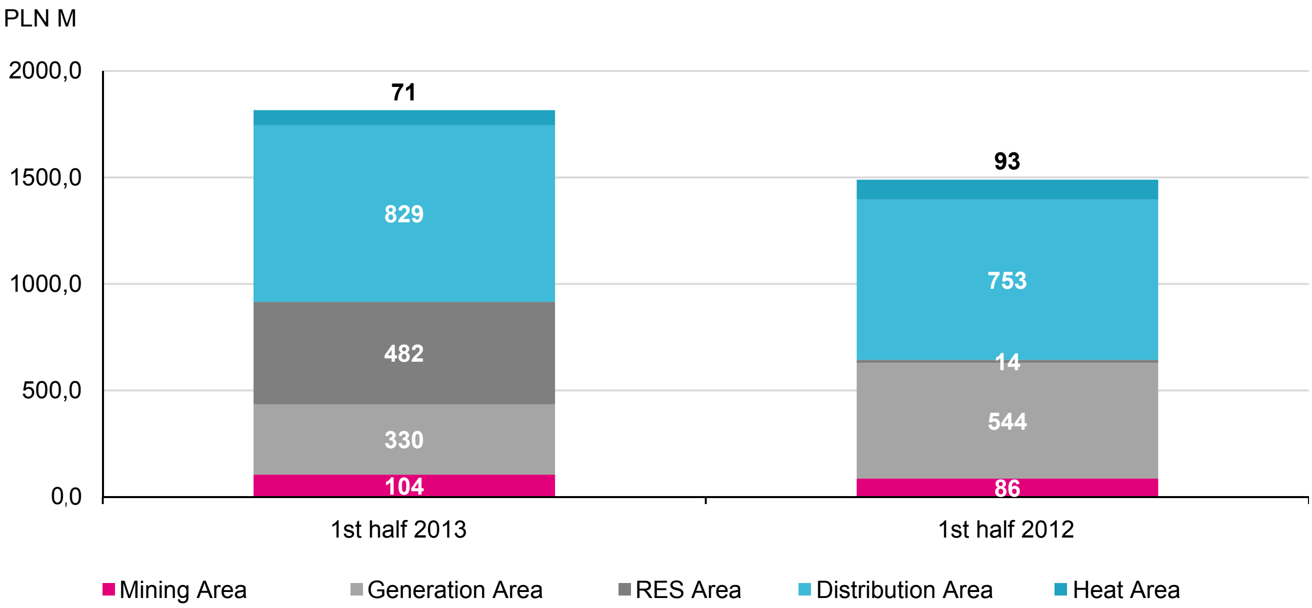
Figure no. 11 Change in operating cash flows in the 1st half of 2013, in relation to 1st first half of 2012



Due to the ongoing investments in assets of most Business Areas of TAURON Group, the value of cash flows from investment activities was negative and, in the 1st half of 2013 amounted to approx. PLN 1,894.3 M, and it was higher by 19.5% than the value of the corresponding period of the previous year. Investment expenditure was incurred in relation to tangible fixed assets and intangible assets at a total amount of PLN 1,846.2 M, and it was higher by 14.4% than the expenditures incurred in the corresponding period.

Below, the value of expenditure incurred for purchase of tangible fixed assets and intangible assets is presented according to Areas.

Figure no. 12 Expenditure on purchase of tangible fixed assets and intangible assets according to Areas



The stream of cash flows from financial activities in the 1st half of 2013 was negative and amounted to approximately PLN 0.5 M. It was lower than the value of cash flow stream in the comparable period of the previous year by the amount of PLN 466.2 M. In order to provide for financing of investment expenses, TAURON Capital Group raised credits in the 1st half of this year, at the amount of PLN 451.2 M (level lower by PLN 247.8 M, i.e. 35.5% than in the comparable period).

The nature of individual cash streams recognised in each item of cash flow statement indicates strengthening of the company position on the market through its further development. The structure of cash flow shows that the investment expenditure incurred is financed from operational resources and the external financing sources drawn.

TAURON Capital Group effectively manages cash flows, using the centrally implemented model of financing and the central policy of financial risk management. In order to minimise the potential disturbances in cash flows and the risk of loss of liquidity, TAURON Capital Group uses the *cash pooling* mechanism. TAURON Capital Group uses various sources of financing, such as, for example, overdraft, bank loans, loans from environmental funds, issue of bonds, financial leasing contracts and lease contracts with purchase option.

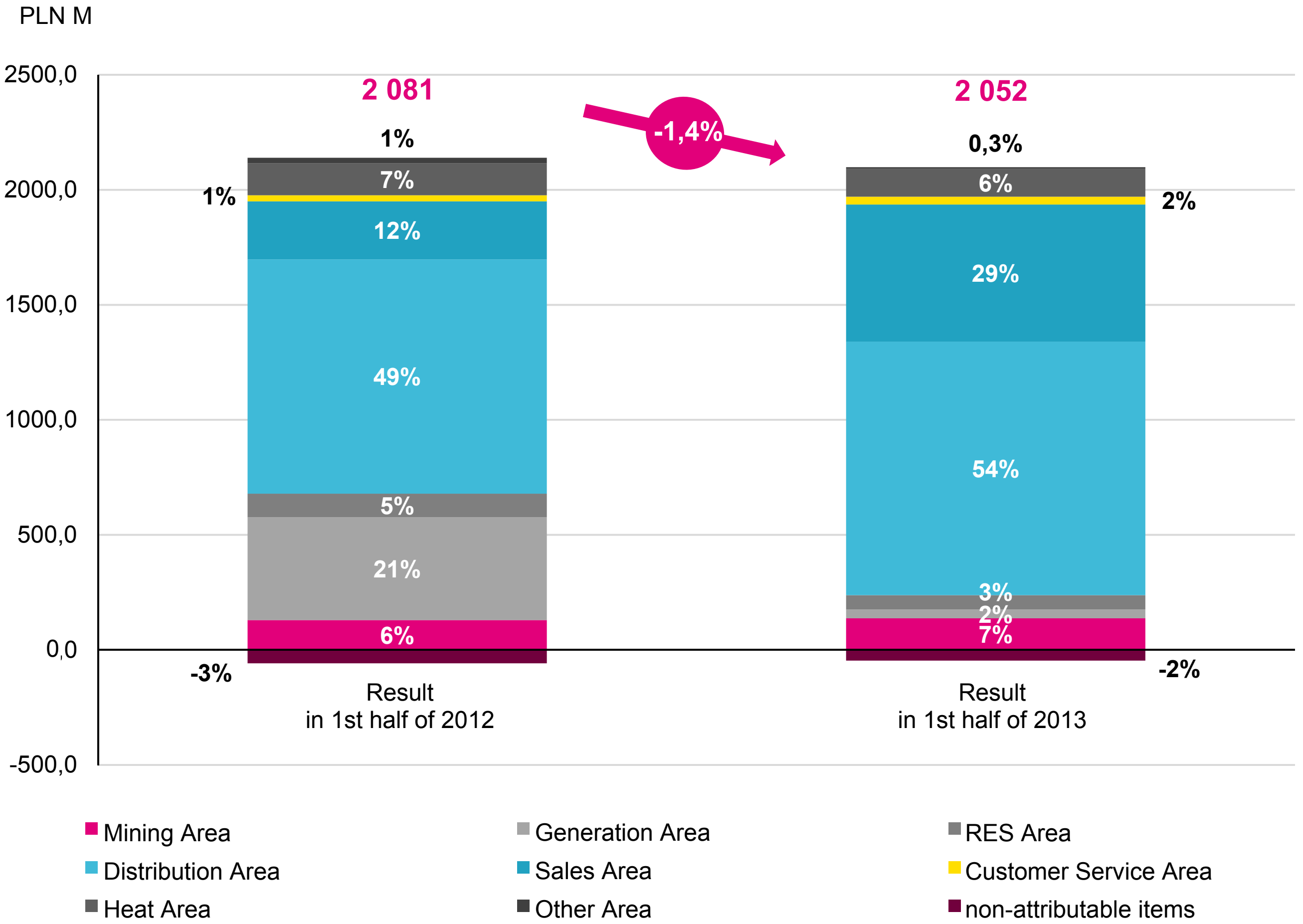
4.5. Financial results according to core business areas

The table below shows the EBITDA results of TAURON Capital Group, divided into individual Areas (Segments) of operations for the 1st half of 2013 and Q2 2013, as compared to the analogical periods of 2012. The data for individual Business Areas do not include consolidation exclusions.

Table no. 12 EBIDTA of TAURON Group according to activity areas (data in thousand PLN)

No.	EBITDA	1st half 2013	1st half 2012	Dynamics 2013/2012	Q 2 2013	Q 2 2012	Dynamics 2013/2012
1.	Coal mining	137 404	129 593	106.0%	64 483	80 579	80.0%
2.	Generation of electric energy and heat from conventional sources	38 311	446 836	8.6%	(129 153)	219 344	-
3.	Generation of electric energy from renewable sources	62 060	102 841	60.3%	34 878	49 332	70.7%
4.	Distribution of electric energy	1 102 486	1 018 258	108.3%	577 425	571 124	101.1%
5.	Sales of energy and other products of the energy market	595 731	252 243	236.2%	247 856	151 023	164.1%
6.	Heat	122 546	138 398	88.5%	26 966	37 758	71.4%
7.	Customer Service	33 659	26 355	127.7%	21 556	13 021	165.5%
8.	Other	6 191	24 821	24.9%	3 861	13 890	27.8%
9.	Non-attributable items and exemptions	(46 341)	(58 127)	79.7%	(16 913)	(29 804)	56.8%
10.	**Total EBITDA**	**2 052 047**	**2 081 218**	98.6%	**830 959**	**1 106 267**	75.1%

Figure no. 13 Structure of EBITDA of TAURON Capital Group



The highest share in EBITDA of TAURON Capital Group is attributed to Distribution Area and Sales Area. As compared to the corresponding period of 2012, growth of share in EBITDA structure occurred mainly in Sales Area, due to better results achieved in the 1st half of 2013.

Coal mining

Table no. 13 Results of Mining Area

No.	Specification (thousand PLN)	1st half 2013	1st half 2012	Dynamics 2013/2012	Change (2013 - 2012)
1.	**Coal mining**				
2.	Revenue on sales	748 322	664 196	113%	84 126
3.	*coal - coarse and medium assortments*	*263 411*	*216 556*	*122%*	*46 855*
4.	*power coal*	*467 790*	*431 549*	*108%*	*36 241*
5.	*other products, materials and services*	*17 121*	*16 091*	*106%*	*1 030*
6.	Operating profit	84 452	77 989	108%	6 463
7.	Amortisation	52 952	51 604	102,3%	1 348
8.	**EBITDA**	**137 404**	**129 593**	**106%**	**7 811**

In the 1st half of 2013 revenues of sales in the Mining Segment increased by about 12.7% as compared to the corresponding period of previous year, which results mainly from the increased sales of coal (by approx. 0.5 M t, i.e. by approx. 20%), at the average sales price lower by 6% than the price reached in the 1st half of 2012, arising from the market situation in the area of coal sales. The increased revenue on sales was achieved mainly in the area of coal dust sold internally in TAURON Capital Group, and coarse and medium assortments sold outside the Group, as a consequence of implementation of the pricing strategy and the introduced after-sales activities.

The increase in EBIT result from PLN 78 M in the 1st half of 2012 to PLN 84.5 M in the 1st half of 2013, resulted from higher dynamics of revenue from coal sales in relation to the dynamics of generating cost of the coal sold. The growth in the scope fixed costs was mainly driven by costs of external services (in particular, costs of lease of machinery and costs of mining services) and materials, arising from increased quantity (by 9.5%) of preparatory works. The increase in costs was also influenced by higher production of commercial coal (by 16.7%) and higher quantity of shipments due to sales dynamics.

Generation of electric energy and heat from conventional sources

Table no. 14 Results of Generation Area

No.	Specification (thousand PLN)	1st half 2013	1st half 2012	Dynamics 2013/2012	Change (2013 - 2012)
1.	**Generation**				
2.	Revenue on sales	2 350 588	2 584 784	91%	(234 196)
3.	*electric energy*	*2 085 619*	*1 989 563*	*105%*	*96 056*
4.	*heat*	*122 361*	*122 954*	*100%*	*(593)*
5.	*property rights from certificates of electric energy origin*	*79 932*	*115 451*	*69%*	*(35 519)*
6.	*greenhouse gases emission allowances*	*43 614*	*63 158*	*69%*	*(19 544)*
7.	*compensation due to LTC termination*	*0*	*276 611*	*-*	*(276 611)*
8.	*other*	*19 062*	*17 048*	*112%*	*2 014*
9.	Operating profit	(226 549)	198 358	-	(424 907)
10.	Amortisation	264 860	248 478	107%	16 382
11.	**EBITDA**	**38 311**	**446 836**	**9%**	**(408 525)**

In the 1st half of 2013 revenue on sales in the Generation Segment was lower by about 9% as compared to the corresponding period of the previous year, which resulted from lower revenue on sales of certificates of origin of electric energy, CO_2 emission allowances and lack of revenue from compensation due to LTC termination (2012 was the last year of participation of the company TAURON Wytwarzanie in the programme of compensation of stranded costs). Revenues on sales of electric energy increased due to the higher volume of sales.

The EBIT and EBITDA operating results of the Generation Segment in the 1st half of 2013 reached lower level than in the corresponding period of the previous year. The results achieved were affected by lack of revenues from compensation, recognising the impairment losses of fixed assets, recognising the provision for costs of deficit of CO_2 emission allowances, lower revenues on sales of certificates of origin of electric energy, and lower price of electric energy sales. Compared to the previous year, the result was positively affected by higher volume of sales of electric energy, lower unit generation costs (lower fuel prices), and lower fixed costs (mainly labour costs).

Generation of electric energy from renewable sources

Table no. 15 Results of RES Area

No.	Specification (thousand PLN)	1st half 2013	1st half 2012	Dynamics 2013/2012	Change (2013 - 2012)
1.	**RES**				
2.	Revenue on sales	92 455	130 329	71%	(37 874)
3.	*electric energy*	*56 019*	*55 610*	*101%*	*409*

4.	*proprietary rights from certificates of electric energy origin*	*36 125*	*74 333*	*49%*	*(38 208)*
5.	*other*	*311*	*386*	*81%*	*(75)*
6.	Operating profit	43 969	82 061	54%	(38 092)
7.	Amortisation	18 091	20 780	87%	(2 689)
8.	**EBITDA**	**62 060**	**102 841**	**60%**	**(40 781)**

In the 1st quarter of 2013, the revenue on sales in the RES Segment decreased by about 29% as compared to the corresponding period of the previous year, which was mainly affected by the decline in prices of property rights arising from certificates of origin of energy generated in RES (electric energy production volume in the 1st half of 2013 reached the level of the previous year).

For the same reasons, the EBIT operating result and EBITDA of RES Area in the 1st half of 2013 reached level lower than in the corresponding period of previous year.

Distribution of electric energy

Table no. 16 Results of Distribution Area

No.	Specification (thousand PLN)	1st half 2013	1st half 2012	Dynamics 2013/2012	Change (2013 - 2012)
1.	**Distribution**				
2.	Revenue on sales	3 009 186	3 047 537	99%	(38 351)
3.	*distribution services*	*2 788 708*	*2 867 615*	*97%*	*(78 907)*
4.	*connection fees*	*64 382*	*75 457*	*85%*	*(11 075)*
5.	*maintenance of street lightning*	*52 290*	*49 498*	*106%*	*2 792*
6.	*other services*	*103 806*	*54 967*	*189%*	*48 839*
7.	Operating profit	654 539	580 830	113%	73 709
8.	Amortisation	447 947	437 428	102%	10 519
9.	**EBITDA**	**1 102 486**	**1 018 258**	**108%**	**84 228**

In the 1st half of 2013, the Distribution Segment, as compared to the corresponding period of 2012, recorded decrease in revenues by approximately 1.3%, increase of results at the operating level by about 112.7%, and increase of EBITDA result by about 8.3%. The increased results resulted from the hereunder reasons.

The total revenue reached in the 1st half of 2013 was lower as compared to the revenue reached in the 1st half of 2012, due to the decrease in revenue on sales of distribution services to end consumers (decline in sales volume and slight increase of the average unit rate for distribution services). Applying the tariff adopted for 2013, while maintaining the comparable sales structure, provided for the increase in the average rate for distribution services by 0.4% year-on-year. Within the remaining revenues associated with the distribution activities, the decline referred mainly to connecting fees and charges due to over-standard passive energy consumption. Sales to end consumers in the 1st half of 2013 dropped, in relation to the 1st half of 2012, in A group (in terms of value and quantity) and in B group (in relation to value), as a consequence of the economic slowdown observed in the current year. In the scope of sales to other DSOs, the value and quantitative balance of energy transits in the 1st half of 2013 is positive, which means profit on operations of purchase and sales of distribution services from/to other DSO; this result is comparable to that reached in the 1st half of 2012.

Irrespective of lower revenues, operating results of the Distribution Area increased due to significantly lower costs of activities in relation to the comparable period of 2012. Variable costs of the Segment decreased mainly due to decline of the TSO transitional fee (transferred to year 2013 in the tariff), the volume of purchase of transmission services was also lower due to the growth of generation in power plants connected to the distribution grid. Costs of energy purchase for the needs of balancing differences also dropped, which is the consequence of the lower level of balancing difference, correlated with the volume of supplies. The growth of level of fixed costs was mainly determined by higher costs of the services purchased.

In addition, the level of EBIT determined in the 1st half of 2013 was positively influenced by higher level on other operating activities (lower actuarial provisions), whereas the result due to street lightning services was lower, due to charging with costs of assets apportioned from distribution activity.

Sales of energy and other products of the energy market

Table no. 17 Results of Sales Area

No.	Specification (thousand PLN)	1st half 2013	1st half 2012	Dynamics 2013/2012	Change (2013 - 2012)
1.	**Sales**				
2.	Revenue on sales	8 993 554	8 719 712	103%	273 842
3.	*electric energy*	*5 837 480*	*6 257 878*	*93%*	*(420 398)*
4.	*proprietary rights from certificates of electric energy origin*	*3 984*	*0*	*-*	*3 984*
5.	*greenhouse gases emission allowances*	*127 328*	*134 132*	*95%*	*(6 804)*
6.	*Fuels*	*1 125 711*	*271 863*	*414%*	*853 848*
7.	*distribution service (transferred)*	*1 800 410*	*1 965 534*	*92%*	*(165 124)*
8.	*other services, including commercial services*	*98 641*	*90 305*	*109%*	*8 336*
9.	Operating profit	578 520	239 676	241%	338 844
10.	Amortisation	17 211	12 567	137%	4 644
11.	**EBITDA**	**595 731**	**252 243**	**236%**	**343 488**

Revenue on sales of the Sales Segment in the 1st half of 2013 reached the level higher by 3.1% in relation to the corresponding period of 2012. The Segment also noted almost two and a half-fold increase of results at the level of EBIT and EBITDA. The increase resulted from the hereunder reasons.

The revenue on retail sales of electric energy in the 1st half of 2013 was lower than in the corresponding period of 2012, both due to the decrease of prices and of the volume. The quantitative decline of sales was observed, in particular, in groups B and C1, as a consequence of the decline in the average demand among clients and the enhanced activity of competitive companies. On the other hand, lower level (by 3.9%) of sales price of electric energy in the 1st half of current year was caused by decline in cost of purchase of conventional energy and lower costs of acquisition of property rights, which was reflected partly by the renegotiated and contracted levels of sales prices for business clients.

The lower year-on-year variable costs were determined by: the decreasing energy purchase price (by 5.8% on average), due to the maintaining downward trend of prices on the spot and forward market, lower market purchase price of green certificates of origin and lack of support to generation of electric energy originating from gas co-generation and co-generation other than based on gas. However, lack of support resulted in write down of the inventory of red and yellow certificates held by sales companies against the costs of value. In relation to the previous year, the additional burden is caused by the obligation to present certificates, arising from the certificates of energy effectiveness, for redemption. Fixed costs in the 1st half of 2013 reached the level slightly higher as compared to the 1st half of the previous year - the deviation arises from higher costs of sales and marketing actions conducted.

Heat

Table no. 18 Results of Heat Area

No.	Specification (thousand PLN)	1st half 2013	1st half 2012	Dynamics 2013/2012	Change (2013 - 2012)
1.	**Heat**				
2.	Revenue on sales	635 946	605 345	105%	30 601
3.	*electric energy*	*136 398*	*127 783*	*107%*	*8 615*
4.	*heat (including transmission)*	*371 455*	*345 855*	*107%*	*25 600*
5.	*proprietary rights from certificates of electric energy origin*	*13 383*	*10 403*	*129%*	*2 980*
6.	*greenhouse gas emission allowances*	*1*	*969*	*0%*	*(968)*

7.	*wind of blast furnace*	*74 858*	*77 268*	*97%*	*(2 410)*
8.	*compressed air*	*34 285*	*37 936*	*90%*	*(3 651)*
9.	*Other*	*5 566*	*5 131*	*108%*	*435*
10.	Operating profit	70 901	92 646	77%	(21 745)
11.	Amortisation	51 645	45 752	113%	5 893
12.	**EBITDA**	**122 546**	**138 398**	**89%**	**(15 852)**

Revenue on sales of the Heat Segment in the 1st half of 2013 reached slightly higher level than in the corresponding period of the previous year. The increase referred to revenues on sales and heat distribution as well as on sales of electric energy and property rights, whereas revenues on sales of wind of blast furnace, compressed air and CO_2 emission allowances were lower.

The EBIT and EBITDA operating results in the 1st half of 2013 reached lower level than in the previous year. The factors of adverse impact on the result included mainly: recognising the revaluation write down for red and yellow certificates (the consequence of the lack of support system in this scope) and lower price of electric energy sales, whereas the positive factors included: higher sales prices of heat, wind of blast furnace and compressed air, higher sales volume of electric energy and lower fixed costs.

Customer Service

Table no. 19 Results of Customer Service Area

No.	Specification (thousand PLN)	1st half 2013	1st half 2012	Dynamics 2013/2012	Change (2013 - 2012)
1.	**Customer Service**				
2.	Revenue on sales	235 207	168 319	140%	66 888
3.	*customer service*	*114 433*	*133 956*	*85%*	*-19 522*
4.	*IT services*	*79 278*	*23 437*	*338%*	*55 841*
5.	*financial-accounting and HR services*	*40 802*	*10 683*	*382%*	*30 120*
6.	*Other*	*693*	*244*	*284%*	*449*
7.	Operating profit	26 904	19 317	139%	7 587
8.	Amortisation	6 755	7 038	96%	-283
9.	**EBITDA**	**33 659**	**26 355**	**1278%**	**7 304**

Revenues on sales in Customer Service Area increased by 39.7% as compared to the corresponding period of previous year, which may be mainly attributable to the reorganisation of the company providing shared services within TAURON Group. In Q1 2013 the merger of the company TAURON Obsługa Klienta with its corresponding partner from the former GZE Capital Group took place, under the proceeding centralisation process of the support function and migration of resources from the remaining TAURON Group companies, which is clearly reflected in the dynamic growth of revenues due to services provided within TAURON Group (decline of revenues in the customer service area arises mainly from different classification of the collection service provided for TAURON Dystrybucja and TAURON Sprzedaż this year). In Customer Service Area the decline of revenue also occurred (by approximately PLN 11 M) due to services provided for entities beyond TAURON Group, arising from suspension of their service by TAURON Obsługa Klienta GZE.

In Customer Service Area the increase of costs correlated with revenues occurred, arising from migration of resources to the company TAURON Obsługa Klienta, as a result of which employment in the Customer Service Area was higher by 740 FTEs at the end of the 1st half of 2013 than at the end of the 1st half of 2012.

Other

Table no. 20 Results of "Other" Area

No.	Specification (thousand PLN)	1st half 2013	1st half 2012	Dynamics 2013/2012	Change (2013 - 2012)
1.	**Other**				
2.	Revenue on sales	165 982	255 403	65%	-89 421
3.	*electric energy*	*84 364*	*168 590*	*50%*	*-84 227*
4.	*proprietary rights from certificates of electric energy origin*	*40 628*	*35 565*	*114%*	*5 063*
5.	*grinding plant products*	*26 115*	*34 813*	*75%*	*-8 698*
6.	*grit and stone*	*14 119*	*15 332*	*92%*	*-1 213*
7.	*other products and services*	*756*	*1 103*	*69%*	*-347*
8.	Operating profit	1 763	20 655	9%	-18 892
9.	Amortisation	4 428	4 166	106%	262
10.	**EBITDA**	**6 191**	**24 821**	**25%**	**-18 630**

Revenues on sales in Other Area decreased as compared to the 1st half of 2012. Withdrawal from trading on wholesale market (arising from organisational changes related to PE PKH company), in connection with lower prices on the energy market, determined the decreased results of this company and the entire Other Area, only slightly balanced by increased trading of property rights arising from certificates of origin of electric energy. Other important factors included the reduced level of sales executed by Kopalnia Wapienia Czatkowice, particularly in the scope of limestone dust and, to a lower extent, aggregates (decreased demand in energy and construction sectors). These declines, partly balanced by variable costs correlated with lower sales level, cause significant decline of the company results, directly affecting the results of the Other Area.

4.6. Factors to affect the results to be achieved within the perspective of at least the next half-year

Results of operations of TAURON Capital Group will be affected mainly, as it happened in the past, by the such factors as:

1. the macroeconomic situation, especially in Poland, as well as the economic situation of the area of operations of the TAURON Capital Group, situation of the European Union (EU) and the global economy, including changes in interest rates and currency rates, etc., influencing the valuation of assets and liabilities recognised by the Company in the report on financial situation,
2. political environment, especially in Poland as well as at the EU level, including the standpoints and decisions of state administration institutions and bodies, for example: UOKIK, ERO and the European Commission,
3. situation in electric energy sector, including behaviour of competitors on the energy market,
4. changes in regulations of the energy sector,
5. changes in the legal environment, including: tax law, commercial and energy law,
6. prices of electric energy and fuels as well as distribution tariffs, as factors influencing the level of revenues and costs,
7. prices of CO_2 emission allowances,
8. prices of energy resources,
9. demand for electric energy and other products of energy market,
10. geological and mining conditions,
11. environmental protection requirements,
12. scientific and technical progress,
13. seasonality and weather conditions,
14. potential failures of equipment, installations and grids owned by TAURON Capital Group.

4.7. Standpoint of the Management Board concerning a possibility to implement forecasts of results for the year published earlier

TAURON did not publish any forecasts of financial results for 2013. This decision resulted from significant volatility of the market and substantial number of variables affecting its predictability.

5. Other significant information and events

5.1. Proceedings pending before the court, competent arbitration authority or public administration authority

During the reporting period no proceedings were pending before any court, competent arbitration authority or public administration authority, related to the Company or any subsidiaries of TAURON Capital Group, a single or aggregate value of which would exceed at least 10% of the equity of the Company.

5.2. Other information which is essential for the assessment of the human resources, assets, financial situation, financial result and their changes, and which is essential to assess the possibility to fulfil the obligations by the TAURON Capital Group

Electric energy trading

The average weighted price of electric energy on the Balancing Market in the 1st half of 2013 was by about PLN 21 lower than in the corresponding period of 2012. Due to the fact that the prices on the Balancing Market are correlated with the prices on the wholesale markets, the prices on these markets dropped visibly. One of the reasons underlying the drop of this price may be attributed to the decrease in settlement price of CO2 emission allowances on the Balancing Market (by about PLN 13, on average). Additional pressure on price decrease results from the economic downturn persisting in the 1st half of 2013.

According to the TSO data, for 6 months of 2013, as compared to the corresponding period of 2012:

1. production of electric energy based on coal practically stayed at the same level (increase by 0.3% for hard coal and decrease by 1.4% for lignite),
2. production of electric energy in wind farms stayed at similar level (increase by approximately 1%),
3. slight decrease in domestic electric energy production occurred (about 0.4%), under decline of the domestic demand (about 1%),
4. visible increase in the quantity of exported energy occurred (by 24.2%), which results mainly from low prices of energy in the country.

Stabilisation of production and low prices on the Balancing Market and on other wholesale markets cause that energy sales from some generation units of TAURON Capital Group is no more profitable.

Macroeconomic situation

The positive correlation between the growth of the demand for electric energy and the economic growth is directly reflected by the financial results achieved by TAURON Capital Group. Already in 2012 the rate of GDP growth in Poland was declining quarter to quarter, finally reaching the level of +1.9% for the whole year. In Q1 2013, the GDP balanced seasonally was higher by 0.5% as compared to the corresponding period of the previous year. The persisting slowdown of demand in the national economy is reflected in decrease of employment and further decline of GDP dynamics. The President of GUS (Central Statistical Office) estimates that in Q2 of 2013 the GDP of Poland may be lower than in Q1. This situation is reflected by almost 1% decrease in electric energy consumption recorded in the 1st half of 2013. The recent analyses of Bank Gospodarstwa Krajowego, in accordance with the bank's report, forecast the economic growth in 2013 at the level of 1.2 %-1.3%. The deteriorating condition of the economy may cause further decline in demand for electric energy during 2013.

In the first half of 2013, the consumption of electric energy in Poland decreased, as compared to the corresponding period of 2012, by 0.9% (according to the data of PSE Operator, in the period from January until June 2013). The distribution of changes in energy demand was irregular in individual months, e.g. in January, slight increase was noted, in February - significant decline (by 3.93 %), caused by the fact that February in 2012 was exceptionally frosty. In the period from March to June, decline in the scope of 0.9% - 1.5% was recorded.

On 17 July 2013 preliminary results were published concerning indicators of prices of sold industrial production and construction-assembly production for the 1st half of 2013. In June 2013 prices of sold industrial production were lower by 1.5% than a year ago. The highest reduction of prices were recorded in sectors: mining and extraction (by 11.2%) and generation and supply of electric energy, gas, steam and hot water (by 1.4%).

On a global scale, the dynamics of economic activity still remained low, particularly in the Euro Zone, where recession continued. These circumstances had adverse effect on the Polish economy, including the power sector, where decline in prices of energy raw materials, such as crude oil and hard coal contributed to reduction of energy prices. In addition, the decrease in administered prices of natural gas also contributed to the decline in prices of gas for households. The decline in energy prices was reflected in limitation of cost pressure in economy. Consumer price index (CPI) in the 1st half 2013, dropped, reaching the historically minimum level of +0,2% YoY. Currently the improvement in GDP dynamics is expected in the 2nd half of 2013.

Electric energy trade on the wholesale market

In the 1st half of 2013, the average price of electric energy on the day ahead market of TGE amounted to PLN/MWh 154.10 and it was by PLN/MWh 20.51 lower than the average in the corresponding period of 2012. On the Balancing Market, the average price in the 1st half of 2013 reached PLN/MWh 157.16. Significant decline in prices was also recorded on the forward market where the average price of contracts with delivery in 2013 reached PLN/MWh 188.60 (price of Base and Peak contracts), whereas the analogical contracts with delivery in 2012 achieved the average of PLN/MWh 202.88. On 12 April 2013, the ERO President published the average price of electric energy sold under terms other than specified in art. 49a item 1 and 2 of the Act, for Q1 2013, at the level of PLN/MWh 195.52. For comparison, this price for the corresponding quarter of last year reached PLN/MWh 203.40.

The decline in prices on wholesale markets represents the general European trend; for example, in the 1st half of 2013, prices on the German EPEX SPOT exchange dropped to EUR/MWh 37.41, from EUR/MWh 52.73 recorded in the corresponding period of 2012. The main reasons of the decline include slump in prices of CO_2 emission allowances in the European Emission Trading System (EU ETS), significant decline in prices of energy coal on the global market, high supply of energy from renewable sources, which support conventional sources and reduced demand for energy, mainly in case of industrial consumers coping with the effects of the economic crisis.

According to the PSE data, the following circumstances occurred during the first 6 months of 2013 in the National Power System, as compared to the corresponding period of 2012:

1. slight decrease in domestic electric energy production occurred (about -0.40%), under decline of the domestic demand (-0.99 %) and the significant increase in energy export (+24.49%),
2. slight increase in electric energy production based on lignite (about +0.35%),
3. decrease in electric energy production based on lignite (about -1.41%),
4. significant decline in electric energy production based on natural gas (-20.14%),
5. minor increase in electric energy production from wind farms (+1.00%) and major increase of electric energy production in hydroelectric power plants (+21.72%), mainly due to the hydrological situation.

The above factors had limited impact on sales of electric energy from the generation units of TAURON Group in 2013 since the position was secured relatively early through energy sales on the forward market. Production of electric energy in companies of the Generation Area in the 1st half of 2013 reached approximately 8.86 TWh and it was higher in relation to the corresponding period of the previous year by about 0.8%.

Sales of energy to end clients

In the 1st half of 2013, companies of the Sales Area of TAURON Capital Group operated in the market environment which demonstrated different levels of competitiveness in individual market segments. Although energy enterprises dealing with energy trading in the segment of business clients have been exempt from the obligation to submit prices for end consumers for approval by the President of ERO for several years, the segment of households is still subject to the obligation to have energy sales prices approved by the President of ERO. Such a situation has for several years caused diversity of market strategies of energy enterprises depending on the market segment.

One of the measures of the competitiveness level of market segments is the number of clients (households, business entities and institutions) changing the electric energy supplier (the so-called TPA rule).

In the 1st half of 2013 in the segment of business clients (tariff groups A, B, C2x'), the growth of this indicator by over 18% was recorded. This growth reflects the progress of liberalisation of the energy market in Poland. New entities appear on the market, aggressively fighting for clients (mainly in the area of prices). The energy awareness of clients is also rising, affected by transparency of energy market mechanisms.

Situation in case of household segment is different which, irrespective of numerous announcements of its liberalisation, in 2013 is still subject to the obligation of approval of sales prices by the ERO President. As a result of this approach, low competitiveness in this market segment is currently observed. So far over 95 thousand households have been recorded which changed the energy supplier, whereas in 2012 this number reached about 80 thousand. However, considering the general number of households in Poland, it is only a minor percentage demonstrating the beginnings of liberalisation of this part of the market. Nevertheless, the dynamics of growth requires permanent monitoring and actions should be undertaken to maintain current clients and acquire new ones.

On 1 July 2013 the company TAURON Sprzedaż reduced the tariff for households by 4.5% on average for TAURON Sprzedaż Clients.

Sales of electric energy within TAURON Capital Group is mainly executed by three entities:

1. TAURON Sprzedaż and TAURON Sprzedaż GZE – dealing with sales to consumers of all tariff groups, including households,

2. the Company - conducting sales to the biggest clients of TAURON Capital Group, the so-called strategic Clients.

Historically, companies conducting operations in the scope of electric energy sales to business Clients used classification to tariff groups: the so-called A tariff group for Clients connected to the high-voltage power grid (WN), B tariff group for Clients connected to the medium-voltage power grid (SN) and C tariff group for Clients other than households, connected to the low-voltage power grid (nN). In connection with the liberalisation of the energy market, offers adjusted to individual Clients' needs appeared. TAURON Capital Group offers products, sales channels and marketing communication considering the competition, innovative solutions adjusted to the level of market development and expectations of the specific segment of Clients. The segmentation used, depending on the level of electric energy consumption, classifies Clients to the strategic, business or mass segment.

As a result of implementation of products the Client loyalty programmes are introduced in individual segments. The process is at the most advanced stage in the segment of business Clients.

In the mass segment, the process of Clients' migration from the tariff area to product area is at development stage. In accordance with the adopted and executed sales strategy, campaigns aimed at Client acquisition in the scope of products beyond tariff are conducted, consequently, the number of agreements with guarantee of trade terms in the agreed period is still increasing (loyalty agreements).

The effect of the TAURON Capital Group strategy adopted and executed in the sales area is demonstrated both by sales activities conducted outside own distribution area and by protection of own Client base against the activities of competition. The additional intention of loyalty actions is to maintain the expected level of sales margins and to build the potential for sales of other services and additional products, consequently increasing the margin potential in the future.

The table below presents categories of end Clients of TAURON Capital Group resulting from the applied segmentation and the specific nature of the activities carried out by them:

Table no. 21 Categories of end Clients of TAURON Capital Group

No.	Group of clients	Description of clients
1.	Strategic Clients	Clients of significant annual potential of energy consumption or strategic business partners of TAURON Capital Group, i.e. mainly entities representing sectors of heavy industry, among others: metallurgical industry, chemical industry, mining industry, automotive industry.
2.	Business Clients	Clients of medium annual consumption potential (not representing consumers), or purchasing energy based on the provisions of the Act on public procurement law, i.e. entities representing other sectors of industry, producers of equipment, consumers from food industry, public sector, construction sector and public utilities sector.
3.	Mass Clients *small and medium-sized enterprises*	Clients dealing with sales, services, banking, catering and small entrepreneurs.
4.	Mass Clients *Households*	Households

The table below presents information on the volume of electric energy sold by companies of TAURON Capital Group operating in the area of electric energy sales to end Clients, as well as numbers of Clients of these companies, divided into individual consumers' segments in 2012 and the 1st half of 2013.

Table no. 22 Quantity of electric energy sold by Sales Area and number of clients in 2012 and in the 1st half of 2013

No.	Type of Clients	Quantity of electric energy sold 2012 (in TWh)	Quantity of electric energy sold in 1st half of 2013 (in TWh)	Number of clients in 2012 (in thousand)	Number of clients in 1st half of 2013 (in thousand)
1.	Strategic Clients	11,89	5,56	0,03	0,04
2.	Business Clients	16,27	6,38	80	109,1
3.	Mass Clients *(including households)*	12,88 *9,77*	6,72 *4,99*	5 156 *4 766,2*	5 116 *4 766*
4.	Sales to TSO to cover balancing differences	3,41	2,02	0,001	0,002

5.	**Total Sales Area**	**44,45**	**20,68**	**5 236**	**5 226**

The decline of the volume of sales in the business Client segment in the 1st half of 2013, in relation to results in 2012, was mainly affected by the strategy adopted by the Sales Area, focusing on maximising the mass of margin.

Prices of energy and related products

In the 1st half of 2013 decline in electric energy prices and the related products was still observed. The decline in prices on wholesale markets represents the general European trend; for example, in the 1st half of 2013, prices on the German EPEX SPOT exchange dropped to EUR/MWh 37.41, from EUR/MWh 52.73 recorded in the corresponding period of 2012. The main reasons of the decline include slump in prices of CO_2 emission allowances in the European Union Emission Trading System (EU ETS), significant decline in prices of energy coal on the global market, high supply of energy from renewable sources, which support conventional sources and reduced demand for energy, mainly in case of industrial consumers coping with the effects of the economic crisis.

As indicated above, the average price of electric energy on the day ahead market of Polish Power Exchange (TGE) in the 1st half of 2013 amounted to PLN/MWh 154.10 and it was lower by PLN/MWh 20.51 than the average in the corresponding period of 2012. On the Balancing Market the average price in the 1st half of 2013 reached PLN/MWh 157.16. Significant decline in prices was also recorded on the forward market where the average price of contracts with delivery in 2013 reached PLN/MWh 188.60, whereas the analogical contracts with delivery in 2012 achieved the average of PLN/MWh 202.88. The average price announced by the ERO President for electric energy sold under terms other than specified in art. 49a item 1 and 2 of the Act. in the 1st half of 2013 reached PLN/MWh 195.20. For comparison, this price in the corresponding period of 2012 reached PLN 202.43/MWh.

Over the recent months, the market of hard coal in Poland and abroad demonstrated strong downward trend. The current level of coal prices on the Polish market ranges from PLN/GJ 10.00-11.00 (as compared to the average price of PLN/GJ 11.94-12.26 for 2011 and PLN/GJ 12.78-12.90 for 2012).

The prices of coal were affected by the decreased demand for electric energy connected with the economic slowdown and the increased energy supply from renewable energy sources and lignite power plants. In connection with the existing situation the majority of energy holdings renegotiated prices of hard coal supply in the 1st half of 2013.

In the 1st half of 2013 the oversupply of property rights confirming generation of electric energy in renewable sources has increased. At the end of June the oversupply in the property rights register reached 7.2 TWh. Whereas the substitution fee for 2013 has been determined at the level of PLN/MWh 297.35, prices of certificates dropped even to PLN/MWh 100, to stabilise at the level of approx. PLN/MWh 145 at the end of Q2. The lack of obligation to redeem property rights confirming generation of electric energy in high-performance co-generation (both based on coal and gas) caused significant decline in prices of the aforementioned rights. Prices of red certificates dropped to approx. PLN/MWh 0.85 and prices of yellow certificates - to PLN/MWh 44.44.

Stable prices were maintained for property rights confirming generation of electric energy from gas acquired during methane removal from the coal mines (the so-called violet certificates). In the 1st half of the year, these prices were maintained at the level of PLN/MWh 56 - 58.

Prices of CO_2 emission allowances still demonstrated downward trend , declining from the level of EUR/t 6.5 at the beginning of the year to the historic minimum below EUR/t 3. Such low prices occurred after the European Parliament rejected on 16 April 2013 the proposal of the European Commission concerning the temporary withdrawal of 900 million allowances from the EU ETS (the so-called backloading). Numerous political efforts aimed at repeating of the voting caused that the prices of CO_2 emission allowances returned to the level above EUR/t 4 until the end of the 1st half of the year. The next voting took place on 3 July and resulted in adopting of the backloading proposal. However, further binding decisions will probably be taken only after the election in Germany scheduled in September 2013.

Allocation of CO_2 emission allowances for years 2013 - 2020

Starting from 2013 the rules of allocation of CO2 emission allowances changed. One European threshold of emission level was assumed instead of 27 national plans (KPRU). This threshold will be reduced every year. At the beginning about 2,039 billion allowances were to be comprised in the pool, including over 1 billion to be allocated for auctions of individual Member States. However, it should be taken into account that after the European Parliament having adopted on 3 July 2013 the Commission proposal concerning postponing the auctions for 900 million allowances (backloading), the pool of 2013 may be changed (after the EU Council takes the decision).

In accordance with the new guidelines, the majority of sectors in the EU shall be bound to purchase allowances at auctions. The exception covers sectors and sub-sectors exposed to the significant risk of carbon leakage, heating networks, as well as high performance co-generation, which will receive allocation of emission allowances free of charge, pursuant to art. 10a of the Directive 2009/29/EC. In case of generation of electric energy, only selected Member States, including Poland, will receive, the allocation of free of charge allowances in the so-called transitional period, due to modernisation of electric energy generation, improvement of infrastructure, introduction of clean carbon technology and diversification of energy structure and supply sources. The allocation of allowances obtained must correspond to the value of the national investment, approved by the European Commission in the National Investment Plan. However, according to the decision of 13 July 2012, the European Commission rejected a part of investment projects planned in the National Investment Plan submitted by Poland.

Until 30 June 2013 the European Commission did not present its final standpoint concerning the level of free of charge allocation for facilities, both pursuant to art. 10a and art. 10c of the Directive 2009/29/EC.

Fuel market

Over the recent months, the market of hard coal in Poland and abroad demonstrated strong downward trend. The current level of coal prices on the Polish market ranges from PLN/GJ 10.00-11.00 (as compared to the average price of PLN/GJ 11.94-12.26 for 2011 and PLN/GJ 12.78-12.90 for 2012).

The decline in fuel prices was mainly affected by such factors as the decrease in demand for electric energy associated with the economic slowdown, RES generators entering the market, which resulted in limiting the coal-based production of electric energy in 2012 by 7 % in relation to 2011 (TSO data). The volume of import of the Russian and Czech coal, relatively cheaper than the national coal, also increased, and the level of obligatory stocks has decreased.

Similarly, on the biomass market, following its dynamic growth until the end of 2012, significant adjustment of prices occurred in the 1st half of 2013 (approx. 20-25%).

The Polish natural gas market undergoes transformation aimed at withdrawal from regulated prices (approval of tariffs by the ERO President) and diversification of fuel supply sources. The entry into force of the so-called small tri-pack is of high importance, introducing the obligation to sell gas through the exchange market, the so-called exchange obligation. The level of the obligation is to be increased successively from the level of 30% at the end of 2013, up to 70% in the second half of 2014.

Obligation of public sales of electric energy by generators

In 2013 companies of "TAURON Group" are covered, in accordance with provisions of art. 49a of the Energy Law, by the obligation to sell not less than 15% of electric energy generated in a particular year on the commodity exchange, within the meaning of the Act of 26 October 2000 on commodity exchanges, or on the market organised by the entity maintaining the regulated market on the territory of the Republic of Poland. It means that approximately 85% of electric energy produced by companies of TAURON Group in 2013 may be contracted to secure sales positions of TAURON Group and on the OTC market.

Lack of decision concerning the so-called 'energy tri-pack'

In the period covered by this report, the activities related to the so-called bib energy tri-pack have not finished. Accordingly, aiming at partial implementation in Poland of the requirements of the directives concerning the internal markets of natural gas and electric energy, at the end of June 2013 the Parliament of Poland passed the Act on amendment to the Act on Energy Law and certain other acts, called the small tri-pack.

The most important areas of regulation are connected with splitting the ownership of gas transmission and trading, the obligation to sell gas through the exchange and exemptions for energy intensive enterprises. The most significant change is the introduction of the so-called exchange obligation, based on the example of electric energy markets, imposing sales of some part of natural gas through companies conducting gas trade via the exchange. The provisions planned by the Ministry of Economy, proposing the exchange obligation of even 70% of gas to be sold in 2014 were finally mitigated and until the end of 2013, the obligation at the level of 30% was adopted, to be increased to 40% in 2014, to reach the target level of 55% at the beginning of 2015.

Changes in the scope of charges for energy intensive enterprises, postulated for a long time, were introduced. In case of industrial consumers using over 100 GWh of energy annually, depending on energy share in the global production costs, the level of obligatory purchase of energy from renewable sources was decreased.

The planned provisions concerning the promotion of prosumers were considerably limited. Micro installations held by natural persons who are not entrepreneurs will be able to sell electric energy at a price equivalent to 80% of the average sales price of electric energy of the previous calendar year. In addition, this type of activity shall not be treated as business activity.

Lack of obligation of redemption of red and yellow certificates

At the beginning of 2013 the obligation of redemption of yellow and red certificates expired, i.e. the property rights confirming production of electric energy in high-performance co-generation and the related legislative solutions in the scope of support to electric energy production in co-generation, both coal and gas based. This change had adverse effect on the revenue on production of electric energy in co-generation, reached by the Generation Area. On the other hand, it had positive effect on the Sales Area, due to the reduced obligation to redeem such certificates in connection with electric energy sales to end consumers.

According to the standpoint of the Management Board of TAURON Polska Energia S.A., the information presented in this report describes the human resources, material and financial situation of the Company in a comprehensive manner, and confirms that no other incidents occurred, undisclosed by the Company, which could be relevant for the assessment of the situation.

Management Board of the Company

Katowice, 13 August 2013

Dariusz Lubera	President of the Board	……….......……….…………….
Joanna Schmid	Vice-President of the Board	…………………………......……….
Dariusz Stolarczyk	Vice-President of the Board	……………......………………………
Krzysztof Zawadzki	Vice-President of the Board	………………………………......….

ANNEX A: GLOSSARY OF TERMS AND LIST OF ABBREVIATIONS

Below the glossary of trade terms and list of abbreviations most commonly used in this report, is presented.

Table no. 23 Explanation of abbreviations and trade terms applied in the text of the report

Abbreviation and trade term	Full name/explanation
ArcelorMittal Poland	ArcelorMittal Poland S.A. with its seat in Dąbrowa Górnicza
BELS INVESTMENT	BELS INVESTMENT sp. z o.o. with its seat in Jelenia Góra
Bond Spot	Bond Spot S.A. with its seat in Warsaw
CAO	Central Allocation Office GmbH with the seat in Freising, Germany
CER	(Certified Emission Reduction) – a unit of confirmed emission reduction - reduced emission of greenhouse gases or avoided emission of greenhouse gases, expressed as equivalent, obtained as a result of the project on mechanism of clean development
Coloured certificates	Property rights resulting from certificates of origin of energy generated in the way subject to support, the so-called coloured certificates: – green - certificates of origin of electric energy from renewable energy sources, – red - certificates of origin of electric energy from cogeneration (CHP certificates - Combined Heat and Power), – yellow - certificates of origin of electric energy generated in co-generation from sources of total installed capacity below 1 MW or gas-burning, – violet - certificates of origin of electric energy generated in co-generation, burning methane released and captured during underground mining works in active, under liquidation or liquidated hard coal mines, or burning gas acquired from biomass processing, – white - certificates confirming gaining energy savings within the meaning of the Act on energy effectiveness, – brown - certificates confirming forcing agricultural biogas to the network
CGU	(Cash Generating Unit) - centres generating economic benefits
Deloitte	Deloitte Polska Spółka z ograniczoną odpowiedzialnością Spółka komandytowa with its seat in Warsaw
EBI	The European Investment Bank with the seat in Luxemburg
EBIT	(Earnings Before Interest and Taxes) - result on operating activity before taxation.
EBITDA	(Earnings before Interest, Taxes, Depreciation, and Amortization) - result on operating activity before taxation, increased by amortization and depreciation
EC Katowice	Elektrociepłownia Katowice (separated from the structures of TAURON Wytwarzanie S.A. to TAURON Ciepło S.A.)
EC Kamienna Góra	Energetyka Cieplna w Kamiennej Górze sp. z o.o. (acquired by TAURON Ciepło)
EC Nowa	Elektrociepłownia EC Nowa sp. z o.o. with the seat in Dąbrowa Górnicza (acquired by TAURON Ciepło)
EC Stalowa Wola	Elektrociepłownia Stalowa Wola S.A. with the seat in Stalowa Wola
EC Tychy	Elektrociepłownia Tychy S.A. with the seat in Tychy (acquired by TAURON Ciepło)

EEX	the European Energy Exchange AG with the seat in Leipzig, Germany
Elektrobudowa	Elektrobudowa S.A. with its seat in Katowice
ENEA	ENEA S.A. with the seat in Poznań
EPEX SPOT	EPEX SPOT SE exchange with its seat in Paris
ERU	(Emission Reduction Unit) - unit of emission reduction – reduced emission of greenhouse gases or avoided emission of greenhouse gases, expressed as equivalent, or one mega gram (1 Mg) of absorbed carbon dioxide (CO_2), obtained as a result of the execution of the joint implementation project
EU ETS	the European Union Emission Trading System of CO2 emission allowances
Fitch	Fitch Polska S.A. with its seat in Warsaw
TAURON Capital Group	TAURON Capital Group
GZE	Górnośląski Zakład Elektroenergetyczny S.A. with its seat in Gliwice (acquired by TAURON)
KDT	Long-term contracts – long-term contracts on sales of power and electric energy, listed in the Appendix no. 1 to the Act of 29 June 2007 on principles of covering of the costs incurred by producers due to the premature termination of long-term contracts for sales of power and electric energy (Journal of Laws No. 130, item 905, as amended)
KGHM	KGHM Polska Miedź S.A. with the seat in Lubin
Kompania Węglowa	Kompania Węglowa S.A. with the seat in Katowice
KW Czatkowice	Kopalnia Wapienia Czatkowice sp. z o.o. with the seat in Krzeszowice
Lipniki	Lipniki sp. z o.o. with the seat in Wrocław (acquired by TAURON EKOENERGIA)
MEGAWAT MARSZEWO	MEGAWAT MARSZEWO sp. z o.o. with the seat in Jelenia Góra
MSSF	International Financial Reporting Standards
MOSTOSTAL	Mostostal Warszawa S.A. with its seat in Warsaw
NSA	Chief Administrative Court
OSD	Distribution System Operator
OSP	Transmission System Operator
OSW JAGA	Ośrodek Szkoleniowo-Wypoczynkowy ”JAGA” sp. z o.o. under bankruptcy, with its seat in Muszyna
OTC	(Over the Counter) - the market acting beyond the exchange
OTE	OTE a.s. - the Czech energy exchange with its seat in Prague
OZE	Renewable Energy Sources
PEPKH	Polska Energia - Pierwsza Kompania Handlowa sp. z o.o. with the seat in Katowice
PGE	PGE Polska Grupa Energetyczna S.A. with the seat in Warsaw
PGK	Tax Capital Group
PGNiG	Polskie Górnictwo Naftowe i Gazownictwo S.A. with the seat in Warsaw
PKB	Gross Domestic Product

PKW	Południowy Koncern Węglowy S.A. with the seat in Jaworzno
PKE Broker	PKE Broker sp. z o.o. with the seat in Katowice,
PSE	Polskie Sieci Elektroenergetyczne S.A. with the seat in Konstancin-Jeziorna
PUE	Przedsiębiorstwo Usług Elektroenergetycznych Wrocław S.A.
RAFAKO	RAFAKO S.A. with its seat in Racibórz
SPOT (SPOT Market)	In relation to electric energy, it is the place of concluding of trade transactions for electric energy, for which the period of delivery falls at the latest, three days after the date of transaction (usually one day before the date of delivery). Operating of SPOT market for electric energy is strongly related to operating of the Balancing Market provided by the Operator of Transmission Grid
Company, TAURON	TAURON Polska Energia S.A. with its seat in Katowice
Corporate Strategy	The document entitled Corporate Strategy of TAURON Group for 2011 - 2015 with estimates until the year 2020, being the update of the document Corporate Strategy of TAURON Polska Energia S.A. Capital Group for 2008-2012 with estimates until the year 2020.
TAURON Ciepło	TAURON Ciepło S.A. with its seat in Katowice
TAURON Czech Energy	TAURON Czech Energy s.r.o. with its seat in Ostrava, Czech Republic
TAURON Dystrybucja	TAURON Dystrybucja S.A. with its seat in Kraków
TAURON Dystrybucja Serwis	TAURON Dystrybucja Serwis S.A. with its seat in Wrocław
TAURON EKOENERGIA	TAURON EKOENERGIA sp. z o.o. with its seat in Jelenia Góra
TAURON EKOENERGIA GZE	TAURON EKOENERGIA GZE sp. z o.o. with the seat in Gliwice
TAURON Obsługa Klienta	TAURON Obsługa Klienta sp. z o.o. with the seat in Wrocław
TAURON Obsługa Klienta GZE	TAURON Obsługa Klienta GZE sp. z o.o. with the seat in Gliwice
TAURON Serwis GZE	TAURON Serwis GZE sp. z o.o. with the seat in Gliwice
TAURON Sprzedaż	TAURON Sprzedaż sp. z o.o. with the seat in Kraków
TAURON Sprzedaż GZE	TAURON Sprzedaż GZE sp. z o.o. with the seat in Gliwice
TAURON Wytwarzanie	TAURON Wytwarzanie S.A. with the seat in Katowice
TAURON Wytwarzanie GZE	TAURON Wytwarzanie GZE sp. z o.o. with the seat in Gliwice
TGE	Towarowa Giełda Energii S.A. (Polish Power Exchange) with the seat in Warsaw
THE ICE	European Climate Exchange - the exchange in London
TPA	(Third-Party Access) - the principle based on the owner or operator making available the grid infrastructure to the third parties in order to supply goods/services to clients of the third party (it may refer to transmission or sales of electric energy, telecommunication services or railway services)
UE	the European Union
URE	Energy Regulatory Office (Urząd Regulacji Energetyki)
WSA	Regional Administrative Court

ANNEX B: LIST OF TABLES AND FIGURES

Below the list of tables and figures occurring in this report is provided.

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