



***Additional information to  
the extended consolidated  
report of TAURON Group  
for the Third Quarter of 2013***

14 November 2013

## Table of Contents

<b>1. Organisation of TAURON Capital Group .....</b>	<b>3</b>
1.1 Basic Information on TAURON Capital Group .....	3
1.2 Entities subject to consolidation .....	4
1.3 Structure of TAURON Capital Group.....	5
1.4 Effects of changes in the structure of TAURON Capital Group in the period of the three quarters of 2013	6
<b>2. Basic information on TAURON Polska Energia S.A. ....</b>	<b>7</b>
2.1 Composition of the Management Board and the Supervisory Board of TAURON Polska Energia S.A.	7
2.2 Structure of share capital.....	8
2.3 Shareholders holding at least 5% of the total number of votes.....	8
2.4 Specification of the status of shares held by members of the management and supervisory bodies	9
2.5 Subject of Business Operations of TAURON Polska Energia S.A.....	10
<b>3. Operations of TAURON Capital Group .....</b>	<b>11</b>
3.1 Core business areas within TAURON Capital Group .....	11
3.2 Implementation of the investment programme of TAURON Capital Group .....	13
<b>4. ANALYSIS OF ASSETS AND FINANCIAL SITUATION OF THE TAURON CAPITAL GROUP .....</b>	<b>15</b>
4.1 Selected financial data of TAURON Polska Energia S.A and TAURON Capital Group .....	15
4.2 Key operational data of TAURON Capital Group .....	17
4.3 Sales structure according to core business areas.....	17
4.4 Financial situation of TAURON Capital Group following the third quarter of 2013. ....	20
4.4.1 Consolidated statement of comprehensive income .....	20
4.4.2 Financial results according to core business areas .....	22
4.4.3 Status of assets .....	30
4.4.4 Cash Flows .....	35
4.5 Factors and events, particularly of unusual character, significantly affecting the financial results achieved .....	38
4.6 Factors which, according to the opinion of the Issuer, may have impact on the results to be achieved within the perspective of at least the next quarter .....	38
4.7 Standpoint of the Management Board concerning a possibility to implement forecasts of results for the year published earlier.....	39
<b>5. Other information and events which occurred after the 3rd quarter of, 2013 .....</b>	<b>39</b>
5.1 Relevant reported events which occurred in the third quarter of 2013.....	39
5.2 Other events which occurred in the third quarter of 2013 .....	42
5.3 Macroeconomic and market situation.....	42
<b>6. Other information and events after the balance sheet day .....</b>	<b>44</b>
6.1 Other reported important information and events which occurred after the balance sheet date	44
6.2 Other events after the balance sheet day.....	45
<b>7. Proceedings pending before the court, competent arbitration authority or public authority body .....</b>	<b>46</b>
<b>8. Information on transactions with affiliated entities .....</b>	<b>46</b>

<b>9. Information on granted guarantees, loan or credit sureties .....</b>	<b>46</b>
<b>10. Other information which, according to the Issuer's opinion, is essential for the evaluation of the human resources, assets, financial situation, financial result and their changes, and which is essential to assess the possibility of fulfilment of the obligations by the Capital Group of the Issuer.....</b>	<b>46</b>

## **1. Organisation of TAURON Capital Group**

### **1.1 Basic Information on TAURON Capital Group**

As of 30 September 2013, TAURON Capital Group Polska Energia S.A. consisted of the parent company, TAURON Polska Energia S.A. (hereinafter referred to as TAURON, the Company or the Issuer), 15 subsidiaries with direct share of TAURON Polska Energia S.A. in the share capital and 21 subsidiaries with indirect share of TAURON Polska Energia S.A. in the share capital.

The main companies subject to consolidation included: Południowy Koncern Węglowy S.A. dealing with hard coal mining, TAURON Wytwarzanie S.A. dealing with generation of energy from conventional sources and biomass co-burning, TAURON Ekoenergia sp. z.o.o. dealing with generation of electric energy from renewable sources, TAURON Dystrybucja S.A. providing electric energy distribution services, TAURON Sprzedaż sp. z.o.o. and TAURON Sprzedaż GSE sp. z o.o. dealing with supply of electric energy to retail customers, TAURON Obsługa Klienta sp. z.o.o., dealing with customer service and TAURON Ciepło S.A. dealing with heat generation, distribution and sales. Other subsidiaries subject to consolidation deal among others, with trade of electric energy and heat, extraction of limestone and stone for construction purposes, as well as with implementation of investments in Renewable Energy Sources Area (RES). In total, 14 subsidiaries specified in item 1.2 hereof are subject to consolidation.

On 12 October 2010, in order to ensure performance of TAURON Group, perceived as a single business entity consisting of autonomous commercial law companies, the Management Board of TAURON Polska Energia S.A. established the TAURON Group, comprising the hereunder companies and TAURON Polska Energia S.A., as the parent company, and adopted the TAURON Group Code as the underlying normative act of TAURON Group operations. As of the date of adoption of the Resolutions on their accession to TAURON Group by the General Meetings/ General Meetings of Shareholders, the companies listed below gained the status of TAURON Group members. The Code of TAURON Group regulates the functioning of the Group, providing for implementation of the goals through the tailored solutions in the scope of management of TAURON Group entities, including, in particular, defining the operating objectives of the companies, allowing for achievement of the effects assumed.

As of 30 September 2013, the following subsidiaries are included in TAURON Group:

#### **List of subsidiaries included in TAURON Group**

<b>No.</b>	<b>Company enterprise</b>	<b>Date of accession to TAURON Group</b>
1.	TAURON Sprzedaż sp. z o.o.	26/10/2010
2.	TAURON Obsługa Klienta sp. z o.o.	26/10/2010
3.	TAURON Ekoenergia sp. z o.o.	26/10/2010

No.	Company enterprise	Date of accession to TAURON Group
4.	TAURON Wytwarzanie S.A.	28/10/2010
5.	TAURON Czech Energy s.r.o.	10/11/2010
6.	Polska Energia – PKH sp. z o.o.	29/11/2010
7.	TAURON Dystrybucja S.A.	06/12/2010
8.	TAURON Ciepło S.A.	09/12/2010
9.	Kopalnia Wapienia "Czatkowice" sp. z o.o.	05/01/2011
10.	Południowy Koncern Węglowy S.A.	13.01.2011
11.	TAURON Sprzedaż GZE sp. z o.o.	24/01/2012
12.	TAURON Wytwarzanie GZE sp. z o.o.	24/01/2012

An essential element facilitating the operational decision - making processes within TAURON Group, is the existence of advisory and quasi-supervisory bodies of the Group - the four Committees of TAURON Group:

1. Project Assessment Committee
2. TAURON Group Management Committee,
3. TAURON Group Compliance Committee,

The Committees perform the following functions:

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

The underlying task of the committees is to monitor the implementation of the adopted coherent actions by all the participants of the Group, compliant with the TAURON Group Code and for the benefit of TAURON Group business. The specific functions of the Committees have been specifically defined in the by-laws of their operations adopted by the TAURON Polska Energia S.A. Management Board.

## 1.2 Entities subject to consolidation

As of 30 September 2013, the following subsidiaries of TAURON Polska Energia S.A. are 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.o.o. (TAURON Czech Energy)
11. BELS INVESTMENT sp. z o.o. (BELS INVESTMENT)
12. MEGAWAT MARSZEWO sp. z o.o. (MEGAWAT MARSZEWO)

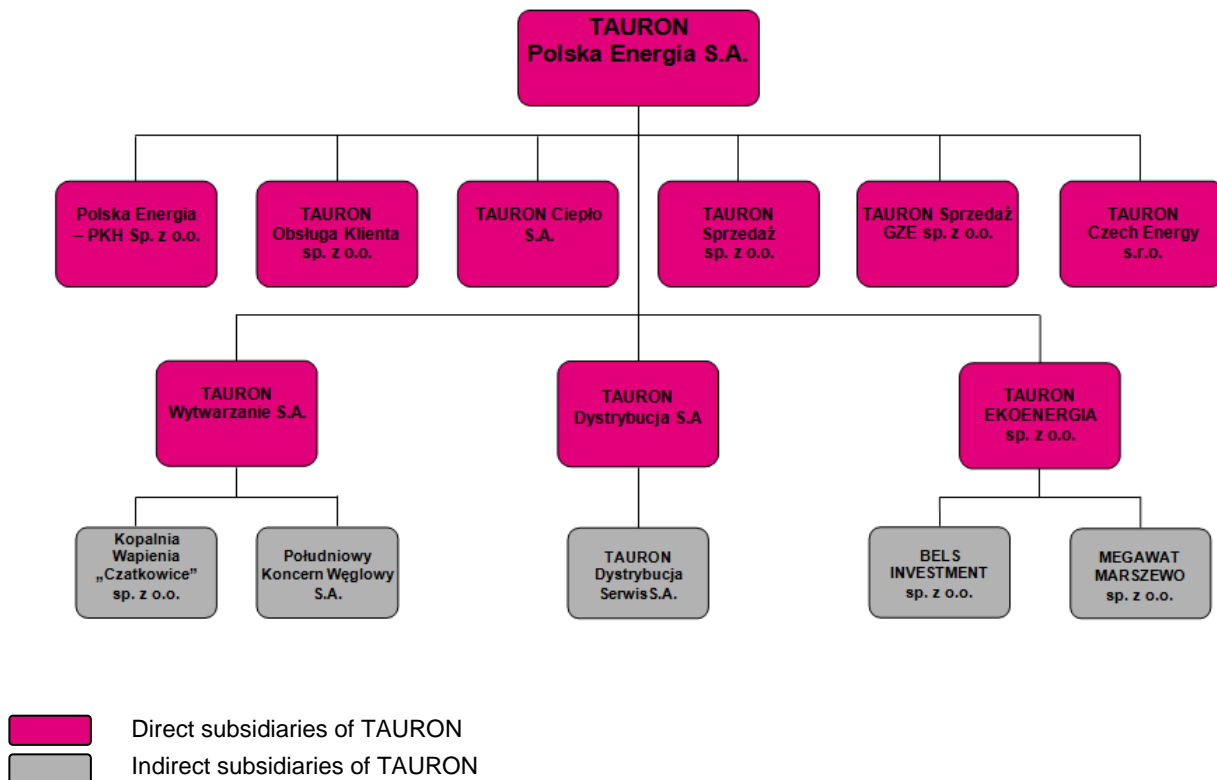
- 13. TAURON Sprzedaż GZE sp. z o.o. (TAURON Sprzedaż GZE),
- 14. TAURON Dystrybucja GZE S.A.\* (TAURON Dystrybucja GZE)

\*On 02 April 2013 the merger of companies TAURON Serwis GZE SP. Z O.O. (the Acquired Company) and Przedsiębiorstwo Usług Elektroenergetycznych S.A. (the Acquiring Company) was registered and, simultaneously, the name of the acquiring company to was changed to TAURON Dystrybucja Serwis S.A..

Moreover, TAURON Polska Energia S.A. Capital Group (TAURON Capital Group) holds investments in joint projects: Elektrociepłownia Stalowa Wola and Elektrownia Blachownia Nowa Sp. z o.o., which are evaluated by equity method in the consolidated financial statements.

### 1.3 Structure of TAURON Capital Group

The chart below presents all the companies whose results are consolidated within TAURON Capital Group, as of 30 September 2013.



In the third quarter 2013 the following changes in the structure of TAURON Capital Group took place:

1. Purchase of shares of the company Przedsiębiorstwo „Ekspar” sp. z o.o. in liquidation by TAURON Ciepło S.A. .

On 27 August 2013 an agreement of sale of shares of the company Przedsiębiorstwo „Ekspar” sp. z o.o. in liquidation was concluded between the company TAURON Ciepło S.A. and the company Fabryka Elementów Złącznych S.A., pursuant to which the company TAURON Ciepło S.A. purchased 1 660 of shares of the Company mentioned above at par value of PLN 100 each. Consequently, the Company acquired the status of a direct subsidiary of TAURON Ciepło S.A.

(74.91% interest in the share capital)

2. Redemption of shares held by minority shareholders in the company AUTOZET sp. z o.o.

On 30 August 2013 shares held by minority shareholders in the company AUTOZET sp. z o.o. were redeemed, and, as a consequence, TAURON Dystrybucja S.A. has become the sole shareholder of AUTOZET sp. z o.o., the company concerned obtained the status of a direct subsidiary of TAURON Distribution SA (previously had the status of an associated company).

3. Disposal of shares of the company Agencja Rozwoju Lokalnego S.A. with its registered office in Jaworzno by the direct subsidiaries of TAURON Polska Energia S.A. in favour of the company Agencja Rozwoju Lokalnego sp. z o.o. with the registered office in Gliwice.

On 2 September 2013 the subsidiaries of TAURON Polska Energia S.A., i.e. TAURON Wytwarzanie S.A., Południowy Koncern Węglowy S.A. and SCE – Jaworzno III sp. z o.o. in favour of Agencja Rozwoju Lokalnego sp. z o.o. with registered office in Gliwice disposed by a way of donation a total of 400 shares of the company Agencja Rozwoju Lokalnego S.A. with its registered office in Jaworzno, representing a total of 34,78% of the share capital of the company concerned. Consequently, the subsidiaries of TAURON Polska Energia S.A. mentioned above lost their status of shareholders in the company Agencja Rozwoju Lokalnego S.A. with its registered office in Jaworzno.

4. Redemption of shares of the company TAURON Dystrybucja S.A. held in the company ENERGO – MARKET ZET sp. z o.o.

On 3 September 2013, 230 shares of the company ENERGO-MARKET ZET sp. z o.o. representing 39.12% of the share capital of the company held by TAURON Dystrybucja S.A. were redeemed at the par value PLN 500 per share. As a consequence, the company TAURON Dystrybucja S.A. ceased to be a shareholder of that company.

## **1.4 Effects of changes in the structure of TAURON Capital Group in the period of the three quarters of 2013**

### ***Separation of Elektrociepłownia Katowice (EC Katowice) from TAURON Wytwarzanie S.A. to TAURON Ciepło S.A.***

On 2 January 2013, the division of the company TAURON Wytwarzanie through separation pursuant to art. 529 § 1 item 4 of the Code of Commercial Companies was registered in the National Court Register, involving assignment of the separated asset components, i.e. the organised part of the enterprise in the form of the branch EC Katowice to the company TAURON Ciepło S.A.

In connection with the division, the share capital in the company TAURON Wytwarzanie S.A. was decreased from the amount of PLN 1 659 million to the amount of PLN 1 554 million, whereas the share capital in the company TAURON Ciepło S.A. was raised from PLN 866 million to PLN 1 238 million.

As a result of the division, the share of TAURON Polska Energia S.A. in TAURON Wytwarzanie S.A. decreased to 99.77% (in the share capital) and 99.79% (in the votes at the General Meeting), whereas the share of TAURON Polska Energia S.A. in the company TAURON Ciepło S.A. increased to 91.79% (in the share capital) and 92.41% (in the votes at the General Meeting).

### ***Merger of the subsidiaries TAURON Obsługa Klienta sp. z o.o. with TAURON Obsługa Klienta GZE sp. z o.o.***

On 31 January 2013 the merger of the companies TAURON Obsługa Klienta sp. z o.o. with its registered office in Wrocław (the acquiring company) with TAURON Obsługa Klienta GZE sp. z o.o. with its registered office in Gliwice (the acquired company) was entered in the register.

As a result of the merger, the share capital of the company TAURON Obsługa Klienta sp. z o.o. was increased from the amount of PLN 2,7 million to the amount of PLN 4,9 million, i.e. by the amount of PLN 2,2 million. Consequently, as of 30 September 2013 TAURON Polska Energia S.A. held shares in the acquiring company – TAURON Obsługa Klienta sp. z o.o.

***Merger of TAURON Serwis GZE sp. z o.o. with Przedsiębiorstwo Usług Elektroenergetycznych S.A.***

On 2 April 2013 the merger of the companies TAURON Serwis GZE sp. z o.o. (the Acquired Company) and Przedsiębiorstwo Usług Elektroenergetycznych S.A. (the Acquiring Company) was registered, and simultaneously, the change of name of the acquiring company to TAURON Dystrybucja Serwis S.A. took place. The merger was 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.

***Planned merger of TAURON Polska Energia S.A. with PKE Broker sp. z o.o.***

On 25 June 2013 the Management Board of the Company took the decision on the intention to merge the company TAURON Polska Energia S.A. with the subsidiary – PKE Broker sp. z o.o. and adopted the plan of the merger according to which TAURON Polska Energia S.A. will be the Acquiring Company. The plan of the merger was announced in the Court and Commercial Gazette on 2 July 2013. On 16 August 2013 the Supervisory Board of TAURON Polska Energia S.A. approved the proposal of the Board addressed to the General Assembly on the resolution on the merger of the companies PKE Broker sp. z o.o. and TAURON Polska Energia S.A. as well as consent on the merger.

The merger shall be performed in accordance with art. 499 § 1 item 1 of the Code of Commercial Companies, i.e. by transfer of total assets of the Acquired Company to the Acquiring Company. Considering the fact that TAURON Polska Energia S.A. 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 main objective of the merger is to streamline the organizational structure of 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 Capital Group. The rationale for the merger is the fact that organizational structures will be simplified in its result, including the supervision and management structures, which will improve the management of the Group TAURON and eliminate the significant part of redundant processes, thus reducing the operating costs. The merger will bring financial savings in the administrative and the organization areas, due to the reduction in the number of management and control bodies within the Group. Consequently, the merger will increase the transparency of TAURON Capital group structure. The merger will also result in taking direct control by TAURON Polska Energia S.A. over essential assets of TAURON Group

## **2. Basic information on TAURON Polska Energia S.A.**

### **2.1 Composition of the Management Board and the Supervisory Board of TAURON Polska Energia S.A.**

### **Composition of the Management Board as of 30 September 2013 and on the day of this report:**

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

### **Composition of the Supervisory Board as of 30 September 2013 and as of the date of this report**

1. Antoni Tajduś - Chairman of the Supervisory Board,
2. Rafał Wardziński - Vice 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 Structure of share capital**

As of 30 September 2013 and as of the day of this report, the share capital of TAURON Polska Energia S.A., 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 each, including 1 589 438 762 ordinary bearer shares of AA series and 163,110,632 ordinary registered shares of BB series.

## **2.3 Shareholders holding at least 5% of the total number of votes**

In accordance with notifications received by the Company, according to the Company's best knowledge, the structure of shareholders holding at least 5% of the total number of votes at the General Meeting of the Issuer, either directly or indirectly, through subsidiaries, as of the date of publication of this report, i.e. 14 November 2013, was as follows:

<b>Shareholders</b>	<b>Number of shares held</b>	<b>Percentage interest in the share capital</b>	<b>Number of votes held</b>	<b>Percentage interest in the general number of votes</b>
State Treasury*	526,848 384	30.06%	526,848 384	30.06%
KGHM	182,110 566	10.39%	182,110 566	10.39%



Polska Miedź S.A.**				
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 March 2011

\*in accordance with the shareholder's notification of 28/12/2011

Since 22 August 2013, i.e. the date of publication of the last interim report until the date of publication of this quarterly report, no changes in proprietary structure of significant blocks of shares of the Issuer occurred.

## 2.4 Specification of the status of shares held by members of the management and supervisory bodies

### **Managing persons:**

The status of shares of TAURON Polska Energia S.A., or authorisation to hold the shares by persons managing and supervising the Company in the period from the date of publication of the report for the 1st half of 2013 i.e. from 23 August 2013, until 14 November 2013 (the date of presentation of this quarterly report) was as follows:

Name and surname	Number of shares as of 22 August 2012 (publication of the report for for the first half of 2013)	Change in number of shares held	Number of shares as of 14 November 2013
Dariusz Lubera	6,576	no change	6,576
Joanna Schmid	0	no change	0
Dariusz Stolarczyk	42,611	no change	42,611
Krzysztof Zawadzki	27,337	no change	27,337

*no change - lack of any changes*

### **Supervising persons:**

The status of holding the shares of TAURON Polska Energia S.A., or authorisation to hold the shares by persons managing and supervising the Company in the period from the publication of the report for the first half of 2013, i.e. from 23 August 2012, until 14 November 2013 (the date of presentation of this quarterly report), according to the Company's best knowledge, was as follows:

Name and surname	Number of shares as of 22 August 2013 (the publication of the report for the first half of 2013)	Change in number of shares held	Number of shares as of 14 November 2013
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Antoni Tajduś	0	no change	0
Rafał Wardziński	0	no change	0
Leszek Koziorowski	0	no change	0
Jacek Kuciński	935	no change	935
Marcin Majeranowski	0	no change	0
Jacek Szyke	0	no change	0
Marek Ściążko	0	no change	0
Agnieszka Trzaskalska	0	no change	0

*no change - lack of any changes*

## 2.5 Subject of Business Operations of TAURON Polska Energia S.A.

Core business areas of TAURON Polska Energia S.A. are:

- 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, gas and biomass trading) (PKD 46.71 Z),

As the parent entity, TAURON holds the consolidating and governing function in the TAURON Capital Group. Besides the governing function, the basic operations of the Company involve 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 (ERU) for the period from 1 June 2008 until 31 May 2018.

The Company also conducts operations in the area of electric energy sales to selected group of strategic customers. This group of customers includes, among others, ArcelorMittal Poland S.A., CMC Zawiercie S.A., Zakłady Górniczo-Hutnicze „Bolesław” S.A., Kompania Węglowa S.A. and other entities from different industrial sectors, of high electric energy demand. Functions performed in this area include implementation of the adopted marketing strategy of the Company, as well as marketing plans in the area of sales to customers of strategic character, research on product needs related to the energy trading market in order to improve the product offer of the Company, as well as acquisition of information concerning operations of competition, events occurring in the Company environment. Moreover, the Company coordinates the governance activities in the area of sales, marketing and customer service implemented by the companies: TAURON Sprzedaż sp. z o.o. and TAURON Obsługa Klienta sp. z o.o., respectively.

The Company is involved in energy trading, i.e. purchase and sales of energy on the wholesale market on 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 actively participates in TGE and OTC platform (over the counter market) operated by the London Energy Brokers (TFS and GFI). TAURON actively participates in auctions of the cross-border exchange of energy transmission capacity on the Polish-Czech, Polish-German and Polish-Slovak border, managed by the CAO auction office. The trade on the German market mainly takes place through the EPEX Spot and EEX exchange in the scope of trading the financial instruments of futures type, besides, transactions on the OTC market are also concluded on the Czech market, through its subsidiary - TAURON Czech Energy, the Company operates on the PXE a.s. exchange, comprising the markets of the Czech Republic, Slovakia and Hungary, as well as on the OTE a.s. exchange. Trading on the Slovak market takes places through OKTE a.s. exchange.

It should be indicated that the competence of the Company involves 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. This activity is based on active controlling of demand for certificates of origin in TAURON Capital Group and on purchase and sales of these units for companies of Generation Business Area, as well as companies selling electric energy to end consumers, consequently, being subject to the obligation of certificates of origin redemption.

The Company also serves as the competence centre in the management of CO<sub>2</sub> emission allowances for the subsidiaries of TAURON Capital Group and sales for the needs of the external customers. Since January 2011, the so-called Installation Group has been operating in the area of CO<sub>2</sub> emission allowances, administered by TAURON. The aim of establishment of the Installation Group was to provide for common settlement of emission allowances within installations belonging to the TAURON Capital Group. Due to centralisation of emission trading, the synergy effect was obtained, based on increasing the effectiveness and efficiency as well as optimising the exploitation costs of available resources of the entities included in TAURON Capital Group. Parallel to centralisation of this function in TAURON, the Company is in charge of settlement of CO<sub>2</sub> emission allowances of individual companies, cost-effective management of the allowances granted, provision of the subsidiaries' emission needs, support in negotiating the future emission allowances limits as well as introducing the companies into the phase 3. of EU ETS (European Union Emission Trading System) in the years of 2013-2020. While implementing the above goals in the area of CO<sub>2</sub> emission allowances trading, the Company actively participates in trading on the European Climate Exchange (ECX) in London, EEX exchange in Leipzig and the European OTC market.

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

TAURON fulfils governing functions in the scope of production fuel procurement management, i.e. coal, biomass and gas, for the needs of the generating units within TAURON Capital Group. In this regard, it is responsible for negotiating contracts with suppliers of fuel and for the supply process optimization for individual power plants.

### **3. Operations of TAURON Capital Group**

#### **3.1 Core business areas within TAURON Capital Group**

TAURON Capital Group is a vertically integrated energy 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 is provided by Południowy Koncern Węglowy (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 main fuels used by Generation Business Area comprise hard coal, biomass and coke-oven gas. Within TAURON Group, TAURON Wytwarzanie acts in the Generation Area. On 2 January 2013 this company was divided through allocation of Elektrociepłownia Katowice (EC Katowice) to the company TAURON Ciepło belonging to Heat Segment. The comparative data of Generation Area and Heat Area were converted accordingly.

**Renewables (RES)**, comprising generation of electric energy from renewable sources (excluding generation of electric energy using biomass co-burning which is allocated to the Generation Business Area) This activity is provided by TAURON EKOENERGIA, as well as subsidiaries of TAURON Ekoenergia: 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. This Area also includes TAURON Dystrybucja Serwis (formed by the merger of TAURON Serwis GZE with PUE Wrocław S.A.).

**Sales**, comprising sales of electric energy to end-customers and wholesale trading of electric energy, as well as trading and management of CO<sub>2</sub> emission allowances and the proprietary rights arising from the energy certificates of origin and trading fuels. Operations in this area are provided by the companies: TAURON, TAURON Sprzedaż, TAURON Sprzedaż GZE and TAURON Czech Energy.

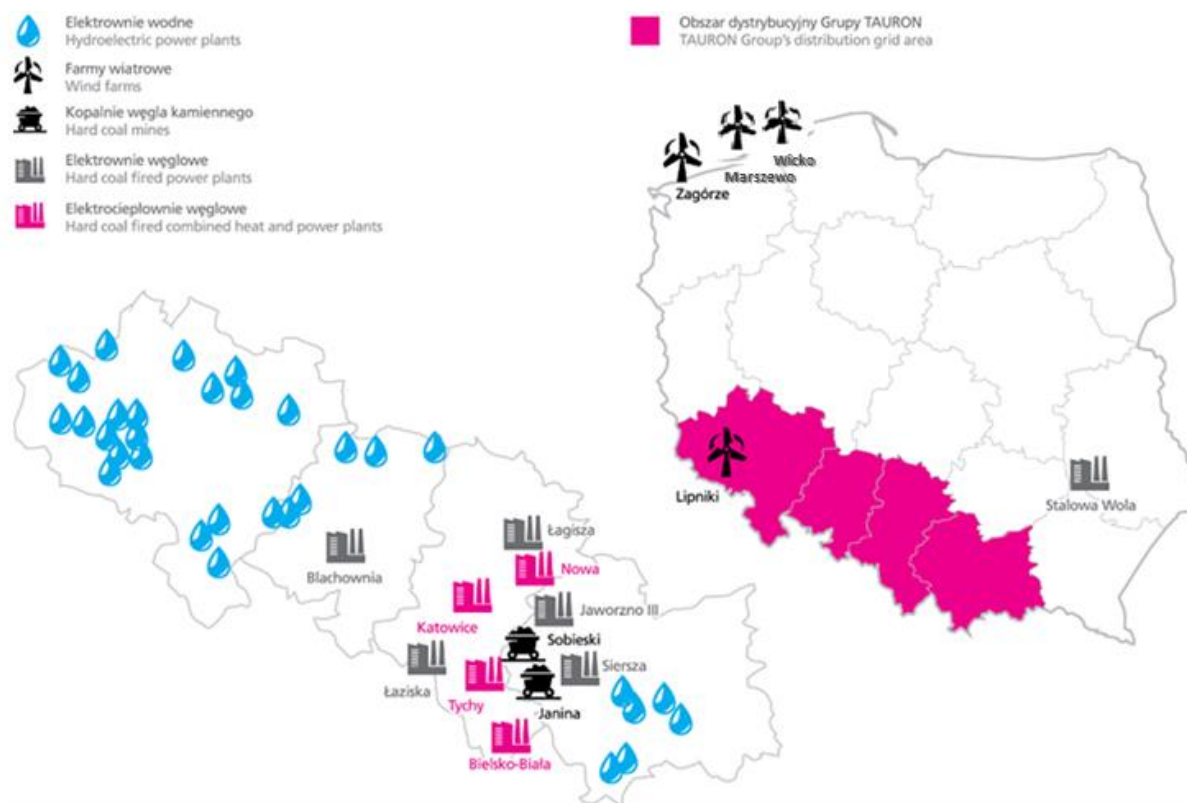
**Customer Service**, covering mainly services provided to internal client (companies of TAURON Capital Group), in the scope of service related to the sales process and the financial-accounting, IT and human resources process of selected companies of TAURON Capital Group. The company TAURON Obsługa Klienta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

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

**Other**, comprising mainly activities in the area of extraction of stone, including limestone, for the needs of power engineering 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 activity in the scope of trade of electric energy and derivative products (conducted by the company PEPKH) .

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

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



### 3.2 Implementation of the investment programme of TAURON Capital Group

After the three quarters of 2013, the investment expenditures of TAURON Capital Group amounted to PLN 2,368 million and they were higher by almost 18.4% as compared to the expenditures incurred in the corresponding period of the previous year (after three quarters of 2012 the expenditures amounted to PLN 2,000 million). It results mainly from the significant increase in investment in RES, Mining and Distribution Areas.

The main investment projects in the third quarter of 2013 include:

- construction of new generation capacity (capital expenditures: PLN 110 million) and construction of installation for reduction of NO<sub>x</sub> emission (capital expenditures: PLN 156 million) in the Generation Business Area.
- construction of two wind farms - Wicka and Marszewo. (capital expenditures: PLN 370 million) in the RES Area.
- construction of new interconnection capacity (capital expenditures: PLN 347 million); modernisation and replacement of grid assets (capital expenditures: PLN 747 million) in the Distribution Business Area.

In the 3rd quarter of 2013, the following strategic investment projects were implemented in TAURON Capital Group:

- 1) construction of the steam and gas fired unit of the capacity of 449 MW<sub>e</sub> including the heat generation component of the capacity of 240 MW<sub>e</sub> in Stalowa Wola – the investment is implemented with participation of the strategic partner - PGNiG. General Contractor – Abener Energia S.A. – is implementing the project according to the schedule – the construction works within the infrastructure of a new generating unit, including buildings of basic equipment and the cooling system on the San

River. The process of delivery of machines and devices of gas-fired energy unit (boiler, turbine, transformers, monitoring system, etc.) is in progress. Delivery of the investment is scheduled in 2015;

- 2) construction of a new steam and gas fired co generating unit of 50 MW<sub>e</sub> and 106 MW<sub>t</sub> (182 MW<sub>t</sub> with peak unit), adjusted to electric energy and heat generation within the area of Zespół Elektrociepłowni Bielsko-Biała (ZEC Bielsko-Biała), a branch of TAURON Wytwarzanie. This investment is to replace the exploited and low-performing generation units by the co generating unit of high performance, complying with all environmental protection requirements concerning emissions of NO<sub>x</sub>, SO<sub>2</sub> and particulate matter. In September the concession was obtained for generation of electricity and heat generation. The generating unit is currently the primary source of heat supply for Bielsko-Biała;
- 3) construction of the wind farm of 40 MW capacity in the location of Wicko. On 24 October 2013 the final delivery report was signed and the farm was commissioned;
- 4) construction of the wind farm of 82 MW capacity in the location of Marszewo. On 17 October 2013 the final delivery report was signed and the farm was commissioned; As of the date of the presentation of this report the total installed electric capacity of the four winds farms of TAURON Group is 182,75 MW;
- 5) construction of the steam and gas fired unit including the heat generation component of 135 MW<sub>e</sub> and heating capacity of 90 MW<sub>t</sub> in Katowice (TAURON Ciepło). On 1 October 2013 contract award procedure for the construction of the steam and gas fired unit was revoked due to the fact that the prices of bids significantly exceeded the budget planned for the project. TAURON Group intends to take actions to resign from the implementation of this project. Taking into consideration the security of the heat market of Śląsk conurbation options to secure heat supply for customers were analysed. Solutions for balancing the market without implementing the project have been designed and are currently implemented.
- 6) construction of new generation capacity in co-generation at the level of 50 MW<sub>e</sub> and 86 MW<sub>t</sub> in Tychy (TAURON Ciepło). The investment in its part involving modernisation of the existing fluidised bed boiler and its adjustment to biomass burning was completed, and in February 2013 the occupancy permit was obtained for energy production from RES. the construction of a coal-fired hot water boiler (40 MW<sub>t</sub>) was also completed, for which the operation permit was obtained in May 2013. In June 2013, an agreement with Elektrobudowa S.A. as the general contractor for the construction of a new unit (50 MW<sub>e</sub>) was concluded. Design and construction works are in progress as well as contracting of machines and equipment by the General Contractor. The construction site for the infrastructure needs of a generating unit of 50 MW<sub>e</sub> has been released. Delivery of the investment is scheduled in 2016;
- 7) construction of the new power unit of the capacity of 910 MW at supercritical parameters at 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 NO<sub>x</sub>, SO<sub>2</sub>, CO<sub>2</sub> and particulate matter. In January 2013, in the tender for the general contractor, the offer submitted by RAFAKO consortium (consortium leader) of MOSTOSTAL WARSZAWA was selected as the most favourable one. On 30 October the validity of the offer and the bank guarantee for bid bond was extended again - current expiry date is 31 December 2013. Preparations for the signing of the contract with the General Contractor are in process. At the same time technical and formal and legal efforts are being made related to the release of the construction site and discharging power from the new generating unit. Delivery of the investment is scheduled in 2018;
- 8) construction of the installation for flue gas de-nitrification in 6 blocks of Elektrownia Jaworzno III and 4 blocks of Elektrownia Łaziska belonging to TAURON Wytwarzanie. This investment will enable to reduce the<sub>x</sub> in these units to the levels of 200 mg/Nm<sup>3</sup>, which shall be binding in Poland from 2018. By 30 September 2013 the construction works on 5 out of 10 units were completed, the modernisation will have been completed in 2016;
- 9) construction of the electricity generation source based on natural gas, use of natural gas as a raw material for its production at the area of Elektrownia Blachownia – the

special purpose vehicle under the name „Elektrownia Blachownia Nowa” sp. z o.o. performed the analysis of the competitiveness of the planned generating unit in various market scenarios and technological variants. Results of analysis of competitiveness and technical and economic analyses show that the project to build a CCGT unit of about 850 MW requires further efforts aimed at the optimisation of the investment. Efforts to verify the project are ongoing, postponing the implementation of the project is considered;

- 10) construction of the CCGT unit of 413 MW<sub>e</sub> in Elektrownia Łagisza. Efforts have been made to launch the project. Conditions for connection to the gas transmission system have been obtained. Works associated with obtaining the necessary permits and approvals are in process. Preparations for the conduct of procurement procedures related to the selection of a contract engineer and contractor of the block have been commenced.

Strategic investments as well as their financing within TAURON Group are managed centrally at the level of the parent company, i.e. TAURON Polska Energia S.A. The Capital Group will finance the current and future investment projects from funds generated from operating activity and by acquisition of debt financing.

## 4. ANALYSIS OF ASSETS AND FINANCIAL SITUATION OF THE TAURON CAPITAL GROUP

### 4.1 Selected financial data of TAURON Polska Energia S.A and TAURON Capital Group

Selected financial data of TAURON Polska Energia S.A. and TAURON Capital Group are presented in the table below.

#### Selected financial data of TAURON Polska Energia S.A and TAURON Capital Group

SELECTED FINANCIAL DATA	in thousand PLN		in thousand EUR	
	2013 the period from 01.01.2013 to 30.09.2013	2012 period from 01.01.2012 to 30.09.2012 (data converted)	2013 the period from 01.01.2013 to 30.09.2013	2012 period from 01.01.2012 to 30.09.2012 (data converted)
<b>Selected consolidated financial data of TAURON Polska Energia S.A. Capital Group</b>				
Revenue on sales	14,209,431	18,214,243	3,364,692	4,342,100
Operating profit	1,709,103	1,832,576	404,703	436,869
Profit before tax	1,541,114	1,679,242	364,925	400,315
Net profit	1,260,726	1,333,069	298,531	317,791
Net profit attributable to shareholders of the parent company	1,212,843	1,269,198	287,193	302,565
Net profit attributable to non-controlling shareholders	47,883	63,871	11,338	15,226
Other comprehensive income	46,994	(72,849)	11,128	(17,367)
Total comprehensive income	1,307,720	1,260,220	309,659	300,424
The total income attributable to shareholders of the parent company	1,257,539	1,195,875	297,776	285,085
The total income attributable to non-controlling shareholders	50,181	64,345	11,883	15,339

**TAURON Polska Energia S.A.**  
Additional information to the extended consolidated report  
for the 3rd quarter of 2013

Profit per share (in PLN/EUR) (basic and diluted)	0.69	0.72	0.16	0.17
Weighted average number of shares (in units) (basic and diluted)	1,752,549,394	1,752,549,394	1,752,549,394	1,752,549,394
Net cash from operating activities	3,393,755	2,667,538	803,617	635,915
Net cash from investment activities	(2,897,620)	(2,371,310)	(686,136)	(565,298)
Cash flow from financial activities	(69,028)	338,481	(16,345)	80,691
Change in cash and cash equivalents, net	427,107	634,709	101,136	151,308
	<b>Status as of 30.09.2013</b>	<b>Status as of 31/12/2012 (data converted)</b>	<b>Status as of 30.09.2013</b>	<b>Status as of 31/12/2012 (data converted)</b>
Fixed Assets	26,595,950	25,471,230	6,307,888	6,230,427
Current assets	4,793,258	5,766,232	1,136,840	1,410,457
Fixed assets permanently classified for trade	36,069	36,215	8,555	8,858
Total Assets	31,425,277	31,273,677	7,453,283	7,649,742
Share capital	8,762,747	8,762,747	2,078,303	2,143,424
Equity attributable to shareholders of the parent company	17,143,926	16,235,110	4,066,107	3,971,212
Equity attributable to non-controlling interests	531,410	493,123	126,037	120,621
Total equity	17,675,336	16,728,233	4,192,144	4,091,833
Long-term liabilities	9,443,042	9,148,067	2,239,651	2,237,676
Short-term liabilities	4,306,899	5,397,377	1,021,488	1,320,233
Total liabilities	13,749,941	14,545,444	3,261,139	3,557,909

**Wybrane jednostkowe dane finansowe TAURON Polska Energia S.A.**

	in thousand PLN		in thousand EUR	
	2013 the period from 01.01.2013 to 30.09.2013	2012 period from 01.01.2012 to 30.09.2012 (data converted)	2013 the period from 01.01.2013 to 30.09.2013	2012 period from 01.01.2012 to 30.09.2012 (data converted)
Revenue on sales	8,058,391	7,100,382	1,908,170	1,692,663
Operating profit	210,996	29,827	49,962	7,110
Profit before tax	1,657,179	1,489,314	392,408	355,038
Net profit	1,628,215	1,444,543	385,550	344,365
Other comprehensive income	43,881	(89,313)	10,391	(21,291)
Total comprehensive income	1,672,096	1,355,230	395,941	323,074
Profit per share (in PLN/EUR) (basic and diluted)	0.93	0.82	0.22	0.20
Weighted average number of shares (in units) (basic and diluted)	1,752,549,394	1,752,549,394	1,752,549,394	1,752,549,394
Net cash from operating activities	598,674	(52,928)	141,762	(12,617)
Net cash from investment activities	(531,867)	(223,711)	(125,942)	(53,331)
Cash flow from financial activities	(71,002)	420,683	(16,813)	100,287
Change in cash and cash equivalents, net	(4,195)	144,044	(993)	34,339
	<b>Status as of 30.09.2013</b>	<b>Status as of 31.12.2012</b>	<b>Status as of 30.09.2013</b>	<b>Status as of 31.12.2012</b>
Fixed Assets	25,255,585	22,997,644	5,989,988	5,625,371
Current assets	2,576,907	2,760,425	611,177	675,218
Total Assets	27,832,492	25,758,069	6,601,165	6,300,589
Share capital	8,762,747	8,762,747	2,078,303	2,143,424



**TAURON Polska Energia S.A.**  
Additional information to the extended consolidated report  
for the 3rd quarter of 2013

Total equity	19,363,594	18,042,008	4,592,556	4,413,191
Long-term liabilities	5,614,380	5,280,856	1,331,589	1,291,731
Short-term liabilities	2,854,518	2,435,205	677,020	595,667
Total liabilities	8,468,898	7,716,061	2,008,609	1,887,398

The above data accrued for the third quarter of 2013 and 2012 have been converted into EUR by the following:

- individual items in the statement of financial position - at the average exchange rate announced on 30 September 2013 4.2163 PLN / EUR (as at 31 December 2012 4.0882 PLN / EUR)

- each component of other comprehensive income and statement of cash flows - by the arithmetic average NBP exchange rates published on the last day of each month during the period from 1 January 2013 to 30 September 2013 4.2231 PLN / EUR (for the period from 1 January 2012 to 30 September 2012 4.1948 PLN/EUR).

## 4.2 Key operational data of TAURON Capital Group

During the three quarters of 2013, TAURON Group reached the following key operating parameters:

### Key operating parameters for the period 1st-3rd quarters of 2013 and 3rd quarter of 2013

Key operating parameters	unit	Quarter 1-3 2013	Quarter 1-3 2012	Dynamics 2013/2012	3rd quarter 2013	3rd quarter 2012	Dynamics 2013/2012
Commercial coal production	M Mg	<b>4.26</b>	4.09	104.2%	<b>1.26</b>	1.52	82.9%
Generation of electric energy (net production of the Group), including:	TWh	<b>14.28</b>	14.09	101.3%	<b>4.53</b>	4.85	93.4%
<i>Net production of Generation Area</i>	<i>TWh</i>	<b>13.00</b>	12.97	100.2%	<b>4.15</b>	4.56	91.0%
<i>Net production of RES Area</i>	<i>TWh</i>	<b>0.42</b>	0.36	116.7%	<b>0.14</b>	0.08	175.0%
<i>Net production of Heat Area</i>	<i>TWh</i>	<b>0.86</b>	0.76	113.2%	<b>0.25</b>	0.21	119.0%
Generation of electric energy from renewable sources of the Group, including:	TWh	<b>0.92</b>	0.92	100.0%	<b>0.32</b>	0.28	114.3%
<i>Biomass production of Generation and Heat Area</i>	<i>TWh</i>	<b>0.50</b>	0.55	90.9%	<b>0.19</b>	0.20	95.0%
<i>Production of hydro plants in RES Area</i>	<i>TWh</i>	<b>0.32</b>	0.28	114.3%	<b>0.08</b>	0.06	133.3%
<i>Production of wind farms in RES Area</i>	<i>TWh</i>	<b>0.10</b>	0.09	111.1%	<b>0.05</b>	0.02	250.0%
Heat generation by the Group, including:	PJ	<b>10.59</b>	10.68	99.2%	<b>1.16</b>	0.95	122.1%
<i>Heat production of Generation Area</i>	<i>PJ</i>	<b>4.95</b>	5.35	92.5%	<b>0.58</b>	0.45	128.9%
<i>Heat production of Heat Area</i>	<i>PJ</i>	<b>5.64</b>	5.33	105.8%	<b>0.58</b>	0.50	116.0%
Distribution of electric energy	TWh	<b>35.72</b>	35.72	100.0%	<b>11.74</b>	11.54	101.7%
Retail sales of electric energy (in total, by Areas: Sales, Generation and Heat)	TWh	<b>30.71</b>	33.37	92.0%	<b>9.86</b>	10.66	92.5%
Number of clients - Distribution	thous.	<b>5,324</b>	5,294	100.6%	<b>5,324</b>	5,294	100.6%

## 4.3 Sales structure according to core business areas

The table below shows the volumes and structure of sales of TAURON Capital Group, divided into individual Core Business Areas (Segments) for the 3rd quarter of 2013 compared to the 3rd quarter of 2012.

#### Volumes of sales for the period of the 1st-3rd quarters of 2013 and the 3rd quarter of 2013

Item	unit	Quarter 1-3 2013	Quarter 1-3 2012	Dynamics 2013/2012	3rd quarter 2013	3rd quarter 2012	Dynamics 2013/2012
Sales of coal by Mining Area	M Mg	<b>4.28</b>	3.96	108.1%	<b>1.33</b>	1.50	88.7%
Sales of electric energy and heat by Generation Area	TWh	<b>15.61</b>	14.62	106.8%	<b>5.05</b>	5.11	98.8%
	PJ	<b>4.95</b>	5.35	92.5%	<b>1.06</b>	0.92	115.2%
Sales of electric energy generated in hydroelectric power plants and wind farms by RES Area	TWh	<b>0.42</b>	0.36	116.7%	<b>0.13</b>	0.08	162.5%
Sales of electric energy by Heat Area Sales of heat purchased and generated by Heat Area	TWh	<b>0.86</b>	0.76	113.2%	<b>0.22</b>	0.21	104.8%
	PJ	<b>8.55</b>	8.35	102.4%	<b>0.68</b>	0.50	136.0%
Sales of electric energy distribution services by Distribution Area	TWh	<b>35.72</b>	35.72	100.0%	<b>11.74</b>	11.54	101.7%
Retail sales of electric energy and other products of the energy market by Sales Area	TWh	<b>30.48</b>	33.14	92.0%	<b>9.80</b>	10.61	92.4%

#### Hard coal mining

The basic activity conducted by TAURON Capital Group within the Mining Business Area covers mining, preparation and sales of hard coal. Through Południowy Koncern Węglowy, the TAURON Capital Group directly owns and runs Zakład Górniczy Sobieski and Zakład Górniczy Janina.

The volume of coal sales in the period of January-September 2013 amounted to almost 4.28 million t, which constitutes an increase by about 8.1%, as compared to the corresponding period of 2012. Increasing the volume of sales is mainly due to higher commercial coal production (about 170 thousand t) compared to the same period last year and intensified sales of coal stored in piles (unlike last year, when part of the production increased the dumping ground). The surplus of production was achieved mainly due to the increased number of exploited walls and the favourable geological and mining conditions continued through the first half of 2013.

In the third quarter of this year upward trend has significantly slowed down (there was a decline in production by 255 thousand t y/y), mainly because of the lack of production in ZG Janina - worsening geological conditions in the walls exploited, closing of the wall no.702 with high quality parameters and delays in preparation of another wall for exploitation in Sobieski ZG.

#### Generating electric energy and heat from conventional sources

The basic activity of the Generation Business area within TAURON Capital Group comprises generation of electric energy and heat in 9 power plants and one co-generation plant (installation simultaneously generating electric power and useful heat), coal-fired or using biomass co-burning. The total installed capacity of the generation units of the Generation Area at the end of September 2013 reached 4,812 MW of electric energy and 2,241 MW of heat. The change in power level compared to the same period of 2012 is due to the exclusion of concessions for electricity generation of 1 and 2 generation units in Elektrownia Łagisza (240 MW<sub>e</sub>), as well as commissioning of the unit in Zespół Elektrociepłowni Bielsko-Biała (50 MW<sub>e</sub>).

in the period January-September 2013, the Generation Area produced about 13,0 TWh of net electric energy (level similar to the previous year). The volume of production of renewable energy amounted to 0.35 TWh, i.e. by over 36% less in relation to the corresponding period of 2012, when the production of

renewable energy amounted to about 0.55 TWh. The decrease in production of renewable energy is a consequence of the decline in prices of property rights arising from the certificates of origin of energy generated in RES (due to the oversupply of these rights on the market). Sales of electric energy from own production, including energy purchased for trading purposes in the period from January to September 2013 reached about 15.6 TWh, which means increase almost 7%, in relation to the corresponding period of the previous year. However in the 3rd quarter sale of electricity during this period remained at the level comparable to that reached in the comparable period of the previous year.

Heat generation in the Generation Business Area in the period from January-September 2013 reached about 4.95 PJ and made up about 93% of the production level from the comparable period in 2012. In the third quarter of this year the heat production was higher by about 15% from the last year level, mainly due to the fact that the last month of the quarter was cooler than a year ago.

### **Generation of electric energy and heat 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 of TAURON Group Projects in the area of energy generation from renewable energy sources. In RES Area 35 hydroelectric plants of total achievable capacity of 132.9 MW<sub>e</sub> operate as well as four wind farms of the total achievable capacity of 182.75 MW<sub>e</sub>, which makes 5.6% of the total installed capacity of TAURON Capital Group.

During the period from January-September 2013 the RES Area generated and sold about 0.42 TWh of electricity compared to 0.36 TWh in the comparable period of the previous year, which means an increase in production of about 16.7%, mainly due to the more favourable hydrological conditions in the second quarter of 2013, and the production of wind farms Marszewo and Wicko commissioned in 2013.

### **Heat**

The Heat Business Area covers operations involving generation, distribution and sales of heat and other utilities. During the period of three quarters of 2013 sales of heat generated and purchased amounted to 8.6 PJ in relation to 8.4 PJ in the corresponding period of 2011. The increase in the sales was made possible due to acquisition of new consumers and maintaining increased demand for heat due to weather conditions which occurred in the 1st quarter of 2013. The upward tendency of production and heat sales has also been maintained in the 3rd quarter of this year due to the increased demand in September because of lower temperatures in the comparable period of the previous year.

During the period of 2013 under analysis, the co-generation plants of the Area generated about 0.86 TWh of net electric energy, that means that the production level compared to the period of the previous year (0.76 TWh) was higher by over 13%.

### **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 three quarters of 2013, the Distribution Area supplied about 35.7 TWh of electric energy in total, including almost 33.8 TWh of electricity supplied to end consumers. During this period, the Distribution Area provided distribution services in favour of 5.32 million consumers. In the corresponding period of the previous year the Area supplied in total comparable amount of electric energy to 5.29 million consumers. A minimal decrease in the volume of supply is mainly due to the lower power consumption of the end consumers in Group A following the economic downturn manifested, among others, in reduction in the marketed production in the industry, mainly in the 1st quarter of 2013.

In the third quarter of 2013, there was an increase in sales of distribution service compared to the third quarter of 2012, showing a reversal of the downward trend observed in the first half of 2013. The volume of deliveries to end customers reached 11.13 TWh in the same period of the previous year - 10.97 TWh.

## Sales of energy and other products of the energy market

Sales Area comprises activities in the scope of electric energy sales 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 trading cover mainly wholesale trade of electric energy, trade and management of CO<sub>2</sub> emission allowances, the proprietary rights arising from the certificates of origin.

In the period January-September 2013, the companies of Sales Area sold in total about 30,5 TWh of electric energy to about 5.3 million end-customers, both private households and entrepreneurs, i.e. 92% of last year's level, in which the sale amounted to approximately 33, 1 TWh. Reduction in the volume of sales is mainly due to reduced demand among customers from tariff groups A and B; the decrease neutralized by an increase in sales to end customers in a group of TAURON's strategic customers. The same trend continued in the third quarter year-on-year - the retail sales volume reached about 92.4% of the corresponding period of 2012.

## 4.4 Financial situation of TAURON Capital Group following the third quarter of 2013.

### 4.4.1 Consolidated statement of comprehensive income

The table below presents the selected items of the consolidated statement on comprehensive income of TAURON Capital Group for the period of 9 and 3 months, ended on 30 September 2013, as well as comparable data for the period of 9 and 3 months, ended on 30 September 2012. These items are referred to in accordance with the interim condensed consolidated financial report compliant with the IFRS (International Financial Reporting Standards) for the period of 9 and 3 months of 2013, ended on 30 September 2013, compared to the corresponding periods ended on 30 September 2012.

#### Consolidated statement of comprehensive income

Specification (thousand PLN)	Quarter 1-3, 2013	Quarter 1-3, 2012	Dynamics [%] (2013/2012)	Quarter 1- 3, 2013	Quarter 1- 3, 2012	Dynamics [%] (2013/2012)
<b>Continued operations</b>						
Revenue on sales of goods, finished goods and materials without excluding the excise tax	10,073,454	14,009,766	71.9%	3,205,416	4,554,901	70.4%
Excise tax	(339,743)	(405,030)	83.9%	(111,371)	(132,176)	84.3%
Revenue on sales of goods, products and materials	9,733,711	13,604,736	71.5%	3,094,045	4,422,725	70.0%
Revenue on sales of services	4,437,856	4,577,272	97.0%	1,430,741	1,467,224	97.5%
Other revenue	37,864	32,235	117.5%	12,659	10,308	122.8%
<b>Revenue on sales</b>	<b>14,209,431</b>	<b>18,214,243</b>	<b>78.0%</b>	<b>4,537,445</b>	<b>5,900,257</b>	<b>76.9%</b>
Own cost of sales	(11,623,825)	(15,526,967)	74.9%	(3,728,700)	(5,033,062)	74.1%
<b>Gross profit (loss) on sales</b>	<b>2,585,606</b>	<b>2,687,276</b>	<b>96.2%</b>	<b>808,745</b>	<b>867,195</b>	<b>93.3%</b>
Other operating revenue	84,129	77,160	109.0%	21,047	28,360	74.2%
Costs of sales	(397,516)	(341,831)	116.3%	(127,343)	(110,857)	114.9%
Overheads	(507,285)	(512,121)	99.1%	(165,231)	(172,242)	95.9%
Other Operating Expenses	(55,831)	(77,908)	71.7%	(16,273)	(33,285)	48.9%
<b>Operating profit (loss)</b>	<b>1,709,103</b>	<b>1,832,576</b>	<b>93.262%</b>	<b>520,945</b>	<b>579,171</b>	<b>89.9%</b>

**TAURON Polska Energia S.A.**  
*Additional information to the extended consolidated report  
for the 3rd quarter of 2013*

Specification (thousand PLN)	Quarter 1-3, 2013	Quarter 1-3, 2012	Dynamics [%] (2013/2012)	Quarter 1- 3, 2013	Quarter 1- 3, 2012	Dynamics [%] (2013/2012)
<i>Operating profit margin (%)</i>	<b>12.0%</b>	<b>10.1%</b>	119.5%	<b>11.6%</b>	<b>9.8%</b>	117.8%
Financial revenue	<b>76,085</b>	96,880	78.5%	<b>17,422</b>	43,543	40.0%
Financial expenses	<b>(242,154)</b>	(249,241)	97.2%	<b>(81,285)</b>	(85,526)	95.0%
Share in profit of the affiliate	<b>(1,920)</b>	(973)	197.3%	<b>(506)</b>	(302)	167.5%
<b>Gross profit/(loss)</b>	<b>1,541,114</b>	<b>1,679,242</b>	91.8%	<b>456,576</b>	<b>536,886</b>	85.0%
<i>Gross profit margin (%)</i>	<b>10.8%</b>	<b>9.2%</b>	117.6%	<b>10.1%</b>	<b>9.1%</b>	111.4%
Income Tax	<b>(280,388)</b>	(346,173)	81.0%	<b>(86,423)</b>	(94,039)	91.9%
<b>Net profit (loss) on continuing operations</b>	<b>1,260,726</b>	<b>1,333,069</b>	94.6%	<b>370,153</b>	<b>442,847</b>	83.6%
<i>Net profit margin (%)</i>	<b>8.9%</b>	<b>7.3%</b>	121.2%	<b>8.2%</b>	<b>7.5%</b>	109.5%
Net profit (loss) on discontinued operations						
<b>Net profit (loss) for the financial year</b>	<b>1,260,726</b>	<b>1,333,069</b>	94.6%	<b>370,153</b>	<b>442,847</b>	83.6%
Other comprehensive income for the financial year including tax	<b>46,994</b>	(72,849)	-	<b>12,423</b>	(43,612)	-
Total income for the financial year	<b>1,307,720</b>	1,260,220	103.8%	<b>382,576</b>	399,235	95.8%
<b>Profit attributable to:</b>						
Shareholders of the parent company	<b>1,212,843</b>	1,269,198	95.6%	<b>364,916</b>	412,196	88.5%
Non-controlling interests	<b>47,883</b>	63,871	75.0%	<b>5,237</b>	30,651	17.1%
<b>Total income attributable to:</b>						
Shareholders of the parent company	<b>1,257,539</b>	1,195,875	105.2%	<b>376,520</b>	368,072	102.3%
Non-controlling interests	<b>50,181</b>	64,345	78.0%	<b>6,056</b>	31,163	19.4%
<b>EBIT and EBITDA</b>						
EBIT	<b>1,709,103</b>	1,832,576	93.3%	<b>520,945</b>	579,171	89.9%
EBITDA	<b>2,996,444</b>	3,081,260	97.2%	<b>944,397</b>	1,000,042	94.4%

During the nine months ended on 30 September 2013, TAURON Group generated sales revenues of around PLN 14,209 million, i.e. a decrease of 22% compared to the values obtained in the same period of 2012 (about PLN 18,214 million). The Group recorded a similar decrease (23.1%) in the income earned in the third quarter of 2013 (about PLN 4,537 million) compared to the third quarter of 2012 (about PLN 5,900 million). The lower level of revenue both in the three quarters of 2013, and in the third quarter of 2013 was affected by the change in the provisions of the Energy Law on the value obligatory sales through commodity exchange for the electric energy generated - from 100% to 15%, in connection with the terminated participation of TAURON Wytwarzanie company in the programme of compensation of stranded costs. It affected the increased level of sales of electric energy generated by TAURON Wytwarzanie TAURON Group which is excluded from the revenue at the Group level, which did occur in the corresponding period of the previous year. In addition, no revenue from LTC occurs this year, the value of which for the period of 1st-3rd quarter of 2012 was about PLN 431,3 million, and in the third quarter of 2012 about PLN 154,6 million.

During the nine months ended on 30 September 2013, TAURON Capital Group reached higher revenue on sales in the following segments: Mining, Sales, Heat and Customer Service as compared to the corresponding period of 2012. The highest dynamics of revenue growth was achieved in Customer Service. Decrease in revenue in the remaining Segments is connected with the situation in the energy market and property rights market – a decrease in certificate prices (RES and Generation Areas), the decline in electricity prices (Generation Area). As a result of the economic slowdown a decrease in the sales volume of distribution services (Distribution Area) occurred. In the third quarter of this year only Customer Service Area recorded a revenue growth, whereas the largest decline in revenues was in Sales Area (decrease in electricity prices and lower volumes of electricity sold in the Group A and B), Generation Segment (lack of income from LTC compensations, the lower the sales price of electricity) and Mining Area (lower commercial coal production as a result of deteriorating geological conditions, the lower the sales price of coal).

During the nine months ended on 30 September 2013, the decrease (23.5%) in operating costs can be observed, as compared to the same period of the previous year, associated, in particular, with decrease in

sales revenue. It is the result of lower operating costs of Distribution (in connection with the implementation of the effectiveness improvement programme) and Sales Area (mainly in connection with the lack of regulations concerning the obligation to redeem proprietary rights of energy origin in 2013, as well as the lower volume of sales of electric energy; as compared to the same period of 2012 the volume of purchasing electricity from the Generation Area was also higher, the costs of which were not included at the Group level). Despite the implementation of the effectiveness improvement programme and lower fuel prices, operating costs of Generation Area increased by 3% as a result of the introduction in the second quarter of 2013 write down on generating assets. A similar small increase in costs (by 4%) was recorded in the company of Heat Area, mainly due to changes in structure of fuels used (increased share of biomass). The largest increase of operating expenses (40%) was reported in Customer Service Area, which is the effect of extending the scope of services provided.

In the third quarter of 2013, operating costs of TAURON Capital Group fell by 24.4% compared to the third quarter of 2012. The largest decrease was recorded in Sales Area (lack of regulations concerning the obligation to redeem proprietary rights of energy origin in 2013, as well as the lower volume of sales of electric energy) and Generation Area (lower fuel prices and implementation of the effectiveness improvement programme). The only area which in the third quarter recorded an increase of operating expenses in relation to the third quarter of 2012 is Customer Service Area which is connected, as in the whole reporting period, with the extension of the range of services compared to the corresponding period of the previous year.

The above factors resulted in a slightly worse results of EBIT and EBITDA and a decrease in gross profit. Despite the worse results of the Group net profit margin for the nine months' period ended on 30 September 2013 is at a higher level compared to the same period of previous year and accounts to 8.9% (7.3%). The net profit margin in the third quarter of 2013 was higher than the one reached in the corresponding period of the previous year, reaching 8,2% (7,5% respectively).

In accordance with the consolidated statement of comprehensive income presented herein, 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 period of nine months ended on 30 September 2013 reached PLN 1 307,7 million, as compared to PLN 1 260,2 million reached in the corresponding period of the previous year, which means a slight increase (by about 3.8%). The total income attributable to shareholders of the parent company reached about PLN 1 257,5 million as compared to PLN 1 195,9 million in the same period of 2012, the profit attributable to shareholders of the parent company reached the level of PLN 1 212,8 million, as compared to PLN 1 269,2 million, gained in the same period of 2012.

#### 4.4.2 Financial results according to core business areas

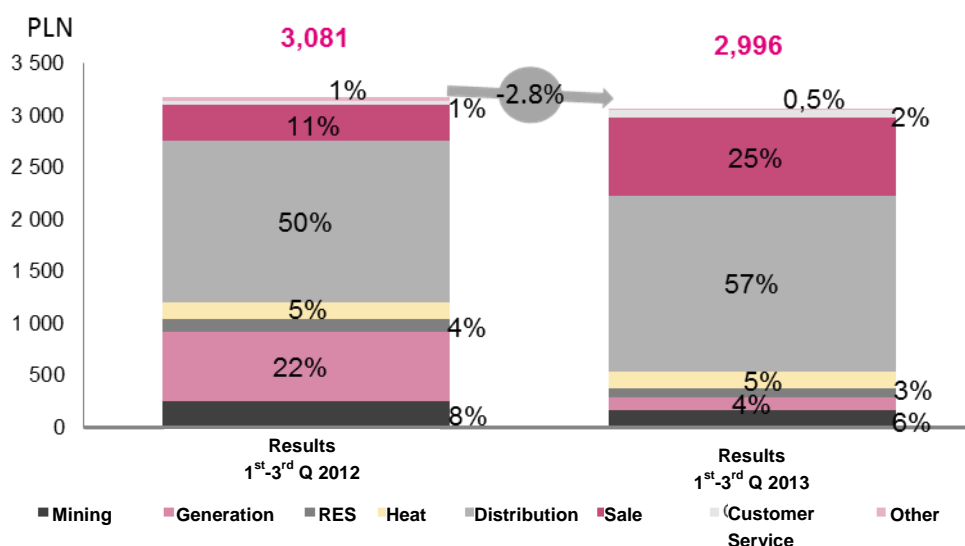
The table below shows the EBITDA results of TAURON Capital Group, divided into individual Business Areas (Segments) of operation for the three quarters of 2013 and the three quarters of 2012 as well as for the third quarter of 2013 and 2012. Data for individual Business Areas do not include consolidation exclusions.

##### EBITDA results by Business Areas for the period of 1st-3rd quarter of 2013 and 3rd quarter of 2013

EBITDA (thousand PLN)	quarter 1-3, 2013	quarter 1-3, 2012	Dynamics 2013/2012	3rd quarter of 2013	3rd quarter of 2012	Dynamics 2013/2012
Coal mining	168,014	250,195	67.2%	30,610	120,602	25.4%

EBITDA (thousand PLN)	quarter 1-3, 2013	quarter 1-3, 2012	Dynamics 2013/2012	3rd quarter of 2013	3rd quarter of 2012	Dynamics 2013/2012
Generation of electric energy and heat from conventional sources	120,540	667,408	18.1%	82,229	220,572	37.3%
Generation of electric energy and heat from renewable sources	83,842	125,294	66.9%	21,782	22,453	97.0%
Heat	161,548	153,759	105.1%	39,002	15,361	253.9%
Distribution of electric energy	1,696,422	1,555,655	109.0%	593,936	537,397	110.5%
Sales of energy and other products of the energy market	747,154	348,317	214.5%	151,423	96,074	157.6%
Customer Service	71,552	37,599	190.3%	37,893	11,244	337.0%
Other	14,099	36,977	38.1%	7,908	12,156	65.1%
Non-attributable items and exemptions	(66,727)	(93,944)	71.0%	(20,386)	(35,817)	56.9%
<b>Total EBITDA</b>	<b>2,996,444</b>	<b>3,081,260</b>	<b>97.2%</b>	<b>944,397</b>	<b>1,000,042</b>	<b>94.4%</b>

### Structure of EBITDA of TAURON Capital Group



The Distribution Area and Sales Area have the highest share in EBITDA of TAURON Capital Group. As compared to the corresponding period of 2012, the increased share in EBITDA structure occurred mainly in Sales Area, due to better results obtained in 1<sup>st</sup>-3<sup>rd</sup> quarters of 2013.

## Mining

Specification (thousand PLN)	quarter 1-3, 2013	quarter 1-3, 2012	Dynamics 2013/2012	3rd quarter 2013	3rd quarter 2012	Dynamics 2013/2012
<b>Mining</b>						
Revenue on sales	1,092,570	1,092,086	100%	344,248	427,890	81%
<i>coal - coarse and medium</i>	400,715	367,344	109%	137,305	150,788	91%

Specification (thousand PLN)	quarter 1-3, 2013	quarter 1-3, 2012	Dynamics 2013/2012	3rd quarter 2013	3rd quarter 2012	Dynamics 2013/2012
<i>assortments</i>						
<i>power coal</i>	<b>664,776</b>	696,779	95%	<b>196,985</b>	265,230	74%
<i>other products and services</i>	<b>27,079</b>	27,963	97%	<b>9,958</b>	11,872	84%
Operating profit	<b>88,794</b>	164,721	54%	<b>4,342</b>	86,732	5%
Amortisation	<b>79,220</b>	85,474	93%	<b>26,268</b>	33,870	78%
<b>EBITDA</b>	<b>168,014</b>	<b>250,195</b>	<b>67%</b>	<b>30,610</b>	<b>120,602</b>	<b>25%</b>

In the 1st-3rd quarters of 2013, revenue on sales in the Mining Segment reached a level equal as obtained in the same period last year, with the quantitative increase in sales (8.1%) was fully compensated by a reduction in coal price (on average by 7.4%). The company of the Mining Area gained increased revenue on sales of coarse and medium assortments, carried out mainly on the external market, due to the high sales dynamic in this area (113,8% in volume y/y), as a consequence of implementation of sales strategy and pro-sales measures introduced as well as relatively smaller reductions in prices resulting from the nature of the segment (mainly retail sales). For power coal (coal dust i coal slime) lower sales income was a result of significant reduction in unit prices, in the area of fine coal sold inside the Group.

Decreased EBIT results in the period under the analysis, from PLN 164,7 million in 2012 to PLN 88,8 million in 2013 arise mainly from the generation cost of the coal sold while maintaining the previous year's level. The main driving force of the increase in fixed costs constituted costs of external services, (including the costs of machinery rental and mining services) in connection with the increased amount of preparatory works (by 12.1%). Also higher (by 4.2%) of commercial coal production and a greater number of ongoing traffic resulting from increased sales volume translated into increased costs. Higher level of labour costs was also of great importance, mainly as a consequence of higher employment rate in the Area in 2013.

In the third quarter of 2013 lower income and worse result as compared to the corresponding period of the previous year was a result of reduced generation level as a consequence of deteriorating geological mining conditions and delay in the exploitation of some walls. As a result, sales in volume terms fell by 11.3%, which, while maintaining reduced unit prices translated into lower revenues (by about 19.5%) compared to the same period last year.

## Generating electric energy and heat from conventional sources

Specification (thousand PLN)	quarter 1-3, 2013	quarter 1-3, 2012	Dynamics 2013/2012	3rd quarter of 2013	3rd quarter of 2012	Dynamics 2013/2012
<b>Generation</b>						
Revenue on sales	<b>3,439,914</b>	3,886,882	89%	<b>1,089,326</b>	1,302,098	84%
<i>electric energy</i>	<b>3,084,207</b>	3,045,499	101%	<b>998,588</b>	1,055,936	95%
<i>heat</i>	<b>152,526</b>	148,971	102%	<b>30,165</b>	26,018	116%
<i>proprietary rights from certificates of electric energy origin</i>	<b>148,246</b>	170,875	87%	<b>68,314</b>	55,425	123%
<i>greenhouse gases emission allowances</i>	<b>43,614</b>	63,158	69%	<b>0</b>	0	-
<i>compensation due to LTC termination</i>	<b>(18,886)</b>	431,259	-	<b>(18,886)</b>	154,648	-
<i>other</i>	<b>30,207</b>	27,119	111%	<b>11,145</b>	10,072	111%
Operating profit	<b>(261,626)</b>	294,571	-	<b>(35,077)</b>	96,213	-
Amortisation	<b>382,166</b>	372,837	103%	<b>117,306</b>	124,359	94%



Specification (thousand PLN)	quarter 1-3, 2013	quarter 1-3, 2012	Dynamics 2013/2012	3rd quarter of 2013	3rd quarter of 2012	Dynamics 2013/2012
<b>EBITDA</b>	<b>120,540</b>	<b>667,408</b>	<b>18%</b>	<b>82,229</b>	<b>220,572</b>	<b>37%</b>

Over the period of 1<sup>st</sup> to 3<sup>rd</sup> quarter of 2013 revenue on sales in the Generation Segment was lower by about 11% compared to the corresponding period of the previous year, which resulted from lower revenue on sales of certificates of origin of electric energy, CO2 emission allowances and the lack of revenue from compensation due to LTC termination. Year 2012 was the last year of participation of the company TAURON Wytwarzanie in the programme of compensation of stranded costs. On 30 August of 2013 the President of the Energy Regulatory Office set by an administrative decision the final adjustment of stranded costs. Fixed amounts of annual and final adjustment of stranded costs caused the Group recognised revenue adjustment – a reduction of PLN 18,886 thousand.

The operating results of EBIT and EBITDA of the Generation Segment in the three quarters of 2013 stayed at a level lower than in the corresponding period of the previous year. The results achieved were adversely affected by the lack of revenue from compensation, recognising the provision for the costs of deficit of CO2 emission allowances, lower revenue on sales of certificates of electric energy origin and lower prices of energy sales. In relation to the previous year the result was positively affected by the higher volume of sales of electric energy, lower unit costs of generation (lower fuel prices) and lower fixed costs (mainly labour costs).

The operating results of EBIT and EBITDA of the Generation Segment in the third quarter of 2013 stayed at a level lower than in the corresponding period of the previous year, which resulted mainly from the lack of revenue from compensation due to LTC termination (additionally adjustment of revenues due to the annual and final adjustment of stranded costs), lower sales price of electricity, recognising the provision for the costs of deficit of CO2 emission allowances. In turn, the result in the third quarter of 2013 was positively affected by the lower unit variable costs (fuel costs), lower fixed costs and the higher volume of sales of electric energy.

## Heat

Specification (thousand PLN)	1-3 quarter, 2013	1-3 quarter, 2012	Dynamics 2013/2012	3rd quarter of 2013	3rd quarter of 2012	Dynamics 2013/2012
<b>Heat</b>						
Revenue on sales	<b>825,331</b>	794,943	104%	<b>222,307</b>	189,598	117%
<i>electric energy</i>	<b>193,119</b>	176,044	110%	<b>56,721</b>	48,261	118%
<i>heat (including transmission)</i>	<b>462,132</b>	423,432	109%	<b>90,677</b>	77,577	117%
<i>proprietary rights from certificates of electric energy origin</i>	<b>(9,835)</b>	13,064	-	<b>9,704</b>	2,660	365%
<i>greenhouse gases emission allowances</i>	<b>1</b>	969	-	<b>0</b>	0	-
<i>wind of blast furnace</i>	<b>117,433</b>	115,673	102%	<b>42,575</b>	38,405	111%
<i>compressed air</i>	<b>52,875</b>	59,242	89%	<b>18,590</b>	21,306	87%
<i>other</i>	<b>9,606</b>	6,519	147%	<b>4,040</b>	1,389	291%
Operating profit	<b>83,560</b>	84,871	99%	<b>12,659</b>	(7,775)	-
Amortisation	<b>77,988</b>	68,888	113%	<b>26,343</b>	23,136	114%
<b>EBITDA</b>	<b>161,548</b>	<b>153,759</b>	<b>105%</b>	<b>39,002</b>	<b>15,361</b>	<b>254%</b>

In the period of 1st-3rd quarter of 2013 the revenue on sales reached the level slightly higher than in the corresponding period of the previous year. The increase mainly related to sales and distribution of heat (mainly due to higher sales prices) and revenue from electricity sales (higher volume of sales) and blast furnace. Revenue on sales of proprietary rights (arising from depreciation of red and yellow certificates) and compressed air was lower.

The EBIT and EBITDA operating results over the period of 1st-3rd quarter 2013 stayed at the level similar to that of 2012. The achieved result was adversely affected primarily by recognition of write down on certificates and lower sales prices of electricity, while they were positively affected by: higher sales prices of heat, wind of blast furnace and compressed air and transmission services as well as higher volume of electricity sales and lower fixed costs (mainly labour costs).

The EBIT and EBITDA operating result for the third quarter of 2013 reached the level higher than in the corresponding period of the previous year which was affected by higher volumes of sales of: heat, heat electricity and wind of blast furnace transmission services. In addition, the results achieved were positively affected by lower unit cost of fuel consumption and higher net cash on other operating activity year-on-year.

### Generation of electric energy and heat from renewable sources

Specification (thousand PLN)	quarter 1-3, 2013	quarter 1-3, 2012	Dynamics 2013/2012	3rd quarter of 2013	3rd quarter of 2012	Dynamics 2013/2012
<b>RES</b>						
Revenue on sales	128,900	167,705	77%	36,445	37,376	98%
<i>electric energy</i>	81,081	71,648	113%	25,062	16,038	156%
<i>proprietary rights from certificates of electric energy origin</i>	47,338	95,440	50%	11,213	21,107	53%
<i>other</i>	481	617	78%	170	231	74%
Operating profit	56,875	94,254	60%	12,906	12,193	106%
Amortisation	26,967	31,040	87%	8,876	10,260	87%
<b>EBITDA</b>	<b>83,842</b>	<b>125,294</b>	<b>67%</b>	<b>21,782</b>	<b>22,453</b>	<b>97%</b>

During the three quarters of 2013 revenues on sales in the RES Segment decreased by approximately 23% as compared to the corresponding period of the previous year, which resulted from lower price of proprietary rights arising from certificates of origin of energy generated in RES (the volume of electricity generation in the period of 1<sup>st</sup>-3<sup>rd</sup> quarters of 2013 r. was higher than in the previous year).

Despite higher sales volumes of electricity and property rights in relation to lower sale price of the property rights, the result of EBIT and EBITDA of RES Area over the period of three quarters of 2013 was lower than in the corresponding period of the previous year.

The operating result of EBIT and EBITDA for the third quarter of 2013 reached the level similar to the result reached in the previous year. Negative factor in the form of lower sales price of proprietary rights was compensated by the positive impact on revenues of higher generation volume (both of hydroelectric plants and wind farms).

### Distribution of electric energy

Specification (thousand PLN)	quarter 1-3, 2013	quarter 1-3, 2012	Dynamics 2013/2012	3rd quarter of 2013	3rd quarter of 2012	Dynamics 2013/2012
<b>Distribution</b>						

Specification (thousand PLN)	quarter 1-3, 2013	quarter 1-3, 2012	Dynamics 2013/2012	3rd quarter of 2013	3rd quarter of 2012	Dynamics 2013/2012
Revenue on sales	<b>4,446,918</b>	4,510,996	99%	<b>1,437,730</b>	1,463,459	98%
<i>distribution services</i>	<b>4,130,529</b>	4,243,459	97%	<b>1,341 821</b>	1,375 844	98%
<i>connection fees</i>	<b>103,807</b>	116,543	89%	<b>39,425</b>	41,086	96%
<i>maintenance of street lightning</i>	<b>78,650</b>	74,311	106%	<b>26,360</b>	24,813	106%
<i>other</i>	<b>133,931</b>	76,683	175%	<b>30,124</b>	21,716	139%
Operating profit	<b>1,020,056</b>	900,408	113%	<b>365,517</b>	319,578	114%
Amortisation	<b>676,366</b>	655,247	103%	<b>228,419</b>	217,819	105%
<b>EBITDA</b>	<b>1,696,422</b>	<b>1,555,655</b>	<b>109%</b>	<b>593,936</b>	<b>537,397</b>	<b>111%</b>

During the period of 1st-3rd quarters of 2013, as compared to the corresponding period in 2012, the Distribution Segment recorded the decrease in revenue by about 1.4%, increase of results at the operating level by about 13.3%, and EBITDA result by about 9%.

The total revenue reached in three quarters of 2013 was lower as compared to the revenue of the three quarters of 2012 due to the decrease in revenue on sales of distribution services to end consumers (decrease of sales volume at comparable average unit rate for distribution services). Applying the tariff adopted for 2013, while maintaining the comparable sales structure, resulted in maintenance of the average rate for distribution services year-on-year ( a minimal decrease by 0.1%). Within other revenue associated with distribution activities, the decline involved mainly the fees (mainly due to changes in the extent of implementation of connections and maintaining connection fees at the previous year's level) and over-standard offtake of reactive energy. Sales to end consumers decreased over the three quarters in relations to the corresponding period of the previous year only in A group (both in terms of value and in terms of quantity) as a result of the economic slowdown observed in this year. In the scope of sales to other DSOs, the value and the quantitative balance of energy transits in the analysed period of 2013 is positive, which means profit on purchase and sales operations of distribution services from and to other DSOs.

Irrespective of lower revenue, the operating results of the Distribution Area increased due to the significantly lower costs of activities, in relation to the comparable period of year 2012. Variable costs of the Segment decreased mainly due to the reduced TSO transitional fee (transferred in the tariff for 2013), the volume of purchase of transmission services was also lower due to the growth of generation in power plants connected to the distribution grid. due to the consistently implemented restructuring activities. Employment at the end of the analysed period fell by about 1 thousand FTEs in comparison with the corresponding period of 2012.

In addition, the level of EBIT was positively affected by results of operating activity, among other in connection with lower actuarial provisions. The level was however negatively affected by: lower result on street lightning services, due to charging the assets apportioned from the distribution activity and taxes, and lower result on services provided to customers of the Group (among others in connection with the transition of part of services of the Customer Area of the company).

## Sales of energy and other products of the energy market

Specification (thousand PLN)	quarter 1-3, 2013	quarter 1-3, 2012	Dynamics 2013/2012	3rd quarter of 2013	3rd quarter of 2012	Dynamics 2013/2012
<b>Sales</b>						
Revenue on sales	<b>13,301,459</b>	13,244,536	100%	<b>4,307,905</b>	4,524,824	95%

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Specification (thousand PLN)	quarter 1-3, 2013	quarter 1-3, 2012	Dynamics 2013/2012	3rd quarter of 2013	3rd quarter of 2012	Dynamics 2013/2012
<i>electric energy</i>	<b>8,643,474</b>	9,213,239	93%	<b>2,805,994</b>	2,955,361	95%
<i>proprietary rights from certificates of electric energy origin</i>	<b>3,984</b>	0	-	<b>0</b>	0	-
<i>greenhouse gases emission allowances</i>	<b>213,427</b>	144,521	148%	<b>86,099</b>	10,389	829%
<i>fuels</i>	<b>1,682,901</b>	906,652	186%	<b>557,190</b>	634,789	88%
<i>distribution service (transferred)</i>	<b>2,632,927</b>	2,865,359	92%	<b>832,517</b>	899,825	93%
<i>other services, including commercial services</i>	<b>124,746</b>	114,730	109%	<b>26,105</b>	24,460	107%
Operating profit	<b>721,007</b>	329,506	219%	<b>142,487</b>	89,830	159%
Amortisation	<b>26,147</b>	18,811	139%	<b>8,936</b>	6,244	143%
<b>EBITDA</b>	<b>747,154</b>	<b>348,317</b>	<b>215%</b>	<b>151,423</b>	<b>96,074</b>	<b>158%</b>

Revenue on sales the Sales Area over the three quarters of 2013 reached the level comparable to the corresponding period of 2012. Lower revenues from sales of electricity are effectively compensated by higher coal sales turnover and, to a lesser extent, the level of the sale of greenhouse gas emission allowances.

The revenue on retail sales of electric energy in the period of three quarters of 2013 was higher than in the corresponding period of 2012, both due to the decrease in prices and the volume of supplies. The decreased quantity of sales was mainly observed in A and B groups as a result reduction of the demand among clients supplied and increased activity of competitors, which is partially compensated by an increase in sales to end users in a group of the strategic customers of TAURON. The lower level of electricity prices during the period was dictated by reducing the purchase cost of conventional energy and lower the cost of acquisition of property rights, which is reflected in the contracted levels of prices of sales to business clients.

A significant increase in results of EBIT and EBITDA compared to the corresponding period of the previous year was affected by the lower variable costs. Lower market purchase price of green certificates of origin and marinating lack of obligation to redeem yellow and red certificates decided of the better results. Cost reductions resulting from the aforementioned items were partially levelled off by higher obligation for redemption of green certificates (increase from 10.4% to 12%). Compared to the previous year, the obligation to present certificates arising from energy efficiency for redemption was an additional burden.

The abovementioned factors were also crucial to achieve a better result in the third quarter,, while positive impact associated with lower costs of proprietary rights were levelled off by higher reductions in energy prices with higher, against the previous year, sales in terms of quantity..

## Customer Service

Specification (thousand PLN)	quarter 1-3, 2013	quarter 1-3, 2012	Dynamics 2013/2012	3rd quarter of 2013	3rd quarter of 2012	Dynamics 2013/2012
<b>Customer Service</b>						

**TAURON Polska Energia S.A.**  
Additional information to the extended consolidated report  
for the 3rd quarter of 2013

Specification (thousand PLN)	quarter 1-3, 2013	quarter 1-3, 2012	Dynamics 2013/2012	3rd quarter of 2013	3rd quarter of 2012	Dynamics 2013/2012
Revenue on sales	<b>374,979</b>	252,249	149%	<b>139,772</b>	83,930	167%
<i>customer service</i>	<b>179,043</b>	200,211	89%	<b>64,609</b>	66,518	97%
<i>IT services</i>	<b>128,755</b>	35 79	367%	<b>49,477</b>	11,688	423%
<i>usługi finansowo-księgowo i kadrowe</i>	<b>65,199</b>	16,035	407%	<b>24,397</b>	5,373	454%
<i>other</i>	<b>1,982</b>	924	215%	<b>1,288</b>	350	368%
Operating profit	<b>59,678</b>	27,467	217%	<b>32,774</b>	8,150	402%
Amortisation	<b>11,874</b>	10,132	117%	<b>5,119</b>	3,094	165%
<b>EBITDA</b>	<b>71,552</b>	<b>37,599</b>	<b>190%</b>	<b>37,893</b>	<b>11,244</b>	<b>337%</b>

The revenue on sales in the Customer Service Area increased by 49% over the three quarters of 2013 as compared to the corresponding period of the previous year, which should be mainly attributed to the reorganisation of the company providing common services within TAURON Group. In the 1st quarter of 2013, merger of the company TAURON Obsługa Klienta with its equivalent company of the former GZE Group took place. Additionally, decentralisation of accounting and IT services and migration of resources from other companies of TAURON Group, which took place during the reporting period, resulted in growth of revenue due to the IT and financial & accounting services provided within the Group, both in the period of 1<sup>st</sup>-3<sup>rd</sup> quarter of 2013 and in the third quarter of 2013 as compared to the corresponding period of the previous year.

Within the Business Area, growth of costs occurred, correlated with revenues, arising from migration of resources to the company TAURON Obsługa Klienta sp. z o.o., consequently, the employment in the Area at the end of the 3rd quarter of this year was higher by 620 FTEs than at the end of the 3<sup>rd</sup> quarter of 2012.

## Other

Specification (thousand PLN)	Quarter 1-3, 2013	Quarter 1-3, 2012	Dynamics 2013/2012	3rd Quarter 1-3, 2013	3rd Quarter 1-3, 2012	Dynamics 2013/2012
<b>Other</b>						
Revenue on sales	<b>233,119</b>	371,170	63%	<b>67,137</b>	115,767	58%
<i>electric energy</i>	<b>103,527</b>	237,964	44%	<b>19,164</b>	69,373	28%
<i>proprietary rights from certificates of electric energy origin</i>	<b>62,415</b>	53,760	116%	<b>21,787</b>	18,195	120%
<i>grinding plant products</i>	<b>40,714</b>	49,603	82%	<b>14,599</b>	14,790	99%
<i>grit and stone</i>	<b>25,231</b>	27,676	91%	<b>11,112</b>	12,345	90%
<i>other products and services</i>	<b>1,231</b>	2,167	57%	<b>475</b>	1,064	45 %
Operating profit	<b>7,486</b>	30,722	24%	<b>5,723</b>	10,067	57%
Amortisation	<b>6,613</b>	6,255	106%	<b>2,185</b>	2,089	105%
<b>EBITDA</b>	<b>14,099</b>	<b>36,977</b>	<b>38%</b>	<b>7,908</b>	<b>12,156</b>	<b>65%</b>

The revenue on sales in the Other Area decreased significantly as compared to the corresponding period of 2012. Suspension of trading on the wholesale market (arising from organizational changes related to PEPKH company), in correlation with lower prices in energy market, determined lower results of this company and the whole Business Area, only partly mitigated by the increased trading of proprietary rights arising from the certificates of origin of electric energy. Equally significant was the reduced level of sales reached by KW Czatkowice, in particular, in the scope of limestone dust and aggregates (lower demand in the energy and construction sectors). Such declines, partly mitigated by variable costs, maintained in

relation to the lower level of sales, cause significant reduction of the company results, directly demonstrated in the results of the Business Area.

In the third quarter of 2013 relatively better results as compared from the previous periods (EBIT of the 3rd quarter represents 76.4% of a total result reached over nine months of 2013) were determined by relatively higher level of sales in KW Czatkowice, in the scope of limestone dust.

#### 4.4.3 Status of assets

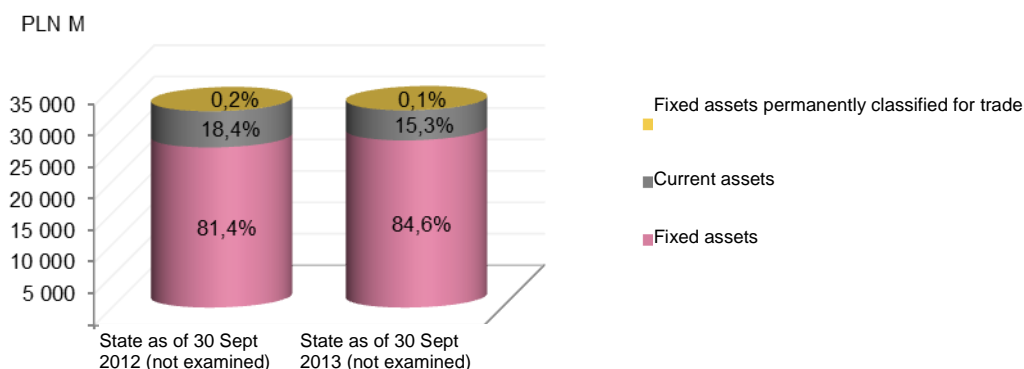
In the table below, consolidated statement on the financial situation as of 30 September 2013 is presented, in relation to 31 December 2012.

##### Semi-annual condensed consolidated statement on financial situation (data in thousand PLN)

Statement on financial situation	Status as of 30 September 2013 (not assessed)	Status as of 31 December 2011 2012	Dynamics (2013/2012)
<b>ASSETS</b>			
<b>Fixed Assets</b>	<b>26,595,950</b>	<b>25,471 230</b>	<b>104.4%</b>
Tangible fixed assets	24,147,608	23,300,643	103.6%
Intangible assets	1,518,253	1,429 313	106.2%
Stocks and shares in affiliated companies and joint ventures recognised applying the equity method	46,353	51,986	89.2%
Other long-term financial assets	380,498	305,444	124.6%
Other long-term non-financial assets	460,511	359,709	128.0%
Assets due to deferred Income tax	42,727	24,135	177.0%
<b>Current assets</b>	<b>4,793,258</b>	<b>5,766 232</b>	<b>83.1%</b>
Intangible assets	627,524	711,099	88.2%
Inventory	476,475	708,282	67.3%
Receivables due to income tax	801	1,434	55.9%
Trade receivables and other receivables	2,137,635	3,036 695	70.4%
Other short-term financial assets	6,596	5,422	121.7%
Other short-term non-financial assets	198,037	272,371	72.7%
Cash and equivalents	1,346,190	1,030 929	130.6%
<b>Fixed assets permanently classified for trade</b>	<b>36,069</b>	<b>36,215</b>	<b>99.6%</b>
<b>TOTAL ASSETS</b>	<b>31,425,277</b>	<b>31,273 677</b>	<b>100.5%</b>

As of 30 September 2013 the statement on financial situation of TAURON Capital Group indicates total assets higher by 0.5%.

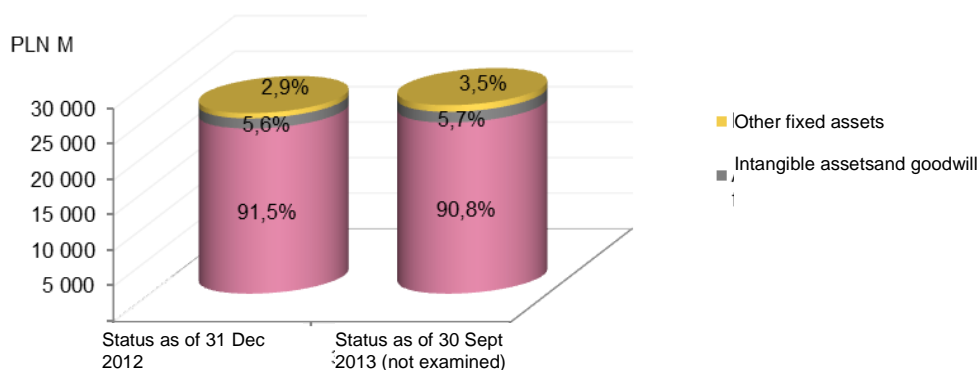
#### Change in the status of liabilities



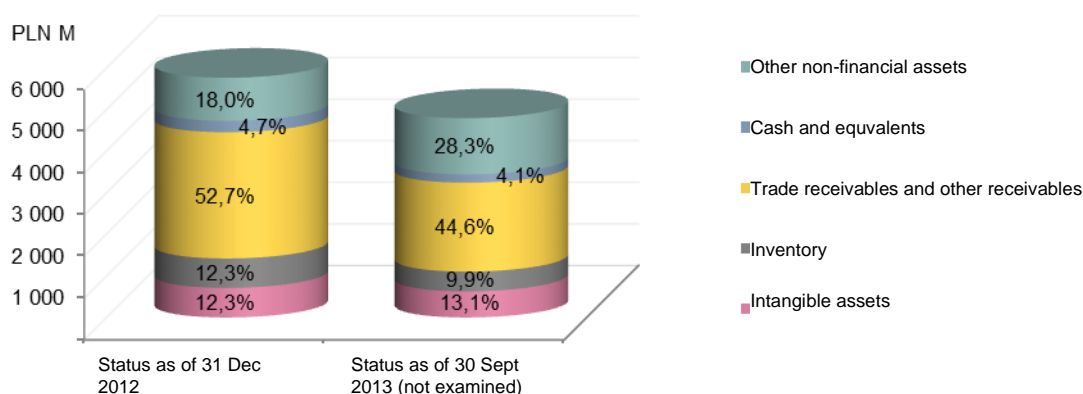
Fixed assets constitute the biggest item of assets at the end of the 3rd quarter of 2013, with the share of 84.6% of total balance sheet value. As compared to the previous year, the value of fixed assets was higher by 4.4%. The change results from investment in fixed assets in each segment of activity, in particular, in the generation assets, carried out over nine months of 2013.

### Change in the status of assets and current assets

#### Fixed assets structure



#### Current assets structure



Tangible fixed assets still constitute the biggest part of assets of TAURON Group, making 76,8% of the balance sheet total and 90,8% of the value of all fixed assets at the end of the reporting period. Their value

increased by PLN 847 million (3,6%).

Decrease of the value of current assets of TAURON Group by about PLN 973 million (16,9%) result from decrease in liabilities by PLN 899 million (29,6%), provisions by PLN 231,8 million (32,7%) and intangible assets by PLN 83,6 million (11,8%). The decrease of intangible assets results from submission of the energy proprietary rights for 2012 in the 1st quarter of 2013, on account of fulfilment of the obligation to redeem the proprietary rights held..

In the table below, the annual consolidated statement on financial situation - liabilities, is presented.

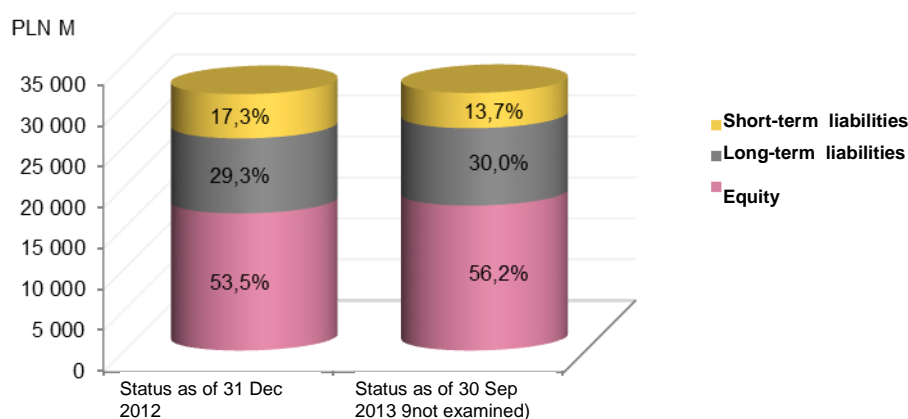
**Semi-annual condensed consolidated statement on financial situation (data in thousand PLN)**

Statement on financial situation	Status as of 30 September 2013 (not assessed)	Status as of 31 December 2011 2012	Dynamics (2013/2012)
<b>LIABILITIES</b>			
<b>Equity</b>	<b>17,675 336</b>	<b>16,728,233</b>	<b>105.7%</b>
Equity attributable to shareholders of the parent company	17,143 926	16,235,110	105.6%
Share capital	8,762 747	8,762,747	100.0%
Supplementary capital	9,037 699	7,953,021	113.6%
Hedging tools revaluation reserve	(118,166)	(153,703)	76.9%
Currency Exchange differences due to translation of foreign units	(289)	(370)	78.1%
Retained profits / Uncovered losses	(538,065)	(326,585)	164.8%
<b>Non-controlling shares</b>	<b>531,410</b>	<b>493,123</b>	<b>107.8%</b>
<b>Long-term liabilities</b>	<b>9,443 042</b>	<b>9,148,067</b>	<b>103.2%</b>
Loans, credits and debt securities	5,577 394	5,222,882	106.8%
Liabilities due to leasing and lease contracts with purchase option	33,444	41,796	80.0%
Trade liabilities and other long-term financial liabilities	8,241	7,890	104.4%
Derivatives	93,540	150,594	62.1%
Provisions for employee benefits	1,545 749	1,568 219	98.6%
Other provisions	85,612	82,523	103.7%
Long-term prepayments and governmental subsidies	750,612	723,315	103.8%
Provision due to deferred income tax	1,348 450	1,350,848	99.8%
<b>Short-term liabilities</b>	<b>4,306 899</b>	<b>5,397,377</b>	<b>79.8%</b>
Current portion of interest-bearing credits, loans and debt securities	272,154	286,990	94.8%
Current part of liabilities due to leasing and lease contracts with purchase option	14,108	14,482	97.4%
Trade liabilities and other liabilities	1,653,840	2,628,449	62.9%
Derivatives	75,648	40,624	186.2%
Provisions for employee benefits	167,637	167,704	100.0%
Other short-term liabilities	1,010 316	1,103,036	91.6%
Accruals and governmental subsidies	361,599	273,824	132.1%
Liabilities due to income tax	117,238	113,034	103.7%
Other non-financial liabilities	634,359	769,234	82.5%
<b>TOTAL LIABILITIES</b>	<b>31,425 277</b>	<b>31,273,677</b>	<b>100.5%</b>

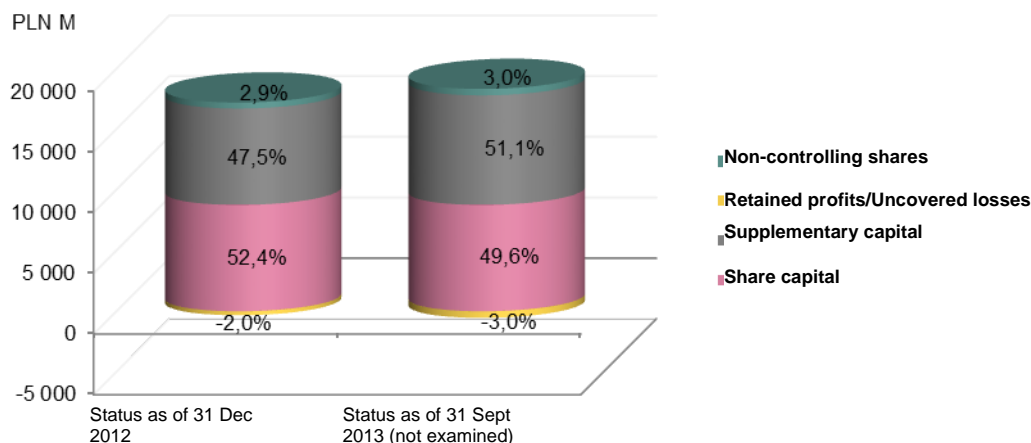


## Change in liabilities and equity

**Structure of liabilities**



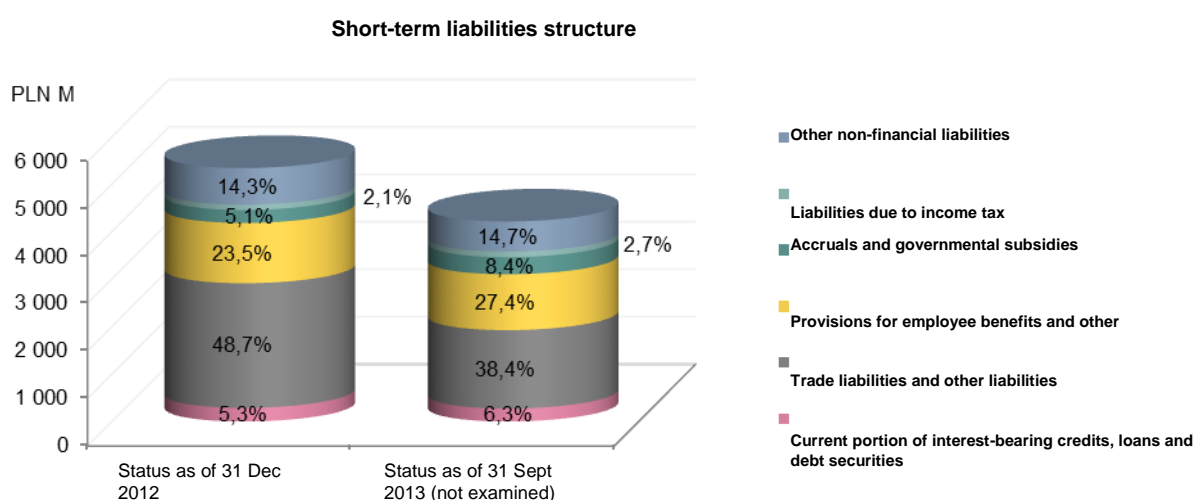
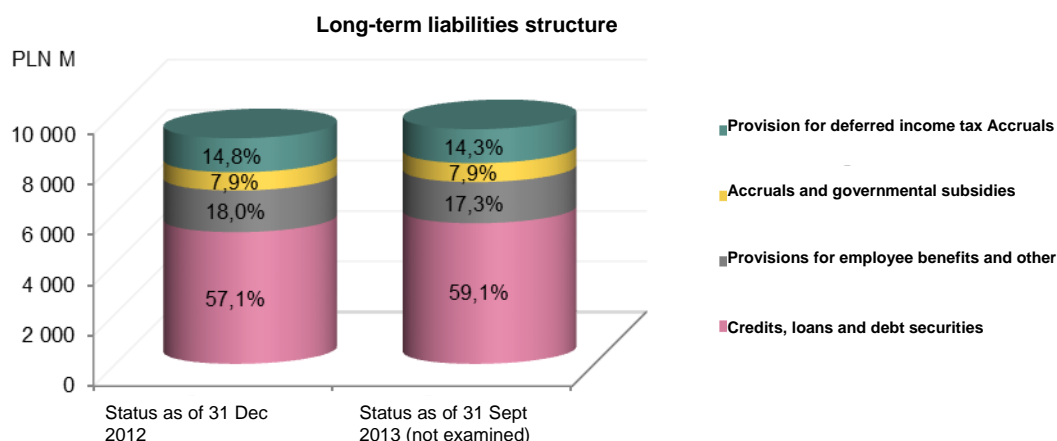
**Structure of equity**



As of 31 December 2013 and as of 31 December 2012, the total equity, as the dominating source of financing of TAURON Capital Group assets, reached PLN 17,675.3 thousand and PLN 16,728.2 thousand, respectively, which constitutes about 56.2% and 53.5% of total liabilities. The increased value of equity by the amount of PLN 947,1 million is due to the supplementary capital increase as a result of the distribution of profits from previous years.

The value of the share capital and supplementary capital in the current period was not changed irrespective of the minor decrease in the structure of equity.

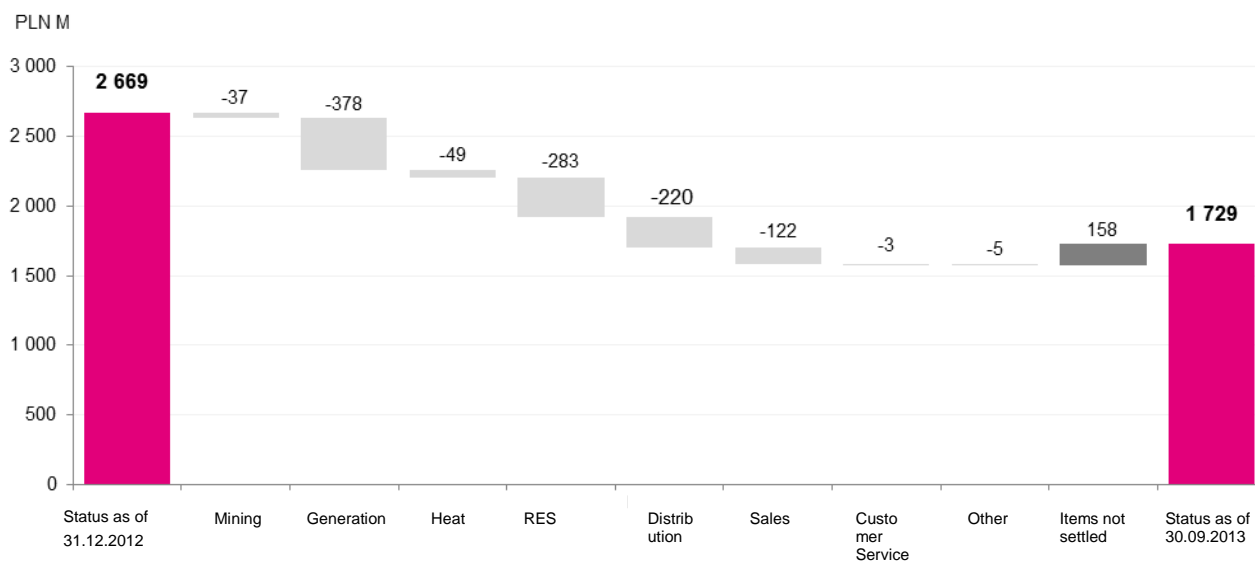
## Change in the status of liabilities



The share of long-term liabilities in the structure of equity increased by PLN 295 million (3,2%) against the status as of 31 December 2012. The increased value of long-term liabilities over nine months of 2013 results from the growth of value of credits, loans and debt securities by the amount of PLN 354,5 million (6,8%) due to disbursement of the additional tranche of credit facility allocated for financing of investment implemented in the Group companies.

The share of short-term liabilities in the structure of equity decreased by PLN 1,090.5 million (20,2%) against the status as of 31 December 2012. The change in their value was affected by the decrease in trade liabilities and other liabilities by the amount of PLN 974,6 million (37,1%), and the decrease in provisions by the amount of PLN 134,9 million (17,5%) against the status as of 31 December 2012. The decrease of short-term trade liabilities and other liabilities in the reporting period was recorded in each area, which is presented in the chart below.

#### Change in trade liabilities and other liabilities - according to areas



The main reason for the decrease was the reduction of liabilities due to acquisition of fixed assets and intangible assets by the amount of approximately PLN 602,9 million and trade liabilities by the amount of about LN 273,5 million. Over nine months of 2013 the value of the current part of credits, loans and debt securities slightly decreased, which results from the disbursement of the next tranche of facility allocated for financing of investment implemented in the Group companies, overdraft facility, the valuation of bonds issued and loans drawn as of 30 September 2013, as well as repayment of due installments of financial liabilities.

#### 4.4.4 Cash Flows

In the table below, the semi-annual condensed statement of cash flows is presented, for the 1st half of 2012, in relation to the 1st half of 2012.

##### Semi-annual Statement of Cash Flow (data in thousand PLN)

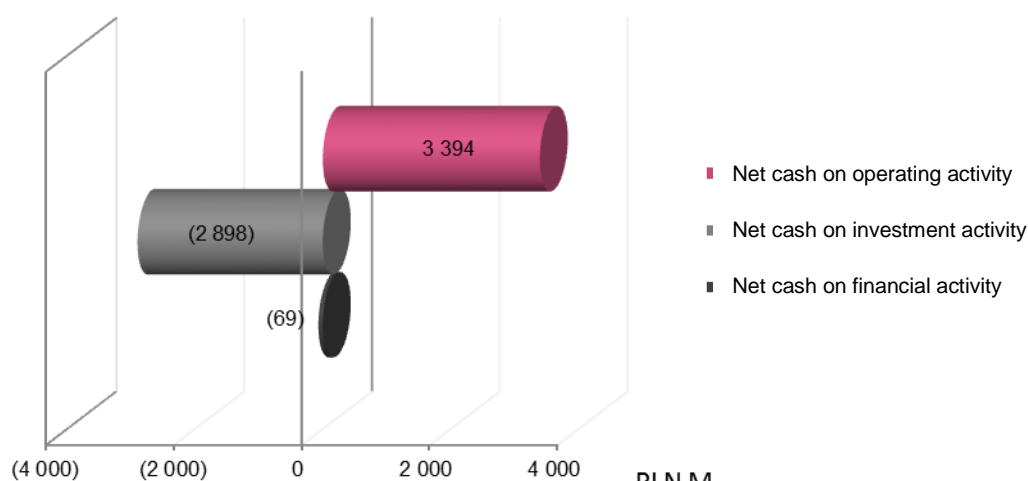
Statement of Cash Flows	9 months' period ended on 30 September 2013. (not examined)	9 months' period ended on 30 September 2012. (data converted, not examined)	Dynamics 2013/2012
<b>Cash flows from operating activities</b>			
Gross profit / (loss)	1,541,114	1,679,242	91.8%
Adjustments	1,852,641	988,296	187.5%
<b>Net cash from operating activities</b>	<b>3,393,755</b>	<b>2,667,538</b>	<b>127.2%</b>
<b>Cash flows from investment activities</b>			
Sales of tangible fixed assets and intangible assets	17,646	9,134	193.2%
Purchase of tangible fixed assets and intangible assets	(2,868,589)	(2,434,486)	117.8%
Sales of bonds and other debt securities	0	102,506	-
Sales of other financial assets	1,389	20,793	6.7%
Purchase of other financial assets	(4,399)	(10,085)	43.6%
Acquisition of subsidiary following deduction of cash taken over	0	(5,613)	-
Dividend received	18,291	8,305	220.2%
Interest received	40	136	29.4%
Repayment of loans granted	46,800	13,000	360.0%

**TAURON Polska Energia S.A.**  
Additional information to the extended consolidated report  
for the 3rd quarter of 2013

Statement of Cash Flows	9 months' period ended on 30 September 2013. <i>(not examined)</i>	9 months' period ended on 30 September 2012. <i>(data converted, not examined)</i>	Dynamics 2013/2012
Loans granted	(108,800)	(75,000)	145.1%
Other	2	0	-
<b>Net cash from investment activities</b>	<b>(2,897,620)</b>	<b>(2,371,310)</b>	<b>122.2%</b>
<b>Cash flows from financial activities</b>			
Repayment of liabilities due to financial leasing	(10,805)	(10,549)	102.4%
Cash inflows due to loans/credits	451,693	999,000	45.2%
Repayment of loans/credits	(49,787)	(127,747)	39.0%
Issue of debt securities	-	150,000	-
Dividends paid to shareholders of the parent company	(350,510)	(543,290)	64.5%
Dividends paid to non-controlling shareholders	(8,071)	(16,435)	49.1%
Interest paid	(103,613)	(95,826)	108.1%
Purchase of non-controlling interest	(1,788)	(5,910)	30.3%
Other	3,853	(10,762)	-
<b>Net cash from financial activities</b>	<b>(69,028)</b>	<b>338,481</b>	<b>-</b>
<b>Increase/(decrease ) in net cash and cash equivalents</b>	<b>427,107</b>	<b>634,709</b>	<b>67.3%</b>
Net exchange differences	(1,408)	(993)	141.8%
<b>Cash opening balance</b>	<b>891,654</b>	<b>505,816</b>	<b>176.3%</b>
<b>Cash closing balance</b>	<b>1,318,761</b>	<b>1,140,525</b>	<b>115.6%</b>

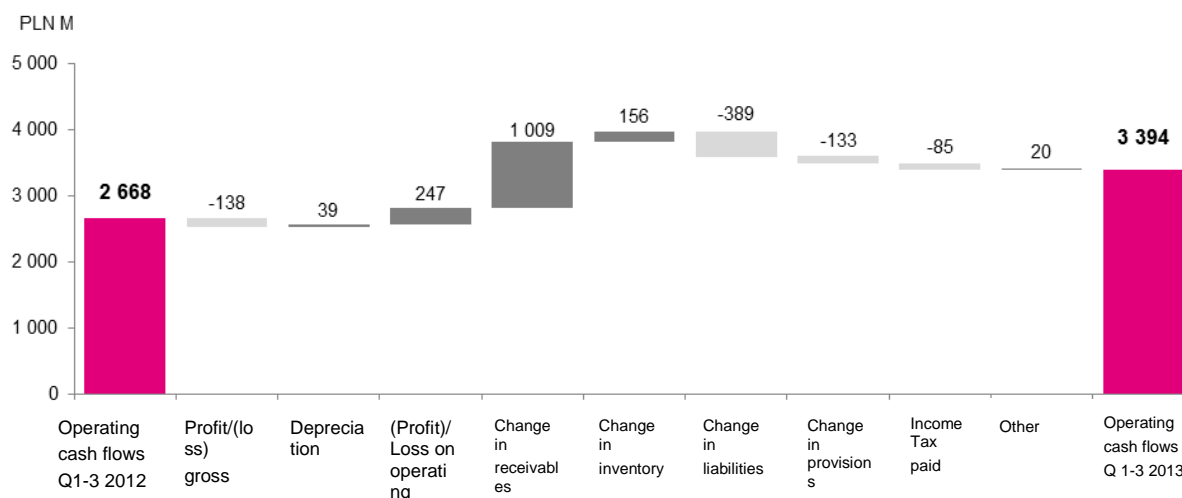
TAURON Capital Group recorded positive result on the total value of net cash flows on operating, investment and financial activities. The total of all cash flow streams during the nine months' period ended on 30 September 2013 amounted to PLN 427,1 million and was lower by PLN 207,6 million as compared to the corresponding period of the previous.

### Cash flows in 2012 and 2013



During nine months of 2013, the value of cash flows on operating activity positive and amounted to PLN. 3 394 million and it was higher by 27,2% than the value of cash flows of the comparable reporting period. The chart below shows the most significant changes in operating cash flow items which occurred between the three quarters compared.

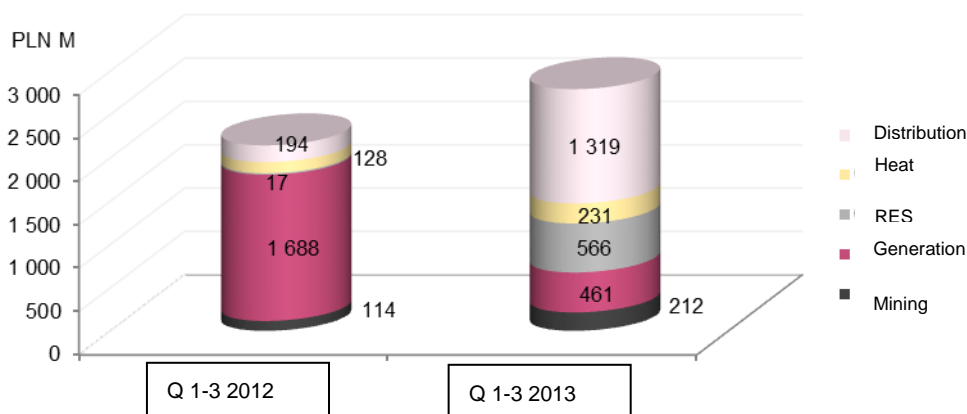
**Change in operating cash flows in the 1<sup>st</sup>-3rd quarters of 2013 as compared to the 1<sup>st</sup>-3rd quarters of 2012.**



Due to the on-going investment in fixed assets in most of the Business Areas of TAURON Group, the value of cash flows on investment activity was negative and amounted to approximately PLN 2 897,6 million in the three quarters of 2013 (by 22,2% more than the expenditures incurred in the comparable period of the previous year). The investment expenditure was mainly incurred for fixed assets and intangible assets, at the amount of PLN 2 868,6 PLN (higher by 17,8% than the expenditure incurred in the corresponding period of the previous year).

Below the value of expenditure incurred on purchase of fixed assets and intangible assets is presented according to the Business Areas.

**Expenditure incurred on purchase of fixed assets and intangible assets according to the key Business Areas**



The total value of cash flows on financial activity in the 1st-3rd quarters of 2013 was negative and amounted to about PLN 69 028 million and it was lower than the value of the cash flow stream in the comparable period of 2012 by the amount of PLN 407,5 million. Negative cash flow stream is a result of lower value of loans drawn for investment expenditure as compared to the previous year. Over nine months ended on 30 September 2013 TAURON Capital Group raised credit facilities at the amount of PLN 451,7 million (the level was lower by PLN 697,3 million, i.e. by 60,7% than in the comparable period of the last year)

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 explicitly 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 used 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 Factors and events, particularly of unusual character, significantly affecting the financial results achieved**

During the period under analysis, no factors and events of unusual character occurred, which would significantly affect the financial results achieved.

#### **4.6 Factors which, according to the opinion of the Issuer, may have impact on the results to be achieved within the perspective of at least the next quarter**

In the Issuer's opinion, results of operations of TAURON Capital Group within the perspective of at least the next quarter, will be affected mainly, as it happened in the past, by the following factors:

- 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 EU and the global economy, including changes in interest rates and currency exchange rates, etc., influencing the valuation of assets and liabilities recognised by the Company in the statements on financial situation,
- political environment, especially in Poland as well as at the European Union level, including the standpoints and decisions of public administration institutions and authorities, for example: UOKIK, ERO and the European Commission,
- situation in electric energy sector, including competition behaviour on the energy market,
- changes in regulations of the energy sector, activity/decisions of the President of ERO;
- changes in the legal environment, including: tax law, commercial and energy law,
- prices of electric energy and fuel as well as distribution tariffs, as factors influencing the level of revenue and costs;
- prices of CO<sub>2</sub> emission allowances;
- prices of energy resources;
- prices of certificates of origin of energy from renewable sources and co-generation;
- demand for electric energy and other products of energy market,
- geological and mining conditions,
- environmental protection requirements,
- scientific and technical progress,
- potential failures of equipment, installations and grids owned by TAURON Capital Group.
- seasonality and weather conditions.

Activities of TAURON Capital Group are characterized by seasonality, which applies in particular to the

production, distribution and sale of heat, distribution and sale of electricity to retail and coal sales to individual customers for heating purposes. Sales of heat depends on the weather conditions, in particular temperature, and it is higher in autumn and winter. The level of electricity sales to individual customers depends on the length of the day, which makes the sale of electricity to this group of customers is generally lower in the spring and summer and higher in the autumn and winter. Level of coal sales to individual customers is higher in autumn and winter. Seasonality of the other Business Areas is small.

#### **4.7 Standpoint of the Management Board concerning a possibility to implement forecasts of results for the year published earlier**

TAURON Polska Energia S.A. did not publish any forecasts of financial results for the financial year 2013. This decision was due to high market volatility and large number of variables affecting the predictability.

### **5. Other information and events which occurred after the 3rd quarter of, 2013**

#### **5.1 Relevant reported events which occurred in the third quarter of 2013**

##### **Intention to merge TAURON Polska Energia S.A. with PKE Broker sp. z o.o.**

On 3 July 2013 the Management Board of TAURON Polska Energia S.A. for the first time notified shareholders of the intention to merge with the company PKE Broker sp. z o.o. with its registered office in Katowice. The merger will be through the acquisition of the company PKE Broker sp. z o.o. by TAURON Polska Energia S.A., pursuant to art. 492 § 1 point 1) of the Code of Commercial Companies i.e. by means of assignment of the whole assets of the company PKE Broker sp. z o.o. to TAURON Polska Energia S.A. the second notification was published on 24 July 2013. On 16 August of 2013 the Supervisory Board of the Company approved the proposal of the Management Board of the Company addressed to the General Meeting of TAURON Polska Energia S.A. on the adoption of a resolution on the merger of the companies PKE Broker sp. z o.o. (the acquired company) and TAURON Polska Energia S.A. (the acquiring company) giving consent to the Plan of the merger. The issue will be the subject of the Extraordinary General Meeting of TAURON which will be held on 19 November 2013.

The position of the Management Board on the merger in question was published on 22 October 2013. The rationale of the merger is the fact that in its result organisation structures will be simplified, including supervisory and management structures which will streamline the management of TAURON Group and will eliminate the significant part of redundant processes, thus reducing the operating costs. the merger of the Companies will result in financial savings in the administrative and organisational areas due to the reduction in the number of management and control bodies within the Group. As a result, the merger will increase the transparency of TAURON Capital group structure. The merger will also result in taking of direct control over essential assets of TAURON Group by TAURON Polska Energia S.A.

The Company informed of the intended merger with PKE Broker sp. z o.o. in the current reports no. 32/2013 of 4 July 2013, no. 34/2013 of 24 July 2013, no. 37/2013 of 16 August 2013 as well as in the reports no. 43/2013, 44/2013 and 45/2013 of 22 October 2013.

## **Recognition of write down on generating assets of the Generation Segment in the semi-annual financial statement**

On 5 July 2013 the Management Board of TAURON Polska Energia S.A. informed the public of the impact expected non-cash impact of a one-off event, i.e. write down of unprofitable generation units from the Generation segment. For the purpose of the write down, the company identified Cash Generating Units (CGU), 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 (before, the entire company TAURON Wytwarzanie was considered to be one CGU). Installed capacity of generation units to be written down is approx. 1 200 MWe, majority of which are 120 MWe 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 in the amount of approx. PLN 236,5 million

The expected Impact of write down on consolidated results of TAURON Group for the first half of 2013 r. is as follows: a) approx PLN 191,6 million impact on net profit, b) approx. 236,5 million impact on EBITDA. .

The Company informed of the aforementioned event in the current report No. 33/2013 of 05 July 2013.

## **Extension of the validity of an offer of consortium of RAFAKO – MOSTOSTAL WARSZAWA for construction of power unit in Elektrownia Jaworzno III**

On 30 July 2013 the Management Board of TAURON Polska Energia S.A. took decision to prolong the validity of the offer submitted by consortium of RAFAKO S.A. – MOSTOSTAL WARSZAWA S.A. (Konsorcjum) under tender procedure for general contractor of 800-910 MW power unit at Jaworzno III power plant until 30 September 2013.. The Consortium also submitted annex to the bid bond that prolongs the validity of the cash deposit until 30 September 2013. Then the term of the tender and the annex to the bid bond bank was prolonged until 30 October 2013. On 30 October 2013 the validity of an offer and the bid bond was extended until 31 December 2013.

The Company would like to remind that 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. (consortium leader) and MOSTOSTAL WARSZAWA S.A. The value of the winning bid is PLN 4,399 million net (PLN 5,411 million gross). The subject of the tender includes the design and construction construction of a 910MW coal-fired unit. The Project is in line with Corporate Strategy presented in the current report No. 25/2011 of 28 April 2011 which stipulates building a sustainable generation portfolio that would consist of coal, gas and RES based technologies. Delivery of the Project is scheduled in 2018.

The company informed of the extending the validity of the offer in the period covered with the semi-annual report in current report no. 35/2013 of 30 July 2013, no. 40/2013 of 27 September 2013 r. and no. 46/2013 of 30 October 2013.

## **Concluding agreements for bond issue programmes**

on 31 July 2013 the Company, ING Bank Śląski S.A., Bank Polska Kasa Opieki S.A. and BRE Bank S.A. signed agreement for bond issue program for TAURON Polska Energia bonds for the maximum value of PLN 5 billion ("Agreement") The Agreement was signed for three years commencing on the date of signature. The bonds issued under the above mentioned program will be uncollateralised, dematerialised, discounted or coupon bonds. Face value and issue value of a single bond will be determined in the terms and conditions of the issue, interest rate will be determined individually for each tranche during the process of bond offering. Maturity 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 BondSpot 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.

In addition, on 31 July 2013 the Company and Bank Gospodarstwa Krajowego signed underwriting, agency and depository agreements together forming long-term bond issue program of TAURON Polska Energia S.A. for the value of PLN 1 billion. The issued bonds will be uncollateralised, dematerialised 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 issued bonds should not exceed the total bond issue value 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. Interest rate 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 program'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 signing the aforementioned agreements in the current report No. 36/2013 of 31 July 2013.

### **Decision of the President of Energy Regulatory Office on final adjustment of stranded costs for TAURON Wytwarzanie S.A.**

On 2 September 2013 the Company was informed about the decision of the President of Energy Regulatory Office (ERO President) dated 30 August 2013 regarding final adjustment of stranded costs due the Issuer's subsidiary TAURON Wytwarzanie S.A. for the period from 1 April 2008 to 31 December 2013 (Decision). The final adjustment specified in the Decision amounts to approx. PLN 54 million. The above mentioned amount will be paid to TAURON Wytwarzanie by 31 December 2013. The final adjustment of stranded costs specified in the Decision will result in decrease of TAURON Group's EBIT for 2013 by approx. PLN 18.9 million.

The Company informed of ERO President' decision in the current report no. 38/2013 of 02 September 2013.

### **Terms and conditions of purchase of shares in PGE EJ1 sp. z o.o.**

On 23 September 2013 TAURON Polska Energia S.A., PGE Polska Grupa Energetyczna S.A. ("PGE"), KGHM Polska Miedź S.A., and ENEA S.A., as a result of works aimed at drafting the agreement for sale of shares in the special purpose vehicle (SPV) established for construction and operation of a nuclear power plant (memorandum of understanding dated 25 June 2013), initialled a Partnership Agreement ("Partnership Agreement") By doing so, the parties unanimously declared that the initialled document constitutes a draft of the future Partnership Agreement that will be signed after the required corporate agreements of each party have been obtained. The Partnership Agreement obligates the parties thereto to sign the Agreement for purchase of shares in PGE EJ1 – the special purpose vehicle for construction and operation of nuclear power plant ("Share Purchase Agreement").

In accordance with the provisions of the Partnership Agreement, PGE will sell to other parties of the Partnership Agreement a block of 438,000 shares which in total constitute 30% of PGE EJ1's initial capital, as a result of which PGE will hold 70% in the initial capital of PGE EJ1. The shares will be taken as follows:

- TAURON Polska Energia S.A. will purchase 146,000 shares, which constitute 10% in the initial capital of PGE EJ1,
- KGHM Polska Miedź S.A. will purchase 146,000 shares, which constitute 10% in the initial capital of PGE EJ1,
- ENEA S.A. will purchase 146,000 shares, which constitute 10% in the initial capital of PGE EJ1.

The Partnership Agreement includes also terms and conditions of participation of all parties in the project

for preparation and construction of nuclear power plant in Poland. PGE and each of the business partners will be obligated to sign the Share Purchase Agreement after the following two conditions precedent have been satisfied:

- unconditional permit for concentration is obtained from the President of Antitrust Office (UOKiK);
- Polish Nuclear Power Program is adopted this year by the Council of Ministers, by way of a resolution.

The Company informed of the aforementioned event in the current report No. 39/2013 of 23 September 2013.

## **5.2 Other events which occurred in the third quarter of 2013**

### **Signing the agreement for construction of condensing and extraction turbine generator 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 turbine generator of 50 MW capacity in Zakład Wytwarzania Nowa in Dąbrowa Górnicza. The unit is to replace two of three turbine generators 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 turbine generator, including the auxiliary equipment and the system for energy discharge. Delivery of the investment is scheduled in 2015.

### **Permit for operation the heating unit of 50 MW in Zespół Elektrociepłowni Bielsko-Biała**

On 12 August 2013 a permit was obtained for operation of a coal-fired heating unit of 50 MW<sub>e</sub> and 106 MW<sub>t</sub> (182 MW<sub>t</sub> with peak unit) in Zespół Elektrociepłowni Bielsko-Biała. The purpose of this investment is to replace the exploited and low-performing generation units by the unit of high performance, complying with environmental protection requirements concerning emissions of NO<sub>x</sub>, SO<sub>2</sub> and particulate matter. The new unit was commissioned in June 2013 and is currently the main source of heat supply for Bielsko-Biała.

### **Concession on electric energy generation from RES in 20 MW unit in Elektrownia Stalowa Wola**

On 16 September 2013 concession to generate electricity from RES based on forestry and agro-biomass (pellets) in a renewable energy source - was granted to the unit of 20 MW in Elektrownia Stalowa Wola. This investment involved modernisation of K-10 boiler in order to adapt it to burn 100% biomass, construction of installation of biomass supply and modernization of turbo-generator TG-6 in order to adapt it to work with a modernized boiler.

## **5.3 Macroeconomic and market situation**

### **Macroeconomic data on the energy market**

According to PSE SA, electricity consumption in Poland in the third quarter of 2013 amounted to 37 780 MWh, i.e. increased by approximately 2.1% in relation to the same period in 2012. The distribution of changes in energy demand was very quite irregular in individual months. In July and September an increase by 2.6% and 2.8% respectively was recorded, and in September it was only 0.9%. In the third quarter of 2013 the total production of electric energy in Poland increased by over 4,1% (to 38 664 MWh) as compared to 2012. Growth structure for different types of fuel was as follows:

- coal-fired power plants - an increase of 3.6%;

- lignite power plants – an increase of 4.85%;
- hydropower plants - an increase of 21.09%;
- wind power plants - an increase of 29.36%.

In turn, the production of gas-fired plants significantly decreased - a decrease of 32.26%, and in other sources of renewable energy - a decrease of 5.56%. Foreign exchange balanced also significantly changed as in the third quarter of 2013 Poland exported as much as 884 MWh of energy, i.e. by 550% more than in the comparable period in 2012.

### **Electric energy trading on the wholesale market**

Average price of electricity on the Day-Ahead Market (RDN) managed by Polish Power Exchange in the third quarter of 2013 amounted to 160.65 PLN/ MWh and was by 16.45 PLN/ MWh lower than the average in the same period of 2012. The average price on the balancing market in the third quarter 2013 amounted to 162.47 PLN/ MWh. Persistent low wholesale electricity prices reflect European trends related to the large supply of energy from renewable sources and low prices of coal and CO<sub>2</sub> emission allowances<sub>2</sub>. On the neighbouring German market, EPEX spot price of electricity for the third quarter of 2013 amounted to an average of 38.76 EUR / MWh, i.e. by 4.76 EUR MWh less than in the third quarter of 2012. Similarly, on the Czech OTE price was lower by 4.60 € / MWh and amounted to 39.07 EUR / MWh. Only on the Scandinavian NordPool market average spot price in the third quarter of 2013 was higher by 15.01 EUR/MWh than a year earlier. This was due to the extremely good hydrological situation and generation from nuclear sources by 2012. In 2013, the price returned to the level of 35.85 EUR / MWh, which is the European average.

Prices of futures contracts for delivery in 2014 (Base Y-14) at the beginning of the quarter under the analysis recorded their historic lows at the level of 145.15 PLN/ MWh. Then, after a month of stabilization in the first half of September, we have witnessed a sharp increase in the prices of these contracts to the level of 165.10 PLN/MWh. However, by the end of the quarter prices returned to the level of 155.50 PLN/ MWh.

According to the President of the Energy Regulatory Office, the average price of electricity for the third quarter of 2013 sold in a manner other than that specified in Art. 49a., section 1 and 2 of the Energy Law was 196.35 PLN/ MWh and was by 7.02 PLN/ MWh lower than in the third quarter of 2012,

### **The prices CO<sub>2</sub> emission allowances and property rights**

The prices of CO<sub>2</sub> emission allowances recorded under the third phase of the EU ETS for the first two months of the third quarter of 2013 remained at levels 4.04-4.60 EUR / tCO<sub>2</sub>. However, at the beginning of September due to the upcoming elections in Germany, and thus the expectation of the final decision on the withdrawal of a large number of units from the system (the so-called backloading), prices surged to levels far above 5 EUR/tCO<sub>2</sub>e reaching since January an unprecedented level of 5,68 EUR/tCO<sub>2</sub>. At the end of the quarter, however, EUA prices fell again below 5 EUR / tCO<sub>2</sub>.

The prices of certificates of origin on the proprietary rights market confirming generation of energy from RES in the third quarter strongly increased from 143 PLN/MWh to 207 PLN/MWh traded in mid-September. Later, however, an adjustment occurred to the level of about 192 PLN/MWh. Increases in the prices of green certificates (PM RES) took place in an atmosphere of uncertainty as to changes in the act on renewable energy sources and in spite of the increasing oversupply of green certificates registry. Balance of the register within this quarter increased by 2.67 TWh.

PMMET certificate prices stayed throughout the period without major changes at the level of 57.31 - 58.02 PLN/MWh. On the other hand, due to the lack of appropriate regulations, trade in PMGM and P MEC certificates practically froze.

### **Changes in the power engineering legal environment**

In the third quarter of 2013, the President of the Republic of Poland signed a bill to amend the Energy Law and other laws, referred to as a *small three-pack*.

The Act, signed on 14 August, is a step towards a common market for electricity and gas, and support for the development of prosumer energy. Among the many changes, the amendment provides for definitions such as micro and small installations, industrial customers, and sensitive customers with the determination of flat-rate energy supplement. The Act clarifies the rules on carrying out controls of legality of fuels or energy consumption, controls of measurement and counting systems, abiding by the agreements concluded and reliability of the accounts by energy company running the business of transmission or distribution of energy or fuels. The amendment set out the conditions, upon the occurrence of which the energy company carrying out the business of transmission or distribution of gas or electricity may stop (with restrictions under the Act) to provide gaseous fuels or electricity: i) where the audit found that there was illegal downloading of fuels and energy, (ii) if the recipient is in default of payment for services rendered, at least for a period of 30 days after the payment date. The Act adds provisions governing the production of electricity from micro-installations by an individual who is not an entrepreneur and for connecting the facility to the distribution network.

The amendment also extends the list of entities obliged to submit to the President of ERO redemption of certificates of origin for electricity from renewable sources or agricultural biogas or pay the replacement fee from industrial customers, who in the year preceding the year of the obligation used no less than 100 GWh of electricity, the cost of which was not less than 3% of its production. The Act included new provisions of topics including national action plan for energy from renewable sources, as well as principles of international cooperation on joint investment projects and international cooperation in the field of renewable energy sources while defining the concept of a statistical transfer. A guarantee of origin was also introduced, the document giving the end user confirmation that the amount of electricity specified in this document, entered in the distribution network or transmission grid is produced from renewable energy sources. In addition, the Act regulates the ownership unbundling of gas transmission and trading and the obligation to sell gas through the stock exchange.

### **Operational and Intervention Reserves**

As of 27 September 2013 PSE SA (Transmission System Operator - TSO) presented "Update Charter no. CB/9/2013 IRiESP" for public consultation, in which a proposal to pay for operational reserve in the National Power System was included. These payments are planned to be introduced on 1 January 2014. This change will affect the revenues for the provision of operational reserve services and may result in an increase in electricity prices on the Balancing Market.

In September 2013 offers of generating units of TAURON Group covered by derogations (5 blocks of 120MW) were submitted in the tender organised by PSE S.A to provide services of "intervention reserves". The service is to apply from 1 January 2016. As of the date of presentation of this report the outcome of the tender is not known.

## **6. Other information and events after the balance sheet day**

### **6.1 Other reported important information and events which occurred after the balance sheet date**

#### **Cancellation of tender for the construction of CCGT unit at Zakład Wytwarzania Katowice**

On 1 October 2013 the management board of Issuer's subsidiary – TAURON Ciepło S.A. (Ordering Party), acting pursuant to Article 93 section 1 item 4 of the Public Procurement Law, cancelled the tender for award of public contract: "Construction of 135 MW gross capacity unit at TAURON Ciepło S.A. Zakład Wytwarzania Katowice" (Project). The Ordering Party planned to allocate PLN 659,280,000.00 gross to finance the Project Three valid offers were submitted before the deadline, out of which the lowest was worth PLN 790,296,748.86 gross. The tender was cancelled because the prices of the submitted offers largely exceeded the amount planned by the Ordering Party for the Project. In consequence of the above, TAURON Group intends to undertake actions aimed at cancellation of the entire Project.

The Company informed of the aforementioned event in the current report No. 41/2013 of 01 October 2013.

### **Exceeding of the 10% equity threshold within the trading turnover between the companies of TAURON Group and the companies of PSE S.A. Group**

On 15 October 2013 the Management Board of TAURON Polska Energia S.A. informed that on 15 October 2013, following receipt of documents from PSE concerning provision of services to companies from the TAURON Group, settlement was carried out with PSE Group's companies, which showed that the net turnover generated between TAURON Group's companies and PSE Group's companies from the date of the above mentioned current report No. 37/2012, i.e. from 8 November 2012 amounted to PLN 1,938 million (out of which approx. PLN 1,593 million constitute costs for the TAURON Group and approx. PLN 345 million constitute income) and exceeded 10% of the Issuer's equity. The turnover of the highest value, i.e. about PLN 1,302 million net, was generated under the agreement of 20 September 2007, concluded between TAURON Dystrybucja S.A. (previously EnergiaPro S.A.) and PSE, which was notified by the Issuer in item 14.2 of the Prospectus (the Agreement). The subject of the Agreement is the provision of transmission services by PSE Operator, understood as transport of electric energy via the transmission grid. The agreement has been concluded for indefinite period of time. Estimated value of the Agreement over 5 years from its conclusion is approx. PLN 3,016 million. The services are cleared in accordance with the terms and conditions and charges approved by the President of the Energy Regulatory Office, defined in the tariff, and considering the provisions of the Instruction for Transmission System Operation and Maintenance (IRiESP). The Agreement does not include liquidated damages. The Agreement does not include conditions precedent or subsequent.

The Company informed of the aforementioned event in the current report No. 42/2013 of 15 October 2013.

### **Convening of the Extraordinary General Meeting of TAURON Polska Energia S.A.**

On 22 October 2013 the Management Board of TAURON Polska Energia S.A. convened Extraordinary General Meeting of the Company for 19 November 2013 at 11 a.m. in Hotel Angelo in Katowice at ul. Sokolska 24. The agenda of the EGM covers adoption of a resolution on merger of companies TAURON Polska Energia S.A. (the acquiring company) with PKE Broker sp. z o.o. (the acquired company).

Announcement of convening the EGM, draft resolutions and the Management Board's position on merger with PKE Broker Ltd. were published in the current reports no. 43-45/2013 of 22 October 2013

### **Signing annex to Agreement for operation of Elektrociepłownia Stalowa Wola under the project "Construction of CCGT unit at Stalowa Wola"**

On 30 October 2013 annex was signed to the Agreement on functioning of Elektrociepłownia Stalowa Wola S.A. ("Operation agreement"). Pursuant to the annex, PGNiG Termika S.A. became a party to the Agreement instead of PGNiG Energia S.A. Thus, as of 30 October the parties to the Agreement on functioning are: TAURON, PGNiG S.A., PGNiG Termika S.A., TAURON Wytwarzanie S.A. and Elektrociepłownia Stalowa Wola S.A.

The Company informed of the aforementioned event in the current report No. 47/2013 of 30 October 2013.

## **6.2 Other events after the balance sheet day**

### **Commissioning of Marszewo and Wicko wind farms**

In 2010, the construction of a wind farm Marszewo was launched through the acquisition of shares in Megawat Marszewo sp. z o.o. In January 2012, after a tender procedure, an agreement with the contractor (Iberdrola) was signed. On 4 September 2013, the wind farm Marszewo was commissioned, on 6 September 2013 a decision to grant a concession for the production of electricity was obtained, and on 17

October the final delivery report was signed. Capacity of the wind farm Marszewo is 82 MW, the planned level of generation of electric energy is about 180 GWh annually.

In 2010 construction of the wind farm in the location of Wicko also began through the acquisition of shares in Bels Investment sp. z o.o. After a tender procedure in September 2012, an agreement with the contractor (Aldesa Nowa Energia) was signed. On 16 September 2013 r. a permit to operate was granted, and on 24 October 2013 the final delivery report signed and concession to generate electric energy was obtained. Capacity of the wind farm Wicko is 40 MW, and the planned level of generation of electric energy is about 87 GWh annually.

## **7. Proceedings pending before the court, competent arbitration authority or public authority body**

During the reporting period no proceedings were pending in TAURON Capital Group (related to the Issuer or its subsidiaries) concerning liabilities and debts whose single or aggregate value would exceed 10% of the equity of TAURON Polska Energia S.A.

## **8. Information on transactions with affiliated entities**

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 Consolidated interim financial statement for the period of nine months, ended on 30 September 2013.

## **9. Information on granted guarantees, loan or credit sureties**

In the 3rd quarter of 2013, neither TAURON Polska Energia S.A., nor its subsidiaries have granted any loan or credit sureties or guaranties – jointly to one entity or this entity's subsidiary, at the aggregate value equivalent to the value of at least 10% of TAURON Polska Energia S.A. equity.

## **10. Other information which, according to the Issuer's opinion, is essential for the evaluation of the human resources, assets, financial situation, financial result and their changes, and which is essential to assess the possibility of fulfilment of the obligations by the Capital Group of the Issuer**

Apart from the reported events indicated above in this document, from 1 July 2013 until the day of the presentation of this report no other events essential for the evaluation of possibility of fulfilment of the obligations by TAURON Polska Energia Capital Group.

According to the standpoint of the Management Board of TAURON Polska 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.