

**The TAURON Polska Energia S.A. Capital Group**

**Interim condensed consolidated financial statements  
prepared in accordance with the International Financial Reporting Standards  
for the 9-month period ended 30 September 2013**

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## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	3-month period ended 30 September 2013 (unaudited)	9-month period ended 30 September 2013 (unaudited)	3-month period ended 30 September 2012 (unaudited restated figures)	9-month period ended 30 September 2012 (unaudited restated figures)
<b>Continuing operations</b>					
Sale of goods for resale, finished goods and materials without elimination of excise		3 205 416	10 073 454	4 554 901	14 009 766
Excise		(111 371)	(339 743)	(132 176)	(405 030)
Sale of goods for resale, finished goods and materials		3 094 045	9 733 711	4 422 725	13 604 736
Rendering of services		1 430 741	4 437 856	1 467 224	4 577 272
Other income		12 659	37 864	10 308	32 235
<b>Sales revenue</b>	<b>10</b>	<b>4 537 445</b>	<b>14 209 431</b>	<b>5 900 257</b>	<b>18 214 243</b>
Cost of sales	<b>10</b>	(3 728 700)	(11 623 825)	(5 033 062)	(15 526 967)
<b>Gross profit</b>		<b>808 745</b>	<b>2 585 606</b>	<b>867 195</b>	<b>2 687 276</b>
Other operating income		21 047	84 129	28 360	77 160
Selling and distribution expenses		(127 343)	(397 516)	(110 857)	(341 831)
Administrative expenses		(165 231)	(507 285)	(172 242)	(512 121)
Other operating expenses		(16 273)	(55 831)	(33 285)	(77 908)
<b>Operating profit</b>		<b>520 945</b>	<b>1 709 103</b>	<b>579 171</b>	<b>1 832 576</b>
Finance income		17 422	76 085	43 543	96 880
Finance costs		(81 285)	(242 154)	(85 526)	(249 241)
Share in profit/(loss) of joint venture recognised using the equity method	<b>15</b>	(506)	(1 920)	(302)	(973)
<b>Profit before tax</b>		<b>456 576</b>	<b>1 541 114</b>	<b>536 886</b>	<b>1 679 242</b>
Income tax expense	<b>11</b>	(86 423)	(280 388)	(94 039)	(346 173)
<b>Net profit from continuing operations</b>		<b>370 153</b>	<b>1 260 726</b>	<b>442 847</b>	<b>1 333 069</b>
<b>Net profit for the period</b>		<b>370 153</b>	<b>1 260 726</b>	<b>442 847</b>	<b>1 333 069</b>
<b>Other comprehensive income:</b>					
<b>Other comprehensive income subject to reclassification to profit or loss:</b>		<b>5 415</b>	<b>35 618</b>	<b>(49 284)</b>	<b>(72 821)</b>
Valuation of financial assets available for sale		-	-	(11 393)	-
Change in the value of hedging instruments		7 029	43 873	(49 222)	(89 363)
Foreign exchange differences from translation of foreign entities		(278)	81	(186)	(437)
Income tax relating to other comprehensive income items		(1 336)	(8 336)	11 517	16 979
<b>Other comprehensive income not subject to reclassification to profit or loss:</b>		<b>7 008</b>	<b>11 376</b>	<b>5 672</b>	<b>(28)</b>
Actuarial gains/(losses) related to provisions for post-employment benefits		8 655	14 046	7 002	(34)
Income tax relating to other comprehensive income items		(1 647)	(2 670)	(1 330)	6
<b>Other comprehensive income for the period, net of tax</b>		<b>12 423</b>	<b>46 994</b>	<b>(43 612)</b>	<b>(72 849)</b>
<b>Total comprehensive income for the period</b>		<b>382 576</b>	<b>1 307 720</b>	<b>399 235</b>	<b>1 260 220</b>
<b>Net profit:</b>					
Attributable to equity holders of the parent		364 916	1 212 843	412 196	1 269 198
Attributable to non-controlling interests		5 237	47 883	30 651	63 871
<b>Total comprehensive income:</b>		<b>376 520</b>	<b>1 257 539</b>	<b>368 072</b>	<b>1 195 875</b>
Attributable to equity holders of the parent		376 520	1 257 539	368 072	1 195 875
Attributable to non-controlling interests		6 056	50 181	31 163	64 345
<b>Earnings per share (in PLN):</b>					
- basic and diluted, for profit for the period attributable to equity holders of the parent		0.21	0.69	0.24	0.72
- basic and diluted, for profit for the period from continuing operations attributable to equity holders of the parent		0.21	0.69	0.24	0.72

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	Note	As at 30 September 2013 <i>(unaudited)</i>	As at 31 December 2012 <i>(restated figures)</i>	As at 1 January 2012 <i>(restated figures)</i>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	13	24 147 608	23 300 643	21 636 317
Intangible assets and goodwill	14	1 518 253	1 429 313	1 399 674
Investments in joint ventures recognised using the equity method	15	46 353	51 986	22 717
Other financial assets		380 498	305 444	193 067
Other non-financial assets		460 511	359 709	144 923
Deferred tax assets	11	42 727	24 135	20 079
		<b>26 595 950</b>	<b>25 471 230</b>	<b>23 416 777</b>
<b>Current assets</b>				
Intangible assets	16	627 524	711 099	870 954
Inventories	17	476 475	708 282	574 790
Corporate income tax receivables	11	801	1 434	64 266
Trade and other receivables	18	2 137 635	3 036 695	2 743 344
Other financial assets		6 596	5 422	108 024
Other non-financial assets		198 037	272 371	234 220
Cash and cash equivalents	19	1 346 190	1 030 929	505 670
		<b>4 793 258</b>	<b>5 766 232</b>	<b>5 101 268</b>
<b>Non-current assets classified as held for sale</b>		<b>36 069</b>	<b>36 215</b>	<b>8 951</b>
<b>TOTAL ASSETS</b>		<b>31 425 277</b>	<b>31 273 677</b>	<b>28 526 996</b>

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

	Note	As at 30 September 2013 <i>(unaudited)</i>	As at 31 December 2012 <i>(restated figures)</i>	As at 1 January 2012 <i>(restated figures)</i>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to equity holders of the parent</b>				
Issued capital	20.1	8 762 747	8 762 747	8 762 747
Reserve capital	20.2	9 037 699	7 953 021	7 412 882
Revaluation reserve from valuation of hedging instruments	20.3	(118 166)	(153 703)	-
Foreign exchange differences from translation of foreign entities		(289)	(370)	87
Retained earnings/Accumulated losses	20.2	(538 065)	(326 585)	(543 395)
		<b>17 143 926</b>	<b>16 235 110</b>	<b>15 632 321</b>
<b>Non-controlling interests</b>		<b>531 410</b>	<b>493 123</b>	<b>454 897</b>
<b>Total equity</b>		<b>17 675 336</b>	<b>16 728 233</b>	<b>16 087 218</b>
<b>Non-current liabilities</b>				
Interest-bearing loans and borrowings	21	5 577 394	5 222 882	4 251 944
Finance lease and hire purchase commitments		33 444	41 796	56 232
Trade payables and other financial liabilities		8 241	7 890	7 968
Derivative instruments		93 540	150 594	-
Provisions for employee benefits	22	1 545 749	1 568 219	1 203 375
Other provisions	23	85 612	82 523	61 200
Accruals and government grants	24	750 612	723 315	642 549
Deferred tax liability	11	1 348 450	1 350 848	1 373 813
		<b>9 443 042</b>	<b>9 148 067</b>	<b>7 597 081</b>
<b>Current liabilities</b>				
Current portion of interest-bearing loans and borrowings	21	272 154	286 990	214 169
Current portion of finance lease and hire purchase commitments		14 108	14 482	14 761
Trade and other payables		1 653 840	2 628 449	2 349 121
Derivative instruments		75 648	40 624	80
Provisions for employee benefits	22	167 637	167 704	153 676
Other provisions	23	1 010 316	1 103 036	1 023 328
Accruals and government grants	24	361 599	273 824	279 058
Income tax payable		117 238	113 034	163 437
Other non-financial liabilities		634 359	769 234	645 067
		<b>4 306 899</b>	<b>5 397 377</b>	<b>4 842 697</b>
<b>Total liabilities</b>		<b>13 749 941</b>	<b>14 545 444</b>	<b>12 439 778</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>31 425 277</b>	<b>31 273 677</b>	<b>28 526 996</b>

**TAURON Polska Energia S.A. Capital Group**  
*Interim condensed consolidated financial statements for the 9-month period ended 30 September 2013*  
 (PLN '000)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**9-MONTH PERIOD ENDED 30 SEPTEMBER 2013 (unaudited)**

	Note	Equity attributable to the equity holders of the parent					Total	Non-controlling interests	Total equity
		Issued capital	Reserve capital	Revaluation reserve on valuation of hedging instruments	Foreign exchange differences from translation of foreign entities	Retained earnings/ Accumulated losses			
<b>As at 1 January 2013</b>		<b>8 762 747</b>	<b>7 953 021</b>	<b>(153 703)</b>	<b>(370)</b>	<b>(326 585)</b>	<b>16 235 110</b>	<b>493 123</b>	<b>16 728 233</b>
Profit for the period		-	-	-	-	1 212 843	1 212 843	47 883	1 260 726
Other comprehensive income		-	-	35 537	81	9 078	44 696	2 298	46 994
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>35 537</b>	<b>81</b>	<b>1 221 921</b>	<b>1 257 539</b>	<b>50 181</b>	<b>1 307 720</b>
Distribution of prior year profits	20.2	-	1 084 678	-	-	(1 084 678)	-	-	-
Dividend payments	12	-	-	-	-	(350 510)	(350 510)	(8 328)	(358 838)
Mandatory squeeze-out	25	-	-	-	-	115	115	(1 894)	(1 779)
Change in non-controlling interests due to division of a subsidiary	25	-	-	-	-	1 672	1 672	(1 672)	-
<b>As at 30 September 2013 (unaudited)</b>		<b>8 762 747</b>	<b>9 037 699</b>	<b>(118 166)</b>	<b>(289)</b>	<b>(538 065)</b>	<b>17 143 926</b>	<b>531 410</b>	<b>17 675 336</b>

**9-MONTH PERIOD ENDED 30 SEPTEMBER 2012 (unaudited restated figures)**

	Equity attributable to the equity holders of the parent					Total	Non-controlling interests	Total equity
	Issued capital	Reserve capital	Revaluation reserve on valuation of hedging instruments	Foreign exchange differences from translation of foreign entities	Retained earnings/ Accumulated losses			
<b>As at 1 January 2012</b>	<b>8 762 747</b>	<b>7 412 882</b>	<b>-</b>	<b>87</b>	<b>(497 995)</b>	<b>15 677 721</b>	<b>461 347</b>	<b>16 139 068</b>
Change in accounting policy and the effect of the final settlement of the acquisition of GZE S.A.	-	-	-	-	(45 400)	(45 400)	(6 450)	(51 850)
<b>As at 1 January 2012 (restated figures)</b>	<b>8 762 747</b>	<b>7 412 882</b>	<b>-</b>	<b>87</b>	<b>(543 395)</b>	<b>15 632 321</b>	<b>454 897</b>	<b>16 087 218</b>
Profit for the period	-	-	-	-	1 269 198	1 269 198	63 871	1 333 069
Other comprehensive income	-	-	(72 384)	(437)	(502)	(73 323)	474	(72 849)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>(72 384)</b>	<b>(437)</b>	<b>1 268 696</b>	<b>1 195 875</b>	<b>64 345</b>	<b>1 260 220</b>
Distribution of prior year profits	-	540 139	-	-	(540 139)	-	-	-
Dividend payments	-	-	-	-	(543 290)	(543 290)	(16 870)	(560 160)
Acquisition of non-controlling interests	-	-	-	-	63	63	(1 298)	(1 235)
Mandatory squeeze-out	-	-	-	-	1 958	1 958	(6 628)	(4 670)
Change of non-controlling interest resulting from mergers	-	-	-	-	(1 884)	(1 884)	1 884	-
<b>As at 30 September 2012 (unaudited restated figures)</b>	<b>8 762 747</b>	<b>7 953 021</b>	<b>(72 384)</b>	<b>(350)</b>	<b>(357 991)</b>	<b>16 285 043</b>	<b>496 330</b>	<b>16 781 373</b>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	9-month period ended 30 September 2013 (unaudited)	9-month period ended 30 September 2012 (unaudited restated figures)
<b>Cash flows from operating activities</b>			
Profit/(loss) before taxation		1 541 114	1 679 242
<b>Adjustments for:</b>			
Share in profit/(loss) of joint venture recognised using the equity method	15	1 920	973
Depreciation and amortization		1 287 059	1 248 505
(Gain)/loss on foreign exchange differences		2 108	(698)
Interest and dividends, net		152 844	162 962
(Gain)/loss on investing activities		258 891	11 521
(Increase)/decrease in receivables		904 662	(104 416)
(Increase)/decrease in inventories		222 894	67 210
Increase/(decrease) in payables excluding loans and borrowings		(648 150)	(259 376)
Change in other non-current and current assets		126 590	146 036
Change in deferred income, government grants and accruals		82 504	35 221
Change in provisions		(226 476)	(93 352)
Income tax paid		(312 156)	(226 684)
Other		(49)	394
<b>Net cash generated from operating activities</b>		<b>3 393 755</b>	<b>2 667 538</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment and intangible assets		17 646	9 134
Purchase of property, plant and equipment and intangible assets	33	(2 868 589)	(2 434 486)
Proceeds from sale of bonds and other debt securities		-	102 506
Proceeds from sale of other financial assets		1 389	20 793
Purchase of financial assets		(4 399)	(10 085)
Acquisition of a subsidiary, after deducting cash acquired		-	(5 613)
Dividends received		18 291	8 305
Interest received		40	136
Repayment of loans granted		46 800	13 000
Loans granted	33	(108 800)	(75 000)
Other		2	-
<b>Net cash used in investing activities</b>		<b>(2 897 620)</b>	<b>(2 371 310)</b>
<b>Cash flows from financing activities</b>			
Payment of finance lease liabilities		(10 805)	(10 549)
Proceeds from loans	33	451 693	999 000
Repayment of loans		(49 787)	(127 747)
Issue of debt securities		-	150 000
Dividends paid to equity holders of the parent		(350 510)	(543 290)
Dividends paid to non-controlling interests		(8 071)	(16 435)
Interest paid	33	(103 613)	(95 826)
Acquisition of non-controlling interests		(1 788)	(5 910)
Other		3 853	(10 762)
<b>Net cash generated from (used in) financing activities</b>		<b>(69 028)</b>	<b>338 481</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>427 107</b>	<b>634 709</b>
Net foreign exchange difference		(1 408)	(993)
<b>Cash and cash equivalents at the beginning of the period</b>		<b>891 654</b>	<b>505 816</b>
<b>Cash and cash equivalents at the end of the period, of which:</b>		<b>1 318 761</b>	<b>1 140 525</b>
restricted cash	19	130 522	212 072



## NOTES

### 1. General information

The TAURON Polska Energia S.A. Capital Group ("the Group", "the TAURON Group") is composed of TAURON Polska Energia S.A. ("parent", "Company") and its subsidiaries. The Group's interim condensed consolidated financial statements cover the 9-month period ended 30 September 2013 and present comparative data for the 9-month period ended 30 September 2012 as well as figures as at 31 December 2012. The data for the 9-month period ended 30 September 2013 and the comparative data for the 9-month period ended 30 September 2012, as contained herein, have not been audited or reviewed by a certified auditor. The comparative data as at 31 December 2012 have been audited by a certified auditor.

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

The parent was assigned statistical number REGON: 240524697.

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

The core business of the Group includes:

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

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

## 2. Composition of the Capital Group

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

No.	Name of the company	Address	Core business	Direct share of TAURON in the entity's capital	Direct share of TAURON in the entity's governing body
1	TAURON Wytwarzanie S.A.	40-389 Katowice; ul. Lwowska 23	Production, transmission and distribution of electricity and heat	99.77%	99.79%
2	TAURON Dystrybucja S.A.	31-358 Kraków; ul. Jasnogórska 11	Distribution of electricity	99.70%	99.71%
3	TAURON Sprzedaż Sp. z o.o.	30-417 Kraków; ul. Łagiewnicka 60	Sales of electricity	100.00%	100.00%
4	TAURON Obsługa Klienta Sp. z o.o. <sup>1</sup>	53-128 Wrocław; ul. Sudecka 95-97	Services	100.00%	100.00%
5	TAURON Ekoenergia Sp. z o.o.	58-500 Jelenia Góra; ul. Obrońców Pokoju 2B	Production and sales of electricity	100.00%	100.00%
6	Polska Energia Pierwsza Kompania Handlowa Sp. z o.o.	41-400 Mysłowice; Obrzeżna Północna 12	Sales of electricity	100.00%	100.00%
7	TAURON Ciepło S.A.	40-126 Katowice; ul. Grażyńskiego 49	Production and distribution of heat	91.79%	92.41%
8	TAURON Czech Energy s.r.o.	720 00 Ostrava; Na Rovince 879/C the Czech Republic	Sales of electricity	100.00%	100.00%
9	TAURON Sprzedaż GZE Sp. z o.o.	44-100 Gliwice; ul. Barlickiego 2a	Sales of electricity	100.00%	100.00%

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

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

No.	Name of the company	Address	Core business	Indirect share of TAURON in the entity's capital	Shareholder as at 30 September 2013	Indirect share of TAURON in the entity's governing body	Shareholder as at 30 September 2013
1	Kopalnia Wapienia Czatkowice Sp. z o.o. <sup>1</sup>	32-063 Krzeszowice 3; os. Czatkowice 248	Limestone quarrying, crushing and grinding; stone quarrying for the construction industry	99.77%	TAURON Wytwarzanie S.A. – 100.00%	99.79%	TAURON Wytwarzanie S.A. – 100.00%
2	Południowy Koncern Węglowy S.A. <sup>1</sup>	43-600 Jaworzno; ul. Grunwaldzka 37	Hard coal mining	52.36%	TAURON Wytwarzanie S.A. – 52.48%	67.87%	TAURON Wytwarzanie S.A. – 68.01%
3	BELS INVESTMENT Sp. z o. o.	58-500 Jelenia Góra; ul. Obrońców Pokoju 2B	Production of electricity	100.00%	TAURON Ekoenergia Sp. z o.o. – 100.00%	100.00%	TAURON Ekoenergia Sp. z o.o. – 100.00%
4	MEGAWAT MARSZEWO Sp. z o.o.	58-500 Jelenia Góra; ul. Obrońców Pokoju 2B	Production of electricity	100.00%	TAURON Ekoenergia Sp. z o.o. – 100.00%	100.00%	TAURON Ekoenergia Sp. z o.o. – 100.00%
5	TAURON Dystrybucja Serwis S.A. <sup>2</sup>	53-314 Wrocław; ul. Powstańców Śląskich 20	Repair and maintenance of electrical equipment	99.70%	TAURON Dystrybucja S.A. – 100.00%	99.71%	TAURON Dystrybucja S.A. – 100.00%

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

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

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

No.	Name of the company	Address	Core business	Indirect share of TAURON in the entity's capital	Shareholder as at 30 September 2013	Indirect share of TAURON in the entity's governing body	Shareholder as at 30 September 2013
1	Elektrociepłownia Stalowa Wola S.A.	37-450 Stalowa Wola; ul. Energetyków 13	Production, transmission, distribution and sales of electricity	49.89%	TAURON Wytwarzanie S.A. – 50.00%	49.90%	TAURON Wytwarzanie S.A. – 50.00%
2	Elektrownia Blachownia Nowa Sp. z o.o.	47-225 Kędzierzyn Koźle; ul. Energetyków 11	Production of electricity	49.89%	TAURON Wytwarzanie S.A. – 50.00%	49.90%	TAURON Wytwarzanie S.A. – 50.00%

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

These interim condensed consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as endorsed by the EU ("IFRS"), in particular, International Accounting Standard 34 ("IAS 34"). As at the date of approving these consolidated financial statements for publication, in light of the IFRS endorsement process progressing in the EU and the Group's business operations, with regard to the accounting standards adopted by the Group, there is no difference between IFRS effective at the moment and those endorsed by the EU, except from amendments to IFRS 10, IFRS 11 and IFRS 12, which the Group is planning to adopt in the annual period beginning on 1 January 2014.

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

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

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

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

These interim condensed consolidated financial statements for the 9-month period ended 30 September 2013 were approved for publication on 12 November 2013.

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

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

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

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

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

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

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

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

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

### Revised standards and new interpretations

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

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

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

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

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

- Phase 1 of IFRS 9 *Financial Instruments: Classification and Measurement* – applicable to annual periods beginning on or after 1 January 2015 – not endorsed by the EU by the date of approval of these financial statements. In subsequent phases, the International Accounting Standards Board will address such issues as hedge accounting and impairment. Adoption of phase 1 of IFRS 9 will exert an effect on classification and measurement of the Group's financial assets. The effect will be examined by the Group in connection with other phases, after they have been published, in order to present a consistent picture;
- Revised IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures: Mandatory Effective Date and Transition Disclosures*, published by IASB on 16 December 2011. The amendments defer the mandatory effective date from 1 January 2013 to 1 January 2015. They also exempt entities from the obligation to restate the comparative data in their financial statements due to adoption of IFRS 9;
- IFRS 10 *Consolidated Financial Statements* – applicable to annual periods beginning on or after 1 January 2013, in the EU – applicable to annual periods beginning on or after 1 January 2014 at the latest. The Group is planning to adopt IFRS 10 for the annual period beginning on 1 January 2014;
- IFRS 11 *Joint Arrangements* – applicable to annual periods beginning on or after 1 January 2013, in the EU – applicable to annual periods beginning on or after 1 January 2014 at the latest. The Group is planning to adopt IFRS 11 for the annual period beginning on 1 January 2014;
- IFRS 12 *Disclosure of Interests in Other Entities* – applicable to annual periods beginning on or after 1 January 2013, in the EU – applicable to annual periods beginning on or after 1 January 2014 at the latest. The Group is planning to adopt IFRS 12 for the annual period beginning on 1 January 2014;
- Revised IFRS 10, IFRS 11 and IFRS 12 *Transition Disclosures* – applicable to annual periods beginning on or after 1 January 2013, in the EU – applicable to annual periods beginning on or after 1 January 2014 at the latest;
- IAS 27 *Separate Financial Statements* – applicable to annual periods beginning on or after 1 January 2013, in the EU – applicable to annual periods beginning on or after 1 January 2014 at the latest;
- IAS 28 *Investments in Associates and Joint Arrangements* – applicable to annual periods beginning on or after 1 January 2013, in the EU – applicable to annual periods beginning on or after 1 January 2014 at the latest;
- Revised IAS 32 *Financial Instruments: Presentation: Offsetting Financial Assets and Financial Liabilities* – applicable to annual periods beginning on or after 1 January 2014;
- Revised IFRS 10, IFRS 12 and IAS 27 *Investment Vehicles* (published on 31 October 2012) – applicable to annual periods beginning on or after 1 January 2014 – not endorsed by the EU by the date of approval of these financial statements;
- Revised IAS 36 *Impairment of Assets: Disclosure of Recoverable Amount of Non-financial Assets* (published on 29 May 2013) – applicable to annual periods beginning on or after 1 January 2014 – not endorsed by the EU by the date of approval of these financial statements;
- Revised IAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting* (published on 29 May 2013) – applicable to annual periods beginning on or after 1 January 2014 – not endorsed by the EU by the date of approval of these financial statements;
- IFRIC 21 Levies (published on 20 May 2013). IFRIC 21 is an interpretation of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* – applicable to annual periods beginning on or after 1 January 2014 – not endorsed by the EU by the date of approval of these financial statements.

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

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

## **6. Changes to comparative data**

The comparative data for the 9-month period ended 30 September 2013 and the data as at 30 September 2012, as contained herein, have been restated (comparing to the approved data) due to changes introduced to the consolidated financial statements of the TAURON Group for the year ended 31 December 2012:

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

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

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

- Adoption of the revised IAS 19 resulted in an increase in the net profit of the TAURON Capital Group by PLN 5 074 thousand as compared to the approved data. The change included:
  - increase in the net profit of the TAURON Capital Group by PLN 28 thousand and a simultaneous decrease in other comprehensive income of the Group by the same amount, due to recognition of actuarial gains and losses on post-employment benefit plans in other comprehensive income, in line with the revised IAS 19;
  - increase in the net profit of the TAURON Capital Group by PLN 5 046 thousand (gross profit growth by PLN 6 230 thousand) due to settling past employment costs related to the energy tariff which had been recognized through profit for the nine months ended 30 September 2012 and which have been recognized entirely in retained earnings of the Group as at 1 January 2012 after the change in the accounting policy.

As at 30 September 2012 and comparing to the approved data the provision for employee benefits grew by PLN 61 745 thousand, where the amount of PLN 67 975 thousand results from the increase in the provision as at 1 January 2012 due to the changes in the accounting policy adopted starting from the year ended 31 December 2012, and a decrease of PLN 6 230 thousand was related to the settlement of past employment costs linked to the energy tariff, as specified above.

- Due to the final settlement of the acquisition of GZE S.A. fair value remeasurement of property, plant and equipment of PLN 560 140 thousand and intangible assets of PLN 55 166 thousand was recognized as at the date of assuming control, i.e. 13 December 2011. Moreover, restated comparable data included amortization and depreciation of assets specified below for the 9-month period ended 30 September 2012:
  - other intangible assets – PLN 7 069 thousand;

- buildings, premises, civil and water engineering structures – PLN 7 661 thousand;
- plant and machinery – PLN 4 579 thousand.

Amortization of measurement of the assets in question reduced the net profit of the TAURON Capital Group for the 9-month period ended 30 September 2012 by PLN 15 640 thousand.

Additionally, the profit or loss for the 9-month period ended 30 September 2012 was increased by PLN 4 403 thousand due to the measurement of shares in TAURON Wytwarzanie GZE S.A. As a result of the final settlement of the acquisition of GZE S.A., shares in TAURON Wytwarzanie GZE S.A. were measured at fair value as at the date of assumption of control, i.e. 13 December 2011.

- Due to the change in the presentation method of the surplus of Mine Decommissioning Fund over the estimated discounted costs of future mine decommissioning, which consisted in netting off the balance of the Mine Decommissioning Fund against the surplus, as at 30 September 2012 the long-term provision for restoration of land and other long-term non-financial assets decreased by PLN 8 918 thousand, as compared to approved data.

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

## **7. Changes to estimates**

In the 9-month period ended 30 September 2013, there have been no significant changes to estimates or the estimating methodology that would affect the current or future periods, other than those presented below or in the following sections of these interim condensed consolidated financial statements.

### **Impairment of assets**

Taking into account the indications that the market value of the Company's net assets has recently been below their carrying amount as well as the anticipated economic slowdown, the Group tested its intangible assets, including goodwill and fixed assets for impairment as at 30 June 2013.

An analysis of the indications as at 30 September 2013 revealed that the market value of the Company's net assets had not changed considerably in the third quarter of 2013. Therefore, it was assumed that the results of the tests as at 30 June 2013 were still true and no impairment tests needed to be carried out as at the end of the reporting period. Full tests will be performed as at 31 December 2013.

The tests performed as at 30 June 2013 required estimating the value in use of cash generating units, based on their future cash flows, which were subsequently discounted to the current value with the discount rate.

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

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

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

- the adopted price path of power coal, other coal sizes and gaseous fuels;



- the adopted electricity wholesale price path for 2014-2023, taking into account such factors as the effect of the balance of the market supply and demand for electricity, costs of fuel as well as costs of acquiring CO2 emission allowances;
- emission limits in accordance with the derogation request submitted by the Polish government to the European Commission;
- green, red and yellow energy production volumes depending on the production capacity, along with the price path for individual energy certificates;
- settlement of the compensation payment related to early termination of long-term contracts based on a financial model valid as at the test date;
- regulated revenue generated by distribution companies, ensuring coverage of reasonable costs and a reasonable level of return on capital. The return on capital is conditional on the Regulatory Asset Value;
- the adopted electricity retail price path based on the wholesale price of black energy, taking into account the costs of excise duty, the obligation to cancel energy certificates as well as an appropriate level of margin;
- sales volumes taking into account GDP growth and increased market competition;
- tariff revenue generated by heat companies, ensuring coverage of reasonable costs and a reasonable level of return on capital;
- Maintenance of the production capacity of the existing non-current assets as a result of replacement investments;
- The level of the weighted average cost of capital (WACC) during the projection period, as used in the calculations, ranges from 7.63% to 11.36% in nominal terms before tax.

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

As at 30 June 2013, an impairment test was performed for the net assets increased by goodwill for individual operating segments: Mining, Renewable Sources of Energy, Distribution and Heat.

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

#### **Mining**

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

#### **Renewable sources of energy**

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

#### **Distribution**

- regulated revenue generated by distribution companies, ensuring coverage of reasonable costs and a reasonable level of return on capital. The return on capital is conditional on the Regulatory Asset Value;

- Maintenance of the electricity distribution capacity of the existing non-current assets as a result of replacement investments.

#### **Heat**

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

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

The test was performed based on the present value of estimated operating cash flows. The calculations were based on detailed projections for the period from the second half of 2013 to 2023 and the estimated residual value. The basis for cash flow calculations is the planned EBIT for 2013-2023 and amortization for this period. The EBIT value results from the current projection for 2013 and the long-term plan of the Group companies covering the period until 2023. Using projections in excess of five years results in particular from the long-term nature of investment processes in the power industry. The macroeconomic and sector assumptions serving as the basis for projections are updated as frequently as any indications for their modification are observed in the market. Projections also take into account changes in the legal environment known as at the date of the test.

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

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

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

#### **Impairment loss on inventories**

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

#### **Deferred tax**

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

## Measurement of provisions for employee benefits

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

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

Key actuarial assumptions made as at 31 December 2012 for the purpose of the provision calculation:

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

## 8. Seasonality of operations

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

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

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

## 9. Operating segments

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

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

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

- Mining Segment, comprising hard coal mining, which includes operations of Południowy Koncern Węglowy S.A.;
- Generation Segment, which includes generation of electricity using conventional sources, including combined heat and power generation, as well as generation of electricity using joint combustion of biomass and other energy acquired thermally. The main types of fuel used by the Generation Segment are hard coal, biomass and coke-oven gas. The Generation Segment of the TAURON Group includes operations of TAURON Wytwarzanie S.A. On 2 January 2013, TAURON Wytwarzanie S.A. was divided through spin-off of EC Katowice and a transfer of assets to TAURON Ciepło S.A. classified to the Heat Segment. Comparable data were appropriately restated. Moreover, the segment data include the investment in Elektrownia Blachownia Nowa Sp. z o.o., which is recognized in the consolidated financial statements in line with the equity method;

- Renewable Sources of Energy Segment, which includes generation of electricity using renewable sources, excluding generation of electricity using joint combustion of biomass, which, due to the specific nature of such generation, has been included in the Generation Segment. Entities which operate in the Renewable Sources of Energy Segment of the TAURON Group are TAURON Ekoenergia Sp. z o.o., BELS INVESTMENT Sp. z o.o. and MEGAWAT MARSZEWO Sp. z o.o.;
- Sales Segment, which includes wholesale trading in electricity, trading in emission allowances and energy certificates and sale of electricity to domestic end users or entities which further resell electricity. Entities which operate in this segment of the TAURON Group are TAURON Polska Energia S.A., TAURON Sprzedaż Sp. z o.o., TAURON Czech Energy s.r.o. and TAURON Sprzedaż GZE Sp. z o.o.;
- Distribution Segment, including operations of TAURON Dystrybucja S.A. and TAURON Dystrybucja Serwis S.A. (formerly: TAURON Serwis GZE Sp. z o.o.);
- Heat Segment, which includes distribution and sales of heat. The entity which operates in that segment is TAURON Ciepło S.A. In addition, the investment in Elektrociepłownia Stalowa Wola S.A., which is accounted for using the equity method in the consolidated financial statements, is also presented in this segment;
- Customer Service Segment, which mainly includes services to internal customers (i.e. entities from the TAURON Capital Group) in respect of sales process support as well as financial and accounting services to selected Group companies. TAURON Obsługa Klienta Sp. z o.o. has been classified to this segment.

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

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

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

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

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

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

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

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

**TAURON Polska Energia S.A. Capital Group**  
*Interim condensed consolidated financial statements for the 9-month period ended 30 September 2013*  
(PLN '000)

9-month period ended 30 September 2013 or as at 30 September 2013 (unaudited)	Mining	Generation	Renewable sources of energy	Distribution	Sales	Heat	Customer service	Other	Unallocated items	Total	Eliminations	Total operations
<b>Revenue</b>												
Sales to external customers	506 572	671 275	17 266	1 652 891	10 576 221	688 104	6 885	90 217	-	14 209 431	-	14 209 431
Inter-segment sales	585 998	2 768 639	111 634	2 794 027	2 725 238	137 227	368 094	142 902	-	9 633 759	(9 633 759)	-
<b>Segment revenue</b>	<b>1 092 570</b>	<b>3 439 914</b>	<b>128 900</b>	<b>4 446 918</b>	<b>13 301 459</b>	<b>825 331</b>	<b>374 979</b>	<b>233 119</b>	<b>-</b>	<b>23 843 190</b>	<b>(9 633 759)</b>	<b>14 209 431</b>
<b>Profit/(loss) of the segment</b>	<b>88 794</b>	<b>(261 626)</b>	<b>56 875</b>	<b>1 020 056</b>	<b>721 007</b>	<b>83 560</b>	<b>59 678</b>	<b>7 486</b>	<b>3 873</b>	<b>1 779 703</b>	<b>-</b>	<b>1 779 703</b>
Unallocated expenses	-	-	-	-	-	-	-	-	(70 600)	(70 600)	-	(70 600)
<b>Profit/(loss) from continuing operations before tax and net finance income (costs)</b>	<b>88 794</b>	<b>(261 626)</b>	<b>56 875</b>	<b>1 020 056</b>	<b>721 007</b>	<b>83 560</b>	<b>59 678</b>	<b>7 486</b>	<b>(66 727)</b>	<b>1 709 103</b>	<b>-</b>	<b>1 709 103</b>
Share in profit/(loss) of joint venture recognised using the equity method	-	(142)	-	-	-	(1 778)	-	-	-	(1 920)	-	(1 920)
Net finance income (costs)	-	-	-	-	-	-	-	-	(166 069)	(166 069)	-	(166 069)
<b>Profit/(loss) before income tax</b>	<b>88 794</b>	<b>(261 768)</b>	<b>56 875</b>	<b>1 020 056</b>	<b>721 007</b>	<b>81 782</b>	<b>59 678</b>	<b>7 486</b>	<b>(232 796)</b>	<b>1 541 114</b>	<b>-</b>	<b>1 541 114</b>
Income tax expense	-	-	-	-	-	-	-	-	(280 388)	(280 388)	-	(280 388)
<b>Net profit/(loss) for the period</b>	<b>88 794</b>	<b>(261 768)</b>	<b>56 875</b>	<b>1 020 056</b>	<b>721 007</b>	<b>81 782</b>	<b>59 678</b>	<b>7 486</b>	<b>(513 184)</b>	<b>1 260 726</b>	<b>-</b>	<b>1 260 726</b>
<b>EBITDA</b>	<b>168 014</b>	<b>120 540</b>	<b>83 842</b>	<b>1 696 422</b>	<b>747 154</b>	<b>161 548</b>	<b>71 552</b>	<b>14 099</b>	<b>(66 727)</b>	<b>2 996 444</b>	<b>-</b>	<b>2 996 444</b>
<b>Assets and liabilities</b>												
Segment assets	1 398 431	8 459 587	1 878 375	13 326 939	3 591 459	2 044 874	102 128	160 621	-	30 962 414	-	30 962 414
Investments in joint ventures recognised using the equity method	-	32 247	-	-	-	14 106	-	-	-	46 353	-	46 353
Unallocated assets	-	-	-	-	-	-	-	-	416 510	416 510	-	416 510
<b>Total assets</b>	<b>1 398 431</b>	<b>8 491 834</b>	<b>1 878 375</b>	<b>13 326 939</b>	<b>3 591 459</b>	<b>2 058 980</b>	<b>102 128</b>	<b>160 621</b>	<b>416 510</b>	<b>31 425 277</b>	<b>-</b>	<b>31 425 277</b>
Segment liabilities	597 247	1 159 925	106 654	2 213 335	1 559 795	264 094	151 498	40 100	-	6 092 648	-	6 092 648
Unallocated liabilities	-	-	-	-	-	-	-	-	7 657 293	7 657 293	-	7 657 293
<b>Total liabilities</b>	<b>597 247</b>	<b>1 159 925</b>	<b>106 654</b>	<b>2 213 335</b>	<b>1 559 795</b>	<b>264 094</b>	<b>151 498</b>	<b>40 100</b>	<b>7 657 293</b>	<b>13 749 941</b>	<b>-</b>	<b>13 749 941</b>
<b>Other segment information</b>												
Capital expenditure *	173 182	402 703	438 534	1 191 798	15 087	116 342	25 216	5 531	-	2 368 393	-	2 368 393
Depreciation/amortization	(79 220)	(382 166)	(26 967)	(676 366)	(26 147)	(77 988)	(11 874)	(6 613)	-	(1 287 341)	-	(1 287 341)

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

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9-month period ended 30 September 2012 (unaudited restated figures) or as at 31 December 2012 (restated figures)	Mining	Generation	Renewable sources of energy	Distribution	Sales	Heat	Customer service	Other	Unallocated items	Total	Eliminations	Total operations
<b>Revenue</b>												
Sales to external customers	472 826	3 676 633	14 702	1 586 676	11 532 879	733 453	19 601	177 473	-	18 214 243	-	18 214 243
Inter-segment sales	619 260	210 249	153 003	2 924 320	1 711 657	61 490	232 648	193 697	-	6 106 324	(6 106 324)	-
<b>Segment revenue</b>	<b>1 092 086</b>	<b>3 886 882</b>	<b>167 705</b>	<b>4 510 996</b>	<b>13 244 536</b>	<b>794 943</b>	<b>252 249</b>	<b>371 170</b>	-	<b>24 320 567</b>	<b>(6 106 324)</b>	<b>18 214 243</b>
<b>Profit/(loss) of the segment</b>	<b>164 721</b>	<b>294 571</b>	<b>94 254</b>	<b>900 408</b>	<b>329 506</b>	<b>84 871</b>	<b>27 467</b>	<b>30 722</b>	<b>(22 533)</b>	<b>1 903 987</b>	-	<b>1 903 987</b>
Unallocated expenses	-	-	-	-	-	-	-	-	(71 411)	(71 411)	-	(71 411)
<b>Profit/(loss) from continuing operations before tax and net finance income (costs)</b>	<b>164 721</b>	<b>294 571</b>	<b>94 254</b>	<b>900 408</b>	<b>329 506</b>	<b>84 871</b>	<b>27 467</b>	<b>30 722</b>	<b>(93 944)</b>	<b>1 832 576</b>	-	<b>1 832 576</b>
Share in profit/(loss) of joint venture recognised using the equity method	-	-	-	-	-	(973)	-	-	-	(973)	-	(973)
Net finance income (costs)	-	-	-	-	-	-	-	-	(152 361)	(152 361)	-	(152 361)
<b>Profit/(loss) before income tax</b>	<b>164 721</b>	<b>294 571</b>	<b>94 254</b>	<b>900 408</b>	<b>329 506</b>	<b>83 898</b>	<b>27 467</b>	<b>30 722</b>	<b>(246 305)</b>	<b>1 679 242</b>	-	<b>1 679 242</b>
Income tax expense	-	-	-	-	-	-	-	-	(346 173)	(346 173)	-	(346 173)
<b>Net profit/(loss) for the period</b>	<b>164 721</b>	<b>294 571</b>	<b>94 254</b>	<b>900 408</b>	<b>329 506</b>	<b>83 898</b>	<b>27 467</b>	<b>30 722</b>	<b>(592 478)</b>	<b>1 333 069</b>	-	<b>1 333 069</b>
<b>EBITDA</b>	<b>250 195</b>	<b>667 408</b>	<b>125 294</b>	<b>1 555 655</b>	<b>348 317</b>	<b>153 759</b>	<b>37 599</b>	<b>36 977</b>	<b>(93 944)</b>	<b>3 081 260</b>	-	<b>3 081 260</b>
<b>Assets and liabilities</b>												
Segment assets	1 214 157	9 723 736	1 573 092	12 871 268	3 774 164	1 504 107	56 607	177 510	-	30 894 641	-	30 894 641
Investments in joint ventures recognised using the equity method	-	32 390	-	-	-	19 596	-	-	-	51 986	-	51 986
Unallocated assets	-	-	-	-	-	-	-	-	327 050	327 050	-	327 050
<b>Total assets</b>	<b>1 214 157</b>	<b>9 756 126</b>	<b>1 573 092</b>	<b>12 871 268</b>	<b>3 774 164</b>	<b>1 523 703</b>	<b>56 607</b>	<b>177 510</b>	<b>327 050</b>	<b>31 273 677</b>	-	<b>31 273 677</b>
Segment liabilities	604 152	1 252 124	361 929	2 474 184	2 123 835	276 006	107 120	42 383	-	7 241 733	-	7 241 733
Unallocated liabilities	-	-	-	-	-	-	-	-	7 303 711	7 303 711	-	7 303 711
<b>Total liabilities</b>	<b>604 152</b>	<b>1 252 124</b>	<b>361 929</b>	<b>2 474 184</b>	<b>2 123 835</b>	<b>276 006</b>	<b>107 120</b>	<b>42 383</b>	<b>7 303 711</b>	<b>14 545 444</b>	-	<b>14 545 444</b>
<b>Other segment information</b>												
Capital expenditure *	86 814	615 266	82 601	1 007 849	33 429	153 297	12 148	8 826	-	2 000 230	-	2 000 230
Depreciation/amortization	(85 474)	(372 837)	(31 040)	(655 247)	(18 811)	(68 888)	(10 132)	(6 255)	-	(1 248 684)	-	(1 248 684)

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

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3-month period ended 30 September 2013 (unaudited)	Mining	Generation	Renewable sources of energy	Distribution	Sales	Heat	Customer service	Other	Unallocated items	Total	Eliminations	Total operations
<b>Revenue</b>												
Sales to external customers	179 302	216 609	8 927	534 822	3 392 265	179 864	1 711	23 945	-	<b>4 537 445</b>	-	<b>4 537 445</b>
Inter-segment sales	164 946	872 717	27 518	902 908	915 640	42 443	138 061	43 192	-	<b>3 107 425</b>	(3 107 425)	-
<b>Segment revenue</b>	<b>344 248</b>	<b>1 089 326</b>	<b>36 445</b>	<b>1 437 730</b>	<b>4 307 905</b>	<b>222 307</b>	<b>139 772</b>	<b>67 137</b>	-	<b>7 644 870</b>	<b>(3 107 425)</b>	<b>4 537 445</b>
<b>Profit/(loss) of the segment</b>	<b>4 342</b>	<b>(35 077)</b>	<b>12 906</b>	<b>365 517</b>	<b>142 487</b>	<b>12 659</b>	<b>32 774</b>	<b>5 723</b>	<b>2 795</b>	<b>544 126</b>	-	<b>544 126</b>
Unallocated expenses	-	-	-	-	-	-	-	-	(23 181)	(23 181)	-	(23 181)
<b>Profit/(loss) from continuing operations before tax and net finance income (costs)</b>	<b>4 342</b>	<b>(35 077)</b>	<b>12 906</b>	<b>365 517</b>	<b>142 487</b>	<b>12 659</b>	<b>32 774</b>	<b>5 723</b>	<b>(20 386)</b>	<b>520 945</b>	-	<b>520 945</b>
Share in profit/(loss) of joint venture recognised using the equity method	-	7	-	-	-	(513)	-	-	-	(506)	-	(506)
Net finance income (costs)	-	-	-	-	-	-	-	-	(63 863)	(63 863)	-	(63 863)
<b>Profit/(loss) before income tax</b>	<b>4 342</b>	<b>(35 070)</b>	<b>12 906</b>	<b>365 517</b>	<b>142 487</b>	<b>12 146</b>	<b>32 774</b>	<b>5 723</b>	<b>(84 249)</b>	<b>456 576</b>	-	<b>456 576</b>
Income tax expense	-	-	-	-	-	-	-	-	(86 423)	(86 423)	-	(86 423)
<b>Net profit/(loss) for the period</b>	<b>4 342</b>	<b>(35 070)</b>	<b>12 906</b>	<b>365 517</b>	<b>142 487</b>	<b>12 146</b>	<b>32 774</b>	<b>5 723</b>	<b>(170 672)</b>	<b>370 153</b>	-	<b>370 153</b>
<b>EBITDA</b>	<b>30 610</b>	<b>82 229</b>	<b>21 782</b>	<b>593 936</b>	<b>151 423</b>	<b>39 002</b>	<b>37 893</b>	<b>7 908</b>	<b>(20 386)</b>	<b>944 397</b>	-	<b>944 397</b>
<b>Other segment information</b>												
Capital expenditure *	57 328	127 955	190 712	557 986	3 900	66 159	12 566	1 845	-	<b>1 018 451</b>	-	<b>1 018 451</b>
Depreciation/amortization	(26 268)	(117 306)	(8 876)	(228 419)	(8 936)	(26 343)	(5 119)	(2 185)	-	<b>(423 452)</b>	-	<b>(423 452)</b>

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

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3-month period ended 30 September 2012 <i>(unaudited restated figures)</i>	Mining	Generation	Renewable sources of energy	Distribution	Sales	Heat	Customer service	Other	Unallocated items	Total	Eliminations	Total operations
<b>Revenue</b>												
Sales to external customers	195 508	1 250 580	3 619	537 937	3 662 444	184 524	5 972	59 673	-	<b>5 900 257</b>	-	<b>5 900 257</b>
Inter-segment sales	232 382	51 518	33 757	925 522	862 380	5 074	77 958	56 094	-	<b>2 244 685</b>	(2 244 685)	-
<b>Segment revenue</b>	<b>427 890</b>	<b>1 302 098</b>	<b>37 376</b>	<b>1 463 459</b>	<b>4 524 824</b>	<b>189 598</b>	<b>83 930</b>	<b>115 767</b>	-	<b>8 144 942</b>	<b>(2 244 685)</b>	<b>5 900 257</b>
<b>Profit/(loss) of the segment</b>	<b>86 732</b>	<b>96 213</b>	<b>12 193</b>	<b>319 578</b>	<b>89 830</b>	<b>(7 775)</b>	<b>8 150</b>	<b>10 067</b>	<b>(11 955)</b>	<b>603 033</b>	-	<b>603 033</b>
Unallocated expenses	-	-	-	-	-	-	-	-	(23 862)	(23 862)	-	(23 862)
<b>Profit/(loss) from continuing operations before tax and net finance income (costs)</b>	<b>86 732</b>	<b>96 213</b>	<b>12 193</b>	<b>319 578</b>	<b>89 830</b>	<b>(7 775)</b>	<b>8 150</b>	<b>10 067</b>	<b>(35 817)</b>	<b>579 171</b>	-	<b>579 171</b>
Share in profit/(loss) of joint venture recognised using the equity method	-	-	-	-	-	(302)	-	-	-	(302)	-	(302)
Net finance income (costs)	-	-	-	-	-	-	-	-	(41 983)	(41 983)	-	(41 983)
<b>Profit/(loss) before income tax</b>	<b>86 732</b>	<b>96 213</b>	<b>12 193</b>	<b>319 578</b>	<b>89 830</b>	<b>(8 077)</b>	<b>8 150</b>	<b>10 067</b>	<b>(77 800)</b>	<b>536 886</b>	-	<b>536 886</b>
Income tax expense	-	-	-	-	-	-	-	-	(94 039)	(94 039)	-	(94 039)
<b>Net profit/(loss) for the period</b>	<b>86 732</b>	<b>96 213</b>	<b>12 193</b>	<b>319 578</b>	<b>89 830</b>	<b>(8 077)</b>	<b>8 150</b>	<b>10 067</b>	<b>(171 839)</b>	<b>442 847</b>	-	<b>442 847</b>
<b>EBITDA</b>	<b>120 602</b>	<b>220 572</b>	<b>22 453</b>	<b>537 397</b>	<b>96 074</b>	<b>15 361</b>	<b>11 244</b>	<b>12 156</b>	<b>(35 817)</b>	<b>1 000 042</b>	-	<b>1 000 042</b>
<b>Other segment information</b>												
Capital expenditure *	33 574	190 344	44 456	421 208	5 396	59 295	7 982	7 289	-	<b>769 544</b>	-	<b>769 544</b>
Depreciation/amortization	(33 870)	(124 359)	(10 260)	(217 819)	(6 244)	(23 136)	(3 094)	(2 089)	-	<b>(420 871)</b>	-	<b>(420 871)</b>

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



## 10. Revenue and expenses

### 10.1. Sales revenue

	For the 9-month period ended 30 September 2013 <i>(unaudited)</i>	For the 9-month period ended 30 September 2012 <i>(unaudited)</i>
Electricity	8 349 354	11 759 868
Heat energy	536 300	410 400
Property rights arising from energy certificates	74 328	189 858
Greenhouse gas emission allowances	62 714	94 847
Compensation for termination of PPAs	(18 886)	431 259
Coal	479 919	444 873
Furnace blast	117 433	115 673
Compressed air	52 911	59 242
Milling products	20 033	29 104
Other goods for resale, finished goods and materials	59 605	69 612
<b>Total sales revenue from goods, products and materials</b>	<b>9 733 711</b>	<b>13 604 736</b>
Distribution and trade services	4 165 755	4 281 837
Connection fees	104 493	111 999
Maintenance of road lighting	88 188	74 729
Charges for illegal electricity consumption	5 991	11 500
Other services	73 429	97 207
<b>Total sales revenue from services</b>	<b>4 437 856</b>	<b>4 577 272</b>
<b>Other revenue</b>	<b>37 864</b>	<b>32 235</b>
<b>Total sales revenue</b>	<b>14 209 431</b>	<b>18 214 243</b>

The decrease in the revenue from sale of electricity in the 9-month period ended 30 September 2013 versus comparable period results mainly from the fact that TAURON Wytwarzanie S.A sold electricity to companies in the TAURON Group – which is subject to elimination at the Group level, while in 2012 the entire sales were carried out through the Polish Power Exchange (Towarowa Giełda Energii).

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

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

A year-on-year decrease in revenue from PPA compensation in the nine months ended 30 September 2013 results from the fact that 2012 was the last year of the Company's participation in the stranded cost financing program. On 30 August 2013, President of ERA issued an administrative decision determining the amount of final adjustment regarding the stranded costs, which made the Group recognize the negative adjustment (a decrease) to revenue of PLN 18 886 thousand.

## 10.2. Expenses by type

	For the 9-month period ended 30 September 2013 <i>(unaudited)</i>	For the 9-month period ended 30 September 2012 <i>(unaudited restated figures)</i>
<b>Costs by type</b>		
Depreciation of property, plant and equipment and amortization of intangible assets	(1 287 341)	(1 248 684)
Impairment of property, plant and equipment and intangible assets	(244 737)	91 935
Materials and energy	(1 785 792)	(1 979 450)
Maintenance and repair services	(277 058)	(182 968)
Distribution services	(966 261)	(1 203 117)
Other external services	(593 721)	(570 769)
Taxes and charges	(580 301)	(459 627)
Employee benefits expense	(1 925 449)	(2 024 154)
Inventory write-downs	11 726	1 152
Allowance for doubtful debts	(36 274)	(39 268)
Other	(88 100)	(70 351)
<b>Total costs by type</b>	<b>(7 773 308)</b>	<b>(7 685 301)</b>
Change in inventories, prepayments, accruals and deferred income	(602)	(71 051)
Cost of goods produced for internal purposes	336 084	326 459
Selling and distribution expenses	397 516	341 831
Administrative expenses	507 285	512 121
Cost of goods for resale and materials sold	(5 090 800)	(8 951 026)
<b>Cost of sales</b>	<b>(11 623 825)</b>	<b>(15 526 967)</b>

In the 9-month period ended 30 September 2013 TAURON Wytwarzanie S.A., a subsidiary, recognized an impairment loss on unprofitable generation units, which has been presented in detail in Note 7 to these interim condensed consolidated financial statements.

## 11. Income tax

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

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

	For the 9-month period ended 30 September 2013 <i>(unaudited)</i>	For the 9-month period ended 30 September 2012 <i>(unaudited restated figures)</i>
<b>Current income tax</b>	<b>(311 858)</b>	<b>(190 764)</b>
Current income tax expense	(312 370)	(189 527)
Adjustments to current income tax from previous years	512	(1 237)
<b>Deferred tax</b>	<b>31 470</b>	<b>(155 409)</b>
<b>Income tax in profit or loss</b>	<b>(280 388)</b>	<b>(346 173)</b>
<b>Income tax relating to other comprehensive income</b>	<b>(11 006)</b>	<b>16 985</b>

### 11.2. Deferred income tax

Deferred income tax results from:

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	As at 30 September 2013 (unaudited)	As at 31 December 2012
<b>Deferred tax liability</b>		
- difference between tax base and carrying amount of fixed and intangible assets	2 047 697	1 969 174
- difference between tax base and carrying amount of financial assets	23 326	14 063
- different timing of recognition of sales revenue for tax purposes	69 074	57 327
- recognition of estimated revenue from sale of power distribution services	331	7 347
- difference between tax base and carrying amount of property rights arising from energy certificates	18 589	48 181
- compensation for termination of long-term contracts	10 254	101 499
- other	17 044	24 874
<b>Deferred tax liability</b>	<b>2 186 315</b>	<b>2 222 465</b>
<b>Deferred tax assets</b>		
- difference between tax base and carrying amount of fixed and intangible assets	65 083	47 969
- difference between tax base and carrying amount of inventories	3 086	24 101
- power infrastructure received free of charge and received connection fees	88 016	89 158
- provisions	592 234	596 808
- difference between tax base and carrying amount of financial assets	27 374	23 700
- difference between tax base and carrying amount of financial liabilities	17 260	3 864
- valuation of hedging instruments	31 955	36 227
- different timing of recognition of cost of sales for tax purposes	29 217	20 972
- other accrued expenses	10 660	17 763
- tax losses	-	352
- different timing of recognition of revenue from sales of greenhouse gas emission allowances for tax purposes	-	21 772
- other	15 707	13 066
<b>Deferred tax assets</b>	<b>880 592</b>	<b>895 752</b>
<b>After setting off balances at the level of individual Group companies, deferred tax for the Group is presented as:</b>		
<b>Deferred tax asset</b>	<b>42 727</b>	<b>24 135</b>
<b>Deferred tax liability</b>	<b>(1 348 450)</b>	<b>(1 350 848)</b>

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

### 11.3. Tax Capital Group

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

As at 30 September 2013, the Tax Capital Group had income tax liabilities of PLN 37 323 thousand.

## 12. Dividends paid and proposed

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

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

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**13. Property, plant and equipment**

**Change in the value of property, plant and equipment in the period of 9 months ended 30 September 2013 (unaudited)**

	Land	Buildings, premises and civil engineering	Plant and machinery	Motor vehicles	Other	Tangible fixed assets, total	Assets under construction	Property, plant and equipment, total
<b>COST</b>								
<b>Opening balance</b>	<b>72 024</b>	<b>15 389 230</b>	<b>12 633 180</b>	<b>382 210</b>	<b>259 030</b>	<b>28 735 674</b>	<b>2 034 339</b>	<b>30 770 013</b>
Direct purchase	-	-	-	-	-	-	2 199 683	2 199 683
Transfer of assets under construction	22 943	998 401	1 180 234	29 224	15 915	2 246 717	(2 246 717)	-
Sale, disposal	(12)	(634)	(10 009)	(6 237)	(618)	(17 510)	(37)	(17 547)
Reclassification	-	242	237	(222)	(257)	-	-	-
Donations and free-of-charge transfers	-	-	(673)	(100)	-	(773)	-	(773)
Liquidation	(1)	(30 673)	(57 339)	(1 607)	(4 228)	(93 848)	-	(93 848)
Received free of charge	-	18 523	82	-	-	18 605	-	18 605
Spare parts allocated to fixed assets	-	(61)	(1 117)	-	-	(1 178)	-	(1 178)
Overhaul expenses	-	200	1 100	-	-	1 300	89 182	90 482
Write-off of discontinued investments	-	-	-	-	-	-	(1 089)	(1 089)
Transfers from/to intangible assets	3 768	-	-	-	-	3 768	(896)	2 872
Items discovered	-	35	60	-	-	95	-	95
Items generated internally	-	-	-	-	-	-	28 807	28 807
Transfers to/from assets held for sale	-	(329)	-	-	14	(315)	197	(118)
Other movements	(17)	24	8 997	57	58	9 119	1 070	10 189
Foreign exchange differences from translation of foreign entities	-	-	1	-	-	1	-	1
<b>Closing balance</b>	<b>98 705</b>	<b>16 374 958</b>	<b>13 754 753</b>	<b>403 325</b>	<b>269 914</b>	<b>30 901 655</b>	<b>2 104 539</b>	<b>33 006 194</b>
<b>ACCUMULATED DEPRECIATION</b>								
<b>Opening balance</b>	<b>(645)</b>	<b>(3 596 281)</b>	<b>(3 558 914)</b>	<b>(165 856)</b>	<b>(141 119)</b>	<b>(7 462 815)</b>	<b>(6 555)</b>	<b>(7 469 370)</b>
Depreciation for the period	-	(571 192)	(603 315)	(35 001)	(25 934)	(1 235 442)	-	(1 235 442)
Increase of impairment	-	(26 990)	(217 183)	(936)	(37)	(245 146)	(148)	(245 294)
Decrease of impairment	-	-	16	2	21	39	781	820
Sale, disposal	-	165	9 143	4 464	589	14 361	-	14 361
Reclassification	-	16	(30)	160	(146)	-	-	-
Donations and free-of-charge transfers	-	-	672	64	-	736	-	736
Liquidation	-	20 348	53 047	1 336	3 470	78 201	-	78 201
Transfers to/from assets held for sale	-	688	-	-	(14)	674	-	674
Other movements	-	17	(3 167)	(57)	(64)	(3 271)	-	(3 271)
Foreign exchange differences from translation of foreign entities	-	-	(1)	-	-	(1)	-	(1)
<b>Closing balance</b>	<b>(645)</b>	<b>(4 173 229)</b>	<b>(4 319 732)</b>	<b>(195 824)</b>	<b>(163 234)</b>	<b>(8 852 664)</b>	<b>(5 922)</b>	<b>(8 858 586)</b>
<b>NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD</b>	<b>71 379</b>	<b>11 792 949</b>	<b>9 074 266</b>	<b>216 354</b>	<b>117 911</b>	<b>21 272 859</b>	<b>2 027 784</b>	<b>23 300 643</b>
<b>NET CARRYING AMOUNT AT THE END OF THE PERIOD</b>	<b>98 060</b>	<b>12 201 729</b>	<b>9 435 021</b>	<b>207 501</b>	<b>106 680</b>	<b>22 048 991</b>	<b>2 098 617</b>	<b>24 147 608</b>

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**Change in the value of property, plant and equipment in the period of 9 months ended 30 September 2012 (unaudited restated figures)**

	Land	Buildings, premises and civil engineering	Plant and machinery	Motor vehicles	Other	Tangible fixed assets, total	Assets under construction	Property, plant and equipment, total
<b>COST</b>								
<b>Opening balance</b>	<b>64 425</b>	<b>13 779 889</b>	<b>11 171 774</b>	<b>335 761</b>	<b>237 107</b>	<b>25 588 956</b>	<b>1 628 070</b>	<b>27 217 026</b>
Adjustments	(243)	455 622	104 763	-	(2)	560 140	-	560 140
<b>Opening balance after adjustments</b>	<b>64 182</b>	<b>14 235 511</b>	<b>11 276 537</b>	<b>335 761</b>	<b>237 105</b>	<b>26 149 096</b>	<b>1 628 070</b>	<b>27 777 166</b>
Direct purchase	-	-	88	-	13	101	1 837 852	1 837 953
Transfer of assets under construction	3 639	572 386	702 408	15 646	20 506	1 314 585	(1 314 585)	-
Sale, disposal	(8)	(1 560)	(8 714)	(6 012)	(109)	(16 403)	457	(15 946)
Reclassification	-	(101)	120	-	(19)	-	-	-
Donations and free-of-charge transfers	-	(4 547)	(535)	-	(529)	(5 611)	-	(5 611)
Liquidation	(17)	(24 561)	(82 235)	(643)	(3 346)	(110 802)	(333)	(111 135)
Received free of charge	-	12 527	586	-	-	13 113	-	13 113
Received for use under rental, lease or similar agreements	-	-	44	913	-	957	-	957
Spare parts allocated to fixed assets	-	-	2 238	-	-	2 238	-	2 238
Overhaul expenses	-	200	23 369	-	-	23 569	61 149	84 718
Write-off of discontinued investments	-	-	-	-	-	-	(305)	(305)
Transfers to intangible assets	-	-	-	-	-	-	(13 868)	(13 868)
Items discovered	-	22	55	-	9	86	-	86
Items generated internally	-	-	-	-	-	-	33 489	33 489
Transfers to assets held for sale	(69)	(2 955)	(212)	(60)	(362)	(3 658)	(201)	(3 859)
Other movements	(6)	(157)	(1 748)	-	(3)	(1 914)	971	(943)
Foreign exchange differences from translation of foreign entities	-	-	(9)	-	-	(9)	-	(9)
<b>Closing balance</b>	<b>67 721</b>	<b>14 786 765</b>	<b>11 911 992</b>	<b>345 605</b>	<b>253 265</b>	<b>27 365 348</b>	<b>2 232 696</b>	<b>29 598 044</b>
<b>ACCUMULATED DEPRECIATION</b>								
<b>Opening balance</b>	<b>(645)</b>	<b>(2 905 171)</b>	<b>(2 987 379)</b>	<b>(126 895)</b>	<b>(115 663)</b>	<b>(6 135 753)</b>	<b>(5 096)</b>	<b>(6 140 849)</b>
Depreciation for the period	-	(560 123)	(582 406)	(35 138)	(26 138)	(1 203 805)	-	(1 203 805)
Increase of impairment	(812)	(882)	(811)	-	(52)	(2 557)	-	(2 557)
Decrease of impairment	-	375	140	4	14	533	-	533
Sale, disposal	-	366	5 408	4 683	95	10 552	-	10 552
Reclassification	-	14	(28)	-	14	-	-	-
Donations and free-of-charge transfers	-	4 049	531	-	529	5 109	-	5 109
Liquidation	-	16 531	78 423	651	2 844	98 449	333	98 782
Transfers to assets held for sale	-	427	197	57	291	972	-	972
Other movements	-	(192)	2 974	(29)	(1 352)	1 401	(398)	1 003
Foreign exchange differences from translation of foreign entities	-	-	4	-	-	4	-	4
<b>Closing balance</b>	<b>(1 457)</b>	<b>(3 444 606)</b>	<b>(3 482 947)</b>	<b>(156 667)</b>	<b>(139 418)</b>	<b>(7 225 095)</b>	<b>(5 161)</b>	<b>(7 230 256)</b>
<b>NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD</b>	<b>63 537</b>	<b>11 330 340</b>	<b>8 289 158</b>	<b>208 866</b>	<b>121 442</b>	<b>20 013 343</b>	<b>1 622 974</b>	<b>21 636 317</b>
<b>NET CARRYING AMOUNT AT THE END OF THE PERIOD</b>	<b>66 264</b>	<b>11 342 159</b>	<b>8 429 045</b>	<b>188 938</b>	<b>113 847</b>	<b>20 140 253</b>	<b>2 227 535</b>	<b>22 367 788</b>

During the nine months ended 30 September 2013 the Group acquired property, plant and equipment for PLN 2 199 683 thousand, which comprised:

- Purchases of the Distribution Segment companies in the amount of PLN 1 176 980 thousand, related to construction and replacement of network assets, where the largest expenditures of PLN 21 956 thousand were related to improvement of 110kV Groszowice – Hermanowice connection performed by TAURON Dystrybucja S.A. Opole branch.
- Purchases made by TAURON Wytwarzanie S.A. of PLN 302 255 thousand related to growing generation capacity and modernizing the existing generation units. Major capital expenditures were incurred with relation to the following investment projects:
  - Modernization and adaptation of boilers in unit 6 to reduce emission of nitric oxides in TAURON Wytwarzanie S.A. - the Jaworzno III Power Plant for the total amount of PLN 70 121 thousand;
  - Regaining generation capacity of TAURON Wytwarzanie S.A. - EC Bielsko Biała for the amount of PLN 81 651 thousand;
  - Construction of a facility for generating electricity from renewable source – boiler K-10 in TAURON Wytwarzanie S.A. - Elektrownia Stalowa Wola for PLN 29 048 thousand;
  - Modernization of unit 10 in TAURON Wytwarzanie S.A. - the Łaziska Power Plant for the total amount of PLN 33 256 thousand.
- Purchases related to construction of the Wicko and Marszewo wind farms made by BELS INVESTMENT Sp. z o.o. and MEGAWAT MARSZEWO Sp. z o.o. for PLN 396 295 thousand;
- Purchases of Południowy Koncern Węglowy S.A. in the amount of PLN 172 662 thousand, where the largest expenditures of PLN 63 632 thousand were related to the acquisition of an additional mechanical timbering and bed wall device in Zakład Górniczy Sobieski.

As a result of testing fixed assets for impairment as at 30 June 2013, the Group recognized an impairment loss of PLN 236 494 thousand covering property, plant and equipment of the Generation Segment, charged to cost of sales. The assumptions and significant information concerning impairment tests have been presented in Note 7 hereto.

#### 14. Long-term intangible assets and goodwill

##### Change in the value of long-term intangible assets in the period of 9 months ended 30 September 2013 (*unaudited*)

	Development expenses	Goodwill	Perpetual usufruct of land	Software, concessions, patents, licences and similar items	Energy certificates	Greenhouse gas emission allowances	Other intangible assets	Intangible assets not made available for use	Intangible assets, total
<b>COST</b>									
<b>Opening balance</b>	<b>3 898</b>	<b>247 057</b>	<b>812 667</b>	<b>345 194</b>	-	<b>95 874</b>	<b>91 351</b>	<b>39 048</b>	<b>1 635 089</b>
Direct purchase	-	-	-	-	10 890	171 354	-	49 421	231 665
Transfer of intangible assets not made available for use	-	-	-	24 366	-	-	11 926	(36 292)	-
Sales, disposals	-	-	(1 448)	297	-	-	-	(296)	(1 447)
Reclassification	76	-	-	(69)	-	-	(7)	-	-
Liquidation	-	-	(42)	(4 157)	-	-	(1)	-	(4 200)
Received free of charge	-	-	60	-	-	-	452	-	512
Transfers from/to fixed assets	-	-	265	805	-	-	2	(3 944)	(2 872)
Other movements	56	-	(649)	1 034	-	(86 780)	(24)	(274)	(86 637)
Foreign exchange differences from translation of foreign entities	-	-	-	5	-	-	-	-	5
<b>Closing balance</b>	<b>4 030</b>	<b>247 057</b>	<b>810 853</b>	<b>367 475</b>	<b>10 890</b>	<b>180 448</b>	<b>103 699</b>	<b>47 663</b>	<b>1 772 115</b>
<b>ACCUMULATED AMORTIZATION</b>									
<b>Opening balance</b>	<b>(3 263)</b>	-	<b>(573)</b>	<b>(189 764)</b>	-	-	<b>(12 176)</b>	-	<b>(205 776)</b>
Amortization for the period	(121)	-	-	(43 575)	-	-	(8 203)	-	(51 899)
Increase of impairment	(25)	-	(25)	(186)	-	-	-	-	(236)
Decrease of impairment	-	-	-	-	-	-	-	-	-
Reclassification	-	-	-	20	-	-	(20)	-	-
Liquidation	-	-	-	4 139	-	-	1	-	4 140
Other movements	-	-	1	(118)	-	-	26	-	(91)
<b>Closing balance</b>	<b>(3 409)</b>	-	<b>(597)</b>	<b>(229 484)</b>	-	-	<b>(20 372)</b>	-	<b>(253 862)</b>
<b>NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD</b>	<b>635</b>	<b>247 057</b>	<b>812 094</b>	<b>155 430</b>	-	<b>95 874</b>	<b>79 175</b>	<b>39 048</b>	<b>1 429 313</b>
<b>NET CARRYING AMOUNT AT THE END OF THE PERIOD</b>	<b>621</b>	<b>247 057</b>	<b>810 256</b>	<b>137 991</b>	<b>10 890</b>	<b>180 448</b>	<b>83 327</b>	<b>47 663</b>	<b>1 518 253</b>



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**Change in the value of long-term intangible assets in the period of 9 months ended 30 September 2012 (unaudited restated figures)**

	Development expenses	Goodwill	Perpetual usufruct of land	Software, concessions, patents, licences and similar items	Energy certificates	Greenhouse gas emission allowances	Other intangible assets	Intangible assets not made available for use	Intangible assets, total
<b>COST</b>									
<b>Opening balance</b>	<b>4 389</b>	<b>726 369</b>	<b>835 641</b>	<b>275 852</b>	-	<b>97 495</b>	<b>34 769</b>	<b>13 831</b>	<b>1 988 346</b>
Adjustments	-	(479 312)	4 460	-	-	-	50 706	-	(424 146)
<b>Opening balance after adjustments</b>	<b>4 389</b>	<b>247 057</b>	<b>840 101</b>	<b>275 852</b>	-	<b>97 495</b>	<b>85 475</b>	<b>13 831</b>	<b>1 564 200</b>
Direct purchase	-	-	-	172	-	-	66	42 875	43 113
Transfer of intangible assets not made available for use	-	-	-	29 609	-	-	4 466	(34 075)	-
Sales, disposals	-	-	(1 130)	(65)	-	-	-	-	(1 195)
Reclassification	-	-	-	144	-	-	(144)	-	-
Liquidation	(565)	-	(545)	(2 961)	-	-	(3)	-	(4 074)
Donations and transfers free of charge	-	-	(509)	-	-	-	-	-	(509)
Received free of charge	-	-	14	-	-	-	290	-	304
Transfers from fixed assets	-	-	1 051	12 430	-	-	-	387	13 868
Transfers to assets held for sale	-	-	(1 293)	-	-	-	-	-	(1 293)
Other movements	-	-	(1)	845	-	64	-	(714)	194
Foreign exchange differences from translation of foreign entities	-	-	-	(16)	-	-	-	(16)	(32)
<b>Closing balance</b>	<b>3 824</b>	<b>247 057</b>	<b>837 688</b>	<b>316 010</b>	-	<b>97 559</b>	<b>90 150</b>	<b>22 288</b>	<b>1 614 576</b>
<b>ACCUMULATED AMORTIZATION</b>									
<b>Opening balance</b>	<b>(3 482)</b>	-	<b>(771)</b>	<b>(142 744)</b>	-	<b>(15 166)</b>	<b>(2 363)</b>	-	<b>(164 526)</b>
Amortization for the period	(223)	-	-	(36 390)	-	-	(8 266)	-	(44 879)
Increase of impairment	-	-	(13 010)	-	-	-	-	-	(13 010)
Decrease of impairment	-	-	199	-	-	15 166	-	-	15 365
Sales, disposals	-	-	-	39	-	-	-	-	39
Reclassification	-	-	-	(99)	-	-	99	-	-
Liquidation	509	-	-	2 718	-	-	-	-	3 227
Other movements	-	-	-	(56)	-	-	-	-	(56)
<b>Closing balance</b>	<b>(3 196)</b>	-	<b>(13 582)</b>	<b>(176 532)</b>	-	-	<b>(10 530)</b>	-	<b>(203 840)</b>
<b>NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD</b>	<b>907</b>	<b>247 057</b>	<b>839 330</b>	<b>133 108</b>	-	<b>82 329</b>	<b>83 112</b>	<b>13 831</b>	<b>1 399 674</b>
<b>NET CARRYING AMOUNT AT THE END OF THE PERIOD</b>	<b>628</b>	<b>247 057</b>	<b>824 106</b>	<b>139 478</b>	-	<b>97 559</b>	<b>79 620</b>	<b>22 288</b>	<b>1 410 736</b>

## Goodwill

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

Goodwill as at 30 September 2013 by operating segment:

	Mining	Renewable sources of energy	Distribution	Heat	Total
<b>goodwill</b>	13 973	51 902	25 602	155 580	<b>247 057</b>

The assumptions and significant information concerning impairment tests of goodwill and other intangible assets have been presented in Note 7 hereto.

## 15. Interests in joint-ventures measured using the equity method

### ***Elektrociepłownia Stalowa Wola S.A.***

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

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

In the 9-month period ended 30 September 2013 the following changes were made in the scope of two loan agreements of 20 June 2012 among PGNiG S.A., TAURON Polska Energia S.A. and Elektrociepłownia Stalowa Wola S.A., with a view to satisfying the necessary covenants for provision of funding to Elektrociepłownia Stalowa Wola S.A. by the European Bank for Reconstruction and Development and the European Investment Bank.

- The Company transferred funds from the subordinated loan of PLN 62 000 thousand, therefore as at the end of the reporting period the total funds from the loan transferred reached the cap stipulated in the agreement, i.e. PLN 177 000 thousand. Interest accrued on the loan amounts to PLN 10 003 thousand. The loan with interest due is to be finally repaid no later than by the end of 2032;
- The company transferred funds due to a VAT loan of the total amount of PLN 46 800 thousand. By the balance sheet date Elektrociepłownia Stalowa Wola S.A. repaid the total funds outstanding under the loan, therefore as at the end of the reporting period it only had interest receivables on the originated loan of PLN 7 thousand.

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

### ***Elektrownia Blachownia Nowa Sp. z o.o.***

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

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

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

**Investments in joint ventures measured using the equity method as at 30 September 2013 and for the 9-month period ended 30 September 2013**

	As at 30 September 2013 <i>(unaudited)</i>	Elektrociepłownia Stalowa Wola S.A.	Elektrownia Blachownia Nowa Sp. z o.o.
Non-current assets	733 606	705 394	28 212
Current assets	62 251	25 766	36 485
Non-current liabilities (-)	(691 163)	(691 163)	-
Current liabilities (-)	(1 187)	(1 127)	(60)
<b>Total net assets</b>	<b>103 507</b>	<b>38 870</b>	<b>64 637</b>
Share in net assets	51 640	19 392	32 248
Elimination of transactions with Group companies	(5 287)	(5 287)	-
<b>Investment in joint venture</b>	<b>46 353</b>	<b>14 105</b>	<b>32 248</b>
Share in sales revenue of joint venture	442	72	370
<b>Share in profit/(loss) of joint venture</b>	<b>(1 920)</b>	<b>(1 778)</b>	<b>(142)</b>

**Investments in joint ventures measured using the equity method as at 31 December 2012 and for the 9-month period ended 30 September 2012**

	As at 31 December 2012	Elektrociepłownia Stalowa Wola S.A.	Elektrownia Blachownia Nowa Sp. z o.o.
Non-current assets	354 710	326 993	27 717
Current assets	55 255	16 473	38 782
Non-current liabilities (-)	(236 147)	(236 147)	-
Current liabilities (-)	(66 400)	(64 862)	(1 538)
<b>Total net assets</b>	<b>107 418</b>	<b>42 457</b>	<b>64 961</b>
Share in net assets	53 559	21 169	32 390
Elimination of transactions with Group companies	(1 573)	(1 573)	-
<b>Investment in joint venture</b>	<b>51 986</b>	<b>19 596</b>	<b>32 390</b>
Share in sales revenue of joint venture	126	126	-
<b>Share in profit/(loss) of joint venture</b>	<b>(973)</b>	<b>(973)</b>	<b>-</b>

## 16. Short-term intangible assets

### Change in the value of short-term intangible assets in the period of 9 months ended 30 September 2013 (*unaudited*)

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

### Change in the value of short-term intangible assets in the period of 9 months ended 30 September 2012 (*unaudited*)

	Energy certificates	Greenhouse gas emission allowances	Current intangible assets, total
<b>COST</b>			
<b>Opening balance</b>	<b>774 942</b>	<b>187 126</b>	<b>962 068</b>
Direct purchase	638 083	63 021	701 104
Items generated internally	245 140	-	245 140
Cancellation	(1 058 226)	(221 235)	(1 279 461)
Other movements	(983)	(82)	(1 065)
<b>Closing balance</b>	<b>598 956</b>	<b>28 830</b>	<b>627 786</b>
<b>IMPAIRMENT</b>			
<b>Opening balance</b>	<b>(91 114)</b>	-	<b>(91 114)</b>
Increase of impairment	-	-	-
Decrease of impairment	91 114	-	91 114
<b>Closing balance</b>	-	-	-
<b>NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD</b>	<b>683 828</b>	<b>187 126</b>	<b>870 954</b>
<b>NET CARRYING AMOUNT AT THE END OF THE PERIOD</b>	<b>598 956</b>	<b>28 830</b>	<b>627 786</b>

## 17. Inventories

	As at 30 September 2013 <i>(unaudited)</i>	As at 31 December 2012
<b>Historical cost</b>		
Raw materials	293 948	394 098
Semi-finished goods and work-in-progress	140 137	143 456
Finished goods	21 989	35 773
Goods for resale	1 336	3 300
Property rights arising from energy certificates	69 750	222 534
Emission allowances	-	2 434
<b>Total</b>	<b>527 160</b>	<b>801 595</b>
<b>Write-downs to net realizable value</b>		
Raw materials	(4 922)	(2 970)
Property rights arising from energy certificates	(45 763)	(90 143)
Emission allowances	-	(200)
<b>Total</b>	<b>(50 685)</b>	<b>(93 313)</b>
<b>Net realizable value</b>		
Raw materials	289 026	391 128
Semi-finished goods and work-in-progress	140 137	143 456
Finished goods	21 989	35 773
Goods for resale	1 336	3 300
Property rights arising from energy certificates	23 987	132 391
Emission allowances	-	2 234
<b>Total</b>	<b>476 475</b>	<b>708 282</b>

## 18. Trade and other receivables

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

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

	Trade receivables	Other current receivables	Total
Accounts receivable (without allowance for doubtful debt)	1 904 504	449 408	<b>2 353 912</b>
Allowance for doubtful debt	(105 142)	(111 135)	<b>(216 277)</b>
<b>Net value</b>	<b>1 799 362</b>	<b>338 273</b>	<b>2 137 635</b>

### Trade and other receivables as at 31 December 2012

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

As at 30 September 2013, trade receivables amounted to PLN 1 799 878 thousand, where the short-term portion equaled PLN 1 799 362 thousand and the long-term portion amounted to PLN 516 thousand. As at 31 December 2012, trade receivables amounted to PLN 2 199 577 thousand, where the short-term portion equaled PLN 2 199 094 thousand and the long-term portion amounted to PLN 483 thousand.

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

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

## 19. Cash and cash equivalents

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

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

	As at 30 September 2013 (unaudited)	As at 31 December 2012
Cash at bank and in hand	548 635	326 801
Short-term deposits (up to 3 months)	795 924	703 605
Other	1 631	523
<b>Total cash and cash equivalents presented in the statement of financial position, of which:</b>	<b>1 346 190</b>	<b>1 030 929</b>
- restricted cash	130 522	290 063
Bank overdraft	(23 196)	(129 566)
Foreign exchange and other differences	(4 233)	(9 709)
<b>Total cash and cash equivalents presented in the statement of cash flows</b>	<b>1 318 761</b>	<b>891 654</b>

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

Balance of restricted cash includes mainly cash on the account for settling electricity trading on the Polish Power Exchange, i.e. Towarowa Gielda Energii S.A., of PLN 90 810 thousand held by the parent and funds collected by the Group companies on tender bond accounts of PLN 28 159 thousand.

## 20. Equity

### 20.1. Issued capital

#### Issued capital as at 30 September 2013 (unaudited)

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

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

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

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

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

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

Movement in retained earnings in the current reporting period:

- Decrease due to the allocation of a portion of the parent's profit of PLN 1 084 678 thousand for the financial year 2012 to reserve capital;
- Decrease due to the allocation of a portion of the parent's profit of PLN 350 510 thousand for the financial year 2012 to dividend payment, as presented in detail in note 12 to these interim condensed consolidated financial statements;
- Net profit for the period attributable to the shareholders of the parent of PLN 1 212 843 thousand;
- Actuarial gains/losses on provisions for post-employment benefits charged to other comprehensive income of PLN 9 078 thousand;
- Increase arising from acquisition of non-controlling interest of PLN 115 thousand;
- Increase arising from a change in non-controlling interest following split of a subsidiary in the amount of PLN 1 672 thousand.

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

**20.3. Revaluation reserve from valuation of hedging instruments**

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

As at 30 September 2013, the revaluation reserve from measurement of hedging instruments included the amount of PLN (118 166) thousand, which represents a liability arising from measurement of IRS as at the end of the reporting period, totaling PLN 168 183 thousand, adjusted by a portion of measurement relating to interest accrued on bonds as at the end of the reporting period, amounting to PLN 22 300 thousand, which was reclassified to retained earnings (out of this amount, PLN 21 390 thousand was charged to profit or loss for the period), including deferred tax. Additionally, the profit/loss for the period includes the amount paid in respect of the hedges used in relation to closed interest periods on the hedged portion of bonds, totaling PLN 10 506 thousand. In the statement of comprehensive income, the aforementioned costs of transactions hedging IRS increased financial expenses arising from interest on issued bonds.

	Revaluation reserve from valuation of hedging instruments
<b>As at 1 January 2013</b>	<b>(153 703)</b>
Valuation of hedging instruments	22 483
Transfer of valuation relating to accrued interest on debentures to net result	21 390
Deferred tax	(8 336)
<b>As at 30 September 2013 (unaudited)</b>	<b>(118 166)</b>

## 21. Interest-bearing loans and borrowings

### 21.1. Credit facilities and loans

As at 30 September 2013 the Group's liabilities arising from received credit facilities and loans amounted to PLN 1 514 171 thousand and resulted from:

- loans of PLN 1 372 609 thousand obtained from the European Investment Bank, including interest accrued of PLN 14 547 thousand (PLN 910 394 thousand as at 31 December 2012). The increase in the aforementioned liabilities results from the receipt of further disbursements of loans from the European Investment Bank under the loan agreement of 3 July 2012: on 25 January 2013: PLN 200 000 thousand and on 22 February 2013: PLN 250 000 thousand. The first disbursement under the aforementioned agreement in the amount of PLN 450 000 thousand was made in July 2012. Consequently, the total amount of the funding provided under the agreement, i.e. PLN 900 000 thousand, was used. The funds obtained are used for grid investments;
- an overdraft of PLN 23 196 thousand, including PLN 23 190 thousand (EUR 5 500 thousand) under Multi-option Loan Agreement valid until 31 December 2013, concluded by the Company for the purpose of foreign exchange funding transactions in emission allowances;
- credit facilities and loans taken by the Group companies for investment or refunding purposes, including:
  - credit facility taken out by TAURON Dystrybucja S.A. to refinance capital expenditure incurred from 2008 to 2009, the outstanding amount of which was PLN 31 207 thousand as at the balance sheet date (PLN 51 331 thousand as at 31 December 2012);
  - loan from the Regional Fund for Environmental Protection and Water Management taken out by TAURON Wytwarzanie S.A. to fund investment projects related to energy generation from renewable sources in the Jaworzno III power plant. As at the balance sheet date the outstanding amount was PLN 37 000 thousand (PLN 40 000 thousand as at 31 December 2012);
  - loan from the Regional Fund for Environmental Protection and Water Management granted to TAURON Ciepło S.A. to fund green investment projects. As at the balance sheet date the outstanding amount was PLN 24 930 thousand (PLN 25 715 thousand as at 31 December 2012).

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



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

Currency	Interest rate	Value of loans as at the balance sheet date (unaudited)		of which principal amount maturing within (after the balance sheet date):					
		currency	PLN	less than 3 months	3-12 months	1-2 years	2-3 years	3-5 years	over 5 years
PLN	floating	115 018	115 018	26 374	27 773	11 848	7 138	13 652	28 233
	fixed	1 358 060	1 358 060	71 400	61 415	132 725	132 725	265 452	694 343
<b>Total PLN</b>		<b>1 473 078</b>	<b>1 473 078</b>	<b>97 774</b>	<b>89 188</b>	<b>144 573</b>	<b>139 863</b>	<b>279 104</b>	<b>722 576</b>
EUR	floating	769	3 244	649	1 946	649	-	-	-
	fixed	5 500	23 190	23 190	-	-	-	-	-
<b>Total EUR</b>		<b>6 269</b>	<b>26 434</b>	<b>23 839</b>	<b>1 946</b>	<b>649</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>			<b>1 499 512</b>	<b>121 613</b>	<b>91 134</b>	<b>145 222</b>	<b>139 863</b>	<b>279 104</b>	<b>722 576</b>
Interest increasing carrying amount			14 659						
<b>Total loans and borrowings</b>			<b>1 514 171</b>						

**Credit facilities and loans taken out as at 31 December 2012**

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

Change in the balance of credit facilities and loans excluding interest accrued in the 9-month period ended 30 September 2013 and in the comparable period has been presented below.

	9-month period ended 30 September 2013 (unaudited)	9-month period ended 30 September 2012 (unaudited)
<b>Opening balance</b>	<b>1 205 637</b>	<b>318 354</b>
<b>Movement in bank overdrafts</b>	<b>(106 370)</b>	<b>10 097</b>
<b>Movement in loans and borrowings (excluding bank overdrafts):</b>	<b>400 245</b>	<b>873 727</b>
Taken out	451 693	999 000
Repaid	(49 787)	(127 747)
Change in valuation	(1 661)	2 474
<b>Closing balance</b>	<b>1 499 512</b>	<b>1 202 178</b>

**21.2. Issued bonds**

As at 30 September 2013, the parent's liability under bonds issued amounted to PLN 4 335 377 thousand, including interest of PLN 44 748 thousand accrued until the balance sheet date (as at 31 December 2012: PLN 4 301 834 thousand). They were due to bonds issued in the following tranches:

- on 29 December 2010, Tranche A bonds were issued with the par value of PLN 848 200 thousand and maturing on 29 December 2015;

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

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

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

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

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

#### Bonds issued as at 30 September 2013 (*unaudited*)

Tranche	Interest rate	Currency	As at the balance sheet date ( <i>unaudited</i> )		of which principal amount maturing within (after the balance sheet date)				
			Interest accrued	Principal at amortised cost	less than 1 year	1 - 2 years	2-3 years	3-5 years	over 5 years
Tranche A	floating	PLN	7 886	846 923	-	-	846 923	-	-
Tranche B	floating	PLN	4 201	449 355	-	150 000	299 355	-	-
Tranche C	floating	PLN	32 661	2 994 351	-	-	-	2 994 351	-
<b>Total debentures</b>			<b>44 748</b>	<b>4 290 629</b>	-	<b>150 000</b>	<b>1 146 278</b>	<b>2 994 351</b>	-

#### Bonds issued as at 31 December 2012

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

On 31 July 2013, the Company concluded more bond issue agreements:

- it entered into an agreement with ING Bank Śląski S.A., Bank Polska Kasa Opieki S.A. and BRE Bank S.A. concerning the bond issue scheme of TAURON Polska Energia S.A. up to the maximum amount of PLN 5 000 000 thousand. The agreement was signed for a term of three years, effective from the date of its execution. The instruments issued under the scheme will be dematerialized, discount or coupon, unsecured bonds. The par value and issue price per bond will be determined in the issue terms and conditions, while the rate of interest will be set on a case-by-case basis for each tranche in the bonds offering process. The bonds may mature from one month to 10 years.
- The Company and Bank Gospodarstwa Krajowego entered into a guarantee, agency and deposit agreement that constitute the program of issuing long-term bonds of TAURON Polska Energia S.A. of PLN 1 000 000 thousand. The instruments will be dematerialized, coupon, unsecured bonds. In 2013, the Company is entitled to issue bonds with the total maximum par value of PLN 500 000 thousand, while in 2014 and 2015 the total maximum par value of issued bonds will not exceed the scheme value less the par value of bonds issued in 2013. The availability date has been set at 31 December 2015 and the bonds will be redeemed on an annual basis, between 20 December 2019 and 20 December 2028, in equal amounts of PLN 100 000 thousand. The rate of interest

will be variable and determined based on the WIBOR 6M reference rate plus a fixed margin of the bank. The bonds will be underwritten, that is to say the obligation to acquire the bonds issued by the Company will be assumed by the underwriter (Bank Gospodarstwa Krajowego).

The proceeds from the issue will be used mainly for funding investment expenditure of the TAURON Group. By the date of approval of these interim condensed consolidated financial statements for publication, no bonds had been issued by the Company under the aforementioned agreements.

## 22. Provisions for employee benefits

### 22.1. Provisions for post-employment benefits and jubilee bonuses

#### Change in provisions for employee benefits in the period of 9 months ended 30 September 2013 (unaudited)

	Provision for retirement, disability and similar benefits	Employee electricity rates	Social Fund	Provision for coal allowances	Jubilee bonuses	Total provisions
<b>Opening balance</b>	<b>260 356</b>	<b>595 579</b>	<b>135 766</b>	<b>56 735</b>	<b>579 547</b>	<b>1 627 983</b>
Current service costs	3 896	3 683	1 212	876	25 521	35 188
Actuarial gains and losses	(6 067)	(6 874)	(952)	(153)	4 466	(9 580)
Benefits paid	(9 434)	(11 629)	(2 445)	(1 071)	(45 449)	(70 028)
Past employment costs	(870)	(2 977)	(663)	-	(2 711)	(7 221)
Interest expense	7 493	17 822	4 055	1 695	16 660	47 725
<b>Closing balance</b>	<b>255 374</b>	<b>595 604</b>	<b>136 973</b>	<b>58 082</b>	<b>578 034</b>	<b>1 624 067</b>
<b>Current</b>	<b>13 481</b>	<b>23 651</b>	<b>4 428</b>	<b>1 955</b>	<b>45 625</b>	<b>89 140</b>
<b>Non-current</b>	<b>241 893</b>	<b>571 953</b>	<b>132 545</b>	<b>56 127</b>	<b>532 409</b>	<b>1 534 927</b>

#### Change in provisions for employee benefits in the period of 9 months ended 30 September 2012 (unaudited restated figures)

	Provision for retirement, disability and similar benefits	Employee electricity rates	Social Fund	Provision for coal allowances	Jubilee bonuses	Total provisions
<b>Opening balance</b>	<b>192 074</b>	<b>418 096</b>	<b>119 368</b>	<b>39 624</b>	<b>484 643</b>	<b>1 253 805</b>
Adjustments	38 740	29 888	632	(1 286)	-	67 974
<b>Opening balance after adjustments</b>	<b>230 814</b>	<b>447 984</b>	<b>120 000</b>	<b>38 338</b>	<b>484 643</b>	<b>1 321 779</b>
Current service costs	6 380	3 778	1 575	446	23 793	35 972
Actuarial gains and losses	(5 022)	6 202	(979)	(167)	3 669	3 703
Benefits paid	(12 739)	(16 528)	(1 363)	(1 236)	(47 865)	(79 731)
Interest expense	9 588	18 899	5 109	1 628	20 215	55 439
Other movements	(10 688)	(2 615)	(968)	-	(30 438)	(44 709)
<b>Closing balance</b>	<b>218 333</b>	<b>457 720</b>	<b>123 374</b>	<b>39 009</b>	<b>454 017</b>	<b>1 292 453</b>
<b>Current</b>	<b>24 540</b>	<b>23 527</b>	<b>5 417</b>	<b>1 831</b>	<b>53 512</b>	<b>108 827</b>
<b>Non-current</b>	<b>193 793</b>	<b>434 193</b>	<b>117 957</b>	<b>37 178</b>	<b>400 505</b>	<b>1 183 626</b>

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

Past employment costs of PLN 7 221 thousand result from the decrease in employee benefits due to employees transferred from TAURON Wytwarzanie S.A. to TAURON Ciepło S.A. as a result of the spin-off of EC Katowice, as presented in detail in note 25. Following the combination of EC Katowice with TAURON Ciepło S.A., after expiry of the period of guarantee (regarding the benefit payment on the level adopted by TAURON Wytwarzanie S.A. until June 2016), the provision for future employee benefits is based on the internal regulations adopted by the Company.

## 22.2. Provisions for employment termination benefits

### Change in provisions for voluntary redundancy schemes in the period of 9 months ended 30 September 2013 (*unaudited*)

	Voluntary redundancy schemes			Total
	TAURON Wytwarzanie S.A.	TAURON Dystrybucja S.A.	TAURON Obsługa Klienta Sp. z o.o.	
<b>Opening balance</b>	<b>75 180</b>	<b>23 211</b>	<b>9 549</b>	<b>107 940</b>
Recognition	2 022	14 370	-	16 392
Reversal	(2 610)	-	-	(2 610)
Utilization	(21 246)	(10 055)	(1 102)	(32 403)
Other movements	-	-	-	-
<b>Closing balance</b>	<b>53 346</b>	<b>27 526</b>	<b>8 447</b>	<b>89 319</b>
<b>Current</b>	<b>45 720</b>	<b>27 526</b>	<b>5 251</b>	<b>78 497</b>
<b>Non-current</b>	<b>7 626</b>	<b>-</b>	<b>3 196</b>	<b>10 822</b>

### Change in provisions for voluntary redundancy schemes in the period of 9 months ended 30 September 2012 (*unaudited*)

	Voluntary redundancy schemes			Total
	TAURON Wytwarzanie S.A.	TAURON Dystrybucja S.A.	TAURON Serwis GZE Sp. z o.o. (currently TAURON Dystrybucja Serwis S.A.)	
<b>Opening balance</b>	<b>5 719</b>	<b>29 336</b>	<b>217</b>	<b>35 272</b>
Recognition	53 181	11 031	-	64 212
Reversal	(1 166)	-	-	(1 166)
Utilization	(8 310)	(15 818)	(217)	(24 345)
Other movements	44 709	-	-	44 709
<b>Closing balance</b>	<b>94 133</b>	<b>24 549</b>	<b>-</b>	<b>118 682</b>
<b>Current</b>	<b>88 575</b>	<b>24 549</b>	<b>-</b>	<b>113 124</b>
<b>Non-current</b>	<b>5 558</b>	<b>-</b>	<b>-</b>	<b>5 558</b>

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

- TAURON Wytwarzanie S.A. follows the provisions of an Employment Cost Reduction Agreement concluded on 28 March 2012. From its effective date up to 30 September 2013, 874 individuals took advantage of this Agreement. In 2012 a provision was recognized due to the planned redundancy of 553 employees in the period from 1 January 2013 to 30 June 2014. As at 30 September 2013 the provision amounted to PLN 53 346 thousand, including PLN 31 737 thousand due to future employee benefits payable under VRS and PLN 21 609 thousand of the provision for post-employment benefits and jubilee bonuses for employees covered by VRS. As at 30 September 2013 the provision included a portion for costs arising from the Agreement on decommissioning of the Halemba Power Plant, amounting to PLN 60 thousand.

In the 9-month period ended 30 September 2013:

- a provision of PLN 2 022 thousand was recognized for future payments under the VRS;
- actuarial provisions of PLN 2 610 thousand regarding employees included in the VRS were derecognized;
- the provision was applied due to disbursements made to employees benefiting from the Agreement which amounted to PLN 17 682 thousand and retirement and jubilee bonuses of PLN 3 564 thousand paid to employees participating in the Agreement.

Additionally, in the nine-month period ended 30 September 2013, the Company paid VRS benefits of PLN 3 279 thousand, charged directly to Group's profit/loss.

- In TAURON Dystrybucja S.A., the schemes implemented in previous periods were continued in the 9-month period ended 30 September 2013. Under voluntary redundancy schemes, employment contracts have been terminated with 113 employees in 2013.

In the 9-month period ended 30 September 2013 the total of PLN 6 911 thousand was paid in the form of one-off severance payments under schemes introduced on 18 December 2012. Furthermore, in 2013 the company continued to make payments to individuals who left it in 2012. Payments of the second portion of benefits under the Compensation Redundancy Scheme amounted to PLN 108 thousand, while individuals who took advantage of the schemes that were terminated on 30 December 2012 and who acquired the rights to such payments after receiving an unemployment allowance for a period not exceeding 6 months (Pre-retirement Redundancy Scheme) received the total of PLN 2 981 thousand. Additionally, in 2013 payments of PLN 55 thousand for leaving employees were made under schemes introduced in TAURON Dystrybucja GZE S.A. The schemes were completed in June 2013.

On 2 September 2013, another edition of the Voluntary Redundancy Scheme commenced with Kraków and Wrocław region employers. Three schemes were opened: Early Retirement Scheme (ERS), Early Retirement Redundancy Scheme (ERRS) and Redundancy Compensation Scheme (RCS). Employees may apply to the schemes until 17 July 2014. For this purpose, a provision of PLN 14 370 thousand has been recognized. Until the balance sheet date, no employment contracts have been terminated under this VRS edition.

- Due to organizational changes on 31 December 2012 TAURON Obsługa Klienta Sp. z o.o. launched a voluntary redundancy scheme to be followed by 31 December 2014 and covering a Pre-retirement Redundancy Scheme, Early Retirement Redundancy Scheme and Compensation Redundancy Scheme. The provision recognized by the company for the schemes in question amounted to PLN 9 549 thousand as at 31 December 2012 and to PLN 8 447 thousand as at 30 September 2013. In the 9-month period ended 30 September 2013, 26 employees were covered by the scheme and they received benefits of PLN 1 102 thousand.
- Additionally, in the nine-month period ended 30 September 2013, TAURON Ciepło S.A. paid VRS benefits of PLN 1 499 thousand, charged directly to expenses. No VRS provision was recognized as at the balance sheet date.

## 23. Other provisions

### 23.1. Changes in provisions

#### Change in provisions in the period of 9 months ended 30 September 2013 (*unaudited*)

	Provision for counterparty claims, court disputes and other similar items	Provision for restoration of land and dismantling and removal of fixed assets	Provision for gas emission obligations	Provision for obligation to surrender energy certificates	Provision for use of real estate without contract and other provisions	Total provisions
<b>Opening balance</b>	<b>33 713</b>	<b>94 140</b>	<b>62 921</b>	<b>873 976</b>	<b>120 809</b>	<b>1 185 559</b>
Discount rate adjustment	-	846	-	-	-	846
Recognition	2 790	2 643	155 443	681 343	13 253	855 472
Reversal	(2 310)	-	-	(7 415)	(7 036)	(16 761)
Utilization	(4 869)	-	(73 259)	(842 828)	(8 289)	(929 245)
Other movements	-	-	-	-	57	57
<b>Closing balance</b>	<b>29 324</b>	<b>97 629</b>	<b>145 105</b>	<b>705 076</b>	<b>118 794</b>	<b>1 095 928</b>
<b>Current</b>	<b>29 324</b>	<b>12 815</b>	<b>145 105</b>	<b>705 076</b>	<b>117 996</b>	<b>1 010 316</b>
<b>Non-current</b>	<b>-</b>	<b>84 814</b>	<b>-</b>	<b>-</b>	<b>798</b>	<b>85 612</b>

#### Change in provisions in the period of 9 months ended 30 September 2012 (*unaudited restated figures*)

	Provision for counterparty claims, court disputes and other similar items	Provision for restoration of land and dismantling and removal of fixed assets	Provision for gas emission obligations	Provision for obligation to surrender energy certificates	Provision for use of real estate without contract and other provisions	Total provisions
<b>Opening balance</b>	<b>43 149</b>	<b>69 850</b>	<b>187 132</b>	<b>703 449</b>	<b>87 188</b>	<b>1 090 768</b>
Adjustments	-	(6 240)	-	-	-	(6 240)
<b>Opening balance after adjustments</b>	<b>43 149</b>	<b>63 610</b>	<b>187 132</b>	<b>703 449</b>	<b>87 188</b>	<b>1 084 528</b>
Discount rate adjustment	-	802	-	-	-	802
Recognition	3 602	1 247	63 099	1 033 800	28 337	1 130 085
Reversal	(2 282)	-	-	-	(8 868)	(11 150)
Utilization	(1 229)	-	(221 109)	(1 182 192)	(5 285)	(1 409 815)
Other movements	-	-	-	(646)	(24)	(670)
<b>Closing balance</b>	<b>43 240</b>	<b>65 659</b>	<b>29 122</b>	<b>554 411</b>	<b>101 348</b>	<b>793 780</b>
<b>Current</b>	<b>43 240</b>	<b>3 250</b>	<b>29 122</b>	<b>554 411</b>	<b>100 534</b>	<b>730 557</b>
<b>Non-current</b>	<b>-</b>	<b>62 409</b>	<b>-</b>	<b>-</b>	<b>814</b>	<b>63 223</b>

### 23.2. Description of significant provision items

#### 23.2.1 Provision for court disputes, counterparty and similar claims

##### Provision for proceedings before the Office for Competition and Consumer Protection

The Office for Competition and Consumer Protection conducts antimonopoly proceedings against TAURON Dystrybucja S.A. in respect of the alleged abuse of dominant position on the electricity distribution market. The Company appealed against the decision to the Regional Court of Competition and Consumer Protection. On 12 September 2013 the Court of Appeals maintained the decision of the President of the Office of Competition and Consumer Protection. On this basis, in September 2013, a provision was used to pay the fine of PLN 4 274 thousand. As at 30 September 2013, other proceedings are pending regarding the fine of PLN 7 302 thousand imposed by the President of Office of Competition and Consumer Protection, with the provision recognized as at the balance sheet date equaling this amount. As at 31 December 2012, the relevant provision amounted to PLN 11 576 thousand.

### **Provision for claims of ArcelorMittal Poland S.A.**

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

### **23.2.2 Provision for restoration of land and dismantling and removal of fixed assets**

Under the Geological and Mining Law, Południowy Koncern Węglowy S.A. and Kopalnia Wapienia Czatkowice Sp. z o.o. recognize provisions for future decommissioning costs of their mining facilities. As at 30 September 2013, the provision recognized by Kopalnia Wapienia Czatkowice Sp. z o.o. amounted to PLN 6 020 thousand, and that recognized by Południowy Koncern Węglowy S.A. equaled PLN 21 367 thousand. As at 31 December 2012 the provisions amounted to PLN 5 548 thousand and PLN 20 521 thousand, respectively.

The provision for reclamation of land under waste dumps recognized by TAURON Wytwarzanie S.A. as at 30 September 2013 amounted to PLN 47 077 thousand, while on 31 December 2012 it was equal to PLN 46 512 thousand.

The Renewable Sources of Energy Segment entities recognized a provision for the costs of dismantling wind farms after their use has been discontinued of PLN 12 435 thousand. As at 31 December 2012, the provision amounted to PLN 12 075 thousand.

Due to the legal obligation to liquidate fixed assets after the period of their usage, TAURON Wytwarzanie S.A. recognized a provision for the estimated future costs necessary to fulfill this obligation, amounting to PLN 9 899 thousand. As at 31 December 2012, the relevant provision amounted to PLN 9 484 thousand.

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

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

As at 30 September 2013, the relevant provision amounted to PLN 705 076 thousand.

### **23.2.4 Provision for gas emission obligations**

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

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

As at 30 September 2013, the provision for gas emission liabilities amounted to PLN 145 105 thousand.

### **23.2.5 Other provisions**

#### **Provision for non-contractual use of land**

The Group companies recognize provisions for all claims filed by the owners of the real estate on which distribution systems and heat installations are located. As at 30 September 2013, the relevant provision amounted to PLN 78 531 thousand. The Group does not establish provision for potential unrecorded claims of owners of land the use of which is unregulated.

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

## 24. Accruals and government grants

### 24.1. Deferred income and government grants

	As at 30 September 2013 <i>(unaudited)</i>	As at 31 December 2012
<b>Deferred income</b>		
Donations, fixed assets received free-of-charge	211 297	205 423
Non-government subsidies	31	54
Subsidies for the purchase of fixed assets	173 026	135 031
Connection fees	289 608	306 343
Other deferred income	2 951	1 189
<b>Total, of which:</b>	<b>676 913</b>	<b>648 040</b>
Non-current	625 705	597 971
Current	51 208	50 069
<b>Government grants</b>		
Forgiven loans from environmental funds	9 353	9 880
Other deferred government grants	125 056	121 590
<b>Total, of which:</b>	<b>134 409</b>	<b>131 470</b>
Non-current	124 907	125 344
Current	9 502	6 126

Other accruals related to government grants include mainly:

- measurement of preferential loans amounting to PLN 39 301 thousand, received by TAURON Wytwarzanie S.A., and PLN 3 259 thousand received by TAURON Ciepło S.A., at market value;
- government grants received by Południowy Koncern Węglowy S.A. for initial investments in coal mines, amounting to PLN 27 352 thousand;
- grants from EU Funds amounting to PLN 22 155 thousand, received by TAURON Ciepło S.A.;
- grants from the National Fund for Environmental Protection and Water Management as well as the European Regional Development Fund of PLN 12 085 thousand, received by TAURON Wytwarzanie S.A.

### 24.2. Accrued expenses

	As at 30 September 2013 <i>(unaudited)</i>	As at 31 December 2012
Unused holidays	29 974	32 837
Bonuses	228 873	171 832
Environmental protection charges	32 985	1 905
Other	9 057	11 055
<b>Total, of which:</b>	<b>300 889</b>	<b>217 629</b>
Non-current	-	-
Current	300 889	217 629



## **25. Business combinations and acquisition of non-controlling interest**

### **Spin-off of TAURON Wytwarzanie S.A.**

On 2 January 2013, the division of TAURON Wytwarzanie S.A. through spin-off pursuant to Article 529.1.4 of the Code of Commercial Companies, involving a transfer of the separated assets, that is to say, an organized part of the enterprise in the form of a branch – EC Katowice, to TAURON Ciepło S.A., was entered into the National Court Register.

As a result, the share capital of TAURON Wytwarzanie S.A. was reduced from PLN 1 658 793 thousand to PLN 1 554 189 thousand, while the share capital of TAURON Ciepło S.A. was increased from PLN 865 937 thousand to PLN 1 238 077 thousand.

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

Consequently, the non-controlling interest decreased by PLN 1 672 thousand and retained earnings grew by the same amount.

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

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

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

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

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

### **Redemption of non-controlling interest**

As a result of the squeeze-outs of treasury shares for redemption purposes continued in the TAURON Group, the value of non-controlling interest in TAURON Wytwarzanie S.A. and TAURON Dystrybucja S.A. decreased by PLN 1 894 thousand, while retained earnings increased by PLN 115 thousand.

## **26. Contingent assets and liabilities**

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

The President of the Energy Regulatory Office instigated administrative proceedings with respect to imposing a financial penalty on Vattenfall Sales Poland Sp. z o.o. (now: TAURON Sprzedaż GZE Sp. z o.o.) under Article 56.1.5 of the Energy Law, based on the allegation that, in 2008 – 2012, the company used prices and tariffs which had not been submitted for the required approval. The company is of the opinion that it did not breach any law in this respect. In order to avoid being charged with a direct allegation of failing to fulfill the request of the President of the Energy Regulatory Office and thus falling under the provisions of the Energy Law, the company, at the request

of the President of URE, submitted electricity tariffs for the years 2008 – 2012 for approval, although it was in fact exempt from the requirement to submit electricity tariffs (exemption based on the decision of the President of URE dated 28 June 2001). However, the applications for the years 2008, 2009, 2011 and 2012 were not approved, and the proceedings for the approval of the electricity tariff for 2010 were cancelled based on the Decision of the President of URE.

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

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

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

##### **TAURON Sprzedaż Sp. z o.o.**

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

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

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

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

justify instigation of proceedings to prohibit applying practices violating collective consumers' interests. The company provided all documents requested and commented on statements included in the letter.

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

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

#### **TAURON Sprzedaż GZE Sp. z o.o.**

The following explanatory proceedings have been instigated by the Office for Competition and Consumer Protection against TAURON Sprzedaż GZE Sp. z o.o.:

- In its letter dated 23 April 2013, the Office for Competition and Consumer Protection instigated proceedings against TAURON Sprzedaż GZE Sp. z o.o., the objective of which was to determine whether the Act on competition and consumer protection was breached in reservation agreements for the sale of electricity, including restricted financial covenants;
- In its letter dated 26 September 2013, the Office for Competition and Consumer Protection notified TAURON Sprzedaż GZE Sp. z o.o. of the instigation of explanatory proceedings aimed at preliminary determination whether the actions of the company related to imposition of fines for early termination of agreements for sale of electricity were in breach of the Act on competition and consumer protection.

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

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

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

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

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

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

the first instance court was held on 27 November 2012. The following trial is to be held on 27 January 2014.

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

### **Compensation for stranded costs**

In line with the adopted accounting policy and a financial model designed, TAURON Wytwarzanie S.A. recognized the total revenue from compensation for early termination of Power Purchase Agreements ("PPAs") of PLN 2 095 800 thousand in 2008 - 2012. In 2013, following determination of the final stranded costs adjustment amount by the President of the Energy Regulatory Office, a revenue adjustment of PLN 18 886 thousand (decrease) was recognized by the Company. The total revenue under long-term contracts recognized by the company while participating in the scheme was PLN 2 076 914 thousand.

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

- for 2008:

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

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

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

- for 2009 - 2011:

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

- for 2012:

In 2012, the Group recognized PLN 567 012 thousand of revenue due to compensation for termination of PPAs. On 31 July 2013, the President of the Energy Regulatory Office issued a decision whereby the amount of the annual stranded costs adjustment for 2012 for TAURON Wytwarzanie S.A.

is PLN 423 091 thousand. The funds due to the annual stranded costs adjustment were paid to the company on 30 September 2013.

On 30 August 2013, the President of the Energy Regulatory Office issued an administrative decision determining the value of the final stranded costs adjustment. Considering the annual and final stranded costs adjustment amount, the Group adjusted its revenue, reducing it by PLN 18 886 thousand. The funds due to the final stranded costs adjustment of PLN 53 966 thousand should be paid to the company by 31 December 2013 in accordance with the provisions of the Act on PPAs. As at 30 September 2013, the amount was recognized as the company's receivables on the aforementioned basis.

The year 2012 was the last year of the company's participation in the stranded costs program, and the administrative decision of the President of URE whereby the final stranded costs adjustment was determined was the final settlement of the program.

No court proceedings are pending in respect of PPAs.

### Revenue and proceeds from compensations for terminated PPAs

	9-month period ended 30 September 2013 or as at 30 September 2013 ( <i>unaudited</i> )	9-month period ended 30 September 2012 ( <i>unaudited</i> ) or as at 31 December 2012
Revenue from compensations for terminated PPAs	(18 886)	431 259
Cash inflows generated from compensations concerning terminated PPAs	461 354	488 535
Receivables from compensations for terminated PPAs at the balance sheet date	53 966	534 207

### Excise duty

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

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

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

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

The following events related to this case occurred in the 9-month period ended 30 September 2013:

- a cassation appeal against a judgment of the Regional Administrative Court in Gliwice dated 19 November 2012 was filed with the Supreme Administrative Court on 18 February 2013 (amount claimed: ca. PLN 313 000 thousand);

- a complaint against three decisions of the Director of the Customs Chamber in Katowice dated 30 April 2013 was filed with the Regional Administrative Court in Gliwice on 5 June 2013 (amount claimed: ca. PLN 209 000 thousand);
- a complaint against two decisions of the Director of the Customs Chamber in Katowice dated 12 July 2013 was filed with the Regional Administrative Court in Gliwice on 14 August 2013 (amount claimed: ca. PLN 311 000 thousand);
- on 18 September 2013, a trial was held before the Regional Administrative Court in Gliwice. The case has not been settled and the court discontinued the proceedings temporarily until resolution of the legal issue raised by the President of the Supreme Administrative Court by that court – in relation to the complaints against three decisions of the Director of the Customs Chamber in Katowice dated 30 April 2013, which were filed with the Regional Administrative Court in Gliwice on 5 June 2013.

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

## **27. Collateral against liabilities**

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

The carrying amounts of assets pledged as security for liabilities as at the end of the respective reporting periods are presented in the table below.

### **Carrying amount of assets pledged as collateral against liabilities**

	As at 30 September 2013 <i>(unaudited)</i>	As at 31 December 2012
Real estate	195 741	728 953
Plant and equipment	47 253	50 231
Motor vehicles	575	950
Cash	40 082	20 796
Other	-	437
<b>Total assets pledged as security for liabilities</b>	<b>283 651</b>	<b>801 367</b>

The decrease in the carrying amount of real estate securing payment of liabilities during the 9-month period ended 30 September 2013 results from the fact that TAURON Wytwarzanie S.A. had repaid the total amount of the loan granted by the National Fund for Environmental Protection and Water Management in December 2012. The collateral with the value of PLN 528 000 thousand was released in 2013.

### **Other forms of collateral**

The Group also uses other forms of collateral to secure payment of liabilities, of which the most significant ones as at 30 September 2013 related to credit facilities and loans taken out by TAURON Wytwarzanie S.A. were: authorizations to debit bank accounts – PLN 10 000 thousand and blank promissory notes of PLN 51 488 thousand. Credit facilities provided to TAURON Dystrybucja S.A. were secured by granting authorizations to dispose of the funds in the borrowers' bank accounts up to the outstanding loan balance plus interest and other amounts payable to the bank – the total of PLN 31 207 thousand as at 30 September 2013. In order to secure proper performance of the contract and of the agreements signed by the company, including those relating to the funding of investment projects, TAURON Dystrybucja S.A. issued blank promissory notes (for the total amount of PLN 94 430 thousand). Elektrociepłownia Tychy S.A. (now: TAURON Ciepło S.A.) issued a blank promissory note for the amount of PLN 92 383 thousand to secure a sale and leaseback agreement signed in 2007. This agreement is additionally secured by the assignment of receivables, transfer of rights under insurance policies,

mortgage on real estate, machinery and equipment (see table above) and authorization to debit bank accounts.

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

- up to PLN 1 560 000 thousand, valid until 31 December 2016 – as regards the issued Tranche A and B;
- up to PLN 6 900 000 thousand, valid until 31 December 2018 – as regards the issued Tranche C as well as Tranche D and E which had not been issued by the date of approval of these financial statements for publication.

With a view to collateralizing the agreement made on 31 July 2013 with Bank Gospodarstwa Krajowego, concerning a long-term bond issue scheme of PLN 1 000 000 thousand, as described in detail in Note 21.2, the Company has filed a declaration of submission to enforcement up to PLN 1 500 000 thousand, valid until 20 December 2029. By the date of approval of these interim condensed financial statements for publication, no bonds had been issued under the aforementioned agreement.

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

- up to PLN 300 000 thousand – facility provided by Polska Kasa Opieki S.A. (cash pool funding);
- up to EUR 26 500 thousand (PLN 111 732 thousand) – facility provided by NORDEA Bank Finland plc.

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

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

As at 30 September 2013, under the aforementioned agreement PKO Bank Polski S.A. had given bank guarantees at the request of the Company in order to collateralize liabilities of the subsidiaries of TAURON Polska Energia S.A., totaling PLN 3 464 thousand and to collateralize transactions entered into by the Company:

- up to PLN 80 000 thousand – a guarantee for Izba Rozliczeniowa Giełd Towarowych S.A., valid until 30 September 2013;
- up to EUR 1 000 thousand (PLN 4 216 thousand) – a guarantee for CAO Central Allocation Office GmbH, valid until 3 February 2014.

In May 2013, the Company signed an agreement on a bank guarantee limit of PLN 150 000 thousand with Bank Zachodni WBK S.A., with Izba Rozliczeniowa Giełd Towarowych S.A. as the beneficiary. The agreement has been collateralized with a declaration of submission to enforcement up to the amount of PLN 187 500 thousand, with the maximum validity period until 6 May 2016.

Under the agreement, the bank has given a bank guarantee of PLN 150 000 thousand valid until 30 September 2013, at the request of the Company. After the end of the reporting period, since 1 October 2013, the following guarantees have been effective:

- PLN 50 000 thousand, valid until 31 October 2013;
- PLN 50 000 thousand, valid until 30 November 2013;
- PLN 50 000 thousand, valid until 31 December 2013.

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

## 28. Capital commitments

As at 30 September 2013, the Group committed to incur expenditure on property, plant and equipment in the amount of PLN 2 644 068 thousand, with the following as the key items:

- capital commitment of PLN 503 750 thousand relating to creation of new CHP capacity in Elektrociepłownia Tychy owned by TAURON Ciepło S.A.;
- capital commitment of PLN 107 488 thousand relating to boiler adaptation in the Jaworzno III Power Plant, being the property of TAURON Wytwarzanie S.A., to reduce emission of greenhouse gases;
- capital commitment of PLN 103 923 thousand relating to construction of a 50MW turbine generator owned by TAURON Ciepło S.A.;
- capital commitment of PLN 103 002 thousand relating to a shaft inlet and development of the infrastructure of the *Janina* shaft owned by Południowy Koncern Węglowy S.A.

As at 31 December 2012, the Group committed to incur expenditure on property, plant and equipment in the amount of PLN 1 717 934 thousand, with the following as the key items:

- capital commitment in the amount of PLN 194 351 thousand relating to construction of the Marszewo wind farm and supply of turbines to MEGAWAT MARSZEWO Sp. z o.o.;
- capital commitment in the amount of PLN 156 011 thousand relating to construction of the Wicko wind farm owned by BELS INVESTMENT Sp. z o.o.;
- capital commitment of PLN 132 722 thousand relating to boiler adaptation in the Jaworzno III Power Plant, being the property of TAURON Wytwarzanie S.A., to reduce emission of greenhouse gases;
- capital commitment of TAURON Dystrybucja S.A. amounting to PLN 83 900 thousand and relating to reconstruction of the Groszowice-Hermanowice high-voltage transmission line, including development of the optical fiber.

## 29. Related party disclosures

### 29.1. Transactions with jointly-controlled entities

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

### 29.2. Transactions with State Treasury companies

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

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

## Revenue and expenses

	9-month period ended 30 September 2013 <i>(unaudited)</i>	9-month period ended 30 September 2012 <i>(unaudited)</i>
Revenue	1 560 729	1 547 980
Costs*	(2 093 260)	(2 930 643)

\* includes costs recognized in the statement of comprehensive income



## Receivables and liabilities

	As at 30 September 2013 (unaudited)	As at 31 December 2012
Receivables	202 976	302 588
Payables	324 400	588 194

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

Among the State Treasury companies, in the 9-month period ended 30 September 2012, KGHM Polska Miedź S.A., PKP Energetyka S.A., Kompania Węglowa S.A. and PSE S.A. were the major clients of the TAURON Polska Energia S.A. Capital Group. Total sales to these clients accounted for 76% of revenue from transactions with State Treasury companies. The largest purchase transactions were concluded by the Group with PSE S.A. and Kompania Węglowa S.A. Purchases from these counterparties accounted for 73% of the value of purchases from State Treasury companies during the 9-month period ended 30 September 2012.

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

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

### 29.3. Executive compensation

The amount of compensation and other benefits granted to the Management Board members, Supervisory Boards and other key executives of the Parent and the subsidiaries in the 9-month period ended 30 September 2013 and in the comparative period has been presented in the table below.

	9-month period ended 30 September 2013 (unaudited)		9-month period ended 30 September 2012 (unaudited)	
	Parent	Subsidiaries	Parent	Subsidiaries
<b>Board of Directors</b>	<b>6 185</b>	<b>20 787</b>	<b>6 687</b>	<b>16 943</b>
Short-term employee benefits (salaries and surcharges)	5 573	19 862	5 996	15 460
Jubilee bonuses	-	-	-	28
Post-employment benefits	-	505	-	277
Employment termination benefits	-	129	-	237
Other	612	291	691	941
<b>Supervisory Board</b>	<b>702</b>	<b>955</b>	<b>702</b>	<b>929</b>
Short-term employee benefits (salaries and surcharges)	702	850	702	845
Other	-	105	-	84
<b>Other key management personnel</b>	<b>9 498</b>	<b>31 197</b>	<b>7 345</b>	<b>31 975</b>
Short-term employee benefits (salaries and surcharges)	8 591	30 103	6 575	30 087
Jubilee bonuses	-	662	-	570
Post-employment benefits	126	114	126	64
Employment termination benefits	-	-	-	782
Other	781	318	644	472
<b>Total</b>	<b>16 385</b>	<b>52 939</b>	<b>14 734</b>	<b>49 847</b>

### 30. Financial instruments

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

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

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

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

Categories and classes of financial assets	As at 30 September 2013 (unaudited)		As at 31 December 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>1 Assets at fair value through profit or loss</b>	<b>853</b>	<b>853</b>	<b>472</b>	<b>472</b>
Shares in unlisted and listed companies (current)	-	-	6	6
Derivative instruments	853	853	466	466
<b>2 Financial assets available for sale</b>	<b>154 519</b>	<b>4 303</b>	<b>156 974</b>	<b>3 813</b>
Shares in unlisted and listed companies (non-current)*	144 473	-	148 222	-
Shares in unlisted and listed companies (current)*	5 743	-	4 939	-
Investment fund units	2 413	2 413	2 388	2 388
Bonds, T-bills and other debt securities	1 890	1 890	1 425	1 425
<b>3 Loans and receivables</b>	<b>2 369 357</b>	<b>2 369 357</b>	<b>3 190 115</b>	<b>3 190 115</b>
Trade receivables	1 799 878	1 799 878	2 199 577	2 199 577
Deposits	30 596	30 596	26 219	26 219
Loans granted	187 010	187 010	117 813	117 813
Other	351 873	351 873	846 506	846 506
<b>4 Financial assets excluded from the scope of IAS 39</b>	<b>46 353</b>	<b>-</b>	<b>51 986</b>	<b>-</b>
Investments in joint ventures recognised using the equity method*	46 353	-	51 986	-
<b>5 Cash and cash equivalents</b>	<b>1 346 190</b>	<b>1 346 190</b>	<b>1 030 929</b>	<b>1 030 929</b>
<b>Total financial assets, including in the statement of financial position:</b>	<b>3 917 272</b>		<b>4 430 476</b>	
<b>Non-current assets</b>	<b>426 851</b>		<b>357 430</b>	
Investments in joint ventures recognised using the equity method	46 353		51 986	
Other financial assets	380 498		305 444	
<b>Current assets</b>	<b>3 490 421</b>		<b>4 073 046</b>	
Trade and other receivables	2 137 635		3 036 695	
Other financial assets	6 596		5 422	
Cash and cash equivalents	1 346 190		1 030 929	

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

**TAURON Polska Energia S.A. Capital Group**  
*Interim condensed consolidated financial statements for the 9-month period ended 30 September 2013*  
(PLN '000)

Categories and classes of financial liabilities	As at 30 September 2013 (unaudited)		As at 31 December 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>1 Financial liabilities at fair value through profit or loss</b>	<b>1 005</b>	<b>1 005</b>	<b>552</b>	<b>552</b>
Derivative instruments	1 005	1 005	552	552
<b>2 Financial liabilities measured at amortized cost</b>	<b>7 511 629</b>	<b>7 511 629</b>	<b>8 146 211</b>	<b>8 146 211</b>
Preferential loans	75 913	75 913	99 100	99 100
Arm's length loans	1 415 062	1 415 062	979 372	979 372
Bank overdrafts	23 196	23 196	129 566	129 566
Issued debentures and other debt securities	4 335 377	4 335 377	4 301 834	4 301 834
Trade payables	1 066 784	1 066 784	1 399 019	1 399 019
Other financial liabilities	125 321	125 321	82 459	82 459
Commitments resulting from purchases of fixed and intangible assets	363 895	363 895	966 768	966 768
Salaries and wages	102 795	102 795	161 150	161 150
Insurance contracts	3 286	3 286	26 943	26 943
<b>3 Liabilities under guarantees, factoring and excluded from the scope of IAS 39</b>	<b>47 552</b>	<b>47 552</b>	<b>56 278</b>	<b>56 278</b>
Obligations under finance leases and hire purchase contracts	47 552	47 552	56 278	56 278
<b>4 Derivative hedging instruments (liabilities)</b>	<b>168 183</b>	<b>168 183</b>	<b>190 666</b>	<b>190 666</b>
<b>Total financial liabilities, including in the statement of financial position:</b>	<b>7 728 369</b>		<b>8 393 707</b>	
<b>Long-term liabilities</b>	<b>5 712 619</b>		<b>5 423 162</b>	
Interests bearing loans and borrowings	5 577 394		5 222 882	
Finance lease and hire purchase commitments	33 444		41 796	
Trade payables and other financial liabilities	8 241		7 890	
Derivative instruments	93 540		150 594	
<b>Short-term liabilities</b>	<b>2 015 750</b>		<b>2 970 545</b>	
Current portion of interest-bearing loans and borrowings	272 154		286 990	
Current portion of finance lease and hire purchase commitments	14 108		14 482	
Trade and other payables	1 653 840		2 628 449	
Derivative instruments	75 648		40 624	

### 30.2. Fair value hierarchy

Classes of financial instruments	As at 30 September 2013 (unaudited)	
	Level 1	Level 2
<b>Assets</b>		
Commodity-related derivatives	853	-
Investment fund units	2 413	-
Bonds, T-bills and other debt securities	1 890	-
<b>Liabilities</b>		
Commodity-related derivatives	35	-
Currency derivatives	-	970
IRS derivatives	-	168 183

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

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

### 30.3. Details of significant items in individual categories of financial instruments

#### **Available-for-sale financial assets**

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

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

#### **Loans and receivables**

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

Originated loans of PLN 187 010 thousand include a loan granted to Elektrociepłownia Stalowa Wola S.A., along with accrued interest, as presented in detail in Note 15 hereto.

A drop in the value of other loans and receivables in the 9-month period ended 30 September 2013 results mainly from a decrease in the amount of receivables arising from compensation for PPA termination of PLN 480 241 thousand. As at 30 September 2013, receivables arising from compensation for PPA termination amounted to PLN 53 966 thousand.

#### **Financial liabilities measured at amortized cost**

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

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

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

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

### **31. Objectives and principles of financial risk management**

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

As at 30 September 2013, the Parent was a party to hedging transactions covered by the policy for specific risk management in the area of finance, entered into with a view to hedging interest cash flows from issued bonds. The Parent applies hedge accounting to the aforementioned transactions. The accounting treatment of the aforementioned hedging transactions has been presented in detail in Note 20.3 hereto.

### **32. Finance management**

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

### **33. Significant items of the consolidated statement of cash flows**

#### **Acquisition of property, plant and equipment and intangible assets**

Expenditure on acquisition of property, plant and equipment and intangible assets of PLN 2 868 589 thousand were mainly related to the acquisition of property, plant and equipment of PLN 2 199 683 thousand in the 9-month period ended 30 September 2013, which has been presented in detail in Note 13 hereto. The amount was adjusted by change in capital commitments, excluding VAT in the amount of PLN 463 717 thousand.

#### **Loans granted**

In the 9-month period ended 30 September 2013, the Group disclosed payments related to investing activities due to origination of loans to Elektrociepłownia Stalowa Wola S.A. in the total amount of PLN 108 800 thousand by the Parent. The transaction has been presented in detail in Note 15 hereto.

#### **Proceeds from loans obtained by the Group companies**

Proceeds from credit facilities and loans of PLN 451 693 thousand, disclosed in the consolidated statement of cash flows, result mainly from credit facilities totaling PLN 450 000 thousand, granted by the European Investment Bank to the Parent, which has been presented in detail in Note 21.1.

#### **Interest paid**

In the 9-month period ended 30 September 2013, interest paid by the Group on credit facilities, loans, debt securities and finance lease agreements totaled PLN 165 084 thousand. The Group's consolidated statement of cash flows presents borrowing costs of PLN 61 471 thousand capitalized in the current period in the value of assets, as expenditure on acquisition of property, plant and equipment and intangible assets in cash flows from investing activities.

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

On 18 October 2013, MEGAWAT MARSZEWO Sp. z o.o., a subsidiary, commissioned the Marszewo wind farm (82 MW). The wind park is located in the commune of Postomino and consists of 41 turbines (2 MW each). The investment project was carried out by a consortium consisting of: Iberdrola Engineering and Construction Poland Sp. z o.o. (Leader) and Iberdrola Ingenieria y Construcción S.A.U., Spain. The total contract value is PLN 632 009 thousand net, including a three-year warranty period. The annual output of the wind farm is estimated at the level of ca. 184 thousand MWh.

On 25 October 2013, BELS INVESTMENT Sp. z o.o., a subsidiary, commissioned the Wicko wind farm (40 MW). The wind park is located in the commune of Wicko and consists of 20 turbines (2 MW each). The investment project was carried out by a consortium consisting of: Aldesa Nowa Energia Sp. z o.o.

and Aldesa Construcciones S.A., Spain. The total contract value is ca. PLN 244 000 thousand net. The annual output of the wind farm is estimated at the level of ca. 87 thousand MWh.

These interim condensed consolidated financial statements of the TAURON Polska Energia S.A. Capital Group, prepared for the 9-month period ended 30 September 2013 in accordance with International Accounting Standard 34 have been presented on 63 consecutive pages.

Katowice, 12 November 2013

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

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