**TAURON Polska Energia S.A.**

**Interim Condensed Financial Statements**
**prepared in accordance with the International Financial Reporting Standards**
**for the 9-month period ended 30 September 2013**

*(PLN '000)*

## INTERIM CONDENSED 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)* |
|---|---|---|---|---|---|
| **Continuing operations** | | | | | |
| Sale of goods for resale, finished goods and materials without elimination of excise | | 2 481 550 | 8 001 358 | 2 242 823 | 7 065 351 |
| Excise | | (2 955) | (8 667) | (2 911) | (8 407) |
| Sale of goods for resale, finished goods and materials | | 2 478 595 | 7 992 691 | 2 239 912 | 7 056 944 |
| Rendering of services | | 21 801 | 65 700 | 20 551 | 43 438 |
| **Sales revenue** | **9** | **2 500 396** | **8 058 391** | **2 260 463** | **7 100 382** |
| Cost of sales | **9** | (2 452 961) | (7 736 500) | (2 223 821) | (6 976 757) |
| **Gross profit** | | **47 435** | **321 891** | **36 642** | **123 625** |
| Other operating income | | 151 | 1 698 | 142 | 633 |
| Selling and distribution expenses | | (6 092) | (31 347) | (5 991) | (17 538) |
| Administrative expenses | | (26 870) | (79 706) | (24 649) | (74 697) |
| Other operating expenses | | 1 013 | (1 540) | (1 059) | (2 196) |
| **Operating profit** | | **15 637** | **210 996** | **5 085** | **29 827** |
| Dividend income | | - | 1 500 627 | - | 1 550 613 |
| Finance income | **32** | 62 488 | 201 567 | 64 610 | 147 719 |
| Finance costs | | (84 130) | (256 011) | (87 089) | (238 845) |
| **Profit before tax** | | **(6 005)** | **1 657 179** | **(17 394)** | **1 489 314** |
| Income tax | **10** | (12 617) | (28 964) | - | (44 771) |
| **Net profit from continuing operations** | | **(18 622)** | **1 628 215** | **(17 394)** | **1 444 543** |
| **Net profit for the period** | | **(18 622)** | **1 628 215** | **(17 394)** | **1 444 543** |
| **Other comprehensive income:** | | | | | |
| **Other comprehensive income subject to reclassification to profit or loss:** | | **7 029** | **43 873** | **(49 222)** | **(89 363)** |
| Change in the value of hedging instruments | | 7 029 | 43 873 | (49 222) | (89 363) |
| Income tax expense relating to other comprehensive income items | | - | - | - | - |
| **Other comprehensive income not subject to reclassification to profit or loss:** | | **-** | **8** | **17** | **50** |
| Actuarial gains/(losses) related to provisions for post-employment benefits | | - | 8 | 17 | 50 |
| Income tax expense relating to other comprehensive income items | | - | - | - | - |
| **Other comprehensive income for the period, net of tax** | **21** | **7 029** | **43 881** | **(49 205)** | **(89 313)** |
| **Total comprehensive income for the period** | | **(11 593)** | **1 672 096** | **(66 599)** | **1 355 230** |
| **Earnings per share (in PLN):** | | | | | |
| - basic and diluted, for profit for the period | | (0.01) | 0.93 | (0.01) | 0.82 |
| - basic and diluted, for profit from continuing operations for the period | | (0.01) | 0.93 | (0.01) | 0.82 |

*(PLN '000)*

## INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

| | Note | As at 30 September 2013 *(unaudited)* | As at 31 December 2012 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | **12** | 10 970 | 20 786 |
| Intangible assets | **13** | 49 298 | 53 053 |
| Shares | **14** | 20 185 800 | 20 184 404 |
| Bonds | **15** | 4 815 000 | 2 615 000 |
| Loans granted | **16** | 187 003 | 117 802 |
| Other non-financial assets | | 7 514 | 6 599 |
| | | **25 255 585** | **22 997 644** |
| **Current assets** | | | |
| Intangible assets | **17** | 92 094 | 113 302 |
| Inventories | **18** | 63 025 | 176 172 |
| Trade and other receivables | **19** | 1 097 808 | 1 460 484 |
| Bonds | **15** | 78 647 | 40 261 |
| Derivative instruments | | 853 | 466 |
| Other non-financial assets | | 4 824 | 59 319 |
| Cash and cash equivalents | **20** | 1 239 656 | 910 421 |
| | | **2 576 907** | **2 760 425** |
| **TOTAL ASSETS** | | **27 832 492** | **25 758 069** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Issued capital | **21.1** | 8 762 747 | 8 762 747 |
| Reserve capital | **21.3** | 9 037 699 | 7 953 021 |
| Revaluation reserve from valuation of hedging instruments | **21.4** | (145 883) | (189 756) |
| Retained earnings/Accumulated losses | | 1 709 031 | 1 515 996 |
| **Total equity** | | **19 363 594** | **18 042 008** |
| **Non-current liabilities** | | | |
| Interest-bearing loans and borrowings | **22** | 5 515 875 | 5 125 082 |
| Liabilities under finance leases | | 93 | 480 |
| Derivative instruments | | 93 540 | 150 594 |
| Provisions for employee benefits | | 4 813 | 4 605 |
| Accruals, deferred income and government grants | | 59 | 95 |
| | | **5 614 380** | **5 280 856** |
| **Current liabilities** | | | |
| Current portion of interest-bearing loans and borrowings | **22** | 1 832 421 | 1 392 660 |
| Current portion of liabilities under finance leases | | 516 | 510 |
| Trade and other payables | | 708 817 | 723 253 |
| Derivative instruments | | 75 648 | 40 624 |
| Provisions for employee benefits | | 1 180 | 1 166 |
| Other provisions | **23** | 106 063 | 119 038 |
| Accruals, deferred income and government grants | | 8 125 | 10 532 |
| Income tax payable | | 37 245 | 54 057 |
| Other non-financial liabilities | | 84 503 | 93 365 |
| | | **2 854 518** | **2 435 205** |
| **Total liabilities** | | **8 468 898** | **7 716 061** |
| **TOTAL EQUITY AND LIABILITIES** | | **27 832 492** | **25 758 069** |

*(PLN '000)*

# INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

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

| | Note | Issued capital | Reserve capital | Revaluation reserve from valuation of hedging instruments | Retained earnings/ Accumulated losses | Total equity |
|---|---|---|---|---|---|---|
| **As at 1 January 2013** | | **8 762 747** | **7 953 021** | **(189 756)** | **1 515 996** | **18 042 008** |
| Profit for the period | | - | - | - | 1 628 215 | **1 628 215** |
| Other comprehensive income | **21** | - | - | 43 873 | 8 | **43 881** |
| **Total comprehensive income for the period** | | **-** | **-** | **43 873** | **1 628 223** | **1 672 096** |
| Distrubution of prior years profits | | - | 1 084 678 | - | (1 084 678) | **-** |
| Dividends paid | **11** | - | - | - | (350 510) | **(350 510)** |
| **As at 30 September 2013 *(unaudited)*** | | **8 762 747** | **9 037 699** | **(145 883)** | **1 709 031** | **19 363 594** |

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

| | Issued capital | Reserve capital | Revaluation reserve from valuation of hedging instruments | Retained earnings / Accumulated losses | Total equity |
|---|---|---|---|---|---|
| **As at 1 January 2012** | **8 762 747** | **7 412 882** | **-** | **1 168 599** | **17 344 228** |
| Change in accounting policy and the effect of accounting for merger with GZE S.A. | - | - | - | (3 030) | **(3 030)** |
| **As at 1 January 2012 *(restated figures)*** | **8 762 747** | **7 412 882** | **-** | **1 165 569** | **17 341 198** |
| Profit for the period | - | - | - | 1 444 543 | **1 444 543** |
| Other comprehensive income | - | - | (89 363) | 50 | **(89 313)** |
| **Total comprehensive income for the period** | **-** | **-** | **(89 363)** | **1 444 593** | **1 355 230** |
| Distrubution of prior years profits | - | 540 139 | - | (540 139) | **-** |
| Dividends paid | - | - | - | (543 290) | **(543 290)** |
| Setlement of GZE S.A. merger | - | - | - | (1 126) | **(1 126)** |
| **As at 30 September 2012 *(unaudited restated figures)*** | **8 762 747** | **7 953 021** | **(89 363)** | **1 525 607** | **18 152 012** |

*(PLN '000)*

## INTERIM CONDENSED STATEMENT OF CASH FLOWS

| | Note | 9-month period ended 30 September 2013 *(unaudited)* | 9-month period ended 30 September 2012 *(unaudited restated figures)* |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit /(loss) before taxation | | 1 657 179 | 1 489 314 |
| **Adjustments for:** | | | |
| Depreciation and amortization | | 17 628 | 9 634 |
| (Gain)/loss on foreign exchange differences | | 1 421 | 1 004 |
| Interest and dividends, net | | (1 445 564) | (1 452 030) |
| (Gain)/loss on investing activities | | 2 866 | (2 589) |
| (Increase)/decrease in receivables | | 256 890 | (284 900) |
| (Increase)/decrease in inventories | | 113 147 | 30 531 |
| Increase/(decrease) in payables excluding loans and borrowings | | (19 307) | 283 771 |
| Change in other non-current and current assets | | 65 220 | (13 622) |
| Change in deferred income, government grants and accruals | | (2 443) | (898) |
| Change in provisions | | (12 745) | (69 827) |
| Income tax paid | | (35 618) | (43 316) |
| **Net cash generated from (used in) operating activities** | | **598 674** | **(52 928)** |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of property, plant and equipment and intangible assets | | 17 635 | 190 |
| Purchase of property, plant and equipment and intangible assets | | (31 812) | (34 762) |
| Purchase of shares in unlisted and listed companies | | (1 394) | (262 131) |
| Purchase of bonds | **31** | (4 315 000) | (2 388 000) |
| Redemption of bonds | **31** | 2 080 000 | 652 099 |
| Loans granted | **31** | (108 800) | (217 003) |
| Repayment of loans granted | **31** | 161 390 | 405 012 |
| Dividends received | | 1 500 627 | 1 550 613 |
| Interest received | | 165 487 | 71 218 |
| Other | | - | (947) |
| **Net cash generated from (used in) investing activities** | | **(531 867)** | **(223 711)** |
| **Cash flows from financing activities** | | | |
| Proceeds from loans and borrowings | **31** | 450 000 | 960 000 |
| Issue of debt securities | | - | 150 000 |
| Dividends paid | | (350 510) | (543 290) |
| Payment of finance lease liabilities | | (380) | (473) |
| Interest paid | | (160 017) | (134 741) |
| Commission paid | | (10 095) | (10 813) |
| **Net cash generated from (used in) financing activities** | | **(71 002)** | **420 683** |
| **Net increase / (decrease) in cash and cash equivalents** | | **(4 195)** | **144 044** |
| Net foreign exchange difference | | (1 421) | (1 004) |
| **Cash and cash equivalents at the beginning of the period** | | **(393 520)** | **(115 048)** |
| **Cash and cash equivalents at the end of the period, *of which*:** | **20** | **(397 715)** | **28 996** |
| restricted cash | | 101 295 | 197 562 |

## NOTES

### 1. General information

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

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

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

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

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

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

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

### 2. Basis for preparation of the interim condensed financial statements

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

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

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

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

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

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

The Company had also prepared the interim condensed consolidated financial statements for the 9-month period ended 30 September 2013, which were approved for publication by the Management Board on 12 November 2013.

These interim condensed financial statements are part of the consolidated report, which also includes the interim condensed consolidated financial statements for the 9-month period ended 30 September 2013.

## 3. Summary of significant accounting policies

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

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

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

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

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

- Phase 1 of IFRS 9 *Financial Instruments: Classification and Measurement* – applicable to annual periods beginning on or after 1 January 2015 – not endorsed by the EU by the date of approval of these financial statements. In subsequent phases, the International Accounting Standards Board will address such issues as hedge accounting and impairment. Adoption of phase 1 of IFRS 9 will exert an effect on classification and measurement of the Company's financial assets. The effect will be examined by the Company in connection with other phases, after they have been published, in order to present a consistent picture;

- Revised IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures – Mandatory Effective Date and Transition Disclosures*, published by IASB on 16 December 2011. The amendments defer the mandatory effective date from 1 January 2013 to 1 January 2015. They also exempt entities from the obligation to restate the comparative data in their financial statements due to adoption of IFRS 9;
- IFRS 10 *Consolidated Financial Statements* – applicable to annual periods beginning on or after 1 January 2013, in the EU – applicable to annual periods beginning on or after 1 January 2014 at the latest. The Company is planning to adopt IFRS 10 for the annual period beginning on 1 January 2014;
- IFRS 11 *Joint Arrangements* – applicable to annual periods beginning on or after 1 January 2013, in the EU – applicable to annual periods beginning on or after 1 January 2014 at the latest. The Company is planning to adopt IFRS 11 for the annual period beginning on 1 January 2014;
- IFRS 12 *Disclosure of Interests in Other Entities* – applicable to annual periods beginning on or after 1 January 2013, in the EU – applicable to annual periods beginning on or after 1 January 2014 at the latest. The Company is planning to adopt IFRS 12 for the annual period beginning on 1 January 2014;
- Revised IFRS 10, IFRS 11 and IFRS 12 *Transition Disclosures* – applicable to annual periods beginning on or after 1 January 2013, in the EU – applicable to annual periods beginning on or after 1 January 2014 at the latest;
- IAS 27 *Separate Financial Statements* – applicable to annual periods beginning on or after 1 January 2013, in the EU – applicable to annual periods beginning on or after 1 January 2014 at the latest;
- IAS 28 *Investments in Associates and Joint Arrangements* – applicable to annual periods beginning on or after 1 January 2013, in the EU – applicable to annual periods beginning on or after 1 January 2014 at the latest;
- Revised IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* – applicable to annual periods beginning on or after 1 January 2014;
- Revised IFRS 10, IFRS 12 and IAS 27 *Investment Vehicles* (published on 31 October 2012) – applicable to annual periods beginning on or after 1 January 2014 – not endorsed by the EU by the date of approval of these financial statements;
- Revised IAS 36 *Impairment of Assets: Disclosure of Recoverable Amount of Non-financial Assets* (published on 29 May 2013) – applicable to annual periods beginning on or after 1 January 2014 – not endorsed by the EU by the date of approval of these financial statements;
- 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 financial statements for publication the Company had been analyzing the effect of the aforementioned IFRS on its accounting policies. According to the Management Board, the introduction of the remaining standards and interpretations, as specified above, will not exert a significant effect on the accounting principles (policy) adopted by the Company.

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

## 5. Changes to estimates

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

### Deferred tax

Considering the tax losses forecast for the Company for 2013 and the following year, the deferred tax asset in the financial statements was recognized only up to the amount of the deferred tax liability i.e. in the amount of PLN 17 379 thousand. As at 30 September 2013, the unrecognized portion of the deferred tax asset amounted to PLN 54 767 thousand, out of which PLN 26 981 thousand was settled through profit or loss and PLN 27 786 thousand through other comprehensive income. The change in the unrecognized deferred tax asset compared to 31 December 2012 (a decrease from PLN 62 729 thousand to PLN 54 767 thousand) resulted in a decrease of PLN 374 thousand in the profit/loss for the period, accompanied by an increase of PLN 8 336 thousand in other comprehensive income.

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

### Impairment tests for shares

Taking into account the indications that the market value of the Company's net assets has recently been below their carrying amount as well as the anticipated economic slowdown, the Company tested its shares disclosed under non-current assets for impairment as at 30 June 2013. The aforementioned shares represent ca. 75% of the balance sheet total.

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

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

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

- the adopted price path of power coal, other coal sizes and gaseous fuels;
- the adopted electricity wholesale price path for 2014-2023, taking into account such factors as the effect of the balance of the market supply and demand for electricity, costs of fuel as well as costs of acquiring $CO_2$ emission allowances;
- emission limits in accordance with the derogation request submitted by the Polish government to the European Commission;
- green, red and yellow energy production volumes depending on the production capacity, along with the price path for individual energy certificates;
- settlement of the 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 or increase in the production capacity of the existing non-current assets as a result of replacement and development investments.

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

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.

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

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## 6. Shares in related parties

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.[1] | 53-128 Wrocław; ul. Sudecka 95-97 | Services | 100.00% | 100.00% |
| 5 | TAURON Ekoenergia Sp. z o.o. | 58-500 Jelenia Góra; ul. Obrońców Pokoju 2B | 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% |

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

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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.[1] | 32-063 Krzeszowice 3; os. Czatkowice 248 | Limestone quarrying, crushing and grinding; stone quarrying for the construction industry | 99.77% | TAURON Wytwarzanie S.A. – 100.00% | 99.79% | TAURON Wytwarzanie S.A. – 100.00% |
| 2 | Południowy Koncern Węglowy S.A.[1] | 43-600 Jaworzno; ul. Grunwaldzka 37 | Hard coal mining | 52.36% | TAURON Wytwarzanie S.A. – 52.48% | 67.87% | TAURON Wytwarzanie S.A. – 68.01% |
| 3 | BELS INVESTMENT Sp. z o.o. | 58-500 Jelenia Góra; ul. Obrońców Pokoju 2B | Production of electricity | 100.00% | TAURON Ekoenergia Sp. z o.o. – 100.00% | 100.00% | TAURON Ekoenergia Sp. z o.o. – 100.00% |
| 4 | MEGAWAT MARSZEWO Sp. z o.o. | 58-500 Jelenia Góra; ul. Obrońców Pokoju 2B | Production of electricity | 100.00% | TAURON Ekoenergia Sp. z o.o. – 100.00% | 100.00% | TAURON Ekoenergia Sp. z o.o. – 100.00% |
| 5 | TAURON Dystrybucja Serwis S.A.[2] | 53-314 Wrocław; ul. Powstańców Śląskich 20 | Repair and maintenance of electrical equipment | 99.70% | TAURON Dystrybucja S.A. – 100.00% | 99.71% | TAURON Dystrybucja S.A. – 100.00% |

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

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

Additionally, as at 30 September 2013, TAURON Polska Energia S.A. held indirect shares in the following major co-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 | Elektrociepłownia Stalowa Wola S.A. | 37-450 Stalowa Wola; ul. Energetyków 13 | Production, transmission, distribution and sales of electricity | 49.89% | TAURON Wytwarzanie S.A. – 50.00% | 49.90% | TAURON Wytwarzanie S.A. – 50.00% |
| 2 | Elektrownia Blachownia Nowa Sp. z o.o. | 47-225 Kędzierzyn Koźle; ul. Energetyków 11 | Production of electricity | 49.89% | TAURON Wytwarzanie S.A. – 50.00% | 49.90% | TAURON Wytwarzanie S.A. – 50.00% |

## 7. Seasonality of operations

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

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

In the 9-month period ended 30 September 2013, the Company recognized dividend income of PLN 1 500 627 thousand. The total amount of dividends recognized had been received by the Company by the end of the reporting period.

In the 9-month period ended 30 September 2012, the Company received dividends from its subsidiaries of PLN 1 550 613 thousand, including dividends from subsidiaries received by Górnośląski Zakład Elektroenergetyczny S.A. prior to its business combination with the Company, amounting to PLN 270 042 thousand.

## 8. Operating segments

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

"Holding Operations" segment assets include:

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

"Holding Operations" segment liabilities include:

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

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

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

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

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

*(PLN '000)*

| 9-month period ended 30 September 2013 or as at 30 September 2013 *(unaudited)* | Sales | Holding activity | Unallocated items | Total |
|---|---|---|---|---|
| **Revenue** | | | | |
| Sales outside the Group | 2 248 839 | - | - | **2 248 839** |
| Sales within the Group | 5 809 552 | - | - | **5 809 552** |
| **Segment revenue** | **8 058 391** | **-** | **-** | **8 058 391** |
| | | | | |
| **Profit/(loss) of the segment** | **290 702** | **-** | **-** | **290 702** |
| Unallocated expenses | - | - | (79 706) | **(79 706)** |
| **Profit/(loss) from continuing operations before tax and net finance income (costs)** | **290 702** | **-** | **(79 706)** | **210 996** |
| Net finance income/(costs) | - | 1 446 141 | 42 | **1 446 183** |
| **Profit/(loss) before income tax** | **290 702** | **1 446 141** | **(79 664)** | **1 657 179** |
| Income tax expense | - | - | (28 964) | **(28 964)** |
| **Net profit/(loss) for the period** | **290 702** | **1 446 141** | **(108 628)** | **1 628 215** |
| **EBITDA** | **308 330** | **-** | **(79 706)** | **228 624** |
| | | | | |
| **Assets and liabilities** | | | | |
| Segment assets | 1 788 308 | 26 043 332 | - | **27 831 640** |
| Unallocated assets | - | - | 852 | **852** |
| **Total assets** | **1 788 308** | **26 043 332** | **852** | **27 832 492** |
| Segment liabilities | 881 950 | 7 522 092 | **-** | **8 404 042** |
| Unallocated liabilities | - | - | 64 856 | **64 856** |
| **Total liabilities** | **881 950** | **7 522 092** | **64 856** | **8 468 898** |
| **Other segment information** | | | | |
| Capital expenditure * | 13 526 | - | - | **13 526** |
| Depreciation/amortization | (17 628) | - | - | **(17 628)** |

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

| 9-month period ended 30 September 2012 *(unaudited restated figures)* or as at 31 December 2012 | Sales | Holding activity | Unallocated items | Total |
|---|---|---|---|---|
| **Revenue** | | | | |
| Sales outside the Group | 1 716 863 | - | - | **1 716 863** |
| Sales within the Group | 5 383 519 | - | - | **5 383 519** |
| **Segment revenue** | **7 100 382** | **-** | **-** | **7 100 382** |
| | | | | |
| **Profit/(loss) of the segment** | **104 524** | **-** | **-** | **104 524** |
| Unallocated expenses | - | - | (74 697) | **(74 697)** |
| **Profit/(loss) from continuing operations before tax and net finance income (costs)** | **104 524** | **-** | **(74 697)** | **29 827** |
| Net finance income (costs) | - | 1 451 216 | 8 271 | **1 459 487** |
| **Profit/(loss) before income tax** | **104 524** | **1 451 216** | **(66 426)** | **1 489 314** |
| Income tax expense | - | - | (44 771) | **(44 771)** |
| **Net profit/(loss) for the period** | **104 524** | **1 451 216** | **(111 197)** | **1 444 543** |
| **EBITDA** | **114 158** | **-** | **(74 697)** | **39 461** |
| | | | | |
| **Assets and liabilities** | | | | |
| Segment assets | 1 853 929 | 23 903 676 | - | **25 757 605** |
| Unallocated assets | - | - | 464 | **464** |
| **Total assets** | **1 853 929** | **23 903 676** | **464** | **25 758 069** |
| Segment liabilities | 934 851 | 6 720 558 | - | **7 655 409** |
| Unallocated liabilities | - | - | 60 652 | **60 652** |
| **Total liabilities** | **934 851** | **6 720 558** | **60 652** | **7 716 061** |
| | | | | |
| **Other segment information** | | | | |
| Capital expenditure * | 33 044 | - | - | **33 044** |
| Depreciation/amortization | (9 634) | - | - | **(9 634)** |

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

*(PLN '000)*

In the 9-month period ended 30 September 2013, revenue from sales to two major clients represented 45% and 13% of the Company's total revenue in the "Sales" segment, amounting to PLN 3 626 963 thousand and PLN 1 037 715 thousand, respectively.

In the 9-month period ended 30 September 2012, revenue from sales to a major client represented 62% of the Company's total revenue in the "Sales" segment, amounting to PLN 4 380 722 thousand.

| **3-month period ended 30 September 2013 *(unaudited)*** | **Sales** | **Holding activity** | **Unallocated items** | **Total** |
|---|---|---|---|---|
| **Revenue** | | | | |
| Sales outside the Group | 717 830 | - | - | **717 830** |
| Sales within the Group | 1 782 566 | - | - | **1 782 566** |
| **Segment revenue** | **2 500 396** | **-** | **-** | **2 500 396** |
| | | | | |
| **Profit/(loss) of the segment** | **42 507** | **-** | **-** | **42 507** |
| Unallocated expenses | - | - | (26 870) | **(26 870)** |
| **Profit/(loss) from continuing operations before tax and net finance income (costs)** | **42 507** | **-** | **(26 870)** | **15 637** |
| Net finance income/(costs) | - | (5 735) | (15 907) | **(21 642)** |
| **Profit/(loss) before income tax** | **42 507** | **(5 735)** | **(42 777)** | **(6 005)** |
| Income tax expense | - | - | (12 617) | **(12 617)** |
| **Net profit/(loss) for the period** | **42 507** | **(5 735)** | **(55 394)** | **(18 622)** |
| **EBITDA** | **48 579** | **-** | **(26 870)** | **21 709** |
| **Other segment information** | | | | |
| Capital expenditure * | 3 847 | - | - | **3 847** |
| Depreciation/amortization | (6 072) | - | - | **(6 072)** |

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

| **3-month period ended 30 September 2012 *(unaudited restated figures)*** | **Sales** | **Holding activity** | **Unallocated items** | **Total** |
|---|---|---|---|---|
| **Revenue** | | | | |
| Sales outside the Group | 547 499 | - | - | **547 499** |
| Sales within the Group | 1 712 964 | - | - | **1 712 964** |
| **Segment revenue** | **2 260 463** | **-** | **-** | **2 260 463** |
| | | | | |
| **Profit/(loss) of the segment** | **29 734** | **-** | **-** | **29 734** |
| Unallocated expenses | - | - | (24 649) | **(24 649)** |
| **Profit/(loss) from continuing operations before tax and net finance income (costs)** | **29 734** | **-** | **(24 649)** | **5 085** |
| Net finance income (costs) | - | (26 210) | 3 731 | **(22 479)** |
| **Profit/(loss) before income tax** | **29 734** | **(26 210)** | **(20 918)** | **(17 394)** |
| Income tax expense | - | - | - | **-** |
| **Net profit/(loss) for the period** | **29 734** | **(26 210)** | **(20 918)** | **(17 394)** |
| **EBITDA** | **33 205** | **-** | **(24 649)** | **8 556** |
| **Other segment information** | | | | |
| Capital expenditure * | 5 081 | - | - | **5 081** |
| Depreciation/amortization | (3 471) | - | - | **(3 471)** |

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

*(PLN '000)*

# 9. Revenue and expenses

## 9.1. Sales revenue

| | For the 9-month period ended 30 September 2013 *(unaudited)* | For the 9-month period ended 30 September 2012 *(unaudited)* |
|---|---|---|
| Electricity | 7 281 927 | 6 804 392 |
| Gas | 57 912 | - |
| Property rights arising from energy certificates | 438 056 | 107 809 |
| Emission allowances | 213 427 | 144 521 |
| Other | 1 369 | 223 |
| **Total sale of goods for resale, finished goods and materials** | **7 992 691** | **7 056 945** |
| Trading services | 44 468 | 31 708 |
| Other | 21 232 | 11 729 |
| **Total rendering of services** | **65 700** | **43 437** |
| **Total sales revenue** | **8 058 391** | **7 100 382** |

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

In the 9-month period ended 30 September 2013, raw materials purchased and subsequently resold in the abovementioned transactions amounted to PLN 1 618 446 thousand, while revenue from agency services amounted to PLN 31 441 thousand, which represents a major part of revenue from trading services.

## 9.2. Expenses by type

| | For the 9-month period ended 30 September 2013 *(unaudited)* | For the 9-month period ended 30 September 2012 *(unaudited restated figures)* |
|---|---|---|
| **Costs by type** | | |
| Depreciation of property, plant and equipment and amortization of intangible assets | (17 628) | (9 634) |
| Impairment of property, plant and equipment and intangible assets | - | 10 399 |
| Materials and energy | (2 028) | (1 770) |
| Consultancy services | (6 185) | (7 040) |
| Distribution services | (1 477) | (1 312) |
| Other external services | (24 284) | (10 015) |
| Taxes and charges | (18 215) | (10 331) |
| Employee benefits expense | (48 970) | (47 940) |
| Inventory write-downs | (4 412) | (304) |
| Allowance for doubtful debts | (519) | 239 |
| Advertising costs | (21 133) | (18 101) |
| Other | (1 577) | (2 531) |
| **Total costs by type** | **(146 428)** | **(98 340)** |
| Change in inventories, prepayments, accruals and deferred income | 2 211 | (1 641) |
| Selling and distribution expenses | 31 347 | 17 538 |
| Administrative expenses | 79 706 | 74 697 |
| Cost of goods for resale and materials sold | (7 703 336) | (6 969 011) |
| **Cost of sales** | **(7 736 500)** | **(6 976 757)** |

A rise in the costs of amortization in the 9-month period ended 30 September 2013 year-on-year is mainly due to the Company's acquisition of computer software and licenses in the fourth quarter of 2012.

A rise in the costs of taxes and charges in the 9-month period ended 30 September 2013 year-on-year is mainly due to an increase in the costs of transmission and exchange fees for sales of electricity.

*(PLN '000)*

An increase in the costs of other external services in the 9-month period ended 30 September 2013 year-on-year is primarily related to the costs of financial and accounting services as well as IT services, resulting from restructuring changes in the Group which consist in integration of the accounting and IT functions of the Group companies within TAURON Obsługa Klienta Sp. z o.o., a subsidiary.

## 10. Income tax

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

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

| | For the 9-month period ended 30 September 2013 *(unaudited)* | For the 9-month period ended 30 September 2012 *(unaudited restated figures)* |
|---|---|---|
| Current income tax | (28 964) | (7 242) |
| Deferred tax | - | (37 529) |
| **Income tax expense in profit/(loss)** | **(28 964)** | **(44 771)** |
| **Income tax expense relating to other comprehensive income** | **-** | **-** |

### 10.2. Deferred income tax

Deferred income tax results from:

| | As at 30 September 2013 *(unaudited)* | As at 31 December 2012 |
|---|---|---|
| ***Deferred tax liability*** | | |
| - difference between tax base and carrying amount of fixed and intangible assets | 1 994 | 2 468 |
| - difference between tax base and carrying amount of financial assets | 15 338 | 7 650 |
| - different timing of recognition of sales revenue for tax purposes | - | 1 061 |
| -other | 47 | 530 |
| **Deferred tax liability** | **17 379** | **11 709** |

*(PLN '000)*

| | As at 30 September 2013 *(unaudited)* | As at 31 December 2012 |
|---|---|---|
| ***Deferred tax assets*** | | |
| - provisions for the obligation to surrender energy certificates | 20 002 | 22 468 |
| - other provisions | 2 787 | 3 240 |
| - difference between tax base and carrying amount of fixed and intangible assets | 730 | 708 |
| - difference between tax base and carrying amount of inventories | - | 6 645 |
| - difference between tax base and carrying amount of financial assets | 813 | 385 |
| - difference between tax base and carrying amount of financial liabilities | 15 721 | 3 874 |
| - valuation of hedging instruments | 31 955 | 36 227 |
| - other accrued expenses | 134 | 886 |
| - other | 4 | 5 |
| **Deferred tax assets, of which:** | **72 146** | **74 438** |
| Deferred tax assets recognized in profit or loss | **44 360** | **38 315** |
| Deferred tax assets recognized in other comprehensive income | **27 786** | **36 123** |
| **Deferred tax asset, net** | **-** | **-** |
| Unrecognized deferred tax assets | **54 767** | **62 729** |
| Recognized deferred tax assets | **17 379** | **11 709** |
| **Deferred tax in the statement of financial position** | **-** | **-** |

### 10.3. Tax Capital Group

As at 30 September 2013, the Tax Capital Group had income tax liabilities of PLN 37 323 thousand. At the same time, due to the Company's settlements, as the Representative Company, with the Tax Capital Group companies, it disclosed liabilities to these companies arising from tax overpayment of PLN 28 809 thousand, which have been presented in the statement of financial position under "Trade and Other Payables", as well as receivables from the Tax Capital Group companies arising from tax underpayment of PLN 73 472 thousand, which have been presented in the statement of financial position under "Trade and Other Receivables".

## 11. Dividends paid and proposed

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

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

*(PLN '000)*

## 12. Property, plant and equipment

### Property, plant and equipment – 9-month period ended 30 September 2013 *(unaudited)*

| | Plant and machinery | Motor vehicles | Other | Tangible fixed assets, total | Assets under construction | Property, plant and equipment, total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| **Opening balance** | **19 871** | **4 132** | **10 991** | **34 994** | **-** | **34 994** |
| Direct purchase | - | - | - | **-** | 2 143 | **2 143** |
| Transfers from intangible assets not made available for use | - | - | - | - | 4 384 | **4 384** |
| Allocation of assets under construction | 5 195 | 582 | 748 | **6 525** | (6 525) | **-** |
| Sales | (17 654) | - | (145) | **(17 799)** | - | **(17 799)** |
| Donations | (92) | - | - | **(92)** | - | **(92)** |
| Liquidation | - | - | (74) | **(74)** | - | **(74)** |
| **Closing balance** | **7 320** | **4 714** | **11 520** | **23 554** | **2** | **23 556** |
| **ACCUMULATED AMORTIZATION** | | | | | | |
| **Opening balance** | **(6 924)** | **(2 390)** | **(4 894)** | **(14 208)** | **-** | **(14 208)** |
| Amortization for the period | (2 592) | (777) | (1 693) | **(5 062)** | - | **(5 062)** |
| Sales | 6 454 | - | 73 | **6 527** | - | **6 527** |
| Donations | 92 | - | - | **92** | - | **92** |
| Liquidation | - | - | 65 | **65** | - | **65** |
| **Closing balance** | **(2 970)** | **(3 167)** | **(6 449)** | **(12 586)** | **-** | **(12 586)** |
| **NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD** | **12 947** | **1 742** | **6 097** | **20 786** | **-** | **20 786** |
| **NET CARRYING AMOUNT AT THE END OF THE PERIOD** | **4 350** | **1 547** | **5 071** | **10 968** | **2** | **10 970** |

In the 9-month period ended 30 September 2013, the Company sold property, plant and equipment with the gross value of PLN 17 799 thousand and depreciation of PLN 6 527 thousand to its subsidiary, TAURON Obsługa Klienta Sp. z o.o.

The abovementioned transaction consisted in sales of IT and data communications assets and was carried out due to establishment of a Shared IT Service Center within TAURON Obsługa Klienta Sp. z o.o. and its planned assumption of the role of provider of IT and data communications services to the TAURON Group companies.

### Property, plant and equipment – 9-month period ended 30 September 2012 *(unaudited)*

| | Plant and machinery | Motor vehicles | Other | Tangible fixed assets, total | Assets under construction | Property, plant and equipment, total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| **Opening balance** | **11 305** | **4 915** | **2 108** | **18 328** | **899** | **19 227** |
| Direct purchase | - | - | - | **-** | 12 338 | **12 338** |
| Allocation of assets under construction | 3 203 | - | 8 900 | **12 103** | (12 103) | **-** |
| Sales | (15) | (782) | (20) | **(817)** | - | **(817)** |
| **Closing balance** | **14 493** | **4 133** | **10 988** | **29 614** | **1 134** | **30 748** |
| **ACCUMULATED AMORTIZATION** | | | | | | |
| **Opening balance** | **(4 154)** | **(1 745)** | **(1 717)** | **(7 616)** | **-** | **(7 616)** |
| Amortization for the period | (1 783) | (869) | (2 704) | **(5 356)** | - | **(5 356)** |
| Sales | 15 | 496 | - | **511** | - | **511** |
| **Closing balance** | **(5 922)** | **(2 118)** | **(4 421)** | **(12 461)** | **-** | **(12 461)** |
| **NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD** | **7 151** | **3 170** | **391** | **10 712** | **899** | **11 611** |
| **NET CARRYING AMOUNT AT THE END OF THE PERIOD** | **8 571** | **2 015** | **6 567** | **17 153** | **1 134** | **18 287** |

*(PLN '000)*

## 13. Non-current intangible assets

### Non-current intangible assets – 9-month period ended 30 September 2013 *(unaudited)*

| | Software and licenses | Energy certificates | Other intangible assets | Intangible assets not made available for use | Intangible assets, total |
|---|---|---|---|---|---|
| **COST** | | | | | |
| **Opening balance** | **59 036** | **-** | **1 104** | **3 881** | **64 021** |
| Direct purchase | - | 10 890 | - | 11 383 | **22 273** |
| Allocation of intangible assets not made available for use | 7 355 | - | 3 | (7 358) | **-** |
| Sales | (12 389) | - | (69) | (296) | **(12 754)** |
| Transfers to fixed assets | - | - | - | (4 384) | **(4 384)** |
| Other changes | (161) | - | - | (274) | **(435)** |
| **Closing balance** | **53 841** | **10 890** | **1 038** | **2 952** | **68 721** |
| **ACCUMULATED AMORTIZATION** | | | | | |
| **Opening balance** | **(10 410)** | **-** | **(558)** | **-** | **(10 968)** |
| Amortization for the period | (12 420) | - | (146) | - | **(12 566)** |
| Sales | 4 092 | - | 19 | - | **4 111** |
| **Closing balance** | **(18 738)** | **-** | **(685)** | **-** | **(19 423)** |
| **NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD** | **48 626** | **-** | **546** | **3 881** | **53 053** |
| **NET CARRYING AMOUNT AT THE END OF THE PERIOD** | **35 103** | **10 890** | **353** | **2 952** | **49 298** |

In the 9-month period ended 30 September 2013, the Company sold intangible assets with the gross value of PLN 12 754 thousand and amortization of PLN 4 111 thousand to its subsidiary, TAURON Obsługa Klienta Sp. z o.o.

The abovementioned transaction consisted in sales of licenses mainly and was carried out due to establishment of a Shared IT Service Center within TAURON Obsługa Klienta Sp. z o.o. and its planned assumption of the role of provider of IT and data communications services to the TAURON Group companies.

In the 9-month period ended 30 September 2013, the Company acquired energy certificates at the price of PLN 10 890 thousand to fulfill the obligation of their cancellation for 2014.

### Non-current intangible assets – 9-month period ended 30 September 2012 *(unaudited)*

| | Software and licenses | Energy certificates | Other intangible assets | Intangible assets not made available for use | Intangible assets, total |
|---|---|---|---|---|---|
| **COST** | | | | | |
| **Opening balance** | **18 175** | **-** | **724** | **620** | **19 519** |
| Direct purchase | - | - | - | 20 705 | **20 705** |
| Allocation of intangible assets not made available for use | 17 193 | - | 83 | (17 276) | **-** |
| **Closing balance** | **35 368** | **-** | **807** | **4 049** | **40 224** |
| **ACCUMULATED AMORTIZATION** | | | | | |
| **Opening balance** | **(3 620)** | **-** | **(412)** | **-** | **(4 032)** |
| Amortization for the period | (4 176) | - | (103) | - | **(4 279)** |
| **Closing balance** | **(7 796)** | **-** | **(515)** | **-** | **(8 311)** |
| **NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD** | **14 555** | **-** | **312** | **620** | **15 487** |
| **NET CARRYING AMOUNT AT THE END OF THE PERIOD** | **27 572** | **-** | **292** | **4 049** | **31 913** |

*(PLN '000)*

## 14. Shares

### Changes in long-term investments from 1 January 2013 to 30 September 2013 *(unaudited)*

| No. | Company | Opening balance | Increases/ Decreases | Closing balance |
|---|---|---|---|---|
| 1 | TAURON Wytwarzanie S.A. | 8 118 182 | (541 307) | **7 576 875** |
| 2 | TAURON Dystrybucja S.A. | 9 511 628 | - | **9 511 628** |
| 3 | TAURON Ciepło S.A. | 773 334 | 541 307 | **1 314 641** |
| 4 | TAURON Ekoenergia Sp. z o.o. | 939 765 | - | **939 765** |
| 5 | TAURON Sprzedaż Sp. z o.o. | 613 505 | - | **613 505** |
| 6 | TAURON Obsługa Klienta Sp. z o.o. | 26 308 | 13 523 | **39 831** |
| 7 | Polska Energia Pierwsza Kompania Handlowa Sp. z o.o. | 49 056 | - | **49 056** |
| 8 | TAURON Czech Energy s.r.o. | 4 223 | - | **4 223** |
| 9 | PKE Broker Sp. z o.o. | - | 1 394 | **1 394** |
| 10 | TAURON Sprzedaż GZE Sp. z o.o. | 129 821 | 2 | **129 823** |
| 11 | TAURON Obsługa Klienta GZE Sp. z o.o. | 13 523 | (13 523) | **-** |
| 12 | TAURON Wytwarzanie GZE Sp. z o.o. | 4 935 | - | **4 935** |
| 13 | CONCORDE INVESTISSEMENT S.A. | 12 | - | **12** |
| 14 | CC Poland Plus Sp. z o.o. | 12 | - | **12** |
| 15 | Energopower Sp. z o.o. | 25 | - | **25** |
| 16 | Enpower Service Sp. z o.o. | 25 | - | **25** |
| 17 | Enpower Sp. z o.o. | 25 | - | **25** |
| 18 | TAURON Ubezpieczenia Sp. z o.o. (formerly Poen Sp. z o.o.) | 25 | - | **25** |
| | **Total** | **20 184 404** | **1 396** | **20 185 800** |

Changes in long-term investments in the 9-month period ended 30 September 2013 were mainly due to reorganization and resulted from the following events:

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

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

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

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

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

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

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

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

*(PLN '000)*

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

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

Changes in long-term investments in the 9-month period ended 30 September 2012 were mainly due to reorganization and resulted from business combinations of the entities owned by TAURON Polska Energia S.A. The 2012 opening balance was restated as a result of the Company's business combination with Górnośląski Zakład Elektroenergetyczny S.A., which was accounted for using the pooling of interests method. As at the date of assumption of control, that is to say 13 December 2011, the price paid for the shares in GZE S.A. was derecognized. The shares in the entities held by GZE S.A. were recognized in the financial statements of the Company in proportion to the latter's share in the net assets of the acquired entities, measured at fair value.

| No. | Company | Opening balance *(restated figures)* | Increases / Decreases | Closing balance |
|---|---|---|---|---|
| 1 | TAURON Wytwarzanie S.A. | 8 118 182 | - | **8 118 182** |
| 2 | TAURON Dystrybucja S.A. | 5 914 201 | - | **5 914 201** |
| 3 | Elektrociepłownia Tychy S.A. (currently TAURON Ciepło S.A.) | 40 862 | (40 862) | **-** |
| 4 | TAURON Ciepło S.A. | 507 880 | 265 454 | **773 334** |
| 5 | TAURON Obsługa Klienta Sp. z o.o. | 26 308 | - | **26 308** |
| 6 | TAURON Ekoenergia Sp. z o.o. | 897 069 | 931 | **898 000** |
| 7 | Energetyka Cieplna w Kamiennej Górze Sp. z o.o. (currently TAURON Ciepło S.A) | 6 959 | (6 959) | **-** |
| 8 | Elektrociepłownia EC Nowa Sp. z o.o. (currently TAURON Ciepło S.A.) | 217 413 | (217 413) | **-** |
| 9 | TAURON Sprzedaż Sp. z o.o. | 613 505 | - | **613 505** |
| 10 | Polska Energia Pierwsza Kompania Handlowa Sp. z o.o. | 49 056 | - | **49 056** |
| 11 | Zespół Elektrowni Wodnych Rożnów Sp. z o.o. (currently TAURON Ekoserwis Sp. z o.o.) | 931 | (931) | **-** |
| 12 | TAURON Czech Energy s.r.o. | 4 223 | - | **4 223** |
| 13 | TAURON Dystrybucja GZE S.A. | 3 572 747 | - | **3 572 747** |
| 14 | TAURON Serwis GZE Sp. z o.o. | 24 679 | - | **24 679** |
| 15 | TAURON Sprzedaż GZE Sp. z o.o. | 129 821 | - | **129 821** |
| 16 | TAURON Ekonenergia GZE Sp. z o.o. | 41 765 | - | **41 765** |
| 17 | TAURON Obsługa Klienta GZE Sp. z o.o. | 13 523 | - | **13 523** |
| 18 | TAURON Wytwarzanie GZE Sp. z o.o. | 4 935 | - | **4 935** |
| 19 | CONCORDE INVESTISSEMENT S.A. | 12 | - | **12** |
| 20 | CC Poland Plus Sp. z o.o. | 12 | - | **12** |
| 21 | Energopower Sp. z o.o. | 5 | 20 | **25** |
| 22 | Enpower Service Sp. z o.o. | 5 | 20 | **25** |
| 23 | Enpower Sp. z o.o. | 5 | 20 | **25** |
| 24 | Poen Sp. z o.o. (currently TAURON Ubezpieczenia Sp. z o.o.) | 5 | 20 | **25** |
| | **Total** | **20 184 103** | **300** | **20 184 403** |

*(PLN '000)*

## 15. Bonds

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

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

| Company | As at 30 September 2013 *(unaudited)* | | As at 31 December 2012 | |
|---|---|---|---|---|
| | nominal value of purchased debentures | accrued interest | nominal value of purchased debentures | accrued interest |
| TAURON Wytwarzanie S.A. | 2 170 000 | 12 640 | 1 480 000 | 12 384 |
| TAURON Dystrybucja S.A. | 1 310 000 | 19 341 | 630 000 | 23 530 |
| TAURON Ekoenergia Sp. z o.o. | 200 000 | 623 | 140 000 | 117 |
| BELS INVESTMENT Sp. z o.o. | 305 000 | 2 167 | 125 000 | 1 329 |
| MEGAWAT MARSZEWO Sp. z o.o. | 635 000 | 6 693 | 240 000 | 2 901 |
| TAURON Ciepło S.A. | 230 000 | 2 183 | - | - |
| **Total debentures:** | **4 850 000** | **43 647** | **2 615 000** | **40 261** |
| **non-current** | **4 815 000** | **-** | **2 615 000** | **-** |
| **current** | **35 000** | **43 647** | **-** | **40 261** |

Intra-group bonds issued by subsidiaries and acquired by TAURON Polska Energia S.A., with the total par value of PLN 4 815 000 thousand as at the end of the reporting period, including those maturing within one year and amounting to PLN 2 915 000 thousand, have been classified as long-term instruments. Such classification reflects the nature of funding under the intra-group bond issue scheme, which enables cash management in the medium and long term.

## 16. Long-term loans

Long-term loans of PLN 187 003 thousand include a loan granted to Elektrociepłownia Stalowa Wola S.A., along with interest due.

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

The subordinated loan agreement was signed in order to provide funding for implementation of an investment project involving construction and operation of a gas and steam power unit with the capacity of ca. 400 MWe and 240 MWt in Stalowa Wola, together with auxiliary installations. The subordinated loan agreement means that the repayment of the loan and interest will be deferred and subordinated to the repayment of the amounts due to the European Investment Bank, the European Bank for Reconstruction and Development and other financial institutions. Based on contractual provisions, the maximum amount of the loan granted by TAURON Polska Energia S.A. is PLN 177 000 thousand.

As at the end of the reporting period, the amount of funds disbursed under the loan agreement was PLN 177 000 thousand. Interest accrued on the loan amounts to PLN 10 003 thousand. The loan is to be finally repaid no later than by the end of 2032.

*(PLN '000)*

## 17. Current intangible assets

Under current intangible assets, the Company discloses energy certificates.

| | 9-month period ended 30 September 2013 *(unaudited)* | 9-month period ended 30 September 2012 *(unaudited)* |
|---|---|---|
| **COST** | | |
| **Opening balance** | **113 302** | **43 519** |
| Direct purchase | 97 885 | 53 278 |
| Cancellation of energy certificates | (119 093) | (47 914) |
| **Closing balance** | **92 094** | **48 883** |
| **IMPAIRMENT ALLOWANCES** | | |
| **Opening balance** | **-** | **(10 399)** |
| Increase of impairment allowances | - | - |
| Decrease of impairment allowance | - | 10 399 |
| **Closing balance** | **-** | **-** |
| **NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD** | **113 302** | **33 120** |
| **NET CARRYING AMOUNT AT THE END OF THE PERIOD** | **92 094** | **48 883** |

## 18. Inventories

| | As at 30 September 2013 *(unaudited)* | As at 31 December 2012 |
|---|---|---|
| **Historical cost** | | |
| Property rights arising from energy certificates | 11 430 | 208 279 |
| Emission allowances | 50 978 | 2 434 |
| Merchandise | 13 | 13 |
| Materials | 604 | 420 |
| **Total** | **63 025** | **211 146** |
| | | |
| **Write-downs to net realizable value** | | |
| Property rights arising from energy certificates | - | (34 774) |
| Emission allowances | - | (200) |
| **Total** | **-** | **(34 974)** |
| | | |
| **Net realizable value** | | |
| Property rights arising from energy certificates | 11 430 | 173 505 |
| Emission allowances | 50 978 | 2 234 |
| Merchandise | 13 | 13 |
| Materials | 604 | 420 |
| **Total** | **63 025** | **176 172** |

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

*(PLN '000)*

## 19. Trade and other receivables

As at 30 September 2013, trade and other receivables amounted to PLN 1 097 808 thousand.

| | As at 30 September 2013 *(unaudited)* | As at 31 December 2012 |
|---|---|---|
| Trade receivables | 972 574 | 1 108 553 |
| Receivables from sales of intangible assets | 1 959 | - |
| Interest receivable on loans granted under cash pool agreement | 8 | 62 |
| Other loans granted | 7 | 114 935 |
| Other financial receivables, of which: | 123 260 | 236 934 |
| - supplementary deposits under futures contracts | 20 242 | 4 876 |
| - receivable from loan overpayment | - | 134 680 |
| - amounts paid as security | 25 548 | 31 356 |
| - TCG receivable | 73 472 | 65 870 |
| - other | 3 998 | 152 |
| **Total** | **1 097 808** | **1 460 484** |

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

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

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

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

| | *Not past due* | *Past due* | | | | Total |
|---|---|---|---|---|---|---|
| | | *< 30 days* | *30-180 days* | *180-360 days* | *>360 days* | |
| **Value of item before allowance/write-down** | | | | | | |
| Trade and other financial receivables | 1 094 023 | 1 683 | 128 | 490 | 636 | **1 096 960** |
| Receivables from sales of intangible assets | 1 959 | - | - | - | - | **1 959** |
| Cash Pool | 8 | - | - | - | - | **8** |
| Other loans | 7 | - | - | - | - | **7** |
| **Total** | **1 095 997** | **1 683** | **128** | **490** | **636** | **1 098 934** |
| **Allowance/write-down** | | | | | | |
| Trade and other financial receivables | - | - | - | (490) | (636) | **(1 126)** |
| **Total** | **-** | **-** | **-** | **(490)** | **(636)** | **(1 126)** |
| **Value of item net of allowance (carrying amount)** | | | | | | |
| Trade and other financial receivables | 1 094 023 | 1 683 | 128 | - | - | **1 095 834** |
| Receivables from sales of intangible assets | 1 959 | - | - | - | - | **1 959** |
| Cash Pool | 8 | - | - | - | - | **8** |
| Other loans | 7 | - | - | - | - | **7** |
| **Total** | **1 095 997** | **1 683** | **128** | **-** | **-** | **1 097 808** |

*(PLN '000)*

### Ageing analysis of trade and other receivables as at 31 December 2012

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

## 20. Cash and cash equivalents

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

| | As at 30 September 2013 *(unaudited)* | As at 31 December 2012 |
|---|---|---|
| Cash at bank and in hand | 491 236 | 276 060 |
| Short-term deposits (up to 3 months) | 748 420 | 634 361 |
| **Total cash and cash equivalents presented in the statement of financial position, *of which*:** | **1 239 656** | **910 421** |
| restricted cash | 101 295 | 269 888 |
| Cash pool | (1 617 106) | (1 175 886) |
| Overdraft | (23 196) | (129 566) |
| Foreign exchange and other differences | 2 931 | 1 511 |
| **Total cash and cash equivalents presented in the statement of cash flows** | **(397 715)** | **(393 520)** |

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

Restricted cash consists mainly of cash held in the settlement account for sales of electricity on the Polish Power Exchange, amounting to PLN 90 810 thousand, as well as cash held in special purpose accounts for transactions carried out on the European Energy Exchange and the European Climate Exchange of PLN 8 409 thousand.

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

## 21. Equity

### 21.1. 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 |
| | | **1 752 549 394** | | **8 762 747** | |

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.

*(PLN '000)*

### 21.2. Major shareholders

**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% |
| **Total** | **1 752 549 394** | **8 762 747** | **100.00%** | **100.00%** |

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

In the 9-month period ended 30 September 2013, the reserve capital was increased by PLN 1 084 678 thousand due to allocation of a portion of profit earned in 2012 to the reserve capital.

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

- profit for the period of PLN 1 628 215 thousand;
- actuarial gains of PLN 8 thousand;
- allocation of profit earned in 2012 to the reserve capital (PLN 1 084 678 thousand) and to dividend payment (PLN 350 510 thousand).

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

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

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

The Company applies hedge accounting to hedging transactions covered by the policy for specific risk management in the area of finance. As at 30 September 2013, the revaluation reserve from measurement of hedging instruments included the amount of PLN (145 883) 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 transferred to retained earnings (out of this amount, PLN 21 390 thousand was charged to profit or loss for the period). 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 |
|---|---|
| **As at 1 January 2013** | **(189 756)** |
| Valuation of hedging instruments | 22 483 |
| Transfer of valuation relating to accrued interest on debentures to net result | 21 390 |
| **As at 30 September 2013 *(unaudited)*** | **(145 883)** |

*(PLN '000)*

## 22. Interest-bearing loans and borrowings

| | As at 30 September 2013 *(unaudited)* | As at 31 December 2012 |
|---|---|---|
| **Non-current portion of loans and borrowings, including issued debentures:** | | |
| Issued debentures | 4 290 629 | 4 288 247 |
| Loans from the European Investment Bank | 1 225 246 | 836 835 |
| **Total** | **5 515 875** | **5 125 082** |
| **Current portion of loans and borrowings, including issued debentures:** | | |
| Issued debentures | 44 748 | 13 587 |
| Cash pool loans received, including accrued interest | 1 617 114 | 1 175 948 |
| Loans from the European Investment Bank | 147 363 | 73 559 |
| Overdraft | 23 196 | 129 566 |
| **Total** | **1 832 421** | **1 392 660** |

### 22.1. Bonds issued

As at 30 September 2013, the Company's liabilities arising from issued bonds amounted to PLN 4 335 377 thousand. They were due to bonds issued in the following tranches:

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

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

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

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 Company's liabilities arising from issued bonds, together with accrued interest, as at 30 September 2013 and 31 December 2012.

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

| | Interest rate | Currency | As at balance sheet date *(unaudited)* | | of which principal amount maturing within (after the balance sheet date) | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | Accrued interest | Principal at amortized cost | less than 1 year | 1 - 2 years | 2 - 3 years | 3 - 5 years | over 5 years |
| Tranche A | floating | PLN | 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 | - |
| **Total debentures** | | | **44 748** | **4 290 629** | **-** | **150 000** | **1 146 278** | **2 994 351** | **-** |

*(PLN '000)*

## Bonds as at 31 December 2012

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

On 31 July 2013, the Company 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"). 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.

Additionally, on 31 July 2013, the Company entered into underwriting, agency and deposit agreements with Bank Gospodarstwa Krajowego, constituting the long-term bond issue scheme of TAURON Polska Energia S.A. in the amount 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 financial statements for publication, no bonds had been issued by the Company under the aforementioned agreements.

### 22.2. Loans from the European Investment Bank

As at 30 September 2013, the balance of loans obtained from the European Investment Bank was PLN 1 372 609 thousand, including interest accrued of PLN 14 547 thousand. As at 31 December 2012, the related liabilities amounted to PLN 910 394 thousand. The increase in the aforementioned liabilities results from the receipt of further disbursements of loans from the European Investment Bank under the loan agreement of 3 July 2012:

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

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

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

*(PLN '000)*

### 22.3. Cash pool

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

| | As at 30 September 2013 *(unaudited)* | As at 31 December 2012 |
|---|---|---|
| Loans granted under cash pool agreement | - | - |
| Interest receivable on loans granted under cash pool agreement | 8 | 62 |
| **Total** | **8** | **62** |

| | As at 30 September 2013 *(unaudited)* | As at 31 December 2012 |
|---|---|---|
| Loans received under cash pool agreement | 1 614 915 | 1 171 892 |
| Interest payable on loans received under cash pool agreement | 2 199 | 4 056 |
| **Total** | **1 617 114** | **1 175 948** |
| | | |
| **Balance of cash pool** | **1 617 106** | **1 175 886** |

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

Under the cash pool agreement, the Company may use external funding amounting to PLN 300 000 thousand. As at 30 September 2013, the Company had not used the aforementioned facility.

### 22.4. Overdraft facilities

As at 30 September 2013, the balance of overdraft facilities was PLN 23 196 thousand. The aforementioned liabilities were taken over under the Multi-option Loan Agreement made with NORDEA Bank Finland plc, valid until 31 December 2013, for the purpose of funding transactions in emission allowances, entered into on a foreign exchange – PLN 23 190 thousand (EUR 5 500 thousand), along with interest accrued as at the end of the reporting period on an overdraft facility provided by Polska Kasa Opieki S.A., in the amount of PLN 6 thousand.

## 23. Other provisions

As at 30 September 2013, other short-term provisions recognized by the Company amounted to PLN 106 063 thousand. The balance of other provisions as at 31 December 2012 was PLN 119 038 thousand.

Key items of other provisions:

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

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

As at 30 September 2013, the short-term provision for the obligation to surrender energy certificates for cancellation amounted to PLN 105 276 thousand.

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

In the first quarter of 2013, in order to fulfill the obligation for 2012, the Company cancelled energy certificates of PLN 119 093 thousand. As a result, the provision recognized at the end of 2012 in the amount of PLN 118 250 thousand was used in full in the first quarter of 2013, while the amount of PLN

*(PLN '000)*

843 thousand representing the excess of the obligation over the provision recognized was expensed in 2013.

**Provision for compensation payments to GZE employees**

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

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

## 24. Business combinations

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

The business combination is primarily aimed at reorganizing the structure of the Capital Group in accordance with the assumptions of the "TAURON Group Corporate Strategy for 2011-2015, with the 2020 perspective, providing for consolidation of Capital Group companies". The business combination will comply with Article 492.1.1 of the Code of Commercial Companies, which denotes that it will be carried out through the transfer of the acquiree's all assets to the acquirer. Considering that TAURON Polska Energia S.A. holds 100% interest in the acquiree's share capital, the business combination will be effected in accordance with Article 515.1 of the Code of Commercial Companies, without increasing the share capital of the acquirer.

## 25. Contingent liabilities

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

| Type of contingent liability | As at 30 September 2013 *(unaudited)* | Component of TAURON Capital Group in respect of which contingent liability has been granted | Beneficiary |
|---|---|---|---|
| blank promissory note | 40 000 | TAURON Wytwarzanie S.A. | Regional Fund for Environmental Protection and Water Management in Katowice |
| blank promissory note | 30 000 | TAURON Ciepło S.A. | Regional Fund for Environmental Protection and Water Management in Katowice |
| blank promissory note | 1 180 | TAURON Ciepło S.A. | Regional Fund for Environmental Protection and Water Management in Katowice |
| collateral for bank guarantee | 202 | TAURON Dystrybucja Serwis S.A. | Nordea Bank Polska S.A. |
| collateral for bank guarantee | 593 | TAURON Sprzedaż GZE Sp. z o.o. | Powszechna Kasa Oszczędności Bank Polski S.A. |
| collateral for bank guarantee | 1 871 | TAURON Sprzedaż Sp. z o.o. | Powszechna Kasa Oszczędności Bank Polski S.A. |
| collateral for bank guarantee | 1 000 | Polska Energia Pierwsza Kompania Handlowa Sp. z o.o. | Powszechna Kasa Oszczędności Bank Polski S.A. |
| collateral for loan | 1 051 | Kopalnia Wapienia Czatkowice Sp. z o.o. | Regional Fund for Environmental Protection and Water Management in Kraków |

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

Other changes in the Company's contingent liabilities in the 9-month period ended 30 September 2013:

- a guarantee of EUR 500 thousand given by the Company to TAURON Czech Energy s.r.o., with CEZ a.s. as the beneficiary, expired in June 2013;

- in January 2013, the Company issued two blank promissory notes to the benefit of TAURON Ciepło S.A. with a view to collateralizing a loan granted to the subsidiary by the Regional Fund for Environmental Protection and Water Management in Katowice (PLN 1 180 thousand);
- in May 2013, the Company collateralized a loan granted to its subsidiary, Kopalnia Wapienia Czatkowice Sp. z o.o., with the Regional Fund for Environmental Protection and Water Management in Kraków as the beneficiary (PLN 513 thousand). The loans granted by the Regional Fund for Environmental Protection and Water Management in Kraków to Kopalnia Wapienia Czatkowice Sp. z o.o. were further collateralized by TAURON Polska Energia S.A. in August 2013 in the total amount of PLN 538 thousand;
- under a framework agreement for bank guarantees the Company collateralizes bank guarantees given by PKO Banki Polski S.A. In the 9-month period ended 30 September 2013, PKO Bank Polski S.A. gave guarantees to TAURON Sprzedaż GZE Sp. z o.o. (PLN 593 thousand) and TAURON Sprzedaż Sp. z o.o. (PLN 1 618 thousand) at the request of the Company. At the same time, in the 9-month period ended 30 September 2013, a guarantee in the amount of PLN 300 thousand given to TAURON Sprzedaż GZE Sp. z o.o. and a guarantee of EUR 500 thousand given to Polska Energia Pierwsza Kompania Handlowa Sp. z o.o. expired.

**Claims filed by Huta Łaziska S.A.**

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

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

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

Due to discontinuation of electricity supplies, Huta has raised a claim against GZE for damages amounting to PLN 182 060 thousand. Currently, an action is pending under Huta's suit of 12 March 2007 against GZE and the State Treasury represented by the President of the Energy Regulatory Office for the payment of PLN 182 060 thousand together with interest from the date of filing the suit to the date of payment, in respect of damages for alleged losses resulting from GZE's failure to comply with the decision of the President of the Energy Regulatory Office dated 12 October 2001. In this case, the courts of the first and second instance passed judgments favorable for GZE; however, in its judgment of 29 December 2011 the Supreme Court overruled the judgment of the Court of Appeals and remanded the case for reexamination by that Court. On 5 June 2012, the Court of Appeals overruled the judgment of the Regional Court and remanded the case for reexamination by the latter. The first hearing before the first instance court was held on 27 November 2012. The following hearing is to be held on 27 January 2014.

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

## 26. Collateral against liabilities

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

The key items collateralize the following agreements:

***Bond issue schemes***

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

- up to PLN 1 560 000 thousand, valid until 31 December 2016 – as regards 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 22.1, 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.

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

With a view to collateralizing a framework bank guarantee agreement with PKO Bank Polski S.A., TAURON Polska Energia S.A. 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 (Note 25) and to collateralize transactions entered into by the Company:

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

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

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

***Overdraft facility agreements***

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.

*(PLN '000)*

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.

***Other***

With a view to collateralizing transactions entered into on the ICE Futures Europe and the European Energy Exchange, mainly forwards concerning emission allowances, the Company transfers margin deposits for such transactions to separate bank accounts – as at 30 September 2013, such deposits amounted to PLN 31 599 thousand.

In order to collateralize the Company's transactions on the Polish Power Exchange, a subsidiary, TAURON Wytwarzanie S.A., has given a surety to Izba Rozliczeniowa Giełd Towarowych S.A. (IRGIT) for the liabilities of TAURON Polska Energia S.A. on the Polish Power Exchange up to PLN 45 000 thousand and collateral in the form of a freeze on EUA emission allowances in the KRUE Register, held by TAURON Wytwarzanie S.A. (8 739 thousand tons) has been provided. The surety is valid until 31 March 2014.

Liabilities secured on the assets of TAURON Polska Energia S.A. include lease agreements, which are collateralized with the leased cars. The carrying amount of the leased cars was PLN 575 thousand as at 30 September 2013 vs. PLN 950 thousand as at 31 December 2012.

## 27. Capital commitments

The Company's capital commitments as at 30 September 2013 amounted to PLN 4 441 thousand, with a commitment to purchase Microsoft licenses of PLN 1 956 thousand as the key item.

## 28. Related party disclosures

### 28.1. Transactions with related parties and State Treasury companies

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

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

**Revenue and expenses**

| | 9-month period ended 30 September 2013 *(unaudited)* | 9-month period ended 30 September 2012 *(unaudited)* |
|---|---|---|
| **Revenue from related companies, *of which:*** | **9 134 298** | **7 961 135** |
| Revenue from operating activities | 7 434 776 | 6 290 421 |
| Other operating income | 19 286 | - |
| Dividend received | 1 500 213 | 1 550 613 |
| Finance income | 180 023 | 120 101 |
| **Revenue from State Treasury companies** | **834 420** | **822 132** |
| **Costs from related companies, *of which*:** | **(3 746 489)** | **(793 588)** |
| Costs of operating activities | (3 726 059) | (770 328) |
| Finance costs | (20 430) | (23 260) |
| **Costs from State Treasury companies** | **(1 042 804)** | **(803 098)** |

*(PLN '000)*

## Receivables and liabilities

| | As at 30 September 2013 *(unaudited)* | As at 31 December 2012 |
|---|---|---|
| **Loans granted to related companies and receivables from related companies, *of which:*** | **5 852 709** | **3 966 997** |
| Trade receivables | 696 519 | 878 387 |
| Receivables from sales of intangible assets | 1 959 | - |
| Other financial receivables | 94 | 134 680 |
| Receivables from the TCG | 73 472 | 65 870 |
| Debentures | 4 893 647 | 2 655 261 |
| Interest receivables from loans granted under cash pool agreement | 8 | 62 |
| Other loans | 187 010 | 232 737 |
| **Receivables from State Treasury companies** | **107 719** | **128 725** |
| | | |
| **Payables to related companies, *of which*:** | **1 975 263** | **1 331 544** |
| Trade payables | 329 340 | 144 548 |
| Loans received under cash pool agreement plus interest accrued | 1 617 114 | 1 175 948 |
| Liabilities arising from TCG | 28 809 | 11 048 |
| **Payables to State Treasury companies** | **147 781** | **245 124** |

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

A rise in operating expenses in the 9-month period ended 30 September 2013 year-on-year was mainly due to an increase in purchases of electricity from TAURON Wytwarzanie S.A. The value of purchased electricity was PLN 2 623 101 thousand and PLN 153 204 thousand, respectively.

In 2012, TAURON Wytwarzanie S.A., as the beneficiary of compensation payments related to long-term contracts, was obliged to sell 100% of the generated electricity volume through the Polish Power Exchange. As TAURON Wytwarzanie S.A. no longer participates in the stranded costs program, effective from 2013 it has been subject to the obligation to sell no less than 15% of electricity generated throughout the year on commodity exchanges, while the remaining volume may be sold to the Group companies, including TAURON Polska Energia S.A.

Among the State Treasury companies, in the 9-month period ended 30 September 2013, KGHM Polska Miedź S.A, Energa Obrót S.A., Katowicki Holding Węglowy S.A. and PKP Energetyka S.A. were the major business partners of TAURON Polska Energia S.A. in terms of sales revenue. The revenue from the aforementioned entities represented 68% of the total revenue generated in transactions with State Treasury companies.

The highest costs resulted from transactions with Kompania Węglowa S.A. and PGE Polska Grupa Energetyczna S.A. and they accounted for 73% of total expenses incurred as a result of purchases from State Treasury companies.

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

*(PLN '000)*

### 28.2. Executive compensation

The amount of compensation and other benefits granted to the Management Board, Supervisory Board and other key executives of the Company in the 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)* |
|---|---|---|
| **Board of Directors** | **6 185** | **6 687** |
| Short-term employee benefits (salaries and surcharges) | 5 573 | 5 996 |
| Other | 612 | 691 |
| **Supervisory Board** | **702** | **702** |
| Short-term employee benefits (salaries and surcharges) | 702 | 702 |
| **Other members of key management personnel** | **9 498** | **7 345** |
| Short-term employee benefits (salaries and surcharges) | 8 591 | 6 575 |
| Post-employment benefits | 126 | 126 |
| Other | 781 | 644 |
| **Total** | **16 385** | **14 734** |

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

## 29. Financial instruments

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

The fair value of the financial instruments held by the Company as at 30 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.

*(PLN '000)*

| 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 |
| **1 Assets at fair value through profit or loss** | **853** | **853** | **466** | **466** |
| Derivative instruments | 853 | 853 | 466 | 466 |
| **2 Financial assets available for sale** | **6 453** | **-** | **5 057** | **-** |
| Shares in unlisted and listed companies (non-current)* | 6 453 | - | 5 057 | - |
| **3 Loans and receivables** | **6 178 458** | **6 178 458** | **4 233 547** | **4 233 547** |
| Trade receivables | 972 574 | 972 574 | 1 108 553 | 1 108 553 |
| Receivables from sales of intangible assets | 1 959 | 1 959 | - | - |
| Bonds | 4 893 647 | 4 893 647 | 2 655 261 | 2 655 261 |
| Loans granted (Cash pool) | 8 | 8 | 62 | 62 |
| Other loans granted | 187 010 | 187 010 | 232 737 | 232 737 |
| Other financial receivables | 123 260 | 123 260 | 236 934 | 236 934 |
| **4 Financial assets excluded from the scope of IAS 39** | **20 179 347** | **-** | **20 179 347** | **-** |
| Shares in subsidiaries* | 20 179 347 | - | 20 179 347 | - |
| **5 Cash and cash equivalents** | **1 239 656** | **1 239 656** | **910 421** | **910 421** |
| **Total financial assets, including in the statement of financial position:** | **27 604 767** | | **25 328 838** | |
| **Non-current assets** | **25 187 803** | | **22 917 206** | |
| Shares | 20 185 800 | | 20 184 404 | |
| Bonds | 4 815 000 | | 2 615 000 | |
| Loans granted | 187 003 | | 117 802 | |
| **Current assets** | **2 416 964** | | **2 411 632** | |
| Trade and other receivables | 1 097 808 | | 1 460 484 | |
| Bonds | 78 647 | | 40 261 | |
| Derivative instruments | 853 | | 466 | |
| Cash and cash equivalents | 1 239 656 | | 910 421 | |

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

| Categories and classes of financial liabilities | As at 30 September 2013 *(unaudited)* | | As at 31 December 2012 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| **1 Financial liabilities at fair value through profit or loss** | **1 005** | **1 005** | **552** | **552** |
| Derivative instruments | 1 005 | 1 005 | 552 | 552 |
| **2 Financial liabilities measured at amortized cost** | **8 057 113** | **8 057 113** | **7 240 995** | **7 240 995** |
| Arm's length loans, *of which:* | 2 989 723 | 2 989 723 | 2 086 342 | 2 086 342 |
| Liability under the cash pool loan | 1 617 114 | 1 617 114 | 1 175 948 | 1 175 948 |
| Loan from the European Investment Bank | 1 372 609 | 1 372 609 | 910 394 | 910 394 |
| Overdraft | 23 196 | 23 196 | 129 566 | 129 566 |
| Issued debentures | 4 335 377 | 4 335 377 | 4 301 834 | 4 301 834 |
| Trade payables | 673 200 | 673 200 | 679 612 | 679 612 |
| Other financial liabilities | 31 612 | 31 612 | 17 206 | 17 206 |
| Commitments resulting from purchases of fixed and intangible assets | 1 519 | 1 519 | 24 011 | 24 011 |
| Salaries and wages | 2 486 | 2 486 | 2 403 | 2 403 |
| Insurance contracts | - | - | 21 | 21 |
| **3 Liabilities under guarantees, factoring and excluded from the scope of IAS 39** | **609** | **609** | **990** | **990** |
| Liabilities under finance leases | 609 | 609 | 990 | 990 |
| **4 Hedging instruments (relating to liabilities)** | **168 183** | **168 183** | **190 666** | **190 666** |
| **Total financial liabilities, including in the statement of financial position:** | **8 226 910** | | **7 433 203** | |
| **Long-term liabilities** | **5 609 508** | | **5 276 156** | |
| Interest-bearing loans and borrowings | 5 515 875 | | 5 125 082 | |
| Liabilities under finance leases | 93 | | 480 | |
| Derivative instruments | 93 540 | | 150 594 | |
| **Short-term liabilities** | **2 617 402** | | **2 157 047** | |
| Current portion of interest-bearing loans and borrowings | 1 832 421 | | 1 392 660 | |
| Current portion of liabilities under finance leases | 516 | | 510 | |
| Trade and other payables | 708 817 | | 723 253 | |
| Derivative instruments | 75 648 | | 40 624 | |

*(PLN '000)*

### 29.2. Fair value hierarchy

| Classes of financial instruments | As at 30 September 2013 *(unaudited)* Level 1 | As at 30 September 2013 *(unaudited)* Level 2 |
|---|---|---|
| ***Assets*** | | |
| Commodity-related derivatives | 853 | - |
| ***Liabilities*** | | |
| Commodity-related derivatives | 35 | - |
| Currency derivatives | - | 970 |
| IRS derivatives | - | 168 183 |

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

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

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

**Bonds**

Bonds in the category of loans and receivables, amounting to PLN 4 893 647 thousand, include bonds issued by subsidiaries and subsequently acquired by the Company.

Bonds broken down by individual companies - issuers have been presented in Note 15, and changes in their balance in the 9-month period ended 30 September 2013 have been presented in Note 31 to these interim condensed financial statements.

**Originated cash pool loans and cash pool loan liabilities**

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

**Other originated loans**

Originated loans include mainly a long-term loan granted to Elektrociepłownia Stalowa Wola S.A. in the amount of PLN 177 000 thousand together with interest accrued in the amount of PLN 10 003 thousand, as described in detail in Note 16.

**Trade and other financial receivables**

Trade and other financial receivables have been presented in detail in Note 19.

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

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

**Available-for-sale financial assets**

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

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

**Issued bonds**

Issued bonds have been presented in detail in Note 22.1.

**Loans from the European Investment Bank**

The loans received from the European Investment Bank, amounting to PLN 1 372 609 thousand, have been described in detail in Note 22.2.

**Overdraft facility**

Overdraft facilities, with a balance of PLN 23 196 thousand as at 30 September 2013, have been presented in detail in Note 22.4.

**Other financial liabilities**

Other financial liabilities include mainly liabilities to the Company’s subsidiaries operating within the Tax Capital Group, due to tax overpayment of PLN 28 809 thousand, as presented in detail in Note 10.3.

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

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

## 30. Finance and financial risk management

### 30.1. Financial risk management

On 10 May 2011, the Company’s Management Board adopted a resolution implementing a policy for specific risk management in the area of finance in the TAURON Polska Energia S.A. Capital Group, which defines the strategy for management of specific risk in the area of finance, i.e. the currency and interest rate risk. The policy has also introduced hedge accounting in the Group, which lays down the principles and defines the types of hedge accounting, along with the accounting treatment of hedging instruments and hedged items, to be applied as part of hedge accounting under IFRS. The policy for specific risk management in the area of finance and hedge accounting principles are applicable to the cash flow risk and not to the fair value risk due to its limited significance for the Group.

**Hedge accounting**

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

### 30.2. Finance management

Finance is managed at the level of the TAURON Polska Energia S.A. Capital Group and the management process has been presented in detail in Note 32 to the Interim Condensed Consolidated Financial Statements for the 9-month period ended 30 September 2013.

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

### Repayment of loans granted

In the 9-month period ended 30 September 2013, the Company disclosed proceeds from investing activities, related to repayment of the following loans in the total amount of PLN 161 390 thousand:

- a loan of PLN 114 590 thousand originated to TAURON Wytwarzanie S.A. under an agreement signed in December 2012, which resulted from the purchase of $CO_2$ emission allowances from TAURON Wytwarzanie S.A. with a commitment to sell them back;
- loans of PLN 46 800 thousand originated to Elektrociepłownia Stalowa Wola S.A.

### Loans granted

In the 9-month period ended 30 September 2013, the Company 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.

### Proceeds from loans and borrowings

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

### Acquisition of bonds

Payments related to acquisition of bonds, in the amount of PLN 4 315 000 thousand, are related to acquisition of intra-group bonds issued by the following subsidiaries:

- TAURON Wytwarzanie S.A., amounting to PLN 1 670 000 thousand;
- TAURON Dystrybucja S.A., amounting to PLN 1 310 000 thousand;
- MEGAWAT MARSZEWO Sp. z o.o., amounting to PLN 620 000 thousand;
- BELS INVESTMENT Sp. z o.o., amounting to PLN 285 000 thousand;
- TAURON Ciepło S.A., amounting to PLN 230 000 thousand;
- TAURON Ekoenergia Sp. z o.o., amounting to PLN 200 000 thousand.

### Redemption of bonds

Proceeds from redemption of bonds, in the amount of PLN 2 080 000 thousand, are mainly related to redemption of intra-group bonds by the following subsidiaries:

- TAURON Wytwarzanie S.A., amounting to PLN 980 000 thousand;
- TAURON Dystrybucja S.A., amounting to PLN 630 000 thousand;
- MEGAWAT MARSZEWO Sp. z o.o., amounting to PLN 225 000 thousand;
- TAURON Ekoenergia Sp. z o.o., amounting to PLN 140 000 thousand;
- BELS INVESTMENT Sp. z o.o., amounting to PLN 105 000 thousand.

## 32. Details of other significant changes in the reporting period

### Other financial revenue

An increase in other financial revenue in the 9-month period ended 30 September 2013 by PLN 53 848 thousand vs. the comparative period resulted mainly from:

- increased interest on intra-group bonds, amounting to PLN 67 950 thousand. Interest income earned on bonds acquired, for the 9-month period ended 30 September 2013, amounted to PLN 166 522 thousand compared to PLN 98 572 thousand in the 9-month period ended 30 September 2012;

- lower cash pool interest, amounting to PLN 11 254 thousand;
- lower interest on originated loans, amounting to PLN 2 010 thousand.

## 33. Events after the end of the reporting period

No significant events have occurred after the end of the reporting period.

These interim condensed financial statements of TAURON Polska Energia S.A., prepared for the 9-month period ended 30 September 2013 in accordance with International Accounting Standard 34 have been presented on 44 consecutive pages.

Katowice, 12 November 2013

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

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