TAURON

EXTENDED CONSOLIDATED INTERIM REPORT

of TAURON Polska Energia S.A. Capital Group for Q3 2019

November 2019

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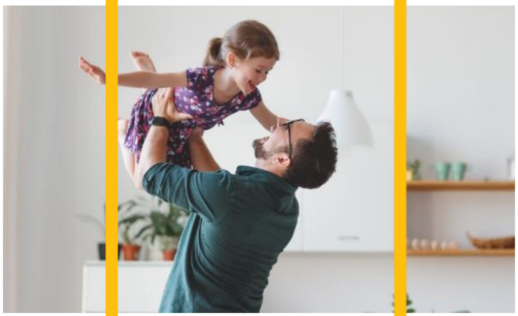


CONDENSED INTERIM FINANCIAL STATEMENTS

prepared in accordance with
the International Financial Reporting Standards,
as endorsed by the European Union
for the 9-month period ended 30 September 2019

TAURON Polska Energia S.A.

Condensed interim financial statements

prepared in accordance with the International Financial Reporting Standards,

as endorsed by the European Union

for the 9-month period ended 30 September 2019

This is a translation of the document originally issued and signed in Polish

(in '000 PLN)

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Note	3-month period ended 30 September 2019 *(unaudited)*	9-month period ended 30 September 2019 *(unaudited)*	3-month period ended 30 September 2018 *(unaudited)*	9-month period ended 30 September 2018 *(unaudited)*
Sales revenue	11	2 418 932	7 296 402	2 100 804	5 812 583
Cost of sales	12	(2 308 675)	(7 105 408)	(1 986 144)	(5 655 175)
Profit on sale		**110 257**	**190 994**	**114 660**	**157 408**
Selling and distribution expenses	12	(5 576)	(18 443)	(4 973)	(15 391)
Administrative expenses	12	(30 610)	(88 525)	(26 850)	(91 570)
Other operating income and expenses		34	(3 514)	387	(3 664)
Operating profit		**74 105**	**80 512**	**83 224**	**46 783**
Dividend income	13	1 067 978	1 100 861	802 437	819 437
Interest income on bonds and loans	13	106 632	295 160	78 542	245 728
Interest expense on debt	13	(98 205)	(294 427)	(82 393)	(238 408)
Revaluation of shares	13	-	(102 050)	-	(1 003 061)
Revaluation of bonds and loans	13	(158 059)	(616 380)	(6 375)	139 102
Other finance income and costs	13	(71 121)	(58 553)	46 272	(95 605)
Profit before tax (loss)		**921 330**	**405 123**	**921 707**	**(86 024)**
Income tax expense	14.1	2 198	(94 617)	(20 200)	(24 195)
Net profit (loss)		**923 528**	**310 506**	**901 507**	**(110 219)**
Measurement of hedging instruments	27.4	1 771	(1 592)	(1 730)	(14 914)
Income tax expense	14.1	(337)	302	329	2 834
Other comprehensive income subject to reclassification to profit or loss		**1 434**	**(1 290)**	**(1 401)**	**(12 080)**
Actuarial gains/(losses)		58	175	(32)	128
Income tax expense	14.1	(11)	(33)	5	(25)
Other comprehensive income not subject to reclassification to profit or loss		**47**	**142**	**(27)**	**103**
Other comprehensive income, net of tax		**1 481**	**(1 148)**	**(1 428)**	**(11 977)**
Total comprehensive income		**925 009**	**309 358**	**900 079**	**(122 196)**
Profit per share (loss) (in PLN):					
- basic and diluted, for net profit		0.53	0.18	0.52	(0.06)

(in '000 PLN)

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	As at 30 September 2019 *(unaudited)*	As at 31 December 2018
ASSETS			
Non-current assets			
Investment property	**16**	20 660	22 010
Right-of-use assets	**17**	35 307	-
Shares	**18**	21 830 902	21 076 056
Bonds	**19**	4 371 745	5 043 981
Loans granted	**20**	998 110	808 760
Derivative instruments	**21**	45 639	43 844
Deferred tax assets	**14.2**	85 665	148 180
Other financial assets	**22**	2 412	2 804
Other non-financial assets	**25**	17 668	20 865
		27 408 108	**27 166 500**
Current assets			
Inventories	**23**	411 271	409 587
Receivables from buyers	**24**	808 566	819 563
Income tax receivables		-	13 921
Bonds	**19**	107 993	192 311
Loans granted	**20**	584 370	13 117
Derivative instruments	**21**	196 707	176 499
Other financial assets	**22**	428 694	245 721
Other non-financial assets	**25**	6 201	9 846
Cash and cash equivalents	**26**	456 993	465 925
		3 000 795	**2 346 490**
TOTAL ASSETS		**30 408 903**	**29 512 990**

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

(in '000 PLN)

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION — CONTINUED

	Note	As at 30 September 2019 *(unaudited)*	As at 31 December 2018
EQUITY AND LIABILITIES			
Equity			
Issued capital	**27.1**	8 762 747	8 762 747
Reserve capital	**27.3**	6 801 584	8 511 437
Revaluation reserve from valuation of hedging instruments	**27.4**	2 081	3 371
Retained earnings / (Accumulated losses)	**27.3**	2 782	(2 017 719)
		15 569 194	**15 259 836**
Non-current liabilities			
Debt	**28**	10 238 100	8 474 344
Other financial liabilities	**29**	15 126	17 626
Derivative instruments	**21**	31 359	37 930
Provisions for employee benefits		4 197	3 787
Accruals, deferred income and government grants		103	103
		10 288 885	**8 533 790**
Current liabilities			
Debt	**28**	3 596 946	4 504 374
Liabilities to suppliers	**31**	348 306	525 986
Other financial liabilities	**29**	225 171	371 646
Derivative instruments	**21**	196 308	202 992
Income tax liabilities	**14.3**	38 583	-
Other non-financial liabilities	**32**	48 052	24 626
Provisions for employee benefits		263	245
Other provisions	**30**	76 034	72 894
Accruals, deferred income and government grants		21 161	16 601
		4 550 824	**5 719 364**
Total liabilities		**14 839 709**	**14 253 154**
TOTAL EQUITY AND LIABILITIES		**30 408 903**	**29 512 990**

(in '000 PLN)

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE 9-MONTH PERIOD ENDED 30 SEPTEMBER 2019 (unaudited)

	Issued capital	Reserve capital	Revaluation reserve from valuation of hedging instruments	Retained earnings/ (Accumulated losses)	Total equity
As at 1 January 2019	**8 762 747**	**8 511 437**	**3 371**	**(2 017 719)**	**15 259 836**
Coverage of prior years loss	-	(1 709 853)	-	1 709 853	**-**
Transactions with shareholders	**-**	**(1 709 853)**	**-**	**1 709 853**	**-**
Net profit	-	-	-	310 506	**310 506**
Other comprehensive income	-	-	(1 290)	142	**(1 148)**
Total comprehensive income	**-**	**-**	**(1 290)**	**310 648**	**309 358**
As at 30 September 2019 *(unaudited)*	**8 762 747**	**6 801 584**	**2 081**	**2 782**	**15 569 194**

FOR THE 9-MONTH PERIOD ENDED 30 SEPTEMBER 2018 (unaudited)

	Issued capital	Reserve capital	Revaluation reserve from valuation of hedging instruments	Retained earnings/ (Accumulated losses)	Total equity
As at 31 December 2017	**8 762 747**	**7 657 086**	**23 051**	**935 022**	**17 377 906**
Impact of IFRS 9	**-**	**-**	**-**	**(388 551)**	**(388 551)**
As at 1 January 2018	**8 762 747**	**7 657 086**	**23 051**	**546 471**	**16 989 355**
Distribution of prior year profit	-	854 351	-	(854 351)	-
Transactions with shareholders	**-**	**854 351**	**-**	**(854 351)**	-
Net loss	-	-	-	(110 219)	**(110 219)**
Other comprehensive income	-	-	(12 080)	103	**(11 977)**
Total comprehensive income	**-**	**-**	**(12 080)**	**(110 116)**	**(122 196)**
As at 30 September 2018 *(unaudited)*	**8 762 747**	**8 511 437**	**10 971**	**(417 996)**	**16 867 159**

(in '000 PLN)

CONDENSED INTERIM STATEMENT OF CASH FLOWS

	Note	9-month period ended 30 September 2019 *(unaudited)*	9-month period ended 30 September 2018 *(unaudited)*
Cash flows from operating activities			
Profit (loss) before tax		405 123	(86 024)
Depreciation and amortization		9 825	3 528
Interest and dividends, net		(1 012 371)	(804 079)
Impairment losses on shares		102 050	1 003 061
Impairment losses on bonds and loans		616 380	(139 102)
Exchange differences		63 477	90 127
Other adjustments of profit before tax		(29 876)	572
Change in working capital	**33.1**	(387 749)	251 566
Income tax paid		(45 961)	(91 206)
Net cash from operating activities		**(279 102)**	**228 443**
Cash flows from investing activities			
Purchase of bonds	**33.2**	(420 000)	(160 000)
Loans granted	**33.2**	(722 317)	(251 145)
Purchase of shares	**33.2**	(856 896)	(1 926 317)
Purchase of investment property		-	(3 926)
Other		(2 531)	(2 098)
Total payments		**(2 001 744)**	**(2 343 486)**
Redemption of bonds	**33.2**	1 050 000	1 248 770
Dividends received		1 100 861	819 437
Repayment of loans granted		7 000	420 115
Interest received	**33.2**	229 391	250 557
Redemption of investment fund units		-	75 346
Other		275	372
Total proceeds		**2 387 527**	**2 814 597**
Net cash from investing activities		**385 783**	**471 111**
Cash flows from financing activities			
Payment of lease liabilities		(5 481)	(23 519)
Repayment of loans	**33.3**	(90 864)	(90 864)
Redemption of debt securities	**33.3**	(670 000)	-
Interest paid	**33.3**	(178 111)	(171 134)
Commission paid		(18 816)	(14 272)
Total payments		**(963 272)**	**(299 789)**
Issue of debt securities	**33.3**	500 000	-
Contracted loans	**33.3**	1 450 000	-
Total proceeds		**1 950 000**	**-**
Net cash from financing activities		**986 728**	**(299 789)**
Net increase / (decrease) in cash and cash equivalents		**1 093 409**	**399 765**
Net foreign exchange difference		(143)	(1 662)
Cash and cash equivalents at the beginning of the period	**26**	**(1 560 034)**	**(1 559 232)**
Cash and cash equivalents at the end of the period, *of which:*	**26**	**(466 625)**	**(1 159 467)**
restricted cash	**26**	448 760	50 947

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

INFORMATION ABOUT TAURON POLSKA ENERGIA S.A. AND BASIS OF PREPARATION OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. General information about TAURON Polska Energia S.A.

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

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

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

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

The core business of TAURON Polska Energia S.A. is:

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

TAURON Polska Energia S.A. is the parent in the TAURON Polska Energia S.A. Capital Group (the "Group", the "TAURON Group").

The Company's condensed interim financial statements cover the 9-month period ended 30 September 2019 and present comparative data for the 9-month period ended 30 September 2018 as well as figures as at 31 December 2018. The data for the 9-month period ended 30 September 2019 and the comparative data for the 9-month period ended 30 September 2018, as contained herein, have not been audited or reviewed by a certified auditor. The comparative data as at 31 December 2018 were audited by a certified auditor. The interim condensed statement of comprehensive income for the 3-month period ended 30 September 2019 and the comparative data for the 3-month period ended 30 September 2018 have not been audited or reviewed by a certified auditor.

These condensed interim financial statements for the 9-month period ended 30 September 2019 were approved for publication on 13 November 2019.

The Company also prepared condensed interim consolidated financial statements for the 9-month period ended 30 September 2019, which were approved by the Management Board for publication on 13 November 2019.

These condensed interim financial statements are part of the consolidated report, which also includes the condensed interim consolidated financial statements for the 9-month period ended 30 September 2019.

Composition of the Management Board

Composition of the Management Board as at 30 September 2019:

- Filip Grzegorczyk — President of the Management Board;
- Jarosław Broda — Vice President of the Management Board;
- Marek Wadowski — Vice President of the Management Board.

On 21 September 2019 the Supervisory Board dismissed Kamil Kamiński, Vice President of the Management Board, both from the position and from Management Board membership.

(in '000 PLN)

2. Shares in related parties

As at 30 September 2019, TAURON Polska Energia S.A. held direct and indirect interest in the following key subsidiaries:

Item	Company name	Registered office	Core business	Share of TAURON Polska Energia S.A. in the entity's capital	Share of TAURON Polska Energia S.A. in the governing body
1	TAURON Wydobycie S.A.	Jaworzno	Hard coal mining	100.00%	100.00%
2	TAURON Wytwarzanie S.A.	Jaworzno	Generation, transmission and distribution of electricity and heat	100.00%	100.00%
3	Nowe Jaworzno Grupa TAURON Sp. z o.o.	Jaworzno	Generation of electricity	84.76%	84.76%
4	TAURON Ekoenergia Sp. z o.o.	Jelenia Góra	Generation of electricity	100.00%	100.00%
5	Marselwind Sp. z o.o.	Katowice	Generation of electricity	100.00%	100.00%
6	TAURON Ciepło Sp. z o.o.	Katowice	Production and distribution of heat	100.00%	100.00%
7	TAURON Serwis Sp. z o. o.	Katowice	Services	95.61%	95.61%
8	TAURON Dystrybucja S.A.	Kraków	Distribution of electricity	99.75%	99.75%
9	TAURON Dystrybucja Pomiary Sp. z o.o.[1]	Tarnów	Services	99.75%	99.75%
10	TAURON Sprzedaż Sp. z o.o.	Kraków	Sale of electricity	100.00%	100.00%
11	TAURON Sprzedaż GZE Sp. z o.o.	Gliwice	Sale of electricity	100.00%	100.00%
12	TAURON Czech Energy s.r.o.	Ostrawa, Czech Republic	Sale of electricity	100.00%	100.00%
13	TAURON Dystrybucja Serwis S.A.	Wrocław	Services	100.00%	100.00%
14	TAURON Obsługa Klienta Sp. z o.o.	Wrocław	Services	100.00%	100.00%
15	Kopalnia Wapienia Czatkowice Sp. z o.o.	Krzeszowice	Limestone quarrying and stone quarrying	100.00%	100.00%
16	Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o.	Warszawa	Sale of electricity	100.00%	100.00%
17	Finanse Grupa TAURON Sp. z.o.o.[2]	Katowice	Services	100.00%	100.00%
18	Bioeko Grupa TAURON Sp. z o.o.	Stalowa Wola	Wholesale of fuel and derivative products	100.00%	100.00%
19	Wsparcie Grupa TAURON Sp. z o.o.[1]	Tarnów	Services	99.75%	99.75%
20	TEC1 Sp. z o.o.	Katowice	Head office and holding operations	100.00%	100.00%
21	TEC2 Sp. z o.o.	Katowice	Head office and holding operations	100.00%	100.00%
22	TEC3 Sp. z o.o.	Katowice	Head office and holding operations	100.00%	100.00%
23	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno I sp.k.	Katowice	Generation of electricity	n/a	100% of votes in the company
24	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno II sp.k.	Katowice	Generation of electricity	n/a	100% of votes in the company
25	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno III sp.k.	Katowice	Generation of electricity	n/a	100% of votes in the company
26	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno IV sp.k.	Katowice	Generation of electricity	n/a	100% of votes in the company
27	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno V sp.k.	Katowice	Generation of electricity	n/a	100% of votes in the company
28	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno VI sp.k.	Katowice	Generation of electricity	n/a	100% of votes in the company
29	TEC1 spółka z ograniczoną odpowiedzialnością EW Śniatowo sp.k.	Katowice	Generation of electricity	n/a	100% of votes in the company
30	TEC1 spółka z ograniczoną odpowiedzialnością EW Dobrzyń sp.k.	Katowice	Generation of electricity	n/a	100% of votes in the company
31	TEC1 spółka z ograniczoną odpowiedzialnością EW Gołdap sp.k.	Katowice	Generation of electricity	n/a	100% of votes in the company
32	TEC1 spółka z ograniczoną odpowiedzialnością Ino 1 sp.k.	Katowice	Generation of electricity	n/a	100% of votes in the company

[1] TAURON Polska Energia S.A. holds indirect interest in TAURON Dystrybucja Pomiary Sp. z o.o. and Wsparcie Grupa TAURON Sp. z o.o. through its subsidiary, TAURON Dystrybucja S.A. TAURON Polska Energia S.A. uses shares in TAURON Dystrybucja Pomiary Sp. z o.o.
[2] On 23 August 2019, cross-border business combination of Finanse Grupa TAURON Sp. z o.o. (the acquirer) with TAURON Sweden Energy AB (publ) (the acquiree) was registered as described in detail in Note 18 hereto.

(in '000 PLN)

Acquisition of wind farms

On 3 September 2019, the transaction documentation regarding TEC1 Sp. z o.o., TEC2 Sp. z o.o. and TEC3 Sp. z o.o. (subsidiaries of TAURON Polska Energia S.A.) purchasing five wind farms owned by the in.ventus group and amounts owed to Hamburg Commercial Bank AG by wind farm operators was signed. The transaction involved the following acquisitions:

- by TEC1 Sp. z o.o. of rights and obligations of the general partner of the Polish partnerships owning the wind farms;
- by TEC2 Sp. z o.o. of rights and obligations of the general partner of the German partnerships being limited partners of the Polish partnerships;
- by TEC3 Sp. z o.o. of rights and obligations of the limited partner of the German partnerships, at the same time acquiring their debt contracted from Hamburg Commercial Bank AG and amounts owed to their former shareholders as a result of loans granted to the Polish partnerships.

Incorporation of TEC1 Sp. z o.o., TEC2 Sp. z o.o., TEC3 Sp. z o.o. and increase in their issued capital as described in detail in Note 18 hereto was to enable them to conclude the above transaction. As a result of the transaction, TAURON Polska Energia S.A. indirectly holds all rights and obligations of the general and limited partner in the partnerships owning the windfarms.

Changes in the interests of TAURON Polska Energia S.A. in the decision-making body of Nowe Jaworzno Grupa TAURON Sp. z o.o.

During the 9-month period ended 30 September 2019 and until the date of approving these interim condensed financial statements for publication, the issued capital of Nowe Jaworzno Grupa TAURON Sp. z o.o. was increased as described in detail in Note 18 hereto. As at 30 September 2019, the Company's share in the issued capital and in the managing body equaled 84.76% (vs. 97.89% as at 31 December 2018).

Changes in the interests of TAURON Polska Energia S.A. in the issued capital of TAURON Dystrybucja S.A.

On 28 June 2019, a decrease in the issued capital of TAURON Dystrybucja S.A. from PLN 560 611 thousand to PLN 560 576 thousand (i.e. by PLN 35 thousand) was registered in relation to the redemption of shares purchased by the Company from minority shareholders under the squeeze-out procedure pursuant to Article 418 (1) of the Code of Commercial Companies. As a result, the share of TAURON Polska Energia S.A. in the issued capital of TAURON Dystrybucja S.A. increased from 99.74% to 99.75%.

As at 30 September 2019 there were no changes in the interest of TAURON Polska Energia S.A. in the issued capital and decision-making bodies of other material subsidiaries and jointly-controlled entities as compared to 31 December 2018.

As at 30 September 2019, TAURON Polska Energia S.A. held direct and indirect interest in the following key jointly-controlled entities:

Item	Company name	Registered office	Core business	Share of TAURON Polska Energia S.A. in the entity's capital and governing body
1	Elektrociepłownia Stalowa Wola S.A.[1]	Stalowa Wola	Generation of electricity	50.00%
2	TAMEH HOLDING Sp. z o.o.[2]	Dąbrowa Górnicza	Head office and holding operations	50.00%
3	TAMEH POLSKA Sp. z o.o.[2]	Dąbrowa Górnicza	Generation, transmission, distribution and sale of electricity and heat	50.00%
4	TAMEH Czech s.r.o.[2]	Ostrawa, Czech Republic	Production, trade and services	50.00%

[1] TAURON Polska Energia S.A. holds indirect interest in Elektrociepłownia Stalowa Wola S.A. through a subsidiary, TAURON Wytwarzanie S.A.
[2] TAURON Polska Energia S.A. holds direct interest in the issued capital and the governing body of TAMEH HOLDING Sp. z o.o., which holds 100% interest in the issued capital and the governing bodies of TAMEH POLSKA Sp. z o.o. and TAMEH Czech s.r.o.

3. Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34"), as endorsed by the European Union ("EU").

The condensed interim 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 2018.

4. Going concern

These condensed interim 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 these condensed interim financial statements were authorized for issue, there were no circumstances that would indicate a risk to the Company's ability to continue as a going concern.

5. Functional and presentation currency

Polish zloty is the functional currency of the parent and the presentation currency of these condensed interim financial statements. These condensed interim financial statements have been presented in the Polish zloty ("PLN") and all figures are in PLN thousand, unless stated otherwise.

6. Material values based on professional judgement and estimates

When applying the accounting policy to the issues mentioned below, professional judgement of the management, along with accounting estimates, have been of key importance; they had an impact on the figures disclosed in these condensed interim financial statements and in the explanatory notes. The assumptions underlying the estimates have been based on the Management Board's best knowledge of current and future actions and events in individual areas. In the period covered by these condensed interim financial statements, there were no significant changes in estimates or estimation methods applied, which would affect the current or future periods, other th0061n those presented below or mentioned further in these condensed interim financial statements.

Presented below are the items of the financial statements exposed to a considerable risk of material adjustment of the carrying amounts of assets and liabilities. Detailed information regarding assumptions has been presented in notes to these condensed interim financial statements, in line with the table below.

(in '000 PLN)

Item	Note	Estimates and assumptions
Shares	Note 18	As at the end of each reporting period, the Company assesses, if there is any objective indication that the shares may be impaired. If any significant indications of impairment are identified, the Company is obliged to test the shares for impairment and to recognize an impairment loss or to reverse an earlier impairment loss. The Company properly classifies shares in entities other than subsidiaries and jointly-controlled entities and measures them at fair value. The method of calculating the fair value has been presented in Note 34 hereto
Intra-group bonds	Note 19	As at the end of each reporting period, the Company assesses the classification of intra-group bonds to current or non-current assets. Intra-group bonds maturing within one year of the end of the reporting period, intended for rollover, are classified to long-term instruments. Such classification reflects the type of financing as part of an intra-group bond issue scheme whereby cash is managed over a mid and long term. The Company estimates the value of a loss allowance for expected credit losses of intra-group bonds. The Company estimates the risk of insolvency of the bond issuers based on the ratings assigned to the counterparties using an internal scoring model, adjusted accordingly to account for the probability of default. The expected credit loss is calculated accounting for the time value of money. Bonds, as a form of capital commitment in subsidiaries, are also tested for impairment loss.
Loans granted	Note 20	The Company properly classifies and measures the loans it has granted. For loans classified to assets measured at amortized cost the Company estimates the value of their impairment losses. The risk of insolvency of the borrowers is estimted based on the ratings assigned to the counterparties using an internal scoring model, adjusted accordingly to account for the probability of default and the time value of money. Measurement of a loan classified to assets measured at fair value is estimated as the present value of future cash flows considering the borrower's credit risk.
Derivative instruments	Note 21	As at the end of each reporting period, the Company values derivatives at fair value. Financial instruments acquired and held for internal purposes are not measured as at the end of the reporting period.
Receivables from buyers	Note 24	As far as receivables from buyers are concerned, the Company estimates the value of loss allowance for expected credit losses based on the probability-weighted credit loss to be incurred, if any of the following events takes place: • a significant (material) delay in payment, • liquidation, bankruptcy or other form of restructuring of the debtor, • administrative enforcement, court action or court enforcement is instigated to recover the receivables. Receivables from buyers are divided into the portfolios of strategic and other counterparties. The risk of insolvency on the part of strategic counterparties is assessed based on ratings assigned to the counterparties using an internal scoring model, adjusted accordingly to account for the probability of default, considering estimated recoveries of security that was put up. It is expected that the historical performance information concerning the receivables from other counterparties may reflect the credit risk that will be faced in future periods. Therefore, the expected credit losses are esimtated using the ageing analysis matrix.
Deferred tax assets	Note 14.2	As at the end of each reporting period, the Company asses the realisation of deferred tax assets and verifies deferred tax assets which were not recognized.
Provisions	Note 30	The value of provisions is determined based on assumptions made by the Company as well as a methodology and calculation method that is appropriate for a specific provision. To this end, the Company verifies the probability of an outflow of resources embodying economic benefits and estimates reliably the amount necessary to fulfil the obligation. The Company recognized provisions if the probability of an outflow of resources embodying economic benefits is higher than 50%.

Apart from the above, the Company makes significant estimates as regards the contingent liabilities is discloses, and in particular as regards court cases the Company is party to. Contingent liabilities have been presented in detail in Note 36 hereto.

(in '000 PLN)

7. Standards and amendments to standards which have been published but are not yet effective

The Company did not choose an early application of any standards or amendments to standards, which were published, but are not yet mandatorily effective.

- **Standards issued by the International Accounting Standards Board and amendments to standards which have not been endorsed by the European Union and are not yet effective**

According to the Management Board, the following standards and amendments to standards will not have a material impact on the accounting policies applied thus far:

Standard	Effective date specified in the Standard, not endorsed by the EU *(annual periods beginning on or after the date provided)*
IFRS 14 *Regulatory Deferral Accounts*	1 January 2016*
IFRS 17 *Insurance contracts*	1 January 2021
Revised IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures: Sale or Contribution of Assets between Investor and its Associate or Joint Venture* with subsequent amendments	the effective date has been postponed
Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material*	1 January 2020
Amendments to IFRS 3 *Business Combinations*	1 January 2020
Amendments to References to the Conceptual Framework in IFRS	1 January 2020
Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement* and to IFRS 7 *Financial Instruments: Disclosures: Interest Rate Benchmark Reform*	1 January 2020

**The European Commission decided not to launch the process of endorsement of the interim standard for use in the EU until the publication of the final version of IFRS 14 Regulatory Deferral Accounts.*

8. Changes in the accounting principles (policy)

The accounting principles (policy) underlying the preparation of these condensed interim financial statements are consistent with those underlying the preparation of the annual financial statements of TAURON Polska Energia S.A. for the year ended 31 December 2018, except for the the following new standards, amendments to standards and interpretations:

According to the Management Board, IFRS 16 *Leases* may have a material impact on the accounting policies applied thus far:

IFRS 16 *Leases*

Effective date in the EU: annual periods beginning on or after 1 January 2019.

Under IFRS 16 *Leases*, the lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted using the rate implicit in the lease if that rate can be readily determined. If that rate cannot be readily determined, the lessee uses the incremental borrowing rate

Lessors classify leases as either operating lease or finance leases, i.e. in line with IAS 17 *Leases*. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise, a lease is classified as an operating lease. A lessor recognizes finance income over the lease term of a finance lease, based on a pattern reflecting a constant periodic rate of return on the net investment. A lessor recognizes lease payments from operating leases as income on either a straight-line basis or another systematic basis, if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished.

Impact on the financial statements

The Company has decided to apply the modified retrospective approach and the practical expedients allowed by IFRS 16 *Leases*, i.e. with the cumulative effect of initially applying this standard recognized as at 1 January 2019. The Company decided not to restate the comparative information, as permitted by the Standard. The information as at 31 December 2018 and for the 9-month period ended 30 September 2018 has been prepared based on IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease* and SIC-15 *Operating Leases — Incentives*.

As at 1 January 2019 the Company recognized the right-of-use assets at an amount equal to the lease liability at the present value of the remaining lease payments, discounted using the incremental borrowing rate, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of initial application.

(in '000 PLN)

An analysis of the impact of IFRS 16 *Leases* on the accounting principles (policy) has shown a change material for the Company, i.e. the need to recognize the right-of-use assets and lease liabilities for leases currently classified as operating leases. The Company analyzed all concluded contracts to identify those affected by IFRS 16 *Leases*. The analysis included in particular identification of an asset, verification of control over its use, determining the lease term and the methodology to determine the incremental rate of interest.

The Company decided to present the right-of-use assets separately from other assets in the statement of financial position, except for the right-of-use assets that meet the definition of investment property, which are presented as investment property as at 31 December 2018 in the amount of PLN 3 926 thousand and refer exclusively to the perpetual usufruct of land. The perpetual usufruct of land presented under the investment property has been increased by the value of discounted lease payments of PLN 1 526 thousand. Lease liabilities are presented in the statement of financial position under debt liabilities, summed up with other titles previously recognized in that item.

Impact of the adoption of IFRS 16 *Leases* as at 1 January 2019

	As at 31 December 2018 *(authorised figures)*	Recognition of right-of-use assets and lease liabilities	As at 1 January 2019 *(unaudited)*
ASSETS			
Non-current assets	**27 166 500**	**41 496**	**27 207 996**
Investment property	22 010	1 526	23 536
Right-of-use assets	-	39 970	39 970
TOTAL ASSETS	**29 512 990**	**41 496**	**29 554 486**
EQUITY AND LIABILITIES			
Equity	**15 259 836**	**-**	**15 259 836**
Non-current liabilities	**8 533 790**	**34 404**	**8 568 194**
Debt	8 474 344	34 404	8 508 748
Current liabilities	**5 719 364**	**7 092**	**5 726 456**
Debt	4 504 374	7 092	4 511 466
TOTAL EQUITY AND LIABILITIES	**29 512 990**	**41 496**	**29 554 486**

Distribution of right-of-use assets as at 1 January 2019:

Right-of-use assets	As at 1 January 2019
Lease of office and warehouse space	35 345
Lease of parking spaces	3 123
Lease of cars	1 502
Total	**39 970**

Reconciliation between future minimum operating lease payments in line with IAS 17 *Leases* as at 31 December 2018 and lease liabilities in line with IFRS 16 *Leases* as at 1 January 2019:

Reconciliation IAS 17 *Leases* to IFRS 16 *Leases*	
Future minimum operating lease payments as at 31 December 2018 in line with IAS 17 *Leases*	49 164
Discount using the incremental interest rate	(7 668)
Lease liabilities under IFRS 16 *Leases* as at 1 January 2019	**41 496**

The Company applied a weighted-average incremental borrowing rate at 4.18% to calculate lease liabilities recognized in the statement of financial position as at the date it first applied IFRS 16 *Leases*.

(in '000 PLN)

The Company applied the following practical expedients as at the date it first applied IFRS 16 *Leases*:

- a single discount rate was applied to a portfolio of leases with reasonably similar characteristics;
- the requirements of IFRS 16 *Leases* were not applied to leases for which the lease term ends within 12 months of the date of initial application;
- hindsight was used as regards valid leases, specifically with respect to exercising an option to extend or terminate the lease;
- if a non-lease component cannot be separated for a class of underlying asset, both the lease and non-lease components were recognized as a single lease component;

The data presented above, which, according to the Company, comply in all material respects with the requirements of IFRS 16 *Leases* as part of the interim condensed financial statements for the 9-month period ended 30 September 2019, were not audited or reviewed by a certified auditor. Consequently, the final figures disclosed in the financial statements for 2019 may differ from those presented in these condensed interim financial statements.

According to the Management Board, the introduction of the following amendments to standards and interpretations had no material impact on the accounting principles (policy) applied thus far.

Standard/ Interpretation	Effective in the EU as of *(annual periods beginning on or after the date provided)*
Revised IFRS 9 *Financial Instruments*	1 January 2019
Revised IAS 28 *Investments in Associates and Joint Ventures*	1 January 2019
IFRIC 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Revised IAS 19 *Employee Benefits*	1 January 2019
Annual Improvements to IFRS (Cycle 2015-2017):	
IAS 12 *Income Taxes*	1 January 2019
IAS 23 *Borrowing Costs*	1 January 2019
IFRS 3 *Business Combinations*	1 January 2019
IFRS 11 *Joint Arrangements*	1 January 2019

9. 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 may report significant dividend income recognized under finance income 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 2019, the Company recognized dividend income of PLN 1 100 861 thousand vs. PLN 819 437 thousand in the comparative period.

OPERATING SEGMENTS

10. Information on operating segments

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

The assets of the "Holding activity" segment include:

- shares in subsidiaries and jointly-controlled entities;
- bonds acquired from subsidiaries;
- cash pool loan receivables, including a cash pool deposit;
- receivables arising from other loans to related parties;
- assets resulting from the measurement of hedging instruments related to the contracted borrowings.

The liabilities of the "Holding activity" segment are:

- bonds issued by the Company, loans obtained (except for overdraft facilities) and liabilities arising from the measurement of hedging instruments related to the contracted borrowings;
- liabilities due to loans from related parties, including under the cash pool agreement.

The "Holding activity" segment includes intra-group receivables and liabilities arising from income tax settlements of the Tax Capital Group companies.

Finance income and finance costs include dividend income, net interest income and expense earned/incurred by the Company in relation to the central financing model adopted by the Group as well as impairment losses on shares, bonds and loans classified to the assets of the "Holding activity" segment.

Administrative expenses are presented under unallocated expenses, as they are incurred for the Group as a whole and are not directly attributable to a specific operating segment.

EBIT is the profit/loss on continuing operations before tax, finance income and finance costs, i.e. operating profit (loss).

EBITDA is the profit/loss on continuing operations before tax, finance income and finance costs, increased by amortization/depreciation and impairment of non-financial assets.

(in '000 PLN)

For the 9-month period ended 30 September 2019 or as at 30 September 2019 *(unaudited)*

	Sales	Holding activity	Unallocated items	Total
Revenue				
Sales outside the Group	643 110	-	-	**643 110**
Sales within the Group	6 653 287	5	-	**6 653 292**
Segment revenue	**7 296 397**	**5**	**-**	**7 296 402**
Profit/(loss) of the segment	**169 032**	**5**	**-**	**169 037**
Unallocated expenses	-	-	(88 525)	**(88 525)**
EBIT	**169 032**	**5**	**(88 525)**	**80 512**
Revaluation of shares, bonds and loans	**-**	(718 430)	-	**(718 430)**
Net finance income/(costs)	-	1 023 709	19 332	**1 043 041**
Profit/(loss) before income tax	**169 032**	**305 284**	**(69 193)**	**405 123**
Income tax expense	-	-	(94 617)	**(94 617)**
Net profit/(loss) for the period	**169 032**	**305 284**	**(163 810)**	**310 506**
Assets and liabilities				
Segment assets	2 337 491	27 946 715	-	**30 284 206**
Unallocated assets	-	-	124 697	**124 697**
Total assets	**2 337 491**	**27 946 715**	**124 697**	**30 408 903**
Segment liabilities	724 674	13 804 842	**-**	**14 529 516**
Unallocated liabilities	-	-	310 193	**310 193**
Total liabilities	**724 674**	**13 804 842**	**310 193**	**14 839 709**
EBIT	**169 032**	**5**	**(88 525)**	**80 512**
Depreciation/amortization	**(9 825)**	**-**	**-**	**(9 825)**
Impairment	**145**	**-**	**-**	**145**
EBITDA	**178 712**	**5**	**(88 525)**	**90 192**
Other segment information				
Capital expenditure *	2 269	-	-	**2 269**

** Capital expenditure includes expenditures for property, plant and equipment and non-current intangible assets, except for energy certificates acquired by the Company.*

For the 9-month period ended 30 September 2018 *(unaudited)* or as at 31 December 2018

	Sales	Holding activity	Unallocated items	Total
Revenue				
Sales outside the Group	744 817	-	-	**744 817**
Sales within the Group	5 059 569	8 197	-	**5 067 766**
Segment revenue	**5 804 386**	**8 197**	**-**	**5 812 583**
Profit/(loss) of the segment	**130 156**	**8 197**	**-**	**138 353**
Unallocated expenses	-	-	(91 570)	**(91 570)**
EBIT	**130 156**	**8 197**	**(91 570)**	**46 783**
Revaluation of shares, bonds and loans	**-**	(863 959)	-	**(863 959)**
Net finance income (costs)	-	725 309	5 843	**731 152**
Profit/(loss) before income tax	**130 156**	**(130 453)**	**(85 727)**	**(86 024)**
Income tax expense	-	-	(24 195)	**(24 195)**
Net profit/(loss) for the period	**130 156**	**(130 453)**	**(109 922)**	**(110 219)**
Assets and liabilities				
Segment assets	2 131 713	27 193 114	-	**29 324 827**
Unallocated assets	-	-	188 163	**188 163**
Total assets	**2 131 713**	**27 193 114**	**188 163**	**29 512 990**
Segment liabilities	884 862	13 073 580	**-**	**13 958 442**
Unallocated liabilities	-	-	294 712	**294 712**
Total liabilities	**884 862**	**13 073 580**	**294 712**	**14 253 154**
EBIT	**130 156**	**8 197**	**(91 570)**	**46 783**
Depreciation/amortization	**(3 528)**	**-**	**-**	**(3 528)**
Impairment	**275**	**-**	**-**	**275**
EBITDA	**133 409**	**8 197**	**(91 570)**	**50 036**
Other segment information				
Capital expenditure *	5 971	-	-	**5 971**

** Capital expenditure includes expenditures for property, plant and equipment and non-current intangible assets, except for energy certificates acquired by the Company.*

In the 9-month period ended 30 September 2019, revenue from sales to two major clients, being members of the TAURON Capital Group, represented 79% and 11% of the Company's total revenue in the "Sales" segment, amounting to PLN 5 755 679 thousand and PLN 779 508 thousand, respectively. In the 9-month period ended 30 September 2018, revenue from sales to two major clients, being members of the TAURON Capital Group, represented 73% and 10% of the Company's total revenue in the "Sales" segment, amounting to PLN 4 223 992 thousand and PLN 574 767 thousand, respectively.

(in '000 PLN)

For the 3-month period ended 30 September 2019 *(unaudited)*

	Sales	Holding activity	Unallocated items	Total
Revenue				
Sales outside the Group	215 873	-	-	**215 873**
Sales within the Group	2 203 059	-	-	**2 203 059**
Segment revenue	**2 418 932**	**-**	**-**	**2 418 932**
Profit/(loss) of the segment	**104 715**	**-**	**-**	**104 715**
Unallocated expenses	-	**-**	(30 610)	**(30 610)**
EBIT	**104 715**	**-**	**(30 610)**	**74 105**
Revaluation of shares, bonds and loans	**-**	(158 059)	**-**	**(158 059)**
Net finance income (costs)	-	975 420	29 864	**1 005 284**
Profit/(loss) before income tax	**104 715**	**817 361**	**(746)**	**921 330**
Income tax expense	-	-	2 198	**2 198**
Net profit/(loss) for the period	**104 715**	**817 361**	**1 452**	**923 528**
EBIT	**104 715**	**-**	**(30 610)**	**74 105**
Depreciation/amortization	**(3 297)**	**-**	**-**	**(3 297)**
Impairment	**3**	**-**	**-**	**3**
EBITDA	**108 009**	**-**	**(30 610)**	**77 399**
Other segment information				
Capital expenditure *	548	-	-	**548**

** Capital expenditure includes expenditures for property, plant and equipment and non-current intangible assets, except for energy certificates acquired by the Company.*

For the 3-month period ended 30 September 2018 *(unaudited)*

	Sales	Holding activity	Unallocated items	Total
Revenue				
Sales outside the Group	323 594	-	-	**323 594**
Sales within the Group	1 769 018	8 192	-	**1 777 210**
Segment revenue	**2 092 612**	**8 192**	**-**	**2 100 804**
Profit/(loss) of the segment	**101 882**	**8 192**	**-**	**110 074**
Unallocated expenses	-	**-**	(26 850)	**(26 850)**
EBIT	**101 882**	**8 192**	**(26 850)**	**83 224**
Revaluation of shares, bonds and loans	-	(6 375)	-	**(6 375)**
Net finance income (costs)	-	866 917	(22 059)	**844 858**
Profit/(loss) before income tax	**101 882**	**868 734**	**(48 909)**	**921 707**
Income tax expense	-	-	(20 200)	**(20 200)**
Net profit/(loss) for the period	**101 882**	**868 734**	**(69 109)**	**901 507**
EBIT	**101 882**	**8 192**	**(26 850)**	**83 224**
Depreciation/amortization	**(1 042)**	**-**	**-**	**(1 042)**
Impairment	**140**	**-**	**-**	**140**
EBITDA	**102 784**	**8 192**	**(26 850)**	**84 126**
Other segment information				
Capital expenditure *	1 687	-	-	**1 687**

** Capital expenditure includes expenditures for property, plant and equipment and non-current intangible assets, except for energy certificates acquired by the Company.*

(in '000 PLN)

EXPLANATORY NOTES TO THE CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

11. Sales revenue

	9-month period ended 30 September 2019 *(unaudited)*	9-month period ended 30 September 2018 *(unaudited)*
Revenue from sales of goods for resale and materials	**7 178 495**	**5 754 086**
Electricity	6 934 652	5 508 930
Gas	233 806	185 858
CO_2 emission allowances	3 144	54 927
Other	6 893	4 371
Rendering of services	**117 907**	**58 497**
Trading income	87 438	48 262
Other	30 469	10 235
Total	**7 296 402**	**5 812 583**

TAURON Polska Energia S.A. acts as an agent coordinating and supervising purchases, supplies and transportation of fuels. The Company purchases coal from third parties and from the TAURON Group companies, which are subsequently sold to related parties. It recognizes revenue from agency services (supply management).

In the 9-month period ended 30 September 2019, the value of raw materials purchased and subsequently resold in the aforementioned transactions was PLN 739 708 thousand. The Company recognized revenue from agency services of PLN 20 384 thousand.

The increase in revenue from sales of electricity versus the comparative period is mainly the effect of an increase in prices of electricity in the current reporting period accompanied by a slight decrease in the volume of trading. The increase in revenue from sales of gas versus the comparative period is the effect of an increase in the volumes sold and prices.

12. Expenses by type

	9-month period ended 30 September 2019 *(unaudited)*	9-month period ended 30 September 2018 *(unaudited)*
Depreciation of property, plant and equipment, right-of-use assets and amortization of intangible assets	(9 825)	(3 528)
Materials and energy	(1 153)	(1 176)
External services	(34 484)	(38 592)
Taxes and charges	(3 601)	(3 612)
Employee benefits expense	(73 974)	(67 028)
Advertising expenses	(15 762)	(18 714)
Other	(898)	(960)
Total costs by type	**(139 697)**	**(133 610)**
Costs of performances intended for internal purposes	137	-
Selling and distribution expenses	18 443	15 391
Administrative expenses	88 525	91 570
Cost of goods for resale and materials sold	(7 072 816)	(5 628 526)
Cost of sales	**(7 105 408)**	**(5 655 175)**

The increase in the depreciation costs during the 9-month period ended 30 September 2019 vs. the comparative period results mostly from right-of-use assets of PLN 5 829 thousand, recognized in the current depreciation period after the effective date of IFRS 16 *Leases* (1 January 2019). The coming into effect of IFRS 16 *Leases* resulted in a reduction in costs of external services (no rental costs recognized).

The increase in the value of goods and materials sold in the 9-month period ended 30 September 2019 versus the comparative period is mainly the effect of an increase in the prices of electricity in the current reporting period accompanied by a slight decrease in the volume of trading and an increase in the volumes and purchase prices of gas sold.

(in '000 PLN)

13. Finance income and costs

	9-month period ended 30 September 2019 *(unaudited)*	9-month period ended 30 September 2018 *(unaudited)*
Income and costs from financial instruments	**326 386**	**(132 493)**
Dividend income	1 100 861	819 437
Interest income on bonds and loans	295 160	245 728
Other interest income	4 879	4 800
Interest expense	(294 427)	(238 408)
Revaluation of bonds and loans	(616 380)	139 102
Surplus of impairment losses (recognised)/reversed on shares	(102 050)	(1 003 061)
Gain/(loss) on derivative instruments	9 189	(668)
Commissions due to external financing	(13 317)	(13 519)
Exchange differences	(61 792)	(87 430)
Other	4 263	1 526
Other finance income and costs	**(1 775)**	**(314)**
Total, *including recognized in the statement of comprehensive income:*	**324 611**	**(132 807)**
Dividend income	1 100 861	819 437
Interest income on bonds and loans	295 160	245 728
Interest expense on debt	(294 427)	(238 408)
Revaluation of shares	(102 050)	(1 003 061)
Revaluation of bonds and loans	(616 380)	139 102
Other finance income and costs	(58 553)	(95 605)

During the 9-month period ended 30 September 2019 the Company recognized the net cost of impairment loss on bonds and loans of PLN 616 380 thousand, mostly resulting from:

- an increase in the allowance for cash pool loan receivables in the current period of PLN 463 691 thousand; and
- an increase in the allowance for bonds and other loans originated to subsidiaries - the cost recognized in the current period in the amount of PLN 164 618 thousand (including PLN 106 546 thousand related to impairment arising from expected credit losses and PLN 58 072 thousand related to impairment losses resulting from impairment tests performed as at 30 June 2019).

Following the impairment tests of shares carried out as at 30 June 2019, described in detail in Note 18 hereto, the Company recognized an impairment loss on shares in a subsidiary of PLN 99 058 thousand. Impairment losses on shares, bonds and cash pool receivables are mostly attributable to TAURON Wydobycie S.A., a subsidiary.

The increase in interest costs during the 9-month period ended 30 September 2019 vs. the 9-month period ended 30 September 2018 results mostly from the recognizing in profit or loss of new borrowing costs arising from loans taken out in December 2018 (hybrid bonds assumed by the European Investment Bank with the nominal value of PLN 750 000 thousand) and during the 9-month period ended 30 September 2019 (including mostly hybrid bonds assumed by Bank Gospodarstwa Krajowego with the nominal value of PLN 400 000 thousand and loans originated by Bank Gospodarstwa Krajowego in the total amount of PLN 1 000 000 thousand). During the 9-month period ended 30 September 2019, the total costs of these liabilities amounted to PLN 63 568 thousand.

In the 9-month period ended 30 September 2019, net exchange losses totaled PLN 61 792 thousand (PLN 87 430 thousand in the comparable period). These exchange differences are mainly related to the Company's debt in the euro, i.e. loan obtained from a subsidiary, subordinated bonds and eurobonds. In the 9-month period ended 30 September 2019, net exchange losses totaled PLN 63 335 thousand (PLN 88 466 thousand in the comparable period).

(in '000 PLN)

14. Income Taxes

14.1. Tax expense in the statement of comprehensive income

	9-month period ended 30 September 2019 *(unaudited)*	9-month period ended 30 September 2018 *(unaudited)*
Current income tax	**(31 833)**	**(37 913)**
Current income tax expense	(41 636)	(31 132)
Adjustments of current income tax from prior years	9 803	(6 781)
Deferred tax	**(62 784)**	**13 718**
Income tax expense in profit or loss	**(94 617)**	**(24 195)**
Income tax expense in other comprehensive income	**269**	**2 809**

The increase in the deferred income tax charge is related mostly to the fact that deferred tax asset related to impairment losses on bonds and loans originated to TAURON Wydobycie S.A. (a subsidiary) was derecognized. As at 1 January 2019, the related deferred tax asset amounted to PLN 66 025 thousand. According to the Company, temporary differences regarding the above shall not be reversed in the foreseeable future.

14.2. Deferred income tax

	As at 30 September 2019 *(unaudited)*	As at 31 December 2018
difference between tax base and carrying amount of financial assets	55 990	41 547
difference between tax base and carrying amount of property, plant and equipment and intangible assets and right-of-use assets	7 960	1 422
valuation of hedging instruments	550	794
other	6 871	4 427
Deferred tax liabilities	**71 371**	**48 190**
difference between tax base and carrying amount of financial assets	2 878	76 519
difference between tax base and carrying amount of financial liabilities	91 165	60 110
different timing of recognition of revenue and cost of sales for tax purposes	55 585	53 580
provisions and accruals	3 942	3 199
difference between tax base and carrying amount of property, plant and equipment and intangible assets	2 501	2 666
other	965	296
Deferred tax assets	**157 036**	**196 370**
Deferred tax assets/(liabilities), net	**85 665**	**148 180**

Deferred tax assets on deductible temporary differences arising from investments in subsidiaries is recognized insofar as their reversal is probable in the foreseeable future and where taxable income will be available to enable realization of deductible differences. According to the Company, deductible temporary differences related to recognition of impairment losses on shares in subsidiaries of PLN 9 247 034 thousand will not be reversed in the foreseeable future, as the investments are not intended for sale. Consequently, no related deferred tax asset has been recognized. Additionally, the Company does not recognize a deferred tax asset on temporary losses related to the impairment of bonds and loans originated to TAURON Wydobycie S.A., a subsidiary, in the amount of PLN 185 390 thousand. As at the reporting period end, the Company carried out an analysis that indicated the probability that the above temporary differences would not be reversed in the foreseeable future.

The decrease in the deferred tax asset arising from the difference between the taxable and carrying amount of financial assets is related mostly to the fact that the Company derecognized a deferred tax asset related to impairment losses on bonds and loans originated to TAURON Wydobycie S.A., a subsidiary, as described in detail in Note 14.1 hereto.

As taxable profit is forecast for 2019 for the Tax Capital Group ("TCG") of which the Company is a member, and taxable profit is forecast for the subsequent years, the deferred tax asset related to all deductible differences, except those described above, has been recognized in these financial statements in the full amount.

14.3. Tax Capital Group

On 30 October 2017 the articles of association of the Tax Capital Group for the years 2018–2020 were registered. Since 1 January 2018 the Tax Capital Group has comprised the following companies: TAURON Polska Energia S.A., TAURON Wytwarzanie S.A., TAURON Dystrybucja S.A., TAURON Ciepło Sp. z o.o., TAURON Sprzedaż Sp. z o.o., TAURON Sprzedaż GZE Sp. z o.o., TAURON Obsługa Klienta Sp. z o.o., TAURON Ekoenergia Sp. z o.o., TAURON Wydobycie S.A. and Kopalnia Wapienia Czatkowice Sp. z o.o.

As at 30 September 2019, the Tax Capital Group had income tax liability of PLN 38 604 thousand being the excess of the Group's tax expense of PLN 366 017 thousand over the tax advance payments for first eight months of 2019 in total amount of PLN 327 413 thousand.

At the same time, due to the settlements of the Company, acting as the Representative Company, with the Tax Capital Group companies, the Company reported a liability to these subsidiaries arising from tax overpayment of PLN 19 945 thousand, which has been presented in the condensed interim statement of financial position as "Other financial liabilities", as well as receivables from the Tax Capital Group companies arising from tax underpayment of PLN 50 548 thousand, which have been presented in the condensed interim statement of financial position as "Other financial assets".

Regulations concerning VAT, corporate income tax and social insurance charges are frequently amended. The regulations in force may also contain ambiguous provisions, which lead to differences in opinion concerning the legal interpretation of tax legislation both among the tax authorities and between such authorities and enterprises.

Tax reports and other matters (e.g. customs or foreign currency transactions) may be audited by authorities competent to impose substantial penalties and fines, whereas any additional tax liabilities assessed during such audits bear interest. Consequently, the figures presented and disclosed in these condensed interim financial statements may change in future, if a final decision is issued by tax control authorities.

15. Dividends paid and proposed

In the 9-month period ended 30 September 2019 and in the comparative period the Company neither proposed nor paid out dividends to its shareholders.

On 29 March 2019, the Management Board of TAURON Polska Energia S.A. adopted a resolution to file a motion with the Ordinary General Shareholders' Meeting of TAURON Polska Energia S.A. to offset the Company's net loss for the 2018 financial year of PLN 1 709 853 thousand against the Company's reserve capital. On 8 May 2019, the Ordinary General Shareholders' Meeting of the Company adopted a resolution following the recommendation of the Management Board.

On 12 March 2018, the Management Board of TAURON Polska Energia S.A. adopted a resolution to file a motion with the Ordinary General Shareholders' Meeting of TAURON Polska Energia S.A. to allocate the Company's net profit the 2017 financial year of PLN 854 351 thousand to the Company's reserve capital. On 16 April 2018, the Ordinary General Shareholders' Meeting of the Company adopted a resolution following the recommendation of the Management Board.

(in '000 PLN)

EXPLANATORY NOTES TO THE CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

16. Investment Property

	9-month period ended 30 September 2019 *(unaudited)*	9-month period ended 30 September 2018 *(unaudited)*
COST		
Opening balance	**40 095**	**36 169**
Impact of IFRS 16 *Leases*	1 526	-
Restated opening balance	**41 621**	**36 169**
Direct purchase	-	3 926
Increase/(decrease) due to lease changes	(108)	-
Closing balance	**41 513**	**40 095**
ACCUMULATED DEPRECIATION		
Opening balance	**(18 085)**	**(14 468)**
Depreciation for the period	(2 768)	(2 712)
Closing balance	**(20 853)**	**(17 180)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**22 010**	**21 701**
NET CARRYING AMOUNT AT THE END OF THE PERIOD, *of which:*	**20 660**	**22 915**
Buildings	15 372	18 989
Perpetual usufruct of land	5 288	3 926

The investment property includes a perpetual usufruct right to land and buildings located in Katowice Szopienice, ul. Lwowska 23. The Company entered into an agreement to rent the property with a subsidiary. The rental revenue for the 9-month period ended 30 September 2019 was amounted to PLN 4 057 thousand.

The Company decided that the right-of-use assets which qualify as investment property and which refer to the perpetual usufruct right to land are presented under investment property. Therefore, as at 1 January 2019, the perpetual usufruct right to land being an investment property was increased by the value of discounted lease payments of PLN 1 526 thousand.

17. Right-of-use assets

For the 9-month period ended 30 September 2019 *(unaudited)*

	Buildings, premises and civil engineering structures	Motor vehicles	Total right-of-use assets
COST			
Opening balance	**-**	**-**	**-**
Impact of IFRS 16 *Leases*	38 468	1 502	**39 970**
Restated opening balance	**38 468**	**1 502**	**39 970**
New lease agreement	-	183	**183**
Increase/(decrease) due to lease changes	852	131	**983**
Closing balance	**39 320**	**1 816**	**41 136**
ACCUMULATED DEPRECIATION			
Opening balance	**-**	**-**	**-**
Depreciation for the period	(5 334)	(495)	**(5 829)**
Closing balance	**(5 334)**	**(495)**	**(5 829)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**-**	**-**	**-**
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**33 986**	**1 321**	**35 307**

Following the entry into force of IFRS 16 *Leases*, as at 1 January 2019 the Company recognized a right-of-use assets of PLN 39 970 thousand. The effect of the standard on the financial statements has been described in Note 8 hereto.

(in '000 PLN)

18. Shares

Changes in shares from 1 January 2019 to 30 September 2019 *(unaudited)*

No.	Company	Gross value			Impairment losses			Net value	
		Opening balance	(Decreases) Increases	Closing balance	Opening balance	Decreases (Increases)	Closing balance	Opening balance	Closing balance
1	TAURON Wydobycie S.A.	1 341 755	-	1 341 755	(1 242 697)	(99 058)	(1 341 755)	99 058	-
2	TAURON Wytwarzanie S.A.	7 865 701	-	7 865 701	(7 635 126)	-	(7 635 126)	230 575	230 575
3	TAURON Ciepło Sp. z o.o.	1 928 043	-	1 928 043	-	-	-	1 928 043	1 928 043
4	TAURON Ekoenergia Sp. z o.o.	1 939 765	-	1 939 765	(185 172)	-	(185 172)	1 754 593	1 754 593
5	Marselwind Sp. z o.o.	307	-	307	-	-	-	307	307
6	TAURON Serwis Sp. z o.o.	1 268	-	1 268	-	-	-	1 268	1 268
7	Nowe Jaworzno Grupa TAURON Sp. z o.o.	4 611 026	250 000	4 861 026	-	-	-	4 611 026	4 861 026
8	TAURON Dystrybucja S.A.	10 511 628	-	10 511 628	-	-	-	10 511 628	10 511 628
9	TAURON Dystrybucja Serwis S.A.	640 362	-	640 362	-	-	-	640 362	640 362
10	TAURON Sprzedaż Sp. z o.o.	613 505	-	613 505	-	-	-	613 505	613 505
11	TAURON Sprzedaż GZE Sp. z o.o.	129 823	-	129 823	-	-	-	129 823	129 823
12	TAURON Czech Energy s.r.o.	4 223	-	4 223	-	-	-	4 223	4 223
13	Kopalnia Wapienia Czatkowice Sp. z o.o.	41 178	-	41 178	-	-	-	41 178	41 178
14	Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o.	61 056	-	61 056	(61 056)	-	(61 056)	-	-
15	TAURON Sweden Energy AB (publ) *	28 382	(28 382)	-	(20 933)	20 933	-	7 449	-
16	Bioeko Grupa TAURON Sp. z o.o.	1 269	-	1 269	-	-	-	1 269	1 269
17	TAURON Obsługa Klienta Sp. z o.o.	39 831	-	39 831	-	-	-	39 831	39 831
18	TAURON Obsługa Klienta Sp. z o.o.	-	28 482	28 482	-	(23 925)	(23 925)	-	4 557
19	TAMEH HOLDING Sp. z o.o.	415 852	-	415 852	-	-	-	415 852	415 852
20	PGE EJ 1 Sp. z o.o.	18 651	-	18 651	-	-	-	18 651	18 651
21	Magenta Grupa TAURON Sp. z o.o.	9 500	-	9 500	-	-	-	9 500	9 500
22	ElectroMobility Poland S.A.	17 500	-	17 500	-	-	-	17 500	17 500
23	EEC Magenta Sp. z o.o. ASI spółka komandytowo–akcyjna	12	1 046	1 058	-	-	-	12	1 058
24	EEC Magenta Sp. z o.o. 2 ASI spółka komandytowo–akcyjna	24	4 775	4 799	-	-	-	24	4 799
25	TEC1 Sp. z o.o.	-	725	725	-	-	-	-	725
26	TEC2 Sp. z o.o.	-	225	225	-	-	-	-	225
27	TEC3 Sp. z o.o.	-	600 025	600 025	-	-	-	-	600 025
28	Other	379	-	379	-	-	-	379	379
	Total	**30 221 040**	**856 896**	**31 077 936**	**(9 144 984)**	**(102 050)**	**(9 247 034)**	**21 076 056**	**21 830 902**

Creating and increasing issued capital of TEC1 Sp. z o.o., TEC2 Sp. z o.o., TEC3 Sp. z o.o.

On 12 April 2019, the newly incorporated companies: TEC1 Sp. z o.o., TEC2 Sp. z o.o., TEC3 Sp. z o.o. with the Company as the sole shareholder were registered. Each company had the issued capital of PLN 25 thousand. On 2 September 2019, Extraordinary General Shareholders' Meeting of TEC1 Sp. z o.o., TEC2 Sp. z o.o., TEC3 Sp. z o.o. decided to increase their issued capital. The shares in the increased issued capital of these companies were assumed and fully paid by the Company in the following amounts:

- TEC1 Sp. z o.o. - PLN 700 thousand;
- TEC2 Sp. z o.o. - PLN 200 thousand;
- TEC3 Sp. z o.o. - PLN 600 000 thousand.

The purpose of the increase in the issued capital of the above companies was to allow TEC1 Sp. z o.o., TEC2 Sp. z o.o. and TEC3 Sp. z o.o. to purchase the five windfarms owned by the in.ventus group along with their liabilities to Hamburg Commercial Bank AG as described in detail in Note 2 hereto.

Increase in the capital of Nowe Jaworzno Grupa TAURON Sp. z o.o.

During the 9-month period ended 30 September 2019 and until the date of approving these interim condensed financial statements for publication, the following increases in the issued capital of Nowe Jaworzno Grupa TAURON Sp. z o.o. took place:

- On 15 January 2019, the issued capital increase of PLN 1 000 thousand was registered. The new shares were subscribed for by Fundusz Inwestycji Infrastrukturalnych — Kapitałowy Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych for the total amount of PLN 100 000. The share premium totaling PLN 99 000 thousand was transferred to the reserve capital of Nowe Jaworzno Grupa TAURON Sp. z o.o. As a result of the transaction, the Company's interest in the capital went down to 97.89%.
- On 18 April 2019, the issued capital increase of PLN 2 569 thousand was registered. The new shares in the increased issued capital were subscribed for by Fundusz Inwestycji Infrastrukturalnych — Kapitałowy Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych for the total issue price of PLN 256 925 thousand. The share premium totaling PLN 254 356 thousand was transferred to the reserve capital of Nowe Jaworzno Grupa TAURON Sp. z o.o. As a result of the transaction, the Company's interest in the capital went down to 92.86%.

- On 25 July 2019, the issued capital increase of PLN 7 731 thousand was registered. The new shares in the increased issued capital were subscribed by Fundusz Inwestycji Infrastrukturalnych - Kapitałowy Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych for the total issue price of PLN 83 075 thousand; by PFR Inwestycje Fundusz Inwestycji Zamkniętych for the total issue price of PLN 440 000 thousand and by the Company for the total issue price of PLN 250 000 thousand. The share premium totaling PLN 765 344 thousand was transferred to the reserve capital of Nowe Jaworzno Grupa TAURON Sp. z o.o. As a result of the transaction, the Company's interest in the capital went down to 84.76%.

Cross-border business combination of Finanse Grupa TAURON Sp. z o.o. and TAURON Sweden Energy AB (publ)

On 6 May 2019 Extraordinary General Meeting of Finanse Grupa TAURON Sp. z o.o. with the registered office in Katowice and on 17 May 2019 Extraordinary General Meeting of TAURON Sweden Energy AB (publ) with the registered office in Stockholm passed a resolution on cross-border business combination of Finanse Grupa TAURON Sp. z o.o. (the acquirer) with TAURON Sweden Energy AB (publ) (the acquiree). On 23 August 2019 the business combination was registered in the National Court Register kept by the District Court in Katowice. On 26 August 2019 a Swedish court deleted TAURON Sweden Energy AB (publ) from its register.

As a result of the business combination, the Company reclassified its shares in TAURON Sweden Energy AB (publ) in the net amount of PLN 4 457 thousand to the shares in Finanse Grupa TAURON Sp. z o.o. As at 30 September 2019 the value of Company's shares in Finanse Grupa TAURON Sp. z o.o. totaled PLN 4 557 thousand, including the former contribution to the issued capital of Finanse Grupa TAURON Sp. z o.o. in the amount of PLN 100 thousand.

Other changes in long-term investments in the 9-month period ended 30 September 2019 resulted from the following issued capital increases:

- EEC Magenta Sp. z o.o. ASI spółka komandytowo–akcyjna — PLN 1 046 thousand;
- EEC Magenta Sp. z o.o. 2 ASI spółka komandytowo–akcyjna — PLN 4 775 thousand.

Impairment tests

Considering the Company's prolonged capitalization below the carrying amount and ongoing changes in the prices of electricity, raw materials and CO_2 emission allowances, amendments to the Act on renewable energy sources introduced in July 2019, as well as application of amendments of the Act Amending the Excise Duty Act and certain other acts dated 28 December 2018, the effects of changes in the market standing in Q3 2019 were analyzed.

In the analyzed period, a market adjustment of CO_2 emission allowances was observed, following the historical peak in July 2019. Also, market prices of electricity and natural gas were adjusted as a result of decreases in the prices of the CO_2 emission allowances and a rapid growth in RES. Following an analysis of the market and regulatory events, it was concluded that they were not material factors that would necessitate changes to long-term projections based on the information available as at the date of condensed interim financial statement for 6-month period ended 30 June 2019 were authorized for issue.

Therefore, it was assumed that the most recent results of impairment tests focusing on shares and intra-group loans and bonds recognized in non-current assets, which were performed as at 30 June 2019, were up-to-date.

The recoverable amount is the value in use. The calculation method has been presented below.

Relevant tests were conducted based on the present value of projected cash flows from operations of the key entities, by reference to detailed projections by 2028 and the estimated residual value. The projections used for the power generating and mining units cover the entire period of their operation. 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 on the market. Projections also take into account changes in the regulatory environment known as at the date of the test.

Key assumptions made for purposes of the tests performed as at 30 June 2019

The weighted average cost of capital (WACC) during the projection period, as used in the calculations, ranges from 6.60% to 11.40% in nominal terms before tax for each CGU, taking into account the risk free rate determined by reference to the yield on 10-year treasury bonds (4.07%) and the risk premium for operations appropriate for the power industry (6%). The growth rate used for extrapolation of projected cash flows beyond the detailed planning period is 2.5% and it corresponds to the estimated long-term inflation rate. As at 30 June 2019, WACC increased versus 31 December 2018 mainly due to an increase in the risk free rate and in costs of debt financing.

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

- Coal prices were assumed to remain stable in the coming years. In the long run, coal prices will decrease as a result of the implementation of climate policy and the strategy to replace coal with energy from renewable sources followed by a growing number of countries. Prices forecast by 2030 show a downward trend. It has been assumed that in the years 2021–2040 the prices of power coal will decrease by 12%;
- The electricity wholesale price projections for the years 2019-2028 with the perspective up to 2040, assume among others 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. The price growth assumed for 2020 vs. the average SPOT price in the first half of 2019 is 19%. For 2021, the electricity prices are assumed to drop by 2% vs. 2020, among others as a result of the startup of the Capacity Market and the new units in Opole and Jaworzno reaching their full capacity. For the period until 2028, an increase of 4.7% is assumed vs. 2021 followed by a drop by 8.1% between 2029 and 2040 (fixed prices) vs. 2028;
- The operating reserve capacity mechanism is to remain in place until the end of 2020, i.e. until the Capacity Market has been implemented. Other assumptions include the extension of the ICR (Intervention Cold Reserve) mechanism until December 2020 in line with the demand indicated by PSE S.A.;
- The Capacity Market mechanism implementation has been taken into account (in line with the adopted and notified Act on the Capacity Market and the Capacity Market Regulations). With regard to the operating coal-based units that do not meet the EPS 550 criterion, commencement of payments for power in 2021 to be continued to 2025 has been assumed (for which emission rate per unit exceeds 550kg/MWh). For entities that won or will win long-term contracts by 31 December 2019 and do not meet the EPS 550 criterion, payments have been assumed to be continued until the contract expiration date;
- CO_2 emission limits for heat generation have been set in line with the regulation of the Council of Ministers and adjusted by the level of operations, i.e. generation of heat;
- The CO_2 emission allowance price growth path for the years 2019-2028 with the perspective by 2040 was adopted. It has been assumed that the market price will increase by ca. 37% by 2028, vs. the average price observed in the first half of 2019, with slight decreases in the prices of CO_2 emission allowances in 2029-2040 vs. 2028 (fixed prices), totaling 10.6%. This results from the assumed increase in decarbonization of the economy and the resultant drop in demand for emission allowances after 2030;
- The price path assumed for emission certificates and the obligatory redemption in the subsequent years are based on the Act on Renewable Energy Sources.
- Limited support periods for green energy have been assumed in accordance with the Act on Renewable Energy Sources, which provides for new support mechanisms for renewable energy. The support period has been limited to 15 years as from the date of the first supply of electricity qualifying for an energy certificate to the network;
- Regulated revenue generated by distribution companies, ensuring coverage of reasonable costs and a reasonable level of return on capital has been assumed. The return on capital is conditional on the Regulatory Asset Value;
- The electricity retail price path has been adopted based on the wholesale price of black energy, taking into account the costs of excise duty, the obligation to surrender energy certificates as well as the expected margin level. In 2019 effects of changes in the Excise Duty Act and certain other acts of 28 December 2018, introducing regulations regarding electricity prices and fees included in tariffs, considering an excise duty reduction.
- End-user sales volumes taking into account GDP growth and increased market competition have been applied;
- Tariff revenue generated by heat companies, ensuring coverage of reasonable costs and a reasonable level of return on capital has been assumed;
- Maintaining the production capacity of the existing non-current assets as a result of replacement and development investments was considered.

(in '000 PLN)

- The cash payments related to the decision of the Arbitration Court at the National Business Chamber of 25 April 2019, completing the case filed by Abener Energia S.A. against Elektrociepłownia Stalowa Wola S.A., as described in detail in Note 40 hereto, are not included.

Fixed assets were also tested for impairment. To this end, the Company applied the relevant assumptions used for impairment testing of shares.

Sensitivity analyses conducted by the Company reveal that the projected prices of electricity, those of CO_2 emission allowances and the adopted discount rates, as well as coal prices are the key factors exerting an effect on the estimated cash flows of the key entities.

Test results

The impairment tests carried out in line with IAS 36 *Impairment of Assets* as at 30 June 2019 indicated impairment of the carrying amount of shares in and bonds issued by subsidiaries of PLN 157 130 thousand.

The aforesaid impairment allowances were recognized in the Company's finance costs and concerned TAURON Wydobycie S.A.:

Company	WACC* assumed in tests as at		Recoverable amount of shares, intra-group loans and bonds as at 30 June 2019	Impairment loss (recognized)/reversed in 9-month period ended 30 September 2019 *(unaudited)*		
	30 June 2019 *(unaudited)*	31 December 2018		Shares	Bonds	Total
TAURON Wydobycie S.A.	11.40%	11.58%	708 127	(99 058)	(58 072)	**(157 130)**

** The level of the weighted average cost of capital (WACC) in nominal terms before tax.*

The need to recognize an impairment on shares and bonds of TAURON Wydobycie S.A. in H1 2019 resulted in particular from an update of technical and economic assumptions, including the effects of current mining and geological conditions.

Loans to Elektrociepłownia Stalowa Wola S.A. were also tested for impairment. The results of the test showed that there is no need for an impairment loss provided that the assumptions are the same as those for the impairment tests on shares.

(in '000 PLN)

Changes in shares from 1 January 2018 to 30 September 2018 *(unaudited)*

No.	Company	Gross value			Impairment losses			Net value	
		Restated opening balance	(Decreases) Increases	Closing balance	Opening balance	Decreases (Increases)	Closing balance	Restated opening balance	Closing balance
1	TAURON Wydobycie S.A.	1 001 755	340 000	1 341 755	(147 870)	(1 040 754)	(1 188 624)	853 885	153 131
2	TAURON Wytwarzanie S.A.	7 085 701	780 000	7 865 701	(5 347 296)	(473 517)	(5 820 813)	1 738 405	2 044 888
3	TAURON Ciepło Sp. z o.o.	1 928 043	-	1 928 043	-	-	-	1 928 043	1 928 043
4	TAURON Ekoenergia Sp. z o.o.	1 939 765	-	1 939 765	(1 125 693)	538 144	(587 549)	814 072	1 352 216
5	Marselwind Sp. z o.o.	307	-	307	-	-	-	307	307
6	TAURON Serwis Sp. z o.o.	1 268	-	1 268	-	-	-	1 268	1 268
7	Nowe Jaworzno Grupa TAURON Sp. z o.o.	3 551 026	350 000	3 901 026	-	-	-	3 551 026	3 901 026
8	TAURON Dystrybucja S.A.	10 511 628	-	10 511 628	-	-	-	10 511 628	10 511 628
9	TAURON Dystrybucja Serwis S.A.	201 045	439 317	640 362	-	-	-	201 045	640 362
10	TAURON Sprzedaż Sp. z o.o.	613 505	-	613 505	-	-	-	613 505	613 505
11	TAURON Sprzedaż GZE Sp. z o.o.	129 823	-	129 823	-	-	-	129 823	129 823
12	TAURON Czech Energy s.r.o.	4 223	-	4 223	-	-	-	4 223	4 223
13	Kopalnia Wapienia Czatkowice Sp. z o.o.	41 178	-	41 178	-	-	-	41 178	41 178
14	Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o.	55 056	6 000	61 056	(55 056)	(6 000)	(61 056)	-	-
15	TAURON Sweden Energy AB (publ)	28 382	-	28 382	-	(20 933)	(20 933)	28 382	7 449
16	Biomasa Grupa TAURON Sp. z o.o.*	1 269	-	1 269	-	-	-	1 269	1 269
17	TAURON Obsługa Klienta Sp. z o.o.	39 831	-	39 831	-	-	-	39 831	39 831
18	TAMEH HOLDING Sp. z o.o.	415 852	-	415 852	-	-	-	415 852	415 852
19	PGE EJ 1 Sp. z o.o.	12 651	6 000	18 651	-	-	-	12 651	18 651
20	Magenta Grupa TAURON Sp. z o.o.	9 500	-	9 500	-	-	-	9 500	9 500
21	ElectroMobility Poland S.A.	2 500	5 000	7 500	-	-	-	2 500	7 500
22	Pozostałe	391	-	391	-	-	-	391	391
	Total	**27 574 699**	**1 926 317**	**29 501 016**	**(6 675 915)**	**(1 003 060)**	**(7 678 975)**	**20 898 784**	**21 822 041**

**On 8 October 2018 the name of the company was changed from Biomasa Grupa TAURON Sp. z o.o. to Bioeko Grupa TAURON Sp. z o.o.*

19. 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, interest accrued and impairment losses as at 30 September 2019 and 31 December 2018 broken down by individual companies issuing the bonds.

Company	As at 30 September 2019 *(unaudited)*				As at 31 December 2018			
	Par value of purchased bonds	Accrued interest	Impairment loss	Total	Par value of purchased bonds	Accrued interest	Impairment loss	Total
TAURON Wytwarzanie S.A.	200 000	229	(5 566)	**194 663**	200 000	262	(3 829)	**196 433**
TAURON Dystrybucja S.A.	3 000 000	40 763	(7 522)	**3 033 241**	3 300 000	60 026	(10 241)	**3 349 785**
TAURON Ciepło Sp. z o.o.	1 025 000	16 561	(10 284)	**1 031 277**	1 075 000	15 169	(8 931)	**1 081 238**
TAURON Wydobycie S.A.	290 000	1 001	(230 070)	**60 931**	570 000	22 836	(143 578)	**449 258**
TAURON Ekoenergia Sp. z o.o.	160 000	396	(770)	**159 626**	160 000	416	(838)	**159 578**
Total	**4 675 000**	**58 950**	**(254 212)**	**4 479 738**	**5 305 000**	**98 709**	**(167 417)**	**5 236 292**
Non-current	4 625 000	-	(253 255)	**4 371 745**	5 205 000	-	(161 019)	**5 043 981**
Current	50 000	58 950	(957)	**107 993**	100 000	98 709	(6 398)	**192 311**

Intra-group bonds maturing within one year, intended for rollover, are 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. The agreements provide for the possibility of a bond rollover. As at 30 September 2019, the par value of bonds maturing within one year, which were classified as long-term bonds, was PLN 3 495 000 thousand.

The increase in impairment losses on bonds held as at the reporting period end results mostly from:

- an increase in impairment related to expected credit losses on bonds of TAURON Wydobycie S.A., a subsidiary, related mostly to changes in the estimated bond rollover time;
- an impairment loss recognized in the current period as a result of impairment tests performed as at 30 June 2019 as described in detail in Note 18 hereto.

In August 2019 TAURON Wydobycie S.A. redeemed bonds with the total nominal value of PLN 280 000 thousand. The funds for the redemption were derived from loans granted by TAURON Polska Energia S.A. in the same amount. An impairment loss on the redeemed bonds was appropriately reclassified to loans granted .

(in '000 PLN)

20. Loans granted

	As at 30 September 2019 *(unaudited)*				As at 31 December 2018			
	Principal/ Measurement	Interest	Impairment loss	Total	Principal/ Measurement	Interest	Impairment loss	Total
Loans measured at amortized cost								
Loans granted to TAURON Wydobycie S.A.	280 000	6 659	(77 822)	**208 837**	-	-	-	**-**
Loans granted to EC Stalowa Wola S.A.	27 210	1 537	(793)	**27 954**	18 185	426	(460)	**18 151**
Loans granted to PGE EJ 1 Sp. z o.o.	7 740	446	(47)	**8 139**	7 740	249	(52)	**7 937**
Granted cash pool loans including accrued interest	1 788 169	13 961	(676 091)	**1 126 039**	803 677	5 256	(212 400)	**596 533**
Loans measured at fair value								
Loans granted to EC Stalowa Wola S.A.	211 511			**211 511**	199 256			**199 256**
Total	**2 314 630**	**22 603**	**(754 753)**	**1 582 480**	**1 028 858**	**5 931**	**(212 912)**	**821 877**
Non-current	1 741 585	1 972	(745 447)	**998 110**	1 020 513	670	(212 423)	**808 760**
Current	573 045	20 631	(9 306)	**584 370**	8 345	5 261	(489)	**13 117**

Loans granted to a subsidiary

In August 2019 the Company granted two loans of PLN 140 000 each to TAURON Wydobycie S.A., a subsidiary. The borrower used the funds to redeem bonds as described in detail in Note 19 hereto.

Loans to joint ventures

Loans granted to the joint venture Elektrociepłownia Stalowa Wola S.A. as at 30 September 2019 and 31 December 2018 have been presented below.

	Agreement date	Loan amount according to agreement	As at 30 September 2019 *(unaudited)*				Maturity date	Interest rate
			Principal/ Measurement	Interest	Impairment allowance	Total		
Loans measured at fair value								
Debt consolidation agreement of borrower	28.02.2018	609 951	211 511			**211 511**	30.06.2033	fixed
Loans measured at amortized cost								
VAT loan	11.04.2018	6 500	6 500	11	(184)	**6 327**	30.09.2020	WIBOR 1M+mark-up
	30.03.2018	7 290	7 000	815	(214)	**7 601**		
Other loans	19.12.2018	9 500	8 535	500	(248)	**8 787**	30.06.2033	fixed
	12.03.2019	5 175	5 175	211	(147)	**5 239**		
Total			**238 721**	**1 537**	**(793)**	**239 465**		
Non-current			232 221	1 526	(609)	**233 138**		
Current			6 500	11	(184)	**6 327**		

	Agreement date	Loan amount according to agreement	As at 31 December 2018				Maturity date	Interest rate
			Principal/ Measurement	Interest	Impairment allowance	Total		
Loans measured at fair value								
Debt consolidation agreement of borrower	28.02.2018	609 951	199 256	-	-	**199 256**	30.06.2033	fixed
Loans measured at amortized cost			-	-	-	**-**		
VAT loan	11.04.2018	6 500	2 650	5	(68)	**2 587**	30.09.2020	WIBOR 1M+mark-up
Other loans	30.03.2018	7 290	7 000	400	(182)	**7 218**	30.06.2033	fixed
	19.12.2018	9 500	8 535	21	(210)	**8 346**		
Total			**217 441**	**426**	**(460)**	**217 407**		
Non-current			217 441	421	(460)	**217 402**		
Current			-	5	-	**5**		

The key item is the agreement to consolidate the borrower's debt of 28 February 2018 to the aggregate amount of PLN 609 951 thousand, whereby all the existing liabilities of Elektrociepłownia Stalowa Wola S.A. to the Company arising from loans extended and unpaid by 28 February 2018 were renewed. As at the reporting period end the nominal value of the subordinated debt to the Company was PLN 310 851 thousand. The principal of PLN 299 100 thousand was repaid on 30 April 2018. This is subordinated debt, whose fair value as at the reporting period end amounted to PLN 211 511 thousand.
After the reporting period end, on 3 October 2019, Annex 1 to the VAT loan agreement was concluded; as a result, the loan limit increased from PLN 6 500 thousand to PLN 15 000 thousand.

(in '000 PLN)

Loans under cash pool agreement

Information regarding cash pooling and the reasons underlying a growth in impairment of projected credit losses regarding cash pool loans are presented in Note 28.5 hereto.

21. Derivatives

	As at 30 September 2019 *(unaudited)*				As at 31 December 2018			
	Charged to profit or loss	Charged to other comprehensive income	Total		Charged to profit or loss	Charged to other comprehensive income	Total	
			Assets	Liabilities			Assets	Liabilities
CCIRS	690	-	**4 599**	**(3 909)**	(5 140)	-	**-**	**(5 140)**
IRS	326	2 570	**2 896**	**-**	16	4 162	**4 178**	**-**
Commodity future/forward	4 026	-	**226 866**	**(222 840)**	(17 138)	-	**216 165**	**(233 303)**
Currency forward	7 067	-	**7 985**	**(918)**	(2 479)	-	**-**	**(2 479)**
Total			**242 346**	**(227 667)**			**220 343**	**(240 922)**
Non-current			45 639	(31 359)			43 844	(37 930)
Current			196 707	(196 308)			176 499	(202 992)

Method of calculation of the fair value of individual derivative financial instruments:

Derivative instrument	Methodology of determining fair value
IRS	The difference between discounted floating-rate interest cash flows and those based on fixed interest rates. Reuters interest rate curve is the input data.
CCIRS	The difference between discounted interest cash flows relating to payments and receipts, in two different currencies, expressed in the valuation currency. Interest rate curves, basis spreads and NBP fixing for the relevant currencies from Reuters are the input data.
Forward currency contracts	The difference between discounted future cash flows: the forward price at the valuation date and the transaction price, multiplied by the nominal value of the contract in a foreign currency. NBP fixing and the implied interest rate curve from FX swap transactions for the relevant currency from Reuters are the input data.
Commodity forwards, futures	The fair value of forwards for the purchase and sale of CO_2 emission allowances, electricity and other commodities is based on prices quoted on an active market or based on cash flows being the difference between the price reference index (forward curve) and the contract price.

Fair value hierarchy for derivative financial instruments:

	As at 30 September 2019 *(unaudited)*		As at 31 December 2018	
	1 level	2 level	1 level	2 level
Assets				
Derivative instruments - commodity	226 866	-	216 165	-
Derivative instruments - currency	-	7 985	-	-
Derivative instruments - IRS	-	2 896	-	4 178
Derivative instruments - CCIRS	-	4 599	-	-
Total	**226 866**	**15 480**	**216 165**	**4 178**
Liabilities	-	-		
Derivative instruments - commodity	222 840	-	233 303	-
Derivative instruments - currency	-	918	-	2 479
Derivative instruments - CCIRS	-	3 909	-	5 140
Total	**222 840**	**4 827**	**233 303**	**7 619**

Hedging derivative instruments (subject to hedge accounting) — IRS

In September 2019 the Company hedged a portion of its interest rate risk for cash flows relating to the exposure to WIBOR 6M, designated under the dynamic risk management strategy, i.e. debt interest with the nominal value of PLN 1 000 000 thousand, through the entry into interest rate swap (IRS) transactions valid until 20 June 2024 and 20 June 2029. These transactions are subject to hedge accounting.

In 2016 the Company hedged a portion of its interest rate risk for cash flows relating to the exposure to WIBOR 6M, designated under the dynamic risk management strategy, i.e. debt interest with the nominal value of PLN 2 100 000 thousand, through the entry into interest rate swap (IRS) transactions for a term of 4 to 5 years. These transactions are subject to hedge accounting.

(in '000 PLN)

Derivative instruments measured at fair value through profit or loss (FVTPL)

As at 30 September 2019, derivative instruments which did not fall within the scope of hedge accounting and were classified as financial assets or financial liabilities measured at fair value through profit or loss comprised:

- CCIRSs that hedge foreign currency cash flows resulting from the payment of interest on the issued eurobonds;
- commodity derivatives (futures, forward) including CO_2 emission allowance and other commodity purchase and sale transactions; and
- FX forward transactions hedging foreign currency cash flows resulting from the Company's operations.

The CCIRSs have been used with respect to the Company's Coupon Only Cross Currency Swap fixed-fixed transactions concluded in 2017 and in January 2018 and involve an exchange of interest payments on the total nominal value of EUR 500 000 thousand. They mature in July 2027. In accordance with the terms and conditions, the Company pays interest at a fixed rate in PLN and receives fixed interest-rate payments in EUR. Hedge accounting principles do not apply to the transaction in question.

22. Other financial assets

	As at 30 September 2019 *(unaudited)*	As at 31 December 2018
Initial margin deposits	276 682	163 495
Bid bonds, deposits, collateral transferred	74 176	4 213
Receivables arising from income tax settlements of the TCG companies	50 548	54 458
Units in investment funds	26 448	26 063
Other	3 252	296
Total	**431 106**	**248 525**
Non-current	2 412	2 804
Current	428 694	245 721

Initial margins are related mostly to futures on the CO_2 allowances concluded on foreign regulated markets.

The increase of PLN 69 963 thousand in performance bonds, deposits and collateral granted vs. the comparative period includes mostly collateral granted under the settlement guarantee system of Izba Rozliczeniowa Giełd Towarowych S.A. As at 30 September 2019 the related collateral amounted to PLN 71 480 thousand vs. PLN 1 133 thousand as at 31 December 2018.

(in '000 PLN)

23. Inventories

	As at 30 September 2019 *(unaudited)*	As at 31 December 2018
Gross Value		
CO_2 emission allowances	410 757	409 489
Energy certificates	250	250
Materials	436	-
Total	**411 443**	**409 739**
Measurement to net realisable value		
CO_2 emission allowances	-	(146)
Energy certificates	(53)	(52)
Measurement to fair value		
CO_2 emission allowances	(119)	46
Total	**(172)**	**(152)**
Net value		
CO_2 emission allowances	410 638	409 389
Energy certificates	197	198
Materials	436	-
Total	**411 271**	**409 587**

Inventories are measured at net realizable value, except for the inventory of CO_2 emission allowances purchased for resale and generation of profit in the short term due to volatility of market prices, which is measured at fair value as at the end of the reporting period.

24. Receivables from buyers

	As at 30 September 2019 *(unaudited)*	As at 31 December 2018
Gross Value		
Receivables from buyers	809 269	820 463
Receivables claimed at court	997	961
Total	**810 266**	**821 424**
Allowance/write-down		
Receivables from buyers	(703)	(900)
Receivables claimed at court	(997)	(961)
Total	**(1 700)**	**(1 861)**
Net Value		
Receivables from buyers	808 566	819 563
Receivables claimed at court	-	-
Total	**808 566**	**819 563**

As at 30 September 2019 and 31 December 2018, the largest item of receivables from buyers included receivables from TAURON Sprzedaż Sp. z o.o., a subsidiary, amounting to PLN 549 929 thousand and PLN 521 286 thousand, respectively. Related-party transactions as well as related-party receivables and liabilities have been presented in Note 39.1 hereto.

(in '000 PLN)

25. Other non-financial assets

	As at 30 September 2019 *(unaudited)*	As at 31 December 2018
Prepaid expenses, *including:*	14 606	19 168
Prepaid fee on debt	*13 514*	*17 721*
Receivables arising from taxes and charges	-	4 736
Advance payments for deliveries	4 264	2 845
Other	4 999	3 962
Total	**23 869**	**30 711**
Non-current	17 668	20 865
Current	6 201	9 846

26. Cash and cash equivalents

	As at 30 September 2019 *(unaudited)*	As at 31 December 2018
Cash at bank and in hand	456 988	252 834
Short-term deposits (up to 3 months)	5	170 091
Other	-	43 000
Total cash and cash equivalents presented in the statement of financial position, *including*:	**456 993**	**465 925**
restricted cash	448 760	58 374
Cash pool	(739 482)	(2 024 919)
Overdraft	(184 006)	(767)
Foreign exchange	(130)	(273)
Total cash and cash equivalents presented in the statement of cash flows	**(466 625)**	**(1 560 034)**

The balances of short-term loans granted and taken out in a cash pool transaction are not cash flows from investing or financing activities, but a cash adjustment, as their main objective is to manage the Group's liquidity on a day-to-day basis.

The balance of restricted cash includes mostly the amount securing the settlements with Izba Rozliczeniowa Giełd Towarowych S.A. totaling PLN 447 078 thousand.

Information on cash pool balances has been presented in Note 28.5 hereto.

27. Equity

27.1. Issued capital

Issued capital as at 30 September 2019 *(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
Total		**1 752 549 394**		**8 762 747**	

As at 30 September 2019, the value of the issued capital, the number of shares and the nominal value of shares did not change as compared to 31 December 2018.

(in '000 PLN)

27.2. Major shareholders

Shareholding structure as at 30 September 2019 *(unaudited)*

Shareholder	Number of shares	Nominal 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%
Nationale - Nederlanden 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%**	**100%**

**The voting rights of the shareholders holding more than 10% of the total votes in the Company have been limited in such a manner that none of them is entitled to exercise the right to more than 10% of votes at the General Shareholders' Meeting of the Company. The limitation does not apply to the State Treasury and State Treasury owned companies in the period when the State Treasury and State Treasury owned companies hold shares in the Company entitling to more than 25% of the total votes in the Company.*

To the best of the Company's knowledge, the shareholding structure as at 30 September 2019 did not change as compared to 31 December 2018.

27.3. Reserve capital, retained earnings and dividend limitation

Reserve capital — dividend limitation

	As at 30 September 2019 *(unaudited)*	As at 31 December 2018
Amounts subject to distribution	**4 886 520**	**4 886 520**
Amounts from distribution of prior years profits	4 886 520	4 886 520
Non-distributable amounts	**1 915 064**	**3 624 917**
Decrease in the value of issued capital	1 680 184	3 390 037
Settlement of mergers with subsidiaries	234 880	234 880
Total reserve capital	**6 801 584**	**8 511 437**

On 8 May 2019, the Ordinary General Shareholders' Meeting adopted a resolution to offset the Company's net loss for the 2018 financial year, totaling PLN 1 709 853 thousand, against the reserve capital.

Retained earnings — dividend limitation

Only PLN 13 thousand out of retained earnings may be distributed among the shareholders as at 30 September 2019.

27.4. Revaluation reserve from valuation of hedging instruments

	9-month period ended 30 September 2019 *(unaudited)*	9-month period ended 30 September 2018 *(unaudited)*
Opening balance	**3 371**	**23 051**
Remeasurement of hedging instruments	(1 902)	(15 127)
Remeasurement of hedging instruments charged to profit or loss	310	213
Deferred income tax	302	2 834
Closing balance	**2 081**	**10 971**

The reserve from revaluation of hedging instruments results from the measurement of Interest Rate Swaps (IRS) hedging the interest rate risk arising from debt, as presented in detail in Note 21 hereto.

The Company applies hedge accounting to hedging transactions covered by its financial risk management policy.

(in '000 PLN)

As at 30 September 2019, the Company recognized PLN 2 081 thousand in the revaluation reserve from valuation of hedging instruments. It represents an asset arising from valuation of interest rate swaps as at the end of the reporting period, totaling PLN 2 896 thousand, adjusted by a portion of valuation relating to interest accrued on debt as at the end of the reporting period, including deferred tax.

The amount of PLN 310 thousand was recognized in the current period's profit.

28. Debt

	As at 30 September 2019 *(unaudited)*	As at 31 December 2018
Long-term portion of debt		
Subordinated hybrid bonds	1 934 718	1 537 848
Other issued bonds	3 658 180	5 530 671
Loans granted by the consortium of banks	2 287 743	-
Loans received from the European Investment Bank	602 523	690 129
Loan from Bank Gospodardstwa Krajowego	997 449	-
Loans from the subsidiary	727 978	715 696
Lease	29 509	-
Total	**10 238 100**	**8 474 344**
Short-term portion of debt		
Subordinated hybrid bonds	80 929	3 811
Other issued bonds	1 798 465	2 285 678
Cash pool loans received, including accrued interest	1 319 988	2 038 520
Loans granted by the consortium of banks	14 934	-
Loans from the European Investment Bank	160 174	160 547
Loan from Bank Gospodardstwa Krajowego	7 994	-
Loans from the subsidiary	22 785	15 051
Overdraft	184 006	767
Lease	7 671	-
Total	**3 596 946**	**4 504 374**

(in '000 PLN)

28.1. Bonds issued

Bonds as at 30 September 2019 *(unaudited)*

Investor	Interest rate	Currency	Bonds at nominal value in currency	Maturity date	As at balance sheet date		Of which maturing within *(after the balance sheet date)*			
					Accrued interest	Principal at amortized cost	up to 1 year	1-2 years	2 - 5 years	over 5 years
Bank Gospodarstwa Krajowego	floating, based on WIBOR 6M	PLN	100 000	20.12.2021	914	99 897	-	-	99 897	-
			100 000	20.12.2022	914	99 867	-	-	99 867	-
			100 000	20.12.2023	914	99 845	-	-	99 845	-
			100 000	20.12.2024	914	99 829	-	-	-	99 829
			100 000	20.12.2025	914	99 815	-	-	-	99 815
			100 000	20.12.2026	914	99 803	-	-	-	99 803
			100 000	20.12.2027	914	99 793	-	-	-	99 793
			100 000	20.12.2028	914	99 786	-	-	-	99 786
			70 000	20.12.2021	630	69 977	-	-	69 977	-
			70 000	20.12.2022	630	69 973	-	-	69 973	-
			70 000	20.12.2023	630	69 969	-	-	69 969	-
			70 000	20.12.2024	630	69 967	-	-	-	69 967
			70 000	20.12.2025	630	69 965	-	-	-	69 965
			70 000	20.12.2026	630	69 963	-	-	-	69 963
			70 000	20.12.2027	630	69 962	-	-	-	69 962
			70 000	20.12.2028	630	69 961	-	-	-	69 961
			70 000	20.12.2029	630	69 960	-	-	-	69 960
BNP Paribas Bank Polska S.A[1]	floating, based on WIBOR 6M	PLN	3 100	25.03.2020	1	3 098	3 098	-	-	-
			6 300	9.11.2020	74	6 295	-	6 295	-	-
			51 000	29.12.2020	388	50 957	-	50 957	-	-
Domestic investors TPEA1119	floating, based on WIBOR 6M	PLN	1 750 000	4.11.2019	19 538	1 749 896	1 749 896	-	-	-
Bank Gospodarstwa Krajowego	floating, based on WIBOR 6M	PLN	400 000	29.03.2031[3]	6 536	399 310	-	-	-	399 310
European Investment Bank	fixed[2]	EUR	190 000	16.12.2034[3]	30 240	793 654	-	-	-	793 654
		PLN	400 000	17.12.2030[3]	23 861	395 605	-	-	-	395 605
		PLN	350 000	19.12.2030[3]	20 292	346 149	-	-	-	346 149
Eurobonds	fixed	EUR	500 000	5.07.2027	12 488	2 172 596	-	-	-	2 172 596
Total					**126 400**	**7 345 892**	**1 752 994**	**57 252**	**509 528**	**5 026 118**

[1] Bond issue scheme of 24.11.2015
[2] There are two periods for hybrid financing (subordinated) — bonds subscribed for by the European Investment Bank: in the first period, the interest rate is fixed, while in the second period, it is floating and linked to the base rate (EURIBOR/WIBOR) increased by an agreed margin.
[3] The redemption date of subordinated bonds accounts for two financing periods referred to below.

(in '000 PLN)

Bonds as at 31 December 2018

Investor	Interest rate	Currency	Bonds at nominal value in currency	Maturity date	As at balance sheet date		Of which maturing within *(after the balance sheet date)*			
					Accrued interest	Principal at amortized cost	up to 1 year	1-2 years	2 - 5 years	over 5 years
Bank Gospodarstwa Krajowego	floating, based on WIBOR 6M	PLN	100 000	20.12.2019	107	99 935	99 935	-	-	-
			100 000	20.12.2020	107	99 891	-	99 891	-	-
			100 000	20.12.2021	107	99 861	-	-	99 861	-
			100 000	20.12.2022	107	99 838	-	-	99 838	-
			100 000	20.12.2023	107	99 820	-	-	99 820	-
			100 000	20.12.2024	107	99 807	-	-	-	99 807
			100 000	20.12.2025	107	99 796	-	-	-	99 796
			100 000	20.12.2026	107	99 785	-	-	-	99 785
			100 000	20.12.2027	107	99 777	-	-	-	99 777
			100 000	20.12.2028	107	99 771	-	-	-	99 771
			70 000	20.12.2020	73	69 975	-	69 975	-	-
			70 000	20.12.2021	73	69 970	-	-	69 970	-
			70 000	20.12.2022	73	69 967	-	-	69 967	-
			70 000	20.12.2023	73	69 964	-	-	69 964	-
			70 000	20.12.2024	73	69 963	-	-	-	69 963
			70 000	20.12.2025	73	69 961	-	-	-	69 961
			70 000	20.12.2026	73	69 960	-	-	-	69 960
			70 000	20.12.2027	73	69 959	-	-	-	69 959
			70 000	20.12.2028	73	69 958	-	-	-	69 958
			70 000	20.12.2029	73	69 958	-	-	-	69 958
Banks (issue scheme underwriters)[1]	floating, based on WIBOR 6M	PLN	400 000	14.03.2019	566	400 000	400 000	-	-	-
			200 000	9.11.2020	854	199 764	-	199 764	-	-
			1 600 000	29.12.2020	387	1 598 100	-	1 598 100	-	-
Domestic investors TPEA1119	floating, based on WIBOR 6M	PLN	1 750 000	4.11.2019	7 555	1 749 400	1 749 400	-	-	-
European Investment Bank	fixed[2]	EUR	190 000	16.12.2034[3]	1 646	790 136	-	-	-	790 136
		PLN	400 000	17.12.2030[3]	1 243	398 781	-	-	-	398 781
		PLN	350 000	19.12.2030[3]	922	348 931	-	-	-	348 931
Eurobonds	fixed	EUR	500 000	5.07.2027	25 181	2 134 826	-	-	-	2 134 826
Total					**40 154**	**9 317 854**	**2 249 335**	**1 967 730**	**509 420**	**4 591 369**

[1] Bond issue scheme of 24.11.2015
[2] There are two periods for hybrid financing (subordinated) — bonds subscribed for by the European Investment Bank: in the first period, the interest rate is fixed, while in the second period, it is floating and linked to the base rate (EURIBOR/WIBOR) increased by an agreed margin.
[3] The redemption date of subordinated bonds accounts for two financing periods referred to below.

The bonds issued by the Company are unsecured, coupon bonds. They were issued at the nominal value, except for eurobonds which were issued at the issue price accounting for 99.438% of the nominal value.

The eurobonds have been admitted to trading on the London Stock Exchange. They were rated "BBB" by the Fitch rating agency.

Bonds subscribed for by the European Investment Bank are subordinated, which means that they have priority interest only over the liabilities to the Company's shareholders in the event of the issuer's bankruptcy or liquidation. This in turn has a positive effect on the Company's financial stability, since the bonds are excluded from the net debt / EBITDA calculation, a covenant underlying domestic funding arrangements concluded by the Company (except for TPEA1119 series bonds quoted in the Catalyst alternative trading system). Additionally, 50% of the subordinated bond amount has been classified by the rating agency as equity in the rating model, which has had a positive effect on the rating of the TAURON Group.

There are two financing periods for bonds subscribed for by the European Investment Bank. In the first period early redemption of bonds by the Company (non-call) and early sales of bonds by EIB to third parties are not possible (in both cases, unless so provided in the subscription agreement). In this period, the interest rate is fixed, while after the non-call period, it is floating and is linked to the base rate (WIBOR for bonds issued in PLN and EURIBOR for bonds issued in EUR) increased by an agreed margin. The redemption date for bonds issued in PLN is 12 years of the issue date, i.e. 17 and 19 December 2030 and, pursuant to the rules of hybrid financing, the first financing period is seven years and the next — five years. The redemption date for bonds issued in EUR is 18 years of the issue date, i.e. 16 December 2034 and, pursuant to the rules of hybrid financing, the first financing period is eight years and the next — ten years.

Bonds issued under the arrangement of 6 September 2017 concluded with Bank Gospodarstwa Krajowego with the par value of PLN 400 000 thousand are also subordinated. In this case also two period are distinguished. In the first period of seven years early redemption of bonds by the Company (non-call) and early sales of bonds by BGK to third parties are not possible (in both cases, unless so provided in the documentation). The interest rate is floating and is linked to 6M WIBOR increased by an agreed margin and in the period following the seven years the margin is additionally increased.

(in '000 PLN)

Changes in the balance of bonds excluding interest increasing the carrying amount accrued in the 9-month period ended 30 September 2019 and in the comparable period have been presented below.

	9-month period ended 30 September 2019 *(unaudited)*	9-month period ended 30 September 2018 *(unaudited)*
Opening balance	**9 317 854**	**7 904 516**
Issue*	499 312	-
Redemption	(670 000)	-
Replacing the bond issue scheme by the loan arrangement	(1 839 600)	-
Measurement change	38 326	71 367
Closing balance	**7 345 892**	**7 975 883**

Costs of issue have been included.

In the 9-month period ended 30 September 2019, the Company carried out the following transactions:

Date of issue/ Date of redemption	Agreement/ Scheme	Description	9-month period ended 30 September 2019 *(unaudited)* Par value of issue	Redemption
14.03.2019	Bond Issue Scheme dated 24 November 2015	Redemption of bonds at the maturity date		(400 000)
25.03.2019		Issue of bonds maturing on 25 March 2020	100 000	
29.03.2019	Subordinated bonds with BGK, agreement dated 6 September 2017	Issue of bonds maturing on 29 March 2031	400 000	
21.06.2019	Agreement concluded with BGK on 31 July 2013	Premature redemption of bonds with the following par value: - PLN 100 000 thousand and initial redemption date of 20 December 2019; - PLN 100 000 thousand and initial redemption date of 20 December 2020; - PLN 70 000 thousand and initial redemption date of 20 December 2020. The redemption was financed with funds originating from the loan contracted on 21 June 2019 from Bank Gospodarstwa Krajowego pursuant to an arrangement of 19 December 2018.		(270 000)
28.06.2019	Bond Issue Scheme dated 24 November 2015	Redemption of bonds assumed by bondholders being a party to the loan agreement (offset).		(1 839 600)
		Total	**500 000**	**(2 509 600)**

Replacing the bond issue scheme with a loan arrangement

On 19 June 2019, a loan arrangement was concluded for PLN 6 070 000 thousand, described in detail in Note 28.3 hereto.

This arrangement has replaced the bond issue scheme up to PLN 6 270 000 thousand, concluded on 24 November 2015 (with subsequent amendments) with banks being a party to a loan arrangement concluded on 19 June 2019 and with BNP Paribas Bank Polska S.A., which shall continue the provision of funding for the Company under the bond scheme, maintaining its exposure arising from the bonds assumed to date, with the redemption date as set in the issue terms falling at the end of 2020 at the latest.

Under the arrangement, the first portion of the funds, i.e. the first loan tranche of 28 June 2019, was used to redeem the bonds with the par value of PLN 1 839 600 thousand, issued to date under the bond issue scheme and assumed by the banks acting as a party to the loan arrangement. The settlement was performed in net amounts, i.e. without actual cash transfer.

Following the conclusion of the loan arrangement, the obligation of the banks to assume the bonds issued by the Company was canceled. Thus, the Company shall not issue any new bonds under the scheme.

Redemption of TPEA1119 series bonds

After the reporting period end, on 4 November 2019, TPEA1119 series bonds traded on the regulated market and amounting to PLN 1 750 000 thousand were redeemed within the contractual deadline.

28.2. Debt agreement covenants

The Company's agreements signed with banks include legal and financial covenants which are commonly used in such transactions. The key covenant is the net debt to EBITDA ratio (for the domestic long-term loan arrangements and domestic bond issue schemes) which sets the debt less cash in relation to generated EBITDA. The maximum value of net debt/EBITDA allowed is 3.5, except for TPEA1119 series bonds, for which it was 3.0. Apart from different amounts permitted, the key difference compared to definitions presented in other financing agreements, the definition of the ratio for the bonds series TPEA1119 included the liabilities arising from the issued subordinated bonds in the Company's borrowings and the effect of IFRS 16 *Leases. The* net debt/EBITDA ratio calculation is based on the consolidated data.

As at 30 June 2019 (i.e. the last reporting period for which the Company was obliged to calculate the covenant), net debt/EBITDA calculated in line with the definition included in the issue terms regarding TPEA1119 series bearer bonds issued on 4 November 2014 for the total amount of PLN 1 750 000 thousand reached 3.4, thus exceeding the maximum level allowed of 3.0 as determined in the issue terms for the TPEA1119 series. This event could provide the basis to demand early redemption of the bonds, provided it is approved the bondholders' meeting. The approval could take the form of a resolution passed by a majority of 66 and 2/3 percent of votes cast by bondholders present at the meeting. Pursuant to arrangements concluded by the Company in March 2016 (with subsequent amendments) with certain bondholders who, as at 30 June 2019, were entitled to exercise the total of 41.93% of votes at the bondholders' meeting, the bondholders were obliged to maintain the number of bonds held, to participate in each bondholders' meeting and to vote against a resolution approving the early redemption demand due to the net debt/EBITDA ratio having exceeded the 3.0 level. Such obligations remained valid provided that the net debt/EBITDA ratio did not exceed 3.5 (the ratio definition as presented in the arrangement was complied with the definitions included in other financing arrangements concluded by the Company, and did not comprise liabilities arising from subordinated bonds and the effect of IFRS 16 *Leases*). As at 30 June 2019, the value of the net debt/EBITDA ratio calculated in line with the definition included in domestic long-term loan agreements and bond issue schemes was 2.6 vs. the permitted level of 3.5. After the reporting period end, on 4 November 2019, TPEA1119 series bonds traded on the regulated market and amounting to PLN 1 750 000 thousand were redeemed. Thus, as of 4 November 2019 the cap value of the net debt/EBITDA ratio was not exceeded of bonds series TPEA1119 and arrangements with TPEA1119 bondholders expired.

The fact that the net debt/EBITDA ratio (calculated in line with the definition included in the TPEA1119 series issue terms) exceeded 3.0 did not result in a breach of other financing arrangements concluded by the Company, nor did it bring any other adverse effects related to other financing arrangements.

The net debt/EBITDA ratio, being a covenant in other domestic long-term loan arrangements and domestic bond issue schemes, has not been exceeded since the maximum value allowed was higher (3.5) and the debt definition was different, i.e. for the purpose of the net debt/EBITDA ratio calculation it did not include the value of subordinated bonds which had been issued or the effect of IFRS 16 *Leases.* No other covenants of the financing arrangements were breached.

(in '000 PLN)

28.3. Bank loans

Borrowing institution	Purpose	Interest rate	Maturity date	As at 30 September 2019 *(unaudited)*	As at 31 December 2018
Consortium of banks	Redemption of bonds, investment and Group's general expenditures	floating	28.06.2020	1 852 151	-
			02.09.2020	150 241	-
			10.09.2020	300 285	-
Bank Gospodarstwa Krajowego	Group's capital expenditures and refinancing of a portion of debt	floating	20.12.2033	1 005 443	-
European Investment Bank	Construction of a boiler fired with biomass at Jaworzno III Power Plant and renovation of a steam turbine	fixed	15.12.2021	60 912	59 116
	Construction and start-up of a co-generation unit at EC Bielsko Biała	fixed	15.12.2021	87 121	84 613
	Modernization and extension of power grid	fixed	15.06.2024	196 269	212 219
		fixed	15.09.2024	88 924	107 353
		fixed	15.09.2024	111 580	134 738
	Modernization and extension of power grid and improvement of hydropower plants	fixed	15.03.2027	217 891	252 637
Powszechna Kasa Oszczędności Bank Polski S.A. (bank overdrafts)	financing of ongoing operations	floating	29.12.2020	171 037	-
Bank Gospodarstwa Krajowego (bank overdrafts)	financing of CO_2 emission allowance, electricity and gas transactions on EU stock exchanges	floating	31.12.2019	12 180	-
mBank (bank overdrafts)	Financing of performance bonds and commodity transactions	floating	31.03.2020	789	767
Total				**4 254 823**	**851 443**

In line with the provisions of a loan arrangement of 19 June 2019, concluded with a consortium of banks, the maximum period to use each tranche is 12 months. Tranches contracted as at 30 September 2019 mature after 12 months, i.e. on 28 June 2020 and on 2 and 10 September 2020. The arrangement provides for a revolving loan, though, with the availability deadline at the end of 2022. As the funding under the above loan arrangement may and is intended to be obtained for a period exceeding the 12 months of the reporting period end, the loan is presented under long-term liabilities.

Changes in the balance of loans excluding interest increasing the carrying amount accrued in the 9-month period ended 30 September 2019 and in the comparable period have been presented below.

	9-month period ended 30 September 2019 *(unaudited)*	9-month period ended 30 September 2018 *(unaudited)*
Opening balance	**846 751**	**1 129 473**
Impact of IFRS 9 *Finanical Instruments*	-	(33 055)
Restated opening balance	**846 751**	**1 096 418**
Movement in bank overdrafts	**183 239**	**(92 757)**
Movement in loans (excluding bank overdrafts):	**3 198 736**	**(88 638)**
Repaid	(90 864)	(90 864)
Taken*	1 447 137	-
Replacing the bond issue scheme by the loan arrangement*	1 837 822	-
Change in valuation	4 641	2 226
Closing balance	**4 228 726**	**915 023**
Interest increasing the carrying amount	26 097	3 959
Total bank loans	**4 254 823**	**918 982**

** Inclusive of the borrowing costs*

The repayment of the amount of PLN 90 864 thousand in the 9-month period ended 30 September 2019 included principal installments of a loan obtained from the European Investment Bank.

(in '000 PLN)

Loan from Bank Gospodarstwa Krajowego

On 19 December 2018 the Company and Bank Gospodarstwa Krajowego ("BGK") concluded a PLN 1 000 000 thousand loan agreement. Under the agreement, the repayment shall take the form of equal principal installments in the period from 2024 to 2033. The interest shall be linked to a floating rate (6M WIBOR) increased by a BGK's margin.

In the 9-month period ended 30 September 2019 the Company contracted four tranches that included the entire amount available, i.e. PLN 1 000 000 thousand.

Loan arrangement concluded with a consortium of banks (replacing the bond issue scheme)

On 19 June 2019 a loan arrangement was concluded for PLN 6 070 000 thousand, with the Company as the debtor and Bank Handlowy w Warszawie S.A., Santander Bank Polska S.A., CaixaBank S.A. (Spółka Akcyjna) Branch in Poland, Industrial and Commercial Bank of China (Europe) S.A. Branch in Poland, ING Bank Śląski S.A., mBank S.A., MUFG Bank (Europe) N.V., MUFG Bank (Europe) N.V. S.A. Branch in Poland and Powszechna Kasa Oszczędności Bank Polski S.A. as the creditors.

This arrangement has replaced the bond issue scheme up to PLN 6 270 000 thousand, concluded on 24 November 2015 (with subsequent amendments) with banks being a party to a loan arrangement concluded on 19 June 2019 and with BNP Paribas Bank Polska S.A., which shall continue the provision of funding for the Company under the bond scheme.

Key funding parameters determined in the loan arrangement, including the margin, availability period and financial exposure of each creditor did not change compared to the bond issue scheme. Funding available to the Company under the loan arrangement:

- by 31 December 2021 of PLN 6 070 000 thousand;
- by 31 December 2022 of PLN 5 820 000 thousand.

Under the arrangement, the first portion of the funds, i.e. the first loan tranche provided on 28 June 2019, was used to redeem the bonds with the par value of PLN 1 839 600 thousand, issued to date under the bond issue scheme. The settlement was performed in net amounts, i.e. without actual cash transfer. Further, the funding is used among others to perform measures resulting from the strategic updates, supplementing the TAURON Group Strategy for 2016-2025, which assumes an increase in the share of renewable energy sources in TAURON Group's generation assets.

Two subsequent tranches with the nominal value of PLN 150 000 thousand and PLN 300 000 thousand were provided in September 2019.

After the reporting period end, subsequent loan tranches were provided under the arrangement in the total amount of PLN 3 100 000 thousand.

Overdraft facilities

The Company has been provided with overdraft facilities. Funds available as the end of reporting period and balances have been presented in the table below.

	Bank	Purspose	Currency	Currency financing available	Repayment date	As at 30 September 2019 *(unaudited)*		As at 31 December 2018	
						currency	PLN	currency	PLN
intraday limit	PKO BP	intraday limit	PLN	300 000	17.12.2020		-		-
overdraft facility	PKO BP	financing of ongoing operations	PLN	300 000	29.12.2020		171 037		-
	BGK	financing of CO_2 emission allowance, electricity and gas transactions on EU stock exchanges	EUR	45 000	31.12.2019	2 785	12 180	-	-
	mBank	financing of security deposits and commodity transactions	USD	200	31.03.2020	197	789	204	767
Total							**184 006**		**767**

28.4. Loans from a subsidiary

As at 30 September 2019, the carrying amount of liability to Finanse Grupa TAURON Sp. z o.o., a subsidiary, arising from an obtained loan, was PLN 750 763 thousand (EUR 171 658 thousand) including interest of PLN 22 785 thousand (EUR 5 210 thousand) accrued as at the reporting period end. As at 31 December 2018 the carrying amount of the loan was PLN 730 747 thousand (EUR 169 941 thousand), including interest of PLN 15 051 thousand (EUR 3 500 thousand) accrued as at the end of the reporting period.

(in '000 PLN)

In the 9-month period ended 30 September 2019, the Company paid interest of EUR 3 000 thousand (PLN 12 866 thousand) under an annex dated 28 November 2018.

The Company's liabilities a long-term loan granted under an agreement entered into in December 2014 by TAURON Polska Energia S.A. and TAURON Sweden Energy AB (publ) (at present Finanse Grupa TAURON Sp. z o.o.). The loan bears interest at a fixed rate and the interest is paid annually, in December, until the loan has been fully repaid, i.e. until 29 November 2029.

28.5. Cash pool service

In order to optimize cash management, financial liquidity and finance income and costs, the TAURON Group has implemented a cash pool structure. On 9 October 2017, the Company concluded a new zero balancing cash pooling agreement with PKO Bank Polski S.A. which terminates on 17 December 2020 with TAURON Polska Energia S.A. acting as an agent. The interest rate is set at arm's length.

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

	As at 30 September 2019 *(unaudited)*	As at 31 December 2018
Receivables from cash pool loans granted	1 788 169	803 677
Interest receivable on loans granted under cash pool agreement	13 961	5 256
Impairment loss	(676 091)	(212 400)
Total Receivables	**1 126 039**	**596 533**
Liabilities from cash pool loans received	1 318 810	2 036 679
Interest payable on loans received under cash pool agreement	1 178	1 841
Total Liabilities	**1 319 988**	**2 038 520**

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

The increase in impairment allowances for expected credit losses on loans originated under the cash pool arrangement is mostly related to a growth in the balance of loans granted and changes in the estimated period of maintaining the balance of loans granted to TAURON Wydobycie S.A. under the cash pool arrangement.

28.6. Lease liability

Following the entry into force of IFRS 16 *Leases*, as at 1 January 2019 the Company recognized a lease liability of PLN 41 496 thousand, which has been further described in Note 8 hereto.

As at 30 September 2019, the lease liability was PLN 37 180 thousand. The liability refers to the perpetual usufruct right to land, rental of office and warehousing space, parking spaces and cars.

Ageing analysis of lease liability as at 30 September 2019 *(unaudited)*

Maturity within *(after the balance sheet date)*	As at 30 September 2019 *(unaudited)*
Within 1 year	9 094
Within 1 to 5 years	30 661
Within 5 to 10 years	331
Within 10 to 20 years	663
More than 20 years	3 356
Gross lease liabilities	**44 105**
Discount	(6 925)
Present value of lease payments	**37 180**

As at 31 December 2018, under IAS 17 *Leases*, the Company did not have any finance lease liabilities.

(in '000 PLN)

29. Other financial liabilities

	As at 30 September 2019 *(unaudited)*	As at 31 December 2018
Margin deposits arising from stock exchange transactions	152 929	248 480
Liabilities arising from stock exchange transactions	37 392	-
Liabilities arising from income tax settlements of the TCG companies	19 945	90 490
Wages and salaries, deductions on wages and salaries as well as other employee related liabilities	3 912	7 325
Commissions related to borrowings	-	9 758
Bid bonds, deposits and collateral received	143	464
Other	25 976	32 755
Total	**240 297**	**389 272**
Non-current	15 126	17 626
Current	225 171	371 646

Margin deposits are funds received by the Company arising from current stock exchange transactions in connection with a change in the valuation of open futures contracts as at the end of the reporting period. The decrease in the value of margin deposits of PLN 95 551 thousand results mainly from transactions regarding the supplies of CO_2 emission allowances carried out in foreign stock exchange markets and arises mainly from a decrease in the prices of the CO_2 emission allowances, accompanied with a growth in the number of concluded contracts.

30. Other provisions

As at 30 September 2019 other provisions included the provisions for tax risks due to the ongoing inspection proceedings. As at 30 September 2019 the Company recognized such a provision of PLN 76 034 thousand. As at 31 December 2018, it was PLN 72 894 thousand. An increase in the provision by PLN 3 140 thousand is attributable to interest accrued for the 9-month period ended 30 September 2019. The Company is party to VAT inspection proceedings instigated by the Director of the Tax Inspection Office in Warsaw ("Director of the TIO"). The duration of these proceedings was extended a number of time by the Director of the TIO and by the Head of the Mazowiecki Customs and Tax Office. Currently, the new inspection completion dates are 23 and 30 December 2019.

31. Liabilities to suppliers

As at 30 September 2019, the largest liability to suppliers included liabilities to TAURON Wytwarzanie S.A. (a subsidiary), Izba Rozliczeniowa Giełd Towarowych S.A. and the state-owned Polska Grupa Górnicza S.A. totaling PLN 35 282 thousand, PLN 45 755 thousand and PLN 76 757 thousand, respectively.

As at 31 December 2018, these were the liabilities to subsidiary TAURON Wytwarzanie S.A. and the state-owned Węglokoks S.A. totaling PLN 113 292 thousand and PLN 100 711 thousand, respectively.

32. Other non-financial liabilities

	As at 30 September 2019 *(unaudited)*	As at 31 December 2018
VAT	43 513	17 756
Social security	2 671	4 973
Personal Income Tax	1 820	1 860
Other	48	37
Total	**48 052**	**24 626**

(in '000 PLN)

EXPLANATORY NOTES TO THE CONDENSED INTERIM STATEMENT OF CASH FLOWS

33. Significant items of the condensed interim statement of cash flows

33.1. Cash from/used in operating activities

Changes in working capital

	9-month period ended 30 September 2019 *(unaudited)*	9-month period ended 30 September 2018 *(unaudited)*
Change in receivables	(175 111)	(203 635)
Change in inventories	(1 684)	(108 359)
Change in payables excluding loans	(223 007)	550 153
Change in other non-current and current assets	3 750	7 354
Change in deferred income, government grants and accruals	4 560	2 559
Change in provisions	3 743	3 494
Change in working capital	**(387 749)**	**251 566**

33.2. Cash from/used in investing activities

Purchase of bonds

Payments to purchase bonds, in the amount of PLN 420 000 thousand, are related to purchases of intra-group bonds issued by TAURON Wydobycie S.A., a subsidiary.

Loans granted

Origination of loans of PLN 722 317 thousand includes:

- a change in the balance of loans to subsidiaries under a long-term cash pool agreement in the amount of PLN 426 292 thousand;
- a loan of PLN 280 000 originated to a subsidiary - TAURON Wydobycie S.A.;
- a loan for Elektrociepłownia Stalowa Wola S.A., a jointly-controlled entity, in the total amount of PLN 16 025 thousand.

Acquisition of shares

Payments to acquire shares of PLN 856 896 thousand were related to the Company's transfer of funds to increase the capital of the following companies:

- TEC3 Sp. z o.o., totaling PLN 600 025 thousand;
- Nowe Jaworzno Grupa TAURON Sp. z o.o., totaling PLN 250 000 thousand;
- EEC Magenta Sp. z o.o. 2 ASI spółka komandytowo–akcyjna, totaling PLN 4 775 thousand;
- EEC Magenta Sp. z o.o. ASI spółka komandytowo–akcyjna, totaling PLN 1 046 thousand;
- TEC1 Sp. z o.o., totaling PLN 725 thousand;
- TEC2 Sp. z o.o., totaling PLN 225 thousand;
- Finanse Grupa TAURON Sp. z o.o., totaling PLN 100 thousand.

Redemption of bonds

Proceeds from redemption of bonds, in the amount of PLN 1 050 000 thousand, are related to redemption of intra-group bonds issued by the following subsidiaries:

- TAURON Wydobycie S.A., totaling PLN 700 000 thousand.
- TAURON Dystrybucja S.A., totaling PLN 300 000 thousand;

(in '000 PLN)

- TAURON Ciepło Sp. z o.o., totaling PLN 50 000 thousand.

Interest received

	9-month period ended 30 September 2019 *(unaudited)*	9-month period ended 30 September 2018 *(unaudited)*
Interest received in relation to debt securities	229 293	230 431
Interest received in relation to loans granted	98	20 126
Total	**229 391**	**250 557**

33.3. Cash from/used in financing activities

Redemption of debt securities

Expenses related to the redemption of bonds in the amount of PLN 670 000 thousand, as described in detail in Note 28.1 hereto, included:

- bonds with par value of PLN 400 000 thousand, redeemed within the deadline determined in the bond issue scheme of 24 November 2015;
- premature redemption of three bond series subscribed by BGK, with the total par value of PLN 270 000 thousand.

Loan repayment

Expenditures due to repayment of loans and borrowings resulted from repayment of installments of a loan granted by the European Investment Bank of PLN 90 864 thousand in the 9-month period ended 30 September 2019.

Interest paid

	9-month period ended 30 September 2019 *(unaudited)*	9-month period ended 30 September 2018 *(unaudited)*
Interest paid in relation to debt securities	(137 502)	(122 365)
Interest paid in relation to loans	(39 274)	(48 491)
Interest paid in relation to the lease	(1 277)	(196)
Other intrest	(58)	(82)
Total	**(178 111)**	**(171 134)**

Loans taken

Proceeds arising from contracted loans totaling PLN 1 450 000 thousand included as below, which has been further described in Note 28.3 hereto;

- providing loan tranches of PLN 1 000 000 thousand based on the arrangement concluded with Bank Gospodarstwa Krajowego;
- providing loan tranches of PLN 450 000 thousand based on the arrangement concluded with the consortium of banks.

Issue of debt securities

Proceeds related to the issue of debt securities in the amount of PLN 500 000 thousand, as described in detail in Note 28.1 hereto, included:

- an issue of subordinated bonds subscribed by BGK in the amount of PLN 400 000 thousand;
- an issue of bonds in the amount of PLN 100 000 thousand under the bond issue scheme of 24 November 2015.

(in '000 PLN)

OTHER INFORMATION

34. Financial Instruments

Categories and classes of financial assets	As at 30 September 2019 *(unaudited)*		As at 31 December 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
1 Financial assets measured at amortized cost	**6 710 338**	**6 797 060**	**6 733 497**	**6 828 930**
Receivables from buyers	808 566	808 566	819 563	819 563
Bonds	4 479 738	4 590 743	5 236 292	5 331 725
Loans granted under cash pool agreement	1 126 039	1 126 039	596 533	596 533
Other loans granted	244 930	220 647	26 088	26 088
Other financial receivables	51 065	51 065	55 021	55 021
2 Financial assets measured at fair value through profit or loss (FVTPL)	**1 339 882**	**1 339 882**	**1 120 916**	**1 120 916**
Derivative instruments	239 450	239 450	216 165	216 165
Long-term shares	51 887	51 887	46 066	46 066
Loans granted	211 511	211 511	199 256	199 256
Other financial receivables	353 593	353 593	167 441	167 441
Investment fund units	26 448	26 448	26 063	26 063
Cash and cash equivalents	456 993	456 993	465 925	465 925
3 Derivative hedging instruments	**2 896**	**2 896**	**4 178**	**4 178**
4 Financial assets excluded from the scope of IFRS 9 *Finanical Instruments*	**21 779 015**		**21 029 990**	
Shares in subsidiaries	21 363 163		20 614 138	
Shares in jointly-controlled entities	415 852		415 852	
Total financial assets, *of which in the statement of financial position:*	**29 832 131**		**28 888 581**	
Non-current assets	**27 248 808**		**26 975 445**	
Shares	21 830 902		21 076 056	
Bonds	4 371 745		5 043 981	
Loans granted	998 110		808 760	
Derivative instruments	45 639		43 844	
Other financial assets	2 412		2 804	
Current assets	**2 583 323**		**1 913 136**	
Receivables from buyers	808 566		819 563	
Bonds	107 993		192 311	
Loans granted	584 370		13 117	
Derivative instruments	196 707		176 499	
Other financial assets	428 694		245 721	
Cash and cash equivalents	456 993		465 925	

(in '000 PLN)

Categories and classes of financial liabilities	As at 30 September 2019 *(unaudited)*		As at 31 December 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
1 Financial liabilities measured at amortized cost	**14 386 469**	**14 790 679**	**13 893 976**	**14 028 032**
Arm's length loans, *of which:*	6 141 568	6 257 983	3 619 943	3 662 092
Liability under the cash pool loan	1 319 988	1 319 988	2 038 520	2 038 520
Bank loans	4 070 817	4 088 873	850 676	875 511
Loans from the subsidiary	750 763	849 122	730 747	748 061
Overdraft	184 006	184 006	767	767
Bonds issued	7 472 292	7 760 087	9 358 008	9 449 915
Liabilities to suppliers	348 306	348 306	525 986	525 986
Other financial liabilities	240 297	240 297	389 272	389 272
2 Financial liabilities measured at fair value through profit or loss (FVTPL)	**227 667**	**227 667**	**240 922**	**240 922**
Derivative instruments	227 667	227 667	240 922	240 922
3 Financial liabilities excluded from the scope of IFRS 9 *Finanical Instruments*	**37 180**		**-**	
Liabilities under leases	37 180		-	
Total financial liabilities, *of which in the statement of financial position:*	**14 651 316**		**14 134 898**	
Non-current liabilities	**10 284 585**		**8 529 900**	
Debt	10 238 100		8 474 344	
Other financial liabilities	15 126		17 626	
Derivative instruments	31 359		37 930	
Current liabilities	**4 366 731**		**5 604 998**	
Debt	3 596 946		4 504 374	
Liabilities to suppliers	348 306		525 986	
Derivative instruments	196 308		202 992	
Other financial liabilities	225 171		371 646	

Financial instruments measured at fair value through profit or loss (FVTPL):

- Derivatives, also those subject to hedge accounting, have been measured in line with the method described in Note 21 hereto. Disclosures regarding the fair value hierarchy have been presented in Note 21 hereto.
- The Company measures the loan granted to Elektrociepłownia Stalowa Wola S.A. under an agreement of 28 February 2018 at FVTPL, as further discussed in Note 20 hereto. The loan was measured at the present value of future cash flows, accounting for the borrower's credit risk, and has been classified to Level 3 of the fair value measurement hierarchy.
- As far as equity interest in other entities is concerned, the Company estimates the fair value of the interest using the adjusted net assets method accounting for such factors as non-controlling interest discount or discount for the lack of liquidity. When appropriate, the Company adopts the historical costs as the acceptable approximate fair value. The measurement of the above interest has been classified to Level 3 of the fair value hierarchy, just as the measurement of other financial receivables at fair value.
- The measurement of investment fund units accounting for current quotations has been classified to Level 1 in the fair value hierarchy.

Financial instruments whose fair value is disclosed:

- Fixed rate financial instruments — bonds purchased by the Company, loans granted by the Company, loans from the European Investment Bank, a loan from a subsidiary, issued subordinated bonds and eurobonds — were measured at fair value. The fair value was measured at the present value of future cash flows, discounted using the interest rate applicable to given bonds or loans, i.e. applying market interest rates. The measurement was classified to Level 2 in the fair value measurement hierarchy.

As at 30 September 2019 and 31 December 2018, the fair value of other financial instruments (except for those excluded from the scope of IFRS 9 *Financial Instruments*) did not differ considerably from the amounts presented in the financial statements for specific periods for the following reasons:

– the potential discounting effect relating to short-term instruments is not significant;

– the instruments are related to arm's length transactions.

Shares in subsidiaries and jointly-controlled entities excluded from the scope of IFRS 9 *Financial Instruments* are measured at cost minus any reduction for impairment.

35. Finance and financial risk management

35.1. Financial risk management

The TAURON Group has adopted a *Financial risk management policy at the TAURON Group,* which defines the strategy for management of the currency and interest rate risks. The policy has also introduced hedge accounting principles which set out the terms and conditions and 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 and the hedge accounting principles are applicable to the cash flow risk.

Hedge accounting

As at 30 September 2019, the Company was a party to hedging transactions covered by the policy for financial risk management and subject to hedge accounting. The Company hedges a portion of the interest rate risk inherent in debt, which has been discussed in more detail in Note 21 hereto.

35.2. Finance and capital management

Finance and capital are managed at the level of the TAURON Polska Energia S.A. Capital Group. During the period covered by these condensed interim financial statements, there were no significant changes in finance and capital management objectives, principles or procedures.

36. Contingent liabilities

As at 30 September 2019 and 31 December 2018 the Company's contingent liabilities were mainly the effect of securities and guarantees given to related parties and were as follows:

(in '000 PLN)

Type of contingent liability	Company in respect of which contingent liability has been granted	Beneficiary		As at 30 September 2019 *(unaudited)*		As at 31 December 2018	
			Validity	EUR	PLN	EUR	PLN
corporate guarantee	Finanse Grupa TAURON Sp. z o.o. (formerly TAURON Sweden Energy AB (publ))	Bondholders	3.12.2029	168 000	734 765	168 000	722 400
corporate guarantee	TAURON Ekoenergia Sp. z o.o.	Business entities and buyers being parties to contracts with TAURON Ekoenergia Sp. z o.o. based on the electricity trading licence issued by the President of the Energy Regulatory Office	-		-		16 400
blank promissory note with a promissory note declaration	TAURON Wytwarzanie S.A.	Regional Fund for Environmental Protection and Water Management in Katowice	15.12.2022		40 000		40 000
blank promissory note with a promissory note declaration	TAURON Ciepło Sp. z o.o.	Regional Fund for Environmental Protection and Water Management in Katowice	15.12.2022		30 000		30 000
registered pledges and financial pledge of shares in TAMEH HOLDING Sp. z o.o.	TAMEH Czech s.r.o. TAMEH POLSKA Sp. z o.o.	RAIFFEISEN BANK INTERNATIONAL AG	31.12.2028*		415 852		415 852
surety contract	Kopalnia Wapienia Czatkowice Sp. z o.o.	Regional Fund for Environmental Protection and Water Management in Kraków	15.06.2021		914		914
surety contract	Kopalnia Wapienia Czatkowice Sp. z o.o.	Regional Fund for Environmental Protection and Water Management in Kraków	31.12.2023		293		293
surety contract	Nowe Jaworzno Grupa TAURON Sp. z o.o.	Fund Advisors	28.09.2025		2 500		2 500
surety contract	Nowe Jaworzno Grupa TAURON Sp. z o.o.	Polskie Sieci Elektroenergetyczne S.A.	31.12.2020		33 024		33 024
surety contract	TAURON Wytwarzanie S.A.	Polskie Sieci Elektroenergetyczne S.A.	indefinite		5 000		5 000
surety contract	TAURON Sprzedaż Sp. z o.o.	Polska Spółka Gazownictwa Sp. z o.o.	30.11.2019		20 000		20 000
surety contract	Elektrociepłownia Stalowa Wola S.A.	Operator Gazociągów Przesyłowych GAZ-SYSTEM S.A.	30.07.2020		1 667		1 667
surety contract	Elektrociepłownia Stalowa Wola S.A.	Bank Gospodarstwa Krajowego	30.01.2021		9 959		9 959
liability towards CaixaBank S.A. being result of guarantees issued by the bank for subsidiaries	TAURON Ciepło Sp. z o.o.	Elektrobudowa S.A.	-		-		12 300
liability towards CaixaBank S.A. being result of guarantees issued by the bank for subsidiaries	other subsidiaries	various entities	31.10.2019-28.07.2029		4 992		1 791
liability towards MUFG Bank, Ltd. under guarantees issued by the bank for jointly-controlled entity	Elektrociepłownia Stalowa Wola S.A.	Bank Gospodarstwa Krajowego	11.04.2020		517 500		444 000

* *The registered pledges are valid in the collateral period, i.e. until the total repayment or until release of the pledge by the pledgee. The financial pledge is valid in the collateral period or until release by the pledgee, however, not later than until 31 December 2028.*

On 19 July 2019 the corporate guarantee of PLN 16 400 expired as a result of the decision of the President of ERO canceling the terms of electricity trade concession granted to TAURON Ekoenergia Sp. z o.o. that became binding.

Key contingent liabilities are:

- Corporate guarantee of EUR 168 000 thousand

  The corporate guarantee was granted in 2014 in order to secure bonds of Finanse Grupa TAURON Sp. z o.o. (issued by TAURON Sweden Energy AB (publ)). The guarantee remains valid until 3 December 2029, i.e. until the date of redemption of bonds, and amounts to EUR 168 000 thousand (PLN 734 765 thousand). The beneficiaries of the guarantee are the bondholders who purchased the bonds issued by TAURON Sweden Energy AB (publ).

- Registered and financial pledges on shares

  On 15 May 2015, TAURON Polska Energia S.A. established a financial pledge and registered pledges on 3 293 403 shares in the issued capital of TAMEH HOLDING Sp. z o.o., accounting for ca. 50% of the issued capital. The beneficiary is RAIFFEISEN BANK INTERNATIONAL AG. The pledges include a first lien registered pledge on shares with the maximum collateral amount of CZK 3 950 000 thousand and a first lien registered pledge on shares with the maximum collateral amount of PLN 840 000 thousand. On 15 September 2016, Annex 1 was executed to the aforementioned agreement, whereby the maximum collateral amount was changed to PLN 1 370 000 thousand. The Company also agreed to establish a financial pledge and registered pledges on new shares to be acquired or subscribed. Moreover, the Company assigned the rights to dividend and other payments.

  The agreement to establish registered pledges and a financial pledge was concluded to secure transactions including the agreement for term loans and working capital loans, entered into by TAMEH Czech s.r.o. and TAMEH POLSKA Sp. z o.o. as original borrowers, TAMEH HOLDING Sp. z o.o. as the parent and the guarantor, and RAIFFEISEN BANK INTERNATIONAL AG as the agent and the collateral agent. The registered pledges are valid in the collateral period, i.e. until the total repayment or until release of the pledge by the pledgee. The financial pledge is valid in the collateral period or until release by the pledgee, however, not later than until 31 December 2028.

As at 30 September 2019, the carrying amount of shares in TAMEH HOLDING Sp. z o.o. was PLN 415 852 thousand.

- Blank promissory notes and promissory note agreements

  The Company issued two blank promissory notes along with promissory note agreements, totaling PLN 70 000 thousand, as collateral for loan agreements entered into by its subsidiaries with the Regional Fund for Environmental Protection and Water Management in Katowice. The collateral in the form of promissory notes is valid until the subsidiaries' payment of all their liabilities to the lender. The promissory notes are valid until 15 December 2022. As at the end of the reporting period, the outstanding amount of loans secured with the notes was PLN 13 000 thousand.

- Liability to MUFG Bank, Ltd.

  Per Company's order, MUFG Bank, Ltd. issued a guarantee that secures Bank Gospodarstwa Krajowego's exposure arising from a loan agreement concluded on 8 March 2018 by the borrower, Elektrociepłownia Stalowa Wola S.A. and Bank Gospodarstwa Krajowego and Polskie Górnictwo Naftowe i Gazownictwo S.A.

  As at 30 September 2019 and 31 December 2018, the contingent liability to MUFG Bank, Ltd. arising from that bank guarantee amounted to PLN 517 500 thousand and PLN 444 000 thousand, respectively. A bank guarantee of PLN 444 000 thousand was binding until 11 April 2019. On 7 February 2019, on the instruction of the Company, an annex was issued to the bank guarantee, whereby as of 12 April 2019, the guarantee amount was increased to PLN 517 500 thousand and the term of the guarantee was extended to 11 April 2020. The annex to the bank guarantee was issued based on the guarantee limit agreement of 5 February 2019 concluded with MUFG Bank, Ltd. and secured with a declaration of submission to enforcement up to PLN 621 000 thousand valid until 31 July 2020.

  In relation to the guarantee issued, the Company recognized a liability equal to the expected credit losses, measured for the guarantee period and amounting to PLN 8 090 thousand as at 30 September 2019.

Key items of the Company's contingent liabilities arising from court proceedings:

- **Claims relating to termination of long-term contracts**

Claims relating to termination of long-term contracts against subsidiary Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o.

In 2015 companies in the in.ventus, Polenergia and Wind Invest groups filed a case against Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. to declare notices of termination of agreements submitted by Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. with regard to power purchase and ownership titles concluded with these companies ineffective. In the course of court proceedings, plaintiffs extend the scope of the action by bringing claims for compensation and liquidated damages due to contract termination. On 2 September 2019 Amon Sp. z o.o. (a Polenergia Group company) filed a number of new cases regarding claims related to:

- damages totaling PLN 1 576 thousand due to Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. having failed to perform the agreement on the sale of property titles arising from green certificates, confirming the generation of electricity in renewable energy sources, i.e. the wind farm located in Łukaszów, in the period from 1 August 2017 to 31 December 2017;
- damages totaling PLN 27 433 thousand due to Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. having failed to perform the agreement on the sale of electricity generated in renewable energy sources, i.e. the wind farm located in Łukaszów, in the period from 25 September 2017 to 31 July 2019.

As at the date these condensed interim financial statements were authorized for issue, the amount of compensation sought in the claims is: in.ventus group companies — EUR 20 397 thousand, Polenergia group companies — PLN 115 566 thousand (including PLN 69 488 thousand for Amon Sp. z o.o. and PLN 46 078 thousand for Talia Sp. z o.o.) and Wind Invest group companies — PLN 287 849 thousand.

In the case filed by Amon Sp. z o.o. on 25 July 2019, a partial preliminary judgment was issued. It stated that the representations of Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. regarding the termination of long-term contracts concluded by and between Polska Energia-Pierwsza Kompania Handlowa Sp. Z o.o. and Amon Sp. z o.o. and regarding the purchase of electricity and property titles arising from certificates of origin were ineffective and did not result in termination of the agreements. As a result, following the notice period (i.e. after 30 April 2015), the agreements remained fully binding for the parties thereof. Further, the court considered the claim of damages by Amon Sp. z o.o. reasonable, but the actual amount was not decided upon. The judgment is not binding. Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. has not accepted the judgment and motioned for its delivery with rationale to be able to analyse it and make an appeal. The above partial preliminary judgment does not change Group's opinion that the probability of losing the case is not higher than the probability of winning it. After the reporting period end, on 25 October 2019, Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. appealed against the decision.

In the case filed by Amon Sp. z o.o. on 2 September 2019, Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. responded to the claim on 4 November 2019 motioning for its complete dismissal. Based on the preliminary analysis of the demands and the rationale, the claim has been found entirely unsubstantiated.

In the case filed by Pękanino Wind Invest sp. z o.o. regarding the security of claims that the termination of long-term agreements by Polska Energia-Pierwsza Kompania Handlowa sp. z o.o. is ineffective, on 6 September 2019 the Appellate Court in Warsaw partially accepted the motion and ordered Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. to perform all contractual provisions on terms determined in the agreements until the proceedings instigated by Pękanino Wind Invest sp. z o.o. against Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. and pending before the Regional Court in Warsaw are completed. The decision regarding the security is binding. The decision does not mean the claim has been justified, just providing a temporary solution until the proceedings are completed.

The other cases are heard in courts of first instance (including one remanded for re-examination to the first-instance court by the second-instance court).

In light of the current status of the proceedings and the related circumstances, the Group believes that the probability of losing the other cases both as regards declaration of ineffectiveness of the termination notices and securing non-monetary claims and the claims for compensation does not exceed the probability of winning them. Therefore, no provision for the related costs has been recognized.

In relation of purchase the in.ventus group companies effected on 3 September 2019 (described in detail in Note 2 hereto), all cases filed by in.ventus group companies against Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. were suspended upon the unanimous motion of the parties.

Claims relating to termination of long-term contracts against subsidiary TAURON Sprzedaż Sp. z o.o.

On 28 February 2017, TAURON Sprzedaż Sp. z o.o., a subsidiary, submitted termination notices regarding long-term contracts to purchase property rights arising from green certificates by the subsidiary. The party to the contracts in 2008 are companies from the in.ventus group. The contracts were terminated after the parties were unable to reach an agreement during renegotiation of the contracts in line with the terms and conditions provided for therein. Total net contractual liabilities of TAURON Sprzedaż Sp. z o.o. under the terminated contracts for the years 2017-2023, as at the date of the termination would be approx. PLN 417 000 thousand.

On 7 March 2019, Hamburg Commercial Bank AG (formerly, HSH Nordbank AG) filed a case against TAURON Sprzedaż Sp. z o.o. seeking compensation for failure to deliver under contracts on sales of property rights arising from green certificates and liquidated damages charged in relation to termination of the above contracts. The plaintiff demanded that TAURON Sprzedaż Sp. z o.o. pay PLN 232 879 thousand with statutory interest for the delay, calculated from the date of filing the case to the date of payment, and including the compensation totaling PLN 36 252 thousand and liquidated damages totaling PLN 196 627 thousand.

In relation to the acquisition of the wind farms (described in detail in Note 2 hereto), on 4 September 2019 Hamburg Commercial Bank AG and TAURON Sprzedaż Sp. z o.o. filed a letter with the Regional Court in Kraków. In the letter, the bank withdrew the claim and the parties unanimously motioned for the cancelation of the entire case. In a decision of 5 September 2019, the Regional Court in Kraków dismissed the proceedings and mutually canceled the litigation costs incurred by the parties. The decision is binding.

In 2018, subsidiary TAURON Sprzedaż Sp. z o.o. received summons for conciliation hearing in connection with cases brought by two Polenergia group companies. The latter demanded PLN 78 855 thousand in damages for alleged loss incurred by the Polenergia group companies as a result of unjustified termination of a long-term agreement concluded between the companies and Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. In their motions the companies indicated that the Company, Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. and its liquidators have been acting to the detriment of the Polenergia group companies and TAURON Sprzedaż Sp. z o.o. knowingly benefited from the loss and — in accordance to the companies in the Polenergia group — is liable for the loss. TAURON Sprzedaż Sp. z o.o. considered the claims of the Polenergia group companies baseless and thus no settlement was reached. Based on a legal analysis, the management board of TAURON Sprzedaż Sp. z o.o. decided there were no grounds to recognize a provision related to the case.

Claims against TAURON Polska Energia S.A. relating to termination of long-term contracts

In 2017 and 2018 companies in the in.ventus, Polenergia and Wind Invest group filed cases against TAURON Polska Energia S.A. seeking payment of damages and establishment of any future liability arising from tort, including acts of unfair competition. The factual basis for the claim, according to the plaintiffs, is the termination of long-term contracts for the purchase of electricity and property rights arising from green certificates by Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o., allegedly directed by TAURON Polska Energia S.A.

As at the date these condensed interim financial statements were authorized for issue, the amount of compensation sought in the claims is: in.ventus companies — EUR 12 286 thousand, Polenergia companies — PLN 78 855 thousand and Wind Invest companies — PLN 129 947 thousand.

Moreover, the plaintiffs set out in their statements of claim the following estimated amounts which may arise in future: in.ventus companies — EUR 35 706 thousand, Polenergia companies — PLN 265 227 thousand, Wind Invest companies — PLN 1 119 363 thousand.

The court competent to hear the claims is the Regional Court for Katowice. All cases are heard in courts of first instance. Those filed by Wind Invest companies are heard in private. As at the date these condensed interim financial statements were authorized for issue, the probability that the rulings would be favorable for the Company is substantial (i.e. the probability of losing the case does not exceed the probability of winning it).

In relation to the acquisition of in.ventus group companies effected on 3 September 2019 as described in detail in Note 2 hereto, the parties to the cases filed by in.ventus group companies against TAURON Polska Energia S.A. were suspended upon the unanimous motion of the parties.

Moreover, TAURON Polska Energia S.A. is also a party to an action brought by Dobiesław Wind Invest Sp. z o.o. and heard in a court of first instance, the Regional Court for Kraków. The case centres around a demand for PLN 183 391 thousand to be paid into court to reverse the threat of a loss. Bearing in mind the current status of the case, the chances that the rulings will be favorable for the Company are substantial, i.e. the probability of losing does not exceed the probability of winning the case.

- **Claim against PGE EJ 1 Sp. z o.o.**

On 13 March 2015, a consortium of WorleyParsons Nuclear Services JSC, WorleyParsons International Inc, WorleyParsons Group Inc (the “WorleyParsons consortium”) responsible for conducting research as part of PGE EJ 1 Sp. z o.o.’s investment project to build a nuclear power plant (the “agreement”) demanded that PGE EJ 1 Sp. z o.o. pay the aggregate amount of PLN 92 315 thousand. As a result, on 15 April 2015 the Company (as a holder of a 10% interest in the issued capital of PGE EJ 1 Sp. z o.o.) concluded an agreement with PGE EJ 1 Sp. z o.o. and its other shareholders (i.e. PGE Polska Grupa Energetyczna S.A., KGHM Polska Miedź S.A. and ENEA S.A.) which regulated mutual relations of the parties to the agreement as regards the claims, including the rules of providing additional funds (if any) to PGE EJ 1 Sp. z o.o. by its shareholders.

In the Company’s view, the Company’s potential additional exposure to PGE EJ 1 Sp. z o.o. arising from the agreement shall not exceed its percentage equity share in PGE EJ 1 Sp. z o.o.

In November 2015, the Regional Court in Warsaw served PGE EJ 1 Sp. z o.o. with a claim made by the WorleyParsons consortium for the amount approximating PLN 59 million, increased in 2017 by PLN 45 million, to approx. PLN 104 million.

PGE EJ 1 Sp. z o.o. did not accept the claims and believes that the probability that the court will decide in favour of the plaintiffs is remote. No provisions were recognized in relation to the above events.

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

Following the business combination of the Company and Górnośląski Zakład Elektroenergetyczny S.A. (“GZE”), TAURON Polska Energia S.A. became a party to a court dispute with Huta Łaziska S.A. (“Huta”), against GZE and the State Treasury represented by the President of the Energy Regulatory Office. The case is being heard at the Regional Court in Warsaw.

Based on a decision of 12 October 2001, the President of the Energy Regulatory Office ordered GZE to resume electricity supplies to Huta (suspended on 11 October 2001 since Huta had not paid its liabilities) on such terms as set out in the agreement of 30 July 2001, in particular at the price of PLN 67/MWh, until 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 the decision. On 25 July 2006, the Court of Appeals in Warsaw issued a final and binding decision ending the dispute concerning GZE’s energy supplies to Huta. The court dismissed Huta’s appeal against the decision of the Regional Court in Warsaw dated 19 October 2005, in which the court had dismissed Huta’s appeal against the decision of the President of the Energy Regulatory Office. Huta filed a cassation appeal against the decision of the Court of Appeals in Warsaw, which was dismissed by the judgement of the Supreme Court dated 10 May 2007. On 15 November 2001 (following the issue of the above decision by the President of the Energy Regulatory Office on 14 November 2001 and due to the growing indebtedness of Huta to GZE due to electricity supply) GZE again suspended power supply. Consequently, Huta sued GZE for damages.

In a suit of 12 March 2007 against GZE and the State Treasury represented by the President of the Energy Regulatory Office (jointly and severally) Huta claimed the payment of PLN 182 060 thousand together with interest accrued from the date of filing the suit to the date of payment, as 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 judgements favorable for GZE; however, in its judgement of 29 November 2011 the Supreme Court overruled the judgement of the Court of Appeals and remanded the case for re-examination by that Court. On 5 June 2012, the Court of Appeals overruled the judgement of the Regional Court and remanded the case for re-examination by the latter. Since 27 November 2012 the case has been heard by the court of first instance. In a decision of 28 May 2019, the District Court in Warsaw dismissed the Huta’s claim as a whole and ordered Huta to refund the litigation costs to all defendants. The decision is not binding. Huta appealed against the decision (dated 25 July 2019) in whole and motioned for its change in the form of including the entire claim and deciding that the defendants are to refund Huta the litigation costs; an alternative solution motioned for involved cancelation of the decision in whole and remanding the case to the first instance court for re-examination. In response to the appeal (dated 9 August 2019) the Company motioned for dismissing it in whole as clearly groundless and for deciding that Huta is to refund the litigation costs incurred by the Company.

Pursuant to a legal analysis performed, and in light of the above decision, the Company believes the claims are groundless and the risk of the need to fulfil them is remote. As a result, the Company did not recognize any provision in connection with the claims.

- **Claim filed by ENEA S.A.**

The claim filed by ENEA S.A. (“ENEA”) against TAURON Polska Energia S.A., which has been heard by the Regional Court in Katowice since 2016, regards the payment of PLN 17 086 thousand with statutory interest from 31 March 2015 until the payment date. The basis of the claim brought by ENEA is unjust enrichment of the Company due to potential errors in the calculation of aggregated measurement and billing data by ENEA Operator Sp. z o.o. (being the Distribution System Operator), which are the basis of ENEA’s and the Company’s settlements with Polskie Sieci Elektroenergetyczne S.A., due to an imbalance in the Balancing Market between January and December 2012.

During the proceedings, at the request of ENEA the court decided to extend the suit against seven sellers for which TAURON Polska Energia S.A. acted as an entity in charge of trade balances in the distribution area of ENEA Operator Sp. z o.o. in 2012. Two subsidiaries have been sued along with TAURON Polska Energia S.A.: TAURON Sprzedaż Sp. z o.o. (from which ENEA S.A. demanded PLN 4 934 thousand with statutory interest as of the date of serving a copy of the request to extend the suit until the date of payment); and TAURON Sprzedaż GZE Sp. z o.o. (from which ENEA S.A. demanded PLN 3 480 thousand with statutory interest as of the date of serving a copy of the request to extend the suit until the date of payment). The demand for payment of the above amounts as well as the amounts claimed from the other five sellers was submitted by the petitioner in case the claim against TAURON Polska Energia S.A. is dismissed. The case is pending before the first-instance court.

The Company did not recognize any provision as, in the opinion of the Company, the risk of losing the case is below 50%. Provisions were recognized by the subsidiaries of TAURON Polska Energia S.A. in the total amount of PLN 5 668 thousand (TAURON Sprzedaż Sp. z o.o.) and in the total amount of PLN 4 030 thousand (TAURON Sprzedaż GZE Sp. z o.o.). The said provisions cover the principal, interest accrued as at 30 September 2019 and the cost of the proceedings.

As at 30 September 2019, the value of the claim against the Company was PLN 17 086 thousand, including statutory interest accrued between 31 March 2015 and the payment date. In case of dismissing the claim filed against the Company, the claim for payment by the Group companies totals PLN 8 414 thousand, including statutory interest accrued between the date of service of a copy of the request filed by ENEA S.A. to extend the suit by a specific Group company and the payment date. As new measurement data were presented by ENEA Operator sp. z o.o. during the proceedings, the values of the claims against the Company and the Group companies may be expected to change.

Recognition of the exposure of Closed-End Funds ("Funds") managed by Polski Fundusz Rozwoju in Nowe Jaworzno Grupa TAURON Sp. z o.o. (a subsidiary).

An investment agreement between the Company and the Closed-End Funds managed by the Polski Fundusz Rozwoju provides for a number of material breaches of an agreement on the side of the Company. Such cases, some of which are beyond direct control of the Company, include legal events, or those related to the financial standing of the TAURON Group, investment and operating decisions made by the Group in relation to the funding and construction of a 910 MW power unit, as well as its future operation. Any possible material breach of the agreement by Group companies may necessitate the recognition of a liability to redeem the shares in Nowe Jaworzno Grupa TAURON Sp. z o.o. (a subsidiary) held by Fundusze Inwestycji Zamkniętych, in the amount equal to Fund's investment in the shares, increased by an agreed return and a premium for material breach and reduced by distributions provided to the Funds by Nowe Jaworzno Grupa TAURON Sp. z o.o. As at the date these condensed interim financial statements were authorized for issue, the Company has not identified any risk of a material breach of the arrangement and believes there is no actual possibility that a material breach being beyond its direct control occurs in future. Therefore, the Group, bearing in mind the provisions of IAS 32 *Financial Instruments: Presentation*, does not recognize the interests of the Funds as liabilities but as non-controlling interests.

As at the end of the reporting period, the Closed-End Funds hold shares in Nowe Jaworzno Grupa TAURON Sp. z o.o. totaling PLN 880 000 thousand.

37. Security for liabilities

Key types of security for the Company's liabilities as at 30 September 2019 are presented in fallowing table.

(in '000 PLN)

Collateral	Collateral amount			Due date	Agreement/transaction
	Currency		PLN		
Declarations of submission to enforcement			2 550 000	20.12.2032	Long-term Bond Issue Scheme in Bank Gospodarstwa Krajowego of 31 July 2013
			240 000	31.12.2023	Bond Issue Scheme of 24 November 2015
			600 000	30.06.2034	Subordinated Bond Issue Scheme in Bank Gospodarstwa Krajowego of 6 September 2017
			621 000	31.07.2020	Bank guarantee agreement dated 5 February 2019 with MUFG Bank, Ltd.
			600 000	17.12.2021	Bank account agreement (intraday limit) with PKO Bank Polski S.A. of 9 October 2017
			360 000	29.12.2021	Overdraft agreement with PKO Bank Polski S.A. of 9 October 2017
	EUR	24 000	104 966	31.12.2020	Overdraft agreement with Bank Gospodarstwa Krajowego of 8 May 2017
	EUR	50 000	218 680	31.12.2021	
	USD	750	3 000	29.03.2020	Overdraft agreement with mBank S.A. of 26 March 2019
			1 500 000	31.12.2036	Overdraft agreement with Bank Gospodarstwa Krajowego of 19 December 2018
			96 000	27.05.2024	Framework bank guarantee agreements with CaixaBank S.A. of 27 May 2019
			24 000	27.05.2029	
			7 284 000	31.12.2025	Loan arrangement with a consortium of banks of 19 June 2019
Bank account madates			80 000	26.05.2023	Framework bank guarantee agreements with CaixaBank S.A. of 27 May 2019
			20 000	26.05.2028	
			300 000	17.12.2020	Bank account agreement (intraday limit) with PKO Bank Polski S.A. of 9 October 2017
			300 000	29.12.2020	Overdraft agreement with PKO Bank Polski S.A. of 9 October 2017
	EUR	45 000	196 812	31.12.2019	Overdraft agreement with Bank Gospodarstwa Krajowego of 8 May 2017
Bank guarantees			80 000	30.09.2019 - 31.10.2019	Bank guarantee issued by CaixaBank S.A. to Izba Rozliczeniowa Giełd Towarowych S.A. as a collateral of transactions concluded on Power Commodity Exchange
			7 906	17.10.2019	Bank guarantee issued by CaixaBank S.A. to PSE S.A. to secure a tender bond
Blank promissory notes to secure the payment of the Company's liabilities			7 560	-	Security for adequate performance of obligations under the concluded financing agreements

Since on 26 July 2019 the intraday limit changed, the value of security in the form of authorization to debit a bank account changed from PLN 500 000 thousand to PLN 300 000 thousand in relation to the bank account agreement concluded with PKO Bank Polski S.A. on 9 October 2017.

On 31 July 2019, expired security in the form of:

- a declaration of submission to enforcement in amount of PLN 621 000 thousand related to the guarantee limit agreement of 4 April 2018 concluded with MUFG Bank, Ltd., regarding a bank guarantee for the benefit of BGK, which primary expired on 11 April 2019, further described in Note 36 hereto, expired; and
- the bank guarantee issued by CaixaBank S.A. with regard to transactions concluded at Towarowa Giełda Energii S.A. by the Company in the amount of PLN 50 000 thousand expired.

After the reporting period end:

- on 11 October 2019, CaixaBank S.A. issued a guarantee securing a tender bond for PSE S.A. in the amount of PLN 7 409 thousand (the guarantee expired on 31 October 2019),
- bank guarantees issued by CaixaBank S.A. for Izba Rozliczeniowa Giełd Towarowych were extended until 30 November 2019, except for the guarantee for PLN 19 000 thousand, which expired on 30 September 2019.

38. Capital commitments

As at 30 September 2019 and 31 December 2018, the Company did not have any material capital commitments.

(in '000 PLN)

39. Related-party disclosures

39.1. Transactions with related parties and State Treasury companies

The Company enters into transactions with related parties as presented in Note 2 hereto. In addition, due to the fact that the State Treasury of the Republic of Poland is the Company's majority 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 2019 *(unaudited)*	9-month period ended 30 September 2018 *(unaudited)*
Revenue from subsidiaries	**8 753 205**	**6 866 421**
Revenue from operating activities	7 388 289	5 815 583
Dividend income	1 065 648	800 777
Other operating income	3 894	4 170
Other finance income	295 374	245 891
Revenue from jointly-controlled entities	**103 267**	**44 439**
Revenue from State Treasury companies	**196 590**	**116 664**
Costs from subsidiaries	**(1 328 290)**	**(1 505 052)**
Costs of operating activities	(1 294 394)	(1 467 122)
Finance costs	(33 896)	(37 930)
Costs incurred with relation to transactions with jointly-controlled entities	**(6 805)**	**(3 987)**
Costs from State Treasury companies	**(677 518)**	**(689 126)**

Receivables and liabilities

	As at 30 September 2019 *(unaudited)*	As at 31 December 2018
Loans granted to subsidiaries and receivables from subsidiaries	**7 645 026**	**7 045 063**
Receivables from buyers	767 984	777 825
Loans granted under cash pool agreement with interest accrued	1 801 750	806 301
Other loans granted	286 659	-
Receivables arising from the TCG	50 458	54 454
Bonds	4 733 950	5 403 709
Other financial receivables	148	178
Other non-financial receivables	4 077	2 596
Loans granted to jointly-controlled entities and receivables from jointly-controlled entities	**387 656**	**354 744**
Receivables from State Treasury companies	**12 768**	**21 346**
Liabilities to subsidiaries	**2 205 444**	**3 078 690**
Liabilities to suppliers	122 339	236 030
Loans received under cash pool agreement with interest accrued	1 305 365	2 021 198
Other loans received	750 763	730 747
Liabilities arising from the TCG	19 945	90 490
Other financial liabilities	-	18
Other non-financial liabilities	7 032	207
Liabilities to jointly-controlled entities	**863**	**225**
Liabilities to State Treasury companies	**126 146**	**166 901**

(in '000 PLN)

Revenue from subsidiaries includes revenue from sales of coal to TAURON Wytwarzanie S.A. and TAURON Ciepło Sp. z o.o. and Nowe Jaworzno Grupa TAURON Sp. z o.o., which is presented in the statement of comprehensive income less cost in the amount of the surplus constituting the revenue due to agency services, presented in detail in Note 11 hereto.

In the 9-month period ended 30 September 2019, the major contracting party as regards sales revenue from transactions made by TAURON Polska Energia S.A. with State Treasury companies was PSE S.A. Sales to that entity accounted for 71% of the total revenue from State Treasury companies.

In the 9-month period ended 30 September 2019, Polska Grupa Górnicza S.A., Węglokoks S.A. and Jastrzębska Spółka Węglowa S.A. were the major contracting parties of TAURON Polska Energia S.A. as regards costs incurred in relation to transactions with State Treasury companies. Costs incurred in transactions with those entities represented 95% of total costs incurred in purchase transactions entered into with State Treasury companies.

The Company concludes material transactions on 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 sale transactions made through this entity as related-party transactions.

39.2. Compensation of the executives

The amount of compensation and other benefits paid or payable to the Management Board, Supervisory Board and other key executives of the Company in the 9-month period ended 30 September 2019 and in the comparative period has been presented in the table below.

	9-month period ended 30 September 2019 *(unaudited)*	9-month period ended 30 September 2018 *(unaudited)*
Management Board	**2 759**	**4 796**
Short-term benefits (with surcharges)	2 302	4 145
Temination benefits	440	620
Other	17	31
Supervisory Board	**699**	**617**
Short-term employee benefits (salaries and surcharges)	699	617
Other members of key management personnel	**13 172**	**13 250**
Short-term employee benefits (salaries and surcharges)	11 515	11 460
Temination benefits	783	898
Other	874	892
Total	**16 630**	**18 663**

In accordance with the adopted accounting policy, the Company recognizes provisions for termination benefits allocated to members of the Management Board and other key executives, which may be paid or payable in future reporting periods. The amount paid or payable until 30 September 2019 have been presented above.

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

40. Other material information

Ruling of the Court of Arbitration of the National Chamber of Commerce regarding claims of Abener Energia S.A. against Elektrociepłownia Stalowa Wola S.A.

On 25 April 2019 the Court of Arbitration of the National Chamber of Commerce in Warsaw issued a ruling in a case filed by Abener Energia S.A. against Elektrociepłownia Stalowa Wola S.A., a joint venture of the Tauron Group, in which the Company holds indirectly, through subsidiary TAURON Wytwarzanie S.A., 50% of shares in the issued capital.

The proceedings related to the claim for payment, declaration as to the legal relationship and the obligation to submit a declaration of will in connection with the terminated contract between Abener Energia S.A. (general contractor) and Elektrociepłownia Stalowa Wola S.A. (ordering party) to construct a gas and steam unit in Stalowa Wola. Under the ruling of the Court of Arbitration Elektrociepłownia Stalowa Wola S.A. was ordered to pay to Abener Energia S.A. PLN 333 793 thousand with statutory interests for the delay and the court fees.

On 24 June 2019 Elektrociepłownia Stalowa Wola S.A. appealed against the decision to the Appellate Court in Rzeszów, among others indicating a breach of the domestic legal order. After the reporting period end, on 9 October 2019, Abener

Energia S.A. presented its position regarding the complaint filed by Elektrociepłownia Stalowa Wola S.A. of 24 June 2019, motioning for its dismissal.

On 15 July 2019 Elektrociepłownia Stalowa Wola S.A. received a motion of Abener Energia S.A. to make the decision enforceable, addressed to the Appellate Court in Rzeszów. In response to that motion, on 29 July 2019 Elektrociepłownia Stalowa Wola S.A. filed its position with the common court, requesting the postponing of the related proceedings until the completion of the court proceedings instigated as a result of the appeal. In a decision of 5 August 2019 the Appellate Court in Rzeszów postponed the proceedings related to the enforceability motion until the completion of the proceedings instigated as a result of the appeal. On 9 September 2019 Elektrociepłownia Stalowa Wola S.A. received a motion of Abener Energia S.A. regarding resumption of the decision issued by the Appellate Court in Rzeszów on 5 August 2019 and dismissal of the motion filed by Elektrociepłownia Stalowa Wola S.A. to deny the statement of reinforceability regarding the decision, and (a possible motion) to establish a collateral in the form of depositing PLN 414 399 thousand at court, or of a judicial mortgage of up to PLN 414 399 thousand established on the real property owned by Elektrociepłownia Stalowa Wola S.A., or in another form. The proceedings are pending.

The contract for the construction of a gas and steam unit, concluded between Elektrociepłownia Stalowa Wola S.A. and Abener Energia S.A. does not include regulations that would obligate the Company to pay the consideration receivable by Abener Energia S.A. from Elektrociepłownia Stalowa Wola S.A.

Approving updated strategic directions for the TAURON Group Strategy

On 27 May 2019, updated strategic directions supplementing the TAURON Group Strategy for 2016-2025 were approved by the Management Board and reviewed by the Supervisory Board. The updated strategic directions include changes in the market and regulatory environment of the TAURON Polska Energia S.A. Capital Group. Bearing in mind the necessity of its transformation, optimisation of its investment portfolio and of maintaining its financial stability, a decision was made to undergo a market verification, to include the strategic option comprising the improving of flexibility of the Group's assets portfolio through adjustment of mining assets to the planned internal fuel demand, reorganisation of the Generation segment and the capital investment portfolio. Under this option, among others, market verification of the disposal of Zakład Górniczy Janina owned by TAURON Wydobycie S.A. is analysed, as well as the disposal of shares in TAURON Ciepło Sp. z o.o.

Following the above events, the Company has commenced projects aimed at market verification of the sales options regarding the above assets and possible continuation of the selling process. As at the reporting period end, the Company believed that in relation to its shares in TAURON Ciepło Sp. z o.o., terms of classifying them as held for sale under IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations* were not met. In particular, legal requirements that allow considering the sale of these assets as highly probable were not fulfilled.

41. Events after the end of the reporting period

Releasing further credit tranches under the contract concluded with the consortium of banks on 19 June 2019

In October 2019, under the loan arrangement of 19 June 2019, subsequent loan tranches in total amount of PLN 3 100 000 thousand have been released.

Increase in the issued capital of EEC Magenta Sp. z o.o. 2 ASI spółka komandytowo–akcyjna

On 16 October 2019 contracts were concluded with regard to the assumption of shares in the increased capital of EEC Magenta spółka z ograniczoną odpowiedzialnością 2 ASI spółka komandytowo–akcyjna by the Company. The capital increase resulted from a resolution of the Extraordinary General Meeting of EEC Magenta spółka z ograniczoną odpowiedzialnością 2 ASI spółka komandytowo-akcyjna of 27 September 2019. Under the contracts, the Company undertook to assume 61 509 shares in exchange for cash contribution of PLN 6 151 thousand. On 18 October 2019, the Company performed the related cash transfer. Following the transaction, the Company's share in the issued capital and in votes at the General Meeting will not change and shall amount to 48.03%.

Combining TAURON Dystrybucja Serwis S.A. and Magenta Grupa TAURON Sp. z o.o.

On 29 October 2019 Extraordinary General Meeting of TAURON Dystrybucja Serwis S.A. with the registered office in Wrocław and Extraordinary General Meeting of Magenta Grupa TAURON sp. z o.o. with the registered office in Katowice passed resolutions regarding the combination of TAURON Dystrybucja Serwis S.A. (the acquirer) and Magenta Grupa TAURON sp. z o.o. (the acquiree). Until the date these condensed interim financial statements were authorized for issue the business combination was not registered.

Redemption of TPEA1119 series bonds

After the reporting period end, on 4 November 2019 TPEA1119 series bonds traded on the regulated market and amounting to PLN 1 750 000 thousand were redeemed within the contractual deadline. Thus, as of 4 November 2019 the cap value of the net debt/EBITDA ratio is not exceeded for these bonds and arrangements with TPEA1119 bondholders expired.

These condensed interim financial statements of TAURON Polska Energia S.A., prepared for the 9-month period ended 30 September 2019 in accordance with International Accounting Standard 34 have been presented on 61 consecutive pages.

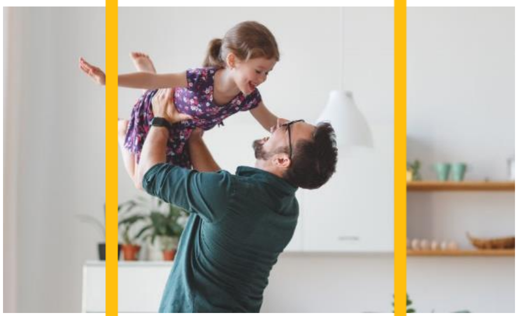
Katowice, 13 November 2019

Filip Grzegorczyk — President of the Management Board

Marek Wadowski – Vice-President of the Management Board

Oliwia Tokarczyk — Executive Director in Charge of Taxes and Accounting

TAURON



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

prepared in accordance with
the International Financial Reporting Standards,
as endorsed by the European Union
for the 9-month period ended 30 September 2019

TAURON Polska Energia S.A. Capital Group

Condensed interim consolidated financial statements

prepared in accordance with the International Financial Reporting Standards,

as endorsed by the European Union

for the 9-month period ended 30 September 2019

This is a translation of the document originally issued and signed in Polish

(in '000 PLN)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	3-month period ended 30 September 2019 *(unaudited)*	9-month period ended 30 September 2019 *(unaudited)*	3-month period ended 30 September 2018 *(unaudited restated figures)*	9-month period ended 30 September 2018 *(unaudited restated figures)*
Sales revenue and financial recompensation revenue	**11**	4 861 792	15 259 646	4 476 268	13 301 802
Cost of sales, *of which:*	**12**	(4 271 447)	(13 221 471)	(3 813 413)	(11 363 362)
Impairment of non-financial non-current assets	**12**	(1 122)	(257 455)	(5 488)	(339 267)
Profit on sale		**590 345**	**2 038 175**	**662 855**	**1 938 440**
Selling and distribution expenses	**12**	(133 524)	(365 325)	(124 117)	(352 439)
Administrative expenses	**12**	(165 321)	(464 424)	(202 425)	(486 030)
Other operating income and expenses	**13**	33 180	54 852	19 184	164 968
Share in profit/(loss) of joint ventures	**22**	5 492	55 517	(4 779)	40 663
Operating profit		**330 172**	**1 318 795**	**350 718**	**1 305 602**
Interest expense on debt	**14**	(55 850)	(169 251)	(40 716)	(122 146)
Finance income and other finance costs	**14**	(44 297)	(44 292)	52 826	(95 261)
Profit before tax		**230 025**	**1 105 252**	**362 828**	**1 088 195**
Income tax expense	**15.1**	(42 474)	(250 761)	(76 384)	(233 315)
Net profit (loss)		**187 551**	**854 491**	**286 444**	**854 880**
Measurement of hedging instruments	**30.5**	1 771	(1 592)	(1 730)	(14 914)
Foreign exchange differences from translation of foreign entity		3 448	3 233	(3 216)	5 655
Income tax	**15.1**	(337)	302	329	2 834
Other comprehensive income subject to reclassification to profit or loss		**4 882**	**1 943**	**(4 617)**	**(6 425)**
Actuarial gains/(losses)	**32.1**	396	8 697	456	6 695
Income tax	**15.1**	(78)	(1 653)	(87)	(1 271)
Share in other comprehensive income of joint ventures	**22**	(50)	228	42	380
Other comprehensive income not subject to reclassification to profit or loss		**268**	**7 272**	**411**	**5 804**
Other comprehensive income, net of tax		**5 150**	**9 215**	**(4 206)**	**(621)**
Total comprehensive income		**192 701**	**863 706**	**282 238**	**854 259**
Net profit (loss):					
Attributable to equity holders of the Parent		188 253	854 350	285 830	852 859
Attributable to non-controlling interests		(702)	141	614	2 021
Total comprehensive income:					
Attributable to equity holders of the Parent		193 391	863 534	281 623	852 228
Attributable to non-controlling interests		(690)	172	615	2 031
Basic and diluted earnings (loss) per share (in PLN):		0.11	0.49	0.16	0.49

The notes to these condensed interim consolidated financial statements constitute an integral part hereof.

(in '000 PLN)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 September 2019 *(unaudited)*	As at 31 December 2018 *(restated figures)*	As at 1 January 2018 *(restated figures)*
ASSETS				
Non-current assets				
Property, plant and equipment	**17**	31 377 990	29 406 667	28 276 071
Right-of-use assets	**18**	1 355 202	-	-
Goodwill	**19**	26 183	26 183	40 156
Energy certificates and CO_2 emission allowances for surrender	**20.1**	213 496	661 603	303 130
Other intangible assets	**21**	523 987	1 287 703	1 254 077
Investments in joint ventures	**22**	570 451	543 913	499 204
Loans granted to joint ventures	**23**	233 138	217 402	240 767
Other financial assets	**24**	262 499	254 677	238 354
Other non-financial assets	**25.1**	146 597	168 051	202 785
Deferred tax assets	**15.2**	24 198	30 105	46 122
		34 733 741	**32 596 304**	**31 100 666**
Current assets				
Energy certificates and CO_2 emission allowances for surrender	**20.2**	934 365	201 663	652 260
Inventories	**26**	614 613	509 801	295 463
Receivables from buyers	**27**	2 249 342	2 229 363	2 032 813
Income tax receivables	**0**	456	14 497	2 128
Receivables arising from other taxes and charges	**28**	316 295	209 746	241 998
Loans granted to joint ventures	**23**	6 327	5	329 665
Receivables due to financial compensation and other financial assets	**24**	1 469 010	443 033	219 933
Other non-financial assets	**25.2**	87 684	55 629	34 931
Cash and cash equivalents	**29**	789 942	823 724	909 249
Non-current assets classified as held for sale		21 344	13 712	15 910
		6 489 378	**4 501 173**	**4 734 350**
TOTAL ASSETS		**41 223 119**	**37 097 477**	**35 835 016**

(in '000 PLN)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION — continued

	Note	As at 30 September 2019 *(unaudited)*	As at 31 December 2018	As at 1 January 2018 *(restated figures)*
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the Parent				
Issued capital	**30.1**	8 762 747	8 762 747	8 762 747
Reserve capital	**30.3**	6 801 584	8 511 437	7 657 086
Revaluation reserve from valuation of hedging instruments	**30.5**	2 081	3 371	23 051
Foreign exchange differences from translation of foreign entities		17 249	14 016	6 776
Retained earnings/(Accumulated losses)	**30.4**	3 584 620	1 004 253	1 586 786
		19 168 281	**18 295 824**	**18 036 446**
Non-controlling interests	**30.6**	**901 613**	**132 657**	**31 367**
Total equity		**20 069 894**	**18 428 481**	**18 067 813**
Non-current liabilities				
Debt	**31**	10 821 373	8 488 210	9 501 414
Provisions for employee benefits	**32**	1 104 323	1 114 191	1 380 650
Provisions for disassembly of fixed assets, land restoration and other provisions	**33**	436 571	396 513	351 138
Accruals, deferred income and government grants	**36**	462 620	440 309	541 318
Deferred tax liabilities	**15.2**	737 395	823 754	871 865
Other financial liabilities	**41**	61 600	107 770	91 879
Other non-financial liabilities		8 776	11 507	1 588
		13 632 658	**11 382 254**	**12 739 852**
Current liabilities				
Debt	**31**	2 336 432	2 475 167	351 382
Liabilities to suppliers	**37**	828 676	1 127 738	1 042 427
Capital commitments	**38**	375 208	794 917	797 304
Provisions for employee benefits	**32**	101 048	117 287	134 273
Provisions for liabilities due to energy certificates and CO_2 emission allowances	**34**	949 604	495 472	948 946
Other provisions	**35**	430 746	559 365	353 271
Accruals, deferred income and government grants	**36**	588 415	200 097	296 576
Income tax liabilities	**39**	42 003	426	38 446
Liabilities arising from other taxes and charges	**40**	320 553	405 654	411 714
Other financial liabilities	**41**	1 184 155	773 571	342 162
Other non-financial liabilities	**42**	363 727	337 048	310 850
		7 520 567	**7 286 742**	**5 027 351**
Total liabilities		**21 153 225**	**18 668 996**	**17 767 203**
TOTAL EQUITY AND LIABILITIES		**41 223 119**	**37 097 477**	**35 835 016**

(in '000 PLN)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE 9-MONTH PERIOD ENDED 30 SEPTEMBER 2019 *(unaudited)*

	Note	Equity attributable to the equity holders of the Parent						Non-controlling interests	Total equity
		Issued capital	Reserve capital	Revaluation reserve on valuation of hedging instruments	Foreign exchange differences from translation of foreign entities	Retained earnings/ (Accumulated losses)	Total		
As at 1 January 2019		**8 762 747**	**8 511 437**	**3 371**	**14 016**	**1 004 253**	**18 295 824**	**132 657**	**18 428 481**
Coverage of prior years loss	**30.3**	-	(1 709 853)	-	-	1 709 853	**-**	-	**-**
Dividends		-	-	-	-	-	-	(1 932)	(1 932)
Shares subscribed for by non-controling shareholders	**30.6**	-	-	-	-	8 843	**8 843**	771 157	**780 000**
Other transactions with non-controlling shareholders		-	-	-	-	80	80	(441)	(361)
Transactions with shareholders		**-**	**(1 709 853)**	**-**	**-**	**1 718 776**	**8 923**	**768 784**	**777 707**
Net profit		-	-	-	-	854 350	**854 350**	141	**854 491**
Other comprehensive income		-	-	(1 290)	3 233	7 241	**9 184**	31	**9 215**
Total comprehensive income		**-**	**-**	**(1 290)**	**3 233**	**861 591**	**863 534**	**172**	**863 706**
As at 30 September 2019 *(unaudited)*		**8 762 747**	**6 801 584**	**2 081**	**17 249**	**3 584 620**	**19 168 281**	**901 613**	**20 069 894**

FOR THE 9-MONTH PERIOD ENDED 30 SEPTEMBER 2018 *(unaudited)*

	Note	Equity attributable to the equity holders of the Parent						Non-controlling interests	Total equity
		Issued capital	Reserve capital	Revaluation reserve on valuation of hedging instruments	Foreign exchange differences from translation of foreign entities	Retained earnings/ (Accumulated losses)	Total		
As at 31 December 2017		**8 762 747**	**7 657 086**	**23 051**	**6 776**	**1 586 786**	**18 036 446**	**31 367**	**18 067 813**
Impact of IFRS 9		**-**	**-**	**-**	**-**	**(100 422)**	**(100 422)**	**(14)**	**(100 436)**
Impact of IFRS 15		**-**	**-**	**-**	**-**	**179 426**	**179 426**	**411**	**179 837**
As at 1 January 2018		**8 762 747**	**7 657 086**	**23 051**	**6 776**	**1 665 790**	**18 115 450**	**31 764**	**18 147 214**
Dividends		-	-	-	-	-	**-**	(879)	**(879)**
Other transactions with non-controlling shareholders		-	-	-	-	(42)	**(42)**	(267)	**(309)**
Distribution of prior years profits	**30.3**	-	854 351	-	-	(854 351)	**-**	-	**-**
Transactions with shareholders		**-**	**854 351**	**-**	**-**	**(854 393)**	**(42)**	**(1 146)**	**(1 188)**
Net profit		-	-	-	-	852 859	**852 859**	2 021	**854 880**
Other comprehensive income		-	-	(12 080)	5 655	5 794	**(631)**	10	**(621)**
Total comprehensive income		**-**	**-**	**(12 080)**	**5 655**	**858 653**	**852 228**	**2 031**	**854 259**
As at 30 September 2018 *(unaudited)*		**8 762 747**	**8 511 437**	**10 971**	**12 431**	**1 670 050**	**18 967 636**	**32 649**	**19 000 285**

(in '000 PLN)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	9-month period ended 30 September 2019 *(unaudited)*	9-month period ended 30 September 2018 *(unaudited restated figures)*
Cash flows from operating activities			
Profit before taxation		**1 105 252**	**1 088 195**
Share in (profit)/loss of joint ventures		(55 517)	(40 663)
Depreciation and amortization		1 427 844	1 367 914
Impairment losses on non-financial non-current assets		268 635	383 849
Exchange differences		39 961	65 937
Interest and commissions		171 304	120 052
Other adjustments of profit before tax		(48 124)	6 175
Change in working capital	**43.1**	(1 163 127)	(323 512)
Income tax paid	**43.1**	(308 078)	(222 162)
Net cash from operating activities		**1 438 150**	**2 445 785**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	**43.2**	(3 058 254)	(2 689 123)
Cash transfer related to the acquisition of wind farms (after deduction of the acquired cash balance)	**43.2**	(542 364)	-
Loans granted	**43.2**	(16 025)	(41 075)
Purchase of financial assets		(10 597)	(19 555)
Total payments		**(3 627 240)**	**(2 749 753)**
Proceeds from sale of property, plant and equipment and intangible assets		15 755	23 283
Repayment of loans granted		7 000	300 115
Dividends received		36 002	21 628
Redemption of investment fund units		-	77 742
Other proceeds		2 057	3 514
Total proceeds		**60 814**	**426 282**
Net cash used in investing activities		**(3 566 426)**	**(2 323 471)**
Cash flows from financing activities			
Redemption of debt securities	**43.3**	(670 000)	-
Repayment of loans and borrowings	**43.3**	(94 845)	(95 580)
Interest paid	**43.3**	(47 513)	(46 812)
Subsidies refunded		-	(10 000)
Other payments		(54 302)	(38 707)
Total payments		**(866 660)**	**(191 099)**
Issue of debt securities	**43.3**	500 000	-
Proceeds from non-controlling interests	**43.3**	780 000	-
Proceeds from contracted loans	**43.3**	1 450 000	-
Subsidies and amends received		48 499	12 412
Total proceeds		**2 778 499**	**12 412**
Net cash from financing activities		**1 911 839**	**(178 687)**
Net increase/(decrease) in cash and cash equivalents		**(216 437)**	**(56 373)**
Net foreign exchange difference		(143)	(1 634)
Cash and cash equivalents at the beginning of the period	**29**	**807 972**	**801 353**
Cash and cash equivalents at the end of the period, *of which*:	**29**	**591 535**	**744 980**
restricted cash	**29**	572 599	55 722

INFORMATION ABOUT THE CAPITAL GROUP AND BASIS OF PREPARATION OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. General information about the TAURON Polska Energia S.A. Capital Group and its Parent

The TAURON Polska Energia S.A. Capital Group (the "Group", the "Capital Group", the "TAURON Group") is composed of TAURON Polska Energia S.A. (the "Parent", the "Company") and its subsidiaries. TAURON Polska Energia S.A. is located in Katowice in ul. ks. Piotra Ściegiennego 3. The Company operates as a joint-stock company incorporated by a notarized deed on 6 December 2006. Until 16 November 2007 it operated under the name Energetyka Południe S.A.

The Parent has been entered in the Register of Entrepreneurs of the National Court Register kept by the District Court for Katowice-Wschód, Business Division of the National Court Register, under number KRS 0000271562.

The duration of the Parent and the companies in the Capital Group is unlimited. The entities operate based on appropriate licenses granted to individual companies in the Group.

The core business of the TAURON Group includes the following segments: Mining, Generation (encompassing generation of electricity from conventional and renewable sources and generation of heat), Distribution, Sales and other operations, including customer service, which has been further discussed in Note 10 hereto.

The Group's condensed interim consolidated financial statements cover the 9-month period ended 30 September 2019 and present comparative data for the 9-month period ended 30 September 2018 as well as figures as at 31 December 2018. The data for the 9-month period ended 30 September 2019 and the comparative data for the 9-month period ended 30 September 2018, as contained herein, have not been audited or reviewed by a certified auditor. The comparative data as at 31 December 2018 were audited by a certified auditor. The condensed interim consolidated statement of comprehensive income for the 3-month period ended 30 September 2019 and the comparative data for the 3-month period ended 30 September 2018 were not audited or reviewed by a certified auditor.

These condensed interim consolidated financial statements for the 9-month period ended 30 September 2019 were approved for publication on 13 November 2019.

Composition of the Management Board

Composition of the Management Board as at 30 September 2019:

- Filip Grzegorczyk — President of the Management Board;
- Jarosław Broda – Vice-President of the Management Board;
- Marek Wadowski — Vice President of the Management Board.

On 21 September 2019 the Supervisory Board dismissed Kamil Kamiński, Vice President of the Management Board, both from the position and from Management Board membership.

2. Composition of the TAURON Capital Group and joint ventures

As at 30 September 2019, TAURON Polska Energia S.A. held direct and indirect interest in the following key subsidiaries:

(in '000 PLN)

Item	Company name	Registered office	Operating segment	Interest in the share capital by TAURON Polska Energia S.A.	Interest in the decision-making body held by TAURON Polska Energia S.A.
1	TAURON Wydobycie S.A.	Jaworzno	Mining	100.00%	100.00%
2	TAURON Wytwarzanie S.A.	Jaworzno	Generation	100.00%	100.00%
3	Nowe Jaworzno Grupa TAURON Sp. z o.o.	Jaworzno	Generation	84.76%	84.76%
4	TAURON Ekoenergia Sp. z o.o.	Jelenia Góra	Generation	100.00%	100.00%
5	Marselwind Sp. z o.o.	Katowice	Generation	100.00%	100.00%
6	TAURON Ciepło Sp. z o.o.	Katowice	Generation	100.00%	100.00%
7	TAURON Serwis Sp. z o.o.	Katowice	Generation	95.61%	95.61%
8	TAURON Dystrybucja S.A.	Kraków	Distribution	99.75%	99.75%
9	TAURON Dystrybucja Pomiary Sp. z o.o.[1]	Tarnów	Distribution	99.75%	99.75%
10	TAURON Sprzedaż Sp. z o.o.	Kraków	Sales	100.00%	100.00%
11	TAURON Sprzedaż GZE Sp. z o.o.	Gliwice	Sales	100.00%	100.00%
12	TAURON Dystrybucja Serwis S.A.	Wrocław	Sales	100.00%	100.00%
13	TAURON Czech Energy s.r.o.	Ostrawa, Czech Republic	Sales	100.00%	100.00%
14	TAURON Obsługa Klienta Sp. z o.o.	Wrocław	Other	100.00%	100.00%
15	Kopalnia Wapienia Czatkowice Sp. z o.o.	Krzeszowice	Other	100.00%	100.00%
16	Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o.	Warszawa	Other	100.00%	100.00%
17	Finanse Grupa TAURON Sp. z o.o. [2]	Katowice	Other	100.00%	100.00%
18	Bioeko Grupa TAURON Sp. z o.o.	Stalowa Wola	Other	100.00%	100.00%
19	Wsparcie Grupa TAURON Sp. z o.o.[1]	Tarnów	Other	99.75%	99.75%
20	TEC1 Sp. z o.o.	Katowice	Generation	100.00%	100.00%
21	TEC2 Sp. z o.o.	Katowice	Generation	100.00%	100.00%
22	TEC3 Sp. z o.o.	Katowice	Generation	100.00%	100.00%
23	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno I sp.k.	Katowice	Generation	n/a	100% of votes in the company
24	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno II sp.k.	Katowice	Generation	n/a	100% of votes in the company
25	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno III sp.k.	Katowice	Generation	n/a	100% of votes in the company
26	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno IV sp.k.	Katowice	Generation	n/a	100% of votes in the company
27	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno V sp.k.	Katowice	Generation	n/a	100% of votes in the company
28	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno VI sp.k.	Katowice	Generation	n/a	100% of votes in the company
29	TEC1 spółka z ograniczoną odpowiedzialnością EW Śniatowo sp.k.	Katowice	Generation	n/a	100% of votes in the company
30	TEC1 spółka z ograniczoną odpowiedzialnością EW Dobrzyń sp.k.	Katowice	Generation	n/a	100% of votes in the company
31	TEC1 spółka z ograniczoną odpowiedzialnością EW Gołdap sp.k.	Katowice	Generation	n/a	100% of votes in the company
32	TEC1 spółka z ograniczoną odpowiedzialnością Ino 1 sp.k.	Katowice	Generation	n/a	100% of votes in the company

[1] TAURON Polska Energia S.A. holds indirect interest in TAURON Dystrybucja Pomiary Sp. z o.o. and Wsparcie Grupa TAURON Sp. z o.o. through its subsidiary, TAURON Dystrybucja S.A. TAURON Polska Energia S.A. uses shares in TAURON Dystrybucja Pomiary Sp. z o.o.
[2] On 23 August 2019, cross-border business combination of Finanse Grupa TAURON Sp. z o.o. (the acquirer) with TAURON Sweden Energy AB (publ) (the acquiree) was registered as described in detail in Note 2.2 hereto.

As at 30 September 2019, TAURON Polska Energia S.A. held direct and indirect interest in the following key jointly-controlled entities:

Item	Company name	Registered office	Operating segment	Interest in the share capital and in the decision-making body held by TAURON Polska Energia S.A.
1	Elektrociepłownia Stalowa Wola S.A.[1]	Stalowa Wola	Generation	50.00%
2	TAMEH HOLDING Sp. z o.o. [2]	Dąbrowa Górnicza	Generation	50.00%
3	TAMEH POLSKA Sp. z o.o. [2]	Dąbrowa Górnicza	Generation	50.00%
4	TAMEH Czech s.r.o. [2]	Ostrawa, Czech Republic	Generation	50.00%

[1] TAURON Polska Energia S.A. holds indirect interest in Elektrociepłownia Stalowa Wola S.A. through a subsidiary, TAURON Wytwarzanie S.A.
[2] TAURON Polska Energia S.A. holds direct interest in the issued capital and the governing body of TAMEH HOLDING Sp. z o.o., which holds 100% interest in the issued capital and the governing bodies of TAMEH POLSKA Sp. z o.o. and TAMEH Czech s.r.o.

(in '000 PLN)

2.1. Assuming control over companies operating wind farms owned by the in.ventus group

On 3 September 2019, the transaction documentation regarding TEC1 Sp. z o.o., TEC2 Sp. z o.o. and TEC3 Sp. z o.o. (subsidiaries of TAURON Polska Energia S.A.) purchasing five wind farms owned by the in.ventus group and amounts owed to Hamburg Commercial Bank AG (formerly HSH Nordbank AG) by wind farm operators was signed. The transaction involved the following acquisitions:

- by TEC1 Sp. z o.o. of rights and obligations of the general partner of the Polish partnerships owning the wind farms;
- by TEC2 Sp. z o.o. of rights and obligations of the general partner of the German partnerships being limited partners of the Polish partnerships;
- by TEC3 Sp. z o.o. of rights and obligations of the limited partner of the German partnerships, at the same time acquiring their debt contracted from Hamburg Commercial Bank AG and amounts owed to their former shareholders as a result of loans granted to the Polish partnerships.

In order to perform the intended transaction, on 2 September 2019, Extraordinary General Shareholders' Meeting of TEC1 Sp. z o.o., TEC2 Sp. z o.o., TEC3 Sp. z o.o. decided to increase their issued capital. The Company assumed the new shares for the total amount of PLN 600 900 thousand.

The total value of the transferred cash was determined based on the locked box mechanism as at 31 December 2018 and as at the transaction date amounted to PLN 579 714 thousand, including PLN 21 590 thousand of the acquisition price and PLN 558 124 thousand of the debt repaid to Hamburg Commercial Bank AG. The entire amount was transferred in cash. According to the Company, the fair value of the transferred amount does not differ from its nominal value.

	As at 3 September 2019 *(unaudited)*
Business acquisition price, including:	21 590
Consideration paid for rights and obligations acquired in partnerships	8 490
Consideration paid for amounts owed to former shareholders, arising from contracted loans	13 100
Repayment of debt contracted with Hamburg Commercial Bank AG	558 124
Total value of cash transferred in the transaction	**579 714**

According to the concluded agreements, the total amount transferred may undergo further adjustments. According to the Company, as at the date of approving these condensed interim consolidated financial statements for publication, the effect of possible adjustments on the ultimate amount of the transferred cash is immaterial.

The Group carried out an analysis, based on which it concluded that the transaction was a business combination as defined in IFRS 3 *Business Combinations.* The purchased wind farms are fully operational. The transaction included the acquisition of all business processes and operations of the wind farms (except for management-related processes to be replaced by those already adopted by the Group), including rent and lease of land on which the generating assets are located, maintenance and service agreements regarding these assets and power sales contracts. In light of the above, the conditions to qualify the subject of the transaction as a business under IFRS 3 *Business Combinations* are met.

In line with IFRS 3 *Business Combination*, the transaction was settled using the acquisition method. The control over the business was assumed on 3 September 2019. As at 30 September 2019, bearing in mind the short period that passed after the control assuming date, the Group was unable to obtain all information necessary to complete the identification and fair value measurement of the acquired assets and liabilities. In particular, the process of fair value measurement of property, plant and equipment and provisions for disassembly of the wind farms, constituting the key assets of the acquired business, performed by independent professionals, is still pending. Therefore, these condensed interim consolidated financial statements include provisional values of the acquired assets and liabilities, which may undergo adjustments during the period 12 months following the control assumption.

The provisional values of assets and liabilities acquired as at the control assumption date and identified until the date of approving these condensed interim consolidated financial statements for publication are presented in the following table.

(in '000 PLN)

	As at 3 September 2019 *(unaudited)*
ASSETS	
Non-current assets	
Property, plant and equipment	857 797
Right-of-use assets	27 488
Other intangible assets	25
Other non-financial assets	484
	885 794
Current assets	
Inventories	10 341
Receivables from buyers	4 804
Other non-financial assets	4 203
Cash and cash equivalents	37 350
	56 698
TOTAL ASSETS	**942 492**
EQUITY AND LIABILITIES	
Non-current liabilities	
Liabilities due to loans granted by Hamburg Commercial Bank AG	558 124
Lease liabilities	25 239
Provisions for costs of disassembly of non-current assets, land reclamation and other	51 258
Deferred tax liability	31 055
	665 676
Current liabilities	
Lease liabilities	2 249
Liabilities to suppliers and other financial liabilities	8 047
Accruals and government grants	548
Other non-financial liabilities	4 013
	14 857
TOTAL EQUITY AND LIABILITIES	**680 533**
ACQUIRED NET ASSETS	**261 959**

Liabilities due to loans granted by Hamburg Commercial Bank AG, acquired with assets in the net amount of PLN 558 124 were repaid when the transaction was concluded. As a result, the portfolio of the acquired entities does not include financial debt arising from loans contracted from entities beyond the TAURON Capital Group.

As at the acquisition date, the determined amount of identifiable assets and acquired liabilities exceeded the consideration transferred by the Group. Therefore, according to the Group, the transaction was a bargain purchase.

	As at 3 September 2019 *(unaudited)*
Acquisition price	21 590
Acquired identifiable net assets	261 959
Gains on bargain purchase	**240 369**

The above bargain purchase gains result from the settlement based on provisional amounts. The Group did not complete among others the fair value measurement of property, plant and equipment, constituting the key item in the acquired assets. Considering the requirements of IFRS 3 *Business Combinations* regarding the recognition of bargain purchase gains, based on the provisional data obtained as at the date of approving these condensed interim consolidated financial statements for publication, the Group is unable to fully assess the correctness of identification of the acquired assets and liabilities and procedures applied to determine their value. Consequently, in the statement of comprehensive income, the Group does not recognize any bargain purchase gains based on the provisional values of the acquired assets and liabilities. As at the reporting period end, the bargain purchase gains are presented as deferred income in the statement of financial position.

According to the Group, the bargain purchase gains resulted from a series of circumstances, the key of which were related to the financial standing of entities disposing of the assets and changes in the market standing of renewable energy sources that were favorable for the Company. In particular, following the privatization effected in 2018, Hamburg Commercial Bank AG commenced activities aimed at improvement of its financial standing, among others in the form of restructuring its loan debt portfolio. It should also be noted, the entities in which the TAURON Group acquired rights and obligations were in a bad financial standing, among others due to the need to repay their debt, in conditions of falling prices of green energy certificates, experienced in prior years. A market change involving an increase in the prices of electricity and of green certificates in the period from the seller's approval of the binding tender to the transaction closure date was another aspect contributing to the profitability of the transaction.

Revenue from the sale of the acquired wind farms for the period from the acquisition to 30 September 2019 amounted to PLN 14 908 thousand and operating profit reached PLN 8 169 thousand. The Group estimated the revenue from sales of the acquired wind farms for the 9-month period ended 30 September 2019 at PLN 120 861 thousand, and the related operating profit at PLN 40 339 thousand. The above data (before consolidation eliminations) are based on provisional amounts of the acquired net assets.

Acquiring control over wind farms formerly owned by the in.ventus group complies with the updated strategic directions published on 27 May 2019 and supplementing the TAURON Group Strategy for 2016-2025, which provides for an increase in low- and zero-emission generation installed capacity as described in detail in Note 50 hereto.

In relation to the purchase of the wind farms, on 4 September 2019, in relation to the case filed by Hamburg Commercial Bank AG against TAURON Sprzedaż Sp. z o.o. regarding the payment of damages due to the failure to deliver under contracts on sales of property rights arising from green certificates and liquidated damages charged in relation to the termination of the above contracts in the total amount of PLN 232 879 thousand with statutory interest for delay, calculated from the date of filing the case (i.e. 7 March 2019) to the date of payment, the Bank and TAURON Sprzedaż Sp. z o.o. (a subsidiary) filed a letter to the District Court in Kraków in which the Bank withdrew the case and resigned from the claim. Both parties motioned for dismissing the case and for a decision that each party would cover its own litigation costs.

In a decision of 5 September 2019, the Regional Court in Kraków dismissed the above proceedings and mutually canceled the litigation costs incurred by the parties. The decision is binding.

On 24 September 2019 parties to all cases filed by in.ventus group companies against Polska Energia Pierwsza Kompania Handlowa Sp. z o.o. and TAURON Polska Energia S.A. motioned for suspension of the cases. The above cases were suspended by the court.

2.2. Other changes in the composition of the TAURON Group

Changes in the interests of TAURON Polska Energia S.A. in the decision-making body of Nowe Jaworzno Grupa TAURON Sp. z o.o.

During the 9-month period ended 30 September 2019 and until the date of approving these condensed interim consolidated financial statements for publication, the following increases in the issued capital of Nowe Jaworzno Grupa TAURON Sp. z o.o. took place:

- On 15 January 2019, the issued capital increase of PLN 1 000 thousand was registered. The new shares were subscribed for by Fundusz Inwestycji Infrastrukturalnych — Kapitałowy Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych for the total amount of PLN 100 000. The surplus of the issue price of shares over their nominal value of PLN 99 000 thousand was transferred to the supplementary capital of Nowe Jaworzno Grupa TAURON Sp. z o.o. As a result of the transaction, the Company's interest in the capital went down to 97.89%.
- On 18 April 2019, the issued capital increase of PLN 2 569 thousand was registered. The new shares in the increased issued capital were subscribed for by Fundusz Inwestycji Infrastrukturalnych — Kapitałowy Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych for the total issue price of PLN 256 925 thousand. The surplus of the issue price of shares over their nominal value of PLN 254 356 thousand was transferred to the supplementary capital of Nowe Jaworzno Grupa TAURON Sp. z o.o. As a result of the transaction, the Company's interest in the issued capital and decision-making body went down to 92.86%.

- On 25 July 2019, the issued capital increase of PLN 7 731 thousand was registered. The new shares in the increased issued capital were subscribed by Fundusz Inwestycji Infrastrukturalnych - Kapitałowy Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych for the total issue price of PLN 83 075 thousand; by PFR Inwestycje Fundusz Inwestycji Zamkniętych for the total issue price of PLN 440 000 thousand and by the Company for the total issue price of PLN 250 000 thousand. The surplus of the issue price of shares over their nominal value of PLN 765 344 thousand was transferred to the supplementary capital of Nowe Jaworzno Grupa TAURON Sp. z o.o. As a result of the transaction, the Company's share in the issued capital and decision-making body went down to 84.76%.

Cross-border business combination of Finanse Grupa TAURON Sp. z o.o. and TAURON Sweden Energy AB (publ)

On 6 May 2019 Extraordinary General Meeting of Finanse Grupa TAURON Sp. z o.o. with the registered office in Katowice and on 17 May 2019 Extraordinary General Meeting of TAURON Sweden Energy AB (publ) with the registered office in Stockholm passed a resolution on cross-border business combination of Finanse Grupa TAURON Sp. z o.o. (the acquirer) with TAURON Sweden Energy AB (publ) (the acquiree).

On 23 August 2019 the business combination was registered in the National Court Register kept by the District Court in Katowice. On 26 August 2019 a Swedish court deleted TAURON Sweden Energy AB (publ) from its register.

Changes in the interests of TAURON Polska Energia S.A. in the issued capital of TAURON Dystrybucja S.A.

On 28 June 2019, a decrease in the issued capital of TAURON Dystrybucja S.A. from PLN 560 611 thousand to PLN 560 576 thousand (i.e. by PLN 35 thousand) was registered in relation to the redemption of shares purchased by the company from minority shareholders under the squeeze-out procedure pursuant to Article 148 (1) of the Code of Commercial Companies. As a result, the share of TAURON Polska Energia S.A. in the issued capital of TAURON Dystrybucja S.A. increased from 99.74% to 99.75%.

As at 30 September 2019 there were no changes in the interest of TAURON Polska Energia S.A. in the issued capital and decision-making bodies of other material subsidiaries and jointly-controlled entities as compared to 31 December 2018.

3. Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34"), as endorsed by the European Union ("EU").

The condensed interim consolidated financial statements do not contain all information and disclosures required for annual consolidated financial statements and they should be read jointly with the Group's consolidated financial statements prepared in accordance with IFRS for the year ended 31 December 2018.

4. Going concern

These condensed interim consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern in the foreseeable future. As at the date these condensed interim consolidated financial statements were authorized for issue, there were no circumstances that would indicate a risk to the Group's companies ability to continue as a going concern.

5. Functional and presentation currency

Polish zloty is the functional currency of the Parent and the subsidiaries covered by these condensed interim consolidated financial statements, except for TAURON Czech Energy s.r.o., and the presentation currency of these condensed interim consolidated financial statements. The functional currency of TAURON Czech Energy s.r.o. is the Czech koruna ("CZK"). Individual items of the financial statements of TAURON Czech Energy s.r.o. are translated to the presentation currency of the TAURON Group using applicable exchange rates. Euro (EUR) was the functional currency of TAURON Sweden Energy AB (publ) until the date of combining with Finanse Grupa TAURON Sp. z o.o.

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

6. Material values based on professional judgement and estimates

When applying the accounting policy to the issues mentioned below, professional judgement of the management, along with accounting estimates, have been of key importance; they had an impact on the figures disclosed in these condensed interim consolidated financial statements and in the explanatory notes. The assumptions underlying the estimates have been based on the Management Board's best knowledge of current and future actions and events in individual areas. In the period covered by these condensed interim consolidated financial statements, there were no significant changes in estimates or estimation methods applied, which would affect the current or future periods, other than those presented below or described further in these condensed interim consolidated financial statements.

6.1. Recognizing the effects of the Act Amending the Excise Duty Act and certain other acts

28 December 2018 saw the entry into force of the *Act amending the Excise Duty Act and certain other acts* ("Act"). In accordance with the version of the Act in force as at 31 December 2018, in 2019 electricity undertakings trading in electricity are obliged to apply gross prices and rates that are not higher than gross prices and rates in the electricity tariff or price list valid as at 30 June 2018, accounting for the decrease in excise duty on electricity. Considering the legal position as at 31 December 2018, companies in the TAURON Group concluded that the definition of an electricity price list does not apply to contracts with an individually negotiated price of electricity concluded under the Public Procurement Law of 29 January 2004.

The Act, amended by the *Act of 21 February 2019 amending the Act Amending the Excise Duty Act and certain other acts; the Environmental Act, Act on Greenhouse Gas and Other Emissions Management System, Act Amending the Act on Biocomponents and Liquid Biofuels and certain other acts, as well as the Act on Promoting Electricity from Highly Efficient Cogeneration* ("Amendment") and by the *Act of 13 June 2019 Amending the Excise Duty Act and certain other acts, Act on Energy Efficiency and Act on Biocomponents and Liquid Biofuels* ("Amendment 2"), obligated the trading companies to use the prices of 30 June 2018 in relation to the following end user groups:

- G tariff end users who (in the first and second half of 2019) are always charged with the price of 30 June 2018 determined in line with the principles set in secondary legislation to the Act;
- end users classified as micro-entrepreneurs, small businesses, hospitals, public finance sector entities or other state-owned units without legal personality, always charged with the prices of 30 June 2018 in the first half of 2019, while in the second half of 2019 charged with those prices provided they file end-user statements that comply with the template attached to the Act as Appendix 1 ("Statement");
- the other end users, who are charged with the price of 30 June 2018 only in the first half of 2019.

At the same time, following the Amendment 2, the Act provides for two forms of compensation for trading entities:

- the Price difference for the period from 1 January 2019 to 30 June 2019 in relation to all users ("Price difference");
- Financial compensation for the period from 1 July 2019 to 31 December 2019, provided in relation to end users referred to in Article 5.1a, i.e. those whom the Company is obligated to charge with the prices of 30 June 2018 ("Financial compensation").

Pursuant to the statutory authorization included in Article 7.2.2) of the amended Act, on 23 July 2019 the Minister of Energy issued *Regulation on the calculation of the Price difference and Financial compensation and the manner of determining benchmark prices*, which determines the manner of calculating electricity prices and rates for end users after 30 June 2018. The Regulation came into force on 14 August 2019. On 28 August 2019, *Information regarding other unit costs and refinancing rates* ("Information") came into effect, presenting parameters regarding operating expenses, offset costs and margins referred to in the amended Act, necessary to calculate the Price difference and Financial compensation.

In these condensed interim consolidated financial statements, the TAURON Group recognized the effects of the amended Act coming into force. Certain amounts recognized as a result of the above, as indicated in the following table, were estimated using the methodology described in detail in Notes 11 and 35.2 hereto.

(in '000 PLN)

Item	Note	Estimates and assumptions
Sales revenue and financial recompensation revenue / Receivables due to financial compensation and other financial assets	Note 11 / Note 24	In the condensed interim consolidated financial statements for the 9-months ended 30 September 2019, the Group recognized Financial compensation revenue totaling PLN 821 456 thousand and including: • Revenue from the financial compensation of PLN 183 861 thousand estimated in line with the approach described in Note 11 and regarding: - revenue from the financial compensation for Q3 2019 in the amount of PLN 157 991 thousand; and - revenue from the financial compensation due for October 2019 in the amount of PLN 25 870 thousand, recognized up to the amount of provision for onerous contracts. • Revenue from the Price difference for Q2 2019 in the amount of PLN 637 595 thousand arising from the motion for payment filed with Zarządca Rozliczeń S.A. In assets, the revenue from compensation for trading entities is recognized as other financial assets.
Cost of goods for resale and materials sold / Provision for onerous contracts	Note 12 / Note 35.2	Following the entry into force of the Act amending the Excise Duty Act and certain other acts, in the consolidated financial statements prepared as at 31 December 2018 the TAURON Group recognized a provision for onerous contracts of PLN 213 756 thousand. As at 30 September 2019, the TAURON Group verified the estimated provision for onerous contracts and estimated its amount at PLN 62 258 thousand (partially used in the 9-months ended 30 September 2019 in the amount of PLN 151 498 thousand). Further, based on the requirements of the amended Act, the Group recognized a provision for onerous contracts, related to the projected volume of energy to be supplied from July to December 2019 to end users classified as microentrepreneurs, small businesses, hospitals, public finance sector entities or other state-owned units without legal personality, charged with the prices of 30 June 2018 in the second half of 2019 provided they file end-user statements. As at 30 June 2019 the provision has been estimated in the amount at PLN 68 260 thousand. As at 30 September 2019, the TAURON Group verified the estimated provision and estimated its amount at PLN 34 130 thousand (in the Q3 2019, half of the reserve was used) . As at 30 September 2019 the Group recognised the provision for onerous contracts in the total amount of PLN 96 388 thousand.

Additionally, as described in Note 11 hereto, the Group recognized adjustments that reduced the revenue from energy sales of PLN 535 862 thousand, related to actually billed revenue adjustments.

6.2. Other material values based on professional judgement and estimates

Presented below are the items of the condensed interim consolidated financial statements exposed to a considerable risk of material adjustment of the carrying amounts of assets and liabilities.

(in '000 PLN)

Item	Note	Estimates and assumptions
Property, plant and equipment	Note 17	As at the end of each reporting period, the Group estimates whether there are objective indications of impairment of a given item of property, plant and equipment. If such indications occur, the Group is obliged to test the property, plant and equipment for impairment. Impairment tests include estimation of the recoverable amount of an asset or the cash-generating unit ("CGU") to which the asset belongs. The recoverable amount of an asset or CGU is the higher of the fair value less cost to sell and the value in use. The value in use of CGUs is estimated based on their future cash flows discounted subsequently to the present value using a discount rate. The Group reviews, at least as at the end of every financial year, the economic useful life of property, plant and equipment and any adjustments to the impairment losses are effective as of the beginning of the reporting period in which the review was completed.
Right-of-use assets	Note 18	At the commencement date of the lease, the Group measures the right-of-use assets, inter alia, using the present value of lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the incremental borrowing rate, in line with the adopted method, depending on the ratings of individual companies in the TAURON Group. The Group applies a portfolio approach to leases with similar characteristics (same assets used in a similar way). When accounting for leases under the portfolio approach, the Group uses estimates and assumptions that reflect the size and composition of the portfolio, including estimates of the weighted average lease term. To determine the leasing period for lease agreements without termination date, the Group makes estimates.
Loans granted	Note 23	The Group properly classifies and measures the loans it has granted. For loans classified to assets measured at amortized cost the Group estimates the value of their impairment losses. The risk of insolvency of the borrowers is estimted based on the ratings assigned to the counterparties using an internal scoring model, adjusted accordingly to account for the probability of default and the time value of money. Measurement of a loan classified to assets measured at fair value is estimated as the present value of future cash flows considering the borrower's credit risk.
Receivables from buyers	Note 27	As far as receivables from buyers are concerned, the Group estimates the value of loss allowance for expected credit losses based on the probability-weighted credit loss to be incurred, if any of the following events takes place: • a significant (material) delay in payment, • liquidation, bankruptcy or other form of restructuring of the debtor, • administrative enforcement, court action or court enforcement is instigated to recover the receivables. Receivables from buyers are divided into the portfolios of strategic and other counterparties. The risk of insolvency on the part of strategic counterparties is assessed based on ratings assigned to the counterparties using an internal scoring model, adjusted accordingly to account for the probability of default, considering estimated recoveries of security that was put up. It is expected that the historical performance information concerning the receivables from other counterparties may reflect the credit risk that will be faced in future periods. Therefore, the expected credit losses are esimtated using the ageing analysis matrix.
Derivative instruments	Note 44.2	As at the end of each reporting period, derivatives are measured at fair value. Derivative instruments acquired and held for internal purposes are not measured at the end of the reporting period.
Deferred tax assets	Note 15.2	At the end of each reporting period, the Group verifies whether or not the deferred tax assets may be realized.
Provisions	Note 32 Note 33 Note 34 Note 35	The value of provisions is determined based on assumptions made by the Group as well as a methodology and calculation method that is appropriate for a specific provision. To this end, the Group verifies the probability of an outflow of resources embodying economic benefits and estimates reliably the amount necessary to fulfil the obligation. Provisions are recognized if the probability of an outflow of resources embodying economic benefits is higher than 50%.

Apart from the above, the Group makes significant estimates as regards the contingent liabilities it discloses, and in particular as regards court cases the Group's companies are party to. Contingent liabilities have been presented in detail in Note 47 hereto.

7. Standards and amendments to standards which have been published but are not yet effective

The Group did not choose an early application of any standards or amendments to standards, which were published, but are not yet mandatorily effective.

(in '000 PLN)

- **Standards issued by the International Accounting Standards Board and amendments to standards which have not been endorsed by the European Union and are not yet effective**

According to the Management Board, the following standards and amendments to standards will not have a material impact on the accounting policies applied thus far:

Standard	Effective date specified in the Standard, not endorsed by the EU *(annual periods beginning on or after the date provided)*
IFRS 14 *Regulatory Deferral Accounts*	1 January 2016*
IFRS 17 *Insurance contracts*	1 January 2021
Revised IFRS 10 *Consolidated Financial Statements and* IAS 28 *Investments in Associates and Joint Ventures: Sale or Contribution of Assets between Investor and its Associate or Joint Venture* with subsequent amendments	the effective date has been postponed
Revised IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material*	1 January 2020
Revised IFRS 3 *Business Combinations*	1 January 2020
Amendments to References to the Conceptual Framework in IFRS	1 January 2020
Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures: Interest Rate Benchmark Reform	1 January 2020

**The European Commission decided not to launch the process of endorsement of the interim standard for use in the EU until the publication of the final version of IFRS 14 Regulatory Deferral Accounts.*

8. Changes in the accounting principles (policy)

The accounting principles (policy) adopted for the preparation of these condensed interim consolidated financial statements are consistent with those adopted for the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2018, except for the application of the following new standards, amendments to standards and changes to the accounting principles applied by the Group and discussed below.

8.1. Application of new standards and amendments to standards

According to the Management Board, IFRS 16 *Leases* may have a material impact on the accounting policies applied thus far:

IFRS 16 *Leases*

Effective date in the EU: annual periods beginning on or after 1 January 2019.

Under IFRS 16 *Leases*, the lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted using the rate implicit in the lease if that rate can be readily determined. If that rate cannot be readily determined, the lessee uses the incremental borrowing rate. Determination of the lease term under IFRS 16 *Leases* requires an assessment which was not needed before for operating leases as it did not affect the recognition of expenditure in the financial statements. Variable lease payments should be considered when lease payments are being determined, if they depend on an index or a rate or in substance are fixed payments.

Lessors classify leases as either operating lease or finance leases, i.e. in line with IAS 17 *Leases*. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise, a lease is classified as an operating lease. A lessor recognizes finance income over the lease term of a finance lease, based on a pattern reflecting a constant periodic rate of return on the net investment. A lessor recognizes lease payments from operating leases as income on either a straight-line basis or another systematic basis, if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished.

Impact on the condensed interim consolidated financial statements

The Group has decided to apply the modified retrospective approach and the practical expedients allowed by IFRS 16 *Leases*, i.e. with the cumulative effect of initially applying this standard recognized as at 1 January 2019. The Group decided not to restate the comparative information, as permitted by the Standard. The information as at 31 December

2018 and for the 9-month period ended 30 September 2018 has been prepared based on IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement Contains a Lease* and SIC-15 *Operating Leases — Incentives*.

As at 1 January 2019 the Group recognized the right-of-use assets at an amount equal to the lease liability at the present value of the remaining lease payments, discounted using the incremental borrowing rate, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of initial application.

The Group applies a portfolio approach to leases with similar characteristics (same assets used in a similar way). When accounting for leases under the portfolio approach, the Group uses estimates and assumptions that reflect the size and composition of the portfolio, including estimates of the weighted average lease term. The Group applies the portfolio approach specifically to rental and other contracts regarding premises and land to be used for the purpose of assembling heat and power infrastructure, that qualify as a lease.

An analysis of the impact of IFRS 16 *Leases* on the accounting principles (policy) has shown a change material for the Group, i.e. the need to recognize the right-of-use assets and lease liabilities for leases previously (i.e. until 31 December 2018) classified as operating leases. The key items are the right of perpetual usufruct to land and contracts to rent premises to be used for the purposes of heat distribution centers and transformer stations. The analysis included in particular a review of contracts concluded by the Group for identification of leases, in particular identification of assets, verification of control over its use, determining the lease term and the methodology to determine the incremental rate of interest.

The Group decided to recognize the right-of-use assets in the statement of financial position separately from other assets. Lease liabilities are presented in the statement of financial position under debt liabilities, summed up with other titles previously recognized in that item. On the date of first-time adoption of IFRS 16 *Leases* the Group recognized the right-of-use asset related to the perpetual usufruct of land and easement that met the terms of IFRS 16 *Leases*, in the amount equal to the corresponding liability, adjusted by figures related to these assets, recognized in the statement of financial position prepared directly before the first-time adoption date. Therefore, the Group reclassified the amount of PLN 744 956 thousand from other intangible assets to right-of-use assets.

In June 2019 the International Financial Reporting Interpretations Committee issued a summary of decisions taken during public meetings, which were devoted to the following issues:

- Interpretation of titles to underground parts of land in light of IFRS 16 *Leases*

The Committee concluded that the contract presented in the decision, whereby a pipeline operator gained the title to place the pipeline underground, constituted a lease; therefore, the contract in the presented form should be included in IFRS 16 *Leases*.

Following the Committee's decision, the TAURON Group decided to perform additional analyses of selected contract groups to determine whether IFRS 16 *Leases* applies to them in light of the conclusions drawn by the Committee. The contract groups undergoing these additional analyses include in particular leases, rent, usufruct, easement and other innominate contracts regarding parts of land occupied by linear infrastructure and decisions regarding the location of power devices in the public right-of-way. As at the date of approving these condensed interim consolidated financial statements for publication, the analyses are pending; therefore, the potential effects of IFRIC conclusions on the financial standing of the TAURON Group cannot be reliably estimated. Classification of these contracts in part or in whole as subject to IFRS 16 may result in an increase in right-of-use assets and in the related lease liability as presented in the Group's statement of financial position.

- Lessee's incremental borrowing rate (related to IFRS 16 *Leases*)

The Committee analyzed the definition of the lessee's incremental borrowing rate, in particular whether the rate should be determined as one specific for a given lease including the underlying asset and terms and conditions of the lease. The Committee decided that the existing regulations and requirements included in IFRS 16 *Leases* provided a sufficient basis to determine the incremental borrowing rate of interest. The accounting policy applied by the Group in September 2019 complies with the IFRIC decision in this respect. Therefore, there is no necessity to change the Group's approach.

- Lease term and economic useful life of leasehold improvements (in relation to IFRS 16 *Leases* and IAS 16 *Property, Plant and Equipment*)

The Committee considered whether when evaluating no more than an insignificant penalty upon determination of a lease term, the analysis should include both the contractual penalty and other broadly understood economic penalties, thus including any economic proceeds related to the lease termination. The Committee decided that the current regulations and requirements included in the Standards provided a sufficient basis for the determination of a lease term for indefinite term leases with the termination option available for both parties without a penalty, as well as for determination of the economic useful life of leasehold improvements. The accounting policy applied by the Group complies with the provisional IFRIC decision in this respect. Therefore, there is no necessity to change the Group's approach.

(in '000 PLN)

Impact of the adoption of IFRS 16 Leases *as at 1 January 2019*

	As at 31 December 2018 *(restated figures)*	Reclassification from other intangible assets to right-of-use assets	Recognition of right-of-use assets and lease liabilities	As at 1 January 2019 *(unaudited)*
ASSETS				
Non-current assets	**32 596 304**	**-**	**601 112**	**33 197 416**
Right-of-use assets	-	744 956	601 112	1 346 068
Other intangible assets	1 287 703	(744 956)	-	542 747
Current assets	**4 501 173**	-	**12 282**	**4 513 455**
Non-current assets classified as held for sale	13 712	-	12 282	25 994
TOTAL ASSETS	**37 097 477**	**-**	**613 394**	**37 710 871**
EQUITY AND LIABILITIES				
Total equity	**18 428 481**	**-**	**-**	**18 428 481**
Non-current liabilities	**11 382 254**	**-**	**580 662**	**11 962 916**
Debt	8 488 210	-	580 662	9 068 872
Current liabilities	**7 286 742**	**-**	**32 732**	**7 319 474**
Debt	2 475 167	-	32 732	2 507 899
TOTAL EQUITY AND LIABILITIES	**37 097 477**	**-**	**613 394**	**37 710 871**

Reconciliation between future minimum operating lease payments in line with IAS 17 *Leases* as at 31 December 2018 and lease liabilities in line with IFRS 16 Leases as at 1 January 2019:

Reconciliation IAS 17 *Leases* to IFRS 16 *Leases*	
Future minimum operating lease payments as at 31 December 2018 in line with IAS 17 *Leases*	1 364 263
Discount using the incremental borrowing rate	(736 224)
Commitments relating to short-term leases	(14 544)
Commitments relating to leases of low-value assets	(126)
Commitments relating to finance leases in line with IAS 17 *Leases*	25
Lease liabilities under IFRS 16 *Leases* as at 1 January 2019	**613 394**

Lease liabilities as at 1 January 2019 by maturity

		Mature in the period *(after 1 January 2019):*			
		up to 5 years	**5-10 years**	**10-20 years**	**over 20 years**
Value as at 1 January 2019	**613 394**	39 598	59 483	58 709	455 604

The Group applied incremental borrowing rates, ranging from 4.18% to 10.22%, to calculated lease liabilities recognized in the consolidated statement of financial position as at the date of the first application of IFRS 16 *Leases*.

The Group applied the following practical expedients as at the date it first applied IFRS 16 *Leases*, i.e. as at 1 January 2019:

- IFRS 16 *Leases* was applied only to contracts which were in force as at the date of its initial application;
- a single discount rate was applied to a portfolio of leases with reasonably similar characteristics;
- the requirements of IFRS 16 *Leases* were not applied to leases for which the lease term ends within 12 months of the date of initial application;

(in '000 PLN)

- initial direct costs were not included in the measurement of right-of-use assets;
- hindsight was used as regards valid leases, specifically with respect to exercising an option to extend or terminate the lease;
- if a non-lease component cannot be separated for a class of underlying asset, both the lease and non-lease components were recognized as a single lease component;
- the requirements of IFRS 16 *Leases* would be applied to the leases of intangible assets other than those arising from licensing agreements within the scope of IAS 38 *Intangible Assets*;
- IFRS 16 *Leases* would not be applied to leases for which the value of the underlying asset does not exceed PLN 20 thousand and does not apply to the right of perpetual usufruct of land.

The data presented above, which, according to the Group, comply in all material respects with the requirements of IFRS 16 *Leases* as part of the condensed interim consolidated financial statements for the 9-month period ended 30 September 2019, were not audited by a certified auditor. Decisions issued by IFRIC with regard to the lease period and useful economic life of lease improvements remain provisional. Consequently, the final figures disclosed in the consolidated financial statements for 2019 may differ from those presented in these condensed interim consolidated financial statements.

According to the Management Board, the introduction of the following amendments to standards and interpretations had no material impact on the accounting principles (policy) applied thus far:

Standard/Interpretation	Effective in the EU as of *(annual periods beginning on or after the date provided)*
Revised IFRS 9 *Financial Instruments*	1 January 2019
Revised IAS 28 *Investments in Associates and Joint Ventures*	1 January 2019
IFRIC 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Revised IAS 19 *Employee Benefits*	1 January 2019
Annual Improvements to IFRS (Cycle 2015-2017):	
IAS 12 *Income Taxes*	1 January 2019
IAS 23 *Borrowing Costs*	1 January 2019
IFRS 3 *Business Combinations*	1 January 2019
IFRS 11 *Joint Arrangements*	1 January 2019

8.2. Other changes in the accounting and presentation principles (policy) applied by the Group

The Group analyzed the permitted manners of presenting mining assets in financial statements, applied by its competitors and including:

- assets used in the mining of production roadway workings and wall reinforcement in hard coal mines including the expenditures incurred on the works to mine the production roadway workings, less the value of the marketable coal extracted during the mining and the expenditures incurred on the works to reinforce the walls,
- stripping activity assets in surface mines including the expenditures incurred on the works to remove the overburden so as to access an identified part of calcareous stone, increased by general costs directly related to such works.

Following an analysis, the Group changed its accounting principles (policy) with respect to the recognition of the mining assets.

Mining assets used in the mining of production roadway workings and wall reinforcement

Under the changed accounting principles (policy), the cumulative cost of works to mine the production roadway workings and cumulative cost of works to reinforce the walls, entered into the deferrals account, are recognized under property, plant and equipment. The expenditures on such assets are recognized in monthly instalments over the period of the useful life of walls included in the workings and in the proportions in which the marketable coal is produced, and are included under depreciation in profit or loss. The period of exploitation of walls in a given deposit exceeds 12 months. Generally, upon recognition, the mine workings are in fact liquidated. Before the change in the accounting principles (policy), the cost of mining of production roadway workings and the cumulative cost of wall reinforcement were presented under other non-financial assets.

(in '000 PLN)

Overburden removal assets

Under the changed accounting principles (policy), the cumulative cost of overburden removal in surface mines, entered into the deferrals account, is recognized under property, plant and equipment. The expenditures incurred on such assets are accounted for using the method based on the expected period of exploitation of the deposit, which exceeds 12 months, and recognized as depreciation in profit or loss. Before the change in the accounting principles (policy), the cost of overburden removed at the production stage in surface mines was presented under other non-financial assets.

In the Group's opinion, the altered presentation better reflects the nature of the assets originated and maintained for use in the production process. The expenditures are deferred and allocated over the period of use. This way the accounting for the expenditures under depreciation reflects the specifics and the use of the assets. Furthermore, the analysis has revealed that the changed method of presentation is the method most commonly used by competitive stock exchange-listed coal mining companies.

The change has not had any effect on the Group's profit or loss. Charging the expenditure to the depreciation cost had an impact on EBITDA, i.e. operating profit/(loss) before depreciation and the write-downs on non-financial assets. The positive effect of the above change on EBITDA during the 9-month period ended 30 September 2019 amounted to PLN 68 864 thousand.

The Group has restated comparative information accordingly. The table below presents the impact of the above change of the consolidated statement of financial position as at 31 December 2018.

	As at 31 December 2018 *(authorised figures)*	Changed presentation of mining assets	As at 31 December 2018 *(restated figures)*
ASSETS			
Non-current assets	**32 541 865**	**54 439**	**32 596 304**
Property, plant and equipment	29 238 051	168 616	29 406 667
Other non-financial assets	282 228	(114 177)	168 051
Current assets	**4 555 612**	**(54 439)**	**4 501 173**
Other non-financial assets	110 068	(54 439)	55 629
TOTAL ASSETS	**37 097 477**	**-**	**37 097 477**

The table below presents the impact of the above change of the consolidated statement of financial position as at 1 January 2018.

	As at 1 January 2018	Changed presentation of mining assets	As at 1 January 2018 *(restated figures)*
ASSETS			
Non-current assets	**31 048 542**	**52 124**	**31 100 666**
Property, plant and equipment	28 079 886	196 185	28 276 071
Other non-financial assets	346 846	(144 061)	202 785
Current assets	**4 786 474**	**(52 124)**	**4 734 350**
Other non-financial assets	87 055	(52 124)	34 931
TOTAL ASSETS	**35 835 016**	**-**	**35 835 016**

Effect on EBITDA in the 9-month period ended 30 September 2018:

	9-month period ended 30 September 2018 *(authorised figures unaudited)*	Changed presentation of mining assets	9-month period ended 30 September 2018 *(restated figures unaudited)*
Operating profit	1 305 602	-	**1 305 602**
Depreciation/amortization	(1 282 398)	(85 516)	**(1 367 914)**
Impairment	(383 595)	-	**(383 595)**
EBITDA	**2 971 595**	**(85 516)**	**3 057 111**

9. Seasonality of operations

The Group's operations are seasonal.

Sales of heat depend on atmospheric conditions, in particular air temperature, and are higher in autumn and winter. Sales of electricity to individual customers depend on the length of the day, i.e. it is usually lower in spring and summer and higher in autumn and winter. Sales of coal to individual customers is higher in autumn and winter. The seasonality of other areas of the Group's operations is insignificant.

OPERATING SEGMENTS

10. Information on operating segments

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

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

The Group applies the same accounting principles (policy) to all operating segments. The Group accounts for transactions between segments as if they were made between unrelated parties, i.e. using current market prices.

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

After elimination of costs arising from intragroup transactions, general and administrative expenses of the Parent are presented under unallocated expenses. General and administrative expenses of the Parent are incurred for the Group as a whole and are not directly attributable to a specific operating segment.

Segment assets do not include deferred tax, income tax receivables or financial assets, except for receivables from buyers and other financial receivables, assets relating to gain on measurement of commodity derivatives as well as cash and cash equivalents, which represent segment assets.

Segment liabilities do not include deferred tax, income tax liability or financial liabilities, except for liabilities to suppliers, capital commitments and payroll liabilities as well as liabilities relating to the loss on measurement of commodity derivatives, which represent segment liabilities.

The Group's financing (including finance income and costs) and income tax are monitored at the Group level and they are not allocated to segments.

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

The Management Board separately monitors operating results of the segments to take decisions on how to allocate the resources, to assess the effects of the allocation and to evaluate performance. Evaluation of performance is based on EBITDA and operating profit or loss. EBITDA is defined as EBIT increased by amortization/depreciation and write-downs on non-financial assets. EBIT is the profit/loss on continuing operations before tax, finance income and finance costs, i.e. operating profit (loss).

The Group's reporting format for the period from 1 January 2019 to 30 September 2019 was based on the operating segments presented in the table below. As of 1 January 2019 TAURON Dystrybucja Serwis S.A. has been assigned to the Sales segment (before: the Distribution segment). The change of assignment results from the organizational changes and restructuring within the company which led to the change in its business profile. At present the company's main business is to deliver lighting and power products and services and therefore its profile is aligned with the operations of the Group's sales companies. Comparative information, i.e. information for the 9-month perid ended 30 September 2018 and 31 December 2018, was restated accordingly.

Operating segments	Core business	Subsidiaries/ Entities recognized with the equity method
Mining 	*Hard coal mining*	TAURON Wydobycie S.A.
Generation 	*Generation of electricity using conventional sources, including combined heat and power generation, as well as generation of electricity using joint combustion of biomass and other energy acquired thermally. Key fuels include hard coal, biomass, coal gas and coke-oven gas.*	TAURON Wytwarzanie S.A. TAURON Ekoenergia Sp. z o.o. TAURON Ciepło Sp. z o.o. TAURON Serwis Sp. z o.o. Marselwind Sp. z o.o. Nowe Jaworzno Grupa TAURON Sp. z o.o. TEC1 Sp. z o.o. TEC2 Sp. z o.o. TEC3 Sp. z o.o. TEC1 spółka z ograniczoną odpowiedzialnością Mogilno I sp.k. TEC1 spółka z ograniczoną odpowiedzialnością Mogilno II sp.k. TEC1 spółka z ograniczoną odpowiedzialnością Mogilno III sp.k. TEC1 spółka z ograniczoną odpowiedzialnością Mogilno IV sp.k. TEC1 spółka z ograniczoną odpowiedzialnością Mogilno V sp.k. TEC1 spółka z ograniczoną odpowiedzialnością Mogilno VI sp.k. TEC1 spółka z ograniczoną odpowiedzialnością EW Śniatowo sp.k. TEC1 spółka z ograniczoną odpowiedzialnością EW Dobrzyń sp.k. TEC1 spółka z ograniczoną odpowiedzialnością EW Gołdap sp.k. TEC1 spółka z ograniczoną odpowiedzialnością Ino 1 sp.k.
	*Generation of electricity using renewable sources*	
	*Generation, distribution and sales of heat*	TAMEH HOLDING Sp. z o.o.* TAMEH POLSKA Sp. z o.o.* TAMEH Czech s.r.o.* Elektrociepłownia Stalowa Wola S.A.*
Distribution 	*Distribution of electricity*	TAURON Dystrybucja S.A. TAURON Dystrybucja Pomiary Sp. z o.o.
Sales 	*Wholesale trading in electricity, trading in emission allowances and energy certificates and sale of electricity to domestic end users or entities which further resell electricity*	TAURON Polska Energia S.A. TAURON Sprzedaż Sp. z o.o. TAURON Sprzedaż GZE Sp. z o.o. TAURON Czech Energy s.r.o. TAURON Dystrybucja Serwis S.A.

** Entities recognized with the equity method*

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

(in '000 PLN)

10.1. Operating segments

For the 9-month period ended 30 September 2019 or as at 30 September 2019 *(unaudited)*

	Mining	Generation	Distribution	Sales	Other	Unallocated items / Eliminations	Total
Revenue							
Sales to external customers and financial compensation revenue	263 128	2 747 090	2 361 484	9 804 676	83 268	-	**15 259 646**
Inter-segment sales	470 280	887 786	2 536 801	1 416 501	648 704	(5 960 072)	**-**
Total Segment revenue	**733 408**	**3 634 876**	**4 898 285**	**11 221 177**	**731 972**	**(5 960 072)**	15 259 646
Profit/(loss) of the segment	**(676 341)**	**284 079**	**1 140 913**	**503 762**	**59 600**	**30 709**	**1 342 722**
Share in profit/(loss) of joint ventures	-	55 517	-	-	-	-	**55 517**
Unallocated expenses	-	-	-	-	-	(79 444)	**(79 444)**
EBIT	**(676 341)**	**339 596**	**1 140 913**	**503 762**	**59 600**	**(48 735)**	**1 318 795**
Net finance income (costs)	-	-	-	-	-	(213 543)	**(213 543)**
Profit/(loss) before income tax	**(676 341)**	**339 596**	**1 140 913**	**503 762**	**59 600**	**(262 278)**	**1 105 252**
Income tax expense	-	-	-	-	**-**	(250 761)	**(250 761)**
Net profit/(loss) for the period	**(676 341)**	**339 596**	**1 140 913**	**503 762**	**59 600**	**(513 039)**	**854 491**
Assets and liabilities							
Segment assets	1 608 857	13 842 860	18 653 722	5 467 453	570 462	-	**40 143 354**
Investments in joint ventures	-	570 451	-	-	-	-	**570 451**
Unallocated assets	-	-	-	-	-	509 314	**509 314**
Total assets	**1 608 857**	**14 413 311**	**18 653 722**	**5 467 453**	**570 462**	**509 314**	**41 223 119**
Segment liabilities	778 862	1 754 474	1 808 440	1 598 193	380 238	-	**6 320 207**
Unallocated liabilities	-	-	-	-	-	14 833 018	**14 833 018**
Total liabilities	**778 862**	**1 754 474**	**1 808 440**	**1 598 193**	**380 238**	**14 833 018**	**21 153 225**
EBIT	**(676 341)**	**339 596**	**1 140 913**	**503 762**	**59 600**	**(48 735)**	**1 318 795**
Depreciation/amortization	**(145 325)**	**(325 837)**	**(858 940)**	**(29 887)**	**(67 855)**	**-**	**(1 427 844)**
Impairment	**(269 362)**	**(91)**	**(278)**	**-**	**(36)**	**-**	**(269 767)**
EBITDA	**(261 654)**	**665 524**	**2 000 131**	**533 649**	**127 491**	**(48 735)**	**3 016 406**
Other segment information							
Capital expenditure *	369 062	971 929	1 330 839	20 637	48 514	-	**2 740 981**

** Capital expenditure includes expenditures for property, plant and equipment and intangible assets, excluding acquisition of CO_2 emission allowances and energy certificates.*

For the 9-month period ended 30 September 2018 *(restated, unaudited)* or as at 31 December 2018 *(restated)*

	Mining	Generation	Distribution	Sales	Other	Unallocated items / Eliminations	Total
Revenue							
Sales to external customers and financial compensation revenue	442 725	1 980 680	2 250 036	8 556 675	71 686	-	**13 301 802**
Inter-segment sales	508 650	1 288 069	2 236 626	1 373 738	544 797	(5 951 880)	**-**
Total Segment revenue	**951 375**	**3 268 749**	**4 486 662**	**9 930 413**	**616 483**	**(5 951 880)**	13 301 802
Profit/(loss) of the segment	**(916 681)**	**650 466**	**1 121 172**	**467 815**	**62 894**	**(39 277)**	**1 346 389**
Share in profit/(loss) of joint ventures	-	40 663	-	-	-	-	**40 663**
Unallocated expenses	-	-	-	-	-	(81 450)	**(81 450)**
EBIT	**(916 681)**	**691 129**	**1 121 172**	**467 815**	**62 894**	**(120 727)**	**1 305 602**
Net finance income (costs)	-	-	-	-	-	(217 407)	**(217 407)**
Profit/(loss) before income tax	**(916 681)**	**691 129**	**1 121 172**	**467 815**	**62 894**	**(338 134)**	**1 088 195**
Income tax expense	-	-	-	-	-	(233 315)	**(233 315)**
Net profit/(loss) for the period	**(916 681)**	**691 129**	**1 121 172**	**467 815**	**62 894**	**(571 449)**	**854 880**
Assets and liabilities							
Segment assets	1 589 823	12 168 948	17 923 661	3 801 630	581 497	-	**36 065 559**
Investments in joint ventures	-	543 913	-	-	-	-	**543 913**
Unallocated assets	-	-	-	-	-	488 005	**488 005**
Total assets	**1 589 823**	**12 712 861**	**17 923 661**	**3 801 630**	**581 497**	**488 005**	**37 097 477**
Segment liabilities	851 497	1 299 850	2 133 237	1 772 534	410 567	-	**6 467 685**
Unallocated liabilities	-	-	-	-	-	12 201 311	**12 201 311**
Total liabilities	**851 497**	**1 299 850**	**2 133 237**	**1 772 534**	**410 567**	**12 201 311**	**18 668 996**
EBIT	**(916 681)**	**691 129**	**1 121 172**	**467 815**	**62 894**	**(120 727)**	**1 305 602**
Depreciation/amortization	**(174 883)**	**(308 325)**	**(794 006)**	**(23 905)**	**(66 795)**	**-**	**(1 367 914)**
Impairment	**(732 858)**	**350 514**	**(692)**	**-**	**(559)**	**-**	**(383 595)**
EBITDA	**(8 940)**	**648 940**	**1 915 870**	**491 720**	**130 248**	**(120 727)**	**3 057 111**
Other segment information							
Capital expenditure *	280 113	909 386	1 186 690	28 265	39 759	-	**2 444 213**

** Capital expenditure includes expenditures for property, plant and equipment and intangible assets, excluding acquisition of CO_2 emission allowances and energy certificates*

(in '000 PLN)

For the 3-month period ended 30 September 2019 *(unaudited)*

	Mining	Generation	Distribution	Sales	Other	Unallocated items / Eliminations	Total
Revenue							
Sales to external customers and financial compensation revenue	77 675	872 696	794 237	3 087 361	29 823	-	**4 861 792**
Inter-segment sales	124 043	215 906	828 706	487 521	219 220	(1 875 396)	**-**
Total Segment revenue	**201 718**	**1 088 602**	**1 622 943**	**3 574 882**	**249 043**	**(1 875 396)**	4 861 792
Profit/(loss) of the segment	**(165 004)**	**9 114**	**376 185**	**100 132**	**20 235**	**11 804**	**352 466**
Share in profit/(loss) of joint ventures	-	5 492	-	-	-	-	**5 492**
Unallocated expenses	-	-	-	-	-	(27 786)	**(27 786)**
EBIT	**(165 004)**	**14 606**	**376 185**	**100 132**	**20 235**	**(15 982)**	**330 172**
Net finance income (costs)	-	-	-	-	-	(100 147)	**(100 147)**
Profit/(loss) before income tax	**(165 004)**	**14 606**	**376 185**	**100 132**	**20 235**	**(116 129)**	**230 025**
Income tax expense	-	-	-	-	-	(42 474)	**(42 474)**
Net profit/(loss) for the period	**(165 004)**	**14 606**	**376 185**	**100 132**	**20 235**	**(158 603)**	**187 551**
EBIT	**(165 004)**	**14 606**	**376 185**	**100 132**	**20 235**	**(15 982)**	**330 172**
Depreciation/amortization	**(46 280)**	**(111 948)**	**(284 972)**	**(10 275)**	**(23 032)**	**-**	**(476 507)**
Impairment	**(7)**	**62**	**(1 655)**	**-**	**238**	**-**	**(1 362)**
EBITDA	**(118 717)**	**126 492**	**662 812**	**110 407**	**43 029**	**(15 982)**	**808 041**
Other segment information							
Capital expenditure *	132 332	471 307	468 167	10 387	16 687	-	**1 098 880**

** Capital expenditure includes expenditures for property, plant and equipment and intangible assets, excluding acquisition of CO_2 emission allowances and energy certificates.*

For the 3-month period ended 30 September 2018 *(restated, unaudited)*

	Mining	Generation	Distribution	Sales	Other	Unallocated items / Eliminations	Total
Revenue							
Sales to external customers and financial compensation revenue	127 257	659 191	734 454	2 929 163	26 203	-	**4 476 268**
Inter-segment sales	145 332	490 206	728 009	519 326	175 674	(2 058 547)	**-**
Total Segment revenue	**272 589**	**1 149 397**	**1 462 463**	**3 448 489**	**201 877**	**(2 058 547)**	4 476 268
Profit/(loss) of the segment	**(50 515)**	**(44 941)**	**338 355**	**131 621**	**18 622**	**(13 926)**	**379 216**
Share in profit/(loss) of joint ventures	-	(4 779)	-	-	-	-	**(4 779)**
Unallocated expenses	-	-	-	-	-	(23 719)	**(23 719)**
EBIT	**(50 515)**	**(49 720)**	**338 355**	**131 621**	**18 622**	**(37 645)**	**350 718**
Net finance income (costs)	-	-	-	-	-	12 110	**12 110**
Profit/(loss) before income tax	**(50 515)**	**(49 720)**	**338 355**	**131 621**	**18 622**	**(25 535)**	**362 828**
Income tax expense	-	-	-	-	-	(76 384)	**(76 384)**
Net profit/(loss) for the period	**(50 515)**	**(49 720)**	**338 355**	**131 621**	**18 622**	**(101 919)**	**286 444**
EBIT	**(50 515)**	**(49 720)**	**338 355**	**131 621**	**18 622**	**(37 645)**	**350 718**
Depreciation/amortization	**(39 371)**	**(106 990)**	**(269 712)**	**(5 594)**	**(22 705)**	**-**	**(444 372)**
Impairment	**73**	**80**	**(137)**	**-**	**(209)**	**-**	**(193)**
EBITDA	**(11 217)**	**57 190**	**608 204**	**137 215**	**41 536**	**(37 645)**	**795 283**
Other segment information							
Capital expenditure *	109 103	339 863	413 530	3 645	17 573	-	**883 714**

** Capital expenditure includes expenditures for property, plant and equipment and intangible assets, excluding acquisition of CO_2 emission allowances and energy certificates*

(in '000 PLN)

EXPLANATORY NOTES TO THE CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

11. Sales revenue and financial compensation revenue

	9-month period ended 30 September 2019 *(unaudited)*	9-month period ended 30 September 2018 *(restated figures unaudited)*
Sale of goods for resale, finished goods, materials and financial compensation revenue without elimination of excise	**10 476 429**	**8 913 870**
Excise	(113 366)	(304 979)
Sale of goods for resale, finished goods, materials and financial compensation revenue	**10 363 063**	**8 608 891**
Price difference amount	637 595	-
Financial compensation	183 861	-
Electricity, *including:*	8 421 993	7 425 202
*Revenue adjustment as a result of the effects of the amended Act**	*(535 862)*	-
Heat energy	425 613	424 881
Gas	226 019	177 330
Coal	230 090	391 922
Energy certificates and similar	93 663	50 218
Other goods for resale, finished goods and materials	144 229	139 338
Rendering of services	**4 847 962**	**4 646 924**
Distribution and trade services	4 626 093	4 422 020
Maintenance of road lighting	89 212	89 465
Connection fees	59 405	57 158
Other services	73 252	78 281
Other revenue	**48 621**	**45 987**
Total, *of which:*	**15 259 646**	**13 301 802**
Sales revenue	14 438 190	13 301 802
Financial compensation revenue (Price difference amount and Financial compensation)	821 456	-

** On 28 December 2018, the Act amending the Excise Duty Act and certain other acts came into effect.*

The increase in revenue from sales of electricity versus the comparative period arises mainly from the increase in the prices of electricity in the current reporting period as well as higher volumes of electricity sold to companies from outside the TAURON Group which results e.g. from the obligation imposed by the legislator that as of 1 January 2019 all tradings of electricity producers (100%) must be made via the power exchange (30% in the comparative period).

Effective date of the amended Act amending the Excise Duty Act and certain other acts

In the condensed interim consolidated statement of comprehensive income for the 9-month period ended 30 September 2019, the Group recognized the effects of the amended Act of 28 December 2018 amending the Excise Duty Act and certain other acts coming into force, i.e. amounts of compensation payable to trading companies in the form of Price difference and Financial compensation, as well as adjustments reducing revenue totaling PLN 285 594 thousand as described in detail in Note 6.1 hereto.

In the condensed interim consolidated financial statements prepared as at 30 September 2019, the TAURON Group recognized adjustments reducing revenue from clients for the three quarters of 2019 arising from the need to adjust prices charged in this period to provisions of the amended Act. The adjustments regard all clients whose price as at 30 June 2018 was applied in the first half of 2019 and whose contractual prices were not reduced as of 1 January 2019, as well as (for Q3 2019) micro-enterprises, small enterprises, hospitals, public finance sector entities or other state-owned units without legal personality, who provided end user statements that complied with the template attached to the Act as Appendix 1. The recognized adjustment totaled PLN 535 862 thousand. Along with the adjustments, in the condensed interim consolidated financial statements the Group has recognized a liability to refund end users with overpaid amounts. Apart from the revenue adjustments mentioned above, the Group estimates that the price reduction for eligible clients recognized in invoices for September 2019 resulted in a drop in the electricity sales revenue of PLN 13 189 thousand.

(in '000 PLN)

At the same time, bearing in mind that on 4 October 2019 Zarządca Rozliczeń S.A. obtained a motion to pay the Price difference and the adjustment thereof filed on 24 October 2019 and the TAURON Group trading companies being entitled to apply to Zarządca Rozliczeń S.A. for payment of the Price difference and Financial compensation, as well as their intention to do so, in its condensed interim consolidated financial statements for the 9-month period ended 30 September 2019, the Group recognized estimated revenue of PLN 637 595 thousand arising from the refund of Price difference and of PLN 157 991 thousand arising from the Financial compensation for the Q3 2019. The above revenue has been calculated (the Price difference) or estimated (the Financial compensation) as a difference between the revenue from electricity trading to end users, calculated based on the weighted average of the electricity price on the wholesale market, increased by other unit costs (including operating expenses, costs of balancing the demand for electricity, costs of obtaining and surrendering energy certificates, of the substitute fee and margin) and the revenue calculated using the electricity prices of 30 June 2018. Additionally, in the condensed interim consolidated financial statements for the 9-month period ended 30 September 2019, the Group recognized as a separate asset, the revenue from the Financial compensation receivable for October 2019 in the amount of PLN 25 870 thousand, reported in line with IAS 37.53. i.e. in the amount not exceeding the provision for onerous contracts. The revenue is recognized under other financial assets in the condensed interim consolidated statement of financial position.

The Financial compensation receivable for November and December 2019 was not recognized in the condensed interim consolidated financial statements since not all variables allowing the calculation of that compensation, such as weighted average prices of electricity on the wholesale market, were published or disclosed. The Group estimates the combined proceeds from compensation for the second half year 2019 at PLN 314 192 thousand.

After the reporting period date, on 8 and 12 November 2019, the TAURON Group trading companies sent a motions to Zarządca Rozliczeń S.A. for paying the Financial compensation for the month of July 2019.

The increase in the revenue from the sales of gas versus the comparative period results mostly from a rise in the selling price of gas, observed in the current reporting period.

The decrease in the revenue from sales of coal results from lower external sales volumes arising from lower mining production in the Group.

The increase in revenue from sales of distribution services results mostly from an increase in the average sales rate of distribution services.

The decrease in the excise duty during the 9-month period ended 30 September 2019 versus the comparative period is related mostly to the Act amending the Excise Duty Act and certain other acts of 28 December 2018 coming into effect. Under this Act, the excise duty rate regarding electricity changed from PLN 20 to PLN 5 per MWh.

Sales revenue and compensation by operating segment has been presented below.

For the 9-month period ended 30 September 2019 *(unaudited)*

	Mining	Generation	Distribution	Sales	Other	Total
Sale of goods for resale, finished goods and materials and financial compensation revenue	**247 550**	**2 584 783**	**4 381**	**7 457 816**	**68 533**	**10 363 063**
Price difference amount and Financial compensation	-	-	-	821 456	-	**821 456**
Electricity	-	2 060 650	-	6 361 343	-	**8 421 993**
Heat energy	23	425 590	-	-	-	**425 613**
Gas	-	-	-	226 019	-	**226 019**
Coal	230 090	-	-	-	-	**230 090**
Energy certificates and similar	-	91 934	-	1 729	-	**93 663**
Other goods for resale, finished goods and materials	17 437	6 609	4 381	47 269	68 533	**144 229**
Rendering of services	**14 490**	**150 527**	**2 332 742**	**2 344 191**	**6 012**	**4 847 962**
Distribution and trade services	-	144 435	2 239 452	2 242 206	-	**4 626 093**
Maintenance of road lighting	-	-	-	89 212	-	**89 212**
Connection fees	-	268	59 137	-	-	**59 405**
Other services	14 490	5 824	34 153	12 773	6 012	**73 252**
Other revenue	**1 088**	**11 780**	**24 361**	**2 669**	**8 723**	**48 621**
Total	**263 128**	**2 747 090**	**2 361 484**	**9 804 676**	**83 268**	**15 259 646**

(in '000 PLN)

For the 9-month period ended 30 September 2018 *(restated, unaudited)*

	Mining	Generation	Distribution	Sales	Other	Total
Sale of goods for resale, finished goods and materials	**420 443**	**1 821 789**	**3 149**	**6 305 654**	**57 856**	**8 608 891**
Electricity	232	1 345 963	-	6 078 996	11	**7 425 202**
Heat energy	-	424 881	-	-	-	**424 881**
Gas	-	-	-	177 330	-	**177 330**
Coal	391 922	-	-	-	-	**391 922**
Energy certificates and similar	2 882	46 211	218	907	-	**50 218**
Other goods for resale, finished goods and materials	25 407	4 734	2 931	48 421	57 845	**139 338**
Rendering of services	**21 085**	**147 859**	**2 222 102**	**2 250 685**	**5 193**	**4 646 924**
Distribution and trade services	60	141 833	2 127 705	2 152 422	-	**4 422 020**
Maintenance of road lighting	-	-	49	89 416	-	**89 465**
Connection fees	-	837	56 321	-	-	**57 158**
Other services	21 025	5 189	38 027	8 847	5 193	**78 281**
Other revenue	**1 197**	**11 032**	**24 785**	**336**	**8 637**	**45 987**
Total	**442 725**	**1 980 680**	**2 250 036**	**8 556 675**	**71 686**	**13 301 802**

Revenue from sales of electricity by sales market and client group is presented in the following table.

	9-month period ended 30 September 2019 *(unaudited)*	9-month period ended 30 September 2018 *(restated figures unaudited)*
Revenue from sales of electricity	**8 421 993**	**7 425 202**
Retail sale	**5 513 493**	**5 072 154**
Strategic clients	986 515	998 056
Business clients	2 331 432	2 213 475
Mass clients, including:	2 256 852	2 134 724
G group	1 739 967	1 734 085
Other	52 060	30 878
Excise duty	(113 366)	(304 979)
Wholesale	**607 918**	**750 484**
Commodity exchange	**1 149 502**	**638 558**
Balancing market	**637 660**	**454 477**
Operational capacity reserve	**163 806**	**164 204**
Other	**349 614**	**345 325**

12. Expenses by type

	9-month period ended 30 September 2019 *(unaudited)*	9-month period ended 30 September 2018 *(restated figures unaudited)*
Depreciation of property, plant and equipment, right-of-use assets and amortization of intangible assets	(1 427 844)	(1 367 914)
Impairment of property, plant and equipment, right-of-use assets and intangible assets	(268 635)	(383 849)
Materials and energy	(1 228 997)	(1 150 895)
Maitenance and repair services	(163 397)	(154 144)
Distribution services	(1 146 366)	(1 067 423)
Other external services	(544 578)	(613 026)
Cost of obligation to remit the CO_2 emission allowances	(526 941)	(402 183)
Other taxes and charges	(518 461)	(527 216)
Employee benefits expense	(2 189 181)	(1 901 629)
Allowance for trade receivables expected credit losses	(28 854)	(17 703)
Other	(62 049)	(77 574)
Total costs by type	**(8 105 303)**	**(7 663 556)**
Change in inventories, prepayments, accruals and deferred income	84 289	(8 073)
Cost of goods produced for internal purposes	609 258	516 480
Selling and distribution expenses	365 325	352 439
Administrative expenses	464 424	486 030
Cost of goods for resale and materials sold	(6 639 464)	(5 046 682)
Cost of sales	**(13 221 471)**	**(11 363 362)**

During the 9-month period ended 30 September 2019, costs of goods, products, materials and services sold increased versus the comparative period, mainly due to:

- The increase in the depreciation costs results mostly from right-of-use assets of PLN 54 288 thousand recognized in the current depreciation period after the effective date of IFRS 16 Leases (1 January 2019);
- Recognition of an impairment loss on property, plant and equipment, intangible assets and right-of-use assets of PLN 269 314 thousand following impairment tests carried out as at 30 June 2019, as described in detail in Note 17 hereto. The impairment recognized as a result of tests performed as at 30 June 2019 was lower than that recognized in the comparative period following tests carried out as at 30 June 2018;
- The increase in consumption of materials and electricity is related mostly to growing costs of fuel used in generation and resulting from an increase in the volume of consumed coal related to a drop in the volume produced by own mines and an increase in the volume of biomass, caused by an increase in the generation of electricity in units using this type of fuel;
- An increase in the cost of distribution services related to a growth in the network fee and quality fee components resulting from tariff changes;
- A decrease in costs of other external services, resulting from reduced costs of construction and assembly services in the current year compared to intensification of work performed in 2018 in relation to the construction of the 910 MW unit in Jaworzno, as well as from partial resolving of the provision for land restoration, reduced costs of mining and machinery leasing services resulting from limited production of mines and a drop in the costs of lease resulting from IFRS 16 Leases coming into effect as of 1 January 2019;
- An increase in the cost of obligatory surrendering of CO_2 emission allowances resulting mostly from their growing prices. At the same time, the cost of fulfilling the obligation to surrender CO_2 emission allowances and thus the provision includes the Certified Emission Reduction (CER) units of 883 000, the price of which is lower than that of European Union Allowance (EUA). Should a provision be recognized for the entire EUA, its cost for the 9-month period ended 30 September 2019 would be higher by approx. PLN 66 000 thousand;
- An increase in employee benefit costs resulting from:
  - recognition of the effects of the reversal of actuarial provisions for the employee tariff and the Company's Social Benefits Fund in the part related to the existing employees as future pensioners in the Generation segment in the comparative period and the reversal of provisions for jubilee bonuses in the aggregate amount of PLN 175 911 thousand. Due to the release of the provision for jubilee benefits employees were paid compensation totalling PLN 79 316 thousand which was charged to the costs of employee benefits;
  - headcount increases in Group companies, related to the change in the operational model in mining by supporting own preparatory work divisions, limiting temporary workers as a consequence in legal regulations changes and the development of asset guard and real property management services;
  - implementation of provisions included in arrangements concluded with labor unions;
- The increase in the value of goods and materials sold is mainly the effect of an increase in the electricity prices in the current period as well as higher volumes of electricity bought from counterparties from outside the TAURON Group, following the obligation imposed by the lawmakers that as of 1 January 2019 all tradings of electricity producers (100%) must be made via the power exchange (30% in the comparative period).

  Following the effective date of the amended *Act of 28 December 2018 amending the Excise Duty Act and certain other acts the* Group recognized the cost of provision for onerous contracts as at 30 June 2019 in the amount of PLN 68 260 thousand in the value of goods and materials sold. Subsequently, in Q3 2019 a portion of that amount (PLN 34 130 thousand) was used as described in detail in Note 35.2 hereto.

(in '000 PLN)

13. Other operating revenue and expenses

The drop in other operating revenue is the effect of transactions carried out in the comparative period. In the 9-month period ended 30 September 2018, a company from the Generation segment reversed provisions for the employee tariff and the Company's Social Benefits Fund in the portion related to pensioners. This increased the Group's other operating revenue by the total of PLN 139 470 thousand.

14. Finance income and costs

	9-month period ended 30 September 2019 *(unaudited)*	9-month period ended 30 September 2018 *(unaudited)*
Income and costs from financial instruments	**(171 148)**	**(180 329)**
Dividend income	3 814	5 368
Interest income	21 190	19 820
Interest costs	(169 251)	(122 146)
Commission relating to borrowings and debt securities	(13 282)	(13 483)
Gain/loss on derivative instruments	9 189	(668)
Exchange differences	(36 983)	(63 702)
Remeasurement of loans granted	12 281	(4 988)
Other	1 894	(530)
Other finance income and costs	**(42 395)**	**(37 078)**
Interest on employee benefits	(24 514)	(25 412)
Interest on discount of other provisions	(9 768)	(9 490)
Other	(8 113)	(2 176)
Total, *including recognized in the statement of comprehensive income:*	**(213 543)**	**(217 407)**
Interest expense on debt	(169 251)	(122 146)
Other finance income and costs	(44 292)	(95 261)

The change in the interest expense in the 9-month period ended 30 September 2019 versus the comparative period results mainly from:

- recognizing the interest cost of leases as at 1 January 2019 in accordance with IFRS 16 *Leases* — in the 9-month period ended 30 September 2019 such costs totaled PLN 22 645 thousand;
- recognizing in profit or loss new borrowing costs arising from loans and borrowings taken out in December 2018 (hybrid bonds assumed by the European Investment Bank with the nominal value of PLN 750 000 thousand) and during the 9-month period ended 30 September 2019 (including mostly hybrid bonds assumed by Bank Gospodarstwa Krajowego with the nominal value of PLN 400 000 thousand and loans originated by Bank Gospodarstwa Krajowego in the total amount of PLN 1 000 000 thousand). During the 9-month period ended 30 September 2019, the total costs of these liabilities amounted to PLN 63 568 thousand;
- reduction of interest expense in the current period owing to increased capitalization of such expense type regarding capex during the 9-month period ended 30 September 2019, the Group capitalized interest cost of PLN 132 574 thousand to investments (in the 9-month period ended 30 September 2018 it was PLN 100 082 thousand).

In the 9-month period ended 30 September 2019, net exchange losses amounted to PLN 36 983 thousand (similar PLN 63 702 thousand in the comparative period). These exchange differences are mainly related to the Company's debt in the euro, i.e. loan obtained from a subsidiary, subordinated bonds and Eurobonds. In the 9-month period ended 30 September 2019, net exchange losses on this account totaled PLN 63 335 thousand (PLN 88 466 thousand in the comparable period). At the same time, in the 9-month period ended 30 September 2019 and in the comparative period, the Group recognized forex differences of PLN 23 498 thousand and PLN 24 555 thousand, respectively, as assets to be used for investments.

(in '000 PLN)

15. Income Taxes

15.1. Tax expense in the statement of comprehensive income

	9-month period ended 30 September 2019 *(unaudited)*	9-month period ended 30 September 2018 *(unaudited)*
Current income tax	**(363 933)**	**(352 993)**
Current income tax expense	(370 183)	(344 223)
Adjustments to current income tax from previous years	6 250	(8 770)
Deferred tax	**113 172**	**119 678**
Income tax expense in profit/(loss)	**(250 761)**	**(233 315)**
Income tax expense relating to other comprehensive income	**(1 351)**	**1 563**

15.2. Deferred income tax

	As at 30 September 2019 *(unaudited)*	As at 31 December 2018
difference between tax base and carrying amount of property, plant and equipment, intangible assets and right-of-use assets	1 772 225	1 503 445
difference between tax base and carrying amount of financial assets	70 775	65 366
different timing of recognition of sales revenue for tax purposes	497 344	360 507
difference between tax base and carrying amount of energy certificates	9 815	10 227
other	58 605	52 929
Deferred tax liabilities	**2 408 764**	**1 992 474**
provisions	617 360	490 191
difference between tax base and carrying amount of property, plant and equipment, intangible assets and right-of-use assets	315 448	194 224
power infrastructure received free of charge and received connection fees	8 062	12 039
difference between tax base and carrying amount of financial assets and financial liabilities	282 967	145 497
different timing of recognition of sales revenue and cost of sales for tax purposes	425 971	312 824
tax losses	17 753	15 358
other	28 006	28 692
Deferred tax assets	**1 695 567**	**1 198 825**
After setting off balances at the level of individual Group companies, deferred tax for the Group is presented as:		
Deferred tax asset	**24 198**	**30 105**
Deferred tax liability	**(737 395)**	**(823 754)**

As at 30 September 2019 and 31 December 2018, the deferred tax asset was set off against deferred tax liability of companies from the Tax Capital Group ("TCG") due to the fact that the said companies had filed a combined tax return under the Tax Capital Group agreements.

Following the entry into force of IFRS 16 *Leases*, as at 1 January 2019 the Group recognized the right-of-use assets and lease liabilities, which has been further described in note 8.1 hereto. This resulted in an increase in the deferred tax liability arising from the difference between the tax base and carrying amount of property, plant and equipment, intangible assets and right-of-use assets and an increase in the deferred tax asset arising from the difference between the tax base and the carrying amount of financial assets and liabilities of PLN 116 545 thousand.

16. Dividends paid and proposed

In the 9-month period ended 30 September 2019 and in the comparative period the Company neither proposed nor paid out dividends to its shareholders.

On 29 March 2019, the Management Board of TAURON Polska Energia S.A. adopted a resolution to file a motion with the Ordinary General Shareholders' Meeting of TAURON Polska Energia S.A. to offset the Company's net loss for the 2018 financial year of PLN 1 709 853 thousand against the Company's reserve capital. On 8 May 2019, the Ordinary General Shareholders' Meeting of the Company adopted a resolution following the recommendation of the Management Board.

On 12 March 2018, the Management Board of TAURON Polska Energia S.A. adopted a resolution to file a motion with the Ordinary General Shareholders' Meeting of TAURON Polska Energia S.A. to allocate the Company's net profit the 2017 financial year of PLN 854 351 thousand to the Company's reserve capital. On 16 April 2018, the Ordinary General Shareholders' Meeting of the Company adopted a resolution following the recommendation of the Management Board.

(in '000 PLN)

EXPLANATORY NOTES TO THE CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

17. Property, Plant and Equipment

For the 9-month period ended 30 September 2019 *(unaudited)*

	Land	Buildings, premises and civil engineering structures	Plant and machinery	Mine workings	Other	Assets under construction	Property, plant and equipment, total
COST							
Opening balance	**125 869**	**23 775 062**	**19 133 480**	**221 074**	**943 340**	**6 376 491**	**50 575 316**
Direct purchase	-	-	-	758	-	2 195 974	**2 196 732**
Borrowing costs	-	-	-	-	-	155 418	**155 418**
Transfer of assets under construction	974	917 820	602 357	-	42 154	(1 563 305)	**-**
Sale	(39)	(1 489)	(68 709)	-	(22 315)	(31)	**(92 583)**
Liquidation	(10)	(28 087)	(66 957)	(90 684)	(7 877)	-	**(193 615)**
Received free of charge	-	8 240	112	-	-	-	**8 352**
Transfers to/from assets held for sale	(60)	(12 428)	(46)	-	(171)	-	**(12 705)**
Overhaul expenses	-	-	-	-	-	146 967	**146 967**
Items generated internally	-	-	-	143 203	-	35 962	**179 165**
Business acquisition	550	329 775	527 439	-	33	-	**857 797**
Other movements	164	(2 189)	398	-	783	(3 059)	**(3 903)**
Foreign exchange differences from translation of foreign entity	-	-	3	-	6	-	**9**
Closing balance	**127 448**	**24 986 704**	**20 128 077**	**274 351**	**955 953**	**7 344 417**	**53 816 950**
ACCUMULATED DEPRECIATION				-			
Opening balance	**(404)**	**(9 599 896)**	**(10 765 131)**	**(52 458)**	**(611 258)**	**(139 502)**	**(21 168 649)**
Depreciation for the period	-	(607 151)	(561 725)	(68 864)	(55 428)	-	**(1 293 168)**
Increase of impairment	-	(92 069)	(77 203)	(36 398)	(2 128)	(62 072)	**(269 870)**
Decrease of impairment	-	2 178	367	-	3	6 040	**8 588**
Sale	-	734	66 865	-	20 918	-	**88 517**
Liquidation	-	23 835	63 117	90 684	7 861	-	**185 497**
Transfers to/from assets held for sale	-	9 369	38	-	159	-	**9 566**
Other movements	(2)	(482)	978	-	71	-	**565**
Foreign exchange differences from translation of foreign entity	-	-	(2)	-	(4)	-	**(6)**
Closing balance	**(406)**	**(10 263 482)**	**(11 272 696)**	**(67 036)**	**(639 806)**	**(195 534)**	**(22 438 960)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**125 465**	**14 175 166**	**8 368 349**	**168 616**	**332 082**	**6 236 989**	**29 406 667**
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**127 042**	**14 723 222**	**8 855 381**	**207 315**	**316 147**	**7 148 883**	**31 377 990**
of which operating segments:				-			
Mining	**3 118**	**416 845**	**371 826**	**204 026**	**9 651**	**396 049**	**1 401 515**
Generation	**43 242**	**2 503 802**	**3 864 148**	**-**	**26 608**	**5 590 339**	**12 028 139**
Distribution	**63 823**	**11 332 817**	**4 506 717**	**-**	**261 426**	**1 135 165**	**17 299 948**
Other segments and other operations	**16 859**	**469 758**	**112 690**	**3 289**	**18 462**	**27 330**	**648 388**

(in '000 PLN)

For the 9-month period ended 30 September 2018 *(restated, unaudited)*

	Land	Buildings, premises and civil engineering structures	Plant and machinery	Mine workings	Other	Assets under construction	Property, plant and equipment, total
COST							
Opening balance	**122 780**	**22 580 965**	**18 647 127**	**-**	**895 144**	**4 856 088**	**47 102 104**
Opening balance adjustments	**-**	**-**	**-**	**196 185**	**-**	**-**	**196 185**
Restated opening balance	**122 780**	**22 580 965**	**18 647 127**	**196 185**	**895 144**	**4 856 088**	**47 298 289**
Direct purchase	-	-	-	724	-	2 056 668	**2 057 392**
Borrowing costs	-	-	-	-	-	124 280	**124 280**
Transfer of assets under construction	4 835	760 128	432 776	-	38 522	(1 236 261)	**-**
Sale	(29)	(1 095)	(47 134)	-	(18 835)	(23)	**(67 116)**
Liquidation	(41)	(43 486)	(47 310)	(97 072)	(7 181)	(36)	**(195 126)**
Received free of charge	189	8 589	12	-	-	-	**8 790**
Transfers to/from assets held for sale	(164)	(2 060)	(7 635)	-	(2 012)	-	**(11 871)**
Overhaul expenses	-	-	-	-	-	42 987	**42 987**
Items generated internally	-	-	-	118 768	-	31 193	**149 961**
Other movements	(351)	(1 389)	2 850	-	(2 656)	(1 142)	**(2 688)**
Foreign exchange differences from translation of foreign entity	-	-	8	-	12	-	**20**
Closing balance	**127 219**	**23 301 652**	**18 980 694**	**218 605**	**902 994**	**5 873 754**	**49 404 918**
ACCUMULATED DEPRECIATION							
Opening balance	**(407)**	**(8 553 035)**	**(9 866 322)**	**-**	**(565 315)**	**(37 139)**	**(19 022 218)**
Depreciation for the period	-	(601 767)	(554 777)	(85 516)	(58 168)	-	**(1 300 228)**
Increase of impairment	-	(289 671)	(243 806)	(76 266)	(6 062)	(104 744)	**(720 549)**
Decrease of impairment	-	130 018	222 063	-	95	20	**352 196**
Sale	-	800	44 349	-	18 215	-	**63 364**
Liquidation	-	37 534	44 200	97 072	7 154	-	**185 960**
Transfers to/from assets held for sale	-	1 333	7 201	-	1 624	-	**10 158**
Other movements	-	442	(1 350)	-	1 806	-	**898**
Foreign exchange differences from translation of foreign entity	-	-	(5)	-	(5)	-	**(10)**
Closing balance	**(407)**	**(9 274 346)**	**(10 348 447)**	**(64 710)**	**(600 656)**	**(141 863)**	**(20 430 429)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**122 373**	**14 027 930**	**8 780 805**	**-**	**329 829**	**4 818 949**	**28 079 886**
Opening balance adjustments	-	-	-	196 185	-	-	**196 185**
RESTATED NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**122 373**	**14 027 930**	**8 780 805**	**196 185**	**329 829**	**4 818 949**	**28 276 071**
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**126 812**	**14 027 306**	**8 632 247**	**153 895**	**302 338**	**5 731 891**	**28 974 489**
of which operating segments:							
Mining	**2 949**	**495 332**	**410 262**	**151 617**	**9 910**	**275 506**	**1 345 576**
Generation	**45 597**	**2 372 294**	**3 817 285**	**-**	**31 866**	**4 429 196**	**10 696 238**
Distribution	**61 406**	**10 691 940**	**4 295 582**	**-**	**245 281**	**1 008 093**	**16 302 302**
Other segments and other operations	**16 860**	**467 740**	**109 118**	**2 278**	**15 281**	**19 096**	**630 373**

The tables above present mine workings under the accounting principles (policy) changed by the TAURON Group as of 1 January 2019, which has been further described in note 8.2 hereto.

In the 9-month period ended 30 September 2019, the Group acquired property, plant and equipment (including capitalized costs of external financing) in amount of PLN 2 352 150 thousand. The major purchases were made in connection with investments in the following operating segments:

Operating segment	9-month period ended 30 September 2019 *(unaudited)*	9-month period ended 30 September 2018 *(unaudited)*
Distribution	1 293 306	1 167 974
Generation	791 708	841 526
Mining	219 032	151 940

Impairment tests

Considering the Company's long-term net market value of assets remaining lower than the carrying amount and ongoing changes in the prices of electricity, raw materials and CO_2 emission allowances, amended Act of 28 December 2018 amending the Excise Duty Act and certain other acts, the effects of changes in the market standing in Q3 2019 were analyzed.

In the analyzed period, a market adjustment of the CO_2 emission allowances was observed, following the historical peak in July 2019. Also, market prices of electricity and natural gas were adjusted as a result of decreases in the prices of the CO_2 emission allowances and a rapid growth in RES. Following an analysis of the market and regulatory events, it was concluded that they were not material factors that would necessitate changes to long-term projections based on the information available as at the date of approval of these TAURON Polska Group condensed interim consolidated financial statements for publication for the 9-month period ended 30 September 2019.

(in '000 PLN)

Therefore, it was assumed that the most recent results of impairment tests focusing on property, plant and equipment and goodwill, which were performed as at 30 June 2019, were up-to-date.

In the 9-month period ended 30 September 2019, the Group recognized impairment losses on property, plant and equipment as a result of impairment tests performed as at 30 June 2019.

The recoverable amount of that asset group is equal to its value in use.

The impairment loss resulting from the tests performed as at 30 June 2019 was related to the following cash generating units:

CGU	Company	Discount rate (before tax) assumed in tests as at:		Recoverable amount	Impairment loss recognized	Impairment loss derecognized
		As at 30 June 2019 *(unaudited)*	As at 31 December 2018	As at 30 June 2019 *(unaudited)*	9-month period ended 30 September 2019	
Mining	TAURON Wydobycie S.A.	11.40%	11.58%	750 667	269 314	-
Generation - Coal	TAURON Wytwarzanie S.A. / Nowe Jaworzno Grupa TAURON Sp. z o.o.	8.61%	8.59%	6 850 944	-	-
Generation - Biomass		8.61%	8.59%	2 261	-	-
ZW BB EC1	TAURON Ciepło Sp. z o.o.	7.65%	7.51%	390 321	-	-
ZW BB EC2				1 909	-	-
ZW Katowice				1 025 991	-	-
ZW Tychy				600 317	-	-
Local generators				149 178	-	-
Transmission		7.24%	6.91%	764 698	-	-
Hydropower plants	TAURON Ekoenergia Sp. z o.o.	9.16%	9.31%	925 047	-	-
Wind farms		9.63%	10.00%	984 709	-	-
Total impairment allowances					**269 314**	**-**

In the statement of comprehensive income, impairment losses of PLN 269 314 thousand were charged to:

- cost of sales - PLN 257 232 thousand;
- administrative expenses - PLN 10 259 thousand;
- selling and distribution expenses - PLN 1 823 thousand.

As at 30 June 2019, impairment tests were performed for property, plant and equipment based on the following indications:

- the market value of the Company's net assets remaining below their carrying amount for a long period;
- changes in global prices of energy commodities, electricity and rapid increases in the prices of CO_2 emission allowances;
- material fluctuations of energy prices on the future/forward market and continuing liquidity problems;
- an increase in power price limits on the current wholesale market and on the balancing market;
- regulatory activities aimed at the limiting of end user price increases;
- increased risk related to the production of marketable coal;
- effects of introducing the currently proceeded Renewable Energy Sources Act and the outcome of the current RES auction, as well as those of rapid development of the prosumer and micro-installation subsector;
- proceeding winter package provisions (including emission standards) that adversely impact the capability of coal-based units to participate in the power market after 1 July 2025;
- tightening emission standards and persisting unfavorable market conditions for the conventional power industry profitability;
- effects of introducing the Act on Promoting Power from Highly Efficient Cogeneration and changes on the energy efficiency market;
- an increase in the risk-free rate.

The tests performed as at 30 June 2019 required the estimation of the value in use of cash generating units, based on their future cash flows discounted to their present value.

The impairment tests for property, plant and equipment and intangible assets (non-current assets) were carried out at the level of individual companies, except for:

- TAURON Wytwarzanie S.A. and Nowe Jaworzno Grupa TAURON Sp. z o.o., where the CGU identification was performed on a different level, resulting in identification of two CGU generating cash benefits in TAURON Wytwarzanie S.A. and in Nowe Jaworzno Grupa TAURON Sp. z o.o.: CGU Generation Coal and CGU Generation Biomass. Key indications included: the new Power Market mechanism published in 2018, launching a new product: the power obligation; the strategy of joining the Power Market consisting in the portfolio approach, where maximizing the total Power Market revenue matters; allocating power to suppliers; determining the reserve sources level for the other power contracted at the power market and high dependence of cash proceeds among generators. Results of the three initial Capacity Market auctions carried out in 2018 allow additional cash proceeds beginning from 2021;
- TAURON Ekoenergia Sp. z o.o., where the test was carried out separately for electricity generation in hydropower plants - Hydropower Plants CGU, and separately for electricity generation in wind farms – Wind Farms CGU;
- TAURON Ciepło Sp. z o.o. – where generation of heat and electricity was separated from transmission and distribution of heat. Additional tests were carried out for individual generation units: ZW Katowice CGU, ZW Tychy CGU, ZW BBEC1 CGU, ZW BBEC2 CGU, Local Generators CGU.

Key assumptions made for purposes of tests performed as at 30 June 2019:

- Coal prices were assumed to remain stable in the coming years. In the long run, coal prices will decrease as a result of the implementation of climate policy and the strategy to replace coal with energy from renewable sources followed by a growing number of countries. Prices forecast by 2030 show a downward trend. It has been assumed that in the years 2021–2040 the prices of power coal will decrease by 12%;
- The electricity wholesale price projections for the years 2019-2028 with the perspective up to 2040, assume among others 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. The price growth assumed for 2020 versus the average SPOT price in the first half of 2019 is 19%. For 2021, the electricity prices are assumed to drop by 2% versus 2020, among others as a result of the startup of the Capacity Market and the new units in Opole and Jaworzno reaching their full capacity. For the period until 2028, an increase of 4.7% is assumed versus 2021 followed by a drop by 8.1% between 2029 and 2040 (fixed prices) versus 2028;
- The operating reserve capacity mechanism is to remain in place until the end of 2020, i.e. until the Capacity Market has been implemented. Other assumptions include the extension of the ICR (Intervention Cold Reserve) mechanism until December 2020 in line with the demand indicated by PSE S.A.;
- The Capacity Market mechanism implementation has been performed in line with the adopted and notified Act on the Capacity Market and the Capacity Market Regulations. With regard to the operating coal-based units that do not meet the EPS 550 criterion, commencement of payments for power in 2021 to be continued to 2025 has been assumed (for which emission rate per unit exceeds 550kg/MWh). For entities that realized or will realize long-term contracts by 31 December 2019 and do not meet the EPS 550 criterion, payments have been assumed to be continued until the contract expiration date;
- CO_2 emission limits for heat generation have been set in line with the regulation of the Council of Ministers and adjusted by the level of operations, i.e. generation of heat;
- The CO_2 emission allowance price growth path for the years 2019-2028 with the perspective by 2040 was adopted. It has been assumed that the market price will increase by ca. 37% by 2028, versus the average price observed in the first half of 2019, with slight decreases in the prices of CO_2 emission allowances in 2029-2040 versus 2028 (fixed prices), totaling 10.6%. This results from the assumed increase in decarbonization of the economy and the resultant drop in demand for emission allowances after 2030;
- The price path assumed for energy certificates and the obligation to surrender energy certificates in the subsequent years are based on the Act on Renewable Energy Sources;
- Limited support periods for green energy have been assumed in accordance with the Act on Renewable Energy Sources, which provides for new support mechanisms for renewable energy. The support period has been limited to 15 years as from the date of the first supply of electricity qualifying for an energy certificate to the network;

- Regulated revenue generated by distribution companies, ensuring coverage of reasonable costs and a reasonable level of return on capital has been assumed. The return on capital is conditional on the Regulatory Asset Value;
- The electricity retail price path has been adopted based on the wholesale price of black energy, taking into account the costs of excise duty, the obligation to surrender energy certificates as well as the expected margin level. In 2019 effects of changes in the Excise Duty Act and certain other acts of 28 December 2018, introducing regulations regarding electricity prices and fees included in tariffs, considering an excise duty reduction.
- End-user sales volumes taking into account GDP growth and increased market competition have been applied;
- Tariff revenue generated by heat companies, ensuring coverage of reasonable costs and a reasonable level of return on capital has been assumed;
- Maintaining the production capacity of the existing non-current assets as a result of replacement investments has been assumed;
- The weighted average cost of capital (WACC) during the projection period, as used in the calculations, ranges from 6.60% to 11.40% in nominal terms before tax for each CGU, taking into account the risk free rate determined by reference to the yield on 10-year treasury bonds (4.07%) and the risk premium for operations appropriate for the power industry (6%). The growth rate used for extrapolation of projected cash flows beyond the detailed planning period is 2.5% and it corresponds to the estimated long-term inflation rate. As at 30 June 2019, WACC increased versus 31 December 2018 mainly due to an increase in the risk free rate and in costs of debt financing.

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

The need to recognize an impairment on the Mining CGU assets in H1 2019 resulted in particular from an update of technical and economic assumptions, including the effects of current mining and geological conditions.

A sensitivity analysis performed for each CGU revealed that the value in use of the tested assets was mainly affected by the forecast electricity prices, carbon emission allowance prices, discount rates and hard coal prices. Presented below are estimated changes in the impairment loss on the Mining and Generation segment assets as at 30 June 2019 as a result of changes to key assumptions.

Parameter	Change	Impact on impairment loss *(in PLN million)*	
		Increase of impairment loss (net)	Decrease of impairment loss (net)
Change of electricity prices in the forecast period	+1%	-	531
	-1%	531	-
Change of CO_2 emission allowances prices in the forecast period	+1%	214	-
	-1%	-	214
Change of WACC (net)	+0.1 p.p.	165	-
	-0.1 p.p.	-	169
Change of coal prices in the forecast period	+1%	69	-
	-1%	-	69

(in '000 PLN)

18. Right-of-use assets

For the 9-month period ended 30 September 2019 *(unaudited)*

	Land	Perpetual usufruct right	Buildings, premises and civil engineering structures	Plant and machinery	Motor vehickles	Transmission easements	Right-of-use assets in progress	Right-of-use assets total
COST								
Opening balance	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Impact of IFRS 16 *Leases*	88 543	1 071 372	166 028	28 978	3 748	15 132	-	**1 373 801**
Restated opening balance	**88 543**	**1 071 372**	**166 028**	**28 978**	**3 748**	**15 132**	**-**	**1 373 801**
Increase due to a new lease contract	1 770	5	4 275	20 266	2 443	360	-	**29 119**
Increase(decrease) due to lease changes	6 213	(119)	2 514	(792)	474	13	-	**8 303**
Business acquisition	27 488	-	-	-	-	-	-	**27 488**
Other movements	(677)	4 714	(470)	-	(143)	1 891	34	**5 349**
Closing balance	**123 337**	**1 075 972**	**172 347**	**48 452**	**6 522**	**17 396**	**34**	**1 444 060**
ACCUMULATED DEPRECIATION								
Opening balance	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Impact of IFRS 16 *Leases*	-	(25 387)	-	-	-	(2 346)	-	**(27 733)**
Restated opening balance	**-**	**(25 387)**	**-**	**-**	**-**	**(2 346)**	**-**	**(27 733)**
Depreciation for the period	(3 764)	(24 364)	(11 302)	(12 787)	(1 474)	(597)	-	**(54 288)**
Increase of impairment	-	(1 492)	(21)	(5 512)	(55)	-	-	**(7 080)**
Decrease of impairment	-	140	-	-	-	-	-	**140**
Other movements	19	48	10	-	26	-	-	**103**
Closing balance	**(3 745)**	**(51 055)**	**(11 313)**	**(18 299)**	**(1 503)**	**(2 943)**	**-**	**(88 858)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**119 592**	**1 024 917**	**161 034**	**30 153**	**5 019**	**14 453**	**34**	**1 355 202**

The Group has decided to apply the modified retrospective approach and the practical expedients allowed by IFRS 16 *Leases*, i.e. with the cumulative effect of initially applying this standard recognized as at 1 January 2019. The Group decided not to restate the comparative information, as permitted by the Standard.

19. Goodwill

Operating segment	As at 30 September 2019 *(unaudited)*	As at 31 December 2018
Distribution	25 602	25 602
Other segments	581	581
Total	**26 183**	**26 183**

Impairment tests

The test was performed for the net assets increased by goodwill in each operating segment. The recoverable amount in each company was determined based on the value in use.

The test was performed based on the present value of projected cash flows from operations. The calculations were based on detailed projections for the period from 2019 to 2028 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 on the market. Projections also take into account changes in the regulatory environment known as at the date of the test.

The weighted average cost of capital (WACC) during the projection period for each CGU, as used in the calculations, ranges from 7.78% to 7.80% in nominal terms before tax, taking into account the risk free rate determined by reference to the yield on 10-year treasury bonds (4.07%) and the risk premium for operations appropriate for the power industry (6%). The growth rate used for extrapolation of projected cash flows beyond the detailed planning period is 2.5% and it corresponds to the estimated long-term inflation rate. As at 30 June 2019, WACC increased versus 31 December 2018 mainly due to an increase in costs of debt financing and in the risk free rate.

The key assumptions affecting the estimated value in use and the discount rates applied during tests:

(in '000 PLN)

Operating segment	Key assumptions	Discount rate (before tax) assumed in tests as at:	
		30 June 2019 *(unaudited)*	31 grudnia 2018
Distribution	• Regulated revenue generated by distribution companies, ensuring coverage of reasonable costs and a reasonable level of return on capital. The return level depends on the so-called Regulatory Value of Assets. • Maintaining generation capacity of the existing non-current assets as a result of replacement investments.	7.78%	7.61%

The impairment test performed as at 30 June 2019 did not reveal impairment of the carrying amount of goodwill in any segment.

20. Energy certificates and CO_2 emission allowances

20.1. Long-term energy certificates and CO_2 emission allowances

For the 9-month period ended 30 September 2019 *(unaudited)*

	Energy certificates	CO_2 emission allowances	Total
Opening balance	**208 585**	**453 018**	**661 603**
Direct purchase	150 137	-	**150 137**
Reclassification	(191 943)	(406 301)	**(598 244)**
Closing balance	**166 779**	**46 717**	**213 496**

For the 9-month period ended 30 September 2018 *(unaudited)*

	Energy certificates	CO_2 emission allowances	Total
Opening balance	**95 795**	**207 335**	**303 130**
Direct purchase	143 604	420	**144 024**
Reclassification	(89 355)	(181 724)	**(271 079)**
Closing balance	**150 044**	**26 031**	**176 075**

20.2. Short-term energy certificates and CO_2 emission allowances

For the 9-month period ended 30 September 2019 *(unaudited)*

	Energy certificates	CO_2 emission allowances	Total
Opening balance	**90 267**	**111 396**	**201 663**
Direct purchase	310 690	-	**310 690**
Generated internally	92 558	-	**92 558**
Business acquisition	10 658	-	**10 658**
Surrendered	(165 801)	(113 647)	**(279 448)**
Reclassification	191 943	406 301	**598 244**
Closing balance	**530 315**	**404 050**	**934 365**

For the 9-month period ended 30 September 2018 *(unaudited)*

	Energy certificates	CO_2 emission allowances	Total
Opening balance	**327 324**	**324 936**	**652 260**
Direct purchase	266 315	80 299	**346 614**
Generated internally	47 396	-	**47 396**
Surrendered	(439 548)	(326 748)	**(766 296)**
Reclassification	89 091	181 724	**270 815**
Closing balance	**290 578**	**260 211**	**550 789**

(in '000 PLN)

21. Other intangible assets

For the 9-month period ended 30 September 2019 *(unaudited)*

	Development expenses	Perpetual usufruct right	Software, concessions, patents, licenses and similar items	Other intangible assets	Intangible assets not made available for use	Intangible assets total
COST						
Opening balance	**6 403**	**774 682**	**776 434**	**271 336**	**85 486**	**1 914 341**
Impact of IFRS 16 *Leases*	-	(759 077)	-	(13 612)	-	**(772 689)**
Restated opening balance	**6 403**	**15 605**	**776 434**	**257 724**	**85 486**	**1 141 652**
Direct purchase	-	-	-	-	62 699	**62 699**
Transfer of intangible assets not made available for use	2 543	-	49 711	15 235	(67 489)	**-**
Sale/Liquidation	-	-	(19 897)	(564)	-	**(20 461)**
Other movements	-	-	(391)	354	(643)	**(680)**
Foreign exchange differences from translation of foreign entity	-	-	15	-	-	**15**
Closing balance	**8 946**	**15 605**	**805 872**	**272 749**	**80 053**	**1 183 225**
ACCUMULATED AMORTIZATION						
Opening balance	**(5 744)**	**(25 387)**	**(493 665)**	**(101 835)**	**(7)**	**(626 638)**
Impact of IFRS 16 *Leases*	-	25 387	-	2 346	-	**27 733**
Restated opening balance	**(5 744)**	**-**	**(493 665)**	**(99 489)**	**(7)**	**(598 905)**
Amortization for the period	(173)	-	(67 462)	(12 753)	-	**(80 388)**
Increase of impairment	-	-	(311)	(23)	(10)	**(344)**
Sale/Liquidation	-	-	19 895	545	-	**20 440**
Other movements						
Foreign exchange differences from translation of foreign entity	-	-	(15)	-	-	**(15)**
Closing balance	**(5 917)**	**-**	**(541 558)**	**(111 746)**	**(17)**	**(659 238)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERI(	**659**	**749 295**	**282 769**	**169 501**	**85 479**	**1 287 703**
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**3 029**	**15 605**	**264 314**	**161 003**	**80 036**	**523 987**

For the 9-month period ended 30 September 2018 *(unaudited)*

	Development expenses	Perpetual usufruct right	Software, concessions, patents, licenses and similar items	Other intangible assets	Intangible assets not made available for use	Intangible assets total
COST						
Opening balance	**6 403**	**773 287**	**644 480**	**236 548**	**148 502**	**1 809 220**
Direct purchase	-	3 926	-	-	65 667	**69 593**
Transfer of intangible assets not made available for use	-	1 328	55 204	16 580	(73 112)	**-**
Sale/Liquidation	-	(406)	(19 839)	(313)	-	**(20 558)**
Other movements	-	(3 250)	(165)	2 078	1 778	**441**
Foreign exchange differences from translation of foreign entity	-	-	23	-	-	**23**
Closing balance	**6 403**	**774 885**	**679 703**	**254 893**	**142 835**	**1 858 719**
ACCUMULATED AMORTIZATION						
Opening balance	**(5 265)**	**(25 371)**	**(439 639)**	**(84 861)**	**(7)**	**(555 143)**
Amortization for the period	(190)	-	(54 527)	(12 969)	-	**(67 686)**
Increase of impairment	-	(43)	(935)	(81)	-	**(1 059)**
Decrease of impairment	-	27	-	-	-	**27**
Sale/Liquidation	-	-	19 784	310	-	**20 094**
Other movements	-	-	141	-	-	**141**
Foreign exchange differences from translation of foreign entity	-	-	(23)	-	-	**(23)**
Closing balance	**(5 455)**	**(25 387)**	**(475 199)**	**(97 601)**	**(7)**	**(603 649)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERI(	**1 138**	**747 916**	**204 841**	**151 687**	**148 495**	**1 254 077**
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**948**	**749 498**	**204 504**	**157 292**	**142 828**	**1 255 070**

The Group has decided to apply the modified retrospective approach and the practical expedients allowed by IFRS 16 *Leases*, i.e. with the cumulative effect of initially applying this standard recognized as at 1 January 2019. The Group decided not to restate the comparative information, as permitted by the Standard. Therefore, in the 9-month period ended 30 September 2018, the right of perpetual usufruct of land and easement were classified to other intangible assets. As at 1 January 2019, the Group reclassified the rights of perpetual usufruct to land and other intangible assets (easement), which as at 1 January 2019 amounted to PLN 744 956 thousand and which are covered by IFRS 16 *Leases*, from other intangible assets to the right-of-use assets.

(in '000 PLN)

Under other intangible assets the Group recognizes the rights of perpetual usufruct of land of PLN 15 605 thousand held by a limestone mine owned by a subsidiary, excluded from the scope IFRS 16 *Leases*.

22. Interests in joint ventures

Investments in joint-ventures measured using the equity method as at 30 September 2019 and for the 9-month period ended 30 September 2019 have been presented below:

	Elektrociepłownia Stalowa Wola S.A.	TAMEH HOLDING Sp. z o.o. *	As at 30 September 2019 or for the 9-month period ended 30 September 2019 *(unaudited)*
Non-current assets	1 541 627	2 213 696	**3 755 323**
Current assets, *including:*	53 286	736 445	**789 731**
cash and cash equivalents	*32 823*	*214 839*	***247 662***
Non-current liabilities (-) *including:*	(1 584 636)	(928 949)	**(2 513 585)**
debt	*(1 581 668)*	*(834 607)*	***(2 416 275)***
Current liabilities (-) *including:*	(475 895)	(798 792)	**(1 274 687)**
debt	*(20 615)*	*(138 896)*	***(159 511)***
Total net assets	(465 618)	1 222 400	**756 782**
Share in net assets	(232 809)	611 200	**378 391**
Investment in joint ventures	**-**	**570 451**	**570 451**
Share in revenue of joint ventures	284	588 568	**588 852**
Share in profit/(loss) of joint ventures	**-**	**55 517**	**55 517**
Share in other comprehensive income of joint ventures	**-**	**228**	**228**

** The data relates to the TAMEH HOLDING Sp. z o.o. Capital Group. The value of the interest held in TAMEH HOLDING Sp. z o.o. differs from the net worth of assets attributable to the Group, because the cost of shares in TAMEH HOLDING Sp. z o.o. was calculated taking into account the fair value of the share contributed to the joint venture by companies from the ArcelorMittal Capital Group.*

Investments in joint ventures measured using the equity method as at 31 December 2018 and for the 9-month period ended 30 September 2018 have been presented below:

	Elektrociepłownia Stalowa Wola S.A. *(restated figures)*	TAMEH HOLDING Sp. z o.o. *	As at 31 December 2018 *(restated figures)* or for the 9-month period ended 30 September 2018 *(unaudited)*
Non-current assets	1 362 534	2 027 410	**3 389 944**
Current assets, *including:*	11 625	775 825	**787 450**
cash and cash equivalents	*3 376*	*336 462*	***339 838***
Non-current liabilities (-) *including:*	(1 399 226)	(849 842)	**(2 249 068)**
debt	*(1 343 897)*	*(768 011)*	***(2 111 908)***
Current liabilities (-) *including:*	(416 860)	(783 951)	**(1 200 811)**
debt	*(6 437)*	*(122 628)*	***(129 065)***
Total net assets	(441 927)	1 169 442	**727 515**
Share in net assets	(220 964)	584 721	**363 757**
Investment in joint ventures	**-**	**543 913**	**543 913**
Share in revenue of joint ventures	44	541 748	**541 792**
Share in profit/(loss) of joint ventures	**-**	**40 663**	**40 663**
Share in other comprehensive income of joint ventures	**-**	**380**	**380**

** The data relates to the TAMEH HOLDING Sp. z o.o. Capital Group.*

Elektrociepłownia Stalowa Wola S.A.

Elektrociepłownia Stalowa Wola S.A. is a special purpose vehicle established in 2010 on the initiative of TAURON Polska Energia S.A. and PGNiG S.A. The entity was registered to carry out an investment project, i.e. construction of a gas and steam unit fueled with natural gas in Stalowa Wola with the gross maximum electrical capacity of 450 MWe and the net heat capability of 240 MWt.

TAURON Polska Energia S.A. indirectly holds 50% interest in the company's issued capital and in its governing body, exercised through TAURON Wytwarzanie S.A. Due to the fact that in 2015 the accumulated share of losses of the joint venture and the adjustment to "top-down" transactions between the Group companies and the joint venture exceeded the value of the interest in the joint venture, the Company discontinued to recognize its share of any further losses of the joint venture.

Additionally, the Company has receivables arising from loans disbursed to Elektrociepłownia Stalowa Wola S.A. with the carrying amount of PLN 239 465 thousand, which has been discussed in more detail in Note 23 hereto.

Ruling of the Court of Arbitration of the National Chamber of Commerce regarding claims of Abener Energia S.A. against Elektrociepłownia Stalowa Wola S.A.

On 25 April 2019 the Court of Arbitration of the National Chamber of Commerce in Warsaw issued a ruling in a case filed by Abener Energia S.A. against Elektrociepłownia Stalowa Wola S.A., a joint venture of the Tauron Group, in which the Company holds indirectly, through subsidiary TAURON Wytwarzanie S.A., 50% of shares in the issued capital.

The proceedings related to the claim for payment, declaration as to the legal relationship and the obligation to submit a declaration of will in connection with the terminated contract between Abener Energia S.A. (general contractor) and Elektrociepłownia Stalowa Wola S.A. (ordering party) to construct a gas and steam unit in Stalowa Wola. Under the ruling of the Court of Arbitration Elektrociepłownia Stalowa Wola S.A. was ordered to pay to Abener Energia S.A. PLN 333 793 thousand with statutory interests for the delay and the court fees.

On 24 June 2019 Elektrociepłownia Stalowa Wola S.A. appealed against the decision to the Appellate Court in Rzeszów, among others indicating a breach of the domestic legal order. After the reporting period end, on 9 October 2019, Abener Energia S.A. presented its position regarding the complaint filed by Elektrociepłownia Stalowa Wola S.A. of 24 June 2019, motioning for its dismissal.

On 15 July 2019 Elektrociepłownia Stalowa Wola S.A. received a motion of Abener Energia S.A. to make the decision enforceable, addressed to the Appellate Court in Rzeszów. In response to that motion, on 29 July 2019 Elektrociepłownia Stalowa Wola S.A. filed its position with the common court, requesting the postponing of the related proceedings until the completion of the court proceedings instigated as a result of the appeal. In a decision of 5 August 2019 the Appellate Court in Rzeszów postponed the proceedings related to the enforceability motion until the completion of the proceedings instigated as a result of the appeal. On 9 September 2019 Elektrociepłownia Stalowa Wola S.A. received a motion of Abener Energia S.A. regarding resumption od the decision issued by the Appellate Court in Rzeszów on 5 August 2019 and dismissal of the motion filed by Elektrociepłownia Stalowa Wola S.A. to deny the statement of reinforceability regarding the decision, and (a possible motion) to establish a collateral in the form of depositing PLN 414 399 thousand at court, or of a judicial mortgage of up to PLN 414 399 thousand established on the real property owned by Elektrociepłownia Stalowa Wola S.A., or in another form. The proceedings are pending.

In relation to the above decision, in the financial statements for the year 2018, Elektrociepłownia Stalowa Wola S.A. recognized a provision of PLN 333 802 thousand, which reduced the share in net assets attributable to the TAURON Group. The Group presented comparative data regarding investments in joint ventures as at 31 December 2018 including the effect of the above provision.

The contract for the construction of a gas and steam unit, concluded between Elektrociepłownia Stalowa Wola S.A. and Abener Energia S.A. does not include regulations that would obligate the Company or the TAURON Group companies to pay the consideration receivable by Abener Energia S.A. from Elektrociepłownia Stalowa Wola S.A.

TAMEH HOLDING Sp. z o.o. and subsidiaries

In 2014 the TAURON Group and the ArcelorMittal Group entered into a shareholders' agreement whereby TAMEH HOLDING Sp. z o.o. is responsible for investment and operational projects related to the industrial power sector. The duration of the agreement is 15 years and may be extended. Each capital group holds 50% of shares in TAMEH HOLDING Sp. z o.o.

(in '000 PLN)

TAMEH HOLDING Sp. z o.o. holds 100% of shares in TAMEH POLSKA Sp. z o.o., incorporated by the following entities contributed by the TAURON Group: Zakład Wytwarzania Nowa and Elektrownia Blachownia along with Kraków Heat and Power Plant contributed by the ArcelorMittal Group. Moreover, TAMEH HOLDING Sp. z o.o. holds 100% of shares in TAMEH Czech s.r.o., owner of the Ostrava Heat and Power Plant.

On 28 June 2019, the General Shareholders' Meeting of TAMEH Holding Sp. z o.o. decided to allocate PLN 64 356 thousand to pay dividends to the shareholders. The Group's interest in the joint venture TAMEH Holding Sp. z o.o. was reduced by the value of the dividend payable to the Group in the amount of PLN 32 178 thousand.

23. Loans to joint ventures

Loans to the joint venture Elektrociepłownia Stalowa Wola S.A. as at 30 September 2019 and 31 December 2018 have been presented below.

	Agreement date	Loan amount according to agreement	As at 30 September 2019 *(unaudited)*				Maturity date	Interest rate
			Principal/ Measurement	Interest	Impairment allowance	Total		
Loans measured at fair value								
Borrower's debt consolidation agreement	28.02.2018	609 951	211 511			**211 511**	30.06.2033	fixed
Loans measured at amortized cost								
VAT loan	11.04.2018	6 500	6 500	11	(184)	**6 327**	30.09.2020	WIBOR 1M+mark-up
Other loans	30.03.2018	7 290	7 000	815	(214)	**7 601**	30.06.2033	fixed
	19.12.2018	9 500	8 535	500	(248)	**8 787**		
	12.03.2019	5 175	5 175	211	(147)	**5 239**		
Total			**238 721**	**1 537**	**(793)**	**239 465**		
Non-current			232 221	1 526	(609)	**233 138**		
Current			6 500	11	(184)	**6 327**		

	Agreement date	Loan amount according to	As at 31 December 2018				Maturity date	Interest rate
			Principal/ Measurement	Interest	Impairment allowance	Total		
Loans measured at fair value								
Borrower's debt consolidation agreement	28.02.2018	609 951	199 256			**199 256**	30.06.2033	fixed
Loans measured at amortized cost								
VAT loan	11.04.2018	6 500	2 650	5	(68)	**2 587**	30.09.2020	WIBOR 1M+mark-up
Other loans	30.03.2018	7 290	7 000	400	(182)	**7 218**	30.06.2033	fixed
	19.12.2018	9 500	8 535	21	(210)	**8 346**		
Total			**217 441**	**426**	**(460)**	**217 407**		
Non-current			217 441	421	(460)	**217 402**		
Current			-	5	-	**5**		

The key item is the agreement to consolidate the borrower's debt of 28 February 2018 to the aggregate amount of PLN 609 951 thousand, whereby all the existing liabilities of Elektrociepłownia Stalowa Wola S.A. to the Company arising from loans extended and unpaid by 28 February 2018 were renewed. As at the date these condensed interim consolidated financial statements, the nominal value of the subordinated debt to the Company was PLN 310 851 thousand. The principal of PLN 299 100 thousand was repaid on 30 April 2018. This is subordinated debt, whose fair value as at the reporting period end amounted to PLN 211 511 thousand.

After the reporting period end, on 3 October 2019, Annex 1 to the VAT loan agreement was concluded; as a result, the loan limit increased from PLN 6 500 thousand to PLN 15 000 thousand.

(in '000 PLN)

24. Receivables due to financial compensation and other financial assets

	As at 30 September 2019 *(unaudited)*	As at 31 December 2018
Receivables due to financial compensation for traiding companies	821 456	-
Derivative instruments	242 346	220 343
Initial margins	276 682	163 495
Shares	144 371	138 492
Bid bonds, deposits and collateral transferred	147 719	89 498
Deposits and term deposits for Mining Decommissioning Fund	50 495	47 126
Investment fund units	26 448	26 063
Loans granted	8 450	10 145
Other	13 542	2 548
Total	**1 731 509**	**697 710**
Non-current	262 499	254 677
Current	1 469 010	443 033

Receivables due to financial compensation for trading companies includes the estimated revenue from compensation - Price difference and Financial compensation, as described in detail in Notes 6.1 and 11 hereto.

An asset resulting from a positive measurement of derivatives includes mostly futures based on CO_2 emission allowances.

Initial margins are related mostly to futures on the CO_2 emission allowances concluded on foreign regulated markets.

As at 30 September 2019 and 31 December 2018 the shares held by the Group are mainly shares in the following entities:

- SCE Jaworzno III Sp. z o.o., in the amount of PLN 30 989 thousand;
- Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o., in the amount of PLN 23 754 thousand;
- PGE EJ 1 Sp. z o.o., in the amount of PLN 18 651 thousand;
- ElectroMobility Poland S.A., in the amount of PLN 17 500 thousand;
- Energetyka Cieszyńska Sp. z o.o., in the amount of PLN 14 697 thousand;
- Magenta Grupa TAURON Sp. z o.o. in the amount of PLN 9 500 thousand.

25. Other non-financial assets

25.1. Other non-current non-financial assets

	As at 30 September 2019 *(unaudited)*	As at 31 December 2018 *(restated figures)*
Prepayments for assets under construction and intangible assets *including:*	95 776	101 755
related to project realization: Construction of 910 MW Power Unit in Jaworzno	*90 366*	*98 114*
Prepayments for debt charges	9 704	14 307
Contract acquisition costs and costs of discounts	5 843	13 496
Other prepayments	35 274	38 493
Total	**146 597**	**168 051**

(in '000 PLN)

25.2. Other current non-financial assets

	As at 30 September 2019 *(unaudited)*	As at 31 December 2018 *(restated figures)*
Costs settled over time	**51 807**	**50 421**
IT, telecom and postal services	14 476	21 062
Contract acquisition costs and costs of discounts	10 165	10 624
Property and tort insurance	4 279	8 012
Prepayments for debt charges	3 810	3 414
Other prepayments	19 077	7 309
Other current non-financial assets	**35 877**	**5 208**
Advance payments for deliveries	4 906	3 218
Surplus of Social Benefit Foud assets over liabilities	4 174	-
Transfers made to the Social Benefit Fund	13 558	-
Other current assets	13 239	1 990
Total	**87 684**	**55 629**

26. Inventories

	As at 30 September 2019 *(unaudited)*	As at 31 December 2018
Gross value		
Coal, *of which:*	478 713	377 119
Raw materials	*210 475*	*188 876*
Semi-finished goods and work-in-progress	*263 593*	*184 833*
CO_2 emission allowances	5 200	2 762
Other inventories	141 478	138 920
Total	**625 391**	**518 801**
Measurement to fair value		
CO_2 emission allowances	(119)	46
Measurement to net realisable value		
Coal	(86)	**-**
Other inventories	(10 573)	(9 046)
Total	**(10 778)**	**(9 000)**
Fair value		
CO_2 emission allowances	5 081	2 808
Net realisable value		
Coal, *of which:*	478 627	377 119
Raw materials	*210 475*	*188 876*
Semi-finished goods and work-in-progress	*263 593*	*184 833*
Other inventories	130 905	129 874
Total	**614 613**	**509 801**

Inventories are measured at net realizable value, except for the inventory of CO_2 emission allowances purchased for resale and generation of profit in the short term due to volatility of market prices, which is measured at fair value as at the end of the reporting period.

(in '000 PLN)

27. Receivables from buyers

	As at 30 September 2019 *(unaudited)*	As at 31 December 2018
Value of items before allowance/write-down		
Receivables from buyers	1 550 765	1 586 686
Receivables from buyers – additional assessment of revenue from sales of electricity and distribution services	716 218	657 352
Receivables claimed at court	218 772	207 121
Total	**2 485 755**	**2 451 159**
Allowance/write-down		
Receivables from buyers	(41 827)	(38 833)
Receivables claimed at court	(194 579)	(182 926)
Total	**(236 406)**	**(221 759)**
Value of item net of allowance (carrying amount)		
Receivables from buyers	1 508 938	1 547 853
Receivables from buyers – additional assessment of revenue from sales of electricity and distribution services	716 218	657 352
Receivables claimed at court	24 193	24 195
Total, *of which:*	**2 249 349**	**2 229 400**
Current	2 249 342	2 229 363

28. Receivables due to other taxes and charges

	As at 30 September 2019 *(unaudited)*	As at 31 December 2018
VAT receivables	303 324	165 310
Excise duty receivables	4 693	39 764
Other	8 278	4 672
Total	**316 295**	**209 746**

29. Cash and cash equivalents

	As at 30 September 2019 *(unaudited)*	As at 31 December 2018
Cash at bank and in hand	781 200	602 592
Short-term deposits (up to 3 months)	8 222	178 132
Other	520	43 000
Total cash and cash equivalents presented in the statement of financial position, *of which*:	**789 942**	**823 724**
restricted cash	572 599	231 987
Bank overdraft	(184 012)	(767)
Cash pool	(14 243)	(14 690)
Exchange differences	(152)	(295)
Total cash and cash equivalents presented in the statement of cash flows	**591 535**	**807 972**

The difference between the balance of cash presented in the statement of financial position and the one in the statement of cash flows results from overdrafts, cash pool loans granted by entities not subject to consolidation due to the overall immateriality and exchange gains and losses on measurement of cash on currency accounts.

As at 30 September 2019, restricted cash consisted mainly of:

- cash securing the settlements with Izba Rozliczeniowa Giełd Towarowych S.A. totaling PLN 480 195 thousand;
- cash on bank accounts arising from subsidies totaling PLN 74 229 thousand; and
- cash on VAT accounts (split payment) totaling PLN 17 819 thousand.

(in ‘000 PLN)

30. Equity

30.1. Issued capital

Issued capital as at 30 September 2019 *(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
	Total	**1 752 549 394**		**8 762 747**	

As at 30 September 2019, the value of the issued capital, the number of shares and the nominal value of shares did not change as compared to 31 December 2018.

Shareholding structure as at 30 September 2018 *(to the best of the Company’s knowledge)*

Shareholder	Number of shares	Nominal value of shares	Percentage of share capital	Percentage of total vote
State Treasury	526 848 384	2 634 242	30.06%	30.06%
KGHM Polska Miedź S.A.	182 110 566	910 553	10.39%	10.39%
Nationale - Nederlanden 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%**	**100%**

To the best of the Company’s knowledge, the shareholding structure as at 30 September 2019 did not change as compared to 31 December 2018.

30.2. Shareholders’ rights

The voting rights of the shareholders holding more than 10% of the total votes in the Company have been limited in such a manner that none of them is entitled to exercise the right to more than 10% of votes at the General Shareholders’ Meeting of the Company.

The limitation does not apply to the State Treasury and State Treasury owned companies in the period when the State Treasury and State Treasury owned companies hold shares in the Company entitling to more than 25% of the total votes in the Company.

30.3. Reserve capital

On 8 May 2019, the Ordinary General Shareholders’ Meeting adopted a resolution to offset the Company’s net loss for the 2018 financial year, totaling PLN 1 709 853 thousand, against the reserve capital.

On 16 April 2018, the Ordinary General Shareholders’ Meeting adopted a resolution to allocate the Company’s net profit for the 2017 financial year, totaling PLN 854 351 thousand to the Company’s reserve capital.

30.4. Retained earnings and accumulated losses and restrictions on dividend payment

Prior year profit/loss arising from the settlement of business combinations with subsidiaries and actuarial gains and losses related to provisions for post-employment benefits recognized through other comprehensive income are not distributable.

As at 30 September 2019 and as at the date of approval of these condensed interim consolidated financial statements for publication no other dividend restrictions existed.

(in '000 PLN)

30.5. Revaluation reserve from valuation of hedging instruments

	9-month period ended 30 September 2019 *(unaudited)*	9-month period ended 30 September 2018 *(unaudited)*
Opening balance	**3 371**	**23 051**
Remeasurement of hedging instruments	(1 902)	(15 127)
Remeasurement of hedging instruments charged to profit or loss	310	213
Deferred income tax	302	2 834
Closing balance	**2 081**	**10 971**

The revaluation reserve from valuation of hedging instruments results from valuation of Interest Rate Swaps (IRS) hedging the interest rate risk arising from debt, as presented in detail in Note 44.2 hereto. The Company applies hedge accounting to hedging transactions covered by its financial risk management policy.

As at 30 September 2019, the Company recognized PLN 2 081 thousand in the revaluation reserve from valuation of hedging instruments. It represents an asset arising from valuation of interest rate swaps as at the end of the reporting period, totaling PLN 2 896 thousand, adjusted by a portion of valuation relating to interest accrued on debt as at the end of the reporting period, including deferred tax.

The amount of PLN 310 thousand was recognized in the current period's profit.

30.6. Non-controlling interests

In the 9-month period ended 30 September 2019, an increase in the value of non-controlling interests occurred as a result of Fundusz Inwestycji Infrastrukturalnych — Kapitałowy Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych and PFR Inwestycje Fundusz Inwestycji Zamkniętych subscribing shares in the increased issued capital of subsidiary Nowe Jaworzno Grupa TAURON Sp. z o.o. of the aggregate amount of PLN 780 000 thousand, which has been further described in Note 2.2 hereto.

31. Debt

	As at 30 September 2019 *(unaudited)*	As at 31 December 2018
Loans and borrowings	4 283 002	886 285
Bonds issued	8 223 227	10 077 067
Finance lease	651 576	25
Total	**13 157 805**	**10 963 377**
Non-current	10 821 373	8 488 210
Current	2 336 432	2 475 167

31.1. Loans

Loans and borrowings taken out as at 30 September 2019 *(unaudited)*

Currency	Interest rate	Value of loans and borrowings as at the balance sheet date		of which maturing within *(after the balance sheet date)*:					
		currency	PLN	less than 3 months	3-12 months	1-2 years	2-3 years	3-5 years	over 5 years
PLN	floating	3 484 388	3 484 388	186 708	3 181	4 181	4 059	2 288 811	997 448
	fixed	759 536	759 536	68 487	88 525	157 005	157 005	215 955	72 559
Total PLN		**4 243 924**	**4 243 924**	**255 195**	**91 706**	**161 186**	**161 064**	**2 504 766**	**1 070 007**
EUR	floating	2 785	12 180	12 180	-	-	-	-	-
Total EUR		**2 785**	**12 180**	**12 180**	**-**	**-**	**-**	**-**	**-**
USD	floating	197	789	789	-	-	-	-	-
Total USD		**197**	**789**	**789**	**-**	**-**	**-**	**-**	**-**
Total			**4 256 893**	**268 164**	**91 706**	**161 186**	**161 064**	**2 504 766**	**1 070 007**
Interest increasing carrying amount			26 109						
Total			**4 283 002**						

(in '000 PLN)

Loans and borrowings taken out as at 31 December 2018

Currency	Interest rate	Value of loans and borrowings as at the balance sheet date		of which maturing within *(after the balance sheet date):*					
		currency	PLN	less than 3 months	3-12 months	1-2 years	2-3 years	3-5 years	over 5 years
PLN	floating	34 832	34 832	19 159	3 183	4 243	4 135	4 112	-
	fixed	845 983	845 983	53 557	102 298	140 678	140 678	233 495	175 277
Total PLN		**880 815**	**880 815**	**72 716**	**105 481**	**144 921**	**144 813**	**237 607**	**175 277**
USD	floating	204	767	767	-	-	-	-	-
Total USD		**204**	**767**	**767**	**-**	**-**	**-**	**-**	**-**
Total			**881 582**	**73 483**	**105 481**	**144 921**	**144 813**	**237 607**	**175 277**
Interest increasing carrying amount			4 703						
Total			**886 285**						

Changes in the balance of loans and borrowings, excluding interest that increases their carrying amount, in the 9-month period ended 30 September 2019 and in the comparative period have been presented below.

	9-month period ended 30 September 2019 *(unaudited)*	9-month period ended 30 September 2018 *(unaudited)*
Opening balance	**881 582**	**1 185 231**
Impact of IFRS 9 *Finanical Instruments*	-	(33 055)
Restated opening balance	**881 582**	**1 152 176**
Movement in bank overdrafts and cash pool loans received	**180 546**	**(96 793)**
Movement in loans (excluding bank overdrafts and cash pool loans):	**3 194 765**	**(104 086)**
Repaid	(94 845)	(95 580)
Taken*	1 447 137	-
Replacing bond issue scheme with loan arrangement*	1 837 822	-
Write-off	-	(11 138)
Change in valuation	4 651	2 632
Closing balance	**4 256 893**	**951 297**

** Inclusive of the borrowing costs*

The repayment of the amount of PLN 90 864 thousand in the 9-month period ended 30 September 2019 included mainly principal installments of a loan obtained from the European Investment Bank.

Loan from Bank Gospodarstwa Krajowego

On 19 December 2018 the Company and Bank Gospodarstwa Krajowego ("BGK") concluded a PLN 1 000 000 thousand loan agreement. Under the agreement, the repayment shall take the form of equal principal installments in the period from 2024 to 2033. The interest shall be linked to a floating rate (6M WIBOR) increased by a BGK's margin.

In the 9-month period ended 30 September 2019 the Company contracted four tranches that included the entire amount available, i.e. PLN 1 000 000 thousand.

Loan arrangement concluded with a consortium of banks (replacing the bond issue scheme)

On 19 June 2019 a loan arrangement was concluded for PLN 6 070 000 thousand, with the Company as the debtor and Bank Handlowy w Warszawie S.A., Santander Bank Polska S.A., CaixaBank S.A. (Spółka Akcyjna) Oddział w Polsce, Industrial and Commercial Bank of China (Europe) S.A. Oddział w Polsce, ING Bank Śląski S.A., mBank S.A., MUFG Bank (Europe) N.V., MUFG Bank (Europe) N.V. S.A. Oddział w Polsce with Powszechna Kasa Oszczędności Bank Polski S.A. as the creditors.

This arrangement has replaced the bond issue scheme up to PLN 6 270 000 thousand, concluded on 24 November 2015 (with subsequent amendments) with banks being a party to a loan arrangement concluded on 19 June 2019 and with BNP Paribas Bank Polska S.A., which shall continue the provision of funding for the Company under the bond scheme.

Key funding parameters determined in the loan arrangement, including the margin, availability period and financial exposure of each creditor did not change compared to the bond issue scheme. Funding available to the Company under the loan arrangement:

- by 31 December 2021 of PLN 6 070 000 thousand;
- by 31 December 2022 of PLN 5 820 000 thousand.

(in '000 PLN)

Under the arrangement, the first portion of the funds, i.e. the first loan tranche provided on 28 June 2019, was used to redeem the bonds with the par value of PLN 1 839 600 thousand, issued to date under the bond issue scheme. The settlement was performed in net amounts, i.e. without actual cash transfer. Further, the funding is used among others to perform measures resulting from the strategic updates, supplementing the TAURON Group Strategy for 2016-2025, which assumes an increase in the share of renewable energy sources in TAURON Group's generation assets.

Two subsequent tranches with the nominal value of PLN 150 000 thousand and PLN 300 000 thousand were provided in September 2019.

After the end of the reporting period, subsequent loan tranches were provided under the arrangement in the total amount of PLN 3 100 000 thousand.

Major liabilities due to loans have been presented in the table below:

Loans/ borrowings	Borrowing institution	Purpose	Interest rate	Maturity date	As at 30 September 2019 *(unaudited)*	As at 31 December 2018
Loans	Consortium of banks	Redemption of bonds, investment expenditures and general expenses of the Group	Floating	28.06.2020	1 852 151	-
				02.09.2020	150 241	
				10.09.2020	300 285	
Loans	Bank Gospodarstwa Krajowego	Group's capital expenditures and refinancing of a portion of debt	Floating	20.12.2033	1 005 443	-
Loans	European Investment Bank	Construction of a boiler fired with biomass at Jaworzno III Power Plant and renovation of a steam turbine	Fixed	15.12.2021	60 912	59 116
		Construction and start-up of a co-generation unit at EC Bielsko Biała	Fixed	15.12.2021	87 121	84 613
		Modernization and extension of power grid	Fixed	15.06.2024	196 269	212 219
			Fixed	15.09.2024	88 924	107 353
			Fixed	15.09.2024	111 580	134 738
		Modernization and extension of power grid and improvement of hydropower plants	Fixed	15.03.2027	217 891	252 637
Overdraft facility	Powszechna Kasa Oszczędności Bank Polski S.A.	financing of ongoing operations	Floating	29.12.2020	171 037	-
	Bank Gospodarstwa Krajowego	financing of CO_2 emission allowance, electricity and gas transactions on EU stock exchanges	Floating	31.12.2019	12 180	-
Borrowings	Regional Fund for Environmental Protection and Water Management	Construction of renewable power unit at Jaworzno III Power Plant	Floating	15.12.2022	13 000	16 000
Other loans and borrowings					15 968	19 609
Total					**4 283 002**	**886 285**

In line with the provisions of a loan arrangement of 19 June 2019, concluded with a consortium of banks, the maximum period to use each tranche is 12 months. Tranches contracted as at 30 September 2019 mature after 12 months, i.e. on 28 June 2020 and on 2 and 10 September 2020. The arrangement provides for a revolving loan, though, with the availability deadline at the end of 2022. As the funding under the above loan arrangement may and is intended to be obtained for a period exceeding the 12 months of the reporting period end, the loan is presented under long-term liabilities.

Overdraft facilities

The Company has been provided with overdraft facilities. Funds available as the end of reporting period and balances have been presented in the table below.

	Bank	Purpose	Currency	Currency financing available	Repayment date	As at 30 September 2019 *(unaudited)*		As at 31 December 2018	
						currency	PLN	currency	PLN
intraday limit	PKO BP	intraday limit	PLN	300 000	17.12.2020		-		-
overdraft facility	PKO BP	financing of ongoing operations	PLN	300 000	29.12.2020		171 037		-
	BGK	financing of CO_2 emission allowance, electricity and gas transactions on EU stock exchanges	EUR	45 000	31.12.2019	2 785	12 180	-	-
	mBank	financing of security deposits and commodity transactions	USD	200	31.03.2020	197	789	204	767
Total							**184 006**		**767**

(in '000 PLN)

31.2. Bonds issued

Bonds issued as at 30 September 2019 *(unaudited)*

Issuer	Tranche/ Bank	Interest	Currency	Bonds at nominal value in currency	Maturity date	As at balance sheet date		of which maturing within *(after the balance sheet date):*			
						Interest accrued	Principal at amortised cost	up to 1 year	1-2 years	2-5 years	Over 5 years
TAURON Polska Energia S.A.	Bank Gospodarstwa Krajowego	floating, based on WIBOR 6M	PLN	100 000	20.12.2021	914	99 897	-	-	99 897	-
				100 000	20.12.2022	914	99 867	-	-	99 867	-
				100 000	20.12.2023	914	99 845	-	-	99 845	-
				100 000	20.12.2024	914	99 829	-	-	-	99 829
				100 000	20.12.2025	914	99 815	-	-	-	99 815
				100 000	20.12.2026	914	99 803	-	-	-	99 803
				100 000	20.12.2027	914	99 793	-	-	-	99 793
				100 000	20.12.2028	914	99 786	-	-	-	99 786
				70 000	20.12.2021	630	69 977	-	-	69 977	-
				70 000	20.12.2022	630	69 973	-	-	69 973	-
				70 000	20.12.2023	630	69 969	-	-	69 969	-
				70 000	20.12.2024	630	69 967	-	-	-	69 967
				70 000	20.12.2025	630	69 965	-	-	-	69 965
				70 000	20.12.2026	630	69 963	-	-	-	69 963
				70 000	20.12.2027	630	69 962	-	-	-	69 962
				70 000	20.12.2028	630	69 961	-	-	-	69 961
				70 000	20.12.2029	630	69 960	-	-	-	69 960
	BNP Paribas Bank Polska S.A.[1]	floating, based on WIBOR 6M	PLN	3 100	25.03.2020	1	3 098	3 098	-	-	-
				6 300	9.11.2020	74	6 295	-	6 295	-	-
				51 000	29.12.2020	388	50 957	-	50 957	-	-
	Domestic investors TPEA1119	floating, based on WIBOR 6M	PLN	1 750 000	4.11.2019	19 538	1 749 896	1 749 896	-	-	-
	Bank Gospodarstwa Krajowego	floating, based on WIBOR 6M	PLN	400 000	29.03.2031[3]	6 536	399 310	-	-	-	399 310
	European Investment Bank	fixed[2]	EUR	190 000	16.12.2034[3]	30 240	793 654	-	-	-	793 654
			PLN	400 000	17.12.2030[3]	23 861	395 605	-	-	-	395 605
			PLN	350 000	19.12.2030[3]	20 292	346 149	-	-	-	346 149
	Eurobonds	fixed	EUR	500 000	5.07.2027	12 488	2 172 596	-	-	-	2 172 596
Finanse Grupa TAURON Sp. z o.o.	German market investors	fixed	EUR	168 000	3.12.2029	21 278	729 657	-	-	-	729 657
Total						**147 678**	**8 075 549**	**1 752 994**	**57 252**	**509 528**	**5 755 775**

[1] *Bond issue scheme of 24.11.2015*
[2] *Two periods for hybrid financing (subordinated) — bonds subscribed for by the European Investment Bank: in the first period, the interest rate is fixed, while in the second period, it is floating and linked to the base rate (EURIBOR/WIBOR) increased by an agreed margin.*
[3] *The redemption date of subordinated bonds accounts for two financing periods referred to below.*

(in '000 PLN)

Bonds issued as at 31 December 2018

Issuer	Tranche/ Bank	Interest	Currency	Bonds at nominal value in currency	Redemption date	As at balance sheet date		of which maturing within *(after the balance sheet date)*:			
						Interest accrued	Principal at amortised cost	up to 1 year	1-2 years	2-5 years	Over 5 years
TAURON Polska Energia S.A.	Bank Gospodarstwa Krajowego	floating, based on WIBOR 6M	PLN	100 000	20.12.2019	107	99 935	99 935	-	-	-
				100 000	20.12.2020	107	99 891	-	99 891	-	-
				100 000	20.12.2021	107	99 861	-	-	99 861	-
				100 000	20.12.2022	107	99 838	-	-	99 838	-
				100 000	20.12.2023	107	99 820	-	-	99 820	-
				100 000	20.12.2024	107	99 807	-	-	-	99 807
				100 000	20.12.2025	107	99 796	-	-	-	99 796
				100 000	20.12.2026	107	99 785	-	-	-	99 785
				100 000	20.12.2027	107	99 777	-	-	-	99 777
				100 000	20.12.2028	107	99 771	-	-	-	99 771
				70 000	20.12.2020	73	69 975	-	69 975	-	-
				70 000	20.12.2021	73	69 970	-	-	69 970	-
				70 000	20.12.2022	73	69 967	-	-	69 967	-
				70 000	20.12.2023	73	69 964	-	-	69 964	-
				70 000	20.12.2024	73	69 963	-	-	-	69 963
				70 000	20.12.2025	73	69 961	-	-	-	69 961
				70 000	20.12.2026	73	69 960	-	-	-	69 960
				70 000	20.12.2027	73	69 959	-	-	-	69 959
				70 000	20.12.2028	73	69 958	-	-	-	69 958
				70 000	20.12.2029	73	69 958	-	-	-	69 958
	Banks (issue scheme underwriters)[1]	floating, based on WIBOR 6M	PLN	400 000	14.03.2019	566	400 000	400 000	-	-	-
				200 000	9.11.2020	854	199 764	-	199 764	-	-
				1 600 000	29.12.2020	387	1 598 100	-	1 598 100	-	-
	Domestic investors TPEA1119	floating, based on WIBOR 6M	PLN	1 750 000	4.11.2019	7 555	1 749 400	1 749 400	-	-	-
	European Investment Bank	fixed[2]	EUR	190 000	16.12.2034[3]	1 646	790 136	-	-	-	790 136
			PLN	400 000	17.12.2030[3]	1 243	398 781	-	-	-	398 781
			PLN	350 000	19.12.2030[3]	922	348 931	-	-	-	348 931
	Eurobonds	fixed	EUR	500 000	5.07.2027	25 181	2 134 826	-	-	-	2 134 826
Finanse Grupa TAURON Sp. z o.o.	German market investors	fixed	EUR	168 000	3.12.2029	2 009	717 050	-	-	-	717 050
Total						**42 163**	**10 034 904**	**2 249 335**	**1 967 730**	**509 420**	**5 308 419**

[1] Bond issue scheme of 24.11.2015
[2] Two periods for hybrid financing (subordinated) — bonds subscribed for by the European Investment Bank: in the first period, the interest rate is fixed, while in the second period, it is floating and linked to the base rate (EURIBOR/WIBOR) increased by an agreed margin.
[3] The redemption date of subordinated bonds accounts for two financing periods referred to below.

The bonds issued by the Company are unsecured, coupon bonds. They were issued at the nominal value, except for Eurobonds which were issued at the issue price accounting for 99.438% of the nominal value.

The Eurobonds have been admitted to trading on the London Stock Exchange. They were rated "BBB" by the Fitch rating agency.

Bonds subscribed for by the European Investment Bank are subordinated, which means that they have priority interest only over the liabilities to the Company's shareholders in the event of the issuer's bankruptcy or liquidation. This in turn has a positive effect on the Company's financial stability, since the bonds are excluded from the net debt / EBITDA calculation, a covenant underlying domestic funding arrangements concluded by the Company (except for TPEA1119 series bonds quoted in the Catalyst alternative trading system). Additionally, 50% of the subordinated bond amount has been classified by the rating agency as equity in the rating model, which has had a positive effect on the rating of the TAURON Group.

Two financing periods for bonds subscribed for by the European Investment Bank. In the first period early redemption of bonds by the Company (non-call) and early sales of bonds by EIB to third parties are not possible (in both cases, unless so provided in the subscription agreement). In this period, the interest rate is fixed, while after the non-call period, it is floating and is linked to the base rate (WIBOR for bonds issued in PLN and EURIBOR for bonds issued in EUR) increased by an agreed margin. The redemption date for bonds issued in PLN is 12 years of the issue date, i.e. 17 and 19 December 2030 and, pursuant to the rules of hybrid financing, the first financing period is 7 years and the next — 5 years. The redemption date for bonds issued in EUR is 18 years of the issue date, i.e. 16 December 2034 and, pursuant to the rules of hybrid financing, the first financing period is eight years and the next — 10 years.

Bonds issued under the arrangement of 6 September 2017 concluded with Bank Gospodarstwa Krajowego with the par value of PLN 400 000 thousand are also subordinated. In this case also two period are distinguished. In the first period of seven years early redemption of bonds by the Company (non-call) and early sales of bonds by BGK to third parties are not possible (in both cases, unless so provided in the documentation). The interest rate is floating and is linked to 6M WIBOR increased by an agreed margin and in the period following the 7 years the margin is additionally increased.

(in '000 PLN)

Changes in the balance of bonds, excluding interest which increase their carrying amount

	9-month period ended 30 September 2019 *(unaudited)*	9-month period ended 30 September 2018 *(unaudited)*
Opening balance	**10 034 904**	**8 599 655**
Issue*	499 312	-
Redemption	(670 000)	-
Replacing bond issue scheme with loan arrangement	(1 839 600)	-
Change in valuation	50 933	88 416
Closing balance	**8 075 549**	**8 688 071**

** Costs of issue have been included.*

In the 9-month period ended 30 September 2019, the Company carried out the following transactions:

Date of issue/ Date of redemption	Agreement/ Scheme	Description	9-month period ended 30 September 2019 *(unaudited)* Par value of issue	Redemption
14.03.2019	Bond Issue Scheme dated 24 November 2015	Redemption of bonds according to the maturity date		(400 000)
25.03.2019		Issue of bonds maturing on 25 March 2020	100 000	
29.03.2019	Subordinated bonds, contract with BGK dated 6 September 2017	Issue of bonds maturing on 29 March 2031	400 000	
21.06.2019	Agreement concluded with BGK on 31 July 2013	Premature redemption of bonds with the following par value: - PLN 100 000 thousand and initial maturity date of 20 December 2019; - PLN 100 000 thousand and initial maturity date of 20 December 2020; - PLN 70 000 thousand and initial maturity date of 20 December 2020. The redemption was financed with funds originating from the loan contracted on 21 June 2019 from Bank Gospodarstwa Krajowego pursuant to an arrangement of 19 December 2018.		(270 000)
28.06.2019	Bond Issue Scheme dated 24 November 2015	Redemption of bonds assumed by bondholders being a party to the loan agreement (offset).		(1 839 600)
		Total	**500 000**	**(2 509 600)**

Replacing the bond issue scheme with a loan arrangement

On 19 June 2019, a loan arrangement was concluded for PLN 6 070 000 thousand, described in detail in Note 31.1 hereto.

This arrangement has replaced the bond issue scheme up to PLN 6 270 000 thousand, concluded on 24 November 2015 (with subsequent amendments) with banks being a party to a loan arrangement concluded on 19 June 2019 and with BNP Paribas Bank Polska S.A., which shall continue the provision of funding for the Company under the bond scheme, maintaining its exposure arising from the bonds assumed to date, with the redemption date as set in the issue terms falling at the end of 2020 at the latest.

Under the arrangement, the first portion of the funds, i.e. the first loan tranche of 28 June 2019, was used to redeem the bonds with the par value of PLN 1 839 600 thousand, issued to date under the bond issue scheme and assumed by the banks acting as a party to the loan arrangement. The settlement was performed in net amounts, i.e. without actual cash transfer.

Following the conclusion of the loan arrangement, the obligation of the banks to assume the bonds issued by the Company was canceled. Thus, the Company shall not issue any new bonds under the scheme.

Redemption of TPEA1119 series bonds

After the end of the reporting period, on 4 November 2019 TPEA1119 series bonds traded on the regulated market and amounting to PLN 1 750 000 thousand were redeemed within the contractual deadline.

31.3. Debt agreement covenants

The Company's agreements signed with banks include legal and financial covenants which are commonly used in such transactions. The key covenant is the net debt to EBITDA ratio (for the domestic long-term loan arrangements and domestic bond issue schemes) which sets the debt less cash in relation to generated EBITDA. The maximum value of net debt/EBITDA allowed is 3.5, except for TPEA1119 series bonds, for which it is 3.0. Apart from different amounts permitted, the key difference compared to definitions presented in other financing agreements, the definition of the ratio for the bonds series TPEA1119 includes the liabilities arising from the issued subordinated bonds in the Company's borrowings and the effect of IFRS 16 *Leases.*

As at 30 June 2019 (i.e. the last reporting period for which the Company was obliged to calculate the covenant), net debt/EBITDA calculated in line with the definition included in the issue terms regarding TPEA1119 series bearer bonds issued on 4 November 2014 for the total amount of PLN 1 750 000 thousand reached 3.4, thus exceeding the maximum level allowed of 3.0 as determined in the issue terms for the TPEA1119 series. This event may provide the basis to demand early redemption of the bonds, provided it is approved the bondholders' meeting. The approval may take the form of a resolution passed by a majority of 66 and 2/3% of votes cast by bondholders present at the meeting. Pursuant to arrangements concluded by the Company in March 2016 (with subsequent amendments) with certain bondholders who, as at 30 June 2019, were entitled to exercise the total of 41.39% of votes at the bondholders' meeting, the bondholders are obliged to maintain the number of bonds held, to participate in each bondholders' meeting and to vote against a resolution approving the early redemption demand due to the net debt/EBITDA ratio having exceeded the 3.0 level. Such obligations remain valid provided that the net debt/EBITDA ratio does not exceed 3.5 (the ratio definition as presented in the arrangement complies with the definitions included in other financing arrangements concluded by the Company, and does not comprise liabilities arising from subordinated bonds and the effect of IFRS 16 *Leases*). As at 30 June 2019, the value of the net debt/EBITDA ratio calculated in line with the definition included in domestic long-term loan agreements and bond issue schemes is 2.6 versus the permitted level of 3.5. After the end of the reporting period, on 4 November 2019 TPEA1119 series bonds traded on the regulated market and amounting to PLN 1 750 000 thousand were redeemed. Thus, as of 4 November 2019 the cap value of the debt ratio was not exceeded for TPEA1119 series bonds and arrangements with TPEA1119 bondholders expired.

The fact that the net debt/EBITDA ratio (calculated in line with the definition included in the TPEA1119 series issue terms) exceeded 3.0 does not result in a breach of other financing arrangements concluded by the Company, nor does it bring any other adverse effects related to other financing arrangements.

The net debt/EBITDA ratio, being a covenant in other domestic long-term loan arrangements and domestic bond issue schemes, has not been exceeded since the maximum value allowed was higher (3.5) and the debt definition was different, i.e. for the purpose of the net debt/EBITDA ratio calculation it did not include the value of subordinated bonds which had been issued or the effect of IFRS 16 *Leases.* No other covenants of the financing arrangements were breached.

(in '000 PLN)

31.4. Lease liabilities

	As at 30 September 2019 *(unaudited)*	As at 31 December 2018
Within 1 year	74 866	2
Within 1 to 5 years	209 522	8
Within 5 to 10 years	182 686	10
Within 10 to 20 years	301 911	8
More than 20 years	633 940	-
Gross lease liabilities	**1 402 925**	**28**
Discount	(751 349)	(3)
Present value of lease payments	**651 576**	**25**
Lease contract not qualifying as finance lease under IAS 17 *Leases*	651 576	-
Finance lease liabilities under IAS 17 *Leases* (recognized under covenant calculation)	**-**	**25**

The non-discounted and present value of lease payments in the table above was recognized as at 30 September 2019 under IFRS 16 *Leases* and as at 31 December 2018 — under IAS 17 *Leases*.

The Group decided to apply IFRS 16 *Leases* with effect as of 1 January 2019. The Group decided not to restate the comparative information, as permitted by the Standard. The information as at 31 December 2018 has been prepared based on IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease* and SIC-15 *Operating Leases — Incentives*.

32. Provisions for employee benefits

	As at 30 September 2019 *(unaudited)*	As at 31 December 2018
Provision for post-employment benefits and jubilee bonuses	1 183 102	1 188 829
Provision for employment termination benefits and other provisions for employee benefits	22 269	42 649
Total	**1 205 371**	**1 231 478**
Non-current	1 104 323	1 114 191
Current	101 048	117 287

32.1. Provisions for post-employment benefits and jubilee benefits

For the 9-month period ended 30 September 2019 *(unaudited)*

	Provision for retirement, disability and similar benefits	Employee electricity rates	Social Fund	Jubilee bonuses	Provisions, total
Opening balance	**331 270**	**370 267**	**91 720**	**395 572**	**1 188 829**
Current service costs	11 927	6 800	2 053	17 046	**37 826**
Actuarial gains and losses	(8 755)	-	58	(386)	**(9 083)**
Benefits paid	(16 646)	(5 745)	(2 409)	(34 184)	**(58 984)**
Interest expense	6 690	8 034	1 923	7 867	**24 514**
Closing balance	**324 486**	**379 356**	**93 345**	**385 915**	**1 183 102**
Non-current	294 773	366 320	90 295	344 905	**1 096 293**
Current	29 713	13 036	3 050	41 010	**86 809**

(in '000 PLN)

For the 9-month period ended 30 September 2018 *(unaudited)*

	Provision for retirement, disability and similar benefits	Employee electricity rates	Social Fund	Jubilee bonuses	Provisions, total
Opening balance	**321 894**	**530 215**	**106 321**	**510 678**	**1 469 108**
Current service costs	12 207	6 951	2 056	16 812	**38 026**
Actuarial gains and losses	(6 637)	-	(58)	(700)	**(7 395)**
Benefits paid	(17 775)	(6 142)	(2 339)	(34 745)	**(61 001)**
Past-employment costs	218	(176 322)	(17 352)	(121 859)	**(315 315)**
Interest expense	6 593	8 545	2 017	8 257	**25 412**
Closing balance	**316 500**	**363 247**	**90 645**	**378 443**	**1 148 835**
Non-current	288 979	350 655	87 301	339 929	**1 066 864**
Current	27 521	12 592	3 344	38 514	**81 971**

Measurement of provisions for employee benefits

Provisions for post-employment benefits and jubilee benefits have been estimated using actuarial methods.

The provisions for employee benefits were measured as at 30 September 2019 based on actuarial projections. Actuarial assumptions made in preparing the projections for 2019 were the same as those used for measuring provisions as at 31 December 2018. Key actuarial assumptions made as at 31 December 2018 for the purpose of calculation of the liability:

	31 December 2018
Discount rate (%)	3.00%
Estimated inflation rate (%)	2.50%
Employee rotation rate (%)	1.13% - 8.69%
Estimated salary increase rate (%)	2.50%
Estimated electricity price increase rate (%)	3.50%
Estimated increase rate for contribution to the Social Fund (%)	3.50%
Remaining average employment period	11.06 – 20.67

32.2. Provision for termination benefits and other provisions for employee benefits

For the 9-month period ended 30 September 2019 *(unaudited)*

	Voluntary redundancy schemes		Other provisions	Total
	Segment Generation	Segment Distribution		
Opening balance	**26 891**	**5 100**	**10 658**	**42 649**
Recognition	409	-	853	**1 262**
Reversal	(9 602)	(4 087)	-	**(13 689)**
Utilization	(3 908)	(903)	(3 142)	**(7 953)**
Closing balance	**13 790**	**110**	**8 369**	**22 269**
Non-current	8 030	-	-	**8 030**
Current	5 760	110	8 369	**14 239**

For the 9-month period ended 30 September 2018 *(unaudited)*

	Voluntary redundancy schemes			Total
	Segment Generation	Segment Distribution	Other	
Opening balance	**29 567**	**10 542**	**5 706**	**45 815**
Recognition	6 756	-	-	**6 756**
Reversal	(2 245)	(7 917)	-	**(10 162)**
Utilization	(5 155)	(1 622)	(5 706)	**(12 483)**
Closing balance	**28 923**	**1 003**	**-**	**29 926**
Non-current	18 747	-	-	**18 747**
Current	10 176	1 003	-	**11 179**

(in '000 PLN)

33. Provisions for dismantling fixed assets, restoration of land and other

For the 9-month period ended 30 September 2019 *(unaudited)*

	Provision for mine decommissioning costs	Provision for land restoration and dismantling and removal of fixed assets	Provisions total
Opening balance	**202 599**	**135 878**	**338 477**
Business acquisition	-	51 258	**51 258**
Unwinding of the discount	4 558	2 805	**7 363**
Recognition/(reversal), net	124	(19 737)	**(19 613)**
Utilisation	-	(4 211)	**(4 211)**
Closing balance	**207 281**	**165 993**	**373 274**
Non-current	207 281	145 844	**353 125**
Current	-	20 149	**20 149**
Other provisions, long-term portion			**83 446**
Total			**436 571**

For the 9-month period ended 30 September 2018 *(unaudited)*

	Provision for mine decommissioning costs	Provision for land restoration and dismantling and removal of fixed assets	Provisions total
Opening balance	**191 975**	**124 091**	**316 066**
Unwinding of the discount	4 323	2 783	**7 106**
Recognition/(reversal), net	245	(184)	**61**
Utilisation	-	(1 030)	**(1 030)**
Closing balance	**196 543**	**125 660**	**322 203**
Non-current	196 543	114 401	**310 944**
Current	-	11 259	**11 259**
Other provisions, long-term portion			**59 148**
Total			**370 092**

33.1. Provision for mine decommissioning costs

The provision is recognized for mines included in the Group based on estimated costs of liquidating buildings and reclaiming land after completion of the exploitation process. The provision for mine decommissioning costs includes the balance of the Mine Decommissioning Fund, which is created under the Geological and Mining Law and the related implementing provisions, by the Group's mining companies as a pre-determined ratio of the tax depreciation charge on fixed assets or, for the exploitation fee, the equivalent of the charge transferred to a separate bank account. Financial assets of the Fund are presented in the statement of financial position under non-current and current financial assets, while the balance of the Fund is recognized under the provision for future costs of mine decommissioning.

As at 30 September 2019 the balance of the provision amounted to PLN 207 281 thousand, its change being related mostly to a discount reversal of PLN 4 558 thousand.

33.2. Provision for restoration of land and dismantling and removal of fixed assets

The provision for restoration of land and dismantling and removal of fixed assets comprises the following provisions recognized by the Generation segment companies:

- provision for ash pile reclamation costs, which totaled PLN 29 605 thousand as at 30 September 2019 (versus PLN 42 150 thousand as at 31 December 2018); In the 9-month period ended 30 September 2019, following the change in the classification and designation of the part of the land and thus no need for the provision, as well as changes in estimates, a portion of it (PLN 13 268) was released;

(in '000 PLN)

- a provision for wind farm disassembly costs amounting to PLN 112 642 thousand as at 30 September 2019 (PLN 60 033 thousand as at 31 December 2018), including the amount of PLN 51 258 thousand regarding wind farms purchased within the 9-month period ended 30 September 2019 under the business acquisition;
- provision for costs of liquidation of fixed assets Jaworzno, Łagisza and Siersza Power Plants, which totaled PLN 23 746 thousand as at 30 September 2019 (versus PLN 33 695 thousand as at 31 December 2018).

34. Provisions for liabilities due to CO_2 emission allowances and energy certificates

Provisions for liabilities due to CO_2 emission allowances and energy certificates apply to the current and the preceding year. Therefore, they are only short-term provisions.

For the 9-month period ended 30 September 2019 *(unaudited)*

	Provisions for liabilities due to CO_2 emission allowances	Provision for obligation to submit energy certificates	Provisions total
Opening balance	**111 406**	**384 066**	**495 472**
Recognition	527 016	418 082	**945 098**
Reversal	(75)	(3 841)	**(3 916)**
Utilisation	(113 647)	(373 403)	**(487 050)**
Closing balance	**524 700**	**424 904**	**949 604**

For the 9-month period ended 30 September 2018 *(unaudited)*

	Provisions for liabilities due to CO_2 emission allowances	Provision for obligation to submit energy certificates	Provisions total
Opening balance	**324 937**	**624 009**	**948 946**
Recognition	402 241	460 732	**862 973**
Reversal	(58)	(8 601)	**(8 659)**
Utilisation	(326 748)	(612 949)	**(939 697)**
Closing balance	**400 372**	**463 191**	**863 563**

34.1. Provision for CO_2 emission allowances

As at 30 September 2019 the provision for CO_2 emission allowances had been recognized in connection with the obligation to redeem emissions allowances for the 9-month period ended 30 September 2019.

A change in the provision for liability arising from CO_2 emission allowances over the 9-month period ended 30 September 2019 by fulfilment of the surrender obligations in specific periods has been presented in the table below.

	Compliance of the surrender obligation for the 9-month period ended 30 September 2019	Compliance of the surrender obligation for the year ended 31 December 2018	Total
Opening balance	**-**	**111 406**	**111 406**
Recognition	524 700	2 316	**527 016**
Reversal	-	(75)	**(75)**
Utilisation	-	(113 647)	**(113 647)**
Closing balance	**524 700**	**-**	**524 700**
TAURON Wytwarzanie S.A.'s systems	459 918	-	**459 918**
TAURON Ciepło Sp. z o.o.'s systems	64 782	-	**64 782**

The increase in the cost of provision for CO_2 emission allowances in the 9-month period ended 30 September 2019 versus the comparative period has been described in Note 12 hereto.

(in '000 PLN)

34.2. Provision for the obligation to provide energy certificates

As at 30 September 2019, the short-term provision for the obligation to provide energy certificates for 2019 was estimated at PLN 424 904 thousand, including: PLN 420 857 thousand worth of the certificates held as at the end of the reporting period and PLN 4 047 thousand planned to be covered by the purchase of emission allowances.

The decrease in the cost of the provision for the obligation to provide energy certificates in the 9-month period ended 30 September 2019 versus the comparative period arises mainly from the fact that under the changed laws in the current period there was no obligation to recognize a provision for certificates of cogeneration (red, yellow and purple certificates). There was such an obligation in the comparative period.

In the 9-month period ended 30 September 2019, the Group fulfilled the obligation to surrender electricity certificates generated from renewable sources, in cogeneration and energy efficiency certificates for 2018. Therefore, a provision of PLN 373 403 thousand was used.

35. Other provisions

For the 9-month period ended 30 September 2019 *(unaudited)*

	Provision for use of real estate without contract	Provision for onerous contracts	Provision for counterparty claims, court dispute and other provisions	Provisions total
Opening balance	**92 110**	**213 996**	**311 295**	**617 401**
Unwinding of discount	-	-	2 405	**2 405**
Recognition/(reversal), net	(843)	68 288	(4 335)	**63 110**
Utilisation	(297)	(185 628)	(2 948)	**(188 873)**
Closing balance	**90 970**	**96 656**	**306 417**	**494 043**
Non-current	-	4 394	79 052	**83 446**
Current	90 970	92 262	227 365	**410 597**
Current portion of provisions for the costs of disassembly of fixed assets and land restoration and other provisions				**20 149**
Total				**430 746**

For the 9-month period ended 30 September 2018 *(unaudited)*

	Provision for use of real estate without contract	Provision for counterparty claims, court dispute and other provisions	Provisions total
Opening balance	**92 030**	**296 313**	**388 343**
Unwinding of discount	**-**	2 384	**2 384**
Recognition/(reversal), net	1 780	8 388	**10 168**
Utilisation	(598)	(14 942)	**(15 540)**
Closing balance	**93 212**	**292 143**	**385 355**
Non-current	-	59 148	**59 148**
Current	93 212	232 995	**326 207**
Current portion of provisions for the costs of disassembly of fixed assets and land restoration and other provisions			**11 259**
Total			**337 466**

35.1. Provision for the use of real estate without contract

The Group companies recognize provisions for all claims filed by the owners of the real estate on which distribution systems and heat installations are located. As at 30 September 2019, the relevant provision amounted to PLN 90 970 thousand and was related to the following segments:

- Generation: PLN 50 640 thousand;
- Distribution: PLN 40 330 thousand.

In 2012, a third party lodged a claim against TAURON Ciepło S.A. (currently: TAURON Ciepło Sp. z o.o.) related to clarification of the legal status of the transmission equipment located on its property. The Company has questioned both the legitimacy of the claims and of the basis for offsetting their amounts against the current liabilities to the company arising from heat supplies. Consequently, the company went to court to recover its current receivables from the debtor. The amount of the potential claims of the entity in respect of clarification of the legal status of the company's transmission equipment will be reviewed in the course of the proceedings. With regard to the dispute, in light of the adopted accounting policy, a provision has been recognized for the estimated cost of the above claim. Bearing in mind the pending litigation, in accordance with IAS 37.92, the Group does not disclose all information regarding the above issue as required by IAS 37 *Provisions, Contingent Liabilities and Contingent Assets.*

35.2. Provisions for onerous contracts

Provisions for onerous contracts related to the entry into force of the Act amending the Excise Duty Act and certain other acts

28 December 2018 saw the entry into force of the Act amending the Excise Duty Act and certain other acts ("Act"). In accordance with the version of the Act in force as at 31 December 2018, in 2019 electricity undertakings trading in electricity are obliged to apply gross prices and rates that are not higher than gross prices and rates in the electricity tariff or price list valid as at 30 June 2018, accounting for the decrease in excise duty on electricity. Considering the legal position as at 31 December 2018, companies in the TAURON Group concluded that the definition of an electricity price list does not apply to contracts with an individually negotiated price of electricity concluded under the Public Procurement Law of 29 January 2004.

Following the entry into force of the Act, in the consolidated financial statements prepared as at 31 December 2018 the TAURON Group recognized a provision for onerous contracts of PLN 213 756 thousand. Specifically, the provision was estimated with reference to the buyers in the G tariff group, i.e. for the difference between the selling price under the tariffs in force in 2019 and the estimated purchase price of electricity based on the volumes expected in 2019. When estimating the provision, the TAURON Group did not apply the provisions of the Act amending the Act on Excise Duty and certain other acts of 21 February 2019 treating it as a non-adjusting event after the reporting period. At the same time, the consolidated financial statements prepared as at 31 December 2018 did not account for the compensation system introduced by the Act, due to the absence of legal regulations that would allow for estimating their value.

As at 30 September 2019, the TAURON Group reviewed the estimated provision for onerous contracts in terms of the energy volumes expected to be delivered in the period from October to December 2019 to the buyers in the G tariff group and estimated the provision at PLN 62 258 thousand. The change in the provision in the 9-month period ended 30 September 2019 arises from losses actually incurred on electricity supplies, recognized on the basis of invoiced sales and resulting from the purchase cost of the delivered electricity. This way, in this period, due to the use of the prior year tariffs, the TAURON Group incurred a loss on the deliveries of electricity to buyers in the G tariff group and used a portion of the provision of PLN 151 498 thousand on onerous contracts recognized as at 31 December 2018.

Further, following the effective date of the amended Act (as described in detail in Note 6.1 hereto) based on the requirements of the amended Act, the Group recognized a provision for onerous contracts, related to the projected electricity volume to be supplied from July to December 2019 to end users classified as micro-entrepreneurs, small businesses, hospitals, public finance sector entities or other state-owned units without legal personality, charged with the prices of 30 June 2018 in the second half of 2019 provided they file end-user statements. As at 30 June 2019, the value of the provision was estimated at PLN 68 260 thousand. As at 30 September 2019, the TAURON Group verified the estimate and set the amount of the provision for onerous contracts at PLN 34 130 thousand (in Q3 2019 half of the amount was used).

35.3. Provisions for counterparty claims, court disputes and other provisions

Material provisions recognized as other provisions have been discussed below:

(in '000 PLN)

Item	Operating segment	Description	As at 30 September 2019 *(unaudited)*	As at 31 December 2018
Provisions for penalties fixed by the contracts	Generation	Considering the risk that the projects listed below will not be continued (their continuity is required under the subsidy contracts): • construction of a biomass boiler in Elektrownia Jaworzno III; • construction of a system of power generation from renewable sources in Stalowa Wola; in 2016 a provision was recognised for the costs of returning the subsidy totalling PLN 52 297 thousand. The revalued provision as at 30 September 2019 amounted to PLN 60 838 thousand.	60 838	58 493
Provision for increased transmission easement charges	Distribution	The provision is related to the risk of an increase in regular fees for transmission easement related to power infrastructure located in areas controlled by the Regional Directorate of State Forests in Wrocław and results from a change in the status of land: from forestry to business purposes. In the 9-month period ended 30 September 2019 a Distribution segment company used a provision of PLN 623 thousand.	68 277	68 900
Provision for a fine to the Energy Regulatory Office	Distribution	The provision was recognized due to the risk of violation of the Energy Law of 10 April 1997 by misleading the President of the Energy Regulatory Office, following his demand for information.	6 000	6 000
Provision for real estate tax	Distribution	Provision for the business risk regarding tax on real property classified as power grid assets.	39 356	39 356
Provision for VAT	Sales	The provision was recognized in connection with pending inspection proceedings instituted by the Director of the Tax Inspection Office in Warsaw in relation to the value added tax. The duration of these proceedings was extended a number of time by the Director of the TIO and by the Head of the Mazowiecki Customs and Tax Office. Currently, the new inspection completion dates are 23 and 30 December 2019. As at 31 December 2018, the related provision amounted to PLN 72 894 thousand. An increase in the provision by PLN 3 140 thousand is attributable to interest accrued for the 9-month period ended 30 September 2019.	76 034	72 894

36. Deferred income and government grants

36.1. Deferred income and government grants

	As at 30 September 2019 *(unaudited)*	As at 31 December 2018
Deferred income	**291 390**	**56 822**
Bargain purchase gains	240 369	-
Donations, subsidies received for the purchase or fixed assets received free-of-charge	46 104	52 431
Other	4 917	4 391
Government grants	**443 009**	**415 162**
Subsidies obtained from EU funds	344 265	311 285
Forgiven loans from environmental funds	35 888	37 464
Measurement of preferential loans	32 947	34 053
Other	29 909	32 360
Total	**734 399**	**471 984**
Non-current	461 764	440 206
Current	272 635	31 778

The gains from the bargain purchase of a business are related to the recognition of the temporary balance of the transaction of purchasing five wind farms from the in.ventus group and the debt contracted from Hamburg Commercial Bank AG by the wind farms operators as described in detail in Note 2.1 hereto.

(in '000 PLN)

36.2. Accrued expenses

	As at 30 September 2019 *(unaudited)*	As at 31 December 2018
Bonuses	229 013	60 524
Unused holidays	38 841	51 445
Environmental protection charges	19 955	33 113
Other accrued expenses	28 827	23 340
Total	**316 636**	**168 422**
Non-current	856	103
Current	315 780	168 319

37. Liabilities to suppliers

Current liabilities to suppliers as at 30 September 2019 and 31 December 2018 are presented in the table below:

Operating segment	As at 30 September 2019 *(unaudited)*	As at 31 December 2018 *(restated figures)*
Sales	342 769	432 321
Distribution, *including:*	212 761	309 233
liability to Polskie Sieci Elektroenergetyczne S.A.	*169 458*	*227 095*
Mining	112 074	168 076
Generation	109 902	150 731
Other	51 170	67 377
Total	**828 676**	**1 127 738**

38. Capital commitments

Short-term capital commitments as at 30 September 2019 and 31 December 2018 are presented in the table below:

Operating segment	As at 30 September 2019 *(unaudited)*	As at 31 December 2018 *(restated figures)*
Distribution	168 665	452 047
Generation	115 110	219 849
Mining	69 674	88 001
Sales and other	21 759	35 020
Total	**375 208**	**794 917**

Long-term capital commitments have been presented in the condensed interim consolidated statement of financial position within other financial liabilities. As at 30 September 2019, the related liability was PLN 31 thousand. As at 31 December 2018, the related liability was PLN 59 thousand.

Commitments to incur capital expenditure

As at 30 September 2019 and 31 December 2018, the Group committed to incur expenditure on property, plant and equipment and intangible assets of PLN 3 779 931 thousand and PLN 3 403 880 thousand, respectively, with the key items presented below:

(in '000 PLN)

Operating segment	Agreement/investment project	As at 30 September 2019 *(unaudited)*	As at 31 December 2018
Generation	Construction of 910 MW Power Unit in Jaworzno	953 769	1 593 273
	Project of adjusting generation units to the BAT (Best Available Techniques) conclusions	350 537	1 398
Distribution	Construction of new electrical connections	725 325	497 276
	Modernization and reconstruction of existing networks	855 853	671 960
Mining	Construction of the "Grzegorz" shaft with the accompanying infrastructure and excavations	156 307	210 314
	Construction of the 800 m drift at "Janina" Mining Plant	60 638	102 134
	Investment Program in "Brzeszcze" Mining Plant	75 655	32 781

39. Income tax liabilities

Income tax liabilities of PLN 42 003 thousand arise mainly from the liabilities of the Tax Capital Group, which total PLN 38 604 thousand being the excess of the Group's tax expense of PLN 366 017 thousand over the tax advance payments of PLN 327 413 thousand paid for the first eight months of 2019.

On 30 October 2017 the agreement of the Tax Capital Group for the years 2018–2020 were registered. Since 1 January 2018 the Tax Capital Group has comprised the following companies: TAURON Polska Energia S.A., TAURON Wytwarzanie S.A., TAURON Dystrybucja S.A., TAURON Ciepło Sp. z o.o., TAURON Sprzedaż Sp. z o.o., TAURON Sprzedaż GZE Sp. z o.o., TAURON Obsługa Klienta Sp. z o.o., TAURON Ekoenergia Sp. z o.o., TAURON Wydobycie S.A. and Kopalnia Wapienia Czatkowice Sp. z o.o.

40. Liabilities due to other taxes and charges

	As at 30 September 2019 *(unaudited)*	As at 31 December 2018
VAT	133 894	81 227
Personal Income Tax	37 725	58 898
Excise	10 433	44 693
Social security	130 971	210 940
Other	7 530	9 896
Total	**320 553**	**405 654**

Regulations concerning VAT, corporate income tax and social insurance charges are frequently amended. The regulations in force may also contain ambiguous provisions, which lead to differences in opinion concerning the legal interpretation of tax legislation both among the tax authorities and between such authorities and enterprises.

Tax reports and other matters (e.g. customs or foreign currency transactions) may be audited by authorities competent to impose substantial penalties and fines, whereas any additional tax liabilities assessed during such audits bear interest.

Consequently, the figures presented and disclosed in these condensed interim consolidated financial statements may change in the future if a final decision is issued by tax inspection authorities.

(in '000 PLN)

41. Other financial liabilities

	As at 30 September 2019 *(unaudited)*	As at 31 December 2018
Liabilities due to obligation to repay overpaid amounts to customers*	535 862	-
Derivative instruments	227 667	240 922
Margin deposits arising from stock exchange transactions	152 929	248 480
Wages, salaries	125 038	225 829
Bid bonds, deposits and collateral received	89 291	81 492
Other	114 968	84 618
Total	**1 245 755**	**881 341**
Non-current	61 600	107 770
Current	1 184 155	773 571

** On 28 December 2018, the Act amending the Excise Duty Act and certain other acts came into effect.*

The Group's obligation to refund users with overpaid amounts includes adjustments reducing revenue from clients for the first half of 2019, arising from the necessity to adjust the prices in the period to the amended *Act Amending the Excise Duty Act and Certain Other Acts of 28 December 2018*, as described in detail in Notes 6.1 and 11 hereto.

A liability resulting from a negative measurement of derivatives includes mostly futures based on CO_2 emission allowances.

Margin deposits are funds received by the Group arising from current stock-exchange settlement in connection with a change in the valuation of open futures contracts as at the end of the reporting period. The decrease in the value of variation margins of PLN 95 551 thousand results mainly from transactions regarding the supplies of CO_2 emission allowances carried out in foreign stock exchange markets and arises mainly from a decrease in the prices of the emission allowances, accompanied with a growth in the number of concluded contracts.

42. Other current non-financial liabilities

	As at 30 September 2019 *(unaudited)*	As at 31 December 2018
Payments from customers relating to future periods	**361 037**	**335 483**
Amounts overpaid by customers	302 304	279 205
Prepayments for connection fees	19 261	17 583
Other	39 472	38 695
Other current non-financial liabilities	**2 690**	**1 565**
Total	**363 727**	**337 048**

(in '000 PLN)

EXPLANATORY NOTES TO THE CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

43. Significant items of the condensed interim consolidated statement of cash flows

43.1. Cash from/used in operating activities

Changes in working capital

	9-month period ended 30 September 2019 *(unaudited)*	9-month period ended 30 September 2018 *(restated figures unaudited)*
Change in receivables	**(1 015 350)**	**(237 037)**
Change in receivables from buyers in statement of financial position	(19 949)	40 155
Change in receivables due to financial compensation	(821 456)	-
Change in other financial receivables	(182 432)	(247 917)
Adjustment for the movement in dividend receivables from a joint venture	-	(3 683)
Adjustment accounting for impairment allowances recognized in correspondence with retained earnings following the endorsement of IFRS 9 *Finanical Instruments*	-	(31 471)
Adjustment by the opening balance of the acquired business	4 804	-
Other adjustments	3 683	5 879
Change in inventories	**(104 329)**	**(153 852)**
Change in inventories in statement of financial position	(104 812)	(147 221)
Adjustment by the opening balance of the acquired business	10 341	-
Adjustment related to transfer of invetories to/from property, plant and equipment	(9 858)	(6 631)
Change in payables excluding loans and borrowings	**(47 412)**	**212 870**
Change in liabilities to suppliers in statement of financial position	(299 062)	(148 160)
Change in payroll, social security and other financial liabilities	377 697	481 233
Change in non-financial liabilities in statement of financial position	23 948	28 709
Change in liabilities arising from taxes excluding income tax	(85 101)	(70 798)
Adjustment of VAT change related to capital commitments	(62 040)	(80 119)
Adjustment by the opening balance of the acquired business	(12 060)	-
Other adjustments	9 206	2 005
Change in other non-current and current assets	**(407 126)**	**250 919**
Change in other current and non-current non-financial assets in statement of financial position	(10 601)	(31 645)
Change in receivables arising from taxes excluding income tax	(106 549)	77 114
Change in non-current and current CO_2 emission allowances	113 647	246 029
Change in non-current and current energy certificates	(398 242)	(17 503)
Change in advance payments for property, plant and equipment and intangible assets	(5 979)	(46 579)
Adjustment accounting for costs of acquiring new contracts and bonuses capitalized in correspondence with retained earnings as a result of endorsement of IFRS 15 *Revenue from Contracts with Customers*	-	26 355
Adjustment by the opening balance of the acquired business	4 724	-
Other adjustments	(4 126)	(2 852)
Change in deferred income, government grants and accruals	**114 828**	**17 163**
Change in deferred income, government grants and accruals in statement of financial position	410 629	(155 001)
Adjustmet related to property, plant and equipment and intangible assets received free of charge	(9 652)	(10 866)
Adjustment related to subsidies received and refunded	(44 995)	(12 636)
Adjustment accounting for recognizing deferred income from connection fees in retained earnings following the endorsement of IFRS 15 *Revenue from Contracts with Customers*	-	195 666
Adjustment by the opening balance of the acquired business and temporary gains on bargain purchase	(240 917)	-
Other adjustments	(237)	-
Change in provisions	**296 262**	**(413 575)**
Change of short term and long term provisions in statement of financial position	339 464	(418 396)
Adjustment related to actuarial gains/losses from provisions for post-employment benefits charged to other comprehensive income	8 697	6 695
Adjustment by the opening balance of the acquired business	(51 258)	-
Other adjustments	(641)	(1 874)
Total	**(1 163 127)**	**(323 512)**

(in '000 PLN)

Income tax paid

The income tax paid during the 9-month period ended 30 September 2019 amounted to PLN 308 078 thousand. The Tax Capital Group paid PLN 309 076 thousand of the income tax which results from the advance payments for the eight months of 2019 in the amount of PLN 327 505 thousand and income tax settlements for prior years, resulting in net proceeds of PLN 18 429 thousand.

In the comparative period, the income tax paid over the 9-month period ended 30 September 2018 was PLN 222 162 thousand, with PLN 219 088 thousand in connection with the Tax Capital Group's advance income tax payments for Q1 and Q2 2018 totaling PLN 172 753 thousand and PLN 46 335 thousand in connection with the settlement of income tax for 2017.

The fact that in 2019 the Tax Capital Group has paid tax advances on a monthly basis, while in 2018 it had paid them on a quarterly basis resulted in a material increase of the income tax paid in the 9-month period ended 30 September 2019 versus the comparative period.

43.2. Cash from/used in investing activities

Purchase of property, plant and equipment and intangible assets

	9-month period ended 30 September 2019 *(unaudited)*	9-month period ended 30 September 2018 *(unaudited)*
Purchase of property, plant and equipment	(2 328 652)	(2 156 393)
Purchase of intangible assets	(62 699)	(69 593)
Change in the balance of capital commitments (VAT-adjusted)	(357 697)	(323 576)
Change in the balance of advance payments	5 979	46 579
Costs of overhaul and internal manufacturing	(326 132)	(193 672)
Other	10 947	7 532
Total	**(3 058 254)**	**(2 689 123)**

Cash transfer related to the acquisition of wind farms (after deduction of the acquired cash balance)

The transfer of cash related to the acquisition of wind farms (after the deduction of the acquired cash balance) of PLN 542 364 thousand is related to the acquisition of five wind farms from the in.ventus group, along with debt owed by their operators to Hamburg Commercial Bank AG, as described in detail in Note 2.1 hereto. The cash transferred by the Group in this transaction amounted to PLN 579 714 thousand, and the cash balance acquired as part of net assets amounted to PLN 37 350 thousand.

Loans granted

Payments to grant loans result from the loan disbursed by the Company to Elektrociepłownia Stalowa Wola S.A., a jointly-controlled entity, in the total amount of PLN 16 025 thousand.

43.3. Cash from/used in financing activities

Redemption of debt securities

Expenses related to the redemption of bonds in the amount of PLN 670 000 thousand, as described in detail in Note 31.2 hereto, included:

- bonds with par value of PLN 400 000 thousand, redeemed within the deadline determined in the bond issue scheme of 24 November 2015;
- premature redemption of three bond series subscribed by BGK, with the total par value of PLN 270 000 thousand.

Repayment of loans

Expenses related to the repayment of loans and borrowings, as presented in the consolidated statement of cash flows in the amount of PLN 94 845 thousand, result mainly from the Parent's repayment of loan instalments to the European Investment Bank, totaling PLN 90 864 thousand, during the 9-month period ended 30 September 2019.

(in '000 PLN)

Interest paid

	9-month period ended 30 September 2019 *(unaudited)*	9-month period ended 30 September 2018 *(unaudited)*
Interest paid in relation to debt securities	(4 927)	(22 283)
Interest paid in relation to loans and borrowings	(27 061)	(24 333)
Interest paid in relation to the finance lease	(15 525)	(196)
Total	**(47 513)**	**(46 812)**

The Group's consolidated statement of cash flows presents incurred borrowing costs which were capitalized in the current period in the value of assets as payments to acquire property, plant and equipment and intangible assets in cash flows from investing activities. In the 9-month period ended 30 September 2019, interest representing borrowing costs capitalized in the value of property, plant and equipment and intangible assets amounted to PLN 132 574 thousand.

Loans taken

Proceeds arising from contracted loans totaling PLN 1 450 000 thousand were installments of the loan from Bank Gospodarstwa Krajowego, which has been further described in Note 31.1 hereto;

- providing loan tranches of PLN 1 000 000 thousand based on the arrangement concluded with Bank Gospodarstwa Krajowego;
- providing loan tranches of PLN 450 000 thousand based on the arrangement concluded with the consortium of banks.

Issue of debt securities

Proceeds related to the issue of bonds in the amount of PLN 500 000 thousand, as described in detail in Note 31.2 hereto, included:

- an issue of subordinated bonds subscribed by BGK in the amount of PLN 400 000 thousand;
- an issue of bonds in the amount of PLN 100 000 thousand under the bond issue scheme of 24 November 2015.

Proceeds from non-controlling interests

Proceeds from non-controlling interests of PLN 780 000 thousand are related to cash contribution paid by Fundusz Inwestycji Infrastrukturalnych — Kapitałowy Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych and PFR Inwestycje Fundusz Inwestycji Zamkniętych to assume shares in the increased capital of Nowe Jaworzno Grupa TAURON Sp. z o.o.

(in '000 PLN)

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

44. Financial instruments

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

Categories and classes of financial assets	As at 30 September 2019 *(unaudited)*		As at 31 December 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
1 Financial assets measured at amortized cost	**3 212 870**		**2 337 094**	
Receivables from buyers	2 249 349	2 249 349	2 229 400	2 229 400
Deposits	50 495	50 495	47 126	47 126
Loans granted	36 404	36 404	28 296	28 296
Other financial receivables	876 622	876 622	32 272	32 272
2 Financial assets measured at fair value through profit or loss (FVTPL)	**1 794 492**		**1 626 932**	
Derivative instruments	239 450	239 450	216 165	216 165
Shares	144 371	144 371	138 492	138 492
Loans granted	211 511	211 511	199 256	199 256
Other financial receivables	382 770	382 770	223 232	223 232
Investment fund units	26 448	26 448	26 063	26 063
Cash and cash equivalents	789 942	789 942	823 724	823 724
3 Derivative hedging instruments	**2 896**	**2 896**	**4 178**	**4 178**
4 Financial assets excluded from the scope of IFRS 9 *Finanical Instruments*	**570 451**		**543 913**	
Investments in joint ventures	570 451		543 913	
Total financial assets, *of which in the statement of financial position:*	**5 580 709**		**4 512 117**	
Non-current assets	**1 066 088**		**1 015 992**	
Investments in joint ventures	570 451		543 913	
Loans granted to joint ventures	233 138		217 402	
Other financial assets	262 499		254 677	
Current assets	**4 514 621**		**3 496 125**	
Receivables from buyers	2 249 342		2 229 363	
Loans granted to joint ventures	6 327		5	
Receivables due to financial compensation and other financial assets	1 469 010		443 033	
Cash and cash equivalents	789 942		823 724	

Following an analysis, transferred security, which as at 30 September 2019 was PLN 382 770 thousand, was classified as other financial receivables measured at fair value through profit or loss, since such classification best reflects the nature of these financial assets. The remaining other financial receivables are classified as measured at amortized cost.

The Group classifies a loan to Elektrociepłownia Stalowa Wola S.A. under an agreement of 28 February 2018 to assets measured at fair value though profit or loss, as further discussed in Note 23 hereto.

(in '000 PLN)

Categories and classes of financial liabilities	As at 30 September 2019 *(unaudited)*		As at 31 December 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
1 Financial liabilities measured at amortized cost	**14 728 201**		**13 526 426**	
Preferential loans and borrowings	13 550	13 550	17 521	17 521
Arm's length loans and borrowings	4 085 446	4 103 503	867 997	892 832
Bank overdrafts	184 006	184 006	767	767
Bonds issued	8 223 227	8 616 292	10 077 067	10 204 721
Liabilities to suppliers	828 676	828 676	1 127 738	1 127 738
Other financial liabilities	891 051	891 051	406 151	406 151
Capital commitments	375 239	375 239	794 976	794 976
Salaries and wages	125 038	125 038	225 829	225 829
Insurance contracts	1 968	1 968	8 380	8 380
2 Financial liabilities measured at fair value through profit or loss (FVTPL)	**227 667**		**240 922**	
Derivative instruments	227 667	227 667	240 922	240 922
3 Financial liabilities excluded from the scope of IFRS 9 *Finanical Instruments*	**651 576**		**25**	
Liabilities under leases	651 576		25	
Total financial liabilities, *of which in the statement of financial position:*	**15 607 444**		**13 767 373**	
Non-current liabilities	**10 882 973**		**8 595 980**	
Debt	10 821 373		8 488 210	
Other financial liabilities	61 600		107 770	
Current liabilities	**4 724 471**		**5 171 393**	
Debt	2 336 432		2 475 167	
Liabilities to suppliers	828 676		1 127 738	
Capital commitments	375 208		794 917	
Other financial liabilities	1 184 155		773 571	

The method of fair value measurement of financial instruments and the fair value hierarchy levels assigned to these instruments are presented in the following tables.

Financial asset classes	Fair value measurement level	Fair value measurement methodology
Financial assets measured at fair value		
Derivatives, *including:*		
IRS	2	Derivatives have been measured in line with the methodology presented in Note 44.2 hereto.
CCIRS	2	
Currency forwards	2	
Commodity forwards and futures	1	
Shares	3	The Group estimated the fair value of shares held in not listed companies using the adjusted net assets method, considering its share in the net assets and adjusting the value by relevant factors affecting the measurement, such as the non-controlling interest discount and the discount for the limited liquidity of the above instruments or the discounted dividend method. As the key factors affecting the value of the assumed shares had not changed at a given end of the reporting period compared to the initial recognition, in the case of other instruments the Group assumes that the historical cost is an acceptable approximation of the fair value.
Loans granted	3	Fair value measurement of the loan had the form of the current value of future cash flows, including borrower's credit risk.
Units in investment funds	1	Fair value measurement of units is referred to current quotings of the units.

(in '000 PLN)

Financial liability class	Fair value measurement level	Fair value measurement methodology
Financial liabilities measured at fair value		
Derivatives, *including:*		
IRS	2	Derivatives have been measured in line with the methodology presented in Note 44.2 hereto.
CCIRS	2	
Currency forwards	2	
Commodity forwards and futures	1	
Financial liabilities whose fair value is disclosed		
Loans, borrowings and bonds issued	2	Liabilities arising from fixed interest debt, i.e. loans contracted from the European Investment Bank, issued subordinated bonds and eurobonds, as well as bonds issued by a subsidiary are measured at fair value. The fair value measurement was carried out based on the present value of future cash flows discounted using an interest rate applicable to given bonds or loans, i.e. applying market interest rates.

As at 30 September 2019 and 31 December 2018, the fair value of other financial instruments (except for those excluded from the scope of IFRS 9 *Financial Instruments*) did not differ considerably from the amounts presented in the financial statements for specific periods for the following reasons:

– the potential discounting effect relating to short-term instruments is not significant;

– the instruments are related to arm's length transactions.

Shares in jointly-controlled entities excluded from the scope of IFRS 9 *Financial Instruments* are measured using the equity method.

44.2. Derivatives and hedge accounting

Measurement of derivatives as at each reporting period end is presented in the following table.

	As at 30 September 2019 *(unaudited)*				As at 31 December 2018			
	Charged to profit or loss	Charged to other comprehensive income	Total		Charged to profit or loss	Charged to other comprehensive income	Total	
			Assets	Liabilities			Assets	Liabilities
CCIRS	690	-	**4 599**	**(3 909)**	(5 140)	-	**-**	**(5 140)**
IRS	326	2 570	**2 896**	**-**	16	4 162	**4 178**	**-**
Commodity forwards/futures	4 026	-	**226 866**	**(222 840)**	(17 138)	-	**216 165**	**(233 303)**
Currency forwards	7 067	-	**7 985**	**(918)**	(2 479)	-	**-**	**(2 479)**
Total			**242 346**	**(227 667)**			**220 343**	**(240 922)**
Non-current			45 639	(31 359)			43 844	(37 930)
Current			196 707	(196 308)			176 499	(202 992)

Method of calculation of the fair value of individual derivative financial instruments:

Derivative instrument	Methodology of determining fair value hierarchy
IRS	Difference between the discounted interest cash flows based on the floating and fixed interest rates. Reuters' interest rate curve is the input data.
CCIRS	Difference between the discounted interest cash flows of the payable and receivables streams, in two various currencies, denominated in the measurement currency. Reuters' interest rate curve, basis spreads and NBP fixing for relevant currencies are the input data.
Forward currency contracts	Difference between the discounted future cash flows between the future price as at the valuation date and the transaction price multiplied by the par value of the FX contract. Reuter's NBP fixing and the interest rate curve implied from fx swap transaction for a relevant currency is the input data.
Commodity (forwards, futures)	The fair value of forwards for the purchase and sale of CO_2 emission allowances, electricity and other commodities is based on prices quoted on an active market or based on cash flows being the difference between the price reference index (forward curve) and the contract price.

(in '000 PLN)

The fair value hierarchy for derivative financial instruments was as follows:

	As at 30 September 2019 *(unaudited)*		As at 31 December 2018	
	Level 1	Level 2	Level 1	Level 2
Assets				
Derivative instruments - commodity	226 866	-	216 165	-
Derivative instruments - currency	-	7 985	-	-
Derivative instruments-IRS	-	2 896	-	4 178
Derivative instruments - CCIRS	-	4 599	-	-
Total	**226 866**	**15 480**	**216 165**	**4 178**
Liabilities				
Derivative instruments - commodity	222 840	-	233 303	-
Derivative instruments - currency	-	918	-	2 479
Derivative instruments-CCIRS	-	3 909	-	5 140
Total	**222 840**	**4 827**	**233 303**	**7 619**

Derivatives subject to hedge accounting

In September 2019 the Company hedged a portion of its interest rate risk for cash flows relating to the exposure to WIBOR 6M, designated under the dynamic risk management strategy, i.e. debt interest with the nominal value of PLN 1 000 000 thousand, through the entry into interest rate swap (IRS) transactions valid until 20 June 2024 and 20 June 2029. These transactions are subject to hedge accounting.

In 2016 the Company hedged a portion of its interest rate risk for cash flows relating to the exposure to WIBOR 6M, designated under the dynamic risk management strategy, i.e. debt interest with the nominal value of PLN 2 100 000 thousand, through the entry into interest rate swap (IRS) transactions for a term of 4 to 5 years. These transactions are subject to hedge accounting.

Effects of hedge accounting on the revaluation reserve regarding hedging instruments are presented in Note 30.5 hereto.

Derivative instruments measured at fair value through profit or loss (FVTPL)

As at 30 September 2019, derivative instruments which did not fall within the scope of hedge accounting and were classified as financial assets or financial liabilities measured at fair value through profit or loss comprised:

- CCIRSs that hedge foreign currency cash flows resulting from the payment of interest on the issued Eurobonds;
- commodity derivatives (futures, forward) including CO_2 emission allowance and other commodity purchase and sale transactions;
- FX forward transactions hedging foreign currency cash flows resulting from the Company's operations.

The CCIRSs have been used with respect to the Company's Coupon Only Cross Currency Swap fixed-fixed transactions concluded in 2017 and 2018 and involve an exchange of interest payments on the total par value of EUR 500 000 thousand. They mature in July 2027. In accordance with the terms and conditions, the Company pays interest at a fixed rate in PLN and receives fixed interest-rate payments in EUR. Hedge accounting principles do not apply to the transaction in question.

45. Principles and objectives of financial risk management

The objectives and principles of financial risk management have not changed since 31 December 2018.

As at 30 September 2019, the Parent was a party to hedging transactions covered by the risk management policy, entered into with a view to hedging interest cash flows from debt. The Parent applies hedge accounting to the aforementioned transactions. The accounting treatment of the aforementioned hedging transactions has been further discussed in Note 44.2 to these condensed interim consolidated financial statements.

46. Finance and capital management

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

(in '000 PLN)

OTHER INFORMATION

47. Contingent liabilities

<table>
<tr><th>Item</th><th>Content</th></tr>
<tr><td rowspan="2">Claims relating to termination of long-term contracts</td><td>
Claims relating to termination of long-term contracts against subsidiary Polska Energia Pierwsza Kompania Handlowa Sp. z o.o.
In 2015 companies in the in.ventus, Polenergia and Wind Invest groups filed a case against Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. to declare notices of termination of agreements submitted by Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. with regard to power purchase and ownership titles concluded with these companies ineffective. In the course of court proceedings, plaintiffs extend the scope of the action by bringing claims for compensation and liquidated damages due to contract termination. On 2 September 2019 Amon Sp. z o.o. (a Polenergia Group company) filed a number of new cases regarding claims related to:

damages totaling PLN 1 576 thousand due to Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. having failed to perform the agreement on the sale of property titles arising from green certificates, confirming the generation of electricity in renewable energy sources, i.e. the wind farm located in Łukaszów, in the period from 1 August 2017 to 31 December 2017;
damages totaling PLN 27 433 thousand due to Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. having failed to perform the agreement on the sale of electricity generated in renewable energy sources, i.e. the wind farm located in Łukaszów, in the period from 25 September 2017 to 31 July 2019.

As at the date these condensed interim consolidated financial statements were authorized for issue, the amount of compensation sought in the claims is: in.ventus companies — EUR 20 397 thousand, Polenergia companies — PLN 115 566 thousand (including PLN 69 488 thousand for Amon Sp. z o.o. and PLN 46 078 thousand for Talia Sp. z o.o.) and Wind Invest companies — PLN 287 849 thousand.
In the case filed by Amon Sp. z o.o. on 25 July 2019, a partial preliminary judgment was issued. It stated that the representations of Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. regarding the termination of long-term contracts concluded by and between Polska Energia-Pierwsza Kompania Handlowa Sp. Z o.o. and Amon Sp. z o.o. and regarding the purchase of electricity and property titles arising from certificates of origin were ineffective and did not result in termination of the agreements. As a result, following the notice period (i.e. after 30 April 2015), the agreements remained fully binding for the parties thereof. Further, the court considered the claim of damages by Amon Sp. z o.o. reasonable, but the actual amount was not decided upon. The judgment is not binding. Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. has not accepted the judgment and motioned for its delivery with rationale to be able to analyse it and make an appeal. The above partial preliminary judgment does not change Group's opinion that the probability of losing the case is not higher than the probability of winning it. After the reporting period end, on 25 October 2019, Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. appealed against the decision.
In the case filed by Amon Sp. z o.o. on 2 September 2019, Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. responded to the claim on 4 November 2019 motioning for its complete dismissal. Based on the preliminary analysis of the demands and the rationale, the claim has been found entirely unsubstantiated.
In the case filed by Pękanino Wind Invest sp. z o.o. regarding the security of claims that the termination of long-term agreements by Polska Energia-Pierwsza Kompania Handlowa sp. z o.o. is ineffective, on 6 September 2019 the Appellate Court in Warsaw partially accepted the motion and ordered Polska Energia-Pierwsza Kompania Handlowa sp. z o.o. to perform all contractual provisions on terms determined in the agreements until the proceedings instigated by Pękanino Wind Invest sp. z o.o. against Polska Energia-Pierwsza Kompania Handlowa sp. z o.o. and pending before the Regional Court in Warsaw are completed. The decision regarding the security is binding. The decision does not mean the claim has been justified, just providing a temporary solution until the proceedings are completed.
The other cases are heard in courts of first instance (including one remanded for re-examination to the first-instance court by the second-instance court).
In light of the current status of the proceedings and the related circumstances, the Group believes that the probability of losing the other cases both as regards declaration of ineffectiveness of the termination notices and securing non-monetary claims and the claims for compensation does not exceed the probability of winning them. Therefore, no provision for the related costs has been recognized.
In relation of purchase the in.ventus group companies effected on 3 September 2019 (described in detail in Note 2.1 hereto), all cases filed by in.ventus group companies against Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. were suspended upon the unanimous motion of the parties.
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<tr><td>
Claims against TAURON Polska Energia S.A. relating to termination of long-term contracts
In 2017 and 2018 companies in the in.ventus, Polenergia and Wind Invest group filed cases against TAURON Polska Energia S.A. seeking payment of damages and establishment of any future liability arising from tort, including acts of unfair competition. The factual basis for the claim, according to the plaintiffs, is the termination of long-term contracts for the purchase of electricity and property rights arising from green certificates by Polska Energia Pierwsza Kompania Handlowa Sp. z o.o., allegedly directed by TAURON Polska Energia S.A.
As at the date these condensed interim consolidated financial statements were authorized for issue, the amount of compensation sought in the claims is: in.ventus companies — EUR 12 286 thousand, Polenergia companies — PLN 78 855 thousand and Wind Invest companies — PLN 129 947 thousand.
Moreover, the plaintiffs set out in their statements of claim the following estimated amounts which may arise in future: in.ventus companies — EUR 35 706 thousand, Polenergia companies — PLN 265 227 thousand, Wind Invest companies — PLN 1 119 363 thousand.
The court competent to hear the claims is the Regional Court for Katowice. All cases are heard in courts of first instance. Those filed by Wind Invest companies are heard in private. As at the date these condensed interim financial statements were authorized for issue, the probability that the rulings would be favorable for the Company is substantial (i.e. the probability of losing the case does not exceed the probability of winning it).
In relation to the acquisition of in.ventus group companies effected on 3 September 2019 as described in detail in Note 2.1 hereto, the parties to the cases filed by in.ventus group companies against TAURON Polska Energia S.A. were suspended upon the unanimous motion of the parties.
Moreover, TAURON Polska Energia S.A. is also a party to an action brought by Dobiesław Wind Invest Sp. z o.o. and heard in a court of first instance, the Regional Court for Kraków. The case centres around a demand for PLN 183 391 thousand to be paid into court to reverse the threat of a loss. Bearing in mind the current status of the case, the chances that the rulings will be favorable for the Company are substantial, i.e. the probability of losing does not exceed the probability of winning the case. On 12 September 2019 Dobiesław Wind Invest Sp. z o.o. filed a letter to the court, in which it withdrew the claim and renounced the claimed amount.
</td></tr>
</table>

(in '000 PLN)

Item	Content
	Claims relating to termination of long-term contracts against subsidiary TAURON Sprzedaż Sp. z o.o. On 28 February 2017, TAURON Sprzedaż Sp. z o.o., a subsidiary, submitted termination notices regarding long-term contracts to purchase property rights arising from green certificates by the subsidiary. The party to the contracts in 2008 are companies from the in.ventus group. The contracts were terminated after the parties were unable to reach an agreement during renegotiation of the contracts in line with the terms and conditions provided for therein. Total net contractual liabilities of TAURON Sprzedaż Sp. z o.o. under the terminated contracts for the years 2017-2023, as at the date of the termination would be approx. PLN 417 000 thousand. On 7 March 2019, Hamburg Commercial Bank AG (formerly, HSH Nordbank AG) filed a case against TAURON Sprzedaż Sp. z o.o. seeking compensation for failure to deliver under contracts on sales of property rights arising from green certificates and liquidated damages charged in relation to termination of the above contracts. The plaintiff demanded that TAURON Sprzedaż Sp. z o.o. pay PLN 232 879 thousand with statutory interest for the delay, calculated from the date of filing the case (i.e. from 7 March 2019) to the date of payment, and including the compensation totaling PLN 36 252 thousand and liquidated damages totaling PLN 196 627 thousand. In relation to the acquisition of the wind farms (described in detail in Note 2.1 hereto), on 4 September 2019 Hamburg Commercial Bank AG and TAURON Sprzedaż Sp. z o.o. filed a letter with the Regional Court in Kraków. In the letter, the bank withdrew the claim, renounced the claimed amount and the parties unanimously motioned for the cancelation of the entire case. In a decision of 5 September 2019, the Regional Court in Kraków dismissed the proceedings and mutually canceled the litigation costs incurred by the parties. The decision is binding. In 2018, subsidiary TAURON Sprzedaż Sp. z o.o. received summons for conciliation hearing in connection with cases brought by two Polenergia group companies. The latter demanded PLN 78 855 thousand in damages for alleged loss incurred by the Polenergia group companies as a result of unjustified termination of a long-term agreement concluded between the companies and Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. In their motions the companies indicated that the Company, Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. and its liquidators have been acting to the detriment of the Polenergia group companies and TAURON Sprzedaż Sp. z o.o. knowingly benefited from the loss and — in accordance to the companies in the Polenergia group — is liable for the loss. TAURON Sprzedaż Sp. z o.o. considered the claims of the Polenergia group companies baseless and thus no settlement was reached. Based on a legal analysis, the Management Board of TAURON Sprzedaż Sp. z o.o. decided there were no grounds to recognize a provision related to the case.
Claim against PGE EJ 1 Sp. z o.o.	On 13 March 2015, a consortium of WorleyParsons Nuclear Services JSC, WorleyParsons International Inc, WorleyParsons Group Inc (the "WorleyParsons consortium") responsible for conducting research as part of PGE EJ 1 Sp. z o.o.'s investment project to build a nuclear power plant (the "agreement") demanded that PGE EJ 1 Sp. z o.o. pay the aggregate amount of PLN 92 315 thousand. As a result, on 15 April 2015 the Company (as a holder of a 10% interest in the issued capital of PGE EJ 1 Sp. z o.o.) concluded an agreement with PGE EJ 1 Sp. z o.o. and its other shareholders (i.e. PGE Polska Grupa Energetyczna S.A., KGHM Polska Miedź S.A. and ENEA S.A.) which regulated mutual relations of the parties to the agreement as regards the claims, including the rules of providing additional funds (if any) to PGE EJ 1 Sp. z o.o. by its shareholders. In the Company's view, the Company's potential additional exposure to PGE EJ 1 Sp. z o.o. arising from the agreement shall not exceed its persentage equity share in PGE EJ 1 Sp. z o.o. In November 2015, the Regional Court in Warsaw served PGE EJ 1 Sp. z o.o. with a claim made by the WorleyParsons consortium for the amount approximating PLN 59 million, increased in 2017 by PLN 45 million, to approx. PLN 104 million. PGE EJ 1 Sp. z o.o. did not accept the claims and believes that the probability that the court will decide in favor of the plaintiffs is remote. No provisions were recognized in relation to the above events.
Claims filed by Huta Łaziska S.A.	Following the business combination of the Company and Górnośląski Zakład Elektroenergetyczny S.A. ("GZE"), TAURON Polska Energia S.A. became a party to a court dispute with Huta Łaziska S.A. ("Huta"), against GZE and the State Treasury represented by the President of the Energy Regulatory Office. The case is being heard at the Regional Court in Warsaw. Based on a decision of 12 October 2001, the President of the Energy Regulatory Office ordered GZE to resume electricity supplies to Huta (suspended on 11 October 2001 since Huta had not paid its liabilities) on such terms as set out in the agreement of 30 July 2001, in particular at the price of PLN 67/MWh, until 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 the decision. On 25 July 2006, the Court of Appeals in Warsaw issued a final and binding decision ending the dispute concerning GZE's energy supplies to Huta. The court dismissed Huta's appeal against the decision of the Regional Court in Warsaw dated 19 October 2005, in which the court had dismissed Huta's appeal against the decision of the President of the Energy Regulatory Office. Huta filed a cassation appeal against the judgement of the Court of Appeals in Warsaw, which was dismissed by the judgement of the Supreme Court dated 10 May 2007. On 15 November 2001 (following the decision of 14 November 2001 issued by the President of the Energy Regulatory Office and due to the growing indebtedness of Huta to GZE due to electricity supplies) GZE again suspended the supplies. Consequently, Huta sued GZE for damages. In a suit of 12 March 2007 against GZE and the State Treasury represented by the President of the Energy Regulatory Office (jointly and severally) Huta seeks the payment of PLN 182 060 thousand together with interest accrued from the date of filing the suit to the date of payment, as 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 judgements favorable for GZE; however, in its judgement of 29 November 2011 the Supreme Court overruled the judgement of the Court of Appeals and remanded the case for re-examination by that Court. On 5 June 2012, the Court of Appeals overruled the judgement of the Regional Court and remanded the case for re-examination by the latter. Since 27 November 2012 the case has been heard by the court of first instance. In a decision of 28 May 2019, the District Court in Warsaw dismissed the Huta's claim as a whole and ordered Huta to refund the litigation costs to all defendants. The decision is not binding. Huta appealed against the decision (dated 25 July 2019) in whole and motioned for its change in the form of including the entire claim and deciding that the defendants are to refund Huta the litigation costs; an alternative solution motioned for involved cancelation of the decision in whole and remanding the case to the first instance court for re-examination. In response to the appeal (dated 9 August 2019) the Company motioned for dismissing it in whole as clearly groundless and for deciding that Huta is to refund the litigation costs incurred by the Company. Pursuant to a legal analysis performed, and in light of the above decision, the Company believes the claims are groundless and the risk of the need to fulfil them is remote. As a result, the Company did not recognize any provision in connection with the claims.

(in '000 PLN)

Item	Content
Claim brought by ENEA S.A.	The claim filed by ENEA S.A. ("ENEA") against TAURON Polska Energia S.A., which has been heard by the Regional Court in Katowice since 2016, regards the payment of PLN 17 086 thousand with statutory interest from 31 March 2015 until the payment date. The basis of the claim brought by ENEA is unjust enrichment of the Company due to potential errors in the calculation of aggregated measurement and billing data by ENEA Operator Sp. z o.o. (being the Distribution System Operator), which are the basis of ENEA and the Company's settlements with Polskie Sieci Elektroenergetyczne S.A., due to an imbalance on the Balancing Market in the period from January to December 2012. During the proceedings, at the request of ENEA S.A. the court decided to extend the suit against seven sellers for which TAURON Polska Energia S.A. acted as an entity in charge of trade balances in the distribution area of ENEA Operator Sp. z o.o. in 2012. Tte sellers include two subsidiaries of TAURON Polska Energia S.A.: TAURON Sprzedaż Sp. z o.o. from which ENEA S.A. demanded PLN 4 934 thousand with statutory interest as of the date of serving a copy of the request to extend the suit until the date of payment; and TAURON Sprzedaż GZE Sp. z o.o. from which ENEA S.A. demanded PLN 3 480 thousand with statutory interest as of the date of serving a copy of the request to extend the suit until the date of payment. The demand for payment of the above amounts as well as the amounts claimed from the other five sellers was submitted by the petitioner in case the claim against TAURON Polska Energia S.A. is dismissed. The case is pending before the first-instance court The Company did not recognize any provision as, in the opinion of the Company, the risk of losing the case is below 50%. Provisions were recognized by the subsidiaries of TAURON Polska Energia S.A. in the total amount of PLN 5 668 thousand (TAURON Sprzedaż Sp. z o.o.) and in the total amount of PLN 4 030 thousand (TAURON Sprzedaż GZE Sp. z o.o.). The said provisions cover the principal, interest accrued as at 30 September 2019 and the cost of the proceedings. As at 30 September 2019, the value of the claim against the Company was PLN 17 086 thousand, including statutory interest accrued between 31 March 2015 and the payment date. Should the claim filed against the Company be dismissed, the claim for payment by the Group companies totals PLN 8 414 thousand, including statutory interest accrued between the date of service of a copy of the request filed by ENEA S.A. to extend the suit by a specific Group company and the payment date. As new measurement data were presented by ENEA Operator sp. z o.o. during the proceedings, the values of the claims against the Company and the Group companies may be expected to change.
Administrative proceedings instigated by the President of the Energy Regulatory Office (ERO)	In 2016, administrative proceedings to impose a fine for a failure to maintain facilities, installations and equipment in a proper technical condition and for non-compliance with the terms of the electricity distribution license were instigated against TAURON Dystrybucja S.A. By decision of 10 July 2017, the company was fined with PLN 350 thousand. In July 2017 the company recognized a provision of PLN 351 thousand and filed an appeal against the decision to the Court of Competition and Consumer Protection. The case is pending. In 2017, administrative proceedings to impose a fine with respect to the alleged business activity consisting in generation of electricity in Elektrownia Wodna Dąbie and Elektrownia Wodna Przewóz without the necessary permits for special use of water of the Vistula river for energy generation, as required under the Water Law of 20 July 2017, were instigated against TAURON Ekoenergia Sp. z o.o. The Company provided the President of the Energy Regulatory Office with relevant explanations in writing. In the last one, dated 29 June 2018 it indicated that the Supreme Administrative Court had passed judgements on 17 May 2018 and on 27 June 2018 overruling decisions of administrative authorities (which had been disadvantageous for the company) related to permits for special use of water of the Vistula river for energy generation in Elektrownia Wodna Dąbie and Elektrownia Wodna Przewóz. By decision of 15 February 2019, the company was fined with PLN 2 thousand. On 4 March 2019 the Company filed an appeal against the decision to the Regional Court in Warsaw. According to the company, the facts underlying the procedure cannot provide the basis to a fine; therefore, it has not recognized any related provision. As at the end of the reporting period, the companies in the Sales segment have been subject to the following proceedings: - On 21 and 27 February 2018, proceedings were instituted against the subsidiary TAURON Sprzedaż GZE Sp. z o.o. over irregularities which consisted in a failure to offer end users the choice of a specific offer or tariff group. The company has provided adequate explanations. - On 18 July 2018 proceedings were instigated against TAURON Sprzedaż Sp. z o.o. regarding the adjustment of the terms of the electricity trading license to meet the requirements of the applicable law. On 30 November 2018, the company received a decision of the President of Energy Regulatory Office (ERO) regarding a change to its concession. The Company appealed against the decision to the Court of Competition and Consumer Protection and on 17 May 2019 received a response of the President of ERO to the appeal. The Company maintains the position presented in the appeal. - On 15 October 2018 proceedings were instigated against TAURON Sprzedaż GZE Sp. z o.o. in relation to the suspension of the supplies of electricity to an end user. The company has been providing relevant explanations on an ongoing basis. On 23 May 2019 the proceedings were suspended. The Companies do not recognize provisions for potential fines that may be imposed in the above proceedings as in the opinion of their Management Board the risk of adverse rulings and fines is low.
Administrative proceedings and investigation launched by the President of the Office for Competition and Consumer Protection ("UOKiK")	As at the end of the reporting period, the companies in the Sales segment were subject to the following proceedings instigated by the President of UOKiK: - Explanatory proceedings instigated on 11 May 2017 against TAURON Sprzedaż Sp. z o.o. and on 29 June 2018 against TAURON Sprzedaż GZE Sp. z o.o. with respect to the mechanism of automatic extension of the period of settling fees for the sale of electricity in line with the Price list if a consumer does not respond to the new offer presented (renewal offer). The companies have been providing relevant explanations on an ongoing basis. - On 13 July 2017 the explanatory proceedings were instigated against TAURON Sprzedaż GZE Sp. o.o. with respect to violation of the provisions of Article 6b.3 of the Energy Law in respect of determining additional deadlines for payment of overdue amounts specified in demands for payment. The company took remedial action, which consisted in changing the communication distributed to consumers. Documents and explanations have been provided on an ongoing basis. - Proceedings instituted on 13 October 2017 against TAURON Sprzedaż GZE Sp. z o.o. with regard to the alleged violation of collective interests of consumers, which consisted in hindering a change of the electricity supplier. The company has been providing relevant explanations on an ongoing basis. - Proceedings instigated on 8 November 2017 against TAURON Sprzedaż Sp. z o.o. in relation to suspected practices violating collective interests of consumers, which consisted in suggesting that termination of contracts with another supplier can be costless. The company has been providing relevant explanations on an ongoing basis. - Explanatory proceedings instigated on 27 April 2018 against TAURON Sprzedaż Sp. z o.o. in relation to the alleged infringement of collective interest of consumers by sending out letters regarding personal data updates. The company has provided required explanations. - Explanatory proceedings instigated on 31 December 2018 against TAURON Sprzedaż Sp. z o.o. in relation to suspected violation of collective interests of consumers through application of practices involving conclusion of electricity sales agreements on the phone. The company has provided adequate explanations. - Explanatory proceedings instigated on 8 January 2019 against TAURON Sprzedaż Sp. z o.o. in relation to the Company's alleged use of practices violating collective interest of consumers by changing the information provided to the consumers in the applications for conclusion of amendment of the terms of a master electricity agreement. The company has provided adequate explanations. The Companies do not recognize provisions for potential fines that may be imposed in the above proceedings as in the opinion of their Management Board the risk of adverse rulings and fines is low.

Condensed interim consolidated financial statements for the nine months ended 30 September 2019 prepared in accordance with IFRS, as endorsed by the EU (in '000 PLN)

Item	Content
Use of real estate without contract	Companies in the Group do not hold legal titles to all land crossed by distribution networks or the land on which heat installations and related devices are located. The Group may have to incur costs related to non-contractual use of property in the future; though the risk of losing assets is remote. The Group has established a provision for all court disputes regarding the issue. No provision has been recognized for potential, not submitted claims of owners of land with unregulated legal status, since there are no detailed records of such land. As a consequence, potential claim amounts cannot be reliably estimated. In light of the history of claims submitted and the related costs incurred in the previous years, though, the risk of incurring material costs in this regard is low. As at the end of the reporting period, a provision was recognized for costs of court disputes in the amount of PLN 90 970 thousand (Note 35.1).
Claim for reimbursement of expenses incurred to protect a facility against the effects of mining operations	In December 2017, a claim was filed against the subsidiary TAURON Wydobycie S.A. by Galeria Galena Sp. z o.o. with its registered office in Gliwice for the payment of PLN 22 785 thousand as reimbursement of expenses incurred to protect a facility located in Jaworzno against the effects of mining operations. Additionally, on 5 April 2018, the company received a claim for payment, lodged by Galeria Galena Sp. z o.o. against the legal successors of Kompania Węglowa S.A., along with a request to examine the case together with the one against TAURON Wydobycie S.A. The claims against the State Treasury – the Director of the Regional Mining Authority in Katowice and legal successors of Kompania Węglowa S.A. in Katowice instituted by Galeria Galena Sp. z o.o. were combined for joint consideration. The parties have been providing explanations and serving pleadings on an ongoing basis. The case is pending before District Court in Katowice (the first instance). Considering the claim to include other defendants, i.e. the legal successors of Kompania Węglowa S.A. and doubts over the facts and legal uncertainties, which make it impossible to decide on the final outcome of the case heard by the Court or to estimate the amount that may be awarded by the Court, the company has not recognized any provision to this end.
Recognition of Funds' interest in subsidiary Nowe Jaworzno Grupa TAURON Sp. z o.o.	An investment agreement between the Company and the Closed-End Funds (henceforth: "Funds") managed by the Polish Development Fund provides for a number of material breaches of an agreement. Such cases, some of which are beyond direct control of the Company, include legal events, or those related to the financial and property standing of the TAURON Group, investment and operating decisions made by the Group in relation to the funding and construction of a 910 MW power unit, as well as its future operation. Any possible material breach of the agreement by Group companies may cause the potential launch of a procedure, which may result in demand (activation of options) by Fundusze Inwestycji Zamkniętych to buy back the shares in Nowe Jaworzno Grupa TAURON Sp. z o.o. (a subsidiary) held by Fundusze Inwestycji Zamkniętych, in the amount equal to Fund's investment in the shares, increased by an agreed return and a premium for material breach and reduced by distributions provided to the Funds by Nowe Jaworzno Grupa TAURON Sp. z o.o. As at the date of approving these condensed interim consolidated financial statements for issue, the Company has not identified any risk of a material breach of the arrangement and believes there is no actual possibility, including in the future, that a material breach being beyond its direct control occurs. Therefore, the Group, bearing in mind the provisions of IAS 32 *Financial Instruments: Presentation*, does not recognise the interests of the Funds as liabilities but as non-controlling interests. As at the end of the reporting period, the Closed-End Funds hold shares in Nowe Jaworzno Grupa TAURON Sp. z o.o. totaling PLN 880 000 thousand.

48. Security for liabilities

Key items of security for liabilities established and binding as at 30 September 2019 in the Group are presented in the following table and secure contracts concluded by the Parent.

(in '000 PLN)

Collateral	Collateral amount			Due date	Agreement/transaction
	Currency		PLN		
Declarations of submission to enforcement			2 550 000	20.12.2032	Long-term Bond Issue Scheme in Bank Gospodarstwa Krajowego of 31 July 2013
			240 000	31.12.2023	Bond Issue Scheme of 24 November 2015
			600 000	30.06.2034	Subordinated Bond Issue Scheme in Bank Gospodarstwa Krajowego of 6 September 2017
			621 000	31.07.2020	Bank guarantee agreement dated 5 February 2019 with MUFG Bank, Ltd.
			600 000	17.12.2021	Bank account agreement (intraday limit) with PKO Bank Polski S.A. of 9 October 2017
			360 000	29.12.2021	Overdraft agreement with PKO Bank Polski S.A. of 9 October 2017
	EUR	24 000	104 966	31.12.2020	Overdraft agreement with Bank Gospodarstwa Krajowego of 8 May 2017
	EUR	50 000	218 680	31.12.2021	
	USD	750	3 000	29.03.2020	Overdraft agreement with mBank S.A. of 26 March 2019
			1 500 000	31.12.2036	Overdraft agreement with Bank Gospodarstwa Krajowego of 19 December 2018
			96 000	27.05.2024	Framework bank guarantee agreements with CaixaBank S.A. of 27 May 2019
			24 000	27.05.2029	
			7 284 000	31.12.2025	Loan arrangement with a consortium of banks of 19 June 2019
Authorizations to debit bank accounts			80 000	26.05.2023	Framework bank guarantee agreements with CaixaBank S.A. of 27 May 2019
			20 000	26.05.2028	
			300 000	17.12.2020	Bank account agreement (intraday limit) with PKO Bank Polski S.A. of 9 October 2017
			300 000	29.12.2020	Overdraft agreement with PKO Bank Polski S.A. of 9 October 2017
	EUR	45 000	196 812	31.12.2019	Overdraft agreement with Bank Gospodarstwa Krajowego of 8 May 2017
Bank guarantees			80 000	30.09.2019 - 31.10.2019	Bank guarantee issued by CaixaBank S.A. to Izba Rozliczeniowa Giełd Towarowych S.A. as a collateral of transactions concluded on Power Commodity Exchange
			7 906	17.10.2019	Bank guarantee issued by CaixaBank S.A. for PSE S.A. as tender bond security

Since on 26 July 2019 the intraday limit changed, the value of security in the form of authorization do debit a bank account changed from PLN 500 000 thousand to PLN 300 000 thousand in relation to the bank account agreement concluded with PKO Bank Polski S.A. on 9 October 2017.

On 31 July 2019 expired:

- the security in the form of a declaration of submission to enforcement related to the guarantee limit agreement concluded with MUFG Bank, Ltd., regarding a bank guarantee for the benefit of BGK, which expired on 11 April 2019; and
- the bank guarantee issued by CaixaBank S.A. with regard to transactions concluded at Towarowa Giełda Energii S.A. in the amount of PLN 50 000 thousand.

After the reporting period end:

- on 11 October 2019, CaixaBank S.A. issued a guarantee securing a tender bond for PSE S.A. in the amount of PLN 7 409 thousand, valid until 31 October 2019;
- bank guarantees issued by CaixaBank S.A. for Izba Rozliczeniowa Giełd Towarowych were extended until 30 November 2019, except for the guarantee for PLN 19 000 thousand, which expired on 30 September 2019.

Carrying amounts of assets pledged as security for the Group's liabilities

The carrying amounts of assets pledged as security for liabilities at the end of each reporting period have been presented in the table below.

	As at 30 September 2019 *(unaudited)*	As at 31 December 2018
Other financial receivables	276 682	163 495
Real estate	22 980	38 809
Cash	45	45
Total	**299 707**	**202 349**

(in '000 PLN)

Hedges of future and forward transactions, i.e. derivatives concluded by the Company on foreign commodity exchanges are the key item. As at 30 September 2019 and 31 December 2018, the related security totaled PLN 276 682 thousand and PLN 163 495 thousand, respectively.

Other forms of security for liabilities of the Group

As at 30 September 2019, other material forms of collateral regarding liabilities of the TAURON Capital Group included:

- Registered pledges and a financial pledge on shares of TAMEH HOLDING Sp. z o.o.

On 15 May 2015 the Parent established a financial pledge and registered pledges of 3 293 403 shares in the issued capital of TAMEH HOLDING Sp. z o.o., with the unit nominal value of PLN 100 and the total nominal value of PLN 329 340 thousand, accounting for approx. 50% of shares in the issued capital of the entity for the benefit of RAIFFEISEN BANK INTERNATIONAL AG.

The Company established a first lien registered pledge on shares with the maximum collateral amount of CZK 3 950 000 thousand and a first lien registered pledge on shares with the maximum collateral amount of PLN 840 000 thousand for the benefit of RAIFFEISEN BANK INTERNATIONAL AG. The Company also agreed to establish a financial pledge and registered pledges on new shares to be acquired or subscribed. Moreover, the Company assigned the rights to dividend and other payments. On 15 September 2016, Annex 1 was executed to the aforementioned agreement, whereby the maximum collateral amount was changed from PLN 840 000 to PLN 1 370 000 thousand.

The agreement to establish registered pledges and a financial pledge was concluded to secure transactions including the agreement for term loans and working capital loans, entered into by TAMEH Czech s.r.o. and TAMEH POLSKA Sp. z o.o. as original borrowers, TAMEH HOLDING Sp. z o.o. as the parent and the guarantor, and RAIFFEISEN BANK INTERNATIONAL AG as the agent and the collateral agent. The registered pledges are valid in the collateral period, i.e. until the total repayment or until release of the pledge by the pledgee. The financial pledge is valid in the collateral period or until release by the pledgee, however, not later than until 31 December 2028.

As at 30 September 2019, the carrying amount of the investment in a joint venture measured using the equity method in the TAMEH HOLDING Sp. z o.o. Capital Group was PLN 570 451 thousand.

- Blank promissory notes

Agreement/transaction secured by blank promissory notes	Issuer of a blank promissory note	As at 30 September 2019 *(unaudited)*
Agreements concerning loans granted to subsidiaries TAURON Wytwarzanie S.A. and TAURON Ciepło Sp. z o.o. by Regional Fund for Environmental Protection and Water Management in Katowice. The companies have provided declarations of submission to enforcement as collateral for the loans in question.	TAURON Polska Energia S.A.	70 000*
Performance bonds under contracts and agreements concluded by the company, including co-funding of engagements being carried out.	TAURON Dystrybucja S.A.	249 575
Performance bonds under the co-funding agreements concluded with the National Fund for Environmental Protection and Water Management in Warsaw and reimbursement and performance bond under the co-funding agreements concluded with the Regional Fund for Environmental Protection and Water Management in Katowice.	TAURON Ciepło Sp. z o.o.	228 606
Performance bonds under the co-funding agreements concluded with Centrum Projektów Polska Cyfrowa in Warsaw.	TAURON Obsługa Klienta Sp. z o.o.	187 841
An agreement with PSE S.A. to provide electricity supply services, an agreement with the National Fund for Environmental Protection and Water Management in Warsaw concerning partial cancellation of a loan and an agreement with the National Centre for Research and Development in Warsaw for the funding of a project.	TAURON Wytwarzanie S.A.	60 114

** As at the balance sheet date, the outstanding amount of loans secured with the notes was PLN 13 000 thousand.*

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- Corporate guarantee and other material bank guarantees

– In 2014 the Company issued a corporate guarantee to secure the bonds of Finanse Grupa TAURON Sp. z o.o. (issued by TAURON Sweden Energy AB (publ)). The guarantee remains valid until 3 December 2029, i.e. until the date of redemption of bonds, and amounts to EUR 168 000 thousand. The beneficiaries of the guarantee are the bondholders who purchased the bonds.

– Per Company’s order, MUFG Bank, Ltd. issued a guarantee that secures Bank Gospodarstwa Krajowego’s exposure arising from a loan agreement concluded on 8 March 2018 by the borrower, Elektrociepłownia Stalowa Wola S.A. and Bank Gospodarstwa Krajowego and Polskie Górnictwo Naftowe i Gazownictwo S.A.

  As at 30 September 2019 and 31 December 2018, the contingent liability to MUFG Bank, Ltd. arising from that bank guarantee amounted to PLN 517 500 thousand and PLN 444 000 thousand, respectively. A bank guarantee of PLN 444 000 thousand was binding until 11 April 2019. On 7 February 2019, on the instruction of the Company, an annex was issued to the bank guarantee, whereby as of 12 April 2019, the guarantee amount was increased to PLN 517 500 thousand and the term of the guarantee was extended to 11 April 2020. The annex to the bank guarantee was issued based on the guarantee limit agreement of 5 February 2019 concluded with MUFG Bank, Ltd. and secured with a declaration of submission to enforcement up to PLN 621 000 thousand valid until 31 July 2020.

  In relation to the guarantee issued, the Company recognized a liability equal to the expected credit losses, measured for the guarantee period and amounting to PLN 8 090 thousand as at 30 September 2019.

– On the instruction of a subsidiary TAURON Czech Energy s.r.o., PKO BP S.A. Czech Branch and UniCredit Bank Czech Republic and Slovakia, a.s. issued payment guarantees in the aggregate amount of CZK 95 000 thousand and EUR 1 200 thousand to secure contracts concluded with market operators and contracts for the supplies of electricity and natural gas. The guarantees remain binding from 31 January 2020 to 31 January 2021, respectively.

- Sureties

  The key sureties valid as at the reporting period end:

– a surety up to PLN 20 000 thousand granted by the Company in relation to liabilities of TAURON Sprzedaż S.A. to Polska Spółka Gazownictwa Sp. z o.o., valid until 30 November 2019 and regarding a distribution contract concluded by the subsidiary;

– a surety up to PLN 33 024 thousand granted by the Company in relation to liabilities of Nowe Jaworzno Grupa TAURON Sp. z o.o. to Polskie Sieci Elektroenergetyczne S.A., valid until 31 December 2020 and regarding the subsidiary’s obligation to establish and maintain collateral arising from the Act on the Capacity Market.

In order to provide funds to cover future mine decommissioning costs, the subsidiaries TAURON Wydobycie S.A. and Kopalnia Wapienia Czatkowice Sp. z o.o. have established the Mine Decommissioning Fund.

49. Related-party disclosures

49.1. Transactions with joint ventures

Joint ventures held by the Group: Elektrociepłownia Stalowa Wola S.A. and the TAMEH HOLDING Sp. z o.o. Capital Group, which has been discussed in more detail in Note 22 hereto.

The total amount of transactions with jointly-controlled entities has been presented in the table below.

	9-month period ended 30 September 2019 *(unaudited)*	9-month period ended 30 September 2018 *(unaudited)*
Revenue	78 084	35 538
Costs	(27 180)	(22 084)

(in '000 PLN)

The key item of receivables from and liabilities to jointly-controlled entities is a loan to Elektrociepłownia Stalowa Wola S.A., which has been further discussed in Note 23 hereto.

The Company has also provided collateral to joint ventures in the form of a pledge on the shares in TAMEH HOLDING Sp. z o.o. and a bank guarantee issued on the instruction of the Company to secure loan liabilities of Elektrociepłownia Stalowa Wola S.A., which has been further described in Note 48 hereto.

49.2. Transactions with State Treasury companies

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

The total value of transactions with State Treasury companies has been presented in the table below.

Revenue and expenses

	9-month period ended 30 September 2019 *(unaudited)*	9-month period ended 30 September 2018 *(unaudited)*
Revenue	1 668 971	1 531 182
Costs	(2 030 121)	(2 502 893)

Receivables and liabilities

	As at 30 September 2019 *(unaudited)*	As at 31 December 2018
Receivables	254 733	284 443
Payables	347 894	432 097

As at 30 September 2019 and 31 December 2018, receivables presented in the table above comprised advance payments for purchases of tangible assets of PLN 2 464 thousand.

Following the recognition of the effects of the amended Act of 28 December 2018 amending the Excise Duty Act and certain other acts and bearing in mind the motion filed with Zarządca Rozliczeń S.A. to pay the Price difference, its subsequent adjustment, the TAURON Group companies being entitled and intending to motion to Zarządca Rozliczeń S.A. for the payment of the Financial compensation, in its condensed interim consolidated financial statements for the 9-month period ended 30 September 2019, the Group recognized estimated revenue and receivables of PLN 637 595 thousand arising from the refund of Price difference and of PLN 183 861 thousand arising from the Financial compensation. The above tables do not include these amounts.

In the 9-month period ended 30 September 2019, KGHM Polska Miedź S.A., PSE S.A., Jastrzębska Spółka Węglowa S.A. and Polska Grupa Górnicza S.A. were the major customers of the TAURON Polska Energia S.A. Capital Group out of the State Treasury companies. The total sales to these contracting parties accounted for 91% of revenue generated on transactions with State Treasury companies. The Group concluded the largest purchase transactions with PSE S.A., Polska Grupa Górnicza S.A. and Węglokoks S.A. They accounted for 90% of the total value of purchases from the State Treasury companies in the 9-month period ended 30 September 2019.

In the 9-month period ended 30 September 2018, KGHM Polska Miedź S.A., PSE S.A., Jastrzębska Spółka Węglowa S.A. and Polska Grupa Górnicza S.A. were the major customers of the TAURON Polska Energia S.A. Capital Group out of the State Treasury companies. The total sales to these contracting parties accounted for 88% of revenue generated on transactions with State Treasury companies. The Group concluded the largest purchase transactions with PSE S.A. and Polska Grupa Górnicza S.A. They accounted for 84% of the total value of purchases from State Treasury companies in the 9-month period ended 30 September 2018.

The Capital Group concludes material transactions on the energy markets through Izba Rozliczeniowa Giełd Towarowych S.A. As it is only responsible for organization of commodities exchange trading, the Group does not classify purchase and sale transactions made through this entity as related-party transactions.

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

(in '000 PLN)

49.3. Compensation of the executives

The amount of compensation and other benefits granted or due to the Management Boards, Supervisory Boards and other key executives of the Parent and subsidiaries in the 9-month period ended 30 September 2019 and in the comparative period has been presented in the table below.

	9-month period ended 30 September 2019 *(unaudited)*		9-month period ended 30 September 2018 *(unaudited)*	
	Parent	Subsidiaries	Parent	Subsidiaries
Board of Directors	**2 759**	**11 489**	**4 796**	**10 300**
Short-term benefits (with surcharges)	2 302	10 690	4 145	9 724
Employment termination benefits	440	799	620	309
Other	17	-	31	267
Supervisory Board	**699**	**778**	**617**	**636**
Short-term employee benefits (salaries and surcharges)	699	705	617	636
Other	-	73	-	-
Other key management personnel	**13 172**	**30 733**	**13 250**	**31 588**
Short-term employee benefits (salaries and surcharges)	11 515	29 564	11 460	28 621
Jubilee bonuses	-	78	-	2 240
Employment termination benefits	783	110	898	350
Other	874	981	892	377
Total	**16 630**	**43 000**	**18 663**	**42 524**

In accordance with the adopted accounting policy, the Group recognizes provisions for termination benefits for members of the Management Board and other key executives, which may be paid or due in future reporting periods. The amount paid or payable until 30 September 2019 have been presented above.

50. Other material information

Approving updated strategic directions for the TAURON Group Strategy

On 27 May 2019, updated strategic directions supplementing the TAURON Group Strategy for 2016-2025 were approved by the Management Board and reviewed by the Supervisory Board. The updated strategic directions include changes in the market and regulatory environment of the TAURON Polska Energia S.A. Capital Group. Bearing in mind the necessity of its transformation, optimization of its investment portfolio and of maintaining its financial stability, a decision was made to perform a market verification, to include the strategic option comprising the improving of flexibility of the Group's assets portfolio through adjustment of mining assets to the planned internal fuel demand, reorganization of the Generation segment and the capital investment portfolio. Under this option, among others, market verification of the disposal of Zakład Górniczy Janina owned by TAURON Wydobycie S.A. is analyzed, as well as the disposal of shares in TAURON Ciepło Sp. z o.o.

Following the above events, the Company has commenced projects aimed at market verification of the sales options regarding the above assets and possible continuation of the selling process. As at the end of reporting period, the Company believed that both in relation to its shares in TAURON Ciepło Sp. z o.o. and the separated mining assets of Zakład Górniczy Janina, terms of classifying them as held for sale under IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations* were not met. In particular, legal conditions to allow considering the sale of the above assets as highly probable were not fulfilled.

51. Events after the end of the reporting period

Releasing further credit tranches under the contract concluded with the consortium of banks on 19 June 2019

In October 2019, under the loan arrangement of 19 June 2019, subsequent loan tranches totalling PLN 3 100 000 thousand, respectively, were released.

Combining TAURON Dystrybucja Serwis S.A. and Magenta Grupa TAURON Sp. z o.o.

On 29 October 2019 Extraordinary General Meeting of TAURON Dystrybucja Serwis S.A. with the registered office in Wrocław and Extraordinary General Meeting of Magenta Grupa TAURON sp. z o.o. with the registered office in Katowice passed resolutions regarding the combination of TAURON Dystrybucja Serwis S.A. (the acquirer) and Magenta Grupa TAURON sp. z o.o. (the acquiree). By the date of approving these condensed interim consolidated financial statements for publication the business combination was not registered.

Redemption of TPEA1119 series bonds

After the reporting period end, on 4 November 2019 TPEA1119 series bonds traded on the regulated market and amounting to PLN 1 750 000 thousand were redeemed within the contractual deadline. Thus, as of 4 November 2019 the cap value of the debt ratio was not exceeded for these bonds and arrangements with TPEA1119 bondholders expired.

These condensed interim consolidated financial statements of the TAURON Polska Energia S.A. Capital Group, prepared for the 9-month period ended 30 September 2019 in accordance with International Accounting Standard 34 have been presented on 84 consecutive pages.

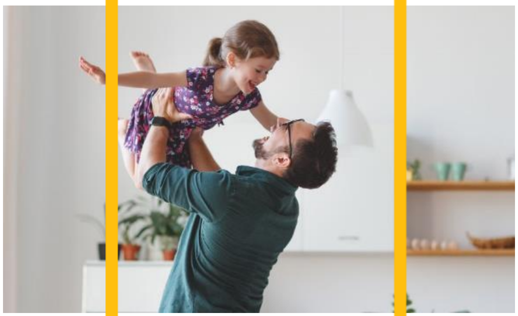
Katowice, 13 November 2019

Filip Grzegorczyk — President of the Management Board

Marek Wadowski – Vice-President of the Management Board

Oliwia Tokarczyk — Executive Director in Charge of Taxes and Accounting

TAURON



ADDITIONAL INFORMATION

to TAURON Polska Energia S.A. Capital Group's extended consolidated Q3 2019 report

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1. TAURON POLSKA ENERGIA S.A. AND TAURON CAPITAL GROUP

1.1. Basic information on TAURON Polska Energia S.A. and TAURON Capital Group

TAURON Capital Group's parent (holding) company is TAURON Polska Energia S.A. (hereinafter called the Company or TAURON), that was established on December 6, 2006, as part of the implementation of the *Program for the Energy Sector*. The Company was registered in the National Court Register on January 8, 2007, under the enterprise name of Energetyka Południe S.A. The change of the Company's name to its current name, i.e. TAURON Polska Energia S.A., was registered on November 16, 2007.

The Company does not have any branches (plants).

TAURON Polska Energia S.A. Capital Group (TAURON Capital Group) is a vertically integrated energy group located in the south of Poland. TAURON Capital Group conducts its operations in all the key segments of the energy market (excluding electricity transmission which is the sole responsibility of the Transmission System Operator (TSO)), i.e. hard coal mining as well as electricity and heat generation, distribution and supply.

Figure no. 1.
TAURON Capital Group

TAURON Polska Energia S.A.

TAURON Capital Group's holding company

supervises corporate functions: management, strategic investments, regulations, HR, finance, controlling, internal audit, PR, investor relations, procurement

MINING

29% of Poland's thermal hard coal resources

- 3 hard coal mines
- commercial coal production: 2.9 million Mg, including 80% used within TAURON Capital Group, and 20% sold to external customers
- Mining segment's Q1-3 2019 EBITDA: PLN (262) million

GENERATION

One of the largest electricity producers in Poland

- 8 conventional power plants and CHP plants with electric capacity of 4.6 GW_e and thermal capacity of 2.4 GW_t
- 9 wind farms with the total capacity of 381 MW_e
- 34 hydroelectric power plants with the total capacity of 138 MW_e
- 853 km of district heating networks
- 10.4 TWh of gross electricity production, including 0.3 TWh from biomass
- 0.7 TWh of gross electricity production from wind and hydroelectric sources
- 7.1 PJ of heat production
- Generation segment's Q1-3 EBITDA: PLN 666 million

DISTRIBUTION

Largest electricity distributor in Poland

- approx. 5.6 million customers
- distribution in the area covering 57.1 thousand km^2, i.e. 18.3% of Poland's territory
- 38.7 TWh of distributed electricity
- Distribution segment's Q1-3 2019 EBITDA: PLN 2 000 million

SUPPLY

Second largest electricity supplier in Poland

- approx. 5.5 million customers
- 25 TWh of electricity retail supply
- Supply segment's Q1-3 2019 EBITDA: PLN 534 million

OTHER

- provision of services to consumers of electricity and distribution services for TAURON Capital Group's subsidiaries
- provision of support services for TAURON Capital Group's subsidiaries in the following areas: Accounting, IT and HR
- limestone mining for the needs of power generation, steel, construction and road building industries
- acquiring, transporting and processing of biomass for the needs of utility scale power generation
- utilization of the hard coal burning and extraction processes by-products
- vehicles' technical support services
- real estate administration
- property security
- financial operations
- Other segment's Q1-3 2019 EBITDA: PLN 127 million

1.2. Business segments (lines of business)

Business operations, in accordance with *TAURON Group's Business and Operational Model* (Business Model) in force, are conducted by units defined as: Corporate Center, seven Lines of Business (Operating Segments), i.e. Trading, Mining, Generation, Renewable Energy Sources (RES), Heat, Distribution and Supply, as well as Shared Services Centers (CUW).

For the needs of reporting TAURON Capital Group's results from operations TAURON Capital Group's operations are split into the following five Segments, hereinafter also referred to as Lines of Business:

Mining Segment, comprising mainly hard coal mining, enrichment and sales in Poland, with its operations conducted by TAURON Wydobycie S.A. (TAURON Wydobycie).

Generation Segment, comprising mainly electricity generation using conventional sources, including co-generation, as well as electricity generation from renewable energy sources, including biomass burning and co-firing, and hydroelectric power plants and wind farms. The Segment also includes heat generation, distribution and supply. This Segment's operations are conducted by TAURON Wytwarzanie S.A. (TAURON Wytwarzanie), TAURON Ciepło sp. z o.o. (TAURON Ciepło) and TAURON EKOENERGIA sp. z o.o. (TAURON EKOENERGIA). The Segment also includes TAURON Serwis sp. z o.o. (TAURON Serwis) subsidiary, dealing primarily with the generation equipment's overhauls, Nowe Jaworzno Grupa TAURON Sp. z o.o. (Nowe Jaworzno GT) company responsible for the construction of the power generation unit at Jaworzno, Marselwind sp. z o.o. company, as well as TEC1, TEC2 and TEC3 companies that have taken over five wind farms owned by in.ventus companies, dealing with electricity generation from RES.

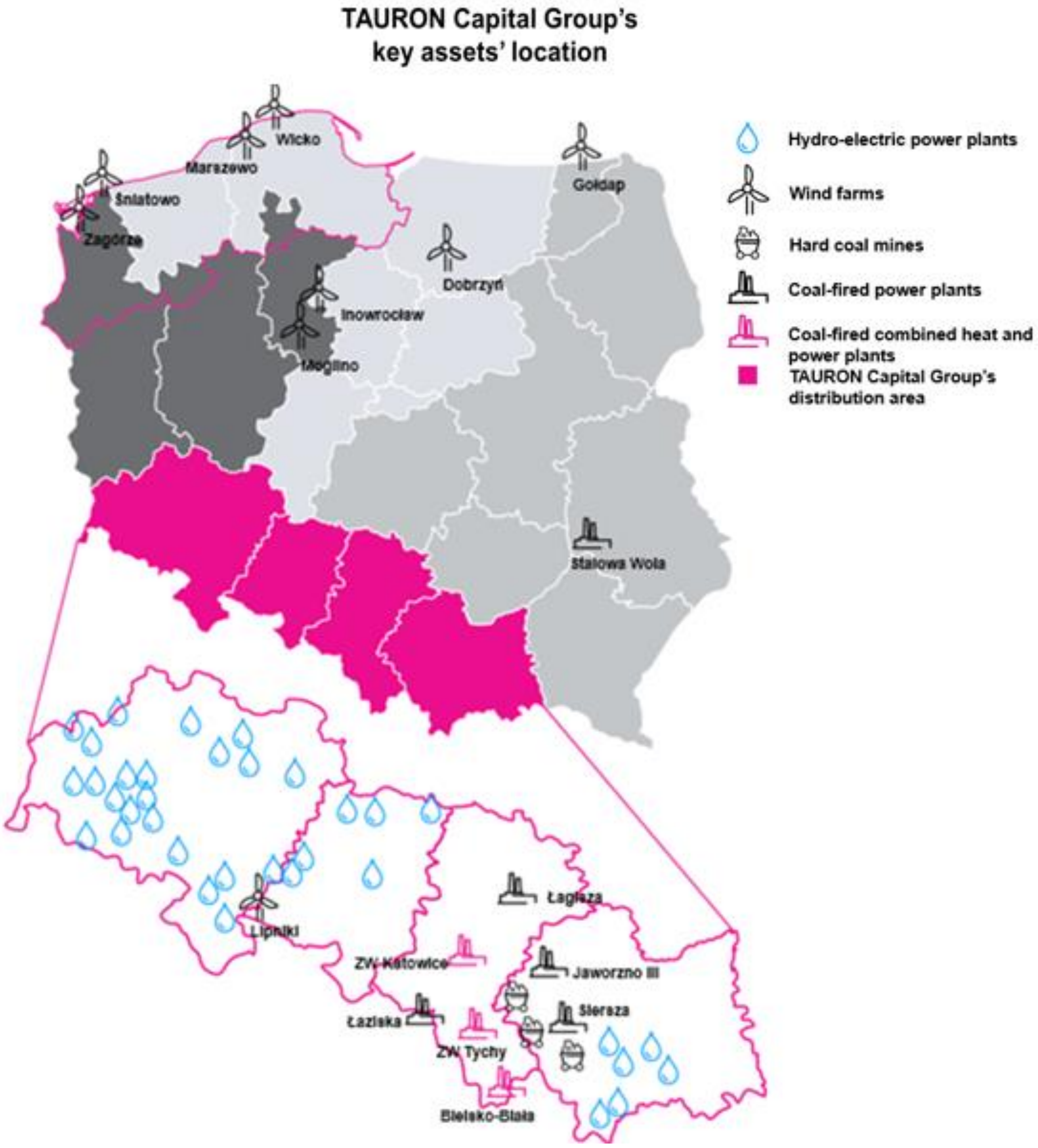
Distribution Segment, comprising electricity distribution using the distribution grids located in the south of Poland. The operations are conducted by TAURON Dystrybucja S.A. (TAURON Dystrybucja). This segment also includes TAURON Dystrybucja Pomiary sp. z o.o. (TAURON Dystrybucja Pomiary) subsidiary, dealing mainly with technical support services related to electricity metering systems and metering data acquisition.

Supply Segment, comprising electricity and natural gas supply to the final consumers and electricity, natural gas and derivative products wholesale trading, as well as trading and management of CO_2 emission allowances, property rights arising from certificates of origin that confirm electricity generation from renewable sources, in cogeneration and property rights arising from energy efficiency certificates, as well as fuels, and, as of January 2019, also lighting services sales. The operations in this Segment are conducted by the following subsidiaries: TAURON Polska Energia S.A., TAURON Sprzedaż sp. z o.o. (TAURON Sprzedaż), TAURON Sprzedaż GZE sp. z o.o. (TAURON Sprzedaż GZE) and TAURON Czech Energy s.r.o. (TAURON Czech Energy). As of January 2019, TAURON Dystrybucja Serwis S.A. (TAURON Dystrybucja Serwis) subsidiary has been included in this Segment, while until the end of 2018 that subsidiary had been assigned to the Distribution Segment. The operations of that subsidiary comprise services provided for business and individual customers with respect to, among others, street lighting, operating the MV/LV grids, the construction of electric vehicle charging stations

Other operations, comprising, among others, customer service for TAURON Capital Group's customers, provision of support services for TAURON Capital Group's subsidiaries with respect to accounting, HR management and ICT, conducted by TAURON Obsługa Klienta sp. z o.o. (TAURON Obsługa Klienta) subsidiary, as well as operations related to extraction of stone, including limestone, for the needs of power generation, steel, construction and road building industries, as well as the production of sorbing agents for wet flue gas desulphurization installations and for use in fluidized bed boilers, carried out by Kopalnia Wapienia "Czatkowice" sp. z o.o. (KW Czatkowice) subsidiary. This Segment also includes the following subsidiaries: Finanse Grupa TAURON sp. z o.o. (that has taken over TAURON Sweden Energy AB publ), dealing with financial operations, Bioeko Grupa TAURON sp. z o. (Bioeko GT), dealing mainly with the utilization of the hard coal burning and extraction processes by-products, biomass acquisition, transportation and processing, Wsparcie Grupa TAURON sp. z o.o. (Wsparcie GT), dealing primarily with real estate administration, property security, as well as the technical support of vehicles and Polska Energia - Pierwsza Kompania Handlowa sp. z o.o. (PEPKH).

The below figure presents the location of TAURON Capital Group's key assets, as well as the distribution area where TAURON Dystrybucja conducts operations as the Distribution System Operator (DSO).

Figure no. 2. Location of TAURON Capital Group's key assets



1.3. TAURON Capital Group's organization and structure

As of September 30, 2019, TAURON Capital Group's key subsidiaries, besides the TAURON parent company, included 32 subsidiaries subject to consolidation, listed in section 1.3.2. of this report. Furthermore, the Company held, directly or indirectly, shares in the other 50 companies.

As of the day of drawing up this report the number of subsidiaries subject to consolidation did not change, while the number of the other companies in which the Company held, directly or indirectly, shares was 49 companies.

1.3.1. Composition of the Management Board and the Supervisory Board of TAURON Polska Energia

Composition of the Management Board as of September 30, 2019 and as of the day of disclosing this information:

1. Filip Grzegorczyk - President of the Management Board
2. Jarosław Broda - Vice President of the Management Board for Asset Management and Development
3. Marek Wadowski - Vice President of the Management Board for Finance

Changes to the Management Board's composition in Q1-3 2019 and by the date of disclosing this information:

As of January 1, 2019, the Management Board was composed of the following persons: Filip Grzegorczyk – President of the Management Board (CEO), Jarosław Broda – Vice President of the Management Board for Asset Management and Development, Kamil Kamiński – Vice President of the Management Board for Customer and Corporate Support and Marek Wadowski – Vice President of the Management Board for Finance (CFO).

On September 21, 2019, the Supervisory Board dismissed Kamil Kamiński from the Management Board and the performed function of the Vice President of the Management Board for Customer and Corporate Support.

No other changes to the composition of the Management Board had taken place by the date of disclosing this information.

Composition of the Supervisory Board as of September 30, 2019 and as of the day of disclosing this information:

1. Beata Chłodzińska - Chair of the Supervisory Board
2. Teresa Famulska - Vice Chair of the Supervisory Board
3. Jacek Szyke - Secretary of the Supervisory Board
4. Barbara Łasak-Jarszak - Member of the Supervisory Board
5. Jan Płudowski - Member of the Supervisory Board
6. Marcin Szlenk - Member of the Supervisory Board
7. Katarzyna Taczanowska - Member of the Supervisory Board
8. Agnieszka Woźniak - Member of the Supervisory Board

Changes to the Supervisory Board's composition in Q1-3 2019 and by the day of disclosing this information:

As of January 1, 2019, the Supervisory Board was composed of the following members: Beata Chłodzińska (Chair of the Supervisory Board), Teresa Famulska (Vice Chair of the Supervisory Board), Jacek Szyke (Secretary of the Supervisory Board), Radosław Domagalski – Łabędzki (Member of the Supervisory Board), Barbara Łasak – Jarszak (Member of the Supervisory Board), Paweł Pampuszko (Member of the Supervisory Board), Jan Płudowski (Member of the Supervisory Board), Marcin Szlenk (Member of the Supervisory Board) and Agnieszka Woźniak (Member of the Supervisory Board).

On May 8, 2019, the Ordinary GM dismissed Mr. Radosław Domagalski-Łabędzki and Mr. Paweł Pampuszko from the Company's Supervisory Board of the 5th common term of office and appointed Mr. Rafał Pawełczyk and Ms. Katarzyna Taczanowska to be members of the Company's Supervisory Board of the 5th common term of office.

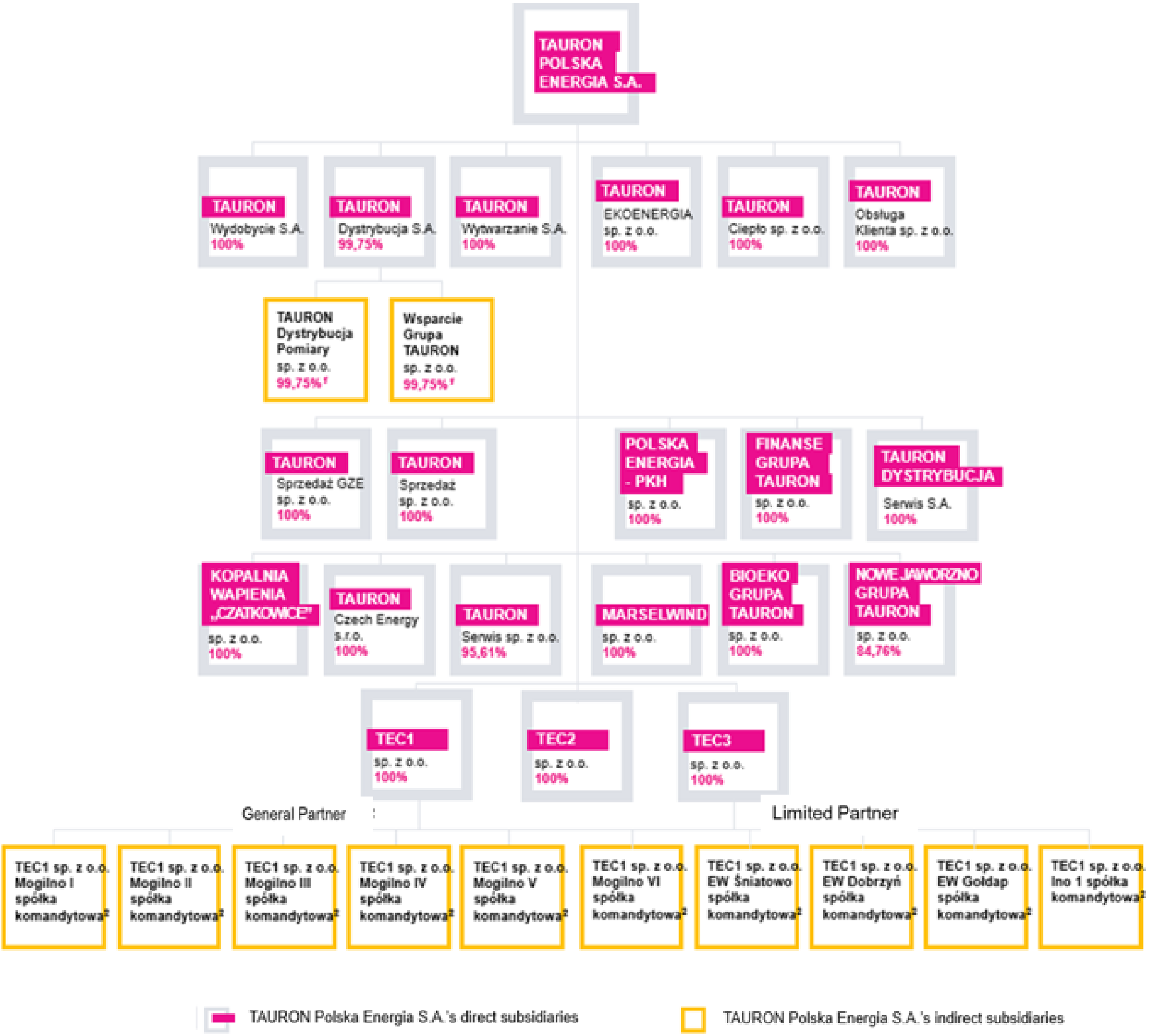
On July 26, 2019, the mandate of a member of the Company's Supervisory Board, Mr. Rafał Pawełczyk, expired as a result of his death.

No other changes to the composition of the Supervisory Board had taken place by the date of disclosing this information.

1.3.2. Units subject to consolidation

The below figure presents TAURON Capital Group's structure, including the subsidiaries subject to consolidation, as of September 30, 2019.

Figure no. 3. TAURON Capital Group's structure, including the subsidiaries subject to consolidation as of September 30, 2019



[1]The shares in TAURON Dystrybucja Pomiary sp. z o.o. and Wsparcie Grupa TAURON sp. z o. o. are held by TAURON Polska Energia S.A. indirectly via the TAURON Dystrybucja S.A. subsidiary, TAURON Polska Energia S.A. is a user of the shares of TAURON Dystrybucja Pomiary sp. z o.o.,
[2]In the limited partnership companies:TEC1 sp. z o.o. is the General Partner, TEC3 sp. z o.o. is the Limited Partner.

1.3.3. Changes to TAURON Capital Group's organization

The following changes to the organization of TAURON Capital Group had taken place in the first three quarters of 2019 and by the date of drawing up this information:

Establishing of the company Finanse Grupa TAURON sp. z o.o.

On February 15, 2019, the company Finanse Grupa TAURON sp. z o.o. with its seat in Katowice, that had been established on January 23, 2019, was registered in the National Court Register (KRS).

As of the date of establishment the company's share capital was PLN 100 000 and was split into 2 000 shares with the nominal value of PLN 50 per share that were taken up in whole by TAURON.

Establishing of the companies TEC1 sp. z o.o., TEC2 sp. z o.o. and TEC3 sp. z o.o.

On March 4, 2019 TAURON established the following companies: TEC1 sp. z o.o., TEC2 sp. z o.o. and TEC3 sp. z o.o., all with their seats in Katowice.

As of the date of establishment the share capital of each of the above mentioned company was PLN 25 000 and was split into 500 shares with the nominal value of PLN 50 per share that were taken up in whole by TAURON.

On April 12, 2019, the companies TEC1 sp. z o.o. and TEC2 sp. z o.o. were registered in the National Court Register (KRS). The company TEC3 sp. z o.o. was registered in the National Court Register (KRS) on April 29, 2019.

Lowering of the equity of TAURON Dystrybucja S.A.

On June 28, 2019, the District Court for Kraków - Śródmieście in Kraków, 11th Commercial Department of the National Court Register registered the changes related to the lowering of the share capital of TAURON Dystrybucja S.A. This event is a consequence of retiring 1 766 522 of own shares bought back by TAURON Dystrybucja S.A. from the minority shareholders in accordance with art. 418 (1) of the Commercial Companies Code (squeeze out). The nominal value of the retired shares is PLN 35 330.44. The repurchase price was each time determined in accordance with art. 418 (1) § 6 of the Commercial Companies Code, i.e. as an equivalent of the value of net assets of TAURON Dystrybucja S.A. per share, disclosed in the financial statements for the last financial year, reduced by the amount to be split among the shareholders. As a result of retiring the shares TAURON's share in the company's share capital is 99.75%.

Cross-border merger of the company Finanse Grupa TAURON sp. z o.o. with the company TAURON Sweden Energy AB (publ)

On August 23, 2019, the District Court for Katowice - Wschód in Katowice, 8th Commercial Department of the National Court Register registered the merger of the companies Finanse Grupa TAURON sp. z o.o. (the acquiring company) with the company TAURON Sweden Energy AB (publ) (the acquired company).

The above was the result of passing the resolutions on the cross-border merger of the above mentioned companies by the Extraordinary General Meeting of the Shareholders (Partners) of Finanse Grupa TAURON sp. z o.o. with its seat in Katowice on May 6, 2019 and the Extraordinary General Meeting of the Shareholders of TAURON Sweden Energy AB (publ) with its seat in Stockholm on May 17, 2019.

As a result of the merger the share capital of Finanse Grupa TAURON sp. z o.o. was raised from the amount of PLN 100 000 to the amount of PLN 200 000, i.e. by the amount of PLN 100 000, by way of establishing (issuing) 2 000 new shares with the nominal value of PLN 50 each. TAURON received, in exchange for each 3 350 shares in the share capital of TAURON Sweden Energy AB (publ), 1 share in the increased share capital of Finanse Grupa TAURON sp. z o.o., i.e. in total for 6 700 000 shares in TAURON Sweden Energy AB (publ) TAURON received 2 000 shares in the increased share capital of Finanse Grupa TAURON sp. z o.o.

TAURON Sweden AB (publ) was deleted from the Swedish register of companies.

Acquisition of Polish and German partnerships

In connection with the signing, on September 3, 2019, of the transaction documentation related to, among others, the acquisition by TAURON's subsidiaries: TEC1 sp. z o.o., TEC2 sp. z o.o., TEC3 sp. z o.o. of five wind farms owned by in.ventus group, the above-mentioned entities acquired Polish partnerships that owned the wind farms and German partnerships that are their limited partners. TAURON owns, indirectly via the above mentioned subsidiaries, 100 % of the votes in the companies. Taking the above into account, the following companies became a part of TAURON Capital Group as of September 3, 2019:

1. TEC1 spółka z ograniczoną odpowiedzialnością Mogilno I spółka komandytowa (TEC1 limited liability company Mogilno I limited partnership),
2. TEC1 spółka z ograniczoną odpowiedzialnością Mogilno II spółka komandytowa (TEC1 limited liability company Mogilno II limited partnership),
3. TEC1 spółka z ograniczoną odpowiedzialnością Mogilno III spółka komandytowa (TEC1 limited liability company Mogilno III limited partnership),
4. TEC1 spółka z ograniczoną odpowiedzialnością Mogilno IV spółka komandytowa (TEC1 limited liability company Mogilno IV limited partnership),
5. TEC1 spółka z ograniczoną odpowiedzialnością Mogilno V spółka komandytowa (TEC1 limited liability company Mogilno V limited partnership),
6. TEC1 spółka z ograniczoną odpowiedzialnością Mogilno VI spółka komandytowa (TEC1 limited liability company Mogilno VI limited partnership),
7. TEC1 spółka z ograniczoną odpowiedzialnością EW Śniatowo spółka komandytowa (TEC1 limited liability company EW Śniatowo limited partnership),
8. TEC1 spółka z ograniczoną odpowiedzialnością EW Dobrzyń spółka komandytowa (TEC1 limited liability company EW Dobrzyń limited partnership),
9. TEC1 spółka z ograniczoną odpowiedzialnością EW Gołdap spółka komandytowa (TEC1 limited liability company EW Gołdap limited partnership),
10. TEC1 spółka z ograniczoną odpowiedzialnością Ino 1 spółka komandytowa (TEC1 limited liability company Ino 1 limited partnership),
11. SCE Wind Mogilno 2008 I GmbH & Co. KG,
12. SCE Wind Mogilno 2008 II GmbH & Co. KG,
13. SCE Wind Mogilno 2008 III GmbH & Co. KG,
14. SCE Wind Mogilno 2008 IV GmbH & Co. KG,
15. SCE Wind Mogilno 2008 V GmbH & Co. KG,
16. SCE Wind Mogilno 2008 VI GmbH & Co. KG,

17. Windpark Sniatowo GmbH & Co. KG,
18. Windpark Dobrzyn 2008 GmbH & Co. KG,
19. Windpark Goldap GmbH & Co. KG,
20. Windpark Ino 1 GmbH & Co. KG.

Merger of the company TAURON Dystrybucja Serwis S.A. with the company Magenta Grupa TAURON sp. z o.o.

On October 29, 2019, the Extraordinary General Meeting of the Shareholders of TAURON Dystrybucja Serwis S.A. with its seat in Wrocław and the Extraordinary General Meeting of the Shareholders (Partners) of Magenta Grupa TAURON sp. z o.o. with its seat in Katowice, were held during which the resolutions on the merger of the company TAURON Dystrybucja Serwis S.A. (the acquiring company) and the company Magenta Grupa TAURON sp. z o.o. (the acquired company) were passed.

As a result of the merger the share capital of TAURON Dystrybucja Serwis S.A. will be raised from the amount of PLN 9 494 173 to the amount of PLN 9 535 649, i.e. by the amount of PLN 41 476, by way of establishing (issuing) 41 476 ordinary I series bearer shares with the nominal value of PLN 1 each.

The merger of the above mentioned companies will be effective on the day the merger is entered into the business register of the National Court Register, maintained for the company TAURON Dystrybucja Serwis S.A. (the acquiring company).

Furthermore, the following changes related to the entities in which TAURON has an equity stake but which are not a part of TAURON Capital Group had taken place in the first three quarters of 2019 and by the day of disclosing this information:

Establishing of a limited joint stock partnership

On January 9, 2019, the company EEC Magenta limited liability company 2 ASI limited joint stock partnership with its seat in Warsaw (EEC Magenta 2 ASI), that had been established on October 26, 2018, was registered in the National Court Register (KRS).

TAURON took up 24 015 shares in the company with the nominal value of PLN 1 per share in exchange for a cash contribution equal to the nominal value of the shares taken up, i.e. PLN 24 015.

TAURON's share in the share capital and in the votes at the company's GM is 48.03%. The company's partners in this undertaking are: EEC Ventures spółka z ograniczoną odpowiedzialnością 2 spółka komandytowa (limited liability company 2 limited partnership) – a 2.95% share and PFR NCBR CVC Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (Non-public Assets Closed-end Investment Fund) – a 49.02% share.

Establishing of the above mentioned company is aimed at expanding TAURON Capital Group's cooperation with innovative companies as well as with the science (academic) sector and research and development (R&D) institutions, and also at providing support for the new business development.

1.3.4. Organizational or equity ties with other entities

Apart from the equity ties with the companies presented in section 1.3.2 of this information the material co-subsidiaries in which the Company held, directly or indirectly, shares as of September 30, 2019 include the companies listed in the below table.

Table no. 1. List of material co-subsidiaries subject to consolidation as of September 30, 2019

#	Company name	Seat	Main subject of operations	TAURON's share in company's capital and in the parent company
1.	EC Stalowa Wola S.A.[1]	Stalowa Wola	Electricity generation	50.00%
2.	TAMEH HOLDING sp. z o.o.[2]	Dąbrowa Górnicza	Central (head office) companies and holding operations	50.00%
3.	TAMEH POLSKA sp. z o.o.[2]	Dąbrowa Górnicza	Electricity and heat generation, transmission, distribution and trading	50.00%
4.	TAMEH Czech s.r.o.[2]	Ostrava, Czech Republic	Production, trading and services	50.00%

[1]Shares in EC Stalowa Wola S.A. are held by TAURON indirectly via the TAURON Wytwarzanie subsidiary.
[2]Companies form a capital group. TAURON holds a direct stake in the share capital and in the parent company of TAMEH HOLDING sp. z o.o. that holds a 100% stake in the share capital and in the parent company of TAMEH POLSKA sp. z o.o. and TAMEH Czech s.r.o.

1.3.5. Major domestic and foreign investments as well as equity investments

Taking up or acquiring share securities in TAURON Capital Group companies

The below table presents a summary of equity increases in TAURON Capital Group subsidiaries in the first three quarters of 2019 and by the day of disclosing this information.

Table no. 2. Summary of equity increases in TAURON Capital Group subsidiaries

Subsidiary	Share capital increase (total price for taking up shares) (PLN)	Company taking up shares	Nominal value of shares taken up (PLN)	Date of passing the resolution by the GM	Structure of the share capital following the increase
Łagisza Grupa TAURON sp. z o.o.	**100 000**	TAURON Wytwarzanie	1 000	11.01.2019	TAURON Wytwarzanie 100%
Nowe Jaworzno GT	**256 925 000**	Fundusz Inwestycji Infrastrukturalnych – Kapitałowy Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (Infrastructure Investments Fund – Non-public Assets Closed-end Equity Investment Fund)	2 569 250	25.02.2019	TAURON 92.86% FIIKFIZAN 7.14%
Nowe Jaworzno GT	**83 075 000**	Fundusz Inwestycji Infrastrukturalnych – Kapitałowy Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (Infrastructure Investments Fund – Non-public Assets Closed-end Equity Investment Fund)	830 750	12.07.2019	FIIKFIZAN 7.62%
	440 000 000	PFR Inwestycje Fundusz Inwestycyjny Zamknięty (PFR Investments Closed-end Investment Fund)	4 400 000		PFR IFIZ 7.62%
	250 000 000	TAURON	2 500 000		TAURON 84.76%
TEC1 sp. z o.o.	**700 000**	TAURON	7 000	02.09.2019	TAURON 100%
TEC2 sp. z o.o.	**200 000**	TAURON	2 000	02.09.2019	TAURON 100%
TEC3 sp. z o.o.	**600 000 000**	TAURON	6 000 000	02.09.2019	TAURON 100%
Finanse Grupa TAURON sp. z o.o.	**100 000**[1]	TAURON	2 000	06.05.2019	TAURON 100%
TAURON Dystrybucja Serwis S.A.	**41 476**[2]	TAURON	41 476	29.10.2019	TAURON 100%

** value of the share capital raising of the company Finanse Grupa TAURON sp. z o.o. as a result of the cross-border merger of the companies Finanse Grupa TAURON sp. z o.o. (the acquiring company) and TAURON Sweden Energy AB (publ) (the acquired company),*
*** value of the share capital raising of the company TAURON Dystrybucja Serwis S.A. – as a result of the merger of TAURON Dystrybucja Serwis S.A. (the acquiring company) and Magenta Grupa TAURON sp. z o.o. TAURON Sweden Energy AB (publ) (the acquired company).*

Taking up or acquiring share securities in the other companies in which TAURON holds an equity stake

The below table presents a summary of equity increases in the other companies in which TAURON holds an equity stake in the first three quarters of 2019 and by the date of disclosing this information.

Table no. 3. Summary of equity increases in the other companies in which TAURON holds an equity stake

Company	Share capital increase (total price for taking up shares) (PLN)	Company taking up shares	Nominal value of shares taken up (PLN)	Date of passing the resolution by the GM	Structure of the share capital following the increase
EEC Magenta spółka z ograniczoną odpowiedzialnością ASI spółka komandytowo – akcyjna (EEC Magenta ASI) (EEC Magenta limited liability company ASI	**107 200**	EEC Ventures spółka z ograniczoną odpowiedzialnością spółka komandytowa (EEC Ventures limited liability company limited partnership)	1 072	15.01.2019	EEC Ventures spółka z ograniczoną odpowiedzialnością spółka komandytowa (EEC Ventures limited liability company limited partnership) 3%

Company	Share capital increase (total price for taking up shares) (PLN)	Company taking up shares	Nominal value of shares taken up (PLN)	Date of passing the resolution by the GM	Structure of the share capital following the increase
limited joint stock partnership - EEC Magenta ASI)	**2 577 600**	PFR Starter FIZ	25 776		PFR Starter FIZ 72.1%
	890 200	TAURON	8 902		TAURON 24,9%
EEC Magenta ASI	**18 800**	EEC Ventures spółka z ograniczoną odpowiedzialnością spółka komandytowa (EEC Ventures limited liability company limited partnership)	188	23.08.2019 r.	EEC Ventures spółka z ograniczoną odpowiedzialnością spółka komandytowa (EEC Ventures limited liability company limited partnership) 3%
	450 600	PFR Starter FIZ	4 506		PFR Starter FIZ 72,1%
	155 600	TAURON	1 556		TAURON 24,9%
EEC Magenta 2 ASI	**99 557**	EEC Ventures spółka z ograniczoną odpowiedzialnością 2 spółka komandytowa (EEC Ventures limited liability company 2 limited partnership)	2 933	25.01.2019	EEC Ventures spółka z ograniczoną odpowiedzialnością 2 spółka komandytowa (EEC Ventures limited liability company 2 limited partnership) 2.95%
	4 874 200	PFR NCBR CVC Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (Non-public Assets Closed-end Investment Fund)	48 742		PFR NCBR CVC Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (Non-public Assets Closed-end Investment Fund) 49.02%
	4 775 100	TAURON	47 751		TAURON 48,03%
EEC Magenta 2 ASI	**128 118**	EEC Ventures spółka z ograniczona odpowiedzialnością 2 spółka komandytowa (EEC Ventures limited liability company 2 limited partnership)	3 774	27.09.2019 r.	EEC Ventures spółka z ograniczoną odpowiedzialnością 2 spółka komandytowa (EEC Ventures limited liability company 2 limited partnership) 2.95%
	6 279 000	PFR NCBR CVC Fundusz Inwestycyjny Zamknięty aktywów Niepublicznych (Non-public Assets Closed-end Investment Fund)	62 790		PFR NCBR CVC Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (Non-public Assets Closed-end Investment Fund) 49.02%
	6 150 900	TAURON	61 509		TAURON 48.03%

The other most significant equity investments in the financial assets held by TAURON as of September 30, 2019, include stakes in the following entities:

1) Spółka Ciepłowniczo Energetyczna Jaworzno III sp. z o.o. with the balance sheet value of PLN 30 989 000,
2) Przedsiębiorstwo Energetyki Cieplnej sp. z o.o. with the balance sheet value of PLN 23 754 000,
3) PGE EJ 1 sp. z o.o. (PGE EJ 1) with the balance sheet value of PLN 18 651 000,
4) Energetyka Cieszyńska sp. z o.o. with the balance sheet value of PLN 14 697 000,

5) ElectroMobility Poland S.A. with the balance sheet value of PLN 17 500 000,

6) Magenta Grupa TAURON sp. z o.o. with the balance sheet value of PLN 9 500 000.

Major investments in financial assets

TAURON Capital Group's major investments in financial assets carried out in the reporting period include granting by TAURON of the loan to the Elektrociepłownia Stalowa Wola S.A. (EC Stalowa Wola) joint subsidiary in the amount of PLN 5 175 000. The detailed information on the loan granted to EC Stalowa Wola is provided in section 5.3. of this information.

1.3.6. Implementation of the strategic investment projects

Key strategic investment projects underway

The below table presents the activities carried out by TAURON Capital Group in the first three quarters of 2019 in connection with the implementation of the key strategic investment projects.

Table no. 4. Key strategic investment projects' work progress

#	Investment project	Investment project's work progress
1.	Construction of 910 MW_e supercritical parameters power generation unit in Jaworzno **Contractor:** RAFAKO S.A. and MOSTOSTAL WARSZAWA S.A. Consortium **Planned project completion date:** Q1 2020 **Work progress:** 95.5% **Expenditures incurred:** PLN 4 839.8 million	The 910 MW unit construction project is at the hot commissioning stage. In the first half of 2019, after the key technological process systems had been handed over, a number of trials and tests were completed, the system's readiness to supply the media was achieved, the desulfurization system, the feed water pumps' system and the coal mills were commissioned. The DEMI water was fed via the new treatment station, electricity supply was provided via the 220kV line which enabled conducting further commissioning works, the carburization system and the railway tracks system were completed to the degree enabling storing of the coal at the storage (pre-picking) yard, as well as feeding it to the unit. The works completed on the process systems enabled conducting, in May 2019, of the chemical cleaning of the unit's high pressure part which represented a key stage of the preparation for the first firing (ignition) of the boiler. In July the boiler was fired with oil burners for the first time and the process of drying the refractory brick furnace linings, used in places particularly exposed to the ash and slag erosion, was begun. The blowdown of the boiler and steam pipes, aimed at cleaning off the surface of the unit's high pressure part of any mechanical impurities, was commenced in September. Currently the temporary installations are being dismantled and the unit is being prepared for the feeding of steam to the turbine and for the first synchronization. On October 17, 2019, the main part of the negotiations with the Contractor was completed, as a result of which it was agreed that the Consortium would perform additional tasks, including: conducting the optimization efforts aimed at expanding the so-called fuel field (mix, range) of the Unit (admission of a broader variety of coal types) in order to make the Unit's operational conditions more flexible and guarantee the compliance with the future environmental requirements, among others, it would supply an additional catalyst layer and an additive dosing installation to the flue gases desulfurization system in order to reduce mercury emissions. In view of the above it was agreed that it would be necessary to introduce changes to the agreement with the Consortium, in particular with respect to the agreement value and the Unit's construction schedule. It was agreed that the net price defined in the agreement would be increased by PLN 52.3 million to PLN 4 537.8 million, and the acceptance (takeover) of the Unit for operation will take place by January 31, 2020. The change of the terms and conditions of the agreement with the Consortium will not cause an overrun of the assumed total capital expenditures budgeted for the implementation of the investment project, i.e. PLN 6.2 billion.
2.	Construction of a 449 MW_e CCGT unit, including a 240 MW_t heat generation unit at Stalowa Wola (Project implemented jointly with the strategic	As part of the tender proceedings aimed at selecting the contractors for the combined cycle power plant, announced by EC Stalowa Wola with the support of EPCM, the selection in all of the proceedings has been completed. All the contractors are

#	Investment project	Investment project's work progress
	partner – Polskie Górnictwo Naftowe i Gazownictwo S.A. (PGNiG)). **Contractor:** the contract with Abener Energia S.A. was terminated. The project's completion is implemented under the EPCM formula (contract manager) – Energoprojekt Katowice – Energopomiar Gliwice consortium **Planned project completion date:** Q1 2020 **Work progress:** 86% **Expenditures incurred:** PLN 1 205 million	conducting works at the construction site. The assembling of the steam piping, auxiliary installations and other steel structures is underway The construction and finishing works are also carried out. The startup (commissioning) group is systematically testing and commissioning the individual systems of the combined cycle power plant that were completed by the original contractor (Abener Energia S.A.). As a result of the inventory taking carried out by EPCM the assembly (installation) errors were identified as a consequence of which it was necessary to dismantle the steam piping, and then complete it again and reassemble. As a result the project's schedule was revised and the new date for the commissioning of the unit was set as the first quarter of 2020. The contractor to complete the construction of the backup heat source was selected in 2018 and this contractor completed the design and engineering works related to the civil construction works. The design and engineering works have been completed in all the areas: technological process, I&C, electrical and mechanical branches. The main civil construction works, required to place the boilers on the foundations, have been completed. The delivery of all boilers to the construction site was completed in July 2019 and the boilers were placed on the ultimate foundations. The other assembly works related to the technological process and I&C are underway.
3.	Construction of the "Grzegorz" shaft (TAURON Wydobycie) including the infrastructure (above the ground and underground) and the accompanying longwall faces (headings). **Contractor:** Przedsiębiorstwo Budowy Szybów S.A. (previously: KOPEX Przedsiębiorstwo Budowy Szybów S.A.), FAMUR Pemug sp. z o.o. (main task – Stage I), LINTER S.A. Consortium **Planned project completion date:** 2023 **Work progress:** 44% **Expenditures incurred:** PLN 243.47 million	The drilling of the headings on the 800 m level was commenced. 233/2120 meters long headings have been drilled since September 2018. 967 m long headings were drilled to the "Grzegorz" shaft on the 540 m level in 2019. The works were halted due to the fault. The technology required to pass the fault including its dewatering (drainage) was prepared. A positive opinion of the State Mining Authority (Wyższy Urząd Górniczy) was obtained in June. The resumption of the works is planned in the fourth quarter of 2019. The next step following the passing of the fault will be to complete the drilling towards the shaft. In the third quarter of 2019 the passive freezing was conducted and the deepening of the shaft in the freeze section and the installation of the panel enclosure were commenced. By the end of September the shaft had been deepened down to the depth of -38m and the mining backfill telescope manhole had been completed.
4.	Construction of the 800 m level at the Janina Coal Mine in Libiąż (TAURON Wydobycie). **Contractor:** Mostostal Zabrze GPBP S.A. and SIEMAG TECBERG POLSKA S.A. Consortium (Construction of the ultimate above the ground and underground infrastructure including the Janina VI shaft mine shaft elevator), KOPEX S.A. and KOPEX Przedsiębiorstwo Budowy Szybów S.A. (task completed – shaft drilling) **Planned project completion date:** 2021 **Work progress:** 73% **Expenditures incurred:** PLN 379.5 million	As part of the works related to the construction of the ultimate infrastructure the General Contractor completed the piling for the headframe and built the shaft collar, by the end of September the headframe reinforced concrete works up to the height of +48.9m/62m had also been completed, the reinforced concrete ceiling had been completed, on which the hoisting machine would be based and the installation of the bridge (platform) enabling the staff to access the shaft had been commenced. As part of the project the 20-2 mm class Coal Mechanical Processing Plant was upgraded with a new jig. Also the design and engineering of the main drainage of the 800 m level was completed. The drilling of the horizontal headings on the 800 m level by the coal mine in-house unit is continued. Additionally, the tender documentation for announcing the tender for the drilling of the horizontal headings on the 800 m level is being prepared, the announcement of which was delayed until the fourth quarter of 2019 due to the optimization of the scope thereof.
5.	Brzeszcze CAPEX Program **Contractors:** TRANS-JAN, FAMUR and KOPEX Machinery Consortium, FAMUR and KPRGiBSz Consortium, MAS and Carbospec Consortium, Elektrometal Cieszyn **Planned Program completion date:** 2025 **Work progress:** 59% **Expenditures incurred:** PLN 286 million	In the first three quarters of 2019 the extraction of the 510 deposit was conducted. Due to making the coal mine ventilation system independent of SRK in 2019 the works aimed at altering the ventilation system are continued. The construction of the primary compressor station and the water and ash mixture dumping station was completed. In June 2019 one of the key tasks – the construction of the brine water channel – was completed. The works related to the construction of the small sales facility and with respect to the alteration of the ventilation excavations, as well as

#	Investment project	Investment project's work progress
		boring of the new headings aimed at providing access to the 405/1 deposit were continued. As part of the program the total of 4 967 meters of headings had been drilled and altered by the end of September 2019. The upgrading of the powered supports for coal faces 125 and 194 was completed in the third quarter of 2019. The conveyors, powered supports and control system for coal face 125 were delivered and the coal face was commissioned.
6.	Implementing heat generation at unit no. 10 and the construction of the peaking and backup boilers in Łagisza **Contractor:** • GE Power – steam turbine set refurbishment, • Mostostal Warszawa – implementing the heat generation unit including refurbishing the heat production part, • SBB Energy – construction of the peaking and backup boilers. **Planned project completion date:** Q4 2019 **Work progress:** 65% **Expenditures incurred: PLN** 79 million	The contractors are carrying out the works with respect to: • steam turbine set refurbishment, • implementing the heat generation unit including the station's adaptation, • construction of the peaking and backup boilers. The complete overhaul of the boiler and the refurbishment of the turbine set was completed. The system is ready for the commissioning. The Central Heating Station (Centralna Stacja Ciepłownicza - CSC) was commissioned in the start-up mode and it takes the heat from units 6 and 7 out of the power plant. With respect to the peaking and backup boilers the installation works are underway related to: the layered panels on the building, flue gas ducting, boiler insulation, process pipings in the boiler room. The HVAC installation works are continued. With respect to the oil storage tanks works related to the installation of the outer jacket (cladding) as well as the oil installation are underway.
7.	Low Emission Elimination Program (PLNE – Program Likwidacji Niskiej Emisji) on the territory of the Silesia and Dąbrowa conurbation **Contractor:** Contractors are being selected to carry out specific work (project) stages. **Planned project completion date:** Program restructuring underway **Work progress:** Program restructuring underway **Expenditures incurred:** Program restructuring underway	The program is carried out on the territory of the following metropolitan areas: Będzin, Chorzów, Czeladź, Dąbrowa Górnicza, Katowice, Siemianowice Śląskie, Sosnowiec and Świętochłowice. Program restructuring underway. Due to TAURON Ciepło's failure to comply with the terms included in the representations in the Agreement on the co-financing of the original LNE Program and a sudden steep rise of the contractors' prices, on March 22, 2019, TAURON Ciepło subsidiary TAURON Ciepło terminated the funding agreements. After a detailed analysis of the experiences from the previous Program, on June 25, 2019, TAURON Ciepło submitted a new application to the Regional Fund for Environmental Protection and Water Management (Wojewódzki Fundusz Ochrony Środowiska i Gospodarki Wodnej - WFOŚiGW) for the co-financing of the PLNE Program. The application is currently verified by WFOŚiGW.
8.	TAURON Internet (POPC) – implementation of the project in the areas awarded (7 projects on the territory of the following areas: Rybnik, Katowice-Tychy, Oświęcim, Kraków, Wałbrzych A, Wałbrzych B, Sosnowiec) **Contractor:** Atem Polska sp. z o.o. (Katowice-Tychy), MZUM sp. z o.o. (Sosnowiec), Atem Polska sp. z o.o. (Wałbrzych A), Mediamo Sp. z o.o. (Oświęcim), MX3 sp. z o.o. (Rybnik), MZUM sp z o.o. (Wałbrzych B), ZICOM sp. z o.o. (Kraków-Tarnów) **Planned project completion date:** 2021 **Work progress:** 3% **Expenditures incurred:** PLN 3.6 million	The POPC program involves implementing an infrastructure to enable high speed internet connections for households (min 30 MB/s). The final product of the project will be the provision of the wholesale services enabling connecting of the end users by the retail operators. In the first quarter of 2019 the contractor was selected for the Katowice-Tychy area (Atem Polska sp. z o.o.). The Contractor presented a concept of the works implementation. In Q2 2019 the contractors for the other areas were selected. The concept was approved and 12 projects were adopted for implementation at schools in the Katowice-Tychy area. The inventory taking of schools in all areas was completed and the update was provided to Centrum Projektów Polska Cyfrowa (Digital Poland Project Center). By the end of September works had been commenced in all 7 areas, the installation of the passive infrastructure at educational centers and the obtaining of permits was begun. Works are underway aimed at announcing of the tender to construct the core network.
9.	Program aimed at adapting TAURON Wytwarzanie's generating units to comply with the operational conditions in force beyond 2021 **Contractor:** Contractors are being selected to carry out specific projects. **Planned project completion date:** 2021 **Work progress:** 9.1% **Expenditures incurred: PLN** 4.8 million	As part of the program the refurbishment of the following power generating units, in accordance with the following scope, is planned: • Jaworzno II Power Plant, units no. 2 and 3 – the construction of the flue gas desulfurization (FGD) installation, the agreement with the contractor has been signed, • Jaworzno III Power Plant, units no. 1, 3, 5 – the construction of the selective catalytic reduction (SCR) installation, the agreement with the contractor has been signed,

#	Investment project	Investment project's work progress
		• Łaziska Power Plant, units no. 9, 10, 11, 12 – the refurbishment of the selective catalytic reduction (SCR) installation, the agreement with the contractor has been signed, • Łaziska Power Plant, units no. 11 and 12 – the refurbishment of the flue gas desulfurization (FGD) installation, the agreement with the contractor has been signed, • Łaziska Power Plant – the refurbishment of the sewage treatment plant, works on the Functional and Utilization Program are underway, • Siersza Power Plant – adaptation of the existing flue gas desulfurization (FGD) installations, the repeated tender proceeding is underway, • Łagisza Power Plant – the company withdrew from the construction of the flue gas desulfurization (FGD) installation in favor of the dry additives feeding installation. The contractors are conducting intense design and engineering works, as well as the preparatory works related to entering the construction site. As part of the works conducted at the Jaworzno III Power Plant, the Contractor is conducting the earth and foundation works.
10.	Program aimed at adapting TAURON Ciepło's generating units to comply with the operational conditions in force beyond 2021 **Contractor:** Contractors are being selected to carry out specific projects. **Planned project completion date:** 2021 **Work progress:** 7.1% **Expenditures incurred:** PLN 1.1 million	As part of the program the refurbishment of the following generating units, in accordance with the following scope, is planned: • ZW Katowice – the construction of the semi-dry flue gas cleaning installation, • ZW Tychy – the construction of the semi-dry flue gas cleaning installation. The process of selecting the contractors for the individual projects is underway, as part of which bids were received and their evaluation is underway.

Other investment projects

Nuclear power plant construction project

PGE EJ 1 was carrying out the scope of the Project's preliminary phase works related to conducting environmental and siting research at Żarnowiec and Lubiatowo-Kopalino sites in the first three quarters of 2019.

The project is carried out under the Partners' (Shareholders') Agreement concluded in 2014 by TAURON, ENEA S.A. and KGHM Polska Miedź S.A. (Business Partners) with Polska Grupa Energetyczna S.A. (PGE). In accordance with the Partners' (Shareholders') Agreement the Business Partners each hold 10% of shares in PGE EJ 1 – a special purpose vehicle responsible for preparing and implementing an investment project involving the construction and operation of a nuclear power plant. The Partners' (Shareholders') Agreement governs the principles of cooperation in the project implementation, including the parties' commitment to jointly, in proportion to the stakes held, finance the operations as part of a project development milestone (stage).

In November 2018 TAURON received a letter from Polska Grupa Energetyczna S.A. (PGE), in which PGE expressed preliminary interest in acquiring all of the shares in PGE EJ 1 owned by TAURON. In response to the letter TAURON expressed preliminary interest in selling all of its shares in PGE EJ 1. Talks and negotiations were conducted between the parties with respect to the said issue in the first quarter of 2019.

On April 17, 2019 TAURON received a letter from PGE, in which PGE informed that it had withdrawn from the process of acquiring the shares in PGE EJ 1 sp. z o.o. owned by the minority shareholders of PGE EJ 1.

In view of the above, as of the date of publishing this report the activities that are part of the project's preliminary stage are continued, and the successive decisions related to the project, including the decision on the declaration to further continue participation in the subsequent project stage by the individual parties (including TAURON), will be taken, in accordance with the Partners' (Shareholders') Agreement, following the completion of the preliminary stage.

Coal gasification project

The Coal2Gas project involves looking into the area of constructing a hard coal gasification installation, jointly with Grupa Azoty S.A., for the needs of the chemical industry – ammonia or methanol.

The works related to setting up the formal relationships, necessary for the implementation of the project by TAURON and Grupa Azoty S.A., were continued in the first three quarters of 2019. The Partners' Agreement was signed in January 2019, and the amendments changing the dates of setting up a special purpose vehicle were signed in May and August 2019.

In March 2019 a law firm was selected that performed an assessment, whether the special purpose vehicle performs the role of a joint venture company with a full range of functions in the understanding of the European law and pointed out possible jurisdictions in which obtaining of a clearance of the competition protection (antitrust) authorities may be required to set up the company. In July 2019 the final determination was made that there was no need to report the concentration clearance request to the competition protection (antitrust) authorities in the Czech Republic, Slovakia, Germany and Great Britain.

In October 2019 TAURON and Grupa Azoty S.A. submitted a request to the President of the Office for Competition and Consumer Protection (UOKiK) to set up a joint venture.

413 MW_e CCGT unit construction project including an approx. 250 MW_t, heat generation unit at TAURON Wytwarzanie Łagisza Power Plant Branch in Będzin

In September 2016, the 413 MWe CCGT unit construction project including a heat production unit at TAURON Wytwarzanie Łagisza Power Plant Branch in Będzin was halted due to the loss of its business justification. That decision was in accordance with the Strategy, according to which one of the priorities was to ensure TAURON Capital Group's financial stability,

In the first three quarters of 2019 TAURON Capital Group was conducting analyses, as well as works that would enable a potential resumption of the project, related, among others, to updating the applicable documents. Taking of the investment decision will, on one hand, be based on the assessment of the project's profitability, and, on the other hand, on TAURON Capital Group's financial standing.

Capital expenditures

In the first three quarters of 2019 TAURON Capital Group's capital expenditures reached PLN 2 741 million and they were 12% higher than the expenditures incurred in the same period of last year that stood at approx. PLN 2 444 million. This is primarily due to the higher outlays in the Distribution, Mining and Generation Segments.

The below table presents the highest by value capital expenditures incurred by TAURON Capital Group's Lines of Business in the first three quarters of 2019.

Table no. 5. The highest by value capital expenditures incurred by TAURON Capital Group's Lines of Business in the first three quarters of 2019

Item	Capital expenditures (PLN m}
Distribution	
Existing grid assets' upgrades (refurbishments) and replacements	754
Installation of new connections	487
Generation	
Construction of a 910 MW_e super critical parameters generation unit in Jaworzno	513
CAPEX on replacements and upgrades (refurbishments), as well as components at TAURON Wytwarzanie	167
Implementing heat generation at the Łagisza Power Plant	74
Connecting new facilities	12
Investment projects related to the maintenance and development of district heating networks	18
	19
Mining	
Construction of the "Grzegorz" shaft, including the infrastructure and the accompanying headings	79
Brzeszcze Coal Mine's (ZG Brzeszcze) Investment Program	61
Construction of the 800 m level at the Janina Coal Mine (ZG Janina) in Libiąż	51
Preparation of the future production	143

2. OPERATIONS OF TAURON POLSKA ENERGIA AND TAURON CAPITAL GROUP

2.1. Subject of the operations of TAURON Polska Energia S.A. and TAURON Capital Group

TAURON Polska Energia S.A.

As the parent entity of the Capital Group TAURON performs the consolidating and management function at TAURON Capital Group. As a result of implementing the Business Model and centralizing of the functions, TAURON concentrated many competences related to the functioning of TAURON Capital Group's subsidiaries and is currently conducting operations, among others, in the following areas:

1. wholesale trading in electricity, gas and related products, in particular, with respect to providing trading services for the subsidiaries, securing the requirements with respect to fuel, CO_2 emission allowances and certificates of origin of electricity and guarantees of origin of electricity,
2. purchasing management,
3. finance management,
4. corporate risk management,
5. managing the IT functioning model,
6. coordinating research and development activities carried out by TAURON Capital Group,
7. advisory services with respect to accounting and taxes,
8. legal support (services),
9. audit.

Centralization is aimed at improving TAURON Capital Group's efficiency.

The core operations of the Company, besides managing TAURON Capital Group, include wholesale electricity trading on the territory of the Republic of Poland, based on the license for trading in electricity issued by the President of ERO for the period from June 1, 2008 until December 31, 2030.

The Company is focusing on purchasing and selling electricity for the needs of securing the buy and sell positions of TAURON Capital Group's entities and on wholesale electricity trading. In the first three quarters of 2019 the Company bought and sold 28.2 TWh of electricity. Electricity sales carried out by TAURON during this period were mainly addressed to the following subsidiaries: TAURON Sprzedaż and TAURON Sprzedaż GZE, with 91% of purchased electricity sold to these subsidiaries. These companies are conducting retail electricity supply – to the final consumers, and therefore TAURON is not dependent on any single electricity consumer. The other consumers (trading companies outside TAURON Capital Group, exchanges) accounted for approx. 8%.

The Company's additional operations include wholesale trading in natural gas on the territory of the Republic of Poland based on the license for trading in gas fuels issued by the President of ERO for the period from May 4, 2012 until May 4, 2022. In the first three quarters of 2019 the Company purchased and sold 2.4 TWh of gas fuel. The Company is focusing on selling natural gas for the supply needs of TAURON Sprzedaż with 55% of the purchased fuel gas sold thereto. The other volume was sold mainly on the exchange (34%). The other consumers accounted for less than 11%.

The competences of the Company also include management, for the needs of TAURON Capital Group, of the property rights related to the certificates of origin of electricity, representing the confirmation of electricity generation from renewable sources (including sources using agricultural biogas), as well as the property rights related to electricity efficiency certificates and guarantees of origin of electricity.

The Company is a competence center with respect to the management and trading in CO_2 emission allowances for TAURON Capital Group's subsidiaries. As a result of centralizing trading in emissions a synergy effect was achieved, involving optimizing of the costs of utilizing the resources of TAURON Capital Group's entities. Due to centralizing of this function in TAURON the Company is responsible for settlements of the subsidiaries' CO_2 emission allowances, securing the subsidiaries' emission needs taking into account the allowances allocated and the support in the process of acquiring allowance limits for the subsequent periods.

TAURON is actively participating in consultations related to the legal acts on the national and European level, and it is also providing support for its Generation Line of Business subsidiaries in the process of obtaining free allowances. As part of the process of accomplishing the above goals with respect to trading in CO_2 emission allowances the Company is actively participating in trading on the European Climate Exchange (The ICE) in London, the EEX exchange in Leipzig and on the OTC market.

In addition, TAURON also acts as the Market Operator and the entity responsible for trade balancing for TAURON Capital Group's subsidiaries, as well as for the external customers. These functions are carried out under the Transmission Agreement concluded with the TSO – PSE and the Grid Code (Instrukcja Ruchu i Eksploatacji Sieci Przesyłowej – IRiESP). The Company currently holds exclusive control over generation capacity with respect to trading and technical capabilities related thereto, it is responsible for optimizing the generation, i.e. the selection of generation units for operation, as well as the relevant distribution of loads in order to perform the contracts concluded, taking into consideration the technical conditions of the generation units, as well as the grid constraints and other factors, over various time horizons. As part of the services provided for the Generation Segment the Company participates in preparing the overhaul plans, plans of available (dispatchable) capacity, as well as production plans for the generation units, over various time horizons, as well as in agreeing them with the relevant grid operator. TAURON is also developing its competences with respect to the Market Operator function for gas under the transmission agreement with GAZ – System S.A. Since July 2015 TAURON, as one of the first entities in Poland, launched a balancing group for the entities performing trading transactions on the gas market and commenced trade balancing for TAURON Sprzedaż.

In the January – March 2019 time frame TAURON conducted, on behalf of TAURON Capital Group's subsidiaries, the general certification of physical units, existing and planned, as part of the capacity market being implemented. As a result of the effectively completed certification process the Group's physical generating units will be able to take part in the certification processes, taking place at a later stage, for the main auction and in the certification process for the additional auctions, and subsequently they will be able to be offered at the main auction with the delivery year in 2024 (scheduled to take place on December 6, 2019) and at the additional auctions with the quarterly deliveries in 2021 (scheduled to be held on March 18, 2020).

In accordance with the adopted *TAURON Group's Business and Operational Model* TAURON is performing the management function with respect to managing the purchasing of production fuels for the needs of TAURON Capital Group's generation entities.

TAURON Capital Group

TAURON Capital Group is conducting its operations and generating its revenue primarily from electricity and heat supply and distribution, electricity and heat production, as well as hard coal sales, in accordance with the description of the operations of its operating segments (lines of business) provided in section 1.2. of this information.

TAURON Capital Group's core products are electricity and heat, as well as hard coal. Additionally, the Group is trading in: electricity and energy market products, as well as hard coal and gas, and it is also providing electricity distribution and supply services, including to the final consumers, heat distribution and transmission and other services related to the operations conducted.

The detailed description of the operations of the individual operating segments (lines of business), including the operating data, is provided in section 3.3., while the description of the results posted by these segments in the first three quarters of 2019 is provided in section 3.4.2. of this information.

2.2. Factors and events, including non-typical ones, with a material impact on the abbreviated consolidated financial statements

No material non-typical events that would have a significant impact on the financial results posted had occurred in the third quarter of 2019. Material events, including non-typical ones, that would have an impact on the results of the operating segments are described in section 3 of this information.

As of September 30, 2019, the analyses conducted as part of the impairment tests related to TAURON Capital Group's assets carrying amount demonstrated that the results of the impairment tests conducted as of June 30 of this year continued to be valid, and therefore the Group included (recognized) the impairment charges related to the tangible fixed assets and the company's goodwill that were the result of such tests.

2.3. TAURON Group's environment

The results of TAURON Capital Group's operations are impacted by the following external factors:

1. macroeconomic environment,
2. market environment,
3. regulatory environment,
4. competitive environment (landscape)

2.3.1. Macroeconomic environment

The Polish market is the primary area of TAURON Capital Group's business operations. The macroeconomic situation, market environment, as well as the conditions on the financial markets represent material factors that have an impact on the financial results generated by the Company and TAURON Capital Group.

GDP growth rate of the world economies continues to remain at a relatively slow pace. GDP growth rate slowdown has been observed, among others, in the United States and in Germany. Economic activity is negatively impacted by uncertainty with respect to the global economy growth outlook, primarily changes to the trade policies of the largest economies – US and China, as well as Brexit. On the other hand, GDP is favorably affected by the good situation in the services sector and households' consumption

Gross Domestic Product in the European Union went up by 1.4%, year on year, in the second quarter of 2019.

Poland's consumer price index (CPI) growth rate is at a relatively moderate level of 2.9% (data for August 2019, Central Statistics Office - GUS). This is one of the highest levels reported in recent years. According to the data of the Central Statistics Office (GUS) the biggest contributions to the CPI calculations are made by food and alcohol free drinks (24.9%), as well as goods and services related to the use of an apartment or house and energy carriers (19.2%). The acceleration of the consumer price index (CPI) growth was fueled by, among others, an increase of the food prices growth rate, caused by the rising prices of agricultural commodities worldwide.

Poland's annual GDP growth rate came in at 4.4%, year on year, in the second quarter, which represented a decline by 0.3 pp as compared to the first quarter of this year (when GDP clocked in at 4.7%). Poland's relatively high GDP growth rate was fueled by, among others, consumption, growing investments and the net exports value. Consumption is a consequence of favorable trends on the labor market – rising wages, continued very good consumer sentiment and low unemployment (according to the National Bank of Poland - NBP).

The registered unemployment rate stood at 5.2% in August 2017 and it was lower as compared to the same period of the previous year (the registered jobless rate came in at 5.8% in August 2018). At the same time, an increase of the labor productivity was observed in Poland.

According to the latest forecasts of the research institutions (World Bank, NBP) Poland's GDP growth rate will come in at 4.3% in 2019, while the GDP growth is expected to slow down to 4% in 2020. On the other hand S&P Global Ratings agency is forecasting a drop of Poland's GDP growth rate even down to 3.2% in 2020.

2.3.2. Market environment

Electricity

Domestic electricity consumption reached 40 756 GWh in the third quarter of 2019, i.e. it was 748 GWh (-1.8%) lower as compared to the same period of 2018.

The average temperature in the third quarter of 2019 came in at 18.1°C, as compared to 19.2°C in the same period of the previous year. The warmest and, at the same time, the least windy month of the quarter under review was August (with the average temperature of 20.5°C and the average generation from the wind sources clocking in at 767 MWh). The highest average generation from the wind sources, coming in at 1613 MWh, was reported in September.

Domestic power plants' electricity production reached 37 915 GWh in the third quarter of 2019, i.e. it was 2 688 GWh (-6.6%) lower than in the same period of 2018. Electricity imports came in at 2 841 GWh in the third quarter of 2019, i.e. they were 1 940 GWh (+215.3%) 753 GWh higher than a year ago.

A substantial decline of electricity production by the hard coal and lignite fired power plants was reported in the third quarter of 2019, while generation by the gas fired power plants and wind farms went up. Hard coal and lignite fired production stood at, respectively, 19 496 GWh and 10 278 GWh in the third quarter of 2019. As compared to the same period of the previous year, the drops reached 1 040 GWh (-5.1%) for hard coal and 2 539 GWh (-19.8%) for lignite. Production by the gas fired power plants came in at 2 842 GWh in the third quarter of 2019, i.e. it was 419 GWh (+17.3%) higher year on year. Electricity generation from wind farms stood at 2 521 GWh in the third quarter of 2019, i.e. 368 GWh (+17.1%) more as compared to the third quarter of 2018.

The average electricity price on the SPOT market in Poland came in at 249.44 PLN/MWh (57.74 EUR/MWh) in the third quarter of 2019, i.e. it went down, as compared to the same period of 2018, by 2.9 PLN/MWh (0.67 EUR/MWh). Significant declines were observed on the adjacent markets. The average electricity price on the German SPOT market stood at 37.43 EUR/MWh in the third quarter of 2019, as compared to 53.52 EUR/MWh in the third quarter of 2018.

The futures contract prices were characterized by a stable but clear downward trend in the third quarter of 2019. The average price of the reference futures contract BASE_Y-20 came in at 276.91 PLN/MWh, with the high of 285.02 PLN/MWh reported on August 2, 2019, and the low of 269.64 PLN/MWh reached on September 9, 2019. The impact of the short term SPOT market should be viewed as the main reason behind the decline of the futures contract prices. The BASE_M-10-19 contract price dropped from 270.75 PLN/MWh to 237 PLN/MWh 3 days ahead of the delivery in the period between July and September. The price of the BASE_M-11-19 and BASE_M-11-19 contracts fell, on average, by 20 PLN/MWh in the third quarter of 2019.

Due to the strong growth of the RES sources, primarily photovoltaics, and the increase of the balance of the electricity imports, the P/B ratio (futures peak contract prices to the futures base contract prices ratio) dropped from 1.25 to even 1.16 in the period under review. The reference PEAK_Y 20 futures contract price fell in the third quarter of 2019 from its maximum value of 348.61 PLN/MWh. reported on July 15, 2019, down to the minimum level 315.42 PLN/MWh, reached on September 27, 2019.

Natural gas

The average gas price on the Day Ahead Market on the Polish Power Exchange (TGE) reached 51.41 PLN/MWh in the third quarter of 2019. As compared to the same period of the previous year the price dropped by more than 61 PLN/MWh (i.e. by 54.5%). The factors that had the biggest impact on this trend included: the regular shipments of liquified natural gas to the ports in the north of Europe and to Poland and – as of the end of September 2019 - the 98-100% stocked up storage facilities in many key European countries.

The highest monthly average trading volume weighted price of a contract with the delivery on the day ahead (52.98 PLN/MWh) was reported in July. On the other hand, the cheapest month was August when the average trading volume weighted price stood at 50.13 PLN/MWh. The volume in the period under review came in at 1 884 216 MWh, which, as compared to the volume in same period of the previous year (1 033 296 MWh), represented an increase by 82.4%.

On the futures commodity market the reference one year contract's average price reached 92.47 PLN/MWh in the third quarter of 2019, and, as compared to the same period of 2018, it was lower by 12.03 PLN/MWh (i.e. a drop by 11.5%). This contract was cheapest in August, when the average trading volume weighted price came in at 87.05 PLN/MWh, and the most expensive in July, when the average trading volume weighted price stood at 89.53 PLN/MWh. In the period under review the volume under the reference one year contract, as compared to the same period of the previous year, went down from 5 788 656 MWh to 4 476 360 MWh, i.e. by 22.7%.

According to the GIE (*Gas Infrastructure Europe*) data, as of September 30, 2019, the Polish storage facilities, with the total capacity of approx. 3.1 billion m^3, were as much as 100% full, while a year before they had been 98.3% full (+1.7 pp).

In Europe this level, at the end of September 2019, stood at 96.9%, while a year before it had come in at 82.2% (+14.7 pp).

CO_2 emission allowances

CO_2 emission allowances prices market was characterized by high price volatility in the third quarter of 2019. During the period under review the average price of EUAs stood at 23.93 EUR/MgCO_2. The minimum price (low) was reported in September (24.6 EUR/MgCO_2), while the July maximum price (high) pf 29,95 EUR/MgCO_2 was also a multi-year price high.

The CO_2 emission allowances price fluctuations were primarily due to the events not related directly to the EU ETS regulation, and their levels were impacted by, among others, the Brexit process and the economic situation in Europe.

The situation of the German economy in combination with the continued trade conflict between the US and China had a direct impact on the industrial production output in the entire European Union and thus on the manufacturing industry's demand for the CO_2 emission allowances. As a consequence, the preliminary analyses related to the EU ETS system emissions show a noticeable decline in the first three quarters of 2019 year on year.

Property rights

The prices on the green certificates market were stable in the third quarter of 2019. The OZEX_A index reached its price minimum (low) of 128.12 PLN/MWh in the middle of July, while the maximum price (high) came in at 134.89 PLN/MWh and it was reached at the beginning of August. The weighted average price of PMOZE_A clocked in at 131.24 PLN/MWh in the third quarter of 2019 and it was slightly lower than the weighted average price in the second quarter (a drop only by 1.20%). On the other hand, the trading volume dropped by almost 24%, from 3 355 GWh to 2 544 GWh as of the end of the third quarter of 2019. The balance of the PMOZE_A register reached a surplus of 33.69 TWh as of the end of September 2019, which meant that, taking into account the certificates blocked for retirement, this balance dropped by more than 6 TWh, down to 27.68 TWh.

The weighted average price of the blue certificates came in at 297.60 PLN/MWh in the third quarter of 2019. The prices fluctuated between the price minimum (low) of 285.45 PLN/MWh reached in July, and the maximum price (high) of 304.95 PLN/MWh reported at the end of September. The trading volume stood at 125 GWh during that period, and it was 12.7% lower as compared to the second quarter. The balance of the PMOZE-BIO register reached a surplus of 356.52 TWh as of the end of September, and taking into account the certificates blocked for retirement, this balance dropped by more than 65,65 TWh, down to 290,87 TWh.

The prices of the white certificates PMEF had continued to be in an upward trend until the end of September, due to the act changing the *act on the amendment to the act on the excise tax and some other acts, the act on energy efficiency and the act on biocomponents and liquid biofuels,* that extends the validity term of such certificates. The prices went up from the low of 1 299.96 PLN/toe in July to the high of 1 596.20 PLN/toe (price increase by 23%). The weighted average price in the third quarter of 2019 came in at 1 480.51 PLN/toe.

The prices for the PMEF-2019 register, similarly to the prices for the PMEF_F register, had continued to be in an upward trend. However, after the price declines that had taken place in June, the weighted average prices in the third quarter of 2019 were lower as compared to the weighted average prices in the second quarter. They came in at, respectively, 1 417.65 PLN/toe (a drop by 13% as compared to the second quarter) and 1 510,65 PLN/toe (a drop by 6% as compared to the second quarter).

2.3.3. Regulatory environment

National regulations

Amendment to the act on the amendment to the act on the excise tax and some other acts

As of the beginning of 2019 the act of December 28, 2018 on the amendment to the act on the excise tax and some other acts came into force with its goal to provide protection for the electricity consumers against a significant increase of the costs of purchasing electricity in 2019. Apart from reducing the excise tax rate and the transition fee rates, the act introduced the ”freezing” in 2019 of the prices stemming from the tariffs and electricity price lists applied by the electricity trading companies at the level of prices and fees applied in 2018. The act of June 13, 2019, changing the act on the amendment to the act on the excise tax and some other acts, the act on energy efficiency and the act on biocomponents and liquid biofuels, upheld the right to the reduced electricity prices for the entire period of 2019 for:

- final household consumers – without the need for them to take any additional actions,
- microbusinesses and small businesses, hospitals, public finance sector units and other state organizational units with no legal personality (the so-called special status consumers) – provided they have submitted the applicable declaration.

Medium size and large enterprises will, in the second half of 2019, be entitled to the support involving subsidizing of electricity prices as part of the *de minimis* aid, provided that they have submitted, by the statutorily defined deadline, to the trading company that is a party to the electricity sale agreement or the comprehensive (master) agreement with the given final consumer, of the declaration confirming the status of such a consumer. Consumers operating in the energy intensive sectors and sub-sectors will be able to take advantage of the support system set up based on the act on the system of compensations for the energy intensive sectors and sub-sectors.

Following the June amendment to the act, for the period:

1) from January 1 to June 30, 2019, utility companies and final consumers that buy electricity on the Polish Power Exchange directly, will be entitled to receive the so-called ”price difference amount”,
2) from July 1 to December 31, 2019:
   - trading companies, supplying electricity to the above defined consumers with a special status, will have the right to receive the so-called ”financial compensation” in connection with the provision of the service in the overall economic interest,
   - final consumers that are medium size and large enterprises (excluding the energy intensive enterprises) have the possibility to apply for a subsidy to the electricity purchased in that period (the so-called ”subsidy”).

The receipt of the refund of the difference amount, financial compensation and subsidy will take place at the request of an entitled entity. The support, the calculation rules of which will be defined in the executive regulations to the act, will be financed using the funds of the Price Difference Payout Fund (Fundusz Wypłaty Różnicy Ceny), controlled by the Minister of Energy and managed by Zarządca Rozliczeń S.A. (Settlements Manager).

On July 19, 2019, the Minister of Energy issued a regulation on the way to calculate the amount of the price difference and financial compensation, and the method to be used to set the reference prices. The act came into force on August 14, 2019. Additionally, the Minister of Energy, on August 28, 2019, published a notice on the other unit cost the subsidy rate, that defines, for a utility company dealing with trading: in-house costs of conducting business operation, the costs of balancing the electricity demand curve, margins dependent on the total volume of electricity supply to the final consumers.

Act on the system of compensations for the energy intensive sectors and sub-sectors

Act on the system of compensations for the energy intensive sectors and sub-sectors was passed on July 19, 2019. Based on the act the energy intensive enterprises have the right to compensation for an increase of electricity prices due to the rising costs of emission allowances. However the use of this support system excludes the use of the support system introduced under the *act of December 28, 2018, on the amendment to the act on the excise tax and some other acts*. For these reasons in 2019 the energy intensive enterprises may choose only one support system – either compensations envisaged in the draft act or the system introduced under the act of December 28, 2018, whose objective is to provide protection for electricity consumers against a material increase of the cost of electricity supply in 2019. At the same time, in accordance with the act, in case the given energy intensive enterprise submits a declaration on waiving the right to have the electric utility apply prices and fee rates for electricity at the level as of June 30, 2018:

1) an energy intensive enterprise will have to refund the amounts that it has obtained thanks to this mechanism – if the electric utility has adjusted its prices and fee rates for electricity,
2) an electric utility will be exempted from the obligation to adjust its prices and fee rates for electricity for such energy intensive enterprise – if it has not done it yet.

The act came into force as of August 29, 2019.

Act on energy efficiency

The act changing the act on the amendment to the act on the excise tax and some other acts, the act on energy efficiency and the act on biocomponents and liquid biofuels also introduced a material change to the act of May 20, 2016 on energy efficiency. It involves an extension, until June, 30, 2021, of the deadline within which energy efficiency certificates issued under the act on energy efficiency previously in force (the so-called tender certificates) will be taken into account in the implementation of the obligation to obtain energy efficiency certificates and present them for retirement to the President of ERO.

Amendment to the Act on Renewable Energy Sources (RES)

Act on the amendment to the act on Renewable Energy Sources and some other acts was passed on July 19, 2019

Material changes that were introduced under the said amendment include:

1) extension of the support systems' effective term, envisaged under the act, until June 30, 2039,
2) extension of the "prosumer" definition to cover entrepreneurs, provided that sales of electricity generated by their own micro-installations will not be the subject of the given entrepreneur's dominating business operations,
3) extension of the deadlines (running from the auction session closing date) by which an auction participant will be obligated to sell, for the first time, electricity generated by a renewable energy source installation, that will be erected or will be upgraded following the auction date,
4) extension of the so-called discount system to cover entrepreneurs operating micro-installations with the installed capacity greater than 10 kW,
5) increase of the micro-installations' installed capacity level which cannot be exceeded in case of completing an upgrade of such installation, from 40 kW to 50 kW,
6) increase of the maximum level of installed capacity making biogas and hydroelectric installations eligible to take advantage of the so-called FIP system from 1 MW to 2.5 MW,
7) enabling participation in the FIT and FIP support system for installations that use biomass,
8) increasing the maximum age of devices that constitute a part of RES installations eligible to take advantage of the auction based support system from 18 months to 21 months – for photovoltaics, from 24 months to 33 months – for on-shore wind based power generation and from 36 months to 42 months – for a different type of technology (excluding off-shore wind based power generation).

The act also defines the minimum share of electricity from renewable energy sources in the total annual electricity supply for 2020 as follows:

1) 19.50% – with respect to electricity generated from agricultural biogas prior to the entry into force of section 4 of the act or renewable energy sources other than agricultural biogas or the substitution fee paid,
2) 0.50% – with respect to electricity generated from agricultural biogas from the date of entry into force of section 4 of the act or equivalent volume of electricity stemming from the retired certificates of origin of agricultural biogas or the substitution fee paid.

Furthermore, the amendment includes regulations that define the maximum volume of electricity and its value to be sold at auctions for 2019 and the conditions under which auctions for the purchase of electricity from renewable energy sources installations will be conducted in 2019. These regulations will enable conducting auctions for the purchase of electricity from renewable energy sources in 2019 yet.

The majority of the act's regulations came into force as of August 29, 2019. For some of the regulations the vacatio legis period was extended until 2020, and with respect to some regulations, that might potentially impact the EU's internal market, the notification procedure before the European Commission was commenced.

Draft regulation of the Council of Ministers on the maximum volume and value of electricity from renewable energy sources that can be sold by way of an auction in 2020

The draft regulation of the Council of Ministers on the maximum volume and value of electricity from renewable energy sources that can be sold by way of an auction in 2020 was submitted to public consultations on October 10, 2019. The above indicated regulation is an act that is necessary to announce and conduct the above indicated RES auctions in 2020.

Executive regulations to the act on promoting electricity from high efficiency cogeneration

The process of supplementing the act of December 14, 2018, on promoting electricity from high efficiency cogeneration was completed in October 2019: In connection with the above the following regulations to this act are currently in force in the Polish legal system:

1) *regulation of the Minister of Energy of September 23, 2019, on the way to calculate data provided for the needs of the use of the support system and the detailed scope of the obligation to confirm the data related to the volume of electricity from high efficiency* – came into force as of October 15, 2019,
2) *regulation of the Minister of Energy of September 22, 2019 on the range of data required to calculate the individual guaranteed bonus and the cogeneration bonus, including the way to take into account the value of the public aid received*– came into force as of October 15, 2019,
3) *regulation of the Minister of Energy of August 21, 2019, on the maximum volume and value of electricity from high efficiency cogeneration covered by the support and unit amounts of the guaranteed bonuses in 2019 and 2020* – came into force as of September 17, 2019,
4) *regulation of the Minister of Energy of August 21, 2019, on the maximum value of investment costs (capital expenditures) and operating expenses in case of building and operating a new comparable cogeneration unit* – came into force as of September 17, 2019,
5) *regulation of the Minister of Energy of August 21, 2019, on the reference value for new and substantially upgraded (refurbished) cogeneration units in 2019* – came into force as of September 17, 2019,
6) *regulation of the Minister of Energy of September 6, 2019, on the methodology to be applied to determine eligibility for the individual cogeneration bonus and the values of coefficients taken into account when determining such eligibility* – came into force as of October 1, 2019.

The goal of the regulations is to enable implementing a support mechanism for the generation units generating electricity from high efficiency cogeneration.

Amendment to the act on the system of greenhouse gas emission allowances trading and some other acts

Act on the amendment to the act on the system of greenhouse gas emission allowances trading and some other acts was passed on July 4, 2019. The essential goals of the act include implementing and introducing into use the European Union regulations regulating the rules of emission allowances trading in the so-called fourth trading period and dispelling interpretation doubts arisen over almost three years of applying the act on the system of greenhouse gas emission allowances trading, and also aligning the regulations with respect to greenhouse gas emission allowances trading to the current economic and social conditions.

The said act, among others:

1) introduces regulations related to the allocation of emission allowances to other production than electricity production in the 2021-2030 trading period and in the subsequent trading periods,
2) introduces changes with respect to accounting for the investment costs (capital expenditures) related to the tasks included in the National Investment Plan (Krajowy Plan Inwestycyjny), including the possibility to balance the emission allowances granted for the discontinued tasks or tasks that have not led to achieving the approved indicators of compliance with the costs of other completed investment tasks,
3) imposes an obligation to develop monitoring methodology plans and submit such plans by entities operating an installation for approval to the applicable (competent) authority; feedback (opinions) on the plans will be provided by the National Centre for Emissions Management (Krajowy Ośrodek Bilansowania i Zarządzania Emisjami - KOBiZE),
4) assumes simplifying and accelerating the procedure used to apply for the allocation of emission allowances in case of a new installation, by transferring the up-to-now authorizations of the competent minister responsible for the environment to KOBiZE,
5) limits (to 5 years) the obligation to prepare and enter the reports on emissions volume into the National data base,
6) aims to eliminate a number of interpretation doubts that have surfaced during the application of the existing version of the act.

The act came into force as of August 24, 2019.

Draft act on the amendment to the act – Energy law and some other acts

The Ministry of Energy submitted to public consultations, on October 23, 2018, the draft act on the amendment to the act – Energy law and some other acts.

Changes introduced in the draft that are most important for TAURON Group companies include the following proposals:

1) introduction of the central measurement information system to be used, among others, to: collect measurement information, perform settlements related to electricity based on such information, exchange information among entities dealing with electricity supply,

2) granting to the President of ERO of the right to interfere, by way of a decision, with the content of an agreement on the provision of the gas fuels / electricity transmission or distribution services concluded between a supplier (seller) and the transmission system operator (TSO) / distribution system operator (DSO), in order to enable the supplier (seller) to sell (supply) gas fuels / electricity or provide a comprehensive service to the consumers connected to such operator's grid or, if required: ensure that the final consumers' interests are protected, balance the parties' interests, counter competition limiting practices,
3) imposition, on the DSO, of an obligation to implement a time schedule defining a percentage share of remote meter reading installations,
4) obligating the DSO to include, in its development plan, an analysis of the costs and benefits related to the functioning of energy storage facilities,
5) granting to the President of ERO of the right to change or revoke the applicable license in case the President of the Office for Competition and Consumer Protection (UOKiK) has issued, with respect to an entity operating based on such license, a decision on deeming the practice as infringing upon the collective interests of consumers.

As of the date of drawing up this information, the draft amendment to the act remains in the course of the legislative process.

European Union regulations

Winter package "Clean Energy for all Europeans"

On March 26, 2019, the European Parliament, and on May 22, 2019, the Council formally accepted the worked out content of the political agreements related to the remaining elements of the "Winter Package", i.e.:

1) directive on the common rules for the internal market in electricity and amending directive 2012/27/UE (the directive of the European Parliament and Council (EU) 2019/944 of June 5, 2019),
2) regulation on the internal market in electricity (the regulation of the European Parliament and Council (EU) 2019/943 of June 5, 2019),
3) regulation on the risk-preparedness in the electricity sector and repealing directive 2005/89/WE (the regulation of the European Parliament and Council (EU) 2019/941 of June 5, 2019),
4) regulation establishing the European Agency for the Cooperation of Energy Regulators (the regulation of the European Parliament and Council (EU) 2019/942 of June 5, 2019).

The above acts were published in the Official Journal of the European Union in June 2019.

EMIR REFIT

Regulation of the European Parliament and Council (EU) 2019/834 of May 20, 2019, amending regulation (EU) no. 648/2012 as regards the clearing obligation, the suspension of the clearing obligation, the reporting requirements, the risk-mitigation techniques for OTC derivative contracts not cleared by a central counterparty, the registration and supervision of trade repositories and the requirements for trade repositories (the so-called EMIR REFIT Regulation) was published in the Official Journal of the European Union on May 28, 2019.

The said regulation impacts TAURON Capital Group's operations, primarily in the areas of reporting obligations related to derivatives contracts and the thresholds for the clearing of such contracts by a central counterparty.

In the first area a possible exemption from reporting derivative contracts concluded by non-financial counterparties within the same capital group (intragroup) to the trade repository is envisaged under the following collective conditions: both counterparties are included in the same consolidation on a full basis, both counterparties are subject to appropriate centralized risk evaluation, measurement and control procedures; and the parent undertaking is not a financial counterparty. However, the application of the exemption referred to above requires notifying the Polish Financial Supervision Authority (Komisja Nadzoru Finansowego). The exemption shall be valid unless the notified competent authorities do not agree upon fulfilment of the above mentioned conditions within three months of the date of notification.

In the second area the EMIR REFIT Regulation imposes on non-financial counterparties an obligation to calculate, as of the day of the Regulation's entry into force (i.e. June 17, 2019), and subsequently every 12 months, the aggregate average position in OTC derivative contracts. The calculations are used to determine the capital group's position with respect to the obligation to clear contracts with a central counterparty (CCP), i.e. with the so-called NFC+ or NFC- status. Furthermore, the obligation for derivative contract counterparties to inform each other of the above mentioned status in the contract documentation was introduced.

Regulation on the Innovation Fund

Commission Delegated Regulation (EU) 2019/856 of 26 February 2019 supplementing Directive 2003/87/EC of the European Parliament and of the Council with regard to the operation of the Innovation Fund. The said fund was set up under art. 10a, section 8 of directive 2003/87/EC of the European Parliament and of the Council of October 13, 2003, establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC, in order to provide support for projects demonstrating highly innovative technologies, processes or products, indicating a significant potential to reduce greenhouse gas emissions was published in the Official Journal of the European Union on May 28, 2019. The Fund is to represent an extension of the support provided under NER 300 program. The available financing amount is to correspond to the market value of at least 450 million emission allowances.

The regulation lays down the Innovation Fund's necessary principles of operations, such as the operational objectives of the Innovation Fund, the forms of support provided under the Innovation Fund, the application procedure for the Innovation Fund support (calls for proposals), the procedures and criteria for project selection under the Innovation Fund, rules for the disbursement of the Innovation Fund support, the governance of the Innovation Fund, reporting, monitoring, evaluation, control and publicity (transparency) concerning the operation of the Innovation Fund. However, a possibility of transferring some implementation activities, such as organizing an invitation to submit applications (a call for proposals), preliminary selection of projects or management of the agreements related to grants, to executive authorities is envisaged. Grants that may reach up to 60% of the applicable costs are envisioned as a basic form of financing investment projects from the fund.

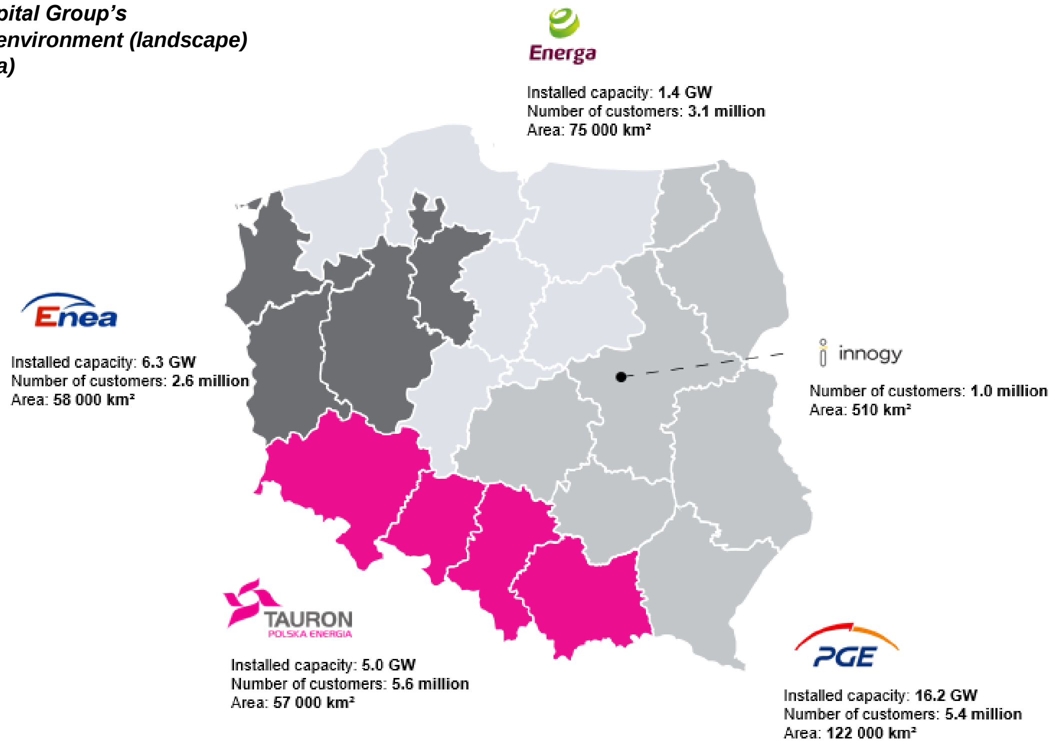
XBID

Polish Power Exchange (Towarowa Giełda Energii S.A. - TGE) took further steps in the implementation of the XBID project, aimed at coupling (integrating) the domestic electricity trading with the European market. XBID (Cross-Border Intraday) is a project aimed at creating a pan-European homogenous cross-border intraday electricity market, in which all NEMO and transmission network operators from the entire EU and Norway take part. The project's objective is to improve the efficiency of trading on the European intraday electricity market by using the existing cross-border transmission capabilities in trading on the exchange. It enables matching orders of market participants on a continuous basis, locally and in any price zone within the project's range, provided cross-border transmission capabilities are available. The launch of the homogenous intraday electricity market in Western and Northern Europe took place in June 2018, while in Central and Eastern Europe it is to take place in the fourth quarter of 2019 and it will result in the coupling with the already operating XBID market merging electricity markets of: Poland, Germany, Czech Republic, Austria, Hungary, Romania, Bulgaria, Slovenia, Croatia, Sweden and Lithuania. In Poland XBID is implemented by Polskie Sieci Elektroenergetyczne, in cooperation with the exchanges: TGE, EPEX SPOT and EMCO.

2.3.4. Competitive environment (landscape)

Apart from TAURON Capital Group, three large, vertically integrated energy groups are currently operating on the Polish market: PGE, ENEA S.A. (ENEA) and ENERGA S.A. (ENERGA). Furthermore, Innogy Polska S.A. is operating in Warsaw.

Figure no. 4. TAURON Capital Group's competitive environment (landscape) (H1 2019 data)



Based on the vertically integrated structure the above entities have a strong position on the domestic market. Furthermore, foreign energy groups are also present on the Polish market.

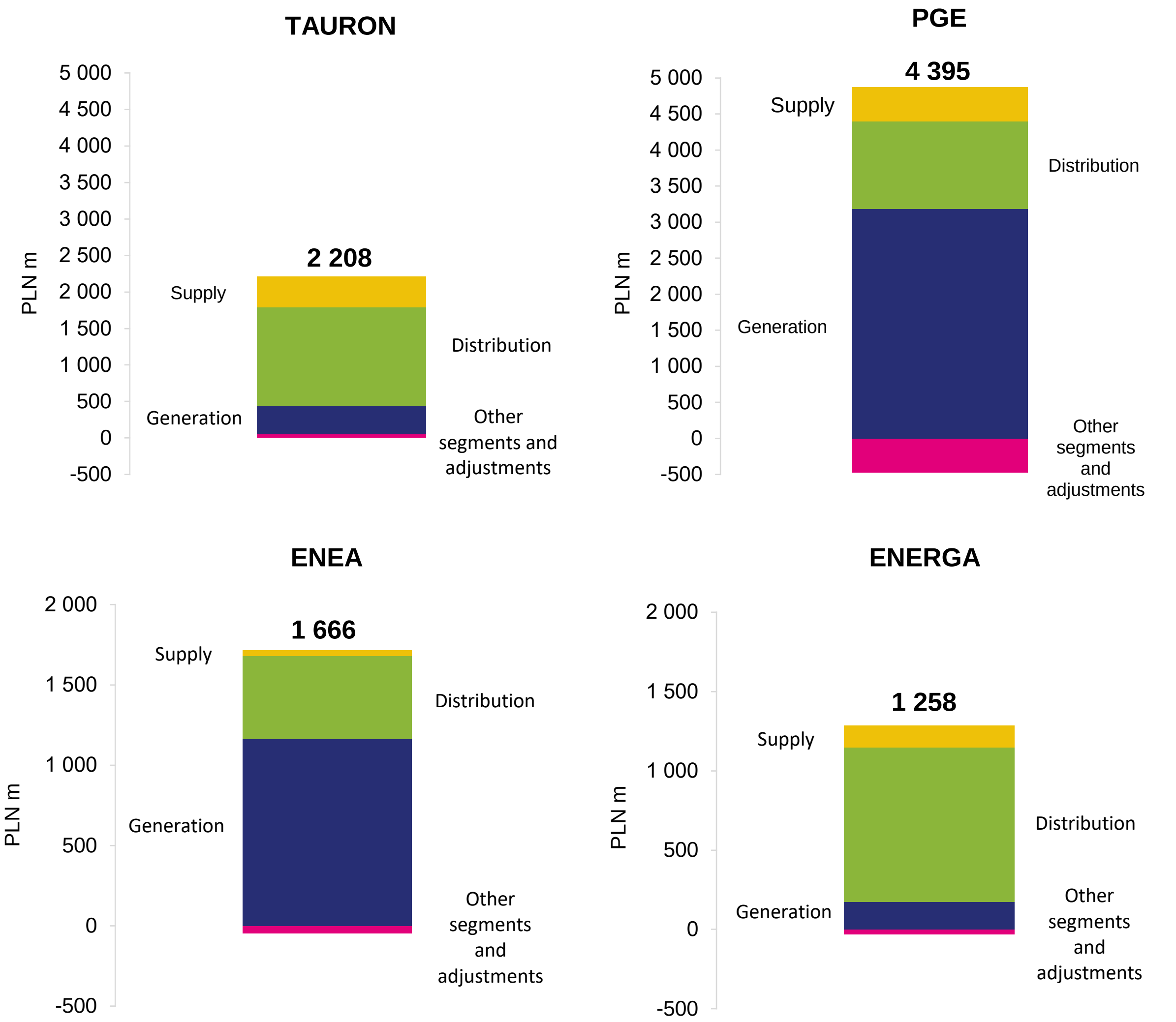
According to the Q2 2019 data the consolidated energy groups (PGE, TAURON, ENEA, ENERGA) held a 67% market share in the electricity generation sub-sector.

TAURON Capital Group is a fully vertically integrated energy enterprise (electric utility) that takes advantage of the synergies resulting from the size and scope of the operations conducted.

TAURON Capital Group controls the value chain, from hard coal mining up to the delivery of electricity to the final consumers. TAURON Capital Group conducts its operations in all the key segments of the energy market (excluding electricity transmission), i.e. in hard coal mining, as well as electricity and heat generation, distribution, supply and trading.

The below figure presents information on EBITDA structure, showing the main segments' contribution, of the largest energy (electric utility) groups on the domestic market.

Figure no. 5. EBITDA - structure showing the main segments' contribution in H1 2019[1]



[1]In order to make the segments presented comparable the Generation Segment includes also Mining, RES and Heat; Generation Segment includes impairment charges.
Source: Companies' H1 2019 reports

Generation

TAURON Capital Group is Poland's key electricity producer

TAURON Capital Group's share in the domestic electricity generation market, based on gross electricity production output, reached approx. 9% in H1 2019. TAURON Capital Group is the third largest electricity producer on the Polish market

90% of TAURON Capital Group's generation assets are, as of the end of June 2019, hard coal fired units, 10% of which are modern high efficiency generating units. TAURON Capital Group's total installed capacity reached almost 5.0 GW in the first half of 2019. Wind farms' installed capacity represents 4%, hydroelectric power plants' installed capacity constitutes 2.7%, biomass-fired generating units' installed capacity makes up 2.9% of TAURON Capital Group's total installed capacity.

TAURON Capital Group acquired five wind farms in the third quarter of 2019. These assets are located in the northern part of Poland and they were commissioned in 2009-2011. The total installed capacity of the wind farms is 180 MW and this will allow for an increase of the annual electricity production from RES by TAURON Group by approx. 450 GWh.

PGE is Poland's largest electricity generator with its share in the domestic electricity production market reaching approx. 39% in H1 2019 and installed capacity of 16.2 GW.

ENEA was Poland's second largest electricity generator in H1 2019, with its market share standing at approx. 17% and installed capacity of 6.3 GW

Meanwhile ENERGA had the largest, on the Polish market, share of its total electricity output coming from RES in H1 2019, reaching approx. 42%. ENERGA Group's total installed capacity stood at 1.4 GW, while its production output came in at 2.0 TWh.

TAURON Capital Group's generation assets are concentrated in the south of Poland. The hard coal deposits used by TAURON Capital Group's power plants and combined heat and power plants are also located in this region. The location of the generation assets near the hard coal deposits allows for optimizing the costs related to the transportation of this commodity.

The below table presents information on installed capacity and electricity generated in H1 2019.

Table no. 6. Installed capacity and electricity generation by energy groups in H1 2019

#	Group	Installed capacity		Generation[1]	
		Volume (GW)	Share (%)	Volume (TWh)	Share (%)
1.	PGE	16.2	35	32.4	39
2.	ENEA	6.3	14	14.0	17
3.	TAURON	5.0	11	7.2	9
4.	PAK	1.8	4	2.8	3
5.	ENERGA	1.4	3	2.0	2
6.	CEZ	0.6	1	1.2	2
7.	Other	14.5	32	23.4	28
	Total	**45.84**	**100**	**83.0**	**100**

[1]Gross electricity volume generated in H1 2019 r.
Source: ARE, information from companies published on their websites, own estimates in case of companies publishing the net production output

The below figures present information on electricity generated in H1 2019 and installed capacity as of June 30, 2019.

Figure no. 6. Gross electricity production - estimated market shares in H1 2019

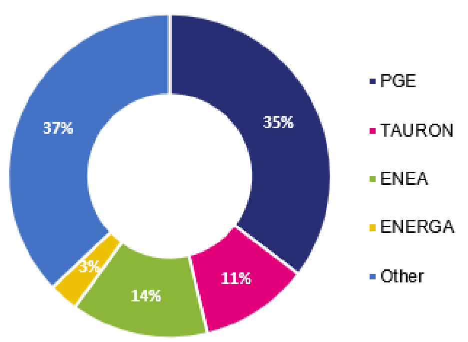
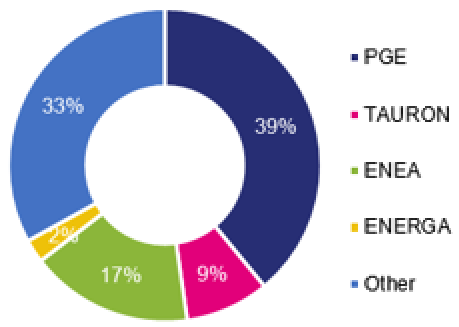


Figure no. 7. Installed capacity - estimated market shares in H1 2019



Distribution

TAURON Capital Group is the Polish market leader in terms of the number of distribution customers and volume of electricity distributed.

TAURON Capital Group is Poland's largest electricity distributor. TAURON Dystrybucja's share in electricity distribution to the final consumers reached approx. 35% in H1 2019 (taking into account top 5 distributors). TAURON Capital Group's distribution grids cover more than 18% of Poland's territory.

The below table presents basic information on the share of individual energy groups in terms of electricity distribution based on the H1 2019 data.

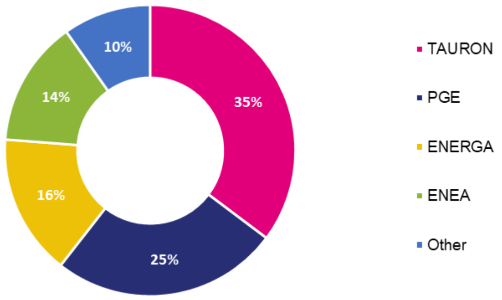
Table no. 7. Electricity distribution to the final consumers by energy groups

#	Group	Distribution	
		Volume (TWh)	Share (%)
1.	TAURON	25.2	35
2.	PGE	18.1	25
3.	ENERGA	11.2	16
4.	ENEA	10.0	14
5.	Other	7.0	10
	Total	**71.5**	**100**

Source: estimate data, information from companies published on their websites

The below figure presents estimated market share of individual energy groups in terms of electricity distribution based on the H1 2019 data.

Figure no. 8.
Electricity distribution - estimated market shares in H1 2019



Source: ARE, information from companies published on their websites

Based on the data for recent years TAURON Capital Group was number one in terms of volume of electricity delivered, with the volume of electricity delivered by the Distribution Segment to the final customers standing at 50 TWh per annum. In the third quarter of 2019 the volume of electricity delivered to the final consumers came in at 12.7 TWh. TAURON Group delivered 38.7 TWh of electricity in total during the first 9 months of this year. TAURON Capital Group is Poland's largest electricity distributor also in terms of revenue from the distribution operations.

It should be emphasized that TAURON Capital Group's distribution operations, due to the natural quasi monopoly in the designated area, are a source of stable and predictable revenue, representing a material part of the consolidated revenue of the entire TAURON Capital Group. The electricity distribution geographical area, in which the Distribution and Supply Segments' subsidiaries are historically operating, is a strongly industrialized and densely populated area and this factor has an impact on the demand for electricity both among households, as well as businesses. The number of the Distribution Segment's customers topped 5.6 million in the third quarter of 2019.

Supply

TAURON Capital Group is Poland's second largest electricity supplier.

The below table presents basic information on the share of individual energy groups in terms of electricity supply to the final consumers based on the H1 2019 data.

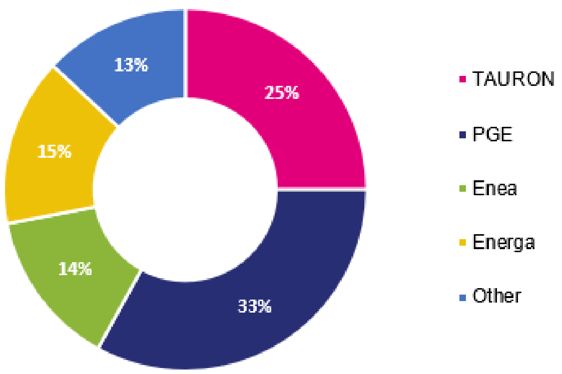
Table no. 8. Electricity supply to the final consumers by energy groups

#	Group	Supply	
		Volume (TWh)	Share (%)
1.	PGE	21.9	33
2.	TAURON	17.0	25
3.	ENERGA	9.8	15
4.	ENEA	9.7	14
5.	Other	8.4	13
	Total	**66.8**	**100**

Source: ARE, information from companies published on their websites

The below figure presents estimated market share of individual energy groups in terms of electricity supply to the final consumers based on the H1 2019 data.

Figure no. 9.
Electricity supply to the final consumers - estimated market shares in H1 2019



Source: ARE, information from companies published on their websites

Retail electricity supply reached 17 TWh during the first 6 months of 2019.

In the third quarter of 2019 the volume of retail electricity supply came in at approx. 8 TWh. TAURON Group supplied 25 TWh of electricity to the final consumers in total during the first 9 months of this year. The number of the Supply Segment's customers is approx. 5.5 million.

In the electricity supply segment the individual energy groups are geographically tied, first of all, to the areas in which they are performing the DSO function – this is applicable especially to customers classified as households and small enterprises. A broader and more open competition among the groups is limited due to the continued obligation to submit tariffs for households for approval to the President of ERO. The need to apply tariff based prices leads to limited options for positioning prices in the product offerings, and what follows, it impacts their attractiveness for customers. These restrictions do not apply to business and institutional customers.

2.4. TAURON Capital Group's material accomplishments and failures in Q1-3 2019

Material events that had occurred in the first three quarters of 2019, as well as the ones that had taken place by the day of disclosing this information are listed below.

Major business events in the first three quarters of 2019

Withdrawal of Polska Grupa Energetyczna S.A. from the process of acquiring the shares in PGE EJ 1 sp. z o.o.

On April 17, 2019 TAURON received a letter from Polska Grupa Energetyczna S.A. in which PGE informed that it had withdrawn from the process of acquiring the shares in PGE EJ 1 sp. z o.o. owned by the minority shareholders of PGE EJ 1. TAURON holds a 10 percent stake in PGE EJ 1.

The information on the above event was disclosed by TAURON in the regulatory filing (current report) no. 13/2019 of April 17, 2019.

Adoption of the update of the strategic directions of TAURON Group's Strategy

On May 27, 2019, the Company's Management Board adopted, and the Supervisory Board issued a positive opinion on it, the update of the strategic directions that are an addendum to TAURON Group's 2016-2025 Strategy. The updated strategic directions take into account the changes of the market and regulatory environment in which TAURON Capital Group is operating.

In accordance with the Strategy in force and the adopted update of the strategic directions the growth of the TAURON Capital Group's value will primarily be based on:

- regulated and stable Distribution segment,
- development of low emission and zero emission sources,
- conventional assets eligible for support,
- sales of energy and energy related products and services tailored to customer needs.

As a result of implementing the actions planned it will be possible to raise the share of low emission and zero emission sources in TAURON Capital Group's generation fleet from 10 percent in 2018 to almost 30 percent in 2025 and more than 65 percent in 2030.

Taking into account the need for TAURON Capital Group's energy transition, optimization of the investment portfolio and maintaining financial stability the decision on conducting a market verification of the following strategic options has been taken:

- development of low emission and zero emission power generation, primarily through investments in renewable energy sources. By 2025 the Group is planning to invest in on-shore wind farms (additional 900 MW), photovoltaic farms (additional 300 MW) and commence the process of engaging in the construction of off-shore wind farms. The growth of the Group's renewable sources' capacity may take place under various business models. In the case of some of the projects planned it is assumed that financial partners will be recruited and investment projects will be carried out with an approx. 20 percent equity share of TAURON Group and the Group will be able to manage such assets;
- enhancing the flexibility of the Group's asset portfolio by aligning the mining assets with the Group's planned demand for fuel, reorganizing the Generation segment and equity investments portfolio. As part of that option, a market verification of the divestment of the Janina Coal Mine and the TAURON Ciepło subsidiary, as well as a sale of the shares in the companies: Elektrociepłownia Stalowa Wola and PGE EJ 1, are taken into consideration. With respect to conventional power generation, permanent decommissioning of the 120 MW units and, past 2025 – the 200 MW units, is planned

The specific strategic options will be implemented solely in case the profitability of the solutions adopted is confirmed, taking into account TAURON Group's financial capabilities.

At the current stage the update of the strategic directions does not involve a change of the objectives defined in TAURON Group's 2016-2025 Strategy.

The information on the above event was disclosed by TAURON in the regulatory filing (current report) no. 23/2019 of May 27, 2019.

Acquisition of the wind farms from in.ventus group companies

On September 3, 2019, companies TEC 1 Sp. z o.o., TEC 2 Sp. z o.o., TEC 3 Sp. z o.o. (Subsidiaries) signed the transaction documents related to the acquisition of five wind farms owned by in.ventus group and the receivables held by Hamburg Commercial Bank AG with its seat in Hamburg (Bank) against the wind farm operating companies. The wind farms are located in the north of Poland and they were commissioned in 2009-2011. Their total installed capacity is 180 MW and the average annual electricity production is approx. 450 thousand MWh.

The transaction was executed through the acquisition, by the Subsidiaries, of Polish partnerships that own the wind farms and German partnerships that are their limited partners (Project Companies). Subsidiaries will assume all rights and obligations of the existing partners of the Project Companies and, at the same time, acquire the Bank's receivables against the Project Companies.

The total acquisition price was agreed in the transaction documents at EUR 137.1 million and will be subject to adjustments resulting, in particular, from the effects of cooperation between the parties. The acquisition price was calculated using the "locked-box" mechanism as of December 31, 2018.

The acquisition price was paid with funds from TAURON's recapitalization of the Subsidiaries acquiring the Project Companies.

The above terms and conditions of the transaction involving the acquisition of the wind farms were accepted by the Management Board of TAURON on August 27, 2019. On September 2, 2019, in connection with the performance of transaction the Supervisory Board of TAUROM adopted a resolution on the way to determine the method of exercising the right to vote, by the sole shareholder, i.e. TAURON, at the extraordinary shareholders' meetings of the Subsidiaries with respect to granting approval for the acquisition of components of fixed assets and increasing share capital. as well as taking up shares in the Subsidiaries by TAURON. On July 24, 2019, the President of the Office of Competition and Consumer Protection issued an approval for concentration involving the Issuer taking over control of the companies operating the wind farms.

Based on the signed transaction documents on September 3, 2019, the Bank withdrew the lawsuit filed against TAURON Sprzedaż Sp. z o.o., whose subject was the payment of damages in the amount of PLN 36.3 million and liquidated damages in the amount of PLN 196.6 million and therefore the parties jointly submitted a request to discontinue the proceeding (dismiss the case) in whole. By way of the decision of September 5, 2019 the court discontinued the proceeding (dismissed the case). The court's decision became legally binding on September 19, 2019. TAURON disclosed the information on the filing of the lawsuit in the regulatory filing (current report) no. 4/2019 of March 7, 2019.

The acquisition of the wind farms is in line with the update of the strategic directions that are an addendum to TAURON Group's 2016-2025 strategy, announced on May 27, 2019, which envisages a significant increase of the low and zero emission sources' share in the installed capacity structure of TAURON Capital Group.

TAURON disclosed the information on the events related to the wind farms acquisition transaction in the regulatory filings (current reports) no. 27/2018 of October 2, 2018, no. 27/2019 of July 25, 2019, no. 31/2019 of August 27, 2019, no. 34/2019 of September 2, 2019, and no. 35/2019 of September 3, 2019.

Update of the information on the construction of the power generating unit at Jaworzno III Power Plant

On September 17, 2019, Nowe Jaworzno Grupa TAURON Sp. z o.o. received a request from the RAFAKO S.A. – MOSTOSTAL WARSZAWA S.A. consortium (Consortium), constituting an invitation to start negotiations on expanding the scope of works defined in the agreement on the construction of the 910 MWe unit with supercritical parameters (Unit) at Jaworzno III Power Plant – Power Plant II (Agreement).

The Consortium proposed performance of additional works whose effect would have a positive impact on the technical and environmental parameters of the Unit and allow to expand the so-called fuel field (mix) of the Unit (admission of a broader variety of coal types), which will allow for optimizing the costs of electricity production. In the Consortium's opinion, the additional work will bring measurable financial and operational benefits to TAURON Capital Group. The Consortium indicates that TAURON's approval of a potential extension of the scope of works may have an impact on the Unit's construction schedule and the value of the Agreement.

In view of the above Nowe Jaworzno Grupa TAURON Sp. z o.o. proceeded to the negotiations related to the proposals presented by the Consortium, the main part of which, related to the extension of the works defined in the Agreement, at the level of negotiating teams was completed on October 17, 2019.

As a result of the negotiations, it was agreed that the Consortium would perform additional tasks, including: conducting the optimization efforts aimed at expanding the so-called fuel field (mix, range) of the Unit (admission of a broader variety of coal types) in order to make the Unit's operational conditions more flexible and guarantee the compliance with the future environmental requirements, among others, it would supply an additional catalyst layer and an additive dosing installation to the flue gases desulfurization system in order to reduce mercury emissions.

In addition, after the Unit has been commissioned, the Consortium will carry out optimization steps aimed at verifying the Unit's compliance with the changed technical parameters.

As a result of extending the scope of works it will be possible to reduce the level of substances emitted by the Unit to the environment, while expanding of the so-called fuel field (mix, range) of the Unit (admission of a broader variety of coal types) will enable TAURON Group to have greater flexibility in hard coal contracting.

In view of the above it was agreed that it would be necessary to introduce changes to the Agreement with the Consortium, in particular with respect to the Agreement value and the Unit's construction schedule. It was agreed that the net price defined in the Agreement would be increased by PLN 52.3 million to PLN 4 537.8 million, and the acceptance (takeover) of the Unit for operation will take place by January 31, 2020. The introduction of the above mentioned amendments to the Agreement requires applicable corporate approvals.

The change to the terms and conditions of the agreement with the Consortium will not cause an overrun of the assumed total capital expenditures budgeted for the implementation of the investment project, i.e. PLN 6.2 billion.

TAURON disclosed the information on the above event, in reference to the regulatory filing (current report) no. 7/2017 of March 1, 2017, in the regulatory filing (current report) no. 37/2019 of September 17, 2019, and in the regulatory filing (current report) no. 40/2019 of October 17, 2019.

Major corporate events in the first three quarters of 2019

Shareholders' request to include particular items in the agenda of the General Meeting of the Company

The Company received, from the shareholders representing more than one twentieth part of TAURON's share capital, requests to include in the agenda of the Ordinary General Meeting of the Company to be convened on May 8, 2019, the following items:

1) on March 11, 2019, from KGHM, an item related to the adoption of resolutions on making changes to the composition of the Company's Supervisory Board,

2) on April 16, 2019, from the Minister of Energy, exercising the rights of the shareholder State Treasury, the items: the adoption of the resolutions on amending resolution no. 5 of the Extraordinary General Meeting of Shareholders of December 15, 2016 on the principles for determining the compensation of the Members of the Management Board and the adoption of the resolutions on amending the *Articles of Association of TAURON Polska Energia S.A.*

KGHM informed that it was intending to propose making changes to the composition of the Company's Supervisory Board and will file applicable motions at the Ordinary General Meeting.

Minister of Energy, in the statement of reasons with respect to the item related to the adoption of the resolutions on amending resolution no. 5 of the Extraordinary General Meeting of Shareholders of December 15, 2016 on the principles for determining the compensation of the Members of the Management Board pointed out, among others, that updating of the general catalogue of the Management Targets for the Management Board of TAURON Polska Energia S.A. is justified by the planned completion, in 2019, of the accomplishment of the majority of the Management Targets, and what follows, the problems that may arise in the future with respect to the detailing thereof by the Supervisory Board.

In the statement of reasons with respect to the item related to the adoption of the resolutions on amending the *Articles of Association of TAURON Polska Energia S.A.* the Minister of Energy pointed out the need to introduce amendments to the provisions implemented in the Company's Articles of Association in 2017 in connection with the amendment of the act of December 16, 2016 on the principles of state assets management.

The detailed information on the above events was disclosed in the regulatory filings (current reports) no. 5/2019 of March 11, 2019 and no. 11/2019 of April 16, 2019.

Ordinary General Meeting of the Company

The Ordinary General Meeting of the Company was held on May 8, 2019, and it adopted the resolutions concerning, inter alia, the approval of the financial statements of TAURON for the financial year 2018, the consolidated financial statements of TAURON Capital Group for the financial year 2018, the report of the Management Board on the operations of TAURON Polska Energia S.A. and TAURON Capital Group for the financial year 2018, the covering of the net loss for the financial year 2018, the acknowledgement of the fulfillment of duties by members of the Company's Management Board and Supervisory Board, dismissing and appointing new members of the Supervisory Board, updating of the general catalogue of the management targets for the Company's Management Board by amending the earlier resolution of the Extraordinary General Meeting of Shareholders of December 15, 2016 on the principles for determining the compensation of the Members of the Management Board, amending the *Articles of Association of TAURON Polska Energia S.A.*

The decision was taken to cover the Company's loss for the financial year 2018, in the amount of PLN 1 709 852 955.76 from the Company's spare (supplementary) capital.

The Ordinary General Meeting of the Company made changes to the composition of the Supervisory Board by way of:

1) dismissing the following persons from the Supervisory Board of the 5th common term of office:
   - Mr. Radosław Domagalski-Łabędzki,
   - Mr. Paweł Pampuszko,

   and

2) appointing the following persons to the Supervisory Board of the 5th common term of office:
   - Mr. Rafał Pawełczyk,
   - Ms. Katarzyna Taczanowska.

The Company disclosed the information on convening of the Ordinary General Meeting and on the content of the draft resolutions in the regulatory filings (current reports) no. 9/2019 of April 11, 2018, no. 10/2019 of April 11/2019 and no. 14/2019 of April 30, 2019.

The Company disclosed the information on the adopted resolutions of the Ordinary General Meeting in the regulatory filing (current report): no. 18 of May 8, 2018.

Other major events in the first three quarters of 2019

Filing of a lawsuit against TAURON Sprzedaż and discontinuing of the proceeding (dismissal of the case)

On March 7, 2019 TAURON Sprzedaż subsidiary was served an official copy of the statement of claim filed against the company by Hamburg Commercial Bank AG (formerly HSH Nordbank AG) with its seat in Hamburg (Plaintiff).

The subject of the statement of claim is the payment by TAURON Sprzedaż, in favor of the Plaintiff, of the total amount of PLN 232 878 578.36 plus the statutory interest for a late payment, accrued from the day of filing the lawsuit until the payment date, on account of:

1. damages (in the total amount of PLN 36 251 978.36) due to TAURON Sprzedaż's failure to perform agreements on the sale of property rights arising from the certificates of origin constituting the confirmation of electricity generation from a renewable energy source, and
2. liquidated damages (in the total amount of PLN 196 626 600) assessed due to the termination of the above mentioned agreements.

The plaintiff was seeking redress arising from the purchase by way of a transfer of claims originally due to, according to its assertions, the in.ventus group subsidiaries, i.e.:

- in.ventus sp. z o.o. EW Dobrzyń sp.k.,
- in.ventus sp. z o.o. INO 1 sp.k.,
- in.ventus sp. z o.o. EW Gołdap sp.k.

The competent court to rule on the lawsuit is the Regional Court in Cracow (Sąd Okręgowy w Krakowie). The preliminary assessment of the lawsuit and its statement of reasons indicated, in the opinion of TAURON Sprzedaż, that the claims asserted were without merit and completely groundless.

TAURON disclosed the information on the termination by TAURON Sprzedaż of the long-term contracts for the purchase of property rights arising from certificates of origin of electricity from renewable sources in the regulatory filing (current report) no. 6/2017 of February 28, 2017.

TAURON disclosed the information on the above event in the regulatory filing (current report) no. 4/2019 of March 7, 2019.

On September 3, 2019, the Plaintiff withdrew the lawsuit and waived its claim, and therefore the parties jointly submitted a request to discontinue the proceeding (dismiss the case) in whole. By way of the decision of September 5, 2019 the court discontinued the proceeding (dismissed the case). The court's decision became legally binding on September 19, 2019.

Proceeds from security issues

As part of the bond issue Program concluded with the following banks: Bank Handlowy w Warszawie S.A., Bank BGŻ BNP Paribas S.A., Santander Bank Polska S.A., CaixaBank S.A. (Spółka Akcyjna) (Joint Stock Company) Oddział w Polsce (Poland Branch), Industrial and Commercial Bank of China (Europe) S.A. Oddział w Polsce (Poland Branch), ING Bank Śląski S.A., mBank S.A. (mBank), MUFG Bank (Europe) N.V., MUFG Bank (Europe) N.V. S.A. Oddział w Polsce (Poland Branch) and Powszechna Kasa Oszczędności Bank Polski S.A., of November 24, 2015, the Company:

- redeemed bonds with the nominal value of PLN 400 000 000 in line with the maturity date,
- issued, on March 25, 2019, bonds with the nominal value of PLN 100 000 000, with the maturity date falling on March 25, 2020,
- purchased, on June 28, 2019, bonds in the total amount of PLN 1 839 400 000 in order to redeem them, as described in detail below.

Subordinated bond issue program

On March 29, 2019, the Company issued subordinated (hybrid) bonds with the nominal value of PLN 400 000 000 as part of the subordinated bond issue program concluded with Bank Gospodarstwa Krajowego (BGK) of September 6, 2017.

The financing period is 12 years from the issue date, however in accordance with the nature of hybrid financing the first financing period has been defined as 7 years (the so-called non-call period) during which TAURON shall not be able to redeem the hybrid bonds early and BGK shall not be able to sell the Bonds to third parties early (in both cases subject to the exceptions defined in the documentation). The Agreement also provides for an option to defer the hybrid bonds' interest payment dates until, at the latest, the hybrid bonds' maturity date. The subordinated nature of the bonds means that in case of a bankruptcy or winding up of TAURON the obligations related to the bonds shall be repaid only ahead of the liabilities of TAURON's shareholders. The hybrid bond issue has a positive impact on TAURON Capital Group's financial stability as the bonds are excluded from the calculation of the leverage ratio which is a covenant in some of TAURON's financing programs. Furthermore, 50 percent of the hybrid bonds amount will be classified by the Fitch rating agency as equity in the rating model which will have a favorable impact on TAURON's rating. The hybrid bonds were granted a BB+ rating by the Fitch rating agency.

Ruling of the Court of Arbitration at the Polish Chamber of Commerce on the claims of Abener Energia S.A. against Elektrociepłownia Stalowa Wola S.A. and the decision of the Court of Appeals in Rzeszów

On April 25, 2019, the Court of Arbitration at the Polish Chamber of Commerce in Warsaw (Arbitration Court) issued the award in the case related to the claim filed by Abener Energia S.A., with its seat in Campus Palmas Altas, Sevilla (Abener Energia), against Elektrociepłownia Stalowa Wola S.A., with its seat in Stalowa Wola, in which the TAURON holds, indirectly via its TAURON Wytwarzanie S.A. subsidiary, 50 percent of shares in the share capital.

The proceedings before the Court of Arbitration were related to the claim for payment, the petition to establish legal relationship and the claim for an injunction to submit a statement of will (intent) in conjunction with the terminated contract, concluded between Abener Energia and EC Stalowa Wola, for the construction of an approx. 400 MW CCPP unit, including a heat generation unit, at Elektrociepłownia Stalowa Wola S.A.

According to the ruling of the Court of Arbitration, ECSW has been obligated to pay Abener Energia the amount of PLN 333 793 359.31, plus statutory interest for the delay and the costs of the arbitration proceedings.

An appeal to have the ruling of the Court of Arbitration overturned may have been filed with a common court of law.

After the review of the ruling and the statement of its reasons on June 24, 2019, EC Stalowa Wola filed an appeal to the Court of Appeals in Rzeszów (Court of Appeals) to have the ruling of the Court of Arbitration

At the same time, Abener Energia filed a request to determine enforceability and append an enforcement clause to the ruling of the Court of Arbitration.

On August 5, 2019, (an event that occurred after the balance sheet date) the Court of Appeals in Rzeszów ("Court") issued the decision in which the Court deferred the processing of the request of Abener Energia S.A. to determine enforceability and append an enforcement clause to the ruling of the Court of Arbitration of April 25, 2019.

The processing of the request mentioned above was deferred by the Court of Appeals until the appeal of June 24, 2019, filed by EC Stalowa Wola to have the Ruling overturned, is completed.

TAURON disclosed the information on the above events in the regulatory filings (current reports) no. 16/2019 of May 2, 2019 and no. 29/2019 of August 8, 2019.

Ratings and outlooks affirmed and rating assigned to the hybrid bonds

On April 17, 2019, Fitch Ratings rating agency (Fitch) affirmed TAURON's long term foreign and local currency ratings of "BBB" with a stable outlook and assigned a local currency rating of "BB+" and a national rating of "BBB+(pol)" to the PLN 400 million hybrid bonds issued on March 29, 2019, under the 2017 hybrid bonds program concluded with BGK.

The full list of rating actions includes:

- long term local currency and foreign currency ratings affirmed at "BBB"; stable outlook,
- short term local currency and foreign currency ratings affirmed at "F3",
- national long term rating affirmed at "A+(pol)"; stable outlook,
- foreign currency senior unsecured debt rating of EUR 500 million Eurobonds affirmed at "BBB",
- national senior unsecured debt rating affirmed at "A+(pol)",
- EUR 190 million hybrid bonds (European Investment Bank – "EIB") rating affirmed at "BB+",
- PLN 750 million hybrid bonds (EIB) rating affirmed at "BB+",
- PLN 400 million hybrid bond program (BGK) rating affirmed at "BB+",
- PLN 400 million hybrid bond program (BGK) national rating affirmed at "BBB+(pol)",
- PLN 400 million hybrid bonds (BGK) assigned a local currency rating of "BB+",
- PLN 400 million hybrid bonds (BGK) assigned a national rating of "BBB+(pol)".

TAURON disclosed the information on the above event in the regulatory filing (current report) no. 12/2019 of April 17, 2019.

Credit agreement to replace the bond issue program

On June 19, 2019, a PLN 6 070 000 000 credit agreement was signed between the Company as the borrower and Bank Handlowy w Warszawie S.A., Santander Bank Polska S.A., CaixaBank S.A. (Spółka Akcyjna) (Joint Stock Company) Oddział w Polsce (Poland Branch), Industrial and Commercial Bank of China (Europe) S.A. Oddział w Polsce (Poland Branch), ING Bank Śląski S.A., mBank S.A. (mBank), MUFG Bank (Europe) N.V., MUFG Bank (Europe) N.V. S.A. Oddział w Polsce (Poland Branch) and Powszechna Kasa Oszczędności Bank Polski S.A., as lenders ("Credit Agreement").

Credit Agreement has essentially replaced the bond issue program worth up to PLN 6 270 000 000 concluded on November 24, 2015, as subsequently amended ("Bond Issue Program") with the banks that are a party to the Loan Agreement and BNP Paribas Bank Polska S.A., that continues the financing of the Company under the Bond Issue Program maintaining the exposure in the amount resulting from the bonds taken up so far, whose maturity as defined in the terms and conditions of the bond issue falls not later than by the end of the year 2020.

The key parameters of the financing defined in the Credit Agreement, including the level of margin, the effective period of financing and the level of the individual lenders' financial involvement have not been changed in relation to the Bond Issue Program. The financing available to the Company under the Credit Agreement amounts to:

- PLN 6 070 000 000 until December 31, 2021,
- PLN 5 820 000 000 until December 31, 2022.

In accordance with the Credit Agreement on June 28, 2019, the Company drew a loan in the amount of PLN 1 839 600 000 to be used to buy bonds in the same amount, to be redeemed, held by the bondholders that are a party to the Credit Agreement. Moreover, the funds under the Credit Agreement will be used, among others, to implement actions resulting from the update of the strategic directions that is an addendum to TAURON Group's 2016-2025 Strategy, assuming an increase of the share of renewable sources in TAURON Group's generation assets.

As a result of the signing of the Credit Agreement, the banks' undertaking to take up bonds issued under the Bond Issue Program has been cancelled, and thus the Company will not place further bond issues under the program.

The Company disclosed the information on the Bond Issue Program in the regulatory filings (current report) no. 49/2015 of November 24, 2015, no. 29/2017 of June 20, 2017 and no. 6/2018 of March 9, 2018.

TAURON disclosed the information on the above event in the regulatory filing (current report) no. 24/2019 of June 19, 2019.

Taking up of the shares in Nowe Jaworzno GT

On July 10, 2019, amendments were concluded to the Investment Agreement and the Partners (Shareholders) Agreement of March 28, 2018, signed between the Company, Fundusz Inwestycji Infrastrukturalnych – Kapitałowy Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (Infrastructure Investments Fund – Non-public Assets Closed-end Equity Investment Fund) (FIZAN Kapitałowy), Fundusz Inwestycji Infrastrukturalnych – Dłużny Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (Infrastructure Investments Fund – Non-public Assets Closed-end Debt (Fixed Income) Investment Fund) (FIZAN Dłużny) and Nowe Jaworzno GT, related to the transfer of all rights and obligations from FIZAN Dłużny to PFR Inwestycje Fundusz Inwestycyjny Zamknięty (PFR Inwestycje). As a result of the amendments concluded FIZAN Kapitałowy and PFR Inwestycje took up the shares in Nowe Jaworzno GT for the total amount of PLN 523.1 million, which exhausts the Fund's involvement in the financing of the 910 MW unit in Jaworzno.

Ruling of the Regional Court related to Polska Energia - Pierwsza Kompania Handlowa sp. z o.o.

On July 25, 2019, TUARON informed that the Regional Court in Gdańsk (”Court") had issued a partial and preliminary ruling in the lawsuit filed against PEPKH by Amon sp. z o.o. in 2015, in which the Court:

- determined that PKH's statements on the termination of long term agreements, concluded between PKH and Amon sp. z o.o., for the purchase of electricity and property rights arising from the certificates of origin had been ineffective and had not produced legal effects, such as the termination of both agreements, as a result of which these agreements, following the notice period, i.e. past April 30, 2015, shall continue to be in force with respect to all provisions and shall be binding for the parties,

and

- determined that the demand for the payment of damages for a failure to perform the agreement on the sale of property rights arising from the certificates of origin had been justified in principle, however the Court did not determine the amount of the potential damages.

The ruling was issued in the first instance and it is not legally binding. PEPKH disagrees with the ruling and will request that the Court serve the ruling, including its statement of reasons, and will proceed to the analysis thereof in order to file an appeal.

TAURON disclosed the information on the above event in the regulatory filing (current report) no. 26/2019 of July 25, 2019, in reference to the regulatory filing (current report) no. 7/2015 of March 19, 2015.

Filing of a lawsuit against a subsidiary

On September 2, 2019, TAURON informed that its PEPKH subsidiary received an official copy of the lawsuit filed against PEPKH by Amon sp. z o.o. with its registered office in Łebcz (Plaintiff).

The subject of the lawsuit is the demand to pay by PEPKH to the Plaintiff of the total amount of PLN 29 009 189.38 plus statutory interest for late payment accrued from the date of filing the lawsuit until the date of payment, on account of:

- damages in the total amount of PLN 1 576 475.44 due to PEPKH's failure to perform the Agreement for the Sale of Property Rights arising from certificates of origin constituting confirmation of electricity generation from a renewable energy source – the wind farm located in Łukaszów in the period from August 1, 2017 to December 31, 2017,
- damages in the total amount of PLN 27 432 713.94 due to PEPKH's failure to perform the Agreement for the Sale of Electricity generated from a renewable energy source – the wind farm located in Łukaszów in the period from September 25, 2017 to July 31, 2019.

TAURON disclosed the information about the termination of the above mentioned long term agreements in the regulatory filing (current report) no. 7/2015 of March 19, 2015.

PEPKH proceeded to review the content of the lawsuit and will, at an appropriate time, file a response to the lawsuit. Preliminary assessment of the demands included in the lawsuit and its statement of reasons indicates that the claims are without merit.

TAURON disclosed the information on the above event in the regulatory filing (current report) no. 33/2019 of September 2, 2019.

Major events after September 30, 2019

Announcement on convening the Extraordinary General Meeting of TAURON Polska Energia S.A.

On October 24, 2019, the Company's Management Board, acting pursuant to art. 398, art. 399 § 1, art. 400 and art. 402^1 of the Commercial Companies Code and § 30, clause 1 of the Company's Articles of Association, convened the Extraordinary General Meeting (EGM) of the Company's Shareholders to be held on November 21, 2019.

The EGM was convened in connection with the request received on October 18, 2019, from the Minister of Energy exercising the rights of a shareholder – the State Treasury, representing 30.06% of the share capital of TAURON Polska Energia S.A., to convene the Extraordinary General Meeting of the Company and include items concerning the principles of determining compensation of the members of the Company's Management Board and Supervisory Board.

On October 30, 2019 TAURON received from KGHM Polska Miedź S.A., a shareholder representing at least one twentieth of the Company's share capital, a request to include an item in the agenda concerning adoption of resolutions on changes in the composition of the Company's Supervisory Board.

In connection with the above the planned agenda of the EGM includes, among others:

- adoption of the resolution concerning: the principles to be applied when establishing the compensation of Members of the Management Board and repealing of the resolution no. 5 of the Extraordinary General Meeting of the Company operating under the enterprise name: TAURON Polska Energia S.A. of December 15, 2016, concerning the principles to be applied when establishing the compensation of Members of the Management Board and repealing of the resolution no. 36 of the Ordinary General Meeting of the Company operating under the enterprise name: TAURON Polska Energia S.A. of May 29, 2017, concerning an amendment to the resolution no. 5 of the Extraordinary General Meeting of the Company of December 15, 2016, and repealing of the resolution no. 26 of the Ordinary General Meeting of the Company operating under the enterprise name: TAURON Polska Energia S.A. of May 8, 2019, concerning an amendment to the resolution no. 5 of the Extraordinary General Meeting of the Company of December 15, 2016. concerning the principles to be applied when establishing the compensation of Members of the Management Board,

- adoption of the resolution concerning an amendment to resolution No. 6 of the Extraordinary General Meeting of the Company operating under the enterprise name: TAURON Polska Energia S.A. of December 15, 2016, on the principles to be applied when establishing the compensation of Members of the Management Board

- adoption of resolutions concerning changes in the composition of the Company's Supervisory Board.

The Company disclosed the information on convening the Extraordinary General Meeting, amendments to the agenda and on the content of the draft resolutions in regulatory filings (current reports) no. 41/2019 and 42/2019 of October 24, 2019, no. 43/2019 of October 30,2019 and no. 45/2019 of October 31, 2019.

2.5. Factors that will have an impact on the financial results achieved over at least the next quarter

2.5.1. Internal factors

The most material factors among the internal factors impacting the results of the Company's and TAURON Capital Group's operations include:

1) update of the strategic directions, steadfast implementation of the Strategy and achieving the assumed financial and non-financial effects,
2) actions with respect to optimizing processes taken by all of TAURON Capital Group's subsidiaries,
3) implementing the 2018-2025 Strategic Asset Management Plan – one of the fundamental documents constituting the core of the integrated asset management system at TAURON Capital Group,
4) decisions with respect to the implementation of the key investment projects, in particular the commissioning of the 910 MW unit in Jaworzno,
5) implementing the tasks related to adapting TAURON Capital Group's power generating units to the so-called BAT conclusions,
6) acquisition of the wind farms,
7) resolution of the court disputes related to the termination of the long term agreements for the purchase of electricity and property rights arising from the certificates of origin of electricity,
8) loyalty building measures aimed at retaining the existing customers and marketing activities with respect to acquiring new customers,
9) centralizing TAURON Capital Group's financial management area, supported by the use of such tools as: central model of financing, cash flow (financial liquidity) management policy using the cash pooling mechanism, risk management policy in the financial area, insurance policy,
10) ability to obtain debt financing on the international markets,
11) Tax Capital Group's operations, primarily aimed at optimizing the performance of the obligations associated with the payment of the corporate income tax by TAURON Capital Group's key subsidiaries,
12) TAURON's procurement processes management, in particular, management of fuel purchases for the needs of TAURON Capital Group's generation entities,
13) geological and mining conditions of hard coal extraction,
14) potential failures of TAURON Capital Group's equipment, installations and grids.

2.5.2. External factors

The following external factors will, first and foremost, impact the results of TAURON Capital Group's operations:

1) macroeconomic situation, in particular in Poland, as well as the economic situation of the area where TAURON Capital Group is conducting its operations and at the European Union and global economy level, including changes of interest rates, FX rates, etc., impacting the valuation of assets and liabilities listed by the Company in the statement of financial position,
2) administrative and political environment, in particular in Poland, as well as in the European Union, including the positions and decisions taken by the public administration institutions and authorities, for example: Office for Competition and Consumer Protection (UOKiK), Energy Regulatory Office (ERO) and the European Commission,
3) changes to the regulations related to the energy sector, as well as changes to the legal environment, including: tax law, commercial law, environment protection law,
4) introduction of the generation capacity remuneration mechanism (the so-called capacity market), in particular the results of the main auctions for the delivery of electricity in 2021-2023, as well as the decisions on the phasing out of the operational capacity reserve (ORM) and the cold intervention reserve (IRZ),
5) new RES support system, the so-called RES auctions,
6) modification of the regulatory model for the DSO operations the goal of which is to make electricity distribution qualitative indicators (SAIDI, SAIFI) independent of the weather conditions, including natural disasters,
7) situation in the power sector, including the operations and measures undertaken by the competition on the power market,
8) number of CO_2 emission allowances allocated free of charge, as well as the prices of emission allowances purchased,
9) electricity prices on the wholesale market,
10) level of the tariff related to the electricity supply to households (G tariff group) to be approved by the President of the Energy Regulatory Office (ERO),
11) prices of certificates of origin of electricity from renewable sources,
12) prices of energy related commodities worldwide,
13) high probability of the occurrence of a deficit of appropriate quality fuels for the generating units on the domestic market,

14) environment protection requirements as a consequence of changes to the *Natural Environment Law act* (Journal of Laws of 2001 no. 62, item 627, as amended), the so-called anti-smog resolutions, and also the so-called BAT conclusions,
15) changes to the regulations related to the *act of August 25, 2006 on the fuel quality monitoring and inspection system* (Journal of Laws of 2006 no. 169, item 1200), among others the quality requirements for the solid fuels,
16) science (research) and technical progress,
17) demand for electricity and the other energy market products, taking into account changes due to seasonal factors and weather conditions.

The impact of the above mentioned factors on the financial result achieved in the first three quarters of 2019 is described in section 4 of this information. The effects of this impact are visible both in the short term perspective, as well as in the long term outlook.

3. ANALYSIS OF FINANCIAL POSITION AND ASSETS OF TAURON CAPITAL GROUP

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

The below table presents selected financial data of TAURON Polska Energia S.A. and TAURON Capital Group.

Table no. 9. Selected financial data of TAURON Polska Energia S.A. and TAURON Capital Group

Selected consolidated financial data of TAURON Polska Energia S.A. Capital Group.				
SELECTED FINANCIAL DATA	In PLN '000		In EUR '000	
	2019 period from 01.01.2019 to 30.09.2019	2018 period from 01.01.2018 to 30.09.2018 (adjusted data)	2019 period from 01.01.2019 to 30.09.2019	2018 period from 01.01.2018 to 30.09.2018 (adjusted data)
Sales revenue and compensations	15 259 646	13 301 802	3 541 672	3 127 260
Operating profit	1 318 795	1 305 602	306 084	306 948
Pre-tax profit	1 105 252	1 088 195	256 522	255 835
Net profit	854 491	854 880	198 322	200 983
Net profit attributable to shareholders of the parent company	854 350	852 859	198 289	200 508
Net profit attributable to non-controlling shares	141	2 021	33	475
Other total net income	9 215	(621)	2 139	(146)
Total aggregate income	863 706	854 259	200 461	200 837
Total aggregate income attributable to shareholders of the parent company	863 534	852 228	200 421	200 359
Total aggregate income attributable to non-controlling shares	172	2 031	40	477
Profit per share (in PLN/EUR) (basic and diluted)	0.49	0.49	0.11	0.11
Weighted average number of shares (in pcs) (basic and diluted)	1 752 549 394	1 752 549 394	1 752 549 394	. 752 549 394
Net cash flows from operating activities	1 438 150	2 445 785	333 786	575 005
Net cash flows from investing activities	(3 566 426)	(2 323 471)	(827 746)	(546 249)
Net cash flows from financing activities	1 911 839	(178 687)	443 726	(42 009)
Increase/(decrease) in net cash and equivalents	(216 437)	(56 373)	(50 234)	(13 253)
	As of 30.09.2019	**As of 31.12.2018** (adjusted data)	**As of 30.09.2019**	**As of 31.12.2018** (adjusted data)
Fixed assets	34 733 741	32 596 304	7 941 682	7 580 536
Current assets	6 489 378	4 501 173	1 483 761	1 046 784
Total assets	41 223 119	37 097 477	9 425 443	8 627 320
Share capital	8 762 747	8 762 747	2 003 555	2 037 848
Equity attributable to shareholders of the parent company	19 168 281	18 295 824	4 382 724	4 254 843
Equity attributable to non-controlling shares	901 613	132 657	206 149	30 850
Total equity	20 069 894	18 428 481	4 588 873	4 285 693
Long term liabilities	13 632 658	11 382 254	3 117 034	2 647 036

Short term liabilities	7 520 567	7 286 742	1 719 537	1 694 591
Total liabilities	21 153 225	18 668 996	4 836 571	4 341 627

Selected financial data of TAURON Polska Energia S.A.

SELECTED FINANCIAL DATA	In PLN '000		in EUR '000	
	2019 period from 1.01.2019 to 30.09.2019	2018 period from 1.01.2018 to 30.09.2018	2019 period from 1.01.2019 to 30.09.2019	2018 period from 1.01.2018 to 30.09.2018
Sales revenue	7 296 402	5 812 583	1 693 451	1 366 541
Operating loss	80 512	46 783	18 686	10 999
Pre-tax loss	405 123	(86 024)	94 027	(20 224)
Net loss	310 506	(110 219)	72 067	(25 913)
Other total net income	(1 148)	(11 977)	(266)	(2 816)
Total aggregate income	309 358	(122 196)	71 799	(28 728)
Loss per share (in PLN/EUR) (basic and diluted)	0.18	(0.06)	0.04	(0.01)
Weighted average number of shares (in pcs) (basic and diluted)	1 752 549 394	1 752 549 394	1 752 549 394	1 752 549 394
Net cash flows from operating activities	(279 102)	228 443	(64 778)	53 707
Net cash flows from investing activities	385 783	471 111	89 538	110 758
Net cash flows from financing activities	986 728	(299 789)	229 014	(70 481)
Increase/(decrease) in net cash and equivalents	1 093 409	399 765	253 774	93 985
	As of 30.09.2019	**As of 31.12.2018**	**As of 30.09.2019**	**As of 31.12.2018**
Fixed assets	27 408 108	27 166 500	6 266 716	6 317 791
Current assets	3 000 795	2 346 490	686 116	545 695
Total assets	30 408 903	29 512 990	6 952 832	6 863 486
Share capital	8 762 747	8 762 747	2 003 555	2 037 848
Equity	15 569 194	15 259 836	3 559 812	3 548 799
Long term liabilities	10 288 885	8 533 790	2 352 498	1 984 602
Short term liabilities	4 550 824	5 719 364	1 040 521	1 330 085
Total liabilities	14 839 709	14 253 154	3 393 019	3 314 687

The above financial data was converted into EUR according to the following principles:

- individual items of the statement of financial position - at the average NBP exchange rate announced on September 30, 2019 - PLN/EUR 4.3736 (as of December 31, 2018 - PLN/EUR 4.3),
- individual items of the statement of comprehensive income and the statement of cash flows - at the exchange rate representing the arithmetic mean of average NBP exchange rates announced on the last day of each month of the financial period from January 1, 2019 to September 30, 2019 - PLN/EUR 4.3086 (for the period from January 1, 2018 to September 30, 2018: PLN/EUR 4.2535).

3.2. Key operating data of TAURON Capital Group

In the first three quarters of 2019 and in the third quarter of 2019 TAURON Capital Group posted the following key operating data as compared to the same periods of 2018:

Table no. 10. Key operating data of TAURON Capital Group

Key operating data	Unit	Q1-3 2019	Q1-3 2018.	2019/2018 change in %	Q3 2019	Q3 2018	2019/2018 change in %
Commercial coal production	Mg m	**2.94**	3.61	81%	**0.69**	1.09	63%
Electricity generation	TWh	**10.41**	11.90	87%	**3.26**	4.35	75%
Generation of electricity from renewable sources	TWh	**0.97**	0.69	141%	**0.29**	0.18	161%
Production from biomass	*TWh*	***0.27***	*0.15*	180%	***0.10***	*0.04*	250%
Production of hydroelectric power plants and wind farms	*TWh*	***0.71***	*0.54*	131%	***0.19***	*0.15*	127%
Heat generation	PJ	**7.14**	7.42	96%	**0.73**	0.70	104%
Electricity distribution	TWh	**38.74**	38.84	100%	**12.66**	12.83	99%
Electricity supply (by the Supply and Generation Segments)	TWh	**33.83**	33.87	100%	**10.99**	11.37	97%
- retail supply	*TWh*	***25.02***	*25.37*	*99%*	***8.00***	*8.17*	*98%*
- wholesale	*TWh*	***8.80***	*8.50*	*104%*	***2.99***	*3.20*	*93%*
Number of customers - Distribution	'000	**5 644**	5 579	101%	**5 644**	5 579	101%

3.3. Sales structure by the lines of business (segments of operations)

The below table presents TAURON Capital Group's sales volumes and structure broken down into individual Segments of operations (lines of business) in the first three quarters of 2019 and in the third quarter of 2019, as compared to the same periods of 2018.

Table no. 11. TAURON Capital Group's sales volumes and structure broken down into individual Segments of operations (lines of business) in the first three quarters of 2019 and in the third quarter of 2019, as compared to the same periods of 2018

Key operating data	Unit	Q1-3 2019	Q1-3 2018	2019/2018 change in %	Q3 2019	Q3 2018	2019/2018 change in %
Mining Segment's hard coal sales	Mg m	**2.96**	3.54	84%	**0.78**	1.04	75%
Generation Segment's electricity and heat sales	TWh	**9.82**	11.35	87%	**3.02**	4.10	74%
	PJ	**9.62**	9.69	99%	**0.79**	0.75	105%
Distribution Segment's distribution services sales	TWh	**38.74**	38.84	100%	**12.66**	12.83	99%
Supply Segment's retail electricity supply	TWh	**25.01**	25.36	99%	**7.99**	8.16	98%

Mining Segment

Core business operations conducted by TAURON Capital Group's Mining segment comprise mining, enrichment and sales of hard coal, as well as sales of methane as accompanying fossil from the Brzeszcze deposit.

TAURON Capital Group operates three coal mines: ZG Sobieski, ZG Janina and ZG Brzeszcze. The above coal mines are the producers of the hard coal offered for sale on the market as large size lump coal, medium size lump coal and thermal coal dust.

Hard coal sales volume reached 2.96 million Mg in the first three quarters of 2019, i.e. a 16% decline as compared to the same period of 2018 as a consequence of the lower production output and the lower opening inventory level. Coal sales to TAURON Capital Group came in at 2.38 million Mg which meant that 80% of coal produced was sold to TAURON Capital Group's subsidiaries, while the balance of the sales was placed on the external market.

Commercial coal production stood at 2.94 million Mg in the reported period, i.e. it was 19% lower than in the same period of last year, which was as a result of the occurrence of difficult geological conditions at the Janina Coal Mine and at the Brzeszcze Coal Mine that disrupted the achievement of expected production levels, above all by the Sobieski Coal Mine.

Generation Segment

Core operations conducted by TAURON Capital Group's Generation Segment comprise electricity and heat generation by:

1) hard coal- and biomass-fired power plants and combined heat and power plants,
2) hydroelectric power plants,
3) wind farms.

Total achievable capacity of the Generation Segment's generating units reached 5.1 GW of electric capacity and 2.4 GW of thermal capacity as of the end of September 2019. Generation Segment is also conducting heat transmission and distribution operations.

In the first three quarters of 2019 the Generation Segment produced 10.4 TWh of electricity, i.e. 13% less than last year (11.9 TWh), which was due to the lower sales of electricity from own production year on year and the adopted trading strategy.

Production from RES came in at 0.97 TWh, i.e. 41% more as compared to last year (0.69 TWh) which was due to favorable wind and hydrological conditions, and the higher production of the biomass burning units.

Sales of electricity from own production plus electricity purchased for trading clocked in at 9.8 TWh in the first three quarters of 2019, i.e. a 13% decline in relation to the same period of 2018. Purchased electricity resale volume came in at 0.55 TWh.

Heat sales reached 9.6 PJ in the first three quarters of 2019, i.e. 1% less as compared to the same period of last year.

47% of the Generation Segment's subsidiaries' demand for hard coal to be used to generate electricity and heat was covered with hard coal coming from the TAURON Capital Group's own coal mines in the first three quarters of 2019. The balance of the demand was covered from external sources.

Distribution Segment

TAURON Capital Group is Poland's largest electricity distributor, both in terms of electricity volume delivered, as well as revenue from distribution operations. Distribution Segment is operating large area distribution grids, located in the south of Poland.

In the first three quarters of 2019 the Distribution Segment delivered, in total, 38.74 TWh of electricity, including 37.40 TWh to the final consumers. During this period the Distribution Segment provided distribution services to 5.64 million consumers. In the same period of last year the Distribution Segment delivered, in total, 38.84 TWh of electricity to 5.58 million consumers, including 37.25 TWh to the final consumers. The increase in the volume delivered to the final consumers year on year is due to the positive GDP growth rate and increased electricity consumption by industrial consumers.

Supply Segment

Supply segment is conducting its operations on the domestic and foreign markets, comprising wholesale trading and retail supply of electricity and natural gas, as well as other energy market products, property rights arising from the certificates of origin of electricity, CO_2 emission allowances and fuels. Supply segment is supplying electricity to business and mass customer segments, including to households. Additionally, the Supply Segment supplies electricity to TAURON Dystrybucja S.A. to cover grid losses related to electricity distribution.

In the first three quarters of 2019 the Supply Segment subsidiaries supplied, in total, 25.0 TWh of retail electricity to 5.5 million customers, both households, as well as businesses, i.e. 1% less than in the same period of last year.

3.4. TAURON Capital Group's financial position after Q3 2019

3.4.1. Analysis of the financial position

The below table presents an analysis of TAURON Capital Group's financial position as of the end of Q3 2019 as compared to the end of 2018.

Table no. 12. Structure of the interim abbreviated consolidated statement of the financial position

Consolidated statement of the financial position	As of September 30, 2019 *(unaudited)*	As of December 31, 2018 *(adjusted data)*	Change in % (2019/2018)
ASSETS			
Fixed assets	84.3%	87.9%	96%
Current assets	15.7%	12.1%	130%
TOTAL ASSETS	**100.0%**	**100.0%**	
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the parent company	46.5%	49.3%	94%
Non-controlling shares	2.2%	0.4%	612%
Total equity	**48.7%**	**49.7%**	98%
Long term liabilities	33.1%	30.7%	108%
Short term liabilities	18.2%	19.6%	93%
Total liabilities	**51.3%**	**50.3%**	102%
TOTAL EQUITY AND LIABILITIES	**100.0%**	**100.0%**	
Financial liabilities	10 490 582	9 421 718	111%
Net financial liabilities	9 674 092	8 571 889	113%
Net debt/EBITDA ratio	**2.83**	**2.54**	111%
Current liquidity ratio	0.86	0.62	140%

Fixed assets represent 84.3% of total assets in the structure of assets, as of September 30, 2019, i.e. a 4% decline as compared to their share as of the end of 2018.

The share of current assets, as of September 30, 2019, as compared to their share as of the end of 2018, rose 30%, among others due to an increase of the balance of certificates of origin of electricity and greenhouse gas emission allowances to be retired (fulfilment of the obligation for 2019).

Liabilities represent 51.3% of total equity and liabilities in the structure of equity and liabilities, as of September 30, 2019, with long-term liabilities accounting for 33.1% and short-term liabilities constituting 18.2% of the balance sheet total, which means a change of the debt structure versus the end of 2018 when such shares were, respectively: 30.7% and 19.6%.

Net financial liabilities rose 13% and the net debt to EBITDA ratio increased to 2.83x (the ratio expressed in relation to EBITDA for the last twelve months) in the first three quarters of 2019, as compared to 2018.

TAURON Capital Group's financial liquidity position is stable and TAURON Capital Group has guaranteed financing up to PLN 3 780 million.

Consolidated statement of comprehensive income

The below table presents selected items of the consolidated statement of comprehensive income of TAURON Capital Group for the period of 9 months ended on September 30, 2019, as well as the comparable data for the period of 9 months ended on September 30, 2018. These items are provided in accordance with the Interim abbreviated consolidated financial statements of TAURON Capital Group, drawn up in compliance with the International Financial Reporting Standards approved by the European Union, for the period of 9 months ended on September 30, 2019.

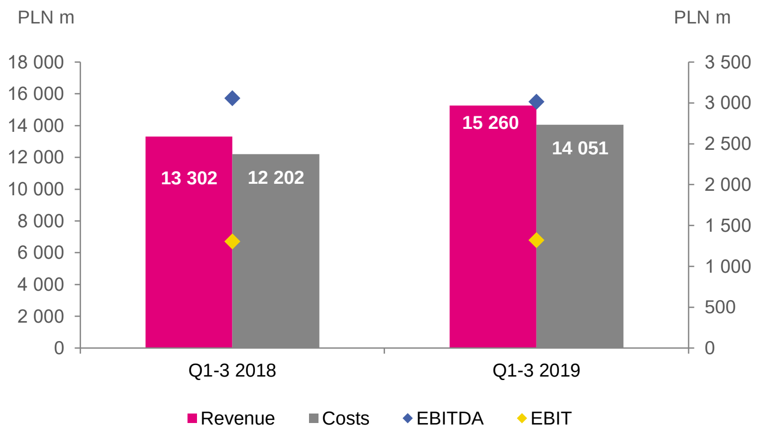
Table no. 13. Interim abbreviated consolidated statement of comprehensive income

Item (PLN '000)	Q1-3 2019 *(unaudited)*	Q1-3 2018 *(adjusted data unaudited)*	Change in % (2019/2018)
Sales revenue and financial compensation revenue	**15 259 646**	**13 301 802**	115%
Cost of goods sold, including:	(14 051 220)	(12 201 831)	115%
Loss of carrying value of non-financial fixed assets	*(257 455)*	*(339 267)*	*76%*
Other operating revenues and costs	54 852	164 968	33%
Share in joint ventures' profits	55 517	40 663	137%
Operating profit	**1 318 795**	**1 305 602**	101%
Operating profit margin (%)	*8.6%*	*9.8%*	*88%*
Cost of interest on debt	(169 251)	(122 146)	139%
Other financial revenue and costs	(44 292)	(95 261)	46%
Pre-tax profit	**1 105 252**	**1 088 195**	102%
Pre-tax profit margin (%)	*7.2%*	*8.2%*	*89%*
Income tax	(250 761)	(233 315)	107%
Net profit (loss)	**854 491**	**854 880**	100%
Net profit margin (%)	*5.6%*	*6.4%*	*87%*
Total comprehensive income	**863 706**	**854 259**	101%
Profit attributable to::			
Shareholders of the parent entity	854 350	852 859	100%
Non-controlling shares	141	2 021	7%
EBIT and EBITDA			
EBIT	**1 318 795**	**1 305 602**	101%
EBITDA	**3 016 406**	**3 057 111**	99%

The financial results generated by TAURON Capital Group in the first three quarters of 2019 are identical as the Group's estimate Q1-3 2019 earnings disclosed in the regulatory filing (current report) no. 44/2019 of October 30, 2019.

The below figure presents TAURON Capital Group's Q1-3 2019 financial results as compared to the same period of 2018.

Figure no. 10. TAURON Capital Group's Q1-3 2018 and Q1-3 2019 financial results



TAURON Capital Group generated 15% higher revenue in the first three quarters of 2019 than the revenue reported for the first three quarters of 2018. The main factors impacting the level of revenue generated:

1. higher electricity sales revenue which is a consequence of the following factors:
   - obtaining higher wholesale and retail market prices, and higher electricity sales volume. An increase of the electricity sales volume was reported on the wholesale market which was the result of the legislator raising the obligation to sell electricity on the power exchange from 30% in force in the first three quarters of 2018 to 100% in force as of January 1, 2019, with a decline, at

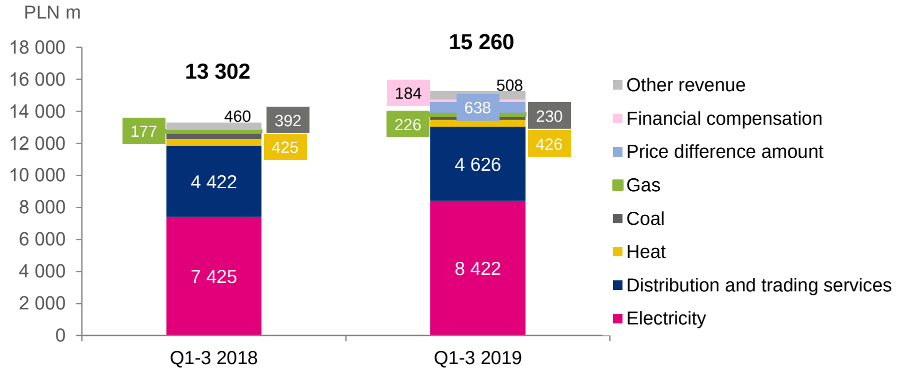
the same time, of electricity production by 13%. Furthermore, due to the situation on the electricity market, the first three quarters of 2019 saw a 26% rise of the electricity sales price on the wholesale market and a 7% increase of the electricity sales price on the retail market, which was related to the coming into force, as of January 1, 2019, of the act ”freezing the electricity prices”,

- taking into account in the consolidated financial statements, drawn up as of September 30, 2019, of the estimated adjustments reducing the revenue from the customers related to the first three quarters of 2019, stemming from the need to adjust the prices during that period to the provisions of the amended Act,

2. taking into account in the consolidated financial statements, drawn up as of September 30, 2019, of the price difference and the financial compensation, in connection with TAURON Group trading subsidiaries' right to submit requests for payment to Zarządca Rozliczeń SA (Settlements Manager).
3. higher gas sales revenue due to the 14% higher gas sales price year on year,
4. higher distribution services sales revenue primarily as a consequence of an increase of the average distribution services sales rate,
5. lower hard coal sales revenue as a result of a 38% lower sales volume.

The below figure presents TAURON Capital Group's Q1-3 2019 revenue structure as compared to Q1-3 2018.

Figure no. 11. TAURON Capital Group's Q1-3 2019 revenue structure as compared to Q1-3 2018



The costs of TAURON Capital Group's operations (operating expenses) came in at PLN 14.05 billion in the first three quarters of 2019, i.e. they were 15% higher than the costs incurred in the same period of 2018, which was a consequence of the following factors:

1. higher depreciation costs as a result of:
   - booking in the current period of the depreciation on the rights to use assets in the amount of PLN 54.3 million in connection with the entry into force, as of January 1, 2019, of IFRS 16 *Leasing*,
   - an increase of the depreciation of TAURON Ekoenergia's assets due to a partial reversal of the impairment charges booked before, which is a consequence the impairment tests completed as of December 31, 2018, and as of June 30, 2018,
   - lower depreciation of the assets of TAURON Wydobycie and TAURON Wytwarzanie subsidiaries due to booking of the write-downs, which is a consequence the impairment tests completed as of June 30, 2019, December 31, 2018, and June 30, 2018,
   - calculating depreciation on the newly acquired asset components,
2. lower costs of impairment charges as a result of the completed impairment tests that demonstrated the need to book a write-down of the Wydobycie CGU asset in the first half of 2019, which was a consequence of updating the technical and commercial assumptions, mainly with respect to the deposits exploitation and accessibility plans
3. higher costs of materials and electricity consumption, mainly as a result of the higher costs of fuels used in the production, due to the consumption of the larger quantity of:
   - hard coal purchased outside TAURON Group, as a consequence of the lower production output of TAURON Capital Group's own coal mines,
   - biomass as a result of more electricity being produced by the units fired with such fuel,

4. higher costs of the distribution in connection with the higher components of the grid and quality fee due to the tariff change,
5. lower costs of the construction and assembly services in the current year, due to the more intense works in 2018 related to the implementation of the investment project – the construction of the 910 MW unit in Jaworzno,
6. lower costs of the other external services, including: dissolving the provision related to the reclamation of the combustion waste landfill, lower costs of the mining services and of renting the mining machines due to the lower production output of the coal mines, lower costs of rental and lease due to MSSF 16 *Leasing* coming into force as of January 1, 2019,
7. higher labor costs which is primarily the result of:
   - dissolving of the provision related to employee benefits (entitlements) (cash equivalent for the subsidized consumption of electricity (employee tariff), service anniversary awards and the Company's Social Benefits (Entitlements) Fund (Zakładowy Fundusz Świadczeń Socjalnych)) at TAURON Wytwarzanie – a one-off event that had a positive impact on the earnings in the same period of 2018,
   - an increase of headcount at TAURON Capital Group's subsidiaries, in particular at companies: TAURON Wydobycie (mainly in connection with the launch of the 2nd stage of the project related to securing the production volume using the support of in-house preparatory works units that assumes hiring blue collar workers), TAURON Obsługa Klienta (in connection with limiting temporary work by employing temporary workers under regular labor contracts due to a change of the legal regulations in force) and Wsparcie GT (in connection with the expansion by the company of its security and real estate management operations),
   - implementation of the provisions arising from the agreements signed with the workforce,
8. higher costs of the obligation to retire the CO_2 emission allowances which is a result of an increase of the market price of the allowances,
9. higher value of the goods and materials sold, primarily as a result of higher electricity purchase prices and higher volume of electricity purchased from the counterparties coming from outside TAURON Capital Group which is related to the increase of the obligation imposed on electricity generators to sell electricity via exchange to 100% starting from January 1, 2019 (compared to 30% in the comparable period).

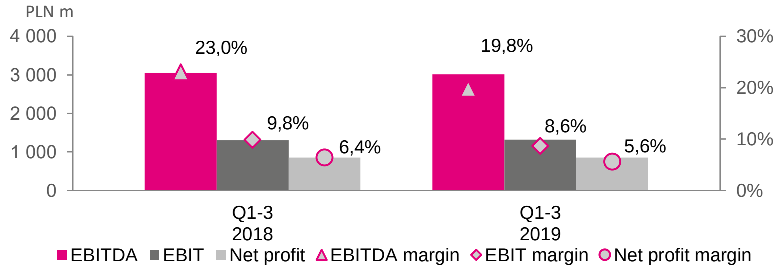
The EBITDA and EBIT margins generated in the first three quarters of 2019 came in at, respectively, 19.8% and 8.6%, and they were lower than the margins posted in the same period of last year by, respectively, 3.2 pp and 1.2 pp. The net profit margin realized in the first three quarters of 2019 clocked in at 5.6% and it was lower by 0.8 pp, which was due to the higher costs of interest on debt than in the first three quarters of 2018.

In accordance with the consolidated statement of comprehensive income presented, the total comprehensive income of TAURON Capital Group, taking into account the net profit increased or decreased by the change in the value of the hedging instruments, the FX differences arising from the conversion of a foreign unit and the other revenues, after tax, reached PLN 864 million in the first three quarters of 2019, as compared to PLN 854 million generated in the same period of 2018.

The total income attributable to the shareholders of the parent company came in at PLN 864 million, as compared to PLN 852 million posted a year ago, while the net profit attributable to the shareholders of the parent company stood at PLN 854 million, as compared to PLN 853 million reported in the same period of last year.

The below figure presents TAURON Capital Group's financial results and the margins generated in the first three quarters of 2019, as compared to the same period of 2018.

Figure no. 12. TAURON Capital Group's financial results and the margins generated



3.4.2. Financial results by the Segments of operations (lines of business)

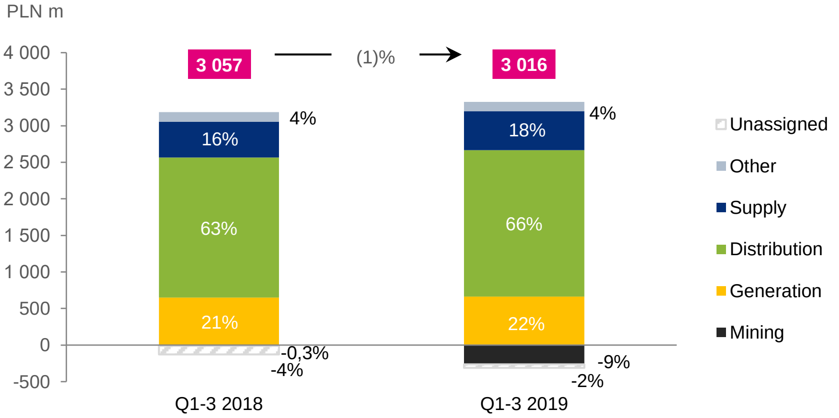
The below table presents TAURON Capital Group's EBITDA by the individual lines of business (segments of operations) in the first three quarters of 2019 and in the third quarter of 2019, as compared to the same periods of 2018. The data for the individual segments do not include consolidation related exclusions (unaudited data, comparable 2018 data adjusted).

Table no. 14. TAURON Capital Group's EBITDA by the individual lines of business (segments of operations) in the first three quarters of 2019 and in the third quarter of 2019, as compared to the same periods of 2018

EBITDA (PLN '000)	Q1-3 2019	Q1-3 2018	Change in % 2019/2018	Q3 2019	Q3 2018	Change in % 2019/2018
Mining	**(261 654)**	(8 940)	-	**(118 717)**	(11 217)	-
Generation	**665 524**	648 940	103%	**126 492**	57 190	221%
Distribution	**2 000 131**	1 915 870	104%	**662 812**	608 204	109%
Supply	**533 649**	491 720	109%	**110 407**	137 215	80%
Other	**127 491**	130 248	98%	**43 029**	41 536	104%
Unassigned items and exclusions	**(48 735)**	(120 727)	-	**(15 982)**	(37 645)	-
Total EBITDA	**3 016 406**	**3 057 111**	99%	**808 041**	**795 283**	102%

The below figure presents TAURON Capital Group's Q1-3 2018 and Q1-3 2019 EBITDA structure.

Figure no. 13. TAURON Capital Group's Q1-3 2018 and Q1-3 2019 EBITDA structure



The Distribution Segment, as well as the Generation and Supply Segments make the biggest contributions to TAURON Capital Group's EBITDA.

3.4.2.1. Mining Segment

The below table presents the Mining Segment's results.

Table no. 15. Mining Segment's results

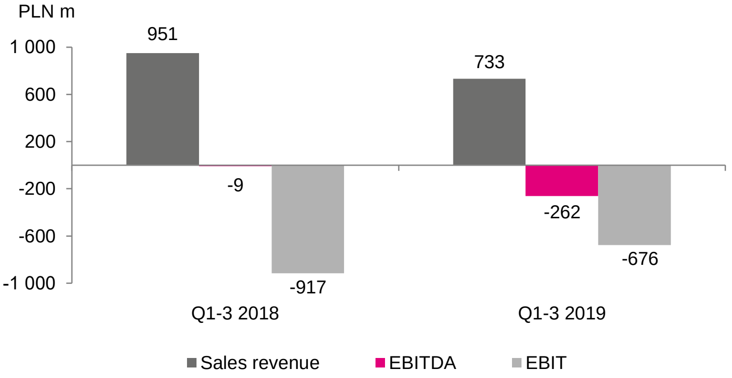
Item (PLN '000)	Q1-3 2019	Q1-3 2018	Change in % 2019/2018
Mining			
Sales revenue	**733 408**	**951 375**	**77%**
hard coal – large and medium size lump coal	*179 082*	*300 878*	*60%*
thermal coal	*516 089*	*590 884*	*87%*
other products, materials and services	*38 237*	*59 613*	*64%*
EBIT	**(676 341)**	**(916 681)**	**-**
Depreciation and write-offs	414 687	907 741	46%
EBITDA	**(261 654)**	**(8 940)**	**-**

The Mining Segment's EBITDA and EBIT were lower in the first three quarters of 2019 than in the same period of 2018. The results posted were impacted by the following factors:

1) lower commercial coal volume sales by 16% in each product group. The biggest drop was posted in the large and medium size lump coal product groups, by 40% on average, while in the coal dust product group by 13%,
2) an increase of the variable unit costs of the hard coal sold, mainly due to the higher electricity prices, the higher waste utilization costs – the higher cost of handling and the larger quantity of waste to be utilized.
3) other (primarily an increase of the costs caused by, among others, a fire during the dismantling of the coal face reinforcements (supports), an increase of the labor costs related to the agreement on wages and the higher hard coal production for stock in 2018).

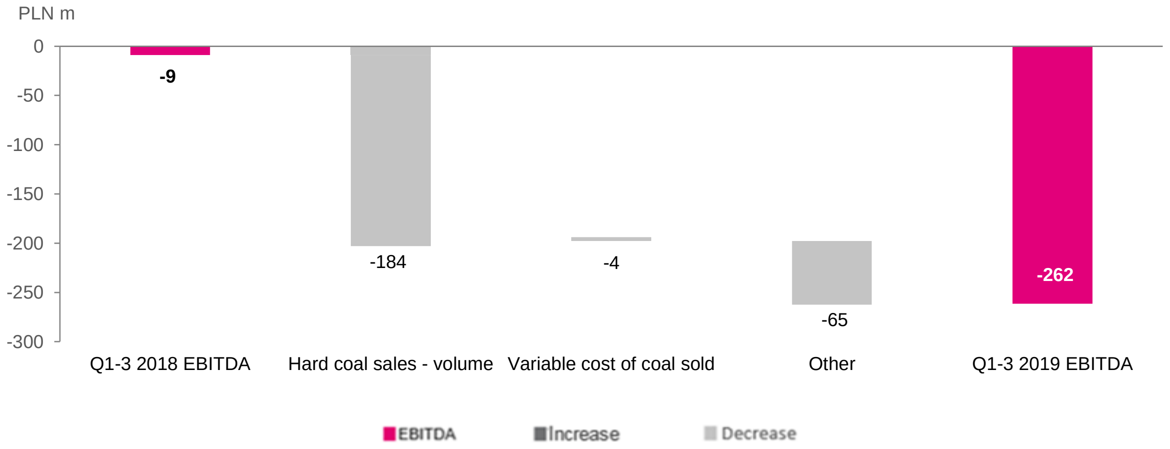
The below figure presents the Mining Segment's Q1-3 2019 financial data, as compared to Q1-3 2018.

Figure no. 14. Mining Segment's Q1-3 2019 financial data, as compared to Q1-3 2018



The below figure presents the Mining Segment's EBITDA, including the material factors impacting the change year on year.

Figure no. 15. Mining Segment's EBITDA



3.4.2.2. Generation Segment

The below table presents the Generation Segment's results.

Table no. 16. Generation Segment's results

Item (PLN '000)	Q1-3 2019	Q1-3 2018	Change in % 2019/2018
Generation			
Sales revenue	**3 634 876**	**3 268 749**	111%
electricity	*2 834 137*	*2 578 941*	*110%*
heat (incl. heat transmission)	*570 490*	*567 169*	*101%*
property rights related to certificates of origin of electricity	*190 716*	*85 954*	*222%*
other	*39 533*	*36 685*	*108%*

Item (PLN '000)	Q1-3 2019	Q1-3 2018	Change in % 2019/2018
EBIT	**339 596**	**691 129**	49%
Depreciation and write-offs	325 928	(42 189)	-
EBITDA	**665 524**	**648 940**	**103%**

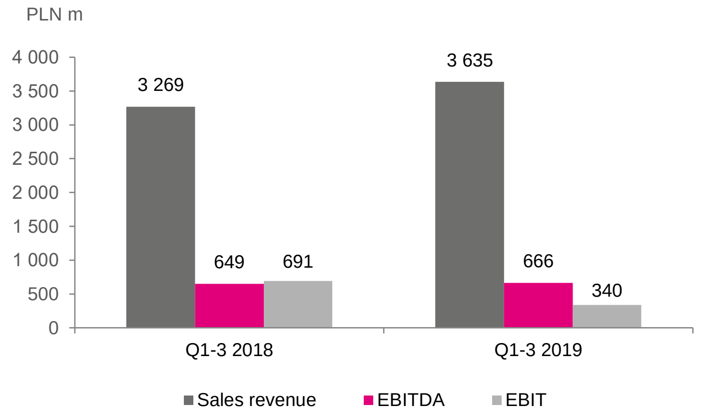
Generation Segment's sales revenue was 11% higher in the first three quarters of 2019, as compared to the same period of last year, mainly due to the higher revenue from the sales of electricity (higher electricity sales price) and property rights (higher PM OZE volume and sales price).

Generation segment's EBITDA was higher in the first three quarters of 2019 than in the same period of last year. The results posted were affected by the following factors:

1) higher margin on electricity (conventional power generation) – primarily due to the higher Clean Dark Spread (CDS) year on year. The increase of the CDS was materially impacted by including, 883 thousand Certified Emission Reduction (CER) units in the cost of the provision set up in connection with the obligation to present the CO_2 emission allowances to be retired,
2) higher margin on electricity (RES) – due to the higher electricity and PM OZE sales prices, as well as the higher production volume by the wind farms and hydroelectric power plants,
3) lower margin on heat – mainly due to an increase of the costs of fuels and the CO_2 emission allowances not fully passed on in the heat tariffs,
4) dissolving of the provision related to employee benefits (entitlements) (cash equivalent for the subsidized consumption of electricity (employee tariff), service anniversary awards and the Company's Social Benefits (Entitlements) Fund (Zakładowy Fundusz Świadczeń Socjalnych)) at TAURON Wytwarzanie – a one-off event, that had a positive impact on the 2018 result (PLN +230 million),
5) other (primarily dissolving of the provisions related to the reclamation of the combustion waste landfill, dissolving of the provision related to the Voluntary Redundancy Program, the higher revenue from damages, the higher result of TAMEH year on year, an increase of the labor costs stemming from the concluded agreement on wages and the lower costs of rent, lease and the perpetual usufruct of land in connection with the implementation of IFRS 16).

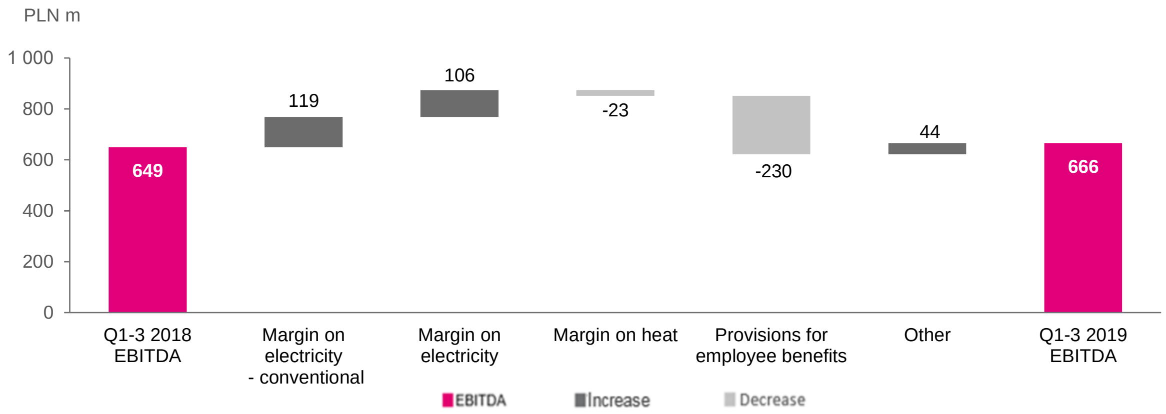
The below figure presents the Generation segment's Q1-3 2019 financial data as compared to Q1-3 2018.

Figure no. 16. Generation segment's Q1-3 2019 financial data as compared to Q1-3 2018



The below figure presents the Generation segment's EBITDA, including the material factors impacting the change year on year.

Figure no. 17. Generation segment's EBITDA, including the material factors impacting the change year on year



3.4.2.3. Distribution Segment

The below table presents the Distribution Segment's results.

Table no. 17. Distribution Segment's results

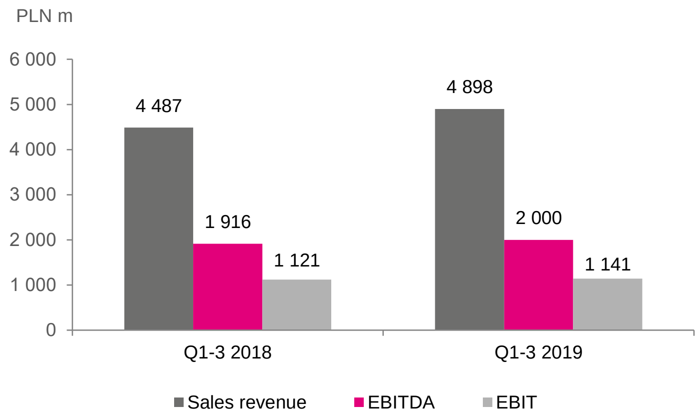
Item (PLN '000)	Q1-3 2019	Q1-3 2018	Change in % 2019/2018
Distribution			
Sales revenue	**4 898 285**	**4 486 662**	109%
distribution services	*4 699 526*	*4 315 010*	*109%*
connection fees	*59 298*	*56 327*	*105%*
revenue due for fixing power line collisions	*19 757*	*26 035*	*76%*
other services	*119 704*	*89 290*	*134%*
EBIT	**1 140 913**	**1 121 172**	102%
Depreciation and write-offs	859 218	794 698	108%
EBITDA	**2 000 131**	**1 915 870**	104%

Distribution Segment reported a 9% sales revenue increase, while EBIT and EBITDA rose by, respectively, 2% and 4% in the first three quarters of 2019, as compared to the same period of 2018. The results posted were affected by the following factors:

1) increase of the average rate for the distribution service sales to the final consumers
2) increase of electricity delivery to the final consumers by 154 GWh, first of all in the B and G tariff groups, as a result of the GDP growth which had a direct impact on the increased consumption of electricity by the consumers,
3) higher costs of purchasing the transmission services,
4) an increase of the revenue from the connection fees and the revenue for exceeding capacity (capacity overruns) and passive energy, with the decline of the revenue due for fixing power line collisions,
5) an increase of the costs of purchasing electricity to cover the balancing difference as a result of, among others, the higher purchase price, the lower volume and the deviation due to the upward adjustment,
6) an increase of the costs of taxes on grid assets stemming from the growth of the assets' value as a result of the investment projects underway,
7) a rise of the other fixed costs, including, among others, labor costs due to the agreements on wages signed, tree cutting (trimming) costs.

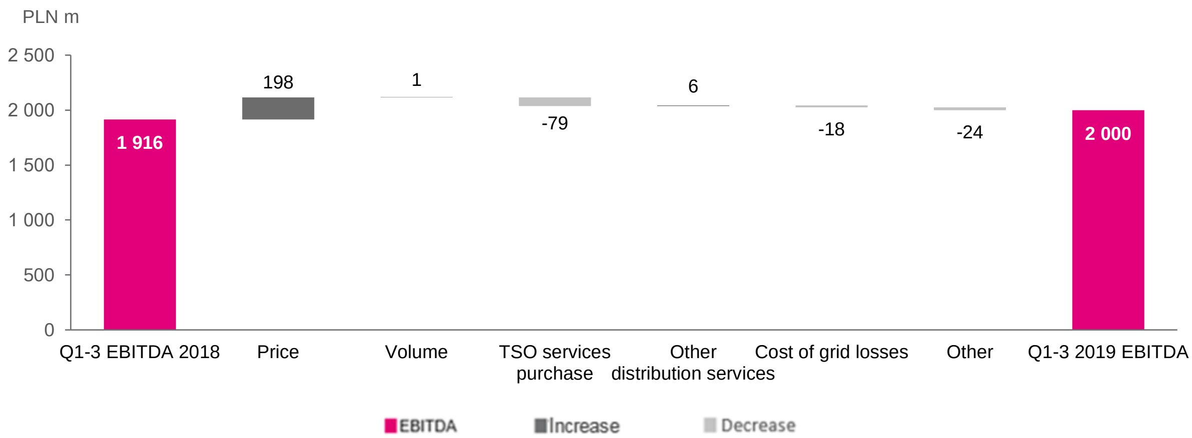
The below figure presents the Distribution Segment's Q1-3 2019 financial data as compared to Q1-3 2018.

Figure no. 18. Distribution Segment's Q1-3 2019 financial data as compared to Q1-3 2018



The below figure presents the Distribution Segment's EBITDA including the material factors impacting the change year on year.

Figure no. 19. Distribution Segment's EBITDA including the material factors impacting the change year on year



3.4.2.4. Supply Segment

The below table presents the Supply Segment's results.

Table no. 18. Supply Segment's results

Item (PLN '000)	Q1-3 2019	Q1-3 2018	Change in % 2019/2018
Supply			
Sales revenue and financial compensation revenue	**11 221 177**	**9 930 413**	113%
electricity, including:	*7 795 865*	*6 579 780*	*118%*
retail electricity supply revenue	*6 192 558*	*5 776 911*	*107%*
greenhouse gas emission allowances	*1 572*	*54 927*	*3%*
fuels	*973 829*	*932 396*	*104%*
distribution service (passed on)	*2 294 019*	*2 203 617*	*104%*
other services, incl. trading services	*155 892*	*159 692*	*98%*
EBIT	**503 762**	**467 815**	108%
Depreciation and write-offs	29 887	23 905	125%
EBITDA	**533 649**	**491 720**	109%

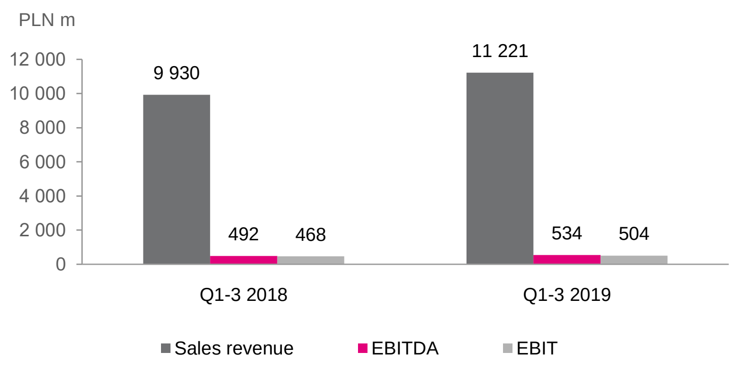
Supply Segment's sales revenue was 13% higher in the first three quarters of 2019 as compared to the same period of last year, mainly due to the higher revenue from the sales of electricity (higher electricity sales price on the wholesale market) and the gas fuel (higher gas fuel sales price with the higher volume at the same time).

Supply Segment's EBITDA and EBIT were higher in the first three quarters of 2019 than in the same period of 2018. The results posted were affected by the following factors:

1) electricity volume and prices – a negative impact on the result is mainly due to an increase of electricity market prices and the introduction of the act on "freezing sales prices". This situation has a direct impact on the margin decline, mainly in the mass customers segment, with the total electricity supply volume falling at the same time by 1.2 TWh year on year (from 25.4 TWh to 25.0 TWh, including the retail electricity supply volume – a decline by 0.3 TWh and the electricity wholesale volume – a drop by 0.9 TWh),
2) taking into account in the consolidated financial statements, drawn up as of September 30, 2019, of the estimated adjustments reducing the revenue from customers, stemming from the need to adjust prices in this period to the provisions of the amended Act,
3) taking into account in the consolidated financial statements, drawn up as of September 30, 2019, of the price difference and the financial compensation, in connection with TAURON Capital Group trading companies' right to submit requests for payment to Zarządca Rozliczeń S.A. (Settlements Manager),
4) cost of the provision set up based on the requirements imposed in the amended act, as described in more detail in note 6.1 to the consolidated financial statements and consumption (using up) of the provision for onerous agreements, set up last year in connection with the introduction of the act on "freezing electricity sales prices",
5) property rights prices – a negative impact on the result due to an increase of the prices of the "green" certificates (PMOZE),
6) obligation to redeem (retire) property rights – a positive impact on the result is a consequence of a lack of the cogeneration obligations in 2019 (the redemption (retirement) obligation level in force in 2018 was: for PMEC 23.2%, for PMGM 8%, for PMMET 2.3%), with the obligation for the "green" certificates (PMOZE) rising, at the same time, from 17.5% to 18.5% and the obligation for PMOZE-BIO being maintained at 0.50%,
7) other – the recognized result on the other market (commercial) products sales includes, among others, the result on the sales of the CO_2 emission allowances, the provision of the street lighting service and the result on the other business operations, impairment charge related to the amount of the accounts receivable and the costs of sales.

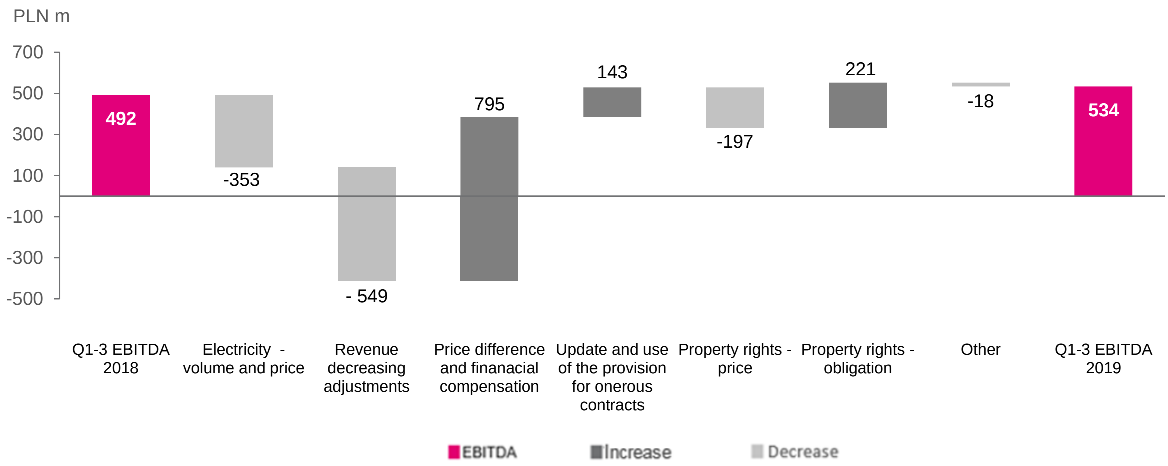
The below figure presents the Supply Segment's Q1-3 2019 financial data as compared to Q1-3 2018.

Figure no. 20. Supply Segment's Q1-3 2019 financial data as compared to Q1-3 2018



The below figure presents the Supply Segment's EBITDA, including the material factors impacting the change year on year.

Figure no. 21. Supply Segment's EBITDA, including the material factors impacting the change year on year



3.4.2.5. Other operations

The below table presents the results of the subsidiaries assigned to the Other operations.

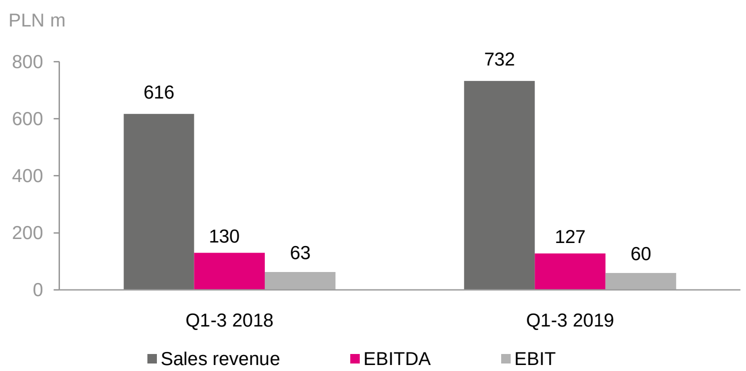
Table no. 19. Other operations subsidiaries' results

Item (PLN '000)	Q1-3 2019	Q1-3 2018	Change in % 2019/2018
Other operations			
Sales revenue	**731 972**	**616 483**	119%
customer service services	*160 475*	*147 063*	*109%*
support services	*359 417*	*339 761*	*106%*
aggregates	*78 147*	*74 807*	*104%*
biomass	*92 398*	*43 637*	*212%*
other revenue	*41 535*	*11 215*	*370%*
EBIT	**59 600**	**62 894**	95%
Depreciation and write-offs	67 891	**67 354**	101%
EBITDA	**127 491**	**130 248**	98%

Other Operations Segment subsidiaries' sales revenue was higher (by 19%) in the first three quarters of 2019 than in the same period of last year, which was primarily due to an increase of the revenue from the biomass sales fueled by the greater utilization of the biomass-fired units, as well as the higher sales of the support services and of the other services provided for TAURON Capital Group subsidiaries by the Shared Services Centers, primarily due to the centralizing of the Group's HR services.

The below figure presents the Other Operations Segment's Q1-31 2019 financial data as compared to Q1-3 2018.

Figure no. 22. Other Operations Segment's Q1-31 2019 financial data as compared to Q1-3 2018



3.4.3. Assets

The below table presents the consolidated statement of financial position as of September 30, 2019, as compared to December 31, 2018.

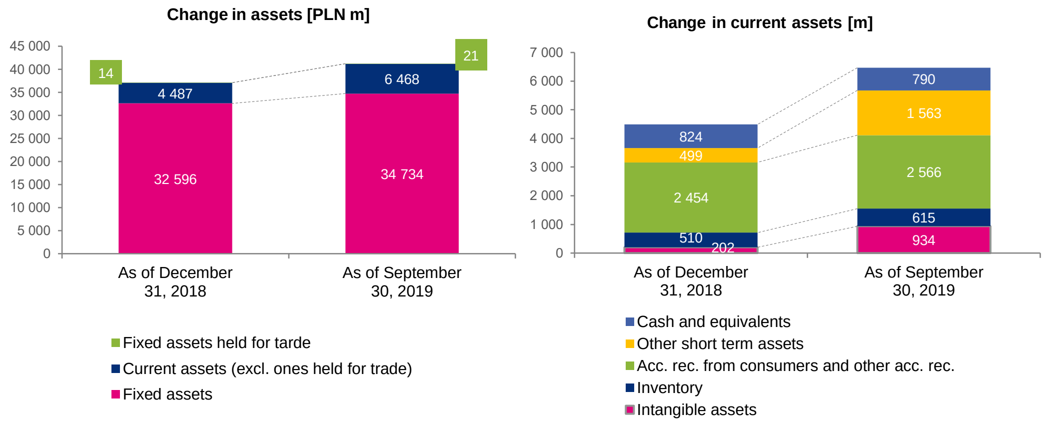
Table no. 20. Interim abbreviated consolidated statement of financial position – assets (material items)

Statement of financial position (PLN '000)	As of September 30, 2019 *(unaudited)*	As of December 31, 2018 *(adjusted data)*	Change in % (2019/2018)
ASSETS			
Fixed assets	**34 733 741**	**32 596 304**	107%
Tangible fixed assets	31 377 990	29 406 667	107%
Current assets	**6 489 378**	**4 501 173**	144%
Cash and equivalents	789 942	823 724	96%
Fixed assets and the group's assets for disposal, classified as held for trade	21 344	13 712	156%
TOTAL ASSETS	**41 223 119**	**37 097 477**	111%

As of September 30, 2019, TAURON Capital Group's statement of financial position shows the balance sheet total that is 11% higher, as compared to the balance sheet total as of December 31, 2018.

The below figure presents the change in assets and current assets as of September 30, 2019, as compared to December 31, 2018.

Figure no. 23. Change in assets and current assets



Fixed assets represent the biggest item of the assets as of the end of September 2019, constituting 84.3% of the balance sheet total. As compared to the end of last year the value of fixed assets is higher by PLN 2 137 million (7%) as a consequence of changes in the below analytical fixed asset items:

1) tangible fixed assets – an increase by 7% is a result of the investment projects implemented by TAURON Capital Group's subsidiaries,
2) recognizing in the assets of the right to use the assets in connection with the coming into force, as of January 1, 2019, of IFRS 16 *Leasing.* In accordance with the option provided for in the standard the Group resigned from converting (adjusting) the comparable data,
3) certificates of origin of electricity and gas emission allowances to be redeemed (retired) – a decline by 68% due to the reclassifying of the certificates of origin of electricity and the CO_2 emission allowances as current assets held in order to fulfill the obligation related to the redemption (retirement) of the above mentioned assets,
4) loans granted to the joint ventures – an increase by 7% due to the valuation of the loans already granted as of the balance sheet date,
5) value of stocks and shares in the joint ventures – an increase by 5% due to the recognizing (including) of the share in the profit of the TAMEH HOLDING company,
6) other long-term financial assets – an increase by 3% due to the settlement and the change in the valuation of the derivative instruments and in the value of the initial margins related to the futures contracts.

The following factors had an impact on the rise in the value of the current assets by PLN 1 988 million (44%):

1) balance of cash on hand and equivalents – a decrease by 4%. The reasons for the change are described in section 3.4.4 of this information related to the cash flow statement,
2) certificates of origin of electricity and CO_2 emission allowances to be redeemed (retired) – a surge by 363% which is the result of the following events:
   - settlement (retirement), in 2018 by TAURON Wytwarzanie and TAURON Ciepło subsidiaries, of a part of the CO_2 emission allowances towards the obligation for 2018, which resulted in the lower balance of the allowances as of the balance sheet day falling on December 31, 2018,
   - settlement (retirement), during 2019, of the remaining part of the CO_2 emission allowances due to the fulfilment of the obligation for 2018,
   - retirement, in 2019, of the property rights due to the fulfilment of the statutory obligation to redeem (retire) them for 2018,
   - purchase and production of the property rights in order to fulfill the obligation to redeem (retire) them for the current financial year.
   - reclassifying as current assets that part of the property rights and the CO_2 emission allowances held that will be settled (retired) as part of fulfilling the obligation to redeem (retire) the above mentioned assets for the current financial year,
3) inventory – an increase by 21% as a result of the higher inventory levels of hard coal at the Generation and Mining Segments' subsidiaries,
4) other financial assets – an increase by 232%, mainly as a result of recognizing the accounts receivable due to the compensations for the trading companies, as well as a rise in the valuation of the derivative instruments and the initial margins related to the futures contracts,
5) other non-financial assets – an increase by 58%, primarily as a result of the setting up of contributions towards the Company's Social Benefits Fund (Zakładowy Fundusz Świadczeń Socjalnych) accounted for in the given year and including in the balance sheet of the other costs accounted for over time.

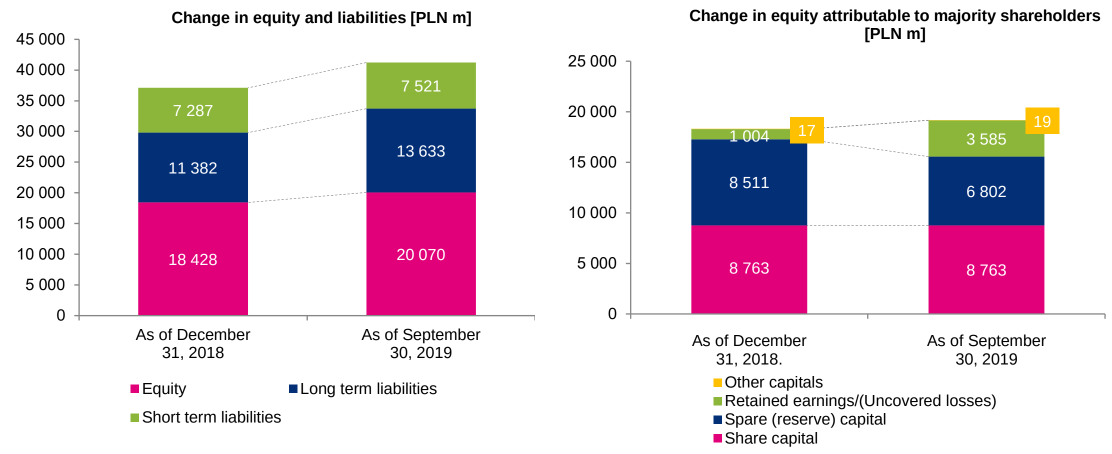
The below table presents the consolidated statement of financial position – equity and liabilities.

Table no. 21. Interim abbreviated consolidated statement of financial position – equity and liabilities (material items)

Statement of financial position (PLN '000)	As of September 30, 2019 *(unaudited)*	As of December 31, 2018 *(adjusted data)*	Change in % (2019/2018)
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the parent entity	**19 168 281**	**18 295 824**	105%
Non-controlling shares	901 613	132 657	680%
Total equity	**20 069 894**	**18 428 481**	109%
Long term liabilities	**13 632 658**	**11 382 254**	120%
Liabilities due to debt	10 821 373	8 488 210	127%
Short term liabilities	**7 520 567**	**7 286 742**	103%
Liabilities due to debt	2 336 432	2 475 167	94%
Total liabilities	**21 153 225**	**18 668 996**	113%
TOTAL EQUITY AND LIABILITIES	**41 223 119**	**37 097 477**	111%

The below figure presents the change in the liabilities and equity as of September 30, 2019 and December 31, 2018.

Figure no. 24. Change in the liabilities and equity as of September 30, 2019 and December 31, 2018

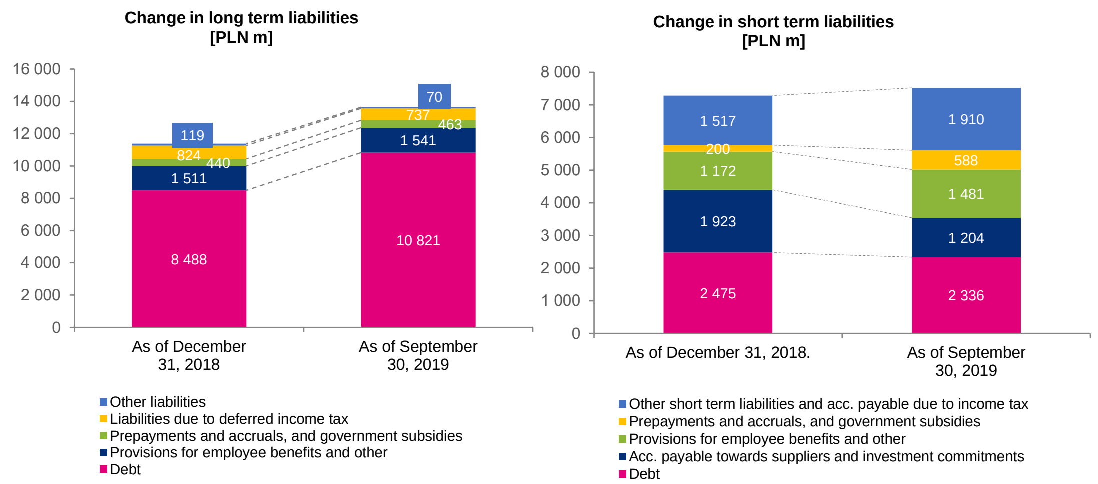


Similar as in the previous years, equity continues to be a material source of financing the assets and its share in the balance sheet total amounts to 48.7%.

In the current reporting period the value of non-controlling shares increased as a result of taking up by Fundusz Inwestycji Infrastrukturalnych – Kapitałowy Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (Infrastructure Investments Fund – Non-public Assets Closed-end Equity Investment Fund) and PFR Inwestycje Fundusz Inwestycji Zamknięty (PFR Investments Closed-end Investment Fund) of shares in the increased share capital of the subsidiary Nowe Jaworzno GT for the total amount of PLN 780 million.

The below figure presents the change in liabilities as of September 30, 2019 and December 31, 2018.

Figure no. 25. change in liabilities as of September 30, 2019 and December 31, 2018



The level of TAURON Capital Group's long term liabilities rose by PLN 2 250 million (20%) in the first three quarters of 2019, which was mainly a consequence of the following factors:

1) liabilities due to debt – an increase by 27% as a result of taking out a PLN 1 000 million loan, bond issue worth PLN 500 million in the first three quarters of 2019 and the application, as of January 1, 2019, of IFRS 16 *Leasing* – an impact worth PLN 602 million. In accordance with the option allowed by the standard the Group resigned from converting (adjusting) the comparable data,
2) liabilities due to deferred tax – a decline by 10%,
3) provisions – an increase by 2%.

The value of TAURON Capital Group's short term liabilities reached a level 3% higher as compared to the level as of the end of 2018, which was primarily the result of the following factors:

1) liabilities due to debt – a drop by 6%,
2) investment related commitments – a drop by 53% and accounts payable towards suppliers – a drop by 27%,

3) provisions – an increase by 26% which is the result of using up (consuming) the provision related to the obligation due to the emissions of gases in connection with the fulfillment, by the companies, of the statutory retirement (redemption) obligation, setting up the provision related to the obligations due to the emissions of gases for the current period and the provision related to the obligation to present for redemption (retirement) the certificates of origin of electricity for 2019,
4) accounts payable due to taxes and fees – a drop by 11%, which is the result of lower accounts payable due to the excise tax, accounts payable due to social security premiums and the higher account payable due to the VAT tax,
5) other financial liabilities – an increase by 53% as a consequence of recognizing (including), as of the balance sheet date, of the obligation to refund the overpaid amounts to the consumers in connection with the coming into force of the amended act “on freezing electricity sales prices” and the settlement and change in the value of the derivative instruments and the variation margins due to the exchange settlements as a result of the valuation.

3.4.4. Cash flows

Consolidated cash flow statement

The below table presents the selected information from the interim abbreviated cash flow statement for the first three quarters of 2019, as compared to the same period of 2018.

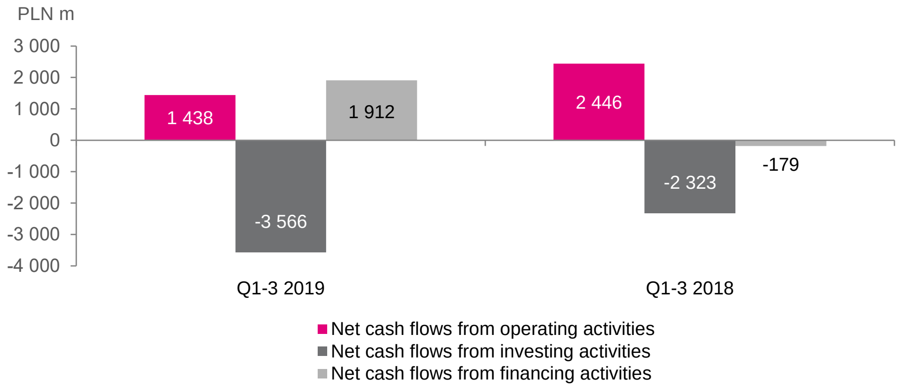
Table no. 22. Interim abbreviated cash flow statement (material items)

Cash flow statement (PLN ‘000)	Q1-3 2019 *(unaudited)*	Q1-3 2018 *(adjusted data unaudited)*	Change in % (2019 / 2018)
Cash flows from operating activities			
Pre-tax profit	1 105 252	1 088 195	102%
Adjustments	332 898	1 357 590	25%
Net cash flows from operating activities	**1 438 150**	**2 445 785**	59%
Cash flows from investing activities			
Sale of tangible fixed assets and intangible assets	15 755	23 283	68%
Purchase of tangible fixed assets and intangible assets	(3 058 254)	(2 689 123)	114%
Granting of loans	(16 025)	(41 075)	39%
Net cash flows from investing activities	**(3 566 426)**	**(2 323 471)**	153%
Cash flows from financing activities			
Issuance of debt securities	500 000	0	-
Redemption of debt securities	(670 000)	0	-
Proceeds from credits/loans taken out	1 450 000	0	-
Repayment of loans/credits	(94 845)	(95 580)	99%
Interest paid	(47 513)	(46 812)	101%
Net cash flows from financing activities	**1 911 839**	**(178 687)**	-
Increase / (decrease) in net cash and equivalents	**(216 437)**	**(56 373)**	384%
Cash opening balance	**807 972**	**801 353**	101%
Cash closing balance	**591 535**	**744 980**	79%

The total amount of all net flows of cash from operating, investing and financing activities in the first three quarters of 2019 reached PLN (216) million.

The below figure presents cash flows in the first three quarters of 2019 and 2018.

Figure no. 26. Cash flows in the first three quarters of 2019 and 2018



The positive value of cash flows from operating activities is the result of the following factors:

1) generated EBITDA of PLN 3 016 million,
2) change of the other part of the working capital in the total amount of PLN 1 163 million, primarily because of recognizing the accounts receivable due to the compensations for the trading companies in the amount of PLN 821 million, recognizing (including) the obligation to refund the overpaid amounts to the consumers in the amount of PLN 536 million and the lower level of the commercial (trade) accounts payable,
3) paid income tax in the amount of PLN 308 million as a result of the payment by the Tax Capital Group of the advance payments on account of the income tax for the first eight months of 2019 in the amount of PLN 327.5 million and the settlements of the Tax Capital Group's income tax for the previous years, resulting in the net inflow in the amount of PLN 18.4 million.

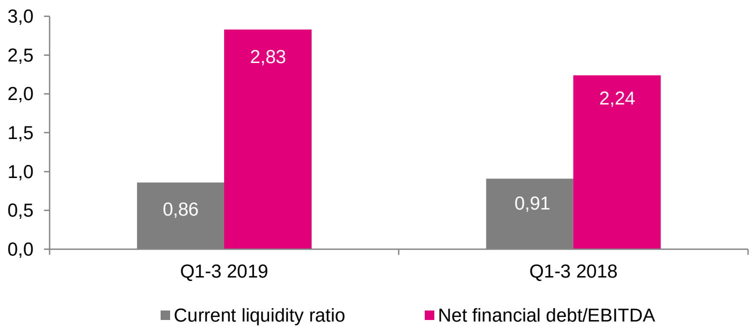
Expenditures for the purchase of tangible fixed assets have the biggest impact on the cash flows from investing activities and they were higher by 14% in the reporting period than the outlays incurred in the same period of 2018. In the first three quarters of 2019 the largest expenditures were incurred by the Distribution and Generation Segments.

The positive value of cash flows from financing activities is primarily due to the issue of the debt securities worth PLN 500 million, taking out a loan in the amount of PLN 1 450 million and contributions made by the non-controlling shareholders in the amount of PLN 780 million (cash contributions made in order to take up shares in Nowe Jaworzno GT). In the first three quarters of 2019 TAURON Capital Group repaid loan installments in the total amount of PLN 95 million and redeemed the debt securities for the amount of PLN 670 million. The total amount of the interest paid, mainly on the financial liabilities, clocked in at PLN 47.5 million.

TAURON Capital Group is maintaining its market position. The current liquidity ratio and the net debt to EBITDA ratio continue to stand at a safe level.

The below figure presents the liquidity ratio and the leverage (net debt to EBITDA) ratio as of the end of the third quarter of 2019 and 2018.

Figure no. 27. Liquidity ratio and the leverage (net debt to EBITDA) ratio as of the end of the third quarter of 2019 and 2018



TAURON Capital Group is effectively managing its financial liquidity using the central financing model put in place and the central financial risk management policy. TAURON Capital Group is using the cash pooling mechanism in order to minimize potential cash flow disruptions and the risk of liquidity loss. TAURON Capital Group is using various sources of funding, such as, for example, overdrafts, bank loans, loans from environmental funds, bond issues, financial lease agreements, as well as lease agreements with the buyout option.

3.5. Management Board's position on the ability to perform in line with the earlier published forecasts of results for the given year

TAURON Capital Group did not publish any forecasts of financial results for 2019. TAURON Capital Group's financial position is stable and no negative events which could pose any threat to the continuity of its business operations or cause a material deterioration of its financial position have occurred.

The detailed description of the financial position, understood as ensuring the provision of funds for both the operating, as well as the investing activities, is provided in section 3 of this information.

4. SHARES AND SHAREHOLDERS OF TAURON POLSKA ENERGIA S.A.

4.1. Structure of the share capital

As of September 30, 2019, and as of the date of drawing up this information the Company's share capital was, in accordance with an entry in the National Court Register, PLN 8 762 746 970 and it was split into 1 752 549 394 shares with a nominal value of PLN 5 per share, including 1 589 438 762 ordinary AA series bearer shares and 163 110 632 ordinary registered BB series shares.

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

The below table presents the shareholders that hold, directly or indirectly via subsidiary entities, at least 5% of the total number of votes at the General Meeting of the Company, as of the date of disclosing this information.

Table no. 23. Shareholders that hold, directly or indirectly via subsidiary entities, at least 5% of the total number of votes at the General Meeting of the Company, as of the date of disclosing this information

#	Shareholders	Number of shares held	Percentage share in the share capital	Number of votes held	Percentage share in the total number of votes
1.	State Treasury	526 848 384	30.06%	526 848 384	30.06%
2.	KGHM	182 110 566	10.39%	182 110 566	10.39%
3.	Nationale-Nederlanden Otwarty Fundusz Emerytalny (Open Pension Fund)	88 742 929	5.06%	88 742 929	5.06%

From the day of disclosing the previous interim report, i.e. since September 30, 2019, until the day of disclosing this information, the Company had not received any notifications from its shareholders on any changes in the ownership structure of substantial blocks of TAURON shares.

4.3. Summary of shareholdings by members of the Management Board and the Supervisory Board

Members of Company's Management Board and members of the Company's Supervisory Board did not hold any of the Company's shares or rights to the Company's shares as of the day of disclosing this information.

From the day of disclosing the previous interim report, i.e. since September 30, 2019, until the day of disclosing this information, no changes to the holdings of the shares and the rights thereto by members of Company's Management Board and members of the Company's Supervisory Board had taken place.

5. OTHER MATERIAL INFORMATION AND EVENTS

5.1. Material proceedings pending before the court, competent arbitration authority or public administration authority

The below table presents a summary of material proceedings pending before the court, competent arbitration authority or public administration authority in the third quarter of 2019.

Table no. 24. Summary of material proceedings pending before the court, competent arbitration authority or public administration authority in the third quarter of 2019

Proceedings involving TAURON		
#	Parties to the proceeding	Description of the proceedings including the value of the object of litigation and the Company's position
1.	Huta Łaziska S.A. (plaintiff) TAURON (as a legal successor to GZE) and State Treasury represented by the President of ERO (defendants)	Object of litigation: a lawsuit for the payment of compensation for alleged damage caused by non-performance by GZE of the decision of the President of ERO of October 12, 2001 related to the resumption of electricity supply to the plaintiff.
		Value of the object of litigation: PLN 182 060 000.00
		Initiation of the proceeding: the lawsuit of March 12, 2007
		Company's position: the Company considers the claims covered by the lawsuit as being without merit. By way of the ruling of May 28, 2019, the Regional Court in Warsaw dismissed the Huta's lawsuit in whole and ruled that Huta shall refund each defendant the costs of the proceedings. The ruling is not legally binding. Huta filed an appeal (dated July 25, 2019), appealing against the above mentioned ruling in whole.
2.	ENEA (plaintiff) TAURON (defendant)	Object of litigation: a lawsuit for the payment due to the Company's alleged unjust enrichment in connection with the settlements related to the non-balancing of the Balancing Market with PSE between January and December 2012
		Value of the object of litigation: PLN 17 085 846.49
		Initiation of the proceeding: the lawsuit of December 10, 2015
		Company's position: the Company considers the claims covered by the lawsuit as being without merit.
3.	Head of the Mazovian Customs and Tax Office (authority conducting the investigation) TAURON (party)	Object of litigation: examining the accuracy of the tax base amounts declared by TAURON and the correctness of calculations and payments of the VAT tax for the period from October 2013 until September 2014. The main subject of the three investigations carried out by the Head of the Mazovian Customs and Tax Office are TAURON's deductions of the VAT assessed due to the purchase of electricity by TAURON on the German and Austrian electricity market from the following entities: Castor Energy sp. z o.o. and Virtuse Energy sp. z o.o.
		Value of the object of litigation (deducted VAT amount): PLN 54 371 306.92, out of which: Castor Energy sp. z o.o. – PLN 52 494 671.92, Virtuse Energy sp. z o.o. – PLN 1 876 635.00
		Date of initiating the proceeding: Castor Energy sp. z o.o. – October 2014 and August 2016, Virtuse Energy sp. z o.o. – December 2016
		Company's position: in the Company's opinion, taking into account all the circumstances of the matter and the rulings of the Court of Justice of the European Union (CJEU), as well as the rulings, positive for the taxpayers, of WSA (Regional Administrative Court) and NSA (Supreme Administrative Court), surfacing since the end of 2016, in cases related to the right to deduct VAT in the event of unwitting participation in the missing trader fraud if, during the verification of both counterparties (business partners, contractors), due diligence was adhered to, the Company acted in good faith and should have the right to deduct the tax assessed on

		the invoices documenting the electricity purchase from the counterparties (business partners, contractors) Castor and Virtuse.
Lawsuits pertaining to the termination, by the PEPKH subsidiary, of the agreements related to the sales of electricity and property rights arising from the certificates of origin		
#	Parties to the proceeding	Description of the proceedings including the value of the object of litigation and the Company's position (the values of the object of litigation do not include the amounts of losses indicated in the lawsuits that the plaintiff companies estimate to be as follows: in.ventus group companies – EUR 35 706 000, Polenergia group companies – PLN 265 227 000, Wind Invest group companies – PLN 1 119 363 000)
4.	Dobiesław Wind Invest sp. z o.o. (plaintiff) TAURON (defendant)	Object of litigation: lawsuit for payment of damages and determination of liability for the future.
		Value of the object of litigation: PLN 34 746 692.31
		Initiation of the proceeding: the lawsuit of June 30, 2017
		Company's position: the Company considers the claims covered by the lawsuit as being without merit.
5.	Dobiesław Wind Invest sp. z o.o. (plaintiff) TAURON (defendant)	Object of litigation: lawsuit for submitting a security (collateral) by establishing an escrow deposit (set aside for a separate consideration outside the proceeding under section 4)
		Value of the object of litigation: PLN 183 391 495.00
		Date of initiating the proceeding: June 30, 2017
		Company's position: the Company considers the claims as being without merit. On September 12, 2019, the court received the Plaintiff's letter in which the Plaintiff withdrew the lawsuit and waived its claim. The proceeding will probably be discontinued (case dismissed) in the near future.
6.	Gorzyca Wind Invest sp. z o.o. (plaintiff) TAURON (defendant)	Object of litigation: lawsuit for payment of damages and determination of TAURON's liability for the losses that may arise in the future due to tort, including acts of unfair competition.
		Value of the object of litigation: PLN 39 718 323.00
		Initiation of the proceeding: the lawsuit of June 29, 2017
		Company's position: the Company considers the claims covered by the lawsuit as being without merit.
7.	Pękanino Wind Invest sp. z o.o. (plaintiff) TAURON (defendant)	Object of litigation: lawsuit for payment of damages and determination of TAURON's liability for the losses that may arise in the future due to tort, including acts of unfair competition.
		Value of the object of litigation: PLN 28 469 073.00
		Initiation of the proceeding: the lawsuit of June 29, 2017
		Company's position: the Company considers the claims covered by the lawsuit as being without merit.
8.	Nowy Jarosław Wind Invest sp. z o.o. (plaintiff) TAURON (defendant)	Object of litigation: lawsuit for payment of damages and determination of TAURON's liability for the losses that may arise in the future due to tort, including acts of unfair competition.
		Value of the object of litigation: PLN 27 008 100.00
		Initiation of the proceeding: the lawsuit of June 29, 2017
		Company's position: the Company considers the claims covered by the lawsuit as being without merit.
9.	in.ventus sp. z o.o. Mogilno I sp. k. (plaintiff)	Object of litigation: lawsuit for payment of damages and determination of TAURON's liability for the losses that may arise in the future due to tort, including acts of unfair competition.

#	Parties to the proceeding	Description of the proceedings including the value of the object of litigation and the Company's position
	TAURON (defendant)	Value of the object of litigation: EUR 12 286 229.70 (i.e. PLN 53 587 619.46 at NBP's average exchange rate of June 29, 2018)
		Initiation of the proceeding: the lawsuit of June 29, 2018
		Company's position: the Company considers the claims covered by the lawsuit as being without merit. The proceeding suspended by the court as a result of the joint petition filed by the parties to suspend the proceeding under art.178 of the Code of Civil Procedure, indicating that on September 3, 2019, the transaction had been finalized under which TAURON's subsidiaries had acquired all rights and obligations of the partners in the plaintiff company and due to the ownership changes that had occurred the parties intended to work out a solution that would enable ending of the court dispute.
10.	Amon sp. z o.o. and Talia sp. z o.o. (formal co-participation on the plaintiff's side) TAURON (defendant)	Object of litigation: lawsuit for payment of damages and determination of TAURON's liability for the losses that may arise in the future due to tort, including acts of unfair competition.
		Value of the object of litigation: Amon – PLN 47 556 025.51; Talia – PLN 31 299 182.52
		Initiation of the proceeding: the lawsuit of April 30, 2018
		Company's position: the Company considers the claims covered by the lawsuit as being without merit.

Proceedings involving TAURON Capital Group's subsidiaries related to the termination, by a subsidiary, of the agreements related to the sale of electricity and property rights arising from the certificates of origin

#	Parties to the proceeding	Description of the proceedings including the value of the object of litigation and the Company's position
1.	Gorzyca Wind Invest sp. z o.o. Pękanino Wind Invest sp. z o.o. Dobiesław Wind Invest sp. z o.o. (plaintiff) PEPKH (defendant)	Object of litigation: plea to declare the termination, by PEPKH, of the agreements related to the purchase of electricity and property rights arising from the certificates of origin null and void, and to award damages.
		Value of the object of litigation: Gorzyca – PLN 112 353 945.05; Pękanino PLN 64 116 908.85
		Date of initiating the proceeding: Gorzyca – May 18, 2015, Pękanino – May 20, 2018, DWI – May 18, 2015
		Company's position: the Company considers the claims covered by the lawsuit as being without merit.
2.	Dobiesław Wind Invest sp. z o.o. (plaintiff) PEPKH (defendant)	Object of litigation: plea to award damages due to a failure, by PEPKH, to perform the agreement for the sale of electricity and plea to pay the sales price for electricity delivered to PEPKH by the plaintiff under the master (framework) agreement and the liquidated damages assessed due to a failure, by PEPKH, to purchase the property rights.
		Value of the object of litigation: PLN 42 095 462.00
		Initiation of the proceeding: the lawsuit of June 14, 2017
		Company's position: the Company considers the claims covered by the lawsuit as being without merit.
3.	Nowy Jarosław Wind Invest sp. z o.o. (plaintiff) PEPKH (defendant)	Object of litigation: plea to declare the termination, by PEPKH, of the agreements related to the sale of electricity and property rights arising from the certificates of origin null and void, and to award damages.
		Value of the object of litigation: PLN 69 282 649.20
		Initiation of the proceeding: the lawsuit of June 3, 2015
		Company's position: the Company considers the claims covered by the lawsuit as being without merit.
4.	Amon sp. z o.o. (plaintiff) PEPKH (defendant)	Object of litigation: plea to declare the termination, by PEPKH, of the agreements related to the purchase of electricity and property rights arising from the certificates of origin null and void, and to award damages.

		Value of the object of litigation: PLN 40 478 983.22 Initiation of the proceeding: the lawsuit of May 22, 2015 On July 25, 2019 the Regional Court in Gdańsk issued a partial and preliminary ruling in the case in which the Court: • determined that PKH's statements on the termination of long term agreements, concluded between PKH and Amon sp. z o.o., for the purchase of electricity and property rights arising from certificates of origin had been ineffective and had not produced legal effects, such as the termination of both agreements, as a result of which these agreements, following the notice period, i.e. past April 30, 2015, shall continue to be in force with respect to all provisions and shall be binding for the parties, • determined that Amon's demand for payment of damages for a failure to perform the agreement had been justified in principle, however the Court did not determine the amount of the potential damages. • The ruling is not legally binding. PEPKH disagrees with the ruling and filed an appeal on October 25, 2019. Company's position: the Company considers the claims covered by the lawsuit as being without merit.
5.	Amon sp. z o.o. (plaintiff) PEPKH (defendant)	Object of litigation: plea to determine awarding of damages due to a failure to perform, by PEPKH, of the agreements related to the purchase of electricity and property rights arising from the certificates of origin. Value of the object of litigation: PLN 29 009 189.38 Initiation of the proceeding: September 2, 2019 Company's position: the Company considers the claims covered by the lawsuit as being without merit.
6.	Talia sp. z o.o. (plaintiff) PEPKH (defendant)	Object of litigation: plea to declare the termination, by PEPKH, of the agreements related to the purchase of electricity and property rights arising from the certificates of origin null and void, and to award damages. Value of the object of litigation: PLN 46 078 047.43 Initiation of the proceeding: the lawsuit of May 21, 2015 Company's position: the Company considers the claims covered by the lawsuit as being without merit.
7.	Mogilno III Mogilno IV Mogilno V Mogilno VI (plaintiff) PEPKH (defendant)	Object of litigation: plea to declare the termination, by PEPKH, of the agreements related to the purchase of electricity null and void, and to award damages. Value of the object of litigation: Mogilno III – equivalent of EUR 3 651 402.56; Mogilno IV – equivalent of EUR 3 765 458.12 EUR; Mogilno V – equivalent of EUR 3 505 331.82; Mogilno VI – equivalent of EUR 2 231 812.61 Initiation of the proceeding: the lawsuit of May 25, 2015 Company's position: the Company considers the claims covered by the lawsuit as being without merit. The proceeding suspended by the court as a result of the joint petition filed by the parties to suspend the proceeding under art.178 of the Code of Civil Procedure, indicating that on September 3, 2019, the transaction had been finalized under which TAURON's subsidiaries had acquired all rights and obligations of the partners in the plaintiff company and due to the ownership changes that had occurred the parties intended to work out a solution that would enable ending of the court dispute.
8.	Mogilno I Mogilno II (plaintiff) PEPKH (defendant)	Object of litigation: lawsuit for payment of damages for the losses arisen as a result of a failure to perform agreements for the sale of property rights by PEPKH. Value of the object of litigation: Mogilno I – equivalent of EUR 3 583 336.19 EUR; Mogilno II – equivalent of EUR 3 659 538.72

		Initiation of the proceeding: the lawsuits of November 7, 2018
		Company's position: the Company considers the claims covered by the lawsuit as being without merit. The proceeding suspended by the court as a result of the joint petition filed by the parties to suspend the proceeding under art.178 of the Code of Civil Procedure, indicating that on September 3, 2019, the transaction had been finalized under which TAURON's subsidiaries had acquired all rights and obligations of the partners in the plaintiff company and due to the ownership changes that had occurred the parties intended to work out a solution that would enable ending of the court dispute.
9.	Hamburg Commercial Bank AG (formerly HSH Nordbank AG) (plaintiff) and TAURON Sprzedaż (defendant)	Object of litigation: lawsuit for payment of damages due to TAURON Sprzedaż's failure to perform agreements for the sale of property rights arising from the certificates of origin constituting the confirmation of electricity generation from a renewable energy source and the liquidated damages assessed due to the termination of the above mentioned agreements.
		Value of the object of litigation: PLN 232 878 578.36
		Initiation of the proceeding: March 7, 2019
		Company's position: the Company considers the claims covered by the lawsuit as being without merit. In the letter drawn up jointly by the parties of September 3, 2019, the Plaintiff withdrew the lawsuit and waived its claim, and therefore the parties jointly submitted a request to discontinue the proceeding (dismiss the case) in whole. By way of the decision of September 5, 2019 the court discontinued the proceeding (dismissed the case). The decision is legally binding.

5.2. Transactions with related entities on terms other than at arm's length

All of the transactions with related entities are concluded at arm's length. The detailed information on the transactions with related entities is provided in note 49 of the interim abbreviated consolidated financial statements for the period of 9 months ended on September 30, 2019.

5.3. Information on granted guarantees, loan or credit co-signings (sureties, endorsements)

Guarantees granted

As of September 30, 2019, the amount of bank guarantees issued at the Company's instruction with respect to the accounts payable of TAURON Group's Subsidiaries, under the master (framework) agreements amounted to PLN 610 398 000. The most significant item is the bank guarantee granted by MUFG Bank Ltd. at the Company's instruction to provide a collateral for the claims of BGK towards EC Stalowa Wola. The bank guarantee is effective until April 11, 2020.

On February 5, 2019, TAURON concluded a new agreement on a limit on bank guarantees with MUFG Bank Ltd., under which an amendment to the bank guarantee to provide a collateral for the claims of BGK towards EC Stalowa Wola stemming from the loan agreement concluded on March 8, 2018 between EC Stalowa Wola as a loan taker, and BGK and PGNiG S.A. as loan providers, was issued

On May 27, 2019, the Company concluded agreements on a limit on bank guarantees with Caixabank S.A.

- up to the amount of PLN 80 000 000 with the availability limit for the period of 36 months from the day of concluding the agreement, with a proviso that the effective term of the bank guarantees issued under the agreement shall not exceed the effective term by more than 12 months,
- up to the amount of PLN 20 000 000 with the availability limit for the period of 24 months, with a proviso that within the term of the agreement it will be possible to issue bank guarantees with the maximum 84-month effective term.

The above agreements concluded with Caixabank S.A., for the total amount of PLN 100 000 000, replace the existing agreement on a limit on bank guarantees of July 12, 2016, that has been terminated.

The below table presents a summary of bank guarantees granted in the period from January 1, 2019, until September 30, 2019, listed according to the end date of the effective term.

Table no. 25. Summary of bank guarantees granted in the period from January 1, 2019, until September 30, 2019, listed according to the end date of the effective term

#	Bank	Company	Beneficiary	Type of guarantee	Amount ('000)	Effective term
1.	Santander Bank	TAURON	IRGiT	accounts payable	20 000 PLN	27.03.2019 – 31.05.2019
2.	Santander Bank	TAURON	IRGiT	accounts payable	30 000 PLN	05.04.2019 – 31.05.2019
3.	Santander Bank	TAURON	IRGiT	accounts payable	50 000 PLN	08.04.2019 – 31.05.2019
4.	CaixaBank	TAURON	IRGiT	accounts payable	50 000 PLN	01.06.2019 – 31.07.2019
5.	CaixaBank	TAURON	IRGiT	accounts payable	19 000 PLN	29.08.2019 – 30.09.2019
6.	CaixaBank	TAURON	PSE	deposit	7 906 PLN	23.09.2019 – 17.10.2019
7.	CaixaBank	TAURON	IRGiT	accounts payable	25 000 PLN	01.08.2019 – 31.10.2019
8.	CaixaBank	TAURON	IRGiT	accounts payable	25 000 PLN	27.08.2019 – 31.10.2019
9.	CaixaBank	TAURON	IRGiT	accounts payable	11 000 PLN	29.08.2019 – 31.10.2019
10.	CaixaBank	KW Czatkowice	PGE	security deposit (bid bond)	1 925 PLN	02.08.2019 – 30.11.2019
11.	CaixaBank	TAURON Wydobycie	PKP	performance bond	105 PLN	01.01.2019 – 31.12.2019
12.	CaixaBank	TAURON Dystrybucja Serwis	S&I Poland	performance bond	488 PLN	17.04.2019 – 29.02.2020
13.	CaixaBank	KW Czatkowice	PGE GiEK	performance bond	106 PLN	01.01.2019 – 30.03.2020
14.	CaixaBank	KW Czatkowice	PGE Energia Ciepła	performance bond	258 PLN	01.01.2019 – 30.03.2020
15.	CaixaBank	KW Czatkowice	ZEW	performance bond	48 PLN	01.01.2019 – 30.03.2020
16.	MUFG Bank Ltd.	TAURON	BGK	accounts payable	517 500 PLN	12.04.2019 – 11.04.2020
17.	CaixaBank	TAURON Sprzedaż	Centrum Onkologii	performance bond	947 PLN	30.07.2019 – 30.10.2020
18.	CaixaBank	TAURON Dystrybucja Serwis	S&I Poland	statutory warranty and guarantee	100 PLN	27.06.2019 – 25.06.2021
19.	CaixaBank	TAURON Dystrybucja Serwis	GDDKiA	performance bond	50 PLN	25.06.2019 – 28.07.2029
20.	CaixaBank	TAURON Dystrybucja Serwis	GDDKiA	performance bond	50 PLN	25.06.2019 – 28.07.2029

Additionally, at the instruction of TAURON Czech Energy, PKO BP S.A. Czech Branch issued a guarantee to provide a collateral for the agreement with the market operator up to the amount of EUR 500 000, effective from March 21, 2019 to January 31, 2020.

The bank guarantees granted prior to January 1, 2019, for the total amount of PLN 19 277 000, expired in the period from January 1, 2019, until September 30, 2019.

As of the date of drawing up this information the amount of bank guarantees granted is PLN 587 423 thousand.

Loans granted

On March 12, 2019, TAURON granted financing to its co-subsidiary, EC Stalowa Wola in the amount of PLN 5 175 000 with the repayment date until June 30, 2033. As of the balance sheet date the amount of the loans granted to EC Stalowa Wola had reached PLN 338 061 000.

On August 5, 2019, and on August 8, 2019, TAURON granted financing to its subsidiary TAURON Wydobycie in the form of two intra-group loans for the total amount of PLN 280 000 000 to be used to repay the intra-group bonds.

In the period from January 1, 2019, until September 30, 2019, neither TAURON, nor its subsidiaries granted any loan or credit co-signings (sureties, endorsements).

5.4. Other information that could be material for the evaluation of TAURON Capital Group's staffing, assets, financial position, financial result and changes thereof, as well as information that could be material for the evaluation of the ability of TAURON Capital Group to meet its obligations

Besides the events indicated above in this document no other events had occurred in the third quarter of 2019 that could be material for the evaluation of TAURON Capital Group's ability to meet its obligations.

TAURON's Management Board's position is that the information presented in this report describes TAURON Capital Group's staffing, assets and financial position, as well as its financial result and changes thereof in an exhaustive manner and that no other events occurred, undisclosed by the Company, that could be material for the evaluation of such position.

Katowice, November 13, 2019

Filip Grzegorczyk – President of the Management Board (CEO)

Marek Wadowski – Vice President of the Management Board (CFO)

Appendix A: GLOSSARY OF TERMS AND LIST OF ABBREVIATIONS

The glossary of trade terms and the list of abbreviations and acronyms most commonly used in the content of this information is presented below.

Table no. 26. Explanation of abbreviations and acronyms used in the content of this information

#	Abbreviation and trade term	Full name / explanation
1	ARE	Agencja Rynku Energii S.A. with its seat in Warsaw
2	BGK	Bank Gospodarstwa Krajowego with its seat in Warsaw
3	Cash pooling	Cash pooling used by the Company – the consolidation of balances of bank accounts through physical transferring of cash from the accounts of TAURON Capital Group's subsidiaries in the bank in which cash pooling is operated to the bank account of the Pool Leader whose function is performed by the Company. At the end of each working day, cash is transferred from the bank accounts of TAURON Capital Group's subsidiaries which show positive balance to the bank account of the pool leader. At the beginning of each working day the bank accounts of TAURON Capital Group's subsidiaries are credited from the bank account of the pool leader with the amount required to maintain the financial liquidity of the TAURON Capital Group's subsidiary on the given working day.
4	CUW	Shared Services Center (Centrum Usług Wspólnych - CUW), e.g. CUW R – accounting services, CUW HR – human resources services
5	EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
6	EC Stalowa Wola/ECSW	Elektrociepłownia (Combined Heat and Power Plant – CHP) Stalowa Wola S.A. with its seat in Stalowa Wola
7	EEC Magenta ASI	EEC Magenta limited liability company ASI limited joint stock partnership with its seat in Warsaw
8	EEC Magenta 2 ASI	EEC Magenta limited liability company 2 ASI limited joint stock partnership with its seat in Warsaw
9	ENEA	ENEA S.A. with its seat in Poznań
10	ENERGA	ENERGA S.A. with its seat in Gdańsk
11	EU ETS	European Union CO_2 Emission Trading System
12	EUA	European Union Allowance - an allowance to introduce the carbon dioxide (CO_2) equivalent to the air, within the meaning of Article 2 section 4 of the *Act of July 17, 2009 on the management system of emissions of greenhouse gases and other substances*, carbon dioxide (CO_2),which is used for settlements of emission level within the system and which can be managed under the rules provided in the *Act of April 28, 2011 on the system of greenhouse gas emission allowances trading (Journal of Laws No. 122, item 695)*
13	EUR	Euro - a common European currency introduced in some EU member states
14	GAZ-SYSTEM	Transmission Pipelines Operator GAZ-SYSTEM S.A. with its seat in Warsaw
15	TAURON Capital Group (Grupa Kapitałowa TAURON)	TAURON Polska Energia S.A. Capital Group (Grupa Kapitałowa TAURON Polska Energia S.A.)
16	IRGIT	Izba Rozliczeniowa Giełd Towarowych S.A. (Commpodity Exhanges Clearing House Joint Stock Company) with its seat in Warsaw
17	KGHM	KGHM Polska Miedź S.A. with its seat in Lubin
18	Konkluzje BAT (BAT Conclusions)	Best Available Techniques with respect to large combustion plants (LCP), introduced by way of the Executive Decision of the European Commission (EU) no. 2017/1442of July 31, 2017
19	KW Czatkowice	Kopalnia Wapienia (Limestone Mine) "Czatkowice" sp. z o.o. with its seat in Krzeszowice
20	Business Model	Document entitled *TAURON Group's Business and Operational Model* (which is an update of *TAURON Group's Business Model* adopted by the Management Board on May 4, 2016)
21	Mg	Megagram - million grams (1 000 000 g) i.e. a ton
22	Nowe Jaworzno GT	Nowe Jaworzno Grupa TAURON sp. z o.o. with its seat in Jaworzno
23	NCBR	National Research and Development Center (Narodowe Centrum Badań i Rozwoju) with its seat in Warsaw
24	Line of Business (Operating Segment)	Seven areas (operating segments) of TAURON Capital Group's core operations set up by the Company: Trading, Mining, Generation, RES, Heat, Distribution and Supply
25	DSO (OSD)	Distribution System Operator (Operator Systemu Dystrybucyjnego)
26	TSO (OSP)	Transmission System Operator (Operator Systemu Przesyłowego)
27	OTC (OTC market)	Over The Counter Market
28	RES (OZE)	Renewable Energy Sources (Odnawialne Źródła Energii)

#	Abbreviation and trade term	Full name / explanation
29	OZEX_A	Green certificates price index
30	PEPKH	Polska Energia - Pierwsza Kompania Handlowa sp. z o.o. with its seat in Warsaw
31	PFR	Polski Fundusz Rozwoju S.A. (Polish Development Fund Joint Stock Company) with its seat in Warsaw
32	PGE	PGE Polska Grupa Energetyczna S.A. with its seat in Warsaw
33	PGE EJ 1	PGE EJ 1 sp. z o.o. with its seat in Warsaw
34	PGNiG	Polskie Górnictwo Naftowe i Gazownictwo S.A. with its seat in Warsaw
35	GDP (PKB)	Gross Domestic Product (Produkt Krajowy Brutto)
36	PLN	Polish zloty currency symbol – zł
37	PMEC	Property rights for certificates of origin confirming generation of electricity in the other co-generation sources
38	PMEF	Property rights for energy efficiency certificates
39	PMGM	Property rights for certificates of origin confirming generation of electricity in co-generation, from gas-fired sources or sources with the total installed capacity below 1 MW
40	PMMET	Property rights for certificates of origin confirming generation of electricity in co-generation fired using methane released and captured during underground mining works in active, in liquidation or liquidated hard coal mines, or using gas obtained from biomass processing
41	PMOZE_A	Property rights for certificates of origin confirming generation of electricity in RES after March 1, 2009
42	PMOZE-BIO	Property rights for certificates of origin confirming generation of electricity from agricultural biogas from July 1, 2016
43	PSE	Polskie Sieci Elektroenergetyczne S.A. with its seat in Konstancin-Jeziorna
44	Segment, Segments of operations (Operating Segments)	TAURON Capital Group's segments of operations used in the statutory reporting process. TAURON Capital Group's results from operations are allocated to the following five Segments (also called Line of Business or Areas in this report): Mining, Generation, Distribution, Supply and Other.
45	SPOT (SPOT market)	With respect to electricity, it is the place where trade transactions for electricity are concluded for which the period of delivery falls, at the latest, three days after the date of the transaction's conclusion (usually it is one day before the date of delivery). Operation of the SPOT market for electricity is strongly tied to the operation of the balancing market run by the TSO
46	Company / TAURON	TAURON Polska Energia S.A. with its seat in Katowice
47	Strategy	Document entitled *TAURON Group's 2016 – 2025 Strategy* adopted by the Management Board on September 2, 2016
48	TAURON Ciepło	TAURON Ciepło sp. z o.o. with its seat in Katowice
49	TAURON Czech Energy	TAURON Czech Energy s.r.o. with its seat in Ostrava, Czech Republic
50	TAURON Dystrybucja	TAURON Dystrybucja S.A. with its seat in Cracow
51	TAURON Dystrybucja Pomiary	TAURON Dystrybucja Pomiary sp. z o.o. with its seat in Tarnów
52	TAURON Dystrybucja Serwis	TAURON Dystrybucja Serwis S.A. with its seat in Wrocław
53	TAURON EKOENERGIA	TAURON EKOENERGIA sp. z o.o. with its seat in Jelenia Góra
54	TAURON Obsługa Klienta	TAURON Obsługa Klienta sp. z o.o. with its seat in Wrocław
55	TAURON Serwis	TAURON Serwis sp. z o.o. with its seat in Katowice
56	TAURON Sprzedaż	TAURON Sprzedaż sp. z o.o. with its seat in Cracow
57	TAURON Sprzedaż GZE	TAURON Sprzedaż GZE sp. z o.o. with its seat in Gliwice
58	TAURON Sweden Energy	TAURON Sweden Energy AB (publ) with its seat in Stockholm, Sweden
59	TAURON Wydobycie	TAURON Wydobycie S.A. with its seat in Jaworzno
60	TAURON Wytwarzanie	TAURON Wytwarzanie S.A. with its seat in Jaworzno
61	TGE	Towarowa Giełda Energii S.A. (Polish Power Exchange Joint Stock Company) with its seat in Warsaw
62	EU (UE)	European Union (Unia Europejska)
63	UOKiK	Office of Competition and Consumer Protection (Urząd Ochrony Konkurencji i Konsumentów)

#	Abbreviation and trade term	Full name / explanation
64	ERO (URE)	Energy Regulatory Office (Urząd Regulacji Energetyki)
65	WFOŚiGW	Regional Environment Protection and Water Management Fund (Wojewódzki Fundusz Ochrony Środowiska i Gospodarki Wodnej) in Katowice or in Cracow
66	Wsparcie Grupa TAURON	Wsparcie Grupa TAURON sp. z o.o. with its seat in Tarnów (formerly KOMFORT-ZET sp. z o.o.)
67	ZG	Coal Mine (Zakład Górniczy = ZG) (Sobieski, Janina or Brzeszcze)

Appendix B: INDEX OF TABLES AND FIGURES

The list of tables and figures presented in this information is provided below.

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