The TAURON Polska Energia S.A. Capital Group

Interim condensed consolidated financial statements
prepared according to the International Financial Reporting Standards
for the 3-month period ended 31 March 2013

(in PLN thousand)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	3-month period ended 31 March 2013 *(unaudited)*	3-month period ended 31 March 2012 *(unaudited restated figures)*
Continuing operations			
Sale of goods for resale, finished goods and materials without elimination of excise		3 713 623	4 974 130
Excise		(114 191)	(145 211)
Sale of goods for resale, finished goods and materials		3 599 432	4 828 919
Rendering of services		1 550 902	1 614 099
Other income		12 700	11 835
Sales revenue	**10**	**5 163 034**	**6 454 853**
Cost of sales	**10**	(4 078 650)	(5 604 614)
Gross profit		**1 084 384**	**850 239**
Other operating income		26 739	26 438
Selling and distribution expenses		(135 865)	(116 780)
Administrative expenses		(169 590)	(178 971)
Other operating expenses		(17 336)	(22 386)
Operating profit		**788 332**	**558 540**
Finance income		27 038	31 877
Finance costs		(78 442)	(91 205)
Share in profit/(loss) of joint venture recognised using the equity method		(869)	(354)
Profit before tax		**736 059**	**498 858**
Income tax expense	**11**	(156 126)	(104 161)
Net profit from continuing operations		**579 933**	**394 697**
Net profit for the period		**579 933**	**394 697**
Other comprehensive income:			
Other comprehensive income subject to reclassification to profit or loss:		**2 626**	**(9 733)**
Change in the value of hedging instruments		3 331	(11 835)
Foreign exchange differences from translation of foreign entities		(72)	(147)
Income tax relating to other comprehensive income items		(633)	2 249
Other comprehensive income not subject to reclassification to profit or loss:		**5 993**	**1 900**
Actuarial gains/(losses) related to provisions for post-employment benefits		7 399	2 346
Income tax relating to other comprehensive income items		(1 406)	(446)
Other comprehensive income for the period, net of tax		**8 619**	**(7 833)**
Total comprehensive income for the period		**588 552**	**386 864**
Net profit:			
Attributable to equity holders of the parent		558 296	381 164
Attributable to non-controlling interests		21 637	13 533
Total comprehensive income:			
Attributable to equity holders of the parent		566 246	373 567
Attributable to non-controlling interests		22 306	13 297
Earnings per share (in PLN):			
- basic and diluted, for profit for the period attributable to equity holders of the parent		0.32	0.22
- basic and diluted, for profit for the period from continuing operations attributable to equity holders of the parent		0.32	0.22

(in PLN thousand)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 March 2013 *(unaudited)*	As at 31 December 2012
ASSETS			
Non-current assets			
Property, plant and equipment	**13**	24 223 173	24 112 737
Intangible assets and godwill	**14**	614 055	617 219
Investments in joint ventures recognised using the equity method	**15**	49 939	51 986
Other financial assets		343 898	305 444
Other non-financial assets		387 967	359 709
Deferred tax assets	**11**	31 855	24 135
		25 650 887	**25 471 230**
Current assets			
Intangible assets	**16**	292 319	711 099
Inventories	**17**	533 231	708 282
Corporate income tax receivables	**11**	119 959	1 434
Trade and other receivables	**18**	2 842 352	3 036 695
Other financial assets		9 065	5 422
Other non-financial assets		260 385	272 371
Cash and cash equivalents	**19**	1 007 246	1 030 929
		5 064 557	**5 766 232**
Non-current assets classified as held for sale		**34 229**	**36 215**
TOTAL ASSETS		**30 749 673**	**31 273 677**

(in PLN thousand)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - CONTINUED

	Note	As at 31 March 2013 *(unaudited)*	As at 31 December 2012
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Issued capital	**20.1**	8 762 747	8 762 747
Reserve capital	**20.2**	7 953 021	7 953 021
Revaluation reserve from valuation of hedging instruments	**20.3**	(151 005)	(153 703)
Foreign exchange differences from translation of foreign entities		(442)	(370)
Retained earnings/Accumulated losses		236 127	(326 585)
		16 800 448	**16 235 110**
Non-controlling interests		**515 613**	**493 123**
Total equity		**17 316 061**	**16 728 233**
Non-current liabilities			
Interest-bearing loans and borrowings	**21**	5 643 271	5 222 882
Finance lease and hire purchase commitments		37 023	41 796
Trade payables and other financial liabilities		8 089	7 890
Derivative instruments		154 956	150 594
Provisions for employee benefits	**22**	1 555 705	1 568 219
Other provisions	**23**	83 534	82 523
Accruals and government grants	**24**	715 776	723 315
Deferred tax liability	**11**	1 470 076	1 350 848
		9 668 430	**9 148 067**
Current liabilities			
Current portion of interest-bearing loans and borrowings	**21**	426 987	286 990
Current portion of finance lease and hire purchase commitments		14 491	14 482
Trade and other payables		1 456 633	2 628 449
Derivative instruments		37 549	40 624
Provisions for employee benefits	**22**	173 860	167 704
Other provisions	**23**	583 019	1 103 036
Accruals and government grants	**24**	241 018	273 824
Income tax payable		72 603	113 034
Other non-financial liabilities		759 022	769 234
		3 765 182	**5 397 377**
Total liabilities		**13 433 612**	**14 545 444**
TOTAL EQUITY AND LIABILITIES		**30 749 673**	**31 273 677**

(in PLN thousand)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE 3-MONTH PERIOD ENDED 31 MARCH 2013 *(unaudited)*

	Note	Equity attributable to the equity holders of the parent						Non-controlling interests	Total equity
		Issued capital	Reserve capital	Revaluation reserve on valuation of hedging instruments	Foreign exchange differences from translation of foreign entities	Retained earnings/ Accumulated losses	Total		
As at 1 January 2013		**8 762 747**	**7 953 021**	**(153 703)**	**(370)**	**(326 585)**	**16 235 110**	**493 123**	**16 728 233**
Profit for the period		-	-	-	-	558 296	**558 296**	21 637	**579 933**
Other comprehensive income		-	-	2 698	(72)	5 324	**7 950**	669	**8 619**
Total comprehensive income for the period		**-**	**-**	**2 698**	**(72)**	**563 620**	**566 246**	**22 306**	**588 552**
Mandatory squeeze-out		-	-	-	-	146	**146**	(870)	**(724)**
Change in non-controlling interests due to division of a subsidiary	**25**	-	-	-	-	(1 054)	**(1 054)**	1 054	**-**
As at 31 March 2013 *(unaudited)*		**8 762 747**	**7 953 021**	**(151 005)**	**(442)**	**236 127**	**16 800 448**	**515 613**	**17 316 061**

FOR THE 3-MONTH PERIOD ENDED 31 MARCH 2012 *(unaudited restated figures)*

	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 2012	**8 762 747**	**7 412 882**	**-**	**87**	**(497 995)**	**15 677 721**	**461 347**	**16 139 068**
Change in accounting policy and the effect of the final settlement of the acquisition of GZE S.A.	-	-	-	-	(45 400)	**(45 400)**	(6 450)	**(51 850)**
As at 1 January 2012 *(restated figures)*	**8 762 747**	**7 412 882**	**-**	**87**	**(543 395)**	**15 632 321**	**454 897**	**16 087 218**
Profit for the period	-	-	-	-	381 164	**381 164**	13 533	**394 697**
Other comprehensive income	-	-	(9 586)	(147)	2 136	**(7 597)**	(236)	**(7 833)**
Total comprehensive income for the period	**-**	**-**	**(9 586)**	**(147)**	**383 300**	**373 567**	**13 297**	**386 864**
Mandatory squeeze-out	-	-	-	-	10	**10**	(46)	**(36)**
As at 31 March 2012 *(unaudited restated figures)*	**8 762 747**	**7 412 882**	**(9 586)**	**(60)**	**(160 085)**	**16 005 898**	**468 148**	**16 474 046**

(in PLN thousand)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	3-month period ended 31 March 2013 *(unaudited)*	3-month period ended 31 March 2012 *(unaudited restated figures)*
Cash flows from operating activities			
Profit/(loss) before taxation		736 059	498 858
Adjustments for:			
Share in profit/(loss) of joint venture recognised using the equity method	15	869	354
Depreciation and amortization		432 521	416 352
(Gain)/loss on foreign exchange differences		929	(1 011)
Interest and dividens, net		49 643	56 209
(Gain)/loss on investing activities		1 418	3 889
(Increase)/decrease in receivables		192 772	(372 618)
(Increase)/decrease in inventories		172 998	35 235
Increase/(decrease) in payables excluding loans and borrowings		(576 726)	(156 809)
Change in other non-current and current assets		433 844	144 793
Change in deferred income, government grants and accruals		(42 050)	(36 835)
Change in provisions		(531 653)	(245 837)
Income tax paid		(205 615)	(88 134)
Other		-	37
Net cash generated from operating activities		**665 009**	**254 483**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment and intangible assets		4 929	2 909
Purchase of property, plant and equipment and intangible assets	33	(1 141 405)	(968 722)
Proceeds from sale of bonds and other debt securities		-	99 507
Proceeds from sale of other financial assets		-	6 919
Purchase of financial assets		(3 406)	(2 722)
Acquisition of a subsidiary, after deducting cash acquired		-	(5 500)
Dividends received		5 514	-
Interest received		457	-
Repayment of loans granted		5 850	-
Loans granted	33	(38 850)	-
Other		2	-
Net cash used in investing activities		**(1 166 909)**	**(867 609)**
Cash flows from financing activities			
Payment of finance lease liabilities		(4 752)	(4 952)
Proceeds from loans	33	451 180	542 000
Repayment of loans		(7 900)	(31 103)
Issue of debt securities		-	150 000
Dividends paid to non-controlling interests		(81)	(6)
Interest paid		(8 799)	(4 839)
Acquisition of non-controlling interests		(732)	(36)
Other		(3 463)	(1 706)
Net cash generated from financing activities		**425 453**	**649 358**
Net increase/(decrease) in cash and cash equivalents		**(76 447)**	**36 232**
Net foreign exchange difference		(720)	(303)
Cash and cash equivalents at the beginning of the period		**891 654**	**505 816**
Cash and cash equivalents at the end of the period, *of which*:	19	**815 207**	**542 048**
restricted cash	19	490 815	252 481

EXPLANATORY NOTES

1. Corporate information

The TAURON Polska Energia S.A. Capital Group ("the Group", "the TAURON Group") is composed of TAURON Polska Energia S.A. ("parent", "Company") and its subsidiaries. The interim condensed consolidated financial statements of the Group cover the 3-month period ended 31 March 2013 and include comparative figures for the 3-month period ended 31 March 2012 and as at 31 December 2012. The data for the 3-month period ended 31 March 2013 included in these interim condensed consolidated financial statements and the comparative figures for the 3-month period ended 31 March 2012 were neither audited nor reviewed by an independent auditor. Comparative figures as at 31 December 2012 were audited by an independent auditor.

The parent is entered in the Register of Entrepreneurs of the National Court Register kept by the District Court Katowice-Wschód Economic Department of the National Court Register, Entry No. KRS 0000271562.

The parent was granted statistical number REGON 240524697.

The parent and other Group entities have unlimited periods of operation.

The Group's principal business activities include:

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

Operations are conducted based on relevant concessions granted to the individual companies in the Group.

(in PLN thousand)

2. Composition of the Group

As at 31 March 2013, TAURON Polska Energia S.A. held direct interests in the following significant subsidiaries:

No.	Name of the entity	Address	Principal business activities	Direct interest of TAURON in the entity's share capital	Direct interest of TAURON in the entity's governing body
1	TAURON Wytwarzanie S.A.	40-389 Katowice; ul. Lwowska 23	Generation, transmission and distribution of electricity and heat	99.77%	99.79%
2	TAURON Dystrybucja S.A.	30-390 Kraków; ul. Zawiła 65 L	Distribution of electricity	99.68%	99.70%
3	TAURON Sprzedaż Sp. z o.o.	30-417 Kraków; ul. Łagiewnicka 60	Trading in electricity	100.00%	100.00%
4	TAURON Obsługa Klienta Sp. z o.o.[1]	53-128 Wrocław; ul. Sudecka 95-97	Customer services	100.00%	100.00%
5	TAURON Ekoenergia Sp. z o.o.	58-500 Jelenia Góra; ul. Obrońców Pokoju 2B	Generation of electricity, trading in electricity	100.00%	100.00%
6	Polska Energia Pierwsza Kompania Handlowa Sp. z o.o.	41-400 Mysłowice; Obrzeżna Północna 12	Trading in electricity	100.00%	100.00%
7	TAURON Ciepło S.A.	40-126 Katowice; ul. Grażyńskiego 49	Heat production and distribution	91.79%	92.41%
8	TAURON Czech Energy s.r.o.	720 00 Ostrava; Na Rovince 879/C Czech Republic	Trading in electricity	100.00%	100.00%
9	TAURON Sprzedaż GZE Sp. z o.o. [2]	44-100 Gliwice; ul. Barlickiego 2a	Trading in electricity	99.998%	99.998%

[1]On 31 January 2013, merger of Tauron Obsługa Klienta Sp. z o.o. with Tauron Obsługa Klienta GZE Sp. o.o. was entered in the register, as discussed in detail in Note 25.

[2] TAURON Polska Energia S.A. holds indirectly through TAURON Serwis GZE Sp. z o.o. (currently Tauron Dystrybucja Serwis S.A.) 0.002% interest in the share capital and in the governing body of TAURON Sprzedaż GZE Sp. z o.o. As a result the Company holds 100% interests in the share capital and in the governing body of TAURON Sprzedaż GZE Sp. z o.o.

(in PLN thousand)

As at 31 March 2013, TAURON Polska Energia S.A. held indirect interests in the following significant subsidiaries:

No.	Name of the entity	Address	Principal business activities	Indirect interest of TAURON in the entity's share capital	Holder of shares as at 31 March 2013	Indirect interest of TAURON in the entity's governing body	Holder of shares as at 31 March 2013
1	Kopalnia Wapienia Czatkowice Sp. z o.o.[1]	32-063 Krzeszowice 3; os. Czatkowice 248	Quarrying, crushing and breaking of limestone, quarrying of stone for construction industry	99.77%	TAURON Wytwarzanie S.A. – 100.00%	99.79%	TAURON Wytwarzanie S.A. – 100.00%
2	Południowy Koncern Węglowy S.A.[1]	43-600 Jaworzno; ul. Grunwaldzka 37	Hard coal mining	52.36%	TAURON Wytwarzanie S.A. – 52.48%	67.87%	TAURON Wytwarzanie S.A. – 68.01%
3	BELS INVESTMENT Sp. z o.o.	58-500 Jelenia Góra; ul. Obrońców Pokoju 2B	Generation of electricity	100.00%	TAURON Ekoenergia Sp. z o.o. – 100.00%	100.00%	TAURON Ekoenergia Sp. z o.o. – 100.00%
4	MEGAWAT MARSZEWO Sp. z o.o.	58-500 Jelenia Góra; ul. Obrońców Pokoju 2B	Generation of electricity	100.00%	TAURON Ekoenergia Sp. z o.o. – 100.00%	100.00%	TAURON Ekoenergia Sp. z o.o. – 100.00%
5	TAURON Serwis GZE Sp. z o.o.[2]	44-100 Gliwice; ul. Myśliwska 6	Repair and maintenance of machinery and electrical equipment	99.68%	TAURON Dystrybucja S.A. – 100.00%	99.70%	TAURON Dystrybucja S.A. – 100.00%

[1] TAURON Polska Energia S.A. is the usufructuary of shares owned by TAURON Wytwarzanie S.A. Under the agreements for usufruct of shares, TAURON Polska Energia S.A. holds a 100% interest in the share capital and in the governing body of Kopalnia Wapienia Czatkowice Sp. z o.o. and a 52.48% interest in the share capital of Południowy Koncern Węglowy S.A., giving it 68.01% of votes at the company's General Shareholders' Meeting.

[2] On 2 April 2013, merger of TAURON Serwis GZE Sp. z o.o. (the acquiree) and Przedsiębiorstwo Usług Elektroenergetycznych S.A. (the acquirer) was entered in the register and, at the same time, the name of the acquirer was changed into TAURON Dystrybucja Serwis S.A.

In addition, as at 31 March 2013, TAURON Polska Energia S.A. held indirect interests in the following significant jointly controlled entities:

No.	Name of the entity	Address	Principal business activities	Indirect interest of TAURON in the entity's share capital	Holder of shares as at 31 March 2013	Indirect interest of TAURON in the entity's governing body	Holder of shares as at 31 March 2013
1	Elektrociepłownia Stalowa Wola S.A.	37-450 Stalowa Wola; ul. Energetyków 13	Generation, transmission, distribution and trading in electricity	49.89%	TAURON Wytwarzanie S.A. – 50.00%	49.90%	TAURON Wytwarzanie S.A. – 50.00%
2	Elektrownia Blachownia Nowa Sp. z o.o.	47-225 Kędzierzyn Koźle; ul. Energetyków 11	Generation of electricity	49.89%	TAURON Wytwarzanie S.A. – 50.00%	49.90%	TAURON Wytwarzanie S.A. – 50.00%

3. Basis of preparation of interim condensed consolidated financial statements

These interim condensed consolidated financial statements were prepared in accordance with International Financial Reporting Standards endorsed by the EU ("IFRS"), in particular in accordance with International Accounting Standard 34 ("IAS 34"). At the date of authorization of these consolidated financial statements for issue, considering the pending process of IFRS endorsement in the EU and the nature of the Group's activities, within the scope of the accounting policies applied by the Group there is no difference between the IFRSs that came into effect and the IFRSs endorsed by the EU, except for the amendments to IFRS 10, IFRS 11 and IFRS 12, which are planned to be implemented by the Group for the annual period beginning on 1 January 2014.

IFRSs comprise standards and interpretations accepted by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee.

These interim condensed consolidated financial statements are presented in Polish zloty ("PLN") and all amounts are stated in PLN thousands unless otherwise indicated.

These interim condensed consolidated financial statements have been prepared on the assumption that the Group companies will continue as going concerns in the foreseeable future. At the date of authorization of these consolidated financial statements, the Management Board is not aware of any facts or circumstances that would indicate a threat to the continued activity of the Group companies.

The interim condensed consolidated financial statements do not include all information and disclosures that are required in annual consolidated financial statements and should be read in conjunction with the consolidated financial statements of the Group prepared in accordance with IFRS for the year ended 31 December 2012.

These interim condensed consolidated financial statements for the 3-month period ended 31 March 2013 were authorized for issue on 7 May 2013.

4. Summary of significant accounting policies

The accounting policies applied to the interim condensed consolidated financial statements are consistent with those applied to the annual consolidated financial statements of the Group for the year ended 31 December 2012, except for the application of the following amendments to standards and new interpretations effective for annual periods beginning on 1 January 2013:

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

5. New standards and interpretations that have been issued but are not yet effective

The following standards and interpretations were issued by the International Accounting Standards Board or the IFRS Interpretations Committee but are not yet effective:

- Phase 1 of IFRS 9 Financial Instruments: Classification and Measurement – applicable to annual periods beginning on or after 1 January 2015 – not endorsed by the European Union (EU) as at the date of authorization of these consolidated financial statements. In the next phases, the International Accounting Standards Board will address hedge accounting and impairment. The application of the first phase of IFRS 9 will have an impact on the classification and measurement of the Group's financial assets. The Group will assess this impact in conjunction with the other phases when issued, in order to present a consistent picture,
- IFRS 10 Consolidated Financial Statements – applicable to annual periods beginning on or after 1 January 2013 – in the EU, applicable to annual periods beginning on or after 1 January 2014 at the latest. The Group plans to implement IFRS 10 starting from the annual period beginning on 1 January 2014,
- IFRS 11 Joint Arrangements – applicable to annual periods beginning on or after 1 January 2013 – in the EU, applicable to annual periods beginning on or after 1 January 2014 at the latest. The Group plans to implement IFRS 11 starting from the annual period beginning on 1 January 2014,
- IFRS 12 Disclosure of Interests in Other Entities – applicable to annual periods beginning on or after 1 January 2013 – in the EU, applicable to annual periods beginning on or after 1 January 2014 at the latest. The Group plans to implement IFRS 12 starting from the annual period beginning on 1 January 2014,
- Amendments to IFRS 10, IFRS 11 and IFRS 12 Transition Guidance – applicable to annual periods beginning on or after 1 January 2013 – in the EU, applicable to annual periods beginning on or after 1 January 2014 at the latest,
- IAS 27 Separate Financial Statements – applicable to annual periods beginning on or after 1 January 2013 – in the EU, applicable to annual periods beginning on or after 1 January 2014 at the latest,
- IAS 28 Investments in Associates and Joint Ventures – applicable to annual periods beginning on or after 1 January 2013 – in the EU, applicable to annual periods beginning on or after 1 January 2014 at the latest,
- Amendments to IAS 32 Financial Instruments: Presentation: Offsetting Financial Assets and Financial Liabilities – applicable to annual periods beginning on or after 1 January 2014,
- Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities (issued on 31 October 2012) – applicable to annual periods beginning on or after 1 January 2014 – not endorsed by the EU as at the date of authorization of these financial statements.

Due to the planned date of implementation of IFRS 10, IFRS 11 and IFRS 12 starting from the annual period beginning on 1 January 2014, at the date of authorization of these interim condensed consolidated financial statements for issue, the Company is in the course of analyzing the impact of those IFRSs on the accounting policies applied by the Group. Management believes that the implementation of the other standards and interpretations mentioned above will have no significant impact on the accounting policies applied by the Group.

The Group has not decided to early apply any standard, interpretation or amendment that has already been issued but is not yet effective.

6. Restatement of comparable data

In these interim condensed consolidated financial statements, comparable figures for the 3-month period ended 31 March 2012 and as at 31 March 2012 have been restated compared with the approved figures due to the changes recognized in the consolidated financial statements of the TAURON Group for the year ended 31 December 2012:

- change to the accounting policy resulting from the application of the amended IAS 19,

- change to comparable figures due to the final settlement of the acquisition of Górnośląski Zakład Elektroenergetyczny S.A. ("GZE S.A."),
- change to the presentation of the excess of the Mine Decommissioning Fund over discounted estimated future decommissioning costs of mining facilities and allocation of mining assets to the non-current and current portion.

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

The effect of the aforementioned changes on the comparable figures for the 3-month period ended 31 March 2012 and as at 31 March 2012 included in these interim condensed consolidated financial statements is as follows:

- Compared with the approved figures, the application of the amended IAS 19 caused a decrease of the net profit of the TAURON Group by PLN 244 thousand, including:

  - a decrease of the net profit of the TAURON Group by PLN 1,900 thousand and a simultaneous increase of other comprehensive income of the Group by the same amount due to the recognition of actuarial gains and losses in other comprehensive income, in accordance with the amended IAS 19;

  - an increase of the net profit of the TAURON Group by PLN 1,656 thousand due to the settlement of past service costs related to electricity rates and charges that had been previously recognized in the profit for the 3-month period ended 31 March 2012 and, after the change of the accounting policy, were recognized in full under retained earnings of the Group as at 1 January 2012.

  As at 31 March 2012, compared with the approved figures, the provision for employee benefits increased by PLN 65,930 thousand, of which PLN 67,975 thousand results from the increase of the provision as at 1 January 2012 due to the application of the changes to the accounting policy as of the year ended 31 December 2012, and the decrease of PLN 2,045 thousand results from the settlement of past service costs related to electricity rates and charges as discussed above.

- As a result of the final settlement of the acquisition of GZE S.A., which resulted in the recognition, as at the date of acquisition of control i.e. 13 December 2011, of the remeasurement of property, plant and equipment to fair value of PLN 564,600 thousand and of intangible assets to fair value of PLN 50,706 thousand, the amount of depreciation/amortization of these assets for the 3-month period ended 31 March 2012 was included in the restated comparable figures:

  - other intangible assets – PLN 2,356 thousand;

  - buildings, premises and civil engineering structures – PLN 2,554 thousand;

  - plant and machinery – PLN 1,526 thousand.

  The recognition of the depreciation/amortization of the above-mentioned assets resulted in a PLN 5,213 thousand decrease of the net profit of the TAURON Group for the 3-month period ended 31 March 2012.

- As a result of the change in the presentation of the excess of the Mine Decommissioning Fund (MDF) over the discounted estimated future decommissioning costs of mining facilities, which involved a set off of the MDF balance with the excess, the long-term provision for restoration of land and other long-term non-financial assets as at 31 March 2012 decreased by PLN 7,234 thousand in comparison to the approved figures.

7. Changes in estimates

In the 3-month period ended 31 March 2013, there were no significant changes to the values or methodology of making estimates that would affect the current or future periods, other than those presented below or described in the following sections of these interim condensed consolidated financial statements.

(in PLN thousand)

Impairment tests

Taking into account the indications that the market value of the Company's net assets has recently been below their carrying amount as well as the projected economic slow-down, the Group conducted a test for the impairment of its intangible assets including goodwill and its property, plant and equipment as at 31 December 2012.

The assumptions used for estimating the value in use of property, plant and equipment have been discussed in Note 14 of the Consolidated financial statements for the year ended 31 December 2012.

The key assumptions affecting the estimation of the value in use of the particular segments to which goodwill was allocated have been presented in Note 15 of the Consolidated financial statements for the year ended 31 December 2012. The test was performed based on the present value of estimated cash flows from operations. The calculations were made for cash flows for 2013-2022 and the residual value. The basis for cash flow calculations is the planned EBIT for 2013-2022 and amortization for this period. The discount rate used in the calculation reflects the weighted average cost of capital (WACC) and takes into account a risk-free interest rate equal to the current yield on 10-year State Treasury bonds (5.2%) and a premium for the risk specific to operations conducted in the power industry (5%). The rate of increase used in extrapolation of cash flow projections beyond the specific period included in planning is 2.5% and corresponds to the expected long-term inflation rate.

The analysis of impairment indicators performed as at 31 March 2013 revealed that the market value of the Company's net assets did not significantly change in the 1^{st} quarter; hence it was concluded that the testing results as at 31 December 2012 were still valid and there was no need to perform impairment tests as at the balance sheet date. Full tests will be performed as at 30 June 2013.

Deferred tax

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

Valuation of provisions for employee benefits

Provisions for employee benefits were estimated using actuarial methods. In addition, provisions were also recognized for benefits resulting from the voluntary redundancy schemes implemented in the Group. Details of these provisions are presented in Note 22.

The valuation of provisions for employee benefits as at 31 March 2013 was made based on actuarial forecasts. The assumptions used by the actuary in preparing the forecast for 2013 were the same as those used in the valuation of provisions as at 31 December 2012.

Key assumptions used by the actuary as at 31 December 2012 to calculate the amount of the obligation are as follows:

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

8. Seasonality of operations

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

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

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

9. Segment information

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

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

The Group's reporting format for the period from 1 January 2013 to 31 March 2013 and for the comparable period was based on the following operating segments:

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

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

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

Revenue from transactions between segments is eliminated on consolidation.

Administrative expenses of the parent, after elimination of costs arising from intercompany transactions, are presented under unallocated expenses. Administrative expenses are incurred by the parent for the benefit of the whole Group and cannot be directly allocated to a single operating segment.

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

Segment liabilities do not include deferred tax, income tax liability or financial liabilities, except for trade payables, commitments to purchase fixed and intangible assets and payroll creditors, which do represent segment liabilities.

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

The Board of Directors separately monitors operating results of the segments to take decisions on how to allocate the resources, to evaluate the effects of the allocation and to evaluate performance. Evaluation of performance is based on EBITDA and operating profit or loss. EBITDA is understood by the Group to mean profit/(loss) from continued operations before taxation, finance income and finance costs, increased by depreciation and amortization charges. The Group's financing (including finance costs and income) and income tax are monitored at the level of the Group and they are not allocated to segments.

(in PLN thousand)

3-month period ended 31 March 2013 or as at 31 March 2013 *(unaudited)*	Mining	Generation	Renewable sources of energy	Distribution	Sales	Heat	Customer service	Other	Unallocated items	Total	Eliminations	Total operations
Revenue												
Sales to external customers	144 304	259 287	4 575	554 691	3 804 043	349 696	3 259	43 179	-	**5 163 034**	-	**5 163 034**
Inter-segment sales	228 425	1 002 344	36 961	985 932	986 816	50 447	100 835	60 328	-	**3 452 088**	(3 452 088)	**-**
Segment revenue	**372 729**	**1 261 631**	**41 536**	**1 540 623**	**4 790 859**	**400 143**	**104 094**	**103 507**	**-**	**8 615 122**	**(3 452 088)**	**5 163 034**
Profit/(loss) of the segment	**45 966**	**34 872**	**17 978**	**300 880**	**339 111**	**69 866**	**8 986**	**101**	**(4 892)**	**812 868**	**-**	**812 868**
Unallocated expenses	-	-	-	-	-	-	-	-	(24 536)	**(24 536)**	-	**(24 536)**
Profit/(loss) from continuing operations before tax and net finance income (costs)	**45 966**	**34 872**	**17 978**	**300 880**	**339 111**	**69 866**	**8 986**	**101**	**(29 428)**	**788 332**	**-**	**788 332**
Share in profit/(loss) of joint venture recognised using the equity method	-	(32)	-	-	-	(837)	-	-	-	**(869)**	-	**(869)**
Net finance income (costs)	-	-	-	-	-	-	-	-	(51 404)	**(51 404)**	-	**(51 404)**
Profit/(loss) before income tax	**45 966**	**34 840**	**17 978**	**300 880**	**339 111**	**69 029**	**8 986**	**101**	**(80 832)**	**736 059**	**-**	**736 059**
Income tax expense	-	-	-	-	-	-	-	-	(156 126)	**(156 126)**	-	**(156 126)**
Net profit/(loss) for the period	**45 966**	**34 840**	**17 978**	**300 880**	**339 111**	**69 029**	**8 986**	**101**	**(236 958)**	**579 933**	**-**	**579 933**
EBITDA	**72 921**	**167 464**	**27 182**	**525 061**	**347 875**	**95 580**	**12 103**	**2 330**	**(29 428)**	**1 221 088**	**-**	**1 221 088**
Assets and liabilities												
Segment assets	1 251 180	9 168 155	1 700 581	12 901 917	2 977 358	1 979 553	61 216	165 288	-	**30 205 248**	-	**30 205 248**
Investments in joint ventures recognised using the equity method	-	32 357	-	-	-	17 582	-	-	-	**49 939**	-	**49 939**
Unallocated assets	-	-	-	-	-	-	-	-	494 486	**494 486**	-	**494 486**
Total assets	**1 251 180**	**9 200 512**	**1 700 581**	**12 901 917**	**2 977 358**	**1 997 135**	**61 216**	**165 288**	**494 486**	**30 749 673**	**-**	**30 749 673**
Segment liabilities	541 036	1 164 619	81 369	2 120 329	1 074 338	325 978	131 640	37 467	-	**5 476 776**	-	**5 476 776**
Unallocated liabilities	-	-	-	-	-	-	-	-	7 956 836	**7 956 836**	-	**7 956 836**
Total liabilities	**541 036**	**1 164 619**	**81 369**	**2 120 329**	**1 074 338**	**325 978**	**131 640**	**37 467**	**7 956 836**	**13 433 612**	**-**	**13 433 612**
Other segment information												
Capital expenditure *	30 284	111 241	122 516	245 984	5 336	15 919	6 709	2 866	-	**540 855**	-	**540 855**
Depreciation/amortization	(26 955)	(132 592)	(9 204)	(224 181)	(8 764)	(25 714)	(3 117)	(2 229)	-	**(432 756)**	-	**(432 756)**

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

(in PLN thousand)

3-month period ended 31 March 2012 *(restated figures unaudited)* or as at 31 December 2012	Mining	Generation	Renewable sources of energy	Distribution	Sales	Heat	Customer service	Other	Unallocated items	Total	Eliminations	Total operations
Revenue												
Sales to external customers	124 035	1 253 461	19 520	512 641	4 145 876	341 655	6 434	51 231	-	**6 454 853**	-	**6 454 853**
Inter-segment sales	182 946	143 020	47 123	1 049 759	358 707	41 920	77 412	60 452	-	**1 961 339**	(1 961 339)	**-**
Segment revenue	**306 981**	**1 396 481**	**66 643**	**1 562 400**	**4 504 583**	**383 575**	**83 846**	**111 683**	**-**	**8 416 192**	**(1 961 339)**	**6 454 853**
Profit/(loss) of the segment	**23 359**	**100 623**	**43 136**	**228 990**	**93 981**	**78 052**	**9 864**	**8 858**	**(3 668)**	**583 195**	**-**	**583 195**
Unallocated expenses	-	-	-	-	-	-	-	-	(24 655)	**(24 655)**	-	**(24 655)**
Profit/(loss) from continuing operations before tax and net finance income (costs)	**23 359**	**100 623**	**43 136**	**228 990**	**93 981**	**78 052**	**9 864**	**8 858**	**(28 323)**	**558 540**	**-**	**558 540**
Share in profit/(loss) of joint venture recognised using the equity method	-	-	-	-	-	(354)	-	-	-	**(354)**	-	**(354)**
Net finance income (costs)	-	-	-	-	-	-	-	-	(59 328)	**(59 328)**	-	**(59 328)**
Profit/(loss) before income tax	**23 359**	**100 623**	**43 136**	**228 990**	**93 981**	**77 698**	**9 864**	**8 858**	**(87 651)**	**498 858**	**-**	**498 858**
Income tax expense	-	-	-	-	-	-	-	-	(104 161)	**(104 161)**	-	**(104 161)**
Net profit/(loss) for the period	**23 359**	**100 623**	**43 136**	**228 990**	**93 981**	**77 698**	**9 864**	**8 858**	**(191 812)**	**394 697**	**-**	**394 697**
EBITDA	**49 014**	**227 492**	**53 509**	**447 134**	**101 220**	**100 640**	**13 334**	**10 931**	**(28 323)**	**974 951**	**-**	**974 951**
Assets and liabilities												
Segment assets	1 214 157	9 202 549	1 573 092	12 871 268	3 774 164	2 025 294	56 607	177 510	-	**30 894 641**	-	**30 894 641**
Investments in joint ventures recognised using the equity method	-	32 390	-	-	-	19 596	-	-	-	**51 986**	-	**51 986**
Unallocated assets	-	-	-	-	-	-	-	-	327 050	**327 050**	-	**327 050**
Total assets	**1 214 157**	**9 234 939**	**1 573 092**	**12 871 268**	**3 774 164**	**2 044 890**	**56 607**	**177 510**	**327 050**	**31 273 677**	**-**	**31 273 677**
Segment liabilities	604 152	1 183 336	361 929	2 474 184	2 123 835	344 794	107 120	42 383	-	**7 241 733**	-	**7 241 733**
Unallocated liabilities	-	-	-	-	-	-	-	-	7 303 711	**7 303 711**	-	**7 303 711**
Total liabilities	**604 152**	**1 183 336**	**361 929**	**2 474 184**	**2 123 835**	**344 794**	**107 120**	**42 383**	**7 303 711**	**14 545 444**	-	**14 545 444**
Other segment information												
Capital expenditure *	25 097	188 183	4 945	223 276	5 981	59 627	1 936	960	-	**510 005**	-	**510 005**
Depreciation/amortization	(25 655)	(126 869)	(10 373)	(218 144)	(7 239)	(22 588)	(3 470)	(2 073)	-	**(416 411)**	-	**(416 411)**

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

(in PLN thousand)

10. Revenues and costs

10.1. Sales revenue

	For the 3-month period ended 31 March 2013 *(unaudited)*	**For the 3-month period ended 31 March 2012 *(unaudited)***
Revenue from sale of goods for resale, finished goods and materials, *of which*:	**3 599 432**	**4 828 919**
Electricity	3 036 834	4 110 334
Heat energy	297 175	251 421
Property rights arising from energy certificates	33 212	72 597
Greenhouse gas emission allowances	18 728	72 587
Compensation for termination of PPAs	-	121 122
Coal	137 188	117 116
Furnace blast	40 145	41 231
Compressed air	17 594	19 059
Milling products	5 433	9 286
Other goods for resale, finished goods and materials	13 123	14 166
Rendering of services, *of which*:	**1 550 902**	**1 614 099**
Distribution and trade services	1 470 956	1 527 498
Connection fees	29 924	27 115
Maintenance of road lighting	25 875	24 662
Charges for illegal electricity consumption	2 109	4 904
Other services	22 038	29 920
Other revenue	**12 700**	**11 835**
Total sales revenue	**5 163 034**	**6 454 853**

The decrease in the sales of electricity for the 3-month period ended 31 March 2013 in relation to the comparative period is mainly due to the sale of electricity by TAURON Wytwarzanie S.A. to the TAURON Group companies – which is subject to elimination at the level of the Group, while in 2012 the whole volume of electricity was sold through the Polish Power Exchange (Towarowa Giełda Energii).

Under the amended Energy Law of 20 April 1997, which became effective in August 2010, power companies generating electricity are required to sell not less than 15% of the electricity generated in a given year through commodity exchange markets. In addition, electricity generators entitled to receive funds for covering stranded costs under the Act of 29 June 2007 on the Principles for Covering Costs Incurred by Electricity Generators due to Early Termination of Long-term Power Purchase Agreements (PPAs) are required to sell 100% of generated electricity (except for, among others, electricity supplied to final users, generated using RES and cogeneration, and electricity used for internal purposes) in such a manner as to ensure equal public access to such electricity, by way of an open tender, on a market organized by an entity operating a regulated market in the territory of Poland or on commodity exchange markets.

TAURON Wytwarzanie S.A., which receives compensations for early termination of PPAs, was obliged in 2012 to sell 100% of the volume of generated electricity through the Polish Power Exchange. Due to the termination of the company's participation in the program of covering stranded costs, as of 2013 TAURON Wytwarzanie S.A. is required to sell not less than 15% of the electricity generated in a given year on commodity exchange markets, while the remaining volume of electricity may be sold to TAURON Group companies.

(in PLN thousand)

10.2. Costs by type

	For the 3-month period ended 31 March 2013 *(unaudited)*	For the 3-month period ended 31 March 2012 *(restated figures unaudited)*
Costs by type		
Depreciation of property, plant and equipment and amortization of intangible assets	(432 756)	(416 411)
Impairment of property, plant and equipment and intangible assets	(105)	84 763
Materials and energy	(898 772)	(711 001)
Maitenance and repair services	(61 618)	(43 572)
Distribution services	(324 570)	(379 221)
Other external services	(186 849)	(212 083)
Taxes and charges	(231 504)	(157 266)
Employee benefits expense	(640 857)	(751 665)
Inventory write-downs	43 870	(2 782)
Allowance for doubtful debts	(16 276)	(7 476)
Other	(25 125)	(21 531)
Total costs by type	**(2 774 562)**	**(2 618 245)**
Change in inventories, prepayments, accruals and deferred income	15 793	(2 118)
Cost of goods produced for internal purposes	81 306	86 190
Selling and distribution expenses	135 865	116 780
Administrative expenses	169 590	178 971
Cost of goods for resale and materials sold	(1 706 642)	(3 366 192)
Cost of sales	**(4 078 650)**	**(5 604 614)**

11. Income tax

11.1. Tax expense in the statement of comprehensive income

Major components of income tax expense in the statement of comprehensive income are as follows:

	For the 3-month period ended 31 March 2013 *(unaudited)*	For the 3-month period ended 31 March 2012 *(restated figures unaudited)*
Current income tax	**(46 657)**	**(40 238)**
Current income tax expense	(46 664)	(38 939)
Adjustments to current income tax from previous years	7	(1 299)
Deferred tax	**(109 469)**	**(63 923)**
Income tax in profit or loss	**(156 126)**	**(104 161)**
Income tax relating to other comprehensive income	**(2 039)**	**1 803**

11.2. Deferred income tax

Deferred income tax results from the following items:

(in PLN thousand)

	As at 31 March 2013 *(unaudited)*	As at 31 December 2012
Deferred tax liability		
- difference between tax base and carrying amount of fixed and intangible assets	1 982 538	1 969 174
- difference between tax base and carrying amount of financial assets	17 569	14 063
- different timing of recognition of sales revenue for tax purposes	65 912	57 327
- recognition of estimated revenue from sale of power distribution services	9 229	7 347
- difference between tax base and carrying amount of property rights arising from energy certificates	31 171	48 181
- compensation for termination of long-term contracts	94 229	101 499
- other	14 581	24 874
Deferred tax liability	**2 215 229**	**2 222 465**
Deferred tax assets		
- difference between tax base and carrying amount of fixed and intangible assets	50 064	47 969
- difference between tax base and carrying amount of inventories	12 499	24 101
- power infrastructure received free of charge and received connection fees	88 012	89 158
- provisions	489 383	596 808
- difference between tax base and carrying amount of financial assets	25 877	23 700
- difference between tax base and carrying amount of financial liabilities	16 669	3 864
- valuation of hedging instruments	36 576	36 227
- different timing of recognition of cost of sales for tax purposes	22 435	20 972
- other accrued expenses	19 972	17 763
- tax losses	352	352
- different timing of recognition of revenue from sales of greenhouse gas emission allowances for tax purposes	-	21 772
- other	15 169	13 066
Deferred tax assets	**777 008**	**895 752**
After setting off balances at the level of individual Group companies, deferred tax for the Group is presented as:		
Deferred tax asset	**31 855**	**24 135**
Deferred tax liability	**(1 470 076)**	**(1 350 848)**

Deferred tax assets and deferred tax liabilities of the companies forming the Tax Capital Group as at 31 March 2013 and 31 December 2012 were offset due to the fact that, as of 1 January 2012, the companies submit consolidated tax returns.

11.3. Tax Capital Group

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

As at 31 March 2013, the Tax Capital Group had an overpayment in respect of the corporate income tax amounting to PLN 118,178 thousand, which has been presented as income tax receivable in the consolidated financial statements.

12. Dividends paid and proposed

On 11 April 2013, the Board of Directors decided to recommend to the Ordinary General Meeting of the Company the payment of a dividend of PLN 262,882 thousand to the Company's shareholders from the Company's net profit for 2012, i.e. PLN 0.15 per share. At the same time, the Board of Directors decided to submit a recommendation to the Company's Ordinary General Meeting setting the dividend date at 3 June 2013 and the dividend payment date at 18 June 2013.

On 17 April 2013, the Supervisory Board issued a positive opinion on the recommendation submitted by the Board of Directors to the Ordinary General Meeting of the Company on the appropriation of profit and setting the dividend date and the dividend payment date.

The Ordinary General Shareholders' Meeting of the Company that is due to consider the Board of Directors' proposal regarding the appropriation of profit for 2012 and the setting of the dividend date and dividend payment date has been convened at 16 May 2013.

On 24 April 2012, the Ordinary General Shareholders' Meeting resolved to distribute an amount of PLN 543,290 thousand for dividends to the Company's shareholders, i.e. PLN 0.31 per share. The dividend was paid from the Company's net profit for 2011 amounting to PLN 1,083,429 thousand. The dividend date had been set at 2 July 2012 and the dividend payment date at 20 July 2012.

(in PLN thousand)

13. Property, plant and equipment

Movement in property, plant and equipment for the 3-month period ended 31 March 2013 *(unaudited)*

	Land	Perpetual usufruct	Buildings, premises and civil engineering	Plant and machinery	Motor vehicles	Other	Tangible fixed assets, total	Assets under construction	Property, plant and equipment, total
COST									
Opening balance	**72 024**	**812 667**	**15 389 230**	**12 633 180**	**382 210**	**259 030**	**29 548 341**	**2 034 339**	**31 582 680**
Direct purchase	-	-	-	-	-	-	**-**	516 125	**516 125**
Transfer of assets under construction	19 786	145	239 910	268 313	5 981	3 610	**537 745**	(537 745)	**-**
Sale, disposal	(5)	(1 273)	(124)	(6 578)	(1 143)	(380)	**(9 503)**	(3)	**(9 506)**
Reclassification	-	-	171	116	-	(287)	**-**	-	**-**
Donations and free-of-charge transfers	-	-	-	(225)	(100)	-	**(325)**	-	**(325)**
Liquidation	-	(2)	(8 197)	(5 852)	(534)	(1 030)	**(15 615)**	-	**(15 615)**
Received free of charge	-	15	2 398	201	-	-	**2 614**	-	**2 614**
Spare parts allocated to fixed assets	-	-	-	1 449	-	-	**1 449**	-	**1 449**
Overhaul expenses	-	-	-	472	-	-	**472**	2 802	**3 274**
Write-off of discontinued investments	-	-	-	-	-	-	**-**	(297)	**(297)**
Transfers to intangible assets	-	-	-	-	-	-	**-**	(14)	**(14)**
Items discovered	-	-	-	18	-	-	**18**	-	**18**
Items generated internally	-	-	-	-	-	-	**-**	6 662	**6 662**
Transfers to/from assets held for sale	-	537	1 185	-	-	14	**1 736**	197	**1 933**
Other movements	-	4	-	-	-	8	**12**	533	**545**
Foreign exchange differences from translation of foreign entities	-	-	-	(1)	-	-	**(1)**	-	**(1)**
Closing balance	**91 805**	**812 093**	**15 624 573**	**12 891 093**	**386 414**	**260 965**	**30 066 943**	**2 022 599**	**32 089 542**
ACCUMULATED DEPRECIATION									
Opening balance	**(645)**	**(573)**	**(3 596 281)**	**(3 558 914)**	**(165 856)**	**(141 119)**	**(7 463 388)**	**(6 555)**	**(7 469 943)**
Depreciation for the period	-	-	(190 680)	(205 143)	(11 513)	(8 177)	**(415 513)**	-	**(415 513)**
Increase of impairment	-	-	(349)	-	-	(1)	**(350)**	-	**(350)**
Decrease of impairrment	-	-	-	11	1	14	**26**	243	**269**
Sale, disposal	-	-	75	6 207	948	358	**7 588**	-	**7 588**
Reclassification	-	-	16	(22)	-	6	**-**	-	**-**
Donations and free-of-charge transfers	-	-	-	225	64	-	**289**	-	**289**
Liquidation	-	-	5 489	4 539	420	859	**11 307**	-	**11 307**
Transfers to/from assets held for sale	-	-	(56)	-	-	(14)	**(70)**	-	**(70)**
Other movements	-	-	-	60	-	(7)	**53**	-	**53**
Foreign exchange differences from translation of foreign entities	-	-	-	1	-	-	**1**	-	**1**
Closing balance	**(645)**	**(573)**	**(3 781 786)**	**(3 753 036)**	**(175 936)**	**(148 081)**	**(7 860 057)**	**(6 312)**	**(7 866 369)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**71 379**	**812 094**	**11 792 949**	**9 074 266**	**216 354**	**117 911**	**22 084 953**	**2 027 784**	**24 112 737**
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**91 160**	**811 520**	**11 842 787**	**9 138 057**	**210 478**	**112 884**	**22 206 886**	**2 016 287**	**24 223 173**

(in PLN thousand)

Movement in property, plant and equipment for the 3-month period ended 31 March 2012 (*unaudited restated figures*)

	Land	Perpetual usufruct	Buildings, premises and civil engineering	Plant and machinery	Motor vehicles	Other	Tangible fixed assets, total	Assets under construction	Property, plant and equipment, total
COST									
Opening balance	**64 425**	**835 641**	**13 779 889**	**11 171 774**	**335 761**	**237 107**	**26 424 597**	**1 628 070**	**28 052 667**
Adjustments	(243)	4 460	455 622	104 763	-	(2)	**564 600**	-	**564 600**
Opening balance after adjustments	**64 182**	**840 101**	**14 235 511**	**11 276 537**	**335 761**	**237 105**	**26 989 197**	**1 628 070**	**28 617 267**
Direct purchase	-	-	-	-	-	2	**2**	481 276	**481 278**
Transfer of assets under construction	1 246	191	118 592	137 468	3 884	7 543	**268 924**	(268 924)	**-**
Sale, disposal	-	(144)	(264)	(1 152)	(1 799)	(50)	**(3 409)**	(12)	**(3 421)**
Reclassification	-	-	(94)	94	-	-	**-**	-	**-**
Donations and free-of-charge transfers	-	-	(22)	-	-	-	**(22)**	-	**(22)**
Liquidation	(7)	-	(6 428)	(10 867)	(383)	(945)	**(18 630)**	-	**(18 630)**
Received free of charge	-	3	6 806	342	-	-	**7 151**	-	**7 151**
Received for use under rental, lease or similar agreements	-	-	-	-	913	-	**913**	-	**913**
Spare parts allocated to fixed assets	-	-	-	599	-	-	**599**	-	**599**
Overhaul expenses	-	-	-	11 356	-	-	**11 356**	292	**11 648**
Write-off of discontinued investments	-	-	-	-	-	-	**-**	(127)	**(127)**
Transfers to intangible assets	-	-	-	-	-	-	**-**	(3 776)	**(3 776)**
Items discovered	-	9	22	47	-	-	**78**	-	**78**
Items generated internally	-	-	-	-	-	-	**-**	8 814	**8 814**
Transfers to assets held for sale	-	(537)	(1 185)	-	-	(14)	**(1 736)**	(201)	**(1 937)**
Other movements	-	-	(136)	(1 304)	-	-	**(1 440)**	740	**(700)**
Foreign exchange differences from translation of foreign entities	-	-	-	(4)	-	-	**(4)**	-	**(4)**
Closing balance	**65 421**	**839 623**	**14 352 802**	**11 413 116**	**338 376**	**243 641**	**27 252 979**	**1 846 152**	**29 099 131**
ACCUMULATED DEPRECIATION									
Opening balance	**(645)**	**(771)**	**(2 905 171)**	**(2 987 379)**	**(126 895)**	**(115 663)**	**(6 136 524)**	**(5 096)**	**(6 141 620)**
Depreciation for the period	-	-	(187 634)	(193 448)	(11 878)	(8 897)	**(401 857)**	-	**(401 857)**
Increase of impairment	-	-	-	-	-	-	**-**	-	**-**
Decrease of impairrment	-	-	-	13	1	-	**14**	-	**14**
Sale, disposal	-	-	82	551	1 409	45	**2 087**	-	**2 087**
Reclassification	-	-	14	1 378	(27)	(1 363)	**2**	(2)	**-**
Donations and free-of-charge transfers	-	-	7	-	-	-	**7**	-	**7**
Liquidation	-	-	4 193	9 996	382	863	**15 434**	-	**15 434**
Transfers to assets held for sale	-	-	56	-	-	(14)	**42**	-	**42**
Other movements	-	-	(6)	1 389	-	3	**1 386**	(398)	**988**
Foreign exchange differences from translation of foreign entities	-	-	-	2	-	-	**2**	-	**2**
Closing balance	**(645)**	**(771)**	**(3 088 459)**	**(3 167 498)**	**(137 008)**	**(125 026)**	**(6 519 407)**	**(5 496)**	**(6 524 903)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**63 537**	**839 330**	**11 330 340**	**8 289 158**	**208 866**	**121 442**	**20 852 673**	**1 622 974**	**22 475 647**
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**64 776**	**838 852**	**11 264 343**	**8 245 618**	**201 368**	**118 615**	**20 733 572**	**1 840 656**	**22 574 228**

(in PLN thousand)

In the 3-month period ended 31 March 2013, the Group purchased property, plant and equipment amounting to PLN 516,125 thousand, which mainly included:

- Purchases made by companies from the Distribution Segment for an amount of PLN 237,932 thousand, related to the construction and replacement of power grid assets,
- Purchases made by TAURON Wytwarzanie S.A. for an amount of PLN 106,065 thousand, related to the construction of new generation capacities and modernization of the existing generation units. The largest capital expenditures were incurred for the following investment projects carried out by TAURON Wytwarzanie S.A.:
  - Construction of a system for generation of electricity using a renewable energy source - the K-10 boiler in Tauron Wytwarzanie S.A. – the Stalowa Wola Power Plant: PLN 29,048 thousand,
  - Modernization and adaptation of the boilers of unit 6 to reduce emission of nitric oxides in TAURON Wytwarzanie S.A. – the Jaworzno III Power Plant: a total of PLN 28,482 thousand,
  - Restoration of generation capacities in TAURON Wytwarzanie S.A. – the Bielsko Biała CHP Plant: PLN 20,392 thousand.
- Purchases made by MEGAWAT MARSZEWO Sp. z o.o. for an amount of PLN 100,989 thousand, related to construction of the Marszewo wind farm.

14. Non-current intangible assets and goodwill

Movement in non-current intangible assets for the 3-month period ended 31 March 2013 (*unaudited*)

	Development expenses	Goodwill	Software, concessions, patents, licences and similar items	Greenhouse gas emission allowances	Other intangible assets	Intangible assets not made available for use	Intangible assets, total
COST							
Opening balance	**3 898**	**247 057**	**345 194**	**95 874**	**91 351**	**39 048**	**822 422**
Direct purchase	-	-	-	-	-	14 794	**14 794**
Transfer of intangible assets not made available for use	-	-	8 764	-	2 750	(11 514)	**-**
Sale, disposal	-	-	-	-	-	-	**-**
Reclassification	75	-	(69)	-	(6)	-	**-**
Liquidation	-	-	(93)	-	-	-	**(93)**
Received free of charge	-	-	-	-	252	-	**252**
Transfers from assets under construction	-	-	14	-	-	-	**14**
Other movements	56	-	(75)	(283)	(8)	(550)	**(860)**
Foreign exchange differences from translation of foreign entities	-	-	(4)	-	-	-	**(4)**
Closing balance	**4 029**	**247 057**	**353 731**	**95 591**	**94 339**	**41 778**	**836 525**
ACCUMULATED AMORTIZATION							
Opening balance	**(3 263)**	**-**	**(189 764)**	**-**	**(12 176)**	**-**	**(205 203)**
Amortization for the period	(46)	-	(14 525)	-	(2 672)	-	**(17 243)**
Increase of impairment	-	-	-	-	-	-	**-**
Decrease of impairment	-	-	-	-	-	-	**-**
Reclassification	-	-	20	-	(20)	-	**-**
Liquidation	-	-	75	-	-	-	**75**
Other movements	-	-	(117)	-	18	-	**(99)**
Closing balance	**(3 309)**	**-**	**(204 311)**	**-**	**(14 850)**	**-**	**(222 470)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**635**	**247 057**	**155 430**	**95 874**	**79 175**	**39 048**	**617 219**
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**720**	**247 057**	**149 420**	**95 591**	**79 489**	**41 778**	**614 055**

(in PLN thousand)

Movement in non-current intangible assets for the 3-month period ended 31 March 2012 *(unaudited restated figures)*

	Development expenses	Goodwill	Software, concessions, patents, licences and similar items	Greenhouse gas emission allowances	Other intangible assets	Intangible assets not made available for use	Intangible assets, total
COST							
Opening balance	**4 389**	**726 369**	**275 852**	**97 495**	**34 769**	**13 831**	**1 152 705**
Adjustments	-	(479 312)	-	-	50 706	-	**(428 606)**
Opening balance after adjustments	**4 389**	**247 057**	**275 852**	**97 495**	**85 475**	**13 831**	**724 099**
Direct purchase	-	-	2	-	-	7 350	**7 352**
Transfer of intangible assets not made available for use	-	-	2 929	-	1 058	(3 987)	**-**
Reclassification	-	-	144	-	(144)	-	**-**
Liquidation	(565)	-	(1 219)	-	(3)	-	**(1 787)**
Received free of charge	-	-	-	-	118	-	**118**
Transfers from assets under construction	-	-	3 511	-	-	265	**3 776**
Other movements	-	-	-	64	-	(5)	**59**
Foreign exchange differences from translation of foreign entities	-	-	-	-	-	(13)	**(13)**
Closing balance	**3 824**	**247 057**	**281 219**	**97 559**	**86 504**	**17 441**	**733 604**
ACCUMULATED AMORTIZATION							
Opening balance	**(3 482)**	**-**	**(142 744)**	**(15 166)**	**(2 363)**	**-**	**(163 755)**
Amortization for the period	(114)	-	(11 688)	-	(2 752)	-	**(14 554)**
Increase of impairment	-	-	-	(3 025)	-	-	**(3 025)**
Decrease of impairment	-	-	-	1 903	-	-	**1 903**
Reclassification	-	-	(99)	-	99	-	**-**
Liquidation	565	-	1 163	-	-	-	**1 728**
Closing balance	**(3 031)**	**-**	**(153 368)**	**(16 288)**	**(5 016)**	**-**	**(177 703)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**907**	**247 057**	**133 108**	**82 329**	**83 112**	**13 831**	**560 344**
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**793**	**247 057**	**127 851**	**81 271**	**81 488**	**17 441**	**555 901**

15. Shares in joint ventures accounted for using the equity method

Elektrociepłownia Stalowa Wola S.A.

Elektrociepłownia Stalowa Wola S.A. is a special purpose entity set up in 2010 on the initiative of TAURON Polska Energia S.A. and PGNiG S.A., which is intended to carry out an investment project involving construction of a gas and steam unit in Stalowa Wola, fired with natural gas and with a gross electric power of 400 MWe and net thermal power of 240 MWt. The project is to be completed in 2015. The partners intend to carry out the project sharing the rights and obligations on an equal basis.

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

On 20 June 2012, two loan agreements were signed between PGNiG S.A., TAURON Polska Energia S.A. and Elektrociepłownia Stalowa Wola S.A. in order to meet the conditions necessary for granting funding to Elektrociepłownia Stalowa Wola S.A. by the European Bank for Reconstruction and Development and the European Investment Bank:

- The subordinated loan agreement signed in order to provide funding for the implementation of an investment project. The subordinated loan agreement means that the repayment of loan and interest will be deferred and subordinated to the repayment of the amounts due to the European Investment Bank, the European Bank for Reconstruction and Development and other financial institutions. Based on contractual provisions, the maximum amount of the loan granted by TAURON Polska Energia S.A. is PLN 152,000 thousand. At the balance sheet date, the amount of funds transferred under the loan was PLN 148,000 thousand. The Company accrued interest due on the loan in the amount of PLN 5,109 thousand. The loan is to be fully repaid no later than by the end of 2032;
- The VAT loan agreement, which will provide funds for the funding of output VAT related to the costs of implementation of the investment project incurred at the stage of designing, constructing and making the investment available for use. Based on contractual provisions, the maximum amount of the loan granted by TAURON Polska Energia S.A. is PLN 20,000 thousand. The loan is renewable. The timetable of its utilization is consistent with the planned dates for payments related to the implementation of the investment project. The balance of utilization of the loan is decreased

(in PLN thousand)

by the funds obtained from the VAT refund. Final repayment is due 6 months after the date of the completion of the investment project. At the balance sheet date, the Company had no receivables arising from this loan.

In the consolidated financial statements, interest income from loans granted to Elektrociepłownia Stalowa Wola S.A. was presented by the Group only to the extent reflecting the interests of non-related investors in the joint venture.

Elektrownia Blachownia Nowa Sp. z o.o.

On 5 September 2012, the subsidiary TAURON Wytwarzanie S.A. and KGHM Polska Miedź S.A. set up a special purpose entity under the name Elektrownia Blachownia Nowa Sp. z o.o. with its registered office in Kędzierzyn Koźle. The company was set up for the purpose of comprehensive implementation of an investment project involving preparation, construction and operation of a gas and steam power unit with a capacity of approx. 850 MWe on the premises of TAURON Wytwarzanie S.A. – Oddział Elektrownia Blachownia [The Blachownia Power Plant Branch].

Each of TAURON Wytwarzanie S.A. and KGHM Polska Miedź S.A. acquired 50% of shares in the share capital of Elektrownia Blachownia Nowa Sp. z o.o., which amounted to PLN 65,152 thousand at the founding date. The shares in the company are equal and indivisible.

Elektrownia Blachownia Nowa Sp. z o.o. as a joint venture has been accounted for using the equity method in the consolidated financial statements. TAURON Polska Energia S.A. has an indirect interest of 49.89% in the company's share capital and of 49.90% in its governing body, exercised through TAURON Wytwarzanie S.A.

Investments in joint ventures accounted for using the equity method as at 31 March 2013 and for the 3-month period ended 31 March 2013 are presented in the table below:

	As at 31 March 2013 *(unaudited)*	**Elektrociepłownia Stalowa Wola S.A.**	**Elektrownia Blachownia Nowa Sp. z o.o.**
Non-current assets	**468 774**	438 515	30 259
Current assets	**68 745**	34 075	34 670
Non-current liabilities (-)	**(305 168)**	(305 168)	-
Current liabilities (-)	**(126 738)**	(126 666)	(72)
Total net assets	**105 613**	40 756	64 857
Share in net assets	**52 690**	20 333	32 357
Elimination of transactions with Group companies	**(2 751)**	(2 751)	-
Invetment in joint venture	**49 939**	**17 582**	**32 357**
Share in sales revenue of joint venture	**167**	27	140
Share in profit/(loss) of joint venture	**(869)**	**(837)**	**(32)**

Investments in joint ventures accounted for using the equity method as at 31 December 2012 and for the 3-month period ended 31 March 2012 are presented in the table below:

(in PLN thousand)

	As at 31 December 2012	Elektrociepłownia Stalowa Wola S.A.	Elektrownia Blachownia Nowa Sp. z o.o.
Non-current assets	**354 710**	326 993	27 717
Current assets	**55 255**	16 473	38 782
Non-current liabilities (-)	**(236 147)**	(236 147)	-
Current liabilities (-)	**(66 400)**	(64 862)	(1 538)
Total net assets	**107 418**	42 457	64 961
Share in net assets	**53 559**	21 169	32 390
Elimination of transactions with Group companies	**(1 573)**	(1 573)	-
Invetment in joint venture	**51 986**	**19 596**	**32 390**
Share in sales revenue of joint venture	**26**	26	-
Share in profit/(loss) of joint venture	**(354)**	**(354)**	**-**

16. Current intangible assets

Movement in current intangible assets for the 3-month period ended 31 March 2013 (*unaudited*)

	Energy certificates	Greenhouse gas emission allowances	Current intangible assets, total
COST			
Opening balance	**649 473**	**61 626**	**711 099**
Direct purchase	349 419	13 694	**363 113**
Items generated internally	34 030	-	**34 030**
Cancellation of energy certificates	(889 334)	-	**(889 334)**
Reclassification	73 769	(358)	**73 411**
Closing balance	**217 357**	**74 962**	**292 319**
IMPAIRMENT			
Opening balance	**-**	-	**-**
Increase of impairment	-	-	**-**
Decrease of impairment	-	-	**-**
Closing balance	**-**	**-**	**-**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**649 473**	**61 626**	**711 099**
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**217 357**	**74 962**	**292 319**

Movement in current intangible assets for the 3-month period ended 31 March 2012 (*unaudited*)

	Energy certificates	Greenhouse gas emission allowances	Current intangible assets, total
COST			
Opening balance	**774 942**	**187 126**	**962 068**
Direct purchase	225 152	53 753	**278 905**
Items generated internally	88 217	-	**88 217**
Cancellation of energy certificates	(579 762)	-	**(579 762)**
Other movements	(699)	(66)	**(765)**
Closing balance	**507 850**	**240 813**	**748 663**
IMPAIRMENT			
Opening balance	**(91 114)**	-	**(91 114)**
Increase of impairment	(1 398)	-	**(1 398)**
Decrease of impairment	87 269	-	**87 269**
Closing balance	**(5 243)**	**-**	**(5 243)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**683 828**	**187 126**	**870 954**
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**502 607**	**240 813**	**743 420**

(in PLN thousand)

17. Inventories

	As at 31 March 2013 *(unaudited)*	As at 31 December 2012
Historical cost		
Raw materials	292 564	394 098
Semi-finished goods and work-in-progress	131 469	143 456
Finished goods	34 094	35 773
Goods for resale	4 288	3 300
Property rights arising from energy certificates	100 058	222 534
Emission allowances	1 833	2 434
Total	**564 306**	**801 595**
Write-downs to net realizable value		
Raw materials	(2 959)	(2 970)
Property rights arising from energy certificates	(28 116)	(90 143)
Emission allowances	-	(200)
Total	**(31 075)**	**(93 313)**
Net realizable value		
Raw materials	289 605	391 128
Semi-finished goods and work-in-progress	131 469	143 456
Finished goods	34 094	35 773
Goods for resale	4 288	3 300
Property rights arising from energy certificates	71 942	132 391
Emission allowances	1 833	2 234
Total	**533 231**	**708 282**

18. Trade and other receivables

The value of trade and other receivables together with doubtful debts allowance as at 31 March 2013 and 31 December 2012 is presented in the tables below.

Trade and other receivables as at 31 March 2013 (*unaudited*)

	Trade receivables	Other current receivables	Total
Accounts receivable (without allowance for doubtful debt)	2 085 837	958 490	**3 044 327**
Alowance for doubtful debt	(104 628)	(97 347)	**(201 975)**
Net value	**1 981 209**	**861 143**	**2 842 352**

Trade and other receivables as at 31 December 2012

	Trade receivables	Other current receivables	Total
Accounts receivable (without allowance for doubtful debt)	2 298 929	935 123	**3 234 052**
Alowance for doubtful debt	(99 352)	(98 005)	**(197 357)**
Net value	**2 199 577**	**837 118**	**3 036 695**

Trade receivables as at 31 March 2013 amounted to PLN 1,981,704 thousand, of which the current portion was PLN 1,981,209 thousand and the non-current portion was PLN 495 thousand. As at 31 December 2012, all trade receivables were current and amounted to PLN 2,199,577 thousand.

Trade receivables are non-interest bearing and are usually receivable within 30 days from institutional clients. Amounts due from individual clients are receivable on a monthly basis or every two months.

(in PLN thousand)

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

19. Cash and cash equivalents

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods, usually between one day and one month, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

For the purposes of the statement of cash flows, cash and cash equivalents comprised the following:

	As at 31 March 2013 *(unaudited)*	As at 31 December 2012
Cash at bank and in hand	523 559	326 801
Short-term deposits (up to 3 months)	483 035	703 605
Other	652	523
Total cash and cash equivalents presented in the statement of financial position, *of which*:	**1 007 246**	**1 030 929**
- restricted cash	490 815	290 063
Bank overdraft	(188 565)	(129 566)
Foreign exchange and other differences	(3 474)	(9 709)
Total cash and cash equivalents presented in the statement of cash flows	**815 207**	**891 654**

The difference between the balance of cash presented in the statement of financial position and that presented in the statement of cash flows is mainly due to overdrafts and exchange differences arising on valuation of cash in foreign currency accounts.

Restricted cash consists mainly of cash held in the parent's settlement account used for trading in electricity at Towarowa Giełda Energii S.A. (Polish Power Exchange), amounting to PLN 448,274 thousand.

20. Equity

20.1. Issued capital

Issued capital as at 31 March 2013 (*unaudited*)

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

As at 31 March 2013, the value of issued capital, the number of shares and nominal value per share have not changed since 31 December 2012.

(in PLN thousand)

Shareholding structure as at 31 March 2013 *(unaudited, to the best knowledge of the Company)*

Shareholder	Number of shares	Value of shares	Percentage of share capital	Percentage of total vote
State Treasury (notification of 29 March 2011)	526 883 897	2 634 419	30.06%	30.06%
KGHM Polska Miedź S.A. (notification of 23 March 2011)	182 110 566	910 553	10.39%	10.39%
ING Otwarty Fundusz Emerytalny (notification of 28 December 2011)	88 742 929	443 715	5.06%	5.06%
Other shareholders	954 812 002	4 774 060	54.49%	54.49%
Total	**1 752 549 394**	**8 762 747**	**100.00%**	**100.00%**

To the Company's best knowledge, the shareholding structure as at 31 March 2013 did not change in comparison to 31 December 2012.

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

In the period under review, there were no movements in the reserve capital, while movements in retained earnings resulted from:

- net profit for the period attributable to the equity holders of the parent of PLN 558,296 thousand,
- actuarial gains/(losses) on provisions for post-employment benefits recognized under other comprehensive income, amounting to PLN 5,324 thousand,
- re-acquisition of non-controlling interests of PLN 146 thousand,
- change in non-controlling interests as a result of mergers amounting to PLN (1,054) thousand.

Distributable retained earnings amount to PLN 1,437,883 thousand and consist mainly of the net profit of the parent for the previous financial year.

20.3. Revaluation reserve from valuation of hedging instruments

The revaluation reserve from valuation of hedging instruments results from the valuation of Interest Rate Swaps (IRS) used to hedge the interest rate risk arising from issued debentures. As at 31 March 2013, the Group was a party to hedging transactions covered by the policy for specific risk management in the area of finance. In accordance with the decision of the Financial Risk Management Committee dated 30 January 2012, in March 2012 the parent hedged against the interest rate risk arising from debentures issued under the Debentures Issue Program by entering into an interest rate swap (IRS) for a period of 5 years. This transaction was entered into due to variability of the expected future cash flows from interest payments resulting from the issue of debentures in PLN with a floating interest rate based on WIBOR 6M. The Company hedged 80% of such cash flows.

As at 31 March 2013, the Group's revaluation reserve from valuation of hedging instruments includes an amount of PLN (151,005) thousand, which represents a liability arising from the valuation of IRSs at the balance sheet date, amounting to PLN 192,505 thousand, adjusted for the portion of valuation relating to accrued interest on debentures as at the balance sheet date, amounting to PLN 6,080 thousand (net of deferred tax), which was transferred to retained earnings (of this amount, PLN 5,169 thousand was taken to profit or loss for the period). In the statement of comprehensive income, the costs of IRS transactions increased finance costs arising from interest on issued debentures.

(in PLN thousand)

	Revaluation reserve from valuation of hedging instruments
As at 1 January 2013	**(153 703)**
Valuation of hedging instruments as at 31 March 2013	(1 838)
Transfer of valuation relating to accrued interest on debentures as at 31 March 2013 to net result	5 169
Deferred tax	(633)
As at 31 March 2013 *(unaudited)*	**(151 005)**

21. Interest-bearing loans and borrowings, including debt securities

21.1. Loans and borrowings

The Group's liabilities under loans taken out as at 31 March 2013 amounted to PLN 1,717,618 thousand and related mainly to the following items:

- loans taken out from the European Investment Bank for an amount of PLN 1,372,703 thousand, including accrued interest of PLN 14,727 thousand (as at 31 December 2012 – PLN 910,394 thousand). The increase in the liability is due to the receipt of next loan tranches from the European Investment Bank under the loan agreement signed on 3 July 2012: on 25 January 2013 – PLN 200,000 thousand and on 22 February 2013 – PLN 250,000 thousand. In consequence, the Company has utilized all available funding under this agreement, i.e. PLN 900,000 thousand. The funds obtained from the loan are used for grid investments,
- overdraft of PLN 139,768 thousand (funding used under the cash pool agreement – the Company may use external funding for an amount of PLN 300,000 thousand). As at 31 December 2012, overdraft balance was PLN 129,566 thousand,
- overdraft of EUR 11,681 thousand (PLN 48,797 thousand) – the Multi-option Loan Agreement valid until 31 December 2013 signed by the Company for the purpose of funding transactions in emission allowances concluded on a foreign exchange market,
- loans taken out by the Group companies for investment purposes, including mainly:

  - a loan taken out by TAURON Dystrybucja S.A. for the purpose of refinancing capital expenditures incurred during the years 2008 and 2009, the value of which at the balance sheet date was PLN 44,450 thousand (as at 31 December 2012: PLN 51,331 thousand),

  - a loan received by TAURON Wytwarzanie S.A. from the Voivodship Fund for Environmental Protection and Water Management for RES investments in the Jaworzno III Power Plant. The balance of the loan at the balance sheet date was PLN 40,000 thousand and has not changed compared with the year-end balance.

Loans and borrowings taken out as at 31 March 2013 and 31 December 2012 are presented in the tables below.

(in PLN thousand)

Loans and borrowings taken out as at 31 March 2013 *(unaudited)*

Currency	Interest rate	Value of loans as at the balance sheet date *(unaudited)*		of which principal amount maturing within (after the balance sheet date):					
		currency	PLN	less than 3 months	3-12 months	1-2 years	2-3 years	3-5 years	over 5 years
PLN	floating	281 806	281 806	165 485	37 895	26 286	6 924	12 616	32 600
	fixed	1 367 481	1 367 481	679	92 890	134 077	134 077	268 150	737 608
Total PLN		**1 649 287**	**1 649 287**	**166 164**	**130 785**	**160 363**	**141 001**	**280 766**	**770 208**
EUR	floating	8 264	34 521	30 451	2 142	1 928	-	-	-
	fixed	4 546	18 989	-	18 989	-	-	-	-
Total EUR		**12 809**	**53 510**	**30 451**	**21 131**	**1 928**	**-**	**-**	**-**
Total			**1 702 797**	**196 615**	**151 916**	**162 291**	**141 001**	**280 766**	**770 208**
Interest increasing carrying amount			14 821						
Total loans and borrowings			**1 717 618**						

Loans and borrowings taken out as at 31 December 2012

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

Presented below are movements in loans, excluding interest increasing their carrying amount, for the 3-month period ended 31 March 2013 and for the comparative period.

	3-month period ended 31 March 2013 *(unaudited)*	3-month period ended 31 March 2012 *(unaudited)*
Opening balance	**1 205 637**	**318 354**
Movement in bank overdrafts	**58 999**	**4 602**
Movement in loans and borrowings (excluding bank overdrafts):	**438 161**	**511 015**
Taken out	451 180	542 000
Repaid	(7 900)	(31 103)
Change in valuation	(5 119)	118
Closing balance	**1 702 797**	**833 971**

21.2. Debentures issued

As at 31 March 2013, the Group's liability under issued debentures amounted to PLN 4,352,640 thousand, including accrued interest at balance sheet date of PLN 63,635 thousands (as at 31 December 2012: PLN 4,301,834 thousand). This liability arose as a result of the parent's issue of debentures in the following tranches:

(in PLN thousand)

- on 29 December 2010, Tranche A debentures were issued with a nominal value of PLN 848,200 thousand and maturity date of 29 December 2015,
- on 12 December 2011, Tranche B debentures were issued with a total nominal value of PLN 300,000 thousand and maturity date of 12 December 2015;
- on 12 December 2011, Tranche C debentures were issued with a total nominal value of PLN 3,000,000 thousand and maturity date of 12 December 2016;
- on 30 January 2012, Tranche B debentures were issued with a nominal value of PLN 150,000 thousand and maturity date of 30 January 2015.

Debentures are issued in a dematerialized form. These are unsecured coupon debentures with a floating interest rate of WIBOR 6M plus a fixed margin. Interest on these debentures is payable on a semi-annual basis.

The Company hedged a portion of cash flows from interest on issued debentures by entering into interest rate swaps (IRS), as discussed in detail in Note 20.3.

The agreements signed by the Company with banks include covenants which are commonly used in such transactions. As at 31 March 2013, none of these covenants has been breached.

The tables below present the balances of the Group's liability under issued debentures together with accrued interest as at 31 March 2013 and 31 December 2012.

Debentures issued as at 31 March 2013 *(unaudited)*

Tranche	Interest rate	Currrency	As at the balance sheet date *(unaudited)*		of which principal amount maturing within (after the balance sheet date)				
			Interest accrued	Principal at amortised cost	less than 1 year	1 - 2 years	2-3 years	3-5 years	over 5 years
Tranche A	floating	PLN	10 806	846 654	-	-	846 654	-	-
Tranche B	floating	PLN	5 905	449 216	-	150 000	299 216	-	-
Tranche C	floating	PLN	46 924	2 993 135	-	-	-	2 993 135	-
Total debentures			**63 635**	**4 289 005**	**-**	**150 000**	**1 145 870**	**2 993 135**	**-**

Debentures issued as at 31 December 2012

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

22. Provisions for employee benefits

22.1. Provisions for post-employment benefits and jubilee bonuses

(in PLN thousand)

Movement in provisions for employee benefits in the 3-month period ended 31 March 2013 *(unaudited)*

	Provision for retirement, disability and similar benefits	Employee electricity rates	Social Fund	Provision for coal allowances	Jubilee bonuses	Provisions, total
Opening balance	**260 356**	**595 579**	**135 766**	**56 735**	**579 547**	**1 627 983**
Current service costs	2 623	1 473	622	292	8 443	**13 453**
Actuarial gains and losses	(1 112)	(5 912)	(263)	(112)	(6 028)	**(13 427)**
Benefits paid	(4 078)	(256)	(870)	(296)	(7 298)	**(12 798)**
Interest expense	2 502	5 945	1 351	565	5 573	**15 936**
Other movements	(470)	23	5	-	329	**(113)**
Closing balance	**259 821**	**596 852**	**136 611**	**57 184**	**580 566**	**1 631 034**
Current	**24 025**	**27 356**	**5 231**	**1 885**	**60 935**	**119 432**
Non-current	**235 796**	**569 496**	**131 380**	**55 299**	**519 631**	**1 511 602**

Movement in provisions for employee benefits in the 3-month period ended 31 March 2012 *(unaudited restated figures)*

	Provision for retirement, disability and similar benefits	Employee electricity rates	Social Fund	Provision for coal allowances	Jubilee bonuses	Provisions, total
Opening balance	**192 074**	**418 096**	**119 368**	**39 624**	**484 643**	**1 253 805**
Adjustments	38 740	29 888	632	(1 286)	-	**67 974**
Opening balance after adjustments	**230 814**	**447 984**	**120 000**	**38 338**	**484 643**	**1 321 779**
Current service costs	2 127	1 259	524	149	6 933	**10 992**
Actuarial gains and losses	(701)	(1 471)	(80)	(94)	(2 470)	**(4 816)**
Benefits paid	(4 975)	(1 550)	(594)	(373)	(10 034)	**(17 526)**
Interest expense	3 196	6 303	1 702	543	6 740	**18 484**
Closing balance	**230 461**	**452 525**	**121 552**	**38 563**	**485 812**	**1 328 913**
Current	**29 624**	**23 199**	**5 347**	**1 694**	**57 245**	**117 109**
Non-current	**200 837**	**429 326**	**116 205**	**36 869**	**428 567**	**1 211 804**

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

22.2. Provisions for payments due to termination of employment contracts

Movement in provisions for voluntary redundancy schemes in the 3-month period ended 31 March 2013 (*unaudited*)

	Voluntary redundancy schemes			
	TAURON Wytwarzanie S.A.	TAURON Dystrybucja S.A.	TAURON Obsługa Klienta Sp. z o.o.	Total
Opening balance	**75 180**	**23 211**	**9 549**	**107 940**
Recognition	2 487	-	-	**2 487**
Reversal	(6 115)	-	**-**	**(6 115)**
Utilization	(3 603)	(1 895)	(400)	**(5 898)**
Other movements	117	-	-	**117**
Closing balance	**68 066**	**21 316**	**9 149**	**98 531**
Current	**27 159**	**21 316**	**5 953**	**54 428**
Non-current	**40 907**	**-**	**3 196**	**44 103**

(in PLN thousand)

Movement in provisions for voluntary redundancy schemes in the 3-month period ended 31 March 2012 (*unaudited*)

	Voluntary redundancy schemes			
	TAURON Wytwarzanie S.A.	**TAURON Dystrybucja S.A.**	**TAURON Serwis GZE Sp. z o.o.**	**Total**
Opening balance	**5 719**	**29 336**	**217**	**35 272**
Recognition	43 637	16 130	-	**59 767**
Reversal	-	-	-	**-**
Utilization	(30)	(4 250)	(217)	**(4 497)**
Other movements	-	-	-	**-**
Closing balance	**49 326**	**41 216**	**-**	**90 542**
Current	**49 326**	**41 216**	**-**	**90 542**
Non-current	**-**	**-**	**-**	**-**

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

- The Employment Cost Reduction Agreement signed in TAURON Wytwarzanie S.A. on 28 March 2012 is being continued. From its effective date up to 31 March 2013, 768 individuals took advantage of this Agreement. A provision was recognized in 2012 due to the planned redundancy of 553 employees in the period from 1 January 2013 to 30 June 2014. The balance of the provision as at 31 March 2013 was PLN 68,066 thousand, including a provision for costs resulting from the Agreement on liquidation of the Halemba Power Plant of PLN 72 thousand.

  In the 3-month period ended 31 March 2013:

  - a provision of PLN 2,487 thousand was recognized for future benefits to employees under the VRS;

  - part of the long-term provision of PLN 6,115 thousand was reversed due to the remeasurement of the provision;

  - a provision of, respectively, PLN 12 thousand and PLN 3,591 thousand was utilized due to payment of benefits to the employees who took advantage of the Agreement on liquidation of the Halemba Power Plant and due to payment of retirement benefits and jubilee bonuses to employees covered by agreements;

- In TAURON Dystrybucja S.A., the schemes implemented in previous years were continued in the 3-month period ended 31 March 2013. In 2013, the company terminated employment contracts with 8 employees under voluntary redundancy schemes.

  In the 3-month period ended 31 March 2013, a total of PLN 929 thousand of one-off severance payments were paid out under the schemes announced on 18 December 2012. Furthermore, in 2013 the company continued to make payments to the individuals who left it in 2012. The second part of payments made under the Redundancy Payment Scheme amounted to PLN 108 thousand, while benefits of PLN 803 thousand were paid to the individuals who took advantage of the schemes that were terminated on 30 December 2012 and acquired the rights to such payments after receiving an unemployment allowance for a period not exceeding 6 months (Pre-retirement Redundancy Scheme). In addition, in 2013 severance payments totaling PLN 55 thousand were paid under the schemes effective in the then TAURON Dystrybucja GZE S.A. to the employees leaving that company. The schemes will be completed in June 2013.

- In TAURON Obsługa Klienta Sp. z o.o., due to reorganizational changes taking place at this company, on 31 December 2012 the company launched a voluntary redundancy scheme to be completed by 31 December 2014, which includes a Pre-retirement Benefit Scheme, Early Retirement Benefit Scheme and Redundancy Payment Scheme. The provision recognized by the company for these schemes amounted to PLN 9,549 thousand as at 31 December 2012 and PLN 9,149 thousand as at 31 March 2013. In the 3-month period ended 31 March 2013, 9 employees benefited from these schemes, who were paid a total of PLN 400 thousand.

(in PLN thousand)

23. Other provisions

23.1. Movements in other provisions

Movement in provisions for the 3-month period ended 31 March 2013 *(unaudited)*

	Provision for counterparty claims, court disputes and other	Provision for restoration of land and dismantling and removal of fixed assets	Provision for gas emission obligations	Provision for obligation to surrender energy certificates	Provision for use of real estate under power generation facilities without contract and other provisions	Provisions, total
Opening balance	**33 713**	**94 140**	**62 921**	**873 976**	**120 809**	**1 185 559**
Discount rate	-	282	-	-	-	**282**
Recognition	541	861	86 320	297 996	3 048	**388 766**
Reversal	(288)	-	-	(65 995)	(999)	**(67 282)**
Utilization	(19)	-	-	(838 255)	(1 872)	**(840 146)**
Other movements	-	-	-	(677)	51	**(626)**
Closing balance	**33 947**	**95 283**	**149 241**	**267 045**	**121 037**	**666 553**
Current	**33 947**	**12 566**	**149 241**	**267 045**	**120 220**	**583 019**
Non-current	**-**	**82 717**	**-**	**-**	**817**	**83 534**

Movement in provisions for the 3-month period ended 31 March 2012 *(unaudited restated figures*)

	Provision for counterparty claims, court disputes and other	Provision for restoration of land and dismantling and removal of fixed assets	Provision for gas emission obligations	Provision for obligation to surrender energy certificates	Provision for use of real estate under power generation facilities without contract and other provisions	Provisions, total
Opening balance	**43 149**	**69 850**	**187 132**	**703 449**	**87 188**	**1 090 768**
Adjustments	-	(6 240)	-	-	-	**(6 240)**
Opening balance after adjustments	**43 149**	**63 610**	**187 132**	**703 449**	**87 188**	**1 084 528**
Discount rate	-	267	-	-	-	**267**
Recognition	789	411	54 139	383 552	8 220	**447 111**
Reversal	(1 188)	-	-	-	(2 187)	**(3 375)**
Utilization	(421)	-	-	(696 712)	(3 122)	**(700 255)**
Other movements	-	-	-	(865)	(21)	**108**
Closing balance	**42 329**	**64 288**	**241 271**	**389 424**	**90 078**	**827 390**
Current	**42 329**	**3 250**	**241 271**	**389 424**	**89 120**	**765 394**
Non-current	**-**	**61 038**	**-**	**-**	**958**	**61 996**

23.2. Details of significant provisions

23.2.1 Provision for counterparty claims, court disputes and onerous contract

Provision for proceedings before the Office of Competition and Consumer Protection

The Office of Competition and Consumer Protection conducts antitrust proceedings against TAURON Dystrybucja S.A. in respect of the alleged abuse of dominant position on the electricity distribution market. The company appealed against the decisions of the Office of Competition and Consumer Protection. The provision recognized by the company in this respect as at 31 March 2013 amounted to PLN 11,576 thousand and did not change compared with the balance as at 31 December 2012.

Provision for claims of ArcellorMittal Poland S.A.

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

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

Due to a legal obligation arising from the Geological and Mining Law, Południowy Koncern Węglowy S.A. and Kopalnia Wapienia Czatkowice Sp. z o.o. recognize provisions for future decommissioning costs of their mining facilities. As at 31 March 2013, the provision recognized by Kopalnia Wapienia Czatkowice Sp. z o.o. amounted to PLN 5,696 thousand, and the provision recognized by Południowy Koncern Węglowy S.A. amounted to PLN 20,803 thousand. As at 31 December 2012, the provisions amounted to PLN 5,548 thousand and PLN 20,521 thousand, respectively.

The provision for restoration of land under waste dumps recognized by TAURON Wytwarzanie S.A. amounted to PLN 46,969 thousand as at 31 March 2013 and PLN 46,512 thousand as at 31 December 2012.

The Renewable Sources of Energy segment entities recognized a provision for the costs of dismantling wind farms after the completion of their usage at an amount of PLN 12,194 thousand. As at 31 December 2012, the provision amounted to PLN 12,075 thousand.

Due to the legal obligation to dismantle and remove fixed assets after the period of their usage, TAURON Wytwarzanie S.A. recognized a provision for the estimated future costs necessary to discharge this obligation, amounting to PLN 9,620 thousand. As at 31 December 2012, the provision amounted to PLN 9,484 thousand.

23.2.3 Provision for obligation to surrender energy certificates

Due to the sale of electricity to final users, the Group is required to surrender for cancellation a certain amount of certificates of electricity generated using renewable sources and cogeneration as well as certificates of energy efficiency.

As at 31 March 2013, the provision recognized in this respect amounted to PLN 267,045 thousand.

23.2.4 Provision for gas emission obligations

Due to the completed 2008-2012 trading period under the community system of trading in emission allowances as well as the Company's fulfillment of its obligation to surrender for cancellation credits for 2012, the credits remaining on the accounts of the individual facilities of the Group companies are intended to be surrendered for cancellation in the next trading period.

In a new trading period, the Group in the first turn surrenders for cancellation emission allowances received free of charge in order to fulfill the obligation for the given year, while allocating these allowances on a straight line basis to particular quarters within the annual reporting period. In the next turn, the Group surrenders for cancellation the allowances left from the previous trading period, allowances acquired as a result of exchange transactions and purchased allowances. The closing balance of the allowances classified as intangible assets is determined on the weighted average basis.

As at 31 March 2013, the provision for gas emission obligations amounted to PLN 149,241 thousand.

23.2.5 Other provisions

Provision for use of land without a contract

The Group companies recognize provisions for all claims reported by the owners of the real estate on which distribution systems and heat installations are located. As at 31 March 2013, the provision amounted to PLN 76,049 thousand. The companies do not recognize provisions for unreported potential claims from owners of land with an unregulated status.

The court dispute against TAURON Ciepło S.A. for the use of real estate without a contract, as discussed in detail in the consolidated financial statements for the year ended 31 December 2012, was still pending as at 31 March 2013.

Provision for real estate tax

Due to pending tax proceedings, and taking into consideration the verdict of the Constitutional Tribunal of 13 September 2011 as well as the current case law, Południowy Koncern Węglowy S.A. recognized a provision for the real estate tax on structures located in underground workings. As at 31 March 2013, the provision including interest for late payments amounted to PLN 2,638 thousand.

(in PLN thousand)

24. Accruals

24.1. Deferred income and government grants

	As at 31 March 2013 *(unaudited)*	As at 31 December 2012
Deferred income		
Donations, fixed assets received free-of-charge	203 702	205 423
Non-government subsidies	41	54
Subsidies for the purchase of fixed assets	134 372	135 031
Connection fees	300 764	306 343
Other deferred income	3 097	1 189
Total, *of which:*	**641 976**	**648 040**
Non-current	593 106	597 971
Current	48 870	50 069
Government grants		
Forgiven loans from environmental funds	9 706	9 880
Other deferred government grants	121 130	121 590
Total, *of which:*	**130 836**	**131 470**
Non-current	122 670	125 344
Current	8 166	6 126

Other deferred government grants comprise mainly government grants received by Południowy Koncern Węglowy S.A. for initial investments in coal mines, amounting to PLN 31,227 thousand, the remeasurement of preferential loans received by TAURON Wytwarzanie S.A. to market value, amounting to PLN 40,065 thousand and received by TAURON Ciepło S.A. amounting to PLN 3,585 thousand.

24.2. Accrued expenses

	As at 31 March 2013 *(unaudited)*	As at 31 December 2012
Unused holidays	53 755	32 837
Bonuses	107 343	171 832
Environmental protection charges	13 471	1 905
Other	9 413	11 055
Total, *of which*:	**183 982**	**217 629**
Non-current	-	-
Current	183 982	217 629

25. Business combinations and acquisition of non-controlling interests

Merger of TAURON Obsługa Klienta Sp. z o.o. with TAURON Obsługa Klienta GZE Sp. z o.o.

On 31 January 2013, merger of TAURON Obsługa Klienta sp. z o.o. with its registered office in Wrocław (acquirer) and TAURON Obsługa Klienta GZE sp. z o.o. with its registered office in Gliwice (acquiree) was entered in the register.

As a result of the merger, the share capital of TAURON Obsługa Klienta sp. z o.o. was increased from PLN 2,718 thousand to PLN 4,920 thousand i.e. by PLN 2,202 thousand. Consequently, as at 31 March 2013, TAURON Polska Energia S.A. only held shares in the acquirer i.e. TAURON Obsługa Klienta Sp. z o.o.

Division of TAURON Wytwarzanie S.A.

On 2 January 2013, the division of TAURON Wytwarzanie S.A. by separation pursuant to Article 529 § 1 item 4 of the Code of Commercial Companies, involving a transfer of separated assets to TAURON Ciepło S.A., was entered in the National Court Register.

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

The interest held by TAURON Polska Energia S.A. in TAURON Wytwarzanie S.A. has decreased as a result of the division to 99.70% (in the share capital) and 99.77% (in the total vote at the General Meeting), while the interest held by TAURON Polska Energia S.A. in TAURON Ciepło S.A. has increased to 91.79% (in the share capital) and 92.41% (in the total vote at the General Meeting).

As a result of the company's division, non-controlling interests increased by PLN 1,054 thousand and retained earnings simultaneously decreased by the same amount.

Re-acquisition of non-controlling interests

As a result of the squeeze-outs continued in the TAURON Group, the value of non-controlling interests in TAURON Wytwarzanie S.A. decreased by PLN 870 thousand, while retained earnings increased by PLN 146 thousand.

26. Contingent liabilities

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

The President of URE instituted administrative proceedings in the matter of imposing a cash penalty on Vattenfall Sales Poland Sp. z o.o. (currently TAURON Sprzedaż GZE Sp. z o.o.) under Article 56 Section 1 Item 5 of the Energy Law, based on the allegation that, in 2008 – 2012, the company used prices and tariffs which had not been submitted for the required approval. The company is of the opinion that it did not breach any law in this respect. In order to avoid being charged with a direct allegation of failing to fulfill the request of the President of URE and thus falling under the provisions of the Energy Law, the company, at the request of the President of URE, submitted electricity tariffs for the years 2008 – 2012 for approval, although it was in fact exempt from the requirement to submit electricity tariffs (exemption based on the position of the President of URE dated 28 June 2001). However, the applications for the years 2008, 2009, 2011 and 2012 were not approved, and the proceedings for the approval of the electricity tariff for 2010 were cancelled based on the Decision of the President of URE.

On 19 March 2010, the President of URE issued a decision in which it decided to withdraw ex officio the exemption from the requirement to submit electricity tariff for approval that was granted to Vattenfall Sales Poland Sp. z o.o. (currently TAURON Sprzedaż GZE Sp. z o.o.) by virtue of the position of the President of URE dated 28 June 2001. The Company filed an appeal against this decision with the Regional Court in Warsaw the Court for Competition and Consumers Protection (CCCP). On 9 December 2011, the CCCP passed a judgment which reversed the President's decision. On 20 September 2012, the Court of Appeal in Warsaw announced a judgment in the matter of URE's appeal against CCCP's judgment regarding the withdrawal of the exemption granted to TAURON Sprzedaż GZE Sp. z o.o. from the requirement to submit for approval the electricity tariff for group G. The Court dismissed URE's appeal. The judgment is final, and the written statement of the grounds for the judgment was delivered on 31 December 2012. On 1 March 2013, the President of URE filed a cassation appeal against the judgment with the Supreme Court. The attorney of TAURON Sprzedaż GZE Sp. z o.o. prepared a reply to the cassation appeal.

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

Administrative proceedings initiated by the President of the Office of Competition and Consumer Protection

The President of the Office of Competition and Consumer Protection (UOKiK), Branch in Wrocław (decision No. RWR 61/26/12/JB of 12 December 2012) instituted ex officio proceedings against TAURON Sprzedaż Sp. z o.o. with respect to the alleged use of practices violating collective consumers' interests, consisting in groundless charging of interest for delayed payments for forecasted electricity consumption that are shown by the automated payment servicing system, due to allocating the amounts paid by customers to the receivables that will be due in the future and leaving their oldest liabilities as unpaid. In reply to this, the company applied for issuing a decision imposing on it the requirement to fulfill the obligation to discontinue activities violating the Competition and Consumer Protection Act of 16 February 2007 (Journal of Laws 2007, No. 50, item 331 as amended) and to undertake activities to prevent continued existence of the alleged violations. UOKiK accepted the company's proposal, as a result of which TAURON Sprzedaż Sp. z o.o. presented proposed liabilities and payment dates to prevent continued existence of the alleged violations. In the letter dated 12 March 2013, the Office of Competition and Consumer Protection – Branch in Wrocław informed of the anticipated date of completion of the proceedings on 30 April 2013.

Claims of Huta Łaziska S.A.

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

In recent years, GZE was a party to court disputes with Huta Łaziska S.A. The main reason for this was Huta's failure to fulfill its obligation to pay the amounts due for electricity supplies, which resulted in the withholding of electricity supplies to Huta Łaziska by GZE in 2001.

Based on the decision of 12 October 2001, the President of URE ordered GZE to resume electricity supplies to Huta under the terms of the agreement dated 30 July 2001 at the price of PLN 67/MWh until the date of final resolution of the dispute, and on 14 November 2001 the President of URE finally resolved the dispute by issuing a decision stating that the withholding of electricity supplies was not unjustified. Huta appealed against this decision. On 25 July 2006, the Court of Appeal in Warsaw passed a final judgment ending the dispute over the decision of the President of URE dated 14 November 2001. Huta lodged a cassation appeal against the judgment of the Court of Appeal, which was dismissed by the judgment of the Supreme Court dated 10 May 2007.

Due to the withholding of electricity supplies, Huta raised a claim against GZE for damages amounting to PLN 182,060 thousand. Currently an action is pending under Huta's suit of 12 March 2007 against GZE and the State Treasury represented by the President of URE for the payment of PLN 182,060 thousand together with interest from the date of filing the suit to the date of payment, in respect of damages for alleged losses resulting from GZE's failure to comply with the decision of the President of URE dated 12 October 2001. In this case, the courts of the first and second instance passed judgments favorable for GZE; however, in the judgment of 29 December 2011 the Supreme Court overruled the judgment of the Court of Appeal and remanded the case for reexamination by this Court. On 5 June 2012, the Court of Appeal overruled the judgment of the Regional Court and remanded the case for reexamination by the Regional Court. The first hearing before the court of first instance was held on 27 November 2012, and the next ones were held on 25 February 2013 and 24 April 2013. The date of the next hearing has been set at 5 August 2013.

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

Compensation for stranded costs

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

In accordance with the adopted accounting policy, TAURON Wytwarzanie S.A. recognized, based on the developed financial model, compensation revenue amounting to PLN 2,095,800 thousand for the period 2008-2012. Year 2012 was the last one in which the Group recognized revenue from compensation for stranded costs. In the 1st quarter of 2013, TAURON Wytwarzanie S.A. received proceeds from the prepayment for the 4th quarter of 2012 amounting to PLN 38,263 thousand. As at 31 March 2013, TAURON Wytwarzanie S.A. had receivables from compensations for termination of PPAs amounting to PLN 495,944 thousand, which resulted from the estimated annual adjustment to stranded costs for 2012 as well as the estimated settlement of the final adjustment to stranded costs.

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

- for 2008:

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

As a result of appeal proceedings, based on the judgments of: the Regional Court in Warsaw the Court for Competition and Consumers Protection dated 26 May 2010 and of the Court of Appeal in Warsaw dated 25 April 2012, which modified the President of URE's decision, the company received an adjustment to stranded costs for 2008 from Zarządca Rozliczeń S.A. in Warsaw amounting to PLN 158,842 thousand. The President of URE took advantage of the right of appeal and filed a cassation appeal against the judgment of the Court of Appeal, which was delivered to the Court of Appeal in Warsaw on 24 September 2012. On 25 October 2012, the cassation appeal was served on the lawyers representing TAURON Wytwarzanie S.A. On 8 November 2012, TAURON Wytwarzanie S.A. filed a reply to the cassation appeal with the Supreme Court through the Court of Appeal in Warsaw, requesting a refusal to accept the cassation appeal for examination or, if the cassation appeal is accepted for examination, a dismissal thereof as groundless. As at the date of these interim condensed consolidated financial statements, the company has not been informed of either the acceptance of the cassation appeal for examination or its rejection.

- for 2009-2011:

In 2009-2011, TAURON Wytwarzanie S.A. recognized revenue from compensation for termination of PPAs totaling PLN 1,336,625 thousand.

- for 2012:

For the year 2012, the Group recognized PLN 567,012 thousand of revenue from compensations for terminated PPAs. The amount of the annual adjustment to stranded costs for 2012 will be determined by the President of URE by 31 July 2013 by way of an administrative decision. Cash arising from the adjustment should be paid to the Company or returned by the Company to Zarządca Rozliczeń S.A. by 30 September 2013.

The amount of the final adjustment to stranded costs will be determined by the President of URE by way of an administrative decision by 31 August 2013. Cash arising from the final adjustment should be paid to the Company or returned by the Company to Zarządca Rozliczeń S.A. by 31 December 2013.

(in PLN thousand)

Revenues and proceeds from compensations for terminated PPAs

	3-month period ended 31 March 2013 or as at 31 March 2013 *(unaudited)*	3-month period ended 31 March 2012 *(unaudited)* or as at 31 December 2012
Revenue from compensations for terminated PPAs	-	121 122
Cash inflows generated from compensations concerning terminated PPAs	38 263	41 490
Receivables from compensations for terminated PPAs at the balance sheet date	495 944	534 207

The status of other contingent liabilities did not significantly change compared with the information contained in the consolidated financial statements for the year ended 31 December 2012.

27. Assets pledged as security

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

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

Carrying amount of assets pledged as security for liabilities

	As at 31 March 2013 *(unaudited)*	As at 31 December 2012
Real estate	729 210	728 953
Plant and equipment	49 239	50 231
Motor vehicles	825	950
Assets under construction	-	2
Cash	24 964	20 796
Financial and non-financial receivables	443	435
Total assets pledged as security for liabilities	**804 681**	**801 367**

Other forms of security for payment of liabilities

In addition to the collaterals listed above, the Group also uses other forms of security to secure payment of liabilities, of which the most significant ones as at 31 March 2013 related to loans and borrowings taken out by TAURON Wytwarzanie S.A. and included: authorizations to bank accounts – PLN 20,000 thousand and blank promissory notes for PLN 64,488 thousand. Loans taken out by TAURON Dystrybucja S.A. were secured by granting authorizations to dispose of the funds in the borrower's bank accounts up to the balance of the outstanding loan plus interest and other amounts due to the bank – a total of PLN 44,450 thousand as at 31 March 2013. In order to secure proper performance of the contract and of the agreements signed by the company, including those for the funding of investment projects, TAURON Dystrybucja S.A. issued blank promissory notes (for a total amount of PLN 94,430 thousand). Elektrociepłownia Tychy S.A. (currently TAURON Ciepło S.A.) issued a blank promissory note for an amount of PLN 92,383 thousand to secure the sale and leaseback agreement signed in 2007. This agreement is additionally secured by the assignment of receivables, assignment of rights under insurance policies, mortgage on real estate and plant and machinery (in the table above) and authorization to dispose of bank accounts.

The parent, under the debentures issue program, signed a declaration of submission to enforcement:

- up to the amount of PLN 1,560,000 thousand – valid until 31 December 2016,
- up to the amount of PLN 6,900,000 thousand – valid until 31 December 2018.

As at 31 March 2013, overdraft agreements of TAURON Polska Energia S.A. were secured by authorizations to bank accounts:

- up to the amount of PLN 300,000 thousand - overdraft with bank Polska Kasa Opieki S.A. (funding under the cash pool agreement),
- up to the amount of EUR 26,500 thousand (PLN 110,701 thousand) – overdraft with NORDEA Bank Finland plc.

In order to secure the framework agreement concerning bank guarantees from PKO Bank Polski S.A., TAURON Polska Energia S.A. provided a declaration of submission to enforcement under Article 97 of the Banking Law up to the amount of PLN 125,000 thousand, valid until 31 December 2017. Additional collateral for this agreement is authorization to the bank account held with PKO Bank Polski S.A. As at 31 March 2013, the maximum amount of the limit set for the guarantees is PLN 100,000 thousand. The agreement will be valid until 31 December 2016.

Under the aforementioned agreement, PKO Bank Polski S.A., at the Company's request, issued bank guarantees to secure the liabilities of the subsidiaries of TAURON Polska Energia S.A. for a total amount of PLN 4,235 thousand and to secure the Company's transactions:

- up to the amount of PLN 80,000 thousand – a guarantee for Izba Rozliczeniowa Giełd Towarowych S.A. valid until 30 June 2013,
- up to the amount of EUR 800 thousand (PLN 3,342 thousand) – a guarantee for CAO Central Allocation Office Gmbh valid until 3 February 2014.

In order to secure the transactions made by the Company in electricity markets through Towarowa Giełda Energii S.A. and its participation in the system securing the liquidity of settlements, TAURON Wytwarzanie S.A. issued a suretyship to Izba Rozliczeniowa Giełd Towarowych S.A. (IRGIT S.A.) for the settlement of the Company's future transactions up to the amount of PLN 145,000 thousand. It was agreed that the Company would pay a consideration to TAURON Wytwarzanie S.A. for setting up collateral in the form of a suretyship. In order to secure IRGIT's claims under the suretyship agreement signed between TAURON Wytwarzanie S.A. and IRGIT S.A. in respect of Tauron Polska Energia S.A.'s liabilities, restrictions were placed on the EUAs of TAURON Wytwarzanie S.A. entered in the National Register of Emission Allowances (KRUE) amounting to 10,000 thousand tonnes. Under the Annex of 31 December 2012 to the Agreement between TAURON Polska Energia S.A. and TAURON Wytwarzanie S.A., the validity of this collateral was extended until 31 March 2013.

In order to secure funds for future decommissioning costs, the mining companies that are part of the Group have recognized a Mine Decommissioning Fund.

28. Capital commitments

As at 31 March 2013, the Group committed to incur expenditures for property, plant and equipment at an amount of PLN 1,796,211 thousand, while the expenditures for property, plant and equipment as at 31 December 2012 amounted to PLN 1,717,934 thousand. As it was the case at the 2012 year-end, the largest items included:

- the capital commitment of PLN 157,940 thousand relating to the construction of the Wicko wind farm being the property of BELS INVESTMENT Sp. z o.o. As at 31 December 2012, this commitment amounted to PLN 156,011 thousand,
- the capital commitment of PLN 117,918 thousand relating to boiler accommodation in the Jaworzno III Power Plant, being the property of TAURON Wytwarzanie S.A., to reduce emission of greenhouse gases. As at 31 December 2012, this commitment amounted to PLN 132,722 thousand,
- the capital commitment of PLN 103,251 thousand relating to the construction of the Marszewo wind farm, being the property of MEGAWAT MARSZEWO Sp. z o.o., along with the supply of turbines. As at 31 December 2012, this commitment amounted to PLN 194,351 thousand,
- the capital commitment of TAURON Dystrybucja S.A. amounting to PLN 83,900 thousand and relating to the reconstruction of the Groszowice-Hermanowice high-voltage transmission line

(in PLN thousand)

including construction of an optical fiber. The amount of this commitment has not changed compared with 31 December 2012.

29. Related party disclosures

29.1. Transactions with companies under joint control

The Group has two joint ventures: Elektrociepłownia Stalowa Wola S.A. and Elektrownia Blachownia Nowa Sp. z o.o., which have been described in detail in Note 15.

29.2. Transactions with State Treasury companies

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

The total value of transactions with State Treasury companies and balance of accounts receivable and payable are presented in the table below.

Revenues and expenses

	3-month period ended 31 March 2013 *(unaudited)*	3-month period ended 31 March 2012 *(unaudited)*
Revenue	510 970	529 000
Costs*	(630 178)	(915 121)

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

Receivables and payables

	As at 31 March 2013 *(unaudited)*	As at 31 December 2012
Receivables	247 683	302 588
Payables	175 539	588 194

Among the State Treasury companies, the following were the largest clients of the TAURON Polska Energia S.A. Group in the 3-month period ended 31 March 2013: KGHM Polska Miedź S.A., PSE Operator S.A., PKP Energetyka S.A. and Kompania Węglowa S.A. Total sales to these counterparties accounted for 71% of revenue from transactions with State Treasury companies. The largest purchase transactions were made by the Group with Kompania Węglowa S.A., PSE Operator S.A. and Polska Grupa Energetyczna S.A. Purchases from these counterparties accounted for 77% of the value of purchases from the State Treasury companies in the 3-month period ended 31 March 2013.

Among the State Treasury companies, the following were the largest clients of the TAURON Polska Energia S.A. Group in the 3-month period ended 31 March 2012: PKP Energetyka S.A., Kompania Węglowa S.A., KGHM Polska Miedź S.A. and PSE Operator S.A. Total sales to these counterparties accounted for 74% of revenue from transactions with State Treasury companies. The largest purchase transactions were made by the Group with PSE Operator S.A. and Kompania Węglowa S.A. Purchases from these counterparties accounted for 78% of the value of purchases from the State Treasury companies in the 3-month period ended 31 March 2012.

The Capital Group enters into significant transactions in energy markets through Izba Rozliczeniowa Giełd Towarowych S.A. As this entity only deals with organization of commodities exchange trading, a decision was taken not to consider purchase and sale transactions made through this entity as related party transactions.

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

(in PLN thousand)

29.3. Compensation of key management personnel

The amount of compensation and other benefits of the Board of Directors, Supervisory Boards and other key management personnel of the parent and of the subsidiaries for the 3-month period ended 31 March 2013 and for the comparative period is presented in the table below.

	3-month period ended 31 March 2013 *(unaudited)*		3-month period ended 31 March 2012 *(unaudited)*	
	Parent	**Subsidiaries**	**Parent**	**Subsidiaries**
Board of Directors	**1 372**	**5 335**	**1 507**	**6 581**
Short-term employee benefits (salaries and surcharges)	1 119	4 859	1 212	6 311
Post-employment benefits	-	230	-	65
Employment termination benefits	-	84	-	59
Other	253	162	295	146
Supervisory Board	**234**	**294**	**234**	**290**
Short-term employee benefits (salaries and surcharges)	234	259	234	267
Other	-	35	-	23
Other key management personnel	**2 207**	**11 438**	**2 444**	**11 524**
Short-term employee benefits (salaries and surcharges)	2 007	11 259	2 224	11 207
Jubilee bonuses	-	35	-	194
Post-employment benefits	-	85	21	14
Employment termination benefits	-	-	-	46
Other	200	59	199	63
Total	**3 813**	**17 067**	**4 185**	**18 395**

30. Financial instruments

30.1. Carrying amounts and fair values of categories and classes of financial instruments

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

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

The carrying amounts and fair values of the individual classes and categories of financial instruments as at 31 March 2013 and 31 December 2012 are presented in the tables below.

(in PLN thousand)

Categories and classes of financial assets	As at 31 March 2013 *(unaudited)*		As at 31 December 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
1 Assets at fair value through profit or loss	**2 133**	**2 133**	**472**	**472**
Shares in unlisted and listed companies (current)	6	6	6	6
Derivative instruments	2 127	2 127	466	466
2 Financial assets available for sale	**157 439**	**4 340**	**156 974**	**3 813**
Shares in unlisted and listed companies (non-current)*	146 167	-	148 222	-
Shares in unlisted and listed companies (current)*	6 932	-	4 939	-
Investment fund units	2 350	2 350	2 388	2 388
Bonds, T-bills and other debt securities	1 990	1 990	1 425	1 425
3 Loans and receivables	**3 035 743**	**3 035 743**	**3 190 115**	**3 190 115**
Trade receivables	1 981 704	1 981 704	2 199 577	2 199 577
Deposits	29 993	29 993	26 219	26 219
Loans granted	153 109	153 109	117 813	117 813
Other	870 937	870 937	846 506	846 506
4 Financial assets excluded from the scope of IAS 39	**49 939**	**-**	**51 986**	**-**
Investments in joint ventures recognised using the equity method*	49 939	-	51 986	-
5 Cash and cash equivalents	**1 007 246**	**1 007 246**	**1 030 929**	**1 030 929**
Total financial assets, including in the statement of financial position:	**4 252 500**		**4 430 476**	
Non-current assets	**393 837**		**357 430**	
Investments in joint ventures recognised using the equity method	49 939		51 986	
Other financial assets	343 898		305 444	
Current assets	**3 858 663**		**4 073 046**	
Trade and other receivables	2 842 352		3 036 695	
Other financial assets	9 065		5 422	
Cash and cash equivalents	1 007 246		1 030 929	

*The Group is unable to reliably determine the fair value of the shares held in companies which are not listed on active markets. They are measured at the balance sheet date at cost less impairment losses.

(in PLN thousand)

Categories and classes of financial liabilities	As at 31 March 2013 *(unaudited)*		As at 31 December 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
1 Financial liabilities at fair value through profit or loss	**-**	**-**	**552**	**552**
Derivative instruments	-	-	552	552
2 Financial liabilities measured at amortized cost	**7 534 980**	**7 534 980**	**8 146 211**	**8 146 211**
Preferential loans	100 198	100 198	99 100	99 100
Arm's length loans	1 428 855	1 428 855	979 372	979 372
Bank overdrafts	188 565	188 565	129 566	129 566
Issued debentures and other debt securities	4 352 640	4 352 640	4 301 834	4 301 834
Trade payables	1 016 718	1 016 718	1 399 019	1 399 019
Other financial liabilities	99 885	99 885	82 459	82 459
Commitments resulting from purchases of fixed and intangible assets	227 629	227 629	966 768	966 768
Salaries and wages	101 488	101 488	161 150	161 150
Insurance contracts	19 002	19 002	26 943	26 943
3 Liabilities under guarantees, factoring and excluded from the scope of IAS 39	**51 514**	**51 514**	**56 278**	**56 278**
Obligations under finance leases and hire purchase contracts	51 514	51 514	56 278	56 278
4 Derivative hedging instruments (liabilities)	**192 505**	**192 505**	**190 666**	**190 666**
Total financial liabilities, including in the statement of financial position:	**7 778 999**		**8 393 707**	
Long-term liabilities	**5 843 339**		**5 423 162**	
Interests bearing loans and borrowings	5 643 271		5 222 882	
Finance lease and hire purchase commitments	37 023		41 796	
Trade payables and other financial liabilities	8 089		7 890	
Derivative instruments	154 956		150 594	
Short-term liabilities	**1 935 660**		**2 970 545**	
Trade and other payables	1 456 633		2 628 449	
Derivative instruments	37 549		40 624	
Current portion of interest-bearing loans and borrowings	426 987		286 990	
Current portion of finance lease and hire purchase commitments	14 491		14 482	

30.2. Details of significant items within the individual categories of financial instruments

Financial assets available for sale

As at 31 March 2013 available-for-sale financial assets are mainly comprised of shares in the following companies:

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

Loans and receivables

Trade and other receivables are described in detail in Note 18.

Long-term loans of PLN 153,109 thousand include a loan granted to Elektrociepłownia Stalowa Wola S.A. together with interest, as discussed in detail in Note 15.

The most significant item of other loans and receivables is the receivable from compensation for termination of PPAs amounting to PLN 495,944 thousand.

Financial liabilities measured at amortized cost

Liabilities arising from loans and borrowings have been discussed in detail in Note 21.1.

Liabilities arising from issued debentures have been discussed in detail in Note 21.2.

Hedging derivatives (liabilities)

Derivative instruments hedging cash flows from interest on issued debentures have been discussed in detail in Note 20.3.

31. Financial risk management objectives and policies

Financial risk management objectives and policies have not changed compared with those as at 31 December 2012.

As at 31 March 2013, the parent was a party to hedging transactions covered by the policy for specific risk management in the area of finance, which were entered into in order to hedge cash flows from interest on issued debentures. The parent applies hedge accounting to these transactions. The accounting treatment applied with respect to such hedging transactions has been discussed in detail in Note 20.3.

32. Finance management

In the period covered by these interim condensed consolidated financial statements, there were no significant changes to finance management objectives, policies or procedures.

33. Significant items of the consolidated statement of cash flows

Purchase of property, plant and equipment and intangible assets

Expenditures for the purchase of property, plant and equipment and intangible assets, amounting to PLN 1,141,405 thousand, are mainly related to the purchase of property, plant and equipment amounting to PLN 516,125 thousand in the 3-month period ended 31 March 2013, as discussed in detail in Note 13, adjusted for the change in the balance of investing liabilities and excluding VAT of PLN 601,801 thousand.

Loans granted

In the 3-month period ended 31 March 2013, the Group recorded investing outflows arising from the parent's granting of loans to Elektrociepłownia Stalowa Wola S.A. for a total amount of PLN 38,850 thousand.

Proceeds from loans

Proceeds from loans, presented in the consolidated statement of cash flows at an amount of PLN 451,180 thousand, mainly arise from the loans taken out by the parent from the European Investment Bank for a total amount of PLN 450,000 thousand.

34. Events after balance sheet date

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

On 2 April 2013, merger of TAURON Serwis GZE sp. z o. o. (acquiree) and Przedsiębiorstwo Usług Elektroenergetycznych S.A. (acquirer) was entered in the register and, at the same time, the acquirer's name was changed to TAURON Dystrybucja Serwis S.A.

These interim condensed consolidated financial statements of the TAURON Polska Energia S.A. Capital Group prepared for the 3-month period ended 31 March 2013 in accordance with International Accounting Standard 34 consist of 52 pages.

Katowice, 7 May 2013

Dariusz Lubera - President ……………………………………..

Krzysztof Zawadzki - Vice President …………………………………….