

TAURON Polska Energia S.A.

Interim condensed financial statements

**prepared according to the International Financial Reporting Standards
for the 3-month period ended 31 March 2012**

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INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE 3-MONTH PERIOD ENDED 31 MARCH 2012

	Note	3-month period ended 31 March 2012 <i>(unaudited)</i>	3-month period ended 31 March 2011 <i>(unaudited)</i>
Continuing operations			
Sale of goods for resale, finished goods and materials without elimination of excise		2 655 665	2 189 657
Excise		(3 183)	(2 560)
Sale of goods for resale, finished goods and materials		2 652 482	2 187 097
Rendering of services		12 291	6 891
Other income		3	-
Sales revenue	9	2 664 776	2 193 988
Cost of sales	9	(2 627 297)	(2 129 080)
Gross profit		37 479	64 908
Other operating income		23	225
Selling and distribution expenses		(8 591)	(4 471)
Administrative expenses		(25 469)	(17 205)
Other operating expenses		(496)	(368)
Operating profit		2 946	43 089
Finance income		35 456	22 975
Finance costs	26	(83 774)	(21 381)
Profit before tax		(45 372)	44 683
Income tax	10	(14 978)	(8 448)
Net profit from continuing operations		(60 350)	36 235
Net profit for the period		(60 350)	36 235
Other comprehensive income:			
Change in the value of hedging instruments		(11 835)	-
Income tax expense relating to other comprehensive income items		2 249	-
Other comprehensive income for the period, net of tax	21	(9 586)	-
Total comprehensive income for the period		(69 936)	36 235
Earnings per share (in PLN)			
- basic, for profit for the period		(0.03)	0.02
- basic, for profit from continuing operations for the period		(0.03)	0.02
- diluted, for profit for the period		(0.03)	0.02
- diluted, for profit from continuing operations for the period		(0.03)	0.02

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2012

	Note	As at 31 March 2012 (<i>unaudited</i>)	As at 31 December 2011
ASSETS			
Non-current assets			
Property, plant and equipment		11 494	11 591
Intangible assets	13	17 598	15 487
Shares in unlisted and listed companies	14	21 028 188	21 028 076
Bonds, T-bills and other debt securities	20	1 422 540	1 137 040
Other long-term non-financial assets		453	830
Deferred tax asset	10	24 154	37 204
		22 504 427	22 230 228
Current assets			
Current intangible assets	13	2 989	33 120
Inventories	15	2 562	41 028
Corporate income tax receivables	10	75 210	-
Trade and other receivables	16, 20	1 403 687	991 977
Bonds, T-bills and other debt securities	20	4 367	13 003
Other current non-financial assets		3 465	3 581
Cash and cash equivalents	11	398 404	258 038
		1 890 684	1 340 747
Non-current assets classified as held for sale		-	-
TOTAL ASSETS		24 395 111	23 570 975

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2012 – continued

	Note	As at 31 March 2012 (unaudited)	As at 31 December 2011
EQUITY AND LIABILITIES			
Equity			
Issued capital	17	8 762 747	8 762 747
Reserve capital	17	7 412 882	7 412 882
Revaluation reserve from valuation of hedging instruments	21	(9 586)	-
Retained earnings/Accumulated losses	17	1 108 249	1 168 599
Total equity		17 274 292	17 344 228
Non-current liabilities			
Interest-bearing loans and borrowings	19, 20	4 745 186	4 136 112
Finance lease and hire purchase commitments	20	864	990
Long-term provisions and employee benefits		3 318	3 052
		4 749 368	4 140 154
Current liabilities			
Trade and other payables	20	520 943	325 928
Current portion of interest-bearing loans and borrowings	19, 20	1 671 179	1 468 066
Income tax payable		33 449	33 687
Current portion of finance lease and hire purchase commitments	20	567	627
Other current non-financial liabilities		102 817	84 778
Accruals and government grants		7 808	8 175
Short-term provisions and employee benefits	18	34 688	165 332
		2 371 451	2 086 593
Total liabilities		7 120 819	6 226 747
TOTAL EQUITY AND LIABILITIES		24 395 111	23 570 975

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INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE 3-MONTH PERIOD ENDED 31 MARCH 2012

	Note	Issued capital	Reserve capital	Revaluation reserve from valuation of hedging instruments	Retained earnings/ Accumulated losses	Total equity
As at 1 January 2012		8 762 747	7 412 882	-	1 168 599	17 344 228
Profit for the period		-	-	-	(60 350)	(60 350)
Other comprehensive income	21	-	-	(9 586)	-	(9 586)
Total comprehensive income for the period		-	-	(9 586)	(60 350)	(69 936)
Decrease of issued capital through a reduction of the nominal value of shares		-	-	-	-	-
As at 31 March 2012 (unaudited)		8 762 747	7 412 882	(9 586)	1 108 249	17 274 292

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE 3-MONTH PERIOD ENDED 31 MARCH 2011

	Issued capital	Reserve capital	Revaluation reserve from valuation of hedging instruments	Retained earnings / Accumulated losses	Total equity
As at 1 January 2011	15 772 945	475 088	-	275 648	16 523 681
Profit for the period	-	-	-	36 235	36 235
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	36 235	36 235
Decrease of issued capital through a reduction of the nominal value of shares	(7 010 198)	7 010 198	-	-	-
As at 31 March 2011 (unaudited)	8 762 747	7 485 286	-	311 883	16 559 916

INTERIM CONDENSED STATEMENT OF CASH FLOWS FOR THE 3-MONTH PERIOD ENDED 31 MARCH 2012

	Note	3-month period ended 31 March 2012 (unaudited)	3-month period ended 31 March 2011 (unaudited)
Cash flows from operating activities			
Profit/(loss) before taxation		(45 372)	44 683
Adjustments for:			
Depreciation and amortization		3 959	996
(Gain)/loss on foreign exchange differences		355	(228)
Interest and dividends, net		39 806	(2 698)
(Gain)/loss on investing activities		152	681
(Increase)/ decrease in receivables		(202 892)	(132 567)
(Increase)/decrease in inventories		38 466	(1 058)
Increase/(decrease) in payables excluding loans and borrowings		211 932	(210 608)
Change in other non-current and current assets		30 623	(37 267)
Change in deferred income, government grants and accruals		(367)	(1 763)
Change in provisions		(130 380)	(2 462)
Income tax paid		(1 057)	(2 763)
Net cash used in operating activities		(54 775)	(345 054)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment and intangible assets		-	3
Purchase of property, plant and equipment and intangible assets		(8 344)	(845)
Purchase of shares	20	(1 008 050)	-
Purchase of bonds, T-bills and other debt securities	20	(305 000)	(29 500)
Redemption of debentures	20	29 500	-
Loans granted	16	(142 003)	(168 000)
Repayment of loans granted	16	180 009	-
Dividends received		862	-
Interest received		21 411	11 503
Other		(3 187)	-
Net cash used in investing activities		(1 234 802)	(186 839)
Cash flows from financing activities			
Proceeds from loans taken out	19	510 000	-
Issue of debt securities	19	150 000	-
Payment of finance lease liabilities		(155)	(231)
Interest paid		(84)	(27)
Commission paid		(1 724)	(2 600)
Net cash generated from (used in) financing activities		658 037	(2 858)
Net increase / (decrease) in cash and cash equivalents		(631 540)	(534 751)
Net foreign exchange difference		(355)	228
Cash and cash equivalents at the beginning of the period		(138 862)	85 574
Cash and cash equivalents at the end of the period, of which:	11	(770 402)	(449 177)
restricted cash		240 617	80 354

Explanatory notes are an integral part of these interim condensed financial statements.
This is a translation of the interim condensed financial statements originally issued in Polish.

EXPLANATORY NOTES

1. General information

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

The interim condensed financial statements of the Company cover the 3-month period ended 31 March 2012 and include comparative figures for the 3-month period ended 31 March 2011 and as at 31 December 2011.

The figures for the period ended 31 March 2012 as well as the comparative figures for the period ended 31 March 2011, as included in these interim condensed financial statements, were neither audited nor reviewed by an independent auditor. Comparative figures as at 31 December 2011 were audited by an independent auditor.

The Company was set up based on a Notarial Deed dated 6 December 2006 under the name Energetyka Południe S.A. and was registered on 8 January 2007 with the District Court Katowice-Wschód Economic Department of the National Court Register under Entry No. KRS 0000271562. The change of the Company's name into TAURON Polska Energia S.A. was registered with the District Court on 16 November 2007.

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

TAURON Polska Energia S.A. has an unlimited period of operation.

The principal business activities of TAURON Polska Energia S.A. include:

- Activities of head offices and holdings, excluding financial holdings → PKD 70.10 Z,
- Trading in electricity → PKD 35.14 Z.

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

2. Basis of preparation of interim condensed financial statements

These interim condensed financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"), in particular in accordance with International Accounting Standard 34 ("IAS 34") and the IFRSs endorsed by the EU. At the date of authorization of these financial statements, considering the pending process of IFRS endorsement in the EU and the nature of the Company's activities, within the scope of the accounting principles applied by the Company there is no difference between the IFRSs that came into effect and the IFRSs endorsed by the EU.

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

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

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

The interim condensed financial statements do not include all information and disclosures that are required in annual financial statements and should be read in conjunction with the Company's financial statements prepared in accordance with IFRS for the year ended 31 December 2011.

These interim condensed financial statements for the 3-month period ended 31 March 2012 were authorized for issue on 8 May 2012.

The Company also prepared interim condensed consolidated financial statements for the 3-month period ended 31 March 2012, which were authorized for issue by the Board of Directors on 8 May 2012.

These interim condensed financial statements are part of a consolidated report which also includes the interim condensed consolidated financial statements for the 3-month period ended 31 March 2012.

3. Summary of significant accounting policies

The accounting policies applied while preparing the interim condensed financial statements are consistent with those applied in preparation of the annual financial statements of TAURON Polska Energia S.A. for the year ended 31 December 2011, except for application of the following amendment to the standard effective for annual periods beginning on 1 January 2012:

- Amendment to IFRS 7 *Financial Instruments: Disclosures: Transfer of Financial Assets* - applicable to annual periods beginning on or after 1 July 2011.

4. 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 EU as at the date of authorization of these financial statements. In the next phases, IASB will deal with hedge accounting and impairment methodology. The application of Phase 1 of IFRS 9 will have an impact on the classification and measurement of the Company's financial assets. The Company will assess this impact in correspondence with the other phases of the project once they have been issued, in order to provide a consistent view,
- Amendments to IAS 12 *Income Taxes: Recovery of Underlying Assets* – applicable to annual periods beginning on or after 1 January 2012 - not endorsed by the EU as at the date of authorization of these financial statements,
- 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 – not endorsed by the EU until the date of authorization of these financial statements,
- IFRS 10 *Consolidated Financial Statements* – applicable to annual periods beginning on or after 1 January 2013 – not endorsed by the EU as at the date of authorization of these financial statements,
- IFRS 11 *Joint Arrangements* – applicable to annual periods beginning on or after 1 January 2013 – not endorsed by the EU as at the date of authorization of these financial statements,
- IFRS 12 *Disclosure of Interests in Other Entities* – applicable to annual periods beginning on or after 1 January 2013 – not endorsed by the EU as at the date of authorization of these financial statements,
- IFRS 13 *Fair Value Measurement* – applicable to annual periods beginning on or after 1 January 2013 – not endorsed by the EU as at the date of authorization of these financial statements,
- Amendments to IAS 19 *Employee Benefits* – applicable to annual periods beginning on or after 1 January 2013 – not endorsed by the EU as at the date of authorization of these financial statements. The most important amendment to IAS 19 from the Company's perspective is the liquidation of the "corridor approach" and the requirement to recognize actuarial gains and losses retrospectively in other comprehensive income,

- 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 – not endorsed by the EU as at the date of authorization of these financial statements.
- IFRIC 20 *Stripping Cost of the Production Phase of a Surface Mine* – applicable to annual periods beginning on or after 1 January 2013 – not endorsed by the EU as at the date of authorization of these financial statements,
- Amendments to IFRS 7 *Financial Instruments: Disclosures: Offsetting Financial Assets and Financial Liabilities* – applicable to annual periods beginning on or after 1 January 2013 – not endorsed by the EU as at the date of authorization of these financial statements,
- Amendments to IAS 32 *Financial Instruments: Presentation: Offsetting Financial Assets and Financial Liabilities* – 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.
- 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 – not endorsed by the EU as at the date of authorization of these financial statements.

Apart from the impact of the amendment to IAS 19 involving the liquidation of the corridor approach, as at the date of authorization these financial statements, the Company's Management Board has not determined whether or not and to what extent the introduction of the aforementioned standards and interpretations may affect the Company's accounting policies.

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

5. Changes in estimates

In the period covered by these interim condensed financial statements 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 in the following sections of these interim condensed financial statements.

6. Shares in related entities

As at 31 March 2012, 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	99.72%	99.72%
2	TAURON Dystrybucja S.A.	30-390 Kraków; ul. Zawila 65 L	Distribution of electricity	99.38%	99.51%
3	TAURON Sprzedaż Sp. z o.o.	30-417 Kraków; ul. Łagiewnicka 60	Sale of electricity	100.00%	100.00%
4	TAURON Obsługa Klienta Sp. z o.o.	53-128 Wrocław; ul. Sudecka 95-97	Services	100.00%	100.00%
5	TAURON Ekoenergia Sp. z o.o.	58-500 Jelenia Góra; ul. Obrońców Pokoju 2B	Generation of electricity, trading in electricity	100.00%	100.00%
6	Elektrociepłownia Tychy S.A.	43-100 Tychy; ul. Przemysłowa 47	Generation of electricity, production and distribution of heat	95.47%	99.05%
7	Polska Energia Pierwsza Kompania Handlowa Sp. z o.o.	40-389 Katowice; ul. Lwowska 23	Trading in electricity	100.00%	100.00%
8	TAURON Ciepło S.A.	40-126 Katowice; ul. Grażyńskiego 49	Heat production and distribution	90.06%	91.76%
9	Elektrociepłownia EC Nowa Sp. z o.o.	41-308 Dąbrowa Górnica; al. J. Piłsudskiego 92	Generation of electricity, production of heat and of technical gases	84.00%	84.00%
10	TAURON Czech Energy s.r.o.	720 00 Ostrava; Na Rovince 879/C Czech Republic	Trading in electricity	100.00%	100.00%
11	Górnośląski Zakład Elektroenergetyczny S.A.	44-100 Gliwice; ul. Barlickiego 2	Activities of head offices and holdings	99.98%	99.98%

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As at 31 March 2012, 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 2012	Indirect interest of TAURON in the entity's governing body	Holder of shares as at 31 March 2012
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	99.72%	TAURON Wytwarzanie S.A. – 100.00%	99.72%	TAURON Wytwarzanie S.A. – 100.00%
2	Południowy Koncern Węglowy S.A. ¹	43-600 Jaworzno; ul. Grunwaldzka 37	Hard coal mining	52.33%	TAURON Wytwarzanie S.A. – 52.48%	67.82%	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	Lipniki Sp. z o.o.	52-420 Wrocław; ul. Tadeusza Mikulskiego 5	Generation of electricity	100.00%	TAURON Ekoenergia Sp. z o.o. – 100.00%	100.00%	TAURON Ekoenergia Sp. z o.o. – 100.00%
6	TAURON Dystrybucja GZE S.A.	44-100 Gliwice; ul. Portowa 14a	Distribution of electricity	99.98%	Górnśląski Zakład Elektroenergetyczny S.A. – 100.00%	99.98%	Górnśląski Zakład Elektroenergetyczny S.A. – 100.00%
7	Vattenfall Sales Poland Sp. z o.o. ²	44-100 Gliwice; ul. Barlickiego 2a	Trading in electricity	99.98%	Górnśląski Zakład Elektroenergetyczny S.A. – 99.998%, TAURON Serwis GZE Sp. z o.o. – 0.002%	99.98%	Górnśląski Zakład Elektroenergetyczny S.A. – 99.998%, TAURON Serwis GZE Sp. z o.o. – 0.002%
8	TAURON Serwis GZE Sp. z o.o.	44-100 Gliwice; ul. Myśliwska 6	Repair and maintenance of electrical machinery and equipment, electrical installations, construction of power lines	99.98%	Górnśląski Zakład Elektroenergetyczny S.A. – 99.8%, Vattenfall Sales Poland Sp. z o.o. – 0.2%	99.98%	Górnśląski Zakład Elektroenergetyczny S.A. – 99.8%, Vattenfall Sales Poland Sp. z o.o. – 0.2%
9	TAURON Ekoenergia GZE Sp. z o.o.	44-100 Gliwice; ul. Barlickiego 2	Generation of electricity	99.98%	Górnśląski Zakład Elektroenergetyczny S.A. – 100.00%	99.98%	Górnśląski Zakład Elektroenergetyczny S.A. – 100.00%

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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 2012	Indirect interest of TAURON in the entity's governing body	Holder of shares as at 31 March 2012
10	Vattenfall Business Services Poland Sp. z o.o. ³	44-100 Gliwice; ul. Wybrzeże Armii Krajowej 19b	Services	99.98%	Górnśląski Zakład Elektroenergetyczny S.A. – 100.00%	99.98%	Górnśląski Zakład Elektroenergetyczny 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 the company 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 2012, the District Court entered the change of the company's name from Vattenfall Sales Poland Sp. z o.o. to TAURON Sprzedaż GZE Sp. z o.o.

³ On 2 April 2012, the District Court entered the change of the company's name from Vattenfall Business Services Poland Sp. z o.o. to TAURON Obsługa Klienta GZE Sp. z o.o.

7. Seasonality of operations

The Company's operations in the area of trading in electricity are not seasonal in nature, hence the Company's results in this area show no significant fluctuations during the year.

As a result of the Company's holding activities, its finance income may show significant fluctuations due to dividend revenue, which is recognized at the date of the resolution on the payment of dividend, unless the resolution indicates a different date for establishing the right to the dividend.

During the 3-month period ended 31 March 2012, the Company received a dividend from a subsidiary in the amount of PLN 862 thousand. As at 31 March 2011, the Company had no dividend revenues.

8. Segment information

The Company's operations are presented in the following two segments: the "Sales" segment and the "Holding activity" segment.

Assets of the "Holding activity" segment comprise:

- shares in subsidiaries;
- debentures acquired from subsidiaries;
- cash pool loan receivables including the cash pool deposit.

Liabilities of the "Holding activity" segment include:

- debentures issued by the Company together with the liability resulting from the valuation of hedging instruments related to the debentures issued;
- loans obtained from the European Investment Bank for the implementation of investments in subsidiaries;
- liabilities arising from loans received under the cash pool service.

The "Holding activity" segment includes intercompany debtors and creditors related to income tax settlements of the companies comprising the Tax Capital Group.

Finance income and costs comprise dividend income and net interest income and costs generated and incurred by the Company due to the Group's central financing model.

Unallocated expenses include general and administrative expenses of the Company, as they are incurred for the whole group and cannot be directly attributable to operating segments.

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3-month period ended 31 March 2012 or as at 31 March 2012 (unaudited)	Sales	Holding activity	Unallocated items	Total
Revenue				
Sales outside the Group	615 207	-	-	615 207
Sales within the Group	2 049 569	-	-	2 049 569
Segment revenue	2 664 776	-	-	2 664 776
Profit/(loss) of the segment				
Unallocated expenses	-	-	(25 469)	(25 469)
Profit/(loss) from continuing operations before tax and net finance income (costs)	28 415	-	(25 469)	2 946
Net finance income/(costs)	-	(58 247)	9 929	(48 318)
Profit/(loss) before income tax	28 415	(58 247)	(15 540)	(45 372)
Income tax expense	-	-	(14 978)	(14 978)
Net profit/(loss) for the period	28 415	(58 247)	(30 518)	(60 350)
EBITDA	32 374	-	(25 469)	6 905
Assets and liabilities				
Segment assets	1 191 633	22 958 759	-	24 150 392
Unallocated assets	-	-	244 719	244 719
Total assets	1 191 633	22 958 759	244 719	24 395 111
Segment liabilities	582 225	6 501 037	-	7 083 262
Unallocated liabilities	-	-	37 557	37 557
Total liabilities	582 225	6 501 037	37 557	7 120 819
Other segment information				
Capital expenditure *	5 974	-	-	5 974
Depreciation/amortization	(3 959)	-	-	(3 959)

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

In the 3-month period ended 31 March 2012, the Company's revenue from its key client, amounting to PLN 1,636,384 thousand, accounted for 61% of the Company's total revenue in the "Sales" segment.

In the period ended 31 March 2011, the Company's revenue from its key client, amounting to PLN 1,515,937 thousand, accounted for 69% of the Company's total revenue in the "Sales" segment.

TAURON Polska Energia S.A.
Interim condensed financial statements for the 3-month period ended 31 March 2012
(in PLN thousand)

3-month period ended 31 March 2011 (<i>unaudited</i>) or as at 31 December 2011	Sales	Holding activity	Unallocated items	Total
Revenue				
Sales outside the Group	377 436	-	-	377 436
Sales within the Group	1 816 552	-	-	1 816 552
Segment revenue	2 193 988	-	-	2 193 988
Profit/(loss) of the segment				
	60 294	-	-	60 294
Unallocated expenses	-	-	(17 205)	(17 205)
Profit/(loss) from continuing operations before tax and net finance income (costs)	60 294	-	(17 205)	43 089
Net finance income (costs)	-	(942)	2 536	1 594
Profit/(loss) before income tax	60 294	(942)	(14 669)	44 683
Income tax expense	-	-	(8 448)	(8 448)
Net profit/(loss) for the period	60 294	(942)	(23 117)	36 235
EBITDA	61 290	-	(17 205)	44 085
Assets and liabilities				
Segment assets	1 119 556	22 233 775	-	23 353 331
Unallocated assets	-	-	217 644	217 644
Total assets	1 119 556	22 233 775	217 644	23 570 975
Segment liabilities	579 317	5 609 678	-	6 188 995
Unallocated liabilities	-	-	37 752	37 752
Total liabilities	579 317	5 609 678	37 752	6 226 747
Other segment information				
Capital expenditure *	603	-	-	603
Depreciation/amortization	(996)	-	-	(996)

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

9. Revenues and costs

9.1. Sales revenue

	For the 3-month period ended 31 March 2012 <i>(unaudited)</i>	For the 3-month period ended 31 March 2011 <i>(unaudited)</i>
Sale of goods for resale, finished goods and materials, of which:	2 652 482	2 187 097
Electricity	2 443 290	2 155 101
Property rights arising from energy certificates	44 513	-
Emission allowances	115 485	30 240
Biomass	49 176	-
Other	18	1 756
Rendering of services, of which:	12 291	6 891
Trading income	7 284	5 034
Other	5 007	1 857
Other income, of which:	3	-
Rental income	3	-
Total sales revenue	2 664 776	2 193 988

9.2. Costs by type

	For the 3-month period ended 31 March 2012 <i>(unaudited)</i>	For the 3-month period ended 31 March 2011 <i>(unaudited)</i>
Costs by type		
Depreciation of property, plant and equipment and amortization of intangible assets	(3 959)	(996)
Impairment of property, plant and equipment and intangible assets	10 399	-
Materials and energy	(251)	(266)
Consultancy services	(3 250)	(1 479)
Distribution services	(943)	(110)
Other external services	(2 198)	(2 844)
Taxes and charges	(3 529)	(3 942)
Employee benefits expense	(16 303)	(15 016)
Inventory write-downs	(2 801)	-
Advertising costs	(4 999)	(2 658)
Other	(749)	(386)
Total costs by type	(28 583)	(27 697)
Change in inventories, prepayments, accruals and deferred income	(424)	3 109
Cost of goods produced for internal purposes	-	103
Selling and distribution expenses	8 591	4 471
Administrative expenses	25 469	17 205
Cost of goods for resale and materials sold	(2 632 350)	(2 126 271)
Cost of sales	(2 627 297)	(2 129 080)

The increase in depreciation expense in the 3-month period ended 31 March 2012 in relation to the comparative period results from a one-off write-off of low-cost items of property plant and equipment acquired in the 1st quarter of 2012.

The increase in administrative expenses in the 3-month period ended 31 March 2012 compared to the 3-month period ended 31 March 2011 mainly results from the increase in depreciation expense (as described above), advertising expenses and cost of consulting services.

The increase in selling and distribution expenses in the 3-month period ended 31 March 2012 in relation to the comparative period is mainly due to the write-down against inventories of PLN 2,801 thousand and the increase in the costs of distribution service.

10. Income tax

10.1. 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 2012 (<i>unaudited</i>)	For the 3-month period ended 31 March 2011 (<i>unaudited</i>)
Current income tax	320	(10 485)
Deferred tax	(15 298)	2 037
Income tax included in the statement of comprehensive income	(14 978)	(8 448)
Income tax relating to other comprehensive income	2 249	-

10.2. Deferred income tax

Deferred income tax relates to the following:

	As at 31 March 2012 (<i>unaudited</i>)	As at 31 December 2011
<i>Deferred tax liability</i>		
- difference between tax base and carrying amount of fixed and intangible assets	1 436	1 211
- difference between tax base and carrying amount of financial assets	1 878	613
- different timing of recognition of sales revenue for tax purposes	505	-
-other	-	37
Deferred tax liability	3 819	1 861

	As at 31 March 2012 (<i>unaudited</i>)	As at 31 December 2011
<i>Deferred tax assets</i>		
- provisions for the obligation to surrender energy certificates	6 530	31 323
- other provisions	2 127	2 210
- difference between tax base and carrying amount of fixed and intangible assets	266	2 150
- difference between tax base and carrying amount of inventories	532	-
- difference between tax base and carrying amount of financial liabilities	15 966	2 734
- valuation of hedging instruments	2 031	-
- other accrued expenses	521	597
- other	-	51
Deferred tax assets	27 973	39 065
After the offsetting of the balances, deferred tax is presented as a deferred tax asset in the statement of financial position	24 154	37 204

10.3. 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.

TAURON Polska Energia S.A., as the Company Representing the Tax Capital Group, is responsible for paying monthly advances in respect of the corporate income tax of the Tax Capital Group, in accordance with the provisions of the Corporate Income Tax Act. The share of each company of the Tax Capital Group in the monthly advance for the corporate income tax is determined based on the percentage share of the tax base reported by the given company in the tax base reported by the Tax Capital Group, excluding the companies reporting tax losses. Where the final amount of a given company's share is lower than the initial amount transferred by that company to the Company Representing the Tax Capital Group, the latter returns the difference to that company immediately.

As at 31 March 2012, the Tax Capital Group had an overpayment in respect of the corporate income tax amounting to PLN 75,210 thousand, which is presented in the Company's financial statements as income tax receivable. At the same time, the Company had a liability to the subsidiaries making up the Tax Capital Group in respect of income tax overpayment amounting to PLN 74,070 thousand, which has been presented in the statement of financial position under trade and other payables.

11. Cash and cash equivalents

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

	As at 31 March 2012 <i>(unaudited)</i>	As at 31 December 2011
Cash at bank and in hand	258 780	215 033
Short-term deposits (up to 3 months)	139 624	2 005
Cash in transit	-	41 000
Total cash and cash equivalents presented in the statement of financial position, of which:	398 404	258 038
restricted cash	240 617	161 649
Cash pool	<i>(1 169 236)</i>	<i>(396 976)</i>
Foreign exchange and other differences	430	76
Total cash and cash equivalents presented in the statement of cash flows	<i>(770 402)</i>	<i>(138 862)</i>

The balances of loans granted and taken out under cash pool transactions, due to the fact that they are mainly used to manage the current financial liquidity of the Group, do not represent cash flows from investing or financing activity, but instead they represent an adjustment to the balance of cash and cash equivalents.

Restricted cash mainly consists of cash held in the settlement account for trading in electricity at Towarowa Giełda Energii S.A., amounting to PLN 222,124 thousand, cash held in special purpose accounts for trading at the Platforma Obrotu Energią Elektryczną of PLN 9,616 thousand as well as on the European Energy Exchange and European Climate Exchange exchanges of PLN 8,541 thousand.

The details of cash pool balances are presented in Note 19.2. hereto.

12. Dividends paid and proposed

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, which gives PLN 0.31 per share. The dividend will be paid from the Company's net profit for 2011 amounting to PLN 1,083,429 thousand. The dividend date has been set at 2 July 2012 and the dividend payment date at 20 July 2012.

13. Intangible assets

13.1. Non-current intangible assets

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

	Software	Other intangible assets	Intangible assets not made available for use	Intangible assets, total
COST				
Opening balance	18 175	724	620	19 519
Direct purchase	-	-	3 210	3 210
Allocation of intangible assets not made available for use	1 024	4	(1 028)	-
Closing balance	19 199	728	2 802	22 729
ACCUMULATED AMORTIZATION				
Opening balance	(3 620)	(412)	-	(4 032)
Amortization for the period	(1 065)	(34)	-	(1 099)
Closing balance	(4 685)	(446)	-	(5 131)
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	14 555	312	620	15 487
NET CARRYING AMOUNT AT THE END OF THE PERIOD	14 514	282	2 802	17 598

Non-current intangible assets for the 3-month period ended 31 March 2011 (unaudited)

	Software	Other intangible assets	Intangible assets not made available for use	Intangible assets, total
COST				
Opening balance	8 044	617	505	9 166
Direct purchase	-	-	558	558
Allocation of intangible assets not made available for use	24	34	(58)	-
Liquidation	(42)	-	-	(42)
Closing balance	8 026	651	1 005	9 682
ACCUMULATED AMORTIZATION				
Opening balance	(1 583)	(261)	-	(1 844)
Amortization for the period	(411)	(40)	-	(451)
Liquidation	32	-	-	32
Closing balance	(1 962)	(301)	-	(2 263)
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	6 461	356	505	7 322
NET CARRYING AMOUNT AT THE END OF THE PERIOD	6 064	350	1 005	7 419

13.2. Current intangible assets

Current intangible assets for the 3-month period ended 31 March 2012 (unaudited)

	Energy certificates
COST	
Opening balance	43 519
Direct purchase	7 384
Cancellation of energy certificates	(47 914)
Closing balance	2 989
ACCUMULATED AMORTIZATION	
Opening balance	(10 399)
Decrease of impairment allowance	10 399
Closing balance	-
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	33 120
NET CARRYING AMOUNT AT THE END OF THE PERIOD	2 989

Current intangible assets for the 3-month period ended 31 March 2011 (unaudited)

	Energy certificates
COST	
Opening balance	9 773
Direct purchase	2 619
Cancellation of energy certificates	(7 638)
Closing balance	4 754
ACCUMULATED AMORTIZATION	
Opening balance	-
Decrease of impairment allowance	-
Closing balance	-
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	9 773
NET CARRYING AMOUNT AT THE END OF THE PERIOD	4 754

14. Shares in unlisted and listed companies

As at 31 March 2012, the Company had long-term investments in shares of PLN 21,028,188 thousand. During the 3-month period ended 31 March 2012 there were no significant changes in the value of shares.

Long-term investments as at 31 March 2012 (unaudited)

Company	Value of shares as at 31 March 2012 (unaudited)
TAURON Wytwarzanie S.A.	8 118 182
TAURON Dystrybucja S.A.	5 914 201
Górnśląski Zakład Elektroenergetyczny S.A.	4 631 567
TAURON Ekoenergia Sp. z o.o.	897 069
TAURON Sprzedaż Sp. z o.o.	613 505
TAURON Ciepło S.A.	507 880
Elektrociepłownia EC Nowa Sp. z o.o.	217 413
Polska Energia Pierwsza Kompania Handlowa Sp. z o.o.	49 056
Elektrociepłownia Tychy S.A.	40 862
TAURON Obsługa Klienta Sp. z o.o.	26 308
Energetyka Ciepła w Kamiennej Górze Sp. z o.o.	6 959
TAURON Czech Energy s.r.o.	4 223
Zespół Elektrowni Wodnych Rożnów Sp. z o.o.	931
CC Poland Plus Sp. z o.o.	12
Energopower Sp. z o.o.	5
Enpower Service Sp. z o.o.	5
Enpower Sp. z o.o.	5
Poen Sp. z o.o.	5
Total	21 028 188

In the 3-month period ended 31 March 2011, there was no change in the value of the Company's long-term investments. The only significant event was the division of TAURON Obsługa Klienta Sp. z o.o. by way of taking over of part of its assets representing an organized part of the enterprise by TAURON Sprzedaż Sp. z o.o. As a result of the above, the value of shares held in TAURON Sprzedaż Sp. z o.o. increased by PLN 318,707 thousand and the value of the Investment in TAURON Obsługa Klienta Sp. z o.o. decreased accordingly.

15. Inventories

	As at 31 March 2012 (unaudited)	As at 31 December 2011
Historical cost		
Property rights arising from energy certificates	64	39 396
Emission allowances	5 079	-
Goods for resale	-	1 451
Materials	220	181
Total	5 363	41 028
Write-downs to net realizable value		
Emission allowances	(2 801)	-
Total	(2 801)	-
Net realizable value		
Property rights arising from energy certificates	64	39 396
Emission allowances	2 278	-
Goods for resale	-	1 451
Materials	220	181
Total	2 562	41 028

The decrease of the value of inventories is mainly due to the sale of 138,900 property rights related to renewable energy certificates with a value of PLN 39,396 thousand to TAURON Sprzedaż Sp. z o.o. on 4 January 2012.

16. Trade and other receivables

As at 31 March 2012, the balance of trade and other receivables amounted to PLN 1,403,687 thousand and included:

- trade receivables amounting to PLN 866,003 thousand,
- loan to an affiliate amounting to PLN 145,354 thousand,
- cash pool loans amounting to PLN 373,630 thousand;
- other financial receivables amounting to PLN 18,700 thousand, where the largest item was collaterals amounting to PLN 18,458 thousand.

Trade receivables are non-interest bearing and are usually receivable within 30 days. Sales are only made to customers who have undergone an appropriate credit verification procedure. As a result, Management believe that there is no additional credit risk that would exceed the doubtful debts allowance recognized for the Company's trade receivables.

The loan of PLN 145,354 thousand results from the agreement dated 23 December 2011 under which TAURON Polska Energia S.A. purchased 3,984,369 units of CO₂ emission allowances from TAURON Wytwarzanie S.A. for the total amount of PLN 142,003 thousand. At the same time, the Company committed to sell back the same amount of allowances on 3 April 2012. Due to the nature of this transaction, it was recognized as a loan (purchase with a commitment to sell back), as, in the Company's opinion, the related risks and rewards, including the risk of changes in fair value, had not been transferred to the Company. At the balance sheet date, interest accrued on this loan amounted to PLN 3,351 thousand.

Expenditures for the purchase of CO₂ emission allowances under the above-mentioned transaction are presented as part of loans granted under investing activities in the cash flow statement.

In addition, in 2012 the cash flow statement items related to the granting and repayment of loans as part of investing activities include cash flows related to the buy-sell back transaction of 20 December 2011 involving purchase of 5,859,673 CO₂ emission allowances from TAURON

Wytwarzanie S.A. for the total amount of PLN 180,009 thousand with a commitment to sell them back.

The values of trade and other receivables together with aging and allowances/write-downs are presented in the tables below.

Trade and other receivables as at 31 March 2012 (unaudited)

	<i>Not past due</i>	<i>Past due >360 days</i>	<i>Total</i>
Value of item before allowance/write-down			
Trade and other financial receivables	884 703	306	885 009
Cash Pool	373 630	-	373 630
Other loans	145 354	-	145 354
Total	1 403 687	306	1 403 993
Allowance/write-down			
Trade and other financial receivables	-	(306)	(306)
Total	-	(306)	(306)
Value of item net of allowance (carrying amount)			
Trade and other financial receivables	884 703	-	884 703
Cash Pool	373 630	-	373 630
Other loans	145 354	-	145 354
Total	1 403 687	-	1 403 687

Trade and other receivables as at 31 December 2011

	<i>Not past due</i>	<i>Past due >360 days</i>	<i>Total</i>
Value of item before allowance/write-down			
Trade and other financial receivables	755 883	306	756 189
Cash Pool	55 656	-	55 656
Other loans	180 438	-	180 438
Total	991 977	306	992 283
Allowance/write-down			
Trade and other financial receivables	-	(306)	(306)
Total	-	(306)	(306)
Value of item net of allowance (carrying amount)			
Trade and other financial receivables	755 883	-	755 883
Cash Pool	55 656	-	55 656
Other loans	180 438	-	180 438
Total	991 977	-	991 977

Related party transactions and balances are presented in Note 25 hereto.

17. Equity

17.1. Issued capital

Issued capital as at 31 March 2012 (*unaudited*)

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

As at 31 March 2012, the value of issued capital, the number of shares and nominal value per share have not changed since 31 December 2011.

17.2. Shareholders with significant interest

Shareholding structure as at 31 March 2012 (*unaudited, to the best knowledge of the Company*)

Shareholder	Value of shares	% of issued capital	% of total vote
State Treasury (notification of 29 March 2011)	2 634 419	30.06%	30.06%
KGHM Polska Miedź S.A. (notification of 23 March 2011)	910 553	10.39%	10.39%
ING Otworthy Fundusz Emerytalny (notification of 28 December 2011)	443 715	5.06%	5.06%
Other shareholders	4 774 060	54.49%	54.49%
Total	8 762 747	100.00%	100.00%

The shareholding structure as at 31 March 2012 did not change in comparison to 31 December 2011.

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

There were no movements in the reserve capital during the 3-month period ended 31 March 2012. On 24 April 2012, the Ordinary General Shareholders' Meeting resolved to allocate an amount of PLN 540,139 thousand from the net profit for 2011 to the reserve capital.

Movements in retained earnings in the period under review result from the loss for the period of PLN 60,350 thousand.

18. Provisions

Due to the sale of electricity to final users, the Company is required to surrender for cancellation a certain amount of certificates of electricity generated using renewable sources, gas-fired plants and cogeneration.

As at 31 March 2012, short-term provision for the obligation to surrender energy certificates for cancellation amounted to PLN 34,368 thousand.

As at 31 December 2011, the Company recognized a short-term provision of PLN 164,856 thousand for the obligation to surrender energy certificates for cancellation. The provision recognized at the 2011 year-end was utilized in the 1st quarter of 2012 up to the amount of PLN 164,556 thousand and exceeded the costs of fulfilling the obligation by PLN 300 thousand. In the

1st quarter of 2012, the Company surrendered energy certificates with a value of PLN 37,515 thousand for cancellation and paid a compensation fee of PLN 126,978 thousand as well as cancellation fees of PLN 63 thousand.

19. Interest-bearing loans and borrowings, including issued debentures

As at 31 March 2012, the Company's liabilities under loans taken out and issued debentures related to:

- debentures issued under the debentures issue program with a total value of PLN 4,360,183 thousand;
- loans taken out from affiliates under the "Agreement for the Provision of Cash Pool Services" in the total amount of PLN 1,542,866 thousand;
- a loan from the European Investment Bank of PLN 513,316 thousand.

Interest-bearing loans and borrowings, including issued debentures, as at 31 March 2012 and 31 December 2011 are presented in the table below.

Interest-bearing loans and borrowings, including issued debentures

	As at 31 March 2012 <i>(unaudited)</i>	As at 31 December 2011
Non-current portion of loans and borrowings, including issued debentures:		
Issued debentures	4 286 679	4 136 112
Loan received from European Investment Bank	458 507	-
Total	4 745 186	4 136 112
Current portion of loans and borrowings, including issued debentures:		
Issued debentures	73 504	11 062
Cash pool loans received, including accrued interest	1 542 866	452 632
Liabilities arising from acquisition of long-term investments	-	1 004 372
Loan received from European Investment Bank	54 809	-
Total	1 671 179	1 468 066

19.1. Debentures issued

As at 31 March 2012, the Company's liability under issued debentures amounted to PLN 4,360,183 thousand. This liability arose as a result of issue of debentures in the following tranches:

- 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 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 interest-related cash flows resulting from issued debentures by entering into interest rate swaps (IRS), as discussed in detail in Note 21.1.

The agreements signed by the Company with banks include covenants which are commonly used in such transactions. As at 31 March 2012, none of these covenants has been breached.

The tables below present the balances of the Company's liability under issued debentures, together with accrued interest, as at 31 March 2012 and 31 December 2011.

Debentures as at 31 March 2012 (unaudited)

Interest rate	Currency	As at balance sheet date		of which principal amount maturing within (after the balance sheet date)						
		Accrued interest	Principal at amortized cost	less than 3 months	3 - 12 months	1 - 2 years	2 - 3 years	3 - 5 years	over 5 years	
Tranche A	floating	PLN	12 888	846 223	-	-	-	-	846 223	-
Tranche B	floating	PLN	6 879	448 981	-	-	-	-	448 981	-
Tranche C	floating	PLN	53 737	2 991 475	-	-	-	-	2 991 475	-
Total debentures			73 504	4 286 679	-	-	-	-	4 286 679	-

Debentures as at 31 December 2011

Interest rate	Currency	As at balance sheet date		of which principal amount maturing within (after the balance sheet date)						
		Accrued interest	Principal at amortized cost	less than 3 months	3 - 12 months	1 - 2 years	2 - 3 years	3 - 5 years	over 5 years	
Tranche A	floating	PLN	412	846 106	-	-	-	-	846 106	-
Tranche B	floating	PLN	968	298 920	-	-	-	-	298 920	-
Tranche C	floating	PLN	9 682	2 991 086	-	-	-	-	2 991 086	-
Total debentures			11 062	4 136 112	-	-	-	-	4 136 112	-

19.2. Cash pool

The balances of receivables and payables arising from cash pool transactions are shown in tables below.

	As at 31 March 2012 (unaudited)	As at 31 December 2011
Loans granted under cash pool agreement	371 757	55 549
Interest receivable on loans granted under cash pool agreement	1 873	107
Total	373 630	55 656

	As at 31 March 2012 (unaudited)	As at 31 December 2011
Loans received under cash pool agreement	1 536 728	451 086
Interest payable on loans received under cash pool agreement	6 138	1 546
Total	1 542 866	452 632
Balance of cash pool	1 169 236	396 976

In January 2012, the companies acquired as a result of the purchase of GZE S.A. joined the Agreement for the Provision of Cash Pool Services. The Company's liability to these companies as at 31 March 2012 amounted to PLN 1,146,367 thousand.

Surplus cash acquired by the Company under the cash pool agreement is invested in bank accounts.

Under the cash pool agreement the Company may use external funding amounting to PLN 300,000 thousand.

19.3. Loans from the European Investment Bank

TAURON Polska Energia S.A. acquired two loans from the European Investment Bank, for a total amount of PLN 510,000 thousand. The respective loan agreements were signed on 24 October 2011 and the funds were transferred in the 1st quarter of 2012.

The funds acquired under these loans are used for the implementation of two investment projects in the area of production:

- PLN 300,000 thousand is to be used for the conversion and transfer for use of a high efficiency cogeneration unit with the accompanying infrastructure in the Bielsko-Biala CHP Plant. Those funds will be used by the TAURON Group to replace the current unit with a unit of a higher efficiency amounting to 50 MWe and 182 MWt. Construction of this unit started in August 2010 and will last until mid 2013;
- PLN 210,000 thousand is to be used for the construction and start-up of a new 50 MWe and 45 MWt biomass boiler in the Jaworzno III Power Plant, which is planned to be made available for use in 2012, and the repair of a steam turbine.

The loans will be repaid in installments on an annual basis with the total amount of the installment amounting to PLN 51,000 thousand. The repayment date for principal installments is 15th December of each year and the date for the repayment of the whole principal is 15 December 2021. Interest on the borrowed funds is payable on a semi-annual basis, on 15 June and 15 December each year.

Interest on loans is calculated based on a fixed rate binding until 15 June 2016. On this date, new terms will be specified with respect to the amount of interest and/or change in the basis for its calculation.

At the balance sheet date, the balance of the loan amounted to PLN 513,316 thousand, including accrued interest of PLN 3,809 thousand.

20. Financial instruments

20.1. Carrying amounts and fair values of the categories and classes of financial instruments

The fair values of the financial instruments held by the Company as at 31 March 2012 and 31 December 2011 did not significantly differ from their values presented in the financial statements for the particular 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 particular classes and categories of financial instruments as at 31 March 2012 and 31 December 2011 are presented in the tables below.

TAURON Polska Energia S.A.
Interim condensed financial statements for the 3-month period ended 31 March 2012
(in PLN thousand)

Categories and classes of financial assets	Carrying amount	
	As at 31 March 2012 <i>(unaudited)</i>	As at 31 December 2011
1 Assets at fair value through profit or loss	-	-
2 Financial assets available for sale	7 922	7 922
Shares in unlisted and listed companies (non-current)	7 922	7 922
3 Financial assets held to maturity	-	-
4 Loans and receivables	2 830 594	2 142 020
Trade receivables	866 003	742 730
Bonds, T-bills and other debt securities	1 426 907	1 150 043
Loans granted (Cash pool)	373 630	55 656
Other loans granted	145 354	180 438
Other	18 700	13 153
5 Financial assets excluded from the scope of IAS 39	21 020 266	21 020 154
Shares in subsidiaries	21 020 266	21 020 154
6 Cash and cash equivalents	398 404	258 038
Total financial assets, including in the statement of financial position:	24 257 186	23 428 134
Non-current assets	22 450 728	22 165 116
Shares in unlisted and listed companies	21 028 188	21 028 076
Bonds, T-bills and other debt securities	1 422 540	1 137 040
Current assets	1 806 458	1 263 018
Trade and other receivables	1 403 687	991 977
Bonds, T-bills and other debt securities	4 367	13 003
Cash and cash equivalents	398 404	258 038

TAURON Polska Energia S.A.
Interim condensed financial statements for the 3-month period ended 31 March 2012
(in PLN thousand)

Categories and classes of financial liabilities	Carrying amount	
	As at 31 March 2012 (unaudited)	As at 31 December 2011
1 Financial liabilities at fair value through profit or loss	-	80
2 Financial liabilities measured at amortized cost	6 926 620	5 930 026
Arm's length loans:	2 056 182	1 457 004
Cash pool liabilities	1 542 866	452 632
Loan received from European Investment Bank	513 316	-
Liabilities arising from acquisition of long-term investments	-	1 004 372
Issued debentures	4 360 183	4 147 174
Trade payables	428 566	311 986
Other financial liabilities	76 660	6 035
Commitments resulting from purchases of fixed and intangible assets	2 679	5 594
Salaries and wages	2 350	2 233
3 Liabilities under guarantees, factoring and excluded from the scope of IAS 39	1 431	1 617
Obligations under finance leases and hire purchase contracts	1 431	1 617
4 Hedging instruments (relating to liabilities)	10 688	-
Total financial liabilities, including in the statement of financial position:	6 938 739	5 931 723
Long-term liabilities	4 746 050	4 137 102
Interest-bearing loans and borrowings	4 745 186	4 136 112
Finance lease and hire purchase commitments	864	990
Short-term liabilities	2 192 689	1 794 621
Trade and other payables	520 943	325 928
Current portion of interest-bearing loans and borrowings	1 671 179	1 468 066
Current portion of finance lease and hire purchase commitments	567	627

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

Bonds, treasury bills and other debt securities

Bonds, treasury bills and other debt securities in the category of loans and receivables, amounting to PLN 1,426,907 thousand, relate to the debentures issued by the subsidiaries which were purchased by the Company.

The increase of the balance in the 3-month period ended 31 March 2012 in relation to the comparative period is due to the Company's acquisition of debentures issued by the subsidiaries Południowy Koncern Węglowy S.A., TAURON Dystrybucja S.A. and TAURON Wytwarzanie S.A. for a total amount of PLN 305,000 thousand. In the 1st quarter of 2012, the subsidiaries TAURON Wytwarzanie S.A. and Polska Energia PKH Sp. z o.o. redeemed debentures for a total amount of PLN 29,500 thousand.

Cash pool loans granted and cash pool loan liabilities

The Company has a receivable resulting from loans granted and a liability resulting from loans received under the cash pool service agreement, as discussed in detail in Note 19.2. hereto.

Other loans granted

Under loans granted the Company presented receivables of PLN 145,354 thousand arising from the purchase of CO₂ allowances with a commitment to sell back, as discussed in detail in Note 16 hereto.

Other financial receivables

Other financial receivables of PLN 18,700 thousand mainly include collaterals paid, amounting to PLN 18,458 thousand.

Financial assets excluded from the scope of IAS 39

Financial assets excluded from the scope of IAS 39, amounting to PLN 21,020,266 thousand, include shares held by the Company in subsidiaries.

Financial assets available for sale

Financial assets available for sale, amounting to PLN 7,922 thousand, mainly include shares in Zespół Elektrowni Wodnych Rożnów Sp. z o.o. and Energetyka Ciepła w Kamiennej Górze Sp. z o.o.

Loan from the European Investment Bank

The loan received from the European Investment Bank, amounting to PLN 513,316 thousand, has been described in detail in Note 19.3. hereto.

Liability arising from purchase of long-term investment

In the 1st quarter of 2012, the Company paid the liability arising from the purchase of long-term investments together with accrued interest, which consisted of Vattenfall AB's debt towards GZE S.A. and its subsidiaries that had been taken over by the Company as part of the purchase of GZE S.A.'s shares.

Issued debentures

The increase of liabilities under issued debentures is due to the new issue of debentures with a nominal value of PLN 150,000 thousand on 30 January 2012 as part of tranche B, as discussed in detail in Note 19.1. hereto.

Other financial liabilities

The main item of other financial liabilities is the liability towards the subsidiaries making up the Tax Capital Group in respect of an income tax overpayment amounting to PLN 74,070 thousand (discussed in detail in Note 10.3. hereto).

Hedging derivative instruments (relating to liabilities)

Hedging derivative instruments amounting to PLN 10,688 thousand include an amount of PLN 10,600 thousand resulting from the valuation of forward instruments entered into in order to hedge the interest rate risk arising from issued debentures, as discussed in detail in Note 21.1. hereto.

21. Capital management and financial risk management

21.1. Financial risk management

On 10 May 2011, the Company's Board of Directors passed a resolution implementing a policy for specific risk management in the area of finance in the TAURON Polska Energia S.A. Capital Group, which defines the strategy for management of specific risk in the area of finance, i.e. the currency and interest rate risk. This policy has also introduced the principles of hedge accounting in the Group which define the principles and types of hedge accounting and the accounting treatment of hedging instruments and hedged items to be applied as part of hedge accounting under IFRS. The policy for specific risk management in the area of finance and hedge accounting policies relate to the cash flow risk and do not include fair value risk due to its low significance for the Group. The policy for specific risk management in the area of finance has been described in detail in Note 23 of the Additional Explanatory Notes to the Interim Condensed Consolidated Financial Statements for the 3-month period ended 31 March 2012.

As at 31 March 2012, the Company 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 of 30 January 2012, in March 2012 the Company 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.

The Company applies hedge accounting to the above-mentioned transactions. As a result of valuation of hedging instruments the Company recognized negative revaluation reserve of PLN 9,586 thousand. Part of gains on remeasurement of forward instruments amounting to PLN 1,147 thousand, relating to the hedged interest on issued debentures that was recognized in the Company's profit or loss for the 3-month period ended 31 March 2012, was recognized in the Company's profit or loss for the same period, thus decreasing the Company's finance costs relating to interest.

21.2. Capital management

Capital management takes place at the level of the TAURON Polska Energia S.A. Capital Group and has been described in Note 24 of the Additional Explanatory Notes to the Interim Condensed Consolidated Financial Statements for the 3-month period ended 31 March 2012.

22. Contingent liabilities

Contingent liabilities of the Company arise from collaterals and guarantees granted to subsidiaries. As at 31 March 2012, the Company's contingent liabilities were as follows:

Type of contingent liability	Currency	As at 31 March 2012 (<i>unaudited</i>)		Company in respect of which contingent liability has been granted	Beneficiary
		Value in foreign currency	Value in domestic currency		
blank promissory note	PLN		40 000	TAURON Wytwarzanie S.A.	Wojewódzki Fundusz Ochrony Środowiska i Gospodarki Wodnej w Katowicach
blank promissory note	PLN		30 000	Elektrociepłownia Tychy S.A.	Wojewódzki Fundusz Ochrony Środowiska i Gospodarki Wodnej w Katowicach
declaration to provide financial support	PLN		200 000	TAURON Wytwarzanie S.A.	TAURON Wytwarzanie S.A.
guarantee	EUR	500	2 081	TAURON Czech Energy s.r.o.	CEZ a.s.
guarantee	CZK	20 000	3 356	TAURON Czech Energy s.r.o.	UniCredit Bank Czech Republik a.s.
guarantee	PLN		672	TAURON Serwis GZE Sp. z o.o.	Nordea Bank Polska S.A.

The following changes took place in the 3-month period ended 31 March 2012:

- The agreement signed by TAURON Polska Energia S.A. on 25 February 2011, concerning declaration to provide a financial support in the amount of PLN 87,040 thousand to the subsidiary Elektrociepłownia Tychy S.A. in order to cover the costs of the project relating to "Construction of a biomass power plant and modernization of the fluidized OF-135 boiler in Elektrociepłownia Tychy S.A.", expired in February 2012.
- The agreement signed by TAURON Polska Energia S.A. in January 2011, concerning a guarantee for a blank promissory note issued by Elektrownia Stalowa Wola S.A., currently TAURON Wytwarzanie S.A., for the benefit of Polskie Sieci Elektroenergetyczne Operator S.A., for an amount of PLN 4,000 thousand, was terminated in the 1st quarter of 2012.

23. Assets pledged as security

Under the debentures issue program the Company provided 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 3,600,000 thousand – valid until 31 December 2018.

In order to secure the agreement concerning a bank guarantee from PKO Bank Polski S.A., TAURON Polska Energia S.A. provided a declaration of submission to enforcement under art. 97 of the Banking Law up to the amount of PLN 62,000 thousand, valid until 31 December 2015.

The bank guarantee agreement with PKO Bank Polski S.A., for which the Company provided a declaration of submission to enforcement under art. 97 of the Banking Law up to the amount of PLN 48,000 thousand, valid until 31 December 2012, expired in the 1st quarter of 2012.

In order to secure the transactions made by the Company on electricity markets through Towarowa Giełda Energii S.A. (Polish Power Exchange) 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.) in respect of 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. This collateral shall be valid until 31 December 2012.

Liabilities secured on the assets of TAURON Polska Energia S.A. include lease agreements, which are secured by pledges on the vehicles leased by the Company. The carrying amount of vehicles leased by the Company amounted to PLN 1,552 thousand as at 31 March 2012 and PLN 2,039 thousand as at 31 December 2011.

24. Capital commitments

The Company's capital commitments as at 31 March 2012 and 31 December 2011 amounted to PLN 768 thousand and resulted from the agreement for the implementation of the electronic WorkFlow system relating to purchase invoices and development of the functionalities of the ERP system used by the Company.

25. Related party disclosures

25.1. Transactions with related companies and State Treasury companies

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

The total value of transactions with the aforementioned entities and the balances of receivables and payables are presented in the tables below.

Revenues and expenses

	3-month period ended 31 March 2012 <i>(unaudited)</i>	3-month period ended 31 March 2011 <i>(unaudited)</i>
Revenue from related companies, of which:	2 078 969	1 830 509
Revenue from operating activities	2 049 569	1 816 534
Dividend received	862	-
Finance income	28 538	13 975
Revenue from State Treasury companies	283 743	212 002
Costs from related companies, of which:	(220 687)	(211 119)
Costs of operating activities	(203 961)	(201 090)
Finance costs	(16 726)	(10 029)
Costs from State Treasury companies	(140 537)	(38 874)

Receivables and payables

	As at 31 March 2012 <i>(unaudited)</i>	As at 31 December 2011
Loans granted to related companies and receivables from related companies, of which:	2 502 132	1 929 450
Trade receivables	556 137	543 313
Debentures	1 426 907	1 150 043
Loans granted under cash pool agreement	373 630	55 656
Other loans	145 354	180 438
Other receivables	104	-
Receivables from State Treasury companies	137 414	141 658
Payables to related companies, of which:	1 724 805	589 395
Trade payables	107 869	136 763
Loans received under cash pool agreement	1 542 866	452 632
Liability arising from overpayment of income tax	74 070	-
Payables to State Treasury companies	29 147	10 867

Among the State Treasury companies, the largest contractors of TAURON Polska Energia S.A. in the 3-month period ended 31 March 2012 as regards sales revenue included PKP Energetyka S.A., Kompania Węglowa S.A. and KGHM Polska Miedź S.A. Revenue from those companies accounted for 76% of total revenue from transactions with State Treasury companies.

The largest costs were incurred as a result of transactions with Zespół Elektrowni Pątnów Adamów Konin S.A., PGE Polska Grupa Energetyczna S.A. and PSE Operator S.A., which accounted for 99% of total costs incurred as a result of purchases from State Treasury companies.

The Company enters into significant transactions in the energy market through Izba Rozliczeniowa Giełd Towarowych S.A. As this entity only deals with organization of commodities exchange trading, the Company does not consider purchase and sale transactions made through this entity as related party transactions.

25.2. Compensation of key management personnel

The amount of compensation and other benefits of the Board of Directors, Supervisory Board and other key management personnel of the Company for the 3-month period ended 31 March 2012 is presented in the table below.

	3-month period ended 31 March 2012 <i>(unaudited)</i>	3-month period ended 31 March 2011 <i>(unaudited)</i>
Board of Directors	1 507	1 547
Short-term employee benefits (salaries and surcharges)	1 212	1 190
Other	295	357
Supervisory Board	234	162
Short-term employee benefits (salaries and surcharges)	234	162
Total	1 741	1 709
Other members of key management personnel	2 444	2 008
Short-term employee benefits (salaries and surcharges)	2 224	1 789
Post-employment benefits	21	-
Other	199	219

No loans were granted from the Social Fund to members of the Company's Board of Directors, Supervisory Board members or other members of key management personnel.

26. Details of other significant changes in the reporting period

Finance costs

The PLN 62,393 thousand increase in finance costs in the 3-month period ended 31 March 2012 compared with the comparative period is mainly due to interest expense on debentures issued in December 2011 and January 2012, as described in Note 19.1. Interest expense on the debentures issued in the 3-month period ended 31 March 2012 amounted to PLN 61,219 thousand, and for the 3-month period ended 31 March 2011 PLN 10,555 thousand.

27. Events after the balance sheet date

Planned merger of TAURON Polska Energia S.A. with the subsidiary Górnśląski Zakład Elektroenergetyczny S.A.

On 17 April 2012, the Board of Directors of TAURON Polska Energia S.A. took a decision regarding merger of TAURON Polska Energia S.A. with a subsidiary, Górnśląski Zakład Elektroenergetyczny S.A., and adopted the merger plan. The merger will be effected under Article 492 § 1 Item 1 of the Code of Commercial Companies, i.e. by way of a transfer of all of the assets of Górnśląski Zakład Elektroenergetyczny S.A. as the acquiree to TAURON Polska Energia S.A. – the acquirer. The purpose of the merger is to align the structure of the TAURON Group in accordance with the assumptions of the Corporate Strategy of the TAURON Group for 2011-2015 with an outlook up to 2020, which provides for consolidation of the TAURON Group companies. As a result of the purchase of shares of Górnśląski Zakład Elektroenergetyczny S.A., since 16 April 2012 TAURON Polska Energia S.A. has been a holder of 100% of shares in the share capital of Górnśląski Zakład Elektroenergetyczny S.A.

Increase of the share capital of TAURON Ekoenergia Sp. z o.o.

On 18 April 2012, the District Court for Wrocław – Fabryczna in Wrocław, 9th Economic Department of the National Court Register, entered the increase of the share capital of TAURON Ekoenergia sp. z o.o. from the amount of PLN 536,070 thousand to PLN 537,733 thousand, i.e. by the amount of PLN 1,663 thousand. The increase of share capital resulted from TAURON Polska Energia S.A.'s contribution of 100% of shares in ZEW Rożnów Sp. z o.o. to the company for the purpose of covering new shares in the company's share capital. The agreement for the transfer of the in-kind contribution was signed on 4 April 2012.

These interim condensed financial statements of TAURON Polska Energia S.A. prepared for the 3-month period ended 31 March 2012 in accordance with International Accounting Standard 34 consist of 37 consecutive pages.

Katowice, 8 May 2012

Dariusz Lubera – President

Krzysztof Zawadzki - Vice-president