

TAURON Polska Energia S.A.

Interim condensed financial statements

**prepared according to the International Financial Reporting Standards
for the 9-month period ended 30 September 2012**

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(in PLN thousand)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE 9-MONTH PERIOD ENDED 30 SEPTEMBER 2012

	Note	3-month period ended 30 September 2012 <i>(unaudited)</i>	9-month period ended 30 September 2012 <i>(unaudited)</i>	3-month period ended 30 September 2011 <i>(unaudited)</i>	9-month period ended 30 September 2011 <i>(unaudited)</i>
Continuing operations					
Sale of goods for resale, finished goods and materials without elimination of excise		2 242 821	7 065 341	2 028 294	6 248 979
Excise		(2 911)	(8 407)	(4 360)	(12 704)
Sale of goods for resale, finished goods and materials		2 239 910	7 056 934	2 023 934	6 236 275
Rendering of services		20 551	43 438	8 063	21 696
Other income		2	10	-	-
Sales revenue	9	2 260 463	7 100 382	2 031 997	6 257 971
Cost of sales	9	(2 223 821)	(6 976 757)	(1 989 350)	(6 121 835)
Gross profit		36 642	123 625	42 647	136 136
Other operating income		142	633	2 415	2 487
Selling and distribution expenses		(5 991)	(17 538)	(6 995)	(16 216)
Administrative expenses		(24 632)	(74 647)	(19 034)	(57 069)
Other operating expenses		(1 059)	(2 196)	(432)	(892)
Operating profit		5 102	29 877	18 601	64 446
Dividends	7	-	1 550 613	-	1 009 580
Finance income		64 610	147 719	31 480	81 369
Finance costs	28	(87 089)	(238 845)	(21 355)	(65 337)
Profit before tax		(17 377)	1 489 364	28 726	1 090 058
Income tax	10	-	(44 771)	(4 667)	(17 126)
Net profit from continuing operations		(17 377)	1 444 593	24 059	1 072 932
Net profit for the period		(17 377)	1 444 593	24 059	1 072 932
Other comprehensive income:					
Change in the value of hedging instruments		(49 222)	(89 363)	-	-
Income tax expense relating to other comprehensive income items		-	-	-	-
Other comprehensive income for the period, net of tax	23	(49 222)	(89 363)	-	-
Total comprehensive income for the period		(66 599)	1 355 230	24 059	1 072 932
Earnings per share (in PLN)					
- basic, for profit for the period		(0.01)	0.82	0.01	0.61
- basic, for profit from continuing operations for the period		(0.01)	0.82	0.01	0.61
- diluted, for profit for the period		(0.01)	0.82	0.01	0.61
- diluted, for profit from continuing operations for the period		(0.01)	0.82	0.01	0.61

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.

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2012

	Note	As at 30 September 2012 (unaudited)	As at 31 December 2011 (adjusted figures)
ASSETS			
Non-current assets			
Property, plant and equipment		18 287	11 611
Intangible assets	13	31 913	15 487
Shares in unlisted and listed companies	14	20 179 845	20 179 545
Bonds, T-bills and other debt securities	22	2 862 940	1 137 040
Other long-term receivables	17	62 000	-
Other long-term non-financial assets		7 163	830
Deferred tax asset	10	-	37 529
		23 162 148	21 382 042
Current assets			
Current intangible assets	13	48 883	33 120
Inventories	15	10 497	41 028
Corporate income tax receivables	10	15 658	852
Trade and other receivables	16, 22	1 105 002	1 062 438
Bonds, T-bills and other debt securities	22	60 735	13 003
Other financial assets	22	4 172	-
Cash and cash equivalents	11	1 055 880	281 852
Other current non-financial assets		3 995	4 128
		2 304 822	1 436 421
Non-current assets classified as held for sale			
		-	-
TOTAL ASSETS		25 466 970	22 818 463

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2012 – CONTINUED

	Note	As at 30 September 2012 <i>(unaudited)</i>	As at 31 December 2011 <i>(adjusted figures)</i>
EQUITY AND LIABILITIES			
Equity			
Issued capital	18	8 762 747	8 762 747
Reserve capital	18	7 953 021	7 412 882
Revaluation reserve from valuation of hedging instruments	23	(89 363)	-
Retained earnings/Accumulated losses	18	1 521 196	1 161 158
Total equity		18 147 601	17 336 787
Non-current liabilities			
Interest-bearing loans and borrowings	20, 22	5 195 963	4 136 112
Finance lease and hire purchase commitments	22	609	990
Long-term provisions and employee benefits		3 848	3 052
		5 200 420	4 140 154
Current liabilities			
Trade and other payables	22	710 856	326 206
Current portion of interest-bearing loans and borrowings	20, 22	1 208 209	719 380
Income tax payable		1 617	33 687
Current portion of finance lease and hire purchase commitments	22	505	627
Other current non-financial liabilities		93 406	85 695
Accruals and government grants		7 325	8 223
Short-term provisions and employee benefits	19	97 031	167 704
		2 118 949	1 341 522
Total liabilities		7 319 369	5 481 676
TOTAL EQUITY AND LIABILITIES		25 466 970	22 818 463

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INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE 9-MONTH PERIOD ENDED 30 SEPTEMBER 2012

	Note	Issued capital	Reserve capital	Revaluation reserve from valuation of hedging instruments	Retained earnings/ Accumulated losses	Total equity
As at 1 January 2012 (restated figures)		8 762 747	7 412 882	-	1 161 158	17 336 787
Profit for the period		-	-	-	1 444 593	1 444 593
Other comprehensive income	23	-	-	(89 363)	-	(89 363)
Total comprehensive income for the period		-	-	(89 363)	1 444 593	1 355 230
Appropriation of prior year profits	18	-	540 139	-	(540 139)	-
Dividend	18	-	-	-	(543 290)	(543 290)
Accounting for merger with GZE S.A.	18	-	-	-	(1 126)	(1 126)
As at 30 September 2012 (unaudited)		8 762 747	7 953 021	(89 363)	1 521 196	18 147 601

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE 9-MONTH PERIOD ENDED 30 SEPTEMBER 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	-	-	-	1 072 932	1 072 932
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	1 072 932	1 072 932
Appropriation of prior year profits	-	-	-	-	-
Dividend	-	(72 404)	-	(190 478)	(262 882)
Decrease of issued capital through a reduction of the nominal value of shares	(7 010 198)	7 010 198	-	-	-
As at 30 September 2011 (unaudited)	8 762 747	7 412 882	-	1 158 102	17 333 731

INTERIM CONDENSED STATEMENT OF CASH FLOWS FOR THE 9-MONTH PERIOD ENDED 30 SEPTEMBER 2012

	Note	9-month period ended 30 September 2012 (unaudited)	9-month period ended 30 September 2011 (unaudited)
Cash flows from operating activities			
Profit/(loss) before taxation		1 489 364	1 090 058
Adjustments for:			
Depreciation and amortization		9 634	3 642
(Gain)/loss on foreign exchange differences		1 004	(192)
Interest and dividends, net		(1 452 030)	(1 016 799)
(Gain)/loss on investing activities		(2 589)	1 555
(Increase)/ decrease in receivables		(284 900)	162 392
(Increase)/decrease in inventories		30 531	6 365
Increase/(decrease) in payables excluding loans and borrowings		283 771	(314 008)
Change in other non-current and current assets		(13 622)	18 624
Change in deferred income, government grants and accruals		(898)	641
Change in provisions		(69 877)	91 820
Income tax paid		(43 316)	(7 873)
Net cash generated from (used in) operating activities		(52 928)	36 225
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment and intangible assets		190	55
Purchase of property, plant and equipment and intangible assets		(34 762)	(9 102)
Purchase of shares		(262 131)	(969)
Purchase of bonds, T-bills and other debt securities	22	(2 388 000)	(328 300)
Redemption of debentures	22	652 099	-
Loans granted	17	(217 003)	(168 000)
Repayment of loans granted	16	405 012	168 000
Dividends received		1 550 613	967 410
Interest received		71 218	38 341
Other		(947)	(120 000)
Net cash generated from (used in) investing activities		(223 711)	547 435
Cash flows from financing activities			
Proceeds from loans taken out	20	960 000	-
Issue of debt securities	20	150 000	-
Payment of finance lease liabilities		(473)	(715)
Dividends paid		(543 290)	(262 882)
Interest paid	31	(134 741)	(21 419)
Commission paid		(10 813)	(2 600)
Net cash generated from (used in) financing activities		420 683	(287 616)
Net increase / (decrease) in cash and cash equivalents		144 044	296 044
Net foreign exchange difference		(1 004)	192
Cash and cash equivalents at the beginning of the period		(115 048)	85 574
Cash and cash equivalents at the end of the period, of which:	11	28 996	381 618
restricted cash		197 562	87 902

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 9-month period ended 30 September 2012 and include comparative figures for the 9-month period ended 30 September 2011 and as at 31 December 2011.

The figures for the period ended 30 September 2012 as well as comparative figures for the period ended 30 September 2011, as included in these interim condensed financial statements, were not audited or 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 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.
- Trading in coal and biomass → PKD 46.71.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 for issue, 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 9-month period ended 30 September 2012 were authorized for issue on 6 November 2012.

The Company also prepared interim condensed consolidated financial statements for the 9-month period ended 30 September 2012, which were authorized for issue by the Board of Directors on 6 November 2012.

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

In connection with the Company's merger with its subsidiary, which took place in the first half of 2012, we additionally present the accounting policy for accounting for such transactions.

Acquisitions and mergers are in principle regulated by IFRS 3 *Business combinations*. However, transactions between entities under joint control are excluded from the scope of this standard. Legal merger of a subsidiary with its parent is a transaction under joint control. IFRSs do not specifically refer to accounting for such transactions – legal mergers of entities under joint control are excluded from the scope of IFRS 3 and are not regulated in other standards.

The Company uses the pooling of interests method for accounting for mergers of entities under joint control. The underlying assumption in this method is that the merging entities were controlled by the same shareholder both before and after the transaction and, therefore, the financial statements reflect the continuity of joint control and do not reflect any change of the value of net assets to fair value (or recognition of new assets) or valuation of goodwill, as in fact none of the merging entities is acquired. Therefore, the financial statements are prepared as if the merging entities had always been merged.

In accounting for a business combination using the pooling of interests method, the following items are eliminated:

- share capital of the acquiree,
- intercompany receivables and payables as well as other similar settlements between merging companies,
- revenues and costs of business transactions made during the period for which the financial statements are prepared, which took place between merging companies before their merger,
- gains or losses from business transactions made between merging companies before their merger, included in the values of assets and liabilities subject to merger.

In accounting for the merger, the Company uses consolidated financial statements as a source of the value of assets and liabilities of the acquired subsidiary. The value of shares held by the acquired company in subsidiaries has been determined by reference to the value of net assets of these entities in the consolidated financial statements as well as the goodwill relating to the given subsidiary.

The difference between the book value of the net assets recognized in the statement of financial position of the acquirer as a result of the merger and the value of the investment previously recognized in the accounting records of the acquirer is recognized in the acquirer's equity.

The merger of TAURON Polska Energia S.A. with Górnośląski Zakład Elektroenergetyczny S.A. dated 12 June 2012 has been accounted for using the pooling of interests method, which means

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that the financial statements of the acquiree were aggregated as of 13 December 2011, i.e. the date on which TAURON Polska Energia S.A. acquired control over Górnosławski Zakład Elektroenergetyczny S.A.

The statement of financial position as at 31 December 2011 after restatement due to the merger is presented below:

	As at 31 December 2011 <i>(authorized figures)</i>	Change due to merger with subsidiary	As at 31 December 2011 <i>(adjusted figures)</i>
Assets			
Non-current assets			
Property, plant and equipment	11 591	20	11 611
Intangible assets	15 487	-	15 487
Shares in unlisted and listed companies	21 028 076	(848 531)	20 179 545
Bonds, T-bills and other debt securities	1 137 040	-	1 137 040
Other long-term non-financial assets	830	-	830
Deferred tax asset	37 204	325	37 529
	22 230 228	(848 186)	21 382 042
Current assets			
Current intangible assets	33 120	-	33 120
Inventories	41 028	-	41 028
Corporate income tax receivables	-	852	852
Trade and other receivables	991 977	70 461	1 062 438
Bonds, T-bills and other debt securities	13 003	-	13 003
Cash and cash equivalents	258 038	23 814	281 852
Other current non-financial assets	3 581	547	4 128
	1 340 747	95 674	1 436 421
Non-current assets classified as held for sale	-	-	-
TOTAL ASSETS	23 570 975	(752 512)	22 818 463

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	As at 31 December 2011 (authorized figures)	Change due to merger with subsidiary	As at 31 December 2011 (adjusted figures)
Equity and liabilities			
Equity			
Issued capital	8 762 747	-	8 762 747
Reserve capital	7 412 882	-	7 412 882
Retained earnings/Accumulated losses	1 168 599	(7 441)	1 161 158
Total equity	17 344 228	(7 441)	17 336 787
Non-current liabilities			
Interest-bearing loans and borrowings	4 136 112	-	4 136 112
Finance lease and hire purchase commitments	990	-	990
Long-term provisions and employee benefits	3 052	-	3 052
	4 140 154	-	4 140 154
Current liabilities			
Trade and other payables	325 928	278	326 206
Current portion of interest-bearing loans and borrowings	1 468 066	(748 686)	719 380
Income tax payable	33 687	-	33 687
Current portion of finance lease and hire purchase commitments	627	-	627
Other current non-financial liabilities	84 778	917	85 695
Accruals and government grants	8 175	48	8 223
Short-term provisions and employee benefits	165 332	2 372	167 704
	2 086 593	(745 071)	1 341 522
Total liabilities	6 226 747	(745 071)	5 481 676
TOTAL EQUITY AND LIABILITIES	23 570 975	(752 512)	22 818 463

Disclosures concerning the parent's merger with its subsidiary are included in Note 21.

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,
- Amendments to IFRS 10, IFRS 11 and IFRS 12 *Transition Guidance* - 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,
- IAS 27 *Separate 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,
- IAS 28 *Investments in Associates and Joint Ventures* – 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. 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,
- 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,
- Improvements to IFRSs (issued in May 2012) – are 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 of 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 below or in the following sections of these interim condensed financial statements.

Deferred tax

Due to the tax loss incurred in the 9-month period ended 30 September 2012 and tax losses anticipated for the Company in the years 2012 - 2014, a valuation allowance of PLN 44,402 thousand was recognized for the deferred tax asset of PLN 58,298 thousand, which resulted in the reduction of the net profit by PLN 27,423 thousand and the reduction of the deferred tax included in other comprehensive income in the amount of PLN 16,979 thousand.

The forecasts for the Tax Capital Group (TCG) to which the Company belongs provide for taxable profits in 2012 and in subsequent years; therefore, the deferred tax will be realized at the level of the TCG.

Tests for impairment of the value of shares in unlisted and listed companies

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 Company conducted a test for the impairment of the value of shares included in non-current assets as at 30 June 2012.

The test was conducted based on the present value of estimated cash flows from operations of significant companies, based on detailed projections for 2012-2021 and the estimated residual value. The level of the weighted average cost of capital (WACC) during the projection period as used in the calculations is between 8.63%-12.86% at nominal value before tax.

Based on test results, there is no need to recognize any impairment losses against the value of the assets held.

The analysis of impairment indicators performed as at 30 September 2012 revealed that the market value of the Company's net assets did not significantly change in the 3rd quarter; hence it was concluded that the testing results as at 30 June are still valid and there was no need to perform impairment tests as at the balance sheet date. Full tests will be performed as at 31 December 2012.

6. Shares in related entities

As at 30 September 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%	99.79%
2	TAURON Dystrybucja S.A.	30-390 Kraków; ul. Zawila 65 L	Distribution of electricity	99.51%	99.53%
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.	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.	40-389 Katowice; ul. Lwowska 23	Trading in electricity	100.00%	100.00%
7	TAURON Ciepło S.A.	40-126 Katowice; ul. Grażyńskiego 49	Heat production and distribution	88.27%	89.12%
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 Dystrybucja GZE S.A. ³	44-100 Gliwice; ul. Portowa 14a	Distribution of electricity	100.00%	100.00%
10	TAURON Sprzedaż GZE Sp. z o.o.	44-100 Gliwice; ul. Barlickiego 2a	Trading in electricity	99.998% ¹	99.998% ¹
11	TAURON Ekoenergia GZE Sp. z o.o. ³	44-100 Gliwice; ul. Barlickiego 2	Generation of electricity	100.00%	100.00%
12	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	99.80% ²	99.80% ²
13	TAURON Obsługa Klienta GZE Sp. z o.o.	44-100 Gliwice; ul. Wybrzeże Armii Krajowej 19b	Customer services	100.00%	100.00%

¹ TAURON Polska Energia S.A. holds indirectly through its subsidiary TAURON Serwis GZE Sp. z o.o. 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.

² TAURON Polska Energia S.A. holds indirectly through TAURON Sprzedaż GZE Sp. z o.o. a 0.20% interest in the share capital and in the governing body of TAURON Serwis GZE Sp. z o.o. As a result the Company holds 100% interests in the share capital and in the governing body of TAURON Serwis GZE Sp. z o.o.

³ On 1 October 2012, mergers of the following companies were registered: TAURON Dystrybucja S.A. with TAURON Dystrybucja GZE S.A. and TAURON Ekoenergia Sp. z o.o. with TAURON Ekoenergia GZE Sp. z o.o.

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As at 30 September 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 30 September 2012	Indirect interest of TAURON in the entity's governing body	Holder of shares as at 30 September 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%	99.79%	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%	67.87%	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%

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.

Movements in the balances of shares in the period ended 30 September 2012 have been described in detail in Note 14.

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.

In 2012, resolutions on the appropriation of the subsidiaries' profits for 2011 and allocation of prior year profits to dividend payments were taken in the 2nd quarter of 2012. In the 9-month period ended 30 September 2012, the Company received dividends from subsidiaries in the amount of PLN 1,550,613 thousand, including PLN 270,042 thousand of dividends from subsidiaries received by Górnośląski Zakład Elektroenergetyczny S.A. prior to merger with the Company.

In 2011, resolutions on the appropriation of the subsidiaries' profits for 2010 and allocation of prior year profits to dividend payments were also taken in the 2nd quarter of 2011. Revenue from dividends for the 9-month period ended 30 September 2011 amounted to PLN 1,009,580 thousand.

8. Segment information

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

Segment assets in the "Holding activity" segment comprise:

- shares in subsidiaries;
- debentures acquired from subsidiaries;
- cash pool loan receivables including the cash pool deposit;
- receivables from other loans granted to affiliates.

Segment liabilities in the "Holding activity" segment comprise:

- 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 the Company's administrative expenses, as they are incurred for the whole Group and are not directly attributable to operating segments.

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9-month period ended 30 September 2012 or as at 30 September 2012 <i>(unaudited)</i>	Sales	Holding activity	Unallocated items	Total
Revenue				
Sales outside the Group	1 716 863	-	-	1 716 863
Sales within the Group	5 383 519	-	-	5 383 519
Segment revenue	7 100 382	-	-	7 100 382
Profit/(loss) of the segment				
Unallocated expenses	-	-	(74 647)	(74 647)
Profit/(loss) from continuing operations before tax and net finance income (costs)	104 524	-	(74 647)	29 877
Net finance income/(costs)	-	1 451 216	8 271	1 459 487
Profit/(loss) before income tax	104 524	1 451 216	(66 376)	1 489 364
Income tax expense	-	-	(44 771)	(44 771)
Net profit/(loss) for the period	104 524	1 451 216	(111 147)	1 444 593
EBITDA	114 158	-	(74 647)	39 511
Assets and liabilities				
Segment assets	1 568 868	23 878 270	-	25 447 138
Unallocated assets	-	-	19 832	19 832
Total assets	1 568 868	23 878 270	19 832	25 466 970
Segment liabilities	790 500	6 521 696	-	7 312 196
Unallocated liabilities	-	-	7 173	7 173
Total liabilities	790 500	6 521 696	7 173	7 319 369
Other segment information				
Capital expenditure *	33 044	-	-	33 044
Depreciation/amortization	(9 634)	-	-	(9 634)

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

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

In the 9-month period ended 30 September 2011, the Company's sales revenue from its key client, amounting to PLN 4,068,558 thousand, accounted for 65% of the Company's total revenue in the "Sales" segment.

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9-month period ended 30 September 2011 (<i>unaudited</i>) or as at 31 December 2011 (<i>adjusted figures</i>)	Sales	Holding activity	Unallocated items	Total
Revenue				
Sales outside the Group	1 242 442	-	-	1 242 442
Sales within the Group	5 015 529	-	-	5 015 529
Segment revenue	6 257 971	-	-	6 257 971
Profit/(loss) of the segment				
Profit/(loss) of the segment	121 515	-	-	121 515
Unallocated expenses	-	-	(57 069)	(57 069)
Profit/(loss) from continuing operations before tax and net finance income (costs)	121 515	-	(57 069)	64 446
Net finance income (costs)	-	1 021 434	4 178	1 025 612
Profit/(loss) before income tax	121 515	1 021 434	(52 891)	1 090 058
Income tax expense	-	-	(17 126)	(17 126)
Net profit/(loss) for the period	121 515	1 021 434	(70 017)	1 072 932
EBITDA	125 157	-	(57 069)	68 088
Assets and liabilities				
Segment assets	1 144 398	21 455 243	-	22 599 641
Unallocated assets	-	-	218 822	218 822
Total assets	1 144 398	21 455 243	218 822	22 818 463
Segment liabilities	582 581	4 860 992	-	5 443 573
Unallocated liabilities	-	-	38 103	38 103
Total liabilities	582 581	4 860 992	38 103	5 481 676
Other segment information				
Capital expenditure *	10 567	-	-	10 567
Depreciation/amortization	(3 642)	-	-	(3 642)

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

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3-month period ended 30 September 2012 <i>(unaudited)</i>	Sales	Holding activity	Unallocated items	Total
Revenue				
Sales outside the Group	547 499	-	-	547 499
Sales within the Group	1 712 964	-	-	1 712 964
Segment revenue	2 260 463	-	-	2 260 463
Profit/(loss) of the segment				
	29 734	-	-	29 734
Unallocated expenses	-	-	(24 632)	(24 632)
Profit/(loss) from continuing operations before tax and net finance income (costs)				
	29 734	-	(24 632)	5 102
Net finance income (costs)	-	(26 210)	3 731	(22 479)
Profit/(loss) before income tax				
	29 734	(26 210)	(20 901)	(17 377)
Income tax expense	-	-	-	-
Net profit/(loss) for the period				
	29 734	(26 210)	(20 901)	(17 377)
EBITDA				
	33 205	-	(24 632)	8 573
Other segment information				
Capital expenditure *	5 081	-	-	5 081
Depreciation/amortization	(3 471)	-	-	(3 471)

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

3-month period ended 30 September 2011 <i>(unaudited)</i>	Sales	Holding activity	Unallocated items	Total
Revenue				
Sales outside the Group	423 339	-	-	423 339
Sales within the Group	1 608 658	-	-	1 608 658
Segment revenue	2 031 997	-	-	2 031 997
Profit/(loss) of the segment				
	37 635	-	-	37 635
Unallocated expenses	-	-	(19 034)	(19 034)
Profit/(loss) from continuing operations before tax and net finance income (costs)				
	37 635	-	(19 034)	18 601
Net finance income (costs)	-	10 664	(539)	10 125
Profit/(loss) before income tax				
	37 635	10 664	(19 573)	28 726
Income tax expense	-	-	(4 667)	(4 667)
Net profit/(loss) for the period				
	37 635	10 664	(24 239)	24 059
EBITDA				
	38 934	-	(19 034)	19 900
Other segment information				
Capital expenditure *	4 587	-	-	4 587
Depreciation/amortization	(1 299)	-	-	(1 299)

* 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 9-month period ended 30 September 2012 <i>(unaudited)</i>	For the 9-month period ended 30 September 2011 <i>(unaudited)</i>
Sale of goods for resale, finished goods and materials, of which:	7 056 935	6 236 275
Electricity	6 804 392	6 150 184
Property rights arising from energy certificates	107 809	284
Emission allowances	144 521	80 748
Other	213	5 059
Rendering of services, of which:	43 437	21 696
Trading income	31 708	14 117
Other	11 729	7 579
Other income, of which:	10	-
Rental income	10	-
Total sales revenue	7 100 382	6 257 971

Starting from 2012, the Company acts as an agent in transactions of purchase of biomass and coal for the Group companies in the Generation and Heat Segment. The Company purchases raw materials from external companies as well as from the TAURON Group companies, whereas all of the sales are made to the Group companies. The Company recognizes revenue only from agency services – organization of supplies.

In the 9-month period ended 30 September 2012, the value of raw materials purchased and simultaneously sold as a result of the above-mentioned transactions was PLN 906,903 thousand, while revenue recognized by the Company on agency services amounted to PLN 13,607 thousand.

9.2. Costs by type

	For the 9-month period ended 30 September 2012 <i>(unaudited)</i>	For the 9-month period ended 30 September 2011 <i>(unaudited)</i>
Costs by type		
Depreciation of property, plant and equipment and amortization of intangible assets	(9 634)	(3 642)
Impairment of property, plant and equipment and intangible assets	10 399	-
Materials and energy	(1 770)	(1 149)
Consultancy services	(7 040)	(8 768)
Distribution services	(1 312)	(853)
Other external services	(10 015)	(8 806)
Taxes and charges	(10 331)	(10 280)
Employee benefits expense	(47 890)	(43 405)
Inventory write-downs	(304)	125
Impairment loss on trade receivables	239	-
Advertising costs	(18 101)	(10 802)
Other	(2 531)	(1 592)
Total costs by type	(98 290)	(89 172)
Change in inventories, prepayments, accruals and deferred income	(1 641)	785
Cost of goods produced for internal purposes	-	2 255
Selling and distribution expenses	17 538	16 216
Administrative expenses	74 647	57 069
Cost of goods for resale and materials sold	(6 969 011)	(6 108 988)
Cost of sales	(6 976 757)	(6 121 835)

The increase in depreciation expense in the 9-month period ended 30 September 2012 in relation to the comparative period results mainly from the full write-off of low-cost items of property, plant and equipment acquired in the 1st quarter of 2012.

The reversal of the write-down recognized against property rights included in intangible assets had no effect on the result for 2012, as simultaneously the Company reversed the provision for cancellation of energy certificates. In accordance with the accounting policy, the portion of the provision covered by the energy certificates held is recognized at the value of the certificates held, which means that recognition of a write-down resulted in the reduction of the cost of recognition of the provision in 2011 and the method of accounting for it in 2012. In the 1st quarter of 2012, energy certificates covered by the impairment write-down were surrendered for cancellation, as a result of which the impairment write-down recognized in 2011 in the amount of PLN 10,399 thousand was utilized.

The increase in administrative expenses in the 9-month period ended 30 September 2012 compared to the 9-month period ended 30 September 2011 mainly results from the increase in depreciation expense (as described above) and advertising expenses.

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 9-month period ended 30 September 2012 <i>(unaudited)</i>	For the 9-month period ended 30 September 2011 <i>(unaudited)</i>
Current income tax	(7 242)	(36 619)
Deferred tax	(37 529)	19 493
Income tax included in profit or loss	(44 771)	(17 126)
Income tax relating to other comprehensive income	-	-

Current income tax expense for the 9-month period ended 30 September 2012, amounting to PLN 7,242 thousand, results from the dividend tax of PLN 4,201 thousand, the income tax of the acquiree, GZE S.A., for the period up to the date of merger with the Company, amounting to PLN 2,777 thousand, and corrections of the Company's income tax for 2011, amounting to PLN 264 thousand.

10.2. Deferred income tax

Deferred income tax results from the following items:

	As at 30 September 2012 <i>(unaudited)</i>	As at 31 December 2011 <i>(adjusted figures)</i>
<i>Deferred tax liability</i>		
- difference between tax base and carrying amount of fixed and intangible assets	1 748	1 211
- difference between tax base and carrying amount of financial assets	12 065	628
-other	82	37
Deferred tax liability	13 895	1 876

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	As at 30 September 2012 (unaudited)	As at 31 December 2011 (adjusted figures)
Deferred tax assets		
- provisions for the obligation to surrender energy certificates	17 927	31 323
- other provisions	2 094	2 534
- difference between tax base and carrying amount of fixed and intangible assets	503	2 150
- difference between tax base and carrying amount of financial liabilities	20 184	2 734
- valuation of hedging instruments	16 477	-
- other accrued expenses	659	597
- difference between tax base and carrying amount of financial assets	396	67
- difference between tax base and carrying amount of inventories	58	-
Deferred tax assets, of which:	58 298	39 405
Deferred tax assets recognized in profit or loss	41 319	39 405
Deferred tax assets recognized in other comprehensive income	16 979	-
Net deferred tax asset	44 403	37 529
Valuation allowance	(44 403)	-
Deferred tax in the statement of financial position	-	37 529

The reasons for recognizing a valuation allowance for the deferred tax asset are presented in Note 5.

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.

As at 30 September 2012, the Tax Capital Group had an overpayment in respect of the corporate income tax amounting to PLN 13,579 thousand, which is presented in the Company's financial statements as income tax receivable. At the same time, due to the Company's settlements as Representing Company with the subsidiaries being part of the Tax Capital Group, the Company had a liability to these subsidiaries arising from income tax overpayment of PLN 30,804 thousand, which is presented in the statement of financial position under trade and other payables, as well as a receivable from the subsidiaries being part of the Tax Capital Group arising from tax underpayment of PLN 20,003 thousand, which is presented in the statement of financial position under "Trade and other receivables".

11. Cash and cash equivalents

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

	As at 30 September 2012 <i>(unaudited)</i>	As at 31 December 2011 <i>(adjusted figures)</i>
Cash at bank and in hand	237 016	216 838
Short-term deposits (up to 3 months)	818 864	24 013
Cash in transit	-	41 001
Total cash and cash equivalents presented in the statement of financial position, of which:	1 055 880	281 852
restricted cash	197 562	162 214
Cash pool	<i>(1 027 964)</i>	<i>(396 976)</i>
Foreign exchange and other differences	1 080	76
Total cash and cash equivalents presented in the statement of cash flows	28 996	<i>(115 048)</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; 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 185,663 thousand, cash held in special purpose accounts for trading on the Internet Based Electricity Trading Platform (POEE) of PLN 4,068 thousand as well as on the European Energy Exchange (EEX) and European Climate Exchange (ICE) of PLN 7,831 thousand.

The details of cash pool balances are presented in Note 20.2.

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 was paid from the Company's net profit for 2011 amounting to PLN 1,083,429 thousand. The dividend day was set at 2 July 2012 and the dividend payment date at 20 July 2012. As at the balance sheet date, the above-mentioned dividend liability was fully paid off.

On 6 May 2011, the Ordinary General Shareholders' Meeting resolved to distribute an amount of PLN 262,882 thousand for dividends to the Company's shareholders, which gave PLN 0.15 per share. This amount was composed of the Company's net profit for 2010 in the amount of PLN 190,478 thousand and utilization of the Company's reserve capital of PLN 72,404 thousand, which represented part of the Company's net profit for 2009 allocated to the reserve capital.

13. Intangible assets

13.1. Non-current intangible assets

Non-current intangible assets for the 9-month period ended 30 September 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	-	-	20 705	20 705
Allocation of intangible assets not made available for use	17 193	83	(17 276)	-
Closing balance	35 368	807	4 049	40 224
ACCUMULATED AMORTIZATION				
Opening balance	(3 620)	(412)	-	(4 032)
Amortization for the period	(4 176)	(103)	-	(4 279)
Closing balance	(7 796)	(515)	-	(8 311)
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	14 555	312	620	15 487
NET CARRYING AMOUNT AT THE END OF THE PERIOD	27 572	292	4 049	31 913

In the 9-month period ended 30 September 2012, the Company made available for use software and licenses with a total value of PLN 17,193 thousand.

The most significant purchases included licenses relating to SAP, Oracle and a support system for purchases' organization. They are to be used by the Company for its internal purposes as well as to make them available for use by the TAURON Group companies as part of consolidation of license agreements. Future benefits will be generated by way of earning revenue from granting sublicenses or from the right to use the software.

Non-current intangible assets for the 9-month period ended 30 September 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	-	-	6 245	6 245
Allocation of intangible assets not made available for use	3 877	46	(3 923)	-
Liquidation	(41)	-	-	(41)
Closing balance	11 880	663	2 827	15 370
ACCUMULATED AMORTIZATION				
Opening balance	(1 583)	(261)	-	(1 844)
Amortization for the period	(1 391)	(114)	-	(1 505)
Liquidation	32	-	-	32
Closing balance	(2 942)	(375)	-	(3 317)
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	6 461	356	505	7 322
NET CARRYING AMOUNT AT THE END OF THE PERIOD	8 938	288	2 827	12 053

13.2. Current intangible assets

Current property rights arising from energy certificates

	9-month period ended 30 September 2012 <i>(unaudited)</i>	9-month period ended 30 September 2011 <i>(unaudited)</i>
COST		
Opening balance	43 519	9 773
Direct purchase	53 278	23 525
Cancellation of energy certificates	(47 914)	(7 638)
Closing balance	48 883	25 660
IMPAIRMENT ALLOWANCE		
Opening balance	(10 399)	-
Decrease of impairment allowance	10 399	-
Closing balance	-	-
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	33 120	9 773
NET CARRYING AMOUNT AT THE END OF THE PERIOD	48 883	25 660

The decrease of the impairment write-down for property rights arising from energy certificates has been described in detail in Note 9.2.

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14. Shares in unlisted and listed companies

Movements in the balance of long-term investments in the period from 1 January to 30 September 2012 (unaudited)

No.	Company	Opening balance (authorized figures)	Movement resulting from merger with GZE S.A.	Opening balance (restated figures)	Increases	Decreases	Closing balance
1	TAURON Wytwarzanie S.A.	8 118 182	-	8 118 182	-	-	8 118 182
2	TAURON Dystrybucja S.A.	5 914 201	-	5 914 201	-	-	5 914 201
3	TAURON Obsługa Klienta Sp. z o.o.	26 308	-	26 308	-	-	26 308
4	TAURON Ekoenergia Sp. z o.o.	897 069	-	897 069	931	-	898 000
5	TAURON Ciepło S.A.	507 880	-	507 880	265 454	-	773 334
6	Elektrociepłownia EC Nowa Sp. z o.o.	217 413	-	217 413	-	(217 413)	-
7	Elektrociepłownia Tychy S.A.	40 862	-	40 862	-	(40 862)	-
8	Energetyka Ciepła w Kamiennej Górze Sp. z o.o.	6 959	-	6 959	-	(6 959)	-
9	TAURON Sprzedaż Sp. z o.o.	613 505	-	613 505	-	-	613 505
10	Polska Energia Pierwsza Kompania Handlowa Sp. z o.o.	49 056	-	49 056	-	-	49 056
11	TAURON Ekoserwis Sp. z o.o. (former Zespół Elektrowni Wodnych Rożnów Sp. z o.o.)	931	-	931	-	(931)	-
12	TAURON Czech Energy s.r.o.	4 223	-	4 223	-	-	4 223
13	Górnośląski Zakład Elektroenergetyczny S.A.	4 631 455	(4 631 455)	-	1 127	(1 127)	-
14	TAURON Dystrybucja GZE S.A	-	3 544 322	3 544 322	-	-	3 544 322
15	TAURON Serwis GZE Sp. z o.o.	-	26 390	26 390	-	-	26 390
16	TAURON Sprzedaż GZE Sp. z o.o.	-	142 796	142 796	-	-	142 796
17	TAURON Ekonenergia GZE Sp. z o.o.	-	50 762	50 762	-	-	50 762
18	TAURON Obsługa Klienta GZE Sp. z o.o.	-	13 707	13 707	-	-	13 707
19	TAURON Wytwarzanie GZE Sp. z o.o.	-	4 935	4 935	-	-	4 935
20	CONCORDE INVESTISSEMENT S.A.	-	12	12	-	-	12
21	CC Poland Plus Sp. z o.o.	12	-	12	-	-	12
22	Energopower Sp. z o.o.	5	-	5	20	-	25
23	Enpower Service Sp. z o.o.	5	-	5	20	-	25
24	Enpower Sp. z o.o.	5	-	5	20	-	25
25	Poen Sp. z o.o.	5	-	5	20	-	25
Total		21 028 076	(848 531)	20 179 545	267 592	(267 292)	20 179 845

Movements in the balance of long-term investments which took place in the 9-month period ended 30 September 2012 were mainly due to the reorganization of the Group and resulted from mergers of the companies owned by TAURON Polska Energia S.A.

The most significant movements in the balance of long-term investments for the period ended 30 September 2012 were due to the following events:

Merger of TAURON Polska Energia S.A. with its subsidiary Górnośląski Zakład Elektroenergetyczny S.A.

On 12 June 2012, the District Court in Katowice registered the merger of TAURON Polska Energia S.A. with its subsidiary, Górnośląski Zakład Elektroenergetyczny S.A. The merger was effected under Article 492 Clause 1 Item 1 of the Code of Commercial Companies by way of a transfer of all of the assets of Górnośląski Zakład Elektroenergetyczny S.A. to its sole owner i.e. TAURON Polska Energia S.A.

As a result of the merger, the Company acquired shares in the following significant companies that were previously owned by Górnośląski Zakład Elektroenergetyczny S.A.:

- TAURON Dystrybucja GZE S.A.,
- TAURON Serwis GZE Sp. z o.o.,
- TAURON Sprzedaż GZE Sp. z o.o.,
- TAURON Ekoenergia GZE Sp. z o.o.,
- TAURON Obsługa Klienta GZE Sp. z o.o.,
- TAURON Wytwarzanie GZE Sp. z o.o.

The merger and the method of accounting for it are described in detail in Notes 3 and 21.

Merger of subsidiaries from the Heat Segment

On 30 April 2012, merger of TAURON Ciepło S.A. – acquirer with the following acquirees: Elektrociepłownia Tychy S.A., Elektrociepłownia EC Nowa Sp. z o.o. and Energetyka Ciepła w Kamiennej Górze Sp. z o.o. was entered in the Register of Entrepreneurs of the National Court Register. This merger was effected under Article 492 Clause 1 Item 1 of the Code of Commercial Companies by way of a transfer of all of the assets of the acquired companies to TAURON Ciepło S.A., in exchange for shares issued by TAURON Ciepło S.A. to the shareholders of Elektrociepłownia Tychy S.A., Elektrociepłownia EC Nowa Sp. z o.o. and Energetyka Ciepła w Kamiennej Górze Sp. z o.o. The exchange ratio was determined as follows:

- 1 share of Elektrociepłownia Tychy S.A. corresponds to 1,364 shares of TAURON Ciepło S.A.,
- 1 share of Elektrociepłownia EC Nowa Sp. z o.o. corresponds to 60,170 shares of TAURON Ciepło S.A.,
- 1 share of Energetyka Ciepła w Kamiennej Górze Sp. z o.o. corresponds to 88,837 shares of TAURON Ciepło S.A.

The share capital of TAURON Ciepło S.A. was increased from PLN 444,664 thousand to PLN 865,937 thousand, i.e. by PLN 421,273 thousand.

TAURON Polska Energia S.A. reclassified the book value of investments in the following companies: Elektrociepłownia Tychy S.A. (PLN 40,862 thousand), Elektrociepłownia EC Nowa Sp. z o.o. (PLN 217,413 thousand) and EC w Kamiennej Górze Sp. z o.o. (PLN 6,959 thousand) to the value of the investment in TAURON Ciepło S.A. (PLN 265,234 thousand in total).

Merger of the subsidiary TAURON Ekoenergia Sp. z o.o. with Lipniki Sp. z o.o.

On 1 June 2012, merger of TAURON Ekoenergia Sp. z o.o. and Lipniki Sp. z o.o. was entered in the Register of Entrepreneurs of the National Court Register. This merger was effected under Article 492 Clause 1 Item 1 of the Code of Commercial Companies by way of a take-over of all of the assets of the acquired company, Lipniki Sp. z o.o., by the acquirer, TAURON Ekoenergia

Sp. z o.o. The merger was effected without increasing the share capital and without any amendments to the Articles of Association. The acquirer was the sole shareholder of the acquired company. Consequently, as at 30 September 2012, TAURON Polska Energia S.A. only held shares in the acquirer i.e. TAURON Ekoenergia Sp. z o.o.

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

On 18 April 2012, the District Court for Wrocław – Fabryczna in Wrocław entered the increase of the share capital of TAURON Ekoenergia Sp. z o.o. from PLN 536,070 thousand to PLN 537,733 thousand, i.e. by PLN 1,663 thousand. The share capital was increased as a result of making an in-kind contribution by TAURON Polska Energia S.A. in the form of 100% of shares in ZEW Rożnów Sp. z o.o. (now: TAURON Ekoserwis Sp. z o.o.) in order to cover new shares in the share capital. The agreement for the transfer of the contribution in kind was signed on 4 April 2012.

TAURON Polska Energia S.A. reclassified the book value of its shares in ZEW Rożnów Sp. z o.o. (now: TAURON Ekoserwis Sp. z o.o.) of PLN 931 thousand to the value of shares in TAURON Ekoenergia Sp. z o.o.

Purchase of the shares of TAURON Ciepło S.A.

On 24 August 2012, TAURON Polska Energia S.A. acquired from the State Treasury 50,803,138 shares of its subsidiary, TAURON Ciepło S.A., which accounted for 0.06% of the share capital of TAURON Ciepło S.A., for PLN 220 thousand.

Changes in the balance of long-term investments in the period from 1 January to 30 September 2011 (unaudited)

No.	Company	Opening balance	Increases	Decreases	Closing balance
1	TAURON Wytwarzanie S.A.	7 562 250	555 932	-	8 118 182
2	ENION S.A. (currently TAURON Dystrybucja S.A.)	3 356 415	-	(3 356 415)	-
3	TAURON Dystrybucja S.A.	2 557 110	3 357 091	-	5 914 201
4	Elektrownia Stalowa Wola S.A. (currently TAURON Wytwarzanie S.A.)	555 697	-	(555 697)	-
5	Elektrociepłownia Tychy S.A. (currently TAURON Ciepło S.A.)	40 862	-	-	40 862
6	TAURON Ciepło S.A.	345 285	162 595	-	507 880
7	TAURON Obsługa Klienta Sp. z o.o.	345 015	-	(318 707)	26 308
8	TAURON Ekoenergia Sp. z o.o.	897 069	-	-	897 069
9	Energetyka Ciepła w Kamiennej Górze Sp. z o.o. (currently TAURON Ciepło S.A.)	6 959	-	-	6 959
10	Elektrociepłownia EC Nowa Sp. z o.o. (currently TAURON Ciepło S.A.)	217 413	-	-	217 413
11	TAURON Sprzedaż Sp. z o.o.	294 798	318 707	-	613 505
12	Polska Energia Pierwsza Kompania Handlowa Sp. z o.o.	6 886	42 170	-	49 056
13	Zespół Elektrowni Wodnych Rożnów Sp. z o.o. (currently TAURON Ekoserwis Sp. z o.o.)	931	-	-	931
14	Przedsiębiorstwo Energetyki Ciepłej w Dąbrowie Górniczej S.A. (currently TAURON Ciepło S.A.)	162 557	-	(162 557)	-
15	TAURON Czech Energy s.r.o.	4 223	-	-	4 223
16	Energopower Sp. z o.o.	-	5	-	5
17	Enpower Service Sp. z o.o.	-	5	-	5
18	Enpower Sp. z o.o.	-	5	-	5
19	Poen Sp. z o.o.	-	5	-	5
Total		16 353 470	4 436 515	(4 393 376)	16 396 609

The most significant changes in the balance of long-term investments in the period ended 30 September 2011 resulted from the following events described below:

- The decrease in TAURON Polska Energia S.A.'s investments in ENION S.A. by PLN 3,356,415 thousand, Elektrownia Stalowa Wola by PLN 555,697 thousand and Przedsiębiorstwo Energetyki Ciepłej w Dąbrowie Górniczej S.A. by PLN 162,557 thousand, resulting from the subsidiaries' mergers that took place during the 3rd quarter of 2011. Investments in the following companies: TAURON Dystrybucja S.A., TAURON Wytwarzanie S.A. and TAURON Ciepło S.A. have increased by the same amounts, respectively.

- Due to merger of Przedsiębiorstwo Energetyki Ciepłej Katowice S.A. with Przedsiębiorstwo Energetyki Ciepłej w Dąbrowie Górniczej S.A., TAURON Polska Energia S.A. made additional payments to the share capital of TAURON Ciepło S.A. amounting to PLN 38 thousand.
- The Company's investment in TAURON Wytwarzanie S.A. has increased by PLN 235 thousand and the investment in TAURON Dystrybucja S.A. by PLN 676 thousand due to TAURON Polska Energia S.A.'s acquisition of shares from non-controlling interests in August 2011.
- The division of TAURON Obsługa Klienta Sp. z o.o. by way of acquisition by TAURON Sprzedaż Sp. z o.o. of part of TAURON Obsługa Klienta Sp. z o.o.'s assets representing an organized part of the enterprise. Due to the above, the value of the shares held in TAURON Sprzedaż Sp. z o.o. increased by PLN 318,707 thousand and the investment in the shares of TAURON Obsługa Klienta Sp. z o.o. decreased as appropriate.
- The PLN 42,170 thousand increase of the investment in Polska Energia Pierwsza Kompania Handlowa Sp. z o.o. results from the Company's receipt of shares from Południowy Koncern Energetyczny S.A., currently TAURON Wytwarzanie S.A., in lieu of fulfilling part of the liability to pay the dividend due to TAURON Polska Energia S.A.

15. Inventories

	As at 30 September 2012 (unaudited)	As at 31 December 2011
Historical cost		
Property rights arising from energy certificates	7 553	39 396
Greenhouse gas emission allowances	2 649	-
Goods for resale	13	1 451
Materials	586	181
Total	10 801	41 028
Write-downs to net realizable value		
Property rights arising from energy certificates	(304)	-
Total	(304)	-
Net realizable value		
Property rights arising from energy certificates	7 249	39 396
Greenhouse gas emission allowances	2 649	-
Goods for resale	13	1 451
Materials	586	181
Total	10 497	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 30 September 2012, the balance of trade and other receivables amounted to PLN 1,105,002 thousand and included:

- trade receivables amounting to PLN 993,796 thousand;
- cash pool loans amounting to PLN 41,029 thousand;
- other financial receivables amounting to PLN 70,177 thousand, where the largest item was collaterals amounting to PLN 25,678 thousand.

In the 9-month period ended 30 September 2012 the following loans were repaid:

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(in PLN thousand)

- two loans granted to TAURON Wytwarzanie S.A. under loan agreements signed in December 2011. They were related to the transaction of purchase of CO₂ allowances from TAURON Wytwarzanie S.A. with a commitment to sell them back, and amounted to PLN 180,009 thousand and PLN 142,003 thousand. The amount of PLN 142,003 thousand was transferred to the company in 2012, while the amount of PLN 180,009 thousand was transferred to it in 2011;
- loan granted to TAURON Sprzedaż GZE Sp. z o.o. and the loan granted to TAURON Ekoenergia GZE Sp. z o.o. in the total amount of PLN 70,000 thousand;
- loan granted to Elektrociepłownia Stalowa Wola S.A. in the amount of PLN 13,000 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 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 30 September 2012 (unaudited)

	Not past due	Past due					Total
		<30 days	30-90 days	90-180 days	180-360 days	>360 days	
Value of item before allowance/write-down							
Trade and other financial receivables	1 046 074	15 825	2	465	-	332	1 062 698
Cash Pool	41 029	-	-	-	-	-	41 029
Other loans	1 275	-	-	-	-	-	1 275
Total	1 088 378	15 825	2	465	-	332	1 105 002
Allowance/write-down							
Trade and other financial receivables	-	-	-	-	-	-	-
Cash Pool	-	-	-	-	-	-	-
Other loans	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-
Value of item net of allowance (carrying amount)							
Trade and other financial receivables	1 046 074	15 825	2	465	-	332	1 062 698
Cash Pool	41 029	-	-	-	-	-	41 029
Other loans	1 275	-	-	-	-	-	1 275
Total	1 088 378	15 825	2	465	-	332	1 105 002

Trade and other receivables as at 31 December 2011 (adjusted figures)

	Not past due	Past due					Total (adjusted figures)
		<30 days	30-90 days	90-180 days	180-360 days	>360 days	
Value of item before allowance/write-down							
Trade and other financial receivables	756 338	-	-	-	6	306	756 650
Cash Pool	55 656	-	-	-	-	-	55 656
Other loans	250 438	-	-	-	-	-	250 438
Total	1 062 432	-	-	-	6	306	1 062 744
Allowance/write-down							
Trade and other financial receivables	-	-	-	-	-	(306)	(306)
Cash Pool	-	-	-	-	-	-	-
Other loans	-	-	-	-	-	-	-
Total	-	-	-	-	-	(306)	(306)
Value of item net of allowance (carrying amount)							
Trade and other financial receivables	756 338	-	-	-	6	-	756 344
Cash Pool	55 656	-	-	-	-	-	55 656
Other loans	250 438	-	-	-	-	-	250 438
Total	1 062 432	-	-	-	6	-	1 062 438

Related party transactions and balances are presented in Note 27.

17. Other long-term receivables

Other long-term receivables of PLN 62,000 thousand include a loan granted to Elektrociepłownia Stalowa Wola S.A., a company set up on the initiative of TAURON Polska Energia S.A. and PGNiG S.A.

Under the following two agreements concluded on 20 June 2012 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, TAURON Polska Energia S.A. granted Elektrociepłownia Stalowa Wola S.A. two loans in the total amount of PLN 75,000 thousand:

- A syndicated loan agreement signed in order to provide funding for the implementation of an investment project involving construction and operation of a gas and steam power unit with a capacity of approx. 400 MWe and 240 MWt in Stalowa Wola together with auxiliary installations. The syndicated 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 62,000 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 involving construction of a gas and steam power unit with a capacity of approx. 400 MWe and 240 MWt in Stalowa Wola, 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 by the funds obtained from the VAT refund. Final repayment is due 6 months after the date of completion of the investment project. In the 2nd quarter of 2012, the Company made available funds under the loan amounting to PLN 13,000 thousand. On 17 September 2012, Elektrociepłownia Stalowa Wola S.A. paid the aforementioned amount together with interest. The loan was not being used at the balance sheet date.

18. Equity

18.1. Issued capital

Issued capital as at 30 September 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 30 September 2012, the value of issued capital, the number of shares and nominal value per share have not changed since 31 December 2011.

18.2. Shareholders with significant interest

Shareholding structure as at 30 September 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 Otwarty 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 30 September 2012, according to the Company's best knowledge, did not change in comparison to 31 December 2011.

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

During the 9-month period ended 30 September 2012, reserve capital increased by PLN 540,139 thousand as a result of the resolution of the Ordinary General Shareholders' Meeting of TAURON Polska Energia S.A. dated 24 April 2012 on the allocation of the amount of PLN 540,139 thousand from the net profit for 2011 to the reserve capital.

Movements in retained earnings during the period under review resulted from:

- allocation of the amount of PLN 540,139 thousand from the Company's net profit for 2011 to the reserve capital,
- allocation of the amount of PLN 543,290 thousand from the Company's net profit for 2011 for the payment of dividend,
- the net profit for the period of PLN 1,444,593 thousand,
- accounting for the Company's merger with its subsidiary Górnośląski Zakład Elektroenergetyczny S.A. – decrease in retained earnings by the amount of PLN 1,126 thousand.

19. Provisions

Provision for the obligation to surrender energy certificates

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 30 September 2012, short-term provision for the obligation to surrender energy certificates for cancellation amounted to PLN 94,352 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 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.

Provision for real estate tax

As at 30 September 2012, the provision for real estate tax, acquired as a result of merger with Górnośląski Zakład Elektroenergetyczny S.A., amounted to PLN 1,411 thousand. As at 31 December 2011, the value of the provision was PLN 1,606 thousand.

Provision for compensation payments to the employees of GZE

The provision for compensation payments to employees was recognized due to the privatization of Górnośląski Zakład Elektroenergetyczny S.A. Compensation payments for shares are due under the Employee, Social and Trade Union Guarantee Package of 17 November 2000 as well as under Agreement No. 1 of 13 December 2000 on the principles of making compensation payments. Compensation payments were made based on the Compensation Payments Allocation Regulations dated 26 April 2001 with subsequent amendments and the decision on payments dated 30 September 2003. The condition underlying a compensation payment was the sale of all of the shares held by the eligible individual to the majority shareholder. Such payments (in the form of donations) were made successively in 2003-2009. A provision was recognized for compensation payments. As at 30 September 2012, the provision for outstanding compensation payments amounted to PLN 765 thousand and its balance did not change compared to 31 December 2011.

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

As at 30 September 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 4,363,069 thousand;
- loans taken out from affiliates under the "Agreement for the Provision of Cash Pool Services" in the total amount of PLN 1,068,993 thousand;
- a loan from the European Investment Bank of PLN 972,110 thousand.

Interest-bearing loans and borrowings, including issued debentures, as at 30 September 2012 and 31 December 2011 are presented in the table below.

Interest-bearing loans and borrowings, including issued debentures

	As at 30 September 2012 <i>(unaudited)</i>	As at 31 December 2011 <i>(adjusted figures)</i>
Non-current portion of loans and borrowings, including issued debentures:		
Issued debentures	4 287 694	4 136 112
Loan received from the European Investment Bank	908 269	-
Total	5 195 963	4 136 112
Current portion of loans and borrowings, including issued debentures:		
Issued debentures	75 375	11 062
Cash pool loans received, including accrued interest	1 068 993	452 632
Liabilities arising from acquisition of long-term investments	-	255 686
Loan received from the European Investment Bank	63 841	-
Total	1 208 209	719 380

20.1. Debentures issued

As at 30 September 2012, the Company's liability under issued debentures amounted to PLN 4,363,069 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 23.1.

The agreements signed by the Company with banks include covenants which are commonly used in such transactions. As at 30 September 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 30 September 2012 and 31 December 2011.

Debentures as at 30 September 2012 (unaudited)

Interest rate	Currency	As at balance sheet date (unaudited)		of which principal amount maturing within (after the balance sheet date)						
		Accrued interest	Principal at amortized cost	less than 3 months	3 - 12 months	1 - 2 years	2 - 3 years	3 - 5 years	over 5 years	
Tranche A	floating	PLN	13 194	846 431	-	-	-	-	846 431	-
Tranche B	floating	PLN	7 076	449 093	-	-	-	150 000	299 093	-
Tranche C	floating	PLN	55 105	2 992 170	-	-	-	-	2 992 170	-
Total debentures			75 375	4 287 694	-	-	-	150 000	4 137 694	-

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	-

On 29 June 2012, an agreement was signed between the Company and Bank Handlowy w Warszawie S.A., ING Bank Śląski S.A., Bank Polska Kasa Opieki S.A., BRE Bank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., Nordea Bank Polska S.A., Nordea Bank AB and BNP Paribas Bank Polska S.A., and Bank Zachodni WBK S.A., under which the value of the program of issue of TAURON Polska Energia S.A.'s debentures was increased by tranches D and E with a value of, respectively, PLN 2,475,000 thousand and PLN 275,000 thousand, i.e. up to the total amount of PLN 7,050,000 thousand. The funds that will be acquired from the issue of debentures under tranches D and E will be used to finance investments projects in the TAURON Group as well as general corporate needs in the TAURON Group.

20.2. Cash pool

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

	As at 30 September 2012 (unaudited)	As at 31 December 2011
Loans granted under cash pool agreement	40 661	55 549
Interest receivable on loans granted under cash pool agreement	368	107
Total	41 029	55 656

	As at 30 September 2012 (unaudited)	As at 31 December 2011
Loans received under cash pool agreement	1 065 662	451 086
Interest payable on loans received under cash pool agreement	3 331	1 546
Total	1 068 993	452 632
Balance of cash pool	1 027 964	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 30 September 2012 amounted to PLN 274,585 thousand, and receivables amounted to PLN 7,907 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.

20.3. 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 above-mentioned 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.

On 3 July 2012, the Company entered into another loan agreement with the European Investment Bank for total funding of PLN 900,000 thousand. The funds obtained from this loan are to be used for grid investments – for the implementation of a 5-year investment program aimed at modernization and development of the power grids of TAURON Dystrybucja S.A. located in Southern Poland. The total cost of the project is appx. PLN 2,000,000 thousand. The first tranche of the loan amounting to PLN 450,000 thousand was made available in July 2012. The remaining amount will be used in line with investment needs. The maximum repayment period is 12 years from the date of payment of the first tranche of the loan.

The tranche will be paid in installments, on a half-year basis, in the amount of PLN 20,455 thousand. The dates for payment of principal installments are 15 June and 15 December each year. The first payment is due on 15 December 2013 and the total repayment of the principal amount is due on 15 June 2024. Interest on the loan is payable on a half-year basis, on 15 June and 15 December each year.

Interest on the tranche of the loan that has been made available is calculated using a fixed rate binding until 15 December 2017. On this date, new financing conditions will be determined with respect to the amount of interest and/or change in the basis of its calculation.

The financing parameters for the remaining, unpaid tranches in the total amount of PLN 450,000 thousand, will be determined at the moment of submitting the request for the payment of funds and will reflect the current needs of TAURON Polska Energia S.A. and the current market conditions at that moment in time.

At the balance sheet date, the balance of liabilities under loans obtained from the European Investment Bank amounted to PLN 972,110 thousand, of which PLN 12,890 thousand represented accrued interest.

21. Business combinations

On 12 June 2012, the District Court Katowice-Wschód in Katowice, 8th Economic Department of the National Court Register entered the merger of TAURON Polska Energia S.A. and Górnośląski Zakład Elektroenergetyczny S.A. (GZE) in the Register of Entrepreneurs of the National Court Register. The merger was effected under Article 492 Clause 1 Item 1 of the Code of Commercial Companies, i.e. by way of a transfer of all of the assets of Górnośląski Zakład Elektroenergetyczny S.A. as the acquiree to TAURON Polska Energia S.A. as the acquirer. The purpose of the merger is to arrange 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 buy-out of the shares of Górnośląski Zakład Elektroenergetyczny S.A. conducted before the merger, since 16 April 2012 TAURON Polska Energia S.A. has been a holder of 100% of shares in the share capital of Górnośląski Zakład Elektroenergetyczny S.A.

The Company selected the pooling of interests method to account for the merger of the parent with its subsidiary, as discussed in detail in Note 3. The application of the pooling of interests method means that the financial statements of Górnośląski Zakład Elektroenergetyczny S.A. were aggregated with the financial statements of TAURON Polska Energia S.A. as of the date on which the Company acquired control over GZE, i.e. as of 13 December 2011.

Net assets of Górnośląski Zakład Elektroenergetyczny S.A. as at 13 December 2011 are presented in the table below.

	Net assets of GZE S.A. as at 13 December 2011
Assets	
Non-current assets	
Property, plant and equipment	20
Shares in unlisted and listed companies	3 782 924
Deferred tax asset	325
	3 783 269
Current assets	
Corporate income tax receivable	(532)
Trade and other receivables	450
Deposits	746 279
Other current non-financial assets	1 094
Other current financial assets	70 000
Cash and cash equivalents	196 264
Other balances arising from restatements (assets)	1 415
	1 014 970
TOTAL ASSETS	4 798 239
Current liabilities	
Trade and other payables	172 402
Other current non-financial liabilities	341
Accruals and government grants	121
Short-term provisions and employee benefits	3 553
TOTAL LIABILITIES	176 417
NET ASSETS	4 621 822

As a result of the Company's merger with its subsidiary, net assets of the acquired company with a total value of PLN 4,621,822 thousand were recognized as at the date of acquisition of control i.e.

13 December 2011. In accordance with the adopted accounting policy, the Company accounts for the merger using the consolidated financial statements as a source of the value of assets and liabilities in the acquired subsidiary, and the value of the acquiree's shares in subsidiaries is determined based on the value of net assets of these entities in the consolidated financial statements and the value of goodwill relating to the given subsidiary. Consequently, the total value of shares of Górnośląski Zakład Elektroenergetyczny S.A. in subsidiaries that has been recognized in the Company's financial statements is PLN 3,782,924 thousand. At the same time, the previous investment in Górnośląski Zakład Elektroenergetyczny S.A. with a value of PLN 4,631,455 thousand as at 13 December 2011 was derecognized.

The difference between the book value of net assets recognized as a result of the merger and the value of the investment in GZE that had been previously recognized in the accounting records of TAURON Polska Energia S.A., amounting to PLN 9,633 thousand, was posted to retained earnings, causing a reduction of the retained earnings. As at 31 December 2011, movement in retained earnings resulting from merger with GZE, after taking into account GZE's profit for the period from the date of acquisition of control to 31 December 2011 of PLN 2,192 thousand, amounted to PLN 7,441 thousand, as presented in Note 3.

22. Financial instruments

22.1. 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 30 September 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 30 September 2012 and 31 December 2011 are presented in the tables below.

TAURON Polska Energia S.A.
Interim condensed financial statements for the 9-month period ended 30 September 2012
(in PLN thousand)

Categories and classes of financial assets	Carrying amount	
	As at 30 September 2012 <i>(unaudited)</i>	As at 31 December 2011 <i>(adjusted figures)</i>
1 Assets at fair value through profit or loss	4 172	-
Derivatives	4 172	-
2 Financial assets available for sale	5 057	12 869
Shares in unlisted and listed companies (non-current)	5 057	12 869
3 Financial assets held to maturity	-	-
4 Loans and receivables	4 090 677	2 212 481
Trade receivables	993 796	743 191
Bonds, T-bills and other debt securities	2 923 675	1 150 043
Loans granted (Cash pool)	41 029	55 656
Other loans granted	63 275	250 438
Other	68 902	13 153
5 Financial assets excluded from the scope of IAS 39	20 174 788	20 166 676
Shares in subsidiaries	20 174 788	20 166 676
6 Cash and cash equivalents	1 055 880	281 852
Total financial assets, including in the statement of financial position:	25 330 574	22 673 878
Non-current assets	23 104 785	21 316 585
Shares in unlisted and listed companies	20 179 845	20 179 545
Bonds, T-bills and other debt securities	2 862 940	1 137 040
Other long-term receivables	62 000	-
Current assets	2 225 789	1 357 293
Trade and other receivables	1 105 002	1 062 438
Bonds, T-bills and other debt securities	60 735	13 003
Cash and cash equivalents	1 055 880	281 852
Other financial assets	4 172	-

Categories and classes of financial liabilities	Carrying amount	
	As at 30 September 2012 <i>(unaudited)</i>	As at 31 December 2011 <i>(adjusted figures)</i>
1 Financial liabilities at fair value through profit or loss	637	80
Derivatives	637	80
2 Financial liabilities measured at amortized cost	7 027 673	5 181 618
Arm's length loans:	2 041 103	708 318
Cash pool liabilities	1 068 993	452 632
Loan received from the European Investment Bank	972 110	-
Liabilities arising from acquisition of long-term investments	-	255 686
Issued debentures	4 363 069	4 147 174
Trade payables	582 653	312 062
Other financial liabilities	34 612	6 237
Commitments resulting from purchases of fixed and intangible assets	3 903	5 594
Salaries and wages	2 333	2 233
3 Liabilities under guarantees, factoring and excluded from the scope of IAS 39	1 114	1 617
Obligations under finance leases and hire purchase contracts	1 114	1 617
4 Hedging instruments (relating to liabilities)	86 718	-
Total financial liabilities, including in the statement of financial position:	7 116 142	5 183 315
Long-term liabilities	5 196 572	4 137 102
Interest-bearing loans and borrowings	5 195 963	4 136 112
Finance lease and hire purchase commitments	609	990
Short-term liabilities	1 919 570	1 046 213
Trade and other payables	710 856	326 206
Current portion of interest-bearing loans and borrowings	1 208 209	719 380
Current portion of finance lease and hire purchase commitments	505	627

22.2. 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 2,923,675 thousand, include debentures issued by subsidiaries that were purchased by the Company.

The change of the balance in the 9-month period ended 30 September 2012 in relation to the comparative period is due to the Company's acquisition of debentures issued by the subsidiaries for a total amount of PLN 2,385,000 thousand, redemption of debentures for a total amount of PLN 649,100 thousand as well as the increase of accrued interest by a total amount of PLN 37,732 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 20.2.

Other loans granted

Under loans granted, the Company presented a long-term loan granted to Elektrociepłownia Stalowa Wola S.A. in the amount of PLN 62,000 thousand together with accrued interest in the amount of PLN 1,275 thousand, as discussed in detail in Note 17.

Trade and other receivables

Trade and other receivables have been discussed in detail in Note 16.

Financial assets excluded from the scope of IAS 39

Financial assets excluded from the scope of IAS 39, amounting to PLN 20,174,788 thousand, include shares held by the Company in subsidiaries, as discussed in detail in Note 14.

Financial assets available for sale

Financial assets available for sale, amounting to PLN 5,057 thousand, mainly include shares in TAURON Wytwarzanie GZE Sp. z o.o. amounting to PLN 4,934 thousand, which were acquired as a result of the Company's merger with Górnośląski Zakład Elektroenergetyczny S.A. in June 2012.

In April 2012, Energetyka Ciepła w Kamiennej Górze Sp. z o.o. was acquired by TAURON Ciepło S.A. by way of merger, as a result of which the previous value of the investment in Energetyka Ciepła w Kamiennej Górze Sp. z o.o. of PLN 6,959 thousand increased the value of the investment in the shares of the subsidiary TAURON Ciepło S.A., as discussed in detail in Note 14.

In April 2012, TAURON Polska Energia S.A. made a contribution in kind to the subsidiary TAURON Ekoenergia Sp. z o.o. in the form of shares in ZEW Rożnów Sp. z o.o. (now: TAURON Ekoserwis Sp. z o.o.) with a value of PLN 931 thousand, as a result of which the value of the investment in the shares of this company increased the value of the investment in TAURON Ekoenergia Sp. z o.o., as discussed in detail in Note 14.

Loans from the European Investment Bank

The loans received from the European Investment Bank, amounting to PLN 972,110 thousand, have been described in detail in Note 20.3.

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 20.1.

Other financial liabilities

Other financial liabilities mainly consist of the liability to the subsidiaries making up the Tax Capital Group, arising from an income tax overpayment to the Company as the Company Representing the Tax Capital Group and amounting to PLN 30,804 thousand, as discussed in detail in Note 10.3.

Hedging derivative instruments (relating to liabilities)

Hedging derivative instruments amounting to PLN 86,718 thousand include valuation of derivative instruments entered into in order to hedge the interest rate risk arising from issued debentures, as discussed in detail in Note 23.1.

23. Capital management and financial risk management

23.1. 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 24 of the Additional Explanatory Notes to the Interim Condensed Consolidated Financial Statements for the 9-month period ended 30 September 2012.

Hedge accounting

As at 30 September 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. At the balance sheet date, as a result of valuation of hedging instruments (IRS) the Company recognized a liability of PLN 86,718 thousand, which was posted to the revaluation reserve. In the 9-month period ended 30 September 2012, the Company earned revenue from IRS transactions of PLN 4,596 thousand, of which PLN 1,951 thousand is the amount received from realization of the hedge and relates to interest payments realized by the Company, while the amount of PLN 2,645 thousand is the portion of valuation relating to accrued interest on debentures as at the balance sheet date that has been transferred from the revaluation reserve. In the statement of comprehensive income, the above-mentioned revenue from IRS transactions reduced finance costs arising from interest on issued debentures. In the statement of cash flows, the amount received by the Company from realization of the hedge reduced the expenditure related to interest paid on debentures, which has been presented under cash flows from financing activities.

23.2. Capital management

Capital management takes place at the level of the TAURON Polska Energia S.A. Capital Group and has been described in Note 25 of the Additional Explanatory Notes to the Interim Condensed Consolidated Financial Statements for the 9-month period ended 30 September 2012.

24. Contingent liabilities

Contingent liabilities of the Company arise from collaterals and guarantees granted to subsidiaries. As at 30 September 2012, the Company's contingent liabilities were as follows:

Type of contingent liability	Currency	As at 30 September 2012 (unaudited)		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.	Voivodship Fund for Environmental Protection and Water Management in Katowice
blank promissory note	PLN		30 000	TAURON Ciepło S.A.	Voivodship Fund for Environmental Protection and Water Management in Katowice
declaration to provide financial support	PLN		200 000	TAURON Wytwarzanie S.A.	TAURON Wytwarzanie S.A.
guarantee	EUR	500	2 057	TAURON Czech Energy s.r.o.	CEZ a.s.
collateral for bank guarantee	PLN		202	TAURON Serwis GZE Sp. z o.o.	Nordea Bank Polska S.A.
collateral for bank guarantee	PLN		1 480	TAURON Sprzedaż GZE Sp. z o.o.	Powszechna Kasa Oszczędności Bank Polski S.A.
collateral for bank guarantee	PLN		1 000	Polska Energia Pierwsza Kompania Handlowa Sp. z o.o.	Powszechna Kasa Oszczędności Bank Polski S.A.
collateral for bank guarantee	EUR	500	2 057	Polska Energia Pierwsza Kompania Handlowa Sp. z o.o.	Powszechna Kasa Oszczędności Bank Polski S.A.

The following changes took place in the 9-month period ended 30 September 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 the subsidiary 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.
- The guarantee granted in favor of TAURON Czech Energy s.r.o. for an amount of CZK 20,000 thousand, for the benefit of UniCredit Bank Czech Republik a.s., expired in June 2012;
- As part of the framework agreement for bank guarantees with PKO Bank Polski S.A., at the request of the Company, the bank issued bank guarantees for the subsidiaries: TAURON Sprzedaż GZE Sp. z o.o. (PLN 1,480 thousand) and Polska Energia Pierwsza Kompania Handlowa Sp. z o.o. (PLN 3,057 thousand).

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 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 on 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 Regional Court set a hearing for 27 November 2012. The case will again be heard before the court of first instance.

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

25. 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 6,900,000 thousand – valid until 31 December 2018 (as at 31 December 2011, up to PLN 3,600,000 thousand – the increase of this amount by PLN 3,300,000 thousand is due to the signing of another agreement under which the value of the program of issue of TAURON Polska Energia S.A.'s debentures was increased by PLN 2,750,000 thousand, up to the total amount of PLN 7,050,000 thousand, as discussed in detail in Note 20.1).

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. An additional collateral for this agreement is authorization to the bank account held with PKO Bank Polski S.A. As at 30 September 2012, 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 in order to secure the liabilities of the subsidiaries of TAURON Polska Energia S.A. (Note 24) and to secure the Company's transactions:

- up to PLN 30,000 thousand – guarantee for Izba Rozliczeniowa Giełd Towarowych S.A. As of 1 October 2012, this guarantee was increased up to PLN 80,000 thousand and extended until 31 December 2012;

- up to EUR 800 thousand (PLN 3,291 thousand) – guarantee for CAO Central Allocation Office GmbH valid until 31 December 2012. Currently steps are being taken to extend the term of this guarantee until 31 December 2013.

The bank guarantee agreement with PKO Bank Polski S.A., for which the Company provided a declaration of submission to enforcement under Article 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.

In order to hedge transactions using futures for emission allowances and for energy made on the ICE Futures Europe Exchange and on the European Energy Exchange, the Company transfers initial deposits for such transactions into separate bank accounts – the total amount of such deposits as at 30 September 2012 was PLN 6,387 thousand.

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 1,258 thousand as at 30 September 2012 and PLN 2,039 thousand as at 31 December 2011.

26. Capital commitments

The Company's capital commitments as at 30 September 2012 amounted to PLN 1,709 thousand, of which the amount of PLN 1,475 thousand is related to adaptation works at the Company's head office building and the amount of PLN 234 thousand results from the agreement for the implementation of the electronic WorkFlow system relating to purchase invoices and development of the functionalities of the Company's ERP system.

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

27. Related party disclosures

27.1. Transactions with related companies and State Treasury companies

The Company enters into transactions with related companies as presented in Note 6 to these 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

	9-month period ended 30 September 2012 <i>(unaudited)</i>	9-month period ended 30 September 2011 <i>(unaudited)</i>
Revenue from related companies, of which:	7 961 135	6 069 097
Revenue from operating activities	6 290 421	5 015 529
Dividends	1 550 613	1 008 705
Finance income	120 101	44 863
Revenue from State Treasury companies	822 132	729 215
Costs from related companies, of which:	(793 588)	(486 136)
Costs of operating activities	(770 328)	(457 079)
Finance costs	(23 260)	(29 057)
Costs from State Treasury companies	(803 098)	(145 628)

Receivables and payables

	As at 30 September 2012 <i>(unaudited)</i>	As at 31 December 2011 <i>(adjusted figures)</i>
Loans granted to related companies and receivables from related companies, of which:	3 796 066	1 999 896
Trade receivables	748 084	543 759
Debentures	2 923 675	1 150 043
Loans granted under cash pool agreement	41 029	55 656
Other loans	63 275	250 438
Income tax underpayment receivable	20 003	-
Receivables from State Treasury companies	128 704	141 658
Payables to related companies, of which:	1 239 088	845 087
Trade payables	139 291	136 769
Loans received under cash pool agreement	1 068 993	452 632
Liability arising from overpayment of income tax	30 804	-
Liabilities arising from acquisition of long-term investments	-	255 686
Payables to State Treasury companies	195 976	10 867

Among the State Treasury companies, the largest contractors of TAURON Polska Energia S.A. in the 9-month period ended 30 September 2012 as regards sales revenue included KGHM Polska Miedź S.A., PKP Energetyka S.A. and Kompania Węglowa 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 Kompania Węglowa S.A., PGE Polska Grupa Energetyczna S.A. and Zespół Elektrowni Pątnów Adamów Konin S.A, which accounted for 73% 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.

27.2. 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 9-month period ended 30 September 2012 is presented in the table below.

	9-month period ended 30 September 2012 <i>(unaudited)</i>	9-month period ended 30 September 2011 <i>(unaudited)</i>
Board of Directors	6 687	7 519
Short-term employee benefits (salaries and surcharges)	5 996	6 780
Other	691	739
Supervisory Board	702	578
Short-term employee benefits (salaries and surcharges)	702	578
Total	7 389	8 097
Other members of key management personnel	7 345	4 713
Short-term employee benefits (salaries and surcharges)	6 575	4 023
Post-employment benefits	126	-
Other	644	690

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.

28. Details of other significant changes in the reporting period

Finance costs

The PLN 173,508 thousand increase in finance costs in the 9-month period ended 30 September 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 20.1. Interest expense on the debentures issued in the 9-month period ended 30 September 2012 amounted to PLN 186,332 thousand, and for the 9-month period ended 30 September 2011 PLN 33,335 thousand.

29. Events after the balance sheet date

There were no significant events after the balance sheet date.

These interim condensed financial statements of TAURON Polska Energia S.A. prepared for the 9-month period ended 30 September 2012 in accordance with International Accounting Standard 34 consist of 48 consecutive pages.

Katowice, 6 November 2012

Dariusz Lubera - President

Krzysztof Zawadzki - Vice President