



***Additional information to the consolidated
report of the TAURON Group
for the 3rd quarter of 2010***

November 2010

Contents

1. The organization of the TAURON Group	3
1.1 Basic information on the Group	3
1.2 Entities subject to consolidation.....	3
1.3 The Group structure	3
2. The effects of the changes in the entity business structure	5
3. The operations of the TAURON Capital Group	6
4. Significant achievements and failures of the TAURON Capital Group in the reported period	9
4.1 Factors and occurrences, particularly of an untypical nature, significantly affecting financial results achieved.....	9
4.2 The supplies structure according to operation segments.....	9
4.3 The financial situation of the Group after the three quarters of 2010.....	10
4.4 Other significant information and occurrences.....	17
5. Factors, which in the opinion of the Issuer shall have an impact on its financial results in the prospect of at least another quarter.....	18
6. The stand of the Management Board regarding the possibility of meeting the previously published forecasts for the given year	18
7. Shareholder holding directly or indirectly, via subsidiaries, at least 5% of the general number of votes at the Issuer's General Meeting and the indication of changes in the shareholding of considerable blocks in the period following the delivery of the previous interim report.....	19
8. The list of shareholding status of the Issuer's shares or entitlement to these shares held by the Issuer's executives and supervision persons together with the indication of the changes in the shareholding status in the period following the delivery of the previous interim report, separately for each of the persons	19
9. Proceedings pending before a court, an authority appropriate for an arbitrate proceeding or a public administration authority.....	21
10. Information on the Issuer or its subsidy entering into significant transactions with affiliated entities (concluded on terms and conditions other than the market ones)	21
11. Information on granted warranties, loan or borrowing collaterals	21
12. Other information, which - in the opinion of the Issuer – is significant to judge the personnel, property, financial situation, the financial results and their changes and information which is significant to assess the possibility of the Issuer's Capital Group to fulfill its liabilities.....	21

1. The organization of the TAURON Group

1.1 Basic information on the Group

As at 30th September 2010 the TAURON Polska Energia S.A. Capital Group (the TAURON Group) consisted of the parent entity of TAURON Polska Energia S.A. (the Company), 39 subsidiaries, 17 affiliated companies and 39 other companies.

The main companies subject to consolidation included: Południowy Koncern Węglowy S.A. dealing with hard coal mining, Południowy Koncern Energetyczny S.A. and Elektrownia Stalowa Wola S.A. dealing with the generation of power from conventional sources and using a joint combustion of biomass, TAURON EKOENERGIA Sp. z o.o. dealing with the generation of power from renewable resources, ENION S.A. and EnergiaPro S.A. dealing with rendering the services of electricity distribution, Enion Energia Sp. z o.o. and EnergiaPro Gigawat Sp. z o.o. dealing with supplies of electricity to individual clients.

Moreover, the TAURON Group encompassed 7 other subsidiaries subject to consolidation, dealing with generation of electricity and heat, trade in electricity and heat, distribution of heat, quarrying and grinding limestone and quarrying stone for the construction industry, as well as operations of financial holdings.

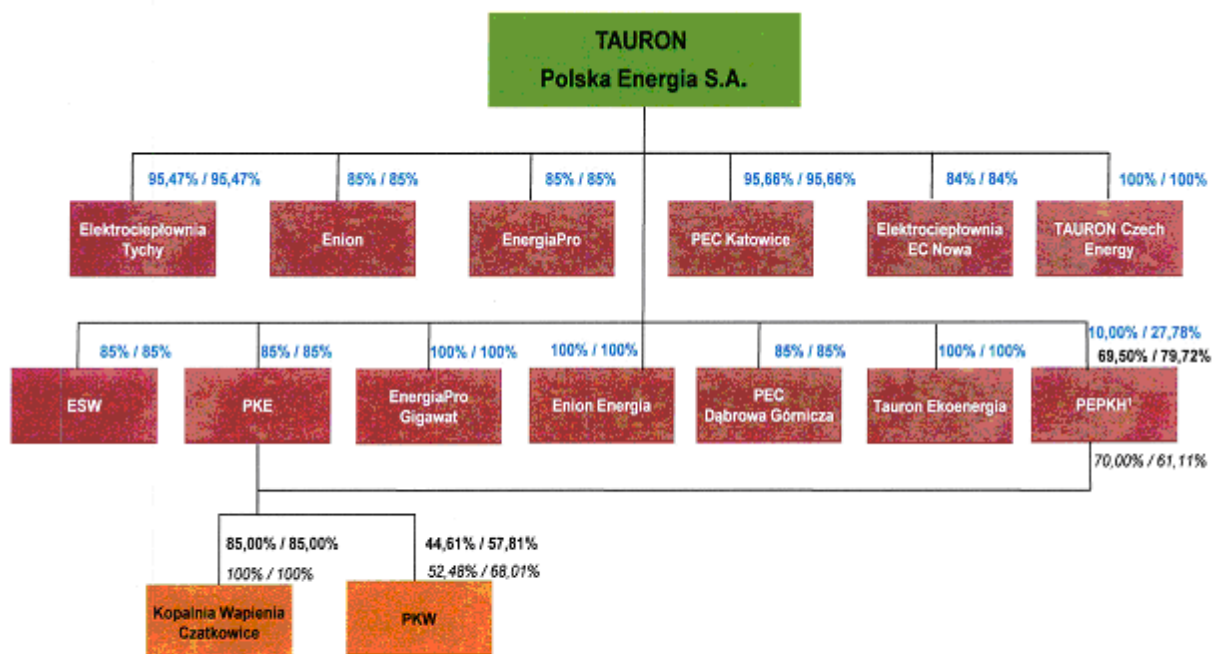
1.2 Entities subject to consolidation

The TAURON Group encompasses the Company and fifteen subsidiaries the financial statement of which, as at 30th September 2010, were subject to consolidation with the financial statement of the Company by applying full consolidations methods, including:

- 1) Południowy Koncern Energetyczny S.A. with a seat in Katowice (hereinafter referred to as: PKE),
- 2) Elektrownia Stalowa Wola S.A. with a seat in Stalowa Wola (hereinafter referred to as: ESW),
- 3) Południowy Koncern Węglowy S.A. with a seat in Jaworzno (hereinafter referred to as: PKW),
- 4) ENION S.A. with a seat in Kraków (hereinafter referred to as: Enion),
- 5) EnergiaPro S.A. with a seat in Wrocław (hereinafter referred to as: EnergiaPro),
- 6) Enion Energia Sp. z o.o. with a seat in Kraków (hereinafter referred to as: Enion Energia),
- 7) EnergiaPro Gigawat Sp. z o.o. with a seat in Wrocław (hereinafter referred to as: EnergiaPro Gigawat),
- 8) TAURON EKOENERGIA Sp. z o.o. with a seat in Jelenia Góra (hereinafter referred to as: Tauron Ekoenergia),
- 9) Polska Energia – Polska Kompania Handlowa Sp. z o.o. with a seat in Katowice (hereinafter referred to as: PEPKH),
- 10) Elektrociepłownia Tychy S.A. with a seat in Tychy (hereinafter referred to as: Elektrociepłownia Tychy),
- 11) Kopalnia Wapienia Czatkowice Sp. z o.o. with a seat in Krzeszowice (hereinafter referred to as: Kopalnia Wapienia Czatkowice),
- 12) Przedsiębiorstwo Energetyki Ciepłej Katowice S.A. with a seat in Katowice (hereinafter referred to as: PEC Katowice),
- 13) Elektrociepłownia EC Nowa Sp. z o.o. with a seat in Dąbrowa Górnicza (hereinafter referred to as: Elektrociepłownia EC Nowa),
- 14) Przedsiębiorstwo Energetyki Ciepłej w Dąbrowie Górniczej S.A. with a seat in Dąbrowa Górnicza (hereinafter referred to as: PEC Dąbrowa Górnicza),
- 15) TAURON Czech Energy s.r.o. (hereinafter referred to as: TAURON Czech Energy).

1.3 The Group structure

The following scheme presents the corporate structure of the TAURON Group as at 30th September 2010 and encompasses the Company and the subsidiaries subject to consolidation.



Notes:

% share in the capital / % share in the governing body

The blue figures mean the direct share of the Company

The bolded figures mean a direct and indirect share of the Company

The italicised figures mean the direct share of PKE S.A.

¹ The company holds a 10% direct share in the PEPKH capital and a 27.78% direct share in the governing body, PKE holds a 70% share in the PEPKH capital and a 61.11% share in the governing body

In the period covered by the present interim report a transfer of the ownership of shares held by the State Treasury in four subsidiaries of TAURON Polska Energia S.A. took place. Under the concluded agreements the State Treasury transferred to the Company the ownership of:

- a) 22,528,790 shares held by the State Treasury in Południowy Koncern Energetyczny S.A., with the Seat in Katowice, of the nominal value of PLN 10.00 each;
- b) 3,387,636 shares held by the State Treasury in Elektrownia Stalowa Wola S.A., with the seat in Stalowa Wola, of the nominal value of PLN 10.00 each;
- c) 3,706,725,306 shares held by the State Treasury in Enion S.A., with the seat in Kraków, of the nominal value of PLN 0.01 each;
- d) 1,131,797,798 shares held by the State Treasury in EnergiaPro S.A., with the seat in Wrocław, of the nominal value of PLN 0.01 each;

As a result of the above transaction, described in the current report no. 47/2010 dated 26th October 2010, the shareholding structure of the above mentioned subsidiaries has changed, resulting in the TAURON Polska Energia S.A. holds as at the day of lodging the shares:

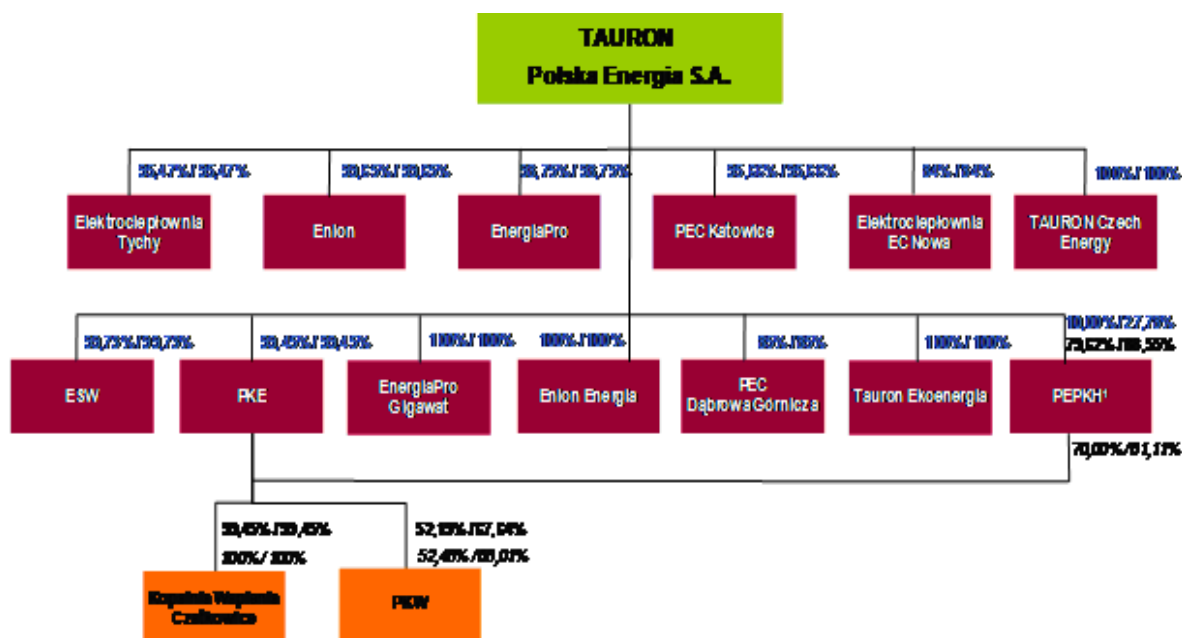
- a) in PKE S.A. – 155,063,498 shares of the nominal value of PLN 10.00 each, which forms 99.45% of the share capital and 99.45% of shares in the governing body;
- b) in Elektrownia Stalowa Wola S.A. – 22,937,636 shares of the nominal value of PLN 10.00 each, which forms 99.73% of the share capital and 99.73% of shares in the governing body;

- c) In ENION S.A. – 25,215,832,578 shares of the nominal value of PLN 0.01 each, 1 which forms 99.65% of the share capital and 99,65% of shares in the governing body;
- d) In EnergiaPro S.A. – 8,125,794,602 shares of the nominal value of PLN 0.01 each, which forms 98.75% of the share capital and 98.75% of shares in the governing body.

In return for making a contribution of the shares of the above mentioned subsidiaries, the State Treasury took up 163,110,631 Company's class BB shares of the nominal value of PLN 9,00 each. The issue price of BB class shares amounted to PLN 10.44 per share.

The aforesaid transaction was one of the elements of rearranging the TAURON Group structure, as a result of which TAURON Polska Energia S.A. has increased its share in the share capital of the four subsidiaries (PKE, ESW, ENION, EnergiaPro). The process was completed the moment the increase of the TAURON Polska Energia S.A. share capital was registered, which occurred on 2nd November 2010 (the current report no. 50 dated 2nd November 2010).

The following scheme presents the corporate structure of the TAURON Group as at the day of delivering the present report taking the above described changes into consideration.



Notes:

% share in the capital / % share in the governing body

The blue figures mean the direct share of the Company

The bolded figures mean a direct and indirect share of the Company

The italicised figures mean the direct share of PKE S.A.

¹ The company holds a 10% direct share in the PEPKH capital and a 27.78% direct share in the governing body, PKE holds a 70% share in the PEPKH capital and a 61.11% share in the governing body

2. The effects of the changes in the entity business structure

No changes in the Capital Group Structure took place in the third quarter of 2010.

In the first quarter of 2010 restructuring changes occurred in the TAURON Group. On 10th June 2010 the merger between the TAURON Polska Energia S.A. parent company and its subsidiaries: ENION Zarządzanie Aktywami Sp. z o.o. and Energomix Servis Sp. z o.o. took place. As a result of the merger, the share capital of TAURON Polska Energia S.A. was increased by PLN 318,665,300, while the aforesaid subsidiaries were removed from the entrepreneurs register. The shares

of the new issue have been taken up by the shareholders of the acquirees which were obliged to make an additional cash payment at the total amount of PLN 547.1 thousand.

The main assets acquired by TAURON Polska Energia S.A. were the shares of the companies previously held by Energomix Servis Sp. z o.o. and ENION Zarządzanie Aktywami Sp. z o.o.

As a result of the merger, TAURON Polska Energia has taken up the shares in the following companies:

- Tauron Ekenergia, at the amount of PLN 419,315 thousand,
- EnergiaPro Gigawat, at the amount of PLN 345,015 thousand,
- ENION Energia, at the amount of PLN 692,550 thousand,
- PEPKH, at the amount of PLN 6,886 thousand,
- Elektrociepłownia EC Nowa, at the amount of PLN 92,087 thousand,
- Zespół Elektrowni Wodnych Rożnów Sp. z o.o., at the amount of PLN 931 thousand,
- Energetyka Ciepła w Kamiennej Górze Sp. z o.o., at the amount of PLN 6,959 thousand.

The share of TAURON Polska Energia S.A. in the capital of the acquired subsidiaries and their governing bodies prior to the merger and as at 30th September 2010 is presented in the following table:

No	Company name	The share of TAURON in the company capital prior to the merger with ENION Zarządzanie Aktywami Sp. z o.o. and Energomix Servis Sp. z o.o.	The share of TAURON in the governing body of the company capital prior to the merger with ENION Zarządzanie Aktywami Sp. z o.o. and Energomix Servis Sp. z o.o.	The share of TAURON in the company capital as at 30 th September 2010	The share of TAURON in the company governing body as at 30 th September 2010
1	ENION Energia Sp. z o.o.	85.00%	85.00%	100.00%	100.00%
2	EnergiaPro Gigawat Sp. z o.o.	85.00%	85.00%	100.00%	100.00%
3	TAURON Ekoenergia Sp. z o.o.	85.00%	85.00%	100.00%	100.00%
4	Polska Energia Pierwsza Kompania Handlowa Sp. z o.o.	68.00%	75.55%	69.50%	79.72%
5	Elektrociepłownia EC Nowa Sp. z o.o.	77.72%	77.72%	84.00%	84.00%

In the interim condensed financial statements the merger represents the acquisition of non-controlling shares the results of which, under IAS 27, have been recognized in the equity.

3. The operations of the TAURON Capital Group

Basic operation fields

The TAURON Group is a vertically integrated power enterprise which holds a leading position in the field of generating, distributing and supplies of electricity in Poland. It belongs to the biggest electricity distributors and suppliers both in Poland, and in Central and Eastern Europe. The TAURON Group is the second largest energy enterprise in Poland in terms of the installed generation powers and the net energy production volume.

The TAURON Group operates in the following fields (segments).

- the Mining Segment, mostly including the mining, dressing and sales of hard coal in Poland, the activities which are conducted by PKW.

- the Generation Segment, which includes generating electricity and heat using conventional sources, as well as generating electricity and heat using joint combustion of biomass, the activities which are conducted by PKE, Elektrociepłownia Tychy, ESW and Elektrociepłownia EC Nowa.
- the Renewable Sources of Energy Segment, which includes generating electricity using renewable sources (excluding generation of electricity using joint combustion of biomass, which, has been included in the Generation Segment) , the activities which are conducted by TAURON Ekoenergia Sp. z o.o. and ENION Energia Sp. z o.o.
- the Distribution Segment, which includes the distribution of energy with the use of distribution networks situated in southern Poland, the activities which are conducted by EnergiaPro and Enion.
- the Supply Segment, which includes supplies of electricity to end-users and wholesale trading of electricity; as well as trading and management of carbon emission allowances and rights arising from energy certificates, the activities which are conducted by the Enion Energia and EnergiaPro Gigawat, PEPKH and TAURON Polska Energia S.A. companies.
- the Other Segment, which includes distribution and supplies of heat, as well as other fields of operations, the activities which are conducted by the following companies: PEC Katowice, PEC in Dąbrowa Górnicza and Kopalnia Wapienia Czatkowice.

The TAURON Group conducts its operations and generates income mostly from the sales of hard coal and generating, distributing and supplies of electricity and heat.

The Mining Segment

The basic operations conducted by the TAURON Group within the Mining Segment are mining, dressing and sale of hard coal in Poland. The TAURON Group, through PKW, holds and runs Zakład Górniczy Sobieski and Zakład Górniczy Janina. According to the Polish Deposits Classification the plants had, as at 31st December 2009, 2,480 million balance tons of hard coal resources, which was approximately 20% of the national balance hard coal resources.

In the period between January and September 2010 PKW produced in total 3.4 million tons of trade coal, i.e. ca. 3.8% less vs. the analogical period in 2009 when the trade coal output amounted to 3.5 million tons.

The Generation Segment

The basic operations conducted by the TAURON Group within the Generation Segment include generating electricity and heat in 11 power stations and combined power and heat stations (installations generating simultaneously electricity and heat) fuelled with hard coal and by means of joint combustion of biomass. The total reachable power of generating entities of the Generation Segment amounted, at the end of September 2010, to 5,448 MW of electricity (i.e. has remained at the unchanged level vs. 2009 and accounted for 15.3% of the domestic generating potential) and 3,200MW of heat.

In the period between January and September 2010, the companies of the Generation Segment generated, in total, approx. 15.2 TWh of electricity net, i.e. approx. 16.3% more vs. the analogical period in 2009. The heat output in the period between January and September 2010 amounted to 11.8 PJ and was 11.2% bigger than the output in the same period of 2009, when it amounted to 10.6 PJ.

The Renewable Sources of Energy Segment

The basic operations conducted by the TAURON Group within the Renewable Sources of Energy Segment is generating electricity from renewable sources of energy in water power stations, as well as managing projects of the TAURON Group in terms of generating energy from other renewable resources. 35 water power stations operate within the Renewable Sources of Energy, with

the reachable power of 131.2 MW, which accounts for 2.4% of the total reachable power of the TAURON Group.

In the period between January and September 2010, the Renewable Sources of Energy Segment generated 0.38 TWh vs. 0.33 TWh in the analogical period of the previous year, which means an increase in output by approx. 13.6% vs. the level reached between January and September 2009.

The Distribution Segment

The TAURON Group belongs to the group of the largest electricity distributors in Poland, both in terms of the supplied electricity volume as well as the income from the distribution operations. The Distribution Segment makes use of distribution networks of a considerable range, situated in the southern part of Poland.

The activities within the Distribution Segment of the TAURON Group are conducted by two companies: ENION and EnergiaPro. Both ENION, as well as EnergiaPro conduct their operations based on five branches, with ENION conducting its operations through the branches in Bielsko-Biała, Będzin, Częstochowa, Kraków and Tarnów, and with EnergiaPro conducting its operations through the branches in Jelenia Góra, Wrocław, Legnica, Opole and Wałbrzych. On 31st December, the President of the Energy Regulatory Office appointed ENION and EnergiaPro distribution system operators within the scope of the concession granted to these entities for the period up to 31st December 2025.

In the period between January and September 2010, the Distribution Segment of the TAURON Group supplied 27.9 TWh of electricity in total, with 24.4 TWh to end-users, of which 13.5 was supplied by ENION and 10.9 TWh by EnergiaPro. During the period, the Distribution Segment rendered distribution services to 4.1m recipients. In the analogical period of the previous year, the Distribution Segment supplied 26.8 TWh of electricity in total to approx. 4m recipients, with 22.8 TWh to end-users, of which 12.6 TWh was supplied by ENION, and 10.2 TWh by EnergiaPro.

The Supply Segment

The Supply segment includes operations within supplies and within wholesale trading. The Supplies operations include supplying end-users, including key clients, with electricity. Operations within wholesale trading include wholesale electricity trading and trading and management of carbon emissions allowances and rights arising from electricity certificates.

In the period between January and September 2010, the companies of the Supply Segment supplied 25.4 TWh of electricity to approx. 4.1m end-users, both households and enterprises, which vs. the analogical period of 2009, with the supplies at 22.2 TWh, means an increase by 14.2%.

The Other Segment

The Other Segment includes mostly operations consisting in the distribution and supply of heat, as well as other operations. The companies of the TAURON Group conducting operations within the distribution and supply of heat are mostly PEC Katowice and PEC in Dąbrowa Górnicza, which also deal with generating heat in their own heat stations. As at 30th September 2010, the total reachable power of generating assets PEC Katowice amounted to 21MWt while in the case of PEC Dąbrowa Górnicza it amounted to 174MWt and was approx. 5.7% of the reachable heat power of the TAURON Group.

In the period between January and September 2010, PEC Katowice and PEC w Dąbrowie Górniczej generated 0.11 PJ and 0.55 PJ respectively vs. 0,09 PJ and 0,48 PJ between January and September 2009.

4. Significant achievements and failures of the TAURON Capital Group in the reported period

4.1 Factors and occurrences, particularly of an untypical nature, significantly affecting financial results achieved

In the analysed period no factors and occurrences of an untypical nature occurred that significantly influenced financial results achieved

4.2 The supplies structure according to operation segments

The following table presents the volumes and structure of supplies of the TAURON Group divided into particular operation segments for the period between January and September 2010 and 2009 and for the third quarter 2010 in comparison to the third quarter 2009.

Details	[Measuring unit]	I-IX 2010	I-IX 2009	3 Q 2010	3 Q 2009
Coal mining (coal sales)	million Mg	3.4	3.5	1.2	1.0
Generating electricity and heat from conventional sources (electricity and heat supplies)	TWh	15.8	14.4	5.3	4.5
	PJ	11.1	10.0	1.2	0.9
Generating electricity from renewable sources (electricity supplies – RES Area)	TWh	0.38	0.33	0.14	0.09
Supplying energy and other energy market products (retail supplies)	TWh	25.4	22.2	8.5	6.8
Electricity distribution (supplying electricity distribution services)	TWh	27.9	26.8	9.2	8.8
Other (supplying heat from trading)	PJ	6.4	5.6	0.5	0.3

Coal mining

The sales volume of coal in the period between January and September 2010 amounted to 3.4 million tons, which means a decline by 3.8% versus the analogical period in 2009. The main reason for the decline in the sales are the reductions of the output connected with temporary difficulties on the underground works caused by mining and geological conditions, less favourable than expected. In the third quarter alone the volume of hard coal sale was 1.2 million tons as compared to 1 million tons in the third quarter 2009.

Generating electricity and heat from conventional sources

The volume of electricity supplied by the Generation Sector of the TAURON Group increased by 1.4TWh, i.e. by 9.3%, from 14.4 TWh in the period between January and September 2009 to 15.8 TWh in the period between January and September 2010, which was connected mostly with the increase in the electricity supplies contracted by the Supplies Sector.

Generating electricity from renewable sources

The volume of electricity generated and supplied by the companies of the Renewable Sources of Energy Sector of the TAURON Group in the period between January and September 2010 remained at the level similar to the level reached in the analogical period of 2009 (the increase in the output and supplies volume increased by 0.05 TWh).

Electricity distribution

The volume of electricity supplied to the recipients by the Distribution Segment of the TAURON Group increased by 1.1 TWh, i.e. by 4.3%, from 26.8 TWh in the period between January and September 2009 to 27.9 TWh in the period between January and September 2010, which was caused by the improvement in economic conditions, visible in 2010 versus the economic slump

occurring in 2009. The economic recovery was reflected in increased industry output in large plants and in the small and medium business sector, which in turn translated into increased demand for electricity supplies.

Supplying energy and other energy market products

The volume of electricity supplied to recipients by companies from the Supply Area of the TAURON Group increased by 3.2 TWh, i.e. by 14.2%, from 22.2 TWh in the period between January and September 2009 to 25.4 TWh in the period between January and September 2010. The reasons for the supplies increase are similar to those for the Electricity Distribution Sector and result from the economic recovery translating in increased demand for electricity. In the third quarter 2010 the supply increased by 1.7 MWh in comparison to the same period of last year.

Income from other operations

The volume of heat coming from trade, supplied by the TAURON Group increase by 0.8 PJ, i.e. by 14.3%, from 5.6 PJ in the period between January and September 2009 to 6.4 PJ in the period between January and September 2010. The supplies of heat coming from generation increased by 0.09 PJ, i.e. by 15.8%, from 0.57 PJ in the period between January and September 2009 to 0.66 PJ in the period between January and September 2010. The favourable dynamics is related to the favourable weather conditions which affected greater demand for heat in 2010 vs. the analogical period of 2009. Average temperatures were lower than in 2009 and they also remained longer, which caused a later end of the heating season, while the new season started earlier than in the previous year.

4.3 The financial situation of the Group after the three quarters of 2010

A. Consolidated statements on all income

The following table presents selected positions from the consolidated statements on all the income of the TAURON Group for the 9-month period ended on 30th September 2010 and comparative data for the 9-month period of 2009. These positions have been referred to according to *the Interim Consolidated Financial Statement under IAS for the 9-month period ended on 30th September 2010*, which includes a presentation of statements for the third quarter 2010 in comparison to the third quarter 2009.

Details	1st – 3rd quarter 2010		1st – 3rd quarter 2009	
	In PLN thousand	% of total supplies income	In PLN thousand	% of total supplies income
Continuing operations				
Sales of goods for resale, finished goods and materials without elimination of excise	7 864 450	71.8%	7 271 856	72.5%
Excise	313 477	2.9%	295 754	2.9%
Sales of goods for resale, finished goods and materials	7 550 973	69.0%	6 976 102	69.5%
Rendering services	3 379 668	30.9%	3 036 584	30.3%
Other	20 234	0.2%	18 363	0.2%
Sales revenue	10 950 875	100.0%	10 031 049	100.0%
Cost of sales	9 137 766	83.4%	8 381 959	83.6%
Gross profit (loss)	1 813 109	16.6%	1 649 090	16.4%
Other operating revenue	72 385	0.7%	88 232	0.9%
Cost of sales	165 523	1.5%	136 547	1.4%
Comprehensive management costs	490 283	4.5%	451 350	4.5%
Other operating costs	101 760	0.9%	82 846	0.8%
Operating profit (loss)	1 127 928	10.3%	1 066 579	10.6%
Finance revenue	65 133	0.6%	90 194	0.9%
Finance costs	147 481	1.3%	148 430	1.5%

Gross profit (loss)	1 045 580	9.5%	1 008 343	10.1%
Income tax	220 516	2.0%	230 940	2.3%
Net profit (loss) for the period	825 064	7.5%	777 403	7.7%

In the period between January and September 2010, the TAURON Group stated supplies revenue at the level of PLN 10,950.9 million vs. PLN 10,031.0 million in the period between January and September 2009, which means an increase by 9.2%. The supplies revenue comprise also revenue arising from compensation related to resolved PPA, which in the period between January and September 2010 amounted to PLN 349.4 million and were higher by PLN 10.2 million (3%) vs. the revenue gained in the analogical period of 2009.

The revenue increased most in the revenue related to the sales of goods and materials, which increase by PLN 574.9 million, i.e. by 8.2%, as well as the revenue related to rendering services which increased by PLN 343.1 million, i.e. by 11.3%. The main causes of the increase were:

- an increase in the volume of electricity supplies to end-users,
- an increase in the revenue related to electricity distribution,
- an increase in the revenue related to heat supplies.

The Group's own supplies cost amounted to PLN 9,137.8 million in the period between January and September 2010, which means an increase by 9.0% versus an analogical period of 2009. The increase in the Group's own supplies cost was caused by:

- employee benefits higher by PLN 158.3 million due to the increase in employee remuneration and benefits,
- costs of using materials and energy higher by PLN 111.9 million, and
- amortization higher by PLN 37.5 million.

The decrease in taxes and charges by PLN 9.2 million also affected the changes of the Group's own supplies cost.

The net supplies profit in the period between January and September 2010 amounted to PLN 1,813.1 million vs. PLN 1,649.1 million in the period between January and September 2009, which means an increase by approx. 9.9%.

In the period between January and September 2010, the total supplies costs of the TAURON Group amounted to PLN 165.5 million, which accounted for an increase by approx. 21.2% vs. the period between January and September 2009. The increase in supplies costs was mostly caused by the higher property rights liquidation costs incurred by the companies of the Supplies Segment.

In the period between January and September 2010, comprehensive management costs comprising (non-production) assets amortization costs, costs of using materials and energy, outsourced services costs, as well as the costs of employee remuneration and benefits, with regard to the scope win which they are used for executing management and administration functions amounted to PLN 490.3 million, which means an increase by approx. 8.6% vs. the period between January and September 2009.

Other operating revenue of the TAURON Group amounted, in the period between January and September 2010, to PLN 72.4 million, which means a decline by ca. 18.0% vs., the amount of PLN 88.2 million reached in the period between January and September 2009. The decrease of other operating revenue is related mostly to a lower level of dissolved balance provisions and updating write-downs.

The increase of other operating costs by PLN 18.9 million in the period between January and September 2010 vs. the period between January and September 2009 is related to the recognition of the removal of the damage caused unfavourable weather conditions (at the amount of PLN 33.5 million).

The result of the operating activities in the period between January and September 2010 amounted to PLN 1,127.9 million vs. the result at the amount of PLN 1,066.6 million In the period between January and September 2009, which translates into an increase by ca. 5.8%.

In the period between January and September 2010, finance revenue of the TAURON Group amounted to PLN 65.1 million, which means a decline by approx. 27.8% vs. the amount of PLN 90.2 million reached in the period between January and September 2009. The decline in the finance revenue is related mostly to the investment value update and a decrease in the profit level related to the disposal of investments. The decline was partly offset by reaching interest revenue higher by PLN 10.3 million.

The level of finance costs incurred in the period between January and September 2010 is slightly lower (by approx. 0.6%) vs. the period between January and September 2009, which results from lower costs related to debt servicing.

The gross profit of the TAURON Group in the period between January and September 2010 amounted to PLN 1,045.6 million vs. PLN 1,008.3 million in the period between January and September 2009, which means an increase by ca. 3.7%.

As a result of the factors described above the net profit in the period between January and September 2010 amounted to PLN 825.1 million vs. PLN 777.4 million in the period between January and September 2009, i.e., there was an increase by ca. 6.1%.

According to the presented consolidated financial statements on total revenue, the total comprehensive revenue of the TAURON Group, including a net profit increased or decreased by the change of value in the hedging instruments and other revenue having included the tax, amounted, in the period between January and September 2010, to PLN 815.0 million vs. PLN 793.5 million in the period between January and September 2009, which means an increase by PLN 21.5 million (2.7%).

Financial results according to operation segments

The following table presents the results of the TAURON Group divided into particular operation segments in the period between January and September 2010 and 2009.

The data for particular segments do not include consolidation exclusions.

Details (in PLN thousands)	1st – 3rd quarter 2010	1st – 3rd quarter 2009
Coal mining		
Supplies revenue	808 644	852 472
Operating profit	7 805	141 648
Amortization and non-finance asset write-downs	80 542	81 024
EBITDA	88 347	222 672
Generating electricity and heat from conventional sources		
Supplies revenue	4 074 097	3 819 657
Operating profit	526 900	501 979
Amortization and non-finance asset write-downs	409 882	367 944
EBITDA	936 782	869 923
Generating electricity from renewable sources		
Supplies revenue	120 464	95 290
Operating profit	65 566	45 783
Amortization and non-finance asset write-downs	17 302	15 537
EBITDA	82 868	61 320
Electricity distribution		
Supplies revenue	3 324 811	3 050 385
Operating profit	365 761	92 920
Amortization and non-finance asset write-downs	481 151	484 073

EBITDA	846 912	576 993
Energy and other energy market products supplies		
Supplies revenue	8 693 224	8 582 217
Operating profit	131 702	306 773
Amortization and non-finance asset write-downs	5 477	3 750
EBITDA	137 179	310 523
Other		
Supplies revenue	405 417	344 075
Operating profit	14 825	-7 300
Amortization and non-finance asset write-downs	37 210	41 023
EBITDA	52 035	33 723
Unmatched positions and exclusions		
Supplies revenue	- 6 475 782	-6 713 047
Operating profit	15 369	-15 224
Amortization and non-finance asset write-downs	0	0
EBITDA	15 369	-15 224
Total EBITDA	2 159 492	2 059 930

Coal mining

In the period between January and September 2010 total supplies revenue in the Mining Segment amounted to PLN 808.6 million, which means a decline by ca. 5.1% vs. the period between January and September 2009.

The EBIT of the Segment amounted, in the period between January and September 2010, to PLN 7.8 million, while the EBITDA amounted to PLN 88.3 million. In the analogical period of the previous year, the EBIT amounted to PLN 141.6 million, while the EBITDA – PLN 222.7 million. The decline in EBIT and EBITDA is the consequence of the failure to execute the coal mining plan due to the occurrence of temporarily favourable mining and geological conditions. The consequences of the failure to execute the mining plan are the lower coal output and supplies. In addition, the average price of the supplied coal decreased by 2.3%.

Generating electricity and heat from conventional sources

In the period between January and September 2010, the total supplies revenue in the Generation Segment amounted to PLN 4,074.1%, which means an increase by 6.7% vs. in the period between January and September 2009.

In the period between January and September 2010, the EBIT of the Segment amounted to PLN 526.9 million, while the EBITDA – PLN 936.8 million. In the analogical period of the previous year, the EBIT amounted to PLN 502.0 million, while the EBITDA – PLN 869.9 million. The higher results are a derivative of the increase in electricity, heat and furnace blast supplies.

Generating energy from renewable sources

In the period between January and September 2010, the total supplies revenue in the Renewable Energy Sources Segment amounted to PLN 120.5 million, which means an increase by ca. 26.4% vs. the period between January and September 2009.

The EBIT of the Segment in the period between January and September 2010 amounted to PLN 65.6 million, while the EBITDA – PLN 82.9 million. . In the analogical period of the previous year, the EBIT amounted to PLN 45.8 million, while the EBITDA – PLN 61.3 million. The increase in the EBIT and EBITDA in the Renewable Energy Sources Segment (by PLN 21 million, by 35%) is the consequence of the execution of higher electricity supplies and property rights sales (the higher output is a derivative of favourable weather conditions), as well as the supplies of the above products at an increase price.

Electricity distribution

In the period between January and September 2010, the supplies revenue in the Distribution Segment amounted to PLN 3,324.8 million, which means an increase by ca. 9.0% vs. the period between January and September 2009.

The EBIT of the Segment in the period between January and September 2010 amounted to PLN 365.8 million vs. PLN 92.9 million in the analogical period of the previous year. The EBITDA reached the level of PLN 846.0 million which is a value increased by approximately a half vs. the value reached in the period between January and September 2009. The favourable result was decisively and similarly affected by the changes in the distribution service supplies volume and the changes in the average distribution service supplies price. The economic recovery and an increased demand for electricity signalled by enterprises (energy recipients) due to their increase in output and sales, as well as gaining new recipients were responsible for the improvement in the supplies volume. Limiting output in the enterprise sector arising from the unfavourable economic climate in 2009 translated considerably into the OSD companies' supplies; the factor has lost its significance this year.

Energy and other energy market products supplies

In the period between January and September 2010, the total supplies revenue in the Trading (Supplies) Segment amounted to PLN 8,693.2 million, which means an increase by ca. 1.3% vs. the period between January and September 2009.

The EBIT of the Segment in the period between January and September 2010 amounted to PLN 131.7 million, while the EBITDA – PLN 137.2 million. In the analogical period of the previous year, the EBIT amounted to PLN 306.8 million, while the EBITDA – PLN 310.5 million. The decrease in EBIT by approx. 42.9% vs. the period between January and September 2009 was caused mostly by increased costs related to the property rights (electricity certificates) liquidation obligation with the decrease in the average end-user energy supplies prices (by approx. 6.7%). The decrease in EBITDA (by PLN 173.3 million, by 55.8%) is related to a significant decrease of the level of margin obtained from the electricity supplies, which results from increased market competition and lowering the margins as an element of the strategy executed with an aim to gain new clients. Moreover, the Group's own trading costs were higher (in 2009 customer trading service was gradually taken over from OSD, 2010 is the first year when total, appropriate costs of the taken over process are in force).

Other operations revenue

In the period between January and September 2010, the total supplies revenue in the Other Segment amounted to PLN 405.4 million, which means an increase by ca. 17.8 % vs. the analogical period of 2009.

The EBIT of the Segment amounted, in the period between January and September 2010, to PLN 14.8 million, while in the analogical period of the previous year, it amounted to PLN -7.3 million. The positive operating result in the current year means a significant improvement of the results of the companies comprising the Other Segment (mostly dealing with heat transmission and distribution). The EBITDA result for the thirteenth three quarters of 2010 amounted to PLN 52.0 million, which is a value increased by half vs. the value reached in the analogical period of 2009. The better results were affected most significantly by increases heat production, trading and transmission volumes caused by the longer heating season of 2009/2010 and the early commenced heating season of 2010/2011, i.e. a longer heat supply period and increased greater demand for heat vs. the analogical period of 2009. Within the basic operations of the companies comprising the Other Segment, the EBITDA is favourably affected by the results of the generation and transmission-related operations and it was them that mostly affected the improvement of the EBITDA in the current year vs. the same period of the previous year.

B. Asset status

Consolidated financial status statement

Consolidated financial status statement (in PLN thousands)	As at 30 th September 2010	As at 30 th September 2009
ASSETS		
Non-current assets		

TAURON Polska Energia S.A.
Additional information to the consolidated quarterly report for the 3rd quarter of 2010

Property, plant and equipment	17 113 632	17 260 573
Intangible assets	790 551	824 751
Other long-term financial assets	207 431	179 746
Other long-term non-financial assets	123 672	58 547
Deferred tax assets	147 199	152 221
Total non-current assets	18 382 485	18 475 838
Current assets		
Inventories	439 203	536 201
Corporate income tax receivable	48 665	52 926
Trade and other receivables	2 039 137	1 874 996
Other current financial assets	57 343	18 753
Other current non-financial assets	157 067	158 725
Cash and cash equivalents	1 387 071	1 032 103
Total current assets	4 128 486	3 673 704
Non-current assets classified as held for sale	4 205	5 951
TOTAL ASSETS	22 515 176	22 155 493
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Issued capital	14 304 949	13 986 284
Reserve capital	240 209	64 050
Revaluation reserve on valuation of hedging instruments	-9 153	-766
Foreign exchange differences from translation of foreign entities	-213	0
Retained earnings / Accumulated losses	-1 812 843	-2 191 002
Non-controlling interests	2 321 695	2 375 100
Total equity	15 044 644	14 233 666
Long-term liabilities		
Loans , borrowing and debt securities	917 202	1 179 406
Finance lease and hire purchase commitments	71 115	88 291
Long-term provisions and employee benefits	1 008 639	978 807
Long-term accruals and government grants	606 469	624 567
Trade payables and other financial long-term liabilities	10 689	5 683
Deferred tax liability	1 203 448	1 150 695
Total long-term liabilities	3 817 562	4 027 449
Short-term liabilities		
Trade and other payables	1 198 537	1 490 726
Current portion of interest-bearing loans and borrowings	502 486	596 315
Current portion of finance lease and hire purchase commitments	27 281	35 377
Other current liabilities	642 473	556 669
Accruals and government grants	268 126	210 267
Income tax payable	91 009	67 034
Short-term provisions and employee benefits	923 058	937 990
Total short-liabilities	3 652 970	3 894 378
Total liabilities	7 470 532	7 921 827
TOTAL LIABILITIES	22 515 176	22 155 493

As at 30th September 2010 and as at 31st December 2009 non-current assets of the TAURON Group amounted to PLN 18,382.5 million and PLN 18,475.8 respectively and accounted for approx. 82-83% of the total assets respectively.

As at 30th September 2010 current assets of the TAURON Group amounted to PLB 4,128.5 million and they were higher by ca. 12.4% vs. the status as at 31st December 2009 when they amounted to PLN 3,673.7 million.

As at 30th September 2010 and as at 31st December 2009 the TAURON Group's total equity amounted to PLN 15,044.6 million and PLN 14,233.7 million respectively, which accounts respectively for 66.8% and 64.2% of total equity and liabilities. The non-controlling interest, as at 30th September 2010 and 31st December 2009, amounted to PLN 2,321.7 million and PLN 2,375.1 million respectively. The increase in equity was caused mainly by working out the net profit at the amount of PLN 825.1 million in the three quarters of 2010.

The change in long-term liabilities and provisions during the 9-month period ended on 30th September 2010 results mostly from the debts related to bank loans, borrowings and debt securities lower by PLN 262.3 million.

The short-term liabilities and provisions decreased from the level of PLN 3,894.4 million as at 31st December 2009 to the level of PLN 3,653.0 million as at 30th September 2010, mostly due to the decrease in liabilities related to trade and provisions. The balance of short-term bank loans, borrowings and debt securities amounted to PLN 502.5 million as at 30th September 2010, with the decrease by PLN 93.8 million vs. the status as at 31st December 2009 accounting for the reclassification of long-term liabilities.

At the end of September 2010, the level of net debt of the Group amounted to PLN 131.0 million vs. PLN 867.3 million as at the end of December 2009. The decline in the net debt by over PLN 736.6 million is the result of the payment of financial debt, which occurred during the three quarters this year and the cash status increased by PLN 338 million.

The effects of introducing Cash-pooling in the Group, the aim of which is the most effective management of cash held, effective financing of the Group's current needs with regard to current equity, improving cash flow and optimization of revenue and finance costs of particular Group companies being the parties to the agreement and the whole TAURON Group, are becoming visible.

C. Cash flows

Consolidated cash flows statement

The following table presents the cash flows of the TAURON Group for the 9-month periods ended on 30th September 2010 and 30th September 2009.

Details (in PLN thousands)	1st – 3rd quarter 2010	1st – 3rd quarter 2009
Cash flows from operating activities		
Profit / (loss) before taxation	1 045 580	1 008 343
Adjustments for:		
Depreciation and amortization	1 029 388	992 046
(Gain)/loss on foreign exchange differences	201	3 238
Interest and dividends, net	81 507	57 423
(Gain) / loss on investing activities	13 136	-53 107
(Increase) / decrease in receivables	-143 727	-263 155
(Increase) / decrease in inventories	96 023	-116 495
Increase / (decrease) in payables excluding loans and borrowings	-79 726	57 572
Change in other non-current and current assets	-8 661	-150 539
Change in deferred income, government grants and accruals	15 254	69 732
Change in provisions	8 236	-23 404
Income tax paid	-132 341	-69 541
Share-based payments expense	0	2 764
Other	34	-201
Net cash from operating activities	1 924 904	1 514 676
Cash flows from investing		
Proceeds from sale of property, plant and equipment and intangible assets	8 340	8 232
Purchase of property, plant and equipment and intangible assets	-1 038 194	-1 106 421
Proceeds from sale of other financial assets	34 925	73 980
Purchase of other financial assets	-96 675	-47 290
Dividends received	3 772	4 273
Interest received	408	525
Repayment of loans granted	45	1 000
Loans granted	-9 000	0
Other	6 773	6 784

Net cash used in investing	-1 089 606	-1 058 917
Cash flows from financing		
Payment of finance lease liabilities	-26 115	-18 093
Proceeds from loans	60 469	200 226
Repayment of loans	-334 760	-280 276
Issue of debt securities	0	44 000
Redemption of debt securities	-41 308	-125 000
Dividends paid to equity holders of the parent	0	-51 167
Dividends paid to non-controlling interests	-5 569	-6 832
Other disbursements to owners	0	-8 376
Interest paid	-69 194	-60 417
Other	-4 394	-604
Net cash used in financing	-420 871	-306 539
Net increase / (decrease) in cash and cash equivalents	414 427	149 220
Net foreign exchange difference	-30	-605
Cash and cash equivalents at the beginning of the period	972 655	906 944
Cash and cash equivalents at the end of the period, of which:	1 387 082	1 056 164
- restricted cash	52 978	16 703

Total net cash flow from operating activities for the period between January and September 2010 amounted to PLN 1,387.1 million vs. PLN 1,056.2 million for the 9-month period ended on 30th September 2009.

In the period between January and September 2010 cash from operating activities increased to the level of PLN 1,924.9 million vs. PLN 1,514.7 million in the analogical period of the previous year. This allows for financing investments with the Group's own resources to a large extent.

The increase of the cash flows from operating activities for the period between January and September 2010 vs. the period between January and September 2009 was caused mostly by the increased results and increased amortization.

In addition, in the period between January and September 2010, the net cash flow from operating activities were affected by the increase in receivables (by PLN 119.4 million), the decrease in liabilities, except loans and borrowings (by PLN 137.3 million), the decrease in the accruals (the decrease by PLN 54.5 million) and paid in income tax (the decrease in cash flow by PLN 62.8 million)

Negative cash flow from investing for the 9-month period ended on 30th September 2010 amounted to PLN 1,089.6 million. Investing costs increased by 2.9% vs. the 9-month period ended on 30th September 2009.

The balance of cash flows from investing comprised mostly the costs related to the purchase of property, plant and equipment and intangible assets at the amount of PLN 1,038.2 million.

The negative cash flows from financing activities for the period between January and September 2010 amounted to PLN 420.9 million vs. the period between January and September 2009. The net increase in the financing activities expenses was mostly caused by the negative balance of proceeds/repayment of loans and borrowings at the amount of PLN 274.3 million in the 9-month period ended on 30th September 2010 vs. the negative balance of proceeds/repayment of loans and borrowings at the amount of PLN 80.0 million in the 9-month period ended on 30th September 2009. At the same time, the TAURON Group incurred interests costs increased by PLN 8.8 million in the period between January and September 2010 vs., the analogical period of 2009.

4.4 Other significant information and occurrences

Investment programme execution

During the period between January and September 2010, works related to the investment programme execution were undergoing. Many projects are in the launch or execution phase. Investment expenditure of the TAURON Group amounted in this period to PLN 865 million. A year

earlier this was PLN 1,001 million, though the January – September 2009 period was a relatively high base due to the final stage of the 460MW investment in the Łagisza power station. Lower investment is also an effect of the updated execution schedules and transferring some of the planned expenditure to the 4th quarter of 2010, due to difficult weather conditions (long and harsh winter and flooding) among others.

The main investments in the 9-month period ended on 30th September 2010 are the expenditure on constructing new generating powers (PLN 70 million, including PLN 19 million in the third quarter 2010), constructing new terminals in the Distribution Segment (PLN 211 million, including PLN 78 million in the third quarter 2010) and constructing underground technical infrastructure in the Mining Segment (PLN 50 million, including PLN 17 million in the third quarter 2010).

Getting the agreement of the Competition and Consumer Protection Office for the concentration

On 11th October, the Competition and Consumer Protection Office granted its agreement for the concentration execution consisting in creating by TAURON Polska Energia S.A. and PGNiG S.A. their common venture under the Elektrociepłownia Stalowa Wola SA. name, with the seat in Stalowa Wola.

5. Factors, which in the opinion of the Issuer shall have an impact on its financial results in the prospect of at least another quarter

The Issuer believes that the results of the Group's operations will be influenced mostly, as they have been, by the following factors:

- changes in the regulations regarding the energy sector, the activities/decisions of the President of the Energy Regulatory Office
- the macroeconomic climate, particularly in Poland, as well as the economic situation of the area where the TAURON Group conducts its operations, the EU and the global economy,
- the political situation, particularly in Poland and at the level of the European Union,
- the amendments of the Energy Law Act and other acts related to the public obligation to supply electricity by producers,
- the introduction of a system supporting generation of electricity in highly efficient cogeneration in methane-fired units,
- wholesale market electricity prices,
- electricity and coal supply prices and distribution tariffs as the factors affecting the revenue volume,
- the prices of certificates for electricity from renewable sources and from cogeneration,
- carbon emission allowances prices,
- energy resources process,
- demand for electricity and heat,
- seasonality and weather conditions,
- the level of compensations to cover the stranded costs related to resolving PPA, including the results of the resolution of the litigation between the Energy Regulatory Office President and the producers from the TAURON Group (PKE) entitled to receive compensations under the PPS Act related to the annual correction of stranded costs for 2008 (the Energy Regulatory Office filed an appeal against the verdict of the Competition and Consumer Protection Court),
- the result of the proceeding of the Energy Regulatory Office with regard to ENION and ENION Energia (the proceedings of the Energy Regulatory Office are pending following the winter failures of the network in the area of our OSD operations).
- potential failures of appliances, installations and networks belonging to the TAURON Group.

6. The stand of the Management Board regarding the possibility of meeting the previously published forecasts for the given year

TAURON Polska Energia S.A. has not published any forecast for the financial results for 2010.

7. Shareholders holding directly or indirectly, via subsidiaries, at least 5% of the general number of votes at the Issuer's General Meeting and the indication of changes in the shareholding of considerable blocks in the period following the delivery of the previous interim report

Pursuant to the notifications received by the Company, the structure of shareholders holding directly or indirectly, via subsidiaries, at least 5% of the general number of votes at the Company General Meeting as at 30th August 2010 (the day of mid-year report publication), was as follows:

Shareholders	No. of shares held	% share in the share capital	No. of votes held	% share in the number of votes
State Treasury (a notification dated 9 th Aug 2010)	574,917,160	36.17%	574,917,160	36.17%
KGHM Polska Miedź S.A. (a notification dated 2 nd Jul 2010)	81,822,499	5.15%	81,822,499	5.15%

Owing to the notification of the Ministry of the State Treasury received on 5th November 2010, the structure of shareholders holding directly or indirectly, via subsidiaries, at least 5% of the general number of votes at the Company General Meeting as at the day of the publication of the present report was as follows:

Shareholders	No. of shares held	% share in the share capital	No. of votes held	% share in the number of votes
State Treasury (a notification dated 5 th Nov 2010)	735,451,278	41.96%	735,451,278	41.96%
KGHM Polska Miedź S.A. (a notification dated 2 nd Jul 2010)	81,822,499	5.15%	81,822,499	5.15%

8. The list of shareholding status of the Issuer's shares or entitlement to these shares held by the Issuer's executives and supervision persons together with the indication of the changes in the shareholding status in the period following the delivery of the previous interim report, separately for each of the persons

As at 30th August 2010, i.e. the day of the mid-year report publication, as well as the day of delivery of the present information, the shareholding status of the TAURON Polska Energia S.A. Company or the status of entitlements to them by the Company executives or supervising persons was as follows:

Executives:

Name and surname	No. of shares as at 30 th August 2010 (mid-year report publication)	Change in the number of shares held	No. of shares as at the day of delivering the information
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Dariusz Lubera	6,576	n/a	6,576
Dariusz Stolarczyk	935	+ 17,248	18,183
Krzysztof Zamasz	935	n/a	935
Krzysztof Zawadzki	13,318	+ 8,136	21,454

* On 27 August 2010 Vice-President of the Management Board Mr. Stanisław Tokarski resigned from his function of the Management Board member as of 31 August 2010.

Ms Joanna Schmidt does not hold any Company shares.

Supervising persons:

Name and surname	No. of shares as at 30 th August 2010 (mid-year report publication)	Change in the number of shares held	No. of shares as at the day of delivering the information
Włodzimierz Luty	935	n/a	935
Michał Michalewski	32,500	+ 2,000	34,500
Jacek Kuciński*	-	-	935
Witold Kurowski**	934	-	-

* The Supervisory Board Member, Mr Jacek Kuciński appointed to the Supervisory Board on 14th September 2010

** Mr Witold Kurowski as of 13 September 2010 was dismissed from the Supervisory Board

The other persons supervising the Company: Antoni Tajduś, Agnieszka Trzaskalska, Leszek Koziorowski, Jacek Szyke and Marek Ściążko do not hold any shares of the Company.

- On 22nd September 2010 the Company was notified by a Company Management Board member pursuant to Article 160 of the Act on Trading. The notification referred to purchase of 17,248 Company's shares at the price of PLN 5.94 per share. The transaction was concluded on 22 September 2010 on regulated market in a regular trading session (current report No. 35/2010 of 22nd September 2010).
- On 28th September 2010 the Company was notified by a Company Supervisory Board member pursuant to Article 160 of the Act on Trading. The notification referred to a transaction of purchase of 2,000 Company's shares, including 640 Company's shares at the price of PLN 5.86 per share, 1,360 Company's shares at the price of PLN 5.83 per share. The transactions were concluded on 28th September 2010 on regulated market in a regular trading session (current report No. 36/2010 of 28th September 2010).
- On 8th October 2010 the Company was notified by a Company Management Board member pursuant to Article 160 of the Act on Trading. The notification referred to purchase of 8,136 Company's shares by Company's Management Board member at the price of PLN 6.10 per share. The transaction was concluded on 7th October 2010 on regulated market in a regular trading session (current report No. 39/2010 of 11th October 2010).
- On 14th October 2010 the Company was notified by a Company Supervisory Board member in the mode of art. 160 of the Act on Trading. The notification referred to the purchasing of 12,588 shares by a person closely related to a Supervisory Board member. The transactions took place on 7th, 8th, 11th and 12th October 2010 on the regulated market in the mode of a normal trading session. Detailed information regarding the concluded transactions: 7th October 2010 – purchasing 1,066 shares at the price of PLN 6.02 each, 7th October 2010 – purchasing

2,000 shares at the price of PLN 5.99 each, 8th October 2010 – purchasing 250 shares at the price of PLN 6.06 each, 11th October 2010 – purchasing 4,500 shares at the price of PLN 6.08, 11th October 2010 – purchasing 3,000 shares at the price of PLN 6.06 each, 11th October 2010 – purchasing 400 shares at the price of PLN 6.07 each, 12th October 2010 – purchasing 1,372 shares at the price of PLN 6.06 each (current report No. 40/2010 of 14th October 2010).

- On 21st October 2010 the Company was notified twice by a Company Supervisory Board member in the mode of art. 160 of the Act on Trading. The first notification referred to the purchase and sale of Company shares by a Company Supervisory Board member. The transactions took place on 18th, 20th and 21st October 2010 on the regulated market in the mode of a normal trading session. Detailed information regarding the concluded transactions: 18th Oct 2010 – sale of 2,500 shares at the price of PLN 6.11 each, 20th Oct 2010 – sale of 15,900 shares at the average price of PLN 6.0926 each, 20th Oct 2010 – purchasing of 8,900 shares at the average price of PLN 6.0695 each, 21st Oct 2010 – purchasing 9,500 shares at the average price of 6.0894 each. The second notification referred to the purchasing of Company shares by a person closely related to a Supervisory Board member. The transactions took place on 15th, 18th and 19th October 2010 on the regulated market in the mode of a normal trading session. Detailed information regarding the concluded transactions: 15th Oct 2010 – purchasing 1,478 shares at the price of PLN 6.10 each, 15th Oct 2010 – purchasing 2,500 shares at the price of PLN 6.08 each, 18th Oct 2010 – purchasing 2,400 shares at the price of PLN 6.05 each, 19th Oct 2010 – purchasing 500 shares at the price of PLN 6.10 each, 19th Oct 2010 – purchasing 1,100 shares at the price of PLN 6.06 each (current report No. 46/2010 of 21st October 2010).
- On 29th October 2010 the Company was notified by a Company Supervisory Board member in the mode of art. 160 of the Act on Trading. The notification referred to the information on purchasing 9,175,161 Company shares at the price of PLN 6.08 each by an entity closely related to the notifying Supervisory Board member. The purchase of the shares occurred on 22nd October 2010 on the Stock Market Exchange in Warsaw (Giełda Papierów Wartościowych w Warszawie S.A.), on the regulated market in the mode of a floor non-session transaction (current report No. 49/2010 of 29th October 2010).

9. Proceedings pending before a court, an authority appropriate for an arbitrate proceeding or a public administration authority

During the reported period no proceedings related to liabilities or receivables the single value of which would exceed 10% of the equity of TAURON Polska S.A. were pending in the TAURON Group.

10. Information on the Issuer or its subsidiary entering into significant transactions with affiliated entities (concluded on terms and conditions other than the market ones)

All transactions with affiliated entities are concluded on market terms and conditions. Detailed information regarding the transactions with affiliated entities has been presented in Note 28 of the Interim Condensed Consolidated Financial Statements for the 9-month period ended on 30th September 2010.

11. Information on granted warranties, loan or borrowing collaterals

In the reported period TAURON Polska Energia S.A., as well as its subsidiaries did not grant any loan or borrowing collaterals and did not grant any warranty of a total value equal to at least 10% of the equity of TAURON Polska Energia S.A. to one entity or a subsidiary of this entity

12. Other information, which - in the opinion of the Issuer – is significant to judge the personnel, property, financial situation, the financial results and their changes and

information which is significant to assess the possibility of the Issuer's Capital Group to fulfil its liabilities

The macroeconomic climate

The TAURON Group conducts its activities mostly in Poland; therefore, macroeconomic trends in Poland are significant. It can be observed that there is a positive correlation between the demand for electricity and economic growth; hence the macroeconomic climate of the country is directly translatable into the financial results achieved by the TAURON Group.

In particular in the period of three quarters of 2010, the observed economic recovery and a long and harsh winter, as well as lower temperatures this September contributed to an approx. 4% increase in demand for electricity in the National Power System in this period vs. the analogical period of 2009.

Terminating long-term power purchase agreements

Owing to the termination of long term power purchase agreements (PPA) under the PPA Termination Act, producers previously being parties to these agreements received the right to being compensated in order to cover the so-called stranded costs (the expenditure of a producer arising from the expenses incurred by the producer prior to 1st May 2004 on the property related to producing electricity not covered by the revenue related to the supplies of generated electricity, power reserves and system services on competition markets following the premature termination of a long-term agreement). The PPA Act limits the total amount which can be paid to all the producers to cover all the stranded costs, discounted as at 1st January 2007 up to PLN 11.6 billion.

Basic data regarding the TAURON Group producers subject to the PPA Act

The influence of compensations related to the termination of PPA on the results achieved by the TAURON Group has been described in Note 26 of the Interim Condensed Consolidated Financial Statements compliant with ISA for the 9-month period ended on 30th September 2010.

The market position

The TAURON Group is one of the largest energy companies in the country. It is the leader in terms of distribution and the second biggest electricity producer in Poland. Apart from generating and distributing electricity, the basis operations of the TAURON Group encompass trade in electricity, coal mining, and generating, distributing and supplying heat.

The potential

The TAURON Group is a key entity in the energy industry and an important link in the Poland's energetic security system. The Holding operates in the area of almost one fifth of the country's surface. The corporate strategy of the TAURON Group assumes systematic development of the Company both in Poland and abroad.

In the whole chain of values the TAURON Group holds assets which to a considerable extent meet the demands related to its operations.

National Scheme of Dividing Emission Allowances for 2008-2012 (NSDA II)

With regard to the EU emission allowances trading system, the National Scheme of Dividing Carbon Emission Allowances is subject to notification of the European Commission. Owing to the fact that during both settlement periods to date, the European Commission limited the amount of carbon emission allowances granted to Poland vs. the amount applied for in the NSDA, the granted limits form a considerable restriction of the electro-energetic sector.

For the settlement period of 2008 – 2012, Poland endeavoured to have a limit at the amount of 284 million tons of CO₂ granted. By means of the European Commission's decision, Poland has had an average annual limit of 208.5 million tons of CO₂ granted. Pursuant to the current NSDA II professional power stations have accrued only 110.8 million tons of CO₂, while its emission is estimated under normal circumstances at approx. 120 million tons.

Other significant information:

- On 23rd July 2010 the stabilization period of the price of the TAURON Polska Energia S.A. shares listed on the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A) under the principles stipulated in the Company issue prospectus approved by the Financial Supervision Authority on 27th May 2010. On 29th July 2010, the Company was notified by the Stabilising Manager – the London Branch of UniCredit Bank AG – regarding the information on stabilizing transaction on the Company shares with regard to the public offering conducted in Poland. The Stabilising activities commenced on 30th June 2010, and the last day of stabilising activities was 23rd July 2010. Detailed information regarding the stabilising transactions have been presented below:

30th June 2010: the minimum price PLN 5.03; maximum price PLN 5.13

1st July 2010: the minimum price PLN 5.00; maximum price PLN 5.00

2nd July 2010: the minimum price PLN 5.06; maximum price PLN 5.06

5th July 2010: the minimum price PLN 5.05; maximum price PLN 5.05

(current reports No. 22/2010 of 26th July 2010 and No. 23/2010 of 30th July 2010).

- On 27th August 2010, Vice-President of the Company Management Board, Mr. Stanisław Tokarski resigned from the position of a Company Management Board Member as of 31st August 2010 (current report No. 28/2010 of 27th August 2010).
- As of 13th September 2010, the State Treasury dismissed Mr. Witold Kurowski and Mr. Tadeusz Skrzypek from the Company Supervisory Board (current report No. 29/2010 of 14th September 2010).
- On 14th September 2010 Extraordinary General Meeting of the Company adopted resolution on appointment of new members to the Supervisory Board as of 14th September 2010, Mr. Leszek Koziarowski, Mr. Jacek Kuciński and Mr. Jacek Szyke (current report No. 31/2010 of 14th September 2010).
- By means of a resolution dated 28th September 2010, the Supervisory Board has appointed Ms. Joanna Schmidt to hold the position of Vice-President of the Company Management Board (current report No. 37/2010 of 28th September 2010).
- On 29th October 2010 the Company Supervisory Board selected the Ernst & Young Audit Sp. z o.o. Company as an entity authorized to conduct:
 - the study of individual and consolidated financial statements of the TAURON Polska Energia S.A. for the trading years 2010, 2011 and 2012,
 - to review interim mid-year consolidated financial statements drawn up for the period ended on 30th June 2011 and 30th June 2012.(the current report no. 48/2010 dated 29th October 2010).
- On 2nd November 2010 the Company received notification of the District Court Katowice-Wschód in Katowice VIII Commercial Division of the National Court Register concerning registration on 2nd November 2010 of increased share capital and amendments to the Articles of Association of TAURON Polska Energia S.A. After registration of the increase, the share capital of TAURON Polska Energia S.A. amounts to PLN 15,772,944,546.00 and is divided into 1,752,549,394 shares issued in the following series: 1) 1,589,438,762 series AA ordinary bearer shares, 2) 163,110,632 series BB ordinary registered shares entitling to 1,752,549,394 votes on the Company's General Meeting (current report No. 50/2010 of 2nd November 2010).
- The total value of the transactions concluded by TAURON Polska Energia S.A. in the 3rd quarter of 2010 on the Polish Power Exchange amounted to PLN 421.3 million. The total value of transactions concluded by TAURON Polska Energia S.A. in the 3rd quarter of 2010 on trading platforms amounted to approx. PLN 47.5 million (ELBIS Sp. z o.o.).

The Management Board of TAURON Polska Energia S.A. is of the opinion that the information presented in the Report sufficiently describe its personal, property and financial situation and that no other occurrences, not disclosed by the Company, have taken place that would be meaningful in the assessment of its situation.