The TAURON Polska Energia S.A. Capital Group

Interim condensed consolidated financial statements prepared according to the International Financial Reporting Standards for the 9-month period ended 30 September 2011

(in PLN thousand)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE 9-MONTH PERIOD ENDED 30 SEPTEMBER 2011

	Note	3-month period ended 30 September 2011 *(unaudited)*	9-month period ended 30 September 2011 *(unaudited)*	3-month period ended 30 September 2010 *(unaudited)*	9-month period ended 30 September 2010 *(unaudited)*
Continuing operations					
Sale of goods for resale, finished goods and materials without elimination of excise	**31**	3 806 417	11 925 866	2 682 949	7 864 450
Excise		(86 613)	(312 140)	(103 783)	(313 477)
Sale of goods for resale, finished goods and materials		3 719 804	11 613 726	2 579 166	7 550 973
Rendering of services		1 105 234	3 522 199	1 104 706	3 379 668
Other income		10 659	30 916	6 714	20 234
Sales revenue		**4 835 697**	**15 166 841**	**3 690 586**	**10 950 875**
Cost of sales		(4 255 070)	(13 235 299)	(3 141 138)	(9 137 766)
Gross profit		**580 627**	**1 931 542**	**549 448**	**1 813 109**
Other operating income		21 453	65 911	19 742	72 385
Selling and distribution expenses		(26 344)	(126 055)	(56 309)	(165 523)
Administrative expenses		(174 890)	(483 462)	(149 663)	(490 283)
Other operating expenses		(17 984)	(66 996)	(18 041)	(101 760)
Operating profit		**382 862**	**1 320 940**	**345 177**	**1 127 928**
Finance income		28 441	83 262	21 350	65 133
Finance costs		(44 508)	(122 003)	(42 405)	(147 481)
Share in profit/(loss) of associate and joint venture recognised using the equity method	**2**	(188)	(727)	-	-
Profit before tax		**366 607**	**1 281 472**	**324 122**	**1 045 580**
Income tax expense	**10**	(74 198)	(261 116)	(72 019)	(220 516)
Net profit from continuing operations		**292 409**	**1 020 356**	**252 103**	**825 064**
Net profit for the period		**292 409**	**1 020 356**	**252 103**	**825 064**
Other comprehensive income:					
Change in the value of hedging instruments		-	-	(4 295)	(12 181)
Foreign exchange differences from translation of foreign entities		618	769	(213)	(213)
Income tax relating to other comprehensive income items		-	-	816	2 314
Other comprehensive income for the period, net of tax		**618**	**769**	**(3 692)**	**(10 080)**
Total comprehensive income for the period		**293 027**	**1 021 125**	**248 411**	**814 984**
Net profit for the period:					
Attributable to equity holders of the parent		290 471	994 504	219 831	701 598
Attributable to non-controlling interests		1 938	25 852	32 272	123 466
Total comprehensive income:					
Attributable to equity holders of the parent		291 089	995 273	216 661	692 998
Attributable to non-controlling interests		1 938	25 852	31 750	121 986
Earnings per share (in PLN):					
- basic, for profit for the period attributable to equity holders of the parent		0.17	0.57	0.14	0.45
- basic, for profit for the period from continuing operations attributable to equity holders of the parent		0.17	0.57	0.14	0.45
- diluted, for profit for the period attributable to equity holders of the parent		0.17	0.57	0.14	0.45
- diluted, for profit for the period from continuing operations attributable to equity holders of the parent		0.17	0.57	0.14	0.45

(in PLN thousand)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2011

	Note	As at 30 September 2011 *(unaudited)*	As at 31 December 2010
ASSETS			
Non-current assets			
Property, plant and equipment	**14**	18 040 324	17 524 936
Intangible assets	**13**	1 058 422	970 530
Investments in associates and joint ventures recognised using the equity method	**2, 23**	23 037	764
Other long-term financial assets	**23, 31**	306 768	177 452
Other long-term non-financial assets	**31**	118 415	123 613
Deferred tax asset	**10**	159 807	161 806
		19 706 773	**18 959 101**
Current assets			
Inventories	**15**	405 237	408 560
Corporate income tax receivable		26 130	74 749
Trade and other receivables	**16, 23**	2 237 749	2 273 145
Other current financial assets	**23, 31**	9 306	28 193
Other current non-financial assets	**31**	187 315	208 158
Cash and cash equivalents	**11, 23**	884 604	1 473 981
		3 750 341	**4 466 786**
Non-current assets classified as held for sale		**4 397**	**4 397**
TOTAL ASSETS		**23 461 511**	**23 430 284**

(in PLN thousand)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2011 - CONTINUED

	Note	As at 30 September 2011 *(unaudited)*	As at 31 December 2010
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Issued capital	**17**	8 762 747	15 772 945
Reserve capital	**17**	7 412 882	475 088
Foreign exchange differences from translation of foreign entities		498	(271)
Retained earnings/Accumulated losses		(716 279)	(1 542 937)
		15 459 848	**14 704 825**
Non-controlling interests		**462 626**	**507 246**
Total equity		**15 922 474**	**15 212 071**
Non-current liabilities			
Interest-bearing loans and borrowings	**21, 23**	1 036 475	1 076 178
Finance lease and hire purchase commitments	**23**	59 665	67 810
Long-term provisions and employee benefits	**18, 19**	1 105 630	1 059 028
Long-term accruals and government grants	**20**	628 452	644 522
Trade payables and other financial long-term liabilities	**23**	7 111	6 910
Deferred tax liability	**10**	1 308 401	1 215 615
		4 145 734	**4 070 063**
Current liabilities			
Trade and other payables	**23**	1 203 576	1 629 723
Current portion of interest-bearing loans and borrowings	**21, 23**	207 480	325 027
Current portion of finance lease and hire purchase commitments	**23**	17 173	23 452
Other current non-financial liabilities	**31**	617 978	752 819
Accruals and government grants	**20**	274 058	189 712
Income tax payable		114 786	68 672
Short-term provisions and employee benefits	**18, 19**	958 252	1 158 745
		3 393 303	**4 148 150**
Total liabilities		**7 539 037**	**8 218 213**
TOTAL EQUITY AND LIABILITIES		**23 461 511**	**23 430 284**

(in PLN thousand)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 9-MONTH PERIOD ENDED 30 SEPTEMBER 2011

	Note	Equity attributable to the equity holders of the parent						Non-controlling interests	Total equity
		Issued capital	Reserve capital	Revaluation reserve on valuation of hedging instruments	Foreign exchange differences from translation of foreign entities	Retained earnings/ Accumulated losses	Total		
As at 1 January 2011		**15 772 945**	**475 088**	**-**	**(271)**	**(1 542 937)**	**14 704 825**	**507 246**	**15 212 071**
Profit for the period		-	-	-	-	994 504	**994 504**	25 852	**1 020 356**
Other comprehensive income		-	-	-	769	-	**769**	-	**769**
Total comprehensive income for the period		**-**	**-**	**-**	**769**	**994 504**	**995 273**	**25 852**	**1 021 125**
Appropriation of prior year profits		-	-	-	-	-	**-**	-	**-**
Dividends	**12**	-	(72 404)	-	-	(190 478)	**(262 882)**	(14 278)	**(277 160)**
Reduction of issued capital through reduced nominal value of shares	**17**	(7 010 198)	7 010 198	-	-	-	**-**	-	**-**
Acquisition of non-controlling interests	**22**	**-**	**-**	**-**	**-**	22 632	**22 632**	(56 194)	**(33 562)**
As at 30 September 2011 *(unaudited)*		**8 762 747**	**7 412 882**	**-**	**498**	**(716 279)**	**15 459 848**	**462 626**	**15 922 474**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 9-MONTH PERIOD ENDED 30 SEPTEMBER 2010

	Note	Equity attributable to the equity holders of the parent						Non-controlling interests	Total equity
		Issued capital	Reserve capital	Revaluation reserve on valuation of hedging instruments	Foreign exchange differences from translation of foreign entities	Retained earnings / Accumulated losses	Total		
As at 1 January 2010		**13 986 284**	**64 050**	**(766)**	**-**	**(2 191 002)**	**11 858 566**	**2 375 100**	**14 233 666**
Profit for the period		-	-	-	-	701 598	**701 598**	123 466	**825 064**
Other comprehensive income		-	-	(8 387)	(213)	-	**(8 600)**	(1 480)	**(10 080)**
Total comprehensive income for the period		**-**	**-**	**(8 387)**	**(213)**	**701 598**	**692 998**	**121 986**	**814 984**
Appropriation of prior year profits		-	176 159	-	-	(176 159)	**-**	-	**-**
Issue of merger shares and accounting for the acquisition of non-controlling interests		318 665	-	-	-	(145 651)	**173 014**	(169 364)	**3 650**
Payment from profit to the State Treasury		-	-	-	-	32	**32**	-	**32**
Dividends		-	-	-	-	-	**-**	(6 027)	**(6 027)**
Mandatory squeeze-out		-	-	-	-	(1 661)	**(1 661)**	-	**(1 661)**
As at 30 September 2010 *(unaudited)*		**14 304 949**	**240 209**	**(9 153)**	**(213)**	**(1 812 843)**	**12 722 949**	**2 321 695**	**15 044 644**

(in PLN thousand)

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE 9-MONTH PERIOD ENDED 30 SEPTEMBER 2011

	Note	9-month period ended 30 September 2011 *(unaudited)*	9-month period ended 30 September 2010 *(unaudited)*
Cash flows from operating activities			
Profit/(loss) before taxation		1 281 472	1 045 580
Adjustments for:		-	-
Share in profit/(loss) of associate and joint venture recognised using the equity method	2	727	-
Depreciation and amortization		1 049 480	1 029 388
(Gain)/loss on foreign exchange differences		2 937	201
Interest and dividens, net		40 657	81 507
(Gain)/loss on investing activities		14 510	13 136
(Increase)/decrease in receivables		30 559	(143 727)
(Increase)/decrease in inventories		(9 206)	96 023
Increase/(decrease) in payables excluding loans and borrowings		(442 775)	(79 726)
Change in other non-current and current assets		(38 125)	(8 661)
Change in deferred income, government grants and accruals		53 933	15 254
Change in provisions		(131 736)	8 236
Income tax paid		(72 336)	(132 341)
Other		(232)	34
Net cash from operating activities		**1 779 865**	**1 924 904**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment and intangible assets		35 061	8 340
Purchase of property, plant and equipment and intangible assets		(1 518 646)	(1 038 194)
Proceeds from sale of other financial assets		25 737	34 925
Purchase of other financial assets		(14 559)	(96 675)
Acquisition of shares in associates and joint ventures recognised using the equity method		(23 000)	-
Acquisition of a subsidiary net of acquired cash		(71 439)	-
Dividends received		8 122	3 772
Interest received		44	408
Repayment of loans made		110	45
Loans granted		-	(9 000)
Other		(120 001)	6 773
Net cash used in investing activities		**(1 678 571)**	**(1 089 606)**

(in PLN thousand)

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE 9-MONTH PERIOD ENDED 30 SEPTEMBER 2011 - CONTINUED

	Note	9-month period ended 30 September 2011 *(unaudited)*	9-month period ended 30 September 2010 *(unaudited)*
Cash flows from financing activities			
Acquisition of non-controlling interests		(34 582)	-
Payment of finance lease liabilities		(18 715)	(26 115)
Proceeds from loans		87 255	60 469
Repayment of loans		(398 809)	(334 760)
Redemption of debt securities		-	(41 308)
Dividends paid to parent shareholders		(262 882)	-
Dividends paid to non-controlling interests		(12 797)	(5 569)
Interest paid		(40 259)	(69 194)
Other		(7 650)	(4 394)
Net cash used in financing activities		**(688 439)**	**(420 871)**
Net increase/(decrease) in cash and cash equivalents		**(587 145)**	**414 427**
Net foreign exchange difference		233	(30)
Cash and cash equivalents at the beginning of the period		**1 471 660**	**972 655**
Cash and cash equivalents at the end of the period, *of which*:	**11**	**884 515**	**1 387 082**
restricted cash		96 679	52 978

EXPLANATORY NOTES

1. Corporate information

The TAURON Polska Energia S.A. Capital Group ("the Group", "the TAURON Group") is composed of TAURON Polska Energia S.A. ("parent", "Company") and its subsidiaries. The interim condensed consolidated financial statements of the Group cover the 9-month period ended 30 September 2011 and include comparative figures for the 9-month period ended 30 September 2010 and as at 31 December 2010. The data for the 9-month period ended 30 September 2011 included in these interim condensed consolidated financial statements and the comparative figures for the 9-month period ended 30 September 2010 were neither audited nor reviewed by an independent auditor. Comparative figures as at 31 December 2010 were audited by an independent auditor.

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

The parent was granted a statistical number REGON 240524697.

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

The Group's principal business activities include:

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

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

(in PLN thousand)

2. Composition of the Group

As at 30 September 2011, the TAURON Polska Energia S.A. Group was composed of direct and indirect subsidiaries included in consolidation, as presented in the table below.

No	Name of the entity	Address	Principal business activities	% held by TAURON in the entity's share capital	Holder of shares as at 30 September 2011	% held by TAURON in the entity's governing body	Holder of shares as at 30 September 2011
1	TAURON Wytwarzanie S.A. (formerly: Południowy Koncern Energetyczny S.A.)[1]	40-389 Katowice; ul. Lwowska 23	Generation, transmission and distribution of electricity and heat	99.49%	TAURON Polska Energia S.A. – 99.49%	99.49%	TAURON Polska Energia S.A. – 99.49%
2	TAURON Dystrybucja S.A. (formerly: EnergiaPro S.A.)[1]	30-390 Kraków; ul. Zawiła 65 L	Distribution of electricity	99.38%	TAURON Polska Energia S.A. – 99.38%	99.38%	TAURON Polska Energia S.A. – 99.38%
3	TAURON Sprzedaż Sp. z o.o.	30-417 Kraków; ul. Łagiewnicka 60	Sale of electricity	100.00%	TAURON Polska Energia S.A. – 100.00%	100.00%	TAURON Polska Energia S.A. – 100.00%
4	TAURON Obsługa Klienta Sp. z o.o.	53-314 Wrocław; ul. Sudecka 95-97	Customer service	100.00%	TAURON Polska Energia S.A. – 100.00%	100.00%	TAURON Polska Energia S.A. – 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%	TAURON Polska Energia S.A. – 100.00%	100.00%	TAURON Polska Energia S.A. – 100.00%
6	Elektrociepłownia Tychy S.A.	43-100 Tychy; ul. Przemysłowa 47	Generation of electricity, production and distribution of heat	95.47%	TAURON Polska Energia S.A. – 95.47%	95.47%	TAURON Polska Energia S.A. – 95.47%
7	Kopalnia Wapienia Czatkowice Sp. z o.o.[2]	32-063 Krzeszowice 3; os. Czatkowice 248	Quarrying, crushing and breaking of limestone, quarrying of stone for construction industry	99.49%	TAURON Wytwarzanie S.A. – 100.00%	99.49%	TAURON Wytwarzanie S.A. – 100.00%
8	Południowy Koncern Węglowy S.A.[2]	43-600 Jaworzno; ul. Grunwaldzka 37	Hard coal mining	52.21%	TAURON Wytwarzanie S.A. – 52.48%	67.66%	TAURON Wytwarzanie S.A. – 68.01%

(in PLN thousand)

No	Name of the entity	Address	Principal business activities	% held by TAURON in the entity's share capital	Holder of shares as at 30 September 2011	% held by TAURON in the entity's governing body	Holder of shares as at 30 September 2011
9	Polska Energia Pierwsza Kompania Handlowa Sp. z o.o. [2]	40-389 Katowice; ul. Lwowska 23	Trading in electricity	100.00%	TAURON Polska Energia S.A. - 100.00%	100%	TAURON Polska Energia S.A. - 100.00%
10	TAURON Ciepło S.A. (formerly: Przedsiębiorstwo Energetyki Cieplnej Katowice S.A.)[1]	40-126 Katowice; ul. Grażyńskiego 49	Heat production and distribution	90.06%	TAURON Polska Energia S.A. – 90.06%	90.06%	TAURON Polska Energia S.A. – 90.06%
11	Elektrociepłownia EC Nowa Sp. z o.o.	41-308 Dąbrowa Górnicza; al. J. Piłsudskiego 92	Generation of electricity, production of heat and technical gases	84.00%	TAURON Polska Energia S.A. – 84.00%;	84.00%	TAURON Polska Energia S.A. – 84.00%;
12	TAURON Czech Energy s.r.o.	720 00 Ostrava, Na Rovince 879/C Czech Republic	Trading in electricity	100.00%	TAURON Polska Energia S.A. – 100.00%	100.00%	TAURON Polska Energia S.A. - 100.00%
13	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%
14	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%
15	Lipniki Sp. z o.o.	52-420 Wrocław; ul. Tadeusza Mikulskiego 5	Generation of electricity	100.00%	TAURON Ekoenergia Sp. z o.o. – 100.00%	100.00%	TAURON Ekoenergia Sp. z o.o. – 100.00%

[1]In the third quarter of 2011 mergers of certain subsidiaries took place, as described in Note 22 to these interim condensed consolidated financial statements. Południowy Koncern Energetyczny S.A. acquired Elektrownia Stalowa Wola S.A. and changed its name to TAURON Wytwarzanie S.A., EnergiaPro S.A. acquired ENION S.A. and changed its name to TAURON Dystrybucja S.A., Przedsiębiorstwo Energetyki Cieplnej Katowice S.A. acquired Przedsiębiorstwo Energetyki Cieplnej w Dąbrowie Górniczej S.A. and changed its name to TAURON Ciepło S.A.

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

Joint venture

Elektrociepłownia Stalowa Wola S.A. was set up in 2010 on the initiative of TAURON Polska Energia S.A. and PGNiG S.A. with a share capital of PLN 2,000 thousand. In the 9-month period ended 30 September 2011 the share capital was increased twice by the total of PLN 26,200 thousand, up to PLN 28,200 thousand. The District Court in Tarnobrzeg registered the increase of capital on 20 April 2011 and on 9 September 2011. The new shares were taken up by the existing shareholders i.e. Elektrownia Stalowa Wola S.A. (acquired by TAURON Wytwarzanie S.A. in August 2011) and PGNiG Energia S.A., each of them holding a 50% stake in the share capital and in the governing body of Elektrociepłownia Stalowa Wola S.A. (the indirect share of TAURON Polska Energia S.A. amounts to 49.75%).

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

Elektrociepłownia Stalowa Wola S.A. as a joint venture has been accounted for using the equity method in the consolidated financial statements.

The equity-accounted investment in the joint venture as at 30 September 2011 is presented in the table below:

Non-current assets	37 801
Current assets	13 391
Non-current liabilities (-)	(223)
Current liabilities (-)	(4 905)
Total net assets	**46 064**
Share in net assets	**23 037**
Goodwill	-
Invetment in joint venture	**23 037**
Share in revenue of joint venture	113
Share in profit/(loss) of joint venture	**(727)**

3. Basis of preparation of interim condensed consolidated financial statements

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

IFRSs comprise standards and interpretations accepted by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”).

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

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

The interim condensed consolidated financial statements do not include all information and disclosures that are required in annual consolidated financial statements and should be read in conjunction with the consolidated financial statements of the Group prepared in accordance with IFRS for the year ended 31 December 2010.

These interim condensed consolidated financial statements for the 9-month period ended 30 September 2011 were authorized for issue on 8 November 2011.

4. Summary of significant accounting policies

The accounting policies applied to the interim condensed consolidated financial statements are consistent with those applied to the annual consolidated financial statements of the Group for the year ended 31 December 2010, except for the application of the following amendments to standards and new interpretations effective for annual periods beginning on or after 1 January 2011:

- Amendment to IAS 32 *Financial Instruments: Presentation: Classification of Rights Issues* – applicable to annual periods beginning on or after 1 February 2010. The application of this amendment had no impact on the financial position or results reported by the Group, since no events took place that would have been affected by the aforementioned amendment.
- IAS 24 *Related Party Disclosures* (amended in November 2009) – applicable to annual periods beginning on or after 1 January 2011. The revised IAS 24 is applied retrospectively for annual periods beginning on 1 January 2011.
- Amendments to IFRIC 14 *IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction: Prepayments of a Minimum Funding Requirement* – applicable to annual periods beginning on or after 1 January 2011. The application of these amendments had no impact on the financial position or results reported by the Group, since no events took place that would have been affected by the aforementioned amendments.
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* – applicable to annual periods beginning on or after 1 July 2010. The application of this interpretation had no impact on the financial position or results reported by the Group.
- Amendment to IFRS 1 *First-time Adoption of IFRSs*: *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters* – applicable to annual periods beginning on or after 1 July 2010. The application of this amendment had no impact on the financial position or results reported by the Group.
- *Improvements to IFRSs* (issued in May 2010) – some improvements are applicable to annual periods beginning on 1 July 2010, while others are applicable to annual periods beginning on 1 January 2011. The application of these amendments had no impact on the financial position or results reported by the Group.

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

The following standards and interpretations were issued by the International Accounting Standards Board or the International Financial Reporting 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 2013 – not endorsed by the EU until the date of authorization of these financial statements. In the next phases, IASB will deal with hedge accounting and impairment methodology. The project is expected to be completed in mid 2011. The application of Phase 1 of IFRS 9 will have an impact on the classification and measurement of the Group's financial assets. The Group will assess this impact in correspondence with the other phases of the project once they have been issued, in order to provide a consistent view,
- Amendment to IFRS 7 *Financial Instruments: Disclosures: Transfer of Financial Assets* – 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,
- Amendments to IAS 12 *Income Taxes: Deferred Tax: Recovery of Underlying Assets* – applicable to annual periods beginning on or after 1 January 2012 - not endorsed by the EU until the date of authorization of these financial statements,

- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* – applicable to annual periods beginning on or after 1 July 2011 – not endorsed by the EU until the date of authorization of these financial statements,
- IFRS 10 *Consolidated Financial Statements* – applicable to annual periods beginning on or after 1 January 2013 – not endorsed by the EU as at the date of authorization of these financial statements,
- IFRS 11 *Joint Arrangements* – applicable to annual periods beginning on or after 1 January 2013 – not endorsed by the EU as at the date of authorization of these financial statements,
- IFRS 12 *Disclosure of Interests in Other Entities* – applicable to annual periods beginning on or after 1 January 2013 – not endorsed by the EU as at the date of authorization of these financial statements,
- IFRS 13 *Fair Value Measurement* – applicable to annual periods beginning on or after 1 January 2013 – not endorsed by the EU as at the date of authorization of these financial statements,
- Amendments to IAS 19 *Employee Benefits* – applicable to annual periods beginning on or after 1 January 2013 – not endorsed by the EU as at the date of authorization of these financial statements,
- Amendments to IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income* – applicable to annual periods beginning on or after 1 July 2012 – not endorsed by the EU as at the date of authorization of these financial statements.

As at the date of these interim condensed consolidated financial statements, the Company's Management Board has not completed the analysis that would enable it to determine whether or not and to what extent the introduction of the aforementioned standards and interpretations may affect the Company's accounting policies.

6. Changes in estimates

In the period ended 30 September 2011, there were no significant changes to the values or methodology of making estimates that would affect the current or future periods, other than those presented in the following sections of these interim condensed consolidated financial statements.

7. Seasonality of operations

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

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

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

8. Segment information

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

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

The Group's reporting format is based on the following operating segments:

- Mining Segment, which includes hard coal mining. The entity which operates in the Mining Segment of the TAURON Group is Południowy Koncern Węglowy S.A.,
- Generation Segment, which includes generation of electricity using conventional sources, including combined heat and power generation, as well as generation of electricity using joint combustion of biomass and other energy acquired thermally. The main types of fuel used by the Generation Segment are hard coal, biomass, coke-oven gas and blast-furnace gas. The following entities operate in the Generation Segment of the TAURON Group: TAURON Wytwarzanie S.A., Elektrociepłownia Tychy S.A. and Elektrociepłownia EC Nowa Sp. z o.o.,
- Renewable Sources of Energy Segment, which includes generation of electricity using renewable sources, excluding generation of electricity using joint combustion of biomass, which, due to the specific nature of such generation, has been included in the Generation Segment. Entities which operate in the Renewable Sources of Energy Segment of the TAURON Group are TAURON Ekoenergia Sp. z o.o., the two companies acquired in 2010: BELS INVESTMENT Sp. z o.o. and MEGAWAT MARSZEWO Sp. z o.o. as well as Lipniki Sp. z o.o., acquired in 2011. TAURON Sprzedaż Sp. z o.o. also operated in this segment until 30 September 2010. On that date an organized part of the enterprise related to the generation of electricity using renewable sources – hydroelectric plants was separated out of TAURON Sprzedaż Sp. z o.o. and taken over by TAURON Ekoenergia Sp. z o.o.,
- Segment of Sale of Energy and Other Energy Market Products, which includes wholesale trading in electricity, trading in emission allowances and energy certificates and sale of electricity to domestic end users or entities which further resell electricity. Entities which operate in that segment of the TAURON Group are TAURON Polska Energia S.A., Polska Energia Pierwsza Kompania Handlowa Sp. z o.o., TAURON Sprzedaż Sp. z o.o., TAURON Obsługa Klienta Sp. z o.o. and TAURON Czech Energy s.r.o.,
- Distribution Segment, including operations of TAURON Dystrybucja S.A..

In addition to the main business segments listed above, the TAURON Group also conducts operations in other areas, including heat distribution and sales (TAURON Ciepło S.A.), quarrying of stone (including limestone) for the power industry, metallurgy, construction and highway engineering industry as well as in the area of production of sorbents for use in wet desulfurization installations and fluidized bed combustors (Kopalnia Wapienia Czatkowice Sp. z o.o.).

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

Revenue from transactions between segments is eliminated on consolidation.

Segment assets do not include deferred tax, income tax receivables or financial assets.

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

The Management Board separately monitors the operating results of the segments to take decisions on how to allocate the resources, to evaluate the effects of the allocation and to evaluate performance. Evaluation of performance is based on operating profit or loss, which to a certain extent, as explained in the table below, are measured differently from the operating profit or loss in the consolidated financial statements. The Group’s financing (including finance costs and income) and income tax are monitored at the level of the Group and they are not allocated to segments.

(in PLN thousand)

9-month period ended 30 September 2011 or as at 30 September 2011 *(unaudited)*	Coal mining	Generation of electricity and heat using conventional sources	Generation of electricity using renewable sources	Electricity distribution	Sales of electricity and other energy market products	Other	Unallocated items	Total	Eliminations	Total operations
Revenue										
Sales to external customers	436 729	4 269 727	640	1 044 221	9 032 784	382 740	-	**15 166 841**	-	**15 166 841**
Inter-segment sales	524 455	380 110	150 435	2 368 122	950 031	21 180	-	**4 394 333**	(4 394 333)	**-**
Segment revenue	**961 184**	**4 649 837**	**151 075**	**3 412 343**	**9 982 815**	**403 920**	**-**	**19 561 174**	**(4 394 333)**	**15 166 841**
Profit/(loss) of the segment	**48 316**	**484 065**	**93 404**	**521 440**	**210 625**	**20 124**	**(3 671)**	**1 374 303**	**-**	**1 374 303**
Unallocated expenses	-	-	-	-	-	-	(53 363)	**(53 363)**	-	**(53 363)**
Profit/(loss) from continuing operations before tax and net finance income (costs)	**48 316**	**484 065**	**93 404**	**521 440**	**210 625**	**20 124**	**(57 034)**	**1 320 940**	**-**	**1 320 940**
Share in profit/(loss) of associate and joint venture recognised using the equity method	-	(727)	-	-	-	-	-	**(727)**	-	**(727)**
Net finance income (costs)	-	-	-	-	-	-	(38 741)	**(38 741)**	-	**(38 741)**
Profit/(loss) before income tax	**48 316**	**483 338**	**93 404**	**521 440**	**210 625**	**20 124**	**(95 775)**	**1 281 472**	**-**	**1 281 472**
Income tax expense	-	-	-	-	-	-	(261 116)	**(261 116)**	-	**(261 116)**
Net profit/(loss) for the period	**48 316**	**483 338**	**93 404**	**521 440**	**210 625**	**20 124**	**(356 891)**	**1 020 356**	**-**	**1 020 356**
Assets and liabilities										
Segment assets	1 091 993	9 631 510	900 493	7 889 176	2 668 205	764 205	-	**22 945 582**	-	**22 945 582**
Investments in associates and joint ventures recognised using the equity method	-	23 037	-	-	-	-	-	**23 037**	-	**23 037**
Unallocated assets	-	-	-	-	-	-	492 892	**492 892**	-	**492 892**
Total assets	**1 091 993**	**9 654 547**	**900 493**	**7 889 176**	**2 668 205**	**764 205**	**492 892**	**23 461 511**	**-**	**23 461 511**
Segment liabilities	487 493	1 126 985	23 753	1 727 302	1 287 499	90 602	-	**4 743 634**	-	**4 743 634**
Unallocated liabilities	-	-	-	-	-	-	2 795 403	**2 795 403**	-	**2 795 403**
Total liabilities	**487 493**	**1 126 985**	**23 753**	**1 727 302**	**1 287 499**	**90 602**	**2 795 403**	**7 539 037**	**-**	**7 539 037**
Other segment information										
Capital expenditure *	104 906	558 484	27 027	665 167	16 656	28 478	-	**1 400 718**	-	**1 400 718**
Depreciation/amortization	(76 436)	(423 901)	(18 203)	(490 692)	(7 172)	(33 412)	-	**(1 049 816)**	-	**(1 049 816)**
Impairment of non-financial assets	26	(1 549)	-	1 175	125	260	-	**37**	-	**37**

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

(in PLN thousand)

9-month period ended 30 September 2010 *(unaudited)* or as at 31 December 2010	Coal mining	Generation of electricity and heat using conventional sources	Generation of electricity using renewable sources	Electricity distribution	Sales of electricity and other energy market products	Other	Unallocated items	Total	Eliminations	Total operations
Revenue										
Sales to external customers	335 961	1 166 662	38 638	844 156	8 180 522	384 936	-	**10 950 875**	-	**10 950 875**
Inter-segment sales	472 683	2 907 435	81 826	2 480 655	512 702	20 481	-	**6 475 782**	(6 475 782)	**-**
Segment revenue	**808 644**	**4 074 097**	**120 464**	**3 324 811**	**8 693 224**	**405 417**	-	**17 426 657**	**(6 475 782)**	**10 950 875**
	-	-	-	-	-	-	-	-	-	-
Profit/(loss) of the segment	**7 805**	**526 900**	**65 566**	**365 761**	**205 563**	**14 825**	**11 116**	**1 197 536**	**-**	**1 197 536**
Unallocated expenses	-	-	-	-	-	-	(69 608)	**(69 608)**	-	**(69 608)**
Profit/(loss) from continuing operations before tax and net finance income (costs)	**7 805**	**526 900**	**65 566**	**365 761**	**205 563**	**14 825**	**(58 492)**	**1 127 928**	**-**	**1 127 928**
Share in profit/(loss) of associate and joint venture recognised using the equity method	-	-	-	-	-	-	-	**-**	-	**-**
Net finance income (costs)	-	**-**	-	-	-	-	(82 348)	**(82 348)**	-	**(82 348)**
Profit/(loss) before income tax	**7 805**	**526 900**	**65 566**	**365 761**	**205 563**	**14 825**	**(140 840)**	**1 045 580**	**-**	**1 045 580**
Income tax expense	-	-	-	-	-	**-**	(220 516)	**(220 516)**	-	**(220 516)**
Net profit/(loss) for the period	**7 805**	**526 900**	**65 566**	**365 761**	**205 563**	**14 825**	**(361 356)**	**825 064**	**-**	**825 064**
	-	-	-	-	-	-	-	-	-	-
Assets and liabilities	-	-	-	-	-	-	-	**-**	-	**-**
Segment assets	1 200 022	9 749 717	727 065	7 720 068	2 755 409	841 196	-	**22 993 477**	-	**22 993 477**
Investments in associates and joint ventures recognised using the equity method	-	764	-	-	-	-	-	**764**	-	**764**
Unallocated assets	-	-	-	-	-	-	436 043	**436 043**	-	**436 043**
Total assets	**1 200 022**	**9 750 481**	**727 065**	**7 720 068**	**2 755 409**	**841 196**	**436 043**	**23 430 284**	**-**	**23 430 284**
Segment liabilities	496 260	1 394 426	24 411	1 908 521	1 399 603	121 255	-	**5 344 476**	-	**5 344 476**
Unallocated liabilities	-	-	-	-	-	-	2 873 737	**2 873 737**	-	**2 873 737**
Total liabilities	**496 260**	**1 394 426**	**24 411**	**1 908 521**	**1 399 603**	**121 255**	**2 873 737**	**8 218 213**	**-**	**8 218 213**
	-	-	-	-	-	-	-	-	-	-
Other segment information	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	**-**
Capital expenditure *	69 583	242 951	22 881	488 031	19 308	22 437	-	**865 191**	-	**865 191**
Depreciation/amortization	(80 505)	(404 951)	(17 328)	(483 423)	(5 477)	(38 039)	-	**(1 029 723)**	-	**(1 029 723)**
Impairment of non-financial assets	(37)	(4 931)	26	2 272	-	829	-	**(1 841)**	-	**(1 841)**

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

(in PLN thousand)

3-month period ended 30 September 2011 *(unaudited)*	Coal mining	Generation of electricity and heat using conventional sources	Generation of electricity using renewable sources	Electricity distribution	Sales of electricity and other energy market products	Other	Unallocated items	Total	Eliminations	Total operations
Revenue										
Sales to external customers	137 358	1 398 543	289	362 520	2 856 952	80 035	-	**4 835 697**	-	**4 835 697**
Inter-segment sales	171 450	71 247	57 654	739 547	341 448	6 321	-	**1 387 667**	(1 387 667)	**-**
Segment revenue	**308 808**	**1 469 790**	**57 943**	**1 102 067**	**3 198 400**	**86 356**	-	**6 223 364**	**(1 387 667)**	**4 835 697**
	-	**-**	**-**	**-**	**-**	**-**	-	**-**	**-**	**-**
Profit/(loss) of the segment	**3 549**	**106 859**	**37 493**	**183 883**	**69 884**	**(1 786)**	**918**	**400 800**	**-**	**400 800**
Unallocated expenses	-	-	-	-	-	-	(17 938)	**(17 938)**	-	**(17 938)**
Profit/(loss) from continuing operations before tax and net finance income (costs)	**3 549**	**106 859**	**37 493**	**183 883**	**69 884**	**(1 786)**	**(17 020)**	**382 862**	**-**	**382 862**
Share in profit/(loss) of associate and joint venture recognised using the equity method	-	(188)	-	-	-	-	-	**(188)**	-	**(188)**
Net finance income (costs)	-	**-**	-	-	-	-	(16 067)	**(16 067)**	-	**(16 067)**
Profit/(loss) before income tax	**3 549**	**106 671**	**37 493**	**183 883**	**69 884**	**(1 786)**	**(33 087)**	**366 607**	**-**	**366 607**
Income tax expense	-	-	-	-	-	**-**	(74 198)	**(74 198)**	-	**(74 198)**
Net profit/(loss) for the period	**3 549**	**106 671**	**37 493**	**183 883**	**69 884**	**(1 786)**	**(107 285)**	**292 409**	**-**	**292 409**

(in PLN thousand)

3-month period ended 30 September 2010 *(unaudited)*	Coal mining	Generation of electricity and heat using conventional sources	Generation of electricity using renewable sources	Electricity distribution	Sales of electricity and other energy market products	Other	Unallocated items	Total	Eliminations	Total operations
Revenue										
Sales to external customers	136 643	462 174	14 828	303 285	2 690 733	82 923	-	**3 690 586**	-	**3 690 586**
Inter-segment sales	152 049	899 925	29 029	792 576	162 438	6 173	-	**2 042 190**	(2 042 190)	**-**
Segment revenue	**288 692**	**1 362 099**	**43 857**	**1 095 861**	**2 853 171**	**89 096**	**-**	**5 732 776**	**(2 042 190)**	**3 690 586**
Profit/(loss) of the segment	**2 920**	**165 729**	**22 996**	**138 261**	**39 804**	**(2 748)**	**(2 844)**	**364 118**	**-**	**364 118**
Unallocated expenses	-	-	-	-	-	-	(18 941)	**(18 941)**	-	**(18 941)**
Profit/(loss) from continuing operations before tax and net finance income (costs)	**2 920**	**165 729**	**22 996**	**138 261**	**39 804**	**(2 748)**	**(21 785)**	**345 177**	**-**	**345 177**
Share in profit/(loss) of associate and joint venture recognised using the equity method	-	-	-	-	-	-	-	**-**	-	**-**
Net finance income (costs)	-	-	-	-	-	-	(21 055)	**(21 055)**	-	**(21 055)**
Profit/(loss) before income tax	**2 920**	**165 729**	**22 996**	**138 261**	**39 804**	**(2 748)**	**(42 840)**	**324 122**	**-**	**324 122**
Income tax expense	-	-	-	-	-	-	(72 019)	**(72 019)**	-	**(72 019)**
Net profit/(loss) for the period	**2 920**	**165 729**	**22 996**	**138 261**	**39 804**	**(2 748)**	**(114 859)**	**252 103**	**-**	**252 103**

(in PLN thousand)

Up to the third quarter of 2010 (inclusive) the value of energy certificates used for internal purposes that were obtained due to the generation of electricity using TAURON Sprzedaż Sp. z o.o.'s hydroelectric plants was included in the revenues of the "Sales of electricity and other energy market products" segment. The value of those certificates in the third quarter of 2010 was PLN 53,106 thousand. Since 30 September 2010, which was the date of the separation of an organized part of the enterprise related to the generation of electricity using renewable energy sources out of TAURON Sprzedaż Sp. z o.o. and the take-over of those assets by TAURON Ekoenergia Sp. z o.o., energy certificates have been included in the revenues of the "Generation of electricity using renewable sources" segment.

In the first quarter of 2011, the parent company decided to change the method of unallocated expenses analysis and to include administrative expenses of the parent in this item, after elimination of costs resulting from intercompany transactions. Administrative expenses of the parent company are incurred for the whole Group and are not directly attributable to any single operating segment.

The change in the method of analyzing unallocated expenses affected the presentation of the note relating to operating segments. In prior periods, administrative expenses of the parent were presented in the "Sales of electricity and other energy market products" segment. The note for the comparable period has been restated according to the amended principles of presentation of unallocated expenses as a result of the change in the method of analyzing segments by the Group.

9. Costs by type

	For the 9-month period ended 30 September 2011 *(unaudited)*	For the 9-month period ended 30 September 2010 *(unaudited)*
Costs by type		
Depreciation of property, plant and equipment and amortization of intangible assets	(1 049 816)	(1 029 723)
Impairment of property, plant and equipment and intangible assets	(500)	(1 319)
Materials and energy	(2 136 429)	(1 860 399)
Maitenance and repair services	(152 250)	(148 773)
Distribution services	(941 031)	(965 630)
Other external services	(370 443)	(469 614)
Taxes and charges	(470 337)	(378 172)
Employee benefits expense	(1 816 532)	(1 811 439)
Inventory write-downs	537	(522)
Allowance for doubtful debts	(26 557)	(25 469)
Other	(60 035)	(69 107)
Total costs by type	**(7 023 393)**	**(6 760 167)**
Change in inventories, prepayments, accruals and deferred income	(89 287)	(68 059)
Cost of goods produced for internal purposes	272 609	204 595
Selling and distribution expenses	126 055	165 523
Administrative expenses	483 462	490 283
Cost of goods for resale and materials sold	(7 004 745)	(3 169 941)
Cost of sales	**(13 235 299)**	**(9 137 766)**

(in PLN thousand)

10. Income tax

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 2011 *(unaudited)*	For the 9-month period ended 30 September 2010 *(unaudited)*
Current income tax	**(166 335)**	**(160 475)**
Current income tax expense	(164 777)	(158 247)
Adjustments to current income tax from previous years	(1 558)	(2 228)
Deferred tax	**(94 781)**	**(60 041)**
Income tax in profit or loss	**(261 116)**	**(220 516)**
Income tax relating to other comprehensive income	**-**	**2 314**

Deferred income tax

Deferred income tax relates to the following:

	As at 30 September 2011 *(unaudited)*	As at 31 December 2010
Deferred tax liability		
- investment tax credits	94	102
- difference between tax base and carrying amount of fixed and intangible assets	1 594 392	1 545 106
- difference between tax base and carrying amount of financial assets	12 917	11 229
- difference between tax base and carrying amount of financial assets excluded from the scope of IAS 39	418	101
- different timing of recognition of sales revenue for tax purposes	87 490	69 601
- recognition of estimated revenue from sale of power distribution services	9 194	14 292
- difference between tax base and carrying amount of property rights arising from energy certificates	33 940	14 085
- compensation for termination of long-term contracts	75 471	86 103
- other	36 823	15 796
Deferred tax liability	**1 850 739**	**1 756 415**

(in PLN thousand)

	As at 30 September 2011 *(unaudited)*	As at 31 December 2010
Deferred tax assets		
- difference between tax base and carrying amount of fixed and intangible assets	5 374	5 661
- difference between tax base and carrying amount of inventories	2 079	1 877
- difference between tax base and carrying amount of other non-financial assets	221	213
- power infrastructure received free of charge and connection fees obtained	86 744	88 085
- provisions	427 100	437 423
- difference between tax base and carrying amount of financial assets	10 000	6 036
- difference between tax base and carrying amount of financial assets excluded from the scope of IAS 39	42	42
- difference between tax base and carrying amount of financial liabilities	3 425	935
- difference between tax base and carrying amount of liabilities under guarantees, factoring and excluded from the scope of IAS 39	2 179	2 262
- different timing of recognition of cost of sales for tax purposes	64 141	56 914
- other accrued expenses	27 092	5 597
- tax losses	61 453	47 340
- different timing of recognition of revenue from sales of greenhouse gas emission allowances for tax purposes	-	31 920
- other	12 295	18 301
Deferred tax assets	**702 145**	**702 606**
After the offsetting of balances at the level of individual Group companies, deferred tax for the Group is presented as:		
Deferred tax asset	**159 807**	**161 806**
Deferred tax liability	**(1 308 401)**	**(1 215 615)**

11. Cash and cash equivalents

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

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

	As at 30 September 2011 *(unaudited)*	As at 31 December 2010
Cash at bank and in hand	146 064	366 849
Short-term deposits (up to 3 months)	738 333	1 106 180
Other	207	952
Total cash and cash equivalents presented in the statement of financial position, *of which*:	**884 604**	**1 473 981**
- restricted cash	96 679	165 862
Bank overdraft	-	(2 464)
Foreign exchange and other differences	(89)	143
Total cash and cash equivalents presented in the statement of cash flows	**884 515**	**1 471 660**

Restricted cash consists mainly of cash held in the parent's settlement account used for trading in electricity at Towarowa Giełda Energii S.A. (Polish Power Exchange), amounting to PLN 85,722 thousand.

12. Dividends paid and proposed

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 gives PLN 0.15 per share, This amount is 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 represents part of the Company's net profit for 2009 allocated to the reserve capital. The dividend payment date was 20 July 2011.

(in PLN thousand)

13. Intangible assets

Movements in the period from 1 January to 30 September 2011 *(unaudited)*

	Development expenses	Goodwill	Software	Other acquired concessions, patents, licences and similar items	Energy certificates	Greenhouse gas emission allowances	Other intangible assets	Intangible assets not made available for use	Intangible assets, total
COST									
Opening balance	**4 389**	**169 553**	**210 046**	**3 371**	**523 017**	**161 150**	**4 430**	**10 362**	**1 086 318**
Direct purchase	-	-	156	226	442 420	89 315	-	24 011	**556 128**
Transfer of intangible assets not made available for use	-	-	14 205	4	-	-	4 312	(18 521)	**-**
Sale, disposal	-	-	(21)	-	-	(6 081)	-	-	**(6 102)**
Donations and free-of-charge transfers	-	-	(55)	-	-	-	-	-	**(55)**
Reclassification	-	-	414	(414)	-	-	-	-	**-**
Liquidation	-	-	(2 164)	(11)	-	-	(71)	-	**(2 246)**
Received free of charge	-	-	-	-	-	-	136	-	**136**
Energy certificates generated internally	-	-	-	-	212 113	-	-	-	**212 113**
Cancellation of energy certificates	-	-	-	-	(593 565)	-	-	-	**(593 565)**
Depreciation of greenhouse gas emission allowances	-	-	-	-	-	(104 750)	-	-	(104 750)
Transfers from assets under construction	-	-	84	-	-	-	121	769	**974**
Acquisition of subsidiary	-	51 576	-	-	-	-	-	-	**51 576**
Other movements	-	-	-	-	(36)	27	-	(243)	**(252)**
Foreign exchange differences from translation of foreign entities	-	-	-	-	-	-	-	6	**6**
Closing balance	**4 389**	**221 129**	**222 665**	**3 176**	**583 949**	**139 661**	**8 928**	**16 384**	**1 200 281**
ACCUMULATED AMORTIZATION									
Opening balance	**(2 913)**	**-**	**(109 559)**	**(1 247)**	**-**	**(22)**	**(1 596)**	**(450)**	**(115 787)**
Amortization for the period	(426)	-	(25 204)	(376)	-	-	(542)	-	**(26 548)**
Increase of impairment	-	-	-	-	-	(1 597)	-	-	**(1 597)**
Decrease of impairment	-	-	-	-	-	22	-	-	**22**
Reclassification	-	-	(105)	105	-	-	-	-	**-**
Sale, disposal	-	-	21	-	-	-	-	-	**21**
Donations and free-of-charge transfers	-	-	36	-	-	-	-	-	**36**
Liquidation	-	-	1 921	11	-	-	62	-	**1 994**
Other movements	-	-	-	-	-	-	-	-	**-**
Foreign exchange differences from translation of foreign entities	-	-	-	-	-	-	-	-	**-**
Closing balance	**(3 339)**	**-**	**(132 890)**	**(1 507)**	**-**	**(1 597)**	**(2 076)**	**(450)**	**(141 859)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**1 476**	**169 553**	**100 487**	**2 124**	**523 017**	**161 128**	**2 834**	**9 911**	**970 530**
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**1 050**	**221 129**	**89 775**	**1 669**	**583 949**	**138 064**	**6 852**	**15 934**	**1 058 422**

(in PLN thousand)

Movements in the period from 1 January to 30 September 2010 *(unaudited)*

	Development expenses	Goodwill	Software	Other acquired concessions, patents, licences and similar items	Energy certificates	Greenhouse gas emission allowances	Other intangible assets	Intangible assets not made available for use	Intangible assets, total
COST									
Opening balance	**4 104**	**169 553**	**187 529**	**3 034**	**481 885**	**52 701**	**3 969**	**7 266**	**910 041**
Direct purchase	-	-	212	368	219 009	-	-	12 428	**232 017**
Transfer of intangible assets not made available for use	-	-	8 868	-	-	-	250	(9 118)	**-**
Sale, disposal	-	-	-	-	(1 034)	-	-	-	**(1 034)**
Reclassification	-	-	19	-	-	-	(19)	-	**-**
Liquidation	-	-	(426)	(28)	-	-	(1)	-	**(455)**
Received free of charge	-	-	-	-	-	-	-	-	**-**
Contribution in kind	-	-	(44)	-	-	-	-	-	**(44)**
Energy certificates generated internally	-	-	-	-	241 037	-	-	-	**241 037**
Cancellation of energy certificates	-	-	-	-	(483 830)	-	-	-	**(483 830)**
Transfers from assets under construction	-	-	262	-	-	-	200	2 136	**2 598**
Other movements	-	-	16	-	(464)	-	-	25	**(423)**
Foreign exchange differences from translation of foreign entities	-	-	-	-	-	-	-	13	**13**
Closing balance	**4 104**	**169 553**	**196 436**	**3 374**	**456 603**	**52 701**	**4 399**	**12 750**	**899 920**
ACCUMULATED AMORTISATION									**-**
Opening balance	**(2 038)**	**-**	**(80 615)**	**(878)**	**-**	**-**	**(1 309)**	**(450)**	**(85 290)**
Amortisation for the period	(664)	-	(22 981)	(371)	-	-	(386)	-	**(24 402)**
Increase of impairment	-	-	-	-	-	-	-	-	**-**
Decrease of impairment	-	-	2	-	-	-	-	-	**2**
Sale, disposal	-	-	-	-	-	-	-	-	**-**
Reclassification	-	-	(241)	(1)	-	-	242	-	**-**
Liquidation	-	-	291	28	-	-	1	-	**320**
Contribution in kind	-	-	16	-	-	-	-	-	**16**
Other movements	-	-	(15)	-	-	-	-	-	**(15)**
Foreign exchange differences from translation of foreign entities	-	-	-	-	-	-	-	-	**-**
Closing balance	**(2 702)**	**-**	**(103 543)**	**(1 222)**	**-**	**-**	**(1 452)**	**(450)**	**(109 369)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**2 066**	**169 553**	**106 914**	**2 156**	**481 885**	**52 701**	**2 660**	**6 816**	**824 751**
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**1 402**	**169 553**	**92 893**	**2 152**	**456 603**	**52 701**	**2 947**	**12 300**	**790 551**

(in PLN thousand)

14. Property, plant and equipment

Movements in the period from 1 January to 30 September 2011 *(unaudited)*

	Land	Perpetual usufruct	Buildings, premises and constructions	Plant and machinery	Motor vehicles	Other	Tangible fixed assets, total	Assets under construction	Property, plant and equipment, total
COST									
Opening balance	**61 995**	**789 048**	**10 656 165**	**9 753 514**	**255 375**	**257 369**	**21 773 466**	**723 919**	**22 497 385**
Adjustments	(3 425)	3 425	-	-	-	-	**-**	-	**-**
Opening balance after adjustments	**58 570**	**792 473**	**10 656 165**	**9 753 514**	**255 375**	**257 369**	**21 773 466**	**723 919**	**22 497 385**
Direct purchase	-	100	235	709	37	139	**1 220**	1 271 166	**1 272 386**
Transfer of assets under construction	1 869	447	418 422	346 597	8 887	29 120	**805 342**	(805 342)	**-**
Sale, disposal	(41)	(5 026)	(9 177)	(3 891)	(2 380)	(926)	**(21 441)**	(10 483)	**(31 924)**
Reclassification	1	(1)	40	(45)	-	5	**-**	-	**-**
Donations and free-of-charge transfers	-	-	-	(212)	(3)	(180)	**(395)**	-	**(395)**
Liquidation	(4)	(5)	(20 425)	(119 817)	(1 828)	(2 908)	**(144 987)**	(403)	**(145 390)**
Received free of charge	26	407	13 508	431	-	-	**14 372**	-	**14 372**
Acquisition of subsidiary	-	-	59 801	118 813	-	-	**178 614**	-	**178 614**
Received for use under rental, lease or similar agreements	-	-	-	4 542	598	-	**5 140**	(4 542)	**598**
Spare parts allocated to fixed assets	-	-	-	(5 541)	-	(284)	**(5 825)**	-	**(5 825)**
Overhaul expenses	-	-	455	1 562	-	-	**2 017**	77 152	**79 169**
Write-off of discontinued investments	-	-	-	-	-	-	**-**	(295)	**(295)**
Transfers to intangible assets	-	-	-	-	-	-	**-**	(974)	**(974)**
Items discovered	-	1	2 906	20	-	1	**2 928**	-	**2 928**
Items generated internally	-	-	-	-	-	-	**-**	24 172	**24 172**
Other movements	(27)	(7)	(53)	(20)	-	237	**130**	8 125	**8 255**
Foreign exchange differences from translation of foreign entities	-	-	-	1	-	-	**1**	-	**1**
Closing balance	**60 394**	**788 389**	**11 121 877**	**10 096 663**	**260 686**	**282 573**	**22 610 582**	**1 282 495**	**23 893 077**
ACCUMULATED DEPRECIATION									
Opening balance	**(374)**	**(1 341)**	**(2 353 470)**	**(2 391 976)**	**(93 111)**	**(126 277)**	**(4 966 549)**	**(5 900)**	**(4 972 449)**
Depreciation for the period	-	-	(450 747)	(519 619)	(26 667)	(26 235)	**(1 023 268)**	-	**(1 023 268)**
Increase of impairment	(322)	(46)	(625)	(782)	1	(36)	**(1 810)**	-	**(1 810)**
Decrease of impairrment	-	16	45	2 302	102	276	**2 741**	144	**2 885**
Sale, disposal	-	290	8 243	3 380	1 933	574	**14 420**	-	**14 420**
Reclassification	-	-	-	-	-	-	**-**	-	**-**
Donations and free-of-charge transfers	-	-	-	187	3	127	**317**	-	**317**
Liquidation	-	-	8 547	114 569	1 631	2 191	**126 938**	399	**127 337**
Received free of charge	-	-	-	-	-	-	**-**	-	**-**
Other movements	-	-	-	(12)	-	(239)	**(251)**	67	**(184)**
Foreign exchange differences from translation of foreign entities	-	-	-	(1)	-	-	**(1)**	-	**(1)**
Closing balance	**(696)**	**(1 081)**	**(2 788 007)**	**(2 791 952)**	**(116 108)**	**(149 619)**	**(5 847 463)**	**(5 290)**	**(5 852 753)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**61 621**	**787 707**	**8 302 695**	**7 361 538**	**162 264**	**131 092**	**16 806 917**	**718 019**	**17 524 936**
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**59 698**	**787 308**	**8 333 870**	**7 304 711**	**144 578**	**132 954**	**16 763 119**	**1 277 205**	**18 040 324**

(in PLN thousand)

Movements in the period from 1 January to 30 September 2010 *(unaudited)*

	Land	Perpetual usufruct	Buildings, premises and constructions	Plant and machinery	Motor vehicles	Other	Tangible fixed assets, total	Assets under construction	Property, plant and equipment, total
COST									
Opening balance	**57 747**	**783 111**	**10 090 384**	**9 247 487**	**213 779**	**221 163**	**20 613 671**	**351 397**	**20 965 068**
Direct purchase	182	-	-	573	767	177	**1 699**	751 275	**752 974**
Transfer of assets under construction	2 322	1 407	291 589	296 063	4 746	21 540	**617 667**	(617 667)	**-**
Sale, disposal	(896)	(1 478)	(3 443)	(768)	(1 396)	(51)	**(8 032)**	(23)	**(8 055)**
Reclassification	-	-	14 245	(14 261)	-	16	**-**	-	**-**
Donations and free-of-charge transfers	-	(4 159)	(615)	(37)	(14)	-	**(4 825)**	-	**(4 825)**
Liquidation	(245)	(10)	(10 006)	(42 562)	(398)	(3 173)	**(56 394)**	-	**(56 394)**
Received free of charge	3	9 649	12 774	1 383	-	54	**23 863**	-	**23 863**
Contribution in kind	-	(362)	(3 464)	(139)	-	(203)	**(4 168)**	(57)	**(4 225)**
Received for use under rental, lease or similar agreements	-	-	-	298	890	-	**1 188**	(298)	**890**
Spare parts allocated to fixed assets	-	-	(54)	(426)	-	1 291	**811**	-	**811**
Overhaul expenses	-	-	-	5 761	-	-	**5 761**	71 200	**76 961**
Write-off of discontinued investments	-	-	-	-	-	-	**-**	(945)	**(945)**
Transfers to intangible assets	-	-	-	-	-	-	**-**	(2 598)	**(2 598)**
Items discovered	-	347	223	221	-	63	**854**	-	**854**
Items generated internally	-	-	-	-	-	-	**-**	21 358	**21 358**
Other movements	5	155	67	8 233	94	28	**8 582**	(288)	**8 294**
Foreign exchange differences from translation of foreign entities	-	-	-	2	-	-	**2**	-	**2**
Closing balance	**59 118**	**788 660**	**10 391 700**	**9 501 828**	**218 468**	**240 905**	**21 200 679**	**573 354**	**21 774 033**
ACCUMULATED DEPRECIATION									
Opening balance	**(867)**	**(1 065)**	**(1 755 603)**	**(1 774 164)**	**(64 427)**	**(97 229)**	**(3 693 355)**	**(11 140)**	**(3 704 495)**
Depreciation for the period	-	-	(461 755)	(497 541)	(23 375)	(22 651)	**(1 005 322)**	-	**(1 005 322)**
Increase of impairment	-	-	(4 964)	(691)	(32)	(17)	**(5 704)**	-	**(5 704)**
Decrease of impairrment	493	24	3 175	363	7	49	**4 111**	272	**4 383**
Sale, disposal	-	-	278	539	713	38	**1 568**	-	**1 568**
Reclassification	-	-	(1 868)	1 596	-	-	**(272)**	272	**-**
Donations and free-of-charge transfers	-	-	318	33	9	-	**360**	-	**360**
Liquidation	-	-	5 951	40 420	363	1 967	**48 701**	-	**48 701**
Received free of charge	-	-	-	-	-	-	**-**	-	**-**
Contribution in kind	-	-	225	80	-	159	**464**	-	**464**
Other movements	-	(4)	(50)	(127)	(71)	(28)	**(280)**	(75)	**(355)**
Foreign exchange differences from translation of foreign entities	-	-	-	(1)	-	-	**(1)**	-	**(1)**
Closing balance	**(374)**	**(1 045)**	**(2 214 293)**	**(2 229 493)**	**(86 813)**	**(117 712)**	**(4 649 730)**	**(10 671)**	**(4 660 401)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**56 880**	**782 046**	**8 334 781**	**7 473 323**	**149 352**	**123 934**	**16 920 316**	**340 257**	**17 260 573**
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**58 744**	**787 615**	**8 177 407**	**7 272 335**	**131 655**	**123 193**	**16 550 949**	**562 683**	**17 113 632**

(in PLN thousand)

15. Inventories

	As at 30 September 2011 *(unaudited)*	As at 31 December 2010
Historical cost		
Raw materials	311 021	294 712
Semi-finished goods and work-in-progress	72 784	87 409
Finished goods	3 366	11 195
Goods for resale	20	14
Property rights arising from energy certificates	19 507	15 626
Emission allowances	2 791	4 664
Total	**409 489**	**413 620**
Write-downs to net realizable value		
Raw materials	(3 995)	(4 578)
Semi-finished goods and work-in-progress	-	-
Finished goods	(177)	(277)
Goods for resale	-	-
Property rights arising from energy certificates	-	-
Emission allowances	(80)	(205)
Total	**(4 252)**	**(5 060)**
Net realizable value		
Raw materials	307 026	290 134
Semi-finished goods and work-in-progress	72 784	87 409
Finished goods	3 189	10 918
Goods for resale	20	14
Property rights arising from energy certificates	19 507	15 626
Emission allowances	2 711	4 459
Total	**405 237**	**408 560**

16. Trade receivables

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

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

The value of trade receivables at the end of the 9-month period ended 30 September 2011 is presented in the table below.

Trade receivables

	As at 30 September 2011 *(unaudited)*	As at 31 December 2010
Value of item before allowance/write-down	1 612 012	1 684 000
Allowance/write-down	(103 408)	(116 063)
Value of item net of allowance (carrying amount)	**1 508 604**	**1 567 937**

(in PLN thousand)

17. Equity

17.1. Issued capital

Issued capital as at 30 September 2011 *(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**	

Issued capital as at 31 December 2010

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	9	14 304 949	cash/in-kind contribution
BB	registered shares	-	163 110 632	9	1 467 996	in-kind contribution
		Total	**1 752 549 394**		**15 772 945**	

On 25 March 2011, the District Court in Katowice registered a decrease of the Company's share capital effected by way of the reduction of the nominal value of shares. The share capital decreased from PLN 15,772,945 thousand to PLN 8,762,747 thousand, due to the reduction of the nominal value of each share from PLN 9 to PLN 5. The resulting amount of PLN 7,010,198 thousand was allocated to the reserve capital. The decrease of the share capital was made in order to restructure the Company's equity.

Shareholding structure as at 30 September 2011 *(to the Company's best knowledge)*

Shareholder	Nominal 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%
Other shareholders	5 217 775	59.55%	59.55%
Total	**8 762 747**	**100.00%**	**100.00%**

Shareholding structure as at 31 December 2010 (to the Company's best knowledge)

Shareholder	Nominal value of shares	% of issued capital	% of total vote
State Treasury (notification of 28 February 2011)	6 618 257	41.96%	41.96%
KGHM Polska Miedź S.A.	736 402	4.67%	4.67%
Other shareholders	8 418 286	53.37%	53.37%
Total	**15 772 945**	**100.00%**	**100.00%**

(in PLN thousand)

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

In the current period, movements in reserve capital resulted from the following events:

- In accordance with the resolution of the Ordinary General Shareholders' Meeting of TAURON Polska Energia S.A. dated 6 May 2011, described in detail in Note 12 to the interim condensed consolidated financial statements, part of the Company's reserve capital in the amount of PLN 72,404 thousand resulting from the net profit for 2009 was allocated for the payment of dividend to the Company's shareholders.
- As a result of registration of the decrease of the Company's share capital by way of reduction of the nominal value of shares with the District Court in Katowice on 25 March 2011, as described in detail in Note 17.1 to the interim condensed consolidated financial statements, an amount of PLN 7,010,198 thousand was allocated to the Company's reserve capital. The aforementioned amount is not a subject to distribution for dividend payment.

In the current period, movements in retained earnings were as follows:

- Net profit for the period attributable to equity holders of the parent in the amount of PLN 994,504 thousand;
- In accordance with the resolution of the Ordinary General Shareholders' Meeting of TAURON Polska Energia S.A. dated 6 May 2011, described in detail in Note 12 to the interim condensed consolidated financial statements, an amount of PLN 190,478 thousand resulting from the Company's profit for 2010 was allocated for the payment of dividend to the Company's shareholders;
- An increase of PLN 22,632 thousand resulting from the restructuring processes taking place in the Group, including among others the acquisition of non-controlling interests and the reacquisition of non-controlling interests by the Group's subsidiaries for the purpose of redemption (squeeze-out), as discussed in detail in Note 22 to the interim condensed consolidated financial statements.

Part of retained earnings amounting to PLN 1,072,965 thousand, which is mainly comprised of the parent's net profit for the current period amounting to PLN 1,072,932 thousand, is subject to distribution.

18. Provisions and employee benefits

Movement in provisions for employee benefits in the 9-month period ended 30 September 2011 *(unaudited)*

	Provision for retirement, disability and similar benefits	Employee electricity rates	Social Fund	Provision for coal allowances	Jubilee bonuses	Voluntary Redundancy Scheme (VRS)	Provisions, total
Opening balance	**183 009**	**351 573**	**105 955**	**33 526**	**468 688**	**50 330**	**1 193 081**
Current service costs	6 624	3 611	1 636	1 296	19 871	-	**33 038**
Actuarial gains and losses	4 281	(3 945)	(1 474)	526	3 423	-	**2 811**
Benefits paid	(15 613)	(9 952)	(1 561)	(915)	(44 166)	(41 574)	**(113 781)**
Past service costs	-	5 951	-	-	-	-	**5 951**
Interest expense	9 530	16 854	4 774	1 697	18 733	-	**51 588**
Recognition of provision for VRS	-	-	-	-	-	36 914	**36 914**
Reversal of provision for VRS	-	-	-	-	-	(442)	**(442)**
Closing balance	**187 831**	**364 092**	**109 330**	**36 130**	**466 549**	**45 228**	**1 209 160**
CURRENT	**30 613**	**19 848**	**4 723**	**1 281**	**51 448**	**45 228**	**153 141**
NON-CURRENT	**157 218**	**344 244**	**104 607**	**34 849**	**415 101**	**-**	**1 056 019**

(in PLN thousand)

Movement in provisions for employee benefits in the 9-month period ended 30 September 2010 *(unaudited)*

	Provision for retirement, disability and similar benefits	Employee electricity rates	Social Fund	Provision for coal allowances	Jubilee bonuses	Voluntary Redundancy Scheme (VRS)	Provisions, total
Opening balance	**176 385**	**319 772**	**98 009**	**26 642**	**441 186**	**-**	**1 061 994**
Current service costs	5 945	3 505	1 541	450	19 255	-	**30 696**
Actuarial gains and losses	(6 834)	(6 263)	(1 047)	188	3 782	-	**(10 174)**
Benefits paid	(11 988)	(8 759)	(2 746)	(630)	(43 150)	(18 840)	**(86 113)**
Past service costs	-	5 959	-	-	-	-	**5 959**
Contribution in kind	(229)	(249)	(168)	-	(586)	-	**(1 232)**
Interest expense	8 813	16 852	4 647	1 123	18 394	-	**49 829**
Recognition of provision for VRS	-	-	-	-	-	53 213	**53 213**
Closing balance	**172 092**	**330 817**	**100 236**	**27 773**	**438 881**	**34 373**	**1 104 172**
CURRENT	**29 852**	**19 595**	**4 658**	**1 151**	**51 911**	**23 245**	**130 412**
NON-CURRENT	**142 240**	**311 222**	**95 578**	**26 622**	**386 970**	**11 128**	**973 760**

In the 9-month period ended 30 September 2011, the Group continued to run the voluntary redundancy schemes (”VRS”) that were implemented in 2010.

In the 9-month period ended 30 September 2011, TAURON Wytwarzanie S.A. recognized a provision in the amount of PLN 12,836 thousand, while part of the provision amounting to PLN 442 thousand was reversed due to the resignation of some individuals from participation in the scheme. The related benefits paid out during the period amounted to PLN 12,757 thousand.

In the 9-month period ended 30 September 2011, TAURON Dystrybucja S.A. paid out benefits amounting to PLN 25,407 thousand. Additionally, a provision of PLN 3,556 thousand was recognized due to the change in the conditions of the scheme implemented by way of an annex in June 2011.

In addition, a Redundancy Payment Scheme was set up as part of voluntary redundancy schemes in the TAURON Dystrybucja S.A. subsidiary based on the Regulation dated 13 April 2011. As a result, the company recognized a provision of PLN 20,522 thousand for redundancy payments due to the employees joining the scheme. Up to the balance sheet date, an amount of PLN 3,410 thousand was paid out under this scheme.

In addition, a voluntary redundancy scheme was set up in Przedsiębiorstwo Energetyki Cieplnej Katowice S.A., currently TAURON Ciepło S.A., based on the Regulation dated 28 April 2011. The benefits under this scheme, amounting to PLN 963 thousand, were paid out by the company in May 2011, hence there was no need to recognize a provision for the costs of the scheme. Another voluntary redundancy scheme was also set up based on the resolution dated 10 August 2011 in Przedsiębiorstwo Energetyki Cieplnej w Dąbrowie Górniczej S.A., which was acquired by TAURON Ciepło S.A. in September 2011. The benefits of PLN 1,287 thousand resulting from this scheme were paid out by Przedsiębiorstwo Energetyki Cieplnej w Dąbrowie Górniczej S.A. in August 2011, hence there was no need to recognize a provision for the costs of the scheme.

As at 30 September 2011, the following provisions were recognized for amounts payable under voluntary redundancy schemes:

- PLN 26,641 thousand in TAURON Dystrybucja S.A.;
- PLN 18,587 thousand in TAURON Wytwarzanie S.A.

As at 30 September 2010, the provisions were as follows:

- PLN 8,427 thousand in ENION S.A. and PLN 6,900 thousand in EnergiaPro S.A., i.e. the total of PLN 15,327 thousand in the distribution segment;
- PLN 19,046 thousand in Południowy Koncern Energetyczny S.A. (currently TAURON Wytwarzanie S.A.).

(in PLN thousand)

The total amount of benefits paid out in the 9-month period ended 30 September 2010 was PLN 18,840 thousand.

Except for the provision for payments made under the voluntary redundancy scheme, the Group determines provisions for future employee benefits at an amount estimated using actuarial methods, taking into account the discount rate defined on the basis of market rates of return from treasury bonds. The forecasted provisions for 2011 were prepared based on the previously calculated provisions as at 31 December 2010. Analysis of provisions into non-current and current is made by the Group based on estimates relating to the distribution of payments over time, prepared using actuarial techniques.

The forecast was prepared based on the assumptions used for calculation of provisions as at 31 December 2010. The main assumptions adopted by the actuary as at 31 December 2010 for the calculation of the amount of liability are as follows:

	31 December 2010
Discount rate (%)	5.50%
Estimated inflation rate (%)	2.50%
Employee rotation rate (%)	0.48%-4.82%
Estimated salary increase rate (%)	2.50%
Estimated electricity price increase rate (%)	2.80%
Estimated increase rate for contribution to the Social Fund (%)	4.20%
Remaining average employment period	9.62-16.30

19. Provisions

19.1. Movements in provisions

Movement in provisions for the 9-month period ended 30 September 2011 *(unaudited)*

	Provision for counterparty claims, onerous contracts	**Provision for restructuring**	**Provision for restoration of land and dismantling and removal of fixed assets**	**Provision for gas emission obligations**	**Provision for obligation to surrender energy certificates**	**Provision for use of real estate under power generation facilities without contract and other provisions**	**Provisions, total**
Opening balance	**34 274**	**612**	**34 699**	**101 173**	**787 031**	**66 903**	**1 024 692**
Discount rate adjustment	-	-	761	-	-	-	**761**
Recognition	10 168	797	690	63 449	798 623	17 571	**891 298**
Reversal	(3 279)	-	-	-	(9 318)	(9 884)	**(22 481)**
Utilization	(80)	(1 409)	-	(104 728)	(928 635)	(3 630)	**(1 038 482)**
Other movements	(570)	-	1 087	-	(2 153)	570	**(1 066)**
Closing balance	**40 513**	**-**	**37 237**	**59 894**	**645 548**	**71 530**	**854 722**
CURRENT	**40 513**	**-**	**-**	**48 237**	**645 548**	**70 813**	**805 111**
NON-CURRENT	**-**	**-**	**37 237**	**11 657**	**-**	**717**	**49 611**

(in PLN thousand)

Movement in provisions for the 9-month period ended 30 September 2010 *(unaudited)*

	Provision for counterparty claims, court disputes, onerous contracts	Provision for disputes with employees, restructuring	Provision for restoration of land and dismantling and removal of fixed assets	Provision for gas emission obligations	Provision for obligation to submit energy certificates	Provision for use of real estate under power generation facilities without contract and other provisions	Provisions, total
Opening balance	**19 552**	**238**	**22 639**	**-**	**750 015**	**62 360**	**854 804**
Discount rate adjustment	-	-	721	-	-	-	**721**
Recognition	13 525	-	8 554	-	762 892	6 167	**791 138**
Reversal	(1 381)	-	-	-	(10 478)	(1 377)	**(13 236)**
Utilisation	(134)	-	-	-	(803 456)	(4 540)	**(808 130)**
Other movements	-	-	2 228	-	-	-	**2 228**
Closing balance	**31 562**	**238**	**34 142**	**-**	**698 973**	**62 610**	**827 525**
CURRENT	**31 562**	**238**	**-**	**-**	**698 973**	**61 873**	**792 646**
NON-CURRENT	**-**	**-**	**34 142**	**-**	**-**	**737**	**34 879**

19.2. Details of significant provisions

19.2.1 Provision for counterparty claims, court disputes, onerous contracts

19.2.1.1 Provision for proceedings before the Competition and Consumers Protection Office

Provision for the proceedings pending before the Competition and Consumers Protection Office amounts to PLN 15,850 thousand and did not change in comparison to the provision as at 31 December 2010.

19.2.1.2 Provision for claims of ArcelorMittal Poland S.A.

Provision for the claims of ArcelorMittal Poland S.A. amounts to PLN 7,200 thousand and did not change in comparison to the provision as at 31 December 2010.

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

Based on the requirements of the Geological and Mining Law, Południowy Koncern Węglowy S.A. and Kopalnia Wapienia Czatkowice Sp. z o.o. recognize provisions for future decommissioning costs of their mining facilities. These provisions are recognized based on the estimate of the anticipated decommissioning costs related to the dismantling and removal of mining and other technological facilities and the restoration of land to its original condition after completion of mining activities. The amounts of the provisions are estimated based on expert studies and technological and economic analyses prepared by in-house staff or external experts. The amounts of the provisions are estimated and reviewed at each balance sheet date on the basis of current cost estimates, assessments of the usage of land and inflation and discount rates. As at 30 September 2011, the provision recognized by Kopalnia Wapienia Czatkowice Sp. z o.o. amounted to PLN 3,543 thousand, and the provision recognized by Południowy Koncern Węglowy S.A. amounted to PLN 24,863 thousand. The amounts of the provisions include the balances of the Mine Decommissioning Funds set up by these entities.

Due to the legal obligation to dismantle and remove fixed assets after the period of their usage, TAURON Wytwarzanie S.A. recognizes a provision for the estimated future costs necessary to discharge of this obligation. As at 30 September 2011, the provision amounted to PLN 8,831 thousand.

19.2.3 Provision for gas emission related obligations

As a result of the purchase of greenhouse gas emission allowances, TAURON Wytwarzanie S.A. and Elektrociepłownia EC Nowa Sp. z o.o. recognized a provision for the cost of surrendering those allowances for cancellation, which amounted to PLN 59,894 thousand as at 30 September 2011.

19.2.4 Provision for obligation to surrender energy certificates

Due to the sale of electricity to final users, the Group is required to surrender for cancellation a certain amount of certificates of electricity generated using renewable sources, gas-fired plants and cogeneration. As at 30 September 2011, the provision recognized in this respect amounted to PLN 645,548 thousand.

19.2.5 Other provisions

19.2.5.1 Provision for use of land without a contract

The Group companies recognize provisions for all claims reported by the owners of real estate on which distribution systems and heat installations are located. As at 30 September 2011, the provision amounted to PLN 29,965 thousand. The companies do not recognize provisions for unreported potential claims from owners of land with an unregulated status.

19.2.5.2 Provision for real estate tax

Due to pending tax proceedings, Południowy Koncern Węglowy S.A. recognized a provision for the real estate tax on workings and the related structures. The provision including interest for late payments for the period from 2006 to 30 September 2011 amounted to PLN 19,869 thousand.

The remaining amount includes provisions for reported and acknowledged mining damages and potential penalties and indemnities.

(in PLN thousand)

20. Accruals

20.1. Deferred income and government grants

	As at 30 September 2011 *(unaudited)*	As at 31 December 2010
Deferred income		
Donations, fixed assets received free-of-charge	189 097	186 784
Non-government subsidies	404	461
Perpetual usufruct	536	572
Subsidies for the purchase of fixed assets	58 588	59 290
Connection fees	320 587	334 352
Other deferred income	6 179	12 245
Total, *of which:*	**575 391**	**593 704**
Non-current	529 184	540 789
Current	46 207	52 915
Government grants		
Forgiven loans from environmental funds	9 552	10 040
Other deferred government grants	95 938	98 333
Total, *of which:*	**105 490**	**108 373**
Non-current	99 268	103 733
Current	6 222	4 640

Other deferred government grants comprise mainly government grants received by Południowy Koncern Węglowy S.A. for initial investments in coal mines, amounting to PLN 41,497 thousand, and the remeasurement of preferential loans received by TAURON Wytwarzanie S.A. to market value, amounting to PLN 42,354 thousand.

20.2. Accrued expenses

	As at 30 September 2011 *(unaudited)*	As at 31 December 2010
Unused holidays	15 346	22 301
Bonuses	180 506	99 301
Excise tax accrued	12 217	5 249
Environmental protection charges	10 741	-
Other	2 819	5 306
Total, *of which*:	**221 629**	**132 157**
Non-current	-	-
Current	221 629	132 157

The increase of accrued expenses for bonuses results mainly from the implementation of changes in remuneration principles by the Group companies.

(in PLN thousand)

21. Interest-bearing loans and borrowings (including issued debentures)

Loans taken out as at 30 September 2011 and 31 December 2010 are presented in the tables below.

Loans taken out as at 30 September 2011 *(unaudited)*

Currency	Interest rate	Value of loans as at the balance sheet date *(unaudited)*		of which maturing within (after the balance sheet date):					
		currency	PLN	less than 3 months	3-12 months	1-2 years	2-3 years	3-5 years	over 5 years
PLN	floating	359 355	359 355	73 035	111 825	108 405	43 250	12 818	10 022
	fixed	10 869	10 869	-	1 019	1 359	1 359	2 717	4 415
Total PLN		**370 224**	**370 224**	**73 035**	**112 844**	**109 764**	**44 609**	**15 535**	**14 437**
EUR	floating	2 000	8 824	679	2 036	2 715	2 715	679	-
USD	floating	1 871	6 095	6 095	-	-	-	-	-
Total			**385 143**	**79 809**	**114 880**	**112 479**	**47 324**	**16 214**	**14 437**
Interest increasing carrying amount			427						
Total loans			**385 570**						

Loans taken out as at 31 December 2010

Currency	Interest rate	Value of loans as at the balance sheet date		of which maturing within (after the balance sheet date):					
		currency	PLN	less than 3 months	3-12 months	1-2 years	2-3 years	3-5 years	over 5 years
PLN	floating	534 046	534 046	152 240	158 589	168 500	36 576	18 119	22
	fixed	210	210	210	-	-	-	-	-
Total PLN		**534 256**	**534 256**	**152 450**	**158 589**	**168 500**	**36 576**	**18 119**	**22**
EUR	floating	2 461	9 748	609	1 828	2 437	2 437	2 437	-
USD	floating	3 641	10 793	-	10 793	-	-	-	-
Total			**554 797**	**153 059**	**171 210**	**170 937**	**39 013**	**20 556**	**22**
Interest increasing carrying amount			401						
Total loans			**555 198**						

Presented below are movements in loans, excluding interest increasing their carrying amount, in the 9-month periods ended 30 September 2011 and 30 September 2010.

	9-month period ended 30 September 2011 *(unaudited)*	9-month period ended 30 September 2010 *(unaudited)*
Opening balance	**554 797**	**1 178 270**
Acquisition of a subsidiary	**138 261**	**-**
Movement in bank overdrafts	**(2 464)**	**(59 433)**
Movement in loans (excluding bank overdrafts):	**(305 451)**	**(265 751)**
Taken out	87 255	60 469
Repaid	(398 809)	(334 760)
Change in valuation	6 103	8 540
Closing balance	**385 143**	**853 086**

(in PLN thousand)

During the 9-month period ended 30 September 2011, the Group received funds from loans in the amount of PLN 87,255 thousand, which mainly included proceeds from the investment loan tranche of PLN 60,000 thousand received by TAURON Dystrybucja S.A. The funds received were the second and final tranche of the investment loan granted to the company under the agreement signed in 2010 for a total amount of PLN 100,000 thousand.

Liabilities arising from issued debentures as at 30 September 2011 and 31 December 2010 are presented in the tables below.

Debentures issued as at 30 September 2011 *(unaudited)*

Company	Interest rate	Currency	As at balance sheet date		of which maturing within (after the balance sheet date)					
			Accrued interest	Principal at amortized cost *(unaudited)*	less than 3 months	3 - 12 months	1 - 2 years	2 - 3 years	3 - 5 years	over 5 years
TAURON Polska Energia S.A.	floating	PLN	12 364	846 021	-	-	-	-	846 021	-
Total debentures			**12 364**	**846 021**	**-**	**-**	**-**	**-**	**846 021**	**-**

Debentures issued as at 31 December 2010

Company	Interest rate	Currency	As at balance sheet date		of which 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
TAURON Polska Energia S.A.	floating	PLN	357	845 650	-	-	-	-	845 650	-
Total debentures			**357**	**845 650**	**-**	**-**	**-**	**-**	**845 650**	**-**

As at 30 September 2011, the Group's liability under issued debentures was comprised of debentures issued on 29 December 2010 by TAURON Polska Energia S.A. in connection with the central financing model implemented in the Group and debt refinancing within the Group, as described in detail in the consolidated financial statements of the Group for the year ended 31 December 2010.

The PLN 371 thousand increase in the balance of issued debentures excluding accrued interest increasing the carrying amount of the liability, which took place in the 9-month period ended 30 September 2011, resulted from the measurement of the debentures at amortized cost.

The PLN 40,094 thousand movement in the balance of issued debentures excluding interest increasing the carrying amount of the liability, which took place in the 9-month period ended 30 September 2010, resulted from the redemption of debentures amounting to PLN 41,308 thousand by Południowy Koncern Energetyczny S.A., currently TAURON Wytwarzanie S.A., and the PLN 1,214 thousand increase in value arising from remeasurement.

22. Business combinations and acquisition of non-controlling interests

Division of TAURON Obsługa Klienta Sp. z o.o.

At the beginning of 2011, the organizational structure of the Group's companies dealing with sales was changed. The existing selling companies of the Group changed the scope of their operations: TAURON Sprzedaż Sp. z o.o. sells electricity to all clients (under the TAURON Polska Energia brand), while TAURON Obsługa Klienta Sp. z o.o. provides customer service to mass clients and part of business clients. The integration of activities relating to sales and customer service results from the Group's implementation of a business model representing part of its restructuring plan.

On 3 January 2011, the District Court in Cracow registered the increase of the share capital of TAURON Sprzedaż Sp. z o.o. The division of TAURON Obsługa Klienta Sp. z o.o. was effected pursuant to Article 529 § 1 point 4 of the CCC, i.e. by way of the acquisition by TAURON Sprzedaż Sp. z o.o. of part of the assets of TAURON Obsługa Klienta Sp. z o.o. representing an organized part of the enterprise which comprised tangible and intangible assets and liabilities related to the sale of electricity. The share capital of TAURON Sprzedaż Sp. z o.o. was increased by PLN 196,433 thousand, from PLN 282,597 thousand to PLN 479,030 thousand, by way of creating 3,928,649 shares with a nominal value of PLN 50 each, all of which were taken up by TAURON Polska Energia S.A.

As a result of the division of TAURON Obsługa Klienta Sp. z o.o., its share capital was decreased by PLN 32,932 thousand, from PLN 35,650 thousand to PLN 2,718 thousand, by way of redemption of 329,316 shares with a value of PLN 100 each. The decrease of the share capital was registered on 31 December 2010.

Due to the fact that the changes discussed above were of restructuring nature and took place in the Group companies, they had no impact on the interim condensed consolidated financial statements prepared as at 30 September 2011.

Increase of interest in Polska Energia Pierwsza Kompania Handlowa Sp. z o.o.

In March 2011, Polska Energia Pierwsza Kompania Handlowa Sp. z o.o. signed contracts for the purchase of 200 of its own shares with a total nominal value of PLN 1,200 thousand from the shareholders of Katowicki Holding Węglowy S.A. and KWK Kazimierz Juliusz Sp. z o.o.

The purchase of shares for the purpose of redeeming them using the net profit was made based on the resolution of the Extraordinary Shareholders' Meeting of Polska Energia Pierwsza Kompania Handlowa Sp. z o.o. dated 30 December 2010. The consideration for the shares was paid to both of the existing shareholders until the end of March 2011. On 21 April 2011, the District Court in Katowice registered redemption of shares of Polska Energia Pierwsza Kompania Handlowa Sp. z o.o.

As a result of this transaction, the direct interest of TAURON Polska Energia S.A. in the share capital of Polska Energia Pierwsza Kompania Handlowa Sp. z o.o. increased from 10% to 12.50% (in the governing body: – from 27.78% to 31.25% votes), while the direct interest of Południowy Koncern Energetyczny S.A. (currently: TAURON Wytwarzanie S.A.) – from 70% to 87.50% (in the governing body – from 61.11% to 68.75% of votes).

The reacquisition of own shares for the purpose of their redemption by Polska Energia Pierwsza Kompania Handlowa Sp. z o.o. resulted in the decrease of non-controlling interests by PLN 11,833 thousand and in the increase of retained earnings by PLN 207 thousand.

On 26 July 2011, Południowy Koncern Energetyczny S.A. signed an agreement with TAURON Polska Energia S.A. for the disposal of shares in Polska Energia Pierwsza Kompania Handlowa Sp. z o.o. in lieu of fulfilling part of Południowy Koncern Energetyczny S.A.'s liability to pay a dividend due to TAURON Polska Energia S.A. for the financial year ended 31 December 2010. Południowy Koncern Energetyczny S.A. disposed of all of its shares in Polska Energia Pierwsza Kompania Handlowa Sp. z o.o., i.e. 700 shares with a total nominal value of PLN 4,200 thousand, for a total of PLN 42,170 thousand. The value of the acquired shares was determined based on the valuation dated 20 June 2011. On 26 July 2011 the shares were transferred to the Company. As a result of this transaction TAURON Polska Energia S.A. increased its direct interest in the company's capital and governing body to 100%, which resulted in the decrease of non-controlling interest and simultaneously in the increase of retained earnings by PLN 213 thousand.

Merger of subsidiaries

Due to the reorganization of the Group's structure significant mergers of subsidiaries took place in the third quarter of 2011.

On 31 August 2011, merger of Południowy Koncern Energetyczny S.A. (acquirer) and Elektrownia Stalowa Wola S.A. (acquiree) was registered with the National Court Register. On 1 September 2011, Południowy Koncern Energetyczny S.A. changed its name to TAURON Wytwarzanie S.A.

On 1 September 2011, merger of EnergiaPro S.A. (acquirer) and ENION S.A. (acquiree) was registered with the National Court Register. At the same time, EnergiaPro S.A changed its name to TAURON Dystrybucja S.A.

On 1 September 2011, merger of Przedsiębiorstwo Energetyki Cieplnej Katowice S.A. (acquirer) and Przedsiębiorstwo Energetyki Cieplnej w Dąbrowie Górniczej S.A. (acquiree) was registered with the National Court Register. At the same time, Przedsiębiorstwo Energetyki Cieplnej Katowice S.A. changed its name to TAURON Ciepło S.A.

The above-mentioned business combinations were effected through merger by acquisition i.e. in accordance with Article 492 § 1 point 1 of the Code of Commercial Companies, by the transfer of all assets and liabilities of the acquired company (acquiree) to the acquiring company (acquirer) in exchange for shares which the acquirer issues to the shareholders of the acquiree. As a result, the acquired companies were dissolved without liquidation.

The mergers carried out resulted in the decrease of non-controlling interests by PLN 8,076 thousand and in the increase of retained earnings by PLN 8,039 thousand.

Mandatory squeeze-out

During the three quarters of 2011, the processes of mandatory squeeze-out were continued by the following companies of the TAURON Polska Energia S.A. Group: TAURON Wytwarzanie S.A. (including, before the date of the merger, by Południowy Koncern Energetyczny S.A. and Elektrownia Stalowa Wola S.A.), TAURON Dystrybucja S.A. (including, before the date of the merger, by ENION S.A. and EnergiaPro S.A.), Elektrociepłownia Tychy S.A., and also, before the date of the merger – by Przedsiębiorstwo Energetyki Cieplnej Katowice S.A.

As a result of the reacquisition of own shares, the amount of non-controlling interests decreased during the three quarters of 2011 by PLN 34,968 thousand, while retained earnings increased by PLN 13,981 thousand.

Acquisition of non-controlling interests

In August 2011, TAURON Polska Energia S.A. acquired the following from non-controlling equity holders:

- 9,477 shares in Południowy Koncern Energetyczny S.A., currently TAURON Wytwarzanie S.A., with a nominal value of PLN 10 each, representing 0.0061% of the company's share capital, for the price of PLN 235 thousand,
- 6,149,541 shares in ENION S.A., currently TAURON Dystrybucja S.A., with a nominal value of PLN 0.01 each, representing 0.0245% of the company's share capital, for the price of PLN 676 thousand.

Consideration for the acquired shares was paid in August 2011.

As a result of the acquisition of shares, the amount of non-controlling interests decreased by PLN 1,104 thousand, whereas retained earnings increased by PLN 192 thousand.

Acquisition of special purpose entity Lipniki Sp. z o.o.

On 28 September 2011, TAURON Ekoenergia Sp. z o.o. acquired 100% of shares in Lipniki Sp. z o.o., including the Lipniki wind farm, from German power corporation WSB Neue Energien GmbH. Lipniki Sp. z o.o. is a special purpose entity set up for the purpose of building and operating the Lipniki wind park including 15 wind turbines with a total capacity of 30.75 MW, which was made operational in July 2011. The selling price was determined at a total amount of PLN 91,560 thousand, which includes the settlement of the refundable additional payments made by the seller to Lipniki Sp. z o.o. in the amount of PLN 19,358 thousand. The acquisition of Lipniki Sp. z o.o. gave rise to a goodwill of PLN 51,576 thousand.

The fair value of the identifiable assets, liabilities and contingent liabilities of Lipniki Sp. z o.o. at the date of its acquisition is as follows:

(in PLN thousand)

Property, plant and equipment	178 614
Trade and other receivables	1 434
Other current non-financial assets	919
Cash and cash equivalents	762
Interest-bearing loans and borrowings	138 261
Trade and other payables	2 196
Other current liabilities	1 288
Net assets	**39 984**
Cost of acquisition	**91 560**
Goodwill arising on acquisition	**51 576**

Preliminary agreement for the purchase of Górnośląski Zakład Elektroenergetyczny S.A.

On 23 August 2011, TAURON Polska Energia S.A. and Vattenfall AB signed a preliminary agreement for the purchase of 1,249,693 shares representing 99.98% of the share capital of Górnośląski Zakład Elektroenergetyczny S.A. (GZE S.A.). In accordance with the agreement, the purchase price will be PLN 4,625,955 thousand, provided that an amount not exceeding PLN 3,625,955 thousand will be paid in cash while an amount not less than PLN 1,000,000 thousand will represent the equivalent of the debt towards GZE S.A. and its subsidiaries taken over by TAURON Polska Energia S.A. from Vattenfall AB on the closing date of the transaction. If the transaction is not closed by the end of the current year, then, in the period from 1 January 2012 to the closing date of the transaction, part of the purchase price (without the final value of debt) will be subject to indexation using the interest rate of 6% p.a.

In accordance with the agreement, on 26 August 2011 TAURON Polska Energia S.A. paid a deposit of PLN 120,000 thousand to Vattenfall AB. On the closing date of the transaction, this deposit together with accrued interest will be deducted from the selling price.

As a result of acquisition of GZE S.A.'s shares, TAURON Polska Energia S.A. will become an indirect owner of shares in the following significant subsidiaries of GZE: Vattenfall Distribution Poland S.A., Vattenfall Sales Poland Sp. z o.o., Vattenfall Network Services Poland Sp. z o.o., Vattenfall Wolin-North Sp. z o.o., and Vattenfall Business Services Poland Sp. z .o.o., which will be acquired by GZE S.A. on the closing date of the transaction.

The closure of the transaction is conditional on TAURON Polska Energia S.A. acquiring consent of the President of the Competition and Consumers Protection Office (UOKiK) for concentration. The parties set 23 May 2012 as the deadline for the fulfillment of this condition; however, if the President of UOKiK issues a conditional decision giving consent for the transaction and TAURON Polska Energia S.A. appeals against such a decision, the above-mentioned deadline for the closure of the transaction will be extended until 31 July 2013. On 20 September 2011, the Company notified UOKiK of its intention to carry out concentration with GZE S.A.

23. Financial instruments

The fair values of the financial instruments held by the Group as at 30 September 2011 and 31 December 2010 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; and
- 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 2011 and 31 December 2010 are presented in the tables below.

(in PLN thousand)

Categories and classes of financial assets	Carrying amount	
	As at 30 September 2011 *(unaudited)*	As at 31 December 2010
1 Assets at fair value through profit or loss	**717**	**7 658**
Shares in unlisted and listed companies (current)	717	553
Investment fund units	-	6 848
Derivative instruments	-	257
2 Financial assets available for sale	**161 135**	**156 089**
Shares in unlisted and listed companies (non-current)	152 052	148 514
Shares in unlisted and listed companies (current)	5 379	1 058
Investment fund units	2 204	2 958
Bonds, T-bills and other debt securities	1 500	1 500
Other financial assets available for sale	-	2 059
3 Financial assets held to maturity	**-**	**-**
4 Loans and receivables	**2 271 971**	**2 315 043**
Trade receivables	1 508 604	1 567 937
Deposits	24 967	35 493
Loans granted	131	240
Other	738 269	711 373
5 Financial assets excluded from the scope of IAS 39	**143 037**	**764**
Investments in associates and joint ventures recognised using the equity method	23 037	764
Deposit	120 000	-
6 Derivative hedging instruments (assets)	**-**	**-**
7 Cash and cash equivalents	**884 604**	**1 473 981**

The balance of other loans and receivables as at 30 September 2011 is mainly comprised of receivables from terminated long-term contracts in the amount of PLN 397,218 thousand, which decreased in the 9-month period ended 30 September 2011 by PLN 55,956 thousand.

Financial assets excluded from the scope of IAS 39 include the PLN 120,000 thousand deposit paid to Vattenfall AB under the preliminary agreement for the purchase of shares in Górnośląski Zakład Elektroenergetyczny S.A., as discussed in detail in Note 22 to the interim condensed consolidated financial statements.

(in PLN thousand)

Categories and classes of financial liabilities	Carrying amount	
	As at 30 September 2011 *(unaudited)*	As at 31 December 2010
1 Financial liabilities at fair value through profit or loss	**972**	**6 917**
Derivative instruments	972	6 917
2 Financial liabilities measured at amortized cost	**2 453 670**	**3 030 921**
Preferential loans	219 800	243 323
Arm's length loans	165 770	309 411
Bank overdrafts	-	2 464
Issued debentures and other debt securities	858 385	846 007
Trade payables	817 529	945 457
Other financial liabilities	50 453	90 057
Commitments resulting from purchases of fixed and intangible assets	240 677	388 467
Salaries and wages	91 110	178 482
Insurance contracts	9 946	27 253
3 Liabilities under guarantees, factoring and excluded from the scope of IAS 39	**76 838**	**91 262**
Obligations under finance leases and hire purchase contracts	76 838	91 262
4 Derivative hedging instruments (liabilities)	**-**	**-**

24. Financial risk management objectives and policies

On 10 May 2011 the Parent Company's Management Board adopted a resolution implementing specific risk management policy in the finance area of the Group, the objectives of which are as follows:

- Defining the financial risk management strategy and principles in the Group;
- Defining acceptable tools for hedging financial risk;
- Defining the decision-making process in the area of financial risk management in the Group,
- Implementation of general standards in the area of financial risk management, in line with the Group's requirements and the related best practices;
- Defining the general rules for organization of activities relating to financial risk in the Group, including delegation of duties to enable proper control of the activities relating to financial risk management;
- Defining general 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 specific risk management policy in the finance area defines the strategy of financial risk management in the area of currency and interest rate risks.

The aim of the currency risk management is to reduce the negative impact of changes in foreign exchange rates on the Group's cash flows to an acceptable level. The aim of the interest rate risk management is to reduce, to an acceptable level, the negative impact of fluctuations in market interest rates on cash flows and the annual net interest expense being part of finance income and costs presented in the Group's consolidated financial statements.

The specific risk management policy in finance and hedge accounting policies refer to cash flow risk and do not include fair value risk due to its low significance for the Group.

As a result of implementation of the specific risk management policy in the finance area, the financial risk management function was centralized in order to optimize the financial risk management process, including minimization of the Group's costs in this area. From the perspective of financial risk management in the Group, the individual companies are responsible for identifying, measuring and reporting the financial risk associated with their activities to the parent company.

(in PLN thousand)

As at 30 September 2011, the Company did not enter into any hedging transactions falling within the specific risk management policy in the finance area.

25. Capital management

In the period covered by these interim condensed consolidated financial statements, there were no significant changes in capital management objectives, principles or procedures. The Group monitors capital levels using the leverage ratio presented in the table below.

	As at 30 September 2011 ***(unaudited)***	**As at 31 December 2010**
Interest-bearing loans and borrowings	1 243 955	1 401 205
Trade and other payables, finance leases and hire purchase commitments	1 287 525	1 727 895
Less cash and cash equivalents	884 604	1 473 981
Net debt	**1 646 876**	**1 655 119**
Equity attributable to equity holders of the parent	15 459 848	14 704 825
Total capital	**15 459 848**	**14 704 825**
Capital and net debt	**17 106 724**	**16 359 944**
Leverage ratio	10%	10%

26. Contingent liabilities and contingent assets

Administrative proceedings initiated by the President of the Energy Regulatory Office

Due to interruptions in electricity supply, in 2010 the President of the Energy Regulatory Office (URE) instituted ex officio proceedings in the matter of imposing cash penalties on ENION S.A. (currently TAURON Dystrybucja S.A.) and TAURON Sprzedaż Sp. z o.o. due to the identification of a breach of law in their operations consisting in the application of rates and charges that were inconsistent with the terms relating to bonuses granted for interruptions in electricity supply. These proceedings ended with the Decision of the President of URE of 11 March 2011 imposing cash penalties on ENION S.A. at an amount of PLN 1,000 thousand and on TAURON Sprzedaż Sp. z o.o. at an amount of PLN 500 thousand. Both companies filed an appeal against the aforementioned decision with the Court of Competition and Consumers Protection. At the same time, in March 2011 TAURON Sprzedaż Sp. z o.o. recognized a provision of PLN 500 thousand for the potential obligation to pay the above-mentioned penalty. On 22 September 2011 TAURON Sprzedaż Sp. z o.o. received a reply of the President of URE to the company's appeal. In his reply the President of URE asked for the dismissal of the appeal. As at the date of these interim condensed consolidated financial statements, no date has been set for the hearing before the Court of Competition and Consumers Protection.

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

In his letter of 26 July 2011 the President of the Competition and Consumers Protection Office notified TAURON Sprzedaż Sp. z o.o. of initiating administrative proceedings relating to the company's alleged use of practices violating collective consumers' interests. The company is currently waiting for the issue of the decision in this matter by the President of the Competition and Consumers Protection Office in Warsaw.

Antimonopoly proceedings

The Competition and Consumers Protection Office is conducting two antimonopoly proceedings with respect to TAURON Dystrybucja S.A. These proceedings relate to the alleged abuse of the dominant position on the electricity distribution market. An appeal has been filed against the decision of the Competition and Consumers Protection Office. The Company's directors and management of TAURON Dystrybucja S.A. believe that operations in the area of electricity distribution are carried out in conformity with binding regulations and the outcome of the above-mentioned proceedings will have no significant impact on the Group's financial position.

Compensation for stranded costs

The Act of 29 June 2007 on the Principles for Covering Costs Incurred by Electricity Generators due to Early Termination of Long-term Power Purchase Agreements (Journal of Laws of 2007, No. 130, item 905) ("the PPA Act") having come into force, Południowy Koncern Energetyczny S.A. (currently TAURON Wytwarzanie S.A.) volunteered to join the program of early termination of long-term power purchase agreements ("PPAs") by signing an agreement to terminate such contracts. The signing of such an agreement provides a basis for electricity generators to receive funds to cover their expenses that are not covered by the income derived from the sale of generated electricity, reserve capacity and system-related services on a competitive market after early termination of PPAs, resulting from the expenditures incurred by such companies for assets related to electricity generation up to 1 May 2004. Under the PPA Act, the maximum amount of stranded costs and the amounts used in the calculation of annual adjustments to stranded costs were established for each electricity generator. After termination of PPAs, beginning from the 2nd quarter of 2008, Południowy Koncern Energetyczny S.A. (currently TAURON Wytwarzanie S.A.) receives quarterly cash advances based on the submitted requests. An annual adjustment will be subsequently made to stranded costs over the so-called adjustment period, lasting until the expiry of the longest long-term agreement held by the given company. The final adjustment to stranded costs will be made in the year following the year in which the adjustment period of the given company ceases.

In accordance with the accounting policy adopted, in 2008, 2009, 2010 and for the 9-month period ended 30 September 2011 Południowy Koncern Energetyczny S.A. (currently TAURON Wytwarzanie S.A.) recognized, based on the developed financial model, compensation revenue amounting to PLN 192,163 thousand, PLN 483,956 thousand, PLN 437,875 thousand and PLN 276,529 thousand, respectively.

Under the decision of the President of the Energy Regulatory Office (URE) dated 31 July 2009, Południowy Koncern Energetyczny S.A. was required to return an amount of PLN 159,508 thousand to Zarządca Rozliczeń S.A. by 30 September 2009. The company appealed against the above decision to the Regional Court in Warsaw – the Court for Competition and Consumers Protection through the President of URE and submitted a motion to suspend its execution. On 24 September 2009, the Court issued a decision to suspend the execution of the decision with regard to amounts exceeding PLN 79,754 thousand. In accordance with the Court's ruling, the company paid the amount referred to above.

In the judgment of the Regional Court in Warsaw - the Court for Competition and Consumers Protection dated 26 May 2010, the Court modified the challenged decision and acknowledged the company's right to make a positive adjustment to stranded costs of PLN 79,088 thousand.

On 8 July 2010, the President of URE lodged an appeal against the judgment of the Regional Court in Warsaw - the Court for Competition and Consumers Protection with the Court of Appeal in Warsaw (The 6th Civil Department). At the date of these financial statements, the issue of the annual adjustment to stranded costs for 2008 is still under dispute.

In the decision of 29 July 2011, the President of URE determined the amount of the annual adjustment to be made by Południowy Koncern Energetyczny S.A. to stranded costs for 2010 at PLN 205,703 thousand. On 30 September 2011, Zarządca Rozliczeń S.A. paid the amount of the annual adjustment for the year 2010 to the company.

(in PLN thousand)

	3-month period ended 30 September 2011 *(unaudited)*	9-month period ended 30 September 2011 *(unaudited)*	3-month period ended 30 September 2010 *(unaudited)*	9-month period ended 30 September 2010 *(unaudited)*
Revenue from compensations for terminated long-term PPAs	107 759	276 529	128 987	349 383
Cash inflows generated from compensations concerning terminated long-term PPAs	247 193	332 485	182 005	295 521

Other contingent liabilities

	As at 30 September 2011 *(unaudited)*	As at 31 December 2010
Suretyship for the repayment of loan	2 908	3 108
Suretyship for the repayment of promissory note	414	414
Liabilities arising from bank guarantees	4 176	2 251
Liabilities arising from legal actions	2 240	2 400
Other contingent liabilities	1 363	2 195
Total contingent liabilities	**11 101**	**10 368**

The status of other contingent liabilities did not significantly change compared with the information contained in the consolidated financial statements for the year ended 31 December 2010

27. Assets pledged as security

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

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

Carrying amount of assets pledged as security for liabilities

	As at 30 September 2011 *(unaudited)*	As at 31 December 2010
Real estate	746 893	3 313 463
Plant and equipment	138 896	275 467
Motor vehicles	2 288	4 241
Assets under construction	224	224
Cash	-	3 772
Other financial and non-financial receivables	3 871	16 850
Total assets pledged as security for liabilities	**892 172**	**3 614 017**

The significant decrease in the carrying amount of assets pledged as security for liabilities is due to the restructuring of debt within the Group. Using the funds obtained from the issue of intercompany debentures that were acquired by TAURON Polska Energia S.A. in December 2010 and in January 2011, Południowy Koncern Energetyczny S.A., currently TAURON Wytwarzanie S.A., redeemed the debentures previously issued and repaid its investment loans. As a result, the following mortgages and registered pledges were deleted from the registers: in respect of real estate – for an amount of PLN 2,540,281 thousand, plant and machinery – PLN 26,721 thousand, and other financial and non-financial receivables – PLN 15,001 thousand. Likewise, Południowy Koncern Węglowy S.A. deleted mortgages (PLN 32,640 thousand) and registered pledges on plant and machinery (PLN 89,873 thousand) from the registers due to the repayment of loans.

In addition to the collaterals listed above, the Group also uses other forms of security to secure payment of liabilities, of which the most significant ones as at 30 September 2011 related to loans taken out by TAURON Wytwarzanie S.A. and included: assignment of receivables amounting to PLN 132,000 thousand, authorizations to bank accounts – PLN 182,000 thousand and blank promissory notes for PLN 207,000 thousand. Loans taken out by TAURON Dystrybucja S.A. were secured by granting authorizations to dispose of the funds in borrowers' bank accounts up to the balance of the outstanding loan plus interest and other amounts due to the bank – a total of PLN 122,084 thousand as at 30 September 2011. Elektrociepłownia Tychy S.A. issued a blank promissory note for an amount of PLN 92,383 thousand to secure the sale and leaseback agreement signed in 2007. This agreement is additionally secured by the assignment of receivables, assignment of rights under insurance policies, mortgage on real estate and plant and machinery (in the table above) and authorization to dispose of bank accounts.

(in PLN thousand)

The parent, under the debentures issue program, signed a declaration of submission to enforcement for an amount up to PLN 1,560,000 thousand.

In addition, in order to secure the agreement for bank guarantees from PKO Bank Polski S.A., TAURON Polska Energia S.A. provided a declaration of submission to enforcement up to the amount of PLN 48,000 thousand and granted authorizations to bank accounts up to the amount of PLN 40,000 thousand.

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

28. Capital commitments

As at 30 September 2011, the Group has committed to incur expenditures for property, plant and equipment in the amount of PLN 1,899,040 thousand, which mainly includes capital commitments of TAURON Wytwarzanie S.A., of which the largest items are capital commitments relating to the restoration of production capacity in the Bielsko-Biała CHP Plant, amounting to PLN 255,730 thousand, accommodation of the OP-650k boiler to reduce nitric oxide emission in Elektrownia Jaworzno III, amounting to PLN 176,157 thousand, and contract for construction of a biomass boiler with auxiliary devices and biomass delivery and storage system in Elektrowania Jaworzno III, amounting to PLN 104,678 thousand.

Capital commitments of the TAURON Polska Energia S.A. Group as at 31 December 2010 amounted to PLN 1,096,642 thousand. The largest item was capital commitments relating to the restoration of production capacity in the Bielsko-Biała CHP Plant, amounting to PLN 360,700 thousand.

29. Transactions with State Treasury companies

The major shareholder of the Group is the State Treasury of the Republic of Poland; therefore State Treasury companies are treated as related parties. Transactions with related parties are made based on the market prices of the goods supplied or services rendered.

The total value of transactions with State Treasury companies and the balances of receivables and payables are presented in the tables below.

Revenues and costs

	9-month period ended 30 September 2011 ***(unaudited)***	**9-month period ended 30 September 2010** ***(unaudited)***
Revenue	1 224 869	928 534
Costs*	(2 379 804)	(1 942 609)

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

(in PLN thousand)

Receivables and payables

	As at 30 September 2011 *(unaudited)*	As at 31 December 2010
Receivables	318 294	249 525
Payables	347 245	379 597

The figures presented above relate to transactions with State Treasury companies according to the classification of State Treasury companies with a significant share in revenues and costs in 2010, prepared as at 31 December 2010. Comparative figures present transactions with State Treasury companies according to their classification as at 30 September 2010, i.e. before updating the list of State Treasury companies.

In the 9-month period ended 30 September 2011, PSE Operator S.A., Kompania Węglowa S.A. and KGHM Polska Miedź S.A. were the Company's largest customers among the State Treasury companies, which accounted for 86% of total revenue from State Treasury companies. In the 9-month period ended 30 September 2011, the largest costs were incurred by the Group in transactions with PSE Operator S.A. and Kompania Węglowa S.A. They accounted for more than 81% of total costs incurred as a result of transactions with State Treasury companies. In addition, the Capital Group 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, a decision was taken not to consider purchase and sale transactions made through this entity as related party transactions. Comparative figures for 2010 have been restated.

In the 9-month period ended 30 September 2010, KGHM Polska Miedź S.A., Kompania Węglowa S.A. and PSE Operator S.A. were the Company's largest counterparties among the State Treasury companies.

30. Compensation of key management personnel

Until 28 June 2010, the compensation of the Directors and the Supervisory Board members was subject to the provisions of the Act of 3 March 2000 on Remunerating Individuals Being in Charge of Certain Legal Entities (companies with a majority shareholding of the State Treasury).

The amount of compensation and other benefits of the Board of Directors, Supervisory Board and other key management personnel of the parent and of the subsidiaries for the 9-month period ended 30 September 2011 is presented in the table below.

(in PLN thousand)

	9-month period ended 30 September 2011 *(unaudited)*		Year ended 31 December 2010	
	Parent	**Subsidiaries**	**Parent**	**Subsidiaries**
Board of Directors	**7 519**	**19 626**	**5 967**	**15 318**
Short-term employee benefits (salaries and surcharges)	6 780	17 016	5 200	14 282
Jubilee bonuses	-	-	73	246
Post-employment benefits	-	420	41	-
Employment termination benefits	-	313	-	31
Other	739	1 877	653	759
Supervisory Board	**578**	**1 786**	**329**	**2 872**
Short-term employee benefits (salaries and surcharges)	578	1 712	329	2 691
Other	-	74	-	181
Total	**8 097**	**21 412**	**6 296**	**18 190**

Other key management personnel	**4 713**	**24 306**	**5 745**	**32 826**
Short-term employee benefits (salaries and surcharges)	4 023	23 347	5 079	31 549
Jubilee bonuses	156	491	91	736
Post-employment benefits	-	-	-	61
Employment termination benefits	88	305	-	-
Other	446	163	575	480

31. Details of other significant changes in the reporting period

31.1. Revenue from sale of goods for resale, finished goods and materials

The increase of revenue from sale of goods for resale, finished goods and materials in the 9-month period ended 30 September 2011 is mainly due to the amendment to the Energy Law effective from 9 August 2010, which imposes an obligation on generators to sell electricity through public sale. As a result, the companies from the segment of “Generation of electricity using conventional sources” sold about 91% of the total volume of their sales of electricity through the power exchange and power trading platforms. Prior to the aforementioned amendment, sales of electricity by companies from the “Generation of electricity using conventional sources” segment were eliminated in the process of preparing consolidated financial statements due to the fact that almost the whole volume of electricity generated was sold to Group companies.

The application of the aforementioned regulations has also resulted in the increase of the cost of sales for the 9-month period ended 30 September 2011.

31.2. Finance costs

The decrease of finance costs in the 9-month period ended 30 September 2011 in comparison to the 9-month period ended 30 September 2010 results mainly from the decrease of interest expense being the result of implementation the central financing model in the fourth quarter of 2010.

31.3. Other cash flows from investing activities

Other cash flows from investing activities in the 9-month period ended 30 September 2011 mainly comprise payment of a deposit of PLN 120,000 thousand to Vattenfall AB under the preliminary agreement for the purchase of Górnośląski Zakład Elektroenergetyczny S.A., as discussed in detail in Note 22 to the interim condensed consolidated financial statements.

31.4. Other current and long-term non-financial assets

Other long-term non-financial assets as at 30 September 2011 mainly include costs of preparation of production in hard coal mines amounting to PLN 64,791 thousand and prepayments for fixed assets amounting to PLN 44,359 thousand, of which the most important ones are related to the following construction contracts carried out by TAURON Wytwarzanie S.A.: the new power unit in the Bielsko–Biała CHP Plant – amounting to PLN 21,971 thousand at the balance sheet date, the new OZE unit in the Jaworzno III Power Plant – amounting to PLN 15,702 thousand at the balance sheet date, and the new 910 MW power unit in the Jaworzno III Power Plant – amounting to PLN 4,898 thousand at the balance sheet date. The decrease in the balance of long-term non-financial assets is mainly due to the settlement of prepayments for fixed assets.

Other current non-financial assets amounting to PLN 187,315 thousand as at 30 September 2011 mainly include costs of preparing production and costs of drilling tunnels in hard coal mines amounting to PLN 85,685 thousand, prepayments for the Social Fund amounting to PLN 18,344 thousand and input VAT receivables amounting to PLN 20,387 thousand. The decrease in current non-financial assets mainly results from the decrease in input VAT receivables.

31.5. Other long-term financial assets

The increase in other long-term financial assets amounting to PLN 129,316 thousand is mainly due to the increase of the receivable arising from the payment of a deposit of PLN 120,000 thousand to Vattenfall AB under the preliminary agreement for the purchase of Górnośląski Zakład Elektroenergetyczny S.A, as discussed in detail in note 22 to the interim condensed consolidated financial statements.

31.6. Other current financial assets

The decrease in other current financial assets amounting to PLN 18,887 thousand mainly results from the termination, in April and May 2011, of short-term cash deposits held by Kopalnia Wapienia Czatkowice Sp. z o.o., with a nominal value of PLN 13,000 thousand.

31.7. Other current non-financial liabilities

The decrease in the balance of other current non-financial liabilities amounting to PLN 134,841 thousand was mainly due to the decrease in taxation, customs duty, social security and other payables amounting to PLN 140,608 thousand.

32. Events after the balance sheet date

Agreement increasing the value of the debenture issue program

On 28 October 2011, 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 Polskim S.A., Nordea Bank Polska S.A., Nordea Bank AB under which the value of the program for issue of TAURON Polska Energia S.A.'s debentures was increased by Tranche C amounting to PLN 3,000,000 thousand, i.e. up to the total amount of PLN 4,300,000 thousand. The funds which are to be acquired from the issuance of debentures under tranche C will be used for the acquisition of Górnośląski Zakład Elektroenergetyczny S.A. from Vattenfall AB or for other investments carried out by the TAURON Group (in the event the acquisition of Górnośląski Zakład Elektroenergetyczny S.A. does not come into effect).

Loans from the European Investment Bank

TAURON Polska Energia S.A. took out two preferential loans from the European Investment Bank with a total value of PLN 510,000 thousand. Agreements were signed on 24 October 2011. Those funds will be used for the implementation of two investment projects in the area of generation.

The Company received two loans:

- PLN 300,000 thousand to be used for the conversion and making available for use of a high-efficiency coal-fired cogeneration unit together with the accompanying infrastructure in Zespół Elektrociepłowni w Bielsku-Białej. Thanks to these funds the TAURON Group will replace the current unit with a higher efficiency 50 MWe and 182 MWt unit. The construction of this unit started in August 2010 and the project will be realized until mid 2013;

- PLN 210,000 thousand to be used for the construction and start-up of a new 50 MWe and 45 MWt biomass-fired boiler in the Jaworzno III Power Plant, which is planned to be made available in 2012, as well as the repair of the steam turbine.

These interim condensed consolidated financial statements of the TAURON Polska Energia S.A. Capital Group prepared for the 9-month period ended 30 September 2011 in accordance with International Financial Reporting Standard 34 consist of 52 pages.

Katowice, 8 November 2011

Dariusz Lubera – President …………………………………….

Krzysztof Zawadzki – Vice-president …………………………………..