

**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 2010**

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**The TAURON Polska Energia S.A. Capital Group**  
*Interim condensed consolidated financial statements for the 9-month period ended 30 September 2010*  
(in PLN thousands)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE 9-MONTH PERIOD ENDED 30 SEPTEMBER 2010**

Note	3-month period ended 30 September 2010 (unaudited)	9-month period ended 30 September 2010 (unaudited)	3-month period ended 30 September 2009 (unaudited)	9-month period ended 30 September 2009 (unaudited)
<b>Continuing operations</b>				
Sale of goods for resale, finished goods and materials without elimination of excise	2 682 949	7 864 450	2 330 545	7 271 856
Excise	(103 783)	(313 477)	(97 522)	(295 754)
Sale of goods for resale, finished goods and materials	2 579 166	7 550 973	2 233 023	6 976 102
Rendering of services	1 104 706	3 379 668	1 012 278	3 036 584
Other income	6 714	20 234	6 461	18 363
<b>Sales revenue</b>	<b>3 690 586</b>	<b>10 950 875</b>	<b>3 251 762</b>	<b>10 031 049</b>
Cost of sales	(3 141 138)	(9 137 766)	(2 695 879)	(8 381 959)
<b>Gross profit</b>	<b>549 448</b>	<b>1 813 109</b>	<b>555 883</b>	<b>1 649 090</b>
Other operating income	19 742	72 385	33 080	88 232
Selling and distribution expenses	(56 309)	(165 523)	(45 195)	(136 547)
Administrative expenses	(149 663)	(490 283)	(157 090)	(451 350)
Other operating expenses	(18 041)	(101 760)	(31 902)	(82 846)
<b>Operating profit</b>	<b>345 177</b>	<b>1 127 928</b>	<b>354 776</b>	<b>1 066 579</b>
Finance income	21 350	65 133	32 522	90 194
Finance costs	(42 405)	(147 481)	(53 869)	(148 430)
<b>Profit before tax</b>	<b>324 122</b>	<b>1 045 580</b>	<b>333 429</b>	<b>1 008 343</b>
Income tax expense	9 (72 019)	(220 516)	(83 261)	(230 940)
<b>Net profit from continuing operations</b>	<b>252 103</b>	<b>825 064</b>	<b>250 168</b>	<b>777 403</b>
<b>Net profit for the period</b>	<b>252 103</b>	<b>825 064</b>	<b>250 168</b>	<b>777 403</b>
<b>Other comprehensive income:</b>				
Change in the value of hedging instruments	(4 295)	(12 181)	(2 000)	19 869
Foreign exchange differences from translation of foreign entities	(213)	(213)	-	-
Income tax relating to other comprehensive income items	816	2 314	381	(3 775)
<b>Other comprehensive income for the period, net of tax</b>	<b>(3 692)</b>	<b>(10 080)</b>	<b>(1 619)</b>	<b>16 094</b>
<b>Total comprehensive income for the period</b>	<b>248 411</b>	<b>814 984</b>	<b>248 549</b>	<b>793 497</b>
<b>Net profit for the period:</b>				
Attributable to equity holders of the parent	219 831	701 598	203 709	628 285
Attributable to non-controlling interests	32 272	123 466	46 459	149 118
<b>Total comprehensive income:</b>				
Attributable to equity holders of the parent	216 661	692 998	202 406	641 968
Attributable to non-controlling interests	31 750	121 986	46 143	151 529
<b>Earnings per share (in PLN):</b>				
- basic, for profit for the period attributable to equity holders of the parent	0.14	0.45	0.13	0.40
- basic, for profit for the period from continuing operations attributable to equity holders of the parent	0.14	0.45	0.13	0.40
- diluted, for profit for the period attributable to equity holders of the parent	0.14	0.45	0.13	0.40
- diluted, for profit for the period from continuing operations attributable to equity holders of the parent	0.14	0.45	0.13	0.40

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT  
30 SEPTEMBER 2010**

	Note	30 September 2010 (unaudited)	31 December 2009 (comparative figures)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	17 113 632	17 260 573
Intangible assets	12	790 551	824 751
Other long-term financial assets	23	207 431	179 746
Other long-term non-financial assets	30	123 672	58 547
Deferred tax asset	9	147 199	152 221
		<b>18 382 485</b>	<b>18 475 838</b>
<b>Current assets</b>			
Inventories	14	439 203	536 201
Corporate income tax receivable		48 665	52 926
Trade and other receivables	15, 23	2 039 137	1 874 996
Other current financial assets	23, 30	57 343	18 753
Other current non-financial assets	30	157 067	158 725
Cash and cash equivalents	10, 23	1 387 071	1 032 103
		<b>4 128 486</b>	<b>3 673 704</b>
<b>Non-current assets classified as held for sale</b>		<b>4 205</b>	<b>5 951</b>
<b>TOTAL ASSETS</b>		<b>22 515 176</b>	<b>22 155 493</b>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2010 - continued**

	Note	30 September 2010 (unaudited)	31 December 2009 (comparative figures)
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Issued capital	16	14 304 949	13 986 284
Reserve capital		240 209	64 050
Revaluation reserve on valuation of hedging instruments		(9 153)	(766)
Foreign exchange differences from translation of foreign entities		(213)	-
Retained earnings / Accumulated losses		(1 812 843)	(2 191 002)
		<b>12 722 949</b>	<b>11 858 566</b>
<b>Non-controlling interests</b>		<b>2 321 695</b>	<b>2 375 100</b>
<b>Total equity</b>		<b>15 044 644</b>	<b>14 233 666</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	21, 23	917 202	1 179 406
Finance lease and hire purchase commitments	23	71 115	88 291
Long-term provisions and employee benefits	18, 19	1 008 639	978 807
Long-term accruals and government grants	20	606 469	624 567
Trade payables and other financial long-term liabilities	23	10 689	5 683
Deferred tax liability	9	1 203 448	1 150 695
		<b>3 817 562</b>	<b>4 027 449</b>
<b>Current liabilities</b>			
Trade and other payables	23	1 198 537	1 490 726
Current portion of interest-bearing loans and borrowings	21, 23	502 486	596 315
Current portion of finance lease and hire purchase commitments	23	27 281	35 377
Other current liabilities	30	642 473	556 669
Accruals and government grants	20	268 126	210 267
Income tax payable		91 009	67 034
Short-term provisions and employee benefits	18, 19	923 058	937 990
		<b>3 652 970</b>	<b>3 894 378</b>
<b>Total liabilities</b>		<b>7 470 532</b>	<b>7 921 827</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>22 515 176</b>	<b>22 155 493</b>

**The TAURON Polska Energia S.A. Capital Group**  
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*(in PLN thousands)*

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

	Equity attributable to the equity holders of the parent										Non-controlling interests	Total equity
	Note	Issued capital	Capital of subsidiaries for the increase in TAURON's share capital	Treasury shares	Reserve capital	Revaluation reserve on valuation of hedging instruments	Foreign exchange differences from translation of foreign entities	Capital resulting from share-based payments	Retained earnings / Accumulated losses	Total		
<b>As at 1 January 2010</b>		13 986 284	-	-	64 050	(766)	-	-	(2 233 034)	11 816 534	2 367 683	14 184 217
Changes in accounting policies	4	-	-	-	-	-	-	-	42 032	42 032	7 417	49 449
<b>Opening balance after adjustments</b>		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)
<b>Total comprehensive income for the period</b>		-	-	-	-	(8 387)	(213)	-	701 598	692 998	121 986	814 984
Appropriation of prior year profits	11	-	-	-	176 159	-	-	-	(176 159)	-	-	-
Issue of merger shares and accounting for the acquisition of non-controlling interests	16	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)
Share-based payments to employees - accrual		-	-	-	-	-	-	-	-	-	-	-
Redemption of treasury shares		-	-	-	-	-	-	-	-	-	-	-
Mandatory squeeze-out		-	-	-	-	-	-	-	(1 661)	(1 661)	-	(1 661)
<b>As at 30 September 2010 (unaudited)</b>		14 304 949	-	-	240 209	(9 153)	(213)	-	(1 812 843)	12 722 949	2 321 695	15 044 644

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**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 9-MONTH PERIOD ENDED 30 SEPTEMBER 2009**

	Equity attributable to the equity holders of the parent										Non-controlling interests	Total equity
	Note	Issued capital	Capital of subsidiaries for the increase in TAURON's share capital	Treasury shares	Reserve capital	Revaluation reserve on valuation of hedging instruments	Foreign exchange differences from translation of foreign entities	Capital resulting from share-based payments	Retained earnings / Accumulated losses	Total		
<b>As at 1 January 2009</b>		13 698 646	287 883	(245)	59 601	(17 765)	-	21 411	(2 923 621)	11 125 910	2 219 533	13 345 443
Profit for the period		-	-	-	-	-	-	-	628 285	628 285	149 118	777 403
Other comprehensive income		-	-	-	-	13 683	-	-	-	13 683	2 411	16 094
<b>Total comprehensive income for the period</b>		-	-	-	-	13 683	-	-	628 285	641 968	151 529	793 497
Appropriation of prior year profits	11	-	-	-	4 449	-	-	-	(4 449)	-	-	-
Issue of shares		287 883	(287 883)	-	-	-	-	-	-	-	-	-
Payment from profit to the State Treasury		-	-	-	-	-	-	-	(8 376)	(8 376)	-	(8 376)
Dividends	11	-	-	-	-	-	-	-	(51 167)	(51 167)	(21 214)	(72 381)
Share-based payments to employees - accrual		-	-	-	-	-	-	2 349	-	2 349	415	2 764
Redemption of treasury shares		(245)	-	245	-	-	-	-	-	-	-	-
<b>As at 30 September 2009 (unaudited)</b>		13 986 284	-	-	64 050	(4 082)	-	23 760	(2 359 328)	11 710 684	2 350 263	14 060 947

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**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE 9-MONTH PERIOD ENDED 30 SEPTEMBER 2010**

	Note	9-month period ended 30 September 2010 <i>(unaudited)</i>	9-month period ended 30 September 2009 <i>(unaudited)</i>
<b>Cash flows from operating activities</b>			
Profit / (loss) before taxation		1 045 580	1 008 343
<b>Adjustments for:</b>			
Depreciation and amortization		1 029 388	992 046
(Gain)/loss on foreign exchange differences		201	3 238
Interest and dividends, net		81 507	57 423
(Gain) / loss on investing activities		13 136	(53 107)
(Increase) / decrease in receivables		(143 727)	(263 155)
(Increase) / decrease in inventories		96 023	(116 495)
Increase / (decrease) in payables excluding loans and borrowings		(79 726)	57 572
Change in other non-current and current assets		(8 661)	(150 539)
Change in deferred income, government grants and accruals		15 254	69 732
Change in provisions		8 236	(23 404)
Income tax paid		(132 341)	(69 541)
Share-based payments expense		-	2 764
Other		34	(201)
<b>Net cash from operating activities</b>		<b>1 924 904</b>	<b>1 514 676</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment and intangible assets		8 340	8 232
Purchase of property, plant and equipment and intangible assets		(1 038 194)	(1 106 421)
Proceeds from sale of other financial assets		34 925	73 980
Purchase of other financial assets		(96 675)	(47 290)
Dividends received		3 772	4 273
Interest received		408	525
Repayment of loans granted		45	1 000
Loans granted		(9 000)	-
Other		6 773	6 784
<b>Net cash used in investing activities</b>		<b>(1 089 606)</b>	<b>(1 058 917)</b>

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**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE 9-MONTH PERIOD ENDED 30 SEPTEMBER 2010 - continued**

	Note	9-month period ended 30 September 2010 <i>(unaudited)</i>	9-month period ended 30 September 2009 <i>(unaudited)</i>
<b>Cash flows from financing activities</b>			
Payment of finance lease liabilities		(26 115)	(18 093)
Proceeds from loans		60 469	200 226
Repayment of loans		(334 760)	(280 276)
Issue of debt securities		-	44 000
Redemption of debt securities		(41 308)	(125 000)
Dividends paid to equity holders of the parent		-	(51 167)
Dividends paid to non-controlling interests		(5 569)	(6 832)
Other disbursements to owners		-	(8 376)
Interest paid		(69 194)	(60 417)
Other		(4 394)	(604)
<b>Net cash used in financing activities</b>		<b>(420 871)</b>	<b>(306 539)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>414 427</b>	<b>149 220</b>
Net foreign exchange difference		(30)	(605)
<b>Cash and cash equivalents at the beginning of the period</b>		<b>972 655</b>	<b>906 944</b>
<b>Cash and cash equivalents at the end of the period, of which:</b>	<b>10</b>	<b>1 387 082</b>	<b>1 056 164</b>
restricted cash		52 978	16 703

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## **ADDITIONAL 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 statement of the Group covers the 9-month period ended 30 September 2010 and includes comparative data for the 9-month period ended 30 September 2009 and as at 31 December 2009. The data for the 9-month period ended 30 September 2010 and the comparative data for the 9-month period ended 30 September 2009 included in these interim condensed consolidated financial statements has not been audited or reviewed 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 an unlimited period 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 other services related to the items mentioned above.

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

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(in PLN thousands)

## 2. Composition of the Group

On 10 June 2010, the parent, TAURON Polska Energia S.A., was merged with its subsidiaries, ENION Zarządzanie Aktywami Sp. z o.o. and Energomix Servis Sp. z o.o., which resulted in the acquisition of non-controlling interests in the ENION Zarządzanie Aktywami Sp. z o.o. and Energomix Servis Sp. z o.o. subsidiaries in the consolidated financial statements. The process has been described in detail in Note 22 hereto. As at 30 September 2010, 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 2010	% held by TAURON in the entity's governing body	Holder of shares as at 30 September 2010
1	Południowy Koncern Energetyczny S.A.	40-389 Katowice; ul. Lwowska 23	Generation, transmission and distribution of electricity and heat	85.00%	TAURON Polska Energia S.A. – 85.00%	85.00%	TAURON Polska Energia S.A. – 85.00%
2	ENION S.A.	30-390 Kraków; ul. Zawila 65 L	Distribution of electricity	85.00%	TAURON Polska Energia S.A. – 85.00%	85.00%	TAURON Polska Energia S.A. – 85.00%
3	EnergiaPro S.A.	53-314 Wrocław; Pl. Powstańców Śląskich 20	Transmission and distribution of electricity	85.00%	TAURON Polska Energia S.A. – 85.00%	85.00%	TAURON Polska Energia S.A. – 85.00%
4	Elektrownia Stalowa Wola S.A.	37-450 Stalowa Wola; ul. Energetyków 13	Generation and distribution of electricity and heat	85.00%	TAURON Polska Energia S.A. – 85.00%	85.00%	TAURON Polska Energia S.A. – 85.00%
5	ENION Energia 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%
6	EnergiaPro Gigawat Sp. z o.o.	53-314 Wrocław; Pl. Powstańców Śląskich 16	Sale of electricity	100.00%	TAURON Polska Energia S.A. – 100.00%	100.00%	TAURON Polska Energia S.A. – 100.00%
7	TAURON Ekoenergia Sp. z o.o.	58-500 Jelenia Góra; ul. Obrońców Pokoju 2B	Generation of electricity	100.00%	TAURON Polska Energia S.A. – 100.00%	100.00%	TAURON Polska Energia S.A. – 100.00%
8	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%

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(in PLN thousands)

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 2010	% held by TAURON in the entity's governing body	Holder of shares as at 30 September 2010
9	Kopalnia Wapienia Czatkowice Sp. z o.o.	32-063 Krzeszowice 3; os. Czatkowice 248	Quarrying, crushing and breaking of limestone, quarrying of stone for construction industry	85.00%	PKE S.A. – 100.00%	85.00%	PKE S.A. – 100.00%
10	Południowy Koncern Węglowy S.A.	43-600 Jaworzno; ul. Grunwaldzka 37	Hard coal mining	44.61%	PKE S.A. – 52.48%	57.81%	PKE S.A. – 68.01%
11	Polska Energia Pierwsza Kompania Handlowa Sp. z o.o. <sup>1</sup>	40-389 Katowice; ul. Lwowska 23	Trading in electricity	69.50%	PKE S.A. – 70.00%; TAURON Polska Energia S.A. – 10.00%	79.72%	PKE S.A. – 61.11%; TAURON Polska Energia S.A. – 27.78%
12	Przedsiębiorstwo Energetyki Ciepłej Katowice S.A.	40-126 Katowice; ul. Grażyńskiego 49	Heat production and distribution	95.66%	TAURON Polska Energia S.A. – 95.66%	95.66%	TAURON Polska Energia S.A. – 95.66%
13	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%
14	Przedsiębiorstwo Energetyki Ciepłej w Dąbrowie Górniczej S.A.	41-300 Dąbrowa Górnicza; al. J. Piłsudskiego 2	Heat production and distribution	85.00%	TAURON Polska Energia S.A. – 85.00%	85.00%	TAURON Polska Energia S.A. – 85.00%
15	TAURON Czech Energy s.r.o.	750 00 Ostrava, Na Rovince 879/C Czech Republic	Trading in electricity	100%	TAURON Polska Energia S.A. - 100%	100%	TAURON Polska Energia S.A. - 100%

<sup>1</sup>Shares held by PKE S.A. are in usufruct of TAURON Polska Energia S.A.

### 3. Basis for preparation of interim the condensed consolidated financial statements

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards endorsed by the EU ("IFRS"), in particular in accordance with International Accounting Standard 34 ("IAS 34"). At the date of authorization of these 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 principles applied by the Group there is no difference between the IFRSs that have come 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 the amounts are stated in PLN thousands unless indicated otherwise.

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. As at the date of authorization of these financial statements, the Management 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 the 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 2009.

These interim condensed consolidated financial statements for the 9-month period ended 30 September 2010 were authorized for issue on 8 November 2010.

### 4. Significant accounting policies summary

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 2009, except for the application of the following amendments to the standards and the new interpretations applicable to annual periods beginning on or after 1 January 2010:

- In prior years, the Group recognized connection fees obtained and assets received free of charge under deferred income in the statement of financial position. These amounts were subsequently recognized as income in proportion to the depreciation of the related assets. In accordance with IFRIC 18 *Transfers of Assets from Customers*, the Group recognizes connection fees obtained and assets received free of charge as income on the date of receipt. As this interpretation refers to the method of recognizing connection fees and assets received from customers beginning from 1 July 2009, the Group made an appropriate restatement of the balance sheet as at 31 December 2009. The impact of changes resulting from the application of IFRIC 18 on the consolidated financial statements for the year ended 31 December 2009 is presented below.

	Retained earnings/ (accumulated losses)	Non-controlling interests	Non-current deferred income and government grants	Current deferred income and government grants	Deferred tax assets	Deferred tax liability
<b>Balance as at 31 December 2009</b>	(2 233 034)	2 367 683	682 790	213 093	156 897	1 143 771
<b>Change resulting from the application of IFRIC 18</b>	42 032	7 417	(58 223)	(2 826)	(4 676)	6 924
<b>Comparative balance as at 31 December 2009</b>	<b>(2 191 002)</b>	<b>2 375 100</b>	<b>624 567</b>	<b>210 267</b>	<b>152 221</b>	<b>1 150 695</b>

- IFRS 3 *Business Combinations* (amended in January 2008) - applicable to annual periods beginning on or after 1 July 2009. The amended IFRS 3 increases the number of transactions to be recognized as business mergers under this standard and gives a choice to measure, on acquisition, non-controlling interests (previously "minority interests") in the

acquiree either at their fair value or at their proportionate interest in the acquiree's net assets. Furthermore, the standard introduced a number of changes relating to, among others, accounting for step acquisitions, contingent consideration, acquisition-related costs, contingent liabilities of the acquiree, indemnification assets. The amended IFRS 3 should be applied prospectively with no need to restate previous business mergers. There were no business mergers in the period covered by these condensed interim consolidated financial statements of the Group.

- IAS 27 *Consolidated and separate financial statements* (amended in January 2008) – applicable to annual periods beginning on or after 1 July 2009. The amended standard introduces a number of changes, in particular it clarifies that changes in ownership interests of a subsidiary (that do not result in loss of control) will be accounted for as an equity transaction, losses incurred by the subsidiary will be allocated between the controlling and non-controlling interests, and, on loss of control of a subsidiary, any retained interest will be remeasured to fair value, with the effect of remeasurement recognized in profit or loss. The amended IAS 27 should be applied prospectively. The Group applies the amended standard to accounting for transactions included in the scope of the standard beginning from 1 January 2010.
- Amendment to IAS 39 *Financial Instruments: Recognition and Measurement: Eligible Hedged Items* (amendments issued in July 2008) – applicable to annual periods beginning on or after 1 July 2009. The amendment clarifies that an entity may designate a portion of changes in the fair value or cash flows of a financial instrument as the hedged item. Furthermore, the amendment indicates that inflation is not a separately identifiable risk and cannot be therefore designated as the hedged risk unless it represents a contractually specified cash flow. The application of these changes had no significant impact on the financial position or results of the Group.
- IFRIC 17 *Distribution of Non-cash Assets to Owners* – applicable to annual periods beginning on or after 1 July 2009. This interpretation provides guidance on accounting for transactions whereby an entity distributes non-cash assets to owners. The guidance concerns issues such as the moment of recognizing the liability, rules for measurement of the liability and of the assets to be distributed and the moment when the assets and the liability are derecognized from the statement of financial position. The application of this interpretation had no impact on the financial position or results of the Group since there were no events to which it applied.
- Annual Improvements to IFRSs (issued in April 2009) – these amendments had no significant impact on the financial position or results of the Group.
- Amendment to IFRS 2 *Share-based Payment: Group Cash-settled Share-based Payment Arrangements* (amended in June 2009) – applicable to annual periods beginning on or after 1 January 2010. The amendments to IFRS 2 consist of three basic amendments. The definitions of share-based payment transactions and arrangements have been amended, the scope of IFRS 2 has been amended, and guidance on accounting for group cash-settled share-based payment transactions has been provided. The application of these amendments had no significant impact on the financial position or results of the Group.
- IFRIC 12 *Service Concession Arrangements*. This interpretation has been endorsed for application by the EU and entities are required to apply it no later than as of the beginning of the first annual period beginning after March 2009. This interpretation provides guidance on accounting for service concession arrangements between public and private sector entities by concession holders. The Group has completed its consideration of the necessity to apply this interpretation and concluded that its operations do not fall within the scope of IFRIC 12. Therefore, this interpretation had no impact on the financial position or results of the Group.

## **5. New standards and interpretations issued but not yet effective**

The following standards and interpretations have been issued by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee but are not yet effective:

- Amendment to IAS 32 *Financial Instruments: Presentation: Classification of Rights Issues* – applicable to annual periods beginning on or after 1 February 2010.
- IAS 24 *Related Party Disclosures* (amended in November 2009) – applicable to annual periods beginning on or after 1 January 2011.

- IFRS 9 *Financial Instruments* – 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 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.
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* – applicable to annual periods beginning on or after 1 July 2010.
- 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.
- Improvements to IFRSs (issued in May 2010) – some improvements are effective for annual periods beginning on or after 1 July 2010, the rest is effective for annual periods beginning on or after 1 January 2011 - not endorsed by the EU till the date of approval of these financial statements.
- Amendments to MSSF 7 *Financial instruments: disclosures: transfer of financial assets* – applicable to annual periods beginning on or after 1 July 2011 - not endorsed by the EU till the date of approval of these financial statements.

The Company's Management Board does not expect the introduction of these standards and interpretations to have a significant impact on the accounting policies applied by the Company.

## **6. Changes in estimates**

In the period ended 30 September 2010, 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. This concerns, in particular, the production, distribution and sales of heat, the distribution and sales of electricity to individual customers and sales of coal to individual customers for heating purposes.

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

The level of the sales of electricity to individual customers depends on the day length, as a result of which the sales of electricity in this group of customers are usually lower in spring and summertime and higher in autumn and wintertime.

The 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:

- The 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.
- The Generation Segment, which includes generating electricity using conventional sources, including combined heat and power generation, as well as generating 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: Południowy Koncern Energetyczny S.A., Elektrownia Stalowa Wola S.A., Elektrociepłownia Tychy S.A. and Elektrociepłownia EC Nowa Sp. z o.o.
- The Renewable Sources of Energy Segment, which includes generating 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. and partly ENION Energia Sp. z o.o.
- The Segment of Sale of Electricity and Other Energy Market Products, which includes wholesale trading in electricity, trading in emission allowances and energy certificates and the 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., ENION Energia Sp. z o.o., EnergiaPro Gigawat Sp. z o.o. and TAURON Czech Energy s.r.o.
- Distribution Segment, including operations of ENION S.A. and EnergiaPro 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 (PEC Katowice S.A., PEC w Dąbrowie Górniczej 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 in 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.

**The TAURON Polska Energia S.A. Capital Group**  
*Interim condensed consolidated financial statements for the 9-month period ended 30 September 2010*  
*(in PLN thousands)*

9-month period ended 30 September 2010 or as at 30 September 2010 ( <i>unaudited</i> )	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
<b>Revenue</b>										
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)	-
<b>Segment revenue</b>	<b>808 644</b>	<b>4 074 097</b>	<b>120 464</b>	<b>3 324 811</b>	<b>8 693 224</b>	<b>405 417</b>	<b>-</b>	<b>17 426 657</b>	<b>(6 475 782)</b>	<b>10 950 875</b>
<b>Result</b>										
<b>Net profit/(loss) for the period</b>	<b>7 805</b>	<b>526 900</b>	<b>65 566</b>	<b>365 761</b>	<b>131 702</b>	<b>14 825</b>	<b>(287 495)</b>	<b>825 064</b>	<b>-</b>	<b>825 064</b>
Income tax expense	-	-	-	-	-	-	(220 516)	(220 516)	-	(220 516)
<b>Profit/(loss) before income tax</b>	<b>7 805</b>	<b>526 900</b>	<b>65 566</b>	<b>365 761</b>	<b>131 702</b>	<b>14 825</b>	<b>(66 979)</b>	<b>1 045 580</b>	<b>-</b>	<b>1 045 580</b>
Net finance income (costs)	-	-	-	-	-	-	(82 348)	(82 348)	-	(82 348)
<b>Profit/(loss) from continuing operations before tax and net finance income (costs)</b>	<b>7 805</b>	<b>526 900</b>	<b>65 566</b>	<b>365 761</b>	<b>131 702</b>	<b>14 825</b>	<b>15 369</b>	<b>1 127 928</b>	<b>-</b>	<b>1 127 928</b>
Unallocated expenses	-	-	-	-	-	-	-	-	-	-
<b>Profit/(loss) of the segment</b>	<b>7 805</b>	<b>526 900</b>	<b>65 566</b>	<b>365 761</b>	<b>131 702</b>	<b>14 825</b>	<b>15 369</b>	<b>1 127 928</b>	<b>-</b>	<b>1 127 928</b>
<b>Assets and liabilities</b>										
Segment assets	1 120 445	9 559 205	580 471	7 672 965	2 327 353	800 342	-	22 060 781	-	22 060 781
Unallocated assets	-	-	-	-	-	-	454 395	454 395	-	454 395
<b>Total assets</b>	<b>1 120 445</b>	<b>9 559 205</b>	<b>580 471</b>	<b>7 672 965</b>	<b>2 327 353</b>	<b>800 342</b>	<b>454 395</b>	<b>22 515 176</b>	<b>-</b>	<b>22 515 176</b>
Segment liabilities	388 554	1 141 564	17 977	1 632 626	1 263 025	92 400	-	4 536 146	-	4 536 146
Unallocated liabilities	-	-	-	-	-	-	2 934 386	2 934 386	-	2 934 386
<b>Total liabilities</b>	<b>388 554</b>	<b>1 141 564</b>	<b>17 977</b>	<b>1 632 626</b>	<b>1 263 025</b>	<b>92 400</b>	<b>2 934 386</b>	<b>7 470 532</b>	<b>-</b>	<b>7 470 532</b>
<b>Other segment information</b>										
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.

**The TAURON Polska Energia S.A. Capital Group**  
*Interim condensed consolidated financial statements for the 9-month period ended 30 September 2010*  
*(in PLN thousands)*

9-month period ended 30 September 2009 ( <i>unaudited</i> ) or as at 31 December 2009	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
<b>Revenue</b>										
Sales to external customers	380 660	805 402	31 542	602 059	7 883 723	327 663	-	<b>10 031 049</b>	-	<b>10 031 049</b>
Inter-segment sales	471 812	3 014 255	63 748	2 448 326	698 494	16 412	-	<b>6 713 047</b>	(6 713 047)	-
<b>Segment revenue</b>	<b>852 472</b>	<b>3 819 657</b>	<b>95 290</b>	<b>3 050 385</b>	<b>8 582 217</b>	<b>344 075</b>	-	<b>16 744 096</b>	<b>(6 713 047)</b>	<b>10 031 049</b>
<b>Result</b>										
<b>Net profit/(loss) for the period</b>	<b>141 648</b>	<b>501 979</b>	<b>45 783</b>	<b>92 920</b>	<b>306 773</b>	<b>(7 300)</b>	<b>(304 400)</b>	<b>777 403</b>	-	<b>777 403</b>
Income tax expense	-	-	-	-	-	-	(230 940)	<b>(230 940)</b>	-	<b>(230 940)</b>
<b>Profit/(loss) before income tax</b>	<b>141 648</b>	<b>501 979</b>	<b>45 783</b>	<b>92 920</b>	<b>306 773</b>	<b>(7 300)</b>	<b>(73 460)</b>	<b>1 008 343</b>	-	<b>1 008 343</b>
Net finance income (costs)	-	-	-	-	-	-	(58 236)	<b>(58 236)</b>	-	<b>(58 236)</b>
<b>Profit/(loss) from continuing operations before tax and net finance income (costs)</b>	<b>141 648</b>	<b>501 979</b>	<b>45 783</b>	<b>92 920</b>	<b>306 773</b>	<b>(7 300)</b>	<b>(15 224)</b>	<b>1 066 579</b>	-	<b>1 066 579</b>
Unallocated expenses	-	-	-	-	-	-	-	-	-	-
<b>Profit/(loss) of the segment</b>	<b>141 648</b>	<b>501 979</b>	<b>45 783</b>	<b>92 920</b>	<b>306 773</b>	<b>(7 300)</b>	<b>(15 224)</b>	<b>1 066 579</b>	-	<b>1 066 579</b>
<b>Assets and liabilities</b>										
Segment assets	1 042 195	9 578 454	567 080	7 766 790	1 958 249	847 236	-	<b>21 760 004</b>	-	<b>21 760 004</b>
Unallocated assets	-	-	-	-	-	-	395 489	<b>395 489</b>	-	<b>395 489</b>
<b>Total assets</b>	<b>1 042 195</b>	<b>9 578 454</b>	<b>567 080</b>	<b>7 766 790</b>	<b>1 958 249</b>	<b>847 236</b>	<b>395 489</b>	<b>22 155 493</b>	-	<b>22 155 493</b>
Segment liabilities	445 667	1 137 399	16 899	1 688 241	1 286 757	109 812	-	<b>4 684 775</b>	-	<b>4 684 775</b>
Unallocated liabilities	-	-	-	-	-	-	3 237 052	<b>3 237 052</b>	-	<b>3 237 052</b>
<b>Total liabilities</b>	<b>445 667</b>	<b>1 137 399</b>	<b>16 899</b>	<b>1 688 241</b>	<b>1 286 757</b>	<b>109 812</b>	<b>3 237 052</b>	<b>7 921 827</b>	-	<b>7 921 827</b>
<b>Other segment information</b>										
Capital expenditure *	45 118	426 630	15 341	475 229	6 630	32 047	-	<b>1 000 995</b>	-	<b>1 000 995</b>
Depreciation/amortization	(80 842)	(366 873)	(15 537)	(484 488)	(3 684)	(40 806)	-	<b>(992 230)</b>	-	<b>(992 230)</b>
Impairment of non-financial assets	(182)	(1 071)	-	415	(66)	(217)	-	<b>(1 121)</b>	-	<b>(1 121)</b>

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

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**The TAURON Polska Energia S.A. Capital Group**  
*Interim condensed consolidated financial statements for the 9-month period ended 30 September 2010*  
*(in PLN thousands)*

3-month period ended 30 September 2010 <i>(unaudited)</i>	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
<b>Revenue</b>										
Sales to external customers	136 643	462 174	14 828	303 285	2 690 733	82 923	-	<b>3 690 586</b>	-	<b>3 690 586</b>
Inter-segment sales	152 049	899 925	29 029	792 576	162 438	6 173	-	<b>2 042 190</b>	(2 042 190)	-
<b>Segment revenue</b>	<b>288 692</b>	<b>1 362 099</b>	<b>43 857</b>	<b>1 095 861</b>	<b>2 853 171</b>	<b>89 096</b>	-	<b>5 732 776</b>	<b>(2 042 190)</b>	<b>3 690 586</b>
<b>Result</b>										
<b>Net profit/(loss) for the year</b>	<b>2 920</b>	<b>165 729</b>	<b>22 996</b>	<b>138 261</b>	<b>19 600</b>	<b>(2 748)</b>	<b>(94 655)</b>	<b>252 103</b>	-	<b>252 103</b>
Income tax expense	-	-	-	-	-	-	(72 019)	<b>(72 019)</b>	-	<b>(72 019)</b>
<b>Profit/(loss) before income tax</b>	<b>2 920</b>	<b>165 729</b>	<b>22 996</b>	<b>138 261</b>	<b>19 600</b>	<b>(2 748)</b>	<b>(22 636)</b>	<b>324 122</b>	-	<b>324 122</b>
Net finance income (costs)	-	-	-	-	-	-	(21 055)	<b>(21 055)</b>	-	<b>(21 055)</b>
<b>Profit/(loss) from continuing operations before tax and net finance income (costs)</b>	<b>2 920</b>	<b>165 729</b>	<b>22 996</b>	<b>138 261</b>	<b>19 600</b>	<b>(2 748)</b>	<b>(1 581)</b>	<b>345 177</b>	-	<b>345 177</b>
Unallocated expenses	-	-	-	-	-	-	-	-	-	-
<b>Profit/(loss) of the segment</b>	<b>2 920</b>	<b>165 729</b>	<b>22 996</b>	<b>138 261</b>	<b>19 600</b>	<b>(2 748)</b>	<b>(1 581)</b>	<b>345 177</b>	-	<b>345 177</b>

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(in PLN thousands)

3-month period ended 30 September 2009 (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
<b>Revenue</b>										
Sales to external customers	129 577	324 990	8 129	231 085	2 488 610	69 371	-	<b>3 251 762</b>	-	<b>3 251 762</b>
Inter-segment sales	166 288	972 215	18 359	789 877	161 232	5 420	-	<b>2 113 391</b>	(2 113 391)	-
<b>Segment revenue</b>	<b>295 865</b>	<b>1 297 205</b>	<b>26 488</b>	<b>1 020 962</b>	<b>2 649 842</b>	<b>74 791</b>	-	<b>5 365 153</b>	<b>(2 113 391)</b>	<b>3 251 762</b>
<b>Result</b>										
<b>Net profit/(loss) for the year</b>	<b>28 475</b>	<b>149 936</b>	<b>9 217</b>	<b>83 148</b>	<b>87 250</b>	<b>(6 248)</b>	<b>(101 610)</b>	<b>250 168</b>	-	<b>250 168</b>
Income tax expense	-	-	-	-	-	-	(83 261)	<b>(83 261)</b>	-	<b>(83 261)</b>
<b>Profit/(loss) before income tax</b>	<b>28 475</b>	<b>149 936</b>	<b>9 217</b>	<b>83 148</b>	<b>87 250</b>	<b>(6 248)</b>	<b>(18 349)</b>	<b>333 429</b>	-	<b>333 429</b>
Net finance income (costs)	-	-	-	-	-	-	(21 347)	<b>(21 347)</b>	-	<b>(21 347)</b>
<b>Profit/(loss) from continuing operations before tax and net finance income (costs)</b>	<b>28 475</b>	<b>149 936</b>	<b>9 217</b>	<b>83 148</b>	<b>87 250</b>	<b>(6 248)</b>	<b>2 998</b>	<b>354 776</b>	-	<b>354 776</b>
Unallocated expenses	-	-	-	-	-	-	-	-	-	-
<b>Profit/(loss) of the segment</b>	<b>28 475</b>	<b>149 936</b>	<b>9 217</b>	<b>83 148</b>	<b>87 250</b>	<b>(6 248)</b>	<b>2 998</b>	<b>354 776</b>	-	<b>354 776</b>

This is a translation of interim condensed consolidated financial statements originally issued in Polish.

## 9. 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 2010 <i>(unaudited)</i>	For the 9-month period ended 30 September 2009 <i>(unaudited)</i>
<b>Current income tax</b>	<b>(160 475)</b>	<b>(136 194)</b>
Current income tax expense	(158 247)	(136 056)
Adjustments to current income tax from previous years	(2 228)	(138)
<b>Deferred tax</b>	<b>(60 041)</b>	<b>(94 746)</b>
<b>Income tax in profit or loss</b>	<b>(220 516)</b>	<b>(230 940)</b>
<b>Income tax relating to the change in the value of hedging instruments</b>	<b>2 314</b>	<b>(3 775)</b>

### Deferred income tax

Deferred income tax arises from the following:

	As at 30 September 2010 <i>(unaudited)</i>	As at 31 December 2009 <i>(comparative figures)</i>
<b>Deferred tax liability</b>		
- difference between tax base and carrying amount of fixed and intangible assets	1 504 675	1 448 240
- difference between tax base and carrying amount of financial assets	15 600	11 520
- different timing of recognition of sales revenue for tax purposes	64 953	47 755
- recognition of estimated revenue from sale of power distribution services	5 301	21 975
- difference between tax base and carrying amount of property rights arising from energy certificates	21 894	25 550
- compensation for termination of long-term contracts	87 685	61 677
- other	14 495	26 233
<b>Deferred tax liability</b>	<b>1 714 603</b>	<b>1 642 950</b>

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	As at 30 September 2010 <i>(unaudited)</i>	As at 31 December 2009 <i>(comparative figures)</i>
<b>Deferred tax assets</b>		
- difference between tax base and carrying amount of fixed and intangible assets	7 273	7 551
- difference between tax base and carrying amount of inventories	1 874	4 662
- difference between tax base and carrying amount of other non-financial assets	984	981
- power infrastructure received free of charge and connection fees obtained	87 963	89 407
- provisions	392 279	384 476
- difference between tax base and carrying amount of financial assets	11 179	5 167
- difference between tax base and carrying amount of financial liabilities	8 122	9 214
- different timing of recognition of cost of sales for tax purposes	46 540	43 921
- other accrued expenses	12 829	1 380
- tax losses	71 087	81 079
- other	18 224	16 638
<b>Deferred tax assets</b>	<b>658 354</b>	<b>644 476</b>
<b>After the offsetting of balances at the level of individual Group companies, deferred tax for the Group is presented as:</b>		
<b>Deferred tax asset</b>	<b>147 199</b>	<b>152 221</b>
<b>Deferred tax liability</b>	<b>(1 203 448)</b>	<b>(1 150 695)</b>

## 10. 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 2010 <i>(unaudited)</i>	As at 31 December 2009
Cash at bank and in hand	242 638	174 925
Short-term deposits (up to 3 months)	1 143 566	854 854
Other	867	2 324
<b>Total cash and cash equivalents presented in the statement of financial position, of which:</b>	<b>1 387 071</b>	<b>1 032 103</b>
- restricted cash	52 978	18 635
Bank overdraft	(20)	(59 453)
Foreign exchange and other differences	31	5
<b>Total cash and cash equivalents presented in the statement of cash flows</b>	<b>1 387 082</b>	<b>972 655</b>

## 11. Dividends paid and proposed

On 4 March 2010, the Ordinary General Shareholders' Meeting resolved to allocate the Company's net profit for 2009 at the amount of PLN 184,535 thousand for a profit payout made in accordance with separate regulations (PLN 8,376 thousand) and to the Company's reserve capital (PLN 176,159 thousand).

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On 17 June 2009, the Ordinary General Shareholders' Meeting resolved to allocate the Company's net profit for 2008 at the amount of PLN 55,616 thousand for dividend distribution (PLN 51,167 thousand) and to the reserve capital (PLN 4,449 thousand).

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## 12. Intangible assets

### 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
<b>COST</b>									
<b>Opening balance</b>	<b>4 104</b>	<b>169 553</b>	<b>187 529</b>	<b>3 034</b>	<b>481 885</b>	<b>52 701</b>	<b>3 969</b>	<b>7 266</b>	<b>910 041</b>
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
Redemption of energy certificates	-	-	-	-	(483 830)	-	-	-	(483 830)
Write-off of discontinued investments	-	-	-	-	-	-	-	-	-
Transfers from assets under construction	-	-	262	-	-	-	200	2 136	2 598
Items discovered	-	-	-	-	-	-	-	-	-
Other movements	-	-	16	-	(464)	-	-	25	(423)
Foreign exchange differences from translation of foreign entities	-	-	-	-	-	-	-	13	13
<b>Closing balance</b>	<b>4 104</b>	<b>169 553</b>	<b>196 436</b>	<b>3 374</b>	<b>456 603</b>	<b>52 701</b>	<b>4 399</b>	<b>12 750</b>	<b>899 920</b>
<b>ACCUMULATED AMORTISATION</b>									
<b>Opening balance</b>	<b>(2 038)</b>	<b>-</b>	<b>(80 615)</b>	<b>(878)</b>	<b>-</b>	<b>-</b>	<b>(1 309)</b>	<b>(450)</b>	<b>(85 290)</b>
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
Received free of charge	-	-	-	-	-	-	-	-	-
Contribution in kind	-	-	16	-	-	-	-	-	16
Transfers from assets under construction	-	-	-	-	-	-	-	-	-
Other movements	-	-	(15)	-	-	-	-	-	(15)
Foreign exchange differences from translation of foreign entities	-	-	-	-	-	-	-	-	-
<b>Closing balance</b>	<b>(2 702)</b>	<b>-</b>	<b>(103 543)</b>	<b>(1 222)</b>	<b>-</b>	<b>-</b>	<b>(1 452)</b>	<b>(450)</b>	<b>(109 369)</b>
<b>NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD</b>	<b>2 066</b>	<b>169 553</b>	<b>106 914</b>	<b>2 156</b>	<b>481 885</b>	<b>52 701</b>	<b>2 660</b>	<b>6 816</b>	<b>824 751</b>
<b>NET CARRYING AMOUNT AT THE END OF THE PERIOD</b>	<b>1 402</b>	<b>169 553</b>	<b>92 893</b>	<b>2 152</b>	<b>456 603</b>	<b>52 701</b>	<b>2 947</b>	<b>12 300</b>	<b>790 551</b>

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**Movements in the period from 1 January to 30 September 2009 (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
<b>COST</b>									
<b>Opening balance</b>	<b>3 759</b>	<b>169 553</b>	<b>158 610</b>	<b>1 412</b>	<b>244 945</b>	<b>2</b>	<b>4 276</b>	<b>5 274</b>	<b>587 831</b>
Direct purchase	-	-	1 302	330	127 143	41 734	-	19 376	189 885
Transfer of intangible assets not made available for use	-	-	20 445	281	-	-	149	(20 875)	-
Sale, disposal	-	-	-	-	(2 569)	-	-	-	(2 569)
Reclassification	-	-	371	10	-	-	(282)	-	99
Liquidation	-	-	(2 949)	-	-	-	(25)	-	(2 974)
Received free of charge	-	-	3	-	-	-	-	-	3
Contribution in kind	-	-	-	-	-	-	-	-	-
Energy certificates generated internally	-	-	-	-	179 195	-	-	-	179 195
Redemption of energy certificates	-	-	-	-	(261 171)	-	-	-	(261 171)
Write-off of discontinued investments	-	-	-	-	-	-	-	-	-
Transfers from assets under construction	-	-	941	-	-	-	-	1 628	2 569
Items discovered	-	-	-	-	-	-	-	-	-
Other movements	-	-	(121)	(22)	2 695	-	(79)	1 862	4 335
<b>Closing balance</b>	<b>3 759</b>	<b>169 553</b>	<b>178 602</b>	<b>2 011</b>	<b>290 238</b>	<b>41 736</b>	<b>4 039</b>	<b>7 265</b>	<b>697 203</b>
<b>ACCUMULATED AMORTISATION</b>									
<b>Opening balance</b>	<b>(1 134)</b>	<b>-</b>	<b>(51 345)</b>	<b>(410)</b>	<b>-</b>	<b>-</b>	<b>(1 187)</b>	<b>(450)</b>	<b>(54 526)</b>
Amortisation for the period	(678)	-	(22 976)	(348)	-	-	(317)	-	(24 319)
Increase of impairment	-	-	-	-	-	-	(66)	-	(66)
Decrease of impairment	-	-	-	-	-	-	-	-	-
Sale, disposal	-	-	-	-	-	-	-	-	-
Reclassification	-	-	(96)	(1)	-	-	97	-	-
Liquidation	-	-	2 224	-	-	-	10	-	2 234
Received free of charge	-	-	-	-	-	-	-	-	-
Contribution in kind	-	-	-	-	-	-	-	-	-
Transfers from assets under construction	-	-	-	-	-	-	-	-	-
Other movements	-	-	6	(24)	-	-	37	-	19
<b>Closing balance</b>	<b>(1 812)</b>	<b>-</b>	<b>(72 187)</b>	<b>(783)</b>	<b>-</b>	<b>-</b>	<b>(1 426)</b>	<b>(450)</b>	<b>(76 658)</b>
<b>NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD</b>	<b>2 625</b>	<b>169 553</b>	<b>107 265</b>	<b>1 002</b>	<b>244 945</b>	<b>2</b>	<b>3 089</b>	<b>4 824</b>	<b>533 305</b>
<b>NET CARRYING AMOUNT AT THE END OF THE PERIOD</b>	<b>1 947</b>	<b>169 553</b>	<b>106 415</b>	<b>1 228</b>	<b>290 238</b>	<b>41 736</b>	<b>2 613</b>	<b>6 815</b>	<b>620 545</b>

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### 13. Property, plant and equipment

#### 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
<b>COST</b>									
<b>Opening balance</b>	<b>57 747</b>	<b>783 111</b>	<b>10 090 384</b>	<b>9 247 487</b>	<b>213 779</b>	<b>221 163</b>	<b>20 613 671</b>	<b>351 397</b>	<b>20 965 068</b>
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
<b>Closing balance</b>	<b>59 118</b>	<b>788 660</b>	<b>10 391 700</b>	<b>9 501 828</b>	<b>218 468</b>	<b>240 905</b>	<b>21 200 679</b>	<b>573 354</b>	<b>21 774 033</b>
<b>ACCUMULATED DEPRECIATION</b>									
<b>Opening balance</b>	<b>(867)</b>	<b>(1 065)</b>	<b>(1 755 603)</b>	<b>(1 774 164)</b>	<b>(64 427)</b>	<b>(97 229)</b>	<b>(3 693 355)</b>	<b>(11 140)</b>	<b>(3 704 495)</b>
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 impairment	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
Transfers to intangible assets	-	-	-	-	-	-	-	-	-
Other movements	-	(4)	(50)	(127)	(71)	(28)	(280)	(75)	(355)
Foreign exchange differences from translation of foreign entities	-	-	-	(1)	-	-	(1)	-	(1)
<b>Closing balance</b>	<b>(374)</b>	<b>(1 045)</b>	<b>(2 214 293)</b>	<b>(2 229 493)</b>	<b>(86 813)</b>	<b>(117 712)</b>	<b>(4 649 730)</b>	<b>(10 671)</b>	<b>(4 660 401)</b>
<b>NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD</b>	<b>56 880</b>	<b>782 046</b>	<b>8 334 781</b>	<b>7 473 323</b>	<b>149 352</b>	<b>123 934</b>	<b>16 920 316</b>	<b>340 257</b>	<b>17 260 573</b>
<b>NET CARRYING AMOUNT AT THE END OF THE PERIOD</b>	<b>58 744</b>	<b>787 615</b>	<b>8 177 407</b>	<b>7 272 335</b>	<b>131 655</b>	<b>123 193</b>	<b>16 550 949</b>	<b>562 683</b>	<b>17 113 632</b>

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**Movements in the period from 1 January to 30 September 2009 (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
<b>COST</b>									
<b>Opening balance</b>	<b>53 688</b>	<b>782 073</b>	<b>9 041 737</b>	<b>7 410 587</b>	<b>178 390</b>	<b>189 439</b>	<b>17 655 914</b>	<b>1 886 661</b>	<b>19 542 575</b>
Direct purchase	-	537	642	467	929	199	2 774	890 558	893 332
Transfer of assets under construction	2 623	3 628	819 513	1 594 115	21 157	22 533	2 463 569	(2 463 569)	-
Sale, disposal	(197)	(167)	(2 211)	(3 029)	(2 053)	(114)	(7 771)	524	(7 247)
Reclassification	-	-	179	(185)	4	2	-	-	-
Donations and free-of-charge transfers	(8)	(505)	(145)	(2)	-	-	(660)	-	(660)
Liquidation	-	(123)	(7 002)	(12 442)	(680)	(1 664)	(21 911)	-	(21 911)
Received free of charge	-	1 152	32 492	932	-	20	34 596	6 835	41 431
Contribution in kind	-	-	-	-	-	-	-	-	-
Received for use under rental, lease or similar agreements	-	-	-	3 220	1 232	-	4 452	(298)	4 154
Spare parts allocated to fixed assets	-	-	-	(5 619)	-	1 251	(4 368)	-	(4 368)
Overhaul expenses	-	-	-	10 914	-	-	10 914	50 164	61 078
Write-off of discontinued investments	-	-	-	-	-	-	-	(45)	(45)
Transfers to intangible assets	-	-	-	-	-	-	-	(2 569)	(2 569)
Items discovered	-	7	64	81	-	5	157	-	157
Items generated internally	-	-	-	-	-	-	-	21 423	21 423
Other movements	-	-	(5)	(21)	(54)	(2)	(82)	3 515	3 433
<b>Closing balance</b>	<b>56 106</b>	<b>786 602</b>	<b>9 885 264</b>	<b>8 999 018</b>	<b>198 925</b>	<b>211 669</b>	<b>20 137 584</b>	<b>393 199</b>	<b>20 530 783</b>
<b>ACCUMULATED DEPRECIATION</b>									
<b>Opening balance</b>	<b>(809)</b>	<b>(401)</b>	<b>(1 149 462)</b>	<b>(1 170 948)</b>	<b>(37 641)</b>	<b>(68 695)</b>	<b>(2 427 956)</b>	<b>(15 777)</b>	<b>(2 443 733)</b>
Depreciation for the period	-	-	(465 164)	(460 645)	(21 126)	(20 978)	(967 913)	-	(967 913)
Increase of impairment	-	-	(150)	(3 306)	(8)	(18)	(3 482)	-	(3 482)
Decrease of impairment	-	-	21	2 413	-	2	2 436	137	2 573
Sale, disposal	-	(254)	(44)	299	1 700	59	1 760	(271)	1 489
Reclassification	-	-	(117)	99	(1 002)	21	(999)	999	-
Donations and free-of-charge transfers	-	-	28	2	-	-	30	-	30
Liquidation	-	-	3 737	7 876	400	850	12 863	-	12 863
Received free of charge	-	-	(197)	(1)	-	-	(198)	-	(198)
Contribution in kind	-	-	-	-	-	-	-	-	-
Transfers to intangible assets	-	-	-	-	-	-	-	-	-
Other movements	-	-	-	15	22	(1)	36	(24)	12
<b>Closing balance</b>	<b>(809)</b>	<b>(655)</b>	<b>(1 611 348)</b>	<b>(1 624 196)</b>	<b>(57 655)</b>	<b>(88 760)</b>	<b>(3 383 423)</b>	<b>(14 936)</b>	<b>(3 398 359)</b>
<b>NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD</b>	<b>52 879</b>	<b>781 672</b>	<b>7 892 275</b>	<b>6 239 639</b>	<b>140 749</b>	<b>120 744</b>	<b>15 227 958</b>	<b>1 870 884</b>	<b>17 098 842</b>
<b>NET CARRYING AMOUNT AT THE END OF THE PERIOD</b>	<b>55 297</b>	<b>785 947</b>	<b>8 273 916</b>	<b>7 374 822</b>	<b>141 270</b>	<b>122 909</b>	<b>16 754 161</b>	<b>378 263</b>	<b>17 132 424</b>

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#### 14. Inventories

	As at 30 September 2010 ( <i>unaudited</i> )	As at 31 December 2009
<b>Historical cost</b>		
Raw materials	328 106	424 465
Semi-finished goods and work-in-progress	69 139	87 114
Finished goods	5 341	17 566
Goods for resale	11	1 702
Property rights arising from energy certificates	15 421	9 131
Emission allowances	25 269	-
<b>Total</b>	<b>443 287</b>	<b>539 978</b>
<b>Write-downs to net realisable value</b>		
Raw materials	(3 881)	(3 612)
Semi-finished goods and work-in-progress	-	-
Finished goods	(203)	(165)
Goods for resale	-	-
Property rights arising from energy certificates	-	-
Emission allowances	-	-
<b>Total</b>	<b>(4 084)</b>	<b>(3 777)</b>
<b>Net realisable value</b>		
Raw materials	324 225	420 853
Semi-finished goods and work-in-progress	69 139	87 114
Finished goods	5 138	17 401
Goods for resale	11	1 702
Property rights arising from energy certificates	15 421	9 131
Emission allowances	25 269	-
<b>Total</b>	<b>439 203</b>	<b>536 201</b>

#### 15. Trade receivables

Trade receivables are non-interest bearing and are usually receivable within 30 days with respect to 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, the Management believe there is no additional credit risk that would exceed the bad debts allowance recognized for trade receivables of the Group.

The values of trade receivables at the end of the 9-month period ended 30 September 2010 are presented in the table below.

##### Trade receivables as at 30 September 2010 (*unaudited*)

	As at 30 September 2010 ( <i>unaudited</i> )	As at 31 December 2009
Value of item before allowance/write-down	1 583 791	1 314 449
Allowance/write-down	(152 827)	(114 822)
<b>Value of item net of allowance (carrying amount)</b>	<b>1 430 964</b>	<b>1 199 627</b>

## 16. Issued capital

### Issued capital as at 30 September 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
<b>Total</b>			<b>1 589 438 762</b>		<b>14 304 949</b>	

### Shareholding structure as at 30 September 2010

Shareholder	Value of shares	Percentage of share capital	Percentage of total vote
State Treasury (notification of 9 August 2010)	5 174 254	36,17%	36,17%
KGHM Polska Miedź S.A. (notification of 2 July 2010)	736 403	5,15%	5,15%
Other shareholders	8 394 292	58,68%	58,68%
<b>Total</b>	<b>14 304 949</b>	<b>100,00%</b>	<b>100,00%</b>

As a result of the parent's merger with its subsidiaries, ENION Zarządzanie Aktywami Sp. z o.o. and Energomix Servis Sp. z o.o., as described in detail in Note 22, the Company issued shares at a total nominal value of PLN 318,665 thousand.

Following the reverse stock split the number of shares was reduced 9 times, from 14,304,948,858 (shares classes from A to K, including the existing shares from class A to class I and merger shares classes J and K issued by TAURON Polska Energia S.A. as a result of the Company's merger with its subsidiaries, ENION Zarządzanie Aktywami Sp. z o.o. and Energomix Servis Sp. z o.o.) to 1,589,438,762 shares class AA. The amount of the issued capital did not change as a result of the reverse split and it is equal to PLN 14,304,949 thousand.

Following 30 September 2010 the initial equity of the parent was raised which has been described more in detail in note 31 hereto.

## 17. Earnings per share

In June 2010, the process of the reverse stock split came to an end. The number of shares was reduced 9 times, from 14,304,948,858 to 1,589,438,762. For comparability purposes, earnings per share for the 9-month period ended 30 September 2009, as presented in the statement of comprehensive income in these interim condensed consolidated financial statements, was calculated for the period on the assumption that the nominal value of one share has always been equal to PLN 9 and the weighted average number of shares was nine times smaller. Earnings per share before the reverse split for the period ended 30 September 2009 amounted to PLN 0.04.

## 18. Provisions and employee benefits

### 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 termination benefits	Provisions, total
<b>Opening balance</b>	<b>176 385</b>	<b>319 772</b>	<b>98 009</b>	<b>26 642</b>	<b>441 186</b>	-	<b>1 061 994</b>
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
Other movements	-	-	-	-	-	-	-
Recognition of provision for VTB	-	-	-	-	-	53 213	53 213
<b>Closing balance</b>	<b>172 092</b>	<b>330 817</b>	<b>100 236</b>	<b>27 773</b>	<b>438 881</b>	<b>34 373</b>	<b>1 104 172</b>
<b>CURRENT</b>	<b>29 852</b>	<b>19 595</b>	<b>4 658</b>	<b>1 151</b>	<b>51 911</b>	<b>23 245</b>	<b>130 412</b>
<b>NON-CURRENT</b>	<b>142 240</b>	<b>311 222</b>	<b>95 578</b>	<b>26 622</b>	<b>386 970</b>	<b>11 128</b>	<b>973 760</b>

### Movement in provisions for employee benefits in the 9-month period ended 30 September 2009 *(unaudited)*

	Provision for retirement, disability and similar benefits	Employee electricity rates	Social Fund	Provision for coal allowances	Jubilee bonuses	Voluntary termination benefits	Provisions, total
<b>Opening balance</b>	<b>163 787</b>	<b>286 702</b>	<b>91 265</b>	<b>27 219</b>	<b>457 564</b>	-	<b>1 026 537</b>
Current service costs	6 105	3 484	1 516	396	18 382	-	29 883
Actuarial gains and losses	(3 470)	7 720	3 063	63	(5 466)	-	1 910
Benefits paid	(8 972)	(8 016)	(2 203)	(495)	(39 399)	-	(59 085)
Past service costs	-	5 959	-	-	-	-	5 959
Contribution in kind	-	-	-	-	-	-	-
Interest expense	8 863	15 089	4 136	1 041	18 250	-	47 379
Other movements	76	-	-	-	-	-	76
<b>Closing balance</b>	<b>166 389</b>	<b>310 938</b>	<b>97 777</b>	<b>28 224</b>	<b>449 331</b>	-	<b>1 052 659</b>
<b>CURRENT</b>	<b>29 946</b>	<b>24 498</b>	<b>4 526</b>	<b>840</b>	<b>35 934</b>	-	<b>95 744</b>
<b>NON-CURRENT</b>	<b>136 443</b>	<b>286 440</b>	<b>93 251</b>	<b>27 384</b>	<b>413 397</b>	-	<b>956 915</b>

In June 2010, ENION S.A., EnergiaPro S.A. and Południowy Koncern Energetyczny S.A. implemented a voluntary redundancy scheme ("VTB").

In ENION S.A. and EnergiaPro S.A., the following two forms of voluntary redundancies were offered to employees: an early retirement scheme and a severance payment scheme. The first scheme was available to the employees who have already acquired or will, by the end of the year, have acquired the right to early retirement, bridging retirement or retirement due to a disability. The severance payment scheme was addressed to the other employees, who are not eligible for using the early retirement scheme. The employees were invited to submit applications by 30 June 2010. In ENION S.A. 279 employees took advantage of the schemes and in EnergiaPro S.A. 245 employees.

In Południowy Koncern Energetyczny S.A. the employment cost cutting package was adopted for a definite period of time, till 31 December 2011, with an option to extend that period. The package is addressed to the employees at the pre-retirement age, the employees who have acquired the right to retirement from Social Insurance Fund at a younger age and the employees who meet the conditions required in order to acquire the right to early retirement for those looking after children in need of continuous care, as well as the employees employed in departments of power/combined heat and power plants under restructuring or liquidation. The employees were invited to submit applications from 1 July 2010 and the deadline for submission has not been determined (applications are still being accepted). As at 30 September 2010 applications for early retirement had been submitted by 283 persons.



The companies recognized provisions for payments resulting from the schemes which as at 30 September 2010 amounted to:

- PLN 8,427 thousand in ENION S.A.,
- PLN 6,900 thousand in EnergiaPro S.A.,
- PLN 19,046 thousand in Południowy Koncern Energetyczny S.A.

By 30 September 2010 the benefits paid in the three subsidiaries amounted to 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 division 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 main assumptions adopted by the actuary as at 31 December 2009 for the calculation of the amount of liability are as follows:

	<b>31 December 2009</b>
Discount rate (%)	5.75%
Estimated inflation rate (%)	2.50%
Employee rotation rate (%)	1.08%-2.62%
Estimated salary increase rate (%)	2.50%
Estimated electricity price increase rate (%)	2.70%
Estimated increase rate for contribution to the Social Fund (%)	4.10%
Remaining average employment period	9.97%-14.18%

The forecasted provisions for 2010 were prepared based on the previously calculated provisions as at 31 December 2009. The forecast was prepared based on the assumptions used for calculation of provisions as at 31 December 2009.

## 19. Provisions

### 19.1. Movements in provisions

#### 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 obligation to submit energy certificates	Provision for use of real estate under power generation facilities without contract and other provisions	Provisions, total
<b>Opening balance</b>	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
<b>Closing balance</b>	<b>31 562</b>	<b>238</b>	<b>34 142</b>	<b>698 973</b>	<b>62 610</b>	<b>827 525</b>
<b>CURRENT</b>	<b>31 562</b>	<b>238</b>	<b>-</b>	<b>698 973</b>	<b>61 873</b>	<b>792 646</b>
<b>NON-CURRENT</b>	<b>-</b>	<b>-</b>	<b>34 142</b>	<b>-</b>	<b>737</b>	<b>34 879</b>

**Movement in provisions for the 9-month period ended 30 September 2009 (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 obligation to submit energy certificates	Provision for use of real estate under power generation facilities without contract and other provisions	Provisions, total
<b>Opening balance</b>	15 603	1 504	23 550	620 706	47 086	708 449
Discount rate adjustment	-	-	852	-	-	852
Recognition	9 826	-	-	596 096	1 220	607 142
Reversal	(241)	-	-	(7 259)	(10 984)	(18 484)
Utilisation	(357)	(854)	-	(636 704)	(745)	(638 660)
Other movements	41	-	348	-	(140)	249
<b>Closing balance</b>	24 872	650	24 750	572 839	36 437	659 548
<b>CURRENT</b>	24 382	412	-	572 839	35 765	633 398
<b>NON-CURRENT</b>	490	238	24 750	-	672	26 150

**19.2. Details of significant provisions**

**19.2.1 Provision for counterparty claims, court disputes, onerous contracts**

**Provision for proceedings before the Competition and Consumer Protection Office**

In 2009, ENION S.A. recognized a provision, which as at 30 September 2010 amounted to PLN 15,851 thousand, for cash penalties imposed on it by the President of the Competition and Consumer Protection Office for the abuse of its dominant position on the electricity distribution market. ENION S.A. appealed against this decision to the Court of Competition and Consumer Protection. As at 30 September 2010, the proceedings relating to this issue are still pending.

**Provision for proceedings against ArcelorMittal Poland S.A.**

In the second quarter of 2010, ENION S.A. recognized a provision of PLN 7,200 thousand due to the call lodged with the court on 18 June 2010 by ArcelorMittal Poland S.A. to make an attempt at negotiating an agreement regarding payment of an amount that was unduly paid to ENION S.A. As at 30 September 2010, the proceedings relating to this issue are still pending.

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

Under 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 the 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 the current cost estimates and inflation and discount rates.

As at 30 September 2010, the provision recognized in this respect by Południowy Koncern Węglowy S.A., including the Mine Decommissioning Fund, amounted to PLN 22,140 thousand, while the provision recognized by Kopalnia Wapienia Czatkowice Sp. z o.o. amounted to PLN 3,661 thousand.

**19.2.3 Provision arising from the obligation to submit energy certificates**

Due to the supply of electricity to final users, the Group is required to submit for redemption a certain number of certificates of electricity generated using renewable sources, gas-fired plants and cogeneration. As at 30 September 2010, the provision recognized in this respect amounted to PLN 698,973 thousand.

**19.2.4 Other provisions**

**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 energy infrastructure items with no appropriate legal title are located. As at 30 September 2010, the provision in this respect amounted to PLN 14,079 thousand. The companies do not

recognize provisions for unreported potential claims from owners of land with an unregulated status.

#### **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 for the period from the beginning of 2005 to 30 September 2010, including potential overdue amounts and interest. As at 30 September 2010, the provision amounted to PLN 16,971 thousand.

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

## **20. Accruals**

### **20.1. Deferred income and government grants**

	<b>As at 30 September 2010 (unaudited)</b>	<b>As at 31 December 2009 (comparative figures)</b>
<b>Deferred income</b>		
Donations, fixed assets received free-of-charge	184 095	180 636
Non-government subsidies	14 126	14 650
Subsidies for the purchase of fixed assets	46 296	47 524
Connection fees	338 295	355 524
Other deferred income	13 286	7 410
<b>Total, of which:</b>	<b>596 098</b>	<b>605 744</b>
Non-current	543 291	559 267
Current	52 807	46 477
<b>Government subsidies</b>		
Forgiven loans from environmental funds	10 173	10 874
Other	55 479	57 000
<b>Total, of which:</b>	<b>65 652</b>	<b>67 874</b>
Non-current	63 178	65 300
Current	2 474	2 574

Deferred income from connection fees and fixed assets received free of charge relates to the transactions which had taken place by 30 June 2009 i.e. prior to the application of IFRIC 18. Beginning from 1 July 2009, the Group has recognized connection fees and fixed assets received free of charge as income.

Government grants presented in these consolidated financial statements mainly include the value of forgiven loans granted by environmental funds. Part of loans from environmental funds is forgiven if the anticipated environmental benefits are achieved.

## 20.2. Accrued expenses

	As at 30 September 2010 <i>(unaudited)</i>	As at 31 December 2009 <i>(comparative figures)</i>
Unused holidays	16 821	20 039
Annual bonuses	172 498	128 815
Environmental protection charges	10 944	-
Accrued excise tax	4 213	7 975
Other	8 369	4 387
<b>Total, of which:</b>	<b>212 845</b>	<b>161 216</b>
Non-current	-	-
Current	212 845	161 216

## 21. Interest-bearing loans and borrowings, including issued debentures

Loans taken out as at 30 September 2010 and 31 December 2009 are presented in the tables below.

### Loans taken out as at 30 September 2010 *(unaudited)*

Currency	Interest rate	Value of loans as at the balance sheet date <i>(unaudited)</i>		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	638 155	638 155	108 155	188 591	208 669	102 799	29 901	40
	fixed	7 432	7 432	1 239	1 460	1 542	1 542	1 649	-
<b>Total PLN</b>		<b>645 587</b>	<b>645 587</b>	<b>109 394</b>	<b>190 051</b>	<b>210 211</b>	<b>104 341</b>	<b>31 550</b>	<b>40</b>
EUR	floating	5 243	20 903	857	2 571	3 428	3 428	5 016	5 603
	fixed	-	-	-	-	-	-	-	-
<b>Total EUR</b>		<b>5 243</b>	<b>20 903</b>	<b>857</b>	<b>2 571</b>	<b>3 428</b>	<b>3 428</b>	<b>5 016</b>	<b>5 603</b>
USD	floating	63 794	186 596	29 785	78 794	65 965	12 052	-	-
	fixed	-	-	-	-	-	-	-	-
<b>Total USD</b>		<b>63 794</b>	<b>186 596</b>	<b>29 785</b>	<b>78 794</b>	<b>65 965</b>	<b>12 052</b>	<b>-</b>	<b>-</b>
<b>Total</b>			<b>853 086</b>	<b>140 036</b>	<b>271 416</b>	<b>279 604</b>	<b>119 821</b>	<b>36 566</b>	<b>5 643</b>
Interest increasing carrying amount			403						
<b>Total loans</b>			<b>853 489</b>						

### Loans taken out as at 31 December 2009

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	888 394	888 394	111 921	289 785	275 852	170 644	40 144	48
	fixed	1 658	1 658	-	1 598	60	-	-	-
<b>Total PLN</b>		<b>890 052</b>	<b>890 052</b>	<b>111 921</b>	<b>291 383</b>	<b>275 912</b>	<b>170 644</b>	<b>40 144</b>	<b>48</b>
EUR	floating	5 887	24 187	883	2 649	3 532	3 532	7 064	6 527
	fixed	-	-	-	-	-	-	-	-
<b>Total EUR</b>		<b>5 887</b>	<b>24 187</b>	<b>883</b>	<b>2 649</b>	<b>3 532</b>	<b>3 532</b>	<b>7 064</b>	<b>6 527</b>
USD	floating	92 633	264 031	24 374	83 316	108 131	48 210	-	-
	fixed	-	-	-	-	-	-	-	-
<b>Total USD</b>		<b>92 633</b>	<b>264 031</b>	<b>24 374</b>	<b>83 316</b>	<b>108 131</b>	<b>48 210</b>	<b>-</b>	<b>-</b>
<b>Total</b>			<b>1 178 270</b>	<b>137 178</b>	<b>377 348</b>	<b>387 575</b>	<b>222 386</b>	<b>47 208</b>	<b>6 575</b>
Interest increasing carrying amount			670						
<b>Total loans</b>			<b>1 178 940</b>						

Presented below are movements in loans, excluding the interest increasing their carrying amount, in the 9-month period ended 30 September 2010 and in the 9-month period ended 30 September 2009.

	9-month period ended 30 September 2010 <i>(unaudited)</i>	9-month period ended 30 September 2009 <i>(unaudited)</i>
<b>Opening balance</b>	<b>1 178 270</b>	<b>1 357 231</b>
<b>Movement in bank overdrafts</b>	<b>(59 433)</b>	<b>(21 107)</b>
<b>Movement in loans (excluding bank overdrafts):</b>	<b>(265 751)</b>	<b>(71 069)</b>
Taken out	60 469	200 226
Repaid	(334 760)	(280 276)
Change in valuation	8 540	8 981
<b>Closing balance</b>	<b>853 086</b>	<b>1 265 055</b>

In the 9-month period ended 30 September 2010, Południowy Koncern Węglowy S.A. concluded two agreements for investment loans maturing in the first half of 2015, at the total amount of PLN 57,110 thousand. As at 30 September 2010, the carrying amount of those two loans was PLN 52,321 thousand.

Liabilities arising from issued debentures as at 30 September 2010 and 31 December 2009 are presented in the tables below.

### Debentures issued as at 30 September 2010 *(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 <i>(unaudited)</i>	less than 3 months	3 - 12 months	1 - 2 years	2 - 3 years	3 - 5 years	over 5 years
Południowy Koncern Energetyczny S.A.	floating	PLN	9 638	556 561	40 902	40 091	80 989	80 993	161 986	151 600
<b>Total debentures</b>			<b>9 638</b>	<b>556 561</b>	<b>40 902</b>	<b>40 091</b>	<b>80 989</b>	<b>80 993</b>	<b>161 986</b>	<b>151 600</b>

## Debentures issued as at 31 December 2009

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
Poludniowy Koncern Energetyczny S.A.	floating	PLN	126	596 655	-	80 993	81 314	81 314	162 629	190 405
<b>Total debentures</b>			<b>126</b>	<b>596 655</b>	<b>-</b>	<b>80 993</b>	<b>81 314</b>	<b>81 314</b>	<b>162 629</b>	<b>190 405</b>

The movement in the balance of issued debentures, excluding interest increasing the carrying amount of the liability, in the 9-month period ended 30 September 2010 by PLN 40,094 thousand was due to the redemption of bonds by Południowy Koncern Energetyczny S.A. of PLN 41,308 thousand and a valuation increase of PLN 1,214 thousand.

The decrease in the value of bonds in the 9-month period ended 30 September 2009 by PLN 80,264 thousand resulted from the decrease in value due to the redemption of bonds by TAURON Polska Energia S.A. of PLN 125,000 thousand, as well as the increase in the value of Południowy Koncern Energetyczny S.A. bonds by PLN 44,736 thousand, which was caused by another issue of bonds on 30 June 2009 amounting to PLN 44,000 thousand as well as valuation.

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 restricted 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 2010 (unaudited)	As at 31 December 2009
Real estate	3 363 472	3 467 430
Plant and equipment	314 000	295 987
Motor vehicles	4 419	6 668
Assets under construction	447	745
Trade receivables	-	17 751
Cash	3 466	84 574
Other financial and non-financial receivables	15 616	15 616
<b>Total assets pledged as security for liabilities</b>	<b>3 701 420</b>	<b>3 888 771</b>

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

## 22. Business mergers and acquisitions of non-controlling interests

On 10 June 2010, the parent, TAURON Polska Energia S.A., was merged with its subsidiaries, ENION Zarządzanie Aktywami Sp. z o.o. and Energomix Servis Sp. z o.o. As a result of this business merger, the shareholders of the acquired companies, ENION Zarządzanie Aktywami Sp. z o.o. and Energomix Servis Sp. z o.o., received newly issued shares of the Company:

- 193,850,314 shares class K, with a nominal value of PLN 1 each, were granted to the shareholders of ENION Zarządzanie Aktywami Sp. z o.o.,
- 124,814,986 shares class L, with a nominal value of PLN 1 each, were granted to the shareholders of Energomix Servis Sp. z o.o.

The parities of exchange were determined on the basis of the market value of the entities being merged, calculated on the basis of a valuation performed by an independent expert as at 1 December 2009. The parities of exchange were determined as follows: the shareholders of

ENION Zarządzanie Aktywami Sp. z o.o. received 427 shares of TAURON Polska Energia S.A. (426.01 shares before rounding) in exchange for 1 share of ENION Zarządzanie Aktywami Sp. z o.o., while the shareholders of Energomix Servis Sp. z o.o. received 799 shares of TAURON Polska Energia S.A. (798.86 shares before rounding) in exchange for 1 share of Energomix Servis Sp. z o.o.

In addition, the non-controlling shareholders of ENION Zarządzanie Aktywami Sp. z o.o. and Energomix Servis Sp. z o.o. were required to make their contributions in cash (in accordance with art. 492 par. 3 of the Code of Commercial Companies), i.e. to make an additional payment of PLN 1.15 for each share of ENION Zarządzanie Aktywami Sp. z o.o. exchanged for the Company's shares, and PLN 0.16 for each share of Energomix Servis Sp. z o.o. exchanged for the Company's shares.

Following registration of merger shares, the Company's issued capital was increased by PLN 318,665 thousand, up to PLN 14,304,949 thousand.

The business merger as described above represents an acquisition of non-controlling interests in the following companies: TAURON Ekoenergia Sp. z o.o., EnergiaPro Gigawat Sp. z o.o., ENION Energia Sp. z o.o., Elektrociepłownia EC Nowa Sp. z o.o. and Polska Energia Pierwsza Kompania Handlowa Sp. z o.o. In accordance with IAS 27 *Consolidated and Separate Financial Statements*, changes in the parent's ownership interests that do not result in loss of control over a subsidiary are accounted for as equity transactions. The difference between the nominal value of the issued shares decreased by additional payments in cash and the value of the non-controlling interest at the date of acquisition, amounting to PLN (145,651) thousand, was recognized in the equity, in retained earnings.

## **23. Financial instruments**

The fair values of the financial instruments held by the Group as at 30 September 2010 and 31 December 2009 did not significantly differ from their values presented in the financial statements for the particular periods, due to the following reasons:

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

The carrying amounts and fair values of the particular classes and categories of financial instruments as at 30 September 2010 and 31 December 2009 are presented in the tables below.

**The TAURON POLSKA ENERGIA S.A. Capital Group**  
*Interim condensed consolidated financial statements for the 9-month period ended 30 September 2010*  
*(in PLN thousands)*

Categories and classes of financial assets	Carrying amount	
	As at 30 September 2010 <i>(unaudited)</i>	As at 31 December 2009
<b>1 Assets at fair value through profit or loss</b>	<b>7 126</b>	<b>7 084</b>
Shares in unlisted and listed companies (current)	318	485
Investment fund units	6 808	6 599
<b>2 Financial assets available for sale</b>	<b>174 861</b>	<b>153 162</b>
Shares in unlisted and listed companies (non-current)	166 797	145 095
Shares in unlisted and listed companies (current)	1 189	937
Investment fund units	2 975	2 873
Bonds, T-bills and other debt securities	1 500	1 905
Other financial assets available for sale	2 400	2 352
<b>3 Financial assets held to maturity</b>	<b>2 855</b>	<b>4 151</b>
Bonds, T-bills and other debt securities	2 855	4 151
<b>4 Loans and receivables</b>	<b>2 119 069</b>	<b>1 907 351</b>
Trade receivables	1 430 964	1 199 627
Deposits	64 196	23 887
Loans granted	9 486	315
Other financial receivables	614 423	683 522
<b>5 Derivative hedging instruments (assets)</b>	<b>-</b>	<b>1 747</b>
<b>6 Cash and cash equivalents</b>	<b>1 387 071</b>	<b>1 032 103</b>

Categories and classes of financial liabilities	Carrying amount	
	As at 30 September 2010 <i>(unaudited)</i>	As at 31 December 2009
<b>1 Financial liabilities at fair value through profit or loss</b>	<b>-</b>	<b>-</b>
<b>2 Financial liabilities measured at amortized cost</b>	<b>2 612 100</b>	<b>3 261 092</b>
Preferential loans	285 093	329 369
Arm's length loans	568 376	790 118
Bank overdrafts	20	59 453
Issued debentures and other debt securities	566 199	596 781
Trade payables	866 029	966 193
Other financial liabilities	105 035	108 895
Commitments resulting from purchases of fixed and intangible assets	123 561	271 609
Salaries and wages	90 137	117 843
Insurance contracts	7 650	20 831
<b>3 Liabilities under guarantees, factoring and excluded from the scope of IAS 39</b>	<b>98 396</b>	<b>123 668</b>
Obligations under finance leases and hire purchase contracts	98 396	123 668
<b>4 Derivative hedging instruments (liabilities)</b>	<b>16 814</b>	<b>11 038</b>

## 24. Financial risk management objectives and principles

The financial risk management objectives and policies did not change compared with the ones as at 31 December 2009.



## 25. Capital management

On 28 May 2010, the parent, TAURON Polska Energia S.A., and its subsidiaries: TAURON Ekoenergia Sp. z o.o., Elektrociepłownia EC Nowa Sp. z o.o., Elektrownia Stalowa Wola S.A., EnergiaPro Gigawat Sp. z o.o., EnergiaPro S.A., ENION Energia Sp. z o.o., Przedsiębiorstwo Energetyki Ciepłej w Dąbrowie Górniczej S.A. and Elektrociepłownia Tychy S.A. signed an agreement with Bank Polska Kasa Opieki S.A. for the provision of cash pool services. As a result of the appendix signed on 24 August 2010 Przedsiębiorstwo Energetyki Ciepłej Katowice S.A. became a party to the agreement too. The purpose of the agreement is to ensure the most effective management of cash held by the companies, efficient funding of day-to-day working capital requirements of the Group companies, improvement of financial liquidity and optimization of finance income and finance costs of the individual Group companies participating in the agreement as well as of the entire TAURON Polska Energia S.A. Group. TAURON Polska Energia S.A. plays the role of the pool leader. Interest terms were determined at an arm's length. Under the cash pool agreement the Company may obtain external funding amounting to PLN 100,000 thousand by 28 May 2011. The first cash pool transactions were made in June 2010. Due to the intercompany nature of transactions made under the cash pool agreement, the balances of intercompany loans are eliminated in the consolidated financial statements.

The Group monitors capital levels using the leverage ratio presented in the table below.

	As at 30 September 2010 <i>(unaudited)</i>	As at 31 December 2009 <i>(comparative figures)</i>
Interest-bearing loans and borrowings	1 419 688	1 775 721
Trade and other payables, finance leases and hire purchase commitments	1 307 622	1 620 077
Less cash and cash equivalents	(1 387 071)	(1 032 103)
<b>Net debt</b>	<b>1 340 239</b>	<b>2 363 695</b>
Equity attributable to equity holders of the parent	12 722 949	11 858 566
Revaluation reserve on valuation of hedging instruments	9 153	766
<b>Total capital</b>	<b>12 732 102</b>	<b>11 859 332</b>
<b>Capital and net debt</b>	<b>14 072 341</b>	<b>14 223 027</b>
Leverage ratio	10%	17%

## 26. Contingent liabilities and contingent assets

### **Administrative proceedings instituted by the President of the Energy Regulatory Office**

On 11<sup>th</sup> March 2010, the President of the Energy Regulatory Office initiated administrative proceedings in the matter of imposing a pecuniary penalty on ENION S.A. due to a possible breach of the terms and criteria for the independence of a distribution system operator as referred to in Article 9d, paragraphs 1-2 of the Energy Law.

In addition, on 30 March 2010 the President of the Energy Regulatory Office initiated administrative proceedings in the matter of imposing a pecuniary penalty on ENION S.A. due to:

- possible irregularities consisting in failure to maintain the facilities, installations and equipment in a proper technical condition as well as failure to comply with the requirements arising from the concession for distribution of electricity,
- a disclosure of a breach of law in concession-based operations consisting in the application of rates and charges that were inconsistent with the relevant terms, i.e. the refusal to recognize interruptions in the supply of electricity as a basis for granting bonuses to consumers who have signed integrated agreements with ENION Energia Sp. z o.o.

The aforementioned proceedings are pending as at the date of these financial statements.

In addition, on 29 March 2010 the President of the Energy Regulatory Office initiated administrative proceedings in the matter of imposing a pecuniary penalty on ENION Energia Sp. z o.o. due to the disclosure of a breach of law in its concession-based operations consisting in the application of

rates and charges that were inconsistent with the relevant terms, i.e. non-compliance with regulations relating to bonuses granted for interruptions in electricity supply. These proceedings are pending at the date of these financial statements.

### **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. ("PKE") 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 by 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 2<sup>nd</sup> quarter of 2008, PKE receives quarterly cash advances based on 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.

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 Consumer Protection through the President of URE and submitted a motion to have its execution suspended. 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 Consumer 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 Consumer Protection with the Court of Appeal in Warsaw (The 6<sup>th</sup> 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 2010, the President of URE determined the amount of the annual adjustment to be made by Południowy Koncern Energetyczny S.A. to stranded costs for 2009 at PLN 138,202 thousand. On 30 September 2010 this amount was lodged into the bank account of Południowy Koncern Energetyczny S.A.

Revenue and cash inflows generated from compensations concerning termination of long-term PPAs for the 3- and 9-month period ended 30 September 2010 and for the 3- and 9-month period ended 30 September 2009 are presented in the table below.

	3-month period ended 30 September 2010 <i>(unaudited)</i>	9-month period ended 30 September 2010 <i>(unaudited)</i>	3-month period ended 30 September 2009 <i>(unaudited)</i>	9-month period ended 30 September 2009 <i>(unaudited)</i>
<b>Revenue from compensations concerning terminated long-term PPAs</b>	128 987	349 383	164 197	339 198
<b>Cash inflows generated from compensations concerning terminated long-term PPAs</b>	182 005	295 521	69 714	203 464

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 2009.

## 27. Capital commitments

As at 30 September 2010, the Group has committed to incur expenditures for property, plant and equipment at the amount of PLN 1,138,965 thousand. As it was the case as at 31 December 2009, the largest item in this amount was represented by capital commitments relating to the restoration of production capacities at the Bielsko-Biała CHP Plant, being part of Południowy Koncern Energetyczny S.A., at the amount of PLN 400,700 thousand.

Capital commitments of the Group as at 31 December 2009 amounted to PLN 892,289 thousand. The largest item was capital commitments related to the restoration of production capacities at the Bielsko-Biała CHP Plant, amounting to PLN 409,700 thousand.

## 28. Transactions with State Treasury companies

As the Group's main shareholder is the State Treasury of the Republic of Poland, 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, which are calculated based on their cost.

The total value of transactions with the above-mentioned companies and the balances of receivables and payables are presented in the tables below.

### Revenues and costs

	9-month period ended 30 September 2010 <i>(unaudited)</i>	9-month period ended 30 September 2009 <i>(unaudited)</i>
Revenue	928 534	875 526
Costs*	(1 942 609)	(1 547 831)

\* includes costs recognized in the statement of comprehensive income

### Receivables and payables

	As at 30 September 2010 <i>(unaudited)</i>	As at 31 December 2009
Receivables	206 131	114 883
Payables	306 140	297 668

Among the State Treasury companies, the following were the largest counterparties of the TAURON Polska Energia S.A. Group during the 9-month period ended 30 September 2010: KGHM Polska Miedź S.A., Kompania Węglowa S.A. and PSE Operator S.A. Total revenue from these counterparties accounted for 88% of revenue from transactions with State Treasury companies. The largest costs were incurred by the Group on transactions with PSE Operator S.A. and Kompania Węglowa S.A. They accounted for 85% of total costs incurred on transactions with State Treasury companies.

## 29. Compensation of key executives

Until 28 June 2010, the compensation of the Management Board 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 Management Board, Supervisory Board and other key executives of the parent and of the subsidiaries for the 9-month period ended 30 September 2010 is presented in the table below.

**The TAURON POLSKA ENERGIA S.A. Capital Group**  
*Interim condensed consolidated financial statements for the 9-month period ended 30 September 2010*  
*(in PLN thousands)*

	9-month period ended 30 September 2010 <i>(unaudited)</i>		Year ended 31 December 2009	
	Parent	Subsidiaries	Parent	Subsidiaries
<b>Board of Directors</b>	<b>4 354</b>	<b>10 456</b>	<b>1 622</b>	<b>10 724</b>
Short-term employee benefits (salaries and surcharges)	4 051	9 632	1 261	10 276
Jubilee bonuses	73	246	40	240
Post-employment benefits	-	-	-	-
Employment termination benefits	-	31	-	150
Other	230	547	321	58
<b>Supervisory Board</b>	<b>220</b>	<b>2 250</b>	<b>279</b>	<b>2 955</b>
Short-term employee benefits (salaries and surcharges)	220	2 097	279	2 950
Other	-	153	-	5
<b>Total</b>	<b>4 574</b>	<b>12 706</b>	<b>1 901</b>	<b>13 679</b>
<b>Other key management personnel *</b>	<b>4 125</b>	<b>24 363</b>	<b>4 205</b>	<b>18 647</b>
Short-term employee benefits (salaries and surcharges)	3 873	23 225	3 818	17 849
Jubilee bonuses	43	663	115	508
Post-employment benefits	-	-	-	140
Employment termination benefits	-	61	-	69
Other	209	414	272	81

\* the scope of individuals classified as key executives in the subsidiaries has been expanded in the period ended 30 September 2010 compared with the year 2009.

### 30. Details of other significant changes in the reporting period

#### 30.1 Other operating expenses

Other operating expenses for the 9-month period ended 30 September 2010 include, in particular, the costs of removing damage caused by unfavorable weather conditions at the beginning of 2010, amounting to PLN 33,508 thousand.

#### 30.2 Other current and long-term non-financial assets

The increase in long-term non-financial assets is mainly due to the increase in prepayments for fixed assets related to the following construction contracts: a new power unit at the Bielsko-Biała CHP Plant, amounting to PLN 36,720 thousand, a new RES power unit at the Jaworzno III Power Plant, amounting to PLN 11,153 thousand and a new 910 MW power unit at the Jaworzno III Power Plant, amounting to PLN 4,508 thousand, all of them carried out by Południowy Koncern Energetyczny S.A.

Current non-financial assets as at 30 September 2010 amounting to PLN 157,067 thousand include, among others, the costs of production preparation and the costs of workings in hard coal mines (PLN 83,780 thousand) and prepayments relating to transfers to the Social Fund (PLN 18,239 thousand).

#### 30.3 Other current financial assets

Other current financial assets amounting to PLN 57,343 thousand as at 30 September 2010 include in particular:

- restricted cash of PLN 23,908 thousand to be used for redemption of issued debentures and interest payments in the second half of 2010 by Południowy Koncern Energetyczny S.A.,
- a cash deposit maturing over 3 months of PLN 16,341 thousand, placed by TAURON Ekoenergia Sp. z o.o.,
- investment fund units held by Południowy Koncern Energetyczny S.A., amounting to PLN 6,808 thousand.

### **30.4 Other current liabilities**

The increase in other current liabilities amounting to PLN 85,804 thousand was mainly due to the increase in taxation, customs duty, social security and other payables, amounting to PLN 37,958 thousand, as well as to the increase in prepayments received for supplies amounting to PLN 36,220 thousand.

## **31. Events after the balance sheet date**

### **Split of the subsidiary ENION Energia Sp. z o.o.**

On 1 October 2010 the District Court in Wrocław registered increased share capital of TAURON Ekoenergia Sp. z o.o. and at the same time the company split of ENION Energia Sp. z o.o. The split of ENION Energia Sp. z o.o. was conducted in accordance with article 529, section 1, item 4 of the Code of Commercial Companies, i.e. by acquiring by TAURON Ekoenergia Sp. z o.o. from ENION Energia Sp. z o.o. a group of assets that constitutes a business, comprising tangible and intangible assets used in generation of electricity using renewable sources – hydroelectric plants. The share capital of TAURON Ekoenergia Sp. z o.o. was increased from 200,264 thousand, by 255,806 thousand, up to 456,070 thousand. This was achieved by issuing 255,806 shares with a nominal value of PLN 1 thousand each, which were all taken up by TAURON Polska Energia S.A. In connection with the subsidiary split, the share capital of ENION Energia Sp. z o.o. was reduced from 663,887 thousand, by 381,290 thousand, up to 282,597 thousand by redemption of 7,625,793 shares with a nominal value of PLN 50 each. As a result of the transfer of assets made, since October TAURON Ekoenergia Sp. z o.o. has been operating all hydroelectric plants in the Group.

### **Increased issued capital**

On 9 September 2010 the Company and the State Treasury entered into an agreement for taking up the Company's class BB shares by the State Treasury on the basis of a private placement. Based on the agreement the State Treasury has taken up 163,110,632 ordinary registered class BB shares of the Company, with a nominal value of PLN 9 each and the total nominal value of PLN 1,467,996 thousand, in connection with the increase in share capital in line with the resolution of the Extraordinary General Meeting of 26 April 2010.

In connection with the above mentioned agreement on 21 October 2010 the State Treasury paid for the increased issued capital of the Company by an in-kind contribution of the following shareholdings:

- 22,528,790 shares held by the State Treasury in Południowy Koncern Energetyczny S.A. with its registered office in Katowice, which represents all of the shares held by the State Treasury and 14.45% of all registered shares of Południowy Koncern Energetyczny S.A., with a fair value of PLN 863,754 thousand,
- 3,387,636 shares held by the State Treasury in Elektrownia Stalowa Wola S.A. with its registered office in Stalowa Wola, which represents all of the shares held by the State Treasury and 14.69% of all registered shares of Stalowa Wola S.A., with a fair value of PLN 80,524 thousand,
- 3,706,725,306 shares held by the State Treasury in ENION S.A. with its registered office in Kraków, which represents all of the shares held by the State Treasury and 14.65% of all registered shares of ENION S.A., with a fair value of PLN 407,740 thousand,
- 1,131,797,798 shares held by the State Treasury in EnergiaPro S.A. with its registered office in Wrocław, which represents all of the shares held by the State Treasury and 13.75% of all registered shares of EnergiaPro S.A., with a fair value of PLN 350,857 thousand.

On 2 November 2010 the District Court, Katowice-Wschód VIII Economic Department of the National Court Register registered the increased issued capital of the Company, up to PLN 15,772,945 thousand. Following the registration of shares, the number of shares has increased to 1,752,549,394.

These interim condensed consolidated financial statements of the TAURON Polska Energia S.A. Group prepared for the 9-month period ended 30 September 2010 in accordance with International Financial Reporting Standard 34 consist of 46 consecutive pages.

Katowice, 8 November 2010

Dariusz Lubera - President .....

Krzysztof Zawadzki - Vice-president .....