

Dear Sir/Madam,

The past year brought the expected economic slowdown. Thousands of businesses were faced with the necessity of cutting costs and cutting back on production, and this led to a drop in energy consumption nationally, affecting power companies' electricity sales. The power market regulatory body held onto its decision-making power over energy prices for individual users, and this was reluctantly accepted by a market ready for full liberalisation.

In these difficult circumstances, power companies attempted to increase revenues, and especially their net profit, in order to obtain essential resources designated for investments. The actions taken by the Management Board of ENEA were aimed in this direction, and it is with great satisfaction that I can confirm that that plan was implemented successfully. We overcame an unfavourable market situation. The company noted a growth in revenues of 18.92 per cent, and in net profit of 49.87 per cent. This is the best possible confirmation of the effectiveness of our managerial personnel at all levels of management, and of our team of specialists supporting and implementing all the management process within the company.

Such an improvement in results in relation to the previous year provides grounds for optimism, and opens the way to carrying out ambitious investment plans. Our flagship undertakings, key to the development of the company and the entire capital group, remain: the construction of new power units in the Koziernice Power Plant, the construction or acquisition of wind farms of a total capacity of several hundred megawatts and of biogas plants, as well as the large-scale and, most importantly, systematic modernisation of our distribution network. These tasks reflect the main policy direction set out in our new development strategy, a document which will certainly provide the basis for many business decisions of key importance to the future of the company and the entire capital group.

ENEA's effective management and the strengthening of its position on the market bore fruit in the sale of 16.05 per cent of the shares held by the State Treasury in mid-February of this year. Analysts have pointed out how smoothly and professionally the offer was conducted. And our success is all the greater for the sale having been conducted as a fully marketed offer. Without doubt, this is a good sign for the future, and proof that ENEA is a worthy business partner and a business with great potential for development. The success of this year's offer is also rebuilding trust on the part of investors and analysts, which had been weakened by the launch of the privatisation process last year, which was less successful, due solely to external factors.

The year 2010 brings challenges in connection with preparing for the final phase of privatisation and the continuation of key investment processes, as well as the development of new trading mechanisms relating to changes on the power market and in energy law which will lead to the obligation to trade energy on the market. I am convinced that ENEA is well-prepared to meet these challenges, and will soon strengthen its position on the power market.

*President of the Management Board
Maciej Owczarek*

Selected separate financial data

	in PLN '000		in EUR '000	
	12 months ended 31.12.2009	12 months ended 31.12.2008	12 months ended 31.12.2009	12 months ended 31.12.2008
Net sales revenue	7 048 625	5 941 996	1 623 883	1 682 284
Operating profit/loss	156 063	118 285	35 954	33 489
Profit/loss before tax	362 627	246 347	83 543	69 745
Net profit/loss of the reporting period	305 414	203 785	70 362	57 695
Net cash flows from operating activities	(193 413)	332 039	(44 559)	94 006
Net cash flows from investing activities	(1 643 106)	(191 741)	(378 544)	(54 285)
Net cash flows from financing activities	(183 445)	1 824 510	(42 263)	516 551
Total net cash flows	(2 019 964)	1 964 794	(465 365)	556 268
Weighted average number of shares	441 442 578	359 016 443	441 442 578	359 016 443
Net earnings per share (in PLN per one share)	0.69	0.57	0.16	0.16
Diluted earnings per share (in PLN / EUR)	0.69	0.57	0.16	0.16
	Balance as at 31.12.2009	Balance as at 31.12.2008	Balance as at 31.12.2009	Balance as at 31.12.2008
Total assets	10 914 041	11 093 233	2 656 648	2 658 718
Liabilities and provisions for liabilities	1 081 593	1 380 315	263 277	330 820
Non-current liabilities	122 662	124 163	29 858	29 758
Current liabilities	958 931	1 256 152	233 419	301 062
Equity	9 832 448	9 712 918	2 393 371	2 327 897
Share capital	588 018	588 018	143 133	140 930
Book value per share (in PLN / EUR)	22.27	22.00	5.42	5.27
Diluted book value per share (in PLN / EUR)	22.27	22.00	5.42	5.27

The above financial data for 2009 and 2008 were translated into EUR in line with the following principles:

- individual assets and liabilities – as per the average exchange rate at 31 December 2009– PLN/EUR 4.1082 (as at 31 December 2008 – PLN/EUR 4.1724);
- individual items of the income statement and the cash flow statement – as per the arithmetic mean of the average exchange rates determined by the National Bank of Poland as at the last day of each month of the reporting period from 1 January to 31 December 2009 – PLN/EUR 4.3406 (for the period from 1 January to 31 December 2008 – PLN/EUR 3.5321).

AUDITOR'S OPINION

To the Shareholders' Meeting and the Supervisory Board of ENEA S.A.

We have audited the attached financial statements of Enea S.A.: (the Company) with registered office in Poznań, ul. Nowowiejskiego 11, including:

- balance sheet prepared as at 31 December 2009, with total assets and equity and liabilities of PLN 10,914,041 thousand;
- statement of comprehensive income for the financial year from 1 January 2009 to 31 December 2009 disclosing a net profit of PLN 305,414 thousand and comprehensive income of PLN 305,414 thousand;
- statement of changes in equity for the financial year from 1 January 2009 to 31 December 2009, disclosing an increase in equity of PLN 119,530 thousand;
- cash flows statement for the financial year from 1 January 2009 to 31 December 2009, showing a cash outflow of PLN 2,019,964 thousand;
- notes, comprising summary of adopted significant accounting policies and other explanatory information.

Preparation of these financial statements has been the responsibility of the Company's Management Board. Our responsibility was to audit and express an opinion on the fairness, correctness and clarity of these financial statements and the correctness of the underlying accounting records.

The financial statements of the Company for the previous financial year ended 31 December 2008 were audited by another certified auditor, which issued an opinion on the financial statements dated 17 April 2009 with a qualification. Our opinion refers only to the financial statements for the financial year ended 31 December 2009.

Our audit was planned and performed in accordance with:

- section 7 of the Accounting Act of 29 September 1994 (Dz. U. of 2009 No. 152, item 1223 with subsequent amendments);
- auditing standards issued by the National Council of Statutory Auditors in Poland;

in such a way as to obtain a reasonable and sufficient basis for expressing an opinion as to whether the financial statements were free of material misstatements. Our audit included in particular examining, largely on a test basis, of the accounting evidence and records supporting the amounts and disclosures in the financial statements, assessment of the accounting principles (policy) applied and material estimates made by the Management Board, as well as evaluation of the overall presentation of the financial statements.

We believe that our audit provides a sufficient basis for our opinion.

In our opinion, the audited financial statements of ENEA S.A. for the 2009 financial year were prepared in all material respects based on the accounting records kept in line with the Accounting Act of 29 September 1994 and are compliant with the adopted accounting principles (policy) and give a true and fair view of all information essential for evaluating the

financial and economic position as well as the financial result of the company for the 12-month period ended 31 December 2009 and as at that date, in accordance with International Financial Reporting Standards, as approved by the European Union.

The Report on the activities of the Company in the 2009 financial year is complete in the meaning of Article 49 clause 2 of the Accounting Act and the Minister of Finance's ordinance of 19 February 2009 on current and periodical information submitted by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state, and consistent with the underlying information disclosed in the audited financial statements.

.....
Marcin Samolik
Certified auditor:
No. 10066

.....
Represented by

.....
Entity entitled to audit financial
statements entered under
number 73 on the list kept by the
the National Council of Statutory Auditors

Warsaw, 16 March 2010

The above audit opinion together with audit report is a translation from the original Polish version. In case of any discrepancies between the Polish and English version, the Polish version shall prevail.

**Separate financial statements of ENEA S.A.
for the financial year ended 31 December 2009**

Poznań, 16 March 2010

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(in PLN '000 unless stated otherwise)

These separate financial statements have been prepared in accordance with the International Financial Reporting Standards as endorsed by the European Union and approved by the Company's Management Board for publication and submission to the competent bodies of the Company for approval in line with the Accounting Act and the Code of Commercial Companies.

Members of the Management Board

Chairman of the Board **Maciej Owczarek**

Member of the Board **Piotr Koczorowski**

Member of the Board **Sławomir Jankiewicz**

Member of the Board **Marek Malinowski**

Member of the Board **Tomasz Treider**

Poznań, 16 March 2010

Prepared by: Wiesława Bazaniak
Accounting Office Manager

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(in PLN '000 unless stated otherwise)

SEPARATE BALANCE SHEET

	Note	Balance as at	
		31.12.2009	31.12.2008
ASSETS			
Non-current assets			
Property, plant and equipment	6	211 217	212 361
Perpetual usufruct of land	7	3 213	990
Intangible assets	8	1 405	982
Investment property		-	-
Investments in subsidiaries, associates and co-subsiidiaries	9	7 844 884	7 780 241
Deferred tax asset	20	27 366	39 701
Financial assets available for sale	10	3 866	3 866
Financial assets held to maturity	10	-	-
Financial assets measured at fair value through profit or loss	10	1 219	1 033
Trade and other receivables	11	-	-
		8 093 170	8 039 174
Current assets			
Inventories		-	-
Trade and other receivables	11	850 247	732 673
Current income tax assets		11 090	-
Financial assets held to maturity	10	-	-
Financial assets measured at fair value through profit or loss	10	1 652 523	-
Cash and cash equivalents	12	301 422	2 321 386
		2 815 282	3 054 059
Non-current assets held for sale	9	5 589	-
Total assets		10 914 041	11 093 233
EQUITY			
Share capital		588 018	588 018
Share premium		4 627 673	4 627 673
Treasury shares		-	(17 396)
Share-based capital		1 144 336	1 144 336
Revaluation reserve (financial instruments)		(3 847)	(3 847)
Reserve capital		754 841	754 425
Retained earnings		2 721 427	2 619 709
Total equity		9 832 448	9 712 918
LIABILITIES			
Non-current liabilities			
Loans and borrowings		-	-
Finance lease liabilities	19	5 882	5 821
Settlement of income due to grants and connection fees	16	33 194	34 301
Liabilities due to employee benefits	21	83 586	84 041
		122 662	124 163
Current liabilities			
Loans and borrowings		-	-
Trade and other liabilities	15	836 574	879 458
Finance lease liabilities	19	2 845	1 967
Settlement of income due to grants and connection fees	16	2 244	2 437
Current income tax liabilities		-	11 654
Liabilities due to employee benefits	21	8 701	9 018
Liabilities due to an equivalent of the right to acquire shares free of charge		618	163 799
Provision for certificates of origin	22	65 611	143 942
Provisions for other liabilities and charges	23	42 338	43 877
		958 931	1 256 152
Total liabilities		1 081 593	1 380 315
Total equity and liabilities		10 914 041	11 093 233

The balance sheet should be read together with the explanatory notes, which constitute an integral part of the separate financial statements

(in PLN '000 unless stated otherwise)

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

	Note	For the period of	
		12 months ended 31.12.2009	12 months ended 31.12.2008
Sales revenue		7 278 800	5 941 996
Excise duty		(230 175)	-
Net sales revenue	24	7 048 625	5 941 996
Other operating revenue	27	24 569	55 753
Amortization/Depreciation	25	(13 286)	(16 796)
Costs of employee benefits	25	(38 355)	(88 062)
Consumption of materials and raw materials, and costs of goods sold	25	(3 230)	(5 154)
Energy purchase for the purposes of sales	25	(4 594 357)	(3 388 861)
Transmission services	25	(2 084 493)	(2 212 702)
Other external services	25	(114 919)	(117 471)
Taxes and charges	25	(8 188)	(10 616)
Change in products		-	-
Manufacturing cost of products for internal purposes		-	-
Gain/loss on sale and liquidation of property, plant and equipment		2 748	7
Impairment loss on property, plant and equipment	6	(8 214)	-
Other operating expenses	27	(54 837)	(39 809)
Operating profit		156 063	118 285
Financial expenses	29	(7 733)	(2 055)
Financial revenue	28	135 400	58 573
Write-off of goodwill		-	-
Write-off of negative goodwill		-	-
Dividend income	28	78 897	71 544
Share in profits/losses of associates measured using the equity method		-	-
Profit before tax		362 627	246 347
Income tax	30	(57 213)	(42 562)
Net profit for the reporting period		305 414	203 785
Other items of comprehensive income:			
Measurement of financial assets available for sale		-	(6 302)
Income tax related to other items of comprehensive income		-	903
Other items of net comprehensive income		-	(5 399)
Comprehensive income		305 414	198 386
Earnings attributable to shareholders		305 414	203 785
Weighted average number of ordinary shares		441 442 578	359 016 443
Net earnings per share (in PLN)		0.69	0.57
Diluted earnings per share (in PLN)		0.69	0.57

The separate statement of comprehensive income should be read together with the explanatory notes, which constitute an integral part of the separate financial statements

ENEA S.A.

Separate financial statements in accordance with EU-IFRS for the financial year ended 31 December 2009

*(in PLN '000 unless stated otherwise)***SEPARATE STATEMENT OF CHANGES IN EQUITY**

	Note	Share capital (nominal value)	Revaluation of share capital	Total share capital	Treasury shares	Share premium	Share-based capital	Revaluation reserve (financial instruments)	Reserve capital	Retained earnings	Total equity
Balance as at 1 January 2009		441 443	146 575	588 018	(17 396)	4 627 673	1 144 336	(3 847)	754 425	2 619 709	9 712 918
Comprehensive income										305 414	305 414
Distribution of the financial profit									416	(416)	-
Dividends	31									(203 280)	(203 280)
Disposal of treasury shares acquired under the stabilization option					17 396						17 396
Other											-
Balance as at 31 December 2009		441 443	146 575	588 018	-	4 627 673	1 144 336	(3 847)	754 841	2 721 427	9 832 448

The statement of changes in equity should be read together with the explanatory notes, which constitute an integral part of the separate financial statements.

ENEA S.A.

Separate financial statements in accordance with EU-IFRS for the financial year ended 31 December 2009

(in PLN '000 unless stated otherwise)

	Note	Share capital (nominal value)	Revaluation of share capital	Total share capital	Treasury shares	Share premium	Share-based capital	Revaluation reserve (financial instruments)	Reserve capital	Retained earnings	Total equity
Balance as at 1 January 2008		348 221	146 575	494 796	-	2 791 254	901 110	1 552	412 400	2 862 907	7 464 019
Comprehensive income								(5 399)		203 785	198 386
Redemption of shares		(10 594)		(10 594)						10 594	-
Cash equivalent exchanged for shares				-			224 042				224 042
Change in the fair value of the employee stock ownership plan				-			19 184				19 184
Distribution of the financial profit				-					342 025	(342 025)	-
Dividends	31									(115 552)	(115 552)
Issuance of shares		103 816		103 816		1 836 419					1 940 235
Treasury shares acquired under the stabilization option					(17 396)						(17 396)
Other					-						-
Balance as at 31 December 2008		441 443	146 575	588 018	(17 396)	4 627 673	1 144 336	(3 847)	754 425	2 619 709	9 712 918

SEPARATE CASH FLOW STATEMENT

	Note	For the period of	
		12 months ended 31.12.2009	12 months ended 31.12.2008
Cash flows from operating activities			
Net profit for the reporting period		305 414	203 785
Adjustments:			
Income tax disclosed in the income statement	30	57 213	42 562
Amortization/Depreciation	25	13 286	16 796
Costs of benefits due to share-based payments		-	19 433
(Profit)/loss on sale and liquidation of property, plant and equipment		(2 748)	(7)
Impairment loss on property, plant and equipment	6	8 214	7 784
(Profit)/loss on sale of financial assets		(2 571)	(1 469)
Interest income		(114 575)	(58 573)
Dividend income		(78 897)	(71 544)
Interest expense		3 625	2 055
Other adjustments		-	-
		(116 453)	(42 963)
Income tax paid		(67 622)	(56 567)
Interest received		106 976	54 221
Interest paid		(3 789)	(1 178)
Changes in the working capital			
Inventories		-	-
Trade and other receivables		(114 575)	(101 910)
Trade and other liabilities		(57 317)	325 111
Liabilities due to employee benefits		(772)	20 250
Settlement of income due to grants and connection fees		(2 224)	(2 177)
Provision for certificates of origin		(78 331)	79 168
Liabilities due to an equivalent of the right to acquire shares free of charge		(163 181)	(127 328)
Provisions for other liabilities and charges		(1 539)	(18 387)
		(417 939)	174 727
Net cash flows from operating activities		(193 413)	332 025
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		(10 640)	(14 931)
Proceeds from disposal of property, plant and equipment and intangible assets		4 162	-
Acquisition of financial assets		(1 900 000)	-
Proceeds from disposal of financial assets		273 470	3 766
Acquisition of subsidiaries, associates and a jointly-controlled entity		(85 350)	(251 620)
Disposal of a subsidiary		-	-
Dividends received		78 897	71 544
Other outflows/proceeds from investing activities		(3 645)	(500)
Net cash flows from investing activities		(1 643 106)	(191 741)
Cash flows from financing activities			
Dividends paid		(203 064)	(96 464)
Outflows due to payment of finance lease liabilities		(2 860)	(1 865)
Proceeds from issuance of equity instruments		-	1 940 235
Outflows/proceeds from buy-back/disposal of treasury shares		22 479	(17 396)
Net cash flows from financing activities		(183 445)	1 824 510
Net increase/(decrease) in cash		(2 019 964)	1 964 794
Opening balance of cash	12	2 321 386	356 592
Closing balance of cash	12	301 422	2 321 386

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

1.1. General information about ENEA S.A.

Name (business name):	ENEA Spółka Akcyjna
Legal form:	joint-stock company
Country of the registered office:	Poland
Registered office:	Poznań
Address:	ul. Nowowiejskiego 11, 60-967 Poznań
National Court Register – District Court in Poznań	KRS 0000012483
Telephone:	(+48 61) 856 10 00
Fax:	(+48 61) 856 11 17
E-mail:	enea@enea.pl
Website:	www.enea.pl
Statistical number (REGON):	630139960
Tax identification number (NIP):	777-00-20-640

ENEA S.A., operating at that time under the business name of Energetyka Poznańska S.A., was entered in the National Court Register in the District Court in Poznań, under number KRS 0000012483 on 21 May 2001.

As at 31 December 2009 the Company's shareholder structure was as follows (an increase in the share capital as a result of issuance of shares under a public offering was registered in the National Court Register on 13 January 2009): the State Treasury of the Republic of Poland – 76.48% of shares, Vattenfall AB – 18.67%, other shareholders – 4.85%. On 11 August 2009, the transaction of disposal of the Company's treasury shares with the nominal value of PLN 1 was settled, as a result of which 1 129 608 treasury shares were disposed of at the average unit price of PLN 19.90 per share.

As at 31 December 2009 the Company's statutory share capital registered in the National Court Register equaled PLN 441 443 thousand (PLN 588 018 thousand upon adoption of EU-IFRS and considering hyperinflation and other adjustments) and it was divided into 441 442 578 shares.

The core business of ENEA S.A. ("ENEA", the "Company") is trade in electricity.

ENEA S.A. is the parent company of the ENEA S. A. Capital Group, which as at 31 December 2009 comprised also 24 subsidiaries, 3 associates and a jointly-controlled entity.

These financial statements have been prepared under the going concern assumption. There are no circumstances indicating that Company's ability to operate as a going concern may be threatened.

1.2. Composition of the Management Board and the Supervisory Board

As at 31 December 2009, the composition of the Management Board was as follows:

Maciej Owczarek – Chairman of the Board;

Sławomir Jankiewicz – Member of the Board for Financial Affairs;

Piotr Koczorowski – Member of the Board for Corporate Affairs;

Marek Malinowski – Member of the Board for Strategy and Development;

Tomasz Treider – Member of the Board for Commercial Affairs.

At its meeting of 26 March 2009, the Supervisory Board of ENEA S.A. adopted resolution no. 14/VI/2009 on dismissal of Mr. Paweł Mortas from the position of Chairman of the Management Board and resolution no. 15/VI/2009 on dismissal of Mr. Marek Hermach from the position of Member of the Board for Commercial Affairs. At the same time, pursuant to resolution no. 16/VI/2009 the responsibilities of Chairman of the Management Board of ENEA S.A. were assumed temporarily by Mr. Piotr Koczorowski (until the appointment of a new Chairman).

At its meeting of 22 May 2009, the Supervisory Board of ENEA S.A. adopted resolution no. 46/VI/2009 on appointment of Mr. Maciej Owczarek as a Member of the Company's Management Board for the 6th term of office. Mr. Maciej Owczarek assumed the position of Chairman of the Management Board on 1 June 2009.

At its meeting of 27 June 2009, the Supervisory Board of ENEA S.A. adopted resolution no. 61/VI/2009 on appointment of Mr. Tomasz Treider as a Member of the Company's Management Board for the 6th term of office. Mr. Tomasz Treider assumed the position of Member of the Management Board for Commercial Affairs on 1 August 2009.

At its meeting of 1 September 2009, the Supervisory Board of ENEA S.A. adopted resolution no. 17/VII/2009 on dismissal of Mr. Czesław Koltermann from the position of Member of the Company's Management Board elected by its employees.

As at 1 January 2009, the composition of the Supervisory Board for the 6th term of office was as follows:

Michał Łagoda

Wiesław Alfred Pawliotti

Marian Janas

Piotr Begier

Marzena Gajda

Tadeusz Dachowski

Andrzej Łopuszko

Mieczysław Pluciński.

(in PLN '000 unless stated otherwise)

In the financial year covered by these financial statements the composition of the Supervisory Board changed as follows:

On 24 February 2009 Ms. Marzena Gajda submitted a statement of resignation from the position of Member of the Supervisory Board as from 25 February 2009.

On 25 February 2009, the Extraordinary Shareholders' Meeting of ENEA S.A. appointed the following individuals as Members of the Supervisory Board for the 6th term of office:

Wojciech Chmielewski
Marcin Bruszewski
Graham Wood.

On 30 June 2009 the Ordinary Shareholders' Meeting appointed the following Members of the Supervisory Board of ENEA S.A. for the 7th term of office:

Michał Łagoda
Tadeusz Dachowski
Piotr Begier
Marian Janas
Wiesław Alfred Pawliotti
Mieczysław Pluciński
Paweł Balcerowski
Wojciech Chmielewski
Marcin Bruszewski
Graham Wood.

On 17 September 2009, the Extraordinary Shareholders' Meeting dismissed Mr. Marcin Bruszewski from the position of Member of the Supervisory Board, appointing at the same time Mr. Michał Kowalewski.

2. DESCRIPTION OF KEY ACCOUNTING PRINCIPLES

The key accounting principles applied in the preparation of these financial statements have been presented below. The principles have been applied consistently in all the presented reporting periods.

2.1. Basis for preparation

These separate financial statements for the period from 1 January 2009 to 31 December 2009 have been prepared in compliance with the requirements of the International Financial Reporting Standards as endorsed by the European Union ("EU-IFRS").

These financial statements have been prepared on the historical cost basis, except for financial assets measured

(in PLN '000 unless stated otherwise)

at fair value through profit or loss as well as financial assets available for sale and share-based payments.

The Company draws up the consolidated financial statements of the ENEA Capital Group in accordance with the EU-IFRS. In the consolidated financial statements the entities in which the Company holds shares, directly or indirectly, giving the right to at least 50% of votes or over which it exercises effective control in any other way, have been subject to consolidation using the full method. The consolidated financial statements of the ENEA Capital Group were approved by the Management Board of ENEA S.A. on the same date as the separate financial statements. The separate financial statements of ENEA S.A. ought to be read together with the consolidated financial statements of the ENEA Capital Group for the period from 1 January to 31 December 2009 in order to obtain complete information on the financial position as well as the financial profit/loss of the Capital Group as a whole.

2.2. Business combinations/acquisitions

Business combinations/acquisitions of jointly-controlled entities do not fall within the scope of IFRS regulations. Considering the lack of detailed IFRS regulations, in line with the guidelines laid down in IAS 8 – “Accounting Policies, Changes in Accounting Estimates and Errors”, the entity ought to develop accounting principles applicable to such transactions.

In line with the recommendation, the Company adopted an accounting policy according to which such transactions are recognized at book value.

The accounting principles adopted by the Company are as follows:

The acquirer recognizes the assets, equity and liabilities of the acquiree at their current book value adjusted only for the purpose of applying uniform accounting principles for the combined entities. Goodwill and negative goodwill are not recognized. Any differences between the book value of the net assets acquired and the fair value of the payment in the form of equity instruments and/or assets issued by the entity are recognized in the equity of the combined entities.

Business combinations/acquisitions of entities other than jointly-controlled companies are settled using the acquisition method in line with IFRS 3.

2.3. Measurement of investments in subsidiaries, associates and jointly-controlled entities

Subsidiaries include all entities whose financial and operational policy may be managed by ENEA S.A., which usually results from the majority of votes in the Company’s decision-making bodies. When assessing whether ENEA S.A. controls an entity, the existence and impact of potential voting rights that may be exercised or exchanged at a given moment are taken into consideration. Subsidiaries are subject to consolidation using the full method as from the date of the Company’s assumption of control over such entities. They are not consolidated starting from the date when ENEA S.A. loses control over the subsidiaries.

(in PLN '000 unless stated otherwise)

Associates include all entities over which ENEA S.A. has a substantial influence without exercising control, which usually results from holding 20-50% of the total number of votes in an entity's decision-making bodies.

Jointly-controlled entities include all entities over which ENEA S.A. exercises control together with other companies based on contractual arrangements.

As there is no active market for the entities whose shares are held by ENEA S.A., investments in subsidiaries, associates and jointly-controlled entities are measured at acquisition price less impairment losses. Impairment losses on investments are charged to financial expenses. If the circumstances based on which an impairment loss was made are no longer present, the equivalent of the total amount or an appropriate portion of the impairment loss recognized previously increases the value of investments and is disclosed under financial revenue.

2.4. Foreign currency transactions and measurement of foreign currency items

(a) Functional and presentation currency

Items presented in the financial statements are measured in the currency of the primary economic environment in which the entity carries out its business activity (functional currency). The financial statements are presented in the Polish zloty (PLN), which is the functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated upon initial recognition to the functional currency at the exchange rate ruling as at the transaction date.

As at the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the closing rate (the average exchange rate published by the National Bank of Poland as at the measurement date).

Exchange gains and losses arising from settlement of foreign currency transactions and balance sheet measurement of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

2.5. Property, plant and equipment

Property, plant and equipment is measured at acquisition price or manufacturing cost less accumulated depreciation and accumulated impairment losses.

ENEA S.A. applied the optional exemption provided for in IFRS 1, regarding as at 1 January 2004, i.e. the date of EU-IFRS adoption, the fair value of selected items of property, plant and equipment as the deemed cost.

Further expenditures are recognized in the carrying amount of a given fixed asset or recognized as a separate fixed asset (where appropriate) only if it is probable that ENEA S.A. will generate economic benefits in connection with such an asset, whereas the cost of an item may be reliably measured.

Any other expenditures incurred for repair and maintenance are recognized in profit or loss in the reporting period when they are incurred.

(in PLN '000 unless stated otherwise)

If a fixed asset is replaced, the cost of the replaced component of the asset is recognized in its carrying amount, whereas the carrying amount of the replaced component is derecognized from the balance sheet irrespective of whether it has been depreciated separately, and recognized in profit or loss.

Land is not subject to depreciation. Other fixed assets are depreciated using the straight-line method over the expected useful life of the asset. Depreciation is calculated based on the gross value reduced by the residual value, provided that it is material. Each material component of a fixed asset with a different useful life is depreciated separately.

The useful lives of fixed assets are as follows:

- buildings and structures	25 – 80 years
- technical equipment and machines	4 – 50 years
- vehicles	5 – 20 years
- other fixed assets	5 – 15 years.

The residual value and useful lives of fixed assets are reviewed at least on an annual basis.

Depreciation period begins when a given asset has been commissioned for use. Depreciation is no longer recognized when an asset is to be sold or derecognized from the balance sheet.

The Company received free of charge street lighting equipment from communes and municipalities, and such fixed assets are recognized in line with IAS 20 – “Accounting for Government Grants”, i.e. disclosed under property, plant and equipment at their fair value and presented in the balance sheet as income from grants settled as revenue over the period of 35 years, in proportion to the accrued depreciation costs.

Gains and losses on disposal of fixed assets, which constitute the difference between sales revenue and the carrying amount of the fixed asset disposed of, are recognized in profit or loss.

2.6. Right of perpetual usufruct

Land owned by the State Treasury, local governments or their associations may be used based on the right of perpetual usufruct (RPU). The perpetual usufruct of land is a special property right based on which property may be used with the exclusion of other parties and the object (right) may be disposed of.

Depending on the method of acquisition, the Company classifies the right of perpetual usufruct as follows:

1. RPU acquired by virtue of the law free of charge pursuant to a decision of the Voivode or local government authorities is recognized as an operating lease;
2. RPU acquired for a consideration from third parties is recognized as an asset under right of perpetual usufruct at acquisition price reduced by depreciation charges;

3. RPU acquired under a land perpetual usufruct agreement entered into with the State Treasury or local governments is recognized as a surplus of the first payment over the annual fee, disclosed as an asset under right of perpetual usufruct and depreciated.

The right of perpetual usufruct is depreciated in the period for which it was granted (40-99 years).

2.7. Intangible assets

(a) Goodwill

Goodwill is the surplus of the acquisition price over the fair value of the share of the Company's entities in identifiable assets, liabilities and contingent liabilities of the acquired subsidiary as at the acquisition date or associate as at the date of assuming a significant influence. Goodwill from acquisition of subsidiaries is recognized under intangible assets. Goodwill arising from acquisition of investments in associates is recognized in the carrying amount of the investment.

Goodwill is tested for impairment on an annual basis and disclosed in the balance sheet at the initial value less accumulated amortization charges. For impairment testing purposes goodwill is allocated to cash generating units that derive benefits from synergy effects.

Gains and losses on disposal of associates or subsidiaries include the carrying amount of goodwill relating to the entity disposed of.

(b) Other intangible assets

Intangible assets include: computer software, licenses as well as other intangible assets. Intangible assets are measured at acquisition price or manufacturing cost less accumulated amortization and accumulated impairment losses.

Amortization is calculated based on the straight-line method, taking into account the estimated useful life, which is as follows:

- | | |
|--|--------------|
| - for server licenses and software | 2 - 7 years; |
| - for workstation licenses and software as well as anti-virus software | 4 - 7 years; |
| - for other intangible assets | 2 - 7 years. |

2.8. R&D expenses

Like other intangible assets, R&D expenses meeting the capitalization criteria presented below are measured at acquisition price or manufacturing cost less accumulated amortization and accumulated impairment losses.

Amortization is calculated based on the straight-line method, taking into account the estimated useful life, which is from 2 to 7 years.

Capitalization criteria:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;

(in PLN '000 unless stated otherwise)

- the intention to complete the intangible asset and use or sell it;
- ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits. Among other things, the enterprise should demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure the expenditure attributable to the intangible asset during its development reliably.

2.9. Leases

Lease agreements that transfer substantially all the risks and rewards incidental to ownership to ENEA S.A. are classified as finance leases. Leases other than finance leases are regarded as operating leases.

The object of a finance lease is recognized in the assets as at the lease commencement date at the lower of: the fair value of the leased asset or the present value of the minimum lease payments. Each finance lease payment is divided into an amount reducing the balance of the liability and financial expenses so as to produce a constant rate of interest on the remaining balance of the liability. The interest portion of a lease payment is recognized under financial expenses in profit or loss over the lease term. Depreciable assets acquired under finance lease agreements are depreciated over their useful life.

Lease payments under an operating lease (less any special promotional offers from the lessor) are recognized as an expense on a straight-line basis over the lease term.

2.10. Impairment of assets

The Company's assets are tested for impairment whenever there are indications that an impairment loss might have occurred.

Non-financial assets

An impairment loss is recognized up to the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of: the fair value less the costs of bringing an asset into condition for its sale or value in use (i.e. the present estimated value of the future cash flows expected to be derived from an asset or cash-generating unit). For the purpose of impairment testing, assets are grouped at the lowest possible level with respect to which separate cash flows may be identified (cash-generating units).

All impairment losses are recognized in profit or loss. Impairment losses may be reversed in subsequent periods if events occur justifying the lack or change in the impairment of assets.

Financial assets

Financial assets are tested for impairment at each balance sheet date so as to determine whether there are any indications of their impairment. It is assumed that financial assets have been impaired if there are objective

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indications that one or more events having a negative impact on the estimated future cash flows relating to the assets have occurred.

Individual financial instruments with material value are tested for impairment on a case-by-case basis. Other financial assets are tested for impairment by groups with a similar credit risk level.

The principles for recognition of impairment losses on financial assets have been presented in detail in Note 2.11.

2.11. Financial assets

Financial instruments are classified by ENEA S.A. to the following categories: financial assets measured at fair value through profit or loss, loans and receivables, investments held to maturity and financial assets available for sale.

The classification is based on the purpose of acquiring an investment. The assets are classified upon initial recognition and then reviewed at each balance sheet date, if required or permitted by IAS 39.

(a) Financial assets measured at fair value through profit or loss

The category includes two sub-categories:

- financial assets held for trading if they have been acquired principally for the purpose of being sold in the short term;
- financial assets designated as measured at fair value through profit or loss upon initial recognition.

These assets are recognized as current assets, if the Company intends to sell or realize them within 12 months of the balance sheet date.

(b) Loans and receivables

Loans and receivables are financial assets with determined or determinable payments, which are not quoted on an active market.

Loans and receivables are classified as current assets if their maturity at the balance sheet date does not exceed 12 months. Loans and receivables whose maturity at the balance sheet date exceeds 12 months are classified as non-current assets. Loans and receivables are recognized in the balance sheet under trade and other receivables.

(c) Investments held to maturity

Investments held to maturity are financial assets with determined or determinable payments and fixed maturity that ENEA S.A. intends to and is able to hold to maturity.

(d) Financial assets available for sale

Financial assets available for sale are non-derivative financial instruments designated as “available for sale”

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or not included in any other category. This category includes mainly shares in unrelated parties. AFS financial assets are recognized as non-current assets if ENEA S.A. does not intend to dispose of the investment within 12 months of the balance sheet date.

Acquisition and sale of financial assets is recognized as at the date of the transaction, i.e. the day when ENEA S.A. undertakes to purchase or sell a given asset. Financial assets are initially recognized at fair value increased by transaction costs, except for investments classified as measured at fair value through profit or loss, which are initially recognized at fair value without transaction costs.

Financial assets are derecognized from the accounting records if the rights to the related cash flows have expired or have been transferred and ENEA S.A. has transferred substantially all the risks and rewards incidental to their ownership.

AFS financial assets and those measured at fair value through profit or loss are initially recognized at fair value. AFS financial assets are measured at acquisition price less impairment losses if it is not possible to determine their fair value and they do not have a fixed maturity. Loans and receivables as well as financial assets held to maturity are measured at amortized cost using the effective interest rate.

The effects of measurement of financial assets measured at fair value through profit or loss are recognized in profit or loss in the period when they occurred. The effects of measurement of AFS financial assets are recognized in equity, except for impairment losses. Upon derecognition of an asset classified as “available for sale” from the accounting records the total accumulated profits and losses previously recognized in equity are recognized in profit or loss.

The fair value of investments quoted in an active market is determined with reference to their current purchase price. If there is no active market for financial assets (or the securities are not quoted), ENEA S.A. determines their fair value using adequate measurement techniques which include: recent transactions conducted under arm’s length conditions, comparison to other instruments which are identical in substance, an analysis of discounted cash flows, option valuation models and other techniques and models widely applied in the market, adjusted to the specific situation of the issuer.

(e) Impairment

At each balance sheet date, ENEA S.A. verifies whether there is any objective evidence indicating impairment of a financial asset or a group of financial assets.

If such evidence exists in the case of financial assets available for sale, the total accumulated losses recognized in equity, determined as the difference between the acquisition price and their current fair value less possible impairment losses recognized previously in profit or loss, are excluded from equity and recognized in profit or loss. Impairment losses recognized in profit or loss and relating to equity instruments are not reversed in correspondence with profit or loss. The reversal of impairment losses on debt securities is recognized in profit

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or loss if the fair value increased as a result of subsequent events after the recognition of impairment in the periods following the recognition of the impairment loss.

If there are indications of impairment of loans and receivables or investments held to maturity measured at amortized cost using the effective interest method, impairment losses are determined as the difference between the carrying amount of the assets and the present value of estimated future cash flows discounted using the original effective interest rate for such assets (i.e. the effective interest rate calculated upon initial recognition for assets based on a fixed interest rate and the effective interest rate determined for the last revaluation of assets based on a floating interest rate). Impairment losses are recognized in profit or loss. Impairment is reversed if in subsequent periods the impairment decreases and the reduction may be attributed to events that occurred after the recognition of impairment. As a result of reversal of the impairment, the carrying amount of financial assets may not exceed the amortized cost which would be determined if no impairment loss was recognized. Reversal of impairment losses is recognized in profit or loss.

If there are indications of impairment of unquoted equity instruments measured at acquisition price (as their fair value may not be determined reliably), the amount of the impairment loss is determined as the difference between the carrying amount of the assets and the present value of the estimated future cash flows discounted using the current market rate of return for similar financial assets. Such impairment losses are not reversed.

2.12. Certificates of origin

Pursuant to Article 9a of the Energy Law, ENEA S.A. – as an energy company involved in trading and sales of electricity to end customers connected to the power grid on the territory of the Republic of Poland – is obliged to:

- a) obtain a specific number of certificates of origin and to submit them to the President of the Energy Regulatory Office in order to redeem them, or
- b) pay a substitute fee.

A certificate of origin confirms the production of electricity from renewable resources or in the CHP (combined heat and power) system. The certificates are issued by the President of the Energy Regulatory Office at the request of an energy company producing electricity from renewable sources (wind, water, solar or biomass energy) and in the CHP system. Certificates of origin are transferable and traded on commodity exchanges.

Property rights to certificates of origin arise when a certificate of origin is entered into the register kept by the Polish Power Exchange (Towarowa Gielda Energii S.A. – TGE S.A.).

The property rights to certificates of origin are transferred when an appropriate entry is made in the register of certificates of origin.

ENEA S.A. is obliged to obtain and submit for redemption certificates of origin in the amount corresponding to the limits defined in ordinances issued based on the Energy Law and expressed as a proportion of its total energy sales to end customers. The deadline for complying with the requirement of certificate redemption

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or substitute fee payment expires on 31 March of the following year.

The substitute fee is the product of the price stated in the Energy Law and the difference between the amount of electricity resulting from the requirement of acquisition and redemption of certificates of origin and the amount of electricity resulting from the certificates of origin which were submitted for redemption by an energy company for a given year.

Depending on the purpose of their acquisition, the certificates of origin are classified as:

- long- or short-term financial assets, if acquired to be resold;
- a separate category of long- or short-term assets (“certificates of origin”), if acquired to be redeemed.

Upon initial recognition certificates of origin are carried at acquisition price.

During the financial year and until 31 March of the following year, the Company submits certificates of origin for redemption. In the accounting records redemption of certificates of origin is recognized in line with the detailed calculation method.

As at the balance sheet date, the certificates of origin (except for those acquired for resale) are measured at acquisition price, less potential impairment losses.

As at the balance sheet date, certificates of origin acquired for resale are measured at fair value, whereas the effects of the measurement are recognized in profit or loss.

If as at the balance sheet date the number of certificates of origin held by the Company is insufficient, a provision for the substitute fee or for acquisition of certificates on the Polish Power Exchange necessary to satisfy the requirements imposed by the Energy Law is recognized. The provision covers the number of certificates which represents the difference between the number of certificates redeemed for a given financial year and the number required to be redeemed according to the Energy Law. Provisions are measured primarily based on the acquisition price for the certificates held by the Company but not redeemed as at the balance sheet date and optionally based on the unit substitute fee or (if the volumes of transactions on the Polish Power Exchange are sufficient to effect the required transactions in a period allowing the Company to redeem the certificates by 31 March of the following financial year) based on the weighted average value of indexes published by TGE S.A. from the last four trading sessions preceding the end of a quarter.

The value of the provision is reduced by the certificates of origin held by the Company and acquired to be redeemed.

2.13. Cash and cash equivalents

Cash and cash equivalents include cash in hand, call deposits with banks and other short-term investments maturing within three months, with high liquidity. As at the balance sheet date, cash is measured at face value.

2.14. Share capital

The share capital of the Company is recognized in the amount specified in the Company's by-laws and registered in the court register, adjusted by the effects of hyperinflation as well as settlement of the effects of business combinations and acquisitions. An increase in the share capital covered by the shareholders as at the balance sheet date and not yet registered in the National Court Register is also disclosed as share capital.

2.15. Loans and borrowings

Upon initial recognition financial liabilities are measured at fair value less transaction costs incurred by the Company.

Following their initial recognition, financial liabilities are measured at amortized cost using the effective interest rate.

2.16. Income tax (including deferred income tax)

The income tax recognized in profit or loss includes: current tax and deferred tax.

The current tax liability is calculated based on the taxable profit/loss (tax base) for a given reporting period. The taxable profit/loss differs from the net accounting profit/loss due to the exclusion of taxable income and expenses classified as tax-deductible in following years as well as expenses and income which will never be subject to taxation. Tax liabilities are calculated based on tax rates applicable in a given reporting period.

The deferred tax liability resulting from taxable temporary differences between the tax value of assets and liabilities and their carrying amount is recognized in the financial statements in its full amount.

The deferred tax asset is recognized if it is probable that the Company will generate taxable profit which will allow it to deduct temporary differences or use tax losses in the future.

The Company does not recognize a deferred tax asset and liability if they result from the initial recognition of an asset or liability arising from a transaction other than a business combination and if the transaction does not have an impact on the gross financial profit/loss or the taxable profit when it is effected. Additionally, the deferred tax liability is not recognized with respect to temporary differences arising upon initial recognition of goodwill or goodwill whose amortization is not regarded as a tax-deductible expense.

The deferred tax asset and liability are recognized with respect to all temporary differences relating to investments in related parties, except for cases where both of the following conditions are met:

- the Company is able to control the timing of the reversal of the temporary differences; and

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- it is probable that the temporary differences will not reverse in the foreseeable future.

The deferred income tax is determined based on tax rates (and regulations) which are expected to be applicable when an asset is used and the liability settled, on the basis of the tax rates (and regulations) which were legally or actually applicable as at the balance sheet date.

Deferred tax is recognized in profit or loss for a given period, except for cases where deferred tax:

1. pertains to a transaction or event that is recognized directly in other items of comprehensive income, in which case it is also recognized in the relevant other item of comprehensive income; or
2. results from business combinations, in which cases it affects the value of goodwill or the surplus of the interest in the net fair value of assets over business combination costs.

Deferred tax asset and liabilities are set off if there is a legally enforceable right to set off a current tax asset against a current tax liability when the deferred tax asset and liability relate to income taxes levied by the same taxation authority on the same taxable entity.

2.17. Employee benefits

The following types of employee benefits are recognized by ENEA S.A.:

A. Short-term employee benefits

Short-term employee benefits at ENEA S.A. include but are not limited to: monthly wages, salaries, annual bonuses, electricity allowance, short-term paid leave with social security contributions.

The liability due to short-term (accrued) paid leave (compensation for paid leave) is recognized even if employees are not entitled to receive payment in lieu of holiday. ENEA S.A. determines the expected cost of accumulated paid leave as an additional amount expected to be paid as a result of the unused entitlement determined as at the balance sheet date.

B. Defined benefit plans

Defined benefit plans of ENEA S.A. include:

1) Retirement benefits

Employees retiring (eligible for disability benefits) are entitled to receive retirement benefits in the form of cash compensation. The value of such benefits depends on the length of service and the remuneration received by the employee. The related liabilities are estimated using actuarial methods.

2) Electricity allowance for pensioners

Retiring employees who have worked for ENEA S.A. for at least one year are entitled to a reduced price of consumed energy amounting to 3,000 kWh/year. In case of an employee's death, the right is transferred to his/her spouse if that person receives a family allowance.

Pensioners and disability pensioners acquire the right to a cash equivalent in the amount of 3000 kWh x 80% of the electricity price and the variable component of the transmission charge and 100% the fixed network charge and subscription charge as per the single-zone household tariff. The equivalent is paid twice a year: by 15 May and by 15 September, each time in the amount of the half of the annual equivalent. The related liabilities are estimated using actuarial methods.

3) Jubilee benefits

Other long-term employee benefits at ENEA S.A. include jubilee benefits. Their value depends on the length of service and the remuneration received by the employee. The related liabilities are estimated using actuarial methods.

4) Appropriation to the Company's Social Benefits Fund for pensioners

Pursuant to the Collective Labor Agreement of ENEA S.A., when calculating the annual appropriation to the Company's Social Benefits Fund the Company also takes into consideration pensioners entitled to the benefits. The liability is recognized proportionally to the expected period of performing work by employees. The value of the provision is estimated using actuarial methods.

Liabilities relating to the benefits referred to in points 1-4 are estimated by an actuary using the projected unit credit method. The total value of actuarial gains and losses is recognized in profit or loss.

C. Defined contribution plan

1) Social security contributions

The social security system in Poland is a state program, in accordance with which ENEA S.A. is obliged to make social security contributions for employees when they become due. No legal or constructive obligation has been imposed on the Company to pay future benefits relating to social security. The costs of contributions pertaining to the current period are recognized by ENEA S.A. in profit or loss as the costs of employee benefits.

2) Employee Pension Scheme

Pursuant to Appendix No. 18 to the Collective Labor Agreement, ENEA S.A. operates an Employee Pension Scheme in the form of unit-linked group employee insurance in line with the statutory principles and under conditions negotiated with the labor unions.

The Employee Pension Scheme is available to all employees of ENEA S.A. after one year of service, irrespective of the type of their employment contract.

Employees join the Employee Pension Scheme under the following terms and conditions:

- the insurance is group life insurance with insurance protection;

(in PLN '000 unless stated otherwise)

- the amount of the basic premium is set at 7% of the participant's salary;
- 90% of the basic premium is allocated to investment premium and 10% to insurance protection.

D. Share-based payments

Share-based payments relate to equity-settled or cash-settled transactions in which ENEA S.A. receives services (work performed by employees) as consideration for its equity instruments or their cash equivalent.

ENEA S.A. recognizes the services provided under equity-settled share-based payments and the corresponding increase in equity upon their receipt. If the services rendered in share-based payment transactions may not be classified as assets, they are recognized as cost.

The value of such cost is determined based on the fair value and measured at grant date. As the fair value of the services provided by employees may not be determined directly, it is estimated based on the fair value of equity instruments granted by the Company.

In cash-settled share-based payment transactions the Capital group measures its liability at fair value at each reporting date and at the settlement date, whereas any changes in value are recognized in profit or loss for a given period.

2.18. Provisions

Provisions are created if ENEA S.A. has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation, discounted at the balance sheet date.

2.19. Revenue recognition

Sales revenue is measured at the fair value of the consideration received or receivable less the value added tax, discounts and rebates.

Revenue from the sales of energy is recognized upon energy delivery to the customer. In order to determine the value of revenue for a period from the last billing date to the balance sheet date, an estimate is made and disclosed in the balance sheet under trade and other receivables.

Revenue from the sales of goods and materials is recognized when the entity has transferred to the buyer the significant risks and rewards of ownership of the goods and materials and it is probable that the economic benefits associated with the transaction will flow to the entity.

Interest income is recognized on an accrual basis using the effective interest rate if its receipt is not doubtful.

Dividend income is recognized when the Company acquires the right to receive the related payments.

2.20. Grants

ENEA S.A. receives grants in the form of fixed assets and compensation for expenses incurred for fixed assets. Such grants are recognized by the Company in accordance with IAS 20 – “Government Grants”.

Grants are recognized in the balance sheet as deferred income when there is reasonable assurance that they will be received and that the Company will comply with appropriate conditions related to such grants. Grants received as compensation for costs already incurred by the Company are recognized on a systematic basis as revenue in profit or loss in the periods in which the entity recognizes as expenses the related costs. Grants received by the Company as compensation for capital expenditure incurred are recognized on a systematic basis in proportion to the depreciation charges as other operating revenue in profit or loss over the useful life of an asset.

2.21. Dividend payment

Payments of dividends to shareholders are recognized as a liability in the financial statements of ENEA S.A. for the period when they were approved by the shareholders.

Profit-sharing payments received from companies wholly owned by the State Treasury, amounting to 15% of the gross profit less income tax due, are also regarded as dividends.

2.22. Segment reporting

The business segment is the primary reporting format. A business segment is a group of assets and liabilities engaged in providing products and services that are subject to risks and returns on investments different from other business segments.

There are two business segments at ENEA S.A.:

- trade – sale of electricity to end customers;
- other activities.

The Company operates in one geographical region, in Poland, and therefore it does not distinguish geographical segments.

2.23. Non-current assets held for sale

Non-current assets held for sale include items satisfying the following criteria:

(in PLN '000 unless stated otherwise)

- their carrying amount will be recovered principally through sale transactions rather than through continuing use;
- the Management Board of the Company submitted a sales declaration and started to search actively for a potential buyer;
- the assets are available for immediate sale in their current condition;
- the sale transaction is highly probable and may be settled within 12 months of the date of the decision;
- the sales price is reasonable compared to the current fair value;
- the probability that changes to the asset disposal plan will be made is low.

If the aforementioned criteria have been satisfied after the balance sheet date, the asset is not reclassified at the end of the financial year preceding the event. The classification change is reflected in the reporting period when the aforementioned criteria have been satisfied. Amortization/depreciation charges are no longer applied starting from the date when the asset is designated as held for sale.

Assets held for sale are measured at the lower of: the net carrying amount or the fair value less costs to sell.

2.24. Statements regarding applied International Financial Reporting Standards

■ IAS 1 (amended) – Presentation of Financial Statements

The amended standard is applicable as from 1 January 2009. It concerns the presentation of financial statements. The amendment covers changes in the names of the basic financial statements and presentation of the balance sheet, income statement and statement of changes in equity. The aforementioned amendments do not affect the Company's performance and equity.

■ IAS 23 (amended) – Borrowing Costs

The amended standard is applicable as from 1 January 2009. The amendment eliminated the previous model approach which required entities to recognize borrowing costs directly in profit or loss and imposed the obligation of cost capitalization.

The amended standard does not have an impact on the Company's financial statements.

■ IFRS 8 – Operating Segments

The amended standard is applicable as from 1 January 2009 or in later periods. The standard requires segment disclosure based on the components of the entity monitored by the management in making operations-related decisions. Application of the standard does not affect the Company's performance and equity.

■ IFRS 1 (amended) – First-time Adoption of International Financial Reporting Standards and IAS 27 (amended) – Consolidated and Separate Financial Statements

The amended standard is applicable as from 1 January 2009 and in later periods. It allows entities applying IFRS for the first time to use the deemed cost determined as the fair value or the carrying amount in line with the previous accounting policy, in order to specify the initial cost of investments in subsidiaries, co-subsiaries and associates in the separate financial statements.

The amended standard does not have an impact on the Company's financial statements.

■ IAS 38 (amended) – Advertising and Promotional Activities

The amended standard is applicable as from 1 January 2009. An advance payment may be recognized only if it was made in advance, prior to acquiring access to goods or receipt of services.

The amended standard does not have an impact on the Company's financial statements.

■ IAS 40 (amended) – Investment Property (and the resulting amendment to IAS 16)

The amended standard is applicable as from 1 January 2009. If the fair value model is applied, investment property under construction is measured at fair value if possible.

The amendment is not applicable to the Company.

■ IAS 20 (amended) – Accounting for Government Grants and Disclosure of Government Assistance (applicable as from 1 January 2009)

The amended standard is applicable as from 1 January 2009. The benefits of a government loan at a below-market rate of interest are measured as the difference between the carrying amount (in line with IAS 39 – Financial Instruments: Recognition and Measurement) and the proceeds received with the benefit accounted for in accordance with IAS 20.

The amendment is not applicable to the Company.

■ IAS 31 (amended) – Interests in Joint Ventures (and the resulting amendment to IAS 32 and IFRS 7) (applicable as from 1 January 2009).

The amended standard is applicable as from 1 January 2009. When an investment in a joint venture is accounted for in accordance with IAS 39, only certain disclosures required by IAS 31 have to be made to supplement the disclosures under IAS 32 – Financial Instruments: Disclosure and Presentation and IFRS 7 – Financial Instruments: Disclosures.

The amendment is not applicable to the Company.

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■ **IFRS 2 (amended) – Share-based Payment**

The amended standard is applicable as from 1 January 2009. The amended standard lays down the rules related to vesting conditions and cancellations. It specifies detailed vesting conditions, including only the service provision condition as well as those relating to the entity's business operations. The remaining features of share-based payments are not regarded as vesting conditions.

The standard does not have an impact on the Company's financial statements.

■ **IFRIC 11 – IFRS 2 - Group and Treasury Share Transactions**

The interpretation provides guidelines as to whether treasury share or group transactions ought to be disclosed in the separate financial statements of the parent and group companies as share-based, equity-settled or cash-settled transactions.

The interpretation does not have an impact on the Company's financial statements.

■ **IFRIC 13 – Customer Loyalty Programs**

The interpretation applies to financial statements prepared for periods beginning on or after 1 January 2009. It explains that if goods or services are sold with customer loyalty incentives, the contracts include numerous elements and the remuneration due from the customer is allocated to individual contract elements at fair value.

The interpretation does not have an impact on the Company's financial statements.

■ **IFRIC 14 – IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction**

The interpretation applies to financial statements prepared for periods beginning on or after 1 January 2009. It provides guidelines regarding estimation of the limitation specified in IAS 19 to the surplus that may be recognized as an asset. It also explains the potential impact of statutory or contractual minimum funding requirements on assets or liabilities relating to retirement benefits. The interpretation does not have an impact on the financial statements.

■ **IFRS 3 (amended) – Business Combinations**

The amended standard is applicable as from 1 July 2009. All payments made due to acquisition of a business entity should be recognized at fair value at the acquisition date, whereas contingent payments classified as liabilities are remeasured through profit or loss at a later date. In case of each individual acquisition a decision can be made on selection of measurement of the non-controlling interest in the acquiree either at fair value or the proportionate share in the net assets of the acquiree attributable to non-controlling interest. All costs relating to the acquisition ought to be recognized in profit or loss.

If such an event occurs, the Company will begin to apply IFRS 3 (amended) prospectively to all business combinations as from 1 January 2010.

(in PLN '000 unless stated otherwise)

■ **IAS 27 (amended) – Consolidated and Separate Financial Statements**

The amended standard is applicable to reporting periods beginning on or after 1 July 2009. If an investment in a subsidiary accounted for in accordance with IAS 39 – Financial Instruments: Recognition and Measurements is classified as held for sale in line with IFRS 5 – Non-current Assets Held for Sale and Discounted Operations, IAS 39 is still applicable.

The amendment will not have an impact on the Company's operations as pursuant to its policy investments in subsidiaries are recognized at cost in the separate financial statements.

■ **IAS 39 (amended) – Financial Instruments: Recognition and Measurement**

The amended standard is applicable to reporting periods beginning on or after 1 July 2009. Early adoption is permitted. It explains issues related to hedge accounting: classification of inflation as risk or part of risk subject to a hedge, and option hedges. The changes also specify that a risk-free or model interest rate may be separated and reliably measured and hence it may be hedged. The amended IAS 39 allows entities to designate options as hedges of financial or non-financial items. The entity may designate an option as a hedge on the changes in cash flows or the fair value of the hedged item or below the specified price or in line with a different variable (one-sided risk).

As the Company does not apply hedge accounting, the standard is not applicable.

■ **IAS 39 (amended) – Financial Instruments: Recognition and Measurement and IFRS 7 – Financial Instruments: Disclosures**

The amended standard is applicable as from 1 July 2008. The change concerns reclassification of financial assets. Applicable to reclassifications before 1 November 2008. The Company may reclassify financial assets with the effective date 1 July 2008 (but not earlier) or as at any other date after 1 July 2008, no later however than as at 31 October 2008.

The amendment is not applicable to the Company.

■ **IFRIC 12 – Service Concession Arrangements**

The interpretation is applicable to annual periods beginning on or after 30 March 2009. It provides guidelines to operators regarding concession arrangements for services between the public and private sector as regards the accounting recognition of such arrangements.

The interpretation is not applicable to the Company.

■ **IFRIC 15 – Agreements for the Construction of Real Estate**

The interpretation has been effective since 1 January 2009. It specifies which standard – IAS 18 – Revenue or IAS 11 – Construction Contracts, ought to be applicable to certain transactions.

The interpretation is not applicable to the Company.

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■ IFRIC 16 – Hedges of a Net Investment in a Foreign Operation

The interpretation has been effective since 1 October 2008. It defines the accounting approach to hedges of net investments.

The interpretation does not have an impact on the Company's financial statements.

No published standards and interpretations, which have not come into force yet, were applied in the course of preparation of these financial statements.

3. MATERIAL ESTIMATES AND ASSUMPTIONS

The preparation of these financial statements in accordance with EU-IFRS requires that the Management Board makes certain estimates and assumptions that affect the adopted accounting policies and the amounts disclosed in the financial statements and notes thereto. The adopted assumptions and estimates are based on the Management Board's best knowledge of current and future activities and events. The actual figures, however, can be different from those assumed.

The key areas in which the estimates made by the Management Board have a material impact on the financial statements include:

- **post-employment benefits** – the provisions for employee benefits are measured using a method which involves determination of the opening balance of liabilities due to expected future benefit payments as at the balance sheet date, calculated in line with actuarial methods; a change in the discount rate and the long-term pay rise rate affect the accuracy of the estimate made (Note 21);

- **revaluation write-downs on trade and other receivables** – their value is determined as the difference between the carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. A change in the estimated value of future cash flows results in a change in the estimated value of revaluation write-downs on receivables (Note 11);

- **unbilled sales revenue at the end of the financial year** – the value of unbilled energy sales is estimated based on the estimated consumption of electricity in the period from the last meter reading date until the end of the financial period (Note 11);

- **economic useful lives** – the remaining useful life of fixed assets is estimated based on the currently available information on the expected useful life of a given asset, subject to periodic review in line with the binding legal regulations (Note 6);

- **compensation for non-contractual use of property** – the potential payment of compensation for the so called non-contractual use of land and rental fee is estimated by the technical staff of the Company based on analyses of claims filed on a case-by-base basis (Note 23 and 37.5);

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- *share-based payment* – the Company recognizes the services provided under equity-settled share-based payments (performance of work) and the corresponding increase in equity upon their receipt. As the fair value of the services provided by employees may not be determined directly, it is estimated based on the fair value of equity instruments granted by the Company. As at 31 December 2009, the Management Board decided that the value of the employee stock ownership plan would no longer be subject to revaluation (changes) (Note 17).

4. COMPOSITION OF THE CAPITAL GROUP – LIST OF SUBSIDIARIES, ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES

No	Name and address of the company	Share of ENEA S.A. in the total number of votes (%) 31.12.2009	Share of ENEA S.A. in the total number of votes (%) 31.12.2008
1.	ENERGOMIAR Sp. z o.o. Poznań, ul. Strzeszyńska 58	100	100
2.	BHU S.A. Poznań, ul. Strzeszyńska 58	87.97	87.97
3.	Energetyka Poznańska Biuro Usług Technicznych S.A. Poznań, ul. Działoszańska 10	100	100
4.	Energetyka Poznańska Hotel "EDISON" Sp. z o.o. Baranowo near Poznań	100	100
5.	Energetyka Wysokich i Najwyższych Napięć "EWiNN" Sp. z o.o. Poznań, ul. Strzeszyńska 58	100	100
6.	Energetyka Poznańska Zakład Transportu Sp. z o.o. Poznań, ul. Strzeszyńska 58	100	100
7.	COGEN Sp. z o.o. Poznań, ul. Nowowiejskiego 11	100	100
8.	EnergPartner Sp. z o.o. Poznań, ul. Warszawska 43	100	100
9.	Energetyka Poznańska Przedsiębiorstwo Usług Energetycznych Energobud Leszno Sp. z o.o. Lipno, Gronówko 30	100	100
10.	ENERGO-TOUR Sp. z o.o. Poznań, ul. Marcinkowskiego 27	99.92	99.92
11.	ENEOS Sp. z o.o. Szczecin, ul. Ku Słońcu 34	100	100
12.	ENTUR Sp. z o.o. Szczecin, ul. Malczewskiego 5/7	100	100
13.	Niepubliczny Zakład Opieki Zdrowotnej Centrum Uzdrowiskowe ENERGETYK Sp. z o.o. Inowrocław, ul. Wilkońskiego 2	99.94	99.92
14.	Elektrownie Wodne Sp. z o.o. Samociążek, 86-010 Koronowo	100	100
15.	Zakład Usług Przewozowych ENERGOTRANS Sp. z o.o. Gorzów Wlkp., ul. Energetyków 4	100	100
16.	"PWE Gubin" Sp. z o.o. Sękowice 100, municipality of Gubin	50	50
17.	Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. Oborniki, ul. Wybudowanie 56	87.99	87.99
18.	"IT Serwis" Sp. z o.o. Zielona Góra, ul. Zacisze 28	100	100
19.	"Auto – Styl" Sp. z o.o. Zielona Góra, ul. Zacisze 15	100	100
20.	FINEA Sp. z o.o. Poznań, ul. Warszawska 43	100	100
21.	Przedsiębiorstwo Energetyki Ciepłej - Gozdnicza Sp. z o.o. Gozdnica, ul. Świerczewskiego 30	100	100
22.	ENEA Operator Sp. z o.o. Poznań, ul. Strzeszyńska 58	100	100
23.	Elektrownia "Kozienice" S.A.	100	100

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	<i>Świerże Górne, municipality of Kozienice, Kozienice 1</i>		
24.	Miejska Energetyka Ciepła Piła Sp. z o.o. <i>64-920 Piła, ul. Kaczorska 20</i>	63.396	64.997
25.	Kozienice II Sp. z o.o. <i>Świerże Górne, municipality of Kozienice, Kozienice 2</i>	80.56	30
26.	Przedsiębiorstwo Produkcji Strunobetonowych Żerdzi Wirowanych WIRBET S.A. <i>Ostrów Wlkp., ul. Chłapowskiego 51</i>	49	49
27.	Przedsiębiorstwo Energetyki Ciepłej w Śremie S.A. <i>Śrem, ul. Staszica 6</i>	41.65	41.65
28.	Elektrociepłownia Białystok S.A. <i>Białystok, ul. Gen. Andersa 3</i>	30.36	30.36

Changes in the structure of the ENEA S.A. Capital Group in the period covered by the financial statements

On 23 February 2009, the Extraordinary Shareholders' Meeting of Kozienice II Sp. z o. o. adopted a resolution to increase the share capital by PLN 34 000 thousand. ENEA S.A. acquired 17 200 new shares with the nominal value of PLN 1 000 each. The remaining shares were acquired by Elektrownia "Kozienice" S.A. After the capital increase, Elektrownia "Kozienice" S.A. and ENEA S.A. hold 50% interest in the share capital and in the total number of votes at the Shareholders' Meeting each. A relevant entry in the National Court Register was made on 7 April 2009.

On 31 March 2009 the Extraordinary Shareholders' Meeting of Zakład Usług Teleinformatycznych ZZE S.A. "IT SERWIS" Sp. z o. o. adopted Resolution No. 1 to increase the company's share capital by PLN 6 264 thousand to PLN 6 364 thousand, by way of creating 12 528 new shares with the nominal value of PLN 500 each. All new shares in the company's share capital were acquired by the sole shareholder – ENEA S.A. The shares were covered with a contribution in kind. The increase in capital was registered on 15 May 2009.

On 31 March 2009 the Extraordinary Shareholders' Meeting of ENTUR Sp. z o.o. adopted Resolution No. 1 to increase the company's share capital by PLN 3 934.5 thousand up to PLN 4 034.5 thousand, by way of creating 7 869 new shares with the nominal value of PLN 500 each. All new shares in the company's share capital were acquired by the sole shareholder – ENEA S.A. The shares were covered with a contribution in kind. The increase in capital was registered on 9 June 2009.

On 31 March 2009 the Extraordinary Shareholders' Meeting of Zakład Usług Przewozowych "ENERGOTRANS" Sp. z o. o. adopted Resolution No. 1 to increase the company's share capital by PLN 500 thousand up to PLN 1 385 thousand, by way of creating 1 000 new shares with the nominal value of PLN 500 each. All new shares in the company's share capital were acquired by the sole shareholder – ENEA S.A. On 1 April 2009 the shares were covered with a cash contribution. The increase in capital was registered on 28 May 2009.

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On 4 May 2009 the Extraordinary Shareholders' Meeting of COGEN Sp. z o. o. adopted Resolution No. 1 to increase the company's share capital by PLN 622.5 thousand up to PLN 1 622.5 thousand, by way of creating 1 245 new shares with the nominal value of PLN 500 each. All new shares in the company's share capital were acquired by the sole shareholder – ENEA S.A. The increase in capital was registered on 2 June 2009.

On 25 May 2009 the Extraordinary Shareholders' Meeting of "PWE GUBIN" Sp. z o. o. adopted a Resolution to increase the company's share capital by PLN 11 000 thousand. ENEA S.A. acquired 5 500 new shares with the nominal value of PLN 1 000 each. The remaining shares were acquired by Kopalnia Węgla Brunatnego "Konin" w Kleczewie S.A. After the capital increase, ENEA S.A. and Kopalnia Węgla Brunatnego "Konin" w Kleczewie S.A. hold 50% interest in the share capital and in the total number of votes at the Shareholder's Meeting each. The increase in capital was registered on 12 August 2009.

On 1 July 2009 a business combination consisting in the acquisition of STEREN Sp z o.o. with its registered office in Bydgoszcz by ENERGOMIAR Sp. z o.o. with its registered office in Poznań was registered in the National Court Register. As a result, a new entity was established under the name of ENERGOMIAR Sp z o.o. with its registered office in Poznań.

On 27 July 2009, the Extraordinary Shareholders' Meeting of EnergoPartner Sp. z o. o. adopted a Resolution to increase the share capital by PLN 200 thousand, i.e. up to PLN 8 200 thousand, by way of creating 200 new shares with the nominal value of PLN 1 000 each. The shares were covered with a cash contribution. All new shares in the company's share capital were acquired by the sole shareholder – ENEA S.A.

On 31 August 2009 the Extraordinary Shareholders' Meeting of EnergoPartner Sp. z o. o. adopted Resolution No. 1 to increase the company's share capital by PLN 2 900 thousand to PLN 11 100 thousand, by way of creating 2 900 new shares with the nominal value of PLN 1 000 each. The shares were covered with a cash contribution. The new shares in the company's share capital were acquired by the sole shareholder – ENEA S.A.

On 23 October 2009 the Extraordinary Shareholders' Meeting of Niepubliczny Zakład Opieki Zdrowotnej Centrum Uzdrowiskowe ENERGETYK Sp. z o. o. with its registered office in Inowrocław decided to increase the company's share capital by PLN 3 250 thousand to PLN 15 738 thousand, by way of creating 6 500 new shares with the nominal value of PLN 500 each. The new shares in the company's share capital were acquired by the sole shareholder – ENEA S.A. and covered with a cash contribution. The increase in capital was registered on 22 December 2009.

On 26 October 2009 the Extraordinary Shareholders' Meeting of "COGEN" Sp. z o. o. adopted Resolution No. 2 to increase the company's share capital by PLN 750 thousand up to PLN 2 372.5 thousand, by way of creating 1 500 new shares with the nominal value of PLN 500 each. The new shares in the company's share

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capital were acquired by the sole shareholder – ENEA S.A. and covered with a cash contribution. The increase in capital was registered on 3 December 2009.

On 4 December 2009 the Extraordinary Shareholders' Meeting of Kozienice II Sp. z o.o. adopted Resolution No. 1 to increase the company's share capital by PLN 55 000 thousand up to PLN 90 000 thousand, by way of creating 55 000 new shares with the nominal value of PLN 1 000 each. The new shares in the company's share capital were acquired by ENEA S.A. and covered with a cash contribution, which changed the share parity for ENEA S.A. from 50% to 80.56%. The increase in capital was registered on 31 December 2009.

On 18 December 2009 the Extraordinary Shareholders' Meeting of Elektrownie Wodne Sp. z o.o. adopted Resolution No. 1 to increase the company's share capital by PLN 329.5 thousand up to PLN 205 020 thousand, by way of creating 659 new shares with the nominal value of PLN 500 each. The new shares in the company's share capital were acquired by ENEA S.A. and covered with a contribution in kind.

5. SEGMENT REPORTING

Segment reporting for the period from 1 January to 31 December 2009:

<u>For the period from 1 January 2009 to 31 December 2009</u>	Turnover	All other segments	Total
Net sales revenue*	6 993 251	55 374	7 048 625
Inter-segment sales	-	-	-
Total net sales revenue	6 993 251	55 374	7 048 625
Total expenses**	(6 781 800)	(49 325)	(6 831 125)
Segment profit/loss	211 451	6 049	217 500
Unassigned general and administrative expenses			(61 437)
Operating profit			156 063
Financial expenses			(7 733)
Financial revenue			135 400
Dividend income			78 897
Income tax			(57 213)
Net profit			305 414

* - net sales revenue under Turnover includes also net revenue from sales of distribution services of PLN 2 084 292 thousand, which was individually presented in the annual consolidated financial statements of the ENEA S.A Capital Group under Distribution

** - the total expenses:

- include the costs of sales of distribution services of PLN 2 084 493 thousand, which were individually presented in the annual consolidated financial statements of the ENEA S.A Capital Group under Distribution
- include also other operating revenue and expenses

(in PLN '000 unless stated otherwise)

Segment reporting for the period from 1 January to 31 December 2008:

<u>For the period from 1 January 2008 to 31 December 2008</u>	Turnover	All other segments	Total
Net sales revenue*	5 893 552	48 444	5 941 996
Inter-segment sales	-	-	-
Total net sales revenue	5 893 552	48 444	5 941 996
Total expenses**	(5 658 250)	(43 829)	(5 702 079)
Segment profit/loss	235 302	4 615	239 917
Unassigned general and administrative expenses			(121 632)
Operating profit			118 285
Financial expenses			(2 055)
Financial revenue			58 573
Dividend income			71 544
Income tax			(42 562)
Net profit			203 785

* * - net sales revenue under Turnover includes also net revenue from sales of distribution services of PLN 2 221 135 thousand, which was individually presented in the annual consolidated financial statements of the ENEA S.A Capital Group under Distribution

** - the total expenses:

- include the costs of sales of distribution services of PLN 2 212 702 thousand, which were individually presented in the annual consolidated financial statements of the ENEA S.A Capital Group under Distribution
- include also other operating revenue and expenses

Information on operating segments (cont'd)

Other segment reporting information as at 31 December 2009 and for the 12-month period ended as at that date:

<u>Balance as at 31 December 2009</u>	Turnover	All other segments	Total
Property, plant and equipment	19 609	131 335	150 944
Trade and other receivables	840 691	6 694	847 385
Total:	860 300	138 029	998 329
ASSETS excluded from segmentation			9 915 712
- including property, plant and equipment			60 273
- including trade and other receivables			2 862
TOTAL: ASSETS			10 879 744
Trade and other liabilities	776 385	5 630	782 015
Equity and liabilities excluded from segmentation			10 132 026
- including trade and other liabilities			54 559
TOTAL: EQUITY AND LIABILITIES			10914 041
Capital expenditure for fixed assets and intangible assets	-	20 488	20 488
Capital expenditure for fixed assets and intangible assets excluded from segmentation			8 966
Depreciation/amortization of fixed assets/intangible assets	353	12 308	12 661
Depreciation/amortization of fixed assets/intangible assets excluded from segmentation			625
Revaluation write-down on receivables as at 31.12.2009	81 970	653	82 623

Information on operating segments (cont'd)

Other segment reporting information as at 31 December 2008 and for the 12-month period ended as at that date:

Balance as at 31 December 2008	Turnover	All other segments	Total
Property, plant and equipment	18 439	140 710	159 149
Trade and other receivables	713 082	5 896	718 978
Total:	731 521	146 606	878 127
ASSETS excluded from segmentation			10 215 106
- including property, plant and equipment			53 212
- including trade and other receivables			13 695
TOTAL: ASSETS			11 093 233
Trade and other liabilities	840 957	5 912	846 869
Equity and liabilities excluded from segmentation			10 246 364
- including trade and other liabilities			32 589
TOTAL: EQUITY AND LIABILITIES			11 093 233
Capital expenditure for fixed assets and intangible assets	-	13 421	13 421
Capital expenditure for fixed assets and intangible assets excluded from segmentation			21 893
Depreciation/amortization of fixed assets/intangible assets	321	16 179	16 500
Depreciation/amortization of fixed assets/intangible assets excluded from segmentation			296
Revaluation write-down on receivables as at 31.12.2008	92 752	767	93 519

Segment revenue is that generated from the sales to external clients and transactions with other segments, which are directly attributable to a given segment and a relevant portion of the Company's revenue on a reasonable basis.

Segment costs are those consisting of costs of goods sold to external clients and costs of transactions with other Group segments, which result from operations of a given segment and are directly attributable to a given segment with a relevant portion of the Company's costs and are assignable on a reasonable basis.

Arm's length prices apply to inter-segment transactions, which allows individual entities to earn a margin sufficient for independent functioning in the market. Prices specified in the Energy Law, i.e. the Energy Law of 10 April 1997 and relevant secondary legislation, apply in terms of trading in electricity and providing transmission services.

Supplementary reporting – geographical segments

The Company operates in one geographical region, in Poland, and therefore it does not distinguish geographical segments.

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*(in PLN '000 unless stated otherwise)***6. PROPERTY, PLANT AND EQUIPMENT**

	Land	Buildings and structures	Technical equipment and machines	Vehicles	Other fixed assets	Fixed assets under construction	Total
Balance as at 1 January 2009							
Gross value	2 404	249 972	17 945	2 539	2 432	22 157	297 449
Depreciation	-	(71 852)	(4 285)	(377)	(790)	-	(77 304)
Revaluation write-down	-	(3 901)	(3 809)	(9)	(65)	-	(7 784)
Net book value	2 404	174 219	9 851	2 153	1 577	22 157	212 361
Changes in the 12-month period ended 31 December 2009							
Reclassifications	-	18 238	1 522	-	5	(22 993)	(3 228)
Acquisition	-	3 684	-	1 039	-	24 731	29 454
Disposal (gross value)	(408)	(5 059)	(722)	-	-	-	(6 189)
Disposal (depreciation)	-	926	178	-	-	-	1 104
Depreciation	-	(11 972)	(1 555)	(283)	(153)	-	(13 963)
Revaluation write-down	-	(106)	(587)	-	(4)	(7 517)	(8 214)
Liquidation (gross value)	-	(1 909)	(200)	-	-	-	(2 109)
Liquidation (depreciation)	-	1 171	153	-	-	-	1 324
Other (gross value)	-	41	346	-	-	290	677
Other (depreciation)	-	-	-	-	-	-	-
Balance as at 31 December 2009							
Gross value	1 996	264 967	18 891	3 578	2 437	24 185	316 054
Depreciation	-	(81 727)	(5 509)	(660)	(943)	-	(88 839)
Revaluation write-down	-	(4 007)	(4 396)	(9)	(69)	(7 517)	(15 998)
Net book value	1 996	179 233	8 986	2 909	1 425	16 668	211 217

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*(in PLN '000 unless stated otherwise)***Property, plant and equipment (cont'd)**

	Land	Buildings and structures	Technical equipment and machines	Vehicles	Other fixed assets	Fixed assets under construction	Total
Balance as at 1 January 2008							
Gross value	2 404	242 785	11 723	1 217	2 345	3 458	263 932
Depreciation	-	(56 767)	(3 689)	(196)	(663)	-	(61 315)
Revaluation write-down	-	-	-	-	-	-	-
Net book value	2 404	186 018	8 034	1 021	1 682	3 458	202 617
Changes in the 12-month period ended 31 December 2008							
Reclassifications	-	4 864	6 228	31	87	(12 029)	(819)
Acquisition	-	3 175	120	1 291	-	30 728	35 314
Depreciation	-	(15 433)	(679)	(181)	(127)	-	(16 420)
Revaluation write-down	-	(3 901)	(3 809)	(9)	(65)	-	(7 784)
Liquidation (gross value)	-	(974)	(4)	-	-	-	(978)
Liquidation (depreciation)	-	430	1	-	-	-	431
Other (gross value)	-	122	(122)	-	-	-	-
Other (depreciation)	-	(82)	82	-	-	-	-
Balance as at 31 December 2008							
Gross value	2 404	249 972	17 945	2 539	2 432	22 157	297 449
Depreciation	-	(71 852)	(4 285)	(377)	(790)	-	(77 304)
Revaluation write-down	-	(3 901)	(3 809)	(9)	(65)	-	(7 784)
Net book value	2 404	174 219	9 851	2 153	1 577	22 157	212 361

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*(in PLN '000 unless stated otherwise)***Property, plant and equipment (cont'd)**

ENEA S.A. uses the following property, plant and equipment under finance leases:

	31.12.2009			31.12.2008		
	Gross value	Depreciation	Net carrying amount	Gross value	Depreciation	Net carrying amount
Buildings	-	-	-	-	-	-
Structures	12 941	(1 261)	11 680	10 181	(784)	9 397
Technical equipment and machines	-	-	-	-	-	-
Vehicles	2 440	(250)	2 190	1 401	(77)	1 324
Other fixed assets	-	-	-	-	-	-
Total	15 381	(1 511)	13 870	11 582	(861)	10 721

ENEA S.A. does not enter into finance lease agreements as a financing party.

No collateral has been pledged on the Company's property, plant and equipment, except for fixed assets used under finance lease agreements.

7. RIGHT OF PERPETUAL USUFRUCT

	31.12.2009	31.12.2008
Gross value opening balance	1 074	1 074
Acquisition	2 440	-
Disposal (gross value)	(220)	-
Gross value closing balance	3 294	1 074
Opening balance of depreciation	(84)	(71)
Disposal (depreciation)	18	-
Depreciation	(15)	(13)
Closing balance of depreciation	(81)	(84)
Net value opening balance	990	1 003
Net value closing balance	3 213	990

8. INTANGIBLE ASSETS

	Computer software, licenses, concessions and patents
Balance as at 1 January 2009	
Gross value	3 243
Amortization	(2 261)
Net book value	982
Changes in the 12-month period ended 31 December 2009	
Reclassifications	773
Amortization	(350)
Balance as at 31 December 2009	
Gross value	4 016
Amortization	(2 611)
Net book value	1 405

(in PLN '000 unless stated otherwise)

	Computer software, licenses, concessions and patents
Balance as at 1 January 2008	
Gross value	2 465
Amortization	(1 716)
Net book value	749
Changes in the 12-month period ended 31 December 2008	
Reclassifications	778
Amortization	(545)
Balance as at 31 December 2008	
Gross value	3 243
Amortization	(2 261)
Net book value	982

No collateral has been pledged on intangible assets.

9. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES

	31.12.2009	31.12.2008
Opening balance	7 780 241	7 525 908
Reclassification to non-current assets held for sale	(6 000)	-
Acquisition of investments	89 291	254 543
Revaluation write-down	(18 648)	(210)
Closing balance	7 844 884	7 780 241

In 2009, the Company acquired shares in subsidiaries: Zakład Usług Teleinformatycznych ZZE S. A. "IT SERWIS" Sp. z o. o. in Zielona Góra, ENTUR Sp. z o. o. in Szczecin, "PWE GUBIN" Sp. z o.o. in Sękowiny, COGEN Sp z o.o. in Poznań, Kozienice II Sp z o.o. Świerże Górne, ENERGOTRANS Sp. z o.o. in Gorzów Wlkp., EnergoPartner Sp. z o.o., Niepubliczny Zakład Opieki Zdrowotnej Centrum Uzdrowiskowe ENERGETYK Sp. z o.o. with its registered office in Inowrocław and Elektrownie Wodne Sp. z o.o. with its registered office in Samociążek for the total amount of PLN 95 734 thousand. The amount recognized in the balance sheet was reduced by PLN 6 443 thousand due to the difference between the carrying amount and the market value of the corresponding contributions in kind.

In 2009 the Company did not dispose of any investments in subsidiaries, associates or jointly-controlled entities.

In 2009, in accordance with IFRS 5 the Company reclassified the shares in PWE Gubin Sp. z o.o. in the amount of PLN 6 000 thousand to non-current assets held for sale and recorded a write-down corresponding to the fair value less costs to sell in the amount of PLN 5 589 thousand.

Revaluation write-down on investments

	31.12.2009	31.12.2008
Opening balance of revaluation write-down on investments	13 724	13 514
Created	19 365	210
Released	(717)	-
Closing balance of revaluation write-down on investments	32 372	13 724

As at 31 December 2009 the Company recognized a revaluation write-down on shares in PEC Oborniki Sp. z o. o., PEC Śrem S.A. and MEC Piła Sp z o.o. in the total amount of PLN 18 460 thousand and in other companies in the amount of PLN 905 thousand.

10. FINANCIAL ASSETS

	31.12.2009	31.12.2008
Long-term financial assets available for sale (shares in unrelated parties)	3 866	3 866
Long-term financial assets measured at fair value through profit or loss	1 219	1 033
Total long-term financial assets	5 085	4 899
Short-term financial assets measured at fair value through profit or loss (investment portfolio)	1 652 523	-
Total short-term financial assets	1 652 523	-
Total	1 657 608	4 899

11. TRADE AND OTHER RECEIVABLES

	31.12.2009	31.12.2008
Current trade and other receivables		
Trade receivables	663 695	545 178
Receivables due to taxes and other similar benefits (except for income tax)	22 778	44 744
Other receivables	6 924	17 362
Receivables due to unbilled sales	239 473	218 908
	932 870	826 192
Less: revaluation write-down on receivables	(82 623)	(93 519)
Net current trade and other receivables	850 247	732 673

Revaluation write-downs on trade and other receivables:

	31.12.2009	31.12.2008
Opening balance of revaluation write-down on receivables	93 519	96 520
Created	12 544	9 153
Released	(23 452)	(11 237)
Applied	12	(917)
Closing balance of revaluation write-down on receivables	82 623	93 519

(in PLN '000 unless stated otherwise)

12. CASH AND CASH EQUIVALENTS

	31.12.2009	31.12.2008
Cash in hand and at bank	300 826	2 320 744
- cash in hand	142	145
- cash at bank	300 684	2 320 599
Other cash	596	642
- cash in transit	596	642
Total cash and cash equivalents	301 422	2 321 386
Cash disclosed in the cash flows statement	301 422	2 321 386

13. INVESTMENT PORTFOLIO

ENEA S.A. fulfilled the conditions necessary to release funds from the ESCROW account due to issuance of shares on the WSE. A specialized financial institution professionally manages the funds, which as at 31 December 2009 amounted to PLN 1 652 523 thousand. In accordance with the Agreement, transferred funds are invested only in safe securities (treasury bills and bonds – PLN 1 348 262 thousand) and deposits (with banks specified by the Company – PLN 304 261 thousand), based on the following scheme:

Asset type	Minimum exposure	Maximum exposure
Debt instruments with a surety or guarantee of the State Treasury and the National Bank of Poland	0%	100%
Bank deposits	0%	30%

The investment portfolio is treated as financial assets measured at fair value through profit or loss. The adopted strategy is to maximize profit at minimum risk.

14. EQUITY

Equity as at 31 December 2009:

Series	Number of shares	Nominal value of 1 share (in PLN)	Value
“A” series	295 987 473	1	295 988
“B” series	41 638 955	1	41 639
“C” series	103 816 150	1	103 816
Total number of shares	441 442 578		
Share capital (nominal value)			441 443
Capital from business combination			38 810
Share capital adjusted by hyperinflation			107 765
Total share capital			588 018
Treasury shares			-
Share premium			4 627 673
Share-based capital			1 144 336
Revaluation reserve (financial instruments)			(3 847)
Reserve capital			754 841
Retained earnings			2 721 427
Total equity			9 832 448

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Equity as at 31 December 2008:

Series	Number of shares	Nominal value of 1 share (in PLN)	Value
"A" series	295 987 473	1	295 988
"B" series	41 638 955	1	41 639
"C" series*	103 816 150	1	103 816
Total number of shares	441 442 578		
Share capital (nominal value)			441 443
Capital from business combination			38 810
Share capital adjusted by hyperinflation			107 765
Total share capital			588 018
Treasury shares			(17 396)
Share premium			4 627 673
Share-based capital			1 144 336
Revaluation reserve (financial instruments)			(3 847)
Reserve capital			754 425
Retained earnings			2 619 709
Total equity			9 712 918

* - an increase in capital by way of issuing "C" series shares through public offering was entered in the National Court Register on 13 January 2009.

In connection with a public offering and admittance of subscription rights to trading on the Warsaw Stock Exchange, by 31 December 2008 the Company had acquired 1 129 608 treasury share subscription rights under a stabilization option in the total amount of PLN 17 396 thousand.

On 11 August 2009 the transaction of disposal of treasury shares with the nominal value of PLN 1 each by ENEA S.A. was settled, as a result of which 1 129 608 were disposed of.

On 30 June 2009 the Ordinary Shareholders' Meeting of ENEA S.A. adopted Resolution No. 4 on distribution of the net profit for the reporting period from 1 January 2008 to 31 December 2008, under which the amount of PLN 416 thousand was allocated to the reserve capital.

15. TRADE AND OTHER LIABILITIES

	31.12.2009	31.12.2008
Current trade and other liabilities		
Trade liabilities	762 611	831 478
Advance payments received for deliveries, works and services	23 689	26 248
Tax liabilities (except for income tax)	50 274	13 268
Profit-sharing liabilities	-	8 464
Total current liabilities	836 574	879 458

16. SETTLEMENT OF INCOME ON FIXED ASSETS AND SERVICE LINES OBTAINED FREE OF CHARGE

	31.12.2009	31.12.2008
Long-term		
Deferred income due to grants	33 194	34 301
	33 194	34 301
Short-term		
Deferred income due to grants	2 244	2 437
	2 244	2 437

Deferred income schedule

	<u>31.12.2009</u>	<u>31.12.2008</u>
Up to 1 year	2 244	2 437
1 to 5 years	8 977	9 422
Over 5 years	24 217	24 879
	<u>35 438</u>	<u>36 738</u>

17. EQUITY RELATED TO SHARE-BASED PAYMENTS AND LIABILITIES DUE TO AN EQUIVALENT OF THE RIGHT TO ACQUIRE SHARES FREE OF CHARGE

On the basis of the Act the Commercialization and Privatization dated 30 August 1996 (Act on Commercialization and Privatization) employees of the ENEA Capital Group are entitled to acquire 15% of the shares in ENEA S.A. free of charge under the employee stock ownership plan (“plan”).

Employees eligible to acquire shares free of charge are individuals who were employed in the ENEA S.A. Capital Group at the time of commercialization (i.e. in 1993 and 1996) and filed a written declaration to acquire shares within 6 months of the commercialization date. The Act on Commercialization and Privatization specifies the total number of shares to be transferred, but it does not stipulate the number of shares per one employee. The number of shares granted to particular employees will depend on the total length of service with the Company including the number of years in the company before commercialization and after commercialization until the date of the disposal of shares by the State Treasury.

According to IFRS 2, the costs of the plan should be recognized in the period when eligible employees performed work and the cost of work should be determined as at Grant Date, i.e. as at the date when all significant conditions of granting shares to employees were determined.

The value of the employee stock ownership plan was determined by the Company based on the measurement of shares in ENEA S.A. as at the date of drawing up the consolidated financial statements for the financial years ended 31 December 2007, 31 December 2006 and 31 December 2005 included in the prospectus of ENEA S.A. The value of the plan was determined at PLN 901 million. The ENEA SA Capital Group recognized the total costs of the plan as a previous years’ adjustment in equity of the earliest period presented in the consolidated financial statements, i.e. as at 1 January 2005 and it did not revalue the costs as at any of the dates ending the later financial periods, i.e. 31 December 2005, 31 December 2006, 31 December 2007 and 31 December 2008.

According to the Management Board, IFRS do not specify the principles of accounting for the plan in line with the Act on Commercialization and Privatization. In particular they do not allow for unambiguous interpretation of a situation when the total number of shares due to staff employed was determined at the moment of commercialization, i.e. before the Grant Date, but the number of shares to be granted to particular employees was not specified. In such a case an employee working in subsequent periods,

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by the Grant Date, is likely to be granted a higher number of shares. This, however, will not take place by way of issuance of additional shares but as a result of a reduction of the number of shares for other staff members.

Moreover, according to the Management Board, the key purpose of the plan was to grant employees compensation for work before the date of commercialization of the enterprise (i.e. in the past). Consequently, the total fixed number of shares for employees was determined and could not be changed with relation to work in subsequent periods.

Considering the above, the Management Board of ENEA S.A. decided that the value of the plan would not be changed. As a result, the value of the plan as at 31 December 2009 remained at the level of PLN 921 million.

Pursuant to the Act of 7 September 2007 on the acquisition of shares from the State Treasury as a result of the energy sector consolidation process, the Eligible Employees of Elektrownia "Kozienice" S.A. were supposed to submit a declaration of the intention to exchange the equivalent for the right to acquire shares in ENEA S.A. free of charge by 18 January 2008. Following the examination of the declarations submitted as well as the result of the complaint procedure, the value of shares to be accounted for as an equivalent was PLN 291 127 thousand (PLN 514 920 thousand as at 31 December 2007). Exchange of the value of the equivalent for subscription rights worth PLN 224 042 thousand was disclosed in the Company's capital under "Share-based capital".

As at 31 December 2009 a portion of the equivalent was paid to the Eligible Employees of Elektrownia "Kozienice" S.A. As at 31 December 2009 the remaining liabilities due to the equivalent amounted to PLN 618 thousand (PLN 163 799 thousand as at 31 December 2008).

The right to acquire shares free of charge will arise following the period of three months from 10 February 2010 as a result of the State Treasury's disposal of the first shares in line with general principles and expire following the period of 24 months from the date when such a right arose.

18. FINANCIAL INSTRUMENTS

18.1. Financial risk management policy

The Company is exposed to the following categories of risk related to financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Currency risk
- Interest rate risk

(in PLN '000 unless stated otherwise)

This note presents information on the Company's exposure to each of the aforementioned risks as well as the risk and capital management objectives, policy and procedures. The relevant figures have been disclosed in these financial statements.

Development and compliance with the risk management policy is the responsibility of the Management Board of ENEA S.A.

Risk is managed on an ongoing basis and the process has not been formalized. Risks are analyzed in connection with the impact of the external environment as well as changes in the structure and activity of ENEA S.A. Taking these into consideration, the Company undertakes steps aimed at risk mitigation. In order to do so, the Company makes sure that its employees are aware of the possibility of risks occurrence and their influence on the activity of individual organizational units.

Aware of the risks relating to its business activities, in 2009 ENEA S.A. undertook measures aimed at development of an integrated, formalized risk management system.

To this end:

- a risk identification and assessment process was carried out;
- a framework structure of the risk management system was designed.

The risk identification and assessment process allowed the Company to create a risk register and map with respect to different areas of its operations.

The framework structure of the risk management system allowed the Company to:

- define the risk management process participants together with the scope of their competence and responsibilities;
- draft formal documents supporting the practical risk management process at the Company, i.e. the Integrated Risk Management Policy of ENEA S.A. and the Integrated Risk Management Manual of ENEA S.A.

At present, the aforementioned documents are being implemented in line with the Company's internal regulations. The newly developed risk management system is expected to function at the Company until a risk management system is developed and implemented for the ENEA Capital Group (planned for 2010).

ENEA S.A. does not use financial instruments as risk hedges.

18.2. Credit risk

Credit risk is the risk of financial losses which may be incurred if a counterparty or a customer being a party to a financial instrument fails to meet its contractual obligations.

Credit risk is mainly related to debt collection. The key factors that affect the occurrence of credit risk at the Company include:

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- a substantial number of small customers resulting in an increase in the costs incurred to monitor debt collection;
- the necessity to supply electricity to budgetary units facing financial difficulties;
- legal requirements defining the principles for electricity supply suspension as a result of default on payment.

The Management Board applies a credit policy which provides for credit risk monitoring on an ongoing basis. The Company carries out a credit standing analysis for all clients requiring loans exceeding a pre-determined cap. The Company does not require collateral from its clients in relation to financial assets.

There is no material credit risk concentration.

The maximum exposure of ENEA S.A. to credit risk is presented below:

	31.12.2009	31.12.2008
	Carrying amount	Carrying amount
Trade and other receivables	850 247	732 673
Cash and cash equivalents	301 422	2 321 386
Total	1 151 669	3 054 059

The credit risk relating to receivables differs for individual market segments in which ENEA S.A. carries out its business activities:

- electricity sales to individual customers – a considerable amount of past due receivables. Although they do not represent a serious threat to the Company's financial position, measures aimed at their reduction have been undertaken. Implementation of a uniform debt collection policy allowed ENEA S.A. to reduce the reaction time as well as avoid a long and frequently ineffective court enforcement procedure. Legal measures are applied to cases whose value is higher than the cost-benefit ratio for debt collection;
- sales of electricity to bulk customers and the nationalized industry, i.e. small business entities – the amounts of past due receivables in this segment are slightly higher than in the case of individual customers. However, the collection procedure is similar and collection measures are undertaken within 4-5 business days of the payment date;
- other receivables – compared to the above segments the amounts of past due receivables are immaterial.

A key role in the debt collection process is played by employees supervising contacts with customers, who are responsible for debt collection monitoring. The Company tends to collect past due receivables through direct contact with the customer. Cooperation with a debtor as well as obtaining information on its current and future financial position is one of the main tasks of the function established for that purpose.

ENEA S.A. monitors the amount of past due receivables on an ongoing basis and in justified cases files legal claims and recognizes appropriate revaluation write-downs.

ENEA S.A. makes current financial investments which include mainly bank deposits as well as treasury bills and bonds.

ENEA S.A. does not grant sureties or guaranties to unrelated parties.

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18.3. Liquidity risk

The liquidity risk is the risk that ENEA S.A. will be unable to meet its financial obligations at due date.

The Company's liquidity risk management policy involves ensuring sufficient funds necessary to settle financial and investment liabilities applying the most attractive financing sources.

Liquidity management focuses on a detailed analysis of the receivables collection scheme, the ongoing monitoring of bank accounts and cash concentration in consolidated accounts. The Company undertakes measures aimed at reducing the receivables collection period and extending the settlement period for its liabilities, whereas the excess funds are invested in current assets in the form of term deposits.

Taking into account ongoing risk management as well as the market and financial position of the Company it may be concluded that its liquidity risk remains at a minimum level.

Additionally, the Company manages its liquidity risk by maintaining open and unused credit facilities for PLN 100 000 thousand.

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The Company's financial assets and liabilities by maturity are presented in the table below:

31.12.2009	Trade and other liabilities	Finance lease liabilities	Cash and cash equivalents	Trade and other receivables	Financial assets measured at fair value through profit or loss	Total
Carrying amount	813 796	8 727	(301 422)	(827 470)	(1 653 742)	(1 960 111)
Undiscounted contractual cash flows	(813 796)	(9 700)	301 422	827 470	1 653 742	1 959 138
up to 6 months	(813 796)	(1 889)	301 422	827 470	1 653 742	1 966 949
6 - 12 months	-	(1 603)	-	-	-	(1 603)
1 – 2 years	-	(3 070)	-	-	-	(3 070)
2 – 5 years	-	(3 121)	-	-	-	(3 121)
Over 5 years	-	(17)	-	-	-	(17)

31.12.2008	Trade and other liabilities	Finance lease liabilities	Cash and cash equivalents	Trade and other receivables	Total
Carrying amount	879 458	7 788	(2 321 386)	(732 673)	(2 166 813)
Undiscounted contractual cash flows	(879 458)	(9 193)	2 321 386	732 673	2 165 408
up to 6 months	(879 458)	(1 414)	2 321 386	732 673	2 173 187
6 - 12 months	-	(1 465)	-	-	(1 465)
1 – 2 years	-	(4 067)	-	-	(4 067)
2 – 5 years	-	(2 051)	-	-	(2 051)
Over 5 years	-	(196)	-	-	(196)

(in PLN '000 unless stated otherwise)

18.4. Market risk

Market risk is related to changes in supply, demand and prices as well as other factors which may affect the Company's performance or the value of its assets (such as exchange rates, interest rates, cost of capital). The objective of market risk management is to maintain the risk exposure within an acceptable level while optimizing the return on risk.

One of the key market risks results from the fact that being an integrated energy company operating based on an electricity trading license, ENEA S.A. is required to provide electricity tariffs for the household and prepaid G tariff groups for approval. On the other hand, companies engaged in energy production and trading are released from the above obligation. The Company acquires energy at market prices and calculates its tariff based on costs regarded as legitimate by the President of the Energy Regulatory Office as well as margins (for electricity trading) planned to be earned in the subsequent tariff period. Therefore, during the tariff period the Company's possibility to transfer adverse changes in its operating costs to electricity end customers is limited. A tariff adjustment request may be filed to the President of the Energy Regulatory Office only in the event of a dramatic rise in costs for reasons beyond the Company's control.

18.5. Currency risk

As the Company does not enter into any foreign currency transactions, it is not exposed to currency risk.

18.6. Interest rate risk

The Company is exposed to interest rate risk resulting mainly from its financial assets. As at the balance sheet date (31 December 2009), the Company did not have any liabilities arising from bank loans. As at 31 December 2009 financial liabilities with a floating interest rate included only finance lease liabilities.

The table below, presenting financial assets and liabilities by fixed and floating interest rates, shows the Company's sensitivity to interest rate risk:

	<u>31.12.2009</u>	<u>31.12.2008</u>
Fixed rate instruments		
Financial assets	888 324	742 710
Financial liabilities	(836 574)	(879 458)
Total	<u>51 750</u>	<u>(136 748)</u>
Floating rate instruments		
Financial assets	1 915 868	2 311 349
Financial liabilities	(8 727)	(7 788)
Total	<u>1 907 141</u>	<u>2 303 561</u>

(in PLN '000 unless stated otherwise)

Effective interest rate applicable to interest bearing assets and liabilities is presented in the table below:

	as at 31 December 2009		as at 31 December 2008	
	Effective interest rate	Carrying amount	Effective interest rate	Carrying amount
Financial assets measured at fair value through profit or loss	1.55 - 4.83	1 652 523	-	-
Cash and cash equivalents	3.03	301 422	5.41	2 321 386
Finance lease liabilities	5.26	(8 727)	7.60	(7 788)
Collateralized bank loans with a floating interest rate	-	-	-	-
Total	-	1 945 218	-	2 313 598

The effective interest rates presented in the table above are determined as the weighted average of interest rates.

The table below presents the impact of interest rate changes on the Company's financial profit/loss.

	Carrying amount as at 31 December 2009	Interest rate risk impact on profit/loss (12-month period)		Carrying amount as at 31 December 2008	Interest rate risk impact on profit/loss (12-month period)	
		+ 1 p.p.	- 1 p.p.		+ 1 p.p.	- 1 p.p.
		Financial assets				
Cash	301 422	3 014	(3 014)	2 321 386	23 214	(23 214)
Trade and other receivables	850 247	-	-	732 673	-	-
Short-term financial assets measured at fair value through profit or loss	1 652 523	16 525	(16 525)	-	-	-
Other financial assets	5 085	-	-	4 899	-	-
Impact on profit/loss before tax		19 539	(19 539)		23 214	(23 214)
19% tax		(3 712)	3 712		(4 411)	4 411
Impact on profit/loss after tax		15 827	(15 827)		18 803	(18 803)
Financial liabilities						
Loans	-	-	-	-	-	-
Trade and other liabilities	(836 574)	-	-	(879 458)	-	-
Finance lease liabilities	(8 727)	(87)	87	(7 788)	(78)	78
Impact on profit/loss before tax		(87)	87		(78)	78
19% tax		17	(17)		15	(15)
Impact on profit/loss after tax		(70)	70		(63)	63
Total		15 766	(15 766)		18 740	(18 740)

18.7. Capital management

The key assumption of the capital management policy developed by the Company is maintaining an optimum capital structure with the objective to reduce its cost, ensure a good credit rating and safe capital ratios supporting the Company's operations and increasing its shareholder value. It is also important to maintain a strong capital base being a foundation for building confidence of future investors, creditors and market, and ensuring the future development of ENEA S.A. In order to maintain or adjust its capital structure, the Company may issue new shares or sell its assets. ENEA S.A. monitors its capital using the debt ratio

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and the return on equity ratio. It is the Company's objective to ensure an optimum level of the aforementioned ratios.

18.8. Fair value

The table below presents the fair values as compared to carrying amounts:

	31.12.2009		31.12.2008	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term financial assets available for sale (shares in unrelated parties)	3 866	3 866	3 866	3 866
Long-term financial assets measured at fair value through profit or loss	1 219	1 219	1 033	1 033
Trade and other receivables	850 247	850 247	732 673	732 673
Short-term financial assets measured at fair value through profit or loss	1 652 523	1 652 523	-	-
Cash and cash equivalents	301 422	301 422	2 321 386	2 321 386
Bank loans	-	-	-	-
Finance lease liabilities	8 727	8 727	7 788	7 788
Trade and other liabilities	836 574	836 574	879 458	879 458

Financial assets available for sale include shares in unrelated parties for which the ratio of interest in capital to the nominal value is lower than 20%.

Long-term financial assets measured at fair value through profit or loss include units in the "Pioneer" Investment Fund which can be traded on an active market, as a result of which their fair value may be determined. The fair value of the above assets was measured at the market price of participation units, whereas its changes in the financial period recognized in profit or loss.

Short-term financial assets measured at fair value through profit or loss include an investment portfolio managed by a company specialized in professional fund management (Note 13).

19. FINANCE LEASE LIABILITIES

	31.12.2009	31.12.2008
Finance lease liabilities:		
Up to 1 year	2 845	1 967
1 – 5 years	5 865	5 625
Over 5 years	17	196
Present value of minimum lease payments	8 727	7 788

(in PLN '000 unless stated otherwise)

20. DEFERRED INCOME TAX

	<u>31.12.2009</u>	<u>31.12.2008</u>
Deferred tax asset		
– deferred tax asset realizable after 12 months	42 323	33 813
– deferred tax asset realizable within 12 months	85 999	87 596
	<u>128 322</u>	<u>121 409</u>
Offset of deferred tax asset against deferred tax liability within the Company	(100 956)	(81 708)
Deferred tax asset disclosed in the balance sheet	<u>27 366</u>	<u>39 701</u>
Deferred tax liability		
– deferred tax liability to be settled after 12 months	6 131	4 234
– deferred tax liability to be settled within 12 months	94 825	77 474
	<u>100 956</u>	<u>81 708</u>
Offset of deferred tax asset against deferred tax liability within the Company	(100 956)	(81 708)
Deferred tax liability disclosed in the balance sheet	<u>-</u>	<u>-</u>

Changes in the deferred tax liability (considering the setoff of the asset against the liability):

	<u>31.12.2009</u>	<u>31.12.2008</u>
Opening balance	<u>(39 701)</u>	<u>(29 351)</u>
Amount recognized in the financial profit/loss	12 335	(9 447)
Change recognized in other items of comprehensive income	-	(903)
Closing balance	<u>(27 366)</u>	<u>(39 701)</u>

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Changes in the deferred tax asset and liability in the financial year (prior to their setoff):

Deferred tax asset

	Revaluation write-downs on receivables	Liabilities due to employee benefits	Settlement of revenue from connection fees	Provision for the costs of redemption of certificates of origin	Grants	Tax deductible expenses after the end of the settlement period	Revaluation write-downs on fixed assets	Measurement of shares held	Other	Total
Balance as at 1 January 2008 – 19% rate	3 126	11 632	-	17 153	5 780	30 044	-	5 056	15 489	88 280
Amount recognized in the financial profit/loss due to a change in temporary differences	(702)	6 537	-	13 531	(121)	20 309	1 479	65	(8 872)	32 226
Change recognized in other items of comprehensive income	-	-	-	-	-	-	-	903	-	903
Balance as at 31 December 2008 – 19% rate	2 424	18 169	-	30 684	5 659	50 353	1 479	6 024	6 617	121 409
Amount recognized in the financial profit/loss due to a change in temporary differences	56	(615)	-	(12 997)	(131)	9 842	1 561	3 718	5 479	6 913
Change recognized in other items of comprehensive income	-	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2009 – 19% rate	2 480	17 554	-	17 687	5 528	60 195	3 040	9 742	12 096	128 322

Deferred tax liability:

	Income taxed after the end of the accounting period	Accrued unbilled sales	Measurement of fixed assets at fair value	Other	Total
Balance as at 1 January 2008 – 19% rate	34 346	17 912	4 373	2 298	58 929
Amount recognized in the financial profit/loss due to a change in temporary differences	15 784	6 707	(139)	427	22 779
Balance as at 31 December 2008 – 19% rate	50 130	24 619	4 234	2 725	81 708
Amount recognized in the financial profit/loss due to a change in temporary differences	9 102	3 981	1 897	4 268	19 248
Balance as at 31 December 2009 – 19% rate	59 232	28 600	6 131	6 993	100 956

21. LIABILITIES DUE TO EMPLOYEE BENEFITS

	31.12.2009	31.12.2008
Defined benefit plans		
Retirement benefits		
- long-term portion	644	783
- short-term portion	117	209
	<u>761</u>	<u>992</u>
Electricity allowance for pensioners		
- long-term portion	60 318	59 633
- short-term portion	4 454	4 110
	<u>64 772</u>	<u>63 743</u>
Jubilee benefits		
- long-term portion	2 567	2 242
- short-term portion	182	221
	<u>2 749</u>	<u>2 463</u>
Appropriation to the Company's Social Benefits Fund for pensioners		
- long-term portion	5 199	6 525
- short-term portion	493	557
	<u>5 692</u>	<u>7 082</u>
Total: Defined benefit plans		
- long-term portion	68 728	69 183
- short-term portion	5 246	5 097
	<u>73 974</u>	<u>74 280</u>
Payroll and other liabilities		
- long-term portion	14 858	14 858
- short-term portion	3 455	3 921
	<u>18 313</u>	<u>18 779</u>
Total liabilities due to employee benefits		
- long-term portion	83 586	84 041
- short-term portion	8 701	9 018
	<u>92 287</u>	<u>93 059</u>

Based on an arrangement entered into by the representatives of employees and the Company, the employees of ENEA S.A. are entitled to specific benefits other than remuneration, i.e.:

- jubilee benefits;
- retirement and disability benefits;
- electricity allowance;
- social security – an appropriation to the Company's Social Benefits Fund.

The present value of the related future liabilities was measured using actuarial methods. Calculations were made using basic individual data for the employees of ENEA S.A. as at 31 December 2009 (taking into account their sex) regarding:

- age;
- length of service with the Company;
- total length of service;
- remuneration constituting the assessment basis for jubilee benefits as well as retirement and disability benefits.

(in PLN '000 unless stated otherwise)

Additionally, the following assumptions were made for the purpose of the analysis:

- employee turnover was taken into account based on statistical data of ENEA S.A. and the information on employee turnover in the power industry estimated by AVCS Sp. z o.o.;
- mortality rate and the probability of receiving benefits were adopted in line with the 2008 Life Expectancy Tables published by the Central Statistical Office;
- the value of the provision for disability benefits was not determined separately but the individuals receiving disability allowance were not taken into consideration in calculating the employee turnover ratio;
- the pensionable age: 65 for men and 60 for women;
- the pay rise rate was adopted at the level of 3.5% (6% as at 31 December 2008);
- the interest rate for discounting future benefits was adopted at the level of 6.15% (5.7% as at 31 December 2008);
- the base value of the annual equivalent of the electricity allowance for pensioners, disability pensioners and other beneficiaries was adopted at the level of PLN 1 282.82 (PLN 1 147.46 as at 31 December 2008);
- the electricity price growth rate was adopted for 2010 at the level of 5.50%, for 2011 +21.30%, for 2012 +2.40%, for 2013 +15.00%, for 2014 +21.00%, for 2015 +3.2% (as at 31 December 2008 +21.00% for 2009, for 2010 +25.40%, for 2011 +4.20%, for 2012 +9.00%, for the following years starting from 2013 +3.00%);
- distribution charge growth rate for 2010 was adopted at the level of 7.86%, for 2011 +4.64% and for 2012 +4.25% (as at 31 December 2008 for 2009 +1.36%, for 2010 +5.78% and for 2011 - 0.36%);
- the average rise in the cash equivalent of the electricity allowance was adopted for 2010 at the level of 7.90%, for 2011 +14.30%, for 2012 +3.60%, for 2013 +11.70%, for 2014 +16.10%, for 2015 - 2016 at the level of 4.70%, for 2017 - 2021 at the level of 4.80%, for 2022 at the level of 4.90%, for the remaining forecast period a rise at the level of 2.50% (as at 31 December 2008: for 2009 at the level of 18.50%, for 2010 +23.40%, for 2011 +3.80%, for 2012 +8.50%, for 2013 +3.00%, for the remaining forecast period a rise at the level of 3.00%).

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	Retirement benefits	Right to energy allowance after retirement	Jubilee benefits	Appropriation to the Company's Social Benefits Fund for pensioners	Payroll and other liabilities	Total
Balance as at 1 January 2009	992	63 743	2 463	7 082	18 779	93 059
Changes in the 12-month period ended 31 December 2009						
Liabilities assumed as a result of business combination	-	-	-	-	-	-
Costs recognized in profit or loss, including:	(98)	5 125	613	(137)	36 795	42 298
- costs of employee benefits	(143)	1 726	486	(509)	36 795	38 355
- current employment costs	150	72	536	12	36 795	37 565
- past employment cost	-	-	-	-	-	-
- net actuarial losses	(293)	1 654	(50)	(521)	-	790
- costs of discounted liabilities due to employee benefits	45	3 399	127	372	-	3 943
Decrease in the liability due to benefits paid (negative value)	(133)	(4 096)	(327)	(1 253)	(37 262)	(43 071)
Other decreases	-	-	-	-	-	-
TOTAL	(231)	1 029	286	(1 390)	(467)	(773)
Balance as at 31 December 2009	761	64 772	2 749	5 692	18 313	92 286

(in PLN '000 unless stated otherwise)

	Retirement benefits	Right to energy allowance after retirement	Jubilee benefits	Appropriation to the Company's Social Benefits Fund for pensioners	Payroll and other liabilities	Total
Balance as at 1 January 2008	677	43 698	1 989	-	26 445	72 809
Changes in the 12-month period ended 31 December 2007						
Liabilities assumed as a result of business combination	-	-	-	-	-	-
Costs recognized in profit or loss, including:	380	23 757	803	7 082	56 040	88 062
- current employment costs	81	29	366	-	56 040	56 516
- past employment cost	-	-	-	6 820	-	6 820
- net actuarial losses	267	21 331	332	262	-	22 192
- interest expense	32	2 397	105	-	-	2 534
Decrease in the liability due to benefits paid (negative value)	(65)	(3 712)	(329)	-	(63 706)	(67 812)
Other decreases	-	-	-	-	-	-
TOTAL	315	20 045	474	7 082	(7 666)	20 250
Balance as at 31 December 2008	992	63 743	2 463	7 082	18 799	93 059

(in PLN '000 unless stated otherwise)

22. CERTIFICATES OF ORIGIN

	31.12.2009	31.12.2008
Certificates of origin	(26 218)	(14 572)
Advance payments for certificates of origin	(1 259)	(2 985)
Provision for the costs of redemption of certificates of origin	93 088	161 499
Provision for certificates of origin	65 611	143 942

23. PROVISION FOR OTHER LIABILITIES AND CHARGES

Provision for projected losses due to compensation proceedings

	31.12.2009	31.12.2008
Opening balance	42 268	61 676
Increase in provisions	3 898	17 023
Decrease in provisions	(3 828)	(36 431)
Closing balance	42 338	42 268

Provisions for liabilities are determined in justified, reliably estimated amounts. Individual provisions are created for projected losses related to a court action brought against the Company. The provisions are created in the amount of the claim, considering the probability of losing the case based on a legal opinion. The cost of provisions is recognized under other operating expenses. A description of material claims and the relevant contingent liabilities has been presented in Notes 37.2, 37.5 and 37.6.

Provisions for liabilities and other charges include mainly a provision for claims filed by property owners with respect to non-contractual use of land. The majority of such claims are requests for compensation for non-contractual use of land, determination of a rental fee or requests for relocation of facilities (restoring land to its previous condition). As at 31 December 2009, a substantial number of claims filed had not been brought to court yet. The Company recognizes a related provision for both disputed claims brought to court and claims which have not been submitted to court yet.

Other provisions

	31.12.2009	31.12.2008
Opening balance	1 609	588
Increase in provisions	315	1 021
Release of unused provision	(1 924)	-
Closing balance	-	1 609

All provisions for projected losses due to compensation proceedings as well as other provisions are disclosed as current liabilities.

24. NET SALES REVENUE

	01.01.2009	01.01.2008
	31.12.2009	31.12.2008
Revenue from sales of electricity	6 993 251	5 893 552
Revenue from sales of distribution services	-	-
Revenue from sales of goods and materials	-	-
Revenue from sales of other services	55 374	48 444
Total	7 048 625	5 941 996

(in PLN '000 unless stated otherwise)

25. EXPENSES BY TYPE

	01.01.2009	01.01.2008
	31.12.2009	31.12.2008
Amortization	(13 286)	(16 796)
Costs of employee benefits	(38 355)	(88 062)
- payroll	(30 059)	(48 156)
- social security and other benefits	(8 296)	(39 906)
Consumption of materials and raw materials, and costs of goods sold	(3 230)	(5 154)
- consumption of materials and energy	(3 230)	(5 154)
- value of goods and materials sold		-
External services	(2 199 412)	(2 330 173)
- transmission and distribution services	(2 084 493)	(2 212 702)
- other external services	(114 919)	(117 471)
Taxes and charges	(8 188)	(10 616)
Value of energy purchased	(4 594 357)	(3 388 861)
Total costs of products, goods and materials sold, costs of sales and marketing and general and administrative costs	(6 856 828)	(5 839 662)

26. COSTS OF EMPLOYEE BENEFITS

	01.01.2009	01.01.2008
	31.12.2009	31.12.2008
Payroll costs	(30 059)	(48 156)
- current remuneration	(29 716)	(46 973)
- jubilee benefits	(486)	(803)
- retirement benefits	143	(380)
Social security costs	(8 296)	(39 906)
- contributions to the Social Insurance Institution (ZUS)	(3 814)	(3 524)
- appropriation to the Company's Social Benefits Fund	(147)	(1 271)
- other social benefits	(4 335)	(34 460)
- other past employment benefits	-	(651)
	(38 355)	(88 062)

Employment guarantees

Based on an arrangement entered into by the Company and labor unions, specific employment guarantees have been given to people employed by the Company before 29 June 2007, which expire on 31 December 2018.

Furthermore, the provisions of the aforementioned arrangement will remain in force longer for employees who, at the expiry of the guarantees, have no more than four years to satisfy the conditions to acquire pension rights. This denotes that in the event the employer fails to comply with the guarantees, employment contracts may not be terminated without payment of additional benefits to employees who, at the expiry of the guarantees, have no more than four years to reach the pensionable age.

Under the employment guarantees, ENEA S.A. is obliged to pay an employee an amount being the product of their monthly salary and the remaining period of the guarantee validity if the employment contract is terminated by the employer.

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*(in PLN '000 unless stated otherwise)***Arrangements entered into with employees of ENEA S.A.**

As a result of collective arrangements entered into by ENEA S.A. and the labor unions in February 2005 and July 2007 the parties undertook to apply measures aimed at payment of compensations to the employees of ENEA S.A. who are not entitled to receive shares in ENEA S.A. from the 15% block of shares to be granted to Eligible Employees. The parties agreed to enter into a separate arrangement regarding the potential compensations.

Considering the aforementioned arrangements, on 28 May 2008 the Management Board of ENEA S.A. entered into an arrangement with labor union organizations providing for a payment of cash compensation of PLN 14.5 million on a one-off basis. The compensation was to become payable after 24 months from the date of disposal of at least 1 share in ENEA S.A. by the State Treasury in line with the provisions of the Act on Commercialization and Privatization. The above arrangement superseded the earlier arrangements regarding employee shares and payment of compensation under the aforementioned arrangements of 2005 and 2007.

In line with its provisions, the arrangement did not violate the rights acquired by the employees under other agreements and arrangements in any way. In case of any discrepancies between the provisions of the arrangement and other agreements or arrangements, the provisions which were more favorable to the employees were to prevail.

27. OTHER OPERATING REVENUE AND EXPENSES**Other operating revenue**

	01.01.2009	01.01.2008
	31.12.2009	31.12.2008
Release of provisions due to instituted court proceedings for compensation	3 799	36 431
Reimbursement of expenses by an insurance company	1 596	8 857
Release of unapplied revaluation write-downs on receivables	10 113	2 083
Housing activity	-	1 202
Fixed assets received free of charge	1 202	1 155
Received damages and fines	3 170	177
Other operating revenue	4 689	5 848
Total	24 569	55 753

(in PLN '000 unless stated otherwise)

Other operating expenses

	01.01.2009	01.01.2008
	31.12.2009	31.12.2008
Cost of provision created for instituted court proceedings for compensation	(4 387)	(9 464)
Costs of provisions created for potential claims	(1 747)	(9 435)
Other expenses by type	(6 379)	(5 514)
Uncollectible receivables written off	(19 172)	(1 998)
Granted donations	(277)	(1 945)
Court fees	(1 718)	(1 435)
Revaluation write-downs on shares	(18 460)	(289)
Premiums to associations of employers and other institutions	(131)	(233)
Labor union related expenses	(11)	(47)
Other operating expenses	(2 555)	(9 449)
Total	(54 837)	(39 809)

28. FINANCIAL REVENUE

	01.01.2009	01.01.2008
	31.12.2009	31.12.2008
Interest on deposits	23 582	45 815
Dividend income	78 897	71 544
Default interest	16 432	11 550
Other interest	1 135	772
Released write-down on interest due	958	436
Revaluation of financial assets measured at fair value through profit or loss	93 293	-
Total	214 297	130 117

29. FINANCIAL EXPENSES

	01.01.2009	01.01.2008
	31.12.2009	31.12.2008
Interest expense	(3 790)	(2 055)
- on bank loans	(30)	-
- default interest	(3 091)	(1 246)
- interest on leases	(504)	(550)
- write-down on interest	(165)	(259)
Costs of discounted liabilities due to employee benefits	(3 943)	-
Total	(7 733)	(2 055)

30. INCOME TAX

	01.01.2009	01.01.2008
	31.12.2009	31.12.2008
Current tax	(44 878)	(52 009)
Deferred tax	(12 335)	9 447
Total	(57 213)	(42 562)

The difference between the income tax on gross profit before tax and the theoretical amount resulting from application of the nominal tax rate applicable to the Company's profit is presented below:

	01.01.2009	01.01.2008
	31.12.2009	31.12.2008
Profit before tax	362 627	246 347
Tax at 19% rate	(68 899)	(46 806)
Costs not classified as tax-deductible expenses (permanent differences)	(3 304)	(9 349)
Dividends received	14 990	13 593
Amount charged to profit or loss due to income tax	(57 213)	(42 562)

*(in PLN '000 unless stated otherwise)***31. DIVIDEND**

On 30 June 2009 the Ordinary Shareholders' Meeting of ENEA S.A. adopted Resolution No. 4 on distribution of the net profit for the reporting period from 1 January 2008 to 31 December 2008, under which the amount of PLN 203 064 thousand was allocated to dividend payment to shareholders (dividend per share was PLN 0.46). The dividend had been paid by the balance sheet date.

On 9 June 2008 the Ordinary Shareholders' Meeting of ENEA S.A. adopted Resolution No. 2 on distribution of the net profit for the reporting period from 1 January 2007 to 31 December 2007, under which the amount of PLN 88 630 thousand was allocated to dividend payment to the State Treasury (dividend per share was PLN 0.25) The dividend had been paid by 31 December 2008.

Pursuant to the Act on profit-sharing payments in companies wholly owned by the State Treasury of 1 December 1995 ENEA S.A. made quarterly profit-sharing payments (defined as the gross profit less the current income tax) in the amount of 15%, which is recognized as dividend payment. The Company ceased to be subject to the above obligation at the end of the month in which the capital increase resulting from the public issue of shares carried out in 2008 (13 January 2009) was registered, i.e. the end of January 2009.

The value of the obligatory profit-sharing payments made for the period from 1 January to 31 January 2009 was PLN 216 thousand.

The profit-sharing payments calculated for the period from 1 January to 31 December 2008 amounted to PLN 29 151 thousand. The value of profit-sharing payments accrued but not made as at 31 December 2008 of PLN 8 464 thousand is presented in the separate financial statements as trade and other liabilities.

32. EARNINGS PER SHARE

	01.01.2009	01.01.2008
	31.12.2009	31.12.2008
Earnings attributable to the Company's shareholders	305 414	203 785
Weighted average number of ordinary shares	441 442 578	359 016 443
Net earnings per share (in PLN)	0.69	0.57
Diluted earnings per share (in PLN)	0.69	0.57

(in PLN '000 unless stated otherwise)

33. RELATED PARTY TRANSACTIONS

The company concludes the following related party transactions:

(i) Companies from the ENEA S.A. Capital Group

	01.01.2009 - 31.12.2009	01.01.2008 - 31.12.2008
Purchases, including:	4 569 444	3 861 807
investment purchases	23 861	26 628
material purchases	717	1 263
service purchases	2 168 382	2 293 876
other (including electricity)	2 376 484	1 540 040
Sales, including:	402 142	302 316
sale of electricity	385 107	287 027
sale of goods and materials	-	-
sale of services	1 579	2 245
other	15 456	13 044
	31.12.2009	31.12.2008
Receivables	61 291	49 166
Liabilities	556 104	642 363

(ii) Transactions concluded by the Company and members of its governing bodies divided into three categories:

- resulting from employment contracts with Members of the Management Board and related to appointment of Members of the Supervisory Board;
- resulting from loans from the Company's Social Benefit Fund granted to Members of the Management Board and Supervisory Board employed by ENEA S.A.;
- resulting from other civil law agreements.

The amounts of transactions falling within the first category have been presented in the table below:

Item	Management Board		Supervisory Board	
	01.01.2009 31.12.2009	01.01.2008 31.12.2008	01.01.2009 31.12.2009	01.01.2008 31.12.2008
Remuneration under employment contracts	1 226	936	-	-
Remuneration relating to appointment of members of management and supervisory bodies	-	-	350	336
Remuneration due to the position held in supervisory boards of subsidiaries	216	140	-	-
Remuneration due to other employee benefits, including: (electricity allowance)	318	164	-	-
TOTAL	1 760	1 240	350	336

(in PLN '000 unless stated otherwise)

Members of the Management Board and Supervisory Board are subject to the provisions of the Act of 3 March 2000 on remuneration of persons managing certain legal entities. Pursuant to the Act, the maximum monthly remuneration cannot exceed six average monthly remunerations in the enterprise sector, excluding profit-sharing bonuses, in the fourth quarter of the preceding year, published by the President of the Central Statistical Office. The amount of the annual bonus cannot exceed three average monthly remunerations in the year preceding bonus granting.

Transactions related to loans from the Company's Social Benefits Fund:

No.	Body	Balance as at 01.01.2009	Granted on 01.01.2009	Maturing on 31.12.2009	Balance as at 31.12.2009
1.	Management Board	42	-	(21)**	21
2.	Supervisory Board	7	47	(25)	29
	TOTAL	49	47	(46)	50

No.	Body	Balance as at 01.01.2008	Granted on 01.01.2008	Maturing on 31.12.2008	Balance as at 31.12.2008
1.	Management Board	27	25	(10)*	42
2.	Supervisory Board	13	-	(6)	7
	TOTAL	40	25	(16)	49

* including PLN 5 thousand eliminated from presentation due to a loan granted to Renata Czech dismissed from the function of Member of the Management Board on 15 July 2008 based on resolution no. 55/VI/2008 of the Supervisory Board.

* PLN 18 thousand eliminated from presentation due to a loan granted to Czesław Kolterman dismissed from the function of Member of the Management Board on 1 September 2009.

Other transactions resulting from civil law agreements concluded between the Company and Members of its governing bodies relate only to private use of company cars by Members of the Company's Management Board.

(iii) Transactions with entities controlled by the State Treasury

ENEA S.A. also enters into business transactions with the entities of the central and local administration and entities owned by the State Treasury of the Republic of Poland.

The transactions concern mainly:

- purchase of electricity and property rights resulting from certificates of origin as regards renewable energy and energy produced in the CHP system from companies controlled by the State Treasury and
- sale of electricity, distribution services and other related charges, provided to the central and local administration bodies (sale to end customers) and entities controlled by the State Treasury (wholesale and retail sale to end customers).

Such transactions are concluded in line with the arm's length principle and their terms and conditions do not differ from those applied in transactions with other entities. The Company does not keep a register which would allow it to aggregate the values of all transactions with state entities and entities controlled by the State Treasury, therefore the turnovers and balances of related-party transactions disclosed in these separate financial statements do not include the data concerning transactions with entities controlled by the State Treasury.

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34. CONCESSION AGREEMENTS ON PROVISION OF PUBLIC SERVICES

The core business of ENEA S.A. is trade in electricity.

In line with the provisions of the Energy Law, on 26 November 1998 ENEA S.A. obtained the following concessions to carry out its business activities:

- concession for trading in electricity, granted for a 10-year period, i.e. until 30 November 2008;
- concession for electricity transmission and distribution, granted also for a 10-year period, i.e. until 30 November 2008.

On 23 April 2007 ENEA S.A. filed a request to the President of the Energy Regulatory Office to extend the validity of the concession for trading in electricity. On 5 October 2007 the Company received a decision on extension of the validity of the concession for trading in electricity until 31 December 2025.

Pursuant to the provisions of the Energy Law, the President of the Energy Regulatory Office is responsible for granting concessions, exercising supervision over energy companies as well as approval of tariffs. Energy prices, fee rates and the principles for their application laid down in the Tariff are approved by the President of the Energy Regulatory Office based on administrative decisions.

While approving the Tariff, the President of the Energy Regulatory Office verifies its compliance with the following legal acts:

- the Energy Law of 10 April 1997 (Dz. U. of 2003 No. 153, item 1504 and No. 203, item 1966, of 2004 No. 29, item 257, No. 34, item 293, No. 91, item 875, No. 96, item 959 and No. 173, item 1808 and of 2005 No. 62, item 552);
- the Ordinance of the Minister of Economy, Labor and Social Policy of 23 April 2004 on detailed principles for tariff establishment and calculation as well as the principles for settlements in electricity trading (Dz. U. of 2004, No. 105, item 1114);
- the Ordinance of the Minister of Economy and Labor of 20 December 2004 on detailed conditions for connections to the power grid, movement and use of power grids (Dz. U. of 2004, No. 2, item 6).

Pursuant to a decision issued by the President of the Energy Regulatory Office ENEA S.A. was released from the obligation to submit a Tariff for the A, B and C group customers. On 13 December 2007 a resolution was adopted by the Management Board of ENEA S.A. on introduction of a tariff for the A, B and C group customers as of 1 January 2008.

On 2 January 2009 the President of the Energy Regulatory Office approved the household electricity tariff for ENEA S.A. (household and prepaid G tariff groups).

On 12 January 2010 the electricity tariff of ENEA for 2010 was approved by the President of the Energy Regulatory Office.

(in PLN '000 unless stated otherwise)

35. FUTURE PAYMENTS DUE TO THE RIGHT OF PERPETUAL USUFRUCT ACQUIRED FOR A CONSIDERATION AND FREE OF CHARGE AS WELL AS LEASE, RENTAL AND OPERATING LEASE AGREEMENTS

The future minimum liabilities arising from the right of perpetual usufruct apply to the remaining term of agreements for the use of land (40-99 years). They are recognized in accordance with IFRS as operating leases, where ENEA S.A. acts as a lessee:

	31.12.2009	31.12.2008
Up to 1 year	935	966
1 - 5 years	2 372	3 771
Over 5 years	38 447	43 188
Total	41 754	47 925

36. FUTURE LIABILITIES UNDER CONTRACTS CONCLUDED AS AT THE BALANCE SHEET DATE

Contractual obligations incurred as at the balance sheet date, not recognized in the balance sheet yet:

	31.12.2009	31.12.2008
Acquisition of property, plant and equipment	13 053	17 164
Acquisition of intangible assets	160	-
Total	13 213	17 164

37. CONTINGENT LIABILITIES AND PROCEEDINGS BEFORE COURT, BODIES COMPETENT TO CONDUCT ARBITRATION PROCEEDINGS OR PUBLIC ADMINISTRATION BODIES

37.1. SURETIES AND GUARANTEES

In 2009 ENEA S.A. did not grant any new sureties or guarantees. The total value of contingent liabilities resulting from sureties and guarantees granted by the Company was PLN 201 thousand as at 31 December 2009.

Additionally, pursuant to loan agreements entered into by ENEA S.A., authorizations to debit current accounts with banks as well as declarations of voluntary submission to enforcement have been pledged as collateral for open and unused credit facilities.

In 2008 ENEA S.A. did not grant any new sureties or guarantees. The total value of contingent liabilities resulting from sureties and guarantees granted by the Company was PLN 204 thousand as at 31 December 2008.

ENEA S.A.

Separate financial statements in accordance with EU-IFRS for the financial year ended 31 December 2009

*(in PLN '000 unless stated otherwise)***Guarantees and sureties granted by the Company as at 31 December 2009**

No.	Entity to which a guarantee or surety has been granted	Total amount of liabilities collateralized by the surety or guarantee	Period covered by the surety/guarantee	Nature of the relationship between the Company and the entity that assumed the liability
1.	EP Zakład Transportu Sp. z o.o.	PLN 201 thousand (EUR 49 thousand)	31-08-2017	subsidiary

Guarantees and sureties granted by the Company as at 31 December 2008

No.	Entity to which a guarantee or surety has been granted	Total amount of liabilities collateralized by the surety or guarantee	Period covered by the surety/guarantee	Nature of the relationship between the Company and the entity that assumed the liability
1.	EP Zakład Transportu Sp. z o.o.	PLN 204 thousand (EUR 49 thousand)	31-08-2017	subsidiary

Other collateral, including for the liabilities presented in the table above

Entity's name	Collateralized liability	Type of collateral (e.g. blank promissory notes)	Collateral value	Collateral pledged for:	Debt as at 31 December 2009	Debt as at 31 December 2008	Collateral period
ENEA S.A.	Liabilities related to settlement of energy payments UPE/URB(SD/ENEA/2007)	blank promissory note and promissory note agreement	PLN 15 000 thousand	PSE Operator S.A.	PLN 15 000 thousand	PLN 15 000 thousand	unlimited
ENEA S.A.	Space rental agreement	bank guarantee	PLN 118 thousand (EUR 29 thousand)	RONDO PROPERTY INVESTMENT Sp. z o.o. in Warsaw	PLN 118 thousand	PLN 120 thousand	13-12-2010
ENEA S.A.	Purchase of electricity EFET/ENEA/I/2009	bank guarantee	PLN 132 007	PGE Elektra	PLN 132 007	-	01.01.2010 to 15.02.2011

The notes presented on pages 10-77 constitute an integral part of the separate financial statements.

(in PLN '000 unless stated otherwise)

37.2. PENDING PROCEEDINGS BEFORE COMMON COURTS OF LAW

Actions brought by the Company

Actions which ENEA S.A. brought to common courts of law refer to claims for receivables due to provision of electricity (the so-called electricity cases) and claims for other receivables – illegal consumption of electricity, connections to the power grid and other specialist services rendered by the Company (the so-called non-electricity cases).

As at 31 December 2009, the total of 5 054 cases brought by the Company were pending before common courts of law for the total amount of PLN 12 435 thousand (7 637 cases for the total amount of PLN 12 167 thousand as at 31 December 2008).

None of the cases is significant for the Company's profit/loss.

Actions brought against the Company

Actions against the Company are brought both by natural and legal persons. They mainly refer to such issues as compensation for interrupted delivery of electricity, determination of whether illegal electricity consumption took place and compensation for the Company's use of real property where electrical equipment has been situated. ENEA S.A. considers actions concerning non-contractual use of real property not owned by the Company as particularly important (Note 23 and 37.5).

As at 31 December 2009, the total of 126 cases against the Company were pending before common courts of law for the total amount of PLN 11 835 thousand (166 cases for the total amount of PLN 12 734 thousand as at 31 December 2008)

37.3. ARBITRATION PROCEEDINGS

As at 31 December 2009 there were no pending proceedings before competent arbitration bodies.

37.4. PROCEEDINGS BEFORE PUBLIC ADMINISTRATION BODIES

Pursuant to a decision of the President of the Office of Competition and Consumer Protection of 12 September 2008 which closed the proceedings for charging customers with a double subscription fee for January 2008, ENEA S.A. was obliged to pay a fine of PLN 160 thousand. The Company appealed against the decision on 30 September 2008. On 31 August 2009, as a result of the appeal filed by the Company, the Court of Competition and Consumer Protection changed the decision of the President of the Office of Competition and Consumer Protection and reduced the fine to PLN 10 thousand. On 25 September 2009, ENEA appealed against the judgment issued by the Court of Competition and Consumer Protection to the Court of Appeals in Warsaw applying for reversal of the decision as a whole.

(in PLN '000 unless stated otherwise)

On 27 November 2008 the President of the Energy Regulatory Office issued a decision on ENEA's failure to comply with the obligation to purchase electricity produced in the CHP system in 2006, imposing a fine of PLN 7 594 thousand on the Company. On 17 December 2008, ENEA filed an appeal to the District Court in Warsaw – the Court of Competition and Consumer Protection. On 15 December 2009 the Court of Competition and Consumer Protection issued a judgment favorable for the Company, changing the decision of the President of the Energy Regulatory Office of 27 November 2008 and discontinuing the administrative proceedings. The President of the Energy Regulatory Office appealed against the aforementioned judgment to the Court of Appeals in Warsaw.

On 28 December 2009 the President of the Energy Regulatory Office issued a decision on ENEA's non-compliance with the obligation to purchase electricity produced in the CHP system in the first half of 2007 and imposed a fine of PLN 2 150 000.00 on the Company. On 19 January 2010 ENEA appealed against the decision issued by the President of the Energy Regulatory Office to the Court of Competition and Consumer Protection.

Due to the nature of the Company's business, there were many other proceedings before public administration bodies as at 31 December 2009.

A vast majority of the proceedings were initiated at the request of the Company, which applies to the relevant administration bodies for:

- instigation of administrative enforcement in order to recover receivables for illegal consumption of electricity;
- building permits with respect to new facilities and modernization of the existing ones;
- permit for occupation of a road lane by electricity equipment;
- determination of fees for perpetual usufruct of land;
- designation of land for electrical devices.

Some of the proceedings are complaints submitted to government and local government administration bodies or administrative courts with respect to decisions issued in the above cases.

The result of the proceedings should not have a significant impact on the Company's net profit.

As at 31 December 2009 a number of explanatory and administrative proceedings were conducted against the Company by the President of the Energy Regulatory Office.

The result of the proceedings should not have a significant impact on the Company's net profit.

On 16 March 2009, as a result of an inspection of the Supreme Chamber of Control (NIK) related to Restructuring of the energy sector since 2005 and energy network security, the Company received a post-audit statement. On 23 March 2009 the Management Board of ENEA S.A. presented formal objections as regards non-fulfillment due to occurrence of the requirements specified in the Act of 23 December 1994 on the Supreme Chamber of Control and inconsistencies of the findings with the facts as specified in the post-audit statement as well as reservations concerning the assessment included therein. On 20 April 2009 the Board of Appeals of the Supreme Chamber of Control adopted a Resolution to close the appeal proceedings.

(in PLN '000 unless stated otherwise)

It was approved by the President of the Supreme Chamber of Control on 22 May 2009. The Management Board of ENEA S.A. drew up a letter dated 10 June 2009 in which it informed the Supreme Chamber of Control of the ways the findings and comments had been applied in practice.

In order to implement the recommendations and comments of the Supreme Chamber of Control, the Management Board of ENEA S.A. adopted Resolution No. 600/2009 regarding implementation of the Post-Audit Statement of the Supreme Chamber of Control of March 2009 by individual departments of ENEA S.A.

37.5. RISK RELATED TO THE LEGAL STATUS OF PROPERTY USED BY ENEA S.A.

The risk related to the legal status of the property used by the Company (currently utilized by ENEA Operator Sp. z o.o.) results from the fact that the Company did not have all legal titles to use the land where transmission networks and related devices are located. In the future the Company may be obliged to incur costs relating to non-contractual use of property in previous years until the spin-off of ENEA Operator Sp. z o.o.

Considering the legal status, there is a risk of additional costs related to compensation claims for non-contractual use of land, rental fee or, rarely, claims related to the change of location (restoring land to its previous condition).

Claims against the Company are of the nature of claims for payment (compensation for non-contractual use of property, impairing the value of property, lost benefits) and claims for discontinuing infringement of the ownership rights (demand to remove devices).

Court decisions related to the above issues are of significant importance, as they considerably affect the Company's strategy towards persons who lodged out-of-court claims related to devices located on their land in the past and the approach to the legal status of devices in case of new investments.

The Company recognized a provision for all claims filed by owners of property located near transmission networks and devices based on best estimates of expenditures necessary to settle the claims made by the Management Board. Since the distribution system operator was spun off, claims against ENEA Operator Sp. z o.o., the owner of the transmission networks and related devices, have been lodged as well.

The Company does not recognize a provision for potential claims to be filed by owners of land whose use status is unclear. Potential claims may be significant for the Company, considering the area of used land whose status is unclear. The Company does not keep any record or has no knowledge concerning the legal status of land, therefore it is unable to reliably estimate the maximum amount of possible claims arising from non-contractual use of land.

*(in PLN '000 unless stated otherwise)***37.6. RISK RELATED TO PARTICIPATION IN COSTS INCURRED DUE TO THE USE OF WOODLAND MANAGED BY THE NATIONAL FORESTS FOR THE NEEDS OF ELECTRICITY LINES**

As at 31 December 2009 there were no regulations in this respect and the Company did not create provisions for potential claims due to the use of woodland managed by the National Forests for the needs of electricity lines. On 29 November 2006 a meeting was held initiated by the Minister of Environment and attended by representatives of the National Forests, the Ministry of Treasury, PSE-Operator Sp. z o.o. and Polskie Towarzystwa Przesyłu i Rozdziału Energii Elektrycznej representing distribution companies. The National Forests' proposal to conclude agreements on the lease of land where the lines are located was not accepted. Consequently, a more general solution based on legislative changes is required. Currently, it is not possible to estimate a provision for participating in the costs of the National Forests related to property tax for the land owned by the State Treasury. The value of the potential claims may be significant, considering the area of land.

Regardless of the aforementioned actions aimed at general regulation of the legal status of land owned by the National Forests, individual forest district offices lodged claims against the Company due to non-contractual use of land. The claims have been accounted for in the provision presented in Note 37.2.

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*(in PLN '000 unless stated otherwise)***38. EMPLOYMENT AT ENEA S.A.**

The average number of employees at the Company in 2009 and 2008 was as follows:

	31.12.2009	31.12.2008
Blue-collar positions	-	-
White-collar positions	306	270
Total	306	270

Data are presented in FTEs.

39. IMPAIRMENT OF ASSETS

As at 31 December 2009 ENEA S.A. compared the book value of its equity with its market value (stock market cap). As the stock market cap was lower than the book value of equity, ENEA S.A. tested its following key assets for impairment: shares in two largest subsidiaries – ENEA Operator Sp. z o.o. and Elektrownia “Kozienice” S.A., the investment portfolio (measured at fair value) as well as cash (measured at face value). Based on the latest reports on estimates regarding the aforementioned subsidiaries and the investment portfolio, ENEA S.A. concluded that there were no grounds to recognize a loss (provision) on the tested assets as at 31 December 2009.

*(in PLN '000 unless stated otherwise)***40. OPENING OF NEGOTIATIONS CONCERNING ACQUISITION OF ZESPÓŁ ELEKTROWNI PAŃNÓW-ADAMÓW-KONIN S.A.**

In 2008 ENEA S.A. started negotiations with the receiver in bankruptcy of Elektrim S.A. concerning the acquisition of 45.95% of shares in Zespół Elektrowni Pańńów-Adamów-Konin S.A. (ZE PAK). The Company will submit the offer after a number of conditions have been satisfied. They include satisfactory results of the legal, financial, tax, technical, environmental and operational review of ZE PAK and its capital group, negotiating all conditions of the sales agreement and positive settlement of the claims with respect to shares in ZE PAK filed by debtors of Elektrim S.A. By the date of preparation of these financial statements, no binding decisions had been taken in this respect.

41. ACTIONS AIMED AT ACQUIRING A COAL MINE

The Company has taken steps aimed at acquiring an organized part of a coal mine – Kopalnia Węgla Kamiennego “Brzeszcze – Silesia” Ruch II Silesia and has made an informal acquisition offer. As at the date of preparation of these separate financial statements, the Management Board of ENEA S.A. decided to withdraw from the acquisition of a part of Kompania Węglowa S. A. named Ruch II Silesia KWK “Brzeszcze-Silesia”. ENEA S.A. does not rule out further talks and defining new frameworks of cooperation with Kompania Węglowa which is the owner of the KWK Silesia mine. In the case of the KWK Silesia mine the decision making process is in progress and ENEA S.A. is considering other forms of investments.

42. CHANGES IN EXCISE DUTY

On 1 March 2009, an amendment to the Act on Excise Duty of 23 January 2004 came into force. Polish excise duty regulations required an amendment in order to comply with the EU laws. Based on the amendment, the excise duty obligation arises when electricity is supplied to the end customers (not at the time of electricity production). Consequently, since 1 March 2009 ENEA S.A. has been obliged to pay excise duty.

43. EXPLANATIONS OF THE SEASONAL AND CYCLICAL NATURE OF THE BUSINESS OPERATIONS OF ENEA S.A.

Sales of electricity during the year are subject to seasonal fluctuations. They increase substantially during the winter months and decrease in summer. This depends on the temperature and the length of the day. The extent of fluctuations depends on low temperature and shorter days in winter and higher temperature and longer days in summer. Seasonal sales of electricity apply largely to small clients (45.31% of the sales value), and not to the industrial sector.

44. NEGOTIATIONS CONCERNING ACQUISITION OF SHARES

On 13 July 2009 the Minister of Treasury in Warsaw, acting on behalf of the State Treasury based on the Act on Commercialization and Privatization (Dz. U. of 2002 No. 171, item 1397, as amended) on a detailed procedure of disposal of shares of the State Treasury (Dz. U. of 2009 No. 34, item 264), invited all interested

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(in PLN '000 unless stated otherwise)

parties to negotiations concerning the acquisition of 295 987 473 shares with the nominal value of PLN 1 each, owned by the State Treasury and accounting for 67.05% of the share capital of ENEA S.A. in Poznań.

Written replies to the public invitation to negotiations concerning the acquisition of shares of the Company by Potential Investors who received the Memorandum were to be submitted by 14 August 2009.

The only Company which replied was RWE AG.

On 14 October 2009 the Ministry of Treasury stated that RWE AG would not submit a binding proposal for the acquisition of shares in ENEA S.A. Therefore, on 15 October 2009 the procedure on disposal of 67.5% of shares in ENEA S.A. held by the State Treasury was closed.

45. POST BALANCE SHEET EVENTS**45.1. RECAPITALIZATION OF SUBSIDIARIES**

On 28 January 2010 the Extraordinary Shareholders' Meeting adopted Resolution No. 1 to increase the share capital of ENTUR Sp. z o.o. by PLN 100 thousand up to the amount of PLN 4 134.5 thousand, by way of creating 200 new shares with the nominal value of PLN 500 each. The new shares in the company's share capital will be acquired by ENEA S.A. and covered with a cash contribution.

On 4 February 2010 the Extraordinary Shareholders' Meeting adopted Resolution No. 1 to increase the share capital of Niepubliczny Zakład Opieki Zdrowotnej Centrum Uzdrawiskowe ENERGETYK Sp. z o. o. by PLN 1 710 thousand to PLN 17 448 thousand, by way of creating 3 420 new shares with the nominal value of PLN 500 each. The new shares in the company's share capital will be acquired by ENEA S.A. and covered with a cash contribution.

On 22 December 2009 the Extraordinary Shareholders' Meeting adopted Resolution No. 1 to increase the share capital of ENERGOBUD Leszno Sp. o.o. with its registered office in Gronówko by PLN 2 151.5 thousand up to the amount of PLN 5 676 thousand, by way of creating 4 303 new shares with the nominal value of PLN 500 each. The new shares in the company's share capital will be acquired by ENEA S.A. and covered with a contribution in kind.

On 22 December 2009 and on 2 February 2010 the Extraordinary Shareholders' Meeting adopted Resolutions to increase the share capital of BHU S.A. with its registered office in Poznań by PLN 4 164.1 thousand up to the amount of PLN 14 302.5 thousand, by way of creating 41 641 new shares with the nominal value of PLN 100 each. The new shares in the company's share capital will be acquired by ENEA S.A. and covered with a cash contribution and a contribution in kind.

*(in PLN '000 unless stated otherwise)***45.2. DISPOSAL OF SHARES IN PWE GUBIN SP. Z O.O.**

Pursuant to a Resolution of 15 December 2009 the Management Board of ENEA S.A. granted its consent for disposal of shares in PWE Gubin Sp. z o.o. with its registered office in Sękowice, held by ENEA S.A. The shares were disposed of on 9 February 2010 under the share disposal agreement.

45.3. ACQUISITION OF THE BIOGAS POWER PLANT IN LISZKOWO

In line with the agreement, a transaction of acquisition of the Biogas Power Plant in Liszkowo was effected on 15 January 2010. The Biogas Power Plant in Liszkowo produces electricity to be used for internal purposes of ENEA S.A., whereas its surplus will be traded starting from the date of the agreement. Production of electricity in the Biogas Power Plant will result in origination of green certificates (confirming that energy has been produced from renewable sources). The Company is also planning to produce heat.

45.4. DISPOSAL OF SHARES IN ENEA S.A. BY THE STATE TREASURY

In line with the privatization scheme, on 27 January 2010 the Ministry of Treasury selected Credit Suisse and Rothschild Polska as financial advisors for the transaction of disposal of shares in ENEA S.A. Based on recommendations issued by the advisors, the State Treasury disposed of 16.05% of shares in ENEA S.A. in transactions effected through public markets at the first stage. Disposal of over 50% of shares in ENEA S.A. to an industry investor is planned at the second stage of the scheme.

On 10 February 2010 the Ministry of Treasury reported the disposal of 70 851 533 ordinary shares in ENEA S.A. with the nominal value of PLN 1 each through Warsaw Stock Exchange, which accounts for 16.05% of the Company's share capital.

The State Treasury is planning to invite again strategic investors to negotiations regarding disposal of the majority shareholding of ENEA S.A. and end the process by mid-2010.

As at the date of preparation of these financial statements, the shareholding structure of ENEA S.A. changed and was as follows: the State Treasury of the Republic of Poland holds 60.43% of shares, Vattenfall AB 18.67%, whereas the remaining shareholders: 20.90%.

**REPORT SUPPLEMENTING THE OPINION ON THE AUDIT
OF THE FINANCIAL STATEMENTS OF ENEA S.A.
FOR THE 2009 FINANCIAL YEAR**

I. GENERAL INFORMATION

1. Details of the audited entity

The Company operates under the name ENEA S.A. The Company's registered office is located in Poznań, ul. Nowowiejskiego 11.

The Company was established on 12 July 1993 based on the deed of transformation of state enterprise Zakład Energetyczny Poznań into a company Energetyka Poznańska S.A. wholly owned by the State Treasury (notarized deed registered under Repertory No. A 2432/93).

The Company, operating under the business name Energetyka Poznańska S.A, was entered in the National Court Register in the District Court in Poznań, XIV Business Division, under number KRS 0000012483 on 21 May 2001.

On 2 January 2003 the court registered a business combination of Energetyka Poznańska S. A., Energetyka Szczecińska S. A., Zielonogórskie Zakłady Energetyczne S. A., Zakład Energetyczny Gorzów S. A. and Zakład Energetyczny Bydgoszcz S. A. The business combination was carried out in the form of acquisition, where Energetyka Poznańska S.A. acted as an acquirer.

On 2 January 2003 the Company's name changed from Energetyka Poznańska S.A. to Grupa Energetyczna ENEA S.A. On 13 October 2004 the Company's name was changed to ENEA S.A.

The Company has the following tax identification number NIP: 777-00-20-640. The REGON number assigned to the Company by the Statistical Office is: 630139960.

The Company operates based on the provisions of the Code of Commercial Companies.

In the financial period, the Company conducted activities related to trading in electricity.

As of 31 December 2009, the Company's share capital equaled PLN 441,443 thousand and was divided into 441,442,578 ordinary shares of face value PLN 1 each.

The Extraordinary Shareholders' Meeting of 3 November 2008 passed a Resolution on an increase in the share capital of ENEA S.A. in relation to the planned public offering of 103,816,150 series C bearer shares with the face value of PLN 1 each. The share capital was increased from PLN 337,626 thousand to PLN 441,443 thousand. The increase was registered in the National Court Register on 13 January 2009.

The Company's share capital as at the date of the first time adoption of International Financial Reporting Standards, as approved by the European Union (1 January 2004) was revalued in line with IAS 29 "Financial Reporting in Hyperinflationary Economies" (the resulting difference amounted to PLN 107,765 thousand) and adjusted by PLN 38,810 thousand due to other adjustments.

As at 31 December 2008, (after the capital increase resulting from the share issue under public offering, which was registered in the National Court Register on 13 January 2009) the Company's shareholding structure was the following:

Shareholder's name	Number of shares	Number of votes	Face value of shares (in PLN '000)	Interest in the share capital
State Treasury	337,626,428	76.48%	337,626	76.48%
Vattenfall AB	82,395,573	18.67%	82,396	18.67%
EBRD	11,038,962	2.50%	11,039	2.50%
ENEA S.A.	1,129,608	0.26%	1,130	0.26%
Other	9,252,007	2.09%	9,252	2.09%
	441,442,578	100.00%	441,443	100.00%
Share capital adjusted by hyperinflation effect			107,765	
Other adjustments			38,810	
Share capital			588 018	

As at 31 December 2009, the Company's shareholding structure was as follows:

Shareholder's name	Number of shares	Number of votes	Face value of shares (in PLN '000)	Interest in the share capital
State Treasury	337,626,428	76.48%	337,626	76.48%
Vattenfall AB	82,395,573	18.67%	82,396	18.67%
EBRD	11,038,962	2.50%	11,039	2.50%
Other	10,381,615	2.35%	10,382	2.35%
	441,442,578	100.00%	441,443	100.00%
Share capital adjusted by hyperinflation effect			107,765	
Other adjustments			38,810	
Share capital			588,018	

No changes in the amount of the Company's share capital took place after the balance sheet date and until the opinion date. However, the changes in the ownership structure took place - on 10 February 2010 the State Treasury sold 70,851,533 shares, i.e. 16.05% of the Company's share capital on the Warsaw Stock Exchange.

As at 31 December 2009, the Company's equity amounted to PLN 9,832,448 thousand.

The Company's financial year is the calendar year.

ENEA S.A. is the parent company of the ENEA Capital Group which as at 31 December 2009 comprised also 24 subsidiaries, 3 associates and a jointly-controlled entity. The Company treats entities controlled by the State Treasury as its related parties. Related party

transactions concluded during the financial year are presented in Note 33 of the additional information and explanations.

As at the opinion date, the composition of the Company's Management Board was as follows:

- Maciej Owczarek - President of the Management Board;
- Piotr Koczorowski - Member of the Management Board for Corporate Affairs;
- Marek Malinowski - Member of the Management Board for Strategy and Development;
- Sławomir Jankiewicz - Member of the Management Board for Financial Affairs
- Tomasz Treider - Member of the Management Board for Commercial Affairs.

The following changes in the Company's Management Board took place during the financial year:

- The Supervisory Board passed a resolution of 26 March 2009 dismissing Paweł Mortas from the position of the President of the Managing Board and Marek Hermach from the position of a Member of the Management Board for Commercial Affairs; pursuant to a resolution of the same date Piotr Koczorowski was appointed Acting President of the Management Board;
- The Supervisory Board passed a resolution of 22 May 2009 appointing Maciej Owczarek the President of the Management Board. The decision was effective as of 1 June 2009.
- The Supervisory Board passed a resolution of 27 May 2009 appointing Tomasz Treider a Member of the Management Board for Commercial Affairs. The decision was effective as of 1 August 2009.
- The Supervisory Board passed a resolution of 1 September 2009 dismissing Czesław Koltermann from the position of a Member of the Management Board.

2. Information about the financial statements for the previous financial year

The activities of the Company in 2008 resulted in a net profit of PLN 203,785 thousand. The Company's financial statements for the 2008 financial year were audited by a certified auditor. The audit was performed by authorized entity KPMG Audyt Sp. z o.o. On 17 April 2009, the certified auditor issued an opinion with the qualification as follows:

“Pursuant to the information disclosed in note 17 to the attached separate financial statements and in compliance with the Act on Commercialization and Privatization dated 30 August 1996 (Act on Commercialization and Privatization) Eligible Employees of the ENEA S.A. Capital Group are entitled to acquire 15% of the shares in ENEA S.A. free of charge. The entity recognizes the costs of services (performance of work) rendered under the share-based payment and the corresponding increase in equity upon their receipt. As it is impossible to determine the fair value of employee performances, they are measured based on the fair value of granted capital instruments (shares of ENEA S.A.) at the Grant Date, i.e. as at the date when all significant conditions of granting shares to employees were determined. The Grant Date is determined based on the date of State Treasury's disposal of first shares on general terms. No such sale was had been carried out by 31 December 2008.

Consequently, the Company should determine the fair value of shares due to Eligible Employees as at each balance sheet date before the Grant Date in order to revalue the costs of rendered services. The Management Board of ENEA S. A. decided not to revalue the employee shares program as at 31 December 2008 and determined that the share quotation at PLN 14 valid as at the day ending the financial year did not reflect the actual fair value of the Company's shares. Consequently, as at 31 December 2008, the accumulated cost of services rendered by Eligible Employees was recognized based on the measurement of the Company's shares assumed for preparation of the financial statements as at 30 June 2008, i.e. PLN 27.48 per share. In our opinion the Management Board of ENEA S.A. should remeasure the shares of ENEA S.A. due to Eligible Employees as at 31 December 2008 in order to revalue the costs of services provided. Possible adjustments related to the costs of employee benefits, the net profit and the capital linked with share-based payments were not determined."

The General Shareholders' Meeting, which approved the financial statements for the 2009 financial year, was held on 30 June 2009. The Shareholders' Meeting decided about the following distribution of the net profit for 2008 (in PLN):

– dividends for shareholders:	203,063,585.88;
– reclassification to reserve capital:	415,414.12;
– contribution to the Company's Social Benefits Fund:	306,000.00 .

In line with the accounting policy adopted by the Company, the contribution from the net profit for 2008 to the Company's Social Benefit Fund was charged to the costs of employee benefits for the 2009 financial year. Additionally, the Company treated mandatory profit-sharing payments from Joint-Stock Companies Wholly Owned by the State Treasury for 2009 equal to PLN 216 thousand as dividend in the 2009 financial year.

The financial statements for the 2008 financial year were submitted to the National Court Register on 15 July 2009 and submitted to publication in Monitor Polski B on 2 July 2009. The financial statements were published in Monitor Polski B no. 2421 on 1 December 2009.

3. Data identifying the entity authorized to audit financial statements and the certified auditor acting on its behalf

The audit of the financial statements was performed based on the agreement of 17 April 2009 concluded between ENEA S.A. and Deloitte Audyt Sp. z o.o. with registered office in Warsaw, al. Jana Pawła II 19, recorded under number 73 on the list of entities authorized to provide audit services kept by the National Council of Statutory Auditors. On behalf of the authorized entity, the audit of the financial statements was conducted under the supervision of a certified auditor Marcin Samolik (No. 10066) at the Company's premises from 21 to 25 September 2009, from 1 to 2 October 2009 and from 15 to 26 February 2010 and outside its premises on 16 March 2009.

The authorized entity was appointed by the Supervisory Board by resolution of 26 March 2009 based on authorization included in Article 20 of the Company's By-Laws.

Deloitte Audyt Sp. z o.o. and the certified auditor Marcin Samolik confirm that they are authorized to carry out audits of financial statements and meet the requirements of Article 56 of the Act on statutory auditors and their self-governing body, auditing firms and on public oversight (Dz.U. of 2009, No. 77, item 649) to express an unbiased and independent opinion on the financial statements of ENEA S.A..

4. Availability of data and management representations

The scope of our audit was not limited. During the audit, all necessary documents and data as well as detailed information and explanations were provided to the authorized entity and the certified auditor, as confirmed in a written representation of the Management Board of the Company of 16 March 2010.

5. Economic and financial position of the Company

Presented below are the main items from the statement of comprehensive income as well as financial ratios describing the financial result of the Company and its economic and financial position compared with previous years.

<u>Main items from the statement of comprehensive income (in PLN '000)</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Sales revenue	7,048,625	5,941,996	4,983,879
Operating expenses	(6,856,828)	(5,839,662)	(4,935,803)
Other operating revenue	27,317	55,760	43,058
Other operating expenses	(63,051)	(39,809)	(45,837)
Financial revenue	214,297	130,117	44,851
Financial expenses	(7,733)	(2,055)	(3,038)
Income tax	(57,213)	(42,562)	(343,989)
Net profit (loss)	305,414	203,785	431,099
Total comprehensive income	305,414	198,386	432,651

<u>Profitability ratios</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
– gross profit margin	2.2%	2.0%	0.9%
– net profit margin	4.3%	3.4%	8.6%
– net return on equity	3.2%	2.1%	6.1%

<u>Effectiveness ratios</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
– assets turnover ratio	0.65	0.54	0.57
– receivables turnover in days	43	43	46
– liabilities turnover in days	42	41	34

<u>Liquidity/Net working capital</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
– debt ratio	9.9%	12.4%	15.1%
– net working capital (PLN '000)	1,861,940	1,797,907	(203,158)
– current ratio	2.9	2.4	0.8
– quick ratio	2.9	2.4	0.8

The analysis of the above figures and ratios identified the following significant changes occurring in 2009:

- an increase in the sales revenue and profitability ratios;
- an increase in the asset turnover ratio;
- a decrease in the debt ratio;
- an increase in liquidity ratios.

II. DETAILED INFORMATION

1. Evaluation of the accounting system

The Company has valid documentation describing the accounting principles (policy) approved by the Management Board, including in particular: definition of the financial year and reporting periods thereof, methods of measurement of assets and liabilities, and determination of the financial profit (loss), method of keeping the accounting records and the system of data and file protection. The documentation of the accounting policy was developed in line with the Accounting Act; and in accordance with the International Financial Reporting Standards as approved by the European Union as regards the measurement of assets and liabilities and presentation of the financial statements. Principal accounting principles, methods of measurement of assets and liabilities and the financial result were presented in the explanatory notes.

The Company uses SAP computerized accounting system, which allows for recording all business transactions occurring in the Company. The SAP system is password protected against unauthorized access and has functional access controls. The description of the IT system complies with the requirements of Article 10 clause 1 point 3 item c) of the Accounting Act.

The opening balance resulting from the approved financial statements for the previous financial year was properly introduced into the accounting records of the audited year. The financial statements for the previous financial year were audited by another certified auditor. In relation to the opening balance, we executed procedures necessary to confirm that it does not contain material misstatements.

In the audited documentation of business transactions, accounting records and the relationships between accounting entries, financial documents and financial statements complied with the requirements of section 2 of the Accounting Act.

The accounting records and vouchers, the documentation of the accounting system and the approved financial statements of the Company are stored in compliance with section 8 of the Accounting Act.

The Company performed reconciliation of assets and liabilities within the scope, timing and frequency provided for in the Accounting Act. Identified differences were recorded and settled in the accounting records for the audited year.

2. Information on the audited financial statements

The audited financial statements were prepared as at 31 December 2009 and include:

- balance sheet prepared as at 31 December 2009, with total assets and equity and liabilities of PLN 10,914,041 thousand;

- statement of comprehensive income for the financial year from 1 January 2009 to 31 December 2009 disclosing a net profit of PLN 305,414 thousand and total comprehensive income of PLN 305,414 thousand;
- statement of changes in equity for the financial year from 1 January 2009 to 31 December 2009, disclosing an increase in equity of PLN 119,530 thousand;
- cash flows statement for the financial year from 1 January 2009 to 31 December 2009, showing a cash outflow of PLN 2,019,964 thousand;
- notes, comprising adopted summary of significant accounting policies and other explanatory information.

The structure of assets and equity and liabilities as well as items affecting the financial profit/loss have been correctly presented in the financial statements.

3. Information on selected material items of the financial report

Investments in subsidiaries, associates and co-subsiaries

As at 31 December 2009 investments in subsidiaries, associates and co-subsiaries, amounted to PLN 7,844,884 thousand (71.9% of the balance sheet total) and included:

- shares in 24 subsidiaries in the amount of PLN 7,658,421 thousand;
- shares in 3 associates in the amount of PLN 186,463 thousand.

Additional information correctly describe changes in investments during the financial year.

Short-term financial assets measured at fair value through profit or loss

As at 31 December 2009 current financial assets measured at fair value through profit or loss equaled PLN 1,652,523 thousand (15.1% of the balance sheet total) and included State Treasury bills and bonds and bank deposits managed as an investment portfolio by a company providing professional financial asset management services.

Liabilities

As of 31 December 2009, liabilities amounted to PLN 1,081,593 thousand, where PLN 762,611 thousand (70.5%) were trade liabilities.

4. Completeness and correctness of drawing up notes and explanations and the report on the activities of the entity

The Company confirmed the validity of the going concern principle followed while drawing up the financial statements. The explanatory notes give a correct and complete description of measurement principles regarding assets and liabilities, financial profit/loss as well as method of preparation of the financial statements.

The explanatory notes fully describe the reporting items and clearly present other information required by the IFRS.

The financial statements were supplemented with the Management Board's Report on the activities of the Company in the 2009 financial year. The Report on the activities includes information required by Article 49 clause 2 of the Accounting Act and the Ordinance of the Minister of Finance of 19 February 2009 on current and periodical information submitted by issuers of securities, as well as conditions on the basis of which information required by regulations of a non-member state are considered equivalent. We have audited the Report with respect to the disclosed information derived directly from the audited financial statements.

5. Final information and findings

Management Board's Representations

Deloitte Audyt Sp. z o.o. and the certified auditor received a representation letter from the Company's Management Board in which the Board stated that the Company complied with the laws in force.

.....
 Marcin Samolik
 Certified auditor:
 No. 10066

.....
 Represented by

.....
 Entity entitled to audit
 financial statements entered under
 number 73 on the list kept by the
 the National Council of Statutory Auditors

Warsaw, 16 March 2010

Management Report on the Operations of ENEA S.A.

Poznan, 16 March 2010

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1. ENEA S.A. ORGANISATIONAL AND CAPITAL TIES

1. ENEA S.A. as the dominant entity in the ENEA Capital Group

ENEA S.A. was established on 2 January 2003 as the result of the merger of five companies: Energetyka Poznańska S.A., Energetyka Szczecińska S.A., Zakład Energetyczny Gorzów S.A., Zielonogórskie Zakłady Energetyczne S.A. and Zakład Energetyczny Bydgoszcz S.A. The merger of the companies was made under the procedure of Article 492 par. 1 pt. 1 of the CCC, i.e. by transferring all the assets of the four companies: Energetyka Szczecińska S.A., Zakład Energetyczny Gorzów S.A., Zielonogórskie Zakłady Energetyczne S.A. and Zakład Energetyczny Bydgoszcz S.A. to Energetyka Poznańska S.A. in exchange for shares in the share capital of Energetyka Poznańska S.A.

General information regarding ENEA S.A.:

Name (business name):	ENEA Spółka Akcyjna
Legal form:	Joint stock company
Country of registration:	Republic of Poland
Registered office:	Poznan
Address:	ul. Nowowiejskiego 11, 60-967 Poznań
National Court Register - District Court in Poznan	KRS 0000012483
Telephone number:	(+48 61) 856 10 00
Fax number:	(+48 61) 856 11 17
Email:	enea@enea.pl
Website:	www.enea.pl
Statistical classification number (REGON):	630139960
Tax identification number (NIP):	777-00-20-640

As at 31 December 2009, the Capital Group consisted of the dominant entity ENEA S.A. (the "Company", or "Dominant Entity"), 24 subsidiaries, three associated companies as well as one company which is jointly controlled. Within the ENEA Capital Group (the "Group"), there are three leading companies: ENEA S.A. (trade in electricity), ENEA Operator Sp. z o.o. (distribution of electricity) and Elektrownia "Kozienice" S.A. (generation of electricity).

The remaining subsidiary entities provide support activities in relation to the above companies.

2. Development direction policy of ENEA S.A.

One of the fundamental factors for ENEA S.A.'s development and its prospects is implementation of the Company's strategy, which is reflected in actions undertaken by the ENEA Capital Group.

A policy for meeting targets in three basic strategic areas:

- Developing the core operations of the Group;
- Improving the effectiveness of how the Group functions;
- Building a socially responsible business.

Within the strategic area concerning the development of the core operations of the Group, one of the long-term strategic directions is for the Group to gain access to its own sources of power generation having enough capacity to at least meet the electricity needs of all customers of the Group.

The first step towards carrying out that strategy was joining Elektrownia Kozienice, Poland's highest-capacity bituminous coal-fired power plant, to the ENEA Capital Group in October 2007. We are currently also analysing

the possibility of acquiring other entities that are active in the field of generating electricity on the basis of conventional fuels. Furthermore, we are taking steps to ensure the security of supplies of bituminous coal from the best sources.

Irrespective of the opportunities there may be to acquire additional generation capacity by acquiring existing entities, we are planning to increase our own generation capacity, including at the Kozenice Power Plant, where by 2015 we plan to construct a new power unit with a total capacity of approximately 1000 MW. In addition, we are carrying out a preparatory analysis for the construction of a second 1000-MW power unit at the Kozenice Power Plant.

In connection with anticipated increases in the requirements for renewable and co-generated energy sources, we are taking action aimed at increasing our control over the costs of meeting the legal requirements. Towards this end, we plan to continue concluding long-standing agreements for the purchase of energy certificates for energy production from renewable sources and cogeneration from external entities, as well as to carry out direct investments in such sources. Our intention is to invest in wind farm projects already begun and at varying stages of advancement, by acquiring existing entities or investing in cooperation with external entities. There are four possible acquisition scenarios, depending on what stage a given project is at: searching for projects which would in part be implemented by a third-party entity on a developer services basis, purchasing a project from a third-party entity before that entity has obtained a building permit, with independent further development of the project, purchasing projects/special purpose vehicles (set up by developers for the purpose of implementing a project) after a final building permit has been issued for the project/special purpose vehicle, or purchasing a 'turnkey' completed wind farm.

Furthermore, in the coming years the Company plans to acquire thermal power stations. We plan to modernize and transform acquired thermal power stations into thermal-electric power stations that will generate electricity through cogeneration. This will enable us to obtain additional certificates of origin.

We have intensified our efforts to increase our energy efficiency. The programme 'Energy Efficiency Policy', approved by Management Board Resolution No. 672/2008 of 2 October 2008, is being implemented. In the Services Department, an Efficiency Unit has been formed. Affiliates within the ENEA Capital Group have joined the programme. We anticipate having to increase our activities in this area due to legal requirements, including those of a draft energy efficiency law. We plan to qualify management personnel through appropriate training, and to start up mechanisms for obtaining 'white certificates'.

As part of improving the effectiveness of how the Group functions, strategic goals will be implemented in order to increase revenues, reduce costs and integrate operations such that the margin on ENEA Capital Group operations is increased. Optimization activities will be conducted in all business areas of the Group, and will be implemented by, for example, transferring the core strategic functions connected with business development, as well as the synergy resulting from the operations of particular business areas within the entire Capital Group, to the ENEA Capital Group corporate level.

Within the strategic area of building a business which is socially responsible, targets will be set which will result, in the long term, in an increase in the value of the business by building responsible business principles into the operations of the ENEA Capital Group.

The effective implementation of a policy on the developmental direction of the Company and the entire ENEA Capital Group is dependent on initiating a new business model for the Group. A fundamental task of this new model is to guarantee that the ENEA Capital Group will be able to function flexibly over the long term, thereby taking full advantage of the opportunities and meeting the challenges of the Polish power industry.

3. Structure of main equity investments

In implementing the Company's strategy for the growth of the Capital Group, in 2009 ENEA S.A. carried on a process of acquisition as a result of which, in January 2010, it acquired an organised part of the business of Biogazownia Liszkowo. This is a newly-constructed biogas plant located in Liszkowo, District of Rojewo in Kujawsko-Pomorski Province. The capacity of the plant is 2.12 MW. The facility employs advanced technology innovative in Poland, and allows power to be obtained from low-energy biomass waste (mainly distillery spent wash).

4. Other equity investments

In addition to operations in connection with the above investment, in 2009 ENEA made the following capital investments:

- on **23 February 2009**, the share capital of the company **Kozienice II Sp. z o.o.** was increased by PLN 34,000,000, of which ENEA S.A. contributed PLN 17,200,000 to the capital of Kozienice II Sp. z o.o., taking up 17,200 shares (on 3 March 2009). In connection with the share capital increase, a new division of the share capital of **Kozienice II Sp. z o.o.** held by ENEA S.A. and Elektrownia Kozienice S.A. was determined. ENEA S.A.'s share stake grew from 30 per cent to 50 per cent. Registration of the share capital increase took place on 07.04.09;
- on **31 March 2009**, an Extraordinary General Meeting of Shareholders of the company **ZUP ENERGOTRANS Sp. z o.o.** with its registered office in Gorzów Wlkp adopted Resolution No. 1 on increasing the share capital of the company by PLN 500,000, from the amount of PLN 885,000 to PLN 1,385,000. All of the 1,000 new shares were taken up by ENEA S.A. and paid for in cash. Entry in the National Court Register was made on 28 May 2009;
- on **31 March 2009**, an Extraordinary General Meeting of Shareholders of the company **ITSERWIS Sp. z o.o.** adopted Resolution No. 1 on increasing the share capital of the company in the amount of PLN 6,264,000 by creating 12,528 new shares of a nominal value of PLN 500 each. ENEA S.A. took up all the new shares and paid for them in full with an in-kind contribution of a perpetual usufruct right to real property in the form of land, as well as ownership title to real property in the form of buildings and structures not permanently attached to the land situated on that land. Entry in the National Court Register was made on 15 May 2009;
- on **31 March 2009**, an Extraordinary General Meeting of Shareholders of the company **ENTUR Sp. z o.o.** with its registered office in Szczecin adopted Resolution No. 1 on increasing the share capital of the company by the amount of PLN 3,934,500 by creating 7,869 new shares of a nominal value of PLN 500 each. ENEA S.A. took up all the new shares and paid for them in full with an in-kind contribution of a perpetual usufruct right to real property in the form of land, as well as ownership title to real property in the form of buildings situated on that land. Entry in the National Court Register was made on 9 June 2009;
- on **4 May 2009**, an Extraordinary General Meeting of Shareholders of the company **COGEN Sp. z o.o.** with its registered office in Poznan adopted Resolution No. 1 on increasing the share capital of the company by PLN 622,500, from the amount of PLN 1,000,000 to PLN 1,622,500. All 1,245 new shares were taken up by ENEA S.A. and paid for in cash (98 shares of a total value of PLN 49,000) and by an in-kind contribution in the form of a combined power-and-heat unit (1,147 shares of a total value of PLN 573,500). Entry in the National Court Register was made on 2 June 2009;
- on **25 May 2009**, an Extraordinary General Meeting of Shareholders of the company **PWE Gubin Sp. z o.o.** with its registered office in Sękowice adopted Resolution No. 1 on increasing the share capital of the company by PLN 11,000,000. ENEA S.A. and Kopalnia Węgla Brunatnego "Konin" w Kleczewie S.A. each took up 50 per cent of the newly-created shares, covering them in cash for PLN 5,500,000. Entry in the National Court Register was made on 12 August 2009;
- on **27 July 2009**, an Extraordinary General Meeting of Shareholders of the company **EnergPartner Sp. z o.o.** increased the share capital of the company from the amount of PLN 8,000,000 by PLN 200,000, that is, to the amount of PLN 8,200,000, by creating 200 new shares of a nominal value of PLN 1,000 each. ENEA S.A. took up all the newly-created shares and covered them with a pecuniary contribution. Entry in the National Court Register was made on 16 September 2009;
- on **31 August 2009**, an Extraordinary General Meeting of Shareholders of the company **EnergPartner Sp. z o.o.** with its registered office in Poznan adopted Resolution No. 1 on increasing the share capital of the company from the amount of PLN 8,200,000 to PLN 11,100,000, that is, by the amount of PLN 2,900,000, by creating 2,900 new shares of a nominal value of PLN 1,000 each. ENEA S.A. took up all the newly-

created shares and covered them with a pecuniary contribution. Entry in the National Court Register was made on 6 October 2009;

- on **4 September 2009**, an Extraordinary General Meeting of Shareholders of **Miejska Energetyka Ciepła Piła Sp. z o.o.** with its registered office in Piła adopted Resolution No. 1 on increasing the share capital of the company from the amount of PLN 26,732,000 to PLN 27,407,000, that is, by PLN 675,000. The shares in the increased share capital were all taken up by the District of Piła. Entry in the National Court Register was made on 27 October 2009;
- on **23 October 2009**, an Extraordinary General Meeting of Shareholders of the company **NZOZ Centrum Uzdrowiskowe ENERGETYK Sp. z o.o.** in Inowrocław adopted Resolution No. 1 on increasing the share capital of the company from the amount of PLN 12,488,000 to PLN 15,738,000, that is, by the amount of PLN 3,250,000, by creating 6,500 new shares of a nominal value of PLN 500 each. All of the new shares were taken up by ENEA S.A. and paid for in cash. Entry in the National Court Register was made on 22.12.09;
- on **26 October 2009**, an Extraordinary General Meeting of Shareholders of the company **COGEN Sp. z o.o.** with its registered office in Poznań adopted Resolution No. 2 on increasing the share capital of the company from the amount of PLN 1,622,500 to PLN 2,372,500, that is, by the amount of PLN 750,000. All of the 1,500 new shares were taken up by ENEA S.A. and paid for in cash. Entry in the National Court Register was made on 3 December 2009;
- on **4 December 2009**, an Extraordinary General Meeting of Shareholders of the company **Kozienice II Sp. z o.o.** with its registered office in Świerze Górne, District of Kozienice, adopted Resolution No. 1/NZW on increasing the share capital of the company from the amount of PLN 35,000,000 to PLN 90,000,000, that is, by the amount of **PLN 55,000,000**. All 55,000 newly-created shares were taken up by ENEA S.A., whose previous share stake changed, from 50 per cent to 80.56 per cent. Entry in the National Court Register was made on 31 December 2009;
- on **18 December 2009**, an Extraordinary General Meeting of Shareholders of the company **Elektrownie Wodne Sp. z o.o.** with its registered office in Samociążek adopted Resolution No. 1 on increasing the share capital of the company from the amount of PLN 204,690,500 to PLN 205,020,000, that is, by the amount of PLN 329,500, by creating 659 new shares of a nominal value of PLN 500 each. ENEA S.A. took up all the newly-created shares and paid for them in full with a non-pecuniary contribution in the form of a right of perpetual usufruct to real property and ownership title to real property located in Podgaje, Samociążek, Reczyce and Bożenkowo. The entry in the National Court Register was made on 1 February 2010.
- on **22 December 2009**, an Extraordinary General Meeting of Shareholders of the company **EP PUE ENERGOBUD Leszno Sp. z o.o.** with its registered office in Gronówek adopted Resolution No. 1 on increasing the share capital of the company from the amount of PLN 3,524,500 to PLN 5,676,000, that is, by the amount of PLN 2,151,500. ENEA S.A. took up all of the new shares and covered them with an in-kind contribution in the form of real property situated in Piła and Gniezno. As at 18 February 2010, no entry has been made in the National Court Register;
- on **22 December 2009**, an Extraordinary General Meeting of Shareholders was held, during which the share capital of the company **BHU S.A.** with its registered office in Poznań was increased from the amount of PLN 10,138,400 to PLN 14,302,500 (by an issue of series E shares with existing shareholders enjoying a pre-emptive right). The shares were taken up in exchange for an in-kind contribution of a value of PLN 1,364,100 in the form of real properties located in Gniezno, Wolsztyn, Świebodzin, Chodzież, and Gorzów Wielkopolskie, which will be offered within a private placement– ENEA S.A.). As at 31 December 2009, no entry has been made in the National Court Register;

5. Description of changes in organisation and management rules

In 2009, no significant changes took place in the organisation or management rules of ENEA S.A.

Currently, the Company structure is organised according to type of activity, within which organisational units, cells and independent posts report directly to the Supervisory board.

Under the binding Organisational Rules of the Company Enterprise, the basic licensed activity relating to trade in electricity was carried out by the Trade Department, within management cells and local units operated in the form of Key Customer Sales Offices located in Bydgoszcz, Gorzów Wielkopolskie, Poznan, Szczecin, Warsaw and Zielona Góra.

Activities supporting the management and services of the Company were performed by the remaining Departments (Development Strategy, ITC, Services, Corporate, Financial, Management and Administration, Corporate Communications) and units which report directly to the Management Board (the Office of the Management Board, the Control & Auditing Office, the Legal Services Office, the Information Protection Team).

The interdependencies established within the Company (including a diagram of its organisational structure) and the division of tasks, responsibilities and authorisations were formally reflected in the Organisational Rules: "Organisational Rules for the Business of the Company" and "Rules for Organisational Units of ENEA S.A."

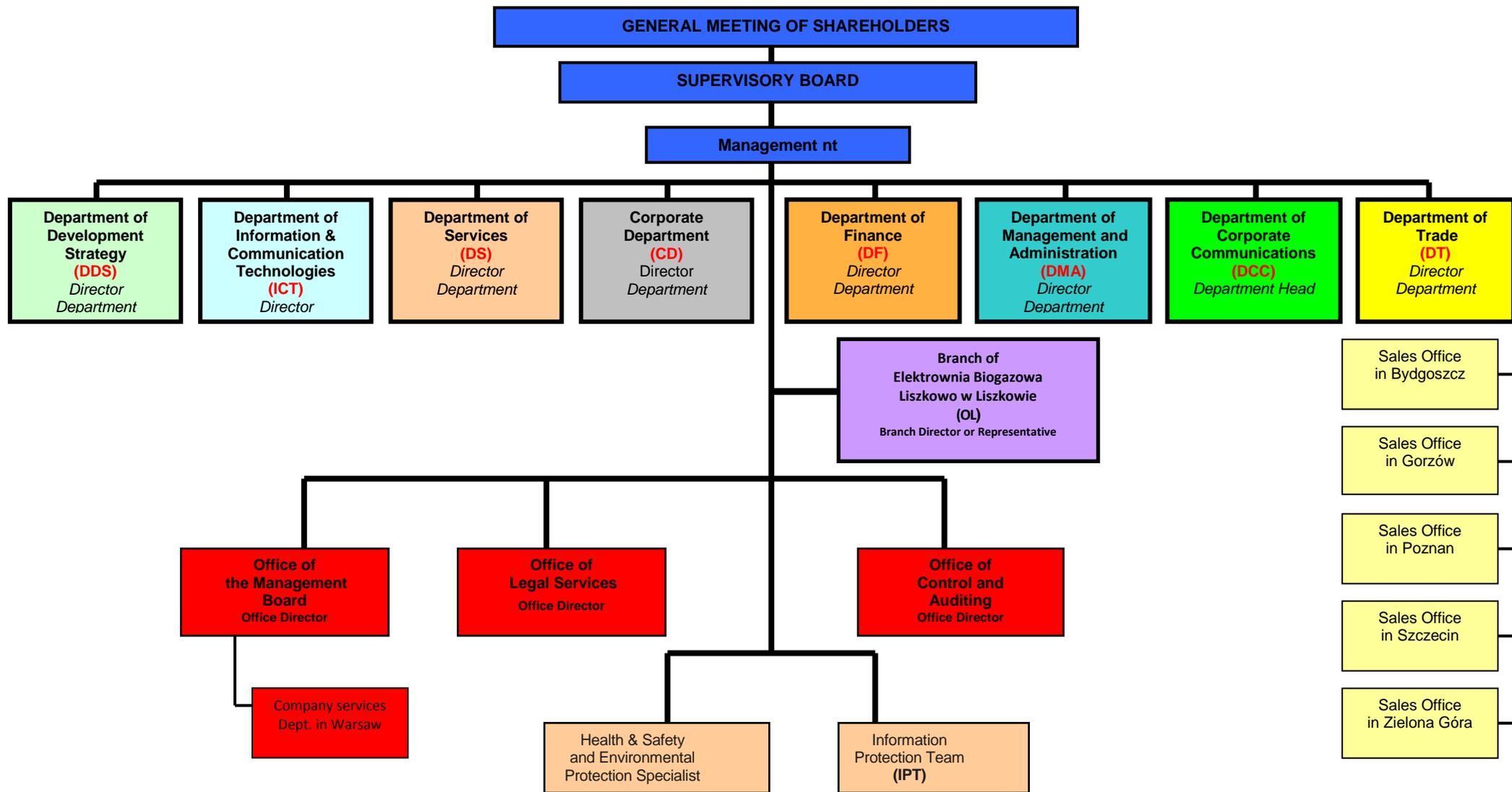
In 2009, organisational changes led:

1. Within the Department of Services to:
 - closure of the Investment Support Office,
 - transformation of the Energy Generation Office to the Energy Generation and Investment Support Office, with the simultaneous formation of two units within that Office, namely: the Energy Generation Unit and the Investment Support Unit.
 - the creation of an Efficiency Unit under implementation of the 'Energy Efficiency Policy' programme.

2. Within the Department of Trade to:
 - within the Energy and Comprehensive Services Sales Division:
 - the creation of the Customer Service Support Systems Office,
 - the transformation of the Contracts Unit into the Contracts Office,
 - the closure of the Key Customer Sales Office in Warsaw,
 - transformation of the Portfolio Management Office into the Portfolio Management Division, simultaneously granting the management cells within it the status of Office.

The above changes were made to bring order to the organisational structure of the Company and to increase the effectiveness and efficiency of management.

Current organisational chart (16.03.2010) of ENEA S.A. .



7. Information on branches

ENEA S.A. did not have any branches in 2009. Outside of Poznan, however, there are Key Customer Sales Offices operating in Bydgoszcz, Gorzów Wlkp, Szczecin and Zielona Góra. Until 2 September 2009, a Key Customer Sales Office also operated in Warsaw.

By Resolution No. 6/VII/2010 of 19 February 2010, the Supervisory Board of ENEA S.A. consented to the creation within the structural organisation of ENEA S.A. of a Branch under the name Elektrownia Biogazowa Liskowo, and at the same time approved the new *Organisational Rules for the Business of the Company*, adopted by Resolution of the Management Board of ENEA S.A. No. 49/2010 of 19 January 2010. As at the date of publication of this Report, no entry of the Branch has yet been made in the National Court Register.

2. ENEA S.A.'S OPERATIONS

1. Information on basic products, goods and services

The main corporate purpose of ENEA S.A. is trade in electricity. In 2009, the total sales from trading in energy amounted to approximately 20.6 TWh, including sales to end users of approximately 16.8 TWh, including to customers connected to networks of distribution system operators other than ENEA Operator Sp. z o.o. of approximately 1.1 TWh. The number of end users as at 31 December 2009 was approximately 2.3 million.

2. Sales markets

The portfolio of customers to whom we sell electricity is stable and highly diversified. Currently we sell electricity to approximately 2.3 million recipients, including some 2 million clients and 0.3 million business clients. In 2009, the value of electricity sales to our largest client was 5.2 per cent of the total value of sales of electricity and distribution services, and the share of the 10 largest clients was 16.2 per cent.

Sales to end users

We offer our customers comprehensive services (energy sales and distribution services) within the following tariff group sets specified in electricity tariffs:

Set of tariff groups	Description
tariff group set A	energy sold and delivered to customers connected to a high-voltage grid
tariff group set B	energy sold and delivered to customers connected to a medium-voltage grid
tariff group set C	energy sold and delivered to customers connected to a low-voltage grid, with the exception of end users using electricity for household purposes
tariff group set G	energy sold and delivered to end users using electricity for household purposes, regardless of the voltage of the grid to which they are connected

This offer is directed to customers on the domestic market.

In practice, in tariff group sets A and B are used mainly by large companies operating in such sectors as chemicals, cement, steel, automotive, paper, wood and metals processing, communal services and port services. In tariff group set C, settlements are made with facilities connected to a low-voltage grid which are not households, such as shops, service outlets, hotels, and cities and districts for street lighting, whereas in tariff group set G, settlements are made with end users using electricity to power households and related commercial premises.

Typically, ENEA S.A. concludes comprehensive agreements for an unspecified term, but agreements for the sale of energy (without energy distribution services), including agreements with customers connected to networks

of distribution system operators other than ENEA Operator Sp. z o.o., are most often concluded for a specified term, usually 12 months. Termination notice periods are usually one month (in approx. 2.2 million agreements), and less often for two, three or six months (approx. 100,000 agreements).

Other sales

In participating in the domestic electricity market we also sell on the wholesale market through the Polish Power Exchange and to other electricity traders who balance their own contractual positions this way. Sales volume results mainly from action to balance the hourly demand for electricity with previously concluded contracts and, which optimises exposure on the balancing market.

Sales by value and amount

In 2009, revenues from the sale of electricity to end users grew 34.1 per cent compared with 2008. Growth was evident in every quarter as compared with the same quarter from the previous year. The sales growth rate for particular quarters breaks down as follows:

Item	Revenues from energy sales to end users [PLN '000]		
	2008	2009	Growth [%]
Q1	785 348.6	1 136 661.5	144.7
Q2	796 169.7	1 048 539.7	131.7
Q3	803 681.7	1 061 253.3	132.0
Q4	886 909.9	1 140 623.2	128.6
TOTAL	3 272 109.9	4 387 077.7	134.1

Sales growth within particular tariff groups was as follows:

Item	Sales of energy [MWh]		
	2008	2009	Growth [%]
Tariff group set A	2 262 937	2 072 337	91.6
Tariff group set B	7 188 358	6 712 619	93.4
Tariff group set C	3 706 147	3 639 787	98.2

Tariff group set G	4 295 743	4 372 016	101.8
TOTAL	17 453 185	16 796 759	96.2

In 2009, there was a decline in the volume of energy sales in almost all tariff group sets, though the drop was only slight. There was a growth in sales volume of 1.8 per cent in tariff group set G. The largest decreases in energy sales in comparison with 2008 were noted in tariff group sets A and B. In 2009, total sales of energy were down by 656,426 MWh, that is, by 3.8 per cent in comparison with 2008.

3. Supply markets

Purchase of energy on the wholesale market

In 2009, a significant part of the electricity sold by ENEA S.A. constituted electricity generated by Elektrownia Koźienice S.A. This reduced the volume risk associated with purchasing electricity. ENEA S.A. purchases the remainder on the basis of bilateral agreements (with producers, trading companies, and on trading platforms), purchases on the Polish Power Exchange, and on the balancing market.

In addition, ENEA enters into arbitrage transactions in particular market segments. Furthermore, ENEA also concludes arbitrage transactions in particular market segments.

Purchase of distribution services

In order to provide comprehensive services (both the sale of electricity and the provision of electrical distribution services) to end users connected to the grid of ENEA Operator Sp. z o.o., the Company buys electricity distribution services from ENEA Operator Sp. z o.o. on the basis of agreements for the provision of electricity distribution services.

4. Information about agreements concluded

1. Agreements of significance to ENEA S.A.'s operations

In carrying out its electricity trading activities, the following agreements are material to ENEA S.A.:

- agreements on the provision of electricity distribution services (including framework distribution agreements and agreements making trade balancing possible) concluded with distribution system operators (including ENEA Operator Sp. z o.o.);
- Agreements concerning the purchase and sale of electricity
- agreements for the sale or purchase of ownership rights stemming from energy certificates of origin,
- an agreement for the provision of electricity transmission services with the transmission system operator.

2. Significant transactions with affiliated entities

The Company has concluded transactions with affiliated entities in the past, and plans to do so in the future. Within our Group, the following transactions have been concluded with affiliated entities:

- between companies belonging to the Group, where they are eliminated at the consolidation stage;
- between Group companies and members of their corporate bodies;
- between Group companies and units controlled by the State Treasury.

All agreements with affiliated entities are concluded on market terms, and the prices applied in them do not diverge from the prices applied in transactions concluded with unaffiliated entities.

Agreements between companies belonging to the Group

Transactions between companies belonging to our Group are being eliminated, since transactions between Group companies (such as sales transactions) are not treated as revenue for the Group. Revenue is only recognised when a transaction (such as a sales transaction) is concluded outside the Group.

Information on transactions with affiliated entities is to be found in the Financial Report of ENEA S.A. for financial year 2009, note No. 33.

3. Credit and loan agreements concluded and terminated

In 2009, ENEA S.A. had five open working capital facilities: two lines of credit from BZ WBK S.A., two from Pekao S.A. and a credit limit in PKO BP S.A.

The total limit on working capital facilities as at 31 December 2009 was PLN 100,000, and as at 31 December 2009 the Company had no debts pertaining to them.

The status of the credit lines as at 31 December 2009 is presented in the table below.

No.	Creditor	Credit facility value [PLN '000]	Costs of credit [PLN '000]	Debt on credit facilities as at 31 December 2009 /PLN '000	Date date	Date date	Repayment period
Working credit facilities drawn down by ENEA S.A. in the first half of 2007.							
1	PKO BP S.A.	50 000.00	0.00	0.00	2006.04.25	x	5 years from the first use of the credit facility
2	Bank Pekso S.A.	10 000.00	1.8	0.00	2007.04.12	2011.11.17	2011.11.17
3	Bank Zachodni WBK S.A.	40 000.00	22.1	0.00	2007.04.12	2011.11.17	2011.11.17
TOTAL			23,9	0.00			

During the financial year, ENEA S.A. did not make use of working capital credit facilities to finance current operations. During that period, only the lines of credit lines from BZ WBK SA and Pekao S.A. were drawn on, for the purpose of making term deposits.

The Company did not take out any credit for a pledge, mortgage, ownership right transfer of fixed assets or ownership right transfer of an organised part of an enterprise.

The bank loan security which ENEA S.A. possesses consists of: powers of attorney to current accounts in banks in which ENEA S.A. has current accounts, and a declaration on voluntary submission to enforcement procedures.

4. Loans granted

During financial year 2009, ENEA S.A. did not grant any loans. Receivables consisting of the principal of loans granted in 2008 to the subsidiary Cogen Sp. z o.o. as at 31 December 2009 amounted to PLN 333,300. Interest on the loan is calculated at the WIBOR 1 M rate plus a margin of 1 per cent.

5. Granted and received suretyships and guarantees

In 2009, the Company obtained a bank guarantee from PKO Bank Polski S.A. as security on electricity sales agreements in favour of PGE Elektra S.A., and also renewed a bank guarantee from BZ WBK S.A. in favour of Rondo Property Investment Sp. z o.o.

The state of guarantees as at 31 December 2009 is given in the table below.

Item	Date security granted	Date of security validity	Entity to which security is granted	Agreement type	Form of security	Secured amount
1	13-12-2009	13-12-2010	RONDO PROPERTY INVESTMENT Sp. z o.o. in Warsaw	premises lease agreement	bank guarantee	EUR 29,000*
2.	24-11-2009	from 01 January 2010 to 15 February 2011	PGE ELEKTRA S.A. ul. Mysia 2, 00-496 Warszawa	electricity sales agreements	bank guarantee	PLN 132,000

In 2009, ENEA S.A. did not grant any suretyships or guarantees.

The state of the suretyships and guarantees granted as at 31 December 2009 is given in the table below.

Date surety/ guarantee granted	Date of validity of suretyship/ guarantee	Entity for which surety/ guarantee was granted	Entity to which surety/ guarantee granted	Agreement number	Value of surety/ guarantee	Actual debt as at 31 December 2009 [PLN '000]
For the purpose of meeting the statutory conditions for obtaining a license to carry out profit-making transport activities						
26-08-2003	31-08-2017	EP Zakład Transportu Sp. z o.o.	Poznań Department of Communal Services and Housing	Surety's statement of 2 September 2003	PLN 201,000 EUR 49,000* EUR	-
Total:					PLN 201,000	-

*The mid EUR exchange rate as at 31 December 2009 was 4.1082 - NBP table No. 255/A/NBP/2009 of 31 December 2009

The total off-balance sheet value of suretyships and guarantees granted as at 31 December 2009 was PLN 201,000.

There are no 'endangered guarantees or suretyships' among the suretyships and guarantees granted. The sureties and guarantees granted by ENEA S.A. fall within the limits specified in Article 33 par. 1 of the Act on sureties and guarantees granted by the State Treasury and other legal persons of 8 May 1997 (Journal of Laws of 2003 No. 174, item 1689 as amended).

Other conditional obligations granted by ENEA S.A. as at 31 December 2009			
Obligation type	Entity to which security is granted	Security Value	Period of security's validity
Blank promissory note	Security of PSE Operator S.A.'s receivables for settlement of energy payments	PLN 15,000,000	Open-ended

3. PRESENTATION OF THE FINANCIAL POSITION OF ENEA S.A.

1. Discussion of key economic and financial figures disclosed in the financial statements

1. Financial results

Income statement of ENEA S.A.

Income statement	2008 [PLN '000]	2009 [PLN '000]	growth rate 2008/2007	Change 2009-2008 [PLN '000]
1	2	3	[3:2]	[3-2]
Sales revenues	5 941 996	7 278 800	122.5%	1 336 804
Excise duty	-	-230 175	-	-230 175
Sales revenues	5 941 996	7 048 625	118.6%	1 106 629
Cost of sales	-5 839 662	-6 856 828	117.4%	-1 017 166
Profit (loss) on sales	102 334	191 797	187.4%	89 463
Lasting loss of value of tangible fixed assets	-	-8 214	-	-8 214
Profit (loss) on sales and liquidation of tangible fixed assets	7	2 748	39 257.1%	2 741
Other operating revenue	55 753	24 569	44.1%	-31 184
Other operating expenses	-39 809	-54 837	137.8%	-15 028
Operating profit (loss)	118 285	156 063	131.9%	37 778
Financial expenses	- 2 055	-7 733	376.3%	-5 678
Financial income	58 573	135 400	231.2%	76 827
Dividend income	71 544	78 897	110.3%	7 353
Profit (loss) before tax	246 347	362 627	147.2%	116 280
Income tax	-42 562	-57 213	134.4%	-14 651
Net profit (loss) for the reporting period	203 785	305 414	149.9%	101 629

In 2009, ENEA S.A. generated sales revenues of PLN 7,728,800,000 of which 88.9 per cent constitutes revenues from the Company's core operations, i.e. revenues from the sale of electricity to end users and the sale of distribution services to customers with whom comprehensive agreements were signed. In the period in question, revenues from sales grew 22.5 per cent in comparison to 2008, which was mainly a result of a 39.3 per cent increase in the average price of electricity and a 5.4 per cent increase in the average price of distribution services. The increase in revenues relative to 2008 was also due to a 33.4 per cent increase in sales of electricity to cover the balance sheet difference to ENEA Operator Sp. z o.o., resulting from a 41.9 per cent increase in the average sale price. In 2009, electricity sales to other entities grew 316.9 per cent, which mainly resulted from an increase in the amount of energy sold (by 203.6 per cent), as well as an increase in the average price of energy (by 31.9 per cent).

Revenues from ENEA S.A.'s sales of non-licensed services mainly pertain to the maintenance and modernisation of street lighting. These comprise only 0.8 per cent of sales revenues.

The low growth rate of other revenues (61.2 per cent) was primarily due to a reduction of the value of un-invoiced sales of electricity and distribution services.

The table below shows the value and structure of revenues generated in 2009.

Item	ENE A S.A.				Growth in %
	2008		2009		
	[PLN '000]	%	[PLN '000]	%	
Sales revenues	5 941 996	100,0	7 278 800	100,0	122,5
<i>of which:</i>					
sales of electricity to end customers and sales of distribution services to customers holding comprehensive agreements	5 494 307	92.5	6 472 024	88.9	117.8
Sales of electricity to other entities	364 229	6.1	729 966	10.0	200.4
<i>including: sales of electricity to cover balancing differences</i>	278 135	4.7	371 036	5.1	133.4
sales of services	48 445	0.8	55 374	0.8	114.3
other revenues	35 015	0.6	21 436	0.3	61.2

In 2009, ENEA S.A. made a pre-tax profit of PLN 362,627,000, and a net profit of PLN 305,414,000. The growth of pre-tax profit is the result of an increase in the margin on electricity trading, which in turn is mainly the result of an increase in the average electricity sale price (by 39.3 per cent). In addition, gross profit was also affected by the receipt of higher dividends from subsidiaries (by PLN 7,353,000) and higher financial income (by PLN 77,239,000). The increase in financial revenues is primarily due to interest on funds obtained in the initial public offering conducted in November 2008. The net profit thereby grew in 2009 by 49.9 per cent in comparison with the preceding year.

Item	2008 [PLN '000]	2009 [PLN '000]	Growth in %	Change [PLN '000] 2008 - 2007
Sales revenues	5 941 996	7 048 625	118.6	1 106 629
Profit before tax	246 347	362 627	147.2	116 280
Net profit	203 785	305 414	149.9	101 629
Gross profitability (%)	4.1	5.1	124.4	1.0
Net profitability (%)	3.4	4.3	126.3	0.9

Profitability was also analysed according to segment, i.e., on the basis of the revenues and results obtained by trade, distribution and other operations as shown in the table below.

Item	Trade [PLN '000]		Other operations [PLN '000]	
	2008	2009	2008	2009
Sales revenues	5 893 552	6 993 251	48 444	55 374
Segment result	235 302	211 451	4 615	6 049
Segment profitability (%)	4.0%	3.0%	9.5%	10.9%

The core business of the Company displays positive profitability, which means that operations are conducted effectively. In 2009, trade achieved profitability of 3.0 per cent, with the remaining operations attaining 10.9%.

2. Structure of cost of sales

Total costs for 2009 amounted to PLN 6,856,828,000 and were up 117.4 per cent on the preceding year.

item	Item	2008		2009		Growth in %
		[PLN '000]	%	[PLN '000]	%	
I.	Cost of sales	5 839 662	100.0	6 856 828	100.0	117.4
1.	Amortization/depreciation	16 796	0.3	13 286	0.2	79.1
2.	Employee benefit costs	88 062	1.5	38 355	0.5	43.6
	<i>Salaries and wages</i>	<i>48 156</i>	<i>0.8</i>	<i>30 059</i>	<i>0.4</i>	<i>62.4</i>
	<i>social insurance and other benefits</i>	<i>39 906</i>	<i>0.7</i>	<i>8 296</i>	<i>0.1</i>	<i>20.8</i>
3.	Consumption of raw materials and value of goods and materials sold	5 154	0.1	3 230	0.1	62.7
	<i>costs of materials and energy used</i>	<i>5 154</i>	<i>0.1</i>	<i>3 230</i>	<i>0.1</i>	<i>62.7</i>
	<i>value of goods and materials sold</i>	-	-	-	-	-
4.	Energy purchases for sales needs	3 388 861	58.0	4 594 357	67.0	135.6
5.	External services	2 330 173	39.9	2 199 412	32.1	94.4
	<i>distribution services</i>	<i>2 212 702</i>	<i>37.9</i>	<i>2 084 493</i>	<i>30.4</i>	<i>94.2</i>
	<i>other external services</i>	<i>117 471</i>	<i>2.0</i>	<i>114 919</i>	<i>1.7</i>	<i>97.8</i>
6.	Taxes and charges	10 616	0.2	8 188	0.1	77.1

In the Company's costs, the main items are the costs of purchasing electricity for resale (67.0 per cent) and the costs of purchasing distribution services (30.4 per cent). The growth in these costs in 2009 amounted to 135.6 per cent and 94.2 per cent respectively. The growth in the costs of electricity purchases is a consequence of a 33.7 per cent increase in the average purchase price of electricity. The growth of the costs of purchasing distribution services in 2009 was mainly due to the smaller amount of energy supplied (growth rate of 89.0 per cent).

The remaining cost item account for 2.6 per cent of the costs borne by the Company in 2009. The low growth of various other costs was mainly caused by lower employee benefit costs (growth rate of 43.6 per cent), which resulted from a significant decrease in provisions for employee benefits (by PLN 22,068,400). Furthermore, the decrease in these costs was due to benefit costs being incurred in 2008 from payments in the form of shares in the amount of PLN 19,432,900. The decline in employee benefit costs was also caused by a reduction of 2009 costs by a liabilities discount on employee benefits in the amount of PLN 3,943,000 (costs of the discount appear under financial costs).

The lower consumption of raw materials (62.7 per cent growth) mainly resulted from fewer costs being incurred for representation and advertising.

In 2009, the costs of taxes and charges decreased by 22.9 per cent. This reduction was primarily caused by the fact that in 2009 no costs were incurred on civil law transactions tax or notarial fees, as took place in 2008 in connection with ENEA SA's share capital increase through a series C share issue.

The low growth rate of amortization/depreciation (79.1 per cent) resulted from a verification of changes to the useful life of fixed assets.

3. Assets - structure of assets and liabilities

ASSETS	As at		growth rate 2008/2007	Change 2009-2008 [PLN '000]
	31 Dec. 2008 [PLN '000]	25 September 2009 [PLN '000]		
A. Non-current assets	8 039 174	8 093 170	100.7%	53 996
I. Property, plant and equipment	212 361	211 217	99.5%	-1 144
II. Perpetual usufruct right	990	3 213	324.5%	2 223
III. Intangible assets	982	1 405	143.0%	423
IV. Investments in subsidiaries as well as associated and jointly-controlled entities, accounted for using the equity method	7 780 241	7 844 884	100.8%	64 643
V. Deferred income tax assets	39 701	27 366	68.9	-12 335
VI. Available-for-sale financial assets	3 866	3 866	100.0%	0
VII. Financial assets at fair value through profit or loss	1 033	1 219	118.0%	186
B. Current assets	3 054 059	2 815 282	92.2%	-238 777
I. Inventories	0	0	x	0
II. Trade and other receivables	732 673	850 247	116.0%	117 574
III. Current income tax assets	0	11 090	x	11 090
IV. Financial assets at fair value through profit and loss	0	1 652 523	x	1 652 523
V. Cash and cash equivalents	2 321 386	301 422	13.0%	-2 019 964
C. Non-current assets designated for sale	0	5 589	x	5 589
Total assets	11 093 233	10 914 041	98.4%	-179 192

LIABILITIES	As at		growth rate 2008/2007	Change 2009- 2008 [PLN '000]
	31 Dec. 2008 [PLN '000]	25 September 2009 [PLN '000]		
A. Equity	9 712 918	9 832 448	101.2%	119 530
I. Equity attributable to equity holders of the Company	9 712 918	9 832 448	101.2%	119 530
Ordinary shares	588 018	588 018	100.0%	0
Share premium	4 627 673	4 627 673	100.0%	0
Own shares	-17 396	0	x	17 396
Share based payments reserve	1 144 336	1 144 336	100.0%	0
Financial instruments revaluation reserve	-3 847	-3 847	100.0%	0
Reserves	754 425	754 841	100.1%	416
Retained earnings	2 619 709	2 721 427	103.9%	101 718
II. Minority interest in equity	-	-	x	0
B. LIABILITIES	1 380 315	1 081 593	78.4%	-298 722
I. Non-current liabilities, including:	124 163	122 662	98.8%	-1 501
Borrowings	-	-	x	0
Finance lease liabilities	5 821	5 882	101.0%	61
Settlements of income from fixed assets received at no cost and connection fees	34 301	33 194	96.8%	-1 107
Liabilities from pension and similar benefits	84 041	83 586	99.5%	-455
II. Current liabilities	1 256 152	958 931	76.3%	-297 221
Liabilities from deliveries, services and others	879 458	836 574	95.1%	-42 884
Liabilities from current income tax	11 654	0	x	-11 654
Financial lease liabilities	1 967	2 845	144.6%	878
Borrowings	-	-	x	0
Settlements of income from fixed assets received at no cost and connection fees	2 437	2 244	92.1%	-193
Liabilities due to cash settling share based payments	163 799	618	0.4%	-163 181
Retirement and similar benefits	9 018	8 701	96.5%	-317
Provisions for remaining liabilities and other obligations	43 877	42 338	96.5%	1 539
Certificates of origin	143 942	65 611	45.6%	-78 331
Total equity and liabilities	11 093 233	10 914 041	98.4%	-179 192

As at 31 December 2009, the balance-sheet total of ENEA S.A. was PLN 10,914,041,000 and it had decreased by PLN 179,192,000, i.e. by 1.6 per cent relative to the situation as at 31 December 2008.

Non-current assets at the end of 2009 amounted to PLN 8,093,170, an increase of PLN 53,996 (0.7 per cent) compared to the previous year. Fixed assets increased mainly due to investments in affiliates, in connection with share capital increases in subsidiaries, mainly Koźienice II.

In 2009, current assets amounted to PLN 2,815,282,000, or PLN 218,104,000 (7.8 per cent) less than in 2008. This was mainly caused by a cash decrease as a result of a dividend payment.

The predominant source of financing for the Company assets is equity capital. Equity at the end of 2009 amounted to PLN 9,832,448,000 and was higher by PLN 119,530 (1.2 per cent) than at the end of 2008 (PLN 9,712,918,000). The growth in equity resulted from an increase of retained profits due to the higher net financial result in 2009.

As at 31 December 2009, the value of the Group's non-current liabilities was PLN 122,662,000 and had fallen by PLN 1,501,000, i.e. by 1.2 per cent, in relation to the situation at the end of 2008.

Non-current liabilities amounted to PLN 958,931,000, having decreased by PLN 297,221,000 (23.7 per cent) from the preceding year, mainly in connection with a decline in liabilities from the equivalent of rights to acquire shares at no cost (payment of part of the equivalent to entitled employees of Elektrownia Koźienice), as well as a decline in liabilities from deliveries and services and a reduction of provisions for energy certificates.

4. Financial and non-financial ratios

Item	performance 2008	performance 2009	Growth
1	2	3	3/2
PROFITABILITY RATIOS			
ROE - return on equity			
<i>gross profit</i>	2.5%	3.7%	148.0%
<i>equity</i>			
ROA - return on assets			
<i>operating profit</i>	1.1%	1.4%	127.3%
<i>total assets</i>			
ROACE			
<i>operating profit - tax</i>	1.0%	1.2%	120.0%
<i>net debt + equity</i>			
Net profitability			
<i>net profit</i>	3.4%	4.2%	123.5%
<i>revenues</i>			
Operating profitability			
<i>operating profit</i>	2.0%	2.1%	105.0%
<i>revenues</i>			
EBITDA profitability			
<i>operating profit + amortisation and depreciation</i>	2.3%	2.3%	100.0%
<i>revenues</i>			

LIQUIDITY. FINANCIAL STRUCTURE AND ECONOMIC ACTIVITY RATIOS

Current liquidity ratio

<i>current assets</i>	2.4	2.9	123.5%
<i>current liabilities and provisions</i>			

Equity-to-fixed assets ratio			
<i>equity</i>	120.8%	121.5%	100.6%
<i>non-current assets</i>			
Total debt ratio			
<i>total liabilities</i>	12.4%	9.9%	79.6%
<i>total assets</i>			
Current receivables turnover in days			
<i>average balance of trade and other receivables x number of days</i>	42.2	39.1	92.7%
<i>revenues</i>			
Turnover of trade and other payables in days			
<i>average liabilities from deliveries and services and others x number of days</i>	44.2	43.9	99.3%
<i>cost of products, goods and materials sold</i>			

In 2009 ENEA S.A. achieved an operating profit higher than in the previous year, and its growth rate (131.9 per cent) was higher than the growth in net revenue from sales (118.6 per cent). As a result, there was an improvement in the operating profitability ratio, which amounted to 2.1 per cent, up 0.1 percentage points on the preceding year (2.0 per cent). EBITDA profitability was unchanged from the preceding year and amounted to 2.3 per cent. However, net profitability in 2009 amounted to 4.2 per cent, as compared to 3.4 per cent in 2008. This increase in net profitability was due to a higher net financial result generated in 2009, which mainly resulted from an increased margin on electricity trading operations, higher dividends from subsidiaries, and higher financial revenues. In addition, ROE rose from 2.5 per cent in 2008 to 3.7 per cent in 2009, while ROA rose from 1.1 per cent to 1.4 per cent.

2. Financial results forecasts

The Management Board of ENEA S.A. did not publish any financial results forecasts for 2009.

3. Financial resources management

ENEA S.A. has financial resources at its disposal which guarantee that all current and planned expenses associated with the Company's operations will be serviced. The balance of available funds enables it to flexibly settle its ongoing liabilities and carry out planned investments. The Company's liquidity management is concentrated on a detailed analysis of the flow of receivables, ongoing monitoring of bank accounts as well as the ongoing concentration of cash resources in consolidated accounts. The Company takes action to reduce the period of obtaining receivables and extend the period of settling liabilities and deposits any financial surpluses that arise in current assets in the form of term deposits. Issue cash proceeds are managed by a specialist external firm. They are invested in minimum risk instruments, i.e. debt instruments issued, secured or guaranteed by the State Treasury, and bank deposits.

In 2009, ENEA S.A. had five open working capital facilities: two from BZ WBK S.A., two from Pekao S.A. and a credit limit in PKO BP S.A.

The total non-utilised working capital facility limit as at 31 December 2009 was PLN 100 million.

During the financial year, ENEA S.A. did not use credit facilities to finance current operations. During that period, only the credit lines from BZ WBK SA and Pekao S.A. were drawn on, for the purpose of making term deposits. The Company did not take out any credit for a pledge, mortgage, ownership right transfer of fixed assets or ownership right transfer of an organised part of an enterprise.

In accordance with the credit agreements signed, security for open credit lines comprises the following: powers of attorney in respect of current accounts with the banks where ENEA S.A. holds current accounts as well as a declaration voluntary submission to enforcement.

4. Information on financial instruments

Effective financial management must take into account both risks and financial results. Financial risk is bound up with unexpected changes in cash flow, which stem from activity on financial markets or operating activities.

At ENEA, the following areas of risk may be identified:

- 1) *credit risk* – credit risk relates to the failure by a client or contractor being party to a financial instrument to carry out its contractual obligations. The main factors influencing the appearance of a credit risk in the case of the Company are:
 - the large number of minor customers having an influence on an increase in the costs of controlling the flow of receivables,
 - the need to supply electrical energy to budget units which are in a difficult financial situation,
 - the legal requirements regulating the principles of suspending supplies of electrical energy as a result of a failure to pay.

The Management Board applies a credit policy according to which exposure to credit risk is monitored on an ongoing basis. An assessment of creditworthiness is made in relation to all customers in need of credit above a specific amount.

The Company carries out ongoing monitoring of the amount of outstanding receivables, and in justified cases raises legal claims and makes write-offs.

- 2) *risk of loss of financial liquidity* – the risk of loss of financial liquidity is the risk of a lack of possibility of the Company to repay its financial obligations when they become due. The policy for managing the risk of losing financial liquidity involves ensuring that sufficient funds are available for the Company to fulfil its financial and investment liabilities, using the most attractive sources of financing, e.g. issues of debt securities.

The Company's liquidity management is concentrated on a detailed analysis of the flow of receivables, ongoing monitoring of bank accounts as well as the ongoing concentration of cash resources in consolidated accounts. The Company takes action to reduce the period of obtaining receivables and extend the period of settling liabilities and deposits any financial surpluses that arise in current assets in the form of term deposits.

- 3) *exchange rate risk* – ENEA S.A. is not exposed to exchange rate risk because there are no transactions in foreign currencies in its portfolio.
- 4) *interest rate risk* – this exists in relation to interest on credit facilities drawn. The interest rate is variable as it is calculated on the basis of the WIBOR rate. This risk is not considerable, because interest rate changes are synchronised both in terms of percentage and time. The Company can influence the credit interest rate risk by choosing an interest period convenient for it, which depends, among other things, on the WIBOR rate and on the ability to repay obligations.

Some risks cannot be avoided, due to the influence of legislative changes and changes in macroeconomic tendencies.

5. Unusual factors and events affecting the result

Unusual factors and events affecting the financial result in 2009 are presented in pt. 1 above, entitled "Discussion of key economic and financial figures disclosed in the financial statements"

6. Major events that have, or could have in the future, a material effect on the Company's operations and financial results

Events that could in the future affect the Capital Group's operations and financial results also include the circumstances and factors that determine the Company's development prospects as described below in Section 4 of this report. "Development prospects and description of risks and threats"

7. Description of key off-balance sheet items

A description of key off-balance sheet items is given in section 2 point 4.5 of this report. under "Granted and received suretyships and guarantees"

4. DEVELOPMENT PROSPECTS AND DESCRIPTION OF RISKS AND THREATS

The prospects for development of ENEA S.A. depends on a number of internal and external legal and macro-economic factors which could at the same time, if there are significant departures from standard or assumed parameters (or circumstances associated with such factors), pose risks and threats to achieving the Group's desired results or development.

1. Key legal and macroeconomic factors

1. The general condition of the economy

To a certain degree, the Company's condition in 2009 was determined by general trends in the national economy. The Polish economy experienced a slowdown in economic growth in 2009, especially in the first half of the year. According to figures from the Central Statistical Office, Gross Domestic Product grew by 1.7 per cent in 2009, while domestic demand decreased by 0.9 per cent. In terms of the macroeconomic situation, 2009 was not among the best for the Polish economy – the rate of economic growth was lower than in 2008. Along with the economic slowdown, the growth of consumer prices decreased to a 3.5 per cent annual average (compared with 4.2 per cent in 2008). The deteriorating business outlook in 2009 was also accompanied by a slowdown in investment processes. Furthermore, 2009 also saw a 2.4 per cent increase in the unemployment rate, to 11.9 per cent.

The growth rate of the basic macroeconomic indicators relative to the previous year is as follows:

Item	unit of measure	2008	2009
GDP	growth in %	5.0	1.7
Value added in industry	growth in %	6.6	1.1
Domestic demand	growth in %	5.5	-0.9
Gross outlays on fixed assets	growth in %	8.2	-0.3
Industrial production sold	growth in %	3.6	-3.5
Average gross salary	growth in %	10.3	4.4
Rate of unemployment	%	9.5	11.9
Inflation	%	4.2	3.5

* some figures are only estimates published by the Central Statistical Office

The presented figures show that in 2009 the growth of gross domestic demand fell significantly relative to the preceding year and reached a negative value, that is -0.9 per cent. The growth rate of investment outlays on fixed assets also slowed considerably, from 8.2 per cent in 2008 to a negative value in 2009, that is -0.3 per cent. Long-standing wage growth also fell, to 4.4 per cent (as against 10.3 per cent in 2008), and this was reflected in the low level of individual consumption.

Another symptom of the downturn in 2009 was a deterioration of the situation on the labour market, where the unemployment rate rose by 2.4 per cent compared with 2008 and amounted to 11.9 per cent at the end of the year. This worsening of labour market conditions was mainly due to the poor investment situation.

It is generally assumed that the global economic trends that began in 2009 will continue in 2010. The largest developed countries are emerging from recession, and economic growth can be expected in 2010, though the growth rate, especially in Europe, will not be very high. Much faster growth will be observed in developing countries – and especially in China.

Poland is among countries that managed well in the financial crisis due to relatively strong fundamentals. According to World Bank forecasts, the Polish economy will grow 2.2 per cent in 2010 and 3.4 per cent in 2011.

An important impetus to this growth will be EU funds, the use of which is being managed very efficiently. No dramatic deterioration of the labour market situation is foreseen, and this should help stabilise consumption.

On the basis of information published by the Central Statistical Office, the general state of the domestic economy, the economic decline and the consequent decrease in industrial production were not reflected in a drop in production, in generating and supplying electricity. Electricity sales during that period grew by 2.2 per cent in relation to 2008.

2. Legal regulation and tariffs

The operating results that we achieve depend on several regulations and decisions issued by regulatory authorities. At the publication of this report, this applies in particular to the shaping of electricity prices for customers from tariff G groups who use energy for household purposes.

We conduct our activities in an environment which is subject to a special legal framework. Our situation is particularly affected by the provisions of the Energy Law and European Union regulations, especially those relating to environmental protection. Those laws and regulations are subject to frequent amendments, which we are unable to foresee and which could result in a lack of consistency in the provisions of law that form the basis for our operations.

The authority responsible for regulating the energy sector in Poland is the President of the Energy Regulatory Office (the “ERO”). Key powers of the president of the ERO include approving tariffs and inspecting their application and granting and withdrawing exemptions from the obligation to submit tariffs for approval, granting and withdrawing licences, appointing entities to be system operators, agreeing development plans, imposing fines, and inspecting energy companies’ performance of the obligations set out in the Energy Law. Besides the president of the ERO, other authorities can also exercise substantial influence over our operations by exercising their inspection and regulatory powers. These include the president of the OCCP and the European Commission, which have key powers in the process of liberalising the energy sector and related to the supervision of its implementation. The inspection and regulatory powers of the president of the ERO and other authorities enable them to significantly influence our operations, particularly the amount of revenues that we generate. The scope of those powers might change in the future, as a result of which those authorities could obtain additional powers relating to the activities that we conduct. Decisions made by those authorities could have a material adverse effect on the amount of revenues we generate.

The tariffs approved by the President of the ERA, which we apply in our operations, are calculated on the basis of elements whose amount is to a large extent at the discretion of the President of the ERA.

ENEA S.A. is obliged to submit tariffs for electricity sales to households connected to the ENEA Operator grid to the President of the ERO for approval. By law, the manner in which tariffs are calculated should ensure that the power company: (i) will have sufficient funds to cover the costs planned for the tariff period in question, provided that the President of the ERO deems them to be justified; and (ii) can obtain a particular margin while ensuring that customers are protected from unreasonably high prices and rates for charges. Some tariff items are calculated on the basis of economic models and other assumptions approved by the President of the ERO that do not take into account the actual costs of our operations. As a result, elements of the tariff calculations are the subject of often lengthy negotiations with the president of the ERO, which may not lead to us generating the revenues we have planned. This can have an adverse effect on the amounts of the margins we obtain.

In practice, tariffs are usually approved for a period of one year. If costs are incurred that were not considered in calculating a tariff or that were included in a lower amount, we are restricted in our ability to reflect them in the tariff. In practice, the president of the ERO will only accept a tariff adjustment if there is a substantial increase in costs for reasons that are beyond our control.

Until 31 December 2007, ENEA S.A.'s activities relating to sales of electricity to end customers were subject to an obligation to present tariffs to the president of the ERO for approval. As at the date when this report is disclosed, due to a decision of the president of the ERO of 14 May 2008 we are exempt from the obligation to submit electricity tariffs to the president of the ERO for approval, except for the tariff for customers from the G tariff groups (households) connected to the grid of ENEA Operator Sp. z o.o.

With respect to sales to customers from the G tariff group set for 2009, on 7 November 2008 ENEA S.A. applied to the President of the ERA for approval of the "Tariff for electricity" for G tariff groups for 2009. The administrative proceedings concerning approval of the "Tariff for electricity" for G tariff groups for 2009 were concluded by issuing Decision No. DTA-4211-127(14)/2008/2688/II/BM of 2 January 2009, in which the President of the ERA approved the Tariff for G tariff groups for the period until 31 December 2009. This tariff, in accordance with the Resolution of the Management Board of ENEA S.A. No. 2/2009 of 5 January 2009, started to apply on 17 January 2009.

With regard to sales of electricity to customers other than households (tariff group sets A, B and C), as of 1 January 2009, an "Electricity Tariff" is in effect for tariff groups sets A, B and C, implemented by ENEA S.A. Management Board Resolution No. 786/2008 of 25 November 2008 and amended with regard to electricity prices as from 1 June 2009 by ENEA S.A. Management Board Resolution No. 266/2009 of 27 April 2009.

On 12 January 2010, in Decision No. DTA-4211-75(10)/2009/2010/2688/III/BH, the President of the ERO approved ENEA's "Electricity Tariff" for customers using power for household purposes. It came into force pursuant to ENEA S.A. Management Board Resolution No. 25/2010 of 14 January 2010 as of 27 January 2010.

3. Wholesale electricity prices

Wholesale electricity prices depend on a number of factors, including market and regulatory factors. The wholesale market for electricity trading is currently fully liberalised, so the amount of costs and revenues that we generate depends on the electricity prices that are applicable on the market at a particular time. Because the free market for electricity in Poland has not been functioning long, it is difficult to foresee how electricity prices will develop in the future.

Moreover, amendments introduced by the Law on Amending the Energy Law and on Amending Certain Others Laws (Journal of Laws No. 21 item 104 of 8 February 2010) stipulate an obligation to sell electricity on the commodities exchange or in a way that guarantees public and equal access to electricity on the power exchanges or internet platforms for trading electricity on the regulated market, which may affect prices on the wholesale electricity market in ways which cannot at present be foreseen.

4. Obligations with respect to obtaining energy certificates of origin

We are required by law to obtain and present to the president of the ERO for redemption certificates of origin confirming: (i) that electricity is being generated in renewable sources; or (ii) that electrical energy is being generated in association with heat generation (cogeneration) or, if certificates of origin are not obtained or presented for cancellation in the required quantity, the payment of substitute charges. The number of certificates of origin that we must obtain and redeem is provided for by law and is calculated as a percentage share of electricity sold to end customers. That share will increase in subsequent years. Moreover, the amount of electricity we sell to end users may also increase. The sources of renewable energy or energy generated in cogeneration which we possess merely enable us to carry out our obligations regarding the cancellation of certificates of origin to a small extent. We are therefore forced to obtain certificates of origin from third parties or pay substitution charges, which significantly increase every year. Because of the inadequate potential of sources generating such energy in Poland, we must expect an increase in the prices of certificates of origin on the market, which can result in a significant increase in the costs of our activities. There is no guarantee that we will be able to reflect increased prices of such certificates or the substitution charges that we pay in the price of electricity sold to end customers. If we are not able to obtain enough energy certificates on favourable terms, or if market conditions make it impossible to pass the higher costs incurred by us in relation to the acquisition of certificates of origin on to end users, this may have a negative effect on our cash flow and the margin we achieve.

Moreover, the Act of 8 January 2010 on Amending the Energy Law and on Amending Certain Other Laws (Journal of Laws No. 21 item 104 of 8 February 2010) introduces new units generating energy in cogeneration, which will be covered by a system of certificates. These are specified types of generation units fired with methane released and collected in underground mining works in active or closed bituminous coal mines, as well as available in the form of flammable gas produced in biomass processing. The system of certificates for methane-fired power units is in effect until 31 March 2019. Consequently, an obligation has been put in place to either obtain and submit for cancellation a specified number of energy certificates of origin from methane-fired power units or pay appropriate substitute charges.

5. Customer service

In 2009, customer services within the ENEA Group were provided by ENEA Operator Sp. z o.o. and ENEA S.A. The Act of 8 January 2010 on Amending the Energy Law and on Amending Certain Other Laws (Journal of Laws No. 21 of 8 February 2010, item 104) obligates the ENEA Group to change the organisation of its customer services, resulting in the necessity of carrying out an internal reorganisation within the ENEA Group that may increase operating costs and lead to disputes with employees affected by the reorganisation. The changes with regard to organising customer service in the ENEA Group were introduced on 11 March 2010, i.e. on the day when the aforementioned Act came into effect, and involved employing at ENEA S.A. employees of ENEA Operator Sp. z o.o. who had previously provided a direct service to customers of ENEA S.A.

6. Market liberalisation

In connection with electricity market liberalisation and increasing competition in this area, ENEA is exposed to the risk of losing customers in the sale of electricity. As of 1 July 2007, all electricity customers are entitled to choose an electricity seller. The risk therefore exists that other energy companies will offer our customers more favourable terms and will in effect take them over, which could lead to a decline in our revenue.

At the same time, ENEA S.A. is an active participant in the competitive market, taking measures to sell energy to customers connected to the grids of operators other than ENEA Operator Sp. z o.o. In 2009, we sold approximately 1.1 TWh to such customers.

7. Purchasing electricity from external entities

A significant part of the electricity sold by ENEA S.A. constituted electricity generated by Elektrownia Koźienice S.A. This reduced the volume risk associated with purchasing electricity. ENEA S.A. purchases the remainder on the basis of bilateral agreements (with producers, trading companies, and on trading platforms), purchases on the Polish Power Exchange, and on the balancing market. There is therefore a risk that if demand exceeds supply we will not be able to purchase power at competitive prices. This is related to the macroeconomic forecast of an increase in electricity consumption accompanied by an insufficient increase in production capacity in Poland, which in practice could lead to an increase in the price of electricity. That will mean that our offer could be less attractive compared to electricity producers or other power groups with greater production potential. This could result in a loss of customers and markets and therefore have an adverse effect on the amount of our revenues.

8. Concessions

The expiry or withdrawal of ENEA S.A.'s concessions could restrict our core activities or make it impossible for us to carry them out.

Our activities in the generation, distribution and trade of electricity require concessions granted by the President of the ERO. In accordance with the Energy Law, concessions are in principle granted for a period from 10 to 50 years. ENEA S.A. holds a concession to trade in electricity valid until the end of 2025, and since 20 January 2010 has held a concession to generate electricity from a renewable energy source – the Liszkowo biogas plant – valid until 20 January 2020. Until 5 July 2009, ENEA S.A. held a concession to generate electricity through cogeneration from a source located at ul. Chwiałkowskiego in Poznań.

The Energy Law grants the president of the ERO powers to withdraw a concession, particularly if a legally valid judgement is issued banning a company from performing economic activity covered by a concession, or if a company has permanently ceased to perform economic activity covered by a concession. The president of the ERO also has the right to withdraw a concession or change its terms in the event of a blatant breach of the terms specified in a concession, or other terms of performing a licensed activity, and also if a licensed company does not, in the appointed time, bring about a state compliant with the terms specified in the license or with the provisions regulating the licensed activity. The president of the ERO also has the right to withdraw a concession or change its scope on account of a danger to the country's defences and security or to the safety of its citizens, and also in the event of the bankruptcy of the company, its division, or merger with another company.

Neither is there any certainty that, after the period for which the concessions were granted, we will be able to gain an extension of the period for which they are valid, or any certainty regarding the terms on which the concessions will be extended.

Failure to extend our concessions, or their withdrawal, will restrict and in extreme cases make it impossible for us to carry out our activities, which could have a significant impact on our activities, financial situation, financial results or prospects for growth.

9. Strategy implementation

We may not be able to implement our development strategy and planned investment outlays because of factors which remain beyond our control.

Our development strategy foresees the implementation of specific targets, and covers in particular the development of the Group's core operations, improving the Group's effectiveness, and building a socially responsible business.

The implementation of our strategy is affected by several factors, most of which are independent of us, particularly decisions of our majority Shareholder, i.e. the State Treasury, measures taken by our competitors and changes in the applicable law. A key aspect of the implementation of our strategy is the need to ensure appropriate financing on terms that are favourable for us. There is no guarantee that such financing will be available for us. As a result, we could be forced to postpone the achievement of certain strategic goals, as well as to reduce or forgo planned investment outlays, which could have a material effect on our operations, financial standing, financial results or development prospects.

One of the key aspects of the implementation of the strategy is the need to ensure appropriate financing on advantageous terms for ENEA. The ability of the Company to obtain financing and the cost of capital depend on many factors, and in particular on: (i) general market conditions and the situation in capital markets; (ii) the availability of bank loans; (iii) investors' confidence; (iv) the Company's financial situation; and (v) tax regulations and regulations on trading in securities.

The Company's activities are conducted in an environment that is particularly subject to legal regulation. ENEA S.A.'s situation is affected in particular by the provisions of the Energy Law and by European Union regulations, including those on protection of the environment. These legal regulations are subject to frequent changes (which ENEA is not in a position to forecast) and there is a tendency to increase gradually requirements relating to use of the environment, in particular in relation to entities in the power sector. These growing requirements may in the future create a need for the Company to incur additional investment expenditure. In addition, legal provisions impose an obligation on the Company to obtain and present certificates of origin to the president of the ERO for cancellation, confirming: (i) that electricity is being generated in renewable sources; or (ii) that electrical energy is being generated in association with heat generation (cogeneration) or, if certificates of origin are not obtained or presented for cancellation in the required quantity, the payment of substitute charges. Actions undertaken by the Company in its development strategy are dependent also on the level of permits for emissions of carbon dioxide and other gases and substances received for each specific settlement period.

Operations planned by the Company in regard to acquisitions and capital investments may not achieve the expected effect because of factors beyond ENEA's control such as competition from other power companies and market conditions. Furthermore the results obtained by the companies in which ENEA invests may turn out to be worse than our initial estimates, which may cause a reduction in the rate of return on these transactions compared with initial expectations. As a result of purchases or investments made the Company

will also have to take steps to reorganise the structure of the entities concerned, integrate particular areas of business, centralise the management of assets and liabilities and integrate information technology systems. These processes may turn out to be time-consuming and costly and it is uncertain whether they will be performed in accordance with the desired schedule or in the planned manner. They may also lead to lasting differences in the procedures employed in the ENEA Capital Group. The above actions are dependent also on the behaviour of the trade unions involved in the acquisitions or capital investments made.

ENEA's activity in modernisation of generating capacity and also the making of new investments in generating capacity is dependent on weather conditions, the pace of construction, repair and modernisation works, growth in the planned costs of investments, market conditions and the need to obtain necessary permits.

Achieving strategic objectives in the field of development is also affected by the condition of the Polish economy and by the regional economic situation and in particular by: growth or decline in the gross national product, in industrial production, inflation, unemployment and in average wages and salaries, the size and demographic nature of the population and also the development of the services sector and industry.

10. Synergy

The acquisitions and equity investments that we plan might not have the expected results.

We plan to take over controlling interests or make other equity investments in several companies operating in the electricity sector. There is no guarantee, for example due to factors that are beyond our control, including competition from other energy companies, that our plans will be fulfilled. The valuation of our future acquisitions and investments will depend on market conditions, as well as on other factors that are beyond our control, and it might turn out that we are unable to correctly assess the value of acquisitions and investments that we have carried out. Furthermore, the results achieved by companies in which we invest might turn out to be worse than our initial estimates, which could result in the rate of return from those transactions being less than initially anticipated. Furthermore, as a result of acquisitions and investments that we carry out, we will be forced to take steps to reorganise the organisational structures of those entities, integrate individual business areas, centralise the management of assets and liabilities and integrate IT systems. Those processes may turn out to be time-consuming and costly, and there is no guarantee that they will be implemented in accordance with the planned timetable or in the planned manner, or that they will be implemented at all. Integration processes within individual companies could also lead to permanent differences in the procedures applied in the Group or to the loss of existing customers or business partners. If it is not possible to effectively carry out the integration of the entities that we take over due to the events described above, or for any other reason, it could have an adverse effect on our operations, financial standing, financial results or development prospects.

11. Insuring our operations

Insurance policies concluded for our benefit may not cover losses borne as a result of our activities.

Our operations involve many risks. In particular, important assets of the Company may be destroyed as a result of force majeure or other events, including fire, other natural disasters or terrorist attacks. Our Group's activities could also result in claims being asserted relating to damage caused to third parties. The scope of the insurance policies we hold corresponds to the scope of the insurance policies held by other power companies in Poland, though it may differ from the scope of insurance policies held by foreign entities. There is no guarantee that the insurance policies concluded on our behalf will be sufficient to cover all the losses incurred by us or by third parties in connection with our operations. The occurrence of any of the above circumstances or similar circumstances could therefore lead to us being unable to resume the full scope of our activities within a reasonable time or at all, which could have an adverse effect on our operations, financial standing, financial results or development prospects.

12. Management personnel

We may have difficulties in recruiting and retaining appropriately qualified management personnel.

The Company's future success depends on its ability to recruit and retain management personnel with wide-ranging experience of managing energy businesses, and in identifying, acquiring, financing and realising energy projects, and also in respect of the recruitment and retention of technical personnel with appropriate energy

related education. Key factors in this respect are the increasing competition in the electricity sector and the fact that the companies in our Group is subject to the provisions of the Public Sector Salary Cap Act, which limits the remuneration of people holding certain managerial positions. If we do not manage to recruit and retain appropriate personnel, this could have an adverse effect on our operations, financial standing, financial results or development prospects.

13. Collective disputes and agreements

Collective disputes with employees may cause disruptions to our business.

Approximately 70% of our employees belong to trade unions. The position of trades unions in the power sector is particular strong because of the volume of employment in the sector and its strategic influence on the functioning of the economy. Furthermore the expectations of the trades unions are based on the conditions won by the employees of other power companies or power generators in agreements concluded in relation to the earlier privatisation of these companies. Although we are endeavouring to maintain good relations with our employees and to resolve on an ongoing basis all problems that arise, we cannot exclude the possibility of collective disputes' taking place in the future. Collective disputes with employees may lead to disruption of our ongoing activities, and in particular to stoppages, and may also cause an increase in labour costs, which may have a negative effect on our business, financial situation, financial results or development prospects.

In 2009, ENEA was a party to two collective disputes. The first began on 3 April 2009, when payment demands were made by two trade unions. That dispute ended with the signing of an accord on 18 December 2009. The second dispute was initiated on 7 September 2009, and concerned the planned privatisation of the Company and the effects of a potential change to the shareholding structure on the Company's employees.

Our ability to improve productivity and reduce costs by restructuring employment is limited by collective agreements.

If we consider that improvement of our profitability and ability to compete effectively thanks to more efficient operation depends on reducing employment, our efforts to do so will be subject to limitations that arise from collective agreements concluded with trades unions operating in the Group. In particular, in accordance with the agreement concluded with trade unions on 18 December 2002, our employees are covered by specific guarantees that conditions of work and payment will be maintained and also by a guarantee of long-term employment. On the basis of this agreement, we undertook to pay an employee, in the event of termination of his or her contract of employment, severance pay amounting to the product of the individual's monthly remuneration and the period remaining to the end of the period guaranteed by the agreement. 80% of this amount is payable if payment is made in a lump sum and 100% if payment is made monthly. Furthermore, some present or past employees among senior management will benefit from employee guarantees until 31 December 2018.

14. Court and Administrative Proceedings

We are now and may be in the future a party to court and administrative proceedings.

In the event of administrative proceedings being taken against us by the president of the ERO or the president of the OCCP, if our actions are judged to be in conflict with the law, a penalty may be imposed to us amounting to up to 15% of revenue from activity conducted under licence and in the event of our activities being judged to breach the conditions of a licence there is a risk that the licence may be withdrawn. A similar risk applies to those of our subsidiary companies that hold concessions.

ENEA S.A. is party to the following proceedings:

1. Litigation

In proceedings concerning ENEA S.A.'s charging energy customers a double subscription fee for the month of January 2008, in a decision issued on 12 September 2008, the President of the Competition and Consumer Protection Office ruled that charging energy customers a double subscription fee for the month of January 2008 constituted a practice restricting competition, and ordered the practice to be stopped. He also imposed a fine on ENEA in the amount of PLN 160,000, constituting approximately 0.03 per cent of the maximum fine (the

amount of the fine results from the fact that the President of the Office of Competition and Consumer Protection recognised that there was no need for repressive measures against ENEA, and that the fine was a disciplinary measure). On 30 September 2008, ENEA lodged an appeal against the above decision with the Competition and Consumer Protection Court. On 31 August 2009, the Competition and Consumer Protection Court changed the decision of the President of the Office of Competition and Consumer Protection, reducing the fine to PLN 10,000. On 25 September 2009, ENEA filed an appeal against the Competition and Consumer Protection Court with the Court of Appeals in Warsaw, moving that the decision be revoked in its entirety.

On 27 November 2008, the President of the ERO ruled in the matter of ENEA's failure to meet its obligation of purchasing electricity generated through cogeneration in 2006, and imposed a fine on the Company, in the amount of PLN 7,594,613.28. On 17 December 2008, ENEA appealed against that decision by the President of the ERO to the Competition and Consumer Protection Court. On 15 December 2009, the Competition and Consumer Protection Court ruled in favour of ENEA, changing the decision of the President of the ERO of 27 November 2008 and dismissing the administrative proceeding. The President of the ERO filed an appeal to the Appeals Court in Warsaw against this ruling by the Competition and Consumer Protection Court.

On 28 December 2009, the President of the ERO ruled in the matter of ENEA's failure to meet its obligation of purchasing electricity generated through cogeneration in the first half of 2007, and imposed a fine on the Company, in the amount of PLN 2,150,000.00. On 19 January 2010, ENEA lodged an appeal against the above decision of the President of the ERO with the Competition and Consumer Protection Court.

2. Administrative proceedings

Proceedings are being conducted by the President of the Office of Competition and Consumer Protection in order to determine whether ENEA infringed the Competition and Consumer Protection Act by introducing, as of 1 January 2008, a charge for customer trade services relating to settlements for energy sold.

15. Environmental protection

Our Company's operations do not have a significant impact on the environment. The operations of the subsidiaries Elektrownia Koźienice and ENEA Operator do, however, have a significant environmental impact.

16. Real estate

As at 31 December 2009, ENEA was party to 126 court proceedings relating to use of real property without an agreement, with the total value at stake being approximately PLN 12 million, and was party to a number of disputes that are yet to get to court. The total value of reserves against claims before the courts to which ENEA S.A. was a party as well as pre-court claims amounted to PLN 12.9 million as at 31 December 2009.

17. Modernisation and development

The development of the Company and the Group will be carried out in three basic strategic areas: i) development of the core operations of the Group; ii) improving the effectiveness of the functioning of the Group; iii) building a socially responsible business, as described in more detail in section 1 pt. 3 '*Policy on directions of development of ENEA S.A.*'.

Failure to raise capital on favourable terms may have a significant and negative influence on our modernisation and development capability and may thus reduce the efficiency of our activity.

We expect that our investment outlays during the coming years will be financed primarily from funds generated from operating activity and debt finance. Our ability to secure financing and the cost of capital depend on many factors, many of which are beyond our control, and in particular on: (i) general market conditions and the situation in capital markets; (ii) the availability of bank loans; (iii) investors' confidence; (iv) our financial situation, results and development prospects; and (v) tax regulations and regulations on trading in securities.

The above sources of finance may be wholly unavailable or may not be available in the required amount, making it impossible to undertake all the investment expenditure planned by us. As a result, we cannot provide assurance that we will be able to generate sufficient cash flow or have access to sufficient alternative sources of finance to maintain or develop our present activity. The effect is that we may be obliged to delay or to give up

planned investments, which may have a significant effect on our business, financial situation, financial results or development prospects.

In the future we may incur significant new indebtedness, which may significantly and negatively affect our financial situation, our ability to secure additional finance and our ability to react to changes in our business.

In implementing our development strategy we may seek to obtain additional loans and credits or other debt instruments. As a consequence, we may need to devote a significant part of our monetary receipts from operating activity to servicing interest costs and repaying the capital of loans received by us, which in the absence of alternative sources of finance will reduce our ability to finance working capital, capital spending and other general corporate purposes. If we are unable to fulfil obligations to our creditors, a whole or part of our indebtedness may become immediately repayable and if we are unable to refinance such indebtedness this may have a negative effect on our business, financial situation, operating results or development prospects.

Our indebtedness may also increase our susceptibility to unfavourable macroeconomic or economic trends and may also affect negatively our competitiveness relative to other companies. This may also limit our operational flexibility and in particular our ability to secure additional financing, which may be required for our development or to let us react to changes in our business or in the sector.

18. Factors related to economic activity

Risk factors related to the conduct of economic activity in Poland.

The results of our activity, like our financial situation and development prospects, depend on many factors, which are influenced both by the condition of the Polish economy and by the regional economic situation. The above factors include growth or decline in gross national product, in industrial production, in inflation, in unemployment and in average wages and salaries, the size and demographic nature of the population and also the development of the service sector and industry. All and any future unfavourable changes in one or several of the above factors, and in particular worsening in the condition of the Polish economy, may have a negative effect on the results and the financial situation of our Company.

Furthermore, decisions of a political nature may have an effect on our activity since we operate in the power sector, which is considered to be of strategic importance. This relates principally to definition of the country's power policy and to structural and ownership decisions relating to power enterprises controlled by the State Treasury. These factors may have a significant and negative effect on revenues from the sale of electricity and the provision of distribution services, particularly in relation to individual consumers.

The legal and regulatory environment in which we operate is subject to changes.

ENEA S.A. together with its Capital Group is exposed to the risk of changes in the legal and regulatory environment. In Poland, that environment, and especially the law as it concerns the power sector, is subject to change.

As a consequence legal regulations are not interpreted in a uniform manner by courts or institutions of public administration.

It was not long ago that Poland enacted the legislative framework that regulates the functioning of the power sector in its present form. As a result there is no developed, unified interpretation of the law in this area. There is therefore considerable uncertainty as to how issues relating to our activities will be resolved if they become the subject of court proceedings. There exists, therefore, a risk of unexpected and unfavourable decisions that could have a negative effect on our activity, financial results, financial situation or development prospects.

Our business is also strongly influenced by changes in taxation law. The taxation system in Poland is subject to dynamic changes that result from the need to adapt its regulations to meet the requirements arising from European Union law. The nature and extent of such changes, together with difficulties of interpretation related to the application of tax law, hamper both day-to-day activity and proper tax planning. Tax authorities' practice and court decisions in this area are not uniform. The adoption by the tax authorities of interpretations of tax regulations that differ from our own may have a negative effect on our activity, financial results, financial situation or development prospects.

19. Factors related to the operations of ENEA S.A.'s subsidiaries

Irrespective of the direct risks and threats facing the operations of ENEA S.A., indirect risks and threats also exist, which may arise due to the appearance of specific factors relating to ENEA S.A.'s subsidiaries. These are described in the Management Board's Report on the Operations of the ENEA Capital Group.

2. Development Strategy of ENEA S.A.

One of the fundamental factors for ENEA S.A.'s development and its prospects is implementation of the Company's strategy, which is reflected in actions undertaken by the ENEA Capital Group.

Actively monitoring the situation on the energy market in Poland, the Management Board prepared a new strategy for 2010-2020 which considers Polish energy market trends of key importance to the Group. The main trends identified are: (i) growing demand for energy together with limited generation capacity available on the market, (ii) tighter EU policy on restricting CO₂ emissions, (iii) increasing competition in all operational areas of the Group, (iv) the development of the wholesale electricity trading market, (v) a growing number of customers changing their electricity suppliers, (vi) new opportunities for managing brown coal deposits, and (vii) opportunities for developing renewable energy sources.

Our strategy is based on the mission of the Group, that is, to provide high-quality services to customers, to ensure a safe environment for our employees, and to build shareholder value.

We intend to implement that strategy by:

Developing the basic operations of the Group – areas in which we will concentrate on:

- developing generation capacity,
- developing and modernising the distribution network,
- developing wholesale trade operations,
- ensuring the security of bituminous coal supplies from the best possible sources,
- increasing profit from electricity sales,

Improving the effectiveness of the functioning of the Group – areas in which we will concentrate on:

- optimising fundamental processes,
- optimising support functions,
- ensuring the operational integration of the Group,
- focusing the Group on basic operational areas,

Building a socially responsible business – in which we will concentrate on:

- ensuring the balanced management of human capital,
- ensuring a dialogue with the local community and taking their voice into account in business operations,
- promoting environmentally beneficial solutions and behaviours.

An integral part of this strategy is the implementation of a new business model for the Group, which provides for the functioning of the following business areas:

- Corporate Centre,
- Conventional Extraction and Generation,
- Renewable Energy Sources and Generation in Cogeneration,
- Wholesale Trading,
- Sales,
- Distribution,
- Shared Services Centre.

Creating, in addition to the core business areas, the additional Corporate Centre and Shared Services Centre divisions should serve to increase the efficiency of the management of the Group and enable cost synergies to

be made resulting from the centralised management of Group operations and a shared customer service system.

In implementing our strategy, we assume a base variant until 2020 of approximately PLN 22 billion for investments in conventional generation (approximately 32 per cent of all investments outlays), distribution (approximately 29 per cent of total investment outlays) and renewable energy sources and cogeneration (approximately 37 per cent of total investment outlays).

In the area of conventional generation, our main goal is the expansion by Kozienice II Sp. z o.o. of a new bituminous coal-fired power unit of a capacity of 1000 MW, located in Świerze Górne (we estimate that average cost of building 1 MW as EUR 1.3 million). Start-up is planned for 2015. We are currently going through the process of selecting a contractor to design and build the new 1000-MW unit. We plan to appoint a contractor in late 2010 or early 2011. At the same time, together with the new power unit, we intend to modernise the remaining 200-MW units operating at Elektrownia Kozienice.

We are currently conducting a preparatory analysis pertaining to the construction of a second 100-MW power unit in Świerze Górne.

In the area of distribution, during the period covered by the strategy we are planning investment works, modernisation of the grid infrastructure, and essential refurbishment in connection with increasing demand for electricity and the necessity of connecting renewable sources of energy. Such investment and modernisation activities should result in increasing the functionality of our grid and in restricting grid losses. They will also involve replacing those sections of distribution lines which have seen the longest service. In 2010 we plan to invest in distribution assets to a value of approximately PLN 575 million.

Investment outlays on the grid are growing successively. Relative to 2008, they increased by 17 per cent in 2009 (in implementing the investment plan), while in 2010 they will increase by 30 per cent (under planned outlays for 2010, which means that the final level of the increase will be known after information on the implementation of this year's Investment Plan has been obtained).

A similar tendency is observable in relation to infrastructure investment for supporting our distribution operations. Relative to 2008, they increased by 14 per cent in 2009 (in implementing the investment plan), while in 2010 they will increase by 66 per cent (under planned outlays for 2010, which means that the final level of the increase will be known after information on the implementation of this year's Investment Plan has been obtained).

In the area concerning renewable sources of electrical and thermal energy, we plan to build our wind power capacity to a level of 350-450 MW installed by 2020. At the same time, we have taken the decision to invest in biogas generation, and plan to attain a level of approximately 150 MW by 2020. In 2009, the Company carried out a complete preparatory procedure for the purchase of its first biogas power plant, in Liszkowo (Kujawsko-Pomorski Province), having a capacity of 2.12 MWe (the purchase was finalised in January 2010). From 2010-2011 we plan to obtain 15.3 MWe of installed capacity from 10 biogas power plants.

Depending on the market situation, our financial situation, the results of technical and economic analysis being carried out, and our ability to finance investments, we do not rule out increasing the base investment program by additional investments in conventional generation, by approximately PLN 10 billion. That amount also covers the construction of a second 100-MW power unit in Świerze Górne, and making acquisitions on the Polish market. In addition, the Management Board does not rule out starting up the brown coal mine in Gubin after 2012, provided that suitable conditions exist on the market for CO₂ emissions rights, and in subsequent years building two 100-MW power units fired by brown coal. In such case, additional outlays will amount to approximately PLN 14 billion.

3. Assessment of the Feasibility of Implementing Investment Plans

The financial situation of the Company provides a solid foundation for carrying out its investment plans, which can be implemented through organic development and acquiring other entities. Our balance sheet, equity and balance of pecuniary funds provide a solid financial base for investment outlays, both from our own resources and external sources. In order to use its resources efficiently, in its further investment activities (particularly in the area of acquisitions) the Company intends to make use of debt financing so as to attain leverage.

4. Description of the Use of Issue Proceeds

On 9 February 2009, ENEA S.A. transferred the proceeds obtained from the issue of Series C shares of the Company, amounting to PLN 1,900,000,000, to be managed by a specialist external firm. These funds have been invested in minimum risk instruments, i.e. debt instruments issued, secured or guaranteed by the State Treasury, and bank deposits. Revenues from investments made by the external firm amounted to PLN 68,967,000 in 2009.

The planned manner of using the proceeds from the issue of Series C shares was described in detail in the Issue Prospectus prepared in relation to the issue of those shares.

5. THE CORPORATE BODIES OF ENEA S.A.

1. Personal Composition, Basis of Appointment and Description of Extent of Authority

The personal composition of the Company's authorities and changes in it that occurred in the course of the most recent financial year, together with a description of the actions of the Company's management and supervisory bodies and their committees, as well as a description of the rules relating to the appointment of people to and their recall from these bodies and their authority, and in particular to their right to make decisions on issuing or purchasing shares, is to be found in point 7 under the title: "Declaration on the Application of the Principles of Corporate Governance".

2. Principles of Remuneration

The remuneration of Members of the Management Board is set in accordance with the Act of 3 March 2000 on the Remuneration of Persons Managing Certain Legal Entities. In accordance with Article 8 point 3) the maximum amount of monthly remuneration of people employed in one-person companies established under commercial law by the State Treasury may not exceed six times the average monthly remuneration in the enterprise sector, net of payments of bonuses from profits, in the fourth quarter of the previous year as published by the President of the Central Statistical Office. Additionally Members of the Management Board may, by a motion of the Supervisory Board that presents the reasons for it, be awarded an annual bonus amounting to no more than three times the average monthly remuneration of an employee in the year preceding award of bonuses or other benefits, as determined by the workplace collective labour agreement. That agreement does not cover the principles of remuneration of Members of the Management and Supervisory Boards. Apart from monthly remuneration and an annual bonus, Members of the Management Board are entitled to severance pay amounting to three times their monthly remuneration in the event of their dismissal or the termination of their employment. Additionally a non-competition agreement is concluded between Members of the Management Board and the Company. Under this agreement the Employer undertakes, for a period of six months, to pay an employee monthly compensation amounting to the value of monthly remuneration received during the last full month for which his or her contract of employment was in force so long as he or she refrains from undertaking activity that competes with the Company.

The remuneration of the Supervisory Board is set on the basis of the Minister of the State Treasury's declaration of 20 June 2000 on establishing the remuneration of members of Supervisory Boards in one-person companies of the State Treasury and is set at the level of average monthly remuneration in the enterprise section net of payments of bonuses from profits in the fourth quarter of the previous year as published by the President of the Central Statistical Office.

3. Level of Remuneration

The remuneration of members of ENEA S.A.'s Management Board in the financial year 2009 is presented in the following table.

Name	Position	Multiple *	Basic consideration **	Additional consideration ***	Total
Maciej Owczarek	President of the Management Board	6	138 264.3	0.00	138 264.3
Piotr Koczorowski	Member of the Management Board	5.9	249 946.15	19 586.13	269 532.28
Marek Malinowski	Member of the Management Board	5.9	281 100.54	37 890.85	318 991.39
Sławomir Jankiewicz	Member of the Management Board	5.9	255 688.05	0.00	255 688.05
Tomasz Treider	Member of the Management Board	5.9	97 754.48	16 031.3	113 785.78
Czesław Koltermann	Member of the Management Board	5.9	155 600.52	11 435.19	167 035.71
Paweł Mortas	President of the Management Board	6	140 651.5	119 512.08	260 163.58
Marek Hermach	Member of the Management Board	5.9	137 234.09	120 403.83	257 637.92
Total	-	-	1 456 239.63	324 859.38	1 781 099.01

* Multiple – defined as the multiple of the average monthly remuneration in the enterprise section net of payments of bonuses from profits in the fourth quarter of the previous year as published by the President of the Central Statistical Office. The amount of the multiple is derived from the Act on the Remuneration of Persons Managing Certain Legal Entities.

** Basic consideration, i.e.:

- monthly remuneration,
- annual bonus,
- severance pay following dismissal from membership of the Management Board
- long-service bonus

*** Additional consideration – this means

- reimbursement of part of the costs of using housing made available by the Company
- consideration related to the use of electricity sold at a discount
- contributions made to the Employee Pension Plan
- additional financial contribution to holiday leave pursuant to the collective labour agreement
- compensation stemming from non-compete agreements

Value of remuneration for fulfilling roles in the authorities of subsidiaries

No.	Name	Remuneration for sitting on the supervisory board of ENEA subsidiaries
1	Maciej Owczarek	36 606
2	Piotr Koczorowski	28 439

3	Marek Malinowski	39 837
4	Sławomir Jankiewicz	41 564
5	Tomasz Treider	23 128
6	Czesław Koltermann	39 948
7	Paweł Mortas	9 424
8	Marek Hermach	9 959

The remuneration of members of ENEA S.A.'s Supervisory Board in the financial year 2009 is presented in the following table.

No.	SURNAME AND GIVEN NAME	2009
1	ŁAGODA MICHAŁ	39 837
2	DACHOWSKI TADEUSZ	39 837
3	BEGIER PIOTR	39 837
4	JANAS MARIAN	39 837
5	ŁOPUSZKO ANDRZEJ	19 919
6	PAWLIOTTI WIESŁAW	39 837
7	PLUCIŃSKI MIECZYŚLAW	39 837
8	GAJDA MARZENA	6 284
9	BALCEROWSKI PAWEŁ	19 919
10	WOJCIECH CHMIELEWSKI	33 672
11	GRAHAM WOOD	33 672
12	MARCIN BRUSZEWSKI	0
13	KOWALEWSKI MICHAŁ	11 509

4. List of Shares in Entities that are Members of the ENEA Capital Group that are Held by Members of the Management and Supervisory Boards

As at the date of publication of this report, Mr Tadeusz Dachowski, Deputy-President of the Supervisory Board of the Company, holds 300 shares in ENEA S.A. As at the date of publication of this report, persons managing or supervising ENEA S.A. hold no shares or ownership interests in subsidiaries of ENEA S.A.

6. THE SHAREHOLDING AND SHARE CAPITAL STRUCTURE OF ENEA S.A.

1. Share capital structure

In connection with a public offer of series C shares, at a closed hearing on 13 January 2009 the District Court for Poznań-Nowe Miasto and Wilda in Poznań, 8th Commercial Division of the National Court Register,

registered an increase in the Issuer's share capital from PLN 337,626,428 to PLN 441,442,578, by the issue of 103,816,150 series C ordinary bearer shares.

Upon registration of the increase, the amount of share capital of the Issuer was PLN 441,442,578. The total number of votes resulting from all issued shares of the Issuer is 441,442,578.

Following the registration of the increase in the Issuer's share capital, the capital structure is as follows:

- 295,987,473 series A ordinary bearer shares,
- 41,638,955 series B ordinary registered shares, and
- 103,816,150 series C ordinary bearer shares.

Up to the date of publication of this report, the level and structure of ENEA S.A.'s share capital will remain unaltered.

2. Own shares

From 17 November 2008 to 16 December 2008, Credit Suisse Securities (Europe) Limited, acting as stabilisation manager, took action to stabilise the price of rights to series C shares, in accordance with the principles set out in the issue prospectus published on 23 October 2008. Credit Suisse Securities (Europe) Limited, as stabilisation manager, exercised a stabilising option on the basis of an Underwriting Agreement concluded on 22 October 2008 between the Company, the stabilisation manager, Bank Zachoni WBK S.A. and Dom Maklerski BZ WBK S.A. Within the exercise of the above stabilisation option, the stabilisation manager sold to the Company a total of 1,129,608 rights to series C shares with a nominal value of PLN 1,129,608, out of a total maximum number of 1,557,242 rights to series C shares covered by the option. The unit price of purchasing a right to series C shares was PLN 15.40.

The acquisition of rights to series C shares as part of the stabilisation transactions was carried out on the basis of Article 2 of Resolution No. 4 of an Extraordinary General Meeting of Shareholders of 10 October 2008 on applying for the admission and introduction of shares and rights to shares to trading on a regulated market, the dematerialisation of shares and rights to shares, and authorisation to conclude an agreement with Krajowy Depozyt Papierów Wartościowych S.A., amended by Resolution No. 2 of the Company's Extraordinary General Meeting of Shareholders of 3 November 2008, in accordance with Commission Regulation (EC) No. 2273/2003 of 22 December 2003 implementing Directive 2003/6/EC of the European Parliament and Council as regards exemptions for buy-back programmes and stabilisation of financial instruments.

The remaining information on the terms and conditions of exercising the stabilisation option is set out in the issue prospectus for series C shares.

As a result of the measures described above and the registration of the share capital increase by the court, ENEA S.A. held 0.26 per cent of its own shares acquired under the stabilisation option.

On 11 August 2009, settlement was made for the sale of all of the own shares held. As at 31 December 2009, as well as at the date of publication of this report, the Company does not hold any own shares.

3. Shareholding structure

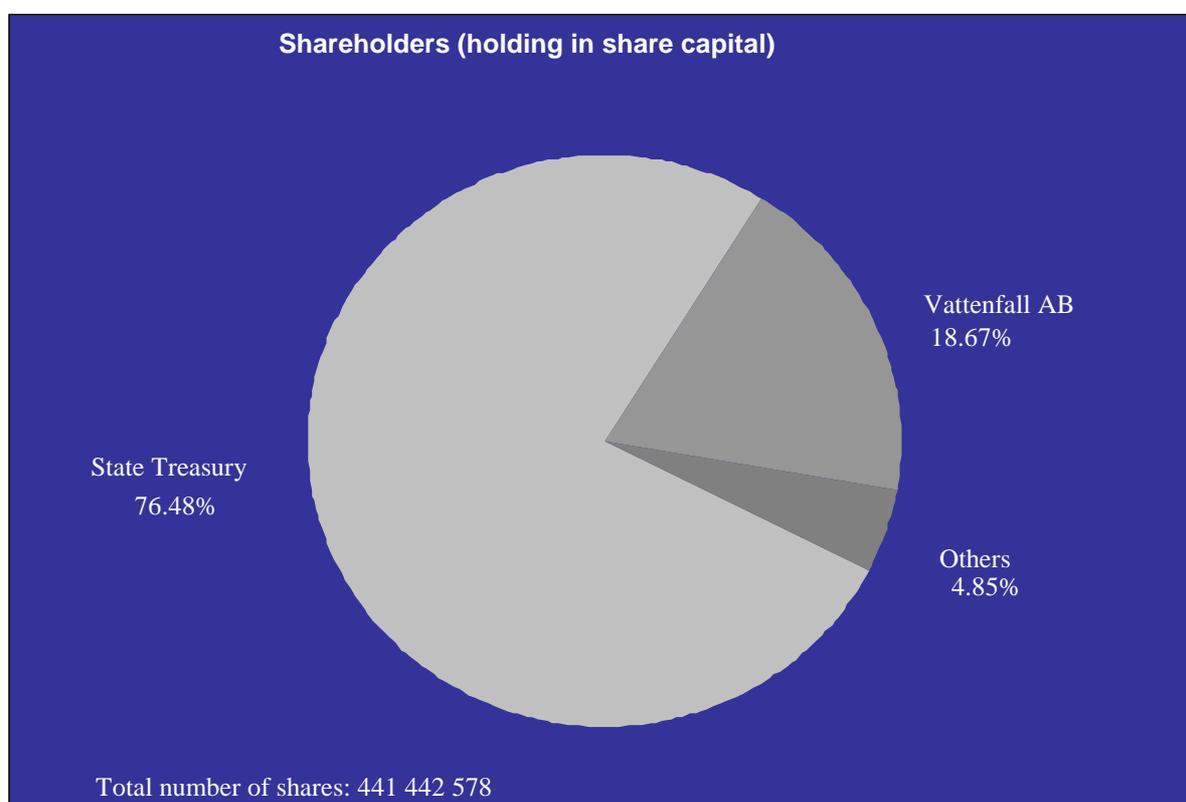
As at 31 December 2009, after including the share capital increase resulting from the share issue registered on 13 January 2009, the structure of shareholders holding above 5% shares of the Issuer, either directly or indirectly, is as follows:

Name of shareholder	Number of shares held	Number of votes held	Share in the share capital %	Share in the total number of votes %
State Treasury	337 626 428	337 626 428	76.48	76.48

Vattenfall AB	82 395 573	82 395 573	18.67	18.67
Others	21 420 577	21 420 577	4.85	4.85

Since the end of the financial year, changes have occurred in the structure of ownership of substantial blocks of shares of ENEA S.A. On 31 December 2008, in accordance with the commercial register, the shareholder holding 100 per cent of the votes at the General Meeting of Shareholders of ENEA S.A. was the State Treasury. The State Treasury was the owner of 337,626,428 shares, carrying an entitlement to 337,626,428 votes at the General Meeting of Shareholders of ENEA S.A., constituting 100 per cent of the existing share capital and carrying an entitlement to exercise 100 per cent of the votes at the General Meeting of Shareholders. As a result of the public offer of series C shares being carried out and the registration of a share capital increase on 13 January 2009 by the District Court for Poznań-Nowe Miasto and Wilda in Poznań, ENEA S.A.'s share capital is now divided into 441,442,578 shares, carrying an entitlement to 441,442,578 votes at the General Meeting of Shareholders of ENEA S.A. The shareholder structure as at 31 December 2009 is shown above.

The shareholding structure as at 31 December 2009 is presented in the following table:

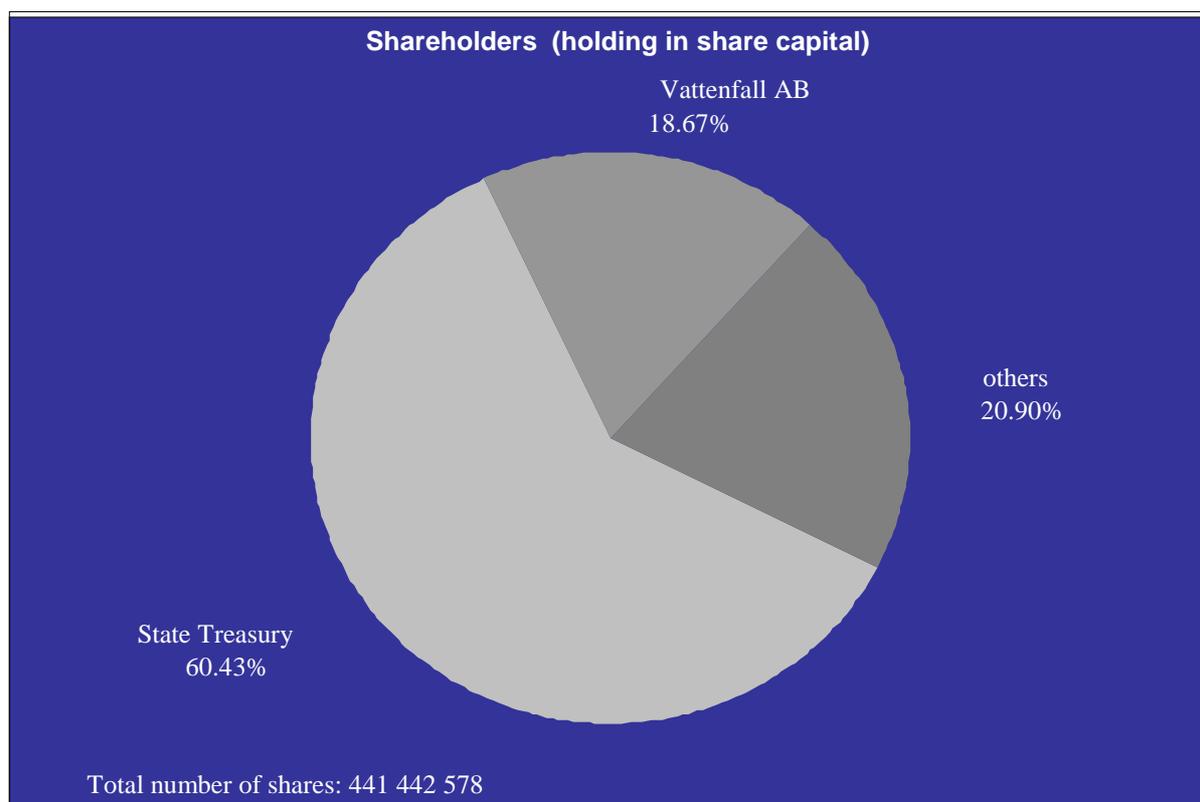


As at the date of preparing this report, the shareholding structure of ENEA S.A. changed in connection with the sale by the State Treasury on 10 February 2010 of 70,851,533 shares in ENEA S.A. representing 16.05 per cent of the share capital of ENEA S.A.

The shareholding structure as at the date of preparing this report is as follows:

Name of shareholder	Number of shares held	Number of votes held	Share in the share capital	Share in the total number of votes
State Treasury	266 774 895	266 774 895	60.43	60.43
Vattenfall AB	82 395 573	82 395 573	18.67	18.67
Others	92 272 110	92 272 110	20.90	20.90

The shareholding structure as at the date of preparing this report is presented in the table below:



4. Potential changes in the shareholder structure

The Company does not know of any agreements that could result in future changes in the proportions of shares held by the existing shareholders.

However, please note that under the privatisation programme the Ministry of the State Treasury plans to dispose of its entire block of shares in ENEA S.A. (41,638,955 series B shares, i.e. 9.43 per cent of the share capital, are employee shares).

In accordance with an announcement by the Ministry of the State Treasury of 27 October 2009, the intention of the Ministry in the first stage of the share sale was for ENEA S.A., which is among the ten largest companies listed on the Warsaw stock exchange, to become a component of the WIG and other key stock exchange indices. This aim is to be served by enriching the shareholding structure of ENEA with institutional investors and increasing the Company's free float. The next step in the government's strategic plan for the domestic power sector will be the Ministry of the State Treasury's implementation of the second stage of ENEA shares, that is, the sale of 51 per cent of the shares to a strategic investor.

5. Information on the system of inspecting employee share programmes

In connection with the commercialisation and planned privatisation of the Company, existing employees of ENEA are entitled to acquire up to 15 per cent of the Shares from the State Treasury at no cost. In the case of Shares belonging to the State Treasury being transferred to another single-shareholder company of the State Treasury, employees will become entitled to obtain the equivalent of their rights to acquire Shares at no cost, in the form of remuneration due from the redemption of Shares paid out by the Company. The specific rules for employees acquiring shares at no cost are governed by the Act on Commercialisation and Privatisation. The above entitlements are granted to employees according to two criteria, i.e. that of being employed in a commercialised enterprise on the day of its deletion from the register or of the length of time worked in the commercialised enterprise. ENEA has a list of employees entitled to obtain employee shares, which list was prepared on the basis of the Regulation of the Minister of the State Treasury of 3 April 1997 on the specific rules for dividing entitled employees into groups, determining the number of shares due to each group and the procedure for entitled employees to acquire shares. The final number of employees who will take advantage of their right to acquire shares at no cost will be determined at the end of the share acquisition process, in accordance with Article 36 and the following of the Act on Commercialisation and Privatisation and the provisions of the Regulation of the Minister of the State Treasury of 29 January 2003 on the specific rules of dividing entitled employees into groups, determining the number of shares due to each group, and the procedure for entitled employees to acquire shares. The right to acquire shares at no cost arises after the lapse of three months from the date on which the State Treasury disposes of its first shares under general rules, and expires upon the lapse of twenty-four months from the date on which the right arose. Those shares designated for acquisition by employees at no cost are series B Shares.

If shares are acquired by employees free of charge, they cannot be traded for two years from the date when the State Treasury disposes of the first shares on general principles, and shares acquired by employees being members of the Company's Management Board cannot be disposed of for three years from the date when the State Treasury disposes of the first shares on general principles.

Apart from the Act on Commercialisation and Privatisation, employee entitlements to acquire shares at no cost as part of the process of consolidation are regulated by the Act on the Rules for Acquiring Shares from the State Treasury in the Process of Consolidation of the Power Industry. In the case of the process of consolidating companies in the electricity sector, employees who meet the conditions set forth in the Act on the Rules for Acquiring Shares from the State Treasury in the Process of Consolidation of the Power Industry are entitled to acquire shares at no cost or an equivalent from a consolidated or consolidating company. As a result of the consolidation of Elektrownia Kozienice involving transfer of 100 per cent of the shares of Elektrownia Kozienice to the share capital of ENEA, current and former employees of Elektrownia Kozienice became entitled to obtain shares at no cost or their equivalent. 2,169 persons exercised their entitlement to obtain an equivalent, and 1,388 persons chose to acquire Shares at no cost. The equivalent of the right to acquire Shares at no cost constitutes remuneration due from the Share buy-back. held on 1 January 2008 The General Meeting of Shareholders adopted a resolution on buying-back 10,594,129 Shares belonging to the State Treasury, for total compensation of PLN 291,127,000.

ENEA S.A. maintains a register of persons entitled to the free of charge acquisition of employee shares in the Company.

Simultaneously we have a register of persons who, as compensation for lost rights to shares or having no rights to share, would receive an equivalent.

Under a resolution of the ENEA S.A management, a team was formed with responsibility for all matters related to employee shares.

In 2009, an IT system was developed for calculating employee shares.

7. DECLARATION OF THE APPLICATION OF CORPORATE GOVERNANCE PRINCIPLES

1. The set of principles applied

The management board of ENEA S.A. declares that it applies principles of corporate governance which are described in the set of principles adopted by Resolution of the Supervisory Board of the Warsaw Stock Exchange (the "WSE") No. 12/1170/2007 of 4 July 2007, entitled: "Good Practices of Companies Listed on the WSE" (Corporate Governance Principles), and have been published on the website of the Warsaw Stock Exchange (<http://corp-gov.gpw.pl>). That set of Corporate Governance Principles contains a section entitled "Recommendations Regarding Good Practices of Listed Companies", which describes the good practice principles that the Issuer can decide to apply at its own discretion.

2. Principles which have not been applied

The Management Board of ENEA S.A. declares that in view of the factual status existing in the Company as at the date on which this report was drawn up, the following principle of Good Practices of Companies Listed on the WSE has not been applied:

Principle No. 6 Part III of Good Practices:

"At least two members of the supervisory board should fulfil the criteria of independence from the company and from entities that have significant affiliations with the company. With regard to the independence criteria for members of the supervisory board, Annex II to the European Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board should be applied. Irrespective of the provisions of Item b) of that Annex, a person who is an employee of the company or its subsidiary or affiliate cannot be deemed to fulfil the independence criteria referred to in that Annex. Furthermore, an affiliation with a shareholder excluding the independent status of a member of the supervisory board in the meaning of this principle is understood to mean an actual and significant affiliation with a shareholder which has the right to exercise five per cent or more of the total number of votes at the general meeting of shareholders."

The Management Board intended to comply with all the corporate governance principles, and it therefore recommended that the Shareholders appoint two independent members of the Supervisory Board. However, the Company's Extraordinary General Meeting of Shareholders of 25 February 2009, whose agenda included an item relating to the appointment of two new members of the Supervisory Board, only appointed one member of the Supervisory Board who fulfilled the independence criteria specified in the above-mentioned corporate governance principle, and at present only one of the members of the Supervisory Board fulfils those criteria.

The restoration of the application of the principle of Part III Item 6 of Good Practices depends on a decision being made by the Shareholders acting as the Company's General Meeting of Shareholders.

It is the Management Board's intention for the Company to apply all the principles set out in Good Practices in the future. However, please note that the final decision regarding compliance with individual principles of Good Practices will belong to our shareholders, particularly with regard to the functioning of the audit committee within the Supervisory Board and the election of a certain number of Supervisory Board members who fulfil the criteria relating to independence from the Company and entities which have a significant affiliation with it. Our Statute does not require that the shareholders elect at least two independent members of the Supervisory Board, as is required by Good Practices. Under the provisions of the Company's Statute, starting from the date falling one month after the date of the first listing of the Shares on the regulated market, at least one member of the Supervisory Board from among those appointed by the General Meeting of Shareholders should: (i) fulfil the independence requirements (ii) be elected by the General Meeting of Shareholders in a separate vote; and (iii) not be an employee of the Company or its subsidiaries or affiliates.

3. Description of the main features of the internal control and risk management systems applied in the issuer's company

The Management Board of ENEA S.A. is responsible for the internal control system in the Company and its effectiveness in the process of drawing up financial statements and periodic reports. The task of an effective internal control system in financial reporting is to ensure that the financial information set out in financial statements and periodic reports is appropriate and correct.

One of the basic elements of control in the process of drawing up financial statements of ENEA S.A. and the ENEA Capital Group is the verification of the financial statements by an independent auditor. The tasks of the auditor include in particular: a review of the mid-year financial statements and an audit of the non-consolidated and consolidated annual financial statements. The independent auditor is selected by the Supervisory Board. Once the auditor has completed auditing the financial statements, they are sent to the members of the Company's Supervisory Board, which assesses the non-consolidated and consolidated financial statements with regard to their compliance with the books of account, documents and the factual status. Under the provisions of the Accountancy Act, the members of the Management Board and the Supervisory Board are obliged to ensure that the financial statements and the report on operations fulfil the requirements set out in that act.

The financial data being the basis for financial statements and periodic reports and the monthly management and operational reporting carried out by ENEA S.A. is taken from the Company's financial and accounting system. After all the predetermined processes of closing the books of account at the end of each month have been carried out, detailed management reports on financial and operational matters are drawn up. Those reports are drawn up by the Control Office, with the participation of middle and senior managers from individual organisational units. With regard to completed reporting periods, the Company's financial results are subjected to detailed analysis with reference to budget assumptions and the forecasts carried out in the month preceding the reporting period being analysed, and any deviations are identified and appropriately clarified.

The Company also carries out annual reviews of business and financial strategies and plans. Middle and senior management personnel are engaged in the process of detailed planning and budgeting, which covers all the areas of the Company's operations. The financial plan prepared by the Control Office for the next year is accepted by the Company's Management Board and approved by the Supervisory Board. During the course of the year, ENEA S.A.'s Management Board analyses current financial results and compares them to the adopted financial plan, presenting the execution of the plan and any deviations to the Supervisory Board. This is constructed on the basis of the Company's adopted accounting policy (International Financial Reporting Standards) and applies the format and degree of detail of the financial data presented in the periodic financial statements of ENEA S.A. and the ENEA Capital Group.

The Company applies consistent accounting principles and presents financial data in financial statements, periodic financial reports and other reports disclosed to the shareholders.

The Company regularly assesses the quality of its internal control and risk management systems with regard to the process of drawing up financial statements. On the basis of an assessment, the Management Board of ENEA S.A. confirms that as at 31 December 2009 there were no shortcomings that could significantly affect the effectiveness of internal control as it relates to financial reporting.

An important element of the internal control system is that of internal audits. Among the basic tasks of an internal audit are a review and evaluation of processes and the control mechanisms they contain, and monitoring of and recommendations for improvements in the risk management system and corporate governance. The ENEA S.A. internal audit is independent, and accountable to the Audit Committee acting as part of the Supervisory Board. Additional information on the Audit Committee can be found in pt. 12 of the section on the Supervisory Board.

ENEA S.A., being aware of the risk connected with conducting operations in 2009, took steps aimed at creating a formalized, integrated risk management system within the Company. To that end:

1. a process for identifying and evaluating risks was set up.
2. a framework structure for the risk management system was designed.

The process of identifying and evaluating risks makes it possible to create risk registers and risk maps for various areas of the Company's operations. On the basis of the register of risks faced by ENEA S.A., the Company drew up a yearly plan of internal audits which was submitted for approval and acceptance by the Audit Committee and the Supervisory Board. The plan provides for audits of ENEA S.A.'s key operational areas.

The risk management system framework structure makes it possible to:

- define participants in the risk management process, their range of competence and responsibilities,
- draw up formal documents supporting the practical implementation of risk management within the Company, and therefore: to establish an Integrated Risk Management Policy within ENEA S.A., and a Book of Integrated Risk Management within ENEA S.A.

Currently, the above documents are undergoing an implementation process in accordance with the Company's internal regulations. The risk management system is planned to function within the Company until such time as a risk management system has been designed and implemented in the ENEA Capital Group as a whole, which is expected to take place in 2010.

4. Shareholders holding substantial blocks of shares

The shareholding structure as at the date of preparing this report is as follows:

Name of shareholder	Number of shares held	Number of votes held	Share in the share capital	Share in the total number of votes
State Treasury	266 774 895	266 774 895	60.43	60.43
Vattenfall AB	82 395 573	82 395 573	18.67	18.67
Others	92 272 110	92 272 110	20.90	20.90

Detailed information on the shareholder structure is set out in Section 6.3 above.

5. Holders of securities carrying special inspection rights

ENEA S.A. has not issued any securities that could give special inspection rights with respect to the Issuer.

6. Restrictions on exercising voting rights

There are no restrictions on exercising voting rights in the Company, other than those provided for in generally applicable provisions of law.

7. Restrictions on assigning the ownership title to securities

As at the date of drawing up this report, there are no restrictions in the Company on assigning the ownership title to the Issuer's securities.

As a result of the ongoing privatisation of the Company which, pursuant to the Act on Commercialisation and Privatisation of 30 August 1996, will lead to the gratuitous acquisition of shares by entitled employees, there may be restrictions in the future on the assignment of the ownership title to the Issuer's shares. If shares are acquired by employees free of charge, they cannot be traded for two years from the date when the State Treasury disposes of the first shares on general principles, and shares acquired by employees being members of the Company's Management Board cannot be disposed of for three years from the date when the State Treasury disposes of the first shares on general principles.

8. Principles relating to appointing and recalling management personnel

Under Clause 12 par. 1 of the Statute, the Company's Management Board consists of from three to eight persons, including the President of the Management Board. Management Board members are appointed for a joint term of three years.

Management Board members or the entire Management Board are appointed and recalled by the Supervisory Board. In appointing management and supervisory board members application is made of the principles contained in the Regulation of the Council of Ministers of 18 March 2003 concerning qualification proceedings for management board members of certain commercial companies. Pursuant to the provisions of the Act on Commercialisation and Privatisation, if average annual employment in the Company amounts to 500 employees, the Supervisory Board appoints one person to the Management Board elected by the Company's employees for the term of the Management Board. The Company's Statute lays down the following principles and procedure for electing the Management Board member elected by the employees.

1. Candidates can be persons nominated according to the procedure set out in Items 2 and 3 below.
2. Any trade union organisation operating in the Company and groups of employees consisting of at least 300 people have the right to nominate candidates. Each employee can only support one candidate.
3. Candidates must be nominated in writing to the Main Election Committee, not later than seven days before the scheduled date of voting.
4. If a candidate is not elected in the first round of elections (for a Management Board Member to be elected in the first round of the elections, the candidate must obtain an absolute majority of votes, with at least 50 per cent of all the employees taking part in the elections), a second round of elections is held, in which the two candidates who obtained the greatest number of votes in the first round participate.
5. The second round of elections is carried out in accordance with the procedure established for the first round, taking into account the changes provided for in Item 4.
6. After the final results of the elections have been established, the Main Election Committee (appointed by the Supervisory Board) declares that they are valid and then makes an appropriate announcement and delivers the election documentation to the Supervisory Board.
7. As soon as it receives the election documentation, the Supervisory Board appoints the Management Board Member elected by the employees.

Upon the written request of at least 15 per cent of the total number of the Company's employees, the Supervisory Board will order a vote to be held on whether to recall the Management Board Member elected by the employees. The outcome of the vote will be binding for the Supervisory Board, provided that at least 50 per cent of all the employees take part in it and the same majority required for the Management Board Member to be elected is returned. A motion on recalling the Management Board Member elected by the employees should be submitted to the Management Board, which will then deliver it to the Supervisory Board. The competencies of the Shareholders Meeting include, aside from matters specified in mandatory provisions of law and other provisions of the Statute, taking decisions on convertible or exchangeable bond issues and other instruments providing an entitlement to acquire or assume control over the Company's shares.

9. Powers of the management board members

The Management Board conducts the Company's affairs and represents it.

Any matters that exceed the scope of the Company's normal business require a resolution of the Management Board, in particular:

1. Adopting the Company's organisational regulations, subject to approval by the Supervisory Board;
2. Creating and liquidating branches;
3. Appointing an authorised signatory or an authorised representative, except for an attorney *ad litem*; appointing an authorised signatory requires the consent of all the members of the Management Board;
4. Taking out loans or credit facilities;
5. Adopting annual material and financial plans, including investment plans, and long-term strategic plans, subject to approval by the Supervisory Board;
6. Contracting conditional obligations, including the Company granting guarantees and sureties and issuing promissory notes;

7. Acquiring, disposing of or encumbering real property, rights of perpetual usufruct or shares in real property, on the basis of one or more legal acts in a period of 12 consecutive months, with a value greater than or equal to the equivalent of EUR 50,000;
8. Giving over the Company's real property under a leasing, tenancy, lease, lending or usufruct agreement or for any other use;
9. Taking over real property under a leasing, tenancy, lease or usufruct agreement or for any other use, on the basis of one or more legal acts in a period of 12 consecutive months, where the value of the rent for 12 consecutive months is greater than or equal to the equivalent of EUR 50,000;
10. Acquiring, disposing of or encumbering a fixed asset, except for real property, rights of perpetual usufruct or shares in real property, on the basis of one or more legal acts in a period of 12 consecutive months, with a value greater than or equal to the equivalent of EUR 50,000;
11. Giving over fixed assets, except for real property, under a leasing, tenancy, lease, lending or utilisation agreement or for any other use;
12. Taking over a fixed asset, except for real property, under a leasing, tenancy, lease or utilisation agreement or for any other use, on the basis of one or more legal acts in a period of 12 months, where the value of the rent for 12 consecutive months is greater than or equal to the equivalent of EUR 50,000;
13. Matters that the Management Board requests that the Supervisory Board or General Meeting of Shareholders consider;
14. Determining the manner in which the Company exercises its voting rights at the General Meeting of Shareholders or at shareholders meetings of Significant Subsidiaries, subject to Clause 20 par. 6 pt. 5

Other than the provisions specified above, the Company's Statute contains no provisions that grant additional powers to the management board members, including powers to make decisions on the issuance or redemption of shares.

10. Description of the principles governing the amendment of ENEA S.A.'s Statute

Pursuant to the Commercial Companies Code, the Company's Statute is amended by a resolution of the General Meeting of Shareholders and an entry in the register.

In accordance with the Statute, a resolution of the General Meeting of Shareholders amending the following wording of Clause 32 of the Statute:

"Resolutions concerning the following matters can be adopted if at least half of the Company's share capital is represented at the General Meeting of Shareholders, and they will require a majority of four fifths of the votes when and if the State Treasury ceases to hold more than 50 per cent of the share capital:

- 1) the dissolution of the Company;
- 2) transferring the Company's registered office abroad;
- 3) changing the subject of the Company's business activities thereby limiting the possibility of it conducting the activities referred to in Clause 5 pt 1-4 of the Statute;
- 4) disposing of or leasing the Company's business undertaking or an organised part thereof, whose subject are the activities referred to in Clause 5 pt 1-4 of the Statute, or establishing a limited right *in rem* on the Company's business undertaking or an organised part thereof;
- 5) merging the Company by transferring all of its assets to a different company;
- 6) dividing the Company;
- 7) establishing preferential terms for shares;
- 8) incorporating a European company, transforming the Company into such a company, or acceding to such a company",

can be adopted if at least half of the Company's share capital is represented at the General Meeting of Shareholders, and it will require a majority of four fifths of the votes when and if the State Treasury ceases to hold more than 50 per cent of the share capital.

Other than those specified above, the Company's Statute contains no provisions that differ from the provisions of the Commercial Companies Code.

11. The procedure and basic powers of the General Meeting of Shareholders and a description of shareholders' rights and the procedure for exercising them

The Company's Statute states that the Management Board convenes a General Meeting of Shareholders in the situations specified in the provisions of law and in the Statute, and also if the shareholder being the State Treasury submits a written request to that effect.

As long as the State Treasury continues to be a shareholder of the Company, regardless of its share in the share capital, it can demand that an Extraordinary General Meeting of Shareholders be convened under Article 400 par. 2 of the Commercial Companies Code, as well as that particular matters be included on the agenda of the next General Meeting of Shareholders. The State Treasury must submit such a demand in writing to the Management Board not later than one month before the proposed date of the General Meeting of Shareholders. If the demand referred to in Paragraph 1 is submitted after the convocation of the General Meeting of Shareholders has been announced, it will be deemed to be a motion for another Extraordinary General Meeting of Shareholders to be convened.

If a General Meeting of Shareholders is not convened within two weeks from the date when a demand is submitted, the shareholder being the State Treasury will be entitled to convene a General Meeting of Shareholders under Article 354 par. 1 of the Commercial Companies Code.

A scheduled General Meeting of Shareholders on whose agenda certain matters have been included at the request of entitled entities, or which was convened at the request of entitled entities, can only be cancelled with the consent of the parties that submitted the request. In other cases, a scheduled General Meeting of Shareholders can be cancelled if holding that meeting is subject to extraordinary obstructions (an event of *force majeure*) or becomes clearly unnecessary. Such cancellation is effected in the same way as convening a meeting, ensuring that the adverse effects for the company and the shareholders are minimised, and in any event not later than three weeks before the originally planned time of the meeting. The scheduled time of a General Meeting of Shareholders is changed by the same procedure as cancelling it, even if the proposed agenda of the meeting has not changed.

Besides the matters specified in mandatory provisions of law, the powers of the General Meeting of Shareholders include:

- 1) appointing and recalling members of the Supervisory Board, subject to the provisions of the Company's Statute authorising the shareholder being the State Treasury to appoint and recall one member of the Supervisory Board (under Article. 354 par. 1 of the Commercial Companies Code);
- 2) adopting the Regulations of the General Meeting of Shareholders laying down the detailed principles for conducting meetings and adopting resolutions;
- 3) issuing convertible or exchangeable bonds and other instruments carrying an entitlement to acquire or take up shares in the Company.

Acquiring and disposing of real property, rights or perpetual usufruct or a share in a real property, i.e. the acts specified in Article 393 pt. 4 of the Commercial Companies Code, do not require the consent of the General Meeting of Shareholders.

As long as the State Treasury holds more than half of the total number of shares of the Company, the acts referred to in Article 18 par. 2 of the Act on Commercialisation and Privatisation of 30 August 1996 will require the consent of the General Meeting of Shareholders, except for:

1. Acts for which the Statute requires the consent of the Supervisory Board, provided that the Supervisory Board has granted such consent;
2. Other acts than those specified in Item 1 above, if those acts involve:
 - a) the Company incorporating or acceding to a different company in the Republic of Poland, if the price of acquiring or taking up the share (or shares) or a contribution towards a share in a partnership does not exceed EUR 5,000,000;
 - b) taking up or acquiring shares, where their par value does not exceed EUR 5,000,000;
 - c) disposing of or encumbering shares of a different company that have been acquired or taken up, if their par value does not exceed EUR 5,000,000;
 - d) acquiring shares in exchange for claims of the Company as part of mediation, corporate recovery, or bankruptcy proceedings.

Besides those specified above, the Company's Statute does not contain any provisions on the procedure of the General Meeting of Shareholders and its powers that are not directly provided for in provisions of law.

The Company has Regulations of the General Meeting of Shareholders, available at www.enea.pl

12. The composition of the management and supervisory boards of ENEA S.A., changes to it, and a description of their operations

Management Board

The Issuer's current Management Board was appointed for a joint three-year term, which ends on 28 June 2010. The mandates of the members of the Management Board will expire not later than the date of the General Meeting of Shareholders that approves the financial statements for 2009.

Since the beginning of 2009, the Management Board for the 6th term as been composed of:

- Paweł Mortas - President of the Management Board;
- Marek Hermach - Member of the Management Board for Commercial Affairs;
- Czesław Koltermann - Member of the Management Board elected by employees
- Sławomir Jankiewicz - Member of the Management Board for Business Affairs;
- Piotr Koczorowski - Member of the Management Board for Corporate Matters;
- Marek Malinowski - Member of the Management Board for Strategy and Development Matters

On 26 March 2009, the Issuer's Supervisory Board adopted resolutions recalling Mr Paweł Mortas from the position of President of the Management Board and Mr Marek Hermach from the position of Member of the Management Board for Commercial Affairs and adopted a resolution temporarily entrusting the duties of President of the Management Board of ENEA S.A. to Mr Piotr Koczorowski, previously the Member of the Management Board for Corporate Affairs. The Supervisory Board also initiated qualification proceedings for the positions of President of the Management Board and Member of the Management Board for Commercial Affairs.

On 9 March 2009, The Supervisory appointed Mr Maciej Owczarek to the Company's Management Board for its 6th term of office. The Supervisory Board entrusted Mr Owczarek to act as President of the Management Board as of 1 June 2009.

By a resolution of the Supervisory Board of 27 June 2009, the Supervisory Board appointed Mr Tomasz Treider to the Management Board for its sixth term of office. The Supervisory Board entrusted Mr Treider to act as Member of the Management Board for Trade as of 1 August 2009.

On 1 September 2009, the Supervisory Board recalled Mr Czesław Koltermann, Member of the Management Board elected by employees of the Company, from the Management Board.

As at 31 December 2009, the composition of the Management Board was as follows:

- Maciej Owczarek - President of the Management Board;
- Sławomir Jankiewicz - Member of the Management Board for Business Affairs;
- Piotr Koczorowski - Member of the Management Board for Corporate Matters;
- Marek Malinowski - Member of the Management Board for Strategy and Development Matters;
- Tomasz Treider - Member of the Management Board for Business Affairs;

As at the date of drawing up this Report, the Company's Management Board has the following composition:

Name	Position
Maciej Owczarek	President of the Management Board
Sławomir Jankiewicz	Member of the Management Board for Business Affairs
Piotr Koczorowski	Member of the Management Board for

	Corporate Affairs
Marek Malinowski	Member of the Management Board for Strategy and Development
Tomasz Treider	Member of the Management Board for Business Affairs

The Management Board directs the Company's operations and represents it in relations with third parties. Two Members of the Management Board acting jointly or one Member of the Management Board acting jointly with an authorised signatory are authorised to make declarations on behalf of the Company. The powers, organisation and operating principles of the Management Board are set out in the Statute, the Management Board Regulations, and the Commercial Companies Code.

According to the Management Board Regulations, meetings of the Management Board are generally held once a week at the Company's registered office. Participation in meetings of the Management Board is compulsory. Meetings of the Management Board of the Company are convened by the President of the Management Board or a Management Board Member designated by him, at the President's own initiative or upon a motion by two Members of the Management Board.

Employees of the Company, experts and external advisors can be invited to attend Management Board meetings.

The agenda and the necessary documents for a Management Board meeting are provided by the Management Board Office at least one business day before the meeting. For valid reasons, a meeting can be convened immediately and without materials being provided. For a meeting to be held, all the members of the Management Board must be effectively notified of the meeting.

Decisions of the Management Board associated with conducting the Company's affairs, as referred to in the Statute, are made in the form of Management Board resolutions. The Management Board can adopt resolutions if at least half of its members are present at the meeting and all of the members have been correctly notified of the meeting. The Management Board adopts resolutions by an absolute majority of votes, i.e. by a majority of more than half the votes cast. Abstentions are deemed to be votes cast against the resolution. In the event of an equal number of votes in adopting a management board resolution, the casting vote is held by the Management Board President. The Management Board can adopt resolutions in writing or remotely using a means of direct communication. Adopting resolutions in this manner requires a justification and that the draft resolution be presented in advance to all the members of the Management Board. Resolutions adopted in writing or remotely using a means of direct communication are presented at the next meeting of the Management Board with the outcome of the vote.

The normal business of the Company not reserved for a decision of the Management Board (taken in the form of a resolution) is conducted by the President of the Management Board acting alone and by particular Members of the Management Board according to their individual internal division of competencies:

- President of the Management Board coordinates tasks in connection with the overall operations of the Company and the ENEA Capital Group.
- Member of the Management Board for Commercial Affairs supervises and coordinates the overall tasks in connection with the trade of electricity and customers services.
- Member of the Management Board for Economic Affairs supervises and coordinates the overall tasks in connection with economic, financial and accounting matters in the Company and the ENEA Capital Group.
- Member of the Management Board for Corporate Affairs supervises and coordinates the overall tasks in connection with ownership supervision of the ENEA Capital Group.
- Member of the Management Board for Strategy and Development supervises and coordinates the overall tasks in connection with the preparation and implementation of a development strategy.

Supervisory Board

The members of the Supervisory Board for the 7th term were appointed by a resolution of an Extraordinary General Meeting of Shareholders of 30 June 2006 for a joint three-year term, which ends on 30 June 2012. 2012r. The mandates of the members of the Supervisory Board will expire not later than the date of General Meeting of Shareholders that approves the financial statements for 2011.

From 1 January 2009 to 25 February 2009, the composition of the Supervisory Board was as follows: Mr Michał Łagoda, Mr Tadeusz Dachowski, Mr Piotr Begier, Ms Marzena Gajda, Mr M. Janas, Mr Andrzej Łopuszko, Mr Wiesław Pawliotti, Mr Mieczysław Pluciński.

On 24 February 2009, Ms M. Gajda submitted her resignation from the Supervisory Board as of 25 February 2009. On 25 February 2009, an Extraordinary General Meeting of Shareholders appointed Mr Wojciech Chmielewski, Mr Marcin Bruszewski and Mr Graham Wood (as an independent member of the Board) to the Supervisory Board.

On 30 June 2009, the Ordinary General Meeting of Shareholders appointed the following Members of the Supervisory Board for its seventh term of office:

- Mr Michał Łagoda,
- Mr Tadeusz Dachowski,
- Mr Piotr Begier,
- Mr Paweł Janas,
- Mr Wiesław Pawliotti,
- Mr. Mieczysław Pluciński,
- Mr. Paweł Balcerowski,
- Mr Wojciech Chmielewski,
- Mr Marcin Bruszewski
- Mr Graham Wood.

On 17 September 2009, an Extraordinary General Meeting of Shareholders recalled Mr Marcin Bruszewski from the Supervisory Board and appointed Mr Michał Kowalewski.

As at the date of drawing up this report, the Company's Supervisory Board has the following composition:

Name	Position
Michał Łagoda	Chairman of the Supervisory Board
Tadeusz Dachowski	Deputy-Chairman of the Supervisory Board
Piotr Begier	Secretary of the Supervisory Board
Paweł Balcerowski	Member of the Supervisory Board
Wojciech Chmielewski	Member of the Supervisory Board
Marian Janas	Member of the Supervisory Board
Michał Kowalewski	Member of the Supervisory Board
Wiesław Pawliotti	Member of the Supervisory Board
Mieczysław Pluciński	Member of the Supervisory Board
Graham Wood	Member of the Supervisory Board

The Supervisory Board exercises ongoing supervision over all areas of the Company's activities. The special duties of the Supervisory Board include assessing the Management Board report on the Company's operations and the financial statements for the previous financial year, to ensure their compliance with the books of account and documents and the factual status, and motions of the Management Board on the distribution of profits or covering of losses, as well as submitting an annual written report on the results of that assessment to the General Meeting of Shareholders. The powers, organisation and operating principles of the Supervisory Board's are set out in the Statute, the Supervisory Board Regulations of ENEA S.A. in Poznań and the Commercial Companies Code.

In accordance with the Company's Statute, the Supervisory Board consists of from six to fifteen members appointed by: (i) the General Meeting of Shareholders, (ii) the Company's employees – to the extent of their entitlement under the Act on Commercialisation and Privatisation (the employees can elect two, three or four members of the Supervisory Board if it has up to six, from seven to ten, or more than 11 members respectively) and (iii) the State Treasury – the State Treasury has the right to appoint one member of the Supervisory Board. Furthermore, under the provisions of the Company's Statute, starting from the date falling one month after the date of the first listing of the Shares on the regulated market, at least one member of the Supervisory Board from among those appointed by the General Meeting of Shareholders should: (i) fulfil the independence requirements (ii) be elected by the General Meeting of Shareholders in a separate vote; and (iii) not be an employee of the Company or its subsidiaries or affiliates. The Supervisory Board member referred to

in the previous sentence is elected by the General Meeting of Shareholders in a separate vote. Each shareholder of the Company present at the General Meeting of Shareholders held to elect the independent member of the Supervisory Board representing at least one per cent of the total number of votes represented at the General Meeting of Shareholders in question, has the right to nominate one candidate for that member of the Supervisory Board. If there are no nominations for candidates for independent members of the Supervisory Board, the Supervisory Board will nominate candidates and submit the nominations to the General Meeting of Shareholders for voting. The number of members of the Supervisory Board is determined by the General Meeting of Shareholders. On 25 February 2009, in accordance with the above-mentioned provisions of the Statute, an Extraordinary General Meeting of Shareholders elected Mr Graham Wood as independent Member of the Supervisory Board.

According to the Supervisory Board Regulations, the Board holds meetings at least once every two months. Meetings of the Board are convened by the Chair or Deputy-Chair of the Board, who will also present a detail agenda. A meeting of the Board should be convened at the request of any member of the Board or at the request of the Management Board. A meeting of the Board will be convened within two weeks from the date when a request is received. For a meeting of the Board to be convened, all the members of the Board must be invited in writing at least seven days before the meeting. For valid reasons, the Chairman of the Board can reduce that notice period to two days, specifying the manner of delivering the invitations. In an invitation to a meeting of the Board, the Chair will specify the time and venue of the meeting and include a detailed draft agenda. He will also enclose materials with the invitation relating to the matters included on the agenda.

Meetings of the Supervisory Board are conducted by the Chairman of the Supervisory Board, or in the case of his absence, by the Deputy-Chairman or other member of the Supervisory Board chosen at the meeting. The proposed agenda can be changed if all the members of the Board are present at the meeting and no one objects to the agenda. Any matters that are not included on the agenda will be included on the agenda of the next meeting. Participation in Supervisory Board meetings is obligatory for Board members. A Supervisory Board member must provide reasons for not attending in writing. A resolution of the Board is required to excuse a member of the Board for being absent.

The Management Board can adopt resolutions if at least half of its members are present at the meeting and all of the members have been correctly notified of the meeting. The Management Board adopts resolutions by an absolute majority of votes, i.e. by a majority of more than half the votes cast. Abstentions are deemed to be votes cast against the resolution. In the event of an equal number of votes in adopting a Supervisory Board resolution, the casting vote is held by the chairman of the Supervisory Board. The Supervisory Board can also adopt resolutions in writing, by signing the same copy (or copies) or the draft resolution or separate documents with the same content, or by telephone or by other means of remote communication, in a manner that allows all the members participating in the meeting to directly communicate with each other. Adopting a resolution by this procedure requires that a justification for the resolution be drawn up in advance and that a draft resolution be presented to all the members of the Supervisory Board together with the justification. Resolutions cannot be adopted in writing or remotely using means of direct communication for elections of the Chair or Deputy-Chair of the Board, appointing a member of the Management Board or recalling or suspending those persons. Resolutions adopted in writing or remotely using means of direct communication are presented at the next meeting of the Supervisory Board with the outcome of the voting. Supervisory Board Members can participate in the adoption of resolutions by the Supervisory Board by voting in writing through another Supervisory Board Member, subject to Article 388 par. 2 and 4 of the Commercial Companies Code.

The Supervisory Board Regulations of ENEA S.A. also provide for the appointment of two Committees of the Supervisory Board, i.e. the Audit Committee and the Nominations and Remuneration Committee.

Pursuant to the Supervisory Board Regulations, a committee consists of at least three members appointed by the Board from among its members for a period corresponding to the length of the Board's term. The members of the committee elect a chair of the committee from among their number. The chair of the committee directs and supervises the committee's work, particularly the organisation and procedure of committee meetings. Committee meetings are convened by the chair of the committee or, if he is absent, by a member of the Board indicated by him. The first committee meeting is convened by the Chair of the Board or by a member of the Board indicated by him. Notifications of committee meetings are subject to the provisions on notifications of Board meetings, as appropriate. However, committee meetings should be held once per quarter, before the Company publishes its financial statements. Only persons invited by the chair can take part in committee meetings. Committee resolutions are adopted by an ordinary majority of votes. In the event of

an equal number of votes, the chair of the committee has the casting vote. Committee resolutions are adopted at meetings or remotely using a means of direct communication. The chair of the committee submits resolutions, motions and reports on matters on the Board's agenda to the Board, as well as other motions, including motions regarding the need to draw up an expert opinion or an opinion concerning the scope of the committee's tasks for the needs of the committee or employ an adviser.

The task of the Audit Committee is to advise the Board regarding the internal policy and budget procedures adopted by the Company and inspect them and advise on the Company's contacts with the certified auditor, in particular:

- (a) monitoring the accuracy of the financial information presented by the Company, particularly by reviewing the appropriateness and consistency of the application of the accounting methods adopted by the Company and its group (including the criteria for consolidating the financial statements of the companies in the group);
- (b) monitoring the process of financial reporting;
- (c) monitoring the effectiveness of internal control systems, internal audits and risk management;
- (d) monitoring the financial audit and presenting recommendations to the Board regarding the selection, appointment, re-appointment and dismissal of the external auditor by the authorised body and regarding the terms and conditions of his engagement;
- (e) monitoring the independence of the auditor and the entity authorised to audit the financial statements, including in the case of the provision of services as specified in Article 48 par. 2 of the Act on Auditors;
- (f) Evaluating and submitting an annual internal audit plan to the Supervisory Board for approval;
- (g) Evaluating and submitting an annual internal audit unit budget to the Supervisory Board for approval;
- (h) Evaluating and submitting changes in the scope of activities of the internal audit unit to the Supervisory Board for approval;
- (i) discussing any problems or reservations that might result from auditing financial statements;
- (j) discussing the nature and scope of the audit with the Company's certified auditors before the commencement of each audit of the annual financial statements and monitoring the coordination of work between the Company's certified auditors;
- (k) reviewing internal control and risk management systems at least once a year, in order to ensure that key risks (including those associated with compliance with applicable provisions of law and regulations) are correctly identified, managed and disclosed;
- (l) ensuring the effectiveness of the internal audit by expressing its opinion on the election, appointment or recall of the head of the internal audit department, as well as monitoring the reaction of the Management Board of the Company to its determinations and recommendations;
- (m) issuing an opinion on withdrawing from the payment conditions (reducing the remuneration) of the Director of the Inspection and Audit Office;
- (n) analysing reports of the Company's internal auditors and the key conclusions of other internal analysts and the Management Board's response to those conclusions, including examining the degree of independence of internal auditors;
- (o) inspecting the nature and scope of non-auditing services, in particular on the basis of the external auditor disclosing the sum total of all fees paid by the Company and its group to the auditing firm and its chain, in order to prevent a material conflict of interests in that context;
- (p) reviewing the effectiveness of the external auditing process and monitoring the response of the Management Board to written recommendations presented to it by external auditors;
- (q) examining issues being the reason for dismissing an external auditor and issuing recommendations on required action;
- (r) cooperating with the Company's organisational units responsible for auditing and control and periodically assessing their work;
- (s) reviewing the Company's system of management accounting.

The task of the Nominations and Remuneration Committee is to promote the achievement of the Company's strategic objectives by presenting opinions and motions to the Board regarding the structure of employment and the remuneration paid to the Company's personnel, particularly management personnel. The Committee's tasks include:

- (a) analysing Management Board policy concerning the nomination, election and appointment of high-level managerial personnel;
- (b) presenting proposals to the Board relating to the remuneration and forms of employment of members of the Management Board, taking into account their previous achievements;
- (c) presenting opinions to the Supervisory Board on the justification for awarding performance-based remuneration and on incentives based on realisation of tasks and goals of the Company and proposals in that respect;
- (d) assessing the Company's human resources management system;
- (e) periodically assessing the skills, knowledge and experience of individual members of the Management Board and management personnel and presenting the results of the assessment to the Board.

On 9 March 2009, the sixth term of office of the Supervisory Board appointed the Audit Committee of the Supervisory Board and the Nominations and Remuneration Committee, composed of all the current Members of the Board.

On 31 July 2009, the Supervisory Board of the 7th term of office established Committees composed of the following:

1. Audit Committee:
 - Graham Wood - Chairman
 - Piotr Begier – Deputy-Chairman
 - Paweł Balcerowski - Member
 - Marcin Bruszewski - Member
 - Wojciech Chmielewski – Member
2. Nominations and Remuneration Committee:
 - Wiesław Pawliotti - Chairman
 - Tadeusz Dachowski – Deputy-Chairman
 - Marian Janas - Member
 - Michał Łagoda - Member
 - Mieczysław Pluciński – Member

In connection with the recall from the Supervisory Board of Mr Marcin Bruszewski on 17 September 2009, on 19 November 2009 the Supervisory Board completed the composition of the Audit Committee by appointing Mr Michał Kowalewski to it.

8. OTHER INFORMATION

1. The entity authorised to audit the financial statements

Pursuant to a resolution of the Supervisory Board of 26 March 2009, Deloitte Audyt Sp. z o.o. was chosen to conduct the audit of the non-consolidated and consolidated annual financial statements of ENEA S.A. for 2009. The financial statements audit agreement was signed on 17 April 2009.

The table below presents the net fees due to Deloitte Audyt Sp. z o.o. under services to ENEA S.A. concerning a given financial year (expressed in '000 PLN):

	01.01.2009 - 31.12.2009
Deloitte Audyt Sp. z o.o.'s remuneration for auditing and reviewing the non-consolidated and consolidated financial statements of ENEA S.A.	213
Deloitte Audyt Sp. z o.o.'s remuneration for other certification services provided to ENEA S.A. – including review of the financial statements	177
Deloitte Audyt Sp. z o.o.'s remuneration for other services	86

Total	476
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Pursuant to a resolution of the Supervisory Board of 6 September 2008, KPMG Audyt Sp. z o.o. was chosen to conduct the audit of the non-consolidated and consolidated annual financial statements of ENEA S.A. for 2008. The financial statements audit agreement was signed on 9 October 2008.

The table below presents the net fees due to KPMG Audyt Sp. z o.o. under services to ENEA S.A. concerning a given financial year (expressed in '000 PLN):

	01.01.2008 - 31.12.2008
KPMG Audyt Sp. z o.o.'s remuneration for auditing and reviewing the non-consolidated and consolidated financial statements of ENEA S.A.	374
KPMG Audyt Sp. z o.o.'s remuneration for other certification services provided to ENEA S.A. – including review of the financial statements	2 006
KPMG Audyt Sp. z o.o.'s remuneration for other services	1 083
Total	3 463

2. Achievements in the area of research and development

There are no significant research and development achievements.

3. Environmental issues

Key issues for the Company related to protection of the natural environment are described in Section 4.1.2 of this report. The issues described below should also be considered.

Since it is a business entity which uses the environment, ENEA S.A. had to fulfil legal requirements provided for in the relevant provisions of law. With regard to environmental protection, the Company was subject to the following basic legislation:

The Environmental Protection Law of 27 April 2001, as amended (uniform text in the Journal of Laws of 2006, No. 129, item 902)

- The Waste Materials Act of 27 April 2001, as amended;
- The Water Law of 18 July 2001, as amended (uniform text Announcement by the Speaker of the Sejm of the Republic of Poland of 18 November 2005, Journal of Laws No. 239, item 2019),
- The Law on Used Electrical and Electronic Equipment of 29 July 2005 (Journal of Laws of 2005, No. 180, item 1495),
- The Act on Making Information Available on the Environment, Environmental Protection, and Society's Participation in Environmental Protection and on Environmental Impact Assessments of 3 October 2008 (Journal of Laws No. 199, item 1227 of 2008).

ENEA S.A. owns office buildings and holiday centres. The Company uses the environment by:

- a) collecting water from its own intakes;
- b) disposing of sewage into a river;
- c) polluting the air by;
- d) fuel combustion in the engines of the Company's vehicles;
- e) fuel combustion in heating devices.

Two wells, one in the Energetyk Recreational Centre in Krzeczaków Tyczno, and the other in Zielona Góra at ul. Wojska Polskiego 142, are being leased to other entities. In the mid-year information pertaining to the use of

the environment sent by ENEA S.A. to the Lubuski Province Marshall's Office and to the Provincial Inspectorate for Environmental Protection, the use of water from those wells was shown.

The boiler houses operated in ENEA S.A.'s facilities did not require permits and did not have to be notified to the county administrator in accordance with the Regulation of the Minister of the Environment of 22 December 2004 on types of installation whose operation requires notification (Journal of Laws No. 283, item 2839 of 2004).

Because ENEA S.A. fulfilled its obligations under environmental protection laws, in 2009 it was not threatened with any penal sanctions for failing to fulfil such requirements and it did not receive any penalties.

4. Information on employment

The table below shows ENEA S.A.'s employment level and average employment for the year 2009, divided into trade and other activities.

	State as at 31 December 2009	Annual average
TRADE	107.88	109.31
OTHER ACTIVITIES	198.21	193.85
TOTAL	306.01	303.16

5. Proceedings

Neither ENEA S.A. nor any of its subsidiaries is a party in any proceedings being conducted before a court, an authority competent to conduct arbitration proceedings or a public administration authority relating to liabilities or claims of ENEA S.A. or its subsidiary whose value amounts to at least 10 per cent of ENEA S.A.'s equity capital.

Furthermore, neither ENEA S.A. nor any of its subsidiaries is a party in two or more proceedings being conducted before a court, an authority competent to conduct arbitration proceedings or a public administration authority relating to liabilities or claims whose total value amounts to at least 10 per cent of ENEA S.A.'s equity capital.

A description of other pending proceedings to which ENEA S.A. or entities belonging to its capital group are party is included in the financial statements for the financial year 2009, in Note 37, and in the consolidated financial statements for the financial year 2009, in Note 45.

Signatures of the Management Board Members

President of the Management Board Maciej Owczarek

Member of the Management Board Piotr Koczorowski

Member of the Management Board Sławomir Jankiewicz

Member of the Management Board Marek Malinowski

Member of the Management Board Tomasz Treider

Poznań, 16 March 2010

**DECLARATION BY THE MANAGEMENT BOARD
ON THE RELIABILITY OF THE SEPARATE FINANCIAL STATEMENTS AND ON THE ENTITY
AUTHORISED TO AUDIT THE FINANCIAL STATEMENTS**

Declaration of the Management Board on the reliability of the separate financial statements:

The Management Board of ENEA S.A. declares that to the best of its knowledge:

- the annual separate financial statements, together with the comparative data, were prepared in accordance with binding accountancy principles and reflect the assets and financial condition of ENEA S.A. and the financial result of ENEA S.A. for the periods in a manner that is true, reliable and clear,
- the report of the Management Board on the operations of ENEA S.A. for 2009 contains a true depiction of the development, achievements and condition of ENEA S.A., and this also extends to the description of core risks and dangers.

Declaration of the Management Board on the entity authorised to audit the financial statements:

The Management Board of ENEA S.A. declares that Deloitte Audyt Sp. z o.o., the entity authorised to audit the annual separate financial statements of ENEA S.A., was selected in accordance with applicable provisions of law. The entity and the auditors conducting the review of those financial statements met the criteria for issuing an impartial and independent report of the review of the annual separate financial statements, in accordance with the binding provisions of law and professional standards.

President of the Management Board

Maciej Owczarek

Member of the Management Board

Piotr Koczorowski

Member of the Management Board

Sławomir Jankiewicz

Member of the Management Board

Marek Malinowski

Member of the Management Board

Tomasz Treider