Extended consolidated quarterly report

of the ENEA Group

for the third quarter of 2009

Poznań, 16 November 2009

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Selected consolidated financial data of the ENEA Capital Group

	in PLN '000		in EUR '000	
	9 months ended 30.09.2009	**9 months ended 30.09.2008**	**9 months ended 30.09.2009**	**9 months ended 30.09.2008**
Net sales revenues	5 239 438	4 526 288	1 190 971	1 321 660
Profit/loss on operating activities	439 371	154 959	99 873	45 247
Profit/loss before tax	556 701	189 062	126 543	55 205
Net profit/loss for the reporting period	446 282	136 001	101 444	39 712
Cash flows from operating activities	523 538	708 807	119 005	206 969
Net cash flows from investing activities	(2 015 504)	(503 491)	(458 142)	(147 018)
Net cash flows from financing activities	(216 989)	(136 526)	(49 324)	(39 865)
Total net cash flows	(1 708 955)	68 790	(388 461)	20 086
Weighted average number of shares	441 442 578	347 253 939	441 442 578	347 253 939
Net profit per share (in PLN per share)	1.01	0.39	0.23	0.11
Diluted profit per share (in PLN/EUR)	1.01	0.39	0.23	0.11

	Balance as at 30.09.2009	**Balance as at 31.12.2008**	**Balance as at 30.09.2009**	**Balance as at 31.12.2008**
Total assets	12 126 622	11 985 917	2 871 838	2 872 667
Total liabilities	2 819 058	2 961 664	667 612	709 823
Non-current liabilities	1 465 340	1 518 009	347 023	363 822
Current liabilities	1 353 718	1 443 655	320 589	346 001
Equity	9 307 564	9 024 253	2 204 226	2 162 845
Share capital	588 018	588 018	139 255	140 930
Net book value per share (in PLN/EUR)	21.08	25.99	4.99	6.23
Diluted book value per share (in PLN/EUR)	21.08	25.99	4.99	6.23

The above financial data for Q3 2009 and 2008 were translated into EUR in line with the following principles:

– individual assets and liabilities – as per the average exchange rate at 30 September 2009 – PLN/EUR 4.2226 (as at 31 December 2008 – PLN/EUR 4.1724);

– individual items from 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 financial period from 1 January to 30 September 2009 – PLN/EUR – 4.3993 (for the period from 1 January to 30 September 2008 – PLN/EUR 3.4247).

INDEPENDENT AUDITOR'S REPORT ON THE REVIEW OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY 2009 TO 30 SEPTEMBER 2009

To the Supervisory Board and Management Board of ENEA S.A.

We have reviewed the attached condensed interim consolidated financial statements of the ENEA Capital Group in which ENEA S.A., with registered office in Poznań, ul. Nowowiejskiego 11, acts as the Group's parent company, including:

– consolidated balance sheet prepared as of 30 September 2009, with total assets and equity plus liabilities of PLN 12,126,622 thousand;

– consolidated statement of comprehensive income for the period from 1 January 2009 to 30 September 2009 disclosing a net profit of PLN 446,282 thousand and comprehensive income of PLN 469,202 thousand;

– statement of changes in consolidated equity for the period from 1 January 2009 to 30 September 2009, disclosing an increase in equity of PLN 283,311 thousand;

– consolidated cash flow statement for the period from 1 January 2009 to 30 September 2009, showing a cash outflow of PLN 1,708,955 thousand;

– additional information and explanations.

The Management Board of ENEA S.A. is responsible for fairness, correctness and clarity of information contained in the condensed interim consolidated financial statements drawn up in compliance with International Financial Reporting Standards applicable to interim financial reporting, as approved by the European Union ("IAS 34") and correctness of preparing consolidation documentation. Our responsibility was to review these condensed interim consolidated financial statements.

The condensed interim consolidated financial statements of the ENEA Capital Group for the period of 9 months ended 30 September 2009 cover financial data of 24 subsidiaries consolidated with the full method. The financial statements of 6 subsidiaries were subject to review by the entity authorized to audit financial statements, Deloitte Audyt Sp. z o.o. The financial statements of the remaining 18 subsidiaries were not subject to review by entities authorized to audit financial statements. The share of the financial statements which were not subject to a review in consolidated sales revenue and in the consolidated balance sheet total before consolidation adjustments was 2% and 1%, respectively.

We have conducted the review in line with legal regulations valid in Poland and auditing standards issued by the National Council of Statutory Auditors. The standards require to plan and conduct the review in such a way as to obtain reasonable assurance that the condensed interim consolidated financial statements are free of material misstatements. Our review was conducted mainly based on an analysis of data included in the condensed interim consolidated financial statements, examination of consolidation documentation as well as information provided by the Management Board and the financial and accounting personnel of the parent company. The scope and method of review of the condensed interim consolidated financial statements are substantially different from an audit. The objective of the review is not to express an opinion on the fairness, correctness and clarity of the condensed interim consolidated financial statements. Therefore, no such opinion is issued.

Our review did not identify a need to introduce significant changes to the attached condensed interim consolidated financial statements so that they would provide a fair and clear view of the financial and economic position of the ENEA Capital Group as at 30 September 2009 and its financial result for the period from 1 January 2009 to 30 September 2009, in line with IAS 34.

Without insisting on the necessity to introduce significant changes to the attached condensed interim consolidated financial statements, we would like to draw attention to Note 25 in which the Management Board of ENEA S.A. presented information concerning the Decision of the President of the Energy Regulatory Office provided to Elektrownia "Kozienice" S.A. on 5 August 2009 determining the amount of the annual adjustment of orphaned costs for Elektrownia "Kozienice" S.A. for the year 2008 as well as the impact of this decision on the condensed interim consolidated financial statements for the period from 1 January 2009 to 30 September 2009.

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

....
Represented by

....
Deloitte Audyt Sp. z o.o.
Al. Jana Pawła II 19, Warszawa
Entity entitled to audit financial statements entered under number 73 on the list kept by the National Council of Statutory Auditors

Warsaw, 16 November 2009

Condensed interim consolidated financial statements of the ENEA Capital Group for the period from 1 January to 30 September 2009

Poznań, 16 November 2009

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These condensed interim consolidated financial statements were prepared in accordance with International Financial Reporting Standards IAS 34 Interim Financial Reporting, as approved by the European Union (EU) and adopted by the Management Board of ENEA S.A.

Members of the Management Board

Chairman 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 November 2009

(all amounts in PLN '000, unless specified otherwise)

Consolidated Balance Sheet

	As at	
	30.09.2009	**31.12.2008**
ASSETS		
Non-current assets		
Property, plant and equipment	7 866 899	7 944 815
Perpetual usufruct right	16 548	15 321
Intangible assets	37 950	36 606
Investment properties	4 897	5 034
Investments in associates accounted for using the equity method	197 796	189 941
Financial assets available for sale	40 657	8 965
Financial assets measured at fair value through profit or loss	1 167	1 033
Trade and other receivables	1 395	2 316
	8 167 309	**8 204 031**
Current assets		
Inventories	353 129	270 044
Trade and other receivables	971 308	780 098
Current income tax receivables	2 069	5 538
Financial assets available for sale	-	4 806
Financial assets held to maturity	47 340	100 741
Financial assets measured at fair value through profit or loss	1 673 763	-
Cash and bank balances	911 704	2 620 659
	3 959 313	**3 781 886**
Total assets	**12 126 622**	**11 985 917**

The consolidated balance sheet should be analyzed together with the explanatory notes which constitute an integral part of these condensed interim consolidated financial statements.

(all amounts in PLN '000, unless specified otherwise)

	As at	
LIABILITIES	**30.09.2009**	**31.12.2008**
Equity		
Equity attributable to equity holders of the Parent		
Share capital	588 018	588 018
Akcje własne	-	(17 396)
Share premium	3 632 464	3 632 464
Share based capital	1 144 336	1 144 336
Revaluation reserve (financial instruments)	21 821	(1 099)
Other capitals	(28 226)	(28 226)
Retained earnings	3 918 169	3 675 078
	9 276 582	**8 993 175**
Minority interest	30 982	31 078
Total equity	**9 307 564**	**9 024 253**
LIABILITIES		
Non-current liabilities		
Loans and borrowings	125 933	152 785
Trade and other liabilities	164	708
Finance lease liabilities	1 388	1 515
Deferred income from subsidies and connection fees	809 294	767 514
Deferred tax liabilities	102 928	123 480
Employee benefits	402 672	438 796
Provisions for other liabilities and charges	22 961	33 211
	1 465 340	**1 518 009**
Current liabilities		
Loans and borrowings	47 830	52 605
Trade and other liabilities	907 364	865 581
Finance lease liabilities	1 080	877
Deferred income from subsidies and connection fees	36 215	26 079
Current tax liabilities	71 630	18 705
Employee benefits	120 066	129 880
Liabilities due to an equivalent of the right to acquire shares free of charge	424	163 799
Provision for certificates of origin	38 140	101 403
Provisions for other liabilities and charges	130 969	84 726
	1 353 718	**1 443 655**
Total liabilities	**2 819 058**	**2 961 664**
Total equity and liabilities	**12 126 622**	**11 985 917**

The consolidated balance sheet should be analyzed together with the explanatory notes which constitute an integral part of these condensed interim consolidated financial statements.

(all amounts in PLN '000, unless specified otherwise)

Consolidated Statement of Comprehensive Income

	9 months ended 30.09.2009	3 months ended 30.09.2009	9 months ended 30.09.2008	3 months ended 30.09.2008
Sales revenues	5 432 899	1 714 242	4 695 041	1 541 763
Excise duty	(193 461)	(66 730)	(168 753)	(54 061)
Net sales revenues	**5 239 438**	**1 647 512**	**4 526 288**	**1 487 702**
Other operating revenue	62 088	24 578	49 023	8 314
Amortization/depreciation	(482 233)	(163 312)	(479 165)	(156 895)
Employee benefit costs	(584 554)	(197 634)	(704 947)	(199 707)
Consumption of materials and raw materials and costs of goods sold	(1 139 392)	(427 057)	(982 365)	(335 825)
Energy purchase for the needs of sales	(1 712 290)	(533 289)	(1 286 725)	(415 522)
Transmission services	(511 516)	(178 035)	(558 933)	(177 022)
Other external services	(238 691)	(96 419)	(201 030)	(78 165)
Taxes and charges	(127 885)	(41 260)	(118 963)	(39, 074)
Profit/(Loss) on sales and liquidation of property, plant and equipment	1 896	739	(4 075)	(1 825)
Impairment loss on property, plant and equipment	(7 517)	–	–	–
Other operating expenses	(59 973)	(20 380)	(84 149)	(32 862)
Operating profit	**439 371**	**15 443**	**154 959**	**59 119**
Financial expenses	(24 930)	(278)	(26 778)	(10 564)
Financial revenues	131 696	47 404	60 360	18 727
Share in net (losses)/profits of associated entities measured using the equity method	10 564	1 795	521	949
Profit before tax	**556 701**	**64 364**	**189 062**	**68 231**
Income tax	(110 419)	(9 988)	(53 061)	(23 191)
Net profit for the reporting period	**446 282**	54 376	136 001	45 040
Other comprehensive income items				
Measurement of financial assets available for sale	28 296	6 199	(1 835)	–
Income tax related to other comprehensive income items	(5 376)	(1 172)	284	–
Other net comprehensive income items	**22 920**	**5 027**	**(1 551)**	**–**
Comprehensive income for the period	**469 202**	**59 403**	**134 450**	**45 040**
Including net profit:				
attributable to shareholders of the Parent	446 372	54 887	136 050	45 014
attributable to minority interest	(90)	(511)	(49)	26
Including comprehensive Income:				
attributable to shareholders of the Parent	469 292	59 914	134 499	45 014
attributable to minority interest	(90)	(511)	(49)	26
Net profit attributable to shareholders of the Parent	446 372	54 887	136 050	45 014
Weighted average number of ordinary shares	441 442 578	441 442 578	347 253 939	345 341 718
Net profit per share (in PLN per one share)	**1.01**	**0.12**	**0.39**	**0.13**
Diluted profit per share (in PLN per share)	**1.01**	**0.12**	**0.39**	**0.13**

The consolidated balance sheet should be analyzed together with the explanatory notes which constitute an integral part of these condensed interim consolidated financial statements.

(all amounts in PLN '000, unless specified otherwise)

Consolidated Statement of Changes in Equity

	Note	Share capital (nominal value)	Revaluation of share capital	Total share capital	Share premium	Share based payments reserve	Financial instruments revaluation reserve	Retained earnings	Minority interest	Total equity
As at 01.12.2007		**221 595**	**146 575**	**368 170**	**-**	**901 110**	**-**	**3 088 596**	**6 002**	**4 363 878**
Sale of available-for-sale financial assets							1 552			1 552
Net profit for the reporting period								521 514	162	521 676
Total recognized income and losses for the period							**1 552**	**521 514**	**162**	**523 228**
Increase in share capital	18	126 626		**126 626**	1 801 078					1 927 704
Change of ownership	18								(2 195)	(2 195)
Dividends	36							(45 435)	(805)	(46 240)
As at 31.12.2007		**348 221**	**146 575**	**494 796**	**1 801 078**	**901 110**	**1 552**	**3 564 675**	**3 164**	**6 766 375**

The consolidated balance sheet should be analyzed together with the explanatory notes which constitute an integral part of these condensed interim consolidated financial statements.

ENEA Capital Group

Condensed interim consolidated financial statements for the period from 1 January to 30 September 2009

(all amounts in PLN '000, unless specified otherwise)

	Share capital (nominal value)	Revaluation of share capital	Total share capital	Own shares	Share-based capital	Capital due to surplus of the price of issue over the nominal value	Revaluation reserve (financial instruments)	Other capitals	Retained earnings	Capital attributable to minority interest	Total equity
Balance as at 01.01.2008	**348 221**	**146 575**	**494 796**		**901 110**	**1 801 078**	**-**	**-**	**3 566 227**	**3 164**	**6 766 375**
Total profit									134 499	(49)	134 450
Dividends									(98 588)	(269)	(98 857)
Redemption of shares	(10 594)		**(10 594)**						10 594		-
Cash equivalent exchanged for shares					224 042						224 042
Change in the fair value of employee shares program					19 184						19 184
Other						(5 033)				36	(4 997)
Balance as at 30.09.2008	**337 627**	**146 575**	**484 202**	**-**	**1 144 336**	**1 796 045**	**-**	**-**	**3 612 732**	**2 882**	**7 040 197**

The consolidated balance sheet should be analyzed together with the explanatory notes which constitute an integral part of these condensed interim consolidated financial statements.

(all amounts in PLN '000, unless specified otherwise)

Consolidated cash flow statement

	9 months ended 30.09.2009	9 months ended 30.09.2008
Cash flows from operating activities		
Net profit for the reporting period	446 282	136 001
Adjustments for:		
Income tax as per income statement	110 419	53 061
Amortization/depreciation	482 233	479 165
Share based payments expense	-	19 433
(Profit)/Loss on sales and liquidation of property, plant and equipment	(1 896)	4 075
Impairment loss of property, plant and equipment	7 517	5 788
(Profit)/Loss on sales of financial assets	(17 611)	(1 777)
Interest revenue	(113 915)	(53 279)
Dividend revenue	(2 335)	-
Interest expense	9 241	11 841
Share in (profit)/losses of associated entities	(10 564)	(521)
Exchange (gains)/losses on loans and borrowings	1 332	(4 431)
Other adjustments	(4 362)	-
	460 059	**513 355**
Income tax paid	(77 878)	(93 677)
Interest received	105 038	50 893
Interest paid	(9 304)	(9 347)
Changes in working capital		
Inventories	(83 236)	(86 803)
Trade and other receivables	(189 639)	(28 887)
Trade and other liabilities	63 767	(82 452)
Employee benefits	(45 374)	105 527
Deferred income from subsidies and connections' fee	44 490	45 564
Changes in certificates of origin	(63 263)	108 501
Change in liabilities due to an equivalent of the right to acquisition of shares free of charge	(163 375)	-
Changes in provisions	35 971	50 132
	(400 659)	111 582
Cash flows from operating activities	**523 538**	**708 807**
Cash flows from investing activities		
Acquisition of property, plant and equipment and intangible assets	(426 202)	(422 764)
Proceeds from sales of property, plant and equipment	8 888	14 636
Acquisition of financial assets	(1 905 500)	(94 098)
Proceeds from sales of financial assets	302 951	3 768
Dividends received	10 515	-
Other outflows	(6 156)	(5 033)
Net cash flows from investing activities	**(2 015 504)**	**(503 491)**
Cash flows from financing activities		
Proceeds from borrowings	811	1 431
Repayment of borrowings	(33 959)	(50 444)
Dividends paid to the Parent Company's shareholders	(203 064)	(86 111)
Outflows related to financial lease liabilities	(2 829)	(1 402)
Proceeds from sale of own shares	22 479	-
Other changes	(427)	-
Net cash flows from financing activities	**(216 989)**	**(136 526)**
Net increase/ (decrease) in cash and cash equivalents	**(1 708 955)**	**68 790**
Cash and cash equivalents at the beginning of the reporting period	2 620 659	940 792
Cash and cash equivalents at the end of the reporting period	**911 704**	**1 009 582**

The consolidated balance sheet should be analyzed together with the explanatory notes which constitute an integral part of these condensed interim consolidated financial statements.

(all amounts in PLN '000, unless specified otherwise)

Notes to the condensed interim consolidated financial statements

1. General information about ENEA S.A. and the ENEA Capital Group

Name (company):	ENEA Spółka Akcyjna
Legal form:	joint-stock company
Country of jurisdiction:	Republic of 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

Main activities of the ENEA S.A. Capital Group ("the Group", "the Capital Group") are:

— production of electricity (Elektrownia "Kozienice" S.A., Elektrownie Wodne Sp. z o.o.);

— trade in electricity (ENEA S.A.);

— distribution of electricity (ENEA Operator Sp. z o.o.).

As at 30 September 2009 the Parent's shareholding structure was the following (after the increase of the share capital due to the issue of shares under the public offering, registered in the National Court Register on 13 January 2009): the State Treasury of the Republic of Poland holds 76.48% of shares, Vattenfall AB 18.67 %, European Bank for Reconstruction and Development 2.50%, other shareholders 2.35%. The sale of own shares by the Parent (nominal value of PLN 1; the sale of 1 129 608 own shares at the average price of PLN 19.90 per share) was settled on 11 August 2009.

As at 30 September 2009, the Capital Group consisted of the parent entity ENEA S.A. ("the Company", "the Parent"), 24 subsidiaries, 3 associated entities and 1 jointly controlled entity.

These condensed interim consolidated financial statements were prepared under the going concern assumption. There are no circumstances indicating that the going concern assumption of ENEA S.A. is threatened.

2. Statement of compliance

These condensed interim consolidated financial statements were prepared in accordance with International Financial Reporting Standards IAS 34 Interim Financial Reporting, as approved by the European Union (IFRS EU) and adopted by the Management Board of ENEA S.A.

The Management Board of the Parent has used its best knowledge as to the application of standards and interpretations as well as measurement methods and principles applicable to the individual items of the condensed interim consolidated financial statements of the ENEA Capital Group in accordance with IFRS UE as at 30 September 2009. The presented statements and explanations have been determined using due diligence. Theses condensed interim consolidated financial statements were audited by a certified auditor.

The consolidated balance sheet should be analyzed together with the explanatory notes which constitute an integral part of these condensed interim consolidated financial statements.

3. Accounting principles applied

These condensed interim consolidated financial statements were prepared in accordance with accounting policies consistent with those applied during the preparation of the most recent annual consolidated financial statements, excluding changes of standards and interpretations approved by the European Union, which apply to the reporting periods beginning after 1 January 2009.

Accounting polices applied by the Group were presented in the consolidated financial statements of the ENEA Capital Group for the reporting period ended 31 December 2008.

Polish zloty was used as the measurement and reporting currency for the condensed interim consolidated financial statements. The data in the condensed interim consolidated financial statements is presented in PLN thousand (PLN '000), unless stated otherwise.

These condensed interim consolidated financial statements should be read together with the consolidated financial statements of the ENEA Capital Group for the year ended 31 December 2008.

4. New accounting standards and interpretations

New standards approved by the EU are applicable for annual periods beginning after 1 January 2009. The Group complied with these standards when preparing these condensed interim consolidated financial statements.

- IFRS 8 – Operating Segments
- Revised IAS 1 – Presentation of Financial Statements
- Revised IAS 23 – Borrowing Costs

5. Material estimates and assumptions

The preparation of these condensed interim consolidated financial statements in conformity with IFRS EU requires that the Management Board made certain judgments, estimates and assumptions that affect the application of adopted accounting policies and the amounts reported in the condensed interim consolidated financial statements and notes thereto. The adopted assumptions and estimates are based on the Management Board's best knowledge about current and future activities and events. The actual figures, however, can be different from those assumed. The estimates presented in the previous financial years do not exert any significant influence on the current interim period.

(all amounts in PLN '000, unless specified otherwise)

6. Composition of the Capital Group – list of subsidiaries, associates and jointly-controlled entities

No.	Name and address of the Company	ENEA S.A. percentage share in the total number of votes 30.09.2009	ENEA S.A. percentage share 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. Dziadoszańska 10	100	100
4.	Hotel „EDISON" Sp. z o.o.		
	Baranowo near Poznań	100	100
5.	Energetyka Wysokich i Najwyższych Napięc „WiNN" 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.	EnergoPartner 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. Strzeszyńska 58	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	99.92	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

The consolidated balance sheet should be analyzed together with the explanatory notes which constitute an integral part of these condensed interim consolidated financial statements.

(all amounts in PLN '000, unless specified otherwise)

No.	Name and address of the Company	ENEA S.A. percentage share in the total number of votes 30.09.2009	ENEA S.A. percentage share in the total number of votes 31.12.2008
16.	„PWE Gubin" Sp. z o.o.		
	Sękowice 100 gm. Gubin	50	50
17.	Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o.		
	Oborniki, ul. Wybudowanie 56	87.99	87.99
18.	ITSERWIS 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 Cieplnej -Gozdnica 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.		
	Świerże Górne, gmina Kozienice, Kozienice 1	100	100
24.	Miejska Energetyka Cieplna Piła Sp. z o.o.		
	64-920 Piła, ul. Kaczorska 20	64.997	64.997
25.	Kozienice II Sp. z o.o.		
	Świerże Górne, Kozienice municipality, Kozienice 2	100	100
26.	Przedsiębiorstwo Produkcji Strunobetonowych Żerdzi Wirowanych WIRBET S.A.		
	Ostrów Wlkp., ul. Chłapowskiego 51	49	49
27.	Przedsiębiorstwo Energetyki Cieplnej w Śremie S.A.		
	Śrem, ul. Staszica 6	41.65	41.65
28.	Elektrociepłownia Białystok S.A.		
	Białystok, ul. Gen. Andersa 3	30.36	30.36

Changes in the Capital Group structure in the period covered by these condensed interim consolidated 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 face value of PLN 1,000 each. The remaining shares were assumed by Elektrownia "Kozienice" S.A. After the capital increase, Elektrownia "Kozienice" S.A. and ENEA S.A. hold 50% in the share capital and in the total number of votes at the Shareholders' Meeting each. Appropriate entry to the National Court Register was made on 7 April 2009.

The consolidated balance sheet should be analyzed together with the explanatory notes which constitute an integral part of these condensed interim consolidated financial statements.

On 31 March 2009 the Extraordinary Shareholders' Meeting of Zakład Usług Teleinformatycznych ZZE S.A. "IT SERWIS" Sp. z o. o. passed a 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 face value of PLN 500 each. All new shares in the company's share capital were assumed 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. passed a Resolution No. 1 to increase the company's share capital by PLN 3,934.5 thousand to PLN 4,034.5 thousand, by way of creating 7,869 new shares with the face value of PLN 500 each. All new shares in the company's share capital were assumed 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. passed a 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 face value of PLN 500 each. All new shares in the company's share capital were assumed by the sole shareholder ENEA S.A. On 1 April 2009 the shares were covered with a cash contribution.

On 4 May 2009 the Extraordinary Shareholders' Meeting of COGEN Sp. z o. o. passed a 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 face value of PLN 500 each. All new shares in the company's share capital were assumed by the sole shareholder ENEA S.A.

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

On 1 July 2009 a merger 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: ENERGOMIAR Sp z o.o. with the 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 face value of PLN 1,000 each. All new shares in the company's share capital were assumed by the sole shareholder ENEA S.A. and cash covered.

On 31 August 2009 the Extraordinary Shareholders' Meeting of EnergoPartner Sp. z o. o. passed a 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 face value of PLN 1,000 each. All new shares in the company's share capital were assumed by the sole shareholder ENEA S.A. and cash covered.

(all amounts in PLN '000, unless specified otherwise)

7. Segment reporting

Segment reporting for the period from 1 January to 30 September 2009 is as follows:

	Turnover	Distribution	Production	All other segments	Eliminations	Group
Net revenues	3 368 828	1 651 022	(16 213)	235 801	-	5 239 438
Net inter-segment revenues	240 400	-	1 742 603	288 154	(2 271 157)	-
Total net revenues	**3 609 228**	**1 651 022**	**1 726 390**	**523 955**	**(2 271 157)**	**5 239 438**
Total costs	(3 457 667)	(1 483 926)	(1 572 664)	(492 837)	2 245 150	(4 761 944)
Segment result	**151 561**	**167 096**	**153 726**	**31 118**	**(26 007)**	**477 494**
Unallocated costs of the Group (administration and general expanses)						(38 123)
Operating profit						**439 371**
Financial costs						(24 930)
Financial income						131 696
Net share in profits/(losses) of associates						10 564
Income tax						(110 419)
Net profit						**446 282**
Minority interest						(90)

The consolidated balance sheet should be analyzed together with the explanatory notes which constitute an integral part of these condensed interim consolidated financial statements.

(all amounts in PLN '000, unless specified otherwise)

Segment reporting for the period from 1 July to 30 September 2009 is as follows:

	Turnover	Distribution	Production	All other segments	Eliminations	Group
Net revenues	1 119 523	552 353	(120 888)	96 524	-	1 647 512
Net inter-segment revenues	102 133	-	637 911	86 229	(826 273)	-
Total net revenues	**1 221 656**	**552 353**	**517 023**	**182 753**	**(826 273)**	**1 647 512**
Total costs	(1 186 993)	(497 575)	(587 495)	(161 391)	815 858	(1 617 596)
Segment result	**34 663**	**54 778**	**(70 472)**	**21 362**	**(10 415)**	**29 916**
Unallocated costs of the Group (administration and general expanses)						(14 473)
Operating profit						**15 443**
Financial costs						(278)
Financial income						47 404
Net share in profits/(losses) of associates						1 795
Income tax						(9 988)
Net profit						**54 376**
Minority interest						(511)

The consolidated balance sheet should be analyzed together with the explanatory notes which constitute an integral part of these condensed interim consolidated financial statements.

(all amounts in PLN '000, unless specified otherwise)

Segment reporting for the period from 1 January to 30 September 2008 is as follows:

	Turnover	Distribution	Production	All other segments	Eliminations	Total
Net revenues	2 444 768	1 711 251	178 288	191 981	-	4 526 288
Net inter-segment revenues	174 737	-	1 150 896	295 772	(1 621 405)	-
Total net revenues	**2 619 505**	**1 711 251**	**1 329 184**	**487 753**	**(1 621 405)**	**4 526 288**
Total costs	(2 548 702)	(1 615 487)	(1 280 382)	(499 591)	1 620 327	(4 323 835)
Segment result	**70 803**	**95 764**	**48 802**	**(11 838)**	**(1 078)**	**202 453**
Unallocated costs of the Group (administration and general expanses)						(47 494)
Operating profit						**154 959**
Financial costs						(26 778)
Financial income						60 360
Net share in profits/(losses) of associates						521
Income tax						(53 061)
Net profit						**136 001**
Minority interest						(49)

The consolidated balance sheet should be analyzed together with the explanatory notes which constitute an integral part of these condensed interim consolidated financial statements.

(all amounts in PLN '000, unless specified otherwise)

Segment reporting for the period from 1 July to 30 September 2008 is as follows:

	Turnover	Distribution	Production	All other segments	Eliminations	Total
Net revenues	833 410	544 485	50 232	59 575	-	1 487 702
Net inter-segment revenues	49 619	-	382 953	113 201	(545 773)	-
Total net revenues	**883 029**	**544 485**	**433 185**	**172 776**	**(545 773)**	**1 487 702**
Total costs	(837 004)	(522 396)	(422 091)	(182 792)	545 731	(1 418 552)
Segment result	**46 025**	**22 089**	**11 094**	**(10 016)**	**(42)**	**69 150**
Unallocated costs of the Group (administration and general expanses)						(10 031)
Operating profit						**59 119**
Financial costs						(10 564)
Financial income						18 727
Net share in profits/(losses) of associates						949
Income tax						(23 191)
Net profit						**45 040**
Minority interest						26

The consolidated balance sheet should be analyzed together with the explanatory notes which constitute an integral part of these condensed interim consolidated financial statements.

(all amounts in PLN '000, unless specified otherwise)

Segment reporting (cont'd)

Other segment reporting information as at 30 September 2009:

	Turnover	Distribution	Production	All other segments	Exclusions	Total
Tangible fixed assets	18 129	4 588 776	2 712 851	340 271	(5 647)	7 654 380
Trade and other receivables	493 293	341 371	286 013	117 004	(337 889)	899 792
Total:	511 422	4 930 147	2 998 864	457 275	(343 536)	8 554 172
Assets excluded from segmentation						3 572 450
– including tangible fixed assets						212 519
– including trade and other receivables						72 911
TOTAL: ASSETS						**12 126 622**
Trade and other payables	422 376	261 795	343 018	104 704	(337 889)	794 004
Equity and liabilities excluded from segmentation						11 332 618
– including trade and other payables						113 524
TOTAL: EQUITY & LIABILITIES						**12 126 622**
Capital expenditures on tangible and intangible assets	–	188 870	101 665	44 988	(17 430)	318 093
Capital expenditures on tangible and intangible assets excluded from the segmentation						77 241
Amortization and depreciation	310	274 350	183 263	24 383	(1 157)	481 149
Amortization and depreciation excluded from the segmentation						1 084
Revaluation writed downs on receivables as at 30.09.2009	84 572	6 415	20 789	5 495	–	117 271

The consolidated balance sheet should be analyzed together with the explanatory notes which constitute an integral part of these condensed interim consolidated financial statements.

(all amounts in PLN '000, unless specified otherwise)

Segment reporting (cont'd)

Other segment reporting information as at 31 December 2008:

	Turnover	Distribution	Production	All other segments	Exclusions	Total
Tangible fixed assets	18 439	4 546 657	2 777 132	386 527	(29 356)	7 699 399
Trade and other receivables	381 685	332 397	309 470	146 052	(403 066)	766 538
Total:	400 124	4 879 054	3 086 602	532 579	(432 422)	8 465 937
Assets excluded from segmentation						3 519 980
– including tangible fixed assets						245 416
– including trade and other receivables						15 876
TOTAL: ASSETS						**11 985 917**
Trade and other payables	508 560	244 077	280 232	109 904	(403 066)	739 707
Equity and liabilities excluded from segmentation						11 246 210
– including trade and other payables						126 582
TOTAL: EQUITY & LIABILITIES						**11 985 917**
Capital expenditures on tangible and intangible assets	–	410 282	212 272	20 184	(22 632)	620 106
Capital expenditures on tangible and intangible assets excluded from the segmentation						24 813
Amortization and depreciation	321	350 454	237 001	27 469	(4 059)	611 186
Amortization and depreciation excluded from the segmentation						20 178
Revaluation writed downs on receivables as at 30.09.2009	92 751	2 762	22 597	6 122	–	124 232

The consolidated balance sheet should be analyzed together with the explanatory notes which constitute an integral part of these condensed interim consolidated financial statements.

The 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 Group's revenue and are assignable on a reasonable basis.

The 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 Group's costs and which are assignable on a reasonable basis.

Market prices applied to inter-segment transactions provide individual entities with a margin sufficient for independent functioning on 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 Group operates in one geographical region, in Poland, and therefore it does not distinguish geographical segments.

8. Property, plant and equipment

During the 9-month period ended 30 September 2009, the Group acquired property, plant and equipment for the total amount of PLN 388,116 thousand (during the period of 12 months ended 31 December 2008 it was PLN 756,296 thousand, including property, plant and equipment acquired by way of acquisition of subsidiaries in the amount of PLN 131,519 thousand).

During the 9-month period ended 30 September 2009, the Group sold and liquidated property, plant and equipment for the total net amount of PLN 8,470 thousand (during the period of 12 months ended 31 December 2008 it was PLN 12,615 thousand).

During the 9-month period ended 30 September 2009, the Group recognized additional revaluation write-downs on the carrying value of property, plant and equipment for the total amount of PLN 7,517 thousand (during the period of 9 months ended 30 September 2008 it was PLN 5,788 thousand).

During the 3-month period ended 30 September 2009, revaluation write-downs on the carrying value of property, plant and equipment did not change (during the period of 3 months ended 30 September 2008 the Group created additional revaluation write-downs on the carrying value of property, plant and equipment for the total amount of PLN 5,788 thousand).

As at 30 September 2009 the total revaluation write-downs on the carrying value of property, plant and equipment was PLN 15,301 thousand (as at 31 December 2008: PLN 7,784 thousand).

Impairment test (property, plant and equipment)

The Group carried out an impairment test of property, plant and equipment as at 30 June 2008. Based on the test, as at 30 June 2008 there was no impairment of property, plant and equipment related to distribution.

As a result of changes in the regulatory environment related to energy distribution, which were not consistent with the assumptions made when preparing the test as at 30 June 2008, as at 31 December 2008 the Group repeated impairment test for property, plant and equipment related to distribution.

The assumptions used for the analysis as at 30 June 2008 changed. The Group adjusted operating expenses projections to the new situation, considering actions taken by the Group in order to minimize the impact of the regulatory changes on the Group's profit/loss.

The methodology used in calculating the return on capital employed from the 2010 tariff year has been presented in the document ''Methodology of determining the regulatory value of assets and return on capital employed''. The document was approved by ENEA Operator Sp. z o.o. and the President of the Energy Regulatory Office. When calculating the return on capital employed the entity assumes a track to reach the full coverage of the regulatory value of assets. The length of the track will depend on the initial level of the regulatory value of assets, determined in line with the methodology presented in the aforementioned document. At present, works carried out by consulting firms related to estimating the regulatory value of assets in line with the new methodology, which is advantageous for the Company, have been finished. The reports have been positively assessed by certified auditors. All the materials have been submitted to the President of the Energy Regulatory Office, who, based on the materials received from all Distribution System Operators, will specify the final actual increase in the rate and the level of regulatory value of assets for calculation of the 2010 tariff.

(all amounts in PLN '000, unless specified otherwise)

Based on the test, as at 31 December 2008 there was no impairment of property, plant and equipment related to distribution.

9. Intangible assets

During the 9-month period ended 30 September 2009, the Group acquired intangible assets for the total amount of PLN 7,218 thousand (during the period of 12 months ended 31 December 2008 it was PLN 7,040 thousand, including intangible assets acquired in the course of acquisition of subsidiaries of PLN 540 thousand).

During the 9-month period ended 30 September 2009, the Group did not sell or liquidate intangible assets (during the period of 12 months ended 31 December 2008 the Group did not sell or liquidate intangible assets, either).

10. Investment property

During the 9-month period ended 30 September 2009, the Company did not acquire investment property (during the period of 12 months ended 31 December 2008 the Group acquired investment property for the amount of PLN 415 thousand).

11. Investments in associated entities

During the 9-month period ended 30 September 2009, the Group did not acquire shares in associated entities (during the period of 12 months ended 31 December 2008 the Group acquired shares in associated entities for the total amount of PLN 185,164 thousand). The method of settlement of the acquisition of the entities has been described in note 15.

During the 9-month period ended 30 September 2009 and the 12-month period ended 31 December 2008 the Group did not sell any investments in associates.

12. Revaluation write-downs on trade and other receivables

	30.09.2009	31.12.2008
Opening balance of revaluation write-down on receivables	**124 232**	**123 818**
Created	21 579	17 306
Released	(23 071)	(15 426)
Applied	(5 469)	(1 466)
Closing balance of revaluation write-down on receivables	**117 271**	**124 232**

During the 9-month period ended 30 September 2009, the revaluation write-down on the carrying value of trade and other receivables decreased by PLN 6,961 thousand (during the period of 9 months ended 30 September 2008 the revaluation write-down decreased by PLN 1,860 thousand).

The consolidated balance sheet should be analyzed together with the explanatory notes which constitute an integral part of these condensed interim consolidated financial statements.

(all amounts in PLN '000, unless specified otherwise)

During the 3-month period ended 30 September 2009, the revaluation write-down on the carrying value of trade and other receivables increased by PLN 324 thousand (during the period of 3 months ended 30 September 2008 the revaluation write-down grew by PLN 808 thousand).

13. Inventories

As at 30 September 2009 the total revaluation write-downs on the carrying value of inventories was PLN 6,843 thousand (as at 31 December 2008: PLN 4,866 thousand).

During the 9-month period ended 30 September 2009, the revaluation write-down on the carrying value increased by PLN 1,977 thousand (during the period of 9 months ended 30 September 2008 the revaluation write-down decreased by PLN 203 thousand).

During the 3-month period ended 30 September 2009, the revaluation write-down on the carrying value decreased by PLN 52 thousand (during the period of 3 months ended 30 September 2008 the revaluation write-down increased by PLN 266 thousand).

14. Investment portfolio

ENEA S.A. fulfilled the conditions necessary to release funds from the ESCROW account due to the issuance of shares at the WSE. A specialized financial institution professionally manages the funds which amounted to PLN 1 673 763 thousand as at 30 September 2009. In accordance with the Agreement, transferred funds are invested only in safe securities (treasury bills and bonds worth PLN 1,227,824 thousand) and deposits (in banks specified by the Company – PLN 445,938 thousand), as specified below:

Type of assets	Minimum share	Maximum share
Debt instruments with a surety or guarantee of the State Treasury and the National Bank of Poland	0%	100%
Bank deposits	0%	30%

The selected strategy is to maximize profit at minimum risk.

The investment portfolio is treated as financial assets measured at fair value through profit or loss.

15. Settlement of acquisition of new subsidiaries and associates

In December 2008 the Parent acquired two subsidiaries: Przedsiębiorstwo Energetyki Cieplnej Sp. z o. o. in Oborniki ("PEC Oborniki"), Miejska Energetyka Cieplna Sp. z o. o. in Piła ("MEC Piła") and two associates: Przedsiębiorstwo Energetyki Cieplnej w Śremie S.A. and Elektrociepłownia Białystok S.A. As at the date of preparation of these condensed interim consolidated financial statements, the Group had not completed the process of allocating the acquisition price to identifiable net assets acquired. Therefore, the Group decided to carry out the initially assumed settlement. The Capital Group assumed that the differences between the acquisition price of particular companies and net book value of assets related to the acquired shares results from the difference between the fair value of property, plant and equipment and their book value as at the date of acquiring particular companies. Any adjustments of the estimated values resulting from the end of the preliminary settlement will be made within 12 months of the date of acquisition.

The agreements on the acquisition of shares in PEC Oborniki and MEC Piła include irrevocable offers of shares repurchasing valid in the period of 6 and 5 years from the date of concluding the agreement, respectively. In these consolidated financial statements the Company disclosed financial liabilities resulting from the aforementioned options in the amount of PLN 28,226 thousand in correspondence with other capitals.

The consolidated balance sheet should be analyzed together with the explanatory notes which constitute an integral part of these condensed interim consolidated financial statements.

16. Share capital

The Extraordinary Shareholders' Meeting of 3 November 2008 passed a Resolution on an increase in the share capital of the Parent under the planned public offering of 103,816,150 new C series bearer shares with the face value of PLN 1 each. The share capital was increased from PLN 337,626,428 to PLN 441,442,578. The increase was registered in the National Court Register on 13 January 2009. On 30 January 2009 the new shares were registered in the National Depository for Securities.

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 program ("program"). Employees eligible to acquire shares are persons who were employed in the ENEA SA Capital Group in time of the company commercialization (i.e. in 1993 and 1996) and filed a written declaration of will to acquire shares within 6 months of 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 number of years with the company including the number of years in the company before commercialization and after commercialization until the date of the sale of shares by the State Treasury.

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

The value of the employee shares program was determined by the Company based on the measurement of shares in ENEA S.A. as at the date of drawing up the 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 program was determined at PLN 901 million. The ENEA SA Capital Group recognized the total program costs as the previous years adjustment in equity of the oldest period presented in these financial statements, i.e. as at 1 January 2005 and it did not revaluate the costs as at any of the dates ending a later financial period, i.e. 31 December 2005, 31 December 2006, 31 December 2007 and 31 December 2008.

According to the Management Board, the IFRS do not specify the principles of settling the program 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, by the Grant Date, is likely to be granted a higher number of shares. This, however, will not take place due to the issue of additional shares but as a result of the reduction of the number of shares for other staff members.

Moreover, according to the Management Board, the key purpose of the program 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 SA decided that the program value would not be changed. As a result, the value of the program as at 30 September 2009 stood at 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 "Kozienice" S.A. were supposed to place 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. Once the declarations and the result of the complaint procedure have been examined, the value of shares to be settled in the form of an equivalent was PLN 291,127 thousand (PLN 514,920 thousand as at 31 December 2007). Exchange of the value of the equivalent for an allotment certificate worth PLN 224,042 thousand was disclosed under the Group's capital under "Share-based capital".

(all amounts in PLN '000, unless specified otherwise)

As at 30 September 2009 part of the equivalent was paid to the Eligible Employees of Elektrownia "Kozienice" S.A. As at 30 September 2009 other liabilities due to the equivalent amounted to PLN 424 thousand (as at 31 December 2008 the liability was PLN 163,799 thousand).

18. Loans and borrowings

	30.09.2009	31.12.2008
	Carrying value	Carrying value
Long-term		
Bank loans	117 005	151 310
Borrowings	8 928	1 475
	125 933	**152 785**
Short-term		
Bank loans	39 258	52 031
Borrowings	8 572	574
	47 830	**52 605**
Total	**173 763**	**205 390**

During the 9-month period ended 30 September 2009, the net decrease in the carrying value of loans and borrowings was PLN 31,627 thousand (during the period of 12 months ended 31 December 2008 the carrying value of loans and borrowings decreased by PLN 48,230 thousand).

19. Settlement of income due to subsidies and connection fees

During the 9-month period ended 30 September 2009, the Group obtained subsidies and connection fees in the total amount of PLN 61,596 thousand (during the period of 9 months ended 30 September 2008 it was PLN 59,507 thousand).

During the 3-month period ended 30 September 2009, the Group obtained subsidies and connection fees in the total amount of PLN 19,996 thousand (during the period of 3 months ended 30 September 2008 it was PLN 19,125 thousand).

During the 9-month period ended 30 September 2009, the Group settled income due to subsidies and connection fees in the total amount of PLN 9,680 thousand (during the period of 9 months ended 30 September 2008 it was PLN 9,356 thousand).

During the 3-month period ended 30 September 2009, the Group settled income due to subsidies and connection fees in the total net amount of PLN 3,502 thousand (during the period of 3 months ended 30 September 2008 it was PLN 2,084 thousand).

(all amounts in PLN '000, unless specified otherwise)

20. Deferred income tax

Changes in the deferred tax liability (considering the net-off of asset and liability):

	30.09.2009	31.12.2008
Opening balance	123 480	170 747
Amount charged/(credited) to profit	(14 633)	(46 525)
Change due to acquistion of subsidiaries	-	(484)
Amount charged/(credited) to consolidated income	(5 919)	(258)
Closing balance	**102 928**	**123 480**

During the 9-month period ended 30 September 2009, the Group's profit before tax was credited with PLN 14,633 thousand as a result of a decrease in the deferred tax liability (during the period of 9 months ended 30 September 2008 the Group's profit before tax was credited with PLN 51,336 thousand due to a decrease in the liability).

During the 3-month period ended 30 September 2009, the Group's profit before tax was credited with PLN 27,706 thousand as a result of a decrease in the deferred tax liability (during the period of 3 months ended 30 September 2008 the Group's profit before tax was credited with PLN 8,338 thousand due to a decrease in the deferred tax liability).

21. Certificates of origin

	30.09.2009	31.12.2008
Certificates of origin	(91 298)	(57 364)
Advance payments for certificates of origin	(1 961)	(2 985)
Provision for costs of redemption of certificates of origin	131 399	161 752
Provision for certificates of origin	**38 140**	**101 403**

22. Provisions for liabilities and other obligations

Provisions for estimated losses resulting from claims for damages

	30.09.2009	31.12.2008
Opening balance	**81 028**	**62 902**
Increase in provisions	8 049	54 681
Provisions applied	(10 695)	-
Provisions decreased	(2 110)	(36 555)
As at the balance sheet date	**76 272**	**81 028**

Provisions for liabilities are determined at justified, reliably estimated amount. Individual provisions are created for projected losses related to a court action brought against the Group. 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 recognised under other operating expenses. The description of claims and relevant contingent liabilities have been presented in notes 28.2, 28.4, 28.5 and 28.6.

During the 9-month period ended 30 September 2009, the provision for projected losses due to compensation proceedings decreased by PLN 4,756 thousand (during the period of 9 months ended 30 September 2008 it increased by PLN 9,875 thousand).

The consolidated balance sheet should be analyzed together with the explanatory notes which constitute an integral part of these condensed interim consolidated financial statements.

(all amounts in PLN '000, unless specified otherwise)

During the 3-month period ended 30 September 2009, the provision for projected losses due to compensation proceedings decreased by PLN 2,177 thousand (during the period of 3 months ended 30 September 2008 it increased by PLN 16,138 thousand).

Other provisions

	30.09.2009	31.12.2008
Opening balance	**36 909**	**18 761**
Increase in provisions	42 523	24 441
Provisions decreased	-	(6 293)
Release of unused provision	(1 774)	-
As at the balance sheet date	**77 658**	**36 909**

During the 9-month period ended 30 September 2009, other provisions grew by PLN 40,749 thousand (during the period of 9 months ended 30 September 2008 they grew by PLN 40,257 thousand).

During the 3-month period ended 30 September 2009, other provisions grew by PLN 14,370 thousand (during the period of 3 months ended 30 September 2008 they grew by PLN 17,439 thousand).

Provision for land reclamation

After closing or filling a slag and ash dump, the Group is obliged to carry out appropriate land reclamation. As the Group has large unfilled dumps, land reclamation is planned for 2060. Future estimated costs of land reclamation were discounted to their current value, using a 6.34% discount rate. Provisions for land reclamation is reviewed as at 31 December and 30 June, unless significant changes in estimation assumptions occur.

As at 30 September 2009 the provision amounted to PLN 6,942 thousand (as at 31 December 2008 it was PLN 8,716 thousand).

Provision for the cost of disposal and storing ash and slag mixture

The Group generates two types of wastes in the process of burning coal: ash and ash and slag mixture. As the Group incurs costs related to mixture disposal, it creates an appropriate provision. Future estimated costs of disposing or storing ash and slag mixture were discounted to their current value, using a 6.34% discount rate. Provision for cost of disposing and storing ash and slag mixture is reviewed as at 31 December and 30 June, unless significant changes in estimation assumptions occur.

As at 30 September 2009 the provision amounted to PLN 5,514 thousand (as at 31 December 2008 it was PLN 2,721 thousand).

Provision for purchasing CO_2 emission rights

As at 30 September 2009 the provision determined based on the market price of CO2 emission rights amounted to PLN 63,048 thousand (as at 31 December 2008 it was PLN 23,635 thousand).

23. Dividend

On 30 June 2009 the General Shareholders' Meeting of ENEA S.A. adopted a resolution No. 4 concerning net profit distribution for the financial period from 1 January 2008 to 31 December 2008 under which the amount of PLN 203,064 thousand was allocated for payment of dividend to the shareholders (dividend per share was PLN 0.46). The dividend was paid on 31 August 2009.

Pursuant to the Act on profit-sharing payments in companies wholly owned by the State Treasury of 1 December 1995, the Parent made quarterly profit-sharing payments (defined as gross profit less the amount of current income tax) in the amount of 15%, which is presented 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 issuance of shares conducted in 2008 (13 January 2009) was registered, i.e. since 1 February 2009.

(all amounts in PLN '000, unless specified otherwise)

Profit-sharing payments for the period from 1 January 2009 to 31 January 2009 equalled PLN 218 thousand.

Profit-sharing payments for the period from 1 January to 30 September 2008 amounted to PLN 12,187 thousand. The Company reported the adjustment of the mandatory profit-sharing payment for 2007 in the amount of PLN 2,229 thousand.

Profit-sharing payments for the period from 1 July to 30 September 2008 amounted to PLN 5,782 thousand.

24. Related party transactions

The companies from the Capital Group subject to consolidation conclude the following related party transactions:

- The Capital Group's constituent entities subject to consolidation – transactions are eliminated at the consolidation stage;
- Transactions concluded between the Group and Members of the Group's Management are divided into three categories:
    - resulting from employment contracts with Members of the Management Board of the Parent related to appointment of the Members of the Supervisory Board;
    - resulting from borrowings from the Company's Social Benefit Fund granted to Members of the Management Board of the Parent and Supervisory Board employed in ENEA S.A.;
    - resulting from civil-law agreements;
- Transactions with entities, whose shares are held by the State Treasury

Transactions with members of the Group's Management and Supervisory Bodies

		Management Board		Supervisory Board	
No.	Title	01.01.2009-30.09.2009	01.01.2008-30.09.2008	01.01.2009-30.09.2009	01.01.2008-30.09.2008
1.	Salaries based on employment contract	1 141	702	—	—
2.	Remuneration related to the appointment to management or supervisory bodies	—	—	126	259
3.	Remuneration related to positions in the supervisory boards of subsidiaries	251	114	—	—
4.	Remuneration due to other employee benefits (reduced payment for electricity)	44	125	—	—
	TOTAL	**1 436**	**941**	**126**	**259**

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 (companies with the majority interest of the State Treasury). Pursuant to the Act, the maximum monthly remuneration cannot exceed six average monthly remunerations in the enterprise sector excluding profit bonuses in Q4 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 awarding.

(all amounts in PLN '000, unless specified otherwise)

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

No.	Authority	Balance as at 01.01.2009	Granted from 01.01.2009	Repayments by 30.09.2009	Balance as at 30.09.2009
1.	Management Board	18	–	(18)	–
2.	Supervisory Board	–	20	(2)	18
	Total	**18**	**20**	**(20)**	**18**

No.	Authority	Balance as at 01.01.2008	Granted from 01.01.2008	Repayments by 31.12.2008	Balance as at 31.12.2008
1.	Management Board	27	–	(9)	18
2.	Supervisory Board	6	–	(6)	–
	Total	**33**	**–**	**(15)**	**18**

Other transactions resulting from civil-law agreements concluded between the Parent and Members of the Company's Bodies relate only to private use of company's cars by Members of the Management Board of ENEA S.A.

The Group also concludes business transactions with the entities of the central and local administration and entities controlled by the State Treasury of the Republic of Poland.

The transactions concern:

- purchase of coal, electricity and property rights resulting from certificates of origin as regards renewable energy and energy produced in cogeneration with heat, transmission and distribution services provided by the Group to companies whose shares are held by the State Treasury,
- sale of electricity, distribution services, connection to the network and other related fees, provided to the central and local administration bodies (domestic sale) and entities whose shares are held by the State Treasury (domestic wholesale and retail – end users),

These 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 Group does not keep a register, which would allow for aggregating the values of all transactions with the state entities and entities, whose shares are held by the State Treasury.

25. Long-term contracts on the sale of electricity (LTC)

As the European Commission recognized long-term contracts on the sale of power and electricity (LTC) concluded with a state entity PSE S.A. as disallowed public aid, the Polish Parliament passed an appropriate act in order to eliminate such contracts. Pursuant to provisions of the Act on principles of funding costs incurred by producers following early termination of long-term contracts on sale of power and energy of 29 June 2007 ("LTC Termination Act"), since 1 April 2008 the Group (Elektrownia "Kozienice" S. A.) has been entitled to compensation for stranded costs resulting from early termination of long-term contracts. Based on the aforementioned Act, the Group will be entitled to compensation until 2014.

In 2008 Elektrownia "Kozienice" S. A. received advance payments for stranded costs of PLN 93,132 thousand from Zarządca Rozliczeń S. A. The amount of PLN 80,976 thousand was recognized in the 2008 financial statements as revenue due to compensation. On 5 August 2009 Elektrownia "Kozienice" S.A received a Decision of the President of the Energy Regulatory Office dated 31 July 2009 determining the amount of annual adjustment of stranded costs (i.e. advance payments made by Zarządca Rozliczeń S. A.) for Elektrownia "Kozienice" S. A. for the year 2008 Pursuant to the

(all amounts in PLN '000, unless specified otherwise)

Decision, the amount of the annual adjustment of stranded costs (i.e. the amount of advance payments to be returned to Zarządca Rozliczeń S.A.) was PLN 89,537 thousand, which implies that the revenue due to compensation for 2008 is lower than the amount of PLN 77,381 thousand recognized by Elektrownia "Kozienice" S.A. in its financial statements for the year 2008 (and thus, in the consolidated financial statements of the ENEA Capital Group).

According to the Management Board of Elektrownia "Kozienice" S.A. and ENEA S.A. the assumptions made by the President of the Energy Regulatory Office in his Decision and the interpretation of the Act on principles of funding costs incurred by producers following early termination of long-term contracts on sale of power and energy of 29 June 2007 are often incorrect or inappropriately applied. Consequently, on 19 August 2009 Elektrownia "Kozienice" S.A. filed an appeal to the Regional Court in Warsaw – Court of Competition and Consumer Protection. The appeal also contained a motion for suspension of decision enforcement until the case is decided. On 23 September 2009, the Regional Court in Warsaw – Court of Competition and Consumer Protection issued a decision by which it suspended enforcement of the appealed decision over the amount of PLN 44,768 thousand and dismissed the motion for the further amount. Therefore, on 30 September 2009, the Management Board of the Company decided to return the advance payment in the amount resulting from the Decision of the President of the Energy Regulatory Office which had not been suspended by the Court.

On 2 October 2009 Elektrownia "Kozienice" S. A. lodged a complaint against the above decision to the Court of Appeal in Warsaw, VI Civil Division.

As at the date of preparation of these condensed interim consolidated financial statements it was not possible to clearly specify the result of appealing against the Decision. The Management Board of Elektrownia "Kozienice" S.A. decided to recognize the adjustment of revenue due to compensation of PLN 27,035 thousand disclosed in 2009 and recognize the adjustment of revenue due to compensation of PLN 77,380 thousand disclosed in 2008. Both the above adjustments have been recognized in the statement of comprehensive income for the period from 1 January to 30 September 2009 under sales revenue (as the amount decreasing sales revenue).

26. Future liabilities due to contracts concluded as at the balance sheet date

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

	30.09.2009	31.12.2008
Acquisition of property, plant and equipment	514 564	370 857
Acquisition of Intangible assets	14 822	8 055
	529 386	**378 912**

27. Explanations of the seasonal and cyclical nature of the Capital Group's business

Sales of electricity during the year are subject to seasonal fluctuations. They increase 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 (45.51% of the sales value), not to the industrial sector.

28. Contingent liabilities and proceedings before court, body competent to conduct arbitration or public administration body

28.1. Guarantees for loans and borrowings and other sureties granted by the Company and its subsidiaries

The Company or its subsidiaries did not grant any guarantees for loans or borrowings or sureties during the reporting period.

The consolidated balance sheet should be analyzed together with the explanatory notes which constitute an integral part of these condensed interim consolidated financial statements.

28.2. Pending proceedings before common courts of law

Actions brought by the Group

Actions which ENEA S.A. and ENEA Operator Sp. z o.o. 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 network and other specialized services (the so-called non-electricity cases).

Most actions which Elektrownia "Kozienice" brought to common courts of law refer to claims for receivables due to default under freight forwarding contracts.

As at 30 September 2009 there were 7,794 cases pending before common courts of law which have been brought by the Group for the total amount of PLN 42,622 thousand (as at 31 December 2008 there were 8,277 cases for the total amount of PLN 28.088 thousand).

None of the cases can significantly affect the Group's financial profit/loss.

Actions brought against the Group

Actions against the Group are brought both by natural and legal persons. They mainly refer to such issues as compensation for interrupted delivery of electricity, identification of illegal electricity consumption and compensation for the Group's use of real property where electrical devices are situated. The Group considers actions concerning non-contractual use of real property not owned by the Group as particularly important (note 28.5).

There are no material court proceedings against Elektrownia Kozienice S.A.

As at 30 September 2009 there were 349 cases pending before common courts of law which have been brought against the Group for the total amount of PLN 22,698 thousand (as at 31 December 2008 there were 251 cases for the total amount of PLN 18,043 thousand). Provisions related to the court cases have been presented in note 22.

28.3. Arbitration proceedings

As at 30 September 2009 there were no pending proceedings before competent arbitration bodies.

28.4. Proceedings before public administration bodies

Pursuant to the decision of the President of the Office of Competition and Consumer Protection of 12 September 2008 which closed the proceedings for charging electricity recipients 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 the Regional Court in Warsaw – Court of Competition and Consumer Protection reduced the fine to PLN 10 thousand.

Pursuant to the decision of the President of the Office of Competition and Consumer Protection of 30 September 2008 which closed the proceedings for abuse of its market position by way of not keeping deadlines related to connection decisions and determining the impact of the designed wind power station on the electricity system, ENEA Operator Sp. z o.o. was obliged to pay a fine amounting to PLN 11,626 thousand. ENEA Operator Sp. z o.o. lodged an appeal against the decision. As at the date of preparation of these condensed interim consolidated financial statements the appeal had not been examined. As at 30 September 2009, the Group established a provision in the total amount of the aforementioned fine.

Pursuant to the decision of 27 November 2008 No. DPE-451-206(4)/2688/2008MOS, the President of the Energy Regulatory Office, following administrative proceedings, imposed a fine of PLN 7,594 thousand, i.e. 0.2771% of revenue from licensed operations generated in 2006 due to non-fulfilment of the obligation specified in Article 9a clause 8 of the Energy Law to purchase offered electricity produced in cogeneration with production of heat in the energy sources connected to the network and located in Poland. On 17 December 2008, ENEA S. A. via the Energy Regulatory Office appealed to the Regional Court in Warsaw – Court of Competition and Consumer Protection justifying that ENEA S.A. exercised due care provided for in the provisions of law to meet the obligation specified in Article 9a.8 of the Energy Law.A provision for the total amount of the aforementioned fine was recognized in these condensed interim consolidated financial statements.

On 7 July 2009, the President of the Energy Regulatory Office approved the heat tariff for Elektrownia "Kozienice" S.A. for the period until 31 August 2010.

Due to the nature of the Group's business, there were many other proceedings before the public administration bodies as at 30 September 2009.

Vast majority of the proceedings was instigated upon request of the Group which has applied to 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 these proceedings is unlikely to have significant impact on the Group'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-fulfilment due to occurrence of the requirements specified in the Act of 23 December 1994 on the Supreme Chamber of Commerce and incompatibilities of findings with the facts and findings specified in the post-audit statement and reservations concerning assessment included therein. On 20 April 2009 the Commission of Appeal of the Supreme Chamber of Control adopted a Resolution to close the appeal proceedings. It was approved by the President of the Supreme Chamber of Control on 22 May 2009. In a letter dated 10 June 2009, the Management Board of ENEA S.A. informed the Supreme Chamber of Control of the way the findings and comments had been applied in practice.

Due to the nature of operations of ENEA Operator Sp. z o.o. (operations in the regulated market of the monopolistic nature) there have been numerous court actions brought against the company by the President of the Energy Regulatory Office and the President of the Office for Competition and Consumer Protection upon request of the electricity buyers supplied by the Group.

The President of the Energy Regulatory Office, as a key central administration body established to regulate operations of companies in the energy sector settles disputes related to a refusal to conclude agreements on connecting to the network or providing transmission services or to the content of thereof.

As at 30 September 2009 the President of the Energy Regulatory Office carried out a series of explanatory and administrative proceedings against the Group.

The result of these proceedings is unlikely to have significant impact on the Group's net profit.

28.5. Risk related to the legal status of properties used by the Group

The risk related to the legal status of the properties used by the Group results from the fact that the Group does not have all legal titles to use land, where transmission networks and related devices are located. The Group may have to incur costs related to non-contractual use of properties in future.

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

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

Decisions related to these issues are of significant importance, as they considerably affect the Group'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 Group established a provision for all claims lodged by owners of properties located near transmission networks and devices based on most appropriate estimates of expenditures necessary to settle the claims assumed by the Management Board. As at 31 December 2008, the Management Board of ENEA S.A. examined the submitted claims which had not been brought to court. As a result of the examination, the estimates were changed and the provision for claims of persons holding real property due to non-contractual use of land was partially released (Note 22).

The Group does not establish provision for possible unlodged claims of owners of land which is used non-contractually. Possible claim amounts may be significant for the Group, considering the area of non-contractually used land, where the Group's transmission networks or related devices are located. The Group does not keep any record or has no knowledge concerning the legal status of land, therefore is it unable to reliably estimate the maximum amount of possible claims arising from non-contractual use of land.

28.6. Risk related to participation in costs incurred due to the use of woodland managed by National Forests for the needs of electricity lines

As at 30 September 2009 there were no regulations in this respect and the Group did not create provisions for possible claims due to the use of woodland managed by National Forests for the needs of the Group's electricity lines. On 29 November 2006 a meeting initiated by the Minister of Environment was held among representatives of National Forests, the Ministry of State Treasury, PSE-Operator Sp. z o.o. and Polskie Towarzystwa Przesyłu i Rozdziału Energii Elektrycznej representing distribution companies. The National Forests' proposition 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 of the State Treasury. Possible 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 National Forests, individual forest district offices lodged claims against the Group due to non-contractual use of land by the Group. The claims have been accounted for in the provision presented in Note 22.

29. Damages resulting from weather conditions

In April 2008 the electricity line in the Szczecin Distribution Branch area was overcharged due to disadvantageous weather conditions. Consequently, electricity supply was discontinued for several hours. ENEA Operator Sp. z o.o. and PSE-Operator S.A. determined that the failure resulted from force majeure. Separate proceedings are carried out by insuring companies providing liability insurance for damages caused by the company to third parties. The purpose of the proceedings is to confirm the reasons for the aforementioned damages.

ENEA Operator Sp. z o.o. presented 21 claims related to property damages (damaging 110 kV, medium-voltage and low-voltage lines and medium-voltage/low-voltage transformer stations). The estimated value of damages is PLN 7,265 thousand. Pursuant to insurance policies of ENEA Operator Sp z.o.o., the insured's deductible in property damages is 20%.

At the same time, by the date of approving these condensed interim consolidated financial statements 176 third-party claims for the total amount of PLN 4,233 thousand were lodged to the insuring company of ENEA Operator Sp. z o.o. The claims were related to damaged radio and television equipment and household appliances, damaged foodstuffs and property damage related to removing the effects of the failure.

Consequently, the President of Energy Regulatory Office undertook appropriate actions in order to explain the circumstances and causes of the failure. He requested ENEA Operator Sp. z o.o. to present detailed information concerning this event, the causes, the course and scope of the failure and its consequences for the national electricity system as well as information on the technical condition of damaged devices and electricity lines. Moreover, he requested the company to specify actions taken in order to repair the failure and remove its effects.

Information obtained will be analysed in order to determine if the Company complied with its obligation to maintain equipment, installations and networks in an appropriate condition ensuring continuous and safe electricity supplies in line with applicable quality standards. If it is determined that the Company did not comply with these requirements, the entity may be fined in accordance with Article 56 clause 1 point 2 of the Energy Law.

30. Opening of negotiations concerning acquisition of Zespół Elektrowni Pątnów-Adamów-Konin S.A.

In 2008 the Parent started negotiations with the receiver in bankruptcy of Elektrim S.A. concerning the acquisition of 45.95% of shares in Zespół Elektrowni Pątnów-Adamów-Konin S.A. (ZE PAK). The Group will place the offer after a number of conditions have been met. 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. As at the date of preparation of these condensed interim consolidated financial statements no binding decisions were taken.

31. 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 theses consolidated financial statements, the Management Board of ENEA S.A. decided to withdraw from acquisition of a part of Kompania Węglowa S. A. named Ruch II Silesia KWK "Brzeszcze-Silesia". ENEA S. A. does not exclude 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.

32. Changes in excise tax

On 1 March 2009, the amendment of the Excise Tax Act of 23 January 2004 came into force. Polish excise tax regulations had to be amended in order to comply with the EU laws. Based on the amendment, the excise tax obligation arises when electricity is supplied to the final buyers (earlier at the time of producing electricity). Consequently, since 1 March 2009 ENEA S.A. has been obliged to pay excise tax, while before it was paid by Elektrownia "Kozienice" S.A.

The consolidated balance sheet should be analyzed together with the explanatory notes which constitute an integral part of these condensed interim consolidated financial statements.

On 12 February 2009 the European Court of Justice passed a verdict stating that the Polish regulations determining the excise duty point in the sale of energy did not comply with the regulations of the EU Energy Directive.

In relation to the said arrangements, in February 2009 Elektrownia "Kozienice" S.A. filed a motion to the Head of the Radom Tax Office for a refund of overpaid excise duty in the amount of PLN 694,574 thousand for the period from January 2006 to December 2008. On 26 August 2009 the Head of the Customs Office in Radom issued decisions which did not find an overpayment for the 6 months of 2006 of PLN 116,158 thousand and refused to refund it. The Company appealed against the decisions on 14 September 2009. As the refund is not certain, the requested excise tax refund was not included in these consolidated financial statements.

The excise tax accrued for the period from 1 March 2009 to 30 September 2009 at ENEA S.A. amounted to PLN 158,846 thousand.

33. Post-balance sheet events

33.1. 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 commercialisation and privatisation (Dz. U. of 2002 No. 171, item 1397, as amended) on detailed procedure of selling shares of the State Treasury (Dz. U. of 2009 No. 34, item 264), invited all interested parties to negotiations concerning the acquisition of 295,987,473 shares with the face value of PLN 1 each, owned by the State Treasury and constituting 67.05% of the share capital of ENEA S.A. in Poznań.

Written answers to the public invitation to negotiations concerning the acquisition of shares of the Company by Potential Investors who received the Memorandum were 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 will not submit a binding proposal for acquisition of shares in ENEA. S. A. Therefore, on 15 October 2009 the proceedings on disposal of the 67.5% shares in ENEA S.A. held by the State Treasury came to an end.

33.2. Share capital increase of a subsidiary

On 23 October 2009 the Extraordinary Shareholders' Meeting of Niepubliczny Zakład Opieki Zdrowotnej Centrum Uzdrowiskowe ENERGETYK Sp. z o. o. with the 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 face value of PLN 500 each. All new shares in the company's share capital will be assumed and covered with cash by ENEA S.A.

Selected individual financial data

	in PLN '000		in EUR '000	
	9 months ended 30 September 2009	9 months ended 30 September 2008	9 months ended 30 September 2009	9 months ended 30 September 2008
Net sales revenue	5 208 019	4 312 426	1 183 838	1 259 205
Profit/loss on operating activities	117 762	17 186	26 769	5 018
Profit/loss before tax	299 850	118 927	68 159	34 726
Net profit/loss of the reporting period	257 587	105 664	58 552	30 853
Net cash flows from operating activities	(322 408)	329 585	(73 287)	96 237
Net cash flows from investing activities	(1 606 441)	54 429	(365 161)	15 893
Net cash flows from financing activities	(182 916)	(87 294)	(41 579)	(25 489)
Total net cash flows	(2 111 765)	296 720	(480 027)	86 641
	441 442	347 253	441 442	347 253
Weighted average number of shares	578	939	578	939
Net profit per share (in PLN per one share)	0.58	0.30	0.13	0.09
Diluted profit per share (in PLN/EUR)	0.58	0.30	0.13	0.09

	Balance as at 30 September 2009	Balance as at 31 December 2008	Balance as at 30 September 2009	Balance as at 31 December 2008
Total assets	10 825 338	11 093 233	2 563 666	2 658 718
Total liabilities	1 040 718	1 380 315	246 464	330 820
Non-current liabilities	117 880	124 163	27 916	29 758
Current liabilities	922 838	1 256 152	218 547	301 062
Equity	9 784 620	9 712 918	2 317 203	2 327 897
Share capital	588 018	588 018	139 255	140 930
Book value per share (in PLN/EUR)	22.17	22.00	5.25	5.27
Diluted book value per share (in PLN/EUR)	22.17	22.00	5.25	5.27

The above financial data for Q3 2009 and 2008 were translated into EUR in line with the following principles:

— individual assets and liabilities – as per the average exchange rate at 30 September 2009- PLN/EUR 4.2226 (as at 31 December 2008 – PLN/EUR 4.1724);

— individual items from 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 financial period from 1 January to 30 September 2009 – PLN/EUR – 4.3993 (for the period from 1 January to 30 September 2008 – PLN/EUR 3.4247).

INDEPENDENT AUDITOR'S REPORT ON THE REVIEW OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY 2009 TO 30 SEPTEMBER 2009

To the Supervisory Board and Management Board of ENEA S.A.

We have reviewed the attached condensed interim financial statements of ENEA S.A. (hereinafter: "the Company") with registered office in Poznań, ul. Nowowiejskiego 11, including:

- balance sheet prepared as at 30 September 2009, with total assets and equity plus liabilities of PLN 10,825,338 thousand;
- statement of comprehensive income for the period from 1 January 2009 to 30 September 2009, disclosing net profit and comprehensive income of PLN 257,587 thousand;
- statement of changes in equity for the period from 1 January 2009 to 30 September 2009, disclosing an increase in equity of PLN 71,702 thousand;
- cash flow statement for the period from 1 January 2009 to 30 September 2009, showing a cash outflow of PLN 2,111,765 thousand;
- additional information and explanations.

The Management Board of ENEA S.A. is responsible for fairness, correctness and clarity of information contained in the condensed interim financial statements drawn up in compliance with International Financial Reporting Standards applicable to interim financial reporting, as approved by the European Union ("IAS 34"). Our responsibility was to review these condensed financial statements.

We have conducted the review in line with legal regulations valid in Poland and auditing standards issued by the National Council of Statutory Auditors. The standards require to plan and conduct the review in such a way as to obtain reasonable assurance that the condensed interim financial statements are free of material misstatements. Our review was carried out mainly based on analysis of data included in the condensed interim financial statements, insight into the accounting records and information provided by the Management Board and the financial and accounting personnel of the company. The scope and methodology of a review of condensed interim financial statements significantly differ from an audit, which is aimed at expressing an opinion on the condensed interim financial statements, therefore, no such opinion is being issued.

Our review did not identify a need to introduce significant changes to the attached condensed interim financial statements so that they would provide a fair and clear view of the financial and economic situation of ENEA S.A. as at 30 September 2009 and its financial result for the period from 1 January to 30 September 2009 in line with IAS 34.

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Marcin Samolik
Certified auditor:
No. 10066

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Represented by

....

Deloitte Audyt Sp. z o.o.
Al. Jana Pawła II 19, Warszawa
Entity entitled to audit financial
statements entered under
number 73 on the list kept by
the National Council of Statutory Auditors

Warsaw, 16 November 2009

Condensed interim individual financial statements
of ENEA S.A.
for the period from 1 January to 30 September 2009

Poznań, 16 November 2009

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These condensed interim individual financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), IAS 34 Interim Financial Reporting, approved by the European Union (EU) and by the Management Board of ENEA S.A.

Members of the Management Board

Chairman 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 November 2009

(all amounts to PLN '000, unless specified otherwise)

Individual balance sheet

	Balance as at 30.09.2009	Balance as at 31.12.2008
ASSETS		
Non-current assets		
Property, plant and equipment	209 037	212 361
Perpetual usufruct of land	1 758	990
Intangible assets	705	982
Investments in subsidiaries, associates and co-subsidiaries	7 810 519	7 780 241
Deferred tax assets	34 252	39 701
Financial assets available for sale	3 866	3 866
Financial assets measured at fair value through profit or loss	1 167	1 033
	8 061 304	**8 039 174**
Current assets		
Trade and other receivables	880 144	732 673
Current income tax receivables	506	—
Financial assets measured at fair value through profit or loss	1 673 763	—
Cash and bank balances	209 621	2 321 386
	2 764 034	**3 054 059**
TOTAL ASSETS	**10 825 338**	**11 093 233**

The individual balance sheet should be analyzed jointly with explanatory notes constituting an integral part of these condensed interim individual financial statements.

(all amounts to PLN '000, unless specified otherwise)

TOTAL EQUITY AND LIABILITIES	Balance as at 30.09.2009	Balance as at 31.12.2008
EQUITY		
Share capital	588 018	588 018
Capital due to surplus of the price of issue over the nominal value	4 627 673	4 627 673
Own 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	2 673 599	2 619 709
Total equity	**9 784 620**	**9 712 918**
LIABILITIES		
Non-current liabilities		
Loans and borrowings	—	—
Finance lease liabilities	5 390	5 821
Settlement of income due to subsidies and connection fees	33 438	34 301
Liabilities due to employee benefits	79 052	84 041
	117 880	**124 163**
Current liabilities		
Loans and borrowings	—	—
Trade and other liabilities	813 361	879 458
Finance lease liabilities	3 093	1 967
Settlement of income due to subsidies and connection fees	2 371	2 437
Current income tax liabilities	—	11 654
Liabilities due to employee benefits	8 806	9 018
Liabilities due to an equivalent of the right to acquire shares free of charge	424	163 799
Provision for certificates of origin	51 698	143 942
Provisions for other liabilities and charges	43 085	43 877
	922 838	**1 256 152**
Total liabilities	**1 040 718**	**1 380 315**
TOTAL EQUITY AND LIABILITIES	**10 825 338**	**11 093 233**

The individual balance sheet should be analyzed jointly with explanatory notes constituting an integral part of these condensed interim individual financial statements.

(all amounts to PLN '000, unless specified otherwise)

Individual statement of comprehensive income

	9 months ended 30.09.2009	3 months ended 30.09.2009	9 months ended 30.09.2008	3 months ended 30.09.2008
Sales revenue	5 366 865	1 751 458	4 312 426	1 416 482
Excise duty	(158 846)	(66 725)	—	—
Net sales revenue	**5 208 019**	**1 684 733**	**4 312 426**	**1 416 482**
Other operating revenue	18 185	3 499	31 424	3 401
Amortization/Depreciation	(10 453)	(3 337)	(13 150)	(4 586)
Employee benefits costs	(22 734)	(11 211)	(82 857)	(9 456)
Consumption of materials and raw materials and costs of goods sold	(2 380)	(992)	(3 495)	(579)
Energy purchase for the needs of sales	(3 381 416)	(1 108 663)	(2 462 442)	(809 297)
Transmission and distribution services	(1 572 903)	(504 336)	(1 650 688)	(524 051)
Other external services	(81 189)	(24 365)	(84 860)	(28 849)
Taxes and charges	(6 518)	(1 379)	(7 151)	(2 600)
Profit/(loss) on sale and liquidation of property, plant and equipment	683	(44)	7	7
Impairment loss on property, plant and equipment	(7 517)	—		—
Other operating expenses	(24 015)	(6 070)	(22 028)	(9 859)
Operating profit	**117 762**	**27 835**	**17 186**	**30 613**
Financial expenses	(5 563)	(810)	(1 068)	(323)
Financial revenue	108 754	40 689	31 265	12 751
Revenue from dividend	78 897	—	71 544	4 788
Profit before tax	**299 850**	**67 714**	**118 927**	**47 829**
Income tax	(42 263)	(9 588)	(13 263)	(8 754)
Net profit for the financial period	**257 587**	**58 126**	**105 664**	**39 075**
Other comprehensive income items:				
Measurement of financial assets available for sale	—	—	(1 835)	—
Income tax related to other comprehensive income items	—	—	284	—
Other net comprehensive income items	**—**	**—**	**(1 551)**	**—**
Comprehensive income for the period	**257 587**	**58 126**	**104 113**	**39 075**
Earnings per shareholders	257 587	58 126	105 664	39 075
Weighted average number of ordinary shares	441 442 578	441 442 578	347 253 939	345 341 718
Net earnings per share (in PLN)	**0.59**	**0.15**	**0.30**	**0.11**
Diluted profit per share (in PLN per share)	**0.59**	**0.15**	**0.30**	**0.11**

The individual statement of comprehensive income should be analyzed jointly with explanatory notes constituting an integral part of these condensed interim individual financial statements.

(all amounts to PLN '000, unless specified otherwise)

Individual statement of changes in equity

	Share capital (nominal value)	Revaluation of share capital	Total share capital	Own shares	Capital due to surplus of the price of issue over the nominal value of shares	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**
Total profit									257 587	**257 587**
Dividends									(203 281)	**(203 281)**
Distribution of the financial profit/loss								416	(416)	—
Sale of own shares acquired under the stabilization option				17 396						**17 396**
Balance as at 30 September 2009	**441 443**	**146 575**	**588 018**	**—**	**4 627 673**	**1 144 336**	**(3 847)**	**754 841**	**2 673 599**	**9 784 620**

The individual statement of changes in equity should be analyzed jointly with explanatory notes constituting an integral part of these condensed interim individual financial statements.

(all amounts to PLN '000, unless specified otherwise)

	Share capital (nominal value)	Revaluation of share capital	Total share capital	Capital due to surplus of the price of issue over the nominal value of shares	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**	**—**	**412 400**	**2 864 459**	**7 464 019**
Total profit						(1 551)		105 664	**104 113**
Dividends								(98 588)	**(98 588)**
Redemption of shares	(10 594)		(10 594)					10 594	**—**
Cash equivalent exchanged for shares					224 042				**224 042**
Change in the fair value of employee shares program				19 184					**19 184**
Distribution of the financial profit/loss							342 025	(342 025)	
Balance as at 30 September 2008	**337 627**	**146 575**	**484 202**	**2 810 438**	**1 125 152**	**(1 551)**	**754 425**	**2 540 104**	**7 712 770**

The individual statement of changes in equity should be analyzed jointly with explanatory notes constituting an integral part of these condensed interim individual financial statements.

(all amounts to PLN '000, unless specified otherwise)

Individual cash flow statement

	9 months ended 30.09.2009	9 months ended 30.09.2008
Cash flows from operating activities		
Net profit for the financial period	257 587	105 664
Adjustments:		
Income tax recognized in the income statement	42 263	13 263
Amortization/Depreciation	10 453	13 150
Costs of benefits due to share-based payments	—	19 433
Loss on sale and liquidation of property, plant and equipment	(683)	92
Impairment loss on property, plant and equipment	7 517	5 507
(Profit)/loss on sale of financial assets	(14 217)	(1 510)
Interest revenue	(94 570)	(31 265)
Revenue from dividend	(78 897)	(71 544)
Interest expenses	3 082	1 068
Exchange (gains)/losses due to repayment of loans and borrowings	—	—
	(125 052)	**(51 806)**
Income tax paid	(48 974)	(44 368)
Interest received	87 837	34 729
Interest paid	(3 082)	(868)
Changes in the working capital		
Inventories	—	—
Trade and other receivables	(145 953)	(15 055)
Trade and other liabilities	(81 495)	150 836
Liabilities due to employee benefits	(5 201)	26 538
Settlement of income due to subsidies and connection fees	(1 664)	(1 626)
Change in provisions for certificates of origin	(92 244)	133 042
Change in liabilities due to an equivalent of the right to acquisition of shares free of charge	(163 375)	—
Change in provisions	(792)	(7 501)
	(490 724)	286 234
Net cash flows from operating activities	**(322 408)**	**329 585**
Cash flows from investing activities		
Acquisition of property, plant and equipment and intangible assets	(916)	(12 220)
Gains from disposal of property, plant and equipment and intangible assets	1 475	—
Acquisition of financial assets	(1 900 000)	—
Gains from sales of financial assets	—	3 766
Acquisition of subsidiaries, associates and a jointly-controlled entity	(26 349)	(7 322)
Dividends received	78 897	70 705
Other payments/proceeds from investing activities	(2 695)	(500)
Proceeds due to disposal of financial assets	243 947	—
Net cash flows from investing activities	**(1 606 441)**	**54 429**
Cash flows from financing activities		
Proceeds from sale of own shares	22 479	—
Dividends paid	(203 064)	(86 111)
Payments of finance lease liabilities	(2 331)	(1 183)
Net cash flows from financing activities	**(182 916)**	**(87 294)**
Net increase/(decrease) in cash	**(2 111 765)**	**296 720**
Opening balance of cash	2 321 386	356 592
Closing balance of cash	**209 621**	**653 312**

The individual statement of changes in equity should be analyzed jointly with explanatory notes constituting an integral part of these condensed interim individual financial statements.

(all amounts to PLN '000, unless specified otherwise)

1. General information about ENEA S.A.

Name (company):	ENEA Spółka Akcyjna
Legal form:	joint-stock company
Country of jurisdiction:	Republic of 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 under the business name 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 30 September 2009 ENEA S.A.'s shareholder structure is 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 holds 76.48% of shares, Vattenfall AB 18.67% %, European Bank for Reconstruction and Development 2.50%, other shareholders 2.35%. The sale of own shares by ENEA S.A. (nominal value of PLN 1; the sale of 1 129 608 own shares at the average price of PLN 19.90 per share) was settled on 11 August 2009.

As at 30 September 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 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 in the ENEA S.A. Capital Group. As at 30 September 2009 the Capital Group comprised also 24 subsidiaries, 3 associates and a jointly-controlled entity.

These condensed interim individual financial statements were prepared under the going concern assumption. There are no circumstances indicating that the going concern assumption of ENEA S.A. is threatened.

2. Statement of compliance

These condensed interim individual financial statements were prepared in accordance with the International Financial Reporting Standards IAS 34 Interim Financial Reporting, as approved by the European Union (EU-IFRS) and adopted by the Management Board of ENEA S.A.

The Management Board of the Company used its best knowledge as to the application of standards and interpretations as well as measurement methods and principles applicable to the individual items of the condensed interim individual financial statements of ENEA S.A. in accordance with EU-IFRS as at 30 September 2009. The presented statements and explanations have been determined using due diligence. These condensed interim individual financial statements were reviewed by a certified auditor.

Notes presented on pages 57 – 79 constitute and integral part of these condensed interim individual financial statements.

3. Accounting principles applied

These condensed interim individual financial statements have been prepared in accordance with accounting policies consistent with those applied during the preparation of the most recent annual individual financial statements, excluding changes of standards and interpretations approved by the European Union, which apply to the reporting periods beginning after 1 January 2009.

The accounting principles applied by the Company have been presented in the individual financial statements of ENEA S.A. for the financial year ended 31 December 2008.

The Polish zloty was used as the measurement and reporting currency for the interim individual financial statements The data in the individual financial statements have been presented in PLN thousand (PLN '000), unless stated otherwise.

These condensed interim individual financial statements should be read together with the individual financial statements of ENEA S.A. for the financial year ended 31 December 2008.

4. New accounting standards and interpretations

For annual periods beginning after 1 January 2009 new standards approved by the EU are applicable. The Company complied with those standards when preparing these condensed interim individual financial statements.

- IFRS 8 – Operating Segments
- Revised IAS 1 – Presentation of Financial Statements
- Revised IAS 23 – Borrowing Costs

5. Material estimates and assumptions

The preparation of these condensed interim individual financial statements in conformity with EU-IFRS requires that the Management Board makes certain estimates and assumptions that affect the adopted accounting policies and the amounts reported in the condensed interim individual financial statements and notes thereto. The adopted assumptions and estimates are based on the Management Board's best knowledge about current and future activities and events. The actual figures, however, can be different from those assumed. The estimated adopted for the needs of preparation of the condensed interim individual financial statements are consistent with the estimates adopted during preparation of the individual financial statements for the previous financial year. The estimates presented in previous financial years do not exert any significant influence on the current interim period.

(all amounts to PLN '000, unless specified otherwise)

6. Composition of the Capital Group – list of subsidiaries, associates and jointly-controlled entities

No.	Name and address of the Company	ENEA S.A. percentage share in the total number of votes 30.09.2009	ENEA S.A. percentage share 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. Dziadoszańska 10*	100	100
4.	Hotel "EDISON" Sp. z o.o. *Baranowo near Poznań*	100	100
5.	Energetyka Wysokich i Najwyższych Napięc "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.	EnergoPartner 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.Strzeszyńska 58*	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*	99.92	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, Gubin municipality	50	50
17.	Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o. Oborniki, ul. Wybudowanie 56	87.99	87.99

Notes presented on pages 57 – 79 constitute and integral part of these condensed interim individual financial statements.

(all amounts to PLN '000, unless specified otherwise)

No.	Name and address of the Company	ENEA S.A. percentage share in the total number of votes 30.09.2009	ENEA S.A. percentage share in the total number of votes 31.12.2008
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 Cieplnej -Gozdnica 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. *Świerże Górne, Kozienice municipality, Kozienice 1*	100	100
24.	Miejska Energetyka Cieplna Piła Sp. z o.o. *64-920 Piła, ul. Kaczorska 20*	64.997	64.997
25.	Kozienice II Sp. z o.o. *Świerże Górne, Kozienice municipality, Kozienice 2*	50	30
26.	Przedsiębiorstwo Produkcji Strunobetonowych Żerdzi Wirowanych WIRBET S.A. *Ostrów Wlkp., ul. Chłapowskiego 51*	49	49
27.	Przedsiębiorstwo Energetyki Cieplnej w Śremie S.A. *Śrem, ul. Staszica 6*	41.65	41.65
28.	Elektrociepłownia Białystok S.A. *Białystok, ul. Gen. Andersa 3*	30.36	30.36

Changes in the ENEA S.A. Capital Group structure in the period covered by these interim 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 face value of PLN 1,000 each. The remaining shares were assumed by Elektrownia "Kozienice" S.A. After the capital increase, Elektrownia "Kozienice" S.A. and ENEA S.A. hold 50% in the share capital and in the total number of votes at the Shareholders' Meeting each. Appropriate entry to 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. passed a 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 face value of PLN 500 each. All new shares in the company's share capital were assumed 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. passed a Resolution No. 1 to increase the company's share capital by PLN 3,934.5 thousand to PLN 4,034.5 thousand, by way of creating 7,869 new shares with the face value of PLN 500 each. All new shares in the company's share capital were assumed 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. passed a 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 face value of PLN 500 each. All new shares in the company's share capital were assumed by the sole shareholder ENEA S.A. On 1 April 2009 the shares were covered with a cash contribution.

On 4 May 2009 the Extraordinary Shareholders' Meeting of COGEN Sp. z o. o. passed a 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 face value of PLN 500 each. All new shares in the company's share capital were assumed by the sole shareholder ENEA S.A.

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

On 1 July 2009 a merger 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: ENERGOMIAR Sp z o.o. with the 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 face value of PLN 1,000 each. All new shares in the company's share capital were assumed by the sole shareholder ENEA S.A. and cash covered.

On 31 August 2009 the Extraordinary Shareholders' Meeting of EnergoPartner Sp. z o. o. passed a 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 face value of PLN 1,000 each. All new shares in the company's share capital were assumed by the sole shareholder ENEA S.A. and cash covered.

(all amounts to PLN '000, unless specified otherwise)

7. Segment reporting

Segment reporting for the period from 1 January to 30 September 2009 is as follows:

	Turnover	All other segments	Total
Net sales revenue*	5 168 589	39 430	5 208 019
Inter-segment sales	—	—	—
Total net sales revenue	**5 168 589**	**39 430**	**5 208 019**
Total expenses **	(5 015 781)	(36 353)	(5 052 134)
Segment profit/loss	**152 808**	**3 077**	**155 885**
Unassigned general and administrative expenses			(38 123)
Operating profit			**117 762**
Financial expenses			(5 563)
Financial revenue			108 754
Revenue from dividend			78 897
Income tax			(42 263)
Net profit			**257 587**

* – net sales revenue under Turnover also includes net revenue from sales of distribution services of PLN 1,573 thousand which was individually presented in the condensed interim consolidated financial statements of the ENEA S.A Group under Distribution.

** – the total expenses: – include the costs of sales of distribution services of PLN 1,573 thousand, which were individually presented in the condensed interim consolidated financial statements of the ENEA S.A Group under Distribution

– include other operating revenue and expenses

Segment reporting for the period from 1 July to 30 September 2009 is as follows:

	Turnover	All other segments	Total
Net sales revenue*	1 671 511	13 222	1 684 733
Inter-segment sales	—	—	—
Total net sales revenue	**1 671 511**	**13 222**	**1 684 733**
Total expenses **	(1 631 850)	(10 576)	(1 642 426)
Segment profit/loss	**39 661**	**2 646**	**42 307**
Unassigned general and administrative expenses			(14 472)
Operating profit			**27 835**
Financial expenses			(810)
Financial revenue			40 689
Revenue from dividend			—
Income tax			(9 588)
Net profit			**58 126**

* – net sales revenue under Turnover also includes net revenue from sales of distribution services of PLN 505 thousand which was individually presented in the condensed interim consolidated financial statements of the ENEA S.A Group under Distribution.

** – the total expenses:

– include the costs of sales of distribution services of PLN 505 thousand, which were individually presented in the condensed interim consolidated financial statements of the ENEA S.A Group under Distribution

– include other operating revenue and expenses

Notes presented on pages 57 – 79 constitute and integral part of these condensed interim individual financial statements.

(all amounts to PLN '000, unless specified otherwise)

Segment reporting for the period from 1 January to 30 September 2008 is as follows:

	Turnover	All other segments	Total
Net sales revenue*	4 277 068	35 358	4 312 426
Inter-segment sales	—	—	—
Total net sales revenue	**4 277 068**	**35 358**	**4 312 426**
Total expenses **	(4 157 231)	(32 015)	(4 189 246)
Segment profit/loss	**119 837**	**3 343**	**123 180**
Unassigned general and administrative expenses			(105 994)
Operating profit			**17 186**
Financial expenses			(1 068)
Financial revenue			31 265
Revenue from dividend			71 544
Income tax			(13 263)
Net profit			**105 664**

* – net sales revenue under Turnover also includes net revenue from sales of distribution services of PLN 1,656 thousand which was individually presented in the condensed interim consolidated financial statements of the ENEA S.A Group under Distribution.
** – the total expenses:
– include the costs of sales of distribution services of PLN 1,651 thousand, which were individually presented in the condensed interim consolidated financial statements of the ENEA S.A Group under Distribution
– include other operating revenue and expenses

Segment reporting for the period from 1 July to 30 September 2008 is as follows:

	Turnover	All other segments	Total
Net sales revenue*	1 404 007	12 475	1 416 482
Inter-segment sales	—	—	—
Total net sales revenue	**1 404 007**	**12 475**	**1 416 482**
Total expenses **	(1 356 588)	(8 898)	(1 365 486)
Segment profit/loss	**47 419**	**3 577**	**50 996**
Unassigned general and administrative expenses			(20 383)
Operating profit			**30 613**
Financial expenses			(323)
Financial revenue			12 751
Revenue from dividend			4 788
Income tax			(8 854)
Net profit			**39 075**

* – net sales revenue under Turnover also includes net revenue from sales of distribution services of PLN 523 thousand which was individually presented in the condensed interim consolidated financial statements of the ENEA S.A Group under Distribution.
** – the total expenses:
– include the costs of sales of distribution services of PLN 524 thousand, which were individually presented in the condensed interim consolidated financial statements of the ENEA S.A Group under Distribution
– include other operating revenue and expenses

Notes presented on pages 57 – 79 constitute and integral part of these condensed interim individual financial statements.

(all amounts to PLN '000, unless specified otherwise)

Information on operating segments (cont'd)

Other segment reporting information as at 30 September 2009:

Balance as at 30 September 2009	Turnover	All other segments	Total
Property, plant and equipment	18 129	138 686	156 815
Trade and other receivables	790 856	6 056	796 912
Total:	**808 985**	**144 742**	**953 727**
ASSETS excluded from segmentation			9 871 611
– including property, plant and equipment			52 222
– including trade and other receivables			83 232
TOTAL: ASSETS			**10 825 338**
Trade and other liabilities	719 939	5 221	725 160
Equity and liabilities excluded from segmentation			10 100 178
– including trade liabilities and other liabilities			88 201
TOTAL: EQUITY AND LIABILITIES			**10 825 338**
Capital expenditure for fixed assets and intangible assets	—	13 959	13 959
Capital expenditure for fixed assets and intangible assets excluded from segmentation			5 915
Depreciation /amortization of fixed assets/intangible assets	310	9 586	9 896
Depreciation/amortization of fixed assets/intangible assets excluded from segmentation			557
Revaluation write-down on receivables as at 30.09.2009	84 572	648	85 220

Other segment reporting information as at 31 December 2008:

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 liabilities 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

Notes presented on pages 57 – 79 constitute and integral part of these condensed interim individual financial statements.

The 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.

The 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.

Market prices applied to Inter-segment transactions provide individual entities with a margin sufficient for independent functioning on 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.

8. Property, plant and equipment

During the 9-month period ended 30 September 2009, the Company acquired property, plant and equipment for the total amount of PLN 19, 874 thousand (during the period of 12 months ended 31 December 2008 it was PLN 35,314 thousand).

During the 9-month period ended 30 September 2009, the Company sold and liquidated property, plant and equipment for the total net amount of PLN 436 thousand (during the period of 12 months ended 31 December 2008 it was PLN 547 thousand).

During the 9-month period ended 30 September 2009, the Company decreased property, plant and equipment by way of a contribution in kind of assets of the total net book amount of PLN 3,929 thousand made to ENTUR Sp. z o.o., IT SERWIS Sp z o.o. and COGEN Sp z o. o.

During the 9-month period ended 30 September 2009, the Company recognized additional revaluation write-downs on the carrying value of property, plant and equipment for the total amount of PLN 7,517 thousand (during the period of 9 months ended 30 September 2008 it was PLN 5,788 thousand).

During the 3-month period ended 30 September 2009, revaluation write-downs on the carrying value of property, plant and equipment did not change (during the period of 3 months ended 30 September 2008 the Company recognized additional revaluation write-downs on the carrying value of property, plant and equipment for the total amount of PLN 5,788 thousand).

As at 30 September 2009 the total revaluation write-downs on the carrying value of property, plant and equipment amounted to PLN 15,301 thousand (as at 31 December 2008: PLN 7,784 thousand).

Impairment test (property, plant and equipment)

The Company carried out an impairment test of property, plant and equipment as at 31 December 2008. Based on the test, as at 31 December 2008 there was no impairment of property, plant and equipment.

9. Intangible assets

During the 9-month period ended 30 September 2009, the Company did not sell acquire intangible assets (during the period of 12 months ended 31 December 2008: PLN 0 thousand).

During the 9-month period ended 30 September 2009, the Company did not sell or liquidate intangible assets (during the period of 12 months ended 31 December 2008: PLN 0 thousand).

(all amounts to PLN '000, unless specified otherwise)

10. Investments in subsidiaries, associates and jointly-controlled entities

	30.09.2009	31.12.2008
Opening balance	**7 780 241**	**7 525 908**
Acquisition of investments	30 278	254 543
Revaluation write-down	—	(210)
Closing balance	**7 810 519**	**7 780 241**

During the 9-month period ended 30 September 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. Gorzów Wlkp., EnergoPartner Sp. z o.o. for the total amount of PLN 37,121 thousand. The amount recognized in the balance sheet was reduced by PLN 6,843 thousand due to the difference between the carrying value and the market value of contributions made to cover the shares. During the period of 12 months ended 31 December 2008 the Company acquired shares in subsidiaries, associated entities and jointly-controlled entities for the total amount of PLN 254,543 thousand.

The method of settlement of the acquisition of the entities has been described in note 13.

During the 9-month period ended 30 September 2009 and the 12-month period ended 31 December 2008 the Company did not sell any investments in associates.

Revaluation write-down on investments

	30.09.2009	31.12.2008
Opening balance of revaluation write-down on investments	**13 724**	**13 514**
Created	—	210
Closing balance of revaluation write-down on investments	**13 724**	**13 724**

11. Revaluation write-downs on trade and other receivables

	30.09.2009	31.12.2008
Opening balance of revaluation write-down on receivables	**93 519**	**96 520**
Created	9 411	9 153
Released	(17 717)	(11 237)
Applied	7	(917)
Closing balance of revaluation write-down on receivables	**85 220**	**93 519**

During the 9-month period ended 30 September 2009, the revaluation write-down on the carrying value of trade and other receivables decreased by PLN 8,299 thousand (during the period of 9 months ended 30 September 2008 the revaluation write-down dropped by PLN 2,789 thousand).

During the 3-month period ended 30 September 2009, the revaluation write-down on the carrying value of trade and other receivables decreased by PLN 1,538 thousand (during the period of 3 months ended 30 September 2008 the revaluation write-down grew by PLN 147 thousand).

(all amounts to PLN '000, unless specified otherwise)

12. Investment portfolio

ENEA S.A. fulfilled the conditions necessary to release funds from the ESCROW account due to the issuance of shares at the WSE. A specialized financial institution professionally manages the funds which amounted to PLN 1,673,763 thousand as at 30 September 2009. In accordance with the Agreement, transferred funds will be invested only in safe securities (treasury bills and bonds worth PLN 1,227,824 thousand) and deposits (in banks specified by the Company – PLN 445,938 thousand), based on the following scheme:

Type of assets	Minimum share	Maximum share
Debt instruments with a surety or guarantee of the State Treasury or 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 selected strategy is to maximize profit at minimum risk.

13. Settlement of acquisition of new subsidiaries and associates

In December 2008 ENEA S.A. acquired two subsidiaries: Przedsiębiorstwo Energetyki Cieplnej Sp. z o. o. in Oborniki ("PEC Oborniki"), Miejska Energetyka Cieplna Sp. z o. o. in Piła ("MEC Piła") and two associates: Przedsiębiorstwo Energetyki Cieplnej w Śremie S.A. and Elektrociepłownia Białystok S.A. As at the date of preparation of these condensed interim individual financial statements assigning the fair value to identifiable assets and liabilities of the acquired entity is possible only as an estimate, therefore the Company decided to carry out the settlement on a preliminary basis. Any adjustments of the estimated values resulting from the end of the preliminary settlement will be made within 12 months of the date of acquisition.

14. Share capital

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 337,626,428 to PLN 441,442,578. The increase was registered in the National Court Register on 13 January 2009. On 30 January 2009 the new shares were registered in the National Depository for Securities.

15. 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 of ENEA S.A. free of charge under the program ("program").

Employees eligible to acquire shares are persons who were employed in the ENEA SA Capital Group in time of the company commercialization (i.e. in 1993 and 1996) and filed a written declaration of will to acquire shares within 6 months from 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 number of years with the company including the number of years in the company before commercialization and after commercialization until the date of the sale of shares by the State Treasury.

(all amounts to PLN '000, unless specified otherwise)

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

The value of the employee shares program was determined by the Company based on the measurement of shares of ENEA S.A. as at the date of drawing up the 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 program was determined at PLN 901 million. The ENEA SA Capital Group recognized the total program costs as the previous years adjustment in equity of the oldest period presented in these financial statements, i.e. as at 1 January 2005 and it did not revaluate the costs as at any of the dates ending a later financial period, i.e. 31 December 2005, 31 December 2006, 31 December 2007 and 31 December 2008.

According to the Management Board, the IFRS do not specify the principles of settling the program 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, by the Grant Date, is likely to be granted a higher number of shares. This, however, will not take place due to the issue of additional shares but as a result of the reduction of the number of shares for other staff members.

Moreover, according to the Management Board, the key purpose of the program 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 SA decided that the program value would not be changed. As a result, the value of the program as at 30 September 2009 stood at 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 "Kozienice" S.A. were supposed to place a declaration of the intention to exchange the equivalent for the right to acquire shares of ENEA S.A. free of charge by 18 January 2008. Once the placed declarations and the result of the complaint procedure have been examined the value of shares to be settled in the form of an equivalent was PLN 291,127 thousand (PLN 514,920 thousand as at 31 December 2007). Exchange of the value of the equivalent for allotment certificates worth PLN 224,042 thousand was disclosed under the Company's capital under "Share-based capital".

As at 30 September 2009, a part of the equivalent was paid to the Eligible Employees of Elektrownia "Kozienice" S.A. As at 30 September 2009 other liabilities due to the equivalent amounted to PLN 424 thousand (as at 31 December 2008 the liability was PLN 163,799 thousand).

16. Deferred income tax

Changes in the deferred tax asset (considering the net-off of asset and provision):

	30.09.2009	31.12.2008
Opening balance	**(39 701)**	**(29 351)**
Amount charged to profit	5 449	(9 447)
Amount charged to other comprehensive income items	—	(903)
Closing balance	**(34 252)**	**(39 701)**

Notes presented on pages 57 – 79 constitute and integral part of these condensed interim individual financial statements.

(all amounts to PLN '000, unless specified otherwise)

During the 9-month period ended 30 September 2009, the Company's profit before tax was charged with PLN 5,449 thousand as a result of a decrease in the deferred tax asset (during the period of 9 months ended 30 September 2008 the Company's profit before tax was credited with PLN 24,420 thousand due to an increase in the asset).

During the 3-month period ended 30 September 2009, the Company's profit before tax was charged with PLN 1,728 thousand as a result of an increase in the deferred tax liability (during the period of 3 months ended 30 September 2008 the Company's profit before tax was charged with PLN 11,432 thousand due to an increase in the liability).

17. Certificates of origin

	30.09.2009	31.12.2008
Certificates of origin	(77 630)	(14 572)
Advance payments for certificates of origin	(1 961)	(2 985)
Provision for the costs of redemption of certificates of origin	131 289	161 499
Provision for certificates of origin	**51 698**	**143 942**

18. Provisions for liabilities and other obligations

Provision for projected losses due to compensation proceedings

	30.09.2009	31.12.2008
Opening balance	**42 268**	**61 676**
Increase in provisions	967	17 023
Decrease in provisions	(2 076)	(36 431)
Closing balance	**41 159**	**42 268**

Other provisions

	30.09.2009	31.12.2008
Opening balance	**1 609**	**588**
Increase in provisions	317	1 021
Decrease in provisions	—	—
Closing balance	**1 926**	**1 609**

Provisions for liabilities are determined at justified, reliably estimated amount. 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. The description of claims and relevant contingent liabilities have been presented in notes 23.2, 23.4, 23.5 and 23.6.

During the 9-month period ended 30 September 2009, the provision for projected losses due to compensation proceedings decreased by PLN 792 thousand (during the period of 9 months ended 30 September 2008 the provision for projected losses due to court proceedings and other provisions decreased by PLN 7,501 thousand).

During the 3-month period ended 30 September 2009, the provision for projected losses due to compensation proceedings increased by PLN 682 thousand (during the period of 3 months ended 30 September 2008 it dropped by PLN 586 thousand).

(all amounts to PLN '000, unless specified otherwise)

19. Dividend

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

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 gross profit less the amount of current income tax) in the amount of 15% which is recognized as dividend payment. The Company has ceased to be subject to the above obligation at the end of the month in which the capital increase resulting from the public issuance of shares conducted in 2008 (13 January 2009) was registered, i.e. since 1 February 2009.

Profit-sharing payments for the period from 1 January 2009 to 31 January 2009 amounted to PLN 218 thousand.

Profit-sharing payments for the period from 1 January to 30 September 2008 amounted to PLN 12,187 thousand. The Company reported the adjustment of the mandatory profit-sharing payments for 2007 in the amount of PLN 2,229 thousand.

Profit-sharing payments for the period from 1 July to 30 September 2008 amounted to PLN 5,782 thousand.

20. Related party transactions

The company concludes the following related party transactions:

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

	30.09.2009	31.12.2008
Purchases, including:	**3 435 167**	**3 861 807**
investment purchases	15 389	26 628
material purchases	518	1 263
service purchases	1 639 314	2 293 876
other (including electricity)	1 779 946	1 540 040
	251 093	**302 316**
Sales, including:		
sale of electricity	240 400	287 027
sale of goods and materials	0	0
sales of services	972	2 245
other	9 721	13 044

	30.09.2009	31.12.2008
receivables	32 359	49 166
liabilities	558 890	642 363

(ii) Transactions concluded with Companies and Members of the Group's Management divided into three categories:

- resulting from employment contracts with Members of the Management Board of the Parent Company related to appointment of the Members of the Supervisory Board;

(all amounts to PLN '000, unless specified otherwise)

- resulting from borrowings from the Company's Social Benefit Fund granted to Members of the Management Board of the Parent Company and Supervisory Board employed in ENEA S.A.;

- resulting from civil-law agreements.

In terms of the first category the amount of transactions have been presented in the table below:

Item	Management Board 01.01.2009 – 30.09.2009	Management Board 01.01.2008 – 30.09.2008	Supervisory Board 01.01.2009 – 30.09.2009	Supervisory Board 01.01.2008 – 30.09.2008
Remuneration pursuant to employment contract	1 141	702	—	—
Remuneration pursuant to appointment of managing and supervising bodies	—	—	126	259
Remuneration due to the position held in supervisory boards of subsidiaries	251	114	—	—
Remuneration due to other employee benefits, including: (reduced payment for electricity)	44	125	—	—
TOTAL	**1 436**	**941**	**126**	**259**

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 (companies with the majority interest of the State Treasury). Pursuant to the Act, the maximum monthly remuneration cannot exceed six average monthly remunerations in the enterprise sector excluding profit bonuses in Q4 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 awarding.

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

No.	Title	Balance as at 01.01.2009	Granted 01.01.2009	Maturing 30.09.2009	Balance as at 30.09.2009
1.	Management Board	18	—	(18)**	**—**
2.	Supervisory Board	—	20	(2)	**18**
	TOTAL	**18**	**20**	**(20)**	**18**

No.	Title	Balance as at 01.01.2008	Granted 01.01.2008	Maturing 31.12.2008	Balance as at 31.12.2008
1.	Management Board	27	—	(9)*	**18**
2.	Supervisory Board	6	—	(6)	**—**
	TOTAL	**33**	**—**	**(15)**	**18**

* including PLN 5 thousand eliminated from presentation being a borrowing of Renata Czech dismissed from the function of the Member of the Management Board on 15 July 2008 based on the resolution of the Supervisory Board No. 55/VI/2008.

* PLN 18 thousand eliminated from presentation being a borrowing of Czesław Kolterman dismissed from the function of the Member of the Management Board on 1 September 2009.

Notes presented on pages 57 – 79 constitute and integral part of these condensed interim individual financial statements.

(all amounts to PLN '000, unless specified otherwise)

Other transactions resulting from civil-law agreements concluded between ENEA S.A. and Members of the Company's Bodies relate only to private use of company's cars by Members of the Management Board of ENEA S.A.

(iii) Transactions with entities, whose shares are held by the State Treasury

ENEA S.A. also concludes 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:

- purchase of electricity and property right resulting from certificates of origin as regards renewable energy and energy produced in cogeneration with heat from companies whose shares are held by the State Treasury and
- sale of electricity, distribution service and other related fees, provided to the central and local administration bodies (domestic sale) and entities whose shares are held by the State Treasury (domestic wholesale and retail – end users).

These 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 for aggregating the values of all transactions with the state entities and entities whose shares are held by the State Treasury, therefore the turnovers and balances of related-party transactions disclosed in these condensed interim individual financial statements do not include the data concerning transactions with the entities whose shares are owned by the State Treasury.

21. Future liabilities due to contracts concluded as at the balance sheet date

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

	30.09.2009	31.12.2008
Acquisition of property, plant and equipment	17 244	17 164
Acquisition of intangible assets	705	—
	17 949	**17 164**

22. Explanations of the seasonal and cyclical nature of the Company's business

Sales of electricity during the year are subject to seasonal fluctuations. They increase 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 (45.51% of the sales value), not to the industrial sector.

23. Contingent liabilities and proceedings before court, body competent to conduct arbitration or public administration body

23.1. Loans and borrowings collateral and guarantees granted by the Company

The Company did not grant any guarantees or collateral for loans or borrowings during the reporting period.

23.2. 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 network and other specialist services rendered by the Company (the so-called non-electricity cases).

As at 30 September 2009 there were 6,122 cases pending before common courts of law which have been brought by the Company for the total amount of PLN 13,946 thousand (as at 31 December 2008 there were 7,637 cases for the total amount of PLN 12,167 thousand). 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. The Company considers actions concerning non-contractual use of real property not owned by the Company as particularly important (note 23.5).

As at 30 September 2009 there were 139 cases pending before common courts of law which have been brought against the Company for the total amount of PLN 12,447 thousand (as at 31 December 2008 there were 166 cases for the total amount of PLN 12,734 thousand). Provisions related to the court cases have been presented in note 18.

23.3. Arbitration proceedings

As at 30 September 2009 there were no pending proceedings before competent arbitration bodies.

23.4. Proceedings before public administration bodies

Pursuant to the decision of the President of the Office of Competition and Consumer Protection of 12 September 2008 which closed the proceedings for charging electricity recipients 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 the Regional Court in Warsaw – Court of Competition and Consumer Protection reduced the fine to PLN 10 thousand.

Pursuant to the decision of 27 November 2008 No. DPE-451-206(4)/2688/2008MOS, the President of the Energy Regulatory Office, following administrative proceedings, imposed a fine of PLN 7,594 thousand, i.e. 0.2771% of the revenue from licensed operations generated in 2006 due to default under the obligation specified in Article 9a clause 8 of the Energy Law to purchase offered electricity produced in cogeneration with production of heat in the energy sources connected to the network and located in Poland. On 17 December 2008 ENEA S.A. appealed via the Energy Regulatory Office to the Regional Court in Warsaw – Court of Competition and Consumer Protection – explaining that ENEA S.A. exercised due diligence required by law to meet the obligation specified in Article 9a clause 8 of the Energy Law.

A provision for the total amount of the aforementioned fine was recognized in these condensed interim financial statements.

Due to the nature of the Company's business, there were many other proceedings before the public administration bodies as at 30 September 2009.

Vast majority of the proceedings was instigated upon request of the Company which applies to 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 proceeding should not have a significant impact on the Company's net profit.

As at 30 September 2009 the President of the Energy Regulatory Office carried out a series of explanatory and administrative proceedings against the Company.

The result of the proceeding 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 Commerce and incompatibilities of findings with the facts and findings specified in the post-audit statement and reservations concerning assessment included therein. On 20 April 2009 the Commission of Appeal adopted a Resolution to close the appeal proceedings. It was approved by the Chairman 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.

23.5. Risk related to the legal position of real property used by the Company

The risk related to the legal status of the properties used by the Company (currently utilized by ENEA Operator Sp. z o.o.) results from the fact that the Company does not have all legal titles to use the land where transmission networks and related devices are located. The Company may have to incur costs related to non-contractual use of properties in future.

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

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

Decisions related to these 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 established a provision for all claims lodged by owners of properties located near transmission networks and devices based on most appropriate estimates of expenditures necessary to settle the claims assumed by the Management Board. Since the distribution system operator has been spun off, claims against ENEA Operator Sp. z o.o., the owner of the transmission networks and related devices, have been lodged as well. As at 31 December 2008, the Management Board of ENEA S.A. examined the submitted claims which had not been brought to court. As a result of the examination, the estimates were changed and the provision for claims of persons holding real property due to non-contractual use of land was partially released (Note 18).

The Company does not establish a provision for possible unlodged claims of owners of land which is used non-contractually. Potential claims may be significant for the Company, considering the area of non-contractually used land. The Company does not keep any record nor has any 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.

23.6. 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 on 30 September 2009 there were no regulations in this respect and the Company did not create provisions for possible claims due to the use of woodland managed by the National Forests for the needs of the Company's electricity lines. On 29 November 2006 was held a meeting initiated by the Minister of Environment and attended by representatives of the National Forests, the Ministry of State Treasury, PSE-Operator Sp. z o.o. and Polskie Towarzystwa Przesyłu i Rozdziału Energii Elektrycznej representing distribution companies. The National Forests' proposition 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 of the State Treasury. Possible 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 18.

24. Opening of negotiations concerning acquisition of Zespół Elektrowni Pątnów-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 Pątnów-Adamów-Konin S.A. (ZE PAK). The Company will place the offer after a number of conditions have been met. 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. As at the date of preparation of these condensed interim individual financial statements no binding decisions were taken.

25. 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 drawing up these individual financial statements, the Management Board of ENEA S.A. decided to discontinue the process aimed at acquisition of an organized part of Kompania Węglowa S.A. Ruch II Silesia KWK "Brzeszcze-Silesia". It is possible that the Company will continue the negotiations and determine new principles of cooperation with Kompania Węglowa, the owner of KWK Silesia. In case of KWK Silesia coal mine the decision making process is in progress and ENEA S.A. is considering other forms of investments.

26. Changes in excise tax

On 1 March 2009, the amendment of the Excise Tax Act of 23 January 2004 came into force. Polish excise tax regulations had to be amended in order to comply with the EU laws. Based on the amendment, the excise tax obligation arises when electricity is supplied to the final buyers (not in time of producing electricity). Consequently, since 1 March 2009 ENEA S.A. has been obliged to pay excise tax.

The value of input excise tax for the period from 1 March 2009 to 30 September 2009 amounted to PLN 158,846 thousand.

27. Post balance sheet events

27.1. Share capital increase of a subsidiary

On 23 October 2009 the Extraordinary Shareholders' Meeting of Niepubliczny Zakład Opieki Zdrowotnej Centrum Uzdrowiskowe ENERGETYK Sp. z o. o. with the 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 face value of PLN 500 each. All new shares in the company's share capital will be assumed and cash covered by ENEA S.A.

27.2. 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 detailed procedure of selling shares of the State Treasury (Dz. U. of 2009 No. 34, item 264), invited all interested parties to negotiations concerning the acquisition of 295,987,473 shares with the face value of PLN 1 each, owned by the State Treasury and constituting 67.05% of the share capital of ENEA S.A. in Poznań.

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

The only Company which replied was RWE AG.

On 14 October 2009 the Ministry of State Treasury informed that RWE AG would not file a binding offer to acquire shares of ENEA S. A. Consequently, the process of the sale of 67.5 % shares in ENEA S.A. held by the State Treasury was closed on 15 October 2009.

Additional information for the expanded consolidated report for Q3 2009

I. Description of the organisation of the issuer's capital group with an indication of units subject to consolidation and the consequences of changes to the structure of the issuer's capital group, including as a result of the merger of business units, the takeover or sale of the issuer's capital group units, long-term investments, the division, restructuring or cessation of operations

A description of the organisation of the issuer's capital group with an indication of units subject to consolidation and a description of changes to the structure of the issuer's capital group is included in Note No. 6 to the consolidated quarterly financial statement (p. 17 of this report).

Description of the Capital Group's operations

As part of its basic activities, the ENEA Capital Group (the "Group") is involved in generating, distributing and trading in electricity. The above activities are performed by companies from our Group on the basis of licences granted by the President of the Energy Regulatory Office, the body established to carry out regulatory tasks with regard to the management of fuels and energy and to encourage competition in the energy sector. Within our Group, we particularly hold the following concessions: (i) ENEA holds a concession for electricity trading which is valid until the end of 2025; (ii) EnergoPartner holds a concession for electricity trading which is valid until the end of 2025; (iii) ENEA Operator holds a concession for electricity distribution which is valid until mid-2017; (iv) Elektrownia Kozienice holds a concession for electricity generation which is valid until the end of 2025, and a concession for electricity trading which is valid until the end of 2012; and (v) Elektrownie Wodne holds a concession for electricity generation which is valid until 30 March 2011.

Generation

Within our Group, the generation of electricity is mainly carried out by Elektrownia Kozienice S.A., which became part of the Group in October 2007. The Kozienice power plant has a gross annual power capacity of 2,880 MW and is thus the largest bituminous coal-fired power plant in Poland. In January 2008 Elektrownia Kozienice also began producing electricity from renewable sources (by including biomass in its fuel). In the period Q1-Q3 2009, the Kozienice plant generated a gross 8,960,297 MWh of electricity. Elektrownia Kozienice also generates electricity from renewable sources by burning biomass together with conventional fuel (bituminous coal). In the period Q1-Q3 2009, Elektrownia Kozienice obtained renewable energy certificates in the amount of 151,614.787 (relevant applications to the ERO were submitted for August and September).

Generation of electricity from renewable sources is mainly the concern of our subsidiary, Elektrownie Wodne Sp. z o.o. In 2009, it obtained 24,114.049 renewable energy certificates. The annual power capacity of the 20 hydroelectric plants belonging to our Group amounts to 56 MW. 23,797.553 MWh of electricity were generated in hydroelectric plants and transferred to the grid in Q3 of 2009.

Activities undertaken in terms of increasing the amount of electricity produced from renewable energy sources is significant for the Group in that provisions of law oblige us to obtain certificates of origin and submit them to the President of the Energy Regulatory Office (ERO) for cancellation. These must confirm: (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 quantity of certificates of origin which need to be obtained and cancelled results from legal provisions and is calculated as a percentage share of the electricity sold to end users. This share will increase in future 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 consequently forced to obtain certificates of origin from third parties or pay substitute charges, the amount of which increases each 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 certainty that the increased prices of those certificates of origin or the substitute charges paid by us will be able to be reflected in the price of electricity sold to end users. 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. In consideration of the above, ENEA S.A. is taking steps to increase the volume of its production of electricity from renewable energy sources, and is investing in energy sources produced through cogeneration.

Distribution

Within our Group, the distribution of electricity is the responsibility of ENEA Operator Sp. z o.o. ("ENEA Operator"), which acts as the operator of the distribution system. The ENEA Operator distribution network covers approximately 20 per cent of the country, located in the north-western part of Poland. According to the most recent update, ENEA Operator has 124,505 km of power lines (together with connectors) and 33,965 electricity stations at its disposal.

Trade

In our Group, the wholesale trade of electricity and the retail sale of electricity to retail customers are the responsibility of ENEA S.A.

In Q3 2009, total sales from trading in electricity were 5,017.1 GWh.

Sales to retail customers amounted to 4,139.8 GWh, including 373.6 GWh to customers connected to a DSO power grid other than ENEA Operator.

As at 30 September 2009, the number of retail customers was approximately 2.3 million firms and households.

Other operations

The companies of our Group also conduct operations supplementary to the basic operations listed above, including:

(i) the construction, extension, modernisation and repairs of electrical power equipment and networks;

(ii) the design, construction, production and sale of electrical and power equipment and apparatus;

(iii) services related to the maintenance of street lighting and low-voltage networks;

(iv) transport services (including the sale, servicing, repair and leasing of vehicles); and

(v) social activities (tourist destinations, healthcare).

Description of changes in the structure of the Group

By a decision of the District Court in Poznań – Nowe Miasto i Wilda in Poznań, Division VIII Commercial of the National Court Register of 1 July 2009, a merger took place between companies in the area of 'measurements' through the takeover by Energomiar Sp. z o.o. with its registered office in Poznań (the acquiring company) of STEREN Sp. z o.o. with its registered office in Bydgoszcz (the target company). As a result of the merger, the share capital of the company Energomiar Sp. z o.o. amounted to PLN 2,749,000.00 consisting of 5,498 shares of a nominal value of PLN 500 each. All of those shares were acquired by ENEA S.A.

Presentation of the companies:

The business of Energomiar Sp. z o.o. with its registered office in Poznań (at ul. Strzeszyńska 58, 60-479 Poznań) is the production, repair, certification and sale of electricity meters and timing devices, and the supply and installation of air conditioning and electrical heating equipment.

The business of STEREN Sp. z o.o. with its registered office in Bydgoszcz (ul. Lenartowicza 33-35, 85-133 Bydgoszcz) was, up to the time of the merger, data transmission and teleinformatics; the production, installation, repair and maintenance of radio-controlled equipment; services in relation to the installation, repair and maintenance of electricity, hot water and gas meters; the installation of telecommunications equipment; the performance of structural computer networks; the wholeselling of computers and accessories, conductors, switches, radio-controlled equipment; telecommunications services, advice pertaining to computer equipment; and programming activities. ENEA S.A. was the only shareholder of that Company whose share capital amounted to PLN 200,000.00.

On 27 July 2009, Resolution No. 1 of the Extraordinary General Meeting of Shareholders increased the share capital of EnergoPartner Sp. z o.o. with its registered office in Poznań by PLN 200,000, and all the newly created shares were acquired by ENEA S.A. and subscribed for in cash.

On 31 August 2009, Resolution No. 1 of the Extraordinary General Meeting of Shareholders increased the share capital of EnergoPartner Sp. z o.o. with its registered office in Poznań by PLN 2,900,000, and all the newly created shares were acquired by ENEA S.A. and subscribed for in cash.

The business of EnergoPartner Sp. z o.o. is the development of wind farm projects in Poland.

II. Position of the Management Board in relation to the possibility of attaining previously published forecasts of the results of a given year

The Management Board of ENEA S.A. did not publish financial result forecasts for 2009 or for Q3 2009.

III. Shareholders holding 5 per cent or more of the votes at the issuer's general meeting of shareholders, directly or indirectly through subsidiaries, as at the publication date of the quarterly report, as well as indications of changes in the ownership structure of significant share stakes of ENEA S.A. during the period since the publication of the previous quarterly report

As at the date of publishing this quarterly report, the structure of shareholders holding more than five per cent of the total number of votes at ENEA S.A.'s General Meeting of Shareholders is as follows:

Shareholder name	Number of shares held	Number of votes held	Share in the share capital	Share of 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

In the period since the publication of the last quarterly report, the following changes have taken place in the ownership structure of major share stakes of ENEA S.A.:

IV. A list of holdings of the issuer's shares or rights to them by persons that manage or supervise the issuer as at the publication date of the quarterly report, together with an indication of the changes to the holdings in the period since the publication of the previous quarterly report, individually for each person

As at the date of issuing this report, Mr. Tadeusz Dachowski, Deputy Chairman of the Company's Supervisory Board, owned 300 shares of ENEA S.A.

As at the date of issuing this report, members of ENEA S.A.'s Management and Supervisory Boards did not own shares or ownership interests in subsidiaries of ENEA S.A.

V. Proceedings underway before courts, bodies appropriate for arbitration proceedings or public administration bodies:

a) proceedings related to the issuer's or its subsidiary's payables or debts, whose value is 10 per cent or more of the issuer's equity, including a description of: the subject of the proceedings, the value of the dispute, the date the proceedings were initiated, the parties to the initiated proceedings and the issuer's position.

As at the publication date of this report, no proceedings are underway whose value would amount to 10 per cent or more of ENEA S.A.'s equity.

b) two or more proceedings regarding payables and debt, whose total value corresponds to 10 per cent or more of the issuer's equity, with an indication of the total value of proceedings within the group of payables and debts, together with the issuer's position on this matter and, with regard to the biggest proceedings in the group of payables and the group of debts – with an indication of their subject, the value of the dispute, the date the proceedings were initiated and the parties to the initiated proceedings;

As at the publication date of this report, no proceedings are underway whose total value would amount to 10 per cent or more of ENEA S.A.'s equity.

A description of currently pending proceedings other than those specified above in which ENEA S.A. or an entity which belongs to the Group is a party can be found in Note No. 28.2-4 to the consolidated quarterly financial statements (p. 38 of this report).

VI. Information on the conclusion by the issuer or one of its subsidiaries of one or more transactions with affiliated companies, if they are individually or jointly significant and were concluded under non-market conditions.

In Q3 2009 the Group did not conclude significant transactions under non-market conditions with affiliated companies.

A description of other transactions concluded by the issuer or its subsidiaries with affiliated companies was included in Note No. 24 to the consolidated quarterly financial statements (p. 34 of this report).

VII. Information regarding the issuer or its subsidiaries granting credit or loan suretyships or guarantees – jointly to a single entity or a subsidiary of that entity, if the total value of the existing suretyships or guarantees is equivalent to 10 per cent or more of the issuer's equity

During the reporting period neither the issuer nor any of its subsidiaries granted credit or loan suretyships or guarantees – jointly to a single entity or a subsidiary of that entity, where the total value was equivalent to 10 per cent or more of the issuer's equity.

VIII. Other information which in the issuer's opinion is significant for evaluating its employment, asset or financial condition, its financial results or changes to them, as well as information that is significant for evaluating the issuer's ability to meet its obligations

Regardless of the information included in the remaining parts of the quarterly report, in the opinion of the Management Board the following information regarding ENEA S.A. should be kept in mind:

Strong market position

We have a strong market position in Poland in all segments of the electrical power market in which we conduct operations. We are among the four largest entities in Poland in the electricity generation, distribution and trade sector.

Effective generation assets

The Group's Kozienice power plant is one of the most efficient bituminous coal-fired power plants in Poland. It has modernised generation units which produce electricity while respecting the ecosystem in the vicinity of the company, in line with EU environmental protection norms. As one of the first power plants in Poland, construction has begun on two new power units of superior parameters with a capacity of 1000 MW each.

The Kozienice power plant has one of the lowest indicators of carbon dioxide emissions in Poland: in 2007 the level was 860 kg/MWh, in 2008 849 kg/MWh, and for Q1-Q3 2009, 882 kg/MWh. It also has one of the lowest indicators of coal used per MWh of electricity generated. The level in 2008 was 0.410 Mg/MWh.

A diversified client portfolio

The portfolio of clients to whom we sell electricity is diversified to a large extent.

As at 30 September 2009, ENEA S.A. provided comprehensive services (consisting of the sale of electricity and provision of distribution services) or sold electricity to more than 2 mln individual customers and approximately 0.3 mln business clients.

In Q3 2009, revenue from sales of electricity to the largest of our recipients amounted to approx. 4 per cent of the total value of sales of electricity and distribution services, and the share of the 10 largest recipients was slightly over 17 per cent.

Vertical integration

As a result of the inclusion of Elektrownia Kozienice in the Group in October 2007, we have become a vertically integrated power company. At the end of Q3, the vast majority of the electricity generated by the Kozienice power plant (approx. 90 per cent), with the exception of electricity sold on the balancing market and as part of regulation system services, as well as insignificant amounts sold to local recipients, was being sold to ENEA S.A.

Convenient location for developing wind farms

Investments in renewable wind power are a significant element of our strategy. Our distribution network covers the north-western part of Poland which, due to the prevailing atmospheric conditions in that part of the country – plenty of wind – is a good location for building wind farms. In the maritime region, recognised as an ideal area for constructing wind farms, the average wind speed is estimated as being more than 6 m/s. In 2009, we took steps to acquire wind farm projects in order to meet our obligations specified in the issue prospectus for reaching a target volume of installed power of from 300 to 500 MW, in compliance with the description pertaining to the use of revenues from the issue.

Tariffs

ENEA S.A. sells electricity to end users from the A, B and C tariff group sets (institutional recipients) as well as from the G tariff group set (households).

The "Tariff for Electrical Energy" for the A, B and C tariff group sets was adopted under Resolution No. 786/2008 of the Management Board of ENEA S.A. on 25 November 2008, and amended by Resolution No. 266/2009 of the Management Board of ENEA S.A. on 27 April 2009.

The sale of electrical energy for end users from the G tariff group connected to the ENEA Operator Sp. z o.o. network is carried out on the basis of the "Tariff for Electrical Energy" approved by the President of the ERO for the period ending 31 December 2009. That tariff, in compliance with Resolution No. 2/2009 of the Management Board of ENEA S.A. of 5 January 2009, came into force on 17 January 2009. The level of costs recognised as justifiable by the President of the ERA in that tariff is lower than the costs incurred by the Company under electricity purchase contracts concluded.

Risks relating to activities and the surroundings

Notwithstanding the above positive factors in an evaluation of the employment, property and financial situation and the financial result of the issuer and its Group, a series of factors exist which are identifiable as risks relating to the activities carried on and the surroundings in which they take place. Among these, attention should be drawn to the potential impact of events and circumstances described in the Report of the Management Board on the operations of the ENEA Capital Group published as part of the consolidated annual report on 30 April 2009 and in the Report of the Management Board on the operations of the ENEA Capital Group in the first half of 2009, published as part of the extended consolidated semi-annual report on 31 August 2009, as well as in Notes No. 28-31 on the consolidated quarterly financial statements (p. 38-43 of this report).

Collective disputes

Approximately 70 per cent of our employees belong to trade unions. The position of trade unions in the electricity sector is particularly strong due to the level of employment in the sector and its strategic impact on the functioning of the economy. Collective disputes with employees can lead to disruptions to our ongoing operations, including stoppages, and can also increase costs related to wages and salaries, which could adversely affect our business operations, financial standing, financial results or development prospects.

ENEA S.A. is a currently a party in two collective disputes:

—a collective dispute of 3 April 2009, which relates to an increase in the wages/salaries index in ENEA S.A. in 2009 – information on this event was disclosed in current report No. 26/2009 of 3 April 2009;

—a collective dispute of 7 September 2009, the subject of which are issues related to the procedure by which the Company discloses information (and the scope of that information) to employees relating to the ongoing privatisation process, i.e. information on the privatisation plan, the manner of guiding employees through the privatisation process and the impact of the possible change in the majority shareholder of the Company on the situation of its employees. Information on this event was disclosed in current report No. 51/2009 of 8 September 2009.

Both of the above disputes are in the negotiation stage.

On 24 September 2009, as a result of a meeting of the Management Board of ENEA Operator Sp. z o.o. and the Trade Unions, the parties resumed talks relating to a collective dispute reported to the State Labour Inspectorate on 12 May 2009 (current report No. 29/2009 of 12 May 2009).

Adjustment of stranded costs

In the 1990s, a system of long-term contracts (LTCs) was introduced in Poland, which was meant to enable electricity producers to obtain the financing necessary to carry out investments in production assets which were needed in the energy sector. In connection with the ongoing deregulation of the energy sector and reservations expressed by the European Commission, in 2007 Poland implemented a programme of early termination of long-term contracts by adopting the Act on Terminating LCTs. Elektrownia Kozienice was party to a long-term contract under which it sold approximately 40% of the electricity it produced. In connection with the Act on Terminating LCTs coming into force, that contract was subject to early termination as of 1 April 2008. As a result, electricity which had until then been sold on the basis of a long-term contract is now sold on the free market, where the price can differ from the price established in the long-term contract.

On the basis of the Act on Terminating LCTs, we are able to obtain compensation to cover so-called "stranded costs", i.e. outlays which are not covered by revenues obtained from the sale of electricity produced, power reserves and systemic services on the competitive market after the early termination of a long-term contract, resulting from outlays incurred up to 1 May 2004 on assets associated with producing electricity. The compensation is paid during the year in the form of advance payments, the amount of which is adjusted by virtue of a decision of the President of the Energy Regulatory Office, according to the conditions set out in the Act on Terminating LCTs. The settlement of compensation to cover stranded costs for a particular year is carried out by the President of ERO by 31 July of the next year (the "annual adjustment") and by 31 August after the last year of the term of the LCT (the "final adjustment"). The amount of the annual adjustment and the final adjustment carried out after the end of the term of the LCT depends on many factors, including the business results achieved by the producer (this applies to the Kozienice power plant) in the current period and in subsequent years, the volume of sales of electricity, and the average market prices of electricity.

The annual amount of that compensation, discounted as at 1 January 2007, cannot exceed the maximum amount of those costs specified in the Act on Terminating LCTs. For the Kozienice power plant, the maximum amount of stranded costs was set at PLN 623.6 mln (for the period 2007-2014).

In 2008, Elektrownia "Kozienice" S.A. received advance payments towards stranded costs from Zarządca Rozliczeń S.A. in the amount of PLN 93,132,000, of which PLN 80,976,000 was recognised in the financial statements for 2008 as revenues on account of compensation. On 5 August 2009, Elektrownia "Kozienice" S.A. received the Decision of the President of ERO of 31 July 2009 establishing the amount of the annual adjustment of stranded costs (i.e. of the advance payments previously received from Zarządca Rozliczeń S.A.) for Elektrownia "Kozienice" S.A. for 2008. According to that decision, the amount of the annual adjustment of stranded costs (i.e. the amount of the advance payments to be returned to Zarządca Rozliczeń S.A.) was established at PLN 89,537,000, which means revenues on account of compensation for 2008 were lower than the amount recognised by Elektrownia "Kozienice" S.A. in the financial statements for 2008 (and therefore in the consolidated report for ENEA Capital Group) by PLN 77,381,000.

In the opinion of the Management Board of Elektrownia "Kozienice" S.A. and ENEA S.A., the assumptions adopted when the President of ERO was establishing the Decision and the interpretation of the applicable act of 29 June 2007 on the principles for covering costs arising at manufacturers in connection with the termination of long-term contracts on the sale of power and electricity are in many respects erroneous and misapplied. Elektrownia "Kozienice" S.A. therefore filed an appeal on 19 August 2009 to the Regional Court in Warsaw, Court for Competition and Consumer Protection. The appeal included a motion that the enforcement of the decision to be delayed until the case has been settled. By a judgement of 23 September 2009, the Regional Court in Warsaw, Court for Competition and Consumer Protection, decided to delay the enforcement of the contested decision over and above the amount of PLN 44,768,000 and dismissed the remainder of the motion. On 30 September 2009, the Company's Management Board therefore decided to return a portion of the advance payment equal to the portion of the amount resulting from the Decision of the President of the ERO which had not been suspended by the Court. On 2 October 2009, Elektrownia "Kozienice" S.A. submitted a complaint to the above ruling to the Appeals Court in Warsaw, 6th Civil Division.

As at the date of drawing up this report, it is not possible to unequivocally state the results of the appeal against the above-mentioned decision. The Management Board of Elektrownia "Kozienice" S.A. decided to disclose an adjustment of revenues on account of compensation recognised in 2009 in the amount of PLN 27,035,000 and also to disclose an adjustment of revenues on account of compensation recognised in 2008 in the amount of PLN 77,380,000. Both of those adjustments are disclosed in the report on full income for the period 1 January to 30 September 2009 in the item "revenue from sales" (as amounts decreasing revenues from sales).

Additional information on the issue of stranded costs can be found in the issue prospectus for series C shares and in Note No. 25 on the consolidated quarterly financial statements (p. 36 of this report).

Privatisation

In accordance with the "Privatisation Plan 2008-2011" approved by the Council of Ministers on 22 April 2008, ENEA S.A. was identified as one of the energy groups to undergo privatisation in 2008-2011. The first stage of this process was the sale in 2008 of a packet of newly issued shares of the

Company through its first public offer. In accordance with a resolution of the Council of Ministers of 11 August 2009, ENEA S.A. was placed on the list of key companies designated for privatisation in 2009. The final form of the further privatisation of the Company, its time frame and the size of the packet of shares designated for disposal by the State Treasury will depend solely on the decision of the Ministry of the State Treasury.

Information on transactions securing currency risk

As part of their operations neither ENEA S.A. nor its subsidiaries concluded any transactions securing currency risk in Q3 2009.

Awards and distinctions received by ENEA S.A. in Q3 2009

The ENEA Capital Group attained a high 11th place in the ranking of the 400 biggest Polish production companies in 2008, prepared by the business magazine Home & Media.

Among several factors taken into consideration by the ranking's analysts, the most important was data on net revenues from sales.

ENEA S.A. was named a Good Reputation Business for 2009 in the category: Energy in the fourth edition of the PremiumBrand ranking 2009

The ranking was based on research conducted on the Polish market by the TNS OBOP institute. The reputation of brands and companies is assessed on the basis of the following criteria: people's willingness to recommend the brand/business, media atmosphere, the business as an employer, the business's community involvement, and the business as a business partner. In this year's evaluation, 67 brands and 30 businesses took part.

IX. Factors that in the issuer's opinion will influence the results it will achieve within at least the next quarter

One of the basic factors that will influence long-term results will be the execution of a development strategy for implementing the following strategic goals:

Raising operating efficiency

A basic element of our strategy is to constantly increase operating effectiveness, aimed at reducing costs, and in effect to increase the profitability of our operations. In order to achieve this goal, within the next few years we intend to:

—carry out further investments in the distribution network in order to connect new clients to the grid and to ensure the delivery of electricity with given parameters, such investments including expanding the network and replacing the most problematic sections of power lines;

—make the management of the distribution network more efficient in order to limit losses primarily resulting from the illegal use of electricity, by systematic inspections and regular monitoring, as well as the introduction of a system that will make efficient reporting on the status of the power grid possible;

—carry out further investment with regard to the modernisation of the Kozienice power plant, aimed at maintaining the optimal efficiency of electricity generation and raising the reliability of generation, as well as limiting the impact of this on the natural environment. To that end, among other investments, in 2008 the construction of three desulphurisation installations began, which should be completed and handed over for use in 2011. A tender procedure is currently underway to select a contractor to replace the electrofilter of power unit No. 10. In the future, the modernisation of the two last electrofilters in power units No. 3 and No. 8 is also planned, as is the construction of an installation for the catalytic denitrogenation of emissions in power units No. 4 to 10;

—conclude the integration of generation operations with trading, including within the scope of integrating the computer systems of ENEA S.A. and Elektrownia Kozienice, which will make the optimisation of production capacity use at the Kozienice power plant possible;

—make customer service more efficient, including by introducing computer-based CRM solutions (i.e. those supporting customer relations management);

—restructure the Group by: cost optimisation, (ii) adjusting the principles for the functioning of segments with similar operational profiles within the Group's companies and indicating operational areas which can be eliminated that do not constitute the Group's core business areas or functions supporting those areas, and (iii) reducing the number of ENEA S.A. subsidiaries. As part of the restructuring of the Group in Q3 2009, under a decision of 1 July 2009 by the District Court for Poznań – Nowe Miasto i Wilda in Poznań, Division VIII Commercial of the National Court Register, a merger took place in the area of 'measurements' through the takeover by Energomiar Sp. z o.o. with its registered office in Poznań (the acquiring company) of STEREN Sp. z o.o. with its registered office in Bydgoszcz (the target company).

Increasing existing and obtaining new generating capacity

Our long-term strategic goal is to obtain access to our own power generation sources with a potential that would make it possible to at least satisfy the electricity needs of all Group clients.

The first step in implementing this strategy was the acquisition in October 2007 of the Kozienice power plant, the biggest bituminous coal-fired power station in Poland in terms of pull-out power. We are systematically analysing the possibility of acquiring more entities that are active in the field of generating electricity on the basis of conventional sources.

Apart from the possibility of obtaining additional production capacity through taking over existing entities, we are also planning to increase production capacity by building new units, including on the grounds of Elektrownia Kozienice, where by 2015 we plan to complete a new unit with a total capacity of approximately 1,000 MW, and by 2016 another unit also with a total capacity of approximately 1,000 MW.

Investments in renewable energy sources and in cogeneration of power and heat

Only to a small extent does the Group's current generating capacity allow it to meet the requirements for obtaining renewable energy and cogeneration certificates. Due to the forecast increases in the requirements with regard to renewable and co-generated energy sources, we are taking action to increase control over costs related to the fulfilment of the requirements of the law within this scope. From the various types of renewable energy sources, bearing in mind their availability and financial effectiveness, in Poland the main investment opportunities are biogas power stations, biomass power stations, wind power stations, hydro-electric power stations and biomass co-combustion. On the basis of technical/technogical, organisational, business/financial and legal considerations and the development trends of individual RESs in Poland in recent years, ENEA S.A. is planning to treat biogas power stations and wind power stations as priority investment directions in the area of RESs. Investments in technologies for biomass combustion in cogneration sources will also be considered. We intend to continue activities pertaining to the acquisition of selected thermal power stations and thermal-electric power stations from municipalities and other local entities. The acquired entities will generate electricity in cogeneration, which will enable us to obtain additional energy certificates. In addition, in the north-western part of Poland in particular, we intend to invest in wind farm projects at various stages of development by acquiring existing entities or making joint investments with outside entities. We are also planning to carry out investments in the construction of biogas and biomass-fuelled power plants in a distributed system.

Further vertical integration of our activities

In view of the liberalisation of the market that is taking place and the Polish government's privatisation plans, we are examining the possibility of securing access to our own sources of coal by taking over existing bituminous and brown-coal mines. Together with Kopalnia Węgla Brunatnego Konin w Kleczewie S.A., ENEA S.A. has established a company named PWE Gubin Sp. z o.o. with its registered office in Sękowice ("PWE Gubin"), whose goal is to search for brown-coal deposits in the districts of Gubin and Brody located near the Polish-German border, and in due course to build a strip mine and power plant. Currently, PWE Gubin is at the stage of preparing an investment project in connection with the construction of a brown-coal strip mine together with a brown-coal-fired power plant with a capacity of approximately 800 MW (with potential for expansion to 3 x 800 MW capacity). Moreover, an agreement has been signed on preparing and arranging an expert opinion on the impact of connecting the brown-coal mine and new power plant to the national electrical power system. As part of the above-mentioned activities in Q3 2009, an initial feasibility study on the construction of the mine has been carried out. The new company is carrying out actions aimed at obtaining a concession for identifying brown-coal deposits in the districts of Gubin and Brody, currently held by Kopalnia Węgla Brunatnego Konin w Kleczewie S.A. The continued vertical integration of our operations by taking over mines will make better control over fuel costs possible, and as a result it should help limit the risk of significant increases of their prices in the future.

OPINION OF THE INDEPENDENT AUDITOR

To the General Meeting of ENEA S.A.

We have audited the accompanying consolidated financial statements of ENEA S.A. Group, seated in Poznan (''the Group''), which comprise the consolidated balance sheet as at 31 December 2008, with total assets and total liabilities and equity of PLN 11,985,917 thousand, the consolidated income statement for the year then ended with a net profit of PLN 215,367 thousand, the consolidated statement of changes in equity for the year then ended with an increase in equity of PLN 2,257,878 thousand, the consolidated cash flow statement for the year then ended with an increase in cash amounting to PLN 1,679,867 thousand and notes to the consolidated financial statements, comprising of a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management of the parent entity is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by European Union and with other applicable regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility, based on our audit, is to express an opinion on these consolidated financial statements. We conducted our audit in accordance with section 7 of the Accounting Act dated 29 September 1994 (Official Journal from 2002, No. 76, item 694 with amendments) (''the Accounting Act''), the professional standards established by the Polish National Council of Certified Auditors and International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Basis for Qualified Opinion

According to information disclosed in Note 22 of the accompanying consolidated financial statements, the Entitled Employees of the ENEA S.A. Group, on the basis of the Law on Commercialization and Privatization dated 30 August 1996 (''Law on Commercialization and Privatization''), are entitled to acquire free of charge 15% of shares of ENEA S.A. The Group recognizes costs of services (employment services) received in share-based payments transactions and a corresponding increase in the equity at the moment when these services are rendered. Due to the fact that it is impossible to determine directly the fair value of employees' services, it is measured by reference to the fair value of the granted equity instruments (shares of ENEA S.A.) as at the Grant Date i.e. the date when all significant conditions of the employee shares grant are determined. The determination of the Grant Date depends on the moment when the first share is sold by the State Treasury based on general conditions. Till 31 December 2008 such sale has not occurred. In connection with the above the Group should determine at each balance sheet date until the Grant Date, the fair value of shares attributable to Entitled Employees in order to revise the cost of employees' services. As at 31 December 2008 the Management Board did not revise the value of share-based payments program considering that the share's price of PLN 14, actual as at the balance sheet date, does not reflect the fair value of shares of ENEA S.A. As a result, as at 31 December 2008 the accumulated cost of services performed by the Entitled Employees was recognized based on the valuation of shares of ENEA S.A. adopted for the purposes of preparation of the consolidated 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 have revised the valuation of ENEA S.A. shares attributable to Entitled Employees as at 31 December 2008, in order to revise the costs of services performed by these employees. The potential adjustments to costs of employee benefits, net profit and share-based payments reserve have not been determined.

Qualified Opinion

In our opinion, except for the effect of the potential adjustment resulting from the matter described in the paragraph "Basis for Qualified Opinion", the accompanying consolidated financial statements of ENEA S.A. Group have been prepared and present fairly in all material respects the financial position of the Group as at 31 December 2008 and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, and are in compliance with the respective regulations that apply to the consolidated financial statements, applicable to the Group.

Other Matters

As required under the Accounting Act, we also report that the Report on the Group's activities includes, in all material respects, the information required by Art. 49 of the Accounting Act and by the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009, No 33, item 259) and the information is consistent with the consolidated financial statements.

....	....
Certified Auditor No. 10176/7521 Michał Karwatka	For KPMG Audyt Sp. z o.o. ul. Chłodna 51; 00-867 Warsaw Certified Auditor No. 90061/7541 Marek Gajdziński, Member of the Management Board

Poznań, 17 April 2009

ENEA S.A. Group

Consolidated financial statements

for the year ended 31 December 2008

Poznań, 17 April 2009

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These consolidated financial statements were prepared according to the International Financial Reporting Standards approved by the European Union and accepted by the Management Board of the Company.

Members of the Management Board

		/illegible signature/
Acting as President of the Management Board	**Piotr Koczorowski**	....
		/illegible signature/
Member of the Management Board	**Sławomir Jankiewicz**	....
		/illegible signature/
Member of the Management Board	**Czesław Koltermann**	....
		/illegible signature/
Member of the Management Board	**Marek Malinowski**	....

Prepared by: Robert Kiereta — */illegible signature/*
Consolidation Department Manager — ....

Poznań, 17 April 2009

(all amounts are presented in PLN thousand, unless otherwise stated)

Consolidated balance sheet

	Note	As at 31.12.2008	31.12.2007
ASSETS			
Non-current assets			
Tangible fixed assets	7	7 944 815	7 871 161
Perpetual usufruct right	8	15 321	13 366
Intangible assets	9	36 606	40 518
Investment properties	10	5 034	4 332
Investments in associates and joint ventures accounted for using the equity method	11	189 941	5 207
Available-for-sale financial assets	12	8 965	14 981
Financial assets at fair value through profit and loss	12	1 033	1 379
Trade and other receivables	13	2 316	129
		8 204 031	**7 951 073**
Current assets			
Inventories	15	270 044	149 065
Trade and other receivables	13	780 098	715 110
Current income tax assets		5 538	7 531
Available-for-sale financial assets	12	4 806	3 292
Held-to-maturity investments	12	100 741	49 323
Cash and cash equivalents	16	2 620 659	940 792
		3 781 886	**1 865 113**
Total assets		**11 985 917**	**9 816 186**

The consolidated balance sheet should be read together with explanatory notes which are an integral part of the consolidated financial statements.

(all amounts are presented in PLN thousand, unless otherwise stated)

		As at	
EQUITY AND LIABILITIES	**Note**	**31.12.2008**	**31.12.2007**
Equity			
Equity attributable to equity holders of the Parent Company			
Ordinary shares	18	588 018	494 796
Treasury shares	18	(17 396)	-
Share premium	18	3 632 464	1 801 078
Share based payments reserve	18, 22	1 144 336	901 110
Financial instruments revaluation reserve	18	(1 099)	1 552
Other reserves	17, 18	(28 226)	-
Retained earnings	18	3 675 078	3 564 675
		8 993 175	**6 763 211**
Minority interest	18	31 078	3 164
Total equity		**9 024 253**	**6 766 375**
Liabilities			
Non-current liabilities			
Borrowings	20	152 785	184 376
Trade and other payables	19	708	19
Finance lease liabilities	24	1 515	453
Deferred income from subsidies and connections' fee	21	767 514	684 593
Deferred tax liabilities	25	123 480	170 747
Employee benefits	26	438 796	335 766
Provisions for other liabilities and charges	28	33 211	11 236
		1 518 009	**1 387 190**
Current liabilities			
Borrowings	20	52 605	69 244
Trade and other payables	19	865 581	787 702
Finance lease liabilities	24	877	296
Deferred income from subsidies and connections' fee	21	26 079	28 426
Current tax liabilities		18 705	22 945
Employee benefits	26	129 880	102 023
Liabilities due to cash settled share based payments	22	163 799	514 920
Provision for certificates of origin	27	101 403	66 638
Provisions for other liabilities and charges	28	84 726	70 427
		1 443 655	**1 662 621**
Total liabilities		**2 961 664**	**3 049 811**
Total equity and liabilities		**11 985 917**	**9 816 186**

The consolidated balance sheet should be read together with explanatory notes which are an integral part of the consolidated financial statements.

(all amounts are presented in PLN thousand, unless otherwise stated)

Consolidated income statement

	Note	12 months ended 31.12.2008	12 months ended 31.12.2007
Revenues		6 376 006	5 508 919
Excise tax		(218 244)	(63 115)
Net revenues	29	**6 157 762**	**5 445 804**
Other operating income	32	80 914	69 020
Amortization and depreciation	30	(631 364)	(470 557)
Employee benefits	30, 31	(940 080)	(619 974)
Consumption of raw materials and cost of merchandise sold	30	(1 223 245)	(467 631)
Cost of energy sold	30	(1 893 710)	(2 644 120)
Transmission services	30	(670 930)	(806 395)
Other external services	30	(348 436)	(187 831)
Taxes and charges	30	(159 507)	(154 539)
Loss on sales and liquidation of tangible fixed assets		(9 340)	(7 149)
Other operating expenses	32	(110 705)	(73 280)
Operating profit		**251 359**	**83 348**
Financial costs	34	(51 178)	(19 394)
Financial income	33	92 871	44 982
Share of profits/(loses) of equity accounted investees	11	414	147
Profit before tax		**293 466**	**109 083**
Income tax	35	(78 099)	412 593
Net profit for the reporting period		**215 367**	**521 676**
Attributable to:			
Equity holders of the Parent Company		215 361	521 514
Minority interest		6	162
Net profit attributable to shareholders of Parent Company		215 361	521 514
Weighted average number of ordinary shares		359 016 443	250 042 308
Net profit per share (in PLN per share)	37	**0.60**	**2.09**
Diluted profit per share (in PLN per share)	37	**0.60**	**2.09**

The consolidated balance sheet should be read together with explanatory notes which are an integral part of the consolidated financial statements.

(all amounts are presented in PLN thousand, unless otherwise stated)

Consolidated statement of changes in equity

	Note	Share capital (nominal value)	Revaluation of share capital	Total share capital	Treasury shares	Share based payments reserve	Share premium	Financial instruments revaluation reserve	Other reserves	Retained earnings	Minority interest	Total equity
As at 01.01.2008		**348 221**	**146 575**	**494 796**	**-**	**901 110**	**1 801 078**	**1 552**	**-**	**3 564 675**	**3 164**	**6 766 375**
Net profit for the reporting period										215 361	6	215 367
Valuation of available-for-sale financial assets								(1 099)				(1 099)
Sale of available-for-sale financial assets								(1 552)				(1 552)
Total recognized income and losses for the period								**(2 651)**		**215 361**	**6**	**212 716**
Dividends	36									(115 552)	(269)	(115 821)
Redemption of shares	18	(10 594)		**(10 594)**						10 594		-
Conversion of cash equivalents into shares	22					224 042						224 042
Change in fair value of share based payments program	22					19 184						19 184
Increase in share capital	18	103 816		**103 816**			1 836 419					1 940 235
Treasury shares acquired under stabilization option	18				(17 396)							(17 396)
Acquisition of subsidiaries											28 226	28 226
Put option concerning minority interest in acquired subsidiaries	17								(28 226)			(28 226)
Other	36						(5 033)				(49)	(5 082)
As at 31.12.2008		**441 443**	**146 575**	**588 018**	**(17 396)**	**1 144 336**	**3 632 464**	**(1 099)**	**(28 226)**	**3 675 078**	**31 078**	**9 024 253**

The consolidated balance sheet should be read together with explanatory notes which are an integral party of the consolidated financial statements.

Consolidated financial statements prepared in accordance with IFRS EU for the year ended 31 December 2008 (all amounts are presented in PLN thousand, unless otherwise stated)

	Note	Share capital (nominal value)	Revaluation of share capital	Total share capital	Share premium	Share based payments reserve	Financial instruments revaluation reserve	Retained earnings	Minority interest	Total equity
As at 01.12.2007		**221 595**	**146 575**	**368 170**	**-**	**901 110**	**-**	**3 088 596**	**6 002**	**4 363 878**
Sale of available-for-sale financial assets							1 552			1 552
Net profit for the reporting period								521 514	162	521 676
Total recognized income and losses for the period							**1 552**	**521 514**	**162**	**523 228**
Increase in share capital	18	126 626		**126 626**	1 801 078					1 927 704
Change of ownership	18								(2 195)	(2 195)
Dividends	36							(45 435)	(805)	(46 240)
As at 31.12.2007		**348 221**	**146 575**	**494 796**	**1 801 078**	**901 110**	**1 552**	**3 564 675**	**3 164**	**6 766 375**

The consolidated balance sheet should be read together with explanatory notes which are an integral party of the consolidated financial statements.

(all amounts are presented in PLN thousand, unless otherwise stated)

Consolidated cash flow statement

	Note	12 months ended 31.12.2008	12 months ended 31.12.2007
Cash flows from operating activities			
Net profit for the reporting period		215 367	521 676
Adjustments for:			
Income tax as per income statement	35	78 099	(412 593)
Amortization and depreciation	30	631 364	470 557
Share based payments expense		19 433	-
(Profit)/loss on sales and liquidation of tangible fixed assets		9 340	7 149
Impairment loss on tangible fixed assets	7	7 784	-
(Profit)/loss on sales of financial assets		(1 469)	(1 683)
Interest income		(89 784)	(43 963)
Dividend income		(478)	-
Interest expense		15 673	9 316
Share in (profit)/losses of equity accounted investees		(414)	(147)
Exchange (gains)/losses on borrowings		13 963	(1 497)
Other adjustments		(494)	2 869
		683 017	**30 008**
Income tax paid		(126 108)	(130 018)
Interest received		82 536	47 484
Interest paid		(16 514)	(9 261)
Changes in working capital			
Inventories		(114 356)	(2 811)
Trade and other receivables		(77 049)	31 973
Trade and other payables		40 791	(8 921)
Employee benefits		128 239	71 252
Deferred income from subsidies and connections' fee		66 283	19 786
Provision for certificates of origin		34 757	61 515
Liabilities due to cash settled share based payments		(127 328)	-
Provisions for other liabilities and charges		35 856	17 786
		(12 807)	**190 580**
Net cash generated from operating activities		**825 491**	**650 469**
Cash flows from investing activities			
Acquisition of tangible and intangible fixed assets		(631 650)	(334 092)
Proceeds from sale of tangible fixed assets		19 011	15 182
Acquisition of financial assets		(49 446)	-
Proceeds from sale of financial assets		3 722	191 615
Acquisition of subsidiaries, associates and joint venture - net of acquired cash and cash equivalents		(241 672)	360 305
Dividends received		1 322	-
Other outflows		(811)	(96)
Net cash generated from investing activities		**(899 524)**	**232 914**
Cash flows from financing activities			
Proceeds from borrowings		2 924	977
Repayment of borrowings		(67 859)	(253 832)
Dividends paid to the Parent Company's shareholders		(100 629)	(39 828)
Outflows related to financial lease liabilities		(2 339)	(1 378)
Proceeds from shares issue		1 940 235	-
Acquisition of treasury shares under stabilization option	18	(17 396)	-
Other changes		(1 036)	(249)
Net cash generated from financing activities		**1 753 900**	**(294 310)**
Net increase/ (decrease) in cash and cash equivalents		**1 679 867**	**589 073**
Cash and cash equivalents at the beginning of the reporting period	16	940 792	351 719
Cash and cash equivalents at the end of the reporting period	16	**2 620 659**	**940 792**

The consolidated balance sheet should be read together with explanatory notes which are an integral party of the consolidated financial statements.

(all amounts are presented in PLN thousand, unless otherwise stated)

Notes to the consolidated financial statements

1. General information

1.1. General information on ENEA S.A. and ENEA S.A. Group

Company name:	ENEA Spółka Akcyjna
Legal form:	joint stock company (spółka akcyjna)
Country of jurisdiction:	Republic of Poland
Seat:	Poznań
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
E-mail:	enea@enea.pl
Web site:	www.enea.pl
REGON:	630139960
NIP:	777-00-20-640

ENEA S.A. Group ("ENEA Group" "Group") main activity is:

— production of electric energy (Elektrownia "Kozienice" S.A., Elektrownie Wodne Sp. z o.o.),

— trade with electric energy (ENEA S.A.),

— distribution of electric energy (ENEA Operator Sp. z o.o.).

As at 31 December 2008 the shareholders structure was as following (taking into consideration the increase in share capital which resulted from the initial public offer, registered on 13 January 2009) the State Treasury of the Republic of Poland 76.48% of shares, Vattenfall AB 18.67%, European Bank for Reconstruction and Development 2.50%, ENEA S.A. 0.26% (shares acquired under stabilization option), other shareholders 2.09%.

As at 31 December 2008 the statutory equity of ENEA S.A. amounted to PLN 441 443 thousand (PLN 588 018 thousand after the conversion to the IFRS EU taking into consideration the hyperinflation and other adjustments) and was divided into 441 442 578 shares (taking into consideration the increase in share capital which resulted from the initial public offer, registered in the National Court Register on 13 January 2009).

As at 31 December 2008 ENEA S.A. ("the Company", "the Parent Company") was the Parent Company of the ENEA S.A. Group which comprised of 25 subsidiaries, 3 associated companies and 1 joint venture.

The consolidated financial statements were prepared under the assumption of the going concern in foreseeable future. There are no circumstances indicating that the going concern assumption of the Company is threatened.

1.2. Management and Supervisory Board Members

As at 31 December 2008 the Management Board comprised:

Paweł Mortas—Chairman of the Management Board
Marek Hermach—Member of the Management Board responsible for Commercial Affairs
Czesław Koltermann—Member of the Management Board elected by the employees of the Company
Sławomir Jankiewicz—Member of the Management Board responsible for Economic Affairs
Piotr Koczorowski—Member of the Management Board responsible for Corporate Affairs
Marek Malinowski—Member of the Management Board responsible for Strategy and Development

On 26 March 2008 the Supervisory Board of ENEA S.A. adopted during a meeting the Resolution No. 14/VI/2009 on the dismissal of Paweł Mortas from the position of the Chairman of the Management Board and adopted the Resolution No. 15/VI/2009 on the dismissal of Marek Hermach from the position of the Management Board Member responsible for Commercial Affairs.

By the Resolution No. 16/VI/2009 of the Supervisory Board Piotr Koczorowski was appointed to act temporarily as the Chairman of the Management Board of ENEA S.A.

In the reporting period the Management Board comprised also:

- Zbigniew Piętka—Management Board Member responsible for the Infrastructure- dismissed on 3 June 2008 by force of Resolution of the Supervisory Board No. 47/VI/2008,
- Renata Czech—Management Board Member responsible for Economic Affairs - dismissed on 15 July 2008 by force of Resolution of the Supervisory Board No. 55/VI/2008,

On 29 November 2008 as a result of qualification proceedings, the Supervisory Board adopted resolutions numbered from 106/VI/2008 to 108/VI/2008 concerning the appointment of the following individuals to the position of Members of the Management Board for the VI term:

Sławomir Jankiewicz—Member of the Management Board responsible for Economic Affairs
Piotr Koczorowski—Member of the Management Board responsible for Corporate Affairs
Marek Malinowski—Member of the Management Board responsible for Strategy and Development

As at 31 December 2008 the Supervisory Board of the VI term comprised:

Michał Łagoda—Chairman of the Supervisory Board
Wiesław Alfred Pawliotti
Marian Janas
Piotr Krzysztof Begier
Marzena Gajda
Tadeusz Dachowski—Member of the Supervisory Board elected by the employees
Andrzej Łopuszko—Member of the Supervisory Board elected by the employees
Mieczysław Pluciński—Member of the Supervisory Board elected by the employees

On 25 February 2009 Mrs Marzena Gajda resigned from the position of the Member of the Supervisory Board of ENEA S.A.

On 25 February 2009 the Extraordinary Shareholders Meeting adopted a resolution on the appointment of the following individuals to the Supervisory Board for the VI term:

Wojciech Chmielewski
Marcin Bruszewski
Graham Wood

Following changes in the composition of the Supervisory Board were made during the reporting period:

On 28 February 2008 the Extraordinary Shareholders Meeting appointed to the position of the Member of the Supervisory Board of ENEA S.A. the following individuals:

Michał Łagoda
Marian Kłysz
Wiesław Alfred Pawliotti
Marcin Lemkowski
Marian Janas
Piotr Krzysztof Begier

and dismissed the following:

Krzysztof Misiołek
Mirosław Rawa
Piotr Meteniowski
Tomasz Karusewicz
Jacek Jastrzębski

On 13 May 2008 the Extraordinary Shareholders Meeting dismissed from the Supervisory Board Mr. Marcin Lemkowski.

2. Statement of conformity

These consolidated financial statements were prepared according to the International Financial Reporting Standard which were approved by the European Union and which were adopted by the Management Board of ENEA S.A.

The Management Board of the Parent Company used its best knowledge in the application of standards and interpretations as well as valuation methods and principles with regard to individual items of the consolidated financial statements of the ENEA S.A. Group prepared in accordance with IFRS EU for the financial year ended 31 December 2008. The presented statements and explanations were prepared with due diligence. These consolidated financial statements were audited by a certified auditor.

3. Description of significant accounting policies applied

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all reporting periods presented.

3.1. Basis of preparation

The consolidated financial statements for the period from 1 January 2008 to 31 December 2008 were prepared in accordance with the International Financial Reporting Standards adopted by the European Union ("IFRS EU").

These consolidated financial statements have been prepared under the historical cost convention except for certain financial assets valued at fair value through profit or loss, financial assets available-for-sale and share-based payments.

3.2. Consolidation principles

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanied by a shareholding of more than a half of the voting rights. The existence and the effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity or not. Subsidiaries are fully consolidated from the date the control commences until the date the control ceases.

The cost of business combination, which is not under common control, is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities acquired in a business combination are measured initially at their fair value at the acquisition date, irrespective of the minority interest, if any. The excess of the cost of acquisition over the fair value of the group's share of the identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the assets, liabilities and contingent liabilities of the subsidiary acquired, the difference is recognized directly in the income statement.

Inter-company transactions, balances and unrealized gains on transactions between Group's companies are eliminated. Unrealized losses are also eliminated unless there is an impairment indicator of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Associates and joint ventures

Associates are all entities over which the group has significant influence but not control, generally accompanied by a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method and are initially recognized at cost. The Group's investment in associates includes goodwill determined at acquisition date, net of any accumulated impairment loss.

Joint ventures are entities which are jointly controlled based on contractual agreements by ENEA S.A. and other companies

The Group's share in profits or losses of associates and/or joint ventures post-acquisition is recognized in the income statement, and Group's share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements of the associate's equity are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the equity accounted associate or joint venture, including any other unsecured receivables, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Unrealized gains on transactions between the Group and associates are eliminated proportionally to the Group's interest in associates or joint ventures. Unrealized losses are also eliminated unless the transaction indicates an impairment of the transferred asset. Accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

3.3. Business combinations under common control

Accounting policies

The accounting for business combinations among entities under common control is excluded from the scope of IFRS. As such, following the applicable guidance in IAS 8 "*Accounting Policies, Changes in Accounting Estimates and Errors*", in the absence of any specific guidance within IFRS, an entity should itself develop an appropriate accounting policy for such transactions.

Under this guidance the Group made an accounting policy election to recognize such transactions using the book values.

The elected accounting policy is as follow:

The combining entity recognizes the assets and liabilities of the combined enterprises at their existing carrying amounts adjusted only as a result of harmonizing the combining enterprises' accounting policies. There is no recognition of any goodwill or negative goodwill.

The difference between the carrying amount of the net assets received and the fair value of the consideration paid in form of equity instruments issued and/or assets given, if any, is recognized in the Group's equity. In applying the book value method of accounting, comparative periods presented are not restated.

Business combinations of entities beyond common control are accounted for using the acquisition method according to IFRS 3.

3.4. Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). These financial statements are presented in ''Polish zloty' ('PLN'), which is the functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency at the moment of their original recognition using the exchange rates prevailing at the dates of these transactions.

As at the balance sheet date transactions denominated in foreign currencies are translated using the closing rate (closing rate means the average National Bank of Poland exchange rate prevailing at the date of valuation).

Foreign exchange gains and losses resulting from the settlement of such transactions in foreign currencies and the balance sheet valuation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

3.5. Tangible fixed assets

Tangible fixed assets are stated at acquisition price or at construction cost less accumulated depreciation and accumulated impairment losses.

On 1 January 2004 the ENEA S.A. Group applied the optional exclusion of IFRS 1 and as at the day of transition to IFRS EU it recognized the fair value of certain tangible fixed assets as deemed cost.

Subsequent costs are added to the asset's carrying amount or are recognized as separate assets, if applicable, only if it is probable that future economic benefits associated with the asset will flow to the entity and only if its costs can be reliably measured. Other related repair and maintenance expenses are charged to the income statement during the financial period when incurred.

In case of replacement of any part of an asset the cost of the replaced part is recognized at the carrying amount of the given asset. Simultaneously, the carrying amount of the exchanged part is derecognized (regardless of the fact it was previously depreciated separately) and recognized in the income statement.

Land is not depreciated. Depreciation of other fixed assets is calculated using the straight-line method over their estimated useful lives. The basis for the calculation is the initial value less residual value, if significant. Each part of an asset with a different economic useful life is depreciated separately.

Useful economic lives are calculated as follows:

—Buildings and structures	25 – 80 years
incl. power grids	33 years
—Machinery and equipment	4 – 50 years
—Vehicles	5 – 20 years
—Other fixed assets	5 – 15 years

Tangible fixed assets' residual values and useful lives are reviewed at least once during a financial year.

Depreciation of an asset commences, when the asset is available for use. Depreciation ceases, when the asset is held for sale in accordance with IFRS 5 or, if it is derecognized.

As an enterprise the Group receives a return, partial or in full amount, of expenditures for fixed assets concerning the connection of new clients to the national power grid. The fixed assets are valued at acquisition or production cost. The corresponding amount of return is at the same time recognized in revenues from connection fees and is accounted for in accordance with the depreciation period of a given asset.

The Company received from local authorities free of charge, road light infrastructure and recognizes these fixed assets in accordance with IAS 20 *Government grants* i.e. these assets are recognized at fair value as tangible fixed assets with corresponding entry as deferred income from subsidies, which are amortized in the income statement over the useful lives of related assets, over 35 years.

Gains and losses on disposals of fixed assets are determined by comparing the proceeds from sale against the carrying amount of the disposed fixed asset and are recognized in the income statement.

3.6. Perpetual usufruct rights

Land owned by the State Treasury, local authorities or their associations may be subject to perpetual usufruct right (PWUG). The perpetual usufruct right is a special kind of property right which entitles the holder to: use a property exclusively and transfer the right to dispose.

Depending on the way of the acquisition of perpetual usufruct rights the Company classifies them as follows:

1. Perpetual usufruct right received free of charge as a result of a decision of the provincial governor or as a result of the decision of an executive board of local authorities – as operating lease.
2. Perpetual usufruct right acquired, against payment, from third parties – as assets held under perpetual usufruct right at acquisition price less accumulated amortization.
3. Perpetual usufruct right acquired on the basis of a perpetual usufruct right agreement with the State Treasury or local authorities – is stated at excess of the initial charge over the annual charge and is recognized as an asset (PWUG) and is subject to amortization.

The perpetual usufruct right is amortized over the period for which it has been granted (62 to 99 years).

3.7. Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share in the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is presented under 'intangible assets'. Goodwill of investments in associates is included in the carrying amount of the investment.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses and is presented in the balance sheet. In order to perform a test for impairment, goodwill is allocated to cash-generating units, which are expected to benefit from the business combination.

Gains and losses on the disposal of any subsidiary or associated entity include the carrying amount of goodwill relating to the disposed entity.

(b) Other intangible assets

Intangible assets include: software, licenses and other intangible assets. Intangible assets are recognized at their acquisition price or construction cost less accumulated amortization and accumulated impairment losses.

Amortization is calculated using the straight-line method according to their estimated useful lives, i.e.:

—licenses and network software	2 – 7 years,
—licenses and end user software, antivirus software	4 – 7 years,
—other intangible assets	2 – 7 years.

(c) *CO_2* emission rights

CO_2 emission rights granted free of charge by the State Distribution Plan (Krajowy Plan Rozdziału) as well as acquired rights are classified as intangible assets and are subject to the following distinction: rights granted free of charge are recognized at nil cost whereas acquired rights are recognized at acquisition price.

The provision for the actual CO_2 emission is recognized at nil, as long as the actual emission does not exceed the limits owned by the Group for the given year. If the actual emission exceeds the limits owned by the Group for a given year then the Group is obliged to create a provision for the purchase of additional emission rights at the actual - as at the balance sheet date - market price of CO_2 emission rights.

Revenues from the sale of the surplus emission rights are recognized at the moment of the sale's transaction.

3.8. Costs of research and development

Research and development costs described below, which meet capitalization criteria, as well as other intangible assets are recognized at acquisition price or construction cost less accumulated amortization and accumulated impairment losses.

Amortization is calculated using the straight line method over the estimated useful life i.e. 2-7 years.

Capitalization criteria:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- a intention to complete the intangible asset and use or sell it;
- an ability to use or sell the intangible asset;
- demonstration of how the intangible asset will generate future economic benefits. The entity must demonstrate, among other things, the existence of a market for the intangible asset itself or the output of the asset or, in the case of internal use, the usefulness of the respective intangible asset;
- availability of adequate technical, financial and other resources to complete the development and to use or sell the given intangible asset,
- ability to measure reliably the expenditure attributable to the intangible asset during the development phase and the ability to assign the expenditures to the intangible asset.

3.9. Borrowing costs

Borrowing costs are recognized in the income statement, in the period during which they were incurred.

3.10. Leasing

A lease contract that transfers substantially all the risks and rewards to the Group is classified as finance lease. A lease, other than a finance lease is classified as operating lease.

Finance leases are recognized as an asset at the inception of the lease, at the lower value of the fair value of the leased property and the present value of the minimum lease payments. Each financial lease payment is apportioned between the finance charge and the reduction of the outstanding liability, maintaining a constant interest rate against the outstanding liability. Interest is recognized as financial costs during the lease period, in the income statement maintaining constant periodic interest rate of the outstanding liability. Depreciable assets acquired as a result of a finance lease are depreciated over their useful lives.

Operating lease payments (less special promotion offers obtained from the lessor, if any) are recognized at cost using the straight-line method over the lease period.

3.11. Impairment losses

Assets of the Group are reviewed for impairment, whenever there is an indication of impairment losses.

Non-financial assets

An impairment loss is recognized to the extent the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (i.e. the present estimated value of future cash flows, which are expected during the use of the asset or the cash-generating unit). For the purposes of assessing the impairment, assets are grouped at the lowest level, for which separate cash flows may be identified (cash-generating units).

All impairment losses are recognized in the income statement. Impairment losses may be reversed in future periods (except for goodwill), if there are circumstances justifying the reversal of impairment losses.

Financial assets

Financial assets are reviewed for impairment at each balance sheet date in order to check, if there is an indication of impairment losses. Impairment is assumed if there is an objective indication, that one or more events had a negative effect on the estimated future cash flows, which are expected during the use of the given asset.

Impairment losses on assets available for sale are calculated on the basis of the fair value.

Significant financial assets are individually tested for impairment. Other financial assets for purposes of the impairment test are divided into groups of a similar credit risk.

Principles regarding the calculation of impairment losses on financial assets are described precisely in note 3.13.

3.12. Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. After the initial recognition the Group elected the cost model.

Investment properties are depreciated using the straight-line method. Depreciation is commenced starting in the month subsequent to the month the investment property is brought into use.

Estimated useful lives:

Buildings	25-33 years

3.13. Financial assets

The Group classifies financial assets under the following categories: financial assets measured at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, and financial assets available-for-sale.

The classification is based on the intention for which the financial assets were acquired. Classification is determined at initial recognition and subsequently verified at each balance sheet date, if required or permitted by IAS 39.

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

This category consists of two subcategories:

— financial assets held for trading, if an asset was acquired principally for the purpose of selling in the short-term (for example a securities portfolio managed by a brokerage company);

— financial assets, which at their initial recognition are classified at fair value through profit or loss (for example participation units in an investment fund).

Financial assets at fair value through profit or loss are classified as current assets, if meant for trading or if they are expected to be realized within 12 months from the balance sheet date.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. They arise, when the Group spends cash, delivers goods or services directly to the debtor without the intention of classifying them as receivables for trading.

Loans and receivables are classified as a current asset except if the payment date is longer than 12 months after the balance sheet date. Loans and receivables with a maturity date longer than 12 months after the balance sheet date are classified as long-term assets. Loans and receivables are presented as "trade and other receivables".

(c) Investments held-to-maturity

Investments held-to-maturity are non-derivative financial assets with fixed or determinable payments and fixed maturity, which ENEA S.A. intends and is able to hold till maturity.

(d) Available-for-sale financial assets

Financial assets available- for-sale are non-derivative financial assets that are either designated as "available-for-sale" or not classified in any other category. This category includes shares and treasury shares in non-associated entities. Financial assets available-for-sale are classified as non-current assets, unless the Group intends to sell them within 12 months from the balance sheet date.

Purchases and sale of financial assets are recognized at the trade-date i.e. the date on which the Group is committed to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs, except for financial assets valued at fair value through profit or loss, which are initially recognized at fair value without transaction costs.

Financial assets are derecognized, when rights to receive cash flows from these assets expired or have been transferred and the Group transferred substantially all related risks and rewards.

Financial assets available- for-sale and financial assets valued at fair value through profit or loss are valued after their initial recognition at fair value. Financial assets available-for-sale, in cases when it is impossible to determine their fair value and to define their maturity date, are valued at acquisition price less impairment losses. Receivables, loans and financial assets held to maturity date are valued at amortized cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the financial assets valued at fair value through profit or loss are presented in the income statement in the period during which they arise. The gains or losses of the financial assets available-for-sale are recognized in equity except for impairment losses and exchange rate differences in relation to monetary assets. When assets classified as available-for-sale are disposed, the accumulated gains and losses recognized in equity are transferred to the income statement.

The fair values of investments quoted in an active market are based on current bid prices. If there is no active market for a financial asset (or securities are not listed), the Group measures the fair value using available valuation techniques. These include the recent similar arm's length transactions, reference to other instruments that are substantially of the similar nature, discounted cash flow analysis, option pricing models and other available valuation techniques commonly used, adjusted to the specific situation of the issuer.

ENEA S.A. Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

If such evidence exists in relation to available-for-sale financial assets, the cumulative loss recognized in equity — measured as the difference between the acquisition cost and the current fair value, less any impairment losses on that financial asset previously recognized in the income statement — is excluded from equity and recognized in profit or loss. Impairment losses related to equity instruments recognized in the income statement are not reversed through the income statement. Impairment losses in relation to debt instruments are reversed through the income statement in the subsequent period if the fair value of these financial assets has increased due to the subsequent event.

If there is evidence which indicates potential impairment of loans and receivables or investments held to maturity valued at amortized cost, the impairment loss is determined as the difference between the carrying amount of an asset and the present value of future estimated cash flows discounted at the original discount rate for these assets (i.e. the effective interest calculated at initial recognition for assets based on a fixed interest rate and the effective interest rate determined at the moment of the last revaluation for assets based on a variable interest rate). Impairment losses are recognized in the income statement. Reversals of impairment are recognized, if the impairment loss decreases in subsequent periods and the decrease may be attributable to events occurring after the impairment recognition. As a result of the reversal the carrying amount of financial assets may not exceed the amortized cost, which would be recognized, if the impairment losses were not recognized. The reversal is recognized in the income statement.

If there is evidence which indicates impairment losses of unquoted financial instruments, which are carried at acquisition cost (because their fair value cannot be measured reliably), impairment losses are determined as the difference between the carrying amount of an asset, and the present value of future estimated cash flows discounted at the current market rate for similar financial assets. These impairment losses are not reversed.

3.14. Inventories

Inventories are stated at acquisition cost or production cost unless the net realizable value is lower.

Cost is determined using the first-in, first-out (FIFO) method except for production coal, biomass and limestone powder, in relation to which the cost is determined using weighted average purchase price method.

3.15. Certificates of origin

Pursuant to Art. 9a of the Law on Energy, ENEA S.A. — as an energy company involved in trading and sales of electric energy to end consumers connected to the power grids in 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.

The certificates of origin confirms the generation of electrical energy from a renewable source or in a cogeneration (generation in relation to heat production). The certificates are issued by the President of the Energy Regulatory Office on request of an energy company generating electrical energy from renewable sources (solar energy, wind, water or biomass power) and as a result of cogeneration. Certificates of origin are transferable and are being traded at commodity exchange.

Rights resulting from a certificate of origin arise at the moment of its entry in the register of certificates maintained by Towarowa Giełda Energii S.A. (the Energy Commodity Exchange). The transfer of right under a certificate of origin is valid after the entry into the register of certificates of origin.

ENEA S.A. is obliged to obtain and submit for redemption certificates of origin in the amount corresponding with the limits stated in decrees issued based on the Law on Energy and expressed as a proportion to its total energy sales to end consumers. Date of certificates redemption's or substitute fee payment's requirement expires on 31 March of the following year.

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

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

- long- or short-term financial assets, if purchased for subsequent resale;
- a separate category of short- or long-term assets ("Certificates of origin"), if the certificates have been purchased for redemption.

Certificates of origin generated on the Group's own account are recognized at the moment of energy generation (or at the day when their issue became probable), unless there is a justified doubt as to their issue by the President of the Energy Regulatory Office.

Certificates of origin are initially valued at the acquisition price, while certificates generated on the Group's own account are valued at the present market price as at the last day of the month, during which energy and related certificates were generated.

During the financial year and until 31 March of the following year, the Group submits certificates for redemption. The cost of redeemed certificates is recognized in the accounts using the method of specific identification of their individual costs.

As at the balance sheet date, the certificates of origin (except for those purchased for further resale) are carried at their acquisition price, less impairment losses. Self generated certificates of origin are valued at market price as at the last day of the month that they relate to.

As at the balance sheet date, the certificates of origin purchased for subsequent resale are carried at their fair value and a gain or loss arising from a change in the fair value is recognised in profit or loss.

If, as at the balance sheet date the number of certificates of origin in the Group's possession is insufficient, the Group raises a provision for the substitute fee or for the purchase of certificates at the Energy Commodity Exchange required to fulfil obligations of the Law on Energy. The provision covers such number of certificates which represents a difference between the number of certificates redeemed for the given year and the number of certificates required to be redeemed according to the Law on Energy. Provisions are valued primarily based on the acquisition price for the number of certificates held by the Company but not redeemed as at the balance sheet date and alternatively based on the unit substitute fee or (if the volumes of transactions at the Energy Commodity Exchange are sufficient to effect the required transactions in a period permitting redemption of the certificates by 31 March of the following 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 provision decreases the value of certificates of origin held by the Group.

3.16. Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank deposits paid on demand, other short-term highly liquid investments with an original maturity of less than 3 months. Cash and cash equivalents are valued at fair value at the balance sheet date and the valuation effect increase the financial income or financial expenses for the period.

3.17. Share capital

The Group's share capital is the share capital in the amount specified in the Articles of Association of the Parent Company and registered in the court register, adjusted by hyperinflation and the results of business combinations. The increase in the share capital covered as at balance sheet date by shareholders but awaiting for the registration in the National Court Register is also presented as share capital.

3.18. Borrowings

Borrowings are initially recognized at fair value less transaction costs incurred.

After the initial recognition borrowings are stated at amortized cost using the effective interest rate method.

3.19. Income tax (including deferred income tax)

Income tax charge in the income statement comprises of: the current income tax and the deferred income tax.

The current income tax charge is calculated on the basis of a taxable basis of the given reporting period. Tax profit/ loss differs from the accounting profit/loss because of the temporary exclusion of taxable revenues and tax deductible costs in future periods and costs and revenues permanently excluded from taxation. Current tax charges are calculated on the basis of a tax rate according to tax laws binding in a given reporting period.

Deferred tax liabilities, resulting from positive temporary differences between the tax base of assets and liabilities and their carrying amount are recognized in full in the financial statements.

Deferred tax assets are recognized, to the extent that it is probable, that future taxable profit will be available against which the temporary differences or tax losses can be utilized.

Neither the deferred tax liabilities nor deferred tax assets are recognized, when they arise from the initial recognition of an asset or liability in a transaction, other than a business combination that at the time of the transaction affects neither accounting profit or loss nor the taxable profit or loss. Deferred tax is not recognized for temporary differences resulting from the initial recognition of goodwill or goodwill with amortization, which is not treated as tax deductible expense.

Deferred tax assets or liabilities are recognized for all temporary differences arising from investment in related entities except to the extent that both of the following conditions are satisfied:

- the Group is able to control the timing of the reversal of the temporary difference,
- it is probable that the temporary difference will not reverse in the future.

Deferred tax is determined using tax rates (and laws) which are legally or factually applied as at the balance sheet date and are expected to be applied when the related deferred tax asset is to be realized or the deferred tax liability is to be settled.

Deferred tax is recognized in the income statement of the given reporting period, except when:

1. it relates to transactions and events, which are directly recognized in equity; in this case the deferred tax is also recognized in the equity,
2. it is a result of business combinations; in this case the deferred tax adjusts the goodwill or the excess of the share in the fair value of net assets over the cost of business combination.

Deferred tax assets and liabilities are set off, when there is a legally enforceable right to set off the current tax asset against current tax liabilities and if deferred tax assets and the deferred tax liabilities relate to the income taxes imposed by the same tax authority.

3.20. Employee benefits

Within ENEA S.A. Group there are the following schemes of employee benefits:

A. Short-term employee benefits

Short-term employee benefits include: monthly wages and salaries, annual bonuses, electricity allowance, short-term holiday accrual with social security contributions.

The liabilities resulting from the short-term (accumulated) holiday accrual is recognized, even though the employees are not entitled to a monetary equivalent for paid holiday. The Group calculates the estimated cost of accumulated holiday accrual as an additional amount, which will likely be paid as a result of an unused entitlement as at the balance sheet date.

B. Defined benefit plans

The Group' s defined benefit plans are:

1) Retirement allowances

Employees who retire due to disability or old age are entitled to monetary retirement allowances. The amount of such allowances depends on the length of employment and the amount of salary of the employee concerned. Actuarial techniques are used to estimate the related liabilities.

2) Electricity allowance for pensioners

Retiring employees who have worked for the Group for at least one year are entitled to a reduced price of consumed energy amounting to 3,000 kWh/year. In case of the former 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 the cash equivalent of 3,000 kWh x 80% of the energy price and the variable part of the transmission cost component and 100% of the fixed part of transmission cost and subscription price at the general single-zone household rate. The equivalent is paid twice a year: by 31 May and by 30 November, each time in the amount of the half of the annual equivalent.

3) Jubilee awards

Other long-term employee benefits of the Group include jubilee awards. The amount of the awards depends on the employee's length of employment and salary. Actuarial techniques are used to estimate the related liabilities.

4) Social Fund charge for pensioners

Pursuant to the Collective Employment Agreement, the Group takes into account pensioners entitled to receive benefits from the fund when calculating the annual charge for the Social Fund. The liability is recognized proportionally to the expected length of employment by a given employee. Actuarial techniques are used to estimate the amount of the related provision.

Liabilities on account of benefits referred to in points 1-4 are estimated by an actuary using the Projected Unit Credit Method. The actuarial profit or loss is recognized in full in the income statement.

C. Employee Premium Scheme

Pursuant to Appendix No. 18 to the Collective Employment Agreement, the Group operates the Employee Pension Scheme in the form of a collective insurance of the employees involving a capital fund on the basis of the statutory principles as well as those negotiated with the unions.

The Employee Pension Fund is available to all employees of the Group after one year of employment irrespective of the type of employment contract.

Employees join the Employee Pension Fund on the following terms and conditions:

a) the insurance is a group life insurance including accident coverage of insured employees,

b) the amount of the basic premium is set at 7% of the participant's salary,

c) 90% of the basic premium is allocated for investment premium and 10% — for accident coverage.

D. Share-based payments

Share based payments refer to transactions settled in equity instruments or their equivalent, in which the Group, in exchange for own equity instruments (shares) or their equivalent, receives a provision of services (employees' services).

ENEA S.A. Group recognizes the cost of services received in a share based payments transaction settled in equity instruments or their equivalents and the respective increase in equity when the services are received. If services received in a share based payments transaction do not qualify for recognition as an asset, the Group recognizes them as expenses.

The cost is stated based on fair value and is valued as at grant date of equity instruments. Considering the fact that the fair value of employees' services can not be estimated reliably, their value is measured by reference to the fair value of the equity instruments granted.

In cash settled share-based payments transactions the Group re-measures the fair value of the liabilities at the end of each reporting period until the liabilities is settled and at the date of the settlement of the liabilities, recognizing any changes in fair value in profit or loss for the period.

3.21. Provisions

Provisions are raised, when ENEA S.A. has a present legal or constructive obligation resulting from past events and it is probable that an outflow of resources will be required to settle the obligation and the amount can be estimated reliably.

The amount of the provision is the most reliable estimate of economic outflows necessary to fulfil the present obligations discounted as at the balance sheet date.

3.22. Revenue recognition

Revenue is recognized at fair value of the consideration received or receivable, net of VAT, rebates and discounts.

Revenues from the sales of energy are recognized at the moment of energy delivery to the customer. In order to determine revenues for the period between the last invoice date and the balance sheet date the Group estimates the accrued revenue, which is recognized in the balance sheet as trade and other receivables.

Revenues from sales of merchandise and goods are recognized, when the entity has transferred significant risks and benefits and it is probable that future economic benefits resulting from these transactions will flow to the Group.

Revenues from investment property lease agreements are recognized in the profit and loss account using the straight-line method during the agreement period.

Interest revenue is recognized on the accrual basis using the effective interest rate, if it is not doubtful that they will be received.

Dividend revenue is recognized when the right to receive dividend is formally approved.

3.23. Subsidies

ENEA S.A. Group receives subsidies in the form of fixed assets and in the form of reimbursement of expenses incurred in relation to non-current assets under construction. The Group recognizes these subsidies in accordance with IAS 20 *Government grants.*

Subsidies are recognized in the balance sheet as deferred income, if it is sufficiently certain that subsidies will be received and the Group fulfils all necessary provisions of the subsidies.

Subsidies received as a compensation of costs already incurred by the Group are authorized in the income statement in periods when related expenses are incurred. Subsidies which compensate the Group for capital expenditures are recognized, in proportion to depreciation charge, in the income statement as other operating income on a systematic basis over the useful life of the given asset.

3.24. Compensations of stranded costs incurred as a result of early termination of long-term contracts on the sale of energy (KDT)

Compensation for stranded costs is recognized as revenue in the income statement in the same period when the stranded costs are incurred.

Compensation of stranded costs is recognized in the amount of advance payments receivable for the given period described in Appendix 4 to *the Law on the rules for covering costs incurred by the producers in relation to an early termination of long-term contracts* dated 29 June 2007 adjusted by an estimated adjustment for the given period. The settlement of compensation of stranded costs for a given period is made by the President of the Energy Regulatory Office till 31 July of the subsequent year or till 31 August after the end of the last year of the long-term contract.

3.25. Connections' fee

The Group receives from customers a reimbursement of all or a part of costs incurred in relation to having connected such customers to a power grid network. The value of the reimbursed cost is recognized as deferred income and is amortized over the useful life of the power grid connections i.e. 35 years.

3.26. Dividends distribution

Dividends payments to shareholders (including minority shareholders in case of subsidiaries) are recognized as a liability in the Group's financial statements for the period in which dividend payments where approved by the shareholders of the Parent Company.

The Group classifies as dividends the payment from profit being an obligation of companies that are 100% owned by the State Treasury and amounting to 15 % of the gross profit less the current income tax due.

3.27. Segment reporting

The primary reporting format applied to segments is a business segment.

A business segment is a group of assets and liabilities engaged in providing products or services that are subject to risks and returns from investments different from other business segments. There are four business segments of the ENEA S.A. Group:

— trade — sale of electric energy to an end customer,

— distribution — transmission of electric energy,

— production — generation of electric energy,

— other activities.

The Group operates within one particular economic environment - the territory of Poland, and therefore it does not present any geographical segments.

3.28. New accounting standards and interpretations

(i) For reporting periods started after 1 January 2008 or subsequent new standard approved by the European Union are applicable. The Group did not exercise its right to an earlier application of these standards.

- **Revised IFRS 2 — Share-based payments**

The revised standard enters into force for annual reporting periods starting on 1 January 2009 or subsequent. Changes to this standard precisely define vesting conditions and introduce the definition of non-vesting conditions.

The Group does not expect the revised standard to have an impact on the consolidated financial statements of the Group.

- **IFRS 8 — Operating Segments**

IFRS 8 enters into force for annual reporting periods starting on 1 January 2009 or subsequent. The standard requires segments disclosure based on the components of the entity that management monitors in making decisions about operating matters. Operating segments are of an entity about which separate financial information is available and is evaluated regularly in deciding how to allocate resources and in assessing performance.

The Group does not expect the standard to have a significant impact on the presentation and information disclosure on operating segments in the consolidated financial statements.

- **Revised IAS 1 — Presentation of Financial Statements**

IFRS 8 enters into force for annual reporting periods starting on 1 January 2009 or subsequent. The revised Standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. Items of income and expense and components of other comprehensive income may be presented either in a single statement of comprehensive income (effectively combining the income statement and all non-owner changes in equity in a single statement), or in two separate statements (a separate income statement followed by a statement of comprehensive income). The Group has not yet decided how to implement the changes in presentation according to the revised standard.

- **Revised IAS 23 — Borrowing Costs**

The revised standard enters into force for annual reporting periods starting on 1 January 2009 or subsequent. The standard requires capitalization of borrowings costs that relate to qualifying assets (those that take a substantial period of time to get ready for use or sale).

The Group will apply revised IAS 23 to qualifying assets from which capitalization of borrowing costs commences on or after 1 January 2009. Therefore, there will be no impact on prior periods in the Group's consolidated financial statements for the year 2009.

- **Amendments to IAS 27 — Consolidated and Separate Financial Statements**

The amendments to IAS 27 enters into force for annual periods starting on 1 January 2009 or subsequent. The amendments remove the definition of ''cost method'' currently set out in IAS 27, and instead require all dividends from a subsidiary, jointly controlled entity or associate to be recognized as income in the separate financial statements of the investor when the right to receive the dividend is established. In addition, the amendments provide guidance when the receipt of dividend income is deemed to be an indicator of impairment.

The amendments to IAS 27 are not expected to have any impact on consolidated financial statements when adopted as the amendments apply prospectively.

- **Amendments to IAS 32 Financial Instruments: Presentation, and IAS 1, Presentation of Financial Statements**

The amendments enters into force for annual periods starting on 1 January 2009 or subsequent. The amendments introduce an exemption to the principle otherwise applied in IAS 32 for the classification of instruments as equity; the amendments allow certain puttable instruments issued by an entity that would normally be classified as liabilities to be classified as equity if, and only if, they meet certain conditions.

The amendments are not relevant to the Group's consolidated financial statements as the Group has not issued in the past puttable instruments that would be affected by the amendments.

- **Improvements to International Financial Reporting Standards 2008**

The improvements to IFRS enter into force for annual reporting periods starting on 1 January 2009 or subsequent, in case of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* — for periods after 1 July 2009 and subsequent.

Improvements to IFRS 2008 introduce 35 changes and are divided into two parts:

1. Part I introduces 24 changes of 15 standards that result in changes for presentation, recognition and measurements purposes;
2. Part II introduces 11 changes to 9 standards that are terminology and editorial changes; the International Accounting Standards Board does not expect these changes to have any influence on the accounting principles or claim their impact will be minimal.

The Group has not yet completed the analysis of the impact of the revised standard on the consolidated financial statements of the Group.

- **IFRIC 13 — Loyalty Programmes**

The interpretation enters into force for annual reporting periods starting on 1 July 2008 or subsequent. The interpretation explains how entities that grant loyalty award credits to customers who buy goods or services should account for their obligations to provide free or discounted goods or services ('awards') to customers who redeem those award credits. Such entities are required to allocate some of the proceeds of the initial sale to the award credits and recognise these proceeds as revenue only when they have fulfilled their obligations.

The Group does not expect the interpretation to have any impact on consolidated financial statements of the Group.

- **IFRIC 14 — IAS 19 — The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction**

According to European Commission Regulation the interpretation enters into force for annual reporting periods starting after 31 December 2008 or subsequent. The interpretation addresses: when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19, how a minimum funding requirements might affect the availability of reductions in future contributions, and when a minimum funding requirements might give rise to a liability.

The Group has not yet completed the analysis of the impact of the interpretation on the consolidated financial statements of the Group.

(ii) Amendments to standards effective, but not yet endorsed by the EU

- **Amendment to IAS 39 Reclassification of Financial Assets: Effective Date and Transition**

The amendment clarifies the effective date when reclassification of non-derivative financial assets out of the fair value through profit and loss or out of available-for-sale categories is permitted (applies to reclassifications in circumstances allowed by amendments to IAS 39 issued on 27 November 2008). The amendments described above are applicable on or after 1 July 2008 and no reclassification shall be applied retrospectively. Any reclassification made on or after 1 November 2008 shall take effect only from the date when the reclassification is made and hence may not be applied retrospectively.

The amendment is not relevant to the Group's consolidated financial statements as the Group has not reclassified any financial instruments.

(iii) For reporting periods starting after 1 January 2008 or subsequent periods there are certain standards and interpretations which still await the approval of the European Union.

- **Revised IAS 27 — Consolidated and Separate Financial Statements**

The standard enters into force for annual reporting periods starting on 1 July 2009 or subsequent. In the revised standard the term minority interest has been replaced by non-controlling interest, and is defined as "the equity in a subsidiary not attributable, directly or indirectly, to a parent". The revised standard also amends the accounting for non-controlling interest, the loss of control of a subsidiary, and the allocation of profit or loss and other comprehensive income between the controlling and non-controlling interest.

The Group has not yet completed the analysis of the impact of the revised standard on the consolidated financial statements of the Group.

- **Amendments to IFRS 1 — First-time Adoption of International Financial Reporting Standards**

The amendments to IFRS enter into force for annual reporting periods starting on 1 January 2009 or subsequent. The revised version restructures the format of the IFRS without changing the standard's technical content. The revised version moves the exemptions and exceptions contained in the main body of the standard to different appendices.

This change does not have any impact on the consolidated financial statements of the Group.

- **Amendments to IFRS 7 Improving Disclosures about Financial Instruments**

The amendments enters into force for annual periods starting on 1 January 2009 or subsequent. The amendments require disclosures relating to fair value measurement using a three-level fair value hierarchy that reflects the significance of the inputs used in measuring fair values (Level 1 — fair value measured using quoted prices; Level 2 — other observable inputs; Level 3 — inputs not based on observable market data). The amendments provide more direction on the form of quantitative disclosures about fair value measurements and require specific Level 3 disclosures and disclosures of any transfers between levels.

Moreover the definition of liquidity risk has been amended. The amendments require disclosure of a maturity analysis for derivative financial liabilities (contractual maturities are not required to be disclosed). Additionally the amendment requires to disclose as to how the data was determined and how the entity manages the liquidity risk.

The Group has not yet completed its analysis of the impact of the revised standard on the consolidated financial statements of the Group.

- **Amendments to IFRS 3 — Business combinations**

The amendments enter into force for annual reporting periods starting on 1 July 2009 or subsequent. The scope of the revised standard has been amended and the definition of a business has been expanded. The revised standard also includes a number of other potentially significant changes including:

- All items of consideration transferred by the acquirer are recognized and measured at fair value as of the acquisition date, including contingent consideration.
- Subsequent change in contingent consideration will be recognized in profit or loss.
- Transaction costs, other than share and debt issuance costs, will be expensed as incurred.
- The acquirer can elect to measure any non-controlling interest at fair value at the acquisition date (full goodwill), or at its proportionate interest in the fair value of the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

The Group has not yet completed the analysis of the impact of the revised standard on the consolidated financial statements of the Group.

- **Revised IAS 39 — Financial Instruments: Recognition and Measurement**

The revised standard enters into force for annual reporting periods starting on 1 July 2009 or subsequent. The amended standard clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. In designating a hedging relationship the risks or portions must be separately identifiable and reliably measurable; however inflation cannot be designated, except in limited circumstances.

The amendments to IAS 39 are not relevant to the Group's consolidated financial statements as the Group does not apply hedge accounting.

- **Amendments to IFRIC 9 and IAS 39 Embedded Derivatives**

The amendments enter into force for annual reporting periods starting on 30 June 2009 or subsequent. The amendment requires an entity to assess whether an embedded derivative is required to be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. The assessment should be made on the basis of the circumstances that existed on the later date of:

— when entity first became a party to the contract; and

— when there was a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

If the entity is unable to measure separately the fair value of an embedded derivative that would have to be separated on reclassification out of the fair value through profit or loss category, then reclassification is prohibited and the entire hybrid financial instrument must remain in the fair value through profit or loss category.

The amendments are not relevant to the Group's consolidated financial statements as the Group has not reclassified any financial instruments.

- **IFRIC 15 — Agreements for the Construction of Real Estate**

The Interpretation enters into force for annual reporting periods starting on 1 January 2009 or subsequent. The interpretation clarifies, which standard (IAS 11 *Construction contracts* or IAS 18 *Revenue*) should be applied for construction contracts concerning real estates as well as the moment of revenue recognition.

IFRIC 15 is not relevant to the Group's operations as the Group has not provided services of construction of real estate.

- **IFRIC 16 — Hedges of a Net Investment in a Foreign Operation**

The interpretation enters into force for annual reporting periods starting on 1 October 2008 or subsequent. The interpretation explains the type of exposure that may be hedged, where in the group the hedged item may be held, whether the method of consolidation affects hedge effectiveness, the form the hedged instrument may take and which amounts are reclassified from equity to profit or loss on disposal of the foreign operation.

IFRIC 16 is not relevant to the Group's operations as the Group does not own any shares in net assets of foreign entities.

- **IFRIC 17 — Distributions of Non-Cash Assets to Owners**

The interpretation enters into force for annual reporting periods starting on 1 July 2009 or subsequent. Because of the fact, that the interpretation is applied to the future periods it will not have an impact on the financial statements for periods before its first application. Moreover because the interpretation relates to future dividend payments, which are subject to the decision of the Management Board/ General Meeting of Shareholders it is not possible to assess in advance its influence on the financial statements.

- **IFRIC 18 — Transfer of assets from Customers**

The interpretation enters into force for annual reporting periods starting on 1 July 2009 or subsequent. The interpretation applies to agreements in which an entity receives an item of property, plant and equipment from a customer that the entity must use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods and services, or to do both. This interpretation also applies to agreements in which the entity receives cash from customer when that amount of cash must be used only to construct or acquire an item of property. The entity that received a contribution within the scope of the interpretation recognises this item as an asset if it determines that the transferred item meets the definition of an asset. The corresponding amount will be recognised as revenue. The exact timing of the revenue recognition will depend on the facts and circumstances of each particular arrangement.

The Group has not yet completed the analysis of the impact of the revised standard on consolidated financial statements of the Group.

4. Critical accounting estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS EU requires the Management to make judgments, estimates and assumptions that affect the application of adopted accounting policies and the reported amounts in the financial statements and notes thereto.

Accounting estimates and judgments are based on the best knowledge of the Management in relation to the present and future events and activities. Actual results, however, may differ from these estimates.

The major areas in which the Management Board's estimates have a significant impact on the consolidated financial statements are as follows:

- ***post-employment benefits*** — a valuation of provisions for employee benefits has been calculated on the basis of the initial, as at the balance sheet date, balance of liabilities due to future estimated payments of benefits, calculated with the use of actuarial method. The increase in the discount rate and the change in the long-term growth rate of salaries affects the accuracy of the provision (Note 26);

- ***allowances for trade and other receivables*** — the amount of the allowances is determined as the difference between the carrying amount and the present value of estimated future cash flows discounted using effective interest rate. A change in the estimated future cash flows would affect the allowance for trade and other receivables (Note 13),

- ***accrued sales revenues as at the end of the financial year*** — the estimation of the sales volume of uninvoiced electric energy is based on estimated consumption of energy from the last meter reading date till the end of the financial period (Note 13),

- ***useful lives*** — the estimation relates to remaining useful lives of non-current assets and is made on the basis of the present knowledge regarding the estimated useful life of a given asset; it is subject to a periodical revision in accordance with applicable provisions of law (Note 7),

- ***indemnities for property owners*** — the estimation relates to the potential payment of compensations for the so called non-contractual use of land and tenancy rent and it is performed by technical service of the Group based upon an individual analysis of claims (Notes 28 and 45.4),

- ***provision for the storage yard restoration*** — Elektrownia "Kozienice" S.A. is obliged to restore the land after the storage yard for slag and ash either reaches its capacity or is closed. Due to the fact, that the company has large and unused storage yards, the expected land restoration will take place in 2060. Future estimated costs of land restoration have been discounted to their present value as of 31 December 2008 using the 5.7% discount rate (Note 28),

- ***provision for the costs of storage or disposal of the slag-ash mixture*** — there are two kinds of waste obtained by Elektrownia "Kozienice" S.A. as a result of the burning process of coal: ash and slag-ash mixture. Due to the fact, that the company incurs costs for the disposal of the mixture, it raises a necessary provision. Future estimated costs of storage or disposal of the slag-ash mixture have been discounted to their present value as of 31 December 2008 using the 5.7% discount rate (Note 28),

- ***share-based payments*** — the Group recognizes the cost of services (employees' services) in an share based payment transaction settled in equity instruments and the corresponding increase in equity in the period when these services are received. Given the fact that the fair value of employees' services received can not be estimated reliably, their fair value is measured indirectly, by reference to the fair value of equity instruments granted. The Group, at each balance sheet date as well as at the Grant Date, re-measures the fair value of equity instruments granted with any changes in fair value recognized in the income statement. As at 31 December 2008 the Management Board of the Company did not decide to revalue the share-based payments program concluding that the Company's share price as at the end of the reporting period do not reflect the actual fair value of the Company (Note 22).

(all amounts are presented in PLN thousand, unless otherwise stated)

- ***compensations of stranded costs incurred as a result of early termination of long-term contracts on the sale of energy (KDT)*** — the Group recognizes compensations in the amount of advance payments for the given period, adjusted by the estimated amount of the adjustment to be determined by the President of the Energy Regulatory Office, that depends on many factors in particular on the operating results of the energy producer, the energy sales volume and average market prices of electric energy (Note 40),
- ***impairment of tangible fixed assets*** — the Group tested tangible fixed assets related with distribution for impairment. There is uncertainty connected with the adopted assumption concerning the period of equalization of the Assets' Regulatory Value ("ARV") with the carrying amount of those assets. The ARV is subject to an approval by the President of the Energy Regulatory Office and is used in the calculation of the Group's sales tariffs (Note 7).

5. Group structure—list of subsidiaries, associates and joint venture

No.	Entity's name and address	Share of ENEA S.A. in the total votes in % 31.12.2008	Share of ENEA S.A. in the total votes in % 31.12.2007
1.	ENERGOMIAR Sp. z o.o. *Poznań, ul Strzeszyńska 58*	100	100
2.	BHU S.A. *Poznań, ul. Strzeszyńska 58*	87.97	87.77
3.	Energetyka Poznańska Biuro Usług Technicznych S.A. *Poznań, ul. Strzeszyńska 58*	100	100
4.	Energetyka Poznańska Hotel ,,EDISON'' Sp. z o.o. *Baranowo k/Poznania*	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	95
8.	EnergoPartner 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	99.05
10.	Energetyka Poznańska Zakład Obsługi Socjalnej ENERGO-TOUR Sp. z o.o. *Poznań, ul. Marcinkowskiego 27*	99.92	99.92
11.	ENEOS Sp. z o.o. *Szczecin, ul. Ku Słoncu 34*	100	100
12.	ENTUR Sp. z o.o. *Szczecin, ul. Malczewskiego 5/7*	100	100
13.	Niepubliczny Zakład Opieki Zdrowotnej Centrum Rehabilitacyjno —Wczasowe ENERGETYK Sp. z o.o. *Inowrocław, ul. Wilkońskiego 2*	99.92	99.92
14.	STEREN Sp. z o.o. *Bydgoszcz, ul. Lenartowicza 33-35*	100	100
15.	Elektrownie Wodne Sp. z o.o. *Samociążek, 86-010 Koronowo*	100	100

(all amounts are presented in PLN thousand, unless otherwise stated)

No.	Entity's name and address	Share of ENEA S.A. in the total votes in % 31.12.2008	Share of ENEA S.A. in the total votes in % 31.12.2007
16.	Zakład Usług Przewozowych ENERGOTRANS Sp. z o.o.		
	Gorzów Wlkp., ul. Energetyków 4	100	100
17.	Zakład Usług Motoryzacyjnych ENERGOAUTO Sp. z o.o.		
	Gorzów Wlkp., ul. Energetyków 4	—	100
18.	IGG Zachód Sp. z o.o. w likwidacji		
	Zielona Góra, ul. Zacisze 15	—	50.35
19.	,,PWE Gubin'' Sp. z o.o.		
	Sękowice 100 gm. Gubin	50	—
	Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o. w Obornikach		
20.	Oborniki, ul. Wybudowanie 56	87.99	—
21.	Zakład Usług Teleinformatycznych ZZE S.A. ,,IT Serwis'' Sp. z o.o.		
	Zielona Góra, ul. Zacisze 28	100	100
22.	Zakład Handlowo—Usługowy ,,Auto—Styl'' Zielonogórskich Zakładów Energetycznych S.A. Sp. z o.o.		
	Zielona Góra, ul. Zacisze 15	100	100
23.	FINEA Sp. z o.o.		
	Poznań, ul. Warszawska 43	100	100
	Przedsiębiorstwo Energetyki Cieplnej—Gozdnica Sp. z o.o.		
24.	*Gozdnica, ul. Świerczewskiego 30*	100	50.35
25.	ENEA Operator Sp. z o.o.		
	Poznań, ul. Strzeszyńska 58	100	100
26.	Elektrownia ,,Kozienice'' S.A.		
	Świerże Górne, gmina Kozienice, Kozienice 1	100	100
27.	Miejska Energetyka Cieplna Sp. z o.o. w Pile		
	64-920 Piła, ul. Kaczorska 20	64.997	—
28.	Kozienice II Sp. z o.o.		
	Świerże Górne, gmina Kozienice, Kozienice 2	30	—
	Przedsiębiorstwo Produkcji Strunobetonowych Żerdzi Wirowanych		
29.	WIRBET S.A.		
	Ostrów Wlkp., ul. Chłapowskiego 51	49	49
30.	Przedsiębiorstwo Energetyki Cieplnej w Śremie S.A.		
	Śrem, ul. Staszica 6	41.65	—
31.	Elektrociepłownia Białystok S.A.		
	Białystok, ul. Gen. Andersa 3	30.36	—

Changes in the ENEA S. A. Group's structure in the period covered by these consolidated financial statements

On 1 July 2007 a liquidation proceeding was implemented in Energetyka Poznanska Biuro Usług Technicznych S.A. The General Shareholders Meeting by force of resolution No. 17/2008 dated 30 June 2008 in form of a notarial deed Rep. A. 7097/2008 based on Art. 460 § 31 letter H of the Articles of Association of the company has dismissed the liquidation proceeding and decided to continue the activity of the company.

Since 1 February 2008 Finea Sp. z o.o. was put into state of liquidation (Resolution No. 3 NZW of the company, dated 1 February 2007). The entry into the National Court Register was made on 23 February 2007.

On 27 February 2008 by force of Resolution No. 1 of the Extraordinary Shareholders Meeting of Finea Sp. z o.o. the liquidation process has been stopped and it was decided to continue the activity of the company.

On 18 June 2008 ENEA S.A. acquired from the subsidiary IGG Zachód Sp. z o.o. w likwidacji (in liquidation) an organized part of the enterprise which comprised *inter alia* 100 % of its shares in Przedsiębiorstwo Energetyki Cieplnej Gozdnica Sp. z o.o. (PEC Gozdnica Sp. z o.o.). As a result of this transaction ENEA S.A. increased its share from 50,35% to 100% of all shares.

On 8 August 2008 ENEA S.A. and Elektrownia ,,Kozienice'' S.A. signed an agreement on the establishment of a new company — Kozienice II Sp. z o.o. seated in Świerże Górne. According to the agreement 30 % of shares were acquired by ENEA S.A. and 70% by Elektrownia ''Kozienice'' S.A. The company was established to build a new power unit. The company was established for a definite period. The agreement will expire after all activities related to realization of the project are finished. Kozienice II Sp. z o.o. was registered in the National Court Register on 7 October 2008 under the number KRS 0000315037.

On 23 February 2008 the Extraordinary Shareholders Meeting of Kozienice II Sp. z o. o. decided to increase share capital by PLN 34 000 thousand. ENEA S.A. covered 17 200 new shares of a nominal value of PLN 1000 each. The rest of shares was covered by Elektownia ''Kozienice'' S.A. After the increase in share capital ENEA S.A. and Elektrownia ''Kozienice'' S.A. hold 50% of shares and voting rights each.

On 8 September 2008 ENEA S.A. and Kopalnia Węgla Brunatnego ,,KONIN'' w Kleczewie S.A. (,,KWB Konin'') established PWE Gubin Sp. z o.o. The main activity of the company is brown coal mining. The newly established company is a joint venture, ENEA S.A. and KWB Konin hold 50% of all shares each. The entry into the National Court Register was made on 13 November 2008 under number KRS 0000317521.

On 6 October 2008 the Extraordinary Shareholders Meetings of two subsidiaries of ENEA S.A.— Zakład Usług Przewozowych Energotrans Sp. z o.o. (,,Energotrans'') and Zakład Usług Motoryzacyjnych Energoauto Sp. z o.o. (,,Energoauto'') adopted a resolution on the combination of these entities through the transfer of all property of Energoauto to Energotrans. The combination of those entities was entered into the National Court Register on 31 October 2008.

On 3 December 2008 the Extraordinary Shareholders Meeting of Finea Sp. z o.o. by force of Resolution No. 1 increased the share capital of the company by PLN 423 000 i.e. to the amount of PLN 5 323 000. All new shares were covered by the sole shareholder ENEA S.A. They were covered by contribution in kind — a part of liabilities due to ENEA S.A.

On 3 December 2008 ENEA S.A. acquired 100 ordinary registered shares of BHU S.A. from EP Biuro Usług Technicznych S.A. and 100 ordinary registered shares of BHU S.A. from EP Zakład Transportu Sp. z o.o. ENEA S.A. holds currently 89 184 shares of BHU S.A. of a value of PLN 100 each - this comprises 87.97% of the share capital.

On 22 December 2008 ENEA S.A. acquired 100 shares of COGEN Sp. z o.o. from Baltic Sustainable Technology B.V. and thus ENEA S.A. became the sole shareholder.

On 11 December 2008 ENEA S.A. acquired from the Authorities of Oborniki 9 120 shares of Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o. seated in Oborniki of a nominal value PLN 500 each for the total amount of PLN 11,628 thousand. These shares constitute 87.99% of the share capital of the company.

On 29 December 2008 ENEA S.A. acquired from the Authorities of Piła 17 375 shares of Miejska Energetyka Cieplna Sp. z o.o. seated in Piła of a nominal value PLN 1 000 each for the total amount of PLN 48,650 thousand. These shares constitute 64.997% of the share capital of the company.

On 18 December 2008 ENEA S.A. acquired from the State Tresury of the Republic of Poland 6 860 A series ordinary registered shares of Przedsiębiorstwo Energetyki Cieplnej w Śremie S.A. seated in Śrem of a nominal value of PLN 1 000 each for the total amount of PLN 9,055 thousand. These shares constitute 41.65% of the share capital of the company.

On 30 December 2008 ENEA S.A. acquired from the State Tresury of the Republic of Poland 560 000 A series ordinary registered shares of Elektrociepłownia Białystok S.A. seated in Białystok for the total amount of PLN 173.600 thousand. These shares constitute 30.36 % of the share capital of the company.

On 16 October 2008 IGG Zachód Sp. z o.o. w likwidacji (in liquidation) was removed from the court register.

(all amounts are presented in PLN thousand, unless otherwise stated)

6. Segmental information

Primary reporting format—business segments

Segment results for the period from 1.01.2008 to 31.12.2008 are as follows:

	Trade	Distribution	Production	Other activities	Eliminations	Group
Net revenues	3 393 620	2 278 735	202 819	282 588	-	6 157 762
Net inter-segment revenues	287 027	-	1 531 763	454 758	(2 273 548)	-
Total net revenues	**3 680 647**	**2 278 735**	**1 734 582**	**737 346**	**(2 273 548)**	**6 157 762**
Total costs *	(3 436 479)	(2 209 614)	(1 666 610)	(731 179)	2 259 101	(5 784 781)
Segment result	**244 168**	**69 121**	**67 972**	**6 167**	**(14 447)**	**372 981**
Unallocated costs of the Group (administration and general expanses)						(121 622)
Operating profit						**251 359**
Financial costs						(51 178)
Financial income						92 871
Net share in profits/(losses) of associates						414
Income tax						(78 099)
Net profit						**215 367**
Minority interest						6

Segment results for the period from 1.01.2007 to 31.12.2007 are as follows:

	Trade	Distribution	Production	Other activities	Eliminations	Group
Net revenues	2 614 661	2 206 634	332 583	291 926	-	5 445 804
Net inter-segment revenues	147 602	277	151 596	387 188	(686 663)	-
Total net revenues	**2 762 263**	**2 206 911**	**484 179**	**679 114**	**(686 663)**	**5 445 804**
Total costs *	(2 686 368)	(2 126 989)	(472 385)	(640 159)	679 790	(5 246 111)
Segment result	**75 895**	**79 922**	**11 794**	**38 955**	**(6 873)**	**199 693**
Unallocated costs of the Group (administration and general expanses)						(116 345)
Operating profit						**83 348**
Financial costs						(19 394)
Financial income						44 982
Net share in profits/(losses) of associates						147
Income tax						412 593
Net profit						**521 676**
Minority interest						162

* —including other operating revenues and other operating costs

(all amounts are presented in PLN thousand, unless otherwise stated)

Primary reporting format—business segments (cont.)

Other information on business segments as at 31 December 2008 and for the 12 month period then ended are as follows:

	Trade	Distribution	Production	Other activities	Eliminations	Group
Tangible fixed assets	18 439	4 546 657	2 777 132	386 527	(29 356)	7 699 399
Trade and other receivables	381 685	332 397	309 470	146 052	(403 066)	766 538
Total	400 124	4 879 054	3 086 602	532 579	(432 422)	8 465 937
Assets excluded from segmentation						3 519 980
- including tangible fixed assets						245 416
- including trade and other receivables						15 876
TOTAL: ASSETS						**11 985 917**
Trade and other payables	508 560	244 077	280 232	109 904	(403 066)	739 707
Equity and liabilities excluded from segmentation						11 246 210
- including trade and other payables						126 582
TOTAL: EQUITY & LIABILITIES						**11 985 917**
Capital expenditures on tangible and intangible assets	-	410 282	212 272	20 184	(22 632)	620 106
Capital expenditures on tangible and intangible assets excluded from segmentation						24 813
Amortization and depreciation	321	350 454	237 001	27 469	(4 059)	611 186
Amortization and depreciation excluded from the segmentation						20 178
Bad debt allowances as at 31.12.2008	92 751	2 762	22 597	6 122	-	124 232

Notes presented on pages F-93 – F-171 are an integral part of the consolidated financial statements.

(all amounts are presented in PLN thousand, unless otherwise stated)

Primary reporting format—business segments (cont.)

Other information on business segments as at 31 December 2007 and for the 12 month period then ended are as follows:

	Trade	Distribution	Production	Other activities	Eliminations	Group
Tangible fixed assets	18 759	4 510 804	2 814 058	306 070	(10 815)	7 638 876
Trade and other receivables	278 163	245 079	137 190	142 635	(174 035)	629 032
Total	296 922	4 755 883	2 951 248	448 705	(184 850)	8 267 908
Assets excluded from segmentation						1 548 278
- including tangible fixed assets						232 285
- including trade and other receivables						86 207
TOTAL: ASSETS						**9 816 186**
Trade and other payables	236 308	215 327	253 726	108 442	(174 035)	639 768
Equity and liabilities excluded from segmentation						9 176 418
- including trade and other payables						147 953
TOTAL: EQUITY & LIABILITIES						**9 816 186**
Capital expenditures on tangible and intangible assets	2 064	345 598	28 784	20 996	(4 973)	392 469
Amortization and depreciation	3 427	377 052	56 919	21 846	(4 911)	454 333
Amortization and depreciation excluded from the segmentation						16 224
Bad debt allowances as at 31.12.2007	83 413	-	19 790	20 615	-	123 818

Revenues of a segment are the revenues from sales to external customers and transactions with other segments that can be directly attributed to a given segment together with an adequate part of the Company's revenues attributed to this segment upon reasonable prerequisites.

Costs of a segment are the costs consisting of cost of sales to external customers and costs of transactions with other segments within the Group that result from the operating activity of a given segment and can be directly assigned to this segment together with an adequate part of the Group's costs attributed to this segment upon reasonable prerequisites.

In the inter-segment transactions market prices are applied that enable individual entities to earn contribution margin suitable for autonomous operation in the market. For the sales of energy and transmission services the prices are defined by the Law on Energy apply, i.e. the act dated 10 April 1997 Law on Energy and related bylaws.

Complementary segment reporting—geographic segments

The Group operates in only one economic environment—the territory of Poland, therefore the Group does not present any geographic segments.

(all amounts are presented in PLN thousand, unless otherwise stated)

7. Tangible fixed assets

	Land	Buildings and structures	Technical equipment and machinery	Vehicles	Other fixed assets	Fixed assets under construction	Total
As at 01.01.2008							
Gross book value	**27 303**	**5 940 932**	**3 859 461**	**91 116**	**342 153**	**164 970**	**10 425 935**
Accumulated depreciation	**-**	**(1 391 220)**	**(909 496)**	**(36 780)**	**(217 278)**	**-**	**(2 554 774)**
Net book value	**27 303**	**4 549 712**	**2 949 965**	**54 336**	**124 875**	**164 970**	**7 871 161**
Changes during 12 month period till 31.12.2008							
Transfers	-	20 281	153 494	1 592	1 344	(177 246)	**(535)**
Additions	2 306	286 788	80 748	10 735	21 812	222 387	**624 776**
Acquisition of subsidiary (gross book value)	-	77 941	51 028	1 272	699	579	**131 519**
Acquisition of subsidiary (accumulated depreciation)	-	(20 788)	(28 526)	(856)	(595)	-	**(50 765)**
Sales (gross book value)	(8)	(1 426)	(2 493)	(626)	(1 001)	-	**(5 554)**
Sales (accumulated depreciation)	-	247	1 835	682	905	-	**3 669**
Depreciation charge	-	(335 878)	(259 922)	(7 055)	(14 121)	-	**(616 976)**
Impairment loss	-	(3 901)	(3 809)	(9)	(65)	-	**(7 784)**
Liquidation and other changes (gross book value)	-	(14 497)	(5 663)	(1 876)	(3 164)	-	**(25 200)**
Liquidation and other changes (accumulated depreciation)	-	6 500	3 722	1 276	2 972	-	**14 470**
Other (gross book value)	(5)	12 201	(1 092)	696	(1 795)	(6 401)	**3 604**
Other (accumulated depreciation)	-	(109)	1 144	93	1 302	-	**2 430**
As at 31.12.2008							
Gross book value	**29 596**	**6 322 220**	**4 135 483**	**102 909**	**360 048**	**204 289**	**11 154 545**
Accumulated depreciation	**-**	**(1 741 248)**	**(1 191 243)**	**(42 640)**	**(226 815)**	**-**	**(3 201 946)**
Impairment loss	**-**	**(3 901)**	**(3 809)**	**(9)**	**(65)**	**-**	**(7 784)**
Net book value	**29 596**	**4 577 071**	**2 940 431**	**60 260**	**133 168**	**204 289**	**7 944 815**

(all amounts are presented in PLN thousand, unless otherwise stated)

	Land	Buildings and structures	Technical equipment and machinery	Vehicles	Other fixed assets	Fixed assets under construction	Total
As at 01.01.2007							
Gross book value	**24 733**	**4 916 141**	**1 414 646**	**74 465**	**321 984**	**92 630**	**6 844 599**
Accumulated depreciation	**-**	**(987 813)**	**(305 071)**	**(28 249)**	**(207 194)**	**-**	**(1 528 327)**
Net book value	**24 733**	**3 928 328**	**1 109 575**	**46 216**	**114 790**	**92 630**	**5 316 272**
Changes during 12 month period till 31.12.2007							
Transfers	471	89 174	18 498	930	414	(109 487)	**-**
Additions	2 209	159 994	37 348	6 411	20 193	164 386	**390 541**
Acquisition of Elektrownia "Kozienice" S.A. (gross book value)	196	789 079	2 392 612	10 396	9 273	24 186	**3 225 742**
Acquisition of Elektrownia "Kozienice" S.A. (accumulated depreciation)	-	(102 121)	(478 188)	(2 466)	(2 216)	-	**(584 991)**
Sales (gross book value)	(306)	(16 153)	(2 856)	(1 226)	(4 227)	(39)	**(24 807)**
Sales (accumulated depreciation)	-	2 856	750	1 036	4 173	-	**8 815**
Depreciation charge	-	(303 116)	(124 427)	(6 996)	(16 524)	-	**(451 063)**
Liquidation and other changes (gross book value)	-	2 697	(787)	140	(5 484)	(6 706)	**(10 140)**
Liquidation and other changes (accumulated depreciation)	-	(1 026)	(2 560)	(105)	4 483	-	**792**
As at 31.12.2007							
Gross book value	**27 303**	**5 940 932**	**3 859 461**	**91 116**	**342 153**	**164 970**	**10 425 935**
Accumulated depreciation	**-**	**(1 391 220)**	**(909 496)**	**(36 780)**	**(217 278)**	**-**	**(2 554 774)**
Net book value	**27 303**	**4 549 712**	**2 949 965**	**54 336**	**124 875**	**164 970**	**7 871 161**

Pledges on the Group's tangible fixed assets were presented in Note 14.

Impairment test of tangible fixed assets

As at 30 June 2008 tangible fixed assets of the Group were tested for impairment. Based on the test there was no impairment of assets related with distribution as at 30 June 2008.

As a result of changes in regulatory environment related to distribution of energy which were inconsistent with assumptions made for the purpose of the test performed as at 30 June 2008, the Group has repeated the test for impairment of tangible fixed assets related with distribution as at 31 December 2008.

In comparison to the analysis performed as at 30 June 2008 the forecasts of operating costs were adjusted to reflect steps undertaken by the Group to minimize the impact of changes in regulations on the result of the Group.

In order to calculate the return on capital employed, starting from 2010 a new methodology was applied, which according to the Group's expectations will be approved by the President of Energy Regulatory Office ("the President of ERO") together with the Tariff for 2010. That results in an assumption that future decisions of the President of ERO on sales tariffs valid for the period of 2010-2013 and for the following periods will include more favorable Assets' Regulatory Value ("ARV") comparing to ARV used by the President of ERO when determining the sales tariffs for 2009. Therefore the starting point in determining the ARV was the net book value after the adjustment to fair value made as at the date of transition to IFRS EU. It is assumed that ARV will reach distribution related assets net book value within 4-years period i.e. from 2010-2013.

Based on the conducted test there was no impairment of tangible fixed assets related to distribution as at 31 December 2008.

The current ARV adopted by the President of ERO is significantly lower than net book value of distribution related assets. If the President of ERO applies present method of the ARV calculation for the period 2010-2013 and the following periods there is a risk, that it will be necessary to recognize impairment loss in the future periods.

(all amounts are presented in PLN thousand, unless otherwise stated)

Finance lease

The Group as a lessor uses on the basis of financial lease agreement the following fixed assets:

	31.12.2008			31.12.2007		
	Initial cost – capitalized finance lease	**Accumulated depreciation**	**Net book value**	**Initial cost – capitalized finance lease**	**Accumulated depreciation**	**Net book value**
Technical equipment and machinery	461	(364)	**97**	461	(228)	**233**
Vehicles	3 509	(522)	**2 987**	903	(238)	**665**
Other fixed assets	-	-	**-**			**-**
Total	**3 970**	**(886)**	**3 084**	**1 364**	**(466)**	**898**

The Group does not appear in any lease agreement as a financing party.

8. Perpetual usufruct rights

	31.12.2008	31.12.2007
Gross book value at the beginning of the period	**13 577**	**10 468**
Additions	1 062	3 132
Acquisition of subsidiaries (gross book value)	1 611	-
Sales (gross book value)	(12)	-
Disposals and other changes (gross book value)	-	(23)
Gross book value at the end of the period	**16 238**	**13 577**
Accumulated amortization at the beginning of the period	**(211)**	**(178)**
Acquistion of subsidiaries (accumulated amortization)	(670)	-
Sales (accumulated amortization)	-	-
Disposals and other changes (accumulated amortization)	-	24
Amortization charge	(36)	(57)
Accumulated amortization at the end of the period	**(917)**	**(211)**
Net book value at the beginning of the period	**13 366**	**10 290**
Net book value at the end of the period	**15 321**	**13 366**

(all amounts are presented in PLN thousand, unless otherwise stated)

9. Intangible assets

2008	Development costs	Goodwill	Software, licenses, concessions, patents	Total
As at 01.01.2008				
Gross book value	**212**	**385**	**107 862**	**108 459**
Accumulated amortization	**(151)**	**–**	**(67 790)**	**(67 941)**
Impairment loss	–	–	–	–
Net book value	**61**	**385**	**40 072**	**40 518**
Changes during 12 month period till 31.12.2008				
Transfers	–	–	1 346	**1 346**
Additions	–	–	6 500	**6 500**
Acquisition of subsidiaries (gross book value)	–	–	540	**540**
Acquisition of subsidiaries (accumulated amortization)	–	–	(264)	**(264)**
Sales (gross book value)	–	–	(464)	**(464)**
Sales (accumulated amortization)	–	–	464	**464**
Amortization charge	(42)	–	(11 992)	**(12 034)**
Impairment loss	–	–	55	**55**
Liquidation and other changes (gross book value)	–	–	(67)	**(67)**
Liquidation and other changes (accumulated amortization)	–	–	12	**12**
Others (gross book value)	–	–	(437)	**(437)**
Others (accumulated amortization)	–	–	437	**437**
As at 31.12.2008				
Gross book value	**212**	**385**	**115 280**	**115 877**
Accumulated amortization	**(193)**	**–**	**(79 133)**	**(79 326)**
Impairment loss	**–**	**–**	**55**	**55**
Net book value	**19**	**385**	**36 202**	**36 606**

(all amounts are presented in PLN thousand, unless otherwise stated)

2007	Development costs	Goodwill	Software, licenses, concessions, patents	Total
As at 01.01.2007				
Gross book value	**185**	**385**	**77 639**	**78 209**
Accumulated amortization	**(121)**	**-**	**(52 352)**	**(52 473)**
Net book value	**64**	**385**	**25 287**	**25 736**
Changes during 12 month period till 31.12.2007				
Additions	27	-	1 902	**1 929**
Acquisition of Elektrownia "Kozienice" (gross book value)	-	-	28 651	**28 651**
Acquisition of Elektrownia "Kozienice" (accumulated amortization)	-	-	(5 969)	**(5 969)**
Sales (gross book value)	-	-	(291)	**(291)**
Sales (accumulated amortization)	-	-	289	**289**
Depreciation charge	(30)	-	(9 804)	**(9 834)**
Liquidation and other changes (gross book value)	-	-	(39)	**(39)**
Liquidation and other changes (accumulated amortization)	-	-	46	**46**
As at 31.12.2007				
Gross book value	**212**	**385**	**107 862**	**108 459**
Accumulated amortization	**(151)**	**-**	**(67 790)**	**(67 941)**
Net book value	**61**	**385**	**40 072**	**40 518**

The Group's intangible assets are not subject to collateral.

10. Investment properties

	31.12.2008	31.12.2007
Gross book value at the beginning of the period	**4 839**	**-**
Additions	415	4 833
Transfer to/from tangible fixed assets	457	6
Gross book value at the end of the period	**5 711**	**4 839**
Accumulated depreciation at the beginning of the period	**(507)**	**-**
Acquisition of Elektrownia "Kozienice" S.A.	-	(466)
Depreciation charge	(170)	(41)
Accumulated depreciation at the end of the period	**(677)**	**(507)**
Net book value at the beginning of the period	**4 332**	**-**
Net book value at the end of the period	**5 034**	**4 332**

The Group's investment properties are not subject to collateral.

(all amounts are presented in PLN thousand, unless otherwise stated)

11. Investments in associates and joint venture

	31.12.2008	31.12.2007
Value at the beginning of the year	5 207	5 060
Share in the net assets change	(430)	147
Acquisition of investment	185 164	-
Value at the end of the year	**189 941**	**5 207**

In 2008 the Company acquired shares in two associated entities: Przedsiębiorstwo Energetyki Cieplnej w Sremie S.A. and Elektrociepłownia Białystok S.A. for the total amount of PLN 184,664 thousand.

In 2008 ENEA S.A. and Kopalnia Węgla Brunatnego ,,KONIN'' w Kleczewie S.A. (,,KWB Konin'') established PWE Gubin Sp. z o.o. The newly established company is a joint venture, ENEA S.A. and KWB Konin hold 50% of all shares which amount to PLN 500 thousand each.

The share in net profit of associated entities and joint venture consolidated using the equity method amounted to PLN 414 thousand for 2008 (PLN 147 thousand in 2007).

(all amounts are presented in PLN thousand, unless otherwise stated)

Summary financial information for equity accounted investees are presented in the table below:

31.12.2008	Share in equity	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Revenues	Costs	Net profit
Wirbet S.A. (associated entity)	49,00%	8 093	7 991	**16 084**	4 588	1 532	**6 120**	25 810	(24 470)	**1 340**
Przedsiębiorstwo Energetyki Cieplnej w Śremie S.A. (associated entity)	41,65%	9 900	8 590	**18 490**	1 232	217	**1 449**	8 600	(8 296)	**304**
Elektrociepłownia Białystok S.A. (associated entity)	30,36%	98 973	383 002	**481 975**	42 946	43 973	**86 919**	208 324	(182 630)	**25 694**
PWE Gubin Sp. z o.o. (joint venture)	50,00%	926	5	**931**	140	-	**140**	2	(211)	**(209)**
		117 892	**399 588**	**517 480**	**48 906**	**45 722**	**94 628**	**242 736**	**(215 607)**	**27 129**

31.12.2007	Share in equity	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Revenues	Costs	Net profit
Wirbet S.A. (associated entity)	49,00%	8 709	6 238	**14 947**	3 844	475	**4 319**	24 822	(22 814)	**2 008**
		8 709	**6 238**	**14 947**	**3 844**	**475**	**4 319**	**24 822**	**(22 814)**	**2 008**

(all amounts are presented in PLN thousand, unless otherwise stated)

12. Financial assets

	31.12.2008	31.12.2007
Non-current financial assets available-for-sale (shares and interests in non-related entities)	8 965	14 981
Non-current financial assets carried at the fair value through profit or loss	1 033	1 379
Non-current financial assets	**9 998**	**16 360**
Current financial assets available-for-sale	4 806	3 292
Current financial assets held-to-maturity	100 741	49 323
Current financial assets	**105 547**	**52 615**
Total financial assets	**115 545**	**68 975**

13. Trade and other receivables

	31.12.2008	31.12.2007
Non-current trade and other receivables		
Financial receivables	-	107
Prepayments	-	22
Non-current trade receivables	2 203	-
Other receivables	113	-
Non-current trade and other receivables	**2 316**	**129**
Current trade and other receivables		
Trade receivables	594 753	541 784
Taxation and other related receivables	46 482	35 784
Other receivables	39 612	76 473
Prepayments	1 202	310
Receivables due to accrued sales	219 073	181 726
Prepaid property insurance	3 208	2 851
	904 330	**838 928**
Less: allowance for receivables	(124 232)	(123 818)
Current trade rand other eceivables	**780 098**	**715 110**

Allowances for trade and other receivables:

	31.12.2008	31.12.2007
Opening balance of allowance	**123 818**	**106 476**
Acquisition of Elektrownia "Kozienice" S.A.	**-**	29 521
Additions	17 306	18 127
Reversals	(15 426)	(28 643)
Utilized	(1 466)	(1 663)
Closing balance of allowance	**124 232**	**123 818**

Receivables subject to collateral or limited use are presented in the note 14.

(all amounts are presented in PLN thousand, unless otherwise stated)

14. Limitations in disposal and security titles established on the Group's assets

Property, plant and equipment in relation to which an entity has a limited title of ownership and which constitute a security for settlement of liabilities.

Entity's name	Collateral in respect of	Type of collateral	Entity for the benefit of which collateral has been put up	Indebtness as at 31.12.2008	Indebtness as at 31.12.2007	Expiry date
BHU S.A.	Bank account overdraft	Deposit mortgage up to the amount of **PLN 5 250 thousand**	Bank Zachodni WBK S.A.	—	—	November 2009
EP PUE ENERGOBUD Leszno Sp. z o.o.	Investment loan	Ordinary mortgage up to the amount of **PLN 3 500 thousand**, deposit mortgage up to the amount of **PLN 225 thousand**	Bank Zachodni WBK S.A. Branch in Leszno	**505**	**1 500**	June 2009
EP PUE ENERGOBUD Leszno Sp. z o.o	Bank account overdraft	Deposit mortgage up to the amount of **PLN 530 thousand**	Bank Zachodni WBK S.A. Branch in Leszno	—	—	March 2008 – a request to release mortgage was submitted
Elektrownie Wodne Sp. z o.o.	Loan, interest and costs of potential legal proceeding	Ordinary mortgage up to the amount of **PLN 3 500 thousand** Deposit mortgage up to the amount of **PLN 1 440 thousand**	Bank Ochrony Środowiska S.A. w Warszawie Branch in Poznań	**1 670**	**2 500**	December 2010
Energetyka Wysokich i Najwyższych Napięć ,,EWiNN" Sp. z o.o.	Investment loan	Ordinary mortgage in the amount of **PLN 4 000 thousand**	Nordea Bank Polska S.A.	**2 573**	**2 932**	February 2016
Energetyka Poznańska Hotel ,,EDISON" Sp. z o.o	Bank account overdraft	Deposit mortgage up to the amount of **PLN 400 thousand**	BZ WBK S.A.	—	**149**	September 2009
Zakład Handlowo-Usługowy Auto-Styl Sp. z o.o.	Investment loan	Registered pledge on technical equipment and machinery in the carrying amount of **PLN 329 thousand**	BGŻ S.A.	**224**	**293**	March 2012
PEC Sp. z o.o. w Obornikach	Lease	Deposit mortgage, assignment of receivables	BZ WBK Finanse & Leasing S.A.	**438**	—	November 2012
PEC Sp. z o.o. w Obornikach	Working capital loan	Assignment of receivables	BZ WBK Finanse & Leasing S.A.	**960**	—	April 2009
MEC Sp. z o.o. w Pile	Bank account overdraft	Registered pledge	PKO BP S.A.	—	—	August 2010
Elektrownia ,,Kozienice" S.A.	Long-term loan	Registered pledge on fixed asset	BOŚ S.A.	—	**856**	June 2008 mortgage released based on the court decision issued 15 Oct 2008
Elektrownia ,,Kozienice" S.A.	Long-term loan	Assignment of receivables	NFOŚiGW	**19 907**	**27 907**	June 2011
Elektrownia ,,Kozienice" S.A.	Long-term loan	Registered pledge on fixed asset and **16** blank promissory notes	Nordic Bank S.A.	**94 666**	**94 486**	November 2014
Elektrownia ,,Kozienice" S.A.	Long-term loan	Registered pledge on fixed asset and assignment of receivables up to the amount of the liability	PKO BP S.A.	**72 817**	**91 021**	December 2012

(all amounts are presented in PLN thousand, unless otherwise stated)

Other collateral including those referring to borrowings presented also in the above table:

No	Entity's name	Collateral in respect of	Type of collateral	Entity for the benefit of which collateral has been put up	Indebtness as at 31.12.2008	Indebtness as at 31.12.2007	Expiry date
1.	**Energobud Leszno**	Investment loan	Transfer of rights from the property insurance policy; power of attorney to debit the borrowers bank account	**BZ WBK S.A.**	505	1 500	June 2009
2.	**Energobud Leszno**	Security regarding products and services acquired under Fleet Cards Agreement	Blank promissory note	**PKN Orlen S.A.**	not specified	not specified	not determined
3.	**Energobud Leszno**	Bank current account overdraft	Blank promissory note	**BZ WBK S.A.**	—	300	1 March 2008 a request to return promissory note was issued
4.	**Energobud Leszno**	Lease agreements	Blank promissory note	**Pekao Leasing Sp. z o.o.**	163	282	July 2012
5.	**Energobud Leszno**	Tender guarantee	Blank promissory note	**PZU S.A.**	not specified	not specified	not determined
6.	**EWiNN**	Investment loan	Power of attorney to the account Transfer of rights from property insurance policy	**NORDEA BANK POLSKA S.A.**	2 573	2 932	February 2016
7.	**EWiNN**	Security for potential claims resulting from signed contracts	Guarantee for proper completion of the contract and removal of potential faults	**MTP Sp. z o.o. Poznań**	42	42	31 August 2010
8.	**EWiNN**	Security for potential claims resulting from signed contracts	Guarantee for proper completion of the contract and removal of potential faults	**PSE Zachód Poznań**	42	—	January 2010
9.	**Elektrownie Wodne**	Investment loan	Power of attorney to the account, assignment of receivables from the energy sale agreement, assignment of rights from insurance policy of real estate - hydropower plant in Dobrzyca upon mortgage security and blank promissory note have been established	**Bank Ochrony Środowiska S.A. w Warszawie O/Poznań**	1 670	2 500	December 2010
10.	**Elektrownie Wodne**	Lease agreements	Blank promissory note	**Europejski Fundusz Leasingowy**	45	81	August 2010
11.	**Eneos**	Investment loan	Assignment of agreement and blank promissory notes	**PKO BP S.A.**	3 935	2 317	November 2017
12.	**Auto-Styl**	Bank current account overdraft	Blank promissory note	**Volkswagen Bank Polska S.A.**	715	1 000	June 2009
13.	**Auto-Styl**	Bank overdraft	Blank promissory note and transfer of rights from insurance policy	**Volkswagen Bank Polska S.A.**	2 072	2 500	February 2009

(all amounts are presented in PLN thousand, unless otherwise stated)

No	Entity's name	Collateral in respect of	Type of collateral	Entity for the benefit of which collateral has been put up	Indebtness as at 31.12.2008	Indebtness as at 31.12.2007	Expiry date
14.	**Auto-Styl**	Credit guarantee	Transfer of rights from insurance policy	**BGŻ S.A.**	388	380	June 2009
15.	**BHU**	Purchase limits guarantee	Blank promissory note, blank promissory note guarantee	**Philips Lighting Farel Mazury Sp. z o.o.**	400	400	period of agreement
16.	**BHU**	Lease agreements	Blank promissory note	**BRE Leasing Sp. z o.o.**	170	340	December 2010
17.	**ENEA.**	Collateral debt obligation	Blank promissory note	**PSE Operator S.A.**	15 000	15 000	period of agreement
18.	**ENEA**	Property rental agreement	Bank guarantee	**RONDO PROPERTY INVESTMENT Sp. z o.o.**	120	104	13 December 2009
19.	**ENEA**	Working capital loan	Power of attorney to the bank current account	**PKO BP S.A.**	—	20 112	1 August 2008
20.	**Energomiar**	Lease agreements	Blank promissory note	**Raiffeisen-Leasing Polska S.A.**	19	46	30 May 2010
21.	**Energomiar**	Lease agreements	Blank promissory note	**Volkswagen Leasing Polska Sp. z o.o.**	33	32	September 2010
22.	**Zakład Transportu**	Security for damages compensation (insurance policy)	Promissory note for the amount of PLN 50 thousand	**PZU S.A.**	Not specified	Not specified	25 May 2009
23.	**Zakład Transportu**	Security for payments for conducting products promotion	Promissory note for the amount of PLN 58 thousand	**Castol Lubricant Sp. z o.o.**	Not specified	Not specified	25 July 2010
24.	**IT Serwis**	Security for potential claims of agencies	Promissory note for the amount of PLN 2 950 thousand	**Polkomtel S.A.**	1 110	1 367	period of agreement
25.	**IT Serwis**	Lease agreements	Blank promissory note	**BZ WBK Leasing S.A.**	86	132	20 December 2010
26.	**IT Serwis**	Bank current account overdraft	Blank promissory note and power of attorney to the bank current account	**BRE Bank S.A.**	588	351	12 September 2009
27.	**IT Serwis**	Bank current account overdraft	Blank promissory note	**BZ WBK S.A.**	781	427	15 September 2009
28.	**Hotel Edison**	Commercial agreement	Promissory note for the amount of PLN 5 thousand	**FEDRUS S.A.**	—	—	period of agreement
29.	**MEC**	Borrowing	Blank promissory note and assignment of receivables	**WFOŚiGW**	1 783	—	5 July 2011
30.	**ENEA Operator**	Investment loan	Power of attorney to the bank current account	**PKO BP S.A.**	4 000	—	22 March 2009

In addition to the above, according to the loan agreements signed by ENEA S.A., there are power of attorney to the Company's bank accounts and statements of voluntary submission to enforcement procedures issued by ENEA S.A. as a security for the unused credit facilities.

(all amounts are presented in PLN thousand, unless otherwise stated)

15. Inventories

	31.12.2008	31.12.2007
Raw materials	252 347	121 479
Semi-products and work in progress	2 291	2 122
Finished products	214	326
Merchandise	20 058	30 425
	274 910	**154 352**
Inventory allowance	(4 866)	(5 287)
Total inventories net of allowance	**270 044**	**149 065**

There were no securities established on the Group's inventories.

16. Cash and cash equivalents

	31.12.2008	31.12.2007
Cash on hand and at bank	**2 528 625**	**533 426**
- cash on hand	814	790
- cash at bank	2 527 811	532 636
Other cash and cash equivalents	**92 034**	**407 366**
- cash in transit	746	1 044
- bank deposits	91 279	406 322
- other	9	-
Total cash and cash equivalents	**2 620 659**	**940 792**
Cash recognized in the cash flow statement	**2 620 659**	**940 792**

Collaterals established on cash and cash equivalents are presented in note 14.

As at 31 December 2008 the Company had restricted cash in the amount of PLN 1,946,250 thousand, representing net cash inflow from the initial public offer which as at 31 December 2008 has not yet been registered.

As at 31 December 2008 restricted cash comprised of:

- escrow account (cash restricted until the completion of registration of the new shares issue in the National Court Register and in the National Deposit of Securities) : PLN 1,939,615 thousand;
- option escrow account (cash restricted for the purpose of the execution of a stabilization option): PLN 6,635 thousand.

As a result of the completed registration in the National Court Register on 13 January 2009 and the registration of new shares in the National Deposit of Securities on 30 January 2009, as at the day of the preparation of these consolidated financial statements the restrictions on cash were abolished.

(all amounts are presented in PLN thousand, unless otherwise stated)

17. Accounting for the acquisition of new subsidiaries and associates

In 2008 ENEA S.A. acquired shares in two subsidiaries: Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o. in Oborniki (‘‘PEC Oborniki’’) and Miejska Energetyka Cieplna Sp. z o.o. in Piła (‘‘MEC Piła’’) as well as shares in two associated entities: Przedsiębiorstwo Energetyki Cieplnej w Sremie S.A. and Elektrociepłownia Białystok S.A. (details of these transactions are presented in Note 5). As at the balance sheet date of these consolidated financial statements the Group did not finish the process of allocation of the purchase price to the identifiable acquired net assets. Due to this fact, the Group decided to apply an initial accounting using provisional amounts. The Group assumed, that the difference between the acquisition price of individual entities and the carrying amount of theirs net assets attributable to the acquired shares result mainly from the difference between the fair value of tangible fixed assets and their net carrying amounts at the acquisition date of the given entity. Possible adjustments of estimated provisional amounts during the measurement period will be completed within 12 month from the acquisition date of a given entity.

As per the agreements on the acquisition of shares in PEC Oborniki and MEC Piła there are binding offers for the acquisition of the remaining shares which are valid 6 and 5 years respectively, starting from the date the agreement was concluded. Therefore, in these consolidated financial statements, the Group presented a financial liability resulting from the above mentioned commitments in the amount of PLN 28,226 thousand in correspondence with other reserves.

Accounting for acquisition of subsidiaries

	"MEC Piła"	"PEC Oborniki"
Number of shares (in %)	64,997%	87,99%
Number of voiting rights (in %)	64,997%	87,99%
Carrying amount of net assets	41 581	8 034
Tangible fixed assets fair value adjustment	34 394	5 586
Acquisition price, incl.	49 384	11 986
transaction costs	734	358
Put option concerning minority interest in acquired subsidiaries	26 591	1 634
Minority interest	26 591	1 634

Accounting for acquisition of associates

	Elektrociepłownia Białystok S.A.	Przedsiębiorstwo Energetyki Cieplnej w Śremie S.A.
Number of shares (in %)	30,36%	41,45%
Number of voiting rights (in %)	30,36%	41,45%
Carrying amount of the acquired net assets	119 939	7 093
Tangible fixed assets fair value adjustment corresponding to the acquired share	55 495	2 137
Acquisition price, incl.	175 434	9 230
transaction costs	1 834	175

(all amounts are presented in PLN thousand, unless otherwise stated)

18. Equity

As at 31.12.2008

Series of shares	Number of shares (in units)	Nominal or value per 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**		
Ordinary shares			**441 443**
Share capital (nominal value)			**441 443**
Share capital from business combinations			38 810
Share capital from hyperinflation revaluation			107 765
Total share capital			**588 018**
Treasury shares			(17 396)
Share premium			3 632 464
Share based payments reserve			1 144 336
Financial instruments revaluation reserve			(1 099)
Other reserves due to put options concerning minority interests in acquired subsidiaries			(28 226)
Retained earnings			3 675 078
Minority interest			31 078
Total equity			**9 024 253**

* - Increase in share capital through the issue of C series shares in a public offer was registered in the National Court Register on 13 January 2009.

As at 31.12.2007

Series of shares	Number of shares (in units)	Nominal or value per share in PLN	Value
„A” Series	13 224 510	1	13 225
„B” Series	5 116 410	1	5 116
„C” Series	3 770 835	1	3 771
„D” Series	3 276 750	1	3 277
„E” Series	7 850 730	1	7 851
„F” Series	74 938 890	1	74 939
„G” Series	28 992 990	1	28 993
„H” Series	21 368 065	1	21 368
„I” Series	18 568 250	1	18 568
„J” Series	44 487 470	1	44 487
„K” Series	126 625 657	1	126 626
Total number of shares	**348 220 557**		
Ordinary shares			**348 221**
Share capital (nominal value)			**348 221**
Share capital from business combinations			38 810
Share capital from hyperinflation revaluation			107 765
Total share capital			**494 796**
Share premium			1 801 078
Share based payments reserve			901 110
Financial instruments revaluation reserve			1 552
Retained earnings			3 564 675
Minority interest			3 164
Total equity			**6 766 375**

On 16 May 2008 the Shareholders Meeting amended the ENEA S.A.'s statute pursuant to which all series of shares existing as at that date were merged into two series A and B. Furthermore, due to the planned initial public offer the Shareholders Meeting adopted a resolution concerning the increase in the share capital up to PLN 149,237 thousand through the stock issue of up to 149,237,382 ordinary shares of a C series and a nominal value of PLN 1 each. The amended statute was registered in the National Court Register on 5 June 2008.

On 1 August 2008 the Shareholders Meeting adopted a resolution on the redemption of 10,594,129 ordinary B series shares of a nominal value PLN 1 each and a resolution on the reduction of share capital by PLN 10,594,129 i.e. from PLN 348,220,557 to PLN 337,626,428. The resolution on the redemption of shares was required by law and was related to the payment of shares' cash equivalent to Entitled Employees (Note 22). The obligation to redeem shares resulted from art. 38b par. 2 of the Law on Commercialization and Privatization dated 30 August 1996. The reduction of the Company's share capital was registered in the National Court Register on 5 September 2008.

In connection with changes to the planned public offer the Extraordinary Shareholders Meeting adopted on 3 November 2008 a Resolution on the change of the earlier resolution dated 16 May 2008 on the increase in share capital of the Company through a initial public offer and concluded finally on the issue of 103,816,150 ordinary shares of the C series of a nominal value PLN 1 each. The share capital was increased from PLN 337,626,428 to PLN 441,442,578. The increase in capital was registered in the National Court Register on 13 January 2009.

In connection with the initial public offer and the commencement of public trading of rights to shares on the Warsaw Stock Exchange the Company acquired under stabilization option till 31 December 2008 1,129,608 rights to own shares for the total amount of PLN 17 369 thousand.

(all amounts are presented in PLN thousand, unless otherwise stated)

19. Trade and other liabilities

	31.12.2008	31.12.2007
Non-current trade and other payables		
Other financial liabilities	-	19
Other	708	-
Total non-current	**708**	**19**
Current trade and other payables		
Trade payables	604 316	588 225
Prepayments received from customers	26 921	21 457
Tax and other related liabilities	154 439	132 007
Dividend liabilities	8 464	-
Special funds	9 955	9 481
Liabilities due to put options concerning minority interest in acquired subsidiaries	28 226	-
Other non-financial liabilities	33 260	36 532
Total current	**865 581**	**787 702**
Total	**866 289**	**787 721**

20. Borrowings

	31.12.2008	31.12.2007
Non-current		
Bank loans	151 310	184 140
Other loans	1 475	236
	152 785	**184 376**
Current		
Bank loans	52 031	69 204
Other loans	574	40
	52 605	**69 244**
Total	**205 390**	**253 620**

Ageing of non-current borrowings	31.12.2008	31.12.2007
Between 1 and 3 years	84 906	46 643
Between 3 and 5 years	51 305	109 553
More than 5 years	16 574	28 180
Total	**152 785**	**184 376**

(all amounts are presented in PLN thousand, unless otherwise stated)

21. Deferred income from subsidies and connections' fee

	31.12.2008	31.12.2007
Non-current		
Deferred income from subsidies	229 900	224 902
Deferred income from connections' fee	537 614	459 691
	767 514	**684 593**
Current		
Deferred income from subsidies	14 020	16 057
Deferred income from connections' fee	12 059	12 369
	26 079	**28 426**

Amortization schedule of deferred income

	31.12.2008	31.12.2007
Less than 1 year	26 079	28 426
Between 1 and 5 years	97 322	96 952
More than 5 years	670 192	587 641
	793 593	**713 019**

22. Share based payments reserve and liabilities due to cash settled share based payments

Employees of the Group on the basis of the Act on the Commercialization and Privatization dated 30 August 1996 ("Act on the Commercialization and Privatization") are entitled to acquire free of charge 15% of the Company's shares. The aforementioned right is granted to Entitled Employees i.e. to employees, who were employed at the day of the Company and Elektrownia "Kozienice" S.A. commercialization (the transformation of a State Enterprise into joint stock company fully owned by State Treasury) and persons, who have worked in the State Enterprise for at least 10 years as well as persons who meet other additional criteria stipulated in Article 2, Paragraph 5 of the Act on the Commercialization and Privatization. The right to acquire free of charge shares arises after three months from the date of the State Treasury 's disposal of first shares based on general conditions.

Moreover, according to the Act on the Commercialization and Privatization Entitled Employees of Elektrownia "Kozienice" S.A. as at the date of the contribution of 100% of the company's shares to ENEA S.A. acquired the right to a cash equivalent. The cash equivalent is paid by ENEA S.A. and is accompanied by the redemption of shares of ENEA S.A., subject to the equivalent, held by the State Treasury.

In 2007 in connection with the consolidation of the energy sector the Act on the acquisition of shares from the State Treasury as a result of the energy sector consolidation process dated 7 September 2007 was passed ("Act from 2007"). The abovementioned Act, among the others, grants Entitled Employees of the consolidated entity (Elektrownia "Kozienice" S.A.) the option to exchange the right to the cash equivalent into the right to acquire free of charge shares of consolidating entity (ENEA S.A.).

According to IFRS 2 *Share based payments* the costs of such scheme should be recognized in the period, when Entitled Employees performed services. The cost of the employees' services is measured as at the Grant Date i.e. the date when all significant provisions of the employees' share based payments are determined.

The Grant Date to acquire shares or cash equivalents is the day, when Management agrees with trade unions of the Company on the number of shares attributable to particular groups of Entitled Employees. Such agreement is concluded after the State Treasury sells first shares based on the general conditions.

(all amounts are presented in PLN thousand, unless otherwise stated)

There are specific rules in relation to Entitled Employees of Elektrownia "Kozienice" S.A. The number of shares attributable to each Entitled Employees' group was determined after the contribution of Elektrownia "Kozienice" S.A.'s shares to ENEA S.A. On 16 May 2008 Management of Elektrownia "Kozienice" S.A. and Trade Unions concluded final agreement on the amount of shares to be allocated to particular groups of Entitled Employees.

The final cost of share based program referring to Entitled Employees of Elektrownia "Kozienice" S.A. amounts to PLN 515 million.

The value of the share based program as at 31 December 2008, which applies to the Entitled Employees, was determined on the basis of the valuation conducted for the purposes of preparation of the consolidated financial statements for the period ended 30 June 2008 and amounts (with the exclusion of Entitled Employees of Elektrownia "Kozienice" S.A.) to PLN 921 million (PLN 901 million as at 31 December 2007).

At the end of 2008 and the beginning of 2009 the Company's share price quoted on the Warsaw Stock Exchange was subject to high volatility. As a result the Management Board did not decide to revalue share based payments program as at 31 December 2008 concluding that the share price as at that date at the level of PLN 14 does not reflect the actual fair value of the Company. Consequently, the Management Board applied for the valuation of the share based payments program as at 31 December 2008 the ENEA S.A.'s share price resulting from the valuation used for the purpose of preparation of the consolidated financial statements for the period ended 30 June 2008 i.e. PLN 27.48 per share.

Entitled Employees of Elektrownia "Kozienice" S.A., based on the Act on the acquisition of shares from the State Treasury as a result of the energy sector consolidation process dated 7 September 2007, shall have submitted the declaration until 18 January 2008 if they intended to exchange the cash equivalent into shares of ENEA S.A. After taking into account submitted declarations and further complaint process the amount of shares subject to cash equivalent amounted to PLN 291,127 thousand (PLN 514,920 thousand as at 31 December 2007). The change in the liability due to cash settled share based payments amounting to PLN 224,042 thousand was recognized in equity of the Group under share based payments reserve with corresponding decrease of liabilities due to cash settled share based payments.

In November and December 2008 a part of the equivalent was paid to the Entitled Employees of Elektownia "Kozienice" S.A. As at 31 December 2008 remaining liabilities due to cash settled share based payments amounted to PLN 163,799 thousand (as at 31 December 2007 this liability amounted to PLN 514 920 thousand).

The following table presents information on shares and cash equivalents for eligible employees of Elektrownia "Kozienice" S.A.:

Number of eligible employees	3 557
Total number of Elektrownia "Kozienice" S.A.'s shares to which eligible employees are entitled	6 750 000
Fair value of Elektrownia "Kozienice" S.A.'s one share for the purpose of program valuation	76.28
Total program's value expensed in previous periods	514 920
Value of shares to be settled in cash equivalent	290 878
Value of shares to be converted into shares of ENEA S.A.	224 042

(all amounts are presented in PLN thousand, unless otherwise stated)

The following table presents information on shares for eligible employees of the Group (excluding eligible employees of Elektrownia "Kozienice" S.A.:

Number of eligible employees	8 665
Total number of ENEA S.A.'s shares to which eligible employees are entitled	33 498 649
Fair value of ENEA S.A.'s one share for the purpose of program valuation	27.48
Total program's value expensed in previous periods	920 543

23. Financial instruments

23.1. Rules of financial risk management

The Group's activity is subject to the following categories of risk related to financial instruments:

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

This note contains information regarding the exposure of the Group to each risk category listed above and describes objectives, policy and procedures related to risk and equity management. Disclosures of numerical data were included in these consolidated financial statements.

Responsibility for settlement and fulfillment of risk management policy bears the Management Board of ENEA S.A.

Risk Management in the Group is managed as an ongoing process, which is not fully formalized. Risks are analyzed by the Group in connection with external environment's influence as well as changes in its structure and activity. Based on this analysis there are actions taken to mitigate risks or to transfer risks out of the Group. In order to do so the Group raises the employees' awareness regarding possibility of risk occurrence and its impact on the activity of organizational units and Group.

To achieve unified standards of risk management in the whole Group, the Parent Company decided to introduce a formalized process of formulation of risk management procedures. The process started by conducting internal audit aiming at risks' identification in ENEA S.A., ENEA Operator Sp. z o.o. and Elektrownia "Kozienice" S.A. and evaluation of current internal controls as well as identification of weaknesses of internal control and indication of areas, where improvements are possible. Based on internal audit the Group performed risk mapping, which in a graphic way enabled to illustrate extent of risks, based on their occurrence and possible consequences. Actions that have been undertaken form baselines for further development and implementation of formalized and integrated risk management process within the whole Company in accordance with international standards in Group.

In the current reporting period the Parent Company and its subsidiaries did not enter into hedge transactions. Only one of the associated companies, Elektrownia Białystok S.A. is a party in a currency call option agreement. This option is to cover the currency risk connected with the purchase of coal in contracts denominated in USD. The outcome on this transaction was positive as at the day of the preparation of the financial statements and is not significant for the results of the Group.

23.2. Credit risk

Credit risk is the risk of incurring financial losses to which the Group is exposed if a customer or a counterparty to a financial instrument fails to meet its contractual obligations.

(all amounts are presented in PLN thousand, unless otherwise stated)

Credit risk is mainly connected with the collection of receivables. Main factors, which have an impact on the existence of credit risk, are:

- a large number of retail customers increases costs of monitoring of accounts receivable;
- obligation to deliver electricity to State related organizations which are in a difficult financial condition;
- legal regulations on suspension of electricity delivery due to lack of payment.

The Management Board applies a credit policy according to which the exposure to credit risk is systematically monitored.

The assessment of the financial credibility is performed in relation to all clients, who require a credit limit over a certain amount.

The Company does not require any securities from clients in relation to financial assets.

Maximum exposure of the Group to the credit risk is presented in the table below:

	31.12.2008	**31.12.2007**
Current and non-current financial assets held-to-maturity	100 741	49 323
Trade and other receivables	782 414	715 239
Cash and cash equivalents	2 620 659	940 792
Total	**3 503 814**	**1 705 354**

Within ENEA S.A. Group the credit risk in relation to receivables differs between market segments, in which the Group operates:

- electric energy sales and distribution to individual clients – in this segment there is a large number of overdue receivables. Although they do not constitute a significant threat to the Group's financing, there were actions taken aiming at their reduction. Implementing of unified rules for the debt collection shortened the reaction time and evaded long and inefficient court execution. A legal proceeding is initiated for cases exceeding a cost to benefit ratio limit for debt collection,
- electric energy sales and distribution to corporate clients and a social sector, i.e. small business entities – amounts of overdue receivables in this segment are higher than in the individual clients segment. Debt collection procedures are similar and particular actions are taken after 4-5 working days from the due date,
- other receivables – in comparison with two previous segments amounts of overdue receivables are insignificant.

Key role in the debt collection process is played by employees supervising contacts with clients. These are persons monitoring debt collection process. The Group tends to collect overdue receivables through the direct contact with a client. The cooperation with a debtor, identification of its current and future financial situation is one of the main tasks of the function dedicated to this role.

ENEA S.A. Group monitors the amount of overdue receivables on an ongoing basis and in justified cases initiates a legal proceeding and raises an allowance for the receivables.

ENEA S.A. Group makes current financial investments which mainly consist of bank deposits and treasury bonds.

The Group does not grant securities and guaranties to non-related parties.

23.3. Liquidity risk

Liquidity risk arises when the Group is not able to meet its financial obligations as they become due.

The Group's approach to managing the liquidity risk is to ensure that the Group will have sufficient funds necessary to settle its financial and investment liabilities while taking advantage of the most attractive sources of financing, i.e. the issue of debt securities.

The Group's liquidity management concentrates on the detailed analysis of the receivables collection scheme, systematic monitoring of bank accounts as well as the current concentration of cash on consolidated bank accounts. The Group undertakes actions in order to shorten the receivables collection period and attempts to extend the settlement periods for its liabilities. Financial surpluses resulting from these actions are invested in short-term financial assets in the form of bank term deposits.

Consistent risk management in aforementioned areas and the market and financial position of the Group allows to ensure that the risk of insufficient liquidity remains at the minimum level.

The Group manages liquidity risk also by maintaining open and unused credit facilities amounting to PLN 107 916 thousand as at 31 December 2008 (PLN 52 628 thousand as at 31 December 2007).

(all amounts are presented in PLN thousand, unless otherwise stated)

The following table presents the Group's financial assets and liabilities as they come due:

	Trade and other payables	Finance lease liabilities	Bank loans	Loans	Cash and cash equivalents	Trade and other receivables	Financial instruments held-to-maturity	Total
31.12.2008								
Carrying amount	866 289	2 392	203 341	2 049	(2 620 659)	(782 414)	(100 741)	**(2 430 324)**
Undiscounted contractual cash flows	(866 289)	(2 599)	(230 722)	(2 049)	2 620 770	782 414	104 745	**2 394 667**
less than 6 months	(863 409)	(550)	(32 682)	(561)	2 620 770	771 837	31 012	**2 515 962**
6 - 12 months	(2 172)	(441)	(28 895)	(13)	-	8 261	73 733	**50 473**
1 – 2 years	(708)	(1 065)	(52 400)	(52)	-	2 209	-	**(53 164)**
2 – 5 years	-	(543)	(98 833)	(1 287)	-	107	-	**(100 556)**
more than 5 years	-	-	(17 912)	(136)	-	-	-	**(18 048)**

	Trade and other payables	Finance lease liabilities	Bank loans	Loans	Cash and cash equivalents	Trade and other receivables	Financial instruments held-to-maturity	Total
31.12.2007								
Carrying amount	787 721	749	253 344	276	(940 792)	(715 239)	(49 323)	**(663 264)**
Undiscounted contractual cash flows	(787 721)	(749)	(292 380)	(399)	940 796	715 239	49 990	**624 776**
less than 6 months	(787 702)	(124)	(47 332)	(24)	940 796	715 110	49 990	**870 714**
6 - 12 months	-	(173)	(35 105)	(29)	-	-		**(35 307)**
1 – 2 years	(19)	(319)	(56 036)	(33)	-	129		**(56 278)**
2 – 5 years	-	(133)	(124 028)	(101)	-	-		**(124 262)**
more than 5 years	-	-	(29 879)	(212)	-	-		**(30 091)**

(all amounts are presented in PLN thousand, unless otherwise stated)

23.4. Market risk

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

Energy trade is subject to a large number of detailed regulations which are frequently changed; moreover it is subject to supervision by regulatory bodies, in particular the supervision of the President of the Energy Regulatory Office (URE) and the President of the Office for Competition and Consumer Protection. The main risk is the possibility of unexpected changes of legal regulations and decisions of regulatory bodies, which significantly influence the conditions of business activity.

The main market risk connected with the main business activity related with energy trade is expose is the obligation to submit to the President of the Energy Regulatory Office tariffs for electric energy for households (group G electric energy tariffs for the households and prepayment packages) connected to the transmission grids of ENEA Operator Sp. z o.o. The President of the Energy Regulatory Office approves tariffs for electric energy on the basis of costs which are justified and taking into consideration a high profit margin for trade. Costs recognized by the President of the Energy Regulatory Office not always cover the real costs borne by a company selling electric energy for a specific target customer in a given segment of the market. In such cases the Company has a right to submit a application for the adjustment of the tariff. The adjustment of the tariff is subject to the assessment of the President of URE whether there are objective prerequisites for adjustment of the tariff or not.

Starting with 1 July 2007 each energy consumer has the right to choose the vendor of electric energy. As a result of this regulation the competition in the retail electric energy became bigger. This constitutes for ENEA S.A. a chance to win new clients, but also creates a risk of loosing existing clients.

23.5. Currency risk

The following table presents the Group's exposure to the currency risk.

31.12.2008	Carrying amount	including amount in foreign currency expressed in functional currency (PLN)	Currency risk's influence on profit	
			1%	-1%
Financial assets				
Cash and cash equivalents	2 620 659	17	0	(0)
Trade and other receivables	782 414	-	-	-
Other financial assets	115 545	-	-	-
Financial liabilities				
Borrowings	(205 390)	(94 666)	(947)	947
Trade and other payables	(866 289)	(211)	(2)	2
Finance lease liabilities	(2 392)	-	-	-
Impact on profit before taxation			(949)	949
Income tax 19%			180	(180)
Impact on the net profit			**(768)**	**768**

(all amounts are presented in PLN thousand, unless otherwise stated)

31.12.2007	Carrying amount	including amount in foreign currency expressed in functional currency (PLN)	Currency risk's influence on profit	
			1%	-1%
Financial assets				
Cash and cash equivalents	940 792	-	-	-
Trade and other receivables	715 239	-	-	-
Other financial assets	68 975	-	-	-
Financial liabilities				
Borrowings	(253 620)	(94 486)	(945)	945
Trade and other payables	(787 721)	-	-	-
Finance lease liabilities	(749)	-	-	-
Impact on profit before taxation			(945)	945
Income tax 19%			180	(180)
Impact on the net profit			**(765)**	**765**

23.6. Interest rate risk

Interest rate risk exists in respect of interest on raised loans and interest on bank deposits. The interest rate is variable and is calculated based on the WIBOR rate. Changes in the interest rates of financial assets and liabilities are synchronized both in timing and percentage. The Group controls the interest rate risk by choosing credit periods convenient for the Group, *inter alia* depending on the level of WIBOR, as well as the ability to settle its debts. It is impossible to avoid a part of the risk, which relates to changes in macroeconomic trends.

The following table presents the Group's exposure profile to the risk of interest rate changes by presenting the division of financial assets and liabilities into fixed and variable interest rate positions:

Instruments of fixed interest rate	31.12.2008	31.12.2007
Financial assets	793 184	1 469 327
Financial liabilities	(866 289)	(787 721)
Total	**(73 105)**	**681 606**
Instruments of variable interest rate		
Financial assets	2 710 630	236 027
Financial liabilities	(207 782)	(254 369)
Total	**2 502 848**	**(18 342)**

(all amounts are presented in PLN thousand, unless otherwise stated)

The following table presents the effective interest rate of interest bearing assets and liabilities

	31.12.2008 Weighted average interest rate	31.12.2008 Carrying amount	31.12.2007 Weighted average interest rate	31.12.2007 Carrying amount
Cash and cash equivalents	5,75	2 620 659	5,01	940 792
Finance lease liabilities	5,26	(2 392)	7,50	(749)
Other loans	-	(2 049)	5,63	(276)
Bank loans with variable interest rate	5,45	(203 341)	5,44	(253 344)
Total		**2 412 877**		**686 423**

Effective interest rates in the table above are stated as weighted average of interest rates.

The following table presents sensitivity of the Group's net profit to changes in interest rate:

	Carrying amount 31.12.2008	Interest rate risk's impact on the profit (12 month period) + 1 p.p.	- 1 p.p.	Carrying amount 31.12.2007	Interest rate risk's impact on the profit (12 month period) + 1 p.p.	- 1 p.p.
Financial assets						
Cash and cash equivalents	2 620 659	26 207	(26 207)	940 792	9 408	(9 408)
Trade and other receivables	782 414	-	-	715 239	-	-
Other financial assets	115 545	-	-	68 975	-	-
Impact on the profit before taxation		26 207	(26 207)		9 408	(9 408)
Income tax 19%		(4 979)	4 979		(1 788)	1 788
Impact on the net profit		**21 227**	**(21 227)**		**7 620**	**(7 620)**
Financial liabilities						
Borrowings	(205 390)	(2 054)	2 054	(253 620)	(2 536)	2 536
Trade and other liabilities	(866 289)	-	-	(787 721)	-	-
Finance lease liabilities	(2 392)	(24)	24	(749)	(7)	7
Impact on the profit before taxation		(2 078)	2 078		(2 544)	2 544
Income tax 19%		395	(395)		483	(483)
Impact on the net profit		**(1 683)**	**1 683**		**(2 060)**	**2 060**
Total		**19 544**	**(19 544)**		**5 560**	**(5 560)**

23.7. Equity management

The key assumption of the Group's policy in equity management is to maintain an optimal capital structure to lower its cost, to ensure good credit rating and safe capital ratios, which would support the Group's operating activity and increase its value for shareholders. It is important to maintain a strong capital base being a foundation of building the trust of future investors, creditors and market and ensuring the future development of the Group. In order to maintain or correct its capital structure the Group can issue new shares or sell its assets. ENEA S.A. Group monitors capital using the debt ratio and the return on equity ratio. The aim of the Group is to reach the optimal level of these ratios.

(all amounts are presented in PLN thousand, unless otherwise stated)

23.8. Fair value

The following table presents fair values versus carrying amounts of financial assets and liabilities

	31.12.2008		31.12.2007	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current financial assets available-for-sale (shares and interests in non-related entities)	8 965	*	14 981	*
Non-current financial assets carried at fair value through profit or loss	1 033	1 033	1 379	1 379
Current financial assets available-for-sale	4 806	4 806	3 292	3 292
Current financial assets held-to-maturity	100 741	100 741	49 323	49 323
Trade and other receivables	782 414	782 414	715 239	715 239
Cash and cash equivalents	2 620 659	2 620 659	940 792	940 792
Borrowings	205 390	204 648	253 620	252 353
Finance lease liabilities	2 392	2 392	749	749
Trade payables and other liabilities	866 289	866 289	787 721	787 721

* – the Group owns shares and interest in entities that are not listed on an active market, which are valued based on purchase price netted off allowances.

Financial assets available-for-sale are shares and interests in non-related entities, in which the Group's interest in the share capital is less than 20%. The Group decided that the fair value of such financial instruments is neither calculated nor disclosed, because the equity instruments issued by those entities are not publicly traded, therefore their fair value cannot be reliably measured. Due to a relatively insignificant share of these assets in the total assets, the difference between the carrying amount and the potential fair value does not, in the opinion of the Management Board, distort in any material aspect a true and fair presentation of the financial position of the Group.

Financial assets valued at fair value reflect participation units in the Pioneer investment fund, which are traded in an active market, therefore it is possible to perform a fair value assessment. The fair value of these assets was determined based on the market price of these participation units and the change in the fair value was recognized through profit or loss.

24. Liabilities due to finance lease

	31.12.2008	31.12.2007
Liabilities due to finance lease – minimum lease payments		
Less than 1 year	877	296
Between 1 and 5 years	1 515	453
More than 5 years	-	-
Present value of minimum lease payments	**2 392**	**749**

(all amounts are presented in PLN thousand, unless otherwise stated)

25. Deferred income tax

	31.12.2008	31.12.2007
Deferred tax assets		
– deferred tax asset falling due after more than 12 months	238 991	207 350
– deferred tax asset falling due within 12 months	134 722	92 067
	373 713	**299 417**
Set off of deferred tax assets and liabilities within the Group	(373 713)	(299 417)
Deferred tax asset in the balance sheet	-	-

Deferred tax assets liabilities		
– deferred tax liabilities falling due after more than 12 months	365 855	381 781
– deferred tax liabilities falling due within 12 months	131 338	88 383
	497 193	**470 164**
Set off of deferred tax assets and liabilities within the Group	(373 713)	(299 417)
Deferred tax liability in the balance sheet	**123 480**	**170 747**

Changes in deferred tax (included set off of deferred tax assets and liabilities) are as follows:

	31.12.2008	31.12.2007
Opening balance	170 747	362 826
Income statement charge	(46 525)	(491 800)
Change due to acquisition of subsidiaries	(484)	299 721
Change recognized in equity	(258)	-
Closing balance	**123 480**	**170 747**

On 30 June 2007 ENEA S.A. contributed in kind an organized part of enterprise to ENEA Operator Sp. z o. o. As a result of this transaction the tax value of fixed assets increased by PLN 2 256 037 thousand an therefore the provision for deferred tax in the amount of PLN 428 647 thousand had been reversed.

(all amounts are presented in PLN thousand, unless otherwise stated)

Changes in the deferred tax (after taking into consideration set off of deferred tax assets and liabilities) are as follows:

Deferred tax assets:

	Allowance for trade receivables	Employee benefits	Deferred income from connections fee	Provision for costs of redemption of certificates of origin	Subsidies	Provision for storage and land restoration and CO_2 emission rights	Expenses deductible after settlement period	Other	Total
As at 01.01.2007 at 19% tax rate	**3 825**	**53 295**	**71 332**	**3 633**	**37 038**	**–**	**25 348**	**18 073**	**212 544**
Acquisition of subsidiaries	–	16 263	–	–	–	2 135	–	7 864	26 262
Changed/credited to the income statement	(93)	14 399	8 820	13 520	8 078	18	4 696	13 715	63 153
Change recognized in equity	–	–	–	–	–	–	–	(2 542)	(2 542)
As at 31.12.2007 at 19% tax rate	**3 732**	**83 957**	**80 152**	**17 153**	**45 116**	**2 153**	**30 044**	**37 110**	**299 417**
Acquisition of subsidiaries	–	–	–	–	–	–	–	484	484
Changed/credited to the income statement	(487)	34 770	13 519	13 531	(1 737)	4 511	16 348	(7 546)	72 909
Change recognized in equity	–	–	–	–	–	–	–	903	903
As at 31.12.2008 at 19% tax rate	**3 245**	**118 727**	**93 671**	**30 684**	**43 379**	**6 664**	**46 392**	**30 951**	**373 713**

Deferred tax liabilities:

	Revenue taxable after settlement period	Accrued sales revenue	Revaluation of fixed assets to the fair value	Other	Total
As at 01.01.2007 at 19% tax rate	**31 395**	**26 722**	**512 471**	**4 782**	**575 370**
Acquisition of subsidiaries	–	–	317 125	8 857	325 982
Charged/credited to the income statement	2 951	4 210	(445 452)	7 103	(431 188)
As at 31.12.2007 at 19% tax rate	**34 346**	**30 932**	**384 144**	**20 742**	**470 164**
Charged/credited to the income statement	15 824	11 185	(6 277)	5 652	26 384
Change recognized in equity	–	–	–	645	645
As at 31.12.2008 at 19% tax rate	**50 170**	**42 117**	**377 867**	**27 039**	**497 193**

(all amounts are presented in PLN thousand, unless otherwise stated)

26. Employee benefits

	31.12.2008	31.12.2007
Defined benefits plans		
Retirement benefits		
- non-current	76 341	61 060
- current	11 659	9 927
	88 000	**70 987**
Electricity allowance for pensioners		
- non-current	131 704	82 718
- current	6 269	5 533
	137 973	**88 251**
Jubilee awards		
- non-current	196 169	165 885
- current	19 132	17 312
	215 301	**183 197**
Social fund charge for pensioners		
- non-current	19 696	11 245
- current	953	529
	20 649	**11 774**
Total: Defined benefits plans		
- non-current	**423 910**	**320 908**
- current	**38 013**	**33 301**
	461 923	**354 209**
Payroll liabilities and other		
- non-current	14 886	14 858
- current	91 867	68 722
	106 753	**83 580**
Employee benefits		
- non-current	**438 796**	**335 766**
- current	**129 880**	**102 023**
	568 676	**437 789**

By virtue of the agreement between representatives of employees and representatives of the Group, employees of the Group are entitled to specific benefits plans such as:

- Jubilee awards,
- Retirement benefits,
- Right to buy electricity at reduced prices.
- Social security—allowances for the Company Social Contribution Plan

The present value of the future payments resulting from the above-mentioned defined benefits was determined with the use of the actuarial methods. The basis for calculation are individual data of each person employed by the Group as at 31 December 2008, (taking into account the gender).The data include in particular:

- the age of the employee,
- work experience in the Group,
- total work experience,
- remuneration received, which is the basis of measurement of the jubilee award as well as the retirement severance payment.

Additionally, the following assumptions were adopted for the purposes of the analysis:

- staff rotation is based on the statistical information of the Group's entities for the period 2002-2008,
- mortality rate and the probability of receiving retirement benefits is based on the Polish Tables of Life Expectancy 2007, published by the Central Statistical Office (GUS),
- disability retirements benefits were not calculated separately, instead employees who took advantage of disability retirement were not included in calculation of employees' rotation,
- retirement age: for men—65 years, for women—60 years,
- salary increase rate was defined at the level of 6% (as at 31 December 2007 also 6%),
- percentage rate used to discount future benefits was defined at 5.7% (7% as at 31 December 2007),
- baseline value of an annual equivalent of the right to buy electricity at reduced prices after being retired was determined at the level of PLN 1 147.46 in 2008 (PLN 1 019.96 as at 31 December 2007),
- increase in price of electricity for 2008—14.20%, in 2009—21.00%, in 2010—25.40%, in 2011—4.20%, in 2012—9.00%, for the following years starting with 2013 (as at 31 December 2007 an increase of 11.3% for 2008, 4.4% for 2009 and 2010, and for subsequent years 2.5%),
- increase in the distribution charges for the year 2008 was determined at 1.36%, for 2009 -0.00%, in 2010—5.78% and in 2011—a decrease of 0.36% (as at 31 December 2007—for 2008 an increase of 2.42%, in 2009 an increase of 2.93% and an increase of 2.5% in subsequent periods)
- average increase in the cash settled electricity allowance was determined in the year 2009 at 18.5%, in 2010—23.4%, in 2011—3.8%, in 2012—8.50%, in 2013—3.00% and 3.0% for the following years (as at 31 December 2007—for 2008 an increase of 10.1%, in 2009 an increase of 4.2%, in 2010 an increase of 4.15%, and an increase of 2.5% for subsequent periods).

(all amounts are presented in PLN thousand, unless otherwise stated)

Change in value of defined benefits programmes in the 12 month period ended on 31 December 2008.

2008	Retirement benefits	Electricity allowance for pensioners	Jubilee awards	Social fund charge for pensioners	Total
As at 01.01.2008	**70 987**	**88 251**	**183 197**	**11 774**	**354 209**
Changes during 12 months till 31.12.2008					
Liabilities acquired through business combinations	(2)	-	66	-	64
Costs recognized in the income statement, incl.:	23 112	54 736	50 333	9 168	137 349
- current service costs	3 280	1 603	10 179	202	15 264
- past service costs	18	1 090	32	7 994	9 134
- actuarial losses	16 311	46 121	30 520	626	93 578
- interest expense	3 503	5 922	9 602	346	19 373
Amounts paid	(6 069)	(5 008)	(18 142)	(290)	(29 509)
Other changes	(28)	(6)	(153)	(3)	(190)
Total	**17 013**	**49 722**	**32 104**	**8 875**	**107 714**
As at 31.12.2008	**88 000**	**137 973**	**215 301**	**20 649**	**461 923**

Notes presented on pages F-93 – F-171 are an integral part of the consolidated financial statements.

(all amounts are presented in PLN thousand, unless otherwise stated)

Change in value of defined benefits programmes in the 12 month period ended on 31 December 2007.

2007	Retirement benefits	Electricity allowance for pensioners	Jubilee awards	Social fund charge for pensioners	Total
As at 01.01.2007	**32 820**	**72 392**	**107 201**	**9 000**	**221 413**
Changes during 12 months till 31.12.2007					
Liabilities acquired through business combinations	19 517	10 216	41 001	2 537	73 271
Costs recognized in the income statement, incl.:	20 903	9 720	46 526	237	77 386
- current service costs	6 302	6 916	14 992	237	28 447
- past service costs	304	1 094	620	-	2 018
- actuarial losses	13 350	(1 343)	27 680	-	39 687
- interest expense	947	3 053	3 234	-	7 234
Amounts paid	(1 836)	(3 701)	(9 821)	-	(15 358)
Other changes	(417)	(376)	(1 710)	-	(2 503)
Total	**38 167**	**15 859**	**75 996**	**2 774**	**132 796**
As at 31.12.2007	**70 987**	**88 251**	**183 197**	**11 774**	**354 209**

(all amounts are presented in PLN thousand, unless otherwise stated)

27. Provision for certificates of origin

	31.12.2008	31.12.2007
Certificates of origin	(57 364)	(4 095)
Advance payments on certificates of origin	(2 985)	(19 547)
Provision for costs of redemption of certificates of origin	161 752	90 280
Provision for certificates of origin	**101 403**	**66 638**

28. Provisions for liabilities and other charges

Provision for estimated losses resulting from pending claims

	31.12.2008	31.12.2007
Opening balance	**62 902**	**51 673**
Additional provisions	54 681	21 353
Decrease of provisions	(36 555)	(10 124)
Closing balance	**81 028**	**62 902**

Provisions for liabilities are measured at a justified and reliably assessed value. Specific provisions are established on probable losses related to legal actions against the Group. Those provisions are stated in the amount of the claim value, taking into consideration the legally measured probability of loosing the case. They are accounted for as other operating expenses, which are not tax deductible. Contingent liabilities in this regard are described in notes 45.1, 45.4 and 45.5.

Provisions for liabilities and other charges comprise mainly of provisions for claims for non-contractual use of land. These claims concern mainly claims for compensations for the so called non-contractual use of land, the establishment of rent charge or, in single cases, claims for relocation of energy distribution assets (and restoration of property to its former condition). As at 31 December 2008 the majority of those claims was not submitted to any court. The Group established a provision for claims which already are in court proceeding as well as for claims which have not been yet submitted to court.

As at 31 December 2008 the Management Board of the Parent Company conducted an analysis of claims raised but not yet subjected to court proceedings. As a result of the analysis the decision was taken to reverse partially the provision for claims at the pre-court proceeding stage of PLN 20 350 thousand.

Other provisions

	31.12.2008	31.12.2007
Opening balance	**18 761**	**1 667**
Additional provisions	24 441	7 173
Acquisition of Elektrownia "Kozienice" S.A.	-	11 234
Unused amounts reversed	(6 293)	(1 313)
Closing balance	**36 909**	**18 761**

(all amounts are presented in PLN thousand, unless otherwise stated)

Provision for the storage yard restoration

The Group is obliged to restore the land after the storage yard for slag and ash either reaches its capacity or is closed. Due to the fact, that the Group has large and unused storage yards, the expected land restoration will take place in 2060. Future estimated costs of land restoration have been discounted to their present value using the 5.7% discount rate (as at 31 December 2007—6%).

As at 31 December 2008 the provision amounted to PLN 8,716 thousand (as at 31 December 2007—PLN 8,877 thousand).

Provision for the costs of storage or disposal of the slag-ash mixture

There are two kinds of waste obtained as a result of the burning process of coal: ash and slag-ash mixture. Due to the fact, that the Group incurs costs for the disposal of the mixture, it raises a necessary provision. Future estimated costs of storage or disposal of the slag-ash mixture have been discounted to their present value using the 5.7% discount rate (as at 31 December 2007—6%).

As at 31 December 2008 the provision amounted to PLN 2,721 thousand (as at 31 December 2007—PLN 2,456 thousand).

Provision for purchase of the CO_2 emission rights

In 2008 the Group exceeded the CO_2 emission limit granted for 2008 in accordance with the most current draft of the National Allocation Plan for years 2008-2012 dated 12 February 2008 and approved by the Council of Ministers. As a result the Group has made a provision for deficit of the CO_2 emission rights as at 31 December 2008 based on the market value of the CO_2 emission rights. As at 31 December 2008 the provision determined based on the market value of the CO_2 emission rights amounted to PLN 23,635 thousand (as at 31 December 2007 there was no provision).

Classification of provisions and other charges as current and non-current

	31.12.2008	31.12.2007
Non-current	33 211	11 236
Current	84 726	70 427
Closing balance	**117 937**	**81 663**

29. Net sales renevues

	01.01.2008 -31.12.2008	01.01.2007 - 31.12.2007
Net revenues from sale of electric energy	3 475 324	2 938 409
Net revenues from distribution services	2 279 868	2 202 634
Net revenues from sale of merchandise and raw materials	172 908	249 390
Net revenues from sale of other services	140 611	53 642
Compensation of stranded costs	80 976	-
Net revenues from sale of heat energy	8 075	1 729
Total	**6 157 762**	**5 445 804**

(all amounts are presented in PLN thousand, unless otherwise stated)

30. Cost by type

	01.01.2008 - 31.12.2008	01.01.2007 - 31.12.2007
Depreciation and amortization	(631 364)	(470 557)
Raw materials and consumables used	(1 223 245)	(467 631)
- materials and energy	(999 668)	(231 346)
- bonus from suppliers	(1 425)	820
- cost of merchandise and raw materials sold	(222 152)	(237 105)
External services	(1 019 366)	(994 226)
- transmission services	(670 930)	(806 395)
- other external services	(348 436)	(187 831)
Employee benefits	(940 080)	(619 974)
- payroll	(667 928)	(476 116)
- social security and other benefits	(272 152)	(143 858)
Taxes and charges	(159 507)	(154 539)
Energy purchased for resale	(1 893 710)	(2 644 120)
Total costs of sold products, merchandises, raw materials, selling, marketing and administrative expenses	**(5 867 272)**	**(5 351 047)**

31. Employee benefits expenses

	01.01.2008 - 31.12.2008	01.01.2007 - 31.12.2007
Payroll, including:	(667 928)	(476 116)
- current payroll	(597 243)	(432 782)
- jubilee awards	(43 611)	(28 215)
- retirement benefits	(20 697)	(15 119)
- other	(6 377)	-
Social security and other benefits	(272 152)	(143 858)
- social security	(112 016)	(77 468)
- social fund charge	(43 147)	(16 060)
- other social benefits	(91 115)	(50 991)
- other pensioners' benefits	(7 898)	661
- other	(17 976)	-
Total	**(940 080)**	**(619 974)**

Employment guarantees

Based on the agreement between the Group and trade unions there are specific guaranties granted to employees employed by the Group (excluding Elektrownia "Kozienice" S.A.) before 29 June 2007; the guarantees expire on 31 December 2018.

Moreover, the agreement has been extended for the employees, who at the expiry date of the guarantee have less than four years necessary to fulfil prerequisites to acquire pension rights. It means that in case the employer does not respect the guarantees, it cannot terminate the employment contract without paying an additional severance payment to an employee, who at the guarantee expiry date has less than four years left to the retirement age.

Guarantees of employment imply that if the employer terminates the contract of employment the Group is obliged to pay the employee an amount representing monthly remunerations for the period remaining to the guarantee expiry date.

By virtue of the social agreement dated 10 August 2007 between Elektrownia "Kozienice" S.A. and trade unions, the employees employed in Elektrownia "Kozienice" S.A. on the date when the agreement came into force were granted an extended period of 11 years of employment guarantee, which expires at 30 January 2019.

(all amounts are presented in PLN thousand, unless otherwise stated)

Agreements with the employees of the Group

As a result of collective labour agreements with trade unions concluded by the Group in February 2005 and July 2007 the parties committed to undertake actions aiming at the potential payment of compensations to the Group's employees who, due to various reasons, did not qualify to receive ENEA S.A.'s shares within the 15% package eligible to Entitled Employees. The parties to these agreements decided, that determination of potential compensations would be subject to a separate collective agreement.

In relation to the abovementioned agreements on 28 May 2008 the Management Board of the Parent Company concluded an agreement with trade unions that assumes payment of compensations in the amount of PLN 14.5 million. The benefit was to become due within 24 months from the date of sale by the State Treasury of at least 1 share of ENEA S.A. in accordance with the Act on the Commercialization and Privatization. This agreement replaced earlier settlements related to employees' shares and compensations included in the abovementioned agreements from 2005 and 2007. The agreement did not violate, in any way, the employees' rights earned based on other contracts and agreements. In a case of any discrepancy between the agreement and other contracts and agreements the more favourable to employees were binding.

Due to the fact that there is no formal approval from the Minister of the State Treasury of the abovementioned agreement, the employees questioned the conclusion of the collective dispute in this regard by the submission of a letter on 18 August 2008 addressed to the Chairman of the Management Board of the Parent Company with the demand for further negotiations with the Management Board.

As at 31 December 2008 the liability resulting from the abovementioned compensations presented in these consolidated financial statements amounts to PLN 14,858 thousand (PLN 14,858 thousand as at 31 December 2007). This amount represents the compensation amounting to PLN 14,500 thousand increased by the cost of social security contributions to be incurred by the employer and adjusted for discount factor.

32. Other operating revenues and costs

Other operating revenues

	01.01.2008 - 31.12.2008	01.01.2007 - 31.12.2007
Release of provisions for legal proceedings	36 555	10 124
Insurance received	12 944	14 299
Other operating revenues	12 314	14 220
Release of allowance for accounts receivable	1 880	10 516
Amortization of subsides and connections' fee	12 606	12 983
Housing activity	1 806	928
Received compensations, penalties, fines	1 759	4 181
Bonus from suppliers	580	-
Revealed tangible fixed assets	468	-
Collection of previously written-off receivables	2	1 019
Dividends and share in profits	-	750
Total	**80 914**	**69 020**

(all amounts are presented in PLN thousand, unless otherwise stated)

Other operating costs

	01.01.2008 – 31.12.2008	01.01.2007 – 31.12.2007
Other operating costs	(15 845)	(16 200)
Provision for estimated losses resulting from legal proceedings	(54 681)	(21 353)
Costs of social activities	(1 875)	(1 317)
Costs of court proceedings	(2 058)	(4 245)
Costs of restoration of damaged property and equipment	(12 259)	(5 562)
Costs of trade unions	(856)	(898)
Impairment loss on tangible fixed assets	(7 784)	–
Written-off bad debts	(2 039)	(6 131)
Impairment loss of shares	(289)	(1 006)
Other expenses by kind	(10 197)	(14 176)
Donations	(2 133)	(374)
Contributions for trade unions and other institutions	(594)	(829)
Loss on sales and liquidation of tangible fixed assets	(95)	(1 189)
Total	**(110 705)**	**(73 280)**

33. Financial income

	01.01.2008 – 31.12.2008	01.01.2007 – 31.12.2007
Interests from deposits	68 990	27 921
Penalty interests for overdue receivables	12 808	15 285
Release of allowance for interests accrued	558	1 019
Dividend income	479	–
Other interests	7 986	757
Other financial income	2 050	–
Total	**92 871**	**44 982**

34. Financial costs

	01.01.2008 – 31.12.2008	01.01.2007 – 31.12.2007
Interest expense	(17 106)	(10 654)
– bank borrowings	(13 727)	(8 961)
– interest on overdue liabilities	(1 846)	(483)
– interest on lease	(100)	(355)
– raising of allowance for accrued interest	(1 433)	(855)
Employee benefits discounting effect	(19 225)	(7 007)
Foreign currency exchange differences	(13 974)	–
Other	(873)	(1 733)
Total	**(51 178)**	**(19 394)**

(all amounts are presented in PLN thousand, unless otherwise stated)

35. Income tax

	01.01.2008 - 31.12.2008	01.01.2007 - 31.12.2007
Current tax	(124 624)	(80 821)
Deferred tax (note 25)	46 525	491 800
Adjustment of tax charge for 2003 and 2004	-	1 614
Total	**(78 099)**	**412 593**

The income tax on the Group's gross profit before tax differs from the theoretical amount which was calculated using the nominal tax rate on profit of consolidated entities in the following way:

	01.01.2008 - 31.12.2008	01.01.2007 - 31.12.2007
Profit/(Loss) before tax	293 466	109 083
Tax calculated at 19% rate	**(55 759)**	**(20 726)**
Expenses not deductible for tax purposes decreased by non-taxable income (permanent differences * 19%)	(22 179)	(6 473)
Non-taxable income (permanent differences * 19%)	41	-
Other *19%	(202)	1 614
Release of deferred tax provision resulting from increase of fixed asset's tax value	-	428 647
Increase of deferred tax assets resulting from change of the tax value of connections' fee	-	9 531
Tax charge	**(78 099)**	**412 593**

36. Dividend

On 9 June 2008 the Ordinary Shareholders Meeting of ENEA S.A. adopted resolution no 2 on the distribution of the net profit for the reporting period from 1 January 2007 to 31 December 2007, according to which dividends to the State Treasury amounted to PLN 88,630 thousand (dividend per share amounted to PLN 0.25). Until 31 December 2008 the dividend was fully paid.

On 28 June 2007 the Ordinary Shareholders Meeting adopted Resolution no 2 on the distribution of the net profit for the reporting period from 1 January 2006 to 31 December 2006, according to which dividends to the State Treasury amounted to PLN 38,550 thousand (dividend per share amounted to PLN 0.17). Until 31 December 2007 the dividend was fully paid.

The Parent Company, on the basis of the Act on Obligatory Payments From the Profit of Companies Fully Owned by the State Treasury dated 1 December 1995, made quarterly profit payments (profit in this case is defined as profit before tax, less current tax) amounting to 15%, which are presented as a dividend payment. The Company is subjected to the above described scheme until the end of the month, during which the share capital increase, being a result of the 2008 public issue of shares, is registered in the National Court Register i.e. January 2009.

The accrued profit share payments for the period from 1 January to 31 December 2008 amounted to PLN 29,151 thousand. In these consolidated financial statements the Group recognized also an adjustment to obligatory payments accrued for 2007 in the amount of PLN 2,229 thousand. In the period from 1 January to 31 December 2007 the accrued profit payments amounted to PLN 6,885 thousand. The amount of the accrued and unpaid profit payment amounted to PLN 8,464 thousand as at 31 December 2008 and is presented in the consolidated financial statements as trade and other liabilities.

Elektrownia "Kozienice" S.A. was also a subject to obligatory profit share payments until the last day of the month in which the shares of Elektrownia "Kozienice" S.A. were transferred by the State

(all amounts are presented in PLN thousand, unless otherwise stated)

Treasury to ENEA S.A. as a contribution in-kind. In the consolidated financial statements for the year ended 31 December 2007 there was presented a liability due to profit share payments accrued for the period ending 30 November 2007. On this date the transaction was registered in the National Court Register (21 November 2007) . The amount of the obligatory profit share liability recognized as at 31 December 2007 was estimated by the Group due to the fact that till the date of the approval of the consolidated financial statements for the year 2007 Elektrownia "Kozienice" S.A. has not prepared the statutory financial statements for the year 2007 in accordance with the Accounting Act dated 29 September 1994, which forms the basis of obligatory payments' calculation. In these consolidated financial statements the final amount of the obligatory profit share payments for the period till the end of October 2007 was calculated on the basis of the amended declaration submitted in August 2008. The difference in the amount of PLN 5,033 thousand was recognized as an adjustment to the share premium.

37. Profit per share

	01.01.2008 - 31.12.2008	01.01.2007 - 31.12.2007
Net profit attributable to shareholders of the Parent Company	215 361	521 514
Number of ordinary shares	359 016 443	250 042 308
Net profit per share (in PLN per share)	**0.60**	**2.09**
Diluted profit per share (in PLN per share)	**0.60**	**2.09**

38. Transactions with related parties

Transactions between the Group's companies and related parties:

- Group's companies—these transactions are eliminated during consolidation,
- Transactions between the Group and Members of the Executive Bodies of the Group which should be divided into three categories:
  - resulting from employment contracts with members of the Management Board of the Parent Company as well as concerning the appointment of the Supervisory Board Members,
  - concerning loans granted from the Company's Social Fund for the Parent Company's Management Board members as well as Supervisory Board members, who are the ENEA S.A. employees,
  - resulting from other civil contracts.
- Transactions with entities related to the State Treasury of the Republic of Poland,

(all amounts are presented in PLN thousand, unless otherwise stated)

Transactions with Members of Executive Bodies:

Title	Management Board of the Parent Company 01.01.2008 - 31.12.2008	Management Board of the Parent Company 01.01.2007 - 31.12.2007	Supervisory Board of the Parent Company 01.01.2008 - 31.12.2008	Supervisory Board of the Parent Company 01.01.2007 - 31.12.2007
Salaries based on employment contract	936	1 020	-	-
Remuneration related to the appointment to management or supervisory bodies	-	-	336	313
Remuneration related to positions in the supervisory boards of subsidiaries	140	114	-	-
Other employee benefits (electricity allowance)	164	52	-	-
Total	**1 240**	**1 186**	**336**	**313**

The Management and the Supervisory Boards' Members in relation to their salaries are subject to the Act on salaries of persons managing certain legal entities dated 3 March 2000 (companies with the State majority shareholding). According to the Act, the maximum monthly salary can not exceed the value of 6 average monthly salaries in the enterprises' sector excluding payments from profit-related bonuses, the fourth quarter of the preceding year published by the Central Statistical Office. The amount of annual bonus can not exceed the value of the three average monthly salaries due in the year preceding awarding bonus.

Transactions related to loans granted from the Company's Social Fund are presented in the table below:

Executive Bodies	Balance as at 01.01.2008	Granted from 01.01.2008	Repayments by 31.12.2008	Balance as at 31.12.2008
Management Board	27	-	(9)	**18**
Supervisory Board	6	-	(6)	**-**
Total	**33**	**-**	**(15)**	**18**

Executive Bodies	Balance as at 01.01.2007	Granted from 01.01.2007	Repayments by 31.12.2007	Balance as at 31.12.2007
Management Board	32	-	(5)	**27**
Supervisory Board	9	-	(3)	**6**
Total	**41**	**-**	**(8)**	**33**

Other transactions resulting from service contracts between the Parent Company and Members of the Executive Bodies of the Parent Company concern the private use of vehicles by Members of the Management Board.

Additionally, the Group enters into transactions with state administration, local authorities and companies related to the State Treasury of the Republic of Poland.

The subject of these transactions is mainly:

- the purchase of coal, electric energy, rights from certificates of origin of energy generated from renewable resources or in cogeneration with heat and transmission and distribution services, which Group conduct with companies related to the State Treasury, and

- the sale of electric energy, distribution services, connection to the grid and other related services which Group made to state administration and local authorities (sale to an end user) as well as to companies related to the State Treasury (both wholesale and retail sales).

These transactions are made on an arm's length basis and the applied prices are consistent with those offered to third parties. The Group does not maintain accounting records which would enable to aggregate all transactions realized with all related to the State Treasury entities.

39. License agreements concerning the rendering of public services

The Group's main economic activity is the generation, distribution and trading in electric energy.

In accordance with the provisions of the Act "Law on Energy", the Parent Company was granted on 26 November 1998 two licenses in the following scopes of business:

- licence to trade in electricity granted for a period of 10 years, i.e. until 30 November 2008;
- licence to transmit and distribute electricity, also granted for 10 years—until 30 November 2008.

ENEA Operator Sp. z o.o. was granted with license to distribute electricity till 1 July 2017.

On 23 April 2007 ENEA S.A. applied to the President of the Energy Regulatory Office for the renewal of the license to trade electricity. On 5 October 2007 ENEA S.A. received the decision issued by the President of the Energy Regulatory Office on the renewal of the license to trade electricity till 31 December 2025.

According to the Law on Energy, the President of the Energy Regulatory Office is responsible for granting licenses, regulation of business activities of companies acting in the energy sector and approving the tariff. Based on an administrative decision he approved prices of energy, the level of rates as well as principles of applying them.

The President of the Energy Regulatory Office, while approving the tariffs, examines whether they are in accordance with the following acts:

- Law on Energy dated 10 April 1997 (Official Journal from 2003 No. 153, item 1504 and No. 203, item 1966, Official Journal from 2004. No 29, item 257, No. 34, item 293, No. 91, item 875, No. 96, item 959 and No. 173, item 1808 and Official Journal from 2005 No. 62, item 552);
- Regulation issued by the Minister of Economy, Labour and Social Policy dated 23 April 2004 on details of the formation and calculation of the tariff and on principles of settlements of accounts of electric power (Official Journal from 2004, No. 105, item 1114);
- Regulation issued by the Minister of Economy and Labour dated 20 December 2004 on detailed conditions for connections to the power grid, movement and exploitation of power grids (Official Journal from 2004 r. No. 2, item 6).

In 2007 tariffs were divided into:

- the tariff for services of electric energy distribution provided by ENEA Operator Sp. z o.o.,
- the tariff for electric energy for ENEA S.A.'s tariff groups in the following packages: corporate, standard, economical, universal, based on advance payments (applies to consumers of the A, B, C tariff groups),
- the tariff for electric energy for ENEA S.A.'s tariff groups in the following packages: domestic, based on advance payments (applies to consumers of the G tariff groups).

ENEA S.A. and ENEA Operator Sp. z o.o. calculates the tariffs on the basis of costs accepted by the President of the Energy Regulatory Office as justified, taking into account operating costs and contribution margin (trading) as well as transferred costs, operating costs, costs of balance differences and return on equity (distribution) planned for the next tariff period.

Pursuant to the decision of the President of the Energy Regulatory Office, ENEA S.A. has been exempted from the obligation of submitting the Tariff for consumers from A, B, C tariff groups. On 13 December 2007 the Management Board of ENEA S.A. adopted a resolution on the implementation of the Tariff for consumers from A, B, C tariff groups beginning with 1 January 2008.

On 17 January 2008, the President of the Energy Regulatory Office approved the Tariff for the G tariff groups in the following packages: for the households, based on advance payments, which became binding on 1 February 2008. The tariff approved for the year 2007 remained in force until 31 January 2008.

The main business activity of Elektrownia "Kozienice" S.A is the generation of electric energy and heat, which are carried based on the licenses granted by the President of the Energy Regulatory Office.

Licenses to generate electric energy:

- No. WEE/1271/U/OT-4/98/JG dated 12 October 1998, with further amendments, on generation of heat in the heat generating units.

  (The license is effective from 12 October 1998 for the period till 30 October 2008).

- No. WEE/11-ZTO/1271/W/OWA/2007/RW dated 31 August 2007 on generation of the electric energy in the units of the total installed capacity of 2820 MW.

  (The license is effective from 31 August 2007, for the period till 31 December 2025).

- No. WEE/11-ZTO-B/1271/W/3/2008/ARS dated 24 January 2008 on generation of electric energy in the source called Elektrownia "Kozienice" S.A. of the total installed capacity of 2,820 MW and the total reached capacity of 2,880 MW. The license extends the economic activity of Elektrownia "Kozienice" S.A. The change concerns the ability to generate the energy in cogeneration on units with total installed capacity of 535 MW and 560 MW in connection with combustion of conventional fuel (hard coal and stove coal) as well as the ability to generate the electric energy in cogeneration on 8 units with total attainable capacity 1-215 MW, 1-220 MW, 6-225 MW in connection with common combustion of conventional fuel (hard coal and stove coal) and biomass.

  (The license was granted for the period from 24 January 2008 to 31 December 2025).

License to trade in electric energy:

- No. OEE/334/1271/W/1/2002/MW dated 21 December 2002 on trading in electric energy for the use of consumers within the territory of the Republic of Poland.

  (The license is effective from 1 January 2003, for the period till 1 January 2013).

License to generate heat:

- No. WCC/256/1271/U/OT-4/98/JG dated 12 October 1998 on heat co-generated with the electric energy, produced from hard coal burning.

  (The license is effective from 12 October 1998, for the period till 30 October 2008).

- No. WCC/256-ZTO/1271/W/OWA/2007/RW dated 31 August 2007 on heat co-generated in the power plant located at Swierże Górne, of a total thermal capacity of 266 MW (since 31 August 2007).

  (The license is effective from 31 August 2007, for the period till 31 December 2025).

- No. WCC/256-ZTO-B/1271/W/2009/ARS dated 24 January 2008 on generation of heat in the source called Elektrownia "Kozienice" S.A. of the total attainable capacity of 266 MWt. Heat comes from the combustion of conventional fuel (hard coal and furnace oil) in two steam boilers supplying with steam two complexes of turbo-generators generating heat in cogeneration as well as from common combustion of fuel and biomass in eight steam boilers supplying with steam eight complexes of turbo-generators generating heat in cogeneration.

  The license results from extending economic activity of Elektrownia "Kozienice" S.A. by generation of heat in connection with combustion of biomass.

  (The license is effective from 24 January 2008, for the period till 31 December 2025).

License to transmit heat:

- No. PCC/269/1271/U/OT-4/98 dated 12 October 1998 on the transmission and distribution of heat co-generated with electric energy of a total thermal power of 105 MWt, with the use of two networks: water and steam networks.

  (The license is effective from 12 October 1998, for the period till 30 October 2008).

- No. PCC/269-ZTO/1271/W/OWA/2007/RW dated 31 August 2007 on the transmission and distribution of heat generated in own sources, with the use of two heat distribution networks located in Świerże Górne.

  (The license is effective from 31 August 2007, for the period till 31 December 2025).

40. Long-term contracts on the sale of electric energy (KDT)

With regard to the fact, that the European Commission has recognized long-term contracts for sales of electricity with state owned PSE S.A. as illegal public subsidy, the Polish Parliament passed a law to eliminate such contracts. In accordance with the provisions of *the Law on the Rules for Covering the Costs Incurred by the Producers in Relation to an Early Termination of Long-term Contracts* dated 29 June 2007 ("The Law on termination of the long-term contracts"), the Group (Elektrownia "Kozienice" S.A.), effective from 1 April 2008, is entitled to receive a compensation of stranded costs resulting from an early termination of long-term contracts. According to this law, the Group will be entitled to receive compensations till 2014.

According to Appendix 4 to the Law on termination of long-term contracts the Group will receive advance payments of compensation of stranded costs for the period from 1 April to 31 December 2008 in the total amount of PLN 93,132 thousand. Till 31 December 2008 the Group has received compensation advance payments in the amount of PLN 62,088 thousand. Advance payment for the last quarter of 2008 in the amount of PLN 31,044 thousand was received in January 2009. The amount of the compensation will be subject to adjustments determined by the President of the Energy Regulatory Office in accordance with regulations included in the chapter 5 of the Law on the termination of long-term contracts.

The amount of the annual adjustment of stranded costs for 2008 and the final adjustment made at the end of the adjusting period i.e. period during which long-term contracts would remain in force if not terminated, depends on many factors, in particular on the operating results of the energy producer (Elektrownia "Kozienice" S.A.) in 2008 and in the following years, the energy sales volume and average market prices of electric energy.

At the same time some of the regulations of the Law on termination of the long-term contracts, including those which relate to the methods of calculation and adjustment of stranded costs, are unambiguous and require further interpretation and which are currently subject to analysis conducted by the energy producers in cooperation with the Energy Regulatory Office. Due to the fact that there has been no practice so far in this area, there is an uncertainty concerning the final amount of the compensation due for the period presented in these consolidated financial statements.

(all amounts are presented in PLN thousand, unless otherwise stated)

As at 31 December 2008 the Group recognized compensation for stranded costs in the amount of the advance payment due for the period ended 31 December 2008, as provided in the Appendix 4 to the Law on the termination of long-term contracts, adjusted by the estimated amount of the annual adjustment corresponding to the period covered by these consolidated financial statements. The final amount of the compensation due for the period ended 31 December 2008 may differ significantly from the amount estimated by the Group due to possible changes in factors and conditions described above as well as due to possible changes of interpretation of the respective regulations based on which the annual adjustment and the final adjustment of stranded cost will be made by the President of the Energy Regulatory Office.

The income recognized due to the estimated compensation of stranded costs for the twelve month period ended 31 December 2008 amounts to PLN 80,976 thousand (2007: nil).

41. Future payments from the usage of purchased or received free of charge perpetual usufruct right of land and rental and operating lease contracts

Future minimal liabilities from usage of perpetual usufruct right of land refer to a remaining period till the agreement's termination and equals from 62 to 99 years (according to the payments' level as at 31 December 2007). These are presented according to IFRS EU as operating lease, where ENEA S.A Group is a lessor:

	31.12.2008	31.12.2007
Less than one year	2 949	4 021
Between one and five years	12 772	13 013
More than five years	221 345	187 207
	237 066	**204 241**

42. Commitments due to binding contracts as at the balance sheet date

Commitments due to binding contracts as at the balance sheet date but not presented in the balance sheet are presented below:

	31.12.2008	31.12.2007
Property, plant and equipment	370 857	91 351
Intangible assets	8 055	71
	378 912	**91 422**

43. Employment

	12 months ended 31.12.2008	12 months ended 31.12.2007
Blue collar workers	5 552	4 219
White collar workers	4 582	4 024
Total	**10 133**	**8 243**

Information presented in the above table refers to full time employment. Managerial positions were classified together with white collar workers.

44. Information concerning the seasonal and cyclical nature of the Group's activities

The sale of energy during the year is subject to seasonal fluctuations. The sale of energy increases during winter months and decreases during summer months. It is connected with the temperatures and the length of the daytime. The magnitude of these fluctuations is determined by lower temperatures and shorter daytime in the winter and higher temperatures and longer daytime during summer. The seasonal character of electric energy sales is to a larger extent related to individual recipients (they represent 40.52 % of total sales), rather than to industrial recipients.

45. Contingent liabilities, court, arbitration and administrative proceedings

45.1. Pending common court cases

Proceedings initiated by the Group

Proceedings initiated by the Group in common courts relate to the collection of receivables for the delivery of electric energy (the so-called energy cases) and to the collection of other receivables— illegal consumption of energy, illegal connections to the power grids and other specialist services provided by the Group (non-energy cases).

The proceedings initiated in common courts by Elektrownia "Kozienice" S.A. mainly concern the collection of receivables for the failure to fulfil forwarding contracts.

As at 31 December 2008 there were altogether 8,277 cases pending before common courts against the Company in a total amount of PLN 28,088 thousand (as at 31 December 2007 there were 6,775 in the total amount of PLN 40,582 thousand).

None of the results of these proceedings is significant to the financial result of the Group.

Proceedings against the Group

Proceedings against the Group are actions brought by individuals and legal entities. Among others they concern the following issues: compensation for energy supply shortages, determination whether the illegal energy consumption occurred and compensation claimed from the Group for the use of property, on which electricity equipment is located. The Group considers the actions against the Group concerning the non contractual use of third party's property to be of particularly significant (Note 45.4).

Proceedings against Elektrownia "Kozienice" S.A. concern among other the following issues: reinstatement to work, compensation of the cash equivalent for the employee's right to a free of charge acquisition of shares resulting from the commercialization of Elektrownia "Kozienice" S.A.

As at 31 December 2008 there were in total 251 cases pending before common courts against the Group of a total value of PLN 18,043 thousand (as at 31 December 2007 there were respectively 185 cases in the total amount of PLN 19,579 thousand). Provisions regarding these cases are presented in the Note 28.

45.2. Arbitration proceedings

As at 31 December 2008 there were no pending arbitration proceedings.

45.3. Proceedings pending before public administration authorities

By the decision of the President of the Office of Competition and Consumer Protection dated 12 September 2008 which terminates legal proceeding concerning customers illegally charged with a double service fee for January 2008, ENEA S.A. was obliged to pay a penalty in the amount of PLN 160 thousand. On 30 September 2008 ENEA S.A. appealed against this decision. As at the date of the preparation of these consolidated financial statements the appeal was still pending.

By the decision of the President of the Office of Competition and Consumer Protection dated 30 September 2008 which terminates legal proceeding concerning the abuse of a dominant position by violations of deadlines of delivering conditions of the connection to the power grid and determining the impact of projected wind-farm on the electro-energetic system, ENEA Operator Sp. z o.o. was obliged to pay a penalty in the amount of PLN 11,626 thousand. ENEA Operator Sp. z o.o.

appealed against this decision. As at the date of the preparation of these consolidated financial statements the appeal was still pending. As at 31 December 2008 the Group created a provision for the above-mentioned penalty payment in full amount.

As a result of a administrative proceeding the President of the Energy Regulatory Office under the decision No DPE-451-206(4)/2688/2008MOS dated 27 November 2008 imposed on ENEA S.A. a fine in the amount of PLN 7,594,613.28, which constitutes 0.2771 % of revenue from licensed activity in 2006, in connection with the failure to perform in 2006 the duty, under article 9a section 8 of the Energy Law, to purchase the electric energy cogenerated with heat in energy sources connected to the grid and located in the territory of the Republic of Poland. On 17 December 2008 ENEA S.A. filed an appeal via Energy Regulatory Office to the District Court in Warsaw—Court for Consumer and Competition Protection, on the ground that ENEA S.A. had exercised due diligence in performing the required by Law duty, specified in article 9a section 8 of the Energy Law. These consolidated financial statements include a full amount of provision for the afore-mentioned fine.

Due to the nature of the Group's activities as at 31 December 2008 there was a number of other pending proceedings before public administration authorities.

The majority of these proceedings are initiated upon the request of the Group, which apply to competent public administration authorities for:

- an administrative enforcement to be instituted in order to collect receivables for an illegal consumption of electricity,
- a permit to construct new buildings and to modernize existing ones,
- a permit to situate electric equipment on a traffic lane,
- rates to be determined for annual fees for perpetual usufruct right,
- land for electric equipment to be separated.

Some of these proceedings are also complaint proceedings brought into government administration and local administration bodies or administrative courts in connection with decisions made in the above mentioned cases.

None of the results of these cases should have significant impact on the net profit of the Group.

In connection with the control carried out by the Supreme Chamber of Control in the context of the *Restructuring of the energy sector starting from 2005 and safety of the power network* on 16 March 2009 the Company received a report on the control. On 23 March 2009 the Management Board of the Company presented formal reservations to this report indicating non-compliance with the regulations of the Law on Supreme Chamber of Control dated 23 December 1994 as well as other reservations to conclusions included in the report. These reservations are currently under investigation of the Appeal Committee of the Supreme Chamber of Control.

The nature of activities of ENEA Operator Sp. z o.o. (it operates in a regulated market under monopoly conditions) is a ground for many actions brought against the company by the President of the Energy Regulatory Office and the President of the Office of Competition and Consumer Protection, which are initiated upon requests of end consumers, who are serviced by the company.

The President of the Energy Regulatory Office as the principal government administration authority is entitled to regulate the business activity of energy companies, this is the reason why the President handles disputes concerning the refusal to sign agreements on the connection to the power grid, the sale and delivery of electricity, and the determination of the content of the mentioned above agreements.

As at 31 December 2008 the President of the Energy Regulatory Office conducted a number of explanatory and administrative proceedings against the Group.

None of the results of these proceedings should have significant impact on the net profit of the Group.

45.4. Risk related to the legal status of property used by the Group

The risk related to the legal status of property used by the Group results from the fact, that the Group does not possess all legal titles to use the land, on which the Company's electric power grids and related equipment are located. The Group may be in the future obliged to incur costs for non-contractual use of these properties. There is also a risk of actions to be brought against the Group in order to prevent further use of these properties.

The lack of specific regulations of the legal status of property, on which the electric power grids and related equipment is situated, exposes the Group to the risk of compensations for the non-contractual use of land, tenancy cost or exceptionally, in individual cases the risk of relocation of the electricity related assets (and restoration of property to the original condition).

Claims asserted against the Group are the claims for payment (compensations for the non-contractual use of property, for the decrease in the property's value, for lost profits) and claims to desist from the trespassing of possession (demand to remove the equipment).

The results of these cases are important as they significantly influence the Group's actions in respect of persons asserting pre-court claims related to equipment located at their property in the past, as well as the Group's actions in respect of the regulation of a legal status of equipment in the case of new investments.

The Group has created a provision for all claims asserted by the owners of the affected properties based on the best possible, in the opinion of the Management Board, estimate of expenditures necessary to settle those claims. As at 31 December 2008 the Management Board of ENEA S.A. conducted an analysis of all submitted claims, which have not been submitted to court. Based on the results of the analysis the estimate was revalued and it was decided to reverse partially the provision for claims submitted by owners of property used without a contractual agreement (Note 28).

The Group does not create a provision for potential un-asserted claims in relation to land with an unregulated legal status. Potential amounts claimed may be significant for the Group given the total area of land subject to an unregulated legal status (with power grids and related equipment located on these properties). The Group does not have sufficient records and the knowledge of a legal status of used land and therefore is not able to assess reliably the maximum amount of potential claims from the non-contractual use of land.

45.5. Risk related to the participation in costs of usage of land owned by State Forests for the purpose of power grids

Due to the lack of particular legal regulations, provisions for claims resulting from the use of the forest land, which is owned by the State Forest, for the purpose of power grids, which are property of the Group were not recognized in the accounting books as at 31 December 2008. The meeting initiated by the Minister of Environment with the participation of representatives of the State Forests, the Minister of the State Treasury, PSE-Operator and the Polish Society of Transmission and Distribution of Electricity representing the interests of distribution (transmission) companies took place on 29 November 2006. The proposal of the State Forests to reach tenancy contracts in relation to land, on which the power grids are located, was not adopted. It has been acknowledged that it is necessary to develop a comprehensive solution based on appropriate legislative changes. The assessment of provisions for the participation in costs of the property tax for the land owned by the State Treasury incurred by State Forests as at this day is impossible. Taking into consideration the area of the land, potential liabilities in this regard might be significant.

Apart from the actions mentioned above, which were taken in order to develop a comprehensive solution concerning a legal status of State Forest property, some of the local forestries asserted claims against the Group for compensations regarding the non-contractual use of lands by the Group. These claims are included in the provision described in the Note 28.

46. Carbon dioxide emission rights

As at 31.12.2008 carbon dioxide emission rights amounted to:

	Amount in thousands of tons
Carbon dioxide emission rights for the year 2008	
Granted	9 637
Used	(10 005)
Purchased	-
Sold	-
As at 31.12.2008	**(368)**

As at 31.12.2007 carbon dioxide emission rights amounted to:

	Amount in thousands of tons
Carbon dioxide emission rights for the year 2007	
Transferred from the previous year	247
Granted	10 539
Used	(10 547)
Purchased	175
Sold	(400)
As at 31.12.2007	**14**

Information on the amount of provision for the purchase of CO_2 emission rights was presented in the Note 28.

The potential growth, in 2008 and following years, of restrictions concerning the reduction of the carbon dioxide emission may seriously influence the profitability of the Group activities.

47. Launch of negotiations regarding the acquisition of Zespół Elektrowni Pątnów-Adamów-Konin S.A.

In 2008 the Parent Company commenced negotiations with a bankruptcy trustee of Elektrim S.A. regarding the acquisition of 45.95% shares of Zespół Elektrowni Pątnów-Adamów-Konin S.A. (ZE PAK). Submitting a binding offer by ENEA S.A. is however subject to a list of conditions including conducting a legal, financial, tax, technical, environmental and operational due diligence of ZE PAK and its capital group, reconciling all the sales agreement conditions and a satisfactory solution of the issues regarding claims raised by creditors of Elektrim S.A. in relation to shares of ZE PAK. Until the date of approval of these consolidated financial statements no binding decisions have been taken.

48. Changes in excise duty

On 1 March 2009 the Amendment to the Act on Excise Duties dated 23 January 2004 has entered into force. New regulations in terms of excise duty were necessary in order to bring Polish regulations in line with EU regulations. According to these changes tax obligation in the field of excise duty arises at the moment of the supply of energy to an end-users (previously at the moment of production of electric energy). Therefore, with the effect from 1 March 2009, ENEA S.A. is the entity responsible for the excise duty payment (previously Elektrownia Kozienice S.A.)

Simultaneously, on the 12 February 2009, the European Court of Justice has passed a judgment stating that the previously binding Polish provisions defining the tax obligation moment in the excise duty on electric energy were in breach with the EU Energy Directive.

In connection with the above facts in February 2009 Elektrownia ''Kozienice'' S.A. filed an application to the Head of the Customs Office in Radom for the excise duty overpayment return in the amount of PLN 694,574 thousand for the period from January 2006 to December 2008. Because of the uncertainty about the outcome of the case, the excise duty return subject to that application has not been included in these consolidated financial statements.

49. Subsequent events

49.1. Registration of the share capital increase

On 3 November 2008 the Extraordinary Shareholders Meeting adopted a resolution on the increase in share capital of the Company in connection with the planned initial public offer of 103,816,150 new ordinary shares of the C series of a nominal value PLN 1 each. The share capital was increased from the amount of PLN 337,626,428 to the amount of PLN 441,442,578. This increase in share capital was registered in the National Court Register on 13 January 2009. On 30 January 2009 new shares were registered in the National Deposit of Securities.

49.2. Action taken in order to acquire a mining company

The Group intends to acquire an organized part of the enterprise of Kopalnia Węgla Kamiennego ''Brzeszcze—Silesia'' Ruch II Silesia and submitted a non-binding offer to the present owner. As at the date of the preparation of the consolidated financial statements no binding decisions have been taken.

I hereby certify that the above translation is consistent with the document presented to me in Polish.

Krystyna Gancarz, sworn translator of the English and German languages,
entry no. TP/609/05 in the register kept by the Minister of Justice.

Poznan, 25 January 2010

Rep. no. *63/2010*

OPINION OF THE INDEPENDENT AUDITOR

To the Management Board of ENEA S.A.

Introduction

We have audited the accompanying consolidated financial statements of the ENEA S.A Group seated in Poznań ("Group"), which comprise the consolidated balance sheets as at 31 December 2007, 2006 and 2005 and the consolidated income statements, consolidated statements of changes in equity and consolidated cash flow statements for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management of the parent entity is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by European Union and with other applicable regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility, based on our audit, is to express an opinion on these consolidated financial statements. We conducted our audit in accordance with the professional standards established by the Polish National Council of Certified Auditors and International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the accompanying consolidated financial statements of the ENEA S.A. Group have been prepared and present fairly in all material respects the financial position of the Group as at 31 December 2007, 31 December 2006 and 31 December 2005 and the results of its operations and its cash flows for the years then ended, in accordance with International Financial Reporting Standards as adopted by the European Union.

....	....
Certified Auditor No. 10176/7521 Michał Karwatka	For KPMG Audyt Sp. z o.o. ul. Chłodna 51, 00-867 Warsaw Certified Auditor No. 90061/7541 Marek Gajdziński, Member of the Management Board

Poznań, 3 June 2008

ENEA S.A. Group

Consolidated Balance Sheet

(all amounts are stated in PLN thousand, unless otherwise stated)

	Note	As at 31 December 2007	As at 31 December 2006	As at 31 December 2005
ASSETS				
Non-current assets				
Tangible fixed assets	*6*	7,871,161	5,316,272	5,374,535
Perpetual usufruct right		13,366	10,290	9,545
Intangible assets	*7*	40,518	25,736	32,930
Investment properties	*8*	4,332	—	—
Investments in associates accounted for using the equity method	*9*	5,207	5,060	5,189
Available-for-sale financial assets	*10*	14,981	9,405	13,047
Financial assets at fair value through profit or loss	*10*	1,379	1,617	1,606
Trade and other receivables	*11*	129	104	113
		7,951,073	**5,368,484**	**5,436,965**
Current assets				
Inventories	*13*	149,065	44,255	40,740
Trade and other receivables	*11*	715,110	624,984	598,731
Certificates of origin	*24*	—	—	5,124
Current income tax assets		7,531	2,845	663
Available-for-sale financial assets	*10*	3,292	3,568	—
Held-to-maturity investments	*10*	49,323	—	—
Cash and cash equivalents	*14*	940,792	351,719	63,783
		1,865,113	**1,027,371**	**709,041**
Total assets		**9,816,186**	**6,395,855**	**6,146,006**

Consolidated balance sheet should be read together with explanatory notes that are an integral part of the consolidated financial statements.

ENEA S.A. Group
Consolidated Balance Sheet
(all amounts are stated in PLN thousand, unless otherwise stated)

	Note	As at 31 December 2007	31 December 2006	31 December 2005
EQUITY				
Equity attributable to equity holders of the Parent Company				
Ordinary shares	*15*	494,796	368,170	368,170
Share premium	*15*	1,801,078	—	—
Share based payments reserve	*19*	901,110	901,110	901,110
Retained earnings	*15*	3,566,227	3,088,596	2,926,242
		6,763,211	**4,357,876**	**4,195,522**
Minority interest in equity	*15*	3,164	6,002	5,032
Total equity		**6,766,375**	**4,363,878**	**4,200,554**
LIABILITIES				
Non-current liabilities				
Borrowings	*17*	184,376	30,987	23,194
Trade and other payables	*16*	19	100	100
Finance lease liabilities	*21*	453	148	6
Deferred income from subsidies and connections' fee	*18*	684,593	621,142	581,503
Deferred tax liabilities	*22*	170,747	362,826	398,081
Employee benefits	*23*	335,766	201,169	184,896
Provisions for other liabilities and charges	*25*	11,236	860	2,483
		1,387,190	**1,217,232**	**1,190,263**
Current liabilities				
Borrowings	*17*	69,244	26,559	107,913
Trade and other payables	*16*	787,702	575,782	552,273
Finance lease liabilities	*21*	296	68	257
Deferred income from subsidies and connections' fee	*18*	28,426	26,077	24,912
Current tax liabilities		22,945	66,540	1,864
Employee benefits	*23*	102,023	62,116	60,217
Liabilities due to cash settled share based payments	*19*	514,920	—	—
Provision for certificates of origin	*24*	66,638	5,123	—
Provisions for other liabilities and charges	*25*	70,427	52,480	7,753
		1,662,621	**814,745**	**755,189**
Total liabilities		**3,049,811**	**2,031,977**	**1,945,452**
Total equity and liabilities		**9,816,186**	**6,395,855**	**6,146,006**

Consolidated balance sheet should be read together with explanatory notes that are an integral part of the consolidated financial statements.

ENEA S.A. Group

Consolidated Income Statement

(all amounts are stated in PLN thousand, unless otherwise stated)

	Note	12 months ended 31 December 2007	2006	2005
Revenues		5,508,919	5,383,742	4,614,659
Excise tax		(63,115)	—	—
Net revenues	*26*	**5,445,804**	**5,383,742**	**4,614,659**
Other operating income	*29*	69,020	52,304	33,204
Amortization and depreciation	*27*	(470,557)	(403,464)	(398,341)
Employee benefits	*27,28*	(626,981)	(491,541)	(478,540)
Consumption of raw materials and cost of merchandise sold	*27*	(467,631)	(170,194)	(158,822)
Cost of energy sold	*27*	(2,644,120)	(2,826,508)	(2,330,546)
Transmission services	*27*	(806,395)	(958,135)	(897,791)
Other external services	*27*	(187,831)	(142,805)	(153,632)
Taxes and charges	*27*	(154,539)	(124,671)	(119,863)
Loss on sales and liquidation of tangible fixed assets		(7,149)	(13,421)	(21,647)
Other operating expenses	*29*	(73,280)	(74,463)	(39,515)
Operating profit		**76,341**	**230,844**	**49,166**
Financial costs	*31*	(12,387)	(15,811)	(17,908)
Financial income	*30*	44,982	34,639	21,109
Share of profits/(losses) of equity accounted investees		147	(129)	79
Profit before tax		**109,083**	**249,543**	**52,446**
Income tax	*32*	412,593	(45,096)	(15,633)
Net profit for the reporting period		**521,676**	**204,447**	**36,813**
attributable to:				
Equity holders of the Parent Company		521,514	203,636	36,289
Minority interest		162	811	524
Net profit attributable to shareholders of Parent Company		521,514	203,636	36,289
Weighted average number of ordinary shares		250,042,308	221,954,900	221,954,900
Net profit per share (in PLN per share)	*34*	**2.09**	**0.92**	**0.16**
Diluted profit per share (in PLN per share)		**2.09**	**0.92**	**0.16**

Consolidated income statement should be read together with explanatory notes that are an integral part of the consolidated financial statements.

ENEA S.A. Group
Consolidated Statement of Changes in Equity
(all amounts are stated in PLN thousand, unless otherwise stated)

	Note	Share capital (nominal value)	Revaluation of share capital	Total share capital	Share premium	Share based payments reserve	Retained earnings	Attributable to the minority interest	Total equity
As at 1 January 2007		**221,595**	**146,575**	**368,170**	**—**	**901,110**	**3,088,596**	**6,002**	**4,363,878**
Net profit for the reporting period							521,514	162	521,676
Valuation of available-for-sale financial assets							1,552		1,552
Total recognized income and expenses for the period							**523,066**	**162**	**523,228**
Dividends	*33*						(45,435)	(805)	(46,240)
Increase of share capital		126,626		126,626	1,801,078				1,927,704
Changes in the shareholders structure								(2,195)	(2,195)
As at 31 December 2007		**348,221**	**146,575**	**494,796**	**1,801,078**	**901,110**	**3,566,227**	**3,164**	**6,766,375**
As at 1 January 2006		**221,595**	**146,575**	**368,170**	**—**	**901,110**	**2,926,242**	**5,032**	**4,200,554**
Net profit for the reporting period							203,636	811	204,447
Total recognized income and expenses for the period							**203,636**	**811**	**204,447**
Dividends							(41,282)	(46)	(41,328)
Changes in the shareholders structure								205	205
As at 31 December 2006		**221,595**	**146,575**	**368,170**	**—**	**901,110**	**3,088,596**	**6,002**	**4,363,878**
As at 1 January 2005		**221,595**	**146,575**	**368,170**	**—**	**901,110**	**2,899,954**	**4,889**	**4,174,123**
Net profit for the reporting period							36,289	524	36,813
Total recognized income and expenses for the period							**36,289**	**524**	**36,813**
Dividends							(10,001)	(381)	(10,382)
As at 31 December 2005		**221,595**	**146,575**	**368,170**	**—**	**901,110**	**2,926,242**	**5,032**	**4,200,554**

Consolidated statement of changes in equity should be read together with explanatory notes that are an integral part of the consolidated financial statements

ENEA S.A. Group

Consolidated Cash Flow Statement

(all amounts are stated in PLN thousand, unless otherwise stated)

	Note	12 months ended 31 December		
		2007	**2006**	**2005**
Cash flows from operating activities				
Net profit for the reporting period		521,676	204,447	36,813
Adjustments for:				
Income tax as per income statement	*32*	(412,593)	45,096	15,633
Amortization and depreciation	*27*	470,557	403,464	398,341
Loss on sales and liquidation of tangible fixed assets		7,149	13,421	21,647
Profit on sales of financial assets		(1,683)	(172)	(9,241)
Interest expense		9,316	4,339	14,898
Interest income		(43,963)	(33,387)	(21,090)
Share in (profit)/losses of equity accounted investees		(147)	129	(79)
Exchange gains on borrowings		(1,497)	(2)	(58)
Other adjustments		2,869	(3,332)	2,577
		30,008	429,556	422,628
Interest paid		(9,261)	(4,301)	(17,095)
Interest received		47,484	22,844	23,976
Income tax paid		(130,018)	(20,396)	(24,028)
Changes in working capital:				
Inventories		(2,811)	(1,655)	(4,523)
Trade and other receivables		31,973	8,573	(37,740)
Trade and other payables		(8,921)	(11,645)	27,215
Employee benefits		71,252	18,172	53,686
Deferred income from subsidies and connections' fee		19,786	40,804	29,987
Changes in certificates of origin		61,515	10,247	(5,124)
Changes in provisions		17,786	73,294	2,131
		190,580	137,790	65,632
Net cash generated from operating activities		**650,469**	**769,940**	**507,926**
Cash flows from investing activities				
Acquisition of tangible and intangible fixed assets		(334,092)	(351,833)	(359,496)
Proceeds from sales of tangible fixed assets		15,182	1,539	2,963
Acquisition of subsidiary-net of acquired cash and cash equivalents		360,305	—	(1,404)
Acquisition of financial assets		—	(1,026)	—
Proceeds from sales of financial assets		191,615	1,380	1,073
Other outflows		(96)	(5,929)	(548)
Net cash generated from investing activities		**232,914**	**(355,869)**	**(357,412)**
Cash flows from financing activities				
Proceeds from borrowings		977	54,878	21,326
Repayment of borrowings		(253,832)	(128,698)	(166,830)
Dividends paid to the Parent Company's shareholders		(39,828)	(51,275)	(445)
Outflows related to financial lease liabilities		(1,378)	(1,078)	(1,464)
Other changes		(249)	38	24
Net cash generated from financing activities		**(294,310)**	**(126,135)**	**(147,389)**
Net increase in cash and cash equivalents		**589,073**	**287,936**	**3,125**
Cash and cash equivalents at the beginning of the reporting period	*14*	351,719	63,783	60,658
Cash and cash equivalents at the end of the reporting period	*14*	**940,792**	**351,719**	**63,783**

Consolidated statement of changes in cash flow should be read together with explanatory notes that are an integral part of the consolidated financial statements

(all amounts are stated in PLN thousand, unless otherwise stated)

Explanatory notes to the consolidated financial statement

1. General information

1.1. General information on ENEA S.A. and ENEA S.A. Group

Company name:	ENEA Spółka Akcyjna
Legal form:	Joint stock company
Country of jurisdiction:	The Republic of Poland
Seat:	Poznań
Address:	11 Nowowiejskiego Street, 60-967 Poznań
Telephone number:	(+48 61) 856 10 00
Fax number:	(+48 61) 856 11 17
E-mail:	enea@enea.pl
Web site:	www.enea.pl
REGON:	630139960
NIP:	777-00-20-640

ENEA S.A. (thereafter "ENEA", "the Parent Company", "the Issuer") operating under the name Energetyka Poznańska S.A. was registered in the National Court Register on 21 May 2001 in the District Court in Poznań under number KRS 0000012483.

The sole shareholder as at the date of preparation of these consolidated financial statements and during the periods presented in these consolidated financial statements was the State Treasury. The Parent Company and subsidiaries have been established for an indefinite period.

ENEA S.A. Group's main activities, which are subject to licensing, are:

– production of electric and heat energy (Elektrownia "Kozienice" S.A., Elektrownie Wodne Sp. z o.o.)

– electricity trading (ENEA S.A., EnergoPartner Sp. z o.o.),

– distribution of electric energy (ENEA Operator Sp. z o.o.).

As at 31 December 2007 the ENEA S.A. Group ("the Group") comprised of the Parent Company ENEA S.A., 24 subsidiaries and one associated company.

According to the Directive 20030/54/EC of the European Union and the amended Act "Law on Energy" the 1 July 2007 was determined as the deadline for distribution network operators (OSD) to become legally independent.

In order to fulfil the above obligation ENEA S.A. established ENEA Operator Sp. z o.o., which is the distribution network operator. On 30 June 2007 in accordance with resolution No. 1 the Extraordinary Shareholders' Meeting of ENEA Operator Sp. z o.o. increased the statutory share capital from PLN 50 thousand to PLN 4,678,050 thousand divided into 46,780 thousand shares. In accordance with the above resolution all new shares in the increased share capital of ENEA Operator S.A. were covered by ENEA S.A. in exchange for a contribution in kind in the form of a business unit independently preparing a balance sheet, performing economic activities in the energy distribution sector, which constitutes an organized part of the business. ENEA Operator Sp. z o.o. took over independent economic activities of electric energy distribution based on all assets forming contributed business.

The separation of operators of distribution networks will enable recipients of electric energy to change the energy provider and in consequence to divide the agreement into the purchase of electricity and distribution services.

In accordance with the Governmental Program for the energy industry dated 3 February 2006, the privatization of Polish energy companies will be preceded by their vertical integration into four energy groups including in their structure mines, power stations, energy distributors and providers of electric energy to final recipients. According to the notarial act signed on 23 July 2007 the statutory share capital of ENEA S.A. was increased from PLN 221,595 thousand to PLN 348,221 thousand as a result of new shares issue. The shares were covered by the State Treasury fully by the non-monetary contribution in the form of 45 million shares in Elektrownia "Kozienice" S.A. seated in Świeże Górne in the total fair value of PLN 3,432,800 thousand. The agreement on the transfer of shares was signed on 10 October 2007. The main business activity of Elektrownia "Kozienice" S.A. is the generation of electric energy as well as the production and distribution of heat.

As at 31 December 2007 the statutory share capital of ENEA S.A. amounted to PLN 348,221 thousand (PLN 494,796 thousand after the transition to IFRS EU including the hyperinflation effect and other adjustments) and was divided into 348,220,557 shares.

The consolidated financial statements were prepared under the assumption of the going concern in the foreseeable future. There are no circumstances indicating that the going concern assumption of the Group is threatened.

2. Description of significant accounting policies applied

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all reporting periods presented.

2.1. Basis of preparation

The consolidated financial statements for periods ended 31 December 2007, 31 December 2006 and 31 December 2005 were prepared in accordance with the International Financial Reporting Standards adopted by the European Union ("IFRS EU").

The consolidated financial statements have been prepared under the historical cost convention except for certain financial assets valued at fair value through profit and loss and financial assets available for sale.

2.2. Consolidation principles

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanied by a shareholding of more than a half of the voting rights. The existence and the effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity or not. Subsidiaries are fully consolidated from the date the control commences until the date the control ceases.

The cost of business combination, which is not under common control, is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities acquired in a business combination are measured initially at their fair value at the acquisition date, irrespective of the minority interest, if any. The excess of the cost of acquisition over the fair value of the group's share of the identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the assets, liabilities and contingent liabilities of the subsidiary acquired, the difference is recognized directly in the income statement.

Inter-company transactions, balances and unrealized gains on transactions between Group's companies are eliminated. Unrealized losses are also eliminated unless there is an impairment indicator of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Associates

Associates are all entities over which the group has significant influence but not control, generally accompanied by a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method and are initially recognized at cost. The Group's investment in associates includes goodwill determined at acquisition date, net of any accumulated impairment loss.

The Group's share of associates' post-acquisition profits or losses is recognized in the income statement, and Group's share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements of the associate's equity are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the equity accounted associate, including any other unsecured receivables, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Unrealized gains on transactions between the Group and associates are eliminated proportionally to the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction indicates an impairment of the transferred asset. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3. Business combinations under common control

Accounting policies

The accounting for business combinations among entities under common control is excluded specifically from the scope of IFRS EU. As such, following the applicable guidance in IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", in the absence of any specific guidance within IFRS EU, an entity should develop an appropriate accounting policy for such transactions.

Under this guidance the Group made an accounting policy election to recognize such transactions using the book values. The elected accounting policy is as follow:

The combined entity recognizes the assets and liabilities of the combining enterprises at their existing carrying amounts adjusted only as a result of harmonizing the combining enterprises' accounting policies. There is no recognition of any goodwill or negative goodwill.

A difference between the carrying amount of the net assets received and the consideration paid in form of equity instruments issued and/or assets given, if any, is recognized in the Group's equity. In applying the book value method of accounting, comparative periods presented are not restated.

Transactions during the period presented in these consolidated financial statements

ENEA S.A. according to Art. 9 d of the Act "Law on Energy" dated 10 April 1997 was legally obliged to separate from its structure a distribution network operator and to separate suitable distribution property. The assets were transferred on 30 June 2007 as a result of the contribution in kind to ENEA Operator Sp. z o.o. of the branch of ENEA S.A., preparing a separate balance sheet, pursuing independent economic activities regarding the distribution of electric energy and forming an organizational part of the enterprise as defined by Article 4 a paragraph 4 of the Corporate Income Tax Act.

Due to the fact, that the separation of the distribution fells into common control definition and such transactions are not governed by the IFRS 3, the Group decided to account for this transaction using book values.

The difference between the net carrying amount of assets separated from ENEA S.A. and the amount of the registered share capital of ENEA Operator Sp. z o.o. adjusted the value of shares (ENEA S.A.) and the value of equity (ENEA Operator Sp. z o.o.) in their unconsolidated financial statements.

On 10 October 2007 ENEA S.A. acquired 100% shares of Elektrownia "Kozienice" S.A. in exchange for shares issued. Because of the fact that the shares of both entities were under common control of the State Treasury, the acquisition was accounted for in the consolidated financial statements according to principles described above.

2.4. Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 'Polish zloty' ('PLN'), which is the functional and presentation currency for all entities of the Group.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of these transactions.

As at the balance sheet date transactions denominated in foreign currencies are translated using the closing rate (closing rate means the average National Bank of Poland exchange rate prevailing at the date of valuation).

Foreign exchange gains and losses resulting from the settlement of such transactions in foreign currencies and the balance sheet valuation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

2.5. Tangible fixed assets

Tangible fixed assets are stated at acquisition price or at construction cost less accumulated depreciation and accumulated impairment losses.

The ENEA S.A. Group applied the optional IFRS 1 exemption and, as at the transition date, used the fair value of certain tangible fixed assets as deemed cost.

Subsequent costs are added to the asset's carrying amount or are recognized as separate assets, as appropriate, only if it is probable that future economic benefits associated with the asset will flow to the entity and its costs can be measured reliably. Other related repair and maintenance expenses are charged to the income statement during the financial period when incurred.

In case of replacement of any part of an asset the cost is recognized in the carrying amount of the given assets. Simultaneously the carrying amount of the exchanged part is derecognized (regardless of if it was separately depreciated) and recognized in the income statement.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method over their estimated useful lives. The basis for the calculation is the initial value less residual value if significant. Each part of an asset with a different economic useful life is depreciated separately.

(all amounts are stated in PLN thousand, unless otherwise stated)

Useful lives are as follows:

– Buildings and structures	25-80 years
– including power grids	33 years
– Machinery and equipment	4-50 years
– Vehicles	5-20 years
– Other fixed assets	5-15 years

Tangible fixed assets' residual values and useful lives are reviewed, and adjusted if appropriate, at least at each financial year-end.

Depreciation of an asset commences, when the asset is available for use. Depreciation ceases, when the asset is held for sale in accordance with IFRS 5 or, if it is derecognized.

The Group receives, within the scope of its business activity, fixed assets partial or full reimbursement of expenditure related to the connection of new clients to the power grids. Related expenditures are capitalized as fixed assets at cost and the corresponding reimbursement is recognized as deferred income from connections' fee, which is amortized over the useful lives of related assets.

The Group receives from local authorities, free of charge, road light infrastructure and recognizes these fixed assets in accordance with IAS 20 Government grants i.e. these assets are recognized at fair value as tangible fixed assets with corresponding entry as deferred income due to subsidies, which are amortized in the income statement over the useful lives of related assets, over 35 years.

Gains and losses on disposals of fixed assets are determined by comparing the proceeds from sale against the carrying amount of the disposed fixed asset and are recognized in the income statement.

2.6. Perpetual usufruct rights

Land owned by the State Treasury, local authorities or their associations may be subject to perpetual usufruct right (PWUG). The perpetual usufruct right is a special kind of property right which entitles the holder: to use a property exclusively and to transfer this right.

Depending on the way of the acquisition of perpetual usufruct rights the Group classifies them as follows:

1. Perpetual usufruct right received free of charge as a result of a decision of the provincial governor or as a result of the decision of an executive board of local authorities — as operating lease.
2. Perpetual usufruct right acquired, against payment, from third parties — as assets held under perpetual usufruct right at acquisition price less accumulated amortization.
3. Perpetual usufruct right acquired on the basis of a perpetual usufruct right agreement with the State Treasury or local authorities — is stated at excess of the initial charge over the annual charge and is recognized as an asset (PWUG) and is subject to amortization.

The perpetual usufruct right is amortized over the period it has been granted (62 to 99 years).

2.7. Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is presented under 'intangible assets'. Goodwill on acquisitions of associates is included in carrying amount of the investment.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. In order to perform a test for impairment, goodwill is allocated to cash-generating units, which are expected to benefit from the business combination.

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

(b) Other intangible assets

Other intangible assets include: software, licenses and other intangible assets. Intangible assets are recognized at their acquisition price or construction cost less accumulated amortization and accumulated impairment losses.

Amortization is calculated using the straight-line method according to their useful lives, i.e.:

- licenses and network software 2-7 years
- licenses and end user software, antivirus software 4-7 years
- other intangible assets 2-7 years

(c) CO_2 emission rights

CO_2 emission rights granted free of charge by the State Distribution Plan (Krajowy Plan Rozdziału) as well as acquired rights are classified as intangible assets and are subject to the following distinction: rights granted free of charge are recognized at nil cost whereas acquired rights are recognized at acquisition price.

The provision for the actual CO_2 emission is recognized at nil, as long as the actual emission does not exceed the limits owned by the Group for the given year.

Revenues from the sale of the surplus emission rights are recognized at the moment of the sale's transaction.

2.8. Research and development costs

Research and development costs are recognized in the income statement, in the financial period when incurred.

Research and development costs described below, which meet capitalization criteria, as well as other intangible assets are recognized at acquisition price or construction cost less accumulated amortization and accumulated impairment losses. Amortization is calculated using the straight line method over the estimated useful life i.e. 2-7 years.

Capitalization criteria:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- demonstration of how the intangible asset will generate future economic benefits. The entity must demonstrate, among other things, the existence of a market for the intangible asset itself or the output of the asset or, in the case of internal use, the usefulness of the respective intangible asset;
- availability of adequate technical, financial and other resources to complete the development and to use or sell the given intangible asset,
- its ability to measure reliably the expenditure attributable to the intangible asset during the development phase and the ability to assign the expenditures to the intangible asset.

2.9. Borrowing costs

Borrowing costs are recognized in the income statement, in the period during which they were incurred.

2.10. Leases

The lease contract that transfers all the risks and rewards incidental to the Group is classified as finance lease. A lease, other than a finance lease is classified as an operating lease.

Finance leases are recognized as an asset at the inception of the lease, at the lower value of the fair value of the leased property and the present value of the minimum lease payments. Each financial lease payment is apportioned between the finance charge and the reduction of the outstanding liability, maintaining a constant interest rate against the outstanding liability. Interest is recognized as financial costs during the lease period, in the income statement maintaining constant periodic interest rate of the outstanding liability. Depreciable assets acquired as a result of a finance lease are depreciated over their useful lives.

Operating lease payments (less special promotion offers obtained from the lessor, if any) are recognized at cost using the straight-line method over the lease period.

2.11. Impairment losses

Assets of the Group are reviewed for impairment, whenever there is an indication of the impairment.

Non-financial assets

An impairment loss is recognized to the extent the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (i.e. the present estimated value of future cash flows, which are expected during the use of the asset or the cash-generating unit). For the purposes of assessing the impairment, assets are grouped at the lowest level, for which separate cash flows may be identified (cash-generating units).

All impairment losses are recognized in the income statement. Impairment losses may be reversed in future periods (except for goodwill), if there are circumstances justifying the reversal of impairment losses.

Financial assets

Financial assets are reviewed for impairment at each balance sheet date in order to check, if there is an indication of impairment losses. Impairment is assumed if there is an objective indication, that one or more events had a negative influence on the estimated future cash flows, which are expected during the use of the given asset.

Impairment losses on assets available for sale are calculated on the basis of the fair value.

Significant financial assets are individually tested for impairment. Other financial assets for purposes of the impairment test are divided into groups of a similar credit risk.

Principles regarding calculation of impairment losses on financial assets are described precisely in the note 2.13.

2.12. Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. After the initial recognition the Group elected the cost model.

Investment properties are depreciated using the straight-line method. Depreciation is commenced starting in the month subsequent to the month the investment property is brought into use.

Estimated useful lives:

Buildings	25-33 years

2.13. Financial assets

The Group classifies its financial assets under the following categories: financial assets measured at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, and financial assets available-for-sale.

The classification is based on the intention for which the financial assets were acquired. Classification is determined at initial recognition and subsequently verified at each balance sheet date, if required or permitted by IAS 39.

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

This category consists of two subcategories:

– financial assets held for trading, if an asset was acquired principally for the purpose of selling in the short-term (for example a securities portfolio managed by a brokerage company);

– financial assets, which at their initial recognition are classified at fair value through profit or loss (for example participation units in an investment fund).

Financial assets at fair value through profit or loss are classified as current assets, if meant for trading or if they are expected to be realized within 12 months from the balance sheet date.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise, when the Group spends cash, delivers goods or services directly to the debtor without the intention of classifying them as receivables for trading.

Loans and receivables are classified as a current asset except if the payment date is longer than 12 months after the balance sheet date. Loans and receivables with a maturity date longer than 12 months are classified as long-term assets. Loans and receivables are presented as "trade and other receivables".

(c) Investments held-to-maturity

Investments held-to-maturity are non-derivative financial assets with fixed or determinable payments and fixed maturity, which the Group intends and is able to hold till maturity.

(d) Available-for-sale financial assets

Financial assets available-for-sale are non-derivative financial assets that are either designated as "available-for-sale" or not classified in any other category. This category includes shares and treasury shares in non-associated entities. Financial assets available-for-sale are classified as non-current assets, unless the Group intends to sell them within 12 months from the balance sheet date.

Purchases and sale of financial assets are recognized at the trade-date i.e. the date on which the Group is committed to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs, except for financial assets valued at fair value through profit or loss, which are initially recognized at fair value without transaction costs.

Financial assets are derecognized, when rights to receive cash flows from these assets expired or have been transferred and the Group transferred substantially all related risks and rewards.

Financial assets available-for-sale and financial assets valued at fair value through profit or loss are valued after their recognition at fair value. Financial assets available-for-sale, in cases when it is impossible to determine their fair value and to define their maturity date, are valued at acquisition price less impairment losses. Receivables, loans and financial assets held to maturity date are valued at amortized cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the financial assets valued at fair value through profit or loss are presented in the income statement in the period during which they arise. The gains or losses of the financial assets available-for-sale are recognized in equity except for impairment losses and exchange rate differences, in relation to monetary assets. When assets classified as available-for-sale are disposed the accumulated gains and losses recognized in equity are transferred to the income statement.

The fair values of quoted investments in an active market are based on current bid prices. If there is no active market for a financial asset (or securities are not listed), the Group measures the fair value using available valuation techniques. These include the recent similar arm's length transactions, reference to other instruments that are substantially of the similar nature, discounted cash flow analysis, option pricing models and other available valuation techniques commonly used, adjusted to the specific situation of the Group issuer.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

If such evidence exists in relation to available-for-sale financial assets, the cumulative loss recognized in equity — measured as the difference between the acquisition cost and the current fair value, less any impairment losses on that financial asset previously recognized in the income statement — is excluded from equity and recognized in profit or loss. Impairment losses related to equity instruments recognized in the income statement are not reversed through the income statement. Impairment losses in relation to debt instruments are reversed through the income statement in the subsequent period if the fair value of these financial assets has increased due to the subsequent event.

If there is evidence which indicates potential impairment of loans and receivables or investments held to maturity valued at amortized cost, the impairment loss is determined as the difference between the carrying amount of an asset and the present value of future estimated cash flows discounted at the original discount rate for these assets (i.e. the effective interest calculated at initial recognition for assets based on a fixed interest rate and the effective interest rate determined at the moment of the last revaluation for assets based on a variable interest rate). Impairment losses are recognized in the income statement. Reversals of impairment are recognized, if the impairment loss decreases in subsequent periods and the decrease may be attributable to events occurring after the impairment recognition. As a result of the reversal the carrying amount of financial assets may not exceed the amortized cost, which would be recognized, if the impairment losses were not recognized. The reversal is recognized in the income statement.

If there is evidence which indicates impairment losses of unquoted financial instruments, which are carried at acquisition cost (because their fair value cannot be measured reliably), impairment losses are determined as the difference between the carrying amount of an asset, and the present value of future estimated cash flows discounted at the current market rate for similar financial assets. These impairment losses are not reversed.

2.14. Inventories

Inventories are stated at acquisition price or production cost unless the net realizable value is lower.

Cost is determined using the first-in, first-out (FIFO) method except for production coal and limestone powder, in relation to which the cost is determined using weighted average purchase price method.

2.15. Certificates of origin

Pursuant to Art. 9 "a" of the Law on Energy, ENEA S.A. — as an energy company involved in trading and distribution of electric energy to end consumers connected to the power grids in the territory of the Republic of Poland — is obliged to:

a) obtain a specific number of certificates of origin and to submit them to President of the Energy Regulatory Office in order to redeem them, or

b) pay a substitute fee.

The certificates of origin confirms the generation of electrical energy from a renewable source and of cogeneration of energy (generation in relation to heat production). The certificates are issued by the President of the Energy Regulatory Office on request of an energy company generating electrical energy from renewable sources (solar energy, wind, water or biomass power) and as a result of cogeneration. The certificates of origin are transferable and are being traded at commodity exchange.

The right resulting from a certificate of origin arise at the moment of its entry in the register of certificates maintained by Towarowa Giełda Energii S.A. (the Energy Commodity Exchange). The transfer of right under a certificate of origin is valid after the entry into the register of certificates of origin.

ENEA S.A. is obliged to obtain and submit for redemption certificates of origin in the amount corresponding with the limits stated in decrees issued based on the Law on Energy and expressed as a proportion to its total energy sales to end consumers. Date of certificates redemption's or substitute fee payment's requirement expires on 31 March of the following year.

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

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

- long- or short-term financial assets, if purchased for subsequent resale;
- a separate category of short- or long-term assets ("Certificates of origin"), if the certificates have been purchased for redemption.

The certificates of origin are initially valued at the acquisition price, while certificates generated on the Group's own account are valued at the present market price as at energy production date, in relation to which certificates were generated.

During the business year and until 31 March of the following year the Group submits certificates for redemption. The cost of redeemed certificates is recognized in the accounts using the method of specific identification of their individual costs.

As at the balance sheet date, the certificates of origin (except those purchased for further resale) are carried at their acquisition price, while those generated on the Group's own account are carried at the market prices as at the date of the generation of energy related to such a certificate.

As at the balance sheet date, the certificates of origin purchased for subsequent resale are carried at their fair value and a gain or loss arising from a change in the fair value is recognised in profit or loss.

If, as at the balance sheet date the number of certificates of origin in the Group's possession is insufficient, the Group raises a provision for the substitute fee or for the purchase of certificates at the Energy Commodity Exchange required to fulfil obligations of the Law on Energy. The provision covers such number of certificates which represents a difference between the number of certificates redeemed for the given year and the amount of certificates required to be redeemed according to the Law on Energy. Provisions are valued primarily based on the acquisition price for the number of certificates held by the Group but not redeemed as at balance sheet date and alternatively based on the unit substitute fee or (if the volumes of transactions at the Energy Commodity Exchange are sufficient to effect the required transactions in a period permitting redemption of the certificates by 31 March of the following year) based on the weighted average value of indexes published by the Energy Commodity Exchange from the last four trading sessions preceding the end of a quarter.

The provision decreases the value of certificates of origin held by the Group.

2.16. Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank deposits paid on demand, other short-term highly liquid investments with an original maturity of less than 3 months. Cash and cash equivalents are valued at fair value at the balance sheet date and the valuation effect increases the financial income or financial expenses for the period.

2.17. Share capital

The Group's share capital is the share capital of the Parent Company in the amount specified in the Articles of Association of the Parent Company and registered in the court register, adjusted by hyperinflation and the results of business combinations. The increase in share capital covered by shareholders but awaiting for the registration in the National Court Register is also presented as share capital.

2.18. Borrowings

Borrowings are initially recognized at fair value less transaction costs incurred.

After the initial recognition borrowings are stated at amortized cost using the effective interest rate method.

2.19. Income tax (including deferred income tax)

The obligatory tax charge of the financial result is comprised of: the current income tax and the deferred income tax.

The current income tax charge is calculated on the basis of the taxable basis of the given reporting period. Tax profit/loss differs from the accounting profit/loss because of the temporary exclusion of taxable revenues and tax deductible costs in future periods and costs and revenues permanently excluded from taxation. Current tax charges are calculated on the basis of the tax rate according to tax laws binding in a given reporting period.

Deferred tax liabilities, resulting from temporary differences between the tax base of assets and liabilities and their carrying amount are recognized in full in the consolidated financial statements.

Deferred tax assets are recognized, to the extent that it is probable, that future taxable profit will be available against which the temporary differences or tax losses can be utilized.

Neither the deferred tax liabilities nor deferred tax assets are recognized, when they arise from the initial recognition of an asset or liability in a transaction, other than a business combination that at the time of the transaction affects neither accounting profit or loss nor the taxable profit or loss. Deferred tax is not recognized for temporary differences resulting from the initial recognition of goodwill or goodwill with tax amortization, which is not treated as tax deductible expense.

Neither deferred tax liabilities nor deferred tax assets for temporary differences associated with investments in subsidiaries and affiliates are recognized.

Deferred tax is determined using tax rates (and laws) that legally or factually applied as at the balance sheet date and are expected to apply when related deferred tax asset is to be realized or the deferred tax liability is to be settled.

Deferred tax is recognized in the income statement of the given reporting period, except when:

1. it relates to transactions and events, which are directly recognized in equity; in this case the deferred tax is also recognized in the equity,
2. it is a result of business combinations; in this case the deferred tax adjusts the goodwill or the excess of the share in the fair value of net assets over the cost of business combination.

Deferred tax assets and liabilities are set off, when the Group's entities have a legally enforceable right to set off the current tax asset against current tax liabilities and if deferred tax assets and the deferred tax liabilities relate to the income taxes imposed by the same tax authority.

2.20. Employee benefits

Within the Group there are the following schemes of employee benefits:

A. Short-term employee benefits

Short-term employee benefits include among the others: wages and salaries, annual bonuses, electricity allowance, short-term holiday accrual with social security contributions.

The liabilities resulting from the short-term (accumulated) holiday accrual is recognized, even though the employees are not entitled to a monetary equivalent. The Group calculates the estimated cost of accumulated holiday accrual as an additional amount, which will likely be paid as a result of an unused entitlement as at the balance sheet date.

B. Defined benefit plans

The Group's defined benefit plans are:

1) Retirement allowances

Employees who retire due to disability or old age are entitled to monetary retirement allowances. The amount of such allowances depends on the length of employment and amount of salary of the employee concerned. Actuarial techniques are used to estimate the related liabilities.

2) Electricity allowance for pensioners

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

As of 1 December 2005, pensioners and disability pensioners acquire the right to the cash equivalent of 3,000 kWh × 80% of the energy price and the variable part of the transmission cost component and 100% of the fixed part of transmission cost and subscription price at the general single-zone household rate. The equivalent is paid twice a year: by 31 May and by 30 November, each time in the amount of the half of the annual equivalent. In the earlier periods, pensioners and disability pensioners were entitled to a reduced energy payment based on the same rules as employees of the Group. This consisted of the reduction of amounts paid for actually consumed electrical energy, and was therefore taken into account when invoicing the sales.

3) Jubilee award

The Group's other long-term employee benefits includes jubilee awards. The amount of the awards depends on the employee's length of employment salary. Actuarial techniques are used to estimate the related liabilities.

4) Social fund charge for pensioners

Pursuant to the Collective Employment Agreement, ENEA S.A. Group takes into account pensioners entitled to receive benefits from the fund when calculating the annual charge for the Social Fund. The liability is recognized proportionally to the expected length of employment by a given employee. Actuarial techniques are used to estimate the amount of the related provision.

Liabilities on account of benefits referred to in points 1-4 are estimated by an actuary using the Projected Unit Credit Method. The actuarial profit or loss is recognized in full in the income statement.

C. Employee Premium Scheme

Pursuant to Appendix No. 18 to the Collective Employment Agreement, the Group operates the Employee Pension Scheme in the form of a collective insurance of the employees involving a capital fund on the basis of the statutory principles as well as those negotiated with the unions.

The Employee Pension Fund is available to all employees after one year of employment irrespective of the type of employment contract.

Employees join the Employee Pension Fund on the following terms and conditions:

a) the insurance is a group life insurance including accident coverage of insured employees,

b) the amount of the basic premium is set at 7% of the participant's salary,

c) 90% of the basic premium is allocated for investment premium and 10% — for accident coverage.

D. Share-based payments

Share based payments refer to transactions settled in equity instruments or their equivalent, in which the Group, in exchange for own equity instruments (shares) or their equivalent, receives a provision of services (employees' services).

The Group recognizes the cost of services received in a share based payments transaction settled in equity instruments or their equivalents and the respective increase in equity when the services are received. If services received in a share based payments transaction do not qualify for recognition as an asset, the Group recognizes them as expenses.

The cost is stated based on fair value of equity instruments and is valued as at Grant Date of equity instruments. Considering the fact that the fair value of employees' services can not be estimated reliably, their value is measured by reference to the fair value of the equity instruments granted.

2.21. Provisions

Provisions are raised, when the Group's entities have a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and the amount can be estimated reliably.

The amount of the provision is the most reliable estimate of outflows necessary to fulfil the present obligations as at the balance sheet date.

2.22. Revenue recognition

Revenue is recognized at fair value of the consideration received or receivable, net of VAT, rebates and discounts.

Revenues from the sales of energy and distribution services are recognized at the moment of energy delivery or transmission services rendered to the customer. In order to determine revenues for the period between the last invoice date and the balance sheet date the Group estimates the accrued revenue, which is recognized in the balance sheet as trade and other receivables.

Revenues from sales of merchandise and goods are recognized, when the entity has transferred significant risks and benefits and it is probable that future economic benefits resulting from these transactions will flow to the entity.

Rental income from investment properties is recognized in the income statement using the straight-line method over the contract term.

Interest revenue is recognized on the accrual basis using the effective interest rate, if it is not doubtful that they will be received.

Dividend revenue is recognized when the right to receive dividend is formally approved.

2.23. Subsidies

The Group receives subsidies in the form of fixed assets and in the form of reimbursement of expenses incurred in relation to noncurrent assets under construction. The Group recognizes these subsidies in accordance with IAS 20 *Government grants.*

Subsidies are recognized in the balance sheet as deferred income, if it is sufficiently certain that subsidies will be received and the Group fulfils all necessary provisions of the subsidies.

Subsidies received as a compensation of costs already incurred by the Group are systematically recognized as revenue in the income statement in periods when related expenses are incurred. Subsidies which compensate the Group for capital expenditures are recognized, in proportion to depreciation charge, in the income statement as other operating income on a systematic basis over the useful life of the given asset.

2.24. Connections' fee

ENEA S.A. Group receives from customers a reimbursement of all or any part of costs incurred in relation to having connected such customers to a power grid network. The value of the reimbursed cost is recognized as deferred income and is amortized over the useful life of the power grid connections i.e. 35 years.

2.25. Dividends distribution

Dividends distribution to the shareholders (including minority interest in case of subsidiaries) is recognized as liability in the Group's financial statements in the period, in which the dividends were approved by the Parent Company's shareholders.

The Group classifies as dividends the payment from profit being an obligation of companies that are 100% owned by the State Treasury and amounting to 15% of the gross profit less the current income tax due.

2.26. Segment reporting

The primary reporting format applied to segments is a business segment.

A business segment is a group of assets and activities engaged in providing products or services that are subject to risks and returns from investments different from other business segments. There are four business segments in the ENEA S.A. Group:

– trade-sale of electricity to the final customer,
– distribution-transmission of electricity services,
– production-generation of electricity,
– other activities.

The Group operates within one particular economic environment — the territory of Poland, and therefore it does not present any geographical segments.

2.27. New accounting standards and interpretations

New standards and interpretations, which are applicable for reporting periods starting after 1 January 2007 or subsequent periods, and have not been adopted by the Group:

- **IFRIC 11—"Group and Treasury Share Transactions"**

The interpretation requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity-instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments needed are obtained. It also provides guidance on whether share-based payment arrangements, in which suppliers of goods or services of an entity are provided with equity instruments of the entity's parent should be accounted for as cash-settled or equity-settled in the Group's financial statements.

The recognition by the Group of transactions of employees' share based payments is consistent with IFRIC 11.

- **IFRS 8—"Operating Segments"**

IFRS 8 is effective from 1 January 2009. The Standard requires segment disclosure based on the components of the entity that management monitors in making decisions about operating matters. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

The Group expects that the standard may have a significant impact on the presentation and information disclosure on operating segments in the consolidated financial statements.

For reporting periods starting after 1 January 2007 or subsequent periods there are some binding standards and interpretations which await the approved by the European Union.

- **IFRIC 12—"Service Concession Arrangements"**

This interpretation is effective from 1 January 2008. The Interpretation provides guidance to private sector entities on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements.

IFRIC 12 is not relevant to the Group's operations. The Group companies have not entered any concession agreements, which are subject to IFRIC 12.

- **IFRIC 13—"Consumer Programmes Customer Loyalty Programmes"**

This interpretation is effective from 1 July 2008. The Interpretation explains how entities that grant loyalty award credits to customers who buy other goods or services should account for their obligations to provide free or discounted goods or services ('awards') to customers who redeem those award credits. Such entities are required to allocate some of the proceeds of the initial sale to the award credits and recognize these proceeds as revenue only when they have fulfilled their obligations.

The Group does not expect the interpretation to have any impact on the consolidated financial statement.

- **IFRIC 14—IAS 19—"The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"**

The interpretation is effective from 1 January 2008.

The interpretation addresses:

1) when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19,
2) how the minimum funding requirements ("MFR") might affect the availability of reductions in future contributions,
3) when a MFR might give rise to a liability.

No additional liability need to be recognized by the employer under IFRIC 14 unless the contributions that are payable under the minimum funding requirement cannot be returned to the company.

The Group does not carry out any economic activities in countries with minimum refunding requirements, which reduce the employer's ability to receive a refund or to reduce contributions.

- **Revised IFRS 3—"Business Combinations"**

The revised standard will be effective from 1 January 2009. Certain business combinations, which were previously excluded from the application of the Business Combinations was included in the revised standard. The definition of 'business' was specified. The scope of contingent liabilities, to which the cost of business combinations can be attributed, was narrowed. Costs of transactions were excluded from the costs of business combinations. Principles regarding the recognition of adjustments to the cost of combinations conditioned by future events were changed. The possibility to assess minority shares at their fair value was introduced.

The Group has not yet completed the analysis of the impact of the revised standard on the activity of the Group.

- **Revised IAS 23—"Borrowing Costs"**

The revised standard will be effective from 1 January 2009. The revised Standard will require the capitalization of borrowing costs which relate to assets, which need a considerable period of time to be set ready for use or sale.

The Group has not yet completed the analysis of the impact of the revised standard on the activity of the Group.

- **Revised IAS 1—"Presentation of Financial Statements"**

The revised standard will be effective from 1 January 2009. The revised Standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. Items of income and expense and components of other comprehensive income may be presented either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income).

The Group is presently evaluating, whether to present a single statement of the comprehensive income or two separate statements.

- **Revised IAS 27—"Consolidated and Separate Financial Statements"**

The revised standard is effective from 1 July 2009. In relation with the revised IFRS 3 (above), following changes were introduced to the IAS 27:

1) change of the minority interest definition
2) regulation of the recognition and measurement of transactions with minority shareholders,
3) change in the recognition of transaction relating to the loss of control over the entity
4) new disclosure requirements

The Group has not yet completed the analysis of the impact of the revised standard on the consolidated financial statements of the Group.

- **Revised IFRS 2—"Group and Treasury Share"**

The revised standard is effective from 1 January 2009. These amendments introduce guidance on accounting for non vesting conditions.

The Group has not yet completed the analysis of the impact of the revised standard on the consolidated financial statements of the Group.

- **Revised IAS 32—"Financial Instruments—Presentation and Disclosure"**

The revised standard is effective from 1 January 2009. The amendments provide an exemption to the principle otherwise applied in IAS 32 for the classification of some puttable financial instruments that represent a residual interest in the net assets of an entity, which would otherwise be classified as financial liabilities, to be classified as equity, if both the financial instrument and the capital structure of the issuing entity meet certain conditions.

The Group has not yet completed the analysis of the impact of the revised standard on the activity of the Group.

3. Critical accounting estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS EU requires the Management Board to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts in the consolidates financial statements and notes thereto. Accounting estimates and judgments are based on the best knowledge of the Management Board in relation to the present and future events and activities. Actual results, however, may differ from these estimates.

The major areas in which the Management Board's estimates have a significant impact on the consolidated financial statement are as follows:

- during- and post-employment benefits—a valuation of provisions for employee benefits has been calculated on the basis of the initial, as at the balance sheet date, balance of liabilities due to future estimated payments of benefits, calculated with the use of actuarial method. The increase in the discount rate and the change in the long-term growth rate of salaries affects the accuracy of the provision (Note 23),
- revaluation allowances for trade and other receivables—the amount of the allowances is determined as the difference between the carrying amount and the present value of estimated future cash flows discounted at the effective interest rate. A change in the effective interest rate will trigger a change in revaluation allowance estimates for trade and other receivables (Note 11),
- accrued sales revenues as at the end of the financial year—the estimation of the sales volume of uninvoiced electric energy is based on the last invoice issued before the end of the financial year and for the period directly preceding the period of estimation. The estimation is made individually for each customer. The consumption of energy is estimated as a product of average daily consumption and the number of days remaining till the end of the financial year counting from the last meter reading date (Note 11),
- useful lives-the estimation relates to remaining useful lives of non-current assets and is made on the basis of the present knowledge regarding the estimated useful life of a given asset; it is subject to a periodical revision in accordance with applicable provisions of law (Note 6),

- indemnities for property owners—the estimation relates to the potential payment of compensations for the so called non-contractual use of land and tenancy rent and it is performed by technical service of the Group based upon an individual analysis of claims (Note 25 and 44.1),
- provision for the storage yard restoration—Elektrownia "Kozienice" S.A. is obliged to restore the land after the storage yard for slag and ash either reaches its capacity or is closed. Due to the fact, that the company has large and unused storage yards, the expected land restoration will take place in 2060. Future estimated costs of land restoration have been discounted to their present value as of 31 December 2007, as of 31 December 2006 and as of 31 December 2005 using the 5.5% discount rate (Note 25),
- provision for the costs of storage or disposal of the slag-ash mixture—there are two kinds of waste obtained by Elektrownia "Kozienice" S.A. as a result of the burning process of coal: ash and slag-ash mixture. Due to the fact, that the company incurs costs for the disposal of the mixture, it raises a necessary provision. Future estimated costs of storage or disposal of the slag-ash mixture have been discounted to their present value as of 31 December 2007, as of 31 December 2006 and as of 31 December 2005 using the 5.5% discount rate (Note 25),
- share-based payments—the Group recognizes the cost of services (employees' services) in an share based payment transaction settled in equity instruments and the corresponding increase in equity in the period when these services are received. Given the fact that the fair value of employees' services received can not be estimated reliably, their fair value is measured indirectly, by reference to the fair value of equity instruments granted. The Group, at each balance sheet date as well as at the Grant Date, remeasures the fair value of equity instruments granted with any changes in fair value recognized in the income statement (Note 19).

(all amounts are stated in PLN thousand, unless otherwise stated)

4. Group structure-list of subsidiaries and associates

No.	Entity's name and address	Share of ENEA S.A. in the total votes in % 31.12.2007	Share of ENEA S.A. in the total votes in % 31.12.2006	Share of ENEA S.A. in the total votes in % 31.12.2005
1.	ENERGOMIAR Sp. z o.o. *Poznań ul Strzeszyńska 58*	100	100	100
2.	BHU S.A. *Poznań, ul. Strzeszyńska 58*	87.77	87.77	87.77
3.	Energetyka Poznańska Biuro Usług Technicznych S.A. w likwidacji *Poznań ul. Strzeszyńska 58*	100	99.9	99.9
4.	Energetyka Poznańska Hotel "EDISON" Sp. z o.o. *Baranowo k/Poznania*	100	100	100
5.	Energetyka Poznańska Zakład Oświetlenia Drogowego Sp. z o.o. *Poznań ul. Strzeszyńska 58*	ENEOS Sp. z o.o. *	100	100
6.	Energetyka Poznańska Zakład Inwestycji Energetycznych "INVECO" Sp. z o.o. *Poznań ul. Chopina 1*	Energetyka Poznańska Przedsiębiorstwo Usług Energetycznych Energobud Leszno Sp. z o.o. *	100	100
7.	Energetyka Wysokich i Najwyższych Napięć "EWiNN" Sp. z o.o. *Poznań ul. Panny Marii 2*	100	70.15	70.15
8.	Energetyka Poznańska Zakład Transportu Sp. z o.o. *Poznań ul. Strzeszyńska 58*	100	100	100
9.	Energetyka Poznańska Zakład Elektrowni Wodnych Sp. z o.o. *Jastrowie ul. Wojska Polskiego 22*	Elektrownie Wodne Sp. z o.o. *	100	100
10.	COGEN Sp. z o.o. *Poznań ul. Nowowiejskiego 11*	95	95	95
11.	EnergoPartner Sp. z o.o. *Poznań ul. Strzeszyńska 58*	100	100	100
12.	Energetyka Poznańska Przedsiębiorstwo Usług Energetycznych Energobud Poznań Sp. z o.o. *Poznań ul. Strzeszyńska 58*	Energetyka Poznańska Przedsiębiorstwo Usług Energetycznych Energobud Leszno Sp. z o.o. *	100	100

(all amounts are stated in PLN thousand, unless otherwise stated)

No.	Entity's name and address	Share of ENEA S.A. in the total votes in % 31.12.2007	Share of ENEA S.A. in the total votes in % 31.12.2006	Share of ENEA S.A. in the total votes in % 31.12.2005
13.	Energetyka Poznańska Przedsiębiorstwo Usług Energetycznych Energobud Pila Sp. z o.o. *Pila ul. Poznańska 34*	Energetyka Poznańska Przedsiębiorstwo Usług Energetycznych Energobud Leszno Sp. z o.o. *	100	100
14.	Energetyka Poznańska Przedsiębiorstwo Usług Energetycznych Energobud Leszno Sp. z o.o. *Gronźwko 30 64-111 Lipno*	99.05	100	100
15.	Energetyka Poznańska Przedsiębiorstwo Usług Energetycznych Energobud Gniezno Sp. z o.o. *Gniezno ul. Wschodnia 49/50*	Energetyka Poznańska Przedsiębiorstwo Usług Energetycznych Energobud Leszno Sp. z o.o. *	100	100
16.	Energetyka Poznańska Zakład Obsługi Socjalnej ENERGO-TOUR Sp. z o.o. *Poznań ul. Marcinkowskiego 27*	99.92	99.92	99.92
17.	Energetyka Szczecińska Zespół Elektrowni Wodnych Sp. z o.o. *Ploty ul. Paderewskiego 11*	Elektrownie Wodne Sp. z o.o. *	100	100
18.	Zakład Energetyczny Szczecin Oświetlenie Ulic Sp. z o.o. *Szczecin ul. Ku Słońcu 34*	ENEOS Sp. z o.o. *	100	100
19.	Energetyka Szczecińska Przedsiębiorstwo Usługowo-Produkcyjno-Handlowe ELMAS Sp. z o.o. *Maszewo ul. Lena 9*	ENERGOMIAR Sp. z o.o. *	100	100
20.	ENEOS Sp. z o.o. *Szczecin ul. Ku Słońcu 34*	100	—	—
21.	ENTUR Sp. z o.o. *Szczecin ul. Malczewskiego 5/7*	100	100	100
22.	Niepubliczny Zakład Opieki Zdrowotnej Centrum Rehabilitacyjno-Wczasowe ENERGETYK Sp. z o.o. *Inowroclaw ul. Wilkońskiego 2*	99.92	99.92	99.92
23.	STEREN Sp. z o.o. *Bydgoszcz ul. Lenartowicza 33-35*	*100*	*63*	*51*
24.	*Elektrownie Wodne Sp. z o.o. Samociążek, 86-010 Koronowo*	100	100	100
25.	Zakład Remontowo-Budowlany Energobud Sp. z o.o. *Gorzów Wlkp. ul. Sikorskiego 37*	Energetyka Poznańska Przedsiębiorstwo Usług Energetycznych Energobud Leszno Sp. z o.o. *	100	100

(all amounts are stated in PLN thousand, unless otherwise stated)

No.	Entity's name and address	Share of ENEA S.A. in the total votes in % 31.12.2007	Share of ENEA S.A. in the total votes in % 31.12.2006	Share of ENEA S.A. in the total votes in % 31.12.2005
26.	Zakład Usług Przewozowych ENERGOTRANS Sp. z o.o. *Gorzów Wlkp. ul. Energetyków 4*	100	100	100
27.	Zakład Elektrowni Wodnych ENERGOZEW Sp. z o.o. *Gorzów Wlkp. ul. Energetyków 4*	Elektrownie Wodne Sp. z o.o. *	100	100
28.	Zakład Usług Motoryzacyjnych ENERGOAUTO Sp. z o.o. *Gorzów Wlkp. ul. Energetyków 4*	100	100	100
29.	IGG Zachód Sp. z o.o. w likwidacji (in liquidation) *Zielona Góra ul. Zacisze 15*	50.35	50.35	50.35
30.	Zakład Usług Teleinformatycznych ZZE S.A. "IT Serwis" Sp. z o.o. *Zielona Góra ul. Zacisze 28*	100	100	100
31.	Zakład Handlowo-Usługowy "Auto-Styl" Zielonogórskich Zakładów Energetycznych S.A. Sp. z o.o. *Zielona Góra ul. Zacisze 15*	100	100	100
32.	Zakład Usługowo-Handlowy HURTUS Zielonogórskich Zakładów Energetycznych S.A. Sp. z o.o. *Zielona Góra ul. Zacisze 28*	ENERGOMIAR Sp. z o.o. *	100	100
33.	FINEA Sp. z o.o. w likwidacji (in liquidation) *Zielona Góra ul. Zacisze 28*	100	100	100
34.	Przedsiębiorstwo Usług Elektroenergetycznych Bydgoszcz S.A. z siedzibą w Bydgoszczy, *Bydgoszcz, Opławiec 154*	Energetyka Poznańska Przedsiębiorstwo Usług Energetycznych Energobud Leszno Sp. z o.o. *	92.01	92.01
35.	Przedsiębiorstwo Energetyki Cieplnej-Gozdnica Sp. z o.o. *Gozdnica ul. Świerczewskiego 30*	50.35	50.35	50.35
36	ENEA Operator Sp. z o.o. *Poznań,ul. Panny Marii 2*	100	—	—
37.	Elektrownia "Kozienice" S.A. *Świerże Górne, gmina Kozienice, Kozienice 1*	100	—	—
38.	Przedsiębiorstwo Produkcji Strunobetonowych Żerdzi Wirowanych WIRBET S.A.	49	49	49

* mergers of entities from certain divisions took place in 2007, in the above table the name of the aquiring company

Notes presented on pages F-178 – F248 are an integral part of the consolidated financial statements.

On 1 July 2007 Energetyka Poznanska Biuro Uslug Technicznych S.A. commenced a liquidation proceeding.

Finea Sp. z o.o. "in liquidation" since 1 February 2007 was brought into liquidation (Resolution no 3 of Extraordinary Shareholders Meeting dated 1 February 2007). Registration in the National Court Register was made on 23 February 2007. On 27 February 2008 based on Resolution no 1 of Extraordinary Shareholders Meeting of FINEA Sp. z o.o. the liquidation process was suspended and the entity continues as going concern.

On 1 October 2007 there was a merger of Group's companies from the "construction" division. Energetyka Poznańska Przedsiębiorstwo Usług Energetycznych Energobud Leszno Sp. z o.o. merged with the following companies, which since then operate as company's branches:

1) Energetyka Poznańska Zakład Inwestycji Energetycznych INVECO Sp. z o.o.
2) Energetyka Poznańska Przedsiębiorstwo Usług Energetycznych ENERGOBUD Poznań Sp. z o.o.
3) Energetyka Poznańska Przedsiębiorstwo Usług Energetycznych ENERGOBUD Piła Sp. z o.o.
4) Energetyka Poznańska Przedsiębiorstwo Usług Energetycznych ENERGOBUD Gniezno Sp. z o.o.
5) Przedsiębiorstwo Usług Energetycznych Bydgoszcz S.A.
6) Zakład Remontowo — Budowlany ENERGOBUD Sp. z o.o.

Share Capital of EP PUE ENERGOBUD Leszno Sp. z o.o. as a result of the merger was increased by PLN 2,661,500 from PLN 863,000 to PLN 3,524,500 through the issue of 5,323 shares (from 1,726 shares to 7,049 shares) of face value of PLN 500 each, for shareholders of merged companies.

On 18 October 2007 there was a merger of Group's companies from "multiservices" division through merger of Zakład Energetyczny Szczecin-Oświetlenie Ulic Sp. z o.o. with Energetyka Poznańska Zakład Oświetlenia Drogowego Sp. z o.o. As a result of the merger there is one entity operating under the name ENEOS Sp. z o.o. with head office in Szczecin.

Share capital of ENEOS Sp. z o.o. as a result of the merger with ZOD Sp. z o.o. (acquired company) was increased by PLN 6,015,000 from PLN 13,544,000 to PLN 19,559,000, through the issue of 12,030 shares (from 27,088 shares to 39,118 shares) of a face value of PLN 500 each, for the sole shareholder of acquired entity i.e. ENEA S.A.

On 3 December 2007 r. there was a merger of Group's companies from "green energy" division i.e.:

1) Elektrownie Wodne Sp. z o.o. with head office in Samociążek (acquiring company) with the following entities:
2) Energetyka Poznańska Zakład Elektrowni Wodnych Sp. z o.o. with head office in Jastrowie
3) Energetyka Szczecińska Zespół Elektrowni Wodnych Sp. z o.o. with head office in Płoty
4) Zakład Elektrowni Wodnych ENERGOZEW Sp. z o.o. with head office in Gorzów Wlkp.

Share capital of Elektrownie Wodne Sp. z o.o. (acquiring entity), as a result of the merger was increased by PLN 22,084,000 from PLN 182,606,500 to PLN 204,690,500, through the issue of 44,168 shares (from 365,213 shares to 409,381 shares) of the face value of PLN 500 each, for shareholders of merged companies.

On 31 December 2007 there was a merger of Group's companies from "measurement" division i.e.:

1) ENERGOMIAR Sp. z o.o. with head office in Poznan (acquiring company)
2) Energetyka Szczecińska PUPH ELMAS Sp. z o.o. with head office in Maszewo

(all amounts are stated in PLN thousand, unless otherwise stated)

3) ZUH Hurtus Zielonogórskich Zakładów Energetycznych Sp. z o.o. with head office in Zielona Góra.

Share capital of ENERGOMIAR Sp. z o.o. with head office in Poznan (acquiring company), as a result of the merger was increased by PLN 627,000 from PLN 1,717,000 to PLN 2,344,000, through the issue of 1,254 shares (from 3,434 shares to 4,688 shares) of a face value of PLN 500 each, for shareholders of merged companies.

5. Segmental information

Primary reporting format-business segments

Segment results for the year 2007 are as follows:

Period from 01.01.2007 to 31.12.2007	Trade	Distribution	Production	Other activities	Eliminations	Group
External sales	2,614,661	2,206,634	332,583	291,926	—	5,445,804
Inter-segment sales	147,602	277	151,596	387,188	(686,663)	—
Total segment sales	2,762,263	2,206,911	484,179	679,114	(686,663)	5,445,804
Total costs	(2,688,666)	(2,130,928)	(472,385)	(640,929)	679,790	(5,253,118)
Segment result	**73,597**	**75,983**	**11,794**	**38,185**	**(6,873)**	**192,686**
Unallocated costs of the Group (admin expenses)						(116,345)
Operating profit						**76,341**
Financial costs						(12,387)
Financial income						44,982
Net share in profits/losses of associates						147
Income tax						412,593
Net profit						**521,676**
Minority interest						162

Segment results for the year 2006 are as follows:

Period from 01.01.2006 to 31.12.2006	Trade	Distribution	Other activities	Eliminations	Group
External sales	2,721,996	2,399,597	262,149	—	5,383,742
Inter-segment sales	44,060	1,232	361,239	(406,531)	—
Total segment sales	2,766,056	2,400,829	623,388	(406,531)	5,383,742
Total costs	(2,708,112)	(2,202,028)	(573,170)	405,218	(5,078,092)
Segment result	**57,944**	**198,801**	**50,218**	**(1,313)**	**305,650**
Unallocated costs of the Group (admin expenses)					(74,806)
Operating profit					**230,844**
Financial costs					(15,811)
Financial income					34,639
Net share in profits/losses of associates					(129)
Income tax					(45,096)
Net profit					**204,447**
Minority interest					811

(all amounts are stated in PLN thousand, unless otherwise stated)

Segment results for the year 2005 are as follows:

Period from 01.01.2005 to 31.12.2005	Trade	Distribution	Other activities	Eliminations	Group
External sales	2,211,525	2,165,967	237,167	—	4,614,659
Inter-segment sales	34,766	3,986	388,069	(426,821)	—
Total segment sales	2,246,291	2,169,953	625,236	(426,821)	4,614,659
Total costs	(2,162,685)	(2,118,512)	(597,282)	425,359	(4,453,120)
Segment result	**83,606**	**51,441**	**27,954**	**(1,462)**	**161,539**
Unallocated costs of the Group (admin expenses)					(112,373)
Operating profit					**49,166**
Financial costs					(17,908)
Financial income					21,109
Net share in profits/losses of associates					79
Income tax					(15,633)
Net profit					**36,813**
Minority interest					524

Other information on business segments for the year 2007:

31.12.2007	Trade	Distribution	Production	Other activities	Group
Tangible fixed assets	18,759	4,381,643	2,814,058	306,070	7,520,530
Trade and other receivables	367,456	119,619	92,739	135,425	715,239
TOTAL:	386,215	4,501,262	2,906,797	441,495	8,235,769
Assets excluded from segmentation					1,580,417
– including tangible fixed assets					350,631
TOTAL: ASSETS					**9,816,186**
Trade and other payables	184,224	234,470	253,726	102,070	774,490
Equity and liabilities excluded from segmentation					9,041,696
– including trade payables and other liabilities					13,231
TOTAL: EQUITY & LIABILITIES					**9,816,186**
Capital expenditures on tangible and intangible assets	2,064	340,625	28,784	20,996	392,469
Amortization and depreciation	3,427	377,052	56,919	16,935	454,333
Amortization and depreciation excluded from the segmentation					16,224
Bad debt allowances	83,413	—	19,790	20,615	123,818

(all amounts are stated in PLN thousand, unless otherwise stated)

Other information regarding segments for the year 2006 are as follows:

31.12.2006	Trade	Distribution	Other activities	Group
Tangible fixed assets	43,062	4,968,588	41,467	5,053,117
Trade and other receivables	262,599	277,602	84,887	625,088
TOTAL:	305,661	5,246,190	126,354	5,678,205
Assets excluded from segmentation				717,650
– including tangible fixed assets				263,155
TOTAL: ASSETS				**6,395,855**
Trade and other payables	290,676	211,184	74,022	575,882
Equity and liabilities excluded from segmentation				5,819,973
TOTAL: EQUITY & LIABILITIES				**6,395,855**
Capital expenditures on tangible and intangible fixed assets	2,723	314,139	49,016	365,878
Amortization and depreciation	3,268	376,799	3,426	383,493
Amortization and depreciation excluded from the segmentation				19,971
Bad debt allowances	44,731	47,286	14,459	106,476

Other information regarding segments for the year 2005 are as follows:

31.12.2005	Trade	Distribution	Other activities	Group
Tangible fixed assets	45,534	5,023,040	41,921	5,110,495
Trade and other receivables	249,575	265,947	81,323	596,845
TOTAL:	295,109	5,288,987	123,244	5,707,340
Assets excluded from segmentation				438,666
– including tangible fixed assets				264,040
– including trade receivables and others				1,999
TOTAL: ASSETS				**6,146,006**
Trade and other payables	277,014	205,230	70,129	552,373
Equity and liabilities excluded from segmentation				5,593,633
TOTAL: EQUITY & LIABILITIES				**6,146,006**
Capital expenditures on tangible and intangible assets	2,637	338,250	57,213	398,100
Amortization and depreciation	2,908	355,281	22,386	380,575
Amortization and depreciation excluded from the segmentation				17,766
Bad debt allowances	51,737	53,031	24,575	129,343

Revenues of a segment are the revenues from sales to external customers and transactions with other segments that can be directly attributed to a given segment together with an adequate part of the Group revenues attributed to this segment upon rational prerequisites.

Costs of a segment are costs consisting of cost of sales to external customers and costs of transactions with other segments within the Group that result from the operating activity of a given segment and can be directly assigned to this segment together with an adequate part of the Group's costs attributed to this segment upon rational prerequisites.

(all amounts are stated in PLN thousand, unless otherwise stated)

In inter-segment transactions there are market prices applied that enable individual entities to gain the margin suitable to operate separately in the market. The prices defined by the Law on Energy apply for the sales of energy and transmission services.

Complementary segment reporting—geographic segments

The Group operates in one economic environment-territory of Poland, therefore the Group does not present any geographic segments.

6. Tangible fixed assets

	Land	Buildings and structures	Technical equipment and machinery	Vehicles	Other fixed assets	Fixed assets under construction	Total
As at 1 January 2007							
Gross book value	24,733	4,916,141	1,414,646	74,465	321,984	92,630	6,844,599
Accumulated depreciation	—	(987,813)	(305,071)	(28,249)	(207,194)	—	(1,528,327)
Net book value	**24,733**	**3,928,328**	**1,109,575**	**46,216**	**114,790**	**92,630**	**5,316,272**
Changes during 12 months period till 31 December 2007							
Transfers	471	89,174	18,498	930	414	(109,487)	—
Additions	2,209	159,994	37,348	6,411	20,193	164,386	390,541
Acquisition of Elektrownia "Kozienice" S.A. (gross book value)	196	789,079	2,392,612	10,396	9,273	24,186	3,225,742
Acquisition of Elektrownia "Kozienice" S.A. (accumulated depreciation)	—	(102,121)	(478,188)	(2,466)	(2,216)	—	(584,991)
Disposals (gross book value)	(306)	(16,153)	(2,856)	(1,226)	(4,227)	(39)	(24,807)
Disposals (accumulated depreciation)	—	2,856	750	1,036	4,173	—	8,815
Depreciation charge	—	(303,116)	(124,427)	(6,996)	(16,524)	—	(451,063)
Other changes (gross book value)	—	2,697	(787)	140	(5,484)	(6,706)	(10,140)
Other changes (accumulated depreciation)	—	(1,026)	(2,560)	(105)	4,483	—	792
As at 31 December 2007							
Gross book value	27,303	5,940,932	3,859,461	91,116	342,153	164,970	10,425,935
Accumulated depreciation	—	(1,391,220)	(909,496)	(36,780)	(217,278)	—	(2,554,774)
Net book value	**27,303**	**4,549,712**	**2,949,965**	**54,336**	**124,875**	**164,970**	**7,871,161**

(all amounts are stated in PLN thousand, unless otherwise stated)

	Land	Buildings and structures	Technical equipment and machinery	Vehicles	Other fixed assets	Fixed assets under construction	Total
As at 1 January 2006							
Gross book value	23,701	4,684,103	1,348,171	71,782	304,621	89,742	6,522,120
Accumulated depreciation	—	(714,470)	(222,848)	(22,357)	(187,910)	—	(1,147,585)
Net book value	**23,701**	**3,969,633**	**1,125,323**	**49,425**	**116,711**	**89,742**	**5,374,535**
Changes during 12 months period till 31 December 2006							
Transfers	1,041	232,836	67,254	2,671	2,729	(306,531)	—
Additions	32	15,756	3,931	1,801	15,332	328,257	365,109
Disposals (gross book value)	(41)	(16,396)	(4,769)	(1,771)	(272)	—	(23,249)
Disposals (accumulated depreciation)	—	5,670	2,069	1,402	279	—	9,420
Depreciation charge	—	(279,854)	(84,434)	(7,284)	(19,992)	—	(391,564)
Other changes (gross book value)	—	(158)	59	(18)	(426)	(18,838)	(19,381)
Other changes (accumulated depreciation)	—	841	142	(10)	429	—	1,402
As at 31 December 2006							
Gross book value	24,733	4,916,141	1,414,646	74,465	321,984	92,630	6,844,599
Accumulated depreciation	—	(987,813)	(305,071)	(28,249)	(207,194)	—	(1,528,327)
Net book value	**24,733**	**3,928,328**	**1,109,575**	**46,216**	**114,790**	**92,630**	**5,316,272**

	Land	Buildings and structures	Technical equipment and machinery	Vehicles	Other fixed assets	Fixed assets under construction	Total
As at 1 January 2006							
Gross book value	22,201	4,477,303	1,274,550	65,359	286,794	68,296	6,194,503
Accumulated depreciation	—	(446,216)	(143,057)	(16,949)	(167,410)	—	(773,632)
Net book value	**22,201**	**4,031,087**	**1,131,493**	**48,410**	**119,384**	**68,296**	**5,420,871**
Changes during 12 months period till 31 December 2005							
Transfers	2,440	215,267	79,963	5,756	2,207	(305,633)	—
Additions	244	11,175	4,632	3,602	16,061	353,479	389,193
Disposals (gross book value)	(1,184)	(17,845)	(12,475)	(3,297)	(590)	—	(35,391)
Disposals (accumulated depreciation)	—	4,449	3,797	1,975	630	—	10,851
Depreciation charge	—	(270,841)	(84,978)	(7,875)	(21,349)	—	(385,043)
Other changes (gross book value)	—	(1,797)	1,501	362	149	(26,400)	(26,185)
Other changes (accumulated depreciation)	—	(1,862)	1,390	492	219	—	239
As at 31 December 2005							
Gross book value	23,701	4,684,103	1,348,171	71,782	304,621	89,742	6,522,120
Accumulated depreciation	—	(714,470)	(222,848)	(22,357)	(187,910)	—	(1,147,585)
Net book value	**23,701**	**3,969,633**	**1,125,323**	**49,425**	**116,711**	**89,742**	**5,374,535**

Tangible fixed assets pledged as security are presented in the note 12.

(all amounts are stated in PLN thousand, unless otherwise stated)

The Group, as the lessee, uses the following tangible fixed assets under finance lease contracts:

	31.12.2007			31.12.2006			31.12.2005		
	Initial cost-capitalized finance lease	Accumulated depreciation	Net book value	Initial cost-capitalized finance lease	Accumulated depreciation	Net book value	Initial cost-capitalized finance lease	Accumulated depreciation	Net book value
technical equipment and machinery	461	(228)	**233**	78	(2)	**76**	96	(77)	**19**
vehicles	903	(238)	**665**	876	(526)	**350**	1,156	(644)	**512**
	1,364	**(466)**	**898**	**954**	**(528)**	**426**	**1,252**	**(721)**	**531**

The Group does not act as the financing party.

7. Intangible assets

	Development costs	Goodwill	Software, licenses, concessions, patents	Total
As at 1 January 2007				
Gross book value	185	385	77,639	78,209
Accumulated amortization	(121)	—	(52,352)	(52,473)
Net book value	**64**	**385**	**25,287**	**25,736**
Changes during 12 months period till 31 December 2007				
Additions	27	—	1,902	1,929
Acquisition of Elektrownia "Kozienice" S.A. (gross book value)	—	—	28,651	28,651
Acquisition of Elektrownia "Kozienice" S.A. (accumulated amortization)	—	—	(5,969)	(5,969)
Disposals (gross book value)	—	—	(291)	(291)
Disposals (accumulated amortization)	—	—	289	289
Amortization charge	(30)	—	(9,804)	(9,834)
Other changes (gross book value)	—	—	(39)	(39)
Other changes (accumulated amortization)	—	—	46	46
As at 31 December 2007				
Gross book value	212	385	107,862	108,459
Accumulated amortization	(151)	—	(67,790)	(67,941)
Net book value	**61**	**385**	**40,072**	**40,518**

(all amounts are stated in PLN thousand, unless otherwise stated)

	Development costs	Goodwill	Software, licenses, concessions, patents	Total
As at 1 January 2006				
Gross book value	181	385	72,659	73,225
Accumulated amortization	(85)	—	(40,210)	(40,295)
Net book value	**96**	**385**	**32,449**	**32,930**
Changes during 12 months period till 31 December 2006				
Transfers	—	—	4,312	4,312
Additions	4	—	765	769
Disposals (gross book value)	—	—	(645)	(645)
Disposals (accumulated amortization)	—	—	—	—
Amortization charge	(36)	—	(12,142)	(12,178)
Other changes (gross book value)	—	—	548	548
As at 31 December 2006				
Gross book value	185	385	77,639	78,209
Accumulated amortization	(121)	—	(52,352)	(52,473)
Net book value	**64**	**385**	**25,287**	**25,736**

	Development costs	Goodwill	Software, licenses, concessions, patents	Other	Total
As at 1 January 2005					
Gross book value	142	385	63,910	211	64,648
Accumulated amortization	(58)	—	(27,051)	(134)	(27,243)
Net book value	**84**	**385**	**36,859**	**77**	**37,405**
Changes during 12 months period till 31 December 2005					
Additions	39	—	8,868	—	8,907
Disposals (gross book value)	—	—	(119)	(211)	(330)
Amortization charge	(27)	—	(13,270)	—	(13,297)
Other changes (acumulated amortization)	—	—	111	134	245
As at 31 December 2005					
Gross book value	181	385	72,659	—	73,225
Accumulated amortization	(85)	—	(40,210)	—	(40,295)
Net book value	**96**	**385**	**32,449**	**—**	**32,930**

The Group's intangible assets are not subject to collateral.

(all amounts are stated in PLN thousand, unless otherwise stated)

8. Investment properties

	31.12.2007	31.12.2006	31.12.2005
value at the beginning of the year			
Acquisition of Elektrownia "Kozienice" S.A	4,833	—	—
Transfer to/from tangible fixed assets	6	—	—
Gross book value at the end of the year	**4,839**	—	—
Accumulated depreciation at the beginning of the year	—	—	—
Acquisition of Elektrownia "Kozienice" S.A	(466)	—	—
Depreciation expense for the year	(41)	—	—
Accumulated depreciation at the end of the year	**(507)**	—	—
Net book value at the beginning of the year	**—**	—	—
Net book value at the end of the year	**4,332**	**—**	**—**

The Group's investment properties are not subject to collateral.

9. Investments in associates

	31.12.2007	31.12.2006	31.12.2005
value at the beginning of the year	5,060	5,189	6,258
Share in the change of net assets	147	(129)	79
Change in the status of the associate (transfer from associate to subsidiary)	—	—	(1,148)
Value at the end of the year	**5,207**	**5,060**	**5,189**

10. Financial assets

	31.12.2007	31.12.2006	31.12.2005
Non-current financial assets available-for-sale (shares and interests in non-related entities)	14,981	9,405	13,047
Non-current financial assets carried at the fair value through profit or loss	1,379	1,617	1,606
Non-current financial assets	**16,360**	**11,022**	**14,653**
Short-term financial assets available-for-sale	3,292	3,568	—
Short-term financial assets held-to-maturity	49,323	—	—
Current financial assets	**52,615**	**3,568**	**—**
Total financial assets	**68,975**	**14,590**	**14,653**

(all amounts are stated in PLN thousand, unless otherwise stated)

11. Trade and other receivables

	31.12.2007 Carrying amount	31.12.2006 Carrying amount	31.12.2005 Carrying amount
Current trade and other receivables			
Trade receivables	541,784	520,127	527,024
Taxation and other related receivables	35,784	45,273	41,715
Other receivables	76,473	6,274	10,091
Prepayments	310	—	—
Receivables due to accrued sales	181,726	156,309	146,302
Prepaid property insurance	2,851	3,477	2,942
	838,928	**731,460**	**728,074**
Less: allowance for receivables	(123,818)	(106,476)	(129,343)
Current trade and other receivables net of allowance	**715,110**	**624,984**	**598,731**
Non-current trade receivables and other receivables			
Financial receivables	107	98	95
Prepayments	22	6	18
Non-current trade receivables and other receivables net of allowance	**129**	**104**	**113**
Total trade and other receivables net of allowance	**715,239**	**625,088**	**598,844**

Allowances of trade and other receivables:

	31.12.2007	31.12.2006	31.12.2005
Opening balance of allowance	**106,476**	**129,343**	**118,785**
Acquisition of Elektrownia "Kozienice" S.A	29,521	—	—
Additions	18,127	29,277	43,237
Reversals	(28,643)	(48,477)	(24,183)
Utilization	(1,663)	(3,665)	(8,496)
Closing balance of allowance	**123,818**	**106,478**	**129,343**

Receivables subject to security or limited use are presented in the note 12.

(all amounts are stated in PLN thousand, unless otherwise stated)

12. Limitations in disposal and security titles established on the Group's assets

Property, plant and equipment in relation to which an entity has a limited title of ownership and which constitute a security for settlement of liabilities.

Entity's name	Collateral in respect of	Type of collateral	Entity for the benefit of which collateral has been put up	Indebtness as at 31.12.2007	Indebtness as at 31.12.2006	Indebtness as at 31.12.2005	Expiry date
EP PUE ENERGOBUD Leszno Sp. z o.o.	Investment credit	Ordinary mortgage of up to PLN 3,500 thousand, Deposit mortgage in the amount of PLN 225 thousand	Bank Zachodni WBK S.A. Branch in Leszno	1,500	2,750	3,500	June 2009
EP PUE ENERGOBUD Leszno Sp. z o.o.	Overdraft	Deposit mortgage of up to PLN 530 thousand	Bank Zachodni WBK S.A. Branch in Leszno	—	—	—	March 2008
Elektrownie Wodne Sp. z o.o.	Loan, Interest and costs of potential legal proceeding	Ordinary mortgage of up to PLN 3,500 thousand, deposit mortgage of up to PLN 1,440 thousand	Bank Ochrony Strodowiska S.A. in Warsaw Branch in Poznan	2,500	3,294	2,661	December 2010
Elektrownie Wodne Sp. z o.o.	Overdraft	Transfer of ownership of an alternating current generator in the amount of PLN 532 thousand as a security for debt	Bank PEKAO S.A.	—	104	—	September 2007
Zakiad Transportu Sp. z o.o.	Investment credit	Registered pledge on cars in the amount of PLN 568 thousand	Nordea Bank Polska S.A.	—	—	374	December 2005
Energetyka Wysokich i Najwyszych Napiec "EWiNN" Sp. z o.o.	Investment credit	Ordinary mortgage of up to PLN 4,000 thousand,	Nordea Bank Polska S.A.	2,932	3,294	—	February 2016
Energetyka Poznaska Hotel "EDISON" Sp. z o.o	Overdraft	Deposit mortgage in the amount of PLN 400 thousand	BZ WBK S.A.	149	158	168	September 2008
Zakiad Handlow o-Usiugow y Auto-Styl Sp. z o.o.	Investment loan	Registered pledge on technical equipment and machinery in the amount of PLN 99 thousand	BGZ S.A.	293	—	—	June 2012
Elektrownia "Kozienice" S.A.	Long-term loan	Registered pledge on fixed assets in the amount of PLN 48,000 thousand	BOS S.A.	856	*	*	June 2008
Elektrownia "Kozienice" S.A.	Long-term loan	Assignment of receivables	NFOSiGW	27,907	*	*	June 2011
Elektrownia "Kozienice" S.A.	Long-term loan	Registered pledge on fixed assets in the amount of PLN 144,065 thousand and 16 blank promissory notes	Nordic Bank	94,486	*	*	November 2014
Elektrownia "Kozienice" S.A.	Long-term loan	Registered pledge on fixed assets in the amount of PLN 244,415 thousand and assignment of receivables up to the amount of the liability	PKO BP	91,021	*	*	December 2012

*—Elektrownia "Kozienice" S.A. is a member of ENEA S.A. Group since 10 October 2007, thereof as per the above schedule the respective data for years 2005 and 2006 were not presented.

(all amounts are stated in PLN thousand, unless otherwise stated)

Other collateral on assets:

Ord. No.	Entity's name	Collateral in respect of	Type of the collateral	Entity for the benefit of which collateral has been put up	Indebtness as at 31.12.2007	Indebtness as at 31.12.2006	Indebtness as at 31.12.2005	Expiry date
1.	**ENEA S.A.**	Overdraft	Power of attorney to the account	**PKO BP S.A.**	20,112	40,000	—	1 August 2008
2.	**ENEA S.A.**	Investment loan	Power of attorney to the account	**Nordea Bank Polska S.A.**	—	—	5,000	28 June 2006
3.	**ENEA S.A.**	Investment loan	Power of attorney to the account	**BZ WBK S.A.**	—	—	7,500	26 September 2006
4.	**ENEA S.A.**	Investment loan	Power of attorney to the account	**Bank Handlowy S.A.**	—	—	3,500	13 April 2006
5.	**ENEA S.A.**	Investment loan	Power of attorney to the account	**Pekao S.A.**	—	—	9,500	31 December 2005
6.	**ENEA S.A.**	Investment loan	Power of attorney to the account	**PKO BP S.A.**	—	—	30,000	31 December 2005
7.	**ENEA S.A.**	Overdraft	Power of attorney to the account	**BZ WBK S.A.**	—	—	61,034	31 December 2005
8.	**ENEA S.A.**	Overdraft	Power of attorney to the account	**Pekao S.A.**	—	—	4,825	19 August 2006
9.	**Energobud Leszno**	Investment loan	Transfer of rights from property insurance policy; power of attorney to debit the borrower's account	**BZ WBK S.A.**	1,500	2,762	3,500	June 2009
10.	**Energobud Leszno**	Security regarding products and services acquired under Fleet Cards Agreement	Blank promissory note	**PKN Orlen S.A.**	not specified	—	—	not determined
11.	**Energobud Leszno**	Overdraft	Blank promissory note	**BZ WBK S.A.**	—	—	—	14 March 2008
12.	**Energobud Leszno**	Lease agreements	Blank promissory note	**Pekao Leasing Sp. z o.o**	282	268	268	July 2012
13.	**EWiNN**	Investment loan	Power of attorney to the account Transfer of rights from the insurance policy	**NORDEA BANK POLSKA S.A.**	2,932	3,321	—	February 2016
14.	**Elektrownie Wodne**	Investment loan	Power of attorney to the account Assignment of receivables from the energy sale agreement, Assignment of rights from insurance policy of real estate-hydropower plant in Dobrzyca upon which mortgage security and blank promissory note have been established	**Bank Ochrony Środowiska S.A. w Warszawie o/ Poznań**	2,500	3,294	2,661	December 2010

Notes presented on pages F-178 – F248 are an integral part of the consolidated financial statements.

(all amounts are stated in PLN thousand, unless otherwise stated)

Ord. No.	Entity's name	Collateral in respect of	Type of the collateral	Entity for the benefit of which collateral has been put up	Indebtness as at 31.12.2007	Indebtness as at 31.12.2006	Indebtness as at 31.12.2005	Expiry date
15.	**Elektrownie Wodne**	Overdraft	Power of attorney to the account Ttransfer of ownership title to hydrogenerator of the variable current and assignment of rights from insurance policy	**PEKAO S.A.**	—	104	—	September 2007
16.	**Elektrownie Wodne**	Lease agreements	Blank promissory note	**Europejski Fundusz Leasingowy**	81	—	—	August 2010
17.	**Elektrownie Wodne**	Lease agreements	Blank promissory note	**Europejski Fundusz Leasingowy**	49	—	—	March 2008
18.	**BHU S.A.**	Purchase limits	Blank promissory note, blank premisory note guarantee	**Philips Lighting Farel Mazury Sp. z o.o**	400	400	400	period of agreement
19.	**Eneos**	Investment loan	Assignment of agreement and blank promissory notes	**PKO BP S.A.**	2,317	2,296	183	October 2013
20.	**Auto-Styl**	Overdraft	Blank promissory note	**Volkswagen Bank Polska S.A.**	1,000	1,000	—	June 2008
21.	**Auto-Styl**	Credit guarantee	Blank promissory note	**Volkswagen Bank Polska S.A.**	2,500	—	—	June 2008
22.	**ENEA S.A.**	Collateral debt obligation	Blank promissory note	**PSE Operator S.A.**	15,000	—	—	period of agreement
23.	**ENEA S.A.**	Bank guarantee	Bank guarantee	**RONDO PROPERTY**	104	—	—	31 December 2008

(all amounts are stated in PLN thousand, unless otherwise stated)

13. Inventories

	31.12.2007	31.12.2006	31.12.2005
Raw materials	121,479	21,358	17,563
Semi-products and work in progress	2,122	1,777	3,181
Finished goods	326	131	197
Merchandise	30,425	21,041	19,923
	154,352	**44,307**	**40,864**
Inventory allowance	(5,287)	(52)	(124)
Total inventories net of allowance	**149,065**	**44,255**	**40,740**

There were no securities established over the Group's inventory.

14. Cash and cash equivalents

	31.12.2007	31.12.2006	31.12.2005
Cash on hand and at bank	**533,426**	**340,285**	**46,496**
cash on hand	790	1,243	—
cash at bank	532,636	339,042	46,496
Other cash and cash equivalents	**407,366**	**11,434**	**17,287**
cash in transit	1,044	990	—
bank deposits	406,322	10,444	17,287
Total cash and cash equivalents	**940,792**	**351,719**	**63,783**
Cash reported in the Cash Flow Statement	**940,792**	**351,719**	**63,783**

Collaterals established on cash are presented in note 12.

(all amounts are stated in PLN thousand, unless otherwise stated)

15. Equity

As at 31 December 2007

Series of shares	Number of shares (in units)	Face value per share in PLN	Share capital
"A" Series	13,224,510	1	13,225
"B" Series	5,116,410	1	5,116
"C" Series	3,770,835	1	3,771
"D" Series	3,276,750	1	3,277
"E" Series	7,850,730	1	7,851
"F" Series	74,938,890	1	74,939
"G" Series	28,992,990	1	28,993
"H" Series	21,368,065	1	21,368
"I" Series	18,568,250	1	18,568
"J" Series	44,487,470	1	44,487
"K" Series	126,625,657	1	126,626
Total number of shares	**348,220,557**		
Total share capital			**348,221**
Share capital			348,221
Share capital from business combinations			38,810
Share capital from hyperinflation revaluation			107,765
TOTAL SHARE CAPITAL			**494,796**
Share premium			1,801,078
Share based payment reserve			901,110
Retained earnings			3,566,227
Minority interest			3,164
TOTAL EQUITY			**6,766,375**

As at 31 December 2006

Series of shares	Number of shares (in units)	Face value per share in PLN	Share capital
"A" Series	13,224,510	1	13,225
"B" Series	5,116,410	1	5,116
"C" Series	3,770,835	1	3,771
"D" Series	3,276,750	1	3,277
"E" Series	7,850,730	1	7,851
"F" Series	74,938,890	1	74,939
"G" Series	28,992,990	1	28,993
"H" Series	21,368,065	1	21,368
"I" Series	18,568,250	1	18,568
"J" Series	44,487,470	1	44,487
Total number of shares	**221,594,900**		
Total share capital			**221,595**
Share capital			221,595
Share capital from business combinations			38,810
Share capital from hyperinflation revaluation			107,765
TOTAL SHARE CAPITAL			**368,170**
Share based payment reserve			901,110
Retained earnings			3,088,596
Minority interest			6,002
TOTAL EQUITY			**4,363,878**

(all amounts are stated in PLN thousand, unless otherwise stated)

As at December 2005

Series of shares	Number of shares (in units)	Face value per share in PLN	Share capital
"A" Series	13,224,510	1	13,225
"B" Series	5,116,410	1	5,116
"C" Series	3,770,835	1	3,771
"D" Series	3,276,750	1	3,277
"E" Series	7,850,730	1	7,851
"F" Series	74,938,890	1	74,939
"G" Series	28,992,990	1	28,993
"H" Series	21,368,065	1	21,368
"I" Series	18,568,250	1	18,568
"J" Series	44,487,470	1	44,487
Total number of shares	**221,594,900**		
Total share capital			**221,595**
Share capital			221,595
Share capital from business combinations			38,810
Share capital from hyperinflation revaluation			107,765
TOTAL SHARE CAPITAL			**368,170**
Share based payment reserve			901,110
Retained earnings			2,926,242
Minority interest			5,032
TOTAL EQUITY			**4,200,554**

By virtue of the Resolution of General Shareholders Meeting dated 14 June 2005 the share capital of ENEA S.A. was divided in this way that each share of a value of PLN 100 was divided into 100 shares and, subsequently, the share capital of ENEA S.A. consisted of 221,594,900 shares of a face value of PLN 1 each. All the series of shares have the same rights.

According to the Resolution no 1 of the Extraordinary General Meeting dated 23 July 2007, the share capital of the Parent Company was increased by PLN 126,625,657 through the issue of the new 126,625,657 ordinary registered series K shares of a face value of PLN 1 each. The State Treasury, in exchange of acquired shares, contributed 100% shares of Elektrownia "Kozienice" S.A., a fair value of which amounted to PLN 3,433 million. The difference between the face value and the issue value of shares issued in exchange of contribution in kind less the value of liabilities resulting from the cash equivalent for employees of Elektrownia "Kozienice" S.A (Note 19), was recognized in equity as share premium. In the consolidated financial statements the share premium was adjusted for the difference between the value of issued shares and the book value of net assets of Elektrownia "Kozienice" S.A.

Each share series has the same rights. As of 31 December 2007, 31 December 2006 and 31 December 2005 the sole shareholder of ENEA S.A. was the State Treasury holding 100% of the share capital. The State Treasury represented by the Treasury Minister, exercised all rights during the General Shareholders Meeting. All shares issued were paid in full.

There are some restrictions in appropriation of retained earnings of the Parent Company. These restrictions concern the dividend payment and result from mandatory provisions of law, i.e. Art. 347, Art. 348 and Art. 396 of the Code of Commercial Companies, as well as ENEA S.A. Articles of Association (§ 38) however these restrictions refer mainly to advance payments of dividends. The amount of the retained earnings to be apportioned to shareholders must not exceed the net profit for the last financial year increased by retained earnings from prior periods and the amounts brought forward from the reserve capital and other capital reserves created from the net profit, which are subject to the dividends and decreased by unappropriated losses, treasury shares and amounts that according to the law or the Parent Company's Articles of Association should be transferred from the net profit for the last financial year to reserve capital or other capital reserves.

(all amounts are stated in PLN thousand, unless otherwise stated)

The appropriation of retained earnings is regulated by provisions of the Code of Commercial Companies (the Code), which when was enacted, did not consider application of IFRS EU. After the amendments of the Accounting Act dated 29 September 1994 implemented in 2004, that allowed for the application of IFRS EU in preparation of the statutory financial statements, categories of equity are not consistent with those per the Code. As a result, based on the existing law as set out in the Code it is not clear weather the retained earnings resulting from adjustments related to first-time adoption of IFRS EU, are subject to any restrictions of appropriation especially in respect of dividends payment.

16. Trade and other payables

	31.12.2007 Carrying amount	31.12.2006 Carrying amount	31.12.2005 Carrying amount
Non-current trade and other payables			
Other financial liabilities	19	100	100
Current trade and other payables			
Trade payables	588,225	451,474	434,137
Prepayments received from customers	21,457	18,718	17,119
Tax and other related liabilities	132,007	73,978	67,073
Other non-financial liabilities	36,532	29,258	32,370
Special funds	9,481	2,354	1,574
Total non-current	**787,702**	**575,782**	**552,273**
Total	**787,721**	**575,882**	**552,373**

(all amounts are stated in PLN thousand, unless otherwise stated)

17. Borrowings

	31.12.2007		31.12.2006		31.12.2005	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Non-current						
Bank loans	184,140	184,829	30,741	30,741	22,960	22,960
Loans	236	236	246	246	234	234
	184,376	**185,065**	**30,987**	**30,987**	**23,194**	**23,194**
Current						
Bank loans	69,204	69,851	26,559	26,559	107,913	107,913
Loans	40	40	—	—	—	—
	69,244	**69,891**	**26,559**	**26,559**	**107,913**	**107,913**
Total	**253,620**	**254,956**	**57,546**	**57,546**	**131,107**	**131,107**

Ageing of non-current borrowings	31.12.2007	31.12.2006	31.12.2005
Between 1 and 3 years	46,643	25,344	20,352
Between 3 and 5 years	109,553	3,811	2,680
More than 5 years	28,180	1,832	162
Total	**184,376**	**30,987**	**23,194**

18. Deferred income from subsidies and connections' fee

	31.12.2007 Carrying amount	31.12.2006 Carrying amount	31.12.2005 Carrying amount
Non-current			
Deferred income from subsidies	224,902	230,813	235,955
Deferred income from connections' fee	459,691	390,329	345,548
	684,593	**621,142**	**581,503**
Current			
Deferred income from subsidies	16,057	9,707	8,098
Deferred income from connections' fee	12,369	16,370	16,814
	28,426	**26,077**	**24,912**

Notes presented on pages F-178 – F248 are an integral part of the consolidated financial statements.

(all amounts are stated in PLN thousand, unless otherwise stated)

Amortization schedule of deferred income

	31.12.2007	31.12.2006	31.12.2006
Less than 1 year	28,426	26,077	24,912
Between 1 and 5 years	96,952	92,996	94,232
More than 5 years	587,641	528,146	487,271
	713,019	**647,219**	**606,415**

In 2007 Elektrownia "Kozienice" S.A. has received 2 subsidies from the Ekofundusz in the amount of PLN 4,497 thousand and PLN 3,985 thousand. These subsidies were utilized for biomass co-combustion installations in 200 MW power units and the modernization of the power unit no. 2. Received subsidies are presented as deferred income and are recognized in other operating income over the depreciation period of related fixed assets (i.e. 20 and 10 years respectively).

19. Share based payments reserve and liabilities due to cash settled share based payments

Employees of the Group, on the basis of the Act on the Commercialization and Privatization dated 30 August 1996 (Act on the Commercialization and Privatization) are entitled to acquire free of charge 15% of the Parent Company's shares. The aforementioned right is granted to Entitled Employees i.e. to employees, who were employed at the day of the Parent Company and Elektrownia "Kozienice" S.A. commercialization (the transformation of a State Enterprise into joint stock company fully owned by State Treasury) and persons, who have worked in the State Enterprise for at least 10 years as well as persons who meet other additional criteria stipulated in Article 2, Paragraph 5 of the Act on the Commercialization and Privatization. The right to acquire free of charge shares arises after three months from the date of the State Treasury 's disposal of first shares based on general conditions.

Moreover, according to the Act on the Commercialization and Privatization Entitled Employees of Elektrownia "Kozienice" S.A. as at the date of the contribution of 100% of the company's shares to ENEA acquired the right to a cash equivalent. The cash equivalent is paid by ENEA and is accompanied by the redemption of shares of ENEA subject to the equivalent held by the State Treasury.

In 2007 in connection with the consolidation of the energy sector the Act on the acquisition of shares from the State Treasury as a result of the energy sector consolidation process dated 7 September 2007 was passed (Act from 2007). The abovementioned Act, among the others, grants Entitled Employees of the consolidated entity (Elektrownia "Kozienice" S.A.) the option to exchange the right to the cash equivalent into the right to acquire free of charge shares of consolidating entity (ENEA).

According to IFRS 2 the costs of such scheme should be recognized in the period, when Entitled Employees performed services. The cost of the employees' services is measured as at the Grant Date i.e. the date when all significant provisions of the employees' share based payments are determined.

The Grant Date to acquire shares or cash equivalents is the day, when Management agrees with trade unions on the number of shares attributable to particular groups of Entitled Employees. Such agreement is concluded after the State Treasury sells first shares based on the general conditions.

There are specific rules in relation to Entitled Employees of Elektrownia "Kozienice" S.A. The number of shares attributable to each Entitled Employees' group is determined after the contribution of Elektrownia "Kozienice" S.A.'s shares to ENEA. On 16 May 2008 Management of Elektrownia Kozienice S.A. and Trade Unions concluded final agreement on the amount of shares to be allocated to particular groups of Entitled Employees. Therefore the Grant Date occurred on 16 May 2008.

(all amounts are stated in PLN thousand, unless otherwise stated)

Entitled Employees of Elektrownia "Kozienice" S.A., based on Act from 2007, shall submit the declaration until 18 January 2008 if they intend to exchange the cash equivalent into shares of ENEA. The base for determination of the amount of cash equivalent and exchange ratio of cash equivalent into ENEA's shares is the value of Elektrownia "Kozienice" S.A.'s shares assumed for the purpose of ENEA's share capital contribution. As per this valuation the value of shares cash equivalents attributable to Entitled Employees of Elektrownia "Kozienice" S.A. amounts to PLN 515 million. As at the day of Elektrownia "Kozienice" S.A.'s shares contribution to ENEA as well as at 31 December 2007 the amount of PLN 515 million was recognized in the consolidated financial statements of the Group as liability.

The fundamental principle of IFRS 2 is to recognize the cost of employees' services when the Company obtains these services. The share based payments program introduced in 1996 through the Act on the Commercialization and Privatization was meant to compensate Entitled Employees' services for the period prior to introduction of this Act in particular for the period prior to 1989, which was the date of political system changes. Therefore the cost of the scheme resulting from the Act on the Commercialization and Privatization should have been recognized in the prior periods. Therefore the Company should have estimated the cost of the scheme as at each balance sheet date from the date of the Company's Commercialization until the Grant Date via estimating the Grant Date fair value of shares. Once the Grant Date has been established the Company should revise the earlier estimate so that the amounts recognized for services received are based on the Grant Date fair value of shares.

Fair value of share based payments program was determined based on the current valuation of ENEA available as at the date of preparation of these consolidated financial statements and amounted to PLN 901 million. The Group recognized the entire cost of the program based on the above mentioned fair value of shares as a prior year error adjusting the equity of the earliest presented period in these consolidated financial statements, as at 1 January 2005. The Group concluded that estimates as to the actual occurrence of the Grant Date and fair values as at the Grant Date on the 1 January 2005, that is the opening balance of these consolidated financial statements, is impracticable and is susceptible to significant error, which would result in significant distortion of the net profits for the periods presented in these consolidated financial statements.

The following table presents information on cash equivalents for eligible employees of Elektrownia "Kozienice" S.A.:

– Number of eligible employees	3,557
– Total number of Elektrownia "Kozienice" S.A.'s shares to which eligible employees are entitled	6,750,000
– Fair value of Elektrownia "Kozienice" S.A.'s shares for the purpose of program valuation	PLN 76.28
– Total program's value expensed in previous periods	PLN 514,920 thousand

The following table presents information on shares for eligible employees of the Group (excluding eligible employees of Elektrownia "Kozienice" S.A.):

– Number of eligible employees	8,665
– Total number of ENEA S.A.'s shares to which eligible employees are entitled	33,239,235
– Fair value of ENEA S.A.'s shares for the purpose of program valuation	PLN 27.11
– Total program's value expensed in previous periods	PLN 901,110 thousand

20. Financial instruments

20.1. Rules of financial risk management

Group activity is subject to the following categories of risk related to financial instruments:

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

This note contains information regarding exposure of the Group to each risk category listed above as well as describes objectives, policy and procedures related to risk and equity management. Disclosures of numerical data were included in these consolidated financial statements.

Responsibility for settlement and fulfilment of risk management policy bears the Management Board of the Parent Company.

Risk Management in the Group is managed as an ongoing process, which is not fully formalized. Risks are analyzed by the Group in connection with external environment's influence as well as changes in its structure and activity. Based on this analysis there are actions taken to mitigate risks or to transfer risks out of the Group. In order to do so the Group raises the employees' awareness regarding possibility of risk occurrence and its impact on the activity of organizational units and the Group.

To achieve unified standards of risk management in the whole Group, the Parent Company decided to introduce a formalized process of formulation of risk management procedures. The process started by conducting internal audit aiming at risks' identification in ENEA S.A. and ENEA Operator Sp. z o.o. and evaluation of current internal controls as well as identification of weaknesses of internal control and indication of areas, where improvements are possible. Based on internal audit the Group performed risk mapping, which in a graphic way enabled to illustrate extent of risks, based on their occurrence and possible consequences. Actions that have been undertaken form baselines for further development and implementation of formalized and integrated risk management process within the whole Group in accordance with international standards.

20.2. Credit risk

Credit risk is the risk of incurring financial losses to which the Group is exposed if a customer or a counterparty to a financial instrument fails to meet its contractual obligations.

Credit risk is mainly connected with the collection of receivables. Main factors, which have an impact on the existence of credit risk, are:

- a large number of retail customers increases costs of monitoring of accounts receivable;
- obligation to deliver electricity to State related organizations which are in a difficult financial condition;
- legal regulations on suspension of electricity delivery due to lack of payment.

The Management Board applies a credit policy according to which the exposure to credit risk is systematically monitored. The assessment of the financial credibility is performed in relation to all clients, who require a credit limit over a certain amount. The Group does not require any securities from clients in relation to financial assets.

(all amounts are stated in PLN thousand, unless otherwise stated)

Maximum exposure of the Group to the credit risk is presented in the table below:

	31.12.2007 Carrying amount	31.12.2006 Carrying amount	31.12.2005 Carrying amount
Current financial assets held-to-maturity	49,323	—	—
Trade and other receivables	715,239	625,088	598,844
Cash and cash equivalents	940,792	351,719	63,783
Total	**1,705,354**	**976,807**	**662,627**

Within the Group the credit risk in relation to receivables differs between market segments, in which the Group operates:

- electricity sales and distribution to individual clients—in this segment there is a large number of overdue receivables. Although they do not constitute significant threat to the Group's financing, there were actions taken aiming at their reduction. Implementing of unified rules for the debt collection shortened the reaction time and evaded long and inefficient court execution. A legal proceeding is initiated for cases exceeding a cost to benefit ratio limit for debt collection,
- electricity sales and distribution to corporate clients and special sector, i.e. small business entities—amounts of overdue receivables in this segment are higher than in the individual clients segment. Debt collection procedures are similar and particular actions are taken after 4-5 working days from the due date,
- other receivables—in comparison with two previous segments amounts of overdue receivables are insignificant.

Key role in the debt collection process is played by employees supervising contacts with clients. These are persons monitoring debt collection process. The Group tends to collect overdue receivables through the direct contact with a client. The cooperation with a debtor, identification of its current and future financial situation is one of the main tasks of the function dedicated to this role.

The Group monitors the amount of overdue receivables on an ongoing basis and in justified cases initiates a legal proceeding and raises an allowance for receivables.

The Group makes financial investments:

- current—include mainly bank deposits, and
- non-current—interests in third parties. The Group maintains in this respect a continued monitoring, which objective is to increase the investment value and minimize the related risk. In case an investment value decreases a respective impairment loss is recognized.

The Group does not grant securities and guaranties to non-related parties.

20.3. Liquidity risk

Liquidity risk arises when the Group is not able to meet its financial obligations as they become due.

The Group's approach to managing the liquidity risk is to ensure that the Group will have sufficient funds necessary to settle its financial and investment liabilities while taking advantage of the most attractive courses of financing, i.e. issue of debt securities.

The Group liquidity management concentrates on the detailed analysis of the receivables collection scheme, systematic monitoring of bank accounts as well as the current concentration of cash on consolidated bank accounts. The Group undertakes actions in order to shorten the receivables collection period and attempts to extend the settlement periods for its liabilities. Financial surpluses resulting from these actions are invested in short-term financial assets in the form of bank term deposits.

(all amounts are stated in PLN thousand, unless otherwise stated)

Consistent risk management in aforementioned areas and the market and financial position of the Group allows to ensure that the risk of insufficient liquidity remains at the minimum level.

The Group manages liquidity risk also by maintaining open and unused credit facilities amounting to PLN 52,628 thousand.

20. Financial instruments

The following table presents the Group's financial assets and liabilities as they come due:

	Trade and other payables	Finance lease liabilities	Bank loans	Loans	Cash and cash equivalents	Trade and other receivables	Total
31 December 2007							
Carrying amount	787,721	749	253,344	276	(940,792)	(715,239)	**(613,941)**
Undiscounted contractual cash flows	(787,721)	(749)	(292,379)	(399)	940,796	715,239	**574,787**
less than 6 months	(787,702)	(124)	(47,332)	(24)	940,796	715,110	**820,724**
6 – 12 months	—	(173)	(35,105)	(29)	—	—	**(35,307)**
1 – 2 years	(19)	(319)	(56,036)	(33)	—	129	**(56,278)**
2 – 5 years	—	(133)	(124,028)	(101)	—	—	**(124,262)**
more than 5 years	—	—	(29,879)	(212)	—	—	**(30,091)**
31 December 2006							
Carrying amount	575,882	216	57,300	246	(351,719)	(625,088)	**(343,163)**
Undiscounted contractual cash flows	(575,882)	(216)	(61,987)	(392)	351,726	625,088	**338,337**
less than 6 months	(575,782)	—	(15,051)	—	351,726	624,984	**385,877**
6 – 12 months	—	(68)	(14,373)	(28)	—	—	**(14,469)**
1 – 2 years	(100)	(148)	(22,433)	(30)	—	104	**(22,607)**
2 – 5 years	—	—	(8,282)	(99)	—	—	**(8,381)**
more than 5 years	—	—	(1,848)	(235)	—	—	**(2,083)**
31 December 2005							
Carrying amount	552,373	263	130,873	234	(63,783)	(598,844)	**21,116**
Undiscounted contractual cash flows	(552,373)	(263)	(133,489)	(351)	63,788	598,844	**(23,844)**
less than 6 months	(552,273)	(177)	(92,865)	—	63,788	598,731	**17,204**
6 – 12 months	—	(80)	(16,288)	—	—	—	**(16,368)**
1 – 2 years	(100)	(6)	(21,525)	(57)	—	113	**(21,575)**
2 – 5 years	—	—	(2,766)	(102)	—	—	**(2,868)**
more than 5 years	—	—	(45)	(192)	—	—	**(237)**

20.4. Market risk

Market risk is related to changes in supply and demand, price changes as well as other factors which may influence the Group's results or the value of the Group's assets (exchange rates, interest rates, cost of capital). The purpose of the market risk management is to maintain the risk exposure within acceptable level while optimizing the return on risk.

The main market risk is that the Group is an energy company holding at the same time the license for trading, transmission and distribution of electrical energy and it is obliged to submit for approval its group G electric energy tariffs for the households and prepayment packages. Instead, companies that produce and distribute energy are released from this obligation. Thus the Group purchases energy at market prices but calculates its own tariffs on the basis of costs accepted by President of the Energy Regulatory Office as justified and taking into account the margin (in trade) and return on capital (in distribution) planned for the next tariff period. Therefore, in the period of validity of the tariff, the Group has limited possibility to transfer unfavourable cost variance and changes that are to its disadvantage to the end consumers of electric energy. The Group may apply to the President of the Energy Regulatory Office for tariff adjustment only in case of a significant growth of costs for reasons staying beyond its control.

(all amounts are stated in PLN thousand, unless otherwise stated)

20.5. Currency risk

The following table presents the Group's exposure to the currency risk.

31 December 2007	Carrying amount	incl. amount in foreign currency expressed in functional currency	Currency risk's influence on profit 1%	-1%
Financial liabilities				
Borrowings	(253,620)	(94,486)	(945)	945
Impact on profit before taxation			(945)	945
Income tax 19%			180	(180)
Impact on the net profit			**(765)**	**765**

As at 31 December 2006 and 31 December 2005 the Group did not have any open positions denominated in foreign currencies.

20.6. Interest rate risk

Interest rate risk exists in respect of interest on raised loans and interest on bank deposits. The interest rate is variable and is calculated based on the WIBOR rate. Changes in the interest rates of financial assets and liabilities are synchronized both in timing and percentage. The Group controls the interest rate risk by choosing credit period convenient for the Group, *inter alia* depending on the level of WIBOR, as well as the ability to settle its debts. It is impossible to avoid a part of the risks, which are related to changes in macroeconomic trends.

The following table presents the Group's exposure profile to the risk of interest rate changes by presenting division of financial assets and liabilities into fixed and variable interest rate positions:

	31.12.2007	31.12.2006	31.12.2005
Instruments of fixed interest rate			
Financial assets	1,469,327	903,900	613,974
Financial liabilities	(787,721)	(575,882)	(552,373)
	681,606	**328,018**	**61,601**
Instruments of variable interest rate			
Financial assets	236,027	72,907	48,653
Financial liabilities	(254,369)	(57,762)	(131,370)
Total	**(18,342)**	**15,145**	**(82,717)**

(all amounts are stated in PLN thousand, unless otherwise stated)

The following table presents the effective interest rate of interest bearing assets and liabilities.

	As at 31 December 2007		As at 31 December 2006		As at 31 December 2005	
	Effective interest rate	Carrying amount	Effective interest rate	Carrying amount	Effective interest rate	Carrying amount
Cash and cash equivalents	5.01	940,792	3.44	351,719	3.60	63,783
Finance lease liabilities	7.50	(749)	7.50	(216)	7.50	(263)
Loans	5.63	(276)	5.17	(246)	6.38	(234)
Bank loans with variable interest rate	5.44	(253,344)	4.46	(57,300)	5.69	(130,873)
Total	**—**	**686,423**	**—**	**293,957**	**—**	**(67,587)**

Effective interest rates in the table above are stated as weighted average of interest rates in the Group.

The following table presents sensitivity of the Group's net profit to changes in interest rate.

	Carrying amount 31.12.2007	Interest rate risk's impact on the net profit		Carrying amount 31.12.2006	Interest rate risk's impact on the net profit		Carrying amount 31.12.2005	Interest rate risk's impact on the net profit	
		+1 p.p.	-1 p.p.		+1 p.p.	-1 p.p.		+1 p.p.	-1 p.p.
Financial assets									
Cash and cash equivalents	940,792	9,408	(9,408)	351,719	3,517	(3,517)	63,783	638	(638)
Trade and other receivables	715,239	—	—	625,088	—	—	598,844	—	—
Financial assets	68,975	—	—	14,590	—	—	14,653	—	—
Impact on the profit before taxation		9,408	(9,408)		3,517	(3,517)		638	(638)
Income tax 19%		(1,788)	1,788		(668)	668		(121)	121
Impact on the net profit		**7,620**	**(7,620)**		**2,849**	**(2,849)**		**517**	**(517)**

	Carrying amount 31.12.2007	Interest rate risk's impact on the net profit		Carrying amount 31.12.2006	Interest rate risk's impact on the net profit		Carrying amount 31.12.2005	Interest rate risk's impact on the net profit	
		+1 p.p.	-1 p.p.		+1 p.p.	-1 p.p.		+1 p.p.	-1 p.p.
Financial liabilities									
Borrowings	(253,620)	(2,536)	2,536	(57,546)	(575)	575	(131,107)	(1,311)	1,311
Trade and other liabilities	(787,721)	—	—	(575,882)	—	—	(552,373)	—	—
Finance lease liabilities	(749)	(7)	7	(216)	(2)	2	(263)	(3)	3
Impact on the profit before taxation		(2,543)	2,543		(577)	577		(1,314)	1,314
Income tax 19%		483	(483)		110	(110)		250	(250)
Impact on the net profit		**(2,060)**	**2,060**		**(467)**	**467**		**(1,064)**	**1,064**
Total		**5,560**	**(5,560)**		**2,382**	**(2,382)**		**(547)**	**547**

(all amounts are stated in PLN thousand, unless otherwise stated)

20.7. Equity management

The key assumption of the Group policy in the range of equity management is to maintain an optimal capital structure to lower its cost, to ensure good credit rating and safe capital ratios, which would support the Group's operating activity and increase its value for shareholders. It is important to maintain a strong capital base being a foundation of building the trust of future investors, creditors and market and ensuring the future development of the Group. In order to maintain or correct its capital structure the Group can issue new shares or sell its assets. The Group monitors capital by the use of debt ratio and the return on equity ratio. The aim of the Group is to reach the optimal level of these ratios.

20.8. Fair value

The following table presents fair values versus carrying amounts of financial assets and liabilities

	31.12.2007		31.12.2006		31.12.2005	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Non-current financial assets available-for-sale (shares and interests in non-related entities)	14,981	*	9,405	*	13,047	*
Non-current financial assets carried at fair value though profit or loss	1,379	1,379	1,617	1,617	1,606	1,606
Current financial assets available-for-sale	3,292	3,292	3,568	3,568	—	—
Current financial assets held-to-maturity	49,323	49,323	—	—	—	—
Trade and other receivables	715,239	715,239	625,088	625,088	598,844	598,844
Cash and cash equivalents	940,792	940,792	351,719	351,719	63,783	63,783
Borrowings	253,620	254,956	57,546	57,546	131,107	131,107
Finance lease liabilities	749	749	216	216	263	263
Trade payables and other liablities	787,721	787,721	575,882	575,882	552,373	552,373

* the Company owns shares and interests in entities, which are not listed on an active market, which are valued based on purchase price netted off allowances.

Financial assets available-for-sale are shares and interests in non-related entities, in which the Group's interest in the share capital is less than 20%. The Group decided that the fair value of such financial instruments is neither calculated nor disclosed, because the equity instruments issued by those entities are not publicly traded, therefore their fair value can not be reliably measured. Due to a relatively insignificant share of these assets in the total assets, the difference between the carrying amount and the potential fair value does not, in the opinion of the Management Board, distort in any material aspect a true and fair presentation of the financial position of the Group.

Financial assets valued at fair value reflect participation units in the Pioneer investment fund, which are traded in an active market, therefore it is possible to perform a fair value assessment. The fair value of these assets was determined based on the market price of these participation units and the change in the fair value was recognized through profit or loss.

(all amounts are stated in PLN thousand, unless otherwise stated)

21. Liabilities due to finance lease

	31.12.2007	31.12.2006	31.12.2005
Liabilities due to finance lease—minimum lease payments	749	216	263
Less than 1 year	296	68	257
Between 1 and 5 years	453	148	6
More than 5 years	—	—	—
Present value of minimum lease payments	**749**	**216**	**263**

22. Deferred income tax

	31.12.2007 Carrying amount	31.12.2006 Carrying amount	31.12.2005 Carrying amount
Deferred tax assets			
deferred tax asset falling due after more than 12 months	207,350	169,940	149,225
deferred tax asset falling due within 12 months	92,067	42,604	35,603
	299,417	**212,544**	**184,828**
Set off of deferred tax assets and liabilities within the Group	(299,417)	(212,544)	(184,828)
Deferred tax asset in the balance sheet	**—**	**—**	**—**
Deferred tax assets liabilities			
deferred tax liabilities falling due after more than 12 months	381,781	517,254	529,589
deferred tax liabilities falling due within 12 months	88,383	58,116	53,320
	470,164	**575,370**	**582,909**
Set off of deferred tax assets and liabilities within the Group	(299,417)	(212,544)	(184,828)
Deferred tax liability in the balance sheet	**170,747**	**362,826**	**398,081**

Changes in deferred tax (included set off of deferred tax assets and liabilities) are as follows:

	31.12.2007	31.12.2006	31.12.2005
Opening balance	**362,826**	**398,081**	**439,984**
Income statement charge	(491,800)	(35,255)	(42,578)
Change due to acquisition of Elektrownia "Kozienice" S.A.	299,721	—	—
Other	—	—	675
End of the year	**170,747**	**362,826**	**398,081**

As at 30 June 2007 ENEA S.A. contributed in kind to ENEA Operator Sp. z o.o. organized part of enterprise. As a result of this transaction the tax value of fixed assets increased by PLN 2,256,037 thousand, which led to reversal of deferred tax liabilities amounting to PLN 428,647 thousand.

(all amounts are stated in PLN thousand, unless otherwise stated)

Changes in the deferred tax (after taking into consideration set off of deferred tax assets and liabilities) are as follows:

Deferred tax assets

	Allowance for trade receivables	Employee benefits	Deferred income from connections' fee	Subsidies	Provision for storage and land restoration	Expenses taxable after settlement date	Unpaid salaries and social security benefits	Other	Total
As at 1 January 2005 at 19% tax rate	**7,010**	**29,356**	**57,873**	**37,101**	**—**	**20,015**	**—**	**6,308**	**157,663**
Result of the adoption of IAS 32 and IAS 39	(675)	—	—	—	—	—	—	—	**(675)**
Charged/credited to the income statement	914	7,651	7,781	278	—	1,400	10,937	(1,121)	**27,840**
As at 31 December 2005 at 19% tax rate	**7,249**	**37,007**	**65,654**	**37,379**	**—**	**21,415**	**10,937**	**5,187**	**184,828**
Charged/credited to the income statement	(3,424)	3,352	5,678	(341)	—	3,933	1,999	16,519	**27,716**
As at 31 December 2006 at 19% tax rate	**3,825**	**40,359**	**71,332**	**37,038**	**—**	**25,348**	**12,936**	**21,706**	**212,544**
Acquisition of Elektrownia "Kozienice" S.A.	—	16,263	—	—	2,135	—	—	7,864	**26,262**
Charged/credited to the income statement	(93)	11,857	8,820	8,078	18	4,696	2,542	24,693	**60,611**
As at 31 December 2007 at 19% tax rate	**3,732**	**68,479**	**80,152**	**45,116**	**2,153**	**30,044**	**15,478**	**54,263**	**299,417**

(all amounts are stated in PLN thousand, unless otherwise stated)

Deferred tax liabilities

	Revenue taxable at the date of payment	Accrued sales revenue	Revaluation of fixed assets to the fair value	Other	Total
As at 1 January 2005 at 19% tax rate	**24,050**	**23,191**	**547,790**	**2,616**	**597,647**
Charged/credited to the income statement	2,976	1,044	(19,055)	297	(14,738)
As at 31 December 2005 at 19% tax rate	**27,026**	**24,235**	**528,735**	**2,913**	**582,909**
Charged/credited to the income statement	4,369	2,487	(16,264)	1,869	(7,539)
As at 31 December 2006 at 19% tax rate	**31,395**	**26,722**	**512,471**	**4,782**	**575,370**
Charged/credited to the income statement	2,951	4,210	(445,452)	7,102	(431,188)
Acquisition of Elektrownia "Kozienice" S.A.	—	—	317,125	8,857	325,982
As at 31 December 2007 at 19% tax rate	**34,346**	**30,932**	**384,144**	**20,741**	**470,164**

(all amounts are stated in PLN thousand, unless otherwise stated)

23. Employee benefits

	31.12.2007	31.12.2006	31.12.2005
Defined benefits plans			
Retirement benefits			
– current	9,927	5,828	4,120
– non-current	61,060	26,992	24,187
	70,987	32,820	28,307
Electricity allowance for pensioners			
– current	5,533	119	3,917
– non-current	82,718	72,273	67,450
	88,251	72,392	71,367
Jubilee awards			
– current	17,312	13,887	9,720
– non-current	165,885	93,314	85,380
	183,197	107,201	95,100
Social fund charge for pensioners			
– current	529	410	381
– non-current	11,245	8,590	7,879
	11,774	9,000	8,260
***Total:* Defined benefits plans**			
–current	**33,301**	**20,244**	**18,138**
–non-current	**320,908**	**201,169**	**184,896**
	354,209	**221,413**	**203,034**
Payroll liabilities and other			
– current	68,722	41,872	42,079
– non-current	14,858		
	83,580	41,872	42,079
Employee benefits			
– current	**102,023**	**62,116**	**60,217**
– non-current	**335,766**	**201,169**	**184,896**
	437,789	**263,285**	**245,113**

By virtue of the agreement between representatives of employees and representatives of the Group, employees of the Group are entitled to specific benefits plans such as:

- Jubilee payments,
- Retirement benefits,
- Right to buy electricity at reduced prices.

The present value of the future payments resulting from the above-mentioned defined benefits was determined with the use of actuarial methods. The basis for calculation are individual data of each person employed by the Group as at 31 December 2007, 31 December 2006 and 31 December 2005 (taking into account the gender). The data include in particular:

- the age of the employee,

(all amounts are stated in PLN thousand, unless otherwise stated)

- work experience in the Group,
- total work experience,
- remuneration received, which is a basis of the measurement of the jubilee award as well as the retirement severance payment.

Additionally the following assumptions were adopted for the purposes of the analysis:

- staff rotation is based on the statistical information of the Group's entities for the period 2001-2007,
- mortality rate is based on the probability of receiving retirement benefits is based on the Polish Tables of Life Expectancy, published by Central Statistical Office (GUS),
- disability retirements benefits were not calculated separately, instead employees who took advantage of disability retirement were not included in calculation of employees' rotation,
- retirement age: for men—65 years, for women—60 years (similarly to previous years),
- salary increase rate was defined at the level of 6% (in years 2005 and 2006 it was 3.5% and 3.4% respectively),
- percentage rate used to discount future benefits was defined at 5.5% (in years 2005 and 2006 it was 6% and 5.5% respectively),
- baseline value of an annual equivalent of the right to buy electricity at reduced prices after being retired was determined at the level of PLN 1,019.96 in 2008, (in years 2006 and 2007 it was PLN 932.04 and PLN 1,053.06 respectively),
- increase in price of electricity for the year 2008 determined at 11.3%, in years 2009-2010 4.4%, and 2.5% for the following years (for years 2006 and 2007 it was 4.5% and 0.2% respectively),
- increase in distribution charges for the year 2008 was determined at 2.42%, for 2009—2.93% and 2.5% for the following years,
- average increase in the cash settled electricity allowance was determined in the year 2008 at 10.1%, 2009—4.2%, in the year 2010—4.15% and 2.5% for the following years.

24. Certificates of origin

	31.12.2007	31.12.2006	31.12.2005
Certificates of origin	4,095	1,656	2,705
Advance pay ments on certificates of origin	19,547	12,344	8,330
Provision for costs of redemption of certificates of origin	(90,280)	(19,123)	(5,911)
Certificate of origin	**(66,638)**	**(5,123)**	**5,124**

(all amounts are stated in PLN thousand, unless otherwise stated)

25. Provisions for liabilities and other charges

Provision for estimated losses resulting from pending claims

	31.12.2007	31.12.2006	31.12.2005
Opening balance	**51,673**	**7,753**	**5,537**
Additional provisions	21,353	46,709	3,601
Unused amounts reversed	(10,124)	(2,789)	(1,385)
Closing balance	**62,902**	**51,673**	**7,753**

Provisions for liabilities are measured at a justified and reliably assessed value. Specific provisions are established on probable losses related to legal actions against the Group. Those provisions are stated in the amount of the claim value, taking into consideration the legally measured probability of loosing the case. The probability of loosing the case is assessed base on a legal opinion. They are accounted for as other operating expenses, which are not tax deductible. Contingent liabilities in this regard are described in the notes 44.1; 44.4; 44.5.

Other provisions

	31.12.2007	31.12.2006	31.12.2005
Opening balance	**1,667**	**2,483**	**687**
Additional provisions	7,173	7,835	2,483
Acquisition of Elektrownia "Kozienice" S.A.	11,234	—	—
Unused amounts reversed	(1,313)	(8,651)	(687)
Closing balance	**18,761**	**1,667**	**2,483**

Provision for the storage yard restoration

Elektrownia "Kozienice" S.A. is obliged to restore the land after the storage yard for slag and ash either reaches its capacity or is closed. Due to the fact, that Elektrownia "Kozienice" S.A. has large and unused storage yards, the expected land restoration will take place in 2060. Future estimated costs of land restoration have been discounted to their present value as on 31 December 2007, as on 31 December 2006 and as on 31 December 2005 using the 5.5% discount rate.

Provision for the costs of storage or disposal of the slag-ash mixture

There are two kinds of waste obtained as a result of the burning process of coal: ash and slag-ash mixture. Due to the fact, that Elektrownia "Kozienice" S.A. incurs costs for the disposal of the mixture, it raises a necessary provision. Future estimated costs of storage or disposal of the slag-ash mixture have been discounted to their present value as at 31 December 2007, as at 31 December 2006 and as at 31 December 2005 using the 5.5% discount rate.

Clasiffication of provisions and other charges as current and non-current

	31.12.2007	31.12.2006	31.12.2005
Non-current	11,236	860	2,483
Current	70,427	52,480	7,753
Closing balance	**81,663**	**53,340**	**10,236**

(all amounts are stated in PLN thousand, unless otherwise stated)

26. Net sales revenues

	1.01.2007-31.12.2007	1.01.2006 31.12.2006	1.01.2005-31.12.2005
Net revenues from sale of electricity	2,938,409	2,702,454	2,206,721
Net revenues from distribution services	2,202,634	2,399,597	2,165,967
Net revenues from sale of merchandise and raw materials	249,390	185,227	176,110
Net revenues from sale of other services	53,642	96,464	65,861
Net revenues from sale of heat energy	1,729	—	—
Total	**5,445,804**	**5,383,742**	**4,614,659**

27. Costs by type

	1.01.2007-31.12.2007	1.01.2006-31.12.2006	1.01.2005-31.12.2005
Depreciation and amortization	(470,557)	(403,464)	(398,341)
Employee benefits	(626,981)	(491,541)	(478,540)
payroll	(483,123)	(359,080)	(368,852)
social security and other benefits	(143,858)	(132,461)	(109,688)
Raw materials and consumables used	(467,631)	(170,194)	(158,822)
materials and energy	(231,346)	(14,755)	(20,544)
bonus from suppliers	820	433	1,531
cost of merchandise and raw materials sold	(237,105)	(155,872)	(139,809)
External services	(994,226)	(1,100,940)	(1,051,423)
transmission services	(806,395)	(958,135)	(897,791)
other external services	(187,831)	(142,805)	(153,632)
Taxes and charges	(154,539)	(124,671)	(119,863)
Electricity purchased for resale	(2,644,120)	(2,826,508)	(2,330,546)
Total costs of sold products, merchandises, raw materials, selling, marketing and administrative expenses	**(5,358,054)**	**(5,117,318)**	**(4,537,535)**

28. Employee benefit expense

	1.01.2007-31.12.2007	1.01.2006-31.12.2006	1.01.2005-31.12.2005
Payroll	(483,123)	(359,080)	(368,852)
current payroll and other	(435,094)	(338,509)	(333,485)
jubilee awards	(31,789)	(11,264)	(29,856)
retirement benefits	(16,240)	(9,307)	(5,511)
Social security and other benefits	(143,858)	(132,461)	(109,688)
social security	(77,468)	(63,311)	(59,308)
other benefits	(67,051)	(65,958)	(46,223)
other pensioners' benefits	661	(3,192)	(4,157)
Total	**(626,981)**	**(491,541)**	**(478,540)**

Employment guarantees

Based on the agreement between the Group (excluding Elektrownia "Kozienice" S.A.) and trade unions there are specific guaranties granted to employees employed by the Group (excluding Elektrownia "Kozienice" S.A.) before 29 June 2007, the guarantees expire on 31 December 2018.

Moreover, the agreement is extended for employees, who at the expiry date of the guarantee have less than four years necessary to fulfil prerequisites to acquire pension rights. It means that in case the employer does not respect the guarantees, it cannot terminate the employment contract without paying an additional severance payment to an employee, who at the moment of the guarantee expiry date has less than four years to the retirement age.

Guarantees of employment imply that in case the employer terminates the contract of employment the Group is obliged to pay the employee an amount representing monthly remunerations for the period remaining to the expiry date.

By virtue of the social agreement dated 10 August 2007 between Elektrownia "Kozienice" S.A. and trade unions, employees employed in Elektrownia "Kozienice" S.A. on the date when the agreement came into force were granted an extended period of 11 years of employment guarantee, which expires at 30 January 2019.

Agreements with Group's employees

As a result of collective labour agreements with trade unions concluded by the Group in February 2005 and July 2007 the parties committed to undertake actions aiming at the potential payment of compensations for the Group's employees who, due to various reasons, did not qualify to receive ENEA S.A.'s shares within the 15% package eligible to Entitled Employees. The parties to these agreements decided, that determination of potential compensations would be subject to a separate collective agreement.

In relation to the abovementioned agreements on 28 May 2008 the Management Board of the Parent Company concluded an agreement with trade unions that assumes payment of compensations in the amount of PLN 14.5 million. The benefit becomes due within 24 months from the date of sale by the State Treasury of at least 1 share of ENEA S.A. in accordance with the Act on the Commercialization and Privatization. This agreement replaces earlier settlements related to employees' shares and compensations included in the abovementioned agreements from 2005 and 2007. This agreement closes also the collective dispute with employees initiated in 2008 in respect to matters being subject to this agreement.

The agreement does not violate, in any way, employees' rights earned based on other contracts and agreements. In a case of any discrepancy between the agreement and other contracts and agreements the more favorable to employees are binding.

As at 31 December 2007 the Group recognized a liability resulting from the abovementioned compensations amounting to PLN 14,858 thousand. This amount represents the compensation amounting to PLN 14,500 thousand increased by the cost of social security contributions to be incurred by the employer and adjusted by discount factor.

(all amounts are stated in PLN thousand, unless otherwise stated)

29. Other operating revenues and costs

Other operating revenues

	1.01.2007-31.12.2007	1.01.2006-31.12.2006	1.01.2005-31.12.2005
Insurance received	14,299	6,664	6,800
Other operating revenues	10,723	3,354	6,242
Allowance for property, plant and equipment received free of charge	10,700	14,341	13,938
Release of allowance for accounts receivable	10,516	19,200	—
Release of provisions for legal proceedings	10,124	2,789	1,385
Received compensations, penalties, fines	4,181	1,432	457
Deferred income for property, plant and equipment received free of charge	2,283	—	—
Recycling of materials	1,975	1,744	1,379
Reimbursement of costs of court proceedings	1,522	1,441	1,097
Collection of prev iously written-off receivables	1,019	567	708
Housing activity	928	772	615
Dividends and shares in profits	750	—	583
Total	**69,020**	**52,304**	**33,204**

Other operating costs

	1.01.2007-31.12.2007	1.01.2006-31.12.2006	1.01.2005-31.12.2005
Provision for estimated losses resulting from legal proceedings	(21,353)	(46,709)	(3,601)
Other expenses by kind	(14,176)	(13,180)	(5,821)
Provisions for potential claims	(13,446)	—	—
Other operating costs	(9,428)	(4,023)	(779)
Written-of bad debts	(6,131)	(6,451)	(6,624)
Allowances for accounts receivable	—	—	(19,054)
Costs of court proceedings	(4,245)	(1,675)	(1,980)
Loss on sales and liquidation of tangible fixed assets	(1,189)	—	—
Impairment loss of shares	(1,006)	(537)	—
Costs of trade unions	(898)	(136)	(737)
Contributions for trade unions and other institutions	(829)	(1,343)	(595)
Donations	(374)	(225)	(205)
Costs of the Supervisory Board	(205)	(184)	(119)
Total	**(73,280)**	**(74,463)**	**(39,515)**

(all amounts are stated in PLN thousand, unless otherwise stated)

30. Financial income

	1.01.2007-31.12.2007	1.01.2006-31.12.2006	1.01.2005-31.12.2005
Interests from deposits	27,921	5,230	1,518
Penalty interests for overdue receivables	15,285	27,832	19,556
Release of allowance for iterests accrued	1,019	1,252	19
Other interests	757	325	16
Total	**44,982**	**34,639**	**21,109**

31. Finance costs

	1.01.2007-31.12.2007	1.01.2006-31.12.2006	1.01.2005-31.12.2005
Interest expense	(10,654)	(15,811)	(17,944)
bank borrowings	(8,961)	(4,339)	(14,898)
lease interest	(355)	—	—
interests on overdue liabilities	(483)	(726)	(3,046)
allowance for accrued interests	(855)	(10,746)	—
Other	(1,733)	—	36
Total	**(12,387)**	**(15,811)**	**(17,908)**

32. Income tax

	1.01.2007-31.12.2007	1.01.2006-31.12.2006	1.01.2005-31.12.2005
Current tax	(80,821)	(80,351)	(58,211)
Deferred tax (note 22)	491,800	35,255	42,578
Adjustment of tax charge for 2003 and 2004	1,614	—	—
Total	**412,593**	**(45,096)**	**(15,633)**

Income tax calculated based on the Group's gross profit differs from the theoretical amount, which would result from the calculation using the weighted average tax rate applied to profits of consolidated entities.

(all amounts are stated in PLN thousand, unless otherwise stated)

	1.01.2007-31.12.2007	1.01.2006-31.12.2006	1.01.2005-31.12.2005
Profit before tax	109,083	249,541	52,447
Tax calculated at 19% rate	(20,726)	(47,413)	(9,965)
Non taxable income	3,384	2,921	1,477
Expenses not deductible for tax purposes	(9,857)	(604)	(7,145)
Adjustment of tax charge for 2003 and 2004	1,614	—	—
Release of deferred tax resulting from increase of fixed assets' tax value (note 22)	428,647	—	—
Increase of deferred tax asset resulting from the change of the tax value of connections' fee	9,531		
Tax charge	**412,593**	**(45,096)**	**(15,633)**

The First Wielkopolski Tax Office in Poznan by virtue of power of attorney no. ZKA/505/1123/2005 dated 17 November 2005 initiated in the Parent Company a tax control on 18 November 2005 with respect to the Parent Company's corporate income tax settlements for the year 2004.

The examination was completed on 6 March 2006. On 19 May 2006 tax proceedings against the Parent Company were commenced regarding correctness of income tax settlements for period from 01.01.2004 till 31.12.2004 r. As a result of conducted proceeding First Wielkopolski Tax Office's Director determined a tax liability amounting to PLN 32,428,206 (decision no ZD/4210-25/06 dated 6 November 2007). On 23 November 2007 ENEA S.A. submitted an appeal against the decision of the First Wielkopolski Tax Office's Director issued on 6 November 2007 on the corporate income tax liability for 2004. On 11 February 2008 the Tax Chamber issued decision no BP/4218-41/07/MWJ, which overruled the decision of first instance and determined corporate income tax liability for 2004 amounting to PLN 7,487,404. As per ENEA's original tax return for 2004 the tax liability amounted to PLN 8,483,171 (paid to the Tax Office), therefore as a result of described above tax proceedings the Parent Company is entitled to reimbursement of overpaid tax in the amount of PLN 995,767.

Proceedings regarding corporate income tax settlements for the year 2004 had an influence on income tax adjustment for the year 2003. In connection with the final decision of the Tax Chamber on the corporate income tax for the year 2004, income tax for the year 2003 should have amounted to PLN 54,159,495, whereas according to original tax return it amounted to PLN 54,778,288. In this case the Parent Company is entitled to income tax reimbursement of PLN 618,793.

Total value of overpaid income tax for 2003 and 2004 amounted to PLN 1,614,560.

33. Dividend

On 28 June 2007, the Ordinary General Shareholders Meeting of ENEA S.A. adopted Resolution No. 2 on the distribution of net profit for the reporting period from 1 January 2006 to 31 December 2006. According to the above-mentioned resolution, dividends paid to the shareholders of the Parent Company amounted to PLN 38,550 thousand (in 2006 and 2005 it was 17,515 thousand and PLN 10,001 thousand respectively).

At the same time, on the basis of the Act on obligatory payments from the profit of joint stock companies fully owned by State Treasury dated 1 December 1995 the Parent Company makes quarterly profit share payments (profit in this case is defined as profit before tax, less current tax) amounting to 15%. In 2007 the accrued payments amounted to PLN 6,885 thousand (during 2006 and during 2005 it was respectively PLN 23,767 thousand and PLN 0 thousand). During 2007 the Parent Company made quarterly advance profit payments of PLN 17,874 thousand (during 2006 and 2005 it was respectively PLN 42,881 thousand and PLN 0 thousand).

(all amounts are stated in PLN thousand, unless otherwise stated)

Elektrownia ''Kozienice'' S.A. was also a subject to obligatory profit share payments until the last day of a month in which shares of Elektrownia ''Kozienice'' S.A. were transferred by the State Treasury to ENEA S.A. as a contribution in-kind. In the consolidated financial statements there is a liability due to profit share payments accrued for the period ending 30 November as on 21 November 2007 the transaction was registered in National Court Register. The amount of the obligatory profit share liability was estimated by the Group due to the fact that till the date of the approval of these consolidated financial statements Elektrownia ''Kozienice'' S.A. has not prepared the statutory financial statement for the year 2007 in accordance with the Accounting Act dated 29 September 1994, which forms the basis of obligatory payments' calculation.

34. Earnings per share

	1.01.2007-31.12.2007	01.01.2006-31.12.2006	01.01.2005-31.12.2005
Net profit attributable to shareholders of the Parent Company	250,042,308	221,954,900	221,954,900
Weighted average number of ordinary shares	521,514	203,636	36,289
Net profit per share (in PLN per share)	**2.09**	**0.92**	**0.16**
Diluted profit per share (in PLN per share)	**2.09**	**0.92**	**0.16**

35. Transactions with related entities

Transactions between the Group's companies and related entities:

- Group companies—these transactions are eliminated during consolidation,
- Transactions between the Group and Members of the Executive Bodies of the Group are divided into three categories:
  - resulting from employment contracts with members of the Management Board of the Parent Company as well as concerning the appointment as Members of the Supervisory Board,
  - concerning loans granted from the Company's Social Fund for Members of the Management Board of the Parent Company as well as Members of the Supervisory Board, who are employees of ENEA S.A.,
  - resulting from other civil contracts.

(all amounts are stated in PLN thousand, unless otherwise stated)

In the respect of first category, the summary of transaction is illustrated in the table below:

		Management Board of the Parent Company			Supervisory Board of the Parent Company		
No.	Title	01.01.2007-31.12.2007	01.01.2006-31.12.2006	01.01.2005-31.12.2005	01.01.2007-31.12.2007	01.01.2006-31.12.2006	01.01.2005-31.12.2005
1.	Salaries from employment contract	1,020	827	967	—	—	—
2.	Remuneration related to the appointment to management or supervisory bodies	—	—	—	313	288	122
3.	Remuneration related to positions in the Supervisory Boards of subsidiaries	114	91	120	—	—	—
4.	Other employee benefits (electricity allowance)	52	117	87	—	—	—
	Total	**1,186**	**1,035**	**1,174**	**313**	**288**	**122**

The Management and the Supervisory Boards' Members in relation to their salaries are subject to the Act on salaries of persons managing certain legal entities dated 3 March 2000 (company's with the State majority shareholding). According to the Act, the maximum monthly salary can not exceed the value of 6 average monthly salaries in enterprises' sector excluding payments from profit-related bonuses, the fourth quarter of the preceding year published by the Central Statistical Office. The amount of annual bonus can not exceed of the value of their three monthly salaries due in the year preceding awarding bonus.

(all amounts are stated in PLN thousand, unless otherwise stated)

Transactions related to loans granted from the Company Social Fund are presented in the table below:

No.	Executive Bodies	Balance as at 01-01-2005	Granted after 01-01-2005	Repayments by 31-12-2005	Balance as at 31-12-2005
1.	Management Board	18	—	5	13
2.	Supervisory Board	1	8	1	8
	Total	**19**	**8**	**6**	**21**

No.	Executive Bodies	Balance as at 01-01-2006	Granted after 01-01-2006	Repayments by 31-12-2006	Balance as at 31-12-2006
1.	Management Board	13	—	2	11
2.	Supervisory Board	8	9	8	9
	Total	**21**	**9**	**10**	**20**

No.	Executive Bodies	Balance as at 01-01-2007	Granted after 01-01-2007	Repayments by 31-12-2007	Balance as at 31-12-2007
1.	Management Board	11	—	1	10
2.	Supervisory Board	9	—	3	6
	Total	**20**	**—**	**4**	**16**

Other transactions resulting from service contracts between the Parent Company and Members of the Executive Bodies of the Parent Company concern the private use of vehicles by Members of the Management Board of ENEA S.A.

Additionally, entities of the Group enter into transactions with companies owned by the State Treasury including companies were the State Treasury is the sole shareholder. These transactions are made on the arm's length basis and the applied prices are consistent with those offered to third parties.

(all amounts are stated in PLN thousand, unless otherwise stated)

Transactions with State owned companies that are the Group's major suppliers and customers are presented below:

Purchases	31.12.2007	12 months ended 31.12.2006	31.12.2005
Group's major suppliers	PGE S.A. PSE—Operator S.A. PSE—Elektra S.A. Zespół Elektrowni Pątnów Adamów Konin S.A. Zespół Elektrowni Dolna Odra S.A.	Polskie Sieci Elektroenergetyczne S.A. Elektrownia "Kozienice" S.A. Zespół Elektrociepłowni Bydgoszcz S.A. PKN Orlen S.A. Koncern Energetyczny ENERGA S.A.	Polskie Sieci Elektroenergetyczne S.A. Elektrownia "Kozienice" S.A. Zespół Elektrociepłowni Bydgoszcz S.A. Zespół Elektrowni Dolna Odra S.A. EnergiaPro Koncern Energetyczny S.A.
Total purchases amounted to	**2,271,261**	**1,265,341**	**2,081,606**

Sales	31.12.2007	12 months ended 31.12.2006	31.12.2005
Group's major customers	PGE S.A. PKP Energetyka Sp. z o.o. Zakłady Chemiczne Zachem S.A. Zakłady Chemiczne Police S.A. ENION S.A.	PKP Energetyka Sp. z o.o. Zakłady Chemiczne Zachem S.A. Zakłady Chemiczne Police S.A. PKN Orlen S.A. Stocznia Szczecińska Nowa Sp. z o.o.	PKP Energetyka Sp. z o.o. Zakłady Chemiczne Police S.A. Zakłady Chemiczne Zachem S.A. Fabryka Papieru Szczecin—Skolwin S.A. w upadłości Stocznia Szczecińska Nowa Sp. z o.o.
Total sales amounted to	**540,503**	**286,285**	**339,494**

36. License agreements concerning rendering of public services

The Group's main economic activity is the generation, distribution and trading in electric energy. In accordance with the provisions of the Act "Law on Energy" dated 26 November 2008, the Parent Company was granted two licenses in the following scopes of business:

- licence to trade in electricity granted for the period of 10 years, i.e. until 30 November 2008;
- licence to transmit and distribute electricity, also granted for 10 years-until 30 November 2008.

In the first half of 2007 ENEA S.A. applied to the President of the Energy Regulatory Office for the renewal of the license to trade electricity. On 5 October 2007 the Group received the decision issued by the President of the Energy Regulatory Office on the renewal of the license to trade electricity till 31 December 2025. On 28 June 2007 the Group received the decision issued by the President of the Energy Regulatory Office on the renewal of the license to distribute electricity till 1 July 2017.

Since 1 January 2005 the "Electricity Tariff", hereinafter referred to as "the Tariff", has been binding in the area of the economic activity of ENEA S.A. within the tariff period of 12 calendar months commencing every year on 1 January.

ENEA S.A. calculates the tariff on the basis of costs accepted by the President of the Energy Regulatory Office as justified, taking into account operating costs and contribution margin (trading) as well as transferred costs, operating costs, costs of balance differences and return on equity (distribution) planned for the next tariff period.

According to the Law on Energy, the President of the Energy Regulatory Office is responsible for granting licenses, regulation of business activities of companies acting in the energy sector and approving the tariff. Based on an administrative decision he approved prices of energy, the level of rates as well as principles of applying them.

The President of the Energy Regulatory Office, while approving the tariff, examines whether they are in accordance with the following acts:

- Law on Energy dated 10 April 1997 (Official Journal from 2003 No. 153, item 1504 i No. 203, item 1966, Official Journal from 2004. No 29, item 257, No. 34, item 293, No. 91, item 875, No. 96, item 959 and No. 173, item 1808 and Official Journal from 2005 No. 62, item 552);
- Regulation issued by the Minister of Economy, Labour and Social Policy dated 23 April 2004 on details of the formation and calculation of the tariff and on principles of settlements of accounts of electric power (Official Journal from 2004, No. 105, item 1114);
- Regulation issued by the Minister of Economy and Labour dated 20 December 2004 on detailed conditions of connections to the power grid, movement and exploitation of power grids (Journal of Law from 2004 r. No. 2, item 6).

In 2007 tariffs were divided into:

- the tariff for services of electric energy distribution provided by ENEA Operator Sp. z o.o.,
- the tariff for electric energy for ENEA's tariff groups in the following packages: corporate, standard, economical, universal, based on advance payments (applies to consumers of the A, B, C tariff groups),
- the tariff for electric energy for ENEA's tariff groups in the following packages: domestic, based on advance payments (applies to consumers of the G tariff groups).

Pursuant to the decision of the President of the Energy Regulatory Office, ENEA S.A. has been exempted from the obligation of submitting the Tariff for consumers from A, B, C tariff groups.

On 17 January 2008 the President of the Energy Regulatory Office approved the Tariff for the G tariff groups in the following packages: for the households, based on advance payments, which became binding on 1 February 2008. The tariff approved for the year 2007 remained in force until 31 January 2008.

The main business activity of Elektrownia "Kozienice" S.A is the generation of electrical energy and heat, which are based on the licenses granted by the President of the Energy Regulatory Office.

Licenses to generate electrical energy:

- No. WEE/1271/U/OT-4/98/JG dated 12 October 1998, with further amendments, on generation of heat in the heat generating units (The license is effective from 12 October 1998 for the period till 30 October 2008)
- No. WEE/11-ZTO/1271/W/OWA/2007/RW dated 31 August 2007 on generation of the electrical energy in the units of the total installed capacity of 2820 MW.

(all amounts are stated in PLN thousand, unless otherwise stated)

(The license is effective from 31 August 2007, for the period till 31 December 2025)

License to trade in electrical energy:

- No. OEE/334/1271/W/1/2002/MW dated 21 December 2002 on trading of the electrical energy for the use of consumers within the territory of the Republic of Poland.

(The license is effective from 1 January 2003, for the period till 1 January 2013)

License to generate heat:

- No. WCC/256/1271/U/OT-4/98/JG dated 12 October 1998 on heat co-generated with the electrical energy, produced from hard coal burning.

(The license is effective from 12 October 1998, for the period till 30 October 2008)

- No. WCC/256-ZTO/1271/W/OWA/2007/RW dated 31 August 2007 on heat co-generated in the power plant located at Świerże Górne, of a total thermal capacity of 266 MW (since 31 August 2007)

(The license is effective from 31 August 2007, for the period till 31 December 2025)

License to transmit heat:

- No. PCC/269/1271/U/OT-4/98 dated 12 October 1998 on the transmission and distribution of heat co-generated with electrical energy of a total thermal power of 105 MWt, with the use of two networks: water and steam networks.

(The license is effective from 12 October 1998, for the period till 30 October 2008)

- No. PCC/269-ZTO/1271/W/OWA/2007/RW dated 31 August 2007 on the transmission and distribution of heat generated in own sources, with the use of two heat distribution networks located at Świerże Górne.

(The license is effective from 31 August 2007, for the period till 31 December 2025)

37. Long-term contract on the sale of electric energy (KDT)

With regard to the fact, that the European Commission has recognized contracts such as KDT as illegal public subsidy, the Polish Parliament passed the law to eliminate such contracts. In accordance with the provisions of this law on the rules of covering the costs incurred by the producers in relation to an early termination of long-term contracts dated 29 June 2007, the Group, as of 1 April 2008, is entitled to receive from the State Treasury a compensation of stranded costs resulting from an early termination of long-term contracts.

38. Future payments from usage of purchased or received free of charge perpetual usufruct right of land and rental and operational lease contracts

Future minimal liabilities from usage of perpetual usufruct right of land refer to a remaining period till the agreement's termination and equals from 62 to 99 years (according to the payments' level as at 31 December 2007). These are presented according to IFRS EU as operating lease, where the Group is a lessee:

	31.12.2007	31.12.2006	31.12.2005
Less than one year	4,021	3,168	2,935
Between one and five years	13,013	10,017	8,355
More than five years	187,207	105,246	120,940
	204,241	**118,431**	**132,230**

(all amounts are stated in PLN thousand, unless otherwise stated)

Operating lease commitments received, where a company of the Group acts as the lessor:

	31.12.2007	31.12.2006	31.12.2005
Less than one year	—	—	12
Between one and five years	—	700	230
More than five years	—	39	—
	—	**739**	**242**

39. Commitments due to binding contracts as at the balance sheet date

Commitments due to binding contracts as at the balance sheet date but not presented in the financial statement are presented below:

	31.12.2007	31.12.2006	31.12.2005
Property, plant and equipment	91,351	30,053	41,791
Intangible assets	71	110	5,065
	91,422	**30,163**	**46,856**

40. Employment

Average employment in the Group in years 2007, 2006 and 2005 amounted to:

	31.12.2007		31.12.2006		31.12.2005	
	Parent Company	Subsidiaries	Parent Company	Subsidiaries	Parent Company	Subsidiaries
blue collar workers	1,395	2,824	2,821	1,072	2,999	1,036
white collar workers	1,624	2,400	3,072	807	3,000	899
Total	**3,019**	**5,224**	**5,893**	**1,879**	**5,999**	**1,935**

Information presented in the above table is full time employment. Managerial positions were classified together with white collar workers.

41. Electric energy at reduced prices for employees outside the Group

"The rules for, and norms of using electric energy for the needs of a household" were defined in Appendix 6 to the Industry Collective Employment Agreement for the Power Industry Employees. Moreover, Appendix 1 to the afore-mentioned Arrangement there is a list of entities, which may be covered by this Agreement. With reference to employees and pensioners of these Entities (except for employees, and pensioners employed in the ENEA S.A. Group) till the end of 2005 the Group provided the right to buy energy at reduced prices.

As of 1 January 2006 employees and pensioners of the companies, who are not employees or pensioners of the ENEA S.A. Group lost the right to buy energy at reduced prices. It results from the guidelines of the President of the Energy Regulatory Office issued on 23 September 2005, determining that the financing of the so-called "employee tariff" on the same basis as before (i.e. by the PSE S.A. tariff) is not included in the tariff for 2006. Possible discounts for different groups of recipients can be financed directly by the energy sector companies.

The reduced payments for energy recognized in the consolidated financial statements of ENEA S.A. relates only to benefits for employees and pensioners of the ENEA S.A. Group and therefore there is no need to raise a provision for benefits for employees of other companies not being a part of the ENEA S.A. Group.

42. Explanations concerning the seasonal character and the cyclical nature of the Group activities

The sale of the energy during the year is subject to seasonal fluctuations. The sale of energy increases significantly in the winter months and decreases in the summer months. It is related to the temperatures and the length of the daytime. The scope of these fluctuations is determined by lower temperatures and shorter daytime in winter and higher temperatures and longer daytime in summer. The seasonal character of electric energy sales concerns in larger extent small recipients (they constitute 49% of total sales), than recipients from the industrial sector.

43. Purchase of energy produced in cogeneration with heat

The year 2007 was a unique year with regards to the carrying out the duties arising from the approved method of support for sources producing energy in cogeneration with heat in Poland. Pursuant to the Law and Energy Act and its executive acts, the ENEA S.A. Group was obliged to support production of energy in cogeneration with heat by means of purchasing electrical energy as well as purchasing and redeeming certificates of origin of energy from such types of sources or paying the substitute fee.

In 2007 the Group made purchase from all sources producing and offering electrical energy produced in cogeneration with heat which were connected to its network. Furthermore, in this period the Group added to this purchase transactions concluded with the entities not connected to the Group's network. On the basis of offers submitted ENEA S.A. concluded agreements which allowed it to fulfil this statutory obligation while taking into consideration the requirements of the President of URE within the scope of prices which can be transferred by Parent Company within a tariff, plans regarding the sale to end-users and local generation of ''cogeneration'' sources. A detailed legal solution introduced during the year enabled the Parent Company to supplement shortages from the second half of the year 2007. The activities undertaken in the second quarter did not bring the expected results due to the low supply for such type of energy during the summer months.

As a conclusion it should be stated that ENEA S.A. fulfilled its obligation in 88.29%, reaching the share of 13.42% of the purchased energy from cogeneration (the so-called ''red'' energy) in the overall sale to end-users. Moreover, it made every effort in order to fulfil the captioned obligation of purchase-it purchased the entire energy produced in cogeneration with the heat offered by the heat and power plants connected with its network and undertook activities with the purpose of supplementing the deficit of energy to fulfil the captioned obligation also from the sources not connected to its network.

In the second half of the 2007 year the previous solutions were replaced with the obligation of purchase and redemption of certificates of the origin from cogeneration produced in the sources heated by fuel gas or with the input power lower than 1 MW as well as with the obligation of purchase and redemption of certificates of origin from high-performance cogeneration in other sources than the ones mentioned above, or payment of the substitute fee.

Pursuant to the provisions of the law, this obligation is was fulfilled by the Parent Company until 31 March 2008, partly by means of redemption of the purchased certificates of origin and partly by means of paying the substitute charge.

44. Contingent liabilities, court, arbitration and administrative proceedings

44.1 Pending common court cases

Proceedings initiated by the Group

Proceedings initiated by the Group in common courts relate to the collection of receivables for the delivery of electric energy (the so-called energy cases) and to the collection of other receivables-illegal consumption of energy, illegal connections to the power grids and other specialist services provided by the Parent Company (non-energy cases).

Proceedings initiated (in common courts) as actions of Elektrownia ''Kozienice'' S.A. mainly concern the collection of receivables for the delivery of electric energy (the so-called energy cases).

As at 31 December 2007 there were altogether 6,775 cases pending before common courts against the Parent Company in a total amount of PLN 40,582 thousand (as at 31 December 2006 and 31 December 2005 there were 5,145 and 11,367 cases respectively amounting to PLN 14,583 thousand and PLN 65,045 thousand respectively).

None of the results of these proceedings is significant to the financial result of the Group.

Proceedings against the Group

Proceedings against the Group are actions brought by private persons as well as legal entities.

Among others they concern such issues as: compensation for energy supply shortages, to ascertain the non-existence of illegal energy consumption or compensation paid by the Group for the use of property, on which electrical equipment is situated. The Group considers as especially significant actions concerning the non contractual use of a third party's property (Note 44.4)

Proceedings against Elektrownia ''Kozienice'' S.A. concern among the others such issues as: claims for the payment of freight expenses the reinstatement to work, compensation of the cash equivalent for the right to free of charge shares for employees as a result of the commercialization of the Elektrownia ''Kozienice'' S.A.

As at 31 December 2007 there were altogether 185 cases pending before common courts against the Parent Company in the total amount of PLN 19,579 thousand (as at 31 December 2006 and 31 December 2005 there were 254 and 197 cases respectively amounting to PLN 16,162 thousand and PLN 7,882 thousand respectively). Provisions regarding these cases are presented in note 25.

44. Contingent liabilities, court, arbitration and administrative proceedings

44.2 Arbitration proceedings

As at 31 December 2007 there was only one case of arbitration proceedings pending. Based on the verdict dated 29 January 2008 of the National Chamber of Appeal (Krajowa Izba Odwoławcza) in Warsaw, in the case Sygn. no. KIO/UZP 113/07, after the examining of the appeal submitted by the Fabryka Aparatury Pomiarowej ''PAFAL'' S.A. in Świdnica against the decision on the objection dated 13 December 2007 by the ordering party i.e. ENEA Operator Sp. z o.o. seated in Poznań., has stated as follows: accepted the appeal of the ''PAFAL'' company and cancelled the proceeding initiated by ENEA Operator Sp. z o.o. on the commissioning of a public contract, with the subject of ''delivery of electric energy meters and control clocks without attestation'' in the course of a non-public mode.

The verdict does not influence the financial situation of the Group.

44.3 Proceedings pending before public administration authorities

On 13 February 2008 the President of the Office of Competition and Consumer Protection initiated ex officio an antimonopoly procedure in relation to the suspicion of an abuse by ENEA S.A. of the dominant position in the local market of energy providers, covering the territory of the Wielkopolskie, Zachodniopomorskie, Lubuskie and Kujawsko-Pomorskie Voivodeships by an unlawful charging customers with a double service fee for January 2008. According to the President of the Office of Competition and Consumer Protection such practice may be a violation of article 9 paragraph 1 of the Act of 16 February 2008 on the Protection of Competition and Consumers (Official Record Book 2007 No 50, Item 331). On 3 March 2008 ENEA S.A. made a written reply to the resolution on the initiation of an antimonopoly procedure, presenting its position on the charges.

Due to nature of the Group's activities there was as at 31 December 2007 a number of pending proceedings before public administration authorities.

The majority of these proceedings are initiated upon the Parent Company's requests, which apply to competent public administration authorities for:

- Initiation of an administrative enforcement in order to collect receivables for an illegal consumption of electricity,
- obtaining permission for development of new buildings as well as modernization of existing ones,
- obtaining permission to situate electric equipment on a traffic lane,
- determination of rates for annual fees for perpetual usufruct right,
- separation of land for electric equipment.

A part of these proceedings are also litigious proceedings, which are applied to government administration and local administration bodies or administrative courts in connection with decisions made in the above mentioned cases.

None of the results of these cases is significant for the financial result of the Group.

The nature of activities of ENEA Operator Sp. z o.o. (it operates in a regulated market under monopoly conditions) is a reason for many actions brought against the Company by the President of the Energy Regulatory Office and the President of the Office of Competition and Consumer Protection, which are initiated upon the requests of end consumers, who are serviced by the company.

The President of the Energy Regulatory Office as the principal government administration authority is entitled to regulate the business activity of energy companies, this is the reason why the President handles disputes concerning the refusal to sign agreements on the connection to the power grid, the sale and delivery of electricity, and the determination of the content of the mentioned above agreements.

The President of the Energy Regulatory Office initiated as at 31 December 2007 a number of explanatory and administrative proceedings against the Parent Company.

None of the results of these proceedings is significant to the financial result of the Group.

44.4 Risk related to the legal status of property used by the Group

The risk related to the legal status of property used by the Parent Company results from the fact, that the Group does not possess a legal title to use land, on which the Group electrical power grids and related equipment is located. The Group may be in the future obliged to incur costs for non-contractual use of these properties. There is also a risk of actions to be brought against the Group in order to prevent further use of these properties.

The possibility to loose assets in this case is regarded as insignificant. The lack of specific regulations of the legal status of property, on which the electric power grids and related equipment is situated, does not expose the Group to a risk of losing property, however it exposes the Group to a risk of additional costs related to compensations for the non-contractual use of land, tenancy cost or exceptionally, in individual cases the risk of relocation of the electricity related assets (and restoration of property to the primary condition).

Claims asserted against the Group have the character of claims for payment (compensations for the non-contractual use of property, for the decrease in the property's value, for lost profits) and claims to desist form the trespassing of possession (demand to remove the equipment).

The results of these cases are important as they significantly influence the Group's actions in regard of persons asserting pre-court claims related to equipment located at their property in the past, as well as the Group's actions in regard of the regulation of the legal status of equipment in cases of new investments. The Group has created a provision for all claims asserted by owners of the affected properties (Note 25).

The Group does not create a provision for potential un-asserted claims in relation to land with an unregulated legal status. Potential amounts claimed may be significant for the Group given the total area of land subject to an unregulated legal status (with power grids and related equipment located on these properties). The Group does not have sufficient records and the knowledge of the legal status of used land and therefore is not able to assess reliably the maximum amount of potential claims from the non-contractual use of land.

44.5 Risk related to the participation in costs of usage of land owned by State Forests for the purpose of power grids

Due to the lack of particular legal regulations, provisions for claims resulting from the use of the forest land, which is owned by the State Forest, for the purpose of power grids, which are property of ENEA S.A. were not recognized in the books as at 31 December 2007. The meeting initiated by the Minister of Environment with the participation of representatives of the State Forests, the Minister of the State Treasury, PSE-Operator and the Polish Society of Transmission and Distribution of Electricity representing the interests of distribution (transmission) companies took place on 29 November 2006. The proposal of the State Forests to reach tenancy contracts in relation to land, on which the power grids are located, was not adopted. It has been acknowledged that it is necessary to develop a comprehensive solution based on appropriate legislative changes. The assessment of provisions for the participation in costs of the property tax for the land owned by the State Treasury incurred by State Forests as at this day is impossible. Taking into consideration the area of the land, potential liabilities in this regard might be significant.

Apart from actions mentioned above taken in order to develop a comprehensive solution concerning legal status of State Forest, some of the forestry asserted claims against the Group for compensations regarding the non-contractual use of lands by the Group. These claims are included in the provision described in the note 25.

45. Carbon dioxide emission rights

As at 31 December 2007 carbon dioxide emission rights amounted to:

in thousands of tons	Amount
Carbon dioxide emission rights for year 2007	
Brought forward from previous periods	247
Granted	10,539
Used	(10,547)
Purchased	175
Sold	(400)
	14

This note presents the transactions involving the carbon dioxide emission rights in Elektrownia "Kozienice" S.A. for the whole 2007, but it should be emphasised that this company belongs to the Group since 10 October 2007.

The expected growth, in 2008 and following years, of restrictions concerning the reduction of the carbon dioxide emission may seriously influence the profitability of the Group activities.

(all amounts are stated in PLN thousand, unless otherwise stated)

46. Acquiring of subsidiaries

On 10 October 2007, the State Treasury, in exchange for the acquired shares, contributed in kind 100% shares of Elektrownia "Kozienice" S. A., which faire value amounted to PLN 3,432,800,000. The difference between the nominal value of issued shares and Elektrownia "Kozienice" S.A. net off liabilities due to cash settled share based payments amounting to PLN 515 m, shares' fair value was recognized in the equity of ENEA S.A. as share premium, which was adjusted in the consolidated financial statement by the difference between the value of the issued shares and the book value of the net assets of Elektrownia "Kozienice" S.A.

The acquisition of Elektrownia "Kozienice" S.A. shares', in exchange for the issued shares of ENEA S.A., resulted in acquisition of the following assets and liabilities, that were presented in the consolidated financial statement according to their net book value, which is illustrated in the table below:

	Book value as at 10.10.2007 (purchase date)
Tangible fixed assets	2,640,630
Intangible assets	22,267
Inventories	101,302
Trade and other receivables	175,179
Cash and cash equivalents	362,186
Other assets	248,692
Liabilities from borrowings, loans and other debt instruments	(443,656)
Trade and other payables	(233,452)
Liabilities due to cash settled share based payments	(514,920)
Other liabilities	(430,524)
Net assets book value	1,927,704
Purchase price	3,432,800
Surplus of purchase price ov er net assets book value	1,505,096

Due to the fact that this transaction took place between entities under common control it was recognized in the consolidated financial statement in accordance with the note 2.3.

47. Subsequent events

47.1 Losses resulted from weather conditions

In April 2008 as a result of bad weather conditions there was the power grids' system overload in the area of Szczecin Distribution Branch. As a result of this breakdown the supply of the electricity was suspended for number of hours. The results of investigation conducted by ENEA Operator Sp. z o.o. and PSE-Operator S.A. on the circumstances of the breakdown occurrence indicate that the failure was a result of force majeure. Currently there is a proceeding pending with the participation of the insurance companies engaged in the civil liability insurance related to damages caused to third parties by the activity of the Company in order to confirm the reason of this breakdown.

ENEA Operator Sp. z o.o. reported 19 pecuniary prejudices to the insurance company (damage of a 110 kV, SN and nN power grid and SN/nN transformer units). The estimated value of the damages amounts to PLN 7,205 thousand. According to the insurance policies signed by ENEA Operator Sp. z o.o., the insurance covers 80% of the damages' cost.

At the same time till the date of the approval of these consolidated financial statements there were 174 claims reported by third parties to the insurance company of ENEA Operator Sp z o.o. (damages to household, radio and TV equipment, losses in food/agricultural products, property damages as a result of the emergency repair work etc.) in the total estimated amount of PLN 3,222 thousand.

At the same time, in relation to the above described incident, the President of the Energy Regulatory Office has taken steps aiming at the clarification of the circumstances and reasons of the breakdown.

As a part of these actions the President of the Energy Regulatory Office has requested from ENEA Operator Sp. z o.o. to present detailed information on the event and its reasons, the course of the event, the scale of the damages and its impact on the national grid system, as well as information on the technical condition of the power grids and related technical appliances which were damaged. Moreover the President of the Energy Regulatory Office insisted on a presentation of undertaken actions in order to fix the breakdown.

These information will be analyzed taking into account the ability of the Company to fulfil the obligation to maintain the equipment, installations and power grids in a sufficient condition to transfer electric energy on a continues and reliable basis maintaining obligatory quality requirements. A possible ascertainment of the non-performance of the obligation may give a rise to a legal proceeding against the Company imposing a pecuniary penalty according to Art. 56, Paragraph 1, Clause 13 of the Act Law on Energy.

47.2 Registration of share capital

In accordance with the resolution of Extraordinary Shareholders Meeting held on 23 July 2007, the share capital of ENEA S.A. was increased by PLN 126,625,657 by issuing 126,625,657 ordinary registered shares "K" series of the face value PLN 1 each and the issuing price PLN 27.11. On 10 October 2007, the State Treasury, in exchange for the acquired shares, contributed in kind 100% shares of Elektrownia "Kozienice" S. A., which fair value amounted to PLN 3,432,800,000. The registration of the increased share capital in the National Court Register took place on 30 January 2008.

47.3 Liabilities due to cash settled share based payments—Elektrownia "Kozienice" S.A.

As at the date of the approval of these consolidated financial statements, 2,168 employees of Elektrownia "Kozienice" S.A. declared that they will exercise the right to the equivalent of the right to receive in cash shares. The expected value of the equivalent that will be paid amounts to PLN 290,878 thousand (according to the note 19, the value of related liabilities recognized in this consolidated financial statement amounted to PLN 514,920 thousand). Other eligible employees decided to exchange cash equivalent for right to acquiring ENEA's shares free of charge.

47.4 Commencement of negotiations regarding acquisition of Zespół Elektrowni Pątnów-Adamów-Konin S.A.

In 2008 the Parent Company commenced negotiations with a bankruptcy trustee of Elektrim S.A. regarding acquisition of 45.95% shares of Zespół Elektrowni Pątnów-Adamów-Konin S.A. (ZE PAK). Submitting a binding offer by the Group is however subject to the list of conditions including conducting a legal, financial, tax, technical, environmental and operational due diligence of ZE PAK and its capital group, reconciling all sales agreement's conditions and satisfying resolution of issues regarding claims raised by creditors of Elektrim S.A. in relation to shares of ZE PAK. Until the date of approval of these consolidated financial statements no binding decisions have been taken.

48. The correction of previously published financial statements

In this consolidated financial statement the following correction of previously financial statements have been included:

48.1 Provision for payments to the Social Fund for the pensioners

Due to the fact, that according to the Collective Employment Agreement the Group calculates the charge for the Social Fund for the former employees after the employment period, the Group recognised in 2007 a provision for these costs. As a result the short- and long-term employee benefits were adjusted as at 31 December 2006 and 31 December 2005, respectively by PLN 9,000 thousand and PLN 8,260 thousand, with corresponding increase in the costs of employee benefits for 2006 and for 2005, by PLN 740 thousand and PLN 748 thousand respectively. As a result of these adjustments, the deferred tax asset was recognized and amounted as at 31 December 2006 and 31 December 2005 to PLN 1,710 thousand and PLN 1,569 thousand respectively.

The abovementioned correction resulted in the decrease of the earnings per share for the years ended 31 December 2006 and 31 December 2005 by PLN 0.003 per share.

48.2 The netting off assets and liabilities related to the Social Fund

In these consolidated financial statements the borrowings granted from the Social Fund to employees and the cash belonging to the Social Fund was netted off against the value of the fund created for this purpose and recognized originally as the Group's liabilities. Thus, the balance of the short-term trade and other receivables was decreased as at 31 December 2006 and 31 December 2005 by PLN 24,378 thousand and PLN 21,043 thousand respectively, the balance of cash was decreased as at 31 December 2006 and 31 December 2005 by PLN 885 thousand and PLN 2,634 thousand respectively and the balance of short term trade and other payables decreased as at 31 December 2006 and 31 December 2005 by PLN 25,263 thousand and PLN 23,677 thousand respectively.

The abovementioned adjustment does not impact the earnings per share ratio.

48.3 Provision for the transmission system payment to PSE—Operator Sp. z o.o.

Due to the fact, that the costs of system (transmission) charges paid to PSE—Operator Sp. z o.o. are settled on the basis of invoiced energy sales to end customers and the Group recognizes in the consolidated financial statement of a given period also the accrued but not invoiced sales till the end of the reporting period, a provision for the costs of system charges corresponding to the energy sold but not yet invoiced till the balance sheet date is required. The Group raised the above mentioned provision as at 31 December 2007 and corrected the prior periods presented in these consolidated financial statements. The Group increased the balance of short-term trade and other liabilities as at 31 December 2006 and 31 December 2005 by PLN 15,505 thousand and PLN 18,749 thousand respectively. The costs of transmission services for the period ended 31 December 2006 decreased by PLN 3,244 thousand and for the period ended 31 December 2005 these costs were increased by PLN 2,049 thousand. As a result deferred tax asset was recognized as at 31 December 2006 and 31 December 2005 respectively in the amount of PLN 2,946 thousand and PLN 3,562 thousand.

The above adjustment resulted in an increase in the earnings per share ratio as at 31 December 2006 by PLN 0.01 per share, whereas as at 31 December 2005 the ratio decreased by PLN 0.01 per share.

48.4 Share based payments reserve

The employees of ENEA S.A. Group are entitled by the Act on Commercialization and Privatization dated 30 August 1996, to acquire free of charge 15% of shares of the Parent Company (Note 19).

According to IFRS 2 the cost of such program should be recognized in the period, when the Entitled Employees performed services. The cost of the employees' services is measured as at the Grant Date i.e. the date when all significant provisions of the employees' share based payments are determined.

The value of the employees' shares program was determined based on the valuation of ENEA S.A. shares as at the date of this financial statement and amounts to PLN 901 millions (excluding the Entitled Employees of Elektrownia "Kozienice" S.A.). The Group recognized the total cost of the program according to the abovementioned fair value of the ENEA S.A. shares as a correction of prior periods in the equity of the earliest period presented in these consolidated financial statements, which is 1 January 2005. The Group concluded that estimates as to the actual occurrence of the Grant Date and fair values applicable as at the Grant Date on the 1 January 2005, that is the opening balance of these consolidated financial statements is impracticable and is susceptible to significant error, which would result in a significant distortion of net profits for periods presented in these consolidated financial statements.

The above mentioned adjustment does not impact the earnings per share ratio.

ELEKTROWNIA "KOZIENICE" S.A.

**ŚWIERŻE GÓRNE,
THE MUNICIPALITY OF KOZIENICE**

26-900 KOZIENICE 1

FINANCIAL STATEMENTS

FOR THE 2008 FINANCIAL YEAR

WITH

AUDITOR'S OPINION

AND

AUDIT REPORT

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REPORT ON THE ACTIVITIES OF THE COMPANY

Deloitte.

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AUDITOR'S OPINION

To the Shareholder and Supervisory Board of Elektrownia "Kozienice" S.A.

We have audited the attached financial statements of Elektrownia "Kozienice" S.A. with registered office in Świerże Górne, the municipality of Kozienice, 26-900 Kozienice 1, including:

- balance sheet prepared as at 31 December 2008, with total assets and liabilities plus equity of PLN 3,364,265 thousand;
- income statement for the financial year from 1 January 2008 to 31 December 2008, disclosing a net profit of PLN 36,074 thousand;
- statement of changes in equity for the period from 1 January 2008 to 31 December 2008, disclosing a decrease in equity of PLN 19,279 thousand;
- cash flow statement for the period from 1 January 2008 to 31 December 2008, showing a cash outflow of PLN 323,724 thousand;
- notes, including information on the adopted accounting policy and other explanatory notes.

Preparation of these financial statements is the responsibility of the Management Board of the Company. 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.

Our audit of the financial statements was planned and performed in accordance with:

- section 7 of the Accounting Act of 29 September 1994 (Dz. U. of 2002 No. 76, item 694 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 the examination, 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, 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.

Sąd Rejonowy dla m. st. Warszawy KRS 0000031236, NIP: 527-020-07-86, REGON: 010076870
kapitał zakładowy: 100,000 zł

Member of Deloitte Touche Tohmatsu

Deloitte.

In our opinion, the financial statements of Elektrownia "Kozienice" S.A. for 2008 financial year were prepared in all material respects based on accounting records kept in accordance with the Accounting Act of 29 September 1994 and present fairly and clearly all the information required to evaluate the economic and financial position of the Company as well as its financial profit/loss for the 12-month period ended 31 December 2008 and as at that date in accordance with the International Financial Reporting Standards as endorsed by the European Union.

The Report on the activities of the Company in the 2008 financial year is complete within the meaning of Article 49 clause 2 of the Accounting Act and consistent with underlying information disclosed in the audited financial statements.

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.

Radosław Kuboszek
Członek Zarządu
Biegły rewident
nr ewid 90029

Piotr Sokołowski
Członek Zarządu
Biegły Rewident
nr ewid. 9752

Piotr Sokołowski
Certified auditor
no. 9752/7281

represented by

entity authorized to audit
financial statements entered under
number 73 on the list kept by the
National Council of Statutory Auditors

Warsaw, 14 April 2009

REPORT SUPPLEMENTING THE OPINION ON THE AUDIT OF THE FINANCIAL STATEMENTS OF ELEKTROWNIA "KOZIENICE" S.A. FOR THE 2008 FINANCIAL YEAR

I. GENERAL INFORMATION

1. Details of the audited entity

The Company operates under the name Elektrownia "Kozienice" S.A. The Company's registered office is located in Świerże Górne, the municipality of Kozienice, 26-900 Kozienice 1.

The Company operates as a joint stock company established by a notarized deed of 24 September 1996 prepared by Paweł Błaszczak, Notary Public, in Warsaw (Repertory A No. 16714/96).
The Company was entered in the Commercial Register kept by the District Court in Radom, V Business Division, under number RHB 1629. Currently, the Company is entered in the Register of Entrepreneurs kept by the District Court, XIV Business Division of the National Court Register under number KRS 0000060541.

The Company has the following tax identification number NIP: 8120005470 assigned by the Tax Office on 30 July 1993.

The REGON number assigned to the Company by the Statistical Office on 19 October 2006 is 670908367.

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

In accordance with its By-laws, the scope of the Company's business activities includes:
- electricity production (PKD 40.11.Z);
- electricity transmission (PKD 40.12.Z);
- electricity distribution and sales (PKD 40.13.Z);
- production of heat (steam and hot water) (PKD 40.30.A);
- distribution of heat (steam and hot water) (PKD 40.30.B);
- other passenger land transport (PKD 60.23.Z);
- road goods transport with special-purpose vehicles (PKD 60.24.A);
- rental of trucks with drivers (PKD 60.24.C);
- cargo transshipment in other transshipment points (PKD 63.11.C);
- warehousing and storage of goods in other storage facilities (PKD 63.12.C);
- other land transport supporting activities (PKD 63.21.Z);
- fixed line telephony and telegraphy (PKD 64.20.A);
- mobile telephony (PKD 64.20.B);
- demolishing and tearing down structures; earth works (PKD 45.11.Z);
- general construction works related to the erection of buildings (PKD 45.21.A);
- general construction works on line transmission structures: pipelines, electric energy and electric traction lines as well as telecommunication lines (PKD 45.21.C);
- general construction works on line distribution structures: pipelines, electric energy lines and telecommunication lines (PKD 45.21.D);
- general construction works on engineering structures, n.e.c. (PKD 45.21.F);
- erecting scaffoldings (PKD 45.25.A);
- general construction works on steel structures (PKD 45.25.C);
- general construction bricklaying works (PKD 45.25.D);
- electrical installations in buildings and structures (PKD 45.31.A);

- electrical signaling installations (PKD 45.31.B);
- other electrical installations (PKD 45.31.D);
- plaster production (PKD 26.53.Z);
- manufacture of concrete construction products (PKD 26.61.Z);
- manufacture of plaster construction products (PKD 26.62.Z);
- manufacture of concrete mix (PKD 26.63.Z);
- manufacture of masonry mortar and dry concrete (PKD 26.64.Z);
- services related to installation of metal structures (PKD 28.11.C);
- services related to installation, repair and maintenance of steam generators, except for hot water central heating boilers (PKD 28.30.B);
- services related to installation, repair and maintenance of engines and turbines, except for airplane, car and motorcycle engines (PKD 29.11.B);
- services related to installation, repair and maintenance of general purpose machines, n.e.c. (PKD 29.24.B);
- services related to installation, repair and maintenance of machine tools and other mechanical metalworking tools (PKD 29.42.B);
- services related to installation, repair, maintenance and rewinding of electric engines, current generators and transformers (PKD 31.10.B);
- services related to installation, repair and maintenance of electricity distribution and control systems (PKD 31.20.B);
- services related to installation, repair and maintenance of electrical equipment , n.e.c. (PKD 31.62.B);
- services related to installation, repair and maintenance of TV and radio transmitters (PKD 32.20.B);
- services related to installation, repair and maintenance of measurement, control, research, testing and navigation instruments and devices (PKD 33.20.B);
- services related to installation, repair, maintenance and overhauls of train and tram locomotives as well as train and tram cars (PKD 35.20.B);
- waste management (PKD 90.02.Z);
- sanitary and similar services (PKD 90.03.Z);
- sewage drainage and treatment (PKD 90.01.Z);
- maintenance and repair of motor vehicles (PKD 50.20.A);
- retail sale of fuels (PKD 50.50.Z);
- wholesale of solid, liquid and gas fuels as well as derivative products (PKD 51.51.Z);
- hotels (PKD 55.10.Z);
- restaurants (PKD 55.30.A);
- other short-term accommodation, n.e.c. (PKD 55.23.Z);
- continuous education of adults and other forms of education, n.e.c. (PKD 80.42.B);
- rental of passenger cars (PKD 71.10.Z);
- rental of real property on own account (PKD 70.20.Z);
- rental of other land transport vehicles (PKD 71.21.Z);
- property management services (PKD 70.32.Z);
- computer consulting services (PKD 72.10.Z);
- other software-related activities (PKD 72.22.Z);
- data processing (PKD 72.30.Z);
- database-related activities (PKD 72.40.Z);
- other IT-related activities (PKD 72.60.Z);
- research and development work in bioscience and environmental science (PKD 73.10.D);
- research and development in technical science (PKD 73.10.G);
- research and development in other natural and technical science (PKD 73.10.H);
- research and development in economics (PKD 73.20.A);
- business and management consulting (PKD 74.14.A);

- holdings (PKD 74.15.Z);
- technical tests and analyses (PKD 74.30.Z);
- finance leases (PKD 65.21.Z);
- other financial brokerage, n.e.c. (PKD 65.23.Z);
- brokerage (PKD 67.12.A);
- investment fund and collective securities portfolio management (PKD 67.12.B);
- other activities related to human health protection, n.e.c. (PKD 85.14.F).

In the current period, the Company conducted business activities involving:
- electricity production;
- electricity transmission;
- electricity distribution and sales;
- production of heat (steam and hot water);
- distribution of heat (steam and hot water).

In the audited period the Company produced energy and heat based on concessions granted by the President of the Energy Regulatory Office.

Concession for electricity production:

- No. WEE/1271/U/OT-4/98/JG of 12 October 1998 for electricity production. (The concession entered into force as of 12 October 1998 for the period until 30 October 2008).
- No. WEE/11-ZTO/1271/W/OWA/2007/RW of 31 August 2007 for electricity production in machines with the total installed power of 2820 MW. (The concession entered into force as of 31 August 2007 for the period until 31 December 2025).
- No. WEE/11-ZTO-B/1271/W/3/2008/ARS of 24 January 2008 for electricity production in the source known as Elektrownia "Kozienice" S.A. with the total installed power of 2 820 MW and the total capacity of 2 880 MW. The above concession extends the scope of business activities conducted by Elektrownia "Kozienice" S.A. The change involves the possibility to produce electricity in the CHP system with the capacity of 535 MW and 560 MW with the combustion of conventional fuel (hard and stove coal) and to produce electricity in the CHP system in 8 units with the capacity of (1-215 MW, 1-220 MW, 6-225 MW) with the combined combustion of conventional fuel (hard coal and fuel oil) and biomass. (Concession for the period from 24 January 2008 to 31 December 2025).

Concession for trade in electricity:

- No. OEE/334/1271/W/1/2002/MW of 21 December 2002 for trade in electricity for customers within the territory of the Republic of Poland. (Concession for the period from 1 January 2003 to 1 January 2013).

Concession for heat production:

- No. WCC/256/1271/U/OT-4/98/JG of 12 October 1998 for production of heat in the CHP system based on hard coal burning. (Concession for the period from 12 October 1998 to 30 October 2008).
- No. WCC/256-ZTO/1271/W/OWA/2007/RW of 31 August 2007 for heat production in the CHP system in a power station located in Świerże Górne, with the total thermal capacity of 266 MW. (The concession entered into force as of 31 August 2007 for the period until 31 December 2025).
- No. WCC/256-ZTO-B/1271/W/3/2008/ARS of 24 January 2008 for heat production in the source known as Elektrownia "Kozienice" S.A. with the total thermal capacity of 266 MWt. Heat is generated based on combustion of conventional fuel (hard coal, fuel oil) in two steam boilers producing steam transmitted to two turbine sets generating heat

in the CHP system and based on combustion of conventional fuel (hard coal, fuel oil) or combined combustion of fuel and biomass in eight steam boilers producing steam transmitted to eight turbine sets generating heat in the CHP system. The concession results from an extended scope of business activities conducted by Elektrownia "Kozienice" S.A. (heat production based on biomass combustion). (Concession for the period from 24 January 2008 to 31 December 2025).

Concession for heat transmission:

- No. PCC/269/1271/U/OT-4/98 of 12 October 1998 for transmission and distribution of heat produced in cogeneration with electricity in a source with the total thermal capacity of 105 MWt in two networks: water and steam. (Concession for the period from 12 October 1998 to 30 October 2008).
- No. PCC/ 269-ZTO/1271/W/OWA/2007/RW of 31 August 2007 for transmission and distribution of heat produced in own source, in two heating networks located in Świeże Górne. (Concession for the period from 31 August 2007 to 31 December 2025).

The Company fulfilled the obligations imposed by the provisions of the concessions on an ongoing basis. A report on the fulfillment of the conditions under the concessions was submitted to the President of the Energy Regulatory Office within the specified deadline and appropriate payments were made.

As of 31 December 2008, the Company's share capital equaled PLN 450,000 thousand and was divided into 45,000,000 registered shares with a face value PLN 10 each. As at 31 December 2008 ENEA S.A. was the Company's sole shareholder.

No changes in the Company's share capital took place during the financial year.

There were no changes in the ownership structure of the Company's share capital in the audited period.

No changes in the Company's share capital took place after the balance sheet date.

The calendar year is the Company's financial year.

The Company treats as related parties ENEA S.A., the parent entity, the companies in the ENEA S.A. Capital Group as well as the entities of the State Treasury with which it enters into material business transactions.

The following changes in the Company's Management Board took place during the audited period:

1. from 1 January 2008 to 27 February 2008, the composition of the Management Board was as follows:
   Roman Czerwiński — acting Chairman of the Management Board,
   Kazimierz Jacek Piątkowski — acting Member of the Management Board,
2. from 27 February 2008 to 5 April 2008, the composition of the Management Board was as follows:
   Kazimierz Jacek Piątkowski — Memeber of the Management Board for Finance,
   Krzysztof Zborowski — Member of the Management Board for Technology,

3. from 5 April 2008 to 29 June 2008, the composition of the Management Board was as follows:

Leszek Dzik	Chairman of the Management Board,
Krzysztof Zborowski	Member of the Management Board for Technology,
Kazimierz Jacek Piątkowski	Member of the Management Board for Finance,
Jarosław Kiełbasa	Member of the Management Board for Investments and Innovation,

4. from 29 June 2008 to 18 July 2008, the composition of the Management Board was as follows:

Leszek Dzik	Chairman of the Management Board,
Krzysztof Zborowski	Member of the Management Board for Technology,
Kazimierz Jacek Piątkowski	Member of the Management Board for Finance,
Jarosław Kiełbasa	Member of the Management Board for Investments and Innovation,
Jan Wrona	Member of the Management Board,

5. from 18 July 2008 to 1 September 2008, the composition of the Management Board was as follows:

Krzysztof Zborowski	Member of the Management Board for Technology acting Chairman of Management Board,
Kazimierz Jacek Piątkowski	Member of the Management Board for Finance,
Jarosław Kiełbasa	Member of the Management Board for Investments and Innovation,

6. from 1 September 2008 to 27 March 2009, the composition of the Management Board was as follows:

Krzysztof Zborowski	Chairman of the Management Board, Member of the Management Board for Technology,
Kazimierz Jacek Piątkowski	Member of the Management Board for Finance,
Jarosław Kiełbasa	Member of the Management Board for Investments and Innovation,
Arkadiusz Krakowiak	Member of the Management Board for Trade,

7. from 27 March 2009 to the opinion date, the composition of the Management Board was as follows:

Krzysztof Zborowski	Chairman of the Management Board, Member of the Management Board for Technology,
Jarosław Kiełbasa	Member of the Management Board for Investments and Innovation,
Arkadiusz Krakowiak	Member of the Management Board for Trade.

The above changes were filed to and registered in the competent court register.

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

The activities of the Company in 2007 resulted in a net profit of PLN 125,305 thousand. The statutory financial statements of the Company for the 2007 financial year were drawn up in accordance with the Accounting Act. The statutory financial statements of the Company for the 2007 financial year were audited by a certified auditor. The audit was performed by the authorized entity Deloitte Audyt Sp. z o.o. On 6 June 2008, the certified auditor issued an unqualified opinion on these financial statements.

The General Shareholders' Meeting which approved the financial statements for the 2007 financial year was held on 18 June 2008. The General Shareholders' Meeting decided on the following distribution of the net profit for 2007:

- reclassification to supplementary capital – PLN 69,475,211.77;
- dividends for the shareholder – PLN 53,068,000;
- contribution to the Company's Social Benefits Fund – PLN 2,762,400.

The financial statements for the 2007 financial year were submitted in accordance with the law to the National Court Register on 15 July 2008 and submitted for publication in Monitor Polski B. The financial statements were published in Monitor Polski B no. 2078 on 17 December 2008.

The comparable data for 2007 presented in the audited financial statements were derived from the financial statements prepared in accordance with the International Financial Reporting Standards for the years 2007-2005. The activities of the Company in 2007 resulted in a net profit determined based on IFRS of PLN 13,271 thousand. The above financial statements were also audited by a certified auditor. The audit was performed by the authorized entity Deloitte Audyt Sp. z o.o. On 12 May 2008 the certified auditor issued an opinion on these financial statements pointing out the following limitation to the scope of the audit:

- The control procedures implemented by the Supreme Chamber of Control in 2006 identified irregularities with respect to the method of stocktaking of coal and its settlement in the years 2004-2006. The stocktaking surplus of PLN 16,016 thousand identified during the inspection was recognized by the Company in its accounting records for 2006. Physical counts conducted as at 31 December 2006 disclosed further stocktaking surpluses of coal in the amount of PLN 21,286 thousand, which were also recognized in the accounting records for 2006. We were incapable of verifying the value of inventory as at 1 January 2005 and 31 December 2005 and the effect of the potential inventory adjustments as at the above dates on the income statement, cash flow statement and the statement of changes in the Company's equity for 2005 and 2006.

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 28 November 2008 concluded between Elektrownia "Kozienice" S.A. and Deloitte Audyt Sp. z o.o. with registered office in Warsaw, ul. Piękna 18, 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 was conducted under the supervision of a certified auditor Piotr Sokołowski (no. 9752/7281) at the Company's premises from 1 to 15 December 2008 and from 2 March to 4 April 2009 as well as outside the premises of the Company from 5 to 14 April 2009.

The authorized entity was appointed based on the Supervisory Board's resolution no. 97/V/2008 of 6 November 2008, pursuant to the authorization under Article 25 and 26 clause 1 point 4 of the Company's By-laws.

Deloitte Audyt Sp. z o.o. and the certified auditor Piotr Sokołowski confirm that they are authorized to perform audits and meet the requirements of Article 66 clauses 2 and 3 of the Accounting Act to express an unbiased and independent opinion on the financial statements of Elektrownia "Kozienice" 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 Company's Management Board of 14 April 2009.

5. Economic and financial position of the Company

Presented below are the main items from the income statement as well as financial ratios describing the financial profit/loss of the Company and its economic and financial position compared to previous years.

Main items from the income statement (in PLN '000)	2008	2007
Sales revenue	1,730,364	1,663,069
Operating expense	1,665,199	1,642,867
Other operating revenue	8,100	19,485
Other operating expense	16,989	21,277
Financial revenue	26,636	43,101
Financial expense	34,355	26,884
Income tax	12,926	6,300
Net profit (loss)	36,074	13,271

Profitability ratios	2008	2007
– gross profit margin	3%	1%
– net profit margin	2%	1%
– net return on equity	2%	1%
Effectiveness ratios		
– assets turnover ratio	0.52	0.50
– receivables turnover in days	43	33
– liabilities turnover in days	35	29
– inventory turnover in days	38	25
Liquidity/Net working capital		
– debt ratio	28%	27%
– equity to fixed assets ratio	72%	73%
– net working capital (PLN '000)	378,527	375,578
– current ratio	2.00	2.19
– quick ratio	1.31	1.88

The analysis of the above figures and ratios identified the following trends in 2008:
- an increase in profit margins;
- an increase in the net return on equity;
- an increase in the assets, receivables and inventory turnover in days;
- a 1% increase in the debt ratio;
- a slight decrease in the equity to fixed assets ratio;
- the net working capital remained at a stable level;
- a slight decrease in liquidity ratios.

II. DETAILED INFORMATION

1. Evaluation of the accounting system

The Company has valid documentation describing the accounting principles (policy) applied, including in particular: definition of the financial year and reporting periods thereof, measurement methods applied to assets and liabilities and determining the financial result, 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 with respect to the measurement of assets and liabilities plus equity – in accordance with the International Financial Reporting Standards based on the accounting principles (policy) of the Enea S.A. Capital Group. The basic measurement methods applied to assets and liabilities and the method of determining the financial result are presented in the additional explanatory notes.

The Company uses the IFS Applications computerized accounting system, which enables it to record all business transactions, except for HR and payroll, which are kept in the BDF – ELIN system. The IFS Applications 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 letter c) of the Accounting Act.

The opening balance results from the financial statements for the previous financial year prepared for the first time in accordance with the International Financial Reporting Standards. The financial statements for 2007 drawn up in accordance with IFRS were not the Company's statutory financial statements. The comparable data presented in the financial statements for 2008 include the data from the financial statements for 2007 prepared in accordance with IFRS.
The audited documentation of business transactions, the accounting records and the relationships between the accounting entries and vouchers and the financial statements comply 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 a physical count of assets and liabilities within the scope, timing and frequency provided for in the Accounting Act. The identified differences were recorded and settled in the accounting records for the audited period.

2. Information on the audited financial statements

The audited financial statements were prepared as of 31 December 2008 and include:

- balance sheet prepared as at 31 December 2008, with total assets and liabilities plus equity of PLN 3,364,265 thousand;
- income statement for the financial year from 1 January 2008 to 31 December 2008, disclosing a net profit of PLN 36,074 thousand;
- statement of changes in equity for the period from 1 January 2008 to 31 December 2008, disclosing a decrease in equity of PLN 19,279 thousand;
- cash flow statement for the period from 1 January 2008 to 31 December 2008, showing a cash outflow of PLN 323,724 thousand;
- notes, including information on the adopted accounting policy and other explanatory notes.

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

3. Information on selected material items of the financial statements

Property, plant and equipment

The Company's property, plant and equipment include:
- fixed assets of PLN 2,491,608 thousand;
- fixed assets under construction of PLN 85,261 thousand.

The notes correctly describe changes in fixed assets and fixed assets under construction, including disclosure of any revaluation write-downs on such assets.

Structure of inventories

The structure of inventories was correctly presented in the respective explanatory note.

Structure of receivables

The aging analysis of trade receivables was correctly presented in the respective explanatory note. The audited sample did not include expired or cancelled receivables.

Liabilities

The ageing analysis of liabilities and liabilities by type were correctly presented in the respective explanatory note.

Key items of the Company's liabilities include:
- long-term credit facilities and loans of PLN 145,074 thousand;
- short-term credit facilities and loans of PLN 42,316 thousand;
- trade and other liabilities of PLN 275,422 thousand.

Details of the contracted loans and a description of their collateral are disclosed in the explanatory notes. The audited sample did not include expired or cancelled liabilities.

Prepayments, accruals and provisions for liabilities

The structure of prepayments, accruals and provisions for liabilities is correctly described in the respective notes.
Expenses and revenues recognized over time were correctly classified in relation to the audited financial period.
Provisions for liabilities were determined in reliably estimated amounts.
These items are recognized completely and correctly in all material respects in relation to the financial statements as a whole.

4. Completeness and correctness of drawing up additional information and explanations and the report on the activities of the company

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 applied to assets and liabilities, the financial result as well as the method of preparation of the financial statements.
Limitations imposed on individual assets disclosed in the balance sheet arising from pledges granted to creditors were described.
The notes provide a complete description of the reporting items and present the remaining data required by the IFRS in a clear manner.

The financial statements are supplemented with the Management Board's Report on the activities of the Company in the 2008 financial year. The Report contains all information required under Article 49 clause 2 of the Accounting Act. 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 Management Board of the Company in which the Board stated that the Company complied with the laws in force.

Radosław Kuboszek
Członek Zarządu
Biegły rewident
nr ewid. 90029

Piotr Sokołowski
Członek Zarządu
Biegły Rewident
nr ewid. 9752

....
Piotr Sokołowski
Certified auditor
no. 9752/7281

....
represented by

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

Warsaw, 14 April 2009

ELEKTROWNIA "KOZIENICE" S.A.

FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2008

Elektrownia "Kozienice" S.A.

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Elektrownia "Kozienice" S.A.

These financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), as approved by the European Union (EU) and accepted by the Management Board of Kozienice S.A.

Prezes Zarządu
Członek Zarządu ds. Technicznych

Chairman of the Management Board **Krzysztof Zborowski**

........Krzysztof Zborowski......

CZŁONEK ZARZĄDU
ds. Inwestycji i Rozwoju

Jarosław Kiełbasa

Member of the Management Board **Jarosław Kiełbasa**

....

Członek Zarządu
ds. Handlu

Member of the Management Board **Arkadiusz Krakowiak**

........Arkadiusz Krakowiak...........

Świerże Górne, 14 April 2009

Elektrownia "Kozienice" S.A.

Income statement

for the financial year ended 31 December 2008

(in PLN '000)

	Note	For the year ended 31.12.2008	ended 31.12.2007
Sales revenue		1 948 586	1 892 787
Excise tax		(218 222)	(229 718)
Net sales revenue	21	**1 730 364**	**1 663 069**
Other operating revenue	22	8 100	19 485
Amortization/Depreciation	23	(226 654)	(224 485)
Employee benefits costs	23, 24	(200 155)	(202 264)
Consumption of materials and raw materials and costs of goods sold	23	(992 281)	(867 555)
Physical count surpluses		21 145	1 503
Energy purchase for the needs of the sale	23	(86 907)	(192 021)
Transmission services	23	(2 432)	(3 264)
Other external services	23	(122 337)	(95 438)
Taxes and charges	23	(55 882)	(61 600)
Profit (loss) on sale and liquidation of property, plant and equipment		304	(2 368)
Other operating expenses	25	(16 989)	(15 148)
Operating profit		**56 276**	**19 914**
Financial expenses	27	(34 355)	(26 885)
Financial revenue	26	26 636	43 101
Revenues from dividends	26	443	1 212
Profit before tax		**49 000**	**37 342**
Income tax	28	(12 926)	(6 300)
Net profit before mandatory profit sharing		**36 074**	**31 042**
Payment from profit to the State Treasury		-	(17 771)
Net profit after mandatory profit sharing		**36 074**	**13 271**

This Income statement should be analyzed with explanatory notes, constituting an integral part of the financial statements.

Balance sheet

As of 31 December 2008

(in PLN '000)

	Note	Balance as of 31.12.2008	31.12.2007
ASSETS			
Non-current assets			
Property, plant and equipment	3	2 576 869	2 611 312
Perpetual usufruct of land	4	482	-
Intangible assets	5	18 485	21 746
Investment real property	6	4 166	4 332
Investments in subsidiaries	7	700	-
Financial assets available for sale	8	4 935	6 344
		2 605 637	**2 643 734**
Current assets			
Inventories	11	259 067	97 554
Trade and other receivables	9	301 328	134 367
Current income tax receivables		5 400	-
Financial assets available for sale	8	4 806	-
Financial assets held to maturity	8	100 733	49 323
Cash and cash equivalents	12	87 294	411 018
		758 628	**692 262**
Total assets		**3 364 265**	**3 335 996**
LIABILITIES			
EQUITY AND LIABILITIES			
Share capital	13	468 241	468 241
Share-based capital	13	514 920	514 920
Revaluation reserve (financial instruments)	13	2 748	-
Retained earnings	13	1 438 699	1 460 726
Total equity		**2 424 608**	**2 443 887**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	15	145 074	173 295
Settlement of income due to subsidies	16	7 325	7 178
Provision for deferred income tax	18	304 273	297 193
Liabilities due to employee benefits	19	92 318	86 595
Other provisions for liabilities and obligations	20	10 566	10 387
		559 556	**574 648**
Short-term liabilities			
Loans and borrowings	15	42 316	40 975
Trade and other liabilities	14	275 422	240 421
Settlement of income due to subsidies	16	582	779
Current income tax liabilities		-	4 280
Liabilities due to employee benefits	19	37 022	30 052
Provision for certificates of origin		253	8
Provisions for other liabilities and obligations	20	24 506	946
		380 101	**317 461**
Total liabilities		**939 657**	**892 109**
Total equity and liabilities		**3 364 265**	**3 335 996**

This Balance sheet should be analyzed with explanatory notes, constituting an integral part of the financial statements.

Elektrownia "Kozienice" S.A.
Statement of changes in equity
for the financial year ended 31 December 2008
(in PLN '000)

	Note	Share capital (nominal value)	Revaluation of share capital	Share capital total	Share-based capital	Revaluation reserve (financial instruments)	Retained earnings	Total equity
Balance as of 01.01.2007		450 000	18 241	468 241	514 920	-	1 461 685	2 444 846
Net profit for the financial period							31 042	31 042
Total recognized profit and loss for the period							31 042	31 042
Mandatory profit sharing							(17 771)	(17 771)
Dividend payment							(14 230)	(14 230)
Balance as of 31.12.2007		450 000	18 241	468 241	514 920	-	1 460 726	2 443 887
Measurement of financial assets available for sale						2 748		2 748
Net profit for the financial period							36 074	36 074
Total recognized profit and loss for the period						2 748	36 074	38 822
Mandatory profit sharing	29						(5 033)	(5 033)
Dividend payment	29						(53 068)	(53 068)
Balance as of 31.12.2008		450 000	18 241	468 241	514 920	2 748	1 438 699	2 424 608

This Statement of changes in equity should be analyzed with explanatory notes, constituting an integral part of the financial statements.

Cash flow statement

for the financial year ended 31 December 2008
(in PLN '000)

	Note	For the year ended 31.12.2008	For the year ended 31.12.2007
Cash flows from operating activities			
Net profit before mandatory profit sharing		36 074	31 042
Adjustments:			
Income tax recognised in income statement	28	12 926	6 300
Amortization/Depreciation	23	226 654	224 485
(Profit)/loss on sale and liquidation of property, plant and equipment		(304)	2 368
(Profit)/loss on sale of financial assets		-	(1 375)
Interest revenue	26	(24 536)	(8 509)
Revenues from dividends	26	(443)	(1 212)
Interest expense	27	12 826	25 156
Exchange (gains)/losses on loans and borrowings		13 963	(8 244)
		241 086	**238 969**
Income tax paid		(16 177)	(28 733)
Changes in working capital			
Inventories		(161 513)	29 428
Trade and other receivables		(165 580)	42 408
Trade and other liabilities		15 390	(38 246)
Liabilities due to employee benefits		12 693	21 989
Settlement of income due to subsidies		(50)	7 957
Change in provisions for certificates of origin		245	-
Change in provisions		23 739	396
		(275 076)	**63 932**
Net cash flows from operating activities		**(14 093)**	**305 210**
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		(170 970)	(55 808)
Gains from disposal of property, plant and equipment and intangible assets		1 627	54
Acquisition of financial assets		(50 150)	-
Gains from sale of financial assets		-	305 403
Interest received		21 189	8 509
Dividends received		443	1 212
Net cash flows from investing activities		**(197 861)**	**259 370**
Cash flows from financing activities			
Repayment of loans and borrowings		(40 843)	(261 690)
Interest paid		(12 826)	(25 156)
Dividends paid		(58 101)	(32 001)
Net cash flows from financing activities		**(111 770)**	**(318 847)**
Net increase (decrease) of cash		**(323 724)**	**245 733**
Opening balance of cash		411 018	165 285
Closing balance of cash	12	**87 294**	**411 018**

This Cash flow statement should be analyzed with explanatory notes, constituting an integral part of the financial statements.

1. General information

Details of the audited Company

Elektrownia "Kozienice" S.A. ("Company") with its registered office in Świerże Górne was entered into the register kept by the District Court in Radom, V Business Division, under number RHB 1629 on 1 October 1996. The Company was entered in the Register of Entrepreneurs of the National Court Register under number KRS 0000060541 on 12 November 2001.

The Company's core business activity and duration

The core business of the Company includes production of electricity and production and distribution of heat. The Company was established for unlimited period.

Period covered by the financial statements

The financial statements were drawn for the financial year ended 31 December 2008.

The going concern assumption

The financial statements were drawn up under the going concern assumption in the foreseeable future and there are no circumstances indicating threats to the Company's ability to operate as a going concern.

2. Key accounting principles

A) STATEMENT OF COMPLIANCE

These financial statements were drawn in accordance with the International Financial Reporting Standards (IFRS) in the form approved by the European Union, hereinafter referred to as "IFRS EU".

The Company draws up the statutory financial statements in compliance with IFRS EU, based on Resolution No. 5 of the General Shareholders Meeting of "Kozienice" S.A. of 23 October 2008, adopted pursuant to Article 45 clause 1b of the Accounting Act of 29 September 1994 ("Accounting Act").

The Company prepared the financial statements in accordance with IFRS EU for the years 2005-2007 for the purpose of consolidation in the ENEA S.A. Capital Group. Hence, 1 January 2005 is the date of the first-time adoption of IFRS EU.

The differences between IFRS EU and the accounting principles applied in Poland ("PAS") identified by the Company and concerning the changes in the opening balance of equity as of 1 January 2005 and the net profit for the 2005 financial year were presented in Note 36 to the financial statements for the financial years ended 31 December 2007, 31 December 2006, and 31 December 2005.

IFRS EU include all International Accounting Standards, International Financial Reporting Standards and all related Interpretations except for the Standards and Interpretations, which are yet to be approved by the European Union as well as Standards and Interpretations approved by the European Union but not yet effective.

The Company did not take the opportunity of early application of the new Standards and Interpretations already published and approved by European Union, which will come into force after the balance sheet date. As of the balance sheet date, the Company did not complete the process of estimating the impact of the new Standards and Interpretations which would come into force after the balance sheet date on its financial statements for the period of their first-time adoption.

The presented financial statements are separate financial statements of Elektrownia "Kozienice" S.A. Pursuant to IAS 27.10, the Company does not draw up consolidated financial statements.

Additional information and explanations to the financial statements
For the financial year ended 31 December 2008.

New accounting standards and interpretations

Standards and interpretations approved by the EU	Type of projected change in the accounting standards	Possible impact on the financial statements	Date of coming into force for periods commencing on or after
Amendments to IFRS 2 *Share-based Payments*	The amendments provide guidance on the impact of non vesting conditions on capital instruments measurement.	The Company has not completed the analysis of the impact of the revised standard on its financial statements.	1 January 2009
IFRS 8 *Operating Segments*	The Standard requires segment disclosure based on the components of the entity monitored by the management in making operations-related decisions. Operating segments are components of an entity about which separate financial information is available. Such information is evaluated regularly by the persons taking key decisions concerning allocation of resources and assessing performance.	The Company does not expect the new standard to have significant influence on the presentation and disclosure of information on the operating segments.	1 January 2009
Revised IAS 23 *Borrowing Costs*	The standard will require capitalization of borrowing costs related to assets requiring a considerable period to be set ready for use or sale.	The Company shall apply the revised IAS 23 to qualifying assets for which the commencement date for capitalization is on or after the 1 January 2009. Therefore, the amendment will not affect the comparable periods in the Company's 2009 financial statements.	1 January 2009

Additional information and explanations to the financial statements

For the financial year ended 31 December 2008.

Standards and interpretations approved by the EU	Type of projected change in the accounting standards	Possible impact on the financial statements	Date of coming into force for periods commencing on or after
Revised IAS 1 *Presentation of Financial Statements*	The revised Standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. Items of revenue and expenses and components of other comprehensive income may be presented either in a separate statement of comprehensive income or in two separate statements (a separate income statement and a statement of comprehensive income).	The Company is currently evaluating whether to present a separate statement of the comprehensive income, or two separate statements.	1 January 2009
Amendments to IAS 32: Financial Instruments and IAS 1: Presentation of Financial statements	The amendments provide an exemption to the principle defined in IAS 32 for the classification of certain puttable financial instruments as equity. In compliance with the requirements resulting from the amendments, some puttable financial instruments, which would otherwise be classified as financial liabilities, will be classified as equity, provided that certain conditions are met.	The Company has not completed the analysis of the impact of the revised standard on its financial statements.	1 January 2009
Amendments to IAS 27: Consolidated and Separate Financial Statements	Amendments to IAS 27 remove the definition of cost method in IAS 27 and introduce a requirement that all dividends from subsidiaries, jointly controlled entities or associates must be recognized as income in the separate financial statements of the investor, when the right to dividend is determined. Additionally, the amendments provide guidelines when obtaining a dividend may be an indicator of impairment.	Amendments to IAS 27 do not apply to the Company's financial statements.	1 January 2009

Additional information and explanations to the financial statements

For the financial year ended 31 December 2008.

Standards and interpretations approved by the EU	Type of projected change in the accounting standards	Possible impact on the financial statements	Date of coming into force for periods commencing on or after
IFRIC 13: Customer Loyalty Programmes	IFRIC 13 addresses how companies, that grant their customers loyalty award credits when buying goods or services, should account for their obligation to provide free or discounted goods or services when the customers redeem the points. Therefore, certain companies are required to defer this amount of revenue as a liability until they have fulfilled their obligations to supply awards.	The Company does not expect the interpretation to have impact on the financial statements.	1 July 2008

Standards and interpretations awaiting to be approved by the EU	Type of projected change in the accounting standards	Possible impact on the financial statements	Date of coming into force for periods commencing on or after
Revised IFRS 1. First-time Adoption of IFRS	The standard amendment will consist in changing its structure (without changing its substance) in such a manner that all exemptions, which were described in the standard will be moved to appropriate appendices.	The amendment will not have impact on the Company's financial statements.	1 January 2009
Revised IFRS 3Business Combinations	The scope of the revised standard has been changed and the definition of the business has been expanded. The revised standard included other potentially significant changes, such as: - Consideration for an acquisition, including contingent consideration, is measured at fair value at the acquisition date. - Any subsequent change in contingent consideration should be recognized in profit or loss. - Costs related to the acquisition, other than costs of issuing equity instruments or debt instruments should be recognized in profit or loss. - The acquiree can measure non-controlling interest at fair value at acquisition date (the total goodwill) or as pro rata share in the fair value of identifiable assets and liabilities related to each transaction.	As the updated standard should not be applied to business combinations carried out before the date of the first-time standard adoption, the revised standard is not expected to affect the financial statements in the scope of business combinations carried out before the revised standard was entered into force.	1 July 2009

Standards and interpretations awaiting to be approved by the EU	Type of projected change in the accounting standards	Possible impact on the financial statements	Date of coming into force for periods commencing on or after
Revised IAS 27 *Consolidated and Separate Financial Statements*	The revised standard replaced the term "minority interest" with the term "non-controlling interest", which is defined as equity of a subsidiary not attributable to a parent (directly or indirectly). The amended standard changes the method of recognizing non-controlling interest, loss of control in subsidiary and assigning profits and losses and other total revenue to controlling interest or non-controlling interest.	Amendments to IAS 27 do not apply to the Company's financial statements.	1 July 2009
Amendments to IAS 39: Financial Instrument: *Recognition and Measurement*	The amendments specify application of the existing principles for determining eligible risk or cash flows hedging. In determining hedging, separation and reliable measurement of risk or cash flows should be possible. Inflation can only be hedged upon meeting specified conditions.	Amendments to IAS 39 do not apply to the Company's financial statements, as the Company does not apply hedge accounting.	1 July 2009

Standards and interpretations awaiting to be approved by the EU	Type of projected change in the accounting standards	Possible impact on the financial statements	Date of coming into force for periods commencing on or after
Amendments to IAS 39 Reclassification of Financial Assets Effective date and transitional provisions	The amendment specify the date when it is possible to reclassify financial assets out of the fair value through profit of loss or available-for-sale classifications if specified criteria are met, as provided for in the amendments to IAS 39 published on 27 November 2008. The aforementioned amendments apply as of 1 July 2008 and no amendments can be applied retrospectively. Reclassification carried out on or after 1 November 2008 should be applicable since the reclassification date and cannot be applied retrospectively.	Amendments to IAS 39 do not apply to the Company's financial statements, as the Company did not reclassify any financial instruments.	1 July 2008
IFRIC 12: Service Concession Agreements	The Interpretation provides the guidelines to the private sector operators concerning recognition and measurement of transactions related to concessions granted by public entities to private enterprises.	IFRIC 12 does not apply to the Company's financial statements, as the Company does not conclude any concession agreements.	1 January 2008

Additional information and explanations to the financial statements

For the financial year ended 31 December 2008.

Standards and interpretations awaiting to be approved by the EU	Type of projected change in the accounting standards	Possible impact on the financial statements	Date of coming into force for periods commencing on or after
IFRIC 15: Agreements for the Construction of Real Estate	IFRIC 15 specifies that revenue generated with relation to construction of real estate is recognized by reference to the stage of completion of construction in the following cases: - The Contract meets the definition of a construction contract within the scope of IAS 11.3; - The contract pertains only to the provision of services within the scope of IAS 18 (i.e. an entity is obliged to supply building materials); and - The contract pertains to the sale of goods and the revenue recognition criteria as per IAS 18.14 are met 'continuously as construction progresses'. In all remaining cases, the revenue is recognized when all revenue recognition criteria as per IAS 18.14 are met (i.e. after completion of the construction contract or the supply of goods).	IFRIC 15 does not apply to the Company's financial statements, as the Company does not conclude any contracts on construction of real estate.	1 January 2009
IFRIC 16 Hedges of a Net Investment in a Foreign Operation	The interpretation clarifies the following issues: the type of exposure, to which an entity may apply hedging, which entity within a group can hold a hedging instrument, if the consolidation method affects the hedging efficiency, eligible form of a hedged instrument and the amounts, which may be reclassified from equity to profit or loss in time of the sale of shares in a foreign operation.	IFRIC 16 does not apply to the Company's operations, as the Company does not hold investments in foreign operations.	1 October 2008

Standards and interpretations awaiting to be approved by the EU	Type of projected change in the accounting standards	Possible impact on the financial statements	Date of coming into force for periods commencing on or after
IFRIC 17 Distributions of Non-cash Assets to Owners	The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders IFRIC 17 clarifies that a dividend payable should be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity. The dividend should be measured at the fair value of the assets distributed. The carrying amount of the dividend payable should be measured at each balance sheet date. The change of the carrying amount should be recognized in equity as dividend adjustment. Any difference between this amount and the previous carrying amount of the assets distributed should be recognized in profit or loss when the entity settles the dividend payable.	The interpretation should be applied prospectively, hence it shall not affect the financial statements for the periods before its application for the first time. What is more, the interpretation concerns future dividends, which are to be determined by the General Shareholders Meeting, therefore it is not possible to assess its impact on the financial statements in advance.	1 July 2009

Additional information and explanations to the financial statements
For the financial year ended 31 December 2008.

Standards and interpretations awaiting to be approved by the EU	Type of projected change in the accounting standards	Possible impact on the financial statements	Date of coming into force for periods commencing on or after
IFRIC 18 Transfer of Assets from Customers	IFRIC 18 applies to all agreements, based on which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both. The interpretation also applies to all arrangements, based on which en entity receives cash to construct or acquire an item of property, plant and equipment. The entity that receives the assets recognizes them if they meet the asset definition. The other entity recognizes revenue. The time of recognizing revenue depends on detailed facts and arrangement.	Amendments to IAS 18 do not apply to the Company's financial statements, as the Company does not receive assets from its customers.	1 July 2009

B) BASIS OF THE PREPARATION OF THE FINANCIAL STATEMENTS

The data in the financial statements have been presented in PLN, which is the functional and presentation currency, rounded up to nearest thousand. The financial statements have been prepared based on the historical cost principle, except for assets and equity and liabilities measured at fair value: financial instruments measured at fair value through profit or loss and available-for-sale financial instruments measured at fair value.

Financial statements drawn in accordance with IFRS EU require professional judgments, estimates and assumptions made by the Management Board and having impact on the adopted principles and presented values of assets, equity and liabilities, revenue and expenses. The estimates and related assumptions are based on the historical experience and other factors that are recognized as rational under given circumstances, whereas their results give basis for judgment as regards the carrying value of assets and liabilities which cannot be directly derived from other sources. Actual value can differ from the estimated value.

Estimates and related assumptions are subject to ongoing verification. All changes in the accounting estimates are recognized in the period when they were made or in the current and future periods, if they apply both to the current and future periods.

Information concerning significant estimates, which affect the financial statements are presented in Notes 19, 20 and 39.

The accounting principles which have been presented below were applied to all reporting periods presented in the financial statements.

C) FOREIGN CURRENCIES

Foreign currency transactions are recognized at the date of the transaction in PLN, using the currency buy or sell rate used by the Company's bank at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated as at the balance sheet date at the NBP closing price of the currency pair as at that date. (The closing price is the average rate determined by the National Bank of Poland at the measurement date). Exchange gains and losses arising from transaction denomination in foreign currencies and balance sheet measurement of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss. Non-monetary assets and liabilities measured at historical cost in a foreign currency are translated at the average NBP exchange rate as at the transaction date. Non-monetary balance sheet items presented in a foreign currency and measured at fair value are translated at the NBP average exchange rate at the date the fair value was determined.

D) PROPERTY, PLANT AND EQUIPMENT

(i) Own property plant and equipment

Property plant and equipment items are recognized at purchase price or manufacturing cost minus depreciation charges and impairment loss. The acquisition price includes asset purchase price (i.e. the amount payable to the seller less deductible VAT and excise duty), state budget charges (in the case of import) as well as cost directly related to purchase and bringing the asset to usable condition, including transport, loading, unloading and storage cost. Discounts, rebates and similar decreases and recoveries decrease asset acquisition price. The manufacturing cost of property, plant and equipment and work in progress includes total expenses incurred by the entity during the period of construction, assembly, adaptation and improvement, up to its commissioning (or balance sheet date, if the asset has not been commissioned), including non-deductible VAT and excise duty. The manufacturing costs includes also - when required - preliminary estimate of the costs of disassembly and removal of property, plant and equipment and restoring the original condition.

As at the date of the first-time adoption of IFRS EU, the Company assumed the fair value of fixed assets as deemed costs.

Property, plant and equipment manufactured for future use as investment property are recognized as property, plant and equipment in manufacturing cost by the time of completing the construction project, when they are reclassified to investment property.

When property, plant and equipment item consists of separate and significant components with different useful lives, such components are treated as separate assets.

(ii) Property, plant and equipment used based on lease

Leases, under which practically all the risks and rewards incidental to ownership of property plant and equipment are assumed by the Company, are classified as finance lease. Payments due to operating lease agreements are recognized in the income statement on a straight line basis throughout the lease period.

(iii) Subsequent expenditure

Costs of replaced components of property, plant and equipment, incurred in subsequent periods, which may be reliably estimated and which are likely to bring economic benefits to the Company are capitalized. Other expenditures are recognized on an ongoing basis in the income statement as expenses.

(iv) Amortization/depreciation

Property, plant and equipment or their significant and separate components are depreciated based on the straight line method over their useful life based on the net realizable price of the fixed asset (residual value) expected in liquidation. Land is not depreciated. The Company assumes the following useful life for individual fixed asset categories:

Buildings	10 – 40	years
Technical equipment and machinery	4 – 25	years
Vehicles	5 – 14	years
Furniture and fittings	4 – 25	years

The Company reviews the correctness of useful life, depreciation method and residual value (if significant) applied to fixed assets on annual basis.

E) INTANGIBLE ASSETS

(i) Other intangible assets

Other intangible assets acquired by the Company are recognized based on the acquisition price less amortization charges (see below) and impairment losses (see point M "Key accounting principles").

As at the date of the first-time adoption of IFRS EU, the Company assumed the fair value of intangible assets as deemed costs.

Expenditure incurred for internally generated goodwill or trademarks is recognized in the income statement when it is incurred.

(ii) Subsequent expenditures

Subsequent expenditures for the existing intangible assets are capitalized only when they increase future economic benefits related to a given asset. Other expenditures are recognized in the income statement when they are incurred.

(iii) Amortization/depreciation

Intangible assets are amortized based on the straight-line method, taking into account their useful life, if defined. Goodwill and intangible assets with an undefined useful life are tested for impairment as at each balance sheet date. Other intangible assets are amortized from the date of their commissioning. The estimated useful life is as follows:

Software	10 years

(iv) CO_2 emission rights

The emission rights granted free of charge in accordance with the National Plan of Distributing CO2 Emission Rights and purchased rights are classified as intangible assets. The emission rights received free of charge are recognized at zero value, while whose purchased - at their purchase price.

Provision for the actual CO_2 emission is recognized at zero value, provided that the actual emission does not exceed the volumes specified in CO_2 emission rights received for a given year. In such cases, the Company establishes a provision from the beginning of the year, proportionally to the actual energy production, based on the market value of CO_2 emission rights as at the balance sheet date.

The revenue from the sale of the surplus of emission rights is recognized upon sale.

F) PREPAYMENTS DUE TO PERPETUAL USUFRUCT RIGHT

Perpetual usufruct right is recognized based on the acquisition method:

- Perpetual usufruct right granted free of charge pursuant to the decision of the Voivode or local authorities is recognized in line with a method applied to operating lease;
- Perpetual usufruct right acquired for consideration from third parties is recognized at acquisition price reduced by depreciation charges;

Perpetual usufruct right is depreciated in the period for which it was granted.

G) INVESTMENT PROPERTY

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. After the initial recognition the Company decided to apply the cost model.

As at the date of the first-time adoption of IFRS EU, the Company assumed the fair value of intangible assets as deemed costs.

Investments in property is depreciated in line with the straight-line method. Depreciation is calculated starting from the month following the month of commissioning.

The estimated useful life is as follows:

Buildings	25 - 33 years

The recognition principles for rental income are described in the Key accounting principles, point S.

If the property is occupied by the Company, it is reclassified to property, plant and equipment.

H) INVESTMENTS IN SUBSIDIARIES

Subsidiaries include all entities, whose financial and operating policy may be managed by Elektrownia "Kozienice" S.A., which usually results from ownership of majority in total number of votes in the company's authorities. When assessing whether Elektrownia "Kozienice" S.A. controls an entity, only the existence and impact of potential voting rights that may be realized or exchanged at a given moment are taken into consideration.

As there is no active market for entities with shares held by Elektrownia "Kozienice" S.A., investments in subsidiaries are measured at acquisition price less impairment loss. Impairment losses on investments are charged to financial expenses. If the circumstances, based on which impairment loss was made, are no longer present, the equivalent of the total amount or an appropriate portion of the created write-down is recognized under financial revenues.

I) FINANCIAL INSTRUMENTS

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

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

(i) Financial assets measured at fair value through profit or loss The category includes two sub-categories:

- financial assets held for trading Financial assets are classified as held for trading if they have been acquired principally for the purpose of selling in near future.
- financial assets measured at fair value through profit or loss at initial recognition.

These assets are recognized as current assets, if the Company does not intend to sell or realize them within 12 months of the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with determined or determinable payments, which are not quoted on the active market. They occur when Elektrownia "Kozienice" S.A. spends cash, delivers goods or services directly to the debtor with no intention of their classification as receivables held for trading.

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

(iii) Financial assets held to maturity

Investments held to maturity are non-derivative financial assets with determined or determinable payments and fixed maturity that Elektrownia "Kozienice" S.A. intends to and is able to hold to maturity.

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

(iv) Financial assets available for sale

Financial assets available for sale are non-derivative financial instruments determined as "available for sale" or not attributed to any other category. This category includes shares in unrelated entities.

Investment purchase and sale transactions are recognized as at the date of the transaction - the day when the Company undertakes to purchase or sell a given asset. Investments are recognized initially at fair value plus transaction costs, except for investments classified as financial assets measured at fair value through profit or loss, which are initially measured at fair value without transaction costs.

Investments are derecognized from the accounting records if the rights to related cash flows have expired or have been transferred and the Company transferred basically all the risks and all benefits due to their ownership.

Available-for-sale (AFS) financial assets are initially recognized as fair value. AFS financial assets are valued at acquisition price less impairment loss if it is not possible to determine their fair value and these assets do not have a fixed maturity. Loans and receivables and financial assets held to maturity are measured at amortized cost using the effective interest rate.

Results of the measurement of the financial assets available for sale are recognized in equity, except for impairment losses and exchange gains (losses), which arise from monetary assets. At the moment of derecognizing of an asset classified as "available for sale" total accumulated profits and losses previously recognized as equity are recognized in the income statement.

The fair value of investments quoted in an active market is determined with reference to its current market price. If there is no active market for financial assets (or the securities are not quoted), Elektrownia "Kozienice" S.A. determines the fair value using adequate measurement techniques which include: recent transactions conducted at arm's length, comparison to other instruments, which are identical in substance, the 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.

At each balance sheet day Elektrownia "Kozienice" S.A. assesses if there is any objective evidence for impairment of an asset or a group of assets.

If such evidence exists in 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 earlier recognized in the income statement, are excluded from equity and recognized in the income statement. Impairment losses recognized in the income statement relating to equity instruments are not reversed in correspondence with the income statement. The reversal of impairment losses on debt securities is recognized in the income statement if the fair value increased as a result of subsequent events after the recognition of impairment in the periods after the recognition of the impairment loss.

J) TRADE AND OTHER RECEIVABLES

Trade and other receivables are measured at currently expected due amounts and they are recognized in subsequent periods at amortized cost using the effective interest rate method.

Impairment losses on receivables are made if there is objective evidence that the receivables will not be fully recovered. The value of the impairment loss is determined as the difference between the carrying value of the given asset and the present value of future cash flows discounted using the effective interest rate. The impairment is charged to profit or loss.

K) INVENTORY

Inventory is measured at the acquisition price not exceeding the net realizable value. Net realizable value is the difference between the estimated sale price in the ordinary course of business and the estimated costs of completion with the estimated costs necessary to make the sale.

The acquisition price comprises of the purchase cost plus costs directly attributable to the purchase transaction and the costs of the adaptation of the asset for use.

Wear and tear are charged to profit or loss, as follows:

- industrial coal, biomass and limestone dust – using the weighted average acquisition price;

- other materials – using the FIFO method.

CERTIFICATES OF ORIGIN

Certificate of origin of energy is a form of confirmation of the production of electrical energy from renewable resources or CHP (combined heat and power) operations. The certificates are issued by the President of Energy Regulatory Authority upon request of an energy sector entity producing electricity from renewable resources (wind, water, sun, or biomass) and cogeneration. Certificates of origin can be sold and traded on the stock exchange.

Property rights to certificates of origin occur when a certificate of origin is entered into the register kept by the Polish Power Exchange (Towarowa Giełda 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.

Certificates of origin for energy produced by the entity are recognized in time of producing energy (or on the date when they are likely to be obtained), unless there exist justified doubts concerning their issue by the President of the President of Energy Regulatory Authority.

Certificates of origin are recognized as inventory of goods and they are measured at prices based on the contracts related to sales of certificates signed by the Company.

The profit from the sale of certificates of origin is recognized in the income statement in sales revenue.

L) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, bank deposits on demand and other short-term investments maturing up to three months, with high liquidity.

M) IMPAIRMENT LOSSES

Carrying value of assets is reviewed at each balance sheet date in order to determine whether there is an indication of impairment. If such indication exists the Company assesses the recoverable amount of individual assets.

The recoverable value of intangible assets with indefinite useful life and intangible assets not yet fit for use is estimated as at each balance sheet date.

Impairment loss is recognized when the carrying value of an asset or cash generating unit exceeds its recoverable value. Impairment loss is recognized in the income statement.

Impairment of cash generating unit is initially recognized as reduction of the carrying value of other assets of the unit (group of units) on a proportional basis.

If the decrease in the fair value of financial assets available for sale was recognized in the revaluation reserve and there are objective premises for impairment of the asset, the accumulated loss, which have been previously recognized in the revaluation reserve is recognized in the income statement even if the financial asset has not been included in the balance sheet. The amount of accumulated impairment losses recognized in the income statement is the difference between the acquisition price and the current fair value less any impairment losses which have been previously recognized in the income statement in relation to a given financial asset.

(i) Recoverable value calculation

Recoverable value of investments held to maturity and receivables measured at adjusted acquisition price (amortized cost) is estimated as the current value of future cash flows discounted using the original effective interest rate. Short-term receivables are not discounted.

The recoverable value of other assets is defined as the larger of their net realizable value and their value in use. During calculation of the value in use the future cash flows are discounted using the interest rate before tax which represents the current time value of money and risk factors characteristic of a given asset. In the case of assets which do not generate independent cash flows the value in use is estimated for the smallest identifiable cash generating unit, a given asset belongs to.

(ii) Reversal of impairment loss

Impairment loss as regards securities held to maturity or receivables measured at amortized cost are reversed if the subsequent increase in the recoverable value may be objectively attributed to an event upon recognition of the impairment loss.

Impairment loss as regards investment in equity instruments which are classified as available for sale are not reversed through profit or loss. If the fair value of debt instruments classified as available for sale increases and the increase may by objectively attributed to an event following recognition of impairment, the previously recognized impairment loss is reversed and the reversed amount is disclosed in the income statement.

In other cases, impairment loss is reversed, if the estimates used to assess the recoverable amount have changed.

The impairment loss is reversed only to the carrying value of the asset less amortization charges which would be recognized in the event if the impairment loss was not recognized.

N) CAPITALS

(i) Share capital

The share capital of the Company is recognized in the amount stipulated in the Company's by-laws and registered in the National Court Register, adjusted by effects of hyperinflation.

(ii) dividends

Payments of dividends to shareholders are recognized as the Company's liability in the financial statements for the period when they were approved by the shareholders.

In 2007 the Company's shares were contributed to ENEA S.A. As a result of this transaction, the Company was no longer an entity wholly owned by the State Treasury. In the prior years as well as in 2007 until the transfer of the Company's ownership, the Company was subject to obligatory profit-sharing payments applicable to companies fully owned by the State Treasury. The payment amounts to 15% of the gross profit, determined based on the on the statutory requirements, i.e. based on the Accounting Act dated 29 September 1994, reduced by income tax. Profit-sharing payments are treated like dividend payments and are recognized as a separate position in the statement of changes in equity and the income statement.

(iii) Payment from profit to the Company's Social Benefits Fund

The General Shareholders Meeting usually distributes profit for the employee-related purposes, i.e. the increase of Company's Social Benefits Fund. In the financial statements prepared in line with IFRS EU, such payments are classified as operating expenses for the year of the profit distribution.

O) INTEREST-BEARING BANK LOANS, BORROWINGS AND DEBT SECURITIES

Upon initial recognition, bank loans, borrowings and debt securities are recognized at acquisition price, less costs connected to contracting a bank loans or borrowing.

Following initial recognition interest-bearing bank loans, borrowings and debt securities are measured at amortized cost using the effective interest rate.

P) EMPLOYEE BENEFITS

(i) Defined contributions plan

Pursuant to regulations in force, the Company is obliged to charge and transfer employees' contributions for retirement benefits. These contributions, in accordance with the IAS 19, are classified as a State program and are of the nature of defined contribution plans. As a result, the Company's liability is estimated for each period on the basis of contributions to be paid for the given year.

(ii) Retirement benefits

Pursuant to regulations in force, the Company is obliged to pay retirement benefits in the amounts calculated in accordance with the Labor Code. Additionally, according to the Collective Labor Agreement, the payments depend on the number of years with the Company. The minimum amount of the retirement benefit is stipulated in the Labor Code regulations in force as at the date of payment of the retirement benefit. The maximum retirement benefit amounts up to the eightfold basic salary earned by the employee of the Company in the month of retirement.

The Company's liability due to the retirement benefits is calculated on the basis of the estimation of the future salary of the individual employee in the period in which the employee reaches the retirement age and on the basis of the estimated future retirement benefit. The estimated retirement benefits are discounted to the current value. The discount rate is calculated based on the market yield of the State Treasury Bonds as at the balance sheet date. The retirement benefit liability is recognized proportionally to the expected period of performing work by the individual employee.

The calculation is performed by the certified actuary using the projected unit credit method. Staff turnover is estimated based on the historical data and estimated future employment.

(iii) Jubilee bonuses

The Company grants jubilee bonuses, the value of which depends on the number of years with the Company and the remuneration earned in time of acquiring the right to the jubilee bonus.

The Company's liability resulting from jubilee bonuses is calculated based on the estimated future remuneration of the individual employee in the period in which the employee acquires the right to particular jubilee bonus and on the basis of the estimated amount of the future jubilee bonus. The jubilee bonuses are discounted to the current value. The discount rate is calculated based on the market yield of the State Treasury Bonds as at the balance sheet date. The calculation is performed by the certified actuary using the projected unit credit method. Staff turnover is estimated based on the historical data and estimated future employment.

(iv) Electricity allowance

According to the Supplementary Protocol No.14 to the Sector Collective Labor Agreement for Employees of the Energy Sector, as at 1 December 2005 pensioners, retirees and persons entitled to pre-retirement payments acquired the right to an electricity allowance 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 according to the unified tariff valid for households.

As at 31 December 2005 the Company recognized the above liabilities as post-employment costs in accordance with IAS 19.96. These liabilities were calculated using actuarial methods and reduced by the asset recognized in accordance with IAS 19.54 and 58 and presented in the balance sheet after the net-off.

The asset related to the post-employment costs is amortized using the straight-line method during the average period of acquiring rights to these benefits, i.e. for 20 years.

(v) Contribution to the Company's Social Benefits Fund for the retirees

According to the Collective Labor Agreement, when calculating the annual contribution to the Company's Social Benefits Fund the Company takes into consideration retirees entitles to the benefits. The liability is recognized proportionally to the expected time of performing work.

Provisions for employee benefits specified in points (ii) to (v) are reviewed semi-annually, unless significant changes in estimation assumptions occurred.

(vi) Share-based payments

On the basis of the Act on the Commercialization and Privatization dated 30 August 1996 (Act on the Commercialization and Privatization) employees of the Company are entitled to acquire 15% of the Company's shares free of charge. The aforementioned right is granted to Eligible Employees, i.e. employees, who were employed at the day of the Company's commercialization (the transformation of a state enterprise into a joint stock company fully owned by State Treasury), i.e. as at 1 October 1996 and persons, who have worked in the state enterprise for at least 10 years as well as persons who meet other additional criteria stipulated in Article 2, clause 5 of the Act on the Commercialization and Privatization. The right to obtain shares free of charge is vested after three months from the date of State Treasury's disposal of first shares on general terms.

Moreover, according to the Act on the Commercialization and Privatization the Eligible Employees of Elektrownia "Kozienice" S.A. acquired the right to a cash equivalent as at the date of the contribution of 100% of the Company's shares to ENEA S.A. The cash equivalent is paid by ENEA S.A. and at the same time the shares of ENEA S.A. held by the State Treasury are redeemed.

In 2007 the Act on the acquisition of shares from the State Treasury as a result of the energy sector consolidation process dated 7 September 2007 (Act from 2007) was passed in connection with the consolidation of the energy sector. According to the abovementioned Act, Eligible Employees of the consolidated entity (Elektrownia "Kozienice" S.A.) have the option to exchange the right for the equivalent for the right to acquire shares of consolidating entity (ENEA S.A.).

Pursuant to IFRS 2 the costs of such scheme should be recognized in the period, when the Eligible Employees performed work. The cost of performing work is measured as at the Grant Date, i.e. the date when all significant provisions of the employees' share-based payments are determined.

The Grant Date when employees acquire the right to the shares or equivalents is the day when the competent Minister approves the number of shares attributable to particular Eligible Employees. The number of shares was determined based on the agreement between the Management Board and the Company's trade unions after the shares of Elektrownia "Kozienice" S.A. had been contributed to ENEA S.A.

Pursuant to the Act of 2007, Eligible Employees of "Kozienice" S.A. were supposed to place a declaration of the intention to exchange the equivalent for the right to acquire shares of ENEA S.A. free of charge by 18 January 2008. On 16 May 2008 the Management Board of Elektrownia "Kozienice" S.A. concluded a final arrangement with the trade unions concerning the number of shares assigned to particular groups of Eligible Employees.

The value of shares of Elektrownia "Kozienice" S.A. contributed to increase the share capital of ENEA S.A. constituted the basis for determining the equivalent amount and the amount of the parity of the exchange for the ENEA S.A. shares. As per this valuation the value of shares/cash equivalents assigned to the Eligible Employees of Elektrownia "Kozienice" S.A. amounts to PLN 515 million.

The fundamental principle of IFRS 2 Share-based payment is to recognize the cost of performing work when the Company obtains these services. The share-based payment scheme introduced in accordance with the Act on the Commercialization and Privatization of 1996 was meant to compensate the Eligible Employees' performance of work for the period before the Act entered into force, in particular for the period before 1989, which was the time of political transformation in Poland. Therefore, the cost of the scheme resulting from the Act on the Commercialization and Privatization should have been recognized in prior periods. Consequently, the Company should estimate the cost of the scheme as at each balance sheet date from the date of the Company's Commercialization until the Grant Date by way of estimating the fair value of shares as at the Grant Date. Once the Grant Date has been established the Company should revise the earlier estimates and determine the final cost of scheme based on the fair value of shares as at the Grant Date.

The Company recognized the entire cost of the scheme in the above fair value of the Company's shares with correspondence with the equity as at the date of transition to IFRS EU i.e. as at 1 January 2005. The Company concluded that estimates as to the actual occurrence of the Grant Date and fair values as at the Grant Date for 1 January 2005 was impractical and charged with significant risk of error, the results of which would lead to distortion of net profits for the periods after 1 January 2005.

The information on cash equivalents for Eligible Employees of Elektrownia “Kozienice” S.A. is presented below:

- Number of eligible employees	3.557
- Total number of Elektrownia “Kozienice” S.A.'s shares, to which Eligible Employees are entitled	6.750.000
- Fair value of Elektrownia “Kozienice” S.A.'s shares for the purpose of scheme valuation	PLN 76.28
- Total scheme value charged to previous periods expenses	514.920 PLN '000

Q) PROVISIONS

Provisions are recognized, when the Company has an obligation arising from past events and when it is probable that fulfillment of this obligation will result in an outflow of economic benefits. If the impact of the time value of money is material, provisions are estimated by discounting expected future cash flows based on the rate before tax, which reflects current market estimates of the change in the time value of money and, if applicable, risk related to a given liability.

(i) Provision for dumps reclamation

After closing or filling a slag and ash dump, the Company is obliged to carry out appropriate land reclamation. The Company creates a provision for future estimated costs of land reclamation. Provisions for land reclamation is reviewed as at 31 December and 30 June, unless significant changes in estimation assumptions occur. The change in the provision is recognized as operating expense or its adjustment.

(ii) Provision for the cost of disposal and storing ash and slag mixture

The Company generates two types of wastes in the process of burning coal: ash and ash and slag mixture. As the Company incurs the cost of mixture disposal, it creates appropriate provision for future estimated costs of disposal or storage of the ash and slag mixture. Provisions for cost of disposal and storage of ash and slag mixture is reviewed as at 31 December and 30 June, unless significant changes in estimation assumptions occur. The change in the provision is recognized as operating expense or its adjustment.

(iii) Provision for purchasing CO_2 emission rights

Provision for the actual CO_2 emission is recognized at zero value, provided that the actual emission does not exceed the volumes specified in CO_2 emission rights received for a given year. If it is expected that the actual emission will not be covered by the emission rights under the National Plan of Distributing CO_2 Emission Rights (KPRU) granted proportionally to a given financial year, the Company creates a provision for costs of manufacturing products. The provision is created proportionally to the actual energy production. The provision amount is estimated based on the market value of CO_2 emission rights as at the balance sheet date.

R) TRADE AND OTHER LIABILITIES

Trade liabilities and other liabilities are recognized at amortized cost.

S) REVENUE

(i) Revenue from sales of electricity

Revenue from sales of electricity is recognized at fair value, consideration received or receivable at the moment of delivery of electricity to the customer.

(ii) Sales of finished products/goods

Revenue from sales of finished products and goods is recognized in the income statement when significant risks and benefits from their ownership have been transferred to the buyer. Revenue is not recognized in the case of major uncertainty as regards the probability of future economic benefits, determination of the incurred costs or the possibility of return of the finished products/goods or when the Company is permanently involved in the management of sold finished products/goods.

(iii) Rental income

Rental income related to investment property on pending contracts is recognized in the income statement using the straight-line method over the rent period.

(iv) Deferred income due to government subsidies

Government subsidies 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 the subsidies. Subsidies that compensate the Company's expenses are recognized as revenue in the income statement in the same periods when the expenses are incurred. Subsidies that compensate the Company for the cost of assets are recognized in the income statement as other operating revenue on a systematic basis over the useful life of the related asset, proportionally to depreciation charges.

(v) Subsidies that compensate orphaned costs incurred due to the Early Termination of Long-Term Contracts on the Sale of Power and Electricity (LTC).

Subsidies that compensate orphaned costs are recognized as revenue in the income statement in the periods when related orphaned costs were incurred.

Subsidies for covering orphaned costs are recognized in the amount of advance payments due for a given financial period in accordance with Schedule 4 to the Act on compensation principles applicable to costs generated in enterprises due to the early termination of long-term contracts on the sale of power and electricity of 29 June 2007, corrected by the estimated adjustment for the period. The subsidies for covering orphaned costs for a given year are settled by the President of the Energy Regulatory Authority by 31 July of the following year.

(vi) Financial revenue

Financial revenue includes interest payable on cash invested by the Company, due dividend, exchange gains and losses and gains and losses related to financial instruments which are recognized in the income statement.

Interest revenue is recognized in the income statement on an accrual basis, based on the effective interest rate method. Dividend income is recognized in the income statement when the Company acquires the right to the dividend.

T) EXPENSES

(i) Payments due to operating lease

Payments due to operating lease agreements concluded by the Company are recognized in the income statement on a straight-line basis throughout the lease period. Any special promotional offers are recognized in the income statement together with the costs of the lease.

(ii) Payments due to finance lease

Lease payments are divided into the portion constituting financing cost and portion reducing the liability. The portion constituting financing cost is allocated to individual periods under the lease period, based on effective interest rate method.

(iii) Financial expenses

Financial expenses include interest payable on debt determined based on the effective interest rate. Borrowing costs including exchange rate differences relating to borrowings denominated in foreign currencies are recognized in the income statement when incurred.

Financial expenses include a portion of the changes in provisions concerning interest expenses constituting an increase of the value of liability resulting from providing certain services in a given period, which occurred because the term to maturity shortened.

Part of the payment due to the finance lease being the borrowing costs is recognized in the income statement using the effective interest rate method.

U) INCOME TAX

The income tax recognized in the income statement includes the current and deferred portion. Income tax is recognized in the income statement, except for the amounts related to the items settled directly with equity. In such case, it is recognized in equity.

Current income tax is a tax liability due to taxable income for a given year, determined based on tax rates applicable as at the balance sheet date and adjustment of tax from previous years.

Deferred income tax is calculated based on the balance sheet liability method, on the basis of temporary differences between the value of assets and liabilities estimated for accounting purposes and their value estimated for tax purposes. Provisions are not created for the following temporary differences: initial recognition of assets and liabilities, which do not affect the accounting and tax profit, differences related to investment in subsidiaries to the extent, when they are not probable to be realized in the foreseeable future. The recognized amount of deferred income tax is based on expected realization of the carrying value of assets and liabilities, based on tax rates applicable or enacted as at the balance sheet date.

Deferred tax assets are recognized up to the amount of the probable taxable income in the future, which will make it possible to realize deferred tax assets. Deferred tax assets are decreased to the extent to which it is not probable to achieve taxable income sufficient for the realization of the deferred tax asset in part or in whole. Such reductions are adjusted to the extent, to which it is probable to generate sufficient taxable income.

Deferred tax assets and provisions are offset, if there is a legally enforceable right to offset current tax liabilities and receivables and when the deferred tax assets and liabilities relate to income tax levied by the same tax authority on the same taxpayer.

V) DISCONTINUED OPERATIONS AND NON-CURRENT ASSETS HELD FOR SALE

Directly before reclassification of an asset to assets held for sale, the measurement of assets (or all held-for-sale assets and liabilities) is appropriately revised in order to comply with appropriate IFRS EU. At initial recognition held-for-sale fixed assets or a group of assets are recognized at the lower of carrying amount and fair value less costs to sell.

Impairment loss upon initial classification of assets as held for sale is recognized in profit or loss, even when the group of assets held for sale was previously subject to revaluation and the results of that revaluation were recognized in equity. The same applies to gains and losses on subsequent remeasurements.

Discounted operations is a part of the Company's activities, constituting a significant separate segment of activities or a geographical segment or a separate subsidiary acquired with the intention of resale.

Classification as a discontinued operation is conducted upon sale or when the operation meets the criteria to be classified as held for sale. Non-current assets that are planned to be abandoned may also be classified as discounted operations.

W) COMPANY'S SOCIAL BENEFITS FUND

The assets and liabilities related to the Company's Social Benefits Fund are mutually offset due to the fact, that these assets are not fully controlled by the Company

(in PLN '000)

3. Property, plant and equipment

	Land	Buildings and structures	Machinery and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
Balance as of 01.01.2008							
Gross value	**196**	**802 269**	**2 400 418**	**10 277**	**9 435**	**29 005**	**3 251 600**
Depreciation	**-**	**(112 710)**	**(522 661)**	**(2 497)**	**(2 420)**	**-**	**(640 288)**
Net book value	**196**	**689 559**	**1 877 757**	**7 780**	**7 015**	**29 005**	**2 611 312**
Changes in a 12-month period ended 31.12.2008							
Reclassifications		14 041	117 187	1 300	822	(133 876)	**(526)**
Acquisition						190 132	**190 132**
Disposal (initial value)		(1 051)	(1 727)	(10)	(89)		**(2 877)**
Disposal (accumulated depreciation)		172	1 285	9	63		**1 529**
Amortization/Depreciation		(42 792)	(178 120)	(915)	(874)		**(222 701)**
Balance as of 31.12.2008							
Gross value	**196**	**815 259**	**2 515 878**	**11 567**	**10 168**	**85 261**	**3 438 329**
Depreciation	**-**	**(155 330)**	**(699 496)**	**(3 403)**	**(3 231)**	**-**	**(861 460)**
Revaluation write-down	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net book value	**196**	**659 929**	**1 816 382**	**8 164**	**6 937**	**85 261**	**2 576 869**

Additional information and explanations to the financial statements

For the financial year ended 31 December 2008.

(in PLN '000)

	Land	Buildings and structures	Machinery and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
Balance as of 01.01.2007							
Gross value	196	701 560	2 257 484	10 352	8 832	206 308	**3 184 732**
Depreciation		(71 565)	(345 377)	(1 791)	(1 625)		**(420 358)**
Net book value	**196**	**629 995**	**1 912 107**	**8 561**	**7 207**	**206 308**	**2 764 374**
Changes in a 12-month period ended 31.12.2007							
Reclassifications		101 266	145 544	135	689	(255 885)	**(8 251)**
Acquisition						78 582	**78 582**
Disposal (initial value)		(557)	(2 610)	(210)	(86)		**(3 463)**
Disposal (accumulated depreciation)		89	614	190	43		**936**
Amortization/Depreciation		(41 234)	(177 898)	(896)	(838)		**(220 866)**
Balance as of 31.12.2007							
Gross value	**196**	**802 269**	**2 400 418**	**10 277**	**9 435**	**29 005**	**3 251 600**
Depreciation	-	(112 710)	(522 661)	(2 497)	(2 420)	-	(640 288)
Net book value	**196**	**689 559**	**1 877 757**	**7 780**	**7 015**	**29 005**	**2 611 312**

Collateral established on fixed assets is presented in Note 10.

Based on impairment analysis carried out as at 31 December 2008, the Company decided that the impairment test concerning fixed assets did not require any changes as at 31 December 2008.
The impairment test was performed as at 31 December 2007 due to the expected decrease of CO_2 emission rights, that may have a material impact on the profitability of the Company. In order to perform these tests a number of assumptions were made. One of the significant assumptions made was the increase in the profit margin, related to the expected increase of electricity prices as well as abolition of the excise duties until 2011 and unchanged prices of electricity. In the Management Board's opinion future changes of electricity prices (if significantly different than assumed) may impact impairment tests correctness. Based on the test, as at 31 December 2007 there was no impairment of fixed assets.

(in PLN '000)

4. Perpetual usufruct of land

	31.12.2008	31.12.2007
Opening balance	-	-
Gross value	-	-
Depreciation	-	-
Net book value	-	-
Changes in the 12-month period		
Acquisition	482	-
Closing balance		
Gross value	482	-
Depreciation	-	-
Net book value	482	-

5. Intangible assets

	Computer software, licenses, concessions and patents
Balance as of 01.01.2008	
Gross value	28 638
Depreciation	(6 892)
Net book value	**21 746**
Changes in the 12-month period ended 31.12.2008	
Reclassification from fixed assets under construction	526
Amortization/Depreciation	(3 787)
Balance as of 31.12.2008	
Gross value	29 164
Depreciation	(10 679)
Net book value	**18 485**

	Computer software, licenses, concessions and patents
Balance as of 01.01.2007	
Gross value	20 413
Depreciation	(3 439)
Net book value	**16 974**
Changes in the 12-month period ended 31.12.2007	
Reclassification from fixed assets under construction	8 225
Amortization/Depreciation	(3 453)
Balance as of 31.12.2007	
Gross value	28 638

(in PLN '000)

Depreciation	(6 892)
Net book value	**21 746**

The Company did not establish collateral on intangible assets.

6. Investment property

	Investment property
Balance as of 1 January 20[illegible]	
Gross value	
Depreciation	
Net book value	
Changes in the 12-month p	
Depreciation for the period	
Balance as of 31 Decembe	
Gross value	
Depreciation	
Net book value	
Balance as of 1 January 20	
Gross value	
Depreciation	
Net book value	[illegible]
Changes in the 12-month period ended 31 December 2007	
Reclassification from property, plant and equipment	26
Depreciation for the period	(166)
Balance as of 31 December 2007	
Gross value	**4 839**
Depreciation	**(507)**
Net book value	**4 332**

Investment property consist mainly of warehouses and office space.
The Company does not determine the fair value of investment property as at particular balance sheet dates.
The Company did not establish collateral on investment property.

(in PLN '000)

7. Investments in subsidiaries

	31.12.2008	31.12.2007
Opening balance	-	-
Acquisition	700	-
Closing balance	700	-

On 8 August 2008 Elektrownia "Kozienice" S. A. and ENEA S. A. concluded an agreement on establishing a company Kozienice II Sp. z o. o. with registered office in Świerże Górne. According to the agreement Elektrownia "Kozienice" S.A. acquired 70% of shares and ENEA S.A. – 30%. The company was established in order to build a new power unit. The duration of the company is unlimited. The company will be wound up after completion of all works and performing the project. The entity was entered in the National Court Register on 7 October 2008 under number KRS 0000315037.

On 23 February 2009, the Extraordinary Shareholders' Meeting of Kozienice II Sp. z o. o. adopted a resolution to increase share capital by PLN 34,000 thousand, i.e. up to PLN 35,000 thousand. Elektrownia "Kozienice" S.A. acquired 16,800 new shares with the face value of PLN 1,000 each. The remaining shares were assumed by ENEA S.A. After the capital increase, Elektrownia "Kozienice" S.A. and ENEA S.A. hold 50% in the share capital and in the total number of votes at the Shareholder's Meeting.

8. Financial assets

	31.12.2008	31.12.2007
Long-term financial assets available for sale (shares in unrelated entities)	4 935	6 344
Total long-term financial assets	**4 935**	**6 344**
Short-term financial assets available for sale	4 806	-
Short-term financial assets held to maturity	100 733	49 323
Total short-term financial assets	**105 539**	**49 323**
Total	**110 474**	**55 667**

(in PLN '000)

9. Trade and other receivables

	31.12.2008	31.12.2007
Short term trade and other receivables		
Trade receivables	303 700	154 850
Other receivables	19 067	128
Advance payments	369	213
Prepaid property insurance	789	781
	323 925	**155 972**
Minus: write-down on receivables	(22 597)	(21 605)
Net short-term trade and other receivables	**301 328**	**134 367**

	31.12.2008	31.12.2007
Opening balance of write-down on receivables	**21 605**	**30 176**
Created	3 011	3 641
Reversed	(2 019)	(10 536)
Applied	-	(1 676)
Closing balance of write-down on receivables	**22 597**	**21 605**

Collateral established on receivables is presented in Note 10.

(in PLN '000)

10. Disposability restrictions and collateral established on the Company's assets

Facility collateralized	Type of collateral	Net carrying value of the object of collateral	Collateral value	Collateral established for:	Outstanding as of 31.12.2008	Outstanding as of 31.12.2007	Collateral period
Long-term borrowing	assignment of receivables	19 907	19 907	NFOŚiGW	19 907	27 907	30.06.2011
Long-term loan	collateral established to the agreement on the State Treasury Guarantee: registered pledge of fixed assets and 16 blank promissory notes	142 401	94 666	Nordic Investment Bank	94 666	94 486	26.11.2014
Long-term loan	registered pledge of fixed assets and assignment of receivables up to the outstanding amount	234 202	72 817	PKO BP S.A.	72 817	91 021	31.12.2012
Long-term loan	registered pledge of fixed assets	-	-	BOŚ S.A.	-	856	15.06.2008 (deleted pursuant to Court's decision of 15.10.2008)

(in PLN '000)

11. Inventories

	31.12.2008	31.12.2007
Materials	223 665	99 755
Certificates of ofigin	39 677	-
Goods	-	1 155
	263 342	100 910
Write-down on inventories	(4 275)	(3 356)
Total	259 067	97 554

The Company did not establish collateral on inventories.

	31.12.2008	31.12.2007
Write-down on inventories – opening balance	3 356	3 591
Createated	919	-
Reversed	-	(235)
Write-down on inventories – closing balance	4 275	3 356

Certificates of origin

On 24 January 2008 the Company was granted a concession to extend its business operations with production of electricity based on conventional fuels (coal and heating oil) and biomass.
Since 31 December 2008 the Company has produced a significant portion of electricity on biomass co-burning and it has filed a request to issue appropriate certificates of origin with the President of the Energy Regulatory Authority.

As at 31 December 2008 the Company recognized in inventories the value of certificates of origin corresponding to the electricity volume produced from renewable resources in the period covered by these financial statements (in line with the prices of certificates of origin as of 31 December 2008).

The Company recognized the revenue from sales of certificates of origin in the income statement, taking into account that all conditions as specified in IAS 18.14 related to revenue recognition have been met. Revenue from sales of certificates of origin is a statistical revenue.

12. Cash and cash equivalents

(in PLN '000)

	31.12.2008	31.12.2007
Cash in hand and at bank	**371**	**19 602**
- cash in hand	27	28
- cash at bank	344	19 574
Other cash	**86 923**	**391 416**
- deposits	86 923	391 416
Total cash and cash equivalents	**87 294**	**411 018**

The Company did not establish collateral on cash and cash equivalents.

13. Equity

	Series	Number of shares ('000)	Face value per share (in PLN)	Share capital	Share capital adjusted by hyperinflation effects
31.12.2007	A series	45 000	10	450 000	468 241
31.12.2008	A series	45 000	10	450 000	468 241

	31.12.2008	31.12.2007
Share capital	450 000	450 000
Share capital due to hyperinflation remeasurement	18 241	18 241
Total share capital	**468 241**	**468 241**
Share-based capital	514 920	514 920
Revaluation reserve (financial instruments)	2 748	-
Retained earnings	1 438 699	1 460 726
Total equity	**2 424 608**	**2 443 887**

As a result of the agreement dated 10 October 2007, 100% of the Company's shares were contributed by the State Treasury in order to cover the increase in share capital of ENEA S.A., as at 31 December 2007 and 31 December 2008 ENEA S.A. was the sole shareholder of the Elektrownia "Kozienice" holding 45,000,000 shares, i.e. 100% of share capital.

Articles 347 and 348 of the Code of Commercial Companies and the Company's by-laws impose certain restrictions concerning dividend payment and profit distribution. The amount of the retained earnings to be paid to shareholders should not exceed the net profit for the last financial year increased by undistributed profit from prior periods and the amount brought forward from supplementary and reserve capitals created from the net profit, which can be distributed as dividend and decreased by uncovered losses, own shares and amounts that according to the law or Company's by-laws should be transferred from the net profit for the last financial year to supplementary capital or other reserve capital.

These statutory financial statements prepared in line with IFRS EU will constitute the basis for dividend payout for the year 2008. In 2007 dividends were paid based on the 2007 financial statements drawn up in line with the Accounting Act of 29 September 1994.

14. Trade and other liabilities

	31.12.2008	31.12.2007
Short-term trade and other liabilities		
Trade liabilities	187 006	142 571
Liabilities due to taxes and similar charges (excluding Corporate Income Tax)	56 239	82 661
Special funds	7 400	7 400

(in PLN '000)

Other	24 777	7 789
Total	**275 422**	**240 421**

15. Loans and borrowings

The Company's liabilities related to its credit facilities, loans and other debt instruments are presented in this note. Information concerning FX risk and interest rate risk, to which the Company is exposed are presented in sensitivity analysis, in Note 17.

	31.12.2008		31.12.2007	
	Carrying value	Fair value	Carrying value	Fair value
Long-term				
Bank loans and borrowings	145 074	144 486	173 295	172 172
Short-term				
Bank loans and borrowings	42 316	42 162	40 975	40 831
Total	**187 390**	**186 648**	**214 270**	**213 003**

Collateral to loans and borrowings established on the Company's assets are described in Note 10.

Repayment schedule

	31.12.2008	31.12.2007
from 1 to 3 years	79 737	79 265
from 3 to 5 years	49 626	67 173
over 5 years	15 711	26 857
Total	**145 074**	**173 295**

16. Settlement of income due to subsidies and fixed assets obtained free of charge

	31.12.2008	31.12.2007
Long-term		
Deferred income due to subsidies	7 325	7 178
	7 325	**7 178**
Short-term		
Deferred income due to subsidies	582	779
	582	**779**

Deferred income structure

	31.12.2008	31.12.2007
up to 1 year	582	779
1 to 5 years	2 327	2 190
over 5 years	4 998	4 988
	7 907	**7 957**

Government subsidies

In 2008 the Company was granted an EcoFund subsidy of PLN 432 thousand, which was used for electrofilter installation in the power unit 2.
In 2007 the Company was granted 2 EcoFund subsidies of PLN 4,497 thousand and PLN 3,985 thousand, which were used for: biomass co-burning facilities in 200 MW units and modernization of electrofilers in the power unit 2.
The subsidies are recognized under deferred income and are charged to other operating revenue over the appropriate period of fixed assets depreciation (10, 16 and 20 years, respectively).

17. Financial instruments

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.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Appropriate financial data have been disclosed in these financial statements. Developing and following the risk management policy is the responsibility of the Management Board of Elektrownia "Kozienice" S.A. Risk management is a continuous process and not all its elements have been regulated. Elektrownia "Kozienice" S.A. analyzes all the risks from the point of view of the impact on the natural environment and changes in its structure and scope of activity. Taking these into consideration, the Company undertakes steps aimed at risk mitigation. In order to do so, the Company makes sure that employees are aware of the possibility of risks occurrence and their influence on the activity of an organizational unit.

(in PLN '000)

Credit risk

Credit risk is the risk financial losses which may be incurred if a customer or a contractor, being a party to a financial instrument fails to meet its contractual obligations.
The Management Board adopted a credit policy, pursuant to which credit risk is monitored on on-going 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.

The maximum exposure of Elektrownia "Kozienice"S.A. to credit risk is presented below:

	31.12.2008 Carrying value	31.12.2007 Carrying value
Short and long-term financial assets held to maturity	100 733	49 323
Trade and other receivables	301 328	134 367
Cash and cash equivalents	87 294	411 018
Total	**489 355**	**594 708**

The Company' financial investments include:

- short-term investments – mainly bank deposits and short-term securities;

Liquidity risk

The liquidity risk is the risk that Elektrownia "Kozienice" S.A. will be unable to meet its financial obligations at due date.
The Company's liquidity risk policy assumes ensuring sufficient funds necessary to settle financial and investment liabilities applying the most attractive financing sources.
Liquidity management is concentrated on the detailed analysis of the receivables collection scheme, the on-going monitoring of bank accounts and cash concentration.
In the view of on-going risk monitoring and the Company's market and financial position, the liquidity risk of Elektrownia "Kozienice"S.A. is very insignificant.

Additional information and explanations to the financial statements

For the financial year ended 31 December 2008.

(in PLN '000)

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

31.12.2007	Trade and other liabilities	Bank loans	Cash and cash equivalents	Trade and other receivables	Financial instruments held to maturity	Total
Carrying value	240 421	214 270	(411 018)	(134 367)	(49 323)	**(144 823)**
Undiscounted contractual cash flows	**(240 429)**	**(250 547)**	**412 110**	**134 367**	**49 990**	**110 297**
up to 6 months	(240 429)	(27 071)	412 110	134 367	49 990	**333 773**
6 - 12 months	-	(25 211)	-	-	-	**(25 211)**
1 - 2 years	-	(48 705)	-	-	-	**(48 705)**
2 - 5 years	-	(120 962)	-	-	-	**(120 962)**
over 5 years	-	(28 598)	-	-	-	**(28 598)**

The above table does not include long-term financial assets available for sale including shares in other entities, for which the Company has not taken any decision concerning the sale and for which it is not possible to determine the expected cash flows.

(in PLN '000)

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

Currency risk
The maximum currency risk exposure is presented in the table below:

31.12.2008	Carrying value	Including the foreign currency value expressed in a functional currency (PLN)	Currency risk impact on profit (loss) +1%	Currency risk impact on profit (loss) -1%
Financial assets				
Cash and cash equivalents	87 294		-	-
Trade and other receivables	301 328		-	-
Other financial assets	110 474		-	-
Financial liabilities				
Loans and borrowings	(187 390)	(94 666)	(947)	947
Trade and other liabilities	(275 422)		-	-
Impact on profit before tax			(947)	947
Tax 19%			180	(180)
Impact on profit after tax			(767)	767

31.12.2007	Carrying value	Including the foreign currency value expressed in a functional currency (PLN)	Currency risk impact on profit (loss) +1%	Currency risk impact on profit (loss) -1%
Financial assets				
Cash and cash equivalents	411 018		-	-
Trade and other receivables	134 367		-	-
Other financial assets	55 667		-	-
Financial liabilities				
Loans and borrowings	(214 270)	(94 486)	(945)	945
Trade and other liabilities	(240 421)		-	-
Impact on profit before tax			(945)	945
Tax 19%			180	(180)
Impact on profit after tax			(765)	765

Interest rate risk

The interest rate risk relates to interest and principal amounts of borrowings and cash deposits. The interest rate is floating, as it is WIBOR-based. The interest risk is relatively low, because changes in interest rates of interest-bearing borrowings and assets are appropriately adjusted both in timing and percentage. Elektrownia "Kozienice" S.A. controls the interest rate risk by choosing the most convenient interest period depending on WIBOR as well as the ability to repay debts. Certain risks cannot be avoided, as they result from macro economical trends.

(in PLN '000)

The Company's interest rate exposure is presented based on financial assets and liabilities exposure to interest rate changes:

	31.12.2008	31.12.2007
Fixed rate instruments		
Financial assets	301 328	457 476
Financial liabilities	(275 422)	(240 421)
Total	**25 906**	**217 055**
Floating rate instruments		
Financial assets	188 027	137 232
Financial liabilities	(187 390)	(214 270)
Total	**637**	**(77 038)**

Effective interest rates

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

	31.12.2008		31.12.2007	
	Effective interest rate (%)	Carrying value	Effective interest rate (%)	Carrying value
Financial instruments held to maturity	7.38%	100 733	6,18%	49 323
Cash and cash equivalents	6.48%	87 294	5,51%	411 018
Bank loans with floating interest rate	5.68%	(187 390)	5,50%	(214 270)
Total		**637**		**246 071**

Effective interest rate presented in the table above is the weighted average of interest rates.

(in PLN '000)

Sensitivity analysis

The Company's objective in managing interest rate risk is to reduce the impact of short-term fluctuations on the Company's profit.

	Carrying value 31.12.2008	Interest rate risk impact on profit/loss (12-month period) + 1 p.p.	- 1 p.p.	Carrying value 31.12.2007	Interest rate risk impact on profit/loss (12-month period) + 1 p.p.	- 1 p.p.
Financial assets						
Cash and cash equivalents	87 294	873	(873)	411 018	4 110	(4 110)
Financial assets held to maturity	100 733	1 007	(1 007)	49 323	493	(493)
Trade and other receivables	301 328	-	-	134 367	-	-
Other financial assets	9 741	-	-	6 344	-	-
Impact on profit before tax		**1 880**	**(1 880)**		**4 603**	**(4 603)**
Tax 19%		(357)	357		(875)	875
Impact on profit after tax		**1 523**	**(1 523)**		**3 728**	**(3 728)**
Financial liabilities						
Loans and borrowings	(187 390)	(1 874)	1 874	(214 270)	(2 143)	2 143
Trade and other liabilities	(275 422)	-	-	(240 421)	-	-
Impact on profit before tax		**(1 874)**	**1 874**		**(2 143)**	**2 143**
Tax 19%		356	(356)		407	(407)
Impact on profit after tax		**(1 518)**	**1 518**		**(1 736)**	**1 736**
Total		5	(5)		1 993	(1 993)

(in PLN '000)

Fair value

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

	31.12.2008		31.12.2007	
	Carrying value	Fair value	Carrying value	Fair value
Long-term financial assets available for sale (shares in unrelated entities)	4 935	*	6 344	*
Short-term financial assets available for sale	4 806	4 806*	-	-
Short-term financial assets held to maturity	100 733	100 733	49 323	49 323
Trade and other receivables	301 328	301 328	134 367	134 367
Cash and cash equivalents	87 294	87 294	411 018	411 018
Bank loans and borrowings	187 390	186 648**	214 270	213 003**
Trade and other liabilities	275 422	275 422	240 421	240 421

* - The Company holds shares in entities, for which there are no market prices quoted in the active market.
In 2008 the Company accepted an offer to acquire one of the shares packages held. The value of shares determined as at 31 December 2008 was assumed to be the fair value of shares and the measurement difference was recognized in financial instruments revaluation reserve.
The Company did not determine the fair value for other financial instruments disclosed in this item.

** - The difference between the balance sheet value and the fair value of loans and borrowings results from the fair value measurement of a preferential loan from the National Fund for Environmental Protection and Water Management (NFOŚiGW).

Fair value estimate

The methods and assumptions used for estimating the fair value of financial instruments are presented below.

- **Securities** - fair value of securities is based on quoted market prices at the balance sheet date without any deductions for transaction costs.
- **Interest-bearing loans and borrowings** – fair value of loans and borrowings is estimated based on discounting expected future capital flows and interest flows.
- **Trade and other receivables/liabilities** – the nominal value of receivables/liabilities maturing within less than one year is their fair value. Receivables/liabilities with longer term to maturity are discounted to determine the fair value.

(in PLN '000)

18. Deferred income tax

Deferred tax assets and liabilities are offset, if there is a legally enforceable right to set-off current tax liabilities and assets and deferred tax relates to the income tax levied by the same tax authority. After the set-off, the following amounts are disclosed in the financial statements:

	31.12.2008	31.12.2007
Deferred tax assets		
Deferred tax assets realizable after 12 months	20 180	18 317
Deferred tax assets realizable within 12 months	18 099	9 869
	38 279	**28 186**
Net off of deferred tax assets and provisions	(38 279)	(28 186)
Balance-sheet deferred tax assets	-	-
Provision for deferred income tax:		
- provision for deferred income tax realizable after 12 months	318 317	323 922
- provision for deferred income tax realizable within 12 months	24 235	1 457
	342 552	**325 379**
Net off of deferred tax assets and provisions	(38 279)	(28 186)
Balance-sheet provision for deferred income tax	**304 273**	**297 193**

	31.12.2008	31.12.2007
Opening balance	**(297 193)**	**(313 580)**
Amount charged to the financial result	(6 435)	16 387
Change in equity	(645)	-
Closing balance	**(304 273)**	**(297 193)**

(in PLN '000)

Change in deferred income tax asset before set-off:

	Liabilities due to employee benefits	Provision for storing, reclamation and purchase of CO2 emission rights	Provision for costs of selling energy	Other	Total
Balance as of 01.01.2007 based on 19 % rate	**20 017**	**2 078**	**20 446**	**1 657**	**44 198**
Amount charged to the financial result due to change in temporary differences	4 106	75	(20 446)	253	**(16 012)**
Balance as of 31.12.2007 based on 19 % rate	**24 123**	**2 153**	-	**1 910**	**28 186**
Amount charged to the financial result due to change in temporary differences	2 393	4 510	-	3 190	**10 093**
Balance as of 31.12.2008 based on 19 % rate	**26 516**	**6 663**	-	**5 100**	**38 279**

(in PLN '000)

Change in deferred income tax asset before set-off:

	Statistical revenue from the sale of electricity	Measurement of fixed assets at their fair value	Compensation of orphaned costs	Certificates of origin	Measurement of financial assets available for sale	Other	Total
Balance as of 01.01.2007 based on 19 % rate	**27 108**	**330 315**	**-**	**-**	**-**	**355**	**357 778**
Amount charged to the financial result due to change in temporary differences	(27 108)	(6 486)	-	-	-	1 195	(32 399)
Balance as of 31.12.2007 based on 19 % rate	**-**	**323 829**	**-**	**-**	**-**	**1 550**	**325 379**
Amount charged to the financial result due to change in temporary differences	-	(5 393)	14 759	7 539		(377)	16 528
Change in equity	-	-	-	-	645	-	645
Balance as of 31.12.2008 based on 19 % rate	**-**	**318 436**	**14 759**	**7 539**	**645**	**1 173**	**342 552**

(in PLN '000)

19. Liabilities due to employee benefits

	31.12.2008	31.12.2007
Defined benefits plans		
Retirement benefits		
- long-term portion	21 329	23 338
- short-term portion	3 764	1 700
	25 093	**25 038**
Right to purchase energy at a discount after retirement		
- long-term portion	21 539	13 816
- short-term portion	1 417	1 211
	22 956	**15 027**
Jubilee bonuses		
- long-term portion	42 018	46 418
- short-term portion	5 029	4 826
	47 047	**51 244**
Write-off to the Company's Social Benefits Fund for retired employees		
- long-term portion	7 432	3 023
- short-term portion	286	104
	7 718	**3 127**
Total: Defined benefits plans		
- long-term portion	**92 318**	**86 595**
- short-term portion	**10 496**	**7 841**
	102 814	**94 436**
Payroll and similar liabilities		
- long-term portion	-	-
- short-term portion	26 526	22 211
	26 526	**22 211**
Total liabilities due to employee benefits		
- long-term portion	**92 318**	**86 595**
- short-term portion	**37 022**	**30 052**
	129 340	**116 647**

Additional information and explanations to the financial statements

For the financial year ended 31 December 2008.

(in PLN '000)

Change in provisions for employee benefits

	Retirement benefits	Right to purchase energy at a discount after retirement	Jubilee bonuses	Write-off to the Company's Social Benefits Fund for retired employees	Total
Balance as of 01.01.2008	**25 038**	**15 027**	**51 244**	**3 127**	**94 436**
Changes in the 12-month period ended 31.12.2008					
Costs recognized in the income statement, including:	**2 476**	**9 054**	**645**	**4 858**	**17 033**
-current employment cost	967	520	2 178	78	**3 743**
-post-employment costs	-	1 090	-	4 722	**5 812**
-net actuarial losses	225	5 606	(4 086)	(145)	**1 600**
-interest expense	1 284	1 838	2 553	203	**5 878**
Decrease in the liability due to benefits paid (negative value)	(2 421)	(1 125)	(4 842)	(267)	**(8 655)**
Total changes	**55**	**7 929**	**(4 197)**	**4 591**	**8 378**
Balance as of 31.12.2008	**25 093**	**22 956**	**47 047**	**7 718**	**102 814**

(in PLN '000)

Change in provisions for employee benefits - continued

	Retirement benefits	Right to purchase energy at a discount after retirement	Jubilee bonuses	Write-off to the Company's Social Benefits Fund for retired employees	Total
Balance as of 01.01.2007	**19 878**	**8 899**	**41 635**	**2 890**	**73 302**
Changes in the 12-month period ended 31 December 2007					
Costs recognized in the income statement, including:	**5 160**	**7 237**	**9 609**	**237**	**22 243**
-current employment cost	5 160	6 147	9 609	237	**21 153**
-post-employment costs	-	1 090	-	-	**1 090**
Decrease in the liability due to benefits paid (negative value)	-	(1 109)	-	-	**(1 109)**
Total changes	**5 160**	**6 128**	**9 609**	**237**	**21 134**
Balance as of 31.12.2007	**25 038**	**15 027**	**51 244**	**3 127**	**94 436**

(in PLN '000)

Basic actual estimates assumptions:

Balance as of 31.12.2008	
Discount rate	5.70%
Projected remuneration growth rate	6.00%

Balance as of 31.12.2007	
Discount rate	5.50%
Projected remuneration growth rate	6.00%

20. Provisions for liabilities and other obligations

	31.12.2008	31.12.2007
Opening balance	11 333	10 937
Increase in provisions	25 694	834
Provisions applied	-	-
Release of unused provision	(1 955)	(438)
Closing balance	35 072	11 333

Total provision for liabilities and other obligations (short and long-term portion)

	31.12.2008	31.12.2007
Long-term	10 566	10 387
Short-term	24 506	946
Closing balance	35 072	11 333

Change in provisions for the period ended 31.12.2008

	Provision for the cost of disposal and storing ash and slag mixture	Provision for dump reclamation	Provision for purchasing CO2 emission rights	Total
Opening balance	2 456	8 877	-	11 333
Increase in provisions	265	1 794	23 635	25 694
Provisions applied	-	-	-	-
Release of unused provision	-	(1 955)	-	(1 955)
Closing balance	2 721	8 716	23 635	35 072

(in PLN '000)

Change in provisions for the period ended 31.12.2007

	Provision for the cost of disposal and storing ash and slag mixture	Provision for dump reclamation	Provision for purchasing CO2 emission rights	Total
Opening balance	**2 356**	**8 581**	**-**	**10 937**
Increase in provisions	100	734		834
Provisions applied	-	-	-	-
Release of unused provision	-	(438)	-	(438)
Closing balance	**2 456**	**8 877**	**-**	**11 333**

Provision for dumps reclamation

After closing or filling a slag and ash dump, the Company is obliged to carry out appropriate land reclamation. As Company has large and unfilled dumps, the expected land reclamation will take place in 2060. Future estimated costs of land reclamation were discounted to their current value as at 31 December 2008, using a 5.7% discount rate (as at 31 December 2007 it was 5.5%)..

Provision for the cost of disposal and storing ash and slag mixture

The Company generates two types of wastes in the process of burning coal: ash and ash and slag mixture. As the Company incurs costs related to mixture disposal, it creates appropriate provision. Future estimated costs of disposing or storing ash and slag mixture were discounted to their current value as at 31 December 2008, using a 5.7% discount rate (as at 31 December 2007 it was 5.5%).

Provision for purchasing CO_2 emission rights

In 2008 the Company exceeded the annual CO_2 emission limit specified in the binding project of the National Plan of Distributing CO2 Emission Rights for the years 2008-2012, approved by the Council of Ministers' Ordinance. Consequently, the Company establishes a provision for purchasing additional CO_2 emission rights, proportionally to the actual energy production. The provision amount is estimated based on the market value of CO_2 emission rights as at the balance sheet date, using the emission index determined using the measuring method. As at 31 December 2008 the emission index was measured by external experts.

(in PLN '000)

21. Sales revenue

	01.01.2008 - 31.12.2008	01.01.2007 - 31.12.2007
Revenue from sales of electricity	1 592 554	1 648 511
Revenue from sales of goods and materials	6 322	3 083
Revenue from sales of other services	4 537	4 024
Revenue from sales of certificates of origin	39 677	-
Compensation to cover orphaned costs	80 976	-
Revenue from sales of heat	6 298	7 451
Total net sales revenue	**1 730 364**	**1 663 069**

In the 2008 the Company observed significant sales concentration. The largest buyer was ENEA S.A. (the parent entity). The sales to this entity exceeded 85% of the total sales revenue. The value of sales to ENEA S.A. was presented in Note 30.

22. Other operating revenues

	01.01.2008 - 31.12.2008	01.01.2007 - 31.12.2007
Cost refunded by insurer	3 780	-
Settlement of income due to subsidies and connection fees	582	525
Damages and fines received	80	644
Release of unused write-downs	1 937	10 223
Release of provisions	788	2 343
Other	933	5 750
Total	**8 100**	**19 485**

23. Costs by type

	01.01.2008 - 31.12.2008	01.01.2007 - 31.12.2007
Amortization/Depreciation	(226 654)	(224 485)
Employee benefits costs	(200 155)	(202 264)
- remunerations	(140 033)	(149 997)
- social security and other benefits	(60 122)	(52 267)
Consumption of materials and raw materials and costs of goods sold	(992 281)	(867 555)
- consumption of materials and energy	(991 089)	(866 970)
- value of goods and materials sold	(1 192)	(585)
Cost of energy purchased for the needs of the sales	(86 907)	(192 021)
External services	(124 769)	(98 702)
- transmission services	(2 432)	(3 264)
- other external services	(122 337)	(95 438)
Taxes and charges	(55 882)	(61 600)
Total costs of products, goods and materials sold, costs of sales and marketing and general and administrative costs	**(1 686 648)**	**(1 646 627)**

(in PLN '000)

24. Employee benefits costs

	01.01.2008 - 31.12.2008	01.01.2007 - 31.12.2007
Remuneration costs	**(140 033)**	**(149 997)**
- current remunerations	(140 748)	(135 228)
- jubilee bonuses	1 907	(9 609)
- retirement benefits	(1 192)	(5 160)
Costs social security and other benefits	**(60 122)**	**(52 267)**
- ZUS	(25 935)	(25 909)
- write-off to the Company's Social Benefits Fund	(12 535)	(4 896)
- other past employment benefits	(7 235)	(7 219)
- other	(14 417)	(14 243)
Total	**(200 155)**	**(202 264)**

Pursuant to a social agreement concluded on 10 August 2007 between Elektrownia "Kozienice" S.A. and trade unions, persons employed in the Company at the effective date of the agreement were granted extended employment guarantees for the next 11 years, i.e. by 30 January 2019.

25. Other operating expenses

(in PLN '000)

26. Financial revenue

	01.01.2008 - 31.12.2008	01.01.2007 - 31.12.2007
Interest on deposits	15 940	15 387
Default interest	1 389	2 635
Released write-down on due interest	82	1 849
Revenue from dividends	443	1 212
Other interest	7 200	11 594
Exchange differences	-	8 260
Result on the sale of financial instruments available for sale	-	1 383
Costs of discount of the provision for storing ash and slag mixture and land reclamation	1 955	1 881
Other	70	112
Total	27 079	44 313

27. Financial expenses

	01.01.2008 - 31.12.2008	01.01.2007 - 31.12.2007
Interest expense	(13 854)	(25 156)
- to bank loans	(12 079)	(24 624)
- default interest	(747)	(532)
- write-down on interest	(1 028)	-
Costs of discount of employee benefits liabilities	(5 877)	
Surplus of exchange losses over exchange gains	(13 974)	-
Other	(650)	(1 729)
Total	**(34 355)**	**(26 885)**

28. Income tax

	01.01.2008 - 31.12.2008	01.01.2007 - 31.12.2007
Current tax	(6 491)	(22 687)
Deferred tax	(6 435)	16 387
Total	**(12 926)**	**(6 300)**

	01.01.2008 - 31.12.2008	01.01.2007 - 31.12.2007
Profit (loss) before tax	49 000	37 342
Tax at 19% tax rate	**(9 310)**	**(7 095)**
Costs not classified as tax-deductible expenses (permanent differences x 19%)	(3 476)	(2 962)
Non-taxable income (permanent differences x 19%)	396	3 757
Adjustment calculated to tax for 2007*	(536)	-
Amount charged to profit/loss due to income tax	**(12 926)**	**(6 300)**

- These financial statements include the amount of PLN 536 thousand in the current tax, constituting the adjustment of the income tax for the year 2007. The amount results from the difference between the liability recognized on 31 December 2007 in the financial statements prepared in line with IFRS EU and the final income tax settlement disclosed in the 2007 financial statements drawn up in line with the Accounting Act of 29 September 1994.

29. Dividend

On 27 June 2008 the General Shareholders' Meeting of Elektrownia "Kozienice" S.A. adopted a resolution No. 4 concerning net profit distribution for the financial period from 1 January 2007 to 31 December 2007. Based on the said resolution, the dividend for ENEA S.A. amounted to PLN 53,068 thousand.

On 27 June 2007 the General Shareholders' Meeting of Elektrownia "Kozienice" S.A. adopted a resolution No. 2 concerning net profit distribution for the financial period from 1 January 2006 to 31 December 2006. Based on the said resolution, the dividend for the State Treasury amounted to PLN 14,230 thousand.

The profit for distribution for the financial years 2007 and 2006 was determined based on statutory financial statements prepared in line with the Accounting Act of 29 September 1994.

At the same time, pursuant to the "Act on profit-sharing payments in companies wholly owned by the State Treasury" of 1 December 1995 the Company made obligatory quarterly profit-sharing payments of 15% in the 2007 financial year and in the preceding periods. Profit is defined as gross profit determined in accordance with the Accounting Act of 29 September 1994, less current income tax. Since the last day of a month when the State Treasury contributed the Company's shares to ENEA S.A., the Company has not been subject to the aforementioned obligation.

In the financial statements for the period ended 31 December 2007, the Company accrued and recognized profit-sharing payments for the period ended on 30 November, when ownership change was registered in the National Court Register, i.e. on 21 November 2007. The amount of the obligatory profit-sharing payments recognized as at 31 December 2007 was estimated by the Company due to the fact that by the date of approving the 2007 financial statements prepared in line with IFRS EU, the Company had not drawn up the statutory financial statement for the year 2007 in accordance with the Accounting Act of 29 September 1994.

These financial statements include the amount of PLN 5,033 thousand of the dividend adjustment. The amount constitutes the difference between the liability determined as at 31 December 2007 and the final profit-sharing payment for the period by the end of October 2007, i.e. by the end of the month, when the State Treasury transferred shares to ENEA S.A. This amount was disclosed in the corrected declaration filed in August 2008.

(in PLN '000)

30. Related party transactions

The company concludes the following related party transactions:

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

Transactions and settlements with ENEA S.A. (the parent company since 10 October 2007) and other Companies from the ENEA S.A. Capital Group:

Transactions and settlements with ENEA S.A.

	01.01.2008 - 31.12.2008	01.01.2007 - 31.12.2007
Sale of electricity (with excise tax)	1 487 469	482 753
Other sale	407	1
Purchase of electricity	(2 182)	(159)
Other purchases	(123)	(728)
Accrued interest revenue	309	-
Trade and other receivables	269 310	41 752
Trade and other liabilities	(611)	(166)

Transactions and settlements with other entities in the ENEA S.A. Capital Group

	01.01.2008 - 31.12.2008	01.01.2007 - 31.12.2007
Sale of electricity (with excise tax)	-	2 137
Other sale	31	-
Purchase of electricity	-	(75)
Other purchases	(1 715)	(19)
Accrued interest revenue	-	-
Trade and other receivables	6	-
Trade and other liabilities	(384)	-

(ii) Transactions between the Company and the members of the Management Board and supervisory bodies

The transactions can be divided into three categories:

- transactions resulting from employment contracts with the members of the Management Board and appointment contracts of the members of the Supervisory Board;
- loans from the Company's Social Benefit Fund granted to members of the Management and Supervisory Boards employed in Elektrownia "Kozienice" S.A.

(in PLN '000)

- transactions resulting from civil-law agreements.

The remuneration of key members of the Management Board was the following:

Itemy	Management Board		Supervisory Board	
	01.01.2008 - 31.12.2008	01.01.2007 - 31.12.2007	01.01.2008 - 31.12.2008	01.01.2007 - 31.12.2007
Remuneration due to employment contract	503	555	315	246
Remuneration due to other employee benefits, including electricity sold at a discount	44	33	-	-
TOTAL	547	588	315	246

(iii) Transactions with entities, whose shares are held by the State Treasury

The Company concludes 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:

- purchase of coal, transportation services and electricity from entities, whose shares are held by the State Treasury and
- sale of electricity and heat and other energy-related services, provided to the central and local administration bodies (domestic sale) and entities, whose shares are held by the State Treasury (domestic wholesale and retail).

These transactions are concluded at arm's length and their terms and conditions do not differ from those used in transactions with related entities. The Company does not keep a register, which would allow for aggregating the values of all transactions with the state entities and entities whose shares are held by the State Treasury, therefore the turnovers and balances of related-party transactions disclosed in these financial statements do not include the data concerning transactions with the entities whose shares are owned by the State Treasury.

31. Concession agreements on providing public services

The Company carries out its core business, i.e. production of electricity and heat, based on concessions granted by the President of the Energy Regulatory Authority.

Electricity production concession:

- No. WEE/1271/U/OT-4/98/JG of 12 October 1998, with subsequent amendments, on producing electricity

  (The concession entered into force as of 12 October 1998 for the period until 30 October 2008).

- No. WEE/11-ZTO/1271/W/OWA/2007/RW of 31 August 2007 on electricity production in devices with the total installed electrical power capacity of 2,820 MW.

(The concession entered into force as of 31 August 2007 for the period until 31 December 2025).

- No. WEE/11-ZTO-B/1271/W/3/2008/ARS of 24 January 2008 for electricity production in the source known as Elektrownia "Kozienice" S.A. with the total installed electrical power capacity of 2,820 MW and the total capacity of 2,880 MW.
  The above concession extends the scope of business activities conducted by Elektrownia "Kozienice" S.A. The change involves the possibility to produce electricity in the CHP system with the capacity of 535 MW and 560 MW with the combustion of conventional fuel (hard and stove coal) and to produce electricity in the CHP system in 8 units with the capacity of (1-215 MW, 1-220 MW, 6-225 MW) with the combined combustion of conventional fuel (hard coal and fuel oil) and biomass.

  (Concession for the period from 24 January 2008 to 31 January 2025).

Concession for trade in electricity:

- No. OEE/334/1271/W/1/2002/MW of 21 December 2002 for trade in electricity for customers within the territory of the Republic of Poland.

  (Concession for the period from 1 January 2003 to 1 January 2013).

Concession for heat production:

- No. WCC/256/1271/U/OT-4/98/JG of 12 October 1998 for production of heat in the CHP system based on hard coal burning.

  (Concession for the period from 12 October 1998 to 30 October 2008).

- No. WCC/256-ZTO/1271/W/OWA/2007/RW of 31 August 2007 for heat production in the CHP system in a power station located in Świerże Górne, with the total thermal capacity of 266 MWt. (from 31 August 2007)

  (The concession entered into force as of 31 August 2007 for the period until 31 December 2025).

- No. WCC/256-ZTO-B/1271/W/3/2008/ARS of 24 January 2008 for heat production in the source known as Elektrownia "Kozienice" S.A. with the total thermal capacity of 266 MWt. Heat is generated based on combustion of conventional fuel (hard coal, fuel oil) in two steam boilers producing steam transmitted to two turbine sets generating heat in the CHP system and based on combustion of conventional fuel (hard coal, fuel oil) or combined combustion of fuel and biomass in eight steam boilers producing steam transmitted to eight turbine sets generating heat in the CHP system.
  The concession results from an extended scope of business activities conducted by Elektrownia "Kozienice" S.A. (heat production based on biomass combustion).

  (Concession for the period from 24 January 2008 to 31 December 2025).

Concession for heat transmission:

- No. PCC/269/1271/U/OT-4/98 of 12 October 1998 for transmission and distribution of heat produced in cogeneration with electricity in a source with the total thermal capacity of 105 MWt in two networks: water and steam.

  (Concession for the period from 12 October 1998 to 30 October 2008).

(in PLN '000)

- No. PCC/ 269-ZTO/1271/W/OWA/2007/RW of 31 August 2007 for transmission and distribution of heat produced in own source, in two heating networks located in Świerże Górne.

  (Concession for the period from 31 August 2007 to 31 December 2025).

The Company fulfilled the obligations imposed by the provisions of the concessions on an ongoing basis. A report on the fulfillment of the conditions under the concessions was submitted to the President of the Energy Regulatory Office within the specified deadline and appropriate payments were made.

32. Operating lease

Future operating lease liabilities (perpetual usufruct right), where the Company is a lessee.

	31.12.2008	31.12.2007
Less than one year	609	564
One to five years	2 435	2 256
Over five years	46 271	43 445
	49 315	**46 265**

33. Commitments to purchase property, plant and equipment and intangible assets contracted as at the balance sheet date

Contractual obligations incurred as at the balance sheet date, but not recognized in the balance sheet amount to:

	31.12.2008	31.12.2007
Acquisition of property, plant and equipment	294 518	33 043
Acquisition of intangible assets	7 171	42
	301 689	**33 085**

(in PLN '000)

34. Contingent liabilities

In 2006 one of the Company's suppliers, Kopalnia Węgla Kamiennego "Wujek" reserved the right to claim unpaid amounts resulting from the settlement of surpluses in coal supplies in 2004 - 2006. As at 31 December 2008 the maximum possible liability is estimated at PLN 1,871 thousand. The issue had not been solved by the date of preparing the interim financial statements.

35. Proceedings before court, body competent to conduct arbitration proceedings or public administration body

35.1 Pending proceedings before common courts of law

	Balance as of 31.12.2008	
	Number of court actions	Total value claimed at court
Actions brought against the Company	5	514
Actions brought against third parties	10	12 386

Actions brought against third parties
Most actions brought against third parties pertain to receivables from CTL Logistics S.A. The subject of the dispute are receivables arising from the default under spedition contracts and payment of the transportation fee for PKP CARGO S.A. due from CTL Logistics S.A. Receivables claimed at court due from CTL Logistics S.A. are fully covered by revaluation write-down as at 31 December 2008.

Actions brought against the Company
Actions brought against the Company do not affect the financial profit (loss).

35.2 Arbitration proceedings

As at 31 December 2008 there were no pending proceedings before competent arbitration bodies.

36. Future inflows due to valid lease, rental and similar agreements

	31.12.2008	31.12.2007
Less than one year	35	93
One to five years	-	335
Over five years	-	410
	35	838

37. CO_2 emission rights

As at 31 December 2008 the structure CO_2 emission rights was as follows:

CO_2 emission rights in 2008

	Volume (in thousand tons)
CO_2 emission rights	
granted	9 637
used	(10 005)
Balance as of 31.12.2008	(368)

* - the data based on the project of CO_2 emission rights distribution of 12 February 2008 concerning the CO_2 emission limits in 2008-2012. Appropriate Council of Ministers' ordinance has not been issued by the date of preparing these financial statements.
As at 31 December 2008 the Company established a provision for purchasing additional CO_2 emission rights in order to cover the emission limit exceeded in 2008 (Note 20).

CO_2 emission rights in 2007

	Volume (in thousand tons)
CO_2 emission right	
transfered from the previous period	247
granted	10 539
used	(10 547)
purchased	175
sold	(400)
Balance as of 31.12.2007	13

38. Employment

Average employment in the Company in the year ended 31 December 2008 was the following:

	12 months ended 31.12.2008	12 months ended 31.12.2007
Blue collars	1 768	1 767
White collars	576	540
TOTAL	2 344	2 307

39. Long-term contracts on the sale of electricity (LTC)

As the European Commission recognized long-term contracts on the sale of power and electricity (LTC) as disallowed public aid, the Polish Parliament passed an appropriate act in order to eliminate such contracts. In accordance with the Act on compensation principles applicable to costs generated in enterprises due to the early termination of long-term contracts on the sale of power and electricity of 29 June 2007 ("LTC Termination Act"), since 1 April 2008 the Company has been entitled to compensation for orphaned costs resulting from early termination of long-term contracts. Based on the aforementioned Act, the Company will be entitled to compensation until 2014.

In compliance with Schedule 4 to the LTC Termination Act, the Company received total advance payments for orphaned costs of PLN 93,132 thousand (including PLN 62,088 thousand received by 31 December 2008 and PLN 31,044 thousand received in January 2009) for the period from 1 April to 31 December 2008. The compensation for the year 2008 will be appropriately adjusted by the President of Energy Regulatory Authority, in compliance with section 5 of the LTC Termination Act.

The amount of the annual adjustment of orphaned costs in 2008 and the final adjustment made after the adjustment period, i.e. the period covered by the terminated long-term contract, depends on many factors, such as operating profit (loss) in 2008 and subsequent periods, costs of energy production, energy sales volume and average market prices of electricity.

At the same time, certain provisions of the LTC Termination Act, pertaining to the rules of calculating and adjusting orphaned costs are unclear and require further interpretation and they are analyzed by energy producers and the President of Energy Regulatory Authority. As there is no standard market practice in this respect, the final compensation for the period covered by these financial statements can only be estimated.

As at 31 December 2008 the Company recognized revenue due under cost compensation in the amount of the advance payment for the period ended 31 December 2008, reduced by the estimated annual adjustment, in line with Schedule 4 to the LTC Termination Act. The final compensation for the period ended 31 December 2008 may significantly differ from the value estimated by the Company due to changes in factors considered in calculation of the compensation and as a result of possible differences in the interpretation of regulations, based on which the President of Energy Regulatory Authority determines the annual and final adjustments.

The revenue recognized due to orphaned costs compensation for the period ended 31 December 2008 amounted to PLN 80,976 thousand.

40. Changes in excise tax

On 1 March 2009, the amendment of the Excise Tax Act of 23 January 2004 came into force. Polish excise tax regulations had to be amended in order to comply with the EU laws. Based on the amendment, the excise tax obligation arises when electricity is supplied to the final buyers (not in time of producing electricity). Consequently, Elektrownia "Kozienice" S.A. ceased to be the excise tax payer as electricity producer on 1 March 2009.

On 12 February 2009 the European Court of Justice passed a verdict stating that the Polish regulations determining the moment of occurring the excise tax obligation in the sale of energy did not comply with the regulations of the EU Energy Directive.

In relation to the said arrangements, in February 2009 Elektrownia "Kozienice" S. A. filed a motion to the Head of the Radom Tax Office for a refund of overpaid excise tax in the amount of PLN 694, 574 thousand for the period from January 2006 to December 2008.

As the refund is not certain, the requested excise tax refund was not included in these financial statements.

41. Auditors' remuneration

Net remuneration for the audit of the fiancial statements (exluding VAT) and other assurance services provided in 2008, paid and due totals PLN 1,330 thousand.

OPINION OF AUDITOR

To the Shareholder and Supervisory Board of Elektrownia "Kozienice" S.A.

We have audited the attached financial statements of Elektrownia "Kozienice" S.A. with registered office in Świerże Górne, gm. Kozienice, 26-900 Kozienice 1, including:

- balance sheets prepared as at 31 December 2007, 31 December 2006 and 31 December 2005, with total assets and liabilities plus equity of PLN 3,335,996 thousand, PLN 3,614,557 thousand and PLN 3,671,957 thousand, respectively;
- income statements for the period from 1 January 2007 to 31 December 2007, from 1 January 2006 to 31 December 2006 as well as from 1 January 2005 to 31 December 2005, disclosing net profits of PLN 13,271 thousand, PLN 17,978 thousand and PLN 28,607 thousand, respectively;
- statements of changes in equity for the period from 1 January 2007 to 31 December 2007, from 1 January 2006 to 31 December 2006 as well as from 1 January 2005 to 31 December 2005, disclosing a decrease/increase/increase in equity of PLN 959 thousand, PLN 1,028 thousand and PLN 19,607 thousand, respectively;
- cash flow statements for the period from 1 January 2007 to 31 December 2007, from 1 January 2006 to 31 December 2006 as well as from 1 January 2005 to 31 December 2005, showing a cash inflow/outflow/inflow of PLN 245,733 thousand, PLN 10,952 thousand and PLN 5,102 thousand, respectively;
- notes, including information on the adopted accounting policy and other explanatory notes.

Preparation of these financial statements is the responsibility of the Management Board of the Company. 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.

Except for the issues described in the following paragraphs, our audit of the financial statements was planned and performed in accordance with:

- section 7 of the Accounting Act of 29 September 1994 (Dz.U. of 2002 No. 76, item 694 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. An audit includes an 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 reasonable basis for our opinion.

In 2006, inspections conducted in the Company by the Supreme Chamber of Control identified irregularities in the conducting and settlement of coal physical counts during the period of 2004-2006. The Company recognized physical count surpluses in the amount of PLN 16,016 thousand identified during inspections in its accounting records for 2006. The physical count conducted on 31 December 2006 disclosed subsequent coal physical count surpluses of PLN 21,286 thousand, which have also been recognized in accounting records for 2006. We were unable to verify the value of inventories as at 1 January 2005 and 31 December 2005 as well as the effects of potential adjustments to inventories as at the aforementioned dates in the Company's income statement, cash flow statement and statement of changes in equity for 2005 and 2006.

In our opinion, except for the consequences of any adjustments that might have proven necessary if we could verify the value of inventories as at 1 January 2005 and 31 December 2005, the audited financial statements of Elektrownia Kozienice S.A. for the 2005, 2006 and 2007 financial years were prepared in all material respects in accordance with the Accounting Act of 29 September 1994 and give a true and fair view of all of the information essential for evaluating the financial position and financial result of the Company for the 12-month periods ended 31 December 2005, 31 December 2006 and 31 December 2007 and, as at those dates, in accordance with International Financial Reporting Standards as approved by the European Union.

....
Piotr Sokołowski
Certified auditor
No. 9752/7281

....
Represented by

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

Warsaw, 12 May 2008

Elektrownia "Kozienice" S.A.
Income statement
For periods ended 31 December 2007, 31 December 2006, 31 December 2005
(PLN thousand)

	Note	for the period from 01.01.2007 till 31.12.2007	for the period from 01.01.2006 till 31.12.2006	for the period from 01.01.2005 till 31.12.2005
Sales revenues including excise tax	*17*	1,892,787	2,078,363	1,855,544
Excise tax		(229,718)	(246,765)	(225,332)
Net sales revenues		1,663,069	1,831,598	1,630,212
Other operating income	*20*	20,988	63,950	33,845
Amortization and depreciation	*1,2,3*	(224,485)	(212,555)	(214,759)
Employee benefits	*18*	(202,264)	(184,502)	(164,439)
Materials and energy consumption	*18*	(1,010,470)	(989,067)	(959,869)
Cost of merchandise sold	*18*	(49,106)	(234,460)	(55,022)
Transmission services	*18*	(3,264)	(2,699)	(3,691)
Other external services	*18*	(95,438)	(116,074)	(137,945)
Taxes and other charges	*18*	(61,600)	(72,435)	(64,889)
Loss on sale and diposal of tangible fixed assets		(2,368)	(968)	(2,120)
Other operating costs	*20*	(15,148)	(39,888)	(16,330)
Profit on operating activities		**19,914**	**42,900**	**44,993**
Financial income	*21*	44,313	27,059	50,234
Financial expenses	*22*	(26,885)	(32,543)	(45,574)
Profit before tax		**37,342**	**37,415**	**49,653**
Income tax	*23*	(6,300)	(7,788)	(11,509)
Net profit before obligatory profit distribution		**31,042**	**29,627**	**38,144**
Obligatory share in profit payment to the State Treasury		(17,771)	(11,649)	(9,537)
Net profit after obligatory profit distribution		**13,271**	**17,978**	**28,607**

Income statements should be read together with explanatory notes that are an integral part of the financial statements

Elektrownia “Kozienice” S.A.

Balance sheet

As at 31 December 2007, 31 December 2006 and 31 December 2005

(PLN thousand)

	Note	31.12.2007	31.12.2006	31.12.2005
Assets				
Non-current assets				
Property, plant and equipment	*1*	2,611,312	2,764,374	2,818,827
Intangible assets	*2*	21,746	16,974	7,509
Investment property	*3*	4,332	4,472	4,862
Other financial investments	*4*	6,344	6,968	6,968
Total non-current assets		**2,643,734**	**2,792,788**	**2,838,166**
Current assets				
Inventories	*7*	97,554	126,982	106,286
Financial investments	*4*	49,323	352,728	368,380
Trade and other receivables	*5*	134,367	176,774	182,888
Cash and cash equivalents	*8*	411,018	165,285	176,237
Total current assets		**692,262**	**821,769**	**833,791**
Total assets		**3,335,996**	**3,614,557**	**3,671,957**

	Note	31.12.2007	31.12.2006	31.12.2005
Liabilities and equity				
Equity				
Share capital	*9*	468,241	468,241	468,241
Share based payments reserve	*9*	514,920	514,920	514,920
Retained profit	*9*	1,460,726	1,461,685	1,460,657
Total equity		**2,443,887**	**2,444,846**	**2,443,818**
Liabilities				
Interest-bearing loans and borrowings	*11*	173,295	409,073	486,020
Employee benefits	*15*	86,595	67,296	54,318
Deferred income due to government grants	*12*	7,178	—	—
Provisions	*16*	10,387	10,109	8,860
Deferred tax liabilities	*14*	297,193	313,580	322,990
Long-term liabilities		**574,648**	**800,058**	**872,188**
Interest-bearing loans and borrowings	*11*	40,975	75,130	75,115
Income tax liability		4,280	12,267	—
Trade and other payables	*10*	240,429	254,066	251,976
Employee benefits	*15*	30,052	27,362	28,335
Short-term provisions	*16*	946	828	525
Deferred income due to government grants	*12*	779	—	—
Short-term liabilities		**317,461**	**369,653**	**355,951**
Total liabilities		**892,109**	**1,169,711**	**1,228,139**
Total liabilities and equity		**3,335,996**	**3,614,557**	**3,671,957**

Balance sheets should be read together with explanatory notes that are an integral part of the financial statements

Elektrownia "Kozienice" S.A.
Statement of changes in equity
For periods ended 31 December 2007, 31 December 2006 and 31 December 2005
(PLN thousand)

	Share capital	Share capital – revaluation	Total share capital	Share based payments reserve	Retained earnings	Total equity
Equity as at 1 January 2005	**450,000**	**18,241**	**468,241**	**514,920**	**1,441,050**	**2,424,211**
Changes in:						
Dividends	—	—	—	—	(9,000)	**(9,000)**
Obligatory profit distribution to the State Treasury	—	—	—	—	(9,537)	**(9,537)**
Net profit	—	—	—	—	38,144	**38,144**
Equity as at 1 December 2005	**450,000**	**18,241**	**468,241**	**514,920**	**1,460,657**	**2,443,818**
Equity as at 1 January 2006	**450,000**	**18,241**	**468,241**	**514,920**	**1,460,657**	**2,443,818**
Changes in:						
Dividends	—	—	—	—	(16,950)	**(16,950)**
Obligatory profit distribution to the State Treasury	—	—	—	—	(11,649)	**(11,649)**
Net profit	—	—	—	—	29,627	**29,627**
Equity as at 1 December 2006	**450,000**	**18,241**	**468,241**	**514,920**	**1,461,685**	**2,444,846**
Equity as at 1 January 2007	**450,000**	**18,241**	**468,241**	**514,920**	**1,461,685**	**2,444,846**
Changes in:						
Dividends	—	—	—	—	(14,230)	**(14,230)**
Obligatory profit distribution to the State Treasury	—	—	—	—	(17,771)	**(17,771)**
Net profit	—	—	—	—	31,042	**31,042**
Equity as at 1 December 2007	**450,000**	**18,241**	**468,241**	**514,920**	**1,460,726**	**2,443,887**

Statements of changes in equity should be read together with explanatory notes that are an integral part of the financial statements

Elektrownia "Kozienice" S.A.

Cash flow statement

For periods ended 31 December 2007, 31 December 2006, 31 December 2005

(PLN thousand)

	Note	for the period from 01.01.2007 till 31.12.2007	for the period from 01.01.2006 till 31.12.2006	for the period from 01.01.2005 till 31.12.2005
Cash flows from operating activities				
Net profit before obligatory profit distribution		31,042	29,627	38,144
Adjustments				
Amortisation and depreciation		224,485	212,555	214,759
Exchange rate gains/losses		(8,244)	(2,316)	(2,210)
Profit on investment activities		(1,375)	—	—
Loss on disposal of property, plant and equipment		2,368	968	2,121
Dividend received		(1,212)	(1,056)	(1,787)
Interest income		(8,509)	(12,156)	(38,370)
Interest expense		25,156	25,862	33,929
Income tax	*23*	6,300	7,788	11,509
Changes in working capital				
Change in receivables		42,408	6,073	(1,218)
Change in inventory		29,428	(20,696)	(7,078)
Change in short-term liabilities		(19,339)	(6,950)	42,714
Change in provisions and employee benefits		11,435	(1,650)	5,955
Net cash flows generated from operating activites		333,943	238,050	298,468
Tax paid		(28,733)	(761)	(38,592)
Net cash from operating activities		305,210	237,289	259,876
Cash flows from investing activities				
Disposal of intangible assets, property, plant and equipment		54	273	252
Disposal of financial investments		305,403	15,652	13,001
Dividend received		1,212	1,056	1,787
Interest received		8,509	12,156	38,370
Acquisition of intangible and tangible assets		(55,808)	(148,301)	(180,999)
Net cash from investing activities		259,370	(119,164)	(127,589)
Cash flows from financing activities				
Dividends and other payments to shareholders (including obligatory profit distribution for the State Treasury)		(32,001)	(28,599)	(18,537)
Repayment costs of borrowings		(261,690)	(74,616)	(74,737)
Interest paid		(25,156)	(25,862)	(33,911)
Net cash from financing activities		(318,847)	(129,077)	(127,185)
Total net cash flows		245,733	(10,952)	5,102
Balance sheet change in cash and cash equivalents		245,733	(10,952)	2,586
Cash and cash equivalents at the beginning of the reporting period		165,285	176,237	173,651
Exchange rate differences on cash and cash equivalents				(2,516)
Cash and cash equivalents at the end of the reporting period		411,018	165,285	176,237

Cash flow statements should be read together with explanatory notes that are an integral part of the financial statements

Information on the Company

Elektrownia "Kozienice" S.A. ("Spółka") seated in Świerże Górne was registered on October 1st 1996 by the V Economic Department of the District Court in Radom under the number RHB-1629. The Company was registered in the National Court Register under the number KRS 0000060541 on 12 November 2001.

The Company's term and main economic activity

The scope of activities of the Company comprises:

- production of electricity
- production and distribution of heat

The Company has been established for an indefinite period of time.

Periods presented in the financial statements

The financial statements were prepared for the financial years ended on 31 December 2007, 31 December 2006 and 31 December 2005.

Going concern assumption

The financial statements were prepared under the assumption of the Company's going concern in the foreseeable future. There are no circumstances indicating that the Company's going concern is threatened.

Description of significant accounting principles

A) STATEMENT OF COMPLIANCE

The financial statements were prepared in accordance with the International Financial Reporting Standards, which were approved by the European Union (hereafter "IFRS EU").

The presented financial statements are the first financial statements of the Company prepared in accordance with the IFRS EU, including the application of IFRS 1.

An explanation of how the application of the IFRS EU has affected the reported financial position, financial performance and cash flows of the Company is provided in Note 36.

IFRS EU include all International Accounting Standards, International Financial Reporting Standards and all related Interpretations apart from the Standards and Interpretations, which are yet to be approved by the European Union as well as Standards and Interpretations approved by the European Union but not yet effective.

The Company did not take the opportunity of an earlier implementation of the new standards and interpretations, which were already published and approved by the European Union and which come into force after the balance sheet date. Moreover, as at the balance sheet date the Company has not completed the process of assessing the influence of the new standards and interpretations, which will become effective after the balance sheet date, on the financial statements of the Company for the period of their first application.

The present financial statements are the unconsolidated financial statements of Elektrownia "Kozienice" S.A.

For statutory reporting purposes the Company prepares financial statements according to the Polish Accounting Standards (PAS). Identified and presented differences resulting from the application of the IFRS EU approved by the EU and standards applied in Poland in the opening balance of equity as at 31 January 2005 and net profit for 2005 are presented in Note 36.

New accounting standards and interpretation

Standards and Interpretations awaiting approval by the EU *[IAS 8.31(a), 8.31(c)]*	**Nature of impending change in accounting policy** *[IAS 8.31(b)]*	**Potential impact on the financial statements** *[IAS 8.31(e)]*	**Effective date for periods beginning at or after this date**
IFRS 8 *Operating Segments*	The Standard requires segment disclosure based on the components of the entity that management monitors in making decisions about operating matters. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.	The Company does not consider it to have significant influence on the presentation and disclosure of information on the operating segments.	1 January 2009
IFRIC 11 *Group and Treasury Share Transactions*	The Interpretation requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity-instruments to be accounted for as an equity-settled share- based payment transaction, regardless of how the equity instruments needed are obtained. It also provides guidance on whether share-based payment arrangements, in which suppliers of goods or services of an entity are provided with equity instruments of the entity's parent should be accounted for as cash-settled or equity-settled in the Company's financial statements.	The Company applied the IFRIC 11 with reference to shares due to present and former employees of the Company (note 9).	1 March 2007
IFRIC 12 *Service Concession Arrangements*	The Interpretation provides guidance to private sector entities on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements.	IFRIC 12 is not relevant to the Company's operations. The Company has not entered in any concession agreements.	1 January 2008
IFRIC 13 *Customer Loyalty Programmes*	The Interpretation explains how entities that grant loyalty award credits to customers who buy other goods or services should account for their obligations to provide free or discounted goods or services ('awards') to customers who redeem those award credits. Such entities are required to allocate some of the proceeds of the initial sale to the award credits and recognize these proceeds as revenue only when they have fulfilled their obligations.	This interpretation is not applicable to the Company's activities.	1 July 2008
IFRIC 14-IAS 19 *The Limit on a*	The interpretation addresses: 1) when refunds or reductions in	The Company does not conduct any economic	1 January 2008

Standards and Interpretations awaiting approval by the EU *[IAS 8.31(a), 8.31(c)]*	**Nature of impending change in accounting policy** *[IAS 8.31(b)]*	**Potential impact on the financial statements** *[IAS 8.31(e)]*	**Effective date for periods beginning at or after this date**
Defined Benefit Asset, Minimum Funding Requirements and their interactions	future contributions should be regarded as available in accordance with paragraph 58 of IAS 19, 2) how the minimum funding requirements ("MFR") might affect the availability of reductions in future contributions, 3) when a MFR might give rise to a liability. No additional liability need be recognized by the employer under IFRIC 14 unless the contributions that are payable under the minimum funding requirement cannot be returned to the company.	activities in countries with minimum refunding requirements, which reduce the employer's ability to receive a refund or to reduce contributions.	
Revised IFRS 3 *Business Combinations*	Certain business combinations, which were previously excluded from the application of the *Business Combinations* was included in the revised standard. The definition of 'business' was specified. The scope of contingent liabilities, to which the cost of business combinations can be attributed, was narrowed. Costs of transactions were excluded from the costs of business combinations. Principles regarding the recognition of adjustments to the cost of combinations conditioned by future events were changed. The possibility to assess minority shares by its fair value was introduced	This interpretation is not applicable to the Company's activities.	1 July 2009
Revised IAS 23 *Borrowing costs*	The revised Standard will require the capitalization of borrowing costs that relate to assets, which need much time to be set ready for use or sale.	The Company has not yet completed the analysis of the impact of the revised standard on the activity of the Company.	1 January 2009
Revised IAS 1 *Presentation of Financial Statements*	The revised Standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. Items of income and expense and components of other comprehensive income may be presented either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income).	The Company is currently evaluating whether to present a single statement of the comprehensive income, or two separate statements.	1 January 2009
Revised IAS 27 *Consolidated and*	In relation with the revised IFRS 3 (above), following changes were	This interpretation is not applicable to the	1 July 2009

Standards and Interpretations awaiting approval by the EU *[IAS 8.31(a), 8.31(c)]*	Nature of impending change in accounting policy *[IAS 8.31(b)]*	Potential impact on the financial statements *[IAS 8.31(e)]*	Effective date for periods beginning at or after this date
Separate Financial Statements	introduced to the IAS 27: 1) change of the minority interest definition 2) regulation of the recognition and measurement of transactions with minority shareholders, 3) change in the recognition of transaction relating to the loss of control over the entity 4) new disclosure requirements	Company's activities.	
Revised IFRS 2 *Group and Treasury Share Transactions*	These amendments introduce guidance on accounting for non vesting conditions.	The Company has not yet completed the analysis of the impact of the revised standard on the activity of the Company.	1 January 2009
Changes to IAS 32 *Financial Instruments-Presentation and Disclosure*	The amendments provide an exemption to the principle otherwise applied in IAS 32 for the classification of some puttable financial instruments that represent a residual interest in the net assets of an entity, which would otherwise be classified as financial liabilities, to be classified as equity, if both the financial instrument and the capital structure of the issuing entity meet certain conditions.	The Company has not yet completed the analysis of the impact of the revised standard on the activity of the Company.	1 January 2009

B) BASIS OF PREPARATION

The financial statements are presented in PLN which is the functional and presentation currency for the Company, rounded to the nearest thousand. The financial statements are prepared on the historical cost basis except for the following assets and liabilities which are stated at their fair values: financial instruments valued at fair value through profit and loss accounts and financial instruments held for sale. The preparation of financial statements in conformity with IFRS EU requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities which do not directly result from other sources. Actual results may differ from these estimates.

Information on estimates, which might have a significant influence on the financial statements are described in notes 15 and 16.

Accounting policies set out below have been applied to all periods presented in the financial statement, as well as to the preparation of the opening balance sheet in accordance with IFRS EU as at 1 January 2005 for purposes of transition to reporting in accordance with IFRS EU.

C) FOREIGN CURRENCIES

Transactions in foreign currencies are translated to PLN at the foreign exchange rate (bid or ask prices) applied by the Company's bank as at the date of the particular transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date (the average exchange rate of the National Bank of Poland). Foreign exchange differences arising on foreign currency transactions and on the translation of assets and liabilities as at the balance sheet date are recognized in the income statement. Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated using the average exchange rate of the National Bank of Poland (NBP) at the date of the transaction or at the date they were accounted for. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at average exchange rates of NBP ruling as at the date of the fair value determination.

D) PROPERTY, PLANT AND EQUIPMENT

(i) Property, plant and equipment owned by the Company

Items of property, plant and equipment are stated at acquisition price or at production cost less accumulated depreciation and impairment losses.

The cost comprises of the price of an asset (i.e. amount of cash or cash equivalents payable, after deducting refundable taxes: VAT and excise duty), import duties (in case of import) and other costs directly attributable to the acquisition and bringing the asset to the condition of ready for use, including delivery and handling costs. Rebates, discounts and other similar deductions decrease the purchase price of the asset. The cost of self-constructed assets and construction in progress includes the total costs incurred by the entity during the construction or development period until the date the asset is brought into use (or until the balance sheet date if the asset was not brought into use yet), including nonrefundable VAT and excise duty. The cost includes the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located.

As at the date of the transition to IFRS EU the Company adopted the fair value of assets as deemed cost.

Property, which is being constructed or developed for the future use as investment property is classified as property, plant and equipment and stated at cost until the construction or development are complete, and at that time are reclassified as investment property.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) Property, plant and equipment used based on lease agreements

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Payments made under operating leases are recognized in the income statement on a straight-line basis over the lease period.

(iii) Subsequent costs

The Company capitalizes the cost of replacing parts of property, plant and equipment in subsequent periods if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the asset can be measured reliably. All other costs are recognized in the income statement as an expense as incurred.

(iv) Amortization

Depreciation is charged to the income statement on a straight-line basis over the estimated useful life of property, plant and equipment and significant components, taking into consideration the expected residual value. Land is not depreciated. The estimated useful lives are as follows:

Buildings	10-40	years
Machines and technical equipment	4 – 25	years
Vehicles	5-14	years
Furniture and furnishings	4-25	years

The economic useful lives, depreciation methods and residual values, if significant are reviewed annually.

E) INTANGIBLE ASSETS

(i) Other intangible assets

Other intangible assets acquired by the Company are stated at cost less accumulated amortization (see below) and impairment losses (see accounting policy paragraph L).

As at the date of the transition to IFRS EU the Company adopted the fair value of intangible assets as deemed cost.

Expenditure on internally generated goodwill and trademarks is recognized in the income statement as an expense as incurred.

(ii) Subsequent expenditure

Subsequent expenditures on intangible assets are capitalized, only when they increase future economic benefits of the given asset. Other expenditures are recognized in the income statement when incurred.

(iii) Amortization

Amortization of the intangible assets is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless useful lives are indefinite. Goodwill and intangible assets with an indefinite useful lives are tested for impairment at each balance sheet date. Other intangible assets are amortized from the day they are available for use. The estimated useful lives are as follows:

Patents and trademarks	2	years
Software	2	years

(iv) CO_2 emission rights

CO_2 emission rights granted free of charge by the Krajowy Plan Rozdziału (State Distribution Plan) as well as acquired rights are classified as intangible assets and are subject to the following distinction: rights granted free of charge are recognized at nil cost whereas acquired rights are recognized at acquisition cost.

The provision for the actual CO_2 emission is recognized at nil, as long as the actual emission does not exceed the limits granted for the Company for the given year.

Revenues from the sale of the surplus of emission rights are recognized at the moment of the sale transaction.

F) PREPAYMENTS ON PERPETUAL USUFRUCT RIGHT

The Company classifies perpetual usufruct rights as operating leases. As a result, all payments made to acquire the perpetual usufruct right are recognized as prepayments for perpetual usufruct rights. The prepayments are recognized in the income statement over the period the Company has the right or intention to use the perpetual usufruct right.

G) INVESTMENT PROPERTY

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. After the initial recognition the Company decided to apply the cost model.

As at the date of the transition to IFRS EU the Company adopted the fair value of investment property as deemed cost.

Property investments are depreciated using the straight-line method. Depreciation is commenced starting in the month subsequent to the month the investment property was brought into use.

Estimated useful lives:

Buildings	25-33	years

The recognition principles for rental income are described in the accounting policy paragraph S.

If the property is occupied by the Company it is moved to property, plant and equipment.

H) FINANCIAL INSTRUMENTS

Elektrownia "Kozienice" S.A. classifies financial instruments to the following categories: financial instruments valued at fair value through the income statement, loans and receivables, financial instruments held-to-maturity and financial assets held for sale.

The classification is based on the criterion of the acquisition purpose. The classification is performed at the moment of initial recognition, and further verified as at each balance sheet date, when it is required or admitted by the IAS 39.

(i) Financial assets valued at fair value through the income statement.

This category includes two sub-categories:

– financial assets held for trading. A financial asset is included in this category if it was acquired with the purpose of sale within a short period of time;

– financial assets, that are designated at the time of initial recognition as measured at fair value through the income statement.

Assets from this category are classified as current assets, when they are held for trading or when they are expected to be realized within 12 months from the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial instruments with fixed or determinable payments, not quoted in an active market. They arise, when Elektrownia "Kozienice" S.A. spends cash, delivers goods or provides services directly to the debtor, without classifying these receivables as receivables held for trading. Loans and receivables are presented as current assets if their maturity date is within 12 months from the balance sheet date. Loans and receivables with a maturity longer than 12 months from the balance sheet date are classified as non-current assets. Loans and receivables are recognized in the balance sheet as "Trade and other receivables".

(iii) Financial assets held-to-maturity

Investments held-to-maturity are non-derivative financial assets with fixed or determinable payments and fixed maturity, which the Elektrownia "Kozienice" S.A. intends and is able to hold until maturity.

If there are circumstances indicating a possibility of impairment of loans and receivables or investments held-to-maturity valued at amortized cost, impairment charges are determined as the difference between the carrying value and the present value of estimated cash flows valued using the effective interest rate for these assets (i.e. the effective interest rate at the initial recognition calculated on the basis of the fixed interest rate and effective interest rate determined for the last revaluation of these assets valued using the effective interest rate). Impairment is recognized in the income statement.

Impairment is reversed, if in subsequent periods the impairment decreases and the decrease may be attributed to events after the recognition of impairment.

As a result of the reversal of the impairment the carrying value of financial assets should not exceed the amortized cost, which would be determined if there was no impairment loss. Impairment loss reversal is recognized in the income statement.

(iv) Financial assets available for sale

Financial assets available for sale are non-derivative financial instruments determined as "available for sale" or not attributed to any of the other three categories. This category includes shares and stock in non-related entities.

Investment purchase and sale transactions are recognized at the day of transaction-i.e. at the day, when Elektrownia "Kozienice" S.A. is committed to buy or sell an asset. Investments are recognized initially at fair value plus transaction costs, except for investments classified as financial assets valued at fair value through the income statement, which are initially valued at fair value without transaction costs.

Investments are derecognized when the rights to receive cash flows from investment expired or were transferred and Elektrownia "Kozienice" S.A. transferred significant risks and benefits related to that investment.

Financial assets available for sale are valued after initial recognition at fair value. Financial assets are valued at acquisition price less impairment losses if it is not possible to determine their fair value and these assets do not have a fixed maturity. Loans and receivables and financial assets held-to-maturity are valued at amortized cost using the effective interest rate.

Results of the valuation of the financial assets available for sale are recognized in equity, except for impairment losses and exchange rate profits or gains, which arise from monetary assets.

At the moment of the derecognition of an asset classified as "available for sale" total accumulated profits and losses previously recognized as equity are recognized in the income statement.

The fair value of investments quoted in an active market is determined in reference to its current market price. If there is no active market for financial assets (or the securities are not quoted), Elektrownia "Kozienice" S.A. determines the fair value using adequate valuation techniques which include: recent transactions conducted under normal market conditions, comparison to other instruments, which are identical in substance, the analysis of discounted cash flows, option valuation models and other techniques/models generally applied in the market, adjusted to the specific situation of the issuer.

Elektrownia "Kozienice" S.A. assesses at each balance sheet day, if there is any objective evidence for impairment of an asset or a group of assets.

If there is such evidence in case of financial assets available for sale, the total accumulated losses recognized in equity-determined as the difference between the acquisition cost and their present fair value less possible impairment losses earlier recognized in the income statement-are excluded from equity an recognized the income statement.

Impairment losses recognized in the income statement relating to equity instruments are not reversed through the income statement. The reversal of impairment losses of debt securities is recognized in the income statement if in the subsequent periods, after the recognition of the impairment loss, the fair value increased as a result of subsequent events after the recognition of impairment.

I) TRADE AND OTHER RECEIVABLES

Trade and other receivables valued at present value of the expected payment and are measured at amortized cost using the effective interest rate method in subsequent periods.

Impairment losses are recognized, when there is objective evidence that the Company will not be able to collect receivables. The value of the impairment loss is determined as the difference between the carrying value of the given asset and the present value of future cash flows discounted using the effective interest rate method.

J) INVENTORIES

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of finishing and indispensable costs of accomplishing the sale transaction.

The acquisition price comprises of the purchase cost plus costs directly attributable to the purchase transaction and the costs of bringing the given asset to a working condition.

Costs of consumption are allocated in the income statement and are determined:

– coal and limestone powder-weighted average acquisition price,

– other materials-based on the first-in first-out principle (FIFO).

K) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, bank deposits on demand and other short-term investments up to three months original maturity and subject to high liquidity.

L) IMPAIRMENT LOSSES

Carrying values of assets are reviewed at each balance sheet date to determine whether there is an indication of impairment. If any such indication exists the Company assesses the recoverable amount of individual assets.

The recoverable amount of intangible assets with an indeterminate useful life and intangible assets, which are not available to use recoverable amount, is estimated at each balance sheet date.

Impairment losses are recognized, when the carrying value of an assets or a cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement.

The impairment of a cash generating unit is allocated first to reduce the carrying value of assets of the cash generating unit (or a group of units) on a pro-rata basis.

When a decline in the fair value of an available-for-sale financial asset has been previously recognized directly in equity and there is objective evidence that the asset is impaired, the cumulative loss previously recognized directly in equity is transferred to the income statement even though the financial asset has not been derecognized. The amount of the cumulative loss is transferred to the income statement as the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognized in income statement.

(i) Calculation of recoverable amount

The recoverable amount of investments in held-to-maturity securities and receivables carried at amortized cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate short-term receivables are not discounted.

The recoverable amount of other assets is the higher of their net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. For an asset that does not generate independent cash flows, the recoverable amount is determined for the smallest group of assets that generates cash flows (cash-generating unit to which the asset belongs).

(ii) Reversals of impairment

An impairment loss in respect of a held-to-maturity security or receivables which are carried at amortized cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through the income statement. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the income statement the impairment loss is reversed through the income statement.

In respect of other assets, an impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

M) EQUITY

(i) Share capital

The share capital of the Company is the share capital recognized in the amount stipulated in the Company's status and is registered in the National Court Register, adjusted by effects of hyperinflation.

(ii) Dividends

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

In 2007 the Company's shares were contributed to ENEA S.A. As a result of this transaction the Company was no longer the 100% direct subsidiary of the State Treasury. In the prior years as well as in 2007 until the transfer of the Company's ownership the Company was subject to obligatory profit-share payments relating to Companies fully owned by the State Treasury which amounts to 15% of the profit before taxation determined based on the on the statutory requirements i.e. based on the Accounting Act dated 29 September 1994, net of current tax. Obligatory profit share payments are treated likewise as dividend payments and are recognized as a separate position in the statement of changes in equity and income statement.

N) INTEREST BEARING BORROWINGS

Interest-bearing borrowings and debt instruments are recognized initially at fair value less attributable transaction costs.

Subsequent to initial recognition, interest-bearing borrowings and debt instruments are stated at amortized cost using the effective interest rate method.

O) EMPLOYEE BENEFITS

(i) Defined contribution plan

The Company is obliged, based on statutory regulation, to charge and transfer employees' contributions for retirement payments. These contributions, in accordance with the IAS 19, are classified as State program and falls into defined contribution schemes. As a result, the Company's liability is estimated for each period on the basis of contributions to be paid for the given year.

(ii) Retirement severance pay

The Company is obliged, based on statutory regulations currently in force, to make retirement severance payments in the amount as set out in the Labor Law. Additionally according to the Collective Employment Agreement the payments depend on the number of years of the employee. The minimum amount of the retirement severance pay depends on the regulations of the labor law in force as at the date of the retirement severance pay. The maximum retirement severance pay amounts up to the eightfold minimum remuneration occurred by the employee of the Company in the month preceding the retirement date.

The Company's liability resulting from the retirement payments is calculated on the basis of the estimation of the future salary of the individual employee in the period in which the employee reaches the retirement age and on the basis of the estimated future retirement severance pay. The estimated retirement payment is discounted to the present value. The discount rate is calculated based on the market yield of the State Treasury Bonds as at the balance sheet date. The retirement severance pay liability is recognized proportionally to the expected service period of the individual employee.

The calculation is performed by the certified actuary on the basis of the projected unit credit method. Employee rotation is estimated based on historical data and the estimated number of employees in the future.

(iii) Jubilee payments

The Company offers its employees jubilee rewards. The amount of the jubilee rewards depends on the number of years worked in the Company by individual employees and on the amount of their remuneration as at the date of acquiring the right to receive a jubilee reward.

The Company's liability resulting from jubilee payments is calculated on the basis of the estimated future salary of the individual employee in the period in which the employee acquires the right to particular jubilee rewards and on the basis of the estimated amount of the future jubilee reward. The estimated future jubilee payments are discounted to the present value.

The discount rate is calculated based on the market yield of the State Treasury Bonds as at the balance sheet date. The jubilee liability is recognized proportionally to the expected service period of the individual employee.

The calculation is performed by the certified actuary on the basis of the projected unit credit method. Employee rotation is estimated based on historical data and the estimated number of employees in the future.

(iv) Electricity allowance

According to the Supplementary Protocol No.14 to the Collective Employment Agreement for Employees of the Energy Sector, pensioners and persons entitled to pre-retirement payments as at 1 December 2005 acquired the right to a electricity allowance in the amount of 3000 kWh × 80% of the electricity price and the variable component of the transmission charge and 100% the fixed network charge and subscription charge according to the unified tariff valid for households.

As at 31 December 2005 the Company recognized the above liability of future employment in accordance with IAS 19.96. These liabilities were calculated using actuarial methods and off set against by the asset recognized in accordance with IAS 19.54 and is presented net in the balance sheet.

The asset related with the costs of future employment is amortized using the straight-line method during the average period of acquiring these benefits i.e. 20 years.

(v) Social Fund contributions for retirees

According to the Collective Agreement the Company while calculating the Social Fund contribution for the year includes also retirees entitled take advantage of the Social Fund. Liability is accounted for in proportion to the estimated period of work performed by employees.

(vi) Share-based payments

On the basis of the Act on the Commercialization and Privatization dated 30 August 1996 (Act on the Commercialization and Privatization) employees of the Company are entitled to acquire free of charge 15% of the Company's shares. The aforementioned right is granted to Entitled Employees i.e. for employees, who were employed at the day of the Company's commercialization (the transformation of a State Enterprise into joint stock company fully owned by State Treasury) i.e. as at 1 October 1996 and persons, who have worked in the state enterprise for at least 10 years as well as persons who meet other additional criteria stipulated in Article 2, Paragraph 5 of the Act on the

Commercialization and Privatization. The right to acquire free of charge shares arises after three months from the date of the State Treasury's disposal of first sharers based on general conditions.

Moreover, according to the Act on the Commercialization and Privatization the Entitled Employees of Elektrownia "Kozienice" S.A. as at the date of the contribution of 100% of the Company's shares to ENEA S.A. acquired the right to a cash equivalent. The cash equivalent is paid by ENEA S.A. and is accompanied by the redemption of shares of ENEA S.A. subject to the equivalent held by the State Treasury.

In 2007 in connection with the consolidation of the energy sector the Act on the acquisition of shares from the State Treasury as a result of the energy sector consolidation process dated 7 September 2007 was passed (Act from 2007). The abovementioned Act, among the others, grants the Entitled Employees of the consolidated entity (Elektrownia "Kozienice" S.A.) the option to exchange the right to the equivalent into the right to acquire shares of consolidating entity (ENEA S.A).

According to IFRS 2 the costs of such scheme should be recognized in the period, when the Entitled Employees performed services. The cost of the employees' services is measured as at the Grant Date i.e. the date when all significant provisions of the employees' share based payments are determined.

The Grant Date to acquire shares or equivalents is the day, when the proper Minister approves the number of shares attributable to particular Entitled Employees. The number of shares is determined based on the agreement between the Board of Directors and the Company's trade unions after the State Treasury sells first shares based on the general conditions. Despite the fact that the contribution of shares of Elektrownia "Kozienice" S.A. to ENEA S.A. was a triggering event to agree between the Company's Board of Directors and the Company's Trade Unions the amount of shares to be allocated to Entitled Employees, such list has neither been determined nor approved by respective Ministry before 1 January 2008. Therefore there are no circumstances, which would justify that the Grant Date occurred in 2007. Entitled Employees of Elektrownia "Kozienice" S.A., based on Act from 2007, shall submit the declaration until 18 January 2008, if they intend to exchange the cash equivalent into shares of ENEA. The base for determination of the amount of cash equivalent and exchange ratio of cash equivalent into ENEA S.A.'s shares is the value of Elektrownia "Kozienice" S.A.'s shares assumed for the purpose of ENEA S.A.'s share capital contribution. As per this valuation the value of shares/cash equivalents attributable to the Entitled Employees of Elektrownia "Kozienice" S.A. amounts to PLN 515 million.

The fundamental principle of IFRS 2 is to recognize the cost of employees' services when the Company obtains these services. The share based payments program introduced in 1996 through the Act on the Commercialization and Privatization was meant to compensate the Entitled Employees' services for the period prior to introduction of this Act in particular for the period prior to 1989, which was the date of political system changes. Therefore the cost of the scheme resulting from the Act on the Commercialization and Privatization should have been recognized in the prior periods. Therefore the Company should have estimated the cost of the scheme as at each balance sheet date from the date of the Company's Commercialization until the Grant Date via estimating the Grant Date fair value of shares. Once the Grant Date has been established the Company should revise the earlier estimate so that the amounts recognized for services received are based on the Grant Date fair value of shares.

The Company recognized the entire cost of the program in the amount specified in the preceding paragraph with a corresponding entry in the equity as at the date of transition to IFRS EU i.e. as at 1 January 2005. The Company concluded that estimates as to the actual occurrence of the Grant Date and fair values as at the Grant Date for the 1 January 2005 i.e. the opening balance presented in these financial statements is impracticable and is susceptible to significant error, which would result in significant distortion of net profits for the period presented in these financial statements.

The following table presents information on cash equivalents for eligible employees of Elektrownia "Kozienice" S.A.:

– number of eligible employees	3,557
– total number of Elektrownia "Kozienice" S.A.'s shares to which eligible employees are entitled	6,750,000
– fair value of Elektrownia "Kozienice" S.A.'s shares for the purpose of program valuation	PLN 76.28
– total program's value expensed in previous periods	PLN 514,920 thousand

P) PROVISIONS

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the discounting effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

R) TRADE AND OTHER PAYABLES

Trade and other payables are recognized at amortized cost.

S) REVENUE

(i) Revenue from sales of electricity

Revenue from sales of electricity is recognized at fair value, consideration received or receivable at the moment of delivery of electricity to the customer.

(ii) Sales of finished goods and merchandise

Revenue from sales of finished goods and merchandise is recognized in the income statement when the significant risks and economic benefits of ownership have been transferred to the customer. Revenue is not recognized when there is a significant uncertainty in relation to future economic benefits, the amount of incurred cost cannot be measured reliably, it is possible to return finished goods or merchandise or if the Company is permanently involved in the management of the finished goods/merchandise.

(iii) Rental income

Rental income from investment property is recognized in the income statement on a straight-line basis over the period of the lease contract.

(iv) Deferred income from government grants

Government grants are recognized in the balance sheet initially as deferred income when there is reasonable assurance that it will be received and that the Company will comply with the conditions attached to the grant. Grants that compensate the Company's expenses are recognized as revenue in the income statement on a systematic basis in the same periods when the expenses are incurred. Subsidies that compensate the Company for the cost of an asset are recognized in the income statement as other operating income on a systematic basis over the useful life of the related asset.

T) EXPENSES

(i) Operating lease payments

Payments made under operating leases are recognized in the income statement on a straight-line basis over the period of the lease contract. Lease incentives received are recognized in the income statement as an integral part of the total lease expense.

(ii) Finance lease payments

Lease payments are apportioned between the interest charge and the reduction of the outstanding liability. The interest charge is allocated to each period during the lease period using the effective interest rate method.

(iii) Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivables on funds invested, dividend income, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognized in the income statement.

Borrowing costs including exchange rate differences relating to borrowings denominated in foreign currencies are recognized in the income statement when incurred.

Interest income is recognized in the income statement using the accrual method and using the effective interest method. Dividend income is recognized in the income statement as at the date of acquiring the right to receive dividend. The interest expense component of finance lease payments is recognized in the income statement using the effective interest rate method.

U) INCOME TAX

The income tax included in the income statement comprises of current and deferred tax. Income tax is recognized in the income statement except for amounts directly recognized in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the given year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, differences relating to investments in subsidiaries to the extent that it is not probable that they will be reversed in the foreseeable future. The amount of deferred tax recognized is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax profits will be available to utilize in full or in part the deferred tax assets. These reductions are reversed to the extent that the realization of the related tax profit is probable.

Deferred tax assets and liabilities are offset, if there is a legally enforceable right to offset current tax liabilities and receivables and when the deferred tax assets and liabilities relate to income tax levied by the same tax authority on the same tax payer.

V) DISCOUNTED OPERATIONS AND NON-CURRENT ASSETS HELD FOR TRADE

Immediately before the classification of non-current assets as held for sale, assets (or all assets and classified as held-forsale) are remeasured in accordance with applicable IFRS EU. As at the date of the initial classification as held for sale, non-current assets or group of assets and liabilities held for sale are measured at the lower of carrying amount and fair value less selling costs.

Impairment losses upon initial classification as held for sale are included in profit or loss, even when the group of assets and liabilities held for sale was previously subject to revaluation and the results of that revaluation were recognized in equity. The same applies to gains and losses on subsequent remeasurements.

Discounted operations is a part of the Company's activities, which form a significant separate segment of activities or a geographical segment or a separate subsidiary acquired with the intention for sale.

Classification as a discontinued operation is conducted upon disposal or when the operation meets the criteria to be classified as held for sale. Non-current assets that are planned to be discounted may also be classified as discounted operations.

W) SOCIAL FUND

The assets and liabilities of the Social Fund are mutually offset considering the fact, that these assets are not fully controlled by the Company.

(PLN thousand)

1. Property, plant and equipment

	Land	Buildings	Machinery and equipment	Vehicles	Furniture and furnishing	Fixed assets under construction	Prepayments for fixed assets under construction	Total
Gross value of fixed assets as at 1 January 2005								
Gross value as at 1 January 2005	196	667,534	2,127,848	10,329	8,484	49,878	—	**2,864,269**
Increase related to purchases	—	—	—	—	—	170,677	—	**170,677**
Transfer from fixed assets under construction	—	22,427	67,340	—	128	(90,476)	—	**(581)**
Transfer from/to investment property	—	—	—	—	—	—	—	**—**
Disposal/ liquidation	—	—	(3,722)	(132)	(46)	—	—	**(3,900)**
Gross value of fixed assets as at 31 December 2005	**196**	**689,961**	**2,191,466**	**10,197**	**8,566**	**130,079**	**—**	**3,030,465**
Gross value as at 1 January 2006	196	689,961	2,191,466	10,197	8,566	130,079	—	**3,030,465**
Increase related to purchases	—	—	—	—	—	166,254	2,698	**168,952**
Transfer from fixed assets under construction	—	12,642	68,084	194	316	(92,723)	—	**(11,487)**
Transfer from/to investment property	—	225	—	—	—	—	—	**225**
Disposal/ liquidation	—	(1,268)	(2,066)	(39)	(50)	—	—	**(3,423)**
Gross value of fixed assets as at 31 December 2006	**196**	**701,560**	**2,257,484**	**10,352**	**8,832**	**203,610**	**2,698**	**3,184,732**
Gross value of fixed assets as at 1 January 2007	196	701,560	2,257,484	10,352	8,832	203,610	2,698	**3,184,732**
Increase related to purchases	—	—	—	—	—	80,588	(2,006)	**78,582**
Transfer from fixed assets under construction	—	101,292	145,544	135	689	(255,885)	—	**(8,225)**
Transfer from/to investment property	—	(26)	—	—	—	—	—	**(26)**
Disposal/ liquidation	—	(557)	(2,610)	(210)	(86)	—	—	**(3,463)**
Gross value of fixed assets as at 31 December 2007	**196**	**802,269**	**2,400,418**	**10,277**	**9,435**	**28,313**	**692**	**3,251,600**
Depreciation								
Depreciation as at 1 January 2005	—	—	—	—	—	—	—	**—**
Depreciation for the period	—	35,140	176,108	1,045	873	—	—	**213,166**
Disposal/liquidation	—	—	(1,361)	(132)	(35)	—	—	**(1,528)**
Depreciation as at 31 December 2005	**—**	**35,140**	**174,747**	**913**	**838**	**—**	**—**	**211,638**

(PLN thousand)

	Land	Buildings	Machinery and equipment	Vehicles	Furniture and furnishing	Fixed assets under construction	Prepayments for fixed assets under construction	Total
Depreciation as at 1 January 2006	—	35,140	174,747	913	838	—	—	**211,638**
Depreciation for the period	—	36,474	172,174	899	821	—	—	**210,368**
Disposal/liquidation	—	(49)	(1,544)	(21)	(34)	—	—	**(1,648)**
Depreciation as at 31 December 2006	**—**	**71,565**	**345,377**	**1,791**	**1,625**	**—**	**—**	**420,358**
Depreciation as at 1 January 2007	—	71,565	345,377	1,791	1,625	—	—	**420,358**
Depreciation for the period	—	41,234	177,898	896	838	—	—	**220,866**
Disposal/liquidation	—	(89)	(614)	(190)	(43)	—	—	**(936)**
Depreciation as at 31 December 2007	**—**	**112,710**	**522,661**	**2,497**	**2,420**	**—**	**—**	**640,288**
Net value of fixed assets								
As at 1 January 2005	196	667,534	2,127,848	10,329	8,484	49,878	—	2,864,269
As at 31 December 2005	**196**	**654,821**	**2,016,719**	**9,284**	**7,728**	**130,079**	**—**	**2,818,827**
As at 1 January 2006	196	654,821	2,016,719	9,284	7,728	130,079	—	2,818,827
As at 31 December 2006	**196**	**629,995**	**1,912,107**	**8,561**	**7,207**	**203,610**	**2,698**	**2,764,374**
As at 1 January 2006	196	629,995	1,912,107	8,561	7,207	203,610	2,698	2,764,374
As at 31 December 2007	**196**	**689,559**	**1,877,757**	**7,780**	**7,015**	**28,313**	**692**	**2,611,312**

Fixed assets pledged as securities are presented in Note 6.

In order to confirm, that fixed assets fair value stated as at 1 January 2005, that is the date of transition to IFRS EU, do not exceed value in use, the Company performed an impairment test. The impairment test was also performed as at the date of 31 December 2007 due to the expected decrease of CO_2 emission rights, that may have a material impact on the profitability of the Company. In order to perform these tests a number of assumptions were made. One of the significant assumptions made was the increase in sales profitability, that among others are related to the expected increase of electricity prices as well as abolition, till 2011, of the excise tax which was assumed to have no impact on electricity prices. In the Management Board's opinion future actual changes of electricity prices (if significantly different than assumed) may impact the appropriateness of the impairment tests conclusions. Based on the above mentioned tests there is no impairment of fixed assets as at 1 January 2005 and 31 December 2007.

(PLN thousand)

2. Intangible assets

	Licenses, software and other
Gross value as at 1 January 2005	**8,345**
Transfer from fixed assets under construction	581
Disposal	—
Gross value as at 31 December 2005	**8,926**
Gross value as at 1 January 2006	**8,926**
Transfer from fixed assets under construction	11,487
Disposal	—
Gross value as at 31 December 2006	**20,413**
Gross value as at 1 January 2007	**20,413**
Transfer from fixed assets under construction	8,225
Disposal	—
Gross value as at 31 December 2007	**28,638**
Accumulated amortization	
Accumulated amortization as at 1 January 2005	—
Amortization for the period	1,417
Accumulated amortization as at 31 December 2005	**1,417**
Accumulated amortization as at 1 January 2006	1,417
Amortization for the period	2,022
Accumulated amortization as at 31 December 2006	**3,439**
Accumulated amortization as at 1 January 2007	3,439
Amortization for the period	3,453
Accumulated amortization as at 31 December 2007	**6,892**
Net value of intangible assets	
As at 1 January 2005	8,345
As at 31 December 2005	**7,509**
As at 1 January 2006	7,509
As at 31 December 2006	**16,974**
As at 1 January 2007	16,974
As at 31 December 2007	**21,746**

Intangible assets are not subject to pledge of debts contracted by the Company.

(PLN thousand)

3. Investment properties

	31.12.2007	31.12.2006	31.12.2005
Gross value at the beginning of the period			
Acquisition	4,813	5,038	5,038
Transfer from/to fixed assets	26	(225)	—
Gross value at the end of the period	**4,839**	**4,813**	**5,038**
Depreciation at the beginning of the period	341	176	—
Depreciation for the period	166	165	176
Depreciation at the end of the period	**507**	**341**	**176**
Net value at the beginning of the period	**4,472**	**4,862**	**5,038**
Net value at the end of the period	**4,332**	**4,472**	**4,862**

Investment properties consist mainly of warehouses and office space.

The Company does not determine the fair value of investment properties as at particular balance sheet dates. Investment properties are not subject to pledges for debts contracted by the Company.

4. Financial assets

	31.12.2007	31.12.2006	31.12.2005
Other financial assets (long-term)			
Equity instruments available for sale	6,344	6,968	6,968
	6,344	**6,968**	**6,968**
Financial investments (short-term)			
Debt securities held to maturity	49,323	115,669	82,361
Other financial assets held to maturity	—	237,059	286,019
	49,323	**352,728**	**368,380**

5. Trade and other receivables

	31.12.2007	31.12.2006	31.12.2005
Trade receivables	133,245	175,567	174,288
Tax receivables	—	—	6,112
Other short-term receivables	67	48	75
Receivables subject to court proceedings	61	—	1,231
Prepayments	994	1,159	1,182
	134,367	**176,774**	**182,888**

Trade receivables are presented at net of allowance.

Receivables pledged as a collateral are presented in Note 6.

Allowance for trade and other receivables

	31.12.2007	31.12.2006	31.12.2005
Allowance for receivables at the beginning of the period	30,176	15,346	23,265
Increase in allowance for receivables	3,641	26,435	6,489
Utislisation of allowance during the year	(1,676)	(11,603)	—
Reversal of allowance during the year	(10,536)	(2)	(14,408)
Allowance for receivables at the end of the period	**21,605**	**30,176**	**15,346**

Prepayments

	31.12.2007	31.12.2006	31.12.2005
Assets' insurance	782	770	1,004
Subscription of newspapers and magazines	212	389	178
	994	**1,159**	**1,182**

6. Limitations in disposal and collaterals established on the Company's assets

Balance as at 31.12.2007

Title of the collateral	Type of the collateral	Entity to which collateral title is settled	Borrowings as at 31.12.2007 (PLN thousand)	Collateral period
Long-term credit	Registered pledge on fixed assets (PLN 48,000 thousand)	BOŚ S.A.	856	15.06.2008
Long-term loan	Transfer assignment of receivables (PLN 27,907 thousand)	NFOŚiGW	27,907	30.06.2011
Long-term credit	As a security for the agreement on granting a guarantee for the State Treasury: registered pledge on fixed assets in the amount of PLN 144,065 thousand	Nordic Bank	94,486	26.11.2014
Long-term credit	Registered pledge on fixed assets in the amount of PLN 244,315 thousand + assignment of receivables up to the amount of the liability	PKO BP	91,021	31.12.2012
Total:			**214,270**	

Total value of collaterals:	**649,794**
mortgage	—
deposit	436,380
assignment	118,928
bill of exchange	94,486

Balance as at 31.12.2006

Title of the collateral	Type of the collateral	Entity to which collateral title is settled	Borrowings as at 31.12.2006 (PLN thousand)	Collateral period
Syndicated loan	Mortgage on real estates in Świerże Górne in the amount of PLN 417,000 thousand + assignment of receivables up to the amount of the liability.	PBK S.A. syndicate	214,367	24.12.2006
Credit	Registered pledge on fixed assets in the amount of PLN 52,290 thousand	BOŚ S.A.	7,956	15.06.2008
Loan	Transfer assignment of receivables (PLN 35,907 thousand)	NFOŚiGW	35,907	30.06.2007
Credit	As a security for the agreement on granting a guarantee for the State Treasury: registered pledge on fixed assets in the amount of PLN 172,995 thousand	Nordic Bank	116,748	26.11.2014
Credit	Registered pledge on fixed assets in the amount of PLN 264,687 thousand + assignment of receivables up to the amount of the liability	PKO BP	109,225	31.12.2012
Total:			**484,203**	

Total value of collaterals:	**1,383,219**
mortgage	417,000
deposit	489,972
assignment	359,499
bill of exchange	116,748

Balance as at 31.12.2005

Title of the collateral	Type of the collateral	Entity to which collateral title is settled	Borrowings as at 31.12.2005 (PLN thousand)	Collateral period
Syndicated loan	Mortgage on real estates in Świerże Górne in the amount of PLN 417,000 thousand + assignment of receivables up to the amount of the liability.	PBK S.A. syndicate	250,765	24.12.2006
Credit	Registered pledge on fixed assests in the amount of PLN 56,522 thousand	BOŚ S.A.	15,056	15.06.2008
Loan	Transfer assignment of receivables (PLN 43,907 thousand)	NFOŚiGW	43,907	30.06.2011
Loan	Registered pledge on fixed assets in the amount of PLN 62,715 thousand	NFOŚiGW	5,052	20.12.2006
Credit	Bill of exchange (PLN 118,564 thousand)	Nordic Bank	118,925	26.11.2014
Credit	Registered pledge on fixed assets in the amount of PLN 285,058 thousand + assignment of receivables up to the amount of the liability	PKO BP	127,430	
Total:			**561,135**	

Total value of collaterals:	**1,367,013**
mortgage	417,000
deposit	404,295
assignment	422,102
bill of exchange	123,616

7. Inventories

	31.12.2007	31.12.2006	31.12.2005
Raw materials	96,399	126,982	106,286
Merchandise	1,155	—	—
Total inventories (net)	**97,554**	**126,982**	**106,286**

Inventories' allowance

	31.12.2007	31.12.2006	31.12.2005
Inventories' allowance at the beginning of the period	3,591	367	479
Allowance raised during the year	—	3,224	350
Allowances reversed during the year	(235)	—	(462)
Inventories' allowance at the end of the period	**3,356**	**3,591**	**367**

Inventories are not subject to pledges for debts contracted by the Company.

8. Cash and cash equivalents

	31.12.2007	31.12.2006	31.12.2005
Cash on hand	28	60	51
Cash in bank	19,574	16,812	37,170
Short-term bank deposits	391,416	148,413	139,016
	411,018	**165,285**	**176,237**

Cash and cash equivalents pledged as securities are presented in Note 6.

9. Equity

	Series of shares	Number of shares (thousand)	Nominal value per share	Share capital	Share capital adjusted by the hyperinflation effect
31.12.2007	Series "A"	45,000	10	450,000	468,241
31.12.2006	Series "A"	45,000	10	450,000	468,241
31.12.2005	Series "A"	45,000	10	450,000	468,241

(PLN thousand)

	31.12.2007	31.12.2006	31.12.2005
Share capital	450,000	450,000	450,000
Hyperinflation adjustment	18,241	18,241	18,241
Total share capital	**468,241**	**468,241**	**468,241**
Share based payments	514,920	514,920	514,920
Retained profit	1,460,726	1,461,685	1,460,657
Total equity	**2,443,887**	**2,444,846**	**2,443,818**

As a result of the agreement dated 10 October 2007, 100% of the Company's shares were contributed by the State Treasury in order to cover the increase in share capital of ENEA S.A., which as at the day 31 December 2007 was the sole shareholder of the Elektrownia "Kozienice" holding 45,000,000 shares i.e. 100% of share capital. As a result, as at 31 December 2007, ENEA S.A. exercised all duties and rights of the General Shareholders Meeting.

The sole shareholder of the Company as at 31 December 2005 and 31 December 2006 was the State Treasury.

There are some restrictions in the appropriation of retained earnings. These restrictions concern the dividend payments and result from mandatory provisions of law, i.e. Art. 347 and Art. 348 of the Commercial Code, as well as from the Company's statues. The amount of the retained earnings to be paid to shareholders should not exceed the net profit for the last financial year increased by retained earnings from prior periods and the amount brought forward from reserve capital created from the net profit, which can be distributed as dividend and decreased by inappropriate losses, own shares and amounts that according to the law or Company's statue should be transferred from the net profit for the last financial year to reserve capital or other capital reserves

10. Trade and other payables

	31.12.2007	31.12.2006	31.12.2005
Trade payables	142,571	123,130	110,961
Tax and social security payables	82,661	86,061	99,808
Other payables	7,797	27,379	7,583
Special funds	7,400	7,400	7,400
Accured liabilities due to PKP Cargo	—	10,096	26,224
	240,429	**254,066**	**251,976**

(PLN thousand)

11. Borrowings and other sources of external financing

This note presents information on borrowings and other debt instruments. Information regarding the exchange rate risk and interest rate risk, which the Company is exposed to are presented in the sensitivity analysis in Note 13.

Pledges on the Company's assets in relation to borrowings received are described in Note 6.

	31.12.2007	31.12.2006	31.12.2005
Long-term liabilities			
Secured borrowings	173,295	409,073	486,020
	173,295	**409,073**	**486,020**
Short-term liabilities			
Short-term secured borrowings	40,489	74,631	74,754
Unsecured borrowings	486	499	361
	40,975	**75,130**	**75,115**

Borrowings repayment schedule

31.12.2005	Total	>1 year	1-2 years	2-5 years	> 5 years
Borrowings	(561,135)	(75,115)	(104,562)	(204,318)	(177,140)
	(561,135)	**(75,115)**	**(104,562)**	**(204,318)**	**(177,140)**

31.12.2006	Total	>1 year	1-2 years	2-5 years	> 5 years
Borrowings	(484,203)	(75,130)	(82,919)	(183,970)	(142,184)
	(484,203)	**(75,130)**	**(82,919)**	**(183,970)**	**(142,184)**

31.12.2007	Total	>1 year	1-2 years	2-5 years	> 5 years
Borrowings	(214,270)	(40,975)	(39,633)	(106,805)	(26,857)
	(214,270)	**(40,975)**	**(39,633)**	**(106,805)**	**(26,857)**

12. Accounting for governments grants and fixed assets received free of charge

	31.12.2007	31.12.2006	31.12.2005
Deferred income due to government grants incl.	7,957	—	—
non-current	7,178	—	—
current	779	—	—
	7,957	**—**	**—**

(PLN thousand)

Government grants

In 2007 the Company has received 2 grants from the Ekofundusz in the amount of PLN 4,497 thousand and PLN 3,985 thousand. These grants were utilized for biomass co-combustion installations in 200 MW power units and the modernization of the power unit No. 2. Received grants are presented as deferred income and are recognized as in other operating income over the amortization period of related fixed assets (i.e. 20 and 10 years respectively).

13. Financial instruments

The Company is exposed to the following categories of risk from its use of financial instruments:

- credit risk,
- liquidity risk,
- market risk,
- currency risk,
- interest rate risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements. The Board of Directors of Elektrownia "Kozienice" S.A. has an overall responsibility for the establishment and oversight of the Company's risk management framework.

Risk management is a continuous process, which is not fully formalized. Elektrowania "Kozienice" S.A. analyzes all the risks from the point of view of the impact of the external environment and changes in its structure and scope of activity. Taking these into consideration the Company undertakes steps aiming at risk reduction of the risk. In order to do so, the Company raises the level of awareness among employees regarding the possibility of risks occurrence and their influence on the activity of an organizational unit.

Credit risk

Credit risk is the risk of financial losses to which the Company is exposed, if customer counterparty to a financial instrument fails to meet its contractual obligations.

The Board of Directors applies a credit policy according to which the exposure to credit risk is systematically monitored. The assessment of the financial credibility is performed in relation to all clients, who require a credit limit over a certain amount. The Company does not require any securities from clients in relation to financial assets.

The table below presents the maximum exposure of Elektrownia "Kozienice" S.A. to credit risk.

	31.12.2007	31.12.2006	31.12.2005
	Carrying amount	Carrying amount	Carrying amount
Long-term financial assets available for sale (shares and stock in interest in non-affiliated entities)	6,344	6,968	6,968
Debt securities held to maturity	49,323	115,669	82,361
Other financial assets held to maturity	—	237,059	286,019
Trade and other receivables	134,367	176,774	182,888
Cash and cash equivalents	411,018	165,285	176,237
Total	**601,052**	**701,755**	**734,473**

(PLN thousand)

The Company' financial investments include:

- short-term investments—mainly bank deposits and short-term securities,
- long-term investments—shares and interest in external entities. These entities are subject to the Company's continuous corporate governance. The main target is to increase the value of investments and to minimize the related risks.

Liquidity risk

The liquidity risk arises when Elektrownia "Kozienice" S.A. is not able to meet its financial obligations as they come due. The Company's approach to managing the liquidity is to ensure that it will have sufficient funds necessary to settle its financial and investment liabilities while taking advantage of the most attractive financing sources.

Liquidity management is concentrated on the detailed analysis of the receivables collection scheme, the systematical bank accounts monitoring as well as the systematical concentration of cash. The Company undertakes actions in order to shorten the receivables collection period and attempts to extend the settlement periods for its liabilities. Financial surpluses resulting from these actions are interests on short-term financial assets in the form of bank deposits. Consistent risk management in the aforementioned areas and the market and financial position of the Company's allows to ensure that the risk of insufficient liquidity remains at the minimum level.

13. Financial instruments

The following tables present the Company's financial assets and liabilities as they come due:

	as at 31 December 2007						
	Carrying amount	Undiscounted contractual cash flows	up to 6 months	6-12 months	1-2 years	2-5 years	more than 5 years
Trade and other receivables	240,429	(240,429)	(240,429)	—	—	—	—
Borrowings	214,271	(250,547)	(27,071)	(25,211)	(48,705)	(120,962)	(28,598)
Cash and cash equivalents	(411,018)	411,018	411,018	—	—	—	—
Trade and other payables	(134,367)	134,367	134,367	—	—	—	—
Total	**(90,685)**	**54,409**	**277,885**	**(25,211)**	**(48,705)**	**(120,962)**	**(28,598)**

	as at 31 December 2006						
	Carrying amount	Undiscounted contractual cash flows	up to 6 months	6-12 months	1-2 years	2-5 years	more than 5 years
Trade and other receivables	254,066	(254,066)	(254,066)	—	—	—	—
Borrowings	484,203	(544,987)	(49,984)	(49,983)	(94,202)	(204,450)	(146,368)
Cash and cash equivalents	(165,285)	165,285	165,285	—	—	—	—
Trade and other payables	(176,774)	176,774	176,774	—	—	—	—
Total	**396,210**	**(456,994)**	**38,009**	**(49,983)**	**(94,202)**	**(204,450)**	**(146,368)**

(PLN thousand)

	as at 31 December 2005						
	Carrying amount	Undiscounted contractual cash flows	up to 6 months	6-12 months	1-2 years	2-5 years	more than 5 years
Trade and other receivables	251,976	(251,976)	(251,976)	—	—	—	—
Borrowings	561,135	(641,833)	(50,807)	(50,070)	(129,520)	(227,350)	(184,086)
Cash and cash equivalents	(176,237)	176,237	176,237	—	—	—	—
Trade and other payables	(182,888)	182,888	182,888	—	—	—	—
Total	**453,986**	**(534,684)**	**56,342**	**(50,070)**	**(129,520)**	**(227,350)**	**(184,086)**

Market risk

Market risk arises from changes in supply and demand, price changes as well as other factors which may influence the Company's results or the value of the Company's assets (for example exchange rates, interest rates, cost of capital). The purpose of the market risk management is to maintain the risk exposure within acceptable level while optimizing the return on risk.

Currency risk

Tables below present the maximum exposure of Elektrownia "Kozienice" S.A. to price risk:

	as at 31 December 2007	
	Carrying amount	incl. amount in foreign currency expressed in functional currency (PLN)
Secured bank loans with variable interest rate	(214,270)	(94,486)

	as at 31 December 2006	
	Carrying amount	incl. amount in foreign currency expressed in functional currency (PLN)
Secured bank loans with variable interest rate	(484,203)	(116,747)

	as at 31 December 2005	
	Carrying amount	incl. amount in foreign currency expressed in functional currency (PLN)
Secured bank loans with variable interest rate	(561,135)	(118,925)

Interest rate risk

The interest rate risk relates to interest on borrowings and cash deposits. The interest rate is variable, because it is calculated on the basis of the WIBOR. The magnitude of interest risk is relatively low, because changes in interest rates of interest-bearing borrowings and assets are synchronized both in timing and percentage. Elektrownia "Kozienice" S.A. controls the interest rate risk by choosing the most convenient credit period *inter alia* depending on the level of the WIBOR as well as the ability to settle its debts. It is impossible to avoid a part of the risks which are related to changes in macroeconomic trends.

(PLN thousand)

The table below presents the profile of the Company’s exposition to interest rate changes by the illustration of financial assets and liabilities, which are exposed to interest rate changes:

	31.12.2007	31.12.2006	31.12.2005
Fixed interest rate instruments			
Financial assets	457,476	529,502	566,398
Financial liabilities	(240,429)	(254,066)	(251,976)
Total	**217,047**	**275,436**	**314,422**
Variable interest rate instruments			
Financial assets	137,232	165,285	161,108
Financial liabilities	(214,270)	(484,203)	(561,135)
Total	**(77,038)**	**(318,918)**	**(400,027)**
All toghether	**140,009**	**(43,482)**	**(85,605)**

Effective interest rates

Effective interest rates of interest-bearing assets and liabilities are presented in the tables below:

	as at 31 December 2007	
	Effective interest rate	Carrying amount
Cash and cash equivalents	5.51%	411,018
Debt securities held to maturity	6.08%	49,323
Borrowings	5.50%	(214,270)
Total		**246,071**

	as at 31 December 2006	
	Effective interest rate	Carrying amount
Cash and cash equivalents	4.45%	165,285
Other financial assets held to maturity	3.97%	237,059
Debt securities held to maturity	4.23%	115,669
Borrowings	5.00%	(484,203)
Total		**33,810**

(PLN thousand)

	as at 31 December 2005	
	Effective interest rate	Carrying amount
Cash and cash equivalents	4.40%	176,237
Other financial assets held to maturity	4.40%	286,019
Debt securities held to maturity	4.30%	82,361
Borrowings	5.01%	(561,135)
Total		**(16,518)**

The effective interest rate presented in the tables above is a weighted average interest rate.

Sensitivity analysis

The main goal of the interest rate risk management is to reduce the impact of short-term fluctuations on the Company's profit. However, changes in currency exchange rates and interest rates in the long term will have an impact on the Company's profit.

As at 31 December 2007 it is estimated, that the general change in interest rates by 1 percentage point would change the Company's profit before tax by approximately PLN 2,143 thousand (2006: PLN 4,842 thousand, 2005: PLN 5,611 thousand). The Company estimates, that as at 31 December 2007 the exchange rate change by PLN 0.01 would change the Company's profit before tax by approximately PLN 945 thousand (2006: PLN 1,167 thousand, 2005: PLN 1,189 thousand).

Fair values

The table below presents the comparison of fair values with carrying amounts.

	31.12.2007		31.12.2006		31.12.2005	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Equity instruments available-for-sale	6,344	*	6,968	*	6,968	*
Other financial assets held to maturity	—	—	237,059	237,059	286,019	286,019
Debt securities held to maturity	49,323	49,323	115,669	115,669	82,361	82,361
Trade and other payables	134,367	134,367	176,774	176,774	182,888	182,888
Cash and cash equivalents	411,018	411,018	165,285	165,285	176,237	176,237
Borrowings	214,270	215,606	484,203	485,153	561,135	562,035
Trade and other receivables	240,429	240,429	254,066	254,066	251,976	251,976

* The Company holds shares and interests in other entities, which are not quoted in an active market. These assets are valued at acquisition cost less impairment. The Company does not calculate the fair value of these capital instruments.

Estimation of fair values

The following summarizes the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

(PLN thousand)

Securities

Fair value is based on quoted market prices at the balance sheet date without any deduction for transaction costs.

Interest-bearing loans and borrowings

Fair value of interest-bearing loans and borrowings is calculated based on discounted expected future principal and interest cash flows.

Trade and other receivables/payables

For receivables/payables with maturity dates of less than one year, the notional amount is deemed to reflect the fair value. Receivables/payables with the longer maturity dates are discounted to determine the fair value.

14. Deferred income tax

Deferred tax assets and liabilities are offset, if there is a legally enforceable right to set-off current tax liabilities and assets and deferred tax relates to the income tax levied by the same tax authority. Amounts after the set off are presented as follows in the financial statements:

	31.12.2007	31.12.2006	31.12.2005
Deferred tax assets			
-deferred income tax asset to be falling due after more than 12 months	18,317	14,499	12,004
-deferred income tax asset to be falling due within 12 months	9,869	29,699	28,141
	28,186	**44,198**	**40,145**
Set off of deferred tax assets and liabilities	(28,186)	(44,198)	(40,145)
Deferred income tax assets in the balance sheet	—	—	—
Deferred tax liabilities			
– deferred income tax liability to be falling due after more than 12 months	323,922	330,329	335,925
– deferred income tax liability to be falling due within 12 months	1,457	27,449	27,210
	325,379	**357,778**	**363,135**
Set off of deferred tax assets and liabilities	(28,186)	(44,198)	(40,145)
Deferred tax liabilities in the balance sheet	**297,193**	**313,580**	**322,990**

(PLN thousand)

Changes in deferred tax assets during the year (before the set off):

	Provision for sales costs of energy	Provision for employee benefits	Electricity allowance	Provision for waste storage and land restoration	Other	Total
As at 1 January 2005 19% tax rate	**17,397**	**12,348**	**—**	**1,467**	**4,279**	**35,491**
Credited/debited to the income statement due to changes in temporary differences and tax losses	1,959	(1,000)	—	316	3,378	**4,653**
As at 31 December 2005 19% tax rate	**19,356**	**11,348**	**—**	**1,783**	**7,657**	**40,144**
Credited/debited to the income statement due to changes in temporary differences and tax losses	1,089	888	1,691	295	91	**4,054**
As at 31 December 2006 19% tax rate	**20,445**	**12,236**	**1,691**	**2,078**	**7,748**	**44,198**
Credited/debited to the income statement due to changes in temporary differences and tax losses	(20,445)	2,851	1,164	75	343	**(16,012)**
As at 31 December 2007 19% tax rate	**—**	**15,087**	**2,855**	**2,153**	**8,091**	**28,186**

Changes in deferred tax liabilities during the year (before the set off):

	Statistical revenue from electricity sales	Fixed assets valuation differences	Other	Total
As at 1 January 2005 19% tax rate	**24,610**	**337,799**	**4,523**	**366,932**
Credited/debited to the income statement due to changes in temporary differences and tax losses	1,957	(6,032)	278	**(3,797)**
As at 31 December 2005 19% tax rate	**26,567**	**331,767**	**4,801**	**363,135**
Credited/debited to the income statement due to changes in temporary differences and tax losses	607	(7,910)	1,946	**(5,357)**
As at 31 December 2006 19% tax rate	**27,174**	**323,857**	**6,747**	**357,778**
Credited/debited to the income statement due to changes in temporary differences and tax losses	(27,174)	(9,464)	4,239	**(32,399)**
As at 31 December 2007 19% tax rate	**—**	**314,393**	**10,986**	**325,379**

(PLN thousand)

15. Retirement benefits obligations and other employee benefits

	31.12.2007	31.12.2006	31.12.2005
Retirement severance payments			
non-current	23,338	18,685	16,665
current	1,700	1,193	1,274
Jubilee payments			
non-current	46,418	37,929	35,023
current	4,826	3,706	4,043
Electricity allowance for pensioners			
non-current	13,816	7,891	—
current	1,211	1,008	—
Payment for the Social Fund for pensioners			
non-current	3,023	2,791	2,630
current	104	99	94
Payroll and other employee benefits			
current	22,211	21,356	22,924
	116,647	**94,658**	**82,653**
Employee benefits and similar liabilities			
non-current	86,595	67,296	54,318
current	30,052	27,362	28,335
Total	**116,647**	**94,658**	**82,653**

	Retirement severance payments	Jubilee awards	Electricity allowance for pensioners	Payment for the Social Fund for pensioners	Total
As at 1 January 2005	18,215	41,008	—	2,633	61,856
Increases	559	—	—	91	650
Utilized	(835)	—	—	—	(835)
Reversals	—	(1,942)	—	—	(1,942)
As at 1 January 2006	**17,939**	**39,066**	**—**	**2,724**	**59,729**
Increases	3,248	6,562	9,877	166	19,853
Utilized	(1,309)	(3,993)	(978)	—	(6,280)
Reversals	—	—	—	—	—
As at 1 January 2007	**19,878**	**41,635**	**8,899**	**2,890**	**73,302**
Increases	5,160	9,609	7,237	237	22,243
Utilized	—	—	(1,109)	—	(1,109)
Reversals	—	—	—	—	—
As at 31 December 2007	**25,038**	**51,244**	**15,027**	**3,127**	**94,436**
non-current	23,338	46,418	13,816	3,023	86,595
current	1,700	4,826	1,211	104	7,841
	25,038	**51,244**	**15,027**	**3,127**	**94,436**

(PLN thousand)

Basic actuarial estimates as at the balance sheet date (weighted average):

	31.12.2007	31.12.2006	31.12.2005
Discount rate	5.5%	5.0%	5.5%
Future increase in remunerations	6.0%	3.4%	3.5%

16. Provision for liabilities and other charges

	Provision for costs of storage or disposal of the slag-ash mixture	Provision for land restoration	Total
As at 1 January 2005	1,513	6,208	7,721
Increases	—	1,682	1,682
Utilized	—	—	—
Reversals	(18)	—	(18)
non-current	970	7,890	8,860
current	525	—	525
As at 1 January 2006	**1,495**	**7,890**	**9,385**
Increases	861	691	1,552
Utilized	—	—	—
Reversals	—	—	—
non-current	1,528	8,581	10,109
current	828	—	828
As at 1 January 2007	**2,356**	**8,581**	**10,937**
Increases	100	734	834
Utilized	—	—	—
Reversals	—	(438)	(438)
non-current	1,510	8,877	10,387
current	946	—	946
As at 31 December 2007	**2,456**	**8,877**	**11,333**

Provision for the storage yard restoration

The Company is obliged to restore the land after the storage yard for slag and ash either reaches its capacity or is closed. Due to the fact, that the Company has large and unused storage yards, the expected land restoration will take place in 2060. Future estimated costs of land restoration have been discounted to their present value as at 31 December 2007, as at 31 December 2006 and as at 31 December 2005 using the 5.5% discount rate.

Provision for the costs of storage or disposal of the slag-ash mixture

There are two kinds of waste obtained as a result of the burning process of coal: ash and slag-ash mixture. Due to the fact, that the Company incurs costs for the disposal of the mixture, it raises a necessary provision. Future estimated costs of storage or disposal of the slag-ash mixture have been discounted to their present value as at 31 December 2007, as at 31 December 2006 and as at 31 December 2005 using the 5.5% discount rate.

(PLN thousand)

17. Sales revenues

	31.12.2007	31.12.2006	31.12.2005
Revenues from sales of electricity	1,817,733	1,829,322	1,789,988
Revenues from sales of heat	7,451	6,346	5,293
Revenues from sales of merchandise	63,579	238,441	56,084
Revenues from services	4,024	4,254	4,179
Revenues from sales incl. excise tax	**1,892,787**	**2,078,363**	**1,855,544**
Excise tax	(229,718)	(246,765)	(225,332)
Net sales revenues	**1,663,069**	**1,831,598**	**1,630,212**

18. Costs by type

	31.12.2007	31.12.2006	31.12.2005
Amortization and depreciation	(224,485)	(212,555)	(214,759)
Employee benefits	(202,264)	(184,502)	(164,439)
– *payroll*	*(149,997)*	*(132,660)*	*(121,952)*
– *social security and other benefits*	*(52,267)*	*(51,842)*	*(42,487)*
Raw materials and consumables used	(1,010,470)	(989,067)	(959,869)
Cost of merchandise and raw materials sold	(49,106)	(234,460)	(55,022)
– *including electricity purchased for resale*	*(48,521)*	*(233,552)*	*(53,823)*
External services	(98,702)	(118,775)	(141,636)
– *transmission services*	*(3,264)*	*(2,699)*	*(3,691)*
– *transportation services*	*(76,464)*	*(95,699)*	*(124,396)*
– *other external services*	*(18,974)*	*(20,375)*	*(13,549)*
Taxes and fees	(61,600)	(72,435)	(64,889)
Total costs of sold products, merchandises, raw materials, selling, marketing and administrative expenses	**(1,646,627)**	**(1,811,792)**	**(1,600,614)**

19. Employee benefits expenses

	31.12.2007	31.12.2006	31.12.2005
Wages and salaries including:	(149,997)	(132,660)	(121,952)
– current remunerations	*(135,228)*	*(122,850)*	*(123,335)*
– jubilee awards	*(9,609)*	*(6,562)*	*1,942*
– retirement servance payments	*(5,160)*	*(3,248)*	*(559)*
Social security costs	(30,567)	(29,032)	(28,571)
Contributions for Employee Pension Plans	(8,478)	(8,109)	(7,942)
Vouchers and other forms of remuneration	(2,853)	(2,901)	(2,803)
Other employee benefits	(10,369)	(11,800)	(3,171)
	(202,264)	**(184,502)**	**(164,439)**

By virtue of the social agreement dated 10 August 2007 between Elektrownia "Kozienice" S.A. and trade unions, employees employed as at the date the agreement coming into force were granted an extended period of 11 years of employment guarantee, which expires at 30 January 2019.

(PLN thousand)

20. Other operating revenues and costs

Other operating revenues

	31.12.2007	31.12.2006	31.12.2005
Stock take surplus	1,245	37,302	18,242
Receivables arising from advertising, penalties and compensa	—	24,670	6,132
Reversal of unused allowances	10,223	2	6,545
Compensations received	644	1,061	1,975
Reimbursement of costs of court cases	310	478	203
Other	8,566	437	748
	20,988	**63,950**	**33,845**

Other operating costs

	31.12.2007	31.12.2006	31.12.2005
Provisions	1,450	6,207	4,622
Allowances for raised trade receivables	1,906	24,922	1,618
Loss on sales/liquidation of fixed assets	2,368	968	2,121
Costs of social activities	1,071	1,117	1,318
Costs of court proceedings	118	1,355	681
Costs of damage removals	2,875	1,143	287
Amortization of the perpetual usufruct right	—	3,225	—
Other	5,361	951	5,683
	15,149	**39,888**	**16,330**

21. Finance revenue

	31.12.2007	31.12.2006	31.12.2005
Default interest	2,635	1,612	9,783
Interest on bank deposits	15,387	18,876	21,609
Other interest	11,594	3,148	6,978
Dividends and shares in profits	1,212	1,056	1,787
Other	13,485	2,367	10,077
Financial revenue	**44,313**	**27,059**	**50,234**

22. Finance costs

	31.12.2007	31.12.2006	31.12.2005
Interest expense	(25,156)	(31,279)	(41,754)
Other	(1,729)	(1,264)	(3,819)
Total financial expenses	**(26,885)**	**(32,543)**	**(45,573)**

(PLN thousand)

23. Income tax

The income tax presented in the income statement

	Note	31.12.2007	31.12.2006	31.12.2005
Current tax		(22,686)	(11,471)	(19,960)
Deferred tax	*14*	16,386	9,410	8,451
Adjustments to the income tax for 2003 and 2004		—	(5,727)	—
Income tax in the income statement		**(6,300)**	**(7,788)**	**(11,509)**
Profit before tax		37,342	37,415	49,653
Income tax at the 19% rate		(7,095)	(7,109)	(9,434)
Non-taxable income (permanent differences × 19%)		3,757	12,385	1,468
Nondeductible costs (permanent differences × 19%)		(2,962)	(7,337)	(3,543)
Adjustments to the income tax for 2003 and 2004		—	(5,727)	—
Income tax charge		**(6,300)**	**(7,788)**	**(11,509)**

24. Dividends

On 27 June 2007, the Ordinary Shareholders Meeting of Elektrownia "Kozienice" S.A. adopted Resolution No. 2 on the distribution of the net profit for the reporting period from 1 January 2006 till 31 December 2006. According to the above-mentioned resolution, dividends paid to the State Treasury amounted to PLN 14,230 thousand.

On 30 June 2006, the Ordinary Shareholders Meeting of Elektrownia "Kozienice" S.A. adopted a resolution on the distribution of the net profit for the reporting period from 1 January 2005 till 31 December 2005. According to the above-mentioned resolution, dividends paid to the State Treasury amounted to PLN 16,950 thousand.

At the same time, the Company on basis of the "Act on obligatory payments made by Sole Proprietorships of the State Treasury dated 1 December 1995" the Company performs quarterly obligatory 15% profit share payments (profit in this case is defined as gross profit, stated in accordance with the Accounting Act dated 29 September 1994, less current tax). Since the last day of a month in which the Company's shares were brought by the State Treasury in ENEA S.A. as a contribution in kind, the Company is not subject to the above mentioned obligatory payments. The Company calculated and shown in the financial statement for the year ended 31 December 2007 obligatory profit share payments for the period till November, that is the month in which the Company's ownership transfer was registered in National Court Register (21 November 2007). The amount of the obligatory profit share liability was estimated due to the fact that till the date of the approval of these financial statements the Company has not prepared the statutory financial statement for the year 2007 in accordance with the Accounting Act dated 29 September 1994.

25. Transactions between related entities

- Transactions concluded between the Company and Members of the Company's Executive Bodies are classified in 3 categories:
  - resulting from employment contracts with members of the Board of Directors of the entity as well as concerning the appointment as Members of the Supervisory Board,
  - concerning loans granted from the Company's Social Fund to members of the Board of Directors as well as members of the Supervisory Board,

(PLN thousand)

- resulting from other civil contracts.

Elektrownia "Kozienice" S.A. as a related entity of the State Treasury (till 10 October 2007) conducted transactions with other related entities of the State Treasury.

The remuneration of key management representatives was as follows:

	31.12.2007	31.12.2006	31.12.2005
Board of Directors	555	903	885
Supervisory Board	246	310	306
	801	**1,213**	**1,191**

Transactions and settlements with ENEA S.A. (parent company since 10 October 2007).

Transactions

	31.12.2007	31.12.2006	31.12.2005
Sales	482,754	459,115	421,648
Purchases	(755)	(11)	(78)
	481,999	**459,104**	**421,570**

Balance as at

	31.12.2007	31.12.2006	31.12.2005
Receivables	41,752	37,554	44,162
Liabilities	(166)	—	—
	41,586	**37,554**	**44,162**

26. License agreements on performing of public services

The Company's main economic activity i.e. the generation of electrical energy and heat is based on the licenses granted by the President of the Energy Regulatory Office.

Licenses to generate the electrical energy:

- No. WEE/1271/U/OT-4/98/JG dated 12 October 1998, with further amendments, on generation of the electrical energy

(The license is effective from 12 October 1998 for the period till 30 October 2008)

- No. WEE/11-ZTO/1271/W/OWA/2007/RW dated 31 August 2007 on generation of the electrical energy in the units of the total installed capacity of 2820 MW.

(The license is effective from 31 August 2007, for the period till 31 December 2025)

License to trade the electrical energy:

- No. OEE/334/1271/W/1/2002/MW dated 21 December 2002 on trading of the electrical energy for the use of consumers within the territory of the Republic of Poland.

(The license is effective from 1 January 2003, for the period till 1 January 2013)

(PLN thousand)

License to generate the heat:

- No. WCC/256/1271/U/OT-4/98/JG dated 12 October 1998 on heat co-generated with the electrical energy, produced from hard coal burning.

(The license is effective from 12 October 1998, for the period till 30 October 2008)

- No. WCC/256-ZTO/1271/W/OWA/2007/RW dated 31 August 2007 on heat co-generated in the power plant located at Świerże Górne, of a total thermal capacity of 266 MW. (since 31.08.2007)

(The license is effective from 31 August 2007, for the period till 31 December 2025)

License to transmission of the heat:

- No. PCC/269/1271/U/OT-4/98 dated 12 October 1998 on the transmission and distribution of heat co-generated with electrical energy of a total thermal power of 105 MWt, with the use of two networks: water and steam networks.

(The license is effective from 12 October 1998, for the period till 30 October 2008)

- No. PCC/269-ZTO/1271/W/OWA/2007/RW dated 31 August 2007 on the transmission and distribution of heat generated in own sources, with the use of two heat distribution networks located at Świerże Górne.

(The license is effective from 31 August 2007, for the period till 31 December 2025)

The Company has up-to-date fulfilled its obligations imposed by the provisions stipulated by the licenses. The report on the fulfillment of the license provisions was presented to the President of the Energy Regulatory Office in due time, and all required stamp duties were paid.

27. Operating lease

Future operating lease commitments where the Company acts as the lessee (perpetual usufruct right).

	31.12.2007	31.12.2006	31.12.2005
< 1 year	564	564	564
1-5 years	2,256	2,256	2,256
> 5 years	43,445	44,009	44,573
	46,265	**46,829**	**47,393**

28. Contracted commitments on the balance sheet date

Contracted commitments as at the balance sheet dates but not yet recognized are as follows:

	31.12.2007	31.12.2006	31.12.2005
No later than one year	33,043	13,288	76,234
1 to 5 years	42	—	—
	33,085	**13,288**	**76,234**

29. Comments on the seasonality and periodicity of the economic activity of Elektrownia "Kozienice" S.A.

Electricity sales during the year are subject to seasonal fluctuations. Sales increase in the winter time and decrease in the summer. It depends on the outdoor temperatures and the length of the day. The range of these fluctuations is determined by low temperatures and short days during winter and higher temperatures and longer days during summer. The seasonality of electricity consumption relates mainly to individual consumers as oppose to the industry sector.

30. Description of significant achievements and failures of Elektrownia "Kozienice" S.A. in 2005, 2006 and 2007 including most important events

The biggest achievement of Elektrownia "Kozienice" S.A. within the period under review, was the accomplishment of the investment project of the construction of the Flue Gas Desulfurization Installation II in the period of 2002-2006

Other:

– in the period of 2002-2006-modernization of the fan assisted cooling towers (in the amount of approx. 80%, other 20% in 2008),

– in the period of 2006-2007-construction of a biomass co-combustion station,

– in 2006 replacement of an electrostatic precipitator in block No.1 (200MW)-of a higher flue gas dust extraction efficiency,

– in 2007 replacement of an electrostatic precipitator in block No.2 (200MW)-of the higher flue gas dust extraction efficiency,

– a number of modernization investments.

31. Contingent liabilities

As at 31 December 2006 one of the suppliers of the Company-Kopalnia Węgla Kamiennego "Wujek"-has reserved the right to claim the outstanding amounts, which result from settlements of coal supply's surpluses in 2004-2006. As at the balance sheet date the maximum amount of the potential liability is estimated at the level of PLN 1,871 thousand. Till the day of the approval of the financial statements the case is still pending.

32. Court, arbitration and administrative proceedings

32.1 Pending common court cases

Actions brought against third parties

Proceedings initiated (in common courts) as an action of Elektrownia "Kozienice" S.A. mainly concern the collection of receivables for the delivery of electric energy (the so-called energy cases) and breaches of forwarding contracts.

Pending actions brought against third parties:

	31.12.2007	31.12.2006	31.12.2005
number of cases	13	14	7
total value of claims PLN	27,071	26,255	3,727
average value of the subject matter to litigation PLN thousand	2,082	1,875	532

As at 31 December 2007, 9 out of 13 cases of a total value amounting to PLN 15,318 thousand were pending against CTL Logistics S.A. The subject matter are receivables resulting from the breach of forwarding contracts and freight expenses due to PKP CARGO S.A. by CTL Logistics S.A., which are included in the financial statements.

As at 31 December 2007 none of the cases has been closed with a legally enforceable decision. Each time CTL Logistics S.A. objects against orders to pay issued by the Court.

As at 31 December 2007 the biggest influence on the financial result of the Company have the court proceedings against CTL Logistics S.A. None of the result of the remaining cases is significant to the financial result of the Group. All receivables due from CTL Logistics S.A. claimed in the court are included in full amounts in valuation allowance as at 31 December 2007.

Proceedings against the Company

These proceedings concern among the others such issues as: the reinstatement to work, compensation of the equivalent to the right to a free of charge acquisition of shares by employees as a result of the privatization of the Elektrownia "Kozienice" S.A.

Proceedings against the Company

	31.12.2007	31.12.2006	31.12.2005
number of cases	3	1	3
total value of claims PLN	253	33	5,322
average value of the subject matter to litigation PLN thousand	84	33	1,774

In 2005 there were more than 10 proceedings brought against the Company by PKP CARGO S.A. PKP CARGO S.A. asserted its claims for the payment of freight expenses from senders and addresses of coal consignments. Elektrownia "Kozienice" S.A. has paid all amounts due to PKP CARGO S.A. to its forwarders-CLT Logistics S.A. and LW Bogdanka. In 2006 all cases brought against the Company by PKP CARGO S.A. have been closed. Elektrownia "Kozienice" S.A. was forced to pay all adjudged amounts on behalf of PKP CARGO S.A.

32.2 Arbitration proceedings

As at 31 December 2007, 31 December 2006 and December 2007 there were no proceedings before competent arbitration bodies.

33. Commitments received from leases and tenancy agreements

	31.12.2007	31.12.2006	31.12.2005
< 1 year	93	57	75
1- 5 years	335	238	297
> 5 years	410	457	492
	838	**752**	**864**

(PLN thousand)

34. CO_2 emission rights

The balance of emission rights as at 31 December 2007 was as follows:

thousands of tons	Quantity
CO_2 emission rights for 2005	
granted	10,539
utilized	(10,244)
carried forward to the next period	**295**
CO_2 emission rights for 2006	
carried forward from the previous period	295
granted	10,539
utilized	(10,847)
purchased	260
carried forward to the next period	**247**
CO_2 emission rights for 2007	
carried forward from the previous period	247
granted	10,539
utilized	(10,547)
purchased	175
sold	(400)
	14

Revenues from the sale of surplus of CO_2 emission rights amounted to PLN 14.0 thousand in 2007. The Decree of the Council of Ministers on grants of CO_2 emission rights for the years 2008-2012 has not been issued yet.

35. Employment

The average employment in the Company in 2007, 2006 and 2005 is presented below:

	31.12.2007	31.12.2006	31.12.2005
Blue-collar workers	1,767	1,790	1,853
White-collar workes	540	545	552
	2,307	**2,335**	**2,405**

36. Restatement of the financial statements according to IFRS EU

As mentioned earlier, these are first financial statements prepared according to IFRS EU.

Accounting principles presented in Note 1 were applied while preparing the financial statements for the periods ended 31 December 2007, 31 December 2006, 31 December 2005 and the opening balance as at 1 January 2005 (date of the first- time adoption of IFRS EU).

The Company, preparing the opening balance in accordance with IFRS EU, adjusted the amounts presented in the prior financial statements prepared in accordance with the Accounting Act dated 29 September 1994.

The explanation of how the transition to IFRS EU has influenced the financial statements of the Company is presented in the tables below.

(PLN thousand)

Balance sheet as at 1 January 2005 and 31 December 2005

Assets

	1 January 2005			31 December 2005		
	Previous accounting principles	Results of the transition to IFRS EU	IFRS EU	Previous accounting principles	Results of the transition to IFRS EU	IFRS EU
Assets						
Non-current assets						
Property, plant and equipment	1,113,272	1,750,997	2,864,269	1,098,841	1,719,986	2,818,827
Intangible assets	2,213	6,132	8,345	1,014	6,495	7,509
Investment property	—	5,038	5,038	—	4,862	4,862
Other financial investments	6,955	—	6,955	6,968	—	6,968
Deferred tax assets	35,633	(35,633)	—	40,344	(40,344)	—
Total non-current assets	1,158,073	1,726,534	2,884,607	1,147,167	1,690,999	2,838,166
Current assets						
Inventories	99,209	—	99,209	106,286	—	106,286
Other short-term investments	381,394	—	381,394	368,380	—	368,380
Trade and other receivables	186,282	(4,613)	181,669	187,541	(4,653)	182,888
Cash and cash equivalents	176,525	(2,874)	173,651	178,537	(2,300)	176,237
Total current assets	843,411	(7,487)	835,924	840,744	(6,953)	833,791
Total assets	**2,001,484**	**1,719,047**	**3,720,531**	**1,987,911**	**1,684,046**	**3,671,957**

(PLN thousand)

Balance sheet as at 1 January 2005 and 31 December 2005
Liabilities

	1 January 2005			31 December 2005		
	Previous accounting principles	Results of the transition to IFRS EU	IFRS EU	Previous accounting principles	Results of the transition to IFRS EU	IFRS EU
Liabilities						
Equity						
Share capital	450,000	18,241	468,241	450,000	18,241	468,241
Share based payments reserve	—	514,920	514,920	—	514,920	514,920
Other reserve capital	485,783	(485,783)	—	522,072	(522,072)	—
Retained profit	47,729	1,393,321	1,441,050	23,993	1,436,664	1,460,657
Total equity	983,512	1,440,699	2,424,211	996,065	1,447,753	2,443,818
Liabilities						
Long-term liabilities						
Interest-bearing loans and borrowings	565,501	—	565,501	486,020	—	486,020
Employee benefits	68,842	(8,547)	60,295	96,703	(42,385)	54,318
Deferred income due to government grants	15,722	(15,722)	—	14,800	(14,800)	—
Provisions	—	7,190	7,190	—	8,860	8,860
Deferred tax	29,132	302,308	331,440	31,368	291,622	322,990
Total long-term liabilities	679,197	285,229	964,426	628,891	243,297	872,188
Short-term liabilities						
Interest-bearing loans and borrowings	75,097	—	75,097	75,115	—	75,115
Trade and other payables	229,893	3,631	233,524	259,228	(7,252)	251,976
Provisions	24,613	(24,081)	532	13,543	(13,018)	525
Employee benefits	9,172	13,569	22,741	15,069	13,266	28,335
Short-term liabilities	338,775	(6,881)	331,894	362,955	(7,004)	355,951
Total liabilities	1,017,972	278,348	1,296,320	991,846	236,293	1,228,139
Total liabilities and equity	**2,001,484**	**1,719,047**	**3,720,531**	**1,987,911**	**1,684,046**	**3,671,957**

(PLN thousand)

Income statement for the period ended 31 December 2005

	Statement according to PAS	Results of the transition to IFRS EU	IFRS EU
Sales revenuee including excise tax	1,855,544	—	1,855,544
Excise tax	—	(225,332)	(225,332)
Net sales revenues	1,855,544	(225,332)	1,630,212
Other operating income	35,020	(1,175)	33,845
Operating costs	**(1,811,682)**	**192,618**	**(1,619,064)**
Amortization and depreciation	(155,532)	(59,227)	(214,759)
Employee benefits	(167,670)	3,231	(164,439)
Materials and energy consumption	(959,592)	(277)	(959,869)
Cost od merchandise sold	(55,022)	—	(55,022)
External services	(164,934)	23,298	(141,636)
Taxes and other charges	(301,339)	236,450	(64,889)
Change in finished goods	14,550	(14,550)	—
Loss on sale and diposal of tangible fixed assets	—	(2,120)	(2,120)
Other costs by type	(8,675)	8,675	—
Other operating costs	(13,468)	(2,862)	(16,330)
Profit on operating activities	**78,882**	**(33,889)**	**44,993**
Financial income	50,234	—	50,234
Financial expenses	(45,574)	—	(45,574)
Profit before tax	**83,542**	**(33,889)**	**49,653**
Income tax	(17,485)	5,975	(11,509)
Net profit before obligatory profit distribution	**66,057**	**(27,914)**	**38,143**
Obligatory share in profit payment to the State Treasury	(9,537)	—	(9,537)
Net profit after obligatory profit distribution	**56,521**	**(27,914)**	**28,607**

The main identified and recognized by the Company differences between IFRS EU approved by the European Union and accounting principles applied within the territory of the Republic of Poland ("PAS") concerning the opening balance of the equity as at 1 January 2005 and information on the net profit for the year 2005.

Reconciliation of the net profit determined in accordance with the Accounting Act and IFRS EU.

Adjustment	Net profit for 2005
Net profit according to PAS	56,521
Adjustment of depreciation of property, plant and equipment, intangible assets and investment property valued at fair value	(31,747)
Deferred income tax on the adjustment of depreciation of property, plant and equipment, intangibleassets and investment property valued at fair value	6,032
Obligarory share in the profit payment to the State Treasury	9,537
Social Fund's share in the net profit	(2,440)
Other	241
Net profit before obligatory profit distribution according to IFRS EU	**38,144**

(PLN thousand)

Reconciliation of net assets determined in accordance with the Accounting Act and IFRS EU.

Adjustment	Net assets as at 1 January 2005	
Net assets according to PAS	983,512	
Valuation of property, plant and equipment, intangible assets and investment property at fair value	1,762,167	Property, plant and equipment balance sheet position
Deferred income tax on the valuation of property, plant and equipment, intangible assets and investment property at fair value	(337,799)	Long-term liabilities balance sheet position
Adjustment of equity for the hyperinflation effect	18,241	Equity balance sheet position
Other	(1,910)	Long-term liabilities balance sheet position
Net assets according to IFRS EU	**2,424,211**	

Social Fund's share in the net profit

The General Shareholders Meeting usually allocates part of the net profit for employee programmes i.e. for the Social Fund. These payments are recognized in statutory financial statements similarly dividend payments though the change in equity. These payments are classified in the financial statements prepared in accordance with IFRS EU as operating costs of the year when the profit was distributed.

Fair value as deemed cost

The Company as at the day of transition to the IFRS EU has assumed the fair value of property, plant and equipment, intangible assets and investment property as deemed cost. According to paragraph 19 of IFRS 1 the Company assumed the deemed cost on the basis of the valuation as at 1 January 2005 i.e. as at the day of the transition to IFRS EU.

37. Long-term electricity sales contracts (KDT)

Taking into consideration, that the European Commission has recognized such long-term contracts as illegal public subsidy, the Polish Parliament passed the law to eliminate such contracts. According to the regulations of this law on the rules of covering costs incurred by producers in relation to an early termination of long-term contracts dated 29 June 2007, the Company, effective from 1 April 2008 is entitled to receive from the State Treasury a compensation of stranded costs resulting from an early termination of long-term contract. The maximum amount of the compensation of stranded costs, in accordance with an Appendix 2 to the Act dated 29 June 2007 equals to PLN 623,612 thousand as at 1 January 2007.