



**Report of the Supervisory Board of ENEA S.A.
for the financial year 2011**

Poznań, May 2012

1. Composition of the Supervisory Board of ENEA S.A.

As of the beginning of 2011, the composition of the Supervisory Board of the 7th term was as follows:

- Wojciech Chmielewski – Chairman of the Supervisory Board,
- Jeremi Mordasewicz – Vice-Chairman of the Supervisory Board,
- Michał Kowalewski – Secretary of the Supervisory Board,
- Małgorzata Aniołek – Member of the Supervisory Board,
- Paweł Balcerowski – Member of the Supervisory Board,
- Tadeusz Dachowski – Member of the Supervisory Board,
- Mieczysław Pluciński – Member of the Supervisory Board,
- Paweł Lisiewicz – Member of the Supervisory Board,
- Bartosz Nowicki – Member of the Supervisory Board,
- Graham Wood – Member of the Supervisory Board (independent Board Member).

On 29 June 2011, the Extraordinary General Shareholders' Meeting of the Company recalled Mr Bartosz Nowicki and appointed Ms Agnieszka Mańkowska as Member of the Supervisory Board of the 7th term.

On 1 August 2011, the mandate of Mr Paweł Balcerowski, Member of the Supervisory Board, expired due to his death.

On 12 March 2012, the Extraordinary General Shareholders' Meeting of the Company appointed Mr Sławomir Brzeziński as Member of the Supervisory Board of the 7th term.

As at the date of compiling of this Report, the Supervisory Board of the Company was composed of the following persons:

Wojciech Chmielewski	-	Chairman of the Supervisory Board
Jeremi Mordasewicz	-	Vice-Chairman of the Supervisory Board
Michał Kowalewski	-	Secretary of the Supervisory Board
Małgorzata Aniołek	-	Member of the Supervisory Board
Agnieszka Mańkowska	-	Member of the Supervisory Board
Sławomir Brzeziński	-	Member of the Supervisory Board
Tadeusz Dachowski	-	Member of the Supervisory Board
Paweł Lisiewicz	-	Member of the Supervisory Board
Mieczysław Pluciński	-	Member of the Supervisory Board
Graham Wood	-	Member of the Supervisory Board

2. Activity of the Supervisory Board ENEA S.A.

In 2011, the Supervisory Board of the 7th term held 12 meetings and adopted 90 Resolutions (including 7 Resolutions adopted in a vote by electronic mail, this pursuant to § 6 item 6 of the By-Laws for the Supervisory Board of ENEA S.A.).

The supervisory and control activities of the Supervisory Board in the financial year 2011 focused, among others, on the following issues:

1) Appointment of the chartered accountant to audit the financial statements:

- a) On 17.01.2011, by way of voting by electronic mail, the Supervisory Board adopted Resolution no. 1/VII/2011 concerning the appointment of the chartered accountant to conduct reviews and audits of the financial statements of the Company and the subsidiary companies Members of the ENEA Capital Group for 2011,
- b) On 25.10.2011, the Supervisory Board commenced the procedure of invitation to tender and appointment of the auditor for the purpose of conducting reviews of the financial statements of ENEA S.A. and consolidated financial statements of the ENEA Capital Group drawn up as at 31.03.2012, 30.06.2012, 30.09.2012, 31.03.2013, 30.06.2013, 30.09.2013, 31.03.2014, 30.06.2014 and 30.09.2014 according to the IFRS, including translation of the statements, reports and opinions on the audit into English,

- c) On 30.11.2011, the Supervisory Board adopted the report of the Supervisory Board's Team on the process of opening the offers and preliminary formal evaluation of the offers submitted in the auditor selection procedure,
- d) On 20.12.2011, the Supervisory Board appointed the auditor for ENEA S.A. for the period of 2012-2014, i.e. KPMG Audyt Sp. z o.o.

2) Approval of the long-term strategic plans of the Company:

In 2011, the Supervisory Board did not approve of any long-term strategic plans of the Company.

3) Approval of annual business and financial plans, including investment plans:

- a) On 21.04.2011, the Supervisory Board approved of the Investment Plan of ENEA S.A. for the years 2011-2013,
- b) On 21.04.2011 and subsequently on 13.09.2011, the Supervisory Board approved of the Business and Financial Plan of ENEA S.A. for the years 2011-2013 after correction of the part concerning the year 2011,
- c) On 21.04.2011 and subsequently on 13.09.2011, the Supervisory Board approved of the Consolidated Business and Financial Plan of the ENEA Capital Group for the years 2011-2013 after correction of the part concerning the year 2011,
- d) On 20.12.2011, the Supervisory Board approved of the Investment Plan of ENEA S.A. for the years 2012-2014.

4) Issuing opinions on all matters submitted by the Management Board to be considered by the General Shareholders' Meeting:

- a) On 21.04.2011 the Supervisory Board issued a positive opinion on:
 - standalone *Financial Statements of ENEA S.A.* for the period from 01.01.2010 to 31.12.2010 ,
 - *Management Board's Report on the activity of ENEA S.A. in the financial year 2010* and filed a request with the General Shareholders' Meeting for discharging President of the Management Board and Members of the Management Board from the fulfilment of their duties in the financial year 2010,
 - *Consolidated financial statements of the ENEA Capital Group* for the period from 01.01.2010 to 31.12.2010 ,
 - *Management Board's Report on the activity of the ENEA Capital Group in 2010*,
- b) On 21.04.2011, the Supervisory Board:
 - Issued a negative opinion on the Company Management Board's recommendation concerning allocation of the net profits of ENEA S.A. for the period from 01.01.2010 to 31.12.2010,
 - Recommended that the Shareholders' Meeting should adopt a resolution on the following allocation of the net profit of 364,386,000.00 PLN: 194,234,734.32 PLN – payment of the dividend to the shareholders in an amount of 0.44 PLN per share, 170,151,265.68 PLN – increase of reserve capitals to be used for investment financing,
- c) On 08.03.2011, the Supervisory Board issued a positive opinion on the recommended method of disposal of shares in the following subsidiary companies of ENEA S.A.: IT SERWIS Sp. z o.o., AUTO-STYL Sp. z o.o., Hotel EDISON Sp. z o.o., NZOZ Centrum Uzdrowiskowe „ENERGETYK” Sp. z o.o., which did not involve a public procurement procedure, but consisted in public invitation to negotiations,
- c) On 21.04.2011, the Supervisory Board issued a positive opinion on:

- the method of disposal of shares in a company in which ENEA S.A. holds minority shareholding, i.e. EXATEL S.A., recommended by the Management Board, which did not involve a public procurement procedure,
- acquisition of bonds by ENEA S.A. under the bond issue programme carried out by the subsidiary company, Elektrownie Wodne Sp. z o.o.,

d) On 31.05.2011, the Supervisory Board issued a positive opinion on:

- motion filed to the Shareholders' Meeting for an approval to carry out restructuring, as a result of which tasks pertaining to wholesale trade in electricity will be performed by or through an SPV company, ELKO Trading Sp. z o.o.,
- the project of transfer of the Company's assets in the form of an organised part of the enterprise „Oświetlenie uliczne Miasta Poznania” [„Street lighting of the City of Poznań”] to Eneos Sp. z o.o. in exchange of shares covered by the increased capital,
- the method of disposal of shares in a company in which ENEA S.A. holds minority shareholding, i.e. Towarowa Giełda Energii S.A., not involving a public procurement procedure,
- the method of disposal of shares in the company Przedsiębiorstwo Produkcji Strunobetonowych Żerdzi Wirowanych „WIRBET” S.A., not involving a public procurement procedure.

5) Issuing guidelines for the Management Board, concerning the By-Laws for the Company's Management Board and approval of the By-Laws for the Company's Management Board:

In 2011, the Supervisory Board did not issue any guidelines for the Management Board concerning the By-Laws for the Company's Management Board or did not approve of such By-Laws.

6) Approval of the Organisational By-Laws for the Company's Enterprise:

On 13.09.2011, the Supervisory Board approved of the *Organisational By-Laws for the Company's Enterprise* including amendments pertaining to the scope of tasks of the Trade Department, in connection with the transfer of the wholesale trade business and customer service business to subsidiary companies (ELKO Trading and EP BUT S.A.).

7) Granting approvals to the Management Board:

The Supervisory Board granted an approval to the Company's Management Board for conducting the following activities:

- a) acquisition of a block of shares in the company Elektrociepłownia Białystok S.A. with seat in Białystok,
- b) exemption from the debt in an amount equivalent to the total interest on unpaid liabilities of 793,259.69 PLN as a result of conclusion of a restructuring agreement between ENEA S.A., Municipality of Gorzów and the Public Health Establishment in Kostrzyn nad Odrą in liquidation,
- c) conclusion of the following agreements between ENEA S.A. and ELKO TRADING sp. z o.o. („ELKO TRADING”) (i) a co-operation agreement concerning wholesale trade in electricity and property rights resulting from all types of certificates of origin, referred to in the Energy Law Act of 10 April 1997, (ii) contracts of sale of property rights resulting from all types of certificates of origin, referred to in the Energy Law Act of 10 April 1997, (iii) a contract for provision of a commercial operator services, (iv) a contract for sale of electricity and (v) any other contracts and agreements that should be concluded in order to implement the project under which specified tasks pertaining to wholesale trade will be transferred from ENEA to ELKO Trading, as well as (vi) granting an approval for periodic reviews by the Management Board of ENEA of the performance of the contracts and agreements covered by items (i) – (v).
- d) conclusion of the following agreements between ENEA S.A. and Energetyka Poznańska Biuro Usług Technicznych S.A. („EP BUT”) (i) a contract for provision of customer support services

by EP BUT on behalf of ENEA S.A., (ii) support agreements, i.e. agreements pursuant to which ENEA will provide certain services on behalf of EP BUT, in order to ensure proper operation of EP BUT and (iii) any other contracts and agreements that should be concluded in order to implement the project of transfer of customer service related tasks from ENEA to EP BUT, taking into consideration the employment related aspects, pursuant to Art. 23¹ of the Labour Code, to ensure that the situation of the employees before and after the change of their employer should remain unchanged,

- e) acquisition of a block of shares in the company Zespół Elektrowni Wodnych Niedzica S.A. with seat in Niedzica,
- f) contracting a liability pursuant to Annexe no 3 to the Technical Support Contract concluded with ENEA Operator Sp. z o.o. on 11 March 2010, updating the net monthly fee and granting an approval for future adjustments of the fee payable to ENEA Operator Sp. z o.o.,
- g) acquisition of a block shares in the share capital of Windfarm Polska Sp. z o.o. with seat in Koszalin,
- h) granting a surety to IRGiT S.A. for the obligations of Elko Trading Sp. z o.o. in an amount up to 50,000,000 PLN and granting a guarantee for the obligations of ELKO Trading Sp. z o.o. on account of transactions concluded in the Polish Power Exchange S.A. up to the amount of 150.000.000 PLN,
- i) transfer of financial assets managed by Dom Maklerski PKO BP S.A. to the management company Credit Suisse Asset Management (Polska) S.A.,
- j) conclusion of a transaction securing payment under the share purchase agreement concerning the shares in Windfarm Polska Sp. z o.o. in the form recommended by the advisor, TMS Brokers,
- k) conclusion of a financial support agreement with Ms Magdalena Gajek,
- l) increasing the overdraft limit in the bank account kept with BZ WBK from 35.000.000 PLN to 85.000.000 PLN.

8. Granting approvals for Management Board Members to sit on governing bodies of other companies:

The Supervisory Board granted the following approvals for the Management Board Members to sit on the governing bodies of other companies:

- for the Management Board Member of ENEA S.A. for Economic Affairs, Mr Hubert Rozpędek, to sit on the Supervisory Board of ENEA Operator Sp. z o.o.,
- for President of the Management Board of ENEA S.A. Mr Maciej Owczarek to sit on the Supervisory Board of EP PUE ENERGOBUD Leszno Sp. z o.o.,
- for President of the Management Board of ENEA S.A. Mr Maciej Owczarek to sit on the Management Board of Energetyka Poznańska Biuro Usług Technicznych ENEA S.A, at the same time exempting him from the non-competition obligation in that respect,
- for the Management Board Member of ENEA S.A. for Economic Affairs, Mr Hubert Rozpędek, to sit on the Management Board of Energetyka Poznańska Biuro Usług Technicznych ENEA S.A., at the same time exempting him from the non-competition obligation in that respect,
- for the Management Board Member of ENEA S.A. Maksymilian Górniak to sit on the Management Board of Elektrownia Koźienice S.A., at the same time exempting him from the non-competition obligation in that respect,
- for the Management Board Member of ENEA S.A. Krzysztof Zborowski to sit on the Management Board of ELKO Trading Sp. z o.o., at the same time exempting him from the non-competition obligation in that respect,

- for the Management Board Member of ENEA S.A. Krzysztof Zborowski to sit on the Supervisory Board of Elektrociepłownia Białystok S.A., at the same time exempting him from the non-competition obligation in that respect,
- for the Management Board Member of ENEA S.A. Krzysztof Zborowski to sit on the Supervisory Board of „Łęczyńska Energetyka” Sp. z o.o. in Bogdanka, at the same time exempting him from the non-competition obligation in that respect,
- for the Management Board Member of ENEA S.A. Mr Maksymilian Górniak, to sit on the Supervisory Board of Elektrociepłownia Białystok S.A., at the same time exempting him from the non-competition obligation in that respect,

Besides, the Supervisory Board:

- determined the method of exercising the voting right from shares at the Extraordinary Shareholders' Meeting of Elektrownia „Kozienice” S.A. as regards the merger of Elektrownia „Kozienice” S.A. with Kozienice II Sp. z o.o.,
- adopted the *Report on the activity of the Supervisory Board of ENEA S.A. for the financial year 2010* and filed a motion to the Shareholders' Meeting for discharging Members of the Supervisory Board from the fulfilment of their duties in the financial year 2010,
- filed a motion with the General Shareholders' Meeting for granting an annual bonus for 2010 to Mr Maciej Owczarek, President of the Management Board of ENEA S.A.;
- filed a motion with the General Shareholders' Meeting for overruling resolutions concerning determination of the remuneration amount and awarding additional performances to President of the Management Board of ENEA S.A.,
- approved of the new rules for employing and remunerating Members of the Management Board of ENEA S.A., and authorised Chairman of the Supervisory Board ENEA S.A. to conclude contracts of employment and non-competition agreements with Members of the Company's Management Board,
- approved of the assumptions for the project of construction of power unit no. 11 at Elektrownia Kozienice S.A., recommended by the Management Board,
- determined the significance level for the documents to be audited by the auditor using the full method,
- approved of the „Corporate Community Involvement Policy of the ENEA Capital Group”,
- recommended that the Management Board should conduct centralisation of the audit function at the ENEA Capital Group,
- confirmed the appointment of Members of the Management Board for the 7th term of office,
- approved of the amendments to the *By-Laws for appointing and dismissing Members of the Supervisory Board of ENEA S.A. elected by employees of ENEA S.A.*,
- announced supplementary elections of member of the Supervisory Board elected by employees of ENEA S.A. for the 7th term,
- filled the vacancy on the Chief Electoral Committee for the purpose of conducting supplementary elections of member of the Supervisory Board elected by employees of ENEA S.A. for the 7th term,
- appointed District Election Committees for the purpose of elections of the representative of the employees to the Company's Supervisory Board,
- filled the vacancy on the Audit Committee of the Supervisory Board,
- filled the vacancy on the Appointment and Remuneration Committee of the Supervisory Board and appointed Chairman of the Committee,
- approved of the „Annual Audit Plan for 2012” in part pertaining to ENEA S.A. and the „Budget Recommendation of the Control and Internal Audit Office for 2012 ”,

- issued a positive opinion on the „Concept of Development and the Target Model of the Electricity Generation Area at the ENEA Capital Group”, presented by the Management Board.

The Supervisory Board acknowledged the following information provided by the Management Board:

- on the strategy of maintaining the market share in the electricity market and performance of the Business and Financial Plan for 2010 as regards electricity sales,
- on a proposal concerning other methods of management of the financial assets portfolio of ENEA S.A.,
- on the costs incurred on advisory services by the ENEA Capital Group in the period from 01.09.2009 to 30.09.2010 ,
- on the implementation of the cost optimisation programme,
- on the appointment of the financial advisor, Ernst & Young Business Advisory Sp. z o.o. i Wspólnicy sp. k. in the course of a bidding procedure pertaining to the project of construction of a 1000 MW power unit in Świerże Górne,
- on the implementation of the Investments and Overhauls Plan for 2010 by Elektrownie Wodne Sp. z o.o. and of the Business and Financial Plan pertaining to investments for 2010 by Elektrownia Kozienice S.A.,
- on the strategy maintaining the market share in the electricity market in 2011,
- on the audit conducted at the Management Board Support Office,
- on estimated costs of financial consulting upon the project of construction of a 1000 MW power unit in Świerże Górne using a different formula, i.e. using the Company's own resources with partial support from external consultants, excluding a general external financial consultant,
- on the assessment by the Management Board ENEA S.A. of the legal and financial effects of the completed Flue Gas Desulphurisation project at Elektrownia Kozienice S.A.,
- on the effects of the securities portfolio management by Dom Maklerski PKO Banku Polskiego S.A. and by Credit Suisse Asset Management (Polska) S.A.,
- on the number of contracts concluded by ENEA S.A. as regards investment projects, which will extend beyond 2013,
- on the detailed wholesale trade principles at the ENEA Capital Group,
- on average annual employment at ENEA S.A. in 2010,
- on the new concept for the organisational structure of the ENEA Capital Group aimed at the implementation of a long-term development strategy,
- on a project of conclusion of a trilateral agreement between ENEA S.A., ENEA Operator Sp. z o.o. (Issuer) and BRE Bank S.A. (Agent for Payments and Depositary) and of a Guarantee Contract with ENEA Operator Sp. z o.o., as well as on purchasing bonds issued by ENEA Operator Sp. z o.o. by ENEA S.A.,
- on the possibility of increasing the attractiveness of the ENEA Capital Group for shareholders,
- on the undertaken actions aimed to accelerate works on the risk management process at the ENEA Capital Group including draft documents concerning risk management process and deadlines for completion of respective tasks,
- on the planned change of the seat of ENEA S.A.,
- on the project of development of a power bridge using the 110 kV Brest 2–Wólka Dobryńska line,
- on the collective dispute at ENEA Operator Sp. z o.o.

At its meetings, the Supervisory Board was reviewing the up-to-date information concerning:

- business and financial results of the Company,
- sale of electricity,
- progress of the project of a 1000 MW power unit construction by Elektrownia Kozienice S.A.,
- progress of works connected with the implementation of the “ENEA 2010+” Operating Programme” by the Company,
- operations of ELKO Trading Sp. z o.o.,
- planned new investments in renewable energy sources.

The activities of the Supervisory Board were documented in the minutes of the Board meetings for 2011.

3. Appointments, dismissals and suspensions of Members of the Management Board by the Supervisory Board in relation to the fulfilment of their functions as well as delegating Members of the Supervisory Board to perform the function of Members of the Management Board.

On 05.12.2011, the Supervisory Board ENEA S.A. adopted a resolution on recalling Mr Maksymilian Górniak, Management Board Member of ENEA S.A. for Commercial Affairs from the Management Board. At the same time, the Supervisory Board adopted a resolution on commencement of the management board member recruitment procedure.

In 2011, the Supervisory Board did not suspend any Members of the Company's Management Board from the fulfilment of their functions or did not delegate Members of the Supervisory Board to perform functions on the Management Board.

4. Committees of the Supervisory Board of ENEA S.A.

The activity of the Supervisory Board was supported by Committees performing advisory and supporting functions, appointed from among Members of the Supervisory Board. In 2011, there were two permanent Committees operating within the Supervisory Board:

- Audit Committee,
- Remuneration and Appointments Committee.

a) Audit Committee of the Supervisory Board of ENEA S.A.

As of the beginning of 2011, the composition of the Audit Committee was as follows:

- Graham Wood – Chairman,
- Małgorzata Aniołek – Deputy Chairman,
- Paweł Balcerowski – Member,
- Michał Kowalewski – Member,
- Wojciech Chmielewski – Member.

On 1.08.2011, the mandate of Mr Paweł Balcerowski, Member of the Supervisory Board, expired due to his death.

At the meeting on 13.09.2011, the Supervisory Board appointed Ms Agnieszka Mańkowska, new Member of the Supervisory Board, to be Member of the Audit Committee, at the same time accepting resignation of Mr Michał Kowalewski from the function on the Audit Committee.

As at the date of drawing up this Report, the composition of the Audit Committee was as follows:

- Graham Wood – Chairman,
- Małgorzata Aniołek – Deputy Chairman,
- Wojciech Chmielewski – Member,
- Agnieszka Mańkowska – Member.

In 2011, the Audit Committee held 3 meetings and adopted 7 Resolutions.

The following issues were discussed during the Committee meetings:

- recommendation for the Supervisory Board of ENEA S.A. concerning appointment of Deloitte Audyt Sp. z o.o. as the auditor for the purpose of conducting reviews and audits of the financial statements of ENEA S.A. and companies within the ENEA Capital Group for 2011,
- evaluation of the methods of auditing the Company's financial statements for the financial year 2010,

- adoption of the „Report on the activity of the internal audit function for the period from July 2010 to March 2011 ”,
- recommendation for the Supervisory Board of ENEA S.A. concerning centralisation of the audit function at the ENEA Capital Group,
- adoption and approval of the report on the results of work of the Negotiations Team and appointment of the auditor for ENEA S.A. for the period of 2012-2014 on the basis thereof,
- adoption of the „Annual audit plan for 2012 ”, „Budget recommendation of the Control and Audit Office for 2012 ” and recommended amendments to the Internal Audit Charter of the ENEA Capital Group,
- recommendation for the Supervisory Board of ENEA S.A. concerning evaluation of the internal control system of ENEA S.A.

Besides, the Audit Committee:

- conducted a review of the Financial Statements for the first half of 2011,
- conducted a review of the completed internal audits and approved of the Reports on those audits,
- acknowledged information on the progress of implementation of the audit centralisation project,
- at each meeting, the Committee acknowledged information on the progress of implementation of the project entitled „Development and Implementation of the Risk Management System at the ENEA Capital Group”.

b) Appointments and Remuneration Committee of the Supervisory Board of ENEA S.A.

As of the beginning of 2011, the composition of the Appointments and Remuneration Committee was as follows:

- Bartosz Nowicki – Chairman,
- Tadeusz Dachowski – Deputy Chairman,
- Paweł Lisiewicz – Member,
- Jeremi Mordasewicz – Member,
- Mieczysław Pluciński – Member.

On 13 September 2011, as a result of recalling Mr Bartosz Nowicki from the Supervisory Board of ENEA S.A, the Supervisory Board filled the vacancy on the Appointments and Remuneration Committee by appointing Mr Michał Kowalewski, at the same time entrusting him with the function of Chairman of the Appointments and Remuneration Committee.

As at the date of drawing up this Report, the composition of the Appointments and Remuneration Committee was as follows:

- Michał Kowalewski – Chairman,
- Tadeusz Dachowski – Deputy Chairman,
- Paweł Lisiewicz – Member,
- Jeremi Mordasewicz – Member,
- Mieczysław Pluciński – Member.

In 2011, the Appointments and Remuneration Committee held 5 meetings and adopted 19 Resolutions.

The resolutions adopted in 2011 by the Appointments and Remuneration Committee concerned recommendations to the Supervisory Board on the following matters:

1. granting approvals for Members of the Management Board of ENEA S.A. to sit on the Management Boards and Supervisory Boards of other companies,
2. adoption of a resolution awarding an annual bonus to the President of the Management Board of ENEA S.A.,
3. filing a motion with the Shareholders' Meeting from overruling resolution of the Shareholders' Meeting of ENEA S.A. concerning determination of the remuneration amount and awarding additional performances to the President of the Management Board,
4. introducing amendments to the principles of employment and remunerating Members of the Management Board of ENEA S.A.,
5. adoption of the consolidated text of the Contract for provision of management services dated 28.06.2011,
6. specifying in a greater detail the catalogue of justified expenditures incurred in connection with the performance of the Contract for provision of management services dated 28.06.2011,
7. change of the term of the „Extended non-competition obligation” applicable to Members of the Management Board of ENEA S.A.,
8. changing the amount of the remuneration payable in virtue of performance of the Contract for provision of management services, concluded with President and Members of the Management Board of ENEA S.A.

5. Information concerning the evaluation of individual and consolidated financial statements and Management Board report for 2011

Acting pursuant to Art. 382 § 3 of the Commercial Companies Code, the Supervisory Board performed assessment of the statements and reports, referred to in Art. 395 § 2 item 1 and § 5, i.e.:

1. Management Board's report on the business activity of ENEA S.A. for the financial year 2011;
2. Year-end accounts of ENEA S.A. for the financial year ending on 31 December 2011, consisting of the following documents verified by the auditor:
 - balance sheet of the Company as at 31 December 2011, which on the side of assets and liabilities shows the sum of 11,161,111,000 PLN (say: eleven billion one hundred and sixty one million one hundred eleven thousand Polish zlotys);
 - profit and loss account of the Company for the period from 1 January 2011 to 31 December 2011, showing a net profit of 355,169,000 PLN (say: three hundred and fifty five million one hundred and sixty nine thousand Polish zlotys);
 - additional information, consisting of the introduction to the year-end accounts of the Company and additional information and explanations;
 - statement of changes in the shareholders' equity, indicating an increase in equity as at 31 December 2011 by an amount of 161,982,000 PLN (say: one hundred and sixty one million nine hundred and eighty two thousand Polish zlotys);
 - cash flow statement of the Company, showing an increase in net cash by an amount of 341,491,000 PLN (say: three hundred and forty one million four hundred and ninety one thousand Polish zlotys).
3. Management Board's report on the business activity of the ENEA Capital Group for the financial year 2011;
4. consolidated year-end accounts of the ENEA Capital Group for the period from 1 January 2011 to 31 December 2011, consisting of the following documents verified by the auditor:
 - consolidated balance sheet as at 31 December 2011, which on the side of assets and liabilities shows the sum of 13,699,894,000 PLN (say: thirteen billion six hundred and ninety nine million eight hundred and ninety four thousand Polish zlotys);

- consolidated profit and loss account for the period from 1 January 2011 to 31 December 2011, showing a net profit of 792,521,000 PLN (say: seven hundred and ninety two million five hundred and twenty one thousand Polish zlotys);
- additional information, consisting of the introduction to the consolidated year-end accounts and additional information and explanations;
- statement of changes in the shareholders' equity, indicating an increase in equity as at 31 December 2011 by an amount of 603,291,000 PLN (say: six hundred and three million two hundred and ninety one thousand Polish zlotys);
- consolidated cash flow statement, showing a decrease in net cash by an amount of 318,734,000 PLN (say: three hundred and eighteen million seven hundred and thirty four thousand Polish zlotys).

After having read the Opinion and Report of the auditor, Deloitte Audyt Sp. z o.o., and after a thorough examination of the aforementioned documents, the Supervisory Board is of the opinion that the standalone financial statements of ENEA S.A. for the year 2011, Management Board's report on the activity of ENEA S.A. in the financial year 2011, the consolidated financial statements for the year 2011 and the Management Board's report on the activity of the ENEA Capital Group in 2011 are in conformity with the books of accounts and accounting records and documents, as well as with the actual situation. The Supervisory Board recommends that the Annual General Meeting should consider and adopt the same.

6. Brief evaluation of the Company's situation including assessment of the internal control system and the system of managing risks of significance for the Company

In 2011, ENEA S.A. generated a positive financial result (profit) which amounted to 355,169,000 PLN and was lower than the profit generated in the previous year by 9,217,000 PLN. Net profitability amounted to 6.4% (in 2010: 5.8%), and the return on equity was 3.8% (in 2010: 4.1%).

In 2011, total electricity sales of ENEA S.A. amounted to 15.5 TWh, whereof sales to retail customers to 14.7 TWh. At the same time, the number of end customers amounted to approximately 2.4 million and was maintained at the level comparable to previous years. The aforementioned factors confirm the important position of ENEA S.A. in the energy market.

In 2011, ENEA S.A. had sufficient funds to ensure financing of all current expenditures relating to the Company's business and implementation of investment tasks. The balance of available cash made it possible to flexibly settle the current accounts.

Due to its good financial standing, the Company did not use external financing for the purpose of implementation of investment tasks in 2011.

In the coming years, the Company plans to increase its generation capacity, including on the premises of Elektrownia Koźienice, where by 2016 it plans to build a new power unit with the capacity of approximately 1 000 MW as well as to acquire a heat and power plant. Heat plants acquired so far will be upgraded and transformed into heat and power plants, including biomass-fuelled plants, in order that they could generate electrical and thermal energy in cogeneration, which will enable obtaining additional certificates of origin of energy. This is very important taking into account the anticipated increase in the obligation to sell electrical energy generated from renewable energy sources and in cogeneration.

On 15 January 2010, ENEA S.A. concluded the purchase transaction of its first biogas plant, located in Liszkowo (Kujawsko-Pomorskie Province) with the capacity of 2.12 MWe. In Q2 2011, ENEA S.A. purchased 100% shares of an SPV company established for the purpose of construction of a 1.6 MWe biogas plant. In 2012, ENEA S.A. plans to acquire biogas plants with the total capacity of 5.6 MWe.

In March 2011, a subsidiary of ENEA S.A., Elektrownie Wodne Sp. z o.o, dedicated for the development of the generation capacity from renewable energy sources of the ENEA Capital Group, acquired a wind farm located in Darżyno in Pomorskie Province, with installed capacity of 6 MW. It was the first project of that kind implemented by the Group.

On 1 June 2011, ENEA S.A. purchased 69.58% shares of Elektrociepłownia Białystok from the French company trading as Société Nationale d'Électricité et de Thermique (SNET). As a result of that transaction, the Group became the owner of almost 100% of the company. Elektrociepłownia Białystok is one of the largest enterprises in the Białystok region. The achievable thermal capacity of Elektrociepłownia Białystok amounts to 459.2 MW. Along with heat, Elektrociepłownia Białystok also generates electricity and process steam. The generation equipment of the heat and power plant may generate 350 GWh of electricity which is sold in the wholesale market. The main fuel used by the plant is coal. In 2008, at power unit no. I, a biomass-fired boiler was commissioned. The new system helped reduce the emissions of gases and dusts harmful to the environment and the amount of waste generated as a result of combustion of coal. Launching a biomass-fired system contributed to reducing consumption of coal by 120,000 tonnes per annum, by replacing it by 270,000 tonnes of biomass. The capacity of the biomass-fired system is 75.2 MW.

In June 2011, a hydropower plant on the River Wełna in Oborniki was commissioned. The capacity of the plant owned by Elektrownie Wodne Sp. z o.o. is 330 kW. The estimated average annual electricity production capacity is 1.440 MWh. The hydropower plant in Oborniki is the 21st hydropower plant owned by the ENEA Capital Group.

In November 2011, ENEA S.A. signed a preliminary agreement concerning purchase of 100% shares in an SPV company which has been implementing a project of construction of a 50 MW wind farm. It is planned that the wind farm will generate approximately 150 000 MWh of electrical energy on an annual basis.

In the analysed period, ENEA S.A. also commenced co-operation with PGNiG [*Polish Oil and Gas Company*] concerning the possibility of conducting a joint investment in the construction of a gas-fired electricity generation source.

1. In the opinion of the Supervisory Board, in 2011, ENEA S.A. undertook numerous actions which should facilitate the development of the internal control system and risk management system. In compliance with the best market practices, ENEA S.A. decided to engage an external consultant for the purpose of an independent evaluation of the internal control system. The evaluation of the internal control system of ENEA S.A. was carried out in co-operation with the Control and Audit Office. The main objectives of that project included gaining a comprehensive overview of the internal control system at the Company level based on the recognised COSO I methodology and the commonly used internal control models.

In the opinion of the Supervisory Board, there are numerous control mechanisms which may serve as examples of best practices in the area of internal control. As regards the *internal control environment*, the following elements should be taken into consideration:

- the organisational structure, describing the main units of the Company and reporting streams as well as the Organisational By-Laws which determine the scope of responsibility of the individual units;
- the role of the Management Board in managing the organisation, holding regular meetings by and involvement of the Management Board in decisions of key importance for the organisation;
- clearly defined rules concerning the award, registration and withdrawal of powers of attorney, discretion and authorisation limits in force at the Company, formal description of the scope of responsibilities for particular jobs;
- employee recruitment procedures and induction training.

In the *risk assessment* area, attention was drawn to the following:

- the strategy of the Capital Group, setting the strategic objectives and measures of their implementation as well as regular monitoring of the strategy implementation measures;
- operation of the „ENEA 2010+ Programme”, under which a list of strategic projects has been defined the results of which should contribute to an increased effectiveness of the operating and strategic management;
- performing – as part of implementation of the integrated risk management system – identification and assessment of risks, preparing a summary of the actions undertaken thus far, risk response plans and determination of key risk factors.

As regards the *control activities*, the following was observed:

- sets of policies, procedures and instructions regulating key aspects of the Company's operations;
- defined principles for issuing and amending internal rules and regulations;
- defining the procedure concerning classified information, personal information, confidential information of the Company;
- the process of agreeing upon and approval of the annual business and financial plan, regular reporting on the Company's results and variance analysis against the plan;
- the approved accounting policy of ENEA S.A. in place and the process of its updating;
- the process of monitoring amendments to the International Financial Reporting Standards;
- the process of verification of accounting documents and records prior to their posting;
- periodic stock-taking of the Company's assets;
- inspections and control of the consolidation process (verification of completeness of the information received, verification of the mathematical correctness of the consolidation and exclusions, checking whether disclosures were complete);
- the process of approval of the Company's financial statements by the Company's governing bodies (the Management Board, the Supervisory Board);
- control activities pertaining to individual business processes – trade process, sales and receivables management, payroll calculation, investment process, cash management process (treasury) – described in detail in section III of this report.

As regards the area of *information and communication*, attention was drawn in particular to the following:

- corporate communication principles determining the main rules underlying internal and external communication;
- running a website, including – *inter alia* – an investor relations (IR) section;
- communication channels for internal information (central repository of policies and procedures, *newsletters* for the management and employees);
- keeping a central register of resolutions passed by the Company's governing bodies and register of contracts concluded by the Company;
- having the „Corporate Social Responsibility Strategy of the ENEA Capital Group” in place, approved by the Management Board, which defines the main objectives and strategic directions of the CSR.

As regards the last element of the COSO I model, i.e. *monitoring and supervision*, the following was identified:

- having the Capital Group Agreement in place, which was concluded by companies from the ENEA Group at the end of 2011 and in 2012 ,
- appointment of the Capital Group Council;
- formal description of the principles of shareholder supervision;
- operation of the Audit Committee of the Supervisory Board and co-operation with the internal audit function;
- monitoring of the reliability of financial information by the Audit Committee, regular meetings of the Audit Committee with the auditor;
- location of the internal audit function in the organisational structure (functional reporting to the Audit Committee of the Supervisory Board), periodic meetings of the Control and Audit Office with the Management Board and Audit Committee;

- missions and principles of operation of the Control and Audit Office defined in the Internal Audit Charter, which was formally approved by the Supervisory Board;
 - the existing agreement on co-operation in the area of internal audits with companies from the ENEA Capital Group;
 - the activity of the internal audit function on the basis of an approved audit plan and defined methodology of works. Internal audits of main business areas of the Company are carried out and subsequently follow-up audits are performed. A co-sourcing model is used in case of conducting complex audit tasks in order to make up for missing competencies.
2. In the Supervisory Board's opinion, the operation of the Audit Committee is an important element of the internal control system. In the reporting period, the Audit Committee was responsible, among others, for monitoring of the financial reporting process and monitoring of the effectiveness of the internal control, internal audit and risk management systems. In particular, the Audit Committee:
- held regular meetings with the external auditor and the Management Board, during which the following issues were discussed: annual and interim financial statements, consistency of the accounting policy followed by the Capital Group and its conformity with the International Financial Reporting Standards,
 - held regular meetings with the internal auditor, during which decisions and recommendations made by the internal audit functions were discussed and the response of the Company's Management Board to those recommendations was monitored,
 - participated in the process of development of the annual audit plan, recommending areas to be audited in a given year.
 - issued opinions on the annual audit plan and internal audit budget plan and submitted the said documents for the Supervisory Board's approval.
3. In the Supervisory Board's opinion, the internal audit function, performed by the Control and Audit Office is an important element of the internal control system. Internal audit at ENEA S.A. functionally reports to the Audit Committee, at the same time reporting to the Management Board. In order to ensure the adequate level of independence of that function, the Supervisory Board approves of the annual audit plan, the annual budget of the audit unit and – if necessary – issues an opinion on electing, appointing or recalling the head of the internal audit office. In 2011, the internal audit function evaluated data security processes, HR, restructuring processes in one of the subsidiary companies, biomass purchasing and management of combustion of by-products at a subsidiary company. Besides, audits of the following areas were conducted: taxes, IT, Capital Group Management, marketing and CSR, accounting and business and financial planning. Besides, the internal audit function additionally performed advisory functions to the management of the Company.
- In the course of auditing the internal control system, the Company identified areas where the existing internal controls can be further improved.
4. As far as risk management is concerned, the Audit Committee regularly monitored the progress of work aimed to implement a formalised integrated risk management system at the Company. The Supervisory Board issued a positive opinion on the scope of conducted works, including in particular the process of identification of the key financial and market risk factors, process of identification, assessment and in-depth analysis of key risks as well as development of formal policies and procedures regulating the process of management of corporate risks, market risk (including commodity risk, exchange rate and interest rate risk), credit risk and liquidity risk.

7. Comments of the Supervisory Board regarding co-operation with the Management Board

Taking into account the results generated by the Company and the correct co-operation of the Management Board with the Supervisory Board, the Supervisory Board of ENEA S.A. motions for

discharging Members of the Company's Management Board from the fulfilment of their duties in the financial year 2011.

Signatures of the Supervisory Board Members:

Wojciech Chmielewski – Chairman of the Supervisory Board _____

Jeremi Mordasewicz – Vice-Chairman of the Supervisory Board _____

Michał Kowalewski – Secretary of the Supervisory Board _____

Małgorzata Aniołek – Member of the Supervisory Board _____

Agnieszka Mańkowska – Member of the Supervisory Board _____

Sławomir Brzeziński – Member of the Supervisory Board _____

Tadeusz Dachowski – Member of the Supervisory Board _____

Paweł Lisiewicz – Member of the Supervisory Board _____

Mieczysław Pluciński – Member of the Supervisory Board _____

Graham Wood – Member of the Supervisory Board _____

Poznań, 8 May 2012