

**ENEA CAPITAL GROUP
POZNAŃ, UL. GÓRECKA 1**

**CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE 2011 FINANCIAL YEAR
WITH
AUDITOR'S OPINION
AND
AUDIT REPORT**

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FOR THE 2011 FINANCIAL YEAR**

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**REPORT ON THE ACTIVITIES OF THE ENEA CAPITAL GROUP FOR THE
2011 FINANCIAL YEAR**

AUDITOR'S OPINION

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

We have audited the attached consolidated financial statements of ENEA S.A. Capital Group ("the Capital Group") with ENEA S.A. with its registered office in Poznań, at ul. Górecka 11 as the Parent, including the consolidated balance sheet as at 31 December 2011, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the financial year from 1 January 2011 to 31 December 2011 and notes, comprising a summary of significant accounting policies and other explanatory information.

Preparation of consolidated financial statements and report on the activities in line with the law is the responsibility of the Management Board of the Parent.

The Management Board of the Parent and members of its Supervisory Body are obliged to ensure that the consolidated financial statements and the report on the activities of the capital group meet the requirements of the Accounting Act of 29 September 1994 (Journal of Laws of 2009, No. 152, item 1223, as amended), hereinafter referred to as the "Accounting Act".

Our responsibility was to audit and express an opinion on compliance of the consolidated financial statements with the accounting principles (policy) adopted by the capital group, express an opinion whether the financial statements present fairly and clearly, in all material respects, the financial and economic position as well as the financial result of the Capital Group.

Our audit of the financial statements has been planned and performed in accordance with:

- section 7 of the Accounting Act;
- national auditing standards, issued by the National Council of Statutory Auditors in Poland.

We have planned and performed our audit of the consolidated financial statements in such a way as to obtain reasonable assurance to express an opinion on the financial statements. Our audit included, in particular, verification of the correctness of the accounting principles (policy) applied by the Parent and the subsidiaries, verification – largely on a test basis - of the basis for the amounts and disclosures in the consolidated financial statements, as well as overall evaluation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the audited consolidated financial statements of ENEA Capital Group for the 2011 financial year in all material aspects:

- present fairly and clearly the information material to evaluate the economic and financial position of the Capital Group as of 31 December 2011 as well as its financial result in the financial year from 1 January 2011 to 31 December 2011;
- have been prepared in accordance with the International Accounting Standards, International Financial Reporting Standards and related interpretations published as Commission regulations, and in all matters not regulated in the standards – in accordance with the provisions of the Accounting Act and secondary legislation to the Act;
- comply with the provisions of law applicable to the Capital Group which affect the contents of the consolidated financial statements.

The Report on the activities of the Capital Group for the 2011 financial year is complete within the meaning of Article 49.2 of the Accounting Act and the Ordinance of the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities and the rules of equal treatment of the information required by the laws of non-member states and consistent with underlying information disclosed in the audited consolidated financial statements.

.....
Marcin Samolik
Key certified auditor
conducting the audit
No. 10066

.....
represented by

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

Warsaw, 10 April 2012

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.

**REPORT SUPPLEMENTING THE OPINION ON THE AUDIT
OF THE CONSOLIDATED FINANCIAL STATEMENTS
OF THE ENEA CAPITAL GROUP FOR THE 2011 FINANCIAL YEAR**

I. GENERAL INFORMATION

1. Details of the Parent

The Parent of the Capital Group operates under the business name ENEA S.A. The Company's registered office is located in Poznań, at ul. Górecka 1 (the former address: Poznań, ul. Nowowiejskiego 11).

The Parent was incorporated on 12 July 1993 as a result of transformation of the state-owned enterprise named Zakład Energetyczny Poznań into a joint stock company wholly owned by the State Treasury named Energetyka Poznańska S.A. (the notarized deed registered in Notarial Register A no. 2432/93).

On 21 May 2001 the Parent, operating under the name of Energetyka Poznańska S.A., was recorded in the National Court Register Entrepreneurs in the District Court XIV Business Division under number KRS 0000012483.

On 2 January 2003, the court registered business combination of Energetyka Poznańska S. A., Energetyka Szczecińska S. A., Zielonogórskie Zakłady Energetyczne S. A., Zakład Energetyczny Gorzów S. A. and Zakład Energetyczny Bydgoszcz S.A. The combination had the form of acquisition, with Energetyka Poznańska S.A. being the acquirer.

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

The Parent has the tax identification number NIP 777-00-20-640.

The REGON number assigned by the Statistical Office is 630139960.

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

As at 31 December 2011, the Parent's share capital as registered in the National Court Register amounted to PLN 441.443 thousand and was divided into 441,442,578 shares with a face value of PLN 1 each.

As at the date of transition to the International Financial Reporting Standards as endorsed by the European Union (1 January 2004) the share capital of the Parent was revalued in accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies" by PLN 107,765 thousand and adjusted by PLN 38,810 thousand in relation to other items.

As at 31 December 2010, the ownership structure of the Parent was as follows:

Shareholder's name	Number of shares	Number of votes	Nominal value of shares (PLN'000)	Interest in the share capital
State Treasury	233,624,813	52.92%	233,625	52.92%
Vattenfall AB	82,395,573	18.67%	82,396	18.67%
Other	125,422,192	28.41%	125,422	28.41%
	441,442,578	100.00%	441,443	100.00%
Share capital arising from hyperinflationary revaluation			107,765	
Other adjustments			38,810	
Share capital			588,018	

As at 31 December 2011, the ownership structure of the Parent was as follows:

Shareholder's name	Number of shares	Number of votes	Nominal value of shares (PLN'000)	Interest in the share capital
State Treasury	228,138,189	51.68%	228,138	51.68%
Vattenfall AB	82,395,573	18.67%	82,396	18.67%
Other	130,908,816	29.65%	130,909	29.65%
	441,442,578	100.00%	441,443	100.00%
Share capital arising from hyperinflationary revaluation			107,765	
Other adjustments			38,810	
Share capital			588,018	

No changes in the Parent's share capital took place during the audited financial year and after the balance sheet date and by the opinion date.

As of 31 December 2011, the Capital Group's equity amounted to PLN 10,450,674 thousand.

In the audited financial year, the Capital Group's operations involved generation, distribution and trade of electricity.

The Capital Group's financial year is the calendar year.

Composition of the Management Board of the Parent as of the date of the opinion:

- Maciej Owczarek - Chairman of the Management Board;
- Janusz Bil - Member of the Board in Charge of Commercial Affairs
- Hubert Rozpędek - Member of the Board in Charge of Economic Affairs
- Krzysztof Zborowski - Member of the Board in Charge of Generation.

In the audited financial year and after the balance sheet date until the opinion date, the following changes in the composition of the Parent's Management Board took place:

- By means of a resolution of 5 December 2011, the Supervisory Board dismissed Maksymilian Górniak from the position of the Member of the Management Board in Charge of Commercial Affairs;
- By means of a resolution of 24 December 2012, the Supervisory Board appointed Janusz Bil to the position of the Member of the Management Board in Charge of Commercial Affairs.

The consolidated financial statements prepared as of 31 December 2011 included all entities constituting the ENEA Capital Group:

a) The Parent - ENEA S.A.

We have audited the financial statements of ENEA S.A., the parent, for the period from 1 January to 31 December 2011. As a result of our audit, on 10 April 2012 we issued an unqualified opinion.

b) Companies subject to full consolidation (subsidiaries):

#	Name and address of the Company	Interest in capital (%)	Name of entity that audited the financial statements and type of opinion issued	Opinion date
1	ENERGOMIAR Sp. z o.o.	100	Audit Standard Sp. z o.o., unqualified opinion	24 February 2012
2	BHU S.A	92,62	Deloitte Audyt Sp. z o.o. unqualified opinion	28 February 2012
3	ENEA Centrum S.A.	100	IBC Auditoria Sp. z o.o. emphasis of matter opinion	4 April 2012
4	Hotel „EDISON” Sp. z o.o.	100	Not audited	-
5	Energetyka Poznańska Zakład Transportu Sp. z o.o.	100	Poprawska i Kasztelan – Biegli Rewidenci Spółka Partnerska, unqualified opinion	13 February 2012
6	Energetyka Poznańska Przedsiębiorstwo Usług Energetycznych Energobud Leszno Sp. z o.o.	100	Deloitte Audyt Sp. z o.o. unqualified opinion	27 February 2012
7	ENERGO-TOUR Sp. z o.o.	99,92	Poprawska i Kasztelan – Biegli Rewidenci Spółka Partnerska, unqualified opinion	17 February 2012
8	Eneosp. z o.o.	100	Deloitte Audyt Sp. z o.o. unqualified opinion	5 March 2012
9	ENTUR Sp. z o.o.	100	Not audited	-
10	Niepubliczny Zakład Opieki Zdrowotnej Centrum Uzdrowiskowe ENERGETYK Sp. z o.o.	99,94	„Controlling” Kancelaria Biegłych Rewidentów Kaczmarek, Adamczyk Sp. j., unqualified opinion	24 February 2012
11	Elektrownie Wodne Sp. z o.o.	100	Deloitte Audyt Sp. z o.o. unqualified opinion	2 April 2012
12	„ITSERWIS” Sp. z o.o.	100	Biuro Usług Finansowo-Księgowych DEBET Sp. z o.o., unqualified opinion	20 February 2012
13	„Auto-Styl” Sp. z o.o.	100	Not audited	-
14	ENEA Operator Sp. z o.o.	100	Deloitte Audyt Sp. z o.o. unqualified opinion	28 February 2012
15	Elektrownia „Kozienice” S.A.	100	Deloitte Audyt Sp. z o.o. unqualified opinion	22 February 2012
16	Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. in Oborniki	91,02	„AUDIT – BILANS” Sp. z o.o., unqualified opinion	27 February 2012
17	Miejska Energetyka Ciepła Piła Sp. z o.o.	65,03	DGA Audyt Sp. z o.o., unqualified opinion	31 January 2012
18	Elektrociepłownia Białystok S.A.	99,94	Deloitte Audyt Sp. z o.o. unqualified opinion	23 March 2012
19	DOBIT Energia Sp. z o.o.	100	Agencja Biegłych Rewidentów „ABR” Sp. z o.o., emphasis of matter opinion	1 March 2012

20	Annacond Enterprises Sp. z o.o.	61	Not audited	-
21	ELKO Trading Sp. z o.o.	100	Deloitte Audyt Sp. z o.o. unqualified opinion	28 February 2012
22	Elektrownie Wiatrowe – ENEA Centrum S.A. S.k.	100	Not audited	-
23	Ecebe Sp. z o.o.	99,94	Firma Biegłych Rewidentów „Mazur i Partnerzy” Sp. z o.o., emphasis of matter opinion	6 March 2012

c) Companies subject to equity method of consolidation (associates):

#	Name and address of the Company	Interest in capital (%)	Name of entity that audited the financial statements and type of opinion issued	Opinion date
1	Przedsiębiorstwo Produkcji Strunobetonowych Żerdzi Wirowanych WIRBET S.A.	49	Audyt i Rachunkowość UZR-CBR Sp. z o.o., emphasis of matter opinion	21 February 2012
2	Energo-Invest-Broker S.A.	28,17	„Hartwich Audytor” Sp. z o.o., unqualified opinion	28 March 2012

Except from ENEA Operator Sp. z o.o., Elektrownia „Kozienice” S.A. and Elektrociepłownia Białystok S.A., the subsidiaries prepared their separate financial statements in accordance with the Accounting Act. For the purpose of the consolidated financial statements, information included in the financial statements of the subsidiaries was adjusted to the accounting principles of the Parent.

2. Information about the consolidated financial statements for the prior financial year

The activities of the Capital Group in 2010 resulted in a net profit of PLN 639,381 thousand. The consolidated financial statements of the Capital Group for 2010 were audited by a certified auditor. The audit was performed by authorized entity Deloitte Audyt Sp. z o.o. On 12 April 2011, the certified auditor issued an unqualified opinion on those financial statements.

The General Shareholders Meeting, which approved the consolidated financial statements for the 2010 financial year, was held on 29 June 2011.

The financial statements for the 2010 financial year were submitted to the National Court Register (KRS) on 22 August 2011 and filed for publication in Monitor Polski B on 8 July 2011. They were published in Monitor Polski B No. 203 on 16 January 2012.

3. Details of the authorized entity and the key certified auditor acting on its behalf

The audit of the financial statements was conducted based on the agreement of 1 March 2011 concluded between ENEA S.A. and Deloitte Audyt Sp. z o.o. with registered office in Warsaw, al. Jana Pawła II 19, recorded under number 73 on the list of entities authorized to provide audit services kept by the National Council of Statutory Auditors. On behalf of the authorized entity, the audit of the consolidated financial statements was conducted under the supervision of Marcin Samolik, key certified auditor (No. 10066), in the registered office of the Parent from 12 to 15 March 2012 and outside the registered office on 10 April 2012.

The entity authorized to audit the consolidated financial statements was appointed by the resolution of the Supervisory Board of 17 January 2011 based on authorization included in Article 20 of the Parent's By-laws.

Deloitte Audyt Sp. z o.o. and Marcin Samolik, key certified auditor, confirm that they are authorized to carry out audits and meet the requirements of Article 56 of the Act of statutory auditors and their self-regulation, entities authorized to audit financial statements and public supervision (Journal of Laws of 2009, No. 77, item 649), to express an unbiased and independent opinion on the consolidated financial statements of ENEA S.A. Capital Group.

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 key certified auditor, as confirmed e.g. in a written representation of the Parent's Management Board of 10 April 2012.

5. Economic and financial position of the Capital Group

Presented below are the main items from the statement of comprehensive income as well as financial ratios describing the financial result of the Capital Group and its economic and financial position compared to the prior years.

<u>Main items from the statement of comprehensive income (PLN '000)</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Sales revenue	9,688,949	7,836,875	7,153,509
Operating expenses	(8,934,320)	(7,073,122)	(6,614,541)
Other operating revenue	248,331	84,292	78,599
Other operating expenses	(158,736)	(136,081)	(111,962)
Financial revenue	190,037	142,255	180,471
Financial expenses	(46,887)	(41,003)	(33,020)
Income tax	(194,853)	(173,835)	(139,446)
Net profit (loss)	792,521	639,381	513,610
Comprehensive income	791,164	669,547	535,465

<u>Profitability ratios</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
– gross profit margin	8.7%	9.1%	7.1%
– net profit margin	8.2%	8.2%	7.2%
– net return on equity	8.2%	6.9%	5.8%

<u>Effectiveness ratios</u>			
– assets turnover ratio	0.71	0.61	0.58
– receivables turnover in days	34	39	39
– liabilities turnover in days	32	34	35
– inventories turnover in days	12	14	16

Liquidity/Net working capital

– debt ratio	23.5%	23.1%	23.4%
– net working capital (PLN '000)	2,109,142	2,512,579	2,404,153
– current ratio	2.2	2.6	2.7
– quick ratio	2.0	2.4	2.4

An analysis of the above figures and ratios indicated the following trends in 2011:

- an increase in sales revenue,
- a decrease in net working capital and liquidity ratios.

II. DETAILED INFORMATION

1. Information about the audited consolidated financial statements

The audited consolidated financial statements were prepared as at 31 December 2011 and include:

- consolidated balance sheet prepared as at 31 December 2011, with total assets and liabilities plus equity of PLN 13,699,894 thousand;
- consolidated statement of comprehensive income for the period from 1 January to 31 December 2011, with a net profit of PLN 792,521 thousand and total comprehensive income of PLN 791,164 thousand;
- consolidated statement of changes in equity for the period from 1 January to 31 December 2011, disclosing an increase in equity of PLN 603,291 thousand;
- consolidated cash flow statement for the period from 1 January to 31 December 2011, showing a cash inflow of PLN 318,734 thousand;
- notes, comprising a summary of significant accounting policies and other explanatory information.

The structure of assets and liabilities plus equity as well as items affecting the financial result has been presented in the consolidated financial statements.

The audit covered the period from 1 January to 31 December 2011 and focused mainly on:

- verification of the correctness and fairness of the consolidated financial statements prepared by the Management Board of the Parent,
- verification of the consolidation documentation;
- evaluation of the correctness of the consolidation methods and procedures applied during consolidation,
- review of opinions and reports on audits of financial statements of subsidiaries and associated companies included in consolidation, prepared by other certified auditors.

2. Consolidation documentation

The Parent presented the consolidation documentation including:

- 1) financial statements of entities included in the consolidated financial statements;
- 2) financial statements of controlled entities, adjusted to the accounting principles (policy) applied during consolidation;
- 3) all consolidation adjustments and eliminations necessary for preparation of the consolidated financial statements;
- 4) calculation of the fair value of the net assets of controlled entities;
- 5) calculation of goodwill and its impairment loss, as well as profit on bargain transactions;
- 6) calculation of minority interest.

Basis for the preparation of the consolidated financial statements

The Capital Group prepared the consolidated financial statements for the 2011 financial year in accordance with the International Financial Reporting Standards in the form approved by the European Union (EU IFRS).

Entities in the Capital Group

The scope and method of consolidation as well as the relationship between entities in the capital group have been determined based on the criteria specified in the International Financial Reporting Standards.

Financial period

The consolidated financial statements have been prepared as at the same balance sheet date and for the same financial year as the financial statements of the Parent – ENEA S.A. Subsidiaries and associates included in consolidation prepared their financial statements as at the same balance sheet date as the Parent. The financial year of all subsidiaries and associated companies included in consolidation ended on 31 December 2011.

Consolidation method

The financial statements of the subsidiaries were consolidated using the full method, i.e. full amounts of all relevant items of the financial statements of the Parent and the subsidiaries included in consolidation were summed up.

Once the values had been summed up, consolidation adjustments and eliminations were applied to:

- the cost of shares held by the Parent in subsidiaries and the part of net assets of subsidiaries corresponding to the interest of the Parent in these companies,
- mutual receivables and liabilities of entities included in consolidation;
- material revenue and expenses related to transactions between entities included in consolidation.
- gains or losses resulting from business transactions concluded among entities included in consolidations and incorporated in the amount of consolidated assets.

The equity method was applied with respect to associated entities. The value of the Parent's interest in the associated company was adjusted by increases or decreases in the equity of the associated companies attributable to the Parent, which occurred in the period covered by consolidation, and decreased by dividends due from such companies.

3. Completeness and correctness of drawing up the notes and explanations and the report on the activities of the Capital Group

The Parent confirmed the validity of the going concern basis in preparation of the consolidated financial statements. The notes to the consolidated financial statements give a correct and complete description of measurement principles regarding assets, liabilities, profit or loss and principles of preparation of the consolidated financial statements.

The Parent prepared notes in the form of tables to individual items of the consolidated statement of financial position and statement of comprehensive income as well as narrative descriptions, in line with the requirements of EU IFRS.

Limitations imposed on individual assets disclosed in the consolidated balance sheet arising from security granted to creditors have been described.

Individual assets and liabilities as well as revenue and expenses have been correctly presented by the Parent in the consolidated financial statements. The consolidated balance sheet, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows as well as notes which constitute an integral part of the financial statements include all items required for disclosure in the consolidated financial statements under EU IFRS.

The consolidated financial statements have been supplemented with the Management Board's report on the activities of the Parent in the 2011 financial year. The report contains all information required under Article 49.2 of the Accounting Act and the Ordinance of the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities and the rules of equal treatment of the information required by the laws of non-member states. We have audited the report with respect to the disclosed information derived directly from the audited consolidated financial statements.

4. Final information and findings

Management Board's Representation

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

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Marcin Samolik
Key certified auditor
conducting the audit
No. 10066

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represented by

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Entity entitled to audit
financial statements entered under
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Warsaw, 10 April 2012