

ENEA S.A.
POZNAŃ, UL. NOWOWIEJSKIEGO 11

FINANCIAL STATEMENTS
FOR THE 2010 FINANCIAL YEAR
WITH
AUDITOR'S OPINION
AND
AUDIT REPORT

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AUDITOR'S OPINION

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

We have audited the attached financial statements of Enea S.A. ("the Company") with registered office in Poznań, at Nowowiejskiego 11, including the separate statement of financial position prepared as at 31 December 2010, the separate income statement and statement of comprehensive income, the separate statement of changes in equity, the separate statement of cash flows for the financial year from 1 January 2010 to 31 December 2010 and notes, comprising a summary of significant accounting policies and other explanatory information.

Preparation of financial statements is the responsibility of the Management Board of the Company.

The Management Board of the Company and members of its Supervisory Board are obliged to ensure that the financial statements and the report on the activities 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 financial statements with the accounting principles (policy) adopted by the Company, 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 Company and an opinion on the correctness of the underlying accounting records.

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 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) and material estimates applied by the Company, verification - largely on a test basis - of the accounting evidence and records supporting the amounts and disclosures in the financial statements, as well as overall evaluation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the audited financial statements in all material respects:

- present fairly and clearly the information material to evaluate the economic and financial position of the Company as of 31 December 2010 as well as its profit/loss in the financial year from 1 January 2010 to 31 December 2010;
- 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, secondary legislation to the Act and based on properly kept accounting records;
- comply with the provisions of law and the by-laws of the Company which affect the contents of the financial statements.

The report on the activities of the Company for the 2010 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 financial statements.

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

.....
Represented by

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

Warsaw, 12 April 2011

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
FINANCIAL STATEMENTS OF ENEA S.A. FOR THE 2010 FINANCIAL YEAR**

I. GENERAL INFORMATION

1. Details of the audited Company

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

The Company 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 Company, 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 Company's name was changed from Energetyka Poznańska S.A. to Grupa Energetyczna Enea S.A. On 13 October 2004, the Company changed its name to ENEA S.A.

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

The REGON number assigned by the Statistical Office is: 630139960.

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

In the audited financial year, the Company's operations involved trade in electricity.

As of 31 December 2010, the Company's share capital 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 Company 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 2009, the ownership structure of the Company 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	337,626,428	76.48%	337,626	76.48%
Vattenfall AB	82,395,573	18.67%	82,396	18.67%
EBRD	11,038,962	2.50%	11,039	2.50%
Other	10,381,615	2.35%	10,382	2.35%
	441,442,578	100.00%	441,443	100.00%
Share capital arising from hyperinflationary revaluation			107,765	
Other adjustments			38,810	
Share capital			588,018	

As at 31 December 2010, the ownership structure of the Company 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%
Employees	25,049,143	5.67%	25,049	5.67%
ING OFE	11,694,592	2.65%	11,695	2.65%
EBRD	11,038,962	2.50%	11,039	2.50%
Other	77,639,495	17.59%	77,639	17.59%
	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	

After the balance sheet date and until the opinion date, no changes in the amount of the share capital occurred; the shareholding structure changed, though: on 30 March 2011, the State Treasury disposed of 4,463,978 shares accounting for 1.01% of the share capital of ENEA S.A. Following the conclusion of agreements on disposal of shares in ENEA S.A. between the State Treasury and eligible employees and their successors, pursuant to provisions of the Act on commercialization and privatization of 30 August 1996 and Act on principles of acquiring shares from State Treasury during consolidation of the energy sector of 7 September 2007.

As at 31 December 2010 the Company's equity amounted to PLN 10,043,874 thousand.

The Company's financial year is the calendar year.

ENEA S.A. is the parent in the ENEA Capital Group, which as at 31 December 2010 included 19 subsidiaries and 3 associates. Additionally, subsidiaries of the State Treasury of the Republic of Poland are treated as related parties of the Company. Related party transactions concluded during the financial year are presented in Note 33 of the additional information and explanations.

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

- Maciej Owczarek - Chairman of the Board;
- Maksymilian Górniak - Member of the Board in Charge of Commerce
- Hubert Rozpędek - Member of the Board in Charge of Economy
- Krzysztof Zborowski - Member of the Board in Charge of Generation.

Changes in the composition of the Management Board during the audited period:

- By means of Resolution of 16 April 2010, the Supervisory Board dismissed Sławomir Jankiewicz from the position of the Management Board Member in Charge of Economic Affairs, Piotr Koczorowski from the position of the Management Board Member in Charge of Corporate Affairs, Marek Malinowski from the position of the Management Board Member in Charge of Strategy and Development and Tomasz Treider from the position of the Management Board Member in Charge of Commercial Affairs.
- By means of Resolution of 16 April 2010, the Supervisory Board appointed Hubert Rozpędek to the position of the Management Board Member in Charge of Economic Affairs, Krzysztof Zborowski to the position of the Management Board Member in Charge of Strategy and Development and Maksymilian Górniak to the position of the Management Board Member in Charge of Commercial Affairs.
- On 12 July 2010, by means of a resolution, the Supervisory Board approved amendment to the "Regulations regarding Management Board of ENEA S.A." involving a change in the name of the position held by Krzysztof Zborowski from Member of the Board in Charge of Strategy and Development to Member of the Board in Charge of Generation.

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

The activities of the Company in 2009 resulted in a net profit of PLN 305,414 thousand. The financial statements of the Company for 2009 were audited by a certified auditor. The audit was performed by authorized entity Deloitte Audyt Sp. z o.o. On 16 March 2010, the certified auditor issued an unqualified opinion on those financial statements.

The General Shareholders' Meeting approving the financial statements for the 2009 financial year was held on 20 April 2010. The Shareholders' Meeting decided about the following distribution of the net profit for 2009:

- | | |
|---|-----------------------|
| - dividends for shareholders | PLN 167,748 thousand, |
| - allocation to reserve capital | PLN 137,357 thousand, |
| - appropriation to the Social Benefits Fund | PLN 309 thousand. |

According to the accounting policy adopted by the Company, the amount appropriated to the Social Benefits Fund from the net profit for 2009 was charged to employee benefit expenses for 2010.

The financial statements for the 2009 financial year were submitted in accordance with the law to the National Court Register on 29 April 2010 and filed for publication in Monitor Polski B on 23 April 2010. They were published in Monitor Polski B No. 1321 on 4 August 2010.

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 31 March 2010 concluded between ENEA S.A. and Deloitte Audyt Sp. z o.o. with registered office in Warsaw, al. Jana Pawła II 19, recorded under number 73 on the list of entities authorized to provide audit services kept by the National Council of Statutory Auditors. On behalf of the authorized entity,

the audit of the financial statements was conducted under the supervision of Marcin Samolik, key certified auditor, (No. 10066), in the registered office of the Company from 20 to 24 September 2010 and from 14 to 25 February 2011, and outside the registered office on 12 April 2011.

The entity authorized to audit the financial statements was appointed by the resolution of the Supervisory Board of 5 March 2010 based on authorization included in Article 20 of the Company'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 financial statements of ENEA S.A.

4. Availability of data and management representations

The scope of our audit was not limited. During the audit, all necessary documents and data as well as detailed information and explanations were provided to the authorized entity and the key certified auditor, as confirmed e.g. in a written representation of the Management Board of 12 April 2011.

5. Economic and financial position of the Company

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

<u>Main items from the statement of comprehensive income (PLN '000)</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Net sales revenue	6,304,332	7,048,625	5,941,996
Operating expenses	(6,170,505)	(6,856,828)	(5,839,662)
Other operating revenue	28,667	27,317	55,760
Other operating expenses	(46,264)	(63,051)	(39,809)
Financial revenue	303,628	214,297	130,117
Financial expenses	(5,986)	(7,733)	(2,055)
Income tax	(49,486)	(57,213)	(42,562)
Net profit (loss)	364,386	305,414	203,785
Comprehensive income	379,174	305,414	198,386

<u>Profitability ratios</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
– gross profit margin	1.8%	2.2%	2.0%
– net profit margin	5.8%	4.3%	3.4%
– net return on equity	3.8%	3.2%	2.1%

<u>Effectiveness ratios</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
– assets turnover ratio	0.57	0.65	0.54
– receivables turnover in days	45	39	38
– liabilities turnover in days	42	42	42

<u>Liquidity/Net working capital</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
– debt ratio	9.3%	9.9%	12.4%
– net working capital (PLN '000)	2,013,041	1,861,940	1,797,907
– current ratio	3.2	2.9	2.4
– quick ratio	3.2	2.9	2.4

An analysis of the above figures and ratios indicated the following trends in 2010:

- a decrease in the sales revenue and gross profit margin;
- an increase in net sales margin and return on equity;
- a decrease in receivables turnover ratio.

II. DETAILED INFORMATION

1. Evaluation of the accounting system

The Company has valid documentation describing the adopted accounting principles (policy), referring in particular to: definition of the financial year and reporting periods thereof, methods of measuring 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 in terms of measurement of assets and liabilities and presentation of the financial statements, in line with IFRS as endorsed by the EU (EU IFRS). Principal methods of measuring assets, liabilities and profit/loss have been presented in the notes.

The accounting principles which the Company may choose pursuant to IFRS have been selected in such a way so as to properly reflect the nature of the Company's business, its financial position and financial results. The principles have been applied consistently and have not been changed as compared to the principles used to keep the accounting records and prepare the financial statements in the prior year.

The Company uses SAP computerized accounting system to record all business transactions. The system is password-protected against unauthorized access and has functional access controls. The description of the IT system complies with the requirements of Article 10.1.3c of the Accounting Act.

The opening balance resulting from the approved financial statements for the prior financial year has been properly introduced into the accounting records of the audited period.

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

The accounting records and evidence, 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 required by the Accounting Act. Identified differences have been recorded and settled in the accounting records for the audited period.

2. Information about the audited financial statements

The audited financial statements were prepared as of 31 December 2010 and include:

- separate balance sheet prepared as of 31 December 2010, with total assets and liabilities plus equity of PLN 11,075,352 thousand;
- separate consolidated statement of comprehensive income for the period from 1 January 2010 to 31 December 2010, with a net profit of PLN 364,386 thousand and total comprehensive income of PLN 379,174 thousand;
- separate statement of changes in equity for the period from 1 January 2010 to 31 December 2010, disclosing an increase in equity of PLN 211,426 thousand;
- separate cash flow statement for the period from 1 January 2010 to 31 December 2010, showing a cash inflow of PLN 64,697 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 financial statements.

3. Information about selected material items of the financial statements

Shares in subsidiaries, co-subsidiaries and associates

As at 31 December 2010, investments in subsidiaries, co-subsidiaries and associates amounted to PLN 7,874,545 thousand (71% of the balance sheet total) included mostly shares in the nineteen subsidiaries (PLN 7,693,412 thousand).

The notes correctly describe changes in investments during the financial year.

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

As at 31 December 2010, short-term FVTPL financial assets amounted to PLN 1,781,939 thousand (16.1% of the balance sheet total) and included State Treasury bonds and notes and bank deposits jointly managed as an investment portfolio by a professional asset management company.

Liabilities

As of 31 December 2010, the Company's liabilities amounted to PLN 1,031,478 thousand, with trade liabilities accounting for PLN 664,142 thousand (64.4%).

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

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

The notes give a complete description of the reporting items and clearly present other information required pursuant to EU IFRS.

The financial statements have been supplemented with the Management Board's report on the activities of the Company in the 2010 financial year. The report contains 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 financial statements.

5. 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 Company's Management Board, in which the Board stated that the Company 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

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

Warsaw, 12 April 2011