

Report of the Management Board

on the operations of the
ENEA S.A. in 2011

Poznan, 10 April 2012



Table of Contents:

1. ENEA S.A. ORGANISATIONAL AND CAPITAL TIES.....	4
1.1. ENEA S.A. as the dominant entity in the ENEA Capital Group.....	4
1.2. Policy on directions of development of ENEA S.A.	5
1.3. Realisation of the strategy of social responsibility of the business	6
1.4. Description of key capital investments.....	8
1.5. Other equity investments and disinvestments as a part of assets restructuring processes	10
1.6. Changes to the organisation and management rules of ENEA S.A.	11
1.7. Information on branches	12
2. THE OPERATIONS OF ENEA S.A.....	13
2.1. Information on basic products, goods and services	13
2.2. Sales markets	13
2.2.1. Sales to end users.....	14
2.2.2. Other sales.....	14
2.2.3. Sales by value and type	15
2.3. Supply markets	15
2.3.1. Purchase and sale of energy by ENEA S.A. on the wholesale market	16
2.3.2. Purchase of the distribution service	16
2.4. Information on concluded agreements	15
2.4.1. Agreements of significance to ENEA S.A.	15
2.4.2. Information on transactions with affiliated entities	16
2.4.3. Agreements between companies belonging to the Group	16
2.4.4. Credit and loan agreements concluded and terminated	17
2.4.5. Loans granted	18
2.4.6. Purchase of bonds issued by subsidiaries.....	18
2.4.7. Granted and received sureties and guarantees	19
2.4.8. Agreements between shareholders of the parent company	20
2.4.9. Insurance agreements.....	20
2.4.10. Collaboration or cooperation agreements.....	20
3. PRESENTATION OF THE FINANCIAL POSITION OF ENEA S.A.....	21
3.1. Discussion of key economic and financial figures disclosed in the annual financial statement.....	21
3.1.1. Financial results – profit and loss account	21
3.1.2. Structure of costs of revenues from sales.....	24
3.1.3. Assets - structure of assets and liabilities in the balance sheet.	25
3.1.4. Financial and non-financial indicators.....	27
3.2. Financial results forecasts.....	30
3.3. Financial resources management	30
3.4. Information on financial instruments	30
3.5. Unusual factors and events affecting the result.....	31
3.6. Major events that have, or could have in the future, a material effect on the Company's operations and financial results.....	31
3.7. Description of key off-balance sheet items	31
4. DEVELOPMENT PROSPECTS AND DESCRIPTION OF RISKS AND THREATS.....	31
4.1. Essential operating development and risk factors	32
4.1.1. The overall condition of the economy.....	32
4.1.2. Factors related to economic activity.	33
4.1.3. Legal regulation and tariffs.....	33
4.1.4. Wholesale electricity prices.....	35
4.1.5. Obligations with respect to obtaining energy certificates of origin	35
4.1.6. Customer service	35
4.1.7. Market liberalisation	36
4.1.8. Purchasing electricity from external entities.....	36
4.1.9. Concessions	36
4.1.10. Implementation of the strategy	37



4.1.11. Synergy results	38
4.1.12. Insuring our operations	38
4.1.13. Management personnel	38
4.1.14. Collective disputes and agreements.....	39
4.1.15. Court and administrative proceedings	39
4.1.15.1. Litigation	41
4.1.15.2. Administrative proceedings.....	41
4.1.16. Environmental protection	40
4.1.17. Real estate	40
4.1.18. Modernisation and development.....	40
4.1.19. Factors related to the operations of ENEA S.A.'s subsidiaries	41
4.2. Development Strategy of ENEA S.A.	41
4.3. Assessment of the Feasibility of Implementing Investment Plans	44
4.4. Rating	45
4.5. Description of the Use of Issue Proceeds	44
5. THE CORPORATE BODIES OF ENEA S.A.....	44
5.1. Members, appointment and description of powers.....	44
5.2. Principles of Remuneration	44
5.3. Level of Remuneration.....	45
5.4. List of Shares in Entities that are Members of the ENEA Capital Group that are Held by the Members of the Management and Supervisory Boards.....	48
6. THE SHAREHOLDING AND SHARE CAPITAL STRUCTURE OF ENEA S.A.....	49
6.1. Share capital structure.....	49
6.2. Shareholding structure	49
6.3. Potential changes in the shareholder structure	50
6.4. Treasury shares.....	51
6.5. Information on the system of inspecting employee share programmes	52
7. DECLARATION OF THE APPLICATION OF CORPORATE GOVERNANCE PRINCIPLES.....	52
7.1. The set of principles applied	52
7.2. Principles which have not been applied	52
7.3. Description of the main features of the internal control and risk management systems applied in the issuer's company.....	54
7.4. Shareholders holding substantial blocks of shares	55
7.5. Holders of securities carrying special inspection rights.....	55
7.6. Restrictions on exercising voting rights	55
7.7. Restrictions on assigning the ownership title to securities	55
7.8. Principles relating to appointing and recalling management personnel	56
7.9. Powers of the Management Board members	56
7.10. Description of the principles governing the amendment of ENEA S.A.'s Statute.....	57
7.11. The procedure and basic powers of the General Meeting of Shareholders and a description of shareholders' rights and the procedure for exercising them	57
7.12. The composition of the management and supervisory boards of ENEA S.A., changes to it, and a description of their operations	59
8. ADDITIONAL INFORMATION.....	65
8.1. The entity authorised to audit financial statements	65
8.2. Litigation	66
8.3. Achievements in the area of research and development.....	66
8.4. Environmental issues	66
8.5. Information on employment	67
8.6. Principles of preparation of an annual financial statement	67
8.7. Glossary of industry terms.....	68



1. ENEA S.A. ORGANISATIONAL AND CAPITAL TIES

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

ENEA S.A. was established on 2 January 2003 as the result of the merger of five companies: Energetyka Poznanska S.A., Energetyka Szczecinska S.A., Zakład Energetyczny Gorzow S.A., Zielonogorskie Zakłady Energetyczne S.A. and Zakład Energetyczny Bydgoszcz S.A. The merger of the companies was made under the procedure of Article 492 item 1(1) of the CCC, i.e. by transferring all the assets of the four companies: Energetyka Szczecinska S.A., Zakład Energetyczny Gorzow S.A., Zielonogorskie Zakłady Energetyczne S.A. and Zakład Energetyczny Bydgoszcz S.A. to Energetyka Poznanska S.A. in exchange for shares in the share capital of Energetyka Poznanska S.A.

General information regarding ENEA S.A.	
Name (business name):	ENEA Spolka Akcyjna
Legal form:	Spolka Akcyjna (Joint-stock company)
Country of registration:	Republic of Poland
Registered office:	Poznan
Address:	ul. Gorecka 1, 60-201 Poznan
National Court Register - Regional Court in Poznan - Nowe Miasto and Wilda in Poznan	KRS 0000012483
Telephone number:	(+48 61) 884 53 00
Fax:	(+48 61) 884 59 55
E-mail:	enea@enea.pl
Website:	www.enea.pl
Statistical classification number (REGON):	630139960
Tax identification number (NIP):	777-00-20-640

As at 31 December 2011 the Capital Group consisted of the parent company ENEA S.A. (the "Company", or "Parent Company"), 20 subsidiaries and one associated company. Within the ENEA Capital Group ("Group") there are three leading entities, i.e. the following companies: ENEA S.A. (trade in electricity), ENEA Operator Sp. z o.o. (distribution of electricity) and Elektrownia "Kozienice" S.A. (generation of electricity). The remaining subsidiaries render supplementary activities in relation to the above companies.



1.2. Policy on directions of development of ENEA S.A.

One of key factors that will affect the growth and perspectives of ENEA S.A. is the implementation of the Company strategy which is reflected in the activities realised in the whole ENEA Capital Group.

The policy within this field is based on three strategic areas:

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

As part of the Group's strategic area that involves core business development, one of the long-term strategic courses of action to be taken by the Group is gaining access to own sources of energy generation of the potential enabling at least satisfaction of the demand for electricity of all the customers of the Group.

The first step towards carrying out that strategy was joining the Koziencice Power Plant, Poland's highest-capacity bituminous coal-fired power plant, to the ENEA Capital Group in October 2007. Moreover in 2011 we bought a package of shares of the Bialystok Heat and Power Plant thanks to which we hold 99.94 per cent of shares of the Bialystok company. Bialystok Heat and Power Plant is one of the biggest enterprises in the region. Generating capacity of the power plant in ca. 75 per cent cover the annual demand for heat of the Bialystok agglomeration.

Irrespective of what opportunities there may be to acquire additional generation capacity by acquiring existing entities, we are planning to increase our own generation capacity, including at the Koziencice Power Plant, where by 2016 we plan to construct a new power unit with a total capacity of up to 1,000 MWe. We are also conducting studies with regard to the construction of another power unit up to 1,000 MWe which may involve investment outlays, starting from 2012.

In connection with anticipated increases in the requirements for sales of electrical energy from renewable and co-generated energy sources, we are taking action aimed at increasing our control over the costs of meeting the legal requirements. To this end, we plan to continue concluding long-term agreements for the purchase of energy certificates for energy produced from renewable sources and cogeneration from external entities, and to carry out direct investments in such sources. Our intention is to invest in wind farm projects and biogas plants, already commenced and at various stages of development, by acquiring existing entities or investing in new projects in co-operation with external entities. Four scenarios of purchases are possible, depending of the stage of the project: searching for projects which in part would be realized by a third entity as a developer's service, purchase of a project from a third party before achievement by this party of a building permit and further individual development of the project, purchase of projects/special purpose companies (established by developers for realization of the project) after achievement of a final building permit for the project/special purpose company or purchase of finished turnkey wind farms and biogas power plants.

Heretofore acquired thermal plants will be modernised and transformed into thermal power plants, also into ones powered with biomass which will generate electricity and heat in cogeneration, enabling us to obtain additional certificates of origin for the energy.

Actions are consequently performed in order to increase energetic efficiency which are realised in accordance with "The Policy of Energetic efficiency" which was adopted with a resolution of the Board in October 2008. The operations within this field are supervised by the Efficiency Office functioning within the structure of Services Department. The program is also pursued by subsidiaries belonging to the ENEA Capital Group whose technical and personnel resources enable measurable efforts in favour of energy efficiency to be taken now or in the near future. Planned actions include carrying out modernization works improving the energy efficiency of facilities. For a few years now, consistently and in cooperation with municipalities, road and public lighting installations have been modernised, thereby reducing the capacity of such devices by as much as 60 per cent.

In 2011, the employees of the ENEA Capital Group who during trainings were provided with specialist knowledge in the area of energy consultancy and the energy certification of buildings, successively acquires state licences. In the future, after the Energy Efficiency Act and the package of secondary regulations come into force, a possibility and justifiability of further and more specific activities aiming at raising competences indispensable for assessing projects involving obtaining proprietary interests in the form of 'white certificates', resulting from documented and effective investment actions for reducing energy consumption.



Soon it will become necessary to further intensify efforts aimed at energy efficiency, as additional legal obligations will be imposed on ENEA S.A. under the provisions of the Energy Efficiency Act. In the light of the current provisions of the Act, we will have to plan and implement measures for increasing the energy savings achieved by end users and for our own use, and for reducing electricity losses in transit or distribution.

In order to achieve the goals set, it is essential to create such a range of services within the competence of both the Group and its potential external partners. Acquiring proprietary interests through the Polish Power Exchange or paying substitute charges imposed by the President of the ERO will be a significantly worse solution for the Company in business terms.

Taking into account the requirements for ENEA S.A. contacts and information are successively gained concerning economic entities interested in the cooperation. As a result of specialist training for employees, assessing the present and signalling of the required potential of the companies of the Group and planning of cooperation with external entities we plan to launch mechanisms for gaining white certificates and proper coordination of activities.

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

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

The effective implementation of a policy on the developmental direction of the Company and the entire ENEA Capital Group is dependent on initiating a new business model for the Group. The basic task of the new model is guaranteeing a possibly flexible functioning of the ENEA Capital Group for the long run, allowing in result for full exploitation of chances and facing the challenges that occur in Polish power sector.

1.3. Realisation of the strategy of social responsibility of the business

"The strategy of social responsibility of business of the ENEA Capital Group" is fully integrated with "Corporate Strategy for the ENEA Capital Group for the years 2010-2015 looking forward to 2020". It was adopted by the Board of ENEA S.A. in October 2010. The document constitutes the basis for consistent implementation of practices of social responsibility of business by all the companies of the ENEA Capital Group.

Business social responsibility is focused on the three key areas: workplace, community and natural environment which were translated into the three goals:

- Goal 1. Ensuring a balanced management of human resources which focuses on internal issues such as development of employee competences, flow of knowledge and communication.
- Goal 2. Ensuring of a dialogue with clients, including local community and taking into account their voice in the business operations, which concentrates on the relations with clients and their service and considering social community in business operations. It also covers social and charity actions undertaken by the companies.
- Goal 3. Promoting pro-environment solutions and behaviours which focuses on the two aspects: diminishing of a negative impact of ENEA on the environment and environmental education.

Within the realisation of goal 1. in 2011 the following initiatives were undertaken:

1. In Q2 2011 the *Programme of supporting corporate volunteering in the ENEA Capital Group allowing for raising employee satisfaction*.
2. Internal community of speedway - *ENEA Speedway Team* developed from Q2 2011 which impacts employee satisfaction.
3. In Q3 2011 works on implementation of a corporate Intranet platform were commenced which would be available to all the employees of the ENEA Group. The year of 2011 completed with the commencement of the test stage of the project.



4. In Q3 2011 preparations were commenced to perform a poll of opinions and expectations of employees of the ENEA Group for 2011. The research started in December 2011 and the employee satisfaction ratio will be known in April 2012.

Within the realisation of goal 2. in 2011 the following initiatives were undertaken:

1. In Q1 2011 the "*Policy of social engagement of the ENEA Capital Group*" was elaborated and approved, which determined all the directions of all the activities within social commitment of the companies comprising the ENEA Group: The Environment and Community. The policy introduced new tools improving the realisation of the set directions of cooperation with social organisations - application form is available on-line on the Company's website, application assessment form and reporting form.
2. The provisions of the "*Policy of social engagement of the ENEA Capital Group*" resulted in the necessity of a change of the present "*Principles of granting subsidies by the Board of ENEA S.A.*" New shape of Principles was approved by the Board of ENEA S.A. in Q1 2011. The principles characterise with clear rules, are optimal and functional. In 2011 the Board of ENEA S.A. adopted resolutions on granting 18 subsidies of the total aid amount of PLN 245,000 gross. Actually however, till 31 December 2011 the beneficiaries received the amount of PLN 199,072.61 gross, from which in H1 two beneficiaries received the gross amount of PLN 40,000, PLN 20,000 gross each, and in H2 respectively PLN 159,072.61 gross.
3. In Q1 2011 the *Frame Principles of Supporting Corporate Volunteering in the ENEA Capital Group* were adopted which directly resulted from the *Policy of social engagement of the ENEA Capital Group*.
4. Under one logo and name of the programme "Z porywu serca" ("Spurt of heart") two projects were developed within Supporting Corporate Volunteering which use one scenario and materials for all the group projects (i.e. children education under the name of "Nie taki prąd straszny" ("Power-not so scary") or "Pierwsza pomoc – ratownictwo przedmedyczne" ("First Aid - premedical rescue")) the objective of which is dissemination of the knowledge on the premedical rescue, getting rid of the fears connected with it and transfer of skills necessary for providing such help. The programme "Power-not so scary" is directed to children aged 5-9. Volunteering employees of the ENEA Group educate in schools and kindergartens raising the level of knowledge of the youngest children within safe dealing with power and respecting electricity.
5. Caring for the security of contemporary and future generations ENEA S.A. has been consequently supporting creation of innovative solutions in the power industry. II edition of a *Competition for Best Diploma and PhD papers* the conclusion of which and announcing the winners took place in November 2011. The goal of such competitions is intention to interest the academic youth in searching for innovative solutions concerning generation and usage of electricity.

Within the realisation of goal 3. in 2011 the following initiatives were undertaken:

1. A general Polish project of ecological education was initiated - *Wkontakcieznatura.pl* for clients of ENEA S.A. The objective of the programme "W kontakcie z naturą" ("In contact with nature") is promoting of ecological and energy saving attitude towards using power resources, aiming at permanent change in the conscience and behaviour of Polish people, raising ecological knowledge. Within the section an Internet service was launched with the information base and calculator for electricity and CO₂ and competitions for ecological actions. The ambassador, a guide for the service and member of the awarding jury is Michał Żebrowski.

Within the service of *Wkontakcieznatura.pl* in "information base" a special calculator was created which helps checking what is the cost of energy consumed by electric equipment and what CO₂ emission is generated into the atmosphere, and how many new trees need to be planted to neutralise the emitted carbon dioxide.

Within the launching of the service of *www.wkontakcieznatura.pl* in full functionality ENEA S.A. in October organised free workshops of Nordic Walking which took place in three cities: on 15 October in Poznan in Lasek Marcelinski, on 22 October in Park Kultury in Powsin near Warsaw and on 29 October in Park Polnocny in Spopot. Realisation of free nordic walking workshops promoted the author's and pro-ecological project "In contact with nature" of ENEA S.A. since that constitutes a sport, like competition and action "In contact with nature" - for all - as it may be exercised by anyone, notwithstanding their



age or material status, sport which is ecological as it takes place with respect of the natural environment and brings permanent change into our life - exercised regularly increases our physical abilities.

2. Educational campaign raising the employee ecological conscience - two events.

In July 2011 ENEA S.A. commenced the first eco-activity: in all the offices of ENEA S.A. in Poznan, Warsaw, Szczecin, Bydgoszcz and Zielona Gora a system of waste segregation was implemented. Waste segregation bins appeared which were designated for: paper, glass and plastic. The action of waste segregation is part of the realisation of the objective "Promoting pro-ecological solutions and behaviours" of the CSR strategy and assisting operational plan implementing the CSR strategy in the ENEA Capital Group. The document sets eight actions to reduce our negative impact on the environment, including the operation of "Ensuring a system of segregation of waste (paper, plastic, glass, used batteries) in the office of ENEA S.A.".

In December 2011 another stage of ecological communication commenced to which was a contribution to moving of many offices of ENEA S.A. to a new, more modern office building which enables introduction of numerous known ecological solution. In all the office rooms of ENEA S.A. but also facilities: kitchens, halls and corridors, coffee points, spaces with printers and many others educational eco-stickers appeared which aim at reminding ENEA's employees that even small everyday gestures and good habits - when practised by a larger number of people - bring tangible social benefits.

3. Development of the Environment Policy of ENEA S.A.

The draft of the *Environment Policy in ENEA S.A.* was initiated in July 2011. The objective was minimisation of a negative impact on the natural environment, promoting and supporting pro-ecological attitudes. The project was ended in Q4 2011. Implementation of the *Policy* will allow for gaining high management standard within this area.

4. Project "Darmowa Wypożyczalnia Rowerow ENEA - Więcej Czystej Energii" ("Rent a bike for free with ENEA - More Clean Energy").

ENEA S.A. decided to open in Poznan a free-of-charge rental of bikes - ecological means of transport in cities - during the period from 11 June to 31 August 2011. The rental commenced its activity on the area of the Park Tenisowy Olimpia in Poznan on 11 June 2011. The bike rental was open each day within 10-19 hours till 31 August 2011. In order to rent a bike it was enough to present one's identity card and fill in a short form and familiarise with the regulations. 35 bikes were at the disposal of cyclists, free helmets and clamps. In 2011 1,650 people rented a bike. Among the renting people ca. 35 per cent were persons of the age of 18-30, 30 per cent were people in the age of 30-35, 25 per cent - families, and people over 45 years of age - 10 per cent.

1.4. Description of key capital investments

In implementing the Company strategy as regards the development and restructuring of the ENEA Capital Group, the following capital investments were made in 2011:

- On 15 February 2011 the Extraordinary General Meeting of Shareholders General Meeting of Shareholders of Hotel EDISON Sp. z o.o. was held, at which the Company's share capital was increased by PLN 35,000.00, i.e. up to PLN 21,271,500.00, by issuing 70 new shares with a nominal value of PLN 500.00 each. The shares in the increased share capital of Hotel EDISON Sp. z o.o. were subscribed for in full by the only existing shareholder - ENEA S.A. and paid up in full with cash contribution. The increasing of the share capital in the National Court Register was made on 28 July 2011.
- Realising the strategy of ENEA S.A. anticipating the investment into the energy renewable sources, including acquisitions and construction of a biogas plant, ENEA S.A. on 11 May 2011 purchased 100 per cent of the shares in Dobitt Energia Sp. z o.o. with its registered office in Gorzeslaw that is the owner of the construction project and the building permit for construction of an agricultural biogas plant with the power of 1.6 MWe and the owner of the land designated for the investment. The value of the transaction was PLN 3,350,000.00. At the same time, on 11 May 2011, the Extraordinary General Meeting of Shareholders of Dobitt Energia Sp. z o.o. was held during which a resolution was adopted concerning increasing of the share capital of the Company from PLN 100,000.00 by PLN 9,075,000.00 to



PLN 9,175,000.00. All the newly established shares from the increased share capital were taken up by ENEA S.A. The increasing of the share capital in the National Court Register was made on 22 August 2011.

- On 13 May 2011 the Extraordinary General Meeting of Shareholders of Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. with its registered Office in Oborniki, with resolution No 1 approved purchase by ENEA S.A. of 1,234 employee shares for the amount of PLN 1,275.00 per each share, in four tranches:
 - till 11 June 2011 – I tranche in the amount of 314 shares,
 - till 11 June 2012 – II tranche in the amount of 308 shares,
 - till 11 June 2013 – III tranche in the amount of 297 shares,
 - till 11 December 2013 – IV tranche in the amount of 315 shares.

Within the realisation of the purchase of the first tranche of the shares ENEA S.A. purchased 314 employee shares in the amount of PLN 400,350.00.

- On 1 June 2011 ENEA S.A. purchased from Societe Nationale d'Electricite et de Thermique S.A. (SNET) a package of 1,283,214 shares constituting 69.58 per cent of the share capital of the Białystok Heat and Power Plant (EC Białystok) a generating heat capacity of 346 MWt (maximum heating power 459 MWt) and electric power 108 MWe (maximum electric power 165.7 MWe). Acquiring of the company increased the share of generating units of the ENEA Capital Group which gained a source for electricity from cogeneration (CHP) and the so called "green" energy which will enable satisfaction of obligations within redemption of certificates of origin for electricity from cogeneration and from renewable sources (RES source of EC Białystok is a biomass fluid boiler with the capacity of 75.2 MWt). Acquiring of the majority package of the shares of the company ensured better competitive position of the ENEA Capital Group in relation to the other, strong entities functioning on the Polish market.
- On 26 July 2011 the Extraordinary Meeting of Shareholders of EP PUE Energobud Leszno Sp. z o.o. adopted a resolution on increasing of the share capital of the company from PLN 7,634,000.00, by PLN 1,151,000.00, up to PLN 8,785,000.00 in consideration of a non-cash contribution as a right of perpetual usufruct to the property located in Zielona Góra by Al. Wojska Polskiego and the right of ownership to the buildings located on it, building constituting an individual title, comprising the property and fixed assets not constituting the assets of the subject property as a central heating boiler and building elevator. Taking of the shares by ENEA S.A. in the increased share capital of EP PUE Energobud Leszno Sp. z o.o. and transfer of the right of perpetual usufruct to the property concerning the contribution in kind took place on 3 August 2011.

On 15 September 2011 the increasing of the share capital of EP PUE Energobud Leszno Sp. z o.o. was registered in the National Court Register.

- On 22 August 2011 ENEA S.A. purchased 61 per cent of shares in Annacond Enterprises Sp. z o.o. being the owner of the air, double-track power line of 110 kV in the relation of Brzesc - Wolka Dobryńska, connecting the Polish and Belarusian power system.
- On 12 September 2011 the Extraordinary Meeting of Shareholders of ENEOS Sp. z o.o. adopted a resolution on increasing of the share capital of the company from PLN 20,189,500.00, by PLN 11,900,000.00, up to PLN 32,089,500.00 in consideration of a non-cash contribution (in-kind contribution) as an organised part of the undertaking, in the meaning of Article 55¹ of the Civil Code, under the name of „Oświetlenie uliczne Miasta Poznania”. The aforementioned contribution in kind consists of: tangible and intangible assets, i.e. buildings - (fixed assets) and operational documentation, archives, property insurance, financial separation of the subject of the contribution in kind; economic contracts - including a regulation of using the infrastructure of ENEA Operator Sp. z o.o., settlements by title of modernisation of lighting installations and collisions. The organised part of the undertaking constitutes an individual, both within finance and organisation, set of complements ready when needed to individually perform the tasks to which it was designated, as an organised and separated set of assets, is adjusted to performing specific economic tasks within ensuring on the territory of Poznań securing of public needs within lighting.



On 13 September 2011 ENEA S.A. held shares in the increased share capital of ENEOS Sp. z o.o. and transfer of an organised part of the undertaking in the meaning of Article 55¹ of the Civil Code, from ENEA S.A. to ENEOS Sp. z o.o.

On 13 October 2011 the increasing of the share capital of ENEOS Sp. z o.o. was registered in the National Court Register.

- On 20 September 2011 the Extraordinary General Meeting of Shareholders of BHU S.A. adopted a Resolution on increasing of the share capital of the Company by PLN 165,600.00 from the amount of PLN 16,375,100.00 to PLN 16,540,700.00 through issuing of 1,656 shares of L series of the nominal value of PLN 100.00 each, in consideration for a non-cash contribution as a right of perpetual usufruct of the property with improvements, located in Troszczyń, Opalenica municipality, with the total value of PLN 165,600.00, with depriving the present shareholders of the pre-emptive right. The contract of transfer of the right of perpetual usufruct of the aforementioned land property was executed on 3 November 2011. On 16 November 2011 an entry was made to the National Court Register concerning the increasing of the share capital of the company. Transfer of the aforementioned property to the company aimed at, among others, organisation of the economic position of ENEA Capital Group.
- On 25 November 2011 a Preliminary Contract of Sale was signed for all the shares in Windfarm Polska Sp. z o.o. Pursuant to the Agreement ENEA S.A. shall buy from Equiventus Capital Sarl (Luxembourg) 100 per cent of the shares in Windfarm Polska Sp. z o.o., after construction and commissioning by the company of the Bardy 50 MW Wind Farm. The anticipated date of commissioning is April 2012.

1.5. Other equity investments and disinvestments as a part of assets restructuring processes

- On 28 February 2011 an Extraordinary General Meeting of Shareholders of Kozienice II Sp. z o.o. and on 9 March 2011 an Extraordinary General Meeting of Shareholders of Elektrownia "Kozienice" S.A. concerning the merger of Elektrownia "Kozienice" S.A. (Merging Company) with Kozienice II Sp. z o.o. (Merged Company) through transfer of the whole assets of the Merged Company onto the Merging Company with a simultaneous increase of the share capital of the Company through emission of the shares directed to ENEA S.A. The share capital of Elektrownia "Kozienice" S.A. as a result of the merger was increased by PLN 12,482,440.00 to the amount of PLN 462,482,440.00 through emission of 1,248,244 ordinary bearer's shares of B series of the nominal value of PLN 10 each. On 30 March 2011 an entry was made to the National Court Register. The purpose of the merger is to make use of the many years of experience and competences of Elektrownia "Kozienice" in managing generation assets and carrying out investments in new production capacities.
- On 13 July 2011 ENEA S.A. sold for the account of CENTROZAP S.A. with its registered office in Katowice 6,860 shares in the share capital of Przedsiębiorstwo Energetyki Ciepłej w Semie Sp. z o.o. Thus, ENEA S.A. is no longer the shareholder of the aforementioned company.
- On 20 July 2011 the subsidiary of ENEA S.A. operating under the name of FINEA Sp. z o.o. in liquidation as a result of the completed process of liquidation was liquidated and was removed from the National Court Register.
- In relation to the change in the profile of business conducted by Energetyka Poznańska Biuro Usług Technicznych S.A. and commencement of rendering services within customer service for ENEA S.A. the name of the company was also changed to a new name: ENEA Centrum S.A. In connection with commencement by the Company of provision of new services on 1 August 2011 the Company acquired some of the then employees of ENEA S.A. The transfer of the employees of ENEA S.A. constitutes the completion of the first stage of the project aiming at enhancing effectiveness of operations of the whole organisation and adaptation of the Group's structure to the global standards binding on the electricity market. The aim of the project is implementation of a uniform service of customers of ENEA Group. It will allow for concentration of service competences in the Company, specialisation within this field and responsibility for service quality and customer satisfaction.
- On 21 September 2011 4,610 ordinary bearer's shares of MONNARI TRADE S.A. of the nominal value of PLN 0.10 each were transferred to the share account of ENEA S.A., which constituted satisfaction of the receivables of ENEA S.A. reported in the bankruptcy proceedings. Thus, ENEA S.A. became the shareholder of the aforementioned company.



- On 17 November 2011 an Extraordinary General Meeting of Shareholders of Elektrownie Wodne Sp. z o.o. with its registered office in Samociazek during which a decision was made to merge Elektrownie Wodne Sp. z o.o. with Elektrownie Wiatrowe - ENEA Centrum Spolka Akcyjna Spolka komandytowa with its registered office in Samociazek. The merger took place by incorporation of Elektrownie Wiatrowe - ENEA Centrum Spolka Akcyjna Spolka komandytowa into Elektrownie Wodne Sp. z o.o. in the mode described in Article 492 § 1 item 1 of the Commercial Companies Code, i.e. through transfer of the whole assets of Elektrownie Wiatrowe - ENEA Centrum Spolka Akcyjna Spolka Komandytowa to Elektrownie Wodne Sp. z o.o. - a limited partner in the merged company, in consideration for shares which Elektrownie Wodne Sp. z o.o. issued to the general partner of Elektrownie Wiatrowe - ENEA Centrum Spolka Akcyjna Spolka komandytowa, i.e. to ENEA Centrum S.A. The limited partner of the merged company, i.e. Elektrownie Wodne Sp. z o.o. as a merging company, did not receive its shares. On 2 January 2012 the companies were merged. As a result of the merger the share capital of Elektrownie Wodne Sp. z o.o. was increased from the amount of PLN 239,841,000.00 by PLN 8,500.00, i.e. to the amount of PLN 239,849,500.00 through creation of seventeen new shares of a nominal value of PLN 500.00 each.
- On 23 December 2011 ENEA S.A. concluded an agreement for sale of 14,750 shares of Polish Power Exchange with the Warsaw Stock Exchange. On 29 February 2012 the transaction was closed and the aforementioned shares were transferred for the account of the Warsaw Stock Exchange. Therefore on 29 February 2012 ENEA S.A. ceased to be a shareholder of the Polish Power Exchange.
- On 16 February 2012 ENEA S.A. concluded an agreement for sale of 269,000 shares of Przedsiębiorstwo Produkcji Strunobetonowych Zerdzi Wirowanych WIRBET S.A. (WIRBET) with THC Fund Management Ltd. with its registered office in Nicosia, Cyprus, constituting 49 per cent of the share capital of WIRBET. At the same time ENEA S.A., based on the authorisation granted to it on behalf of the other shareholders of WIRBET, i.e. Tauron Dystrybucja, ENERGA S.A., PGE Obrot S.A. sold within the aforementioned agreement also their shareholdings, i.e. 280,000 shares. The transfer of the title to THC and issue of share warrants took place on 22 March 2012.

1.6. Changes to the organisation and management rules of ENEA S.A.

The basic purpose of the organisational changes in ENEA S.A. in 2011 was continuation of the realisation of the strategy of the ENEA Capital Group and to improve the effectiveness of the strategic and operational management in the Company.

All changes implemented in the Company were focused on carrying out projects to improve the operating effectiveness of selected areas of the operations of the Company and of the entire ENEA Capital Group.

The first stage of changes was to establish by ENEA S.A. of a Council of the ENEA Capital Group which is a permanent body of an opinion giving and counselling character supporting the Board of ENEA S.A. within the coordination of activities connected with the current and long-term management and development of the ENEA Capital Group. The Boards of key companies of ENEA CG signed a Capital Group Contract which specifies the rules of cooperation within realisation of the strategy of the ENEA Capital Group.

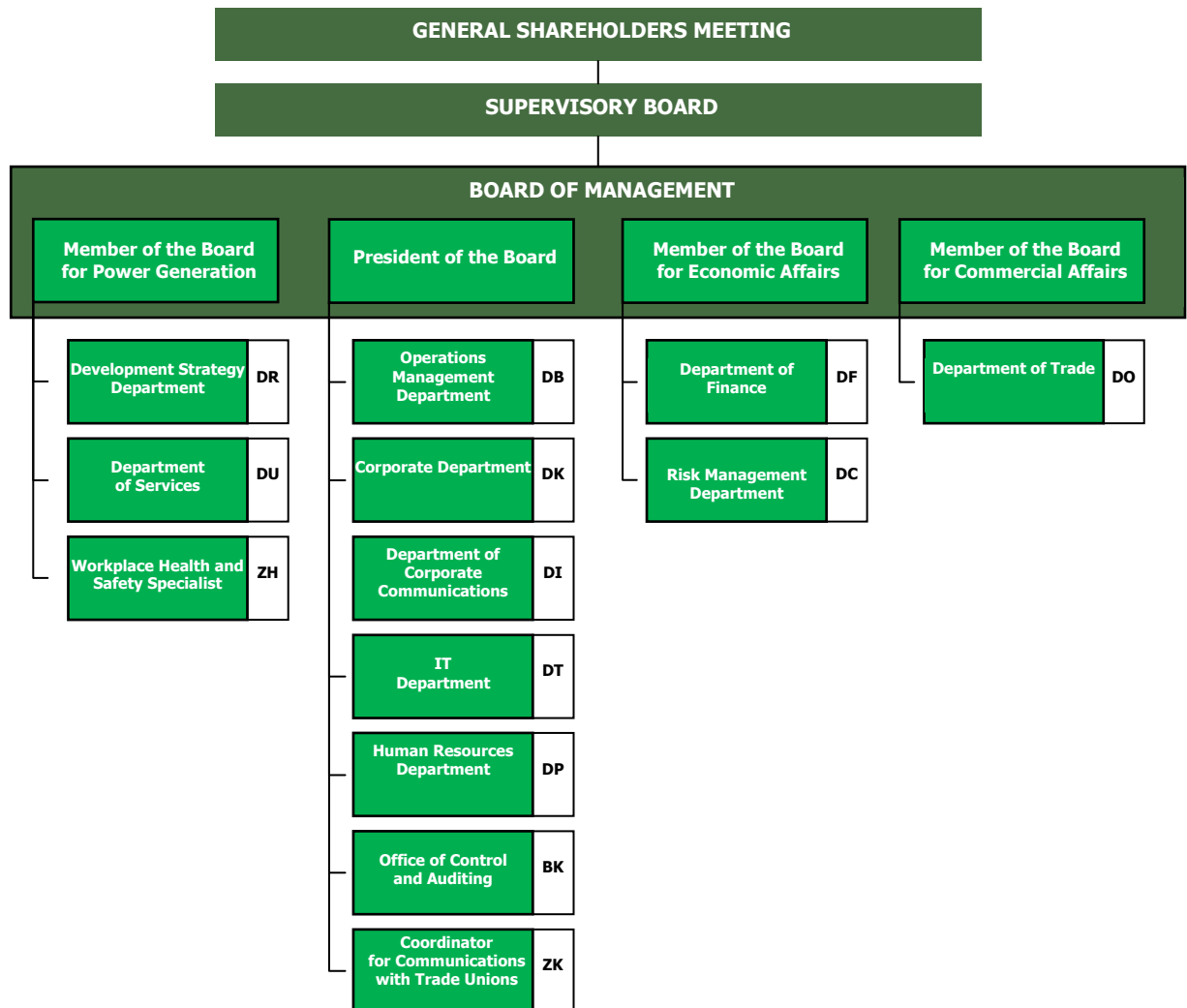
Being directed with the necessity of ensuring better control over the purchase processes the Company implemented a package of internal regulations.

The principles of the purchase policy and using the company car fleet were implemented in order to optimise costs.

The most important organisational changes in 2011 were as follows:

- Acquiring by Energetyka Poznanska Biuro Usług Technicznych S.A. on 1 August 2011 the service of clients from ENEA S.A. which is to be responsible for full centralisation of the service of end users in the ENEA CG (from August 2011 the company operates under the name of ENEA Centrum S.A.).
- Transfer by ENEA S.A. to ELKO Trading Sp. z o.o. of competences and resources within the wholesale of electricity and proprietary interests resulting from certificates of origin for energy.
- Moving of the outsourcing processes of legal services from the Company and implementation of standards of using the aforementioned services.





As a result of the above actions the internal organisation structure of ENEA S.A. was changed. The core activity of the Company is carried out by the Trade Department, within which there are the Wholesale Trade Division, Portfolio Management Division, with Sales Offices located in Bydgoszcz, Gorzow Wielkopolski, Poznan, Szczecin, Warsaw and Zielona Gora.

Company management and operating support activities are carried out in the Strategy Development Department, Services Department, Operating Management Department, Corporate Department, Corporate Communication Department, Telecommunication and IT Department, Human Resources Management Department, Finance Department, Risk Management Department and the Control and Audit Office.

The interdependencies established within the Company (including a diagram of its organisational structure) and the division of tasks, responsibilities and authorisations, is formally reflected in the organisational rules: Organisational Rules for the Business of the Company and Rules for Organisational Units of ENEA S.A. The Company's organisational structure is presented below as at the date of the report.

In relation to the intention to improve the work standards and the idea of concentration of employees in one localisation the project of relocation of the registered office of the Company in Poznan was realised. As a consequence in 2011 the seat of ENEA S.A. was changed to ul. Gorecka 1 in Poznan and movement to the localisation of the seat of ENEA Centrum.

1.7. Information on branches

During the period till 7 February 2011 ENEA S.A. possessed a separated in 2010 in the organisational structure of the Company the division of Elektrownia Biogazowa Liszkowo. The division mentioned above was removed



(in relation to the contribution of an organised part of the undertaking of ENEA S.A. operating under the name of ENEA S.A. Oddzial Elektrownia Biogazownia Liszkowo as a contribution in kind to the subsidiary Elektrownie Wodne Sp. z o.o. with its registered office in Samociazek).

Apart from possession of the above mentioned division ENEA S.A. in 2011 did not have any other branches. Outside of the Poznan field units – Sales Offices operate in Bydgoszcz, Gorzow Wielkopolski, Zielona Gora and Szczecin.

2. THE OPERATIONS OF ENEA S.A.

2.1. Information on basic products, goods and services

The main corporate purpose of ENEA S.A. is trade in electricity. On 1 August 2010 in the ENEA Capital Group there was a reorganisation performed as a result of which the competences within the wholesale were transferred to ELKO Trading Sp. z o.o.

In 2011, the total sales from trading in energy amounted (without taking into account non-invoiced statistical sales - the readout date falls after the financial year end) to approximately 15.5 TWh, including sales to end users of approximately 14.7 TWh, including to customers connected to networks of distribution system operators other than ENEA Operator Sp. z o.o. of approximately 2.1 TWh. The number of end users as at 31 December 2011 amounted to around 2,400,000.

2.2. Sales markets

The portfolio of recipients to whom we sell electricity is highly diversified. Presently we sell electricity to over 2,400,000 recipients, including over 2,100,000 of individual recipients and around 300,000 business entities. In 2011 the proceeds from supplying electricity to our largest customer accounted for 1.48 per cent of the overall value of electricity and distribution sales, and the share of the ten largest customers amounted to 10.2 per cent.

2.2.1. Sales to end users

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

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

This offer is directed to customers on the domestic market.

In practice, tariff group sets A and B are used mainly by large companies operating in such sectors as chemicals,



cement, steel, automotive, paper, wood and metals processing, communal services and port services. In tariff group set C, settlements are made with facilities connected to a low-voltage grid which are not households, such as shops, service outlets, hotels, cities and municipalities – for street lighting, whereas in tariff group set G, settlements are made with end users using electricity to power households and related utility rooms

Typically, ENEA S.A. concludes comprehensive agreements for an unspecified term, but agreements for the sale of energy (without energy distribution services), including agreements with customers connected to networks of distribution system operators other than ENEA Operator Sp. z o.o., are most often concluded for a specified term, usually 12 months.

Termination notice periods are usually one month (approx. 2,300,000 agreements), and less often for two, three or six months (approx. 100,000 agreements).

2.2.2. Other sales

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

2.2.3. Sales by value and type

Revenues on sales of electricity in particular sets of tariff groups on a qualitative basis (not including non-invoiced statistical sales) were as follows:

Item	Revenues on sales of electricity to end users [PLN '000]		
	2010	2011	Change
Tariff group set A	352 703.6	503 489.1	142.8%
Tariff group set B	1 574 055.3	1 349 281.0	85.7%
Tariff group set C	1 021 673.5	898 785.8	88.0%
Tariff group set G	1 110 758.6	1 190 128.6	107.7%
TOTAL	4 059 191.0	3 941 684.5	97.1%

In 2011 in relation to 2010 the greatest increase in revenues on sales was noticed in the A tariff group set and amounted to 42.8 per cent. However the greatest drop in revenues on sales of energy was noted in the B tariff group set. The drop amounted to 14.3 per cent. In 2011 the sales on sale of energy were lower by PLN 117,506,500, i.e. 2.9 per cent in relation to 2010.

Decreases of revenues from electrical energy sales were consistent with decreases of the volume of energy sold.

Sales of electrical energy in each tariff group set, in terms of value (without taking into account non-invoiced statistical sales), were as follows:



Item	Sales of electricity [MWh]		
	2010	2011	Change
Tariff group set A	1 532 206	2 171 771	141.7%
Tariff group set B	6 007 113	5 103 742	85.0%
Tariff group set C	3 486 353	3 010 626	86.4%
Tariff group set G	4 505 792	4 460 507	99.0%
TOTAL	15 531 464	14 746 646	94.9%

In 2011 in relation to 2010 the growth in the volume of sales was noted in the A tariff group set. The greatest increase in the volume of sales, by 41.7 per cent was noted in the A tariff group set. However the greatest drop in sales of energy was reflected in the B tariff group set. In 2011 the total sales of energy was lower by 784,818 MWh, i.e by 5.1 per cent in relation to 2010.

2.3. Supply markets

2.3.1. Purchase and sale of energy by ENEA S.A. on the wholesale market

In connection with organisational changes and separation as of 1 August 2011 the scope of the operations connected with the wholesale market to the special purpose vehicle ELKO Trading Sp. z o.o. all the contracts connected with the wholesale market (also those concluded by ENEA S.A.) are serviced and administered by this company. In 2011 the wholesale portfolio of electricity was in a substantial scope diversified.

A key part of energy sold by ENEA S.A. was energy purchased on commodity markets run by Polish Power Exchange. Any remaining purchase contracts were entered into within the bilateral transactions (including with ELKO Trading Sp. z o.o.) and realised in the process of balancing of the balancing mechanism unit on the balancing market (transactions on the balancing market of the Transmission System Operator resulting from the difference between estimated and actual trading positions).

2.3.2. Purchase of the distribution service

The objective of realisation of sales of comprehensive services (sale of electricity and electricity distribution services) to end users connected to the grid of ENEA Operator Sp. z o.o., the Company purchases the electricity distribution services from ENEA Operator Sp. z o.o. based on the concluded contract on provision of electricity distribution services.

2.4. Information on concluded agreements

2.4.1. Agreements of significance to ENEA S.A.

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

- agreements on the provision of electricity distribution services (including framework distribution agreements and agreements making trade balancing possible) concluded with distribution system operators (including ENEA Operator Sp. z o.o.) and with power companies not holding Distribution System Operator status,
- agreements concerning the purchase and sale of electricity,



- agreements for the sale or purchase of ownership rights stemming from energy certificates of origin,
- an agreement for the provision of electricity transmission services with the transmission system operator.

2.4.2. Information on transactions with affiliated entities

The Company has concluded transactions (including key ones) with affiliated entities in the past, and plans to do so in the future.

Within our Group, the following transactions have been concluded with affiliated entities:

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

All agreements with affiliated entities are concluded under market conditions and the prices used in them do not diverge from the prices used in transactions with non-affiliated entities.

Information on transactions with affiliated entities is to be found in the Financial Report of ENEA S.A. for financial year 2011, note No. 35.

2.4.3. Agreements between companies belonging to the Group

Transactions between companies belonging to our Group are being eliminated at the level of the consolidated financial statement, since transactions between Group companies (such as sales transactions) are not treated as revenue for the Group. Revenue is only recognised when a transaction (such as a sales transaction) is concluded outside the Group. Information on transactions with affiliated entities is to be found in the Financial Report of ENEA S.A. for financial year 2011, note No. 35.

Having in mind the above ENEA S.A. informs that on 2 February 2011 ENEA S.A. 2011 the Issuer and ENEA Operator Sp. z o.o. executed an annex to the agreement on the provision of energy distribution services of the value of PLN 1,843,111,900.00 and a Comprehensive Contract for Maintenance and Repairs of Lighting Elements of the value of up to EUR 5,000,000 (PLN 19,195,000.00, the value in the agreement is expressed in EUR, for the needs of this statement the value in PLN was calculated according to the EUR exchange rate resulting from the Regulation of the President of the Council of Ministers dated 23 December 2009 on the average exchange rate of PLN in relation to EUR being the basis for recalculation of the value of public procurement which amounts to PLN 3.839).

Moreover ENEA S.A. participated in the bond issue programmes by subsidiaries:

In Q1 2011 ENEA S.A. concluded with Elektrownie Wodne Sp. z o.o. a Contract of Bond Issue Programme of the value of PLN 26,000,000.

In Q3 2011 ENEA S.A. concluded with ENEA Operator Sp. z o.o. a Contract of Bond Issue Programme of ENEA S.A. of the value of PLN 134,700,000.

In Q3 2011 ENEA S.A. concluded with Dobitt Energia Sp. z o.o. a Contract of Bond Issue Programme of the value of PLN 14,500,000.

At the same time, on 1 August 2011 in the ENEA Capital Group there was a reorganisation performed as a result of which the competences within the wholesale were transferred to ELKO Trading Sp. z o.o. From that time on all the agreements connected with the wholesale market (also those concluded by ENEA S.A.) are serviced and administered by this company. In 2011 the wholesale portfolio of electricity was in a substantial scope diversified. In connection with entry into force of the changes imposing on the energy companies dealing with generation the obligation resulting from Article 49a of the Energy Law the substantial part of energy sold by ENEA S.A. is energy purchased on commodity markets maintained by the Polish Power Exchange. Any remaining purchase contracts were entered into within the bilateral transactions (including with ELKO Trading Sp. z o.o.) and realised in the process of balancing of the balancing mechanism unit on the balancing market (transactions on the balancing market of the Transmission System Operator resulting from the difference between estimated and actual trading positions).

Transfer by ENEA S.A. to ELKO Trading Sp. z o.o. of competences and resources within the wholesale of electricity and proprietary interests resulting from certificates of origin for energy is a result of the actions



following from the Company's strategy aiming at centralisation of the competences within the wholesale of electricity, related products and production fuels in the ENEA Capital Group. Within this cooperation between ENEA S.A. and ELKO Trading Sp. z o.o. trading in electricity and proprietary interests in certificates of origin and provision of services relating to the service of the wholesale of electricity and related products is performed. In the period from 1 August 2011 to the date of this report the total value of transactions settled with ELKO Trading Sp. z o.o. amounted to ca. PLN 680,000,000.

Moreover, after the end of the financial year of 2011 on 26 January 2012 ENEA S.A. and ENEA Operator Sp. z o.o. signed an annex to the agreement for provision of energy distribution services. The agreement concluded on 14 January 2010 for provision of energy distribution services aims at ensuring provision and determination of the rules of performance of distribution services in order to realise comprehensive agreements and sales agreements concluded by the Issuer with users connected to the grid of ENEA Operator Sp. z o.o. The Annex stipulates planned payments for the provision of distribution services in the period from 1 January 2012 to 31 December 2012 for the total amount of PLN 1,545,482,000.00. The payment amount specified may be adjusted if discrepancies appear between the amounts shown on invoices and the remuneration actually due. Of the conclusion of the aforementioned annex the Company notified in the current report No 3/2012 of 27 January 2012.

2.4.4. Credit and loan agreements concluded and terminated

During the reporting period ENEA S.A. prolonged the term of loan agreements for the current account in BZ WBK S.A. for the total amount of PLN 90,000,000 and in Pekao S.A. for the total amount of PLN 10,000,000. Additionally, the company possesses an agreement on working capital facility in PKO BP S.A. for the amount of PLN 50,000,000. The total limit on working capital facilities as at 31 December 2011 was PLN 150,000,000, and as at 31 December 2011 the Company had no debts pertaining to them.

The status of the loans as at 31 December 2011 is shown in the table below:

Creditor	Credit facility granted [PLN '000]	Interest rate	Costs of credit [PLN '000]	Debt on credit facilities as at 31 December 2011 [in PLN '000]	Start date	End date	Repayment period
Loan agreements to which ENEA S.A. is a party							
PKO BP S.A.	50 000.00	WIBOR 1M + margin	0.00	0.00	25.04.2006	x	5 years of the first usage of the credit
Bank Pekao S.A.	10 000.00	WIBOR 1M + margin	0.04	0.00	17.11.2011	17.11.2014	17.11.2014
Bank Zachodni WBK S.A.	90 000.00	WIBOR 1M + margin	36.78	0.00	17.11.2011	17.11.2014	17.11.2014
TOTAL			36.82	0.00			



ENEA S.A. in 2011 only from time to time made a use of working capital facilities in order to finance current operations.

The Company did not draw any loans on pawn, mortgage secured-loans, or any loans secured with transfer of ownership to fixed assets or transfer of ownership to an organised part of an undertaking.

Security for bank loans and credits referred to hereinabove is authorisation to use current accounts with the banks where ENEA S.A. holds current accounts as well as declarations on voluntary submission to enforcement.

In 2011 ENEA S.A. did not draw any loans.

2.4.5. Loans granted

In 2011 ENEA S.A. granted the following loans:

1. A loan in the amount of PLN 250,000 granted to Niepubliczny Zakład Opieki Zdrowotnej Centrum Uzdrowiskowe Energetyk Sp. z o.o. (subsidiary) for financing of current operations. The final repayment date was set on 31 August 2014. The loan interest rate is determined according to the variable interest rate set based on WIBOR 1M plus fixed margin. The security for the loan is a blank promissory note with a promissory note declaration.
2. The loan in the amount of PLN 300,000 granted to Hotel EDISON Sp. z o.o. (subsidiary) for financing of current operations. The final repayment date was set on 31 August 2014. The loan interest rate is determined according to the variable interest rate set based on WIBOR 1M plus fixed margin. The security for the loan is a blank promissory note with a promissory note declaration.

Moreover during the financial year the loan was completely repaid which was granted to Cogen Sp. z o.o. and serviced during the financial year by MEC Pila Sp. z o.o. The change of the loan repaying entity results from the merger of Cogen Sp. z o.o. and MEC Pila Sp. z o.o. in 2010.

2.4.6. Purchase of bonds issued by subsidiaries

During the financial year ENEA S.A.

1. purchased bonds issued by a subsidiary Elektrownie Wodne Sp. z o.o. in the amount of PLN 26,000,000. The funds from the issue were used for investments. The interest rate applicable to the bonds is floating, set based on the rate of WIBOR 6M and margin. The bonds issued by the subsidiary - Elektrownie Wodne Sp. z o.o. are unsecured, material, registered, with no prohibition or limitations in disposal. The bonds will be bought according to the nominal value on buyout date.
2. as a Guarantor it concluded with ENEA Operator Sp. z o.o. (here as: Bond Issuer) and the Financial Authority (Paying Agent and Depositary) an Agreement on the Bond Issue Programme for PLN 500,000,000 (say: five hundred million zlotys). On the conclusion date of the Contract of Bond Issue Programme ENEA S.A. (Guarantor) concluded with ENEA Operator (Bond Issuer) a Guarantee Agreement. The aforementioned agreements were concluded for the term of 10 years. The Bond Issue Programme determined based on the aforementioned Agreement predicts multiple issues of Bonds performed by the Bond Issuer in the mode of directing of the proposal for purchase of the bonds to the Guarantor. The Bond Issuer will be entitled to issue Bonds within one year of date of execution of the agreement. The subject of the Guarantee Agreement is the Guarantor's obligation to purchase Bonds issued by the Bond Issuer within the Bond Issue Programme. Bonds issued within the Bond Issue Programme have a floating rate of interest. The funds received by ENEA Operator from the issue of Bonds within the Bond Issue Programme will be dedicated to financing of the capital expenditures connected with the extension and modernisation of the energetic infrastructure. Within the Bond Issue Programme the Bond Issuer till the end of 2011 issued the securities in the amount of PLN 100,000,000.
3. purchased bonds issued by a subsidiary Dobitt Energia Sp. z o.o. in the amount of PLN 14,500,000. The issued bonds are bonds within the meaning of the Act on bonds of 29 June 1995. The funds from issue are used for investments. The interest rate applicable to the bonds is floating, set based on the rate of WIBOR 6M and margin. The bonds issued by the subsidiary - Dobitt Energia Sp. z o.o. are unsecured, material, registered, with no prohibition or limitations in disposal. The bonds will be bought according to the nominal value on buyout date.



2.4.7. Granted and received sureties and guarantees

On 3 November 2011 ENEA S.A. signed with PKO BP S.A. a frame contract for 12 months for granting of bank guarantees up to the amount of PLN 200,000,000. The guarantees issued within the guaranty facility are to constitute the securing of making deposits for Warsaw Commodity Clearing House and National Depository for Securities by ENEA S.A. and ELKO Trading Sp. z o.o. and other obligations (max. PLN 3,000,000). Obligations towards the aforementioned entities to make deposits result among others from the concluded futures contracts for supply of electricity and transactions of purchase of proprietary interests to the certificates of origin for electricity.

Additionally, during the financial year 2011 ENEA S.A. signed with BZ WBK S.A. Annex No 5 to the Agreement on a guarantee in favour of Rondo Property Investment Sp. z o.o. under which the life as well as the amount of the guarantee is extended.

The status of guarantees issued to the order of ENEA S.A. as at 31 December 2011 is shown in the table below:

Date security was granted	Date of validity of security	Entity for which security was granted	Agreement type	Form of security	Secured amount
14.12.2011	31.12.2012	RONDO PROPERTY INVESTMENT Sp. z o.o. in Warsaw	Premises lease agreement	Bank guarantee	PLN 25 800 EUR + PLN 21 000
14.12.2011	18.11.2012	Izba Rozliczeniowa Gield Towarowych S.A. (Warsaw Commodity Clearing House)	The guarantee issued by the bank in order to secure the transaction and securing deposit made by ENEA S.A. for the account of IRGIT S.A. in connection with settlement of transactions connected with trade in electricity and property rights on the commodity exchange.	Bank guarantee granted within the guarantee line in the amount of PLN 200,000,000.	PLN 35 000 000
14.12.2011	18.11.2012		The guarantee issued by the bank on request of ENEA S.A. in order to secure making by ELKO Trading Sp. z o.o. the transaction and securing deposit for the account of IRGIT S.A. in connection with settlement of transactions connected with trade in electricity and proprietary interests on the commodity exchange.	Bank guarantee granted within the guarantee line in the amount of PLN 200,000,000.	PLN 45 000 000

In the turnover year ENEA S.A. granted for the account of Warsaw Commodity Clearing House an unconditional and irrevocable surety for obligations of ELKO Trading Sp. z o.o. in relation to its participation in the Warsaw Commodity Clearing House in the amount of PLN 50,000,000. The surety was issued for the period of 27 July 2011 to 31 July 2012.

The status of granted guarantees and suretyships as at 31 December 2011 is shown in the table below.



Date surety/ guarantee was granted	Date of validity of surety/guarantee	Entity for which surety/guarantee was granted	Entity to which surety/ guarantee was granted	Agreement number	Value of surety/ guarantee	Actual debt as at 31 December 2011 [PLN '000]
For the purpose of meeting the statutory conditions for obtaining a licence to carry on for-profit transport operations						
26.08.2003	31.08.2017	EP Zakład Transportu Sp. z o.o.	Department of Communal Services and Housing in Poznan	Surety's statement of 2 September 2003	PLN 216 400 EUR 49 000*	-
27.07.2011	31.07.2012	ELKO Trading Sp. z o.o.	Izba Rozliczeniowa Giełd Towarowych S.A. (Warsaw Commodity Clearing House)	ZAM/DF/40/1 072/2011	PLN 50 000 000	-

* The average EUR exchange rate as at 31 December 2011 was 4.4168 - NBP table No. 252/A/NBP/2011 from 30 December 2011

The total off-balance sheet value of sureties and guarantees granted as at 31 December 2011 was PLN 50,216,400.

There are no 'endangered guarantees or suretyships' among the suretyships and guarantees granted. The sureties and guarantees granted by ENEA S.A. fall within the limits specified in Article 33 item 1 of the Act on Sureties and Guarantees granted by the State Treasury and other legal persons of 8 May 1997.

Other conditional liabilities granted by ENEA S.A. as at 31 December 2011

Type of liability	Entity for which security was granted	Value of security	Validity term of security
Blank promissory note	Securing of the liabilities of PSE Operator S.A. by title of settlements and payments for energy	PLN 15 000 000	Indefinite term

2.4.8. Agreements between shareholders of the parent company

The Company is not aware of any agreements between shareholders of ENEA S.A.

2.4.9. Insurance agreements

In 2011 ENEA S.A. entered into civil liability insurance agreements for members of its companies' governing bodies with the following insurers: TUiR Allianz Polska S.A., ACE European Group Ltd, Lloyd's, Arch Insurance Company Ltd, AXA Corporate Solutions S.A.

In addition, in order to assure insurance cover ENEA S.A. is continuing the corporate business and property use liability insurance agreement with the consortium of insurers PZU S.A. and TUiR Allianz Polska S.A. as well as the property insurance agreement with the consortium of insurers PZU S.A. and TUiR AXA S.A.

2.4.10. Collaboration or cooperation agreements

In 2011 ENEA S.A. also started cooperation with Polskie Gornictwo Naftowe i Gazownictwo S.A. (PGNiG) analysing the ability to construct together an electric power generating source fuelled by gas. In November 2011 ENEA S.A. signed with PGNiG relevant agreements on cooperation, within performance f analyses concerning possibilities of common realisation of energetic projects. Within this cooperation we are performing actions aimed at selection of an optimum location for the gas-powered unit. Together with PGNiG we are planning to conduct detailed location and economic analyses for the selected locations and then make appropriate corporation decisions.



In December 2010 ENEA S.A. concluded a frame agreement on cooperation, based on which it achieved a temporary exclusivity for negotiations till 30 June 2012 and pre-emptive right to buy shares of special purpose vehicles being owners of wind farm projects with the total target installed capacity of 214 MWe.

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

3.1. Discussion of key economic and financial figures disclosed in the annual financial statement

3.1.1. Financial results – profit and loss account

Profit and loss statement of ENEA S.A.

Data in PLN '000	Performance		Change	Difference
	2010	2011		
Sales revenues	6 558 983	5 805 632	88.5%	-753 351
Excise tax	254 651	227 999	89.5%	-26 652
Net sales revenues	6 304 332	5 577 633	88.5%	-726 699
Cost of sales	6 170 505	5 513 148	89.3%	-657 357
Other operating revenue	28 667	25 945	90.5%	-2 722
Other operating expenses	45 085	43 314	96.1%	-1 771
Profit (loss) on sales of fixed assets	-1 179	-2 408	204.2%	-1 229
Tangible and intangible impairment write-off	0	5 634	x	5 634
Operating profit	116 230	39 074	33.6%	-77 156
Financial revenue	109 740	122 110	111.3%	12 370
Dividend revenue	193 888	236 339	121.9%	42 451
Financial expenses	5 986	6 436	107.5%	450
Gross profit	413 872	391 087	94.5%	-22 785



Net profit	364 386	355 169	97.5%	-9 217
EBITDA	133 675	55 719	41.7%	-77 956

Revenue:

The gross revenues from sales of ENEA S.A. in the reporting period amounted to PLN 5,805,632,000, which in relation to 2010 constituted a drop by PLN 753,351,000, i.e. by 11.5 per cent.

The table below shows the value of sales revenues generated in 2011 by category.

Data in PLN '000	Performance		Change	Difference
	2010	2011		
Sales revenues	6 558 983	5 805 632	88.5%	-753 351
<i>including:</i>				
Revenues from sales of electricity and distribution services to end users	5 949 372	5 614 573	94.4%	-334 799
<i>including:</i>				
<i>Sales of electricity to end users</i>	<i>4 059 190</i>	<i>3 941 684</i>	<i>97.1%</i>	<i>-117 506</i>
<i>Sales of distribution services to users holding comprehensive agreements</i>	<i>1 890 182</i>	<i>1 672 889</i>	<i>88.5%</i>	<i>-217 293</i>
Sales of electricity to cover balancing differences and own needs	326 134	0	0.0%	-326 134
Sales of electricity to other entities	233 692	143 548	61.4%	-90 144
Sales of services	58 466	61 849	105.8%	3 383
Other revenue	-8 681	-14 338	165.2%	-5 657

The decrease in ENEA S.A.'s sales revenues was caused mainly by:

- The volume of revenues from sales of electricity to end users.

The revenues constitute 67.9 per cent of the total sales revenues and amounted to in 2011 PLN 3,941,684,000. It was a decrease of PLN 117,506,000 or 2.9 per cent in relation to the previous year, which in turn stemmed from sold electricity volumes declining by 785 GWh and a 2.3 per cent increase in the average sale price. The most significant decreases of sold electricity volumes (by 476 GWh) were noted for customers in tariff group sets C.



- The volume of revenues from distribution services to users with comprehensive agreements.

The revenues constitute 28.8 per cent of the total sales revenues and amounted to in 2011 PLN 1,672,889,000. It was a decrease in comparison with the previous year by PLN 217,293,000 i.e. by 11.5 per cent. The level of the decrease was influenced mainly by separation of comprehensive agreements into the agreements of sale of energy and distribution services. The process stems from the increasing competition on the market which increases the commercial significance of customer service that in the case of comprehensive services is often second in place in connection with much greater problems resulting from rendering of distribution services (exceeding of capacities, quality standards, etc.). In addition, the decrease of revenues from sales results from the fact that part of users connected to the grid of ENEA Operator Sp. z o.o. changed the seller, and on the other hand ENEA S.A. achieved customers from the areas of other Distribution System Operators. The decrease in the volume of distribution services within a comprehensive service is a natural process and will deepen in the future.

- The volume from revenues for sales of electricity for coverage of the book-tax difference.

These revenues in the previous year related to the agreement concluded with ENEA Operator which was not signed this year.

- The volume of revenues from sales of electricity to other entities.

The revenues by this title amounted to in 2011 PLN 143,548,000, a reduction of PLN 90,144,000 or 38.6 per cent in comparison with 2010, which stemmed mainly from a drop in the amount of electricity sold in this segment by 481 GWh.

- Volume of other revenues.

The remaining revenues are mainly influenced by estimated non-invoiced sales of electricity and distribution services resulting from WO and DO settlement system, which presents a difference between the state of non-invoiced sales at the end of a given reporting period and its state as at the beginning of the reporting period.

Profit:

In 2011 ENEA S.A. achieved the operating profit amounting to PLN 39,074,000 which was lower than the result achieved in the preceding year by 66.4 per cent i.e. by PLN 77,156,000, which was caused by decrease of revenues from operating activities by PLN 729,421,000 with a simultaneous decrease of operating costs by PLN 659,128,000. Additionally what influenced the level of achieved operating profit was the tangible assets impairment write-off in the amount of PLN 5,634,000 resulting from diminishing of the value of assets of street lightings transferred to ENEOS.

Profits before tax, i.e. after financial activities in 2011 amounted to PLN 391,087,000 and was lower by PLN 22,785,000, that is by 5.5 per cent than in the preceding year. The level of the result was influenced by achievement of higher financial revenues from dividend from subsidiaries (by PLN 42,451,000) and higher financial revenues (by PLN 12,370,000) mainly from interests.

The net profit generated by ENEA S.A. in 2011 amounted to PLN 355,169,000 and was lower than the profit attained in 2010 by PLN 9,217,000, i.e. by 2.5 per cent.

Data in PLN '000	Performance		Change	Difference
	2010	2011		
Operating profit	116 230	39 074	33.6%	-77 156



Gross profit	413 872	391 087	94.5%	-22 785
Net profit	364 386	355 169	97.5%	-9 217

3.1.2. Structure of costs of revenues from sales

In 2011 total costs of sales of ENEA S.A. amounted to PLN 5,513,148,000 and decreased by PLN 657,357,000, i.e. by 10.7 per cent in relation to the previous year.

The breakdown below shows the value of costs on sales achieved in 2011.

Item	Performance 2010		Performance 2011		Change	Difference
	[PLN '000]	%	[PLN '000]	%		
Cost of sales	6 170 505	100.0	5 513 148	100.0	89.3%	-657 357
Costs of electricity for resale	4 052 513	65.7	3 575 667	64.9	88.2%	-476 846
<i>including: purchase of certificates of origin</i>	<i>534 441</i>	<i>8.7</i>	<i>476 771</i>	<i>8.6</i>	<i>89.2%</i>	<i>-57 670</i>
<i>value of unbalanced energy</i>	<i>-15 343</i>	<i>-0.2</i>	<i>37 439</i>	<i>0.7</i>	<i>x</i>	<i>52 782</i>
Cost of providing distribution services for the performance of comprehensive agreements for the provision of electricity and distribution services	1 886 344	30.6	1 665 980	30.2	88.3%	-220 364
Amortisation of fixed assets and intangible assets	17 445	0.2	16 645	0.3	95.4%	-800
Consumption of materials and energy and value of sold materials	4 049	0.1	5 493	0.1	135.7%	1 444
Other external services	140 763	2.3	179 530	3.3	127.5%	38 767
Employee benefit costs	59 842	1.0	60 383	1.1	100.9%	541
Taxes and charges	9 549	0.1	9 450	0.1	99.0%	-99

The main item are costs of purchase of electricity for sale (64.9 per cent) and costs of provision of distribution services for realisation of comprehensive agreements (30.2 per cent). The other items of costs constitute 4.9 per cent of expenses incurred by the Company in 2011.

The structure of the value of costs incurred by ENEA S.A. in 2011 was mainly impacted by:



- **Costs of electricity for resale**
The costs amounted to in 2011 PLN 3,575,667,000, a reduction of PLN 476,846,000 or 11.8 per cent in comparison with 2010, mainly as a result of a decrease in the volume of purchased electricity by 3,039 GWh, and in relation to a lower demand of users for electricity and lack of electricity purchases for coverage of the balance difference for ENEA Operator. In 2011 there was an increase in the average electricity purchase prices by 5.6 per cent in relation to 2010. Additionally, in the costs of purchase unbalanced value of electricity is estimated that corrects purchase costs +/- in relation to the fact that the volume of energy invoiced as purchases and sales is not equal and in relation to adjustments made on the Balancing Market within 15-month settlement period. At the same time, in the reporting period a decrease in costs of purchase of certificates of origin decreased in result of lower individual cost of purchase of certificates of origin per 1 MWh of energy sold to end users by 6 per cent.
- **Costs of distribution services for realisation of comprehensive agreements.**
The amounted to in 2011 PLN 1,665,980,000, and were lower by PLN 220,364,000 or 11.7 per cent than in 2010, which stemmed from the lower performance of sales of distribution services to users with comprehensive agreements.
- **Costs of other external services.**
The costs amounted to PLN 179,530,000, an increase of PLN 38,767,000 or 27.5 per cent in comparison with the preceding year, which was caused by higher costs of marketing (by PLN 17,096,000 or 173 per cent in relation to 2010) and costs for account of: ENEA Centrum (PLN 12,629,000) and ELKO Trading (PLN 7,950,000), which is a result of restructuring of the areas of: wholesale trade and customer service and of a resulting another allocation of costs among the companies of the Capital Group.

3.1.3. Assets - structure of assets and liabilities in the balance sheet

Total assets in PLN '000	As at:		Change	Difference
	31	31		
	December 2010	December 2011		
Fixed assets	8 150 948	8 943 528	109.7%	792 580
Tangible fixed assets	209 566	178 785	85.3%	-30 781
Perpetual usufruct right	1 488	1 471	98.9%	-17
Intangible assets	3 353	3 114	92.9%	-239
Investment properties	0	17 512	x	17 512
Investments in associated entities, accounted for using the equity method	7 874 545	8 522 698	108.2%	648 153
Deferred income tax assets	40 137	56 833	141.6%	16 696
Financial assets held for sale	20 448	19 365	94.7%	-1 083
Financial assets held-to-maturity investments	0	142 193	x	142 193



Financial assets valued at fair value by the profit and loss account	1 411	1 557	110.3%	146
Current assets	2 924 404	2 199 765	75.2%	-724 639
Trade and other receivables	775 466	765 420	98.7%	-10 046
Current income tax assets	880	14 065	1 598.3%	13 185
Financial assets valued at fair value by the profit and loss account	1 781 939	712 670	40.0%	-1 069 269
Cash and cash equivalents	366 119	707 610	193.3%	341 491
Fixed assets for sale	0	17 818	x	17 818
Total assets	11 075 352	11 161 111	100.8%	85 759
Total liabilities in PLN '000	As at:		Change	Difference
	31 December 2010	31 December 2011		
Total equity	10 043 874	10 205 856	101.6%	161 982
Share capital	588 018	588 018	100.0%	0
Share premium	4 627 673	4 627 673	100.0%	0
Share based payments reserve	1 144 336	1 144 336	100.0%	0
Financial instruments revaluation reserve	10 941	11 989	109.6%	1 048
Reserve capital	892 198	1 062 349	119.1%	170 151
Retained earnings	2 780 708	2 771 491	99.7%	-9 217
Total liabilities	1 031 478	955 255	92.6%	-76 223
Non-current liabilities	120 115	115 785	96.4%	-4 330



Current liabilities	911 363	839 470	92.1%	-71 893
Total equity and liabilities	11 075 352	11 161 111	100.8%	85 759

As at 31 December 2011, the balance-sheet total of the ENEA S.A. was PLN 11,161,111,000 and increased by PLN 85,759,000, that is by 0.8 per cent in relation to the situation as at 31 December 2010.

Fixed assets as at the end 2011 amounted to PLN 8,943,528,000 and increased in relation to the previous year by PLN 792,580,000 (by 9.7 per cent). The increase in fixed assets stems mainly from investments in subsidiary entities in relation to acquiring of the shares of EC Bialystok S.A. and purchase of the shares of Windfarm Polska. Moreover, the financial assets rose kept till the maturity term in relation to the purchase of corporate bonds from companies: ENEA Operator, Elektrownie Wodne and Dobitt Energia.

In 2011 the current assets amounted to PLN 2,199,765,000 and decreased in relation to 2010 by PLN 724,639,000 (by 24.8 per cent). The decrease in the current is mainly a result of the decrease in the total of cash and financial assets in which funds are located which were gained from the sale of shares on the Warsaw Stock Exchange in relation to the purchase of the shares of EC Bialystok S.A. and purchase of the shares of Windfarm Polska.

A dominant source of financing of the assets of the Company is Company's equity. The equity at the end of 2011 amounted to PLN 10,205,856,000 and was higher than the state as at the end of 2010 (PLN 10,043,874,000) by PLN 161,982,000, by 1.6 per cent. The increase in the equity stems mainly from the increase in the reserve capital in relation to to designation of part of the profit of 2010 for the investment financing.

As at 31 December 2011, the value of long-term liabilities was PLN 115,785,000 and decreased by PLN 4,330,000, that is by 3,6 per cent in relation to the state as at 31 December 2010 in connection with actuarial estimate of employee benefits.

Short-term liabilities were at the level of PLN 839,470,000 and decreased by PLN 71,893,000 (by 7,9 per cent) in relation to the previous year, which was a result of diminishing of trade liabilities. At the same time there was an increase in the provisions for certificates of origin for energy and provision for the other liabilities.

3.1.4. Financial and non-financial indicators

Item	Performance	
	2010	2011
PROFITABILITY RATIOS		
ROE - return on equity		
<i>gross profit (loss)</i>		
<i>equity</i>	4.1%	3.8%



ROA - return on assets		
<u>operating profit (loss)</u>		
<i>total assets</i>	1.0%	0.4%
Net profitability		
<u>net profit (loss)</u>		
<i>sales revenues</i>	5.8%	6.4%
Operating profitability		
<u>operating profit (loss)</u>		
<i>net sales revenues</i>	1.8%	0.7%
EBITDA		
<u>operating profit (loss) + amortisation and depreciation</u>		
<i>net sales revenues</i>	2.1%	1.0%
LIQUIDITY AND FINANCIAL STRUCTURE RATIOS		
Current liquidity ratio		
<u>current assets</u>		
<i>current liabilities</i>	3.2	2.6



Equity-to-fixed assets ratio		
<i>equity</i>	123.2%	114.1%
<i>fixed assets</i>		
Total debt ratio		
<i>total liabilities</i>	9.3%	8.6%
<i>total assets</i>		
ECONOMIC ACTIVITY RATIOS		
Current receivables turnover in days		
<i>avg. net trade and other receivables x number of days</i>	46	50
<i>net sales revenues</i>		
Turnover of trade and other payables in days		
<i>average trade and other liabilities x number of days</i>	44	41
<i>cost of products, goods and materials sold</i>		

In 2011 the ENEA S.A. achieved a positive financial result and positive profitability ratios. EBITDA amounted to 1 per cent and was lower than that achieved in 2010 (2.1 per cent), which results from achievement of a lower operating profit.

Net profitability achieved by ENEA S.A. in 2011 amounted to 6.4 per cent and increased by 0.6 percentage points (5.8 per cent) from the level achieved in 2010 which is a consequence of achievement of higher financial revenues from dividends from subsidiaries.

The efficiency of the Group's operations decreased as measured by the ROE and ROA business activity ratios. In 2011 ROE was 3.8 per cent and decreased in relation to 2010 (4.1 per cent), as a result of a lower pretax profit in 2011 than in the previous year. ROA decreased from 1.0 per cent in 2010 to 0.4 per cent in 2011 as a result of a lower operating profit.



ENEA S.A. is able to settle its current liabilities on time, which is confirmed by the level of the current liquidity ratio, which was 2.6 in 2011. That figure is the result of the high level of current assets due to the investment of funds obtained from the 2008 issue of shares on the Warsaw Stock Exchange in financial assets.

Receivables turnover ratio in 2011 was higher than in the previous year and amounted to 50 days. Meanwhile the liabilities turnover indicator in 2011 was 41 days, and was thus 3 days shorter than in the previous year.

The total debt ratio at the end of December 2011 was 8,6 per cent and was lower than as at 31 December 2010 (9.3 per cent). The ratio of shareholders equity to fixed assets was 114.1 per cent on 31 December 2011 (and 123.2 per cent on 31 December 2010).

3.2. Financial results forecasts

The Management Board of ENEA S.A did not publish any financial results forecasts for 2011.

3.3. Financial resources management

During the year ENEA S.A. had financial resources at its disposal that guarantee that all current and planned expenses associated with the Company's operations will be serviced. The balance of available cash makes it possible to flexibly settle its on-going liabilities. The Company's liquidity management is concentrated on a detailed analysis of the flow of receivables, on-going monitoring of bank accounts as well as the on-going concentration of cash resources in consolidated accounts. Cash coming from issue is managed by a specialist external company. As agreed, proceeds from the issue have been invested in minimum risk instruments, i.e. debt instruments issued, secured or guaranteed by the State Treasury, and bank deposits.

In 2011 ENEA S.A. had open working capital facilities from BZ WBK S.A., Pekao S.A. and PKO BP S.A. The total limit of the working capital facilities available to the ENEA Capital Group as at 31 December 2011 was PLN 150,000,000.

ENEA S.A. in 2011 only from time to time made a use of working capital facilities in order to finance current operations.

The Company did not draw any loans on pawn, mortgage secured-loans, or any loans secured with transfer of ownership to fixed assets or transfer of ownership to an organised part of an undertaking.

Securities for bank loans and credits referred to hereinabove are authorizations to use current accounts as well as declarations on voluntary submission to enforcement.

3.4. Information on financial instruments

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

In ENEA S.A. the following areas of risk may be identified:

1. *Credit risk* is understood as the risk of financial loss by the Company resulting from the client's or the counterparty's to a financial instrument failure to to perform their contractual obligations. The credit risk is mainly connected to recoverability of receivables. The main factors influencing the appearance of a credit risk in the case of ENEA S.A. are:
 - the large number of minor customers having an influence on an increase in the costs of controlling the flow of receivables,
 - the need to supply electrical energy to budget units which are in a difficult financial situation,
 - the legal requirements regulating the principles of suspending supplies of electrical energy as a result of a failure to pay.

The Management Board applies a credit policy according to which exposure to credit risk is monitored on an on-going basis. An assessment of creditworthiness is made in relation to all customers in need of credit above a specific amount. ENEA S.A. does not require property securing by its clients in relation to financial assets. No substantial concentration of credit risk is to be found in the Company.



2. *Risk of loss of financial liquidity* – understood as the risk of loss of the ability to settle by ENEA S.A. current liabilities within their due term. The objective of activities performed by the Company within management of liquidity risk is limitation, to an acceptable level, probability of losing or limitation of ability to settle obligations. Particularly, as a result of these activities the policy assumes guaranteed skills of reaction to the so called liquidity crises, i.e. the period of a substantial demand for liquid assets.

The policy of managing loss of financial liquidity risk assumes ensuring availability of financial means at the level allowing for settling obligations in the course of normal operations and enabling simultaneously undisturbed continuation of activity in situations of liquidity crises for a period necessary to launch an emergency financing plan allowing for quick increase in liquidity. Within liquidity management ENEA S.A. is concentrated on a detailed analysis of the inflow of receivables, on-going monitoring of bank accounts as well as the on-going concentration of cash resources in consolidated accounts, occurring financial surpluses the Company invests into current assets in the form of fixed term deposits. In order to reduce the risk of liquidity and ensuring stable sources of financing the Company diversifies the sources of external financing. Constant risk management within the aforementioned areas and market position and financial standing of ENEA S.A. allows for a statement that the risk of loss of financial liquidity is maintained at the minimum level.

3. *The currency exchange rate risk* is connected with a possible occurring of changes generated by ENEA S.A. in cash flows as a result of changes in the currency exchange rates in which the values are denominated. During the reporting period ENEA S.A. concluded with a bank one forward transaction the objective of which was securing of currency exchange risk (EUR/PLN) connected with the realisation of the agreement concerning the purchase of assets. The result of the aforementioned transaction was positive as of the date of financial statement, but immaterial in the context of the Company's results. Currency exchange risk securing transactions were concluded also after the balance sheet date.
4. *Interest rate risk* to which the Company is exposed is connected with the concluded loan and credit agreements in the Company and with financial assets in the form of a portfolio of debentures and bank deposits. In relation to the above the Company tries to operate based on a floating rate, calculated in correlation with the market rates (inter-banking).
5. *Commodity risk* is connected with a possible occurring of changes in the revenues/cash flows generated by ENEA S.A., mainly as a result of changes in commodity prices, and fluctuations within the demand for the products offered by the Company. The objective of managing commodity risk is maintaining exposure to that risk within the acceptable frames with a simultaneous optimisation of return on risk.

3.5. Unusual factors and events affecting the result

Unusual factors and events affecting the financial result in 2011 are presented in item 3.1 above, "Discussion of key economic and financial figures disclosed in the annual financial statement".

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

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

3.7. Description of key off-balance sheet items

A description of key off-balance sheet items is presented in pt. 2.4.7 hereinabove under "Granted and received sureties and guarantees".

4. DEVELOPMENT PROSPECTS AND DESCRIPTION OF RISKS AND THREATS

The prospects for development of ENEA S.A. depend on a number of internal and external legal and macro-economic factors which could at the same time, if there are significant and also unfavourable departures from



standard or assumed parameters (or circumstances associated with such factors), pose risks and dangers in achieving the Company's desired results or development.

4.1. Essential operating development and risk factors

4.1.1. The overall condition of the economy

The position of the Company in 2011 was to a certain extent shaped by the general trends in the national economy. 2011 was the year of economic growth for the Polish economy. According to figures from the Central Statistical Office, the Gross Domestic Product (GDP) in constant prices of the previous year grew by 4.3 per cent in 2011 yoy compared to 3.9 per cent a year before.

Gross added value in the national economy in 2011 rose by 4.0 per cent yoy (as compared to +3.9 per cent yoy a year before). Gross added value in the industry rose by 6.3 per cent (as compared to +9.4 per cent yoy a year before), in the construction sector it rose by 11.8 per cent (as compared to +6.4 per cent yoy a year before) and in the sector of trade and repairs by 4.6 per cent (as compared to +2.6 per cent yoy a year before).

Domestic demand increased by 3.8 per cent yoy (against +4.6 per cent yoy a year before), total consumption rose by 2.1 per cent (against +3.5 per cent yoy a year before) and individual consumption by 3.1 per cent (against +3.2 per cent yoy a year before).

According to the experts the increase of GDP by 4.3 per cent in 2011 is a success but it is assumed that in 2012 the growth of GDP will be lower (2.5-3.0 per cent).

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

Item	Unit	2010	2011*
GDP	growth in %	3.9	4.3
Value added in industry	growth in %	9.4	6.3
Domestic demand	growth in %	4.6	3.8
Gross outlays on fixed assets	growth in %	-2.0	7.5
Industrial production sold	growth in %	9.7	7.7
Average monthly gross nominal remuneration in the enterprise sector	growth in %	5.4	4.4
Unemployment rate	%	12.3	12.5
Inflation	%	2.6	4.3
Export [EUR]	growth in %	19.5	12.8
Import [EUR]	growth in %	21.7	12.1

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



Gross outlays on fixed assets in 2011 grew by 7,5 per cent yoy as compared to a 2 per cent decrease a year before. Uncertainty as to the future economic situation caused that companies still a little unwillingly devoted the generated surpluses to investments. According to the experts key causes for which the companies chose secure forms of locating surpluses were undoubtedly drops on exchanges and generally uncertain situation in the global economy. The indebtedness crisis whose synonym became problems of Greece caused that the threat for the global economy to enter recession and for Poland of a strong slow-down became real.

The Polish export in 2011 reached the value of EUR 135.8 bln and was higher by 12.8 per cent than in a previous year - as results from preliminary figures of the Central Statistical Office. According to this data the Polish export in 2011 grew faster than import which increased in the previous year by 12.1 per cent yoy reaching EUR 150.5 bln. However, the rate of pay growth is still slowing down and the rate of unemployment has started to rise again.

4.1.2. Factors related to economic activity.

Factors connected to economic activity in Poland.

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

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

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

ENEA S.A. and the Capital Group are endangered to the risk of changes in the legal and regulatory environment. In Poland, that environment, and especially the law as it concerns the power sector, is subject to change. As a consequence, legal regulations are not interpreted in a uniform manner by courts or institutions of public administration.

Additionally, there is no uniform law interpretation within functioning of the energy sector. As a result, there is no developed, unified interpretation of the law in this area. There is, therefore, considerable uncertainty as to how issues relating to our activities will be resolved if they become the subject of court proceedings. Therefore, there is a risk of unexpected and unfavourable decisions that could have a negative effect on our activity, financial results, financial situation or development prospects.

Our operations are also strongly influenced by changes in taxation law. The taxation system in Poland is subject to dynamic changes that result from the need to adapt its regulations to meet the requirements arising from European Union law. The nature and extent of such changes, together with difficulties of interpretation related to the application of tax law, hamper both day-to-day activity and proper tax planning. Tax authorities' practice and court decisions in this area are not uniform. The adoption by the tax authorities of interpretations of tax regulations that differ from our own may have a negative effect on our activity, financial results, and financial situation or development prospects.

4.1.3. Legal regulation and tariffs

Our operating results depend on a number of regulations and decisions of regulatory authorities, in particular those aimed at shaping electricity prices for customers from tariff G groups who use energy for household purposes.

We conduct our activities in an environment which is subject to a special legal framework. Our situation is particularly affected by the provisions of the Energy Law and European Union regulations, especially those relating to environmental protection. Those laws and regulations are subject to frequent



amendments, which we are unable to foresee and which could result in a lack of consistency in the provisions of law that form the basis for our operations.

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

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

ENEA S.A. is obliged to submit tariffs for electricity sales to households connected to the ENEA Operator grid to the President of the ERO for approval. By law, the manner in which tariffs are calculated should ensure that the power company: (i) has sufficient funds to cover the costs planned for the tariff period in question, provided that the President of the ERO deems them to be justified; and (ii) obtains a particular margin while ensuring that customers are protected from unreasonably high prices and rates for charges. Some elements of the tariff calculations are calculated on the basis of financial models and other assumptions adopted by the President of the ERO, which do not take into account the actual costs of our operations nor the value of our assets disclosed in our financial statements. As a result, elements of the tariff calculations are the subject of often lengthy negotiations with the President of the ERO, which may not lead to our generating the revenues we have planned. This can have an adverse effect on the amounts of the margins we obtain.

In practice, tariffs are usually approved for a period of one year. If we incur additional costs during a regulatory period that were not included in the model or were included in a lower amount, we are limited in our ability to take such costs into account in the tariff. In practice, the President of the ERO will only accept a tariff adjustment in the case of a substantial increase in costs or indicators (such as inflation) due to causes that are beyond our control.

Until 31 December 2007, ENEA S.A.'s activities relating to sales of electricity to end customers were subject to an obligation to present tariffs to the president of the ERO for approval. As at the date when this report is disclosed, due to a decision of the president of the ERO of 14 May 2008 we are exempt from the obligation to submit electricity tariffs to the president of the ERO for approval, except for the tariff for customers from the G tariff groups (households) connected to the grid of ENEA Operator Sp. z o.o. As at the date of disclosing this report, the legal status has not changed in this respect.

For purposes of sales to recipients from tariff group set G for 2011, on 04 October 2010 the President of the ERO called ENEA S.A. to submit a tariff request for approval. In reply to the call ENEA S.A. on 13 October 2010 applied to the President of the ERO for approval of the "Tariff for electricity" for G tariff groups for 2011. The administrative proceedings concerning approval of the "Tariff for electricity" for G tariff groups for 2009 were concluded by issuing Decision No. DTA-4211-51(17)/2010/2688/IV/BH of 17 December 2010, in which the President of the ERO approved the tariff for G tariff groups for the period until 31 December 2011. This tariff, in accordance with the Resolution of the Management Board of ENEA S.A. No. 877/2010 of 21 December 2010, started to apply on 1 January 2011.

With regard to sales of electricity to customers other than households (tariff group sets A, B and C), as of 1 January 2009 to 31 July 2011, an "Electricity Tariff" is in effect for tariff groups sets A, B and C, implemented by ENEA S.A. Management Board Resolution No. 786/2008 of 25 November 2008 and amended with regard to electricity prices as from 1 June 2009 by ENEA S.A. Management Board Resolution No. 266/2009 of 27 April 2009. From 1 August 2011 an "Electricity Tariff" is in effect for tariff groups sets A, B and C, implemented by ENEA S.A. Management Board Resolution No. 383/2011 of 14 June 2011.



On 16 December 2011, in Decision No. DTA-4211-53(15)/2011/2688/V/BH, the President of the ERO approved ENEA's "Electricity Tariff" for customers using power for household purposes. It came into force pursuant to ENEA S.A. Management Board Resolution No. 761/2011 of 20 December 2011 as of 1 January 2012.

4.1.4. Wholesale electricity prices

Wholesale electricity prices depend on a number of factors, including market and regulatory factors. The wholesale market for electricity trading is currently fully liberalised, so the amount of costs and revenues that we generate depends on the electricity prices that are applicable on the market at a particular time. With regard to the increase in fuel prices and higher share of costs connected with the participation in the European Emissions Trading Scheme a growth is anticipated in prices of electricity on the wholesale market for the subsequent years.

Moreover, amendments introduced by the Act of 8 January 2010 on Amending the Energy Law and on Amending certain other acts (Journal of Laws No. 21 of 8 February 2010, item 104) stipulate an obligation to sell electricity on the commodities exchange or in a way that guarantees public and equal access to electricity on the power exchanges or internet platforms for trading electricity on the regulated market. Amendment of the Energy Law within this scope entered into force from 9 August 2010, which mainly influenced the volume of trading on the stock exchange and thus greater representativeness of quoted prices.

4.1.5. Obligations with respect to obtaining energy certificates of origin

Also, the legal provisions impose an obligation on us to obtain and present certificates of origin to the President of the ERO for redemption, confirming: (i) that electricity is being generated in renewable sources ("green" certificates); and (ii) that electrical energy is being generated in combination with heat generation (cogeneration, "red", "yellow" and "violet" certificates) or, if certificates of origin are not presented for redemption in the required quantity, the payment of substitute charges. The number of certificates of origin that we must obtain and redeem is provided for by law and is calculated as a percentage share of electricity sold to end users. That share will increase in subsequent years. Moreover, the amount of electricity we sell to end users may also increase. The sources of renewable energy or energy generated in cogeneration which we possess enable us to some extent to carry out our obligations regarding the redemption of certificates of origin to a small extent. As a consequence the Company obtains certificates of origin also from third parties or pays compensatory charges the amount of which are for each year announced by the President of ERO.

Moreover, the Act of 8 January 2010 on Amending the Energy Law and on Amending Certain Other Laws (Journal of Laws No. 21 item 104 of 8 February 2010) introduced new units generating energy in cogeneration, which are covered by the system of certificates (violet certificates). The executive regulation entered into force with a delay and ENEA S.A. is obliged to redeem the "violet" certificates of origin or pay a compensatory payment only within sales to end users from 20 September 2011.

4.1.6. Customer service

As a consequence of the realisation of the Corporate Strategy of the ENEA Capital Group numerous projects and initiatives were performed aiming at the realisation of one of the strategic goals of the core business of the Company which is increasing profit on sales of electricity.

One of these actions was the SEGMENTATION project commenced in 2010 within Programme ENEA 2010+, whose objective was to increase the competitiveness of ENEA S.A. on the electricity market through enhancement of the efficiency (within organisation and costs) and effectiveness of realisation of processes connected with the service of the present and gaining new clients. The result of the works over the project was e.g. development of the set of functional requirements for the billing and CRM systems and development of a new organisational structure of the Trade Department of ENEA S.A. corresponding to the implemented segmentation of ENEA S.A.'s clients. The analytic stage of this project was completed in Q2 2011. Further works at the implementation stage were continued within new projects, including within the project of Customer Service.

Within the realisation of the works of this project the concept was prepared for separation of the customer service from ENEA S.A. On 1 August 2011 the Customer Service Division of the Trade Department of ENEA S.A. was moved to the EP BUT S.A. Further, the name of the company was changes from EP BUT S.A. to the new



name ENEA Centrum S.A. The present activity within customer service is being presently realised by ENEA Centrum S.A.

4.1.7. Market liberalisation

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

2011 on the energy market showed that the conscience of a possibility to change the sellers is getting higher not only for business clients but also households. The activities of the President of ERO aiming at activation of energy recipients bring more and more effects. For full market liberalisation what is lacking is only deregulation of prices of electricity for households. According to the figures of ERO 14,000 commercial clients and 13,000 households changed the seller in 2011. During the previous year the number of all the active recipients of electricity increased from almost 9,000 to almost 36,000. It is the first time the number of recipients in households who decided to change their present seller of energy is so great and becomes near to the number of institutional clients (tariff groups A, B and C) who at the same time made similar changes. A year ago - as at 31 December 2010 - consumers who exercised their right to change the seller among commercial clients amounted to 7,611 (as at the end of 2011 it was 21,716), however the recipients in households amounted to 1,340 (as at the end of 2011 it was 14,341). It means that so far almost 40,000 clients have changes the energy supplier.

At the same time, ENEA S.A. is an active participant on the competitive market, engaging in activities aimed at selling energy to customers connected to the grids of operators other than ENEA Operator Sp. z o.o. In 2011, we sold about 2.1 TWh to such customers.

4.1.8. Purchasing electricity from external entities

In connection with organisational changes and separation as of 1 August 2011 the scope of the operations connected with the wholesale market to the special purpose vehicle ELKO Trading Sp. z o.o. from that time all the contracts connected with the wholesale market (also those concluded by ENEA S.A.) are serviced and administered by the subsidiary. In 2011 the wholesale portfolio of electricity was in a substantial scope diversified. In connection with entry into force of the changes imposing on the energy companies dealing with generation the obligation resulting from Article 49a of the Energy Law the substantial part of energy sold by ENEA S.A. is energy purchased on commodity markets maintained by the Polish Power Exchange. Any remaining purchase contracts were entered into within the bilateral transactions (including with ELKO Trading Sp. z o.o.) and realised in the process of balancing of the balancing mechanism unit on the balancing market (transactions on the balancing market of the Transmission System Operator resulting from the difference between estimated and actual trading positions).

4.1.9. Concessions

The expiry or withdrawal of concessions held by ENEA S.A. could restrict our basic activities or make it impossible for us to carry them out.

The operations of ENEA S.A. within trade in electricity and power generation require obtaining concessions granted by the President of ERO. In accordance with the Energy Law, concessions are in principle granted for a period from 10 to 50 years. ENEA S.A. holds concession for trading in electricity valid through the end of 2025 and since 20 January 2010 a licence for generation of energy in energy renewable source - biogas power plant Liszkowo, valid till 20 January 2020.

The Energy Law grants the president of the ERO powers to withdraw a concession, particularly if a legally valid judgement is issued banning a company from performing economic activity covered by a concession, or if a company has permanently ceased to perform economic activity covered by a concession. The President of the ORE also has the right to withdraw a licence or change its terms in the event of a blatant breach of the terms specified in a licence, or other terms of performing a licensed activity, and also if a licensed company does not, in the appointed time, bring about a state compliant with the terms specified in the license or with the



provisions regulating the licensed activity. The President of the ERO also has the right to withdraw a licence or change its scope on account of a danger to the country's defences and security or to the safety of its citizens, and also in the event of the bankruptcy of the company, its division, or merger with another company.

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

Failure to extend our licences, or their withdrawal, will restrict and in extreme cases make it impossible for us to carry out our activities, which could have a significant adverse effect on our operations, financial standing, financial results or development prospects.

4.1.10. Implementation of the strategy

The Company will exercise our best efforts to implement our development directions policy specified in item 4.2 below, however, we might not be able to carry out our development strategy and planned investment outlays because of factors which remain beyond our control.

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

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

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

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

Operations planned by the Company in regard to acquisitions and capital investments may not achieve the expected effect because of factors beyond ENEA's control such as competition from other power companies and market conditions. Furthermore, the results obtained by the companies in which ENEA S.A. invests may turn out to be worse than our initial estimates, which may cause a reduction in the rate of return on these transactions compared with initial expectations. As a result of acquisitions or investments made, the Company will also have to take steps to reorganise the structure of the entities concerned, to integrate particular business areas, to centralise the management of assets and liabilities and to integrate information technology systems. These processes may turn out to be time-consuming and costly and it is uncertain whether they will be performed in accordance with the desired schedule or in the planned manner. They may also lead to lasting differences in the procedures employed in the ENEA Capital Group. The above actions are dependent also on the behaviour of the trade unions involved in the acquisitions or capital investments made.



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

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

4.1.11. Synergy results

The planned acquisitions and capital investments may not produce the expected results.

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

4.1.12. Insuring our operations

Insurance policies concluded for the benefit of Companies belonging to the ENEA Capital Group may not be sufficient to cover losses borne as a result of activities carried out. Such activities are associated with many risks. For example, malfunctions in the electricity system could prevent us from selling electricity or make it necessary to incur unforeseen costs in order to repair the distribution infrastructure. Our key assets, particularly production assets, power lines or transformer units, could be destroyed due to an event of force majeure or other events, including fires, other natural disasters or a terrorist attack. Our Group's activities could also result in claims being asserted relating to damage caused to third parties. The scope of the insurance policies we hold corresponds to the scope of the insurance policies held by other power companies in Poland, though it may differ from the scope of insurance policies held by foreign entities. There is no guarantee that the insurance policies concluded on our behalf will be sufficient to cover all the losses incurred by us or by third parties in connection with our operations. The occurrence of any of the above circumstances or similar circumstances could therefore lead to us being unable to resume the full scope of our activities within a reasonable time or at all, which could have an adverse effect on our operations, financial standing, financial results or development prospects.

4.1.13. Management personnel

The Company's future success depends on its ability to recruit and retain highly qualified management personnel possessing a widely understood experience in managing the enterprise and within planning and realisation of strategy, within commercial activities according to the set objectives.

Company's working towards maintaining the position of a leader on the power services market and active gaining of new clients, both individual and business, and also higher and higher dynamics and comprehensiveness of changes that occur in the power business are connected with serious challenges for the management personnel.



Willing to face an efficient managing of the enterprise the Company, through various trainings, regularly develops and improves the competences of the managerial personnel, which in turn is a great motivation for the employees causing that they are more committed to the duties they perform.

4.1.14. Collective disputes and agreements

Collective disputes with employees may cause disruptions to our business.

Approximately 50% of our employees belong to trade unions. The position of trades unions in the power sector is particularly strong because of the volume of employment in the sector and its strategic influence on the functioning of the economy. Furthermore the expectations of the trades unions are based on the conditions won by the employees of other power companies or power generators in agreements concluded in relation to the earlier privatisation of these companies. Although we are endeavouring to maintain good relations with our employees and to resolve on an on-going basis all problems that arise, we cannot exclude the possibility of collective disputes taking place in the future. Collective disputes with employees may lead to disruption of our on-going activities, and in particular to stoppages, and may also cause an increase in labour costs, which may have a negative effect on our business, financial situation, financial results or development prospects.

In 2011 ENEA S.A. was a party to a collective dispute with a trade union in relation to increase of remunerations which started on 1 March 2011 and was terminated on 16 March 2011 of which the Company informed in current reports (CR 11/2011 and CR 12/2011). Additionally ENEA is a party to a collective dispute which was initiated on 7 September 2009, and concerned the planned privatisation of the Company and the effects of a potential change to the shareholding structure on the Company's employees.

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

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

4.1.15. Court and administrative proceedings

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

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

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

4.1.15.1. Litigation

In proceedings concerning ENEA S.A.'s charging energy customers a double subscription fee for the month of January 2008, in a decision issued on 12 September 2008, the President of the Competition and Consumer Protection Office ruled that charging energy customers a double subscription fee for the month of January 2008 constituted an anticompetitive practice and ordered the practice to be stopped. He also imposed a fine on ENEA in the amount of PLN 160,000, constituting approximately 0.03 per cent of the maximum fine (the amount of the fine results from the fact that the President of the Office of Competition and Consumer Protection recognised that there was no need for repressive measures against ENEA, and that the fine was a disciplinary measure). On 30 September 2008, ENEA lodged an appeal against the above decision with the Regional Court in Warsaw, the Court of Competition and Consumer Protection. On 31 August 2009, the Competition and Consumer Protection Court changed the decision of the President of the Office of Competition and Consumer Protection, reducing the fine to PLN 10,000. On 25 September 2009, ENEA filed an appeal



against the Competition and Consumer Protection Court with the Court of Appeals in Warsaw, moving that the decision be revoked in its entirety. On 27 April 2010 the Court of Appeals overturned the verdict by the Court of Competition and Consumer Protection and returned the case for reconsideration. In its judgement of 27 January 2011 the Court of Competition and Consumer Protection upheld the cash fine imposed on the Company in the amount of PLN 10,000. Having received the decision justification the attorney of ENEA S.A. filed an appeal on 20 April 2011 with the Court of Appeals in Warsaw, VI Civil Department. The Court of Appeals during the hearing on 8 February 2012 overruled the appeal of ENEA S.A. The judgment is final

On 27 November 2008, the President of the ERO ruled in the matter of ENEA's failure to meet its obligation of purchasing electricity generated in cogeneration in 2006, and imposed a fine on the Company, in the amount of PLN 7,594,613.28. On 17 December 2008, ENEA appealed against that decision by the President of the ERO to the Court of Competition and Consumer Protection. On 15 December 2009, the Court of Competition and Consumer Protection ruled in favour of ENEA, changing the decision of the President of the ERO of 27 November 2008 and dismissing the administrative proceedings. The President of the ERO filed an appeal to the Appeals Court in Warsaw against this ruling by the Competition and Consumer Protection Court. In its judgement of 24 November 2010 (VI ACa 327/10) the Appeals Court revoked the judgement of the Regional Court in Warsaw - the Competition and Consumer Protection Court of 15 December 2009 and returned the case to the Competition and Consumer Protection Court for reconsideration and for awarding costs of appeal proceedings. On 27 September 2011 the Regional Court in Warsaw the Court of Competition and Consumer Protection overruled the appeal of ENEA S.A. against the decision of the President of ERO on imposing of a penalty to ENEA S.A. On 18 November 2011 an appeal was filed against the judgement of 27 September 2011.

On 28 December 2009, the President of the ERO ruled in the matter of ENEA's failure to meet its obligation of purchasing electricity generated in cogeneration in H1 2007, and imposed a fine on the Company, in the amount of PLN 2,150,000.00. On 19 January 2010, ENEA lodged an appeal against the above decision of the President of the ERO with the Court of Competition and Consumer Protection. With a judgement of 6 March 2012 the Regional Court in Warsaw the Court of Competition and Consumer Protection revoked the decision of the President of ERO of 28 December 2009 imposing on ENEA S.A. a financial penalty for infringing upon the obligation to purchase energy from cogeneration in H1 2007. As at 14 March 2012 the decision is not final.

4.1.15.2. Administrative proceedings

Administrative proceedings run by the President of the Office of Consumer and Customer Protection concerning suspicion of using by ENEA S.A. of practices infringing the collective interests of consumers. The proceedings were connected with the inspection performed in 2011 by the Office of Consumer and Customer Protection of contractual patterns used by power companies in trading with recipients in households. The proceedings were terminated.

4.1.16. Environmental protection

The Company's operations do not have a significant impact on the environment. The operations of the subsidiaries – Elektrownia "Kozienice" S.A. and ENEA Operator Sp. z o.o. do, however, have a significant environmental impact. Those matters are described in the Report of the Management Board on the operations of the ENEA Capital Group in 2011.

4.1.17. Real estate

As at 31 December 2011, ENEA S.A. was party to 126 court proceedings relating to use of real property without an agreement, with the total value at stake being approximately PLN 12.8 million, and was party to a number of disputes that are yet to get to court.

The total value of provisions against claims before the courts to which ENEA S.A. was a party, as well as pre-court claims, amounted to PLN 29.7 million as at 31 December 2011.

4.1.18. Modernisation and development

The development of the Company and simultaneously of the Group will be carried out in three basic strategic areas: i) development of the core operations of the Group; ii) improving the effectiveness of the functioning of



the Group; iii) building a socially responsible business, as described in more detail in pt. 1.2 above "Policy on directions of development of ENEA S.A.".

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

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

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

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

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

4.1.19. Factors related to the operations of ENEA S.A.'s subsidiaries

Irrespective of the direct risks and threats facing the operations of ENEA S.A., indirect risks and threats also exist, which may arise due to the appearance of specific factors relating to ENEA S.A.'s subsidiaries. These are described in the Report of the Management Board on the operations of the ENEA Capital Group.

4.2. Development Strategy of ENEA S.A.

One of key factors that will affect long-term performance is the implementation of the Group's strategy which is reflected in the activities realized in the whole ENEA Capital Group.

Actively monitoring the situation on the energy market in Poland, the Management Board of ENEA S.A. prepared a 10-year strategy to 2020 which considers Polish energy market trends of key importance to the Group. The main trends identified are: (i) growing demand for energy together with limited generation capacity available on the market, (ii) tighter EU policy on restricting CO₂ emissions, (iii) increasing competition in all operational areas of the Group, (iv) the development of the wholesale electricity trading market, (v) a growing number of customers changing their electricity suppliers, (vi) opportunities for developing renewable energy sources.

Our strategy is based on the mission of the Group, that is, to provide high-quality services to customers, to ensure a safe environment for our employees, and to build shareholder value while caring for the natural environment.

Our strategy is realised through:

Developing the core operations of the Group;

In this area we focus on:



- developing and diversifying the generation capacity,
- developing and modernising the distribution network,
- developing wholesale trade operations,
- ensuring the security of bituminous coal supplies from optimal sources,
- increasing profit from electricity sales,
- ensuring technical and technological development,

Enhancement of the effectiveness of the Group functioning

In this area we focus on:

- optimising fundamental processes,
- optimising support functions,
- ensuring the operational integration of the Group,
- reorganising the operations of the Group's subsidiaries,

Construction of a socially responsible business

In this area we focus on:

- ensuring well-balanced human resource management,
- ensuring a dialogue with the local community and taking their voice into account in business operations,
- promoting environmentally beneficial solutions and behaviours.

An integral part of this strategy is the implementation of a new business model for the Group, which provides for the functioning of the following business areas:

- Corporate Centre,
- power generation based on fossil fuels and renewable sources,
- wholesale trading
- sales,
- distribution,
- Shared Services Centre.

Creating, in addition to the core business areas, a corporate centre and a shared service centre divisions, should increase the efficiency of managing the Group and enable cost synergies to be obtained from the centralised management of Group operations and a shared customer service system.

In implementing our strategy, we assume a base variant of about PLN 18.7 billion till 2020 for investments in conventional generation, distribution and renewable energy sources and cogeneration.

Our main goal for conventional generation is to construct a new 1,000 MWe bituminous coal-fired supercritical power unit in Swierze Gorne (we assume an average construction cost of EUR 1.4 million per 1 MW). Start-up is planned for Q4 2016. We are currently going through the process of selecting a contractor to build the new 1,000 MWe unit. We are planning to select a contractor in the tender for "Construction of a bituminous coal-fired energetic unit for supercritical parameters with a net capacity of 900 MWe, maximum of 1,000 MWe in Elektrownia "Kozienice" S.A." conducted according to the provisions of the Act of 29 January 2004 - Law on Public Procurement on the turn of Q2 and Q3 2012. At the same time we are continuing modernisation of the remaining 200 MW and 500 MW units at the Kozienice Power Plant. We are also conducting studies with regard to the construction of another power unit up to 1,000 MWe which involves investment outlays, starting from 2012.

In the area of distribution, during the period covered by the strategy we are planning investment works and modernisation of the grid infrastructure, and essential refurbishment in connection with increasing demand for electricity and the need to connect renewable sources of energy. Investment and modernization activities should be reflected in the effectiveness of our network and limitation of network losses. They will also involve replacing those sections of distribution lines that have been in service the longest. These activities should substantially impact the increase in reliability of deliveries of electricity to customers.

Our investment expenditures within distribution are continually increasing. In 2011 ENEA Operator spent on investments above PLN 813 million realising the plans almost 100 per cent. It constitutes the increase in investment expenditures by more than 39 per cent as compared to 2010, by 65 per cent as compared to 2009 and 101 per cent as compared to 2008.



In 2011 the majority investment expenditures of ENEA Operator were related to modernisations and recovery of fixed assets connected with improvement of service quality and/or increase in demand for power. This tendency will continue through 2012.

In the area of renewable sources of electrical energy we plan to increase our generating capacity. By 2020 we are planning to achieve 250-350 MW of power installed in wind. We have also decided to invest into biogas capacity, planning to reach a capacity of approximately 40-60 MW in 2020. In 2011 the investment expenditures in renewable energy exceeded PLN 345 million, amounting to ca. sevenfold increase in comparison to 2010.

On 15 January 2010 ENEA S.A. completed the purchase of the first biogas power plant in Liszkowo (The Kujawsko-Pomorskie Province) with the capacity of 2.12 MWe. In Q2 2011 ENEA purchased 100 per cent of special purpose vehicle set up for the purpose of construction of a 1.6 MWe biogas plant. In 2012 we are planning to purchase biogas power plants with the total capacity of 5.6 MWe.

In March 2011, a subsidiary of ENEA S.A., Elektrownie Wodne, dedicated to, among other things, the extension of production capacity of the Group from Renewable Energy Sources purchased a wind farm located in Darzyno in Pomorze with installed capacity of 6 MW. This is the first undertaking of this kind in the Group. Purchase of the farm is the first step in acquiring significantly bigger sources of this type. The wind farm in Darzyno was built in 2008. It consists of modern Enercon E-82 wind turbines with the power of 2 MW each. It is located in the area of very favourable wind conditions.

On 1 June 2011 ENEA S.A. purchased from the French company Société Nationale d'Électricité et de Thermique (SNET) 69.58 per cent of Bialystok Heat and Power Plant's shares. Thanks to the transaction the Group holds almost 100 per cent of shares of the company from Bialystok. Bialystok Heat and Power Plant is one of the biggest enterprises in the region. The attainable heat capacity of Bialystok Heat and Power Plant is 459.2 MW. Apart from the heat production Bialystok Heat and Power Plant produces also electric energy and process steam. Equipment of the heat and power plant can generate 350 GWh of electric energy, which is then sold on the wholesale market. The basic fuel used in the heat and power plant is coal. In 2008, in unit No I, a boiler fired exclusively with biomass was started. The new installation helped to limit the emission of gases and dusts harmful to the environment and decreased the number of waste from coal combustion. Commissioning of the biomass-fired installation enabled to decrease coal consumption by 120,000 tonnes per year and replace it with 270,000 tonnes of biomass. The capacity of this installation is 75.2 MW.

In June 2011 water power plant was commissioned on the Welna River in Oborniki Wielkopolskie. The building, which belongs to Elektrownie Wodne with the seat in Samociązek has the capacity of 330 kW. An estimated average annual volume of production of energy amounts to 1,440 MWh. The water power plant in Oborniki is the 21st installation of that kind belonging to ENEA Group.

In November 2011 ENEA S.A. executed a preliminary agreement for the purchase of 100.0 per cent of the shares of a special purpose vehicle implementing the project of construction of a wind farm with capacity of 50 MW. It is anticipated the farm will generate ca. 150,000 MWh of energy annually.

Depending on the market situation, our financial situation, results of performed technical and economic analyses, and capabilities of financing of the investment, it is possible that the basic investment program will be extended with additional investments in conventional generation in the amount of 1.4 bln EUR. The amount anticipates construction of another unit with the power of up to 1,000 MWe.

Moreover the Board does not exclude participation in the realisation of the investment connected with construction of an atomic power plant with the power of ca. 1,600 MWe.

In the reporting period ENEA S.A. also started cooperation with PGNiG (Polskie Gornictwo Naftowe i Gazownictwo) analysing the ability to construct together an electric power generating source fuelled by gas. Within this cooperation we are performing actions aimed at selection of an optimum location for the gas-powered unit. Together with PGNiG we are planning to conduct detailed location and economic analyses for the selected locations and then make appropriate corporation decisions.

Taking into account the planned investments, from the point of view of ENEA S.A., the long-term development of the equity portfolio is essential to carry the burden of future investments. The funds from the profit could complement the sources of financing of investment expenses, particularly within investments connected with the growth of the Group, mainly investments in new generating capacity.



4.3. Assessment of the Feasibility of Implementing Investment Plans

The financial situation of the Company provides a solid foundation for carrying out its investment plans, which can be implemented through organic development and acquiring other entities. Our balance sheet, equity and balance of pecuniary funds provide a solid financial base for investment outlays, both from our own resources and external sources. In order to use its resources efficiently, in their further investment activities (particularly in the area of acquisitions) the Company intends to make use of debt financing so as to attain leverage.

4.4. Rating

Award for ENEA S.A. in April 2011 by Fitch Ratings agency of a long-term rating of the entity in domestic and foreign currency at the level of "BBB" and long-term domestic rating at the level of "A(pol)" is of key importance for the realisation of the investment objectives for the Group. Ratings perspective is stable.

The awarded rating reflects the strong position of ENEA S.A. on the domestic energy market and simultaneously confirms its very good economic standing, locating the Group among the entities of the greatest importance for that sector in central-eastern Europe. The results legitimise the validity of strategic actions undertaken in the enterprise and the shape of the current policy realised in ENEA S.A.

The fact of possessing the rating being the independent and objective estimate of the credit worthiness of the Company is of key importance to its clients. The rating opinion is an important tool of building of the entity image in the economic environment implying the multidimensional consequences for its holder.

The rating awarded to ENEA S.A. includes its vertically integrated position (the ENEA Group consisting of ENEA S.A. and subsidiaries) on the Polish power market, including the leading position on the domestic distribution and energy sales market, and an important position in the segment of power generation.

On 5 April 2012 in its announcement Fitch Ratings agency confirmed a long-term rating opinion given to the Company at the present level of „BBB" (on international scale) and A (on domestic scale).

4.5. Description of the Use of Issue Proceeds

Funds obtained by ENEA S.A. from the issue of shares are invested in instruments exhibiting minimal risk, i.e. issued debt instruments, secured by suretyship or guaranteed by the State Treasury or bank deposits. Revenues from the aforementioned investments in 2011 amounted to PLN 78,688,000.

The planned manner of using the proceeds from the issue of Series C shares was described in detail in the Issue Prospectus prepared in relation to the issue of those shares.

5. THE CORPORATE BODIES OF ENEA S.A.

5.1. Members, appointment and description of powers

The personal composition of the Company's authorities and the changes in it that have occurred in the course of the last financial year together with a description of the actions of the Company's management and supervisory bodies and their committees, and also a description of the principles relating to the appointment and recall of these people and their authority, and in particular to their right to take decisions on issuing or purchasing shares, is to be found in item 7 under the title "Declaration on the Application of the Principles of Corporate Governance".

5.2. Principles of Remuneration

Till 29 June 2011 the Members of the Board of the Company were remunerated pursuant to the provisions of the Act of 3 March 2000 on the Remuneration of persons managing certain legal entities. Pursuant to Art. 8 item 3 the maximum amount of monthly remuneration of people employed in one-person companies established under commercial law by the State Treasury may not exceed six times the average monthly remuneration in the enterprise sector, net of payments of bonuses from profits, in the fourth quarter of the previous year as published by the President of the Central Statistical Office.



In connection with amendment of certain acts connected with realisation of the budget law (Journal of Laws of 17 December 2010) which amended the act of 3 March 2000 on the Remuneration of persons managing certain legal entities through addition of Art. 29b in 2011 the basis of remuneration of Members of the Board was a monthly remuneration in the enterprise sector, net of payments of bonuses from profits in the fourth quarter 2009.

Additionally Members of the Management Board could, by a justified motion of the Supervisory Board, be awarded an annual bonus amounting to no more than three times the average monthly remuneration of an employee in the year preceding award of bonuses.

Members of the Board under employment were covered by the provisions of the Corporate Collective Labour Agreement (ZUZP), except remunerating principles.

Members of the Board, apart from the basic remuneration and annual bonus, in case of dismissal or termination of the employment were entitled to a severance payment in the amount of a three-fold monthly remuneration.

Non-competition agreements were concluded between Members of the Management Board and the Company. Under this agreement the Employer undertook, for a period of six months, to pay an employee monthly compensation amounting to the value of monthly remuneration received during the last full month for which his or her contract of employment was in force so long as he or she refrains from undertaking activity that competes with the Company.

ENEA S.A. has not concluded any agreements with management that would provide for compensation in the event of their resignation or dismissal without citing a material reason, or where their recall or dismissal results from a merger of the issuer by way of a takeover.

In H2 2011 in ENEA S.A. based on the Resolution of the Supervisory Board No 42/VII/2011 of 31 May 2011 changes were introduced in the method of remunerating the Members of the Board. In relation to that on 28 June 2011 all the members of the Board of ENEA S.A. concluded agreements for provision of management services with the Company. The amount of remuneration of the members of the Board of the Company with whom it concluded the management agreement mentioned in Art. 3 item 2 of the Act of 3 March 2000 on the Remuneration of persons managing certain legal entities (Journal of Laws of 2000 No 26 item 306) was determined by the Supervisory Board.

The managing persons have at own expense concluded an insurance agreement within third party liability that may arise in relation to performing managing services.

The remuneration of the Members of the Supervisory Board is set on the basis of the Minister of the State Treasury's declaration of 20 June 2000 on establishing the remuneration of members of Supervisory Boards in one-person companies of the State Treasury and is set at the level of average monthly remuneration in the enterprise sector net of payments of bonuses from profits in the fourth quarter of the previous year as published by the President of the Central Statistical Office. In connection with Art. 14 of the Act of 26 November 2010 on amendment of some acts connected with the realisation of the budget law the provisions of the act of 3 March 2000 on remunerating of persons managing some legal entities were novelised and Art. 29b was added which provides that in 2011 the average monthly remuneration in the enterprise sector net of payments of bonuses from profits in the fourth quarter 2009, i.e. PLN 3,454.58.

The principles of remunerating other Employees of the Company are contained in the Corporate Collective Labour Agreement for Employees of ENEA S.A. and its Subsidiaries. The Corporate Collective Labour Agreement contains provisions concerning remunerating and benefits relating to employment, predicting the extensive catalogue of various benefits exceeding the level resulting from the commonly bidding labour law regulations.

5.3. Level of Remuneration

Remuneration for members of the Management Board of ENEA S.A in period from 1 January 2011 to 29 June 2011 is presented in the following table:



Name	Position	Multiple *	Basic consideration **	Additional consideration ***	Energy tariff (pursuant to the Collective Labour Agreement)	Total
Owczarek Maciej	President of the Board	6	197 231.09	26 808.24	459.22	224 498.55
Rozpędek Hubert	Member of the Board	5.9	131 997.82	17 820.00	-	149 817.82
Górniak Maksymilian	Member of the Board	5.9	143 644.66	11 306.62	-	154 951.28
Zborowski Krzysztof	Member of the Board	3.9	87 252.76	4 752.00	-	92 004.76
Total	-	-	560 126.33	60 686.86	459.22	621 272.41

* Multiple - defined as the multiple of the average monthly remuneration in the enterprise section net of payments of bonuses from profits in the fourth quarter of the previous year as published by the President of the Central Statistical Office. The amount of the multiple is derived from the Act on the Remuneration of Persons Managing Certain Legal Entities.

** Basic consideration, i.e.:

- monthly remuneration,
- annual bonus,
- severance pay following dismissal from membership of the Management Board
- long-service bonus,
- equivalent payment for unused holiday,

*** Additional consideration - mean:

- reimbursement of part of the costs of using housing made available by the Company
- contributions made to the Employee Pension Plan.

The remuneration of persons composing the Board of ENEA S.A. in the period from 29 June 2011 to 31 December 2011 with whom the Company concluded the agreement on provision of services within management is presented in the table below:

Name	Position	Remuneration (gross with VAT with no deductions for natural person income tax)
Owczarek Maciej	President of the Board	160 478.70
Rozpędek Hubert	Member of the Board	160 478.70
Górniak Maksymilian*	Member of the Board	138 309.18
Zborowski Krzysztof	Member of the Board	160 478.70
Total	-	619 745.28

* Mr. Maksymilian Górniak was a Member of the Board of ENEA S.A. till 5 December 2011

Remunerations for members of the Management Board of ENEA S.A. in 2011 for holding offices in governing authorities of subordinated entities is presented in the table below:



Name	Position	Remuneration for sitting on the supervisory board of ENEA subsidiaries
Owczarek Maciej	President of the Board	27 400.00
Rozpędek Hubert	Member of the Board	29 787.98
Górniak Maksymilian*	Member of the Board	40 497.18

* Mr. Maksymilian Górniak was a Member of the Board of ENEA S.A. till 5 December 2011

Remuneration for members of the Management Board of ENEA S.A. in 2011 for holding office in ENEA subsidiary is presented in the table below:

Name	Position	Remuneration for holding a position in the ENEA subsidiaries
Zborowski Krzysztof	President of the Board	502 356.63
Owczarek Maciej	Member of the Board	297 644.72
Rozpędek Hubert	Member of the Board	272 090.30
Górniak Maksymilian*	Member of the Board	324 000.00

* Mr. Maksymilian Górniak was a Member of the Board of ENEA S.A. till 5 December 2011

Remuneration for members of the Supervisory Board of ENEA S.A. in the financial year 2011 is presented in the following table:

Name	2011
Dachowski Tadeusz	43 257.60
Pluciński Mieczysław	43 257.60
Chmielewski Wojciech	43 257.60
Wood Graham	43 257.60
Balcerowski Paweł***	25 349.88
Kowalewski Michał	43 257.60



Aniołek Małgorzata	43 257.60
Nowicki Bartosz*	21 508.64
Mordasewicz Jeremi	43 257.60
Lisiewicz Paweł	43 257.60
Mańkowska Agnieszka**	21 869.12

* Mr. Bartosz Nowicki was a Member of the Supervisory Board of ENEA S.A. till 29 June 2011

** Ms. Agnieszka Mańkowska was a Member of the Supervisory Board of ENEA S.A. from 29 June 2011

*** Mr. Paweł Balcerowski was a Member of the Board of ENEA S.A. till 1 August 2011

Members of the Supervisory Board of ENEA S.A during the financial year 2011 did not collect any remuneration for holding offices in the Supervisory Board. On 29 June 2011 a change was made in the composition of the Supervisory Board - in the place of the dismissed Mr. Bartosz Nowicki Ms. Agnieszka Mańkowska was appointed. On 1 August 2011 the composition of the Supervisory Board was diminished to 9 persons (the death of Mr. Paweł Balcerowski).

5.4. List of Shares in Entities that are Members of the ENEA Capital Group that are Held by the Members of the Management and Supervisory Boards

Name	Position	Number of shares of ENEA S.A. held as at 31 December 2011 (in pcs.)	Nominal value of held shares of ENEA S.A. as at 31 December 2011 (in PLN)
Tadeusz Dachowski	Member of the Supervisory Board	4 440	4 440
Mieczysław Pluciński	Member of the Supervisory Board	4 140	4 140
Maksymilian Górniak	Member of the Management Board for Commercial Affairs	*	*

* Mr. Maksymilian Górniak was a Member of the Board of ENEA S.A. till 5 December 2011. As of the publication date of the periodic report for Q3 2011, i.e. 15 November 2011 he hold 3,740 shares of the Company with the total nominal value of PLN 3,740.

As of the date of this report the shareholding of managing and supervising persons remains unchanged according to the best knowledge of the Company.

As at 31 December 2011 and the publication date of this report the other Members of ENEA S.A.'s Management and Supervisory Boards did not hold ENEA S.A. shares.

As at 31 December 2011 and the publication date of this report Members of ENEA S.A.'s Management and Supervisory Boards did not own shares in subsidiaries of ENEA S.A.



6. THE SHAREHOLDING AND SHARE CAPITAL STRUCTURE OF ENEA S.A.

6.1. Share capital structure

In connection with a public offer of series C shares, at a closed hearing on 13 January 2009 the District Court for Poznan - Nowe Miasto and Wilda in Poznan, 8th Commercial Division of the National Court Register, registered an increase in the Issuer's share capital from PLN 337,626,428 to PLN 441,442,578, by the issue of 103,816,150 series C ordinary bearer shares.

Upon registration of the increase, the amount of share capital of the Issuer was PLN 441,442,578. The total number of votes resulting from all issued shares of the Issuer is 441,442,578.

As at the date of this report and following the registration of the increase in the Issuer's share capital, the capital structure is as follows:

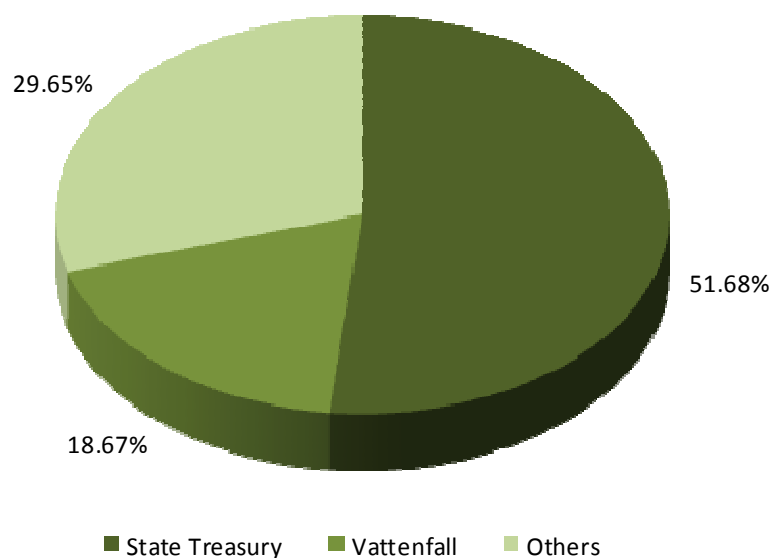
- 295,987,473 series "A" ordinary bearer shares, 67.05%
- 2,424,300 series "B" ordinary registered shares, 0.55%
- 39,214,655 series "B" ordinary bearer shares, 8.88%
- 103,816,150 series "C" ordinary bearer shares, 23.52%

6.2. Shareholding structure

As at 31 December 2011 of the report, the structure of shareholders holding more than 5 per cent of the total number of votes at ENEA S.A.'s General Meeting of Shareholders is as follows:

Shareholder	Number of shares	Share in share capital	Number of votes at the General Meeting of Shareholders	Share in the votes at the General Meeting of Shareholders
State Treasury	228 138 189	51.68%	228 138 189	51.68%
Vattenfall AB	82 395 573	18.67%	82 395 573	18.67%
Others	130 908 816	29.65%	130 908 816	29.65%
Total	441 442 578	100.00%	441 442 578	100.00%





In the period from the expiry of the reporting period, i.e. 31 December 2011 till the approval of the annual report there was a small change in the shareholding of the key Shareholder of the Company, i.e. the State Treasury. The divergence in number of shares held by the State Treasury is connected with the specificity of the process of nil-paid rights to employee shares from the State Treasury by entitled employees and their heirs.

Here, the Company reminds that on 15 February 2010 the State Treasury made the first transaction of sale of the Company's shares under general conditions the consequence of which was achievement by entitled persons nil-paid rights to B series shares. A process being in progress of offering of the shares for free will be completed on 16 May 2012 (subject to the fact that in some specific situations a heir may sign nil-paid rights agreement for shares after the date indicated – more information may be found on www.enea.pl under the tag of "Employee shares").

Having in mind the term of limitation of sale of shares expiring on 15 February 2012 the Company's Board undertook indispensable steps aiming at enabling trading in the said shares on the WSE. Dematerialisation and introducing for trading will cover all the shares subject to nil-paid rights from the State Treasury till 15 February 2012 inclusive. In relation to the above, on request of ENEA S.A., on 20 February 2012 the Board of GPW admitted 30,981,380 employee shares for exchange trading. Pursuant to the resolution of the Board of the Warsaw Stock Exchange of 27 February 2012 employee shares were listed on the primary market on 5 March 2012.

The shares held by entitled people who appear for signing of an agreement of nil-paid rights to shares from the State Treasury after that date will be introduced for trading on WSE on a later date.

6.3. Potential changes in the shareholder structure

The Company does not know of any agreements that could result in future changes in the proportions of shares held by the existing shareholders.

However, please note that under the privatisation programme the Ministry of the State Treasury (MST) plans to dispose of its entire block of shares in ENEA S.A.

In accordance with the document "2008-2011 Privatisation Plan", adopted by the Council of Ministers on 22 April 2008, ENEA S.A. was identified as one of the energy groups to be privatised in the years 2008-2011. The first stage of the above process was the 2008 sale of a block of newly-issued shares of the Company in an IPO.

As announced in November 2009, in February 2010, the Ministry of the State Treasury (MST) carried out the next stage of the privatisation process of the Company initiated in 2008. In the privatisation plan of the MST



entity was to involve selling shares in the Company in a two-stage process – as part of transactions carried out via public markets (Stage I / February 2010), followed by the disposal of more than 50 per cent of the Company's shares to an industry investor (Stage II / mid-2010). The main purpose of Stage I was to increase the number of the Company's shares in free float (i.e. the number of shares held by shareholders whose holdings do not exceed five per cent in the Company's capital).

On 10 February 2010, the MST disposed of 70.851.533 shares in ENEA S.A. (constituting 16.05 per cent of the Company's share capital). The sale was conducted on the Warsaw Stock Exchange. This was the second-largest transaction in the "fully-marketed offer" formula in the history of the WSE, and the largest in the preceding three years. The Company's shares were offered exclusively to domestic and foreign institutional investors. The price of the offered shares was set at PLN 16.00 per share. The total value of the offer amounted to PLN 1.134 billion.

As a result of the subscription, 80 per cent of the offering was taken up by domestic institutional investors, including 60 per cent that was acquired by pension funds. As a result of the transaction, the State Treasury's stake in the Company's share capital decreased from 76.48 to 60.43 per cent. The share of the second largest shareholder, Vattenfall AB, remained at 18.67 per cent, while 20.90 per cent of ENEA S.A. shares are in free float.

On 28 June 2010, the MST published an invitation to negotiate the purchase of 225,135,940 shares owned by the State Treasury and accounting for 51 per cent of the Company's share capital. Multi-stage negotiations within this area (more details in e.g. The Report of the Management Board of ENEA S.A. on activities in 2010) were conducted till 1 April 2011 when the Minister of the State Treasury decided to close the sale process of 51 per cent of shares of ENEA S.A. with no conclusion. According to an MST communique, when selling 51 per cent of Enea S.A. shares MST, in compliance with recommendations of the European Commission, attempted to maximize the price. Other priorities were keeping the operating integrity of Enea S.A, maintaining a clear shareholding structure and developing generation capacities in Elektrownia Koźienice S.A. in compliance with the energy security policy for Poland. As stated in the publication, all submitted offers were thoroughly analysed, and the term of the transaction was extended due to intensive negotiations concerning the a/m operating and investment priorities. Having received numerous offers, the Minister of the State Treasury did not approve any of them as they failed to satisfy the underlying conditions. Negotiations with a few prospective investors started on 28 June 2010. In the first stage of negotiations a part of the offers was rejected due to serious doubts as to the possibility of keeping the company's integrity, control over the same and the security of transaction financing. In the last stage, talks with a prospective investor did not succeed because of investment commitments required for Koźienice Power Plant.

In the a/m publication, MST states that "ENEA S.A. remains a stock-exchange listed company pursuing its own investment programme, including the development of new generation capacities in the Koźienice Power Plant. The Minister of the State Treasury, as key shareholder, will expect an acceleration of works on the implementation of that investment programme. MST intends to open anew the process for privatisation of the company when such investment becomes an integral and unchallengeable part of ENEA S.A. business operations".

Here, ENEA S.A. points out that on 27 March 2012 the Council of Ministers accepted a document prepared by the Ministry of State Treasury "Privatisation Plan for 2012-2013" (further on referred to as Privatisation Plan) which presents key assumptions of the privatisation policy and list of entities with a share of the State Treasury which were selected to be covered with the ownership changes. According to the Privatisation Plan privatisation processes shall include the needs of the companies connected with investment projects of particular entities. They will be realised in accordance with the provisions of government documents: "Programme for the power industry" and "Energy policy for Poland till 2030". The Privatisation Plan anticipates both the privatisation of companies wholly owned by the State Treasury and transfer of the title to packages of shares of the remaining companies from that industry with partial, including the minority stakes of the State Treasury. Ownership changes cover among others the following companies: Energa S.A., PGE Polska Grupa Energetyczna S.A., Zespół Elektrowni Patnow Adamow Konin S.A. or Zespół Elektrowni Wodnych Niedzica S.A. and ENEA S.A. Within the planned projects privatisation through the WSE will be preferred.

6.4. Treasury shares

As at 31 December 2011, during the financial year 2011 as well as at the date of publication of this report, the Company did not hold any treasury shares.



Settlements of all sales transactions for previously held treasury shares purchased as a part of the price stabilization measures undertaken for the Company's series C shares on terms and conditions stipulated in the Prospectus published on 23 October 2008 were closed on 11 August 2009.

6.5. Information on the system of inspecting employee share programmes

In connection with the commercialisation and planned privatisation of the Company, existing employees of ENEA are entitled to acquire up to 15 per cent of the Shares from the State Treasury at no cost. The specific rules for employees acquiring shares at no cost are governed by the Act on Commercialisation and Privatisation.

Apart from the Act on Commercialisation and Privatisation, employee entitlements to acquire shares at no cost as part of the process of consolidation are regulated by the Act on the Rules for Acquiring Shares from the State Treasury in the Process of Consolidation of the Power Industry. In the case of the process of consolidating companies in the electricity sector, employees who meet the conditions set forth in the Act on the Rules for Acquiring Shares from the State Treasury in the Process of Consolidation of the Power Industry are entitled to acquire shares at no cost or an equivalent from a consolidated or consolidating company. As a result of the consolidation of Elektrownia Koźienice involving transfer of 100 per cent of the shares of Elektrownia Koźienice to the share capital of ENEA S.A., current and former employees of Elektrownia Koźienice became entitled to obtain shares at no cost or their equivalent. 2,169 persons exercised their entitlement to obtain an equivalent, and 1,388 persons chose to acquire Shares at no cost. The equivalent of the right to acquire Shares at no cost constitutes remuneration due from the Share buy-back. On 1 August 2008, the General Meeting of Shareholders adopted a resolution on buying back 10,594,129 Shares belonging to the State Treasury, for total compensation of PLN 291,127,000.

Pursuant to the resolution of the Board of the Warsaw Stock Exchange of 27 February 2012 employee shares were listed on the primary market on 5 March 2012.

7. DECLARATION OF THE APPLICATION OF CORPORATE GOVERNANCE PRINCIPLES

7.1. The set of principles applied

The management board of ENEA S.A. declares that it is applying the principles of corporate governance which constitute an Appendix to the Resolution of the Board of the Warsaw Stock Exchange No. 20/1287/2011 of 19 October 2011, entitled: "Good Practices of Companies Listed on the WSE" (Good Practices, Corporate Governance Principles), and have been published on the website of the Warsaw Stock Exchange (<http://corp-gov.gpw.pl>). That set of Corporate Governance Principles contains a section entitled "Recommendations Regarding Good Practices of Listed Companies", which describes the good practice principles that the Issuer can decide to apply at its own discretion.

7.2. Principles which have not been applied

The Management Board of ENEA S.A. declares that in view of the factual status existing in the Company as at the date of this report, the following principle of Good Practices of Companies Listed on the WSE is not applied:

Principle No. 6 Part III of Good Practices:

"At least two members of the supervisory board should fulfil the criteria of independence from the company and from entities that have significant affiliations with the company. With regard to the independence criteria for members of the supervisory board, Annex II to the European Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board should be applied. Irrespective of the provisions of Item b) of that Annex, a person who is an employee of the company or its subsidiary or affiliate cannot be deemed to fulfil the independence criteria referred to in that Annex. Furthermore, an affiliation with a shareholder excluding the independent status of a



member of the supervisory board in the meaning of this principle is understood to mean an actual and significant affiliation with a shareholder which has the right to exercise five per cent or more of the total number of votes at the general meeting of shareholders."

The Management Board intended to comply with all the corporate governance principles, and it therefore recommended that the Shareholders appoint two independent members of the Supervisory Board. However, the Company's Extraordinary General Meeting of Shareholders of 25 February 2009, whose agenda included an item relating to the appointment of two new members of the Supervisory Board, only appointed one member of the Supervisory Board who fulfilled the independence criteria specified in the above-mentioned corporate governance principle, and at present only one of the members of the Supervisory Board fulfils those criteria.

The restoration of the application of the principle of Part III Item 6 of Good Practices depends on a decision being made by the Shareholders acting as the Company's General Meeting of Shareholders.

It is the Management Board's intention for the Company to apply all the principles set out in Good Practices in the future. However, please note that the final decision regarding compliance with individual principles of Good Practices will belong to our shareholders, particularly with regard to the functioning of the audit committee within the Supervisory Board and the election of a certain number of Supervisory Board members who fulfil the criteria relating to independence from the Company and entities which have a significant affiliation with it. Our Statute does not require that the shareholders elect at least two independent members of the Supervisory Board, as is required by Good Practices. Under the provisions of the Company's Statute, starting from the date falling one month after the date of the first listing of the Shares on the regulated market, at least one member of the Supervisory Board from among those appointed by the General Meeting of Shareholders should: (i) fulfil the independence requirements (ii) be elected by the General Meeting of Shareholders in a separate vote; and (iii) not be an employee of the Company or its subsidiaries or affiliates.

At the same time the Company notes that in 2011 it failed to comply with selected recommendations concerning good practices of listed companies contained in Part I of the Corporate Governance Principles.

Referring to recommendations referred to in point 1 of the a/m recommendations, under which the Company is supposed to keep a clear and effective information policy using traditional methods as well as modern technologies and state-of-the-art communication tools assuring swift, secure and efficient access to information, the Company hereby announces that in 2011 it failed to broadcast its general meetings through the Internet and failed to record the course of general meetings and failed to publish them on its website. The Issuer's failure to comply with the above-mentioned part of the recommendations resulted from technical problems and imperfections of the IT infrastructure necessary to carry out online live broadcasts of its general meetings.

However the Issuer declares that it is making its best efforts to ensure that the information policy of ENEA S.A. is fair, timely and clear. In pursuing the foregoing objective, the Company applies traditional forms of communication with shareholders and analysts (current and periodic reports as well as corporate governance reports) and uses its website with a dedicated Investor Relations section. It should be noted here that the website of ENEA S.A. was rewarded in the 1st stage of the 2010 competition for the best website of a listed company (Issuer's Golden Website) organised by the Association of Stock Exchange Issuers.

In addition, we would like to declare that the Issuer publishes information about all general meetings held, so that Shareholders have sufficient time in advance to get acquainted with all the issues included in the agenda for the meeting in question. Referring to the course of general meetings, the Issuer wants to note that information on resolutions adopted during the general meeting in question, on withdrawal from any of the points included on the agenda, as well as on protests raised and recorded in the minutes of the general meeting in question, is published in current reports pursuant to provisions of Art. 38 of the Regulation on current and periodic information [...].

At the same time the Issuer does not exclude the possibility that in the future it will fully comply with the aforementioned recommendation.

Referring to the recommendation contained in point 9 of the recommendations for the Corporate Governance Principles concerning the balanced participation of women and men holding office in management and supervisory authorities of public companies, the Company explains that currently balanced proportions of women and men in management and supervisory authorities of ENEA S.A. are not maintained. In 2011 two



women were present in the composition of the Supervisory Board of the Company: Ms. Małgorzata Aniołek and Ms. Agnieszka Mańkowska. No women were present in the composition of the Management Board.

At the same time the Issuer announces that the selection and appointment of members to management and supervisory authorities in the Company is made on the basis of applications obtained from candidates. Candidates are selected for respective offices after a thorough analysis of the experience, competences, skills and professional background of each of them. The aforementioned factors are the only criteria considered in the course of recruitment for offices on the Company's Management Board and Supervisory Board. In the Company's opinion, criteria which are in place in order to evaluate candidates for offices in management and supervisory authorities permit the selection of candidates who guarantee creativity and innovativeness, as well as the development of ENEA S.A.'s operations.

7.3. Description of the main features of the internal control and risk management systems applied in the issuer's company

The Management Board of ENEA S.A. is responsible for the internal control system in the Company and its effectiveness in the process of drawing up financial statements and periodic reports. The task of an effective internal control system in financial reporting is to ensure that the financial information set out in financial statements and periodic reports is appropriate and correct.

One of the basic elements of control in the process of drawing up financial statements of ENEA S.A. and the ENEA Capital Group is the verification of the financial statements by an independent auditor.

The tasks of the auditor include in particular: a review of the mid-year financial statements and an audit of the non-consolidated and consolidated annual financial statements. The independent auditor is selected by the Supervisory Board. Once the auditor has completed auditing the financial statements, they are sent to the members of the Company's Supervisory Board, which assesses the stand-alone and consolidated financial statements with regard to their compliance with the books of account, documents and the factual status.

Under the provisions of the Accountancy Act, the members of the Management Board and the Supervisory Board are obliged to ensure that the financial statements and the report on operations fulfil the requirements set out in that act.

The financial data being the basis for financial statements and periodic reports and the monthly management and operational reporting carried out by ENEA S.A. is taken from the Company's financial and accounting system. After all the predetermined processes of closing the books of account at the end of each month have been carried out, detailed management reports on financial and operational matters are drawn up. Those reports are drawn up by the Control Office, with the participation of middle and senior managers from individual organisational units. With regard to completed reporting periods, the Company's financial results as compared with budget assumptions are subject to a detailed analysis, and any deviations are identified and appropriately clarified.

The Company also carries out annual reviews of business and financial strategies and plans. Middle and senior management personnel are engaged in the process of detailed planning and budgeting, which covers all the areas of the Company's operations. The financial plan prepared by the Control Office for the next three years is accepted by the Company's Management Board and approved by the Supervisory Board. During the course of the year, ENEA S.A.'s Management Board analyses current financial results and compares them to the adopted financial plan, presenting the execution of the plan and any deviations to the Supervisory Board. This is constructed on the basis of the Company's adopted accounting policy (International Financial Reporting Standards) and applies the format and degree of detail of the financial data presented in the periodic financial statements of ENEA S.A. and the ENEA Capital Group.

The Company applies consistent accounting principles and presents financial data in financial statements, periodic financial reports and other reports disclosed to the Shareholders.

The Company regularly assesses the quality of its internal control and risk management systems with regard to the process of drawing up financial statements. On the basis of an assessment, the Management Board of ENEA S.A. confirms that as at 31 December 2011 there were no shortcomings that could significantly affect the effectiveness of internal control as it relates to financial reporting.

An important element of the internal control system is that of internal audits. Among the basic tasks of an internal audit are a review and evaluation of processes and the control mechanisms they contain, and monitoring of and recommendations for improvements in the risk management system and corporate



governance. The ENEA S.A. internal audit is independent, and accountable to the Audit Committee acting as part of the Supervisory Board. Additional information on the Audit Committee can be found in pt. 7.12 of the section on the Supervisory Board.

ENEA S.A., being aware of the risk connected with conducting operations, has taken steps aimed at creating a formalised, integrated risk management system in the ENEA Capital Group. The scope of works covers designing of formal policies and procedures regulating the process of market risk management (including commodity risk, exchange rate risk and interest rate risk), credit risk, risk of loss of liquidity and business and operating risks.

7.4. Shareholders holding substantial blocks of shares

The shareholding structure as at 31 December 2011 was as follows:

Shareholder	Number of shares	Share in share capital	Number of votes at the General Meeting of Shareholders	Share in the votes at the General Meeting of Shareholders
State Treasury	228 138 189	51.68%	228 138 189	51.68%
Vattenfall AB	82 395 573	18.67%	82 395 573	18.67%
Others	130 908 816	29.65%	130 908 816	29.65%
TOTAL	441 442 578	100.00%	441 442 578	100.00%

The shareholding as at the date of this report, i.e. 10 April 2012, subject to any immaterial divergences in the share of the State Treasury connected with the process of acquiring nil-paid employees shares (described in detail above) remains unchanged.

7.5. Holders of securities carrying special inspection rights

Till the date of preparation of this report ENEA S.A. has not issued any securities that could give special inspection rights with respect to the Issuer.

7.6. Restrictions on exercising voting rights

Till the date of preparation of this report there are no restrictions on exercising voting rights in the Company, other than those provided for in generally applicable provisions of law.

7.7. Restrictions on assigning the ownership title to securities

Till the date of preparation of this report the Company has no other than the ones described below limitations concerning transfer of the title to securities of the Issuer.

As a result of the on-going privatisation of the Company, pursuant to the Act on Commercialisation and Privatisation of 30 August 1996, eligible employees acquired ENEA S.A. shares free of charge. There are specific time restrictions on the possibility of a further disposal of shares of ENEA S.A. acquired free of charge. Pursuant to Art. 38 item 3 of the Act on Commercialisation and Privatisation, shares acquired free of charge by employees/heirs of ENEA could not be traded before 16 February 2012, i.e. before the lapse of two years from the date when the State Treasury transfers the first shares on general principles, and shares acquired by employees performing the function of member of the Management Board of ENEA cannot dispose of their shares until three years have elapsed from the date when the State Treasury transferred the first shares on general principles, i.e. until 16 February 2013. Limitation in selling employee shares does not apply to the shares of ENEA S.A. acquired by authorised employees of the Koźienice Power Plant.



As at the date of this report, there are no restrictions in the Company on assigning the ownership title to the Issuer's securities.

7.8. Principles relating to appointing and recalling management personnel

Pursuant to § 12 item 1 of the Statute the Management Board of the Company consists of from 3 to 8 persons, including the President of the Management Board. Management Board members are appointed for a joint term of three years.

The Management Board members or the entire Management Board are appointed and recalled by the Supervisory Board. In appointing Management and Supervisory Board Members application is made of the principles contained in the Regulation of the Council of Ministers of 18 March 2003 concerning qualification proceedings for management board members of certain commercial companies. Pursuant to § 16 item 1 of the Act of 30 August 1996 on the Commercialisation and Privatisation, if the annual average employee count in the Company exceeds 500 employees, the Supervisory Board will appoint one person elected by the employees to the Management Board for the term of the Management Board. § 14 item 7 of the Company's Statute lays down the following principles and procedure for electing the Management Board member elected by the employees.

1. Candidates can be persons nominated according to the procedure set out in items 2 and 3 below.
2. Candidates may be nominated by any membership organisations active within the Company and by employee groupings of at least 300 persons. Each employee can only support one candidate.
3. Candidates must be nominated in writing to the Main Election Committee, not later than seven days before the scheduled date of voting.
4. If a candidate is not elected in the first round of elections (for a Management Board Member to be elected in the first round of the elections, the candidate must obtain an absolute majority of votes, with at least 50 per cent of all the employees taking part in the elections), a second round of elections is held, in which the two candidates who obtained the greatest number of votes in the first round participate.
5. The second round of elections is carried out in accordance with the procedure established for the first round, taking into account the changes provided for in item 4.
6. After the final results of the elections have been established, the Main Election Committee (appointed by the Supervisory Board) declares that they are valid and then makes an appropriate announcement and delivers the election documentation to the Supervisory Board.
7. As soon as it receives the election documentation, the Supervisory Board appoints the Management Board Member elected by the employees.

At the written request of at least 15 per cent of all of the Company's employees, the Supervisory Board will convene a vote on recalling an employee-elected Management Board member. The outcome of the vote will be binding for the Supervisory Board, provided that at least 50 per cent of all the employees take part in it and the same majority required for the Management Board Member to be elected is returned. A motion on recalling the Management Board Member elected by the employees should be submitted to the Management Board, which will then deliver it to the Supervisory Board (§ 16 of the Statute).

7.9. Powers of the Management Board members

The Board of Management of ENEA S.A. transacts business of the Company and represents it.

Pursuant to § 11 item 2 of the Statute resolutions of the Board are required on all the matters exceeding the scope of ordinary activities of the Company, and particularly:

1. adopting the Company's organisational regulations, subject to approval by the Supervisory Board;
2. creating and liquidating branches,
3. appointing an authorised signatory or an authorised representative, except for an attorney ad litem; appointing an authorised signatory requires the consent of all the members of the Management Board;
4. taking out loans or credit facilities,
5. adopting annual material and financial plans, including investment plans, and long-term strategic plans, subject to approval by the Supervisory Board,
6. contracting conditional obligations, including the Company granting guarantees and sureties and issuing promissory notes,



7. Acquiring, disposing of or encumbering real property, rights of perpetual usufruct or shares in real property, on the basis of one or more legal acts in a period of 12 consecutive months, with a value greater than or equal to the equivalent of EUR 50,000,
8. giving over the Company's real property under a leasing, tenancy, lease, lending or usufruct agreement or for any other use,
9. taking over real property under a leasing, tenancy, lease or usufruct agreement or for any other use, on the basis of one or more legal acts in a period of 12 consecutive months, where the value of the rent for 12 consecutive months is greater than or equal to the equivalent of EUR 50,000,
10. acquiring, disposing of or encumbering a fixed asset, except for real property, rights of perpetual usufruct or shares in real property, on the basis of one or more legal acts in a period of 12 consecutive months, with a value greater than or equal to the equivalent of EUR 50,000,
11. any instance of offering fixed assets, except for real property, for leasing, lease, rent, borrowing, usufruct or any other use,
12. taking over a fixed asset, except for real property, under a leasing, tenancy, lease or utilisation agreement or for any other use, on the basis of one or more legal acts in a period of 12 months, where the value of the rent for 12 consecutive months is greater than or equal to the equivalent of EUR,
13. matters that the Management Board requests that the Supervisory Board or General Meeting of Shareholders consider,
14. determining the manner in which the Company exercises its voting rights at the General Meeting of Shareholders or at shareholders meetings of Significant Subsidiaries, subject to Clause 20 par. 6 point.

Other than the provisions specified above, the Company's Statute contains no provisions that grant additional powers to the management board members, including powers to make decisions on the issuance or redemption of shares.

7.10. Description of the principles governing the amendment of ENEA S.A.'s Statute

Pursuant to the provisions of the Commercial Companies Code, the Company's Statute is amended by a resolution of the General Meeting of Shareholders and an entry in the register.

In accordance with § 32 item 2 of the Statute resolutions concerning the following matters can be adopted if at least half of the Company's share capital is represented at the General Meeting of Shareholders, and they will require a majority of four fifths of the votes when and if the State Treasury ceases to hold more than 50 per cent of the share capital:

1. the dissolution of the Company,
2. transferring the Company's registered office abroad,
3. changing the subject of the Company's business activities thereby limiting the possibility of it conducting the activities referred to in § 5 item 1-4 of the Statute,
4. disposing of or leasing the Company's business undertaking or an organised part thereof, whose subject are the activities referred to in § 5 item 1-4 of the Statute, or establishing a limited right in rem on the Company's business undertaking or an organised part thereof,
5. merging the Company by transferring all of its assets to a different company,
6. a demerger of the Company,
7. establishing preferential terms for shares,
8. establishing, converting into or joining a European Company,
9. amendment of § 32 of the Statute specifying the mode of adoption of resolutions on the aforementioned matters.

Other than those specified above, the Company's Statute contains no provisions that differ from the provisions of the Commercial Companies Code regulating the Statute amendment.

7.11. The procedure and basic powers of the General Meeting of Shareholders and a description of shareholders' rights and the procedure for exercising them

Pursuant to § 29 item 1 of the Statute of ENEA S.A. the Management Board convenes the General Shareholders Meeting in instances set out in the provisions of law and the provisions of the Statute, as well as upon the written request of the State Treasury shareholder.



In accordance with § 31 item 1 and 2 of the Statute the State Treasury, as long as it is the Company's Shareholder and irrespective of its share in the Company's share capital, may, pursuant to Article § 400 item 1 of the Commercial Companies Code, request that an Extraordinary Shareholders Meeting be convened or that certain matters be included in the agenda of the next General Shareholders Meeting. The State Treasury must submit such a demand in writing to the Management Board not later than one month before the proposed date of the General Meeting of Shareholders. If the request referred to in par. 1 above is submitted after a General Shareholders Meeting is convened, it will be deemed a request for convening a subsequent Extraordinary Shareholders Meeting.

If the General Meeting is not convened within the deadline specified in par. 2, the State Treasury shareholder is entitled to convene the General Meeting pursuant to Article 354 item 1 of the Commercial Companies Code.

A scheduled General Meeting of Shareholders on whose agenda certain matters have been included at the request of entitled entities, or which was convened at the request of entitled entities, can only be cancelled with the consent of the parties that submitted the request. In other instances, a General Meeting may be cancelled if holding it at the original date would meet with extraordinary obstacles (force majeure) or would become pointless beyond reasonable doubt. Such cancellation is effected in the same way as convening a meeting, ensuring that the adverse effects for the Company and the Shareholders are minimised, and in any event not later than three weeks before the originally planned time of the meeting. The scheduled time of a General Meeting of Shareholders is changed by the same procedure as cancelling it, even if the proposed agenda of the meeting has not changed.

Pursuant to § 33 of the Statute, besides the matters specified in mandatory provisions of law, the powers of the General Meeting of Shareholders include:

1. appointing and recalling members of the Supervisory Board, subject to the provisions of the Company's Statute authorising the shareholder being the State Treasury to appoint and recall one member of the Supervisory Board (under Article 354 item 1 of the Commercial Companies Code) in a situation when the State Treasury ceases to be the only shareholder of the Company,
2. adopting the Regulations of the General Meeting of Shareholders laying down the detailed principles for conducting meetings and adopting resolutions,
3. issuing convertible or exchangeable bonds and other instruments enabling the purchase or subscription of the Company's shares.

The purchase and disposal of real property, perpetual usufruct or real property interest, i.e. activities as set out in Article 393 item 4 of the Commercial Companies Code, do not require the approval of the General Shareholders Meeting.

Pursuant to § 36 of the Statute, as long as the State Treasury holds over the half of the total number of shares of the Company, the activities mentioned in Art. 18 item 2 require an approval of the General Meeting (incorporating of another company, acquiring or subscribing for shares of another company, sale of acquired or subscribed for shares of another company) of the Act of 30 August 1996 on commercialisation and privatisation, except:

1. Acts for which the Statute requires the consent of the Supervisory Board, provided that the Supervisory Board has granted such consent,
2. acts other than those set out in 1 above if they involve:
 - establishing or joining another company in the Republic of Poland if the purchase price for the share(s) or the advance on the contribution in a civil partnership does not exceed EUR 5,000,000
 - subscribing to or purchasing shares whose nominal value does not exceed EUR 5,000,000,
 - selling or encumbering the shares purchased or held in another company if their nominal value does not exceed EUR 5,000,000,
 - purchasing shares for the Company's receivables in settlement, corporate recovery or bankruptcy proceedings.

Besides those specified above, the Company's Statute does not contain any provisions on the procedure of the General Meeting of Shareholders and its powers that are not directly provided for in provisions of law.

The Company has Regulations of the General Meeting of Shareholders, available at www.enea.pl



7.12. The composition of the management and supervisory boards of ENEA S.A., changes to it, and a description of their operations

Management Board

Pursuant to Art. 12 sec. 2 of the Statutes Management Board members are appointed for a joint term of three years.

Since the beginning of 2011 the Management Board operated in the following composition:

Name	Position
Maciej Owczarek	President of the Board
Krzysztof Zborowski	Member of the Management Board for Energy Generation
Hubert Rozpędek	Member of the Management Board for Economic Affairs
Maksymilian Górniak	Member of the Management Board for Commercial Affairs

On 5 December 2011 the Supervisory Board of ENEA S.A. adopted a resolution on dismissal from the composition of the Board of the Company of a Member of the Management Board for Commercial Affairs – Mr. Maksymilian Górniak.

On 24 February 2012 the Supervisory Board of ENEA S.A. adopted a resolution on appointing, starting from 19 March 2012, Mr. Janusz Bil to the position of a Member of the Management Board for Commercial Affairs.

As at the date of this report, i.e. 10 April 2012, the Company's Board operates in the following composition:

Name	Position
Maciej Owczarek	President of the Board
Janusz Bil	Member of the Management Board for Commercial Affairs
Hubert Rozpędek	Member of the Management Board for Economic Affairs
Krzysztof Zborowski	Member of the Management Board for Energy Generation

The Board transact the business of the Company and represents it in relation with third parties (§ 10 item 1 of the Statute and Art. 368 § 1 CCC). Two Members of the Management Board acting jointly or one Member of the Management Board acting jointly with an authorised signatory are authorised to make declarations on behalf of the Company. The powers, organisation and operating principles of the Management Board are set out in the Statute, the Management Board Regulations, and the Commercial Companies Code.

Pursuant to Article 371 § 6 of the Commercial Companies Code, including § 11 of the Statute, the Company's Board adopts the Management Board Regulations specifying the mode of action of the Board, rules of transacting business of the Company by the Board and adoption of resolutions by the Board. The Management Board regulations are drafted by the Management Board on the basis of the guidelines set out by the Supervisory Board, adopted by a Management Board resolution, and approved by the Supervisory Board.



Presently the Management Board regulations are binding in the Company which were adopted with a resolution of the Board of 22 June 2010, approved by a resolution of the Supervisory Board of 12 July 2010.

Meetings of the Management Board take place at the registered office of the Company on Tuesdays, unless the person referred to in the sentence below decides otherwise. Meetings of the Management Board of the Company are convened by the President of the Management Board or a Management Board Member designated by him, at the President's own initiative or upon a motion by two Members of the Management Board. The Member of the Board submits written justification for their absence during the Board meeting. Absence during the Board meeting is substantiated by the meeting Chairman.

The Company's employees, experts and external counsellors may be invited to the Board meeting. The programme and documents necessary for the Board meeting are delivered by the office of the Board at least 1 business day before the Board meeting.

For valid reasons, a meeting can be convened immediately and without materials being provided. For a meeting to be held, all the members of the Management Board must be effectively notified of the meeting (§ 6 item 7 of the Management Board Regulations).

Decisions of the Management Board associated with conducting the Company's affairs, as referred to in § 11 item 2 of the Statute, are made in the form of Management Board resolutions. The Board adopts resolutions if at least half of its members are present at the Meeting and all the members have been duly notified of the meeting. The Board adopts resolutions with absolute majority of votes, i.e. the majority of more than half of the votes cast but abstentions are deemed cast against the resolution (§ 7 item 5 of the Board Regulations). In case of an equal number of votes on adoption of a resolution by the Board the vote of the President of the Board is decisive. The Board may adopt resolutions in writing or using means of direct remote communication. Adopting resolutions in this manner requires a justification and that the draft resolution be presented in advance to all the members of the Management Board. Resolutions adopted in writing or remotely using a means of direct communication are presented at the next meeting of the Management Board with the outcome of the vote.

Pursuant to §4 item 3 of the Management Board regulations the normal business of the Company not reserved for a decision of the Management Board (taken in the form of a resolution) is conducted by the President of the Management Board acting alone and by particular Members of the Management Board according to their individual internal division of competencies:

- **President of the Management Board** coordinates tasks in connection with the overall operations of the Company and the ENEA Capital Group.
- **Member of the Management Board for Commercial Affairs** supervises and coordinates the overall tasks in connection with the trade of electricity and customers services.
- **Member of the Management Board for Economic Affairs** supervises and coordinates the overall tasks in connection with economic, financial and accounting matters and risk-related issues in the Company and the ENEA Capital Group.
- **Member of the Management Board for Power Generation** supervises and coordinates the entirety of issues associated with the compilation of development strategies and their implementation, as well as exercises supervision over companies belonging to the ENEA Capital Group carrying out electrical and heat energy generation activities.

It does not however change a rule concerning making declarations of will on behalf of the Company mentioned in § 10 item 2 of the Company's Statute.

The full text of the *Regulations of the Management Board of ENEA Spolka Akcyjna* is available at www.enea.pl

Supervisory Board

Members of the Supervisory Board of ENEA S.A. for the 7th term were appointed by a resolution of the Ordinary General Meeting of Shareholders of 30 June 2009 for a joint three-year term, which ends on 30 June 2012. The mandates of the members of the Supervisory Board will expire not later than the date of the General Meeting of Shareholders that approves the financial statements of the Company for 2011.



Since the beginning of 2011, the Supervisory Board of the 7th term has been operating in the following composition:

Name	Position
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

On 29 June 2011 the Extraordinary General Meeting of Shareholders dismissed from the composition of the Supervisory Board Mr. Bartosz Nowicki and at the same time appointed to the composition of the Supervisory Board of VII term Ms. Agnieszka Mańkowska.

On 1 August 2011 as a result of death a term expired of the Member of the Supervisory Board Mr. Paweł Balcerowski.

On 12 March 2012 the Extraordinary General Meeting of Shareholders appointed Mr. Sławomir Brzeziński to the composition of the Supervisory Board of 7th term.

As at the date of this report, i.e. 10 April 2012, the Supervisory Board of the Company is composed of ten members and operates in the following composition:

Name	Position
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
Sławomir Brzeziński	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
Agnieszka Mańkowska	Member of the Supervisory Board
Graham Wood	Member of the Supervisory Board

The Supervisory Board continuously oversees the Company's activity in all its areas. The special duties of the Supervisory Board include assessing the Management Board report on the Company's operations and the financial statements for the previous financial year, to ensure their compliance with the books of account and documents and the factual status, and motions of the Management Board on the distribution of profits or covering of losses, as well as submitting an annual written report on the results of that assessment to the General Meeting of Shareholders (Art. 382 § 2 CCC). The powers, organisation and operating principles of the Supervisory Board are set out in the Statute, the *Supervisory Board Regulations of ENEA S.A.* in Poznan and the Commercial Companies Code.

Pursuant to § 22 item 1, § 23 and § 24 of the Company's Statute the Supervisory Board is composed of six to fifteen members appointed by: (i) the General Meeting of Shareholders, (ii) the Company's employees - to the extent of their entitlement under the Act on Commercialisation and Privatisation (the employees can elect two, three or four members of the Supervisory Board if it has up to six, from seven to ten, or more than 11 members respectively) and (iii) the State Treasury - the State Treasury has the right to appoint one member of the Supervisory Board. Furthermore, under the provisions of §22 item 5 and 6 of the Company's Statute, starting from the date falling one month after the date of the first listing of the Shares on the regulated market, at least one member of the Supervisory Board from among those appointed by the General Meeting of Shareholders should: (i) fulfil the independence requirements (ii) be elected by the General Meeting of Shareholders in a separate vote; and (iii) not be an employee of the Company or its subsidiaries or affiliates. The Supervisory Board member referred to in the previous sentence is elected by the General Meeting of Shareholders in a separate vote. Each of the Company's shareholders present at the General Meeting dedicated to electing a Supervisory Board member as referred to in item 5 above that represents at least one per cent (1 per cent) of the total number of votes represented at this General Shareholders Meeting may nominate one candidate for such Supervisory Board member. If there are no nominations for candidates for independent members of the Supervisory Board, the Supervisory Board will nominate candidates and submit the nominations to the General Meeting of Shareholders for voting. The number of members of the Supervisory Board is determined by the General Meeting of Shareholders. On 25 February 2009, in accordance with the above-mentioned provisions of the Statute, the Extraordinary General Meeting of Shareholders elected Mr Graham Wood as independent Member of the Supervisory Board.

According to the Supervisory Board Regulations adopted with a resolution of the Supervisory Board of 15 December 2009, the Board holds meetings at least once every two months. Meetings of the Board are convened by the Chair or Deputy-Chair of the Board, who will also present a detail agenda. A Supervisory Board meeting should be convened at the request of any Supervisory Board member or at the request of the Management Board. A meeting of the Board will be convened within two weeks from the date when a request is received. For a meeting of the Board to be convened, all the members of the Board must be invited in writing at least seven days before the meeting. For valid reasons, the Chairman of the Board can reduce that notice period to two days, specifying the manner of delivering the invitations. In an invitation to a meeting of the Board, the Chair will specify the time and venue of the meeting and include a detailed draft agenda. He will also enclose materials with the invitation relating to the matters included on the agenda. A Supervisory Board meeting should be convened at the request of any Supervisory Board member or at the request of the Management Board.

Supervisory Board meetings are chaired by its Chairman, or, in his/her absence, by the Deputy Chairman or other Supervisory Board member appointed at the meeting. The proposed agenda can be changed if all the members of the Board are present at the meeting and no one objects to the agenda. Any matters that are not included on the agenda will be included on the agenda of the next meeting. Participation in Supervisory Board meetings is obligatory for Board members. Supervisory Board members are required to justify their absence from a Meeting in writing. The Supervisory Board Member absence reconciliation requires a resolution of the Supervisory Board.



The Supervisory Board can adopt resolutions if at least half of its members are present at the meeting and all of the members have been correctly notified of the meeting. The Supervisory Board adopts resolutions by an absolute majority of votes, i.e. by a majority of more than half the votes cast. Abstentions are deemed to be votes cast against the resolution. In the event of an equal number of votes in adopting a Supervisory Board resolution, the casting vote is held by the chairman of the Supervisory Board.

The Supervisory Board can also adopt resolutions in writing, by signing the same copy (or copies) or the draft resolution or separate documents with the same content, or by telephone or by other means of remote communication, in a manner that allows all the members participating in the meeting to directly communicate with each other. Adopting a resolution by this procedure requires that a justification for the resolution be drawn up in advance and that a draft resolution be presented to all the members of the Supervisory Board together with the justification. Resolutions cannot be adopted in writing or remotely using means of direct communication for elections of the Chair or Deputy-Chair of the Board, appointing a member of the Management Board or recalling or suspending those persons. Resolutions adopted in writing or remotely using means of direct communication are presented at the next meeting of the Supervisory Board with the outcome of the voting. Supervisory Board members may participate in adopting resolutions by casting votes in writing through another Supervisory Board Member, subject to Article 388 § 2 and 4 of the Commercial Companies Code.

The Supervisory Board Regulations of ENEA S.A. also provide for the appointment of two Committees of the Supervisory Board, i.e. the Audit Committee and the Nominations and Remuneration Committee.

Pursuant to the Supervisory Board Regulations, a committee consists of at least three members appointed by the Board from among its members for a period corresponding to the length of the Board's term. The members of the committee elect a chair of the committee from among their number. The chair of the committee directs and supervises the committee's work, particularly the organisation and procedure of committee meetings. Committee meetings are convened by the chair of the committee or, if he is absent, by a member of the Board indicated by him. Notifications of committee meetings are subject to the provisions on notifications of Board meetings, as appropriate. However, committee meetings should be held once per quarter, before the Company publishes its financial statements. Only persons invited by the chair can take part in committee meetings. Committee resolutions are adopted by an ordinary majority of votes. In the event of an equal number of votes, the chair of the committee has the casting vote. Committee resolutions are adopted at meetings or remotely using a means of direct communication. The chair of the committee submits resolutions, motions and reports on matters on the Board's agenda to the Board, as well as other motions, including motions regarding the need to draw up an expert opinion or an opinion concerning the scope of the committee's tasks for the needs of the committee or employ an adviser.

Pursuant to § 8 item 5 of the Supervisory Board Regulations the task of the Audit Committee is to advise the Board regarding the internal policy and budget procedures adopted by the Company and inspect them and advise on the Company's contacts with the certified auditor, in particular:

- (a) monitoring the accuracy of the financial information presented by the Company, particularly by reviewing the appropriateness and consistency of the application of the accounting methods adopted by the Company and its group (including the criteria for consolidating the financial statements of the companies in the group),
- (b) monitoring the process of financial reporting,
- (c) monitoring the effectiveness of internal control systems, internal audits and risk management,
- (d) monitoring the financial audit and presenting recommendations to the Board regarding the selection, appointment, re-appointment and dismissal of the external auditor by the authorised body and regarding the terms and conditions of his engagement,
- (e) monitoring the independence of the auditor and the entity authorised to audit the financial statements, including in the case of the provision of services as specified in Article 48 item 2. of the Act on Auditors;
- (f) evaluating and submitting an annual internal audit plan to the Supervisory Board for approval,
- (g) evaluating and submitting an annual internal audit unit budget to the Supervisory Board for approval,
- (h) evaluating and submitting changes in the scope of activities of the internal audit unit to the Supervisory Board for approval,
- (i) discussing any problems or reservations that might result from auditing financial statements,



- (j) discussing the nature and scope of the audit with the Company's certified auditors before the commencement of each audit of the annual financial statements and monitoring the coordination of work between the Company's certified auditors,
- (k) reviewing internal control and risk management systems at least once a year, in order to ensure that key risks (including those associated with compliance with applicable provisions of law and regulations) are correctly identified, managed and disclosed,
- (l) ensuring the effectiveness of the internal audit by expressing an opinion on the election, appointment or recall of the head of the internal audit department, as well as monitoring the reaction of the Management Board of the Company to its findings and recommendations,
- (m) issuing an opinion on withdrawing from the payment conditions (reducing the remuneration) of the Director of the Inspection and Audit Office,
- (n) analysing reports of the Company's internal auditors and the key conclusions of other internal analysts and the Management Board's response to those conclusions, including examining the degree of independence of internal auditors,
- (o) inspecting the nature and scope of non-auditing services, in particular on the basis of the external auditor disclosing the sum total of all fees paid by the Company and its group to the auditing firm and its chain, in order to prevent a material conflict of interests in that context,
- (p) reviewing the effectiveness of the external auditing process and monitoring the response of the Management Board to written recommendations presented to it by external auditors,
- (q) examining issues being the reason for dismissing an external auditor and issuing recommendations on required action,
- (r) cooperating with the Company's organisational units responsible for auditing and control and periodically assessing their work,
- (s) reviewing the Company's system of management accounting.

Pursuant to § 9 item 2 of the Supervisory Board Regulations the task of the Nominations and Remuneration Committee is to promote the achievement of the Company's strategic objectives by presenting opinions and motions to the Board regarding the structure of employment and the remuneration paid to the Company's personnel, particularly management personnel. The Committee's tasks include:

- (a) analysing Management Board policy concerning the nomination, election and appointment of high-level managerial personnel,
- (b) presenting proposals to the Board relating to the remuneration and forms of employment of members of the Management Board, taking into account their previous achievements,
- (c) presenting opinions to the Supervisory Board on the justification for awarding performance-based remuneration and on incentives based on realisation of tasks and goals of the Company and proposals in that respect,
- (d) assessing the Company's human resources management system,
- (e) periodically assessing the skills, knowledge and experience of individual members of the Management Board and management personnel and presenting the results of the assessment to the Board.

As at the date of this report, i.e. 10 April 2012, the composition of the Committees of the Supervisory Board of the Company is as follows:

1. The Audit Committee:
 - Graham Wood - Chairman
 - Małgorzata Aniołek - Deputy Chairman
 - Wojciech Chmielewski - Member
 - Agnieszka Mańkowska - Member

2. Nominations and Remuneration Committee:
 - Michał Kowalewski - Chairman
 - Tadeusz Dachowski – Deputy Chairman
 - Paweł Lisiewicz - Member
 - Jeremi Mordasewicz - Member
 - Mieczystaw Pluciński - Member



In 2011 the Audit Committee held three meetings and adopted seven resolutions.

Meetings of the Committee were devoted, among other things, to:

- A recommendation for the Supervisory Board of ENEA S.A. concerning the appointment of: Deloitte Audyt Sp. z o.o. as the auditor responsible for carrying out reviews and audits of financial statements of ENEA S.A. and of companies belonging to ENEA Capital Group for 2011
- Assessment of methods for auditing financial statements of the Company for the financial year 2010,
- Adoption of "the Report on the activity of internal audit for the period from July 2010 to March 2011".
- Recommendation for the Supervisory Board of ENEA S.A. concerning centralisation of the audit in the ENEA Capital Group,
- Approval and acceptance of the report from results of work of the Negotiation Team and selecting based on them, an auditor for ENEA S.A. for 2012-2014.
- Approval of "Annual auditing plan for 2012", "Proposal of the Budget of the Inspection and Audit Office for 2012" and proposal of amendments to the Regulations of internal audit in the ENEA Capital Group,
- Recommendation for the Supervisory Board of ENEA S.A. concerning estimate of the system of internal control of ENEA S.A.

In addition, the Audit Committee:

- Reviewed the financial statements for the first half of 2011,
- Reviewed completed internal audits and accepted final Reports, accepted the information on the current status of the implementation of the Project "Development and implementation of risk management system in the ENEA Capital Group",
- Made estimates of the progress of works within reorganisation of the internal audit.

In 2011 the Nominations and Remuneration Committee held five meetings and adopted nineteen resolutions.

Meetings of the Committee were devoted, among other things, to:

- Recommendations for the Supervisory Board of ENEA S.A. concerning approvals granted to Members of the Board of ENEA S.A. for holding positions of a member of a body in Boards and a member of a body in Supervisory Boards of companies composing the ENEA Capital Group,
- Recommendation for the Supervisory Board of ENEA S.A. concerning award of an annual award for the President of the Board of ENEA S.A.,
- Recommendation for the Supervisory Board of ENEA S.A. concerning determination of new rules of recruiting and remunerating members of the Board, including the President of the Board of ENEA S.A. concerning among others conclusion in lieu of the employment contract of a civil-law Agreement on provision of services within management,
- Recommendation for the Supervisory Board of ENEA S.A. concerning changes to the template Agreement on provision of services within management concluded with Members of the Board of ENEA S.A. containing among others specification of a catalogue of other justified expenses incurred in relation to the direct execution of the agreement, period of no competition bidding for the members of the Board after expiry or termination of the Agreement and amount of the fixed remuneration to which Members of the Board of ENEA S.A. are entitled to by title of its execution.

8. ADDITIONAL INFORMATION

8.1. The entity authorised to audit financial statements

By a resolution of the Supervisory Board of 17 January 2011, Deloitte Audyt Sp. z o.o. was chosen to conduct the audit of the non-consolidated and consolidated annual financial statements of ENEA S.A. for 2011 and to audit mid-year non-consolidated statements of ENEA S.A. and mid-year consolidated statements of ENEA Capital Group prepared as at 31 March 2011, 30 June 2011 and 30 September 2011. The financial statements audit agreement was signed on 1 March 2011.



Deloitte Audyt Sp. z o.o. with its registered office in Poznan is an entity entered into the list of entities authorised to audit financial statements kept by the National Chamber of Statutory Auditors from 7 February 1995, under the registry no 73.

The table below presents the net fees due to Deloitte Audyt Sp. z o.o. under services to ENEA S.A. concerning a given financial year (expressed in '000 PLN):

	01.01.2011 31.12.2011	01.01.2010 31.12.2010
Deloitte Audyt Sp. z o.o.'s remuneration for auditing and reviewing the non-consolidated and consolidated financial statements of ENEA S.A.	316	169
Deloitte Audyt Sp. z o.o.'s remuneration for other certification services provided to ENEA S.A. – including review of the financial statements	2	144
Deloitte Audyt Sp. z o.o.'s remuneration for tax advisory services	0	0
Deloitte Audyt Sp. z o.o.'s remuneration for other services	0	590
TOTAL	318	903

8.2. Litigation

Neither ENEA S.A. nor any of its subsidiaries is a party in any proceedings being conducted before a court, an authority competent to conduct arbitration proceedings or a public administration authority relating to liabilities or claims of ENEA S.A. or its subsidiary whose value amounts to at least 10 per cent of ENEA S.A.'s equity capital.

Furthermore, neither ENEA S.A. nor any of its subsidiaries is a party in two or more proceedings being conducted before a court, an authority competent to conduct arbitration proceedings or a public administration authority relating to liabilities or claims whose total value amounts to at least 10 per cent of ENEA S.A.'s equity capital.

A description of other pending proceedings to which ENEA S.A. or entities belonging to its capital group are party is included in item 4.1.15 of this report, and additionally in the financial report for 2011, in note 38, and in the consolidated financial statement for the financial year 2011, in note 49.

8.3. Achievements in the area of research and development

Substantially the Company does not have any important achievements within the area of research and development.

8.4. Environmental issues

Since it is a business entity which uses the environment, ENEA S.A. had to fulfil legal requirements provided for in the relevant provisions of law. With regard to environmental protection, the Company was subject to the following basic legislation:

- The Environmental Protection Law Act of 27 April 2001, as amended,
- The Waste Materials Act of 27 April 2001, as amended,
- the Act on implementing the Environmental Protection Law, the Waste Materials Act and on the Amendment of certain other acts of 7 June 2001, as amended,
- the Water Law Act of 18 July 2001, as amended,
- the Act on Used Electrical and Electronic Equipment of 29 July 2005,
- the Act on Preventing and Remedying Environmental Damage of 13 April 2007,



- the Act on Making Information on the Environment Available, on Environmental Protection, on Community Participation in Environmental Protection, and on Environmental Impact Assessments of 3 October 2008,
- the Act on the System for Managing Emissions of Greenhouse Gases and Other Substances of 17 July 2009, as amended.

ENEA S.A. owns office buildings and holiday centres. The Company uses the environment by:

- collecting water from its own intakes,
- disposing of sewage into a river,
- polluting the air by
 - fuel combustion in the engines of the Company's vehicles;
 - fuel combustion in heating devices.

The well at the Energetyk Holiday Centre in Krzeczko, Tyczno, is leased out to other entity. For water collection and waste disposal in Bledzewo we hold a water and legal permit. In half-year environmental use reports submitted to the Marshall's Office for the Lubuskie Province and to the Provincial Environmental Protection Inspectorate, collection of water from those wells is reported.

The boiler houses operated in ENEA S.A.'s facilities did not require permits and did not have to be notified to the county administrator in accordance with the Regulation of the Minister of the Environment of 2 July 2010 on types of installation whose operation requires notification (Journal of Laws No. 130, item 880 from 2010).

Because ENEA S.A. fulfilled its obligations under environmental protection laws, in 2011 it was not threatened with any penal sanctions for failing to fulfil such requirements and it did not receive any penalties.

8.5. Information on employment

The table below shows ENEA S.A.'s employment level and average employment for the year 2011, divided into trade and other activities.

	State as at 31 December 2011	Annual average in 2011
Trade	136.00	221.20
Other activity	248.28	246.23
TOTAL	384.28	467.43

The employment status as at 31 December 2011 amounted to 384.28 full-time equivalents and at the end of the analogous period of the previous year it amounted to 519.13 full-time equivalents. A drop in the employment results from reorganisation changes connected with transfer of the so far employees of ENEA S.A. in the mode of Art. 23¹ of the Labour Code to other companies of the Capital Group.

8.6. Principles of preparation of an annual financial statement

This report on the activity of ENEA S.A. for the financial year of 2011 was prepared in accordance with § 91 item 5-6 of the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities and conditions of recognising as equivalent information required by legal regulations of a state not being a member state (Journal of Laws No 33, item 259 as amended).

The financial statement of the Company included in the report of ENEA S.A. for the financial year of 2011 was prepared in accordance with International Accounting Standards and International Financial Reporting Standards (IAS/IFRS) approved by the European Union.

The financial statement of the Company was prepared with assumption of continuing of the economic activities by the Company in the foreseeable future. The Company's Board states, as at the signature of the report, no facts or circumstances that could indicate any threats to the possibility of continuing of the activity



during the period of 12 months after the balance sheet date as a result of a wilful or mandatory negligence or substantial limitation of the so far activities.

Financial data presented in this report, if not stated otherwise, were presented in thousands of PLN.

8.7. Glossary of industry terms

Please find below the glossary of the most frequent industry terms, as selected by ENEA S.A., used in this Report of the Management Board on the operations of ENEA S.A. in 2011:

White certificates - full name „energy efficiency certificate" pursuant to the Draft Act on Energy Efficiency is an acknowledgement of declared energy savings resulting from a project aimed at improving energy efficiency.

Green certificates - certificate confirming generation of electric energy from renewable sources.

Red, yellow and violet certificates - energy certificate of origin acknowledging production of electric energy under highly efficient co-generation processes. A certificate of origin from cogeneration is issued separately for electricity produced in high-efficiency cogeneration in a cogeneration unit:

- 1) fuelled by gas or with a total installed electrical power of less than 1 MW - "yellow" certificates;
- 2) fuelled by methane released and captured at lower mining levels in bituminous coal mines that are active, being closed down or already closed down, or by gas obtained from biomass processing within the meaning of Article 2 item 1(2) of the Act on Biocomponents and Liquid Biofuels - "violet" certificates;
- 3) other than that mentioned in pt. 1 and 2 - "red" certificates.

Cogeneration - simultaneous production of heat and electrical or mechanical energy during the same technological process.

Statistical sales - non-invoiced sales estimated in the billing system when the date of billing readout does not fall on the last day of the settlement year in question.

Estimating volumes of energy sold and non-invoiced takes place on the basis of data contained in the last settlement invoice (or form) issued prior to the last day of the settlement year for the period directly preceding the period under evaluation.

Balancing market - system market organized by the transmission or distribution system operator as a part of provided transmission or distribution services, involving balancing the demand for gas fuel or electrical energy with supplies of such fuels or energy.



Signatures of the Management Board:

The Report of the Management Board prepared on: 10 April 2012

The Report of the Management Board published on: 27 April 2012

Signatures:

President of the Board **Maciej Owczarek**

**Member of the Board
for Commercial Affairs** **Janusz Bil**

**Member of the Board
for Economic Affairs** **Hubert Rozpędek**

**Member of the Board
for Power Generation** **Krzysztof Zborowski**



