Separate financial statements of ENEA S.A. for the financial year ended 31 December 2011

Poznań, 10 April 2012

Index to the separate financial statements

These separate financial statements have been prepared in accordance with the International Financial Reporting Standards as endorsed by the European Union and approved by the Company's Management Board for publication and submission to the competent bodies of the Company for approval in line with the Accounting Act and the Code of Commercial Companies.

Members of the Management Board

Chairman of the Management Board	**Maciej Owczarek**	**…………………………………**
Member of the Management Board	**Hubert Rozpędek**	**………………………………....**
Member of the Management Board	**Krzysztof Zborowski**	**…………………………………**
Member of the Management Board	**Janusz Bil**	**…………………………………**

Poznań, 10 April 2012

Prepared by: Wiesława Bazaniak ……..………………
Accounting Office Manager

Separate Balance Sheet

	Note	Balance as at 31.12.2011	31.12.2010
ASSETS			
Non-current assets			
Property, plant and equipment	6	178 785	209 566
Perpetual usufruct of land	7	1 471	1 488
Intangible assets	8	3 114	3 353
Investment property		17 512	-
Investments in subsidiaries, associates and co-subsidiaries	10	8 522 698	7 874 545
Deferred tax assets	22	56 833	40 137
Financial assets available for sale	12	19 365	20 448
Financial assets held to maturity	12	142 193	-
Financial assets measured at fair value through profit or loss	12	1 557	1 411
Trade and other receivables	13	-	-
		8 943 528	**8 150 948**
Current assets			
Inventory		-	-
Trade and other receivables	13	765 420	775 466
Current income tax receivables		14 065	880
Financial assets held to maturity	12	-	-
Financial assets measured at fair value through profit or loss	12	712 670	1 781 939
Cash and cash equivalents	14	707 610	366 119
		2 199 765	**2 924 404**
Non-current assets available for sale (AFS)	11	**17 818**	**-**
Total assets		**11 161 111**	**11 075 352**
EQUITY			
Share capital		588 018	588 018
Share premium		4 627 673	4 627 673
Treasury shares		-	-
Share-based capital		1 144 336	1 144 336
Revaluation reserve (financial instruments)		11 989	10 941
Reserve capital		1 062 349	892 198
Retained earnings		2 771 491	2 780 708
Total equity		**10 205 856**	**10 043 874**
LIABILITIES			
Non-current liabilities			
Credit facilities and loans		-	-
Finance lease liabilities	21	5 548	5 019
Settlement of income due to subsidies and connection fees	18	30 853	31 840
Liabilities due to employee benefits	23	79 384	83 256
		115 785	**120 115**
Current liabilities			
Credit facilities and loans		-	-
Trade and other liabilities	17	572 092	713 729
Finance lease liabilities	21	3 136	3 422
Settlement of income due to subsidies and connection fees	18	2 343	2 325
Current income tax liabilities		-	-
Liabilities due to employee benefits	23	14 567	17 022
Liabilities due to an equivalent of the right to acquire shares free of charge		508	557
Provision for certificates of origin	24	192 946	130 779
Provisions for other liabilities and charges	25	53 878	43 529
		839 470	**911 363**
Total liabilities		**955 255**	**1 031 478**
Total equity and liabilities		**11 161 111**	**11 075 352**

The separate balance sheet should be analyzed together with the notes which constitute an integral part of the separate financial statements.

Separate statement of comprehensive income

	Note	For the period 12 months ended 31.12.2011	12 months ended 31.12.2010
Sales revenue		5 805 632	6 558 983
Excise duty		(227 999)	(254 651)
Net sales revenue	26	**5 577 633**	**6 304 332**
Other operating revenue	29	25 945	28 667
Depreciation	27	(16 645)	(17 445)
Costs of employee benefits	27	(60 383)	(59 842)
Consumption of materials and supplies and costs of goods sold	27	(5 493)	(4 049)
Energy purchase for sale	27	(3 575 667)	(4 052 513)
Transmission services	27	(1 665 980)	(1 886 344)
Other external services	27	(179 530)	(140 763)
Taxes and charges	27	(9 450)	(9 549)
Change in the balance of products		-	-
Cost of manufacturing products for internal purposes		-	-
Gain/loss on sale and liquidation of property, plant and equipment		(2 408)	(1 179)
Impairment loss on property, plant and equipment	6	(5 634)	-
Other operating expenses	29	(43 314)	(45 085)
Operating profit		**39 074**	**116 230**
Financial expenses	31	(6 436)	(5 986)
Financial revenue	30	122 110	109 740
Write-down on goodwill		-	-
Write-down on negative goodwill		-	-
Revenue from dividends		236 339	193 888
Share in profits/losses of associates measured using the equity method		-	-
Profit before tax		**391 087**	**413 872**
Income tax	32	(35 918)	(49 486)
Net profit for the reporting period		**355 169**	**364 386**

Other items of comprehensive income:		
Measurement of financial assets available for sale	1 294	15 700
Income tax related to other items of comprehensive income	(246)	(912)
Other items of net comprehensive income	**1 048**	**14 788**
Comprehensive income	**356 217**	**379 174**

Earnings attributable to the Company's shareholders	355 169	364 386
Weighted average number of ordinary shares	441 442 578	441 442 578
Net earnings per share (in PLN per share)	**0, 80**	**0,83**
Diluted earnings per share (in PLN per share)	**0, 80**	**0,83**

The separate statement of comprehensive income should be analyzed together with the notes which constitute an integral part of the separate financial statements.

Separate statement of changes in equity

	Note	Share capital (face value)	Revaluation of share capital	Total share capital	Share premium	Share-based capital	Revaluation reserve (financial instruments)	Reserve capital	Retained earnings	Total equity
Balance as at 1 January 2011		**441 443**	**146 575**	**588 018**	**4 627 673**	**1 144 336**	**10 941**	**892 198**	**2 780 708**	**10 043 874**
Comprehensive income							1 048		355 169	**356 217**
Distribution of the financial profit								170 151	(170 151)	**-**
Dividends	33								(194 235)	**(194 235)**
Disposal of treasury shares acquired under the stabilization option										
Other										-
Balance as at 31 December 2011		**441 443**	**146 575**	**588 018**	**4 627 673**	**1 144 336**	**11 989**	**1 062 349**	**2 771 491**	**10 205 856**

	Note	Share capital (face value)	Revaluation of share capital	Total share capital	Share premium	Share-based capital	Revaluation reserve (financial instruments)	Reserve capital	Retained earnings	Total equity
Balance as at 1 January 2010		**441 443**	**146 575**	**588 018**	**4 627 673**	**1 144 336**	**(3 847)**	**754 841**	**2 721 427**	**9 832 448**
Comprehensive income							14 788		364 386	**379 174**
Distribution of the financial profit								137 357	(137 357)	**-**
Dividends	33								(167 748)	**(167 748)**
Disposal of treasury shares acquired under the stabilization option										**-**
Other										**-**
Balance as at 31 December 2010		**441 443**	**146 575**	**588 018**	**4 627 673**	**1 144 336**	**10 941**	**892 198**	**2 780 708**	**10 043 874**

Separate cash flow statement

	Note	For the period 12 months ended 31.12.2011	12 months ended 31.12.2010
Cash flows from operating activities			
Net profit for the reporting period		355 169	364 386
Adjustments:			
Income tax disclosed in the income statement	32	35 918	49 486
Depreciation	27	16 645	17 445
Costs of benefits due to share-based payments		-	-
(Gain) / loss on sale and liquidation of property, plant and equipment		(6 676)	(1 761)
Impairment loss on property, plant and equipment	6	6 631	718
(Gain)/loss on disposal of financial assets		(9 098)	6 363
Interest income		(116 813)	(116 556)
Revenue from dividends		(236 339)	(193 888)
Interest expense		2 489	1 744
Other adjustments		-	-
		(307 243)	**(236 449)**
Paid income tax		(66 045)	(52 958)
Interest received		33 591	29 170
Interest paid		(2 140)	(1 384)
Changes in working capital			
Inventory		-	-
Trade and other receivables		12 890	74 490
Trade and other liabilities		(137 549)	(130 801)
Liabilities due to employee benefits		(6 327)	7 991
Settlement of income due to subsidies and connection fees		(2 258)	(2 242)
Provision for certificates of origin		62 167	65 168
Liabilities due to an equivalent of the right to acquire shares free of charge		(49)	(61)
Provisions for other liabilities and charges		10 349	1 191
		(60 777)	15 736
Net cash flows from operating activities		**(47 445)**	**118 501**
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		(15 790)	(32 442)
Receipts from disposal of property, plant and equipment and intangible assets		363	262
Acquisition of financial assets		(140 511)	(42 300)
Receipts from disposal of financial assets		1 159 052	5 634
Acquisition of subsidiaries, associates and a jointly-controlled entity		(652 770)	(7 610)
Dividends received		236 339	193 888
Other payments for/receipts from investing activities		329	200
Net cash flows from investing activities		**587 012**	**117 632**
Cash flows from financing activities			
Dividends paid		(194 206)	(167 748)
Payment of finance lease liabilities		(3 870)	(3 688)
Proceeds from issuance of equity instruments		-	-
Outflows/proceeds from buy-back/disposal of treasury shares		-	-
Net cash flows from financing activities		**(198 076)**	**(171 436)**
Net increase (decrease) in cash		**341 491**	**64 697**
Opening balance of cash	14	366 119	301 422
Closing balance of cash	14	**707 610**	**366 119**

The separate cash flow statement should be analyzed together with the notes which constitute an integral part of the separate financial statements

Notes to the separate financial statements

1. General information

1.1. General information about ENEA S.A.

Name (business name):	ENEA Spółka Akcyjna
Legal form:	joint-stock company
Country:	Poland
Registered office:	Poznań
Address:	ul. Górecka 1, 60-201 Poznań
National Court Register - District Court in Poznań	KRS 0000012483
Telephone:	(+48 61) 856 10 00
Fax:	(+48 61) 856 11 17
E-mail:	enea@enea.pl
Website:	www.enea.pl
Statistical number (REGON):	630139960
Tax identification number (NIP):	777-00-20-640

ENEA S.A., operating under the business name Energetyka Poznańska S.A, was entered in the National Court Register at the District Court in Poznań under KRS number 0000012483 on 21 May 2001.
The Company changed its address from ul. Nowowiejskiego 11 to ul. Górecka 1. The change was registered in the National Court Register on 2 January 2012.

As at 31 December 2011 the shareholding structure of ENEA S. A. was the following: the State Treasury of the Republic of Poland – 51.68% of shares, Vattenfall AB – 18.67%, other shareholders – 29.65%.

As at 31 December 2011 the Company's statutory share capital registered in the National Court Register equaled PLN 441 443 thousand (PLN 588 018 thousand upon adoption of EU-IFRS and considering hyperinflation and other adjustments) and it was divided into 441 442 578 shares.

Trade in electricity is the core business of ENEA S.A. ("ENEA", "Company").

ENEA S.A. is the Parent of the ENEA S.A. Capital Group, which as at 31 December 2011 comprised also 20 subsidiaries and 3 indirect subsidiaries and 2 associates.

The financial statements have been prepared under assumption that the Company will be able to continue as a going concern in the foreseeable future. No circumstances occur that would indicate a threat to the Company's operation as a going concern.

1.2. Composition of the Management Board and the Supervisory Board

As at 31 December 2011, the composition of the Management Board was as follows:
Maciej Owczarek – Chairman of the Board;
Hubert Rozpędek – Member of the Board in Charge of Economic Affairs;
Krzysztof Zborowski –Member of the Management Board in Charge of Generation.

On 5 December 2011 the Supervisory Board of ENEA S.A. adopted a resolution to dismiss Maksymilian Górniak from the position of a Member of the Company's Management Board in Charge of Commercial Affairs.

As at 1 January 2011, the composition of the Supervisory Board for the 7th term was as follows:
Wojciech Chmielewski
Jeremi Mordasewicz,
Michał Kowalewski,
Małgorzata Aniołek,
Paweł Balcerowski,
Tadeusz Dachowski,
Mieczysław Pluciński,
Paweł Lisiewicz,
Bartosz Nowicki,
Graham Wood.
On 29 June 2011 the Ordinary Shareholders' Meeting of ENEA S. A. dismissed Bartosz Nowicki from the Supervisory Board and appointed Agnieszka Mańkowska to the Supervisory Board for the 7th term of office.
On 1 August 2011 the term of office of Paweł Balcerowski, Member of the Supervisory Board, expired as a result of death.

2. Description of key accounting principles

The key accounting principles applied in the preparation of these financial statements have been presented below. The principles have been applied consistently in all the presented financial periods.

2.1. Basis for preparation

These separate financial statements for the period from 1 January 2011 to 31 December 2011 have been prepared in compliance with the requirements of the International Financial Reporting Standards as endorsed by the European Union ("EU-IFRS").

These financial statements have been prepared on the historical cost basis, except for financial assets measured at fair value through profit or loss as well as financial assets available for sale and share-based payments.
The Company draws up the consolidated financial statements of the ENEA Capital Group in accordance with the EU-IFRS. In the consolidated financial statements the entities in which the Company holds shares, directly

or indirectly, giving the right to at least 50% of votes or over which it exercises effective control in any other way, have been subject to consolidation using the full method. The consolidated financial statements of the ENEA Capital Group were approved by the Management Board of ENEA S.A. on the same date as the separate financial statements. The separate financial statements of ENEA S.A. ought to be read together with the consolidated financial statements of the ENEA Capital Group for the period from 1 January to 31 December 2011 in order to obtain complete information on the financial position as well as the financial profit/loss of the Capital Group as a whole.

2.2. Business combinations/acquisitions

Business combinations/acquisitions of jointly-controlled entities do not fall within the scope of IFRS regulations. Considering the lack of detailed IFRS regulations, in line with the guidelines laid down in IAS 8 – "Accounting Policies, Changes in Accounting Estimates and Errors", the entity ought to develop accounting principles applicable to such transactions.

In line with the recommendation, the Company adopted an accounting policy according to which such transactions are recognized at book value.

The accounting principles adopted by the Company are as follows:
The acquirer recognizes the assets, equity and liabilities of the acquiree at their current book value adjusted only for the purpose of applying uniform accounting principles for the combined entities. Goodwill and negative goodwill are not recognized. Any differences between the book value of the net assets acquired and the fair value of the payment in the form of equity instruments and/or assets issued by the entity are recognized in the equity of the combined entities.

Business combinations/acquisitions of entities other than jointly-controlled companies are settled using the acquisition method in line with IFRS 3.

2.3. Measurement of investments in subsidiaries, associates and jointly-controlled entities

Subsidiaries include all entities whose financial and operational policy may be managed by ENEA S.A., which usually results from the majority of votes in the Company's decision-making bodies. When assessing whether ENEA S.A. controls an entity, the existence and impact of potential voting rights that may be exercised or exchanged at a given moment are taken into consideration. Subsidiaries are subject to consolidation using the full method as from the date of the Company's assumption of control over such entities. They are not consolidated starting from the date when the Group loses control over them.

Associates include all entities over which ENEA S.A. has a substantial influence without exercising control, which usually results from holding 20-50% of the total number of votes in an entity's decision-making bodies.

Jointly-controlled entities include all entities over which ENEA S.A. exercises control together with other companies based on contractual arrangements.

As there is no active market for the entities whose shares are held by ENEA S.A., investments in subsidiaries, associates and jointly-controlled entities are measured at acquisition price less impairment losses. Impairment losses on investments are charged to financial expenses. If the circumstances based on which an impairment loss was made are no longer present, the equivalent of the total amount or an appropriate portion of the impairment loss recognized previously increases the value of investments and is disclosed under financial revenue.

2.4. Foreign currency transactions and measurement of foreign currency items

(a) Functional and presentation currency

Items presented in the financial statements are measured in the currency of the primary economic environment in which the entity carries out its business activity (functional currency). The financial statements are presented in the Polish zloty (PLN), which is the functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated upon their initial recognition to the functional currency at the exchange rate ruling as at the transaction date.

As at the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the closing rate (the average exchange rate published by the National Bank of Poland as at the measurement date).

Exchange gains and losses arising from settlement of foreign currency transactions and balance sheet measurement of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

2.5. Property, plant and equipment

Property, plant and equipment is measured at acquisition price or manufacturing cost less accumulated depreciation and accumulated impairment losses.

ENEA S.A. applied the optional exemption provided for in IFRS 1, recognizing as at 1 January 2004, i.e. the date of EU-IFRS adoption, the fair value of selected items of property, plant and equipment as the assumed cost.

Further expenditures are recognized in the carrying amount of a given fixed asset or recognized as a separate fixed asset (where appropriate) only if it is probable that ENEA S.A will generate economic benefits in connection with such an asset, whereas the cost of an item may be reliably measured.

Any other expenditure incurred for repair and maintenance is recognized in profit or loss in the period when they are incurred.

If a fixed asset is replaced, the cost of the replaced component of the asset is recognized in its carrying amount, whereas the carrying amount of the replaced component is derecognized from the balance sheet irrespective of whether it has been depreciated separately, and recognized in profit or loss.

Land is not subject to depreciation. Other fixed assets are depreciated using the straight-line method over the expected useful life of the asset. Depreciation is calculated based on the gross value reduced by the residual value, provided it is material. Each material component of a fixed asset with a different useful life is depreciated separately.

The useful lives of fixed assets are as follows:

- buildings and structures	25 – 80 years
- technical equipment and machines	4 – 50 years
- vehicles	5 – 20 years
- other fixed assets	5 – 15 years

The residual value and useful lives of fixed assets are reviewed at least on an annual basis.

Depreciation begins when a given asset has been commissioned for use. Depreciation is no longer recognized when an asset is to be sold or derecognized from the balance sheet.

The Company received free of charge street lighting equipment from communes and municipalities, and such fixed assets are recognized in line with IAS 20 – "Accounting for Government Grants", i.e. disclosed under property, plant and equipment at their fair value and presented in the balance sheet as income from grants settled as revenue pro-rate to depreciation charges (over the period of 30 years for overhead and other cables and over the period of 20 years for lighting installation).

Gains and losses on disposal of fixed assets, which constitute the difference between sales revenue and the carrying amount of the fixed asset disposed of, are recognized in profit or loss.

2.6. Land perpetual usufruct right

Land owned by the State Treasury, local governments or their associations may be used based on the right of perpetual usufruct (PU). The perpetual usufruct of land is a special property right based on which property may be used with the exclusion or other parties and the object (right) may be disposed of.

Depending on the method of acquisition, the Company classifies the right of perpetual usufruct as follows:

1. PU acquired by virtue of the law free of charge pursuant to a decision of the Voivode or local government authorities is recognized as an operating lease;
2. PU acquired for consideration from third parties is recognized as an asset under right of perpetual usufruct at acquisition price reduced by depreciation charges;

3. PU acquired under a land perpetual usufruct agreement entered into with the State Treasury or local governments is recognized as a surplus of the first payment over the annual fee, disclosed as an asset under right of perpetual usufruct and depreciated.

The right of perpetual usufruct is amortized in the period for which it was granted (40-99 years).

2.7. Intangible assets

(a) Goodwill

Goodwill arising from an acquisition results from a surplus of the consideration paid, non-controlling interest and fair value of shares previously held in the entity over the Company's share in the net fair value of the identifiable assets, liabilities and contingent liabilities as of the acquisition date.

If negative goodwill occurs, the Company verifies fair value of each net asset acquired. If following the verification, the goodwill remains negative, it is immediately recognized in profit or loss.

Goodwill is initially recognized as an asset at cost and subsequently measured at cost less accumulated impairment loss.

For impairment testing purposes, goodwill is allocated to each cash generating unit (CGU) that should benefit from the post-combination synergy. CGU to which the goodwill is allocated are tested for impairment once a year or more frequently if according to reliable assumptions, impairment could occur. If the recoverable amount of a CGU is lower than its carrying amount, the impairment loss is first assigned in order to reduce the carrying amount of goodwill allocated to that CGU, and then to other assets of the unit pro rata to the carrying amount of each asset belonging therein. The impairment loss recognized for goodwill is not reversed in the following period.

(b) Other intangible assets

Intangible assets include: computer software, licenses as well as other intangible assets. Intangible assets are measured at acquisition price or manufacturing cost less accumulated amortization and accumulated impairment losses.

Amortization is calculated based on the straight-line method, taking into account the estimated useful life, which is as follows:

- for server licenses and software	2 - 7 years;
- for workstation licenses and software as well as anti-virus software	4 - 7 years;
- for other intangible assets	2 - 7 years.

2.8. R&D expenses

Like other intangible assets, R&D expenses meeting the capitalization criteria presented below are measured at acquisition or manufacturing cost less accumulated amortization and accumulated impairment losses.

Amortization is calculated based on the straight-line method, taking into account the estimated useful life, which is from 2 to 7 years.

Capitalization criteria:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits. Among other things, the enterprise should demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- the ability to reliably measure the expenditure attributable to the intangible asset during its development.

2.9. Investment property

Investment real property is maintained in order to generate rental income, for capital appreciation or for both. After the initial recognition, ENEA S.A. selected the acquisition cost model.
Investments in real property are depreciated according to the straight-line method. Depreciation begins in the month following the month of its commissioning. The estimated useful life period is as follows:

Buildings	25 – 33 years

Revenue from lease of investment property is recognized in the income statement according to the straight-line method over the term of the lease.

2.10. Lease

Lease agreements that transfer substantially all the risks and rewards incidental to ownership to ENEA S.A. are classified as finance leases. Leases other than finance leases are regarded as operating leases.
The object of a finance lease is recognized in the assets as at the lease commencement date at the lower of: the fair value of the leased asset or the present value of the minimum lease payments. Each finance lease payment is divided into an amount reducing the balance of the liability and financial expenses so as to produce a constant rate of interest on the remaining balance of the liability. The interest portion of a lease payment is recognized under financial expenses in profit or loss over the lease term. Depreciable assets acquired under finance lease agreements are depreciated over their useful life.
Lease payments under an operating lease (less any special promotional offers from the lessor) are recognized as an expense on a straight-line basis over the lease term.

2.11. Impairment of assets

The Company's assets are tested for impairment whenever there are indications that an impairment loss might have occurred.

Non-financial assets

An impairment loss is recognized up to the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of: the fair value less the costs of bringing an asset into condition for its sale or value in use (i.e. the present estimated value of the future cash flows expected to be derived from an asset or cash-generating unit). For the purpose of impairment testing, assets are grouped at the lowest possible level with respect to which separate cash flows may be identified (cash-generating units).

All impairment losses are recognized in profit or loss. Impairment losses may be reversed in subsequent periods if events occur justifying the lack or change in the impairment of assets.

Financial assets

Financial assets are tested for impairment at each balance sheet date so as to determine whether there are any indications of their impairment. It is assumed that financial assets have been impaired if there are objective indications that one or more events having a negative impact on the estimated future cash flows relating to the assets have occurred.

Individual financial instruments with material value are tested for impairment on a case-by-case basis. Other financial assets are tested for impairment by groups with a similar credit risk level.

The principles for recognition of impairment losses on financial assets have been presented in detail in Note 2.12.

2.12. Financial assets

Financial instruments are classified by ENEA S.A. to the following categories: financial assets measured at fair value through profit or loss, loans and receivables, investments held to maturity and financial assets available for sale.

The classification is based on the purpose of acquiring an investment. The assets are classified upon initial recognition and then reviewed at each balance sheet date, if required or accepted by IAS 39.

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

The category includes two sub-categories:

- financial assets held for trading if they have been acquired principally for the purpose of being sold in the short term;
- financial assets designated as measured at fair value through profit or loss upon initial recognition.

These assets are recognized as current assets, if the Company intends to sell or realize them within 12 months of the balance sheet date.

(b) Loans and receivables

Loans and receivables are financial assets with determined or determinable payments, which are not quoted on an active market.

Loans and receivables are classified as current assets if their maturity as at the balance sheet date does not exceed 12 months. Loans and receivables whose maturity as at the balance sheet date exceeds 12 months are classified as non-current assets. Loans and receivables are recognized in the balance sheet under trade and other receivables.

(c) Investments held to maturity

Investments held to maturity are financial assets with determined or determinable payments and fixed maturity that ENEA S.A. intends to and is able to hold to maturity.

(d) Financial assets available for sale

Financial assets available for sale are non-derivative financial instruments designated as “available for sale” or not included in any other category. This category includes mainly shares in unrelated parties. AFS financial assets are recognized as non-current assets if ENEA S.A. does not intend to dispose of the investment within 12 months of the balance sheet date.

Acquisition and sale of financial assets is recognized as at the date of the transaction, i.e. the day when ENEA S.A. undertakes to purchase or sell a given asset. Financial assets are initially recognized at fair value increased by transaction costs, except while investments are classified at fair value through profit or loss, and initially measured at fair value without transaction costs.

Financial assets are derecognized from the accounting records if the rights to the related cash flows have expired or have been transferred and ENEA S.A. has transferred substantially all the risks and rewards incidental to their ownership.

AFS financial assets and those measured at fair value through profit or loss are initially recognized at fair value. AFS financial assets are measured at acquisition price less impairment losses if it is not possible to determine their fair value and they do not have a fixed maturity. Loans and receivables as well as financial assets held to maturity are measured at amortized cost using the effective interest rate.

The effects of measurement of financial assets at fair value through profit or loss are recognized in profit or loss in the period when they occurred. The effects of measurement of AFS financial assets are recognized in equity, except for impairment losses. Upon derecognition of an asset classified as “available for sale” from the accounting records, the total accumulated profits and losses previously recognized in equity are recognized in profit or loss.

The fair value of investments quoted in an active market is determined with reference to their current purchase price. If there is no active market for financial assets (or the securities are not quoted), ENEA S.A. determines their fair value using adequate measurement techniques which include: recent transactions conducted under arm's length conditions, comparison to other instruments which are identical in substance, an analysis of discounted cash flows, option valuation models and other techniques and models widely applied in the market, adjusted to the specific situation of the issuer.

(e) Hedge accounting

The Company designates certain hedging instruments, which include derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges or cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions.

Derivatives are accounted for in accordance with fair value or cash flow hedge accounting, if all of the following conditions are met:

- at the inception of the hedge there is formal designation and documentation of the hedging relationship and the Company's risk management objective and strategy for undertaking the hedge,
- the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship,
- for cash flow hedges, a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss,
- the effectiveness of the hedge can be reliably measured,
- the hedge is assessed on an ongoing basis and determined to have been highly effective throughout the financial reporting periods for which the hedge was designated.

If a fair value hedge is used, it is accounted for as follows:

- the gain or loss from remeasuring the hedging instrument at fair value is recognized in profit or loss, and
- the gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognized in profit or loss (this applies also if the hedged item is an available-for-sale financial asset, whose changes in value are recognized directly in revaluation reserve).

The Company discontinues fair value hedge accounting if:

- the hedging instrument expires, is sold, terminated or exercised,
- the hedge no longer meets the criteria for hedge accounting, or
- the Company revokes the designation.

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit or loss. A forecast transaction is an uncommitted but anticipated future transaction.

If a cash flow hedge is used, it is accounted for as follows:
- the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in revaluation reserve,
- the ineffective portion of the gain or loss on the hedging instrument is recognized in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognized in revaluation reserve are reclassified to profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss. However, if the Company expects that all or a portion of a loss recognized in revaluation reserve will not be recovered in one or more future periods, it reclassifies to profit or loss the amount that is not expected to be recovered.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or a forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the Company removes the associated gains and losses that were recognized in revaluation reserve and includes them in the initial cost or other carrying amount of the asset or liability.

The Company discontinues cash flow hedge accounting if the hedging instrument expires, is sold, terminated or exercised or no longer meets the criteria for hedge accounting. In this case, the cumulative gain or loss on the hedging instrument is recognized in revaluation reserve until the hedged transaction occurs. In case the hedged transaction is no longer expected to occur, related cumulative net gain or loss recognized in revaluation reserve is immediately recognized in profit or loss.

Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

(f) Impairment

At each balance sheet date, ENEA S.A. verifies whether there is any objective evidence indicating impairment of a financial asset or a group of financial assets.

If such evidence exists in the case of financial assets available for sale, the total accumulated losses recognized in equity, determined as the difference between the acquisition price and their current fair value less possible impairment losses recognized previously in profit or loss, are excluded from equity and recognized in profit or loss. Impairment losses recognized in profit or loss and relating to equity instruments are not reversed in correspondence with profit or loss. The reversal of impairment losses on debt securities is recognized in profit or loss if the fair value increased as a result of subsequent events after the recognition of impairment in the periods following the recognition of the impairment loss.

If there are indications of impairment of loans and receivables or investments held to maturity measured at amortized cost using the effective interest method, impairment losses are determined as the difference between the carrying amount of the assets and the present value of estimated future cash flows discounted using the original effective interest rate for such assets (i.e. the effective interest rate calculated upon initial recognition for assets based on a fixed interest rate and the effective interest rate determined for the last revaluation of assets based on a floating interest rate). Impairment losses are recognized in profit or loss. Impairment is reversed if in subsequent periods the impairment decreases and the reduction may be attributed to events that occurred after the impairment recognition. As a result of reversal of the impairment, the carrying amount of financial assets may not exceed the amortized cost which would be determined if no impairment loss was recognized. Reversal of impairment losses is recognized in profit or loss.

If there are indications of impairment of unquoted equity instruments measured at acquisition price (as their fair value may not be determined reliably), the amount of the impairment loss is determined as the difference between the carrying amount of the assets and the present value of the estimated future cash flows discounted using the current market rate of return for similar financial assets. Such impairment losses are not reversed.

2.13. Certificates of origin

Pursuant to Article 9a of the Energy Law, ENEA S.A. – as an energy company involved in trading and sales of electricity to end customers connected to the power grid on the territory of the Republic of Poland – is obliged to:

a) obtain certificates of origin and submit them to the President of the Energy Regulatory Office in order to redeem them, or

b) pay a substitute fee.

The certificate of origin confirms generation of electricity in a renewable source (green certificates for such sources as wind, water, sun, biomass) or in cogeneration (three types of sources: yellow certificates for gas-fuelled sources or other sources up to 1 MW; red certificates for sources above 1 MW capacity other than fuelled with methane or biomass gas; purple certificates for sources fuelled with biomass gas or methane removed from mines). The certificates are issued by the President of ERA following a motion of an energy generator working based on renewable sources or cogeneration.

Property rights to certificates of origin arise when a certificate of origin is entered into the register kept by the Polish Power Exchange (Towarowa Giełda Energii S.A. – TGE S.A.).

Property rights to certificates of origin are transferable and traded on commodity exchanges.

Property rights to certificates of origin are transferred when an appropriate entry is made in the register of certificates of origin.

They expire upon redemption of the certificates.

ENEA S.A. is obliged to obtain and submit for redemption certificates of origin in the amount corresponding to

the limits defined in ordinances issued based on the Energy Law and expressed as a proportion of its total energy sales to end customers. The deadline for complying with the requirement of certificate redemption or substitute fee payment expires on 31 March of the following year.
Depending on the purpose of their purchase, the certificates of origin are classified as:

- a separate category of long- or short-term assets ("certificates of origin"), if acquired to be redeemed,
- long- or short-term financial assets, if acquired to be resold.

Certificates of origin produced by the Group are recognized at the moment of producing electricity (or as at the date on which their issuance has become probable), unless there is a reasonable doubt regarding ERO President's ability to issue them.
Purchased certificates of origin are measured at cost, while those regarding energy generated in own sources are measured at the maximum price of the property rights accepted by ENEA in SPOT transactions (OTC deals) in the month of generating the energy the certificates relate to.

During the financial year and until 31 March of the following year the Company presents certificates of origin for redemption on a monthly basis in order to fulfill its obligation regarding the financial year. Redemption of certificates of origin is recognized in the accounting records based on a redemption decision issued by the President of ERO, the redeemed certificates being subject to detailed identification.

As at the balance sheet date, the certificates of origin (except for those acquired for resale) are measured at acquisition price, less potential impairment losses.

As at the balance sheet date, certificates of origin acquired for resale are measured at fair value, whereas the effects of the measurement are recognized in profit or loss.

If as at the balance sheet date the number of certificates of origin held is insufficient to fulfill the obligations imposed by the Energy Law, the Company recognizes a provision for redemption or substitute fee. The provision amount is based on the number of certificates of origin accounting for the difference between the number of certificates redeemed as at the balance sheet date and the number required for redemption by the Energy Law. Provisions are first measured at cost of unredeemed certificates of origin held as at the balance sheet date, and second, based on substitute fee per unit determined for the given financial year.

When estimating sales of electricity, the total of invoiced energy sales to end users and estimated sales volume determined as at the end of the reporting period is assumed in order to ensure the matching of revenue and expenses with the calculation basis of provision for redemption of certificates of origin.

The provision is reduced by the value of certificates of origin acquired for redemption, and if their value exceeds the provision amount, it reduces the total value of the certificates of origin recognized in the balance sheet.

2.14. Cash and cash equivalents

Cash and cash equivalents include cash in hand, call deposits with banks and other short-term investments maturing within three months, with high liquidity. As at the balance sheet date, cash is measured at face value.

2.15. Share capital

The share capital of the Company is recognized in the amount specified in the Company's by-laws and registered in the court register, adjusted by the effects of hyperinflation as well as settlement of the effects of business combinations and acquisitions. An increase in the share capital covered by the shareholders as at the balance sheet date and not yet registered in the National Court Register is also disclosed as share capital.

2.16. Credit facilities and loans

Upon initial recognition financial liabilities are measured at fair value less transaction costs incurred by the Company.

Following their initial recognition, financial liabilities are measured at amortized cost using the effective interest method.

2.17. Income tax (including deferred income tax)

Income tax presented in the statement of comprehensive income includes the current and deferred portion.

The current tax liability is calculated based on the taxable profit (tax base) for a given reporting period. The taxable profit (loss) differs from net accounting profit (loss) due to the exclusion of taxable income and expenses classified as tax-deductible in the following years as well as expenses and revenue which will never be subject to taxation. Tax liabilities are calculated based on tax rates applicable in a given reporting period.

The deferred tax is a tax of from events that occurred in a given period, recognized on the accrual basis in the accounting records of the period but realized in future. It occurs when the tax effect of revenue and expenses is the same as in the balance sheet but pertains to other periods.
The balance sheet liability method is used to calculate the deferred tax. The method is characterized with temporary differences between the carrying and tax amount of assets and liabilities.

The carrying value of assets and liabilities recognized in the accounting records is the base value, which is compared to the tax amount and tax loss deductible in future.
Differences between the carrying amount and tax value of an asset or liability may include:

- a positive amount resulting in an increase of the future taxable base upon settlement or realization of the carrying value of the asset or liability;

- a negative amount resulting in a reduction of the future taxable base upon settlement or realization of the carrying value of the asset or liability.

If the carrying amount of an asset or liability is equal to its tax amount, no temporary differences occur.

Temporary differences multiplied by appropriate tax rates produce assets for deductible and deferred tax provisions for taxable differences.

The deferred tax provision resulting from taxable temporary differences between the tax value of assets and liabilities and their carrying amount is recognized in the financial statements in its full amount.

The deferred tax asset is recognized if it is probable that the Group will generate taxable income which will allow it to deduct temporary differences or use tax losses in the future.

The Company does not recognize a deferred tax asset and liability if they result from the initial recognition of an asset or liability arising from a transaction other than a business combination and if the transaction does not have an impact on the gross financial profit/loss or the taxable profit when it is effected. Additionally, the deferred tax liability is not recognized with respect to temporary differences arising upon initial recognition of goodwill or goodwill whose amortization is not regarded as a tax-deductible expense.

No deferred tax asset or provision is created on temporary differences arising from investments in related parties that jointly meet the following two conditions:

- the Company is able to control the timing of the reversal of the temporary differences; and
- it is probable that the temporary differences will not reverse in the foreseeable future.

The deferred income tax is determined based on tax rates (and regulations) which are expected to be applicable when an asset is used and the liability settled, on the basis of the tax rates (and regulations) which were legally or actually applicable as at the balance sheet date.
If the tax law allows changes in tax rates, the total amount of assets and liabilities is calculated in accordance with various tax rates.
If changes in tax rates occur in the period from determining the deferred tax assets or provisions to their settlement, the effects of measurement of assets and provisions are included in the reporting period in which the tax regulations have been amended.
Further, as at the balance sheet date at the latest, the entity tests the assets for impairment in order to check whether they still can be settled. If generation of taxable income sufficient to use the deferred tax asset in part or in whole is not probable, a corresponding impairment loss on the asset should be recognized.

Deferred tax is recognized in profit or loss for a given period, except for instances when deferred tax:

1. pertains to a transaction or event that is recognized directly in equity, in which case it is also recognized in the relevant other item of equity depending on an event it results from;
2. results from business combinations, in which cases it affects the value of goodwill or the surplus of

the interest in the net fair value of assets over business combination costs.

Deferred tax asset and liabilities are set off if there is a legally enforceable right to set off a current tax asset against a current tax liability when the deferred tax asset and liability relate to income taxes levied by the same taxation authority on the same taxable entity.
For the purpose of balance sheet presentation, the deferred tax asset and liability should be offset and the surplus of the asset over the liability recognized (or the surplus of the liability over asset) recognized in the balance sheet.

2.18. Employee benefits

The following types of employee benefits are recognized by ENEA S.A.:

A. Short-term employee benefits
Short-term employee benefits at ENEA S.A. include but are not limited to: monthly wages, salaries, annual bonuses, electricity allowance, short-term paid leave with social security contributions, industry specific bonus.

The liability due to short-term (accrued) paid leave (compensation for paid leave) is recognized even if employees are not entitled to receive payment in lieu of holiday. ENEA S.A. determines the expected cost of accumulated paid leave as an additional amount expected to be paid as a result of the unused entitlement determined as at the balance sheet date.

B. Defined benefit plans
Defined benefit plans of ENEA S.A. include:
1) Retirement benefits
Employees retiring (eligible for disability benefits) are entitled to receive retirement benefits in the form of cash compensation. The value of such benefits depends on the length of service and the remuneration received by the employee. The related liabilities are estimated using actuarial methods.

2) Right to energy allowance after retirement
Retiring employees who have worked for ENEA S.A. for at least one year are entitled to a reduced price of consumed energy amounting to 3,000 kWh/year. In case of an employee's death, the right is transferred to his/her spouse if that person receives a family allowance.

Pensioners and disability pensioners acquire the right to an electricity allowance in the amount of 3000 kWh x 80% of the electricity price and the variable component of the transmission charge and 100% the fixed network charge and subscription charge at the single-zone rate household tariff. The equivalent is paid twice a year: by 15 May and by 15 September, each time in the amount of the half of the annual equivalent. The related liabilities are estimated using actuarial methods.

3) Jubilee benefits

Other long-term employee benefits at ENEA S.A. include jubilee benefits. Their value depends on the length of service and the remuneration received by the employee. The related liabilities are estimated using actuarial methods.

4) Appropriation to the Company's Social Benefits Fund for pensioners

Pursuant to the Collective Labor Agreement of ENEA S.A., when calculating the annual appropriation to the Company's Social Benefits Fund the Company also takes into consideration pensioners entitled to the benefits. The liability is recognized proportionally to the expected period of performing work by employees. The value of the provision is estimated using actuarial methods.

Liabilities relating to the benefits referred to in points 1-4 are estimated by an actuary using the projected unit credit method. The total value of actuarial gains and losses is recognized in profit or loss.

C. Defined contribution plan

1) Social security contributions

The social security system in Poland is a state program, in accordance with which ENEA S.A. is obliged to make social security contributions for employees when they become due. No legal or constructive obligation has been imposed on the Company to pay future benefits relating to social security. The costs of contributions pertaining to the current period are recognized by ENEA S.A. in profit or loss as the costs of employee benefits.

2) Employee Pension Scheme

Pursuant to Appendix No. 18 to the Collective Labor Agreement, ENEA S.A. operates an Employee Pension Scheme in the form of unit-linked group employee insurance in line with the statutory principles and under conditions negotiated with the labor unions.

The Employee Pension Scheme is available to all employees of ENEA S.A. after one year of service, irrespective of the type of their employment contract.

Employees join the Employee Pension Scheme under the following terms and conditions:

- the insurance is group life insurance with insurance protection;
- the amount of the basic premium is set at 7% of the participant's salary;
- 90% of the basic premium is allocated to investment premium and 10% to insurance protection.

D. Share-based payments

Share-based payments relate to equity-settled or cash-settled transactions in which ENEA S.A. receives services (work performed by employees) as consideration for its equity instruments or their cash equivalent.

ENEA S.A. recognizes the services provided under equity-settled share-based payments and the corresponding increase in equity upon their receipt. If the services rendered in share-based payment transactions may not be classified as assets, they are recognized as cost.

The value of such cost is determined based on the fair value and measured at grant date. As the fair value of he services provided by employees may not be determined directly, it is estimated based on the fair value of equity instruments granted.

In cash-settled share-based payments the Group measures its liability at fair value as at each reporting date and as at the settlement date, whereas any changes in the value are recognized in profit or loss for a given period.

2.19. Provisions

Provisions are created if ENEA S.A. has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation, discounted at the balance sheet date.

2.20. Revenue recognition

Sales revenue is measured at the fair value of the consideration received or receivable less the value added tax, discounts and rebates.

Revenue from the sales of energy is recognized upon energy delivery to the customer. In order to determine the value of revenue for a period from the last billing date to the balance sheet date, an estimate is made and disclosed in the balance sheet under trade and other receivables.

Revenue from the sales of goods and materials is recognized when the entity has transferred to the buyer the significant risks and rewards of ownership of the goods and materials it is probable that the economic benefits associated with the transaction will flow to the entity.

Interest income is recognized on an accrual basis using the effective interest rate if its receipt is not doubtful.

Dividend income is recognized when the Company acquires the right to receive the related payments.

2.21. Grants

ENEA S.A. receives grants in the form of fixed assets and compensation for expenses incurred for fixed assets. Such grants are recognized by the Company in accordance with IAS 20 – “Government Grants”.

Grants are recognized in the balance sheet as deferred income when there is reasonable assurance that they will be received and that the Company will comply with appropriate conditions related to such grants. Grants received as compensation for costs already incurred by the Company are recognized on a systematic basis as revenue in profit or loss in the periods in which the entity recognizes as expenses the related costs. Grants received by the Company as compensation for capital expenditure incurred are recognized on a systematic basis in proportion to the depreciation charges as other operating revenue in profit or loss over the useful life of an asset.

2.22. Dividend payment

Payments of dividends to shareholders are recognized as a liability in the financial statements of ENEA S.A. for the period when they were approved by the shareholders.

2.23. Segment reporting

The business segment is the primary reporting format. A business segment is a group of assets and liabilities engaged in providing products and services that are subject to risks and returns on investments different from other business segments.
There are the following business segments at ENEA S.A.:

- trade – sale of electricity to end customers;
- generation;
- other activities.

The Company operates in one geographical region, in Poland, and therefore it does not distinguish geographical segments.

2.24. Non-current assets available for sale (AFS)

Non-current assets held for sale include items satisfying the following criteria:

- - their carrying amount will be recovered principally through sale transactions rather than through continuing use;
- the Management Board of the Company submitted a sales declaration and started to search actively for a potential buyer;
- the assets are available for immediate sale in their current condition;

  the sale transaction is highly probable and may be settled within 12 months of the date of the decision;

- the sales price is reasonable compared to the current fair value;
- the probability that changes to the asset disposal plan will be made is low.

If the aforementioned criteria have been satisfied after the balance sheet date, the asset is not reclassified at the end of the financial year preceding the event. The classification change is reflected in the reporting period when the aforementioned criteria have been satisfied. Amortization/depreciation charges are no longer applied starting from the date when the asset is designated as held for sale.
Assets held for sale are measured at the lower of: the net carrying amount or the fair value less costs to sell.

2.25. Statement regarding application of International Financial Reporting Standards

Standards and interpretations first-time applied in 2011

The following amendments to the existing standards published by International Reporting Standards Board (IASB) and endorsed by the EU become effective in 2011:

- **Revised IAS 24 "Related Party Disclosures"** – Simplified disclosure requirements that apply to state-controlled entities and amendment to the definition of a related party, endorsed by the EU on 19 July 2010 (applicable to annual periods beginning on or after 1 January 2011);

- **Amendments to IAS 32 "Financial instruments: presentation"** - Classification of rights issues, approved by the EU on 23 December 2009 (applicable to annual periods starting on or after 1 February 2010);

- **Revised IFRS 1 "First-time Adoption of International Financial Reporting Standards"** – additional exemptions for first-time adopters regarding disclosure of comparative data in accordance with IFRS 7, accepted by the EU on 30 June 2010 (applicable to annual periods beginning on or after 1 July 2010);

- **IFRS (2010) "Improvements to IFRS" –** changes introduced within the annual improvement procedures, published on 6 May 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34 and IFRIC 13) focused mainly on elimination of discrepancies and on precise wording, accepted by the EU on 18 February 2011 (applicable to annual periods beginning on or after 1 July 2010 or 1 January 2011, depending on the standard/interpretation);

- **Amendments to IFRIC 14 "IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction" –** prepayment of a minimum funding requirement, accepted by the EU on 19 July 2010 (applicable to annual periods starting on or after 1 January 2011);

- **IFRIC Interpretation 19 "Extinguishing financial liabilities with equity instruments"** endorsed by the EU on 23 July 2010 (applicable to annual periods starting on or after 1 July 2010).

The above standards, interpretations and modified standards did not materially impact the existing accounting policy of the entity.

Standards and Interpretations published and approved for use in the EU, which have not entered into force yet

While approving these financial statements, the Company did not apply the following standards and amendments to standards and interpretations which were published and approved for use in the EU, but which have not entered into force yet:

- **Revised IFRS 7 "Financial Instruments: Disclosures"** - transfers of financial assets endorsed by the EU on 22 November 2011 (applicable to annual periods beginning on or after 1 July 2011).

The Company decided not to early apply the above standards, amendments to standards and interpretations. According to the Company's estimates, the aforementioned standards, interpretations and amendments to standards would not have had a significant effect on the financial statements, if they had been adopted by the entity as of the balance sheet date.

Standards and Interpretations adopted by IASB but not endorsed by the EU

IFRS in the form approved by the EU do not differ significantly from the regulations adopted by the International Accounting Standards Board ("IASB"), except for the following standards, amendments to the standards and interpretations, which as of 10 April 2012 had not yet been adopted for use:

- **IFRS 9 "Financial Instruments"** (applicable to annual periods beginning on or after 1 January 2015);

- **IFRS 10 "Consolidated financial statements"** (applicable to annual periods beginning on or after 1 January 2013);

- **IFRS 11 "Joint Arrangements"** (applicable to annual periods beginning on or after 1 January 2013);

- **IFRS 12 "Disclosure of Interests in Other Entities"** (applicable to annual periods beginning on or after 1 January 2013);

- **IFRS 13 "Fair Value Measurement"** (applicable to annual periods beginning on or after 1 January 2013);

- **IAS 27 (2011) "Separate Financial Statements"** (applicable to annual periods beginning on or after 1 January 2013);

- **IAS 28 (2011) "Investments in Associates and Joint Ventures"** (applicable to annual periods beginning on or after 1 January 2013);

- **Revised IFRS 1 "First-time Adoption of International Financial Reporting Standards"** – Severe Hyperinflation and removal of fixed transition deadlines for first-time adopters (applicable to annual periods beginning on or after 1 July 2011);

- **Revised IFRS 7 "Financial Instruments: Disclosures",** offsetting financial assets and liabilities (applicable to annual periods beginning on or after 1 January 2013);

- **Revised IFRS 9 – "Financial Instruments" and IFRS 7 – Financial Instruments: Disclosures"** statutory effective date and transitional provisions;

- **Revised IAS 1 "Presentation of Financial Statements" -** presentation of other comprehensive income items (effective applicable to annual periods beginning on or after 1 July 2012);

- **Revised IAS 12 "Income Tax" - Deferred tax: realization of assets** (applicable to annual periods beginning on or after 1 January 2012);

- **Revised IAS 19 "Employee Benefits" –** amendments to post-employment benefits accounting (applicable to annual periods beginning on or after 1 January 2013);

- **Revised IAS 32 "Financial Instruments: Presentation" -** offsetting financial assets and liabilities (applicable to annual periods beginning on or after 1 January 2014);

- **IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"**, (applicable to annual periods beginning on or after 1 January 2013).

The entity is analyzing the impact on the aforementioned standards, interpretations and amendments thereto on the financial statements.

At the same time, hedge accounting of the portfolio of financial assets and liabilities remains beyond the scope of EU-approved regulations.
According to the estimates of the Company, the application of hedge accounting regarding the portfolio of financial assets and liabilities in line with **IAS 39 "Financial Instruments: Recognition and Measurement"** would not have material impact on the financial statements, if they were adopted for use as at the balance sheet date.

3. Material estimates and assumptions

The preparation of these financial statements in accordance with EU-IFRS requires that the Management Board makes certain estimates and assumptions that affect the adopted accounting policies and the amounts disclosed in the financial statements and notes thereto. The adopted assumptions and estimates are based on the

Management Board's best knowledge of the current and future activities and events. The actual figures, however, can be different from those assumed.

The key areas in which the estimates made by the Management Board have a material impact on the financial statements include:
- *post-employment benefits* – the provisions for employee benefits are measured using a method which involves determination of the opening balance of liabilities due to expected future benefit payments as at the balance sheet date, calculated in line with actuarial methods; a change in the discount rate and the long-term pay rise rate affect the accuracy of the estimate made (Note 23);

- ***impairment losses on trade and other receivables*** – their value is determined as the difference between the carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. A change in the estimated value of future cash flows results in a change in the estimated value of impairment losses on receivables (Note 13);

- *unbilled sales revenue at the end of the financial year* – the value of unbilled energy sales is estimated based on the estimated consumption of electricity in the period from the last meter reading date until the end of the financial period (Note 13);

- *economic useful lives* – the remaining useful life of fixed assets is estimated based on the currently available information on the expected useful life of a given asset, subject to periodic review in line with the binding legal regulations (Note 6);

- *compensation for non-contractual use of property* – the potential payment of compensation for the so called non-contractual use of land and rental fee is estimated by the technical staff of the Company based on analyses of claims filed on a case-by-base basis (Note 25 and 39.5);

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

	Name and address of the company	**Share of ENEA S.A. in the total number of votes 31.12.2011**	**Share of ENEA S.A. in the total number of votes 31.12.2010**
1.	ENERGOMIAR Sp. z o.o. *Poznań, ul Strzeszyńska 58*	100	100
2.	BHU S.A. *Poznań, ul. Strzeszyńska 58*	92.62	91.47
3.	ENEA Centrum S.A. *Poznań, ul. Górecka 1*	100	100
4.	Hotel „EDISON" Sp. z o.o. *Baranowo k/Poznania*	100	100
5.	Energetyka Poznańska Zakład Transportu Sp. z o.o. *Poznań, ul. Strzeszyńska 58*	100	100
6.	Energetyka Poznańska Przedsiębiorstwo Usług Energetycznych Energobud Leszno Sp. z o.o. *Lipno, Gronówko 30*	100	100
7.	ENERGO-TOUR Sp. z o.o. *Poznań, ul. Marcinkowskiego 27*	99.92	99.92
8.	ENEOS Sp. z o.o.	100	100

	Poznań, ul.Strzeszyńska 58		
9.	ENTUR Sp. z o.o. *Szczecin, ul. Malczewskiego 5/7*	100	100
10.	Niepubliczny Zakład Opieki Zdrowotnej Centrum Uzdrowiskowe ENERGETYK Sp. z o.o. *Inowrocław, ul. Wilkońskiego 2*	99.94	99.94
11.	Elektrownie Wodne Sp. z o.o. *Samociążek, 86-010 Koronowo*	99.996	100
12.	Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o. Oborniki, ul. Wybudowanie 56	91.02	87.99
13.	„IT SERWIS" Sp. z o.o. *Zielona Góra, ul. Zacisze 28*	100	100
14.	„Auto – Styl" Sp. z o.o. *Zielona Góra, ul. Zacisze 15*	100	100
15.	FINEA Sp. z o.o. in liquidation *Poznań, ul.Warszawska 43*	-	100
16.	ENEA Operator Sp. z o.o. *Poznań, ul. Strzeszyńska 58*	100	100
17.	Elektrownia „Kozienice" S.A. *Świerże Górne, gmina Kozienice, Kozienice 1*	100	100
18.	Miejska Energetyka Cieplna Sp. z o.o. *64-920 Piła, ul. Kaczorska 20*	65.03	64.064
19.	Kozienice II Sp. z o.o. *Świerże Górne, gmina Kozienice, Kozienice 1*	-	80.56
20.	Przedsiębiorstwo Produkcji Strunobetonowych Żerdzi Wirowanych WIRBET S.A. *Ostrów Wlkp., ul. Chłapowskiego 51*	49	49
21.	Przedsiębiorstwo Energetyki Cieplnej w Śremie S.A. *Śrem, ul. Staszica 6*	-	41.65
22.	Elektrociepłownia Białystok S.A. *Białystok, ul. Gen. Andersa 3*	99.94	30.36
23.	DOBITT Energia Sp. z o.o. Gorzesław 8, 56-420 Bierutów	100	-
24.	Annacond Enterprises Sp. z o.o. Warszawa, ul. Jana III Sobieskiego 1/4	61	-
25.	ELKO Trading Sp. z o.o. *Świerże Górne, gmina Kozienice, Kozienice 1*	-*	-*
26.	Elektrownie Wiatrowe – ENEA Centrum Spółka Akcyjna Spółka Komandytowa *Samociążek, 86-010 Koronowo*	-	-**
27.	„Ecebe" Sp. z o.o. Augustów, ul. Wojciech 8	-***	-
28.	Energo-Invest-Broker S.A. Toruń, ul. Jęczmienna 21	-****	-

*100% of shares in ELKO Trading Sp. z o.o. is held by Elektrownia "Kozienice" S.A.
** 99% of total rights and obligations in Elektrownie Wiatrowe – ENEA Centrum Spółka Akcyjna Spółka Komandytowa is vested in Elektrownie Wodne Sp. z o. o., and 1% in ENEA Centrum S.A.
***100% of shares in Ecebe is held by Elektrociepłownia Białystok S.A.
**** an associate of Elektrownia Kozienice S.A.

Changes in the structure of the ENEA S.A. Capital Group in the period covered by the financial statements:

On 27 December 2010, the Extraordinary Shareholders' Meeting of BHU S.A. adopted a Resolution to increase the share capital of the Company by PLN 2,072 thousand, up to PLN 16,375.1 thousand, by way of issuing 20,720 K series shares, by a private placement. The new shares in the Company's share capital were acquired by ENEA S.A. for a contribution in kind.
The increased share capital of BHU S.A. was registered in the National Court Register on 21 January 2011.

On 30 December 2010 the Extraordinary Shareholders' Meeting decided to increase the share capital of MEC Piła Sp. z o.o. by PLN 773 thousand up to PLN 28,689 thousand, by way of creating 773 new shares with

the face value of PLN 1,000 each. The new shares in the Company's share capital were acquired by ENEA S.A. for a contribution in kind.
The increased share capital of MEC Piła Sp. z o.o. was registered in the National Court Register on 24 February 2011.

On 27 January 2011 an auction was announced for the sale of shares in Przedsiębiorstwo Energetyki Cieplnej w Śremie S.A. The auction included 6,860 ordinary registered shares of Przedsiębiorstwo Energetyki Cieplnej w Śremie S.A. with the face value of PLN 1,000 each and the total value of PLN 6,860 thousand, accounting for 41.65% of its share capital. The total market value of the shares – corresponding to the starting price – is PLN 9,611,820,40 and has been based on measurement carried out as at 30 June 2010. Since none of the potential investors paid the deposit within the deadline, no buyer was selected in the tender and ENEA S.A. remained the holder of the shares. On 21 February 2011 ENEA S.A. received a letter from Centrozap S.A. (a holder of 51% of shares in PEC Śrem S.A.) declaring the will to buy the holding in question, but only after 16 May 2011 due to corporate procedures. At the same time, Centrozap S.A. accepted the starting price published in the tender announcement. The preliminary agreement on the sale of shares was concluded on 26 May 2011 under which the Parties are obliged to conclude the Final Agreement by 14 July 2011. On 13 July 2011 was concluded the final agreement on the sale of shares.

The increase of the share capital of Elektrownie Wodne Sp. z o.o. by PLN 26,000 thousand, up to PLN 239,841 thousand was registered in the National Court Register on 7 February 2011. All new shares in the Company's share capital were assumed by the existing shareholder - ENEA S.A. and covered in full by a contribution in kind in the form of an organized part of the enterprise of ENEA S.A. operating under the business name: ENEA S.A. Oddział Elektrownia Biogazowa Liszkowo.
On 15 February 2011 the Extraordinary Shareholders' Meeting decided to increase the share capital of Hotel EDISON Sp. z o.o. by PLN 35 thousand up to PLN 21,271.5 thousand, by way of creating 70 new shares with the face value of PLN 500 each. All shares in the increased share capital of Hotel EDISON Sp. z o.o. will be acquired by the existing sole shareholder – ENEA S.A. and fully covered with a cash contribution. The increase in the share capital was registered in the National Court Register on 28 July 2011.

Business combination of Elektrownia "Kozienice" S. A. (the Acquirer) and Kozienice II Sp. z o. o. (the Acquiree) by the transfer of all the assets of the Acquiree to the Acquirer and simultaneous increase in the share capital of the Acquirer (by way of the issue of shares targeted at ENEA S.A.) was registered on 30 March 2011. As a result of the business combination, the share capital of Elektrownia "Kozienice" S.A. was increased by PLN 12,482 thousand up to PLN 462,482 thousand by way of issuing 1,248,244 B series ordinary bearer shares with the face value of PLN 10 each.
The purpose of the business combination was to benefit from many years of experience and potential in managing and investing in production assets of Elektrownia "Kozienice".

On 30 March 2011 the Group acquired 100% of rights and obligations in ZU-AN Sp. z o. o. sp. k. for the total amount of PLN 28,383 thousand. (Elektrownie Wodne Sp. z o.o. paid PLN 28,117 thousand and Energetyka

Poznańska Biuro Usług Technicznych S.A. paid PLN 266 thousand). The name of the Acquiree was Elektrownie Wiatrowe – Energetyka Poznańska Biuro Usług Technicznych Spółka Akcyjna Spółka Komandytowa and it has been changed to: Elektrownie Wiatrowe – ENEA Centrum Spółka Akcyjna Spółka Komandytowa. 99% of total rights and obligations is vested in Elektrownie Wodne Sp. z o. o. (limited partner), and 1% in ENEA Centrum S. A. (general partner).

On 11 May 2011 ENEA S. A. acquired 100% shares in DOBITT Energia Sp. z o. o. for PLN 3,350 thousand and at the same time the share capital was increased by PLN 9,075 thousand up to PLN 9,175 thousand. The increased share capital of the Company was registered in the National Court Register on 22 August 2011.

On 1 June 2011 ENEA S. A. acquired 1,283,214 shares in Elektrociepłownia Białystok S. A. with the value of PLN 10 per share for the total amount of PLN 347,751 thousand.

On 8 June 2011 the Extraordinary Shareholders' Meeting of FINEA Sp. z o.o. in liquidation approved distribution of liquidation amounts. On 13 June 2011 a motion to remove the entity was filed to the National Court Register. On 20 July 2011 FINEA Sp. z o.o. in liquidation was liquidated and removed from the National Court Register.

On 27 May and on 6 and 8 June 2011 ENEA S. A. acquired 304 employee shares in Przedsiębiorstwo Energetyki Cieplnej Sp. z o. o. with the registered office in Oborniki for the total amount of PLN 387.6 thousand.
In December 2011 ENEA S. A. bought 10 employee shares, as a part of the first tranche planned for 2011.

On 29 December 2010 the Extraordinary Shareholders' Meeting of Energo-Invest-Broker S. A. adopted the following resolutions: Resolution 1 approving the acquisition of 55.625% of shares in EIB S.A. held by PGE Górnictwo i Energetyka Konwencjonalna S.A. for redemption, Resolution 2 decreasing the share capital of the Company due to redemption of treasury shares, Resolution 3 on redemption of treasury shares.
On 28 April 2011 District Court for Toruń, VII Business Division of the National Court Register issued a decision to register the decrease in the share capital from PLN 500 thousand to PLN 221.9 thousand due to redemption of 1,780 shares previously held by PGE Górnictwo i Energetyka Konwencjonalna S. A. After redemption the number of shares in EIB S.A. fell to 1,420. As a result the share of Elektrownia "Kozienice" S.A. in the share capital of the Company changed from 12.5% to 28.17%.

On 26 July 2011, the Extraordinary Shareholders' Meeting of EP PUE ENERGOBUD Leszno Sp. z o.o. adopted a resolution to increase the share capital by PLN 1,151 thousand, i.e. from PLN 7,634 thousand to PLN 8,785 thousand, in exchange for a contribution in kind. The acquisition of shares in the increased share capital of EP PUE ENERGOBUD Leszno Sp. z o.o. by ENEA S.A. and the transfer of perpetual usufruct right to real property related to the contribution in kind took place on 3 August 2011. The increased share capital was registered in the National Court Register on 15 September 2011.

On 22 August 2011 ENEA S. A. acquired 21,265 shares in "Annacond Enterprises" Sp. z o. o. with the registered office in Warsaw, with the par value of PLN 500 per share and constituting 61% of the share capital of the company.

On 12 September 2011, the Extraordinary Shareholders' Meeting of ENEOS Sp. z o. o. adopted a Resolution to increase the share capital of the company by PLN 11,900 thousand, from PLN 20,189.5 thousand to PLN 32,089.5 thousand in return for a contribution in kind of an organized part of an entity under Article 551 of the Civil Code ("Street lights in Poznań").
The acquisition of shares in the increased share capital of ENEOS Sp. z o. o. by ENEA S.A. and the transfer of an organized part of an enterprise from ENEA S. A. to ENEOS Sp. z o.o. under Article 551 of the Civil Code took place on 13 September 2011. The increased share capital of ENEOS Sp. z o.o. was registered in the National Court Register on 13 October 2011.

On 20 September 2011 the Extraordinary Shareholders' Meeting of BHU SA adopted Resolution No. 1 to increase the share capital of the Company by PLN 165.6 thousand by issuing 1,656 L series shares with the face value of PLN 100.00 each, from PLN 16,375.1 thousand to PLN 16,540.7 thousand, in exchange for a contribution in kind in the form of perpetual usufruct of real property of PLN 165.6 thousand, with no right to acquire shares granted to the existing shareholders.
On 20 September 2011, BHU S. A. placed an offer to acquire L series shares with ENEA S.A.
On 4 October 2011, ENEA S. A. accepted the offer to acquire L series shares of BHU S. A.
The agreement on the transfer of perpetual usufruct right to land was concluded on 3 November 2011. The increased share capital was registered in the National Court Register on 16 November 2011.
As Energetyka Poznańska Biuro Usług Technicznych S.A. has changed it business profile and has started providing services to the clients of ENEA S. A., it has changed its name to ENEA Centrum S. A.

On 17 November 2011 the Extraordinary Shareholders' Meeting passed a resolution to merge Elektrownie Wodne Sp. z o. o. with Elektrownie Wiatrowe Enea Centrum S. A. Sp. k. and to increase the share capital of Elektrownie Wodne Sp. z o. o. by PLN 8.5 thousand. The increased share capital was registered in the National Court Register on 2 January 2012.

5. Segment reporting

Segment reporting for the period from 1 January to 31 December 2010:

For the period from 1 January 2011 to 31 December 2011	Turnover	All other segments	Total
Net sales revenue*	5 515 784	61 849	5 577 633
Inter-segment sales	-	-	-
Total net sales revenue	**5 515 784**	**61 849**	**5 577 633**
Total expenses **	(5 366 881)	(48 239)	(5 415 120)
Segment profit/loss	**148 903**	**13 610**	**162 513**
Unassigned general and administrative expenses			(123 439)
Operating profit			**39 074**
Financial expenses			(6 436)
Financial revenue			122 110
Revenue from dividends			236 339
Income tax			(35 918)
Net profit			**355 169**

* - net sales revenue under Turnover includes also net revenue from sales of distribution services of PLN 1,665,599 thousand, which was individually presented in the annual consolidated financial statements of the ENEA S.A Capital Group under Distribution

** - total expenses:
- include the costs of sales of distribution services of PLN 1,665,980 thousand, which were individually presented in the consolidated financial statements of the ENEA S.A Capital Group under Distribution
- include also other operating revenue and expenses

Segment reporting for the period from 1 January to 31 December 2010:

For the period from 1 January 2010 to 31 December 2010	Turnover	Production	All other segments	Eliminations	Total
Net sales revenue*	6 245 866		58 466		6 304 332
Inter-segment sales	-	1 838	-	(1 838)	-
Total net sales revenue	**6 245 866**	**1 838**	**58 466**	**(1 838)**	**6 304 332**
Total expenses **	(6 035 952)	(1 857)	(51 786)	1 838	(6 087 757)
Segment profit/loss	**209 914**	**(19)**	**6 680**	**-**	**216 575**
Unassigned general and administrative expenses					(100 345)
Operating profit					**116 230**
Financial expenses					(5 986)
Financial revenue					109 740
Revenue from dividends					193 888
Income tax					(49 486)
Net profit					**364 386**

* - net sales revenue under Turnover includes also net revenue from sales of distribution services of PLN 1,886,266 thousand, which was individually presented in the annual consolidated financial statements of the ENEA S.A Capital Group under Distribution

** - total expenses:
- include the costs of sales of distribution services of PLN 1,886,343 thousand, which were individually presented in the consolidated financial statements of the ENEA S.A Capital Group under Distribution
- include also other operating revenue and expenses

Segment reporting (cont'd)

Other segment reporting information as at 31 December 2011 and for the 12-month period ended as at that date:

Balance as at 31 December 2011	Turnover	Production	All other segments	Total
Property, plant and equipment	6 223		114 946	121 169
Trade and other receivables	746 966		8 403	755 369
Total:	**753 189**		**123 349**	**876 538**
ASSETS excluded from segmentation				10 284 573
- including property, plant and equipment				57 616
- including trade and other receivables				10 051
TOTAL ASSETS				**11 161 111**
Trade and other liabilities	500 113		4 493	504 606
Equity and liabilities excluded from segmentation				10 656 505
- including trade and other liabilities				67 486
TOTAL EQUITY AND LIABILITIES				**11 161 111**
Capital expenditure for fixed assets and intangible assets	-		26 728	26 728
Capital expenditure for fixed assets and intangible assets excluded from segmentation				3 258
Depreciation/amortization of fixed assets/intangible assets	703		14 320	15 023
Depreciation/amortization of fixed assets/intangible assets excluded from segmentation				1 622
Impairment loss on receivables as at 31.12.2011	81 193		911	82 104

Segment reporting (cont'd)

Other segment reporting information as at 31 December 2010 and for the 12-month period ended as at that date:

Balance as at 31 December 2010	Turnover	Production	All other segments	Total
Property, plant and equipment	18 746		131 179	149 925
Trade and other receivables	757 212		6 964	764 176
Total:	**775 958**		**138 143**	**914 101**
ASSETS excluded from segmentation				10 161 251
- including property, plant and equipment				59 641
- including trade and other receivables				11 290
TOTAL: ASSETS				**11 075 352**
Trade and other liabilities	652 732		5 596	658 328
Equity and liabilities excluded from segmentation				10 417 024
- including trade and other liabilities				55 401
TOTAL: EQUITY AND LIABILITIES				**11 075 352**
Capital expenditure for fixed assets and intangible assets	-	24 814	21 816	46 630
Capital expenditure for fixed assets and intangible assets excluded from segmentation				2 703
Depreciation/amortization of fixed assets/intangible assets	610	1 298	14 765	16 673
Depreciation/amortization of fixed assets/intangible assets excluded from segmentation				772
Impairment loss on receivables as at 31.12.2010	81 578		765	82 343

Segment revenue is generated from sales to external clients and transactions with other segments, which are directly attributable to a given segment with a relevant portion of the Company's revenue that may be reasonably attributed to the segment.

Segment costs include costs of goods sold to external clients and costs of transactions with other Group segments, which result from operations of a given segment and may be directly allocated to the segment with a relevant portion of the Company's costs that may be reasonably allocated to the segment.

Market prices are used in inter-segment transactions, which allow individual entities to earn a margin sufficient to carry out independent operations in the market. Trade in electricity and transmission services are governed by prices specified in the *Energy Law* of 10 April 1997 *and secondary legislation.*

Supplementary reporting - geographical segments

The Company operates in one geographical region, in Poland, and therefore it does not distinguish geographical segments.

6. Property, plant and equipment

	Land	Buildings and structures	Technical equipment and machines	Vehicles	Other fixed assets	Fixed assets under construction	Total
Balance as at 1 January 2011							
Gross value	**1 987**	**271 997**	**16 472**	**4 907**	**2 467**	**12 893**	**310 723**
Accumulated depreciation	**-**	**(91 745)**	**(6 537)**	**(1 028)**	**(1 077)**	**-**	**(100 387)**
Impairment loss	**-**	**(410)**	**(355)**	**-**	**(5)**	**-**	**(770)**
Net book value	**1 987**	**179 842**	**9 580**	**3 879**	**1 385**	**12 893**	**209 566**
Changes in the 12 months ended 31 December 2011							
Reclassification	-	9 357	2 193	94	28	(12 417)	**(745)**
Acquisition	-	14 508	126	1 278	86	13 988	**29 986**
Disposal (gross value)	(18)	(928)	(848)	(376)	(4)	-	**(2 174)**
Disposal (accumulated depreciation)	-	9	23	269	-	-	**301**
Contribution in kind (gross value)	-	(29 515)	(23)	-	-	-	**(29 538)**
Contribution in kind (accumulated depreciation)	-	11 567	17				**11 584**
Depreciation	-	(13 388)	(2 472)	(1 494)	(646)	-	**(18 000)**
Impairment loss	-	887	559	-	4	(2 272)	**(822)**
Liquidation (gross value)	-	(3 721)	(55)	-	-	-	**(3 776)**
Liquidation (accumulated depreciation)	-	1 376	52	-	-	-	**1 428**
Reclassification to investment property (gross value)	-	(18 703)	-	-	-	-	**(18 703)**
Reclassification to investment property (accumulated depreciation)	-	1 192	-	-	-	-	**1 192**
Other (gross value)	-	(2 144)	-	-	-	-	**(2 144)**
Other (accumulated depreciation)	-	630	-	-	-	-	**630**
Balance as at 31 December 2011							
Gross value	**1 969**	**240 851**	**17 865**	**5 903**	**2 577**	**14 464**	**283 629**
Accumulated depreciation	**-**	**(90 359)**	**(8 917)**	**(2 253)**	**(1 723)**	**-**	**(103 252)**
Impairment loss	**-**	**477**	**204**	**-**	**(1)**	**(2 272)**	**(1 592)**
Net book value	**1 969**	**150 969**	**9 152**	**3 650**	**853**	**12 192**	**178 785**

Property, plant and equipment (cont'd)

	Land	Buildings and structures	Technical equipment and machines	Vehicles	Other fixed assets	Fixed assets under construction	Total
Balance as at 1 January 2010							
Gross value	**1 996**	**264 967**	**18 891**	**3 578**	**2 437**	**24 185**	**316 054**
Accumulated depreciation	**-**	**(81 727)**	**(5 509)**	**(660)**	**(943)**	**-**	**(88 839)**
Impairment loss	**-**	**(4 007)**	**(4 396)**	**(9)**	**(69)**	**(7 517)**	**(15 998)**
Net book value	**1 996**	**179 233**	**8 986**	**2 909**	**1 425**	**16 668**	**211 217**
Changes in the 12 months ended 31 December 2010							
Reclassification	-	12 623	2 338	45	94	(26 204)	**(11 104)**
Acquisition	266	21 039	11 392	1 434	-	15 202	**49 333**
Disposal (gross value)	(275)	(16 584)	(11 517)	-	-	-	**(28 376)**
Disposal (accumulated depreciation)	-	465	964	-	-	-	**1 429**
Depreciation	-	(13 960)	(2 420)	(392)	(134)	-	**(16 906)**
Impairment loss	-	3 597	4 041	9	64	7 517	**15 228**
Liquidation (gross value)	-	(6 333)	(4 738)	(150)	(64)	-	**(11 285)**
Liquidation (accumulated depreciation)	-	1 796	428	24	-	-	**2 248**
Other (gross value)	-	(3 715)	106	-	-	(290)	**(3 899)**
Other (accumulated depreciation)		1 681					**1 681**
Balance as at 31 December 2010							
Gross value	**1 987**	**271 997**	**16 472**	**4 907**	**2 467**	**12 893**	**310 723**
Accumulated depreciation	**-**	**(91 745)**	**(6 537)**	**(1 028)**	**(1 077)**	**-**	**(100 387)**
Impairment loss	**-**	**(410)**	**(355)**	**-**	**(5)**	**-**	**(770)**
Net book value	**1 987**	**179 842**	**9 580**	**3 879**	**1 385**	**12 893**	**209 566**

Property, plant and equipment (cont'd)

ENEA S.A. uses the following property, plant and equipment under finance leases:

	31.12.2011			31.12.2010		
	Initial value	**Accumulated depreciation**	**Net carrying amount**	**Initial value**	**Accumulated depreciation**	**Net carrying amount**
Buildings	-	-	-	-	-	-
Structures	15 010	(1 766)	**13 244**	14 909	(1 766)	**13 143**
Technical equipment and machines	-	-	-	-	-	-
Vehicles	3 839	(973)	**2 866**	3 620	(476)	**3 144**
Other fixed assets	-	-	-	-	-	-
TOTAL	**18 849**	**(2 739)**	**16 110**	**18 529**	**(2 242)**	**16 287**

ENEA S.A. does not enter into finance lease agreements as a financing party.

No collateral has been pledged on the Company's property, plant and equipment, except for fixed assets used under finance lease agreements.

7. Perpetual usufruct of land

	31.12.2011	31.12.2010
Gross value opening balance	**1 571**	**3 294**
Acquisition	43	338
Disposal (gross value)	(43)	(2 058)
Liquidation (gross value)	-	(3)
Gross value closing balance	**1 571**	**1 571**
Opening balance of depreciation	**(83)**	**(81)**
Disposal (accumulated depreciation)	-	21
Depreciation	(17)	(23)
Closing balance of depreciation	**(100)**	**(83)**
Net value opening balance	**1 488**	**3 213**
Net value closing balance	**1 471**	**1 488**

8. Intangible assets

	Goodwill	**Computer software, licenses, concessions and patents**
Balance as at 1 January 2011		
Gross value	-	**6 648**
Accumulated depreciation	-	**(3 295)**
Net book value	-	**3 353**
Changes in the 12 months ended 31 December 2011		
Reclassification		687
Disposal (gross value)		-
Depreciation		(926)
Other (gross value)		-
Balance as at 31 December 2011		
Gross value	-	**7 335**
Accumulated depreciation	-	**(4 221)**
Net book value	-	**3 114**

	Goodwill	Computer software, licenses, concessions and patents
Balance as at 1 January 2010		
Gross value		**4 016**
Accumulated depreciation		**(2 611)**
Net book value		**1 405**
Changes in the 12 months ended 31 December 2010		
Reclassification		2 632
Disposal (gross value)	(668)	-
Depreciation		(684)
Other (gross value)	668	-
Balance as at 31 December 2010	-	
Gross value		**6 648**
Accumulated depreciation		**(3 295)**
Net book value		**3 353**

No collateral has been pledged on intangible assets.

9. Investment property

	31.12.2011	31.12.2010
Gross value opening balance	-	-
Acquisition	-	-
Reclassification from / to property, plant and equipment	17 512	-
Disposal (gross value)	-	-
Liquidation (gross value)	-	-
Gross value closing balance	**17 512**	**-**
Opening balance of depreciation	-	-
Disposal (accumulated depreciation)	-	-
Liquidation (accumulated depreciation)	-	-
Accumulated depreciation for the period	-	-
Closing balance of depreciation	-	-
Opening balance of impairment loss	-	-
Closing balance of impairment loss	-	-
Net value opening balance	-	-
Net value closing balance	**17 512**	**-**

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

	31.12.2011	31.12.2010
Opening balance	**7 874 545**	**7 844 884**
Reclassification to non-current assets held for sale	(15 575)	-
Acquisition of investments	665 131	37 144
Disposal of investments	(9 230)	-
Other changes	(4 523)	-
Impairment loss	12 350	(7 483)
Closing balance	**8 522 698**	**7 874 545**

In 2011 the Company acquired shares in its subsidiaries and associates: Hotel "EDISON" Sp. z o. o., Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o., Elektrociepłownia Białystok S.A., Energetyka Poznańska Przedsiębiorstwo Usług Energetycznych ENERGOBUD Leszno Sp. z o.o., ENEOS Sp. z o.o. and BHU S.A. for the total amount of PLN 365,147 thousand and acquired 100% shares in DOBITT Energia Sp. z o.o. for the amount of PLN 12,425 thousand and 61% of shares in Annacond Enterprises Sp. z o.o. for PLN 15,250 thousand (in the 12-month period ended 31 December 2010 the Company acquired shares in subsidiaries for the total amount of PLN 37,144 thousand).

In November and December 2011 ENEA S. A. made advance payments of PLN 272,309 thousand for future shares, in line with the preliminary agreement on the sale of all shares in Windfarm Polska sp. z o. o. dated 25 November 2011.

In 2011 the Company sold shares in an associated entity - Przedsiębiorstwo Energetyki Cieplnej w Śremie S.A. for PLN 9,230 thousand. Moreover, FINEA Sp. z o. o. in liquidation was finally liquidated (during the 12-month period ended 31 December 2010 the Company did not sell any shares in its subsidiaries or associates).

In 2011, the Company reclassified shares in Hotel "EDISON" Sp. z o.o. in the amount of PLN 12,876 thousand and in Przedsiębiorstwo Produkcji Strunobetonowych Żerdzi Wirowanych "WIRBET" S.A. of PLN 2,699 thousand to non-current assets held for sale in line with IFRS 5.

In 2010 the Company acquired shares in subsidiaries - BHU S. A. in Poznań, Niepubliczny Zakład Opieki Zdrowotnej Centrum Uzdrowiskowe ENERGETYK Sp. z o. o. in Inowrocław, ENERGOBUD Leszno Sp. o. o. with its registered office in Gronówko, ENEOS Sp. z o.o. with the registered office in Poznań, ENTUR Sp. z o.o. in Szczecin, MEC Piła Sp. z o.o. with registered office in Piła and Elektrownie Wodne Sp. z o.o. for the total amount of PLN 34,144 thousand and paid advances for the acquisition of shares in the companies for the total amount of PLN 3,000 thousand.

In 2010 the Company sold shares in a jointly-controlled entity - PWE Gubin Sp. z o. o.

Impairment loss on investments

	31.12.2011	31.12.2010
Opening balance of impairment loss on investments	**39 855**	**32 372**
Recognized	2 908	9 320
Derecognized	(1 505)	(1 837)
Assigned	(13 753)	-
Closing balance of impairment loss on investments	**27 505**	**39 855**

As at 31 December 2011 the Company did not recognize any impairment loss for investments in subsidiaries, associates and jointly-controlled entities (as at 31 December 2010 it recognized an impairment loss on shares in PEC Śrem S.A. in the amount of PLN 8,330 thousand and in other companies in the amount of PLN 990 thousand.)

11. Non-current assets available for sale (AFS)

	31.12.2011	31.12.2010
Opening balance	-	-
Reclassification from investments in subsidiaries, associates and jointly-controlled entities	15 575	-
Reclassification from assets available for sale	2 243	-
Closing balance	**17 818**	**-**

In 2011, the Company reclassified shares in Hotel "EDISON" Sp. z o.o. in the amount of PLN 12,876 thousand and in Przedsiębiorstwo Produkcji Strunobetonowych Żerdzi Wirowanych "WIRBET" S.A. of PLN 2,699 thousand from investments in subsidiaries, associates and jointly-controlled entities. It also reclassified shares in Towarowa Giełda Energii S.A. of PLN 2,243 thousand from assets available for sale.

12. Financial assets

	31.12.2011	31.12.2010
Non-current available-for-sale financial assets (shares in unrelated parties)	19 365	20 448
Non-current financial assets held to maturity	142 193	-
Non-current financial assets measured at fair value through profit or loss	1 557	1 411
Total non-current financial assets	**163 115**	**21 859**
Trade and other receivables	765 420	775 466
Short-term financial assets measured at fair value through profit or loss (investment portfolio)	712 670	1 781 939
Total current financial assets	**1 478 090**	**2 557 405**
TOTAL	**1 641 205**	**2 579 264**

13. Trade and other receivables

	31.12.2011	31.12.2010
Short-term trade and other receivables		
Trade receivables	617 272	587 872
Receivables due to taxes and other similar benefits (except for income tax)	867	8 765
Other receivables	13 517	15 747
Receivables due to unbilled sales	215 868	245 425
	847 524	**857 809**
Less: impairment loss on receivables	(82 104)	(82 343)
Net short-term trade and other receivables	**765 420**	**775 466**

Impairment loss on trade and other receivables:

	31.12.2011	31.12.2010
Opening balance of impairment loss on receivables	**82 343**	**82 623**
Recognized	13 383	14 333
Derecognized	(7 063)	(14 608)
Assigned	(6 559)	(5)
Closing balance of impairment loss on receivables	**82 104**	**82 343**

14. Cash and cash equivalents

	31.12.2011	31.12.2010
Cash in hand and at bank	**707 076**	**365 762**
- cash in hand	192	138
- cash at bank	706 884	365 624
Other cash	**534**	**357**
-cash in transit	534	357
Total cash and cash equivalents	**707 610**	**366 119**
Cash disclosed in the cash flows statement	**707 610**	**366 119**

As at 31 December 2011 the restricted cash amounted to PLN 9,262 thousand and comprised cash at bank (cash blocked due to a deposit for receivables and a transaction deposit).
As at 31 December 2010 the restricted cash amounted to PLN 10,341 thousand.

15. Financial assets measured at fair value through profit or loss

ENEA S.A. fulfilled the conditions necessary to release funds due to the issue of shares at the WSE from the ESCROW account. Therefore, on 6 February 2009 a specialized financial institution dealing with professional management of cash was transferred the amount of PLN 1,913,840 thousand. In accordance with the Agreement, transferred funds are invested only in safe securities, in line with the table below:

Type of assets	Minimum exposure	Maximum exposure
Debt instruments underwritten or guaranteed by the State Treasury and the National Bank of Poland	0%	100%
Bank deposits	0%	30%

As at 31 December 2011 the funds amounted to PLN 712,527 thousand (treasury bills and bonds of PLN 282,527 thousand) and deposits (in banks specified by the Company – PLN 430,000 thousand).
The investment portfolio is treated as financial assets measured at fair value through profit or loss.
The strategy is to maximize profit at a minimum risk.

In December 2011 ENEA S. A. concluded one forward transaction with the bank, the purpose of which was to hedge FX risk (EUR/PLN) related to the contract on the purchase of assets. As at 31 December 2011 the value of the financial asset (forward) was PLN 143 thousand.

16. Equity

Equity as at 31 December 2011:

Series of shares	Number of shares (items)	Nominal value of 1 share (in PLN)	Value
"A" series	295 987 473	1	295 988
"B" series	41 638 955	1	41 639
"C" series	103 816 150	1	103 816
Total number of shares	**441 442 578**		
Share capital (face value)			**441 443**
Capital from business combination			38 810
Share capital adjusted by hyperinflation			107 765
Total share capital			**588 018**
Treasury shares			-
Share premium			4 627 673
Share-based capital			1 144 336
Revaluation reserve (financial instruments)			11 989
Reserve capital			1 062 349
Retained earnings			2 771 491
Total equity			**10 205 856**

Equity as at 31 December 2010:

Series of shares	Number of shares (items)	Nominal value of 1 share (in PLN)	Value
"A" series	295 987 473	1	295 988
"B" series	41 638 955	1	41 639
"C" series	103 816 150	1	103 816
Total number of shares	**441 442 578**		
Share capital (face value)			**441 443**
Capital from business combination			38 810
Share capital adjusted by hyperinflation			107 765
Total share capital			**588 018**
Treasury shares			-
Share premium			4 627 673
Share-based capital			1 144 336
Revaluation reserve (financial instruments)			10 941
Reserve capital			892 198
Retained earnings			2 780 708
Total equity			**10 043 874**

On 29 June 2011 the General Shareholders' Meeting of ENEA S.A. adopted Resolution 7 concerning net profit distribution for the financial period from 1 January 2010 to 31 December 2010 whereby PLN 170,151 thousand was allocated to reserve capital.

On 20 April 2010 the General Meeting of Shareholders of ENEA S.A. adopted Resolution No. 7 on distribution of the net profit for the reporting period from 1 January 2009 to 31 December 2009, whereby PLN 137,357 thousand was allocated to reserve capital.

17. Trade and other liabilities

	31.12.2011	31.12.2010
Current trade and other liabilities		
Trade liabilities	508 720	664 142
Advance payments received for deliveries, works and services	353	388
Tax liabilities (except for income tax)	63 019	49 199
Profit-sharing liabilities	-	-
Total current liabilities	**572 092**	**713 729**

18. Settlement of income on fixed assets and service lines obtained free of charge

	31.12.2011	31.12.2010
Long-term		
Deferred income due to subsidies	30 853	31 840
	30 853	**31 840**
Short-term		
Deferred income due to subsidies	2 343	2 325
	2 343	**2 325**

Deferred income schedule

	31.12.2011	31.12.2010
Up to 1 year	2 343	2 325
1 to 5 years	9 373	9 300
Over 5 years	21 480	22 540
	33 196	**34 165**

19. Equity related to share-based payments and liabilities due to the equivalent of the right to acquire shares free of charge

On the basis of the Act on commercialization and privatization of 30 August 1996 (Act on commercialization and privatization) employees of the ENEA Capital Group are entitled to acquire 15% of the shares in ENEA S.A. free of charge ("plan").

Employees eligible to acquire shares free of charge are individuals who were employed by the ENEA S.A. Capital Group at the time of commercialization (i.e. in 1993 and 1996) and filed a written declaration to acquire shares within 6 months of the commercialization date.

As the first share was sold on general terms to investors by the State Treasury on 10 February 2010, after the lapse of three months the eligible individuals acquired the right to receive shares free of charge.

Pursuant to Resolution No. 441/2010 of 29 June 2010 the Management Board of ENEA S.A. determined the number of ENEA shares disposed of free of charge for the benefit of eligible individuals, attributable to each group specified based on the length of service as per Article 11 of the Ordinance of the Minister of the Treasury of 29 January 2003 laying down detailed principles for classification of eligible employees into groups, determining the number of shares attributable to each group and the conditions for acquisition of shares by eligible employees. In compliance with the aforementioned Ordinance, the Management Board of the Company provided the Minister of the Treasury with a list of eligible individuals and the number of shares assigned. The Minister of the Treasury has made an announcement regarding the disposal of employee shares in a national and local newspaper and the process of entering into agreements for the sale of shares free of charge with eligible individuals is in progress. The right to acquire the shares in ENEA S.A. free of charge may be executed until 16 May 2012. After the deadline the title will expire.

The Management Board of ENEA S.A. assigned 33,239,235 shares to eligible individuals. The lockup period for the shares acquired by eligible individuals free of charge is two years starting from the date of disposal of the first shares by the State Treasury on general terms. The two-year lockup period ended on 15 February 2012. The Management Board of ENEA S.A. took appropriate steps to enable trading in specified shares in the Warsaw Stock Exchange (WSE). In accordance with the resolution of the Management Board of WSE of 27 February 2012, 30 981 380 ordinary shares were to be traded on the primary market as of 5 March 2012.

Pursuant to IFRS 2, the costs of the plan should be recognized in the period when eligible employees perform work and the cost of work should be determined as at the Grant Date, i.e. as at the date when all significant conditions for granting shares to employees are determined.
The value of the employee stock ownership plan was determined by the Company based on the measurement of shares in ENEA S.A. as at the date of drawing up the consolidated financial statements for the financial years ended 31 December 2007, 31 December 2006 and 31 December 2005, included in the prospectus of ENEA S.A. The value of the plan was estimated at PLN 901 million. The ENEA Capital Group recognized the total costs of the plan as a previous years' adjustment in equity of the earliest period presented in the consolidated financial statements, i.e. as of 1 January 2005, and it did not revalue the costs as of any of the dates ending the subsequent financial periods.

According to the Management Board, IFRS do not lay down detailed principles for accounting for a plan displaying the features specified in the Act on Commercialization and Privatization. In particular, they do not allow for unambiguous interpretation of a situation where the total number of shares due to staff employed at the moment of commercialization, i.e. before the Grant Date, was determined but the number of shares to be granted to particular employees was not specified. In such a case an employee working in subsequent periods, by the Grant Date, will be granted a higher number of shares. This, however, will not take place by way of an issue of additional shares but as a result of a reduction of the number of shares for other staff members.

Moreover, according to the Management Board, the key purpose of the plan was to grant employees compensation for work before the date of commercialization of the enterprise (i.e. in the past). Consequently, the total fixed number of shares for employees was determined and could not be changed with relation to work in subsequent periods.
Considering the above, the Management Board of ENEA S.A. decided that the value of the plan would not be changed. As a result, the value of the plan as at 31 December 2011 stood at PLN 921 million.

Pursuant to the Act of 7 September 2007 on the acquisition of shares from the State Treasury as a result of the energy sector consolidation process, the Eligible Employees of Elektrownia "Kozienice" S.A. were supposed to submit a declaration of the intention to exchange the equivalent for the right to acquire shares in ENEA S.A. free of charge by 18 January 2008. Following the examination of the declarations submitted as well as the result of the complaint procedure, the value of shares to be accounted for as an equivalent was PLN 291,127 thousand (PLN 514,920 thousand as at 31 December 2007). Exchange of the value of the equivalent for subscription rights worth PLN 224,042 thousand was disclosed in the Company's equity under "Share-based capital".

As at 31 December 2011 nearly the whole equivalent was paid to the Eligible Employees of Elektownia "Kozienice" S.A. As at 31 December 2011 the remaining liabilities due to the equivalent amounted to PLN 508 thousand (PLN 557 thousand as at 31 December 2010).

20. Financial instruments

20.1. Principles of financial risk management

The Company is exposed to the following categories of risk related to financial instruments:

- credit risk;
- liquidity risk;
- commodity risk;
- currency risk;
- interest rate risk.

This note presents information on the Company's exposure to each of the aforementioned risks as well as the risk and capital management objectives, policy and procedures.

Development of the general guidelines and rules of the risk management policy is the responsibility of the Management Board of ENEA S.A.

Risk is managed on an ongoing basis. Risks are analyzed in connection with the impact of the external environment as well as changes in the structure and activities of ENEA S.A. Taking these into consideration, the steps are undertaken aimed at mitigation of the risk or its transfer outside the capital group. In order to do so, the Company makes sure that its employees are aware of the possibility of risks occurrence and their influence on the activity of individual organizational units.

Aware of the risks relating to it business activities, in 2011 ENEA S.A. undertook measures aimed at development of an integrated, formalized risk management system covering credit, liquidity, market, currency and interest rate risk. At present, policies and procedures regulating the risk management process are being completed.

20.2. Credit risk

Credit risk is the risk of financial losses which may be incurred if a counterparty or a customer being a party to a financial instrument fails to meet its contractual obligations.

Credit risk is mainly related to debt collection. The key factors that affect the occurrence of credit risk at the Company include:

- a substantial number of small customers resulting in an increase in the costs incurred to monitor debt collection;
- the necessity to supply electricity to budgetary units facing financial difficulties;
- legal requirements defining the principles for electricity supply suspension as a result of default on payment.

The Management Board applies a credit policy which provides for credit risk monitoring on an ongoing basis. The Group carries out a credit standing analysis for all clients requiring loans exceeding a pre-determined cap. The Company does not require collateral from its clients in relation to financial assets.

There is no material credit risk concentration.

The maximum exposure of ENEA S.A. to credit risk is presented below:

	31.12.2011	31.12.2010
	Carrying amount	**Carrying amount**
Financial assets held to maturity	142 193	-
Financial assets measured at fair value through profit or loss	714 227	1 783 350
Trade and other receivables	765 420	775 466
Cash and cash equivalents	707 610	366 119
Total	**2 329 450**	**2 924 935**

The credit risk relating to receivables differs for individual market segments in which ENEA S.A. carries out its business activities:

- electricity sales to individual customers – a considerable amount of past due receivables. Although they do not represent a serious threat to the Company's financial position, measures aimed at their reduction have been undertaken. Actions aimed at improvement of the collection process have been undertaken involving development of new and update of the existing manuals and principles of collection and cooperation with professional entities. The collection process starts 20-25 days after the payment deadline. Thanks to a unified collection policy, including soft collection, the entity is able to shorten the collection period and avoid long-lasting and quite ineffective hard collections, i.e. enforcement by court or a bailiff. Court or bailiff's collections are applied to cases whose value is higher than the cost-benefit ratio for debt collection;
- sales of electricity and distribution services to business, key and strategic clients, where overdue receivables are higher than in the segment of individual clients. However, the collection procedure is similar and collection measures are undertaken within 6-10 business days of the payment date;
- other receivables – compared to the above segments the amounts of past due receivables are immaterial.

A key role in the debt collection process is played by employees supervising contacts with customers. They monitor the debt collection process and attempt to collect past due receivables through direct contact with the customer. Cooperation with a debtor as well as obtaining information on its current and future financial position is one of the tasks of the function established for that purpose.

ENEA S.A. monitors the amount of past due receivables on an ongoing basis and in justified cases files legal claims and recognizes appropriate impairment losses.

20.3. Liquidity risk

The liquidity risk is the risk that ENEA S.A. will be unable to meet its financial obligations at due date.

The objective of the liquidity risk management carried out by the Company is to reduce the probability of loss or limited ability to repay liabilities to an acceptable level. In particular, the policy assumes ensuring the ability to effectively address liquidity crisises, i.e. periods of an increased demand for liquid assets.

The policy assumes ensuring available cash sufficient to repay liabilities in the course of standard operations and to continue undisturbed business operations in the time of liquidity crisis during a period necessary to launch an emergency financing plan to increase liquidity without delay.

Liquidity management focuses on a detailed analysis of the receivables collection scheme, the ongoing monitoring of bank accounts and cash concentration in consolidated accounts. The financial surpluses are invested in current assets in the form of term deposits. The Company diversifies sources of external financing to mitigate liquidity risk and ensure stability of financing.

Taking into account ongoing risk management as well as the market and financial position of the Company it may be concluded that its liquidity risk remains at a minimum level.

Additionally, the Company manages its liquidity risk by maintaining open and unused credit facilities of PLN 150,000 thousand.

The Company's financial assets and liabilities by maturity are presented in the table below:

31.12.2011	Trade and other liabilities	Finance lease liabilities	Cash and cash equivalents	Trade and other receivables	Financial assets measured at fair value through profit or loss	Financial instruments held to maturity	Total
Carrying amount	572 092	8 684	(707 610)	(765 420)	(714 227)	**(142 193)**	**(1 748 674)**
Undiscounted contractual cash flows	**(572 092)**	**(11 895)**	**707 610**	**765 420**	**714 227**	**142 193**	**1 745 463**
up to 6 months	(572 092)	(2 282)	707 610	765 420	714 227	-	**1 612 883**
6 - 12 months	-	(2 213)	-	-	-	-	**(2 213)**
1 – 2 years	-	(3 042)	-	-	-	-	**(3 042)**
2 – 5 years	-	(3 652)	-	-	-	-	**(3 652)**
Over 5 years	-	(706)	-	-	-	142 193	**141 487**

31.12.2010	Trade and other liabilities	Finance lease liabilities	Cash and cash equivalents	Trade and other receivables	Financial assets measured at fair value through profit or loss	Total
Carrying amount	713 729	8 441	(366 119)	(775 466)	(1 783 350)	**(2 202 765)**
Undiscounted contractual cash flows	**(713 729)**	**(10 603)**	**366 119**	**775 466**	**1 783 350**	**2 200 603**
up to 6 months	(713 729)	(2 119)	366 119	775 466	1 783 350	**2 209 087**
6 - 12 months	-	(2 105)	-	-	-	**(2 105)**
1 – 2 years	-	(3 304)	-	-	-	**(3 304)**
2 – 5 years	-	(2 189)	-	-	-	**(2 189)**
Over 5 years	-	(886)	-	-	-	**(886)**

20.4. Commodity risk

Commodity risk is related to possible changes in revenue/cash flows generated by the Company resulting, in particular, from fluctuations in commodity prices and changing demand for products and services offered. The objective of commodity risk management is to maintain the risk exposure within an acceptable level while optimizing the return on risk.

One of the key aspects of the commodity risk results from the fact that being an energy company operating based on an electricity trading license, the entity is required to provide electricity tariffs for the household and prepaid G tariff groups for approval. Companies engaged in energy production and trading are released from the above obligation. The Company acquires energy at market prices and calculates its tariff based on costs regarded as legitimate by the President of the Energy Regulatory Office as well as margins (for electricity trading) planned to be earned in the subsequent tariff period. Therefore, during the tariff period the Company's possibility to transfer adverse changes in its operating costs to electricity end customers is limited. A tariff adjustment request may be filed to the President of the Energy Regulatory Office only in the event of a dramatic rise in costs for reasons beyond the Company's control.

20.5. Currency risk

Currency risk is related to possible changes in cash flows generated by the Company resulting from fluctuations in the rates of the currencies in which such cash flows are denominated.
During the reporting period ENEA S. A. concluded one forward transaction with the bank, the purpose of which was to hedge FX risk (EUR/PLN) related to the contract on the purchase of assets. As at the balance sheet date, the transaction generated a gain of PLN 143 thousand. Currency risk hedging transactions were also concluded after the balance sheet date.

20.6. Interest rate risk

The interest rate risk the Company is exposed to results from credit facilities and loans taken by ENEA S.A. and financial assets in the form of debt securities portfolio and bank deposits. The Company tends to apply floating interest correlated with market (interbank) rates. As at the balance sheet date (31 December 2011), the Company did not have any liabilities arising from credit facilities. As at 31 December 2011 financial liabilities with a floating interest rate included only finance lease liabilities.

The table below, presenting financial assets and liabilities by fixed and floating interest rates, shows the Company's sensitivity to interest rate risk:

	31.12.2011	**31.12.2010**
Fixed rate instruments		
Financial assets	774 305	786 267
Financial liabilities	(572 092)	(713 729)
Total	**202 213**	**72 538**

Floating rate instruments		
Financial assets	1 411 395	2 137 257
Financial liabilities	(8 684)	(8 441)
Total	**1 402 711**	**2 128 816**

Effective interest rate applicable to interest bearing assets and liabilities is presented in the table below:

	as at 31 December 2011		as at 31 December 2010	
	Effective interest rate	**Carrying amount**	**Effective interest rate**	**Carrying amount**
Financial instruments held to maturity	6,04	142 193	-	-
Financial assets measured at fair value through profit or loss	5,66	714 227	5,12	1 783 350
Cash and cash equivalents	4,52	707 610	2,86	366 119
Finance lease liabilities	6,47	(8 684)	5,16	(8 441)
Collateralized bank loans with a floating interest rate	-	-	-	-
Total	**-**	**1 555 346**	**-**	**2 141 028**

The effective interest rates presented in the table above are determined as the weighted average of interest rates.

The table below presents the impact of interest rate changes on the Company’s financial profit/loss.

	Carrying amount as at 31 December 2011	**Interest rate risk impact on profit/loss (12-month period)**		**Carrying amount as at 31 December 2010**	**Interest rate risk impact on profit/loss (12-month period)**	
		+ 1 p.p.	**- 1 p.p.**		**+ 1 p.p.**	**- 1 p.p.**
Financial assets						
Cash	707 610	7 076	(7 076)	366 119	3 661	(3 661)
Financial assets held to maturity	142 193	1 422	(1 422)	-	-	-
Financial assets measured at fair value through profit or loss	714 227	7 142	(7 142)	1 783 350	17 834	(17 834)
Trade and other receivables	765 420	-	-	775 466	-	-
Other financial assets	-	-	-	-	-	-
Impact on profit/loss before tax		**15 640**	**(15 640)**		**21 495**	**(21 495)**
19% tax		(2 972)	2 972		(4 084)	4 084
Impact on profit/loss after tax		**12 668**	**(12 668)**		**17 411**	**(17 411)**
Financial liabilities						
Credit facilities	-	-	-	-	-	-
Trade and other liabilities	(572 092)	-	-	(713 729)	-	-
Finance lease liabilities	(8 684)	(87)	87	(8 441)	(84)	84
Impact on profit/loss before tax		**(87)**	**87**		**(84)**	**84**
19% tax		16	(16)		16	(16)
Impact on profit/loss after tax		**(71)**	**71**		**(68)**	**68**
Total		**12 597**	**(12 597)**		**17 342**	**(17 342)**

20.7. Capital management

The key assumption of the capital management policy developed by the Company is maintaining an optimum capital structure with the objective to reduce its cost, ensure a good credit rating and safe capital ratios supporting the Company's operations and increasing its shareholder value. It is also important to maintain a strong capital base being a foundation for building confidence of future investors, creditors and market, and ensuring the future development of ENEA S.A. In order to maintain or adjust its capital structure, the Company may issue new shares or sell its assets. ENEA S.A. monitors its capital using the debt ratio and the return on equity ratio. It is the Company's objective to ensure an optimum level of the aforementioned ratios.

20.8. Fair value

The table below presents the fair values as compared to carrying amounts:

	31.12.2011		**31.12.2010**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Long-term financial assets available for sale (shares in unrelated parties)	19 365	19 365	20 448	20 448
Non-current financial assets held to maturity	142 193	142 193	-	-
Non-current financial assets measured at fair value through profit or loss	1 557	1 557	1 411	1 411
Trade and other receivables	765 420	765 420	775 466	775 466
Short-term financial assets measured at fair value through profit or loss	712 670	712 670	1 781 939	1 781 939
Cash and cash equivalents	707 610	707 610	366 119	366 119
Bank credit facilities	-	-	-	-
Finance lease liabilities	8 684	8 684	8 441	8 441
Trade and other liabilities	572 092	572 092	713 729	713 729

Financial assets available for sale include shares in unrelated parties for which the ratio of interest in capital to the nominal value is lower than 20%. Their fair value is estimated using a discounted cash flows method. Financial assets held to maturity include acquired debt instruments – bonds with the original maturity exceeding 1 year.

Long-term financial assets measured at fair value through profit or loss include units in the "Pioneer" Investment Fund which can be traded on an active market, as a result of which their fair value may be determined. The fair value of the above units was measured at the market price of participation units, whereas its changes in the financial period recognized in profit or loss.

Short-term financial assets measured at fair value through profit or loss include an investment portfolio managed by a company specialized in professional fund management (Note 15) and forward contracts. The fair value of the investment portfolio is estimated based on market quotations, while that of forward contracts is determined based on applicable currency rates and market interest rate curves.

21. Finance lease liabilities

	31.12.2011	31.12.2010
Finance lease liabilities:		
Up to 1 year	3 136	3 422
1 – 5 years	4 861	3 078
Over 5 years	687	1 941
Present value of minimum lease payments	**8 684**	**8 441**

22. Deferred income tax

	31.12.2011	31.12.2010
Deferred tax assets		
– deferred tax asset realizable after 12 months	29 196	35 610
– deferred tax asset realizable within 12 months	112 418	104 676
	141 614	**140 286**
Offset of deferred tax asset against deferred tax liability within the Company	(84 781)	(100 149)
Deferred tax asset disclosed in the balance sheet	**56 833**	**40 137**
Deferred tax provision:		
– deferred tax liability to be settled after 12 months	1 182	2 190
– deferred tax liability to be settled within 12 months	83 599	97 959
	84 781	**100 149**
Offset of deferred tax asset against deferred tax liability within the Company	(84 781)	(100 149)
Deferred tax liability disclosed in the balance sheet	**-**	**-**

Changes in the deferred tax liability (considering the setoff of the asset against the liability):

	31.12.2011	31.12.2010
Opening balance	**(40 137)**	**(27 366)**
Amount recognized in the financial profit/loss	(16 942)	(13 683)
Change recognized in other items of comprehensive income	246	912
Closing balance	**(56 833)**	**(40 137)**

Changes in the deferred tax asset and liability in the financial year (prior to their setoff):

Deferred tax assets

	Impairment losses on receivables	Liabilities due to employee benefits	Settlement of revenue from connection fees	Provision for the costs of redemption of certificates of origin	Grants	Tax deductible expenses after the end of the settlement period	Impairment losses on fixed assets	Measurement of shares held	Other	Total
Balance as at 1 January 2010 – 19% rate	**2 480**	**17 554**	**-**	**17 687**	**5 528**	**60 195**	**3 040**	**9 742**	**12 096**	**128 322**
Amount recognized in the financial profit/loss due to a change in temporary differences	14	810	-	23 988	(125)	(3 789)	(3 040)	(844)	(4 138)	**12 876**
Change recognized in other items of comprehensive income	-	-	-	-	-	-	-	(912)	-	**(912)**
Balance as at 31 December 2010 – 19% rate	**2 494**	**18 364**	**-**	**41 675**	**5 403**	**56 406**	**-**	**7 986**	**7 958**	**140 286**
Amount recognized in the financial profit/loss due to a change in temporary differences	581	(999)	-	5 770	(69)	53	-	(6 017)	2 255	**1 574**
Change recognized in other items of comprehensive income	-	-	-	-	-	-	-	(246)	-	**(246)**
Balance as at 31 December 2011 – 19% rate	**3 075**	**17 365**	**-**	**47 445**	**5 334**	**56 459**	**-**	**1 723**	**10 213**	**141 614**

Provision for deferred income tax

	Income taxed after the end of the accounting period	Accrued unbilled sales	Measurement of fixed assets at fair value	Other	Total
Balance as at 1 January 2010 – 19% rate	**59 232**	**28 600**	**6 131**	**6 993**	**100 956**
Amount recognized in the financial profit/loss due to a change in temporary differences	(2 511)	1 705	(3 941)	3 940	**(807)**
Balance as at 31 December 2010 – 19% rate	**56 721**	**30 305**	**2 190**	**10 933**	**100 149**
Amount recognized in the financial profit/loss due to a change in temporary differences	640	(8 508)	(1 008)	(6 492)	**(15 368)**
Balance as at 31 December 2011 – 19% rate	**57 361**	**21 797**	**1 182**	**4 441**	**84 781**

23. Liabilities due to employee benefits

	31.12.2011	31.12.2010
Defined benefit plans		
Retirement benefits		
- long-term portion	924	933
- short-term portion	55	122
	979	1 055
Right to energy allowance after retirement		
- long-term portion	54 993	58 901
- short-term portion	4 522	4 453
	59 515	63 354
Jubilee bonuses		
- long-term portion	3 403	3 267
- short-term portion	338	397
	3 741	3 664
Appropriation to the Company's Social Benefits Fund for pensioners		
- long-term portion	5 206	5 297
- short-term portion	446	464
	5 652	5 761
Total: Defined benefit plans		
- long-term portion	**64 526**	**63 398**
- short-term portion	**5 361**	**5 436**
	69 887	**73 834**
Salaries and wages and other liabilities		
- long-term portion	14 858	14 858
- short-term portion	9 206	11 586
	24 064	26 444
Total liabilities due to employee benefits		
- long-term portion	**79 384**	**83 256**
- short-term portion	**14 567**	**17 022**
	93 951	**100 278**

Based on an arrangement entered into by the representatives of employees and the Company, the employees of ENEA S.A. are entitled to specific benefits other than remuneration, i.e.:

- jubilee benefits;
- retirement and disability benefits;
- electricity allowance;
- social security – an appropriation to the Company's Social Benefits Fund.

The present value of the related future liabilities has been measured using actuarial methods. Calculations were made using basic individual data for the employees of ENEA S.A. as at 31 December 2011 (taking into account their sex) regarding:

- age;
- length of service with the Company;
- total length of service;
- remuneration constituting the assessment basis for jubilee benefits as well as retirement and disability benefits.

Additionally, the following assumptions were made for the purpose of the analysis:

- the probable number of leaving employees was determined based on historical data concerning staff turnover in the Company and industry statistics;

- the value of minimum remuneration in the Polish economy since 1 January 2012 was assumed at PLN 1,500.00;
- pursuant to announcements of the Chairman of the Central Statistical Office, the average salary in the Polish economy, less premiums for retirement, pension and health insurance paid by the insured was assumed at PLN 2,917.14 (average amount assumed for the second half of 2010, which will constitute the basis for calculating the appropriation to the Company's Social Benefits Fund in 2012 under the amendment to the Act on Company Social Benefits Fund dated 22 December 2011.)
- under the assumptions defined by the management of the Group, the growth of the average salary in the Polish economy was assumed at 10% in 2013 and at 5% in the remaining period of the projection,
- mortality rate and the probability of receiving benefits were adopted in line with the 2010 Life Expectancy Tables published by the Central Statistical Office;
- the value of the provision for disability benefits was not determined separately but the individuals receiving disability allowance were not taken into consideration in calculating the employee turnover ratio;
- standard retirement age was assumed: for men – 65 years and for women – 60 years of age, except for employees who meet early retirement requirements in line with the information provided by the Company.
- the long-term pay rise rate was adopted at the level of 3.1% (as at 31 December 2010: 3.5% - in the years 2011-2012; 3.2% - in 2013 and 3.5% in the following years);
- the interest rate for discounting future benefits was adopted at the level of 5.87% (5.77% as at 31 December 2010);
- the base value of the annual equivalent of the electricity allowance for old-age pensioners, disability pensioners and other beneficiaries was adopted at the level of PLN 1,400.58 (PLN 1,319.32 as at 31 December 2010);
- as at 31 December 2011 the electricity price growth rate for 2012 was assumed at the level of 4.90%, for 2013 +11.10%, for 2014 +5.90%, for 2015 +7.30%, and for 2016 +10.40% (as at 31 December 2010 the rate adopted for 2011 was 5.30%, for 2012 +15.40%, for 2013 +8.30%, for 2014 +10.40%, and for 2015 +11.00%);
- distribution charge growth rate for 2012 was adopted at the level of 5.70%, for 2013 +5.29%, for 2014 +3.64%, for 2015 + 3.19% and for 2016 + 3.22% (as at 31 December 2010 the rate adopted for 2011 was +2.20%, for 2012 +5.98%, for 2013 +5.64%, for 2014 +7.55% and for 2015 +5.58%);
- the average rise in the cash equivalent of the electricity allowance was adopted for 2012 at the level of 4.67%, for 2013 +10.40%, for 2014 +6.60%, for 2015 +7.30%, for 2016 +9.40%, for 2017 - 2018 at the level of +4.60%, for 2019 - 2022 +4.70%, for 2023 and the following years +2.50% (as at 31 December 2010 the increase in 2011 was adopted at the level of +5.40%, in 2012 +12.80%, in 2013 +8.80%, in 2014 +10.90%, in 2015 +10.60%, in 2016 - 2019 +4.60%, in 2020 - 2022 +4.70%, in 2023 and beyond +2.50%).

	Retirement benefits	Right to energy allowance after retirement	Jubilee bonuses	Appropriation to the Company's Social Benefits Fund for pensioners	Payroll and other liabilities	Total
Balance as at 1 January 2011	**1 055**	**63 354**	**3 664**	**5 761**	**26 444**	**100 278**
Changes in the 12 months ended 31 December 2011						
Liabilities assumed as a result of business combination	-	-	-	-	-	-
Costs recognized in profit or loss, including:	**179**	**761**	**1 279**	**382**	**59 170**	**61 771**
- current employment costs	220	196	766	31	59 170	**60 383**
- post-employment costs	-	-	-	-	-	-
- net actuarial losses	(95)	(2 833)	324	45	-	**(2 559)**
- Costs of discounted liabilities due to employee benefits	54	3 398	189	306	-	**3 947**
Decrease in the liability due to benefits paid (negative value)	(29)	(4 367)	(347)	(461)	(61 550)	**(66 754)**
Other decreases	(226)	(233)	(855)	(30)	-	**(1 344)**
TOTAL	**(76)**	**(3 839)**	**77**	**(109)**	**(2 380)**	**(6 327)**
Balance as at 31 December 2011	**979**	**59 515**	**3 741**	**5 652**	**24 064**	**93 951**

	Retirement benefits	Right to energy allowance after retirement	Jubilee bonuses	Appropriation to the Company's Social Benefits Fund for pensioners	Payroll and other liabilities	Total
Balance as at 1 January 2010	**761**	**64 772**	**2 749**	**5 692**	**18 313**	**92 287**
Changes in the 12 months ended 31 December 2010						
Liabilities assumed as a result of business combination	-	-	-	-	-	-
Costs recognized in profit or loss, including:	**325**	**2 924**	**1 338**	**1 411**	**59 144**	**65 142**
- current employment costs	100	95	489	14	59 144	**59 842**
- post-employment costs	-	-	-	-	-	-
- net actuarial losses	185	(880)	691	1 077	-	**1 073**
- Costs of discounted liabilities due to employee benefits	40	3 709	158	320	-	**4 227**
Decrease in the liability due to benefits paid (negative value)	(31)	(4 342)	(423)	(1 342)	(51 013)	**(57 151)**
Other decreases	-	-	-	-	-	-
TOTAL	**294**	**(1 418)**	**915**	**69**	**8 131**	**7 991**
Balance as at 31 December 2010	**1 055**	**63 354**	**3 664**	**5 761**	**26 444**	**100 278**

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

24. Certificates of origin

	31.12.2011	31.12.2010
Certificates of origin	(56 119)	(85 950)
Advance payments for certificates of origin	(645)	(2 610)
Provision for the costs of redemption of certificates of origin	249 710	219 339
Provision for certificates of origin	**192 946**	**130 779**

25. Provision for other liabilities and other charges

Provision for projected losses due to compensation proceedings and penalties

	31.12.2011	31.12.2010
Opening balance	**43 529**	**42 338**
Increase in provisions	18 034	19 450
Applied provisions	(1 753)	-
Decrease in provisions	(5 932)	(18 259)
Closing balance	**53 878**	**43 529**

Provisions for liabilities are determined in reasonable, reliably estimated amounts. Individual provisions are recognized for projected losses related to court action brought against the Company. The amount recognized as a provision is the best estimate of the expenditure required to settle a claim. The cost of provisions is recognized under other operating expenses. The descriptions of claims and relevant contingent liabilities have been presented in Notes 39.2, 39.5 and 39.6.

Provisions for liabilities and other charges include mainly the amount for claims of individuals owning real property arising from non-contractual use of land. The majority of such claims are requests for compensation for non-contractual use of land, determination of a rental fee or, in a few cases, requests for relocation of facilities (restoring land to its previous condition). As at 31 December 2011, a substantial number of claims filed had not been brought to court. The Company recognizes a related provision for both disputed claims brought to court and claims which have not been submitted to court yet.

All provisions for projected losses due to compensation proceedings as well as other provisions are disclosed as current liabilities.

26. Net sales revenue

	01.01.2011 31.12.2011	01.01.2010 31.12.2010
Revenue from sales of electricity	5 515 784	6 245 866
Revenue from sales of distribution services	-	-
Revenue from sales of goods and materials	-	-
Revenue from sales of other services	61 849	58 466
Total	**5 577 633**	**6 304 332**

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

27. Costs by type

	01.01.2011 31.12.2011	01.01.2010 31.12.2010
Depreciation	**(16 645)**	**(17 445)**
Costs of employee benefits	**(60 383)**	**(59 842)**
- salaries and wages	(41 416)	(42 213)
- social security and other benefits	(18 967)	(17 629)
Consumption of materials and supplies and costs of goods sold	**(5 493)**	**(4 049)**
- consumption of materials and energy	(5 493)	(4 049)
- value of goods and materials sold		
External services	**(1 845 510)**	**(2 027 107)**
- transmission and distribution services	(1 665 980)	(1 886 344)
- other external services	(179 530)	(140 763)
Taxes and charges	**(9 450)**	**(9 549)**
Value of energy purchased	**(3 575 667)**	**(4 052 513)**
Total costs of products, goods and materials sold, costs of sales and marketing and general and administrative costs	**(5 513 148)**	**(6 170 505)**

28. Costs of employee benefits

	01.01.2011 31.12.2011	01.01.2010 31.12.2010
Payroll costs	**(41 416)**	**(42 213)**
- current salaries and wages	(41 656)	(41 204)
- jubilee benefits	112	(757)
- retirement benefits	128	(252)
Social insurance	**(18 967)**	**(17 629)**
- Social Security Premiums	(6 798)	(6 835)
- appropriation to the Company's Social Benefits Fund	(1 362)	(1 714)
- other social benefits	(10 807)	(9 080)
- other post-employment benefits	-	-
	(60 383)	**(59 842)**

Employment guarantees

Based on an arrangement entered into by the Company and labor unions, specific employment guarantees have been given to people employed by the Company before 29 June 2007, which expire on 31 December 2018.

Furthermore, the provisions of the aforementioned arrangement will remain in force longer for employees who, at the expiry of the guarantees, have maximum four years to satisfy the conditions to acquire pension rights. This implies that in the event the employer fails to comply with the guarantees, employment contracts may not be terminated without payment of additional benefits to employees who, at the expiry of the guarantees, have maximum four years to satisfy the conditions to acquire pension rights.

Under the employment guarantees, ENEA S.A. is obliged to pay an employee an amount being the product of their monthly salary and the remaining period of the guarantee validity if the employment contract is terminated by the employer.

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

Arrangements entered into with employees of ENEA S.A.

As a result of collective arrangements entered into by ENEA S.A. and the labor unions in February 2005 and July 2007 the parties undertook to apply measures aimed at payment of compensations to the employees of ENEA S.A. who are not entitled to receive shares in ENEA S.A. from the 15% block of shares to be granted to Eligible Employees. The parties agreed to enter into a separate arrangement regarding the potential compensations.

Considering the aforementioned arrangements, on 28 May 2008 the Management Board of ENEA S.A. entered into an arrangement with labor union organizations providing for a payment of cash compensation of PLN 14.5 million on a one-off basis. The compensation was to become payable after 24 months from the date of disposal of at least 1 share in ENEA S.A. by the State Treasury in line with the provisions of the Act on Commercialization and Privatization. The above arrangement superseded the earlier arrangements regarding employee shares and payment of compensation under the aforementioned arrangements of 2005 and 2007.

In line with its provisions, the arrangement did not violate the rights acquired by the employees under other agreements and arrangements in any way. In case of any discrepancies between the provisions of the arrangement and other agreements or arrangements, the provisions which were more favorable to the employees were to prevail.

The process of submitting and analyzing complaints of employees regarding calculation of years in service for the purpose of the share-based payment plan has been completed. In the present stage, the current and former employees and other individuals (not being employees or former employees) submit claims regarding compensation or granting a larger number of shares under the share-based plan. ENEA S.A. considers the claims groundless. In the opinion of the Company, calculation of years in service followed regulations of the Act on commercialization and privatization and its secondary regulations.

29. Other operating revenue and expense

Other operating revenue

	01.01.2011 31.12.2011	**01.01.2010 31.12.2010**
Release of provisions due to commenced court proceedings with respect to claims	5 932	18 259
Reimbursement of expenses by an insurance company	320	722
Release of unassigned impairment losses on receivables	468	19
Fixed assets received free of charge	1 236	1 220
Received damages and fines	863	314
Other financial revenue	2 691	160
Settlement of non-current assets disclosed	10 596	4 793
Other operating revenue	3 839	3 180
Total	**25 945**	**28 667**

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

Other operating expenses

	01.01.2011 31.12.2011	01.01.2010 31.12.2010
Cost of provision created for instituted court proceedings for compensation	(2 163)	(3 206)
Costs of provisions created for potential claims	(17 994)	(19 451)
Uncollectible receivables written off	(5 862)	(8 771)
Court fees	(1 657)	(1 647)
Trade union related expenses	(178)	(107)
Other financial expenses	(1 432)	(112)
Other expenses by type	(8 707)	(7 470)
Shortage of fixed assets	(1 513)	-
Other operating expenses	(3 808)	(4 321)
Total	**(43 314)**	**(45 085)**

30. Financial revenue

	01.01.2011 31.12.2011	01.01.2010 31.12.2010
Interest income	45 976	34 886
Profit on sales of financial investments	9 612	5 589
Revaluation of financial assets measured at fair value through profit or loss	66 522	69 265
Total	**122 110**	**109 740**

31. Financial expenses

	01.01.2011 31.12.2011	01.01.2010 31.12.2010
Interest expense	(2 489)	(1 759)
- on credit facilities	(37)	(2)
- interest on leases	(567)	(460)
- other interest	(1 885)	(1 297)
Costs of discounted liabilities due to employee benefits	(3 947)	(4 227)
Total	**(6 436)**	**(5 986)**

32. Income tax

	01.01.2011 31.12.2011	01.01.2010 31.12.2010
Current tax	(52 860)	(63 169)
Deferred tax	16 942	13 683
Total	**(35 918)**	**(49 486)**

The difference between the income tax on gross profit before tax and the theoretical amount resulting from application of the nominal tax rate applicable to the Company's profit is presented below:

	01.01.2011 31.12.2011	01.01.2010 31.12.2010
Profit before tax	391 087	413 872
Tax at a 19% rate	(74 307)	(78 636)
Costs not classified as tax-deductible expenses (permanent differences)	(6 515)	(7 689)
Dividends received	44 904	36 839
Amount charged to profit or loss due to income tax	**(35 918)**	**(49 486)**

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

33. Dividend

A decision regarding the payment of dividend for the financial year shall be made by General Shareholders Meeting in 2012. The Management Board intends to propose using 30% of 2011 profit for the dividend payment.

On 29 June 2011 the General Shareholders' Meeting of ENEA S.A. adopted Resolution 7 concerning net profit distribution for the financial period from 1 January 2010 to 31 December 2010 whereby the dividend for the shareholders amounted to PLN 194,235 thousand (PLN 0.44 per share). The dividend had been paid to the shareholders before the balance sheet date.

On 20 April 2010 the General Meeting of Shareholders of ENEA S.A. adopted Resolution 7 on distribution of the net profit for the reporting period from 1 January 2009 to 31 December 2009, whereby PLN 167,748 thousand was allocated to dividend payment for the shareholders (PLN 0.38 per share). The dividend had been paid by the balance sheet date.

34. Earnings per share

	01.01.2011 31.12.2011	**01.01.2010 31.12.2010**
Earnings attributable to the Company's shareholders	355 169	364 386
Weighted average number of ordinary shares	441 442 578	441 442 578
Net earnings per share (in PLN per share)	**0,80**	**0,83**
Diluted earnings per share (in PLN per share)	**0,80**	**0,83**

35. Related party transactions

The Company concludes transactions with the following related parties:

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

	01.01.2011 - 31.12.2011	**01.01.2010 - 31.12.2010**
Purchases, including:	**2 110 083**	**3 491 927**
investment purchases	11 580	12 921
materials	862	836
services	1 766 750	1 803 098
other (including energy)	330 891	1 675 072
Sales, including:	**31 651**	**344 754**
energy	18 621	332 399
materials and goods	-	-
services	4 142	2 162
other	8 888	10 193

	31.12.2011	**31.12.2010**
Receivables	11 010	46 196
Liabilities	309 546	463 655

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

(ii) Transactions concluded by the Company and members of its governing bodies divided into three categories:

- resulting from employment contracts with Members of the Management Board and related to appointment of Members of the Supervisory Board;
- resulting from loans from the Company's Social Benefit Fund granted to Members of the Management Board and Supervisory Board employed by ENEA S.A.;
- resulting from other civil law agreements.

The value of transactions falling within the scope of the first category has been presented below:

Item	Management Board of the Company		Supervisory Board of the Company	
	01.01.2011 31.12.2011	01.01.2010 31.12.2010	01.01.2011 31.12.2011	01.01.2010 31.12.2010
Remuneration under employment contracts	446	1 298	-	-
Remuneration under managerial contracts and consultancy agreements	620	-	-	-
Remuneration relating to appointment of members of management or supervisory bodies	1 396	-	415	415
Remuneration due to the position held in supervisory boards of subsidiaries	98	195	-	-
Remuneration due to other employee benefits, including: (particularly electricity allowance)	176	137	-	-
TOTAL	**2 736**	**1 630**	**415**	**415**

Members of the Management Board and Supervisory Board are subject to the provisions of the Act of 3 March 2000 on remuneration of persons managing certain legal entities. Pursuant to the Act, the maximum monthly remuneration cannot exceed six average monthly remunerations in the enterprise sector, excluding profit bonuses in Q4 of the preceding year, announced by the President of the Central Statistical Office. Managerial contracts were concluded with Members of the Management Board on 28 June 2011.

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

No.	Body	Balance as at 01.01.2011	Granted on 01.01.2011	Maturing on 31.12.2011	Balance as at 31.12.2011
1.	Management Board	-	-	-	-
2.	Supervisory Board	29	5	(13)*	**21**
	TOTAL	**29**	**5**	**(13)**	**21**

No.	Body	Balance as at 01.01.2010	Granted on 01.01.2010	Maturing on 31.12.2010	Balance as at 31.12.2010
1.	Management Board	21	-	(21)**	-
2.	Supervisory Board	29	11	(11)	**29**
	TOTAL	**50**	**11**	**(32)**	**29**

* including PLN 6 thousand due to canceling a loan – expiry of the term of office of a Member of the Supervisory Board.

** - PLN 21 thousand concerns derecognition of the loan granted to Piotr Koczorowski, who was dismissed from the position of Member of the Management Board as of 16 April 2010.

Other transactions resulting from civil law agreements concluded between the Company and Members of its governing bodies relate only to private use of company cars by Members of the Company's Management Board.

(iii) Transactions with entities controlled by the State Treasury

ENEA S.A. also concludes business transactions with entities of the central and local administration and entities whose shares are held by the State Treasury of the Republic of Poland.
The transactions concern mainly:

- purchase of electricity and property rights resulting from certificates of origin as regards renewable energy and energy produced the CHP system from companies whose shares are held by the State Treasury;
- sale of electricity, distribution services and other related fees, provided by the Company both to central and local administration bodies (sale to end users) and entities whose shares are held by the State Treasury (wholesale and retail sale to end users).

Such transactions are concluded under arm's length terms and their conditions do not differ from those applied in transactions with other entities. As the Company does not keep a record of the aggregate value of all transactions concluded with all state institutions and entities controlled by the State Treasury, the turnover and balances of transactions with related parties disclosed in these separate financial statements do not include data related to transactions with entities controlled by the State Treasury.

One of the most important buyers of ENEA S.A. among entities controlled by the State Treasury is Polskie Górnictwo Naftowe i Gazownictwo S.A. In 2011 the net sales to the entity amounted to PLN 9,013 thousand (in 2010 it was PLN 10,038 thousand).

36. Concession arrangements on the provision of public services

The core business of ENEA S.A. is trade in electricity.
In line with the provisions of the Energy Law, on 26 November 1998 ENEA S.A. obtained the following concessions to carry out its business activities:

- concession for trading in electricity, granted for a 10-year period, i.e. until 30 November 2008;
- concession for electricity transmission and distribution, granted also for a 10-year period, i.e. until 30 November 2008;

On 23 April 2007 ENEA S.A. filed a request to the President of the Energy Regulatory Office to extend the validity of the concession for trading in electricity. On 5 October 2007 ENEA S.A. received a decision on extension of the validity of the concession for trading in electricity until 31 December 2025.

Pursuant to the provisions of the Energy Law, the President of the Energy Regulatory Office is responsible for granting concessions, exercising supervision over energy companies as well as approval of tariffs. Energy prices, fee rates and the principles for their application laid down in the Tariff are approved by the President of the Energy Regulatory Office based on administrative decisions.

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

While approving the Tariff, the President of the Energy Regulatory Office verifies its compliance with the following legal acts:

- the Energy Law of 10 April 1997 (Journal of Laws of 2006 no. 89, item 625 as amended);
- Ordinance of the Minister of Economy of 18 September 2011 on detailed principles for tariff establishment and calculation as well as the principles for settlements in electricity trading (Journal of Laws of 2011, No. 189, item 1126);
- Ordinance of the Minister of Economy of 4 May 2007 on detailed principles of the power system operation (Journal of Laws of 2007 no. 93 item 623 as amended).

Pursuant to a decision issued by the President of the Energy Regulatory Office ENEA S.A. was released from the obligation to submit a Tariff for the A, B and C group customers.

On 14 June 2011 a resolution was adopted by the Management Board of ENEA S.A. on introduction of an electricity Tariff of ENEA S. A. for tariff groups in the corporate, classic, economy, universal and green packages.

On 16 December 2011 the President of the Energy Regulatory Office approved the electricity tariff for ENEA S.A. in 2012 for household and prepaid G tariff groups.

37. Future payments due to the right of perpetual usufruct acquired for a consideration and free of charge as well as lease, rental and operating lease agreements

The future minimum liabilities arising from the right of perpetual usufruct apply to the remaining term of agreements for the use of land (40-99 years). They are recognized in accordance with IFRS as operating leases, where ENEA S.A. acts as a lessee:

	31.12.2011	**31.12.2010**
Up to 1 year	5 060	1 629
1 – 5 years	7 083	3 302
Over 5 years	55 417	56 397
Total	**67 560**	**61 328**

38. Future liabilities under contracts concluded as at the balance sheet date

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

	31.12.2011	**31.12.2010**
Acquisition of property, plant and equipment	4 845	14 172
Acquisition of intangible assets	254	160
Acquisition of shares	207 590	-
Total	**212 689**	**14 332**

39. Contingent liabilities and proceedings before court, bodies competent to conduct arbitration proceedings or public administration bodies

39.1. Sureties and guarantees

In 2011 ENEA S.A. granted a surety to ELKO Trading Sp. z o.o. As at 31 December 2011 the total value of contingent liabilities resulting from sureties and guarantees granted by the Company was PLN 50,216 thousand.

In 2010 ENEA S.A. did not grant any new sureties or guarantees. The total value of contingent liabilities resulting from sureties and guarantees granted by the Company was PLN 194 thousand as at 31 December 2010.

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

Guarantees and sureties as at 31 December 2011

No.	Name of the beneficiary of the guarantee or surety	Total liabilities subject to guarantee or surety	Tenor	Relation between the Company and the entity which incurred the liability
1.	EP Zakład Transportu Sp. z o.o.	PLN 216 thousand (EUR 49 thousand)	31-08-2017	subsidiary
2.	ELKO Trading Sp. z o.o.	PLN 50,000 thousand	31-07-2012	indirect subsidiary

Guarantees and sureties as at 31 December 2010

No.	Name of the beneficiary of the guarantee or surety	Total liabilities subject to guarantee or surety	Tenor	Relation between the Company and the entity which incurred the liability
1.	EP Zakład Transportu Sp. z o.o.	PLN 194 thousand (EUR 49 thousand)	31-08-2017	subsidiary

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

Other collateral, including for the liabilities presented in the table above

Entity's name	Collateralized liability	Type of collateral (e.g. blank promissory notes)	Collateral value	Collateral pledged for:	Debt as at 31 December 2011	Debt as at 31 December 2010	Collateral period
ENEA S.A.	Liabilities related to settlement of payments for energy UPE/URB/SD/ENEA/2007	blank promissory note and promissory note agreement	PLN 15,000 thousand	PSE Operator S.A.	PLN 15,000 thousand	PLN 15,000 thousand	unlimited
ENEA S.A.	Space rental agreement	bank guarantee	EUR 25,759.96 and PLN 21 thousand	RONDO PROPERTY INVESTMENT Sp. z o.o. in Warsaw	PLN 135 thousand	PLN 121 thousand	31-12-2012
ENEA S.A.	Securing a transactional deposit and a securing deposit for the benefit of IRGIT S.A. with relation to settling transactions related to trading in electricity and property rights in the commodity exchange	bank guarantee granted under a guarantee limit of PLN 200,000 thousand	PLN 35,000 thousand	Izba Rozliczeniowa Giełd Towarowych S.A.	PLN 35,000 thousand	-	18-11.2012
	Bank guarantee for liabilities of ELKO TRADING		PLN 45,000 thousand		PLN 45,000 thousand		

39.2. Pending proceedings before courts of general jurisdiction

Actions brought by the Company

Actions which ENEA S.A. brought to common courts of law refer to claims for receivables due to provision of electricity (the so-called electricity cases) and claims for other receivables – illegal consumption of electricity, connections to the power grid and other specialist services rendered by the Company (the so-called non-electricity cases).

As at 31 December 2011, the total of 7,677 cases brought by the Company were pending before common courts of law for the total amount of PLN 17,530 thousand (5,767 cases for the total amount of PLN 15,748 thousand as at 31 December 2010).

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

Actions brought against the Company

Actions against the Company are brought both by natural and legal persons. They mainly refer to such issues as compensation for interrupted delivery of electricity, identification of illegal electricity consumption and compensation for the Company's use of real property where electrical devices are located. The Company considers actions concerning non-contractual use of real property not owned by the Company as particularly important (Note 25 and Note 39.5).

As at 31 December 2011, the total of 141 cases against the Company were pending before common courts of law for the total amount of PLN 36,949 thousand (157 cases for the total amount of PLN 37,691 thousand as at 31 December 2010).

39.3. Arbitration Proceedings

As at 31 December 2011 there were no pending proceedings before competent arbitration bodies.

39.4. Proceedings before Public Administration Bodies

Pursuant to a decision of the President of the Office of Competition and Consumer Protection of 12 September 2008 which closed the proceedings for charging customers with a double subscription fee for January 2008, ENEA S.A. was obliged to pay a fine of PLN 160 thousand. The Company appealed against the decision on 30 September 2008. On 31 August 2009 the Regional Court in Warsaw – Court of Competition and Consumer Protection reduced the fine to PLN 10 thousand. On 25 September 2009, ENEA appealed against the judgment issued by the Court of Competition and Consumer Protection to the Court of Appeals in Warsaw applying for reversal of the entire decision. On 27 April 2010 the Court reversed the judgment and remanded the case for reconsideration. On 27 January 2011 the Court of Competition and Consumer Protection dismissed the appeal of ENEA S. A. against the decision of the President of the Office of Competition and Consumer Protection of 12 September 2008 and upheld the PLN 10 thousand fine imposed on the Company. Having obtained the grounds for the decision, on 20 April 2011 the Proxy of ENEA S.A. appealed against the decision to the Court of

Appeals in Warsaw, VI Civil Law Division. On 8 February 2012 the Court of Appeals dismissed the appeal of ENEA S.A. On 7 March 2012 ENEA S. A. paid a PLN 10 thousand fine in line with the decision of the Court of Competition and Consumer Protection of 27 January 2011.

On 27 November 2008 the President of the Energy Regulatory Office concluded that ENEA failed to comply with the obligation to purchase electricity produced in the CHP system in 2006, imposing a fine of PLN 7,594 thousand. On 17 December 2008, ENEA filed an appeal to the Regional Court in Warsaw - the Court of Competition and Consumer Protection. On 15 December 2009 the Court of Competition and Consumer Protection issued a judgment favorable for the Company, changing the decision of the President of the Energy Regulatory Office of 27 November 2008 and discontinuing the administrative proceedings. The President of the Energy Regulatory Office appealed against the decision to the Court of Appeals in Warsaw. On 24 November 2010 (VI ACa 327/10) the Court of Appeal reversed the decision of the Regional Court in Warsaw – Court of Competition and Consumer Protection of 15 December 2009 appealed against by the President of the Energy Regulatory Office and remanded the case for reconsideration and settling the costs of the appeal proceedings. On 27 September 2011 the Regional Court of Competition and Consumer Protection in Warsaw dismissed the appeal of ENEA against the decision of the President of the Office of Competition and Consumer Protection on imposing a fine on ENEA. An appeal against the decision of 27 September 2011 was filed on 18 November 2011.

On 28 December 2009 the President of the Energy Regulatory Office issued a decision on ENEA's failure to comply with the obligation to purchase electricity produced in the CHP system in the first half of 2007, imposing a fine of PLN 2,150 thousand on the Company. On 19 January 2010, ENEA filed an appeal against the decision of the President of the Energy Regulatory Office to the Regional Court in Warsaw - the Court of Competition and Consumer Protection. As at 31 December 2011, ENEA recognized a provision in the total amount of the aforementioned fine.

39.5. Risk related to the legal status of property used by ENEA S.A.

The risk related to the legal status of the property used by the Company (currently used by ENEA Operator Sp. z o.o.) results from the fact that the Company does not have all legal titles to use the land where transmission networks and the related devices are located. In the future the Company may have to incur costs related to non-contractual use of property, which was the case in the past until the spin-off of ENEA Operator Sp. z o.o.

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

Court decisions related to these issues are important as they considerably affect the Company's strategy towards persons who lodged out-of-court claims related to devices located on their land in the past and the approach to the legal status of devices in case of new investments.

The Company recognized a provision for all claims lodged by owners of property located near transmission networks and devices based on best estimates of expenditures necessary to settle the claims adopted by the Management Board. Since the date of unbundling of the distribution system operator such claims have also been filed to ENEA Operator Sp. z o.o., which is currently the owner of the transmission networks and the related devices.

The Company does not recognize a provision for claims which have not been filed yet by owners of land used non-contractually. The value of the potential claims may be significant, considering the area of land used non-contractually. The Company does not keep any record and it has no knowledge of the legal status of land, therefore is it unable to reliably estimate the maximum amount of possible claims arising from non-contractual use of land.

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

On 30 June 2007 the rights to all electricity lines were transferred to ENEA Operator Sp. z o. o. Therefore, the Act of 17 December 2010 amending the act on forests and the act on environmental protection (Journal of Laws of 2010, No. 34, item 2572 as amended), which came into force in March 2011 and laid legal grounds for establishing transmission easement for consideration on real property owned by the State Treasury and managed by National Forests for the benefit of energy companies do not directly affect ENEA S.A.

According to ENEA S.A. in line with the applicable provisions of law, claims regarding the use of woodland managed by the National Forests for the purpose of locating electricity lines owned by ENEA S.A. before 30 June 2007 which were older than 3 years have expired.

Still, there is no consistent judicature concerning the status of limitations of the claims in question, which has resulted in a number of court decisions disadvantageous for the Company. Moreover, individual forest district offices have laid claims for damages due to non-contractual use of real property against ENEA S.A. (pending court proceedings have been presented in Note 39.2). Therefore, it is advisable to recognize a provision for pre-court claims due to the use of woodland managed by the National Forests for the needs of electricity lines which had belonged to ENEA S.A. before 30 June 2007. The provision should be created to minimize the financial risk resulting from possible future court decisions disadvantageous for the Company.

The provision amount has been estimated based on the document provided to the Capital Group by the National Forests, which specifies the amount of potential compensation for claims against ENEA S.A. The provision has been recognized in Note 25.

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

40. Employment at ENEA S.A.

The average number of employees at the Company in 2011 and 2010 was as follows:

	31.12.2011	31.12.2010
Blue-collar positions	-	-
White-collar positions	467	519
Total	**467**	**519**

The data in the table are presented in FTE.

41. Impairment of assets

As at 31 December 2011 ENEA S.A. compared the book value of its equity with its market value (stock market cap). ENEA S.A. has found no grounds to recognize losses (provisions) on analyzed assets as at 31 December 2011.

42. Explanations of the seasonal and cyclical nature of the business operations of ENEA S.A.

Sales of electricity during the year are subject to seasonal fluctuations. They increase substantially during the winter months and decrease in summer. This depends on the temperature and the length of the day. The extent of fluctuations depends on low temperature and shorter days in winter as well as higher temperature and longer days in summer. Seasonal sales of electricity apply to a more considerable degree to small clients (44.74% of the sales value), rather than to the industrial sector.

43. Post balance sheet events

On 9 February 2012 the Company published an invitation to negotiations concerning acquisition of a block of 4,400 shares with the face value of PLN 500 each - owned by ENEA S. A. and accounting for 100% of the share capital of Auto-Styl Sp. z o.o. with its registered office in Zielona Góra. On 16 February 2012 ENEA S. A. concluded an agreement on the sale of shares of Przedsiębiorstwo Produkcji Strunobetonowych Żerdzi Wirowanych WIRBET S. A., constituting 49% of the entity’s share capital for the total amount of PLN 12,917.3 thousand.

On 23 February 2012 the Company published an invitation to negotiations concerning acquisition of a block of 12,728 shares with the face value of PLN 500 each - owned by ENEA S. A. and accounting for 100% of the share capital of ITSERWIS Sp. z o.o. with its registered office in Zielona Góra. On 24 February, the Supervisory Board of ENEA S.A. appointed Janusz Bil to the position of a Member of the Company’s Management Board in Charge of Commercial Affairs.

On 12 March 2012, the Extraordinary Shareholders’ Meeting of ENEA S.A. adopted a resolution appointing Sławomir Brzeziński to the position of a Member of the Supervisory Board of ENEA S. A. for the 7th term of office.

On 23 December 2011, ENEA S. A. concluded an agreement on the sale of 14,750 shares of Towarowa Giełda Energii S. A. (TGE) with Giełda Papierów Wartościowych S. A. (Warsaw Stock Exchange). The agreement specifies conditions for transferring shares to Giełda Papierów Wartościowych S. A. The transaction was concluded on 29 February 2012 and the shares were transferred to Giełda Papierów Wartościowych S. A.