Separate financial statements of ENEA S.A. for the financial year ended 31 December 2010

Poznań, 12 April 2011

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 Board	**Maciej Owczarek**	**…………………………………**
Member of the Board	**Maksymilian Górniak**	**…………………………………**
Member of the Board	**Hubert Rozpędek**	**………………………………....**
Member of the Board	**Krzysztof Zborowski**	**…………………………………**

Poznań, 12 April 2011

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

Separate Balance Sheet

	Note	Balance as of 31.12.2010	Balance as of 31.12.2009
ASSETS			
Non-current assets			
Property, plant and equipment	6	209 566	211 217
Land perpetual usufruct right	7	1 488	3 213
Intangible assets	8	3 353	1 405
Investment property		-	-
Investments in subsidiaries, associates and co-subsidiaries	9	7 874 545	7 844 884
Deferred tax asset	20	40 137	27 366
Financial assets available for sale	10	20 448	3 866
Financial assets held to maturity	10	-	-
Financial assets measured at fair value through profit or loss	10	1 411	1 219
Trade and other receivables	11	-	-
		8 150 948	**8 093 170**
Current assets			
Inventories		-	-
Trade and other receivables	11	775 466	850 247
Current income tax receivables		880	11 090
Financial assets held to maturity	10	-	-
Financial assets measured at fair value through profit or loss	10	1 781 939	1 652 523
Cash and cash equivalents	12	366 119	301 422
		2 924 404	**2 815 282**
Non-current assets held for sale	9	**-**	**5 589**
Total assets		**11 075 352**	**10 914 041**
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)		10 941	(3 847)
Reserve capital		892 198	754 841
Retained earnings		2 780 708	2 721 427
Total equity		**10 043 874**	**9 832 448**
LIABILITIES			
Non-current liabilities			
Credit facilities and loans		-	-
Finance lease liabilities	19	5 019	5 882
Settlement of income due to subsidies and connection fees	16	31 840	33 194
Liabilities due to employee benefits	21	83 256	83 586
		120 115	**122 662**
Current liabilities			
Credit facilities and loans		-	-
Trade and other liabilities	15	713 729	836 574
Finance lease liabilities	19	3 422	2 845
Settlement of income due to subsidies and connection fees	16	2 325	2 244
Current income tax liabilities		-	-
Liabilities due to employee benefits	21	17 022	8 701
Liabilities due to an equivalent of the right to acquire shares free of charge		557	618
Provision for certificates of origin	22	130 779	65 611
Provisions for other liabilities and charges	23	43 529	42 338
		911 363	**958 931**
Total liabilities		**1 031 478**	**1 081 593**
Total equity and liabilities		**11 075 352**	**10 914 041**

The balance sheet should be read jointly with the notes constituting an integral part of the separate financial statements

Separate statement of comprehensive income

	Note	For the period of 12 months ended 31.12.2010	12 months ended 31.12.2009
Sales revenue		6 558 983	7 278 800
Excise duty		(254 651)	(230 175)
Net sales revenue	24	**6 304 332**	**7 048 625**
Other operating revenue	27	28 667	24 569
Amortization/Depreciation	25	(17 445)	(13 286)
Costs of employee benefits	25	(59 842)	(38 355)
Consumption of materials and raw materials and costs of goods sold	25	(4 049)	(3 230)
Energy purchase for sale	25	(4 052 513)	(4 594 357)
Transmission services	25	(1 886 344)	(2 084 493)
Other external services	25	(140 763)	(114 919)
Taxes and charges	25	(9 549)	(8 188)
Change in products		-	-
Manufacturing cost of products for internal purposes		-	-
Gain/loss on sale and liquidation of property, plant and equipment		(1 179)	2 748
Impairment loss on property, plant and equipment	6	-	(8 214)
Other operating expense	27	(45 085)	(54 837)
Operating profit		**116 230**	**156 063**
Financial expenses	29	(5 986)	(7 733)
Financial revenue	28	109 740	135 400
Write-off of goodwill		-	-
Write-off of negative goodwill		-	-
Dividend income	28	193 888	78 897
Share in profits/losses of associates measured using the equity method		-	-
Profit before tax		**413 872**	**362 627**
Income tax %	30	(49 486)	(57 213)
Net profit for the reporting period		**364 386**	**305 414**

Other items of comprehensive income:		
Measurement of financial assets available for sale	15 700	-
Income tax related to other items of comprehensive income	(912)	-
Other items of net comprehensive income	**14 788**	**-**
Comprehensive income	**379 174**	**305 414**

Earnings attributable to the Company's shareholders	364 386	305 414
Weighted average number of ordinary shares	441 442 578	441 442 578
Net earnings per share (in PLN per share)	**0, 83**	**0,69**
Diluted earnings per share (in PLN per share)	**0, 83**	**0,69**

Separate statement of changes in equity

	Note	Share capital (face value)	Revaluation of share capital	Total share capital	Treasury shares	Share premium	Share-based capital	Revaluation reserve (financial instruments)	Reserve capital	Retained earnings	Total equity
Balance as of 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	31									(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**

	Note	Share capital (face value)	Revaluation of share capital	Total share capital	Treasury shares	Share premium	Share-based capital	Revaluation reserve (financial instruments)	Reserve capital	Retained earnings	Total equity
Balance as of 1 January 2009		**441 443**	**146 575**	**588 018**	**(17 396)**	**4 627 673**	**1 144 336**	**(3 847)**	**754 425**	**2 619 709**	**9 712 918**
Comprehensive income										305 414	**305 414**
											-
Distribution of the financial profit									416	(416)	**-**
Dividends	31									(203 280)	**(203 280)**
Disposal of treasury shares acquired under the stabilization option					17 396						**17 396**
Other											**-**
Balance as of 31 December 2009		**441 443**	**146 575**	**588 018**	**-**	**4 627 673**	**1 144 336**	**(3 847)**	**754 841**	**2 721 427**	**9 832 448**

Separate cash flow statement

	Note	For the period of 12 months ended 31.12.2010	12 months ended 31.12.2009
Cash flows from operating activities			
Net profit for the reporting period		364 386	305 414
Adjustments:			
Income tax disclosed in the income statement	30	49 486	57 213
Amortization/Depreciation	25	17 445	13 286
Costs of benefits due to share-based payments		-	-
(Gain) / loss on sale and liquidation of property, plant and equipment		(1 761)	(2 748)
Impairment loss on property, plant and equipment	6	718	8 214
(Gain)/loss on disposal of financial assets		6 363	(2 571)
Interest income		(116 556)	(114 575)
Dividend income		(193 888)	(78 897)
Interest expense		1 744	3 625
Other adjustments		-	-
		(236 449)	**(116 453)**
Income tax paid		(52 958)	(67 622)
Interest received		29 170	106 976
Interest paid		(1 384)	(3 789)
Changes in working capital			
Inventories		-	-
Trade and other receivables		74 490	(114 575)
Trade and other liabilities		(130 801)	(57 317)
Liabilities due to employee benefits		7 991	(772)
Settlement of income due to subsidies and connection fees		(2 242)	(2 224)
Provision for certificates of origin		65 168	(78 331)
Liabilities due to an equivalent of the right to acquire shares free of charge		(61)	(163 181)
Provisions for other liabilities and charges		1 191	(1 539)
		15 736	(417 939)
Net cash flows from operating activities		**118 501**	**(193 413)**
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		(32 442)	(10 640)
Proceeds from disposal of property, plant and equipment and intangible assets		262	4 162
Acquisition of financial assets		(42 300)	(1 900 000)
Proceeds from disposal of financial assets		5 634	273 470
Acquisition of subsidiaries, associates and a jointly-controlled entity		(7 610)	(85 350)
Dividends received		193 888	78 897
Other payments for/proceeds from investing activities		200	(3 645)
Net cash flows from investing activities		**117 632**	**(1 643 106)**
Cash flows from financing activities			
Dividends paid		(167 748)	(203 064)
Payment of finance lease liabilities		(3 688)	(2 860)
Proceeds from issuance of equity instruments		-	-
Outflows/proceeds from buy-back/disposal of treasury shares		-	22 479
Net cash flows from financing activities		**(171 436)**	**(183 445)**
Net increase (decrease) in cash		**64 697**	**(2 019 964)**
Opening balance of cash	12	301 422	2 321 386
Closing balance of cash	12	**366 119**	**301 422**

The separate cash flow statement should be read jointly with notes constituting 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. Nowowiejskiego 11, 60-967 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 at that time under the business name of Energetyka Poznańska S.A, was entered in the National Court Register in the District Court in Poznań, under number KRS 0000012483 on 21 May 2001.

As at 31 December 2010 the Company's shareholder structure was as follows (an increase in the share capital as a result of issuance of shares under a public offering was registered in the National Court Register on 13 January 2009): the State Treasury of the Republic of Poland – 52.92% of shares, Vattenfall AB – 18.67%, other shareholders – 28.41%.

As at 31 December 20109 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 of 31 December 2010 the Group comprised also 19 subsidiaries and 3 associates.

These financial statements have been prepared under the going concern assumption. There are no circumstances indicating that Company's ability to operate as a going concern may be threatened.

1.2. Composition of the Management Board and the Supervisory Board

As at 31 December 2010, the composition of the Management Board was as follows:
Maciej Owczarek – Chairman of the Board;
Maksymilian Górniak –Member of the Board in Charge of Commercial Affairs;
Hubert Rozpędek – Member of the Board in Charge of Economic Affairs;
Krzysztof Zborowski –Member of the Management Board in Charge of Generation.

On 16 April 2010, the Supervisory Board of ENEA S.A. dismissed Maciej Owczarek, Sławomir Jankiewicz, Piotr Koczorowski, Marek Malinowski and Tomasz Treider. At the same time, the Supervisory Board appointed the following individuals:
Maciej Owczarek as the Chairman of the Management Board;
Maksymilian Górniak –Member of the Management Board in Charge of Commercial Affairs;
Hubert Rozpędek –Member of the Management Board in Charge of Economic Affairs;
Krzysztof Zborowski - Member of the Management Board in Charge of Strategy and Development.

On 12 July 2010, the Supervisory Board approved amendment to the “Regulations regarding Management Board of ENEA S.A.” involving a change in the name of the position held by Krzysztof Zborowski from Member of the Board in Charge of Strategy and Development to Member of the Board in Charge of Generation.
As at 1 January 2010, the composition of the Supervisory Board for the 7th term was as follows:
Michał Łagoda
Tadeusz Dachowski
Piotr Begier
Paweł Balcerowski
Wojciech Chmielewski
Marian Janas
Michał Kowalewski
Wiesław Pawliotti
Mieczysław Pluciński
Graham Wood.
On 26 March 2010, the Extraordinary Shareholders’ Meeting of ENEA S.A. dismissed the following individuals from the Supervisory Board:
Michał Łagoda
Piotr Begier
Marian Janas
Wiesław Pawliotti
and at the same time appointed the following Supervisory Board members for the 7th office term:
Paweł Lisiewicz
Małgorzata Aniołek
Bartosz Nowicki

Jeremi Mordasewicz.

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 2010 to 31 December 2010 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 2010 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, regarding 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 deemed 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 expenditures incurred for repair and maintenance are 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 depreciated 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, NCI 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. Leases

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.

2.10. 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 2.11.

2.11. 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 permitted 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) 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.

2.12. 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-fueled sources or other sources up to 1 MW; red certificates for sources above 1 MW capacity other than fueled with methane or biomass gas; purple certificates for sources fueled 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 he 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.

2.13. 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.

2.14. 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.

2.15. 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.

2.16. 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 the in 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 of f if there is a legally enforceable right to set of f 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.

2.17. 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 3,000 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 by the Group.

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.

2.18. 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.

2.19. 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.

2.20. 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.

2.21. 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.

2.22. 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.

2.23. Non-current assets held for sale

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.

2.24. Statement regarding application of International Financial Reporting Standards

First-time applied in 2010

The following amendments to the existing standards published by International Reporting Standards Board (IASB) and endorsed by the EU become effective in 2010:

- **IFRS 1 (revised) "First-time Adoption of International Financial Reporting Standards"** approved in the EU on 25 November 2009 (applicable to annual periods starting on or after 1 January 2009);

- **IFRS 3 (revised) "Business Combinations" –** approved by the EU on 3 June 2009 (applicable to annual periods starting on or after 1 July 2009);
- **Revised IFRS 1 "First-time Adoption of International Financial Reporting Standards" –** additional exemptions for first-time adopters accepted by the EU on 23 June 2010 (applicable to annual periods beginning on or after 1 January 2010);

- **Revised IFRS 2 "Share-Based Payments" – group share-based payments settled in cash** accepted by the EU on 23 March 2010 (applicable to annual periods beginning on or after 1 January 2010);

- Amendments to IAS 27 "Consolidated and separate financial statements" – **approved by the EU on 3 June 2009 (applicable to annual periods starting on or after 1 July 2009);**

- **Revised IAS 39 "Financial Instruments: Recognition and Measurement" –** Eligible Hedged Items, endorsed by the EU on 15 September 2009 (applicable to annual periods beginning on or after 1 July 2009);

- **IFRS (2009) "Improvements to IFRS" –** changes introduced within the annual improvement procedures, published on 16 April 2009 (IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9, IFRIC 16) focused mainly on elimination of discrepancies and on precise wording (most amendments are applicable to annual periods beginning on or after 1 January 2010);

- **IFRIC 12 "Service Concession Arrangements",** endorsed by the EU on 25 March 2009 (applicable to annual periods beginning on or after 30 March 2009);

- **IFRIC 15 "Agreements for the Construction of Real Estate",** endorsed by the EU on 22 July 2009 (applicable to annual periods beginning on or after 1 January 2010);
- **IFRIC 16 "Hedges of a Net Investment in a Foreign Operation",** endorsed by the EU on 4 June 2009 (applicable to annual periods beginning on or after 1 July 2009);

- **IFRIC 17 "Distribution of Non-Cash Assets to Owners",** endorsed by the EU on 26 November 2009 (applicable to annual periods beginning on or after 1 November 2009);

- **IFRIC Interpretation 18 "Transfers of assets from customers" -** approved by the EU on 27 November 2009 (applicable to annual periods starting on or after 1 November 2009).

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 preparing 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 IAS 24 "Related Party Disclosures" –** simplified disclosure requirements that apply to state-controlled entities and amendment to the definition of a related party, accepted 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);

- **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);

- **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 (are applicable to annual periods beginning on or after 1 July 2010 or 1 January 2011 depending on the standard/interpretation);
- **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 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

At present, the IFRS endorsed by the EU do not differ substantially from the regulations adopted by the International Accounting Standards Board (IASB), except for the following standards as well as amendments to standards and interpretations which had not been adopted for use as of the date of preparation of these financial statements:

- **IFRS 9 "Financial Instruments"** (applicable to annual periods beginning on or after 1 January 2013);

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

- **Revised IFRS 7 "Financial Instruments: Disclosures",** transfers of financial assets (applicable to annual periods beginning on or after 1 July 2011);

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

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.

At the same time, hedge accounting principles applicable to the portfolio of financial assets and liabilities have not been endorsed by the European Union.

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 21);

- ***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 11);

- ***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 11);

- ***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 23 and 37.5);

- ***share-based payment*** – the Company recognizes the services provided under equity-settled share-based payments (performance of work) and the corresponding increase in equity upon their receipt. 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. As at 31 December 2009, the Management Board decided that the value of the employee stock ownership plan would no longer be subject to revaluation (changes) (Note 17).

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

No.	Name and address of the Company	Share of ENEA S.A. in the total number of votes 31.12.2010	Share of ENEA S.A. in the total number of votes 31.12.2009
1.	ENERGOMIAR Sp. z o.o. *Poznań, ul Strzeszyńska 58*	100	100
2.	BHU S.A. *Poznań, ul. Strzeszyńska 58*	91.47	87.97
3.	Energetyka Poznańska Biuro Usług Technicznych S.A. *Poznań, ul. Św. Wojciecha 7/9*	100	100
4.	Hotel „EDISON" Sp. z o.o. *Baranowo k/Poznania*	100	100
5.	Energetyka Wysokich i Najwyższych Napięć "EWiNN" Sp. z o.o. *Poznań, ul. Strzeszyńska 58*	-	100
6.	Energetyka Poznańska Zakład Transportu Sp. z o.o. *Poznań, ul. Strzeszyńska 58*	100	100
7.	COGEN Sp. z o.o. *Piła, ul.Kaczorska 20*	-	100
8.	EnergoPartner Sp. z o.o. *Poznań, ul. Warszawska 43*	-	100
9.	Energetyka Poznańska Przedsiębiorstwo Usług Energetycznych Energobud Leszno Sp. z o.o. *Lipno, Gronówko 30*	100	100

10.	ENERGO-TOUR Sp. z o.o. *Poznań, ul. Marcinkowskiego 27*	99.92	99.92
11.	ENEOS Sp. z o.o. *Poznań, ul.Strzeszyńska 58*	100	100
12.	ENTUR Sp. z o.o. *Szczecin, ul. Malczewskiego 5/7*	100	100
13.	Niepubliczny Zakład Opieki Zdrowotnej Centrum Uzdrowiskowe ENERGETYK Sp. z o.o. *Inowrocław, ul. Wilkońskiego 2*	99.94	99.94
14.	Elektrownie Wodne Sp. z o.o. *Samociążek, 86-010 Koronowo*	100	100
15.	Zakład Usług Przewozowych ENERGOTRANS Sp. z o.o. *Gorzów Wlkp., ul. Energetyków 4*	-	100
16.	"PWE Gubin" Sp. z o.o. Sękowice 100 gm. Gubin	-	50
17.	Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o. *Oborniki, ul. Wybudowanie 56*	87.99	87.99
18.	„IT SERWIS" Sp. z o.o. *Zielona Góra, ul. Zacisze 28*	100	100
19.	"Auto – Styl" Sp. z o.o. *Zielona Góra, ul. Zacisze 15*	100	100
20.	FINEA Sp. z o.o. in liquidation *Poznań, ul.Warszawska 43*	100	100
21.	Przedsiębiorstwo Energetyki Cieplnej - Gozdnica Sp. z o.o. *Gozdnica, ul. Świerczewskiego 30*	-	100
22.	ENEA Operator Sp. z o.o. *Poznań, ul. Strzeszyńska 58*	100	100
23.	Elektrownia "Kozienice" S.A. *Świerże Górne, gmina Kozienice, Kozienice 1*	100	100
24.	Miejska Energetyka Cieplna Piła Sp. z o.o. *64-920 Piła, ul. Kaczorska 20*	64.064	63.396
25.	Kozienice II Sp. z o.o. *Świerże Górne, gmina Kozienice, Kozienice 2*	80.56	80.56
26.	Przedsiębiorstwo Produkcji Strunobetonowych Żerdzi Wirowanych WIRBET S.A. *Ostrów Wlkp., ul. Chłapowskiego 51*	49	49
27.	Przedsiębiorstwo Energetyki Cieplnej w Śremie S.A. *Śrem, ul. Staszica 6*	41.65	41.65
28.	Elektrociepłownia Białystok S.A. *Białystok, ul. Gen. Andersa 3*	30.36	30.36

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

On 28 January 2010, the Extraordinary Shareholders' Meeting adopted Resolution No. 1 to increase the share capital of ENTUR Sp. z o.o. up to PLN 4,134.5 thousand, i.e. by PLN 100 thousand by way of issuing 200 new shares with the face value of PLN 500 each. The new shares in the Company's share capital were acquired by ENEA S.A. for a contribution in cash. The increased share capital was registered in the National Court Register on 3 March 2010.

On 4 February 2010 the Extraordinary Shareholders' Meeting adopted Resolution No. 1 to increase the share capital of Niepubliczny Zakład Opieki Zdrowotnej Centrum Uzdrowiskowe ENERGETYK Sp. z o. o. by PLN 1,710 thousand to PLN 17,448 thousand by way of issuing 3,420 new shares with the face value of PLN 500 each. The new shares in the Company's share capital were acquired by ENEA S.A. for a contribution in cash. The increased share capital was registered in the National Court Register on 8 April 2010.

Pursuant to a Resolution of 15 December 2009, the Management Board of ENEA S.A. agreed to sell the shares in PWE Gubin Sp. z o.o. with its registered office in Sękowice held by ENEA S.A.. The shares were sold based on the agreement on the sale of shares of 9 February 2010.

On 22 December 2009 and on 2 February 2010 the Extraordinary Shareholders' Meeting adopted Resolutions to increase the share capital of BHU S.A. with its registered office in Poznań up to PLN 14,302.5 thousand, i.e. by PLN 4,164.1 thousand by way of issuing 41,641 new shares with the face value of PLN 100 each. On 5 May 2010 the Extraordinary Shareholders' Meeting of BHU S.A. with its registered office in Poznań decided to revoke the resolution of 22 December 2009 on increasing the share capital of the Company by way of issuing J series shares due to the inability to meet the deadline for contributing a real property located in Gorzów Wielkopolski to cover the shares issued. Consequently, on 8 June 2010 the share capital increase by PLN 3,923.8 thousand from PLN 10,138.4 thousand to PLN 14,062.2 thousand was recorded in the National Court Register. The new shares were acquired by ENEA S.A. for a contribution in cash and a contribution in kind.

On 22 December 2009, the Extraordinary Shareholders' Meeting passed Resolution No. 1 regarding the increase of the share capital of ENERGOBUD Leszno Sp. o.o. with the registered office in Gronówko up to PLN 5,676 thousand, i.e. by PLN 2,151.5 thousand by issuing 4,303 new shares with nominal value of PLN 500 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 was registered in the National Court Register on 2 April 2010.
On 29 June 2010, the Extraordinary Shareholders' Meeting adopted Resolution No. 1 to increase the share capital of ENERGOBUD Leszno Sp. z o.o. with its registered office in Gronówko up to PLN 6,216 thousand, i.e. by PLN 540 thousand by way of issuing 1,080 new shares with the face value of PLN 500 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 was registered in the National Court Register on 20 August 2010.

On 12 April 2010, the Extraordinary Shareholders' Meeting adopted Resolution to increase the share capital of ENEOS Sp. z o.o. up to PLN 20,189.5 thousand, i.e. by PLN 630.5 thousand, by way of issuing 1,261 new shares with the face value of PLN 500 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 was registered in the National Court Register on 15 September 2010.

On 19 April 2010 the Extraordinary Shareholders' Meeting adopted a resolution on putting Energetyka Poznańska Biuro Usług Technicznych S. A. into liquidation as of 1 May 2010. Mr. Jacek Pałka appointed as Chairman of the Management Board assumed the function of the of ficial receiver.

On 11 June 2010 the Extraordinary Shareholders' Meeting decided to put Finea Sp. z o. o. into liquidation. Ms. Katarzyna Mińkowska was appointed the of ficial receiver.

On 1 July 2010, two subsidiaries of ENEA S. A. were combined: Elektrownie Wodne Sp. z o. o. with its registered office in Samociążek (the acquirer) and EnergoPartner Sp. z o. o. with its registered office in Poznań (the acquiree). As a result of the business combination, a new entity was established under the name of Elektrownie Wodne Sp. z o.o. with its registered office in Samociążek. As a result of the business combination, the share capital of the acquirer - Elektrownie Wodne Sp. z o.o. with its registered office in Samociążek was increased by PLN 8,821 thousand up to PLN 213,841 thousand and divided into 427,682 shares with the face value of PLN 500 each.

On 8 October 2010 the Extraordinary Shareholders' Meeting of Energetyka Poznańska Biuro Usług Technicznych S.A. adopted a Resolution on the reversal of the liquidation and further existence of the Company. An auction for the sale of shares in the share capital of ITSERWIS Sp. z o. o. in Zielona Góra was announced on 15 October 2010. The offer covered 12,728 shares which accounted for 100% of the share capital of the Company, for the starting price of PLN 9,596,912. The auction was held on 15 December 2010 in the registered office of the Management Board of ENEA S.A. and no buyer was indicated as investors did not enter the auction. This way ENEA S.A. remained the holder of the shares.

On 29 October 2010 the Extraordinary Shareholders' Meeting discussed the combination of subsidiaries of ENEA S. A.: Energetyka Poznańska Przedsiębiorstwo Usług Energetycznych ENERGOBUD Leszno Sp. z o. o. (the acquirer) and Zakład Usług Przewozowych ENERGOTRANS Sp. z o. o. and EWINN Sp. z o.o. (the acquirees) by transfer of all the assets of the acquirees to the acquirer. As a result of the business combination, the share capital of ENERGOBUD Leszno Sp. z o.o. was increased by PLN 1,418 thousand.
On 1 December 2010 the increased share capital of ENERGOBUD Leszno Sp. z o.o., which following the combination was PLN 7,634 thousand and was divided into 15,201 shares with a face value of PLN 500 each was registered. 67 shares were redeemed from net profit.

On 29 October 2010, the Extraordinary Meeting of BHU S.A. adopted Resolution to increase the share capital of the Company by PLN 240,9 thousand, up to PLN 14,303,1 thousand, by way of issuing 2,409 J series shares, by a private placement, in exchange for a contribution in kind.
The increased share capital of BHU S.A. was registered in the National Court Register on 28 December 2010.

On 4 November 2010 during the Extraordinary Shareholders' Meeting of Energetyka Poznańska Biuro Usług Technicznych S.A., the share capital of the company was increased from PLN 1,973.7 thousand, by PLN 2,054.3 thousand, i.e. to PLN 4,028 thousand by an issue of 20,543 ordinary registered shares of the face value of PLN 100 and issue price of PLN 608.23. An offer for Assumption of all 20,543 shares was sent to Elektrownia „Kozienice" S.A. with its registered office in Świerże Górne as part of private placement. By the deadline of the offer, Energetyka Poznańska Biuro Usług Technicznych S.A. had not received a statement from Elektrownia „Kozienice" S.A. concerning acceptance of the offer.
As the share capital increase of Energetyka Poznańska Biuro Usług Technicznych S.A. was not effected, on 22 December 2010 during another Extraordinary Shareholders' Meeting of Energetyka Poznańska Biuro Usług Technicznych S.A., the share capital of the company was increased from PLN 1,973.7 thousand, by PLN 2,054.3 thousand, i.e. to PLN 4,028 thousand by an issue of 20,543 ordinary registered shares of the face value of PLN 100 and issue price of PLN 608.23. An offer for assumption of all 20,543 shares - valid until

31 January 2011 - was sent to Elektrownia „Kozienice" S.A. with its registered office in Świerże Górne as part of private placement. Following and audit of Energetyka Poznańska Biuro Usług Technicznych S.A., Elektrownia „Kozienice" S.A. filed a statement that it refused the offer of assumption of 20,543 new shares in the increased capital of the Company.

On 8 November 2010 during the Extraordinary Shareholders' Meeting of Elektrownie Wodne Sp. z o. o., the share capital of the company was increased from PLN 213,841 thousand, by PLN 26,000 thousand, i.e. to PLN 239,841 thousand by issue of 52,000 new shares of the face value of PLN 500 each. On 1 December 2010 all new shares in the Company's share capital were assumed by the sole 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. The increased share capital of Elektrownie Wodne Sp. z o.o. was registered in the National Court Register on 7 February 2011r.

On 30 November 2010, subsidiaries of ENEA S. A. were combined by acquisition: MEC Piła Sp. z o. o. (the acquirer) and PEC Gozdnica Sp. z o. o and COGEN Sp. z o. o. (the acquirees).
As a result, the share capital of the acquirer was increased by PLN 509 thousand to PLN 27,916 thousand. All the shares in the increased share capital were acquired by ENEA S.A.

On 27 December 2010, the Extraordinary Meeting of BHU S.A. adopted 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 share capital will be 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.

5. Segment reporting

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

For the period from 1 January 2010 to 31 December 2010	**Trade**	**Production**	**All other segments**	**Exclusions**	**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
Dividend income					193 888
Income tax %					(49 486)
Net profit					**364 386**

* - net sales revenue under Trade 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 presented separately in the condensed interim consolidated financial statements of the ENEA S.A. Group under Distribution
- include also other operating revenue and expenses

Segment reporting for the period from 1 January to 31 December 2009:

For the period from 1 January 2009 to 31 December 2009	**Trade**	**All other segments**	**Total**
Net sales revenue*	6 993 251	55 374	7 048 625
Inter-segment sales	-	-	-
Total net sales revenue	**6 993 251**	**55 374**	**7 048 625**
Total expenses **	(6 781 800)	(49 325)	(6 831 125)
Segment profit/loss	**211 451**	**6 049**	**217 500**
Unassigned general and administrative expenses			(61 437)
Operating profit			**156 063**
Financial expenses			(7 733)
Financial revenue			135 400
Dividend income			78 897
Income tax %			(57 213)
Net profit			**305 414**

* - net sales revenue under Trade includes also net revenue from sales of distribution services of PLN 2 084 292 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 2,084,493 thousand, which were presented separately in the condensed interim consolidated financial statements of the ENEA S.A. Group under Distribution
- include also other operating revenue and expenses

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	Trade	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 of 31.12.2010	81 578		765	82 343

Segment reporting (cont'd)

Other segment reporting information as at 31 December 2009 and for the 12-month period ended as at that date:

Balance as of 31 December 2009	Trade	All other segments	Total
Property, plant and equipment	19 609	131 335	150 944
Trade and other receivables	840 691	6 694	847 385
Total:	**860 300**	**138 029**	**998 329**
ASSETS excluded from segmentation			9 915 712
- including property, plant and equipment			60 273
- including trade and other receivables			2 862
TOTAL: ASSETS			**10 879 744**
Trade and other liabilities	776 385	5 630	782 015
Equity and liabilities excluded from segmentation			10 132 026
- including trade and other liabilities			54 559
TOTAL: EQUITY AND LIABILITIES			**10 914 041**
Capital expenditure for fixed assets and intangible assets	-	20 488	20 488
Capital expenditure for fixed assets and intangible assets excluded from segmentation			8 966
Depreciation/amortization of fixed assets/intangible assets	353	12 308	12 661
Depreciation/amortization of fixed assets/intangible assets excluded from segmentation			625
Impairment loss on receivables as of 31.12.2009	81 970	653	82 623

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 the market. Trade in electricity and transmission services are governed by prices specified in the Energy Law of 10 April 1997. and secondary legislation thereto.

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 of 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-month period ended 31 December 2010							
Reclassifications	-	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 amortization)	-	465	964	-	-	-	**1 429**
Amortization/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)

	Land	Buildings and structures	Technical equipment and machines	Vehicles	Other fixed assets	Fixed assets under construction	Total
Balance as of 1 January 2009							
Gross value	**2 404**	**249 972**	**17 945**	**2 539**	**2 432**	**22 157**	**297 449**
Accumulated depreciation	**-**	**(71 852)**	**(4 285)**	**(377)**	**(790)**	**-**	**(77 304)**
Impairment loss	**-**	**(3 901)**	**(3 809)**	**(9)**	**(65)**	**-**	**(7 784)**
Net book value	**2 404**	**174 219**	**9 851**	**2 153**	**1 577**	**22 157**	**212 361**
Changes in the 12-month period ended 31 December 2009							
Reclassifications	-	18 238	1 522	-	5	(22 993)	**(3 228)**
Acquisition		3 684	-	1 039	-	24 731	**29 454**
Disposal (gross value)	(408)	(5 059)	(722)	-	-	-	**(6 189)**
Disposal (accumulated amortization)	-	926	178	-	-	-	**1 104**
Amortization/Depreciation	-	(11 972)	(1 555)	(283)	(153)	-	**(13 963)**
Impairment loss	-	(106)	(587)	-	(4)	(7 517)	**(8 214)**
Liquidation (gross value)	-	(1 909)	(200)	-	-	-	**(2 109)**
Liquidation (accumulated depreciation)	-	1 171	153	-	-	-	**1 324**
Other (gross value)	-	41	346	-	-	290	**677**
Other (accumulated depreciation)							**-**
Balance as of 31 December 2009							
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**

Property, plant and equipment (cont'd)

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

	31.12.2010			31.12.2009		
	Gross value	**Accumulated depreciation**	**Net carrying amount**	**Gross value**	**Accumulated depreciation**	**Net carrying amount**
Buildings	-	-	-	-	-	-
Structures	14 909	(1 766)	**13 143**	12 941	(1 261)	**11 680**
Technical equipment and machines	-	-	-	-	-	-
Vehicles	3 620	(476)	**3 144**	2 440	(250)	**2 190**
Other fixed assets	-	-	-	-	-	-
Total	**18 529**	**(2 242)**	**16 287**	**15 381**	**(1 511)**	**13 870**

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. Land perpetual usufruct right

	31.12.2010	31.12.2009
Gross value opening balance	**3 294**	**1 074**
Acquisition	338	2 440
Disposal (gross value)	(2 058)	(220)
Liquidation (gross value)	(3)	-
Gross value closing balance	**1 571**	**3 294**
Opening balance of depreciation	**(81)**	**(84)**
Disposal (accumulated depreciation)	21	18
Depreciation	(23)	(15)
Closing balance of depreciation	**(83)**	**(81)**
Net value opening balance	**3 213**	**990**
Net value closing balance	**1 488**	**3 213**

8. Intangible assets

	Goodwill	Computer software, licences, concessions and patents
Balance as of 1 January 2010		
Gross value		4 016
Accumulated amortization		(2 611)
Net book value		**1 405**
Changes in the 12-month period ended 31 December 2010		
Reclassifications		2 632
Disposal (gross value)	(668)	-
Amortization		(684)
Other (gross value)	668	-
Balance as at 31 December 2010	-	
Gross value		6 648
Accumulated amortization		(3 295)
Net book value		**3 353**

	Computer software, licences, concessions and patents
Balance as of 1 January 2009	
Gross value	3 243
Accumulated amortization	(2 261)
Net book value	**982**
Changes in the 12-month period ended 31 December 2009	
Reclassifications	773
Amortization	(350)
Balance as of 31 December 2009	
Gross value	4 016
Accumulated amortization	(2 611)
Net book value	**1 405**

No collateral has been pledged on intangible assets.

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

	31.12.2010	31.12.2009
Opening balance	**7 844 884**	**7 780 241**
Reclassification to non-current assets held for sale	-	(6 000)
Acquisition of investments	37 144	89 291
Impairment loss	(7 483)	(18 648)
Closing balance	**7 874 545**	**7 844 884**

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. z 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 the period of 12 months ended 31 December 2009, the Company acquired shares in subsidiaries for the total amount of PLN 89,291 thousand).

In 2010 the Company disposed of shares in a jointly-controlled entity - PWE Gubin Sp. z o.o. (as of 31 December 2009 the above shares were disclosed as “non-current assets held for sale”).

In 2009 the Company purchased shares in subsidiaries including Zakład Usług Teleinformatycznych ZZE S. A., „IT SERWIS” Sp. z o. o. in Zielona Góra , ENTUR Sp. z o. o. in Szczecin, „PWE GUBIN” Sp. z o.o. in Sękowiny, COGEN Sp. z o. o. in Poznań, Kozienice II Sp. z o. o. Świerże Górne, ENERGOTRANS Sp. z o. o. Gorzów Wlkp., EnergoPartner Sp. z o. o., Niepubliczny Zakład Opieki Zdrowotnej Centrum Uzdrowiskowe ENERGETYK Sp. z o. o. with registered office in Inowrocław, Elektrownie Wodne Sp. z o. o. with registered office in Samociążek for the total amount of PLN 95,734 thousand. in the balance sheet the amount has been reduced by PLN 6,443 thousand due to a difference between the carrying amount and market value of contribution made to cover the shares.

In 2009 the Company did not dispose of any investments in subsidiaries, associates or jointly-controlled entities.

In 2009, in accordance with IFRS 5 the Company reclassified the shares in PWE Gubin Sp. z o.o. in the amount of PLN 6 000 thousand to non-current assets held for sale and recorded a write-down corresponding to the fair value less costs to sell in the amount of PLN 5 589 thousand.

Impairment loss on investments

	31.12.2010	31.12.2009
Opening balance of impairment loss on investments	**32 372**	**13 724**
Recognized	9 320	19 365
Reversed	(1 837)	(717)
Closing balance of impairment loss on investments	**39 855**	**32 372**

As at 31 December 2010 the Company 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.

10. Financial assets

	31.12.2010	31.12.2009
Long-term financial assets available for sale (shares in unrelated parties)	20 448	3 866
Long-term financial assets measured at fair value through profit or loss	1 411	1 219
Total long-term financial assets	**21 859**	**5 085**
Short-term financial assets measured at fair value through profit or loss (investment portfolio)	1 781 939	1 652 523
Total current financial assets	**1 781 939**	**1 652 523**
Total	**1 803 798**	**1 657 608**

11. Trade and other receivables

	31.12.2010	31.12.2009
Current trade and other receivables		
Trade receivables	587 872	663 695
Receivables due to taxes and other similar benefits (except for income tax)	8 765	22 778
Other receivables	15 747	6 924
Receivables due to unbilled sales	245 425	239 473
	857 809	**932 870**
Less: impairment loss on receivables	(82 343)	(82 623)
Net current trade and other receivables	**775 466**	**850 247**

Impairment loss on trade and other receivables:

	31.12.2010	31.12.2009
Opening balance of impairment loss on receivables	**82 623**	**93 519**
Recognized	14 333	12 544
Reversed	(14 608)	(23 452)
Assigned	(5)	12
Closing balance of impairment loss on receivables	**82 343**	**82 623**

12. Cash and cash equivalents

	31.12.2010	31.12.2009
Cash in hand and at bank	**365 762**	**300 826**
- cash in hand	138	142
- cash at bank	365 624	300 684
Other cash	**357**	**596**
-cash in transit	357	596
Total cash and cash equivalents	**366 119**	**301 422**
Cash disclosed in the cash flows statement	**366 119**	**301 422**

As of 31 December 2010 the restricted cash amounted to PLN 10 341 thousand and comprised:
- cash at bank (blocked on the account in relation to a security deposit, deposit for receivables and transaction deposit).

13. Investment portfolio

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 of 31 December 2010 the funds amounted to PLN 1,781,939 thousand (treasury bills and bonds of PLN 1,459,341 thousand) and deposits (in banks specified by the Company – PLN 322,598 thousand).

The investment portfolio is treated as financial assets measured at fair value through profit or loss.
The selected strategy is to maximize profit at minimum risk.

14. Equity

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**

Equity as at 31 December 2009:

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)			**(3 847)**
Reserve capital			**754 841**
Retained earnings			**2 721 427**
Total equity			**9 832 448**

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.

In relation to the public offering of shares and listing of allotment certificates on Warsaw Stock Exchange, by 31 December 2008 the Company acquired 1.129.608 allotment certificates for treasury shares for the total amount of PLN 17,396 thousand under the stabilization option.

On 11 August 2009, treasury shares sales transactions of the nominal value of PLN 1 were settled resulting in the disposal of 1,129,608 shares.

On 30 June 2009 the General Shareholders’ Meeting of ENEA S.A. adopted a resolution No. 4 concerning net profit distribution for the financial period from 1 January 2008 to 31 December 2008 under which the amount of PLN 416 thousand was assigned to reserve capital.

15. Trade and other liabilities

	31.12.2010	**31.12.2009**
Current trade and other liabilities		
Trade liabilities	664 142	762 611
Advance payments received for deliveries, works and services	388	23 689
Tax liabilities (except for income tax)	49 199	50 274
Profit-sharing liabilities	-	-
Total current liabilities	**713 729**	**836 574**

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

	31.12.2010	**31.12.2009**
Long-term		
Deferred income due to subsidies	31 840	33 194
	31 840	**33 194**
Short-term		
Deferred income due to subsidies	2 325	2 244
	2 325	**2 244**

Deferred income schedule

	31.12.2010	31.12.2009
Up to 1 year	2 325	2 244
1 to 5 years	9 300	8 977
Over 5 years	22 540	24 217
	34 165	**35 438**

17. 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 accordance with the Ordinance, Management Board of the Company submitted the Minister of Treasury with a list of eligible individuals and number of assigned shares. The Minister of the Treasury has made an announcement regarding the disposal of employee shares in a national and local newspaper and it has been entering into agreements for the sale of shares free of charge with eligible individuals. The right to acquire the shares in ENEA S.A. free of charge may be executed until 16 May 2011. After the deadline the title shall 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 on general terms by the State Treasury.

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 of the Grant Date, i.e. as of 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 of 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 SA 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, is likely to 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 of 31 December 2010 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 of 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 of 31 December 2010 a portion of the equivalent was paid to the Eligible Employees of Elektrownia "Kozienice" S.A. As at 31 December 2010 the remaining liabilities due to the equivalent amounted to PLN 557 thousand (PLN 618 thousand as at 31 December 2009).).

18. Financial instruments

18.1. Financial risk management principles

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

- credit risk;
- liquidity risk
- market 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. The relevant figures have been disclosed in these financial statements.

Development and compliance with the risk management policy is the responsibility of the Management Board of ENEA S.A.

Risk is managed on an ongoing basis and the process has not been formalized. Risks are analyzed in connection with the impact of the external environment as well as changes in the structure and activity of ENEA S.A. Taking these into consideration, the Company undertakes steps aimed at risk mitigation. 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 2010 ENEA S.A. undertook measures aimed at development of an integrated, formalized risk management system including credit, liquidity, market, currency and interest rate risk. At present, policies and procedures regulating the risk management process are being developed.

ENEA S.A. does not use financial instruments as risk hedges.

18.2. 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:

	31.12.2010	31.12.2009
	Carrying amount	**Carrying amount**
Financial assets measured at fair value through profit or loss	1 783 350	1 653 742
Trade and other receivables	775 466	850 247
Cash and cash equivalents	366 119	301 422
Total	**2 924 935**	**2 805 411**

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. Implementation of a uniform debt collection policy allowed ENEA S.A. to reduce the reaction time as well as avoid a long and frequently ineffective court enforcement procedure. Legal measures are applied to cases whose value is higher than the cost-benefit ratio for debt collection;
- sales of electricity to bulk customers and the nationalized industry, i.e. small business entities – the amounts of past due receivables in this segment are slightly higher than in the case of individual customers. However, the collection procedure is similar and collection measures are undertaken within 4-5 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, who are responsible for debt collection monitoring. The Company tends 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 main 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.

ENEA S.A. makes current financial investments which include mainly bank deposits as well as treasury bills and bonds.

ENEA S.A. does not grant sureties or guaranties to unrelated parties.

18.3. Liquidity risk

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

The Company's liquidity risk management policy involves ensuring sufficient funds necessary to settle financial and investment liabilities applying the most attractive financing sources.

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 Company undertakes measures aimed at reducing the receivables collection period and extending the settlement period for its liabilities, whereas the excess funds are invested in current assets in the form of term deposits.

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 for PLN 100 000 thousand.

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

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**	**2 203 603**
up to 6 months	(713 729)	(2 119)	366 119	775 466	1 783 350	**2 212 087**
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)**

31.12.2009	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	836 574	8 727	(301 422)	(850 247)	(1 653 742)	**(1 960 110)**
Undiscounted contractual cash flows	**(836 574)**	**(9 700)**	**301 422**	**850 247**	**1 653 742**	**1 959 137**
up to 6 months	(836 574)	(1 889)	301 422	850 247	1 653 742	**1 966 948**
6 - 12 months	-	(1 603)	-	-		**(1 603)**
1 – 2 years	-	(3 070)	-	-		**(3 070)**
2 – 5 years	-	(3 121)	-	-		**(3 121)**
Over 5 years	-	(17)	-	-		**(17)**

18.4. Market risk

Market risk is related to changes in supply, demand and prices as well as other factors which may affect the Company's performance or the value of its assets (such as exchange rates, interest rates, cost of capital, prices of goods). The objective of market risk management is to maintain the risk exposure within an acceptable level while optimizing the return on risk.

One of the key market risks results from the fact that being an integrated energy company operating based on an electricity trading license, ENEA S.A. is required to provide electricity tariffs for the household and prepaid G tariff groups for approval. On the other hand, 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.

18.5. Currency risk

As the Company does not enter into any foreign currency transactions, it is not exposed to currency risk.

18.6. Interest rate risk

The interest rate risk applies to financial assets in the form of debt securities portfolio and bank deposits. As at the balance sheet date (31 December 2010), the Company did not have any liabilities arising from bank loans. As at 31 December 2010 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:

	31.12.2010	31.12.2009
Fixed rate instruments		
Financial assets	786 267	888 324
Financial liabilities	(713 729)	(836 574)
Total	**72 538**	**51 750**
Floating rate instruments		
Financial assets	2 137 257	1 915 868
Financial liabilities	(8 441)	(8 727)
Total	**2 128 816**	**1 907 141**

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

	As at 31 December 2010		As at 31 December 2009	
	Effective interest rate	**Carrying amount**	**Effective interest rate**	**Carrying amount**
Financial assets measured at fair value through profit or loss	5,12	1 783 350	1,55 - 4,83	1 653 742
Cash and cash equivalents	2,86	366 119	3,03	301 422
Finance lease liabilities	5,16	(8 441)	5,26	(8 727)
Collateralized bank loans with a floating interest rate	-	-	-	-
Total	**-**	**2 141 028**	**-**	**1 946 437**

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 2010	**Interest rate risk impact on profit/loss (12-month period)**		**Carrying amount as at 31 December 2009**	**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	366 119	3 661	(3 661)	301 422	3 014	(3 014)
Trade and other receivables	775 466	-	-	850 247	-	-
Financial assets measured at fair value through profit or loss	1 783 350	17 834	(17 834)	1 653 742	16 537	(16 537)
Other financial assets	-	-	-	-	-	-
Impact on profit/loss before tax		**21 495**	**(21 495)**		**19 552**	**(19 552)**
19% tax		(4 084)	4 084		(3 715)	3 715
Impact on profit/loss after tax		**17 411**	**(17 411)**		**15 837**	**(15 837)**
Financial liabilities						
Credit facilities	-	-	-	-	-	-
Trade and other liabilities	(713 729)	-	-	(836 574)	-	-
Finance lease liabilities	(8 441)	(84)	84	(8 727)	(87)	87
Impact on profit/loss before tax		**(84)**	**84**		**(87)**	**87**
19% tax		16	(16)		17	(17)
Impact on profit/loss after tax		**(68)**	**68**		**(70)**	**70**
Total		**17 342**	**(17 342)**		**15 766**	**(15 766)**

18.7. 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.

18.8. Fair value

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

	31.12.2010		31.12.2009	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term financial assets available for sale (shares in unrelated parties)	20 448	20 448	3 866	3 866
Long-term financial assets measured at fair value through profit or loss	1 411	1 411	1 219	1 219
Trade and other receivables	775 466	775 466	850 247	850 247
Short-term financial assets measured at fair value through profit or loss	1 781 939	1 781 939	1 652 523	1 652 523
Cash and cash equivalents	366 119	366 119	301 422	301 422
Bank credit facilities	-	-	-	-
Finance lease liabilities	8 441	8 441	8 727	8 727
Trade and other liabilities	713 729	713 729	836 574	836 574

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%.

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 13).

19. Finance lease liabilities

	31.12.2010	31.12.2009
Finance lease liabilities:		
Up to 1 year	3 422	2 845
1 – 5 years	3 078	5 865
Over 5 years	1 941	17
Present value of minimum lease payments	**8 441**	**8 727**

20. Deferred income tax

	31.12.2010	31.12.2009
Deferred tax asset		
– deferred tax asset realizable after 12 months	35 610	42 323
– deferred tax asset realizable within 12 months	104 676	85 999
	140 286	**128 322**
Offset of deferred tax asset against deferred tax liability within the Company	(100 149)	(100 956)
Deferred tax asset disclosed in the balance sheet	**40 137**	**27 366**

Deferred tax provision:		
– deferred tax liability to be settled after 12 months	2 190	6 131
– deferred tax liability to be settled within 12 months	97 959	94 825
	100 149	**100 956**
Offset of deferred tax asset against deferred tax liability within the Company	(100 149)	(100 956)
Deferred tax provision disclosed in the balance sheet	**-**	**-**

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

	31.12.2010	**31.12.2009**
Opening balance	**(27 366)**	**(39 701)**
Amount recognized in the financial profit/loss	(13 683)	12 335
Change recognized in other items of comprehensive income	912	-
Closing balance	**(40 137)**	**(27 366)**

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

Deferred tax asset

	Impairment losses on receivables	Liabilities due to employee benefits	Settlement of revenue from connection fees	Provision for 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 2009 – 19% rate	**2 424**	**18 169**	**-**	**30 684**	**5 659**	**50 353**	**1 479**	**6 024**	**6 617**	**121 409**
Amount recognized in the financial profit/loss due to a change in temporary differences	56	(615)	-	(12 997)	(131)	9 842	1 561	3 718	5 479	**6 913**
Change recognized in other items of comprehensive income	-	-	-	-	-	-	-		-	
Balance as at 31 December 2009 – 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**

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 2009 – 19% rate	**50 130**	**24 619**	**4 234**	**2 725**	**81 708**
Amount recognized in the financial profit/loss due to a change in temporary differences	9 102	3 981	1 897	4 268	**19 248**
Balance as at 31 December 2009 – 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**

21. Liabilities due to employee benefits

	31.12.2010	31.12.2009
Defined benefit plans		
Retirement benefits		
- long-term portion	933	644
- short-term portion	122	117
	1 055	761
Right to energy allowance after retirement		
- long-term portion	58 901	60 318
- short-term portion	4 453	4 454
	63 354	64 772
Jubilee bonuses		
- long-term portion	3 267	2 567
- short-term portion	397	182
	3 664	2 749
Appropriation to the Company's Social Benefits Fund for pensioners		
- long-term portion	5 297	5 199
- short-term portion	464	493
	5 761	5 692
TOTAL: Defined benefit plans		
- long-term portion	**63 398**	**68 728**
- short-term portion	**5 436**	**5 246**
	73 834	**73 974**
Payroll and other liabilities		
- long-term portion	14 858	14 858
- short-term portion	11 586	3 455
	26 444	18 313
Total liabilities due to employee benefits		
- long-term portion	**83 256**	**83 586**
- short-term portion	**17 022**	**8 701**
	100 278	**92 287**

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 2010 (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:

- employee turnover was taken into account based on statistical data of ENEA S.A. and the information on employee turnover in the power industry estimated by AVCS Sp. z o.o.;

- mortality rate and the probability of receiving benefits were adopted in line with the 2009 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;
- the pensionable age: 65 for men and 60 for women;
- the pay rise rate was adopted at the level of 3.5% for the years 2011-2012; 3.2% for 2013 and 3.5% for subsequent years (3.5% as at 31 December 2009);
- the interest rate for discounting future benefits was adopted at the level of 5.77% (6.15 as at 31 December 2009);
- the base value of the annual equivalent of the electricity allowance for pensioners, disability pensioners and other beneficiaries was adopted at the level of PLN 1,319.32 (PLN 1,282.82 as at 31 December 2009);
- as at 31 December 2010 the electricity price growth rate adopted amounted to 5.30% for 2011, with the following increases: 15.40% for 2012, 8.30% for 2013, 10.40% for 2014, 11.00% for 2015 (as at 31 December 2009, the electricity price increases assumed amounted to 5.50% for 2010, 21.30% for 2011, 2.40% for 2012, 15.00% for 2013, 21.00 % for 2014 and 3.2% in 2015);
- distribution charge growth rate for 2011 was adopted at the level of 2.20%, for 2012 +5.98%, for 2013 +5.64%, for 2014 +7.55% and for 2015 +5.58% (as at 31 December 2009 it was +7.86% for 2010, +4.64% for 2011 and + 4.25% for 2012);
- the average rise in the cash equivalent of the electricity allowance was adopted for 2011 at the level of 5.40%, for 2012 +12.80%, for 2013 +8.80%, for 2014 +10.90%, for 2015 +10.60%, in 2016-2019 + 4.60%; in 2020-2022 +4.70%; in 2023 and later +2.50% (as at 31 December 2009, the rise for 2010 was assumed to be +7.90%m in 2011 +14.30%, in 2012 +3.60%, in 2013 +11.70%, in 2014 +16.10%, in 2015-2016 +4.70%; in 2017-2021 +4.80%, in 2022 +4.90% and +2.50% for the remaining forecast period).

	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 of 1 January 2010	**761**	**64 772**	**2 749**	**5 692**	**18 313**	**92 286**
Changes in the 12-month period 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**	**5 998**
- current employment cost	100	95	489	14	59 144	**59 842**
- past employment cost	-	-	-	-	-	**-**
- 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**

	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 of 1 January 2009	**992**	**63 743**	**2 463**	**7 082**	**18 779**	**93 059**
Changes in the 12-month period ended 31 December 2009						
Liabilities assumed as a result of business combination	-	-	-	-	-	-
Costs recognized in profit or loss, including:	**(98)**	**5 125**	**613**	**(137)**	**36 795**	**42 298**
- Costs of employee benefits	(143)	1 726	486	(509)	36 795	**38 355**
- current employment cost	150	72	536	12	36 795	**37 565**
- past employment cost	-	-	-	-	-	**-**
- net actuarial losses	(293)	1 654	(50)	(521)	-	**790**
- costs of discounted liabilities due to employee benefits	45	3 399	127	372	-	**3 943**
Decrease in the liability due to benefits paid (negative value)	(133)	(4 096)	(327)	(1 253)	(37 262)	**(43 071)**
Other decreases	-	-	-	-	-	-
TOTAL	**(231)**	**1 029**	**286**	**(1 390)**	**(467)**	**(773)**
Balance as of 31 December 2009	**761**	**64 772**	**2 749**	**5 692**	**18 313**	**92 286**

(If not indicated otherwise, all amounts presented in PLN'000)

22. Certificates of origin

	31.12.2010	31.12.2009
Certificates of origin	(85 950)	(26 218)
Advance payments for certificates of origin	(2 610)	(1 259)
Provision for costs of redemption of certificates of origin	219 339	93 088
Provision for certificates of origin	**130 779**	**65 611**

23. Provision for other liabilities and other charges

Provision for projected losses due to compensation proceedings

	31.12.2010	31.12.2009
Opening balance	**42 338**	**42 268**
Increase in provisions	19 450	3 898
Decrease in provisions	(18 259)	(3 828)
Closing balance	**43 529**	**42 338**

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 provisions are created in the amount of the claim considering the probability of losing the case based on a legal opinion. The cost of provisions is recognized under other operating expenses. a description of material claims and the related contingent liabilities has been presented in notes 37.2, 37.5 and 37.6.

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 requests for relocation of facilities (restoring land to its previous condition). As at 31 December 2010, 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.

Other provisions

	31.12.2010	31.12.2009
Opening balance	-	**1 609**
Increase in provisions	-	315
Release of unused provision	-	(1 924)
Closing balance	-	-

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

24. Net sales revenue

	01.01.2010 31.12.2010	01.01.2009 31.12.2009
Revenue from sales of electricity	6 245 866	6 993 251
Revenue from sales of distribution services	-	-
Revenue from sales of goods and materials	-	-
Revenue from sales of other services	58 466	55 374
Total	**6 304 332**	**7 048 625**

(If not indicated otherwise, all amounts presented in PLN'000)

25. Costs by type

	01.01.2010 31.12.2010	01.01.2009 31.12.2009
Amortization	**(17 445)**	**(13 286)**
Costs of employee benefits	**(59 842)**	**(38 355)**
- payroll	(42 213)	(30 059)
- social security and other benefits	(17 629)	(8 296)
Consumption of materials and raw materials and costs of goods sold	**(4 049)**	**(3 230)**
- consumption of materials and energy	(4 049)	(3 230)
- value of goods and materials sold		
External services	**(2 027 107)**	**(2 199 412)**
- transmission and distribution services	(1 886 344)	(2 084 493)
- other external services	(140 763)	(114 919)
Taxes and charges	**(9 549)**	**(8 188)**
Value of energy purchased	**(4 052 513)**	**(4 594 357)**
Total costs of products, goods and materials sold, costs of sales and marketing and general and administrative costs	**(6 170 505)**	**(6 856 828)**

26. Costs of employee benefits

	01.01.2010 31.12.2010	01.01.2009 31.12.2009
Payroll costs	**(42 213)**	**(30 059)**
- current remuneration	(41 204)	(29 716)
- jubilee benefits	(757)	(486)
- retirement benefits	(252)	143
Social security costs	**(17 629)**	**(8 296)**
- social security premiums	(6 835)	(3 814)
- appropriation to the Company's Social Benefits Fund	(1 714)	(147)
- other social benefits	(9 080)	(4 335)
- other post-employment benefits	-	-
	(59 842)	**(38 355)**

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 denotes 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.

(If not indicated otherwise, all amounts presented in PLN'000)

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.

27. Other operating revenue and expense

Other operating revenue

	01.01.2010 31.12.2010	**01.01.2009 31.12.2009**
Release of provisions due to instituted court proceedings for compensation	18 259	3 799
Reimbursement of expenses by an insurance company	722	1 596
Release of unassigned impairment losses on receivables	19	10 113
Fixed assets received free of charge	1 220	1 202
Received damages and fines	314	3 170
Other operating revenue	8 133	4 689
Total	**28 667**	**24 569**

(If not indicated otherwise, all amounts presented in PLN'000)

Other operating expense

	01.01.2010 31.12.2010	01.01.2009 31.12.2009
Cost of provision created for instituted court proceedings for compensation	(3 206)	(4 387)
Costs of provisions created for potential claims	(19 451)	(1 747)
Uncollectible receivables written of f	(8 771)	(19 172)
Court fees	(1 647)	(1 718)
Trade union related expenses	(107)	(11)
Other operating expense	(11 903)	(27 802)
Total	**(45 085)**	**(54 837)**

28. Financial revenue

	01.01.2010 31.12.2010	01.01.2009 31.12.2009
Interest income	29 934	42 107
Revaluation of financial assets measured at fair value through profit or loss	79 806	93 293
Total	**109 740**	**135 400**

29. Financial expenses

	01.01.2010 31.12.2010	01.01.2009 31.12.2009
Interest expense	(1 759)	(3 790)
- on bank loans	(2)	(30)
- interest on leases	(460)	(504)
- other interest	(1 297)	(3 256)
Costs of discounted liabilities due to employee benefits	(4 227)	(3 943)
Total	**(5 986)**	**(7 733)**

30. Income tax

	01.01.2010 31.12.2010	01.01.2009 31.12.2009
Current tax	(63 169)	(44 878)
Deferred tax	13 683	(12 335)
Total	**(49 486)**	**(57 213)**

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:

	01.01.2010 31.12.2010	01.01.2009 31.12.2009
Profit before tax	413 872	362 627
Tax at 19% rate	(78 636)	(68 899)
Costs not classified as tax-deductible expenses (permanent differences)	(7 689)	(3 304)
Dividends received	36 839	14 990
Amount charged to profit or loss due to income tax	**(49 486)**	**(57 213)**

(If not indicated otherwise, all amounts presented in PLN'000)

31. Dividend

A decision regarding the payment of dividend for the financial year shall be made by General Shareholders Meeting in 2011. The Management Board intends to propose using 30% of 2010 profit for the dividend payment.

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 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.

On 30 June 2009 the Ordinary Shareholders' Meeting of ENEA S.A. adopted Resolution No. 4 on distribution of the net profit for the reporting period from 1 January 2008 to 31 December 2008, under which the amount of PLN 203,064 thousand was allocated to dividend payment to shareholders (dividend per share was PLN 0.46). The dividend had been paid by the balance sheet date.

Pursuant to the Act on profit-sharing payments in companies wholly owned by the State Treasury of 1 December 1995, ENEA S.A. made quarterly profit-sharing payments (defined as the gross profit less the current income tax) in the amount of 15%, which is recognized as dividend payment. The Company ceased to be subject to the above obligation at the end of the month in which the capital increase resulting from the public issue of shares carried out in 2008 (13 January 2009) was registered, i.e. since the end of January 2009.

The value of the obligatory profit-sharing payments made for the period from 1 January to 31 January 2009 was PLN 216 thousand.

32. Earnings per share

	01.01.2010 31.12.2010	**01.01.2009 31.12.2009**
Earnings attributable to the Company's shareholders	364 386	305 414
Weighted average number of ordinary shares	441 442 578	441 442 578
Net earnings per share (in PLN per share)	**0,83**	**0,69**
Diluted earnings per share (in PLN per share)	**0,83**	**0,69**

(If not indicated otherwise, all amounts presented in PLN'000)

33. Related party transactions

The Company concludes transactions with the following related parties:

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

	01.01.2010 - 31.12.2010	01.01.2009 - 31.12.2009
Purchases, including:	**3 491 927**	**4 569 444**
investment purchases	12 921	23 861
materials	836	717
services	1 803 098	2 168 382
other (including energy)	1 675 072	2 376 484

	01.01.2010 - 31.12.2010	01.01.2009 - 31.12.2009
Sales, including:	**344 754**	**402 142**
energy	332 399	385 107
materials and goods	-	-
services	2 162	1 579
other	10 193	15 456

	31.12.2010	31.12.2009
Receivables	46 196	61 291
Liabilities	463 655	556 104

(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	
	01.01.2010 31.12.2010	01.01.2009 31.12.2009	01.01.2010 31.12.2010	01.01.2009 31.12.2009
Remuneration under employment contracts	1 298	1 226	-	-
Remuneration relating to appointment of members of management or supervisory bodies	-	-	195	350
Remuneration due to the position held in supervisory boards of subsidiaries	415	216	-	-
Remuneration due to other employee benefits, including: (electricity allowance)	137	318	-	-
TOTAL	**1 850**	**1 760**	**195**	**350**

(If not indicated otherwise, all amounts presented in PLN'000)

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-sharing bonuses, in the fourth quarter of the preceding year, published by the President of the Central Statistical office. The amount of the annual bonus cannot exceed three average monthly remunerations in the year preceding the bonus granting.

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

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

No.	**Body**	Balance as of 01.01.2009	Granted on 01.01.2009	Maturing on 31.12.2009	Balance as of 31.12.2009
1.	Management Board	42	-	(21)**	**21**
2.	Supervisory Board	7	47	(25)	**29**
	TOTAL	**49**	**47**	**(46)**	**50**

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

** - PLN 18 thousand eliminated from presentation due to a loan granted to Czesław Kolterman dismissed from the function of Member of the Management Board on 1 September 2009.

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.

34. Concession agreements on 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 the Company 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.

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 (Dz. U. of 2003 No. 153, item 1504 and No. 203, item 1966, of 2004 No. 29, item 257, No. 34, item 293, No. 91, item 875, No. 96, item 959 and No. 173, item 1808 and of 2005 No. 62, item 552);
- the Ordinance of the Minister of Economy, Labor and Social Policy of 23 April 2004 on detailed principles for tariff establishment and calculation as well as the principles for settlements in electricity trading (Dz. U. of 2004, No. 105, item 1114);
- the Ordinance of the Minister of Economy and Labor of 20 December 2004 on detailed conditions for connections to the power grid, movement and use of power grids (Dz. U. of 2004, No. 2, item 6).

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 13 December 2007 a resolution was adopted by the Management Board of ENEA S.A. on introduction of a tariff for the A, B and C group customers as of 1 January 2008.

On 2 January 2009 the President of the Energy Regulatory office approved the household electricity tariff for ENEA S.A. (household and prepaid G tariff groups).

On 12 January 2010 the electricity tariff of ENEA for 2010 was approved by the President of the Energy Regulatory office.

On 17 December 2010 the electricity tariff of ENEA for 2010 was approved by the President of the Energy Regulatory office.

(If not indicated otherwise, all amounts presented in PLN'000)

35. 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:

	31.12.2010	31.12.2009
Up to 1 year	1 629	935
1 – 5 years	3 302	2 372
Over 5 years	56 397	38 447
Total	**61 328**	**41 754**

36. Future liabilities under contracts concluded as of the balance sheet date

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

	31.12.2010	31.12.2009
Acquisition of property, plant and equipment	14 172	13 053
Acquisition of intangible assets	160	160
Total	**14 332**	**13 213**

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

37.1. Sureties and guarantees

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.

Additionally, in line with loan agreements signed by ENEA S.A. authorization to charge current accounts in banks serving ENEA and statements of voluntary submission to enforcement secure open and unused loan facilities.

In 2009 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 201 thousand as at 31 December 2009.

(If not indicated otherwise, all amounts presented in PLN'000)

Guarantees and sureties as of 31 December 2010

No.	Name of entity to which a guarantee or surety was given	Total liabilities for which the guarantee or surety was given	Term	Relationship between the Company and the entity which assumed the liability
1.	EP Zakład Transportu Sp. z o.o.	PLN 194 thousand (EUR 49 thousand)	31-08-2017	subsidiary

Guarantees and sureties as of 31 December 2009

No.	Name of entity to which a guarantee or surety was given	Total liabilities for which the guarantee or surety was given	Term	Relationship between the Company and the entity which assumed the liability
1.	EP Zakład Transportu Sp. z o.o.	PLN 201 thousand (EUR 49 thousand)	31-08-2017	subsidiary

(If not indicated otherwise, all amounts presented in PLN'000)

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

Name of the Company	Collateralized liability	Type of collateral (e.g. blank promissory notes)	Collateral value	Collateral pledged for:	Debt as at 31 December 2010	Debt as at 31 December 2009	Collateral period
ENEA S.A.	Liabilities related to settlement of energy payments 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 thousand	unlimited
ENEA S.A.	Space rental agreement	bank guarantee	EUR 25,381.66	RONDO PROPERTY INVESTMENT Sp. z o.o. in Warsaw	PLN 20 thousand	PLN 120 thousand	13-12-2010
ENEA S.A.	Purchase of electricity EFET/ENEA/I/2009	bank guarantee	PLN 132 007 thousand	PGE Elektra	PLN 132,007 thousand	-	01.01.2010 to 15.02.2011

37.2. Pending proceedings before common courts

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 2010, the total of 5,767 cases brought by the Company were pending before common courts of law for the total amount of PLN 15,748 thousand (5,054 cases for the total amount of PLN 12,435 thousand as at 31 December 2009).

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. ENEA S.A. considers actions concerning non-contractual use of real property not owned by the Company as particularly important (Note 23 and 37.5).

As at 31 December 2010, the total of 157 cases against the Company were pending before common courts of law for the total amount of PLN 37,691 thousand (126 cases for the total amount of PLN 11,835 thousand as at 31 December 2009)

37.3. Arbitration proceedings

As of 31 December 2010 there were no pending proceedings before competent arbitration bodies.

37.4. 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, as a result of the appeal filed by the Company, the Court of Competition and Consumer Protection changed the decision of the President of the office of Competition and Consumer Protection and 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 decision in whole. 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 upheld the PLN 10 thousand fine imposed on the Company. Currently the Company is awaiting written justification of the decision. Based on an analysis of the justification the Company will decide whether to make an appeal.

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 the President of the Energy Regulatory office and remanded the case for reconsideration and settling the costs of the appeal proceedings.

On 28 December 2009 the President of the Energy Regulatory office issued a decision on ENEA's non-compliance with the obligation to purchase electricity produced in the CHP system in the first half of 2007 and imposed a fine of PLN 2,150 thousand on the Company. On 19 January 2010 ENEA appealed against the decision issued by the President of the Energy Regulatory office to the Court of Competition and Consumer Protection.

Due to the nature of the Company's business, there were many other proceedings before public administration bodies as at 31 December 2009.
A vast majority of the proceedings were initiated at the request of the Company, which applies to the relevant administration bodies for:

- instigation of administrative enforcement in order to recover receivables for illegal consumption of electricity;
- building permits with respect to new facilities and modernization of the existing ones;
- permit for occupation of a road lane by electricity equipment;

- determination of fees for perpetual usufruct of land;
- designation of land for electrical devices.

Some of the proceedings are complaints submitted to government and local government administration bodies or administrative courts with respect to decisions issued in the above cases.
The result of the proceedings should not have a significant impact on the Company's net profit.

As at 31 December 2010 a number of explanatory and administrative proceedings were conducted against the Company by the President of the Energy Regulatory office.
The result of the proceedings should not have a significant impact on the Company's net profit.

37.5. 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).

In this case, claims against the Company are the claims for payment (compensation for non-contractual use of property, impairing the value of property, lost benefits) and claims for discontinuing infringement of ownership rights (demand to remove devices).

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 distribution system operator was spun of f, claims against ENEA Operator Sp. z o.o., the owner of the transmission networks and related devices, have been lodged as well.
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.

(If not indicated otherwise, all amounts presented in PLN'000)

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

As at 31 December 2010 there were no regulations in this respect and the Company did not create provisions for potential claims due to the use of woodland managed by the National Forests for the needs of electricity lines. On 29 November 2006 a meeting was held initiated by the Minister of Environment and attended by representatives of the National Forests, the Ministry of Treasury, PSE-Operator Sp. z o.o. and Polskie Towarzystwa Przesyłu i Rozdziału Energii Elektrycznej representing distribution companies. The National Forests' proposal to conclude agreements for the lease of land where the lines are located was not accepted. Consequently, a more general solution based on legislative changes is required. This year the Ministry of Economy prepared a draft act regulating the use of land managed by the National Forests by energy companies if transmission and distribution electricity lines are located on this land. The draft assumes that the use of such land would be based on transmission easement against payment. As at the date of the separate financial statements, the Act amending the Act on forests and Act on environmental protection has been passed by both Parliament chambers and approved by the President. According to the Act, the consideration for transmission easement would be equal to the amount of local taxes and charges to the State Forests regarding the land included in the easement.

The Company has not created a provision for pre-litigation claims regarding the use of forest land managed by the State Forests for the purpose of locating electricity lines owned by ENEA S.A. According to the Company, in line with the common law, claims regarding the period exceeding three years become invalid.

Regardless of the aforementioned actions aimed at general regulation of the legal status of land owned by the National Forests, individual forest district offices lodged claims against the Company for compensation due to its non-contractual use of land (pending). The claims have been accounted for in the provision referred to in Note 37.2.

38. Employment at ENEA S.A.

The average number of employees at the Company in 2010 and 2009 was as follows:

	31.12.2010	**31.12.2009**
Blue-collar positions	-	-
White-collar positions	519	306
Total	**519**	**306**

The data in the table are presented in FTE.

39. Impairment of assets

As at 31 December 2009 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 2009.

As of 31 December 2010 there were no reasons to carry out another impairment test of property, plant and equipment.

40. Opening of negotiations concerning acquisition of Zespół Elektrowni Pątnów-Adamów-Konin S.A.

In 2008 ENEA S.A. started negotiations with the receiver in bankruptcy of Elektrim S.A. concerning the acquisition of 45.95% of shares in Zespół Elektrowni Pątnów-Adamów-Konin S.A. (ZE PAK). Being interested in acquisition of generation assets owned by ZE PAK, ENEA S.A. joined proceedings commenced by the Ministry of Treasury (MT, the Seller) on 1 February 2010 (the date of announcement publication) regarding acquisition of a holding in (i) ZE PAK accounting for 50% of the share capital of ZE PAK, (ii) Kopalnia Węgla Brunatnego „Adamów" S. A. (KWB Adamów) accounting for 85% of the share capital of KWB Adamów and (iii) Kopalnia Węgla Brunatnego „Konin" in Kleczew S. A. (KWB Konin) accounting for 85% of the share capital of KWB Konin. Pursuant to the transaction timeline set by the Seller, ENEA S.A. submitted the preliminary offer to acquire the holding in ZE PAK, KWB Adamów and KWB Konin and was qualified to the due diligence stage. Following the due diligence of legal, finance, tax, technical and environmental aspects of the above companies, ENEA S.A. withdrew from further stages of the tender announced by MT and did not submit a binding offer.

41. Changes in excise

On 1 March 2009, an amendment to the Act on Excise Duty of 23 January 2004 came into force. Polish excise regulations required an amendment in order to comply with the EU laws. Based on the amendment, the excise duty obligation arises when electricity is supplied to the end customers (not at the time of electricity production). Consequently, since 1 March 2009 ENEA S.A. has been obliged to pay excise duty.

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 (43.82% of the sales value), rather than to the industrial sector.

43. Negotiations concerning acquisition of shares

On 28 June 2010 the Minister of State Treasury in Warsaw, acting on behalf of the State Treasury based on the Act on Commercialization and Privatization (Journal of Laws of 2002, No. 171, item 1397, as amended) on a detailed procedure for disposal of shares held by the State Treasury (Journal of Laws of 2009, No. 34, item 264), invited investors to negotiations concerning the acquisition of 225,135,940 i.e. 51% of shares in ENEA S.A. The State Treasury intends to sell the 225,135,940 shares with the face value of PLN 1 each. At present, the State Treasury holds 52.92% of the Company's shares but 1.92% are employee shares. a portion of employee shares from the pool including 9.43% of the share capital of the Company has been already assigned to eligible individuals based on relevant agreements concluded between the State Treasury and these individuals or their successors.

Written replies to the public invitation to negotiations concerning the acquisition of shares by potential investors that received the Investment Memorandum were to be submitted by 28 July 2010. On 23 July the Minister of Treasury announced that the deadline had been extended until 13 August 2010.

In response to the invitation to negotiations concerning the acquisition of shares of ENEA S.A. 6 entities filed preliminary offers. Potential Investors had been informed of the related decision of the Minister of the Treasury by 24 August. The Minister of the Treasury approved five potential Investors to take part in the next stage of the privatization.

On 30 August 2010, potential Investors were granted access to electronic Data Room (information, data and documents prepared for the due diligence analysis of the ENEA Capital Group).

5 October was the deadline for filing final offers for the acquisition of shares in ENEA S.A.

Final offers were filed by four potential investors. On 12 October 2010, the Ministry of the Treasury issued an announcement regarding parallel negotiations on the sale of 51% of shares in ENEA S.A. with three entities, and then on 19 October 2010, on continuing the parallel negotiations with two entities. On 28 October 2010 the Ministry of the Treasury decided to set a deadline for exclusive negotiations with Kulczyk Holding (the guarantor) and Elektron Sp. z o. o. (the buyer) at 3 November 2010. Since the exclusive negotiation period granted to Kulczyk Holding passed ineffective, on 16 November 2010 the Ministry of the Treasury announced a decision to resume parallel negotiations with potential investors, and on 15 December 2010 decided to grant Electricite de France S.A. the right to exclusive negotiations. On 1 April 2011 the Ministry of Treasury took decision to close the process of selling 51% of shares in ENEA S.A. without selecting an investor.

44. Post balance sheet events

On 27 January 2011 an auction was announced for on the sale of shares in the share capital of Przedsiębiorstwo Energetyki Cieplnej w Śremie S.A. The auction includes 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 of 30 June 2010. Since none of the potential investors paid the deposit within the deadline, the tender did not end with selecting the buyer, 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 due to corporate procedures only after 16 May 2011. At the same time, Centrozap S.A. accepted the starting price published in the tender announcement.

Further proceedings will include:

1) ENEA S.A. to present Centrozap S.A. with a proposal to conclude a preliminary shares acquisition agreement by 31 May 2011 for the announced starting price;

2) Supervisory Board of PEC Śrem S.A. to agree to sell the holding (as required by the by-laws of PEC Śrem S.A.);

3) the holding to be sold by 31 May 2011.