Consolidated financial statements of the ENEA Capital Group for the financial year ended 31 December 2010

Poznań, 12 April 2011

Index to the consolidated financial statements

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards as approved by the European Union (EU) and were accepted by the Management Board of ENEA S.A.

Members of the Management Board

Chairman of the Management 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: Robert Kiereta ………………
Consolidated Accounting Office Manager

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

Consolidated balance sheet

	As of	
	31.12.2010	**31.12.2009**
ASSETS		
Non-current assets		
Property, plant and equipment	8 308 650	8 060 674
Land perpetual usufruct right	29 208	28 090
Intangible assets	145 141	47 985
Investment property	8 203	6 091
Investments in associated entities measured with equity method	170 220	189 938
Financial assets available for sale	74 867	39 346
Financial assets measured at fair value through profit or loss	1 411	1 219
Trade and other receivables	168	1 330
	8 737 868	**8 374 673**
Current assets		
Inventories	242 058	300 830
Trade and other receivables	922 460	925 513
Current income tax receivables	1 819	12 828
Financial assets held to maturity	250 934	55 734
Financial assets measured at fair value through profit or loss	1 781 939	1 652 523
Cash and cash equivalents	899 627	902 543
	4 098 837	**3 849 971**
Non-current assets held for sale	**-**	**5 044**
Total assets	**12 836 705**	**12 229 688**

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

	As of	
EQUITY AND LIABILITIES	**31.12.2010**	**31.12.2009**
Equity		
Equity attributable to shareholders of the Parent		
Share capital	588 018	588 018
Share premium	3 632 464	3 632 464
Share-based capital	1 144 336	1 144 336
Revaluation reserve (financial instruments)	50 922	20 756
Other capitals	(22 110)	(22 110)
Retained earnings	4 458 944	3 985 386
	9 852 574	**9 348 850**
Minority interest	23 897	23 778
Total equity	**9 876 471**	**9 372 628**
LIABILITIES		
Non-current liabilities		
Credit facilities and loans	72 362	107 056
Trade and other liabilities	2	58
Finance lease liabilities	1 742	2 291
Settlement of income due to subsidies and connection fees	713 215	747 117
Provision for deferred income tax	80 453	112 366
Liabilities due to employee benefits	428 134	407 093
Provisions for other liabilities and charges	78 068	30 217
	1 373 976	**1 406 198**
Current liabilities		
Credit facilities and loans	42 398	49 951
Trade and other liabilities	1 017 805	971 962
Finance lease liabilities	2 134	1 178
Settlement of income due to subsidies and connection fees	122 370	102 213
Current income tax liabilities	72 159	71 359
Liabilities due to employee benefits	146 864	125 542
Liabilities due to an equivalent of the right to acquire shares free of charge	557	618
Provision for certificates of origin	92 646	46 539
Provisions for other liabilities and charges	89 325	81 500
	1 586 258	**1 450 862**
Total liabilities	**2 960 234**	**2 857 060**
Total equity and liabilities	**12 836 705**	**12 229 688**

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

Consolidated Statement of Comprehensive Income

	12 months ended 31.12.2010	12 months ended 31.12.2009
Sales revenue	8 087 940	7 418 304
Excise duty	(251 065)	(264 795)
Net sales revenue	**7 836 875**	**7 153 509**
Other operating revenue	84 292	78 599
Amortization / depreciation	(652 672)	(661 345)
Costs of employee benefits	(924 356)	(823 964)
Consumption of materials and raw materials and costs of goods sold	(1 535 465)	(1 573 232)
Energy purchase for sale	(2 689 513)	(2 350 461)
Transmission services	(693 340)	(694 791)
Other external services	(364 550)	(331 998)
Taxes and charges	(199 959)	(171 261)
(Profit) / loss on sale and liquidation of property, plant and equipment	(7 124)	1 453
Impairment loss on property, plant and equipment	(6 143)	(8 942)
Other operating expense	(136 081)	(111 962)
Operating profit	**711 964**	**505 605**
Financial expenses	(41 003)	(33 020)
Financial revenue	140 493	170 370
Dividend income	774	2 335
Share in profits/losses of associates measured using the equity method	988	7 766
Profit before tax	**813 216**	**653 056**
Income tax %	(173 835)	(139 446)
Net profit for the reporting period	**639 381**	**513 610**
Other items of comprehensive income		
Measurement of financial assets available for sale	34 685	26 981
Income tax related to other items of comprehensive income	(4 519)	(5 126)
Other items of net comprehensive income	**30 166**	**21 855**
Comprehensive income for the period	**669 547**	**535 465**
Including net profit:		
attributable to shareholders of the Parent	639 262	513 589
attributable to minority interests	119	21
Including comprehensive income:		
attributable to shareholders of the Parent	669 428	535 444
attributable to minority interests	119	21
Net profit attributable to shareholders of the Parent	639 262	513 589
Weighted average number of ordinary shares	441 442 578	441 442 578
Net earnings per share (in PLN per share)	**1,45**	**1,16**
Diluted earnings per share (in PLN per share)	**1,45**	**1,16**

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

Consolidated Statement of Changes in Equity

	Share capital (face value)	Revaluation of share capital	Total share capital	Treasury shares	Share-based capital	Share premium	Revaluation reserve (financial instruments)	Other capitals	Retained earnings	Capital attributable to minority interests	Total equity
Balance as of 01.01.2010	**441 443**	**146 575**	**588 018**	**-**	**1 144 336**	**3 632 464**	**20 756**	**(22 110)**	**3 985 386**	**23 778**	**9 372 628**
Total profit							30 166		639 262	119	669 547
Dividends									(167 748)		(167 748)
Other									2 044		2 044
Balance as of 31.12.2010	**441 443**	**146 575**	**588 018**	**-**	**1 144 336**	**3 632 464**	**50 922**	**(22 110)**	**4 458 944**	**23 897**	**9 876 471**

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

	Share capital (face value)	Revaluation of share capital	Total share capital	Treasury shares	Share-based capital	Share premium	Revaluation reserve (financial instruments)	Other capitals	Retained earnings	Capital attributable to minority interests	Total equity
Balance as of 01.01.2009	**441 443**	**146 575**	**588 018**	**(17 396)**	**1 144 336**	**3 632 464**	**(1 099)**	**(28 226)**	**3 675 078**	**31 078**	**9 024 253**
Total profit							21 855		513 589	21	535 465
Dividends									(203 281)	(6)	(203 287)
Disposal of treasury shares acquired under the stabilization option				17 396							17 396
Settlement of acquisition of subsidiaries								6 116		(7 315)	(1 199)
Balance as of 31.12.2009	**441 443**	**146 575**	**588 018**	**-**	**1 144 336**	**3 632 464**	**20 756**	**(22 110)**	**3 985 386**	**23 778**	**9 372 628**

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

Consolidated cash flow statement

	12 months ended 31.12.2010	12 months ended 31.12.2009
Cash flows from operating activities		
Net profit for the reporting period	639 381	513 610
Adjustments:		
Income tax disclosed in the income statement	173 835	139 446
Amortization / depreciation	652 672	661 345
(Profit) / loss on sale and liquidation of property, plant and equipment	4 184	(1 453)
Impairment loss on property, plant and equipment	6 861	8 942
Write-down of goodwill	385	16 832
(Profit) / loss on sale of financial assets	7 210	(25 740)
Interest income	(146 327)	(140 439)
Dividend income	(774)	(2 335)
Interest expense	9 051	11 524
Share in the (profit) / loss of associates	(988)	(7 766)
Exchange (gains) / losses on credit facilities and loans	(1 742)	(782)
Other adjustments	(2 481)	(5 066)
	701 886	**654 508**
Income tax paid	(199 225)	(111 597)
Interest received	57 264	133 502
Interest paid	(6 099)	(12 204)
Changes in working capital		
Inventories	60 777	(30 911)
Trade and other receivables	2 935	(141 188)
Trade and other liabilities	(93 446)	62 827
Liabilities due to employee benefits	41 863	(38 072)
Settlement of income due to subsidies and connection fees	(31 407)	44 051
Provisions for certificates of origin	46 107	(54 864)
Liabilities due to an equivalent of the right to acquire shares free of charge	(61)	(163 181)
Other provisions	55 692	(6 347)
	82 460	(327 685)
Net cash flows from operating activities	**1 275 667**	**850 134**
Cash flows from investing activities		
Acquisition of property, plant and equipment and intangible assets	(852 170)	(764 296)
Proceeds from disposal of property, plant and equipment	8 946	16 436
Acquisition of financial assets	(470 440)	(1 905 500)
Proceeds from disposal of financial assets	239 615	321 717
Dividends received	16 181	10 515
Other outflows	(9 745)	(11 391)
Net cash flows from investing activities	**(1 067 613)**	**(2 332 519)**
Cash flows from financing activities		
Credit facilities and loans received	12 328	1 390
Credit facilities and loans repaid	(49 480)	(52 031)
Dividend paid to Parent's shareholders	(167 748)	(203 064)
Payment of finance lease liabilities	(4 521)	(3 740)
Proceeds from sale/release of treasury shares	-	22 479
Other adjustments	(1 549)	(765)
Net cash flows from financing activities	**(210 970)**	**(235 731)**
Net increase (decrease) in cash	**(2 916)**	**(1 718 116)**
Opening balance of cash	902 543	2 620 659
Closing balance of cash	**899 627**	**902 543**

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

Notes to the consolidated financial statements

1. General information

1.1. General information about ENEA S.A. and the ENEA Capital Group

Name (business name):	ENEA Spółka Akcyjna
Legal form:	joint-stock company
Country:	Poland
Registered office:	Poznań
Address:	ul. Nowowiejskiego 11, 60-967 Poznań
NUMBER IN NATIONAL COURT REGISTER (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

The main activities of the ENEA Capital Group ("Group", "Capital Group") are:
- production of electricity (Elektrownia "Kozienice" S.A., Elektrownie Wodne Sp. z o.o.);
– trade in electricity (ENEA S.A.);
- distribution of electricity (ENEA Operator Sp. z o.o.);

As of 31 December 2010 the shareholder structure of the Parent was as follows (an increase in the share capital as a result of an issue 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 of 30 December 2010 the statutory share capital of ENEA S.A. equalled PLN 441,443 thousand (PLN 588,018 thousand upon adoption of IFRS-EU and considering hyperinflation and other adjustments) and was divided into 441,442,578 shares.

As of 31 December 2010 the Capital Group comprised the parent ENEA S.A. ("the Company", "the Parent"), 19 subsidiaries, 1 indirect subsidiary and 3 associates.

These consolidated financial statements have been prepared under the going concern assumption. There are no circumstances indicating that Group'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. Statement of compliance

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards as approved by the European Union (EU) and were accepted by the Management Board of ENEA S.A.

The Management Board of the Parent Company has used its best knowledge as to the application of standards and interpretations as well as measurement methods and principles applicable to the individual items of the consolidated financial statements of the ENEA Capital Group in accordance with IFRS UE as at 31 December 2010. the presented statements and explanations have been prepared using due diligence. Theses consolidated financial statements were audited by a certified auditor.

3. Description of key accounting principles

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

3.1. Basis for preparation

These consolidated financial statements for the financial year ended 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 consolidated 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.

3.2. Consolidation principles

(a) Subsidiaries
Subsidiaries include all entities whose financial and operational policy may be managed by the Group, which usually results from the majority of votes in the Company's decision-making bodies. When assessing whether the Group 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. the subsidiaries are subject to consolidation using the full method as from the date of the Group's assumption of control over such entities. They are not consolidated starting from the date when the Group loses control over them.

The cost of business combination, which is not under common control, is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets, liabilities and contingent liabilities acquired in a business combination are measured initially at their fair value at the acquisition date, irrespective of the minority interest, if any. 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 Group'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 Group verifies fair value of each net asset acquired. If following the verification, the goodwill remains negative, it is immediately recognized in profit or loss.

Inter-company transactions, balances and unrealized gains on transactions between Group's companies are eliminated. Unrealized losses are also eliminated unless there is an impairment indicator of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Associates and jointly controlled entities

Associates include all entities over which the Group 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. Investments in associates are accounted for using the equity method and are initially recognized at cost. Any surplus of the cost over the fair value of identifiable net assets of an associate as of the acquisition date is recognized as goodwill. Goodwill is included in the carrying amount of investments with impairment measured in relation to the total investment value. Any surplus of the Group's interest in the net amount of identifiable assets, liabilities and contingent liabilities over the acquisition cost after revaluation is immediately recognized in profit or loss.

Jointly-controlled entities include all entities over which ENEA S.A. exercises control together with other companies based on contractual arrangements. Investments in jointly-controlled entities are accounted for using the equity method in the same way as investments in associates.

The post-acquisition Group's share in profits or losses of associates and/or jointly controlled entities is recognized in the income statement, and Group's share of post-acquisition movements in other capitals is recognized in other capitals. the carrying value of investments is adjusted by post-acquisition cumulative changes in equity. When the Group's share of losses in an associate or jointly controlled entity equals or exceeds its interest in the equity accounted associate or joint venture, including any other unsecured receivables, recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Unrealized gains on transactions between the Group and associates or jointly controlled entities are eliminated proportionally to the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of impairment of the transferred asset. Accounting policies of associates and jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

3.3. Business combinations/acquisitions

Accounting principles (policy)

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 Group adopted an accounting policy according to which such transactions are recognized in book values.

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 beginning from the acquisition date. Goodwill and negative goodwill is not recognized. Any difference 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 is recognized in the equity of the Group.
When applying the method based on book amounts, comparative data for presented historical periods are not restated.
Business combinations/acquisitions of entities other than jointly-controlled companies are settled using the acquisition method in line with IFRS 3.

3.4. Foreign currency transactions and measurement of foreign currency items

(a) Functional and presentation currency
Items presented in the financial statements of individual Group entities are measured in the currency of the primary economic environment in which the entity carries out its business activity (functional currency). the consolidated financial statements are presented in the Polish zloty (PLN), which is the functional and presentation currency of all Capital Group companies.

(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.

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

3.5. 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. Capital Group applied the optional exemption provided for in IFRS 1, and adopted the fair value of selected items of property, plant and equipment as the deemed cost as at the date of transition to EU-IFRS.

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 the Group 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
including power grids	33 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.
As an enterprise the Group receives fixed assets constituting power infrastructure free of charge. Until 31 December 2009, fixed assets taken over were measured at fair value upon initial recognition, with their amount charged to income from fixed assets received free of charge settled over time proportionally to depreciation of these fixed assets. Since 1 January 2010, pursuant to IFRIC 18, components of power infrastructure received free of charge are fully charged to other operating revenue.

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

3.6. 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 Group 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).

3.7. 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 Group'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 Group 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

Other 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 amounting to:

- 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.

(c) CO_2 emission rights

CO2 emission rights granted free of charge by the State Distribution Plan (Krajowy Plan Rozdziału) as well as acquired rights are classified as intangible assets and are subject to the following distinction: rights granted free of charge are recognized at nil cost whereas acquired rights are recognized at acquisition price.

The provision for the actual CO_2 emission is recognized at nil, as long as the actual emission does not exceed the limits owned by the Group for the given year. If the actual emission exceeds the limits owned by the Group for a given year, the Group creates a provision for the purchase of additional emission rights at the actual - as at the balance sheet date - market price of CO_2 emission rights.

Revenues from the sale of surplus emission rights are recognized as at the selling date.

3.8. R&D expenses

R&D expenses are recognized in profit or loss in the period when they are incurred.

Like other intangible assets, R&D expenses meeting the capitalization criteria presented below 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 2-7 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.

3.9. Borrowing costs

Borrowing costs that may be directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as a portion of the acquisition price or manufacturing cost of the asset. Other borrowing costs are recognized as expense in the period when incurred.

3.10. Leases

Lease agreements that transfer substantially all the risks and rewards incidental to ownership to the Group 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 component of each lease payment is recognized in the income statement over the lease period in such a way as to arrive at a fixed periodic interest rate compared to the unsettled liability amount. 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.

3.11. Impairment of assets

The Group'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 (except from losses on goodwill) if events occur justifying the lack or change in the impairment of assets.

Financial assets

Financial assets are tested for impairment as 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 similar credit risk.

The principles for recognition of impairment losses on financial assets have been presented in detail in Note 3.13.

3.12. Investment property

Investment real property is maintained in order to generated rental income, for capital appreciation or for both. After the initial recognition, the Group selected the acquisition cost model.

Investments in real property are depreciated according to the straight-line method. Depreciation begins in the month following the month of its commissioning. the estimated useful life period is as follows:

Buildings	25 – 33 years

3.13. Financial assets

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

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

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

The category includes two sub-categories:

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

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

(b) Loans and receivables

Loans and receivables are financial assets with determined or determinable payments, which are not quoted on the active market, not classified as derivatives. They arise when the Group spends cash, delivers goods or services directly to the debtor without the intention of classifying them as receivables held for trading.

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 non-derivative financial assets with determined or determinable payments and fixed maturity that the Group 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 the Group 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 the Group undertakes to purchase or sell a given asset. Financial assets are initially recognized at fair value increased by transaction costs, except for investments classified as financial assets measured at fair value through profit or loss, which are 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 the Group has transferred substantially all the risks and rewards incidental to their ownership.
AFS and MFVTPL financial assets 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 and exchange gains or losses on monetary assets. 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), the Group 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.

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

If such evidence exists in 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 corresponding to 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, 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 should not exceed the amortized cost which would be determined had no impairment loss been 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.

3.14. Inventories

Inventories are measured at acquisition price or manufacturing cost not exceeding the net selling price.
Cost is determined according to the FIFO method except from production coal, biomass and limestone powder whose costs are determined in line with weighted average acquisition price method.

3.15. 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.

The substitute fee is the product of the price stated in the Energy Law and the difference between the amount of electricity resulting from the requirement of acquisition and redemption of certificates of origin and the amount of electricity resulting from the certificates of origin which were submitted for redemption by an energy company in a given year.
Depending on the purpose of their purchase, the certificates of origin are classified as:

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

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 Group submits certificates of origin for redemption. In the accounting records redemption of certificates of origin is recognized in line with the detailed calculation method.

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 by the Group is insufficient, a provision for the substitute fee or for acquisition of certificates on the Polish Power Exchange required to satisfy

the requirements imposed by the Energy Law is recognized. the provision covers a number of certificates which represents the difference between the number of certificates redeemed for a given financial year and the number required to be redeemed according to 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.
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 amount of certificates of origin held by the Group.

3.16. 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.

3.17. Share capital

The share capital of the Capital Group is recognized in the amount stipulated in the by-laws and registered in the National Court Register, adjusted by the effects of hyperinflation as well as settlement of the effects of business combinations and acquisitions, respectively. Increases in the share capital covered by the shareholders as at the balance sheet date and not yet registered in the National Court Register are also disclosed as share capital.

3.18. Credit facilities and loans

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

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

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

The deferred income tax is determined based on tax rates (and regulations) which are expected to be applicable when an asset is used and the liability settled, on the basis of the tax rates (and regulations) which were legally or actually applicable as at the balance sheet date.
If the tax law allows changes in tax rates, the total amount of assets and liabilities is calculated in accordance with various tax rates.

If changes in tax rates occur in the period from determining the deferred tax assets or provisions to their settlement, the effects of measurement of assets and provisions are included in the reporting period in which the tax regulations have been amended.
Further, as at the balance sheet date at the latest, the entity tests the assets for impairment in order to check whether they still can be settled. If generation of taxable income sufficient to use the deferred tax asset in part or in whole is not probable, a corresponding impairment loss on the asset should be recognized.

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

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

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

3.20. Employee benefits

The following types of employee benefits are recognized by the Capital Group:

A. Short-term employee benefits

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

Liability due to short-term (accrued) paid leave (compensation for paid leave) even if employees are not entitled to receive payment in lieu of holiday. the Group determines the projected cost of accumulated paid leave as an additional amount that, according to projections, it shall pay as a result of the unused title defined as at the balance sheet date.

B. Defined benefit plans

Defined benefit plans of the Capital Group 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) Electricity allowance for pensioners

Retiring employees who have worked for the Group 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. the related liabilities are estimated using actuarial methods.

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.

3) Jubilee benefits

Other long-term employee benefits 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, when calculating the annual appropriation to the Social Benefits Fund, the Group 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 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 the Group. receives services (work performed by employees) as consideration for its equity instruments (shares) or their cash equivalent.

The Group 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 a cost.

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

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

3.21. Provisions

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

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

3.22. 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 and distribution services is recognized upon delivery of the energy or transmission services 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.

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

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.

3.23. Grants

The Group receives fixed assets constituting power infrastructure free of charge from local self-government units and other business entities. Until 31 December 2009 such transactions were recognized in line with IAS 20 "Government Grants", i.e. recognized as property, plant and equipment, and their value was recognized under deferred income and settled over time in the income statement pro rata to depreciation costs accrued on the received assets. Since 1 January 2010, pursuant to IFRIC 18, subsidies and other fixed assets received free of charge are recognized in revenue in the full amount.

3.24. Compensation to cover orphaned costs originating from early termination of long-term power and electricity sales contracts (LTC)

Compensation to cover the orphaned costs is recognized in the income statement as revenue in the periods when the related orphaned costs are incurred.

Compensation to cover orphaned costs is recognized in the amount of advances due for a given financial period as determined in Appendix 4 to the Act on principles to cover producers' costs originating from early termination of LTC of 29 June 2007 adjusted by an estimated adjustment amount for the given period. the compensation for orphaned costs for the given year is settled by the President of ERO by 31 July of the subsequent year and by 31 August following the last year of LTC remaining in force.

3.25. Connection fees

Revenue from connection fees for tasks completed by 31 December 2009 is recognized in deferred income and settled over the depreciation period of the connection, at present determined as 35 years. In financial statements prepared in line with IAS, the fees are recognized under short-term liabilities. At the end of each reporting period, the fees up to one-year maturity are reclassified to short-term liabilities.
Advances for connection fees paid to the Company until 31 December 2009 with connections commissioned after 1 January 2010 are recognized in full amount in revenue pursuant to IFRIC 18 issued on 1 January 2010 by International Financial Reporting Interpretation Committee.

3.26. Dividend payment

Payments of dividends to shareholders (including minority shareholders for dividends of subsidiaries) are recognized as a liability in the financial statements of the Group for the period when they were approved by the Parent's shareholders.

3.27. 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 four business segments in the Capital Group:

- trade – sale of electricity to end customers;
- distribution – electricity transmission services;
- production – electricity generation;
- other activities.

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

3.28. 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.

3.29. 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);

The above standards, interpretations and modified standards did not materially impact the existing accounting policy of the Group or the consolidated financial statements.

- **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). Having applied the Interpretation, since 1 January 2010 the Group has been recognizing revenue from power infrastructure received free of charge in the amount of PLN 10,693 thousand and revenue from connection fees of PLN 79,036 thousand in the income statement.

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 (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 Capital Group decided not to use the possibility of earlier adoption of the above standards, amendments to standards and interpretations. According to the Group'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 Group 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 Group'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 Group 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 Group, 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.

4. Comparability of financial data for the previous period with the financial statements for the current financial period

The consolidated financial statements for the current and previous period have been based on the same principles. Following presentation changes introduced by the Group in 2010, corresponding changes were made to presentation of 2009 data. Therefore, financial data for the current reporting period are fully comparable with the data for the previous period.
In 2010, the Group changed presentation regarding settlement of income from subsidies and connection fees related to advances (previously recognized as long-term liabilities) and funds received to finance purchase of fixed assets and fixed assets under construction (previously recognized as trade and other short-term receivables). Presentation changes in the statement of comprehensive income included revenue from agency activities carried out by subsidiaries and in the balance sheet – liabilities of a subsidiary to a bank. Presented below are effects of the above changes on 2009 data:

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

a) Balance sheet changes

Trade and other liabilities – prior to the change	991 482
Trade and other liabilities – after the change	971 962
Non-current liabilities	
- Settlement of income due to subsidies and connection fees – prior to the change	791 296
Non-current liabilities	
- Settlement of income due to subsidies and connection fees – after the change	747 117
Current liabilities	
- Settlement of income due to subsidies and connection fees – prior to the change	41 856
- Settlement of income due to subsidies and connection fees – after the change	102 213
- Credit facilities and loans – prior to the change	46 609
-Credit facilities and loans – after the change	49 951

b) Changes in the statement of comprehensive income

Net sales revenue – prior to the change	7 167 337
Net sales revenue – after the change	7 153 509
Consumption of materials and raw materials and costs of goods sold – prior to the change	(1 585 889)
Consumption of materials and raw materials and costs of goods sold – after the change	(1 573 232)
Other external services – prior to the change	(333 169)
Other external services – after the change	(331 998)

c) Cash flow changes

Trade and other liabilities – prior to the change	79 005
Trade and other liabilities – after the change	62 827
Settlement of income from subsidies and connection fees – prior to the change	27 873
Settlement of income from subsidies and connection fees – after the change	44 051

5. 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 consolidated 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:

- ***employment and 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; changes in he discount rate and the long-term pay rise rate affect the accuracy of the estimate made (Note 28);

- ***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 interest rate; a change in the value of estimated future cash flows shall cause a change in estimated impairment losses on receivables (note 14);

- ***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 14);

- ***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 8);

- ***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 Group based on analyses of claims filed on a case-by-base basis (Note 30 and 47.4);

- ***provision for land reclamation*** **-** Elektrownia "Kozienice" S.A., having filled or closed a slag and ash dump, is obliged to reclaim the land. As the company has large unfilled dumps, land reclamation is planned for 2060. Future estimated costs of land reclamation were discounted to their current value as at 31 December 2010, using a 5.77% discount rate (Note 30);

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

- ***provision for costs of disposing or dumping of ash and slag mix –*** in the coal combustion process, Elektrownia "Kozienice" S.A. produces two types of waste: ash and ash and slag mixture. As he company incurs costs related to mixture disposal, it creates an appropriate provision. Future estimated costs of disposing or dumping ash and slag mixture were discounted to their current value as at 31 December 2010, using a 5.77% discount rate (note 30);

- ***share-based payment – the*** Group 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 (Note 24);

- ***compensation to cover orphaned costs*** originating from early termination of LTC are recognized in the amount of advances due for the given period adjusted by an estimated adjustment amount to be calculated by the President of ERO and depending upon a number of factors, including in particular performance of the generator, sales volume and average market price of electricity (note 42).

6. 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

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

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.	„ITSERWIS" 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 1*	100	100
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
29.	ELKO Trading Sp. z o.o. Świerże Górne, gmina Kozienice, Kozienice 1	-*	-

*100% of shares in ELKO Trading Sp. z o.o. is held by Elektrownia „Kozienice" S.A.

Changes in the Capital Group structure in the period covered by the consolidated 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.

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 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 5,676 thousand, i.e. by PLN 2,151.5 thousand by way of issuing 4,303 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 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.

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 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 official 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 official receiver.

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 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 creation 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 2011.

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.

On 15 October 2010 the Management Board of Elektrownia "Kozienice" S.A. adopted a resolution to establish a new company ELKO Trading Spółka z o.o. with its registered office in Świerże Górne with the capital of PLN 33,000 thousand, comprising share capital of PLN 13,500 thousand and supplementary capital of PLN 19,500 thousand.

Elektrownia "Kozienice" S.A. assumed 100% of shares (13,500) of the face value of PLN 1,000 each. Both the share and supplementary capital were paid in cash.

ELKO Trading Sp. z o.o. was incorporated on 21 October 2010 by a notarized deed, Rep. a Nr 4514/2010. Its business includes trade in electricity and energy fuels.

(if not stated otherwise, all amounts in PLN'000)

7. Segment reporting

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

	Trade	Distribution	Production	All other segments	Exclusions	TOTAL
Net sales revenue	4 021 458	2 527 923	1 024 432	263 062		7 836 875
Inter-segment sales	332 399		1 504 517	507 843	(2 344 759)	-
Total net sales revenue	**4 353 857**	**2 527 923**	**2 528 949**	**770 905**	**(2 344 759)**	**7 836 875**
Total expenses	(4 144 574)	(2 264 396)	(2 215 331)	(729 501)	2 329 236	(7 024 566)
Segment profit/loss	**209 283**	**263 527**	**313 618**	**41 404**	**(15 523)**	**812 309**
Unassigned Group costs (general and administrative expenses)						(100 345)
Operating profit						**711 964**
Financial expenses						(41 003)
Financial revenue						140 493
Dividend income						774
Net profit sharing/loss coverage in associated entities						988
Income tax %						(173 835)
Net profit						**639 381**
Share in minority interest profit						119

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

	Trade	Distribution	Production	All other segments	Exclusions	TOTAL
Net sales revenue	4 489 714	2 301 447	7 215	355 133	-	7 153 509
Inter-segment sales	385 106	-	2 370 942	412 219	(3 168 267)	-
Total net sales revenue	**4 874 820**	**2 301 447**	**2 378 157**	**767 352**	**(3 168 267)**	**7 153 509**
Total expenses	(4 639 360)	(2 160 692)	(2 162 632)	(737 540)	3 113 757	(6 586 467)
Segment profit/loss	**235 460**	**140 755**	**215 525**	**29 812**	**(54 510)**	**567 042**
Unassigned Group costs (general and administrative expenses)						(61 437)
Operating profit						**505 605**
Financial expenses						(33 020)
Financial revenue						170 370
Dividend income						2 335
Net profit sharing/loss coverage in associated entities						7 766
Income tax %						(139 446)
Net profit						**513 610**
Share in minority interest profit						21

(if not stated otherwise, all amounts in PLN'000)

Key reporting: industry segments (cont.)

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

	Trade	**Distribution**	**Production**	**All other segments**	**Exclusions**	**TOTAL**
Property, plant and equipment	18 746	4 862 914	2 874 885	350 681	(93 663)	8 013 563
Trade and other receivables	463 869	332 995	241 263	201 648	(327 554)	912 221
TOTAL	482 615	5 195 909	3 116 148	552 329	(421 217)	8 925 784
ASSETS excluded from segmentation						3 910 921
- including property, plant and equipment						295 087
- including trade and other receivables						10 407
TOTAL: ASSETS						**12 836 705**
Trade and other liabilities	359 389	434 131	314 518	154 808	(327 554)	935 292
Equity and liabilities excluded from segmentation						11 901 413
- including trade and other liabilities						82 515
TOTAL: EQUITY AND LIABILITIES						**12 836 705**
Capital expenditure for fixed assets and intangible assets	-	506 275	420 513	76 984	(27 734)	976 038
Capital expenditure for fixed assets and intangible assets excluded from segmentation						66 206
Amortization / depreciation	610	360 890	252 311	34 010	(3 132)	644 689
Amortization/depreciation excluded from segmentation						7 983
Impairment loss for receivables as of 31.12.2010	81 578	12 271	55 840	5 908	-	155 597

(if not stated otherwise, all amounts in PLN'000)

Key reporting: industry segments (cont.)

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

	Trade	Distribution	Production	All other segments	Exclusions	TOTAL
Property, plant and equipment	19 609	4 724 365	2 832 857	340 394	(68 090)	7 849 135
Trade and other receivables	528 425	355 886	268 461	157 840	(389 342)	921 270
TOTAL	548 034	5 080 251	3 101 318	498 234	(457 432)	8 770 405
ASSETS excluded from segmentation						3 459 283
- including propoerty, palnt and equipment						211 539
- including trade and other receivables						5 573
TOTAL: ASSETS						**12 229 688**
Trade and other liabilities	426 258	388 363	289 852	140 999	(389 342)	856 130
Equity and liabilities excluded from segmentation						11 373 558
- including trade and other liabilities						115 890
TOTAL: EQUITY AND LIABILITIES						**12 229 688**
Capital expenditure for fixed assets and intangible assets	-	412 015	302 369	80 009	(32 352)	762 041
Capital expenditure for fixed assets and intangible assets excluded from segmentation						70 688
Amortization / depreciation	353	345 190	246 344	59 964	3 381	655 232
Amortization / depreciation excluded from segmentation						6 113
Imapirment loss for receivables as of 31.12.2010	81 976	8 971	53 916	5 769	-	150 632

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 Group's revenue that may be reasonably attributed to a given 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 a given segment with a relevant portion of the Group's costs that may be reasonably allocated to a given 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. Prices specified in the Energy Law of 10 April 1997 and the related secondary legislation apply to trade in electricity and provision of transmission services.

Supplementary reporting - geographical segments

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

(if not stated otherwise, all amounts in PLN'000)

8. 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	**33 277**	**6 597 205**	**4 307 300**	**117 319**	**378 811**	**455 298**	**11 889 210**
Accumulated depreciation	**-**	**(2 065 785)**	**(1 457 910)**	**(49 132)**	**(238 983)**	**-**	**(3 811 810)**
Impairment loss	**-**	**(4 314)**	**(4 815)**	**(11)**	**(69)**	**(7 517)**	**(16 726)**
Net book value	**33 277**	**4 527 106**	**2 844 575**	**68 176**	**139 759**	**447 781**	**8 060 674**
2010							
Reclassifications	-	38 245	109 953	742	2 364	(164 774)	**(13 470)**
Acquisition	3 140	333 010	193 560	20 029	20 448	358 766	**928 953**
Disposal (gross value)	(521)	(17 360)	(23 562)	(2 093)	(1 322)	(2 393)	**(47 251)**
Disposal (accumulated depreciation)	-	740	10 221	1 704	1 052	-	**13 717**
Amortization	-	(324 807)	(276 783)	(8 366)	(21 541)	-	**(631 497)**
Impairment loss	-	3 904	4 436	(11)	49	1 575	**9 953**
Settlement of acquisition of subsidiaries (gross value)		-	-	-	-	-	**-**
Settlement of acquisition of subsidiaries (accumulated depreciation)		741	(2 533)	22	(6)	-	**(1 776)**
Liquidation (gross value)	(2)	(25 826)	(82 613)	(872)	(3 771)	-	**(113 084)**
Liquidation (accumulated depreciation	-	11 992	76 504	223	3 399	-	**92 118**
Other (gross value)	(48)	14 425	(1 158)	350	(493)	(9 850)	**3 226**
Other (accumulated depreciation	-	1 438	3 299	260	1 153	937	**7 087**
Balance as at 31 December 2010							
Gross value	**35 846**	**6 939 699**	**4 503 480**	**135 475**	**396 037**	**637 047**	**12 647 584**
Accumulated depreciation	**-**	**(2 375 681)**	**(1 647 202)**	**(55 289)**	**(254 926)**	**937**	**(4 332 161)**
Impairment loss	**-**	**(410)**	**(379)**	**(22)**	**(20)**	**(5 942)**	**(6 773)**
Net book value	**35 846**	**4 563 608**	**2 855 899**	**80 164**	**141 091**	**632 042**	**8 308 650**

(if not stated otherwise, all amounts in PLN'000)

	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	**29 596**	**6 322 220**	**4 135 483**	**102 909**	**360 048**	**204 289**	**11 154 545**
Accumulated amortization	**-**	**(1 741 248)**	**(1 191 243)**	**(42 640)**	**(226 815)**	**-**	**(3 201 946)**
Impairment loss	**-**	**(3 901)**	**(3 809)**	**(9)**	**(65)**	**-**	**(7 784)**
Net book value	**29 596**	**4 577 071**	**2 940 431**	**60 260**	**133 168**	**204 289**	**7 944 815**
Changes in the 12-month period ended 31 December 2009							
Reclassifications	-	36 448	92 798	516	1 132	(136 257)	**(5 363)**
Acquisition	4 151	293 666	96 663	16 556	21 249	391 098	**823 383**
Disposal (gross value)	(450)	(8 843)	(2 915)	(2 783)	(1 332)	-	**(16 323)**
Disposal (accumulated depreciation)	-	2 152	2 087	2 615	1 282	-	**8 136**
Amortization	-	(334 406)	(277 231)	(9 264)	(16 734)	-	**(637 635)**
Impairment loss	-	(413)	(1 006)	(2)	(4)	(7 517)	**(8 942)**
Settlement of acquisition of subsidiaries (gross value)	-	(39 307)	(5 121)	(309)	(69)	(290)	**(45 096)**
Settlement of acquisition of subsidiaries (accumulated depreciation)	-	599	870	23	17	-	**1 509**
Liquidation (gross value)	-	(14 515)	(8 354)	(252)	(3 198)	-	**(26 319)**
Liquidation (accumulated depreciation)	-	7 296	6 822	184	3 027	-	**17 329**
Other (gross value)	(20)	7 536	(1 254)	682	981	(3 542)	**4 383**
Other (accumulated depreciation)	-	(178)	785	(50)	240	-	**797**
Balance as of 31 December 2009	-						
Gross value	**33 277**	**6 597 205**	**4 307 300**	**117 319**	**378 811**	**455 298**	**11 889 210**
Accumulated depreciation	**-**	**(2 065 785)**	**(1 457 910)**	**(49 132)**	**(238 983)**	**-**	**(3 811 810)**
Impairment loss	**-**	**(4 314)**	**(4 815)**	**(11)**	**(69)**	**(7 517)**	**(16 726)**
Net book value	**33 277**	**4 527 106**	**2 844 575**	**68 176**	**139 759**	**447 781**	**8 060 674**

Collateral established on the Group's property, plant and equipment is disclosed in note 15.

(if not stated otherwise, all amounts in PLN'000)

Impairment test (property, plant and equipment)

Property, plant and equipment related to distribution was last tested for impairment on 31 December 2008. the test did not reveal any impairment of property, plant and equipment related to distribution as of 31 December 2008.

As of 31 December 2009 and 31 December 2010 there were no reasons to carry out another impairment test of property, plant and equipment related to distribution.

Finance leases

The Group 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
Technical equipment and machines	78	(78)	-	256	(238)	**18**
Vehicles	5 879	(1 239)	**4 640**	5 834	(1 064)	**4 770**
TOTAL	**5 957**	**(1 317)**	**4 640**	**6 090**	**(1 302)**	**4 788**

The Group does not enter into finance lease agreements as a financing party.

9. Land perpetual usufruct right

	31.12.2010	31.12.2009
Gross value opening balance	**29 623**	**16 238**
Acquisition	3 678	6 723
Settlement of acquisition of subsidiaries	-	7 013
Disposal (gross value)	(2 063)	(351)
Liquidation (gross value)	(3)	-
Gross value closing balance	**31 235**	**29 623**
Opening balance of depreciation	**(1 533)**	**(917)**
Disposal (accumulated depreciation)	21	118
Liquidation (accumulated depreciation)	(4)	-
Accumulated depreciation for the period	(511)	(734)
Closing balance of depreciation	**(2 027)**	**(1 533)**
Opening balance of impairment loss	-	-
Closing balance of impairment loss	-	-
Net value opening balance	**28 090**	**15 321**
Net value closing balance	**29 208**	**28 090**

(if not stated otherwise, all amounts in PLN'000)

10. Intangible assets

2010	R&D expenses	Goodwill	Computer software, licences, concessions and patents	CO2 emission rights	Total
Balance as of 1 January 2010					
Gross value	**219**	**19 069**	**131 066**	**15 800**	**166 154**
Accumulated amortization	**(210)**	**-**	**(97 131)**	**(3 950)**	**(101 291)**
Impairment loss	**-**	**(16 878)**	**-**	**-**	**(16 878)**
Net value	**9**	**2 191**	**33 935**	**11 850**	**47 985**
Changes in the 12-month period ended 31 December 2009					
Reclassifications	16	**-**	4 186	**-**	**4 202**
Acquisition	-	**780**	11 761	**100 750**	**113 291**
Disposal (gross value)	-	**(668)**	(2 202)	**-**	**(2 870)**
Disposal (accumulated amortization)	-	**-**	385	**-**	**385**
Amortization	(3)	**(498)**	(15 863)	**(906)**	**(17 270)**
Impairment loss	-	**-**	(109)	**906**	**797**
Settlement of acquisition of subsidiaries (gross value)	-	**-**	-	**-**	**-**
Settlement of acquisition of subsidiaries (accumulated depreciation)	-	**-**	43	**(3 950)**	**(3 907)**
Liquidation (gross value)	-	**-**	(100)	**-**	**(100)**
Liquidation (accumulated amortization)	-	**-**	1 862	**-**	**1 862**
Other (gross value)	2	**668**	(37)	**-**	**633**
Other (accumulated amortization	-	**-**	133	**-**	**133**
Balance as at 31 December 2010					
Gross value	**237**	**19 849**	**144 674**	**116 550**	**281 310**
Accumulated amortization	**(213)**	**(498)**	**(110 571)**	**(8 806)**	**(120 088)**
Impairment loss	**-**	**(16 878)**	**(109)**	**906**	**(16 081)**
Net book value	**24**	**2 473**	**33 994**	**108 650**	**145 141**

2009	R&D expenses	Goodwill	Computer software, licences, concessions and patents	CO2 emission rights	Total
Balance as of 1 January 2009					
Gross value	**212**	**385**	**115 280**	**-**	**115 877**
Accumulated amortization	**(193)**	**-**	**(79 133)**	**-**	**(79 326)**
Impairment loss	**-**	**-**	**55**	**-**	**55**
Net value	**19**	**385**	**36 202**	**-**	**36 606**
Changes in the 12-month period ended 31 December 2009					
Reclassifications	5	-	3 156	-	**3 161**
Acquisition	-	-	9 346	-	**9 346**
Disposal (gross value)	-	-	(759)	-	**(759)**
Disposal (accumulated amortization)	-	-	603	-	**603**
Amortization	(17)	-	(18 616)	-	**(18 633)**
Impairment loss	-	-	(55)	-	**(55)**
Settlement of acquisition of subsidiaries (gross value)	-	18 684	(136)	15 800	**34 348**
Settlement of acquisition of subsidiaries (accumulated amortization)	-	(16 878)	49	(3 950)	**(20 779)**
Liquidation (gross value)	-	-	(487)	-	**(487)**
Liquidation (accumulated amortization)	-	-	487	-	**487**
Other (gross value)	2	-	4 666	-	**4 668**
Other (accumulated amortization)	-	-	(521)	-	**(521)**
Balance as of 31 December 2009					
Gross value	**219**	**19 069**	**131 066**	**15 800**	**166 154**
Accumulated amortization	**(210)**	**-**	**(97 131)**	**(3 950)**	**(101 291)**
Impairment loss	**-**	**(16 878)**	**-**	**-**	**(16 878)**
Net book value	**9**	**2 191**	**33 935**	**11 850**	**47 985**

No collateral has been established on intangible assets.

(if not stated otherwise, all amounts in PLN'000)

11. Investment property

	31.12.2010	31.12.2009
Gross value opening balance	6 736	5 711
Acquisition	81	163
Reclassification from / to property, plant and equipment	3 167	862
Gross value closing balance	**9 984**	**6 736**
Opening balance of depreciation	(645)	(677)
Acquisition	-	(3)
Disposal (accumulated depreciation)	-	217
Accumulated depreciation for the period	(262)	(182)
Closing balance of depreciation	**(907)**	**(645)**
Opening balance of impairment loss	-	
Closing balance of impairment loss	(874)	
Net value opening balance	**6 091**	**5 034**
Net value closing balance	**8 203**	**6 091**

No collateral has been established on investment property.

12. Investments in associates and jointly-controlled entities

	31.12.2010	31.12.2009
Opening balance	189 938	189 941
Share in the changed balance of net assets	702	5 366
Acquisition of investments	3 000	5 500
Reclassification to non-current assets held for sale	-	(5 044)
Impairment loss	(7 959)	(900)
Depreciation of the surplus of fair value of net assets over book value	(15 461)	(4 925)
Closing balance	**170 220**	**189 938**

The item includes advance payments of PLN 3,000 thousand made to ensure exclusivity in negotiations concerning purchase of shares in wind farms from Energetyka Wiatrowa Galicja Sp. z o.o. In exchange the company pledged the shares in 2 most advanced wind farms: Farma Wiatrowa Łańcut Sp. z o. o. and Farma Wiatrowa Gać Sp. z o. o.

As of 31 December 2010, following verification of bases and an impairment test of the shares in the combined heat and power plants which are associates (Przedsiębiorstwo Energetyki Cieplnej w Śremie S.A. and Elektrociepłownia Białystok S.A.), the Group impaired the shares in Przedsiębiorstwo Energetyki Cieplnej w Śremie S.A. by PLN 7,959 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”). the related gain was

PLN 545 thousand.

The share in the net profit/loss of associates and jointly controlled entities consolidated in line with the equity method for 2010 amounted to PLN 988 thousand (PLN 7,766 thousand for 2009).

(if not stated otherwise, all amounts in PLN'000)

The following table presents the key financial data regarding associates and jointly controlled entities consolidated in line with the equity method.

31.12.2010	**Interest in the share capital**	**Current assets**	**Non-current assets**	**Total assets**	**Current liabilities**	**Non-current liabilities**	**Total liabilities**	**Revenue**	**Expenses**	**Net profit**
Wirbet S.A. (associate)	49,00%	8 380	8 595	**16 975**	4 602	351	**4 953**	27 184	(24 548)	2 636
Przedsiębiorstwo Energetyki Cieplnej w Śremie S.A. (associate)	41,65%	2 303	42 626	**44 929**	27 726	-	**27 726**	11 429	(11 236)	193
Elektrociepłownia Białystok S.A. (associate)	30,36%	108 166	390 659	**498 825**	28 054	-	**28 054**	269 445	(221 320)	48 125
		118 849	**441 880**	**560 729**	**60 382**	**351**	**60 733**	**308 058**	**(257 104)**	**50 954**

31.12.2009	**Interest in the share capital**	**Current assets**	**Non-current assets**	**Total assets**	**Current liabilities**	**Non-current liabilities**	**Total liabilities**	**Revenue**	**Expenses**	**Net profit**
Wirbet S.A. (associate)	49,00%	9 441	8 895	**18 336**	5 401	849	**6 250**	29 347	(26 654)	2 693
Przedsiębiorstwo Energetyki Cieplnej w Śremie S.A. (associate)	41,65%	10 803	7 928	**18 731**	1 382	-	**1 382**	9 616	(9 246)	370
Elektrociepłownia Białystok S.A. (associate)	30,36%	101 674	388 201	**489 875**	20 970	-	**20 970**	281 342	(234 381)	46 961
PWE Gubin Sp. z o.o. (jointly controlled entity)	50,00%	10 242	3	**10 245**	156	-	**156**	317	(2 018)	(1 701)
		132 160	**405 027**	**537 187**	**27 909**	**849**	**28 758**	**320 622**	**(272 299)**	**48 323**

(if not stated otherwise, all amounts in PLN'000)

13. Financial assets

	31.12.2010	31.12.2009
Non-current financial assets available for sale (shares in unrelated parties)	74 867	39 346
Non-current financial assets held to maturity	-	-
Non-current financial assets measured at fair value through profit or loss	1 411	1 219
Total long-term financial assets	**76 278**	**40 565**
Current financial assets available for sale	-	-
Current financial assets held to maturity	250 934	55 734
Current financial assets measured at fair value through profit or loss	1 781 939	1 652 523
Total current financial assets	**2 032 873**	**1 708 257**
TOTAL	**2 109 151**	**1 748 822**

14. Trade and other receivables

	31.12.2010	31.12.2009
	Carrying amount	**Carrying amount**
Current trade and other receivables		
Trade receivables	760 710	742 126
Tax receivables (excluding income tax) and other similar benefits	11 450	26 110
Other receivables	51 434	46 658
Advance payments	3 061	2 063
Receivables due to unbilled sales	249 067	240 780
Prepaid property insurance	2 335	18 408
	1 078 057	**1 076 145**
Less: impairment loss on receivables	(155 597)	(150 632)
Net current trade and other receivables	**922 460**	**925 513**

	31.12.2010	31.12.2009
	Carrying amount	**Carrying amount**
Non-current trade and other receivables		
Non-current trade receivables	-	1 131
Other receivables	168	199
Net non-current trade and other receivables	**168**	**1 330**
Total net trade and other receivables	**922 628**	**926 843**

Impairment loss on trade and other receivables:

	31.12.2010	31.12.2009
Opening balance of impairment loss on receivables	**150 632**	**124 232**
Recognized	27 869	63 641
Reversed	(22 427)	(31 462)
Assigned	(477)	(5 779)
Closing balance of impairment loss on receivables	**155 597**	**150 632**

Collateral and encumbrances established on the Group's receivables are disclosed in note 15.

(if not stated otherwise, all amounts in PLN'000)

15. Encumbrances and collateral established on the Group's assets

Property, plant and equipment with limited ownership of the Company classified as collateral of liabilities

Name of the Company:	Collateral title	Type of collateral	Entity for which the collateral has been established	Debt as at 31 December 2010	Debt as at 31 December 2009	Collateral period
BHU S.A.	Overdraft	Capped mortgage up to PLN 5,250 thousand	Bank Zachodni WBK S.A.	1 158	-	November 2011
Elektrownie Wodne Sp. z o.o.	Credit facility Interest and proceeding costs, if any	Mortgage of PLN 3,500 thousand Capped mortgage up to PLN 1,440 thousand	Bank Ochrony Środowiska S.A. w Warszawie O/Poznań	-	839	December 2010
EP PUE ENERGOBUD Leszno Sp. z o.o.	Investment credit	Mortgage of PLN 4,000 thousand	Nordea Bank Polska S.A.	1 855	2 214	February 2016
Hotel „EDISON" Sp. z o.o.	Overdraft	Capped mortgage up to PLN 400 thousand	BZ WBK S.A.	74	93	October 2011
„ITSERWIS" Sp. z o.o.	Overdraft	Capped mortgage	BGŻ S.A.	-	541	August 2010
„ITSERWIS" Sp. z o.o.	Overdraft	Capped mortgage	BZ WBK S.A.	911	-	October 2011
Auto-Styl Sp. z o.o.	Investment loan	Registered pledge on machines and equipment in the amount of PLN 329 thousand	BGŻ S.A.	86	155	March 2012
PEC Sp. z o.o. in Oborniki	Leases	Capped mortgage, assignment of receivables	BZ WBK Finanse & Leasing S.A.	223	349	November 2012
PEC Sp. z o.o. in Oborniki	Working capital loan	Assignment of receivables	BZ WBK S.A.	-	800	March 2010
Elektrownia "Kozienice" S.A.	Long-term loan	Assignment of receivables, statement of submission to enforcement proceedings	National Fund for Environmental Protection and Water Management (NFOŚiGW)	-	11 907	December 2010
Elektrownia "Kozienice" S.A.	Long-term credit facility	Registered pledge on fixed assets, 16 blank bills of exchange, authorization to the bank account, assignment of insurance policy title	Nordic Investment Bank S.A.	60 085	77 275	December 2015
Elektrownia "Kozienice" S.A.	Long-term credit facility	Registered pledge on fixed assets, assignment of insurance policy title	PKO BP S.A.	36 409	54 613	December 2012

(if not stated otherwise, all amounts in PLN'000)

Other collateral, including related to loans and borrowings presented in the preceding table.

No.	Name of the Company	Collateral title	Type of collateral	Entity for which the collateral has been established	Debt as at 31 December 2010	Debt as at 31 December 2009	Collateral period
1.	**Energobud Leszno**	Claims arising from the contract on purchase of products and services secured with Fleet Cards	Blank bills of exchange	**PKN Orlen S.A.**	Undetermined	Undetermined	unlimited
2.	**Energobud Leszno**	Collateral of leases	Blank bills of exchange	**Pekao Leasing Sp. z o.o.**	30	70	July 2012
3.	**Energobud Leszno**	Collateral of a contract for tender bonds	Blank bills of exchange	**PZU S.A.**	Undetermined	Undetermined	unlimited
4.	**Energobud Leszno**	Service contract regarding regular provision of performance bonds	Blank bills of exchange	**PZU S.A.**	Undetermined	-	unlimited
5.	**Energobud Leszno**	Service contract regarding provision of bid bonds	Blank bills of exchange	**TUiR WARTA S.A.**	-	Undetermined	2 July 2010
6.	**Energobud Leszno**	Investment loan	Authorization to charge the bank account, assignment of insurance policy title	**NORDEA BANK POLSKA S.A.**	1 855	2 214	February 2016
7.	**Energobud Leszno**	Collateral of claims arising from concluded contracts	Performance bond and defect liability certificate	**MTP Sp. z o.o. Poznań**	-	42	31 August 2010
8.	**Energobud Leszno**	Collateral of claims arising from concluded contracts	Performance bond and defect liability certificate	**PSE Zachód Poznań**	-	35	January 2010
9.	**Elektrownie Wodne**	Loan	Blank bill of exchange, assignment of receivables from power sales contract	**National Fund for Environmental Protection and Water Management (NFOŚiGW)**	5 274	-	20 December 2023
10.	**Elektrownie Wodne**	Investment loan	Assignment of receivables from the power sales contract, assignment of insurance policy title on real property of Dobrzyca hydro-power station, on which a mortgage has been established and blank bill of exchange	**Bank Ochrony Środowiska S.A. w Warszawie O/Poznań**	-	839	December 2010
11.	**Elektrownie Wodne**	Collateral of leases	Blank bill of exchange	**European Lease Fund**	-	12	August 2010
12.	**Eneos**	Investment loan	Assignment of a contract and blank bills of exchange	**PKO BP S.A.**	2 226	3 168	November 2017
13.	**Auto-Styl**	Overdraft	Blank bills of exchange	**Volkswagen Bank Polska S.A.**	17	248	June 2011
14.	**Auto-Styl**	Revolving loan	Blank bills of exchange and assignment of insurance policy title	**Volkswagen Bank Polska S.A.**	4 464	3 342	March 2011
15.	**Auto-Styl**	Revolving loan	Fiduciary transfer of movables and assignment of insurance policy	**Volkswagen Bank Polska S.A.**	319	459	June 2011
16.	**Auto-Styl**	Bank guarantee	Assignment of insurance policy title	**BGŻ S.A.**	20	36	June 2011
17.	**BHU**	Collateral of a purchase limit	Blank bill of exchange; bill guarantee	**Philips Lighting Farel Mazury Sp. z o.o.**	400	400	Contract term
18.	**BHU**	Collateral of leases	Blank bills of exchange	**BRE Leasing Sp. z o.o.**	-	134	December 2010
19.	**BHU**	Collateral of lease	Blank bill of exchange	**Raiffeisen-Leasing Polska S.A.**	64	-	1 February 2013
20.	**ENEA**	Collateral of receivables	Blank bill of exchange	**PSE Operator S.A.**	15 000	15 000	Contract term
21.	**ENEA**	Space rental agreement	Bank guarantee	**RONDO PROPERTY INVESTMENT Sp. z o.o.**	20	10	13 December 2011

(if not stated otherwise, all amounts in PLN'000)

22.	**ENEA**	Purchase of electricity	Bank guarantee	**PGE Elektra**	132 007	132 007	15 February 2011
23.	**Energomiar**	Collateral of leases	Blank bill of exchange	**Raiffeisen-Leasing Polska S.A.**	5	24	April 2011
24.	**Energomiar**	Collateral of leases	Blank bill of exchange	**Volkswagen Leasing Polska Sp. z o.o.**	106	165	December 2012
25.	**Energomiar**	Collateral of leases	Blank bill of exchange	**Renault Credit Polska**	-	4	April 2010
26.	**Zakład Transportu**	Collateral of claims arising from product promotion fee	Bill of exchange for PLN 58 thousand	**Castol Lubricant Sp.z o.o.**	-	Undetermined	24 July 2010
27.	**ITSERWIS**	Collateral of claims arising from an agency contract	Blank bill of exchange up to PLN 2,950 thousand	**Polkomtel S.A.**	-	2 661	30 June 2010
28.	**ITSERWIS**	Collateral of leases	Blank bills of exchange	**BZ WBK Leasing S.A.**	43	41	31 March 2013
29.	**ITSERWIS**	Overdraft	Assignment of the insurance policy title	**BGŻ S.A.**	-	541	31 August 2010
30.	**ITSERWIS**	Overdraft	Authorization to charge the bank account, blank bill of exchange	**BZ WBK S.A.**	911	-	31 October 2011
31.	**Hotel Edison**	Trade agreement	Blank bill of exchange up to PLN 5 thousand	**FEDRUS S.A.**	-	-	Contract term
32.	**MEC Piła Sp. z o.o.**	Loan	Blank bills of exchange and assignment of receivables	**WFOŚiGW**	622	1 570	May 2014
33.	**MEC Piła Sp. z o.o.**	Loan	Blank bills of exchange and assignment of receivables	**WFOŚiGW**	1 200	-	July 2015
34.	**MEC Piła Sp. z o.o.**	Loan	Blank bills of exchange and assignment of receivables	**WFOŚiGW**	161	-	June 2015
35.	**Elektrownia Kozienice**	Subsidy	Blank bill of exchange (collateral amount of PLN 4,418 thousand)	**National Fund for Environmental Protection and Water Management (NFOŚiGW)**	Undetermined	Undetermined	4 December 2011
36.	**Elektrownia Kozienice**	Subsidy	Blank bill of exchange (collateral amount of PLN 4,497 thousand)	**National Fund for Environmental Protection and Water Management (NFOŚiGW)**	Undetermined	Undetermined	31 August 2012

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.

(if not stated otherwise, all amounts in PLN'000)

16. Inventories

	31.12.2010	31.12.2009
Materials	226 144	283 891
Semi-finished products and work in progress	654	409
Finished products	368	37
Goods	21 640	22 770
	248 806	**307 107**
Impairment loss on inventories	(6 748)	(6 277)
TOTAL:	**242 058**	**300 830**

No collateral has been established on inventories.

17. Cash and cash equivalents

	31.12.2010	31.12.2009
Cash in hand and at bank	**510 304**	**435 833**
- cash in hand	1 006	849
- cash at bank	509 298	434 984
Other cash	**389 323**	**466 710**
- cash in transit	649	964
- deposits	388 312	465 713
- other	362	33
Total cash and cash equivalents	**899 627**	**902 543**
Cash disclosed in the cash flows statement	**899 627**	**902 543**

Collateral established on cash is disclosed in note 15.

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).

18. 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, the 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.

19. Goodwill tested for impairment and measurement of call options for shares in PEC Oborniki and MEC Piła

As of 31 December 2010 assets, including goodwill in two companies acquired in 2008: Przedsiębiorstwo Energetyki Cieplnej Sp. z o. o. in Oborniki ("PEC Oborniki") and Miejska Energetyka Cieplna Piła Sp. z o. o. ("MEC Piła") were tested for impairment. As a result the impairment loss on property, plant and equipment (recognized as of 31 December 2009) of PLN 728 thousand related to PEC Oborniki was reversed.

The agreements on the acquisition of shares in PEC Oborniki and MEC Piła include irrevocable shares call options valid in the period of 6 and 5 years from the date of concluding the agreement, respectively. These purchase options have been measured in these consolidated financial statements. the Company recognized the financial liability resulting from these options as at 31 December 2008 in the amount of PLN 22,110 thousand corresponding to other capitals, the amount of PLN 1,691 thousand, constituting a difference between measurement as at 31 December 2009 (PLN 20,419 thousand) and as at 31 December 2008 (PLN 22,110 thousand) corresponding to financial expenses of 2009, whereas PLN 2,844 thousand accounting for the difference between measurement as at 31 December 2010 (PLN 23,263 thousand) and as at 31 December 2009 (PLN 20,419 thousand) corresponding to financial expenses of 2010.

(if not stated otherwise, all amounts in PLN'000)

20. Equity

Balance as at 31.12.2010

Balance as of 31 December 2010

Series of shares	Number of shares (items)	Nominal value per share (in PLN)	Share capital
"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**		
Total share capital			**441 443**
Share capital (face value)			**441 443**
Capital from business combination			38 810
Share capital adjusted by hyperinflation effect			107 765
TOTAL SHARE CAPITAL			**588 018**
Share premium			3 632 464
Share-based capital			1 144 336
Retained earnings			4 458 944
Minority interest			23 897
Revaluation reserve (financial instruments)			50 922
Other capitals			(22 110)
TOTAL EQUITY			**9 876 471**

Balance as at 31 December 2009

Balance as of 31 December 2009

Series of shares	Number of shares (items)	Nominal value per share (in PLN)	Share capital
"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**		
Total share capital			**441 443**
Share capital (face value)			**441 443**
Capital from business combination			38 810
Share capital adjusted by hyperinflation effect			107 765
TOTAL SHARE CAPITAL			**588 018**
Share premium			3 632 464
Share-based capital			1 144 336
Retained earnings			3 985 386
Minority interest			23 778
Revaluation reserve (financial instruments)			20 756
Other capitals			(22 110)
TOTAL EQUITY			**9 372 628**

(if not stated otherwise, all amounts in PLN'000)

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.

21. Trade and other liabilities

	31.12.2010	31.12.2009
	Carrying amount	Carrying amount
Non-current trade and other liabilities		
Non-current trade liabilities	**2**	58
	2	**58**
Current trade and other liabilities		
Trade liabilities	667 953	659 171
Advance payments received for deliveries, works and services	682	24 263
Tax and similar liabilities (except for income tax)	183 076	184 209
Special funds	7 636	10 415
Liabilities due to purchase of other shares in subsidiaries	23 263	20 419
Other	135 195	73 485
Total short-term	**1 017 805**	**971 962**
TOTAL	**1 017 807**	**972 020**

22. Credit facilities and loans

	31.12.2010	31.12.2009
	Carrying amount	Carrying amount
Long-term		
Bank credit facilities	66 006	102 312
Loans	6 356	4 744
	72 362	**107 056**
Short-term		
Bank credit facilities	41 285	40 976
Loans	1 113	8 975
	42 398	**49 951**
TOTAL	**114 760**	**157 007**

(if not stated otherwise, all amounts in PLN'000)

Repayment schedule of long-term credit facilities and loans	31.12.2010	31.12.2009
1 - 3 years	51 606	74 475
3 - 5 years	18 283	32 410
Over 5 years	2 473	171
TOTAL	**72 362**	**107 056**

23. Settlement of income due to subsidies and connection fees

	31.12.2010	31.12.2009
	Carrying amount	**Carrying amount**
Long-term		
Deferred income due to subsidies	210 797	232 239
Deferred income due to connection fees	502 418	514 878
	713 215	**747 117**
Short-term		
Deferred income due to subsidies	14 767	14 640
Deferred income due to connection fees	107 603	87 573
	122 370	**102 213**

Deferred income schedule

	31.12.2010	31.12.2009
Up to 1 year	122 370	102 213
1 to 5 years	93 686	94 496
Over 5 years	619 529	652 621
	835 585	**849 330**

24. 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 he 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 hares by eligible employees. In compliance with the aforementioned Ordinance, the Management Board of the Company provided the Minister of the Treasury with a list of eligible individuals and the number

of hares assigned. the Minister of the Treasury made an announcement regarding the disposal of employee shares in a national and local newspaper and it is now entering into agreements for the sale of shares free of charge with eligible individuals (most of the agreements have been already concluded).
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 he 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 NEA 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 he consolidated financial statements, i.e. as of 1 January 2005, and it did not revalue the costs as of any of he 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 he 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 he 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 NEA S.A. free of charge by 18 January 2008. Following the examination of the declarations submitted as ell 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 he 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 of 31 December 2010 the remaining liability due to the equivalent amounted to PLN 557 thousand (PLN 618 thousand as of 31 December 2009).

25. Financial instruments

25.1. Financial risk management principles

The Capital Group 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 Group'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 consolidated financial statements.

Development and compliance with the risk management policy is the responsibility of the Management Board of the Parent. Risk is managed on an ongoing basis in the Capital Group. Risks are analyzed in connection with the impact of the external environment as well as changes in the structure and activity of the Group. Taking these into consideration, the steps are undertaken aimed at mitigation of the risk or its transfer beyond the capital group. In order to do so, its employees are educated on possibilities of risks occurrence and their influence on the activity of individual organizational units and the Group as a whole.

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.

In the current period, the Parent and its subsidiaries have not concluded any transaction on risk hedging instruments. Elektrownia Białystok S.A., an associate, is the only entity that concluded a currency purchase contract hedging currency risk related to purchase of coal in USD denominated contracts. As at the balance sheet date, the transaction generated gains of immaterial amount compared to the Group performance.

25.2. Credit risk

Credit risk is the risk of financial losses which may be incurred if a customer or a contractor 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 he Group include:

- a substantial number of customers resulting in an increase in the costs incurred to monitoring 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 Group does not require collateral from its clients in relation to financial assets.

(if not stated otherwise, all amounts in PLN'000)

The maximum exposure of the Group to credit risk is presented below:

	31.12.2010	31.12.2009
	Carrying amount	Carrying amount
Current and non-current financial assets held to maturity	250 934	55 734
Current and non-current financial assets measured at fair value through profit or loss	1 783 350	1 653 742
Trade and other receivables	922 628	926 843
Cash and cash equivalents	899 627	902 543
TOTAL	**3 856 539**	**3 538 862**

The credit risk relating to receivables differs for individual market segments in which the Group carries out its business activities:

- electricity and distribution service sales to individual customers – a considerable amount of past due receivables. Although they do not represent a serious threat to the Group's financial position, measures aimed at their reduction have been undertaken. Actions aimed at improvement of he collection process have been undertaken involving development of new and update of he existing manuals and principles of collection and cooperation with professional entities. the collection process starts 20-25 days after the payment deadline. 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 and distribution services to business and key clients, where overdue receivables are higher than in the segment of individual clients. However, the collection procedure is similar and collection measures are undertaken within 6-10 business days of he 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 Group tends to collect overdue receivables through direct contact with a 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.

The Group monitors the amount of past due receivables on an ongoing basis and in justified cases files legal complaints and recognizes appropriate impairment losses.

The Group makes current financial investments which include mainly bank deposits as well as treasury bills and bonds.

The Group does not grant sureties or guaranties to unrelated parties.

25.3. Liquidity risk

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

The Group's liquidity risk policy involves ensuring sufficient funds necessary to settle financial and investment liabilities applying the most attractive financing sources, e.g. issuing debt securities.

Liquidity management focuses on a detailed analysis of the receivables collection scheme, the on-going monitoring of bank accounts and cash concentration in consolidated accounts. the Group 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 Group it may be concluded that its liquidity risk remains at a minimum level.

Another liquidity risk management tool involves maintaining of open and unused loan facilities in the amount of PLN 155,192 thousand as at 31 December 2010 (PLN 156,938 thousand as at 31 December 2009).

(if not stated otherwise, all amounts in PLN'000)

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

	Trade and other liabilities	Finance lease liabilities	Bank credit facilities	Loans	Cash and cash equivalents	Trade and other receivables	Financial assets measured at fair value through profit or loss	Financial instruments held to maturity	TOTAL
31.12.2010									
Carrying amount	1 017 807	3 876	107 291	7 469	(899 627)	(922 628)	(1 783 350)	(250 934)	**(2 720 096)**
Undiscounted contractual cash flows	(1 017 807)	(5 380)	(111 658)	(7 469)	899 627	922 628	1 783 350	254 212	**2 717 601**
up to 6 months	(1 017 794)	(1 211)	(23 799)	(233)	899 627	917 932	1 783 350	254 212	**2 812 182**
6 - 12 months	(11)	(1 211)	(19 894)	(880)	-	4 528	-	-	**(22 008)**
1 – 2 years	(2)	(2 205)	(35 427)	(1 752)	-	57	-	-	**(34 808)**
2 – 5 years	-	(753)	(32 107)	(2 707)	-	111	-	-	**(34 551)**
Over 5 years	-	-	(431)	(1 897)	-	-	-	-	**(3 214)**

	Trade and other liabilities	Finance lease liabilities	Bank credit facilities	Loans	Cash and cash equivalents	Trade and other receivables	Financial assets measured at fair value through profit or loss	Financial instruments held to maturity	TOTAL
31.12.2009									
Carrying amount	972 020	3 469	143 288	13 719	(902 543)	(926 843)	(1 653 742)	(55 734)	**(2 406 366)**
Undiscounted contractual cash flows	(972 020)	(3 789)	(151 422)	(14 074)	902 543	926 843	1 653 742	56 772	**2 398 595**
up to 6 months	(968 580)	(803)	(24 122)	(4 552)	902 543	921 256	1 652 523	56 182	**2 534 447**
6 - 12 months	(3 382)	(490)	(20 565)	(4 719)	-	4 257	-	590	**(24 309)**
1 – 2 years	(58)	(1 605)	(37 508)	(4 598)	-	1 330	1 219	-	**(41 220)**
2 – 5 years	-	(890)	(68 796)	(94)	-	-	-	-	**(69 780)**
Over 5 years	-	(1)	(431)	(111)	-	-	-	-	**(543)**

(if not stated otherwise, all amounts in PLN'000)

25.4. Market risk

Market risk is related to changes in supply, demand and prices as well as other factors which may affect the Group’s performance or the value of 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, the Group 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 Group 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) or return on equity (for distribution) planned to be earned in the subsequent tariff period. Therefore, during the tariff period the Group’s ability to transfer adverse changes in its operating costs to electricity end users is limited. a tariff adjustment request may be filed to the President of the ERO only in the event of a dramatic rise in costs for reasons beyond the Company’s control.

25.5. Currency risk

The exposure of the Group to currency risk is presented below.

31.12.2010	Carrying amount	Including foreign currency amount denominated in functional currency (PLN)	Currency risk impact on profit/loss	
			1%	-1%
Financial assets				
Cash and cash equivalents	899 627	3 970	40	(40)
Trade and other receivables	922 628	25	0	(0)
Other financial assets	327 212	-	-	-
Financial liabilities				
Credit facilities and loans	(114 760)	(60 085)	(601)	601
Trade and other liabilities	(1 017 807)	(4 134)	(41)	41
Finance lease liabilities	(3 876)	-	-	-
Impact on profit/loss before tax			(602)	602
19% tax			114	(114)
Impact on profit/loss after tax			**(488)**	**488**

(if not stated otherwise, all amounts in PLN'000)

31.12.2009	Carrying amount	Including foreign currency amount denominated in functional currency (PLN)	Currency risk impact on profit/loss	
			1%	-1%
Financial assets				
Cash and cash equivalents	902 543	4 051	41	(41)
Trade and other receivables	926 843	7 840	78	(78)
Other financial assets	1 748 822	-	-	-
Financial liabilities				
Credit facilities and loans	(157 007)	(76 734)	(767)	767
Trade and other liabilities	(972 020)	(6 173)	(62)	62
Finance lease liabilities	(3 469)	(110)	(1)	1
Impact on profit/loss before tax			(711)	711
19% tax			135	(135)
Impact on profit/loss after tax			**(576)**	**576**

25.6. Interest rate risk

The interest rate risk applies to debt arising from credit facilities and loans taken, financial assets in the form of debt securities portfolio and bank deposits. Interest rate is floating and based on WIBOR rates. Changes in the interest rate on financial assets and liabilities are synchronized both in terms of percentage and timing. the Group limits the interest rate risk on loans through selecting a favorable interest period, depending among others on the WIBOR rate and solvency level. Certain risks cannot be avoided, since they are caused by macro-economic trends.

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

Fixed rate instruments	**31.12.2010**	**31.12.2009**
Financial assets	944 661	977 320
Financial liabilities	(1 017 807)	(972 020)
TOTAL	**(73 146)**	**5 300**
Floating rate instruments		
Financial assets	2 910 467	2 560 316
Financial liabilities	(118 636)	(160 476)
TOTAL	**2 791 831**	**2 399 840**

(if not stated otherwise, all amounts in PLN'000)

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

	31.12.2010		31.12.2009	
	Average weighted interest rate (%)	**Carrying amount**	**Average weighted interest rate (%)**	**Carrying amount**
Financial assets measured at fair value through profit or loss	5,12	1 781 939	1,55-4,83	1 652 523
Cash and cash equivalents	3,41	899 627	3,43	902 543
Finance lease liabilities	5,93	(3 876)	4,90	(3 469)
Loans	4,88	(7 469)	2,85	(13 719)
Floating interest rate credit facilities	3,16	(107 291)	3,09	(143 288)
TOTAL		**2 562 930**		**2 394 590**

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 Group's financial profit/loss.

	Carrying amount 31.12.2010	Interest rate risk impact on profit/loss (12 months)		Carrying amount 31.12.2009	Interest rate risk impact on profit/loss (12 months)	
		+ 1 p.p.	- 1 p.p.		+ 1 p.p.	- 1 p.p.
Financial assets						
Cash	899 627	8 996	(8 996)	902 543	9 025	(9 025)
Trade and other receivables	922 628			926 843		
Other financial assets	2 032 873	20 329	(20 329)	1 708 257	17 083	(17 083)
Impact on profit/loss before tax		29 325	(29 325)		26 108	(26 108)
19% tax		(5 572)	5 572		(4 961)	4 961
Impact on profit/loss after tax		**44 082**	**(44 082)**		**38 230**	**(38 230)**
Financial liabilities						
Credit facilities and loans	(114 760)	(1 148)	1 148	(157 007)	(1 570)	1 570
Trade and other liabilities	(1 017 807)			(972 020)		
Finance lease liabilities	(3 876)	(39)	39	(3 469)	(35)	35
Impact on profit/loss before tax		(1 186)	1 186		(1 605)	1 605
19% tax		225	(225)		305	(305)
Impact on profit/loss after tax		**(961)**	**961**		**(1 300)**	**1 300**
TOTAL		**43 121**	**(43 121)**		**36 930**	**(36 930)**

25.7. Capital management

The key assumption of the capital management policy developed by the Group is maintaining an optimum capital structure with the objective to reduce its cost, ensuring a good credit rating and safe capital ratios supporting its 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 the Group. In order to maintain or adjust its capital structure, the Group may issue new shares or sell its assets. the Group monitors its capital using the debt ratio and the return on equity ratio. Its objective is to ensure an optimum level of the aforementioned ratios.

(if not stated otherwise, all amounts in PLN'000)

25.8. 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)	74 867	74 867	39 346	39 346
Non-current financial assets held to maturity	-	-	-	-
Non-current financial assets measured at fair value through profit or loss	1 411	1 411	1 219	1 219
Current financial assets available for sale	-	-	-	-
Current financial assets held to maturity	250 934	250 934	55 734	55 734
Current financial assets measured at fair value through profit or loss	1 781 939	1 781 939	1 652 523	1 652 523
Trade and other receivables	922 628	922 628	926 843	926 843
Cash and cash equivalents	899 627	899 627	902 543	902 543
Credit facilities and loans	114 760	114 760	157 007	156 748
Finance lease liabilities	3 876	3 876	3 469	3 469
Trade and other liabilities	1 017 807	1 017 807	972 020	972 020

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 18).

Current financial assets held to maturity include bank deposits with the original maturity from 3 months to 1 year.

26. Finance lease liabilities

	31.12.2010	31.12.2009
Finance lease liabilities – minimum lease payments		
Up to 1 year	2 134	1 178
1 – 5 years	1 742	2 274
Over 5 years	-	17
Present value of lease payments	**3 876**	**3 469**

(if not stated otherwise, all amounts in PLN'000)

27. Deferred income tax

	31.12.2010	31.12.2009
	Carrying amount	**Carrying amount**
Deferred tax asset		
- deferred tax asset realizable after 12 months	249 370	253 771
- deferred tax asset realizable within 12 months	147 311	113 290
	396 681	**367 061**
Offset of deferred tax asset against deferred tax liability within the Group	**(396 681)**	**(367 061)**
Deferred tax asset disclosed in the balance sheet	**-**	**-**
Deferred tax provision:		
- deferred tax provision to be settled after 12 months	335 514	352 427
- deferred tax provision to be settled within 12 months	141 620	127 000
	477 134	**479 427**
Offset of deferred tax asset against deferred tax provision within the Group	**(396 681)**	**(367 061)**
Deferred tax provision disclosed in the balance sheet	**80 453**	**112 366**

Changes in the deferred tax liability (considering the net-off of asset and liability):

	31.12.2010	31.12.2009
Opening balance	112 366	123 480
Amount debited/(credited) to profit	(36 309)	(16 240)
Amount debited/(credited) to other items of comprehensive income	4 396	5 126
Closing balance	**80 453**	**112 366**

(if not stated otherwise, all amounts in PLN'000)

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	Provision for disposal, reclamation and purchase of CO2 emission rights	Tax deductible expenses after the end of the settlement period	Other	Total
Balance as at 1 January 2009 – 19% rate	**3 245**	**118 727**	**93 671**	**30 684**	**43 379**	**6 664**	**46 392**	**30 951**	**373 713**
Change due to acquisition of subsidiaries	-	-	-	-	-	-	-	-	-
Amount recognized in the financial profit/loss due to a change in temporary differences	627	(17 021)	9 327	(12 997)	(2 202)	(2 269)	13 841	4 042	(6 652)
Change recognized in equity	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2009 – 19% rate	**3 872**	**101 706**	**102 998**	**17 687**	**41 177**	**4 395**	**60 233**	**34 993**	**367 061**
Amount recognized in the financial profit/loss due to a change in temporary differences	452	7 489	(2 308)	23 988	(3 711)	(2 073)	(3 774)	10 280	30 343
Change recognized in equity	-	75	-	-	-	-	-	(798)	(723)
Balance as at 31 December 2010 – 19% rate	**4 324**	**109 270**	**100 690**	**41 675**	**37 466**	**2 322**	**56 459**	**44 475**	**396 681**

Deferred tax provision

	Income taxed after the end of the accounting period	Accrued unbilled sales	Fair value measurement of fixed assets	Other	Total
Balance as at 1 January 2009 – 19% rate	**50 170**	**42 117**	**377 867**	27 039	**497 193**
Amount recognized in the financial profit/loss due to a change in temporary differences	9 125	4 098	(20 568)	(15 547)	(22 892)
Change recognized in equity	-	-	-	5 126	5 126
Balance as at 31 December 2009 – 19% rate	**59 295**	**46 215**	**357 299**	**16 618**	**479 427**
Amount recognized in the financial profit/loss due to a change in temporary differences	(2 443)	1 687	(19 130)	13 986	(5 900)
Change recognized in equity	-	-	-	3 607	3 607
Balance as at 31 December 2010 – 19% rate	**56 852**	**47 902**	**338 169**	**34 211**	**477 134**

(if not stated otherwise, all amounts in PLN'000)

28. Liabilities due to employee benefits

	31.12.2010	**31.12.2009**
Defined benefit plans:		
Retirement benefits		
- long-term portion	63 272	63 051
- short-term portion	15 758	12 418
	79 030	**75 469**
Right to energy allowance after retirement		
- long-term portion	160 196	150 265
- short-term portion	7 277	7 043
	167 473	**157 308**
Jubilee bonuses		
- long-term portion	166 524	158 302
- short-term portion	21 891	18 580
	188 415	**176 882**
Appropriation to the Company's Social Benefits Fund for pensioners		
- long-term portion	23 164	20 617
- short-term portion	1 059	1 005
	24 223	**21 622**
Total: Defined benefit plans		
- long-term portion	**413 156**	**392 235**
- short-term portion	**45 985**	**39 046**
	459 141	**431 281**
Payroll and other liabilities		
- long-term portion	**14 978**	14 858
- short-term portion	**100 879**	86 496
	115 857	**101 354**
Total liabilities due to employee benefits		
- long-term portion	**428 134**	**407 093**
- short-term portion	**146 864**	**125 542**
	574 998	**532 635**

Based on an arrangement entered into by the representatives of staff and the Group, its the employees 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 Capital Group employees as at 31 December 2010 (taking into account their sex) regarding:

- age;
- length of service with the Group;
- 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 the Group 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 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 (as in previous years);
- 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).

(if not stated otherwise, all amounts in PLN'000)

29. Provision for certificates of origin

	31.12.2010	31.12.2009
Certificates of origin	(119 538)	(45 437)
Advance payments for certificates of origin	(2 610)	(1 259)
Provision for costs of redemption of certificates of origin	214 794	93 235
Provision for certificates of origin	**92 646**	**46 539**

30. Provisions for liabilities and other charges

	31.12.2010	31.12.2009
Opening balance	**87 738**	**81 028**
Increase in provisions	66 124	21 979
Applied provisions	-	(11 407)
Decrease in provisions	(18 390)	(3 862)
Closing balance	**135 472**	**87 738**

Provisions for liabilities are determined in reasonable, reliably estimated amounts. Individual provisions are recognized for projected losses related to court action brought against the Group. 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. the description of material claims and relevant contingent liabilities has been presented in notes 47.1, 47.4 and 47.5.

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 Group recognizes a related provision for both disputed claims brought to court and claims which have not been submitted to court yet.

Provisions are also created for the use of woodland managed by National Forests for the purpose of construction of power lines owned by the Group.

(if not stated otherwise, all amounts in PLN'000)

Other provisions

	31.12.2010	31.12.2009
Opening balance	**23 979**	**36 909**
Increase in provisions	93 582	67 789
Applied provisions	(83 454)	(68 824)
Decrease in provisions	-	-
Release of unused provision	(2 186)	(11 895)
Closing balance	**31 921**	**23 979**

Provision for land reclamation

After closing or filling a slag and ash dump, the Group is obliged to carry out appropriate land reclamation. As the Group has large unfilled dumps, land reclamation is planned for 2060. Future estimated costs of land reclamation were discounted to their current value as at 5.77% (as at 31 December 2009, using a 6.15% discount rate).

As of 31 December 2010 the provision amounted to PLN 9,890 thousand (as of 31 December 2009 it was PLN 7,629 thousand).

Provision for the cost of disposal or storage of ash and slag mixture

The Group produces two types of waste in the process of burning coal: ash and ash and slag mixture. As the Group incurs costs related to mixture disposal, it recognizes a relevant provision. Future estimated costs of disposing or dumping ash and slag mixture were discounted to their current value at 5.77% (as at 31 December 2009, at 6.15%).

As of 31 December 2010 the provision amounted to PLN 2,334 thousand (as of 31 December 2009 it was PLN 4,107 thousand).

Provision for purchasing CO_2 emission rights

As at 31 December 2010 the provision determined based on the market price of CO_2 emission rights amounted to PLN 906 thousand (as at 31 December 2009 it was PLN 11,109 thousand).

In November 2010 Elektrownia "Kozienice" S. A. created a provision of PLN 5,066 thousand (plus interest as of 30 November 2010 of PLN 1,159 thousand) to cover any additional fee calculated by the Marshal's Office (Decision No. 132/10/OŚ and 133/10/OŚ of 16 July 2010) being the difference between the fee for the use of the environment for the first and second half of 2008 paid to the account of the Marshal's Office and the fee calculated for emissions of pollutants specified in the report of PRTR. Pursuant to the decision of the Self-government Appeal Court in Warsaw of 23 December 2010, the fee and interest was paid to the account of the Marshal's Office in January 2011. Therefore, in December 2010 the Company created provision for the difference in the fee paid for 2009 and 2010 and the fee calculated for the emission of pollutants specified in the PRTR report. the provision for 2009 is PLN 4,887 thousand; for 2010: PLN 5,806 thousand. Interest for 2009 and the first half of 2010 (the fee for the second half of 2010 has not been yet paid) amounted to PLN 693 thousand and for the first and second half of 2008 (from 1 December 2010 to 31 December 2010), PLN 52 thousand.

(if not stated otherwise, all amounts in PLN'000)

Provision for liabilities

	31.12.2010	**31.12.2009**
Long-term	78 068	30 217
Short-term	89 325	81 500
Closing balance	**167 393**	**111 717**

31. Net sales revenue

	01.01.2010 -31.12.2010	**01.01.2009 - 31.12.2009**
Revenue from sales of electricity	4 995 638	4 620 236
Revenue from sales of distribution services	2 526 943	2 297 371
Revenue from sales of goods and materials	111 695	143 641
Revenue from sales of other services	132 821	121 854
Compensation to cover stranded costs	15 580	(77 381)
Revenue from sales of heat	54 198	47 788
Total net sales revenue	**7 836 875**	**7 153 509**

32. Costs by type

	01.01.2010 - 31.12.2010	**01.01.2009 - 31.12.2009**
Amortization.depreciation	(652 672)	(661 345)
Consumption: materials, raw materials, value of goods and mat.sold	**(1 535 465)**	**(1 573 232)**
- consumption of materials and energy	(1 394 166)	(1 391 998)
- bonus from suppliers	452	14 889
- value of goods and materials sold	(141 751)	(196 123)
External services	**(1 057 890)**	**(1 026 789)**
- transmission services	(693 340)	(694 791)
- other external services	(364 550)	(331 998)
Costs of employee benefits	**(924 356)**	**(823 964)**
- payroll	(675 533)	(578 173)
- social security and other benefits	(248 823)	(245 791)
Taxes and charges	(199 959)	(171 261)
Value of energy purchased for resale	(2 689 513)	(2 350 461)
Total costs of products, goods and materials sold, costs of sales and marketing and general and administrative costs	**(7 059 855)**	**(6 607 052)**

(if not stated otherwise, all amounts in PLN'000)

33. Costs of employee benefits

	01.01.2010 - 31.12.2010	**01.01.2009 - 31.12.2009**
Payroll expenses, including:	**(675 533)**	**(578 173)**
- current remuneration	(642 304)	(606 292)
- jubilee benefits	(22 072)	22 916
- retirement benefits	(5 686)	9 716
- other	(5 471)	(4 513)
Costs of social security and other benefits	**(248 823)**	**(245 791)**
- social security premiums	(124 531)	(119 084)
- appropriation to the Company's Social Benefits Fund	(31 548)	(34 694)
- other social benefits	(68 843)	(64 605)
- other post-employment benefits	(4 558)	(9 768)
- other	(19 344)	(17 640)
TOTAL	**(924 356)**	**(823 964)**

Employment guarantees

Based on an arrangement entered into by the Group and labor unions, specific employment guarantees have been given to people employed by the Company before 29 June 2007 (except from Elektrownia "Kozienice" S.A.), 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, the Group 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.

Pursuant to a social contract concluded on 10 August 2007 between Elektrownia "Kozienice" S.A. and labor unions, employees of that entity obtained an employment guarantee extended by 11 years as at the contract effective date, i.e. by 30 January 2019.

Arrangements entered into with employees of the Group

As a result of collective arrangements entered into by the Group 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 the Group who are not entitled to receive shares in ENEA S.A. from the 15% block of shares to be acquired by Eligible Employees. the parties agreed to enter into a separate arrangement regarding the potential compensations.

(if not stated otherwise, all amounts in PLN'000)

Considering the aforementioned arrangements, on 28 May 2008 the Management Board of the Parent entered into an arrangement with the Group labor unions 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 arrangement replaced former ones regarding employee shares and payment of compensation included in the above arrangements concluded in 2005 and 2007. According to its contents, it did not anyhow override employee rights resulting from other agreements and arrangements. 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.

34. Other operating revenue and expense

Other operating revenue

	01.01.2010 - 31.12.2010	01.01.2009 - 31.12.2009
Provisions for damages claims released	18 941	4 968
Other provisions released	2 039	1 449
Reimbursement of expenses by an insurance company	3 700	9 196
Settlement of income due to subsidies and connection fees	6 599	6 317
Damages, fines, penalties	4 936	11 733
Unassigned impairment losses reversed	10 162	18 379
Property, plant and equipment received free of charge	20 301	6 808
Other operating revenue	17 614	19 749
TOTAL	**84 292**	**78 599**

Other operating expense

	01.01.2010 - 31.12.2010	01.01.2009 - 31.12.2009
Provisions for damages claims recognized	(38 777)	(12 028)
Other provisions recognized	(31 543)	(6 908)
Impairment loss on receivables	(11 572)	(16 906)
Irrecoverable receivables written off	(10 112)	(19 460)
Impairment loss on inventories	(3 197)	(2 170)
Costs of litigation	(8 464)	(3 330)
Trade union related expenses	(1 245)	(1 305)
Write-down of goodwill	(385)	(16 832)
Other operating expenses	(30 786)	(33 023)
TOTAL	**(136 081)**	**(111 962)**

(if not stated otherwise, all amounts in PLN'000)

35. Financial revenue

	01.01.2010 - 31.12.2010	01.01.2009 - 31.12.2009
Interest income	60 806	67 020
Forex differences	-	1 874
- forex differences on loans and credit facilities	-	783
- other forex differences	-	1 091
Revaluation of financial assets measured at fair value through profit or loss	77 969	93 294
Liabilities due to purchase of other shares in subsidiaries	-	1 691
Other financial revenue	1 718	6 491
TOTAL	**140 493**	**170 370**

36. Financial expenses

	01.01.2010 - 31.12.2010	01.01.2009 - 31.12.2009
Interest expense	(10 661)	(11 068)
- interest expense on loans and credit facilities	(4 506)	(7 684)
- finance lease expenses	(354)	(193)
- other interest	(5 801)	(3 191)
Forex differences	(1 023)	-
- forex differences on loans and credit facilities	1 742	-
- other forex differences	(2 765)	-
Costs of discounted liabilities due to employee benefits	(24 817)	(21 737)
Liabilities due to purchase of other shares in subsidiaries	(2 844)	-
Other financial expenses	(1 658)	(215)
TOTAL	**(41 003)**	**(33 020)**

37. Income tax %

	01.01.2010 - 31.12.2010	01.01.2009 - 31.12.2009
Current tax	(210 144)	(155 686)
Deferred tax	36 309	16 240
TOTAL	**(173 835)**	**(139 446)**

The income tax on gross profit before tax differs from the theoretical amount resulting from application of the nominal tax rate applicable to the Group's consolidated profit in the following manner:

(if not stated otherwise, all amounts in PLN'000)

	01.01.2010 - 31.12.2010	01.01.2009 - 31.12.2009
Profit/loss before tax	813 216	653 056
Tax at 19% rate	**(154 511)**	**(124 081)**
Costs not classified as tax-deductible expenses (permanent differences) *19%	(56 779)	(26 640)
Non-taxable revenue (permanent differences * 19%)	39 504	11 838
Other *19%	(2 049)	(563)
Amount charged to profit or loss due to income tax	**(173 835)**	**(139 446)**

38. 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.

39. Earnings per share

	01.01.2010 - 31.12.2010	01.01.2009 - 31.12.2009
Net profit attributable to shareholders of the Parent	639 262	513 589
Number of ordinary shares	441 442 578	441 442 578
Net earnings per share (in PLN per share)	**1,45**	**1,16**
Diluted earnings per share (in PLN)	**1,45**	**1,16**

(if not stated otherwise, all amounts in PLN'000)

40. Related party transactions

The companies of the Capital Group conclude the following related party transactions:

- The Capital Group's constituent entities – transactions are eliminated at the consolidation stage;
- transactions concluded between the Group and Members of its governing bodies fall within three categories:
  - those resulting from employment contracts with Members of the Management Board of the Parent and related to the appointment of Members of Supervisory Boards;
  - those resulting from loans from the Company's Social Benefit Fund granted to Members of the Management Board of the Parent and Supervisory Boards employed by ENEA S.A.;
  - resulting from other civil law agreements;
- Transactions with entities whose shares are held by the State Treasury of the Republic of Poland.

Transactions with members of the Group's governing bodies:

No.	Item	Management Board of the Company 01.01.2010 - 31.12.2010	Management Board of the Company 01.01.2009 - 31.12.2009	Supervisory Board of the Company 01.01.2010 - 31.12.2010	Supervisory Board of the Company 01.01.2009 - 31.12.2009
1.	Remuneration under employment contracts	1 298	1 226	-	-
2.	Remuneration due to appointment of members of management and supervisory bodies	-	-	195	350
3.	Remuneration due to the position held in supervisory boards of subsidiaries	415	216	-	-
4.	Remuneration due to other employee benefits (electricity allowance)	137	318	-	-
	TOTAL	**1 850**	**1 760**	**195**	**350**

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 (companies with the majority interest of the State Treasury). Pursuant to the Act, the maximum monthly remuneration cannot exceed six average monthly remunerations in the enterprise sector, excluding profit bonuses in Q4 of the preceding year, announced by the President of the Central Statistical Office. the amount of the annual bonus cannot exceed three average monthly remunerations in the year preceding the bonus granting.

(if not stated otherwise, all amounts in PLN'000)

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

No.	Company 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.	Company 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**

Other transactions resulting from civil-law agreements concluded between the Parent Company and Members of the Parent's Bodies relate only to private use of company's cars by Members of the Management Board of ENEA S.A.

The Group also concludes business transactions with entities of the central and local administration and entities controlled by the State Treasury of the Republic of Poland.
The transactions concern mainly:

- purchase of coal, electricity and property rights resulting from certificates of origin as regards renewable energy and energy produced in the CHP system, transmission and distribution services provided by the Group to companies whose shares are held by the State Treasury;
- sale of electricity, distribution services, connection to the grid and other related fees, provided 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. the Group does not keep a register which would allow it to aggregate the values of all transactions with state institutions and entities whose shares are held by the State Treasury.

41. Concession agreements on provision of public services

The key business activities carried out by the Capital Group include generation, distribution and trade of electricity.

In line with the provisions of the Energy Law, on 26 November 1998 the Parent obtained the following two 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;

ENEA Operator Sp. z o.o. holds a concession for distribution of electricity effective until 1 July 2017.

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

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

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 2006 no. 89, item 625 as amended);
- Ordinance of the Minister of Economy of 2 April 2007 on detailed principles for tariff establishment and calculation as well as the principles for settlements in electricity trading (Dz. U. of 2007, No. 128, item 895 as amended);
- Ordinance of the Minister of Economy of 4 May 2007 on detailed principles of the power system operation (Dz.U. of 2007 no. 93 item 623 as amended);
- Act on principles of financing the costs incurred by producers following early termination of long-term contracts for the sale of power and electricity of 29 June 2007 (Dz.U. of 2007 no. 130 item 905 as amended);
- Announcement of the President of ERO No. 27/2008 of 10 September 2008 regarding clarification of doubts on calculation of the transition fee in settlements with power consumers;
- Announcement of the President of ERA no. 31/2010 of 25 October 2010 regarding 2011 transition fee rates.

ENEA S.A. and ENEA Operator Sp. z o.o. calculate their tariff based on costs regarded as legitimate by the President of the Energy Regulatory Office as well as margins (for electricity trading) as well as transferred, operating costs, balance sheet difference costs and return on equity (for distribution) planned to be earned in the subsequent tariff period.

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 new 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.

The core business of Elektrownia "Kozienice" S.A. involves generation of electricity and heat based on concessions granted by the President of ERO.

Concession for electricity generation:

- No. WEE/11-ZTO/1271/W/OWA/2007/RW of 31 August 2007 for generation of electricity in devices of total installed capacity amounting to 2820 MW.

  (The Concession became effective as at 31 August 2007 for the period until 31 December 2025).
- No. WEE/11-ZTO-B/1271/W/3/2008/ARS of 24 January 2008 for generation of electricity in a source named Elektrownia „Kozienice" S.A. with total installed capacity of 2 820 MW and total generating capacity of 2 880 MW.

  The concession expands business activities of Elektrownia "Kozienice" S.A. the change regards cogeneration of electricity in blocks of generating capacity amounting to 535 MW and 560 MW during combustion of conventional fuel (hard and stove coal), and cogeneration of electricity in eight blocks with generating capacity of 1-215 MW, 1-220 MW, 6-225 MW in process of conventional fuel combustion (hard coal and heating oil) and biomass.

  (The concession for the period from 24 January 2008 to 31 December 2025.)
- No. WEE/11-ZTO-C/1271/W/OWA/2010/RW of 16 July 2010 for generation of electricity in a source named Elektrownia „Kozienice" S.A. with total installed capacity of 2 820 MW and total generating capacity of 2 880 MW. the change regards removal of cork and bark from the combusted biomass and a change in the related documentation.

- No. WEE/11-ZTO-D/1271/W/OWA/2010/RW of 16 July 2010 for generation of electricity in a source named Elektrownia „Kozienice" S.A. with total installed capacity of 2 820 MW and total generating capacity of 2 880 MW. the change regards the documentation – new biomass scales.

- No. WEE/11-ZTO-E/1271/W/OWA/2010/RW of 10 November 2010 for generation of electricity in a source named Elektrownia „Kozienice" S.A. with total installed capacity of 2 820 MW and total generating capacity of 2 880 MW. the change regards the documentation.

Concession for trading in electricity:

- No. OEE/334/1271/W/1/2002/MWof 21 December 2002 involving trading of electricity for the needs of consumers located on the territory of the Republic of Poland.

  (The concession is valid for the period from 1 January 2003 to 1 January 2013.)

Concession for heat production:

- No. WCC/256-ZTO/1271/W/OWA/2007/RW of 31 August 2007 regarding cogeneration of heat in a power plant located in Świerże Górne, with the total heat generating capacity of 266 MW (from 31 August 2007).

  (The Concession became effective as of 31 August 2007 for the period until 31 December 2025).

- No. WCC/256-ZTO-B/1271/W/3/2008/ARS of 24 January 2008 for cogeneration of heat in the source named Elektrownia „Kozienice" S.A. with the total heat generating capacity of 266 MWt. the heat comes from combustion of conventional fuel (hard coal and heating oil) in two steam boilers providing steam to two sets of turbines generating heat and from combustion of conventional fuel (hard coal, heating oil) or from combustion of the fuel and biomass in eight steam boilers providing heat to eight turbines cogenerating heat.

  The concession results from extension of business activities of Elektrownia "Kozienice" S.A. with production of heat from biomass combustion.

  (The concession for the period from 24 January 2008 to 31 December 2025.)

- No. WCC/256-ZTO-C/1271/W/OWA-2010/RW of 16 July 2010 regarding cogeneration of heat in a power plant located in Świerże Górne, with the total heat generating capacity of 266 MW. the change regards removal of cork and bark from the combusted biomass and a change in the related documentation.

- No. WCC/256-ZTO-D/1271/W/OWA-2010/RW of 16 July 2010 regarding cogeneration of heat in a power plant located in Świerże Górne, with the total heat generating capacity of 266 MW. the change regards the documentation – new biomass scales.

- No. WCC/256-ZTO-E/1271/W/OWA-2010/RW of 10 November 2010 regarding cogeneration of heat in a power plant located in Świerże Górne, with the total heat generating capacity of 266 MW. the change regards the documentation.

Concession for heat transmission:

- No. PCC/ 269-ZTO/1271/W/OWA/2007/RW of 31 August 2007 for transmission and distribution of internally produced heat through two heating networks in Świerże Górne.

  (The concession for the period from 31 August 2007 to 31 December 2025.)

42. Long-term contracts on the sale of power and electricity (LTC)

As the European Commission recognized long-term contracts for the sale of power and electricity (LTC) concluded with a state entity – PSE S.A. as disallowed public aid, the Polish Parliament passed an act in order to eliminate such contracts. Pursuant to the provisions of the Act on principles of financing the costs incurred by producers following early termination of long-term contracts for the sale of power and electricity of 29 June 2007 ("LTC Termination Act"), since 1 April 2008 the Group (Elektrownia "Kozienice" S. A.) has been entitled to compensation for stranded costs resulting from early termination of long-term contracts. Based on the aforementioned Act, the Group will be entitled to compensation until 2014.

LTC are settled as follows:

- by 31 August each year companies file applications for advance payments relating to the settlements;

- by 31 July of the following year the President of the Energy Regulatory Office determines the value of the annual stranded cost adjustment (adjustment of advance payments);

- by 31 August of the year following the end of the adjustment period the President of the Energy Regulatory Office determines the value of the final adjustment (31 August 2015 in the case of the Group).

The Group has developed a calculation model based on which it applies to the President of the Energy Regulatory Office for advance payments and annual settlements. Determination of the amounts due is not straightforward, as it depends on a number of factors, including interpretation of statutory provisions.
The Group decided to recognize as revenue only the amounts resulting from the decision on the annual orphaned cost adjustment.

a/ 2008 settlements

In 2008 Elektrownia "Kozienice" S. A. received advance payments for orphaned costs of PLN 93,132 thousand from Zarządca Rozliczeń S. A. the amount of PLN 80,976 thousand was recognized in the 2008 financial statements as revenue due to compensation. On 5 August 2009 Elektrownia "Kozienice" S.A received a Decision of the President of the Energy Regulatory Office dated 31 July 2009 determining the amount of the annual orphaned cost adjustment (i.e. advance payments received earlier from Zarządca Rozliczeń S. A.) for Elektrownia "Kozienice" S. A. for 2008. Pursuant to the Decision, the amount of the annual orphaned cost adjustment (i.e. the amount of advance payments to be returned to Zarządca Rozliczeń S.A.) was PLN 89,537 thousand, which implies that revenue due to compensation for 2008 is lower than the amount of PLN 77,381 thousand recognized by Elektrownia "Kozienice" S.A. in its financial statements for the year 2008 (and thus, in the consolidated financial statements of the ENEA Capital Group).

According to the Management Board of Elektrownia "Kozienice" S.A. and ENEA S.A., the majority of assumptions made by the President of the Energy Regulatory Office in the Decision and the interpretation of the Act on principles of financing the costs incurred by producers following early termination of long-term contracts for the sale of power and electricity of 29 June 2007 are incorrect or inappropriately applied. Consequently, on 19 August 2009 Elektrownia "Kozienice" S.A. filed an appeal to the Regional Court in Warsaw - Court of Competition and Consumer Protection. the appeal also contained an application for suspension of decision enforcement until the case is decided. On 23 September 2009, the Regional Court in Warsaw - Court of Competition and Consumer Protection issued a decision whereby it suspended enforcement of the decision appealed against in excess of the amount of PLN 44,768 thousand and dismissed the motion for the further amount. Therefore, on 30 September 2009, the Management Board of Elektrownia „Kozienice" S. A. decided to return the advance payment in the amount resulting from the Decision of the President of the Energy Regulatory Office which had not been suspended by the Court.

On 2 October 2009 Elektrownia “Kozienice” S. A. lodged a complaint against the above decision to the Court of Appeals in Warsaw, VI Civil Division. On 19 May 2010 the Court of Appeals changed the decision of the Court of Competition and Consumer Protection of 23 September 2009 and suspended enforcement of the decision of the President of the Energy Regulatory Office of 31 July 2009 on the annual stranded cost adjustment in whole. the Court of Appeals emphasized that the Court of Competition and Consumer Protection did not have legal grounds to refuse partial suspension of the enforcement of the decision. Therefore, if it had found grounds for suspending enforcement of the decision, it should have suspended the enforcement of the decision in whole. Consequently, on 27 May 2010 Elektrownia “Kozienice” S. A. requested Zarządca Rozliczeń S. A. to return PLN 40,577 thousand with interest due. However, Zarządca Rozliczeń refused to do so claiming that the only legal basis for the return might be a change of the decision of the President of the Energy Regulatory Office of 31 July 2009. On 5 July 2010 Elektrownia “Kozienice” S. A. filed the final pre-trial demand for payment of PLN 40,577 thousand with interest due to Zarządca Rozliczeń S. A. In a letter dated 12 July 2010 Zarządca Rozliczeń S. A. upheld its original decision and refused to return the amount in question.

The Management Board of Elektrownia “Kozienice” S.A. decided not to recognize further revenue from compensation and to adjust the revenue from compensation recognized in 2008 by PLN 77,380 thousand. the above adjustment was recognized in the statement of comprehensive income for the period from 1 January to 31 December 2009 as sales revenue (amount reducing the sales revenue). If in the future the Court issues a decision on the appeal against the decision of the President of the Energy Regulatory Office obliging Elektrownia “Kozienice” S.A. to return an amount lower than that specified in the decision of the President of the Energy Regulatory Office, it will increase the financial profit of the Group.

b/ 2009 settlements

On 29 July 2010 the President of the Energy Regulatory Office issued a decision whereby the amount of the annual orphaned cost adjustment for 2009 to be received by Elektrownia “Kozienice” S. A. from Zarządca Rozliczeń S. A. is PLN 15,580 thousand. This decision is also unfavorable for the Group and on 17 August 2010 the Group appealed against it to the Court of Competition and Consumer Protection, Regional Court in Warsaw. On 30 September 2010 Elektrownia „Kozienice” S. A. received the amount of annual adjustment for 2009 of PLN 15,580 thousand from Zarządca Rozliczeń S. A. the above amount has been recognized in these condensed interim consolidated financial statements as sales revenue.

Assuming that the decisions obtained by Elektrownia “Kozienice” S.A. regarding the appeals against the decisions issued by the President of the Energy Regulatory Office determining the amounts of the annual adjustments for 2008 and 2009 are favorable for the Company:
- the annual adjustment for 2009 is estimated at PLN 111,100 thousand (+);

In 2010 the Company requested an advance payment to cover orphaned costs of 0 PLN.

(if not stated otherwise, all amounts in PLN'000)

On 1 December 2010, Court of Competition and Consumer Protection held a hearing regarding LTC 2008. the Court decided to adjourn the case until the Court of Appeals issues a valid decision whether Zarządca Rozliczeń may receive the status of a concerned party in the proceedings.

On 19 January 2011 the court heard case XVII Amz 53/10 concerning the complaint of Elektrownia "Kozienice" against the decision of the President of the Energy Regulatory Office of 26 July 2010 refusing access to some documents included in the files of the 2009 LCT. the Court dismissed the complaint. Formal issues and procedures are still being carried out.

As no judicial decisions have been issued with respect to the appeals filed by the Company, the possibility to determine the probability of obtaining the aforementioned amounts (estimated based on the current knowledge and available data) in relation to the annual stranded cost adjustments is limited.

Therefore, the amount of revenue disclosed in these consolidated financial statements has been determined using the best knowledge of the Management Board and in line with the prudence principle.

43. 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 EU IFRS as operating leases, where the Group acts as a lessee:

	31.12.2010	31.12.2009
Up to 1 year	8 148	3 503
1 – 5 years	26 253	14 779
Over 5 years	292 901	265 479
	327 302	**283 761**

44. 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	321 744	415 833
Acquisition of intangible assets	8 459	12 547
	330 203	**428 380**

45. Employment

	12 months ended 31.12.2010	12 months ended 31.12.2009
Blue-collar positions	5 395	5 536
White-collar positions	4 838	4 822
TOTAL	**10 233**	**10 358**

The data in the table are presented in FTE. Managerial positions are qualified as white collar ones.

46. Explanations of the seasonal and cyclical nature of the Capital Group's business

Sales of electricity during the year are subject to seasonal fluctuations. They increase 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.

47. Contingent liabilities and proceedings before courts, arbitration or public administration bodies

47.1. Pending proceedings before common courts

Actions brought by the Group

Actions which ENEA S.A. and ENEA Operator Sp. z o.o. brought to common courts 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 grid and other specialized services (the so-called non-electricity cases).

The majority of actions which Elektrownia "Kozienice" S.A. brought to common courts refer to claims for receivables due to default under freight forwarding contracts and liquidated damages from the biomass suppliers.

As of 31 December 2010, the total of 6,910 cases brought by the Group were pending before common courts for the total amount of PLN 44,571 thousand (6,063 cases for the total amount of PLN 38,496 thousand as of 31 December 2009).

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

Actions brought against the Group

Actions against the Group 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 Group's use of real property where electrical devices are located. the Group considers actions concerning non-contractual use of real property not owned by the Group as particularly important (note 47.4).

Court proceedings against Elektrownia "Kozienice" S.A. are also related to claims of former employees in salaries and compensations for the total amount of PLN 642 thousand, claims of Gospodarstwo Ogrodnicze w Ryczywole Kamila Lewek Wiśniewska Jacek Pospiszyl spółka cywilna. The claim concerns remedying damages resulting from the operation of the plant owned by Elektrownia located on the land adjacent to the plot of Gospodarstwo Ogrodnicze, by way of paying PLN 5,082 thousand. Other claims include e.g. the claim of Centrum Konsultingu Menedżerskiego Gordion Sp. z o.o to institute amicable proceedings -

the amount claimed is PLN 5,018 thousand. During the proceedings held on 17 June 2010 no amicable settlement was reached, and Centrum Konsultingu Menadżerskiego Gordion Sp. z o.o. brought the case to the District Court in Lublin.
As of 31 December 2010 there were 539 cases pending before common courts which have been brought against the Group for the total amount of PLN 68,941 thousand (351 cases for the total amount of PLN 25,102 thousand as of 31 December 2009). Provisions related to the court cases have been presented in note 30.

47.2. Arbitration proceedings

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

47.3. Proceedings before public administration bodies

Pursuant to a decision of the President of the Office of Competition and Consumer Protection of 12 September 2008 which closed the proceedings for charging customers with a double subscription fee for January 2008, ENEA S.A. was obliged to pay a fine of PLN 160 thousand. the Company appealed against the decision on 30 September 2008. On 31 August 2009 the Regional Court in Warsaw – Court of Competition and Consumer Protection reduced the fine to PLN 10 thousand. On 25 September 2009, ENEA appealed against the judgment issued by the Court of Competition and Consumer Protection to the Court of Appeals in Warsaw applying for reversal of the 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.

Pursuant to a decision of the President of the Office of Competition and Consumer Protection of 30 September 2008 which closed the proceedings for abuse of market position by not keeping deadlines related to connection decisions and determining the impact of the designed wind power station on the electricity system, ENEA Operator Sp. z o.o. was obliged to pay a fine of PLN 11,626 thousand. ENEA Operator Sp. z o.o. lodged an appeal against the decision. On 23 March 2010 the Court of Competition and Consumer Protection dismissed the appeal lodged by the Company. On 5 July 2010 the Company's representative appealed against the decision. By the date of preparation of these consolidated financial statements the appeal had not been examined.

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 failure to comply with the obligation to purchase electricity produced in the CHP system in the first half of 2007, imposing a fine of PLN 2,150 thousand on the Company. On 19 January 2010, ENEA filed an appeal against the decision of the President of the Energy Regulatory Office to the Regional Court in Warsaw - the Court of Competition and Consumer Protection.

On 11 February 2009 Elektrownia Kozienice applied to the Customs Office in Radom for ascertainment and refund of overpaid excise on electricity for the months from January 2006 to December 2008 in the amount of PLN 694,6 million with return correction.

On 24 November 2009 the Company applied to the Customs Office in Radom for ascertainment and refund of overpaid excise on electricity for subsequent months, i.e. January 2009 and February 2009 in the amount of PLN 34,6 million, including PLN 247 thousand of excise on renewable energy.

Excise adjustments, excluding excise on renewable energy, stem from the differences in the Polish and EU regulations concerning tax on electricity in the period from 1 January 2006 to 28 February 2009.

Proceedings related to overpaid tax for 2006: the Company appealed to the Provincial Administrative Court in Warsaw against the decisions of the Director of the Customs Chamber in Warsaw who sustained the decisions of the Head of the Radom Customs Office whereby the Company was not entitled to a return of overpaid excise for the particular months of 2006 and the amounts specified in the original tax return were correct.

Proceedings related to overpaid tax for 2007: the Company appealed to the Provincial Administrative Court in Warsaw against the decisions of the Director of the Customs Chamber in Warsaw who sustained the decisions of the Head of the Radom Customs Office whereby the Company was not entitled to a return of overpaid excise for the particular months of 2007 and the amounts specified in the original tax return were correct.

Proceedings related to overpaid tax for 2008 - the Head of the Customs Office in Radom issued decisions determining the overpaid amount of excise only with respect to renewable electricity for individual months of 2008 in the total amount of PLN 2.6 million. As for the period when Polish regulations were inconsistent with those of the EC, he refused returning overpaid tax and specified tax liabilities in amounts reduced by the excise on energy from renewable resources for the period in question. the Company appealed against the decisions to the Director of the Customs Chamber in Warsaw who sustained the decisions of the Head of the Radom Customs Office whereby the Company was not entitled to a return of overpaid excise for particular months in 2008 and specifying the tax liability for the months at amounts resulting from the initial returns of the Company, less excise on green energy. As of 31 December 2010 the Company had appealed to the Provincial Administrative Court against the decisions of the Director of the Tax Chamber in Warsaw concerning January 2008, February 2008 and April 2008.

Proceedings related to overpaid tax for January 2008 and February 2009 – the Head of the Customs Office in Radom issued decisions determining the overpaid amount of excise only with respect to renewable electricity for January 2009 and February 2009 at PLN 247 thousand. As for the period when Polish regulations were inconsistent with those of the EC, he refused returning overpaid tax and specified tax liabilities in amounts reduced by the excise on energy from renewable resources for the period in question. the Company appealed against the decisions to the Director of the Customs Chamber in Warsaw who sustained the decisions of the Head of the Radom Customs Office whereby the Company was not entitled to a return of overpaid excise for particular months in 2009 and specifying the tax liability for the months at amounts resulting from the initial returns of the Company, less excise on green energy.

Elektrownia „Kozienice" S.A. received decisions of the Marshal of the Mazowieckie Province concerning the use of the environment - emission of gas and fumes for the I and II half of 2008. the decision 132 imposed a fine of PLN 2,888 thousand, decision 133, of PLN 2,178 thousand. Elektrownia „Kozienice" S.A. appealed against the above decisions to the Self-government Appeal Court in Warsaw. the Self-government Appeal Court sustained the decisions of the Marshal of the Mazowieckie Region.

Due to the nature of the Group's business, there were many other proceedings before the public administration bodies as of 31 December 2010.

A vast majority of the proceedings have been instigated at the request of the Group, which has applied to 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 these proceedings is unlikely to have a significant impact on the Group's net profit.

Due to the nature of operations of ENEA Operator Sp. z o.o. (operations in the regulated monopoly market) there have been numerous court actions brought against the Company by the President of the Energy Regulatory Office and the President of the Office for Competition and Consumer Protection at the request of buyers of electricity supplied by the Group.

The President of the Energy Regulatory Office, as a key central administration body appointed to regulate operations of companies in the energy sector, settles disputes related to a refusal to conclude agreements for connection to the grid or provision of transmission services, or to the provisions thereof.

As of 31 December 2010 the President of the Energy Regulatory Office carried out a series of explanatory and administrative proceedings against the Group.
The result of these proceedings is unlikely to have a significant impact on the Group's net profit.

47.4. Risk related to the legal status of property used by the Group

The risk related to the legal status of the property used by the Group results from the fact that the Group does not have all legal titles to use the land where transmission networks and the related devices are located. the Group may have to incur costs related to non-contractual use of property in the future.
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).

Claims against the Group are 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).
Decisions related to these issues are important as they considerably affect the Group’s strategy towards persons who lodged pre-trial 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 Group 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. the Group does not recognize provisions for possible claims which have not been yet filed by owners of land used non-contractually. Possible claim amounts may be significant for the Group, considering the area of non-contractually used land where the Group’s transmission networks or the related devices are located. the Group 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.

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

On 29 November 2006 a meeting initiated by the Minister of Environment was attended by representatives of the National Forests, the Ministry of State Treasury, PSE-Operator Sp. z o.o. and Polskie Towarzystwo 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 of the date of the consolidated financial statements, the Act amending the act on forests and act on environmental protection had been passed by both chambers of the Parliament 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 paid by the State Forests for the land included in the easement.

(if not stated otherwise, all amounts in PLN'000)

In preparation for implementation of the statutory provisions, the Group carried out a physical count of land managed by the State Forests where elements of the energy distribution system owned by the Company are located and created a relevant provision as described in Note 30.

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 Group due to its non-contractual use of land. the claims have been accounted for in the provision referred to in Note 30.

48. CO_2 emission rights

As at 31 December 2010, the status of carbon dioxide emission rights was as follows:

	Volume thousand tons
CO2 emission rights for 2010	
granted	9 637
applied	(10 836)
purchased	3 118
sold	-
Balance as of 31 December 2010	**1 919**

As at 31 December 2009, the status of carbon dioxide emission rights was as follows:

	Volume thousand tons
CO2 emission rights for 2009	
brought forward	
granted	9 712
applied	(10 760)
purchased	1 200
sold	
Balance as of 31 December 2009	**152**

An increase regarding reduction of the emission in 2010 and the years to follow, if any, may significantly impact the Group's profitability.

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

In 2008 the Parent 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.

50. Changes in excise

On 1 March 2009, the amendment of the Excise Tax Act 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 obligation arises when electricity is supplied to end customers (not at the time of electricity production). Consequently, since 1 March 2009 ENEA S.A. has been obliged to pay excise (before it was paid by Elektrownia "Kozienice" S.A.).

On 12 February 2009 the European Court of Justice issued a judgment stating that the previous Polish regulations determining the time of chargeability of excise on electricity did not comply with the regulations of the EU Energy Directive.
On 11 February 2009 Elektrownia Kozienice applied to the Customs Office in Radom for ascertainment and refund of overpaid excise in the amount of PLN 694.6 million for the period from January 2006 to December 2008. Additionally, on 24 November 2009 the Company applied to the Customs Office in Radom for ascertainment and refund of overpaid excise on electricity in the amount of PLN 34.6 million for January and February 2009. the related administrative proceedings have been presented in detail in Note 47.3.

As the refund is not certain, the requested excise tax refund was not included in these consolidated financial statements.

51. 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. As of 31 December 2010, the State Treasury held 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 September 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.

52. 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 (28 February 2011), 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.