Consolidated financial statements of the ENEA Capital Group for the financial year ended 31 December 2011

Poznań, 10 April 2012

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

Poznań, 10 April 2012

Prepared by: Robert Kiereta ………………

Consolidated Accounting Office Manager

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

Consolidated Balance Sheet

	As at	
	31.12.2011	**31.12.2010**
ASSETS		
Non-current assets		
Property, plant and equipment	9 076 871	8 308 650
Perpetual usufruct of land	69 496	29 208
Intangible assets	267 176	145 141
Investment property	32 219	8 203
Investments in associated entities measured using the equity method	278 854	170 220
Financial assets available for sale	70 490	74 867
Financial assets measured at fair value through profit or loss	1 557	1 411
Trade and other receivables	237	168
	9 796 900	**8 737 868**
Current assets		
Inventory	340 685	242 058
Trade and other receivables	1 052 119	922 460
Current income tax receivables	15 004	1 819
Financial assets held to maturity	531 883	250 934
Financial assets measured at fair value through profit or loss	723 439	1 781 939
Cash and cash equivalents	1 218 361	899 627
	3 881 491	**4 098 837**
Non-current assets available for sale (AFS)	**21 503**	**-**
Total assets	**13 699 894**	**12 836 705**

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

	As at	
EQUITY AND LIABILITIES	**31.12.2011**	**31.12.2010**
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)	49 565	50 922
Other capitals	(21 710)	(22 110)
Retained earnings	5 058 001	4 458 944
	10 450 674	**9 852 574**
Minority interest	29 088	23 897
Total equity	**10 479 762**	**9 876 471**
LIABILITIES		
Non-current liabilities		
Credit facilities and loans	73 379	72 362
Trade and other liabilities	-	2
Finance lease liabilities	2 274	1 742
Settlement of income due to subsidies and connection fees	671 814	713 215
Deferred tax liability	105 266	80 453
Liabilities due to employee benefits	454 363	428 134
Financial liabilities measured at fair value through profit or loss	1 451	-
Provisions for other liabilities and charges	139 236	78 068
	1 447 783	**1 373 976**
Current liabilities		
Credit facilities and loans	45 516	42 398
Trade and other liabilities	1 199 077	1 017 805
Finance lease liabilities	2 424	2 134
Settlement of income due to subsidies and connection fees	113 207	122 370
Current income tax liabilities	52 301	72 159
Liabilities due to employee benefits	182 246	146 864
Liabilities due to an equivalent of the right to acquire shares free of charge	508	557
Financial liabilities measured at fair value through profit or loss	1 723	-
Provision for certificates of origin	104 810	92 646
Provisions for other liabilities and charges	69 742	89 325
Liabilities related to non-current assets available for sale	795	-
	1 772 349	**1 586 258**
Total liabilities	**3 220 132**	**2 960 234**
Total equity and liabilities	**13 699 894**	**12 836 705**

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

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

Consolidated Statement of Comprehensive Income

	12 months ended 31.12.2011	12 months ended 31.12.2010
Sales revenue	9 917 343	8 087 940
Excise duty	(228 394)	(251 065)
Net sales revenue	**9 688 949**	**7 836 875**
Other operating revenue	248 331	84 292
Depreciation	(711 591)	(652 672)
Costs of employee benefits	(1 012 410)	(924 356)
Consumption of materials and supplies and costs of goods sold	(1 744 871)	(1 535 465)
Energy purchase for sale	(4 112 557)	(2 689 513)
Transmission services	(713 880)	(693 340)
Other external services	(414 886)	(364 550)
Taxes and charges	(204 841)	(199 959)
(Profit) / loss on sale and liquidation of property, plant and equipment	(12 878)	(7 124)
Impairment loss on property, plant and equipment	(6 406)	(6 143)
Other operating expenses	(158 736)	(136 081)
Operating profit	**844 224**	**711 964**
Financial expenses	(46 887)	(41 003)
Financial revenue	184 070	140 493
Revenue from dividends	1 438	774
Share in profits/losses of associates measured using the equity method	4 529	988
Profit before tax	**987 374**	**813 216**
Income tax	(194 853)	(173 835)
Net profit for the reporting period	**792 521**	**639 381**
Other items of comprehensive income		
Measurement of financial assets available for sale	(1 675)	34 685
Income tax related to other items of comprehensive income	318	(4 519)
Other items of net comprehensive income	**(1 357)**	**30 166**
Comprehensive income for the period	**791 164**	**669 547**
Including net profit:		
attributable to shareholders of the Parent	793 292	639 262
attributable to minority interest	(771)	119
Including comprehensive income:		
attributable to shareholders of the Parent	791 935	669 428
attributable to minority interest	(771)	119
Net profit attributable to shareholders of the Parent	793 292	639 262
Weighted average number of ordinary shares	441 442 578	441 442 578
Net earnings per share (in PLN per share)	**1,80**	**1,45**
Diluted earnings per share (in PLN per share)	**1,80**	**1,45**

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

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 at 01.01.2011	**441 443**	**146 575**	**588 018**	**-**	**1 144 336**	**3 632 464**	**50 922**	**(22 110)**	**4 458 944**	**23 897**	**9 876 471**
Comprehensive income							(1 357)		793 292	(771)	791 164
Dividends									(194 235)		(194 235)
Put option on minority interest in subsidiaries								400			400
Settlement of acquisition of shares in subsidiaries										5 962	5 962
Balance as at 31.12.2011	**441 443**	**146 575**	**588 018**	**-**	**1 144 336**	**3 632 464**	**49 565**	**(21 710)**	**5 058 001**	**29 088**	**10 479 762**

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

	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 at 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**
Comprehensive income							30 166		639 262	119	669 547
Dividends									(167 748)		(167 748)
Other									2 044		2 044
Balance as at 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**

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

Consolidated Cash Flow Statement

	12 months ended 31.12.2011	12 months ended 31.12.2010
Cash flows from operating activities		
Net profit for the reporting period	792 521	639 381
Adjustments:		
Income tax disclosed in the income statement	194 853	173 835
Depreciation	711 591	652 672
(Profit) / loss on sale and liquidation of property, plant and equipment	3 794	4 184
Impairment loss on property, plant and equipment	7 403	6 861
Write-down of goodwill	-	385
Write-down on profit due to bargain purchase	(81 988)	-
(Profit) / loss on sale of financial assets	(10 662)	7 210
Interest income	(161 559)	(146 327)
Revenue from dividends	(1 438)	(774)
Interest expense	9 901	9 051
Share in the (profit) / loss of associates	(4 529)	(988)
Exchange (gains) / losses on credit facilities and loans	6 419	(1 742)
Other adjustments	180 999	(2 481)
	854 784	**701 886**
Paid income tax	(252 794)	(199 225)
Interest received	75 028	57 264
Interest paid	(8 324)	(6 099)
Changes in working capital		
Inventory	(55 362)	60 777
Trade and other receivables	(109 266)	2 935
Trade and other liabilities	109 441	(93 446)
Liabilities due to employee benefits	48 900	41 863
Settlement of income due to subsidies and connection fees	(96 773)	(31 407)
Provisions for certificates of origin	12 107	46 107
Liabilities due to an equivalent of the right to acquire shares free of charge	(49)	(61)
Other provisions	39 838	55 692
	(51 164)	82 460
Net cash flows from operating activities	**1 410 051**	**1 275 667**
Cash flows from investing activities		
Acquisition of property, plant and equipment and intangible assets	(1 170 738)	(852 170)
Proceeds from disposal of property, plant and equipment	11 522	8 946
Acquisition of financial assets	(1 428 524)	(470 440)
Receipts from disposal of financial assets	2 319 006	239 615
Acquisition of subsidiaries adjusted by acquired cash	(588 647)	-
Dividends received	2 568	16 181
Other outflows	(1 124)	(9 745)
Net cash flows from investing activities	**(855 937)**	**(1 067 613)**
Cash flows from financing activities		
Credit facilities and loans received	13 189	12 328
Credit facilities and loans repaid	(39 934)	(49 480)
Dividend paid to the Parent's shareholders	(194 206)	(167 748)
Payment of finance lease liabilities	(5 073)	(4 521)
Other adjustments	(9 356)	(1 549)
Net cash flows from financing activities	**(235 380)**	**(210 970)**
Net increase (decrease) in cash	**318 734**	**(2 916)**
Opening balance of cash	899 627	902 543
Closing balance of cash	**1 218 361**	**899 627**

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

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

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. Górecka 1, 60-201 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

ENEA S. A. changed its registered address from ul. Nowowiejskiego 11 to ul. Górecka 1. The change was registered in the National Court Register on 2 January 2012.

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

As at 31 December 2011 the statutory share capital of ENEA S.A. equaled 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 at 31 December 2011 the Capital Group comprised the parent ENEA S.A. ("Company", "Parent"), 20 subsidiaries, 3 indirect subsidiary and 2 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 2011, the composition of the Management Board was as follows:
Maciej Owczarek – Chairman of the Board;
Hubert Rozpędek – Member of the Board in Charge of Economic Affairs;
Krzysztof Zborowski –Member of the Management Board in Charge of Generation.

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

As at 1 January 2010, the composition of the Supervisory Board for the 7th term was as follows:
Wojciech Chmielewski,
Jeremi Mordasewicz,
Michał Kowalewski,
Małgorzata Aniołek,
Paweł Balcerowski,
Tadeusz Dachowski,
Mieczysław Pluciński,
Paweł Lisiewicz,
Bartosz Nowicki,
Graham Wood.
On 29 June 2011 the Ordinary Shareholders' Meeting of ENEA S. A. dismissed Bartosz Nowicki from the Supervisory Board and appointed Agnieszka Mańkowska to the Supervisory Board for the 7th term of office.
On 1 August 2011 the term of office of Paweł Balcerowski expired as a result of death.

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 EU-IFRS as at 31 December 2011. 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 2011 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.

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 expenditure 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.

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

The useful lives of fixed assets are as follows:

- buildings and structures	10 – 80 years
including power grids	33 years
- technical equipment and machines	4 – 50 years
- vehicles	5 – 20 years
- other fixed assets	4 – 25 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 have been 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 amortized 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 emissions allowances

CO2 emissions allowances 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. Acquired rights are amortized based on the actual utilization.

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 a 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 emissions allowances at the actual - as at the balance sheet date - market price of CO_2 emissions allowances.

Revenues from the sale of surplus emissions allowances 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. Lease

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 generate 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 (AFS) are non-derivative financial assets designated as available for sale or not classified to any of the remaining categories. 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.

(e) Hedge accounting

The Group designates certain hedging instruments, which include derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges or cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.
At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions.
Derivatives are accounted for in accordance with fair value or cash flow hedge accounting, if all of the following conditions are met:

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

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

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

The Group discontinues fair value hedge accounting if:

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

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

If a cash flow hedge is used, it is accounted for as follows:

- the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in revaluation reserve,
- the ineffective portion of the gain or loss on the hedging instrument is recognized in profit or loss.

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

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

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

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

(f) Impairment

At each balance sheet date, 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 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. Inventory

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-fuelled sources or other sources up to 1 MW; red certificates for sources above 1 MW capacity other than fuelled with methane or biomass gas; purple certificates for sources fuelled with biomass gas or methane removed from mines). The certificates are issued by the President of ERA following a motion of an energy generator working based on renewable sources or cogeneration.

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

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

They expire upon redemption of the certificates.

ENEA S.A. is obliged to obtain and submit for redemption certificates of origin in the amount corresponding to the limits defined in ordinances issued based on the Energy Law and expressed as a proportion of its total energy sales to end customers. The deadline for complying with the requirement of certificate redemption or substitute fee payment expires on 31 March of the following year.

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

If as at the balance sheet date the number of certificates of origin held 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 value of certificates of origin acquired for redemption, and if their value exceeds the provision amount, it reduces the total value of the certificates of origin recognized in the balance sheet.

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. As at the balance sheet date, cash is measured at face value.

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 in the following years as well as expenses and revenue which will never be subject to taxation. Tax liabilities are calculated based on tax rates applicable in a given reporting period.

The deferred tax is a tax of from events that occurred in a given period, recognized on the accrual basis in the accounting records of the period but realized in future. It occurs when the tax effect of revenue and expenses is the same as in the balance sheet but pertains to other periods.
The balance sheet liability method is used to calculate the deferred tax. The method is characterized by 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 3000 kWh x 80% of the electricity price and the variable component of the transmission charge and 100% the fixed network charge and subscription charge at the single-zone rate household tariff. The equivalent is paid twice a year: by 15 May and by 15 September, each time in the amount of the half of the annual equivalent.

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 – 4 are estimated by an actuary using the projected unit credit method. The total value of actuarial gains and losses is recognized in profit or loss.

C. Defined contribution plan

1) Social security contributions

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

2) Employee Pension Scheme

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

The Employee Pension Scheme is available to all employees of ENEA S.A. after one year of service, irrespective of the type of their employment contract.
Employees join the Employee Pension Scheme under the following terms and conditions:

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

D. Share-based payments

Share-based payments relate to equity-settled or cash-settled transactions in which 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. Subsidies

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 stranded 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 stranded costs are incurred.

Compensation to cover stranded 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 stranded 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 available for sale (AFS)

Non-current assets held for sale include items satisfying the following criteria:
- their carrying amount will be recovered principally through sale transactions rather than through continuing use;
- the Management Board of the Company submitted a sales declaration and started to search actively for a potential buyer;
- the assets are available for immediate sale in their current condition;
- the sale transaction is highly probable and may be settled within 12 months of the date of the decision;
- the sales price is reasonable compared to the current fair value;
- the probability that changes to the asset disposal plan will be made is low.

If the aforementioned criteria have been satisfied after the balance sheet date, the asset is not reclassified at the end of the financial year preceding the event. The classification change is reflected in the reporting period when the aforementioned criteria have been satisfied. Amortization/depreciation charges are no longer applied starting from the date when the asset is designated as held for sale.

Assets held for sale are measured at the lower of: the net carrying amount or the fair value less costs to sell.

3.29. Statement regarding application of International Financial Reporting Standards

Standards and interpretations first-time applied in 2011

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

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

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

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

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

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

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

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

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

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

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

The 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 consolidated 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

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

- **IFRS 9 "Financial Instruments"** (applicable to annual periods beginning on or after 1 January 2015);
- **IFRS 10 "Consolidated financial statements"** (applicable to annual periods beginning on or after 1 January 2013);
- **IFRS 11 "Joint arrangements"** (applicable to annual periods beginning on or after 1 January 2013);
- **IFRS 12 "Disclosure of Interests in Other Entities"** (applicable to annual periods beginning on or after 1 January 2013);
- **IFRS 13 "Fair Value Measurement"** (applicable to annual periods beginning on or after 1 January 2013);
- **IAS 27 (2011) "Separate Financial Statements"** (applicable to annual periods beginning on or after 1 January 2013);
- **IAS 28 (2011) "Investments in Associates and Joint Ventures"** (applicable to annual periods beginning on or after 1 January 2013);
- **Revised IFRS 1 "First-time Adoption of International Financial Reporting Standards"** – Severe Hyperinflation and removal of fixed transition deadlines for first-time adopters (applicable to annual periods beginning on or after 1 July 2011);

- **Revised IFRS 7 "Financial Instruments: Disclosures" -** offsetting financial assets and liabilities (applicable to annual periods beginning on or after 1 January 2013);
- **Revised IFRS 9 – "Financial Instruments" and IFRS 7 – "Financial Instruments: Disclosures" -** statutory effective date and transitional provisions;
- **Revised IAS 1 "Presentation of Financial Statements"** - presentation of other comprehensive income items (effective applicable to annual periods beginning on or after 1 July 2012);
- **Revised IAS 12 "Income Tax"** - Deferred tax: realization of assets (applicable to annual periods beginning on or after 1 January 2012);
- **Revised IAS 19 "Employee Benefits"** – amendments to post-employment benefits accounting (applicable to annual periods beginning on or after 1 January 2013);
- **Revised IAS 32 "Financial Instruments: Presentation"** - offsetting financial assets and liabilities (applicable to annual periods beginning on or after 1 January 2014);
- **IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"** (applicable to annual periods beginning on or after 1 January 2013).

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

At the same time, hedge accounting of the portfolio of financial assets and liabilities remains beyond the scope of EU-approved regulations.

According to the estimates of the 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 consolidated financial statements, if they were adopted for use as at the balance sheet date.

4. 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; a change in the discount rate and the long-term pay change affect the accuracy of the estimate made (Note 0);

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

- ***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 7);
- ***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 32 and 49.5);
- ***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 2011, using a discount rate of 5.87 % (Note 32);
- ***provision for costs of disposing or storing 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 the 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 at 31 December 2011 using a discount rate of 5.87 % (Note 32);
- ***Compensation to cover orphaned costs*** originating from early termination of LTC concerning power and electricity 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 44).

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

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

	Poznań, ul. Marcinkowskiego 27		
8.	ENEOS Sp. z o.o. *Poznań, ul. Strzeszyńska 58*	100	100
9.	ENTUR Sp. z o.o. *Szczecin, ul. Malczewskiego 5/7*	100	100
10.	Niepubliczny Zakład Opieki Zdrowotnej Centrum Uzdrowiskowe ENERGETYK Sp. z o.o. *Inowrocław, ul. Wilkońskiego 2*	99.94	99.94
11.	Elektrownie Wodne Sp. z o.o. *Samociążek, 86-010 Koronowo*	100	100
12.	Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o. Oborniki, ul. Wybudowanie 56	91.02	87.99
13.	„ITSERWIS" Sp. z o.o. *Zielona Góra, ul. Zacisze 28*	100	100
14.	„Auto – Styl" Sp. z o.o. *Zielona Góra, ul. Zacisze 15*	100	100
15.	FINEA Sp. z o.o. in liquidation *Poznań, ul.Warszawska 43*	-	100
16.	ENEA Operator Sp. z o.o. *Poznań, ul. Strzeszyńska 58*	100	100
17.	Elektrownia „Kozienice" S.A. *Świerże Górne, gmina Kozienice, Kozienice 1*	100	100
18.	Miejska Energetyka Cieplna Piła Sp. z o.o. *64-920 Piła, ul. Kaczorska 20*	65.03	64.064
19.	Kozienice II Sp. z o.o. *Świerże Górne, gmina Kozienice, Kozienice 1*	-	100
20.	Elektrociepłownia Białystok S.A. *Białystok, ul. Gen. Andersa 3*	99.94	30.36
21.	DOBITT Energia Sp. z o.o. *Gorzesław 8, 56-420 Bierutów*	100	-
22.	Annacond Enterprises Sp. z o.o. Warszawa, ul. Jana III Sobieskiego 1/4	61	-
23.	Przedsiębiorstwo Produkcji Strunobetonowych Żerdzi Wirowanych WIRBET S.A. *Ostrów Wlkp., ul. Chłapowskiego 51*	49	49
24.	Przedsiębiorstwo Energetyki Cieplnej w Śremie S.A. *Śrem, ul. Staszica 6*	-	41.65
25.	ELKO Trading Sp. z o.o. Świerże Górne, gmina Kozienice, Kozienice 1	-*	-*
26.	Elektrownie Wiatrowe – ENEA Centrum Spółka Akcyjna Spółka Komandytowa *Samociążek 92, 86-010 Koronowo*	-**	-
27.	„Ecebe" Sp. z o.o. Augustów, ul. Wojciech 8	-***	-
28.	Energo-Invest-Broker S.A. Toruń, ul. Jęczmienna 21	-****	-

*100% of shares in ELKO Trading Sp. z o.o. is held by Elektrownia „Kozienice" S.A.
** as at 31 December 2011 99% of total rights and obligations in Elektrownie Wiatrowe – ENEA Centrum Spółka Akcyjna Spółka Komandytowa was vested in Elektrownie Wodne Sp. z o. o., and 1% in ENEA Centrum S.A.
***100% of shares in Ecebe is held by Elektrociepłownia Białystok S.A.
**** an associate of Elektrownia Kozienice S.A.

Changes in the Capital Group structure in the period covered by the consolidated financial statements

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

The increased share capital of BHU S.A. was registered in the National Court Register on 21 January 2011.

On 30 December 2010 the Extraordinary Shareholders’ Meeting decided to increase the share capital of MEC Piła Sp. z o.o. by PLN 773 thousand up to PLN 28,689 thousand, by way of creating 773 new shares with the face value of PLN 1,000 each. The new shares in the Company’s share capital were acquired by ENEA S.A. for a contribution in kind.
The increased share capital of MEC Piła Sp. z o.o. was registered in the National Court Register on 24 February 2011.

On 27 January 2011 an auction was announced for the sale of shares in Przedsiębiorstwo Energetyki Cieplnej w Śremie S.A. The auction included 6,860 ordinary registered shares of Przedsiębiorstwo Energetyki Cieplnej w Śremie S.A. with the face value of PLN 1,000 each and the total value of PLN 6,860 thousand, accounting for 41.65% of its share capital. The total market value of the shares – corresponding to the starting price – was PLN 9,611,820.40 and was based on measurement carried out as at 30 June 2010. Since none of the potential investors paid the deposit within the deadline, no buyer was selected in the tender and ENEA S.A. remained the holder of the shares. On 21 February 2011 ENEA S.A. received a letter from Centrozap S.A. (a holder of 51% of shares in PEC Śrem S.A.) declaring the will to buy the block 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.
The preliminary agreement on the sale of shares was concluded on 26 May 2011 under which the Parties are obliged to conclude the Final Agreement by 14 July 2011. The Final Agreement was concluded on 13 July 2011.

The increase of the share capital of Elektrownie Wodne Sp. z o.o. by PLN 26,000 thousand, up to PLN 239,841 thousand was registered in the National Court Register on 7 February 2011. All new shares in the Company’s share capital were assumed by the existing shareholder - ENEA S.A. and covered in full by a contribution in kind in the form of an organized part of the enterprise of ENEA S.A. operating under the business name: ENEA S.A. Oddział Elektrownia Biogazowa Liszkowo.

On 15 February 2011 the Extraordinary Shareholders’ Meeting decided to increase the share capital of Hotel EDISON Sp. z o.o. by PLN 35 thousand up to PLN 21,271.5 thousand, by way of creating 70 new shares with the face value of PLN 500 each. All shares in the increased share capital of Hotel EDISON Sp. z o.o. will be acquired by the existing sole shareholder – ENEA S.A. and fully covered with a cash contribution. The increase in the share capital was registered in the National Court Register on 28 July 2011.

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

On 30 March 2011 the Group acquired 100% of rights and obligations in ZU-AN Sp. z o. o. sp. k. for the total amount of PLN 28,383 thousand. (Elektrownie Wodne Sp. z o.o. paid PLN 28,117 thousand and Energetyka Poznańska Biuro Usług Technicznych S.A. paid PLN 266 thousand). The name of the Acquiree is Elektrownie Wiatrowe – Energetyka Poznańska Biuro Usług Technicznych Spółka Akcyjna Spółka Komandytowa. The change in the name of the general partner resulted in a change in the name of the partnership to Elektrownie Wiatrowe – ENEA Centrum Spółka Akcyjna Spółka Komandytowa. 99% of total rights and obligations was vested in Elektrownie Wodne Sp. z o. o. (limited partner), and 1% in ENEA Centrum S. A. (general partner).

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

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

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

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

On 27 May and on 6 and 8 June 2011 ENEA S. A. acquired 304 employee shares in Przedsiębiorstwo Energetyki Cieplnej Sp. z o. o. with the registered office in Oborniki for the total amount of PLN 387.6 thousand.

In December 2011 ENEA S. A. bought 10 employee shares, as a part of the first tranche planned for 2011 for PLN 12.7 thousand.

On 29 December 2010 the Extraordinary Shareholders' Meeting of Energo-Invest-Broker S. A. adopted the following resolutions: Resolution 1 approving the acquisition of 55.625% of shares in EIB S.A. held by PGE Górnictwo i Energetyka Konwencjonalna S.A. for redemption; Resolution 2 decreasing the share capital of the Company due to redemption of own shares acquired; Resolution 3 on redemption of own shares acquired for redemption.

On 28 April 2011 District Court for Toruń, VII Business Division of the National Court Register issued a decision to register the decrease in the share capital from PLN 500 thousand to PLN 221.9 thousand due to redemption of 1.780 shares previously held by PGE Górnictwo i Energetyka Konwencjonalna S. A. After redemption the number of shares in EIB S.A. fell to 1,420. As a result the share of Elektrownia "Kozienice" S.A. in the share capital of the Company changed from 12.5% to 28.17%.

In accordance with IAS 28 point 23, the excess of the share of the fair value of net assets over the cost of PLN 2,908 thousand was recognized in these consolidated financial statements as revenue of the period in which EIB became an associate measured using the equity method.

On 26 July 2011, the Extraordinary Shareholders' Meeting of EP PUE ENERGOBUD Leszno Sp. z o.o. adopted a resolution to increase the share capital by PLN 1,151 thousand, i.e. from PLN 7,634 thousand to PLN 8,785 thousand, in exchange for a contribution in kind. The acquisition of shares in the increased share capital of EP PUE ENERGOBUD Leszno Sp. z o.o. by ENEA S.A. and the transfer of perpetual usufruct right to real property related to the contribution in kind took place on 3 August 2011. The increased share capital was registered in the National Court Register on 15 September 2011.
On 22 August 2011 ENEA S. A. acquired 21,265 shares in "Annacond Enterprises" Sp. z o. o. with the registered office in Warsaw, with the par value of PLN 500 per share and constituting 61% of the share capital of the company.

On 12 September 2011 the Extraordinary Shareholders' Meeting of ENEOS Sp. z o.o. adopted Resolution on the increase in the share capital of the company by PLN 11,900 thousand, from PLN 20,189 thousand to PLN 32,089.5 thousand in exchange for a contribution in kind in the form of an organized part of an enterprise – as understood by Article 551 of the Civil Code – under the name "Oświetlenie uliczne Miasta Poznania" ("Street lights in Poznań"). On 13 September 2011 ENEA S.A. took up shares in the increased share capital of ENEOS Sp. z o. o. and an organized part of an enterprise – as understood by Article 551 of the Civil Code – was transferred from ENEA S. A. to ENEOS Sp. z o. o. The increased share capital of ENEOS Sp. z o.o. was registered in the National Court Register on 13 October 2011.

On 20 September 2011 the Extraordinary Shareholders' Meeting of BHU SA adopted Resolution No. 1 to increase the share capital of the Company by PLN 165.6 thousand by issuing 1,656 L series shares with the face value of PLN 100.00 each, from PLN 16,375.1 thousand to PLN 16.6 thousand, in exchange for a contribution in kind in the form of perpetual usufruct right of PLN 165.6 thousand, with no right to acquire shares granted to the existing shareholders.
On 20 September 2011, BHU S.A. placed an offer to acquire L series shares with ENEA S.A.
On 4 October 2011, ENEA S.A. accepted the offer to acquire L series shares of BHU S.A.
The agreement on the transfer of perpetual usufruct right to land was concluded on 3 November 2011. The increased share capital was registered in the National Court Register on 16 November 2011.

The change in the scope of business of Energetyka Poznańska Biuro Usług Technicznych S.A. and the launch of customer service offer for the customers of ENEA SA resulted in a change in the name of the company to ENEA Centrum S. A.

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

6. Segment reporting

Key reporting: industry segments
Segment reporting for the period from 1 January to 31 December 2011:

	Turnover	Distribution	Production	All other segments	Eliminations	Total
Net sales revenue	3 834 195	2 640 730	3 007 860	206 164		9 688 949
Inter-segment sales	235 041	-	159 821	594 046	(988 908)	-
Total net sales revenue	**4 069 236**	**2 640 730**	**3 167 681**	**800 210**	**(988 908)**	**9 688 949**
Total expenses	(3 910 278)	(2 314 732)	(2 697 489)	(753 325)	954 538	(8 721 286)
Segment profit/loss	**158 958**	**325 998**	**470 192**	**46 885**	**(34 370)**	**967 663**
Unassigned Group costs (general and administrative expenses)						(123 439)
Operating profit						**844 224**
Financial expenses						(46 887)
Financial revenue						184 070
Revenue from dividends						1 438
Net profit sharing/loss coverage in associated entities						4 529
Income tax						(194 853)
Net profit						**792 521**
Share in minority interest profit						(771)

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

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

	Turnover	**Distribution**	**Production**	**All other segments**	**Eliminations**	**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
Revenue from dividends						774
Net profit sharing/loss coverage in associated entities						988
Income tax						(173 835)
Net profit						**639 381**
Share in minority interest profit						119

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

Key reporting: industry segments (cont.)

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

	Turnover	Distribution	Production	All other segments	Eliminations	Total
Property, plant and equipment	6 223	5 266 063	3 263 745	306 425	(137 710)	8 704 746
Trade and other receivables	514 223	374 233	109 740	219 529	(175 216)	1 042 509
Total	520 446	5 640 296	3 373 485	525 954	(312 926)	9 747 255
ASSETS excluded from segmentation						3 952 639
- including property, plant and equipment						372 125
- including trade and other receivables						9 847
TOTAL: ASSETS						**13 699 894**
Trade and other liabilities	234 241	504 552	368 627	177 148	(175 216)	1 109 352
Equity and liabilities excluded from segmentation						12 590 542
- including trade and other liabilities						92 899
TOTAL: EQUITY AND LIABILITIES						**13 699 894**
Capital expenditure for fixed assets and intangible assets	-	774 838	447 787	80 471	(39 721)	1 263 375
Capital expenditure for fixed assets and intangible assets excluded from segmentation						32 196
Depreciation and amortization	703	352 663	325 173	29 898	(3 186)	705 251
Depreciation excluded from segmentation						6 340
Impairment losses on receivables as at 31 December 2011	81 193	6 275	74 561	6 202	-	168 231

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

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:

	Turnover	**Distribution**	**Production**	**All other segments**	**Eliminations**	**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
Depreciation and amortization	610	360 890	252 311	34 010	(3 132)	644 689
Depreciation excluded from segmentation						7 983
Impairment losses on receivables as at 31 December 2010	81 578	12 271	55 840	5 908	-	155 597

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.

In 2011 and 2011 there was no buyers' concentration exceeding 10% of the total sales revenue in any of the segments.

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

Supplementary reporting - geographical segments

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

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

7. Property, plant and equipment

	Land	Buildings and structures	Technical equipment and machines	Vehicles	Other fixed assets	Fixed assets under construction	Total
Balance as at 1 January 2011							
Gross value	**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**
Changes in the 12 months ended 31 December 2011							
Reclassification	80	220 537	322 146	963	2 601	(562 995)	**(16 668)**
Acquisition	4 887	494 811	259 669	22 542	35 616	260 542	**1 078 067**
Disposal (gross value)	(117)	(2 373)	(6 091)	(4 384)	(773)	-	**(13 738)**
Disposal (accumulated depreciation)	-	1 108	2 243	3 438	571	-	**7 360**
Depreciation and amortization	-	(322 374)	(307 804)	(10 053)	(22 859)	-	**(663 090)**
Impairment loss	(103)	(5 345)	564	(1)	3	(772)	**(5 654)**
Settlement of acquisition of subsidiaries (gross value)	4 331	113 168	279 545	300	784	20 785	**418 913**
Settlement of acquisition of subsidiaries (accumulated depreciation)	-	(5 681)	79	(55)	(79)	-	**(5 736)**
Reclassification to assets held for sale (gross value)	(1 803)	(15 589)	(705)	(32)	(655)	-	**(18 784)**
Reclassification to assets held for sale (accumulated depreciation)	-	5 170	618	23	645	-	**6 456**
Liquidation (gross value)	(617)	(40 444)	(16 923)	(865)	(4 463)	(5)	**(63 317)**
Liquidation (accumulated depreciation)	-	20 585	13 450	753	3 713	-	**38 501**
Other (gross value)	-	6 153	17 399	869	803	(19 136)	**6 088**
Other (accumulated amortization)	-	1 686	83	(172)	(274)	(1 500)	**(177)**
Balance as at 31 December 2011							
Gross value	**44 410**	**7 731 551**	**5 359 225**	**154 900**	**430 605**	**336 238**	**14 038 145**
Accumulated depreciation	**-**	**(2 680 357)**	**(1 939 151)**	**(61 378)**	**(273 854)**	**(563)**	**(4 948 847)**
Impairment loss	**(103)**	**(5 755)**	**185**	**(23)**	**(17)**	**(6 714)**	**(12 427)**
Net book value	**44 307**	**5 045 439**	**3 420 259**	**93 499**	**156 734**	**328 961**	**9 076 871**

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

	Land	Buildings and structures	Technical equipment and machines	Vehicles	Other fixed assets	Fixed assets under construction	Total
Balance as at 1 January 2010							
Gross value	**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**
Changes in the 12 months ended 31 December 2010							
Reclassification	-	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**
Depreciation and 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**

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

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

Impairment test (property, plant and equipment)

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

As at 31 December 2011 the ENEA Group compared the book value of its equity with its market value (stock market cap). Consequently, the impairment analysis of property, plant and equipment was carried out. The Group has found no grounds to recognize impairment losses on analyzed assets as at 31 December 2011.

Finance lease

The Group uses the following property, plant and equipment under finance leases:

	31.12.2011			31.12.2010		
	Initial value	**Accumulated depreciation**	**Net carrying amount**	**Initial value**	**Accumulated depreciation**	**Net carrying amount**
Technical equipment and machines	530	-	**530**	78	(78)	**-**
Vehicles	8 795	(2 119)	**6 676**	5 879	(1 239)	**4 640**
Other fixed assets	92	(2)	**90**	-	-	**-**
Total	**9 417**	**(2 121)**	**7 296**	**5 957**	**(1 317)**	**4 640**

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

8. Perpetual usufruct of land

	31.12.2011	31.12.2010
Gross value opening balance	**31 235**	**29 623**
Acquisition	963	3 678
Settlement of acquisition of subsidiaries	41 210	-
Reclassification to non-current assets held for sale	(1 122)	-
Disposal (gross value)	(149)	(2 063)
Liquidation (gross value)	30	(3)
Gross value closing balance	**72 167**	**31 235**
Opening balance of depreciation	**(2 027)**	**(1 533)**
Disposal (accumulated depreciation)	(271)	21
Settlement of acquisition of subsidiaries	(107)	-
Liquidation (accumulated depreciation)	-	(4)
Accumulated depreciation for the period	(202)	(511)
Closing balance of depreciation	**(2 607)**	**(2 027)**
Opening balance of impairment loss	**-**	-
Closing balance of impairment loss	**(64)**	-
Net value opening balance	**29 208**	**28 090**
Net value closing balance	**69 496**	**29 208**

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

9. Intangible assets

2011	R&D expenses	Goodwill	Computer software, licenses, concessions and patents	CO2 emissions allowances	Customer relations	Certificates exchange agreements	Agreements on supply of coal	Total
Balance as at 1 January 2011								
Gross value	**237**	**19 736**	**144 674**	**116 550**	**-**	**-**	**-**	**281 197**
Accumulated amortization	**(213)**	**-**	**(110 571)**	**(8 806)**	**-**	**-**	**-**	**(119 590)**
Impairment loss	**-**	**(17 263)**	**(109)**	**906**	**-**	**-**	**-**	**(16 466)**
Net value	**24**	**2 473**	**33 994**	**108 650**	**-**	**-**	**-**	**145 141**
Changes in the 12 months ended 31 December 2011								
Reclassification	55	-	14 017	-	-	-	-	**14 072**
Acquisition	-	-	27 401	198 094	-	-	-	**217 504**
Disposal (gross value)	-	-	(46)	-	-	-	-	**(46)**
Disposal (accumulated amortization)	-	-	27	-	-	-	-	**27**
Amortization	(8)	-	(16 815)	(4 494)	-	-	-	**(21 317)**
Impairment loss	-	-	(109)	-	-	-	-	**(109)**
Settlement of acquisition of subsidiaries (gross value)	-	27 738	3 758	74 000	16 000	3 900	3 520	**128 916**
Settlement of acquisition of subsidiaries (accumulated amortization)	-	-	(208)	(28 778)	(1 120)	(1 517)	(3 520)	**(35 143)**
Liquidation (gross value)	-	-	(151)	(182 608)	-	-	-	**(182 759)**
Liquidation (accumulated amortization)	-	-	149	-	-	-	-	**149**
Other (gross value)	2	-	794	-	-	-	-	**796**
Other (accumulated amortization)	-	-	(55)	-	-	-	-	**(55)**
Balance as at 31 December 2011								
Gross value	**294**	**47 474**	**190 447**	**206 036**	**16 000**	**3 900**	**3 520**	**459 680**
Accumulated amortization	**(221)**	**-**	**(127 473)**	**(42 078)**	**(1 120)**	**(1 517)**	**(3 520)**	**(175 929)**
Impairment loss	**-**	**(17 263)**	**(218)**	**906**	**-**	**-**	**-**	**(16 575)**
Net book value	**73**	**30 211**	**62 756**	**164 864**	**14 880**	**2 383**	**-**	**267 176**

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

2010	R&D expenses	Goodwill	Computer software, licenses, concessions and patents	CO2 emissions allowances	Total
Balance as at 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 months ended 31 December 2010					
Reclassification	16	-	4 186	-	**4 202**
Acquisition	-	667	11 761	100 750	**113 178**
Disposal (gross value)	-	(668)	(2 202)	-	**(2 870)**
Disposal (accumulated amortization)	-	-	385	-	**385**
Amortization	(3)	-	(15 863)	(906)	**(16 772)**
Impairment loss	-	(385)	(109)	906	**412**
Settlement of acquisition of subsidiaries (gross value)	-	-	-	-	**-**
Settlement of acquisition of subsidiaries (accumulated amortization)	-	-	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**	**19 736**	**144 674**	**116 550**	**281 197**
Accumulated amortization	**(213)**	**-**	**(110 571)**	**(8 806)**	**(119 590)**
Impairment loss	**-**	**(17 263)**	**(109)**	**906**	**(16 466)**
Net book value	**24**	**2 473**	**33 994**	**108 650**	**145 141**

No collateral has been established on intangible assets.

The most important intangible assets are CO_2 emissions allowances. As at 31 December 2011 their carrying amount was PLN 16,864 thousand (as at 31 December 2010 it was PLN 108,650 thousand). Acquired rights are amortized based on the actual utilization.

Goodwill has been presented in detail in the table below:

	Period ended 31.12.2011	Period ended 31.12.2010
Gross value		
Opening balance	19 736	19 069
Additional amounts recognized following business combinations effected during the year	27 738	667
Closing balance	47 474	19 736
Accumulated impairment loss		
Opening balance	(17 263)	(16 878)
Impairment loss recognized during the year	-	(385)
Closing balance	(17 263)	(17 263)
Net value		
Opening balance	2 473	2 191
Closing balance	30 211	2 473

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

10. Investment property

	31.12.2011	31.12.2010
Gross value opening balance	9 984	6 736
Acquisition	28	81
Reclassification from / to property, plant and equipment	17 904	3 167
Acquisition of subsidiaries	7 304	-
Gross value closing balance	**35 220**	**9 984**
Opening balance of depreciation	(907)	(645)
Disposal (accumulated depreciation)	163	-
Accumulated depreciation for the period	(238)	(262)
Closing balance of depreciation	**(982)**	**(907)**
Opening balance of impairment loss	(874)	-
Closing balance of impairment loss	(2 019)	(874)
Net value opening balance	**8 203**	**6 091**
Net value closing balance	**32 219**	**8 203**

As at 31 December 2011 the fair value of investment property amounted to PLN 39,624 thousand (as at 31 December 2010 it was PLN 8,203 thousand). The value has been determined based on independent valuations prepared by independent property appraisers.

No collateral has been established on investment property.

	01.01.2011-31.12.2011	01.01.2010-31.12.2010
Revenue from investment property	**870**	**704**
Operating costs related to investment property:		
generating revenue	(338)	(186)
not used	(102)	-
Total expenses	**(440)**	**(186)**

11. Investments in associates and jointly-controlled entities

	31.12.2011	31.12.2010
Opening balance	170 220	189 938
Share in the changed balance of net assets	7 309	702
Acquisition of investments	272 310	3 000
Reclassification to non-current assets held for sale	(5 589)	-
Settlement of acquisition of subsidiaries	(160 961)	-
Impairment loss	-	(7 959)
Depreciation of the surplus of fair value of net assets over book value	(4 435)	(15 461)
Other changes	2 659	-
Closing balance	**278 854**	**170 220**

In November and December 2011 ENEA S. A. made an advance payment of PLN 272,309 thousand for future shares, in line with the preliminary agreement on the sale of all shares in Windfarm Polska sp. z o. o. dated 25 November 2011. In 2010 the Group acquired shares in associates and jointly-controlled entities for the total amount of PLN 3,000 thousand. It was a form of advance payments 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 at 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 recognized impairment of shares in Przedsiębiorstwo Energetyki Cieplnej w Śremie S.A. of PLN 7,959 thousand, which brought the book value of the shares in the company to PLN 0.
On 13 July 2011 the Group sold all its shares in Przedsiębiorstwo Energetyki Cieplnej w Śremie S. A.

On 1 June 2011 ENEA S. A. acquired 1,283,214 shares in Elektrociepłownia Białystok S. A. with the par value of PLN 10 per share for the total amount of PLN 347,751 thousand. The company, earlier an associate, became a subsidiary of ENEA S.A. This resulted in a decrease in “investments in associates measured using the equity method” to PLN 165,396 thousand.

As at 31 December 2011, in accordance with IFRS 5, the Group reclassified shares in an associate “WIRBET” S.A. which had been measured using the equity method at PLN 5,585 thousand to non-current assets held for sale.

In 2010 the Group disposed of shares in a jointly-controlled entity - PWE Gubin Sp. z o. o.

The share in the net profit/loss of associates and jointly controlled entities consolidated in line with the equity method for 2011 amounted to PLN 4,529 thousand (PLN 988 thousand for 2010).

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

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

31.12.2011	**Share in the ownership**	**Current assets**	**Non-current assets**	**Total assets**	**Short-term liabilities and provisions for liabilities**	**Long-term liabilities and provisions for liabilities**	**Total liabilities**	**Revenue**	**Expenses**	**Net profit**
Wirbet S.A. (associate)	49,00%	8 417	9 580	**17 997**	5 856	734	**6 590**	27 635	(25 359)	2 276
		8 417	**9 580**	**17 997**	**5 856**	**734**	**6 590**	**27 635**	**(25 359)**	**2 276**

31.12.2010	**Share in the ownership**	**Current assets**	**Non-current assets**	**Total assets**	**Short-term liabilities and provisions for liabilities**	**Long-term liabilities and provisions for liabilities**	**Total liabilities**	**Revenue**	**Expenses**	**Net profit**
Wirbet S.A. (associate)	49,00%	8 380	8 595	**16 975**	4 739	471	**5 210**	27 184	(24 548)	2 636
Przedsiębiorstwo Energetyki Cieplnej w Śremie S.A. (associate)	41,65%	2 312	42 626	**44 938**	27 838	134	**27 972**	11 432	(11 277)	155
Elektrociepłownia Białystok S.A. (associate)	30,36%	106 585	528 534	**635 119**	28 633	72 156	**100 789**	267 790	(232 931)	34 859
		117 277	**579 755**	**697 032**	**61 210**	**72 761**	**133 971**	**306 406**	**(268 756)**	**37 650**

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

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

As at 31 December 2011 in line with IFRS 5 the Group transferred assets of Hotel "EDISON" Sp. z o.o., a subsidiary, of PLN 13,671 thousand to non-current assets held for sale. It also transferred liabilities of the subsidiary in question of PLN 795 thousand to liabilities related to non-current assets held for sale.
As at 31 December 2011, in accordance with IFRS 5, the Group reclassified shares in an associate "WIRBET" S.A. which had been measured using the equity method at PLN 5,585 thousand to non-current assets held for sale.

Financial assets available for sale classified as held for sale as at 31 December 2011 comprise shares in Towarowa Giełda Energii S.A.

	31.12.2011	31.12.2010
Financial assets available for sale and held for sale	2 242	-
Investments in an associate held for sale	5 589	-
Group of assets (subsidiary) held for sale	13 672	-
	21 503	**-**
Liabilities related to non-current assets held for sale	**795**	**-**

Group of assets (subsidiary) held for sale

	31.12.2011	31.12.2010
Property, plant and equipment	12 329	-
Perpetual usufruct of land	1 122	-
Inventory	14	-
Receivables	204	-
Cash	3	-
Company assets held for sale	**13 672**	**-**
Long-term credit facilities	(250)	-
Short-term credit facilities	(295)	-
Long-term liabilities due to employee benefits	(35)	-
Short-term liabilities due to employee benefits	(36)	-
Short-term trade liabilities	(179)	-
Liabilities related to assets held for sale	**(795)**	**-**

13. Financial assets

	31.12.2011	31.12.2010
Receivables and loans	237	168
Long-term financial assets available for sale (shares in unrelated parties)	70 490	74 867
Non-current financial assets measured at fair value through profit or loss	1 557	1 411
Total non-current financial assets	**72 284**	**76 446**
Receivables and loans	1 052 119	922 460
Current financial assets held to maturity	531 883	250 934
Current financial assets measured at fair value through profit or loss	723 439	1 781 939
Total current financial assets	**2 307 441**	**2 955 333**
Total	**2 379 725**	**3 031 779**

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

14. Trade and other receivables

	31.12.2011 Carrying amount	31.12.2010 Carrying amount
Current trade and other receivables		
Trade receivables	902 586	760 710
Tax receivables (excluding income tax) and other similar benefits	19 486	11 450
Other receivables	58 275	51 434
Advance payments	3 057	3 061
Receivables due to unbilled sales	234 757	249 067
Prepaid property insurance	2 189	2 335
	1 220 350	**1 078 057**
Less: impairment loss on receivables	(168 231)	(155 597)
Net current trade and other receivables	**1 052 119**	**922 460**

	31.12.2011 Carrying amount	31.12.2010 Carrying amount
Non-current trade and other receivables		
Other receivables	237	168
Net non-current trade and other receivables	**237**	**168**
Total net trade and other receivables	**1 052 356**	**922 628**

Impairment loss on trade and other receivables:

	31.12.2011	31.12.2010
Opening balance of impairment loss on receivables	**155 597**	**150 632**
Acquisition of subsidiaries	4 664	-
Recognized	34 876	27 869
Derecognized	(18 679)	(22 427)
Assigned	(8 227)	(477)
Closing balance of impairment loss on receivables	**168 231**	**155 597**

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

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

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

Entity's name	Collateral title	Type of collateral	Entity for which the collateral has been established	Debt as at 31 December 2011	Debt as at 31 December 2010	Collateral period
BHU S.A.	Overdraft	Capped mortgage up to PLN 5,250 thousand	Bank Zachodni WBK S.A.	-	1 158	November 2011
BHU S.A.	Overdraft	Capped mortgage up to PLN 3,750 thousand	Bank BPH S.A.	-	-	November 2012
BHU S.A.	Investment loan	Capped mortgage up to PLN 3,750 thousand	Bank BPH S.A.	2 500	-	December 2017
NZOZ Centrum Uzdrowiskowe Energetyk Sp. z o.o.	Loan	Capped mortgage up to PLN 8,450 thousand, registered pledge	Siemens Finance Sp. z o.o.	6 369	-	September 2021
EP PUE ENERGOBUD Leszno Sp. z o.o.	Investment loan	Mortgage of PLN 4,000 thousand	Nordea Bank Polska S.A.	1 496	1 855	February 2016
Hotel „EDISON" Sp. z o.o.	Overdraft	Capped mortgage up to PLN 400 thousand	BZ WBK S.A.	245	74	October 2012
„ITSERWIS" Sp. z o.o.	Overdraft	Capped mortgage	BZ WBK S.A.	875	911	October 2012
Auto-Styl Sp. z o.o.	Investment loan	Registered pledge on machines and equipment	BGŻ S.A.	23	86	March 2012
PEC Sp. z o.o. in Oborniki	Lease	Capped mortgage, assignment of receivables	BZ WBK Finanse & Leasing S.A.	125	223	November 2012
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.	50 459	60 085	December 2015
Elektrownia "Kozienice" S.A.	Long-term credit facility	Registered pledge on fixed assets, assignment of insurance policy title	PKO BP S.A.	18 204	36 409	December 2012

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

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

No.	Entity's name	Collateral title	Type of collateral	Entity for which the collateral has been established	Debt as at 31 December 2011	Debt as at 31 December 2010	Collateral period
1.	**Energobud Leszno**	Claims arising from the contract on purchase of products and services secured with Fleet Cards	Blank promissory note	**PKN Orlen S.A.**	Unspecified	Unspecified	unlimited
2.	**Energobud Leszno**	Collateral of leases	Blank promissory note	**Pekao Leasing Sp. z o.o.**	-	30	July 2012
3.	**Energobud Leszno**	Collateral of a contract for tender bonds	Blank promissory note	**PZU S.A.**	Unspecified	Unspecified	unlimited
4.	**Energobud Leszno**	Service contract regarding regular provision of performance bonds	Blank promissory note	**PZU S.A.**	Unspecified	Unspecified	unlimited
5.	**Energobud Leszno**	Investment loan	Authorization to debit the bank account, assignment of insurance policy title	**NORDEA BANK POLSKA S.A.**	1 496	1 855	February 2016
6.	**Elektrownie Wodne**	Loan	Blank promissory note, assignment of receivables from power sales contract	**National Fund for Environmental Protection and Water Management (NFOŚiGW)**	6 941	5 274	20 December 2023
7.	**Eneos**	Investment loan	Assignment of a contract and blank promissory note	**PKO BP S.A.**	3 196	2 226	December 2020
8.	**Auto-Styl**	Overdraft	Blank promissory note	**Volkswagen Bank Polska S.A.**	544	17	June 2012
9.	**Auto-Styl**	Revolving loan	Blank promissory notes and assignment of rights under an insurance policy	**Volkswagen Bank Polska S.A.**	2 897	4 464	March 2012
10.	**Auto-Styl**	Revolving loan	Fiduciary transfer of movables and assignment of insurance policy	**Volkswagen Bank Polska S.A.**	-	319	June 2012
11.	**Auto-Styl**	Bank guarantee	Assignment of insurance policy title	**BGŻ S.A.**	33	20	June 2012
12.	**Energetyk**	Loan	Blank promissory notes	**Siemens Finance Sp. z o.o.**	6 369	-	30 September 2021
13.	**BHU**	Collateral of a purchase limit	Blank promissory note	**Philips Lighting Farel Mazury Sp. z o.o.**	400	400	Contract term
14.	**BHU**	Collateral of lease	Blank promissory note	**Raiffeisen-Leasing Polska S.A.**	34	64	1 February 2013
15.	**ENEA S.A.**	Collateral of receivables	Blank promissory note	**PSE Operator S.A.**	15 000	15 000	Contract term
16.	**ENEA S.A.**	Space rental agreement	Bank guarantee	**RONDO PROPERTY INVESTMENT Sp. z o.o.**	135	20	13 December 2012
17.	**ENEA S.A.**	Purchase of electricity	Bank guarantee	**PGE Elektra**	-	132 007	15 February 2011
18.	**ENEA S.A.**	Trading in electricity and property rights on commodity exchange	Bank guarantee	**Izba Rozliczeniowa Giełd Towarowych S.A.**	35 000	-	18 November 2012
19.	**Energomiar**	Collateral of leases	Blank promissory note	**Raiffeisen-Leasing Polska S.A.**	-	5	April 2011
20.	**Energomiar**		Blank promissory note	**Volkswagen Leasing Polska Sp. z o.o.**	424	106	November 2014

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

		Collateral of leases					
21.	**ENEA Centrum S.A.**	Collateral of a customer service contract	Account freezing	**BP EUROPE SE**	-	-	until revoked
22.	**Energo-Tour**	Insurance guarantee	Account freezing	**AXA TUiA S.A.**	26	-	17 September 2013
23.	**ITSERWIS**	Collateral of leases	Blank promissory notes	**BZ WBK Leasing S.A.**	108	43	20 March 2014
24.	**ITSERWIS**	Overdraft	Authorization to debit the current account, blank promissory note, assignment of receivables under the insurance policy covering real property	**BZ WBK S.A.**	875	911	31 October 2012
25.	**Hotel Edison**	Trade agreement	Blank promissory note up to PLN 5 thousand	**FEDRUS S.A.**	-	-	Contract term
26.	**MEC Piła Sp. z o.o.**	Loan	Blank promissory notes and and assignment of receivables	**WFOŚiGW**	2 120	1 983	May 2016
27.	**Elektrownia Kozienice**	Grant	Blank promissory note (collateral amount of PLN 4,418 thousand)	**National Fund for Environmental Protection and Water Management (NFOŚiGW)**	Unspecified	Unspecified	2 April 2012
28.	**Elektrownia Kozienice**	Grant	Blank promissory note (collateral amount of PLN 4,497 thousand)	**National Fund for Environmental Protection and Water Management (NFOŚiGW)**	Unspecified	Unspecified	31 August 2012

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

16. Inventory

	31.12.2011	31.12.2010
Materials	326 829	226 144
Semi-finished products and work in progress	1 251	654
Finished products	164	368
Certificates of origin	1 675	-
Goods	20 645	21 640
	350 564	**248 806**
Impairment loss on inventories	(9 879)	(6 748)
Total:	**340 685**	**242 058**

	31.12.2011	31.12.2010
Opening balance of impairment loss on inventories	**6 748**	**6 277**
Acquisition of subsidiaries	299	-
Recognized	3 507	3 241
Derecognized	(475)	(2 734)
Assigned	(200)	(36)
Closing balance of impairment loss on inventories	**9 879**	**6 748**

Inventories included in the expenses of the current year amounted to PLN 1,738,114 thousand (PLN 1,528,955 thousand in 2010).

A portion of impairment losses for inventories has been reversed due to the sale of impaired goods and materials, liquidation of materials and an increase in sales prices in the market.

As at 31 December 2011 inventories designated for production or sale after 12 months of the balance sheet date amounted to PLN 22,698 thousand.

No collateral has been established on inventories.

17. Cash and cash equivalents

	31.12.2011	31.12.2010
Cash in hand and at bank	**876 136**	**510 304**
- cash in hand	1 017	1 006
- cash at bank	875 119	509 298
Other cash	**342 225**	**389 323**
-cash in transit	908	649
- deposits	341 265	388 312
- other	52	362
Total cash and cash equivalents	**1 218 361**	**899 627**
Cash disclosed in the cash flows statement	**1 218 361**	**899 627**

Collateral established on cash has been disclosed in Note 15.

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

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

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

	31.12.2011	31.12.2010
Financial assets measured at fair value through profit or loss		
Forward contracts (CO_2 emissions allowances)	10 769	-
Forward contracts (EUR)	143	-
Forward contracts (USD)	-	-
Other financial assets	1 557	1 411
Investment portfolio	712 527	1 781 939
Total	**724 996**	**1 783 350**

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

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

Elektrociepłownia Białystok S.A., a subsidiary, also concludes forward contracts. The company sold the surplus of CO2 emissions allowances covered by the limit for 2008-2012 in the form of forward contracts and concluded agreement for exchanging EUA to CER. The agreements were executed in part in December 2011 and the second execution date is December 2012. In both cases these are transactions in EUR. The Company concluded forward contracts for the sale of this currency.
At the end of 2011 the entity concluded forward contracts for the purchase of EUR related to contracts on purchase of biomass, where the price of raw materials is denominated in EUR.
Details concerning forward contracts for EC Białystok as at 31 December 2011:
Forward contracts (CO2 emissions allowances): PLN 10,769 thousand
Forward contracts (EUR): PLN 3,174 thousand

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

19. Settlement of Acquisition of New Subsidiaries

On 30 March 2011 the Group acquired 100% of rights and obligations in Elektrownie Wiatrowe – ENEA Centrum Spółka Akcyjna Spółka Komandytowa for the total amount of PLN 28,383 thousand. The initial settlement in the condensed interim consolidated financial statements for the period from 1 January to 31 March 2011 was carried out as agreed. The Capital Group assumed that the difference between the cost of a company and book value of net assets related to the acquired shares results from the difference between the fair value of property, plant and equipment and their book value as at the date of acquiring the company. As at the date of preparation of these consolidated financial statements the transaction was finally settled.

Settlement of the acquisition of Elektrownie Wiatrowe – ENEA Centrum Spółka Akcyjna Spółka Komandytowa

Share in the total rights and obligations	100,00%
Book value of net assets	8 642
Fair value adjustment of property, plant and equipment	1 055
Acquisition price	28 383
Goodwill	18 686

Detailed analysis of the acquired net assets at fair value:

Fair value of acquired net assets

Non-current assets	
Property, plant and equipment	35 734
Deferred income tax asset	437
Current assets	
Inventory	481
Current receivables	984
Cash and short-term financial assets	1 868
Non-current liabilities	
Deferred tax liability	(684)
Long-term credit facilities and loans	(23 720)
Current liabilities:	
Trade and other liabilities	(2 733)
Short-term credit facilities and loans	(2 670)
	9 697

The entire payment was made in cash. The balance of cash was PLN 1,868 thousand.

As a result of the acquisition of Elektrownie Wiatrowe – ENEA Centrum Spółka Akcyjna Spółka Komandytowa the Group's profit for the period from 1 January to 31 December 2011 increased by PLN 3,092 thousand. Had the combination taken place on 1 January 2011, the Group's profit would have been higher by PLN 641 thousand.

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

On 11 May 2011 ENEA S. A. bought 100% of shares in DOBITT Energia Sp. z o. o. for PLN 3,350 thousand. The initial settlement in the condensed interim consolidated financial statements for the period from 1 January to 30 June 2011 was carried out as agreed. The Capital Group assumed that the difference between the cost of a company and book value of net assets related to the acquired shares results from the difference between the fair value of property, plant and equipment and their book value as at the date of acquiring the company. As at the date of preparation of these consolidated financial statements the transaction was finally settled.

Settlement of the acquisition of Dobitt Energia Sp. z o.o.

Number of shares (in %)	100,00%
Book value of net assets	214
Fair value adjustment of property, plant and equipment	6
Acquisition price	3 350
Goodwill	3 130

Detailed analysis of the acquired net assets at fair value:

Fair value of acquired net assets

Non-current assets	
Property, plant and equipment	705
Current assets	
Current receivables	105
Cash and short-term financial assets	3
Non-current liabilities:	
Deferred tax liability	(1)
Current liabilities:	
Trade and other liabilities	(592)
	220

The entire payment was made in cash. The balance of cash was PLN 3 thousand.

As a result of the acquisition of DOBITT Energia Sp. z o.o. the Group's profit for the period from 1 January to 31 December 2011 increased by PLN 516 thousand.

On 1 June 2011 ENEA S. A. acquired 1,283,214 shares in Elektrociepłownia Białystok S. A. with the par value of PLN 10 per share for the total amount of PLN 347,751 thousand (related cash and cash equivalents totaled PLN 76,801 thousand). The company, earlier an associate, became a subsidiary of ENEA S.A. The initial settlement in the condensed interim consolidated financial statements for the period from 1 January to 30 June 2011 was carried out as agreed. The Capital Group assumed that the difference between the cost of a company and book value of net assets related to the acquired shares results from the difference between the fair value of property, plant and equipment and intangible assets and their book value as at the date of acquiring the company. As at the date of preparation of these consolidated financial statements the transaction was finally settled.

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

Settlement of the acquisition of Elektrociepłownia Białystok S.A.

Number of shares (in %)	99,94%
Book value of net assets	435 723
Fair value adjustment of intangible assets and property, plant and equipment	148 367
Acquisition price	347 751
Fair value of shares	154 000
Non-controlling interest	351
Profit due to bargain purchase	81 988

Detailed analysis of the acquired net assets at fair value:

Fair value of acquired net assets

Non-current assets	
Intangible assets	100 869
Property, plant and equipment	434 229
Deferred income tax asset	16 364
Current assets	
Inventory	41 526
Current receivables	21 393
Cash and short-term financial assets	76 801
Non-current liabilities:	
Deferred tax liability	(65 409)
Other long-term provisions	(9 610)
Current liabilities:	
Trade and other liabilities	(32 073)
	584 090

Following fair-value measurement of 30.36% of shares in Elektrociepłownia Białystok S.A., their value totaled PLN 154,000 thousand. The value of 30.36% of shares in Elektrociepłownia Białystok S.A. presented so far in the consolidated financial statements of the Group was PLN 162,059 thousand. A decrease in the value of the 30.36% of shares by PLN 8,059 thousand was recorded in the consolidated financial statements which led to a decrease in profit.

The estimated fair value of net assets in Elektrociepłownia Białystok S.A. is PLN 584,090 thousand; their acquisition cost is PLN 502,102 thousand. This bargain purchase led to a profit of PLN 81,988 thousand, which will contribute to an increase in profit in the consolidated financial statements. It has been recognized in other operating revenue.
The following factors caused that the transaction resulted in the profit from a bargain purchase:

a) factors resulting in the increased net value of assets after revaluation, i.e.:

- recognizing significant intangible assets, i.e. mainly CO2 emissions allowances obtained free of charge in the assets of Elektrociepłownia Białystok S.A. (for the period until the end of 2012) and transactions with direct electricity buyers;
- significant remeasurement of land owned by the Company;

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

- significant fair value remeasurement of machines and equipment, which results from accounting for the increase in the price of assets in the period from the acquisition date to the date of assuming control and reviewing the economic useful life.

b) factors affecting the acquisition cost:

- ENEA held a significant 30% share in the entity before the transaction of assuming control, which improved the negotiating position.

The entire payment was made in cash. The balance of cash was PLN 76,801 thousand. Other costs of the combination have been recognized in the consolidated statement of comprehensive income under "external services" (PLN 1,083 thousand is for advisory, legal and translation services) and "taxes and charges" (PLN 3,478 thousand is for tax on civil law transactions).

Non-controlling interest is measured proportionally to the share in the fair value of acquired net assets.

As a result of the acquisition of Elektrociepłownia Białystok S.A. the Group's profit for the period from 1 January to 31 December 2011 increased by PLN 4,404 thousand. Had the combination taken place on 1 January 2011, the Group's profit would have been higher by PLN 2,520 thousand.

On 22 August 2011 ENEA S. A. bought 61% of shares in Annacond Enterprises Sp. z o. o. for PLN 15,250 thousand. The initial settlement in the condensed interim consolidated financial statements for the period from 1 January to 30 September 2011 was carried out as agreed. The Capital Group assumed that the difference between the cost of a company and book value of net assets related to the acquired shares results from the difference between the fair value of property, plant and equipment and their book value as at the date of acquiring the company. As at the date of preparation of these consolidated financial statements the transaction was finally settled.

Settlement of the acquisition of Annacond Enterprises Sp. z o.o.

Number of shares (in %)	61.00%
Book value of net assets	12 382
Fair value adjustment of property, plant and equipment	2 911
Acquisition price	15 250
Non-controlling interest	5 964
Goodwill	5 921

Detailed analysis of the acquired net assets at fair value:

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

Fair value of acquired net assets

Non-current assets	
Property, plant and equipment	15 030
Intangible assets	311
Current assets	
Current receivables	732
Cash and short-term financial assets	126
Non-current liabilities	
Deferred tax liability	(683)
Current liabilities	
Trade and other liabilities	(223)
	15 293

The entire payment was made in cash. The balance of cash was PLN 126 thousand.

Non-controlling interest is measured proportionally to the share in the fair value of acquired net assets.

As a result of the acquisition of Annacond Enterprises Sp. z o.o. the Group’s profit for the period from 1 January to 31 December 2011 increased by PLN 35 thousand. Had the combination taken place on 1 January 2011, the Group’s profit would have been lower by PLN 853 thousand.

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

As at 31 December 2011 assets, including goodwill were tested for impairment in the following companies: two companies acquired in 2008: Przedsiębiorstwo Energetyki Cieplnej Sp. z o. o. w Obornikach (“PEC Oborniki”) and Miejska Energetyka Cieplna Piła Sp. z o. o. (“MEC Piła”) and in three companies acquired in 2011: Elektrownie Wiatrowe – ENEA Centrum Spółka Akcyjna Spółka Komandytowa, Dobitt Energia Sp. z o.o. and Annacond Enterprises Sp. z o.o. The tests results have indicated no reason to recognize impairment.

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 21,710 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, the amount of PLN 2,844 thousand, i.e. 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, the amount of PLN 1,685 thousand, i.e. the difference between the measurement as at 31 December 2011 (PLN 24,548 thousand) and the amount for which a portion of shares in PEC Oborniki was acquired under the first tranche of employee shares planned for 2011 (PLN 400 thousand) and the measurement as at 31 December 2010 (PLN 23,263 thousand) corresponding to financial expenses of 2011.

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

Goodwill by individual cash flow generating units has been presented below. In all cases the units are individual subsidiaries:

Goodwill

Miejska Energetyka Cieplna Piła Sp. z o.o.	1 806
Elektrownie Wiatrowe – ENEA Centrum Spółka Akcyjna Sp.k.	18 686
Annacond Enterprises Sp. z o.o.	5 921
DOBITT Energia Sp. z o.o.	3 131
Elektrownie Wodne Sp. z o.o.	667
	30 211

The key assumptions of tests for impairment of assets, including goodwill:

a) Elektrownie Wiatrowe – ENEA Centrum Spółka Akcyjna Spółka Komandytowa: discount rate of 11.60%, residual growth rate of 2.50%, the projections have been extended until 2032 in line with the projected useful life of assets,
b) Dobitt Energia Sp. z o.o.: discount rate of 10%, residual growth rate of 2.50%, the projections have been extended until 2030 in line with the projected useful life of assets,
c) Annacond Enterprises Sp. z o.o.: discount rate of 10.40%, residual growth rate of 2.50%, the projections have been extended until 2042 in line with the projected useful life of assets,
d) Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o. in Oborniki: discount rate of 9.70%, residual growth rate of 2.50%, the test was based on 5-year projections (until 2016). The projections assumed capital expenditures related to cogeneration operations, because the cash flow criterion, which would typically be considered, has been met,
e) Miejska Energetyka Cieplna Sp. z o.o.: discount rate of 11.10%, residual growth rate of 2.50%, the test was based on 5-year projections (until 2016).

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

21. Equity

Balance as at 31.12.2011

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			5 058 001
Minority interest			29 088
Revaluation reserve (financial instruments)			49 565
Other capitals			(21 710)
TOTAL EQUITY			**10 479 762**

Balance as at 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**

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

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

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

22. Trade and other liabilities

	31.12.2011 Carrying amount	31.12.2010 Carrying amount
Non-current trade and other liabilities		
Non-current trade liabilities	-	2
	-	**2**
Current trade and other liabilities		
Trade liabilities	883 366	667 953
Advance payments received for deliveries, works and services	512	682
Tax and similar liabilities (except for income tax)	179 684	183 076
Special funds	7 440	7 636
Liabilities due to purchase of other shares in subsidiaries	24 548	23 263
Other	103 496	135 195
Total current	**1 199 077**	**1 017 805**
Total	**1 199 077**	**1 017 807**

23. Credit facilities and loans

	31.12.2011 Carrying amount	31.12.2010 Carrying amount
Long-term		
Bank credit facilities	59 402	66 006
Loans	13 977	6 356
	73 379	**72 362**
Short-term		
Bank credit facilities	43 859	41 285
Loans	1 657	1 113
	45 516	**42 398**
Total	**118 895**	**114 760**

Repayment schedule of long-term credit facilities and loans	**31.12.2011**	**31.12.2010**
1 - 3 years	40 260	51 606
3 - 5 years	4 904	18 283
Over 5 years	28 215	2 473
Total	**73 379**	**72 362**

Credit facility and loan agreements of the entities in the ENEA Group have been presented below:

ENEA S.A. - 1) overdraft in Bank Zachodni WBK S. A. of PLN 85,000,000. The facility agreement has entered into force on 12 April 2007. Pursuant to a concluded annex the final maturity date has been extended until 17 November 2014. The interest rate is floating based on WIBOR 1M plus markup.

2) overdraft in Bank Zachodni WBK S. A. of PLN 5,000,000. The facility agreement has entered into force on 12 April 2007. Pursuant to a concluded annex the final maturity date has been extended until 17 November 2014. The interest rate is floating based on WIBOR 1M plus markup.

3) overdraft in Bank Pekao S.A. of PLN 5,000,000. The facility agreement has entered into force on 12 April 2007. Pursuant to a concluded annex the final maturity date has been extended until 17 November 2014. The interest rate is floating based on WIBOR 1M plus markup.

4) overdraft in Bank Pekao S.A. of PLN 5,000,000. The facility agreement has entered into force on 12 April 2007. Pursuant to a concluded annex the final maturity date has been extended until 17 November 2014. The interest rate is floating based on WIBOR 1M plus markup.

5) working capital loan in PKO Bank Polski S.A. totaling PLN 50,000,000, out of which PLN 5,000,000 may be used as an overdraft and PLN 45,000,000 as a revolving loan. The facility agreement has entered into force

on 25 April 2006. In line with the facility agreement the facility matures and should be repaid at the end of the tenor, i.e. after 5 years from the date of the first disbursement.
BHU S.A. - Credit Facility Agreement No. 803274050/212/2011 concerning a multi-purpose line for the total amount of PLN 2,500,000.00 under an overdraft extended by Bank BPH SA, concluded on 30 November 2011 and maturing on 27 November 2012. Interest rate of 5.60% p.a.

Hotel Edison Sp. z o.o. - overdraft in WBK S.A. up to PLN 300,000 maturing on 31 October 2012. The interest rate is floating based on WIBOR 1M plus markup of 2.5% p.a.

EP PUE Energobud Leszno Sp. z o.o. - on 2 November 2005 Nordea Bank Polska S. A. extended and investment loan of PLN 4,000,000.00 for the period from 2 November 2005 to 28 February 2016 to ENERGOBUD Leszno branch (formerly EWiNN), Facility agreement No. FKI-PLN-ZOKK1-05-000007, Annex 1 dated 16 September 2011. Collateral – usual mortgage up to PLN 4,000,000.00. On a monthly basis the bank calculates interest using a floating rate (WIBOR 1M plus markup) to the outstanding amount. The facility is repaid in 112 equal monthly installments, except for the last corrective repayment.

Eneos Sp. z o.o. - the company has been granted investment loans by PKO BP S.A. for construction and modernization of roads in particular communities for the total amount of PLN 3,196,000.00; final maturity date is 20 December 2020, interest rates from 5.64% to 6.44%,

NZOZ Centrum Uzdrowiskowe Energetyk Sp. z o.o.– loan of PLN 6,369,000 from Siemens Finance Sp. z o. o., loan agreement concluded on 25 November 2010, expiry date - 30 September 2021; interest rate: WIBOR 1M+2.2%,

Elektrownie Wodne Sp. z o.o. - loan from NFOŚiGW (National Fund for Environmental Protection and Water Management); loan agreement concluded on 21 May 2010, expiry date - 20 December 2023; Loan amount – PLN 7,520,576.80. Fixed interest rate of 6% p.a. Quarterly installments equal PLN 144,000.00 each, the final repayment of PLN 172,576.80;
Investment loan granted by PKO BP S.A., agreement concluded on 27 August 2007; expiry date – 26 August 2020. Loan amount – PLN 33,000,000.00. The interest rates specified in the loan agreement are as follows:
1. The annual interest rate is floating. The interest rate is equal to the reference rate plus the bank's markup.
2. The reference rate is floating during the financing period. It is equal to WIBOR 1M for the first settlement period and it is based on the quotes from two business days before the disbursement of the total or a portion of the loan. For the following settlement periods (i.e. calendar months) it is calculated in line with the quotes from two business days before the beginning of the following settlement period.
In case no WIBOR 1M quote is available for a given day, the quote from the preceding date is applied.
3. The bank's markup is fixed during the financing period specified in the agreement and it depends on the PKO BP S.A.'s assessment of the Borrower's credit standing, the investment project and credit risk.
4. The bank's markup will amount to 2.15 p.p.

ITSERWIS Sp. z o.o. - overdraft up to PLN 1,500,000; agreement concluded on 11 August 2011. facility renewed under an annex dated 29 October 2011. maturity date - 31 October 2012. Interest rate equal to WIBOR 1M plus bank's markup of 1.75 p.p. per annum,

Auto-Styl Sp. z o.o. - 1. investment loan (Bank BGŻ SA) extended as of 3 December 2007 until 31 February 2012 (WIBOR 3M+2%), 2. revolving loan for the purchase of VW cars (Volkswagen Bank SA) extended as of 31 February 2011 until 31 March 2012 (WIBOR 3M+3.5%), 3. revolving loan for the purchase of SEAT cars (Volkswagen Bank SA) extended as of 30 June 2011 until 30 June 2012 (WIBOR 3M+3.5%), 4. overdraft (Volkswagen Bank SA) extended as of 30 June 2011 until 30 June 2012 (WIBOR 3M+2.5%),

ENEA Operator Sp. z o.o. - pursuant to the agreement dated 18 July 2011 Bank BZ WBK S. A. granted an overdraft facility of PLN 150,000,000 to finance current operations of the Company. The facility matures on 10 August 2014. The interest rate is floating based on WIBOR 1M plus markup.

Elektrownia Kozienice S.A. - investment loan in a foreign currency extended by Nordic Investment Bank. Credit facility extended on 20 December 2000. The final maturity date is 26 November 2014. The facility was availed in two currencies – EUR and USD. Interest rate for the facility denominated in USD (USD-LIBOR-BBA) - USD rate quoted on Telerate 3750 at 11.00 a.m. London time for the period equivalent or similar to that of the interest period (6 months) plus bank markup. Interest rate for the facility denominated in EUR (EUR-EURIBOR-Telerate) - EUR rate quoted on Telerate 248 at 11.00 a.m., Brussels time for the period equivalent or similar to that of the interest period (6 months) plus bank markup. The facility is repaid in installments paid every six months – on 26 May and 26 November. Investment loan extended by PKO BP on 23 December 1998. The final maturity date is 31 December 2012. The interest rate is WIBOR 3M + bank markup. The facility is repaid in quarterly installments,

Miejska Energetyka Cieplna Piła Sp. z o.o. - 1. loan agreement with Wojewódzki Funduszu Ochrony Środowiska i Gospodarki Wodnej in Poznań, concluded on 3 December 2009, maturity date – 20 June 2014, loan amount – PLN 191,000, floating interest rate,

2. loan agreement with Wojewódzki Funduszu Ochrony Środowiska i Gospodarki Wodnej in Poznań, concluded on 24 September 2009, maturity date – 20 June 2014, loan amount – PLN 144,000, floating interest rate,

3. loan agreement with Wojewódzki Funduszu Ochrony Środowiska i Gospodarki Wodnej in Poznań, concluded on 1 December 2010, maturity date – 22 June 2015, loan amount – PLN 161,400, floating interest rate,

4. loan agreement with Wojewódzki Funduszu Ochrony Środowiska i Gospodarki Wodnej in Poznań, concluded on 1 December 2010, maturity date – 22 July 2015, loan amount – PLN 1,200,000, floating interest rate,

5. loan agreement with Wojewódzki Funduszu Ochrony Środowiska i Gospodarki Wodnej in Poznań, concluded on 27 September 2011, maturity date – 20 May 2016, loan amount – PLN 665,000, floating interest rate,

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

6. loan agreement with the Community of Gozdnica, concluded on 7 April 2008, loan amount – PLN 279,400, floating interest rate,

24. Settlement of income due to subsidies and connection fees

	31.12.2011 Carrying amount	31.12.2010 Carrying amount
Long-term		
Deferred income due to subsidies	159 020	210 797
Deferred income due to connection fees	512 794	502 418
	671 814	**713 215**
Short-term		
Deferred income due to subsidies	15 139	14 767
Deferred income due to connection fees	98 068	107 603
	113 207	**122 370**

Deferred income schedule

	31.12.2011	31.12.2010
Up to 1 year	113 207	122 370
1 to 5 years	125 380	93 686
Over 5 years	546 434	619 529
	785 021	**835 585**

25. 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 a number of ENEA's shares disposed of free of charge for the benefit of eligible individuals, attributable to each group specified based on the length of service as per Article 11 of the Ordinance of the Minister of the Treasury of 29 January 2003 laying down detailed principles for classification of eligible employees into groups, determining the number of shares attributable to each group and the conditions for acquisition of shares by eligible employees. In compliance with the aforementioned Ordinance, the Management Board of the Company provided the Minister of the Treasury with a list of eligible individuals and the number of shares assigned. The Minister of the Treasury 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. The right to acquire the shares in ENEA S.A. free of charge may be executed until 16 May 2012. After the deadline the title will expire.

The Management Board of ENEA S.A. assigned 33,239,235 shares to eligible individuals. The lockup period for the shares acquired by eligible individuals free of charge is two years starting from the date of disposal of the first shares by the State Treasury on general terms. The two-year lockup period ends on 15 February

2012. The Management Board of ENEA S.A. took appropriate steps to enable trading in specified shares in the Warsaw Stock Exchange (WSE). In accordance with the resolution of the Management Board of WSE of 27 February 2012, 30 981 380 ordinary shares were to be traded on the primary market as of 5 March 2012.

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

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

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

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

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

26. Financial instruments

26.1. Principles of financial risk management

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

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

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

Development of the general guidelines and rules of the risk management policy is the responsibility of the Management Board of the Parent.

Risk is managed on an ongoing basis. Risks are analyzed in connection with the impact of the external environment as well as changes in the structure and activity of the Group. Taking these into consideration, appropriate steps are undertaken aimed at mitigation of the risk or its transfer beyond the capital group. In order to do so, the Company ensures that its employees are aware of possible occurrence of risks and their influence on the activity of individual organizational units.
Aware of the risks relating to it business activities, in 2011 ENEA S.A. undertook measures aimed at development of an integrated, formalized risk management system including credit, liquidity, commodity, currency and interest rate risk. At present, policies and procedures regulating the risk management process are being completed.

26.2. 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 the 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.

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

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.
There is no material credit risk concentration, as receivables from a single buyer do not exceed 5% of total receivables.

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

	31.12.2011 **Carrying amount**	**31.12.2010** **Carrying amount**
Current and non-current financial assets held to maturity	531 883	250 934
Current and non-current financial assets measured at fair value through profit or loss	724 996	1 783 350
Trade and other receivables	1 052 356	922 628
Cash and cash equivalents	1 218 361	899 627
Total	**3 527 596**	**3 856 539**

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. Steps aimed at improvement of the collection process have been taken involving development of new and update of the existing manuals and principles of collection and cooperation with professional entities. The collection process starts 20-25 days after the payment deadline. Thanks to unified collection policy, including soft collection, the entity is able to shorten the collection period and avoid long-lasting and quite ineffective hard collections, i.e. enforcement by court or a bailiff. Court or bailiff's collections are applied to cases whose value is higher than the cost-benefit ratio for debt collection;
- sales of electricity and distribution services to business, key and strategic clients, where overdue receivables are higher than in the segment of individual clients. However, the collection procedure is similar and collection measures are undertaken within 6-10 business days of the payment date;
- other receivables – compared to the above segments the amounts of past due receivables are immaterial.

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

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.

26.3. Liquidity risk

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

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

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

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

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

Additionally, the Group manages its liquidity risk by maintaining open and unused credit facilities of PLN 307,240 thousand.

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

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

	Trade and other liabilities	Finance lease liabilities	Financial liabilities measured at fair value through profit or loss	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
31.12.2011										
Carrying amount	1 199 077	4 698	3 174	103 261	15 634	(1 218 361)	(1 052 356)	(724 996)	(531 883)	**(2 201 752)**
Undiscounted contractual cash flows	(1 199 077)	(6 952)	(3 174)	(105 443)	(15 879)	1 218 361	1 052 356	724 996	538 189	**2 203 377**
up to 6 months	(1 198 682)	(1 482)	-	(20 826)	(521)	1 218 361	1 044 929	723 439	538 189	**2 303 407**
6 - 12 months	(395)	(1 693)	(1 723)	(23 301)	(1 178)	-	7 190	-	-	**(21 100)**
1 – 2 years	-	(2 831)	(1 451)	(19 665)	(3 661)	-	237	1 557	-	**(25 814)**
2 – 5 years	-	(946)		(19 735)	(3 607)	-	-	-	-	**(24 288)**
Over 5 years	-	-		(21 916)	(6 912)	-	-	-	-	**(28 828)**

	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	**2 717 503**
up to 6 months	(1 017 794)	(1 211)	(23 799)	(233)	899 627	917 932	1 783 350	254 212	**2 812 084**
6 - 12 months	(11)	(1 211)	(19 894)	(880)	-	4 528	-	-	**(17 468)**
1 – 2 years	(2)	(2 205)	(35 427)	(1 752)	-	57	-	-	**(39 329)**
2 – 5 years	-	(753)	(32 107)	(2 707)	-	111	-	-	**(35 456)**
Over 5 years	-	-	(431)	(1 897)	-	-	-	-	**(2 328)**

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

26.4. Commodity risk

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

One of the key aspects of the commodity risk results from the fact that being an energy company operating based on an electricity trading and distribution license, the Group is required to provide electricity tariffs for the household and prepaid G tariff groups for approval. Enterprises 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) 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.

26.5. Currency risk

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

31.12.2011	Carrying amount	Including EUR amount denominated in the functional currency (PLN)	Including USD amount denominated in the functional currency (PLN)	Including other foreign currency amount denominated in the functional currency (PLN)	Currency risk impact on profit/loss	
					+1%	**-1%**
Financial assets						
Cash and cash equivalents	1 218 361	22 013	19	10	**220**	**(220)**
Trade and other receivables	1 052 356	21 916	-	-	**219**	**(219)**
Forward contracts	10 912	10 912			**109**	**(109)**
Other financial assets	1 316 457	-	-	-	**-**	**-**
Financial liabilities	-					
Credit facilities and loans	(118 895)	(44 812)	(5 646)	-	**(505)**	**505**
Trade and other liabilities	(1 199 077)	(2 973)	-	(337)	**(33)**	**33**
Finance lease liabilities	(4 698)	-	-	-	**-**	**-**
Financial liabilities measured at fair value through profit or loss (forward contracts)	(3 174)	(3 174)	-	-	**(32)**	**32**
Impact on profit/loss before tax					**(21)**	**21**
19% tax					**4**	**(4)**
Impact on profit/loss after tax					**(17)**	**17**

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

31.12.2010	Carrying amount	Including EUR amount denominated in the functional currency (PLN)	Including USD amount denominated in the functional currency (PLN)	Including other foreign currency amount denominated in the functional currency (PLN)	Currency risk impact on profit/loss	
					+1%	**-1%**
Financial assets						
Cash and cash equivalents	899 627	3 947	20	3	**40**	**(40)**
Trade and other receivables	922 628	25	-	-	**0**	**(0)**
Other financial assets	2 109 151	-	-	-	-	-
Financial liabilities	-					
Credit facilities and loans	(114 760)	(53 558)	(6 527)	-	**(601)**	**601**
Trade and other liabilities	(1 017 807)	(3 847)	-	(287)	**(41)**	**41**
Finance lease liabilities	(3 876)	-	-	-	-	-
Financial liabilities measured at fair value through profit or loss	-	-	-	-	**-**	**-**
Impact on profit/loss before tax					**(602)**	**602**
19% tax					**114**	**(114)**
Impact on profit/loss after tax					**(488)**	**488**

Currency risk is related to possible changes in cash flows generated by the Group resulting from fluctuations in the rates of the currencies in which such cash flows are denominated.

During the reporting period ENEA S. A. concluded one forward transaction with the bank, the purpose of which was to hedge FX risk (EUR/PLN) related to the contract on the purchase of assets. As at the balance sheet date, the transaction generated a gain of PLN 143 thousand. Currency risk hedging transactions were also concluded after the balance sheet date.

Elektrociepłownia Białystok S.A., a subsidiary, concludes forward contracts as well. The company sold the surplus of CO2 emissions allowances covered by the limit for 2008-2012 in the form of forward contracts and concluded agreement for exchanging EUA to CER. The agreements were executed in part in December 2011 and the second execution date is December 2012. In both cases the transactions are in EUR. The Company concluded forward contracts for the sale of this currency.

At the end of 2011 the Company concluded forward contracts for the purchase of EUR related to contracts on purchase of biomass, where the price of raw materials is denominated in EUR.

Details concerning forward contracts for EC Białystok as at 31 December 2011:

Forward contracts for CO2 emissions allowances: PLN 10,769 thousand

Forward contracts (EUR): PLN 3,174 thousand

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

The table below presents the impact of changes in prices of CO2 emissions allowances (currency forward contracts) on the financial profit/loss of the Group.

	Carrying amount 31.12.2011	Impact of the risk of changes in prices of CO2 emissions allowances		Carrying amount 31.12.2010	Impact of the risk of changes in prices of CO2 emissions allowances	
		+ 1 %	- 1 %		+ 1 %	- 1 %
Financial assets						
Forwards for CO2 emissions allowances	10 769	108	(108)		-	-
Impact on profit/loss before tax		**108**	**(108)**		**-**	**-**
19% tax		(21)	21		-	-
Impact on profit/loss after tax		**87**	**(87)**		**-**	**-**
Financial liabilities						
Forward contracts for CO2 emissions allowances		-	-	-	-	-
Impact on profit/loss before tax		**-**	**-**		**-**	**-**
19% tax		-	-		-	-
Impact on profit/loss after tax		**-**	**-**		**-**	**-**
Total		**87**	**(87)**		**-**	**-**

26.6. Interest rate risk

The interest rate risk the Group is exposed to results from credit facilities and loans taken by ENEA S.A. and financial assets in the form of debt securities portfolio and bank deposits. The Group tends to apply floating interest correlated with market (interbank) rates.

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	**31.12.2011**	**31.12.2010**
Financial assets	1 040 462	944 661
Financial liabilities	(1 201 076)	(1 017 807)
Total	**(160 614)**	**(73 146)**
Floating rate instruments		
Financial assets	2 311 225	2 910 467
Financial liabilities	(123 593)	(118 636)
Total	**2 187 632**	**2 791 831**

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

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

	31.12.2011		**31.12.2010**	
	Average weighted interest rate (%)	**Carrying amount**	**Average weighted interest rate (%)**	**Carrying amount**
Financial instruments held to maturity	6,04	531 883	4,55	250 934
Financial assets measured at fair value through profit or loss	5,66	724 996	5,12	1 781 939
Cash and cash equivalents	3,90	1 218 361	3,41	899 627
Finance lease liabilities	6,57	(4 698)	5,93	(3 876)
Loans	5,79	(15 634)	4,88	(7 469)
Floating interest rate credit facilities	4,22	(103 261)	3,16	(107 291)
Total		**2 351 647**		**2 813 864**

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 31.12.2011	**Interest rate risk impact on profit/loss (12 months)**		**Carrying amount 31.12.2010**	**Interest rate risk impact on profit/loss (12 months)**	
		+ 1 p.p.	**- 1 p.p.**		**+ 1 p.p.**	**- 1 p.p.**
Financial assets						
Cash	1 218 361	12 184	(12 184)	899 627	8 996	(8 996)
Trade and other receivables	1 052 356			922 628		
Other financial assets	1 327 369	13 274	(13 274)	2 109 151	21 092	(21 092)
Impact on profit/loss before tax		25 457	(25 457)		30 088	(30 088)
19% tax		(4 837)	4 837		(5 717)	5 717
Impact on profit/loss after tax		**20 620**	**(20 620)**		**24 371**	**(24 371)**
Financial liabilities						
Credit facilities and loans	(118 895)	(1 189)	1 189	(114 760)	(1 148)	1 148
Trade and other liabilities	(1 199 077)			(1 017 807)		
Finance lease liabilities	(4 698)	(47)	47	(3 876)	(39)	39
Impact on profit/loss before tax		(1 236)	1 236		(1 186)	1 186
19% tax		235	(235)		225	(225)
Impact on profit/loss after tax		**(1 001)**	**1 001**		**(961)**	**961**
Total		**19 619**	**(19 619)**		**23 410**	**(23 410)**

26.7. 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.

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

The net debt (credit facilities and loans and finance lease liabilities less cash and cash equivalents) to equity ratios are negative, because cash is usually significantly higher than the borrowing.

26.8. Fair value

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

	31.12.2011		31.12.2010	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Long-term financial assets available for sale (shares in unrelated parties)	70 490	70 490	74 867	74 867
Non-current financial assets measured at fair value through profit or loss	1 557	1 557	1 411	1 411
Current financial assets held to maturity	531 883	531 883	250 934	250 934
Current financial assets measured at fair value through profit or loss	723 439	723 439	1 781 939	1 781 939
Trade and other receivables	1 052 356	1 052 356	922 628	922 628
Cash and cash equivalents	1 218 361	1 218 361	899 627	899 627
Credit facilities and loans	118 895	118 895	114 760	114 760
Finance lease liabilities	4 698	4 698	3 876	3 876
Trade and other liabilities	1 199 077	1 199 077	1 017 807	1 017 807

According to the Group's estimates the fair value of financial assets measured at amortized cost does not differ considerably from the carrying amount.

Financial assets available for sale include shares in unrelated parties for which the ratio of interest in capital to the nominal value is lower than 20%. Their fair value is estimated using a discounted cash flows method.

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 17) and forward contracts. The fair value of the investment portfolio is estimated based on market quotations, while that of forward contracts is determined based on applicable currency rates and market interest rates curves. Current financial assets held to maturity include bank deposits with the original maturity from 3 months to 1 year.

The table below presents the analysis of financial instruments measured at fair value and classified into the following three levels:

Level 1 – fair value based on stock exchange prices (unadjusted) offered for identical assets or liabilities in active markets, Level 2 – fair value determined based on market observations instead of market quotations (e.g. direct or indirect reference to similar instruments traded in the market),

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

Level 3 – fair value determined using various valuation methods, but not based on any observable market information.

	31.12.2011			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value through profit or loss				
Derivatives	-	-	-	-
Forward contracts	-	10 912	-	10 912
Non-derivative financial assets held for trading	714 084	-	-	714 084
Financial assets available for sale				
Redeemable bonds	-	-	-	-
Not listed equity instruments	-	-	19 914	19 914
Listed equity instruments	50 576	-	-	50 576
Total	764 660	10 912	19 914	795 486
Financial liabilities measured at fair value through profit or loss				
Contingent payment in a business combination	-	-	-	-
Derivatives	-	-	-	-
Forward contracts	(3 174)	-	-	(3 174)
Other financial liabilities measured at fair value through profit or loss	-	-	-	-
Total	(3 174)	-	-	(3 174)

	31.12.2010			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value through profit or loss				
Derivatives	-	-	-	-
Forward contracts	-	-	-	-
Non-derivative financial assets held for trading	1 783 350	-	-	1 783 350
Financial assets available for sale				
Redeemable bonds	-	-	-	-
Not listed equity instruments	-	-	21 322	21 322
Listed equity instruments	53 545	-	-	53 545
	-	-	-	-
Total	1 836 895	-	21 322	1 858 217
Financial liabilities measured at fair value through profit or loss				
Contingent payment in a business combination	-	-	-	-
Derivatives	-	-	-	-
Forward contracts	-	-	-	-
Other financial liabilities measured at fair value through profit or loss	-	-	-	-
Total	-	-	-	-

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

Reconciliation of Level 3 items:

	Financial assets measured at fair value through profit or loss	Financial assets available for sale	Financial liabilities measured at fair value through profit or loss	Total
Balance as at 1 January 2011	-	21 322	-	21 322
Profit and loss in:				
- income statement	-	-	-	-
- other items of comprehensive income	-	(325)	-	(325)
Purchases	-	7	-	7
Emission	-	-	-	-
Settlement	-	-	-	-
Reclassification of a financial asset for sale	-	(1 090)	-	(1 090)
Reclassification to Level 3	-		-	-
Reclassification from Level 3	-	-	-	-
Balance as at 31 December 2011	-	19 914	-	19 914
Balance as at 1 January 2010	-	4 784	-	4 784
Profit and loss in:				
- income statement	-	(45)	-	(45)
- other items of comprehensive income	-	16 583	-	16 583
Purchases	-	-	-	-
Emission	-	-	-	-
Settlement	-	-	-	-
Reclassification to Level 3	-	-	-	-
Reclassification from Level 3	-	-	-	-
Balance as at 31 December 2010	-	21 322	-	21 322

27. Finance lease liabilities

	31.12.2011	31.12.2010
Finance lease liabilities – minimum lease payments		
Up to 1 year	2 424	2 134
1 – 5 years	2 274	1 742
Over 5 years	-	-
Present value of lease payments	**4 698**	**3 876**

	31.12.2011	31.12.2010
Minimum lease payments	(555)	(563)
Contingent lease payments	-	-
Revenue from sub-lease	402	340
Total	**(153)**	**(223)**

Finance lease agreements of the entities in the ENEA Group have been presented below:

ENEA S.A. - the lease agreement concerns a passenger car. The user is obliged to pay a fee in line with the payment schedule constituting an integral part of the agreement and monthly lease rentals. The user has the right to acquire the object of lease at the price equal to the residual value.

Energomiar Sp. z o.o. - agreements concerning vehicles are concluded for the period of 36 months; after the end of the lease period the object of lease can be purchased at a price equal to the residual value specified in the agreement.

BHU S.A. - all lease agreements concluded by BHU S.A. include a purchase option and concern the following assets: a/ warehouse shelves - agreement dated 28 September 2011 valid until 21 October 2014; b/ computer hardware – agreements valid from 9 December 2011 to 21 October 2016; c/vehicles - 11 agreements valid from 9 February 2009 to 21 November 2016.

Eneos Sp. z o.o. - the company has cars used based on a lease with the repayment period of 36 months; each lease assumes a purchase option.

Elektrownie Wodne Sp. z o.o. - 1. truck MITSUBISHI L 200, agreement dated 6 February 2009, purchase price of PLN 74,081.97, lease period of 36 months – until 11 February 2012, a purchase option after the lease period, 2. VOLKSWAGEN Golf VI 08, agreement dated 8 October 2009, purchase price of PLN 48,598.36, lease period of 36 months – until 16 October 2012, a purchase option after the lease period, 3. VOLKSWAGEN PASSAT, agreement dated 8 October 2009 r., purchase price of PLN 70,327.87, lease period of 36 months – until 16 October 2012 r, a purchase option after the lease period, 4. RENAULT TRAFIC FG III, agreement dated 30.12.2010, purchase price of PLN 83,606.56, lease period of 36 months - until 30 November 2013, a purchase option after the lease period, 5. VOLKSWAGEN PASSAT, agreement dated 21 June 2011, purchase price of PLN 91,289.43, lease period until 11 June 2014, a purchase option after the lease period, 6. VOLKSWAGEN GOLF VARIANT, agreement dated 26 September 2011, purchase price of PLN 60,460.98, lease period until 25 October 2014, a purchase option after the lease period, 7. VOLKSWAGEN JETTA, agreement dated 26 September 2011, purchase price of PLN 60,204.88, lease period until 25 October 2014, a purchase option after the lease period.

ITSERWIS Sp. z o.o. - 2 passenger cars SEAT – lease period of 36 months until 20 March 2014, first lease payment of 5% of the net value and an arrangement fee of 1% of the net value; cost of financing 10.8 %; purchase option at the price equal to the net residual value of PLN 100 and agreement for 1 VW truck, lease period of 36 months until 20 March 2013, cost of financing 10.2%, first payment of 10% of the net value plus an arrangement fee of 1% of the net value, purchase option at the price equal to the net residual value of PLN 100.

ENEA Operator Sp. z o.o. - as at 31.12.2011 Enea Operator sp. z o. o. did not have any binding lease agreement. Three lease agreements concluded in 2008 concerning passenger cars expired in 2011. The operating lease agreements in question were classified as finance lease agreements for balance sheet purposes. The classification was based on the fact that the Company was entitled to acquire the object of lease after the end of the lease period at a price lower than the market value. The initial recognition consisted in disclosing the initial value of the fixed asset and the liability in the same amount, which was the sum of discounted cash flows using an internal interest rate of future lease rentals. The preliminary fee and the principal amount of the lease rentals reduce the liability in question. Interest and depreciation are charged to financial expenses in appropriate periods.

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

Miejska Energetyka Cieplna Piła S.A. - Volkswagen Leasing Polska Sp. z o. o: VW PASSAT – agreement concluded in June 2011 for a 36-month period; VW Transporter – agreement binding for 36 months from September 2011, lease with a purchase option.

28. Financial liabilities measured at fair value through profit or loss

	31.12.2011	31.12.2010
Financial liabilities measured at fair value through profit or loss		
Forward contracts (CO_2 emissions allowances)	-	-
Forward contracts (EUR)	(3 174)	-
Forward contracts (USD)	-	-
Other	-	-
Total	**(3 174)**	**-**

29. Deferred income tax

	31.12.2011 Carrying amount	31.12.2010 Carrying amount
Deferred tax assets		
- deferred tax asset realizable after 12 months	256 037	249 370
– deferred tax asset realizable within 12 months	153 494	147 311
	409 531	**396 681**
Offset of deferred tax asset against deferred tax liability within the Group	**(409 531)**	**(396 681)**
Deferred tax asset disclosed in the balance sheet	**-**	**-**
Deferred tax provision:		
- deferred tax provision to be settled after 12 months	365 746	335 514
– - deferred tax provision to be settled within 12 months	149 051	141 620
	514 797	**477 134**
Offset of deferred tax asset against deferred tax provision within the Group	**(409 531)**	**(396 681)**
Deferred tax liability disclosed in the balance sheet	**105 266**	**80 453**

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

	31.12.2011	31.12.2010
Opening balance	80 453	112 366
Acquisition of subsidiaries	16 056	-
Amount debited/(credited) to profit	9 075	(36 309)
Amount debited/(credited) to other items of comprehensive income	(318)	4 396
Closing balance	**105 266**	**80 453**

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

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 the costs of redemption of certificates of origin	Grants	Provision for disposal, reclamation and purchase of CO2 emissions allowances	Tax deductible expenses after the end of the settlement period	Other	Total
Balance as at 1 January 2010 – 19% rate	**3 872**	**101 706**	**102 998**	**17 687**	**41 177**	**4 395**	**60 233**	**34 993**	**367 061**
Change due to acquisition of subsidiaries	-	-	-	-	-	-	-	-	-
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**
Amount recognized in the financial profit/loss due to a change in temporary differences	(465)	8 221	(3 199)	5 210	(4 355)	(233)	13	7 904	13 096
Change recognized in equity	-	-	-	-	-	-	-	(246)	(246)
Balance as at 31 December 2011 – 19% rate	**3 859**	**117 491**	**97 491**	**46 885**	**33 111**	**2 089**	**56 472**	**52 133**	**409 531**

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 2010 – 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**
Amount recognized in the financial profit/loss due to a change in temporary differences	12 845	(6 769)	15 144	951	22 171
Acquisition of subsidiaries	3 903	-	8 012	4 141	16 056
Change recognized in equity	-	-	-	(564)	(564)
Balance as at 31 December 2011 – 19% rate	**73 600**	**41 133**	**361 325**	**38 739**	**514 797**

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

Deferred tax by items of comprehensive income:

	31.12.2011 Carrying amount	31.12.2010 Carrying amount
Deferred tax		
Due to income and expenses recognized in other items of comprehensive income		
Measurement of financial assets available for sale	318	(4 519)
Total	**318**	**(4 519)**
Reclassified to the income statement		
From cash flow hedges	-	-
Total	-	-
Income tax recognized other items of comprehensive income	**318**	**(4 519)**

The Group has no unrecognized deferred tax assets and liabilities.

30. Liabilities due to employee benefits

	31.12.2011	31.12.2010
Defined benefit plans:		
Retirement benefits		
- long-term portion	69 773	63 272
- short-term portion	16 178	15 758
	85 951	**79 030**
Right to energy allowance after retirement		
- long-term portion	166 038	160 196
- short-term portion	8 155	7 277
	174 193	**167 473**
Jubilee bonuses		
- long-term portion	178 412	166 524
- short-term portion	22 670	21 891
	201 082	**188 415**
Appropriation to the Company's Social Benefits Fund for pensioners		
- long-term portion	25 282	23 164
- short-term portion	1 128	1 059
	26 410	**24 223**
Total: Defined benefit plans		
- long-term portion	**439 505**	**413 156**
- short-term portion	**48 131**	**45 985**
	487 636	**459 141**
Salaries and wages and other liabilities		
- long-term portion	**14 858**	**14 978**
- short-term portion	**134 115**	**100 879**
	148 973	**115 857**
Total liabilities due to employee benefits		
- long-term portion	**454 363**	**428 134**
- short-term portion	**182 246**	**146 864**
	636 609	**574 998**

Based on an arrangement entered into by the representatives of staff and the Group, its 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 2011 (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:

- the probable number of leaving employees was determined based on historical data concerning staff turnover in the Group and industry statistics;
- the value of minimum remuneration in the Polish economy since 1 January 2012 was assumed at PLN 1 500.00;
- pursuant to announcements of the Chairman of the Central Statistical Office, the average salary in the Polish economy, less premiums for retirement, pension and health insurance paid by the insured was assumed at PLN 2,917.14 (average amount assumed for the second half of 2010, which will constitute the basis for calculating the appropriation to the Company's Social Benefits Fund in 2012 under the amendment to the Act on Company Social Benefits Fund dated 22 December 2011.)
- under the assumptions defined by the management of the Group, the growth of the average salary in the Polish economy was assumed at 10% in 2013 and at 5% in the remaining period of the projection,
- mortality rate and the probability of receiving benefits were adopted in line with the 2010 Life Expectancy Tables published by the Central Statistical Office;
- the value of the provision for disability benefits was not determined separately but the individuals receiving disability allowance were not taken into consideration in calculating the employee turnover ratio;
- standard retirement age was assumed: for men – 65 years and for women – 60 years of age, except for employees who meet early retirement requirements in line with the information provided by the Group.
- the long-term pay rise rate was adopted at the level of 3.1% (as at 31 December 2010: 3.5% - in the years 2011-2012; 3.2% - in 2013 and 3.5% in the following years);
- the interest rate for discounting future benefits was adopted at the level of 5.87% (5.77% as at 31 December 2010);
- the base value of the annual equivalent of the electricity allowance for pensioners, disability pensioners and other beneficiaries was adopted at the level of PLN 1,400.58 (PLN 1,319.32 as at 31 December 2010);
- as at 31 December 2011 the electricity price growth rate for 2012 was adopted at the level of 4.90%, for 2013 +11.10%, for 2014 +5.90%, for 2015 +7.30%, and for 2016 +10.40% (as at 31 December 2010 the rate adopted for 2011 was 5.30%, for 2012 +15.40%, for 2013 +8.30%, for 2014 +10.40%, and for 2015+11.00%);

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

- distribution charge growth rate for 2012 was adopted at the level of 5.70%, for 2013 +5.29%, for 2014 +3.64%, for 2015 + 3.19% and for 2016 + 3.22% (as at 31 December 2010 the rate adopted for 2011 was +2.20%, for 2012 +5.98%, for 2013 +5.64%, for 2014 +7.55% and for 2015 +5.58%);
- the average rise in the cash equivalent of the electricity allowance was adopted for 2012 at the level of 4.67%, for 2013 +10.40%, for 2014 +6.60%, for 2015 +7.30%, for 2016 +9.40%, for 2017 - 2018 at the level of +4.60%, for 2019 - 2022 +4.70%, for 2023 and the following years +2.50% (as at 31 December 2010 the increase in 2011 was adopted at the level of +5.40%, in 2012 +12.80%, in 2013 +8.80%, in 2014 +10.90%, in 2015 +10.60%, in 2016 - 2019 +4.60%, in 2020 - 2022 +4.70%, in 2023 and beyond +2.50%).

31. Provision for certificates of origin

Change in provision for certificates of origin

	31.12.2011	31.12.2010
Opening balance	**92 646**	**46 539**
Acquisition of subsidiaries	57	-
Increase in provision	12 779	107 576
Provision applied	(329)	(386)
Decrease in provision	(343)	(61 083)
Closing balance	**104 810**	**92 646**

32. Provisions for liabilities and other charges

Provision for liabilities and other charges divided into short and long-term portion

	31.12.2011	31.12.2010
Long-term	139 236	78 068
Short-term	69 742	89 325
Closing balance	**208 978**	**167 393**

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

Change in provisions for liabilities and other charges

for the period ended 31 December 2011

	Provision for non-contractual use of land	Provision for projected losses due to compensation proceedings	Provision for the cost of disposal or storage of ash and slag mixture	Provision for land reclamation	Provision for the environmental fee	Provision for purchasing CO2 emissions allowances	Other	Total
Opening balance	**53 324**	**74 631**	**2 334**	**9 890**	**17 663**	**907**	**8 644**	**167 393**
Reversal of discount and discount rate change	-	-	-	(429)	-	-	-	(429)
Increase in provisions	23 180	14 789	324	395	5 332	2 836	62 363	109 219
Provisions applied	-	(1 678)	-	-	(20 887)	(907)	(984)	(24 456)
Unused provision reversed	(17 956)	(7 200)	(1 282)	-	(14)	-	(16 297)	(42 749)
Closing balance	**58 548**	**80 542**	**1 376**	**9 856**	**2 094**	**2 836**	**53 726**	**208 978**

for the period ended 31 December 2010

	Provision for non-contractual use of land	Provision for projected losses due to compensation proceedings	Provision for the cost of disposal or storage of ash and slag mixture	Provision for land reclamation	Provision for the environmental fee	Provision for purchasing CO2 emissions allowances	Other	Total
Opening balance	34 385	45 836	4 107	7 629	-	11 109	8 651	**111 717**
Reversal of discount and discount rate change	-	-	-	1 507	-	-	-	1 507
Increase in provisions	46 796	43 996	190	754	17 663	72 819	12 371	194 589
Provisions applied	-	-	-	-	-	(82 899)	(555)	(83 454)
Unused provision reversed	(27 857)	(15 201)	(1 963)	-	-	(122)	(11 823)	(56 966)
Closing balance	**53 324**	**74 631**	**2 334**	**9 890**	**17 663**	**907**	**8 644**	**167 393**

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 amount recognized as a provision is the best estimate of the expenditure required to settle a claim. The cost of provisions is recognized under other operating expenses. A description of material claims and the related contingent liabilities has been presented in Notes 49.2, 49.5 and 49.6.

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

Provision is also created for the use of woodland managed by National Forests for the purpose of constructing power grids owned by the Group and for possible financial liabilities related to power grid assets.

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

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 using a discount rate of 5.87% (as at 31 December 2010 it was 5.77%).

As at 31 December 2011 the provision amounted to PLN 9.856 thousand (as at 31 December 2010 it was PLN 9.890 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 using the rate of 5.87% (as at 31 December 2010 it was 5.77%).

As at 31 December 2011 the provision amounted to PLN 1,376 thousand (as at 31 December 2010 it was PLN 2,334 thousand).

Provision for purchasing CO_2 emissions allowances

As at 31 December 2011 the provision determined based on the market price of CO2 emissions allowances amounted to PLN 2,836 thousand (as at 31 December 2010 it was PLN 907 thousand).

33. Net sales revenue

	01.01.2011 -31.12.2011	**01.01.2010 - 31.12.2010**
Revenue from sales of electricity	6 508 001	4 995 638
Revenue from sales of distribution services	2 642 110	2 526 943
Revenue from sales of goods and materials	123 357	111 695
Revenue from sales of other services	287 855	132 821
Revenue from sales of certificates of origin	19 230	-
Compensation to cover stranded costs	2 472	15 580
Revenue from sales of heat	105 924	54 198
Total net sales revenue	**9 688 949**	**7 836 875**

34. Costs by type

	01.01.2011 - 31.12.2011	**01.01.2010 - 31.12.2010**
Amortization and depreciation	(711 591)	(652 672)
Consumption of materials, raw materials, value of goods and materials sold	**(1 744 871)**	**(1 535 465)**
- consumption of materials and energy	(1 604 755)	(1 394 166)
- bonus from suppliers	899	452
- value of goods and materials sold	(141 015)	(141 751)
External services	**(1 128 766)**	**(1 057 890)**
- transmission services	(713 880)	(693 340)
- other external services	(414 886)	(364 550)
Costs of employee benefits	**(1 012 410)**	**(924 356)**
- salaries and wages	(749 951)	(675 533)
- social security and other benefits	(262 459)	(248 823)
Taxes and charges	(204 841)	(199 959)
Value of energy purchased for resale	(4 112 557)	(2 689 513)
Total costs of products, goods and materials sold, costs of sales and marketing and general and administrative costs	**(8 915 036)**	**(7 059 855)**

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

35. Costs of employee benefits

	01.01.2011 - 31.12.2011	01.01.2010 - 31.12.2010
Payroll expenses, including:	**(749 951)**	**(675 533)**
- current salaries and wages	(715 808)	(642 304)
- jubilee benefits	(20 638)	(22 072)
- retirement benefits	(6 576)	(5 686)
- other	(6 929)	(5 471)
Social security and other benefits	**(262 459)**	**(248 823)**
- Social Security Premiums	(131 100)	(124 531)
- appropriation to the Company's Social Benefits Fund	(31 884)	(31 548)
- other social benefits	(75 827)	(68 843)
- other post-employment benefits	(11 036)	(4 558)
- other	(12 612)	(19 343)
Total	**(1 012 410)**	**(924 356)**

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 Group before 29 June 2007 (except for employees of 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 implies that in the event the employer fails to comply with the guarantees, employment contracts may not be terminated without payment of additional benefits to employees who, at the expiry of the guarantees, have maximum four years to satisfy the conditions to acquire pension rights.
Under the employment guarantees, 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.

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.

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

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.

36. Other operating revenue and expense

Other operating revenue

	01.01.2011 - 31.12.2011	01.01.2010 - 31.12.2010
Release of provisions for damages claims	6 857	18 941
Release of other provisions	13 824	2 039
Reimbursement of expenses by an insurance company	4 784	3 700
Settlement of income due to subsidies and connection fees	6 572	6 599
Damages, fines, penalties	20 844	4 936
Reversal of unused impairment losses	10 912	10 162
Fixed assets received free of charge	55 387	20 301
Profit due to bargain purchase	81 988	-
Other operating revenue	47 163	17 614
Total	**248 331**	**84 292**

Other operating expenses

	01.01.2011 - 31.12.2011	01.01.2010 - 31.12.2010
Cost of provisions for damages	(16 988)	(38 777)
Cost of other provisions	(62 438)	(31 543)
Impairment loss on receivables	(23 187)	(11 572)
Write-off of irrecoverable receivables	(2 509)	(10 112)
Impairment loss on inventories	(6 613)	(3 197)
Costs of court proceedings	(7 571)	(8 464)
Trade union related expenses	(1 494)	(1 245)
Write-down of goodwill	-	(385)
Other operating expenses	(37 936)	(30 786)
Total	**(158 736)**	**(136 081)**

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

37. Financial revenue

	01.01.2011 - 31.12.2011	01.01.2010 - 31.12.2010
Interest income	91 113	60 806
Exchange differences	3 243	-
- exchange differences on credit facilities and loans	-	-
- other exchange differences	3 243	-
Profit on sales of financial investments	9 781	5 589
Change in the fair value of financial instruments	78 715	72 380
Liabilities due to purchase of other shares in subsidiaries	38	-
Other financial revenue	1 180	1 718
Total	**184 070**	**140 493**

Financial revenue by financial asset category:

	01.01.2011-31.12.2011	01.01.2010-31.12.2010
Bank deposits	36 384	26 896
Investments available for sale	10	-
Other loans and receivables	3 393	3 031
Investments held to maturity	30 587	10 441
Other interest	20 739	20 438
	91 113	**60 806**
Profit on sales of financial investments	9 781	5 589
	9 781	**5 589**
Gains on measurement of financial assets measured at fair value through profit or loss in line with the fair value measurement option	78 753	72 380
	78 753	**72 380**
Exchange gains	3 243	-
Other	1 180	1 718
	4 423	**1 718**
Total	**184 070**	**140 493**
Continuing operations	184 070	140 493
Total	**184 070**	**140 493**

Interest revenue from financial assets by asset category

	01.01.2011-31.12.2011	01.01.2010-31.12.2010
Bank deposits	36 384	26 896
Financial assets available for sale	10	-
Loans and receivables (including cash at hand and bank deposits)	3 393	3 031
Investments held to maturity	30 587	10 441
Other	**20 739**	**20 438**
Total	**91 113**	**60 806**

38. Financial expenses

	01.01.2011 - 31.12.2011	01.01.2010 - 31.12.2010
Interest expense	(9 901)	(10 661)
- interest expense on loans and credit facilities	(5 289)	(4 506)
- finance lease expenses	(415)	(354)
- other interest	(4 197)	(5 801)
Exchange differences	(5 151)	(1 023)
- exchange differences on credit facilities and loans	(6 419)	1 742
- other exchange differences	1 268	(2 765)
Costs of discounted liabilities due to employee benefits	(25 043)	(24 817)
Liabilities due to purchase of other shares in subsidiaries	(9 782)	(2 844)
Change in the fair value of financial instruments	5 349	-
Other financial expenses	(2 359)	(1 658)
Total	**(46 887)**	**(41 003)**

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

	01.01.2011-31.12.2011	01.01.2010-31.12.2010
Interest on bank credit facilities and loans	(5 289)	(4 506)
Interest on finance lease liabilities	(415)	(354)
Other interest expense	(4 197)	(5 801)
Total interest expense	**(9 901)**	**(10 661)**
Loss on measurement of financial assets measured at fair value through profit or loss in line with the fair value measurement option	5 349	-
Liabilities due to purchase of other shares in subsidiaries	(9 782)	(2 844)
Loss on derivatives in fair value hedge relationships	-	-
	(4 433)	**(2 844)**
Exchange losses	(5 151)	(1 023)
Provision discount reversed	(25 043)	(24 817)
Other	(2 359)	(1 658)
	(32 553)	**(27 498)**
Total	**(46 887)**	**(41 003)**
Attributable to:		
Continuing operations	(46 887)	(41 003)
	(46 887)	**(41 003)**

39. Income tax

	01.01.2011 - 31.12.2011	01.01.2010 - 31.12.2010
Current tax	(185 778)	(210 144)
Deferred tax	(9 075)	36 309
Total	**(194 853)**	**(173 835)**

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:

	01.01.2011 - 31.12.2011	01.01.2010 - 31.12.2010
Profit/(loss) before tax	987 374	813 216
Tax at a 19% rate	**(187 601)**	**(154 511)**
Non-deductible costs reduced by non-taxable revenue (permanent differences) *19%	(16 444)	(17 508)
Non-taxable revenue (permanent differences * 19%)	5 294	2 665
Other *19%	3 898	(4 481)
Amount charged to profit or loss due to income tax	**(194 853)**	**(173 835)**

40. Dividend

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

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

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

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

41. Earnings per share

	01.01.2011 - 31.12.2011	01.01.2010 - 31.12.2010
Net profit attributable to shareholders of the Parent	793 292	639 262
Number of ordinary shares	441 442 578	441 442 578
Net earnings per share (in PLN per share)	**1,80**	**1,45**
Diluted earnings per share (in PLN)	**1,80**	**1,45**

42. 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 agreements under civil law.
- 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:

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

Members of the Management Board and Supervisory Board are subject to the provisions of the Act of 3 March 2000 on remuneration of persons managing certain legal entities (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. Managerial contracts with Members of the Management Board of the Parent were concluded on 28 June 2011.

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

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

Company body	Balance as at 01.01.2011	Granted on 01.01.2011	Maturing on 31.12.2011	Balance as at 31.12.2011
Management Board	-	-	-	-
Supervisory Board	29	5	(13)	**21**
TOTAL	**29**	**5**	**(13)**	**21**

Company body	Balance as at 01.01.2010	Granted on 01.01.2010	Maturing on 31.12.2010	Balance as at 31.12.2010
Management Board	21	-	(21)	-
Supervisory Board	29	11	(11)	**29**
TOTAL	**50**	**11**	**(32)**	**29**

Other transactions resulting from agreements under civil law concluded between the Parent 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. One of the most important buyers of the ENEA Capital Group among entities controlled by the State Treasury is Polskie Sieci Energetyczne Operator S.A. In 2011 the net sales to the entity amounted to PLN 190,894 thousand (in 2010 it was PLN 244.402 thousand).

43. Concession arrangements on the 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 (Journal of Laws 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 (Journal of Laws 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 (Journal of Laws 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 (Journal of Laws of 2007 no. 130 item 905 as amended);
- Information of the President of ERA no. 34/2011 of 25 October 2011 regarding 2012 transition fees.

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

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

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 2 820 MW.

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

Other amendments to the concession:

• 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.

• 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-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 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.

• No. WEE/11-ZTO-F/1271/W/OWA/2011/RW of 21 June 2011 for generation of electricity in a source named Elektrownia "Kozienice" S.A. with total installed capacity of 2,845 MW and total generating capacity of 2,905 MW. The amandment pertains to the change in the installed and generating capacity of 25 MW in the power unit 10.

The concession expands business activities of Elektrownia "Kozienice" S.A. The change regards cogeneration of electricity in units of generating capacity amounting to 560 MW and 560 MW during combustion of conventional fuel (hard and stove coal), and cogeneration of electricity in eight units 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.)

Concession for trading in electricity:

• No. OEE/334/1271/W/1/2002/MW of 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 MWt. (since 31 August 2007).

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

Other amendments to the concession:

• 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 cogenerating heat and from combustion of conventional fuel (hard coal, heating oil) or from co-combustion of the fuel and biomass in eight steam boilers providing heat to eight turbines cogenerating heat.

• No. WCC/256-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. WCC/256-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. WCC/256-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.

• No. WCC/256-ZTO-F/1271/W/OWA-2011/RW of 21 June 2011 for generation of electricity in a source named Elektrownia "Kozienice" S.A. with total installed capacity of 2,845 MW and total generating capacity of 2,905 MW. The amendment pertains to the change in the installed and generating capacity in the power unit 10 of 25 MW.

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.)

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.)

Elektrownia "Kozienice" S.A. has been current with payments related to concessions. It filed a statement on meeting concession requirements and making appropriate payments to the President of ERO in due time.

ELKO Trading Sp. z o.o. has a concession for trading in electricity in the period from 1 February 2011 to 31 December 2030. The concession covers business activities consisting in trading in electricity for the needs of buyers located in Poland.

44. 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. 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 stranded cost adjustment.

a/ 2008 settlements

In 2008 Elektrownia "Kozienice" S. A. received advance payments for stranded 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 stranded 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 stranded 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 stranded 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 the consolidated financial statements for 2010 as sales revenue.

c/ 2010 and 2011 settlements

In 2010 the Company requested an advance payment to cover stranded costs of PLN 0. In 2010 revenue due to compensation for 2010 were not recognized (the financial statements disclosed only the annual adjustment for 2009). On 29 July 2011 the President of the Energy Regulatory Office determined the annual adjustment of stranded costs for 2010 at PLN 2,472 thousand. This decision is also unfavorable for the Company and on 18 August 2010 the Company appealed against it to the Regional Court of Competition and Consumer Protection in Warsaw. On 30 September 2011 Elektrownia "Kozienice" S. A. received the amount of annual adjustment for 2010 of PLN 2,472 thousand from Zarządca Rozliczeń S. A. Formal issues and procedures are still being carried out.

The Company requested for an advance payment to cover stranded costs of PLN 3,500 thousand for 2011. By 5 January 2012 Zarządca Rozliczeń S. A. made advance payments for four quarters of 2011 for the total amount of PLN 3,500 thousand. Between January and December 2011 the Company recognized revenue due to compensation only up to the annual adjustment of stranded costs for 2010, i.e. PLN 2,472 thousand.

The Company requested for an advance payment to cover stranded costs of PLN 0 for 2012.

Assuming that the appeal against the decision of the President of the Energy Regulatory Office concerning annual adjustments for 2008 and 2009 are favorable for Elektrownia "Kozienice" S.A.:
- the annual adjustment for 2009 is estimated at PLN +111,100 thousand.

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 22 June 2011 the Court of Appeals dismissed the complaint of Zarządca Rozliczeń S.A. against the decision of the Court of Competition and Consumer Protection of 21 October 2010 and the refusal to admit Zarządca Rozliczeń to case concerning the 2008 LCT as a party concerned. This way it was not granted the status of a party to the proceedings in the 2008 LCT case.
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 measures and procedures are still being carried out.

A hearing regarding cancellation of the decision of the President of ERO determining the annual adjustment for 2008 was arranged by the Office for Competition and Consumer Protection at 20 February 2012.
On 20 February 2012 the Regional Court in Warsaw – Court of Competition and Consumer Protection deferred the hearing due to illness of a judge and arranged a new hearing date at 20 April 2012.

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.
As at the date of preparation of these consolidated financial statements it was not possible to clearly specify the final annual adjustments for 2008, 2009 and 2010 (the results of the appeal against the decision of the President of the Energy Regulatory Office concerning annual adjustment for 2008, 2009 and 2010 are not known). The full amount of the granted allowed public aid related to compensation of orphaned cots will be determined by the decision of the President of ERO, defining the amount of the final adjustment, which will be issued in 2015, In view of the above, the LTC revenue recognized so far, which have been based on the annual adjustments determined by the President of the Energy Regulatory Office, may change as a result of the above decision of the President of the Office concerning the final adjustment.

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

45. 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:

	31.12.2011	31.12.2010
Up to 1 year	93 876	8 148
1 – 5 years	316 200	26 253
Over 5 years	340 626	292 901
	750 701	**327 302**

Operating lease payments recognized in expenses

	31.12.2011	31.12.2010
Minimum lease payments	(1 240)	(871)
Contingent lease payments	-	-
Revenue from sub-lease	-	-
	(1 240)	**(871)**

Operating lease agreements of the entities in the ENEA Group have been presented below:

ENEA S.A. - the object of the lease is a set of lighting equipment used for improving the quality and effectiveness of road lighting in the community area. The agreement has been concluded for a limited period. After the end of the lease period, the lessee becomes the owner of the object of the lease specified in the agreement. The lessee is obliged to pay a lease rental based on a VAT invoice issued by the lessor.

ITSERWIS Sp. z o.o. - VW Passat, the lease period of 48 months, long-term lease agreement with a service option, insurance, with the mileage limit of 160 thousand kilometers; a fee for exceeding the limit of 0.38 PLN/km; residual value of the car of PLN 30,447.52 with no right to terminate the agreement by the lessor.

Auto-Styl Sp. z o. o. - The following operating lease agreements were binding as at 31 December 2011: agreement No. H381Y – painting chamber/preparation zone – net value of PLN 42,253.36 (amount payable in 2012 - PLN 3,498.00); agreement No. H3839 – double-pillar lift – net value of PLN 24,944.00 (amount payable in 2012 - PLN 1,272.00).

Elektrownia Kozienice S.A. - 19 operating lease agreements for 18 passenger cars and 1 truck. Lease agreements with Volkswagen Leasing Polska S. A.were concluded in 2011 (on 15 March, 26 October and 1 December) for the period of 36 months. After the end of the lease period, the lessee is entitled to purchase the cars leased.

PEC Oborniki Sp. z o.o. - operating lease agreement on a two-stage system of gas extraction in the boiler house: the agreement expires in November 2012. As at 31 December 2011 the outstanding amount was PLN 125 thousand, including 14 thousand due to the purchase of equipment leased.

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

MEC Piła Sp. z o. o. - Volskwagen Polska Leasing Sp. z o. o. - SEAT LEON - operating lease with a 36 lease period binding since April 2011.

EC Białystok S.A. - 2 VW passenger cars.

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

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

	31.12.2011	31.12.2010
Acquisition of property, plant and equipment	739 408	321 744
Acquisition of intangible assets	10 522	8 459
	749 930	**330 203**

47. Employment

	12 months ended 31.12.2011	12 months ended 31.12.2010
Blue-collar positions	5 306	5 395
White-collar positions	4 948	4 838
TOTAL	**10 253**	**10 233**

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

48. 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 (44.74% of the sales value), rather than to the industrial sector.

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

49.1. Sureties and guarantees

On 25 May 2011 upon a request of Auto-Styl Sp. z o.o. a bank guarantee was extended for benefit of Iberia Motor Company. The collateral amount is PLN 150 thousand.

In 2010 the Group did not grant any sureties or guarantees.

49.2. Pending proceedings before courts of general jurisdiction

Actions brought by the Group

Actions which ENEA S.A. and ENEA Operator Sp. z o.o. brought to courts of general jurisdiction 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).

Actions brought to courts of general jurisdiction by Elektrownia "Kozienice" S.A. are connected mainly with claims for receivables due to breaches of forwarding agreements and liquidated damages from biomass suppliers.

As of 31 December 2011, the total of 9,198 cases brought by the Group were pending before common courts for the total amount of PLN 58,844 thousand (6,910 cases for the total amount of PLN 44,571 thousand as at 31 December 2010).

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 49.5).

Court proceedings against Elektrownia "Kozienice" S.A. are related to claims of former employees for salaries and compensations for PLN 653 thousand, Gospodarstwo Ogrodnicze w Ryczywole Kamila Lewek Wiśniewska Jacek Pospieszył spółka cywilna. The claim concerns remedying damages resulting from the operation of the plant owned by Elektrownia "Kozienice" located on the land neighboring with the land of Gospodarstwo Ogrodnicze, by way of paying PLN 5,082 thousand. Other proceedings are related to the claim of Centrum Konsultingu Menedżerskiego Gordion Sp. z o.o filed after petition for arbitration - the amount claimed is PLN 5,018 thousand (during a conciliatory session on 17 June 2010 the parties failed to reach an agreement and Centrum Konsultingu Menadżerskiego Gordion Sp. z o.o. filed a claim to the Regional Court in

Lublin); and the claim of Polish Business Offers Sp. z o.o. to start arbitration - the amount claimed is PLN 2,370 thousand (violation of personality rights). The parties failed to reach an agreement.

As at 31 December 2011 there were 671 cases pending before common courts which have been brought against the Group for the total amount of PLN 92,696 thousand (539 cases for the total amount of PLN 68,941 thousand as at 31 December 2010). Provisions related to the court cases have been presented in Note 32.

49.3. Arbitration proceedings

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

49.4. Proceedings before public administration bodies

Pursuant to a decision of the President of the Office of Competition and Consumer Protection of 12 September 2008 which closed the proceedings for charging customers with a double subscription fee for January 2008, ENEA S.A. was obliged to pay a fine of PLN 160 thousand. The Company appealed against the decision on 30 September 2008. On 31 August 2009 the Regional Court in Warsaw – Court of Competition and Consumer Protection reduced the fine to PLN 10 thousand. On 25 September 2009, ENEA appealed against the judgment issued by the Court of Competition and Consumer Protection to the Court of Appeals in Warsaw applying for reversal of the 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 dismissed the appeal of ENEA S. A. against the decision of the President of the Office of Competition and Consumer Protection of 12 September 2008 and upheld the PLN 10 thousand fine imposed on the Company. Having obtained the grounds for the decision, on 20 April 2011 the Proxy of ENEA S.A. appealed against the decision to the Court of Appeals in Warsaw, VI Civil Law Division. On 8 February 2012 the Court of Appeals dismissed the appeal of ENEA S.A. On 7 March 2012 ENEA S. A. paid a fine of PLN 10 thousand in line with the decision of the Court of Competition and Consumer Protection of 27 January 2011.

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. On 17 March 2011 the Court of Appeals overruled the decision of the President of the Office of Competition and Consumer Protection. The ruling is final and the President of the Office of Competition and Consumer Protection did not file a last resort appeal.

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

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

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: Elektrownia Kozienice 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 individual months of 2006 and the amounts specified in the original tax return were correct.

Proceedings related to overpaid tax for 2007: Elektrownia Kozienice 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 individual 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, the Office Head 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 individual 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.

Elektrownia Kozienice 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 individual months of 2008 and which set the tax liability for a certain period.

Proceedings related to overpaid tax for January 2009 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, the Office Head 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 individual 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.

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 January and February 2009 and which set the tax liability for a given period.

The Administrative Court in Warsaw, VIII Division in Radom, gave rulings which accepted the complaints of Elektrownia "Kozienice" S. A. and overruled the decisions of the Director of the Customs Chamber in Warsaw and earlier decisions of the Head of the Radom Customs Office concerning the amounts of excise duty for the period from January 2006 to February 2009. The Head of the Customs Chamber in Warsaw filed last resort appeals against the rulings in question.

The Administrative Court in Warsaw, VIII Division in Radom, issued rulings which dismissed the complaints of Elektrownia "Kozienice" S. A. and overruled the decisions of the Director of the Customs Chamber in Warsaw and earlier decisions of the Head of the Radom Customs Office on the amounts of excise duty for the period from January 2006 to February 2009. Last resort appeals are being prepared.

In November 2010 Elektrownia "Kozienice" S. A. recognized a provision of PLN 5,066,322 (plus interest as at 30 November 2010 of PLN 1,159,426) 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 PRTR report.

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 recognized a 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 amounts to PLN 4,886,744, and for 2010 to PLN 5,806,321. Interest provisioned for covering the year 2009 and the first half of 2010 (the fee for the second half of 2010 has not been yet paid) amounted to PLN 693,851 and for the first and second half of 2008 (from 1 December 2010 to 31 December 2010) - to PLN 51,635.

The representative of Elektrownia "Kozienice" appealed against both decisions (of 23 December 2010, ref. No. KOA/2563/Oś/10 and KOA/2562/Oś/10) to the Provincial Administrative Court in Warsaw. On 1 April 2011 the Provincial Administrative Court in Warsaw heard both cases: ref. No. IV SA/Wa 296/11 and IV SA/Wa 297/11. In the decisions issued, both complaints of Elektrownia "Kozienice" S.A. were dismissed.

On 16 June 2011 the representative of Elektrownia „Kozienice" filed last resort appeals to the Supreme Administrative Court against both rulings of the Provincial Administrative Court on cases No. IV SA/Wa 296/11 and IV SA/Wa 297/11. The Supreme Administrative Court has not determined the hearing dates yet.

Due to the nature of the Group's business, there were many other proceedings before the public administration bodies as of 31 December 2011.

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 2011 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.

49.5. 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).
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. 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.

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

The Act of 17 December 2010 amending the act on forests and the act on environmental protection (Journal of Laws of 2010, No. 34, item 2572 as amended), which came into force in March 2011 laid legal grounds for establishing transmission easement for consideration on real property owned by the State Treasury and managed by National Forests by forest district offices for the benefit of energy companies. In accordance with the Act, the consideration depends on the amount of taxes and charges incurred by the National Forests with relation to the part of the real property the use of which is limited due to the easement.
In course of preparation for the implementation of the statutory provisions, the Group carried out a physical measurement of land managed by the National Forests where elements of the energy distribution system owned by the Group are located and recognized a relevant provision for the potential payments to the National Forests. Moreover, the Group started talks with the National Forests aimed at determining the scope of transmission easement and the amount of related expenses. Agreements concluded with particular forest district offices will allow for resolving issues related to locating electricity networks in the woodlands and will enable the Group to use these networks lawfully. Obtaining a title to use land in the woodlands will facilitate exploitation, renovation and modernization of electricity lines and carrying out new investment projects.

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

Better access to the network and appropriate cutting of trees and branches will reduce the risk of breakdowns and improve security of electricity supplies.

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

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 32.

50. CO_2 emissions allowances

As at 31 December 2011, the status of carbon dioxide emissions allowances was as follows:

	Number thousand tons
CO2 emissions allowances for 2011	
granted	707 165
used	(495 424)
purchased	5 063
sold	(299 056)
Balance as at 31 December 2011	**(82 252)**

As at 31 December 2010, the status of carbon dioxide emissions allowances was as follows:

	Number thousand tons
CO2 emissions allowances for 2010	
brought forward	
granted	9 637
used	(10 836)
purchased	3 118
sold	
Balance as at 31 December 2010	**1 919**

51. Changes in excise

On 1 March 2009, an amendment to the Act on Excise Duty of 23 January 2004 came into force. Polish excise regulations required an amendment in order to comply with the EU laws. Based on the amendment, the excise 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 duty (before it was paid by Elektrownia "Kozienice" S.A.).

On 12 February 2009 the European Court of Justice issued a ruling 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 49.4.

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

52. 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 intended to sell the 225,135,940 shares with the face value of PLN 1 each.

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 2010 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 underwriter) 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 it decided to grant Electricite de France S.A. the right to exclusive negotiations. On 1 April 2011, the Minister of the Treasury decided to close the process of sales of 51% of shares in ENEA S.A. (inconclusive).

53. Post balance sheet events

On 9 February 2012 the Company published an invitation to negotiations concerning acquisition of a block of 4,400 shares with the face value of PLN 500 each - owned by ENEA S. A. and accounting for 100% of the share capital of Auto-Styl Sp. z o.o. with its registered office in Zielona Góra.

On 16 February 2012 ENEA S. A. concluded an agreement on the sale of shares of Przedsiębiorstwo Produkcji Strunobetonowych Żerdzi Wirowanych WIRBET S. A., constituting 49% of the entity's share capital for the total amount of PLN 12,917.3 thousand.

On 23 February 2012 the Company published an invitation to negotiations concerning acquisition of a block of 12,728 shares with the face value of PLN 500 each - owned by ENEA S. A. and accounting for 100% of the share capital of ITSERWIS Sp. z o.o. with its registered office in Zielona Góra.

On 24 February, the Supervisory Board of ENEA S.A. appointed Janusz Bil to the position of a Member of the Company's Management Board in Charge of Commercial Affairs.

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

ON 23 January 2012, Elektrownia "Kozienice" S.A. and Kopalnia LW "Bogdanka" S.A. concluded a long-term agreement on supply of power coal for the newly constructed power unit. The agreement expires at the end of 2036.

At present, Elektrownia "Kozienice" S.A. and Kopalnia LW "Bogdanka" S.A. have concluded two long-term agreements whose total value for the years 2011-2036 approximates PLN 22,772 billion.

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